



Communications Market Report 2013

Research Document

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Contents

Introduction	1
Key Points	4
1 The market in context	15
2 Television and audio-visual	125
3 Radio and audio	211
4 Internet and web-based content	257
5 Telecoms and networks	309
6 Post	383
7 Glossary and Table of Figures	413

Introduction

This is Ofcom's tenth annual *Communications Market Report*. The report contains statistics and analysis of the UK communications sector and is a reference for industry, stakeholders, and consumers. The report also provides context to the work that Ofcom undertakes in furthering the interests of consumers and citizens in the markets we regulate.

The report contains data and analysis on broadcast television and radio, fixed and mobile telephony, internet take-up and consumption, and post.

In 2004 when we began publishing the Communications Market Report the proportion of households with broadband was just 16%. This has now grown to 75%. More recent developments relate to the ways that people are connecting. Half of people now use their mobile phone to access the internet, due in part to the increasing availability of 3G services and take-up of smartphones, now at 51%. The last twelve months has also seen the introduction of 4G mobile services and increasing proportions of the UK population are able to access next-generation broadband. Three-quarters (73%) of households in the UK are in postcodes served by cable and fibre broadband networks and there are now 3.8 million subscriptions to 'superfast' broadband services - twice as many superfast connections as there were in June 2012.

Tablet computers are the newest device affecting internet habits. Ownership reached 24% of UK households this year, doubling in the last twelve months and nearly a third (32%) of owners say this is now their most important device for accessing the internet.

These are just some of the findings contained within this year's report. The first section of the report looks at a number of topics including the communication services and devices people are using while watching TV in 'media multi-tasking' (page 33) and the impact that tablet computers are having on our use of other services and devices in 'the rising use of tablet computers' (page 51).

The remainder of the report covers television and audio-visual content (page 125), radio and audio content (page 211), internet and web-based content (page 257), telecoms and networks (page 309), and post (page 383). In each we set out in detail an analysis of industry and consumer data.

To make this report and its resources more useful to stakeholders, we are publishing all of the data and charts in a searchable resource. This can be found at www.ofcom.org.uk/cmruk. Companion reports for each of the UK's nations are once again published alongside this report; these can be found at www.ofcom.org.uk/cm13.

We publish this report to support Ofcom's regulatory goal to research markets constantly and to remain at the forefront of technological understanding; it also fulfils the requirements on Ofcom under Section 358 of the Communications Act 2003 to publish an annual factual and statistical report. It also addresses the requirement to undertake and make public our consumer research (as set out in Sections 14 and 15 of the same Act).

The information set out in this report does not represent any proposal or conclusion by Ofcom in respect of the current or future definition of markets. Nor does it represent any proposal or conclusion about the assessment of significant market power for the purpose of the Communications Act 2003, the Competition Act 1998 or any other relevant legislation.

Key points: the market in context

Key market trends

- **Total UK revenues from telecoms, TV, radio, and post fell for the fourth successive year in 2012.** These services generated £59.5bn in revenues during the year, a £0.1bn (0.2%) fall compared to 2011 as a £0.7bn fall in telecoms revenues was offset by increasing TV, radio and post revenues.
- **Meanwhile, average monthly household spend on communication services fell in real terms from £122.42 in 2007 to £113.51 in 2012.** This represents a fall of £8.91, or £106.92 per year. The largest decrease in spending over the five year period was on fixed line services.
- **Take-up of smartphones has continued to increase rapidly over the past year,** with half of all adults now claiming to own one (51%) – equivalent to 56% of mobile users. The proportion of consumers with one of these devices has doubled over the past two years. Household take-up of tablet computers (such as the iPad or Google Nexus) has undergone an even sharper rise, more than doubling over the past year, rising from 11% in Q1 2012, to 24% in Q1 2013.
- **While the proportion of households with access to the internet remains at 80% the ways people are connecting continues to change.** Half of respondents (49%) said they personally use their mobile phone to access the internet (up from 36% in Q1 2012), driven by growth in the smartphone market, while just 5% of households have access to broadband services via a mobile dongle (down from 13% the previous year). Nearly all (98%) tablet owners say they use their tablet to connect to the internet.
- **One in five adults say they would miss their mobile most if it were taken away.** A fifth (20%) of UK adults now say they would miss their mobile the most – double the proportion giving this answer in 2005. Similarly, those citing going online via a computer (PC/ laptop/ netbook or tablet) has also doubled, from 8% in 2005 to 16% of UK adults in 2012.

Activities conducted while watching TV – Media multi-tasking

- **Just over half (53%) of all UK adults are regular media multi-taskers i.e. they 'stack' or 'mesh' while watching TV weekly or more often.** One-quarter (25%) of all UK adults regularly engage in media-meshing (interacting or communicating about the TV content they are viewing) and around half (49%) are regularly media-stacking (conducting unrelated media tasks while watching TV). Twenty percent of UK adults claim to do both at least weekly.
- **Tablet owners significantly more likely than average to multi-task with other media while watching TV (81%).** Eighty-one per cent of tablet owners multi-task while watching the TV, this compares to 74% among smartphone owners. Tablet owners are 'meshing' significantly more than the UK population specifically looking online for programme and advertising information. Tablets also lend themselves to 'stacking' and play a significant role in these activities; particularly for email, internet browsing, general social networking, watching AV content and online shopping.

Media meshing

- **UK adults enjoy getting involved with the programmes they watch on a weekly basis, a quarter either communicating about or interacting with the programme directly.** Texting/messaging and making/receiving phone calls about programmes are the most common activities (17% and 16% respectively). In total, just under one-in-four (23%) UK adults have made direct communication with family and/or friends via texts or phone calls about a television programme they are watching.
- **Just over one in ten adults have ever looked online for information about a programme (12%) and have ‘talked about’ a programme using social networks (11%).** Participating directly with programmes is a less common activity with one-in-twelve (8%) UK adults claiming to have ever done this either direct (6%) or via a programme app (3%).
- **People who do ‘any’ media meshing are significantly more likely to be female, younger and from the ABC1 social group.** There are also more likely to be children in the household. Communicating with friends and family via text/instant message and using social networks to discuss programmes are particularly common activities among 16-34 year olds.
- **Media meshing is a frequent activity: just under half (47%) of ‘meshers’ claim to do so daily.** One-quarter (25%) claim to do so several times a day. An additional 25% are media meshing weekly.

Media stacking

- **Media stacking is not only more common than media meshing, but also more frequent.** Half (49%) of UK adults claim to conduct other activities while they are watching television on a weekly basis (compared to 25% who ‘media mesh’ on a weekly basis).
- **Internet browsing is the most common activity with over one-third of UK adults (36%) saying they have done this while watching television.** Communicating with others either via making/receiving phone calls (29%), sending/reading emails (24%), texting (23%) and social networking/tweeting (22%) are also common activities. Six per cent claim to watch content on a different device (6%) which ties into other data seen elsewhere in this report that shows that people in the same room are often engaged in different activities on different devices at the same time.
- **Men and women engage in media stacking to an equal degree.** People who do ‘any’ media stacking while watching television are significantly more likely to be younger and from the ABC1 social group. There are also more likely to be children in the household.

The rising use of tablet computers

- **Tablet computer ownership more than doubled in the past year, and half of owners say they now couldn’t live without their tablet.** Tablet ownership rose to 24% in Q1 2013. ‘Entertainment’ (50%) was the main reason for purchase, followed by its ability to provide ‘easy access to the internet’, stated by 45% of tablet owners.
- **One in ten households has more than one tablet, and weekly users spend an average of 1 hour and 45 minutes each day on their device.** Two-thirds of tablet owners use their device on a daily basis, with two in five using it multiple times during

the day. In total just under half (46%) of tablet owners claim to have a 3G-enabled device, but less than half of these (20% of tablet owners) have a mobile subscription enabling 3G connectivity.

- **Tablets are viewed as the main method of connecting to the internet by a third of owners.** Among tablet-owning households, this device is now on a par with the laptop as the most important device for connecting to the internet. This is consistent with the rising proportion of web-page views generated from tablets (doubling to 8% in the past 12 months) and the declining proportion generated from PCs and laptops (down by 20pp).
- **'Bigger screen' activities such as watching TV programmes or films are evolving as tablet oriented.** Sixty-nine per cent of those who view this type of AV content and have both a tablet and smartphone say they do this more on their tablet. There is also a rising preference for tablets for internet browsing (45%, up from 39%), and watching short video clips (48%, up from 31%) among those who do these types of activities and have both devices.
- **The share of VOD requests coming from tablets increased from 3% to 12% between 2011 and 2012.** Just over half (56%) of tablet owners use their device for watching AV content; the most common are streamed TV programmes and films. More than half (57%) of tablet AV content viewers say they watch linear TV on a weekly basis and a similar proportion (54%) say they watch catch-up TV weekly on their tablet.
- **Bedrooms, and main TV rooms, are popular locations to view AV content on a tablet.** The most common location for viewing AV content on either a tablet or a smartphone at home is in the bedroom; six in ten tablet owners claim to view content in this location. This is followed by the main TV room (48%). On average, over one in ten (11%) view video content on a tablet in the bathroom, and this is twice as popular among 18-24 year olds (20%).
- **Three in ten tablet AV content viewers share their tablet with their children for TV-type viewing.** The large majority (91%) of parents with tablets said their children either use their tablet, or have a tablet of their own to use, for activities other than just watching AV content. Four in five parents said their children used a tablet computer at least weekly, with two in five reporting daily use by their children and 17% saying their children use it more than once a day. A majority (76%) of these parents consider the tablet a useful tool for entertaining and/or educating their children.

Web and text-based communications

- **One in five 16-24s agree that it is OK to start a relationship using text-based services.** Twenty one per cent of 16-24 year olds agree that it is acceptable to start a relationship through private text-based communication methods (text messages, emails or private messages on social networking sites) and 11% agree that it is acceptable through public communication methods (e.g. posting publicly on social networking sites). Similarly, 30% of 16-24s agree that it is OK to have an argument using private communication methods and 7% agree that it is acceptable to use public communication methods for this. Older respondents were much less likely to consider it acceptable to share this type of information via text-based methods.
- **Web-based text forms are the most popular method of weekly communication among 16-24 year olds (84%) – higher than SMS (80%).** The most popular forms of weekly web-based communication among this age group are social networking

(66%) and instant messaging (48%), individually each of these are used less than SMS on a weekly basis. Around a third (35%) use micro-blogging sites on a weekly basis.

- **SMS, email, voice calls on a mobile and social networking have all seen significant decline over the past year as methods of weekly personal communication.** Use of standard text messages and social networking sites each declined by seven percentage points. Similarly, use of email is down by six percentage points on the year. But use of instant messaging has remained stable, with a quarter (26%) of UK adults using this for personal communications on a weekly basis.
- **Instant messaging is having an impact on use of standard text and picture messaging.** Over half (54%) of instant messaging users said these services had reduced the proportion of SMS and MMS they sent. This is consistent with a reduction in standard text message volumes - over the past year the proportion of SMS sent fell from 39.7 billion to 37.1 billion.
- **Price and speed are driving use of web-based communication services.** Among respondents who use web-based communication services (e.g. instant messaging, internet-enabled voice or video calls through services such as Skype), the most commonly cited reason, given by 44% of users, was to communicate more cheaply. This was followed closely by the ability to communicate more quickly/immediately (42%) and to communicate with people not in the UK (39%).
- **16-24s are more likely to use their mobile phone than a computer for Facebook, Twitter and instant messaging.** Respondents were asked which devices they used for their various web-based communications. Younger users are more likely to use a mobile phone than a computer for almost all the digital communication methods asked about. This included social networking (61% vs. 49% respectively); micro blogging (27% vs. 16%) and instant messaging (51% vs. 36%).

TV and internet use among ethnic minority groups

- **Across the ethnic groups studied, Indian respondents report the highest take-up of broadband, at 82%, compared to the GB average of 71%.** This group has higher-than-average broadband ownership, across the age groups studied. The difference was particularly pronounced among those aged 35+; 77% of Indian respondents in this age group report having broadband at home, compared to 66% across Great Britain as a whole.
- **One in ten 16-34 year olds in the Indian group say they don't watch TV.** A larger proportion of the Indian group said that they did not watch television in the household (7%) compared to the GB population as a whole (1%). Among 16-34 year olds these differences were even greater, with 10% of Indian respondents in this age group not watching television.
- **Most EMGs are less likely than the GB population as a whole to watch recorded television.** Fifty-five per cent of the GB population use recorded TV (TV programmes/ films recorded to view at a later time) while less than half of the EMG groups used this service.
- **Use of on-demand services among EMGs is about the same as the GB average.** Around a third (34%) of each group have used on-demand services (where a

consumer chooses from a selection of programmes/films to watch at any time) such as BBC iPlayer, 4OD, Sky On Demand, LoveFilm or Blinkbox.

UK cities' communication markets

A study of the availability of communications services in 11 UK cities (Belfast, Derry~Londonderry, Cardiff, Bangor, Glasgow, Inverness, London, Birmingham, Manchester, Cambridge, Exeter).

- **All these cities were found to have excellent access to basic broadband services.** The availability of first-generation broadband infrastructure provided by BT was found to be universal across all the cities assessed. However, in the cities covered, an average of 5.5% premises cannot connect to a service that exceeds 2Mbit/s with the highest proportion in Derry~Londonderry, Cardiff, and Inverness. London has by far the highest in terms of absolute numbers (nearly 111,000 premises).
- **In the majority of the 11 cities, current availability of NGA services from either BT and/or Virgin Media was found to be in excess of 80%.** The exceptions to this are Glasgow and Inverness, although planned increases in availability in Glasgow will take the city above the 80% mark in the near future. Inverness will also benefit from the Highlands and Islands Enterprise (HIE) £146 million investment in broadband. Derry~Londonderry's exceptionally high figure reflects the marked effect of the public-sector intervention that has driven availability to 99%, the highest of any city.
- **The availability of WiFi hotspots varies considerably across cities, and is often greater in smaller cities.** Bangor and Inverness are particularly well served in terms of hotspots per head, despite having a smaller number in absolute terms. The high figure for Bangor may be due to its large student population.
- **All cities have good 3G mobile coverage, and most are covered by all four operators.** In all cities except Bangor and Derry-Londonderry, all four competing 3G mobile networks provide coverage to the vast majority of premises (98% or more). Only one city, Derry-Londonderry, has premises which are not covered by any mobile operators, although this affects only 2% of premises.
- **In a separate study of communications service take-up in some of the largest cities across the UK, Glasgow and Birmingham were found to have below average internet take-up.** Glasgow has a significantly lower percentage of individuals accessing the internet (57%), by any means, than all other cities and Great Britain as a whole. Attitudinal rather than demographic differences may partly explain the lower take-up of broadband in Glasgow. People in Birmingham also have significantly lower internet access than the other cities (76%).

News consumption in the UK

- **TV remains the most important and frequently-used mode of news consumption, and one in five people say their only source of news is television.** Nearly eight in ten (78%) UK adults say they use the television to access news. Newspapers are used by four in ten; radio by just over one-third (35%); and the internet, either on a computer or mobile, by just under one-third (32%). Overall, 90% of UK adults say they follow news.

- **Across all platforms, BBC One is the most-used news source.** After the BBC, Facebook and Google are the most-used online news sources. The majority of daily newspaper and radio news users use only one source for news on these platforms.
- **Reading news articles online is the most popular method of online news consumption, but social networking and search are popular for a significant minority.** The majority of those who use the internet for news say they read news stories online (54%), but just over a quarter say they read news-related comments on blogs or social networks, and one in five say they watch audio-visual content online.
- **There are considerable differences in behaviour by age group,** with online activities and newer forms of news access being carried out particularly by younger age-groups. There are also differences by socio-economic group, which is an important reminder of the variation in consumption of news across different parts of society.
- **TV channels are seen as the most important news source, but one in seven people nominate a website or app as their most important news source.** When asked about the reliability, trustworthiness, accuracy and range of the different news sources they used, most TV news viewers rate their sources highly. Ratings are more varied for newspaper readers, and broadsheet readers rate newspapers particularly highly as being trustworthy. Online users rate websites in more differentiated ways than other platforms. Twitter is rated most highly by its users for offering a range of opinions.
- **TV channels are the most popular source of local news, although one in three respondents say they browse online for local news and information.** One in six (17%) regular news users say online is their most important local source, and similar numbers nominate any newspapers (16%) and any radio (14%).

Key points: TV and audio-visual

- **The UK television industry generated £12.3bn in revenue during 2012, an increase of £103m (or 0.8%) on 2011 in nominal terms.** The marginal growth in total TV revenue in 2012 is in contrast to a 4.5% increase in 2011 and the 5.7% uplift between 2009 and 2010.
- **Income from broadcast-based TV advertising declined in 2012 by 2% to just over £3.5bn,** although it remained above 2009 levels when TV advertising was hit hard by the recession. The year-on-year decline was driven by a drop in advertising revenues among the commercial PSB broadcasters (down 4.5% or £105m), while ad revenues among multichannels and PSB portfolio channels grew by 1% and 4% respectively.
- **Pay-TV subscription revenue, the main driver behind the industry's revenue growth in previous years, rose by less than 1% to £5.3bn.** This is in contrast to 2011, when subscription revenue expanded by over 8% year on year. Nevertheless, it remains by far the largest revenue stream for the industry, accounting for 43% of total revenue in 2012.
- **Spending on first-run originations by the main five PSB channels increased by 3% in nominal terms to £2.6bn in 2012.** However, 2012 was a big year for sport, with the UK hosting the London Olympic and Paralympic Games; spend on first-run originated content is likely to have been influenced by these events.
- **Commercial multichannel broadcasters in the eight mainstream genres spent £2.7bn on programmes in 2012, a 3% increase year on year in nominal terms.** Spend by multichannels focused on factual programming rose by 28% to £90m, the largest relative increase year on year among the eight genres. At £1.5bn, sports programming accounted for more than half (56%) of the total multichannel spend.
- **On average viewers watched 4 hours of television per day in 2012; this has increased from 3 hours 42 minutes in 2004.** All age groups have increased or maintained their television consumption compared to 2004 except for adults aged 25-34, whose viewing fell by 12 minutes a day.
- **Younger adults watch television the least, with those aged 16-24 being the lightest viewers, while those aged 65+ are the heaviest viewers.** At the highest point of average weekday viewing there were 1.9 million 16-24s watching TV in 2012, about 30% of all 16-24s. In contrast there were 6.7 million aged 65+, 66% of this age group.
- **Seven percent of UK households had a smart TV in Q1 2013, a two percentage point increase on the previous year.** Of those who own a smart TV, 77% have connected it to the internet and used the connection, indicating that while 'internet functionality' is not cited as the main reason for buying a smart TV, consumers are increasingly likely to take advantage of this.
- **Despite the increased penetration of digital video recorders (DVRs) over the past five years, the proportion of time-shifted viewing remains low.** According to BARB, over two-thirds (67%) of the population now have a DVR at home, up from 18% in 2007. Time-shifted viewing increased from 2% to 10% over the period, with year-on-year signs that the growth rate is slowing.

Key points: radio and audio

- **Total UK radio industry revenue was £1.2 billion.** An increase over the year of 2.8%, this is up on last year's 2.3% increase, and sees total commercial radio revenue and BBC radio spending grow for the third year in succession.
- **Commercial radio revenue increased to £472 million for 2012.** This year's revenue increase of 3.9% represents the third consecutive year of revenue growth for the sector, helped by a return to growth (7.2%) in local radio advertising revenues.
- **The pattern of radio listening varies across the UK.** While UK-wide listening figures show one aspect of consumption, the pattern is not uniform geographically; listeners vary in their preferences for different types of radio station. While BBC Radio 2 is the most popular radio service in the UK, in Belfast BBC network radio has a lower share of listening than the UK average. In London, despite commercial radio having a larger share of all radio listening, BBC Radio 4 is the most popular radio service.
- **On average, 90.3% of the UK adult population tuned in to radio each week in the twelve months to Q1 2013.** This represents a small increase year on year. Over the longer term, the reach of radio overall remains flat, although total hours spent listening to radio has contracted by 2.8% year on year.
- **Those aged over 45 are above-average listeners.** The pattern of all radio listening by age, gender and socio-economic group remains unchanged over the year. The average time spent listening to radio over an average week is 22 hours. Above-average consumers are likely to be aged 45 or older, men and those in the socio-economic category C2DE.
- **Radio listening via a mobile phone has risen from 13% to 20% in 12 months - an increase of 50%.** Over the same period the proportion of consumers who claim to listen to the radio via the internet increased by 7 percentage points to 22% following a relatively stable period between 2009 and 2012.
- **Digital listening grew by 5.1pp last year.** The share of digital listening equates to 34.3% of all radio listening. This includes a 22.5% share of listening which was attributed to listening through a DAB receiver. Television and online radio listening each accounted for a 5% share.
- **The average income for a community radio station fell by 5.4% to £57,000.** The proportion of revenue from grants now equates to that from on-air advertising – 29%. Total revenue for the sector in 2012 was £10.8m, an increase on last year's £10.5m due to the increase in the number of community radio stations on air.
- **Recorded music revenues have fallen by nearly a quarter since 2008.** Standing at £1.01bn, UK music retail revenue fell by 5.5% over the past year. The rate of decline for music videos was most pronounced, but a 7.1% decline in album sales, which account for the largest proportion of revenue, was the principal factor for the overall year-on-year loss.
- **BBC Radio 4 Extra and BBC 6 Music tie for digital-only popularity.** Both services have seen year on year increases in weekly reach, Radio 4 Extra by 22%. Over an average seven day period across the year each service attracts 1.7 million listeners.

Key points: internet and web-based content

- **Forty-nine per cent of UK adults accessed the internet on their mobile phone in Q1 2013, up from 20% in Q1 2009.** The largest rise in mobile internet take-up was among those aged 25-34, up 40 percentage points to 74%, but the fastest growth was among those aged 55-64, increasing more than five-fold in four years.
- **Fifty-one per cent of UK adults now own a smartphone.** Smartphone sales made up three-quarters (74%) of all handset sales in Q1 2013, and overall take-up rose to 51% in the same period. However, among mobile internet users take-up is even higher, with 96% of users owning a smartphone.
- **Digital advertising exceeded £5.4bn in 2012, up 13.3% on 2011.** £4.8bn was spent through internet-only advertising channels, up 13.0% on 2011. The remaining £623m of digital advertising expenditure was split between broadcaster video-on-demand spend (£104m) and online spend by press brands (£519m).
- **Mobile advertising grew by £323m in 2012 – more than half of all digital advertising growth.** Mobile advertising expenditure rose to £526m in 2012, growing 148% from £203m in 2011. The absolute increase of £323m accounted for more than half (53%) of the total 2012 increase in digital advertising spend.
- **The average UK household is most likely to own a laptop, smartphone and games console.** Each household in the UK has, on average, three different types of internet-enabled device, and 86% have at least one.
- **More than 30% of webpage traffic came from mobile phones and tablets in February 2013.** The proportion of webpage views from desktop and laptop computers declined by 20 percentage points to 69% in the 11 months to February 2013. In the same period the proportion of web-page views from mobile phones almost tripled and the proportion from tablets doubled, to 23% and 8% respectively.
- **Among tablet owners, the tablet is on a par with the laptop as the most important device for accessing the internet.** However, among the overall population no single device was chosen by a majority of internet users. The most popular choice was the laptop computer (46% of internet users), followed by the desktop computer (28%) and the smartphone (15%).
- **Laptop and desktop internet users spend at least 35 hours online each month.** Men spent the most time browsing online, especially those aged between 25 and 34, who spent an average 47.7 hours online per month in April 2013.
- **Eight in ten households have home internet access.** Household internet access rose to 80% in Q1 2013, just one percentage point higher than Q1 2012, the slowest growth since internet take-up stalled in 2006. In contrast mobile internet access rose ten percentage points to 49% of adults, the second fastest growth on record.
- **Average weekly internet retail sales grew 10% in the year to May 2013,** from £528m to £582m. Sales were highest in December 2012, when £847m of retail spend was online, an increase of £128m (17.9%) on the previous high, set in December 2011.

Key points: telecoms and networks

- **Total telecoms revenue fell by 1.8%, or £700m, to £38.8bn in 2012.** This decrease was as a result of a £1bn fall in wholesale revenues during the year, which was offset by 0.5% increase in retail revenues. Retail mobile revenues increased by 1.1% in 2012, while fixed internet revenues increased by 8.3% and fixed voice revenues fell by 3.4%.
- **People in the UK spent an average of over one day a month using the internet over a mobile network or a fixed internet connection PC in 2012.** Most of this use (23.9 hours out of the total of 26.1 hours per month) was use over a fixed internet connection, with the remaining 2.2 hours being access over a mobile network.
- **Outgoing call volumes from landlines and mobiles both decreased in 2012.** The volume of calls from fixed lines fell by 7.7% to 103 billion minutes in 2012, while the volume of mobile-originated calls fell by 1.0% to 122 billion minutes. Overall, total fixed and mobile call volumes fell by 4.2% to 225 billion minutes in 2012; 31 billion minutes less than the 2008 peak of 256 billion minutes.
- **Over a million new fixed broadband connections were added in 2012.** The total number of fixed broadband connections continued to grow in 2012, increasing by 5.4% year on year to 21.7 million. Ofcom research indicates that 72% of UK homes had a fixed broadband connection in Q1 2013, unchanged from a year previously.
- **More than half a million subscribers have signed up to 4G mobile services.** There were more than 500,000 subscribers to EE's 4G mobile service seven months after its launch at the end of May 2013. This represented around 0.5% of all UK mobile subscribers.
- **The cost of a basket of residential fixed voice services increased in 2012.** The price of a basket of residential fixed telephony services (based on average use in 2012) increased by 0.5% in real terms in 2012. This was the first increase after a prolonged period during which residential fixed prices had fallen.
- **Take up of superfast broadband services has doubled since June 2012.** The number of subscribers to superfast broadband services increased from 1.9 million in Q2 2012 to 3.8 million in Q1 2013, resulting in 17.5% of total fixed broadband connections being classed as by the end of March 2013.
- **The volume of outgoing text messages has been declining since Q4 2011.** Text message volumes fell in each of the first three quarters of 2012, and while there was a small increase in Q4 (which is usually strong because of the Christmas holiday), message volumes were 6.5% lower than they had been in Q4 2011.

The number of post-paid mobile subscribers exceeded the number of pre-paid subscribers at the end of 2012. There were more post-paid mobile subscribers than pre-paid subscribers at the end of 2012, the first time that this had been the case since 1999. During the year the proportion of mobile subscribers that were on post-pay tariffs increased from 49% to 53%.

Key points: post

- **Mail revenue has increased for the second year in a row.** In 2012, total mail revenues grew by 7% to £7.2bn. This rise is partly due to increases in the prices charged by Royal Mail, which took effect in April 2012
- **Addressed mail volumes fell by 5.9% in 2012.** Mail volumes continued to fall in 2012, declining by 5.9% to 15.7 billion items. This is a 27.4% decline since 2007.
- **Growth in access volumes continued to slow in 2012,** as the total number of items handled under access agreements reached 7.2 billion items. This is equivalent to 46% of total mail volumes. While access volumes have continued to grow, Royal Mail's retail bulk mail volumes have fallen.
- **Almost two-thirds of adults say they are reliant on post as a form of communication.** In addition, the majority of adults (87%) are satisfied with the postal service, increasing to 93% among those who say they are reliant on this form of communication.
- **Almost half of all adults are sending fewer personal letters compared to two years ago.** Seventy per cent of adults who send fewer items say they now use online methods more, including social networking and emails.
- **Almost two-thirds of adults with broadband have bought goods online.** The most frequently purchased items are clothing and footwear, with 59% of adults claiming to have bought this type of item in the past six months.
- **Almost a third of adults are influenced by the delivery options offered by a retailer before choosing to buy online.** The main concern has been with the cost of delivery; one in four shoppers (25%) say this has stopped them from buying online in the past. Almost six in ten online shoppers (59%) say that free delivery influences their choice of delivery method, while 38% say they choose the cheapest delivery option.
- **Two-fifths of those that send mail have sent a parcel in the last month.** Although invitations, greetings cards or postcards are the most common types of item sent in the post, with 58% of adults claiming to have sent these in the past month, 40% of adults have sent a parcel. Over a third (34%) of adults who have received post in the last week say that they have received at least one parcel.
- **Most organisations spend less than £1000 each year on post.** An organisation's spend on post is broadly proportional to the size of the organisation. Most UK organisations (96%) employ nine or fewer people, and are classified as small companies. Sixty-nine per cent spend less than £83 each month, equivalent to less than £1000 each year.
- **The greater the current spend on post by an organisation, the higher the likelihood that the volume of post sent by that business will increase.** Almost three-quarters of businesses across the UK (72%) have moved some mail to other forms of communication over the past year. Only 4% of the businesses which spend less than £1000 on post each year predict that the amount of post they send will increase, compared to a third (31%) of the businesses spending more than £5000 each year.



The Communications Market 2013

1 The market in context

Contents

1.1 Introduction and structure	17
1.2 Fast facts	19
1.3 Key market trends	21
1.4 Media multi-tasking	33
1.5 The rising use of tablet computers	51
1.6 Web and text-based communications	65
1.7 TV and internet use among ethnic minority groups	77
1.8 UK cities' communications markets	89
1.9 News consumption in the UK	105

1.1 Introduction and structure

1.1.1 Introduction

This introductory section of the Communications Market Report 2013 is divided into seven sections:

- **Key market trends** (Section 1.3, page 21)

The section summarises developments in the UK's communications sectors during 2012 and 2013. It focuses on services' availability, take-up and industry revenues, as well as covering consumers' use of devices and household spending on communications services.

- **Media multi-tasking** (Section 1.4 page 33)

This section looks at what other devices people are using while watching TV, and whether they are interacting with or communicating about the TV content on these devices (*media meshing*) or simply using other devices (*media stacking*).

- **The rising use of tablet computers** (Section 1.5, page 51)

Tablet ownership more than doubled between 2012 and 2013, and a quarter (24%) of households now own at least one of these devices. This section explores the impact these devices are having on use of other services and devices.

- **Web and text-based communications** (Section 1.6, page 65)

With the growth in take-up and use of a range of digital communications services, this research looks at UK consumers' preferences for, and use of, different ways of communicating in different circumstances. The research found that digital communication methods are now widely used alongside, and in some cases are usurping, traditional methods.

- **TV and internet use among ethnic minority groups** (Section 1.7, page 77)

The ethnic minority group (EMG) population of the UK is made up of many very different ethnic groups. This section uses consumer research to look at a sample of the largest ethnic minority groups in the UK and assesses how these groups are using TV and internet services.

- **UK cities' communications markets** (Section 1.8, page 89)

This section outlines a range of key findings for communications markets in the UK's cities, looking at availability and take-up of telecoms services.

- **News consumption in the UK** (Section 1.9, page 105)

This section examines patterns of news consumption in the UK, among different groups of the population. It also provides an overview of local news media use, to see which types of local media people are using, how important they find these sources and how satisfied they are with them.

1.2 Fast facts

Digital TV	
Proportion of UK homes with digital TV Q1 2013	97%
Minutes spent watching TV per day (person aged 4+)	241 (4 hours)
Proportion of homes with a DVR	53%
Radio	
Proportion of radio listeners with a DAB radio in their household	44%
Proportion of listener hours through a digital platform (DAB, online DTV)	34%
Minutes spent listening to radio per day (among radio listeners)	170 (2 hours, 50 minutes)
Number of local radio stations broadcasting on analogue (excluding community stations)	338
Number of community radio stations currently on air	207
Number of national radio stations (analogue and DAB)	27
Internet	
Total household internet take-up	80%
Number of fixed residential broadband connections	21.7 million (Dec 2012)
Proportion of adults with broadband (fixed and mobile)	75%
Proportion of adults with mobile broadband	5%
Superfast broadband take-up (proportion of non-corporate connections)	17.5%
Average actual broadband speed	12.0Mbit/s (Nov 2012)
Proportion of homes with a PC or Laptop	79%
Proportion of people who use their mobile to access the internet	49%
Number of mobile broadband subscriptions (dongles/PC datacard)	4.917m (Dec 2012)
Fixed and mobile telephony	
Number of residential fixed landlines	24.4 million (Dec 2012)
Number of fixed landlines in the UK, including ISDN channels	33.1 million (Dec 2012)
Proportion of adults who personally own/use a mobile phone	92%
Proportion of adults with a smartphone	51%
Proportion of adults who live in a mobile-only home	15%
Proportion of prepay mobile subscriptions	39%
Number of text messages sent per mobile subscriber per month	153 (2012)
Post	
Addressed mail volume in 2012	15.7bn items
Approximate no. items received by residential consumers per week	8.4
Approximate no. items sent by residential consumers per month	7.7

1.3 Key market trends

1.3.1 UK communications market revenue

Postal sector sees largest rise in communications industry revenues in 2012

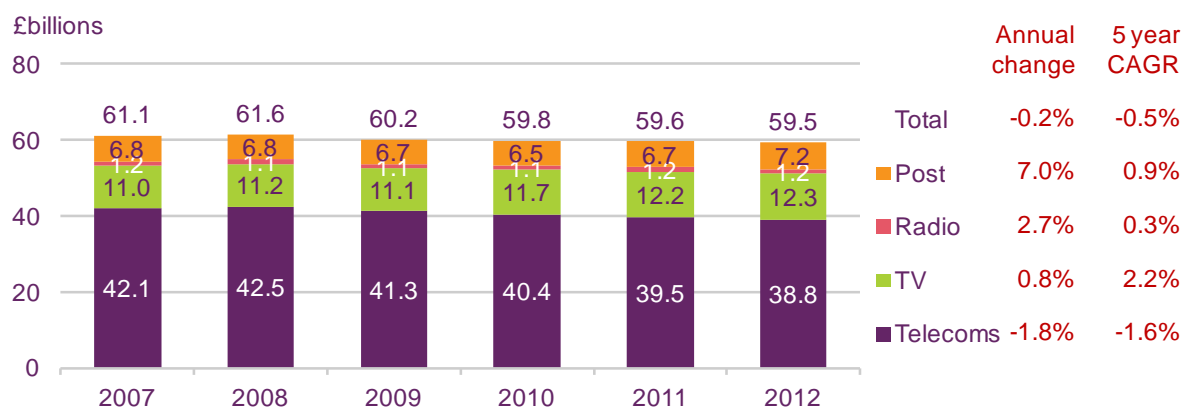
Total UK communications revenues (comprised of those generated by telecoms, TV, radio and post services) decreased for the fourth successive year in 2012, falling by £0.1bn (0.2%) to £59.5bn.

Telecoms revenues fell by £0.7bn to £38.8bn during the year, as a £0.3bn increase in retail fixed broadband revenues, a £0.2bn increase in retail mobile voice and data service revenues and a rise of less than £0.1bn in corporate data service revenues were offset by a £0.3bn fall in retail fixed call and access revenues and declining wholesale revenues.

The UK television industry generated revenue of £12.3bn in 2012, an increase of 0.8% on 2011, while total UK radio industry revenue stood at £1.2bn in 2012, up by 2.7% on the previous year.

Ofcom's new regulatory framework for the postal sector took effect in March 2012. The changes granted greater commercial freedom to Royal Mail to allow it to react to structural decline in the mail market while also imposing a number of key regulatory safeguards. In 2012, addressed mail volumes continued to decline, falling by 5.8% to 15.7 billion items. Price increases implemented by Royal Mail meant that mail revenue increased for the second year in a row, reaching £7.2bn in 2012.

Figure 1.1 Communications industry revenue – telecoms, TV, radio, post



Source: Ofcom/ operators. Note: Includes licence fee allocation for radio and TV, Figures are in nominal terms

1.3.2 Availability of communications services

NGA broadband is now available to almost three-quarters of the UK

ADSL had the highest availability of the technologies used to deliver fixed broadband in the UK, and at the end of 2012 almost all UK homes (over 99.9%) were connected to an ADSL-

enabled BT exchange.¹ Figure 1.2 shows that availability of broadband via local loop unbundling (LLU) rose to 94% of UK homes being connected to an LLU-enabled BT local exchange² in 2012, a two percentage point increase compared to a year previously.

Ofcom's estimates show that approaching half (48%) of UK homes were passed by Virgin Media's cable broadband network in June 2013. We estimate that 56% of UK homes were able to receive BT Openreach/ Kcom's fibre broadband services by June 2013, although access to this service varied significantly across the nations, being highest in Northern Ireland, where 93% of homes had access, compared to a quarter of homes (25%) in Scotland. Superfast broadband services are provided over NGA networks, which in June 2013 served almost three-quarters of postcodes in the UK (73%) – an eight percentage point rise on the previous year.

In terms of mobile phone coverage, across the UK, we estimate that 99.6% of premises had outdoor 2G mobile coverage from at least one operator in June 2013 (3G coverage was slightly lower, with 99.1% outdoor coverage from at least one operator). 3G coverage was lowest in Scotland, where 96.6% of premises had outdoor 3G coverage from at least one operator, in June 2013

With the UK's switchover to digital television completed in October 2012, 98.5% of households are able to receive the PSB channels via digital terrestrial television (DTT). The BBC DAB network provides coverage to 94.3% of UK households, while the DAB commercial network, Digital One, reached 85% of the UK population.

¹ Note: some people in these areas may not be able to receive ADSL broadband services, or may only be able to do so at very slow speeds, as a result of the long length or poor quality of the copper telephone line from their premises to the local exchange.

² Local loop unbundling (LLU) involves an alternative operator placing its own equipment in the incumbent's local exchange, and consumers living in LLU-enabled exchange areas are likely to have a greater choice of ADSL broadband services and, typically, access to lower-cost (particularly bundled) services.

Figure 1.2 Digital communications services availability

Platform	UK 2012	UK 2011	UK change	England	Scotland	Wales	N Ireland
Fixed line	100%	100%	0pp	100%	100%	100%	100%
2G mobile ¹	99.6%	99.7%	-0.1pp	99.8%	99.3%	98.8%	98.5%
3G mobile ²	99.1%	99.1%	0pp	99.5%	96.6%	97.7%	97.4%
Virgin Media cable broadband ³	48%	-	-	51%	38%	22%	28%
LLU ADSL broadband ⁴	94%	92%	+3pp	95%	87%	92%	85%
BT Openreach/ Kcom fibre b'band ⁵	56%	n/a	n/a	59%	25%	41%	93%
NGA broadband ⁶	73%	65%	+8pp	76%	52%	48%	95%
Digital satellite TV	98%	98%	0pp	-	-	-	-
Digital terrestrial TV ⁷	99%	-	-	99%	99%	98%	97%
DAB BBC Network ⁸	94.3%	92%	+2.3pp	95.5%	90.9%	85.9%	85.4%
DAB commercial network (Digital One) ⁹	85%	85%	0pp	90%	75%	60%	-

Sources: Ofcom and operators:

1. Proportion of premises that have outdoor 2G mobile coverage from at least one operator, June 2013

2. Proportion of premises that have outdoor 3G mobile coverage from at least one operator, June 2013

3. Proportion of homes in postcodes served by Virgin Media's cable broadband network, June 2013

4. Proportion of homes connected to an LLU-enabled BT local exchange area, December 2012

5. Proportion of homes in postcodes served by BT Openreach/ KCom's fibre broadband networks, June 2013

6. Proportion of homes in postcodes served by NGA networks, June 2013

7. Estimated proportion of homes that can receive the PSB channels via DTT (3PSB Mux coverage). Joint TV planning project (Arqiva, BBC, Ofcom)

8. BBC National DAB network coverage as of April 2012

<http://stakeholders.ofcom.org.uk/broadcasting/radio/coverage/dab-coverage/>

9. Digital One coverage (indoor proportional method – households), April 2012

<http://stakeholders.ofcom.org.uk/broadcasting/radio/coverage/dab-coverage/>

1.3.3 Take-up of services and devices

Tablets and smartphones continue to see rapid growth in take-up

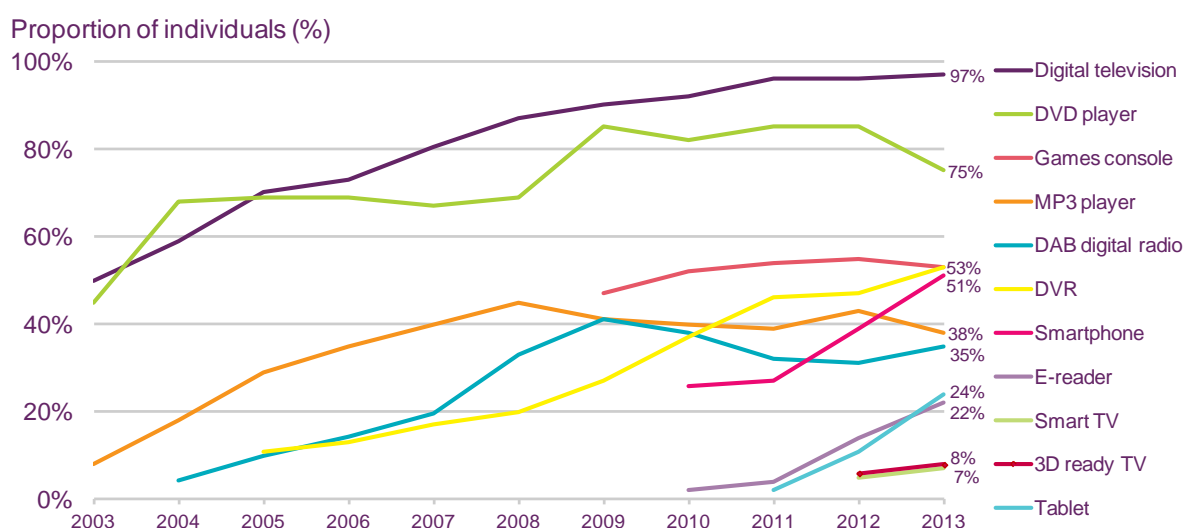
Figure 1.3 shows take-up of a range of communications and audio-visual devices over the past decade. Take-up of smartphones has continued to increase rapidly over the past year, with half of all adults now claiming to own one (51%) – equivalent to 56% of mobile users. The proportion of consumers with one of these devices has doubled over the past two years (take-up in 2011 was 27%). However, as discussed in section 4, take-up varies significantly by age; just over three-quarters of respondents (77%) aged 16-24 reported having a smartphone, compared to 11% of those aged 65-74 and 2% of those aged 75+.

Household take-up of tablet computers (such as the iPad or Google Nexus) has more than doubled over the past year, rising from 11% in Q1 2012 to 24% in Q1 2013. A majority of this growth was over the Christmas period, with take-up rising eight percentage points between Q4 2012 and Q1 2013.

Over half of all households now own a digital video recorder (DVR), while one in five (22%) have an e-reader. Smart TVs have shown a modest increase, with 7% of homes now claiming to have a TV with an integrated internet connection.

Conversely, take-up of slightly older technologies, such as DVD players and standalone MP3 players, has declined over the past year, with 75% and 38% of households having these devices respectively.

Figure 1.3 Household take-up of digital communications/ AV devices, 2003-2013



Source: Ofcom technology tracker

Base: All adults aged 16+ (2013 n=3750). Data from Q1 of each year

Note: The question wording for DVD player and DVR was changed in Q1 2009 so data are not directly comparable with previous years

Half of consumers now report accessing the internet on their mobile

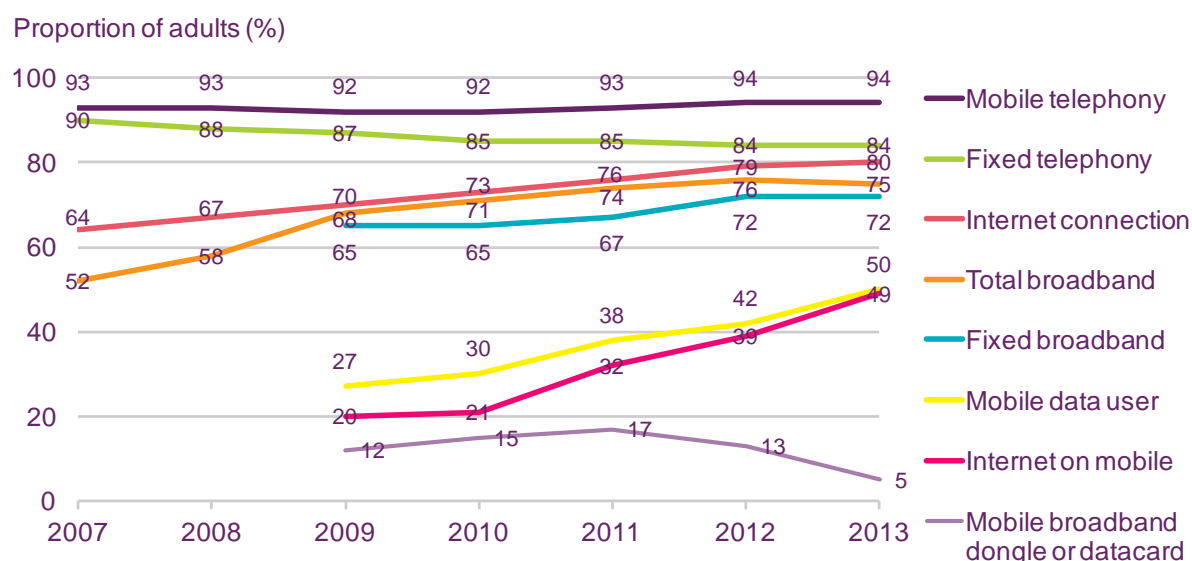
While the proportion of households with access to the internet remains at 80% (as in Q1 2012), the ways people are connecting continues to change. Half of respondents (49%) said they personally use their mobile phone to access the internet (up from 36% in Q1 2012), driven by growth in the smartphone market. Almost all UK adults who have mobile phone internet access also have access via fixed broadband. Only 4% of UK adults reported that their household's only means of internet access was a smartphone.

Conversely, take-up of mobile broadband via a dongle (or built-in connectivity in a laptop, netbook or tablet) has more than halved over the past year, with 5% of households reporting to use this service compared to 13% a year ago.

Total broadband take-up remained stable and at Q1 2013 stood at 75% of UK households. This figure includes households with fixed and/or mobile broadband connections, but excludes access via a mobile handset.

The proportion of households with fixed telephony and mobile telephony also remained stable, at 84% and 94% respectively, with 15% being 'mobile-only' homes. Personal use of a mobile phone stood at 92% in Q1 2013.

Figure 1.4 Household take-up of communications services



QE1: Does your household have a PC or laptop computer? / QE2: Do you or does anyone in your household have access to the internet/world wide web at home (via any device, e.g. PC, mobile phone etc)? / QE6: Which of these methods does your household use to connect to the internet at home? NB mobile data user is defined as consumers using either mobile broadband or internet on their mobile phone

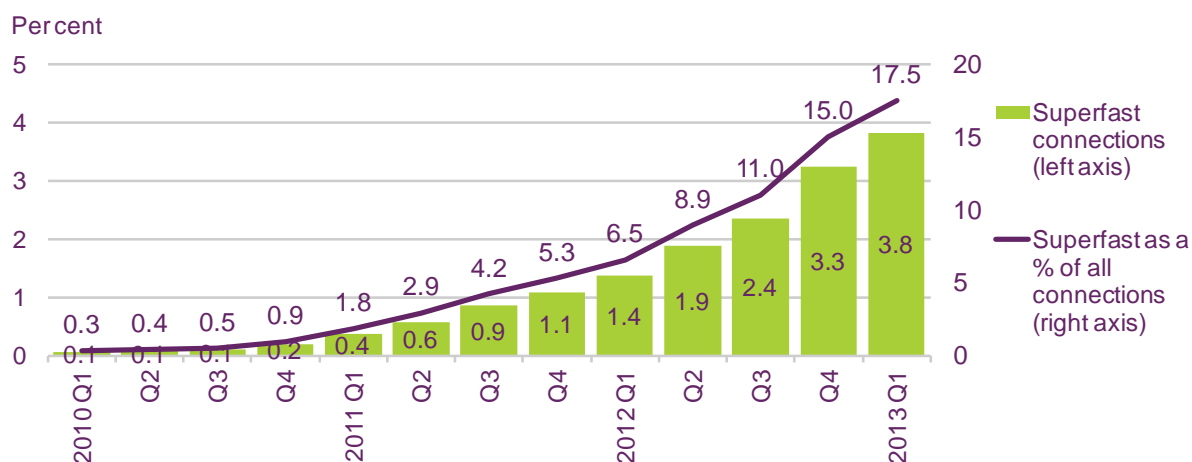
Source: Ofcom research, data as at Q1 of each year

Base: All adults aged 16+

Superfast connections almost triple over the past year

Figure 1.5 shows that at the end of March 2013 there were around 3.8 million UK residential and small to medium sized enterprise (SME) superfast broadband connections, two and a half times more than there had been a year previously (1.4 million). Over the same period the proportion of all non-corporate broadband connections that were superfast almost tripled, increasing to 17.5%, although we expect this growth to slow as Virgin Media has now completed its 'double-speeds' upgrade programme, which doubled the speeds provided by most of its cable broadband connections.

Figure 1.5 Take-up of superfast broadband services



Source: Ofcom / operator data

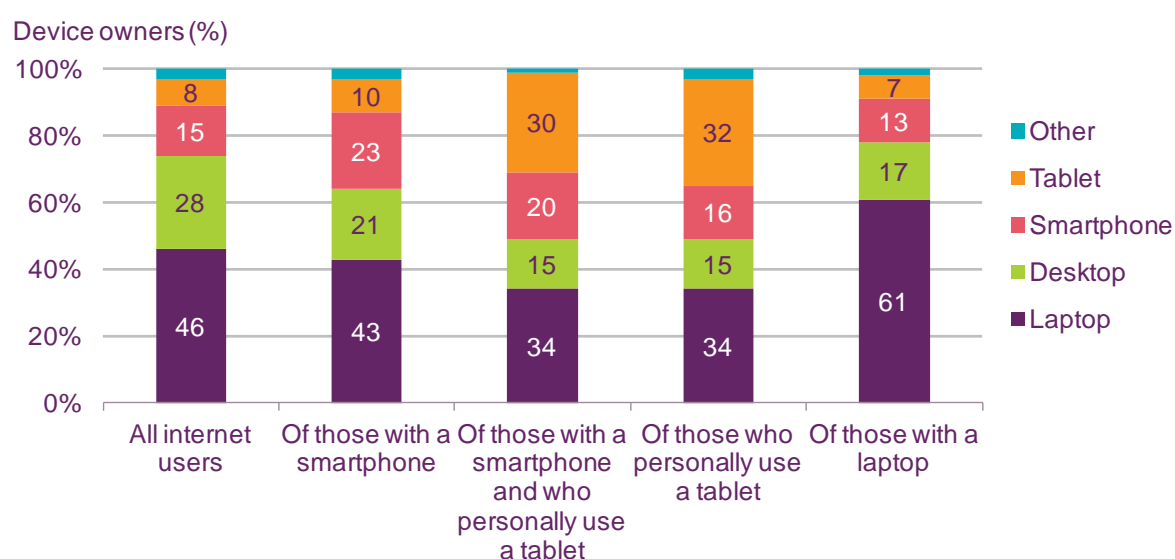
Note: Includes estimates where Ofcom does not receive data from operators

Half of all internet users say their laptop is the most important device used to connect to the web

When respondents were asked which is their most important device for connecting to the internet (at home or elsewhere), almost half (46%) of internet users chose their laptop. The laptop was the most popular response, followed by the desktop PC, cited by 28% of respondents.

However, newer devices such as smartphones and tablets are having an impact on consumers' preferences. Among smartphone users, 23% cited this as their most important device for connecting to the internet, although laptops remained the most popular response (43%). Among tablet owners, the preference for laptops drops significantly, with similar proportions citing laptops and tablets as their most important device for connecting to the internet (34% and 32% respectively).

Figure 1.6 Most important device for connecting to the internet



Source: Ofcom research, Q1 2013

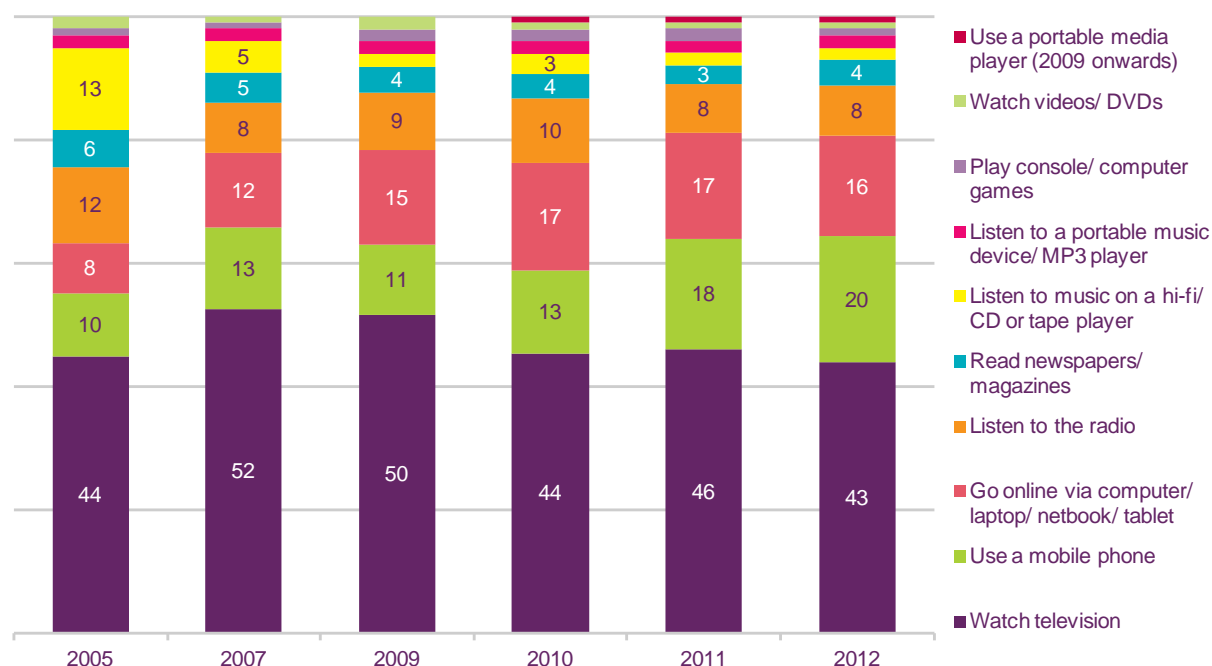
Question: Which is the most important device you use to connect to the internet, at home or elsewhere? "Other" responses include: "netbook", "games console", "other device", "none" and "don't know".

One in five adults say using their mobile phone would be the media activity they would miss the most

When respondents to Ofcom's Media Literacy Tracker were asked which medium they would miss the most if it were taken away, television continues to be the most popular response, with 43% of UK adults choosing this option in 2012. However, there have been some notable changes over time. A fifth (20%) of UK adults now say they would miss their mobile the most – double the proportion giving this answer in 2005. Similarly, those citing going online via a computer (PC/ laptop/ netbook or tablet) has also doubled, from 8% in 2005 to 16% of UK adults in 2012.

Less than one in ten adults cited listening to the radio (8%) or reading magazines or newspapers (4%).

Figure 1.7 Most-missed media activity



A2 – Which one of these would you miss doing the most? (Prompted responses, single coded)

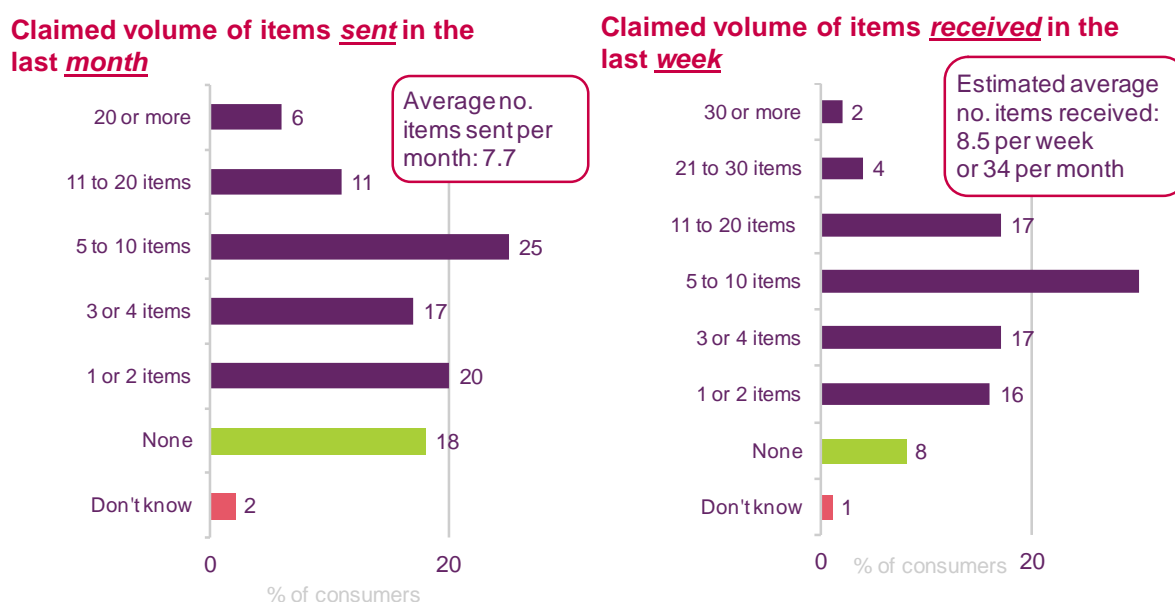
Base: All adults aged 16+ (3244 in 2005, 2905 in 2007, 1824 in 2009, 2117 in 2010, 1823 in 2011, 1805 in 2012). Significance testing shows any change between 2011 and 2012

Source: Ofcom research, fieldwork carried out by Saville Rossiter-Base in September to November 2012

A fifth of consumers claimed to send no items of mail in the past month

Ofcom's Residential Post Tracker shows that adults in the UK claim to receive an average of 8.5 items of post – including letters, cards and parcels – in an average week (Figure 1.8). This compares to an average of approximately 7.7 letters, cards or parcels sent in an average month. This difference is due to the fact that the majority of UK mail is sent by businesses to households. Nearly one in five consumers (18%) reported sending no items of mail in the past month.

Figure 1.8 Approximate number of items sent and received by post



Source: Ofcom Residential Post Tracker Q3 2012-Q1 2013. Base: All respondents (n= 3671). Question: 'Approximately how many items of post - including letters, cards and parcels - have you personally sent in the last month? This should exclude any items you send from home in connection with running a business, if you do this from home.' Question: 'Approximately how many items of post - including letters, cards and parcels - have you personally received in the last week?.'

1.3.4 Time spent on communications services

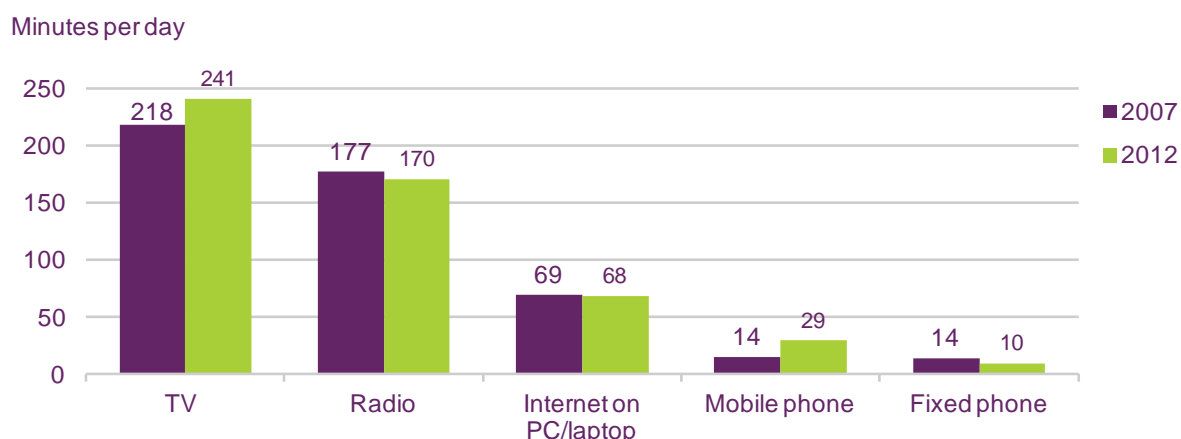
Figure 1.9 shows how much time people spend consuming different types of media in a typical day.

Time spent watching television has remained resilient at an average 241 minutes per day in 2012 for all people aged 4+; equivalent to four hours per person, although section 2.3.3 shows that this varies significantly by age. While similar to the 2012 figures, this is a 23 minute increase on the average amount of time spent watching television in 2007. Television represents the greatest amount of consumption of the communications services measured. Time spent listening to radio accounted for 170 minutes per day among adults aged 15 and over in 2012, which represents a decrease of seven minutes compared to the same period in 2007.

The amount of time spent using a PC/laptop to access the internet at home and work has remained stable since 2007, at 68 minutes per internet user per day. It is important to note this is unlikely to account for the total amount of time spent online, as consumers are increasingly using devices other than a PC or laptop to access the internet. Section 4.2 explores consumers' increasing use of devices such as smartphones and tablet PCs to access the internet.

While the amount of time spent using a mobile phone to make or receive voice calls, send messages or surf the internet more than doubled; from 14 minutes per day to 29 minutes per day between 2007 and 2012, the average time spent using a fixed phone to make or receive calls fell by 29% to 10 minutes per day over the same period.

Figure 1.9 Average time spent using communications services per day



Source: Ofcom / BARB / RAJAR / comScore MMX, home and work panel/ operator data/ Strategy Analytics

Note: Daily figures for mobile voice and data, and fixed voice, were calculated from monthly data on the assumption that there are 30.4 days in the average month; for the internet consumption figures relate to monthly averages of Jan-Dec for each year; the estimated internet consumption on a PC/laptop figures include the use of online applications such as streaming media and includes use at home and work; mobile telephony figures are Ofcom estimates based on message volume data and Ofcom Digital Day research conducted in 2010

Radio listening minutes are based on an average among radio listeners

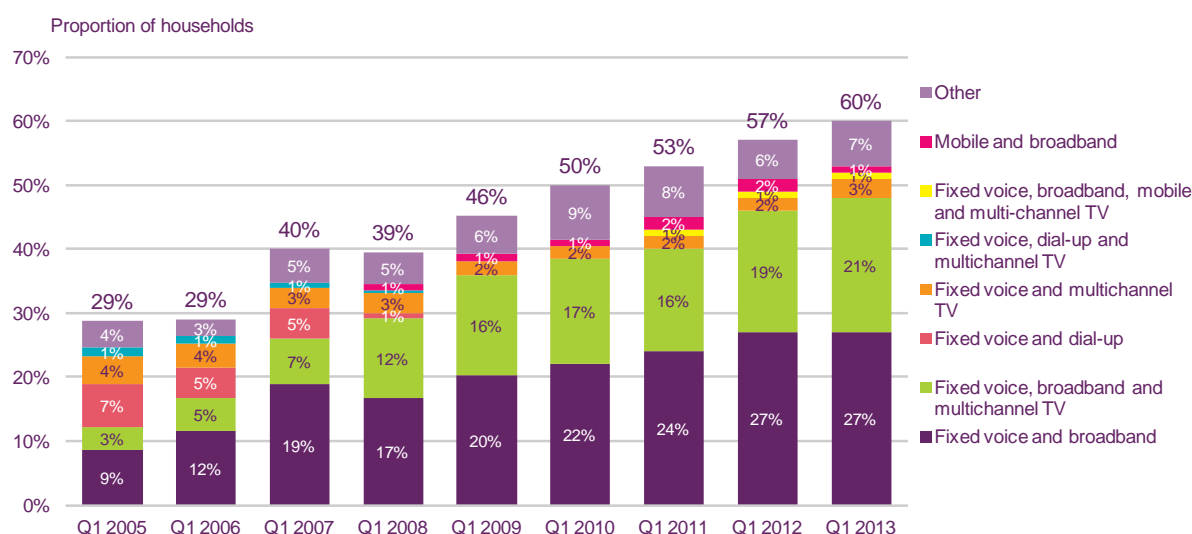
1.3.5 Purchasing of communications services in a bundle

Six in ten households now purchase communications services in a bundle

Six in ten consumers bought at least two of their communications services together in a bundle in Q1 2013, with a double-play package of landline and broadband being the most popular, taken by 27% of households. Take-up of bundles varied by socio-economic group, with 70% of those in AB households having at least one bundle, compared to 45% of those in DE households.

A fifth of homes (21%) reported having a triple-play bundle of fixed voice, broadband and multichannel TV in Q1 2013, up by two percentage points on the same period last year.

Figure 1.10 Take-up of bundled services



Source: Ofcom technology tracker

Base: All adults aged 16+ (2013 n=3750)

QG1. Do you receive more than one of these services as part of an overall deal or package from the same supplier?

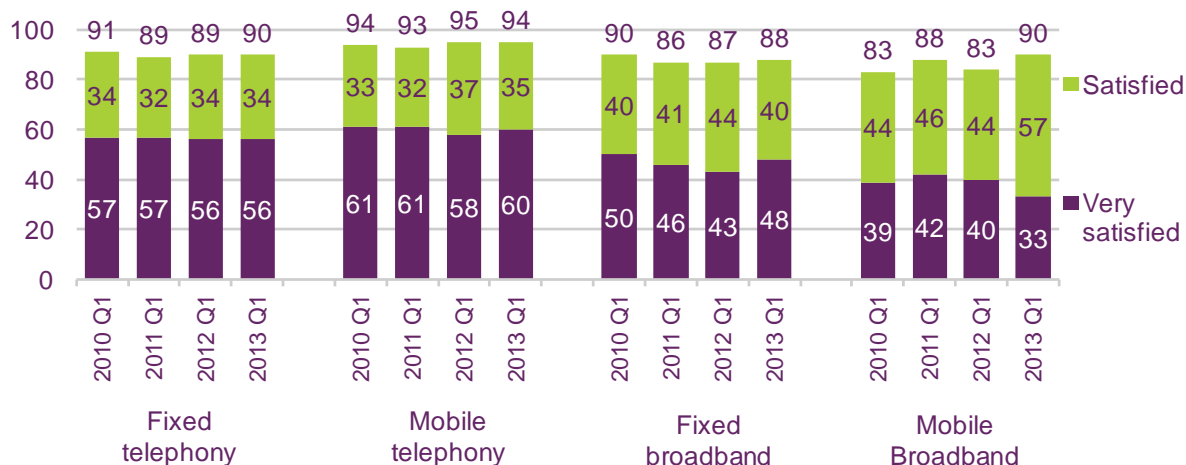
1.3.6 Satisfaction with communications services

Satisfaction levels remain high for telecoms services

For most communications services, consumer satisfaction remained the same year on year. In Q1 2013, 94% of mobile phone owners were satisfied with their mobile service – the highest results across the services measured. Nine in ten (90%) were satisfied with their fixed-line telephone service, and a similar proportion (88%) with their fixed broadband. Satisfaction levels for mobile broadband returned to 2011 levels, with nine in ten consumers saying they were ‘very’ or ‘fairly’ satisfied.

Figure 1.11 Overall satisfaction with communications services

Proportion of users of service (per cent)



Source: Ofcom technology tracker

Note: Shows the proportion of users with each service, includes only those who expressed an opinion.

1.3.7 Household spend on communications services

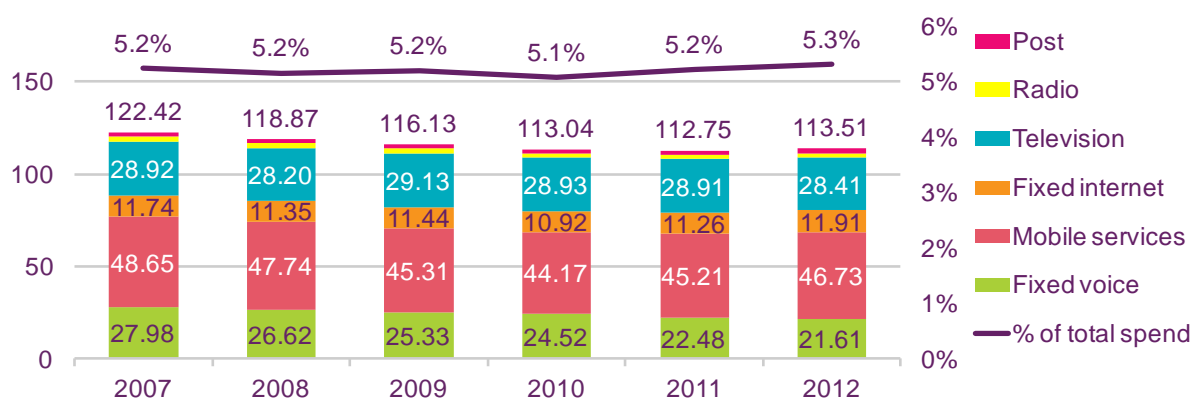
Household spend on communication services fell in real terms from £122.42 in 2007 to £113.51 in 2012, representing a monthly saving of £8.91, or £106.92 per year.

Average monthly household spend on telecoms services rose to £68.34 in 2012, a £0.65 a month rise in real terms. This is a result of increasing mobile spend (with a greater proportion of consumers having a smartphone and using mobile data) and spend on fixed broadband services rising with an increasing number of connections and households taking up superfast services.

Household spend on television fell by £0.50 since 2011, to £28.41.

Figure 1.12 Average household spend on communications services

£ per month (2012 prices)



Source: Ofcom / operators/ ONS

Notes: Adjusted for RPI. Historical telecoms figures have been re-stated, so are not comparable to figures quoted in previous reports.

1.4 Media multi-tasking

1.4.1 Introduction

With the continually expanding range of communications services and devices, consumers' focus of attention on any one particular activity or device is under pressure. People's attention is frequently divided as they switch from one activity to the next. Multi-tasking - conducting more than one activity at the same time - is becoming commonplace. This section of the report provides a look at some specific multi-tasking behaviours that we call 'media meshing' and 'media stacking'.

'Meshing' and 'stacking': definitions

For the purpose of this report, the definition of *media meshing* is conducting activities or communicating via other devices while watching television; these activities are related to the television programme being watched.

Media stacking describes doing activities on, or communicating via, other devices on issues not related to the television programme currently being watched.

Combined, they make up *media multi-tasking*.

1.4.2 Key points

- **Just over half (53%) of all UK adults are regular media multi-taskers i.e. they 'stack' or 'mesh' while watching TV weekly or more often.** One-quarter (25%) of all UK adults regularly engage in media-meshing (interacting or communicating about the TV content they are viewing) and around half (49%) are regularly media-stacking (conducting unrelated media tasks while watching TV). Twenty percent of UK adults claim to do both at least weekly.
- **Tablet owners significantly more likely than average to multi-task with other media while watching TV (81%).** Eighty-one per cent of tablet owners multi-task while watching the TV, this compares to 74% among smartphone owners. Tablet owners are 'meshing' significantly more than the UK population specifically looking online for programme and advertising information. Tablets also lend themselves to 'stacking' and play a significant role in these activities; particularly for email, internet browsing, general social networking, watching AV content and online shopping.

Media meshing

- **UK adults enjoy getting involved with the programmes they watch on a weekly basis, a quarter either communicating about or interacting with the programme directly.** Texting/messaging and making/receiving phone calls about programmes are the most common activities (17% and 16% respectively). In total, just under one-in-four (23%) UK adults have made direct communication with family and/or friends via texts or phone calls about a television programme they are watching.
- **Just over one in ten adults have ever looked online for information about a programme (12%) and have 'talked about' a programme using social networks (11%).** Participating directly with programmes is a less common activity with one-in-twelve (8%) UK adults claiming to have ever done this either direct (6%) or via a programme app (3%).

- **People who do ‘any’ media meshing are significantly more likely to be female, younger and from the ABC1 social group.** There are also more likely to be children in the household. Communicating with friends and family via text/instant message and using social networks to discuss programmes are particularly common activities among 16-34 year olds.
- **Media meshing is a frequent activity: just under half (47%) of ‘meshers’ claim to do so daily.** One-quarter (25%) claim to do so several times a day. An additional 25% are media meshing weekly.

Media stacking

- **Media stacking is not only more common than media meshing, but also more frequent.** Half (49%) of UK adults claim to conduct other activities while they are watching television on a weekly basis (compared to 25% who ‘media mesh’ on a weekly basis).
- **Internet browsing is the most common activity with over one-third of UK adults (36%) saying they have done this while watching television.** Communicating with others either via making/receiving phone calls (29%), sending/reading emails (24%), texting (23%) and social networking/tweeting (22%) are also common activities. Six per cent claim to watch content on a different device (6%) which ties into other data seen elsewhere in this report that shows that people in the same room are often engaged in different activities on different devices at the same time.
- **Men and women engage in media stacking to an equal degree.** People who do ‘any’ media stacking while watching television are significantly more likely to be younger and from the ABC1 social group. There are also more likely to be children in the household.

1.4.3 Media multi-tasking

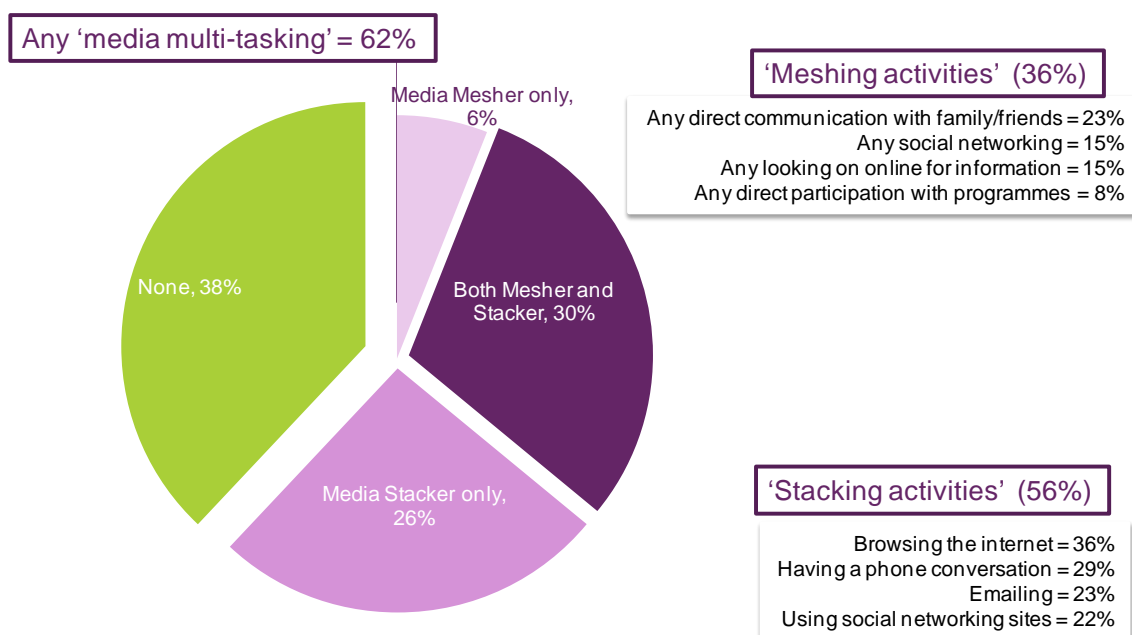
Six in ten (62%) UK adults have media multi-tasked while watching television.

Six in ten UK adults (62%) say they have media multi-tasked; i.e. used other devices while watching TV. Around a third (36%) of UK adults are interacting with, or communicating about, the programme they are watching (media meshing); the most popular activities are talking/texting/messaging friends and family about that programme.

Just over half (56%) say they are simply using other devices or conducting other activities while watching television programmes (media stacking), doing activities such as surfing the web, talking/texting/messaging, emailing and social networking.

In total, 30% of UK adults can be defined as *both* ‘stackers’ and ‘meshers’.

Figure 1.13 Media multi-taskers



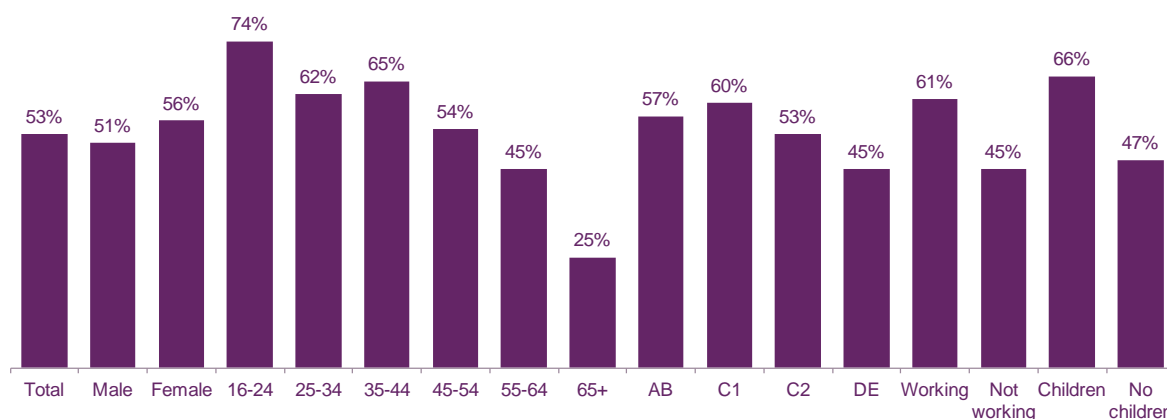
Source: Ofcom omnibus survey 2013
Base: All UK adults (n = 4185)

Just over half (53%) of all UK adults are regular media multi-taskers, stacking or meshing weekly or more often. Their demographic profile skews towards younger, female and ABC1.

Regular media multi-taskers, who do any of these activities weekly or more often (53% of all UK adults) are classified as weekly media multi-taskers. A quarter (25%) of all UK adults regularly media-mesh and around half (49%) regularly media-stack, while 20% of UK adults claim to do both at least weekly.

Weekly media multi-taskers are significantly more likely to be female, younger and ABC1. They are also more likely to be working and have children in the household.

Figure 1.14 Demographic profile of weekly media multi-taskers



Source: Ofcom omnibus survey 2013
Base: All UK adults (4185)

1.4.4 Media meshing

UK adults enjoy getting involved with television programmes, with over one third (36%) either communicating about, or engaging directly with, the programme.

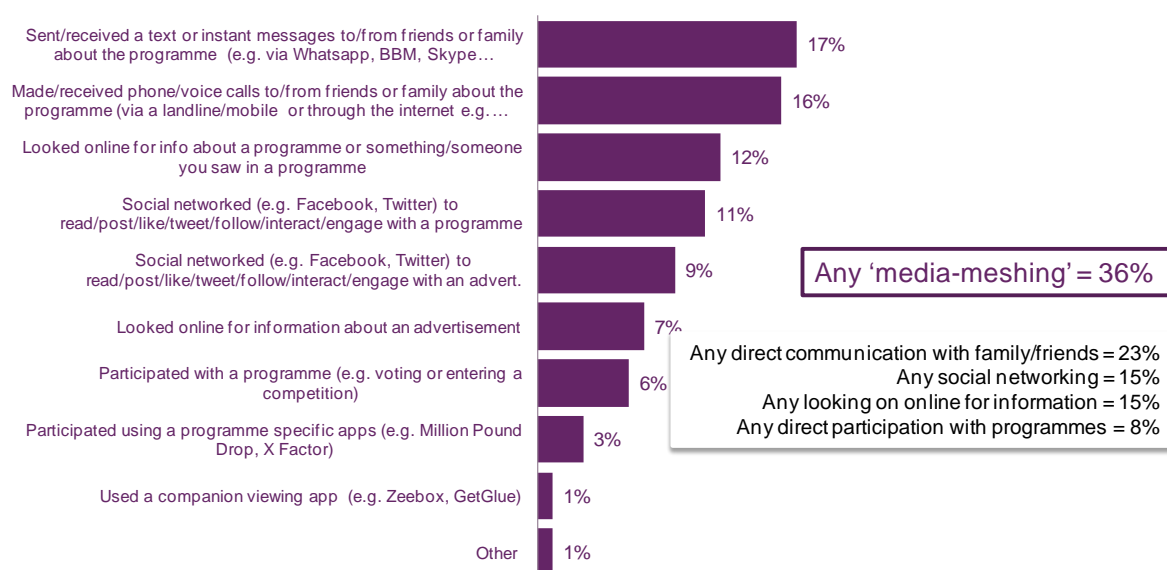
Thirty-six per cent of all UK adults claim to have ever ‘media meshed’ while watching television (engaged in activities on other devices directly related to what they are watching on television at the time). Texting/messaging and making/receiving phone calls about programmes are the most common activities (17% and 16% respectively) among people who watch TV. In total, just under one in four (23%) TV-viewing adults in the UK have made direct communication with family and/or friends via texts or phone calls about a television programme they are watching.

Looking online for information about a programme (12%) and social networking about a programme (11%) are slightly less common, with just over one in ten saying they had ever done either.

Participating directly with programmes is a less common activity; one in twelve (8%) claim to have ever done this, either direct (6%) or via a programme app (3%).

‘Companion apps’ have yet to make an impact, with only 1% of TV viewing adults in the UK claiming to have ever used these while watching television.

Figure 1.15 Media meshing activities conducted while watching TV



Source: Ofcom omnibus survey 2013

Q. Whilst watching a particular TV programme on a TV set in your home, which, if any, of the following activities have you ever done? All of these activities relate to the programme that you were watching at the time. Base: All who watch television (n = 3990)

People in Wales are more likely to media mesh than any other UK nation; talking and texting friends are the most common activities.

People in Wales are significantly more likely to media mesh than are people in other UK nations (52% ‘any activity’), with talking and texting with family and friends being the most prolific and significantly different activity (28%), when compared to the other nations. People in Northern Ireland are the least likely to media mesh (25% ‘any activity’).

Figure 1.16 Media meshing activities, by nation

	England	Scotland	Wales	Northern Ireland
Base	3332	338	205	125
Sent/received text/IM	16%	21%	24%	10%
Made/received phone/voice calls	15%	18%	28%	6%
Looked online for programme info	12%	12%	11%	5%
Used social network/tweeted about programme	11%	12%	13%	6%
Used social network/tweeted about an advert	9%	10%	8%	4%
Looked online for info about an advert	7%	6%	8%	1%
Participated with a programme	8%	11%	12%	9%
Used a companion viewing app	1%	1%	1%	-
ANY MESHING ACTIVITY	37%	41%	52%	25%

Source: Ofcom omnibus survey 2013

Q. Whilst watching a particular TV programme on a TV set in your home, which, if any, of the following activities have you ever done? All of these activities relate to the programme that you were watching at the time. Base: All who watch television (n = 3990)

Communicating with friends and family via text/instant messaging, and using social networks to discuss programmes, are common activities among 16-34 year olds.

When looking at specific activities, texting/instant messaging and social networking are significantly more prevalent among 16-34 year olds. Texting and instant messaging are also more common among females. ABC1s are significantly more likely than C2DEs to look online for information about programmes and adverts.

Figure 1.17 Demographic profile of media meshers, by activity

	Any	Texting or instant messaging about programme	Phone calls about programme	Any looking online for info (programme or advert)	Any using Social network to engage (programme or advert)	Any participation with programme e.g. voting, competitions
Base	1494	644	613	591	605	326
Male	45%	40%	46%	50%	44%	36%
Female	55%	60%	54%	50%	56%	64%
16-34	43%	52%	39%	44%	64%	35%
35-54	35%	34%	34%	38%	32%	43%
55+	22%	14%	27%	18%	4%	22%
ABC1	55%	57%	52%	67%	55%	59%
C2DE	45%	43%	48%	33%	45%	41%
Working	58%	59%	53%	64%	61%	60%
Not working	42%	41%	47%	36%	39%	40%

Source: Ofcom omnibus survey 2013

Q. Whilst watching a particular TV programme on a TV set in your home, which, if any, of the following activities have you ever done? All of these activities relate to the programme that you were watching at the time. Base: All who watch television (n = 3990)

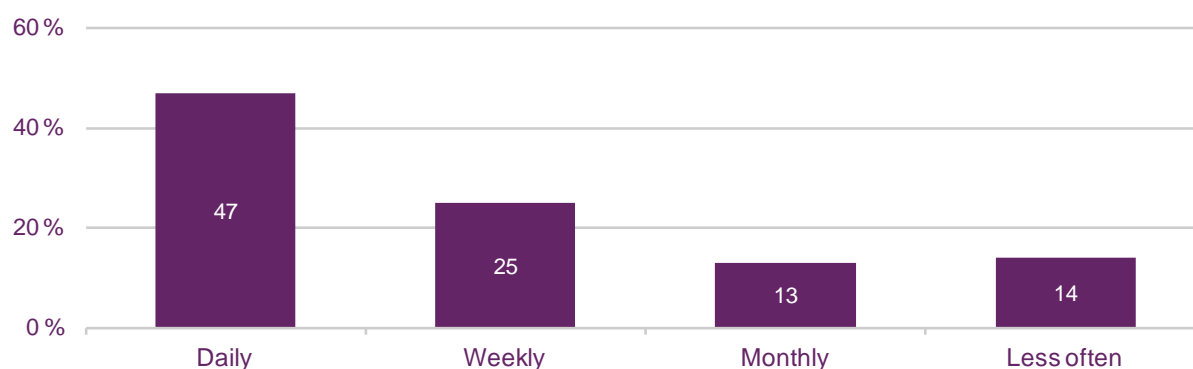
The top three 'meshing' activities for the youngest age group (16-24 year olds) are texting/instant messaging about programmes (32%), social networking/tweeting about programmes (25%), and social networking/tweeting about adverts (24%). In contrast, the older age groups (aged 55+) are mainly making voice calls to family and friends about programmes (12%), and to a much lesser extent, texting (7%) and looking online for information about programmes (6%), all in much lower volumes than the younger age groups.

Media meshing is a frequent activity, just under half (47%) of meshers claim to do it every day.

Media meshing is a frequently conducted activity. Forty-seven per cent of media meshers claim to do it daily, with one-quarter (25%) claiming to do it several times a day. An additional 25% are media meshing weekly.

Figure 1.18 Frequency of media meshing: any activity

Base: All who media mesh (37% of UK population)



Source: Ofcom omnibus survey 2013

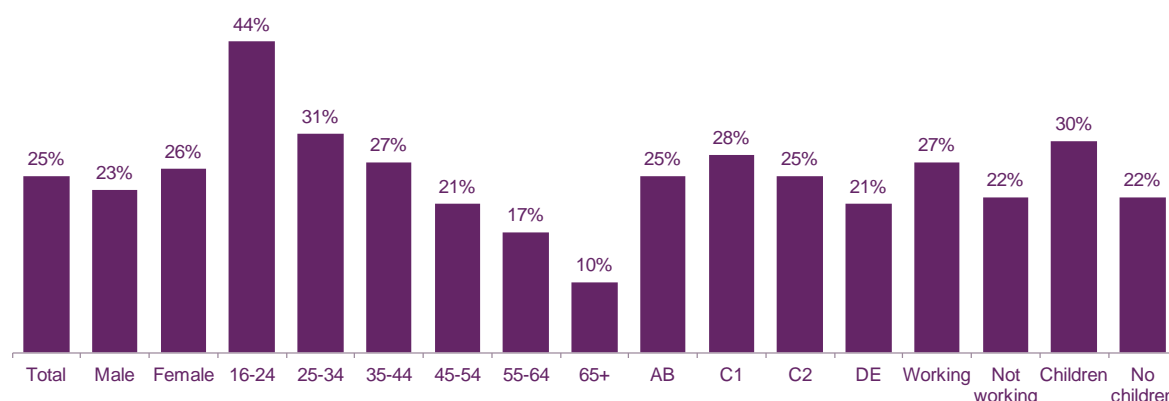
Q. Generally how often do you use these devices in the ways we have just talked about while watching TV on a TV set in your home? Base: All who media mesh 'any activity' (1416)

One-quarter (25%) of all UK adults media mesh on a weekly basis, with one in six (16%) meshing daily.

When looking at these figures against the total UK population, around one in six UK adults (16%) are media meshing daily, with around one quarter (25%) media meshing at least weekly. Therefore, while the environment in which television is competing for attention is becoming increasingly complex, a significant minority of people are clearly actively involved with television content - the new points of access provided by technology are enabling this. New devices and technologies are therefore providing viewers with opportunities to *involve* themselves in television viewing, as well as providing distractions.

The demographic profile of weekly meshers skews younger (16-24), C1, working, with children in the household.

Figure 1.19 Demographic profile of weekly media meshers: any activity



Sources: Ofcom omnibus survey 2013

QD2C. Generally how often do you use these devices in the ways we have just talked about while watching TV on a TV set in your home? Base: All UK adults (4185)

Smartphones are the dominant devices used for facilitating media meshing, laptops and netbooks are important for social network meshing.

For the 16% of UK adults who have made or received calls to discuss a programme they are watching on television, smartphones (56%) and landlines (41%) are the devices most commonly used. But 17% of UK adults claim to make these calls through the internet using a computer (12% laptop/netbook, 5% tablet, 2% desktop). People making calls through the internet on a computer (including tablets) are significantly more likely to be aged 16-24 and ABC1.

We see a similar picture among people who text/instant message while watching programmes (17% of UK adults). Smartphones (73%) and mobile phones (19%) are the most commonly-used devices for texting or instant messaging, but people also claim to use laptops/netbooks (13%), tablets (6%) and desktop PCs (3%). In total, 19% of people who do this activity claim to do it on some type of computer.

While smartphones remain important for social networking about programmes (68% of people who do these activities use smartphones), laptop/netbooks (37%) and tablets (16%) are also being used more often for these activities. Meshers who own them are using them; the prominence of tablets (50%) and laptops/netbooks (50%) is significantly increased for this activity.

A similar picture is seen for social networking about advertisements.

Generally, users of these devices for this activity are more likely to be in the ABC1 socio-economic group, although this is likely to reflect the ownership profile.

Figure 1.20 Devices used: social activities

	Phone calls about programme	Texting or instant messaging about programme	Any using Social network to engage (programme)	Any using Social network to engage (advert)
% of all TV viewing adults who conduct the activity	16%	17%	11%	9%
Base	613	644	428	369
Smartphone	56%	73%	68%	68%
Mobile (non Smartphone)	21%	19%	7%	6%
Landline	41%	NA	NA	NA
Tablet	5%	6%	16%	19%
Laptop/netbook	12%	13%	37%	37%
Desktop	2%	3%	7%	8%
Other	-	-	1%	1%
ANY COMPUTER	17%	19%	52%	53%

Source: Ofcom omnibus survey 2013

QD2B. And which of the following devices did you use when you <ACTIVITY>?

Base: All who do activity (variable bases – see table)

Smartphones tend to dominate, or be the main device in active programme participation, although laptops and netbooks also play an important role

Clearly, computers are an important device when looking online for information about an advert or programme, with laptops and netbooks often being used for this. Of those who have searched online for information about a programme or ad they have just watched on television, around seven in ten are using a computer of some sort, with the majority (44% for programme info, 46% for advert info) using a laptop or a netbook. Smartphones play an equally important role as laptops and netbooks for these online search activities; similar numbers use this device to search online for information (47% for programme info, 45% for advert info).

Tablets are used by one in five media meshers for online searches about programmes and ads (22% and 25% respectively). Among the meshers who own these devices, usage is high; 59% use them to search for information about programmes, and 65% use them to search for information about adverts.

Direct programme participation, although an activity with low penetration, is most often done via a smartphone, particularly using programme apps. The prominence of smartphones as the preferred device for this activity is confirmed when looking at the data from smartphone owners. Among those who have participated in a programme (by voting or entering a competition), 62% did so using their smartphone. Tablet owners are also more likely to use a smartphone (41%) than their tablet (16%) for this activity.

Figure 1.21 Devices used: participation activities

	Any looking online for info (programme)	Any looking online for info (advert)	Any participation with programme e.g. voting, competitions	Any participation with programme using a specific programme app
% of all TV viewing adults who conduct the activity	12%	7%	6%	3%
Base	427	251	234	117
Smartphone	47%	45%	38%	60%
Mobile (non Smartphone)	2%	3%	15%	5%
Landline	NA	NA	37%	NA
Tablet	22%	25%	5%	11%
Laptop/netbook	44%	46%	13%	24%
Desktop	15%	15%	2%	2%
Other	1%	1%	-	-
ANY COMPUTER	70%	72%	21%	34%

Sources: Ofcom omnibus survey 2013

QD2B. And which of the following devices did you use when you <ACTIVITY>?

Base: All who do activity (variable bases – see table)

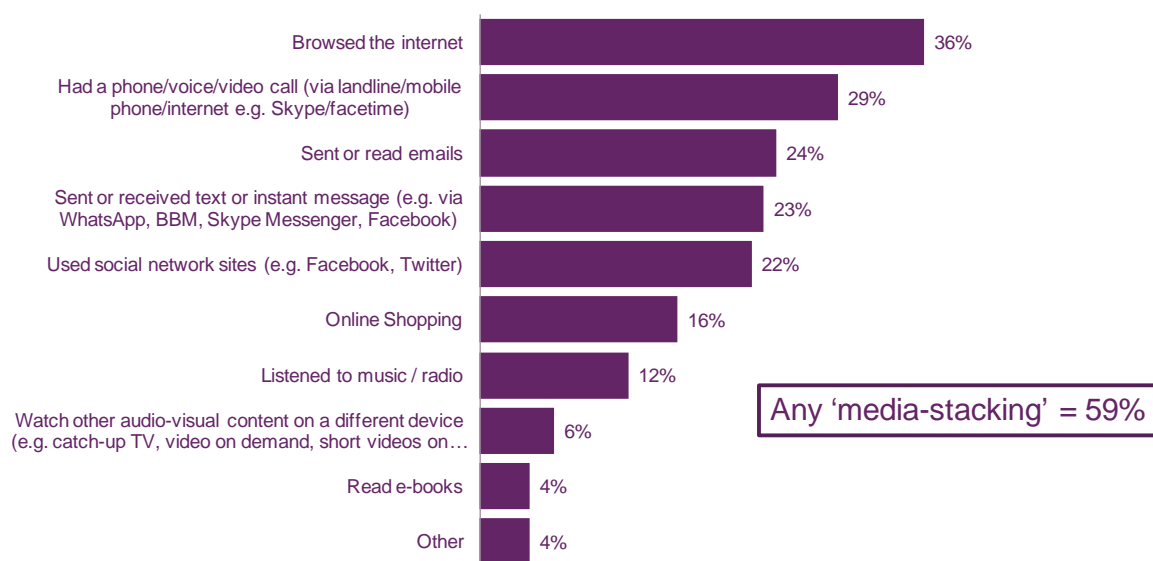
1.4.5 Media stacking

Media stacking is a more frequent activity than media meshing. Just under six in ten UK adults (56%) have ever ‘stacked’ their media use while watching TV.

Fifty-six per cent of all UK adults claim to have ever ‘media stacked’ while watching television - that is, engaged in activities on other devices *not* related to what they were watching at the time. Looking at TV viewers specifically, internet browsing is the most common activity, with over one-third of adults (36%) saying they have ever done this while watching television. Communicating with others, either via making/receiving phone calls (29%), sending/reading emails (24%), texting (23%) and social networking/tweeting (22%) are also common activities. Online shopping is a more minority activity, with around one in six (16%) claiming to have done this while watching television. Interestingly, some people are also engaging in other audio-visual activities, such as listening to radio (12%) and watching AV content on other devices (6%) which ties into other data seen elsewhere in this report; that people in the same room are often engaged in different activities on different devices at the same time.

Reading e-books is a less common activity, with one in twelve (4%) claiming ever to have done this. However, this low-penetration activity is influenced by the relatively low levels of e-reader owners; the media-stacking figure among e-reader owners is 20%.

Figure 1.22 Media stacking activities conducted while watching TV



Source: Ofcom omnibus survey 2013

QD3A. Whilst watching TV programmes on any TV set in your home, which, if any, of the following activities have you ever done? These activities do not relate to the programme that you were watching at the time. Base: All who watch television (n = 3990)

People in Northern Ireland are much more likely to 'media stack' than those in other nations, with phone calls being the most common activity.

People in Northern Ireland are significantly more likely to media stack than those in other nations (78% 'any activity'), with voice calls being the most prolific, and significantly different activity (55%), compared to the other nations. This is the reverse picture to media meshing, where people in Northern Ireland were least likely to interact with or communicate about programmes.

Figure 1.23 Media stacking activities, by nation

	England	Scotland	Wales	Northern Ireland
Base	3332	338	205	125
Browsed the internet	36%	33%	41%	42%
Phone/voice/video call	28%	25%	37%	55%
Sent/read emails	25%	23%	19%	35%
Sent/received text/IM	23%	21%	28%	35%
Social networked	21%	24%	27%	35%
Online shopping	16%	13%	15%	20%
Listened to music/radio	11%	12%	10%	20%
Watched AV content on another device	5%	7%	7%	8%
Read e-books	4%	6%	4%	2%
ANY STACKING ACTIVITY	58%	53%	68%	78%

Source: Ofcom omnibus survey 2013

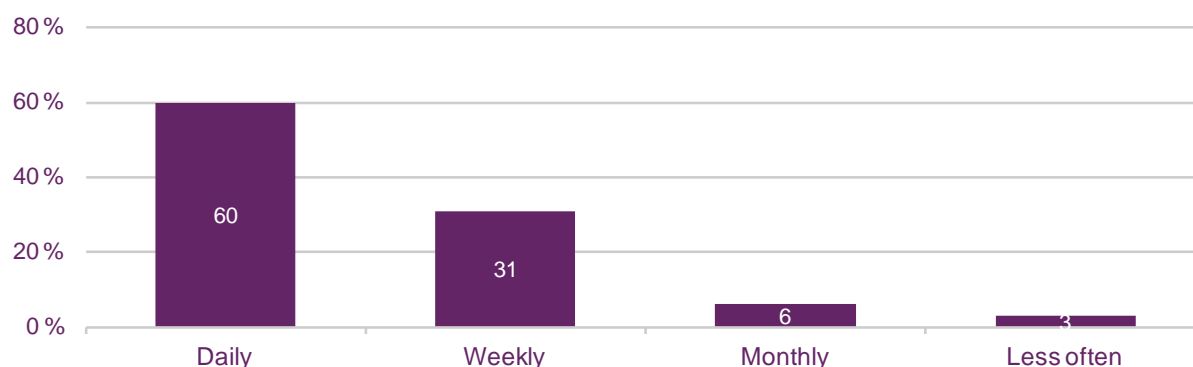
QD3A. Whilst watching TV programmes on any TV set in your home, which, if any, of the following activities have you ever done? These activities do not relate to the programme that you were watching at the time. Base: All who watch television (n = 3990)

Media stacking is more frequent than media meshing. Sixty per cent of ‘stackers’ claim to do so daily (compared to 47% of ‘meshers’).

Sixty per cent of media stackers claim to do this daily, with a quarter (30% claiming to do it several times a day). An additional 31% media stack weekly.

Figure 1.24 Frequency of media stacking: any activity conducted

Base: All who media stack (59% of UK population)



Sources: Ofcom omnibus survey 2013

QD3C. Generally how often do you use these devices in the ways we have just talked about while watching TV on a TV set in your home?

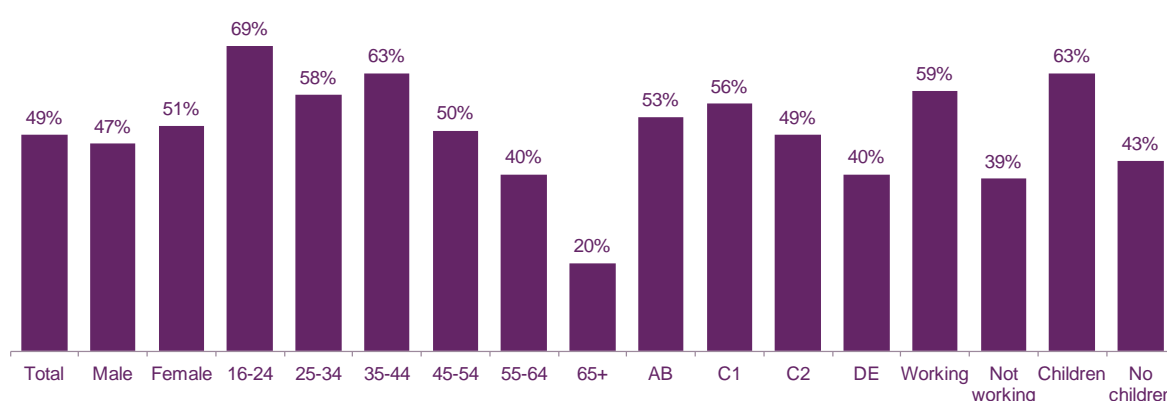
Base: All who do any media-stacking activity (2209)

One-third (33%) of all UK adults media stack on a daily basis. Around one half (49%) stack on a weekly basis

When looking at these figures against the total UK population, one third (33%) of UK adults are media stacking daily, with around a half (49%) media staking at least weekly. This confirms that that the environment in which television is competing for attention is getting increasingly complex, with an ever-expanding array of alternative devices that allow people to engage both with others (via texts/calls/social networks etc.) and with alternative AV media sources.

The demographic profile of weekly stackers skews towards female, the younger and middle age ranges, working people and households containing children.

Figure 1.25 Demographic profile of weekly media stackers: any activity conducted



Source: Ofcom omnibus survey 2013

QD2C. Generally how often do you use these devices in the ways we have just talked about while watching TV on a TV set in your home? Base: All UK adults (4185)

Laptops and netbooks are equally as popular as smartphones for emailing while watching TV. They are also used for social networking.

Among the 29% of UK adults who make and receive calls while they are watching television, which are not related to the programme they are watching, smartphones (48%) and landlines (44%) are the most common methods used. But 15% of UK adults claim to make calls using a computer (10% laptop/netbook, 5% tablet, 2% desktop) to make calls through the internet. Smartphones (68%) and mobiles (21%) are the main device used for texting/instant messaging, although there is also some computer/laptop/tablet use (25% 'any' computer).

Laptops/netbooks and, to a lesser extent tablets, are also commonly used for emails and social networking. Stackers who own these devices tend to use them more frequently. Fifty-four per cent of people who own a tablet email from it, and 65% of people who own a laptop or netbook email from this device. The same is seen when looking at social networking. Fifty-seven per cent of people who own a tablet do social networking from this device, as do 58% of people who own a laptop or netbook.

Figure 1.26 Devices used: 'social' stacking activities

	Make/receive phone/voice/video calls	Send/read emails	Send/receive texts or instant messaging	Use social network sites
% of all TV viewing adults who conduct the activity	29%	24%	23%	22%
Base	1116	898	900	848
Smartphone	48%	51%	68%	63%
Mobile (non Smartphone)	26%	5%	21%	7%
Landline	44%	NA	NA	NA
Tablet	5%	20%	8%	19%
Laptop/netbook	10%	50%	17%	45%
Desktop	2%	10%	3%	7%
E-reader	-	1%	1%	1%
ANY COMPUTER	15%	71%	25%	62%

Source: Ofcom omnibus survey 2013

QD3B. And which of the following devices did you use when you <ACTIVITY>?

Base: All who do activity (variable bases – see table)

As with meshing, laptops and netbooks play a more important role in 'stacking' activities, particularly for browsing the internet and online shopping.

Among the 36% of UK adults who browse the internet while watching TV, just under half (47%) do so on a smartphone. About half do so on a laptop/netbook (53%) while tablets are also used (23%).

Owners of tablets and laptops/netbooks use these devices much more for these activities. Sixty-seven per cent of people who own a tablet browse the internet from this device, and 68% of people who own a laptop or netbook browse the internet from that device. The same is seen when looking at social networking. Fifty-seven per cent of people who own a tablet do social networking from this device, as do 58% of people who own a laptop or netbook.

Laptops and netbooks are used most commonly for online shopping (59%), followed by smartphones (38%) and tablets (25%). Again, for owners of these devices, the figures increase significantly. Smartphone use among smartphone owners rises to 48%, tablet use among tablet owners rises to 59% and laptop/netbook use among laptop/netbook owners rises to 72% - clearly indicating the popularity of this device for this activity.

Interestingly, smartphones are the device used most for watching audio-visual content on other devices while also watching TV. While this is a low-incidence activity, with only 6% of the UK TV viewing population doing it, nearly six in ten (59%) do it on their smartphone. Tablets (63%) and netbooks/laptops become similarly important when looking at the data among owners of these devices.

E-readers are the device of choice for reading e-books while watching TV, but smartphones and tablets are also used. The figures for use by device owners are: e-readers 91%, tablets 43%, smartphones 28%.

Figure 1.27 Devices used: ‘non-social’ stacking activities

	Browsed the internet	Shopped online	Listened to music/radio	Watched other AV content on a different device	Read e-books
% of all TV viewing adults who conduct the activity	36%	16%	12%	6%	4%
Base	1352	592	455	209	147
Smartphone	47%	38%	46%	59%	21%
Mobile (non Smartphone)	5%	2%	7%	5%	1%
Tablet	23%	25%	11%	27%	20%
Laptop/netbook	53%	59%	28%	46%	11%
Desktop	10%	9%	7%	14%	3%
E-reader	-	-	-	1%	49%
ANY COMPUTER	74%	80%	42%	72%	31%

Source: Ofcom omnibus survey 2013

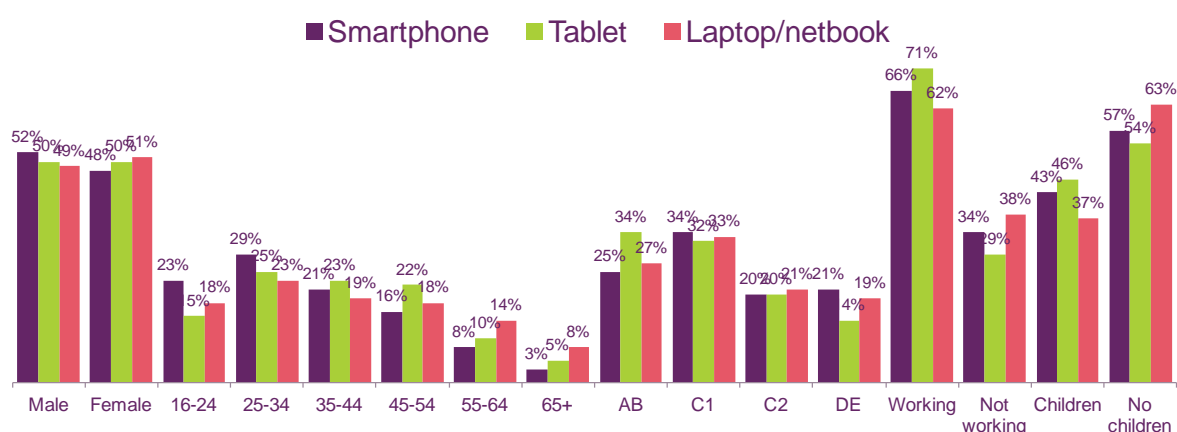
QD2B. And which of the following devices did you use when you <ACTIVITY>?

Base: All who do activity (variable bases – see table)

1.4.6 Smartphones versus tablets versus netbooks/laptops: a specific look at owners of different devices

In the online survey, 51% of our sample were smartphone owners, 20% were tablet owners and 56% were laptop/netbook owners. In our analysis of the demographic profile of these ownership groups, smartphone owner demographics skew slightly more male and younger (16-24/25-34). Tablet owner demographics are more AB and middle aged (35-44/45-54), and are more likely to be in work. Laptop and netbook owner demographics skew marginally more female than the other two ownership groups, have the oldest age profile, are the most likely to be not working and not to have children living at home.

Figure 1.28 Demographic profile: smartphone vs. tablet owners vs. laptop/netbook owners



Sources: Ofcom omnibus survey 2013

QA. Do you personally own any of the following devices?

Base: All who do own a smartphone (2039), a tablet (747) or a laptop/netbook (2208).

Tablet owners tend to own more devices overall than the other two groups. The majority also own a smartphone (80%) and a laptop (76%). Just under half (45%) also own an e-reader. This suggests that tablet owners are generally high technology owners and may include a large proportion of early adopters.

Around a third of smartphone owners (31%) and netbook/laptop owners (27%) also own a tablet.

Figure 1.29 Devices owned

	Smartphone owners	Tablet owners	Laptop/netbook owners
% of all adults who own this device	51%	20%	56%
Base	2039	747	2208
Smartphone	100%	80%	66%
Laptop/netbook	72%	76%	100%
Tablet	31%	20%	27%
Desktop	35%	45%	31%
E-reader	16%	29%	17%
ANY COMPUTER	50%	100%	100%

Source: Ofcom omnibus survey 2013

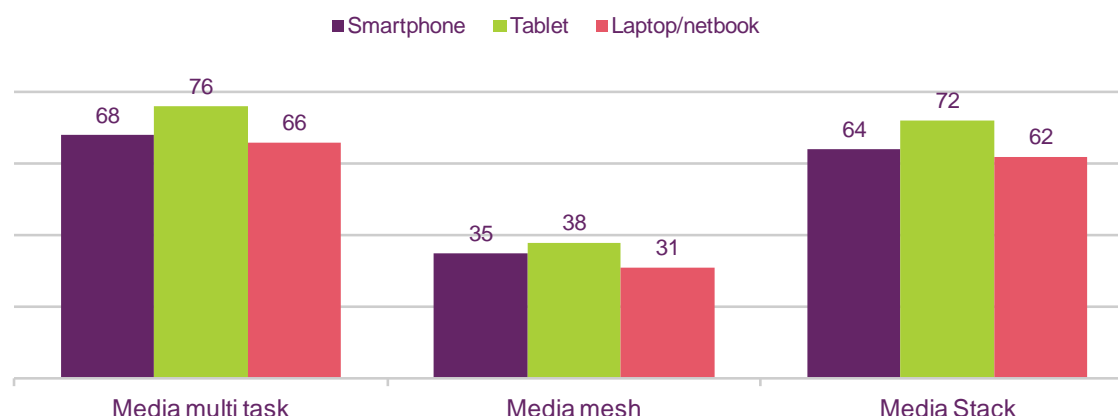
QA. Do you personally own any of the following devices?

Base: All who own a smartphone (2039), a tablet (747) or a laptop/netbook (2208).

Tablet owners are more likely to media multi-task; unsurprising, given their level of device ownership.

Data reported earlier in this section show that just over half (53%) of all UK adults are regular media multi-taskers i.e. they stack and/or mesh weekly or more often. It is clear that smartphone owners, tablet owners and netbook/laptop owners all media multi-task more than average. But tablet owners are the most prolific, with around three-quarters (76%) media-multi tasking at least weekly.

Figure 1.30 Weekly multi-tasking, meshing and stacking, by device owned



Source: Ofcom omnibus survey 2013

Base: All who own a smartphone (2039), a tablet (747) and/or a laptop/netbook (2208).

In order to further evaluate the impact of smartphones, tablets and laptops/netbooks, it is useful to look at some specific media meshing and media stacking activities that lend themselves to using these particular devices, to see if there are any interesting differences in use.

When we analysed specific media meshing activities, we saw that smartphones are the device of choice for social networking about a programme, among all three ownership groups. Tablets are also used by half of all tablet owners for this activity. Correspondingly, half of all laptop/netbook owners use their laptop/netbook for social networking about programmes.

When considering 'looking online for programme information', the tablet is the most common device used among tablet owners, with 59% of owners using this device for this activity. Forty-seven per cent of tablet owners also use their smartphone. A similar number of laptop/netbook owners use their laptop/netbook for this activity (59%), followed by 47% who use their smartphone. Smartphone owners tend to use their smartphone (61%), although 65% also use a type of computer.

Among people who have participated in programmes (e.g. voted), the smartphone is the most common device used across all three ownership categories.

Figure 1.31 Devices used: media meshing

	Social networked about a programme			Looked online for programme info			Participated in a programme e.g. voted		
	Smart-phone owners	Tablet owners	Laptop/netbook owners	Smart-phone owners	Tablet owners	Laptop/netbook owners	Smart-phone owners	Tablet owners	Laptop/netbook owners
% of all owners who have conducted this activity	18%	17%	14%	18%	22%	16%	8%	9%	8%
Base: N =	361	129	310	323	150	317	144	64*	158
Smartphone	81	70	66	61	47	49	62	41	42
Tablet	19	50	17	25	59	21	6	16	5
Laptop/netbook	32	33	50	40	36	59	13	8	19
Desktop	6	6	6	13	10	8	2	2	-
ANY COMPUTER	48	69	63	65	81	75	21	27	24

Sources: Ofcom omnibus survey 2013

QD2B. And which of the following devices did you use when you <ACTIVITY>?

Base: All who do activity (variable bases – see table)

When we analyse specific media-stacking activities, we see that tablets and/or laptops/netbooks are the devices of choice for online shopping among all three ownership groups. This makes sense, due to the bigger screen size.

Smartphones are the most-used device for viewing AV content on additional devices while watching TV, across all ownership groups (smartphone owners 67%, tablet owners 63%, laptop/netbooks owners 60%), although the use of tablets by tablet owners, at 63%, challenges this figure.

Among people who listen to music/radio while watching television, the smartphone is the device used most often, across all three ownership categories.

Figure 1.32 Devices used: media stacking

	Shopped online			Watched AV content			Listened to music/radio		
	Smart-phone owners	Tablet owners	Laptop/netbook owners	Smart-phone owners	Tablet owners	Laptop/netbook owners	Smart-phone owners	Tablet owners	Laptop/netbook owners
% of owners who have conducted this activity	25%	33%	23%	10%	12%	8%	16%	15%	14%
Base: N =	467	237	474	184	87	169	312	116	292
Smartphone	48	40	36	67	61	60	67	58	50
Tablet	27	59	23	28	63	27	15	42	13
Laptop/netbook	57	48	72	46	41	57	31	28	43
Desktop	8	9	5	13	6	8	7	10	6
ANY COMPUTER	78	89	87	71	80	74	46	62	54

Source: Ofcom omnibus survey 2013

QD3B. And which of the following devices did you use when you <ACTIVITY>?

Base: All who do activity (variable bases – see table)

All of the above data suggest that people who own more devices media multi-task more than average. This is unsurprising, as they have access to more devices and therefore more potential ways of engaging with programmes, or simply using the device while watching TV. Consistent with other findings in this report, the data suggest that consumers are choosing to use certain devices for certain activities; for example, smartphones remain the dominant device for social network meshing, even among tablet owners. There is also some apparent substitution of activities between devices as more devices are acquired. For example, tablet owners appear more likely to conduct certain activities on their tablets (searching online for programme information, such as online shopping, watching AV content) which they might previously have done on their smartphone or laptop/netbook.

1.5 The rising use of tablet computers

1.5.1 Introduction

Tablet computer ownership more than doubled between 2012 and 2013 and a quarter (24%) of households now own at least one of these devices³. Early adopters tended to be older (45-54), more affluent households and those with children. But in 2013 we see the age profile of tablet owners decreasing, with nearly three in ten 25-34 year-olds owning a tablet, up from just 11% in 2012, and growth among all socio-economic groups.

Given the capabilities of these devices (providing an alternative means of internet access), the potential for them to add a 'second screen' to the household (for viewing TV content) and the rapid rise in take-up, the following section explores the impact these devices are already having on use of other services and devices.

1.5.2 Key points

This research summarises the trend in ownership and use of tablet computers and explores the impact this is having on use of other devices and viewing habits.

