

Peer Review of FCC Working Paper, November 2010
Broadband Decisions: What drives consumers to switch – or stick with – their broadband Internet provider

Reviewed by:

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At your request, I have reviewed the FCC Working Paper (November 2010), *Broadband Decisions: What drives consumers to switch – or stick with – their broadband Internet provider*. This paper addresses two findings that were identified in the FCC's working paper, *Broadband Adoption and Use in America* (Horrigan, April 2010) that the affordability and availability of broadband service impact an individual's decision to subscribe, and retain that subscription over a reasonable period of time. Leveraging the findings from April 2010 report, the current study concludes that Internet users tend to be loyal customers of their Internet service provider (ISP), and among the few that do switch ISPs within a three year period, moving from a prior residence is the primary reason for an individual's willingness to terminate and/or switch. The study also concludes that financial and non-financial factors that include ISP installation fees, customer service, service deposits, and changes in their subscription are the primary reasons why individuals choose to simply stick with their existing ISP.

The purpose of this peer review is to determine: (i) whether the study's methods are reasonable and technically correct; (ii) whether they are consistent with accepted practice; (iii) whether the data used are reasonable and of sufficient quality for purposes of the analysis; and (iv) whether the conclusions follow from the analysis. In accordance with these terms, I offer feedback in these areas, and additional suggestions that would improve the study's argument.

Research Question, Analysis and Conclusions

The questions of affordability and availability have been significant barriers to broadband adoption and use, especially for low-income, elderly and minority populations. While the paper primarily addresses subscription behavior, heavy emphasis is placed on switching behaviors among broadband customers. Although the report shares some data about why people change or terminate their high-speed broadband services, the analysis is somewhat thin on data, and makes causal inferences that might not be substantiated. For example, the authors suggest that moving one's residence is a primary driver for why consumers switch ISPs. While this conclusion is very logical, it's not clear if these consumers are renters or homeowners. Presenting this information in the paper would strengthen this conclusion and compare how these groups differ in their subscription rates. Moreover, additional analyses on the relationship between certain demographic factors such as income, education, age, location, and possibly race would enhance the report. Readers of this work would be interested in knowing similarities and differences between older and

younger subscribers, and rural and urban subscribers. The findings and analyses of these correlations would have broadened the argument and substantiated many of the conclusions in the paper.

Running these same correlations around the financial and non-financial reasons for why people switch would also improve the analyses. It is unclear in the paper the type of demographic that is more likely to be impacted by these costs. Presenting a case that perhaps certain sub-groups (e.g., low-income, minorities, the elderly, etc.) are more affected by these factors would make these areas more compelling.

The paper also makes 3 statements that are not clarified through citations or supported by any of the primary data.

- a. In the early sections, the paper offers a “*three year time horizon*” as a benchmark for switching behavior. The assumption is that people will change their services within this time frame. It is not clear why this time frame was selected, and in my view, it would have been more interesting to shorten the window. The authors need to cite work that supports this time horizon, especially since it was asked in the survey questionnaire.
- b. In the section about the overall view of adoption, the statement “*The persistence of the economic recession may have heightened that phenomenon and us, perhaps, reflected in the FCC’s latest survey.*” This statement needs to be supported.
- c. In the section about consumers’ choice to switch services, the statement “*On its face, it may seem paradoxical that those who would consider switching providers are more likely to find switching difficult. However, it is possible that those who have considered switching have looked into it more closely than those who have not – and as a result have found it to be a more involved process than those with less information.*” The data analysis as presented does not present a strong argument for this. Adding an additional cross tabulation that analyzes “the level of difficulty to switch” with “the consideration to switch” could possibly support this finding.

Finally, the paper requires a stronger conclusion. Currently, the concluding remarks just summarize the final table.

Methodology

The literature review in the paper is very short. The authors mention that the study is based on a series of FCC reports, and I assume notices on issues related to bill shock, broadband speed and early termination fees. The section entitled an “Overview of adoption” could be strengthened by adding in findings from these other areas. While a study better understanding how consumers engage with their ISP is important, the paper as it is written does not present a strong argument for how switching is a strong indicator of consumers’ response to these issues. The survey questionnaire is also rich in data on consumer subscription behaviors. As mentioned, I would suggest more robust data analysis and cross tabulations that strengthen the points made in the paper.

My final comments offer some other ways to enhance the proposed research question. In addition to the customer service indicators (as evidenced through the indicators around financial and non-financial factors), variables related to consumer choice and satisfaction could have been added to this analysis. It would have been interesting to understand how consumers select ISPs (i.e., price, availability of service, brand, etc.) and their level of satisfaction with their provider (i.e., speed, uninterrupted service, etc.). The survey instrument is rich in questions focused on these points. Outlining them as precursor to the switching or termination discussion would have been valuable and offered a more logical foundation for understanding consumers' adoption choices.