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**Telefónica UK Ltd response to Ofcom's Call for Input:**
**"Measuring mobile quality of experience"**
23 January 2013

*Introduction*

1.  This is Telefónica UK Limited's ('Telefónica's) response to Ofcom's call for input, "Measuring mobile voice and data quality of experience" ('Call for Input'). We have not responded to each specific matter set out in the Call for Input but have provided a comprehensive overview of the proposals which we hope Ofcom will find helpful.

2.  O2 is the commercial brand of Telefónica with over 23 million customers[1] and an award-winning mobile network. We most recently secured 'Best Network Operator' at the 2013 Mobile News Awards where we also won 'Best Innovative Service' for O2 Priority Moments[2].

3.  Telefónica welcomes the opportunity to respond to the Call for Input. Ofcom is right to be alert to changing consumer demands of mobile networks as a consequence of the steep uptake in smartphones and tablets and the thirst for ever data-hungry services[3]. Telefónica has been acutely aware of the demands on its network for some time and is firmly committed to providing everyone with brilliant digital experiences.

4.  To that end, Telefónica is investing over £1million a day to ensure its customers can do what they want, when they want and that its network is agile enough to satisfy a range of different customers. Such heavy investment underpins our promise to customers to drive network improvements[4], and signals a period of great transition in terms of network infrastructure, data collection, 4G and future digital services. Mobile networks are, in short, on the verge of a new age of network quality, information and innovative digital experiences.

5.  In order to greet this new age confidently mobile networks and Ofcom must remain focused on the positive consumer outcomes that are imminent and

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[1] www.o2.co.uk/news. O2 runs 2G and 3G networks and was the first to trial 4G/LTE, reaching speeds of over 100Mpbs, as well as owning half of Tesco Mobile. It also operates Be, O2 Wifi, O2 Health, O2 Unify, O2 Media, O2 Wallet and has recently launched the TuGo application. Telefónica UK Limited is part of Telefónica Europe plc which uses O2 as its commercial brand in the UK, Ireland, Slovakia, Germany and the Czech Republic and is a business division of Telefónica SA.

[2] http://www.mobilenewscwp.co.uk/2013/03/15/o2-wins-hat-trick-of-gongs-at-mobile-news-awards-2013/
Telefónica has also won Best Network (2012 Mobile Industry Awards), Network Operator of the Year (Mobile News Awards 2012), Which? Best Technology Services Provider 2012, USwitch Award for street stats – 3G Fastest Network, amongst others.

[3] Extract from Ofcom Consumer Experience Report 2012: "*The increased take-up of smartphones is enabling consumers to access new data services on their mobile phones. This has lead to an increase in the level of smartphone data consumption, which has doubled; from 71Mb in July 2010 to 154Mb in February 2012*"
http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-12/Consumer_Experience_Researc1.pdf

[4] http://www.o2.co.uk/network

resist diverting attention and valuable resources on myopic projects that are unlikely to deliver any tangible consumer benefit. That is not to say that, when faced with a period of such radical change, we don't empathise with Ofcom's desire to anticipate customers' needs, but such projections must be rooted in firm evidence of an existing need or market failure – evidence which we think is absent from Ofcom's assessment.

6. Ofcom states that "*the market can only operate effectively when consumers are able to compare the quality of the services on offer*…[5]," but fails to support that statement with evidence of an ineffective market. On the contrary, Ofcom have widely acknowledged that "*The UK is the most price competitive mobile phone market in Europe* [6]", and further, that 95% of mobile consumers express overall satisfaction with their service[7]. These figures reinforce the results of Ofcom's survey which reports that only 6% of respondents reported they were dissatisfied[8].

7. In this light it is hard to see how Ofcom can suggest that the current market is, somehow, failing consumers with inadequate network information and that consequently it is operating ineffectively.

8. The transition that the industry is going through will deliver major benefits in service quality, customer experience and customer understanding of what they can expect from the network. And the accompanying evolution of coverage information and checkers will, we think, offer more useful and more accurate information than anything Ofcom is proposing in its Call for Input.

9. At the heart of this project is the desire to ensure customers have access to information that will give them a good idea of the experience they can expect before purchasing a mobile contract and the ability to compare that experience against competing services. We firmly support this ideal and consider that the market is already delivering a large proportion of that ideal outcome already. Accordingly, we have strong reservations about whether Ofcom's proposals will offer any incremental benefit to consumers, particularly when we are concerned that the proposals will not be able to:
   a. accurately reflect a customer's experience on each network,
   b. deliver 'better' customer purchasing decisions,
   c. deliver a fair like-for-like comparison without incurring a disproportionate cost,
   d. Promote competition in the 4G market, but risks distorting

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[5] Para 1.2 Call for Input http://stakeholders.ofcom.org.uk/binaries/consultations/mobile-voice-data-experience/summary/condoc.pdf
[6] http://media.ofcom.org.uk/2013/01/23/bidding-in-4g-auction-under-way/ - referring to the Ofcom International Communications Market Report
http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr12/icmr/ICMR-2012.pdf
[7] P.353, Figure 5.81 Ofcom Communications Market Report 2012
http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr12/CMR_UK_2012.pdf
[8] Para 2.9 Call for Input

competition and slowing down progress,

    e. Motivate businesses to drive network improvements or further competition.