- **Tablet computer ownership more than doubled in the past year, and half of owners say they now couldn't live without their tablet.** Tablet ownership rose to 24% in Q1 2013. 'Entertainment' (50%) was the main reason for purchase, followed by its ability to provide 'easy access to the internet', stated by 45% of tablet owners.
- **One in ten households has more than one tablet, and weekly users spend an average of 1 hour 45 minutes each day on their device.** Two-thirds of tablet owners use their device on a daily basis, with two in five using it multiple times during the day. In total just under half (46%) of tablet owners claim to have a 3G-enabled device, but less than half of these (20% of tablet owners) have a mobile subscription enabling 3G connectivity.
- **Tablets are viewed as the main method of connecting to the internet by a third of users.** Among tablet-owning households, this device is now on a par with the laptop as the most important device for connecting to the internet. This is consistent with the rising proportion of web-page views generated from tablets (doubling to 8% in the past 12 months) and the declining proportion generated from PCs and laptops (down by 20pp).
- **'Bigger screen' activities such as watching TV programmes or movies are evolving as tablet oriented.** Sixty-nine per cent of those who view this type of AV content and have both a tablet and smartphone say they do this more on their tablet. There is also a rising preference for tablets for internet browsing (45%, up from 39%), and watching short video clips (48%, up from 31%) among those who do these types of activities and have both devices.
- **The share of VOD requests coming from tablets increased from 3% to 12% between 2011 and 2012.** Just over half (56%) of tablet owners use their device for watching AV content; the most common are streamed TV programmes and films. More than half (57%) of tablet AV content viewers say they watch linear TV on a weekly basis and a similar proportion (54%) say they watch catch-up TV weekly on their tablet.

³ Source: Ofcom Technology Tracker Q1 2013

- **Bedrooms, and main TV rooms, are popular locations to view AV content on a tablet.** The most common location for viewing AV content on either a tablet or a smartphone at home is in the bedroom; six in ten tablet owners claim to view content in this location. This is followed by the main TV room (48%). On average, over one in ten (11%) view video content on a tablet in the bathroom, and this is twice as popular among 18-24 year olds (20%).
- **Three in ten tablet AV content viewers share their tablet with their children for TV-type viewing.** The large majority (91%) of parents with tablets said their children either use their tablet, or have a tablet of their own to use, for activities other than just watching AV content. Four in five parents said their children used a tablet computer at least weekly, with two in five reporting daily use by their children and 17% saying their children use it more than once a day. A majority (76%) of these parents consider the tablet a useful tool for entertaining and/or educating their children.

1.5.3 Ownership of tablets

What is a tablet computer?

A tablet computer is a self-contained mobile computer. Users typically control tablets using a touch-screen interface, or a stylus, replacing the mouse used with laptop and desktop computers. Software keyboards are used for user input, but some models may also be used with peripheral hardware keyboards.

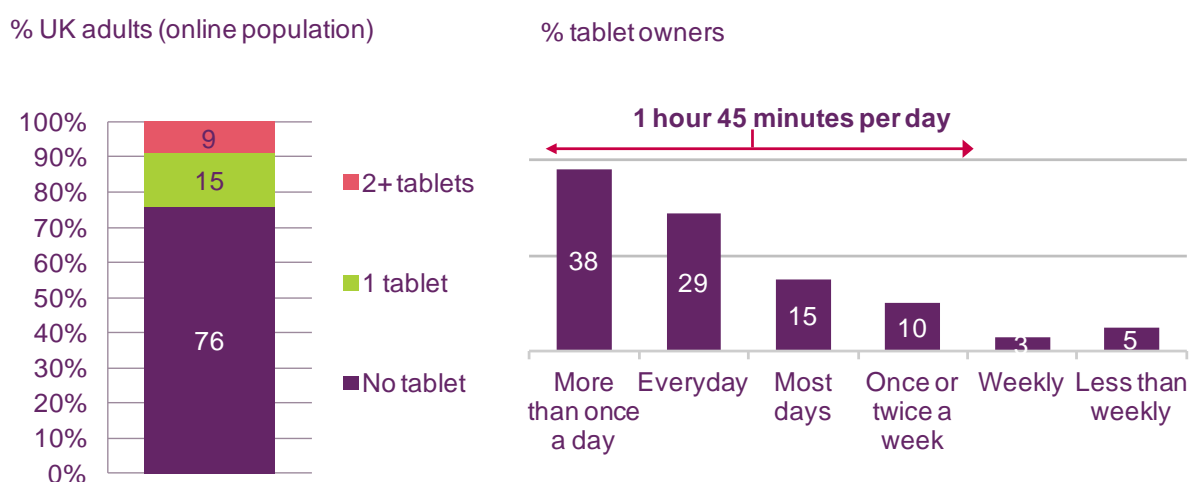
Tablets vary in size, but popular models have a screen size of 7 inches or more (measured diagonally); larger than smartphones but smaller than most laptops. Tablet operating systems are similar to those for smartphones, so many of the same applications are available for users to download and run.

Popular brands of tablet include the Apple iPad, Kindle Fire and the Google Nexus 7.

One in ten households (9%) have more than one tablet computer

Tablet-owning homes have, on average, 1.5 tablets; 37% have more than one (this equates to 9% of UK adults). Eighty-two per cent of owners use their tablet nearly every day, with around two in five (38%) using it more than once a day and 95% using it at least once a week. Weekly users are spending an average of 1 hour and 45 minutes each day using this device.

Figure 1.33 Ownership and use of tablet computers



Source: Ofcom research, 2013

Q. How many tablets are owned by your household? How often do you tend to use your tablet? Q. On average, how much time do you spend using your tablet in a day, in total?

Base: All respondents who own a tablet computer (1,201)/Use a tablet at least a couple of times a week (1100)

Entertainment (50%) was the main reason for purchase, with the tablet's ability to provide 'easy access to the internet also one of the key drivers, stated by 45% of tablet owners. 'Convenience' and 'portability were also stated as reasons to buy (42% and 39% respectively).

Many owners view their tablets as essential; they are exceeding expectations

Tablets are highly-valued devices; half of owners say they now "couldn't live without it", up from 34% last year. The only demographic difference is that women are more likely than men to agree with this statement (54% vs. 45%). Older tablet owners are as likely as younger owners to agree that they couldn't live without this device. For the vast majority (95%) their tablet is meeting, or exceeding, their initial expectations; only 3% are dissatisfied.

Despite the portability of the tablet, and the fact that portability is one of the key reasons to buy it, most users (85%) use them mainly in the home⁴. This suggests the 'portability' aspect may relate to being able to use it in different rooms in the home, as opposed to outside. This is further supported by the fact that three-quarters (76%) of tablet owners who connect to the internet say they only use WiFi, while one-fifth (22%) use both WiFi and 3G connections. Although some of these may be using public WiFi connections, the data suggest that most internet connectivity is via a home WiFi connection. In total just under half (46%) of tablet owners claim to have a 3G-enabled device but less than half of these (20% of tablet owners) have a mobile subscription enabling their 3G connection⁵.

According to Ofcom's online survey among tablet owners, the Apple iPad remains the most popular brand overall, at just over half (56%) of tablet owners, followed by Samsung (12%). Research conducted in December 2012 - January 2013⁶ reports a consumer perception of being 'locked in' if several devices in the home are of the same brand. It also suggests that

⁴ Source: Kantar Media Research, Face to face survey, 2013

⁵ Source: Ofcom Technology Tracker, Q1 2013

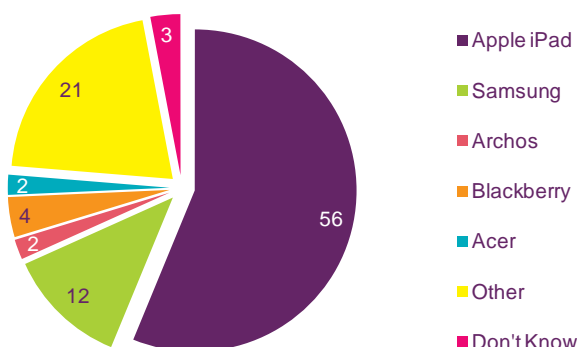
⁶ Source: Ofcom Customer Retention and Interoperability Report

http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/customer-retention/CRI_Report_Final.pdf

among the population of tablet owners who have purchased a second device or replaced their device, the majority stuck to the same brand.

Figure 1.34 Claimed ownership, by tablet brand

% tablet owners



Source: Ofcom online survey, 2013

Q. What brand of tablet computer is it?

Base: All respondents who own a tablet computer (1,201)

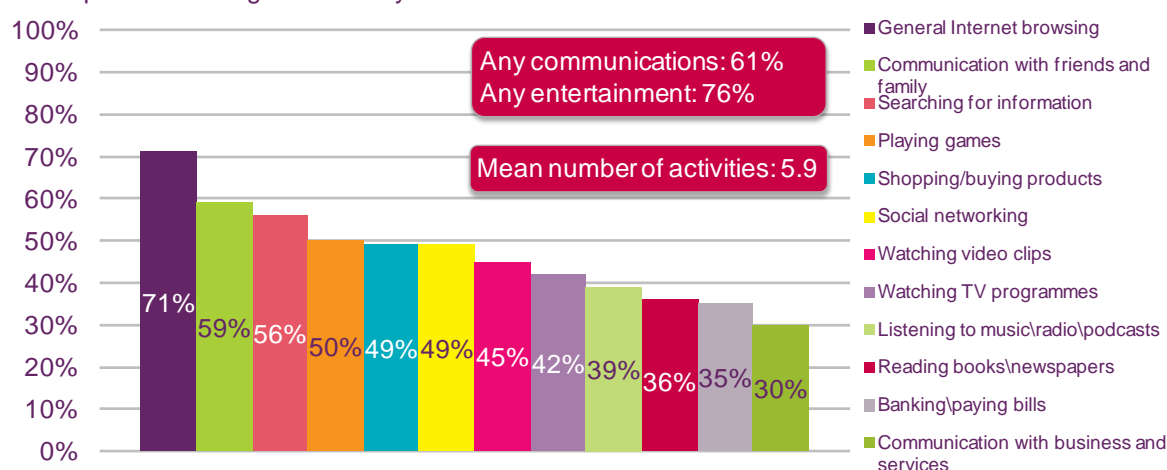
1.5.4 Activities conducted on a tablet

Most tablet owners use their tablet for internet browsing and around half watch AV content on their device

Tablets are being used for an average of six different activities from the list of 12 presented in the survey. The most common activity is internet browsing, followed by communicating with friends and family, searching for information, playing games, social networking and shopping.

Figure 1.35 Activities conducted on a tablet

% Respondents doing each activity on device



Source: Ofcom research, 2013

Base: All who have a tablet (N=608)

People are watching television and catch-up services on their tablets, mirroring their television viewing choices.

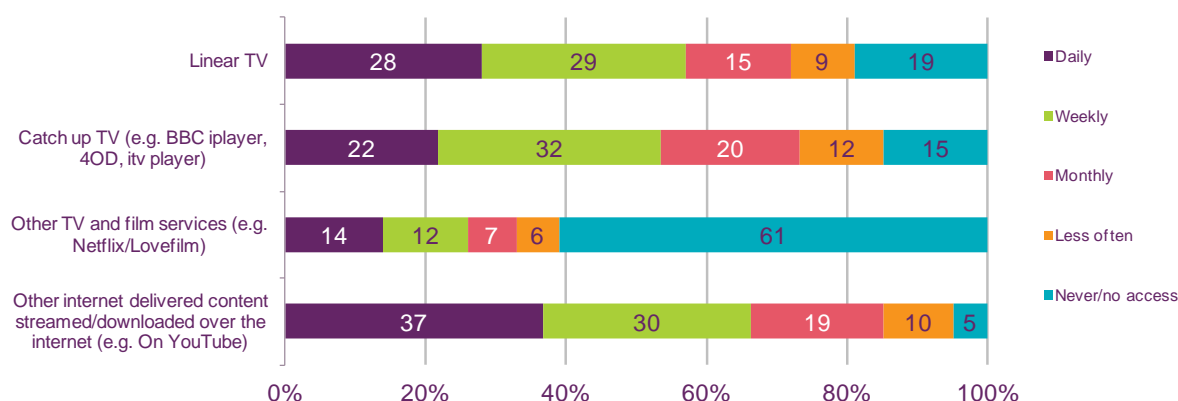
In total 56% of tablet owners use their device for viewing audio-visual (AV) content such as video clips and TV programmes. Just under half (45%) say they watch video clips and a similar proportion watch TV programmes on their tablet (42%). AV viewing on tablets is likely to be via apps - half of all tablet owners say they have downloaded at least one TV app, such as iPlayer or ITV on Demand, onto their tablet.

Whether via an app or a browser, over half (57%) of all tablet content viewers claim to view linear television on their tablet at least weekly⁷. A similar number (54%) claim to watch catch-up TV services on a weekly basis.

Over one-third (37%) of tablet content viewers say they use their tablets to watch other types of internet-delivered content (e.g. short video clips via YouTube) daily, with a further three in ten (30%) watching this type of content on their tablet weekly. This is the most frequently-viewed type of content type, of those measured. Daily viewers of this type of internet-delivered content on a tablet are significantly more likely to be male and/or ABC1, and are also more likely to be in the younger age groups (18-24 and 25-34).

TV and film services such as Netflix and Lovefilm, purchased on a monthly rolling contract generally following a month's free trial, are viewed the least frequently by tablet content viewers. Around a quarter (26%) say they watch this type of content on a weekly basis.

Figure 1.36 Frequency of viewing different services on a tablet



Source: Ofcom online survey, 2013

Q.How often, if at all, do you watchon your tablet?

Base: All watching TV, films or short videos clips on a tablet (n= 869)

1.5.5 Impact of tablet on use of other service and devices

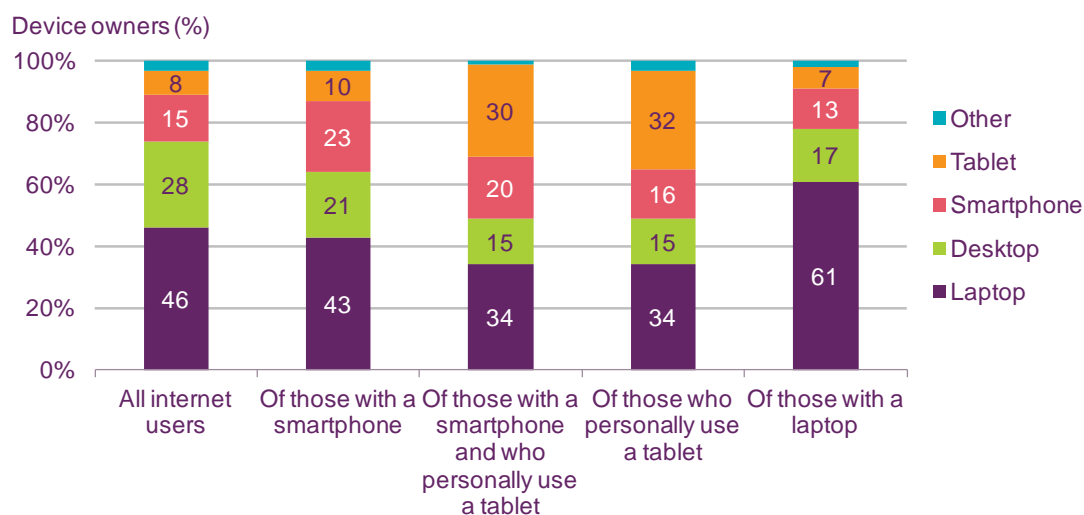
Tablets are viewed as main method of connecting to the internet by a third of users

With nearly all (98%) tablet owners saying they connect to the internet using this device, and three-quarters using it for general internet browsing, and the rising proportion of web-page views being generated from tablets, it is not surprising that tablets are having an impact on consumers' stated "main method of connecting to the internet".

⁷ Source: Ofcom online survey, 2013

At an overall UK level, 8% of internet users aged 16+ say their tablet is their main method of connecting to the internet, but this rises to 32% among tablet users. Among people who have both a tablet and a smartphone, stated preference for the laptop stands at 34% (down from 46% across all internet users) with tablets four percentage points lower at 30%, exceeding smartphones at 20%.

Figure 1.37 Most important device for internet access



Source: Ofcom research, 2013

Q. Which is the most important device you use to connect to the internet, at home or elsewhere?
 'Other' responses include: 'Netbook', 'games console', 'other device', 'none' and 'don't know'.

More than half of tablet owners do other things at the same time as using their device

As in the *Media multi-tasking* section, which focuses on activities conducted while watching TV, we asked tablet owners what, if any, multi-tasking they had done while using their tablet. Half (51%) said they had watched TV, just over a quarter (27%) said they had listened to music, and just under a quarter (24%) said they had listened to the radio.

Around a third (35%) of tablet owners said they had used their mobile at the same time as their tablet, and a quarter (26%) had used their laptop at the same time. Simultaneous use of these devices alongside tablets will include some degree of content sharing, as well as conducting different tasks on each device.

Despite having similar functionality, tablets and smartphones are used for different activities

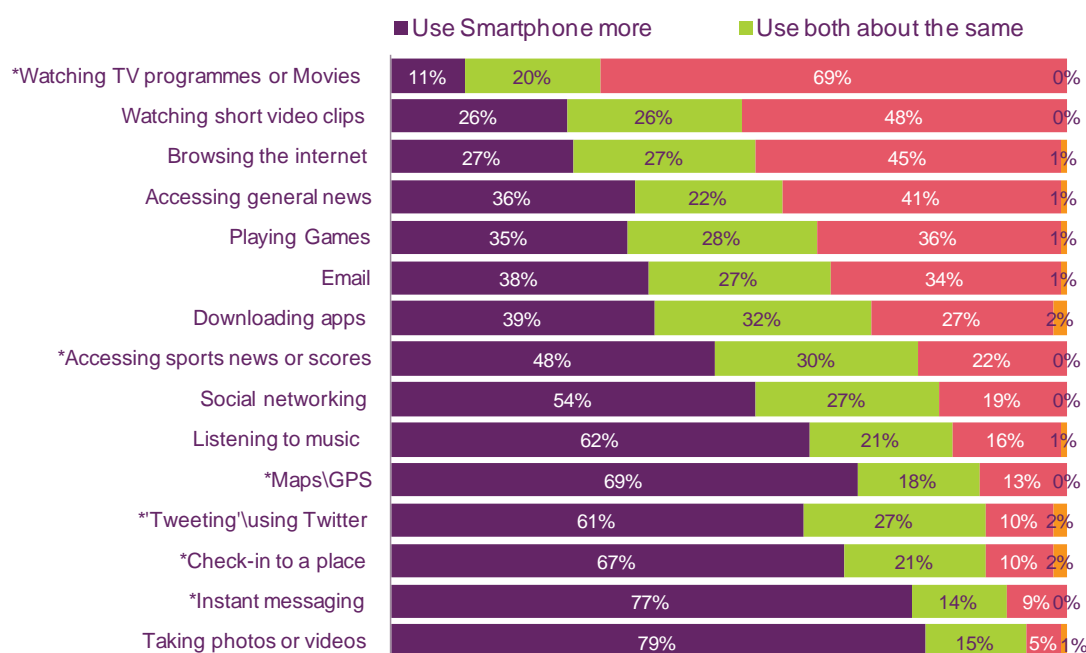
Data from 2012 suggested that relatively high proportions (up to around two in five) of consumers with both a tablet and smartphone carried out various activities equally on their tablet and their smartphone. Some respondents continue to say this, but the proportions are now significantly lower (now up to about a third), suggesting that users are choosing one device in preference to the other for some activities.

For some activities, there is a clear device preference across all consumers; probably linked to the size and functionality of smartphones, which lend themselves to certain activities more than a tablet. Seventy-nine per cent use a smartphone more for taking photos (compared to 5% who use a tablet more), a similar proportion use a smartphone more for instant messaging, and 69% use a smartphone more for maps.

Some activities are beginning to evolve as tablet-oriented activities, such as watching TV programmes or movies (69% do this more on their tablet). Other activities where the preference is tipping towards tablets include internet browsing (45%, up from 39%) and watching short video clips (48%, up from 31%). Social networking via a tablet has declined since last year; smartphones are now the preferred device for this activity (54% vs. 19%).

Figure 1.38 Which device is used more for specific activities by smartphone AND tablet users

% all users of Smartphone AND Tablet in the UK (ordered on tablet preference)



Source: Ofcom research, 2013

Base: All who use a smartphone and a tablet and do each activity (2,092)

Q. You mentioned earlier that as well as a smartphone you also have a tablet. Since you have had both a tablet computer and a smartphone, which device do you use more for the following activities?

* Caution low base

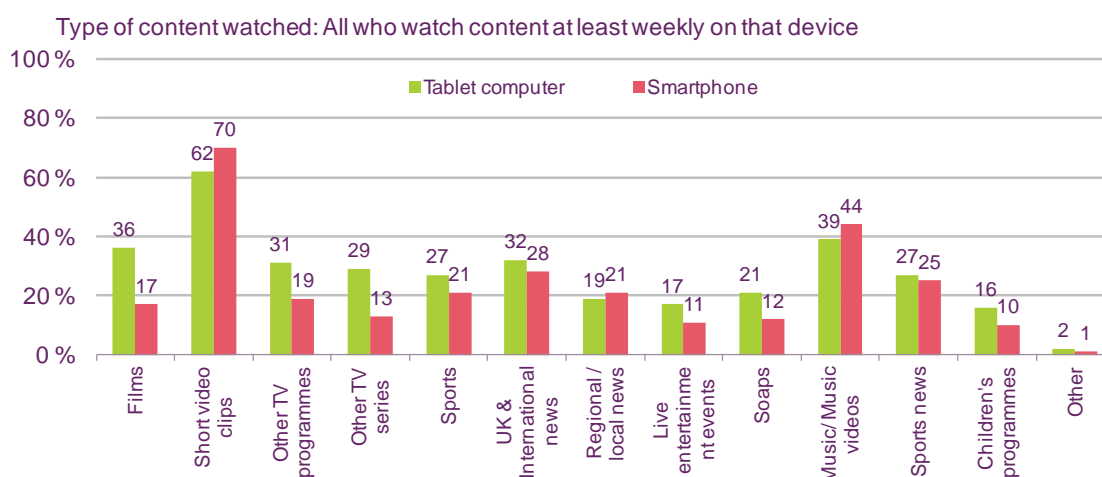
More TV-type content viewed on tablets than on smartphones

The most popular types of content to view on a tablet are broadly similar to those viewed on a smartphone. For both tablets and smartphones, short video clips are most commonly cited (62% and 70% respectively), while music videos are the second most popular response (39% and 44% respectively).

However, TV-type content is viewed more on tablets than on smartphones. Just over a third (36%) of tablet content viewers say they have watched films, 32% cite UK and international news and a further 27% watch sports news and 19% watch regional or local news. Thirty-one per cent watch TV programmes other than series and soaps, and 29% watch TV series on their tablet.

News is also a popular content viewing choice on smartphones; 28% watch UK and international news, 25% watch sports news and 21% watch regional or local news. Only 17% of smartphone owners who watch content at least weekly claim to watch films.

Figure 1.39 Type of content watched over the internet: tablet vs. smartphone



Source: Ofcom online survey 2013

Q. And what types of content are you watching on your?

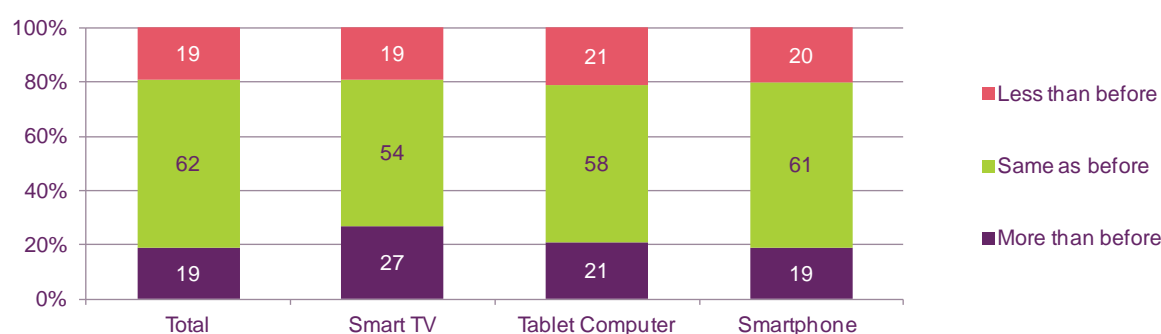
Base: All watching TV, films or short videos clips on a tablet and/or smartphone (variable base sizes)

The impact of tablets on viewing live TV is polarised; some say they now watch more while others say they watch less

While linear television viewing remains dominant, and people continue to enjoy television together as a family, the adoption of other devices is changing the way people watch TV. Around one in five of our sample of smart TV owners, tablet owners and smartphone owners claim to watch less linear television than before they got these devices. But an equal number claim that they watch more, particularly in households where there is a smart TV.

The impact of tablets on overall AV viewing is polarised; similar proportions say they now watch more live TV as say they watch less live TV since owning these devices.

Figure 1.40 Frequency of watching linear TV after device adoption



Source: Ofcom online survey 2013

Q. And would you say you and your family/household are watching more or less live TV than before you got a [smart TV and/ or smartphone and/ or tablet]?

Base: All respondents own at least one device (tablet computer/ smart TV/ smartphone) (1,676)

The research also shows that tablets are having a further impact on the DVD market; 20% of tablet owners say they now watch fewer DVDs as a result.

1.5.6 Family viewing habits among tablet owners

Taking into account the increase in tablet ownership and the relatively high use of these devices for TV-type viewing in the home, this section provides an overview of family viewing habits, providing an insight into collective and individual viewing in the homes of tablet owners.

Tablet owners living in multi-person households are the base for the following research findings.

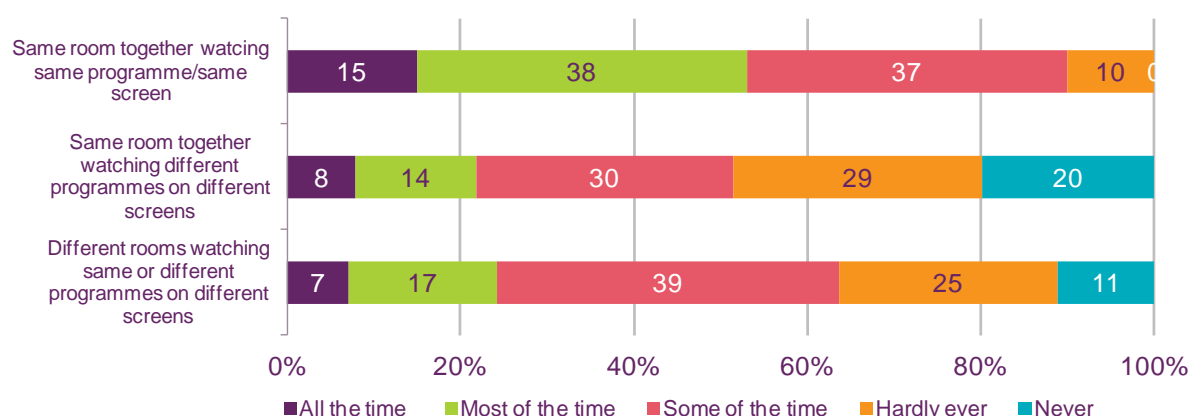
Family viewing in front of a single screen continues to endure, even in households with multiple screen access

The survey data show that collective family viewing on a single screen, in a room with everyone together continues to endure, even among households with multiple devices, and with the multitude of viewing options that these devices offer. Nine in ten of these tablet owners claim to be in the same room as others, watching the same programme on the same screen 'at least some of the time', with 53% saying they do this 'all or most of the time'.

However, more than half (52%) of tablet owners in multi-person households say they are watching different screens while in the same room 'at least some of the time'. Twenty-two per cent say they are watching different programmes on different screens in the same room 'all or most of the time', with a further 30% saying they do this 'at least some of the time'.

The profile of those watching, either on different screens in the same room, or on different screens in different rooms, tend to be more male, AB and 18-24.

Figure 1.41 Household viewing habits



Source: Ofcom online survey 2013

Q. How often, if at all, do you all sit together and watch the same programme on the same set? And how often, if at all, do people in your household sit together in the same room but watch different screens? And how often, if at all, do people in your household sit together in the same room but watch different programmes on different screens?

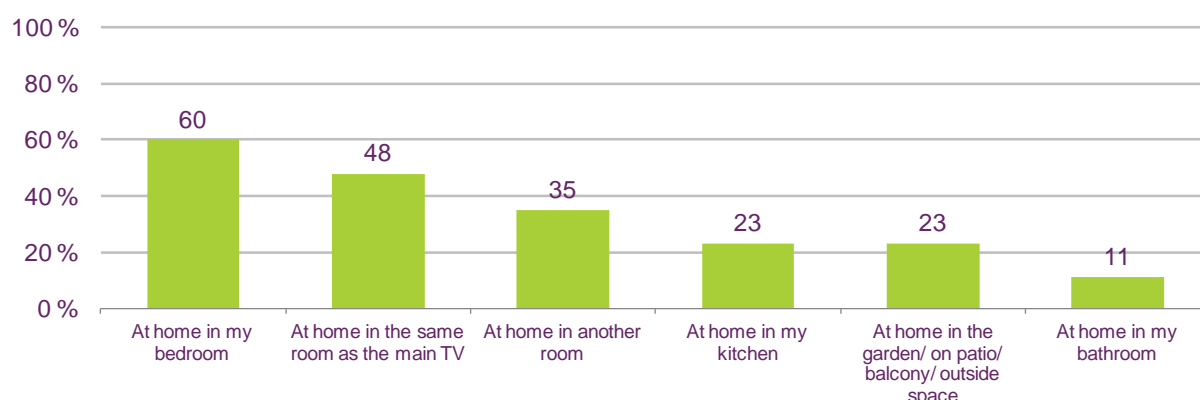
Base: All tablet owners living in multi-person household (1,142)

Bedrooms, and a second screen in the main TV room, are popular locations for viewing AV content on a tablet. One in ten (11%) view content in the bathroom.

We reported earlier that 86% of tablet owners use their device mainly in home. The most common location for viewing content on either a tablet or a smartphone at home is in the bedroom. Six in ten tablet owners claim to view content in this location. This is followed by the room containing the main TV set (48%). On average, over one in ten (11%) view content

on these devices while in the bathroom, and this location is twice as popular for 18-24 year olds (20%).

Figure 1.42 Locations for viewing content in the home: tablet



Sources: Ofcom online survey 2013

Q. And where do you watch these types of content on your..?

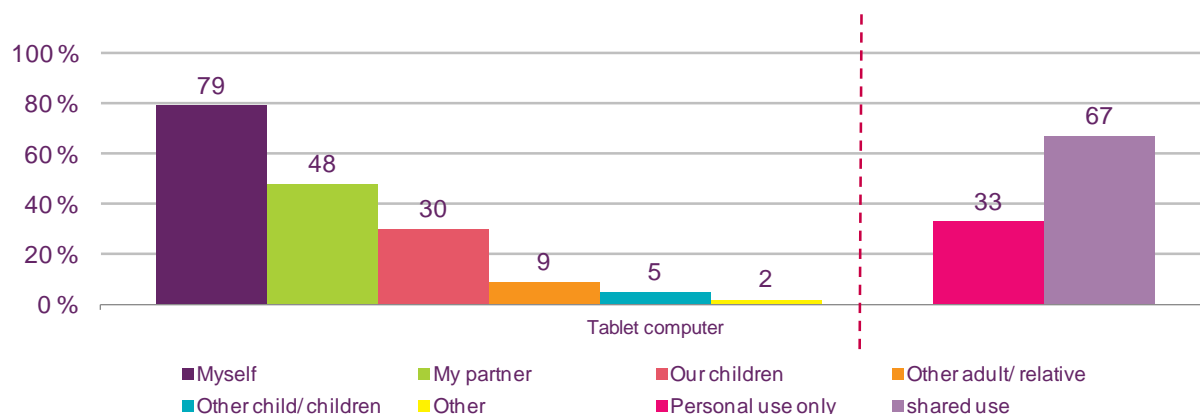
Base: All watching TV, films or short videos clips on a tablet/smartphone (n= 869)

1.5.7 Use of tablet computers by children

Tablets tend to be shared devices in the household

At least half (48%) of tablet content viewers say they share the device with someone else for viewing TV programmes or other types of video content. This is often their partner, but 30% share their tablet with children for TV-type viewing.

Figure 1.43 Shared vs. personal viewing device



Source: Ofcom online survey 2013

Q. Who else in the household is using these devices to watch TV programmes and other types of video content?

Base: All respondents who own a tablet computer (1,676)

Two in five parents with tablets say their children use the device daily, largely for entertainment

Four in five parents said their children used a tablet computer at least weekly, with two in five (41%) reporting daily use by their children and 17% reporting that their children use it more than once a day.

Figure 1.44 Frequency of children's use of a tablet



Source: Ofcom online survey 2013

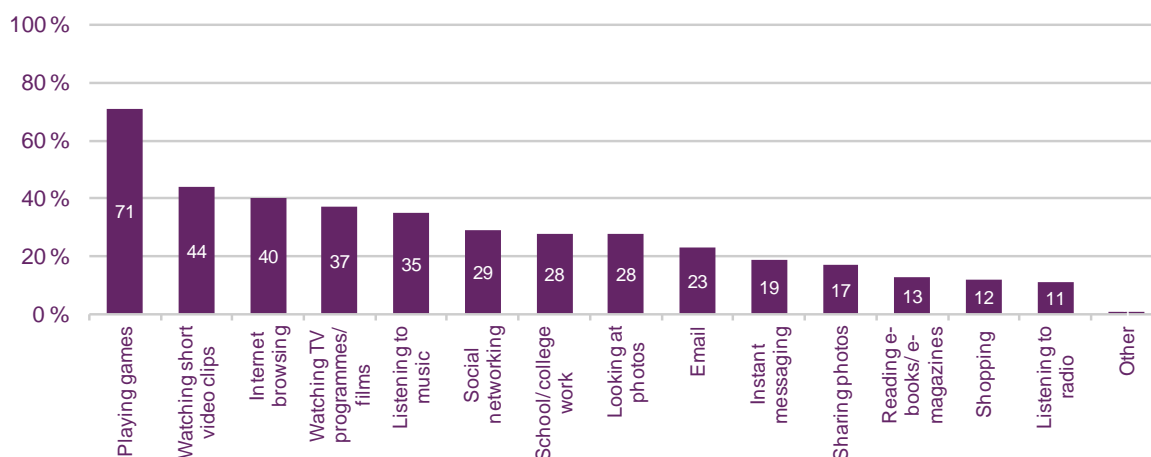
Q. How often, if at all, do your children use your tablet computer or another tablet in the house?

Base: All respondents who own a tablet computer and have children under 18 yrs (678)

Tablet computers are used by children mainly for entertainment, with games being the most popular activity conducted

The large majority (91%) of parents with tablets said their children either use their tablet, or have a tablet of their own, for activities other than just watching content. Tablet computers were used by children mainly for entertainment purposes. Playing games was most popular, followed by watching short video clips, internet browsing and watching TV programmes/films. Just under one in three parents with a tablet said their child used a tablet for school/college work.

Figure 1.45 Tablet use by children



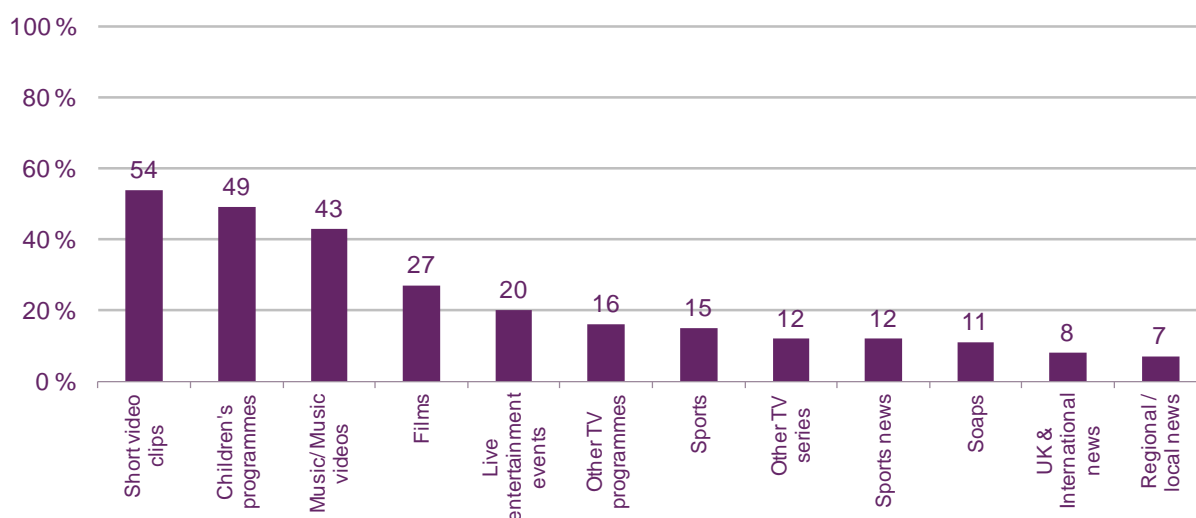
Source: Ofcom online survey 2013

Q. What do your children use your tablet computer for?

Base: Tablet owners with children under the age of 18 years who use parent's tablet computer or another tablet computer in the house (616)

The most popular type of audio-visual content watched by children on a tablet is short video clips, followed by children's programmes and music/music videos.

Figure 1.46 Types of TV programmes and other video content watched by children on a tablet computer



Source: Ofcom online survey 2013

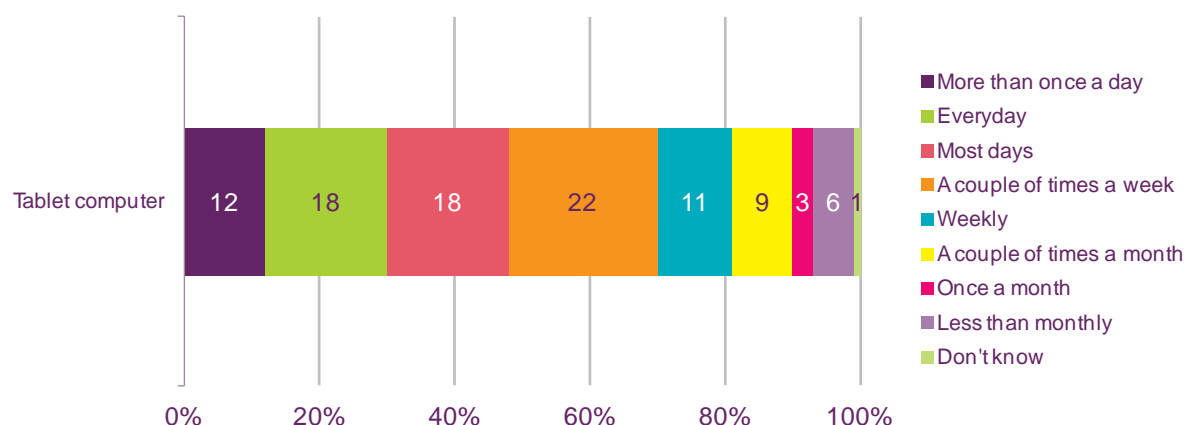
Q. And what types of content are your children watching on their/ your..?

Base: All respondents who own a tablet computer and have children under 18 yrs who watch TV programmes and other types of video content on their/ their own tablet computer (508)

Children who use a tablet for viewing AV content are doing so regularly, with viewing largely taking place either in the main TV room or their bedroom

Children who use a tablet to watch audio-visual content do so regularly, with just under half (48%) of parents reporting their children did this 'most days'.

Figure 1.47 Frequency of children's viewing of AV content on a tablet



Source: Ofcom online survey 2013

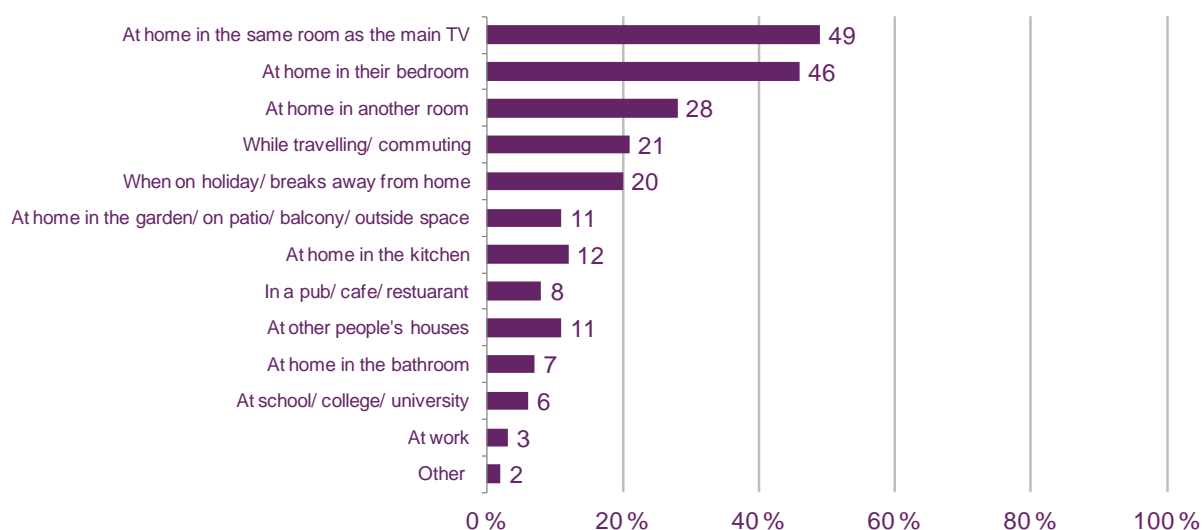
Q. How often do your children watch TV programmes and other types of video content on their/ your..?

Base: All respondents who own a tablet computer and have children under 18 who watch TV programmes and other types of video content on parent's/ their own tablet computer (508)

Despite the mobile nature of tablets, children are using them to watch audio-visual content in the home more frequently than outside the home. The most popular locations are in the same room as the main TV, and in their bedroom.

A fifth of parents whose children watch audio-visual content on a tablet reported that it was used on holidays, and just under one in ten said it was used in pubs/cafes or restaurants.

Figure 1.48 Locations of children's viewing of content at home on tablet computer



Source: Ofcom online survey 2013

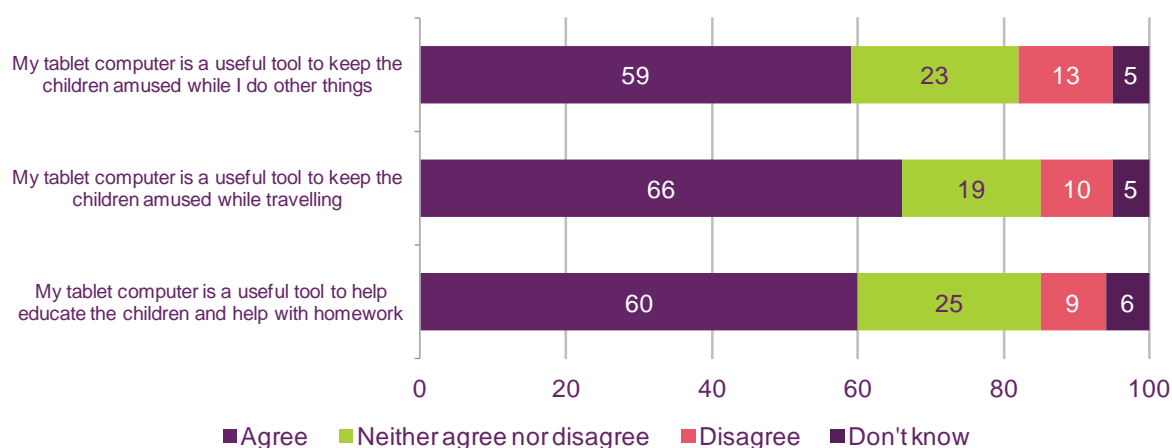
Q. Where are your children watching these types of content on their / your...?

Base: All respondents who own a tablet computer and have children under 18 who watch TV programmes and other types of video content on parent's/ their own tablet computer (508)

Three-quarters (77%) of parents with tablets agree it is a useful device for entertaining and/or educating their children

The majority of tablet owners with children agreed that the tablet is a useful tool for amusing and educating their children, with about three-quarters (77%) of tablet owners with children agreeing to any of these three statements.

Figure 1.49 Tablets as a tool for children



Source: Ofcom online survey 2013

Q. To what extent do you agree or disagree with the following statements?

Base: All respondents who own a tablet computer and have children aged under 18 (660)

1.6 Web and text-based communications

1.6.1 Introduction

This section of the report summarises the findings of a omnibus survey about the use of communications services in the UK. Face-to-face interviews with 2,971 UK adults aged 16+, took place in March 2013. Wherever possible, we have compared the findings with the results of a similar survey conducted for Ofcom in February/March 2012.

The research was commissioned to understand the breadth of communications methods used by UK consumers, and their preferences for using different ways of communicating in different circumstances. The research found that digital communication methods are now widely used alongside, and in some cases are usurping, traditional methods.

Last year we explored ‘the rise in text-based communications’, while this year we focus on the use of internet or web-based communications, and the age divide evident in communication preferences. For the purposes of this survey, the types of communication included in each overall category are shown in the table below.

Communication category	Communication methods
Web-based	Email, social networking, instant messaging, micro - blogging, comments on websites/ forums, internet - based voice/ video calls, photo/ video/ audio sharing sites, e-cards
Non web-based	Face to face, text/ SMS, picture messages/ MMS, post, voice calls on mobile, voice calls on landline
Voice based	Face to face, voice calls on mobile, voice calls on landline, internet-based voice/ video calls
Text-based	Text/ SMS, picture messages/ MMS, post, email, social networking, instant messaging, micro-blogging, comments on websites/ forums, photo/ video/ audio sharing sites, e-cards

1.6.2 Key points

- **One in five 16-24s agree that it is OK to start a relationship using text-based services.** Twenty-one per cent of 16-24 year olds agree that it is acceptable to start a relationship through private text-based communication methods (text messages, emails or private messages on social networking sites) and 11% agree that it is acceptable to do this through public communication methods (e.g. posting publicly on social networking sites). Similarly, 30% of 16-24s agree that it is OK to have an argument using private communication methods and 7% agree that it is acceptable to use public communication methods for this. Older respondents were much less likely to consider it acceptable to share this type of information via text-based methods.
- **Web-based text forms are the most popular method of weekly communication among 16-24 year olds (84%) – higher than SMS (80%).** The most popular forms of weekly web-based communication among this age group are social networking (66%) and instant messaging (48%). Individually, each of these methods is used less

than SMS on a weekly basis. Around a third (35%) use micro-blogging sites on a weekly basis.

- **SMS, email, voice calls on a mobile and social networking have declined significantly over the past year as methods of weekly personal communication.** Use of standard text messages and social networking sites each declined by seven percentage points. Similarly, use of email is down by six percentage points on the year. But use of instant messaging has remained stable, with a quarter (26%) of UK adults using this for personal communications on a weekly basis.
- **Instant messaging is having an impact on use of standard text and picture messaging.** Over half (54%) of instant messaging users said these services had reduced the proportion of SMS and MMS they sent. This is consistent with a reduction in standard text message volumes - over the past year the proportion of SMS sent fell from 39.7 billion to 37.1 billion.
- **Price and speed are driving use of web-based communication services.** Among respondents who use web-based communication services (e.g. instant messaging, internet-enabled voice or video calls through services such as Skype), the most commonly cited reason, given by 44% of users, was to communicate more cheaply. This was followed closely by the ability to communicate more quickly/immediately (42%) and to communicate with people not in the UK (39%).
- **16-24s are more likely to use their mobile phone than a computer for Facebook, Twitter and instant messaging.** Respondents were asked which devices they used for their various web-based communications. Younger users are more likely to use a mobile phone than a computer for almost all the digital communication methods asked about. This included social networking (61% vs. 49% respectively); micro-blogging (27% vs. 16%) and instant messaging (51% vs. 36%).

1.6.3 Frequency of communicating with friends and family

Texting is the most popular way of communicating with friends and family, but fewer claim to be sending texts on a daily basis than in 2012

Eighty-four per cent of respondents communicate at least daily with friends and family, unchanged since 2012. Respondents were also asked which methods they used at least once a day to communicate with friends and family. The findings show that, as in 2012, text messages are the most widely-used method.

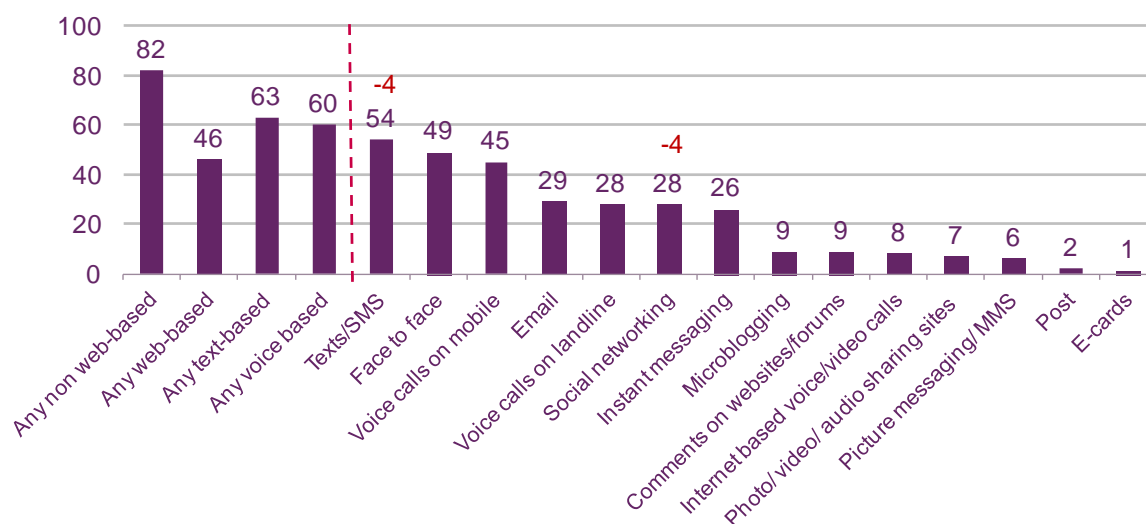
Figure 1.50 shows that over half (54%) stated that they used text messages to communicate with friends and family at least once a day. This is higher than the proportion who claimed to communicate face to face (49%). Voice calls on a mobile were chosen by 45%.

Looking at the overall ways in which people communicate with friends and family on a daily basis, non-web based methods are clearly preferred, with 82% using any non-web based communications method. But just under half (46%) are currently using a web-based method. Use of web-based communications is largely driven by email (29%), social networking (28%) and instant messaging (26%). Use of text-based and voice-based methods of communicating with friends and family are broadly equal (63% and 60% respectively). Due to the decline in 2013 in the use of text messaging and social networking to communicate with friends and family, there is no longer a significant difference between daily use of text-based and voice-based services, as there was in 2012.

While use of text messages has declined since last year (when 58% of respondents claimed to use this method to communicate at least once a day), overall use of web-based methods has remained stable, despite a decline in the use of social networking as a daily method of communicating with friends and family.

Figure 1.50 Methods used at least daily to communicate with friends and family

% UK adults who communicate at least daily with friends and family using each method



Source: Kantar Media Omnibus

Base: All adults in the UK (N=2971)

Q.2A How often do you use [insert statement] to communicate with friends and family?⁸

New codes were added in 2013 for photo/ video/ audio sharing sites, picture messaging/ MMS and e-cards, therefore year-on-year trend is not shown for the summary categories of web/ text/ voice-based services

As in 2012, four in five 16-24 year olds use web-based communications on a daily basis, while use of text messaging declines

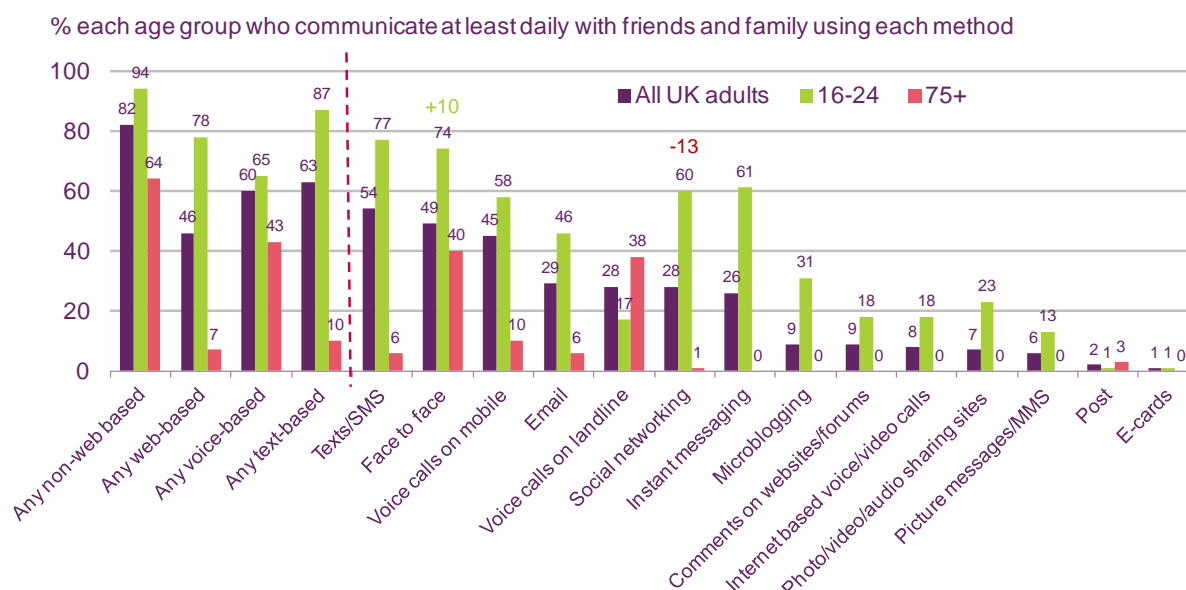
Younger respondents are considerably more likely than older respondents to communicate at least daily with friends and family, with 96% of 16-24 year olds saying they do this, compared to 65% of those aged 75 and over. For both groups this remains unchanged since 2012.

Four in five 16-24 year olds use web-based communications daily; the proportion doing so is unchanged since last year. Three in five say they communicate with friends and family on a daily basis via social networking. Nearly half (46%) use email to communicate with friends and family on a daily basis. Two in five (38%) use instant messaging and 31% use micro-blogging sites like Twitter.

Compared to 2012, 16-24 year olds are significantly less likely to use text messages on a mobile phone at least daily (77% in 2013 compared to 89% in 2012) and to use social networking (60% in 2013 compared to 73% in 2012). They are also significantly more likely to meet face to face (74% in 2013 compared to 64% in 2012).

⁸ While picture messaging can be done using internet-enabled applications, we are including it within our definition of non web-based communications methods as it is primarily referring here to picture messages sent using a mobile phone network.

Figure 1.51 Methods used at least daily to communicate with friends and family: younger and older users



Source: Kantar Media Omnibus

Base: All adults in the UK (N=2971), all 16-24s (N=375), all 75+ (N=365)

Q.2A How often do you use [insert statement] to communicate with friends and family?

New codes were added in 2013 for photo/ video/ audio sharing sites, picture messaging/ MMS and e-cards, therefore year-on-year trend is not shown for the summary categories of web/ text/ voice-based services

Instant messaging is as popular with 16-24 year olds as are fixed line phone calls with the over-75s

Conversely, the over-75s demonstrate a strong preference for non web-based communications. Fixed-line telephone calls and meeting face to face are the joint most popular methods used to communicate daily with friends and family by this age group. These methods are each used by about four in ten (38% and 40% respectively) which is the same proportion of 16-24 year olds who use instant messaging on a daily basis.

The biggest age difference for non web-based communication is for text messaging, with 77% of 16-24 year olds saying they use this method to communicate with friends and family on a daily basis, compared to 6% of those aged 75 and over. Over half (58%) of 16-24 year olds use voice calls via a mobile phone at least daily to communicate with friends and family, compared to 10% of those aged 75 and over.

This age difference is also found in attitudes towards communications. Younger people are more likely than older people to say that new communications methods have made their lives easier (76% of 16-24 year olds versus 23% of those aged over 75) and that they like to keep up with the latest technological trends (61% of 16-24s versus 11% of 75+)⁹.

⁹ Older people are much more likely to disagree with these statements, with 53% disagreeing that new communications have made their lives easier and 76% disagreeing that they like to keep up with technological trends.

Face to face remains the most common form of weekly communication with friends and family, while there has been a decline in communication via social networking sites

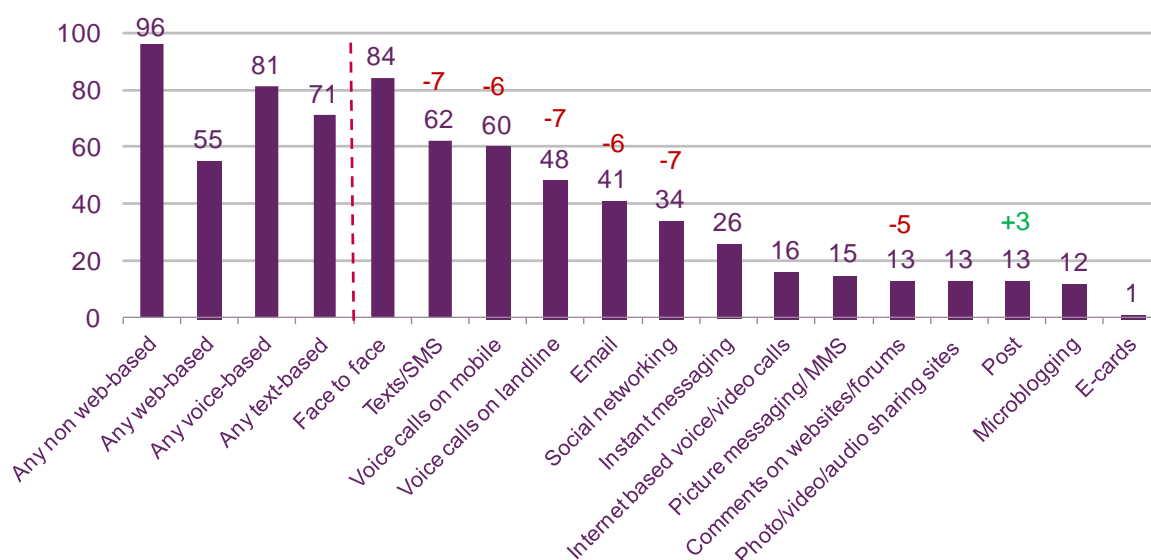
When the timeframe is extended to ‘at least once a week’ the number of respondents who communicate with friends and family increases to 97%, unchanged since 2012, with face-to-face meetings (84%) emerging as the most popular way of communicating with friends and family. Text messages (62%); telephone calls (60% mobile, 48% fixed) and emails (33%) were the next most popular methods. Around a quarter of adults use instant messaging on a weekly basis and around one in ten (13%) use post to keep in touch with friends and family.

While non web-based communications continue to dominate overall, any web-based services are used by just over half (55%) of people at least once a week as a way to communicate with friends and family. The use of web-based communication has fallen by seven percentage points since 2012; from 62% to 55%. This decline has been driven by a decline in the use of social networking, email and comments on websites/ forums. Use of other forms of web-based methods remains stable, with 26% using these on a weekly basis – the same proportion that use them daily. Instant messaging is the most popular method..

Use of text messaging at least weekly has also fallen from 69% in 2012 to 62% in 2013, as have voice calls on mobile phones (from 66% to 60%) and on landlines (from 55% to 48%).¹⁰

Figure 1.52 Methods used at least weekly to communicate with friends and family

% UK adults who communicate at least weekly with friends and family using each method



Source: Kantar Media Omnibus

Base: All adults in the UK (N=2971)

Q.2A How often do you use [insert statement] to communicate with friends and family?

New codes were added in 2013 for photo/ video/ audio sharing sites, picture messaging/ MMS and e-cards, therefore year-on-year trend is not shown for the summary categories of web/ text/ voice-based services

¹⁰ While the analysis also shows that there has been a statistically significant rise in the use of post from 10% in 2012 to 13% in 2013, it is possible this is due to some differences in methodology, including the over-sampling of the 75+ age group and rural users.

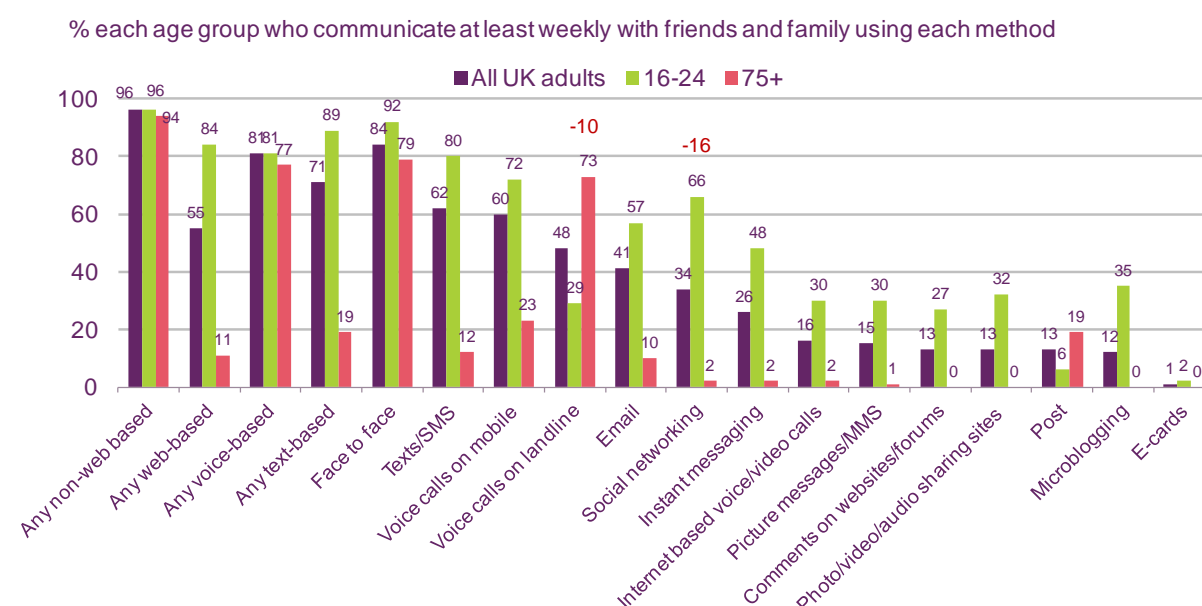
Those aged 75 and over are nearly nine times more likely to choose non web-based than web-based communication with friends and family

The age difference is considerably less marked when we look at those who communicate with friends and family at least weekly, with 99% of 16-24 year olds and 94% of those aged 75+ saying they do this, again unchanged since 2012. But there is still considerable variance in preferences for communication services, with those aged 16-24 much more likely to use text messages, social networking, instant messaging or call on their mobile. On a weekly basis those aged 75+ are more likely to use landline telephony (73%) than those aged 16-24 (29%).

In terms of *overall* use, 84% of 16-24 year olds choose web-based services to contact friends and family each week. Respondents aged 75 and over are nearly nine times more likely to choose non-web-based than web-based communication with friends and family, at 94% and 11% respectively. There is no change in the proportion of either age group using web or non-web-based communication since 2012.

Compared to 2012, 16-24 year olds are significantly less likely to make voice calls on a mobile at least weekly (72% in 2013 compared to 82% in 2012) and to use social networking as a means of communicating with friends and family (66% in 2013 compared to 82% in 2012). There are no significant changes among the 75+ age group.

Figure 1.53 Methods used at least weekly to communicate with friends and family: younger and older users



Source: Kantar Media Omnibus

Base: All adults in the UK (N=2971), all 16-24s (N=375), all 75+ (N=365)

Q.2A How often do you use [insert statement] to communicate with friends and family?

New codes were added in 2013 for photo/ video/ audio sharing sites, picture messaging/ MMS and e-cards, therefore year-on-year trend is not shown for the summary categories of web/ text/ voice-based services

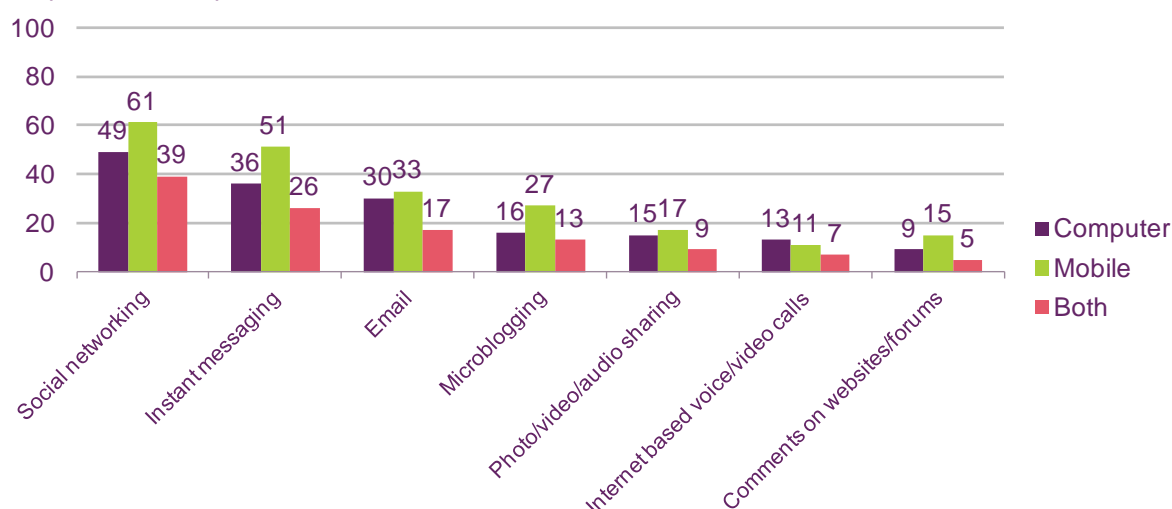
1.6.4 Preferred devices for web-based communication services

16-24s are more likely to use their mobile than a computer for Facebook, Twitter and instant messaging

Where relevant, respondents were asked whether they used the various communication methods using a computer (laptop, desktop, netbook or tablet) or a mobile phone. Overall, UK adults use these services at similar levels on computers and on mobile phones. But younger users are more likely to use a mobile phone than a computer for a range of communication methods, including: social networking (49% of 16-24s communicate using social networking on a computer, compared with 61% using a mobile phone; 39% use both devices to communicate daily via social networks); micro-blogging using sites like Twitter (16% using a computer compared to 27% using a mobile phone); instant messaging (36% using a computer compared with 51% using a mobile phone); and via comments on websites or forums (9% using computer compared with 15% using a mobile phone).

Figure 1.54 Web-based communication on computers, mobile phones, and both, among 16-24 year olds

% of 16-24 year olds using web-based communication at least daily with friends and family on computers, mobile phones and on both



Source: Kantar Media Omnibus

Base: All 16-24s in UK (N=375)

Q.2A How often do you use [insert statement] to communicate with friends and family?

Computers were defined as desktop PC, laptop, netbook or tablet

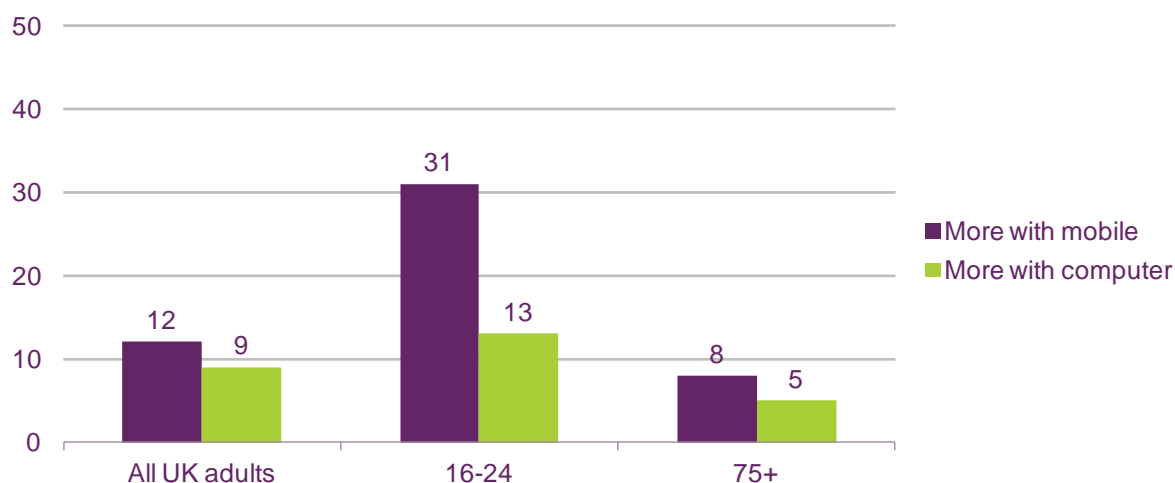
Use of mobiles for communication has grown more than twice as quickly as use of computers among young people

We asked respondents whether they communicated using computers or mobile phones more or less than they did two years ago. While communication using both methods appears to have increased, the increase is larger for communicating with a mobile than with a computer (12% vs. 9%).

This difference is particularly pronounced among younger users. Thirty-one per cent of 16-24 year olds say that they are using their mobile phone more to communicate than they did two years ago, compared to 13% who say they are using a computer more. Among those aged 75 and over the trend is much less pronounced, with 8% saying they are communicating more using a mobile, and 5% saying they are communicating more using a computer.

Figure 1.55 Net increase in use of mobile and computer for communication

% who say they use mobile phone and computer more than they did two years ago for communication



Source: Kantar Media Omnibus

Base: All who use at least one form of communication once a month with friends\ family or businesses, UK adults (N=2959), 16-24s (N=374), 75+ (N=363).

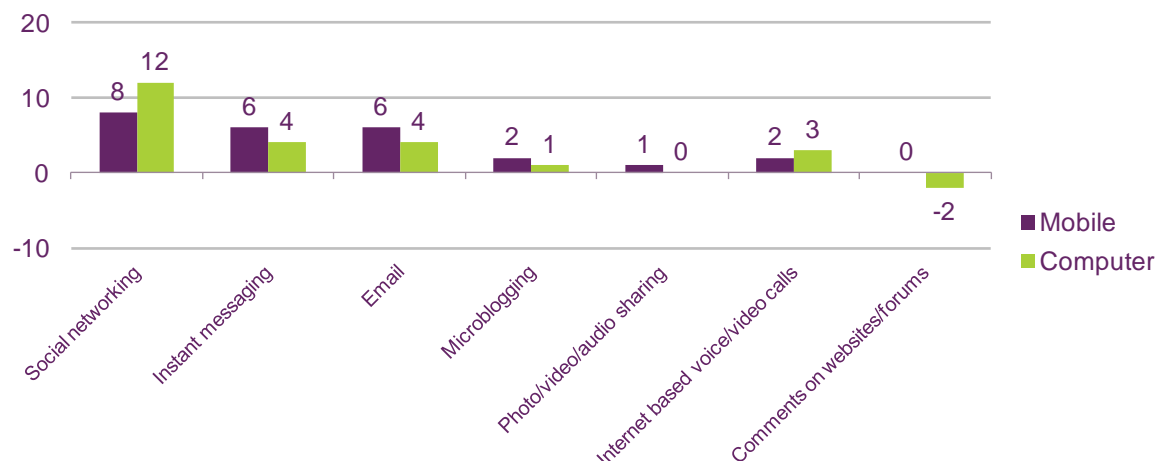
Q.4A Which, if any, of these methods do you use to communicate MORE than you did two years ago? Q.4B And which of them do you use to communicate LESS than you did two years ago? Computers were defined as desktop PC, laptop, netbook or tablet

Web-based communication among younger people is increasing faster on mobiles than on computers

The claimed increase in the use of mobile communication is driven largely by the claimed rise in voice calls and text messages. However, there are also a number of web-based activities that can be undertaken using either a mobile or a computer. In most cases, the growth in these activities among 16-24s has been slightly faster on mobiles than on computers: 6%(net) of 16-24s claim to do more instant messaging using a mobile phone than they did two years ago, compared to 4% (net) who say they do more using a computer; 6% (net) claim to email more using a mobile phone compared to 4% (net) who say they email more using a computer; 2% (net) say they use micro-blogging sites like Twitter more using a mobile, compared to 1% who say they use them more using a computer.

Figure 1.56 Increase in use of internet-enabled communication on computers and mobile phones among 16-24 year olds

% 16-24s who say they use mobile and computer more/less for internet enabled communication than two years ago



Source: Kantar Media Omnibus

Base: 16-24s who use at least one form of communication once a month with friends\ family or businesses (N=374)

Q.4A Which, if any, of these methods do you use to communicate MORE than you did two years ago? Q.4B And which of them do you use to communicate LESS than you did two years ago?

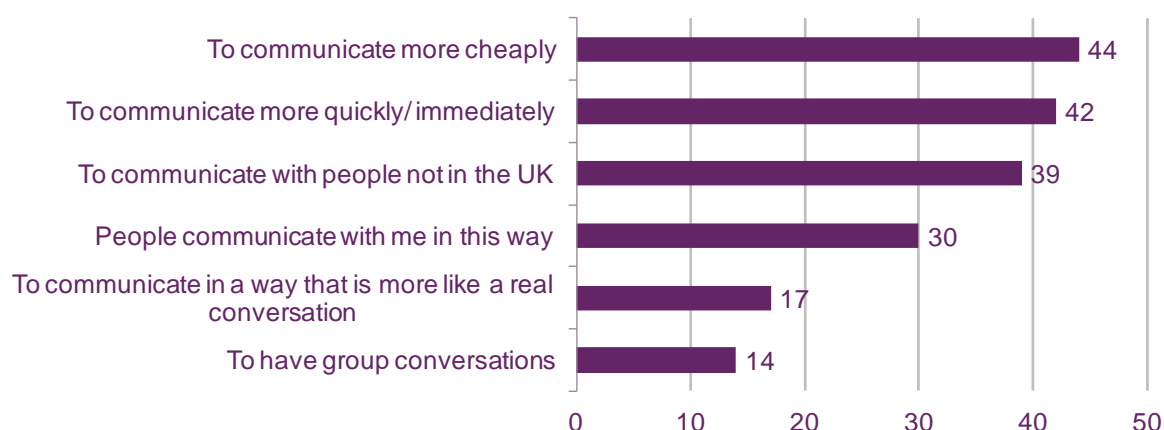
Price and speed are driving use of web-based communication services

We also asked those respondents who use web-based communication services on their mobile phones (e.g. instant messaging or internet-enabled voice or video calls (VoIP) through services such as Skype) what their reasons were for using these services. The most commonly-cited reason, given by 44% of users, was to communicate more cheaply. This was followed closely by the ability to communicate more quickly/immediately (42%) and to communicate with people not in the UK (39%).

This is supported by agreement with attitudinal statements. Sixty-one per cent of respondents agree that they often use the cheapest form of communication possible. This compares to 41% who agree that they “don’t think about the cost when using communication methods, they just use the most convenient”.

Figure 1.57 Reasons for using IP communications

% users giving reason for using IP communications



Source: Kantar Media Omnibus

Base All who use internet communication services in the UK (N=1282)

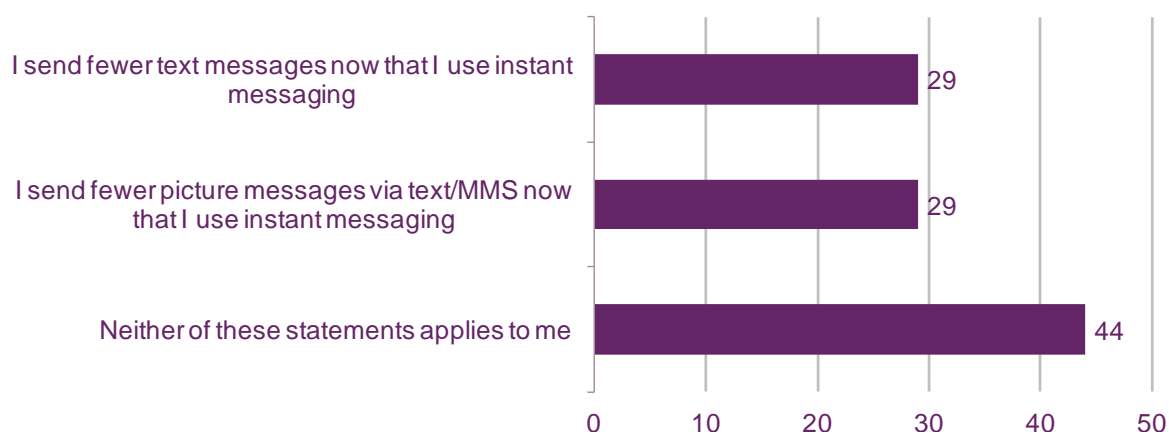
Question: Q.6A You mentioned you use < IP communication method? to communicate. These methods of communication use an internet connection rather than a standard mobile signal. What are your personal reasons for using these communication methods?

Over half of all users are using instant messaging at the expense of text and picture messaging

Respondents who used instant messaging were also asked whether they sent fewer text or picture messages as a consequence. There is some evidence that instant messaging is being used instead of text and picture messaging (SMS/MMS), with 29% of users agreeing that “I send fewer text messages now that I use instant messaging” and 29% also agreeing that “I send fewer picture messages now that I use instant messaging”. In total, 54% of those who use instant messaging on their mobile phones have reduced their use of text and picture messages as a result.

Figure 1.58 Agreement with statements about instant messaging

% IM users who agree with each statement



Source: Kantar Media Omnibus

Base: All that use instant messaging on their mobile in the UK (N=752)

Q.6B And thinking about instant messaging on your mobile phone in particular, which if any, of the following statements apply to you?

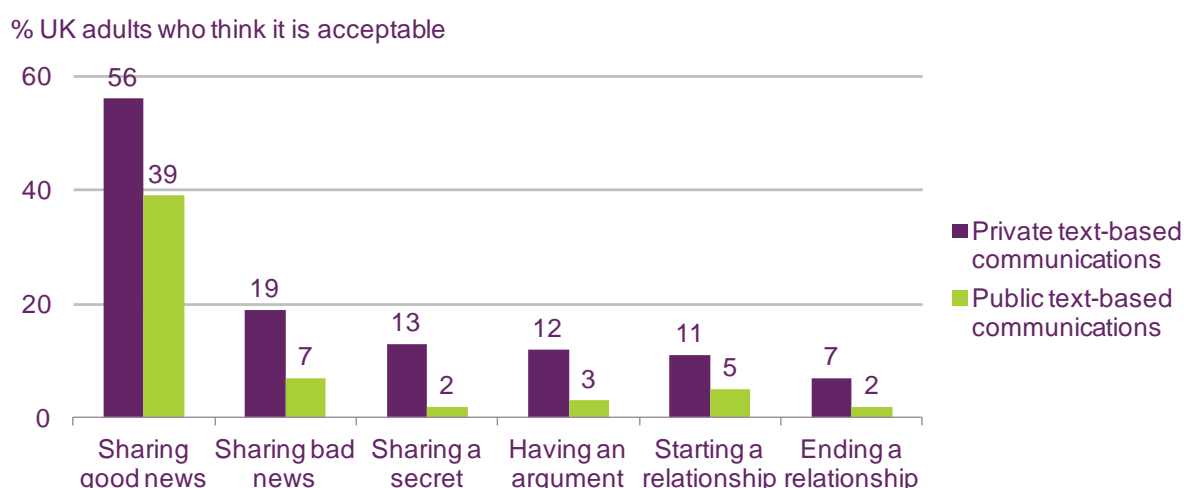
1.6.5 Sharing information using public and private communication methods

Over a third of UK adults agree it is OK to share good news via social networking sites or group instant messages

To further explore attitudes to the use of text and web-based communication, respondents were asked whether there were differences between the types of information it was appropriate to communicate using either private communication methods (such as text messages, emails or a private inbox used as part of a social networking site), or public communication methods (such as posting on social networks or sending instant messages to groups of people). Respondents were asked to give their view on whether it was appropriate to use either of these communication types for: sharing bad news; sharing good news; ending a relationship; starting a relationship; sharing a secret; and having an argument.

Overall, more respondents felt it was acceptable to use private than public communication methods for all of the types of information asked about. Sharing good news had the highest proportion of people who agreed that it was acceptable to use both private communication methods (56%) and public communication methods (39%). Ending a relationship was considered least acceptable to do through private communication methods (7%), and ending a relationship and sharing a secret were also considered least acceptable to do using public communication methods (2% for each).

Figure 1.59 Acceptability of using private and public communication methods to share information



Source: Kantar Media Omnibus

Base: All adults in the UK (N=2971)

Q.5 Which, if any, of the following types of messages, do you feel it is acceptable to use these text based methods for?

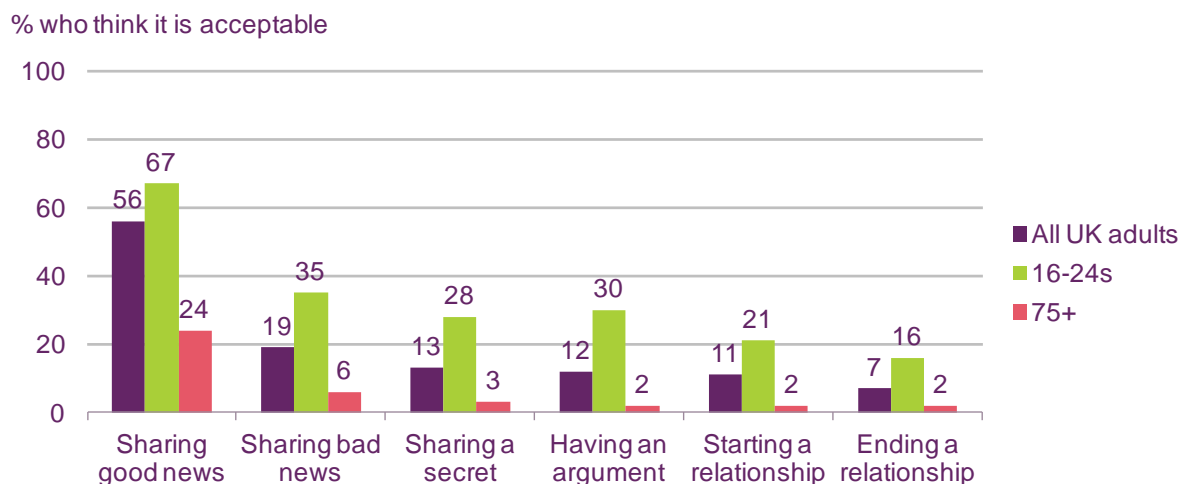
Two in ten 16-24s agree that it is acceptable to start a relationship by text or email

Younger users are significantly more likely than older users to say that it is acceptable to share all of the kinds of information asked about through private communication methods, and to say that it is acceptable to share most of the kinds of information asked about through public communication methods, with the exception of ending a relationship and sharing a secret.

Twenty-one per cent of 16-24 year olds agree that it is acceptable to start a relationship through private communication methods and 11% agree that it is acceptable through public communication methods. This compares to 2% and 1% among those aged 75 and over.

Similarly, 30% of 16-24s agree that it is OK to have an argument using private communication methods, and 7% agree that it is acceptable to use public communication methods. This compares to 2% and 1% of those aged 75 and over.

Figure 1.60 Acceptability of using private communication methods to share information: younger and older users

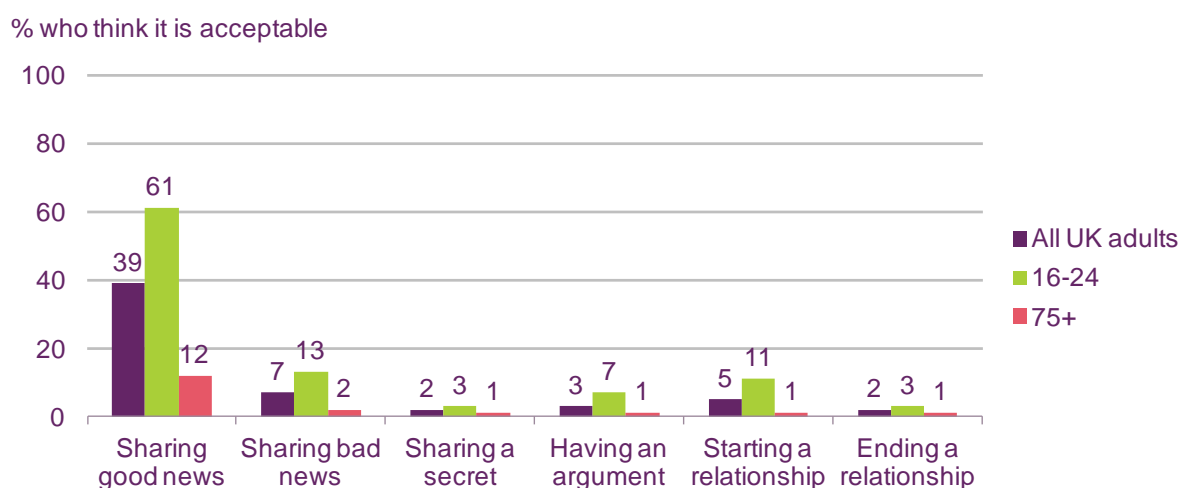


Source: Kantar Media Omnibus

Base: All adults in the UK (N=2971), all 16-24s (N=375), all 75+ (N=365)

Q.5 Which, if any, of the following types of messages, do you feel it is acceptable to use these text based methods for?

Figure 1.61 Acceptability of using public communication methods to share information: younger and older users



Source: Kantar Media Omnibus

Base: All adults in the UK (N=2971), all 16-24s (N=375), all 75+ (N=365)

Q.5 Which, if any, of the following types of messages, do you feel it is acceptable to use these text based methods for?

1.7 TV and internet use among ethnic minority groups

1.7.1 Introduction and structure

The ethnic minority group (EMG) population of the UK is made up of many very different ethnic groups. This chapter uses consumer research to look at a sample of the largest ethnic minority groups in the UK – Pakistani, Indian, Bangladeshi, Black Caribbean and Black African.

Our research assesses how these groups use television and internet services, and explores the differences between the EMG population and the general population of Great Britain¹¹. It first considers the impact of the demographic make-up of these EMG groups, and how this can influence their use of media and communications services, and will then look at take-up and use of these services and attitudes towards them.

The analysis uses data from several years of consumer research and aggregates it. In order to create significant samples of these small sections of society, three years' worth of data was merged together, avoiding duplication and maintaining representativeness by weighting it to the England and Wales 2011 census and population estimates from National Records Scotland. Due to the research data in this section having been compiled over a three-year period, the Great Britain (GB) average presented here is not comparable to figures for GB or UK averages elsewhere in this *Communications Market Report*.

Under the Communications Act 2003, Ofcom is required, in performing its duties, to have regard to the different interests of ethnic minority communities within the UK. A full and detailed report of our findings will be published this summer.

1.7.2 Key points

- **Across the ethnic groups studied, Indian respondents report the highest take-up of broadband, at 82%, compared to the GB average of 71%.** This group has higher-than-average broadband ownership, across the age groups studied. The difference was particularly pronounced among those aged 35+; 77% of Indian respondents in this age group report having broadband at home, compared to 66% across Great Britain as a whole.
- **One in ten 16-34 year olds in the Indian group say they don't watch TV.** A larger proportion of the Indian group said that they did not watch television in the household (7%) compared to the GB population as a whole (1%). Among 16-34 year olds these differences were even greater, with 10% of Indian respondents in this age group not watching television.
- **Most EMGs are less likely than the GB population as a whole to watch recorded television.** Fifty-five per cent of the GB population use recorded TV (TV programmes/ films recorded to view at a later time) while less than half of the EMG groups used this service.
- **Use of on-demand services among EMGs is about the same as the GB average.** Around a third (34%) of each group have used on-demand services (where a

¹¹ We use "Great Britain" here rather than "UK", because our research excluded Northern Ireland

consumer chooses from a selection of programmes/films to watch at any time) such as BBC iPlayer, 4OD, Sky On Demand, LoveFilm or Blinkbox.

1.7.3 Demographic analysis

Demographics may partially explain many of the differences between EMGs and the general population

The EMG population in Great Britain differs from the general population in demographic profile. Although there are considerable variations between individual groups, the EMG population profile compared to all GB adults tends to:

- be clustered in London and major cities;
- be younger;
- be larger in household size;
- be more likely to have children in the household;
- have either very high or very low academic qualifications;
- have higher unemployment rates; and
- have a lower income profile¹².

Some of the differences in use of media and communications services between the EMG and the general population can be attributed to these demographic variations. For example:

- People from EMGs are slightly more likely to have mobile phones (97% compared to 95% of all adults). This may reflect the younger age profile of EMGs, as research shows that younger people are more likely than older people to have mobile phones.
- Although it differs by individual group, people from EMGs are slightly less likely to have a fixed line (82% compared to 88%). People on lower incomes are less likely to have a fixed line and individuals from EMGs, taken together, have lower average incomes than the general population.

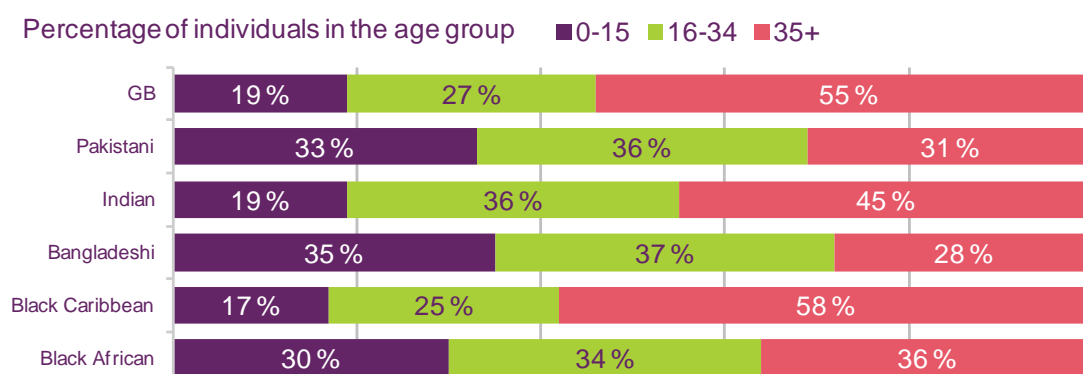
Most EMGs have a younger age profile than the GB population

Age was a relevant factor in the interpretation of findings, as younger individuals tend to be more engaged with new communications devices, more aware of technology and its benefits and more interested in certain digital features than older individuals, regardless of ethnicity.

The Black Caribbean ethnic group was the most similar in age structure to the GB population, as shown in Figure 1.62. The Bangladeshi and Pakistani groups are younger on average and have larger proportions (over 30%) of individuals under 16. The Black African group also has a slightly younger profile than other EMGs, including the Black Caribbean group.

¹² According to 2011 ONS Family Resource Survey: 40% of the Asian: Indian group earned more than £800 a week compared to the 30% of the UK

Figure 1.62 Age distribution, by ethnic group



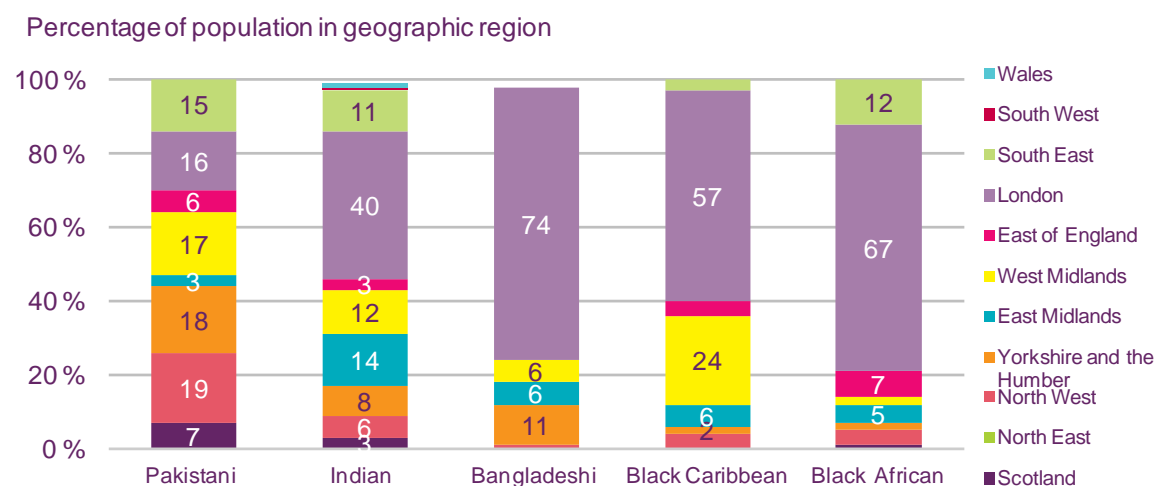
Source: 2011 Census (2011, Office of National Statistics) UK

High proportions of ethnic minority groups live in London

Geography was also a factor in the interpretation of our findings, as urban households tend to be able to connect more readily to communications networks and have greater access to a range of products and services.

Three-quarters (74%) of the Bangladeshi group and two in three (67%) of the Black African group live in London. By contrast, two in five (40%) of the Indian and less than one in five (16%) of the Pakistani groups live in London.

Figure 1.63 Regional distribution of ethnic minority groups



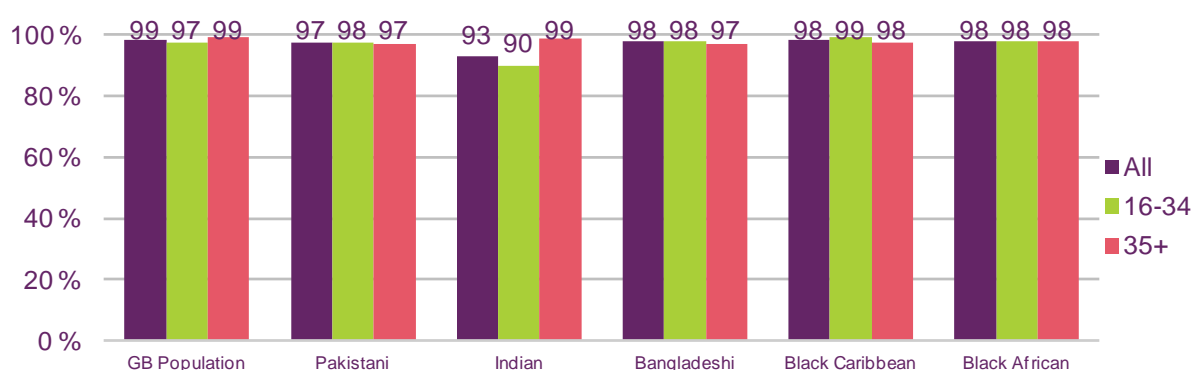
Source: General Lifestyle Survey, Office for National Statistics (2010) GB

1.7.4 Television viewing habits

One in ten 16-34 year olds in the Indian group say they don't watch TV

A larger proportion of the Indian group said that they did not watch television in the household (7%) compared to the GB population as a whole (1%). Among 16-34 year olds these differences were even greater, with 10% of Indian respondents in this age group not watching television.

Figure 1.64 Penetration of watching television



Source: TGI Three Years of Aggregated Data 2009-2012

Base: All 72,218; Pakistani 526; Indian 870; Bangladeshi 166; Black Caribbean 398; Black African 517

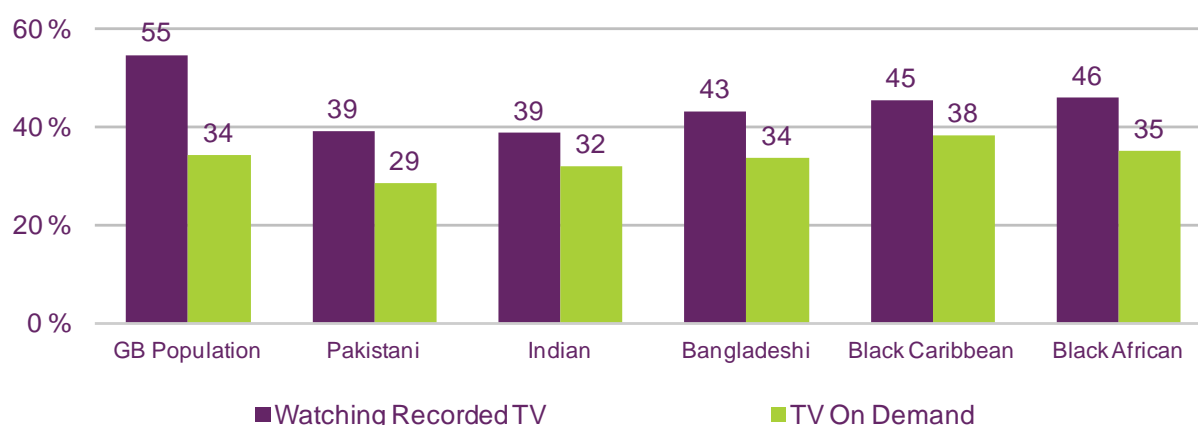
Q: Do you watch television?

Most EMGs are less likely than the GB population average to watch recorded television, but just as likely to use on-demand services

Use of recorded TV among EMGs was lower than among the GB population group. More than half (55%) of the GB population used recorded TV (TV programmes/films recorded to view at a later time) while less than half of the other groups used this service.

Use of on-demand among EMGs is similar to the GB average. About a third of each group has used on-demand services (where a consumer chooses from a selection of programmes/films to watch at any time) such as BBC iPlayer, 4OD, Sky On Demand, LoveFilm or Blinkbox.

Figure 1.65 Recorded and on-demand TV



Source: TGI Three Years of Aggregated Data 2009-2012

Base: All 72,218; Pakistani 526; Indian 870; Bangladeshi 166; Black Caribbean 398; Black African 517

Q: Have you watched TV programmes/films in either of these ways in the last 12 months?

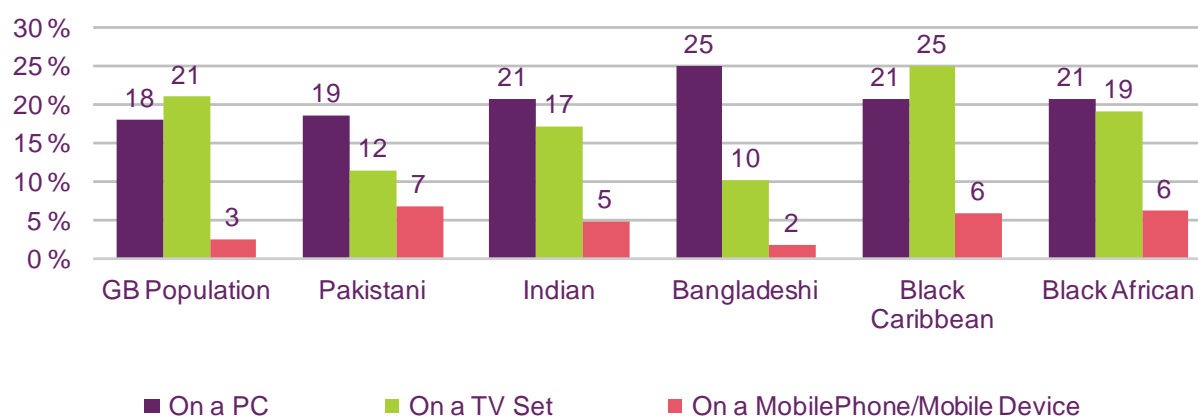
EMGs are more likely to use a PC or mobile to watch on-demand audio-visual content

Larger proportions of EMGs use PCs and mobile to access on-demand content than the overall GB population. While less than one in five (18%) of the GB average as a whole has

used a PC to access on-demand content, a quarter (25%) of the Bangladeshi group have done so. Conversely, this EMG is less likely to watch on-demand content on a TV set.

Among 16-34 year olds, 29% of GB respondents watch TV on demand on a PC, and 24% watch via a television. But among the Black Caribbean population, as many respondents in this age group watched on-demand TV on a PC as on a TV set (29% and 30% respectively). Eleven per cent of 16-34 year olds in the Black Caribbean group watched on-demand on a mobile, compared with 5% of the GB population.

Figure 1.66 TV on demand, by platform



Source: Kantar TGI Three Years of Aggregated Data July 2009 - December 2012

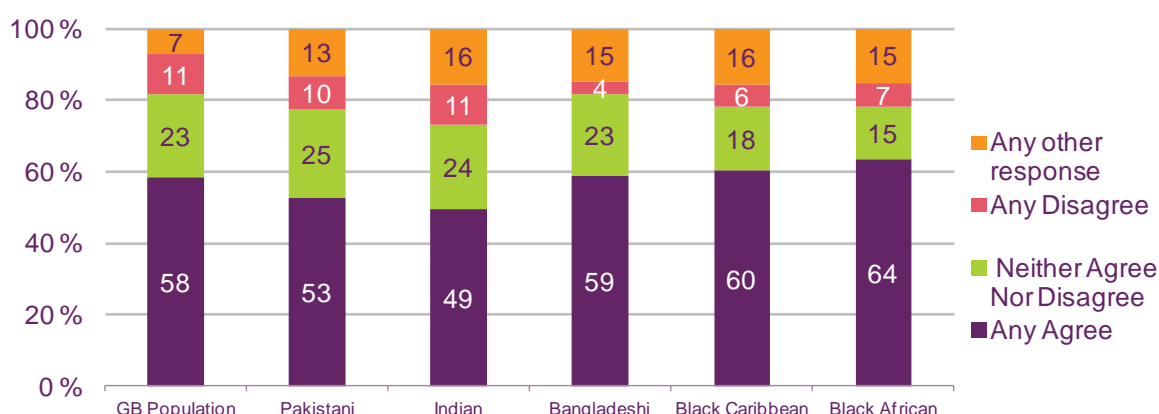
Base: All 72,218; Pakistani 526; Indian 870; Bangladeshi 166; Black Caribbean 398; Black African 517

Q: Which of these do you use to watch TV on demand?

More than three in five of the Black groups agree that they like the idea of having a large selection of channels

More than three in five of the Black Caribbean and African groups agree with the statement "I like the idea of having a large selection of TV channels" (60% and 64% respectively) compared with 58% of the GB population.

Figure 1.67 “I like the idea of having a large selection of TV channels”



Source: Kantar TGI Three Years of Aggregated Data July 2009 - December 2012

Base: All 72,218; Pakistani 526; Indian 870; Bangladeshi 166; Black Caribbean 398; Black African 517

Statements: I like the idea of having a large selection of TV channels

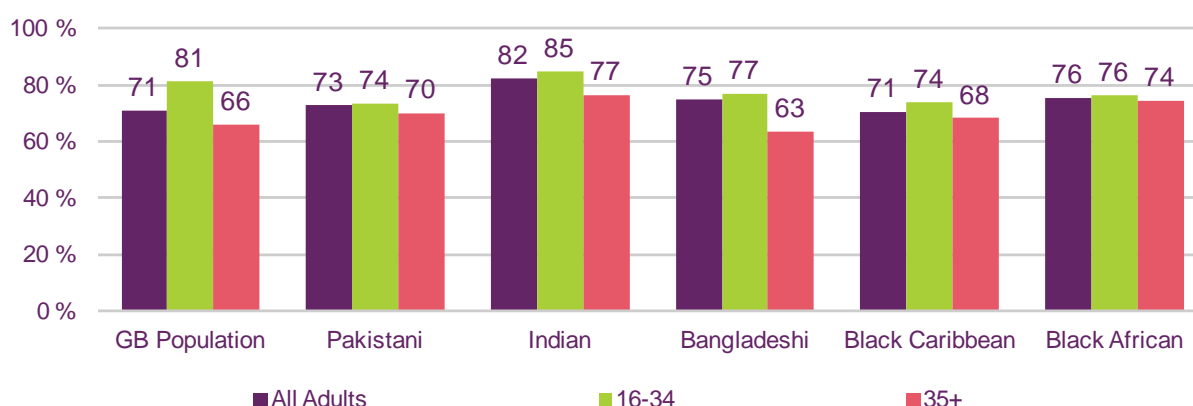
1.7.5 Take-up and use of the internet

Seventy-seven per cent of Indian respondents aged 35 and older report having broadband at home, compared to 66% of the GB population

Broadband take-up among most EMGs is higher than in the GB population as a whole. The Indian group has the highest levels of broadband penetration, at 82%, compared to 71% of the GB population. This EMG reports higher than average broadband ownership in both reported age groups.

Eighty-five per cent of 16-34 year olds in the Indian group have a broadband connection, compared to 81% of those in this age group across GB. Seventy-seven per cent of the Indian group aged 35+ have a broadband connection – 11 percentage points higher than the GB average for this age group.

Figure 1.68 Take-up of broadband



Source: Kantar TGI Three Years of Aggregated Data July 2009 - December 2012

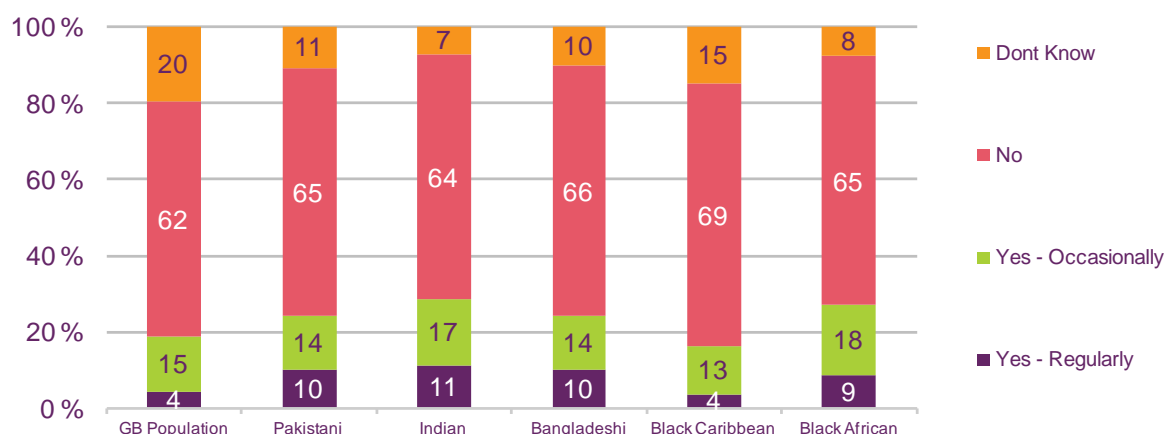
Base: All 72,218; Pakistani 526; Indian 870; Bangladeshi 166; Black Caribbean 398; Black African 517

Q: Which type of connection do you have at home?

One in ten Pakistani, Bangladeshi and Indian respondents claim to use WiFi hotspots regularly

Over a quarter of respondents in the Indian, African groups reported using WiFi hotspots either occasionally or regularly. Seventeen per cent of the Black Caribbean group used the same technology, compared with 19% of respondents across Great Britain. The Pakistani, Indian, Bangladeshi and African groups were the most likely to claim to use WiFi hotspots regularly – with one in ten reporting this, compared to 4% of the GB population.

Figure 1.69 Using WiFi hotspots



Source: Kantar TGI Three Years of Aggregated Data July 2009 - December 2012

Base: All 72,218; Pakistani 526; Indian 870; Bangladeshi 166; Black Caribbean 398; Black African 517

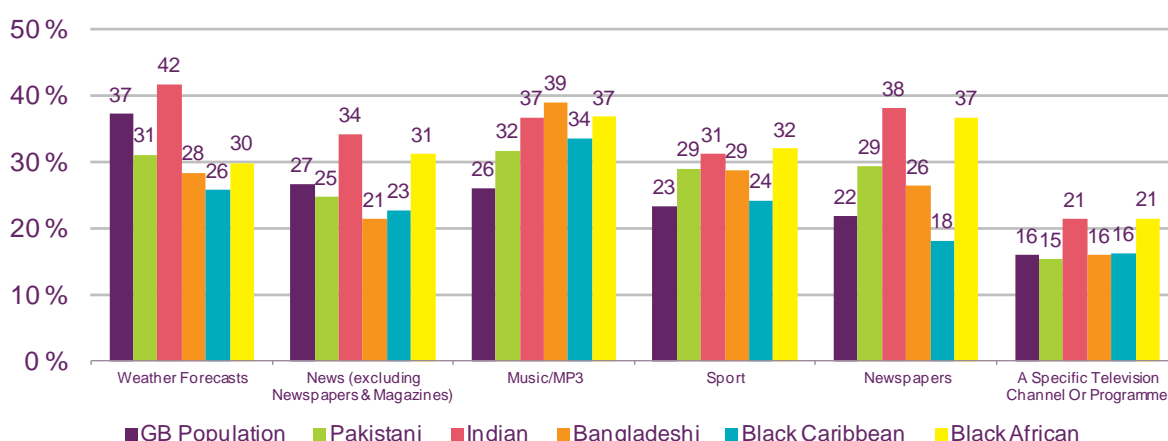
Do you connect to wireless hotspots (located in cafes trains, airports etc.)?

Almost four in ten Indian respondents browse newspaper sites online

Higher than average proportions of respondents from the Indian group and Black African group reported visiting news sites (at 34% and 31% respectively); this compares to 27% of respondents across GB who reported looking for news (excluding newspaper sites) on the internet.

Thirty-eight per cent of the Indian group visit newspaper websites on the internet, compared to 22% of Great Britain. Similarly, 37% of the Black African group visit newspaper sites.

Figure 1.70 Types of websites visited



Source: Kantar TGI Three Years of Aggregated Data July 2009 - December 2012

Base: All 72,218; Pakistani 526; Indian 870; Bangladeshi 166; Black Caribbean 398; Black African 517

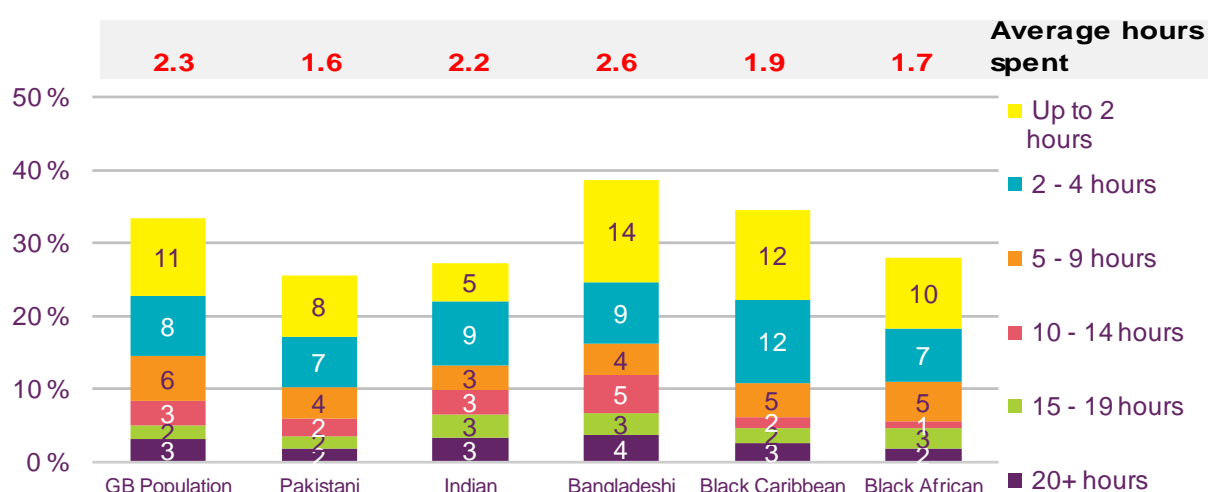
Which sites do you visit (ever)?

Among 16-34 year olds, Bangladeshi respondents spend the most time playing online games

A third of 16-34 year olds across Great Britain claim to spend time playing video games online each week. This is more than most EMGs except the Black Caribbean and Bangladeshi groups, where 35% and 39% spend time playing games online. The Bangladeshi respondents claimed to spend the most time playing games online, at 2.6 hours on average per week.

In contrast, a quarter of the Pakistani and Indian groups (26% and 27% respectively) and 28% of the Black African group report playing games online.

Figure 1.71 Time 16-34 year-olds spent playing online games via a games console or PC



Source: Kantar TGI Three Years of Aggregated Data July 2009 - December 2012

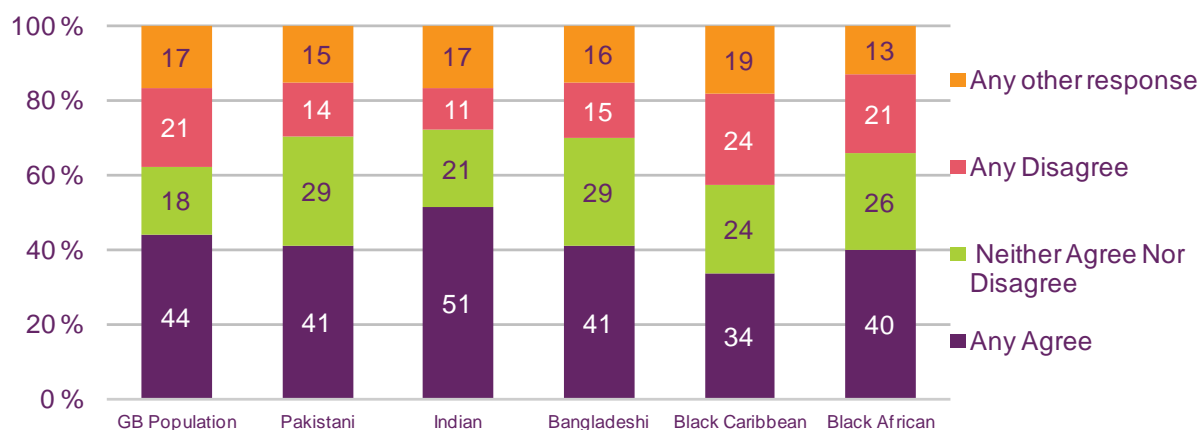
Base: All 72,218; Pakistani 526; Indian 870; Bangladeshi 166; Black Caribbean 398; Black African 517

Q: How many hours do you spend playing games ONLINE on a console or PC? (Per week)

A third of Black Caribbean respondents refer to the internet before making a purchase

Around half of the Indian group (51%) say they often refer to the internet before making a purchase. Only a third (34%) of the Black Caribbean group say they do research on the internet before making a purchase.

Figure 1.72 “I often refer to the internet before making a purchase”



Source: Kantar TGI Three Years of Aggregated Data July 2009 - December 2012

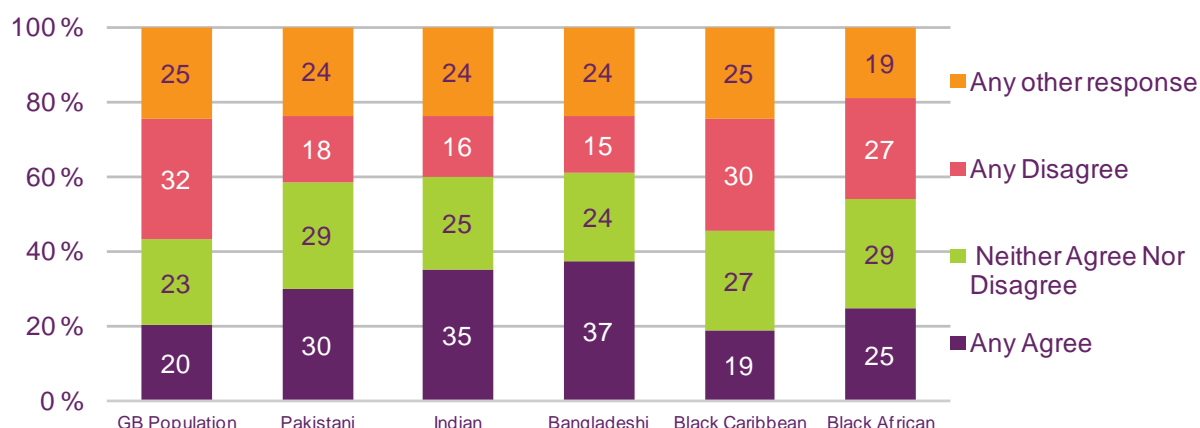
Base: All 72,218; Pakistani 526; Indian 870; Bangladeshi 166; Black Caribbean 398; Black African 517

Statements: I often refer to the Internet before making a purchase

Respondents from the Asian EMGs are most likely to report being influenced by online comments and reviews

While one in five respondents across Great Britain agree that they tend to be influenced by comments and reviews online posted by other internet users, around a third of the Bangladeshi, Indian and Pakistani groups (37%, 35% and 30% respectively) say that they tend to be influenced by online comments and reviews.

