

Pricing trends for communications services in the **UK**



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Overview

This report examines pricing trends for residential phone, mobile, broadband and TV services in the UK. It covers the prices offered for standalone and bundled services, and what customers actually pay for these services. The analysis is against a backdrop of increased dependency on connectivity for communications, information and entertainment during the Covid-19 pandemic and the associated lockdown restrictions.

Overall, the majority of consumers are able to benefit from a wide range of good value deals, although there is variation in pricing trends across communications services, with some services becoming cheaper and others more expensive.

We have an established programme of work to help customers get better deals and ensure they are treated fairly by providers, including paying a fair price for their services. We have already taken steps to help people shop around with confidence, make informed choices, and get a fair deal. We will publish a report on the effectiveness of these measures in the autumn. We have published an [update on our affordability work](#) alongside this report.

What we have found

The price of mobile services is falling for most customers. The average cost of a SIM-only mobile service based on average use fell by 10% in 2020 despite increasing voice and data use. Pay-monthly SIM-only prices for services with over 1GB of data continue to decline, but some occasional and low-use users are finding reduced choice and rising prices, particularly for traditional pre-pay services.

Mobile customers typically pay a lower price if they take a SIM-only deal. It is cheaper to buy a handset and airtime separately than get them together from a mobile provider. We estimate the difference in price is equivalent to customers being charged an APR of up to 23% for their handset 'loan'. This can be higher if customers do not move to a SIM-only deal when their contract ends.

Mobile prices in the UK compare well to those in other countries. Our analysis compares UK prices with five comparator countries and finds the UK had the lowest standalone mobile prices overall.

Prices for superfast and ultrafast broadband bundles fell in 2020. The gap between standard and high-speed broadband prices narrowed; promoted prices for superfast and ultrafast services fell by 11% while promoted prices of residential dual-play bundled standard broadband services remained flat. In some cases superfast services were cheaper than their standard broadband equivalents.

Some operators' prices rose for new, and many existing, customers in 2021. For example, BT/EE increased prices by CPI+ 3.9% from March 2021 across landline, broadband, TV, BT Sport and mobile, Three has introduced price increases of 4.5%, to be applied each April, and Vodafone has introduced price rises of CPI +3.9%, again to be applied each April.

Most people buying bundled services continue to benefit from discounts over standalone options. Our analysis of typical 'baskets' of communications services bought by households shows that it is cheaper for those with a fixed broadband connection to buy bundled services: average savings ranged from 27% to 41%. The exception was households that only need landline and mobile phone services; they can end up paying more, as home broadband is a key part of most service bundles.

The gap between the promoted and list prices for broadband services has narrowed. In the year to March 2021, the average list price for superfast broadband and voice bundles was £6 a month higher than the promoted price (down from £7 in the previous year). For standard-speed services, list prices were £4 higher (down from £6). Customers who do nothing at the end of their contract often face a price increase as they move to the list price.

Prices for line rental and some call packages have increased. Average line rental prices increased by 4% to £19.62 per month in real terms in the year to March 2021, while evening and weekend call package prices have increased by 18% over the past two years. Reduced price line rental services are available to people who do not use fixed broadband.

Pay-TV promoted prices have risen, as have some subscription video-on-demand services. But customers can still make savings by taking pay-TV as part of a bundle, and SVoD services tend to be flexible, based on monthly contracts.

A quarter (24%) of households report switching either their fixed landline, mobile, broadband or pay-TV service in the last year. To avoid reverting to higher list prices at the end of a contract it is important that customers look at offers from their current provider and other providers.

Key metrics

Broadband services

(inflation adjusted)

The average difference in list prices between superfast and standard dual-play broadband bundles:



Change in average list price from 2015 to 2020:



Mobile services

Average mobile use since 2015:



The average 5G price premium over 4G services fell from over **£21 per month** in July 2019 to **£3 per month** in October 2020.

Bundled services



80% of UK adults continue to buy bundled communication services

51% of people with a landline included in their broadband service did not make an outgoing call in the three months to November 2020

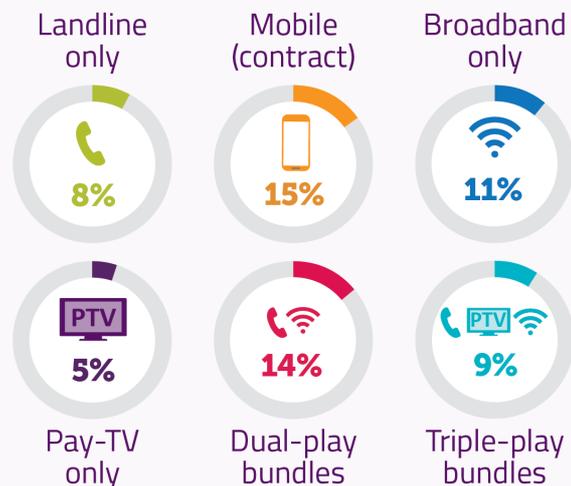


Price differentials

The gap between average promoted and list superfast prices continues to narrow



Customers switching supplier (excluding when moving home)



24% of the population had switched one or more of fixed landline, mobile, broadband or pay-TV service in the last 12 months

Summary

Higher-use customers tend to be well-served in terms of pricing

- People buying bundles including superfast broadband services, or mobile services with large amounts of inclusive data and voice minutes, tend to have access to a wide range of keenly priced tariffs.
- Although the promoted price of residential bundled standard broadband services was flat in 2020, promoted prices for residential bundled superfast and ultrafast broadband services fell.¹

But some lower-use customers are less well served

- Standard broadband customers who do not engage with the market can end up paying more than superfast users. The average promoted monthly price for a triple-play superfast package was £40 in January 2021, compared to a £44 average list price for similar services with standard broadband, meaning that some standard broadband users will pay a similar price, or more, for a less capable broadband service.
- A shift towards mobile tariffs offering larger inclusive data allowances has meant that there are fewer offering 1GB or less of data per month. This has also resulted in the price of these services increasing, making them more expensive on average than SIM-only tariffs offering over 1GB and up to 10GB per month.
- Similarly, our analysis of the prices of a range of mobile use 'baskets', each with different voice, text and data requirements, shows that while mobile prices fell overall, the average price for the two lowest-use connections (neither of which include any mobile data) increased in 2020.²
- There are now relatively few traditional pre-pay mobile tariffs (where the cost of use is deducted from a credit balance) and the price of these services has increased. Providers are instead offering 'hybrid' pre-pay tariffs with an allowance of calls, texts and data for a monthly fee.
- Although hybrid pre-pay mobile tariffs enable pre-pay users to have inclusive allowances like pay-monthly customers, very low-use and occasional users may pay more.

Several of the largest providers introduced above-inflation price rises in 2021

- Some leading fixed and mobile operators increased prices at above-inflation rates for new, and many existing, customers in 2021. For example, BT/EE increased prices by CPI +3.9% from April 2021 across landline, broadband, TV, BT Sport and mobile; Three has introduced price increases of 4.5% (independent of CPI) to be applied each April; and Vodafone has introduced price increases of CPI +3.9%, also to be applied each April.

¹ Standard broadband products have advertised speeds of less than 30Mbit/s, superfast broadband products are those with advertised speeds of 30Mbit/s or more and less than 300Mbit/s, ultrafast broadband products have advertised speeds of 300Mbit/s or more.

² We use a model provided by pricing specialist Teligen, Strategy Analytics, to analyse the cost of baskets of services that are designed to reflect the usage of 'typical' households, using the tariffs offered on major providers' websites. See the [Methodology](#) for full details.

- When announcing price rises, several operators have said they will help fund investment in network capacity. In some cases, this will include investment in full-fibre and 5G infrastructure to enable faster and more reliable mobile and fixed connectivity as demand for data accelerates.

In a complex marketplace, shopping around brings considerable savings

- A wide range of prices are available for similar services. For example, the average monthly price of dual-play landline and very high-speed digital subscriber line (VDSL) fibre-to-the-cabinet (FTTC) broadband bundles offered by leading providers ranged from £23 to £66 per month in March 2021.
- The price paid is determined by a number of factors, such as broadband speed, inclusive call allowances, any value-added services (e.g. internet security software and wi-fi coverage guarantees) and the provider selected, and it is important that people understand their usage requirements so they can identify a service that suits their needs.
- Customers taking out new contracts benefit from discounted prices that are typically lower than the 'list prices' paid by most out-of-contract customers. For example, in March 2021 dual-play customers taking a promotional offer could save on average 14% over the list price for both superfast and ultrafast services.

Many mobile customers are getting more for less

- Mobile customers can often get more while paying less, particularly those buying services with a large data allowance.
- Excluding the handset, the average cost of a basket of mobile services, based on average use across all mobile phone users, was £11 per month in 2020, 10% lower than a similar basket in 2019, despite increased voice and data consumption.
- Lower prices can generally be achieved by buying a handset and mobile airtime separately.³ Our analysis of acquiring an iPhone 12 on tariffs with the four major mobile operators shows that it is cheaper to use a SIM-only plan with a separately purchased handset than to buy them together. The difference between the two prices is equivalent to customers being charged an APR (annual percentage rate) of between 8% and 23% for their handset 'loan'.
- The price premium required to receive 5G mobile services (rather than 4G) has fallen significantly as more providers have started to offer them. Our analysis shows that the average 5G price premium across six mobile connections fell from over £21 per month in July 2019 (when only two operators offered 5G) to £3 per month in October 2020.

Landline voice services are increasing in price as mobile prices fall

- Average line rental prices increased by 4% to £19.62 per month in the year to March 2021, and the price of landline voice call bundles has increased, with evening and weekend package prices up by 7% on average to £6.29 per month and by 18% over two years. This came at a time when

³ This refers to buying a handset and airtime from different providers or retailers, rather than taking out a split contract for handset and airtime from the same provider.

the Covid-19 pandemic resulted in an increased reliance on home phones and the first increase in residential fixed call volumes since 2003.

- While landline prices have risen, the cost of out-of-bundle mobile calls has declined. The average price per minute across calls to UK landlines and mobiles fell by 23% in real terms during the year, to £0.29 pence per minute.

The affordability of communications services is an issue for some

- Increasing prices for services may present affordability challenges to lower-income households.
- Our consumer research suggests that around 2 million households reported having either an affordability issue with broadband and/or smartphone services in the past month, or are not taking these services at all, with cost being a factor.⁴
- Our analysis of expenditure and income data shows that the 3.3 million households with the lowest incomes in the UK spend on average over 4% of their disposable income on fixed broadband, nearly four times more than the proportion of an average household.

But some lower-cost tariffs are available to low-income households

- Several fixed telecoms providers offer targeted discounted tariffs (on a voluntary basis) for people receiving certain benefits (or in some cases, those living in specific local authority housing). Our analysis of some of these tariffs suggests savings of between £7 and £27 per month compared to the price of equivalent or near-equivalent tariffs offered by the same providers.
- During the pandemic fixed and mobile operators offered support to ensure that vulnerable households could get connected to the services they needed to access home learning and/or information resources.
- This included mobile providers zero-rating data to a number of educational services and websites in order to help inclusive allowances go further, and giving additional mobile data to support disadvantaged children.

Prices have risen for TV services

- Home entertainment increased in importance to many households during the pandemic, and we estimate that the average monthly promoted price of a basic pay-TV service, when bought as part of a triple-play bundle, was £14.82 in Q1 2021, a year-on-year increase of £3.83. It

⁴ The error range around the 2 million is +/- 500,000. This estimate is made up of: 800,000 households that reported having at least one affordability issue with their broadband service in the past month; 1,200,000 that own a smartphone and reported having an affordability issue with their mobile service in the past month; and 100,000 households that do not have internet and do not intend to get this, at least partially due to cost (this calculation takes the lower end of the error margin for this data point due to it being combined with other data sources). Some households experienced affordability issues with both broadband and mobile services in the past month. The estimated number of households that experienced an affordability issue with their broadband and/or mobile (among smartphone owners) i.e. removing this overlap, is 1.9 million (+/- 300,000). Note: the 2 million household estimate is based on data from two surveys and makes an assumption that mobile affordability issues among smartphone owners at least in part relates to affordability of mobile internet services. For further details please refer to Affordability of communications services: Summary of findings, Annex 2 (Consumer research technical annex).

continues to be cheaper to purchase pay-TV as part of a bundle rather than on a standalone basis, and around 35% of UK homes take a bundled pay-TV service.

- Spending on subscription video-on-demand (SVoD) is increasing. A further 2.7 million households subscribed to at least one SVoD service in the first nine months of 2020 – such offerings have taken SVoD penetration to 60% of UK homes by Q3 2020.⁵ These services typically allow customers with a monthly subscription to subscribe and cancel from month to month. Several SVoD providers (Netflix, NOW and Disney+) increased their prices in 2021.

A quarter of households switched at least one communications service

- A quarter (24%) of households reported that they had switched either their fixed landline, mobile, broadband or pay-TV service in the past 12 months.⁶
- Fixed broadband switching stood at 13% in 2020; this includes a minority (3%) who switched when moving home. However, nearly half of the switching by standalone landline customers occurred when moving home (17% switched their landline, 8% switched when moving).
- Fifteen per cent of mobile standalone customers had switched provider in the past 12 months and switching was lowest for pay-TV (7% total). Across all markets, between 14% (landline) and 37% (triple-play) of consumers had proactively contacted their provider to make changes (other than switching) to their service or package, and between 5% (triple-play) and 16% (landline) had made changes following contact from their provider.
- Consumers had greater levels of engagement with the broadband and landline markets and lower levels of engagement with the pay-TV market. Those purchasing services on a standalone basis tended to be less engaged than those buying a package.

⁵ BARB Establishment Survey 2020 Q: Do you, or does anyone in your household, subscribe to the following... Note: Due to the Covid-19 pandemic, the BARB Establishment survey was temporarily suspended when necessary due to restrictions, resulting in no data collection for Q1 2021. Q4 2020 had some data collection but not enough for the results to be released just for that quarter.

⁶ Data collected via Ofcom's Switching Tracker between June-November 2020. Methodology changes mean that trend comparisons are not possible. 22% had switched at least one communications service while remaining at the same address in the 12 months before the interview.

Market context

The UK residential communications market is complex, with many tariffs and add-ons available across landline, broadband, mobile and pay-TV services. The emergence of ultrafast broadband services and full-fibre operators is bringing change in the fixed sector. The growing coverage of 5G mobile services and new mobile virtual network operators, together with new models for acquiring handsets, are altering the mobile landscape. Subscription video-on-demand (SVoD) services and changing viewing habits are shaping the pay-TV and video-on-demand sector.

Increased dependency on communications services

During the Covid-19 pandemic there has been increased reliance on residential communications services for home working, home schooling, shopping, entertainment and information services.

According to a telephone omnibus survey conducted in conjunction with Ofcom's Technology Tracker, 94% of UK households had access to the internet as of March 2021.⁷ This suggests an increase in the proportion of households with internet access from 89% in March 2020.⁸ Recent findings from Ofcom's Adults' Media Lives research support the idea that the pandemic has led to an increase in digital access.⁹

Qualitative research conducted for Ofcom in January 2021 found that for many households, particularly younger families with children, broadband is considered an essential service, and many do not know how they would function without it. Indeed, some said they would prioritise broadband over other bills.¹⁰

Data consumption continues to grow

Average fixed and mobile data consumption continued to increase in 2020. This was partly due to Covid-19 lockdown measures, as people who were working from home turned to online voice and video calling and the closure of schools resulted in growth in content streaming and online gaming, as children learned and were entertained at home.

Data from our [Connected Nations 2020 report](#) shows that average monthly data consumption per fixed broadband line increased by 36% to 429GB in 2020, while operator data shows that average data consumption per mobile subscription (which is calculated across all mobile users, including

⁷ Ofcom's Technology Tracker CATI omnibus survey, March 2021 (fieldwork 12 February to 5 March 2021) suggests that 86% of households had fixed broadband at home and 86% of adults claimed to use their mobile phone to access the internet.

⁸ This should be considered as indicative only due to enforced methodology changes.

⁹ As a result of the Covid-19 pandemic, the Ofcom Technology Tracker was not able to conduct face-to-face fieldwork in 2021, the method by which previous Technology Tracker surveys have been conducted. Instead, data on internet access was gathered via a CATI (telephone) survey in 2021. The survey was conducted among adults aged 18+ in 2021, and among adults aged 16+ in 2020.

¹⁰ Understanding the financial impact of Covid-19: part 4, conducted for Ofcom by Blue Marble, has followed 25 British households since May 2020, to understand everyday consumer confidence in the context of Covid-19 and explore the impact on their financial lives. In January 2021 the sample was boosted to include an additional five households that have been negatively impacted financially by the pandemic.

those who do not use data services) increased by around a third to 3.9GB per month during the year. Average monthly mobile use per mobile data user was even higher, at 4.5GB per month.

Figure 1: Fixed and mobile average monthly data use consumption



Source: [The Communications Market 2021](#) and [Connected Nations 2020](#) reports.

Household spend on communications increased slightly in 2020

Average monthly household spend on communications services was £122.51 in 2020, a £0.83 (1%) increase compared to 2019.

Average spend on telecoms services was flat in real terms at £79 per month, as an increase in fixed telecoms spend was offset by a similar fall in spend on mobile services. While lockdown measures resulted in a 20% increase in outgoing calls from home landlines, the increase in fixed telecoms spend can largely be attributed to growing take-up of home broadband (which accelerated during the pandemic) and people upgrading to superfast and ultrafast services. Falling mobile spend came despite increased consumption of mobile voice and data services and was due to falling prices.

Average monthly spend on TV services (which includes the TV licence fee) increased by £0.70 (2%) to £38.22 during the year and, overall, communications accounted for 4.8% of total spend in 2020, up 0.1pp compared to 2019.

Figure 2: Average monthly household spend on communications services



Source: Ofcom / operators / ONS / Ampere Analysis.

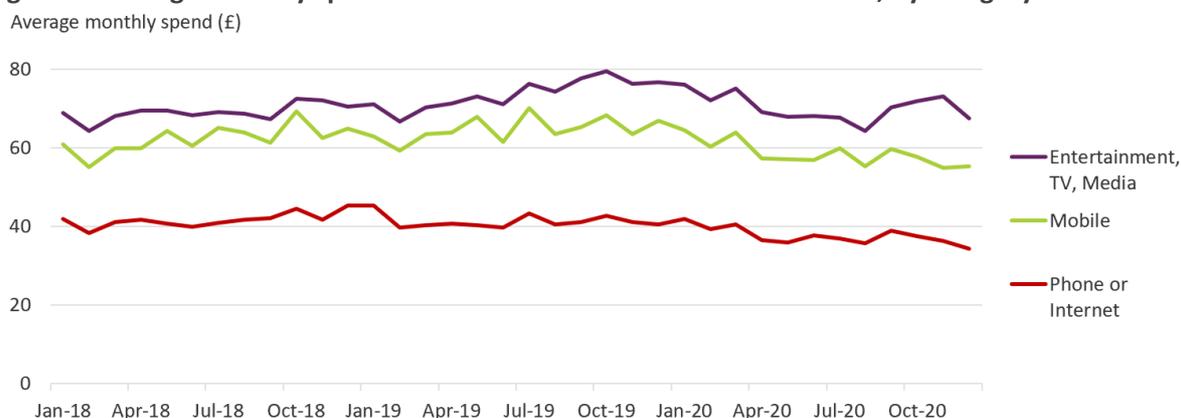
Notes: Adjusted for CPI at 2020 prices; mobile telecoms spend excludes device revenues from 2018 onwards

due to a change in accounting standards; TV includes spend on over-the-top (OTT) subscriptions, download-to-own and pay-per-view online TV services.

Transactional data can also be used to monitor trends in communications spend

Data collected by Money Dashboard gives us anonymised financial transaction information for people who are using the Money Dashboard app to help manage their finances.¹¹ By categorising each transaction, a picture can be built of spending patterns by retail sector for this cohort of users. On average, overall spend on communications-related services fell immediately after the March 2020 national lockdown, with all three communications categories rising in August and September 2020. Spending on mobile, phone and internet services then declined, while entertainment, TV and media continued to increase until November 2020.

