

Australian Mobile Survey 2021: Mobile Buying and Churn Drivers Stable

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Abstract: Venture Insights has been surveying Australian mobile consumers annually since 2018. The latest survey was conducted in March 2021 and included 1,019 respondents. The results show that price and network performance remain the main purchasing drivers for mobile services, with more than 90% of respondents rating them as important or very important. On price, 86% did not expect to spend more each year for their mobile phone services, which is consistent with previous surveys. The persistent importance of price shows that mobile services are seen as a commodity by many customers. A total of 38% of respondents were considering churning their mobile phone service; of these respondents, 40% chose price as the key churn driver. There is consistent focus on Mobile Virtual Network Operators (MVNOs) driven by price. The survey results suggested that the total market share for MVNOs could increase by 6 percentage points, if all respondents indicating a move to an MVNO actually did so. Only 20% of respondents indicated they were willing to pay more for 5G mobile services or handsets. A majority (55%) of respondents change their mobile phones every 2-3 years; 39% said they would consider purchasing a recycled/refurbished mobile phone at a lower price.

Keywords: Mobile consumers, Australia, survey, pricing, MVNO

Introduction

Venture Insights performs an annual consumer survey on mobile service and handset purchases across Australia. It asks questions around willingness to pay, intentions to switch service providers and handsets, and key factors responsible for this switching. We also ask which service provider the respondents are switching to, and thus determine the service providers that will gain or lose from this churn.

The survey shows that price remains a key driver for mobile purchasing, underlining the difficulty of maintaining price increases that would lift Average Revenue Per User (ARPU). Price continues to drive interest in Mobile Virtual Network Operators (MVNOs), but we expect

that the Mobile Network Operators (MNOs) can at least defend market share through sub-brands like Belong and now GoMo and Felix.

Our latest survey was conducted in March 2021 for Australia, and the key findings are presented here. In this report, the term MVNO includes resellers that are subsidiaries of MNOs or owned by them. Note that, with a sample size of 1,019 respondents, sample proportions in the full sample can be determined with 95% confidence to within approximately 3 percentage points (under the Normal assumptions for an unbiased sample). Sampling errors for subgroups, such as age groups, may be larger.

Summary of key findings

Our latest consumer telco survey shows that price and network performance remain the main purchasing drivers for mobile services. More than 90% of respondents rated them as important or very important when deciding their next mobile service purchase, and 86% did not expect to spend more each year for their mobile phone services. Consumer reluctance to pay more for mobile services has been consistent across our surveys for three years.

Other key findings are:

- 38% of respondents were considering churning their mobile phone service. Of these respondents, 40% chose price as the key churn driver, far higher than any other factor. Data allowance came a distant second as the main factor, being picked by only 21% of these respondents.
- There is consistent focus on MVNOs driven by price. Data on intention to churn shows that the market share of MVNOs would increase by 6% if every respondent who indicated an intention to churn in fact did so. This 6% is a ceiling, not a forecast, but suggests that MNO defences against MVNOs are soft. The launch of new MNO sub-brands GoMo and Felix should help to address this.
- Only 20% of the respondents were willing to pay more for 5G mobile services or handsets. Although network performance/speed and price were chosen by equal numbers of respondents as the biggest factor when deciding their next mobile service purchase, price seems to be winning out when it comes to 5G. There is an appetite for 5G, but consumers are reluctant to pay more for it.
- 37% of the consumers have mobile phones between 1-2 years old, and a majority (55%) change their mobile phones every 2-3 years; 39% of respondents said they would consider purchasing a recycled/refurbished mobile phone at a lower price, suggesting handset price is also a factor for a segment of consumers when deciding their next mobile phone purchase.

Pricing is Still a Key Driver

In our previous reports, we have raised issues around ARPU pressure on mobile service providers and highlighted the importance of price as a driver of mobile telecommunications buying by consumers. We have maintained that competitive intensity (along with COVID-19) ([Venture Insights, 2020](#)) will put pressure on ARPUs, which in turn requires a strong focus on keeping costs under control to maintain profitability. As the economic impact of the pandemic eases, consumers are spending more overall, but are still reluctant to spend more on mobile.

