



# **The Communications Market 2005**

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2004 was the year in which the consumer began to take control of communications. The growth of digital television, digital radio and broadband platforms gave consumers greater access to improved on-demand, interactive and multichannel services. There are now more TV and radio channels than ever before, and consumers have more freedom to access content when and where they want it.

Platform convergence began in earnest in 2004. Consumers can now use their broadband connection – and soon even their mobile phone – to watch TV or listen to the radio. Many operators are responding by developing digital portfolios which extend their brand across multiple platforms and technologies.

Total 2004 revenues in the UK communications market were £55.9 billion, of which retail revenues were £47.4 billion (6% higher than in 2003) – forming 4.1% of UK GDP. The bulk of retail revenues (£36.1 billion) and the biggest annual rise (£1.8 billion) came from telecoms, although television had the fastest revenue growth (up 9% from £9.3 billion in 2003 to £10.1 billion in 2004).

## Key points: Radio

- Total radio revenues for 2004 were £1.2 billion (up 4% from 2003), of which commercial radio accounted for £564 million
- The biggest single component of radio revenues was advertising, at £302 million
- Radio's share of display advertising has remained flat over the last 5 years, and in early 2005 its share was exceeded by internet advertising for the first time
- Local commercial radio's share of listening fell below 35% in 2004, while total commercial listening hours in Q4 2004 were at their lowest level for five years
- In Q4 2004, 8.3% of all commercial listening hours were to stations only available on digital in a given area – up from 2.8% in Q1 2003
- By the end of 2004 there were 372 radio stations across the UK, with 215 of those available over DAB
- 35% of adults with access to digital television have listened to radio through their television, and 19% of internet-enabled adults have listened over the internet
- New distribution platforms have driven new radio services, such as on-demand listening, podcasting, streaming, text, and other interactive services
- Household penetration of DAB digital radio reached 5% in Q4 2004
- Listening to AM stations has fallen by a third since 2000; total AM listening in 2004 fell below 300m hours for the first time
- Over one in ten analogue radio licences changed hands during 2004 – even before the GWR-Capital merger

- Following the pilot scheme, the first community radio licences were awarded in 2004; FM commercial radio licensing has also restarted, with eight licences awarded by the end of May 2005

## Key points: Telecoms

- Total telecoms revenues in 2004 were £44.6 billion, of which retail revenues were £36.1 billion (up 5% from 2003)
- 2004 mobile voice and data revenues, at £12.3 billion, overtook fixed-line voice revenues for the first time
- There were over 6 million broadband homes in the UK by the end of 2004 – over 90% more than at the end of 2003 – and over 7.5 million by May 2005
- There are now more broadband than dial-up internet subscribers
- By the end of 2005, 99.6% of UK homes will be connected to a broadband-enabled exchange
- Broadband prices are falling, and speeds are increasing – both of which are helping drive demand and new applications
- Music downloads over broadband are taking off: 4.6 million tracks were legally downloaded in Q1 2005 – nearly as many as in the whole of 2004
- 3G mobile telephony is still in its infancy, with 2.5 million subscribers by the end of 2004 out of a UK mobile total of over 60 million – however, none of the big four operators started 3G services until Q4 2004, so true consumer demand for 3G is still hard to ascertain
- Voice over IP (VoIP) is making significant inroads into the UK business telephony market, with several large corporate conversions to VoIP announced in 2004

## Key points: Television

- Total television revenues for 2004 were £10.1 billion – up 9% from 2003
- Almost 2.5 million UK households acquired digital TV over the course of 2004, and by March 2005 62% of UK homes were digital
- DTT accounted for nearly 70% of the growth in the number of digital homes in 2004; over 3.25 million digital terrestrial boxes and integrated digital TVs were sold over the course of the year
- Over 350 channels are now available to UK audiences
- Digital-only channels now account for a greater share of viewing than either BBC ONE or ITV1

- All four main UK broadcasters have announced plans to diversify further, with new digital channels and movement into new delivery platforms such as broadband
- Major new channel launches include ITV3, the move of E4 from subscription to Freeview, and the upcoming launch by Channel 4 of documentary channel More4
- The range of digital channel offerings across all price ranges, coupled with improved interactivity and on-demand features, have increased consumer control
- More than 10% of BSkyB's customers now use the Sky+ service, allowing them to intelligently record and store programming; the cable companies have recently launched their on-demand services
- The BBC has announced plans to offer on-demand broadband access to the previous week's TV programmes – a service it currently offers for its radio output