Figure 3: Average monthly spend on media and communications services, by category



Source: Ofcom analysis of Money Dashboard data.

Note: 'Entertainment, TV, Media' includes payments made to BT, Sky and Virgin Media for services as well as payments for SVoD subscriptions and transactional video-on-demand (TVoD) transactions. 'Phone or Internet' includes payments to fixed-line telecoms and broadband providers as well as VoIP services; average monthly spend by category is across the users of each category; adjusted for CPI (December 2020 prices).

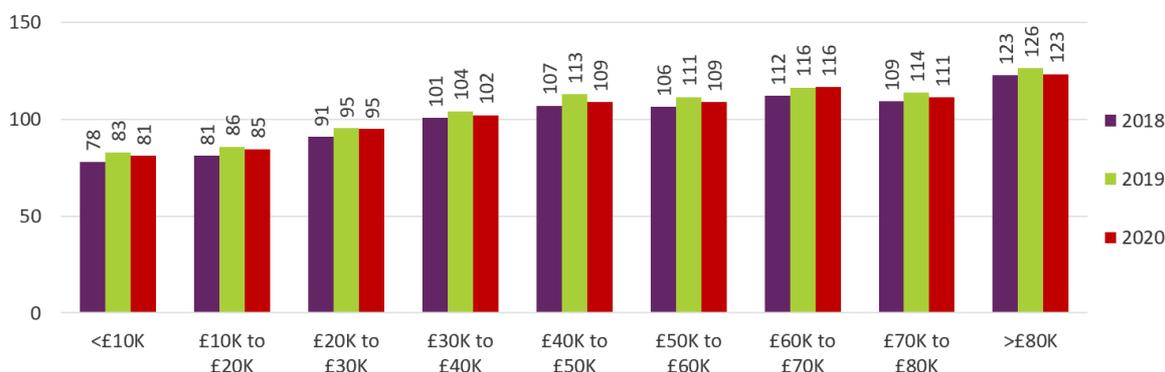
In general, the higher the income, the more households spend on communications services

Money Dashboard data can also compare spending patterns by income band. Those with over £80,000 annual income were the highest spenders on communications services in 2020, at over £120 per month, over 50% more than the average spend of those with an income of less than £10,000.

¹¹ This dataset is based on the aggregated transaction data of 46,000 people who have been sharing information since at least 2018.

Figure 4: Average monthly spend on media and communications services, by 'main source of income' band

Average monthly spend (£, December 2020 prices)



Source: Ofcom analysis of Money Dashboard data.

Note: Adjusted for CPI (December 2020 prices).

Lower income means higher proportional spend on communications services

As Figure 5 shows, people whose main income source provides less than £10,000 a year spend around 10% of their earnings on media and communications services. This group is likely to include those on universal credit, state pension and statutory sick pay.

Figure 5: Proportion of salary spent on media and communications services, by 'main source of income' band: 2020

Proportion of annual wage (%)



Source: Ofcom analysis of Money Dashboard data.

Note: The median salary within each salary band has been used in this calculation.

In 2021, above-inflation price increases were implemented

After years of falling prices across a range of communications services, leading providers have introduced a series of above-inflation price increases for new and some mid-contract customers in 2021, as outlined in Figure 6.

Figure 6: Pricing announcements by selected leading providers: 2021

Provider	Effective	Details
BT, EE	31 March 2021	Prices to rise by CPI+ 3.9% across landline, broadband, TV, BT Sport & mobile. Also affects extra charges e.g. out-of-allowance calling rates and add-ons. Applies to all new customers, and those re-contracting from 1 September 2020
Sky	April 2021 (broadband & TV); May (phone)	Price rises effective from 1 April 2021 for broadband and TV customers and from 1 May 2021 for home phone customers. Broadband Essential increased by £3/month, Broadband Superfast by £1/month. Sky Talk Anytime Extra and Talk International Extra increased by £2 per month
TalkTalk	April 2021	Annual price increase introduced for the first time. Price rises from April 2021 of £2 for all TalkTalk broadband packages, or a capped amount of £3 for customers with add-ons e.g. calling features. From April 2022 charges will increase by inflation plus 3.7%
Three	April 2021; February 2021	Annual increase of 4.5% to be applied each April for new customers, or those upgrading their service on or after 29 October 2020. Pre-pay SIM-only top-up increase (announced January 2021)
Virgin Media	March 2021	Average price increase is 4.0% on bills from 1 March 2021. Most customer increases between £2.50 and £4.50/month, averaging £3.63. No change for vulnerable customers including the Essential Broadband package for people receiving Universal Credit and Talk Protected landline customers
Vodafone	April 2021	Customers signing up after 9 December 2020 will have a 3.9% price increase on top of the CPI published each January, to be applied each April

Source: Operator websites / news reports.

Note: Some of these increases (e.g. from BT, EE, Three, Vodafone and Virgin Mobile) are specified in customer contracts, while Sky's TV contracts say that prices 'may' increase, but limits these increases to a maximum of 10%. Other providers' increases (e.g. Sky Talk and Broadband and Virgin Media cable) are not included in the T&Cs. Customers may have the right to exit their contracts if providers increase prices during the contract term.

What are consumers getting in return?

Several providers have said that these price increases reflect the investment needed to support growing demand, and that they are necessary to enable them to continue investing in their networks, products and services.

On the mobile side this includes the continued expansion of 4G coverage and upgrading to 5G. On the fixed side, while the UK's copper telephone network has helped deliver superfast broadband to 96% of homes, as demand for data continues to accelerate, the infrastructure urgently needs an upgrade. Both will require significant private investment in full-fibre broadband and mobile infrastructure, to provide much faster and more reliable networks.

In the subscription video-on-demand (SVoD) sector, providers have linked their price rises to increased content investment. Netflix spent \$1bn (£743m) on British productions in 2020 and Disney+ added Star, a hub containing adult-orientated content, which more than doubled the amount of content available to subscribers, in February 2021.

Lowest-priced providers

Price competition is a sign of a well-functioning market. To help us identify the challenger providers in the fixed and mobile markets we undertook analysis in two service categories within the fixed and mobile sectors:

- dual-play landline and fixed broadband bundles with superfast broadband; and
- SIM-only mobile phone services offering a monthly data allowance of more than 10GB and up to 100GB.

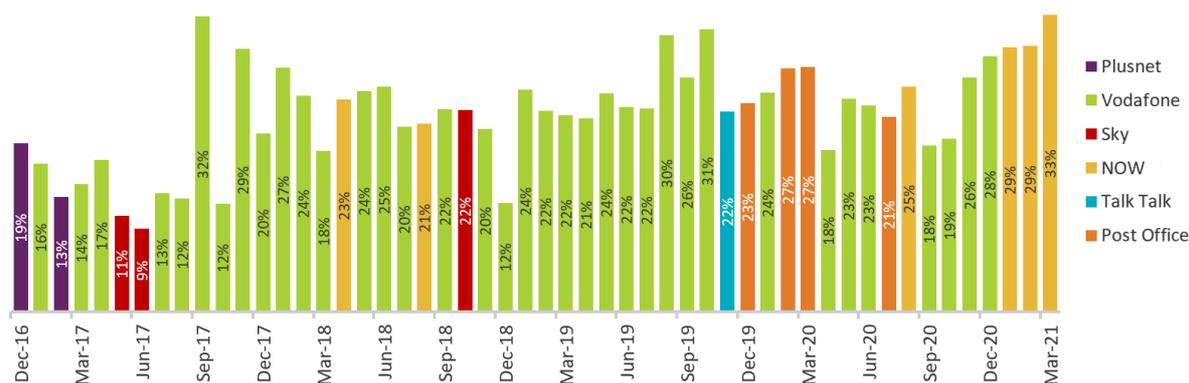
Fixed market

To identify price challenger providers in the market for superfast dual-play bundles we have used tariff data taken from Pure Pricing’s Monthly Broadband Pricing Tracker reports.

Using this data, we calculated an average price across all superfast dual-play services and an average price for each of the providers with superfast dual-play services. We then identified the provider with the lowest average price and compared it to the average across all services in the category to calculate a percentage saving. This saving is represented in the charts below by the height of each bar: the higher the bar, the greater the discount. This calculation was undertaken for each month from December 2016 to March 2021.

Vodafone, which relaunched its home broadband services in 2015, was the provider with the lowest average price for superfast dual-play services in most of the months included in the analysis. More recently, NOW and Post Office (whose telecoms business has been acquired by Shell Energy) had the lowest average prices for these services. Of the four largest providers’ main brands, only Sky and TalkTalk had the lowest superfast bundle prices at any point during the period in question.¹²

Figure 7: Dual-play superfast broadband: cheapest provider and savings vs. average price



Source: Ofcom / Pure Pricing’s Monthly Broadband Pricing Tracker reports.

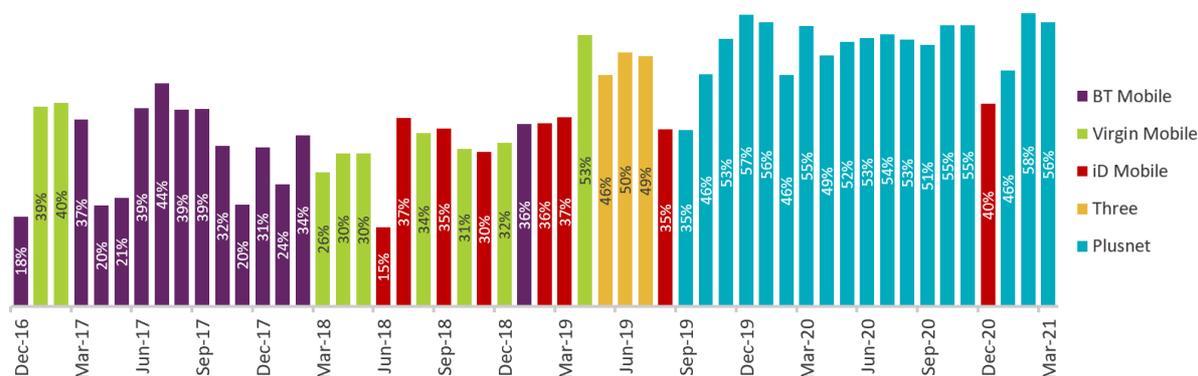
¹² In March 2021 Shell Energy announced that it had completed the purchase of Post Office’s broadband and telephony business, with Post Office customers due to start moving over to Shell Energy in August 2021.

Mobile market

To understand who the price challenger providers are in the mobile market, we undertook similar analysis using tariff data for SIM-only mobile phone services offering more than 10GB and up to 100GB of inclusive monthly data.

Three was the only mobile network operator (MNO) whose main brand had the lowest average prices in any of the months covered by our analysis. Plusnet had the lowest average price for these services in all but one of the 18 months to March 2021, while BT Mobile, iD Mobile and Virgin Mobile each had the lowest average price for more than six months during the period covered.

Figure 8: Pay-monthly SIM-only mobile with >10GB and ≤100GB monthly data allowance: cheapest provider and savings vs. average price



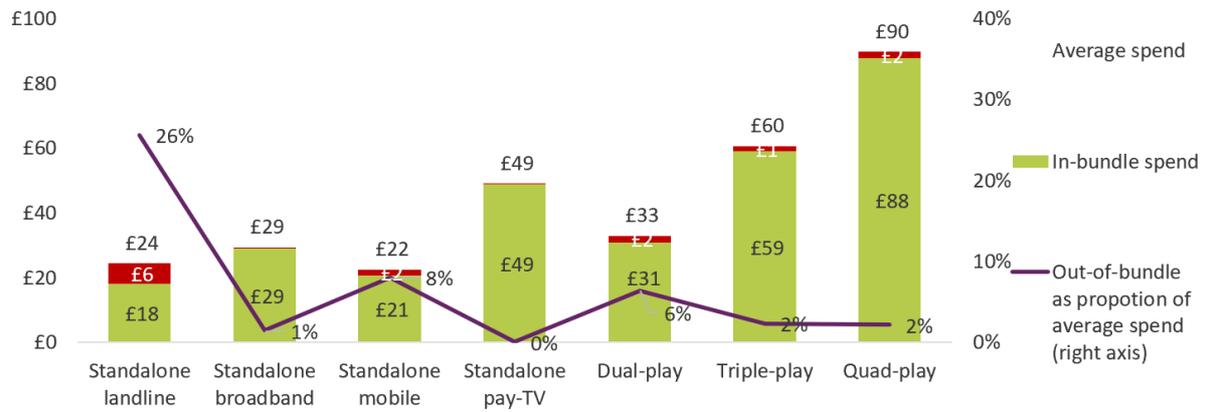
Source: Ofcom / Pure Pricing's Monthly Mobile Pricing reports.

In-bundle and out-of-bundle spend

Consumers' spend may differ from month to month depending on how much of their usage is included in their monthly charge, or their bundle, and how much falls outside this allowance: they may be charged extra for this in their monthly bill.

Using operator data collected for this report, we can analyse how much average monthly spend is inside and outside customers' allowance. Standalone landline services had the highest out-of-bundle spend, as a proportion of average spend, at 26%. This is likely to be due to customers making calls outside their calling packages or not having signed up for any such packages. Consumers taking dual-play bundled services comprising landline and fixed broadband products spent on average 6% of their total spend outside their inclusive package. Out-of-bundle spend was lowest for standalone broadband at 1%, and less than 1% for standalone pay-TV services, while for standalone mobile out-of-bundle spend was 8% of total average spend at £2.

Figure 9: In-bundle and out-of-bundle spend, by service type



Source: Ofcom / operator data.

Notes: Dual-play refers to landline and fixed broadband bundles, triple-play to landline, fixed broadband and pay-TV bundles and quad-play to landline, fixed broadband, pay-TV and mobile phone bundles.

Consumer engagement, fairness and affordability

Consumer engagement

In 2020, as a result of the Covid-19 pandemic, the decision was taken to suspend all face-to-face fieldwork across all consumer research projects to protect the safety of everyone involved. As a result, Ofcom's Switching Tracker changed from using a 100% face-to-face methodology to using a combination of post-to-web, post-to-phone and online methodologies. Fieldwork was spread over a longer period (June to November) in order to capture responses by all methods. For these reasons, we have not made any comparisons with previous years.

A quarter of households switched at least one communication service

A quarter (24%) of households had switched provider for at least one of their communications services in the past year.¹³ Seventeen per cent of landline standalone customers had switched (about half of these when moving to a new home). A fifth of standalone fixed broadband and 15% of mobile standalone customers said they had switched provider during the year. Pay-TV had the lowest level of switching.

Figure 10: Percentage of consumers switching in the past 12 months



% switched in last 12 months (from date of interview in 2020)	Landline standalone			Mobile		Pay TV		Fixed broadband		Dual play ¹	Triple play ²
	Total	No broadband	Broadband with another provider	Contract (standalone)	Prepay	Total	Standalone	Total	Standalone	Total	Total
Base	194	74*	120**	1815	587	1338	442	2508	487	885	563
Switched total	17%	18%	15%	15%	20%	7%	9%	13%	20%	16%	11%
Switched excl. home movers	9%	8%	11%			5%	5%	10%	11%	14%	9%

Source: Ofcom Switching Tracker (fieldwork conducted between June and November 2020).

Notes: ¹ Dual play refers to those who use the same provider for their landline and broadband services (but not pay-TV or mobile); ² Triple-play refers to those who use the same provider for their landline and broadband services and pay-TV (but not mobile).

¹³ Data collected via Ofcom's Switching Tracker between June-November 2020. Due to methodology changes, trend comparisons are not possible. 22% had switched at least one communications service while remaining at the same address in the 12 months before the interview.

Around one in ten households made changes to their packages to make them more affordable

Our December [Affordability report](#) found that, on average, 11% of households had made changes to a communications service in order to make it more affordable. Similarly, our Switching Tracker showed that some consumers had downgraded or reduced their services, or received a discount, in the past 12 months, although it also suggests that some had upgraded or added extra services to their package.

Fourteen per cent of standalone contract (pay-monthly) mobile customers had made changes to their existing package in the past 12 months by contacting their provider, including receiving a discount, adding extra or improved services, or reducing or downgrading services. In addition, 7% had made changes after being contacted by their provider.

Triple-play customers were the most likely to have proactively made any changes to their service, with over a third (37%) saying they had contacted their provider to change their package in the past 12 months. Consumers of most services, or packages of services, were more likely to have improved or added extra services to their package than to have downgraded or reduced their services, as illustrated in Figure 11.

At least some of this behaviour can be linked to the various initiatives that providers put in place to support customers through the pandemic. For example, increased mobile data allowances and the removal of capped broadband may have been interpreted by consumers as being discounts.

Figure 11: Changes made to packages by customers

												
	Landline standalone		Mobile contract standalone		Pay TV standalone		Fixed broadband standalone		Dual play		Triple play	
Base	194		1815		442		487		885		563	
Change initiated by...	Consumer	Provider	Consumer	Provider	Consumer	Provider	Consumer	Provider	Consumer	Provider	Consumer	Provider
Discount	5%	11%	8%	4%	12%	4%	10%	5%	17%	4%	22%	4%
Added extra/improved	8%	3%	5%	2%	10%	4%	9%	4%	6%	3%	16%	3%
Reduced/downgraded	3%	3%	3%	*%	9%	1%	5%	1%	5%	*%	10%	1%
Any 2020	14%	16%	14%	7%	27%	8%	20%	9%	24%	6%	37%	5%

Source: Ofcom Switching Tracker.

Varying levels of engagement among consumers

There are a number of ways in which consumers can engage with the communications market – they can be ‘considering switching’, ‘keeping an eye on the market’ or ‘making changes to existing services’. In order to engage effectively with the market, consumers should be confident in the following three aspects of engagement: a) understanding the language and terminology used by providers, b) speaking to providers about new deals, and c) comparing the costs of various offers.

Ofcom’s Engagement Index, taken from our Switching Tracker, takes all these factors into account and classifies consumers as being active, browsers, dormant, unmotivated, apprehensive or

resigned. A brief description of each of these segments is shown below. The detailed definitions used to create each segment can be found in the Methodology annex.

- **Active:** The most recently engaged segment. They have taken one or more of the following actions in the past year: switched supplier, negotiated with their existing supplier or assessed the market.
- **Browsers:** Have not engaged as recently as the active segment but are planning to and/or are currently looking around.
- **Dormant:** Have either switched previously (13-24 months ago) or are in a new contract. They may also have reactively made a change to their existing service in the past year.
- **Unmotivated:** Are confident with aspects of engagement but have not made any changes to their service in at least the last two years, and are not planning to.
- **Apprehensive:** Are not confident in at least one of the three aspects of engagement (as set out above) and have not made any changes to their service in at least the last two years, nor are they planning to. They say they are satisfied with their existing service.
- **Resigned:** Are unhappy with their existing service and have not sought to engage in at least the last two years, and are not planning to.

Standalone customers are the least engaged

Most consumers fall into one of the more engaged segments (active, browser or dormant), although this varies according to the type of contract or deal the consumer has. Standalone landline, standalone pay-TV and mobile pre-pay customers are the least engaged groups, with the highest proportions falling into the resigned, apprehensive or unmotivated segments.

The proportion of consumers falling into the active segment was highest among broadband and landline decision-makers (43% and 40%), and lowest among standalone pay-TV decision-makers (31%). Those aged 65+ tended to be more apprehensive in their engagement with each service/package provider, whereas those aged 16-24 were the most likely group to be active in the mobile market. Those in the DE socio-economic group were the least likely to be active and the most likely to be apprehensive in the landline and mobile phone markets.

Figure 12: Switching Tracker Engagement Index



Source: Ofcom Switching Tracker 2020.

Base: All adults aged 16+ who are the decision-maker for a mobile phone – contract or pre-pay (2862), contract mobile phone (2275), pre-pay mobile phone (587) for the household's fixed broadband service (2508), the decision-maker for the household's landline service (2020), standalone landline – don't use landline provider for another service (194), standalone landline no broadband – don't use landline provider for another service and don't have fixed broadband (74), who are the decision-maker for the household's pay-TV service (1338), standalone pay-TV – don't use main pay-TV provider for another service (442).*

Fairness

Helping consumers find better deals

Fairness for customers of communications services continues to be a priority for us. It is vital that people and businesses are treated fairly by their providers and can trust that markets operate with integrity. We have taken action to make sure customers are treated fairly and we continue to challenge companies to do more.