Figure 1.73 “I tend to be influenced by comments/reviews posted online by other internet users”



Source: Kantar TGI Three Years of Aggregated Data July 2009 - December 2012

Base: All 72,218; Pakistani 526; Indian 870; Bangladeshi 166; Black Caribbean 398; Black African 517

Statements: I tend to be influenced by comments/reviews posted online by other Internet users

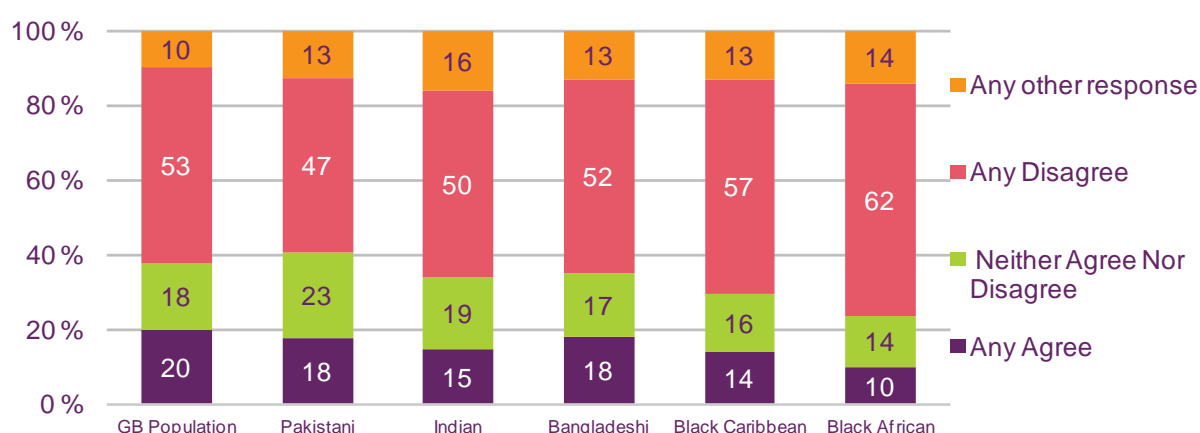
1.7.6 Attitudes towards technology

Black African respondents were the least likely to say that computers confused them

In general, similar proportions of EMGs disagreed that “computers confuse them and that they will never get used to them”, when compared to the GB population as a whole. However, among the EMG groups, there was some variation; the Black African population was most at ease with computers, with 62% disagreeing with the statement that computers confuse them, compared to just under half of the Pakistani group.

Among 16-34 year olds, smaller proportions of respondents from the Asian groups disagreed that computers confuse them. Compared to the 65% of 16-34s in Great Britain who are not confused by computers, only around half of 16-34 year olds in the Bangladeshi (53%), Indian (53%) and Pakistani (51%) groups disagreed with this statement.

Figure 1.74 “Computers confuse me, I’ll never get used to them”



Source: Kantar TGI Three Years of Aggregated Data July 2009 - December 2012

Base: All 72,218; Pakistani 526; Indian 870; Bangladeshi 166; Black Caribbean 398; Black African 517

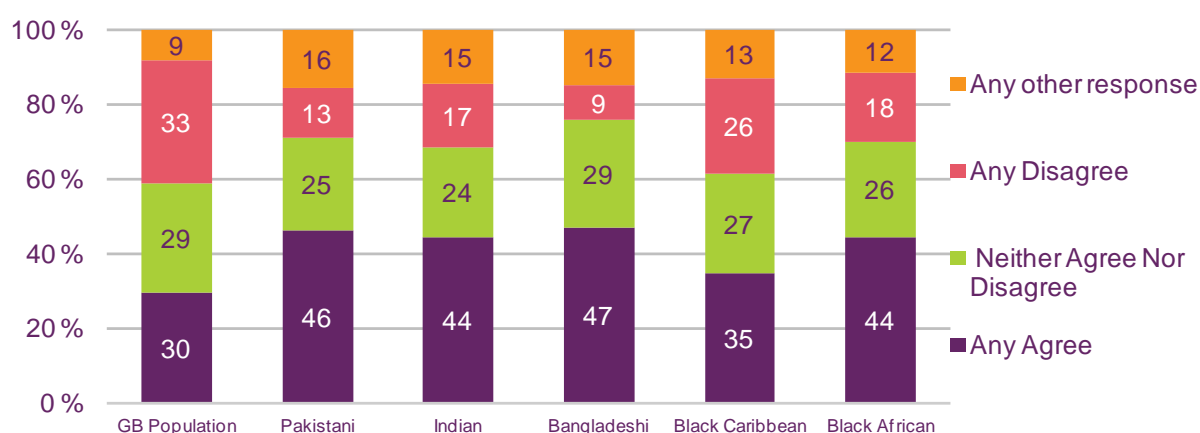
Computers confuse me, I'll never get used to them

EMG respondents were more likely than the GB population to agree that they love to buy new gadgets and appliances

While 30% of adults in Great Britain agreed that they love to buy new gadgets and appliances, higher proportions of the Bangladeshi, Pakistani and Black African groups (47%, 46% and 44% respectively) agreed with this statement.

Among 16-34 year olds in Great Britain, 44% said that they love to buy new gadgets and appliances, compared to more than half (53%) of 16-34 year olds in the Black African group.

Figure 1.75 “I love to buy new gadgets and appliances”



Source: Kantar TGI Three Years of Aggregated Data July 2009 - December 2012

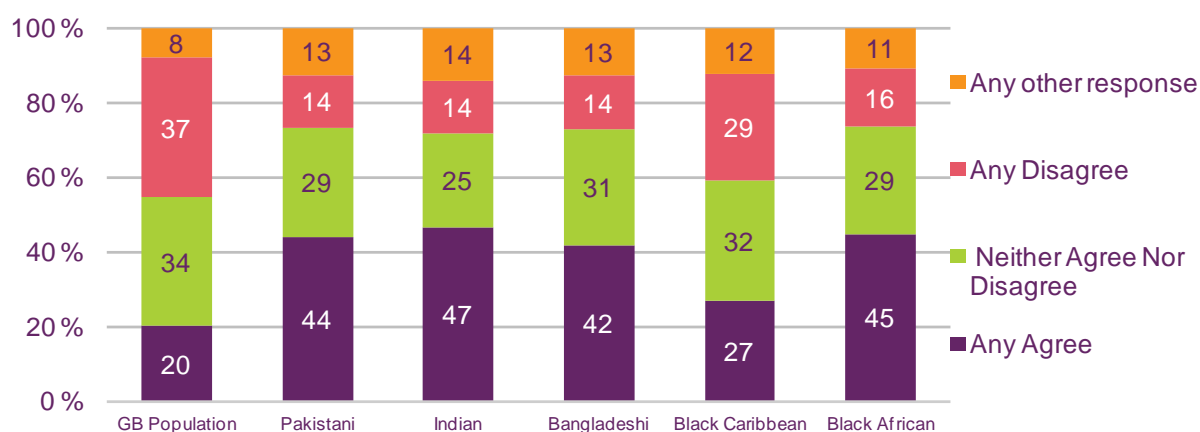
Base: All 72,218; Pakistani 526; Indian 870; Bangladeshi 166; Black Caribbean 398; Black African 517

Statements: I love to buy new gadgets and appliances

Respondents from Asian and Black African groups are more likely to agree that it is important for their household to be equipped with the latest technology

Larger proportions of EMGs agree with the statement: “it is important to have my house equipped with the latest technology”, than the GB population. While 20% of the GB population agree with the statement, 47% of the Indian group and 45% of the Black African group agree. Similarly, among 16-34 year olds, while three in ten (31%) 16-34 year olds in Great Britain agree with the statement, more than half (52%) of 16-34 year olds in the Indian Asian group agree.

Figure 1.76 “It is important my household is equipped with the latest technology”



Source: Kantar TGI Three Years of Aggregated Data July 2009 - December 2012

Base: All 72,218; Pakistani 526; Indian 870; Bangladeshi 166; Black Caribbean 398; Black African 517

Statements: It is important my household is equipped with the latest technology

1.8 UK cities' communications markets

1.8.1 Introduction

This section sets out comparative data relating to communications markets across a selection of the UK's cities in 2013.

The section reports on a 'deep dive' study of communications service availability and take-up across a number of the UK's cities, using data from Analysys Mason, the Ofcom *Infrastructure Report 2012*, and the British Population Survey.

The world's urban population is expected to double over the next 30 years. Already 80% of the United Kingdom population live in urban areas and 60% of jobs are accounted for in UK cities.¹³ At the same time, communications technology is becoming increasingly important to the economic, social and environmental sustainability of cities. The extent to which cities can access and use such technologies may have an important impact on their future economic, social and environmental success.

In 2011, the government set aside £100m for an Urban Broadband Fund (UBF) to help create up to ten 'super-connected' cities across the UK. The project is focused on increasing access to superfast broadband, and extending areas of public WiFi access. This was followed in 2012 by a further fund of £50m for a 'second wave' of cities to benefit from the programme.¹⁴

In its 2013/14 Annual Plan, Ofcom committed to undertake further research into the effect of communications infrastructure availability on high-density areas, including cities and towns. We will use this research, together with the conclusions of our work on the availability of communications services in the nations, which we published on 16 May 2013¹⁵ and which looked primarily at the provision of services in rural areas, to help us understand the needs of different parts of the UK regarding communications services, how the market has delivered, and the impact of selected public interventions.

1.8.2 Summary of key findings

- **All of the 11 cities in our study have excellent access to basic broadband services.** The availability of first-generation broadband infrastructure provided by BT was found to be universal across all the cities assessed. However, in the cities covered, an average of 5.5% of premises cannot connect to a service faster than 2Mbit/s, with the highest proportion in Derry-Londonderry, Cardiff, and Inverness. London has by far the highest in terms of absolute numbers (nearly 111,000 premises).
- **In the majority of cities, the current availability of next-generation access (NGA) services from either BT and/or Virgin Media is greater than 80%.** The exceptions to this are Glasgow and Inverness, although planned increases in availability in Glasgow will take the city above the 80% mark in the near future. Inverness will also benefit from the Highlands and Islands Enterprise (HIE) £146 million investment in broadband. Derry-Londonderry's exceptionally high figure

¹³ <http://www.centreforcities.org/assets/files/2011%20Research/11-04-19%20Key%20city%20stats.pdf>

¹⁴ <https://www.gov.uk/government/policies/transforming-uk-broadband/supporting-pages/investing-in-super-connected-cities>

¹⁵ <http://stakeholders.ofcom.org.uk/market-data-research/market-data/economic-geography/>

reflects the marked effect of the public-sector intervention that has driven availability to 99%, the highest of any city.

- **The availability of WiFi hotspots varies considerably across cities, and is often greater in smaller cities.** Bangor and Inverness are particularly well served in terms of hotspots per head, despite having a smaller number in absolute terms. The high figure for Bangor may be due to its large student population.
- **All cities have good 3G mobile coverage, and most are covered by all four operators.** In all cities except Bangor and Derry-Londonderry, all four competing 3G mobile networks provide coverage to the vast majority of premises (98% or more). Only one city, Derry-Londonderry, has premises which are not covered by any mobile operators, although this affects only 2% of premises.
- **Glasgow and Birmingham have below average internet take-up.** Glasgow has a significantly lower percentage of individuals accessing the internet (57%), by any means, than all other cities and Great Britain as a whole. Attitudinal rather than demographic differences may partly explain the lower take-up of broadband in Glasgow. People in Birmingham also have significantly lower internet access than the other cities (76%).

1.8.3 Background and methodology

Data on communications service availability

As part of this research, Ofcom commissioned 11 case studies of UK cities, identifying the availability of communications services and the factors driving this. The relevant cities are listed below, and were chosen to represent a range of urban populations and business profiles across the UK.

- **England:** London, Birmingham, Manchester, Cambridge, Exeter
- **Scotland:** Glasgow, Inverness
- **Wales:** Cardiff, Bangor
- **Northern Ireland:** Belfast, Derry-Londonderry.

While some of the key findings of the report are highlighted in this section, the full Analysys Mason report can be found on Ofcom's website¹⁶.

Data on communications service take-up

Having considered the availability of communications services, this section assesses how take-up of telecommunications services varies across cities in Great Britain, using data from the British Population Survey (BPS). This explores telecommunications access across these cities and considers whether demographic variables continue to explain at least part of the difference.

The BPS asks consumers about mobile and landline telephone, internet, and fixed broadband, and comprises around 2,000 face-to-face, in-home interviews with adults (aged 15+) every week, allowing detailed regional and sub-demographic analysis.

Using data from the BPS April 2012 to March 2013, analysis was conducted on the some of the largest UK cities:

¹⁶ <http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr13/cities-report.pdf>

- England: Inner and Outer London, Bristol, Brighton, Birmingham, Leeds, Liverpool, Manchester and Newcastle
- Scotland: Glasgow
- Wales: Cardiff

These cities differ slightly from those studied in the previous section, as it was not possible to obtain data for the smaller cities in the study.

The BPS uses a different methodology to Ofcom's Technology Tracker (used elsewhere in this report) in that quotas and the wording of questions are different. In addition, key statistics such as mobile and tablet take-up are household-based rather than individual. As such, the two data sources should not be compared. The BPS data allows comparisons to be made between ownership in different cities in Great Britain.

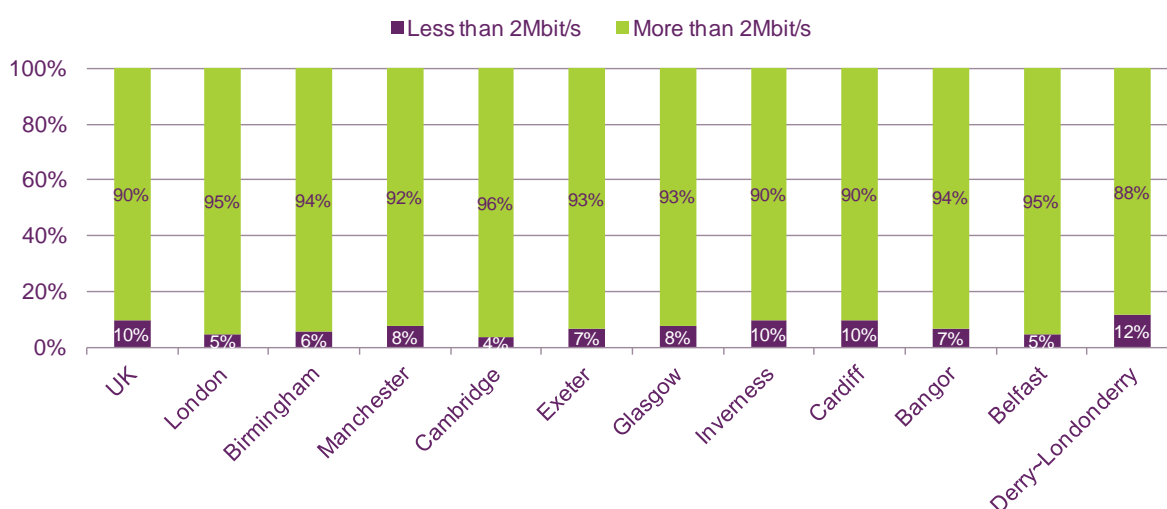
1.8.4 Availability of communications services in UK cities

All the cities assessed have excellent access to basic broadband services, but a small proportion of premises are unable to receive a speed faster than 2Mbit/s

The availability of first-generation broadband infrastructure (both ADSL copper and its rate-adaptive variant ADSL Max copper), provided by BT, was found to be universal across all the cities assessed.

However, a number of premises in each city receive a speed of less than 2Mbit/s, even in large populous centres such as London, Birmingham and Manchester. The variation in the percentage of lines with speeds of less than 2Mbit/s, the minimum speed defined for basic broadband¹⁷, is relatively small, ranging from a maximum figure of 11.7% (Derry-Londonderry) to a minimum of 4.3% (Cambridge), with an average value of 5.5% for the 11 cities. The average value for the UK as a whole is 10%. This distribution of values is predominantly due to the variation in length of copper loops in the access network.

Figure 1.77 Proportion of lines with speeds less/greater than 2Mbit/s



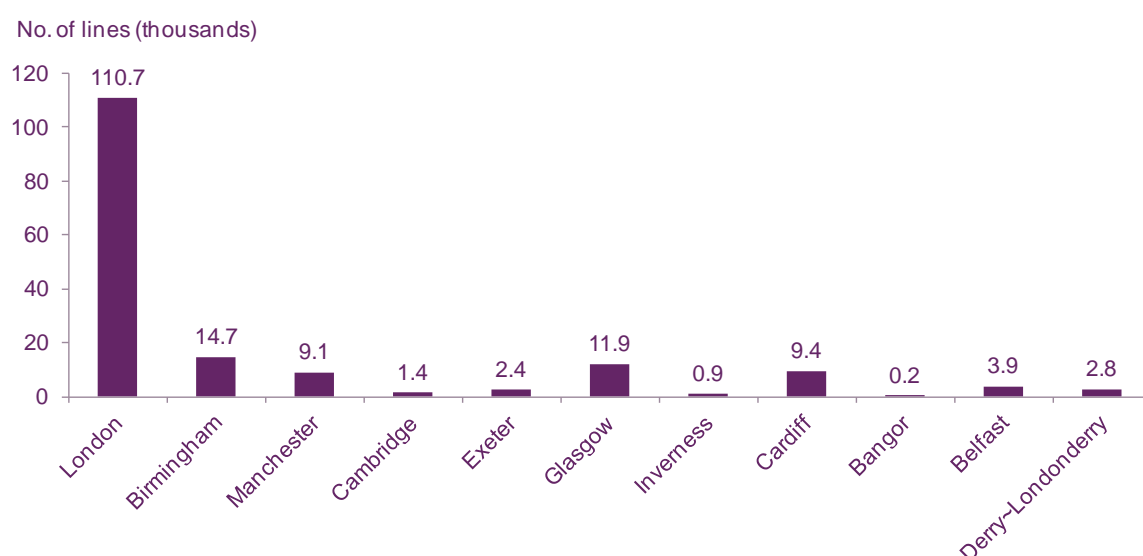
Source: Analysys Mason, Ofcom Infrastructure Report 2012

¹⁷ The speed of the connection depends on the physical conditions of the communications channel. A key factor is the length of the copper access connection.

However, in terms of the absolute number of lines less than 2Mbit/s, there is a much greater variation across the 11 cities. This is most evident in the larger cities. For example, London has one of the lowest percentages of lines less than 2Mbit/s, but by far the highest in terms of absolute numbers (nearly 111,000 premises) and this reflects to some extent the relative size of each of these cities.

The presence of slow fixed lines in every city may be mitigated to some degree by the fact that coverage by 3G mobile networks is 100% of the population in all cities except Derry-Londonderry (as seen in Figure 1.85 later in this section). Even in this case, only 2% of premises do not receive any 3G mobile coverage. The ubiquity of mobile coverage mitigates to some extent the impact of the slow fixed lines. However, consumers appear at present to consider mobile broadband access to be complementary to, rather than generally a substitute for, fixed broadband access¹⁸, and mobile broadband speeds are likely to be much slower.¹⁹

Figure 1.78 Number of lines less than 2Mbit/s



Source: Analysys Mason, Ofcom Infrastructure Report 2012

In the majority of cities, availability of next-generation access (NGA) services from BT and/or Virgin Media is in excess of 80%

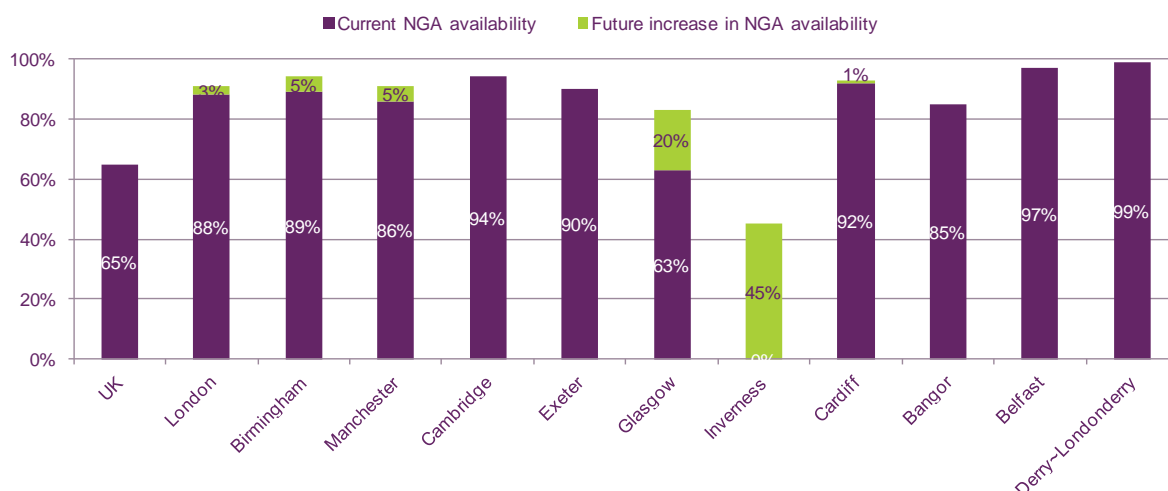
Current availability of NGA infrastructure is over 80% for all the cities reviewed, with the exception of Glasgow and Inverness, although planned increases in availability in Glasgow will take the city above the 80% mark in the near future. Inverness will also benefit from the Highlands and Islands Enterprise (HIE) £146 million investment in broadband across the Highlands and Islands, which upon completion will provide access to fibre broadband to 84% of Highlands and Islands homes and businesses.

Derry-Londonderry's exceptionally high figure reflects the marked effect of the public-sector intervention that has driven availability to 99%, the highest of any city in the survey.

¹⁸ Ofcom's fuller provisional assessment of this matter is referred to in, for example, our *Fixed Access Market Review* consultation document at <http://stakeholders.ofcom.org.uk/binaries/consultations/fixed-access-market-reviews/summary/fixed-access-markets.pdf>

¹⁹ <http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/broadband-speeds/main/mobile-bb-10>

Figure 1.79 Estimated current and future availability of NGA infrastructure from BT and/or Virgin Media

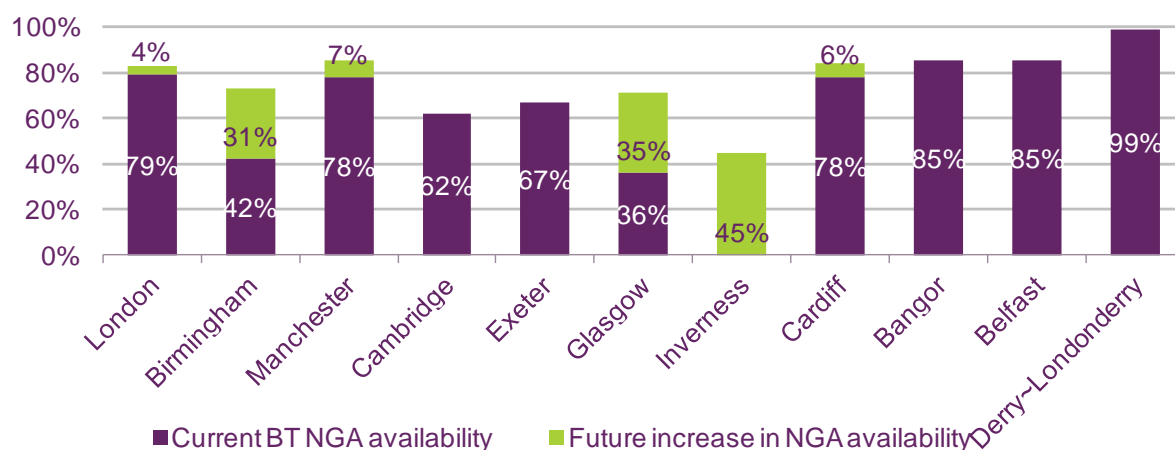


Source: Analysys Mason, Ofcom Infrastructure Report 2012

In general, next-generation access (NGA) services from BT are more widely available than from Virgin Media

In general, the availability of NGA services across the 11 cities is greater for services supplied by BT than services supplied by Virgin Media. However, in many cases the availability for each service contains areas where the networks do not overlap, resulting in higher overall availability than each individual network supplies. For example, in Cardiff BT has current availability estimated at 78% while Virgin Media has current availability estimated at 68%. The combined current NGA service availability for Cardiff is 92%.²⁰

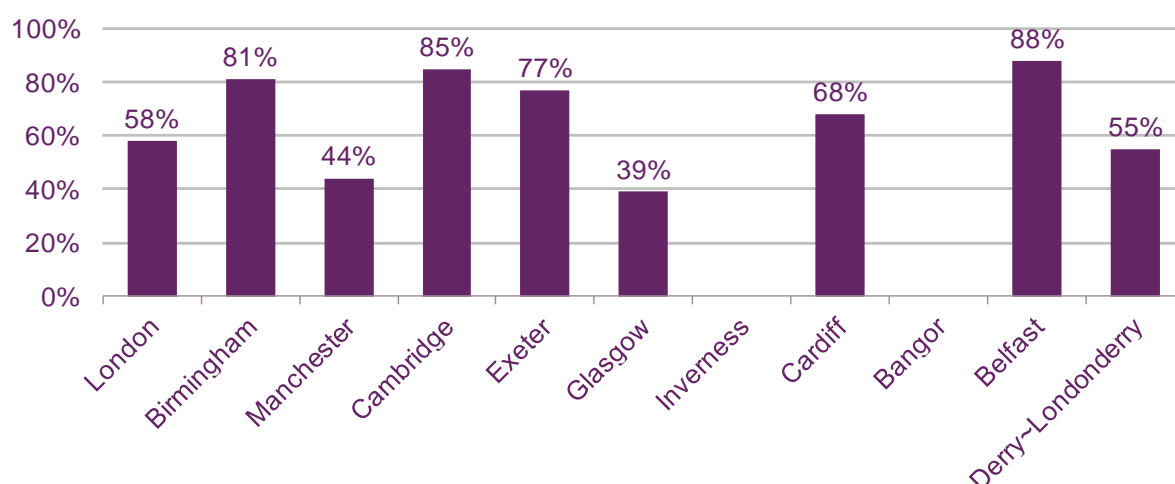
Figure 1.80 Estimated current and future availability of BT NGA broadband infrastructure for eleven cities



Sources: Source: Analysys Mason, BT

²⁰ The data for both the BT and Virgin Media analysis contains a number of assumptions and approximations and therefore may differ from other reported figures. The methodology for both sets of results is fully explained in the Analysys Mason report.

Figure 1.81 Availability of Virgin Media cable infrastructure for 11 cities



Source: Analysys Mason, Virgin Media

FTTC roll-out is lagging behind in Birmingham and Glasgow

The BT fibre network comprises fibre-to-the-cabinet (FTTC) and fibre-to-the-home (FTTH) infrastructure. Figure 1.82 shows the FTTC status of each city's exchanges, according to BT's current roll-out plans. 'In-plan' is used to describe exchanges that BT has indicated will be upgraded in the future.

Birmingham and Glasgow, which are large cities with high population densities, have relatively low availability compared to other cities. This may be because BT's plans for roll-out have been affected by local market conditions. For example, there has been relatively low take-up of first-generation broadband services, which might be attributed to factors such as social deprivation²¹, local authority planning and highway issues, or there may be an increased risk attached to the existing and future level of competition. Although Glasgow's local authority was unsuccessful in its 'super-connected city' bid for BDUK²² funding, it is now believed to be investigating the possibility of deploying its own initiatives, such as broadband demand stimulation projects.

²¹ This is suggested by a visual comparison of (a) the location of exchanges serving postcodes for which there are currently no plans for a next-generation upgrade, and (b) areas within the cities that form part of the 20% most deprived areas nationally.

²² Broadband Delivery United Kingdom

Figure 1.82 Upgraded and in-plan exchanges as a percentage of the total exchanges serving the city area

City	Number of exchanges	Already upgraded exchanges	% of total number of exchanges	Other in-plan exchanges	% of total number of exchanges
London	209	176	84.3%	10	9.5%
Birmingham	41	16	39%	14	34.1%
Manchester	24	21	87.5%	3	12.5%
Cambridge	7	2	29%	0	0%
Exeter	5	1	20%	0	0%
Glasgow	33	10	30.3%	12	36.3%
Inverness	3	0	0%	1	33%
Cardiff	14	10	71.4%	4	28.6%
Bangor	1	1	100%	0	0%
Belfast	15	15	100%	0	0%
Derry~Londonderry	10	10	100%	0	0%

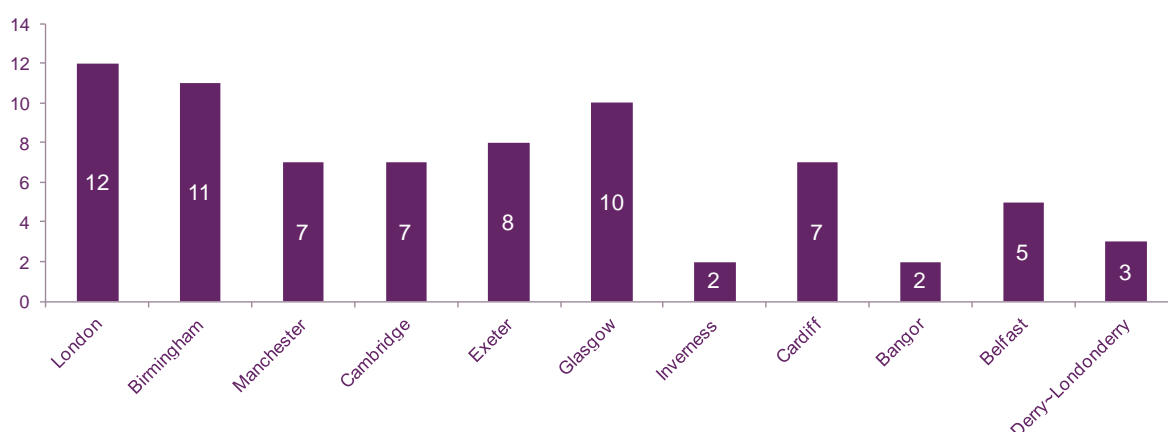
Source: Analysys Mason 2013

There are at least three alternative fibre network operators with a point of presence in all cities

In addition to the two main operators which own fibre network infrastructure (BT and Virgin Media), a number of alternative operators also have their own fibre network infrastructure, or at least a point of presence i.e. an interconnection with another communications provider, in each city. Alternative operators tend to focus on providing services to larger business customers.

The number varies significantly from city to city, with the numbers (as expected) broadly correlating with the population of each city.

Figure 1.83 Number of alternative operators to BT and Virgin Media identified as having a point of presence



Source: Analysys Mason 2013

The availability of WiFi hotspots varies considerably across cities, and is often greater in smaller cities

Bangor and Inverness are particularly well served in terms of hotspots per head, despite having a smaller number in absolute terms. This may be because small cities have a more easily discerned and identified centre, whereas sprawling cities may have multiple centres, or a greater ratio of population to central hubs. The large value for Bangor may also be due to its large student population. An exception is the smaller city of Derry-Londonderry, which has a much lower hotspot density.

Although Figure 1.84 only shows hotspots provided by The Cloud and BT, it should be noted that there are several projects under way to increase WiFi availability in certain cities. Local authorities are increasingly engaging in wireless 'concession' schemes to upgrade the passive infrastructure to encourage private operators to invest in wireless infrastructure across their city. This is evidenced by the inclusion of such schemes in the Super-Connected Cities Projects, which are funded by the Urban Broadband Fund.²³

Derry City Council plans to fund the installation of a public WiFi network in the city, which will supplement the relatively low provision of hotspots provided commercially.

Figure 1.84 Hotspots per 10,000 city residents (hotspots provided by The Cloud and BT)

City	City total	Total hotspots per 10,000 city residents (city benchmark)	Total hotspots per 10,000 city residents (11 city average)	Percentage difference from 11 city average
London	3220	4.1	6.2	-33%
Birmingham	350	3.4	6.2	-45%
Manchester	278	5.6	6.2	-10%
Cambridge	84	6.7	6.2	+8%
Exeter	64	5.4	6.2	-13%
Glasgow	350	6	6.2	-3%
Inverness	30	8.1	6.2	+31%
Cardiff	240	7.1	6.2	+14%
Bangor	21	14.1	6.2	+129%
Belfast	150	5.7	6.2	-8%
Derry-Londonderry	20	1.8	6.2	-70%

Source: Analysys Mason 2013

All cities have good 3G mobile coverage, and most are covered by all four operators

In all cities except Derry-Londonderry and Bangor, all four competing 3G mobile networks provide coverage to the vast majority of premises. This compares favourably to the UK as a whole where, on average, 77.3% of premises are covered by all four operators. Only one city, Derry-Londonderry, has premises which are not covered by any mobile operators, although this affects only 2% of premises.

²³ Seven out of the eleven cities have been awarded funding from the Urban Broadband Fund, namely: London, Birmingham, Manchester, Cambridge, Cardiff, Belfast and Derry-Londonderry.

At the time of writing, 4G coverage is widespread in six of the cities assessed: London, Birmingham, Manchester, Glasgow, Cardiff and Belfast, and in the vast majority of cases, coverage is provided by the operator EE, which has been able to use an existing spectrum licence. The exception is London, where 4G coverage is also provided by the operator UK Broadband, but only in selected locations.²⁴

Figure 1.85 3G mobile coverage from four operators (% of premises), by city



Source: Analysys Mason 2013

There is no significant difference in standard broadband speeds between the cities assessed

Figure 1.86 compares, for all cities, the average maximum modem sync speed²⁵ for basic broadband, and also superfast broadband (SFBB) lines, although these results are presented for illustrative purposes only, as they are based on a dataset in which all superfast broadband line speeds have been set at 40Mbit/s.

The speed results are sensitive to the percentage of FTTC lines in each city. BT has plans to upgrade exchanges in some cities, and there are also several public projects under way to increase the number of premises that have access to NGA. It is therefore expected that in future all cities will have a fairly similar, good quality of service in terms of the average maximum modem speed of all broadband lines.

²⁴ Source: Analysys Mason

²⁵ For broadband delivered over telephone lines using the family of digital subscriber line (DSL) technologies, the modem sync speed is the downstream data rate at which the ISP's equipment in the local exchange or cabinet sends data to the customer's broadband modem.

Figure 1.86 Illustrative results as at June 2012, showing average modem sync speed for basic broadband and SFBB lines, with SFBB all set at 40Mbit/s

City	Excluding SFBB lines (City average = 14.1 Mbit/s)		Including SFBB lines (City average = 29.9 Mbit/s; UK average 12.7 Mbit/s)	
	Average maximum speed (Mbit/s)	% difference	Average maximum speed (Mbit/s)	% difference to city average
London	15.7	+12%	33.1	+11%
Birmingham	14.9	+6%	34.4	+15%
Manchester	13.8	-2%	30.8	+3%
Cambridge	14.4	+2%	36.2	+21%
Exeter	13.4	-5%	32.9	+10%
Glasgow	14.2	+1%	27.3	-9%
Inverness	12.2	-13%	12.2	-59%
Cardiff	12.3	-13%	34.4	+15%
Bangor	15.9	+13%	15.9	-47%
Belfast	16.1	+14%	37.2	+24%
Derry~Londonderry	11.9	-15%	35	+17%

Source: Analysys Mason, Ofcom Infrastructure Report 2012

Models of intervention

All of the cities assessed have a digital infrastructure strategy (or similar) and/or a digitally focused organisation or delivery programme. Different operational models and partnership arrangements exist for managing and delivering digital objectives. Cities' objectives also differed, with varying emphases on demand-side stimulation initiatives and projects to address social and digital inclusion, and different supply-side approaches to increase the availability of the communications infrastructure.

In some cases the city objectives are part of larger regional initiatives, which is particularly important for cities such as Bangor and Inverness, which do not have a local 'city' authority to represent them. Most of the other cities in the study are unitary authorities except for Cambridge and Exeter City Councils, which are within two-tier regimes; notably, both councils are working in partnership with their local county council. Overall, the governance of a city was not identified as having an impact on the availability of communications infrastructure and services.

Well-designed public-sector intervention has had a marked effect on NGA broadband availability, as demonstrated by the 99% availability in Derry-Londonderry; other factors such as local social, economic and political influences, harnessed through local initiatives, can also have an impact on availability of communications infrastructure and services. But public-sector intervention has proved more challenging in Birmingham, where BT and Virgin Media have lodged legal challenges to the city's Super-Connected Cities Programme, which had been designed to bring ultrafast broadband to the city. The key public-sector

interventions in each city are explored in more detail in the full Analysys Mason report, which can be found on Ofcom's website²⁶.

1.8.5 Analysis of telecommunications take-up in UK cities

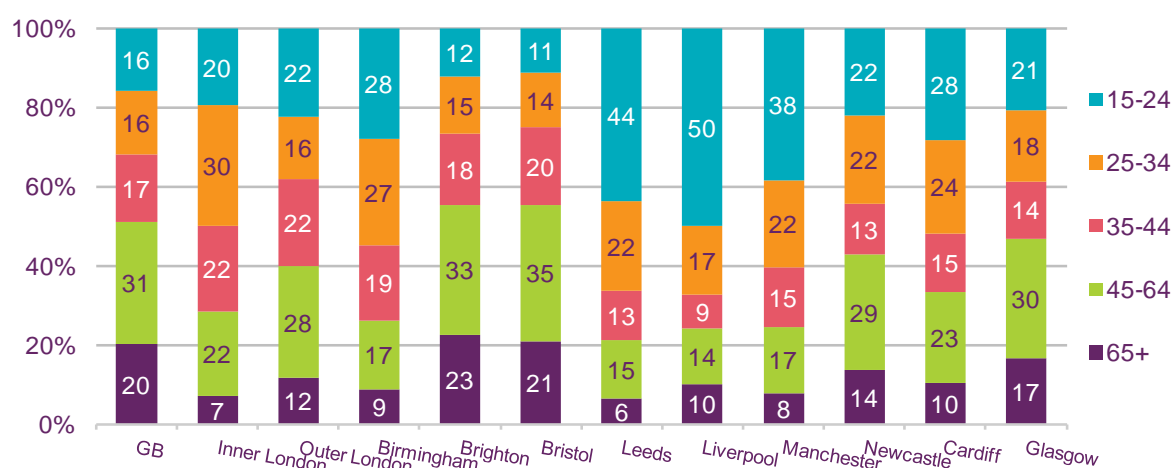
The following analysis uses data from the BPS to assess the extent of telecommunications take-up in UK cities. The cities compared in this section differ slightly from those compared in the previous section.

City demographics

The large cities of the UK vary widely in their population profile. Some, such as Cardiff, are university cities with a relatively young population. Others, such as Glasgow, are post-industrial with a relatively older and lower socio-economic population. Research has shown that age and socio-economic classification are important drivers for take-up and use of communications, so differences between cities are to be expected²⁷.

Manchester, Cardiff, and Birmingham have a youthful profile compared to Great Britain as a whole and to the other cities in the analysis. As a general rule, with the exception of Brighton and Bristol, a lower percentage of people over 65 live in the cities.

Figure 1.87 City profiles, by age



Source: British Population Survey

Base: All adults 15+ (April 2012 to March 2013; GB 79406, Inner London 3858, Outer London 6043, Birmingham 2577, Brighton 1090, Bristol 560, Leeds 1412, Liverpool 745, Manchester 2156, and Newcastle 1149, Cardiff 460, Glasgow 1398)

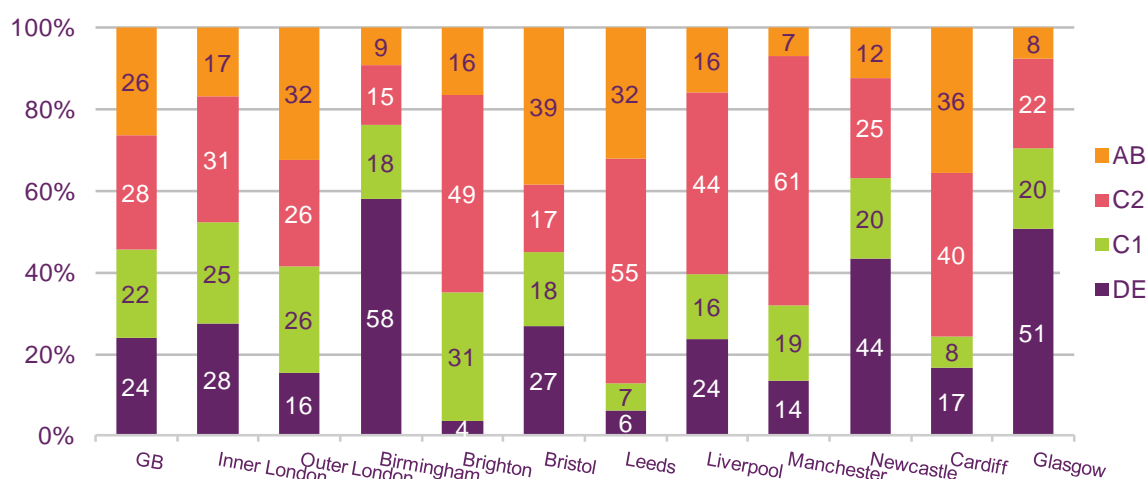
Q. How old are you?

Two of the cities reported on, Birmingham and Glasgow, have high levels of deprivation, with over a third of inhabitants being in socio-economic group DE. This contrasts with Cardiff and Manchester, where over two-thirds of inhabitants are in socio-economic group ABC1.

²⁶ <http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr13/cities-report.pdf>

²⁷ It is worth noting that the BPS was not designed to be representative of cities but rather to be representative of Great Britain as a whole and government office region within that. Therefore, the city profile may not be accurately represented by the sample, but as the true city profile is unknown, the data cannot be adjusted.

Figure 1.88 City profiles, by socio-economic group



Source: British Population Survey

Base: All adults 15+ (April 2012 to March 2013; GB 79406, Inner London 3858, Outer London 6043, Birmingham 2577, Brighton 1090, Bristol 560, Leeds 1412, Liverpool 745, Manchester 2156, and Newcastle 1149, Cardiff 460, Glasgow 1398)

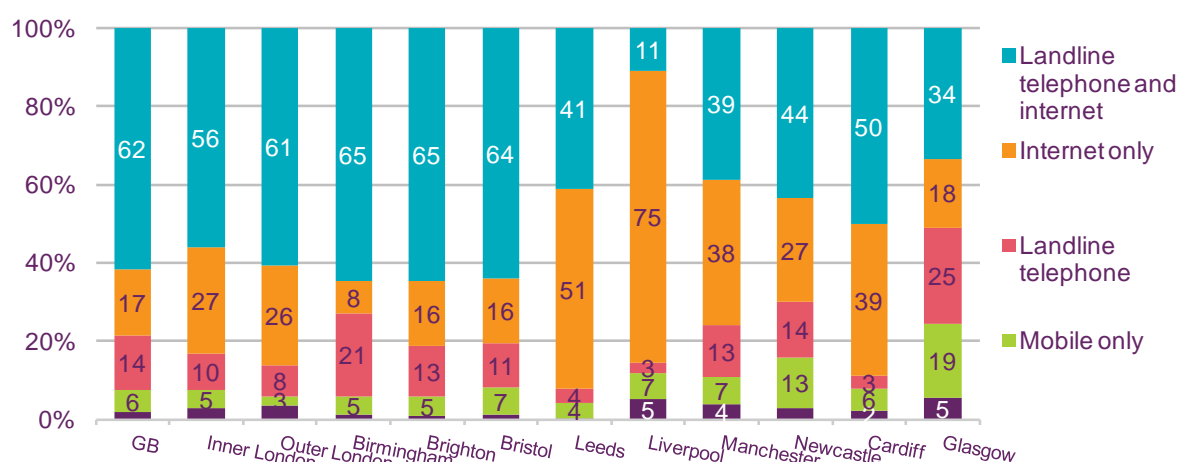
Q. Derived from questions about employment and job title.

In Cardiff, Leeds, Liverpool, and Manchester, there is lower use of landline telephones

Across Great Britain, 62% of consumers use their landline for both voice and internet services. Within many of the cities, there are fewer people who use their landline for voice services. Within the cities with high student populations (Cardiff, Leeds, Liverpool, and Manchester), between 38% and 75% of the sample in each city respectively have discarded the landline telephone and use their landline only for home internet.

Glasgow has an unusual communications profile. Significantly higher percentages of inhabitants have either only a mobile phone (19%) or only a landline telephone (10%). A further 15% have a fixed telephone and mobile but no internet. Glasgow also has a significantly lower number of people living in a household with fixed internet access.

Figure 1.89 Access to landline, by city



Source: British Population Survey

Base: All adults 15+ (April 2012 to March 2013; GB 79406, Inner London 3858, Outer London 6043, Birmingham 2577, Brighton 1090, Bristol 560, Leeds 1412, Liverpool 745, Manchester 2156, and Newcastle 1149, Cardiff 460, Glasgow 1398)

Q. Is there a landline telephone in your household? How do you access the internet?

Glasgow and Birmingham have below average internet take-up

Glasgow has a significantly lower percentage of individuals accessing the internet (57%), by any means, than all other cities and Great Britain as a whole. People in Birmingham also have significantly lower internet access than the other cities (76% compared to the Great Britain average of 83%), which may be a reflection of its socio-economic profile.

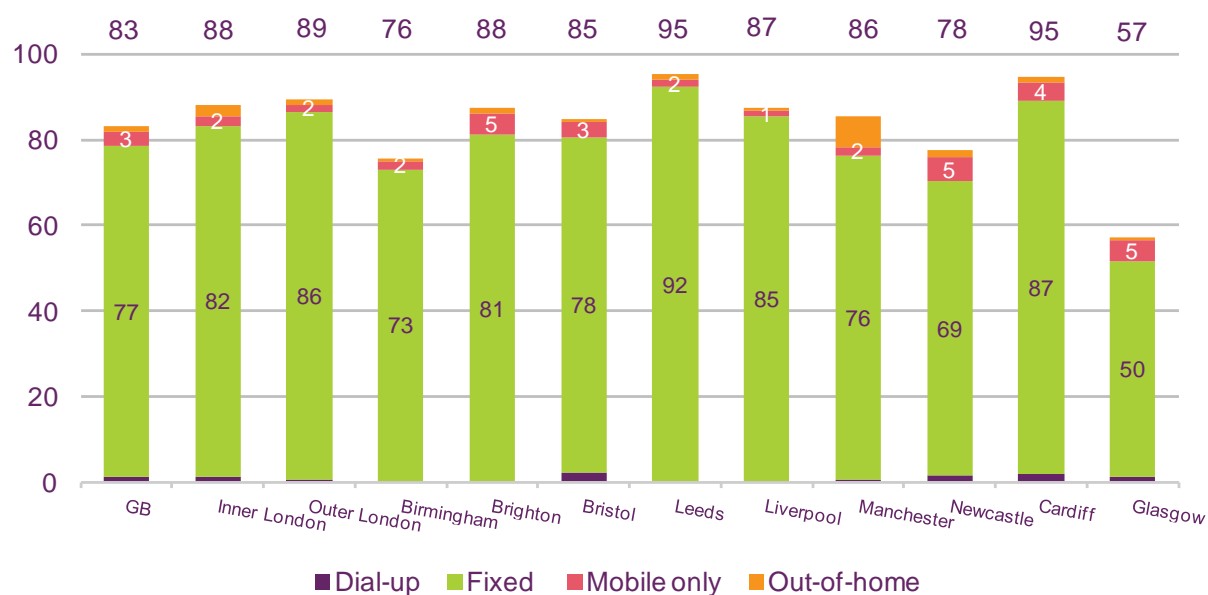
A study undertaken by the Carnegie Trust²⁸ in 2012 suggests that attitudinal rather than demographic differences may partly explain the lower take-up of broadband in Glasgow. The Trust's research identified two distinct groups among those without internet at home – 'rejecters' and 'potential users'. 'Potential users' (57% of the population without online access) are interested in going online at some future date while 'rejecters' (43%) have no such interest. A further discussion of the barriers to internet take-up among these groups is available in the *Communications Market Scotland* report²⁹.

In the light of this, although the local authority in Glasgow was unsuccessful in its 'super-connected city' bid for BDUK funding, it is now believed to be investigating the possibility of deploying its own initiatives, such as broadband demand stimulation projects.

²⁸ The Carnegie Trust commissioned Ipsos MORI to undertake 200 in-depth interviews – 136 with those who had never used the internet, ten with those who had used the internet but no longer did so, 20 who accessed the internet outside the home and 34 who had mobile or home internet.

²⁹ www.ofcom.org.uk/cmtr

Figure 1.90 Access to the internet, by method, by city



Source: British Population Survey

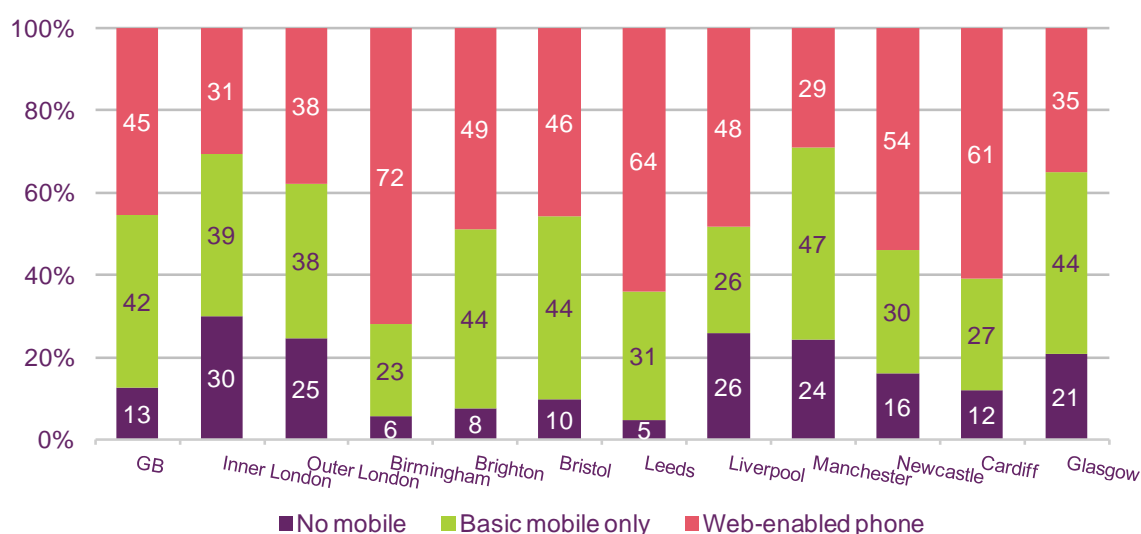
Base: All adults 15+ (April 2012 to March 2013; GB 79406, Inner London 3858, Outer London 6043, Birmingham 2577, Brighton 1090, Bristol 560, Leeds 1412, Liverpool 745, Manchester 2156, and Newcastle 1149, Cardiff 460, Glasgow 1398)

Q. How do you access the internet? Is your access to the internet at home provided by...?

Over a quarter of Londoners do not have a mobile phone

Compared to Great Britain as a whole, there are high percentages of people in some cities, such as Inner London, Liverpool and Manchester, who do not have a mobile phone. Access to a web-enabled mobile is highest in Birmingham and Leeds, with 72% and 64% take-up respectively. A significantly lower percentage of people in Glasgow and Manchester use a web-enabled mobile than in the rest of Great Britain.

Figure 1.91 Access to mobile devices, by city



Source: British Population Survey

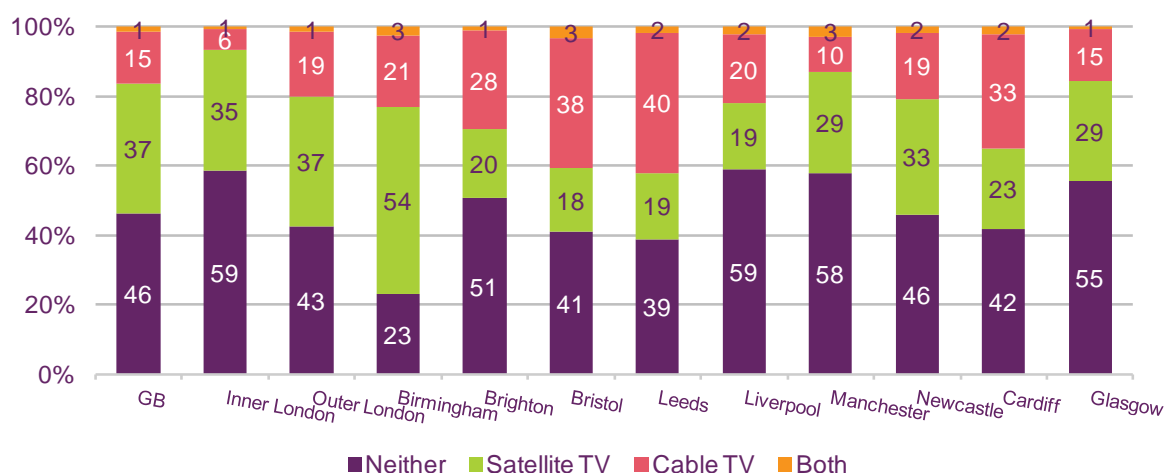
Base: All adults 15+ (April 2012 to March 2013; GB 79406, Inner London 3858, Outer London 6043, Birmingham 2577, Brighton 1090, Bristol 560, Cardiff 460, Glasgow 1398, Kingston 496, Leeds 1412, Liverpool 745, Manchester 2156, and Newcastle 1149)

Q. Is there a mobile telephone in your household? Is there a web-enabled telephone in your household?

Access to satellite TV significantly higher in Birmingham than rest of Great Britain

As cable roll-out is mainly focused in urban areas, it is not surprising to see that access to cable TV is higher in many cities than across Great Britain as a whole. Cardiff, in particular, shows high take-up of cable TV. Birmingham has significantly high levels of satellite TV take-up, which may result from the large ethnic population accessing foreign-language channels. Access to DTT-only services is highest in Inner London, Manchester and Glasgow.

Figure 1.92 TV platform, by city



Source: British Population Survey

Base: All adults 15+ (April 2012 to March 2013; GB 79406, Inner London 3858, Outer London 6043, Birmingham 2577, Brighton 1090, Bristol 560, Cardiff 460, Glasgow 1398, Kingston 496, Leeds 1412, Liverpool 745, Manchester 2156, and Newcastle 1149)

Q. Does your household have satellite /cable TV?

1.9 News consumption in the UK

1.9.1 News consumption in the UK

Introduction

In this section we examine patterns of news consumption in the UK among different groups of the population, analysing by age, gender and socio-economic group. As well as looking at general news, we provide an overview of local news media, to see which types of local media people are using, how important they find these sources and how satisfied they are with them.

We use a variety of sources of information to answer these questions, including:

- a news survey commissioned by Ofcom from Kantar Media, comprising an omnibus survey of 2862 people across the UK, including boosts of 350 in each devolved nation;
- a survey of local news commissioned by Ofcom from Ipsos Mori, comprising an omnibus survey of 2016 people across the UK;
- industry metrics from comScore, BARB and NRS; and
- an online survey conducted by YouGov for the Reuters Institute Digital News Report 2013, comprising 2078 online users of news.

1.9.2 Key findings

- **TV remains the most important and frequently-used mode of news consumption, and one in five people say their only source of news is television.** Nearly eight in ten (78%) UK adults say they use the television to access news. Newspapers are used by four in ten; radio by just over one-third (35%); and the internet, either on a computer or mobile, by just under one-third (32%). Overall, 90% of UK adults say they follow news.
- **Across all platforms, BBC One is the most-used news source.** After the BBC, Facebook and Google are the most-used online news sources. The majority of daily newspaper and radio news users use only one source for news on these platforms.
- **Reading news articles online is the most popular method of online news consumption, but social networking and search are popular for a significant minority.** The majority of those who use the internet for news say they read news stories online (54%), but just over a quarter say they read news-related comments on blogs or social networks, and one in five say they watch audio-visual content online.
- **There are considerable differences in behaviour by age group**, with online activities and newer forms of news access being carried out particularly by younger age-groups. There are also differences by socio-economic grade, which is an important reminder of the variation in consumption of news across different parts of society.
- **TV channels are seen as the most important news source, but one in seven people nominate a website or app as their most important news source.** When asked about the reliability, trustworthiness, accuracy and range of the different news

sources they used, most TV news viewers rate their sources highly. Ratings are more varied for newspaper readers, and broadsheet readers rate newspapers particularly highly as being trustworthy. Online users rate websites in more differentiated ways than other platforms. Twitter is rated most highly by its users for offering a range of opinions.

- **TV channels are the most popular source of local news, although one in three respondents say they browse online for local news and information.** One in six (17%) regular news users say online is their most important local source, and similar numbers nominate any newspapers (16%) and any radio (14%).

1.9.3 Cross-platform comparisons

TV remains the most popular way people access news

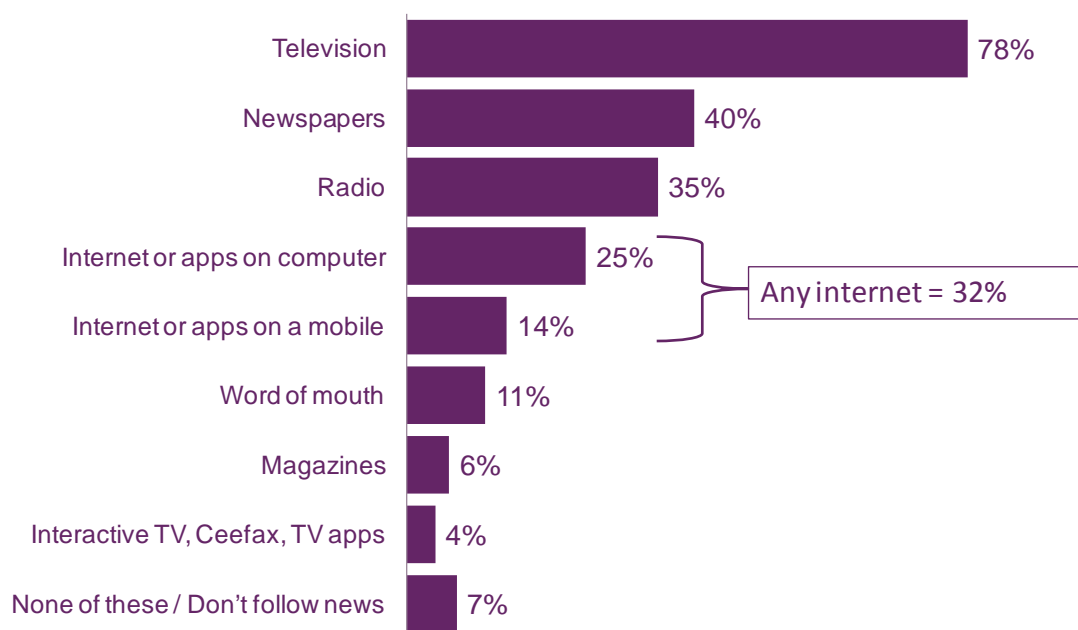
Overall, 90% of UK adults say they follow news. Nearly eight in ten (78%) UK adults say they use the television to access news 'nowadays', as shown in Figure 1.93. Print newspapers are used by four in ten; radio by just over a third (35%); and the internet, either on a computer or mobile, also by just under a third (32%)³⁰.

There are significant differences in patterns of consumption by demographic group. People in the ABC1 socio-economic group are twice as likely as those in the C2DE socio-economic group to use the internet for news (44% vs. 21%). Those aged under 45 are more likely than those aged over 45 to use the internet for news: for example, 45% of those aged 25-34 say they do this, compared to 32% of 45-54s.

Younger people are far more likely than older people to use their mobile phone for accessing news, with 26% of 16-24s saying they do this, compared to 19% of 35-44s and 11% of 45-54s. But younger people are less likely than older people to use other platforms. For example, 58% of 16-24s say they use TV to access news, compared to 73% of 25-34s and 82% of 45-54s. And around one third of 16-44s say they use newspapers for news, compared to 45% of 55-64s.

³⁰ Data for news consumption on platforms cannot be compared with that collected from the similar ad-hoc study on news from 2012, available at <http://stakeholders.ofcom.org.uk/binaries/consultations/measuring-plurality/statement/Annex5.pdf>. This 2012 study had asked prior questions on topics considered to be news, topics of interest, and topics considered important for society to know about; hence respondents were primed into thinking about a wider range of topics within the definition of news e.g. sport, celebrity gossip, etc. For the 2013 survey they were asked *straight away* about the platforms they used for news, so the 2013 figures are lower in all cases than in the 2012 study.

Figure 1.93 Platforms used for news 'nowadays'



Source: Ofcom news omnibus 2013, all adults 16+, n=2862
Q3a) Which of the following do you use for news nowadays?

One in five people say they rely solely on their TV for news

Around one in twenty (6%) of the UK population use all four main platforms for news – i.e. TV, newspapers, radio and the internet. This varies considerably by socio-economic group, rising to 11% of ABs compared to 2% of those in DE households.

At the opposite end of the behavioural spectrum, around one in five (22%) use only television for news, with DEs being three times as likely as ABs (30% vs. 10%) to do this. People aged 16-24 are less likely (16%) than over-55s (26%) to use only TV for news.

One in twenty (5%) say they only use the internet for news; while 10% of 16-34s say this, only 1% of those aged 55+ do so.

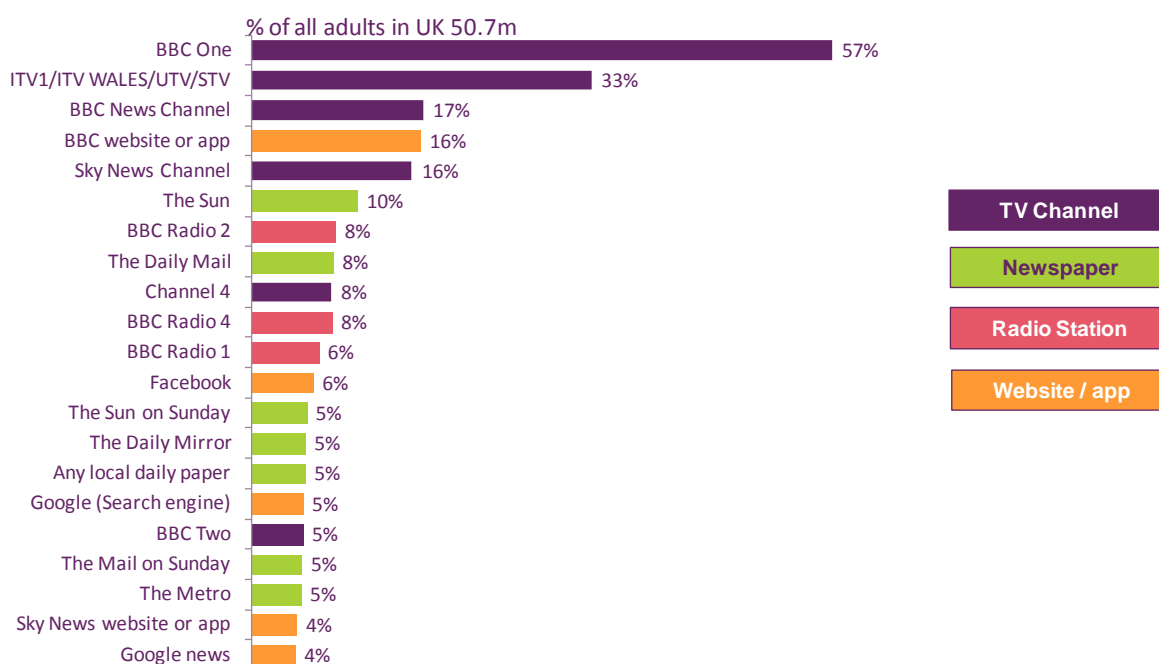
Three per cent of people say they only use newspapers for news, and 2% say they only use the radio.

Among news services across all platforms, BBC One is the most popular news source

Looking at the specific news sources that people say they use, across the different platforms, Figure 1.94 shows that BBC One has the highest reach, with 57% of people saying they use it for news, followed by ITV1, with one third saying they use it. The Sun (10%) and the Daily Mail (8%) are relatively popular as newspaper news sources, and Radios 2 and 4 as radio sources (8% respectively); that said, half the sources in the first ten are TV channels.

The most popular websites used for news are the BBC (16%), Facebook (6%), the Google search engine (5%) and the Sky News website (4%) (please see Section 1.9.7 for discussion of online news habits and sources).

Figure 1.94 Top 20 news sources – reach among all adults



Source: Ofcom news omnibus 2013, all adults 16+, n=2862

Q5a-f) Thinking specifically about <Source> which of the following do you use for news nowadays?

A majority of daily newspaper and radio news users rely on just one source

People use an average of 3.9 individual news sources across TV, radio, press and online. By platform, people use an average of 1.9 sources onTV, 2.1 in newspapers, 1.4 for radio and 1.9 for the internet.

Among those that use just one source for news, we find that nearly two-thirds of radio news listeners (64%) and daily newspaper news readers (63%) use just one source. The figures are less pronounced for online news users, where nearly half (45%) use only one source; the comparable figure for TV viewers is 43%.

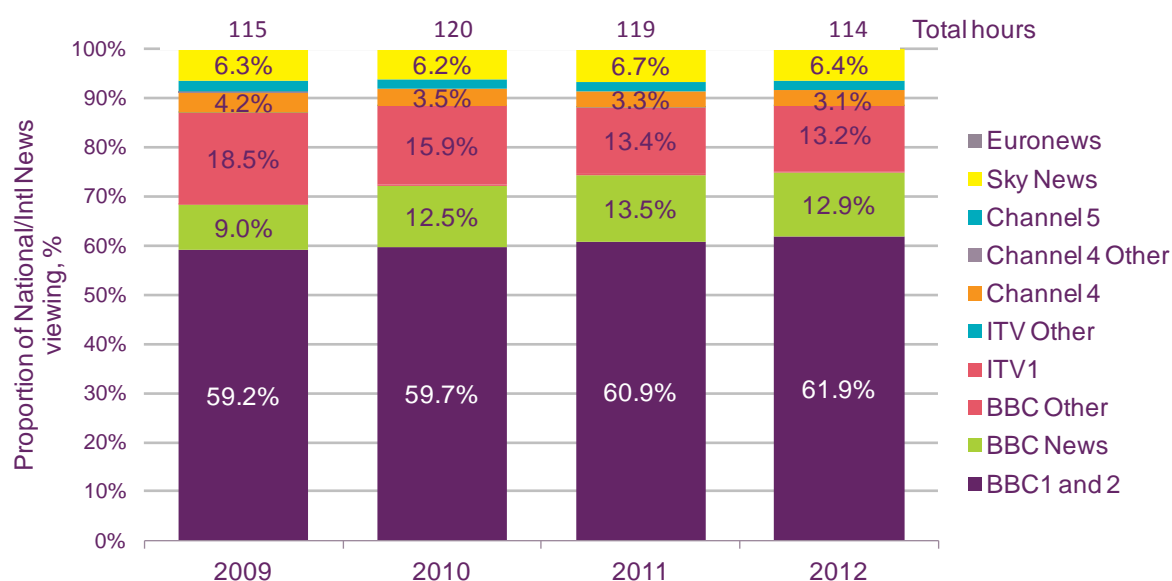
C2DEs are more likely than ABC1s to use only one source (68% vs. 61%). For newspapers, 16-24s are less likely to use only one source (57% vs 72% for those aged 55+). And while there are few demographic differences for the internet, there are some for TV, with people from the AB socio-economic group being less likely to only use one source (37%), compared to 46% of TV news viewers in DE households.

1.9.4 Television

TV viewers watched 114 hours of news in 2012, slightly less than in 2011

Figure 1.95 shows that the overall amount of news consumption on television has been relatively stable over recent years, although it can vary according to the news events of a given year. However, there have been some changes in the proportion of viewing to different sources on the TV platform, with a reduction in viewing to ITV over the period, as well as to Channel 4, and a corresponding rise in viewing to BBC News.

Figure 1.95 Share of viewing of national and international news, all adults



Source: BARB, national/international news genre, 4+ regions.

Note: S4C excluded from this analysis. Shares are based on national/international news viewing to the listed channels only.

Note: BBC One and Two, ITV1, Channel 4 and Channel 5 include HD variants and +1 channels where applicable. BBC Other, ITV Other and Channel 4 Other includes portfolio channels

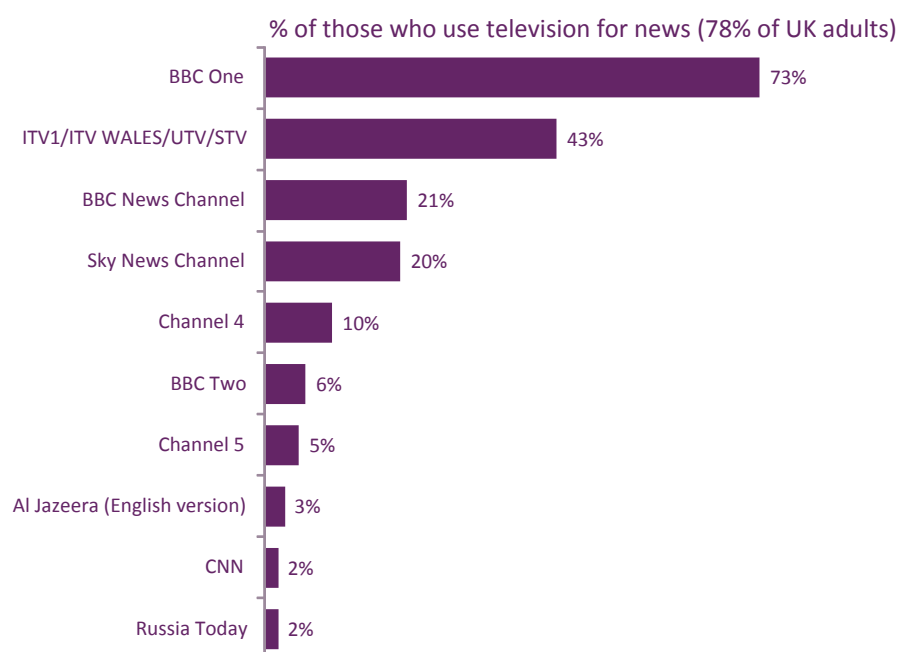
Note: 2009 data based on Network Plus, 2010-2012 data based on nNetwork.

Self-reported use of TV news suggests that around one in five news viewers watch the BBC news channel and Sky News

In terms of which news sources are used 'nowadays' by TV viewers, Figure 1.96 shows that according to our survey respondents³¹, BBC One is most used, followed by ITV. The BBC News channel and the Sky News channel are watched by around one in five TV news viewers. Channel 4 is mentioned by one in ten, and Al Jazeera by 3%.

³¹ We report on self-reported news consumption here, rather than BARB viewing figures, in order to be consistent across the different platforms.

Figure 1.96 TV channels used for news ‘nowadays’



Source: Ofcom news omnibus 2013

Q5a) Thinking specifically about television, which of the following do you use for news nowadays

Base: All who use TV for news (2290)

Note: only sources with an incidence of 2% or more are shown

1.9.5 Radio

There is little overlap between listeners to BBC and commercial radio news

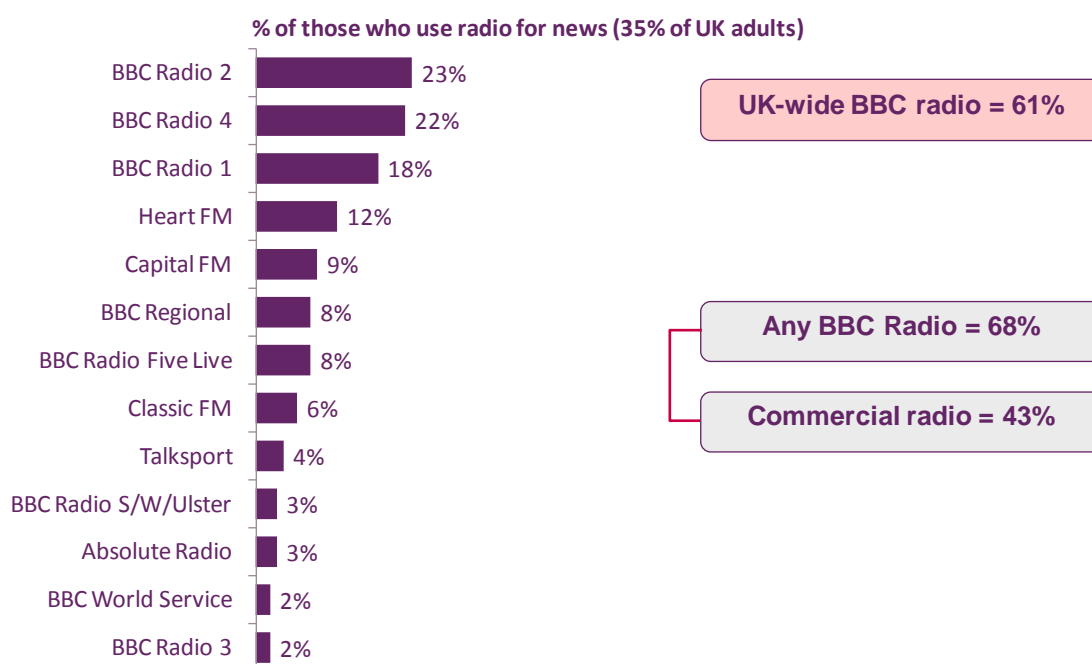
Figure 1.97 shows that the BBC's radio stations are used most frequently for news, with Heart, Capital and Classic FM being the three most-cited commercial radio stations for news.

At an aggregate level, the BBC's radio stations are listened to for news by nearly seven in ten radio news listeners (68%); the comparable figure for commercial radio news is 43%.

There is little overlap between the two – 58% of radio news listeners listen only to the BBC news, 28% listen only to commercial radio news, and 15% listen to both forms of news.

There are a range of differences by demographic group. Women are more likely than men to say they listen to news on commercial radio (48% vs. 38%), and men are more likely to say they listen to news on BBC stations (66% vs. 55%). While there is no difference between those aged 16-24 and 55+ in terms of listening to BBC stations, 16-24s are more likely than over 55s to listen to commercial stations – 50% vs. 30%. People from ABC1 households are more likely than those from C2DE households to use the BBC (66% vs. 54%).

Figure 1.97 Radio stations used for news



Source: Ofcom news omnibus 2013

Q5a) Thinking specifically about radio stations, which of the following do you use for news nowadays?

Base: All who use radio for news (1000)

Note: only sources with an incidence of 2% or more are shown

Note: 'UK-wide BBC radio' includes Radio 1, Radio 2, Radio 3, Radio 4, Radio Five Live, World Service (61%). 'Any BBC' includes all these plus BBC local radio

1.9.6 Newspapers

One in four newspaper readers read broadsheet titles and mid-market titles

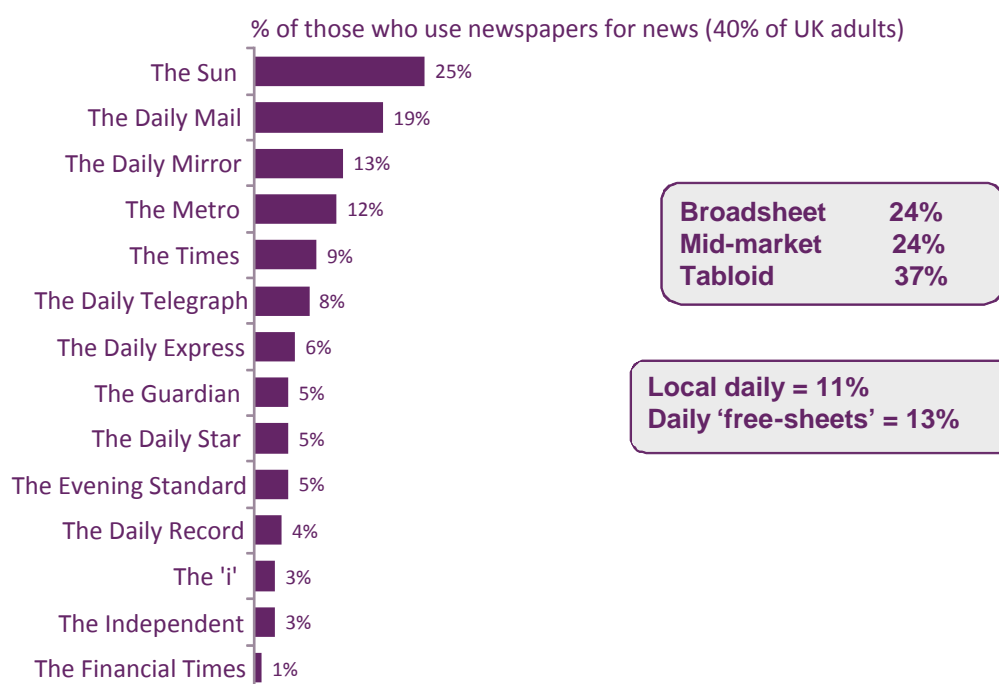
As stated previously, four in ten people say they use print newspapers for news. Of those who read daily newspapers, nearly-two thirds (63%) use just one source.

We asked daily readers to say which newspapers they read in print, and one in four cited a broadsheet newspaper (24%), and the same proportion nominated a mid-market title (24%). Over one third (37%) read a tabloid newspaper, 13% a freesheet, and 11% a local daily.

Figure 1.98 shows the main daily newspapers that people use 'nowadays', with The Sun being nominated by one quarter (25%) of all newspaper readers, and the Daily Mail by one in five (19%).

By age and socio-economic group among newspaper users, tabloid newspapers are more likely to be read by 16-24s (52%) than by those aged 55+ (31%), and by those in C2DE socio-economic groups (50%) rather than those from ABC1 households (23%). Older people are more likely to read mid-market newspapers (32% aged 55+ vs. 16% aged 16-24), although there are few age differences for the broadsheet titles. In terms of daily freesheets, however, there is a strong skew between those aged 16-24 and those aged 55+, with 25% of 16-24s reading daily freesheets compared to 4% of those aged 55+. This is very likely to be an outcome of how these papers are usually read while commuting to jobs or college.

Figure 1.98 Daily newspapers used for news ‘nowadays’



Source: Ofcom news omnibus 2013

Q5b) Thinking specifically about daily newspapers, which of the following do you use for news nowadays?

Base: All who use newspapers for news (1252)

Note: ‘Any local daily’ includes any local newspaper; ‘daily freesheet’ includes Metro, Evening Standard and City AM

The Daily Mail and The Guardian see the largest increase in readers through their online presence

Figure 1.99 shows the unique reach of daily newspapers across print and online. This shows data from the National Readership Survey (NRS) combined with data from the online measurement currency comScore to show online-only readership, print-only readership, and a combination of the two.

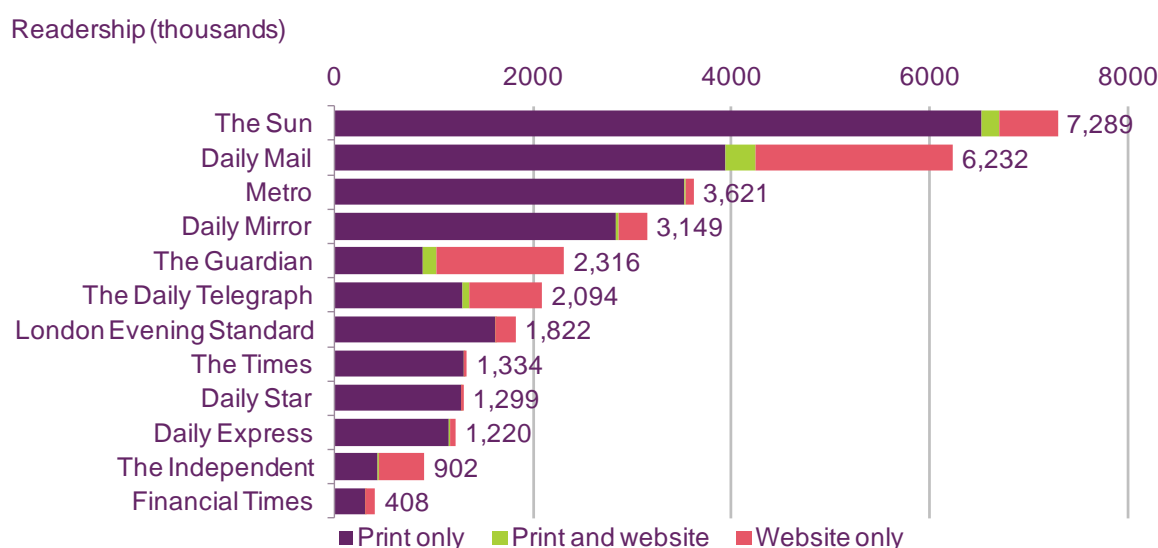
The Sun is the daily newspaper with the highest number of readers per issue. For the year to March 2013, the average issue readership³² of The Sun was 6.7 million. The next most widely-read newspaper was the Daily Mail, with an average of 4.2 million readers for each issue.

The Guardian and The Daily Mail see the largest increase in readership when the additional online readers are taken into account, with readership of The Guardian more than doubling from 1 million to 2.3 million. Of these, 1.3 million readers are online only. The Daily Mail also has a large increase in readership, from 4.2 million to 6.2 million, but The Sun is still the most-read title.

³² Average issue readership is the reach metric used by the National Readership Survey and refers to the number of readers who have read a title within its given publication period. For daily newspapers, the publication period is one day; for Sunday titles, the publication period is one week.

Typically, the broadsheets see a larger increase from online in comparison to the tabloid newspapers. The exception to this is The Times, which has a far lower online reach than other titles, probably due to its paywall strategy.

Figure 1.99 Combined print and online readership of daily newspapers



Source: Ofcom analysis of NRS/comScore PADD, March 2013. NRS average issue readership April 2012 – March 2013 fused with comScore March 2013

1.9.7 Online

After the BBC, Facebook and Google are the most popular online news sources

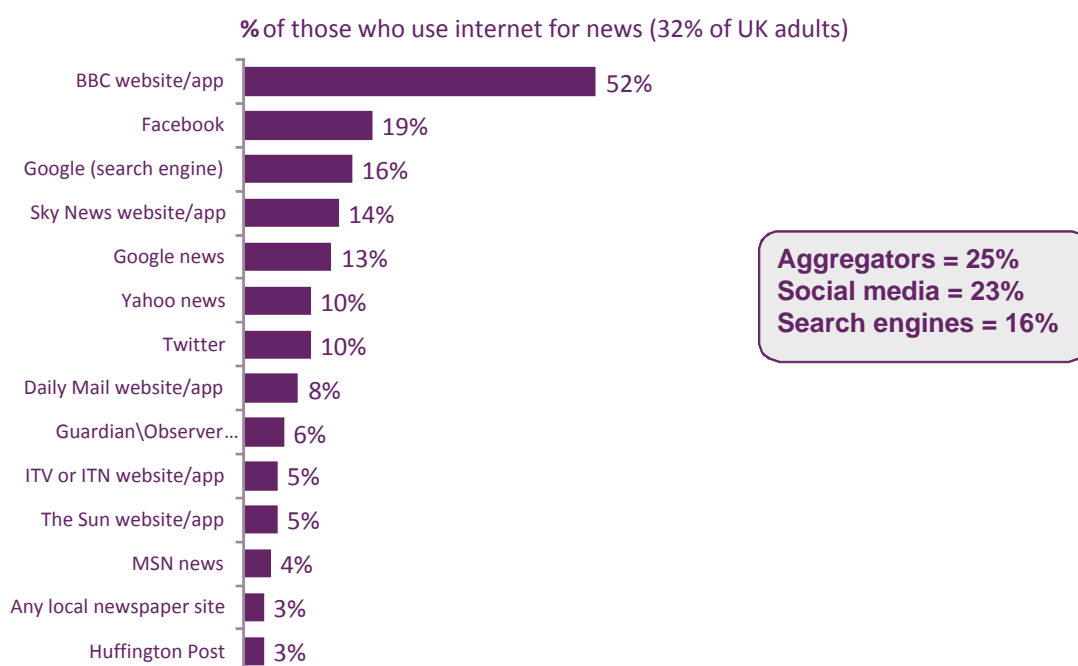
Of those that use the internet for news, just over half say they use the BBC (52%), as Figure 1.100 illustrates.

One in five (19%) say they use Facebook for news, and 16% use the Google search engine. Overall, one quarter (25%) say they use aggregators such as Google News or Yahoo News, and 23% social media such as Facebook or Twitter.

Use of these types of site varies by age group, with Facebook being used for news by 29% of online news users aged 16-24, but by only 5% of those aged 55+. Similarly, Twitter is used by 16% of 16-24s compared to 3% of those aged 55+. At the aggregate level, social networking is more likely to be used by women (27%) than men (19%) for news, but across aggregators and search engines³³ there is no statistically significant difference by socio-economic group or gender.

³³ Aggregators include Google News, Yahoo News, MSN News, AOL News and other. Search engines include Google and 'other'.

Figure 1.100 Websites or apps used for news ‘nowadays’



Source: Ofcom news omnibus 2013

Q5e) Thinking specifically about the internet, which of the following do you use for news nowadays?

Base: All who use internet for news (857)

Note: only sources with an incidence of over 2% are shown

Press titles are among the most popular sources of online news, according to comScore data

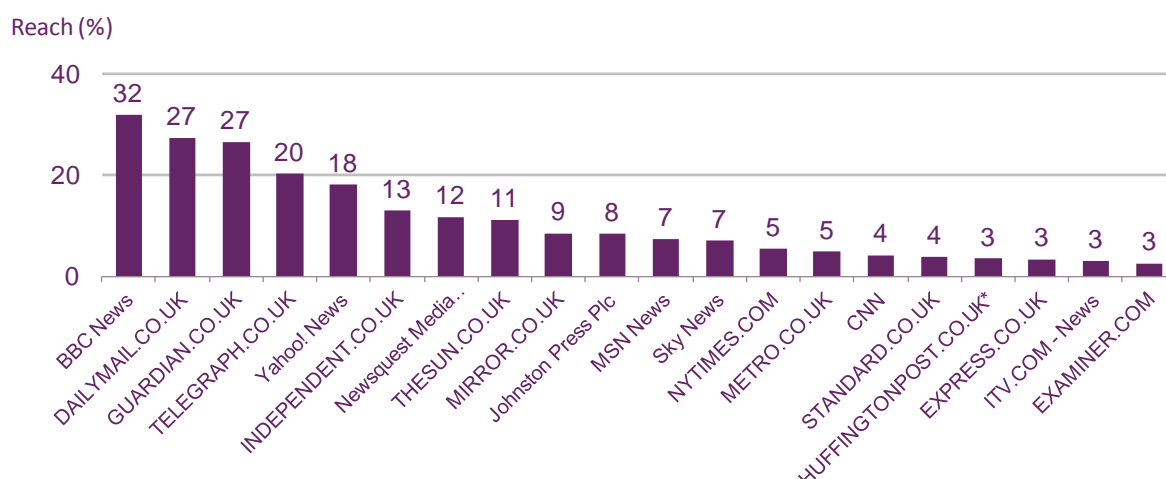
Figure 1.101 shows the top 20 selected³⁴ news websites in March 2013, from the comScore online news measurement system, which is currently the UK's industry standard. comScore measures PC/laptop use, but does not show mobile online use. The list is taken from comScore's 'General News' category, and therefore does not include websites like Facebook and the Google search engine that users nominated in our research.

BBC News has the widest monthly reach, at nearly one-third of online users, followed by The Daily Mail and The Guardian, each with around one quarter reach.

Regional print titles, represented by Newsquest and Johnston Press, generated a reach of 11.6% and 8.3% of the internet population respectively. Sites from the US, including the New York Times, CNN and the Examiner.com, also appear in this list of most-accessed news sites in the UK.

³⁴ We customised this list of news sites according to the following criteria: keeping newspaper websites in their entirety (i.e. including showbusiness, weather, sports sub-sites) given that these parts of the newspaper are included in any printed press measurement systems; focusing only on BBC news sites and de-duplicating BBC homepage (which contains news headlines) and BBC News pages; de-duplicating Yahoo! News and Yahoo! Finance to make a single entity; retaining foreign news websites in order to see their relative popularity; showing regional titles under their aggregate ownership of Newsquest and Johnston Press to show the relative popularity of regional titles; showing national press at the individual title level rather than the parent companies.

Figure 1.101 Online reach of top 20 selected news sites in the UK: March 2013



Source: comScore, March 2013, 15+. Reach is defined as the proportion of the total online audience aged 15+ who have visited the relevant site at least once in the reporting month.

Note: Figures for the BBC and Yahoo! refer to news-specific sites in their respective reporting categories. Newsquest and Johnston Media are aggregated audiences of the reporting local titles.

The ‘traditional’ way of consuming online news is the most popular – but social networking and search are popular for some

Online, there are a range of different ways in which people can consume news output, and our research has highlighted that while the majority of people say they read news stories online (54%) (Figure 1.102), they also use other modes of consumption. Just over one quarter say they read news-related comments on blogs or social networks, one in five say they watch audio-visual content online, and one in six (18%) say they use a search engine to find out more about a particular story, or watch news-related video clips (16%).

People aged 55+ are more likely than 16-24s to say they read news stories online – 62% vs. 49%; while 16-24s are three times more likely to say they read news-related comments on blogs or social media (40% vs. 13% for over-55s). Watching TV news online and using a search engine command similar levels of popularity among both these age groups; younger people are more likely to watch news-related video clips (18% vs. 9%) and share existing news-related comments or blogs (10% vs. 3%).

Figure 1.102 Ways in which online news is accessed



Source: Ofcom news omnibus 2013

Q6a) In which types of ways do you access and use news through the internet or apps nowadays?

Base: All who use any internet for news nowadays (857)

1.9.8 Attitudes to news across all platforms

This section looks at the importance that people attach to their news sources, and examines the relative attributes of news. To this end, we asked people to consider whether each news source they consumed was trustworthy, accurate and reliable, impartial and unbiased, and offered a range of views.

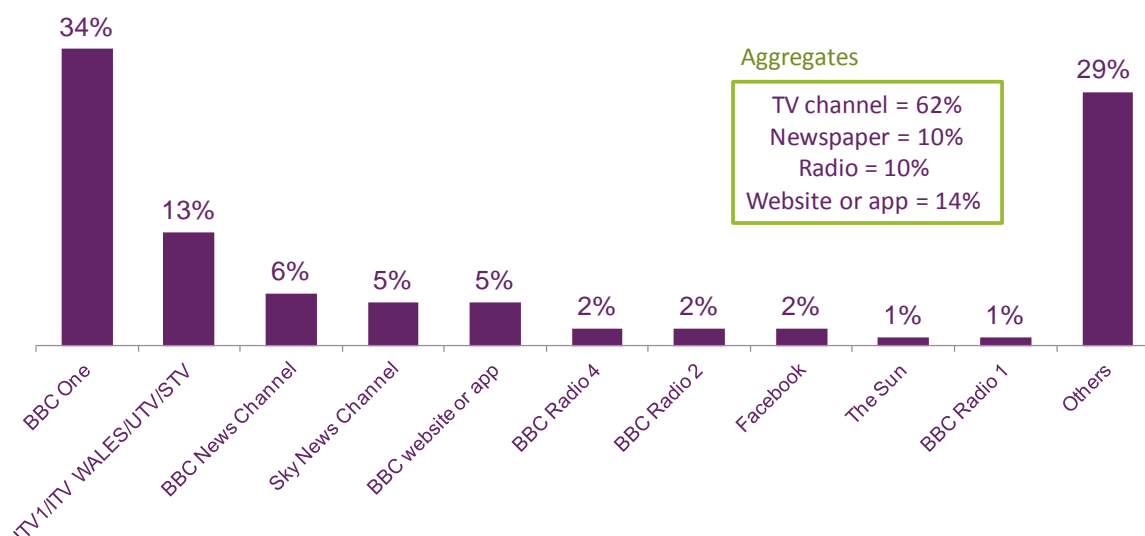
TV channels remain the most important news sources, but one in seven nominate a website or app, rising to 30% of 16-24s

Figure 1.103 shows how, among news sources, BBC One is regarded by one third of news users as the most important. ITV news is seen as most important by a further one in eight users. At an aggregate level, 62% say that a TV channel is their most important news source, and 14% say this is a website/app. One in ten nominate a printed newspaper, and one in ten a radio station, as their most important news source.

There are differences by age, gender and socio-economic group in the importance people ascribe to various news sources – BBC One is more likely to be nominated by people aged 55+ for news (43%) compared to 16-34s (26%). The news on ITV is more likely to be nominated as most important by women (18%) than by men (8%) and by those in C2DE households (18%) rather than ABC1 households (8%), although there are no significant differences by age group.

People aged 16-24 are less likely to nominate a TV news source as most important (46% vs. 62% for all UK adults). They are twice as likely to nominate an online source – 30% vs. 14% of all adults. However, there is no difference in terms of radio and newspapers (both 11% vs. 10%).

Figure 1.103 Single most important news source



Source: Ofcom news omnibus 2013

Q8a) Looking at all the sources of news you have said that you use, which one IS MOST IMPORTANT TO YOU PERSONALLY?

Base: All who use any news source nowadays (2628)

In addition to asking about the importance of news sources, we also asked people to rate their sources of news according to four key attributes, and say whether they felt they were:

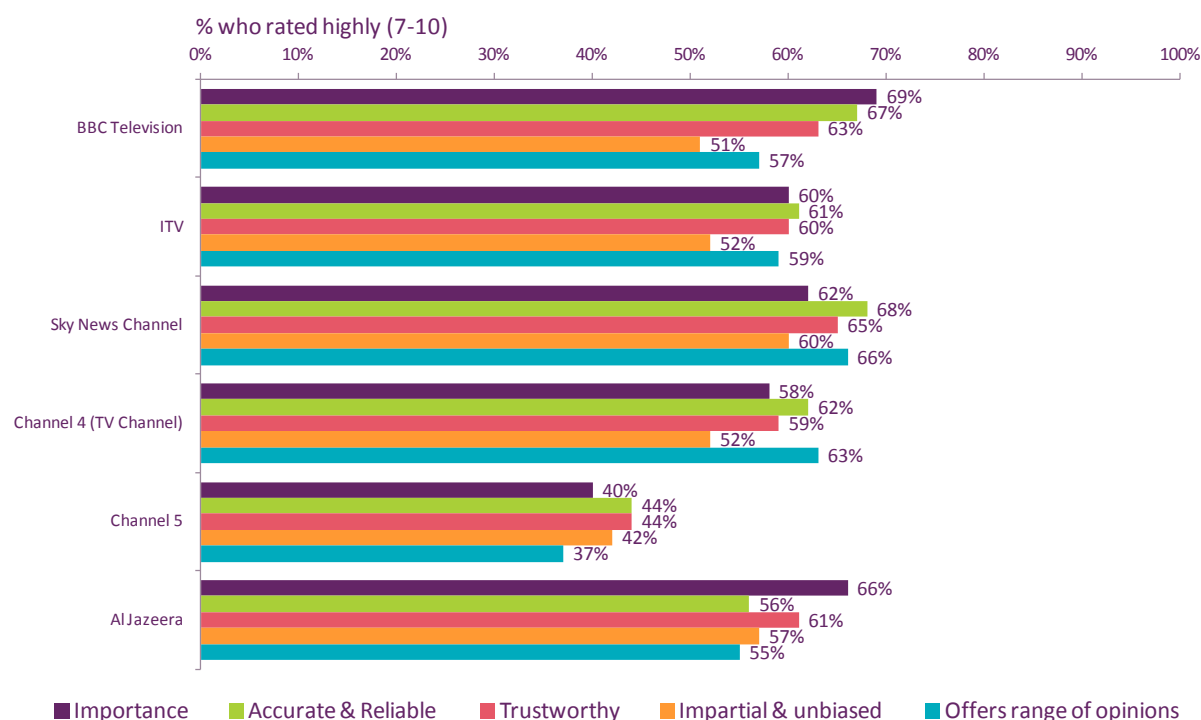
- accurate and reliable;
- trustworthy;
- impartial and unbiased; and
- offering a range of opinions.

The following four figures show how these attributes relate to the most-used sources on each platform, and show the proportion of users who rated each news source highly (7-10 out of 10). It is important to stress that these responses are from people who use each of the news sources cited in the chart, rather than a general perception from news users as a whole.

Among users of the most-used TV news outlets, the majority rate them highly across all the attributes, with the exception of Channel 5 news viewers

Among their users, Sky News and Channel 4 are both rated highly for offering “a range of opinions”, and Sky News and the BBC rate highly for being “accurate and reliable”. Channel 5 News is rated less highly than the other news outlets across the range of attributes.

Figure 1.104 Attributes of television news sources



Source: Ofcom news omnibus 2013

Base: Those who use platform to access the news 'nowadays' on each type (varies); only includes bases over 50

Note: News sources are ordered by consumption levels

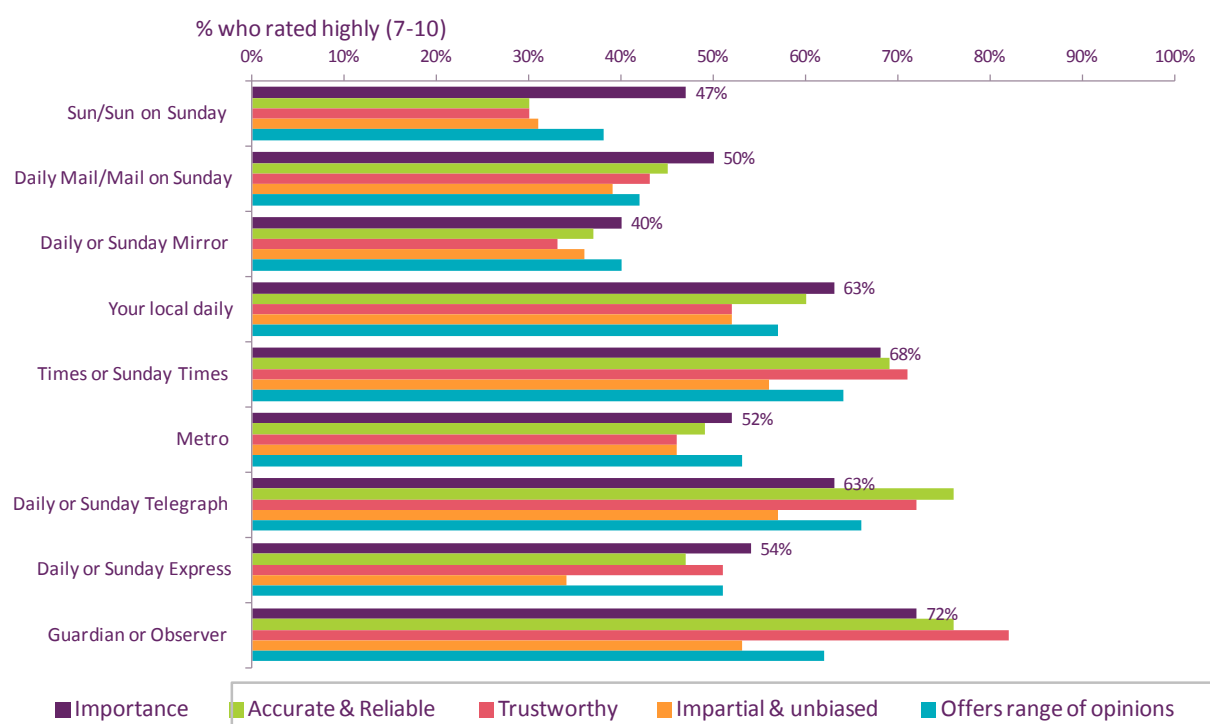
Ratings vary across newspaper readers, with broadsheet readers rating their print media sources particularly highly for being 'trustworthy'

There is variation among readers of newspapers in terms of their perception of which attributes apply. Readers of The Guardian/Observer, The Times/Sunday Times, and the Daily/Sunday Telegraph all rate them highly for accuracy and reliability, and particularly for trustworthiness. Perceptions that these papers offer a range of opinions are also relatively high, although ratings for impartiality are, unsurprisingly, somewhat lower.

Paid-for local weekly press titles are also rated fairly highly across all these attributes.

Tabloid papers such as The Sun/Sun on Sunday, the Daily/Sunday Mirror, and the Daily/Sunday Star, are rated highly by around one third of their readers across these attributes.

Figure 1.105 Attributes of newspaper sources



Source: Ofcom news omnibus 2013

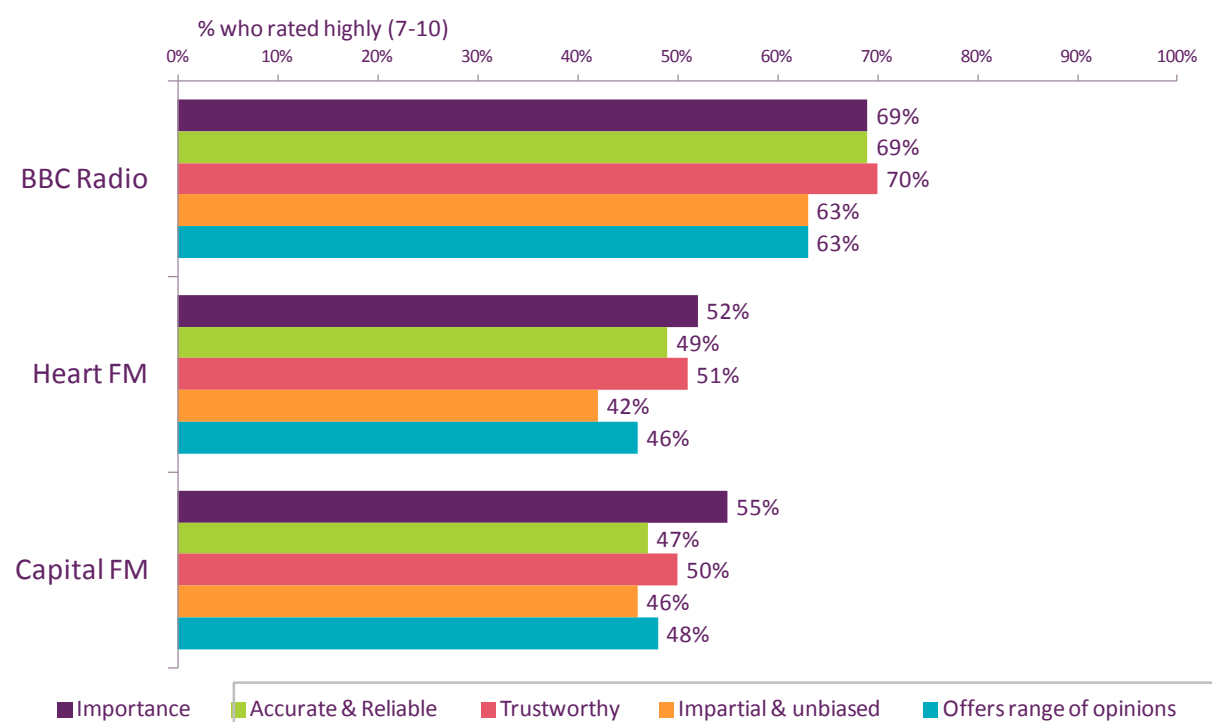
Base: Those who use platform to access the news 'nowadays' on each type (varies); only includes bases over 50

Note: News sources are ordered by consumption levels

BBC radio news listeners are more likely than commercial radio news listeners to rate its news output highly across the attributes we explored

Around seven in ten listeners to BBC radio news rate it highly in terms of its accuracy and trustworthiness, and nearly two-thirds rate it highly for being impartial and offering a range of opinions. There is a similar pattern for commercial radio news from Heart and Capital Radio, albeit at lower rating levels.

Figure 1.106 Attributes of radio news sources



Source: Ofcom news omnibus 2013

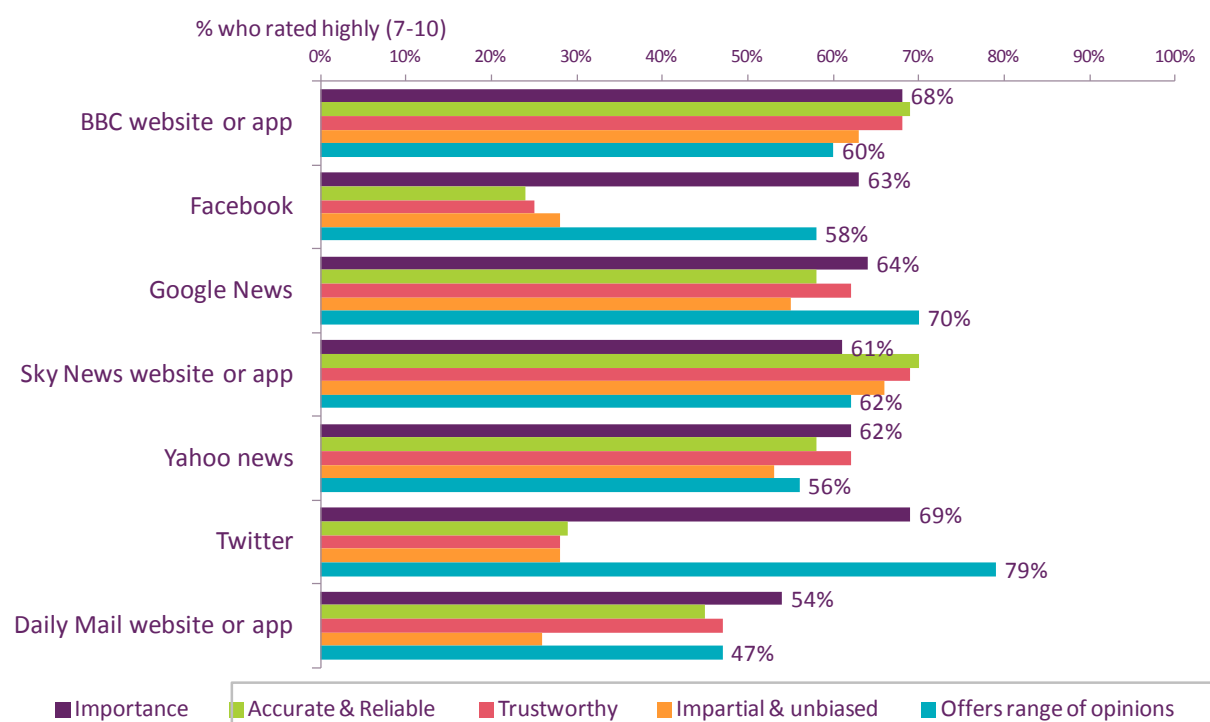
Base: Those who use platform to access the news 'nowadays' on each type (varies); only includes bases over 50

Note: News sources are ordered by consumption levels

Twitter is rated most highly by its users for offering a range of opinions

Users of news websites rate them in more differentiated ways than other platforms. While the BBC and Sky News websites are rated fairly evenly across the attributes, Twitter and Facebook are given the highest ratings for offering a range of opinions, while a minority of their users give them high ratings for other elements, such as impartiality or accuracy.

Figure 1.107 Attributes of website/ app news sources



Source: Ofcom news omnibus 2013

Base: Those who use platform to access the news 'nowadays' on each type (varies); only includes bases over 50

Note: News sources are ordered by consumption levels

1.9.9 Local news

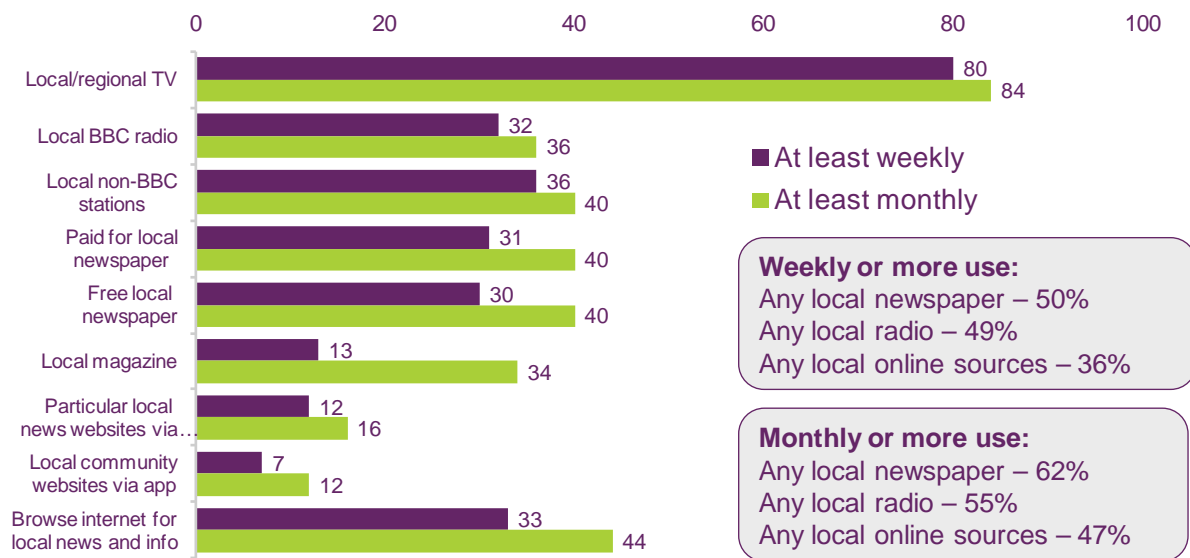
Finally, we look at a variety of measures of local news consumption, across a range of outlets. We asked people to nominate the ways in which they accessed local and regional³⁵ media, with a particular emphasis on news and information provision. We also asked them to rate the importance of these media forms, and their satisfaction with the provision.

TV channels are the most popular source of local news, although one in three browse online for local news and information

Four in five UK adults aged 15+ say they watch local or regional TV on a weekly or more frequent basis. Half say they read any local newspaper, and a similar proportion say they listen to any local radio. Over one third (36%) say they access local news/ information online.

³⁵ The definition given to respondents of 'local' was "the area in which you live" and 'regional' was "your local area and surrounding areas in the wider region".

Figure 1.108 Local news consumption: 2013



Source: Ofcom local media omnibus 2013

Q1: On average, how often do you spend doing each of the following?

Base: all UK adults aged 15+, n=2016

One in seven regular news users say online browsing for local news is their most important local source

Turning to the importance of sources of local news, we find that over half of regular local TV viewers, and just under half (47%) of online browsers, rate it as being highly important to them. Local magazines are least likely to be highly rated as personally important (25%).

While TV is most likely to be nominated as the most important local news source, one in six (17%) of regular news users say online is their most important local source. Similar numbers nominate any newspapers (16%) and any radio (14%).

Figure 1.109 Personal importance of local news: 2013 (% rating 7-10 out of 10)



Source: Ofcom local media omnibus 2013

Q2: How important are the following types of local media to you?

Q3a: And of all the local media sources you use [at least once a month] which one would you say is the most important to you personally?

Base: All UK adults 15+ who use all local media once a month or more



The Communications Market 2013

2 Television and audio- visual

Contents

2.1 Key market developments in TV and audio-visual	127
2.1.1 Industry metrics and summary	127
2.1.2 TV industry revenue was up 0.8% in 2012, despite a fall in broadcast-based advertising income	128
2.1.3 Consumers are using a wide range of internet-enabled devices to access audio-visual content online	129
2.1.4 Changes in the video-on-demand landscape	137
2.1.5 Live television lives on	145
2.2 The TV and audio-visual industries	159
2.2.1 Introduction	159
2.2.2 Television industry revenue	160
2.2.3 Other TV revenue	164
2.2.6 UK independent sector	167
2.2.7 Spend on first run originations	169
2.2.11 Other audio-visual revenue	176
2.3 The TV and audio-visual viewer	179
2.3.1 Summary	179
2.3.2 Multichannel television take-up	179
2.3.3 Television viewing	181
2.3.4 Channel reach	185
2.3.5 Viewing shares of the main five PSB channels	186
2.3.6 Viewing by TV platform signal	190
2.3.8 Live versus time-shifted TV viewing	202
2.3.9 Use of online catch-up TV	205
2.3.10 Use of online TV and film streaming services	206
2.3.11 Use of online video sharing sites	207
2.3.12 Consumer attitudes towards television	208
2.3.13 Consumer attitudes towards online TV and film services	210

2.1 Key market developments in TV and audio-visual

2.1.1 Industry metrics and summary

Figure 2.1 Industry metrics

UK television industry	2007	2008	2009	2010	2011	2012
Total TV industry revenue (£bn)	11.0	11.1	11.0	11.7	12.2	12.3
Proportion of revenue generated by public funds	24%	23%	23%	22%	22%	22%
Proportion of revenue generated by advertising	33%	31%	28%	30%	30%	29%
Proportion of revenue generated by subscriptions	37%	38%	42%	41%	43%	43%
TV as a proportion of total advertising spend	27%	27%	28%	29%	29%	30%
Spend on originated output by 5 main networks (£bn)	2.6	2.6	2.4	2.5	2.5	2.6
Digital TV take-up (% all households)	87%	89%	91%	93%	93%	98%
Proportion of DTV homes paying for TV (Q1)	55%	53%	54%	52%	51%	51%
Viewing per head, per day (hours) in all homes	3.63	3.74	3.75	4.04	4.03	4.01
Share of the five main channels in all homes	64%	61%	58%	56%	54%	52%
Number of channels broadcasting in the UK	470	495	490	510	515	529

Source: Ofcom/broadcasters/Advertising Association/Warc/BARB/GfK. Note: Expressed in nominal terms. Public funds include the DCMS grant to S4C and BBC funding that is allocated to TV. TV as a proportion of total advertising spend excludes direct mail and is based on Advertising Association/Warc Expenditure Report (expenditurereport.warc.com/). The AA/Warc data are net of discounts, and include agency commission, but exclude production costs. Spend on originations includes spend on nations and regions programming (not Welsh or Gaelic language programmes but some Irish language).

This section examines key developments and trends seen in the UK television market during the past year. These include:

- **Total TV industry revenues rose by 0.8% (or £103m) in nominal terms to £12.3bn in 2012.** The marginal growth in total TV revenue in 2012 is in contrast to a 4.5% increase in 2011 and the 5.7% uplift between 2009 and 2010.
- **Following several years of steep increases, growth in pay-TV subscription revenue slowed down in 2012, increasing by just 1% (£49m) to £5.3bn.** This is in contrast to 2011, when subscription revenue expanded by over 8% year on year, and was the smallest increase since we started estimating subscription revenue in 2000.
- **Income from TV advertising declined in 2012 by 2% to just over £3.5bn,** although it remained above its 2009 levels, when TV advertising was hit hard by the recession. The year-on-year decline was driven by a drop in advertising revenues among the commercial PSB broadcasters (down 4.5% or £105m), while multichannels and PSB portfolio channels increased their advertising revenues by 1% and 4%, respectively.

- **Seven per cent of UK households had a smart TV in Q1 2013, a two percentage point increase on the previous year.** Of those who own a smart TV, 77% have connected it to the internet and used the connection, indicating that although the most popular reason for buying a smart TV is not the internet functionality, consumers are increasingly likely to take advantage of this.
- **2012 was a big year for sports, with viewing and spend reaching new heights.** Sports programmes represented 11 of the 15 most-watched programmes in 2012, driven by the Olympics and Euro 2012. Broadcasters dedicated record investment to sports programming, with total spend across all broadcasters reaching £2bn (up 5% on 2011).