*The customer experience*

10. Before one can assess the quality of a customer's experience, they must first accurately determine what that experience is. Ofcom attempts to do this at Section 2 of the Call for Inputs but does so without any research on how customers actually use their mobile devices.

11. An O2 mobile customer's experience is not limited to the mobile network in the way Ofcom describe. O2 customers are able to access O2 Wifi and BT Openzone Wifi hotspots, O2 Priority Moments, Priority Tickets, Priority Sports, Think Big and O2 Health and the recently launched TuGo application. This is in addition to a tailored support from O2 Gurus, friendly and helpful customer service advisors, web chat and community forums.

12. The access to Wifi should not be underestimated. The majority of tablets are purchased with wifi-only options and initial indications are that [✂] of our customers' data is consumed over wifi. As a result, by failing to properly consider how customers use their mobile devices, Ofcom's proposals will paint an incomplete picture of customers' experiences, potentially mis-informing their purchasing decisions, rather than enhancing them.

13. Wifi no longer provides a simple alternative to accessing data, it can now provide customers with a solution to traditional mobile voice and data coverage problems following innovations like 'TuGo[9]'. TuGo allows O2 Pay Monthly customers to dial or text anyone using the wifi network.

14. Ofcom stresses that "*the ability to make or receive calls or texts is consistently selected as the most important feature when thinking about their mobile operators….",* highlighting a particular importance for customers in Wales and Northern Ireland who say it is the most important factor when choosing a provider. TuGo offers those customers who experience poorer service in their locations an opportunity to make or receive calls or texts without needing to resolve the traditional barriers to better mobile coverage, by providing the customer with mobile calls and texts, but not relying on the mobile network to do so. This also means that Ofcom 's assessment of the existing problems with mobile coverage and the kind of information customer's need to make informed purchasing decisions to get the services they want is already out of date.

15. Additionally, from June 2013, Telefónica will provide its customers with access to Wifi at a number of London Underground stations - further signs of

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[9] http://www.o2.co.uk/tugo/want-it?cm_mmc=googleuk-_-Handsets-_-TU+Go+-+O2+-+DT-_-Tu+Go+-+Exact+tugo+exact

a trusted digital company anticipating and meeting customers' digital demands.

16. In this light, Ofcom's proposals appear short-sighted and that they will fail to provide customers with the opportunity to consider an accurate and complete package of services that they are could be purchasing with an airtime agreement.

17. O2 customers' digital experiences cannot be accurately and fairly compared with any one of our competitors. If the 'experience' is defined too narrowly it risks overlooking important services like TuGo and the comparison is incomplete and misleading. If the 'experience' is defined more broadly then, given that competitors do not yet offer their customers innovative services like TuGo, then the services cannot be compared fully within the metrics proposed by Ofcom.

***The purchasing decision***

18. The Call for Input is silent on any research or evidence to support its belief that customers are currently making sub-optimal purchasing decisions. We would also be interested in seeing any evidence about how customers currently use or compare coverage information when making purchasing decisions and whether or how a change in information (of type or presentation) might influence those decisions, for the better or worse.

19. Ofcom report that a '*significant minority*[10]' of consumers are not satisfied with the QoE of their mobile services, but there is no accompanying evidence that shows us whether or how those respondents used existing coverage checkers or network information before purchasing the service that they are dissatisfied with, nor how many would go on to use the information that Ofcom proposes to collect and report.

20. Our experience is that most customers refer to friends and family to inform them about coverage issues prior to making their purchasing decisions - this is, in fact, the first step Ofcom recommends in its consumer advice leaflet 'Maximising Mobile Coverage'[11].

21. Those customers are then supported by the coverage checkers of their shortlist of mobile operator candidates, which Ofcom's own research confirmed are easy to use[12].

22. From this perspective, it is not clear how Ofcom's proposed set of abstract

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[10] Paragraph 2.16, Call for Input

[11] http://consumers.ofcom.org.uk/files/2010/11/maximising-coverage.pdf

[12] Omnibus Research for Ofcom, 'Mobile Coverage Checkers'. Figure 3.3 – 93% respondents found coverage checkers very or fairly easy to use. http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/not-spots/mobile-coverage/research.pdf

metrics and numbers[13] will be of any real value to customers over and above that already provided by the networks and which have been proven to be useful to customers[14].