[New rules introduced in February 2020](#) require phone, broadband and pay-TV companies to notify customers, between 10 and 40 days before their contract ends, about how much they will pay after this point, and to provide information on the provider's best deals, including any prices available only to new customers. For customers with a single bundled contract for their mobile service and handset, these end-of-contract notifications (ECNs) will include at least one SIM-only deal. Anyone who is already out of contract must also be reminded annually that they are out of contract and told about their provider's best deals.

In addition, Ofcom has secured commitments from the UK's major fixed broadband providers to conduct price reviews for their vulnerable customers, including providing discounts that do not require these customers to engage with their provider.

The effect of these commitments is that many vulnerable people who face barriers to engaging, and who may therefore find it more difficult to act in response to receiving an ECN, will not experience out-of-contract price rises. Similarly, we have secured commitments from the major mobile companies – except Three – to reduce bills for customers who bundle their handset and airtime together in a single contract and are past their initial contract period. As a result, out-of-contract bundled handset and airtime customers with all participating providers will receive a discount on their bills.

We will publish a report on the impact of ECNs and the pricing commitments made by major broadband and mobile providers in autumn 2021. This will be informed by customer level data obtained from the UK's major broadband and mobile providers, which we are currently in the process of analysing.

Personalised pricing

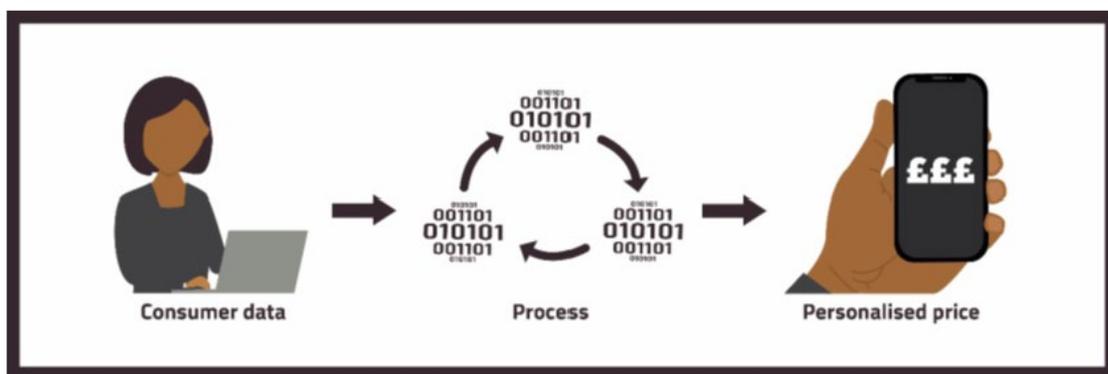
As part of our work in 2020/21 on making data work for customers, under Ofcom's strategic priority of fairness for customers, we have considered personalised pricing.

Personalised pricing – the practice of charging customers different prices based on what the seller thinks the customer is prepared to pay – is a sophisticated form of price discrimination. As in many

other sectors, communications providers can now understand their customers in ways that were not previously possible. By collecting information about them, and processing it using algorithms, particularly machine learning algorithms, firms can gain insight into how much customers are willing to pay for their services or products.

Offering different prices to different customers is not a new practice; what has changed is companies' ability to use data and machine learning to do it more precisely. This personalised pricing differs from the long-established method of price discrimination by group, like student discounts. It is also distinct from dynamic pricing, such as when airlines increase prices as the number of available seats decreases.

Personalised pricing can be implemented in different ways; for example, by offering all customers the same price, but personalising the discounts that can be accessed based on the individual's product use, interactions with the company, and/or personal characteristics. Another approach might be adjusting the quality or quantity of the product offered to each customer.



The extent to which customers receive personalised prices varies across the different sectors of the economy. In our [discussion paper published in August 2020](#) we looked at how personalised pricing might evolve in the communications sector and the potential implications for customers.

The paper shared the results of our qualitative research on consumers' perceptions of personalised pricing of communications services. Although some participants recognised the potential benefits, such as lower prices for lower-income households, concerns were much more common. They felt that personalised pricing was 'unfair', with a lack of transparency about how the price would be calculated and uncertainty about whether they had a good deal.

The paper explored a range of issues relating to customer fairness that personalised pricing could create. We expect that giving people the ability to compare prices effectively, and the transparency of the process, will be particularly important. Greater personalisation could also have implications for pricing outcomes and for levels of trust in the market.

We want to stay at the forefront of how the communications sector is evolving. We will closely monitor how pricing practices develop, such as looking at data on the distribution of pricing outcomes over time for similar products, so we can keep track of any evolving trends.

Affordability and support

Our Covid-19 Affordability Tracker research¹⁴ suggested that 18% of households had had an affordability issue with at least one communications service (including 5% for fixed broadband and 6% for mobile) in the month before they were surveyed. This was similar to the situation we reported in December 2020.¹⁵ Lower-income households, and those in receipt of at least one type of benefit, were more likely to have an affordability issue with their fixed broadband service and with all communications services.

Our analysis of provider data suggests that for broadband services many customers who are more likely to have affordability issues may be able to reduce their bills by shopping around for a better deal.¹⁶ But for some customers on the lowest household incomes, engaging with the market may not be sufficient to prevent affordability problems.

For fixed broadband, our analysis of expenditure and income data shows that the 3.3 million households in the lowest income decile spend nearly four times as much on fixed broadband (as a proportion of their disposable income after housing costs) as the median household (4.2% compared to 1.2%) and nearly twice as much as those in the second decile (2.3%). As the lowest decile spend a significantly higher proportion of their income on fixed broadband, they may not be able to resolve affordability issues solely by shopping around for the best deal. For these households, targeted tariffs offering lower prices may be necessary to make services affordable.

In our December 2020 [summary of initial findings](#), we strongly encouraged providers that do not already offer targeted tariffs to consider introducing them.

Low-cost broadband packages for those in financial difficulties

As is shown in Figure 13, several fixed broadband providers offer low-cost packages, that are cheaper compared to commercially offered products at equivalent speeds (VOXI also currently offers a mobile tariff).

These tariffs are available to people in receipt of certain means-tested benefits. Currently, five providers offer a targeted tariff for £15 or £10 per month, while a sixth, KCOM, offers a tariff for £19.99. Our analysis indicates that such prices can help households that are likely to have affordability issues, with deeper discounts particularly beneficial for those on the lowest incomes.

¹⁴ The consumer research included in this report (unless otherwise stated) is the average taken from interviews conducted between November 2020 and April 2021, using monthly telephone interviews among c.1,100 UK households.

¹⁵ In our December 2020 report we reported that 19% of households (based on an average for that period) reported an affordability issue with at least one communications service.

¹⁶ In May 2021, we found that the cheapest tariffs for a standard dual-play service and for superfast connections were £16.99 and £22 per month respectively. In contrast, we found that households in the top 10% most deprived areas were spending on average £26 and £31 per month for standard and entry-level superfast services respectively. As such, those customers could reduce their bills by around £9 per month if they switched to the cheapest tariffs available on the market.

Figure 13: Comparison of providers' targeted internet tariffs

Provider	Price	Speed	Eligibility ¹⁷	Call allowance	Discount vs provider's cheapest equivalent	Discount vs cheapest market-equivalent ¹⁸
<u>BT Home Essentials</u> ¹⁹	£15 /mth	36 Mbit/s	Universal Credit (UC), Jobseeker's Allowance (JSA), Employment Support Allowance (ESA), Pension Credit (Guarantee Credit)	700 mins	£23 /mth	£10 /mth ²⁰
<u>BT Home Essentials 2</u>	£20 /mth	67 Mbit/s		Unlimited mins	£27 /mth	£5 /mth
<u>Community Fibre</u> ²¹	£10 /mth	10 Mbit/s	UC, Income-based JSA, Income-related ESA, Housing Benefit, Personal Independent Payment (PIP)	n/a	£10 /mth	£7 /mth
<u>Hyperoptic Fair Fibre 50</u> ²²	£15 /mth	50 Mbit/s	UC, Income-related JSA, Income-related ESA, Pension Credit, Housing Benefit, PIP	n/a (evening & weekend calls £3 /mth)	£7 /mth	£7 /mth
<u>Hyperoptic Fair Fibre 150</u>	£25 /mth	150 Mbit/s			£10 /mth	£5 /mth
<u>KCOM Full Fibre Flex</u>	£19.99 /mth	30 Mbit/s	UC zero earnings, JSA, Income-related ESA, Income Support, Pension Credit, Housing Benefit, PIP	20 local calls & 60 mins to 0845/0870, with £10 cap	£10 /mth	£2 /mth ²³
<u>Virgin Media Essential broadband</u>	£15 /mth	15 Mbit/s	UC	n/a	£10 /mth ²⁴	£2 /mth
<u>VOXI For Now</u> ²⁵	£10 /mth	5G	UC (employment based), JSA, ESA	Unlimited mins & texts	£25 /mth	£5 /mth

Source: Ofcom / Pure Pricing's UK Monthly Broadband Pricing Tracker June 2021 / Pure Pricing's UK Monthly Mobile Pricing Update July 2021.

¹⁷ The criteria listed here are not exhaustive for all providers. Full lists are provided on the websites linked to in the table.

¹⁸ Prices are compared to the cheapest UK-wide commercially available tariff in the equivalent speed bracket (e.g. standard, superfast, ultrafast) as given by Pure Pricing's UK Monthly Broadband Pricing Tracker June 2021.

¹⁹ BT and KCOM both also offer a regulated landline-only social tariff. BT Home Essentials landline only offers unlimited calls for £10 a month. KCOM's Flex Call Only offers 20 local calls and 60 minutes to 0845/0870 numbers for £5.10 a month, with a £10 spend cap once the inclusive call allowance has been reached.

²⁰ This is compared to the cheapest tariff offering unlimited minutes, therefore likely overstates the relative discounting.

²¹ These products are only open to applications for a specified period: Community Fibre's is open until the end of July 2021.

²² Hyperoptic also offers dual-play tariffs, which are £3 per month more than the broadband-only tariffs in the above table.

²³ This product offers a £10 per month discount on commercial pricing available in the Hull area.

²⁴ Virgin Media does not offer a comparable commercial standard speed product, so this is compared to the operator's cheapest superfast broadband tariff.

²⁵ These products are only open to applications for a specified period: VOXI's is open until the end of September 2021.

Note: [KCOM](#), [Virgin Media](#), [BT \(targeted tariff\)](#), [BT \(provider equivalent\)](#), [Community Fibre](#), [VOXI](#), [Hyperoptic](#) (accessed at 15 July 2021). Discounts are rounded to the nearest whole number.

Support for vulnerable customers during the Covid-19 pandemic

Providers offered ongoing support to customers to help them cope with the Covid-19 restrictions at an estimated cost of £940m.²⁶ This included measures in response to the initial lockdown in March 2020 and further provisions including the [Get Help with Technology](#) scheme, following restrictions from November 2020 onwards. This support included additional mobile call, text and data allowances, free access to healthcare information and zero-rated access to education resources, and even in some cases devices to help with online learning.

Support initiatives continue to be announced. In June 2021 Vodafone said it would be working with The Trussell Trust's UK network of food bank centres to distribute SIM cards loaded with 20GB of data plus free calls and texts allowance renewed each month, each providing connectivity for up to a year, to people in need. This falls under Vodafone's plan to connect a million people living in digital poverty by the end of 2022 through a range of programmes, including its Great British Tech Appeal and its new Buy One, Give One initiative for customers of Vodafone Together, its converged broadband and mobile package.

Early lockdown support for vulnerable customers

In March 2020 the Government announced that an agreement had been reached with the industry on the treatment of vulnerable customers.²⁷ BT/EE/Plusnet, Virgin Media, Sky, TalkTalk, O2, Vodafone, Three, Hyperoptic, Gigaclear and KCOM signed up to a set of four commitments to support customers during the Covid-19 crisis. In May 2020, LycaMobile, G.Network, giffgaff, iD Mobile, Post Office, Tesco, Spectrum Internet and Voneus also joined the initiative. All committed to:

- work with customers who find it difficult to pay their bills because of Covid-19, to ensure that they are treated fairly and appropriately supported;
- remove data allowance caps from all current fixed broadband services;
- offer new, generous mobile and landline packages to ensure that people are connected and the most vulnerable continue to be supported (for example, data boosts or free calls); and
- ensure that vulnerable customers and those self-isolating receive alternative methods of communication where possible, if priority repairs to fixed networks cannot be carried out.

These commitments were in addition to a range of supportive measures offered by individual providers including the relaxation of data and usage caps.

²⁶ Assembly Research suggests that [UK telecoms companies had provided £940m in Covid-19 support](#) as of 21 January 2021.

²⁷ [Government agrees measures with telecoms companies to support vulnerable consumers through COVID-19 - GOV.UK \(www.gov.uk\)](#)

Mobile data allowances for online learning in later lockdown

The Government announced the [Get Help with Technology](#) scheme in January 2021, under which mobile providers agreed to offer additional mobile data to support disadvantaged children with remote learning. BT Mobile, EE, giffgaff, iD Mobile, LycaMobile, O2, Sky Mobile, Smarty, Tesco Mobile, Three, Virgin Mobile and Vodafone support the initiative, which is due to run until July 2021.

Families of disadvantaged students in years 3 to 13, and those in further education who are customers of a participating provider and do not have fixed broadband at home, who cannot afford additional data for their devices and are experiencing disruption to their face-to-face education, can apply for the extra data through schools, trusts and local authorities. Several providers have zero-rated data charges to popular learning portals, as shown in Figure 14.

Figure 14: Covid-19-related support for vulnerable customers: 2020/2021

Provider	Announced	Measures taken for remote learning* and other support
BT/ EE/ Plusnet	January 2021	Zero-rated data to several education sites including BBC Bitesize and Oak National Academy 'Lockdown Learning' support scheme for pupils and families who have limited access to the internet, offering free mobile data and wi-fi vouchers
iD Mobile	January 2021	Unlimited data to pre-pay and pay-monthly customers
LycaMobile	February 2021	20GB of free data per month to eligible families for home learning
O2	March 2020 June 2020 January 2021	Zero-rated access to more than 20 support, financial guidance and advice websites including Citizens Advice, Money Advice Services, Mind Zero-rated access to websites supporting victims of crime, sexual abuse domestic violence situations and vulnerable children 40GB extra data for families with disadvantaged pupils in years 3 to 11 Zero rated data access to Oak National Academy
Sky Mobile	January 2021	100GB extra to pay monthly customers
Smarty	January 2021	Unlimited data to pre-pay and pay-monthly customers
Tesco	January 2021	20GB extra to pay-monthly customers
Three	April 2020 January 2021	Zero-rated NHS video consultations provided by Attend Anywhere Unlimited data to pre-pay and pay-monthly customers Zero-rated data access to Oak National Academy
Virgin Media	January and February 2021	Zero-rated Oak National Academy learning resources website 20GB additional mobile data per month for families in financial difficulties Free data, minutes, and texts for vulnerable customers Help for Home Learners launched to provide 1,500 laptops and mobile dongles to school children and young adults struggling to learn virtually
Vodafone	March 2020 January and February 2021	Zero-rated access to NHS UK online, including the websites of NHS England, Northern Ireland, Scotland and Wales. Includes VOXI customers Free and discounted access to online education platforms Azoomee: (three months free access), MarcoPolo World School (60-day free trial), SchoolOnline.co.uk (33% off subscription), New Skills Academy (76% off courses). 350,000 free 30GB SIMs for families (since November 2020) and extended by another 150,000

Source: Provider websites / media reports / Pure Pricing.

Note: Mobile providers also started to offer [a range of support](#) in March 2020.

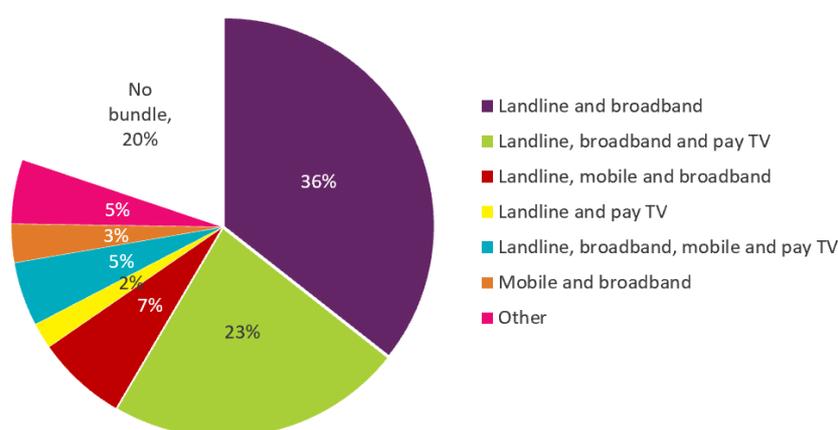
Pricing of broadband and bundled services

Four in five households have bundled communications services

Eighty per cent of UK households purchased two or more communications services from the same service provider as part of a bundle in Q1 2021. According to Ofcom’s Technology Tracker, 36% of UK consumers took a dual-play service of landline and broadband, 23% a triple-play bundle comprising landline, broadband and pay-TV, and 5% a quad-play bundle of landline, broadband, pay-TV and mobile services.

This high take-up of bundles means that bundled service prices are more relevant than standalone prices to the majority of UK homes.

Figure 15: Proportion of users, by type of bundled service



Source: Ofcom Technology Tracker 2021.

Who is your supplier for TV/landline/broadband/mobile? {wording varies per service}. Base: (2021, Postal survey 5233). Base excludes those who do not know the provider for one or more services.

Savings when buying bundles from a single provider

Purchasing a bundle is usually cheaper than buying the same services on a standalone basis from multiple providers, and many people like the convenience of receiving one bill, making one payment and having one point of contact for multiple services.

We use a model provided by pricing specialist Teligen, Strategy Analytics, to analyse the cost of standalone and bundled services. The model calculates the lowest prices available to fulfil the requirements of baskets of services that are designed to reflect the usage of ‘typical’ households using the tariffs offered on major providers’ websites. We then calculate an average price for each household usage profile from all of these lowest prices, weighting the results by provider retail market shares. See the [Methodology](#) for full details.

Figure 16 shows that in October 2020 it was cheaper for all the households needing a fixed broadband connection to purchase bundled services, with average savings ranging from 27% to 41%. These savings have increased over time; for example, a ‘networked family household’ spending £74

per month for a bundled service in 2020 saved £52 per month (41%) against the same services bought separately, compared with a saving of £46 (34%) for the same bundle in 2019.

However, the ‘low-use couple with a basic needs’ user profile, requiring landline and mobile phone services, pays on average 48% more when purchasing a bundled service, equating to an extra £15 per month. This is because they are buying a service they do not need (fixed broadband, which remains a core component of most bundles) and because bundling means they cannot take advantage of low-cost line rental landline services available to people who do not take broadband.

Our rules requiring providers to send their customers end-of-contract notifications and annual best-tariff advice, which came into force in February 2020, include the requirement to inform consumers that they might get a better deal if they purchased their services as a bundle.²⁸

Figure 16: Weighted average monthly price for standalone and bundled services



Source: Ofcom, using data provided by Teligen, Strategy Analytics.

Note: The households are designed to reflect four different usage patterns, each requiring set amounts of landline, mobile phone, fixed broadband and TV services. Weighted average tariffs for primary providers; includes promotional discounts; data relates to July in each year except 2020, when it relates to October; CPI adjusted (October 2020 prices); figures have been rounded to the nearest whole number; standalone services are considered for landline, broadband, mobile and pay-TV.

