



# The International Communications Market 2017

**Key findings: the UK in context**

## 1.1 Key findings: the UK in context

### **UK consumers benefit from the high availability of superfast broadband, but low fibre-to-the-premises coverage means that the UK trails in ultrafast broadband**

To participate in the digital world, an internet connection is the basic requirement. But as online services evolve and become integral to more and more aspects of everyday life, it is not simply enough to connect to the internet; it is necessary to be able to do so quickly and reliably in any location, and this fuels the demand for ever-faster fixed and mobile data.

Fixed broadband services were available to over half of homes in all but one of our comparator countries in 2016, and in around half of our countries (including the UK) at least 99% of homes were in areas served by one or more fixed broadband network.<sup>6</sup> In recent years, the availability and take-up of superfast broadband services has increased in all comparator countries, and superfast broadband (offering speeds  $\geq 30\text{Mbit/s}$ ) is currently available to more than nine in ten UK households, a higher proportion than in most of our comparator countries.<sup>7</sup> However, the availability and take-up of ultrafast services (offering speeds  $\geq 300\text{Mbit/s}$ ) in the UK is comparatively low, largely due to a focus on the deployment of fibre-to-the-cabinet rather than fibre-to-the-premises networks. By the end of 2016, ultrafast services with advertised speeds of 300Mbit/s or higher were available to over half of the households in six comparator countries, compared to just 2% of households in the UK (although ultrafast speeds have been much more widely available since Virgin Media launched a 300Mbit/s service on its cable network in March 2017<sup>8</sup>).

### **4G take-up is more advanced in the US, Korea, Japan and Australia than in Europe**

Consumers do not only want to connect to the internet from a fixed location, they need access when they are on the move. At the end of 2016, half of all UK mobile subscriptions were 4G services being used on a 4G device<sup>9</sup>; a higher proportion than in any of the other EU5 countries, but lower than in a number of comparator countries, including South Korea, the US, Australia and Japan. Ninety per cent of the UK's mobile data traffic was over 4G networks in 2016, as UK consumers consumed a monthly average of 1.7GB of mobile data per head in 2016, higher than in the other EU5 countries, but much lower than in Sweden (5.7GB), South Korea (3.9GB) and the US (3.7GB)<sup>10</sup>.

### **UK smartphone users spend more time accessing the internet on their mobile than users in most countries, but less than in the US**

The increasing availability of high-speed mobile networks and in-home networks is creating a proliferation of ways in which people connect to the internet. Smartphones were the devices most used by consumers in all comparator countries – 75% of adults in the UK used a smartphone, comparable to most other comparator countries but lower than in Spain (87%) and Italy (85%). In the UK, smartphone

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<sup>6</sup> In the Connected Nations 2017 report, we say that 97% of UK premises could receive an estimated download speed  $\geq 10\text{Mbit/s}$  in May 2017, based on premises-level operator data (see <https://www.ofcom.org.uk/research-and-data/multi-sector-research/infrastructure-research/connected-nations-2017>).

<sup>7</sup> In the Connected Nations 2017 report, we say that 91% of UK premises could receive an estimated download speed  $\geq 30\text{Mbit/s}$  in May 2017.

<sup>8</sup> In the Connected Nations 2017 report, we say that 36% of UK premises could receive an estimated download speed  $\geq 300\text{Mbit/s}$  in May 2017.

<sup>9</sup> Including M2M services

<sup>10</sup> In the Connected Nations 2017 report, we say that average data use per mobile connection was 1.9GB in June 2017.

owners spent 62 hours on average using the internet on their device in August 2017, lower than in the US (75 hours) and France (66 hours), but higher than in Spain (61 hours), Germany (58 hours) and Italy (52 hours).

The next most widely-used internet-connected device was the laptop; 66% of consumers used them in the UK – significantly lower than Spain (73%), Germany (72%) and France (71%), but higher than in the US (61%). More than half of consumers in the UK (52%) used a tablet, equal to Italy (51%) and Spain (55%) but higher than in all other comparator countries. In the UK, the use of desktop computers was lowest, at 39%; this is in line with Japan and Spain and lower than in the other comparator countries.

### **Connected televisions are commonplace in the UK and most comparator countries, and there is high interest in other smart devices**

Many households also have their television connected to the internet. Our survey found that internet streaming devices such as Apple TV, Chromecast and the Amazon Fire stick have highest take-up in Sweden (29%) and the UK (27%). Ownership of smart TVs (i.e. TVs that connect directly to the internet) were in 39% of UK households, with take-up highest in Spain, at 46%, followed by Italy and Germany at 43%.