23. An assessment of our own customers' self-declared reasons for leaving indicates that only [✂] of our customers leave because of network issues and that network issues account for around [✂] of overall complaints[15] – these are not figures that suggest that QoE information is creating an ineffective and dysfunctional market.

***The Fixed Broadband Speeds Report***

24. Although we appreciate why Ofcom has attempted to draw parallels between the proposed outcomes of this project and the improvements in the fixed broadband market following the publication of Ofcom's fixed line broadband speeds research, we do not think the products are sufficiently similar to conclude that the outcomes will be the same.

25. Notwithstanding the fact that it is inconclusive whether the improvements in fixed broadband speeds were a direct result of Ofcom's intervention or a natural outcome of market forces in a growing and maturing market, in any event we can safely state that the fixed-line broadband product is far more easily comparable on like-for-like basis than a mobile service. The fixed-line product is largely homogenous, delivered at a fixed location and faced with a small, limited number of variables that can adversely impact the service. In stark contrast, mobile customers purchase a service made up of a combined and broad portfolio of digital services (e.g. 2G, 3G, Wifi connectivity, TuGo etc..) which operate in far more challenging environments and present an infinite number of variables[16] that don't lend themselves easily to fair and accurate comparison with competing services.

26. If we cannot confidently conclude that the positive outcomes in the fixed broadband market will result in a similar positive outcome in the mobile market, it leaves the Call for Input without any remaining evidence on which to argue that this project will improve network performance or competition

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[13] Paragraph 3.4 Call for Input sets out the following proposed metrics: • Probability that a call will complete successfully • Probability that a call will not be blocked or dropped • Clarity of the call • Time for a SMS text message to be delivered • Probability that an internet connection can be established • Speed, stability and responsiveness of applications and data transfers.
http://stakeholders.ofcom.org.uk/binaries/consultations/mobile-voice-data-experience/summary/condoc.pdf

[14] Omnibus Research for Ofcom, 'Mobile Coverage Checkers'. Figure 3.4 shows that over eight in ten (81%) of those who had used a coverage checker thought that they were useful in making comparisons between suppliers. See footnote 7 for link.

[15] Period Jan 2012- Jan 2013 during which Telefónica experienced two network outages. The result was increased numbers of complaints related to those specific incidents.

[16] PA Consulting Group for Ofcom 'Not Spots Research – impacts, causes and potential solutions for areas of poor coverage'. http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/not-spots/PA_Consulting_main_report.pdf

for customers.

## *The future*

27. Ofcom's research that demonstrate customers find coverage checkers easy to use supports Telefónica's substantial investment in ensuring its coverage checker is user-friendly, attractive and easy to use for all customers and our continued efforts to improve it.

28. [✂].

29. [✂]

30. Actual customer data is, we think, the key to richer and better information. We already analyse data on the number and locations of our customers who are access our 'live service updates'. We assess customer feedback from enquiries and complaints in all customer-facing channels to inform our network team of what matters to our customers in respect of the network and this information helps inform where we may need to investigate or dispatch engineers to manage a fault or drive improvements to fault-repair times.

31. [✂].

## *The comparison*

32. In order to offer customers a valuable level of comparability between services then Ofcom must accept that it cannot be done without significant cost. Furthermore, Ofcom's suggestions to minimise cost by collecting self-declared data relies on the unfounded assumption that all mobile operators collect the same kind of data and that it is collected in a format that can easily be mined and re-farmed for Ofcom's purposes.

33. Even if such data were easily available in a cost-effective manner there are no assurances about how Ofcom will ensure the data can be compared on a like-for-like basis without independent, third-party involvement and a unanimous agreement to apply common standards to prediction tools and calculations. Third party involvement is costly, and unanimous agreement on a voluntary basis maybe unrealistic. Both give rise to concerns about commercial sensitivity, and to what end?

34. Ofcom's previous iterations of this project (mobile not-spots) concluded that current information was accurate and satisfactory. Ofcom engaged a third-party to conduct drive testing in the Devon area and concluded that, "*The measured signal strengths were in line with the operators' predictions; generally, the signal strengths measured were higher than the predicted values. This leads us to conclude that the MNOs' propagation models are*

*reasonably accurate and, if anything, err on the cautious side in their predictions.[17]"*

35. Where all the evidence demonstrates that Mobile Networks prediction tools and coverage checkers are accurate and that customers who use them found them easy to use and a valuable source of information, is it not safe to conclude that the market is already delivering and improving the tools it provides to customers to gauge quality of experience, and that Ofcom's current project cannot offer any additional benefit to consumers that could justify it as an efficient use of Ofcom's limited resource.