2.1.2 TV industry revenue was up 0.8% in 2012, despite a fall in broadcast-based advertising income

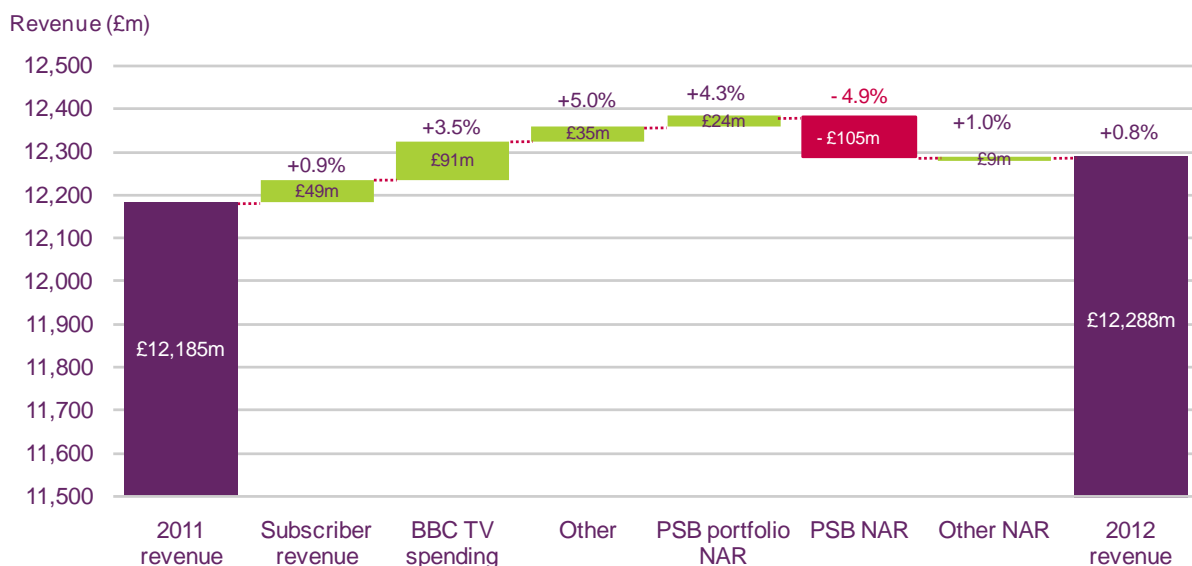
Total TV industry revenues rose marginally by 0.8% (or £103m) in nominal terms to £12.3bn in 2012, in contrast to significantly higher growth rates in the previous two years, when revenues rose by 5.7% in 2010 and by 4.5% in 2011.

Following several years of steep increases, growth in pay-TV subscription revenue slowed down in 2012, increasing by only 1% (£49m) to £5.3bn, down from an 8% increase in 2011.

‘Other’ industry revenues (made up of sources such as sponsorship, programme sales, and pay-per-view) performed strongly in 2012, growing by 5% (or £35m) since 2011, driven by programme sales and sponsorship.

Income for publicly-funded channels, including BBC revenue allocated to TV, and S4C’s grant from the Department for Culture, Media and Sport, increased by 3.5%, or £91m.

Figure 2.2 Total TV industry revenue, by source: 2012

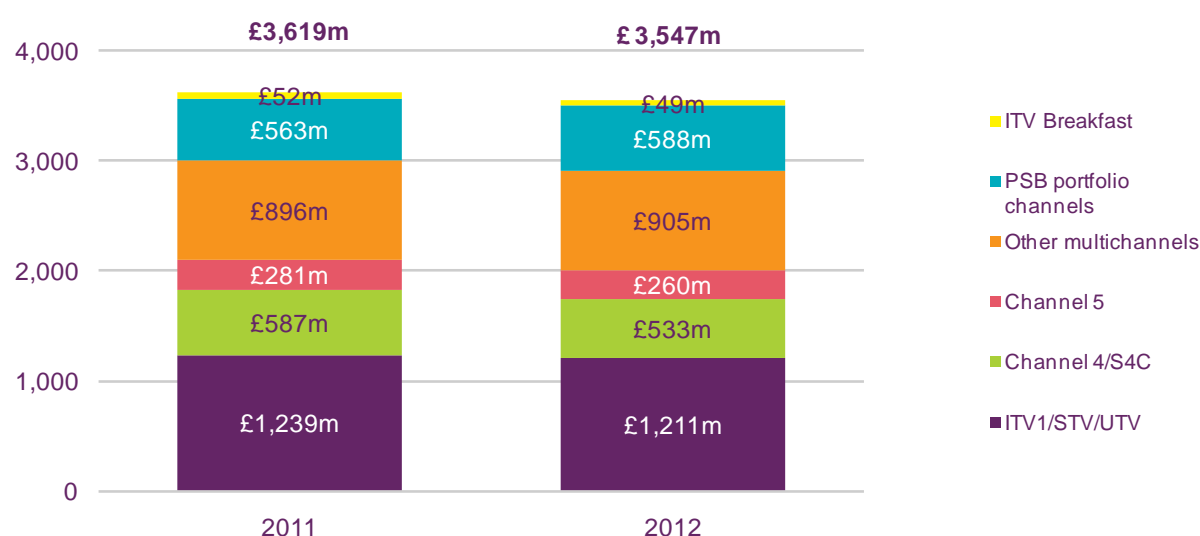


Source: Ofcom/broadcasters. Note: Figures expressed in nominal terms. PSB NAR comprises Channel 3 licensees (including ITV Breakfast, ITV Plc, Channel Television, STV and UTV), Channel 4, Channel 5 and S4C. PSB portfolio NAR includes commercial channels owned by the PSBs (ITV2, ITV3, ITV4, E4, More 4, Film 4, 5* and 5USA). ‘Other NAR’ comprises the rest of the multichannel market. Platform operator revenues do not include installation costs, equipment sales or subsidies. BBC TV spending represents the amount of BBC revenue that is allocated to TV, which is estimated by Ofcom based on Note 2c in the BBC’s annual report and accounts 2012/13.

In 2012, TV advertising fared the worst of all the sources of income within the TV industry, as it contracted by 2% to £3.5bn. The fall was due to lower broadcast-based advertising income obtained by the commercial PSBs; they all saw their advertising revenue decline year on year. This might have been because some advertising spend moved to video on demand, or it might be due to other factors, such as increasing advertising spend on the multichannels and PSB portfolio channels, and the Olympics effect: advertisers spent less on TV advertising during the events, due to audiences switching to the ad-free content on the BBC. Channel 4's advertising income fell the steepest, by over 9%, followed by Channel 5 which saw its advertising revenue decline by over 7%, in sharp contrast to its 30% growth in 2011, when its advertising revenue picked up following the recession and was further boosted by initiatives such as the launch on Channel 5 of *Big Brother*.

On the other hand, PSB portfolio channels and other commercial multichannels increased their advertising revenue in 2012, albeit at lower levels than in the previous year (by 4.3% and 1%, respectively). Despite having slowed significantly (from around 9% growth rate in 2011), PSB portfolio channels continue to experience the highest growth in TV advertising, as the commercial PSBs increasingly focus their efforts on these channels, resulting in growing audience share and consequently greater attention from advertisers as part of bundled share deals.

Figure 2.3 Advertising revenue, by share: 2011-2012



Source: Ofcom/broadcasters. Note: TV advertising includes revenues that broadcasters receive from the sale of advertisements on screen (net of agency fees) and excludes video on demand. Totals may not equal the sum of the components due to rounding. ITV1/Channel 3 includes ITV Plc, STV, UTV and Channel Television.

2.1.3 Consumers are using a wide range of internet-enabled devices to access audio-visual content online

Introduction

Consumers are able to access TV and audio-visual content over the internet in a wide variety of ways. One method is via a smart TV, which is a standalone TV with inbuilt internet functionality. Another method used is via an internet-enabled TV, which is any TV that is connected to the internet by a third party device such as a games console, set-top box or laptop/PC. Finally, the increased proliferation of devices such as tablets and smartphones, in addition to widely-owned devices such as laptops and PCs, gives households a wider range

of internet-connected devices with which to access TV and audio-visual content, either on the move or at home.

Smart TV: definition

‘Smart TV’ refers to a standalone television set with inbuilt internet functionality. Users connect a broadband router directly into the TV. Smart TVs are produced by consumer electronics manufacturers including Samsung, Sony, Panasonic and LG. The definition does not include television sets connected to the internet via a third-party device, such as a set-top box, a games console or a laptop/PC.

Internet-enabled TV: definition

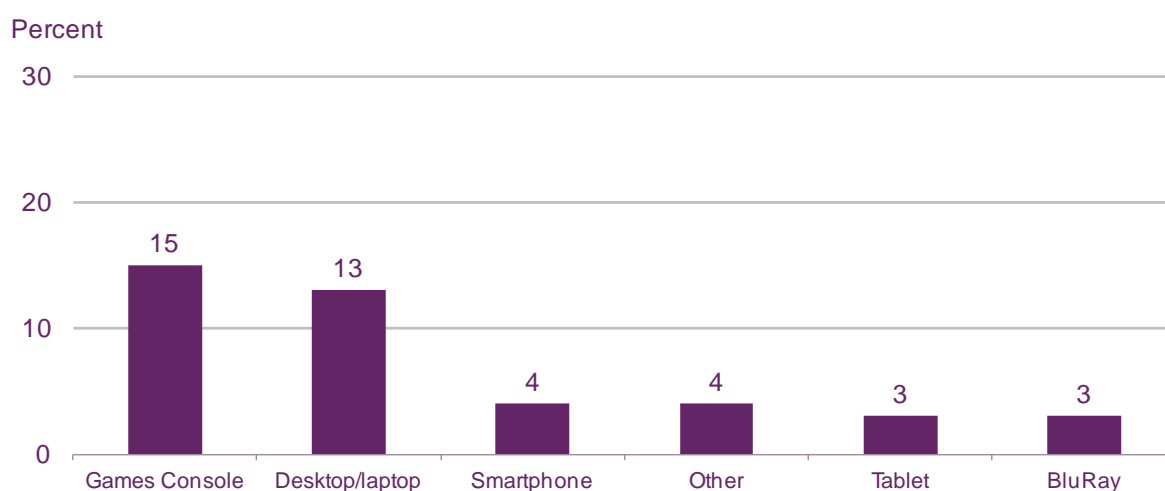
The term ‘internet-enabled TV’ covers any television set connected to the internet via a third-party device, such as a set-top box, a games console or a laptop/PC. The set-top box might be provided with services such as Sky On Demand, Virgin TiVo, BT Vision or Talk Talk. Games consoles used include Microsoft’s Xbox Live, Sony’s Playstation 3 and the Nintendo DSi. Laptops/PCs are connected through a cable run from an output port to an input port on a compatible TV.

Consumers are connecting their TVs to the internet in a variety of ways

Ofcom research conducted in 2013 indicates that, of those respondents with a TV and internet access at home, the devices most widely used to connect a TV to the internet, thereby creating an internet-enabled TV, were games consoles (15%) and laptops/PCs (13%). In addition to these two types of device, a number of consumers have set-top boxes, often as part of their TV package. Decipher has analysed set-top box numbers and estimates that 7 million households in the UK (27% of total UK households) had active internet enabled set-top boxes in March 2013.

Ofcom’s research suggests that devices which are larger and more fixed to a specific location, such as set-top boxes and games consoles, are more likely to be used to connect a TV to the internet than smaller and more portable devices such as tablets. This is probably due to the convenience of having a larger device continuously connected to the TV.

Figure 2.4 Use of different devices to connect TV to the internet



Source: Ofcom Segmentation Survey, February 2013

Q.OCD27 Do you or anyone in your household use any of the following devices to connect your main TV to the internet?

Base: All who have a television and can connect to the internet

Seven per cent of UK households own a smart TV, and sales continue to increase

In addition to internet-enabled television sets, consumers can purchase TVs with inbuilt internet connectivity, known as smart TVs. According to Ofcom's *Technology Tracker*, 7% of UK households had a smart TV in Q1 2013, a two percentage point increase on the previous year. Of those households with pay-TV on their main set, smart TV penetration stood at 9%, compared to 5% of households whose main TV platform is the free-to-air Freeview. This shows that smart TV ownership is slightly higher among pay-TV customers.

Smart TV sales as a proportion of all TV sales have continued to increase, with the smart TV share of the personal television market increasing substantially quarter on quarter (Figure 2.5). Between Q1 2012 and Q1 2013, the share of smart TV sales increased by eight percentage points to 28% of all TV sales, representing a 40% increase year on year.

Figure 2.5 Smart TV sales and market share

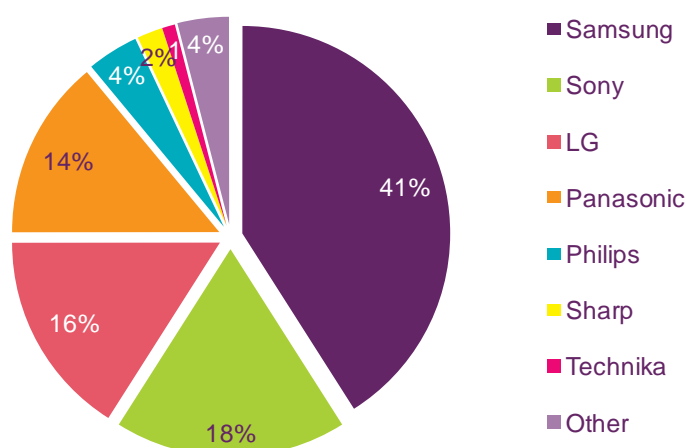


Source: GfK

Samsung holds a strong position in the smart TV market

In Ofcom's online survey, conducted in 2013, 41% of respondents stated that their smart TV was a Samsung TV. This was followed by Sony (18%), LG (16%) and Panasonic (14%), with the top four companies accounting for 89% of total ownership. It will be interesting to see how competition develops in this still nascent market.

Figure 2.6 Ownership, by smart TV brand



Source: Ofcom online survey, 2013

QB4. What brand of smart TV is it?

Unweighted base: All respondents who own a smart TV (670)

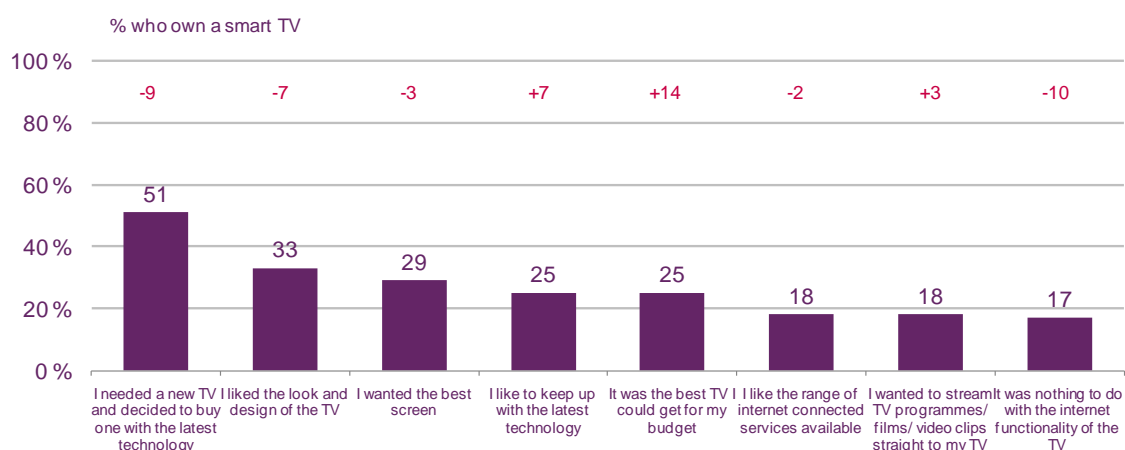
Half of those who bought a smart TV did so because it was the latest available technology

Ofcom research found that, as in 2012, the majority of consumers buying a smart TV did so because “they needed a new TV and decided to buy one with the latest technology” (51%). The next most commonly-cited reasons relate to “liking the design of the set” (33%) and “wanting the best screen” (29%). This suggests that most smart TV owners still do not prioritise internet functionality when buying their TV.

Nevertheless, the research shows that some consumers were attracted to features specific to smart TVs. Eighteen per cent of respondents said that they liked the range of internet connected services available, and the same proportion said they wanted to stream TV programmes/ films/ video clips straight to their TV.

Indeed, in comparison to last year, interest in the internet functionality of smart TVs does appear to be growing, with the proportion of smart TV owners who said their purchase decision had nothing to do with internet functionality falling by ten percentage points, to 17%.

Figure 2.7 Reasons people buy a smart TV



Source: Ofcom online survey, 2013

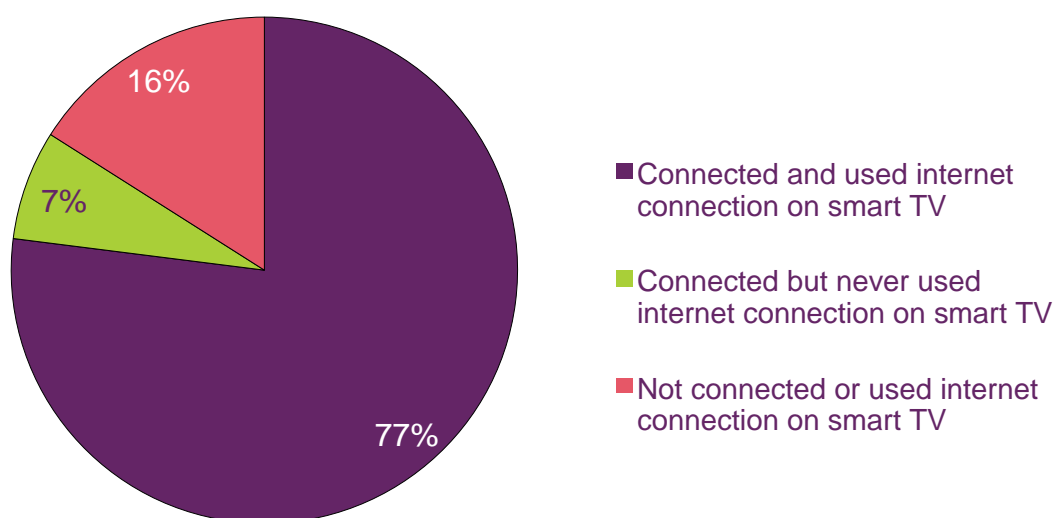
QB2. Why did you decide to buy your smart TV?

Base: All respondents who own a smart TV (670)

Over three-quarters of respondents use the internet functionality of their smart TVs

Of those who own a smart TV, 77% have connected it to the internet and used the internet connection on it. This indicates that while internet connectivity is not the most popular reason for buying a smart TV, consumers are increasingly likely to use this functionality when they get the TV home. Of those who had not used their smart TV's internet connection, 7% had connected the TV but never used the internet connection, while 16% had never connected their smart TV to the internet.

Figure 2.8 Consumers' use of internet connection on smart TVs



Source: Ofcom online survey 2013

(1) Q.S6. And is your smart TV connected to the internet allowing you to use the internet functionality? (2) Q.A5. Have you ever used the internet connection on your smart TV set?

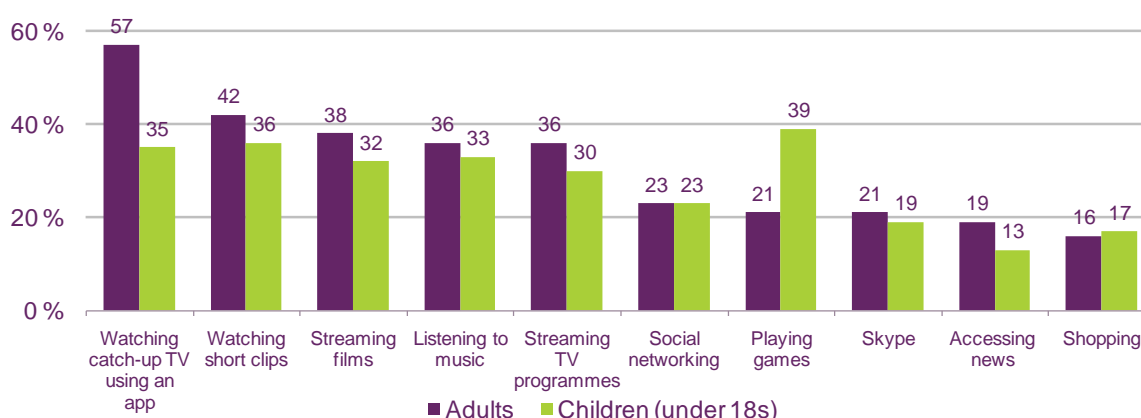
Base: All respondents who own a smart TV (670); (2) All respondents who have used the internet functionality of their smart TV (541).

Both children and adults predominantly use the internet connection on smart TVs for accessing various types of online content

In Figure 2.9, the activities most commonly done by adults who had used the internet functionality on their smart TV were: watching catch-up TV using an app (57%), watching short clips (42%), and streaming films (38%). Other online activities such as accessing news via a website or app (19%), and shopping (16%), were substantially less likely to have been done on a smart TV. This suggests that of the various online activities that a smart TV can be used for, it is more likely to be used as a gateway to access online content. This might be because smart TVs are often shared screens, so they are less likely to be used for personal tasks such as shopping and using social media.

The research asked parents whose children (under-18s) use the internet functionality on the smart TV at least sometimes, what types of activities their children were doing. There are two activities where children's behaviour differs from adults': the most popular activity for children on a connected smart TV was playing games (39%), 18 percentage points higher than among adults. In contrast, watching catch-up TV using an app was much less popular among children (35%) than adults (57%). But apart from these two differences, adults and children use the available functionality in similar ways: other popular activities for adults and children on the smart TV are watching short video clips, listening to music, and streaming films and TV programmes.

Figure 2.9 Activities undertaken on smart TVs among adults and children



Source: (1) Q.B8. Which of the following if any, do you use the internet functionality of your smart TV for? (2) Q.B15. What types of activity are they doing?

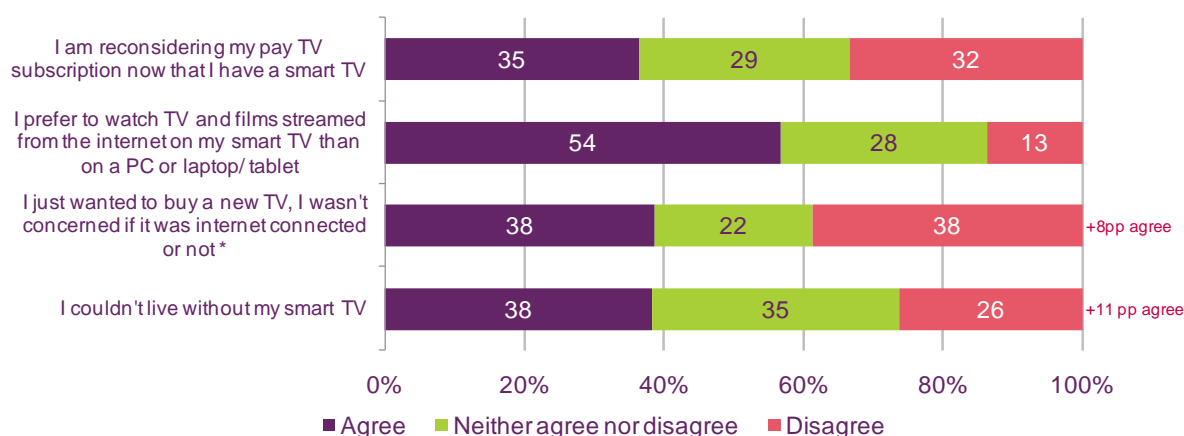
Base: (1) All respondents who have used the internet functionality of their smart TV (541) (2) Smart TV owners with children under the age of 18 years who use the internet functionality on the smart TV at least sometimes (253).

Thirty-five per cent of respondents claim to be reconsidering their pay-TV subscription as a result of purchasing a smart TV

Figure 2.10 shows that attitudes towards smart TVs are positive. Of those who had used the internet functionality of the device, over half (54%) agreed that they preferred to watch TV and films streamed from the internet on their smart TV rather than on their PC or laptop/tablet. This compares to just over one in ten (13%) of respondents disagreeing with this statement. Thirty-eight per cent agreed with the statement that "they couldn't live without their smart TV", an increase of 11 percentage points year on year.

When smart TV owners who subscribe to pay-TV were asked whether, since having a smart TV, they were reconsidering their pay-TV subscription, a third of respondents (35%) agreed, perhaps reflecting the wider range (and ease of access) of VoD and catch-up TV services now available on smart TVs. Section 2.1.4 of this report focuses in depth on developments in the video-on-demand market over the past year.

Figure 2.10 Attitudes towards smart TVs



Source: Ofcom online survey 2013

Q.B16. To what extent do you agree or disagree with the following statements?

Base: (1) All respondents who have used the internet functionality on their smart TV (541) (2) Those with a smart TV who subscribe to pay TV (536)

Note: *Among all respondents who own a smart TV (670), 42% agreed, 23% neither agreed nor disagreed and 34% disagreed.

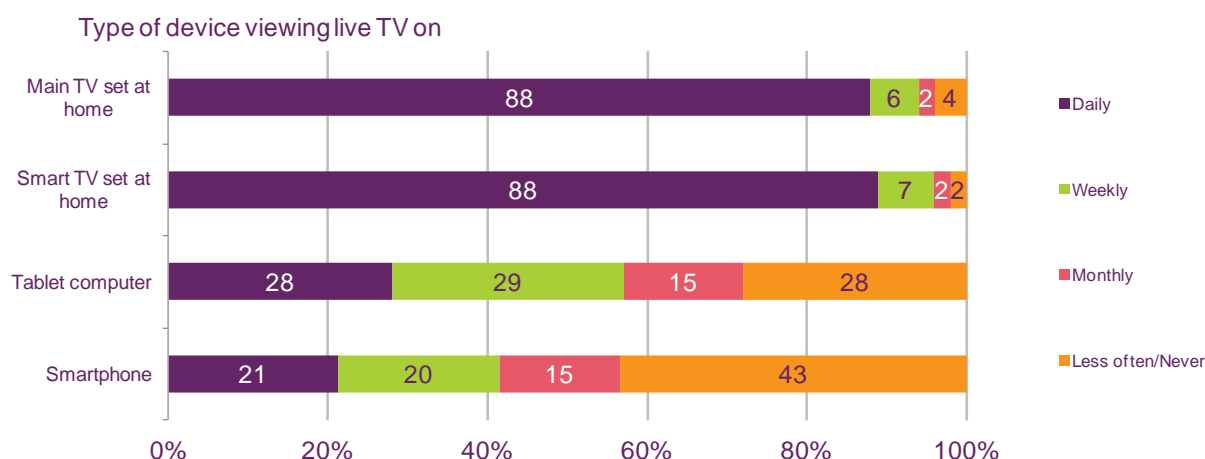
Despite the rise in the penetration of connected devices, scheduled TV still dominates

The increase in the penetration of TVs connected to the internet (either via inbuilt functionality or a third party device), as well as smartphones and tablets, means there is now greater flexibility and choice for consumers in deciding what to watch, when to watch it and which device to watch it on.

However, despite the proliferation of internet-enabled devices, TV viewing in the home remains predominantly live (i.e. watched at the time of broadcast). Ofcom research shows that the main TV set in the home remains the default screen for live content, and there is no significant variation in the frequency of viewing live television between smart TV owners and traditional TV owners, with 88% of all owners using them daily for such content.

The proportion of respondents claiming to watch live TV daily on connected devices such as tablets and smartphones is much lower. But the proportion using connected devices for viewing live content *on a weekly basis* is still high. Fifty-seven per cent claim to use tablets to view live content on a weekly basis, compared to 41% of smartphone owners. As discussed in the *market in context* section, six in ten tablet users claim to view content in the bedroom using the tablet as a secondary TV, and this is potentially driving the high levels of weekly live viewing. However, the significantly lower proportion of claimed daily viewing of live content is likely to be because the small screen size of connected devices limits their ability to become the first choice for live TV viewing, among other factors.

Figure 2.11 Frequency of viewing live TV, by device



Source: Ofcom online survey 2013

QA1. How often, if at all do you watch TV on your main TV/smart TV/tablet/smartphone?

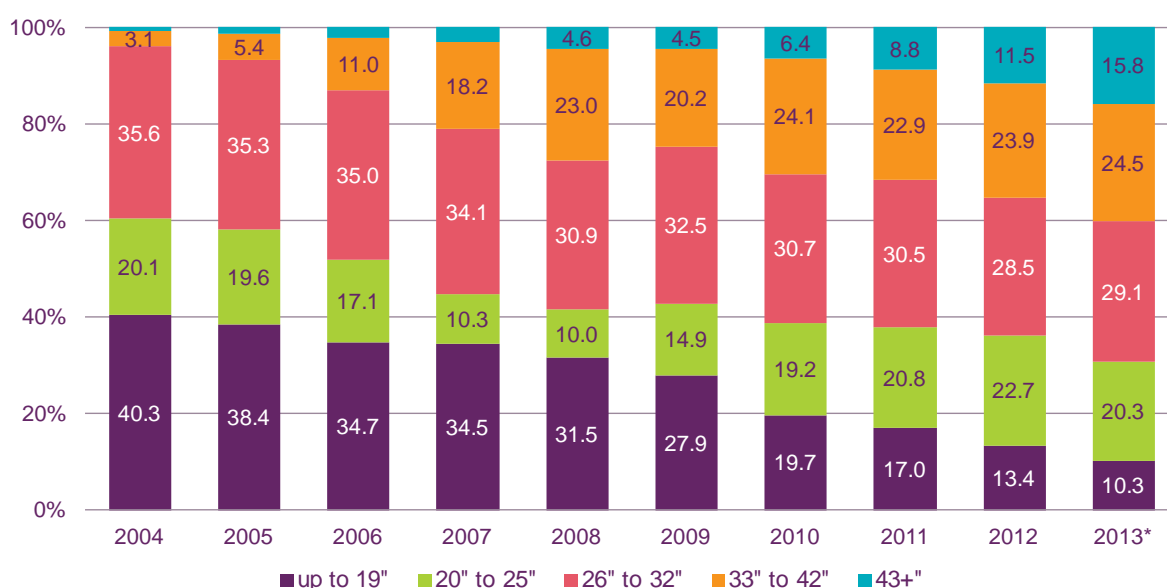
Unweighted base: All respondents own at least one device (main TV non-smart (972), smart TV (670), tablet computer (869), smartphone(772)).

Around seven in ten TV sets sold are 'large' (26" to 32") or bigger

As can be seen in Figure 2.12, 69% of TV sets sold in Q1 2013 had a 26-inch screen or bigger. 'Jumbo' TV sets (43"+) account for 15.8% of sales, a 4.3% percentage point increase on 2012. In contrast, the proportion of TV sets sold with a screen size of up to 19 inches fell to 10.3%, around a quarter of the proportion of sales that TVs with that screen size accounted for in 2004.

While connected devices are being used increasingly on the move, and to supplement TV content, the TV set retains a strong appeal to consumers. The trend to buy TVs with bigger screens clearly emphasises the importance consumers put on the quality of the experience when viewing content. In particular, having larger screens, alongside other improvements such as better audio quality, suggests that watching TV on the main TV sets is likely to remain popular.

Figure 2.12 Percentage of TV sets sold, by screen size: 2004 to Q1 2013



Source: GfK sales data estimates. *2013 data represents Q1 only.

2.1.4 Changes in the video-on-demand landscape

There have been many developments over the past year in the video-on-demand (VOD) landscape in terms of more devices on which to watch, an increase in free and paid-for VOD services and apps, as well as a wider range of content available to stream or download.

But it is important to consider these developments in the context of 90%³⁶ of viewing on TV sets still being to live broadcasting (see section below for further detail), with the remaining 10% comprising time-shifted viewing via recording devices and viewing of catch-up TV VOD services.

Figure 2.13 shows that many people are using video-on-demand services, but the majority are viewing less often and for shorter periods than watching linear TV. This is backed up by BBC statistics, which show that BBC iPlayer, the most-used TV catch-up service in the UK, accounts for about 2% of BBC programming consumed in the UK³⁷.

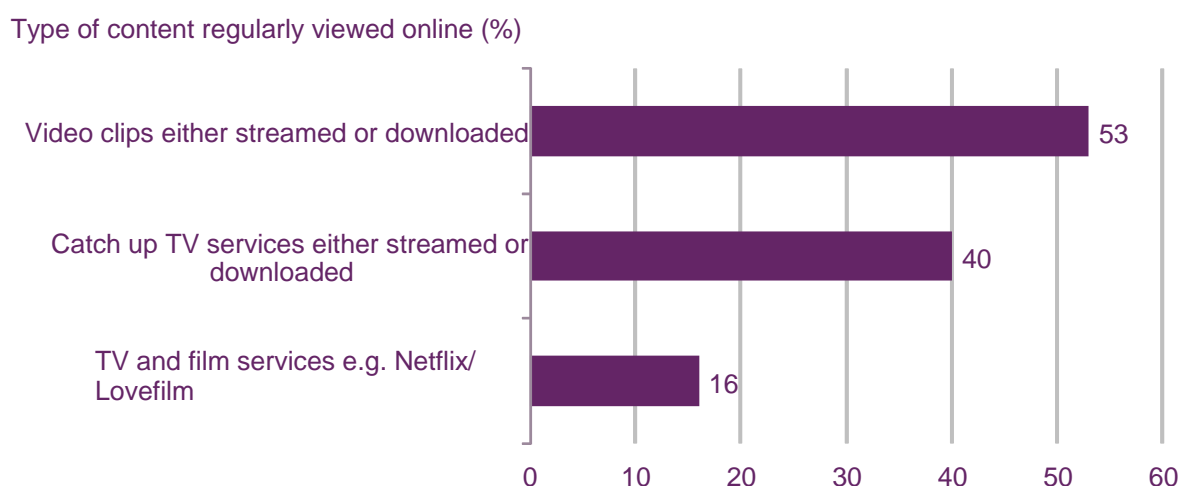
Consumers are viewing a range of audio-visual content online

Short clips remain the most-watched VOD content, but in terms of 'long form' TV programmes, catch-up services from the main broadcasters are used more than other online streaming services. Over half (53%) of people surveyed claim to watch short video clips online on a regular basis, while 40% claim to watch TV programmes (either streamed or downloaded) via TV catch-up services, such as BBC iPlayer or 4oD. Fewer respondents (16%) claim to use other VOD services, such as Netflix, Lovefilm Instant, and Vimeo on a regular basis, although these services are less established than the broadcaster catch-up services.

³⁶ BARB all individuals 4+, all households

³⁷ Source: BBC Live+7 data are produced by modelling BBC iPlayer durations data (measured by the internal BBC iStats system) to match minutes recorded by BARB, and combining the two

Figure 2.13 Claimed consumption of audio-visual content online



Source: Ofcom Segmentation Survey, February 2013 QT1: Which, if any, of these activities do you do regularly, at least once a month, and on which of your devices (pc/laptop, tablet, smartphone, games console, smart TV or other connected device)? Base: All Adults aged 15+

Over recent years there have been significant changes in how VOD services are consumed

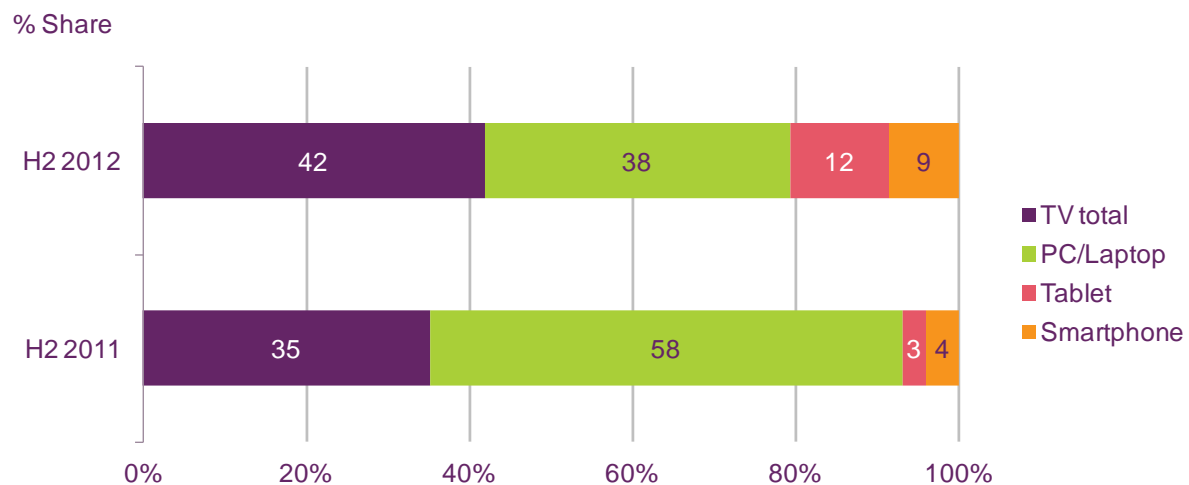
Overall, unique programme requests for long-form VOD (programmes rather than short clips) are estimated to have risen by 21%³⁸ between the second half of 2011 and the second half of 2012. However, within this total the balance of delivery between different devices has changed.

TV VOD is on the rise as more people connect their sets to the internet. Older TV sets can be connected via games consoles and Blu-ray players; next-generation set-top boxes from a range of suppliers are now internet-enabled, and one in five TVs sold in the last two years has internet functionality (see Section 2.1.3 for further detail). The rise in ownership of smartphones and tablets and the development of apps to allow users to access VOD services have led to significant rises in levels of access to TV programmes on these portable devices. The rise in viewing via TV and mobile devices has in part led to a decline in long-form VOD consumption via PCs and laptops (Figure 2.14).

As illustrated in Figure 2.14, industry estimates indicate that the share of the 'long form' VOD viewing accounted for by PC and laptops fell to 38% in the second half of 2012, overtaken by TV, with a 42% share. The share of viewing accounted for by smartphones rose from 4% in the second half of 2011 to 9% in the second half of 2012, and viewing on tablets rose from 3% to 12% over the same period.

³⁸ Source: 3 Reasons LLP. Estimates are based on the number of initiated long-form content streams delivered lawfully, from a range of sources including press disclosures and published company results

Figure 2.14 Estimated share of the UK long-form 'pull' VOD³⁹ market, by device (programmes/films, not short clips or videos)



Source: 3 Reasons LLP. Estimates are based on the number of initiated long-form content streams delivered lawfully, from a range of sources including press disclosures and published company results. (Total TV includes VOD via set-top box, internet enabled sets and TVs connected by games consoles.)

The main reason for using TV and online VOD services is to catch up on missed programmes or films

“Wanting to catch up on a missed programme or film” is the most-cited reason for both for TV VOD⁴⁰ and online VOD⁴¹.

The next most important reason given for using TV VOD was “when there is nothing to watch on scheduled TV” (54%) and “want to watch a programme or film at a time that suits me” (46%).

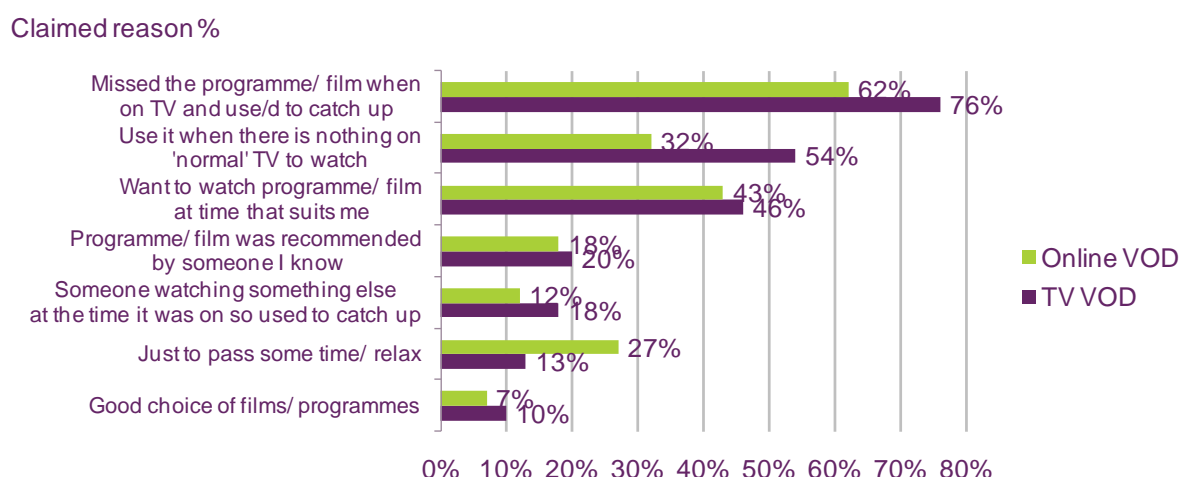
For online VOD users the second most-mentioned reason is to “watch content at a time that suits me”, which at 43% is at a similar level to online VOD users. Less than a third of online VOD users claim to use the services when there is nothing on TV, but 27% claim to use online VOD “just to pass the time/relax”, compared to just 13% claiming that for TV VOD.

³⁹ Pull VOD is a form of video on-demand distribution where content is delivered online at a user's request.

⁴⁰ VOD content accessed via Cable TV (e.g. Virgin), Satellite TV (e.g. Sky) and Digital TV via a broadband DSL line (e.g. BT Vision or Talk Talk).

⁴¹ VOD content accessed through a website via any connected device.

Figure 2.15 Reason for video-on-demand use: TV vs. online



Source: Ofcom Media Tracker 2012. Base: TV VOD: All who use TV video on demand (541), Online VOD: All who use online video on demand (725).

The rise in TV VOD is, in part, fuelled by the rise in use of internet-enabled set-top boxes

Pay-TV operators are providing TV VOD via next-generation set-top boxes. Recent developments such as Sky on Demand, the launch of YouView and the continued roll-out of Virgin Tivo make the catch-up services from the five main UK TV channels available in a single interface.

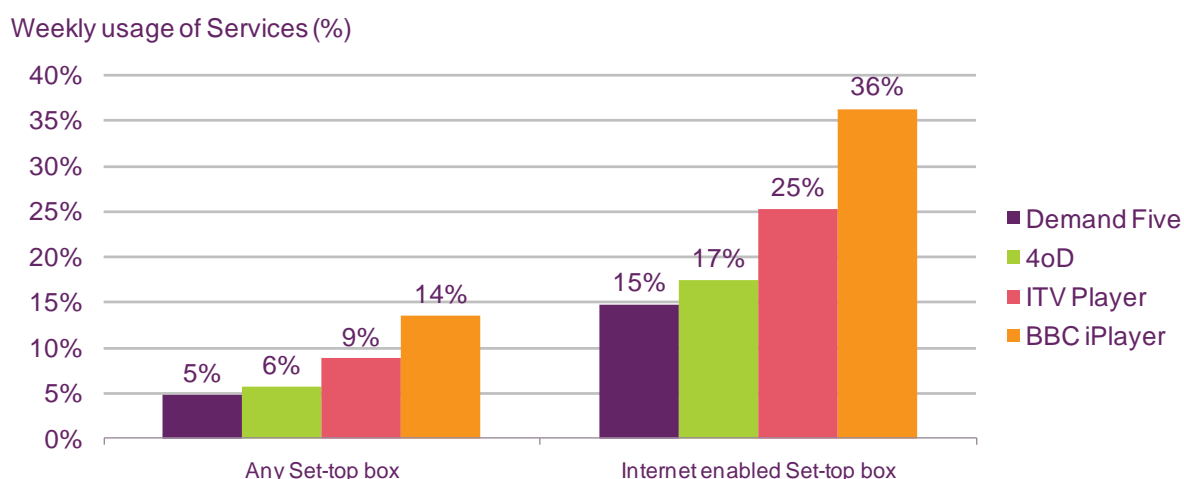
In Decipher's recent Mediabug survey, over a third (36%) of internet-enabled set-top box users claim to access the BBC iPlayer service, followed by ITV Player with 25% and 4oD and Demand Five with 17%⁴² and 15% claimed access respectively.

Furthermore, 73% of people claimed to prefer watching TV VOD services via their internet-enabled set-top box rather than other TV connected devices⁴³. The main reason given for preferring the set-top box was speed of access to content.

⁴² When the research was conducted 4oD was not available on all platforms

⁴³ Among people with an internet-enabled set-top box and at least one other device for connecting the TV to the internet.

Figure 2.16 Claimed weekly use of TV catch-up services via set-top boxes



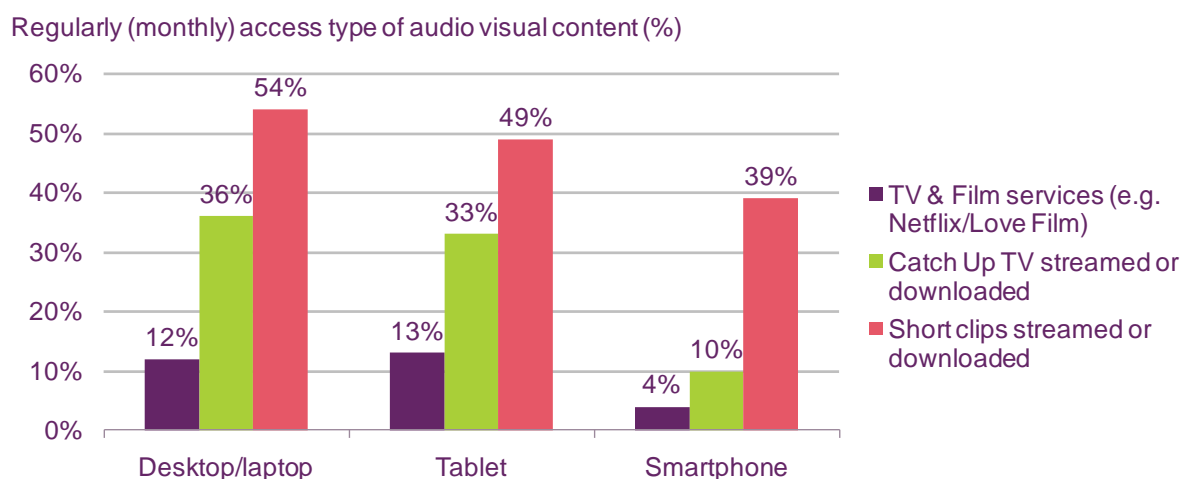
Source: Mediabug Tracker, Decipher, February 2013 All set-top box owners (2805), All internet-enabled set-top box owners (920)

When short clips and videos are included, PCs/laptops remain the most-used devices for online VOD access

Ofcom's research shows that among those using online VOD, PCs and laptops are the devices used most often, particularly for watching videos and short clips, with 54% claiming to do this regularly.

In terms of mobile devices, tablets are more likely than smartphones to be used for accessing VOD services, particularly for long-form content.

Figure 2.17 Types of audio-visual content consumed, by device users



Source: Ofcom Consumer Segmentation Survey Feb 2013. Base: All who use the specific device

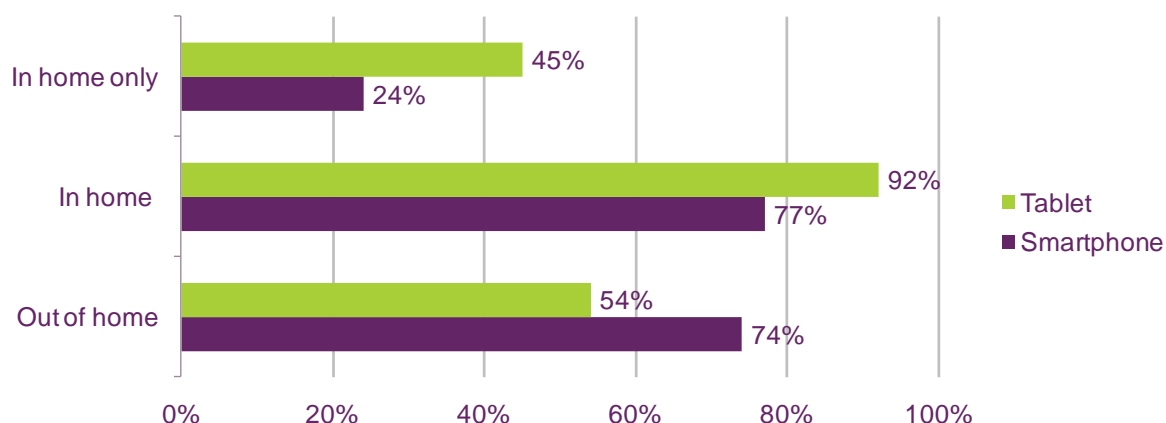
Smartphones are more likely than tablets to be used for viewing content outside the home

When looking at viewing of any content - clips, programmes and films, Figure 2.18 shows that smartphones are more likely than tablets to be used for viewing outside the home. Over three-quarters (77%) of people who view audio-visual content on their smartphone claim to do so when they are out of their home, compared to just over half (54%) of people who view

on their tablet. Nearly half (45%) of people who view content on their tablet claim to do so solely at home.

Figure 2.18 Location of viewing on tablets and smartphones

Viewing by location %



Source: Ofcom Online Survey 2013, Q: Where do you watch these types of content on your smartphone or tablet computer? (tablet=873, smartphone=779)

Films and UK drama are the most popular genres viewed via VOD

According to consumer research from Decipher, the most popular genres accessed via TV VOD⁴⁴ and online VOD⁴⁵ are films and UK drama, followed by UK TV comedy and documentaries.

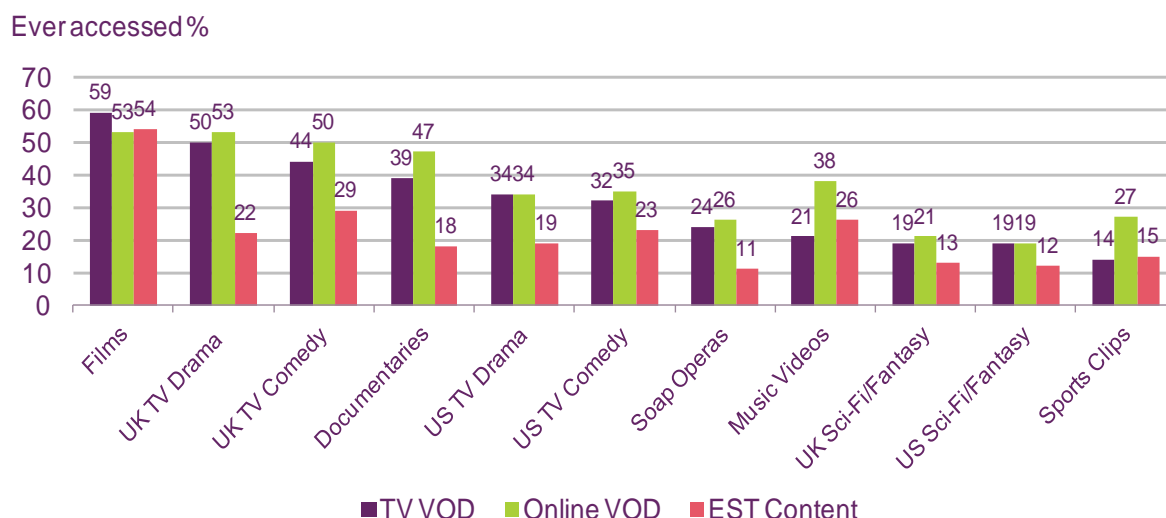
In terms of 'electronic sell-through' (EST⁴⁶), films are the most likely genre to be purchased and a copy permanently kept, with 59% of people who have used EST claiming to have purchased a film.

⁴⁴ VOD content accessed from a TV set-top box, includes all catch-up, on demand and pay-per-view content accessed from a TV set-top box.

⁴⁵ Includes any VOD content accessed from any device but a TV set-top box.

⁴⁶ *EST (electronic sell-through) is content that is purchased and a copy permanently kept.

Figure 2.19 TV and online VOD, and videos purchased online (EST*): claimed use, by genre



Source: Mediabug Tracker, Decipher February 2013. *EST (electronic sell through) is content that is purchased and a copy permanently kept not rented. TV VOD Base: Ever accessed VOD content via a TV set-top box(891), Online VOD Base: Ever used Online VOD (2052) EST BASE: Ever Used EST services (854)

What impact will TV and film subscription services have on pay-TV subscriptions?

There is some debate whether TV subscription VOD services like LoveFilm and Netflix will have an effect on the pay-TV sector and lead to 'cord cutting' – i.e. consumers cancelling all or part of their pay-TV subscriptions.

Research by Deloitte⁴⁷ found that 4% of respondents claimed to have cancelled their pay-TV subscription in 2012, with affordability being the reason given by the vast majority who cancelled. Ten per cent claimed to be thinking about cancelling, and of this small sub-set, only 7% claimed that paid-for VOD services were a factor in their decision process.

Pay-TV companies also provide many homes with internet and/or phone connections. With more people taking up bundled services, 'cord cutting' becomes a more complex decision. Aside from content, set-top boxes also provide additional functionality such as personal video recorders, which are valued by the consumer.

⁴⁷ Deloitte Media Consumer Survey 2013, Online survey of 2000 respondents.

Some recent market developments in video on demand

Many TV networks and online distributors are investing to compete in a world where TV content is widely available online, via PCs, mobile devices and connected TVs. Here are some examples that illustrate recent developments in original content, scheduling and access to content within the VOD market.

With the continued roll-out of Tivo, and the launches of YouView and Sky on Demand, it is estimated that around 7 million UK households now have internet-enabled set-top boxes (see Section 2.1.3).

Netflix is aiming to drive subscriptions via investment in original content, scheduling and exclusive deals. It has invested in original content with a remake of House of Cards, releasing the entire series on the same day and allowing subscribers to watch multiple episodes back to back, or watch episodes at a time convenient to them. Netflix is planning more investment in original content and has signed an exclusive deal in the US with Walt Disney Studios to be able to show films and animations ahead of the TV networks.

Amazon is planning a move into TV production by creating eight comedy pilots and six children's animations, to be shown on Lovefilm in the UK. It plans to use new writing talent and use data from the pilots to decide which shows to commission.

With the developments in connected TV, YouTube is now no longer confined to computers and mobile devices, so the company is investing in the more lucrative long-form VOD market. It is helping to fund original online channels which will produce content exclusive to YouTube, and it has just launched its first online pay channels, where content can be downloaded and kept, or 'rented'. The first British YouTube pay channel is Digital Theatre, which provides full-length HD films of current British theatre productions.

During 2012 the BBC made a limited amount of content, including Doctor Who spin-off series Pond Life, and some BBC Three comedy pilots available exclusively on the iPlayer. Due to the popularity of these pilots, they were then broadcast on BBC Three. In 2013 the BBC has commissioned six iPlayer-exclusive dramas, showcasing new talent, and a comedy series starring Peter Kay that will premier on iPlayer before being broadcast on scheduled TV.

Sky's Now TV includes a 'pay-as-you-go' service allowing non-subscribers access to Sky content for the first time, including sports and movies. Sky Go allows its satellite TV subscribers access to Sky content on a range of fixed and mobile devices.

2.1.5 Live television lives on

Viewing live remains the main way of watching television

Time-shifted viewing

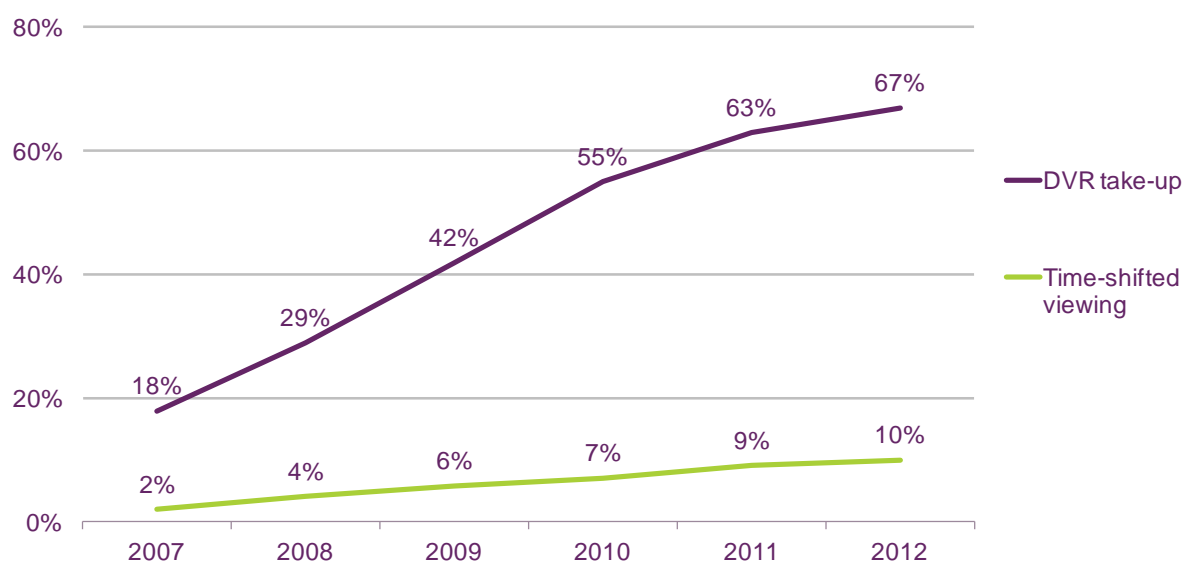
Time-shifted viewing is defined by BARB as viewing of programmes recorded and subsequently played back on a television set within seven days of live broadcast, as well as viewing after pausing or rewinding live TV. Recording devices included in BARB analysis include video cassette recorders (VCR); DVD recorders (which store programmes on writable DVDs); digital video recorders (DVRs) which use a hard disk to store programmes chosen from an electronic programme guide, and combination devices (which use a combination of internal hard disk and removable DVDs to store programmes).

Viewing any catch-up TV player services through the television set, including those accessed through apps on smart TVs and games consoles, and any viewing on a laptop or personal computer connected to the television set, are also captured, if the content has been broadcast live in the last seven days. Viewing outside this seven-day window, and video on demand (VOD) services that have not been scheduled on a television channel, are not reported as time-shifted viewing.

During the past five years a range of services have been launched that enable viewers to watch programmes on their TV set at a time that suits them. Home digital video recorder (DVR) take-up has increased from 18% in 2007 to 67% in 2012 according to BARB, while around three in ten homes have a connected set-top box such as Virgin's Tivo, Sky On Demand, BT Vision or YouView. Each provides access to catch-up services like BBC iPlayer, as well as other VOD content.

Despite this growth in device/service take-up, live television remains the main way of watching programmes. Figure 2.20, below, shows that the total proportion of time-shifted viewing remains low, increasing from 2% in 2007 to 10% in 2012, with year-on-year signs that the growth rate is slowing.

Figure 2.20 Time-shifted viewing in all homes: 2007-2012



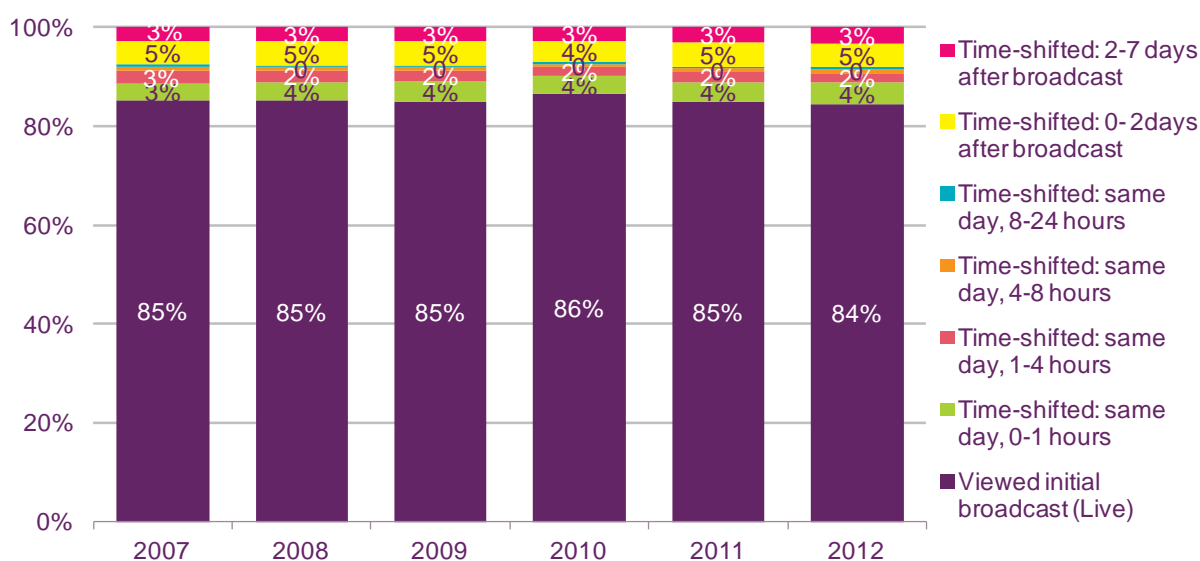
Source: BARB. All individuals, Network. New BARB panel introduced 1 Jan 2010. As a result pre- and post-panel change data must be treated with caution. See definition of time-shifted viewing in section 2.1.5

In DVR homes levels of time-shifted viewing have remained broadly stable

Among DVR owners, levels of use have remained remarkably stable over the past five years, with time-shifted viewing ranging from 14% to 16%.

Figure 2.21 shows that over the period nearly half of all time-shifted viewing took place on the same day as broadcast; and a quarter was within an hour of transmission. These figures indicate the continued popularity of watching television on the day of broadcast; with DVRs offering one way of watching television at a time on the same day that suits viewers.

Figure 2.21 Time-shifted viewing in DVR homes: 2007-2012



Source: BARB. Individuals in DVR homes, Network.

Live viewing is more popular in digital terrestrial TV homes

Viewers in homes with digital terrestrial television and no other TV service (DTT only) were more likely to watch television live, compared to those in satellite or cable homes. In 2012, among DVR owners, 89% of viewing in DTT only homes was to live broadcasts, compared with 83% among those in satellite homes, and 84% among those in cable homes. These variations in viewing patterns are likely to be a result of the different services offered by satellite and cable providers, such as Virgin's Tivo box or Sky's On-Demand service, which offer greater programme storage capacity, enhanced recording functionality, and access to broadcasters' catch-up services.

Viewing behaviour also differed by age. In 2012, DVR owners aged 65 and over tended to watch live television, with 89% of their viewing dedicated to the original broadcast, and 11% to time-shifted programmes. In contrast, 25-34 year-old DVR owners were the most likely to time-shift, with 22% of their viewing taking place after the original broadcast.

Patterns also varied depending on whether DVR owners were light, moderate, or heavy TV viewers.⁴⁸ Heavy viewers tended to watch programmes as they were broadcast (87%), whereas light viewers were most likely to time-shift their viewing (21% of their viewing was after the initial broadcast, compared to 19% among moderate viewers, and 13% among heavy viewers).

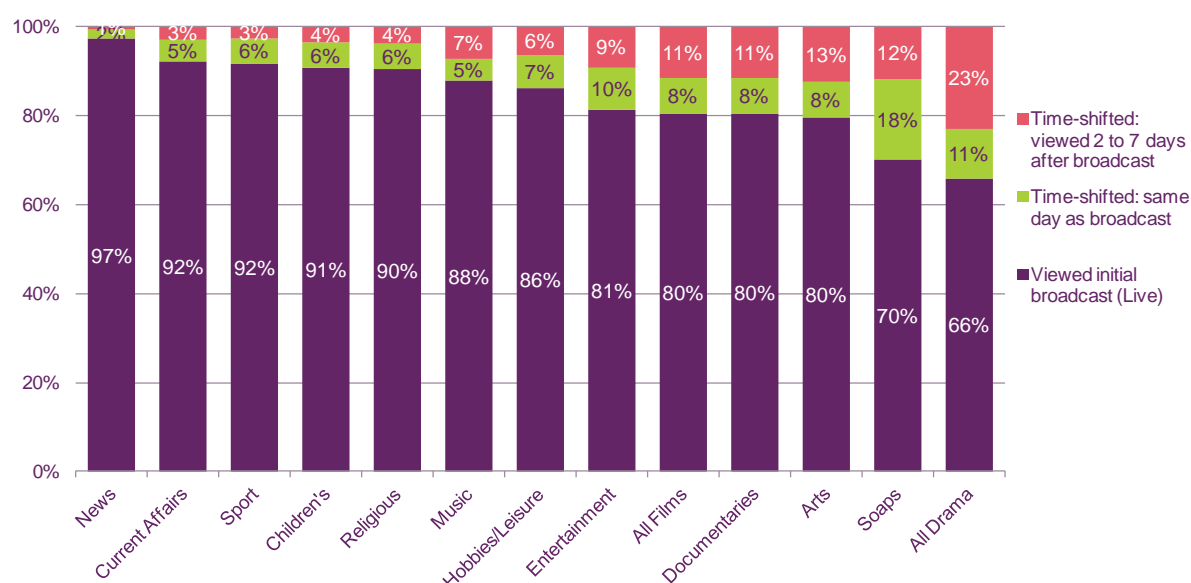
News, current affairs and sports are most likely to be watched live

Possibly due to the nature and immediacy of the subject matter, the vast majority of news, current affairs and sports programmes were watched live.

Drama and soaps were, by contrast, the least likely to be watched live (70% and 66% watched live). That said, soaps still tended to be watched on the same day as broadcast, indicating viewers' desire to keep up to date with daily storylines. In contrast, almost a quarter of drama programmes were watched on days other than the original broadcast.

⁴⁸ In this analysis DVR owners who met the reach criteria of three consecutive minutes of viewing per week were split into three equal percentiles, in order to define DVR owners by weight of total TV viewing as light, medium or heavy viewers.

Figure 2.22 Time-shifted viewing, all channels, by programme genre: 2012



Source: BARB, All DVR owners, Network. Genre classifications based on BARB genre definitions. Figures may not sum to 100% due to rounding differences.

Out of the top-rating 100 programmes in 2012 among DVR owners, sports programmes such as the Olympics coverage and Euro 2012 were the most likely to be watched live; over 95% of sports viewing took place live. By contrast, BBC One's *Doctor Who* on Christmas Day was the programme with the highest proportion of time-shifted viewing; 48% of viewing was live, 23% was viewed later the same day, and 28% viewed up to seven days after the initial broadcast.

Figure 2.23 Time-shifted and live viewing of the top and bottom five of the 100 most-watched programmes in 2012

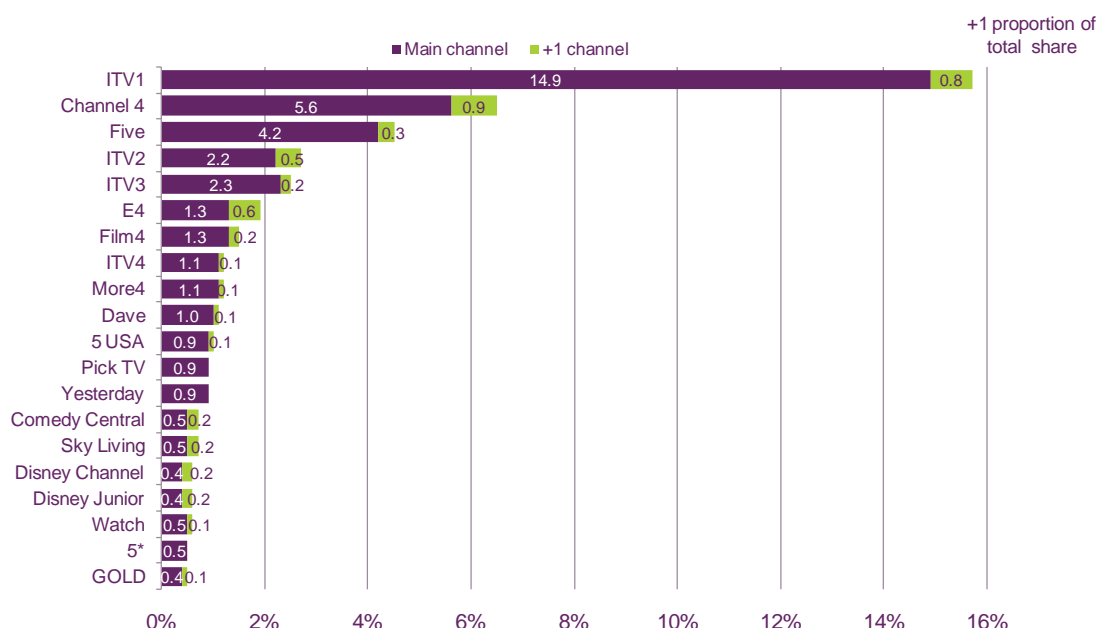
Programme	Channel	Date	Average Audience, 000s (DVR owners)	Live	Time-shifted: same day as broadcast	Time-shifted: viewed 2 to 7 days after broadcast
Top 5 programmes:						
EURO 2012: POST MATCH	BBC1	24/06/2012	8,634	96.4%	3.4%	0.2%
OLYMPICS 2012	BBC1	05/08/2012	9,306	96.3%	3.6%	0.1%
EURO 2012: ENG V ITA	BBC1	24/06/2012	13,873	96.1%	3.7%	0.2%
WIMBLEDON 2012	BBC1	08/07/2012	7,502	95.9%	3.9%	0.2%
EURO 2012: POR V SPN	BBC1	27/06/2012	6,934	95.3%	4.5%	0.2%
Bottom 5 programmes:						
BRITAIN'S GOT TALENT	ITV	07/04/2012	7,579	56.5%	26.6%	17.0%
CALL THE MIDWIFE	BBC1	25/12/2012	7,566	52.5%	10.7%	36.8%
SHERLOCK	BBC1	01/01/2012	7,412	52.2%	25.3%	22.5%
SHERLOCK	BBC1	08/01/2012	6,983	51.8%	22.7%	25.5%
DOCTOR WHO	BBC1	25/12/2012	7,554	48.4%	23.3%	28.2%

Source: BARB, All DVR owners, Network. Top 100 programmes based on average audience to programmes among All DVR owners. Top 100 programmes ranked by proportion of 'live' viewing.

+1 channels contribute to the high proportion of viewing that takes place on the same day as broadcast

A number of broadcasters offer +1 channels, which show the same schedule but one hour later, offering viewers the chance to watch that day's programmes at a slightly later time. Figure 2.24 below depicts viewing to the top-rating channels with a +1 variant and ranks the combined share of the two channels. With the notable exception of ITV1, the +1 channels bring significant additional audience to that on the main channel, up to one third of the total share. The results further support the point that viewers tend to watch programmes on the same day that they are broadcast.

Figure 2.24 Viewing share of main channels and their +1 variants, all individuals: 2012



Source: BARB, All Individuals, Network. Based on channels with a +1 variant with a combined share (main and +1) of 0.5% or more.

One in four viewers talk about, or contact, the programme while they are watching

Media meshing/ stacking / multi-tasking

We have commissioned research to investigate how TV viewers use other devices while watching TV. We classify those who are using other devices to interact with, or communicate about, the content they are viewing as 'media meshers', while others who are simply conducting unrelated media tasks (e.g. browsing the internet) are classified as 'media stackers'. The combination of these two behaviours is classified as 'media multi-tasking'.

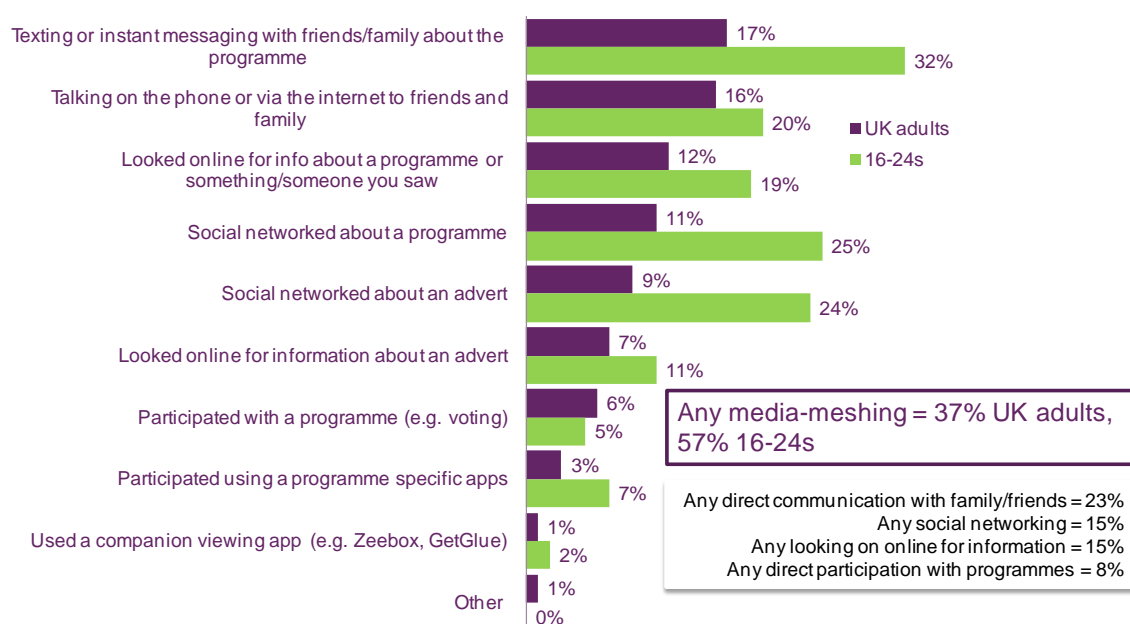
The continued popularity of live television can be attributed to a range of factors, such as habit, the need for immediate information, or the desire to avoid a plot spoiler.

Ofcom has undertaken research that shows that we often use the phone or social media to talk to each other about television. Arguably, this social tendency has contributed to the continued attraction of watching programmes live, in order to be a part of conversations about television. Figure 2.25, below, provides results from this new research; 37% of UK adults enjoyed either talking with family and friends about the TV programmes they were watching, or contacting the programme directly. This rises to 57% among 16-24s.

Texting/messaging and phone calls were more often used to engage with programmes, with just under a quarter of UK viewers doing this (23%). Looking online for information, or social networking about a programme, (for example on Facebook or Twitter) were less popular, with just over one in ten adults saying they had done this.

Participating directly with programmes is less common; less than one in ten UK viewers claim to have done this, either direct, by voting or entering a competition (6%), or via a programme app (3%). Newer social television apps such as Zeebox or GetGlue, which enable viewers to chat about the programme as they watch, have yet to make an impact, with only 1% of viewers claiming to have used these while watching television.

Figure 2.25 Media meshing while watching television, UK adults and 16-24s



Source: Ofcom research, 2013, All with TV

While just one in ten use Twitter, 60% of them tweet about TV

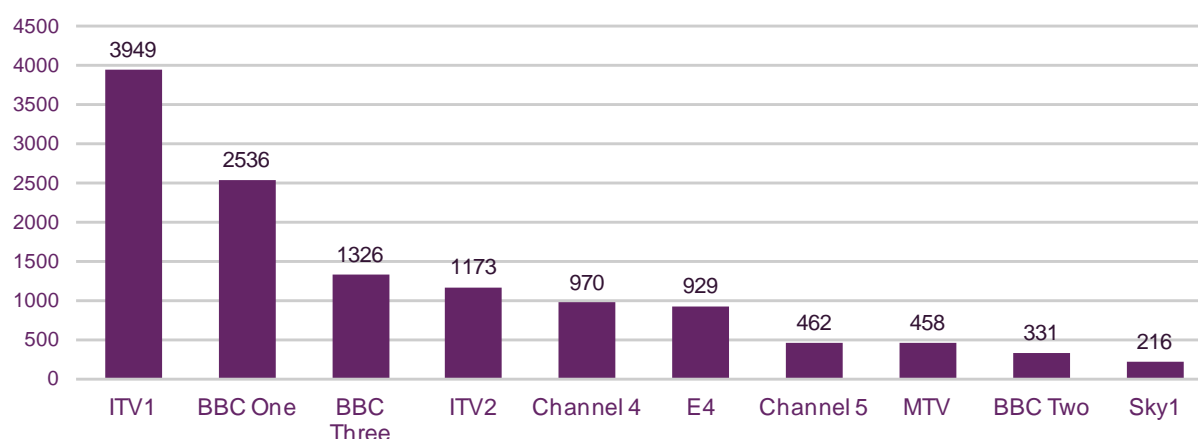
While those who use Twitter constitute around just one in ten of the UK adult population (9%, Ofcom Q1 2013), among this group, Twitter is proving a popular means of talking about television. According to Twitter/Second Sync data, in 2012 60% of Twitter users talked regularly about TV on Twitter, while 40% of all Twitter traffic during peak times related to television.

Analysis of SecondSync data depicted below shows the top 10 TV channels by average volume of tweets per programme⁴⁹. The volume of tweets varied greatly from programme to programme and by channel. Numerous factors are likely to contribute to the volume of social media posts about programmes, including audience size, age, and the type of programme.

ITV1 received the largest average number of tweets per programme and BBC One ranked second over the period June 2012 to May 2013. One of the biggest contributors of tweets to ITV1 over the period was the *X Factor* series whose live transmissions attracted an average volume of 406,000 tweets per programme and over 15 million tweets in total over the period. While BBC One's *The Voice* was the third most tweeted programme on that channel over the period, with an average volume of 132,000 tweets per programme and 1.3 million tweets overall. However, *Eastenders* (2.7 million tweets in 12 months) and *Comic Relief* (2.2 million tweets) generated the highest volume of tweets about BBC One programmes.

⁴⁹ This analysis is based on data from SecondSync that measured the number of tweets about each programme that were posted while the programme was broadcast over the period June 2012-May 2013.

Figure 2.26 Top 10 TV channels by average volume of tweets per programme



Source: SecondSync, June 2012 to May 2013. Excludes tweets about news and sports events.

The large majority of viewing across devices is to live television

Over the past five years there has been a rapid increase in use of smartphones (51%, Q1 2013), and ownership of tablets (24%, Q1 2013), as well as continued use of PCs/laptops. These devices provide consumers with access to catch-up, other VOD services, and live streamed content. Despite these developments, estimates show that the majority of viewing is of live television, whatever the device. 3 Reasons has analysed different data cross-platform, and estimates that in 2012 the vast majority (c.88.5%) of all time spent watching programmes, on any device, was live viewing at the time of broadcast, time-shifting via DVR represented another c.9%, and viewing via VOD (including catch-up and other VOD services) an estimated 2.5% of total viewing.

In conclusion, watching live remains the core way in which we watch television. Its continued popularity demonstrates viewers' preferences for watching TV as it is broadcast.

2.1.6 Sports programming attracted record viewing and spend in 2012

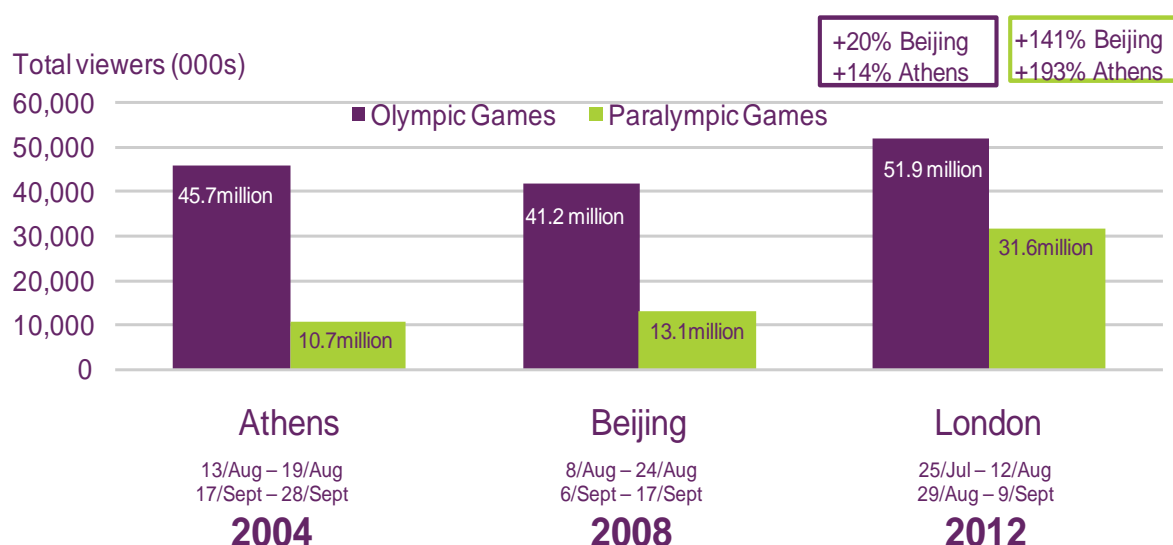
London Olympics and Paralympics the most-watched Games ever on UK television

2012 was a big year for sports programming, with two major sports events capturing the country's attention. First, the 2012 UEFA European Football Championship, commonly referred to as Euro 2012, which was broadcast by the BBC and ITV between 8 June and 1 July 2012, followed by the London 2012 Olympic and Paralympic Games, between 27 July and 9 September.

The Games' coverage was shared between the BBC and Channel 4, with the BBC broadcasting the Olympics together with the highlights and some live programming of Paralympics, while Channel 4 took the lead in broadcasting the Paralympic Games.

According to BARB, almost 52 million viewers aged 4+ (90% of UK population) watched television coverage of the Olympic Games, and over 31 million (55% of the UK) watched the Paralympic Games for at least 15 consecutive minutes, making the events the most-watched Games ever on UK television.

Figure 2.27 Total viewers of Olympic and Paralympic Games: 2004-2012



Source: BARB/InfoSys+. Note: 15 minutes+ consecutive reach. Individuals 4+. The London 2012 Paralympics was broadcast on C4/More4/4seven (C4 Paralympics channels did not report programme data and have therefore been excluded from the overall total reach), while 2008/2004 was broadcast on BBC One and BBC Two. According to Kantar Media, an estimated 3.53 million watched Paralympic footage on three additional Paralympics channels.

The 2012 London Paralympic Games was a particular success story, as it attracted an audience 141% larger than the previous Paralympics, hosted in Beijing in 2008.

Channel 4's successful coverage of the London Paralympics influenced the International Paralympic Committee's decision to grant the broadcaster the UK television rights for the next two Paralympic Games; in Sochi, Russia, in 2014 and in Rio de Janeiro, Brazil, in 2016.

For more information on how the UK adults followed the Games on different media and devices please refer to our report: *The London 2012 Olympic Games: media consumption* published in December 2012.

In 2012, sports was the most-watched genre on TV

According to BARB data, the opening and closing ceremonies for the Olympic Games drew the biggest-ever Olympics viewing audiences, peaking at around 27 million viewers each. The two events were the most-watched programmes in 2012, attracting an average audience of around 24 million each. Olympics and Euro 2012 events took 11 of the top spots in the 15 most-watched programmes throughout the year, making sports the most-watched genre on TV in 2012.

Figure 2.28 Top ten most-watched programmes: 2012

	Programme title	Channel	Genre	Date	Viewing audience (millions of individuals)
1	OLYMPICS 2012: CLOSING CEREMONY	BBC1	Sport	12/08/2012	24.5
2	OLYMPICS 2012: OPENING CEREMONY	BBC1	Sport	27/07/2012	24.2
3	EURO 2012: ENG V ITA	BBC1	Sport	24/06/2012	20.3
4	OLYMPICS 2012: MEN'S 100M FINAL	BBC1	Sport	05/08/2012	17.3
5	UEFA EURO 2012 MATCH ENG V UKR	ITV	Sport	19/06/2012	16.2
6	THE DIAMOND JUBILEE CONCERT	BBC1	Music	04/06/2012	15.3
7	EURO 2012: SWE V ENG	BBC1	Sport	15/06/2012	14.3
8	OLYMPICS 2012: ATHLETICS (incl. MEN'S 100M SEMI-FINALS)	BBC1	Sport	05/08/2012	13.6
9	STRICTLY COME DANCING: FINAL	BBC1	Entertainment	22/12/2012	13.4
10	STRICTLY COME DANCING: FINAL: THE RESULTS	BBC1	Entertainment	22/12/2012	13.4
11	EURO 2012: POST MATCH	BBC1	Sport	24/06/2012	12.7
12	BRITAIN'S GOT TALENT: FINAL	ITV	Entertainment	12/05/2012	12.6
13	UEFA EURO 2012 MATCH FRA V ENG	ITV	Sport	11/06/2012	12.6
14	OLYMPICS 2012: CLOSING CEREMONY COUNTDOWN	BBC1	Sport	12/08/2012	12.5
15	EURO 2012: SPN V ITA	BBC1	Sport	01/07/2012	12.4

Source: BARB/InfoSys+. Note: Individuals 4+. The top programmes are the best performing episodes of a programme during the year.

The previous comparable success story for sport was in 2006, when eight of the top spots in the 15 most-watched programmes throughout the year were taken up by World Cup 2006 content; six events in the championship were the top six most-watched programmes of the year. But the average audience of 18.5 million, attracted by the most watched game of the Cup, the match between England and Sweden, was much lower than the record audiences achieved by the top three programmes in 2012.

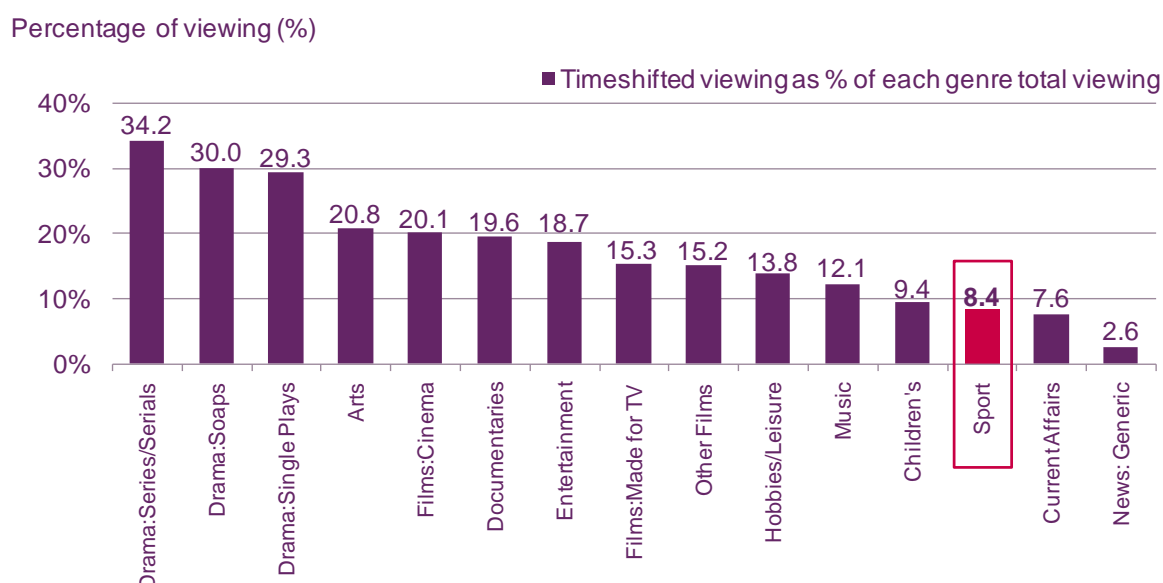
With major international sports events taking place every other year, the next spike in sports viewing is expected in 2014, as the country tunes in to watch the Winter Olympics and the FIFA World Cup.

Live is still the way to watch sport

The growing take-up of DVRs and smart TVs, and the easy availability of online TV catch-up services, allow people to watch programmes whenever suits them best. But live TV continues to prevail: according to BARB, 90% of TV watched by UK individuals aged 4+ in 2012 was live.

Sport, in particular, is a genre predominantly watched live; 8.4% of sports viewing by UK individuals aged 4+ and owning a DVR was time-shifted in 2012. Only current affairs and news surpass sports in this measure, with news the genre least likely to be watched time-shifted (2.6% of TV viewing by DVR individuals).

Figure 2.29 Proportion of time-shifted viewing, by programme genre: 2012



Source: BARB/InfoSys+. Note: DVR Individuals 4+. Based on total minutes of viewing of genres.

The importance of linear TV to sports is further reinforced by the BBC iPlayer data. Seven of the top ten programmes watched live on iPlayer in 2012 were sports-related events, while the genre features only once in the top ten iPlayer catch-up programmes. Several sports programmes, such as *Wimbledon 2012* and *Formula 1 2012*, neither of which feature in BARB's top 15 for the year, made it to iPlayer's live top ten chart. London Olympics events lead iPlayer's live, as well as catch-up, charts, highlighting the unprecedented interest that the event generated across the UK.

Figure 2.30 The top ten programmes watched live on BBC iPlayer: 2012

	iPlayer live	iPlayer catch up
1	Olympics London 2012	Olympics Ceremonies London 2012
2	Olympics Ceremonies London 2012	Top Gear
3	Wimbledon 2012	Sherlock
4	Match of the Day Euro 2012	Dr Who
5	Athletes Parade Live	The Apprentice
6	BBC Sports Personality of the Year	Citizen Khan
7	The Diamond Jubilee Concert	The Voice UK
8	Eurovision Song Contest 2012	Bad Education
9	Breakfast BBC News Channel	Waterloo Road
10	Formula1 2012	Eastenders

Source: TV Licensing TeleScope 2013

http://www.tvlicensing.co.uk/resources/library/BBC/MEDIA_CENTRE/TVLicensing_TeleScope_2013.pdf

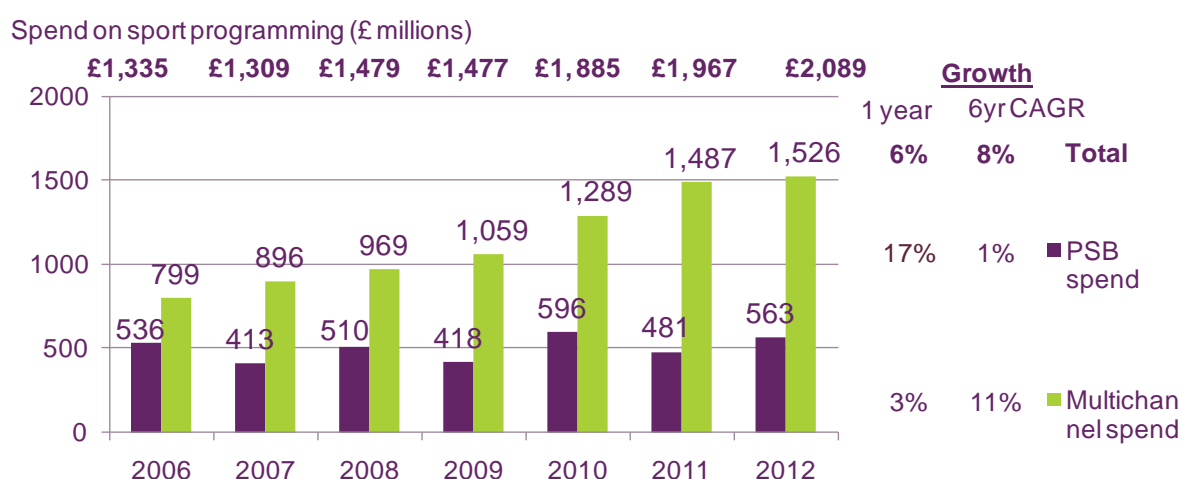
Broadcasters are investing more in sports content

Total spend on sports content has been growing since 2006 at a compound annual growth rate of 8%, reaching £2.1bn in 2012. The growth has been consistent except for a small dip

in 2009, and has been fuelled particularly by the multichannel broadcasters, whose spend rose to £1.5bn in 2012 from £799m in 2006. Despite the cyclical nature of sports programming, the multichannels have increased their investment in sports every year in the 2006-2012 period, at a compound annual growth rate of 11%.

The PSBs' share of total spending on sports content declined to 27% in 2012 from 40% in 2006. The pattern of spending on sports programming reflects the cyclical nature of sports events, increasing in the years when major sports events take place, and contracting in between⁵⁰. It peaked in 2010, and experienced a steep rise of 17% in 2012 as the BBC and Channel 4 invested heavily in the London Olympics and Paralympics coverage.

Figure 2.31 PSB and multichannel spend on sports programming: 2006-2012



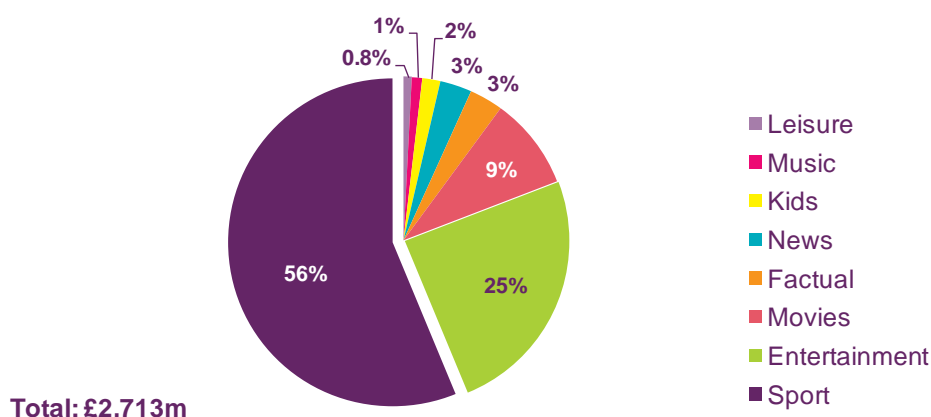
Source: Ofcom/broadcasters. Note: figures are expressed in nominal terms. BBC figures include BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament. The analysis does not include S4C, BBC Alba or BBC HD. Figures exclude nations/regions programming.

For the multichannels, dedicated sports channels spend more than all other multichannel genres combined. In 2012, 56% of multichannel content investment was by sports channels. The second most expensive genre in 2012 was Entertainment, at less than half of the cost of sports programming. It is important to note that in contrast to entertainment, a large part of sports spending goes on rights.

⁵⁰ Spend is recorded in the year when a programme is broadcast.

Figure 2.32 Multichannel spend on programmes, by genre: 2012

Spend as a percentage of total (%)

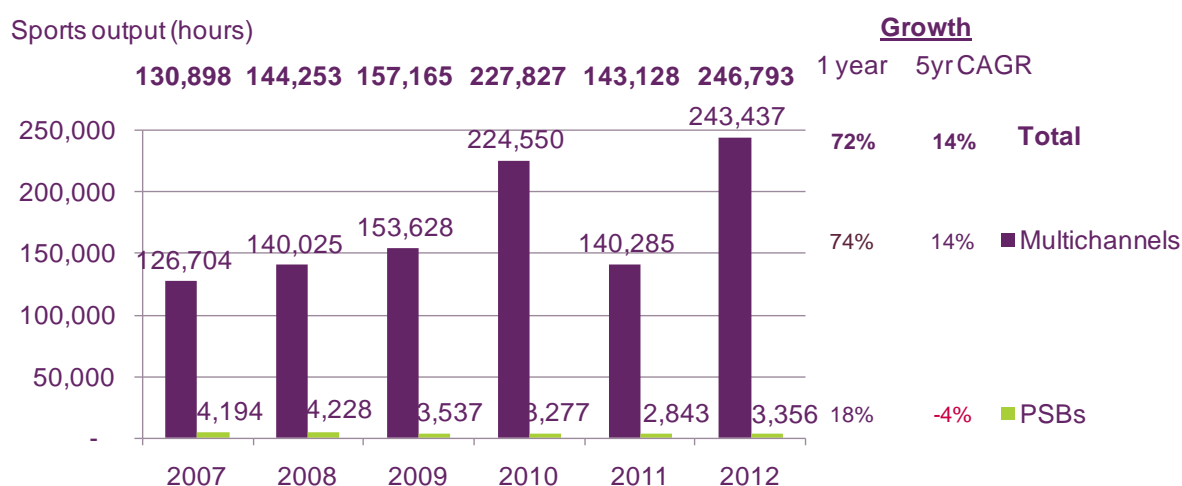


Source: Ofcom/broadcasters.

Multichannels broadcast most of total sports content

As sports content plays such an important role for multichannel broadcasters in terms of spend, the great majority of broadcast hours dedicated to sports events are also aired by multichannels. In 2012 a total of 246,793 hours of TV programming was dedicated to sports content, 99% of which was broadcast by multichannels. This volume has increased at a 14% compound annual growth rate since 2007. Sports volumes by PSBs rose by 18% year on year, reaching 3,356 hours in 2012, fuelled by the Olympics and Paralympics coverage. However, over a five-year period they fell by a compound rate of -4%.

Figure 2.33 PSB and multichannel sports output: 2007 – 2012



Source: Ofcom/broadcasters.

Growing sports rights costs are fuelling spend on sports content

Much of the increasing spend on sports content can be attributed to the rising costs of TV rights giving exclusivity to broadcast major live sporting events. In June 2012 bidding for live sports rights reached new heights as BSkyB and the new entrant to the sports broadcasting market, BT, boosted the value of the Premier League's next TV contract to a record £3bn over the next three years. BSkyB agreed to pay £760m per year for 116 live matches each

year, for the 2013-14 to 2015-16 seasons, while BT agreed to pay £246m per season for 38 live matches each year.

In September 2012 BT acquired the rights for Premiership Rugby matches and fixtures involving English clubs in European competitions, as part of a £152m four-year deal. In comparison, the previous deal struck by BSkyB and Setanta (whose rights were later overtaken by ESPN) was worth over £54m over three years.

In January 2013 a new entrant to the sports rights business emerged, as News International, the owner of The Sun, The Times and The Sunday Times newspapers, secured a deal to show Premier League football highlights on the mobile and desktop websites of its titles, in a bid to promote its newspapers' online content and secure additional ways to sustain and grow revenues.

2.2 The TV and audio-visual industries

2.2.1 Introduction

This section examines some of the characteristics of the UK's audio-visual sector during 2012. It focuses on a range of metrics from the broadcast television industry and from those companies delivering audio-visual content over the internet. Key points in the section include:

- **The UK television industry generated £12.3bn in revenue during 2012, an increase of £103m (or 0.8%) on 2011 in nominal terms.** The marginal growth in total TV revenue in 2012 is in contrast to a 4.5% increase seen in the previous year and a 5.7% uplift between 2009 and 2010.
- **Pay-TV subscription revenue, which has been the main driver behind the industry's growth in previous years, rose marginally by 0.9% to £5.3bn.** Nevertheless, subscription revenue remains by far the largest revenue stream for the industry, accounting for 43% of total industry revenue in 2012.
- **Broadcast-based TV advertising income declined by 2% (or £72m) in 2012 to just over £3.5bn,** although this was still significantly above 2009 levels, when the TV advertising market was hit heavily by the economic downturn.
- **Spend on content by all UK TV channels in 2012 stood at £5.6bn, up by 2% year on year in nominal terms.** The increase was driven by the increased spend on PSB portfolio channels (up 10%), BBC One (up 9%) and Channel 5 (up 7%). On the other hand, BBC Two experienced the largest relative year-on-year decline (-13%), followed by Channel 4 (-1%).
- **Following several years of reductions, spending on first-run originations by the main five PSB channels was unchanged in 2012, at £2,588m.** However, 2012 was a big year for sport, with the London Olympic and Paralympic Games as well as the Euro 2012 football tournament, and spend in originated content is likely to have been influenced by these events.
- **Total broadcast hours of first-run originated programming on the five main channels declined marginally, by 2% in 2012, to 30,052 hours.** While hours of originations in both peak and non-peak time remained relatively unchanged year on year, regional hours fell by 6%. Over a five-year period, originations broadcast in the non-peak timeslot have declined by over three thousand hours (or 4.3%) from 16,646 in 2007 to 13,365 in 2012.
- **Commercial multichannel broadcasters⁵¹ in the eight mainstream genres spent £2.7bn on programmes in 2012, a 3% increase year on year in nominal terms.** Spend on factual programming rose by 28% to £90m, the largest relative increase year on year. At £1.5bn, sports programming represented more than half (56%) of the total multichannel spend, and investment in it grew by 3% year on year).
- According to IHS Screen Digest, **online TV revenue in the UK has increased 12-fold in the past five years, from £21m in 2007 to £252m in 2012.** Year on year, the total market grew by 38%. The subscription model saw the steepest growth in 2012, as its revenue more than doubled (from £24m in 2011 to £62m in 2012), likely

⁵¹ Commercial multichannel broadcasters include the commercial PSB portfolio channels.

in response to the launch of new services, such as Netflix's and Lovefilm's streaming services.

2.2.2 Television industry revenue

The UK TV industry was worth £12.3bn in 2012

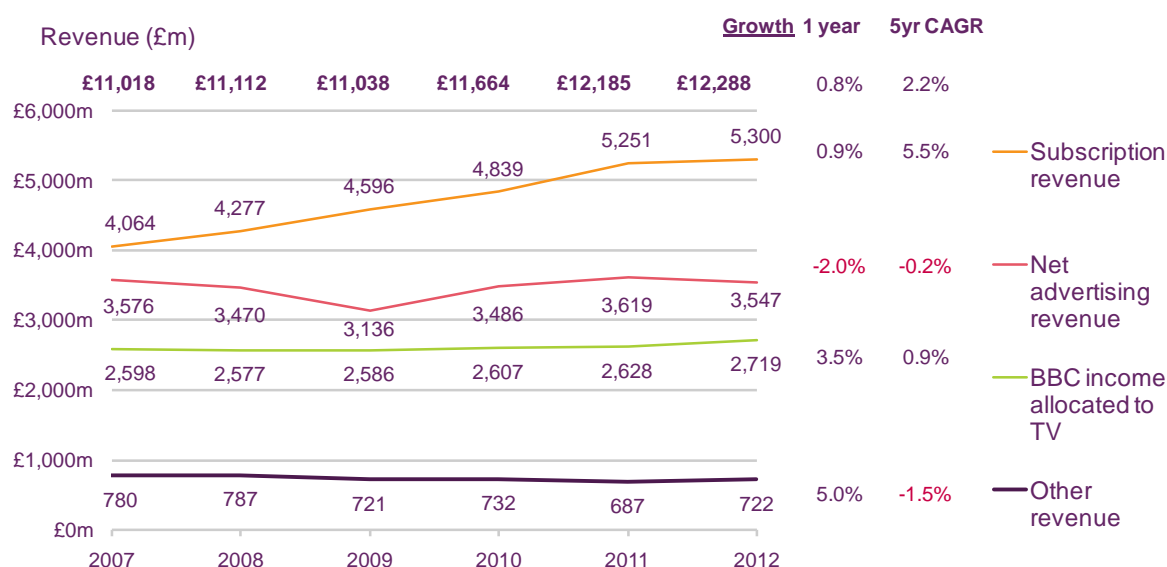
The UK television industry generated £12.3bn in revenue during 2012, an increase of £103m (or 0.8%) on 2011 in nominal terms. The market grew despite a decline of £72m (or 2%) in net advertising revenue. The marginal growth in industry revenues observed in 2012 was in contrast to a 4.5% increase in the previous year and a 5.7% uplift between 2009 and 2010.

Pay-TV subscription revenue, which had been the main driver behind the industry's growth in previous years, rose marginally by 0.9% to £5.3bn. This was in sharp contrast to the steep growth rates in revenue experienced by the pay-TV subscription market in the 2007 – 2011 period, and was the smallest increase in subscription revenue since our records began in 2000. This is one of the explanatory factors behind the modest overall industry growth. Nevertheless, subscription revenue remains by far the largest source of revenue for the industry, accounting for 43% of total revenue in 2012, which was at the same level as in 2011.

Ofcom estimates that the BBC spent £2.7bn on its television services in 2012, an increase of over 3% year on year, and its share of total industry revenue increased marginally by 0.6% to 22%.

'Other' revenue experienced the steepest year on year growth, at 5%, reaching £722m in 2012, although this revenue stream still accounts for less than 6% of the total market.

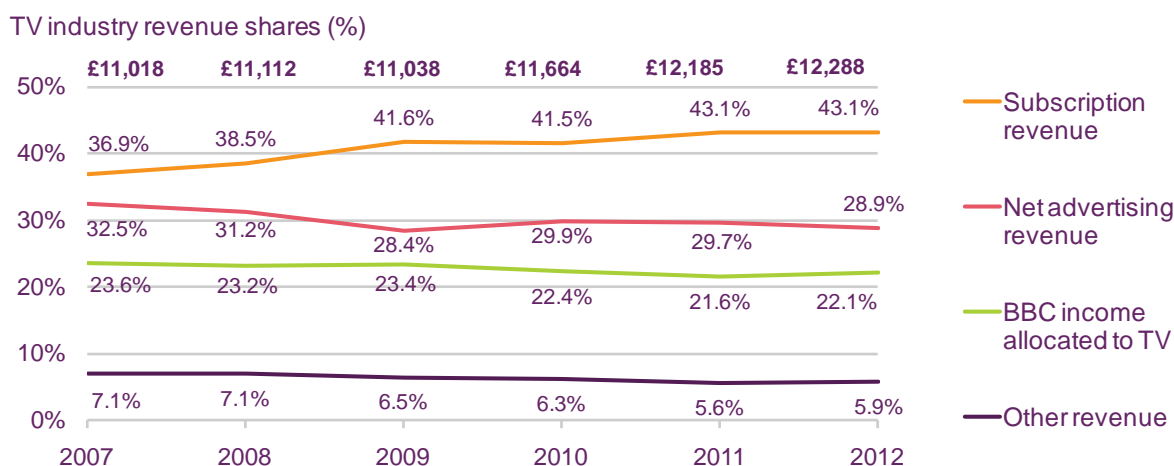
Figure 2.34 Total TV industry revenue, by source: 2007 -2012



Source: Ofcom/broadcasters. Note: Figures expressed in nominal terms and replace previous Ofcom revenue data for TV industry, owing to restatements and improvements in methodologies. 'Subscription revenue' includes Ofcom's estimates of BSkyB, Virgin Media, BT Vision, TalkTalkTV, Setanta Sports (until its closure), ESPN and Top Up TV television subscriber revenue in the UK (Republic of Ireland revenue is excluded). It also excludes revenue generated by broadband and telephony. 'Other' includes TV shopping, sponsorship, interactive (including premium-rate telephony services), programme sales and S4C's grant from the DCMS. The BBC re-stated licence fee revenue in 2008. Totals may not equal the sum of the components due to rounding.

The relative contributions of the four main TV revenue sources remained broadly stable during 2012; changing by less than one percentage point during the year. While the two smaller revenue streams, BBC income allocated to TV, and non-broadcast revenue, saw their relative shares increase by 0.6 and 0.2 percentage points respectively, the two larger revenue streams performed weakly. Subscription revenue maintained its contribution to the total industry revenue at 43.1%, while net advertising revenue saw its relative share contract by 0.8 percentage points.

Figure 2.35 TV industry revenues, by share



Source: Ofcom/broadcasters. Note: Figures expressed in nominal terms and replace previous Ofcom revenue data for TV industry, owing to restatements and improvements in methodologies.

'Subscription revenue' includes Ofcom's estimates of BSkyB, Virgin Media, BT Vision, TalkTalkTV, Setanta Sports (until its closure), ESPN and Top Up TV television subscriber revenue in the UK (Republic of Ireland revenue is excluded). It also excludes revenue generated by broadband and telephony. 'Other' includes TV shopping, sponsorship, interactive (including premium-rate telephony services), programme sales and S4C's grant from the DCMS. The BBC re-stated licence fee revenue in 2008. Totals may not equal the sum of the components due to rounding.

Revenue generated by TV channels was up by 0.8% on 2011

While commercial multichannels enjoyed revenue growth of over 2% year on year in 2012, reaching nearly £1.9bn, the main commercial PSB channels saw their total revenue fall by over 3% to £2.3bn, following two years of increases. Interestingly, platform operators' revenue rose only marginally; by 1%, bucking the previous trend of significant year-on-year rises, which may be driven in part by the growing importance of video streaming services such as Netflix and Lovefilm Instant and the launch of YouView.

Publicly-funded channels, which include Ofcom's estimate of BBC spend on TV output, and S4C's grant from the Department for Culture, Media and Sport, accounted for £2.8bn of revenue, up 3% year on year.

Figure 2.36 Total TV industry revenue, by sector: 2007-2012



Source: Ofcom/broadcasters. Note: Figures are nominal. Main commercial PSB channels comprise ITV/ITV Breakfast, STV, UTV, Channel Television, Channel 4, Channel 5 and S4C. Commercial multichannels comprise all multichannels including those owned by ITV1, Channel 4 and Channel 5. Publicly-funded channels comprise BBC One, BBC Two, the BBC's portfolio of digital-only television channels and S4C. S4C is listed under publicly-funded and commercial analogue channels because it has a mixed advertising and public funding model. The BBC re-stated licence fee revenue in 2008. Totals may not equal the sum of the components due to rounding.

Broadcast-based television advertising revenues fell in 2012⁵²

According to Ofcom measures, TV advertising income declined by 2% (or £72m) in 2012 to just over £3.5bn, which was still significantly above 2009 levels, when the TV advertising market was hit heavily by the economic downturn.

The main commercial PSB channels were the cause of the contraction in 2012, as their advertising revenue fell by 5% year on year to just over £2bn. All four commercial PSB channels experienced a decline in this measure, including Channel 5 which experienced a 7% decline in advertising revenue in 2012, in contrast to a 30% rise in 2011. This steep rise in 2011 may have been driven by the channel picking up the popular reality show *Big Brother*, which was previously broadcast by Channel 4, among other factors. Despite the contraction in NAR in 2012, the main commercial PSB channels continue to account for the majority of the TV advertising income, with their combined share standing at 58% of total TV advertising revenues in 2012.

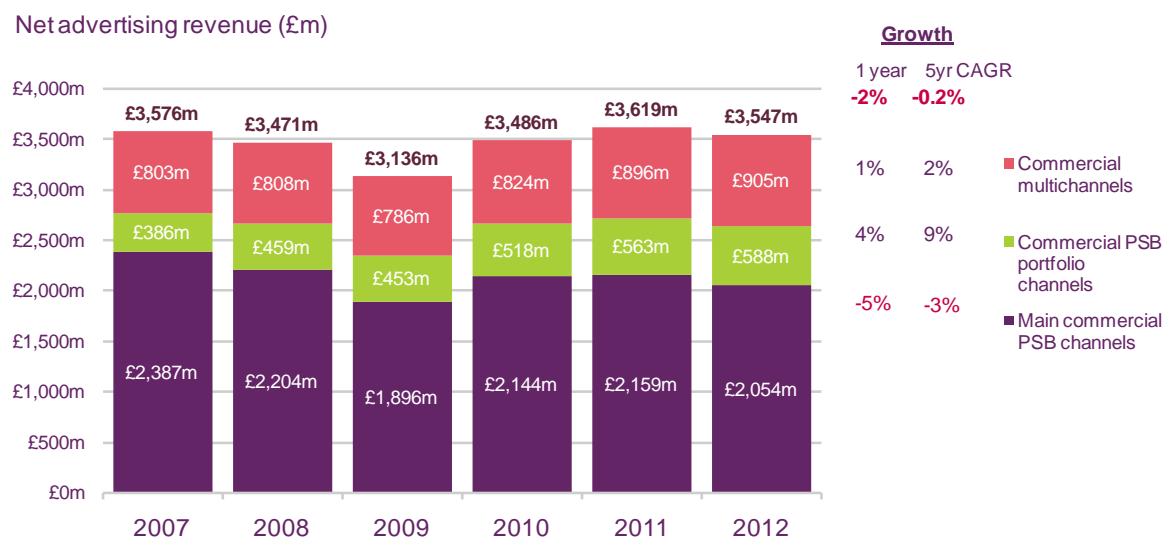
Commercial PSB portfolio channels saw their advertising revenue rise by 4% year on year. In fact, commercial PSB portfolio channels have experienced the strongest growth in advertising income out of the three key groups of TV channels in the past five years, as their NAR grew by a compound annual growth rate of 9%. This can be attributed to digital switchover, among other factors, such as more high-quality first-run content on these channels attracting larger audiences, and in return, greater investment from advertisers.

⁵² According to the Advertising Association/Warc Expenditure report, UK TV advertising expenditure grew by 0.4% year on year, reaching £4.5bn in 2012. However, the AA/Warc measure is calculated using a different methodology, with the figure including advertising spend on video on demand and agency commission.

Nevertheless, looking at commercial PSBs and their portfolio channels together, their combined advertising revenue fell by 3% (or £80m) in 2012, which may be explained by an increasing share of advertising revenue from video on demand.

In 2012, TV advertising income at commercial multichannels remained broadly at the same level as last year (£905m), having increased by 1% year on year.

Figure 2.37 TV net advertising revenues, by source: 2007-2012



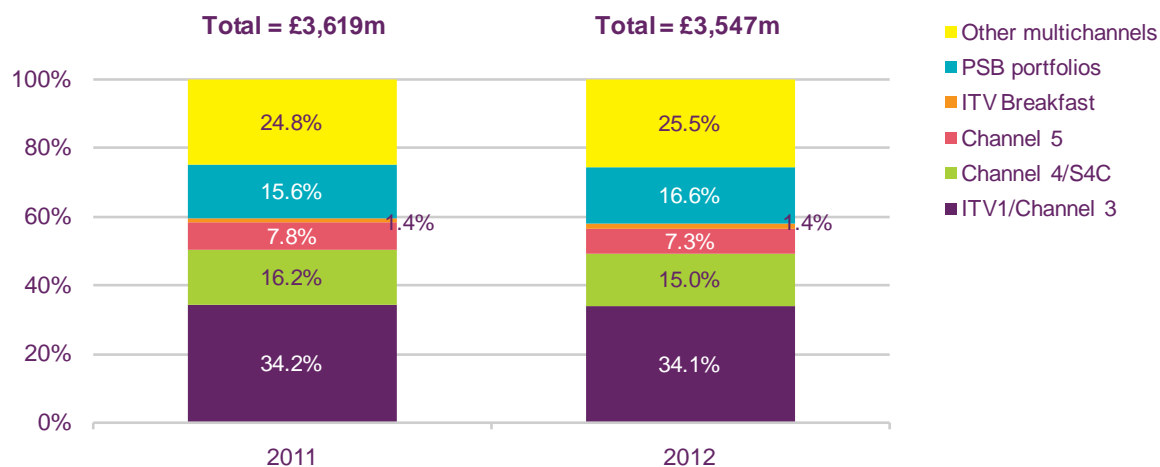
Source: Ofcom/broadcasters. Note: Figures expressed are in nominal terms and replace previous data published by Ofcom. Main commercial PSB channels comprise ITV1, STV, UTV, Channel Television, ITV Breakfast, Channel 4, Channel 5 and S4C; Commercial PSB portfolio channels include, where relevant, ITV2, 3, 4, CiTV, E4, More 4, Film 4, Five USA and 5* (and their '+1' channels). For previous years closed channels have also been included. Sponsorship revenue not included. Totals may not equal the sum of the components due to rounding.

Share of TV advertising across the broadcasters showed mixed results. With the exception of ITV Breakfast, the main commercial PSB channels all saw their relative share of TV advertising income decrease in the past year. Channel 4's performance was weakest in this respect, as its relative share contracted by 1.2 percentage points to 15%. ITV Breakfast's share remained constant at 1.4%.

The PSBs' contracted share was marginally offset by the commercial PSB portfolio channels, as their NAR market share increased by one percentage point to 16.6% during 2012. Non-PSB multichannel broadcasters also performed positively; their share of the TV advertising market rose by 0.8 percentage points to 25.5% in 2012.

Figure 2.38 TV net advertising revenue market shares: 2011-2012

Proportion of NAR by broadcaster (%)



Source: Ofcom/broadcasters. Note: Expressed in nominal terms. ITV1/Channel 3 includes ITV1, STV, UTV and Channel Television.

2.2.3 Other TV revenue

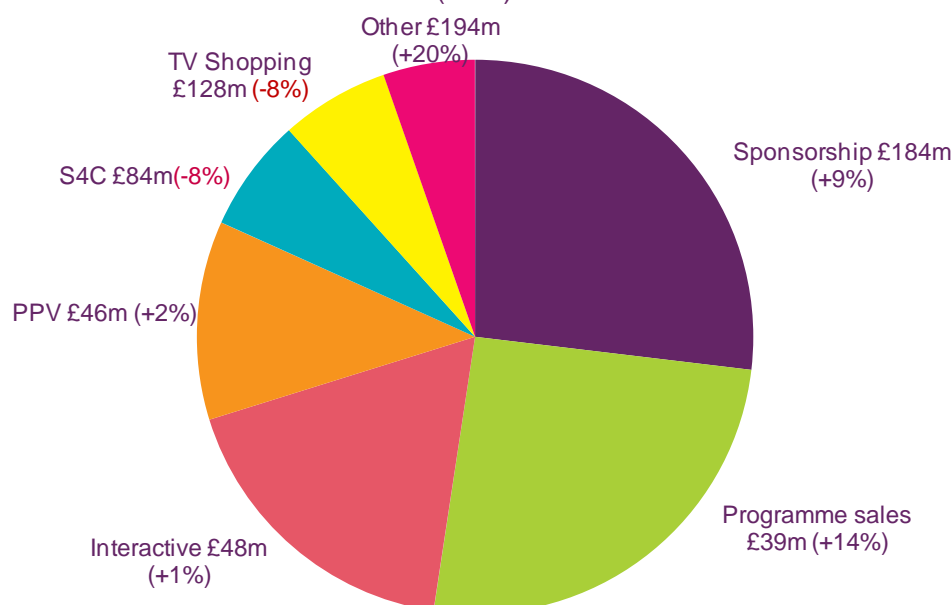
Broadcaster revenue raised from other sources rose by 5% in 2012

Revenue from sources other than subscription income, advertising revenue and licence fees performed strongly in 2012, rising by 5% year on year to £722m. 'Other revenue' was the top-performing category, increasing by 20% year on year to £194m, and it now accounts for 27% of the total, indicating that broadcasters obtain increasingly more of their income from sources other than broadcast-based advertising, subscriptions and the licence fee.