The importance of price was validated by our latest Australian consumer survey that asked respondents to rate the importance of factors such as price, data allowance, speed and coverage when deciding their next mobile service purchase. Price emerged as one of the leading factors for consumers, with 94% of the respondents rating it as important or very important (96% for current MVNO customers and 83% for MNO customers). Network performance and speed were considered equally as important as price by the respondents. The numbers in Figure 1 below are indistinguishable (within the margin of error) from our survey last year in March 2020. The persistent importance of price shows that mobile services are seen as a commodity by many customers.

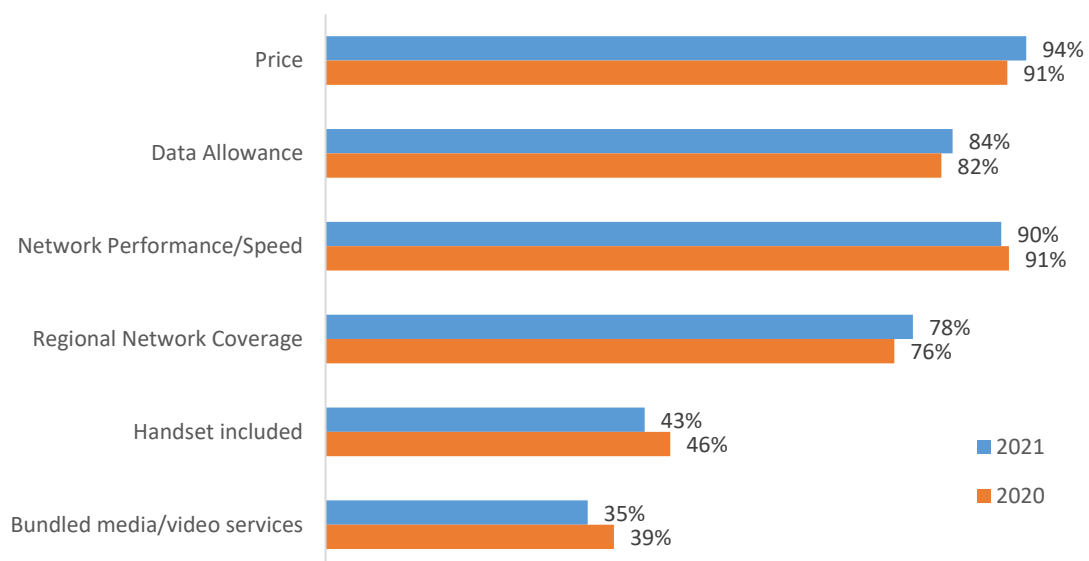


Figure 1. Percentage of survey respondents rating a factor between 4 and 5 on a scale of 1 (not important) – 5 (very important), when deciding their next mobile service purchase

SOURCE: Venture Insights Consumer Survey March 2021, n=1,019

Only 13% of the respondents expected to pay more for their mobile phone service each year. A majority expected to pay about the same, and 11% expected to pay less. These numbers did not shift significantly from our 2020 survey. This means that mobile service providers will find it difficult to lift ARPUs unless all operators lift them. An increase in prices by a service provider may trigger churn by the consumers who are reluctant to pay more for their services.

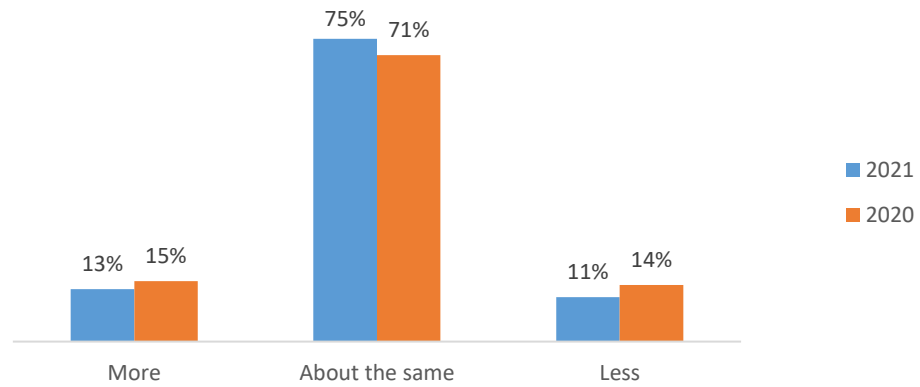


Figure 2. Survey question: In general, do you plan to pay more, less or about the same each year for your mobile phone service?

