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Barriers to switching essential internet services
Executive Summary

Digitalisation enables users to access a range of services via their smartphones. Messengers, browsers and search engines are essential applications that many of us use almost every day. Although numerous services are available, many users opt, consciously or unconsciously, for the same provider. As a result, few providers dominate these markets. This can limit competition or the openness of the Internet. Based on a representative survey among the Austrian population, this report examines factors for the selection of these services, switching behavior and the barriers encountered when switching to alternative services.

Messengers compete partly with "traditional" telecommunications services and are subject to the same legal provisions in some areas. Browsers and search engines are important gatekeepers that have a significant impact on the openness of the Internet and connect consumers and businesses. The less concentrated market for mobile phone tariffs, where consumers usually pay a positive price and certain barriers to switching have already been addressed, serves as a comparison in the analysis.

In the past two years, 19% of respondents have, according to consumers themselves, switched their mobile phone tariff provider. In contrast, only 6% have changed their mainly used messenger, 8% their mainly used browser and 5% their mainly used search engine. The proportion of those who have considered changing their messenger, browser or search engine is also significantly lower than the one for mobile phone tariff providers. Those who did not even consider switching represent the largest group for all four services under consideration.

When selecting a **mobile phone tariff provider**, price is the most important criterion for many consumers, especially with regard to the choice of smaller mobile phone tariff providers. Price is also the most important motivation for switching mobile phone tariff providers. More than half of the users changing the provider did not perceive any barriers. The most important barrier to switching for them was to port their telephone number, which has already been made more consumer-friendly as part of the implementation of the new Telecommunications Act 2021 and is free of charge now.

Multi-homing, the parallel usage of several services, is an established practice for **messengers**. This promotes market entry, as users can test a new service comparatively easily. Not considering short message service, network effects play a decisive role in the selection of the main messenger used. This clearly favors the large services, which already have a high market penetration, and is ultimately a major reason for the dominance of WhatsApp. Switching the main messenger is usually motivated by concerns about privacy and security and a change in the terms and conditions. However, network effects and habit result in users not even considering switching their main messenger. At the same time, around one third of those who switch did not perceive any barriers to switching. The most important barrier for them is the coordination of the switch with their existing contacts.

Network effects as market entry barriers and switching barriers could be addressed by interoperability between different services, allowing users of a certain messenger to reach users of other messengers. Such a measure is likely to be part of the EU's Digital Markets Act.[1] Interoperability can reduce the dominance of one messenger by realizing network effects across established and new providers. At the same time, interoperability can lead to increased single-homing and a loss of innovation and investment, which could ultimately harm competition.

For web **browsers**, habit effects are the most important reasons for the selection. Most users get access to their browser via pre-installations. The market is therefore strongly dominated by Chrome (Google) and Safari (Apple). Firefox users, on the other hand, focus on security and data protection aspects in their selection and usually install the browser themselves. If switching the browser was considered or carried out, better options for controlling settings and consumption synergies, for example with the operating system, are the most important motivations. About half of those who switched did not identify any barrier. Those switching barriers that were perceived are habit effects and search costs in terms of assessing quality, security, data protection and compatibility.

Google clearly dominates the usage of **search engines**. Habit and the quality of the search results are essential for the selection. User access the search engine mostly via pre-installations and default settings. The usage of an alternative search engine is often associated with a stronger preference for security and better data protection. The main motivations for switching are less advertising and more functionalities of alternative search engines. Among those who switched, about one-third perceive no barriers. The most important switching barrier is the assessment of security and privacy of alternative search engines.

For both browsers and search engines, habit and pre-installation play an important role. Selection menus with a list of different browsers and search engines during the first installation could facilitate market entry for alternative providers. Their effectiveness needs to be monitored further. If habit and pre-installation play such a large role that market entry (and not only switching) is hindered, intensive competition at the upstream level, ultimately between operating systems, could also contribute to greater competitive pressure among providers of browsers and search engines.

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[1] https://www.consilium.europa.eu/en/press/press-releases/2022/03/25/council-and-european-parliament-reach-agreement-on-the-digital-markets-act/