Smart appliances such as fridges, microwaves, thermostats, home audio systems, and home security systems are now widely available, typically managed via an app on a smartphone. Our research shows there is still quite low take-up in all the countries we surveyed. Consumers in Spain are most likely to use a smart thermostat, heating or lighting controls (14%, compared to 6% of UK households), and consumers in the US are most likely to have smart speakers (10%, compared to 6% in the UK). However, there is a lot of interest in owning smart devices – more than half of UK internet users said they were interested in owning: smart thermostat, heating or lighting controls (57%); smart home monitoring (58%); smart appliances (56%); smart speakers (53%); and a car with connected features (51%). There are broadly comparable levels of interest in other comparator countries.

### **Three-quarters of people in Spain are concerned that their online personal information is not stored securely, compared to two-thirds of people in the UK**

The ubiquity of internet connectivity creates concerns about security. Almost seven in ten (69%) consumers in the UK expressed concern that their online personal information was not being stored securely by websites. Among the countries we surveyed, concern was highest in Spain (79%) followed by the US (73%). Websites and apps that shared user data with third-party companies were also flagged as an area of concern; 78% of respondents in Spain, 70% of respondents in the US and 68% in the UK felt troubled by this.

Eleven per cent of internet users in the UK said that they had personally had their email, social network or online bank account accessed by an unauthorised person, and 25% said that they knew someone this had happened to. Internet users in the US were the most likely to have experienced these issues, with 22% saying they had personally experienced this type of security breach, and 34% saying they knew someone who had. In all countries surveyed, a large number of consumers were concerned that the steps they had taken to protect their online security and privacy were not sufficient. In the UK 57% of internet users were concerned that the security measures they had installed were insufficient to stop someone

accessing their accounts; the highest levels of concern about this were in Spain (76%), the US (67%) and Italy (64%), with internet users in France (46%), Sweden (46%) and Japan (48%) the least concerned.

### **UK consumers spend more than consumers in other countries on internet shopping, but use of mobile payment is more advanced in Sweden.**

Despite these concerns, mobile phone owners are widely using their phones to carry out financial activities such as checking their bank balances, making purchases, transferring money and even paying for public transport. In the UK, over half of smartphone owners use their phones to check their bank balances, while consumers in Sweden are more advanced in using their mobile phones to make payments. Our survey found that 54% of mobile phone owners in Sweden used their phone to pay in a store, compared to 20% in the UK.<sup>11</sup>

UK consumers have embraced internet shopping. In 2016, UK consumers spent £2,175 per head making purchases on the internet, more than double the spend by consumers in any other comparator country. This has helped drive increases in internet advertising, which accounted for more than 50% of all advertising expenditure in the UK for the first time in 2016, a similar share to Sweden (54%) and China (53%) and much higher than in most other countries including the US (40%), France (35%) and Germany (31%). Internet shopping is also driving innovation in the postal sector. Our survey found that UK consumers were more likely to use next-day delivery services than were consumers in other countries, and a third of UK consumers had used same-day delivery for an online purchase. About three-quarters of internet users in the UK and the US said they had used a website or app to track the delivery of a parcel or online shopping delivery and, in the UK, 23% said they had had a delivery made to a parcel locker, compared to 75% in France.

To reduce delivery costs and/or increase speed, postal operators in some countries have been experimenting with drone deliveries; trials have taken place in the UK, Iceland, Switzerland, Singapore, Germany and the US. Tapping into the retail potential of food delivery, postal operators such as DPD in Germany also deliver groceries, while PostNL further expanded its food delivery network in the Netherlands at the beginning of 2017.<sup>12</sup>

### **Digital radio listening is higher in the UK than in all other comparator countries**

Digital technologies and connected consumers are also transforming the ways in which people listen to audio services. Among our comparator countries, the UK leads the way in the proportion of its population that can now receive a DAB digital radio (97% followed by 96% in Germany and 75% in Italy) and also in how many people listen to radio through any digital platform (40% in the UK, followed by the US (30%), Germany (30%) and Spain (28%). Although it is not one of our comparator countries, we note that at the start of 2017 Norway began its radio switchover, with all national stations scheduled to switch off their analogue transmissions by mid-December 2017.

In all but one of the surveyed countries, at least half of mobile phone owners used their device to listen to music<sup>13</sup>. Mobile phone users in Italy were the biggest consumers of music via their device, with seven out of ten (70%) using their device to listen to music compared to 52% in the UK. Mobile phone users in Italy

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<sup>11</sup> Deloitte Global Mobile Consumer Survey 2017

<sup>12</sup> See <https://www.postnl.nl/en/about-postnl/press-news/news/2017/postnl-further-expands-food-delivery.html>

<sup>13</sup> Sweden 35%

were also more likely than in the comparator countries to watch music videos on their phone (41%). This compares to 24% of mobile phone users in the UK

### **Music streaming services are growing in the UK and other countries, but radio still has very high reach**

Internet users in Sweden and the US were the most likely to use music streaming services,<sup>14</sup> both via their smartphones and in general. The fact that music streaming service Spotify was first launched in Sweden, and telecoms providers offer bundled access to streaming media services as part of their data package, may explain the high use of the service in the country, and why Sweden had the highest average mobile data volumes per person across our comparator countries in 2016.