SOURCE: Venture Insights Consumer Survey March 2021, n=1,019

We also asked how likely respondents were to change their service providers and the reasons for this change. Overall, 38% were likely to change their mobile phone providers (12% within 1 year, 7% within 2 years, and 19% sometime).

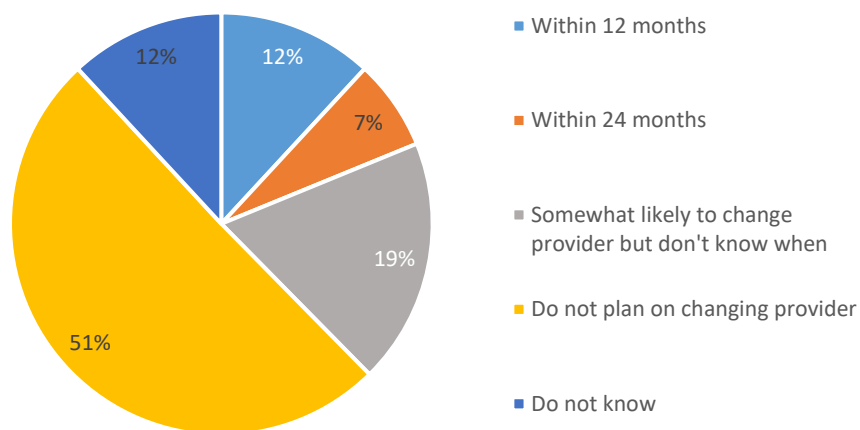


Figure 3. Survey question: How likely are you to switch mobile phone service providers?

SOURCE: Venture Insights Consumer Survey March 2021, n=1,019

These 38% of respondents were then asked to choose the main reason for switching their mobile service providers, and price was picked by 40% of these respondents. Data allowance was a distant second, which was picked by only 21% of these respondents. This again shows that price is a key driver of mobile service buying. It is also interesting that network performance and customer service were less likely to be top reasons for churn. This suggests that mobile consumers are more satisfied with MNO performance in these areas than with price and data allowances.

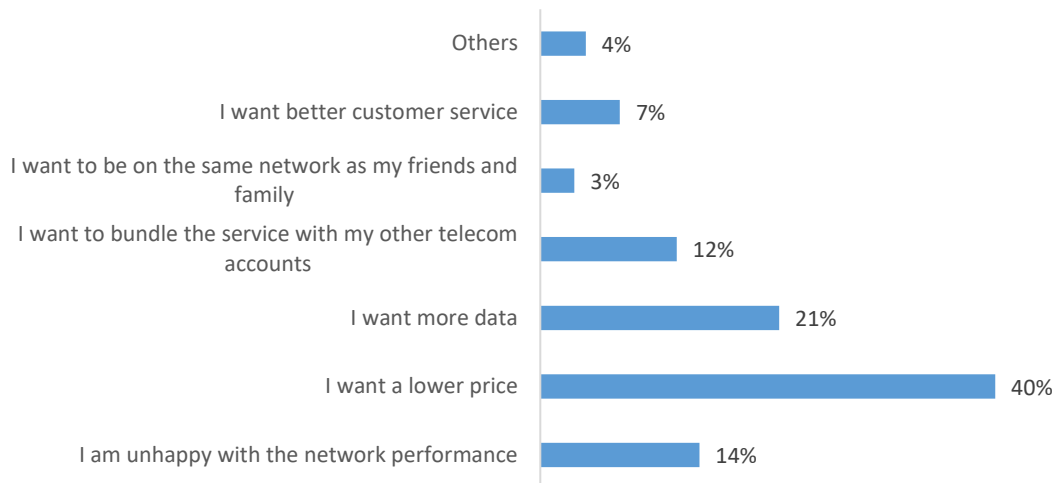


Figure 4. What is the main reason you are thinking about changing your mobile service provider?
SOURCE: Venture Insights Consumer Survey March 2021, n=383

Renewed Focus on MVNOs?