Price range has widened for broadband inclusive dual-play bundles

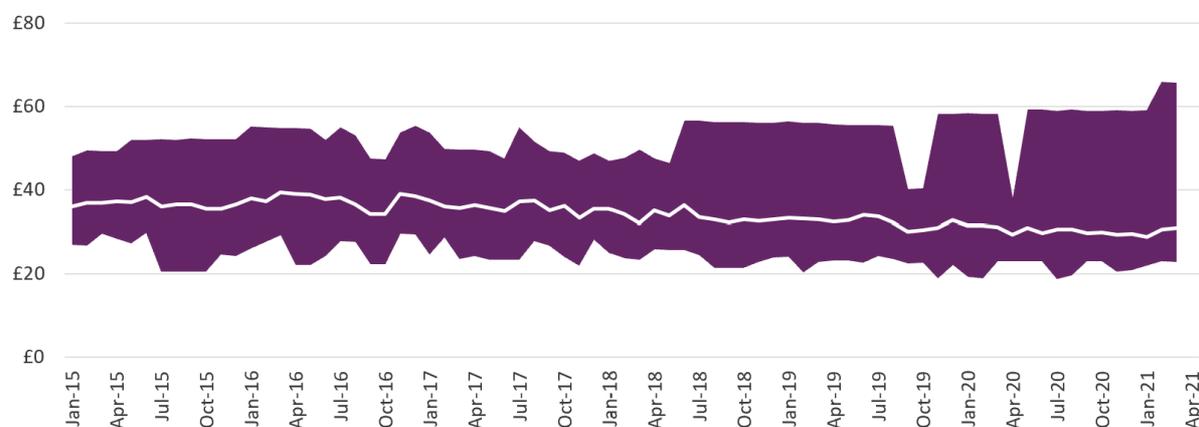
Given the wide range of choice available to people purchasing communications services, it is beneficial for them to understand their usage and requirements so they can choose a suitable option.

As shown in Figure 17, the range of promoted real-terms prices, across several major residential providers’ dual-play landline and superfast FTTC-based broadband bundles, grew from between £23 and £50 per month in March 2018, averaging £32, compared with a range of £23 to £66, averaging £31, in March 2021. The prices paid are determined by several factors, including the choice of provider (and its price positioning), broadband connection capacity, inclusive call allowance and add-

²⁸ Ofcom announced [rules to require broadband, phone and pay-TV providers to tell their customers when their contract is coming to an end, and what their best available deals are](#), in May 2019.

ons such as anti-virus products and wi-fi boosters. Promoted prices are available generally in the market and do not include personalised pricing.

Figure 17: Range of dual-play landline and superfast broadband prices from leading VDSL providers



Source: Ofcom / Pure Pricing's Monthly Broadband Pricing Tracker reports.

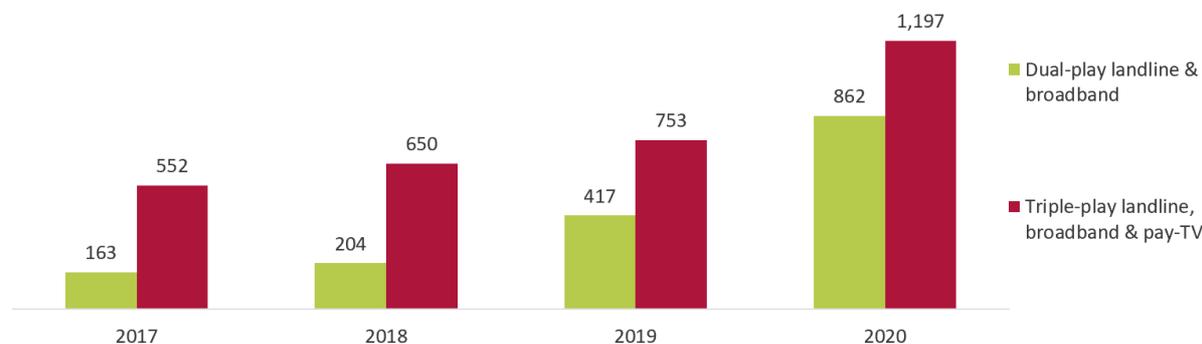
Note: Based on promoted available FTTC tariffs for new customers from BT, EE, Plusnet, Sky and TalkTalk; promotions include the promoted price and any 'gifts' offered; in April 2020 BT was not presenting some of its higher cost and higher speed options, possibly because these required installation by an engineer (during the Covid-19 pandemic, engineers were being used for essential work only, for health and safety reasons); adjusted for CPI (March 2021 prices).

Rising number of dual- and triple-play tariff choices

The wide range of choice available to people buying communications services may make it harder for them to identify the best option for their needs.

We examined the number of tariffs in the Teligen model, over time, for landline and broadband dual-play bundles, and for landline, broadband and pay-TV triple-play bundles. This shows rising numbers of tariffs in both cases, with the number of dual-play packages more than quadrupling to 862 between 2017 and 2020, and the number of triple-play offerings more than doubling over the same period. Price comparison websites, including those accredited through [Ofcom's voluntary accreditation scheme](#), can help people navigate the market and identify suitable services.

Figure 18: Number of dual- and triple-play bundle tariffs



Source: Ofcom, using data provided by Teligen, Strategy Analytics.

Consumers may be able to upgrade and save money

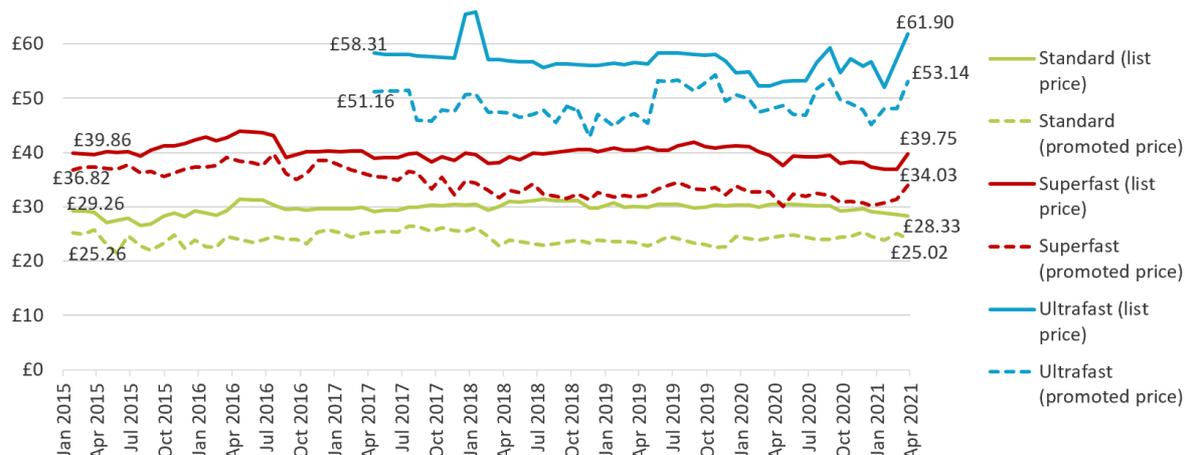
Higher-speed residential dual-play bundle prices rise sharply

Analysis of the main tariffs from the largest retail broadband providers shows that residential dual-play promotional pricing for higher-speed services (superfast and ultrafast categories) rose sharply in March 2021, when many leading providers introduced above-inflation price increases. This followed a downward trend in prices before December 2020.

Figure 19 illustrates the average list and promoted prices for dual-play landline and broadband services from January 2015 to March 2021. This shows that in mid-2020, the average promoted price for a superfast dual-play bundle was lower than the average list price for dual-play bundles with standard broadband, meaning that many out-of-contract standard broadband dual-play bundle customers could purchase a superfast broadband and landline bundle and pay less.

ISPs on the Openreach network have been incentivising customers to upgrade to FTTC to take advantage of the bulk discounts they receive from Openreach. In March 2021, the average promotional saving over the list price for a customer taking a new dual-play bundle was around 15% for packages with standard, superfast or ultrafast broadband.

Figure 19: Average monthly prices for residential dual-play landline and broadband bundles



Source: Ofcom / Pure Pricing's Monthly Broadband Pricing Tracker reports.

Note: Represents monthly average of list and promoted available tariffs for new customers from BT, EE, NOW, Plusnet, Post Office, Shell, Sky, TalkTalk, Virgin Media, Vodafone, Zen when available promotions include the promoted price and any 'gifts' offered; in April 2020 only Virgin Media had a 12-month+ history of presenting ultrafast tariffs out of those providers covered by the tracker; adjusted for CPI (March 2021 prices); standard broadband products are those with an advertised speed <30Mbit/s, superfast >=30Mbit/s to <300Mbit/s, ultrafast >=300Mbit/s.

The gap between list and promoted broadband prices has narrowed

A price differential is the difference in price charged by a provider to different customers for equivalent services. In broadband, price differentials occur because promotional prices are offered to attract new customers and result in out-of-contract customers paying more than those who are in contract, as the promotional price is typically offered for the whole of the minimum contractual period.

In the year to March 2021, the price differential narrowed for both standard and superfast dual-play products, falling by 31% and 14% respectively to £4.21 and £5.72 per month.

Our [Connected Nations Update: Spring 2021](#) report shows that ultrafast services (with speeds of 300Mbit/s or more) were available to 61% of UK homes by January 2021, with gigabit services available to 37% of homes and full-fibre broadband to 21% of homes. As the availability of ultrafast services has increased, providers have introduced generous discounts to incentivise people to upgrade to these faster services, and the gap between list and promotional prices for dual-play bundles with ultrafast broadband more than doubled to £8.76 per month in the year to March 2021, as shown in Figure 20.

In [September 2019 Ofcom announced it had received voluntary commitments](#) from the UK's biggest broadband companies to protect customers who face barriers to getting better deals. [Further commitments followed in July 2020](#) when providers introduced protections for customers who they are aware of being vulnerable, moving those who are paying higher out-of-contract prices onto better prices through annual reviews.

We are due to review the impact of these voluntary commitments as part of our package of measures to ensure fairness for customers in our autumn report.

Figure 20: Dual-play residential landline and broadband bundle pricing: March 2021

Broadband	Promoted prices			List prices			Price differential		
	£/mth	YoY Δ	% Δ	£/mth	YoY Δ	% Δ	£/mth	YoY Δ	% Δ
Standard	£24.12	-£0.21	-1%	£28.33	-£2.12	-7%	£4.21	-£1.91	-31%
Superfast	£34.03	+£1.21	4%	£39.75	+£0.26	+1%	£5.72	-£0.94	-14%
Ultrafast	£53.14	+£5.18	11%	£61.90	+£9.67	+16%	£8.76	+£4.49	+105%

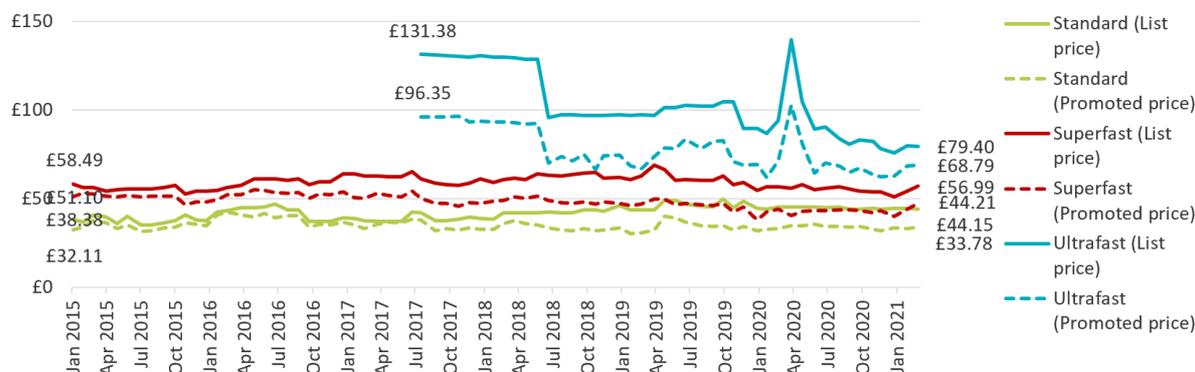
Source: Ofcom / Pure Pricing's UK Monthly Broadband Pricing Tracker March 2021.

Note: Figures are adjusted for CPI (March 2021 prices).

Superfast triple-play promotional pricing matched lower-speed list prices

Triple-play pricing from January 2015 to March 2021 is shown in Figures 21 and 22. In March 2021 the average saving for a customer taking a standard package promotional tariff, compared to the list price, was 24%; for superfast it was 17%; and for ultrafast it was 13%. This compares with average savings of 27%, 22% and 24% respectively in March 2020, indicating that the price differential fell across all three service types during the year. Customers moving to a standard broadband triple-play package would be able to sign up to a new superfast triple-play package at little or no extra cost.

Figure 21: Average available monthly prices for residential triple-play landline, broadband and TV bundles



Source: Ofcom / Pure Pricing's Monthly Broadband Pricing Tracker reports.

Note: Represents monthly average of list and promoted available tariffs for new customers from BT, EE, Sky, TalkTalk, Virgin Media, Vodafone (no standard Virgin Media or Vodafone service; no ultrafast Sky or TalkTalk service); promotions include the promoted price and any 'gifts' offered; adjusted for CPI (March 2021 prices); standard broadband products are those with an advertised speed <30Mbit/s, superfast ≥30Mbit/s to <300Mbit/s, ultrafast ≥300Mbit/s.

Throughout most of the year, the average triple-play standard broadband bundle list price was higher than the average superfast bundle promoted price, suggesting that many customers who were out of contract were paying more for a standard broadband bundle than they would if they took a new contract for a superfast service.

Figure 22: Triple-play residential landline and broadband bundle pricing: March 2021

Broadband	Promoted prices			List prices			Price differential		
	£/mth	YoY Δ	% Δ	£/mth	YoY Δ	% Δ	£/mth	YoY Δ	% Δ
Standard	£33.78	+£0.71	+2%	£44.21	-£1.16	-3%	£10.43	-£1.87	-15%
Superfast	£47.40	+£3.11	+7%	£56.99	+£0.25	+0.4%	£9.59	-£2.86	-23%
Ultrafast	£68.79	-£2.50	-3.5%	£79.40	-£14.69	-15.6%	£10.61	-£12.19	-53%

Source: Ofcom / Pure Pricing's Monthly Broadband Pricing Tracker reports.

Note: Figures are adjusted for CPI (March 2021 prices).

Ultrafast broadband can be cheaper than superfast services

Pricing for broadband services from the UK's independent full-fibre network operators can be lower than those from established providers. Figure 23 shows full-fibre broadband pricing for selected independent providers, as well as BT, using the Openreach full-fibre network, and Virgin Media which uses DOCSIS 3.1 cable and full-fibre technology to provide ultrafast services. Operators such as Community Fibre, Hyperoptic and G.Network are entering geographical markets with challenger pricing as a market entry strategy.

On top of the monthly service price, some providers charge activation, set-up or installation fees. These vary considerably, both by provider and by contract length. Installation fees charged to the customer may also vary depending on whether the provider is registered to the Gigabit Broadband Voucher Scheme (GBVS) and whether the customer is eligible to claim under the scheme.

As part of 'Project Gigabit', the Government has been providing up to £210m worth of voucher funding to help homes and businesses cover the costs of installing gigabit broadband. Eligible homes can claim vouchers worth up to £1,500 through a registered broadband provider.

Figure 23: Selected full-fibre broadband service pricing: April 2021

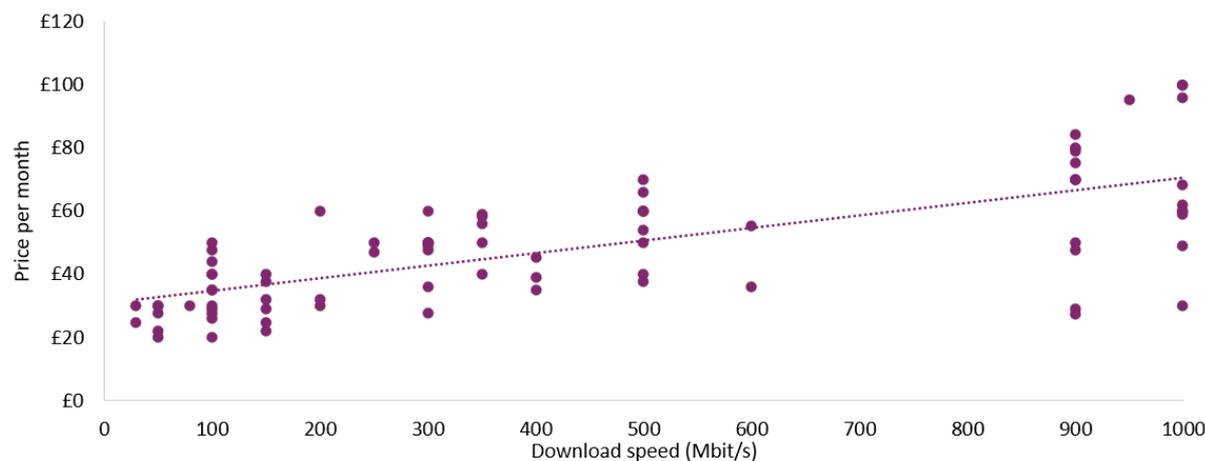
	30Mbit/s* & 50Mbit/s	100Mbit/s* & 150Mbit/s	300Mbit/s* & 350Mbit/s	900Mbit/s* & 1Gbit/s	Set-up fees	Contract length (months)
(Promoted price) list price						
B4RN	-	-	-	£30.00	£150.00	1
BT	-	(£39.99) £47.99	(£49.99) £57.99	(£59.99) £67.99	£9.99	24
Community Fibre	£20.00	£25.00 (1 month free)		£49.00 (3 months free)	-	24
County Broadband	£28.00	£40.00	£48.00*	£80.00*	(-) £99.00	24
Gigaclear	-	-	(£29.00) £49.00*	(£49.00) £79.00*	-	18
G.Network	-	£22.00	(£22.00 for 6 months) £28.00*	(£22.00 for 6 months) £48.00*	-	24
Hyperoptic	£22.00	(£29.00) £35.00	-	(£39.00) £60.00	-	12
Jurassic Fibre	£25.00*	£35.00*	£50.00*	-	-	1
KCOM	£29.99*	£39.99*	£49.99*	£69.99*	£24.99	18
Lightning Fibre	-	£29.00*	-	£59.00	£100.00 (free for 1Gbit/s)	24
Swish Fibre	-	-	-	£75.00*	£50.00	1
TalkTalk	-	£32.00	-	£27.50*	-	18 for 150 Mbit/s and 24 for 900 Mbit/s
Toob	-	-	-	(£25.00) £29.00*	-	18
Trooli	-	-	£50.00*	£80.00*	(£35.00) £155.00	18
Truespeed	-	-	£49.99	£69.99*	Free with GBVS**	18
Virgin Media	-	(£28.00) £44.00	(£40.00) £56.00	(£46.00) £62.00	£35.00	18
Vodafone	-	£26.00	-	£48.00	-	24
WightFibre	(£21.95) £30.00	(£23.95) £40.00*	(£27.95) £50.00*	(£55.00) £70.00*	-	24
Zzoomm	-	£28.00*	-	£59.00	-	12

Source: Ofcom/operator websites.

Notes: Prices as at April 2021 and include VAT; *providers offer one of these broadband speeds; **GBVS: Government Broadband Voucher Scheme; Virgin Media and WightFibre also use DOCSIS-based infrastructure.

Figure 24 below plots ultrafast service monthly list prices against their advertised download speeds. The services included in the chart have a variety of different minimum contractual terms ranging from one-month rolling contracts to 24-month commitments (contract length is one factor that determines price).

Figure 24: Full-fibre broadband service pricing: April 2021



Source: Ofcom / operator websites, includes providers additional to those listed in Figure 23.

Note: List prices as at April 2021; excludes installation / activation fees.

The growth of broadband-only lines

Broadband is typically sold with a fixed voice service. But many people no longer use traditional fixed voice services as they use mobile phones and over-the-top services such as WhatsApp, Facetime and Facebook to make calls. Broadband-only tariffs are becoming more common, helped by the launch of a new Openreach wholesale tariff which enables providers to offer customers a standalone FTTC broadband line without voice.²⁹ Operator data shows that 4% of broadband users (about a million) took a standalone broadband service in November 2020.