Programme sales revenue increased by 14% on 2011 to £39m. While 'other revenues', programme sales, sponsorship, pay-per-view (PPV) and interactive services all delivered higher income than a year ago, revenues from TV shopping and S4C grant both fell by 8% in 2012.

Figure 2.39 Breakdown of other/ non-broadcast revenue: 2012

Total non-broadcast revenue = £722m (+5%)



Source: Ofcom/broadcasters. Note: Percentage figures in brackets represent year-on-year change for total non-broadcast revenue versus 2011. TV shopping represents aggregate operating margin of products sold via television. Totals may not equal the sum of the components due to rounding. Owing to the nature of these revenue components, annual changes may be a function of a higher number of broadcaster returns being made by the time of writing, rather than material changes in the contributions that these revenue components are making to total industry income.

2.2.4 Revenue among multichannel genres

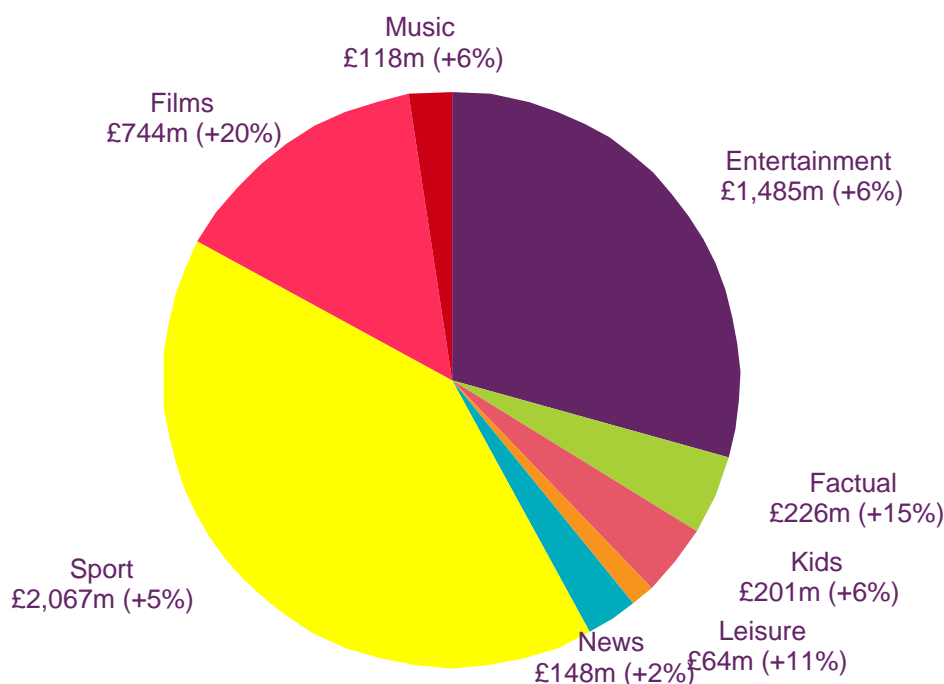
Revenue among key multichannel genres continued to grow in 2012

All of the mainstream multichannel genres experienced revenue growth in 2012, with total income exceeding £5bn, an increase of £364m (or 8%) since last year. Sports remained the genre generating the most revenue in 2012, up by 5% in 12 months to over £2bn, and now accounting for 41% of the total. Entertainment, the second-largest genre by revenue for multichannels, saw a 6% uplift in revenue to nearly £1.5bn. The combination of sports and entertainment accounted for 70% of the total revenue generated by multichannel broadcasters in the key eight genre categories in 2012.

Films experienced the highest year-on-year growth, as its revenue rose by 20% to £744m; it now accounts for 15% of the total revenue, up from 13% in 2011. In contrast, news delivered the smallest increase, up 2% to £148m.

Figure 2.40 Revenue generated by multichannel broadcasters, by genre, 2012

Total revenue =£5,053m across the eight included genres(+8%)



Source: Ofcom/broadcasters. Note: Percentage figures in brackets represent year-on-year change for total revenue compared to 2011. The figures in this chart include all sources of revenue accruing to multichannels and are expressed in nominal terms. This includes those set out in Figure 2.34 plus wholesale subscriber payments from platform operators.

2.2.5 Spend on UK television programmes

Broadcasters spent £5.6bn on programmes in 2012

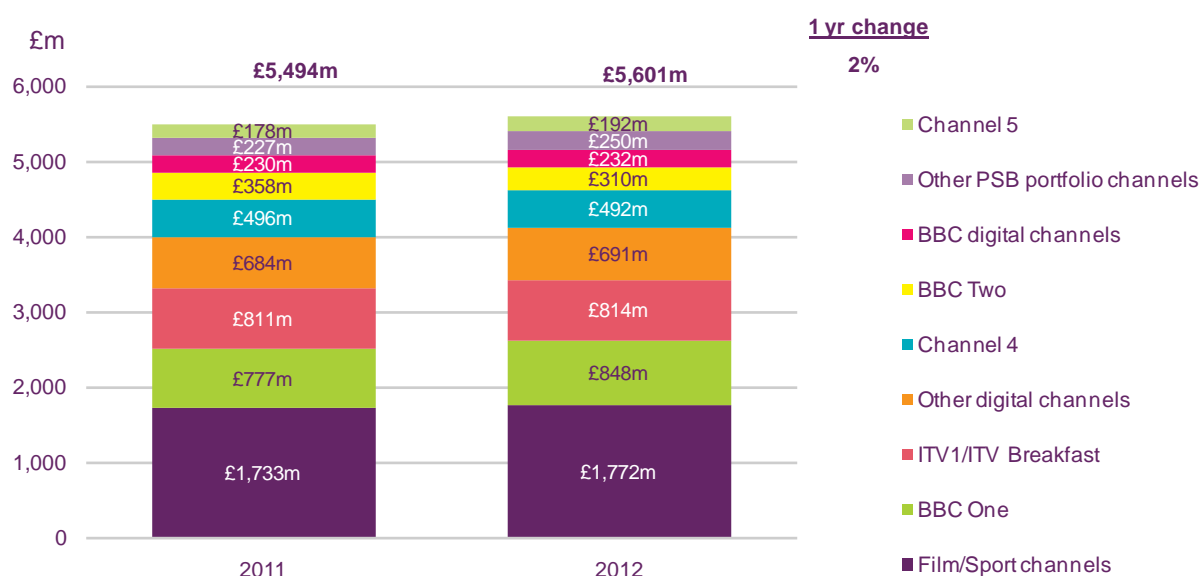
Spend⁵³ on content by all UK TV channels in 2012 was £5.6bn, up by 2% year on year in nominal terms, which was driven by increases in spend by the commercial PSB digital portfolio channels (up 10%), BBC One (up 9%), and Channel 5 (up 7%). On the other hand, BBC Two experienced the largest relative decline year on year (down 13%), followed by Channel 4 (down 1%), while ITV1/ITV Breakfast's spend was broadly flat, increasing by £3m year on year to £814m in 2012.

In contrast to previous years, spend on BBC One exceeded spend on ITV1 and ITV Breakfast combined in 2012. This is likely to have been driven by the BBC's spend on the London Olympics coverage.

Film and sports channels continue to represent the largest proportion of total spend (32%), followed by BBC One and ITV, both of which account for a 15% share of total spend.

⁵³ Spend figures do not represent the entire cost of making programmes, as it excludes, for example, third party spending.

Figure 2.41 Spend on network TV programmes: 2011-2012



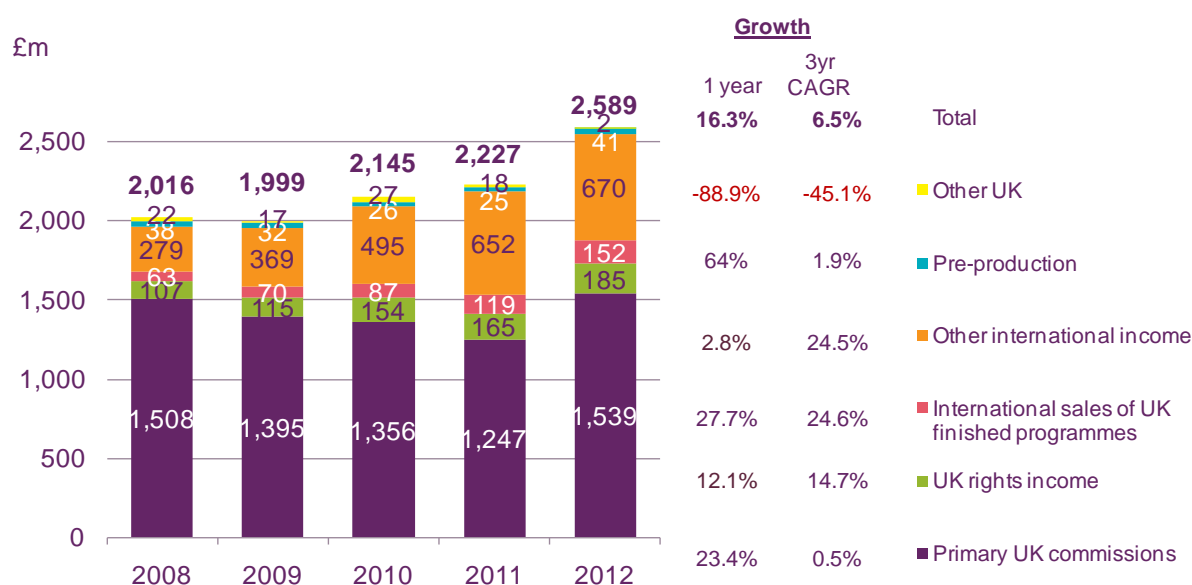
Source: Ofcom/broadcasters. Note: Figures expressed in nominal prices. Figures do not include spend on nations and regions output. BBC digital channels includes BBC Three, BBC Four, BBC News Channel, BBC Parliament, CBBC and CBeebies (but not BBC HD). 'Other digital channels' include all genres (excluding sports and films). Programme spend comprises in-house commissions, productions, commissions from independents, spend on first-run acquired programmes, spend on rights and on repeats (originations or acquisitions).

2.2.6 UK independent sector

The UK indie sector saw UK primary commissioning revenue bounce back in 2012

According to PACT estimates, 2012 was a good year for the UK indie sector as the independent sector's TV revenues grew by 16.3% in 2012 to £2.6bn, which was the third year of consecutive growth. The most significant change in 2012 was in reported revenue from UK primary commissions, which recovered strongly (up 23.4% year on year) with more broadcasters spending on original output and leading commissioners having increased investment. Along with previous years, international sales of UK finished programmes and other international income continued to grow, increasing by 27.7% and 2.8%, respectively.

Figure 2.42 Independent producer TV-related revenues



Source: PACT Independent Production Sector Financial Census and Survey 2013. Note: 'Other international income' refers to revenue from companies overseas operations and any primary commissions received from non-UK broadcasters; 'International sales of UK finished programmes' – sales of first-run UK programming sold as finished product abroad ; 'UK rights income' – UK secondary sales, publishing, formats, DVD sales etc.

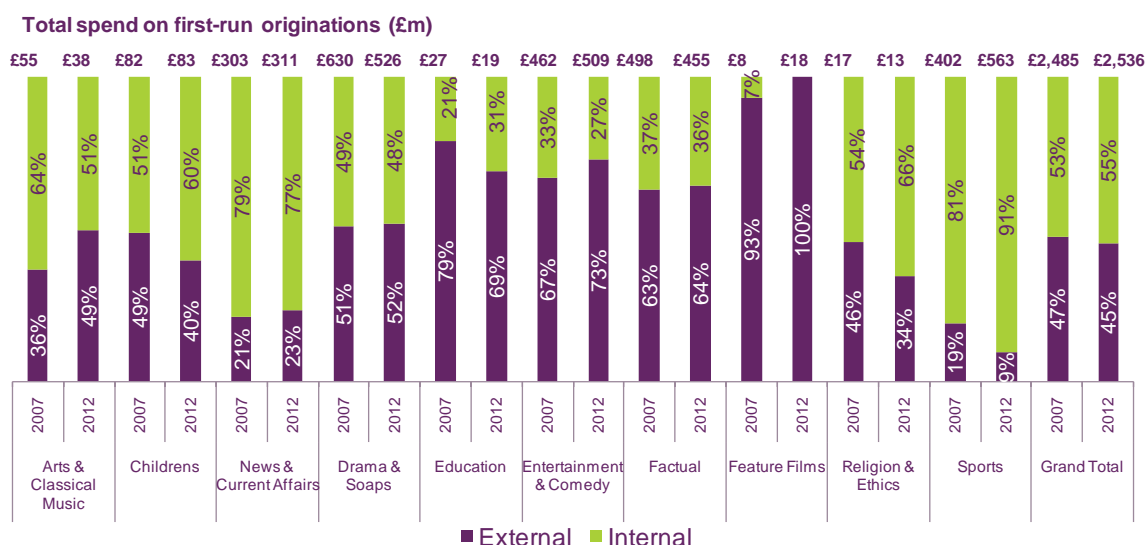
Spend on first-run originations by genre, in-house vs. independent producers

According to Ofcom broadcaster returns, in terms of the main five PSBs and BBC digital channels, the relative share of spend on first-run content produced by independent producers, as opposed to in-house, has changed only slightly in the past five years, from 47% in 2007 to 45% in 2012. In the meantime, according to Ofcom measures⁵⁴, total spend on first run network originations by the main five PSBs and BBC digital portfolio grew marginally, by £51m to £2,536m.

While the overall relative share of spend on first-run originated network content produced by the independent production sector declined by only two percentage points between 2007 and 2012, the story varies across different genres. Independent producers' relative share of spend has fallen in children's (-9pp), education (-10pp), religion and ethics (-12pp), and Sports (-10pp) genres. In contrast, it has increased in Arts & Classical Music (+13pp), entertainment & comedy (+6pp) and feature films (+7pp); and remained broadly stable in news and current affairs (+2pp), drama and soaps (+1pp), and factual (+1pp). Two genres particularly stood out in 2012: all spend on first-run feature films was picked up by independent producers, while the great majority of sports programming spend (91%) was dedicated to in-house productions.

⁵⁴ Ofcom's and PACT's revenue figures for the independent sector differ because of different methodologies used. Most importantly, while PACT's revenue figures are based on commissions, Ofcom's figures are based on transmissions. In addition, Ofcom's figure excludes spend by multichannels.

Figure 2.43 Relative share of spend on first-run originated network content, by genre: in-house vs. independent producers: 2007 and 2012



Source: Ofcom/broadcasters. Note: Includes spend by the main five PSBs and BBC portfolio channels on first-run originated content broadcast all day, and excludes regional output. Note: Figures expressed in nominal terms.

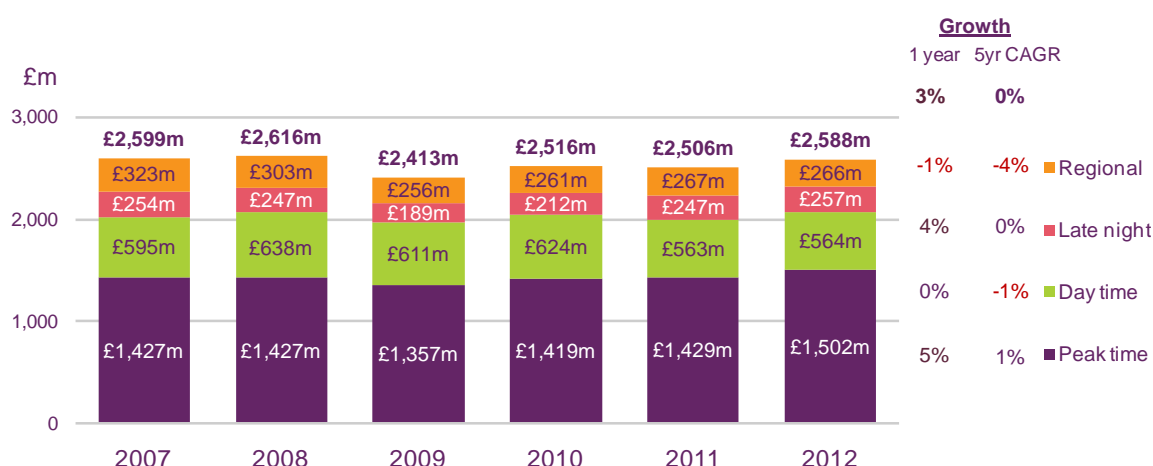
2.2.7 Spend on first run originations

Spending on first-run originations by the main five PSB channels grew by 3% in 2012

Spend on first-run originated programming for the main five PSB channels remains virtually unchanged since 2007, declining by just £11m in nominal terms, from £2,599m in 2007 to £2,588 in 2012. In 2012, this spend increased by 3% (or £82m) year on year. 2012 was a big year for sport, with the London Olympic and Paralympic Games as well as the Euro 2012 football tournament – much of the increase in spend on first-run originated programming can be attributed to these events.

The value of output broadcast in the peak-time timeslots increased by £73m in nominal terms to £1,052m in 2012. The cost of programming in late-night schedules also increased year on year, although to a lesser extent, by £10m (or 4%) to £257m, while spend on content broadcast during the day was broadly flat, increasing by only £1m year on year to £564m in 2012. Nations/regions content was the only category that experienced a decline in spending in 2012, albeit only £1m (or 1%). It also experienced the sharpest decline since 2007, as its spend fell by 4% at a compound annual rate.

Figure 2.44 Spend on first-run originated output on the five main networks



Source: Ofcom/broadcasters. Note: Figures are expressed in nominal terms. They include ITV Breakfast, spending in the nations and regions on English-language programming (and a small amount of Irish-language programmes) but do not include the BBC's digital channels.

2.2.8 Television industry output

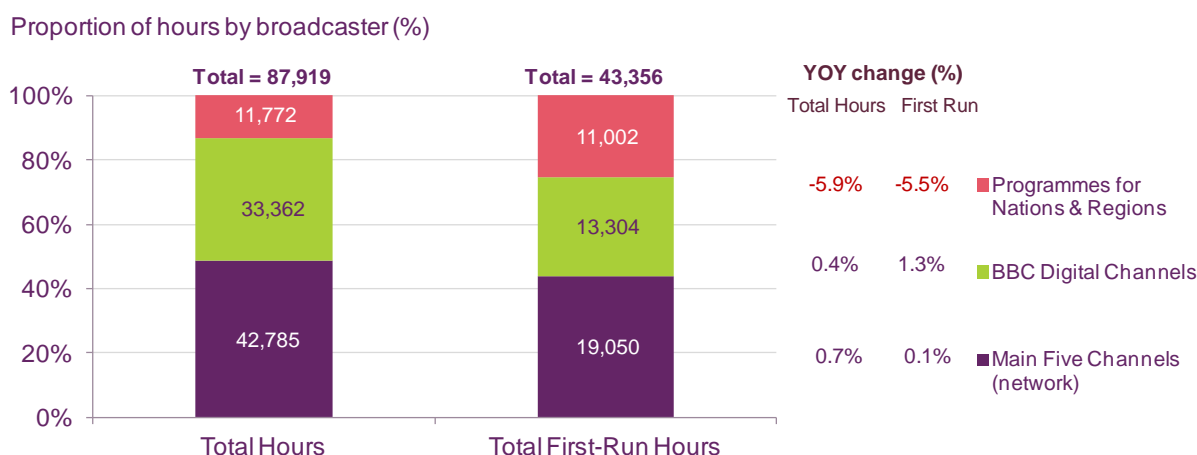
Two million hours of television were broadcast in 2012, up 3% year on year

Overall, 1.9 million hours of television were broadcast in the UK in 2012, up 3% year on year.

Figure 2.45 illustrates the number of network hours broadcast by the five main PSB channels, as well as hours on nations and regions content, and the BBC digital channels. Of the 1.9 million hours broadcast in 2012, these channels accounted for 87,919 (5%). Of these 43,356 were first-run originations (produced in-house or made by an external producer).

Among the five main PSB channels, almost half (44%) of the 42,785 hours broadcast were first-run originations. BBC digital channels' output was 40% originations. The majority of programmes made by the BBC and Channel 3 licensees for the nations and regions (93% of 11,772) were also first-run originations.

Figure 2.45 PSBs' total and first-run originated hours of output, all day: 2012



Source: Ofcom/broadcasters. Note: Percentage figures in brackets represent year-on-year change. The first-run figures include in-house originated productions and external commissions, not first-run acquisitions. ITV Breakfast is included within the figures for the five main channels. Regional hours exclude Welsh and Gaelic-language programming but include a small proportion of Irish-language programmes.

2.2.9 Television output on the five main PSB channels

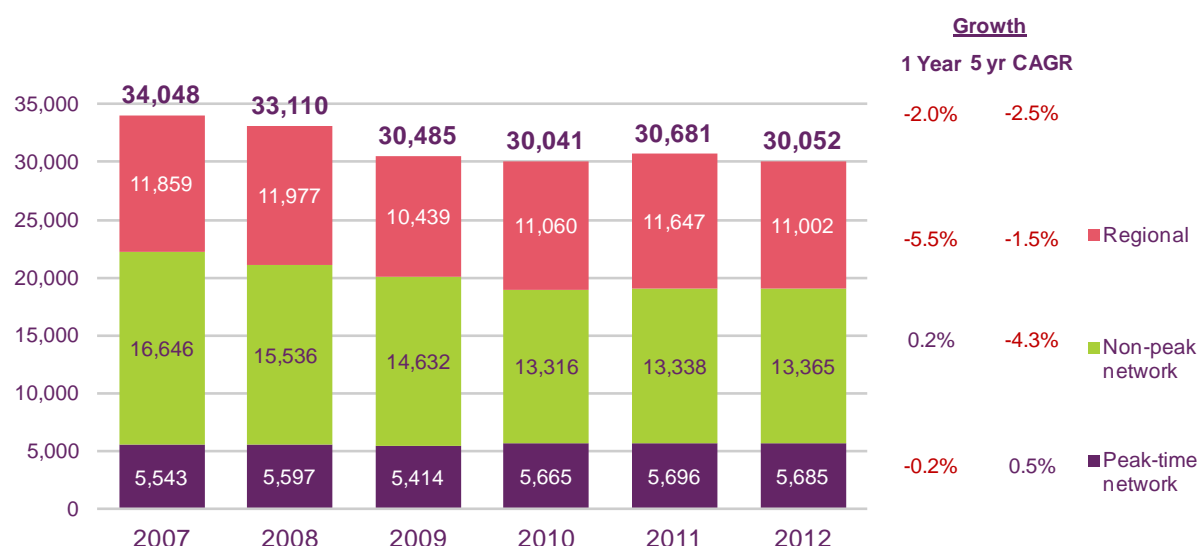
Hours of first-run originations down by 2% year on year

Total broadcast hours of first-run originated programming among the main five PSBs declined marginally (2%) in 2012 to 30,052 hours.

The increase in hours of first-run originated programming seen last year in the nations and regions was not sustained in 2012, with originations declining by 5.5% (down from 11,547 in 2011 to 11,002 in 2012). Over the five year period since 2007, hours of first-run content in the nations and regions have fallen by almost 860 hours (or -1.5% CAGR).

Network hours of first-run originations in both peak and non-peak time remained relatively unchanged year on year. But over the five-year period, first-run programming broadcast in the non-peak timeslot has declined by over three thousand hours (or 4.3%), from 16,646 in 2007 to 13,365 in 2012. Meanwhile, hours of first-run originations in peak time have remained relatively consistent over the corresponding time period (up 142 hours or 0.5% CAGR since 2007).

Figure 2.46 Hours of first-run originated output on the five main channels



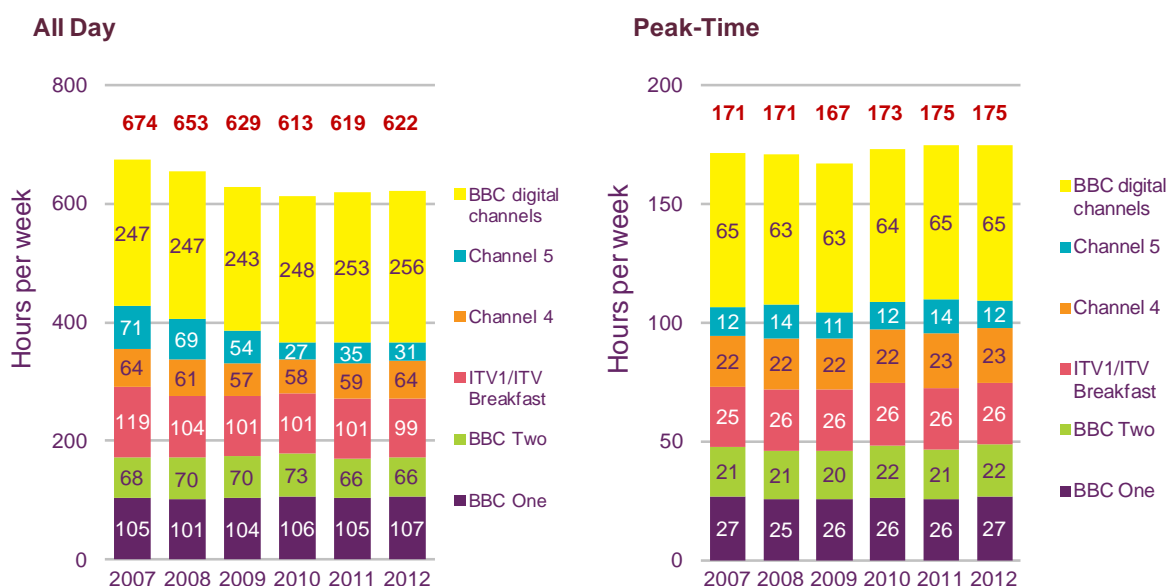
Source: Ofcom/broadcasters. Note: Figures include ITV Breakfast but do not include the BBC's digital channels. Regional hours exclude Welsh and Gaelic-language programming but do include a small proportion of Irish-language programmes.

Figure 2.47 illustrates how many hours of first run-originations the PSB channels (including the five main PSB channels and the BBC's digital channels) broadcast, on average, per week.

In 2012, the figure stood at an average of 622 hours per week across the entire day (24 hours), down from 674 hours in 2007. Over the five-year period, Channel 5 and ITV1 experienced the largest relative declines (down 40 hours and 20 hours per week respectively), while the BBC digital channels experienced the largest relative increase, up by nine hours per week since 2007.

In peak time, the number of first-run hours per week was unchanged year on year, at 175 hours, and up marginally (4 hours per week) over the five-year period. All five PSB channels are broadcasting a similar number of hours of first-run programmes in peak-time as in 2007.

Figure 2.47 First-run network originations by PSBs: all day and peak time, per week



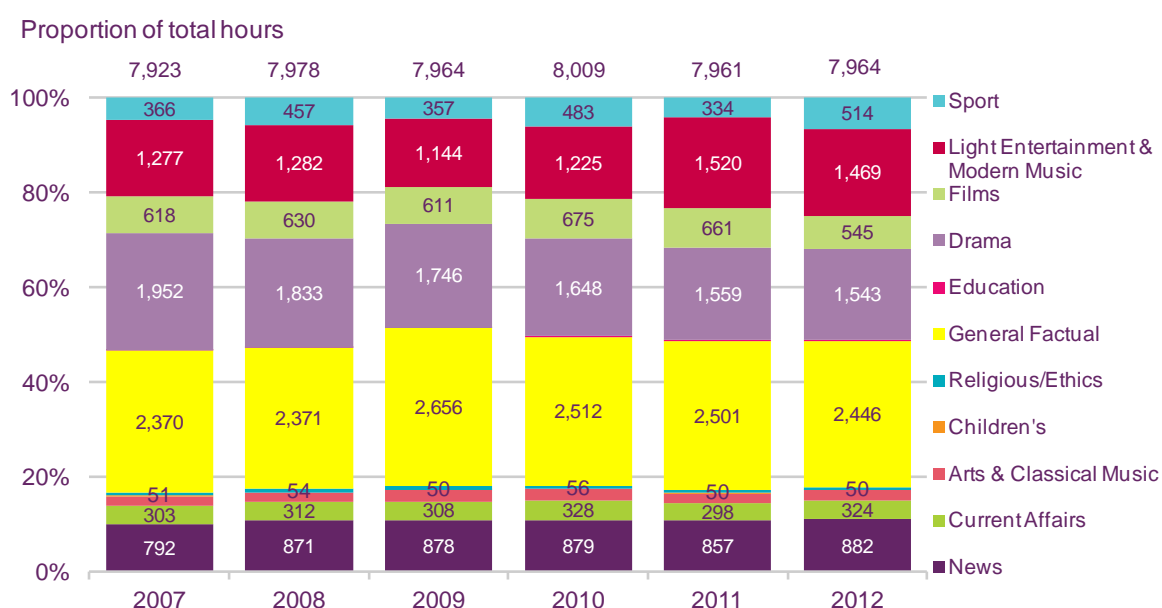
Source: Ofcom/broadcasters.

Note: Figures do not include spend on nations and regions output.

Now looking at total networked hours, at the programme genre level, among the five main PSB channels in peak time, there was a marked increase in hours of sports programming during 2012 (up 54% to 514 hours) driven by the coverage of the London Olympic and Paralympic Games as well as by the Euro 2012 football tournament. More hours of sport were broadcast by the main five PSB channels in 2012 than in any year since 2007. The biggest relative reduction in hours was in films (down 18% or 116 hours).

Other significant changes include a 9% increase in hours of current affairs programming in peak time, as well as a 3% drop in hours of light entertainment and modern music.

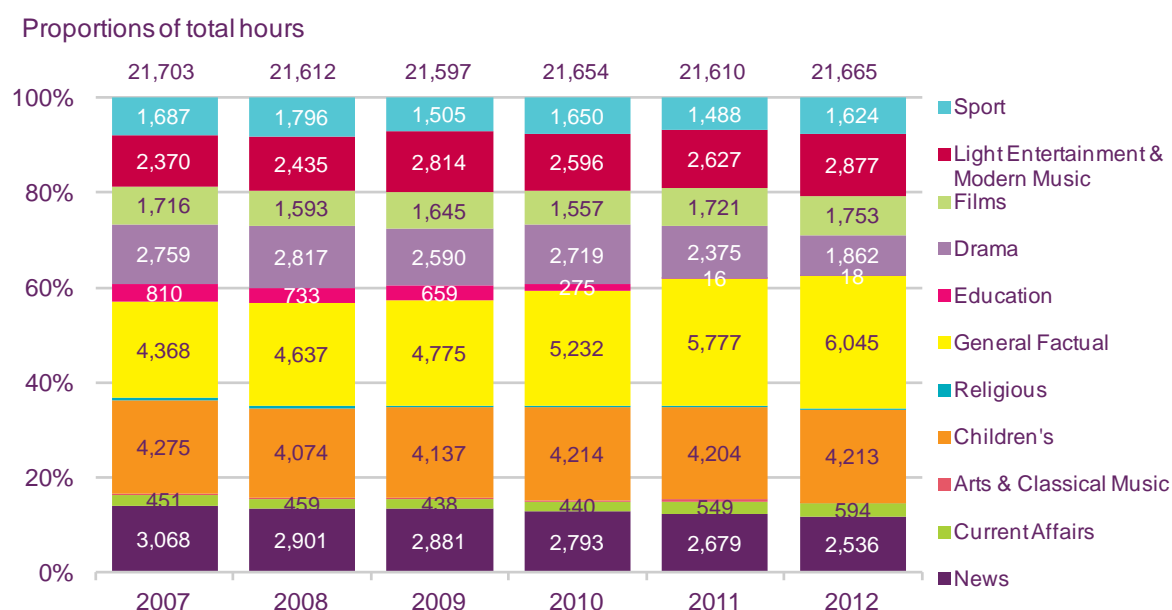
Figure 2.48 Genre mix on the five main PSB channels: peak time, by hours



Source: Ofcom/broadcasters. Note: Includes five main channels including ITV Breakfast, figures do not include hours of nations and regions output.

The number of hours of sports programming in 2012 also increased in the daytime (up 9% or 136 hours), although the most significant change was a 22% decline in hours of drama programming across the main five PSBs.

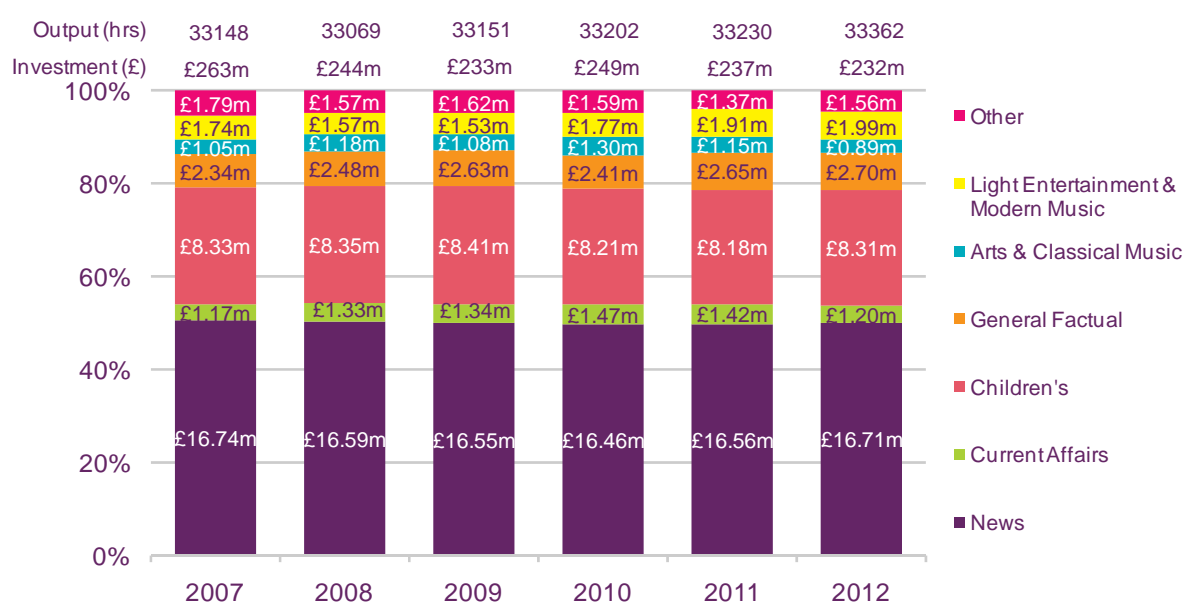
Figure 2.49 Genre mix on the five main PSB channels: daytime, by hours



Source: Ofcom/broadcasters. Note: Includes five main channels plus ITV Breakfast. Figures do not include hours of nations and regions output.

Figure 2.50 sets out the genre mix of the BBC's digital channels, which remains broadly similar to 2011 –mainly because three of the five digital channels are single-genre (CBeebies, CBBC and News24). The most notable year-on-year differences are fewer hours dedicated to Arts and Classical Music (down 23%) and Current Affairs (down 15%). The biggest relative increase year on year was the 14% increase in the 'other' category, which is again most likely to have been influenced by the PSB's coverage of the big sporting events in 2012.

Figure 2.50 The BBC's digital channels genre mix: all day, by hours



Source: Ofcom/broadcasters. Note: BBC digital channels include BBC Three, BBC Four, BBC News 24, BBC Parliament, CBBC, CBeebies. Investment figures are in 2012 prices. 'Other' includes: Education, Drama, Film, Religion and Sports.

2.2.10 Multichannel output and spend

Multichannel broadcasters transmitted over 1.58 million hours of output in 2012

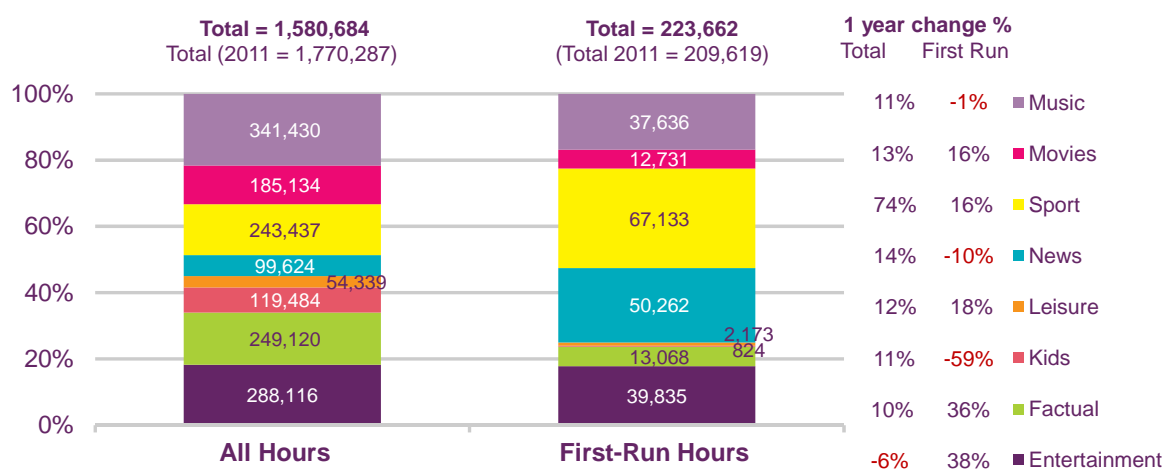
Figure 2.51 focuses on the composition of the broadcast hours in the multichannel sector. Among the eight genres included in our analysis, music represented 19% of the total hours broadcast by the multichannels in 2012. The second largest genre was entertainment (16%).

Total first-run multichannel hours, which include first-run originations and first-run acquisitions, increased by 7% year on year to 223,662 hours in 2012. Sports and news represent a disproportionately high number of first-run hours, because the majority of their output is live.

The largest relative year-on-year increases in hours of first-run programming for the multichannel sector were in the entertainment (up 38%) and factual (up 36%) genres. This may be explained by the increase in live reality-based talent shows, as well as BSkyB's investment in arts and documentary programmes.

Figure 2.51 Total multichannel hours and first-run originations/acquisitions: 2012

Proportion of hours by channel genre (%)



Source: Ofcom/broadcasters. Note: Broadcast hours exclude Sky Box Office and 'barker' channels, which promote TV content. First-run hours include first-run in-house, commissioned and acquired content.

Multichannel content spend increased by 3% in 2012 to £2.7bn

Commercial multichannel broadcasters in the eight mainstream genres spent £2.7bn on programmes in 2012, a 3% increase year on year in nominal terms. At £1.5bn, sports programming represented more than half (56%) of the total multichannel spend, and experienced a 3% increase year on year. Broadcasters' investment in sports content is likely to increase further next year as the new Premier League rights deals come into effect.

Spend on factual programming rose by 28% to £90m, the largest relative increase year on year.

Figure 2.52 Content spend by commercial multichannels in key genres: 2011-2012



Source: Ofcom/broadcasters. Note: Spend expressed in nominal terms. Excludes BBC digital channels.

2.2.11 Other audio-visual revenue

Online TV revenue continues to increase steeply

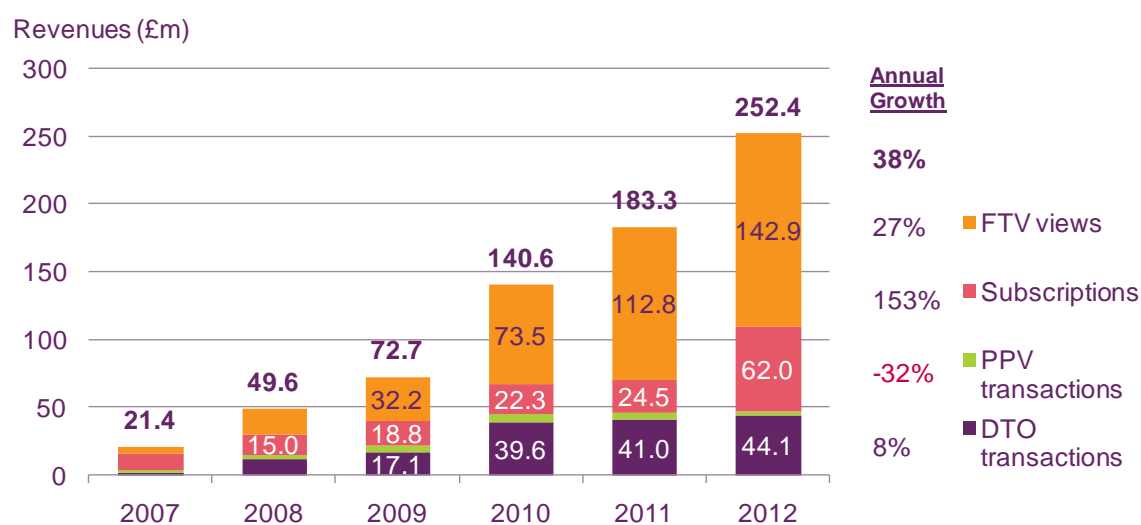
Online TV revenue in the UK has increased 12-fold in the past five years, from £21m in 2007 to £252m in 2012, according to data from IHS Screen Digest. Year on year, the total market grew by 38%.

The free-to-view (FTV) business model remains the principal contributor to overall online TV revenues, accounting for 57% of the total, and contributing £143m in 2012. The principal driver of this revenue stream is advertising, and catch-up services such as ITV Player, 4oD and Demand 5, are all funded wholly or in part by this business model. Growth in this revenue stream is likely to be one of the factors behind the decline in broadcast-based TV advertising experienced in 2012.

The subscription model for online audio-visual content access saw the steepest growth in 2012, as its revenue grew 2.5-fold to £62m, in response to the recent launch and growing importance of new services in this area, such as Netflix, and Lovefilm's instant streaming service. These alternative services may have been an explanatory factor in the contraction of the pay-per-view (PPV) model, which declined by 32% in 2012; according to IHS Screen Digest's estimates, this was the first decline in the five-year period.

The download-to-own business model (DTO) experienced further growth in 2012, growing by 8% year on year to £44m, but it was at a much slower rate than in 2008 when its income rose five-fold, and 2010 when it expanded by 132%.

Figure 2.53 Online TV revenues



Source: IHS Screen Digest. Note: FTV (free to view) refers to services delivering online video free to the end consumer. Number of FTV streams includes both ad-supported services and services funded through other means (such as BBC iPlayer). FTV revenues include advertising revenues only. PPV (pay per view) refers to a method of renting digital content whereby customers commonly choose content on a la carte basis and pay to watch it for a limited period. The category includes all content consumed on an on-demand basis, including traditional PPV (such as per live sports) and VoD. DTO (download to own) refers to a method of obtaining content that gives the customer ownership over the files they have downloaded, allowing the customer to use the content as many times as they like. Some figures have been restated since last year following consultation with broadcasters.

2.3 The TV and audio-visual viewer

2.3.1 Summary

This section examines the availability and take-up of digital TV platforms and trends in television consumption, including some categories of non-linear viewing, during 2012. It also analyses viewers' attitudes to television. The key points include:

- **On average viewers watched 4 hours of television per day in 2012; this has increased from 3 hours 42 minutes in 2004.** All age groups have increased or maintained their television consumption compared to 2004 except for adults aged 25-34, whose viewing fell by 12 minutes a day.
- **Younger adults watch television the least, with those aged 16-24 being the lightest viewers, while those aged 65+ are the heaviest viewers.** At the highest point of average weekday viewing there were 1.9 million 16-24s watching TV in 2012, about 30% of all 16-24s. In contrast there were 6.7 million aged 65+, 66% of this age group.
- **The main five PSBs and their portfolio channels together attracted 72.9% of total viewing in multichannel homes, a decline of 0.6 percentage points year on year.** This was due to a 1.2 percentage point fall in the audience share of the main PSBs, albeit in the face of the continuing growth in the audience share of their portfolio channels, which was up 0.6 percentage points to 20.9%.
- **Nonetheless, of the top 20 channels ranked by audience share in 2012, 15 were PSB main channel services or PSB-owned.** Three BSkyB-owned channels and two UKTV channels made up the five remaining channels.
- **Despite the increased penetration of digital video recorders (DVRs), only 10% of total viewing was time-shifted in 2012.** Over two-thirds (67%) of the population now have a DVR at home, up from 18% in 2007. However, the proportion of viewing among all individuals that is time-shifted has increased by only eight percentage points (from 2% in 2007 to 10% in 2012). Among DVR owners, total time-shifted viewing has increased by just one percentage point over the corresponding period, from 15% in 2007 to 16% in 2012.
- **The majority (55%) of the UK population thought that the quality of TV programming stayed about the same since the previous year,** while just under a third of UK adults (31%) felt that it had got worse, and 13% thought that it had improved.
- **YouTube maintains its leadership in the online video sharing market,** attracting 28 million unique visitors in April 2013, up 9% year on year, according to comScore MMX data.

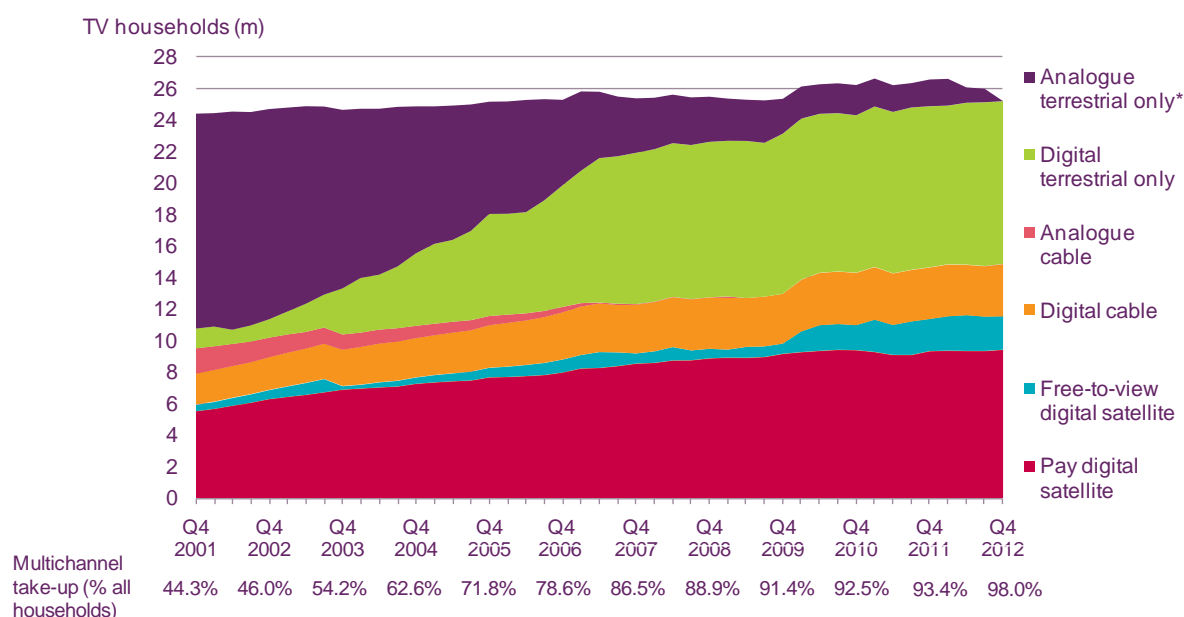
2.3.2 Multichannel television take-up

The digital switchover programme is now completed

Following the completion of digital television switchover in October 2012, in Q4 2012 98% of households (or 25.1 million) received digital television over any platform, an increase of nearly 5 percentage points year on year. The remaining 2% of households included households that watched television through a connected device such as a games console,

households that did not have a TV set and any other households whose TV sets could not receive a digital signal.

Figure 2.54 Platform take-up survey results: Q4 2001 – Q4 2012



Source: Ofcom / GfK NOP consumer research from Q1 2007. Sample GB only.

Note: (1) Previous quarters include subscriber data and Ofcom estimates for digital terrestrial and free-to-view satellite. *Some analogue terrestrial only households would have watched TV through a device connected to their set (e.g. a games console), through another connected device or misreported themselves as analogue terrestrial. From Q2 2012 GfK amended its questionnaire in regions where switchover was complete so that non-multichannel households were no longer recorded as TV households.

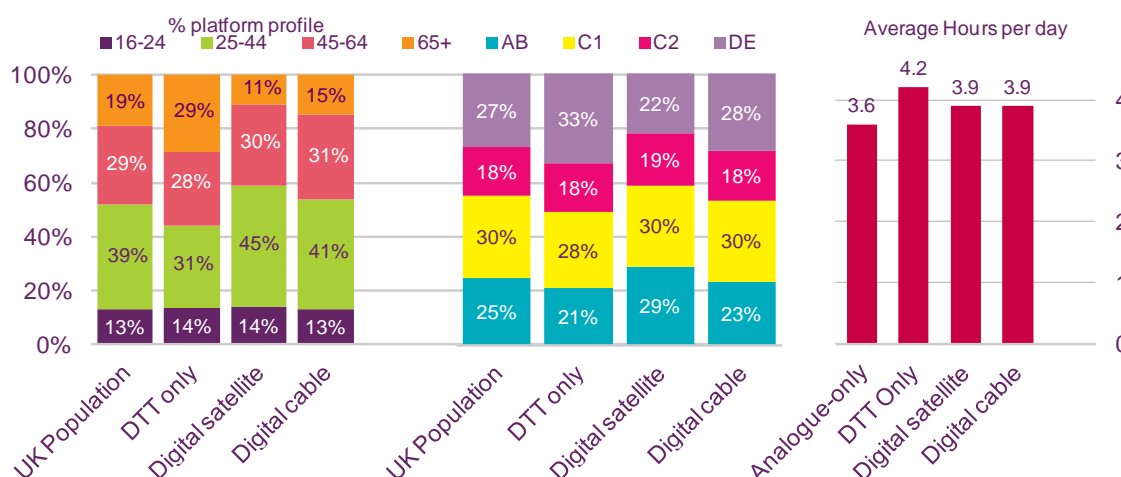
The demographics of TV platforms vary

Figure 2.55 shows the age and socio-economic composition of the main three platforms in the UK, together with television viewing by platform. Digital satellite homes have a much younger ownership base than other platforms. Adults aged 16-44 account for 59% of satellite homes, whereas digital terrestrial (DTT)-only homes have an older profile: adults aged 16-44 account for less than half (45%) of the DTT ownership base. Twenty-nine per cent

of DTT-only homes are aged 65 and over, and because television consumption increases with age, and those aged 65+ are the heaviest viewers, it is unsurprising that the average hours of television consumed per day in DTT-only homes is much higher than in either digital satellite or digital cable homes.

Digital satellite households have the highest proportion of ABC1 viewers of the three platforms, marginally higher than the UK population average. The affluence of this group means they may have more disposable income to spend on premium pay-TV channels offered by BSkyB. By contrast, around one third of DTT-only homes are in DE homes.

Figure 2.55 Platform by age, socio-economic group and viewing hours



Source: Ofcom 2012 data and BARB 2012 data

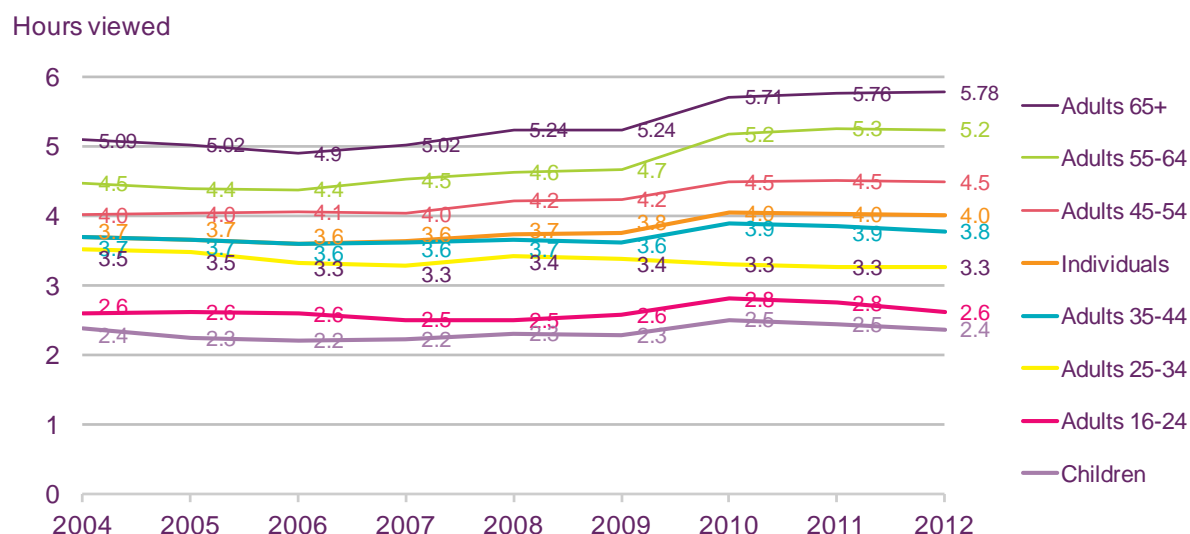
2.3.3 Television viewing

Viewers watched on average four hours of television per day in 2012

According to the Broadcasters Audience Research Board (BARB), the average number of hours of television watched by individuals in the UK has risen over the past eight years from 3 hours 42 minutes a day in 2004 (3.7 hours) to 4 hours per day in 2012 (4.01 hours). The last three years have been broadly stable, at 4 hours per day, the highest level than at any other point since 2004, with daily consumption in 2012 only around two minutes less per day than in the previous two years. The increase in daily viewing hours pre and post 2010 may be the result of a new BARB panel introduced in January 2010.

All age groups' consumption of television has increased or stayed the same compared to 2004, except for adults aged 25-34, whose viewing fell by 12 minutes a day. Adults aged 55-64 had the greatest increase in viewing hours; from 4 hours 30 minutes a day in 2004 to 5 hours 12 minutes per day in 2012. This is an additional 42 minutes per day compared to eight years ago. The average daily hours of viewing for 16-24 year olds and children were unchanged between 2004 and 2012.

Figure 2.56 Average hours of television viewing per day, by age, all homes: 2004 to 2012

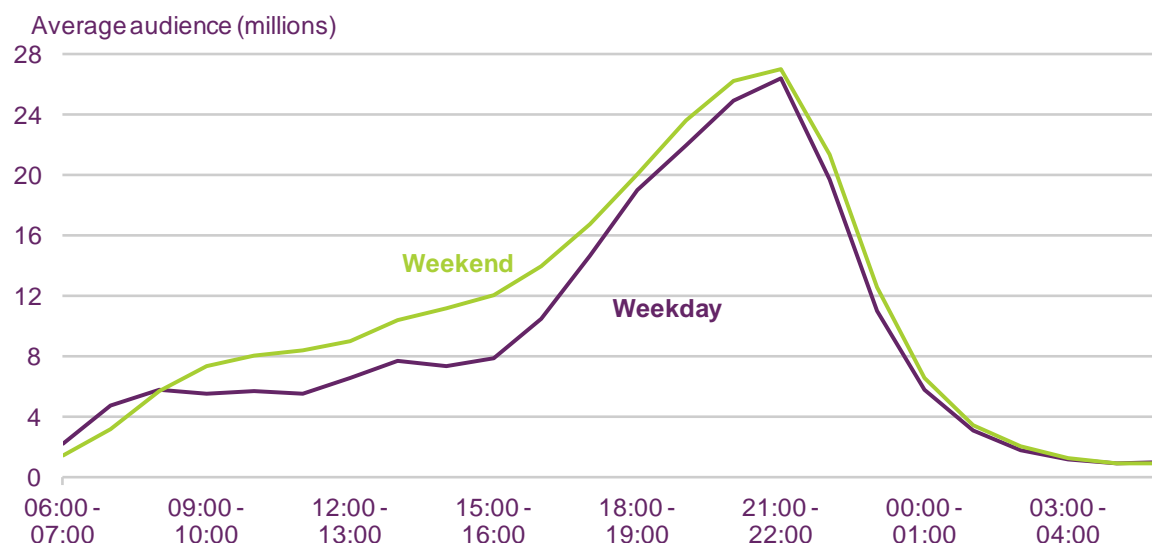


Source: BARB. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution.

TV audiences peak between 9pm and 10pm

The distribution of television audiences throughout the day is broadly similar for the weekday and the weekend, although audiences are generally higher on Saturdays and Sundays (Figure 2.57). The size of the audience during the weekday and the weekend is most similar in the early morning and from early evening onwards. The biggest difference is mid-afternoon (2-4pm) when the weekend audience is around 4 million higher than on weekdays. The only time when the weekday audience is higher than the weekend audience is during the morning breakfast slot, from 6am to 9am, as people prepare for work and school. Viewing peaks between 9pm and 10pm for both weekdays and weekend, with over 25 million viewers on average for each (just over 45% of the total population).

Figure 2.57 Average 2012 audiences, weekdays/weekends, by day part: all homes

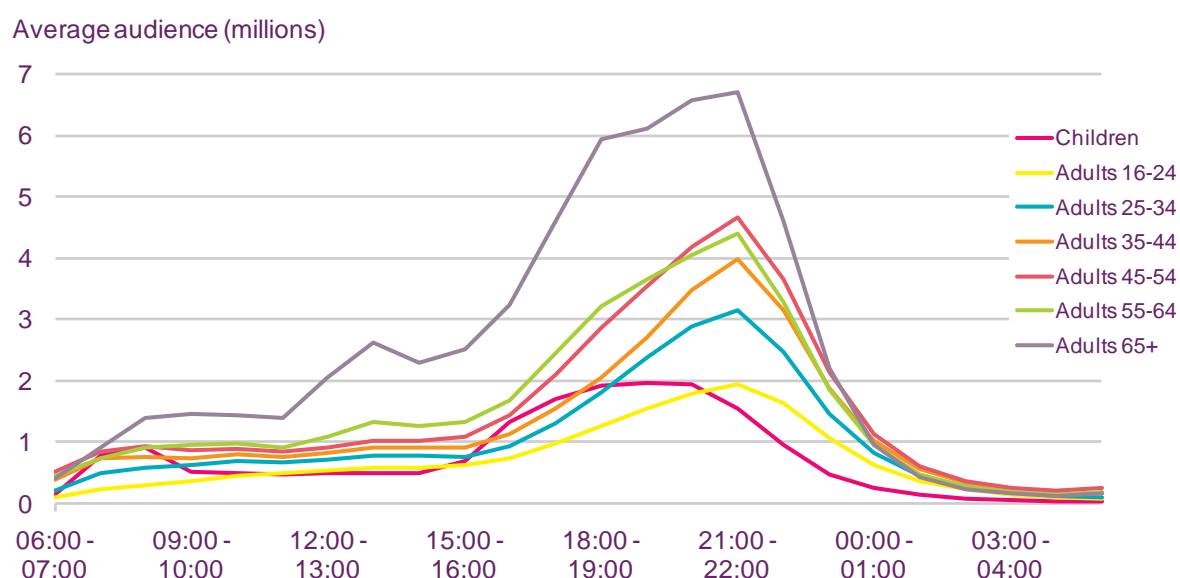


Source: BARB, all individuals 4+.

Looking at weekday audiences, adults aged 65+ make up the largest audience group throughout the day (Figure 2.58). Their viewing rises during breakfast and lunchtime hours, dipping in between. Between 9am and 4pm all audiences show similar levels of viewing activity, with little variation in the volume of viewers by time. From 4pm onwards the number of viewers among all age groups increases steadily, reaching a peak between 9pm to 10pm for adult audiences. Children's viewing accelerates more quickly than any other audience from 4pm and reaches a peak an hour earlier than adult viewers, between 8pm and 9pm.

Of adults, the younger 16-24 and 25-34 audiences watch TV the least, with those aged 16-24 being the lightest TV viewers. At the highest point of viewing on a typical weekday there were 1.9 million 16-24s, about 30% of all 16-24s. In contrast, the biggest audience for adults aged 65+ was 6.7 million, 66% of this age group.

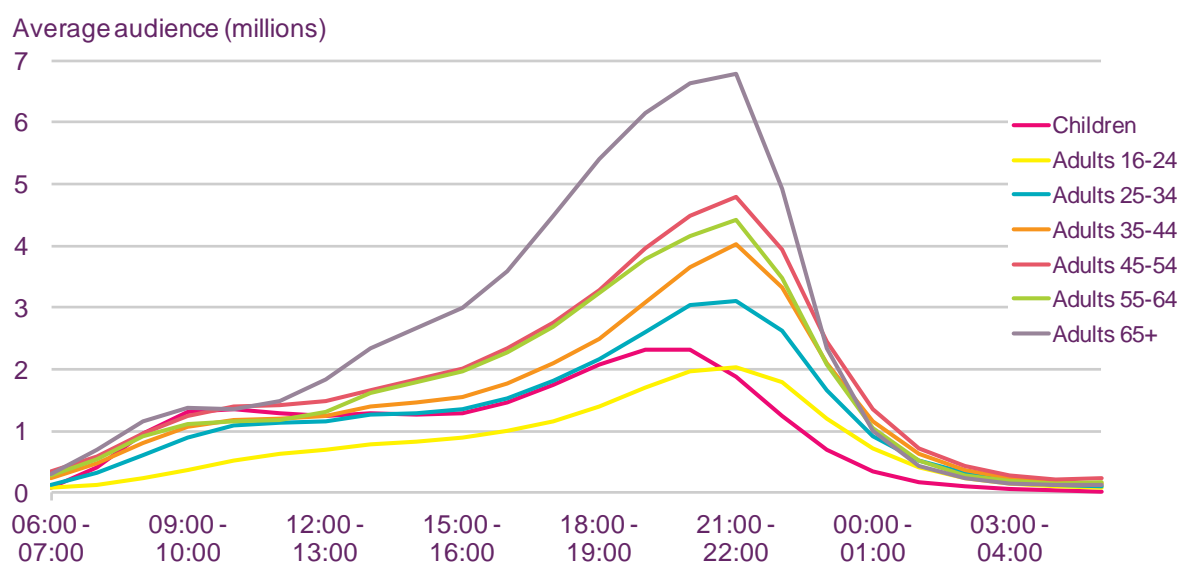
Figure 2.58 Average 2012 weekday audiences, by day part and age: all homes



Source: BARB.

Like weekday viewing, the largest proportion of the weekend viewing audience is among those aged 65+ (Figure 2.59). The distribution of their viewing at the weekend is steady, with dips in the morning and afternoon and increasing smoothly throughout the day, particularly from midday onwards. The viewing pattern for all age groups shows a more sustained level of viewing between 9am and 4pm, compared to weekdays. Young adult viewers (16-24) consistently increase in viewing numbers until 9pm, unlike the other age groups where viewing dips after 9am. In the peak hours between 9pm and 10pm, the absolute numbers of viewers for the adult age groups are comparable with weekday levels.

Figure 2.59 Average 2012 weekend audiences, by day part and age: all homes

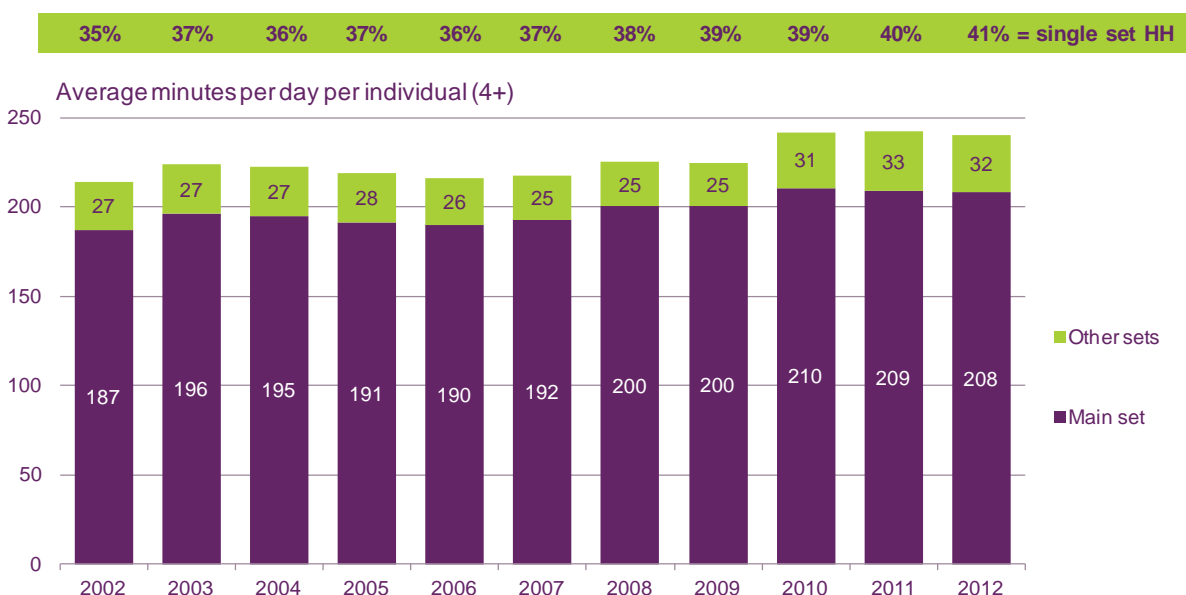


Source: BARB.

The main TV set in the home remains the most popular device for TV viewing

The 'main' TV set remains the most popular means of watching TV (typically the set in the living room) from 2002 to 2012. Viewing to the 'main set' represented 87% of total viewing in 2012. In terms of reach, 91% of adults watched TV on the main set in 2012, which compares to an overall reach across all TV sets of 95%. Over this period the proportion of single TV set homes has risen from 35% to 41% in 2012.

Figure 2.60 Total TV viewing, main sets vs. other sets: 2002-2012



Source: BARB, all individuals (4+), all homes. BARB Establishment Surveys – Annual Network Q2 reports. Note: i) New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. ii) 'Main set' defined as set located in the living room. 'Other sets' defined as all other TV sets in the home.

2.3.4 Channel reach

Collective reach of the multichannels continues to exceed each of the main PSBs

The average weekly reach in 2012 across total TV was 95.1% for all adults 16+ (3+ consecutive minutes) and 94.8% for all individuals 4+. Whereas based on 15+ consecutive minutes, the reach figures were 94.1% and 93.6% respectively.

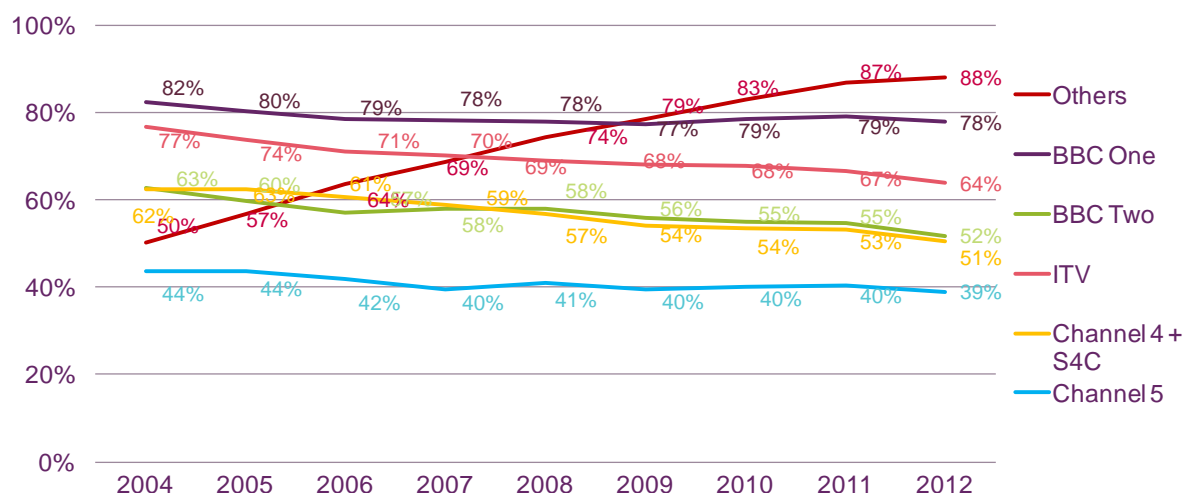
The number of viewers of the main five PSB channels in an average week has been in decline since 2004. In parallel, the impact of digital switchover has seen the combined average weekly reach to the remaining 'other' digital services increase strongly, from 5 in 10 individuals (50%) in 2004 to nearly 9 in 10 individuals (88%) in 2012. The combined 'other' channels now command more viewers in an average week than any single main PSB channel. In 2004, combined 'other' channels ranked fourth, just above Channel 5.

ITV's reach has fallen furthest since 2004; by 13 percentage points, followed by Channel 4 with 12 percentage points and BBC Two with 11 percentage points. BBC One and Channel 5 have been the most resilient, with four and five percentage point decreases respectively over the same period.

Looking at changes since 2007, Channel 4 had fewer viewers (by 8pp) in an average week in 2012 compared to 2007. The comparable reductions for ITV and BBC Two were six percentage points each. Channel 5's reach has shown a flat trend between 2007 and 2012, sustaining a weekly reach of around 40% across the past five years. BBC One has also maintained a steady pattern over the same period, with a consistent weekly reach of around 78%. The number of viewers who watch 'other' digital channels in an average week has increased by 18% compared to 2007.

Figure 2.61 Average weekly TV reach, all homes: 2004-2012

15-minute consecutive weekly reach – full weeks



Source: BARB Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts. S4C weekly reach in 2011 was 1% (all homes). HD and SD viewing included.

2.3.5 Viewing shares of the main five PSB channels

The combined share of 'other' channels continues to grow

Over the last two decades the audience share of the main five PSB channels have gradually eroded in all homes. BBC One and ITV have incurred the biggest losses, but remained the two most popular channels in the UK in 2012 (Figure 2.62).

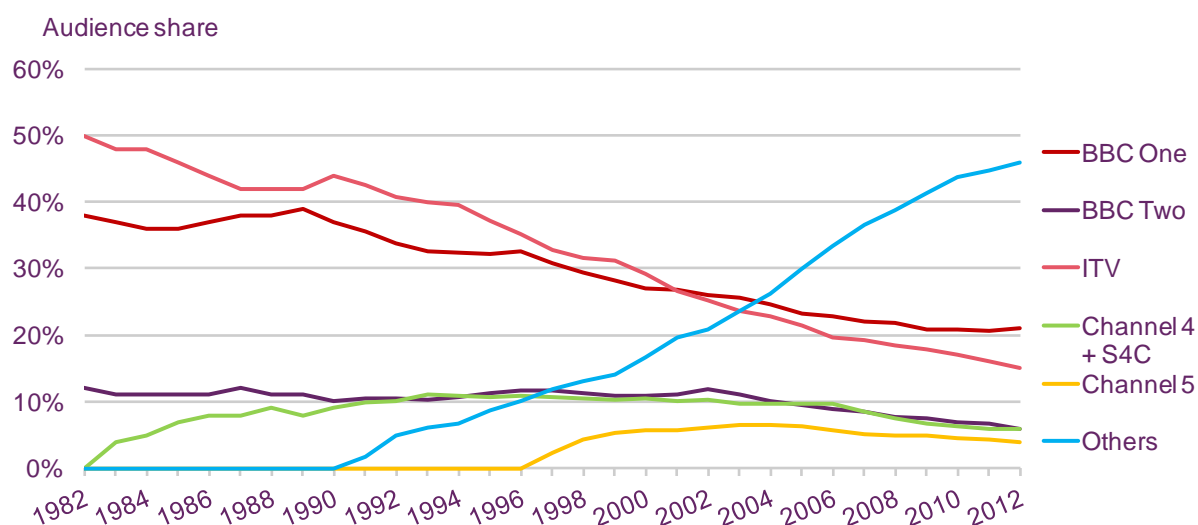
Over the shorter term, the audience share of the main five PSBs have remained relatively stable, with BBC One, BBC Two, Channel 4 and Channel 5 losing only one percentage point since 2009 and ITV three percentage points. Year on year, BBC One increased its share slightly (20.7% in 2011, to 21% in 2012), possibly lifted by viewing to the Olympics, and was the only main PSB broadcaster to do so.

The arrival of the multichannel platform has boosted the share of 'other' channels. In 2004, two years after the launch of the Freeview platform, the aggregated share of the non-terrestrial channels overtook the largest PSB channel, BBC One, for the first time. The increased market share of the non-terrestrial channels has continued to rise since the 1980s, due to the increased channel choice it offers to consumers and the growing take-up of multichannel television, and perhaps boosted by the start of the digital switchover in 2008. 2007 saw the launch of BT Vision, and the Freesat platform followed in May 2008. In 2012, the combined audience share of 'other' digital channels stood at just under half (45%), more than double the share of BBC One and more than double the 21% share it held itself in 2002.

The picture for BBC Two, Channel 4 and Channel 5 has been more stable over the long term, with relatively flat trends in share. Looking at the two commercial PSB channels launched in the past three decades, Channel 4's share in 2012 is just 2% higher than in 1983, the year after it launched in November 1982. Channel 5 went on air in March 1997 and its share is also 2% higher in 2012 than in its launch year and the same as in its full reporting year of 1998 (2% share in 1997, 4% in 1998 and 4% in 2012).

Examining the two channels in more detail, Channel 4's share increased progressively between 1983 and 1988, dipping by one percentage point to 8% in 1989 before climbing again to reach an 11% share, which it sustained for five years between 1993 and 1997. It maintained a constant 10% share of viewing between 1998 and 2006, before declining by four percentage points to a 6% share in 2012. Channel 5 steadily increased its share of viewing by five percentage points in the seven years after its launch, reaching a high of 7% before beginning to dip in 2007, alongside Channel 4.

Figure 2.62 Channel share in all homes: 1982-2012



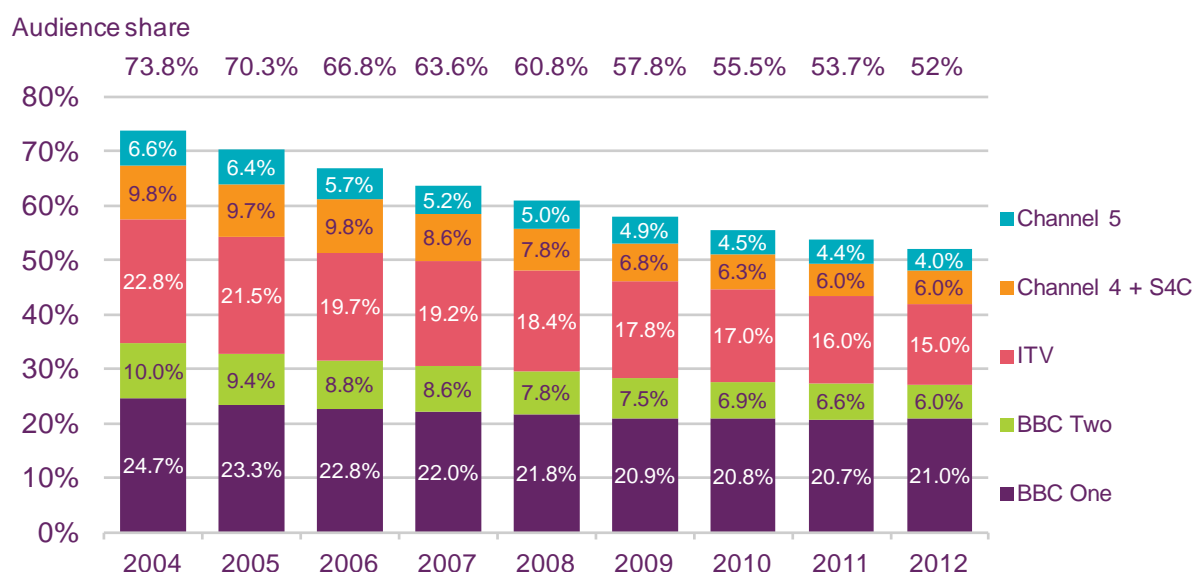
Source: BARB, TAM JICTAR and Ofcom estimates. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts. S4C 2012 channel share = 0.2%. HD and SD viewing included.

The combined share of the five main PSB channels accounts for over half of all viewing

The collective share of the five main PSB channels in all homes was 52.0% in 2012, down 1.7 percentage points on the previous year. This follows a pattern of a historical decline since 2004, when their overall share stood at just under three-quarters of viewing (73.8%).

Individually, each of the five main PSB channels has seen their share decline since 2004. BBC One has fallen by 3.7 percentage points since 2004, but its 2012 share was up by 0.3% on 2011. BBC Two and Channel 4 fell by a similar amount over the nine-year period (by four and 3.8 percentage points respectively) and ITV fell by 7.8 percentage points. Channel 5 declined by 2.6 percentage points. Since 2009 the gap in share for Channel 4 compared to BBC Two and Channel 4 has narrowed. In 2004 BBC Two and Channel 4 had a 3.4% and 3.2% respective lead in share over Channel 5. By 2012, the lead for both channels had narrowed to 2%.

Figure 2.63 Five main PSB channels' audience share, all homes



Source: BARB. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts. S4C 2012 channel share = 0.1%. HD and SD viewing included.

The combined share of the main five PSB channels is stronger in digital terrestrial homes

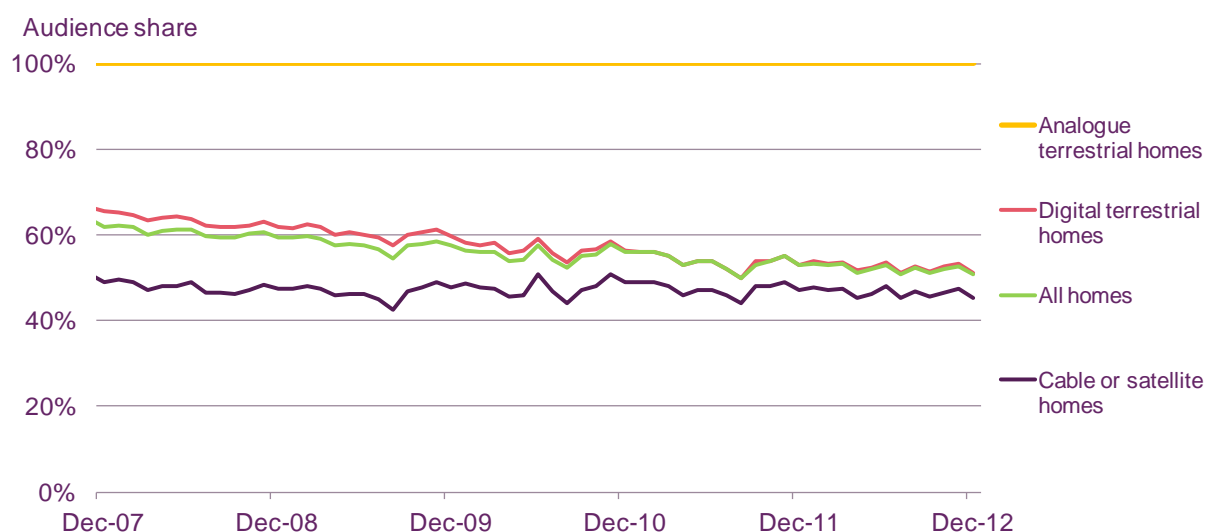
Figure 2.64 compares the performance of the five main PSB channels in homes with different digital television platforms. The total share of the television audience for the main PSB channels is stronger in homes with digital terrestrial⁵⁵ compared to households who have cable or satellite⁵⁶.

Over time the share of the main PSB channels has fallen in both types of home, due to the increasing number and rising share of other digital channels. The fall has been greater in digital terrestrial homes.

⁵⁵ Digital terrestrial includes Freeview and BT Vision platforms

⁵⁶ Cable or satellite includes Sky, Virgin and Freesat platforms

Figure 2.64 Five main PSB channels' audience shares, by platform



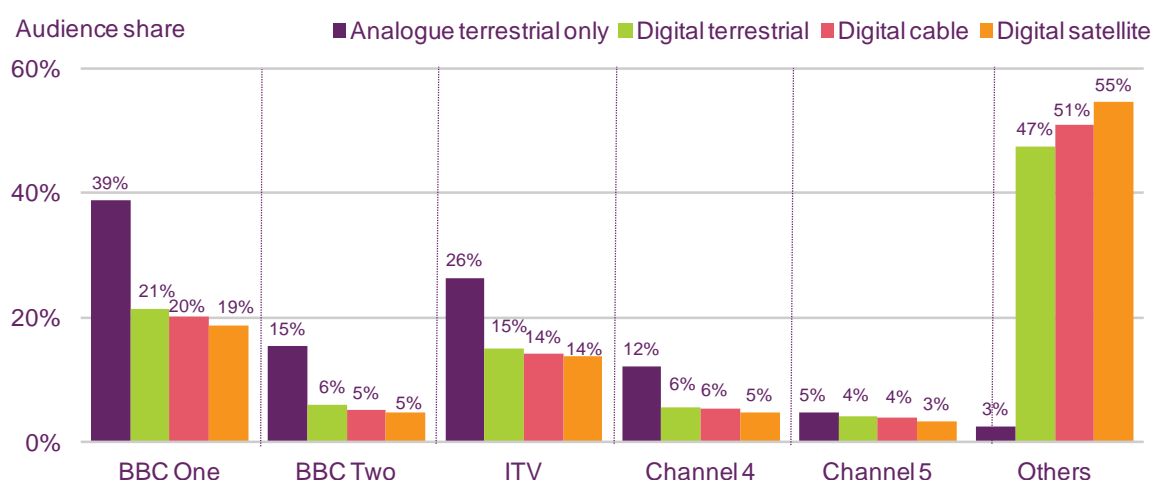
Source: BARB, all homes, all viewers, various platforms. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain grouped together in relevant charts. S4C 2012 channel share (all homes)= 0.1%. HD and SD viewing included.

Audience shares of the PSB channels vary by platform. Digital switchover was not completed until October 2012, and unsurprisingly, the five main PSB channels were most popular in analogue terrestrial-only homes, where the channel choice was limited to five channels.

Comparison of the share of the individual PSB channels, in homes with access to digital platforms, show little difference between digital terrestrial, digital cable and digital satellite homes (Figure 2.65). This may be attributable in part to the prominence of the main PSB channels in the channel line-up.

'Other' channels take over half of the viewing audience (55%) in digital satellite homes, which is higher than in digital terrestrial households (47%). This is likely to be driven by the large channel choice offered by the Sky platform, as well as the wide selection of channels offered by Freesat, compared to the range available on digital terrestrial television.

Figure 2.65 Channel share, by platform: 2012



Source: BARB. Individuals in platform homes, Share (%). HD and SD viewing included Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts. S4C 2012 channel share (all homes) = 0.1%.

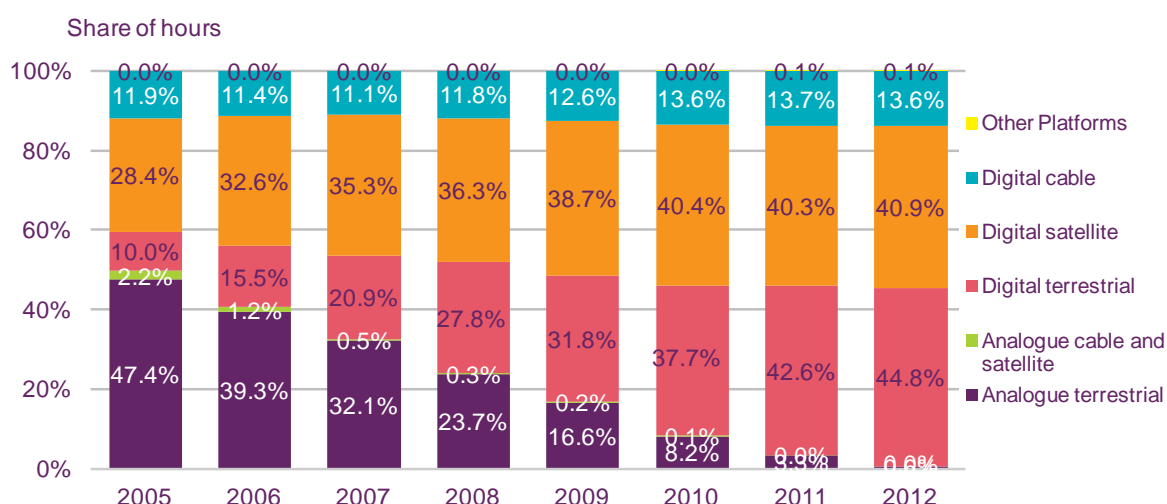
2.3.6 Viewing by TV platform signal

Viewing via the digital satellite signal is catching up with digital terrestrial

As platforms in households converge and people can view television through more than one platform, Figure 2.66 shows the proportion of total viewing hours spent through each platform signal, as a proportion of total viewing hours through all platforms.

Although viewing through the digital terrestrial signal remains the most popular way of consuming television in 2012 (44.8% of viewing), it is now only 3.9 percentage points ahead of the digital satellite platform. The share of hours' viewing to analogue terrestrial and digital terrestrial combined has remained relatively strong (57% in 2005 and 45% in 2012) suggesting that as viewers moved away from the analogue terrestrial platform, they migrated mainly to digital terrestrial, but also to digital satellite, whose share has increased by 12.5 percentage points since 2005. Viewing through the digital cable platform has remained static, growing by a modest 1.7 percentage points compared to 2005.

Figure 2.66 Share of total TV viewing hours, by platform signal

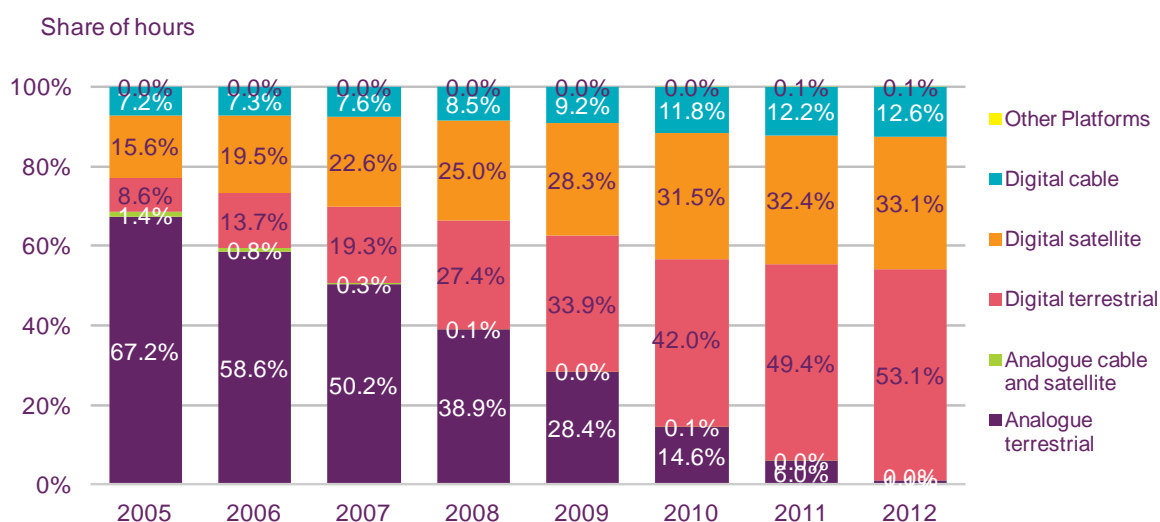


Source: BARB, all Individuals, total hours. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution.

Over half of viewing of the five main PSBs is via the digital terrestrial signal

The digital terrestrial platform accounted for 53.1% of total viewing hours to the five main PSBs in 2012, with the remaining 46% on digital satellite and cable. The digital satellite platform does not drive viewing hours as much for the five main PSBs as it does for all television viewing (see Figure 2.67). Since the start of digital switchover in 2008, viewing through the digital terrestrial platform has almost doubled; from 27.4% to 53.1%, digital satellite has increased its share by 8.1 percentage points, and digital cable by 4.1 percentage points.

Figure 2.67 Five main PSB channels' share of total hours, by platform signal



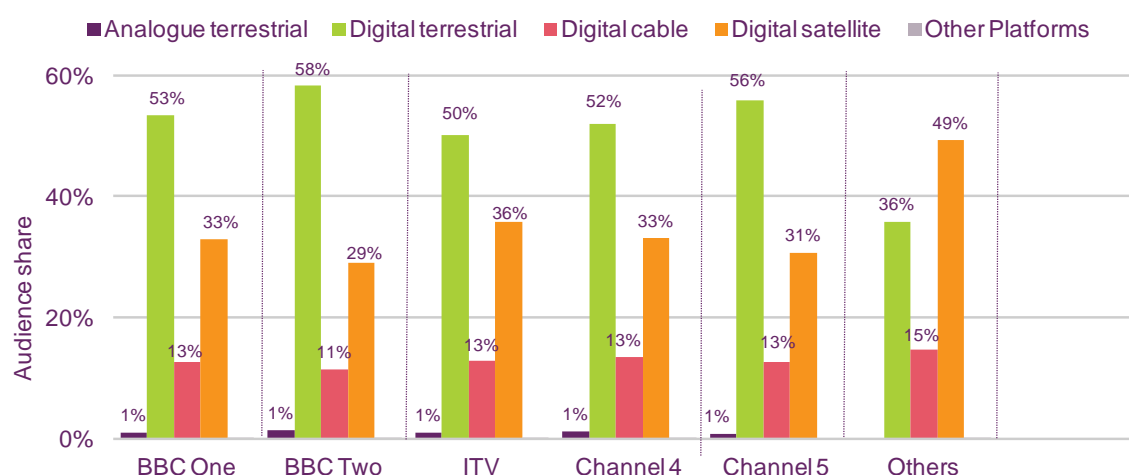
Source: BARB, all Individuals, total hours. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain grouped together in relevant charts.

Individually, viewing of the main PSB channels is most popular through the digital terrestrial signal, taking more than half of the total viewing hours to each channel. BBC Two and

Channel 5 perform best on the DTT platform, in terms of the proportion of total hours accounted for by digital terrestrial on each channel, followed by BBC One, Channel 4 and ITV. Viewing through digital satellite accounts for between 29% to 36% among each of the PSB channels, with ITV being the most watched and Channel 5 the least, as a proportion of their total viewing hours. Viewing through the digital cable platform is equally distributed, at 13% for each of the main PSBs, except for BBC Two, where 11% of all viewing to the channel is through the cable platform.

For the remaining PSB channels ('others'), digital satellite takes the greatest share of total viewing hours, at just under half. Viewing to the free-to-air channels performs well on digital terrestrial, taking 36% share, with the remainder of viewing through digital cable (15%).

Figure 2.68 Share of viewing hours for main PSB channels, by platform: 2012



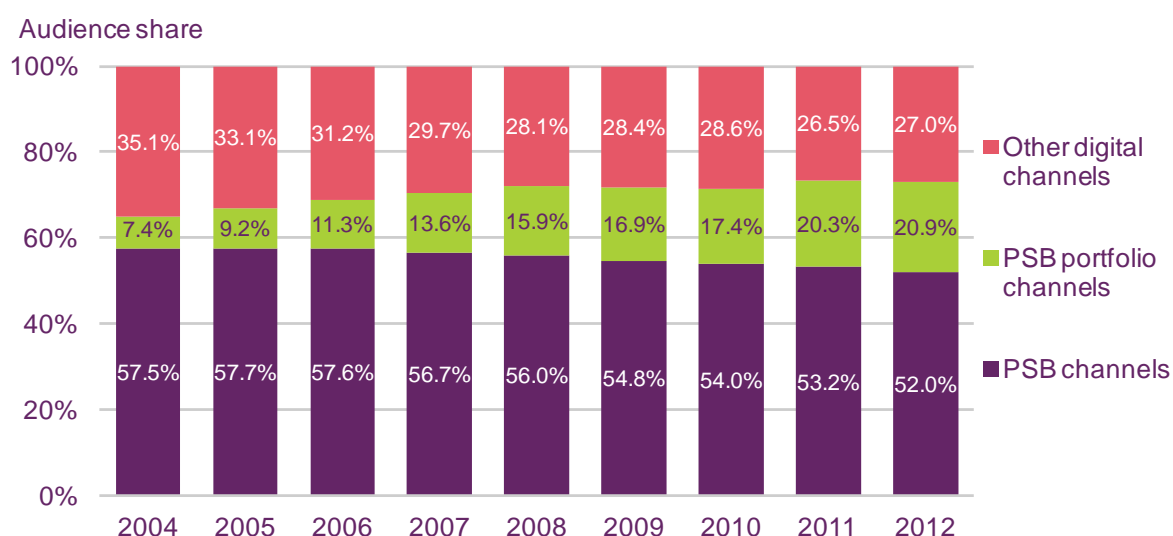
Source: BARB, all Individuals, total hours. HD and SD viewing included Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts.

2.3.7 Shares in multichannel homes

The main PSBs and their portfolio channels together attracted 72.9% of viewing in multichannel homes

The PSBs each offer a portfolio of additional digital channels. These include BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament, ITV2, ITV3, ITV4, CITV, Film4, More4, E4, 4seven, 5* and 5USA. When added to the 52% share of the collective parent channels, the cumulative share of the PSB broadcasters in 2012 was 72.9%, representing almost three-quarters of the viewing in multichannel homes. Figure 2.69 shows that the portfolio channels have not only offset the losses in share experienced by the main PSBs, but have successfully extended their share of multichannel viewing since 2004.

Figure 2.69 PSB and portfolio channel shares in multichannel homes



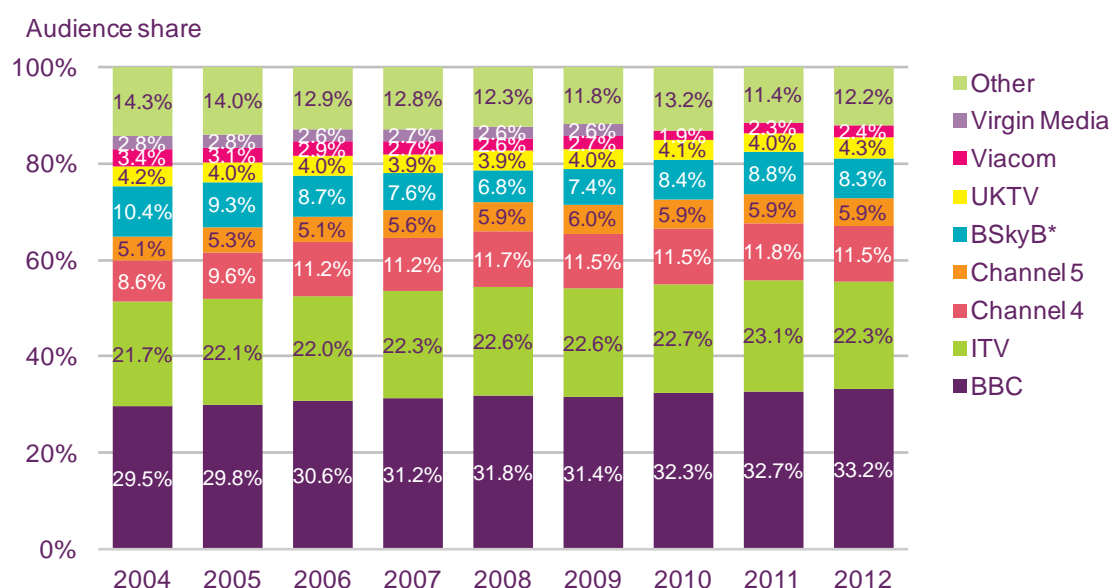
Source: BARB. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain grouped together in relevant charts. S4C 2012 channel share = 0.1%. HD and SD viewing included.

The BBC's channels account for a third of viewing in multichannel homes

Figure 2.70 depicts the total audience shares for each of the major broadcasting groups in multichannel homes over time. The accumulated shares of the public service broadcasters and their families of digital channels have grown, and this upward trend can be seen every year since 2004, dipping marginally only in 2011. The BBC portfolio of channels had the largest share of all the broadcasters, commanding a third (33.3%) of the viewing audience in 2012.

The fourth most-watched broadcaster, BSkyB, accounted for 8.3% of the remaining 27% share of non-PSB operated channels in 2012. UKTV took a further 4.3% of this share, with the remainder attributed to other broadcasters. BSkyB's share declined between 2004 and 2007, and after experiencing a low of 6.8% in 2008, BSkyB saw a gradual upturn in each year to 2011, before dipping again in 2012. Total share for the UKTV portfolio has remained fairly stable since 2004 and in 2012 reached a similar share level to 2009; its share rose further in 2012 than at any time since 2004.

Figure 2.70 Broadcaster portfolio shares in multichannel homes



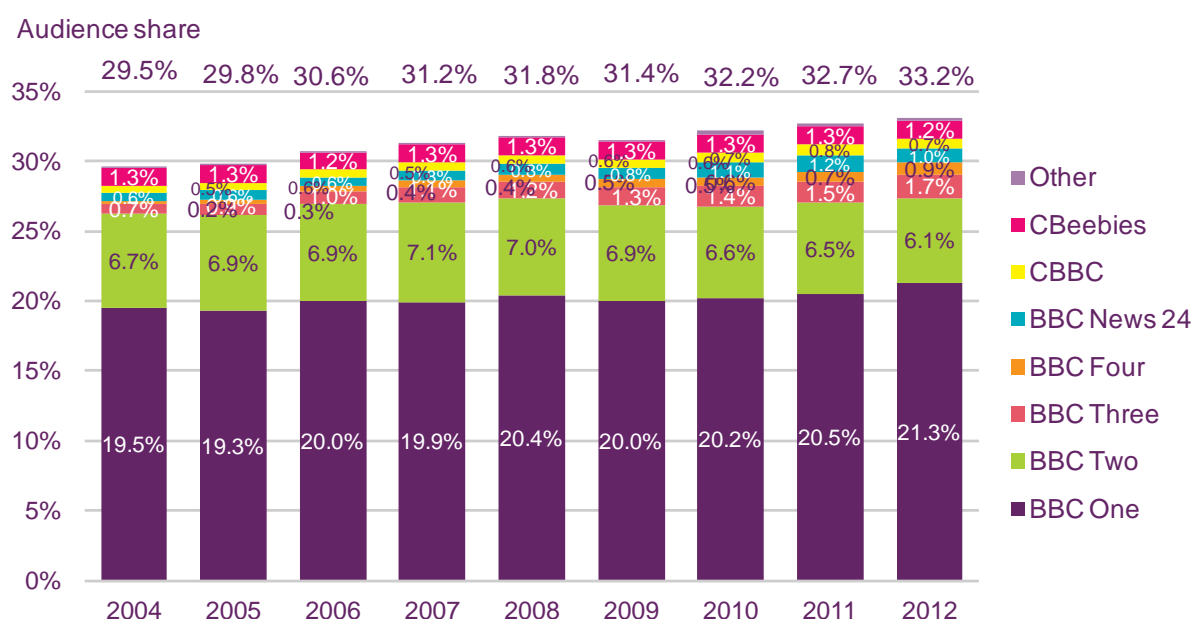
Source: BARB. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. The BBC portfolio in 2012 excludes the 24 dedicated Olympics channels which accounted for 0.21% share. BSkyB took ownership of VMTV in June 2010, Virgin Media TV portfolio shares are included in the BSkyB figure for the whole of 2010. ITV includes all ITV network channels, not just those owned by ITV plc. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain grouped together in relevant charts. S4C 2012 channel share = 0.1%. HD and SD viewing included.

BBC One remains by far the most-viewed BBC channel in multichannel homes

The BBC's portfolio share of the total TV multichannel audience has increased by 3.7 percentage points, from 29.5% in 2004 to 33.2% in 2012 (Figure 2.71). It also increased year on year, by 0.5%. The BBC group share has followed a mainly upward trend over this period, dipping only once in 2009. The growing popularity of the BBC digital channels, particularly BBC Three and BBC News channel, has been responsible for this uplift.

BBC One accounted for the largest share of the audience in 2012, up 0.8% on 2011, followed by BBC Two. BBC Three ranked third, followed by CBeebies. BBC Three's share has increased every year since 2004, as has BBC Four's. The BBC News channel has also added to its share every year, only dipping by 0.2% in 2012. The BBC's dedicated children's television channels CBBC and CBeebies have been relatively consistent over the past nine years, maintaining an average share of 0.6% and 1.3% respectively. CBBC's 0.7% share in 2012 was marginally higher than its 0.5% share in 2004. CBeebies' share over the same comparative period is also constant: a 1.2% share in 2012 against a 1.3% share in 2004.

Figure 2.71 BBC portfolio share in multichannel homes



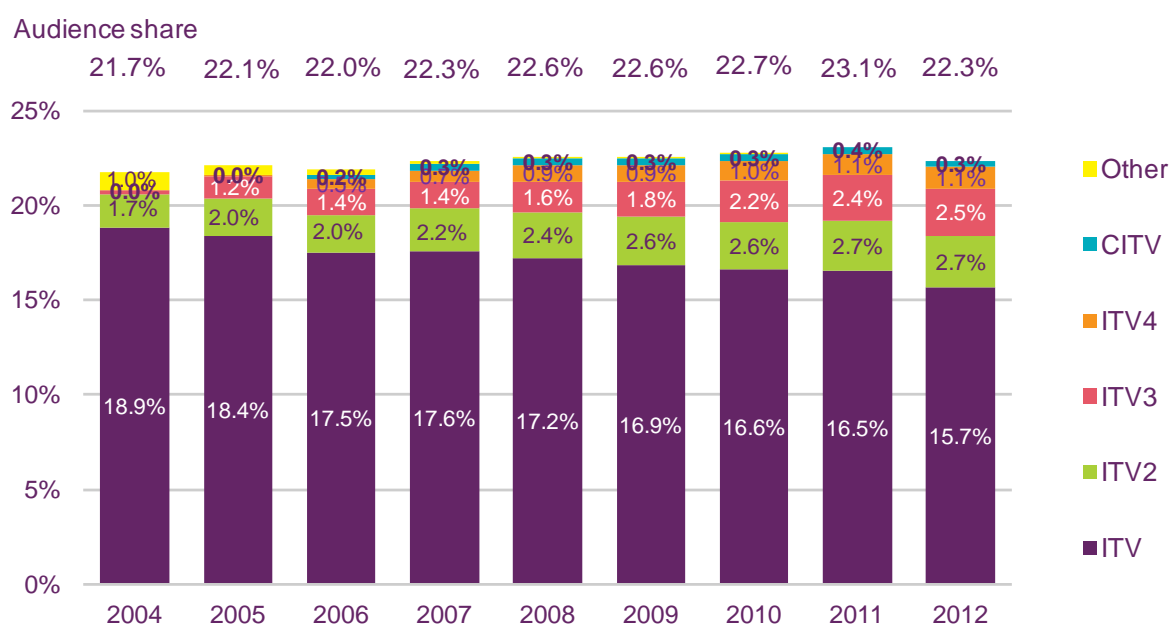
Source: BARB Note: 'Other' includes BBC Parliament, BBC Choice, BBC HD and BBC Knowledge. A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. HD and SD viewing included.

ITV's main channel continues to lose viewing share but ITV Digital channels hold steady

ITV's portfolio share has remained stable year on year as the main channel lost 0.8% share. Of the five public service broadcasters, ITV's digital channels add the greatest incremental share to the group.

ITV2 and ITV3 are the most popular with viewers, after ITV, and both channels have expanded their share over the years. ITV2 increased its share by one percentage point over the eight-year period, taking 2.7% in 2012, its highest level over the past nine years. ITV3's share has grown by the greatest proportion; its share more than doubled from 1.2% in 2005 to 2.5% in 2012, growing to a similar level as ITV2 in 2012. ITV4 also increased its share, growing from 0.5% in 2006 to 1.1% in 2012

Figure 2.72 ITV portfolio shares in multichannel homes

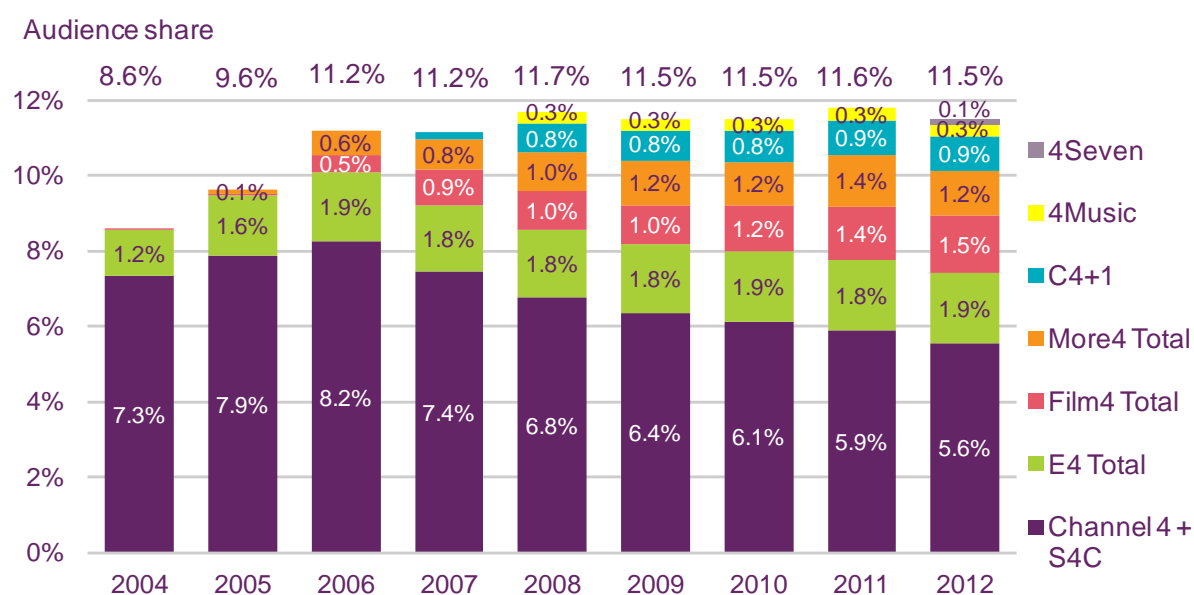


Source: BARB. Note: 'Other' includes (when relevant) ITV Play, Men & Motors, GMTV2, Granada Breeze, Plus, ITV News. ITV1, ITV2, ITV3 and ITV4 and include +1 and HD services' shares. Due to a new BARB measurement panel from 2010 onwards, pre- and post-panel change data should be viewed with caution.

Channel 4's portfolio lost viewing share in 2012 despite the Paralympics coverage

Channel 4's total portfolio share in multichannel homes has increased over the past eight years (8.6% in 2004 to 11.5% in 2012), although it has dipped since 2011. (Figure 2.73.) Channel 4 and its +1 channel provided just over half of this share (6.5%); lower than Channel 4's 7.3% contribution in 2004 before the +1 channel was available. E4 and Film4 provided over half (3.4%) of the remaining 5.9% share, with E4 being the more popular with viewers. E4's share has been stable since 2006, adding to its share in 2011 (by 0.1 percentage point). Film4 and More4 both saw their share grow over the same period, but while Film4's share increased on 2011 (by 0.1 percentage point), More4 experienced a decrease of 0.2 percentage points. The latest addition to the Channel 4 family, 4seven, which launched in July 2012, has added an additional 0.1% share to the group.

Figure 2.73 Channel 4 portfolio shares in multichannel homes



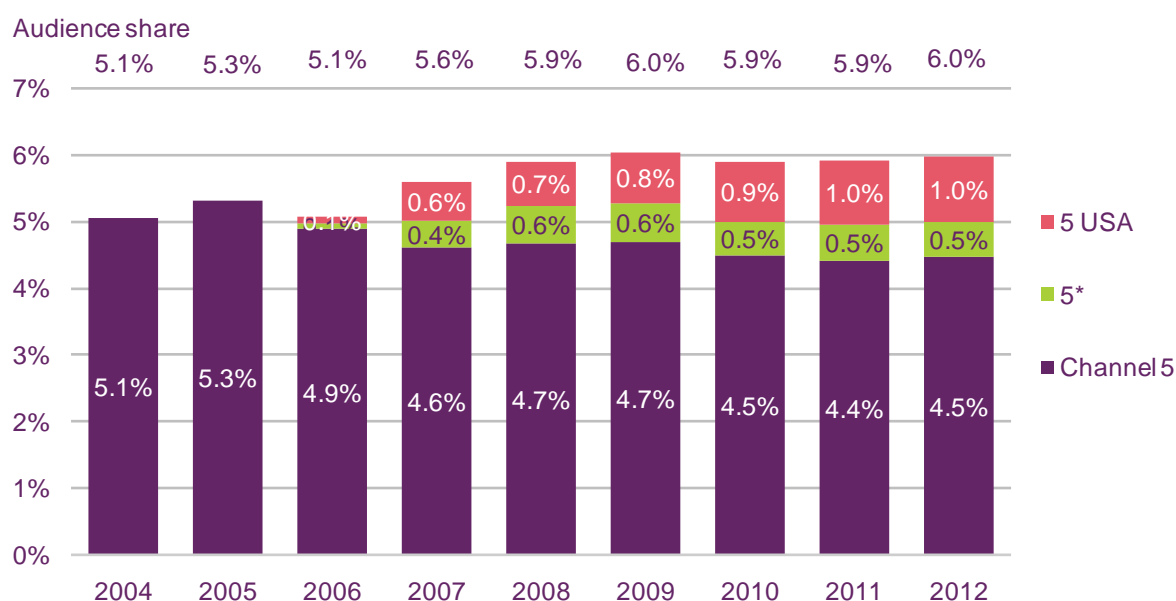
Source: BARB. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. E4, More4 and Film 4 respective +1 channel shares are included. 4seven launched 4th July 2012. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts. S4C 2012 channel share = 0.1%. HD and SD viewing included.

Channel 5's share increased marginally in 2012

Like the other PSB broadcasters, Channel 5's introduction of its digital channels helped to extend its share (from 5.1% in 2004 to 6% in 2012). Of the five PSB groups, the Channel 5 family of digital channels adds the least incremental share to the core channel (1.5%).

Channel 5's share has declined from a peak of 5.3% in 2005 to 4.5% in 2012, although it has sustained this level since 2010. Since 2007 5* and 5 USA have contributed an additional share of between 1% and 1.5%. 5*'s share has remained stable, while 5USA has seen its share increase from 2007, the only channel within the Channel 5 group to do so.

Figure 2.74 Channel 5 portfolio shares in multichannel homes



Source: BARB. Note: Channels include their +1 service. HD and SD viewing included. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution.

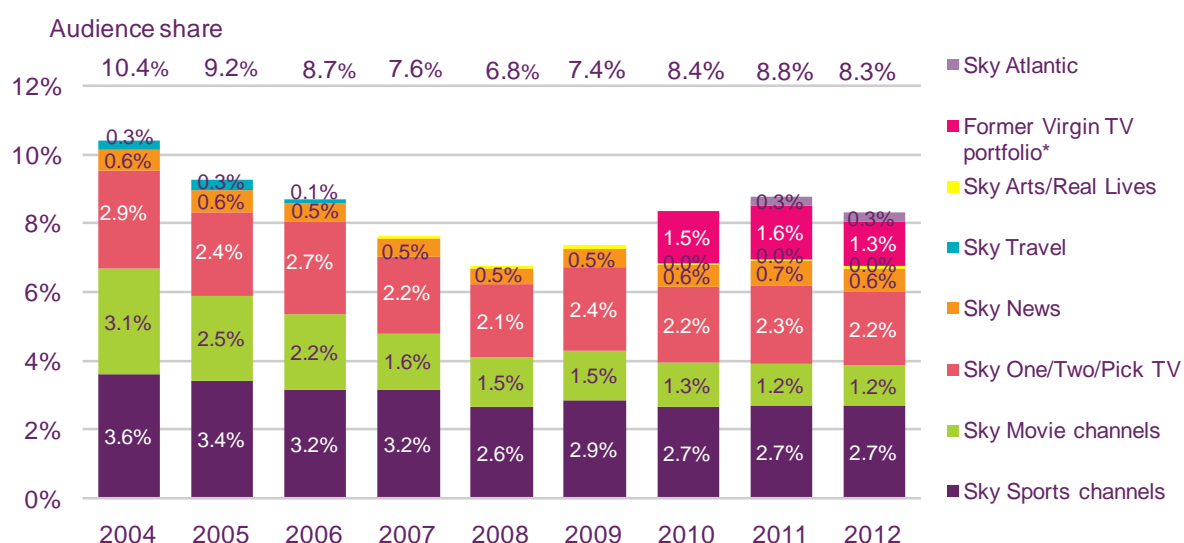
BSkyB's viewing share fell by 0.5 percentage points in 2012

BSkyB's portfolio of channels achieved an 8.3% share in 2012 in multichannel homes, 0.5 percent less than the previous year. The combined family of channels has been in decline since 2004, tumbling by 2.3 percentage points from 10.4% in 2004.

The acquisition of Virgin Media Television in 2010 helped drive up BSkyB's overall share in multichannel homes; this growth could not have been achieved without the addition of channels such as Living and Challenge TV to the portfolio. As a result, BSkyB sustained its overall portfolio share growth in 2010 and 2011, before falling back in 2012.

The premium sports channels accounted for the greatest proportion of viewing across BSkyB's offering in 2012, at 2.7%. Sky One, Two and Pick TV (formerly Sky Three) also proved popular across the channel group. The movie channels contributed a 1.2% share, almost equal to the share of the former Virgin Media channels, but the movie channels have shown the greatest collective decline, falling from a 3.1% share in 2004 to 1.2% in 2012.

Figure 2.75 BSkyB portfolio shares in multichannel homes



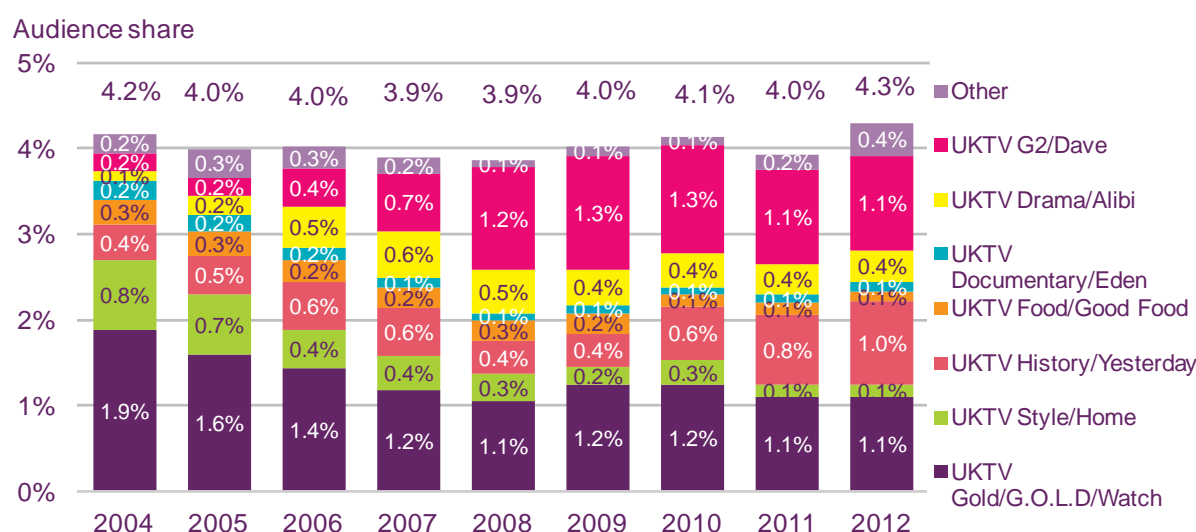
Source: BARB. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. *BSkyB took ownership of VMTV in June 2010, Virgin Media TV portfolio shares are included in the BSkyB figure for the whole of 2010 onwards. HD and SD viewing included.

UKTV's viewing share has been broadly stable since 2004

UKTV's total portfolio share of 4.3% in 2012 was at a similar level to 2004 and higher than its 4% share in 2011. The broadcaster group has sustained generally stable share levels over the past nine years.

Dave, Yesterday and Watch contributed three-quarters (3.2%) of the group's total audience share in 2012. The successful re-brand of UKTVG2 to Dave, in October 2007, increased the channel's share in the two subsequent years, when it achieved a peak share of 1.3%. It maintained this share in 2010 before declining slightly to 1.1% in 2011 and 2012. The re-brand of UKTV History to Yesterday in March 2009 has yielded a more consistent increase, adding 0.2% share in each year. Alibi has maintained its share since 2008 while Home has seen its share of viewers contract from 0.8% in 2004 to 0.1% in 2012.