We start by emphasizing that the market share of MVNOs has largely remained unchanged (within the error margin) at around 22% since 2018, when Venture Insights started its annual consumer market surveys. In 2021, MVNO share rose 4% to 25%; this is outside the margin of error, but only slightly. In 2021, MVNOs had 27% and 20% share in metro and regional areas, respectively.

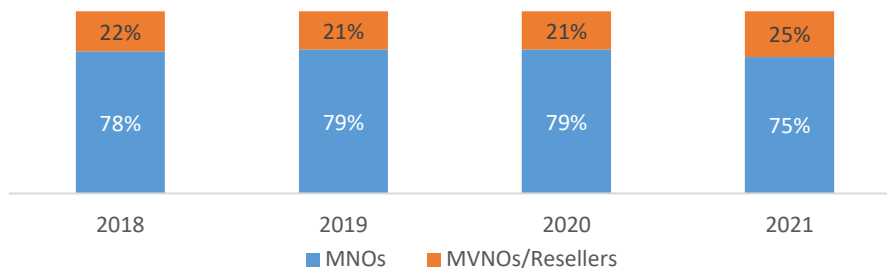


Figure 5. Market share of MVNOs in Venture Insights surveys
SOURCE: Venture Insights Consumer Survey 2018, 2019, 2020, 2021

Our view is that COVID-19 reinforced consumer interest in low-priced offers during the economic disruption of lockdown. Post-COVID-19, we are seeing higher consumer spending and high levels of consumer confidence. However, this does not seem to translate into the mobile market. As a result, we expect MVNOs to remain competitive as consumers remain reluctant to pay more for mobile.

For the 38% of respondents in Figure 3 who were planning on switching mobile phone service, we asked which service provider they were looking to switch to. Of these respondents, 35% were looking to switch to an MVNO. This is approximately one-and-a-half times the market share of MVNOs, suggesting an increased focus on them.

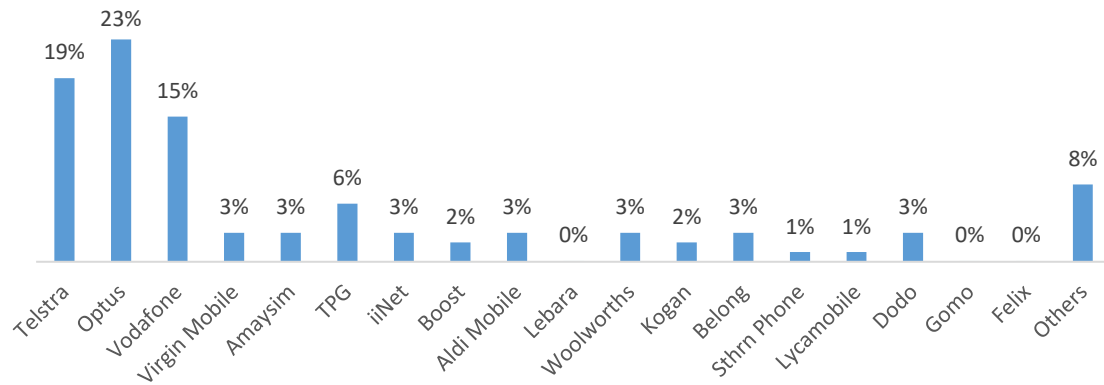


Figure 6. Survey question: Which mobile phone provider are you thinking about moving to?

SOURCE: Venture Insights Consumer Survey March 2021, n=383

We also looked at the potential churn of the consumers from a service provider: i.e., we split consumers by service provider. As can be seen in Figure 7 below, the percentage of respondents planning on churning out of MVNOs was generally lower than the MNOs. This is again consistent with the fact that consumers do not want to spend more on mobile services.