Figure 25 shows selected standalone broadband tariffs. Comparing these with the price of bundled landline and broadband services indicates that there is little or no difference in list prices, but promoted prices are cheaper. Pure Pricing tariff data shows that the average list and promoted prices for standalone superfast broadband services, across BT, EE, TalkTalk and Virgin Media, were £43.71 and £26.98 respectively, compared to £44.05 and £38.96 for dual-play bundles in March 2021.

²⁹ Openreach has launched single order generic ethernet access (SOGEA) services, which allow retail providers on the Openreach network to offer FTTC broadband without a landline service.

Figure 25: Broadband without a landline, selected providers: May 2021

Provider	Service	Price per month (promoted) list price
BT	Full Fibre 2 74Mbit/s	£32.99, 24-month contract
	Full Fibre 300	£49.99, 24-month contract
Gigaclear	Ultrafast 300 with smart WiFi	£20, free activation, 18-month contract (Gigaclear areas only)
Hyperoptic	Fast 50Mb	£22, £29 activation fee, in Hyperoptic areas only
	Superfast 150Mb	(£29) £35, £29 activation fee, in Hyperoptic areas only
Virgin Media	M100 Fibre Broadband	(£28) £44, £35 set up fee, 18-month contract
	M350 Fibre Broadband	(£40) £56, £35 set up fee, 18-month contract

Source: Ofcom, using operator websites.

Pricing of landline services

Most landlines are bought as part of a bundle

This section of the report looks at the price of residential landline services. It includes line rental prices, which apply only to standalone landline users; that is, consumers buying voice services without any other service, and call package and out-of-bundle call prices, which are relevant to all landline users.

A landline service is usually bought as part of a bundle. Operator data shows that just one in 20 home landline customers bought a standalone service in November 2020. This compares with one in ten customers in Q1 2019. While people who purchase a standalone landline service may buy home broadband from another provider, it is likely that very few are broadband users.

Landline use increased in 2020 due to Covid-19 restrictions

The volume of residential fixed-originated calls increased by 20% (5 billion minutes) to 31 billion minutes in 2020.³⁰ This increase was the first recorded since 2003, and can largely be attributed to changing usage patterns during Covid-19 lockdown measures, as more people stayed at home. There was a similar increase in the volume of outgoing calls from mobile phones during the year, up by 18% to 190 billion minutes.

Many people take a landline service because they need one to be able to receive fixed broadband. Operator data shows that more than half (51%) of customers who took both landline and fixed broadband services from one of the UK's major providers did not make an outgoing call from their landline in the three months to November 2020. This proportion was up from 38% in Q1 2019.

However, the requirement to take a landline when purchasing fixed broadband is changing, due to the growing availability of full-fibre broadband, which is frequently offered without a fixed voice service, as discussed above.

Average line rental prices have risen slightly

Following Ofcom's review into the market for standalone landline voice services in 2017, BT agreed to reduce its monthly line rental price for customers who only take a landline, from £18.99 to £11.99 from April 2018. It also committed to limit subsequent line rental price increases to CPI +2.5% for three years (with increases to line rental and call charges for landline-only products capped to CPI +0%). Separately, Post Office reduced its line rental price for new customers who only took landline services to £11.50 in May 2018.³¹

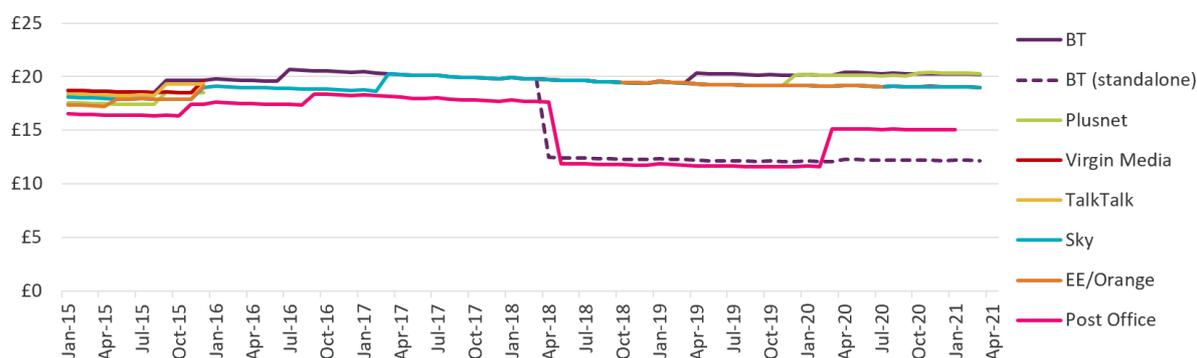
³⁰ [Telecommunications Market Data Update Q4 2020](#).

³¹ [Post Office sold its broadband and telephony business to Shell Energy in March 2021](#).

In March this year, [BT agreed to continue with the relevant caps for line rental and landline-only products for a further five years](#) from 31 March 2021. BT raised its general line rental price in April 2019 from £18.99 to £19.99, to £20.20 in March 2020, and to £21.10 in March 2021.

For customers taking landline-only services from BT, the cost rose to £12.14 in March 2020 (in line with its commitment to limit any increases to no more than CPI +2.5%), but BT then reduced the price again to £11.73 in March 2021. Post Office increased its line rental fee to £15.00 in March 2020. Across all of the providers included in the chart below, average line rental prices increased in real terms by £0.82 (4.4%) to £19.62 in the year to March 2021 and by £0.25 (1.3%) over three years.

Figure 26: Residential line rental prices: January 2015 to March 2021



Source: Ofcom / Pure Pricing's Monthly Broadband Pricing Tracker reports.

Note: Adjusted for CPI (March 2021 prices); excludes line rental saver pre-payment tariffs; includes promotions.

Out-of-bundle calls account for over a tenth of all call minutes

Operator data collected for this report shows that 12% of outgoing call minutes from home landlines are outside a call bundle, with this proportion varying according to the call package purchased. For packages without an inclusive call allowance, 84% of calls were out-of-bundle (freephone calls, for example, being classified as being in-bundle), while for anytime call packages and evening and weekend/weekend call packages these proportions were lower, at 4% and 26% respectively.

Figure 27: Proportion of outgoing calls that are out-of-bundle, by call package type



Source: Ofcom / operator data.

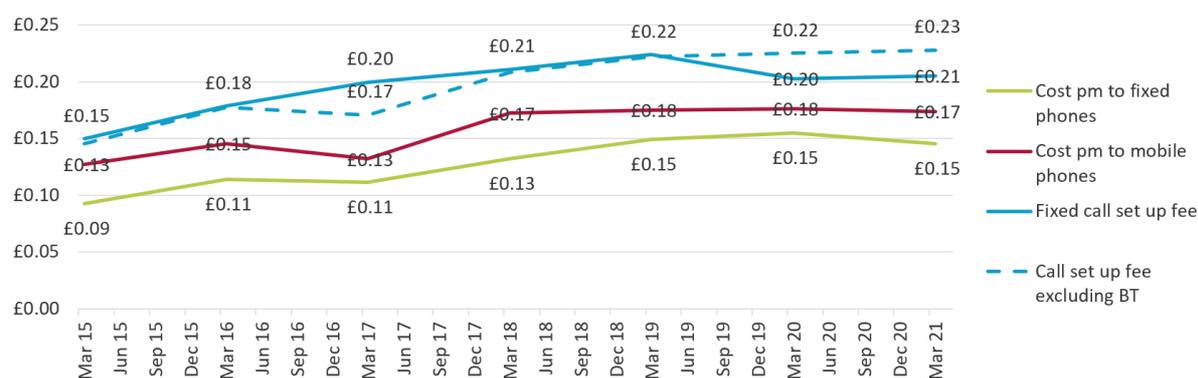
Note: Data is not comparable to that published previously due to BT being excluded (as a result of changing call plans in 2020) and several operators providing data for the first time.

Out-of-bundle fixed call prices remain static while set-up fees fall

Pence-per-minute call charges for residential fixed calls to UK landlines and mobiles decreased in real terms in the year to March 2021. The average price per minute of an out-of-bundle fixed-originated call to a landline was 15 pence in March 2021, consistent with the previous two years. The difference in price between fixed-originated calls to other landline and fixed-to-mobile calls is declining, and in March 2021 the average cost of a fixed-to-mobile call was 17 pence per minute, a 6% decrease compared to a year previously.

Over the same period, the average call set-up fee across all leading providers fell by 5% to 21 pence. This fall was due to BT stopping charging call connection fees for UK landline calls in October 2019 (although it still charges set-up fees for calls to non-BT mobiles and some other destinations). Excluding BT, the average set-up fee rose by 5% to 23 pence in 2021, as shown in Figure 28.

Figure 28: Average cost of national calls from landlines: March 2015 to March 2021



Source: Ofcom / Pricing's Monthly Broadband Pricing Tracker reports.

Note: Represents average per-minute price of landline calls to fixed and mobiles outside bundles, and average call set-up fees (connection charges); includes BT, EE, Plusnet, Sky, TalkTalk, Virgin Media, Vodafone from 2016, NOW from 2018, and Post Office and Zen from 2019, with Shell replacing Post Office in March 2021; peak call price included where peak/off-peak prices vary; adjusted for CPI (March 2021 prices).

Rise in landline call bundle pricing

The average price of call bundles increased in real terms in the year to March 2021. Tariff information shows there were real-term price rises of 7% in the average cost of evening and weekend call bundles, up £0.39 year on-year to £6.29, and a rise of 42% over three years. The average costs of anytime call bundles rose by 1% year on year to £9.61, and 24% over three years.

Figure 29: Average landline out-of-bundle and call bundle charges: 2018-2021

	2018	2019	2020	2021	1-year change	3-year change
Evening & weekend call bundle (£/month)	4.43	5.33	5.90	6.29	+7%	+42%
Anytime call bundle (£/month)	7.74	8.76	9.51	9.61	+1%	+24%

Source: Ofcom / Pure Pricing's Monthly Broadband Pricing Tracker reports.

Note: Figures are the average of prices offered by BT (with exception of call set-up fees), EE, Plusnet, Sky, TalkTalk, Virgin Media, Vodafone, NOW from 2018, and Post Office and Zen from 2019, with Shell replacing Post Office in March 2021; peak call price included where peak/off-peak prices vary; adjusted for CPI (March 2021).

Cost of buying landline without broadband

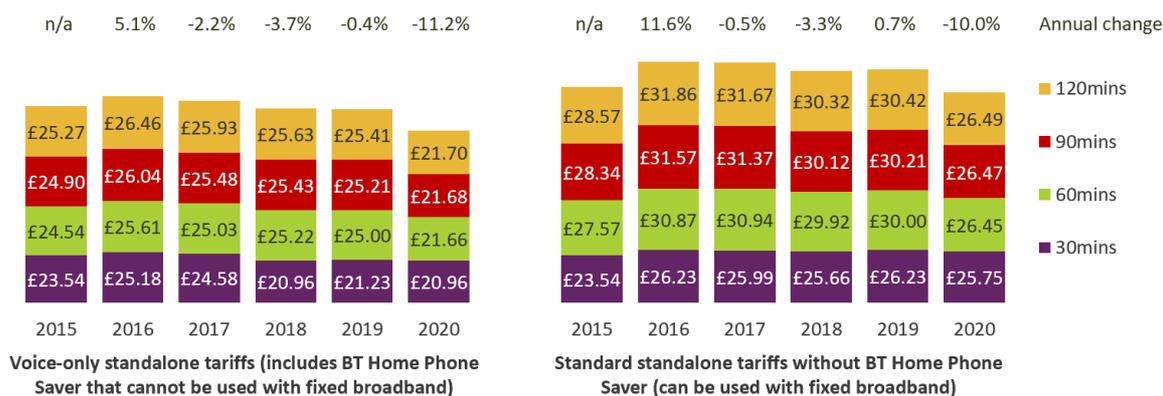
Three leading operators offer a standalone landline service. BT has a standard standalone landline tariff, which can be used in conjunction with broadband provided over the same line by another service provider, and Home Phone Saver – a tariff that cannot be used with broadband from BT or any other provider. Virgin Media and Post Office both offer a landline without broadband.

Figure 30 shows analysis using these landline tariffs to calculate the price of fulfilling the requirements of four landline usage profiles with varying outgoing call minutes. The chart on the left depicts analysis showing voice-only tariffs that cannot be used with a broadband service i.e. Home Phone Saver and the reduced line-rental service, while the chart on the right shows analysis using standard tariffs that can be used with a broadband service. The price changes are measured across these four usage profiles only, not all standalone landline connections.

Our analysis shows that average 2020 prices for standalone landlines that cannot be used with home broadband were cheaper than for those that can. Average voice-only standalone tariffs for lines that cannot be used with fixed broadband fell by 11%, while standard standalone tariffs for those that can fell by 10%. These declines can be attributed to BT updating its call packages during the year.

Mobile services can be a cost-effective alternative to a landline for many people. Pure Pricing's June 2021 Monthly Mobile Pricing Update shows that SIM-only mobile services with an unlimited allowance of calls to UK geographic and mobile numbers started at £5 per month with a 24-month minimal contractual period, and £6 per month for a 30-day rolling contract.

Figure 30: Monthly price of standalone landline services for different usage profiles: 2015 to 2020



Source: Ofcom, using data provided by Teligen, Strategy Analytics.

Note: Tariff data collected in July each year except for 2020 when it was collected in October; includes promotional discounts where available; outgoing call splits are 90% landlines and 10% to UK mobiles; 60% during daytime, 25% in the evening and 15% at weekends; BT included for all years; 2018, 2019, 2020 includes Virgin Media; 2019, 2020 additionally includes Post Office; voice-only standalone tariffs includes BT Home Phone Saver and excludes BT Line Rental Saver and BT Basic; standard standalone tariffs excludes BT Home Phone Saver, BT Line Rental Saver and BT Basic; CPI adjusted (October 2020 prices).

Choosing the right call package can save consumers money

It is important that people understand their usage if they are to choose a tariff that suits their needs and gives them good value. This is illustrated by our analysis of the monthly cost of fulfilling a basket of landline calls based on average monthly home landline use in 2020 for each of the BT standard landline tariffs available in October 2020.

Some of these tariffs (Home Phone Saver and those with a reduced line rental fee of £12.14 per month) cannot be used with a fixed broadband service, while those services which can be used with broadband purchased from another provider pay the standard BT line rental fee of £20.20.³² The lowest-cost option for the average use basket is to buy a ‘500 minutes’ call package at £5.00 a month, regardless of whether or not the customer needs to use broadband on their line.

In both cases, this results in net savings ranging from £2.00 per month compared with the ‘700 minutes’ call package (the next cheapest option) and £20.89 compared to the Pay-as-you-go tariff which does not include any bundled calls. As a comparison with mobile, a pre-pay SIM-only offer is available for £5 a month for 250 minutes, while an unlimited minutes tariff is available for £6 per month.³³ Given most people will have a mobile phone, consumers may be better off upgrading their mobile contract instead of taking a fixed call bundle.

³²In October 2020 BT offered a line rental-only discount of £8.06 off the £20.20 charge, available to customers without fixed broadband from any provider. The discount was changed end-March 2021 to £9.37 and line rental increased to £21.10 (so in fact a cheaper overall price). We have kept October 2020 pricing in line with the data collection date for the Teligen, Strategy Analytics model.

³³Pure Pricing’s June 2021 Monthly Mobile Pricing Update shows an iD Mobile pay-monthly SIM-only tariff with unlimited minutes as £6; EE pre-pay bundle SIM-only tariff with 250 minutes costs £5.

Figure 31: Average monthly price of standalone BT landline services



Source: Ofcom, using data provided by Teligen, Strategy Analytics.

Note: The usage profile used in the analysis is broadly based on average home landline use in 2020 including 97 outgoing voice call minutes (90% UK geographic, 10% to UK mobiles), 60% of calls in daytime, 25% in evening, 15% at weekends; set-up costs are amortised over five years; excludes line rental saver plans; data relates to July in each year except 2020, when it relates to October; CPI adjusted (October 2020 prices).

Fixed voice vs. full-fibre pricing

As full-fibre infrastructure is rolled out, customers are being offered voice with their full-fibre broadband products. Figure 32 lists a selection of voice tariffs delivered over full-fibre networks. This includes full-fibre providers offering voice calls directly to customers by supplying a telephone adapter which converts the home phone signal to voice over internet protocol (VoIP), such as the product offered by Community Fibre.

Some providers recommend dedicated over-the-top VoIP suppliers, as in the case of Gigaclear, which directs customers to Vonage for their fixed telephony requirements. BT is in the process of widening the availability of its Digital Voice service, launched in 2020, with no difference in pricing between legacy copper-based services and the new Digital Voice service. Prior to the Digital Voice product, BT's fixed voice service was separate from any broadband service provided to a property.

Figure 32: Fixed voice over full fibre networks and VoIP pricing from selected providers: June 2021

Provider	Service	Price per month
BT	Digital Voice	No difference in price to legacy PSTN fixed-line voice
Community Fibre	Everyday Landline & Mobile	£10 for unlimited calls to UK landlines and mobiles on a 24-month contract Free mobile app Free to keep existing number
Hyperoptic	Range of packages	Extra (£2 promoted price) £3 on top of broadband-only packages Current number porting available Calls to UK landlines 7p per minute; calls to UK mobiles 17p per minute
Vonage	Talk UK	£10.25, unlimited calls to UK landlines, 10p/min to UK mobiles, £5 delivery charge, £10 activation charge

Source: Ofcom using operator websites, May 2021.

Pricing of mobile voice and data services

Most customers are getting more data and call minutes for less

To compare prices over time, we use Teligen's pricing model to find the lowest-cost tariff from each of the mobile providers that meets the requirements of a basket of mobile services, excluding the cost of the handset. However, unlike in standard basket-based pricing analysis, in this analysis we change the basket from year to year to reflect changing usage, basing it on average calls, texts and data per connection in each year. We then calculate an average price from all these lowest prices, weighting it by retail market share. See the [Methodology](#) section for full details.

This analysis shows that the average cost of a mobile service in 2020, based on average use across all mobile users, was £10.96 per month, down by £1.27 (10%) in real terms compared to the cost of a basket based on average use in 2019, using 2019 prices. Over the same period there was an estimated 33% increase in data use (0.98GB more), an 18% rise in call minutes and a 25% fall in use of SMS messaging.

Figure 33: Weighted average monthly prices for average mobile use (excluding handset cost)



Source: Ofcom, and data provided by Teligen, Strategy Analytics.

Note: Based on prices excluding handset costs; includes promotional discounts; data relates to July in each year except 2020, when it relates to October; adjusted for CPI (October 2020); average mobile use data includes residential and business customers; average call and messaging use includes handset connections only; average data use includes handset, MBB and M2M connections.

But prices rose for lower-use customer profiles

We also use the Teligen model to understand how prices are changing for different types of mobile user. Six mobile user profiles were created to represent a range of mobile consumer usage types, with a weighted average price calculated for each.³⁴ Our analysis shows that average prices continued to decline for the majority of mobile user profiles in 2020, with overall costs for the six

³⁴ Using the Teligen model, we calculated the average price to fulfil the usage requirements of each use profile (excluding the cost of a handset).

profiles falling by 12% during the year. The four profiles with data requirements had the largest average price falls, ranging from 10% to 22%. The two lowest-use customer profiles, which have no data allowances, had price increases of 19% and 26%. This is at least partly due to O2's withdrawal of a traditional pre-pay offering in 2019 and a change in pricing for Three's traditional pre-pay tariff in 2020.

Figure 34: Weighted average monthly prices of standalone mobile services (£ per month, excluding handset cost)



Source: Ofcom, using data from Teligen, Strategy Analytics.

Note: Data relates to July in each year except 2020, when it relates to October; numbers for the 100 mins, 75 SMS and 5GB data basket are based on having at least 4G technology; CPI adjusted (October 2020 prices).

Changes in charges relating to EU roaming

Since 31 December 2020 the EU rules on roaming charges no longer apply in the UK. This means that the amount mobile providers can charge UK mobile customers using their service in EU countries, as well as in Norway, Iceland and Liechtenstein, is no longer capped. In June 2021, all four of the UK's MNOs announced changes in the way that they would charge their UK customers when they roamed in the EU.