Streaming music services such as Apple Music, Tidal, Spotify and Pandora were the key drivers of growth in the music industry across the world in 2016. In the majority of markets we considered, including the UK, revenues from streaming contributed to a greater proportion of digital music revenues than downloads of tracks or albums. UK music industry revenues increased by 3% in 2016, comparable to growth rates in other European countries, but lower than in the US, where revenues grew by 7%. Streaming accounted for 62% of digital music revenue in the UK in 2016, lower than in many other countries including France (81%) and the Netherlands (91%).

Nevertheless, despite the increase in popularity of music streaming services that allow users to select their own music, radio still has very high reach in most comparator countries. In the UK, 90% of households listened to the radio at least once a week in 2016, higher than in most of our other comparator countries. The reach of radio was greatest in China (98%), Sweden (94%) and Poland (94%) and lowest in Nigeria (20%) and Japan (38%).

### **High levels of watching time-shifted TV in the UK is linked to use of on-demand services like BBC iPlayer, which are more popular than similar services in other countries**

Watching live broadcasting continues to be the main way in which people watch television in all of our comparator countries, although average live television viewing fell in most countries in 2016, as viewers watched more time-shifted and video-on-demand programmes. UK viewers watched an average of 3 hours 3 minutes of live television a day in 2016, five minutes less than in 2015. Viewers in Poland and Japan had the highest viewing figures and watched an average of 4 hours 22 minutes of live television in 2016, whereas the lowest average viewing in our comparator countries was 2 hours 20 minutes in Sweden.

Time-shifted viewing (i.e. watching broadcast programmes either from recordings or from broadcaster catch-up services) was highest in the US (30mins a day on average) and the UK (29mins) – both more than twice as high as in any of the other eight countries for which data were available. High levels of watching time-shifted programmes in the UK is in part due to widespread use of broadcaster on-demand services such as BBC iPlayer and ITV Hub – 56% of UK internet users said they used these services, well ahead of take-up of comparable services in the other countries we surveyed.

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<sup>14</sup> Smartphone streaming: Sweden 39%, US 36% compared to UK's 23%. General streaming: Sweden 43%, US 48% compared to the UK's 37%

### **Subscription video-on-demand services are most popular in the US and the UK, supported by large libraries of English-language content**

Subscription video-on-demand (SVoD) services such as Netflix and Amazon Prime are also widely used in many countries. In the UK, 36% of internet users said they watched TV or films on SVoD, lower than in the US (46%), but higher than all other comparator countries; in addition, 31% of UK consumers said that they watched TV or films using video-on-demand services through a pay-TV provider, the joint-highest proportion among the countries we surveyed, with Spain (29%). Netflix and Amazon are the largest global SVoD providers, and their libraries are dominated by English-language content: US productions made up 81% of all the hours on Amazon among our comparator countries, and 66% on Netflix. UK productions came second on both platforms, making up almost a fifth of productions on Netflix and just over a tenth on Amazon.

### **Pay TV has been growing in most countries, including the UK, although a decline in subscribers in the US indicates a potential threat from video-on-demand services**