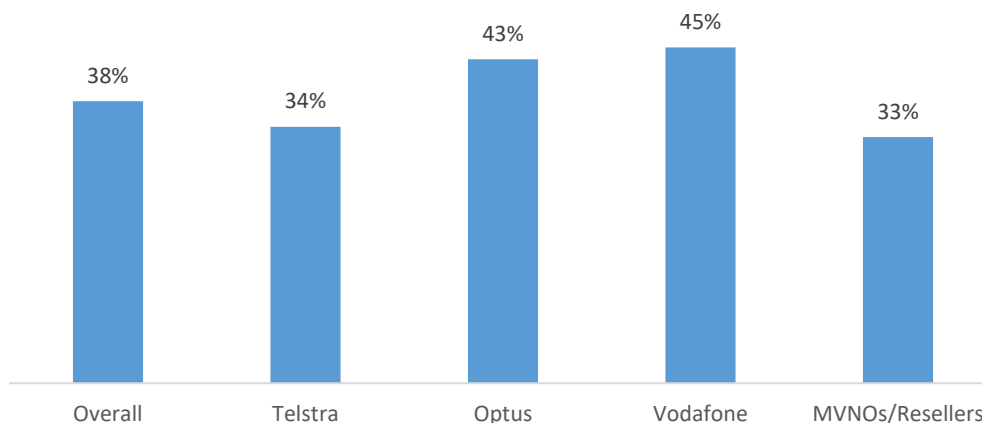


Figure 7. Percentage of current customers (in Figure 3) planning on churning by service providers

SOURCE: Venture Insights Consumer Survey March 2021, n=383

We also looked at which service providers consumers were looking to move to. For existing Telstra customers, 65% were looking to move to other MNOs and 28% to MVNOs. For Optus, 39% were looking to move to MVNOs, and this number was 38% for Vodafone. Of current MVNO customers, 45% were looking to switch to MNOs (Figure 8).

We used this potential churn data and the current market share of MVNOs to calculate the new market share for MVNOs, on the assumption that all these consumers go ahead with their planned churn. In this scenario, the total market share of MVNOs would increase to 31%, which is 6% more than the current market share of 25% as measured in this survey.

Of course, it does not follow that every respondent who indicated an intention to churn will in fact do so. The 31% is therefore a ceiling, not a forecast. In fact, consumer intentions were similar last year, but MVNO share seems to have risen only slightly. However, the survey data

suggest that MNO defences against MVNOs are soft. The launch of sub-brands GoMo and Felix by Optus and TPG (Vodafone), respectively, which are the two MNOs most vulnerable to MVNO churn, should help them to capture some of these customers, but at a cost in ARPU. A full response should not involve just retail price cuts. We remain of the view that MNOs need to keep a close eye on mobile wholesale pricing to avoid undercutting themselves.