Figure 2.76 UKTV portfolio shares in multichannel homes



Source: BARB. Note: In 2008 figures, new channel names and shares have been matched to old channels. Dave went live in Oct 2007. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. HD and SD viewing included.

The main five PSBs and their portfolio channels make up 15 of the top 20 channels

Of the top 20 channels ranked by share in 2012, 15 were PSB main channel services or PSB-owned. Three BSkyB-owned channels and two UKTV channels make up the five remaining channels. Sky Sports 1 and Sky 1 are the only channels in the top 20 not carried on the Freeview platform. ITV4, Dave and Yesterday increased their ranking by one place and 5 USA by two places, while BBC News dropped two places and Sky 1 by three.

The five main PSB channels continue to occupy the top five positions for the most-viewed channels, with the rankings staying the same as in 2011.

Figure 2.77 The top channels by share in multichannel homes: 2011-2012

Channel	Share 2012	Rank 2012	Rank 2011	Channel	Share 2012	Rank 2012	Rank 2011
BBC One	21.3%	1	1	CBeebies	1.2%	11	11
ITV	15.7%	2	2	More4	1.2%	12	12
Channel 4	6.5%	3	3	Sky Sports 1	1.2%	13	13
BBC Two	6.1%	4	4	ITV4	1.2%	14	15
Channel 5	4.5%	5	5	Dave	1.1%	15	16
ITV2	2.8%	6	6	BBC News	1.0%	16	14
ITV3	2.5%	7	7	5 USA	1.0%	17	19
E4	1.9%	8	8	Pick TV	1.0%	18	18
BBC Three	1.7%	9	9	Yesterday	1.0%	19	20
Film4	1.5%	10	10	Sky 1	1.0%	20	17

Source: BARB. Note: Includes channels' +1 services. HD and SD viewing included.

Channel demographics

Figure 2.78 plots the age and gender of the 30 most-viewed channels in multichannel homes in 2012, calculated relative to the TV population average (which includes children).

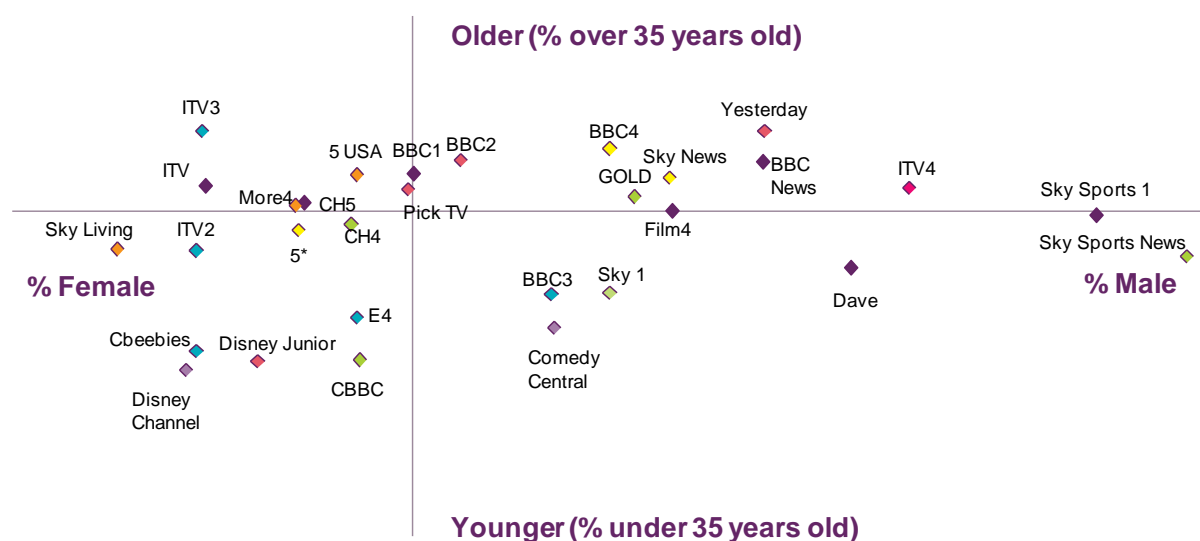
The majority of the BBC PSB channels; BBC One and BBC Two, BBC Four and BBC News, attracted older than average audiences. As might be expected the dedicated children's channels CBeebies and CBBC attract a younger audience than the average multichannel viewer, along with BBC Three, which is popular with older children.

ITV, ITV3 and ITV4 skew older than the average population, but while ITV4 skews strongly male, ITV and ITV3 skew toward female. Channel 4 viewers are broadly in line with the general population average in terms of age and gender, as is More4, although it is slightly more female. Film4 skews more male, although the age profile is the same as the TV population average. E4 skews younger, as expected; this is consistent with its target audience.

Channel 5, 5* and 5USA viewers are consistent with the population average (to varying degrees) although all are very slightly more female.

Sky had six channels in the top 30. Four of them skewed male (Sky Sports 1, Sky Sports 2, Sky News (in particular) and Sky One), whereas Sky Living biased female. Pick TV viewers mirror the average population almost exactly.

Figure 2.78 Age and gender profile of the 30 most-viewed channels in multichannel homes



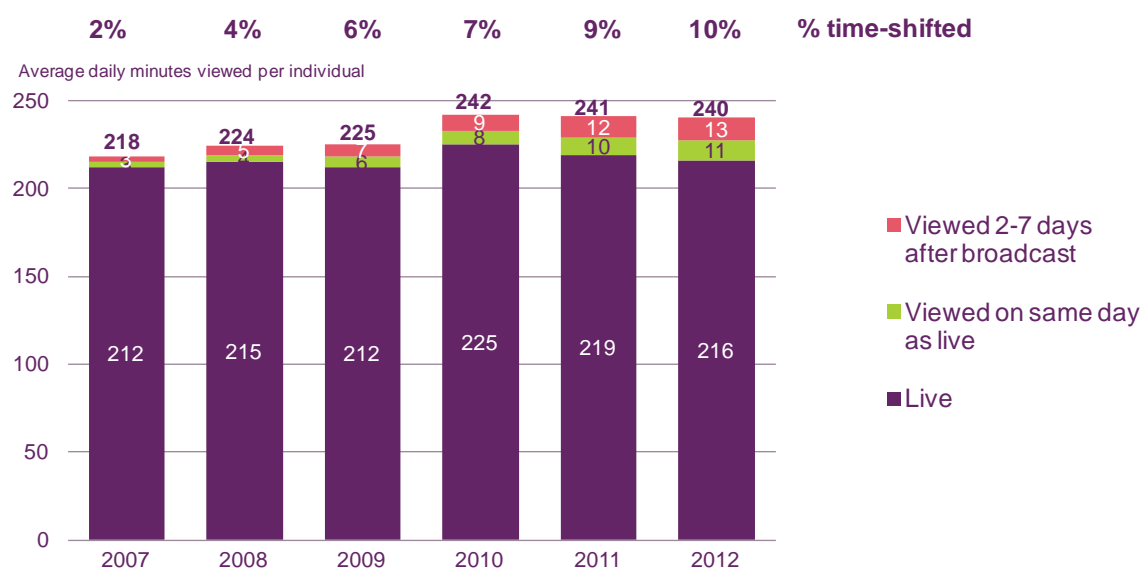
Source: BARB. Note: The profile of a channel is calculated relative to the television population in multichannel homes. Includes channel's +1 services. HD and SD viewing included.

2.3.8 Live versus time-shifted TV viewing

Live TV viewing prevails

Time-shifted viewing in all homes accounted for 10% of average daily viewing in 2012, eight percentage points more than six years ago. In 2012, marginally more viewing took place within two to seven days of programme transmission, compared to viewing programmes on the day of broadcast. The amount of live television consumed by the average individual per day has increased by four minutes compared to 2007.

Figure 2.79 Live versus time-shifted viewing: all homes

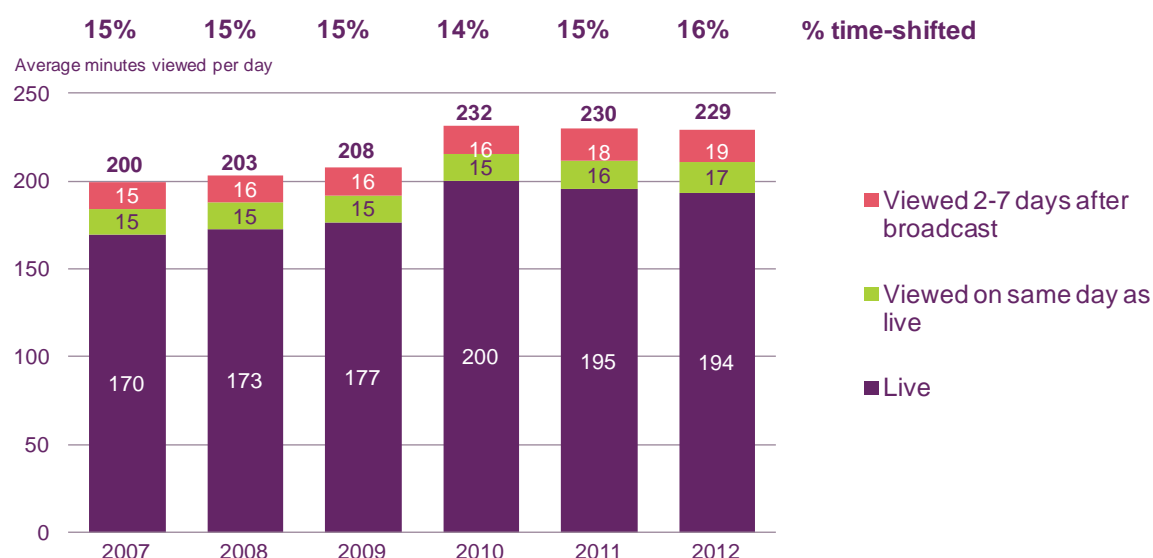


Source: BARB, all individuals. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Time-shifted viewing defined as total minutes of viewing on same day as live (VOSDAL) + Viewing 2-7 days after broadcast (Coded Playback). All viewing (via a TV set) of broadcast content viewed within 7 days after broadcast is reported by BARB. This will include viewing to catch-up TV services and content viewed via player services such as BBC iPlayer, ITV Player, 4OD etc.

The share of time-shifted viewing in DVR homes has remained broadly stable since 2007

Home digital video recorder (DVR) take-up has increased from 18% in 2007 to 67% in 2012 according to BARB. In homes with a DVR, live viewing also remains the most popular means of consuming television content (Figure 2.80). In 2012 time-shifted viewing accounted for 16% of viewing, a small increase on 2007. Time-shifted viewing hours are fairly evenly distributed between viewing on the same day as the live broadcast and hours watched up to seven days after broadcast. As more television hours are consumed per day, the proportion of live content watched has increased by 24 minutes per day since 2007, compared to the increase of six minutes per day given to recorded content.

Figure 2.80 Live versus time-shifted viewing: DVR homes



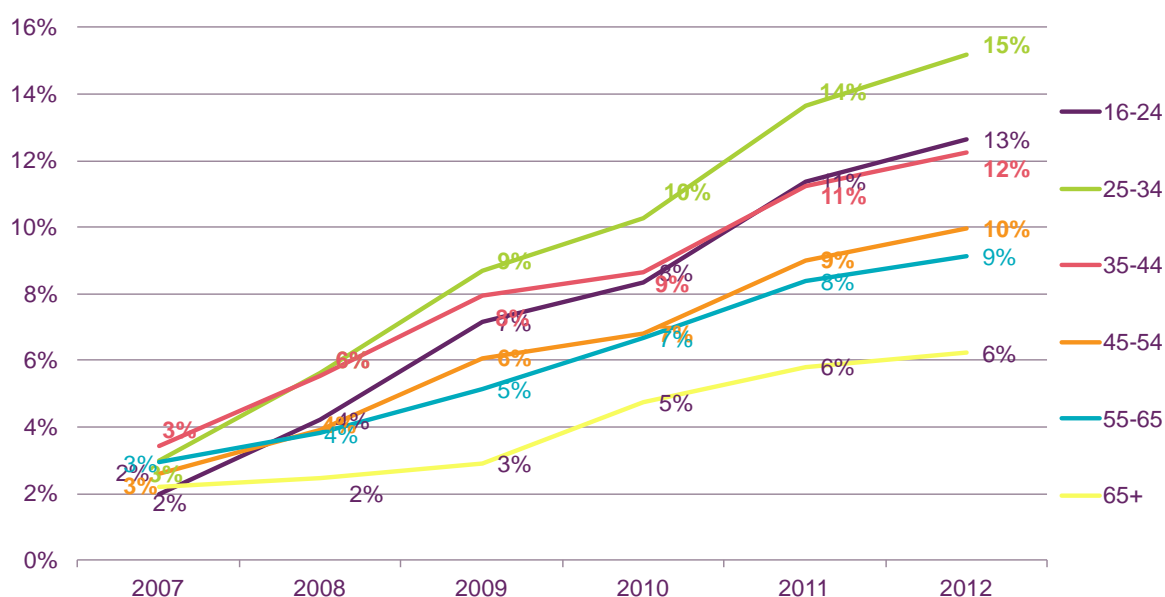
Source: BARB, DVR owners (individuals), all homes. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Time-shifted viewing is defined as total minutes of viewing on same day as live (VOSDAL) + Viewing 2-7 days after broadcast (Coded Playback). All viewing (via a TV set) of broadcast content viewed within 7 days after broadcast is reported by BARB. This will include viewing to catch-up TV services and content viewed via player services such as BBC iPlayer, ITV Player, 4OD etc.

Time-shifted viewing is most popular among 25-34s

Under-35s are more likely to time-shift their viewing. Adults aged 25-34 time shifted their viewing by the greatest amount; 15% in 2012, two percentage points more than the next adult age group, 16-24s, who time-shifted their viewing by 13%. The time-shifted hours consumed by both age groups increased by 12 and 11 percentage points respectively compared to 2007. Adults aged 65+ time-shifted their viewing the least, at 6% in 2012, up by four percentage points on 2007.

All adult audiences started from a low proportion of time-shifted viewing in 2007 (between 2% to 3%) but the pace of adoption since then has varied by age. By 2009, adults aged 16-24 and 25-34 had tripled the amount of their non-linear TV viewing and in 2012 it accounted for five times the share it had commanded in 2007.

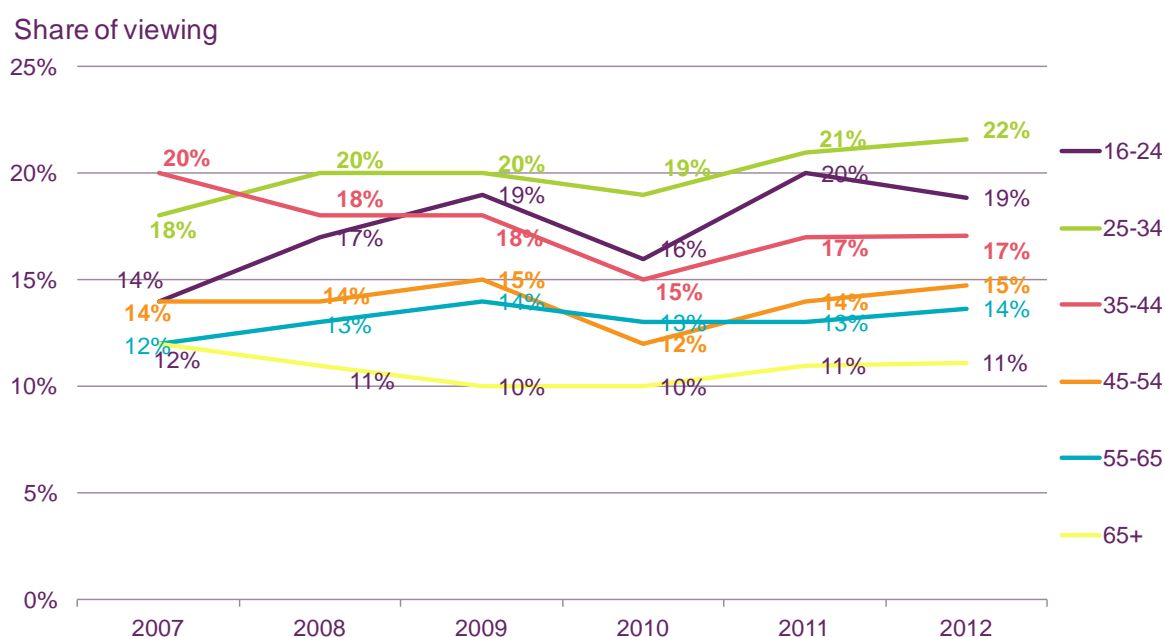
Figure 2.81 Proportion of time shifted viewing, by age: all adults



Source: BARB, total hours Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution.

25-34 year-old DVR owners are most likely to time-shift their viewing, with a fifth (22%) of their viewing taking place after the original broadcast. DVR owners aged 65 or over are the least likely to time-shift (11% of viewing). The proportion of time-shifting among young adults aged 16-24 has increased by six percentage points since 2007, to 19%. Adults aged 25-34 have also increased the time they spend watching recorded content; in 2012 they watched 4% more non-linear TV than they did five years ago. Some audiences are watching less time-shifted content; those aged 35-44 are down by three percentage points since 2007, to 17%, and over-65s from 12% in 2007 to 11% in 2012.

Figure 2.82 Proportion of time-shifted viewing, by age: DVR adults

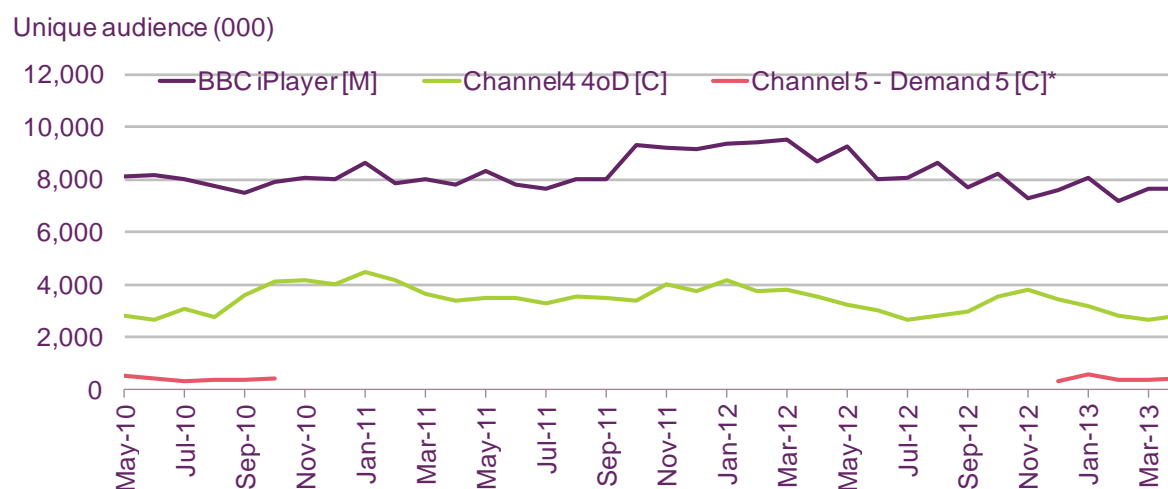


Source: BARB, DVR owners, all homes. Based on total minutes. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution.

2.3.9 Use of online catch-up TV

According to comScore MMX data, BBC iPlayer remains the most popular TV catch-up service, having attracted 7.6 million unique visitors in April 2013, in comparison to 4oD's 2.8 million and Demand5's 0.4 million. ITV Player figures were not available for this analysis.

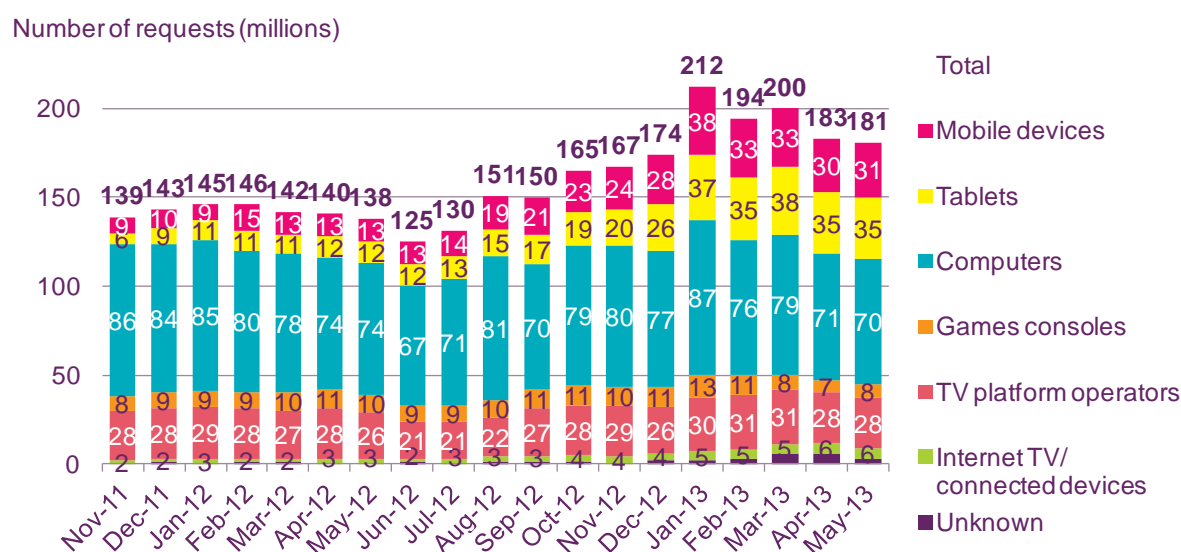
Figure 2.83 Unique audience of online catch-up services on PC/laptop



Source: comScore MMX, UK, home and work panel, May 2010 to April 2013. Notes: * Between May-10 and Oct-10 data are reported as Five – Demand Five [C], a subsidiary of the RTL Group; data between Nov-10 and Nov-12 are unavailable; from Dec-12 onwards data are reported as Channel 5 – Demand 5 [C], a subsidiary of the Northern & Shell Network. Information on ITV VoD services is not available. MMX Legend: [P] Property, [M] Media Title, [C] Channel. Further explanations of these dictionary terms are provided on page 275.

According to the BBC's official statistics, in May 2013 BBC iPlayer attracted 181 million TV requests, an uplift of 31% year on year but down from a peak of 212 million in January 2013. The BBC attributed the decrease to the start of the British summer. As Figure 2.84 shows, BBC iPlayer experienced a similar cyclical dip in requests in April-July 2012. Sixty-six million requests in May 2013 came either from tablets or from mobile devices, up from 25 million a year ago, and highlighting the growing importance of these devices in accessing TV content. Requests from internet TV/connected devices doubled in the same period, albeit from a very small base, amounting to six million in May 2013. Computers remain the most popular device on which to watch BBC iPlayer content, but decreasingly so; 39% of the total requests (70 million) in May 2013 were made through this platform, down from 54% of total requests in May 2012.

Figure 2.84 Requests for TV programmes across BBC iPlayer, by device type

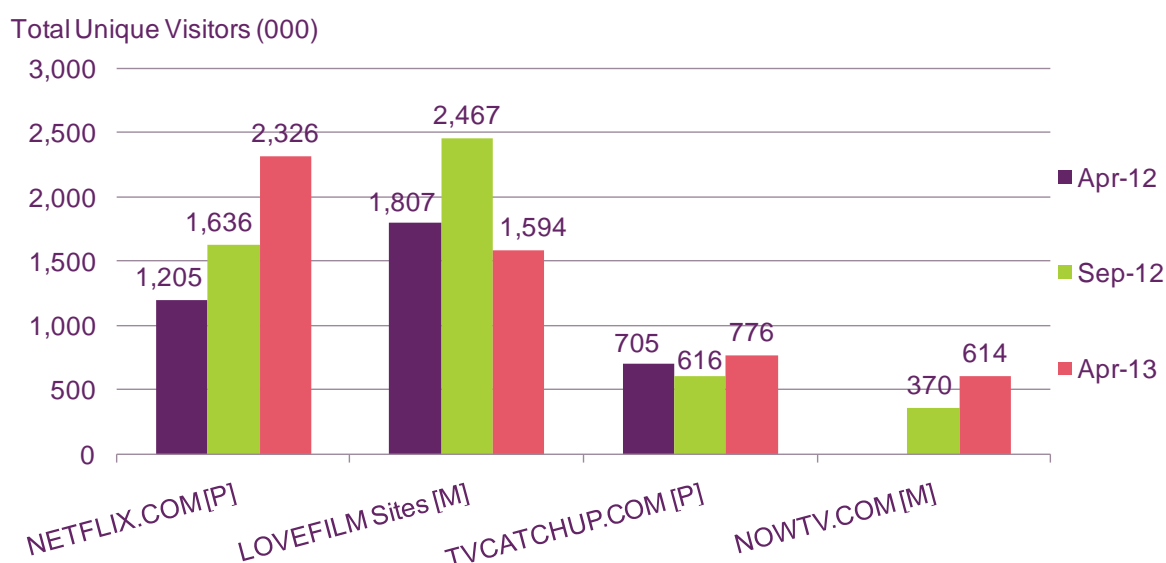


Source: BBC iStats. Note: Internet TV / connected devices include Freeview and Freesat smart TVs, set-top-boxes and devices like Roku and blu-ray DVD players. TV platform operators include Virgin Media and BT Vision. Games consoles comprise Sony PS3, Nintendo Wii and Microsoft XBox 360. An update in iStats AV means that PS3 devices were incorrectly classified as unknown devices from week commencing 18th February 2013.

2.3.10 Use of online TV and film streaming services

According to comScore MMX data, US film streaming service Netflix, which launched in the UK in January 2012, has seen its unique audience grow rapidly, reaching 2.3 million in April 2013, almost doubling year on year. It is now the leader in Ofcom's selected TV and film streaming sites, comprising Netflix, Lovefilm, TVCatchup, Now TV, Blinkbox and Hulu, in terms of total unique visitors per month. Netflix's success may have been driven by the company's pricing, as well as initiatives aimed at attracting people to the site, such as offering a free month's subscription, and commissioning its own first-run content, such as *The House of Cards* in February 2013. Lovefilm experienced a reduction in its unique audience of 12% year on year to 1.6 million in April 2013, and by 35% since September 2012.

Figure 2.85 Total unique visitors to selected online TV and film streaming sites



Source: comScore MMX, UK, work and home panel, April 2012 to April 2013. Note: This is the unique audience for laptop and desktop computers only. MMX Legend: [P] Property, [M] Media Title, [C] Channel. Further explanations of these dictionary terms are provided on page 275.

2.3.11 Use of online video sharing sites

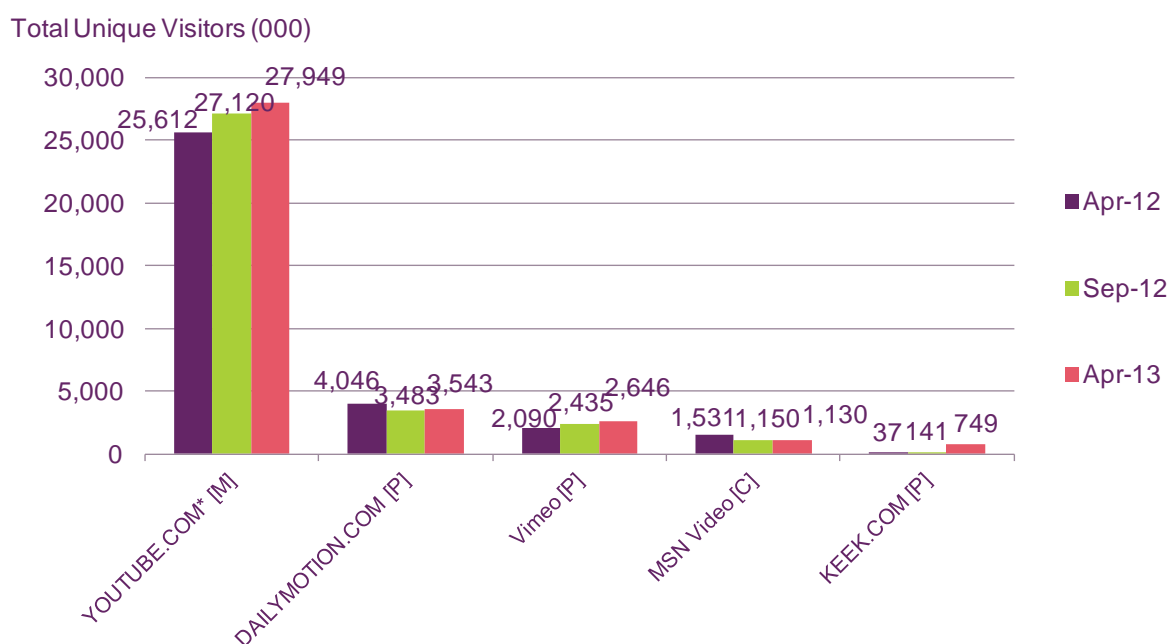
YouTube remains by far the largest video sharing site, among the sites analysed by Ofcom, and according to comScore MMX data it attracted 28 million unique visitors in April 2013, up 9% year on year and up 3% since September 2012.

Vimeo also experienced an increase in unique audience figures; it attracted 2.5 million unique users in April 2013, up 26% since a year ago, while the popularity of DailyMotion and MSN Video declined.

Keek, a micro-video sharing service, experienced a particularly strong increase in unique visitor figures; it rose to nearly 749,000 in April 2013 from 37,000 in April 2012.

Nevertheless, it remains a very small player in the video-sharing market. Vine, a micro-video sharing service similar to Keek, which was launched at the beginning of January 2013 by the micro-blogging leader Twitter, is the one to watch next year.

Figure 2.86 Total unique visitors to selected video sharing sites



Source: comScore MMX, UK, work and home panel, April 2012 to April 2013. Note: This is the unique audience for laptop and desktop computers only. MMX Legend: [P] Property, [M] Media Title, [C] Channel. Further explanations of these dictionary terms are provided on page 275.

2.3.12 Consumer attitudes towards television

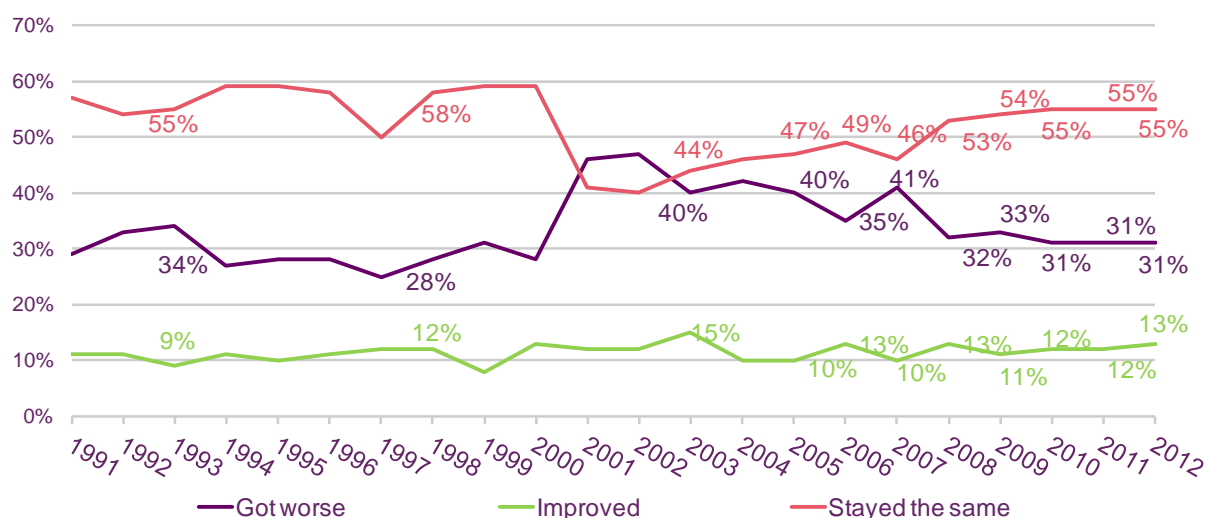
55% of UK adults think that TV programming quality has stayed the same in 2012

According to Ofcom's 2012 media tracker research, public opinions towards TV programme quality remained broadly stable during 2012 versus 2011.

The majority (55%) of the UK population thought that the quality of TV programming had stayed about the same since the previous year. Just under a third of UK adults (31%) felt that programming had got worse in the past year. This figure remains unchanged in the past three years. And 13% thought they had improved.

Figure 2.87 Opinion on programmes over the past 12 months

Q - Do you feel that over the past year television programmes have improved, got worse or stayed about the same?

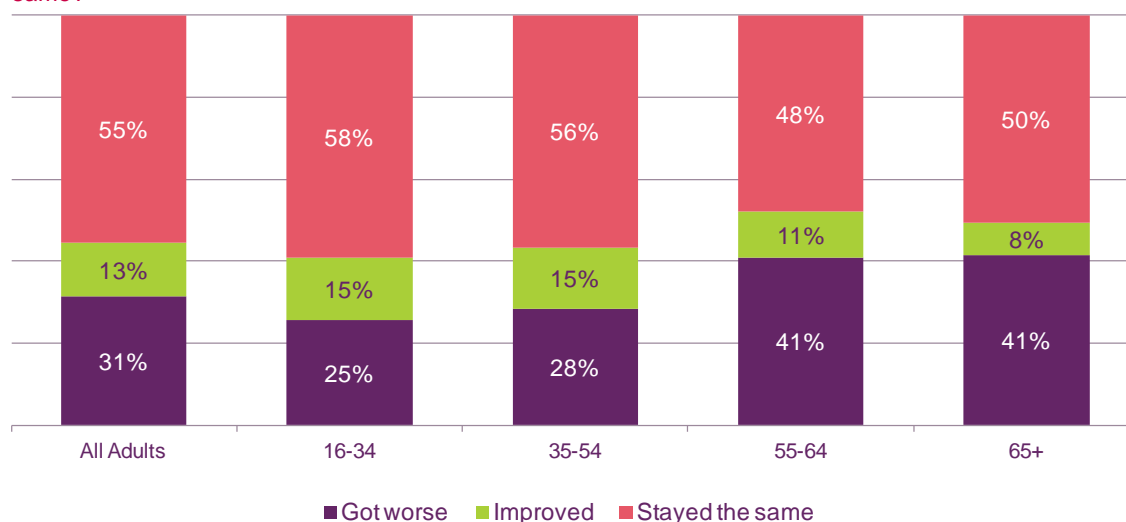


Source: Ofcom Media tracker 2012. Base: All with TV, but excluding those never watching (1,830).

Among the different age groups, younger people were less likely to say that programme standards had got worse (25%), whereas those aged 65+ were most likely to say that they had (41%). Similarly, younger people were more likely to say that the quality of TV programming had improved (15%) throughout the year, while those aged 65+ were less likely to say this (8%).

Figure 2.88 Opinion on programmes over the past 12 months, by age

Q - Do you feel that over the past year television programmes have improved, got worse or stayed about the same?

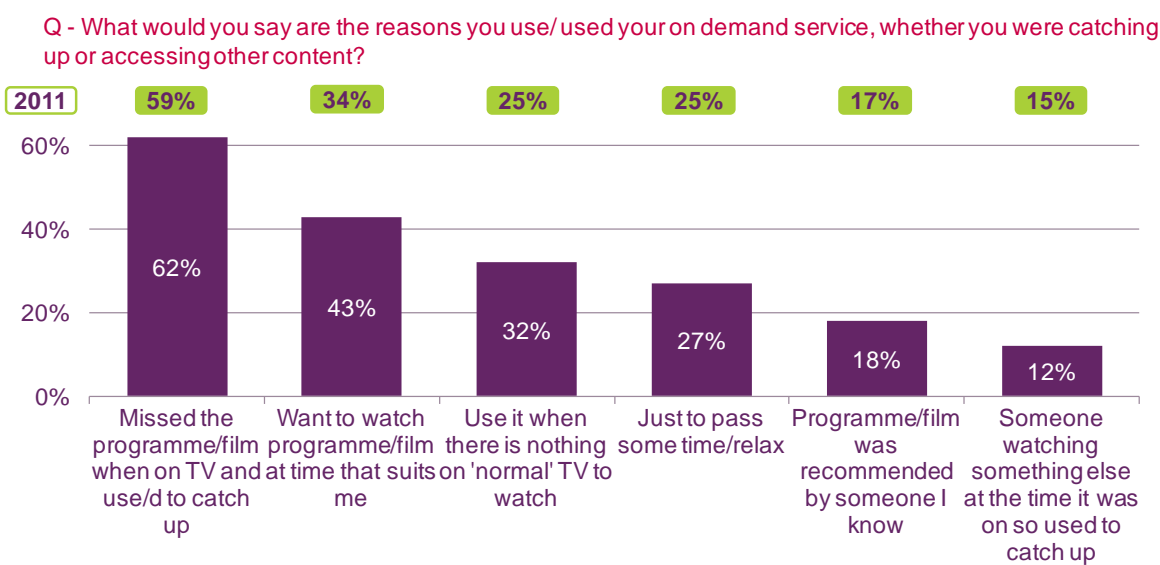


Source: Ofcom Media Tracker 2012. 'Don't know' responses not charted. Base: All with TV, but excluding those never watching (1,830); 16-34 (609); 35-54 (640); 55-64 (247); 65+ (334).

2.3.13 Consumer attitudes towards online TV and film services

According to Ofcom's media tracker research, the main reason why people used online on-demand services in 2012 was the need to catch up on TV or films they had missed when they were broadcast (62%). This was followed by 43% of respondents saying that they used these services to watch programmes at times that suited them, which has increased from 34% in 2011. The third most popular reason, mentioned by 32% of respondents, was the lack of interesting programmes on live TV; the incidence of this response has risen from 25% in 2011.

Figure 2.89 Reasons for online on-demand use: 2012



Source: Ofcom Media Tracker 2012. Base: All who use online video on demand 2012 (725), 2011 (658). Note: Only responses $\geq 10\%$ charted. All responses unprompted.



The Communications Market 2013

3 Radio and audio

Contents

3.1 Key market developments in radio and audio	213
3.1.1 Industry metrics and summary	213
3.1.2 Radio revenue and expenditure has increased	214
3.1.3 UK radio consumption	216
3.1.4 Radio appeal, choice and competition	220
3.1.5 Digital platform listening increased by 5.1pp year on year in Q1 2013	227
3.2 The radio and audio industry	229
3.2.1 Introduction	229
3.2.2 Radio industry revenues and expenditure	229
3.2.3 Radio sector market shares in 2012	231
3.2.4 BBC radio services: 2012 to 2013	233
3.2.5 Radio licences	234
3.2.6 Community radio	235
3.2.7 Recorded music revenues	239
3.3 The radio and audio listener	243
3.3.1 Introduction	243
3.3.2 Weekly radio listening in the UK	243
3.3.3 Digital radio listening trends	246
3.3.4 Listening patterns beyond England	249
3.3.5 Online music streaming services	252

3.1 Key market developments in radio and audio

3.1.1 Industry metrics and summary

Figure 3.1 UK radio industry: key metrics

UK radio industry	2007	2008	2009	2010	2011	2012
Weekly reach of radio (% of population)	89.8%	89.5%	89.8%	90.6%	90.8%	89.6%
Average weekly hours per head	20.6	20.1	19.8	20.1	20.4	19.9
BBC share of listening	55.0%	55.7%	55.3%	55.2%	54.7%	54.8%
Total industry revenue	£1,175m	£1,147m	£1,098m	£1,135m	£1,161m	£1,193m
Commercial revenue	£523m	£498m	£438m	£450m	£455m	£472m
BBC expenditure	£652m	£649m	£660m	£685m	£706m	£721m
Community radio revenue	-	£7.5m	£9.0m	£10.0m	£10.5m	£10.8m
Radio share of advertising spend	2.9%	2.8%	2.8%	2.7%	2.7%	2.6%
DAB digital radio take-up (households)	27.3%	32.1%	34.5%	38.2%	42.6%	44.0%

Source: RAJAR (all adults age 15+), Ofcom calculations based on figures in BBC Annual Report and Accounts 2012-13 note 2c (www.bbc.co.uk/annualreport), AA/Warc, broadcasters. Revenue figures are nominal.

This section explores some of the significant developments and trends in the UK radio market. The key findings are:

Total UK radio industry revenue was £1.2bn. An increase over the year of 2.8%, this is up on last year's 2.3% increase, and sees total commercial radio revenue and BBC radio spending grow for the third year in succession.

Commercial radio revenue increased to £472m in 2012. This year's revenue increase of 3.9% represents the third consecutive year of revenue growth for the sector, helped by a return to growth (7.2%) in local radio advertising revenues.

The pattern of radio listening varies across the UK. While UK-wide listening figures show one aspect of consumption, the pattern is not uniform geographically; listeners vary in their preferences for different types of radio station. While BBC Radio 2 is the most popular radio service in the UK, in Belfast BBC network radio has a lower share of listening than the UK average. In London, despite commercial radio having a larger share of all radio listening, BBC Radio 4 is the most popular radio service.

Radio - now available on a wide choice of devices – is still popular, is increasingly accessible and offers more choice, but nevertheless faces competition. The key elements of radio content that listeners want - music (83% of local commercial radio listeners) and local news (45% of local commercial listeners; 61% of BBC local radio listeners) - have changed little over time. The technology, offering new devices and platforms, is improving access (29% of adults have listened to radio through a computer; 14% on a smartphone) but also has the effect of increasing competition for listeners' time.

Radio listening via a mobile phone has risen from 13% to 20% in 12 months. Between 2009 and 2013 listening via the internet has increased from 15% to 22%, while in the last year alone, radio listening on a mobile phone has increased by 50% on the 2012 figure.

Digital listening grew by 5.1pp last year. The share of digital listening equates to 34.3% of all radio listening. This includes a 22.5% share of listening which was attributed to listening through a DAB receiver. Television and online radio listening each accounted for a 5% share.

3.1.2 Radio revenue and expenditure has increased

Commercial radio revenue has grown by 3.7%

Total sector expenditure, in nominal terms, stands at its highest level since 2007. BBC radio spend increased by 2.1% year on year, to reach £721m. Commercial radio revenue increased by 3.7% year on year and now stands at £472m.

Figure 3.2 Radio industry revenue and spending: 2006-2012



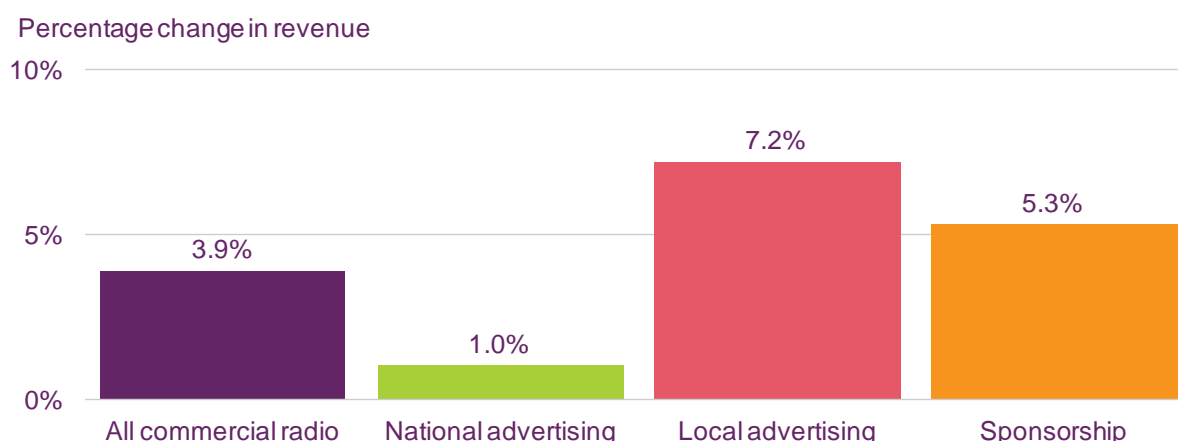
Source: Broadcasters

Note: BBC expenditure figures are estimated by Ofcom based on figures in Note 2c of the BBC Annual Report (www.bbc.co.uk/annualreport); figures in the chart are rounded and are nominal. Does not include community radio revenue.

Return to growth for local radio advertising revenue

Of the overall growth that the commercial radio sector saw in the year to 2012, local advertising, which stands at £138.6m, grew by 7.2%. This follows a 4.3% contraction in 2011. Sponsorship grew further this year, to £96.0m. The strong growth in national advertising in 2011 was not carried into 2012 with revenue up just 1.0% to £221.5m.

Figure 3.3 Commercial revenue percentage change: 2011-2012



Source: Ofcom/operator data 2011-2012

Overall increase in BBC radio expenditure

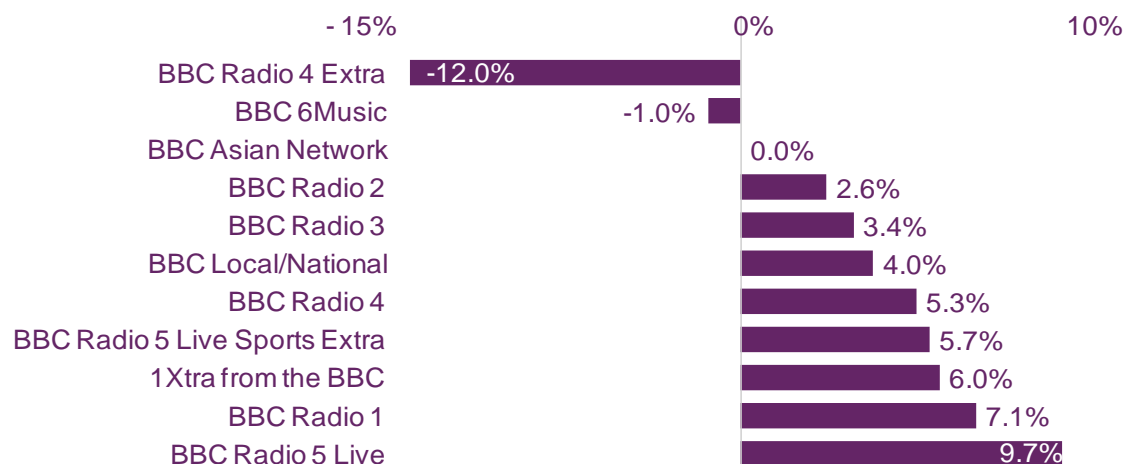
The BBC *Annual Report and Accounts* provides greater detail on individual station spend. The data in the chart below are indicative rather than directly comparable, please see the footnote.

In the preceding year Radio 5 Live had a 4.9% year-on-year cut in expenditure, but over the past year has seen a 9.7% increase. Two of the BBC's digital-only services, Radio 4 Extra and 6 Music, had expenditure reductions over the past year, while 1Xtra and 5 Live Sports Extra increased by 6.0% and 5.7% respectively.

The operating expenditure for each service varies greatly, typified by Radio 4 which showed a 5.3% increase of £6.2m on its £115.9m budget, while the 7.1% increase to Radio 1's £50.6m budget, equates to £3.6m.

Figure 3.4 BBC radio stations' expenditure: 2011-12

Annual % change of BBC radio station expenditure



Source: BBC Annual Report 2012-13. Note that these are financial year figures, excluding BBC-wide overheads, and are therefore not directly comparable to those set out in Section 3.2.2. Figures are nominal. Note that the percentage changes are based on operating expenditure for individual stations based on financial years and they do not include BBC-wide overheads; as such they are not comparable with the calendar year figures that are set out in Section 3.2.2.

3.1.3 UK radio consumption

Listening UK-wide is not uniform

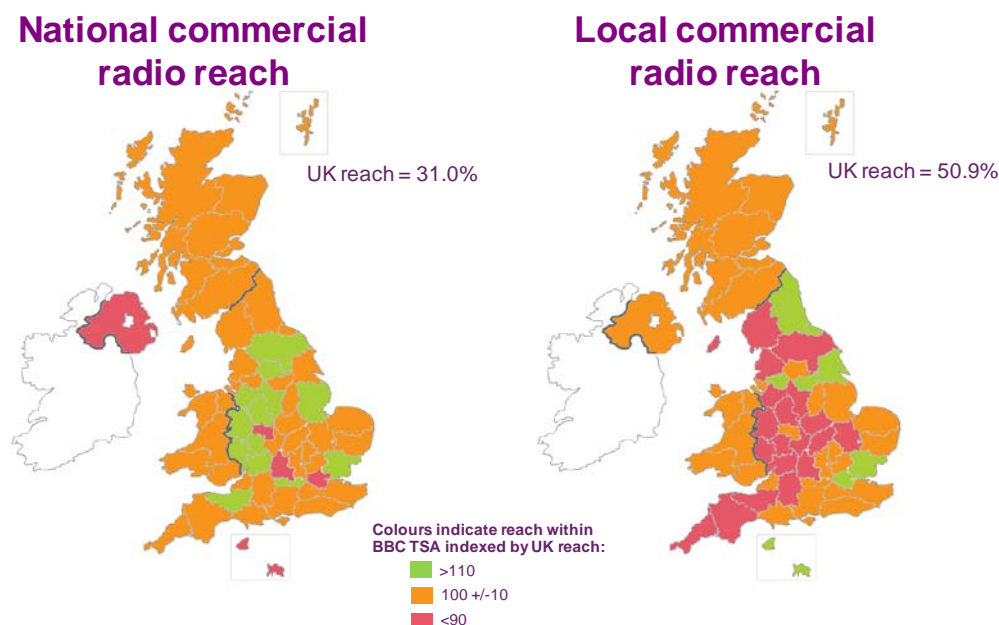
In an average week in 2012, 89.6% of the UK population listened to radio. Looking at specific areas across the UK shows that the proportion of people listening in different areas is similar to the UK average.⁵⁷ But this broad perspective masks differences in listening to local versus national stations, and to BBC radio services compared with commercial stations.

Figure 3.5 shows how the reach of national commercial and local commercial stations varies across the UK, and how it compares to the UK average. On average, 31% of adults across the UK listen to national commercial radio each week. Although in many areas there are few variations in this proportion (shown in orange on the map), in some there is a greater tendency to tune in to this type of station (shown in green). We can see that listening reach in Northern Ireland is lower (25.6%).

On average, just over half of the population (50.9%), listen to local commercial radio each week. The tendency to listen to local commercial radio is greatest in London, Essex, the trans-Pennine area and Northumberland. The areas where there is the lowest propensity for listening to local commercial radio (shown in red) are, broadly, down the western side of England, the East Midlands, Northamptonshire and Yorkshire.

⁵⁷ This is calculated by using the UK average reach as an index. With the UK average equalling 100, the reach of radio indexed against this varies between 90 and 110, with the lowest being 95 in Lancashire, and the highest being 108 in Cornwall.

Figure 3.5 Reach of national commercial and local commercial stations indexed by reach across the UK



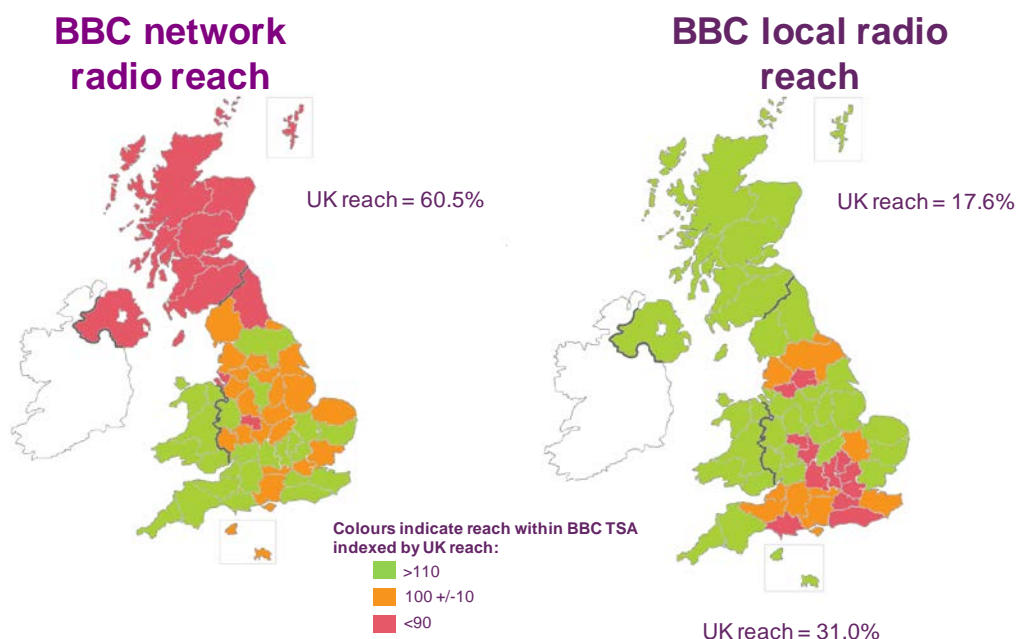
Source: RAJAR year ending Q1 2013 (N.B. figures within the BBC Solent TSAs are for year ending Q3 2012)

The patterns of listening across the UK to BBC network radio, and BBC local radio stations, also vary widely, as shown in Figure 3.6. There are also distinct differences in relation to commercial radio listening.

Around 61% of adults tune in to at least one BBC network radio service each week. Adults in Scotland, Northern Ireland and the north-east of England are far less likely than the UK average to listen to BBC network radio. In Northern Ireland, only around two-fifths (42.3%) of the adult population listen to the BBC's network output.

The overall reach of BBC local radio is lower than one in five across the UK (17.6%). With the exception of most of the southern counties, reach across much of the rest of the country, including East Anglia, the East Midlands, the North West and the North East, is higher than average. This is in stark contrast to listening in London, where less than one in ten (8.6%) listen to BBC local radio.

Figure 3.6 Reach of BBC network and BBC local radio and national regional stations



Source: RAJAR year ending Q1 2013 (N.B. figures within the BBC Solent TSAs are for year ending Q3 2012)

Looking further into listening across the UK, Figure 3.7, Figure 3.8 and Figure 3.9 show the ten most popular radio stations in nine UK cities. These are the UK's larger cities, and are subject to further investigation in section 1.1 of this report. BBC Radio 2 is the most popular radio service in most cities, while local commercial radio also takes a significant share of listening.

Figure 3.6 shows that in Wales BBC network radio performs strongly, with reach above the UK average. The Cardiff table in Figure 3.7 shows radio services by market share.⁵⁸ BBC Radio 2 is the most listened-to radio service by a considerable margin. Radio 1's share of listening in this area is also significantly higher than in any of the other cities we have looked at.

As Figure 3.7 shows, BBC Radio 4 is the most listened-to radio service in London – 16.3% share compared with BBC Radio 2's 11.9% share. In most of the UK cities shown in these tables, commercial radio attracts a greater share of radio listening than BBC radio.

⁵⁸ Market share is the percentage of total listening time, based on weekly reach and average hours, that is accounted for by a station in a given survey area in an average week.

Figure 3.7 Leading radio services in Cardiff, Birmingham and London

Cardiff Pop. 1,002,300				Birmingham Pop. 2,134,800				London Pop. 11,249,500			
Share	Rank (last year)	Station	Operator	Share	Rank (last year)	Station	Operator	Share	Rank (last year)	Station	Operator
18.9	1 (1)	Radio 2	BBC	13.4	1 (1)	Radio 2	BBC	16.3	1 (1)	Radio 4	BBC
11.3	2 (3)	Real	R & S Ltd	10.0	2 (2)	Heart	Global Radio	11.9	2 (2)	Radio 2	BBC
10.4	3 (5)	Radio 1	BBC	9.8	3 (4)	Radio 4	BBC	5.8	3 (3)	Magic 105.4	Bauer Radio
10.1	4 (4)	Radio Wales	BBC	8.4	4 (6)	Smooth	R&S Ltd	5.4	4 (5)	Radio 1	BBC
9.7	5 (2)	Radio 4	BBC	6.7	5 (5)	Radio 1	BBC	4.8	5 (4)	Capital	Global Radio
5.9	6 (6)	Capital	Global Radio	7.3	6 (3)	Capital	Global Radio	4.7	6 (7)	Kiss 100 FM	Bauer Radio
4.4	7 (9)	Radio 5 Live	BBC	6.0	7 (10)	Free Radio FM Orion		4.4	7 (6)	Heart	Global Radio
4.2	8 (10)	Gold	Global Radio	5.4	8 (7)	BBC WM	BBC	4.3	8 (8)	Radio 5 Live	BBC
4.1	9 (8)	Kiss	Bauer Radio	4.1	9 (8)	Radio 5 Live	BBC	4.2	9 (9)	LBC 97.3	Global Radio
2.9	10 (7)	Classic FM	Global Radio	3.3	10 (9)	Classic FM	Global Radio	4.0	10 (10)	Classic FM	Global Radio
Market Share: BBC 57.9% Commercial Radio 38.9%				Market Share: BBC 42.5% Commercial Radio 49.7%				Market Share: BBC 47.2% Commercial Radio 49.0%			

In Scotland, BBC network radio services are less popular among listeners, as shown in Figure 3.6. In Edinburgh and Glasgow (Figure 3.8) the commercial radio stations ForthOne and Clyde1 are the most popular services.

Figure 3.8 Leading radio services in Belfast, Edinburgh and Glasgow

Belfast Pop. 986,600				Edinburgh Pop. 1,119,200				Glasgow Pop. 1,853,200			
Share	Rank (last year)	Station	Operator	Share	Rank (last year)	Station	Operator	Share	Rank (last year)	Station	Operator
22.5	1 (1)	Radio Ulster	BBC	17.9	1 (1)	ForthOne	Bauer Radio	15.0	1 (1)	Clyde 1	Bauer Radio
19.0	2 (2)	Cool FM	Bauer Radio	13.8	2 (2)	Radio 2	BBC	10.9	2 (3)	Radio 2	BBC
11.1	3 (3)	U105	UTV Radio	9.1	3 (3)	Real	R & S Ltd	9.7	3 (2)	Real	R & S Ltd
6.1	4 (4)	Radio 1	BBC	7.7	4 (4)	Radio 4	BBC	8.1	4 (4)	R. Scotland	BBC
5.3	5 (5)	Radio 2	BBC	7.0	5 (5)	R.Scotland	BBC	7.0	5 (7)	Radio 4	BBC
5.3	6 (6)	Downtown R.	Bauer Radio	6.9	6 (6)	Capital	Global Radio	6.8	6 (5)	Smooth	R & S Ltd
4.3	7 (9)	Radio 5 Live	BBC	5.1	7 (7)	Radio 1	BBC	5.9	7 (6)	Capital	Global Radio
3.9	8 (7)	Radio 4	BBC	4.0	8 (8)	Classic FM	Global Radio	5.4	8 (8)	Radio 1	BBC
3.7	9 (8)	Citybeat	CN Group	3.7	9 (9)	Kingdom FM	Kingdom FM	4.7	9 (9)	Clyde 2	Bauer Radio
3.2	10 (10)	Classic FM	Global Radio	3.6	10 (10)	Forth2	Bauer Radio	3.2	10 (10)	Radio 5 Live	BBC
Market Share: BBC 44.3% Commercial Radio 49.0%				Market Share: BBC 41.0% Commercial Radio 57.4%				Market Share: BBC 38.0% Commercial Radio 60.2%			

In the north of England, while BBC network radio (Radio 2 and 4 in particular) attracts large market shares, local commercial radio remains a strong competitor, ranking third in Leeds and Manchester. In Newcastle it ranks second, identified in Figure 3.5 (commercial) by the area of green in the North East.

Figure 3.9 Leading radio services in Manchester, Leeds and Newcastle

Leeds Pop. 688,900				Manchester Pop. 2,446,600				Newcastle Pop: 1,508,300			
Share	Rank (last year)	Station	Operator	Share	Rank (last year)	Station	Operator	Share	Rank (last year)	Station	Operator
17.3	1 (1)	Radio 2	BBC	14.8	1 (1)	Radio 2	BBC	13.3	1 (1)	Radio 2	BBC
11.5	2 (3)	Radio 4	BBC	9.5	2 (2)	Radio 4	BBC	10.8	2 (3)	Metro Radio	Bauer Radio
9.5	3 (4)	Capital	Global Radio	7.9	3 (3)	Key 103	Bauer Radio	8.9	3 (5)	R. Newcastle	BBC
7.2	4 (2)	Radio 1	BBC	6.9	4 (4)	Radio 1	BBC	7.8	4 (4)	Radio 4	BBC
6.5	5 (5)	Radio Aire	Bauer Radio	6.4	6 (6)	Capital	Global Radio	7.2	5 (6)	Smooth	R&S Ltd
6.2	6 (8)	Magic 828	Bauer Radio	6.4	5 (7)	Radio 5 Live	BBC	7.1	6 (2)	Capital	Global Radio
5.5	7 (9)	Radio 5 Live	BBC	6.4	7 (5)	Smooth	R & Ltd	6.3	7 (7)	Radio 1	BBC
4.9	8 (6)	Radio Leeds	BBC	3.5	8 (8)	Classic FM	Global Radio	5.8	8 (8)	Magic 1152	Bauer Radio
4.3	9 (7)	Real	R & S Ltd	3.2	9 (9)	R. Manchester	BBC	4.8	9 (9)	Real	R&S Ltd
3.2	10 (10)	Classic FM	Global Radio	2.9	10 (10)	Real XS	R & S Ltd	3.7	10 (10)	Radio 5 Live	BBC
Market Share: BBC 54.1% Commercial Radio 43.2%				Market Share: BBC 47.1% Commercial Radio 47.7%				Market Share: BBC 43.8% Commercial Radio 53.4%			

Source: RAJAR. Share figures in these tables are based on 12 months to Q1 2013. Population, share and coverage for each market are based upon the local commercial radio station total survey area (TSA) ⁵⁹.

3.1.4 Radio appeal, choice and competition

The radio offering still has appeal

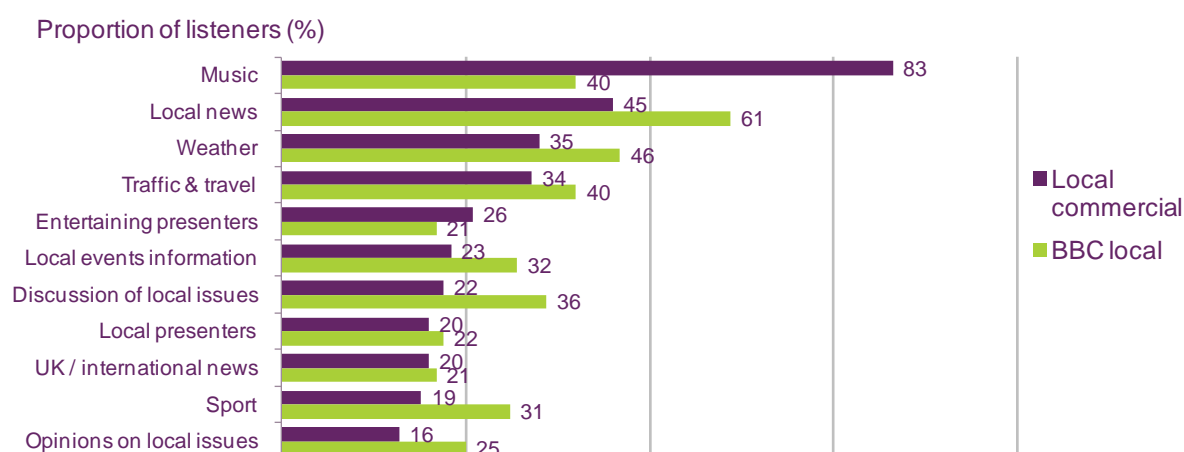
Ofcom recently commissioned research to gauge listeners' expectations of radio. This suggested that the key factors that drive the appeal of radio are the choice of content, portability and availability, and provision of news and information ⁶⁰.

For local radio listeners, the provision of news and information is important. As Figure 3.10 shows, local news, weather, and traffic and travel information are particularly valued by listeners to both BBC and commercial local radio.

⁵⁹ Cardiff – Capital S. Wales, Birmingham – Free Radio FM, London – Capital FM, Belfast – Cool FM, Edinburgh – ForthOne, Glasgow – Clyde 1, Leeds – Radio Aire, Manchester – Key 103, Newcastle – Metro Radio.

⁶⁰ Ofcom research, 2013: 'Radio: The Listeners' Perspective; Attitudes towards local radio

Figure 3.10 Key factors in local radio listening



Source: Ipsos-MORI

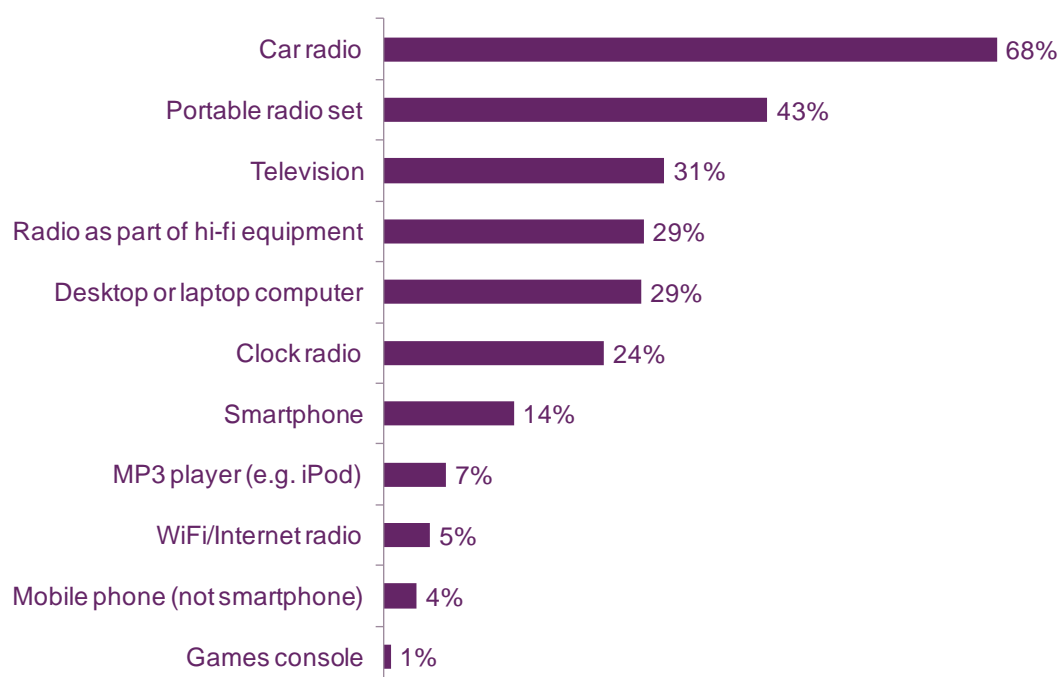
Q9: Which, if any, of the following do you particularly value on <local radio station>?

Base: All who listen each month (first or second most often): local commercial radio (1972); BBC local radio (1100)

Three in ten (29%) regular radio listeners use their computer to listen to radio

The availability of radio is enhanced by the increase in use and take-up of internet connected devices. Although the majority of radio listening still takes place through an analogue platform, the proportion of listening through digital television and through the internet has increased in recent years (as shown in Figure 3.18). A recent survey by YouGov explored radio listening behaviour; Figure 3.11 shows the range of different devices that people use to listen to radio. While it suggests that the majority of listening continues to be via the more 'traditional' methods such as a car radio (68%), or portable radio (43%), it also highlights the recent technological developments which facilitate radio listening. For example, 14% of respondents indicate that they listen using their smartphone.

Figure 3.11 Devices used to listen to radio



Source: YouGov research, May 2013⁶¹

Base: All adults aged 16+ who regularly listen to radio (n = 866)

Q15. Which of the following devices do you currently listen to the radio on? Please choose all that apply.

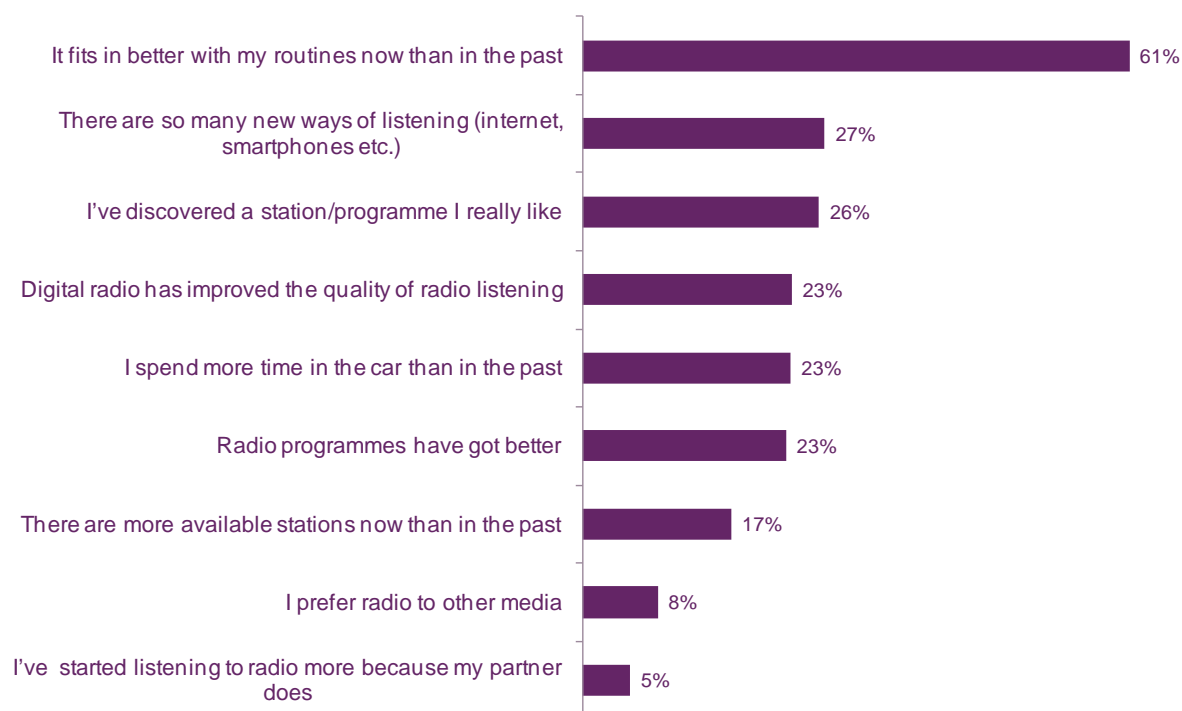
Convenience is a key reason for increased radio listening, but an increase in choice of content is also a factor

According to the YouGov survey, 28% of listeners claim they now listen to radio more than they did five years ago. While the primary reason for this were lifestyle-related, access to radio through the use of alternative platforms was also a factor. Twenty-seven per cent of respondents claimed that listening online or via a smartphone had led to them listening to more radio. In addition, 26% said that they had found a station or radio programme they really liked, while 17% noted that there were more radio services available now than in the past. This indicates that there is a degree of satisfaction in the wider range of both BBC and commercial radio services available on platforms such as DAB, which has extended listener choice.

The range of platforms has also enabled greater listener choice through the number of stations available. While Ofcom licenses national and local non-BBC analogue services, many of which are available on the DAB platform, it also licenses a large number of DAB-only services, and this in turn increases listener choice. While the availability of more devices and platforms has created greater convenience for listeners, the provision of greater choice, through the number of services available, is also liked by consumers.

⁶¹ YouGov Sixth Sense survey: New Generations and the Future of Radio, May 2013

Figure 3.12 Reasons for listening to radio more now, compared to five years ago



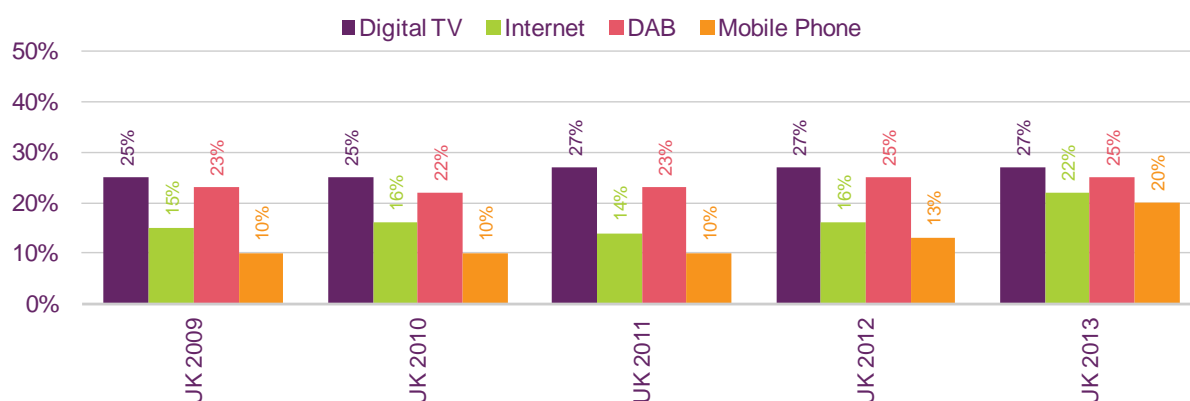
Source: YouGov research, May 2013

Base: All adults aged 16+ who say they listen to radio more compared to five years ago (n = 242) Q27. You have said you listen to the radio more now than in the past. Which, if any, of the following would you say are the reasons why your radio listening has gone up? Please choose all that apply.

Radio listening on a phone has risen from 13% to 20% in 12 months

Figure 3.13 shows that between 2009 and 2013 internet listening has increased from 15% to 22%, while in the past year alone, radio listening on a mobile phone has jumped from 13% in 2012 to 20% in 2013. Note that this chart is drawn from Ofcom research and the methodology and questions differ from the YouGov findings presented in Figure 3.11.

Figure 3.13 Listening to radio via internet, television, mobile phone and DAB



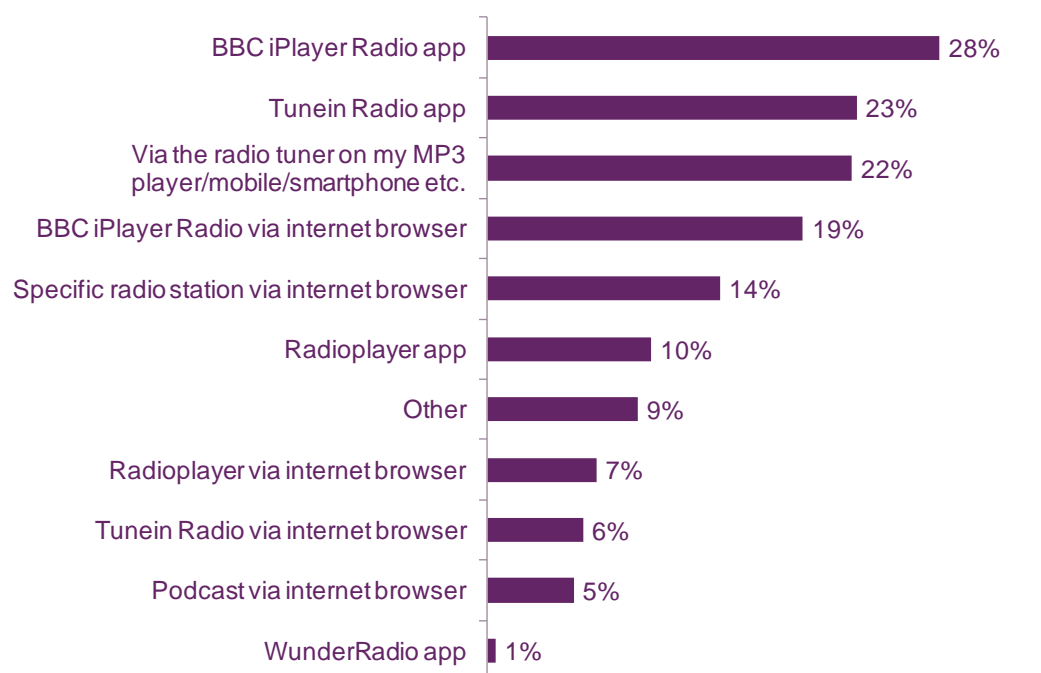
Source: Ofcom research, Q1 2009 - 2013

Base: All adults aged 16+ (n = 6090 UK 2009, 9013 UK 2010, 3474 UK 2011, 3772 UK 2012, 3750 UK 2013) QP3. How often, if at all, do you access the radio via – Digital radio via: TV, Internet, DAB radio, mobile phone? *NB 2013 measures for internet combine responses across radio listeners and internet users, 2013 measures for mobile phone combine responses across radio listeners and mobile phone users.

Apps which provide streaming radio services are the most popular way to listen through a smartphone

When listening to radio through a mobile device, the listener has a number of options using apps in addition to online access via a browser. Of these, the BBC iPlayer Radio and TuneIn are the most popular, used by 28% and 23% of respondents respectively.

Figure 3.14 Ways used to listen to radio through a mobile device



Source: YouGov research, May 2013

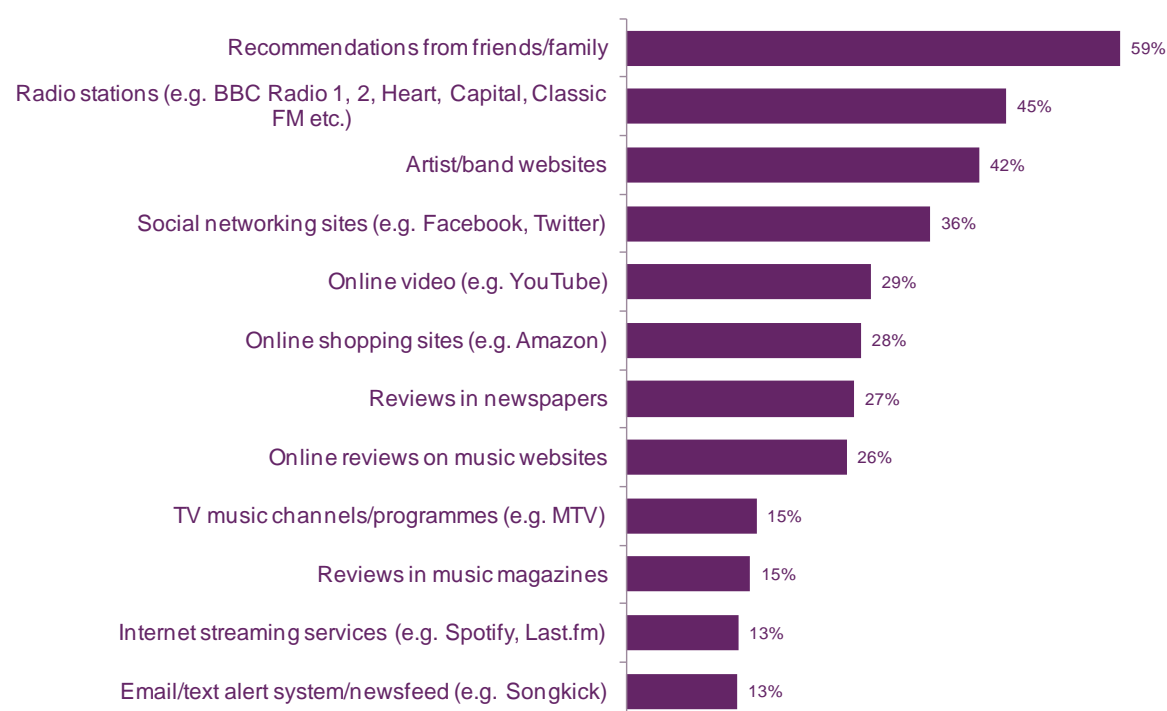
Base: All adults aged 16+ who regularly listen to radio via mobile phone, smartphone, tablet computer MP3 player (e.g. iPod) (n = 205)

Q16. Which of the following do you use to listen to the radio on your mobile device? Please choose all that apply.

Radio is still important for music listening and discovery, although less so for the younger demographics

Figure 3.10 shows that music remains a key factor in local radio consumption and is therefore considered by the industry as a driver for attaining audience. Radio services in general continue to play an important role through the curation of, and facilitating exposure to, new music and information about live events. Figure 3.15 shows that among those aged 16+, after recommendations from friends and family, radio stations were the most popular method to discover music, with 45% of respondents saying that they discovered new music by listening to radio. Online routes for discovering new music were also popular, with artists' websites (42%), social networking (36%) and online video services (29%) all being cited as popular ways to discover new music.

Figure 3.15 Discovering new music or information about live events



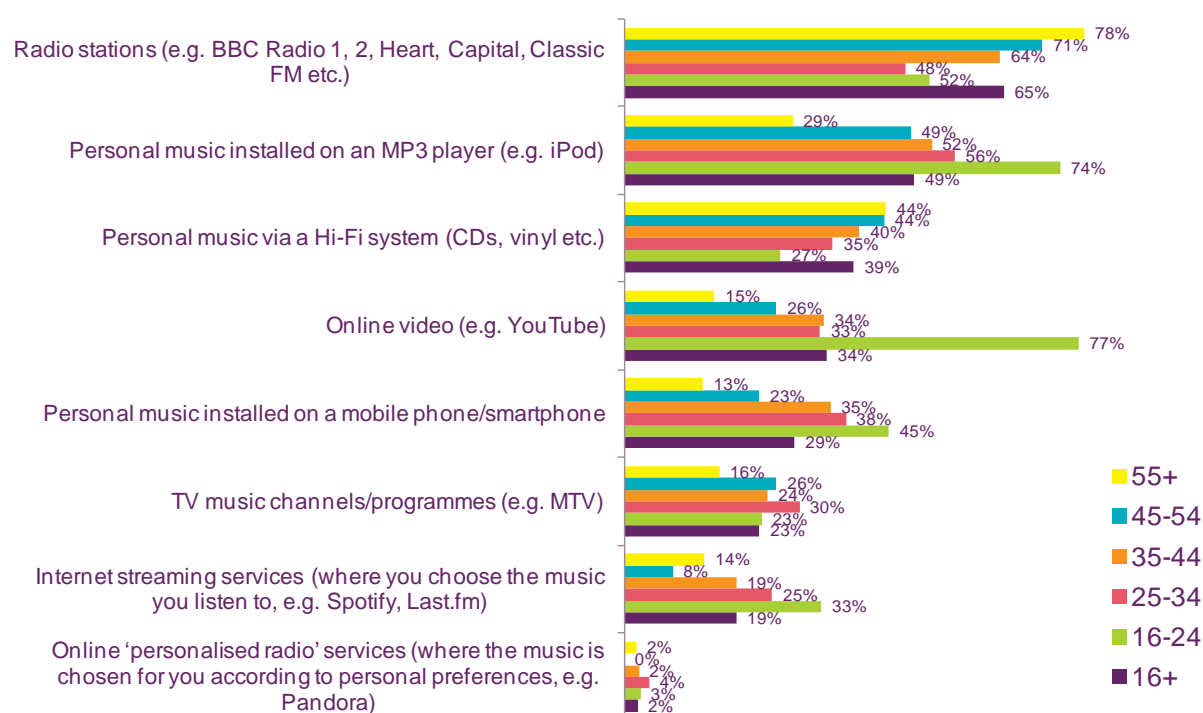
Source: YouGov research, May 2013

Base: All adults aged 16+ who say they buy new music or attend concerts on a regular basis (n= 178) Q38. In terms of how you find out about the new music you buy or concerts you attend, which of the following sources do you regularly use? Please choose all that apply.

Radio stations remain an important route for music discovery and are also important for listening to music. For those aged 35+, radio is the most-used method to listen to music, and this is even more so among the younger demographics: half of these respondents stated that they used radio stations to listen to music (48% of 25-34s; 52% of 16-24s).

For all adults, using an MP3 player is the second most popular way to listen to music, with 49% of respondents saying that they do this. But the way in which the internet is disrupting the radio and audio industries is particularly underlined by the behaviour of 16-24s, who choose online video as their preferred way of listening to music (77%), followed by using an MP3 player (74%). This age group was also more likely to use online streaming services, such as Spotify.

Figure 3.16 Ways of listening to music



Source: YouGov research, May 2013

Base: All adults aged 16+ who say they listen to music regularly (n= 640)

Q36. Thinking about how you listen to music, which of the following do you use regularly? Please choose all that apply.

YouGov also explored the use of different online music services, comparing the behaviour of adults with that of the younger generation (8-15 years). Figure 3.17 shows that the most popular online music service is YouTube, with two-fifths (40%) of adults claiming to use this. However, over half of children aged 8-15 (55%) say they have used this service in the past three months

Figure 3.17 Music services accessed in the past three months

	Adults aged 16+	Children aged 8-15
YouTube	40%	55%
iTunes	29%	37%
Spotify	11%	12%
Amazon Cloud player	5%	3%
LastFM	4%	1%
Google Play	4%	6%
SoundCloud	3%	2%
MySpace	2%	2%
Vevo	2%	3%
Nokia Music	1%	1%

Source: YouGov research, March 2013

All adults aged 16+ (n=2,069), children aged 8-15 years (542)

Q7. Which of the following music services have you accessed in the last 3 months? Please tick all that apply.

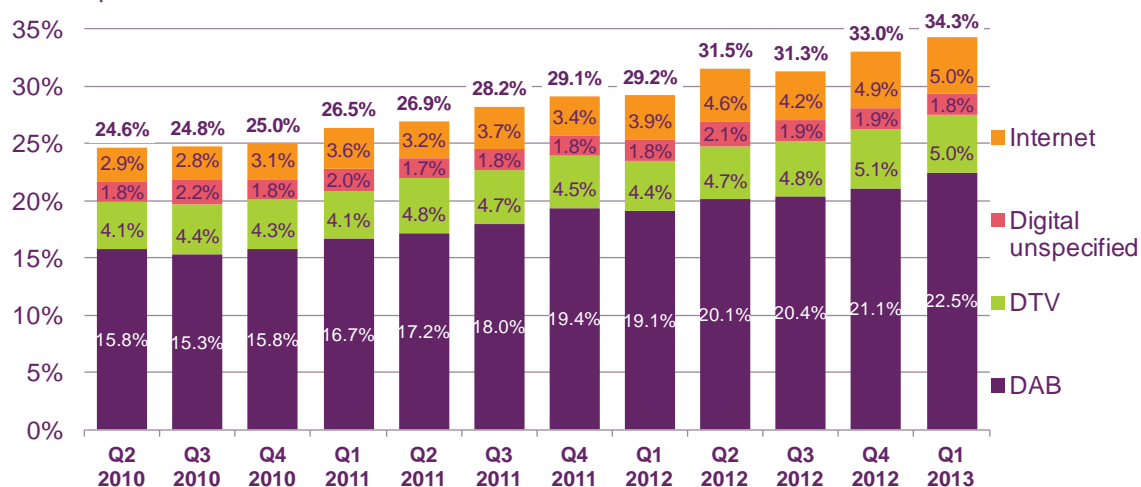
Note: Table shows top ten prompted services used by adults

3.1.5 Digital platform listening increased by 5.1pp year on year in Q1 2013

Digital radio's share of total listening hours was 34.3% in Q1 2013; a year-on-year increase of 5.1pp. This compares favourably with the 2.7pp growth recorded between Q1 2011 and 2012. DAB is the most popular digital platform, and increased its share of total listening by 3.4pp. Listening via digital TV and the internet grew slightly, and for the first time online listening was equal to listening through digital TV.

Figure 3.18 Digital radio's share of radio listening: Q1 2013

Digital radio platforms' share of all radio hours



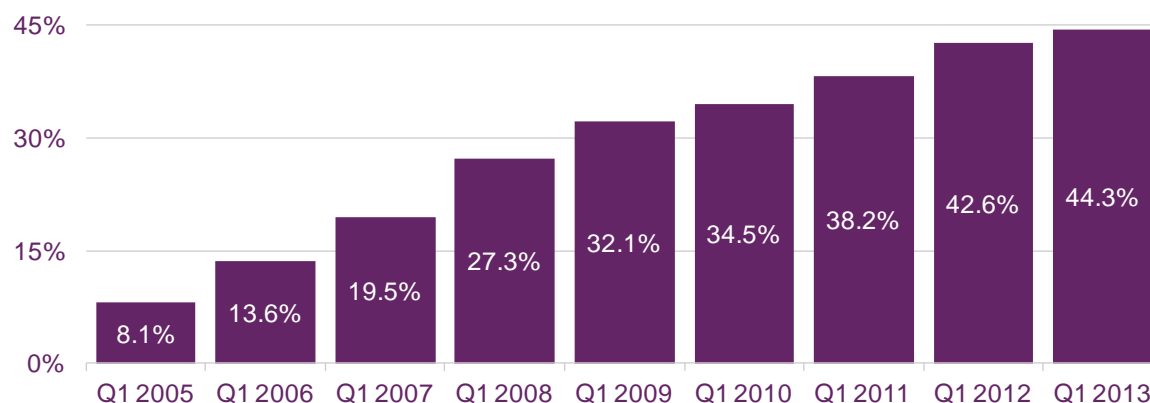
Source: RAJAR Note: 'Digital unspecified' relates to listening to digital-only stations where the survey respondent has not specified the listening platform used. From Q1 2012 'internet' has been reclassified as 'online/apps'

The rate of take-up growth in DAB ownership has slowed

While take-up of DAB sets has increased, so that 44.3% of all adults now claim to own one, the rate of growth in ownership of these devices has slowed. In Q1 2013, take-up increased by 1.7pp, in comparison with 4.4pp in 2012 and 4.0pp in 2011. (Figure 3.19). While this may be due to the recession affecting the consumer electronic market in general, it is possible that listeners are realising that DAB sets are not the only way to access digital radio, and are using other devices. (Figure 3.20).

Figure 3.19 Ownership of DAB sets: Q1 2013

Percentage of adults who claim to own a DAB set / have a DAB set in the home



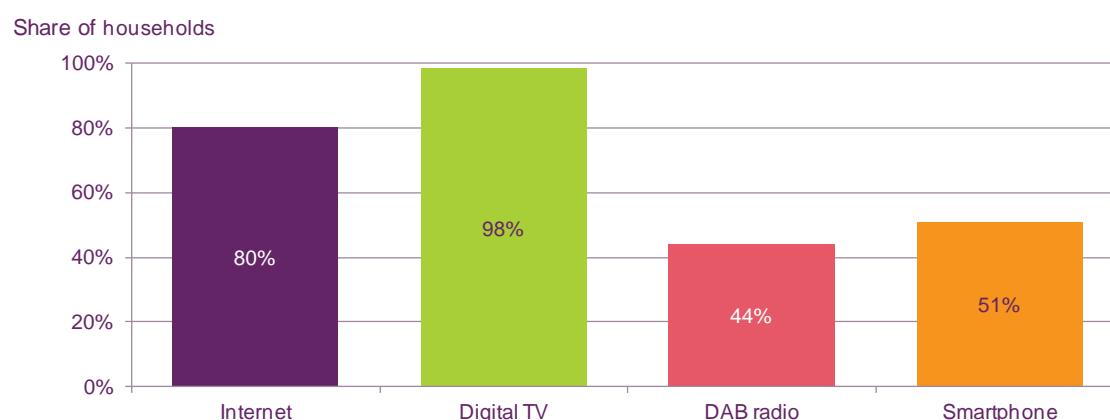
Source: RAJAR / Ipsos MORI / RSMB Q1 2005-2013

The increase in smartphone take-up means that more people have the potential to access digital radio

Smartphone take-up increased by 12pp in the past year. While the internet, digital television and smartphones are all multifunctional devices, DAB sets serve only a single purpose; this may explain the slowing rate of take-up. Some smartphones receive digital radio via an internet connection or by the use of specific apps (as shown in Figure 3.14), others have an integral FM radio function.

Figure 3.20 Take-up of equipment capable of receiving digital radio: Q1 2013

Year-on-year increase (pp) +/-0 +/-0 +1 +12



Source: Research from: Ofcom, RAJAR Q1 2013

3.2 The radio and audio industry

3.2.1 Introduction

This section examines the characteristics of the UK radio and audio content industries. It focuses on commercial and community radio station revenue and BBC radio expenditure, together with the audience shares of the main players.

Key points in this section include:

Total UK radio industry revenue was £1.19bn in 2012, up by 2.8% in a year. BBC radio expenditure and commercial radio advertising revenue has grown year on year since 2009. In 2012, commercial radio grew by £17.8m, up 3.9% on 2011. While 2011 saw local advertising revenue contract, this year it has grown by 7.2% to £9.3m.

The largest commercial radio group, Global Radio, may be required to sell some recently acquired radio stations. Following Global Radio Limited's acquisition of GMG Radio Holdings Limited, which was then the UK's third largest commercial radio group, the Competition Commission determined that Global Radio should sell either a number of the acquired stations, or its own stations, in seven areas of the UK. Global Radio has filed an application with the Competition Appeal Tribunal to review this matter.

The average income for a community radio station fell by 5.4% to £57,000. The proportion of revenue from grants now equates to that from on-air advertising – 29%. Total revenue for the sector in 2012 was £10.8m, an increase on last year's £10.5m due to the increase in the number of community radio stations on air.

Recorded music revenues have fallen by nearly a quarter since 2008. Standing at £1.01bn, UK music retail revenue fell by 5.5% over the past year. The rate of decline for music videos was most pronounced, but a 7.1% decline in album sales, which account for the largest proportion of revenue, was the principal factor for the overall year-on-year loss.

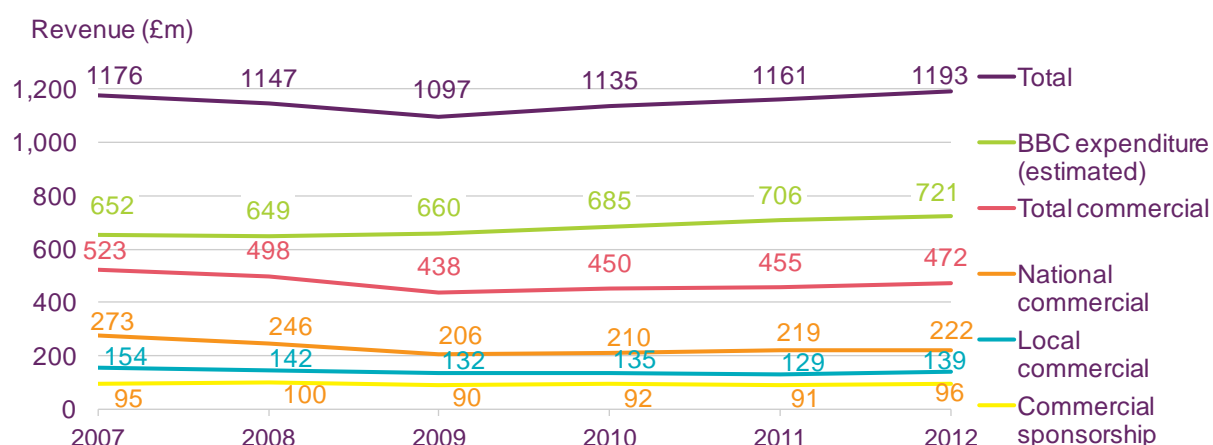
3.2.2 Radio industry revenues and expenditure

Total radio industry revenue is at its highest level since 2007

Following two years of revenue contraction in 2008 and 2009, radio revenues have grown each year for the past three years. We estimate that total industry revenue (commercial radio revenue and BBC expenditure on radio services) currently stands at £1.2bn. The £15m additional spend on the BBC's radio services is matched by a £17m increase in commercial radio revenue.

While advertising revenues from national brands, products and services on national and local commercial radio stations has grown by £2.2m over the year, local advertising on radio has grown by £9.3m in the past 12 months, turning round the 4.3% decline between 2010 and 2011.

Figure 3.21 UK commercial radio revenue and BBC radio spending



Source: Ofcom / operator data / BBC Annual Report 2007-2012

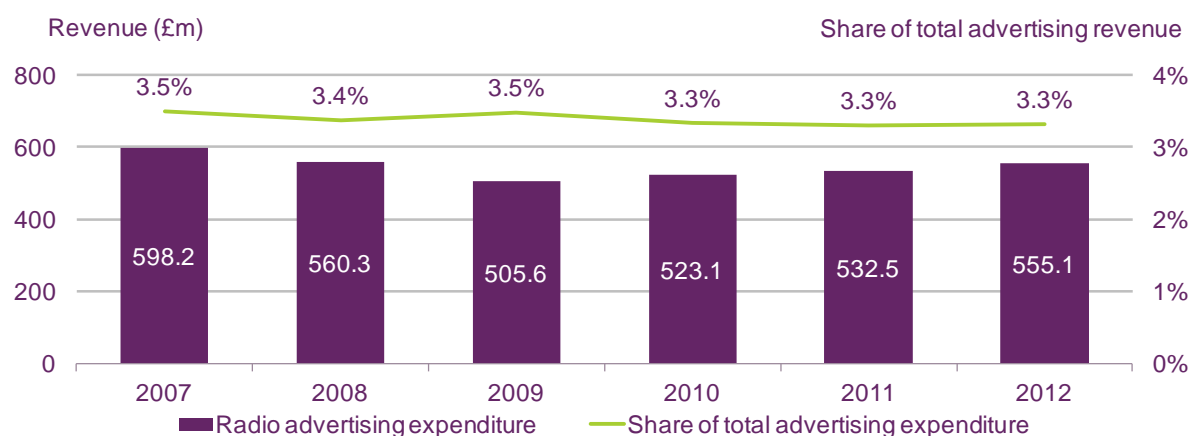
Note: BBC expenditure figures are estimated by Ofcom based on figures in Note 2c of the BBC Annual Report (www.bbc.co.uk/annualreport); figures in the chart are rounded and are nominal.

Radio advertising has grown in line with total advertising

UK radio advertising spend, as reported by the Advertising Association/Warc, showed that radio advertising expenditure has increased for the fourth year in succession and stands at £555.1m, representing an increase of nearly 10% over that period. Although the value of total advertising has grown, radio's share of display advertising spend has remained stable at 3.3% for the third successive year.

Note that the data set out in Figure 3.22 represent advertising expenditure sourced from the AA/Warc, whereas the advertising income data presented in Figure 3.21 are collected by Ofcom and represents advertising spend net of any production and agency fees.

Figure 3.22 UK radio advertising spend and share of display advertising: 2007-2012



Source: AA/Warc Advertising Expenditure report. Figures are nominal.

Over the year commercial radio revenue per listener rose from £13.49 to £14.21. The 72p increase per listener equates to growth of 5.3%. Figure 3.23 is calculated by dividing the total net broadcasting revenue by the average weekly reach for commercial radio. Commercial radio reach contracted by 1.4% between 2011 and 2012 while total listening hours declined by 2.6% over the same period. The commercial radio sector benefitted from year-on-year growth in local advertising and sponsorship revenue.

Figure 3.23 Commercial radio revenue per listener



Source: Broadcasters/RAJAR 2007-2012. Figures are nominal.

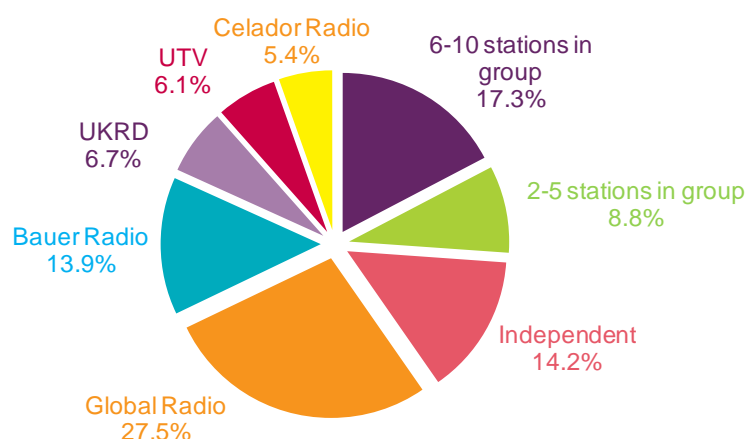
3.2.3 Radio sector market shares in 2012

Last year Global Radio held 24.2% of all analogue commercial radio licences. The company's acquisition of GMG Radio Holdings Limited (since renamed Real & Smooth Ltd (R&SL)) increased this total to 27.5%. At the time of writing, R&SL is required to operate separately from Global Radio, the ultimate owner.

In October 2012, the Office of Fair Trading referred the merger to the Competition Commission and it published its final report in May 2013. The Competition Commission decided that certain radio stations in the following areas should be sold: the East Midlands; Cardiff; North Wales; Greater Manchester and the North West; the North East; the South and West of Yorkshire; and Central Scotland. In June 2013 Global Radio filed an application with the Competition Appeal Tribunal for a review of the Competition Commission decision.

Bauer Radio is the second largest radio group and holds 13.9% of commercial analogue radio licences. Licences vary greatly in terms of the population they cover.

Figure 3.24 Number of commercial analogue licences held, by group



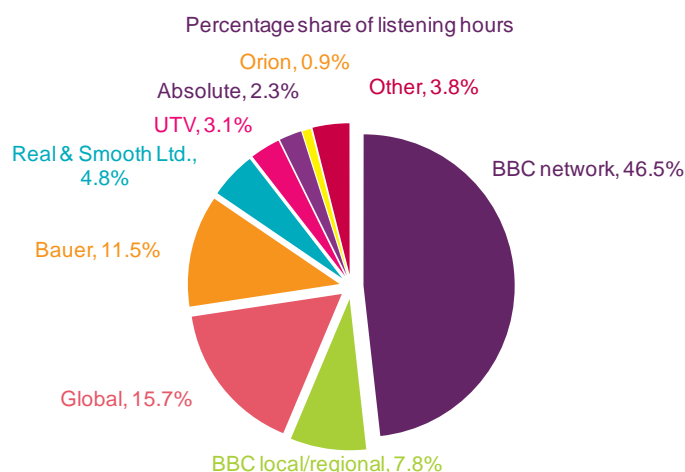
Source: Ofcom, May 2013

Global Radio includes licences held by Real & Smooth Ltd.

Non-BBC listening stands at 44.1% of total listening hours

In the year to Q1 2013, BBC radio maintained its significant share of all UK radio listening. The BBC's share of listening was 55.9%, of which 46.5% was to its national networked services. Global Radio took a 15.7% share, Bauer 11.5% (up from 10.9% last year) and R&SL, the separate holding company owned by Global Radio, (see above) 4.8%.

Figure 3.25 Share of all radio listening hours: Q1 2013

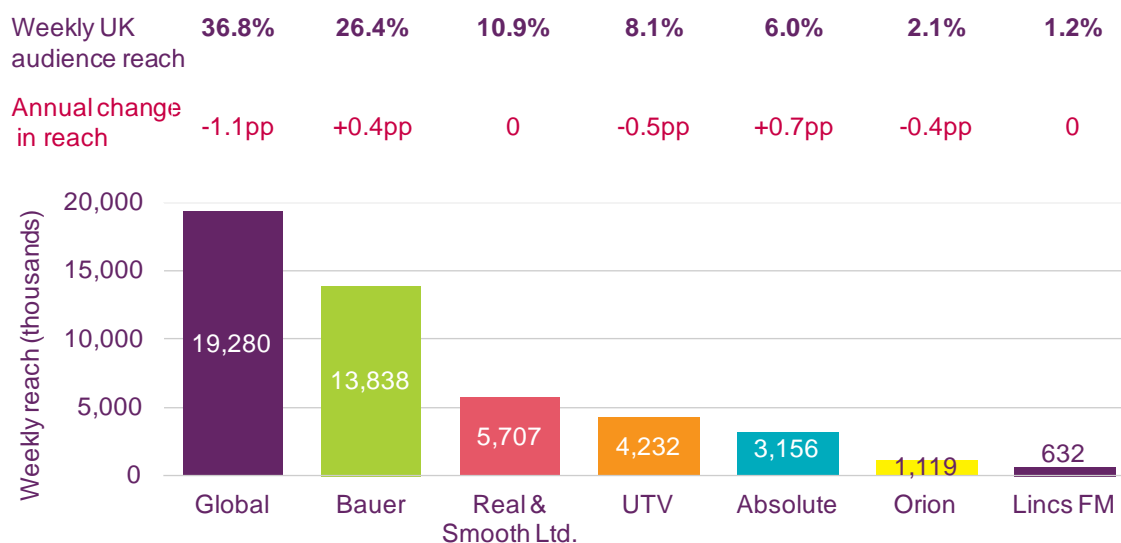


Source: RAJAR, all adults (15+), year ending Q1 2013

Commercial radio reach stands at 63.5%

In an average week in the 12 months to Q1 2013, the number of listeners who tuned in to commercial radio stood at 33.2 million. This is 463,000 fewer listeners than the previous year. Reach was broadly flat for six of the largest commercial radio groups, but Global Radio saw a 1.1 pp fall over the year. This represents a loss of 328,800 listeners.

Figure 3.26 Commercial radio, by weekly audience reach: Q1 2012



Source: RAJAR, all adults (15+), year ending Q1 2013

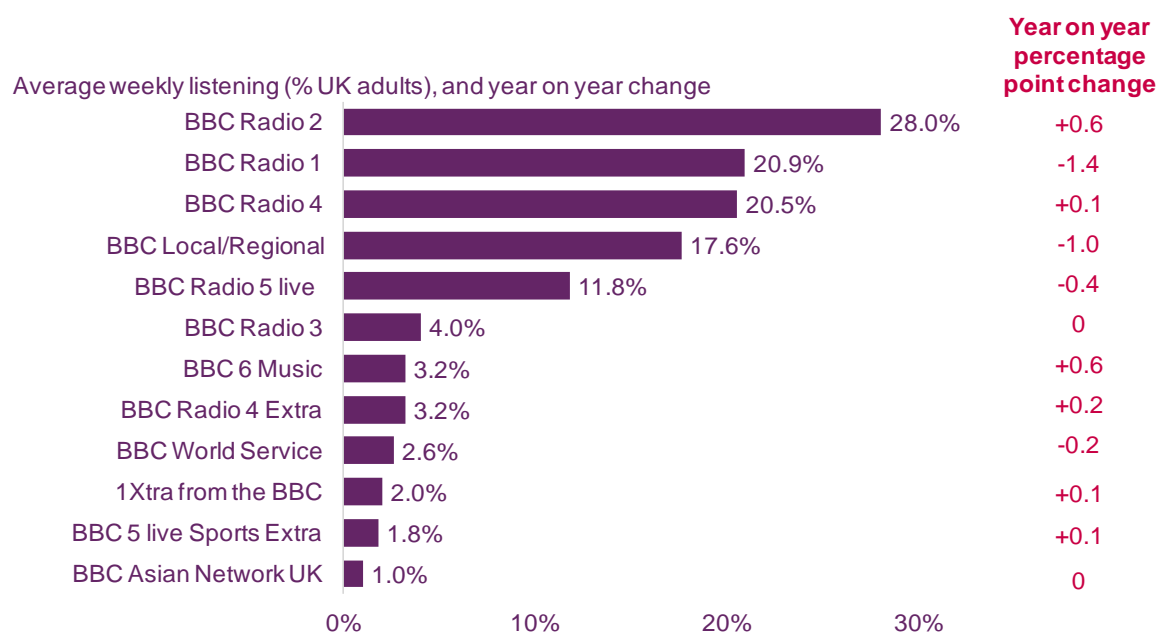
3.2.4 BBC radio services: 2012 to 2013

BBC radio reached 67.0% of all adults in the UK in an average week in the 12 months to Q1 2013, and BBC radio services combined have a 55.7% share of all radio listening. The cost for these services, including content spend, distribution and support, but excluding BBC-wide overheads was £669.5m. Total content spend was £487.9m. The BBC serves listeners mostly through its ten UK-wide, networked services (including five digital-only stations) and the BBC World Service. The corporation also delivers local and regional services in England and Northern Ireland and the national stations for Scotland and Wales.

BBC Radio 2 attracts more listeners than any other station

With a slight increase in reach compared to the previous year, BBC Radio 2 has 14.7 million weekly listeners (28.0% reach), 3.7 million more than Radio 1's 10.9 million, and equating to a 20.9% reach. Radio 4 and the BBC local/regional services combined were the next most popular, with a 20.9% and 17.6% reach respectively. Among the BBC's five digital-only UK network stations, four gained more listeners over the year, although these increases were small.

Figure 3.27 Weekly reach of BBC stations: Q1 2013



Source: RAJAR, all adults (15+), year ending Q1 2013

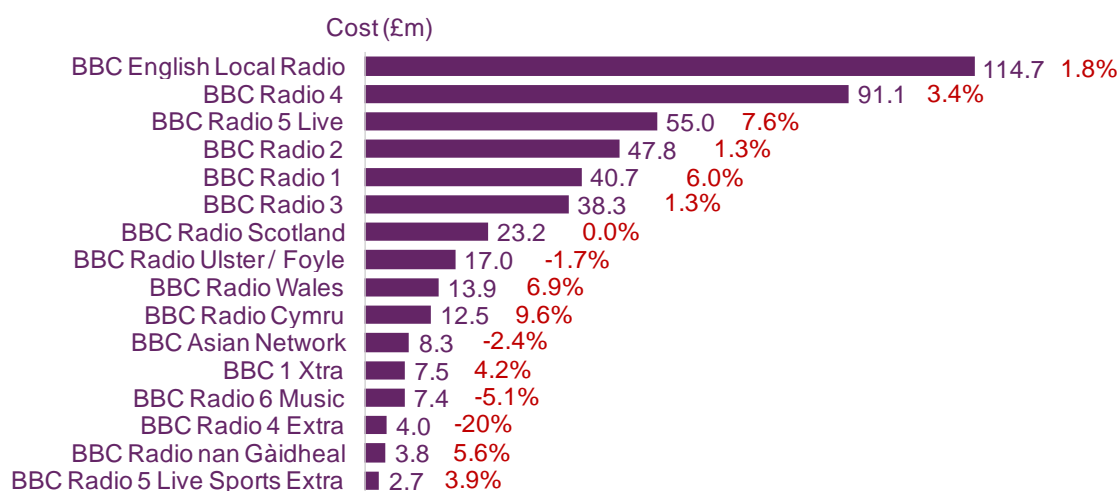
Expenditure on BBC radio content grew by 2.7% in 2012-2013

BBC spending on radio content grew by 2.7% last year, to reach £487.9m. This follows a decline of 1.8% in the previous year. BBC Radio Cymru saw the greatest proportional growth; 9.6%, while BBC Radio 5 Live saw the greatest growth in monetary terms (£3.9m), taking its annual content budget to £55.0m. BBC Radio 4, which has the largest content spend of any BBC station, saw its content spend increase by £3.0m to £91.1m. Radio 1's spend of £40.7m over the past year exceeded that of Radio 3, at £38.3m.

For the national services, BBC Radio Wales saw an increase in spend of 6.9%. Content spend for Radio Scotland remained the same as in 2011-12 and spend for Radio Ulster/Foyle in Northern Ireland fell by 1.7%. Please note that the figures in Figure 3.28

relate to radio content only, and exclude radio infrastructure, distribution expenditure and BBC-wide overheads.

Figure 3.28 BBC radio stations' spend on content: 2012-13



Source: BBC Annual Report 2012-13

3.2.5 Radio licences

Broadcasting a radio service requires two types of licence from Ofcom: a Broadcasting Act licence and a Wireless Telegraphy licence. The Broadcasting Act licence has regard to the content broadcast by the licensee and the area that the service must cover, and the other has regard to technical parameters.

292 analogue local commercial radio licences have been issued; 238 on FM and 54 on AM. Recent changes in regulation have allowed individual licensed services to share programming between licences, excepting key times such as breakfast and afternoon drive-time slots. This has led to the development of common brands, allowing quasi-networks to emerge, such as Global's Capital and Heart services. The Kiss FM and Smooth Radio brands are also able to network all their content across licences in multiple areas in return for simulcasting the same services UK-wide on DAB.

For the services which share the same content between licences serving different areas, these stations are required to deliver local news stories. Each licence remains separate administratively, and those that do not broadcast on a 'relevant' DAB multiplex periodically fall due for renewal. For example, the FM commercial radio licence for Coventry had two competing applicants and in July 2013 Ofcom awarded the new seven year licence to Touch Broadcasting Ltd.

The sector has three national analogue commercial radio stations: Classic FM, and on AM, talkSPORT and Absolute Radio. These stations also broadcast nationally on DAB using the Digital One multiplex, which also carries 11 other services. Digital One covers most of the UK and the company has started to extend its coverage to Northern Ireland so that the full range of Digital One radio services will also be available to listeners there.

The process of licensing DAB radio differs from other licences, because of the way this type of digital radio is transmitted. Each multiplex is licensed by Ofcom and these multiplexes, one national and 50 local, can each carry about ten individual programme services.

During the year the 200th community radio station launched and by May 2013 207 services were broadcasting. Ofcom remains active in awarding and issuing community radio licences. These services are small-scale and operate on a not-for-profit basis, targeting specific communities and delivering 'social gain' to the people they serve. The third round of community radio licence awards continues, with applications from Cumbria, the North East and North Yorkshire currently being assessed.

The BBC Trust issues Service Licences to its radio stations at the national, regional and local level; these set out the characteristics of the service along with the objectives and the station's contribution to public value. The station's performance is measured against the Service Licence by the BBC Trust. Ofcom, under terms set out under the Communications Act 2003, issues Wireless Telegraphy Act Licences to the BBC in a similar manner as it does for commercial radio licensees

Figure 3.29 Analogue UK radio stations broadcasting: May 2013

Type of station	AM	FM	AM/FM total
Local commercial	54	238	292
UK-wide commercial	2	1	3
BBC UK-wide networks	1	4	5
BBC local and nations	36	46	46
Community radio	6	201	207
TOTAL	99	490	553

Source: Ofcom, May 2012

Note: the conditions in each local commercial radio licence will determine the amount of programming that may be shared between these licensed services. Here we have taken the view that a service providing at least four hours a day of separate programming (even if the same brand has other services) equals one service.

3.2.6 Community radio

Between 2011 and 2012 revenue and expenditure in community radio fell

There has been a 5.4% decline in average income. Median income (the value at the mid-point in the distribution of incomes) now stands at £35,250 per year, a 13.1% fall since 2011. (These figures should be treated with caution. The number of services eligible to submit financial reports changes each year, so each annual set of figures is not directly comparable to the previous year's. For example, the figures for 2011 are based on reports from 176 licensees; in 2012, from 190 licensees.)

Figure 3.30 Average income for community radio stations: 2008-2012

Income	2008	2009	2010	2011	2012
Average (mean) income	£84,000	£75,500 (-10.2%)	£65,750 (-12.9%)	£60,250 (-8.3%)	£57,000 (-5.4%)
Median income	£53,750	£46,750 (-15.0%)	£42,500 (-7.14%)	£40,500 (-4.8%)	£35,250 (-13.1%)

Source: Ofcom analysis of community broadcasters returns

Note: The data collection period changed from financial year to the calendar year, as of 2011. Data from previous years have been adjusted to reflect this.

Figure 3.31 highlights this downward trend. It shows that a greater proportion of stations are attaining lower income levels than in 2011. Looking at the proportion of stations with an income level of £151,000 or more per year, we see a decline of 5pp in the proportion of stations that achieve the highest income levels.

Figure 3.31 Distribution of total income levels across the community radio sector



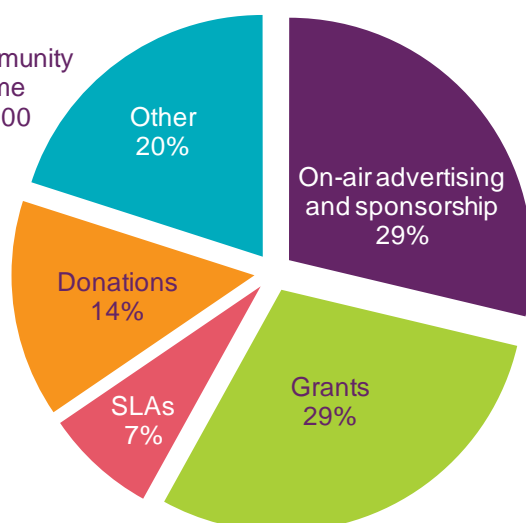
Looking at the average station income for 2012, grants and on-air advertising make up the two largest income sources. Together they equate to 58% of income. For the first time income from grants and income from on-air advertising and sponsorship were equal, at 29% each. Last year, grant income stood at 33% of total income, and on-air advertising and sponsorship was 26%. This fall in grant income and the lower income levels overall are seen as the effect of the recession on providers of grants, including those from central government, local authorities and the Community Radio Fund. Donations represented 14% of total income over the year, an increase of 1pp, although the level of donations has changed little year on year. The proportion of income from service level agreements⁶² has increased from 7% to 10%.