- EE has confirmed that from January 2022, customers joining or upgrading from 7 July 2021 onwards will pay £2 a day to use their usual data allowances. This charge will not apply to customers when in the Republic of Ireland.
- O2 has announced a new 25GB data roaming limit for customers travelling to the EU from 2 August 2021. Customers will pay £3.50 per GB after they have reached that limit.³⁵
- Three will apply a 12GB data roaming limit from July 2021, with customers paying £3 per GB thereafter.³⁶
- Vodafone has an existing 25GB data roaming limit in place and customers will pay £3.13 per GB for data used above that.

Ofcom does not have the power to prevent mobile companies from charging customers for using their services when travelling, but there are a number of measures in place to protect people from

³⁵ Currently applies to unlimited plans.

³⁶ This is currently 20GB.

running up unexpectedly high roaming bills. Mobile companies must tell their customers about any contract changes.

Where those changes will particularly disadvantage customers, companies must give customers at least a month's notice and the right to exit their contracts without being penalised. Providers must publish details of roaming charges on their website and send customers an alert with pricing information when they start roaming. Providers must also take reasonable steps to protect customers from paying additional charges and make information available on how to avoid inadvertent roaming.³⁷

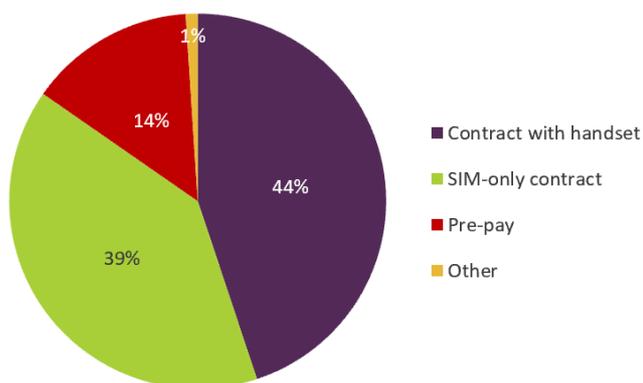
There is a monthly £45 (excluding VAT) cap on data roaming charges.³⁸ Providers must send their customers an alert once they have reached 80% of this and another once they reach the limit. After this, providers must stop charging for data roaming unless a customer opts in to continue.

More than a third of mobile customers opt for SIM-only plans

Ofcom research suggests that the most frequently used type of mobile service in 2021 (accounting for 44% of all subscriptions) was where the user acquires their handset and airtime together from a mobile provider, either in a single (bundled) contract or separate (split) contracts.

SIM-only tariffs, where the user buys their airtime from a mobile provider and uses it with a separately-acquired device, accounted for 39% of subscriptions. These have become increasingly popular; people have started to keep their phones for longer as the price of high-end handsets has increased and the rate of development in smartphone technology slows. Pre-pay accounted for just 14% of mobile connections, while 'other' connection types accounted for the remaining 1%.

Figure 35: Split of mobile customers by subscription type



Source: Ofcom Technology Tracker.

QD11. Which of these best describes the mobile package you personally use most often? Base: Adults 16+ who personally use a mobile (2021, postal survey 5,075).

³⁷ Inadvertent roaming is where a mobile signal in a 'border' region is stronger from the country across the border e.g. between Northern Ireland and the Republic of Ireland.

³⁸ This applies to roaming both in and outside the EU.

Cost of buying a handset is cheaper outside a contract

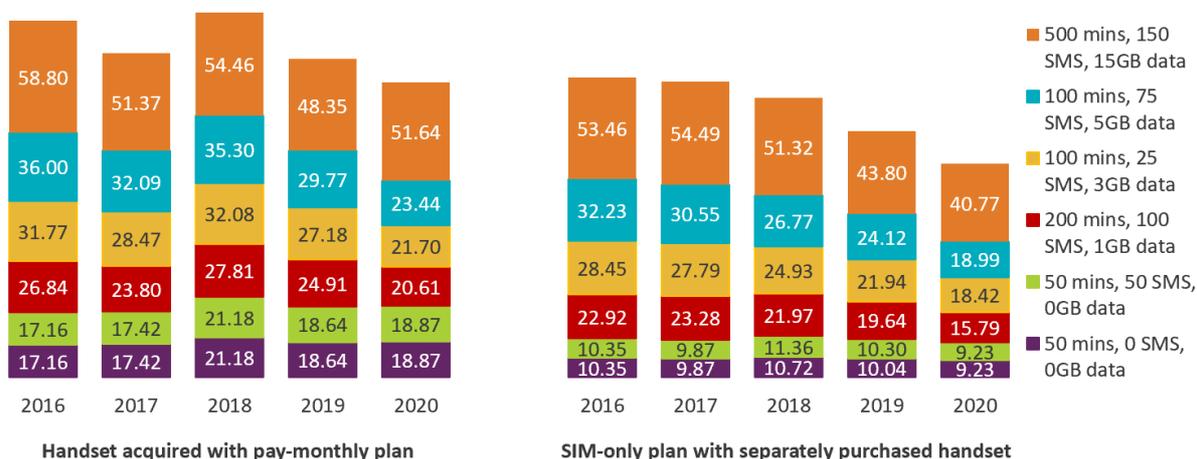
As shown above, just under half of UK mobile users purchase their handset and airtime from the same provider, either in a pay-monthly bundled contract (where a single contract covers provision of the handset and mobile airtime) or a split contract (where there are separate contracts for the handset and airtime).

The attraction of obtaining a mobile phone from a mobile provider is that it is convenient and allows the customer to spread the cost of the device over the minimum contract period. But the total price paid by pay-monthly users acquiring a handset with their airtime contract may be more than if they bought the handset outright and used it with a SIM-only plan.³⁹

Analysis using Teligen’s pricing model shows that the average monthly price of buying a handset outright and using it with a SIM-only plan was cheaper than buying the handset bundled with a pay-monthly plan for all six of our mobile usage profiles in 2020. Across the six profiles there was an average saving of £7.12 per month (28%) when buying a SIM-free phone and using it with a SIM-only deal. Details of how these costs are calculated are set out in the [Methodology](#) section.

Separately, we compared the total cost of acquiring an iPhone 12 with an airtime contract to that of buying the phone outright and using it with a compatible SIM-only plan, using tariffs offered by the UK’s mobile network providers. The results showed that it was cheaper to purchase the handset and use it with a SIM-only service in all four of the examples we looked at, and that the difference between the two prices was equivalent to customers being charged an APR (annual percentage rate) of between 8% and 23% for their handset ‘loan’.

Figure 36: Weighted average monthly price of handset with pay-monthly or purchased separately to use with SIM-only plan (£ per month)



Source: Ofcom using data supplied by Teligen, Strategy Analytics.

Note: Weighted average tariff for primary providers; mobile connection profile with 100 minutes, 75 SMS and 5GB data requires 4G technology; data relates to July in each year except 2020, when it relates to October; adjusted for CPI (October 2020 prices); prices excluding additional usage charges.

³⁹ This analysis does not include split mobile contracts.

Handsets are being acquired via a wider variety of methods

There are an increasing number of ways for consumers to acquire handsets other than from their provider or a physical retail outlet. Online sales accelerated in 2020, driven by the Covid-19 pandemic as many retailers were closed during lockdown. CCS Insight found that [consumers are becoming more confident in buying mobile phones online](#) and have less need to try handsets before buying.⁴⁰

We reported on the growing market for second-hand or refurbished handsets in our last report. Aggressive trade-in and buyback strategies from providers, offering discounts and money back for consumers willing to trade-in older devices, are potentially set to increase secondary device market supply. Third-party provider leasing of such handsets is now being offered to consumers.

MusicMagpie launched a [handset rental scheme](#) in late 2020 using reconditioned Apple and Samsung handsets. Prices start at £6.99 per month and include a free upgrade every 12 months, accidental damage cover and a lifetime warranty as standard. Although such schemes have been active in the business mobile arena, they are new to the consumer sector.

Some manufacturers offer handsets direct, sometimes on interest-free payment schemes. In another development, Nokia-branded phone maker HMD Global launched HMD Mobile, its own UK mobile virtual network operator (MVNO) service, in May 2021, using EE's network to serve customers who buy a new device from Nokia.com.

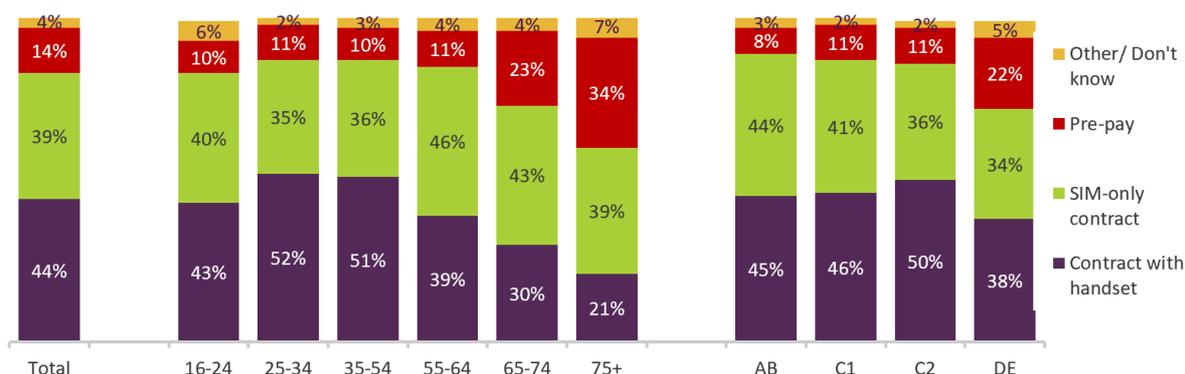
Older and less affluent consumers more likely to use pre-pay

'Occasional' mobile phone users, who use pre-pay (pay-as-you-go) services, may find their mobile spend increasing and their choice of alternative services limited.

Pre-pay services are used by customers who prefer flexibility to a fixed monthly payment, but are also used by those whose credit rating precludes them from being able to take out a post-pay contract. They are more likely to be in vulnerable consumer segments. Our Technology Tracker shows the percentage of types of mobile user by age group and socio-economic group. Over-64s are more likely than younger age groups to take pre-pay mobile services (23% of 65-74 year-olds and 34% of over-75s), as are consumers in the DE socio-economic group (22%).

⁴⁰ CCS Insight reported that two-thirds (63%) of people who bought a mobile phone in 2020 did so online, compared to 52% in 2019.

Figure 37: Proportion of mobile customers by contract type, age and socio-economic group



Source: Ofcom Technology Tracker research.

QD11. Which of these best describes the mobile package you personally use most often? Base: Adults 16+ who personally use a mobile phone (2021, Postal survey 5075).

Traditional pre-pay choice declines and prices rise

There are now relatively few traditional pre-pay mobile services (where usage costs are deducted from a pre-pay credit balance). Pure Pricing’s March 2021 Monthly Mobile Pricing Update shows that Three is the only MNO that still offered new customers a traditional pre-pay service (i.e. without any form of inclusive usage allowance). Moreover, in February 2021, Three announced significant price increases for all its pre-pay customers, effective from 16 February 2021.

Pre-pay services are also available from MVNOs. Giffgaff, an MVNO wholly owned by O2, has also raised its traditional pre-pay pricing: in February 2021 it doubled the price of data usage from 5p per MB to 10p for customers not taking its hybrid pre-pay Goodybag packages. Meanwhile, it has increased the data allowance for its standard (4G) £8 Goodybag from 2GB to 3GB.

Figure 38 includes examples of other leading providers’ pre-pay offers, most of which have morphed into some form of bundled deal, or restrict the type of customers who can access them. In addition, all of the providers listed state a customer can be suspended or disconnected if there are no chargeable events or activity during either 180 days or 3 months.

Figure 38: Pre-pay mobile offers

Provider	Tariff details
EE pre-pay	35p/minute, 15p/SMS, data use not possible on traditional pre-pay
Giffgaff	25p/minute, 10p/SMS, 5p/MB (rises to 10p/MB on 21 February 2021 without a Goodybag)
O2 Classic pre-pay	No longer offered 3p/minute, 2p/SMS, 1p/MB for existing customers
Tesco Mobile Lite	No longer offered 8p/minute, 4p/SMS, 10p/MB for existing customers
Three	10p/minute, 10p/SMS, 5p/MB
Virgin Mobile Starter Tariff	40p/minute, 15p/SMS, £2 per 200MB per day on days that data is used
Vodafone pre-pay top up SIM-only	£1 per day, including call minutes, texts and 50MB of data (effectively hybrid offer)

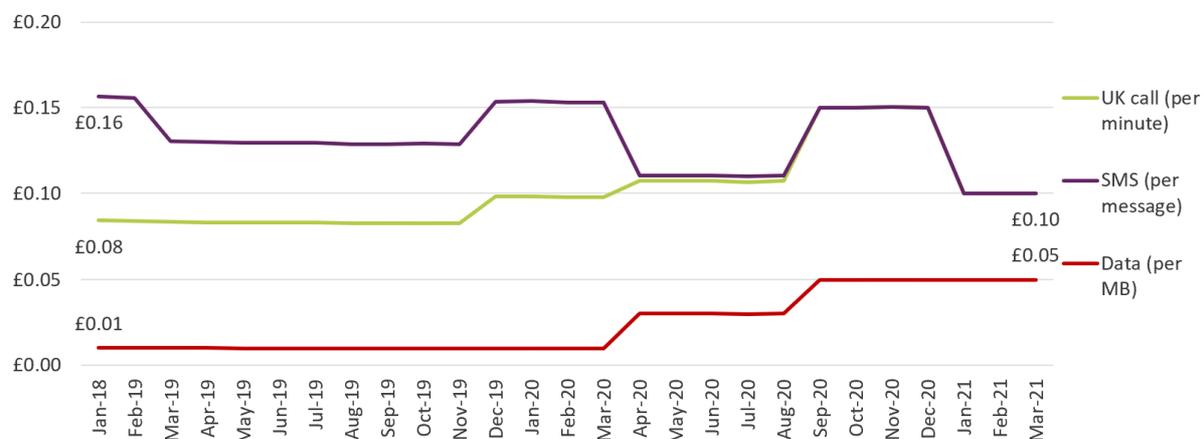
Source: Operator websites, February 2021.

Note: A small number of O2 customers may be able to activate a legacy tariff SIM via an indirect channel.

Declining traditional pre-pay tariffs offered

Average pricing for call minutes, texts and data for traditional pre-pay pricing is shown in Figure 39. This included five operators at the beginning of the time series in January 2018, reducing to one operator by March 2021; this is Three, with its pre-pay offer as listed above.

Figure 39: Average pricing for traditional pre-pay mobile elements: call minutes, texts, data: January 2018 to March 2021



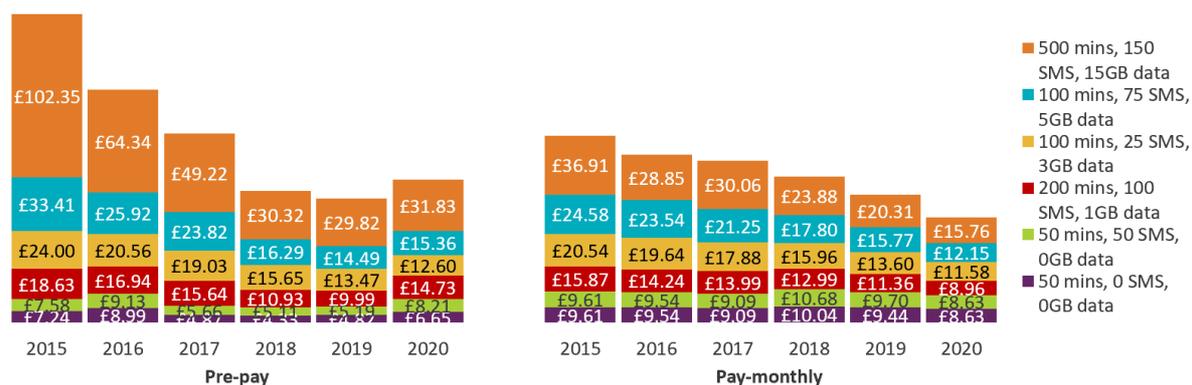
Source: Ofcom / Pure Pricing's Monthly Mobile Pricing reports.

Note: Traditional pre-pay tariffs from EE until March 2020, iD Mobile until August 2020, O2 until November 2021, Three until March 2021, Vodafone until November 2020; adjusted for CPI (March 2021 prices).

Pre-pay prices increased in 2020

Our analysis of six mobile usage profiles shows that weighted average pre-pay prices in 2020 were lower than weighted average pay-monthly prices only for those profiles with no data requirement. For those with a data requirement, purchasing a pay-monthly mobile service was between 8% and 50% cheaper than using pre-pay. This is a marked change from 2019, when all but the highest mobile usage profile could save money by using pre-pay.

Figure 40: Weighted average monthly pre-pay and pay-monthly mobile pricing, excluding handset cost (£ per month)



Source: Ofcom, using data provided by Teligen, Strategy Analytics.

Note: Data relates to July in each year except 2020, when it relates to October; CPI adjusted (October 2020 prices).

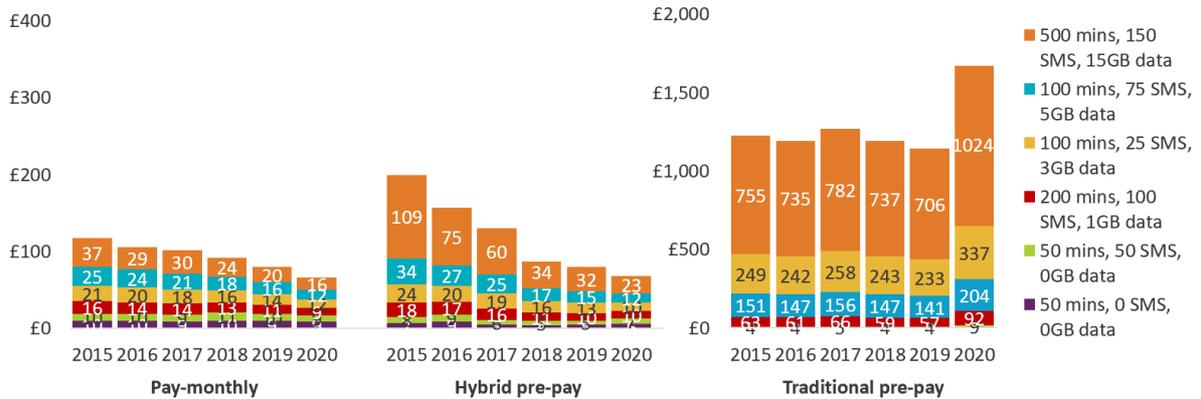
Hybrid tariffs provide pre-pay users with inclusive allowances

The vast majority of pre-pay tariffs are now ‘hybrid’ tariffs which enable customers to buy a pack of inclusive calls, texts and data for a set monthly fee that typically expires after a month, with any use outside these allowances being taken from a more traditional pre-pay credit balance.

Hybrid tariffs enable pre-pay users to gain inclusive allowances in a similar way to pay-monthly customers but can be more expensive for very low and occasional-use mobile customers, and ‘top-ups’ on some networks expire after three months of inactivity. Analysis using the Teligen model and our six mobile usage profiles shows that for all but the lowest-use connection it was cheaper to use a hybrid pre-pay tariff than traditional pre-pay.

The per-unit charging for traditional pre-pay services means that they are not suitable for high users as they can become expensive very quickly as usage increases, particularly when mobile data is consumed. Teligen’s model shows that the average cost of fulfilling the requirement of our highest usage connection (which requires 15GB of data) was over £1,000 per month in 2020, compared to £23 for hybrid pre-pay services and £16 using pay-monthly tariffs. Our analysis also highlights the impact of increasing traditional pre-pay prices, with the total price for our six connections increasing by 46% in 2020. However, it is highly unlikely that medium-to-high users would choose a traditional pre-pay service due to the high costs involved.

Figure 41: Weighted average monthly traditional and hybrid pre-pay pricing, excluding handset cost (£ per month)



Source: Ofcom, using data provided by Teligen, Strategy Analytics.