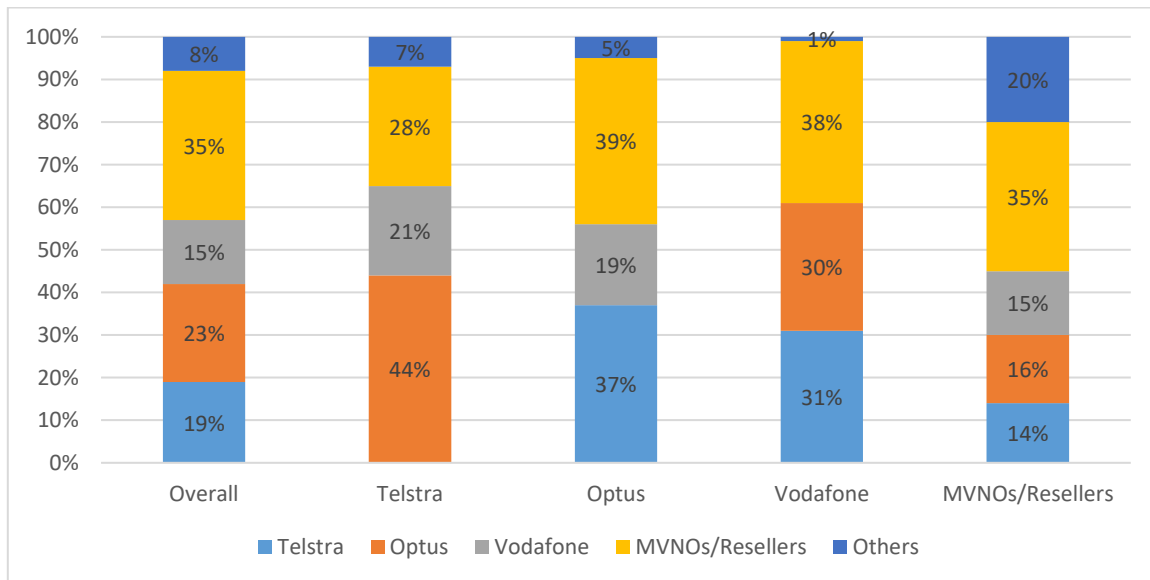


Figure 8. Survey question: Which mobile phone provider are you thinking about moving to (by current provider)?
SOURCE: Venture Insights Consumer Survey March 2021, n=383

What This Means for 5G Mobile Services

Above we noted that network performance/speed and price were the two biggest factors for consumers when deciding their next mobile service purchase. This suggests that there is an appetite for 5G services, but that consumers are reluctant to pay more for it.

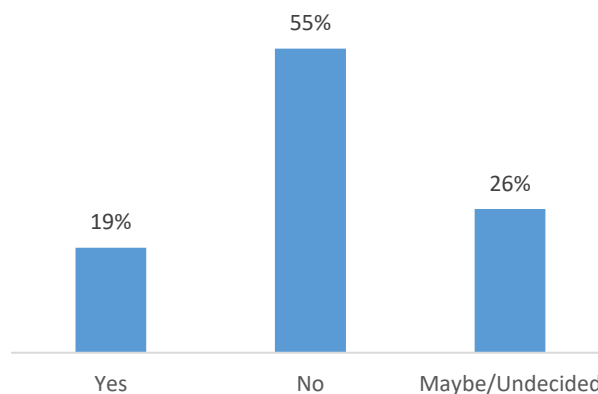


Figure 9. Survey question: Would you pay/Are you paying a premium for a 5G mobile phone service?
SOURCE: Venture Insights Consumer Survey March 2021, n=1,019

In our 2021 survey, only 19% of the respondents said they will be willing to pay more or are paying more for 5G mobile services (Figure 9). In this survey, 55% said they did not want to

pay more, and 26% were unsure. These numbers are similar to our 2020 survey, indicating that willingness to pay a premium has not increased over the last year.

Preference for Bundled Services

While pricing is a major factor for consumers when choosing a mobile product, bundled services and diversified offerings offer another avenue for telcos to reduce churn. In Figure 1, we saw that 35% of respondents said bundled media/video services were important to them, and in Figure 4, 12% said they were planning to churn in order to bundle their mobile service with other telecom accounts.

In Figure 10 below, we asked the respondents if they would consider purchasing their mobile phone service from a utility company if bundled with their electricity or gas service, and about one-third of them said yes. Thus, bundling is attractive to a significant number of consumers, and it can help telcos gain more share of wallet and deepen their relationship with customers.

The interest in bundling drops with age. The percentage of respondents saying yes was approximately 40% for respondents younger than 34 years, and less than 20% for respondents above 55 years of age. There was no significant difference between metro and regional areas with respect to bundling.

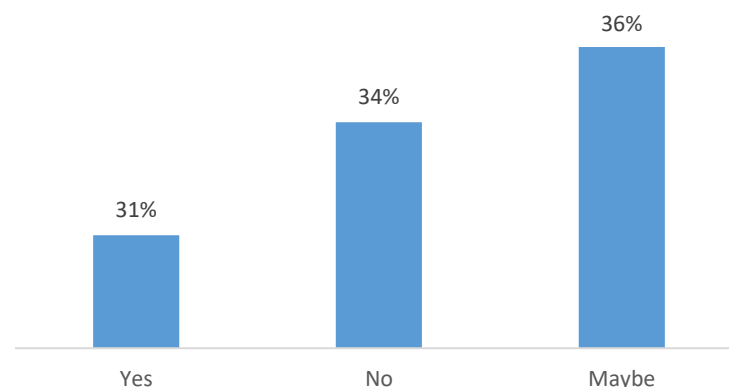


Figure 10. Survey question: Would you consider purchasing your mobile phone service from a utility company if bundled with your electricity or gas service?