36. To progress with this project Ofcom must demonstrate that the proposed outcome will have a tangible benefit compared with the status quo, that is greater than the cost of change.

### The Existing Network

37. Not only is there little evidence to support the work required for this project but we think that to conduct such an exercise at this time would produce short-term, inaccurate results and an unfair assessment of overall network quality whilst the network is in the midst of a significant overhaul.

38. As Ofcom is aware, Vodafone and O2 are pooling their resources to create a single robust network over which both operators will compete[18]. This will deliver huge improvements to network quality and capacity for customers of both networks, which Ofcom's assessment does not take into account. This agreement is a prime example of the market driving performance improvements and operating effectively without Ofcom's intervention, contrary to Ofcom's assertions at paragraph 1.2 of the Call for Input.

39. Furthermore, with both operators operating from one network grid it is very likely that prediction and planning tools will align in due course, making a comparison between the two networks more straightforward than Ofcom's plans.

### The 4G network

40. Consolidation is not the only transformation in train. The development and launch of 4G networks is imminent and aspires to have a dramatic impact on the quality and capacity of customers' digital experience. But the market is in its infancy and Ofcom's plans to assess and compare 4G networks at such an early stage could have a damaging impact on competition, compounding the adverse impact of Ofcom's consent to allow Everything Everywhere

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[17] Page iii. http://www.ofcom.org.uk/static/research/CRFS_report.pdf
[18] http://www.bbc.co.uk/news/technology-18355569

('EE') a head start in the market[19].

41. Until a competitive market is properly established a report of the kind suggested by the Call for Input would be not only damaging but a contravention of Ofcom's legal duty to "*further the interests of consumers, where appropriate by promoting competition*[20]".

42. Given the additional time Ofcom granted EE to build and launch their 4G network, they will inevitably *appear* to have a network that can provide wider coverage and capacity than any of its direct competitors. Whilst the industry knows those appearances to be superficial and short-term, for customer they could have long-term detrimental effect when published under the auspices of Ofcom's approval and used to influence customers' purchasing decisions – customers who will be contracted for periods of up to two years. This in turn, will have a cumulative, detrimental impact on the speed with which the market can grow without effective competition[21].

### Conclusion

43. Mobile networks, like all technologies, are imperfect and unable to guarantee the same experience for every user, given the vast number of variables and obstacles that challenge service quality but are beyond the control of the network operators. And there is certainly room for improvement on how we can manage customers' expectations in this regard and help them understand the competing priorities of capacity, coverage and quality and how it affects them. But that does not itself evidence a demand or need for the kind of extensive information-gathering exercise that Ofcom is proposing.

44. With some patience, we believe Ofcom will soon see evidence of the market making important steps towards refining the kind of data that customers want and need, if it isn't already, without the need for regulatory intervention. Without such patience we fear that Ofcom may inaccurately assess future customers' needs with the risk that, at best, the proposed outcomes of the Call for Input are not achieved or, at worst, Ofcom delivers inaccurate data to customers, mis-informing their purchasing decisions and compromising competition.

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[19] http://media.ofcom.org.uk/2012/08/21/ofcom-allows-everything-everywhere-to-use-existing-spectrum-for-4g/

[20] S3 (1)(b) Communications Act 2003

[21] Notwithstanding competition issues, we would challenge how useful any data can be at such an early stage of market development. The full suite of Business Intelligence reporting is unlikely to have been developed and consequently it is unclear what information will be available for Ofcom to collect and consider.

45.  In any event, it is important that Ofcom consider the proportional response to the complaints it receives about coverage[22]. Complaints about coverage ought to be presented in the context of those customers' use of publically available network information, including coverage checkers, and in proportion with customers who make [✂] checks on our coverage checker every day but do not complain that their predicted service is inaccurate or that their service is unsatisfactory.

46. All indications are that most customers are happy. That those customers who use coverage checkers find them easy to use and valuable. In such circumstances we must conclude that in order for Ofcom to progress any further with this project it must first of all provide convincing evidence that the project is justified at this time and the proposed outcomes are clear. If Ofcom is to rely on evidence of dissatisfied customers to support its proposed outcomes to deliver more / better customer information, it must, first and foremost, clarify whether the minority of customers who are dissatisfied would be more satisfied if they had used the existing publically available network information or whether the issues that may be triggering that dissatisfaction will be more properly addressed with solutions provided by TuGo, network consolidation and 4G.

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[22] Paragraph 8.3.2 Consumer Experience Report
http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-12/Consumer_Experience_Researc1.pdf