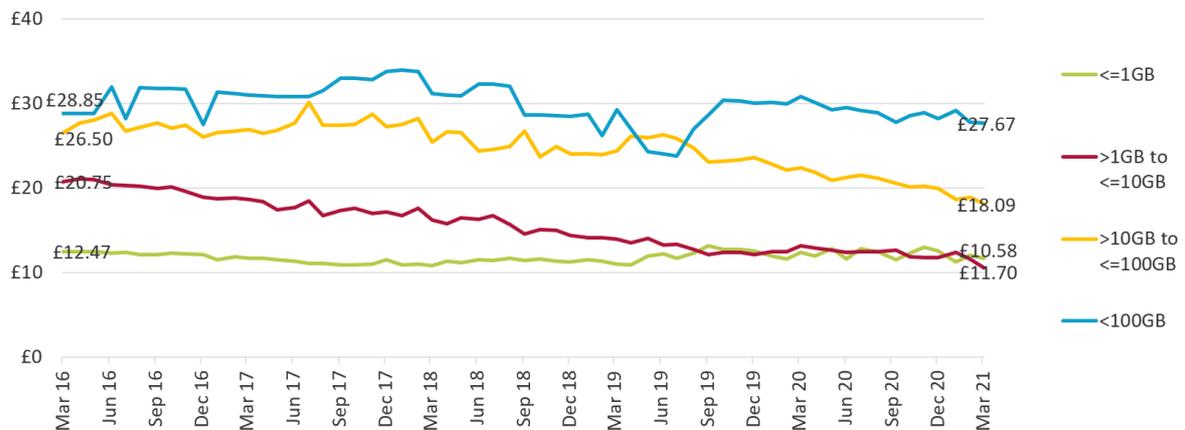
Note: Data relates to July in each year except 2020, when it relates to October; CPI adjusted (October 2020 prices).

SIM-only prices continue to fall, especially for higher packages

Analysis of pay-monthly SIM-only prices shows flat or declining prices in 2020, with further falls in Q1 2021. However, a reduction in the number of low-data tariffs has resulted in the price of tariffs with 1GB or less of data per month increasing by 6% in the last two years. These tariffs are now, on average, more expensive than tariffs offering between 1GB and 10GB, as shown in Figure 42.

During the year to Q1 2021, the average monthly promoted price for SIM-only pay-monthly mobile services with over 1GB of data continued to decline. Promoted prices for packages with 1GB up to and including 10GB and 10GB up to and including 100GB fell most steeply, both by 19%; those with data allowances over 100GB decreased by 10%. The average monthly prices shown below include price promotions where offered, although these are not commonplace in the mobile market and the difference between list and promoted prices is minimal.

Figure 42: Average SIM-only pay-monthly mobile charges



Source: Ofcom / Pure Pricing's Monthly Mobile Pricing reports.

Note: Represents average monthly promoted prices for available tariffs for new customers from BT, EE, iD Mobile, O2, Plusnet, Sky, Tesco, Three, Virgin Mobile, Vodafone; excludes promotions and any 'gifts' offered;

across all packages in terms of minutes and text allowances; <=1GB excludes zero data tariffs; adjusted for CPI (March 2021 prices).

More value per GB when purchasing monthly allowances over 1GB

The average cost per GB of data on SIM-only pay-monthly tariffs, across all services, was just over £2 in March 2021. However, the cost per GB ranged from £0.13/GB for tariffs with >100GB of data to £13.33 for tariffs with ≤1GB of data. Most tariffs are concentrated in the 10GB up to and including 100GB range. For context, our analysis of operator data shows that average monthly mobile data use across all mobile users was 3.9 GB in 2020, up from 3.0 GB in 2019.

Figure 43: Distribution of SIM-only pay-monthly tariffs, by data allowance and average data cost/GB: March 2021



Source: Ofcom / Pure Pricing's Monthly Mobile Pricing reports.

Note: Using the analysis in Figure 42 above; pricing for March 2021; ≤1GB includes tariffs without any inclusive data; average cost per GB and average data allowance in the >100GB category assumes a 250GB allowance for tariffs with unlimited data.

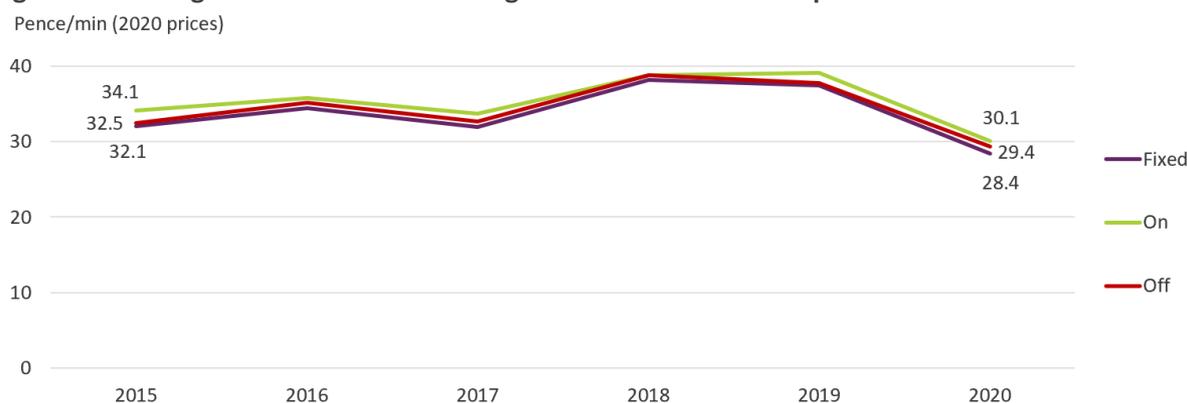
Mobile out-of-bundle call charges continue to decline

Average charges for out-of-bundle calls to UK landlines and mobiles from pre-pay and post-pay mobile phones declined in real terms in 2020. The average price per minute across all types of call (to landlines and both mobile on- and off-net calls) fell by 23% in real terms during the year. Overall, the average price of all out-of-bundle calls has fallen by 11% in the past five years.

Teligen tariff data collected in October 2020 shows that out-of-bundle UK geographic and mobile call charges only apply to a minority of mobile users, as 83% of all mobile phone tariffs (both pre-pay and pay-monthly) offered unlimited minutes, up from 58% in July 2019. Customers making calls outside their allowance can protect themselves from 'bill shock' by specifying a billing limit. All mobile providers must give new customers, and existing customers who extend their contract or enter a new contract, the option to limit the cost of their bills.⁴¹

⁴¹ This requirement was implemented on 1 October 2018 as a result of the Digital Economy Act 2017. Further information is available at <https://www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/costs-and-billing/mobile-bill-limits>.

Figure 44: Average out-of-bundle call charges for calls from mobile phones



Source: Ofcom, using data provided by Teligen, Strategy Analytics.

Note: Excludes tariffs for which out-of-bundle call charges are not relevant; includes pre-pay and pay-monthly tariffs; based on tariffs offered by EE, Orange, T-Mobile, O2, GiffGaff, Vodafone, Three, Tesco Mobile, Virgin Mobile, Lebara, iD Mobile, Sky and LycaMobile; includes VAT; data relates to July in each year except 2020, when it relates to October; adjusted for CPI (October 2020 prices). On-net calls are made between customers on the same network, while off-net calls are made between different mobile networks.

Zero-rating provided for home learning and entertainment services

Some mobile services offer ‘zero-rated’ data for services to enable customers to access certain online services (usually social media applications such as Facebook or WhatsApp, or entertainment applications such as Amazon Prime Video, Apple Music, Netflix, NOW or Spotify) without the associated data use being deducted from their monthly data allowance. Users may have to pay an additional monthly fee to receive these offers, or they may be included as part of a base tariff for some or all of the minimum contract period.

As mentioned previously, during the Covid-19 pandemic, several mobile providers offered ‘zero-rated’ data for specific educational and support services for families experiencing difficulties.

Figure 45: Examples of major mobile providers' zero-rating of social media and entertainment data

Operator	Social media / entertainment service
EE	Customers on selected 24-month pay-monthly plans can choose one or more inclusive benefit(s) for the duration of the contract. The options include: <ul style="list-style-type: none"> • iOS and Android users: Apple Music, BT Sports Ultimate, Video Data Pass (zero-rated access to selected video streaming services), Music Data Pass (zero-rated access to selected music streaming services), Gamers' Data Pass (zero-rated access to selected gaming apps) • iOS users: Apple TV+, Apple Arcade • Android users: BritBox, Amazon Prime Video (Android customers). Android customers on some pay-monthly plans can also pay a monthly fee to add Xbox Game Pass Ultimate, which zero-rates data for Xbox mobile gameplay
Sky Mobile	Sky TV customers with Sky Mobile can watch Sky TV and use any Sky apps on their mobile with the benefit of zero-rated data. Access to content on the Sky mobile apps depends on the Sky TV package the customer takes
Virgin Mobile	All pay-monthly customers get zero-rated messaging via selected apps (WhatsApp, Twitter, and Facebook Messenger), excluding video streaming, voice and video calls
Vodafone	Customers on pay-monthly Entertainment plans receive a free subscription to a service of their choice out of YouTube Premium or Amazon Prime or Spotify Premium. Data use for the chosen service is not zero-rated
VOXI	All plans include 'Endless Social Media' (i.e. zero-rated data for Facebook, Facebook Messenger, WhatsApp, Snapchat, Twitter, Instagram, and Pinterest). This excludes making and receiving voice and video calls on Facebook Messenger, Instagram or WhatsApp. 'Endless Video' on £15+ plans allow zero-rated streaming (but not subscriptions) for YouTube, Prime Video, Netflix, My5, TVPlayer and UKTV Play

Source: Pure Pricing, May 2021.

5G prices fell significantly between 2019 and 2020

All the UK's mobile networks launched 5G mobile services in 2019. EE was the first to provide 5G, in May of that year, followed by Vodafone in July, Three in August and O2 in October. Several MVNOs have also launched 5G services, including BT Mobile, Sky, Tesco Mobile and Virgin Media.

Providers' 5G pricing strategies varied at launch, with Three providing 5G at no extra cost to new and existing customers, EE charging a premium for 5G connectivity and Vodafone offering tariffs that included unlimited data and were tiered according to download speed. Using Teligen's pricing model, we separately analysed the cost of our six mobile connections using 4G- and 5G-enabled mobile tariffs, and compared the results.

The limited number of 5G tariffs available in July 2019 meant that the average price for 5G services was the same for all of our six connections, at just under £32 per month. This is because the two providers who were offering 5G at this time (EE and Vodafone) both offered 5G only with plans offering large inclusive call, SMS and data allowances. By October 2020, more providers were offering 5G mobile services, and average prices had fallen significantly: for our highest-use connection, the average price using 5G-enabled tariffs was lower than that for 4G ones.

Overall, we found that the average monthly price premium for 5G over 4G across our six connections fell in real terms from £21.20 (197%) in 2019 to £3.48 (34%) in 2020.

Figure 46: Comparison of major operators' 4G and 5G SIM-only mobile pricing



Source: Ofcom, using data provided by Teligen, Strategy Analytics.

Note: Data relates to July in 2019 and October in 2020; CPI adjusted (October 2020 prices). 5G service availability depends on 5G coverage and a 5G device. In 2019 marketing of 5G was initially unclear and limited, as the service was very new. Vodafone offered 5G on all Unlimited max plans and this classification has been used in the 2020 5G Teligen model for 2019.

Small number of unlimited data tariffs tiered by connection speed

As mentioned above, Vodafone offers unlimited tariffs tiered by download speed. It offers three such tariffs, two of which have their speeds capped: at 2Mbit/s for the £22 per month Unlimited Lite service and at 10Mbit/s for the £26 per month Unlimited package. The Unlimited Max plan (which offers unlimited data, 5G connectivity and uncapped download speeds) is £30 per month. EE previously offered several plans capped at 60Mbit/s, but these have been withdrawn from sale, leaving Vodafone as the only major mobile provider which charges in this way.

Pricing of pay-TV and OTT services

Increase in the cost element for pay-TV in triple-play bundles

Operator data collected for this report suggests that 75% of traditional pay-TV services are bought as part of a bundle, the same proportion as in 2019.

We estimate the cost of buying pay-TV as part of a triple-play bundle by subtracting the average price of a dual-play landline and home broadband bundle from that of the provider's triple-play landline, home broadband and pay-TV bundle that is similar in terms of broadband speed, data allowance, call package and minimum contractual period. Our assumption is that most of the difference between the two will relate to the pay-TV element of the triple-play bundle; however, the result will partly be determined by other variations in services, so this calculation can only serve as an approximation.

Using this approach, the estimated list price cost of pay-TV when purchased as part of a bundle increased by £4.09 per month (23%) to £21.61 in the year to Q1 2021, while the price for new customers using promotional offers increased by £3.84 (35%) to £14.82, as shown in Figure 47.

Figure 47: Average monthly list price of pay-TV as part of a triple-play bundle: December 2016 to May 2021



Source: Ofcom, using data from Pure Pricing Monthly Broadband Pricing Tracker reports.

Note: Average pay-TV subscription fee component of triple-play bundle; calculated as the difference between equivalent triple-play and dual-play tariffs; data for top four providers: BT, TalkTalk, Sky and Virgin Media; adjusted for CPI (May 2021 prices).

But customers buying triple-play still save over standalone pay-TV

Consumers continue to make savings when purchasing pay-TV services as part of a bundle. Our analysis shows that the list prices of both Sky and Virgin Media's basic standalone pay-TV services

increased in 2020 in real terms.⁴² These are the only providers that offer a standalone pay-TV service. BT and TalkTalk offer pay-TV services, but only in conjunction with broadband. The price of Virgin Media’s most basic standalone pay-TV service more than doubled in 2019 because it stopped selling standalone pay-TV without premium sport and film content.

Figure 48: Weighted average monthly price of standalone basic pay-TV services: 2015 to 2020



Source: Ofcom, using data supplied by Teligen, Strategy Analytics.

Note: Basic pay-TV is defined as the cheapest service which includes channels that are not available on free-to-air (FTA) platforms; excludes promotional and retention discounts, DVR costs and the TV licence fee; averages are weighted by standalone pay-TV shares; data relates to July in each year except 2020, when it relates to October; adjusted for CPI (October 2020 prices).

Price of premium pay-TV add-ons

The premium pay-TV add-on prices shown below have been calculated by taking the tariffs offered by the four major TV providers, BT, Sky, TalkTalk and Virgin Media, and finding the average cost of adding the required premium content to a basic pay-TV service.

Traditional pay-TV platforms are continuing to aggregate the most attractive over-the-top (OTT) services on their platforms. This includes a BT / Sky cross-supply agreement that began in February 2020 and which enables their respective TV customers to access the other's content via a single subscription.

There are different billing arrangements. Some OTT providers including Netflix accept that the billing relationship is with the pay-TV provider, while others, including Amazon and Disney, do not. Sky’s agreements with Amazon and Disney exclude single billing, in contrast to Sky's agreement with Netflix, under which Sky bundles Netflix with its Sky TV package at a discounted price through its Ultimate TV bundle. Netflix also allows new Netflix customers with Virgin Media to choose to pay for their Netflix subscription through their Virgin Media bill.

⁴² NOW is excluded from the analysis as it is only suitable for homes with a broadband connection; other pay-TV providers including BT and TalkTalk only sell TV services as part of a bundle.

Figure 50: Selective SVoD pricing in the UK: March/April 2021

Provider	Details	Free trial
All 4+	£3.99 a month to watch without adverts	14-day
Amazon Prime Video	£7.99 a month or £79 a year; no price increases since launch; student price £3.99 a month with a 6-month free trial; included in Amazon Prime delivery membership	30-day
Apple TV+	£4.99 a month; 7-day free trial; 12 months included for free for new customers when Apple device purchased ⁴⁵	7-day
BritBox	£5.99 a month or £59.99 a year	7-day
Disney+	Raised prices in 23 February 2021: monthly subscription increased from £5.99 to £7.99, annual subscription increased from £59.99 to £79.99 a year; existing customers' pricing to remain at current levels until 23 August 2021	n/a
ITV Hub+	£3.99 a month or £39.99 a year to watch without adverts	7-day
Netflix	Raised prices in December 2020 for new customers for the third time in three years; Basic Plan remains £5.99 a month, streaming in SD to 1 device at a time; Standard Plan increased from £8.99 to £9.99 a month, HD streaming to up to 2 devices; Premium Plan rose from £11.99 to £13.99 a month, UHD (4K) streaming to up to 4 devices	n/a
NOW	Entertainment membership increased in September 2020 from £8.99 to £9.99 a month; Cinema membership is £11.99 a month; weekly Sky Sports membership no longer available; monthly Sky Sports membership costs £33.99; Sky Sports Day membership costs £9.99; Kids membership is £3.99 a month; members can pay additional £3 a month for 'Boost' to stream in full HD with surround sound across 3 devices at a time (standard is 2 devices)	7-day
Rakuten TV	£4.99 a month	7-day
Sky Go	Included with any Sky TV subscription (prices vary); Sky Go Extra costs additional £5 a month or is included in Sky Multiscreen subscription	n/a
Virgin TV Go	Included with any Virgin TV subscription (prices vary)	n/a
YouTube Premium	£11.99 a month	1 month

Source: Providers' websites / media reports.

Note: Information on promotional offers not included.

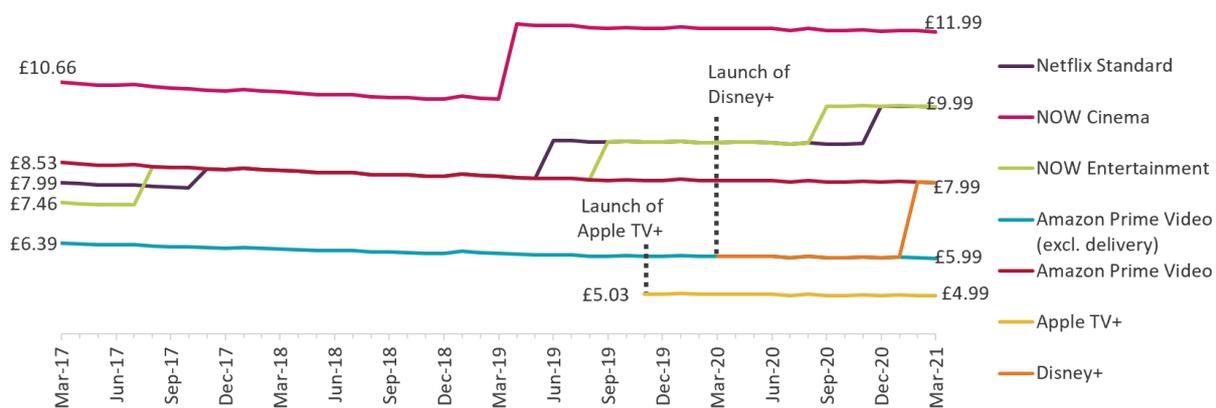
Several leading SVoD players have raised their prices

Average monthly UK household spend on SVoD was £7.49 (including VAT) in 2020, according to Ampere Analysis.⁴⁶ Several SVoD providers (Netflix, NOW and Disney+) increased prices in 2021, as detailed in Figure 51. SVoD services usually offer the flexibility of users being able to subscribe and cancel from month to month.

⁴⁵ In June 2021 this offer was reduced from 12 months to 3 months.

⁴⁶ Ampere Analysis Q4 2020 is currently forecast data.

Figure 51: Monthly pricing of SVoD services: March 2017 to March 2021



Source: Ofcom / Pure Pricing's Monthly Broadband Pricing Tracker reports, provider websites.

Note: Netflix also offers basic (£5.99) and premium (£13.99) services; NOW also offers Kids TV (£3.99), Sports (£33.99), Sky Sports Day Pass (£9.98 per day); CPI adjusted (March 2021). Netflix price increase in December 2020 was for new customers and then applied to all customers in February/March 2021. Disney+ price increase in March 2021 was for new customers only, with prices rising for all customers in August 2021.

International comparisons

UK had lowest pricing for mobile services, but France and Italy had lower fixed-line prices

As part of our ongoing monitoring work, we benchmark UK communications service prices against those in France, Germany, Italy, Spain and the US. This section of the report summarises our findings regarding standalone landline, mobile phone and fixed broadband prices, along with those for dual-play (landline and fixed broadband) and triple-play (landline, fixed broadband and pay-TV) bundles.