SOURCE: Venture Insights Consumer Survey March 2021, n=1,019

Convergence with media is a popular offering by telcos, and we asked the survey respondents if they would change their mobile providers if another provider offered their favourite sports content bundled with their mobile plan. Of the respondents, 17% said yes, and another 22% said they may change their service provider for a bundled sports content. There was a difference between metro and regional areas too, and 19% said yes for metro areas and only 11% for regional areas. Further, there was a difference between MNO and MVNO customers. Of the MNO customers, 19% said yes, while only 13% of MVNO customers said yes.

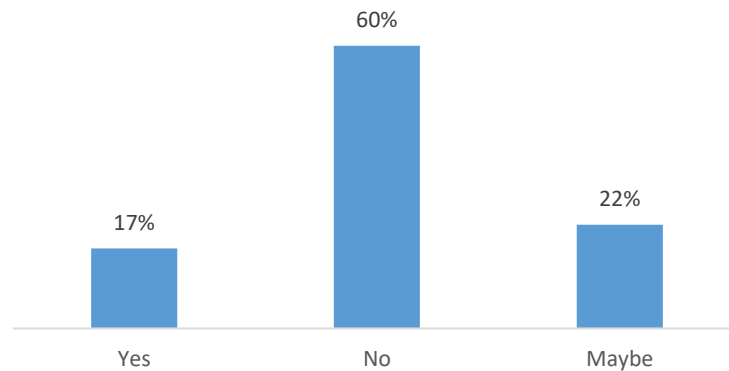


Figure 11. Survey question: Would you change telco mobile providers if another mobile operator offered your favourite sports content bundled with your mobile plan?

SOURCE: Venture Insights Consumer Survey March 2021, n=1,019

Overall, bundling is a strategy that is attractive to significant minorities of customers, but not for all. It is therefore an element in an overall churn reduction strategy, not a panacea.

Handset Purchase Preferences

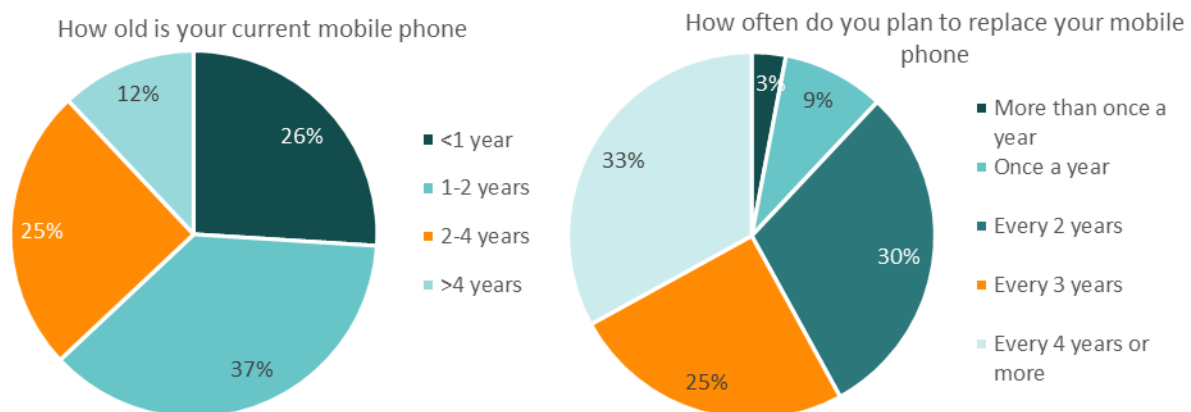


Figure 12. Survey question: How old is your current mobile phone (left) and how often do you plan to replace your mobile phone (right)?

SOURCE: Venture Insights Consumer Survey March 2021, n=1,019

We asked the respondents how old their current phones were and how likely they were to change their mobile phones. The survey showed that 26% had a phone less than one year old, 37% had phones between 1-2 years old, and 37% had phones more than two years old. Around 12% changed their phones at least once a year, 30% changed every two years, 25% changed every three years, and 33% changed after four years or more. Thus, a majority of consumers (55%) change their mobile phone every 2-3 years.