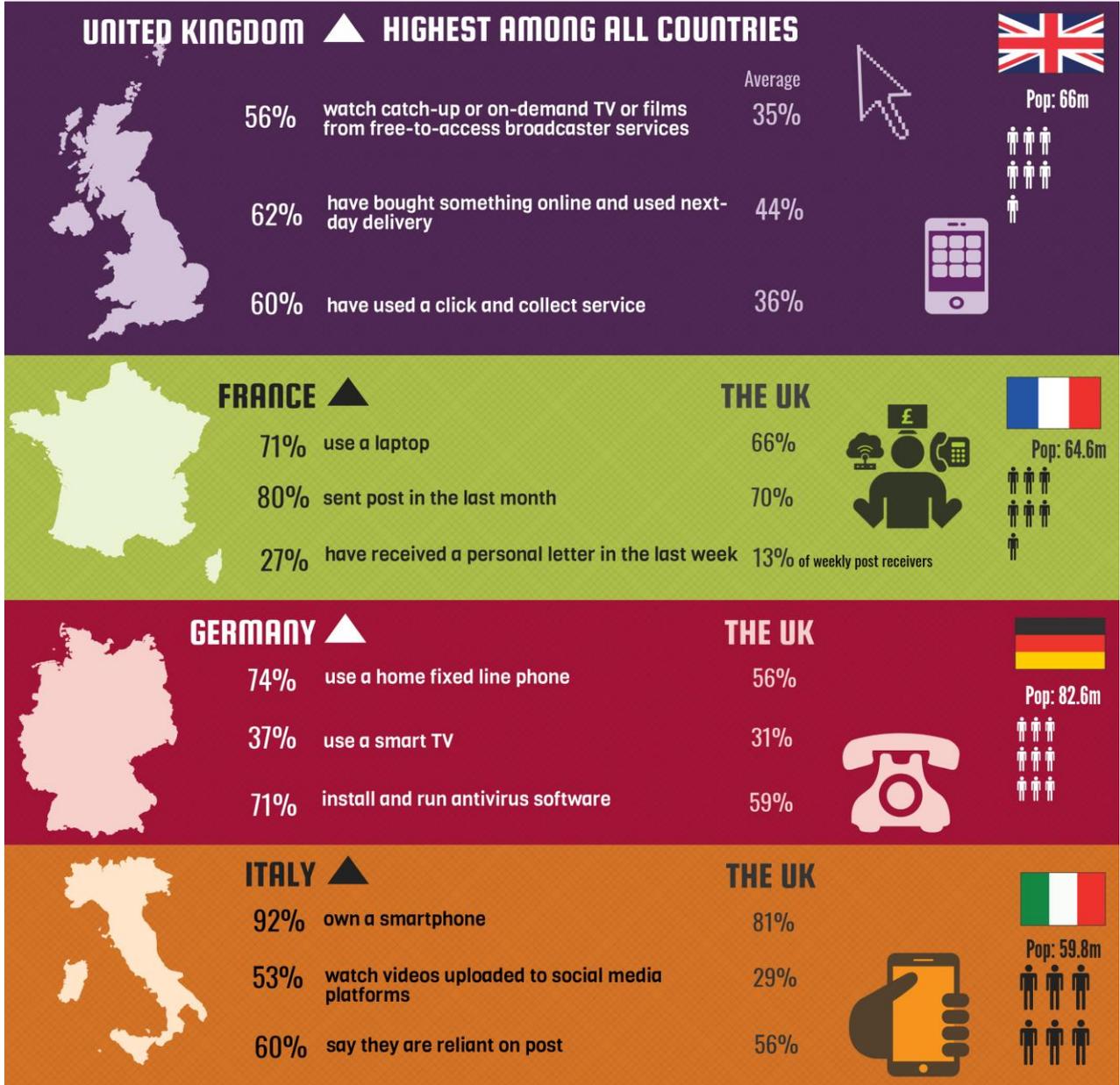
Pay-TV subscription revenues continue to drive the majority of global television revenues, contributing £154bn towards global TV revenues of £304bn. In 2016 the US was by far the largest TV market (£132bn); generating per-capita revenues of £406 in 2016. Germany (£254) was the only other of our comparator countries which had higher per-capita revenues than the UK (£207). In both the UK and Germany, TV revenues are boosted by licence fees, which accounted for £111 per head in Germany and £58 per head in the UK.

The UK has lower take-up of pay-TV (58%) than most comparator countries – the highest take-up among our comparator countries was in the Netherlands (98%) and South Korea (96%). Take-up of pay-TV increased between 2011 and 2016 in most comparator countries, including the UK (up 3pp). A notable exception was the US, where pay-TV take-up fell from 87% in 2011 to 81% in 2016. As the US is the country with the highest take-up of SVoD, this may be the result of ‘cord cutting’ as some consumers subscribe to Netflix and Amazon in preference to pay TV.

BENCHMARKING THE UK WITH SEVEN COUNTRIES ON MEDIA AND COMMUNICATIONS ICMR 2017



OFCOM CONSUMER RESEARCH (ONLINE INTERVIEWS CONDUCTED BY POPULUS: OCTOBER 2017)



**UNITED STATES ▲**

- 57% have purchased a product online using their mobile
- 24% listen weekly to audiobooks
- 16% have lost money as a result of online fraud

**THE UK**

- 51%
- 15%
- 10%





Pop: 324.4m



**AUSTRALIA ▲**

- 16% cite social media as their main news source
- 46% use a subscription VoD service because it is cheaper than a pay-TV subscription
- 44% avoid using public wifi as a security measure

**THE UK**

- 9% of news consumers
- 24% of VOD subscribers
- 38%





Pop: 24m



**SPAIN ▲**

- 71% are concerned about ads slowing down their computer or mobile
- 57% listen weekly to speech based radio
- 46% have a smart TV in their household

**THE UK**

- 59%
- 34%
- 39%





Pop: 46m



**SWEDEN ▲**

- 75% Check their bank balance on mobile
- 68% have received a bill in the post in the last week
- 86% looked at news online in the last week

**THE UK**

- 52%
- 51%
- 74%





Pop 9.8m