Across all the services/bundles and pricing metrics included in our analysis, the UK ranked third among our six comparator countries in 2020, after France and Italy. This was an improvement compared to 2019 (when the UK had ranked fourth) as it overtook Germany during the year. France continued to have the lowest prices overall, while the US and Spain had the highest prices.

The UK ranked first for mobile phone prices and was second (out of five) for triple-play bundles, second for average standalone fixed voice, third for average broadband services, and fourth for average dual-play bundle pricing.

Figure 52: International comparison of overall, lowest available and weighted average standalone and bundled household usage prices: 2020

	Landline		Fixed broadband		Mobile phone		Dual-play bundles		Triple-play bundles		Overall rank across all metrics & services
	Average	Lowest	Average	Lowest	Average	Lowest	Average	Lowest	Average	Lowest	
UK	2	4	3	4	1	1	4	5	2	2	3
FRA	4	5	1	1	1	3	1	1	1	1	1
GER	1	6	4	3	4	4	3	2	2	3	4
ITA	6	3	2	2	3	1	2	3	n/a	n/a	2
ESP	4	1	5	4	5	5	5	4	4	4	5
USA	3	2	6	6	6	6	6	6	4	4	6

Source: Ofcom, using data provided by Teligen, Strategy Analytics.

Notes: Circles denote the top-ranking country for each metric; the overall rank is calculated from the mean of the individual service and metric rank; Italy has no offers for triple-play with premium movies so we are therefore unable to rank Italy in triple-play bundles; data relates to August/September 2020.

Landline services

- The UK had the third lowest price of the six countries for standalone landline services when factoring in both weighted average and lowest available prices.
- It ranked second for average weighted landline prices across the three usage profiles used in our analysis, and fourth in terms of the lowest available prices for these profiles.

Fixed broadband services

- Our analysis of fixed broadband prices looks at the price required to be able to receive fixed broadband, whether purchased on a standalone or bundled basis.
- The UK was placed third overall for fixed broadband services based on both weighted average and lowest available prices, with UK superfast and ultrafast broadband prices tending to compare less favourably than standard broadband services.
- The UK also ranked third across our three fixed broadband usage profiles for weighted average prices, and fourth for lowest available prices.

Standalone mobile services

- The UK had the lowest standalone mobile prices, ranking first overall across the three mobile connections used in our analysis.
- It had the joint-cheapest weighted average standalone mobile prices, along with France, and the joint-cheapest lowest-available prices, with Italy.

Bundled services

- Across the three dual-play bundled services included in our analysis, the UK ranked fourth in terms of weighted average and fifth on lowest available prices.
- For the two triple-play bundles included in the analysis, the UK was placed second across the weighted average and lowest available prices.

Terminology used in this report

Standalone: A customer taking a single service from a communications provider, not a bundle of two or more services. For example, standalone mobile refers to a customer taking just a mobile service from their provider.

Bundle: A combination of more than one service from a single communications provider. This can include broadband and landline, or pay-TV and broadband, and can be provided under one or multiple contracts.

Dual-play: Two services delivered by a single communications provider, most commonly landline and fixed broadband.

Triple-play: Three services delivered by a single communications provider, most commonly landline, fixed broadband and pay-TV.

Quad-play: Four services delivered by a single communications provider, most commonly landline, fixed broadband, pay-TV and mobile.

Pay-as-you-go (PAYG): Also known as pre-pay. With a pay-as-you-go mobile service, customers pay in advance by topping up their phone with credit, and the charges for use are subtracted from this balance.

End-of-contract notification: A notification sent to a customer by their communications provider that outlines the date on which the customer's minimum contract period will end, the services currently provided and the price paid, any changes to the service and the price at the end of the minimum contract period (where relevant). It explains that the customer has options available to them (such as SIM-only deals for mobile) and may be able to make savings. End-of-contract notifications are sent between 10 and 40 days before the end of the customer's minimum contract period.

Annual best-tariff notification: An annual notification sent by their communications provider to a customer who is out of contract, which includes information about their current contract and the best tariff for the services they use.

Methodology

We use several datasets to analyse residential pricing trends. Here we set out the sources of these datasets, how they are compiled and the way in which they have been used in this report:

- operator data;
- tariff information from Pure Pricing;
- basket-based pricing using Teligen’s price benchmarking model;
- international price benchmarking; and
- customer research including the Switching Tracker, Engagement Index, Switching Experience Tracker, and Technology Tracker.

Operator data

While the pricing data provides a view of the tariffs that are available to consumers, we used our formal powers to collect information from the leading providers of residential fixed and mobile services in the UK. The data were collected from the following providers of fixed and mobile services:

- fixed telecoms providers: BT, EE, KCOM, Plusnet, Post Office, Sky, TalkTalk, Virgin Media and Vodafone; and
- mobile service providers: BT Mobile, EE, iD Mobile, O2, Plusnet, Sky, Three, TalkTalk Mobile, Tesco Mobile, Virgin Media and Vodafone.

We collected information regarding numbers of customers and average spend per customer, including the proportion of spend that was out-of-bundle, for the three months to November 2020.

Data were collected for the following services:

Figure M1: Customer and spend data collected for communications services: September – November 2020

Standalone services	Bundled services
Standalone landline	Dual-play with landline and fixed broadband
Standalone fixed broadband	Triple-play with landline, fixed broadband and pay-TV
Standalone mobile phone	Triple-play with landline, fixed broadband and mobile
Standalone pay-TV	Quad-play with landline, fixed broadband, pay-TV and mobile

Source: Ofcom.

Tariff information

Pure Pricing

We use retail tariff information taken from Pure Pricing’s Monthly Broadband Pricing reports to analyse residential line rental and bundled service prices.

We also use retail tariff information from Pure Pricing's Monthly Mobile Pricing reports to analyse mobile SIM-only prices.

Basket-based pricing analysis: UK price benchmarking model

To analyse the tariffs available in the UK, we use a bespoke pricing model commissioned from pricing consultancy Teligen, Strategy Analytics. The model is populated with tariff data for landline voice, mobile voice and data, fixed broadband, television and 'bundled' services (i.e. incorporating more than one service, such as triple-play tariffs). The key objectives of the work are as follows:

- to identify and compare the pricing that is available for consumers buying landline voice services, mobile services, broadband internet and TV services;
- to identify and compare the pricing that is available by purchasing communications services within bundled tariffs (for example, triple-play services, which typically offer a single bill for the delivery of fixed-line voice, broadband and television services);
- to compare pricing across a wide range of service usage scenarios, from the requirements of those with basic needs to those of consumers with more sophisticated consumption; and
- to incorporate the cost of hardware such as set-top boxes or broadband modems/routers in order to reflect the real prices that consumers pay, and to compare like-with-like by allowing for equipment subsidies when they are included within propositions from service providers.

Basic methodology

Further detail is provided below but the basic principles are as follows. We constructed five household types and defined a usage profile of communications services comprising fixed-line voice, mobile, broadband and TV appropriate for each one. A wide range of components were included within the household usage profiles to ensure as accurate as possible a representation of the real prices consumers pay. For example:

- landline minutes were distributed by whether they were to fixed or mobile lines, by call distance (local, regional and national), and time of day (day, evening, weekend). Non-geographic calls were excluded from the analysis;
- mobile calls (and messaging) were split between on-net and off-net, and voicemail was included;
- call set-up and per-minute charging were incorporated, and a range of call lengths were used;
- the fixed broadband component was defined both by minimum headline speed and by minimum data allowance requirements; and
- the television element included a digital receiver and, for some household usage profiles, a digital video recorder (DVR). Two tiers of pay-TV were considered:
 - the most basic service available above the channels available on free-to-air TV; and
 - a basic pay-TV service with premium sports content (top-tier football matches).

Broadband routers, digital set-top boxes and DVRs are included within the household usage profiles and amortised over an appropriate period in order to attribute a monthly cost. This is necessary because this equipment is often inseparable from the service price, as operators frequently include subsidised or 'free' equipment (for example a mobile handset or a wi-fi router) within the monthly subscription. For similar reasons, connection and/or installation costs are included.

Data for 2020 was collected in October of that year. For all other years data was collected in July. For each year the data covers details of every tariff and every tariff combination (including bundled services) from at least the largest three operators by retail market share (and from more than three operators, if this was required to ensure that a minimum of 80% of the overall market was represented). Bundled tariffs (i.e. those that incorporate more than one service) were also collected. Only those tariffs available on the websites of the operators were included (i.e. the analysis excludes bespoke tariffs that are offered only to certain customers). The number of providers covered in the pricing model has increased over time.

Our model identifies the tariffs that offer the lowest price for meeting the requirements of each household. All sales taxes and surcharges have also been included, to reflect the prices that consumers actually pay.

To provide an illustration of representative prices for the individual services, and to illustrate the best value that consumers can get for their usage profile, we have provided the weighted average standalone pricing, illustrating the price of each individual service, as defined by the average of the lowest price tariff from each of the operators for each service, weighted by the market share of the service provider, in order to ensure fair representation.

Household types

For this study, we have considered five hypothetical households, and have defined their requirements for communications services based on average use in 2018. These were reviewed at the start of the 2020 study and were still considered appropriate. These household types are designed to be collectively broadly representative of the overall population.

Figure M2: Household types

Summary	Fixed voice mins	Mobile voice mins	Mobile SMS messages	Mobile handset data	Fixed broadband speed	Fixed broadband data	TV
Low-use couple with basic needs	120	50	None	None	None	None	Free-to-air
		50	None	None			
Late adopter couple	90	50	50	None	≥10Mbit/s	25GB	Free-to-air
		50	50	None			
'Networked' family household	60	200	100	1GB	≥30Mbit/s	1,000GB	Basic pay-TV with HD
		200	100	1GB			
		100	25	3GB			
		100	25	3GB			
Affluent two-person household	30	100	75	5GB	≥100Mbit/s	500GB	Premium pay-TV with HD & DVR
		100	75	5GB			
Affluent two-person household with 5G	33	100	75	5GB (5G)	≥100Mbit/s	500GB	Premium pay-TV with HD & DVR
		100	75	5GB (5G)			

Source: Ofcom.

Landline usage profiles

The landline usage profiles define the use per month for the household and calculate the monthly cost of using the landline service. The elements of the usage profiles are listed below, with values for each of the four households that use this service. The cost of customers' equipment is amortised over a five-year period.

Figure M3: Landline usage profiles

	Affluent two-person household	'Networked' family household	Late adopter couple	Low-use couple with basic needs
Outbound call mins	30	60	90	120
Type of calls	90% UK geographic and 10% to UK mobiles			
Time of day	60% daytime, 25% evening and 15% weekend			

Source: Ofcom.

Mobile voice and data usage profiles

To analyse the prices of standalone mobile services, we used six connection types to represent use across diverse types of consumer. We exclude the cost of a handset from our analysis.

Figure M4: Mobile usage profiles

	Outgoing call mins per month	Outgoing SMS messages per month	Data use per month
Mobile user profile 1	50	None	None
Mobile user profile 2	50	50	None
Mobile user profile 3	200	100	1GB
Mobile user profile 4	100	25	3GB
Mobile user profile 5	100	75	5GB
Mobile user profile 6	500	150	15GB

Source: Ofcom.

To calculate the total price paid by consumers of buying a handset outright and using it with a SIM-only plan compared with acquiring a handset with their airtime contract, we assign each type of mobile connection usage profile a low, mid or high-range handset across the time series, as shown in Figure M5.

Figure M5: Mobile usage profiles: handsets

	2016	2017	2018	2019	2020
Mobile user profile 1	Nokia 105	Nokia 105	Alcatel 1016G	Alcatel 1016G	Alcatel 10.66G
Mobile user profile 2	Nokia 105	Nokia 105	Alcatel 1016G	Alcatel 1016G	Alcatel 10.66G
Mobile user profile 3	Samsung Galaxy A3	Samsung Galaxy A3 2016	Samsung Galaxy A6	Samsung Galaxy A6	Samsung Galaxy A21s
Mobile user profile 4	Samsung Galaxy A3	Samsung Galaxy A3 2016	Samsung Galaxy A6	Samsung Galaxy A6	Samsung Galaxy A21s
Mobile user profile 5	Samsung Galaxy A3	Samsung Galaxy A3 2016	Samsung Galaxy A6	Samsung Galaxy A6	Samsung Galaxy A21s
Mobile user profile 6	Samsung Galaxy S7	Samsung Galaxy S7 Edge	Samsung Galaxy S9	Samsung Galaxy S10	Samsung Galaxy S20

Source: Ofcom.

Bundled service profiles

To analyse the price of services when purchased as bundles, we use six household profiles with different usage across services. Not all have been featured in this report.

Figure M6: Household profiles for bundled services

'Typical' household type	Summary	Fixed voice	Mobile voice	Mobile messaging	Mobile handset data	Fixed broadband	TV
Low-use couple with basic needs	A low-use couple with basic needs	Medium use	Low use	None	None	None	Free-to-air
Late adopter couple	A broadband household with basic needs	Medium use	Low use	Low use	None	Low use	Free-to-air
Mobile 'power user'	A mobile-only household	None	High use	High use	High use	None	Basic pay-TV with HD & DVR
'Networked' family household	A family household with multiple needs	Medium use	Medium use	Medium use	Medium use	Medium use superfast	Basic pay-TV with HD & DVR
Affluent two-person household	A two-person household with sophisticated needs	Low use	Medium use	Medium use	Medium use	High use superfast	Premium pay-TV with HD & DVR
Affluent two-person household 5G	A two-person household with sophisticated needs	Low use	Medium use	Medium use	Medium use 5G	High use superfast	Premium pay-TV with HD & DVR

Source: Ofcom.

International price benchmarking

We have used a pricing model provided by Teligen, Strategy Analytics, to benchmark prices internationally. For landline, mobile phone and fixed broadband services, this uses a methodology like that adopted by the Organisation of Economic Co-operation and Development (OECD) in its ongoing price benchmarking work with Teligen. When comparing the prices of bundled communications services uses, we used data taken from Teligen, Strategy Analytics' Bundle Benchmarking service, which also uses a methodology similar to that recently adopted by the OECD (December 2020).

The tariff data used in the analysis was taken from operator websites in Q3 2020. The bundled tariff data was collected in July and August 2020, and the standalone service tariffs in either August or September 2020 (depending on the service). The purchasing power parity-adjusted (PPP) exchange rates used to convert prices into GBP were for July 2020 and were taken from the OANDA web

service (using exchange rates as at 1 September 2020) and the OECD database of comparative price levels (CPL).

The methodology used was the same as that outlined in the [2017 International Communications Market Report](#).

Consumer research

The report also draws upon data from established Ofcom tracker surveys.

Covid-19 Affordability Tracker

This is published as part of our [Affordability report](#). See Annex 2 (Consumer research technical annex) in Ofcom, July 2021. Affordability of communications services: Summary of findings.

The Technology Tracker

The Technology Tracker is a survey run once a year (face-to-face in-home) with c.3,900 adults aged 16+ in the UK. Due to the Covid-19 pandemic, the existing face-to-face methodology of Ofcom's Technology Tracker had to be adapted this year, and an approach of post-to-web and post-to-paper was adopted for the main survey. It provides us with an understanding of consumer attitudes and behaviours in the UK communications market, helping us to monitor change. The data collected is weighted to the profile of UK adults. The main Technology Tracker survey provides data on:

- access and take-up of telephony services;
- activities conducted on mobile phones and the internet;
- take-up of TV services, including paid-for and free TV, plus video-on-demand services;
- take-up and listenership of radio and audio services, including digital radio;
- take-up of smart technology; and
- bundling of services.

In addition to the main Technology Tracker survey, a supplementary CATI (computer-assisted telephone-interview) omnibus survey was commissioned, to provide Ofcom with statistics that are not easily gathered using other methodologies. The CATI omnibus survey was conducted with c. 3,100 adults aged 18+ living in the UK, and the data was weighted to the profile of UK adults. It provides data on:

- access to devices;
- access to the internet;
- the number of each type of device in the household;
- the extent to which children in the household had access to appropriate devices for their schooling requirements; and
- how children's lack of access to appropriate devices was managed.

The Switching Tracker

The Switching Tracker is usually an annual face-to-face survey (c.2,600 interviews) conducted in July/August among household decision-makers, which monitors levels of participation in terms of switching and engagement activities. The survey looks at landlines, mobile, internet/broadband markets and TV, as well as dual- and triple-play bundles. Due to the Covid-19 pandemic, the existing face-to-face methodology of Ofcom's Switching Tracker had to be adapted in 2020, and we used a combination of post-to-web, post-to-phone and online methodologies instead.

A letter was sent to a sample of UK households inviting one member of the household who has responsibility for at least some communications services to complete the survey online or by telephone, depending on their preference. Those interviewed online following a postal invitation were asked for referrals to friends or family members without access to the internet. Once the post-to-online and post-to-phone interviewing was complete, some additional interviews were conducted using online panels in order to balance the overall sample and ensure that the sample was nationally representative of the UK population.

In 2020, we interviewed 3,128 adults aged 16+ in the UK across the different survey methods. Interviews were carried out between June and November 2020. Due to the change in fieldwork method, extended fieldwork period and unknown effects of the Covid-19 pandemic on switching and engagement levels, comparisons between 2020 and previous years is not possible.

The Engagement Index

Ofcom's Engagement Index is derived from the Switching Tracker. It takes a selection of behavioural and attitudinal factors into account and classifies consumers as being either active, browsers, dormant, unmotivated, apprehensive or resigned.

The first three groups (actives, browsers and dormant) are, to a greater or lesser extent, engaged in the market and are aware of alternative deals and/or suppliers. The resigned group are dissatisfied with the overall service provided by their supplier but have not made any effort to look into other deals or negotiate a better deal. There could be a number of reasons for their non-engagement, including being in a location where choice of supplier (e.g. in a remote rural area where coverage from some mobile operators is poor) or choice of service (e.g. in an area where fibre broadband is not available) is limited.

The unmotivated group have not had any recent engagement with the market but are confident in their ability to compare costs, speak to their current provider and understand the language and terminology used by providers. Some of this group, although they do not lack confidence in their ability to engage with the market, claim that they would like to save money on their service, but lack the time to do so. In short, these people claim to have the skills they need to engage, but for one reason or another have chosen not to.

The final group, which we have termed 'apprehensive', have not had any recent engagement with the market, are not confident in their ability to compare costs, speak to their current provider or understand the language and terminology used by providers and this lack of confidence may be discouraging them from engaging.

Figure M7: Segment definitions in the Engagement Index

Active	<ul style="list-style-type: none"> A. Switched supplier in the last year, unless when moving home, OR at least two of the following: B. Are currently/planning to look for a new deal. C. Have initiated some supplier contact. D. Have conducted some competitor evaluation.
Browsers	<p>Not active. One of the following:</p> <ul style="list-style-type: none"> B. Are currently/planning to look for a new deal. C. Have initiated some supplier contact. D. Have conducted some competitor evaluation.
Dormant	<p>Not browsers, but are/may still be in contract. One or more of the following:</p> <ul style="list-style-type: none"> E. Switched supplier in the last 13-24 months (but not necessarily without moving home at the same time). F. Have never switched supplier but have been with their supplier for up to 24 months. G. Have upgraded or downgraded services in the last year, but this was provider-led and not initiated by the customer.
Unmotivated	<p>None of A-G above AND confident comparing costs and speaking with current provider about new deals and understanding the language and terminology used by providers.</p>
Apprehensive	<p>None of A-G above AND not confident comparing costs and speaking with current provider about new deals and understanding the language and terminology used by providers.</p>
Resigned	<p>None of A-G above AND not satisfied with overall service provided.</p>

Source: Ofcom Switching Tracker carried out by Critical Research in June-November 2020.

Those who switched when moving are defined in the Engagement Index based on any other activity that would qualify them. Those who undertook activities shown under B-D above would be defined as Active or Browsers, while those who did not undertake these activities and simply took over the existing service in their new home would not be defined as Active or Browsers.