Of the respondents, 39% said they would consider purchasing a recycled/refurbished mobile phone at a lower price, but 35% said they will not consider it. This suggests that handset price is a consideration for a significant segment of consumers when considering their next mobile phone purchase.

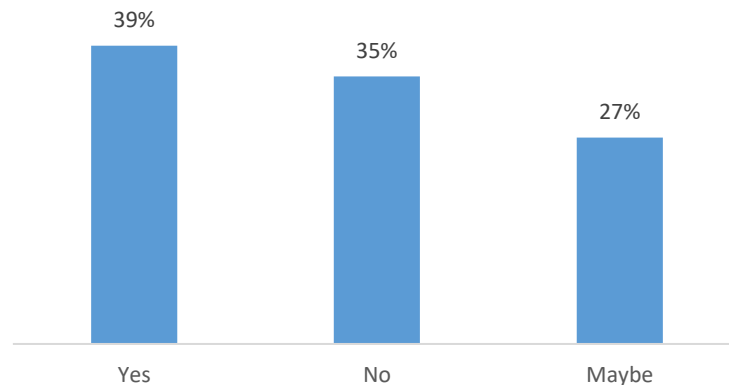


Figure 13. Survey question: Would you consider purchasing a recycled/refurbished mobile phone at a lower price than a new phone (assuming it had a warranty)?

SOURCE: Venture Insights Consumer Survey March 2021, n=1,019

Only 20% of the respondents were willing to pay more for their 5G mobile handsets; 55% did not want to pay more; and 25% were undecided. These numbers are virtually identical to the response of survey respondents regarding paying more on 5G services.

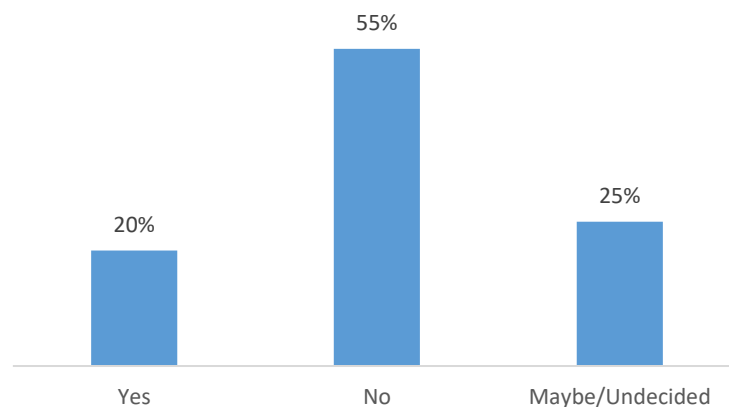


Figure 14. Survey question: Would you pay/Are you paying a premium for a 5G mobile handset/phone when available?

SOURCE: Venture Insights Consumer Survey March 2021, n=1,019

Conclusion

According to Venture Insights surveys, the market share of MVNOs has shifted only slightly in the last few years. However, price competition has placed downward pressure on mobile ARPUs. Our view is that the launch of sub-brands by all three MNOs will shore up MNO market share against MVNO pressure, but this will come at a cost in ARPU.

Bundled services, on the other hand, provide an avenue for the telcos to differentiate themselves, but this will only work in certain segments of customers.

There is an appetite for 5G and technology upgrades, but the consumers are getting conditioned to getting upgrades but not paying more. This has implications for return on investment in 5G going forward. While we see no alternative to a 5G rollout by all three MNOs,

consumer reluctance to pay will have a material effect on the MNOs' financial capacity to improve 5G network performance over time.

On handsets, our survey also shows that a majority of consumers like to change their mobile phones every 2-3 years, and price is a consideration for a segment of consumers when purchasing their next mobile phone.

References

Venture Insights. (2020). *COVID-19 impact on mobile ARPUs, 5G adoption and MVNO wholesale prices*. Available at [payment] <https://www.ventureinsights.com.au/product/covid-19-impact-on-mobile-arpus-5g-adoption-and-mvno-wholesale-prices/>