⁶² Service level agreements (SLAs) are income streams that a community radio station receives in return for broadcasting social benefit editorial on behalf of third party organisations such as local authorities.

Figure 3.32 Community radio income, by source

Community radio stations' income 2012

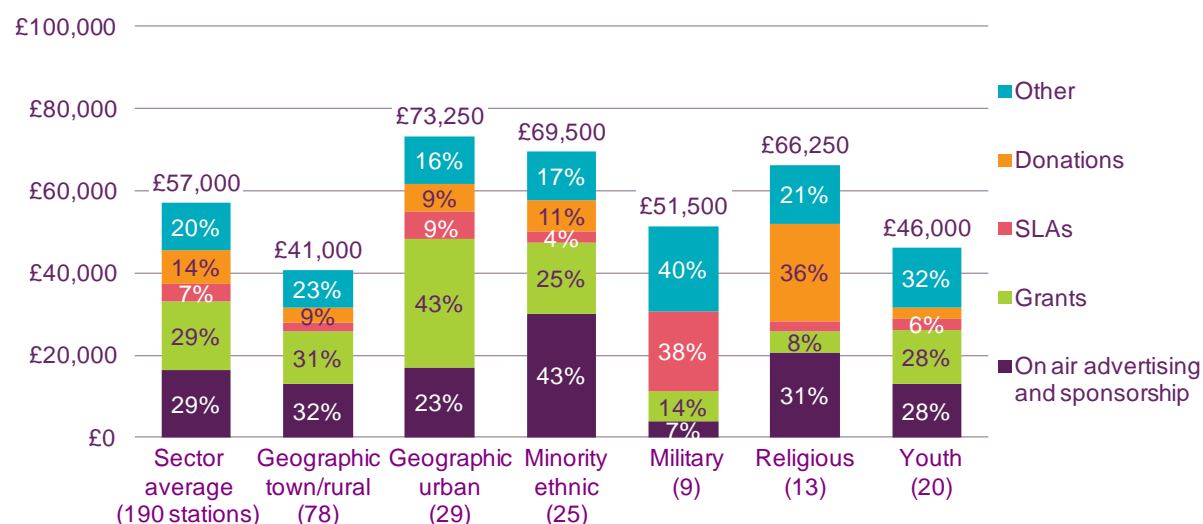
Income by type
The average community radio station income was around £57,000



Source: Ofcom analysis of community broadcaster's returns

Figure 3.33 shows that community radio services serving urban communities achieve higher levels of average income than the sector average. Community radio stations serving specifically ethnic minorities gain the largest portion of their income from the sale of on-air advertising, while geographically urban-oriented stations receive 43% of their income from grants. The trend remains for stations serving religious communities to receive the largest single part of their income, 36%, from donations.

Figure 3.33 Average income, by type of community served



Source: Ofcom analysis of community broadcasters' returns

Average community radio expenditure remains higher than income

Average expenditure for community radio services in 2012 was £58,000, down by 9.7% from the previous year. Expenditure totals do not always correlate directly with broadcast operating costs, as some community radio services receive revenue to provide aspects of

social gain; for example, to provide training. A fall in grant funding to train people may not necessarily impact directly on the station's broadcasting function in the short term. Elsewhere there is evidence of community radio stations cutting costs. For 2012 the median expenditure fell by 15.4% to £35,750.

Figure 3.34 Average expenditure of community radio stations: 2008-2012

Expenditure	2008	2009	2010	2011	2012
Average (mean) expenditure	£86,500	£76,500 (-11.4%)	£67,000 (-12.3%)	£64,250 (-4.1%)	£58,000 (-9.7%)
Median expenditure	£55,000	£52,250 (5.3%)	£43,000 (-17.5%)	£41,000 (-4.9%)	£35,750 (-15.4%)

Source: Ofcom analysis of community broadcasters' returns

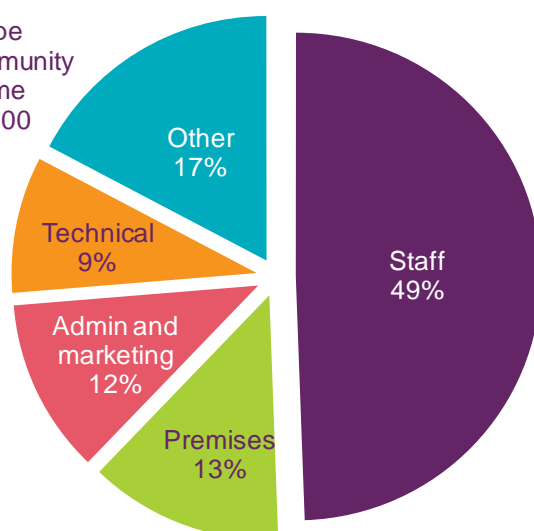
Note: The data collection period changed from financial year to calendar year, as of 2011. Data from previous years have been adjusted to reflect this.

Community radio depends greatly on volunteers and 25% (48) of the stations reporting did not employ any paid staff. In 2012 staff costs represented the largest proportion of expenditure (49%; 47% in 2011). The other areas of expenditure include premises, administration and marketing, and technical (audio and transmission related engineering) (Figure 3.35).

Figure 3.35 Community radio expenditure, by type

Community radio station expenditure 2012

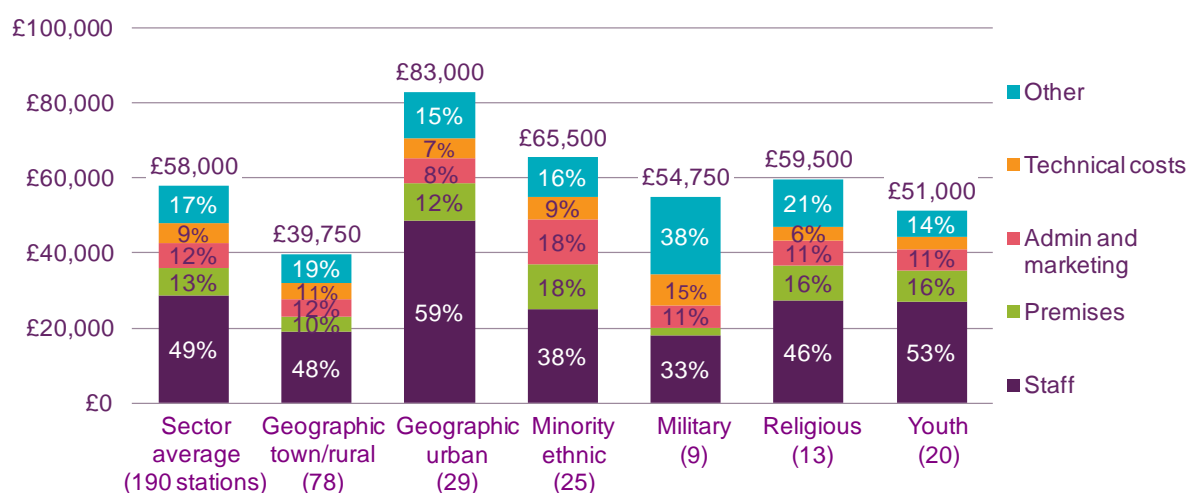
Expenditure by type
The average community radio station income was around £58,000



Source: Ofcom analysis of community broadcasters' returns

As with revenue, station costs vary by the type of community served. Military stations spend proportionally less on staff, while staff costs on urban-located stations accounted for 59%. Technical costs were similar across all types of stations (Figure 3.36).

Figure 3.36 Average expenditure, by type of community served



Source: Ofcom analysis of community broadcasters' returns

On average, community radio delivers 90 hours of original programming per week

The requirement to serve a specific community, combined with the extensive use of volunteers, typically 85 per station per year, means that many community radio services tend to broadcast live and original programming at set times in the week, rather than provide a live 24-hour service. In 2012, typically 79 hours a week were live and stations broadcast 90 hours a week of original programmes (live and first-play pre-recorded material taken together).

Figure 3.37 Community radio hours and volunteers

	Sector average
Total live hours per week	79
Total original hours per week	90
Speech output as a percentage of total daytime output	31%
Number of volunteers	85

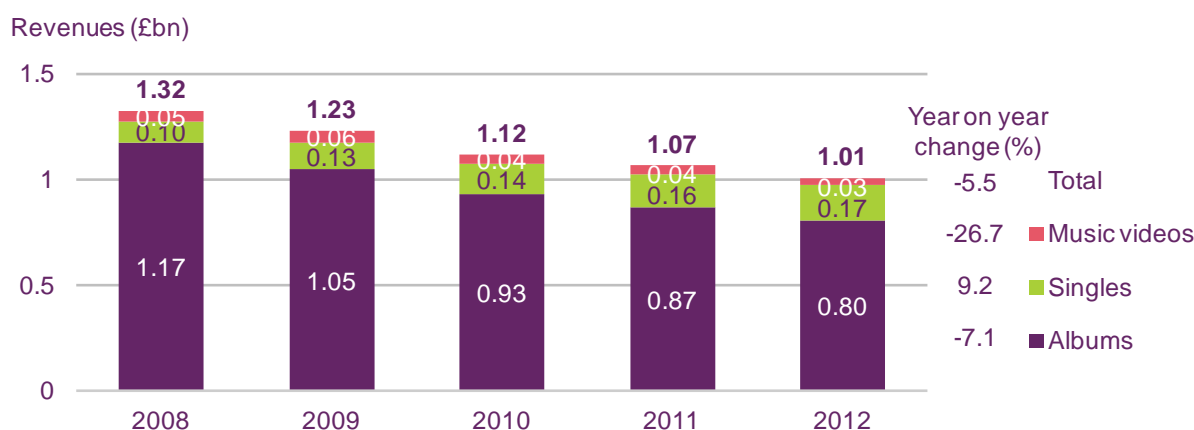
3.2.7 Recorded music revenues

Recorded music revenues continued to fall in 2012

Data from the Entertainment Retailers' Association show that recorded music retail revenues fell by 5.5% in 2012. This decline was driven by falling album revenues, which contribute just under 80% to the total (Figure 3.38).

As in previous years, revenue from singles sales continued to rise. As Figure 3.40 shows, this category is now almost entirely made up of digital transactions. Growth in the value of digital sales has slowed, while the value of physical sales continues to fall.

Figure 3.38 Recorded music retail revenues: 2008-2012



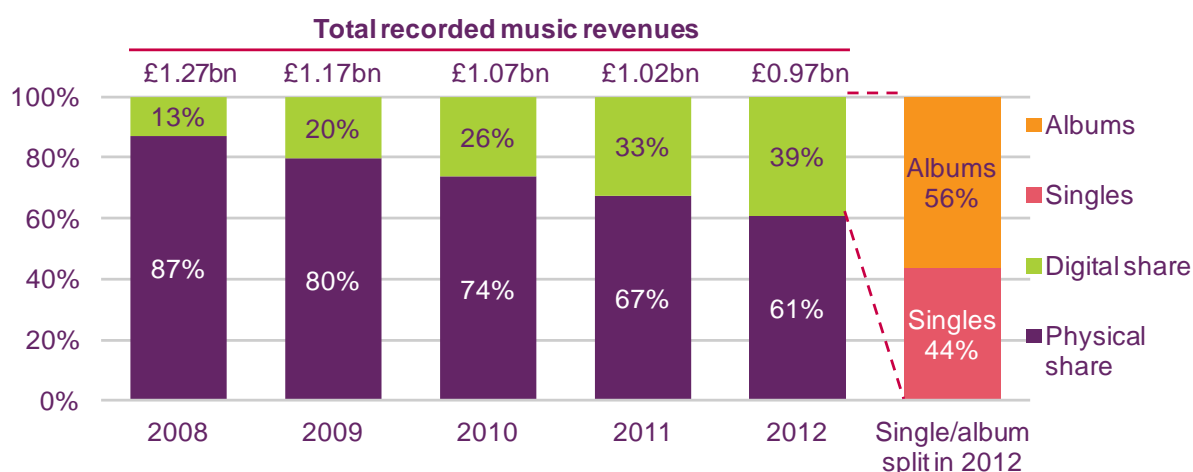
Source: Entertainment Retailers' Association / Official Charts. Figures are nominal.

Digital sales accounted for almost 40p in every £1 of music retail revenue

Digital's share of recorded music retail revenue increased again in 2012 to reach 39% of the total, up 6pp year on year. Within the digital total, albums accounted for a larger share of revenue than singles sales, reflecting the higher price for albums (Figure 3.39).

The British Recorded Music Industry (BPI) has found that digital sales now make up over 50% of record company income.⁶³ In terms of transactional retail revenues, physical sales still account for the bulk of revenues. But their share continues to decline.

Figure 3.39 Distribution of recorded music retail revenues: 2008-2012



Source: Entertainment Retailers' Association / Official Charts. Figures are nominal.

Note: This chart does not include revenues from music videos.

The growth in digital sales is slowing while the decline in physical sales is increasing

The volume of singles sales continued to rise in 2012, increasing by 6% to reach 188.6 million units. This is a smaller proportional increase than the previous year, suggesting that

⁶³ The British Recorded Music Industry, *Digital Music Nation*, January 2013
The BPI's figure includes revenues gained by the record companies from licensing deals for digital content.

the growth rate of digital sales is slowing. Only a very small proportion, 0.4%, of total singles sales in 2012 were physical. (Figure 3.40)

Unlike singles sales, the volume of album sales continues to fall. In 2012, the number of albums sold fell by 11.6%. While the proportion of album sales which are digital continues to grow, these sales are not sufficient to offset the decline in physical sales. Like the volume of singles sales, the growth of digital album sales is slowing. At the same time the rate of decline in the volume of physical album sales is increasing, leading to the decline in total recorded music revenues seen in Figure 3.38.

Figure 3.40 Recorded music sales, by volume: 2008-2012



Source: Entertainment Retailers' Association / Official Charts

3.3 The radio and audio listener

3.3.1 Introduction

The following section examines how patterns of radio and audio listening have changed in the UK, both in the past year and over the longer term. It uses audience data to analyse listening by sector and by age group, as well as drawing on consumer research.

Key points in this section include:

On average, 90.3% of the UK adult population tuned in to radio each week in the twelve months to Q1 2013. This represents an increase year on year. Over the longer term, the reach of radio overall remains flat, although total hours spent listening to radio has contracted by 2.75% year on year. Listening to national commercial radio has increased steadily over the past four years.

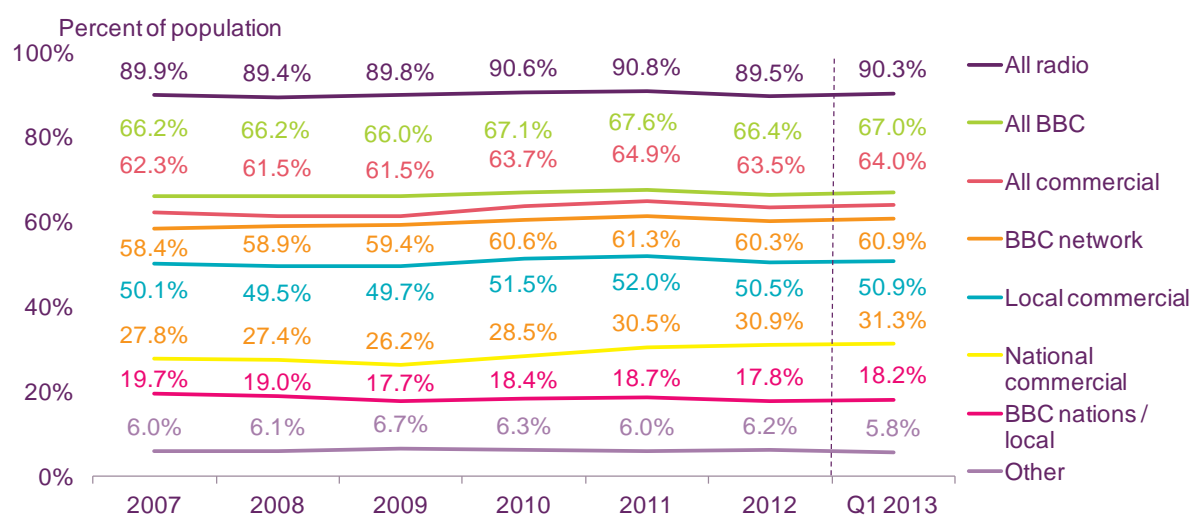
BBC network radio has the largest share of radio listening (46.7%) and this has grown over the past three years. Similarly, national commercial radio has seen its share of listening hours increase; from 9.5% in 2008 to 13.0% in 2013. Radio at the local level, both commercial and BBC, has not been able to maintain its share of the market.

BBC Radio 4 Extra and BBC 6 Music tie for digital-only popularity. Both services have seen year-on-year increases in weekly reach, with Radio 4 Extra listeners increasing by 22%. In an average week, each service attracts 1.7 million listeners.

3.3.2 Weekly radio listening in the UK

The near parallel lines illustrate radio's flat performance over six years in terms of listener reach. The exception is national commercial radio, which has attracted more listeners since 2009, up by 4.7pp in 2012.

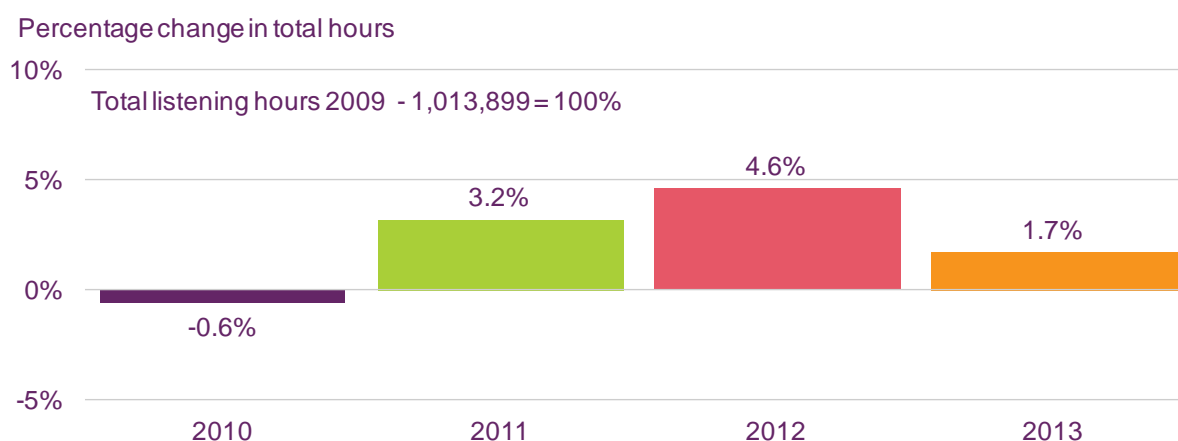
Figure 3.41 Reach of radio, by sector



Source: RAJAR, All adults (15+), calendar years 2007-2012, Q1 2013

Each week UK adults spend over a billion hours listening to radio with the total number of listening hours among all UK adults standing at 1,031 million hours averaged over the 12-month period to Q1 2013. Although this amount is 2.75% down on the same period the previous year, listening hours have increased since 2009.

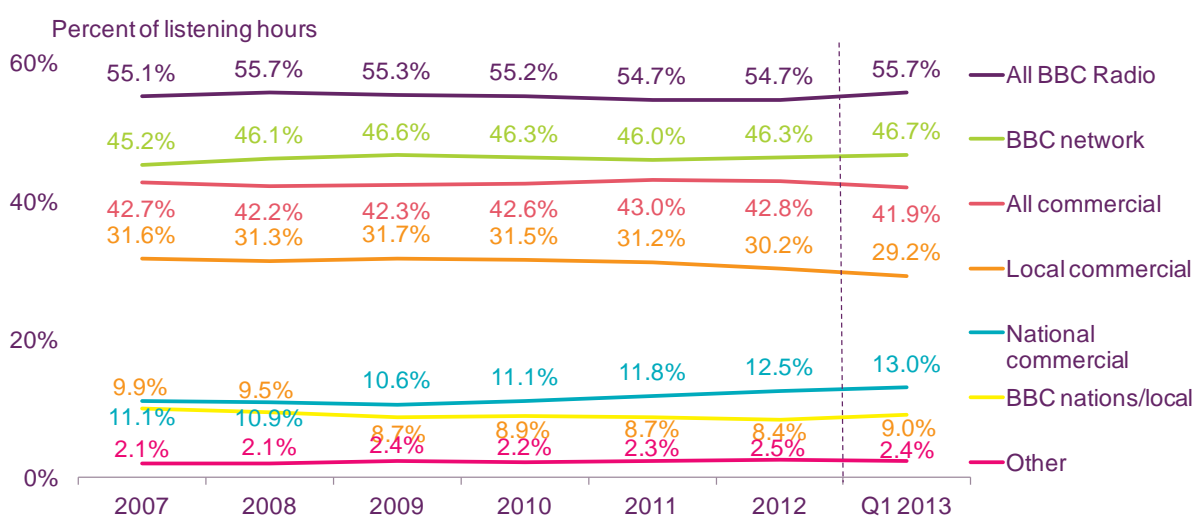
Figure 3.42 Year-on-year change in total listening hours



Source: RAJAR, All adults (15+), calendar years to Q1, 2010 to 2013

The share of listening hours from 2007 to Q1 2013 for all radio listening appears flat, but this masks slight variances among the constituent parts. BBC network radio and national commercial radio remain strong, while BBC local radio and local commercial radio have been less able to maintain their share over the past six years.

Figure 3.43 Share of listening hours, by sector



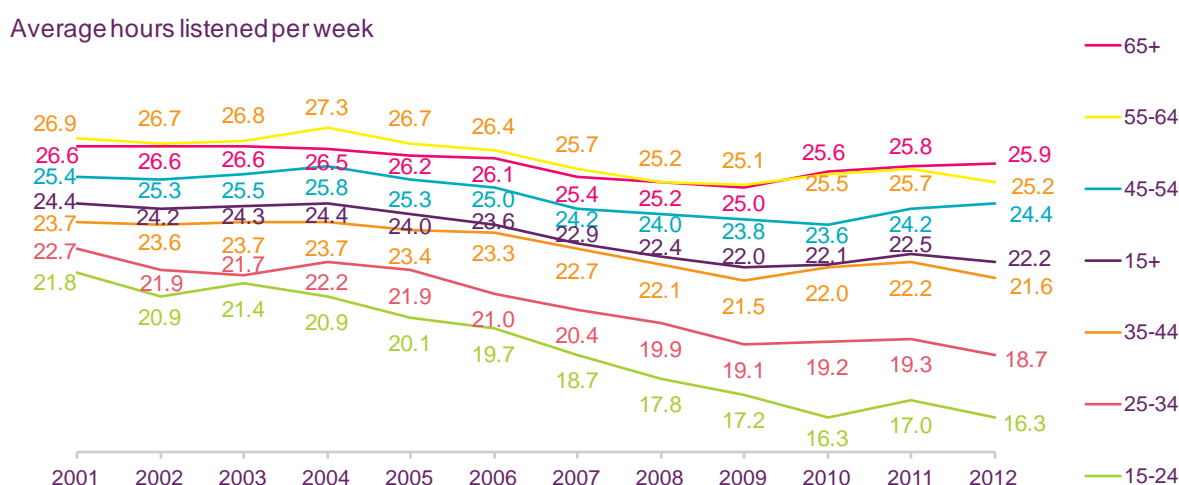
Source: RAJAR, All adults (15+), calendar years 2007-2012, Q1 2013

Average listening hours for 15-24s dipped back to the 2010 low, while listening by 25-34s contracted by 36 minutes following a two-year plateau

The proportion of the UK population listening to radio remains flat year on year. What has changed is the length of time that listeners tune in over a seven-day period. In 2002 the average amount of time a listener spent listening was 24 hours 42 minutes a week. By 2006 it stood at 24 hours per week. Over the 12 months to Q1 2013 this has reduced further; to 22 hours. Overall, this is a decline of 11% over 11 years. Among those aged 15-34, particularly from 2006 to date, the medium has appeared unable to compete for listeners' time, which now tends to be spent using devices and technologies introduced during this time period.

Following Radio 1's much-publicised younger age demographic realignment, and other initiatives, the industry has shown a readiness to improve the medium's appeal among younger listeners, and arrest this decline.

Figure 3.44 Listening hours, by age group: 2011-2012

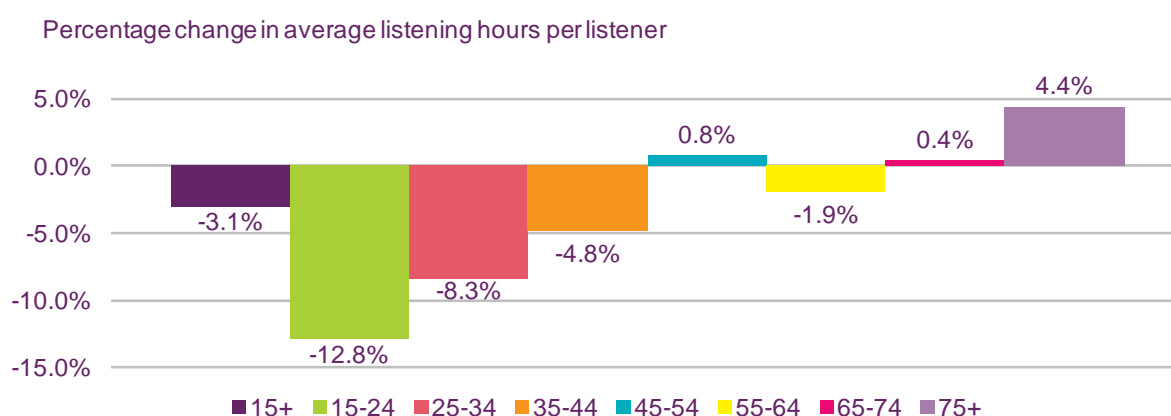


Source: RAJAR, All adults (15+), calendar years 2001-2012

Listeners listen for less time, with the decline particularly evident for the younger demographics

Looking at the change in the time spent listening to radio over the past five years shows a 3.1% fall in average listening hours per listener. The reduction in time spent listening to radio was particularly pronounced in the younger demographics. The fall among those aged 15-24 was 12.8% and among the 25-34s it was 8.3%

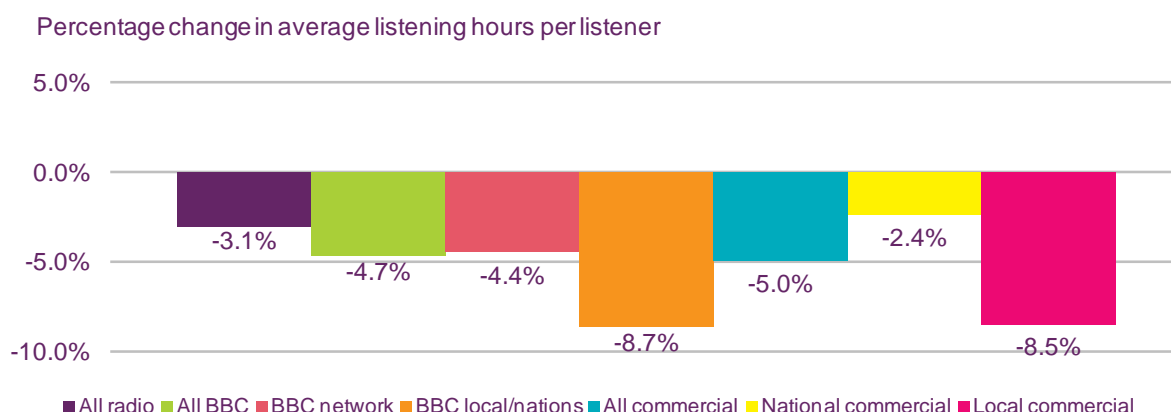
Figure 3.45 Percentage change in time spent listening by age group: 2007 and 2012



Source: RAJAR, all adults 15+. Calendar years 2007 and 2012

Looking at the change in time spent listening to each sector reveals that local radio, both BBC and commercial, have suffered the largest declines in average listening hours per listener. The amounts shown below equate to an average loss of 54 minutes per listener over a typical week for BBC local/nations services and 1 hour 6 minutes per listener per week for local commercial radio services. Today the average listener tunes in to these services for 9.5 hours and 11.9 hours per week, respectively. Since 2007 there has been an increase in the amount of networked programming taken by BBC local radio and many local commercial radio services.

Figure 3.46 Percentage of time spent listening, by sector: 2007 and 2012

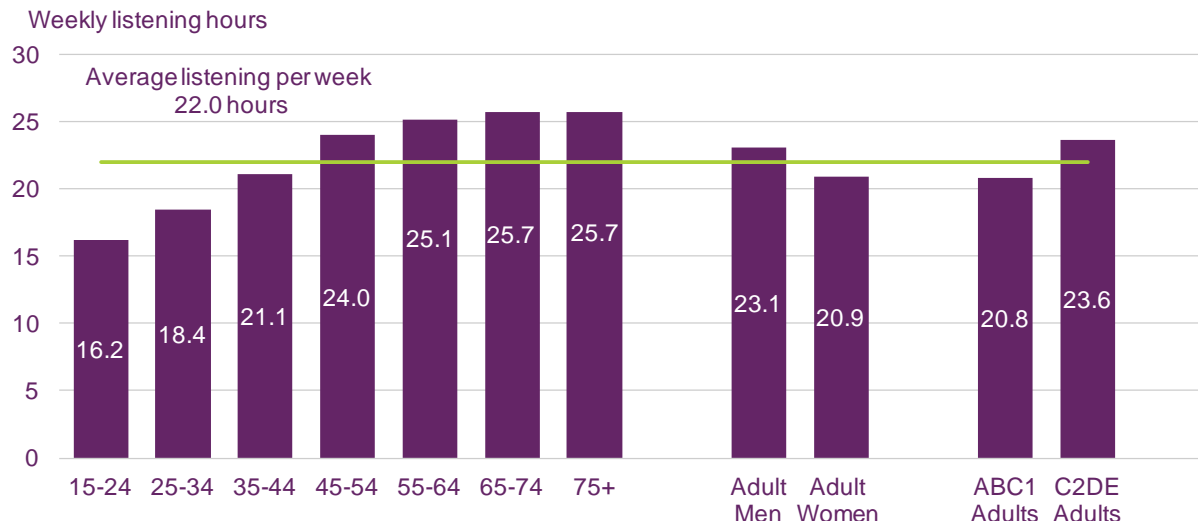


Source: RAJAR, all adults 15+. Calendar years 2007 and 2012

Those aged over 45 are above-average listeners

The pattern of all radio listening by age, gender and socio-economic group remains unchanged over the year. The average time spent listening to radio over an average week is 22 hours. Above-average consumers are likely to be aged 45 or older, men and those in the socio-economic category C2DE. A person aged 55 or over is likely to spend nearly nine hours more, per week, listening to radio, than a person aged between 15-24. Men listen for an average of 2 hours 12 minutes more per week than female radio listeners.

Figure 3.47 Average weekly listening, by demographic: year ending Q1 2013



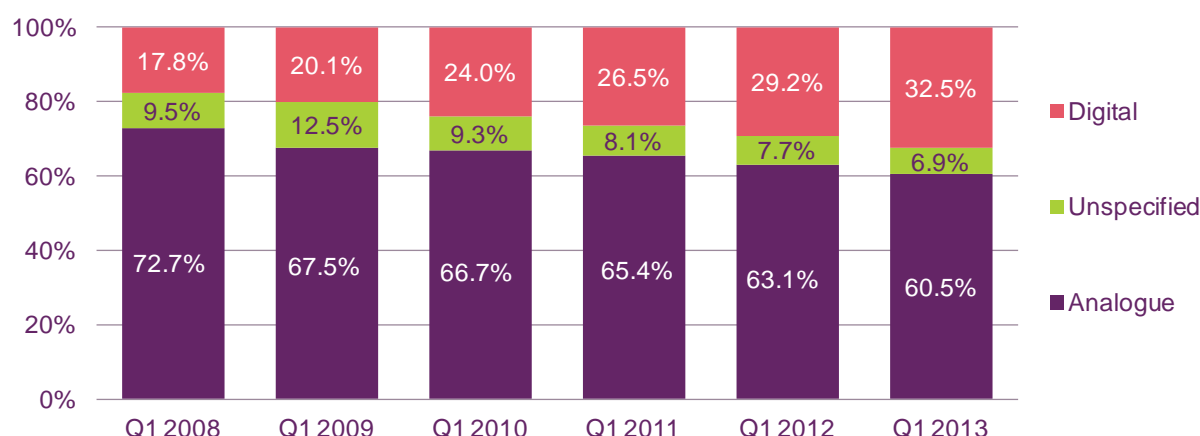
Source: RAJAR, all adults (15+), year ending Q1 2013, average weekly listening hours per listener

3.3.3 Digital radio listening trends

Since 2010 digital radio's share of listening has increased by a third

Q1 figures from 2008 to 2013 show that a greater proportion of all radio listening is now through use of a digital platform. In the full year to Q1 2010 this level of consumption stood at 24.0%, in the full year to Q1 2013 it is 32.5%. For the third year in succession the rate of decline in listening via an analogue radio platform has increased -1.3pp in Q1 2011, 2.3pp in Q1 2012 and 2.6pp in Q1 2013.

Figure 3.48 Share of listening hours across analogue and digital platforms

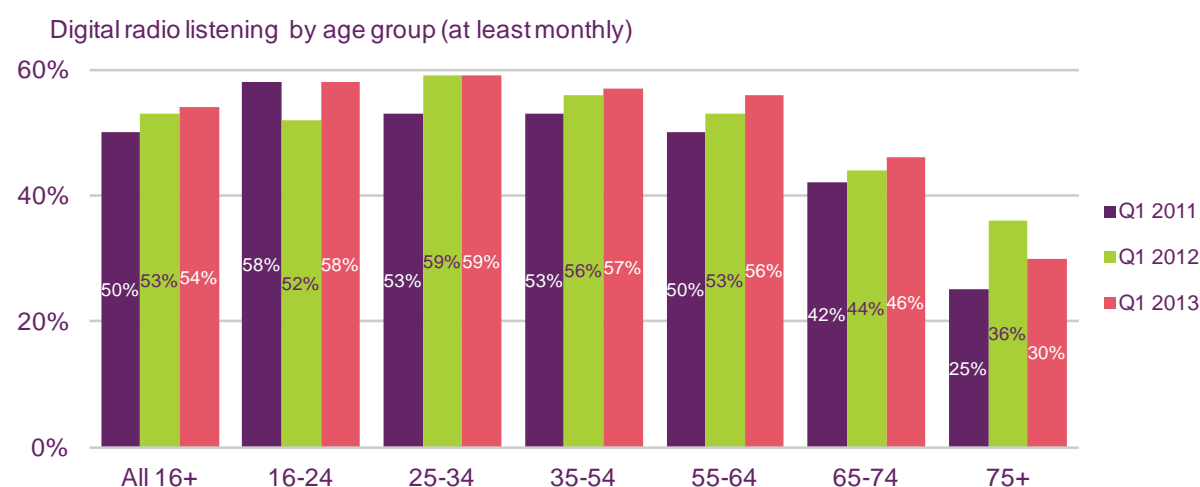


Source: RAJAR, all adults (15+), data relate to Q1 results as shown Note: 'Unspecified' relates to listening where radio platform was not confirmed by the listener

More than half of those aged between 16 and 64 are likely to listen to digital radio

More than half of all radio listeners aged 64 or under said that they listened to radio through a digital platform. Listening levels were highest among 25-34s (59%). This contrasts with those aged 65-74 and 75+, where 46% and 30% claimed to listen digitally.

Figure 3.49 Digital radio listening, by age group: monthly



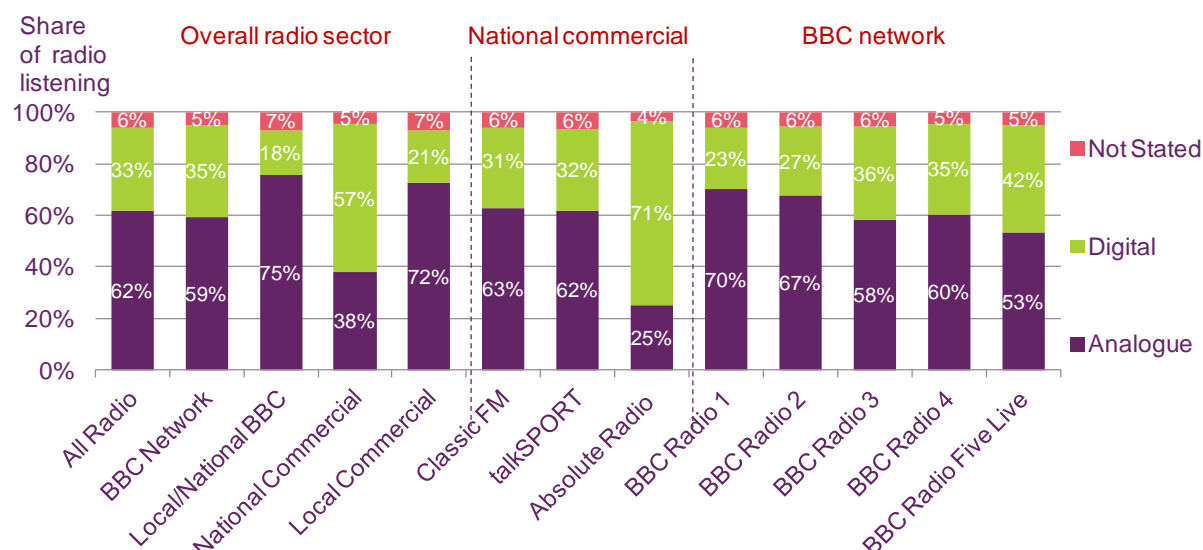
Source: Ofcom research, Base: All who listen to radio, Q1 2013 (n=2910), Q1 2012 (n=2963), Q1 2011 (n=2811) Q: Use digital radio at least monthly (includes digital listening via DTV, DAB set and online)

Digital radio share, by sector

A third of radio listening is via a digital platform. BBC national network radio services achieve a digital share of 35% among their own listener base. For national commercial radio this figure is nearly double, at 57%. This is partly because there are more national commercial services on digital platforms and only three broadcast nationally on analogue. The listening share of the BBC's non-national network services and local commercial radio services is drawn mostly from the analogue (FM/AM) platform. This is partly because of the ongoing

roll-out of further local digital multiplexes and partly because a number of these services do not have the option to broadcast via DAB.

Figure 3.50 Platform split by sector and station: year ending Q1 2013



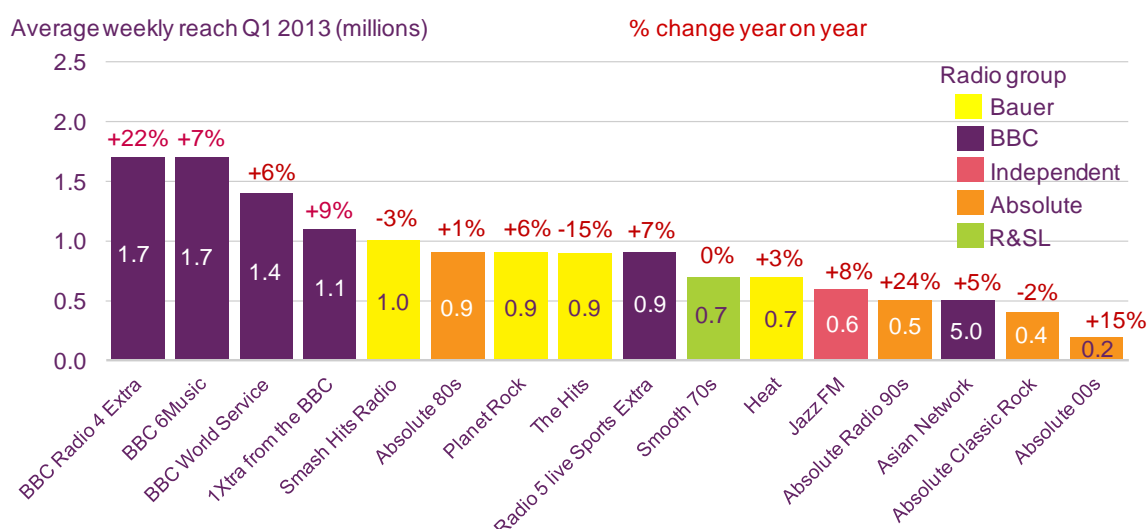
Source: RAJAR, year ending Q1 2013, adults 15+

BBC Radio 4 Extra and BBC 6 Music tie for digital-only listening popularity

The BBC's most popular digital-only radio services, Radio 4 Extra and BBC 6 Music, reach 1.7 million listeners each per week. The BBC's World Service, which is now available only on the DAB broadcast platform in the UK, and 1Xtra, each have over a million listeners, closely followed by Radio 5 live Sports Extra with 0.9 million.

Four commercial radio services attract around a million listeners each – Smash Hits Radio, Absolute 80s, Planet Rock and The Hits. Three other commercial services have more than half a million listeners.

Figure 3.51 Most popular digital-only stations: Q1 2013



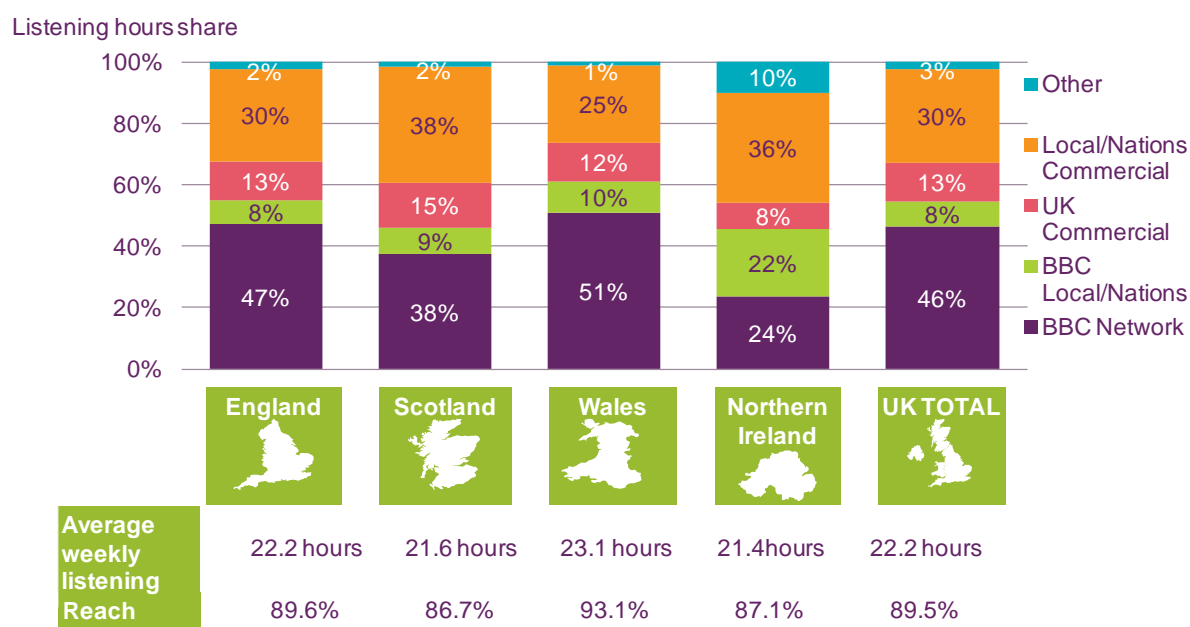
Source: RAJAR, year ending Q1 2013 adults 15+

3.3.4 Listening patterns beyond England

Radio listening in England is close to that reported for the UK as a whole, as might be expected due to the concentration of population. Listening patterns in Scotland, Wales and Northern Ireland, however, vary from the UK average.

- In **Scotland** radio services reached 86.7% of the adult population, the lowest of all the UK nations and 2.8 percentage points lower than the UK average of 89.5% (year to December 2012). Listeners in Scotland spent less time tuned in, compared with average weekly listening hours elsewhere in the UK; adult radio listeners in Scotland spent an average of 21.6 hours each week listening to radio in 2012.
- In **Wales** radio services reached 93.1% of the adult population, the highest of all the UK nations and 3.5 percentage points higher than the UK average of 89.5%. Listeners in Wales also listened for longer. Adult radio listeners in Wales spent an average of 23.1 hours each week listening to radio in 2012, the highest across all of the UK nations.
- In **Northern Ireland**, radio services reached 87.1% of the adult population, 2.4 percentage points lower than the UK average of 89.5%. Listeners in Northern Ireland spent an average of 21.4 hours each week listening to radio in 2012, again lower than the UK average. This lower figure represents a decline of 5% in the total number of radio listeners, with time spent listening falling by 54 minutes over a typical week.
- But in **England**, the listening pattern has changed very little year on year, and is closely aligned with the UK average. BBC network stations attract the largest share of listening, at 47%.

Figure 3.52 Share of listening hours, by nation

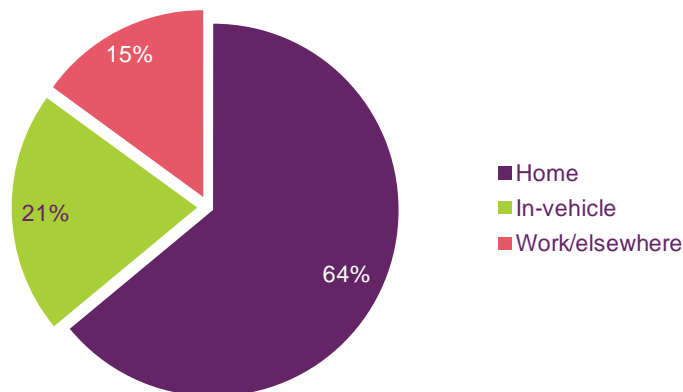


Source: RAJAR, All adults (15+), calendar year 2012

Location of radio listening

Sixty one per cent of listeners who claim to listen more to radio now, compared to five years ago, said in a recent YouGov survey⁶⁴ that their top reason for listening was that “It fits better with my routines now than in the past” while 23% said that they listened more because they “...spend more time in the car”. This aspect of radio’s portability and accessibility is reflected in the location where radio listening takes place. One fifth (21%) of all listening is in a vehicle while 64% is in the home.

Figure 3.53 Location of listening: year to Q1 2012



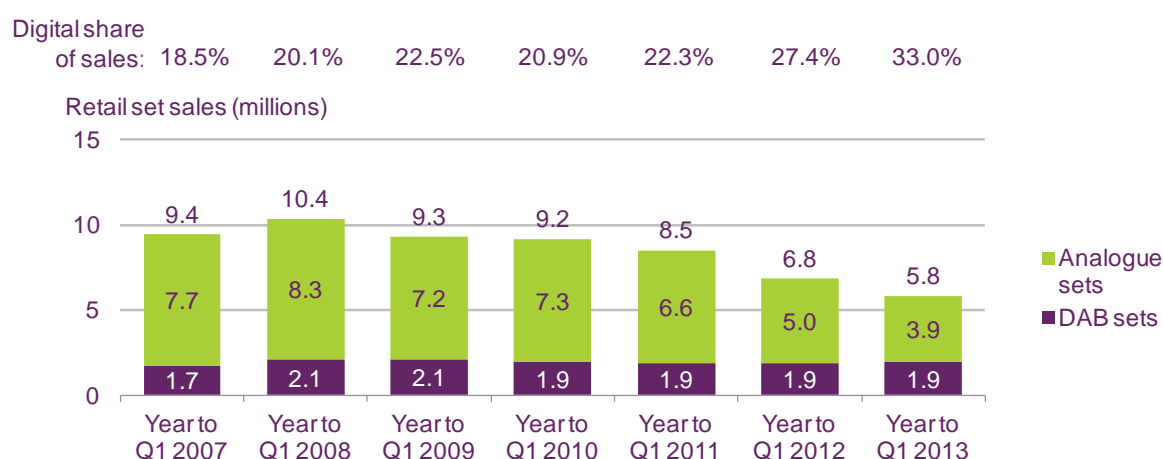
Source: RAJAR, year ending Q1 2013 all adults 15+

Radio set sales have fallen by a third in four years

In the year to Q1 2010, 9.2 million radio receivers were sold, while in the year to Q1 2013 that figure fell to 5.8 million. DAB radio set sales, many with analogue FM capability, remained flat at 1.9 million sets a year for the fourth year in succession, while the number of analogue radio sets sold has fallen. But although set sales have fallen, there are now many more ways of listening to radio - listening opportunities have evolved through easy access via other devices. These include mobile phones, many of which use FM tuners or digital apps.

⁶⁴ YouGov Sixth Sense survey: New Generations and the Future of Radio, May 2013

Figure 3.54 Number of analogue and digital radio sets sold



Source: GfK sales data, 2006-2013.

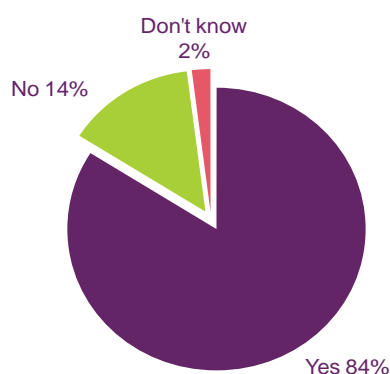
Note: Figures cover GB only, GfK Panelmarket data represent over 90% of the market. Categories of device included are; portable radios, personal media players, car audio systems, home audio systems, clock radios, radio recorders, headphone stereos, tuners and receivers.

Eighty four per cent of consumers are aware of digital radio, 19% are ready to buy

Marketing campaigns on BBC radio and television and on commercial radio, like the 'D Love – If you love radio go digital' campaign, continue to raise consumer awareness of the terms 'DAB' and 'digital radio'. Eighty four per cent of consumers said that they had heard of these terms. Ofcom estimates that between 66 million and 85 million receiver sets are in use in homes, cars and places of work; and this, combined with the durability of radio receivers, means that people are less likely to buy new radio sets. Figure 3.55 emphasises this, showing that only 19% of non-DAB listeners are likely to buy a DAB radio in the next 12 months, the same level as last year.

Figure 3.55 Awareness of digital radio

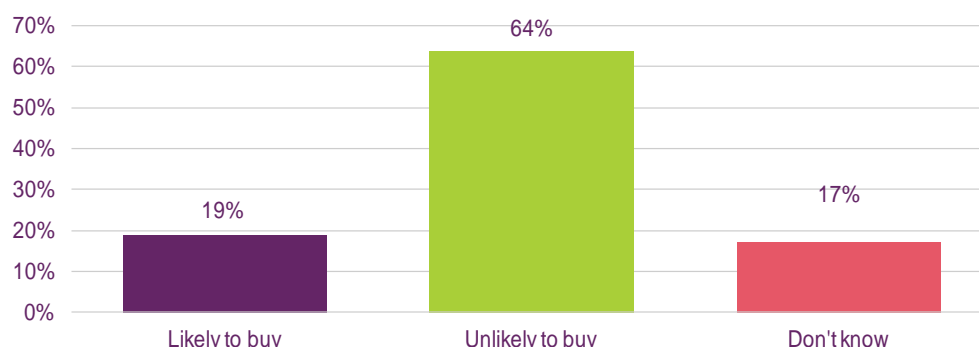
Have you heard of the term 'DAB' digital radio?



Source: Ofcom research 2013

Figure 3.56 Likely to buy a DAB radio in the next 12 months

Percentage of respondents who listen to the radio but have no DAB set in the home



Source: Ofcom research, Q1 2013

Base: Those who listen to radio but have no DAB sets in the home (n=1798)

QP12: How likely is it that your household will get a DAB radio in the next 12 months?

3.3.5 Online music streaming services

On-demand music streaming services are more popular than online radio services

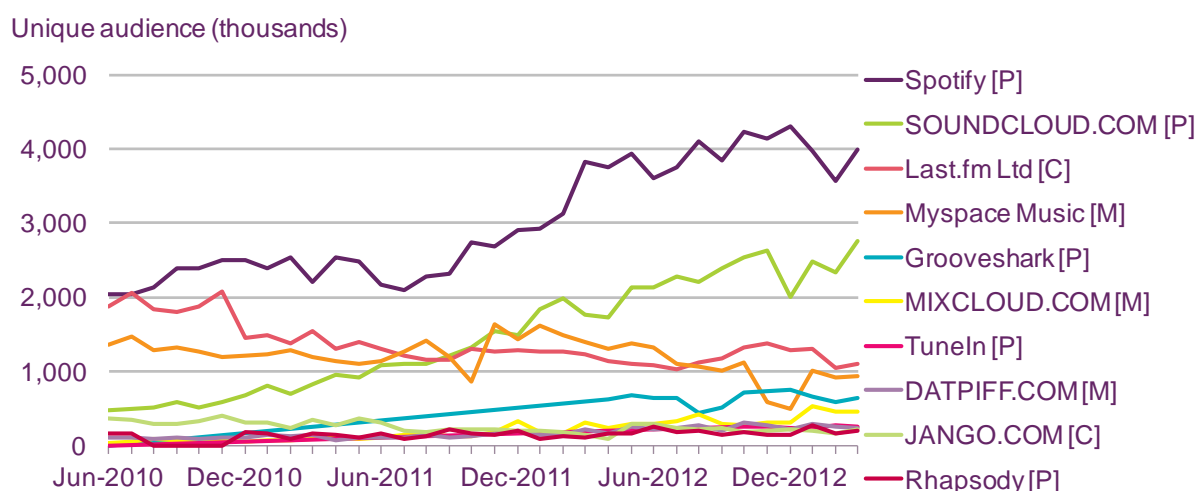
Online streaming services, which enable users to choose the tracks they listen to and the order in which they listen to them, have consistently higher audiences than services which provide traditional radio over the internet.

TuneIn, which aggregates streams of radio broadcasts from around the world, was visited by 261,000 users in March 2013; Radioplayer.com, which provides streams of commercial, community and BBC stations in the UK, was visited by 73,000 users over the same period. This compares to unique monthly audiences of around 4 million for Spotify, and the average weekly reach of broadcast radio in the UK of 46.9 million.⁶⁵

Spotify continues to have the highest unique audience in comparison to other online music and radio streaming services. (Figure 3.57) Although its unique audience has grown quickly over the past two years (an increase of 81.6%), year-on-year growth has been noticeably slower at 4.2%. Soundcloud has also increased its audience over this period, growing 55.5% year on year and more than doubling its audience over the past two years (233.3%). As Spotify and Soundcloud have grown in popularity, the music recommendation service Last.fm has seen its unique audience fall.

⁶⁵ RAJAR, all adults (15+), year to Q1 2013

Figure 3.57 Unique audiences of selected music streaming sites

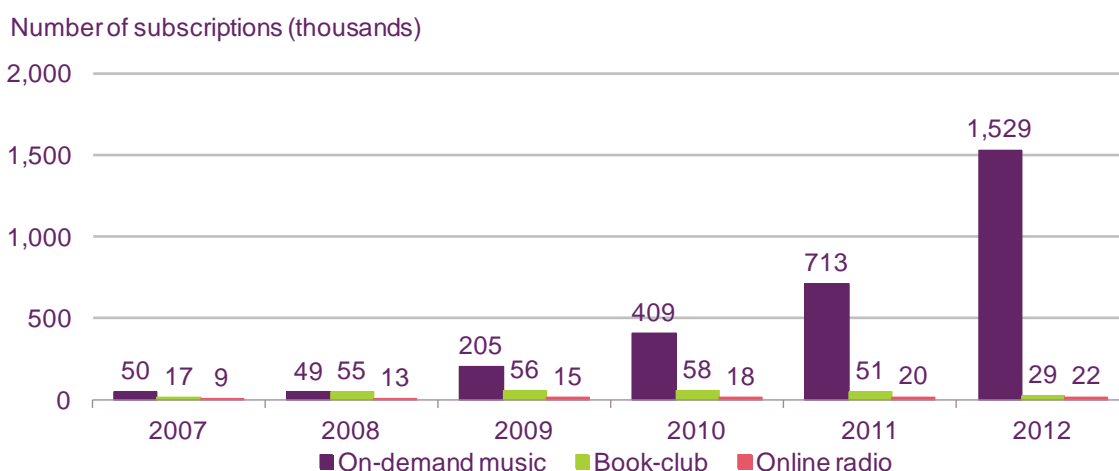


Source: comScore MMX, UK, home and work panel, March 2013

Note: For an explanation of [P], [M], [C] and 'unique audience' please see page 275

IHS Screen Digest estimates the number of subscribers to on-demand music streaming services to be 1.5 million. This is in stark contrast to the number of paid subscribers to online radio services (22,000). While the number of total subscriptions has grown quickly over the past five years, almost all of this growth has been down to on-demand music services.

Figure 3.58 Number of subscriptions to online music services: 2007-2012

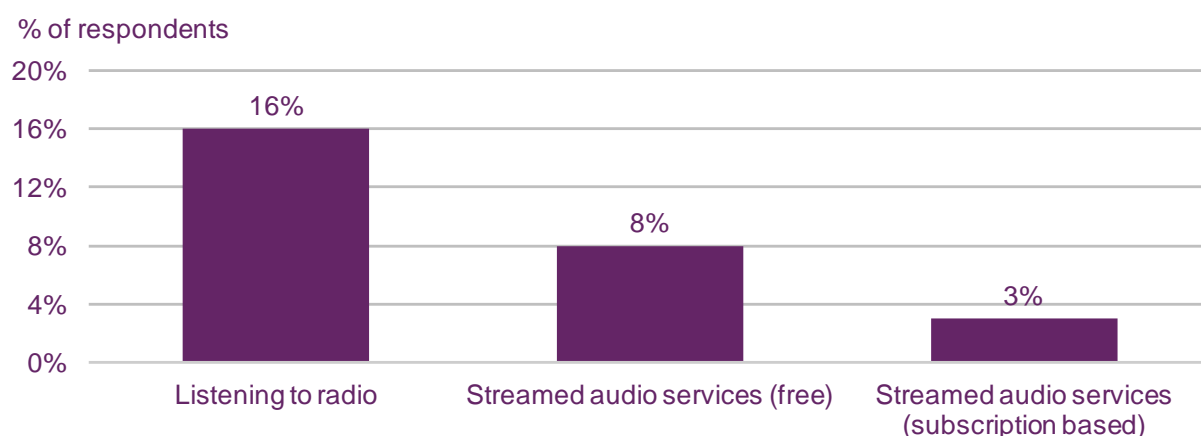


Source: IHS Screen Digest

One in six people use the internet to listen to radio

In terms of access to audio via the internet, streamed services represent a smaller proportion of use compared with radio listening. Sixteen per cent of those with access to the internet at home said they used the platform to listen to radio.

Figure 3.59 Audio internet use



Source: Ofcom research, Q1 2013

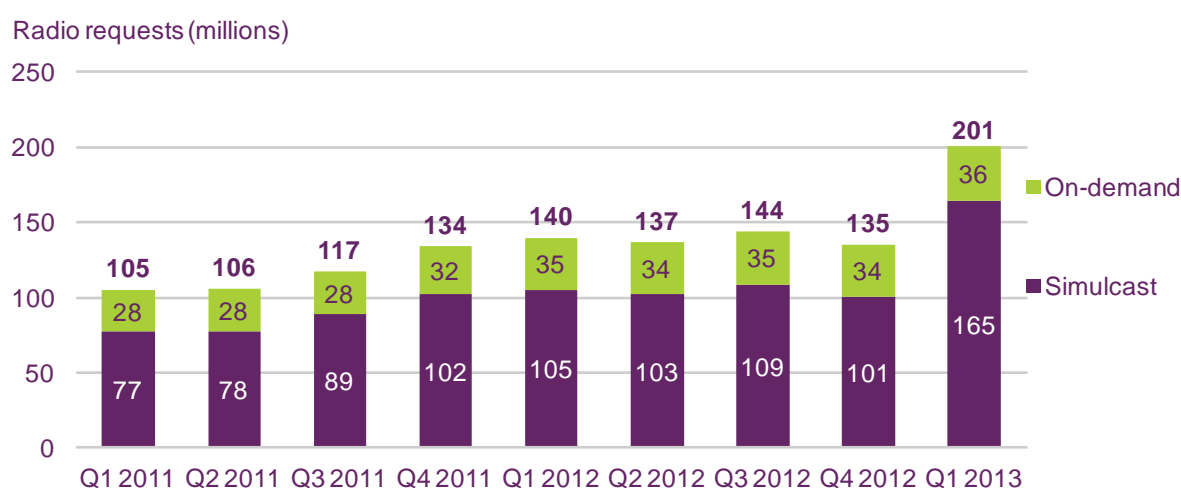
Base: Those with access to the internet at home (n= 2918) QE5A. Which, if any, of these do you use the internet for?

Two hundred million radio requests on BBC iPlayer radio: Q1 2013

Over the first quarter of 2013, 80% of the 201 million radio requests were for simulcasts of content, reflecting radio's attributes of being a live and immediate medium. On-demand or catch-up listening accounted for a fifth of radio requests. Around 50% of requests came from desktop or laptop computers, while 11% of requests were from mobile devices.

During the 18 months to December 2012 there was a problem with the collection of data relating to listeners who used the pop-out console for radio listening on computers. The BBC resolved this problem, resulting in an apparent spike (Figure 3.60) in the number of requests in Q1 2013.

Figure 3.60 BBC iPlayer quarterly radio requests



Source: Ofcom calculations based on BBC iStats

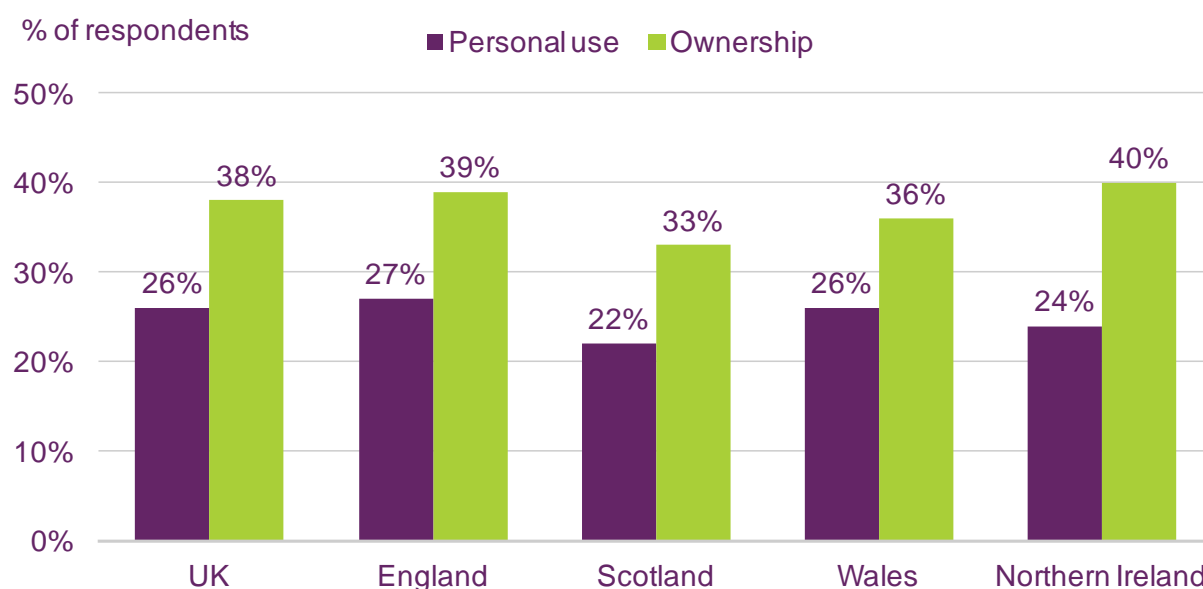
Note: A change in methodology means that Q1 2013 is not comparable to previous data.

More people own MP3 players than actually use them

This year, we looked at the levels of ownership and use of MP3 players around the UK. Northern Ireland has the greatest level of ownership of MP3 players, at 40%, but a much

lower level of use, at 24%. This is marginally ahead of Scotland at 22%, while England and Wales have the highest levels of use, at 26%.

Figure 3.61 MP3 player/ iPod ownership and personal use



Source: Ofcom research, Q1 2013

Base: All adults aged 16+ (n = 3750 UK, 2250 England, 501 Scotland, 492 Wales, 507 Northern Ireland) QB1: Which of the following do you, or does anyone in your household, have in your home at the moment? QB2: Do you personally use: MP3 player/ iPod?



The Communications Market 2013

4 Internet and web-based content

Contents

4.1 Key market developments in internet and web-based content	259
4.1.1 Introduction	259
4.1.2 The continued rise of the mobile internet	260
4.1.3 Mobile internet advertising drives digital advertising growth	264
4.2 Internet and devices	271
4.2.1 Introduction	271
4.2.2 Internet take-up, by platform	272
4.2.3 Internet take-up	273
4.2.4 Time spent online	276
4.2.5 Take-up of internet-enabled devices	277
4.2.6 Use of internet-enabled devices	282
4.2.7 Digital inclusion	285
4.3 Web-based content	289
4.3.1 Introduction	289
4.3.2 Overview	290
4.3.3 Search	293
4.3.4 Social networking	296
4.3.5 Online video	300
4.3.6 Online retail	301
4.3.7 Online news	306

4.1 Key market developments in internet and web-based content

4.1.1 Introduction

Figure 4.1 UK internet and web-based content market: key statistics

UK internet and web-based content market	2008	2009	2010	2011	2012	2013
¹ Internet take-up (%)	67	73	75	77	79	80
¹ Internet on mobile-phone take-up (%)	n/a	20	21	32	39	49
² Monthly active audience on laptop/desktop computers	35.0m	38.6m	43.1m	42.2m	43.6m	n/a
² Time spent web browsing per laptop/desktop internet user per month (hours)	30.1	29.4	30.9	31.5	34.7	n/a
³ Internet advertising expenditure (£)	3.4bn	3.5bn	4.1bn	4.8bn	5.4bn	n/a
³ Mobile advertising revenue (£)	29m	38m	83m	203m	526m	n/a

Source: ¹Ofcom consumer research, Q1 each year, ²comScore MMX, UK, annual average from reported monthly values; ³Internet Advertising Bureau/PwC.

Note: Change in comScore methodology effects values from February 2011 onwards.

The internet is at the heart of how many people communicate, find information and seek entertainment. And more and more devices are becoming internet-enabled. As a result it is becoming increasingly difficult to separate the use of internet services from conventional television, radio and voice communication services – they can all be provided by the same device.

The internet allows existing forms of content, such as TV-like programming and radio, to be consumed in new ways (for example: on demand, or interactively). Other chapters in this report consider content delivered via the internet in the context of television and other audio-visual content (section 2) and radio and audio content (chapter 3.3.5).

The internet has also allowed new internet-only content types, and new ways of communication, to emerge: social networking sites, user-generated content, and online shopping services. This section of the report considers how these are transforming the ways in which people communicate and seek information and entertainment.

This chapter is split into three sub-sections:

In the first section, **key market developments**, we examine two themes which are central to the transformative effect of the internet on consumer behaviour and industry structures.

- **The continued rise of the mobile internet.** Take-up of the mobile internet has risen to 49%, and more than half of UK adults own a smartphone. We examine how take-up has changed by demographic over time, and which websites are most popular on the mobile web.
- **Mobile internet advertising drives digital advertising growth.** Digital advertising spend grew to £5.4bn in 2012, up £623m on 2011. More than half of this growth can be attributed to mobile advertising, which grew by 148%. We look at the growth of different digital advertising sectors and examine the profile of those who recall mobile advertising.

The second sub-section looks at the **internet and the devices** used to access it. We explore internet access in detail; from delivery platform, through the devices used, to the user. We examine how access has changed over time, how it differs between different groups in society, and why some groups do not use the internet at all.

Finally, we provide an overview of the **consumption of web-based content** in which we examine:

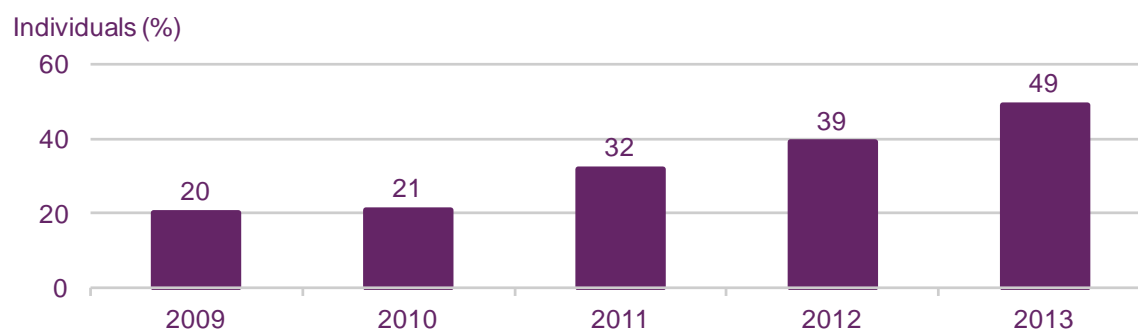
- the most popular online services and websites; and
- consumer behaviours unique to the internet, such as social networking and online shopping.
- the different consumption patterns between laptop/desktop computer users and mobile users.

4.1.2 The continued rise of the mobile internet

Half of all UK adults now access the internet on their mobile phone

The proportion of UK adults who use their mobile phone to access the internet rose to 49% in Q1 2013, a ten percentage point increase on Q1 2012. Take-up of the mobile internet has risen consistently since 2010, when just a fifth of UK adults used their handset to access the internet.

Figure 4.2 Take-up of mobile phone internet access



Source: Ofcom research, data as at Q1 of each year

Base: All adults aged 16+

The mobile internet

We define the mobile internet as that which a mobile internet user experiences through their mobile phone. This can be through the mobile phone's browser or through a mobile application ('app'). In this report we measure the mobile internet in two ways: by analysing web-page metrics from comScore GSMA MMM, and through consumer research by Ofcom and from comScore MobiLens. The two comScore sources capture two different aspects of the mobile internet.

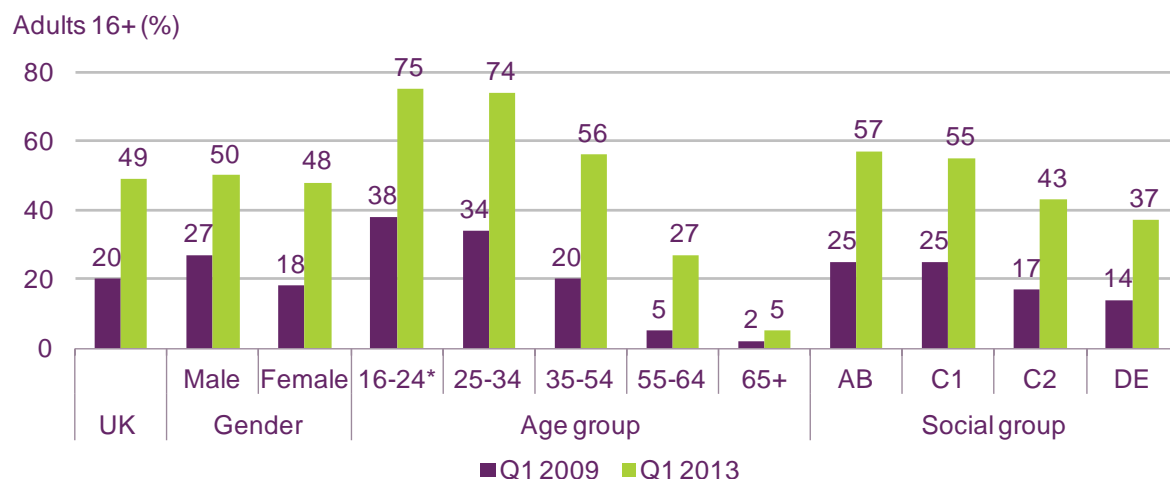
We use comScore GSMA MMM to provide data on visits to websites using the mobile browser, when mobile users are connected to the internet through their cellular connection. Since we use GSMA MMM to capture only mobile browser traffic, the data exclude mobile internet consumption through mobile apps.

comScore MobiLens provides data on mobile users' mobile ownership, behaviours and brand use. As MobiLens is survey based, it relies on consumers' recall of mobile activity, and does not distinguish between mobile internet activity through cellular and through WiFi connections. We use MobiLens to identify mobile consumer behaviour and to understand brand reach, both through the mobile browser and through mobile apps.

Mobile internet access has increased five-fold among those aged 55-64 in four years

Mobile internet access grew by 145% in the UK between Q1 2009 and Q1 2013. However, growth across gender, age and social groups has not been consistent, and the mobile internet users of 2013 are a different mix of people than they were four years ago. In 2009, accessing the internet on a mobile phone was an activity most common among men (27%), those aged 16-24 (38%), and the AB and C1 social groups (25%). While this remains the case for these ages and social groups in 2013, mobile internet access among women (48%) is now on a par with men (50%) and growth among older age groups, and the C2 and DE social groups, is greater than the UK average. The largest rise in mobile internet take-up has been among those aged 25-34, up 40 percentage points from Q1 2009 to Q1 2013, but the fastest growth was among those aged 55-64, growing more than five-fold in four years.

Figure 4.3 Mobile internet users by gender, age, and social group: 2009 vs. 2013



Source: Ofcom consumer research Q1 2009 and Q1 2013

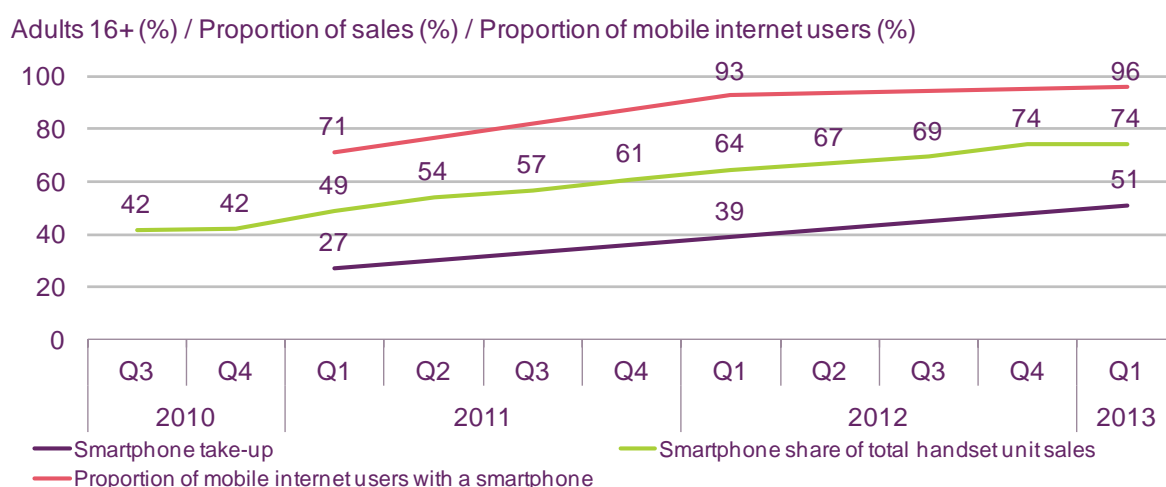
Base: All adults aged 16+, Q1 2009 n=5273, Q1 2013 n=3750

Note: *15-24 for Q1 2009 data

Almost all mobile internet users own a smartphone, compared to 51% of all UK adults

A likely driver of mobile internet access is the take-up of smartphones. Larger screens, optimised browser software, 3G connections, and the ability to run applications that connect to the internet are features of smartphones that make using the internet on a phone easier, and may have encouraged take-up. In recent years smartphones have been the most popular type of handset sold, rising to almost three-quarters (74%) of the handsets sold in Q1 2013, up from half (49%) in Q1 2011. During this time, smartphone take-up grew in line with mobile internet access, and stood at 51% in Q1 2013. Furthermore, ownership of smartphones has increased among mobile internet users, and has grown from 71% of mobile internet users to 96% over the same period.

Figure 4.4 Smartphones: take-up, share of handset sales and mobile internet use



Source: GfK / Ofcom Consumer Research

The top ten mobile internet properties⁶⁶ overlap greatly with the top ten laptop and desktop internet properties

Figure 4.5 lists the most popular internet properties among mobile internet users and laptop and desktop internet users, by unique audience⁶⁷. Google Sites had the highest unique audience of 17.1 million among mobile internet users in April 2013.

There is a high degree of overlap between the top ten internet properties visited on the mobile internet and the top ten properties visited by laptop and desktop internet users. The internet properties of mobile network operators O2 (Terra–Telefonica) and Vodafone (Vodafone Group) are the only two properties that appear in the mobile internet top ten, with unique audiences of 3.9 million and 3.0 million respectively. Subscriber information, and services that customers access through their mobile browser, and mobile browser homepages which default to an operator's website, are factors likely to increase the audience of these internet properties.

The data in Figure 4.5 do not include consumers who have accessed services offered by an internet property through mobile applications; instead, the mobile unique audience of an

⁶⁶ Properties represent all full domains (i.e. felmont.com), pages (i.e. sports.felmont.com/tennis), applications or online services under common ownership or majority ownership for a single legal entity. A property is the highest level in comScore's Client Focussed Dictionary. See p. 20 for further explanation of the comScore dictionary.

⁶⁷ We define unique audience as the total number of unique persons who visited a website or used an application at least once in a given month. See p. 20 for further details of webpage metrics.

internet property only includes visits made through the mobile browser. This is an important consideration when assessing the popularity of internet services where a mobile app is the principal means of interaction. For example, Ofcom consumer research claims that 23% of smartphone users tweet using Twitter⁶⁸, while comScore data shows that the active reach of Twitter.com for mobile internet users is only 3.9%⁶⁹. Twitter has applications available for all of the most popular smartphone operating systems; therefore it is likely that most Twitter users access the service through a mobile app and not via the browser.

Finally, we use comScore's GSMA MMM source to measure the mobile unique audience of internet properties when the user accesses the internet only through their operator's network (i.e. their 2G, 3G or 4G signal). Visits to websites from a mobile which is connected to the internet through a WiFi connection are excluded. This is important when assessing the popularity of websites which mobile users prefer to access over WiFi (perhaps to avoid using their mobile data allowance, or for faster speeds) such as video streaming sites.

Figure 4.5 Top ten internet properties accessed by mobile, and by laptop/desktop users

Mobile audience		Desktop and laptop audience	
Google Sites	17.1m	Google Sites	40.0m
Facebook	9.1m	Microsoft Sites	33.2m
BBC Sites	6.5m	Facebook	30.2m
Yahoo! Sites	5.6m	Yahoo! Sites	24.9m
Wikimedia Foundation Sites	5.4m	Amazon Sites	24.5m
Amazon Sites	4.5m	BBC Sites	23.6m
Terra – Telefonica	3.9m	eBay	22.5m
Glam Media	3.9m	Wikimedia Foundation Sites	21.4m
Microsoft Sites	3.4m	Glam Media	20.8m
Vodafone Group	3.0m	Apple Inc.	17.0m

Source: comScore GSMA MMM, UK, browser access only, on network, April 2013; comScore MMX, UK, home and work panel, April 2013

Mobile-only unique audience share is highest among mobile network operators

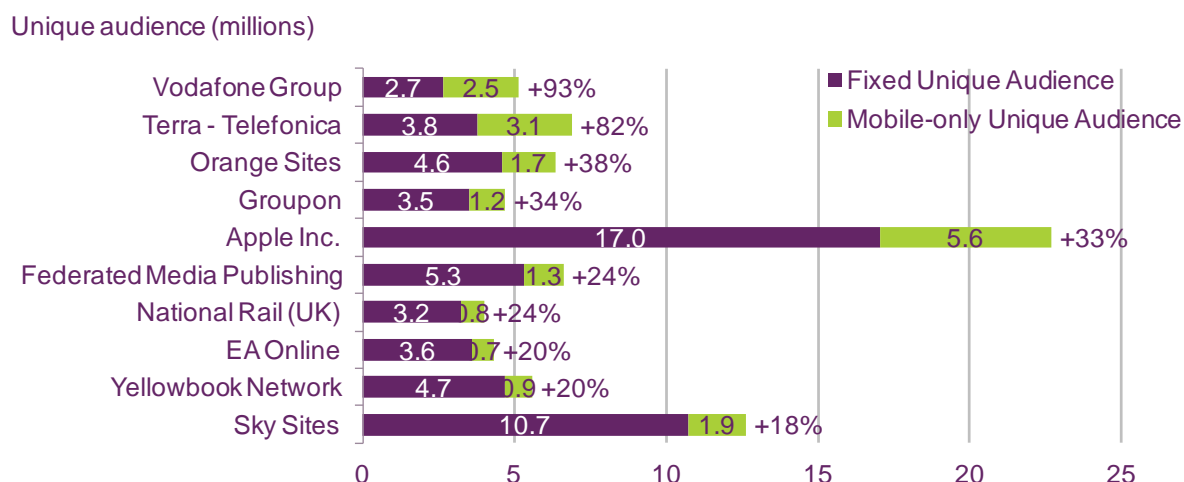
In April 2013, the unique audience of Vodafone's internet property (Vodafone Group) reached 93% more unique users through mobile, the largest proportional increase among the top 100 internet properties. Other mobile network operators O2 (Terra–Telefonica) and Orange had the second and third largest increases respectively. As above, services offered to mobile subscribers – such as checking bank balance or monthly spend, are delivered to consumers through mobile browsers which is likely to increase the proportion of mobile-only visitors to these internet properties.

Figure 4.6 also indicates other activities which are popular with mobile-only audiences: checking train times (National Rail UK); mobile gaming (EA Online); and catching up on the latest sports news (Sky Sites – the Sky Sports website is particularly popular among mobile users).

⁶⁸ Source: Kantar face-to-face omnibus, 05/04/13 - 09/04/13 (2,092). Base: All who use a smartphone (967)

⁶⁹ comScore GSMA MMM, browser access only, on network, April 2013

Figure 4.6 Internet properties with the greatest proportional increase in total unique audience through mobile



Source: comScore MMX Multi-Platform, UK, April 2013

Please note MMX Multi-Platform includes laptop/desktop browsing, laptop/desktop video streams and, on-network mobile browsing use.

4.1.3 Mobile internet advertising drives digital advertising growth

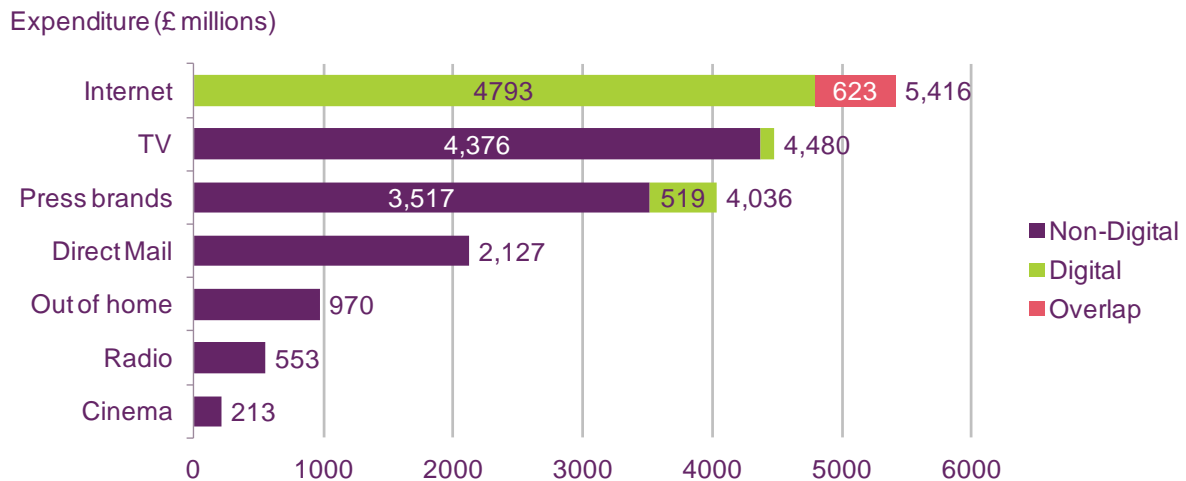
Digital advertising exceeds £5.4bn in 2012

In 2012, spend⁷⁰ on digital advertising was just over £5.4bn, up 13.3% on 2011, of which £4.8bn was spent with internet-only advertising channels, up 13.0% on 2011. The remaining £623m of digital advertising expenditure was spent with advertising channels who advertise both offline and online, split between broadcaster video-on-demand spend (£104m) and online spend by press brands (£519m).

Advertising spend for video on demand was the fastest-growing digital advertising platform, up 73.3% on 2011, followed by national news brands, up 29.3%. Growth in digital adspend on regional news brands and magazine brands remained broadly static at 1.4% and 1.5% respectively, while non-digital adspend declined across all press brands.

⁷⁰ Advertising spend, adspend, expenditure and revenue are equivalent and used interchangeably in this chapter. These terms of reference do not include advertising production costs.

Figure 4.7 UK advertising expenditure: 2012



Source: AA/Warc Advertising Expenditure Report 2013, <http://expenditurereport.warc.com/>

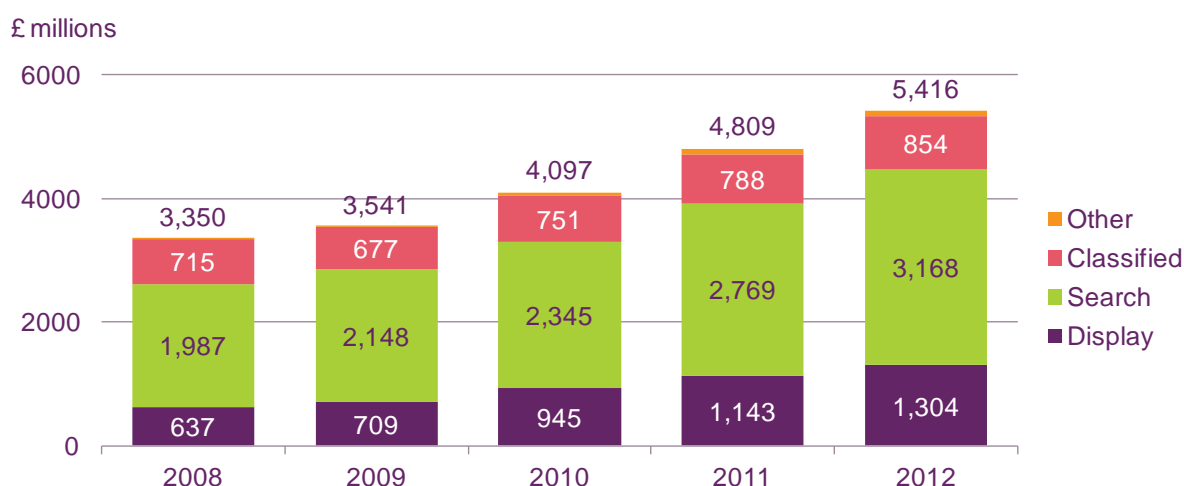
Note: Press brands is a consolidation of magazine brands and national and regional newsbrands. Digital TV spend is broadcaster video on demand revenue. Overlap is the sum of digital spend across other sectors. To arrive at the total UK adspend of £17,172m, add the end of bar totals and deduct the overlap.

Growth of digital advertising is mostly in search and display formats

Search advertising (£3.2bn) remained the largest source of digital adspend in 2012 with more than half of digital revenues, followed by display (£1.3bn) and classified (£854m). On a like-for-like basis, growth in search advertising was greatest, up 14.5% on 2011, compared to display advertising which grew marginally less, up 12.4%, and classified revenues which grew by 6.3%.

Search advertising revenues are generated by adverts placed against specific keywords that internet users search for on search engines such as Google, Yahoo! and Bing (see section 4.3.3 for more on search). Search advertising is unique to the internet and allows advertisers to target users with specific interests. By contrast, digital display advertising is very similar to display advertising in the press and elsewhere, except that adverts are placed as banners on web pages rather than newspaper pages. Digital classified adverts are also very similar to their print counterparts, being placed mainly by individuals buying or selling items on websites such as Gumtree or Autotrader.com. Other digital advertising revenue is generated from emails, online audio, lead generation and search affiliate advertising.

Figure 4.8 Digital advertising expenditure by type: 2008-2012



Source: IAB / PwC Digital Adspend 2008 – 2012

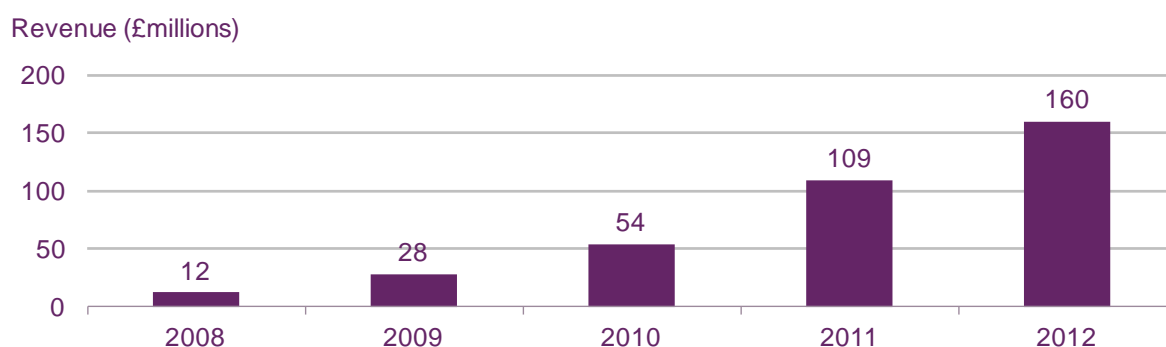
The digital landscape is expanding: the proliferation of internet-connected devices (see section 4.2.5) is providing new opportunities for media owners to generate search and display advertising revenue from their digital assets. Digital video advertising has benefited from the spread of video-on-demand services across platforms (see section 2.1.4), while mobile advertising now has the potential to reach half of all UK adults⁷¹ (see section 4.1.2). Both of these categories of advertising are discussed below.

Digital video advertising growth slows, but increases digital display share

Online video advertising can take one of two forms. The first is similar to display advertising on websites, but in the form of an audio-visual advert rather than a static image or series of animated images. The second is similar to traditional spot television advertising, where adverts are shown either before, after, or mid-way through an online video.

Digital video advertising revenues grew from £109m to £160m in 2012, a like-for-like growth of 46%. In the past four years revenues have grown more than 13-fold, from £12m in 2008; however, growth appears to be slowing after three years of doubling revenues. Nevertheless, in comparison to the rest of the digital display market, digital video advertising represents a growing proportion of digital display revenue, making up 12% of spend in 2012, up from 10% in 2011.

Figure 4.9 Video display advertising revenue: 2008-2012



Source: IAB / PwC Digital Adspend 2008 – 2012

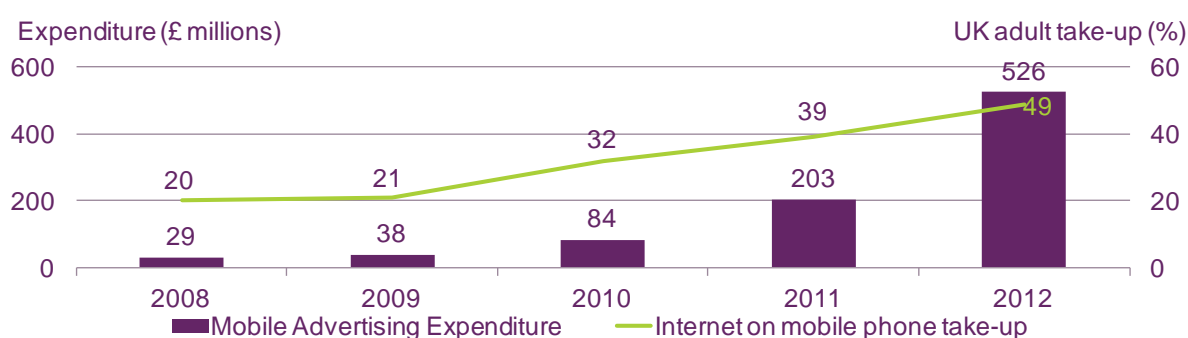
⁷¹ Mobile SMS advertising has been able to reach more than half of the UK adults since Q2 2000, although this made up only 1.7% of mobile advertising spend in 2012.

Mobile advertising grew £323m in 2012 – more than half of digital advertising growth

Mobile advertising expenditure rose to £526m in 2012, growing like-for-like 148% from £203m in 2011. The absolute increase of £323m accounted for more than half (53%) of the 2012 increase in total digital adspend.

It is likely that advertisers have sought to invest in mobile advertising as the audience and capabilities of the mobile internet have increased. Figure 4.10 illustrates how mobile advertising spend has risen, as more and more consumers have become mobile internet users. Mobile advertising in 2012 accounted for just less than a tenth (9.7%) of total digital advertising spend, up from just 1.1% three years ago.

Figure 4.10 Mobile advertising expenditure and mobile internet take-up



Source: IAB / PwC Digital Adspend 2008 – 2012; Ofcom consumer research.

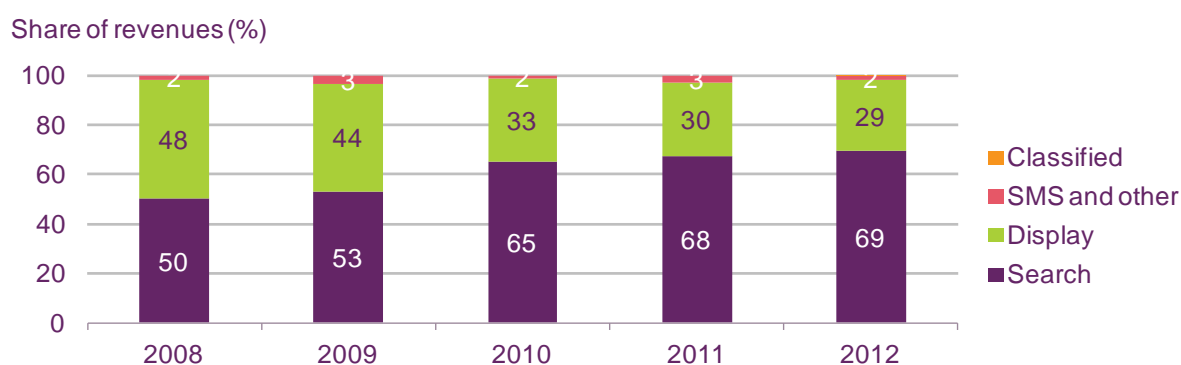
Note: Take-up figures are from Q1 of the following year.

Search advertising is the strongest format on mobile

Mobile search ad spend grew like-for-like by 164% to £365m in 2012, increasing its share of mobile advertising spend to 69% versus display advertising (29%). Mobile display advertising grew like-for-like by 121% to £150m, helped in part by the 16-fold increase in mobile video advertising revenues, which grew from £0.8m to £13m in 2012.

Two advertising formats unique to mobile advertising are SMS and MMS adverts. Adverts sent by SMS or MMS are compatible with a large number of handsets and are charged by advertisers in a 'cost per click' fashion, or by the number of impressions. SMS and MMS messages are also used in location-based advertising and pushed to consumers when they enter a particular cell on the network. The share of SMS and other revenues declined from 3% to 1.7% in the same period, while mobile classified advertising gained a share for the first year (0.4%) in 2012.

Figure 4.11 Mobile advertising, by type: 2008-2012



Source: IAB / PwC Digital Adspend 2008 – 2012

Mobile video advertising increases from £0.8m to £13m in 2012

In 2012, 60% of mobile display advertising revenue was generated from mobile applications. Revenues from apps are distinct from the wider digital display advertising market because space for display advertising is hard-coded into a mobile application, while browser advertising is delivered alongside a website's content.

Mobile display advertising can be segmented further still. Figure 4.12 shows that the majority of display advertising revenue in 2012 was generated by display banners and text link advertising (88%). Mobile video display advertising made up almost a tenth (9%) of mobile display advertising spend (£13m, up from £0.8m in 2011). Mobile video display advertising is similar to its laptop and desktop computer counterpart and was the fastest growing type of mobile display advertising in 2012. The remaining revenues were split between tenancy⁷² revenues (0.6%), content sponsorship (1.2%) and other display formats (1.8%).

Figure 4.12 Mobile display advertising revenues, by type and location: 2010 – 2012



Source: IAB / PwC Digital Adspend 2008 – 2012

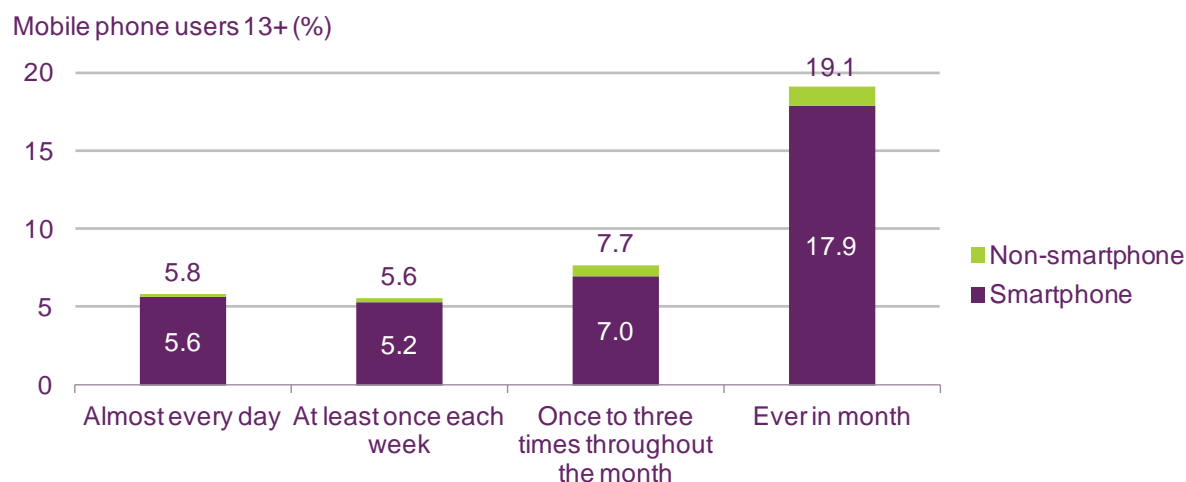
One in five mobile phone users claim to remember seeing mobile advertising 'ever' in a month

More than one in twenty (5.8%) mobile phone users claimed to recall⁷³ mobile advertising almost every day in the three months to March 2013. A similar proportion (5.6%) claimed to remember seeing advertising at least once a week, while overall almost one in five (19.1%) claimed to do so 'ever' in a month. At all frequencies of recall, non-smartphone owners made up less than 10% of mobile phone users.

⁷² Tenancy deals are typically long-term strategic partnerships between tenants (the advertiser) and media owners, which often include revenue share agreements. For example, the dating section of Yahoo! UK's homepage includes what appears to be a long-term advertising deal from Match.com.

⁷³ Advertising recall is a measure of whether an individual recalled whether there was advertising. It does not require the individual to have recalled what was advertised.

Figure 4.13 Frequency with which mobile phone users recall seeing mobile advertising



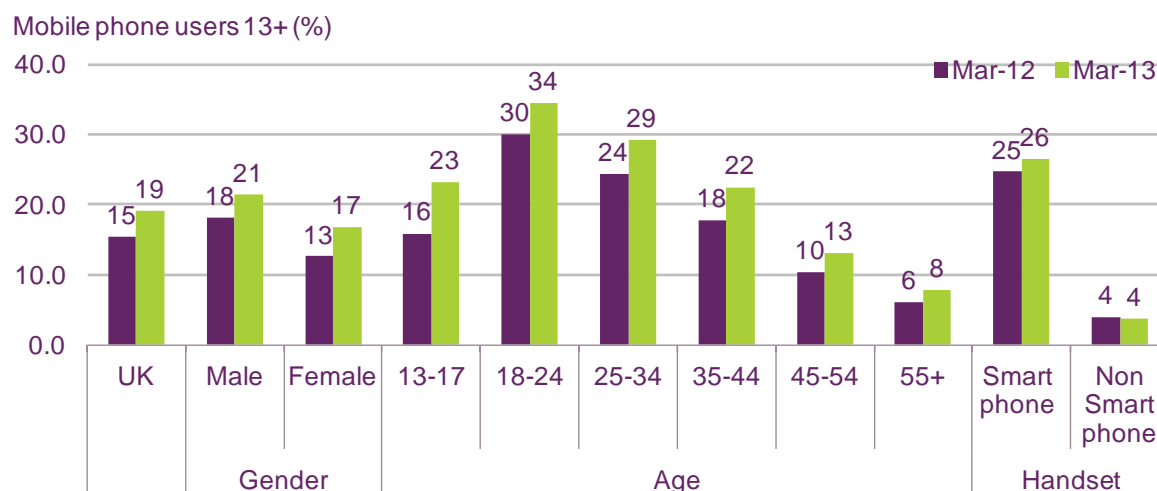
Source: comScore MobiLens, UK, 3 month average ending March 2013

Smartphone owners are six times more likely to recall mobile advertising than non-smartphone owners

Between the three months to March 2012 and the three months to March 2013, the proportion of mobile phone users who remembered seeing mobile advertising at least once during the month rose from 15% to 19% (Figure 4.14). This increase was reflected broadly across genders and age groups, with the largest rise occurring among those aged 13 to 17 and the smallest among those aged 55 or older.

However, among smartphone owners, the proportion who recalled mobile advertising increased only marginally, by one percentage point to 26%; while levels of recall were static at 4% between years among non-smartphone owners. Given that rates of advertising recall were more than six times greater among smartphone owners than non-smartphone owners, it is likely that the broad increase in recall across age and gender is in part a reflection of the rising take-up of smartphones during this period (see Figure 4.4).

Figure 4.14 Gender, age and handset of those who recall mobile advertising



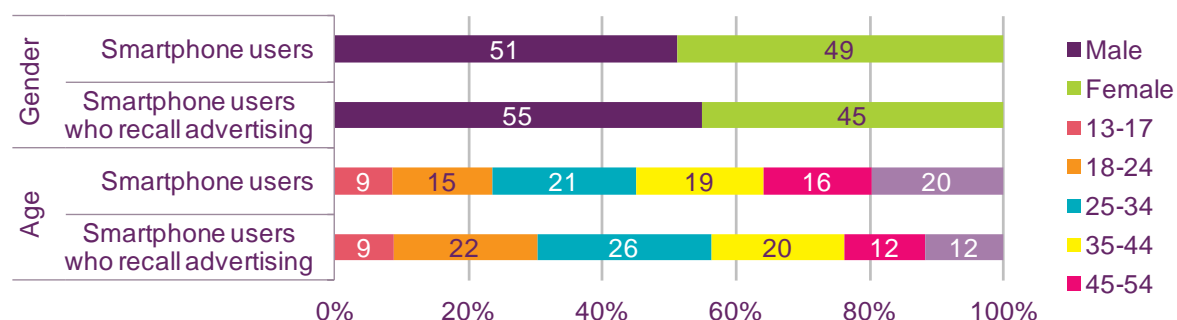
Source: comScore MobiLens, UK, 3 month average ending March 2012 and March 2013

Those who recall mobile advertising are more likely to be young and male.

Compared to all smartphone owners, those who recalled mobile advertising at least once in a month were more like to be male and of younger age groups (Figure 4.14). Fifty-five per cent of the smartphone users who recalled advertising were male, compared to 51% of the smartphone population overall. The majority (57%) of smartphone users who recalled mobile advertising were under the age of 35, although under-35s make up a minority (45%) of all smartphone owners.

Figure 4.15 Profile of smartphone users who recall mobile advertising

Smartphone users 13+ (%)



Source: comScore MobiLens, UK, 3 month average ending March 2013

4.2 Internet and devices

4.2.1 Introduction

As internet take-up has risen in the past decade, so has the number of devices which use it to communicate and deliver content. Internet-enabled devices greatly determine the consumer experience and the range of content, communications and services accessed on the internet. In this section we examine the popularity of these devices after considering internet access as a whole.

- Section 4.2.2 considers the **platforms consumers use to access the internet**, both fixed and mobile.
- Section 4.2.3 explores **internet take-up** and how this varies by age, gender and socio-economic group.
- Section 4.2.4 looks at the length of **time spent online** on laptop and desktop computers by UK internet users.
- Section 4.2.5 examines the **take-up of internet-enabled devices** and how this varies by age and social-economic group.
- Section 4.2.6 looks at **the use of, and preferences for, internet-enabled devices** by those who own them.
- Section 4.2.7 considers those consumers who are not online, and looks at factors affecting **digital inclusion**.

Key findings

The key findings from this section of the report are:

- **Eight in ten households have home internet access.** Household internet access rose to 80% in Q1 2013, just one percentage point higher than in Q1 2012, the slowest growth since internet take-up stalled in 2006. In contrast, mobile internet access rose ten percentage points to 49% of adults, the second fastest growth on record.
- **Those aged 65+ and those from DE households still lag behind the UK average on internet take-up.** Internet access in Q1 2013 was lowest among those aged 65-74 and 75+, at 56% and 31% respectively, and those in DE households at 65%.
- **Laptop and desktop internet users spend at least 35 hours online each month.** The average time spent browsing webpages on a laptop or desktop computer was 35.4 hours per month per internet user in April 2013, up 3.6% on April 2012. The equivalent time on a mobile phone was 5.2 hours per month, up 9.4% in the same period.
- **The average UK household owns three different types of internet-enabled device**, and 86% have at least one. Laptop computers, smartphones and fixed games consoles are the most likely devices to be adopted in an average household.
- **More than 30% of webpage traffic came from mobile phones and tablets in February 2013.** The proportion of page views from desktop and laptop computers

declined by 20 percentage points to 69% in the 11 months to February 2013. In the same period the proportion of webpage views from mobile phones almost tripled, and the proportion from tablets doubled, to 23% and 8% respectively.

- **Three in four offline households don't intend to get an internet connection.** Of the 20% of UK households who do not have access to the internet, the majority (14%) do not intend to get connected, while only 3% of respondents said they were likely to get an internet connection at home in the next 12 months.

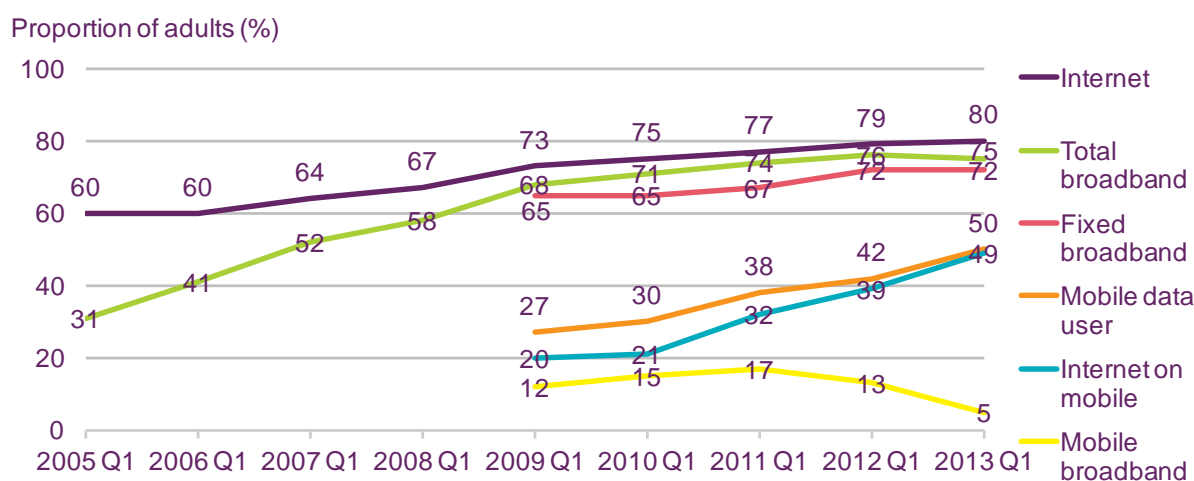
4.2.2 Internet take-up, by platform

Eight in ten households have home internet access

Household internet access rose to 80% in Q1 2013, just one percentage point higher than in Q1 2012, the slowest growth since internet take-up stalled in 2006. In contrast, mobile internet access rose ten percentage points to 49% of adults, the second fastest growth on record. For more on the rise of the mobile internet see Section 4.1.2.

Fixed broadband remained at 72% of households in Q1 2013, while the decline of mobile broadband through a dongle or built-in connection accelerated, falling by eight percentage points to just 5% of households in the UK. Total broadband access was sustained at 75%; the one percentage point drop was not statistically significant. For more on how consumers connect to the internet see section 5.3.

Figure 4.16 Household internet access: 2005-2013



Source: Ofcom technology tracker, Q1 2013. Base: All adults aged 16+ (n=3750).

Note 1: 'Internet on mobile' is the % of adults who use a mobile phone for any of the following activities: Instant messaging, downloading apps or programs, email, internet access, downloading video, video streaming, visiting social networking sites.

Note 2: From Q1 2009 the 'internet' figure includes those who access the internet on mobile phones. QE2: Do you or does anyone in your household have access to the internet/world wide web at home (via any device, e.g. PC, mobile phone etc)? / QE6: Which of these methods does your household use to connect to the internet at home?

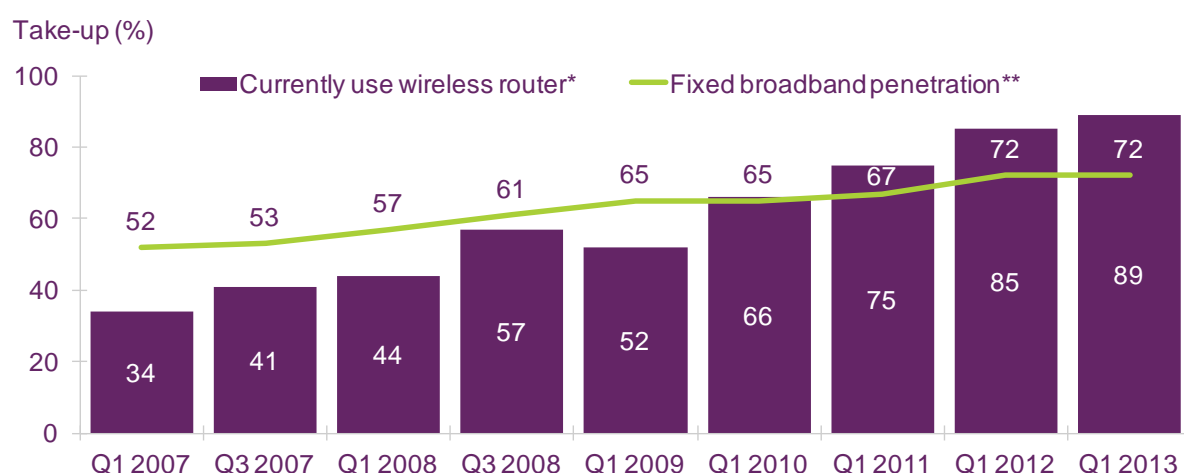
Wireless router adoption continues to grow despite flat fixed broadband take-up

Despite flat take-up of fixed broadband among UK households between Q1 2012 and Q1 2013, the proportion of fixed broadband connected homes using a wireless router continues to increase. Almost nine in ten households (89%) with a fixed broadband connection have a wireless router, up five percentage points on Q1 2012.

A wireless router, or WiFi router, enables a household to share its internet connection over a wireless local area network with devices that have a WiFi adapter or an embedded wireless module. WiFi adapters are typically external USB dongles or internal peripheral component interconnect (PCI) cards used for desktop computers, or other internet-enabled devices such as games consoles and smart TVs. Embedded WiFi modules are typically found in portable internet-enabled devices such as laptops, netbooks, smartphones, portable games consoles, tablets and e-readers, but they are also becoming more prevalent in fixed devices such as television set-top boxes, smart TVs, and fixed games consoles.

Internet service providers typically include a bundled WiFi router in their broadband service package; this is likely to have driven take-up of WiFi routers in homes. As highlighted above, a number of devices that were not widely available five years ago (e.g. netbooks, smartphones, and tablets) can be connected to the internet over WiFi. Section 4.2.5 describes the take-up of these devices.

Figure 4.17 Wireless router and broadband take-up: 2007 to 2013



Source: Ofcom research, Q1 2013

Base: Wireless router take-up - adults aged 16+ with a broadband connection at home (* from 2009 this is based on fixed broadband connections only). Fixed broadband penetration based on all adults aged 16+ (** prior to 2009 this is total broadband penetration).

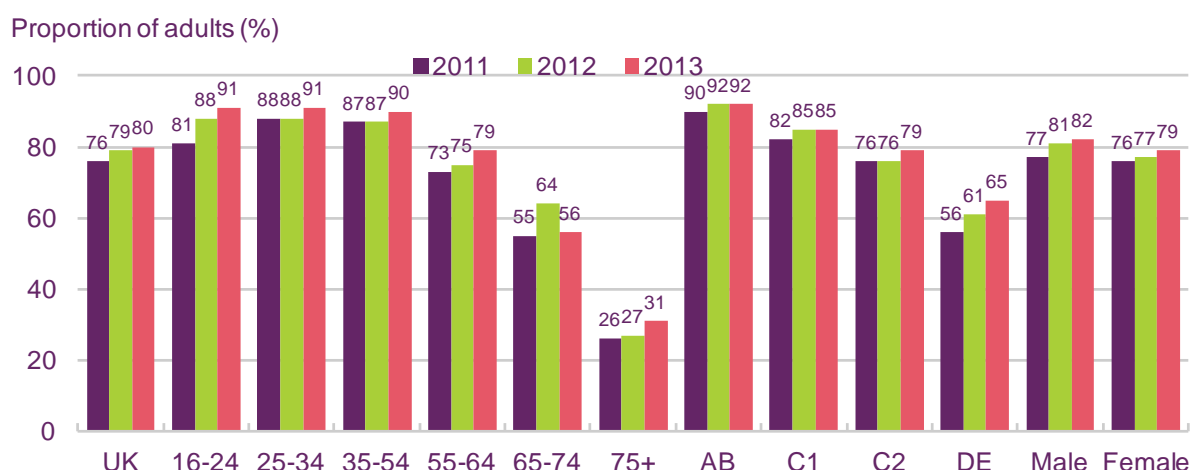
4.2.3 Internet take-up

Those aged 65+ and those from DE households still lag behind the UK average on internet take-up

Internet access among UK adults stood at 80% in Q1 2013, although take-up varied across age, gender and socio-economic group. The biggest differences were between the youngest and eldest age groups: 91% of those aged 16-24 and 25-34 had access to the internet while only 31% of those aged 75 and over had the same.

AB households were most likely to have access to the internet, with take-up at 92%, while adults from DE households were least likely to have access (65%). Differences between men and women were much smaller, with men slightly more likely than the UK average to have access (82%) and women slightly less (79%).

Figure 4.18 Home internet access by age, socio-economic group, and gender



QE2: Do you or does anyone in your household have access to the internet/ world wide web at home?

Source: Ofcom technology tracker, Q1 2013. Base: All adults 16+ (n = 3750 UK, 456 16-24, 620 25-34, 1230 35-54, 589 55-64, 467 65-74, 388 75+, 794 AB, 1073 C1, 773 C2, 1108 DE, 1792 male, 1958 female)

comScore

The UK Online Measurement Company (UKOM) was formed in 2009 with a mandate from the advertising industry to establish measurement standards for digital media. In 2011, comScore was appointed the sole data supplier for UKOM on a three-year contract from January 2013.

This chapter predominantly draws from four comScore sources. For analysis of laptop and desktop computer internet activity we use comScore MMX which employs comScore's Unified Digital Measurement methodology, explained below. For analysis of mobile internet activity we use comScore GSMA MMM, which is based on the records of internet activity captured by the mobile network operators (this analysis is limited to the caveats outlined for Figure 4.5). For analysis of internet activity across platforms we use comScore MMX Multi-Platform, which provides unduplicated metrics across laptop and desktop computers and mobile devices. Finally, mobile phone user behaviours are supplemented by consumer research comScore MobiLens (this is not part of the UKOM suite).

Methodology

comScore's Unified Digital Measurement (UDM) methodology combines panel and census measurement techniques of digital audience measurement. UDM uses comScore's UK measurement panel to determine audience reach and demographics. Census-level activity is captured from publishers' digital content, such as on websites, videos, and computer and mobile applications. comScore combines census-level data with that captured from the panel to help build a more accurate view of audiences and their consumption habits. This approach allows comScore to capture the most accurate consumption activity from publishers, and attribute this to audience demographics in a manner that is not affected by cookie deletion, blocking, and rejection.

Metrics

Throughout this report we shall make reference to a number of metrics as defined below:

Unique audience – the total number of unique persons who visited a website or used an application at least once in a given month. Persons visiting the same website more than once in the month are therefore counted only once in this measure.

Active audience – the total number of people who visited any website or used any internet connected application at least once in a given month.

Digital audience – the active audience across laptop/desktop computers and mobile phones.

Active reach – the unique audience of a website as a proportion of the active audience.

Digital reach – the active reach of a website across laptop/desktop computers and mobile phones.

Time spent per month – the average time spent browsing a website per unique visitor per month (excludes time spent watching online video and listening to streamed music, and for mobile audiences excludes any traffic over a home or public WiFi connection).

Dictionary

Each of the entities reported by comScore are attributed to a level in comScore's *Client Focused Dictionary*. Several entities can exist within one website (e.g. BBC Sport and BBC iPlayer) and comScore's dictionary defines how these entities are structured and related to each other. It is client-focused because comScore's clients define how their websites appear in reports according to this dictionary. This six-tiered dictionary structure is used by comScore MMX, MMX Multi-Platform, and GSMA MMM products, and we include a reference in square brackets in figures where appropriate.

Property [P] - *The highest level of reporting in the Client Focus structure, Properties represent all fFull Domains (i.e. felmont.com), Pages (i.e. sports.felmont.com/tennis), Applications or Online Services under common ownership or majority ownership of a single legal entity. A Property may also contain any digital media content that is not majority owned but has been legally signed over for reporting purposes by the majority owner.*

Media Title [M] - *A Media Title is an editorially and brand consistent collection of content in the digital landscape that provides the marketplace with a view of online user behaviour. This may represent a domain, a group of domains, online service or application.*

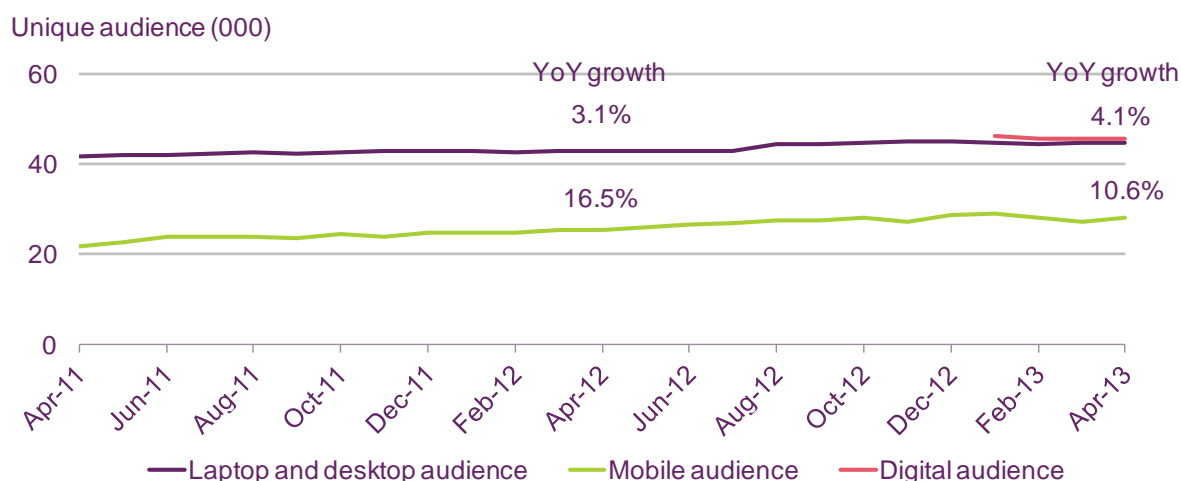
Channel [C], SubChannel [S], Group [G] and SubGroup [SG] - *Within a Media Title there may be grouped URLs of editorially consistent content that make up a Channel. For some of the largest Media Titles, Channels themselves may be broad, and Subchannels, Groups and Subgroups within the larger Channels may prove useful for categorisation within the comScore Dictionary.⁷⁴*

⁷⁴ "Glossary – Key Terms for comScore Dictionary", comScore.

Despite slowing, active audience growth on mobile is still 2.5 times as fast as laptop and desktop audience

In the year to April 2013, the active online population on laptop and desktop computers grew by 4.1%; from 42.8 million to 44.6 million unique users. In the same period the active online population on mobile phones has grown almost two and a half times as fast (10.6%) from 25.4 million to 28.1 million unique users. However, in the first four months of 2013 the digital audience, the measure of the active online populations on either laptop, desktop, or mobile devices, has remained steady at between 45.5 million and 46.0 million unique users.

Figure 4.19 Active internet audience on laptop, desktop, and mobile devices



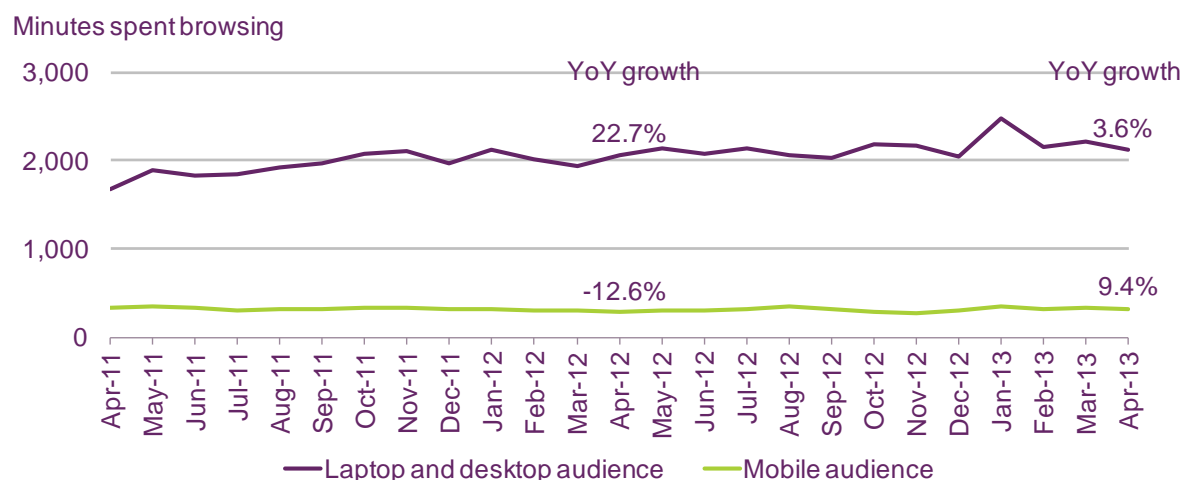
Source: comScore MMX, UK, home and work panel, April 2011 to April 2013; comScore MMX Multi-Platform, UK, home and work panel, January 2013 to April 2013; comScore GSMA MMM, UK, April 2011 to April 2013.

4.2.4 Time spent online

Laptop and desktop internet users spend at least 35 hours online each month

The average time spent browsing webpages on a laptop or desktop computer was 35.4 hours per month per internet user in April 2013, up 3.6% on April 2012. The equivalent time on a mobile phone was 5.2 hours per month, up 9.4% in the same period. However, it is likely that these averages underestimate the total time spent by internet users online. Both measures exclude time spent watching online video and listening to streamed music, while the time spent by the mobile audience browsing webpages excludes any traffic over a home or public WiFi connection.

Figure 4.20 Average time browsing per internet user across laptop, desktop and mobile



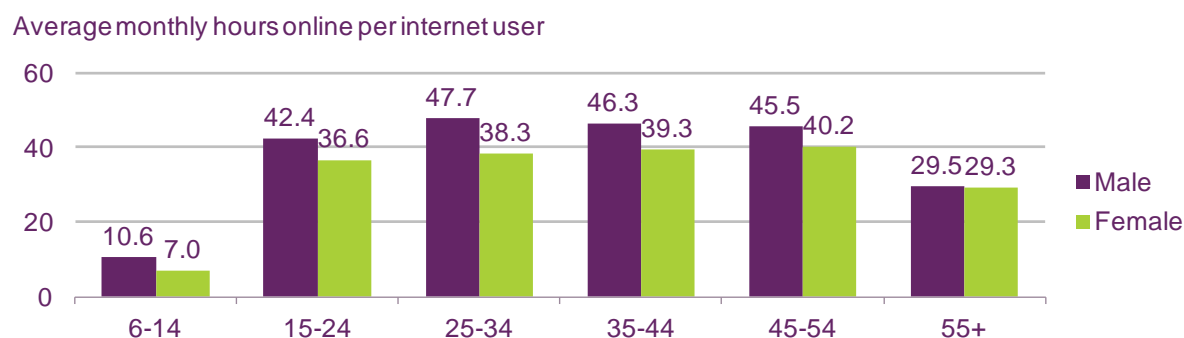
Source: comScore MMX, UK, home and work panel, April 2011 to April 2013; comScore GSMA MMM, UK, April 2011 to April 2013.

Note: Time spent online excludes time spent accessing other media such as audio or video content, and on mobile excludes time spent using mobile apps.

Men spend more time online than women across all age groups

Across all age groups, as shown in Figure 4.21, men spent more time online than women on a laptop or desktop computer. Men between the ages of 25 and 34 spent the most time online, averaging 47.7 hours per internet user per month in April 2013. The largest difference in time spent online was also between men and women in this age group. By contrast, women aged 45-54 spent the most time online of any female age group (40.2 hours per internet user per month), while there was very little difference (12 minutes) between men and women aged 55 and over.

Figure 4.21 Average time online on a laptop/desktop, by age and gender



Source: comScore MMX, UK, home and work panel, April 2013

Note: Time spent online is a measure of time spent browsing web pages on laptop and desktop computers only. It excludes time spent accessing other media such as audio or video content.

4.2.5 Take-up of internet-enabled devices

Each of the devices highlighted in Figure 4.22 can connect to the internet; however, the networks over which the device connects and the internet experience that the device delivers both vary. Furthermore, while each of the devices below is capable of being connected to the internet, the degree to which the internet is integral to the device experience differs by device and by consumer expectation. For example, the primary purpose of a games console has always been to play games, but the most recent generation

of consoles can also be used to watch catch-up television over the internet. Nevertheless, the games console internet experience is not equivalent to that delivered through a web-browser on a desktop or laptop computer. To this extent, a device which is internet connected does not necessarily deliver a web experience. We analyse content and services in Section 4.3.

We examine the use of internet-enabled devices in the following sections of this report:

- Tablets – section 1.1 of the *Market in context* chapter.
- Smart TVs and internet-connected televisions (including games consoles and internet-enabled set-top boxes) – section 2.1.3 of the *Television and audio-visual content* chapter.

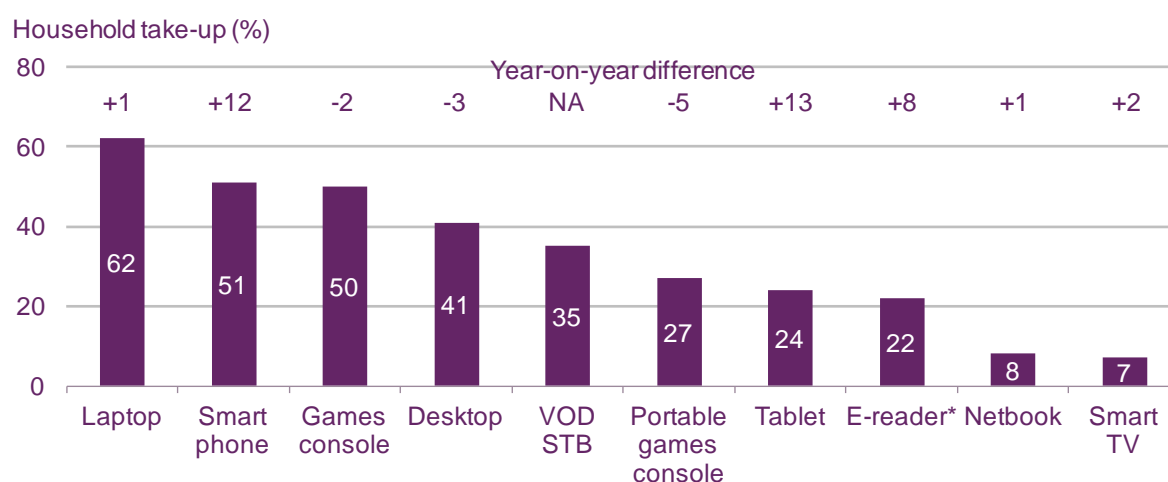
The smartphone is second only to the laptop in the take-up of internet-enabled devices

The laptop computer is the most popular internet-enabled device and was present in 62% of homes in the UK in Q1 2013. Reflecting the strong growth of mobile internet users, shown in Figure 4.16, the smartphone is the second most popular internet-enabled device (51%), leapfrogging both games console (50%) and desktop computer ownership (41%) in the past year.

Tablet computers saw the biggest rise in take-up among households, increasing 13 percentage points to just less than one in four households. Take-up of portable games consoles had the largest decline in ownership, falling five percentage points to 27% of homes. This could be the effect of device substitution by smartphones and tablets, which have become popular portable devices for playing games (see section 1.1).

Consumers capable of receiving video on demand (VOD) through an internet-enabled set-top box (STB) include all Virgin pay-TV customers, Sky customers with a Sky+ HD STB, BT Vision customers and YouView owners. While some Freeview and Freesat boxes are also capable of receiving VOD, we have not been able to reliably identify these from our research, so the VOD STB take-up shown in Figure 4.22 is likely to be understated.

Figure 4.22 Ownership of internet-enabled devices



Source: Ofcom research, Q1 2013; Base: Adults aged 16+ n = 3750

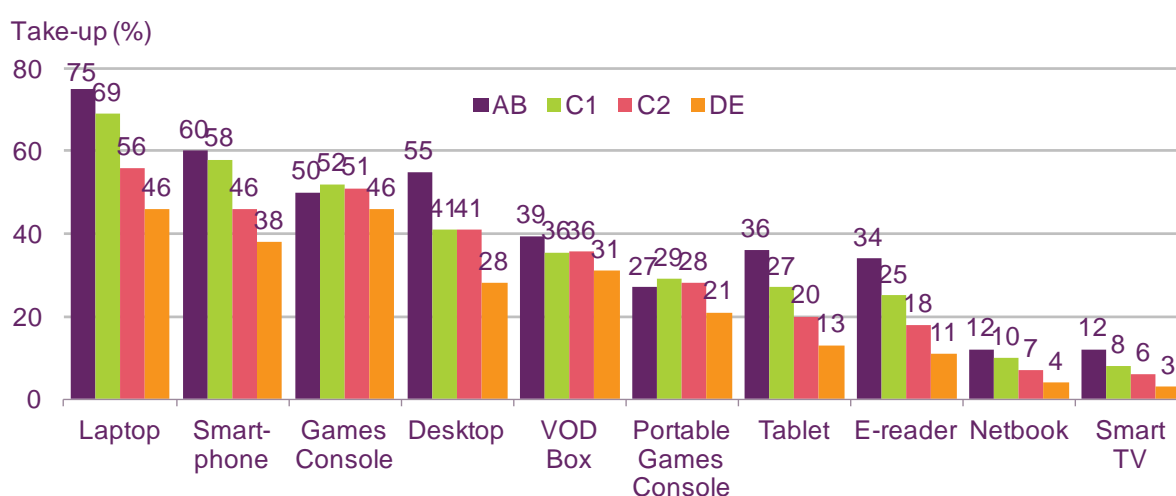
Note: IP-enabled devices include laptop, games console (Xbox 360, PS3, Wii/Wii U), desktop PC, smartphone, portable games console (Nintendo DS range, Playstation Portable/Vita), internet-enabled STB (all Virgin TV customers, Sky+ HD, BT Vision, and YouView), e-reader, tablet, netbook, and smart TV. *E-reader take-up stated here is by household, while elsewhere in the report we state figures by individual take-up.

AB households are more likely to own a tablet than a portable games console

Figure 4.23 shows take-up of each type of internet-enabled device among different social groups. For almost all internet-enabled devices, ownership is highest among AB households and lowest among DE households, probably an indication of the greater disposable income that AB households may have to spend on such devices. However, for fixed and portable games consoles, C1 households have greater take-up than AB households. Furthermore, these games consoles have some of the smallest differences in take-up between social groups among the devices analysed.

Figure 4.23 also shows how the popularity of internet-enabled devices varies by social group. For example, in contrast to the UK average shown in Figure 4.22, AB households are more likely to own a tablet (36%) than a portable games console (27%), while DE households are more likely to own a games console (46%) than a smartphone (38%).

Figure 4.23 Take-up of internet-enabled devices, by socio-economic group



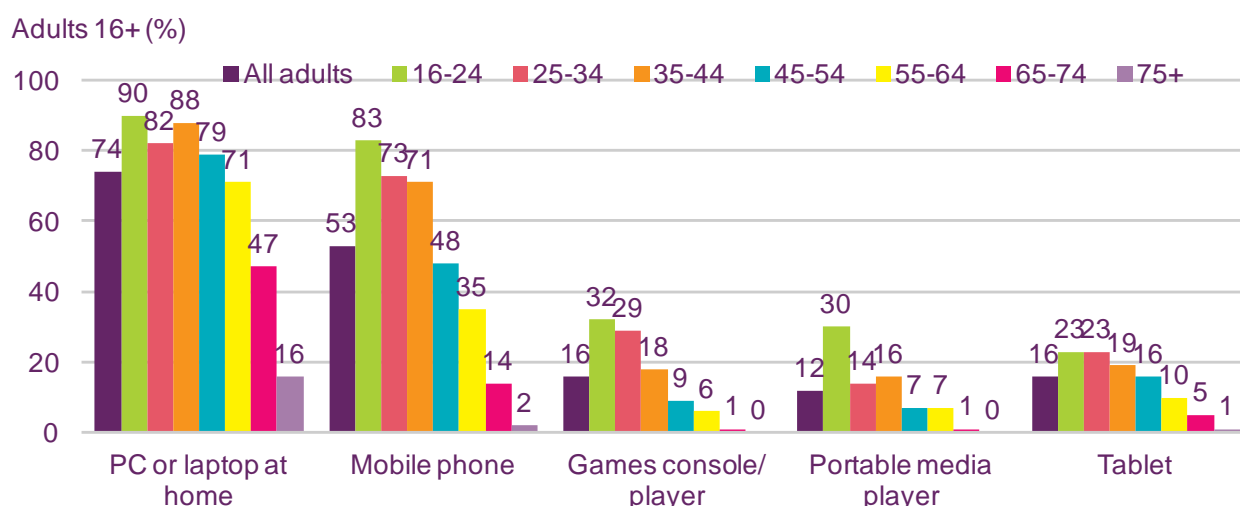
Source: Ofcom research, Q1 2013

Base: Adults aged 16+, AB n = 794, C1 n = 1073, C2 n = 773, DE n = 1108

16-24s are most likely to access the internet across a range of devices

Individuals aged 16-24 were most likely to have accessed the internet through the devices shown in Figure 4.24. In particular, those aged 16-24 were two and a half times more likely than the UK average to access the internet on a portable media player. However, among the oldest consumers, there was either very little access or none on a device other than a PC or laptop.

Figure 4.24 Devices used in the home to access the internet, by age: 2012



Source: Ofcom research, fieldwork carried out by Saville Rossiter-Base in September to November 2012

IN1/ IN2- Do you or does anyone in your household have access to the internet at home through a computer, laptop or notebook? And do you personally use the internet at home?/ Do you have and use any of the items shown on this card to access the internet or to visit internet websites? (Prompted responses, single coded).

Base: All adults aged 16+ (1805 aged 16+, 234 aged 16-24, 236 aged 25-34, 300 aged 35-44, 234 aged 45-54, 262 aged 55-64, 259 aged 65-74, 280 aged 75+). Significance testing shows any difference between any age group and all adults aged 16+.

The average UK household owns three different types of internet-enabled device

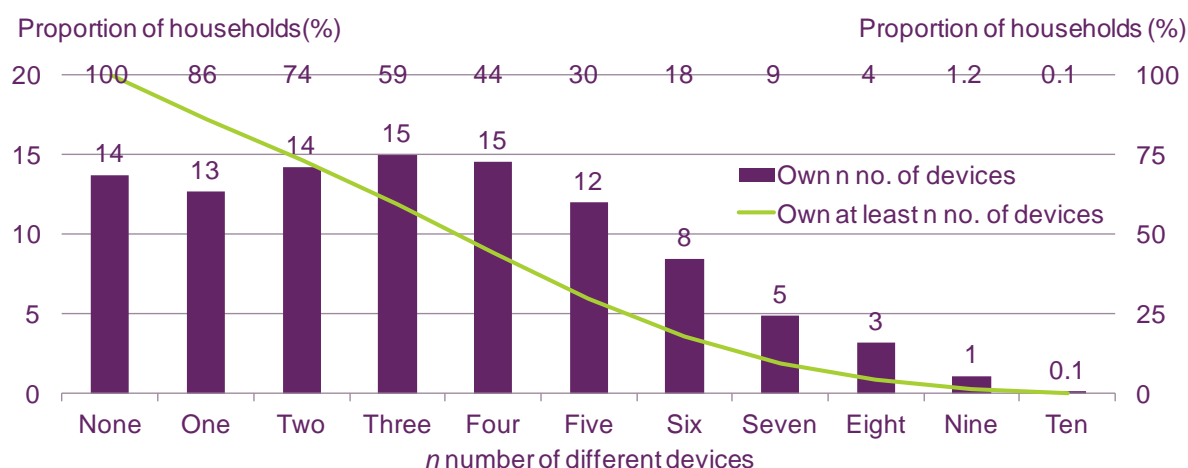
Each household in the UK has, on average⁷⁵, three different types of internet-enabled device, and 86% have at least one (Figure 4.25). Only one household in a thousand owns all ten types of device listed in Figure 4.22, although six in ten households (59%) own three or more different types of device.

According to research by Deloitte, by December 2012 UK households owned on average 11.4 different types of *media consumption* device, up from 9.7 the previous year.⁷⁶

⁷⁵ The sum of unique types of device (7367) divided by the sum of respondents (2256).

⁷⁶ Deloitte, *Media Consumer Survey 2013*, n=2085, consumers aged 14-75, online-only survey.

Figure 4.25 Number of different internet-enabled devices per household: Q1 2013



Source: Ofcom research, Q1 2013, Base: Adults aged 16+ n = 2256

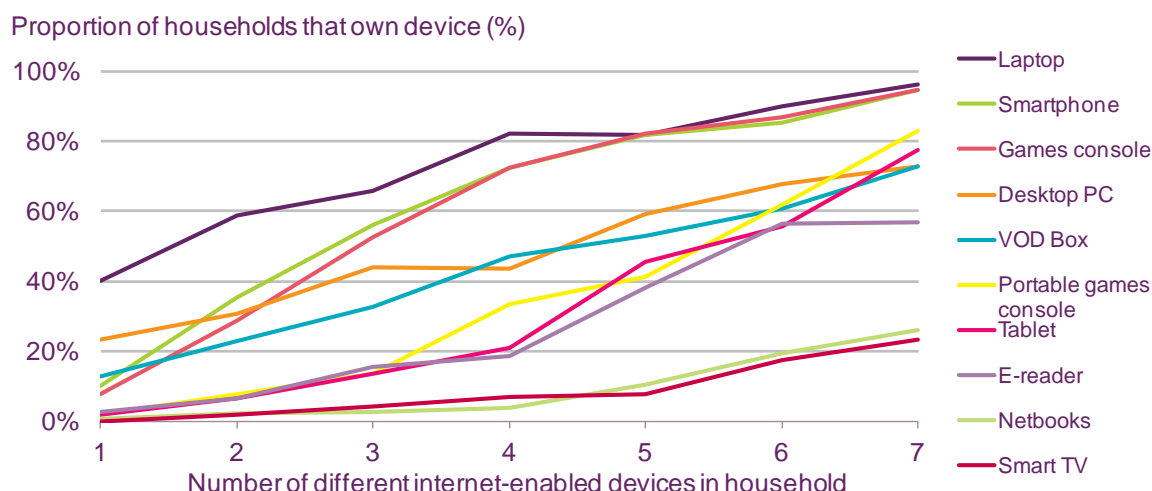
Note: Internet-enabled devices include laptop, games console (Xbox 360, PS3, Wii/Wii U), desktop PC, smartphone, portable games console (Nintendo DS range, Playstation Portable/Vita), video on demand set-top box (all Virgin TV customers, Sky+ HD, BT Vision, and YouView), e-reader, tablet, netbook, and smart TV. NB. Data incomparable with previous years due to a change in definition of internet-enabled STB.

The average UK household is most likely to own a laptop, smartphone and games console.

Of the 86% of households that own at least one internet-enabled device, Figure 4.26 shows the likelihood of device ownership as the number of internet-enabled devices increases in a household. For example, 59% of households with two different types of internet-enabled device own a laptop, while only 23% of households with seven different types of internet-enabled device own a smart TV.

Figure 4.26 provides an indication of the most likely order in which consumers adopt different internet-enabled devices. As the number of internet-enabled devices increases, three tiers of device adoption emerge. Laptop computers, smartphones and fixed games consoles are the most likely devices to be adopted in households with three or more different devices, while netbooks and smart TVs are the least likely to be adopted. The remaining devices have approximately equal likelihood of being adopted, although desktop computers and video on demand set-top boxes lead this middle tier among households with fewer types of device.

Figure 4.26 Device ownership, by number of different internet-enabled devices in the household



Source: Ofcom research, Q1 2012

Base: Adults aged 16+ that own at least one IP enabled device $n = 1946$ (one device 286; two devices 321; three devices 338; four devices 328; five devices 271; six devices 191, seven devices 111.)

Note: internet-enabled devices include laptop, games console (Xbox 360, PS3, Wii/Wii U), desktop PC, smartphone, portable games console (Nintendo DS range, Playstation Portable/Vita), VOD Box (all Virgin TV customers, Sky+ HD, BT Vision, and YouView), e-reader, tablet, netbook, and smart TV.

4.2.6 Use of internet-enabled devices

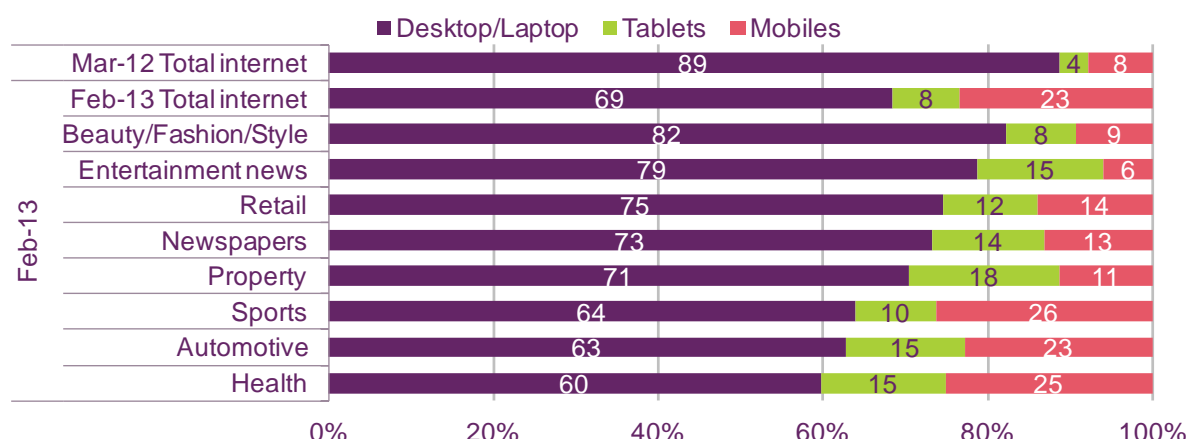
More than 30% of webpage traffic came from mobile phones and tablets in February 2013

The proportion of webpage views from desktop and laptop computers declined 20 percentage points to 69% in the 11 months to February 2013. In the same period the proportion of webpage views from mobile phones almost tripled and the proportion from tablets doubled, to 23% and 8% respectively.

However, the proportion of webpage views from each device varies by the category of content viewed. Of the categories shown in Figure 4.27, laptop and desktop computers were most popular for viewing beauty, fashion and style content online (82% of webpage views) such as magazine titles *Glamour Magazine* and *Vogue*, and least popular for viewing health content (60%) such the NHS website. More than a quarter of (26%) of webpage views of sports content, such as the BBC Sports and Sky Sports websites, were from mobile phones, while 18% of webpage views for property content, such as websites rightmove.co.uk and zoopla.co.uk were from tablets.

Figure 4.27 Proportion of page views on desktop/laptop, tablet, and mobile devices

% of all page views served



Source: comScore Device Essentials, March 2012 and February 2013, UK (beta data)

Note: Desktop/laptop also includes Apple Mac computers. March 2012 data rebased to remove 'other' sources of webpage views. Tablet figures are from BETA data.

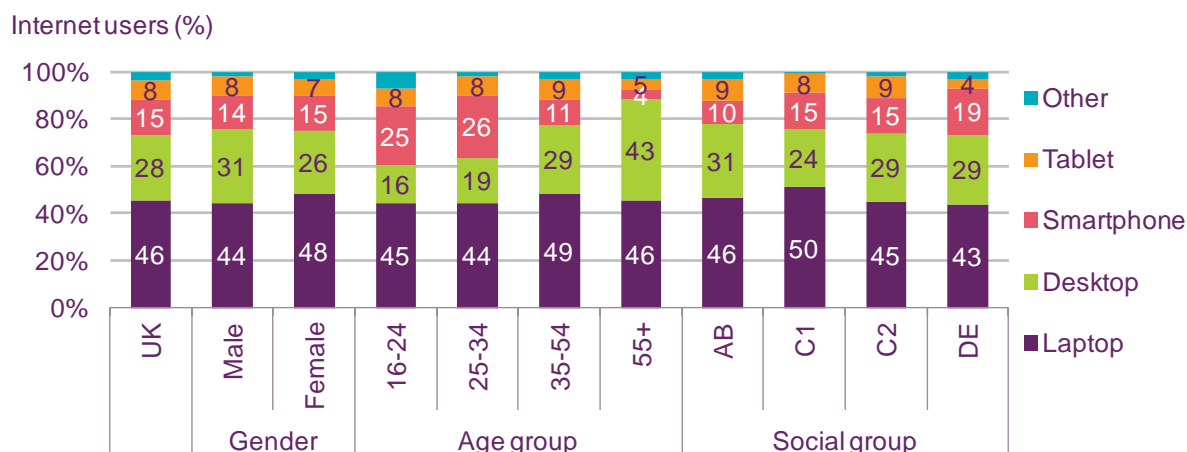
No device is the most important for accessing the internet for the majority of internet users

UK internet users were asked what they considered to be their most important device for accessing the internet. There was no majority for a single device, but the most popular choice was the laptop computer (46% of internet users), followed by the desktop computer (28%) and the smartphone (15%).

However, the most important device varies by gender, age and social group. Of the larger devices, internet users in the C1 social group were significantly more likely than DE users to choose the laptop, and significantly less likely to choose the desktop. Men were significantly more likely to choose the desktop than women, as were those aged 55+ than younger age groups.

Of smaller devices, those aged 16 to 34 were significantly more likely than older age groups to choose the smartphone. Those aged 25-54 were significantly more likely to choose the tablet than those aged 55+, and DE internet users significantly less likely to choose a tablet than all other social groups.

Figure 4.28 Most important device for internet access



Source: Ofcom research, Q1 2013

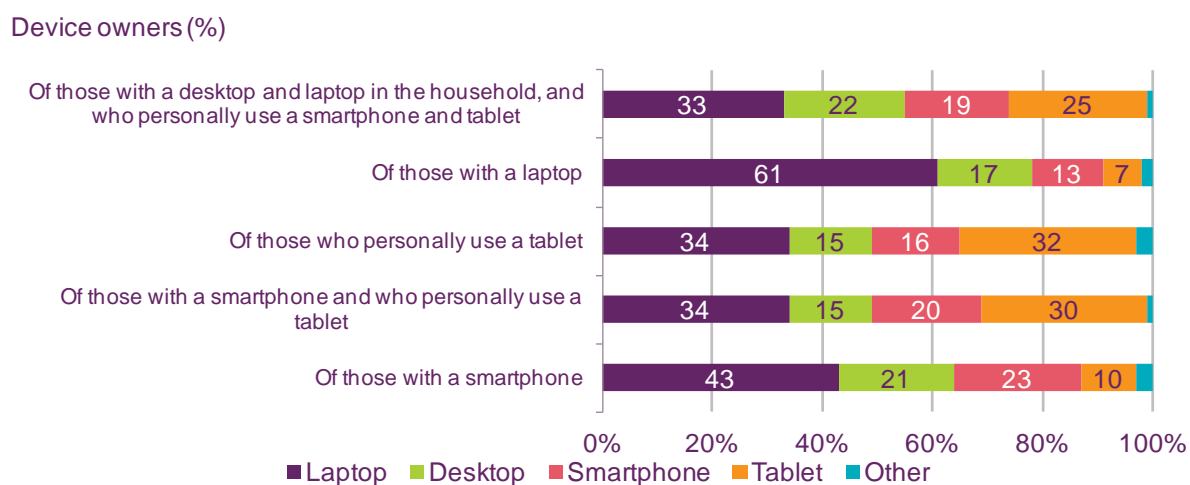
Base: All adults aged 16+ who use the internet at home or elsewhere (n = 2918 UK). Question: Which is the most important device you use to connect to the internet, at home or elsewhere? "Other" responses include: "netbook", "games console", "other device", "none" and "don't know".

Among tablet owners, the tablet is on a par with the laptop as the most important device for accessing the internet

Since take-up of the devices listed in Figure 4.28 is not universal, consumers' choice of the most important device for accessing the internet is limited to what they own. Figure 4.29 considers the most important device for accessing the internet, by device ownership.

Of those who own all four listed types of device, the laptop is the most important for a third of respondents (33%), and the tablet the most important for a quarter (25%). Most internet users who own a laptop (61%) report that this device is their most important means of internet access. However, of those who personally use a tablet, 34% choose the laptop and 32% choose the tablet as their most important device for accessing the internet. Preferences are similarly close between laptop and tablet among a base of smartphone and tablet owners. Despite being a relatively new type of device, the tablet is clearly making its mark on the habits and preferences of internet users who use them.

Figure 4.29 Most important device for internet access, by device ownership



Source: Ofcom research, Q1 2013

Base: All adults aged 16+ who use the internet at home or elsewhere (n = 2918 UK). Question: Which is the most important device you use to connect to the internet, at home or elsewhere? "Other" responses include: "netbook", "games console", "other device", "none" and "don't know".

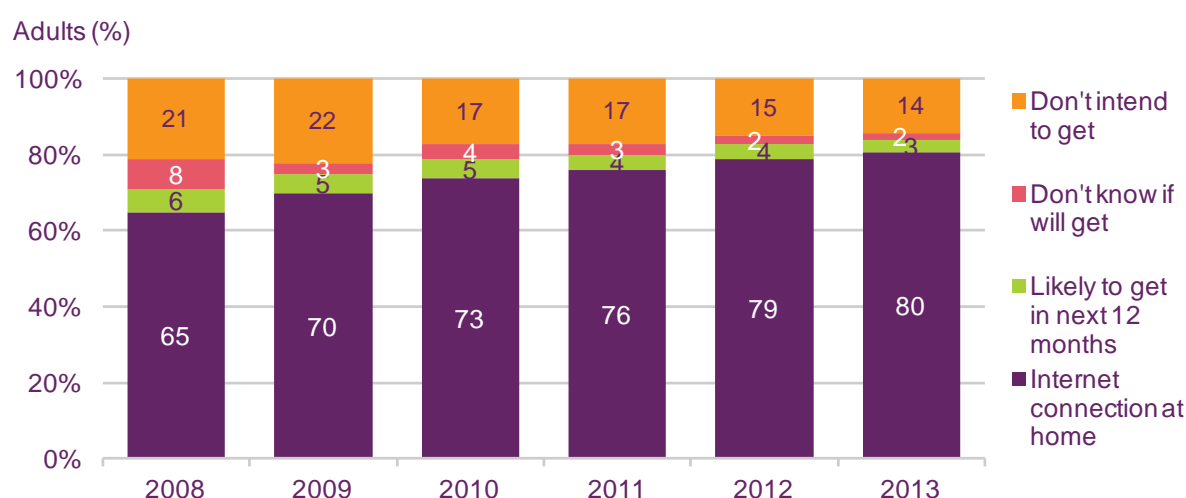
4.2.7 Digital inclusion

Three in four offline households don't intend to get an internet connection

Of the 20% of UK households who do not have access to the internet, the majority (14%) do not intend to get connected, while only 3% of respondents said they were likely to get an internet connection at home in the next 12 months. The proportion of households that do not intend to get connected has been declining since 2008, although the rate of decline appears to have reached a plateau.

In Q1 2012 4% of UK households without internet access said that it was likely that they would get the internet in the next 12 months. However, household internet access rose by only 1% between Q1 2012 and Q1 2013. This might be because some households did not fulfil their intention, or some households lost access, or a mixture of both.

Figure 4.30 Internet take-up and intentions: 2008-2013

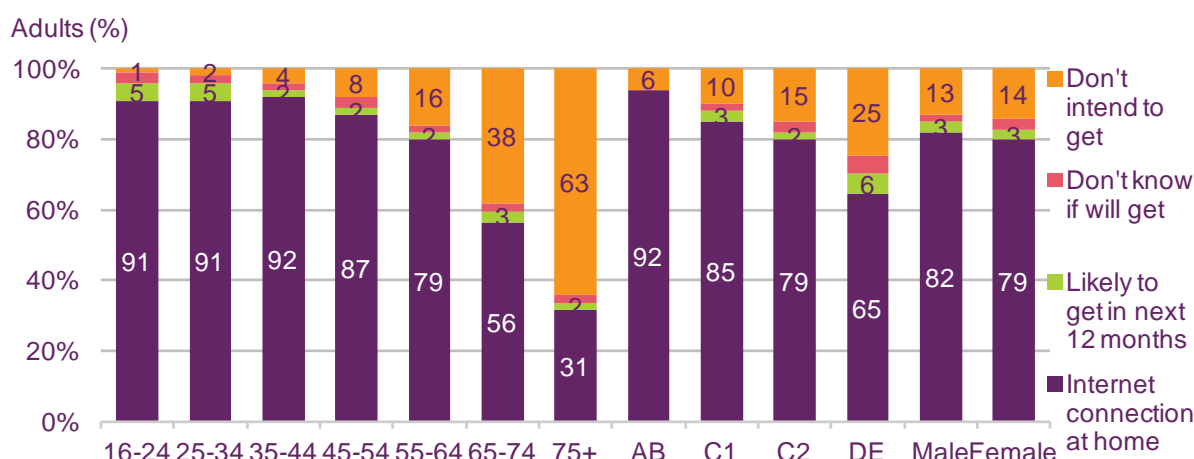


Source: Ofcom research, fieldwork carried out by Saville Rossiter-Base in January to February 2013
QE2/ QE24 – Do you or does anyone in your household have access to the internet / world wide web at home (via any device)?/ How likely are you to get internet access at home in the next 12 months?
Base: All adults aged 16+ (5812 aged 16+ in 2008, 6090 aged 16+ in 2009, 9013 aged 16+ in 2010, 3474 aged 16+ in 2011, 3772 aged 16+ in 2012, 3750 aged 16+ in 2013).

Adults aged 75+ and those in DE households are least intent on getting online

The demographic groups least likely to get the internet are those aged 75+ and those in DE households, of whom 63% and 25% respectively do not intend to get an internet connection at home. However, of the groups in Figure 4.31, those in DE households were also the most likely (6%) to claim that they were likely to get the internet in the next 12 months.

Figure 4.31 Internet take-up and intentions, by demographic group



Source: Ofcom research, fieldwork carried out by Saville Rossiter-Base in January to February 2013
 QE2/ QE24 – Do you or does anyone in your household have access to the internet / world wide web at home (via any device)?/ How likely are you to get internet access at home in the next 12 months?
 Base: All adults aged 16+ (5812 aged 16+ in 2008, 6090 aged 16+ in 2009, 9013 aged 16+ in 2010, 3474 aged 16+ in 2011, 3772 aged 16+ in 2012, 3750 aged 16+ in 2013).

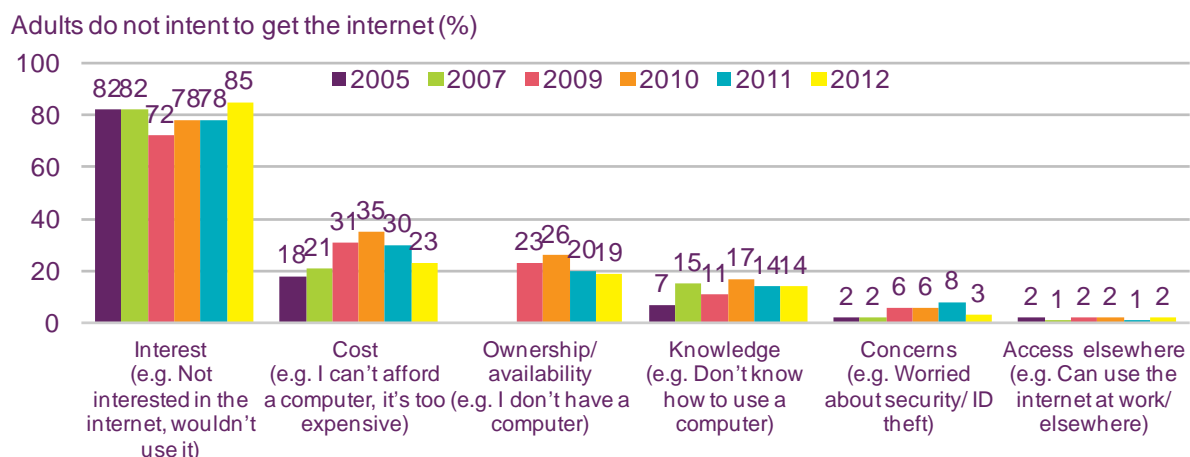
The vast majority of offline adults cite 'lack of interest' for not being online

People who do not have the internet at home are asked in our media literacy survey why this is the case. They are unprompted, and can give as many reasons as they like. Figure 4.32 provides a summary of the reasons given by those who do not intend to get the internet at home in the next 12 months. A lack of interest is the main reason given by respondents (85%), increasing by seven percentage points between 2011 and 2012. The proportion of respondents citing cost as a factor continues to decline, with just 23% of adults claiming that this is a reason for not getting the internet, similar to the proportion who claim the internet is unavailable to them (19%).

Offline adults were also asked to give their main reason for not getting internet access at home. Seven in ten (73%) gave a main reason relating to a lack of interest, with most others giving a main reason relating to cost (12%). Concerns about the internet, as a main reason for not intending to get internet access at home, decreased in the year to 2012 from 4% to 0%⁷⁷.

⁷⁷ Source: Ofcom research, November 2012. IN18 - And what is your main reason for not getting internet access at home? (Unprompted responses, single coded), Base: All adults aged 16+ who do not intend to get internet access at home

Figure 4.32 Stated reasons for not intending to get home internet access in the next 12 months: 2005, 2007, 2009, 2010, 2011 and 2012⁷⁸



Source: Ofcom research, fieldwork carried out by Saville Rossiter-Base in September to November 2012

IN17/ IN18– Can you tell me what your reasons are for not getting internet access at home? (Unprompted responses, multi-coded)/ And what is your main reason for not getting internet access at home? (Unprompted responses, single coded)

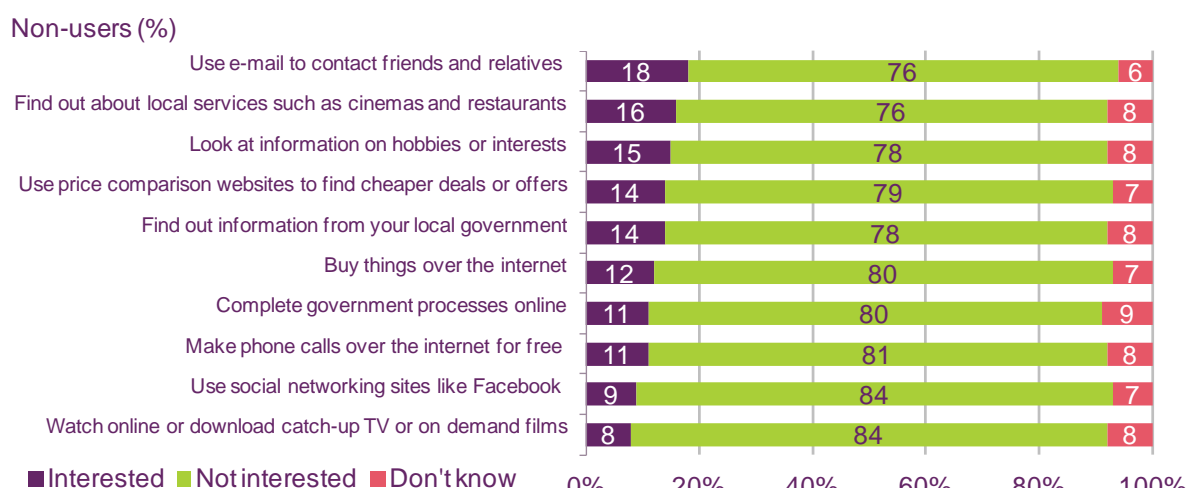
Base: All adults aged 16+ who do not intend to get internet access at home (930 in 2005, 743 in 2007, 410 in 2009, 478 in 2010, 328 in 2011, 305 in 2012).

One in five offline adults would be interested in using email to contact friends and relatives

The majority of offline adults were not interested in participating in any of the internet activities listed in Figure 4.33. The most popular activity was using email to contact friends and relatives, in which just less than one in five (18%) offline adults said they would be interested. The least popular activity was watching catch-up television and on-demand films through services such as BBC iPlayer and Netflix, which only 8% of offline adults said they would be interested in doing online.

⁷⁸ The questionnaires used in the 2005 and 2007 surveys did not include non-ownership of equipment as a possible category for the responses people gave about why they did not intend to get access to the internet at home. The number of categories was extended in the 2009 survey.

Figure 4.33 Interest in internet activities among non-users: 2012



Source: Ofcom research, fieldwork carried out by Saville Rossiter-Base in September to November 2012

IN10A-K – I'm going to read out some different types of tasks associated with the internet, PCs or laptops, and for each one please say which of the options on the card applies to you. (Prompted responses, single coded)

Base: Adults aged 16+ who do not use the internet at home or elsewhere (542 in 2009, 628 in 2010, 454 in 2011, 424 in 2012) – significance testing shows any change between 2011 and 2012

4.3 Web-based content

4.3.1 Introduction

This section explores the kinds of content and services which people access through the internet and on the world wide web.

- Section 4.3.2 gives an **overview** of what activities UK consumers use the internet for, and the most popular websites by unique audience and time spent.
- Section 4.3.3 focuses on the **search engines** and their popularity over time and across platforms.
- Section 4.3.4 examines the take-up of **social networking** within the UK, the popularity of different social networking sites, consumption across different platforms, and the popularity of check-in services.
- Section 4.3.5 looks at the reach and audience over time of **video-sharing** websites.
- Section 4.3.6 considers the popularity **online retail** websites across laptop/desktop and mobile devices, the level of retail spend online, and how consumers use their mobile phones to shop online.
- Section 4.3.7 looks at the reach of **online news** brands across laptop/desktop and mobile platforms, as well as the frequency of accessing online news on a mobile.

Key findings

The key findings from this section of the report are:

- **Ninety-six per cent of all internet visitors across laptop, desktop and mobile visit a Google website at least once a month.** Websites owned by Google are the most popular in the UK. They include the Google Search service, YouTube, and Google Plus. Google leads by a significant margin; second-placed Microsoft has almost ten million fewer unique visitors per month.
- **Visitors to Facebook spent more than eight hours a month browsing the site.** Of the top 100 most popular internet properties, laptop and desktop internet users spent the most time browsing Facebook sites.
- **Google and Yahoo experienced rapid growth on mobile in the 24 months to April 2013.** Google Search grew 108%, from 6.7 million to 13.9 million unique visitors, while Yahoo! search grew more than 30-fold to 1.5 million. But despite strong growth by Yahoo!, its absolute levels of unique audience are dwarfed by Google.
- **Three-quarters of 15-24 year olds use social networking sites.** Just under half (45%) of UK adults claim to have accessed social networking sites via any means in Q1 2013. Social networking was most popular with those aged 15-24 (77%) and 25-34 (69 %), among women (48%) and those in C1 households (52%).
- **Almost four in ten mobile social networkers 'check-in' online from their handset.** Thirty-eight per cent of mobile phone users who access social networking services on their phone used their handset to 'check-in' or tag themselves in a status update or social network post. This proportion was up from 34% in the previous year.

- **YouTube is still growing, gaining another million users in the year to May 2013.** The unique audience of YouTube on laptop and desktop computers grew just 4% in the year to May 2013. However, the absolute growth of 1.2 million visitors per month was greater than any of the other video-sharing services analysed.
- **Average weekly internet retail sales grew 10% in the year to May 2013,** up from £528m to £582m. Sales were highest in December 2012, when £847m of retail spend was online, an increase of £128m (17.9%) on the previous high, set in December 2011.
- **More than a fifth of mobile internet users have purchased goods or services from their phone,** increasing five percentage points to 21% between April 2012 and April 2013. The most popular mobile shopping activity for mobile internet users was using their handset to find a retailer's location (25%).
- **Almost a fifth of mobile internet users access the news 'almost every day' on their handset,** up from 16% in the previous year. Fifty three per cent accessed news 'ever' in the month, up by five percentage points over the same period.

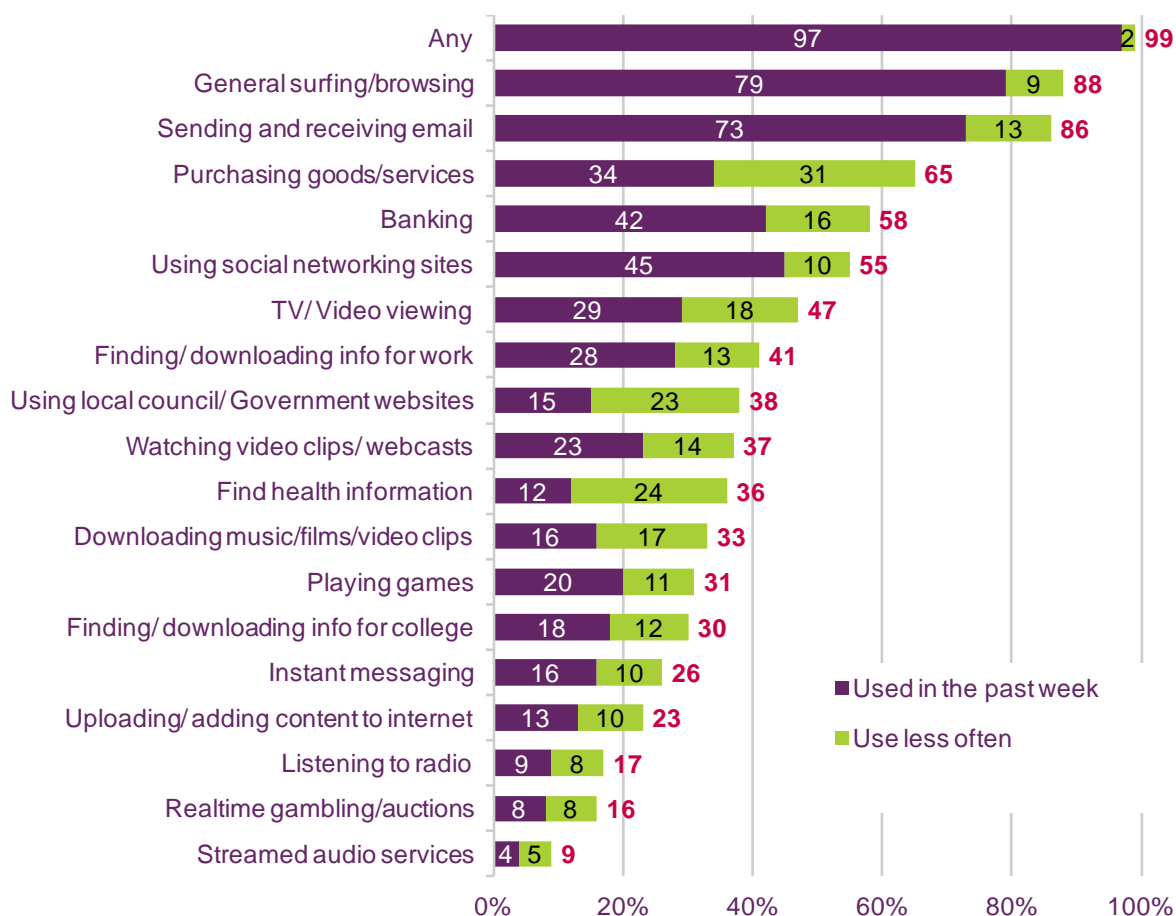
4.3.2 Overview

After general browsing, sending and receiving email is the most popular internet activity

Figure 4.34 provides an overview of UK adults' internet activity. The most popular activity was general surfing and browsing, which eight out of ten (79%) internet users had done in the past week. After general uses of the internet, the most popular activity was sending and receiving email, which three-quarters of internet users (73%) had done in the past week, and almost nine in ten (86%) had done less often.

A third of internet users (34%) said they had purchased goods or services over the internet in the past week, while almost two-thirds (65%) had done so less often. More than half of internet users (55%) use social networking sites, and most of these had used these sites in the past week (45%). Almost a quarter of internet users had watched video clips in the past week, and more than a third (37%) had done this less frequently.

Figure 4.34 Claimed use of the internet for selected activities



Source: Ofcom research, Q1 2013

Base: Adults aged 16+ with a broadband connection at home (n= 2666 UK)

QE5. Which, if any, of these do you use the internet for? NB Question wording for QE5 prior to 2013 asked about household use of the internet at home. In 2013 QE5 asked about individual use of the internet anywhere.

Ninety-six per cent of all internet visitors across laptop, desktop and mobile visit a Google website at least once a month

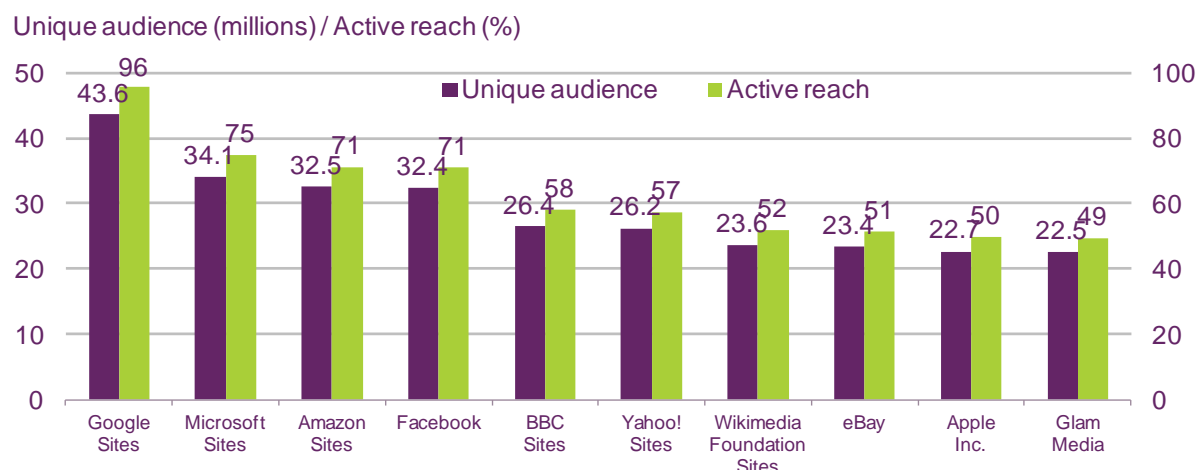
The top ten web properties for audiences across laptop, desktop and mobile devices (the digital audience) represent the key types of web content that we will examine in this section of the report. Websites owned by Google (43.6m) are the most popular, with an active reach of 96% of the UK digital audience. These include the Google Search service, YouTube – Google's online video website, and the social networking service Google Plus. Google leads by a significant margin; second-placed Microsoft has almost ten million fewer unique visitors per month (34.1 million).

While Google has a popular range of internet services, other entities in the top ten are successful in specific internet markets. The third most popular internet property is the group of Amazon Sites (32.5 million); the most popular site is the retail website Amazon.com, but this property also includes film-streaming service LoveFilm and the film database IMDB.com. We consider Amazon and other online retailers, including eBay, in section 4.3.6.

Facebook is the fourth most popular internet property across laptop, desktop and mobile, with 32.4 million unique visitors in April 2013. This figure includes any extra unique visitors that Facebook may have gained from its acquisition of Instagram in April 2012. We examine

Facebook and other social networks in section 4.3.4. Fifth most popular entity, BBC Sites (26.4 million) includes popular news service BBC News (see section 4.3.7) as well as the BBC iPlayer service; we consider these in both the *TV and audio-visual* chapter in section 2.3.9 and the *Radio and audio* chapter in section 3.3.5.

Figure 4.35 Top ten most popular internet properties among the digital audience



Source: comScore MMX Multi-Platform, UK, April 2013

All sites listed are at the property level. MMX Multi-Platform includes laptop/desktop browsing, laptop/desktop video streams, on-network mobile browsing use.

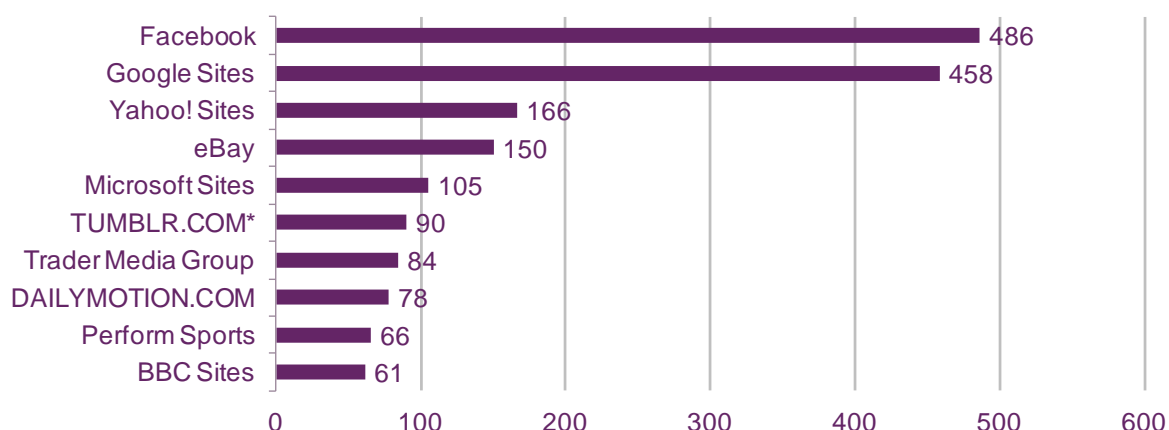
Visitors to Facebook spend more than eight hours a month browsing the site

Of the top 100 most popular internet properties, UK internet users spent the most time browsing Facebook sites and Google sites. Visitors to Facebook spent more than eight hours a month using the social networking site and its subsidiary photo-sharing service Instagram, although total minutes spent on Instagram were less than 0.5% of the Facebook property total⁷⁹. The average time spent per visitor per month visiting Google Sites was just over 7.6 hours. Visitors to the remaining properties in Figure 4.36 spent much less time per month: between an hour on BBC Sites, and 2.8 hours on Yahoo! Sites per month per visitor.

⁷⁹Total minutes spent by total digital population on Facebook [P]: 15,738m; Facebook [M]: 15,557m; Instagram [M]: 73m. (Source: comScore MMX Multi-Platform, UK, April 2013).

Figure 4.36 Top ten internet properties among the digital audience, by time spent

Minutes per visitor per month



Source: comScore MMX Multi-Platform, UK, April 2013

Note: All sites listed are at the property level. Time spent online is a measure of time spent laptop/desktop webpage browsing and on-network mobile webpage browsing. It excludes time spent accessing audio content and on mobile apps.

* Indicates that the entity has assigned traffic to certain pages in the domain to other entities

4.3.3 Search

Almost nine in ten internet users visited Google Search in April 2013

Across laptop/desktop computers and mobile phones, Google Search was visited by almost nine in ten (88%) active internet users in April 2013, more than three times as many as Microsoft's Bing (24%).

All the search engines in Figure 4.37 had a greater share of the active audience on desktop and laptop computers than on mobile phones. However, popularity on fixed platforms does not imply a similar position between rivals on mobile. While Bing was the second most popular search engine on laptop and desktop computers (visited by approximately one in four internet users), it was the least popular search engine analysed for mobile internet users in April 2013 (1% of mobile audience reach).

It is likely that the reach of search engines on mobile is influenced by the default setting of a smartphone's browser. For smartphones running Android (developed by Google and the Open Handset Alliance) or iOS (Apple's iPhone, iPad and iPod Touch operating system) the default search engine is Google. These two operating systems make up almost four-fifths (79%)⁸⁰ of all smartphones in use. Bing is the default search engine for smartphones running Windows operating systems, which have a much smaller share of the smartphone market⁸¹.

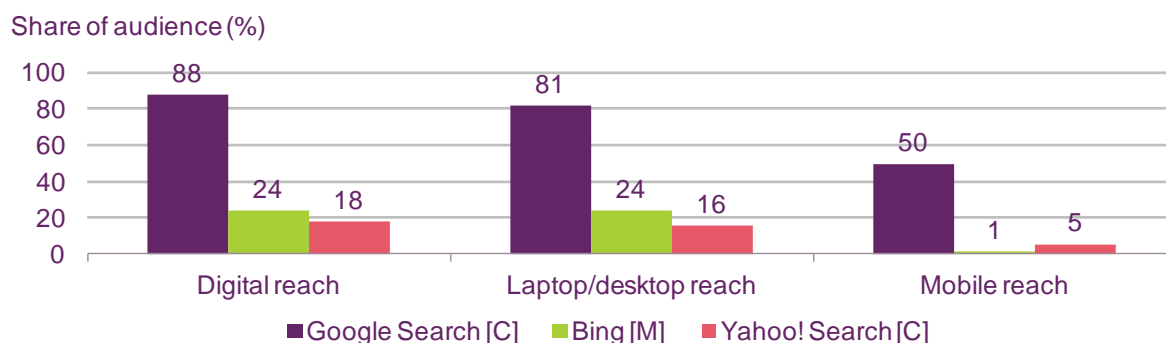
Figure 4.37 shows the three leading internet search engines. The technology powering Yahoo! Search and Bing is the same. In 2009, Yahoo! and Microsoft announced a ten-year deal in which Yahoo! Search will be powered by Bing but retain the Yahoo! user interface and design. Yahoo! will retain 88% of search advertising revenues earned from Yahoo! Search and have the right to sell adverts on some Microsoft sites⁸².

⁸⁰ Android 50%, Apple 29% Source: comScore MobiLens, UK, three-month average ending May 2013.

⁸¹ Microsoft Operating Systems 5% Source: comScore MobiLens, UK, three-month average ending May 2013

⁸² "Microsoft and Yahoo seal web deal", BBC News, <http://news.bbc.co.uk/1/hi/business/8174763.stm>

Figure 4.37 Active reach of search websites across digital, laptop/desktop and mobile audiences: April 2013



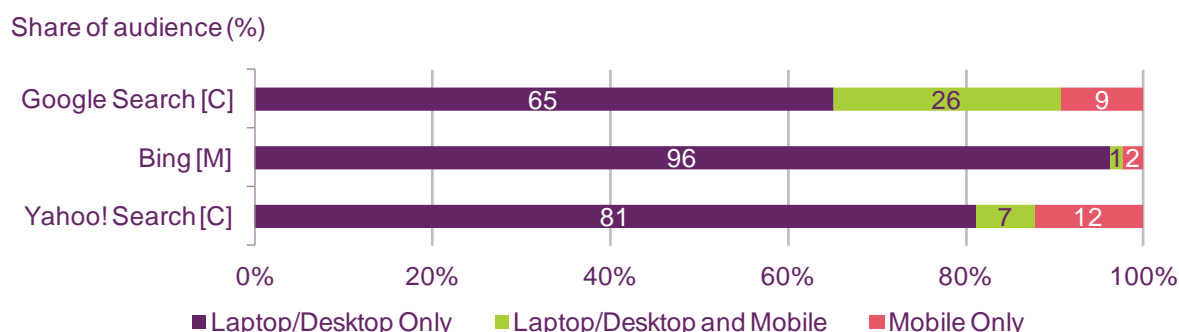
Source: comScore MMX Multi-Platform, UK, April 2013

Please note MMX Multi-Platform includes laptop/desktop browsing, laptop/desktop video streams, and on-network mobile browsing.

A quarter of Google Search users visit it using both laptops/desktops and mobile phones

Google Search had the greatest overlap of audiences between laptop/desktop computers and mobile phones (26%) in April 2013. Strong overlap between platforms might be a result of consumers' desktop/laptop habits extending onto mobile platforms, or Google Search's success in being the default search engine across a number of smartphone operating systems. Figure 4.38 shows that Yahoo! Search had the largest mobile-only audience share, with more than one in ten unique visitors exclusively visiting it from a mobile phone.

Figure 4.38 Overlap of audiences between platforms: April 2013



Source: comScore MMX Multi-Platform, UK, April 2013

Please note MMX Multi-Platform includes laptop/desktop browsing, laptop/desktop video streams, and on-network mobile browsing.

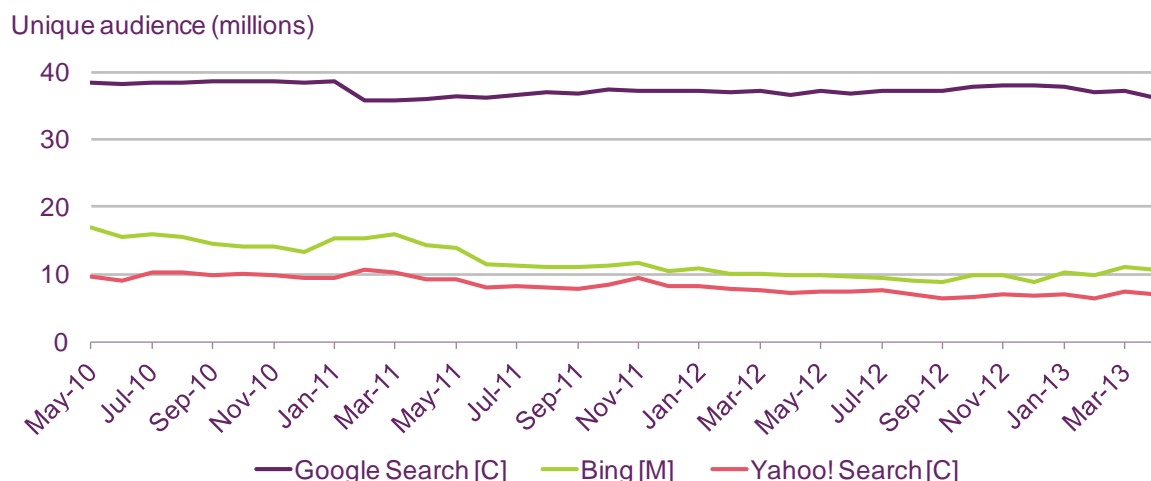
Google Search unique audience is flat, while competitors experience 30% declines

Google Search's unique audience has grown just 1.4% since February 2011, peaking at 38.0 million in November 2012 before falling slightly to 36.2 million in April 2013. In the same period the unique audiences of Bing and Yahoo! Search fell by 31% to 10.5 million and by 34% to 7.0 million respectively, although the most recent months show a levelling-off of this decline.

The relatively flat unique audience of Google Search and the declines in audiences of rival search engines may be due to the growing proportion of traffic from mobile devices and the substitution of search activity from laptop and desktop computers to mobile phones (see

Figure 4.40). This would have a greater effect on Bing and Yahoo! Search, as they are less popular on mobile than on laptop and desktop computers.

Figure 4.39 Laptop and desktop unique audience of selected search websites: May 2010 to Apr 2013



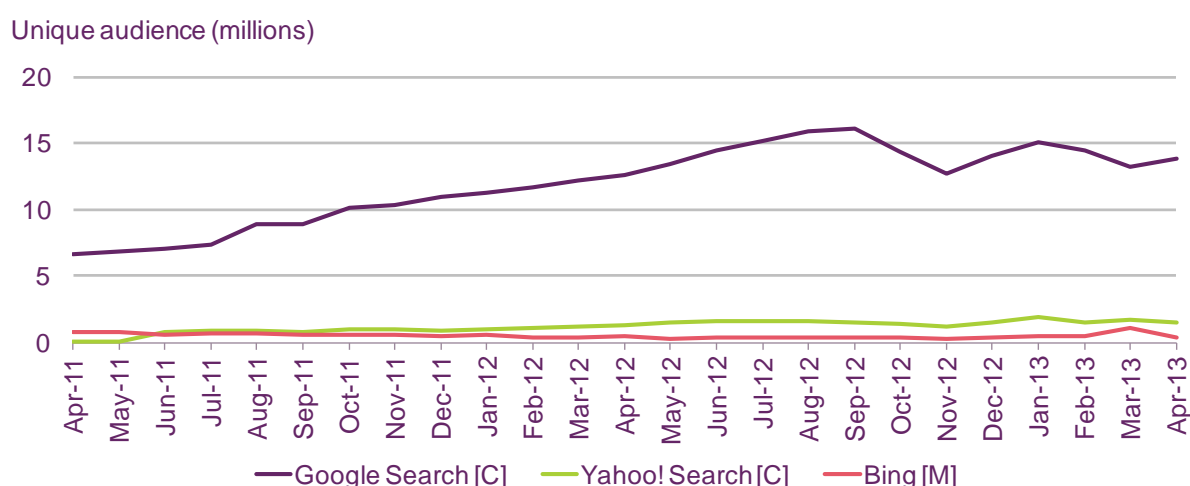
Source: comScore MMX, UK, home and work panel, May 2010 to April 2013

Note: Change in methodology in February 2011

Google and Yahoo experienced rapid growth on mobile in the 24 months to April 2013

Google Search and Yahoo! Search both experienced strong growth in the two years to April 2013. Google Search grew 108%, from 6.7 million to 13.9 million unique visitors, while Yahoo! Search grew more than 30-fold to 1.5 million. For both search engines, growth was strongest in the first 12 months, followed by 10-18% growth in the second 12 months. Over the same period Bing's mobile unique audience halved, from 776,000 to 340,000. But despite strong growth by Yahoo!, its absolute levels of unique audience are dwarfed by Google.

Figure 4.40 Mobile unique audience of selected search websites: Apr 2011 to Apr 2013



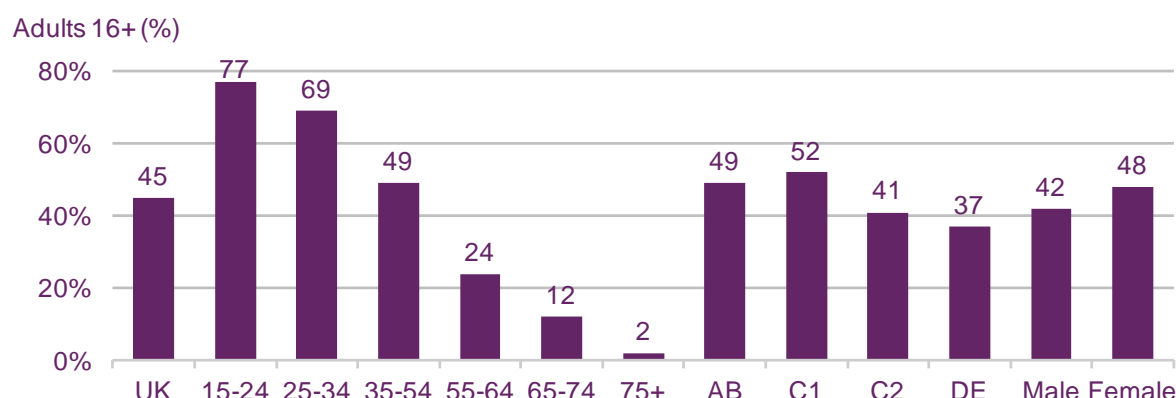
Source: comScore GSMA MMM, UK, browser access only, on network, April 2011 to April 2013

4.3.4 Social networking

Three-quarters of 15-24 year olds use social networking sites

Just under half (45%) of UK adults claimed to have accessed social networking sites via any means in Q1 2013. Social networking was most popular with those aged 15-24 (77%) and 25-34 (69%), among women (48%) and those in C1 households (52%). By contrast, only 2% of those aged 75 or more and 37% of those from DE households claimed to use social networking sites. This can be partly explained by the lower levels of internet access among these demographics.

Figure 4.41 Proportion of adults who access social networking sites at home



Source: Ofcom consumer research Q1 2013

Base: All adults aged 16+ (3750 Q1 2013) QE5. Which, if any, of these do you use the internet for?
NB Question wording for QE5 prior to 2013 asked about household use of the internet at home. In 2013 QE5 asked about individual use of the internet anywhere.

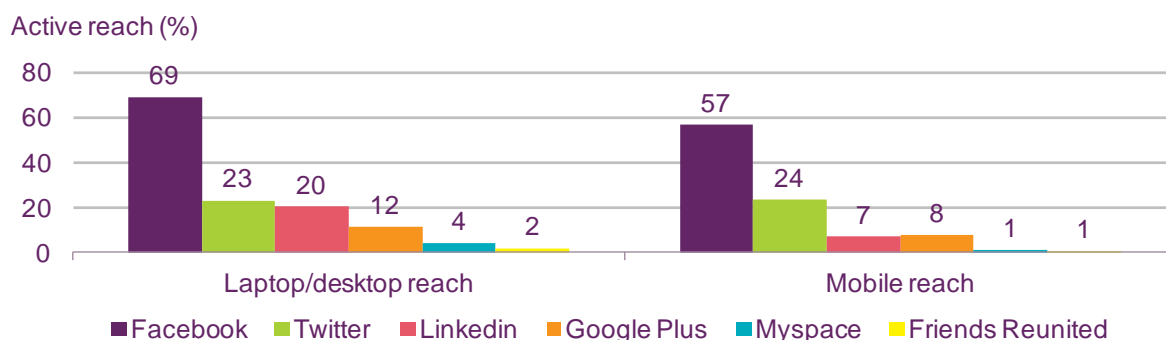
Twitter is equally as popular among laptop/desktop internet users as it is on mobile

Facebook was the most popular social networking service among laptop and desktop internet users, with seven in ten users (69%) visiting it in April 2013. However, other social networking sites Twitter (23%) and LinkedIn (20%) reached just a fifth of active internet users.

Among mobile internet users almost six in ten (57%) claimed to have used Facebook in April 2013, and a quarter had used Twitter (24%). Twitter is the only social network featured in Figure 4.42 which had as large an audience on mobile as it did on laptop and desktop computers. This may be because Twitter originated as a service where users could send and receive updates from their mobile phones by SMS.

Conversely, LinkedIn was used by just 7% of mobile internet users, less than half the reach on laptop and desktop computers. One reason for this might be that as a professional network, rather than a social network, LinkedIn users are less likely to use the service on their personal mobile phones, preferring to use it in the workplace.

Figure 4.42 Active reach of social networking services across laptop/desktop and mobile audiences: April 2013



Source: comScore MMX Multi-Platform, UK April 2013; comScore MobiLens, UK, April 2013, mobile internet users 13+

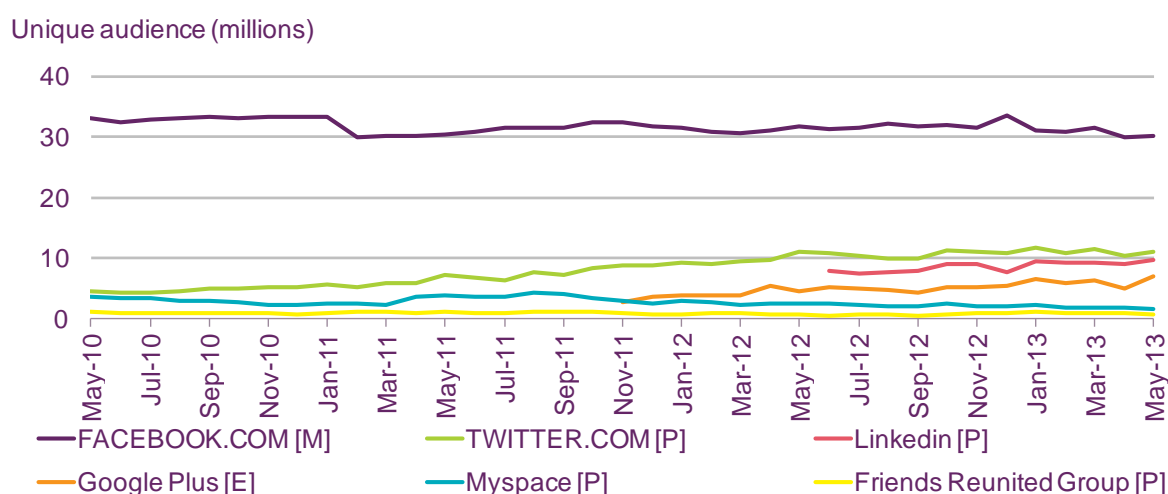
Note: Entities cited from comScore MMX Multi-Platform: FACEBOOK.COM [M], TWITTER.COM [P], LinkedIn [P], Google Plus [E], MySpace [P], Friends Reunited Group [P] and includes laptop/desktop webpage browsing and laptop/desktop video streams.

Google Plus grows 53% in the year to May 2013, but Facebook maintains its position as the leading social network

In the twelve months to May 2013 the fastest growing social network among laptop and desktop internet users was Google Plus, rising 53% from 4.5 million to just under 7 million unique visitors. Year on year, Facebook's unique audience has declined by 5% while Twitter's has remained broadly flat, declining by just 1%. These small declines are likely to be because internet users are increasingly using their mobile phones rather than a laptop or desktop computer to access social networking sites (see Figure 4.43 below).

LinkedIn gained 1.7 million monthly users in the 12 months to May 2013. MySpace has continued to decline from its peak of 4.4 million in August 2011, falling 37% in the year to May 2013.

Figure 4.43 Unique audience of selected social networking websites on laptop/desktop computers: May 2010 to May 2013



Source: comScore MMX, UK, home and work panel, May 2010 to April 2013

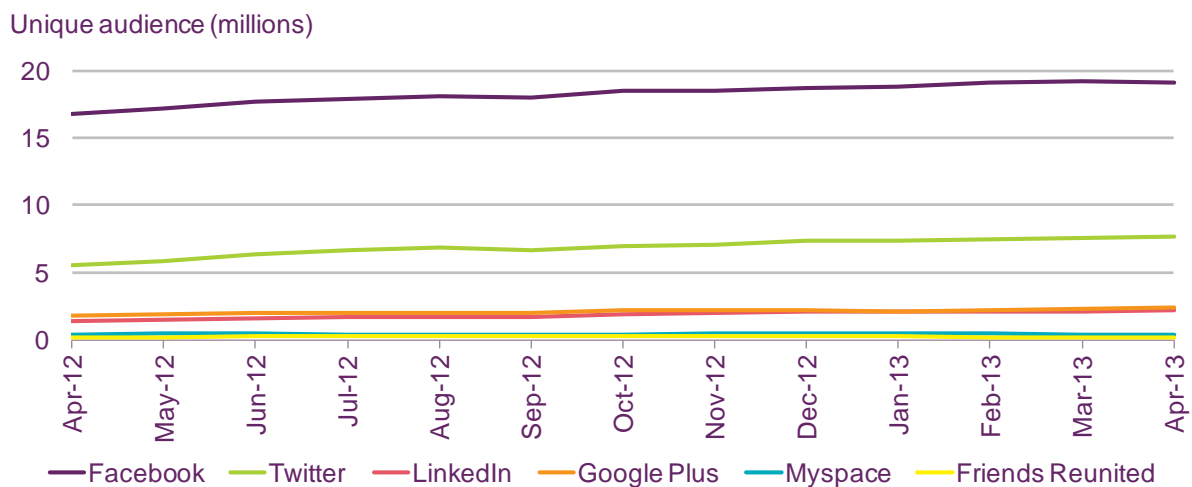
Note: Change of methodology in February 2011

Facebook gained 2.3 million mobile users in the year to April 2013

In the year to April 2013, 19.1 million mobile phone users claimed to use Facebook on their mobile handset, a rise of 14% and the largest absolute growth (2.3 million) of any of the social networks shown in Figure 4.44. Twitter grew slightly less in absolute terms, up by 2.1 million (39%) to just less than 7.7 million. In May 2013, Facebook announced its 'User First, Mobile Best' strategy, which commentators argue aims to take advantage of the increasing trend among its user base to access the service through their mobile phones⁸³.

The fastest-growing of these social networking sites on mobile phones was LinkedIn, up 61% to 2.2 million, and Google Plus, up 32% to 2.4 million. However, on mobile as on laptop and desktop, MySpace's unique audience declined, down 8% to just less than 400,000 mobile users in April 2013.

Figure 4.44 Unique audience of selected social networking websites on mobile phones: Apr 2012 to Apr 2013



Source: comScore MobiLens, UK, April 2012 to April 2013

Base: Mobile internet users 13+

Facebook users spent more than 5.5 hours on the site using a laptop or desktop computer, and at least a further 2.5 hours using a mobile phone.

Of the social networking sites featured in Figure 4.45, UK internet users spent the most time per visitor per month on Facebook. Approximately 5.6 hours was spent per visitor per month browsing pages on Facebook using a laptop or desktop computer, and a further 2.5 hours was spent on Facebook using a mobile phone. Visitors to Twitter spent the second greatest amount of time browsing (33 minutes) the majority of which was on a laptop or desktop computer (28 minutes). Next most popular was LinkedIn (29 minutes) whose visitors also spent most time visiting from a laptop or desktop computer (27 minutes).

⁸³ "Facebook fleshes out 'mobile first' strategy", Computer World UK
<http://www.computerworlduk.com/news/mobile-wireless/3433126/facebook-fleshes-out-mobile-first-strategy/>

Figure 4.45 Time spent on social networking sites across laptop, desktop and mobile

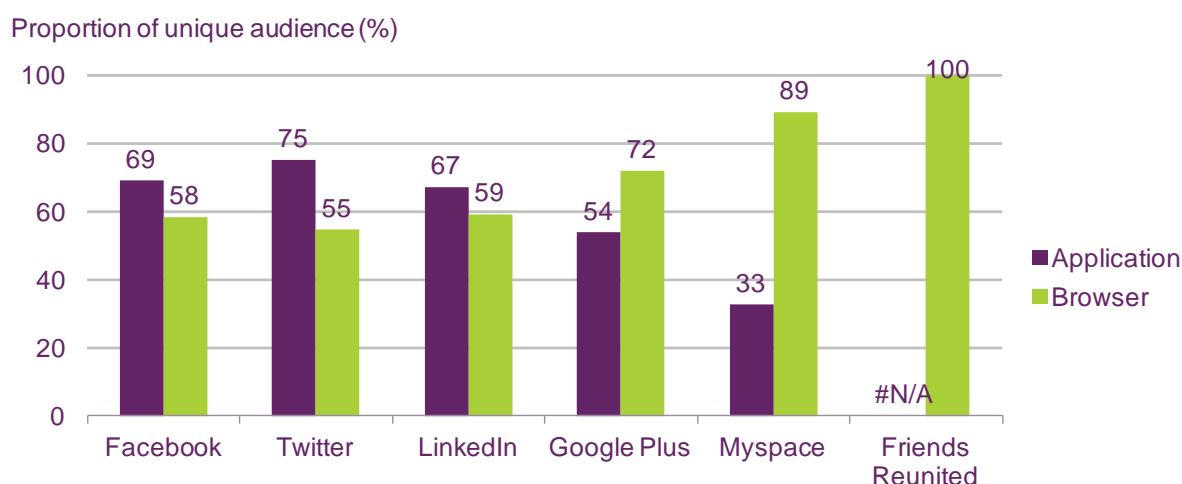


Source: comScore MMX Multi-Platform, UK, April 2013,

Note: Time spent online is a measure of time spent laptop/desktop webpage browsing and on-network mobile webpage browsing. It excludes time spent accessing audio content, and excludes mobile applications on mobile phones.

The time spent browsing on a mobile phone (Figure 4.45) only shows access to a social network's website through the mobile browser; it does not include time spent using a mobile application to access a social network. Therefore the time spent in Figure 4.45 is likely to be an underestimate of the total time spent on a social network using a mobile phone. Figure 4.46 indicates that more mobile users of Facebook, Twitter and LinkedIn used an application to access these social networks than used the mobile browser. Twitter had the highest proportion of its unique audience visit through the mobile app, so it is most likely to be affected by the underestimate in Figure 4.45 above.

Figure 4.46 Application and browser access to social networks on a mobile phone



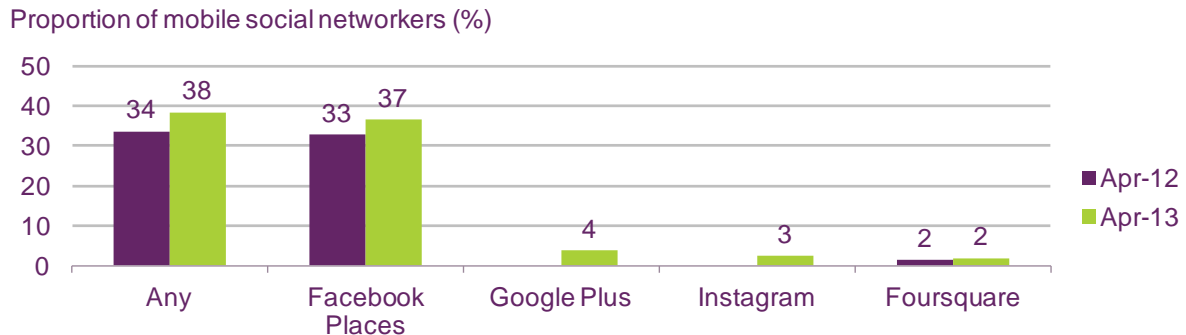
Source: comScore MobilLens, UK, three-month average ending April 2013

Almost four in ten mobile social networkers 'check-in' online from their handset

Thirty-eight per cent of mobile phone users who access social networking services on their phone also used their handset to 'check-in', up from 34% in the previous year. A check-in service uses the GPS functionality of a smartphone to suggest locations that a user can choose to tag themselves in when updating their status or submitting a post. Some services,

such as Foursquare, are used exclusively as a service for submitting a user's location, while for other services, such as Facebook Places and Google Plus, 'checking-in' is a feature of existing social networks.

Figure 4.47 Use of check-in services by mobile social networkers



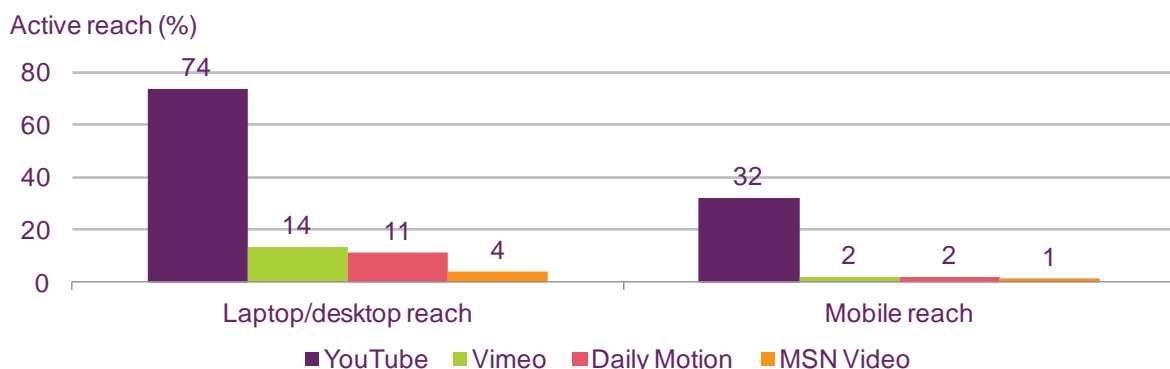
Source: comScore MobiLens, UK, three-month averages ending April 2012 and April 2013
Base: UK mobile phone users aged 13+ who used a social network 'ever' in a month

4.3.5 Online video

YouTube is less than half as popular on mobile as it is on laptop and desktop computers

Three-quarters (74%) of laptop and desktop internet users visited YouTube, the most popular video sharing website of those listed in Figure 4.48. Rival video-sharing websites Vimeo (14% active reach), DailyMotion (11%) and MSN Video (2%) were far less popular. The pattern of popularity was repeated on mobile, although only 32% of mobile internet users claimed to have watched YouTube on their handset, and between 1% and 2% claimed to use other video-sharing services. While Figure 4.48 does not differentiate between whether mobile users used a WiFi or mobile data connection to use these services, it is likely that the greater bandwidth (and subsequently cost) required to consume video, compared to text or static images, may deter some mobile internet users from using these services.

Figure 4.48 Reach of online video services on laptop, desktop and mobile: April 2013



Source: comScore MMX Multi-Platform, UK, April 2013; comScore MobiLens April 2013, UK, mobile internet users 13+

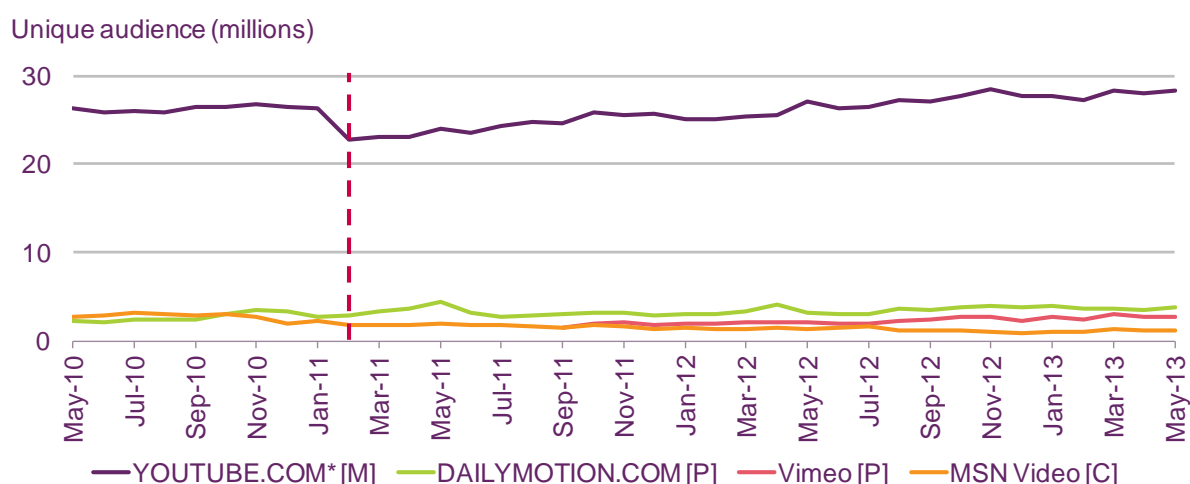
Note: Entities from comScore MMX MP were YOUTUBE.COM* [M], Vimeo [P], DAILYMOTION.COM [P], MSN Video [C] and include laptop/desktop browsing and laptop/desktop video streams.

* Indicates that the entity has assigned traffic to certain pages in the domain to other entities.

YouTube is still growing, gaining another million users in the year to May 2013

The unique audience of YouTube on laptop and desktop computers grew just 4% in the year to May 2013. However, the absolute growth of 1.2 million visitors per month was greater than any of the other video-sharing services in Figure 4.49. DailyMotion grew 17% year on year to 3.7 million, and Vimeo grew 30% to 2.7 million. But the audience of MSN Video has declined, falling 16% to 1.1 million in the year to May 2013.

Figure 4.49 Unique audience of selected online video websites on laptop and desktop computers: May 2010 to May 2013



Source: comScore MMX, UK, home and work panel, May 2010 to May 2013

Note: Data before February 2011 not comparable because of a change in methodology.

* Indicates that the entity has assigned traffic to certain pages in the domain to other entities.

4.3.6 Online retail

Average weekly internet retail sales grew 10% in the year to May 2013

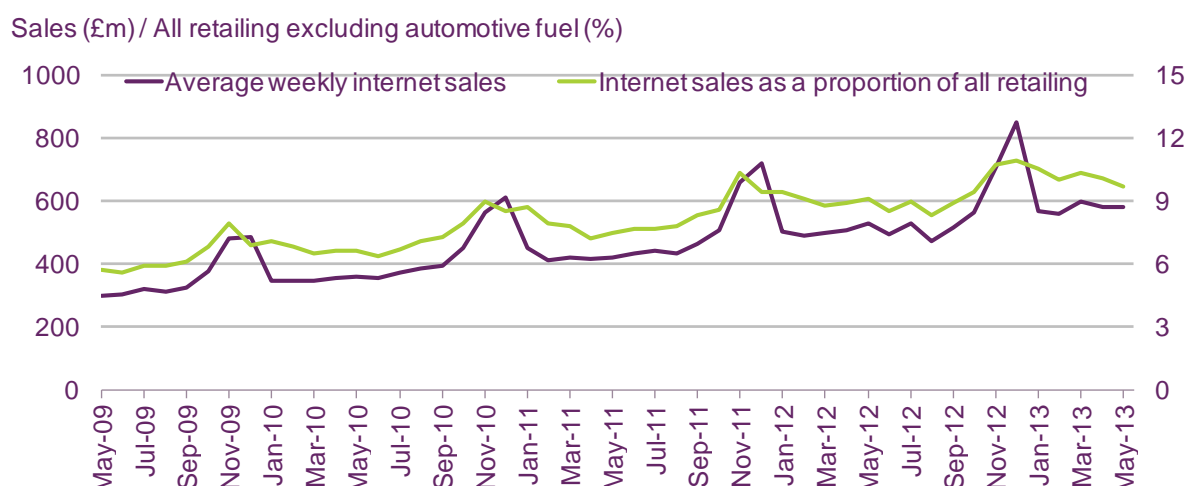
The Retail Sales Index (RSI) by the Office for National Statistics provides an estimate of how much was spent online through retailers across all store types in Great Britain. The RSI “covers internet businesses whose primary function is retailing but also covers internet retail sales by other British retailers, such as online sales by supermarkets, department stores and catalogue companies”⁸⁴.

Average weekly internet retail sales grew 10.3% year on year to May 2013, up from £528m to £582m, continuing a trend of steady annual growth punctuated by peaks during the Christmas shopping season. Sales were highest in December 2012, when £847m of retail spend was online, an increase of £128m (17.9%) on the previous high, set in December 2011.

Furthermore, Figure 4.50 shows that internet sales as a proportion of all retailing (excluding automotive fuel) grew 0.6 percentage points between May 2013 and May 2012. Internet sales as a proportion of all retailing follows a similar seasonal pattern as absolute sales, and peaked in December 2012 at 10.9%. Until recently, internet share of sales peaked before absolute sales, suggesting that consumers are likely to do their online shopping more in advance of Christmas than their shopping at high street retailers. This lag might be attributable to the time required for purchases to be delivered before Christmas.

⁸⁴ “A Quick Guide to the Retail Sales Index”, Office for National Statistics, <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/retail-sales/rsi-quick-guide.pdf>

Figure 4.50 GB internet retail sales



Source: Office for National Statistics, Retail Sales Statistical Bulletin, May 2009 to May 2013

<http://www.ons.gov.uk/ons/rel/rsi/retail-sales/may-2013/rft-rsi-tables-may-2013.xls>

Note: This data are for Great Britain only and exclude Northern Ireland, the Isle of Man, and the Channel Islands.

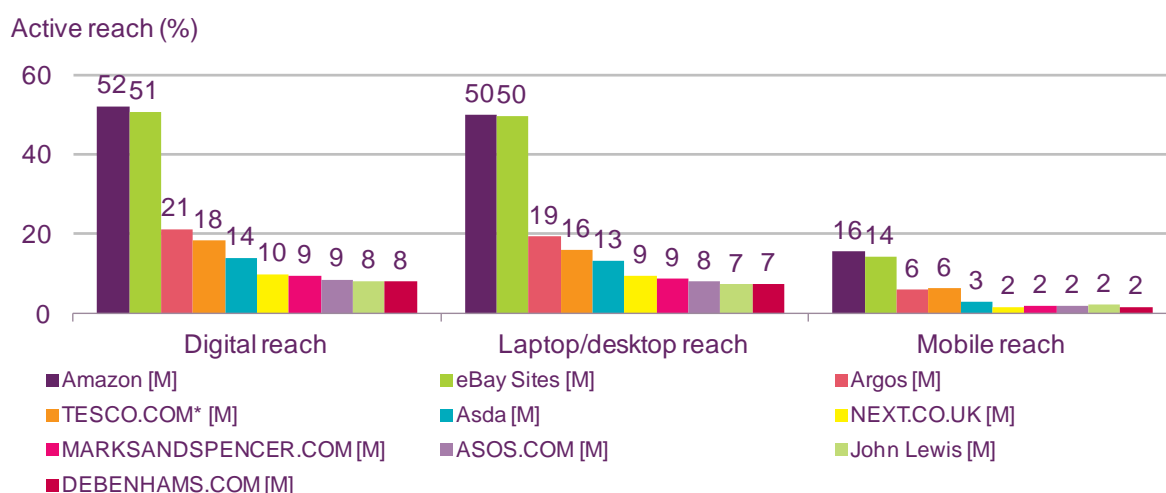
Half of the online population visit Amazon and eBay

More than half of the online population across mobile, laptop and desktop computers visited Amazon (52%) and eBay (51%) in April 2013. Among the online retail websites featured in Figure 4.51, the nearest competitor, Argos, had less than half the reach (21%) of the top two. However, it is worth noting that both Amazon and eBay are online-only retailers, while all of the remaining websites except ASOS also have a high street presence. While the online reach of these high street retailers may not be as great as Amazon and eBay, their online and in-store reach may be.

Online retail websites are less popular among mobile-only internet users, although Amazon and eBay still lead, with 16% and 14% reach respectively. Similarly, nearest rivals Tesco and Argos had less than half the reach (6%) of the top two. However, mobile reach, shown in Figure 4.51, excludes mobile users who only use the services of these online retailers through a mobile app. Alternative consumer research from comScore suggests that including visits from online retailers' mobile applications increases the mobile internet reach of Amazon to 24% of users, and of eBay to 16%⁸⁵.

⁸⁵ Retail brands by browser and application, comScore MobiLens, April 2013, mobile internet users 13+

Figure 4.51 Active reach of selected online retailers, by platform: April 2013



Source: comScore MMX Multi-Platform, UK, April 2013.

Note: Please note MMX Multi-Platform includes laptop/desktop browsing, laptop/desktop video streams, on-network mobile browsing use.

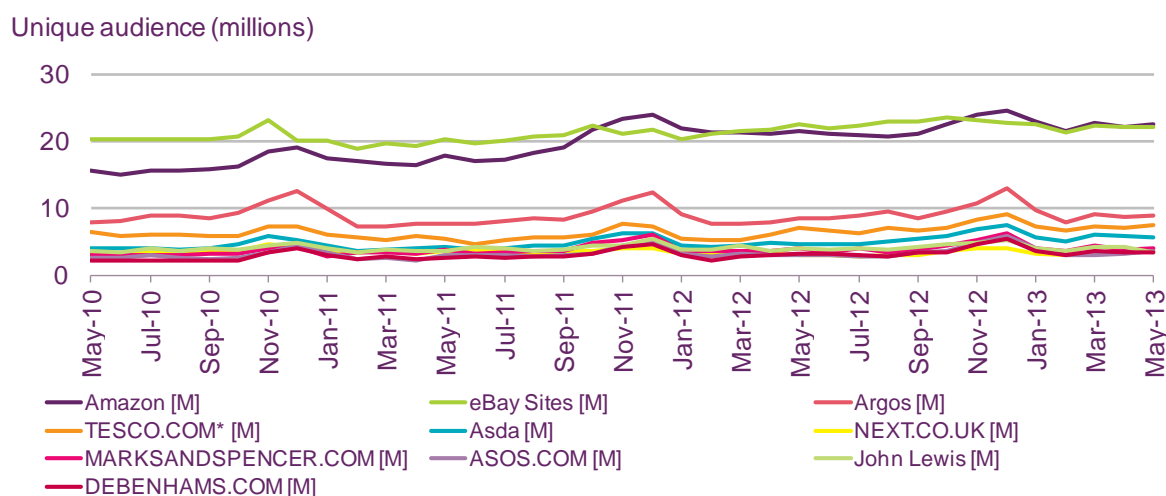
Amazon overtakes eBay to become the UK's most-visited online retailer

Year on year, Amazon's laptop and desktop computer audience grew by one million unique visitors per month in May 2013, overtaking eBay to become the most popular online retailer featured in Figure 4.52. In the same period, eBay's unique audience shrank by half a million unique visitors per month, leaving only 350,000 unique visitors a month separating the two most popular online retailers.

The fastest growing audiences among the online retailers were fashion retailer Next.co.uk (21%), supermarket Asda (20%), and online-only fashion retailer ASOS.com (19%). Apart from eBay the only online retailer to experience a fall in audience was department store John Lewis, down 16% year on year.

Visits to online retailers were clearly cyclical throughout the year, with unique audiences peaking during the Christmas period and then returning to lower levels.

Figure 4.52 Unique audience of selected online retailers on laptop and desktop computers: May 2010 to May 2013



Source: comScore MMX, UK, home and work panel, May 2010 to May 2013

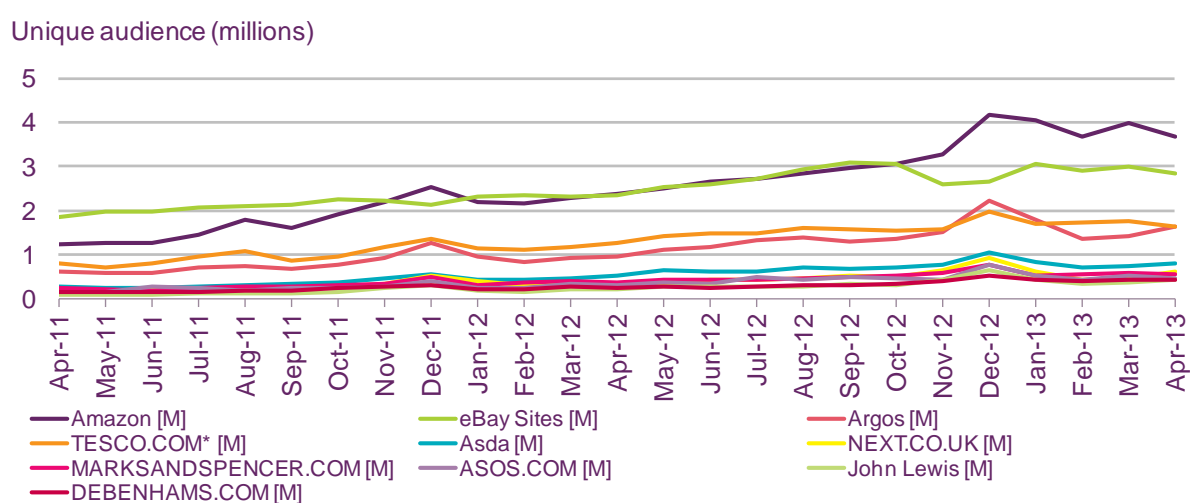
Mobile audiences are growing for online retailers in the UK

Amazon had the greatest absolute growth in mobile audience among the online retailers in our analysis, growing by 1.3 million year on year in April 2013 to become the most popular online retailer on mobile.

Furthermore, mobile shopping appears to be growing in popularity. Mobile unique audiences across all online retailers analysed grew between 21% (eBay) and 106% (John Lewis) during the year to April 2013, and the Christmas peak in 2012 was more pronounced than in 2011, across a number of retailers.

Figure 4.53 indicates growing unique audiences of online mobile retail websites; however, it does not reflect all mobile internet user behaviour. The unique audiences in Figure 4.53 exclude users of retailers' mobile applications, through which mobile audiences may browse retailers' products and make purchases. This appears to have had the greatest impact on eBay, which launched a television advertising campaign in late September featuring the eBay mobile app⁸⁶. Unlike competitors' mobile browser audiences (which peaked during the Christmas period) eBay's browser-only unique audience fell during November and December 2012, before returning to previous levels in January 2013. Consumer research from comScore MobiLens suggests that users of eBay continued to rise during this period⁸⁷, while data from comScore GSMA MMM states that users of the mobile application grew by 0.9 million monthly users⁸⁸. It is likely, therefore, that consumers switched away from using their mobile browsers to visit eBay, using the eBay mobile application instead.

Figure 4.53 Mobile unique audience of selected online retailers: Apr 2011 to Apr 2013



Source: comScore GSMA MMM, UK, browser access only, on network, April 2011 to April 2013

More than a fifth of mobile internet users have purchased goods or services using their phone

The proportion of mobile internet users who have purchased goods or services from their handset increased by five percentage points to 21% between April 2012 and April 2013. The

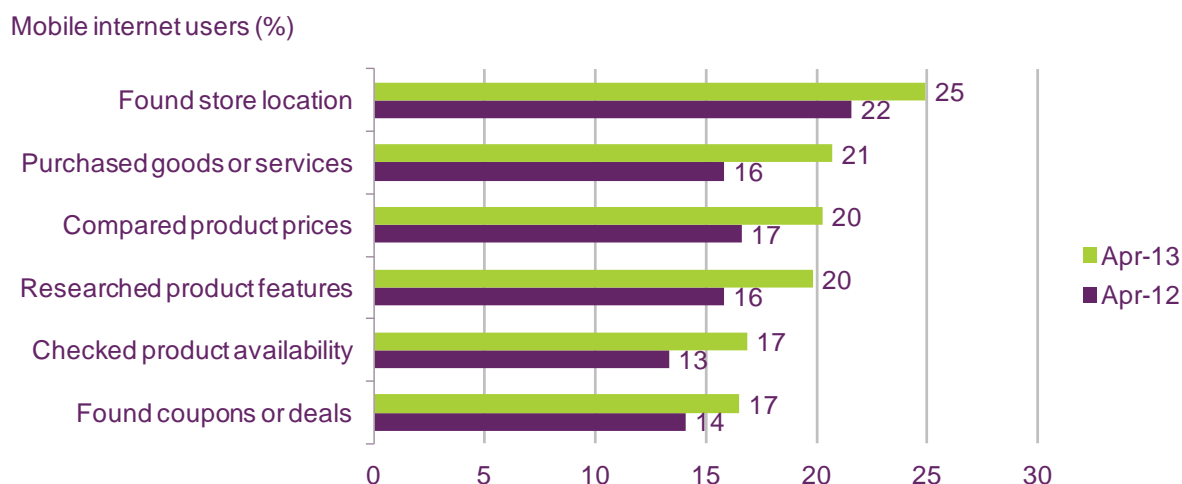
⁸⁶ "eBay launches mobile shopping TV campaign", 25 September 2012, <http://www.ebay-mediacentre.co.uk/pressrelease/3861>

⁸⁷ Growing from 4.1 million to 5.3 million users during the Christmas period (comScore MobiLens, UK, mobile users 13+, September to December 2012),

⁸⁸ eBay (mobile app) [M] unique audience: 1,266,537 (comScore GSMA MMM, UK, on network, September 2012) and 2,145,396 (comScore GSMA MMM, UK, on network, January 2013).

most popular activity among mobile internet users, shown in Figure 4.54, was using their handset to find a retailer's location (25%) while the least popular was using their phone to find coupons or deals (17%). A fifth of mobile internet users (20%) used their handset to compare product prices and to research product features.

Figure 4.54 Mobile retail activities conducted by mobile internet users

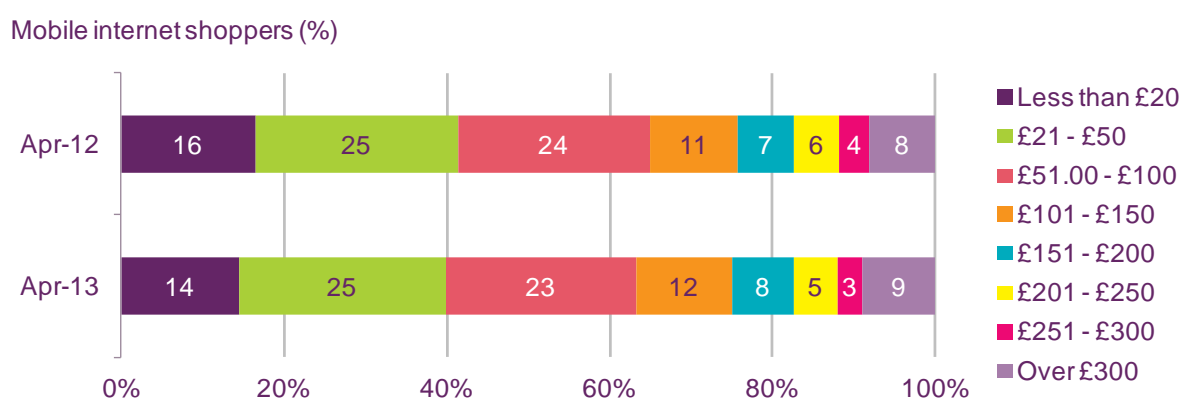


Source: comScore MobiLens, UK, three-month averages ending April 2013 and April 2012
Base: mobile internet users aged 13+

Mobile internet shoppers were most likely to spend between £21 and £50 per month

The majority of mobile internet shoppers spent up to £100 per month on goods and services purchased through their mobile phone in April 2013 (Figure 4.55). A quarter of mobile internet shoppers (25%) spent between £21 and £50, the most popular interval of spend, while less than a tenth (9%) of shoppers spent more than £300 in a month. Furthermore, while the proportion of mobile internet users who purchase goods and services online through their mobile phone increased between April 2012 and April 2013 (see Figure 4.54 above), the level of spend has not changed significantly.

Figure 4.55 Amount spent on goods and services among mobile internet shoppers



Source: comScore MobiLens, UK, three-month averages ending April 2013 and April 2012
Base: mobile internet users aged 13+ who have purchased goods or services

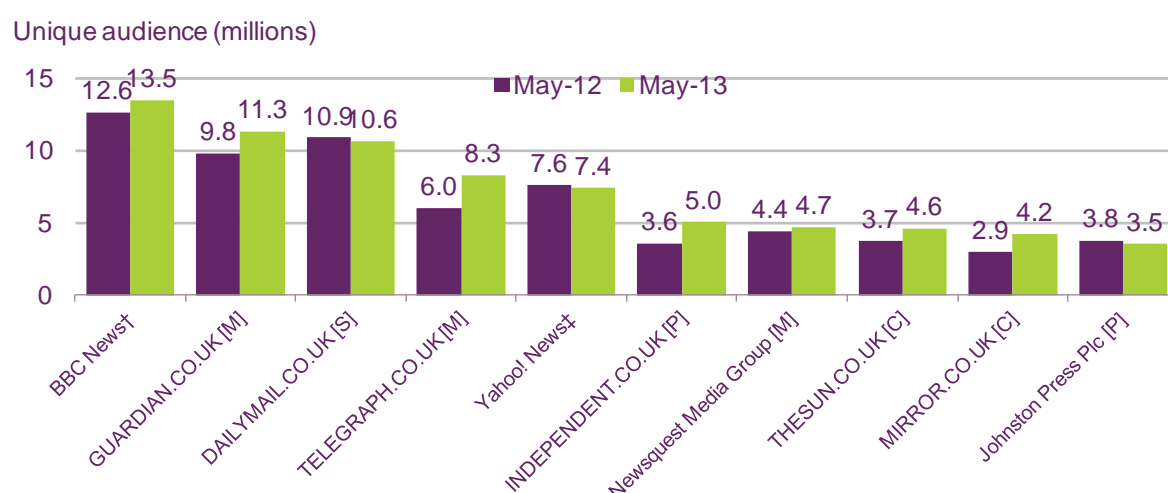
4.3.7 Online news

13.5 million laptop and desktop internet users visit the BBC News website

The most popular news website among laptop and desktop internet users is BBC News, with 13.5 million unique visitors in May 2012, up from 12.6 million in May 2012. The Guardian was the second most popular website, gaining 1.5 million unique visitors in the year to May 2013 and overtaking The Daily Mail, which dropped to third place with 10.6 million unique visitors.

The unique audience of almost all websites analysed increased in the year to May 2013. In addition to The Daily Mail, the exceptions were online-only news website Yahoo! News (down 0.2 million) and regional newspaper publisher Johnston Press Plc (down 0.3 million).

Figure 4.56 Active reach of selected news websites on laptop and desktop computers



Source: comScore MMX, UK, home and work panel, May 2012 and May 2013

† The unduplicated audience of BBC News [C] and BBC.co.uk Home Page [C]

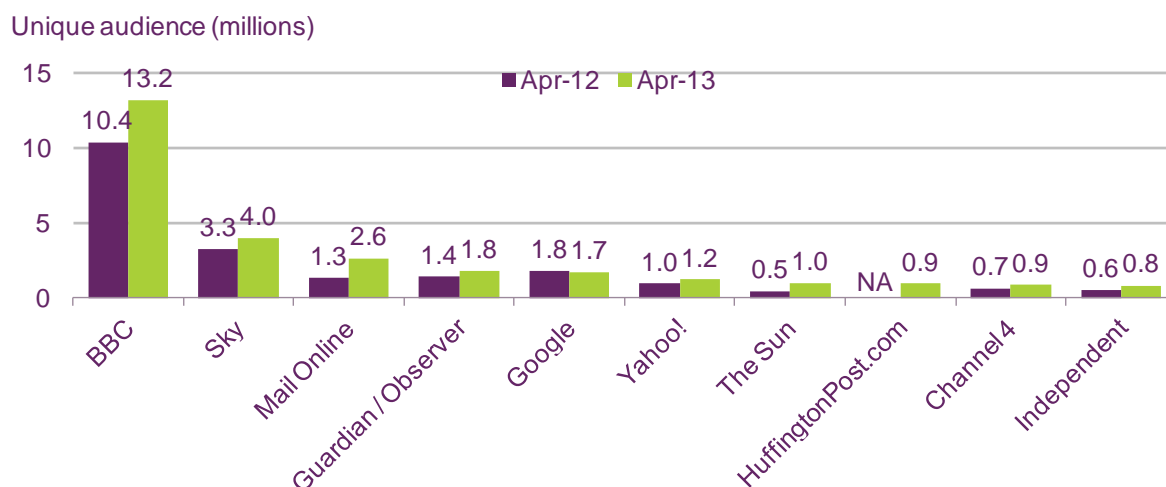
‡ The unduplicated audience of Yahoo! News [S] and Yahoo! Finance [S]

The BBC is as popular among mobile internet users as it is among laptop/desktop internet users

The BBC had a unique audience of 13.2 million for world/national/local news on mobile in April 2013, the largest among the news brands analysed in Figure 4.57, and only 0.3 million users less than on laptop and desktop computers. Of the news brands featured in both Figure 4.56 and Figure 4.57, the BBC was the only brand to achieve similar audience sizes.

The BBC had the greatest absolute increase in unique audience between April 2012 and April 2013, gaining a further 2.8 million users. Mail Online, the online brand for The Daily Mail, doubled its unique audience to 2.6 million in the twelve months to April 2013, while new online-only news brand the Huffington Post established a mobile internet audience of 0.9 million ahead of established brands like broadcaster Channel 4 (0.9 million) and national newspaper The Independent (0.8 million).

Figure 4.57 Unique audience of selected news brands on mobile for world/ national/ local news



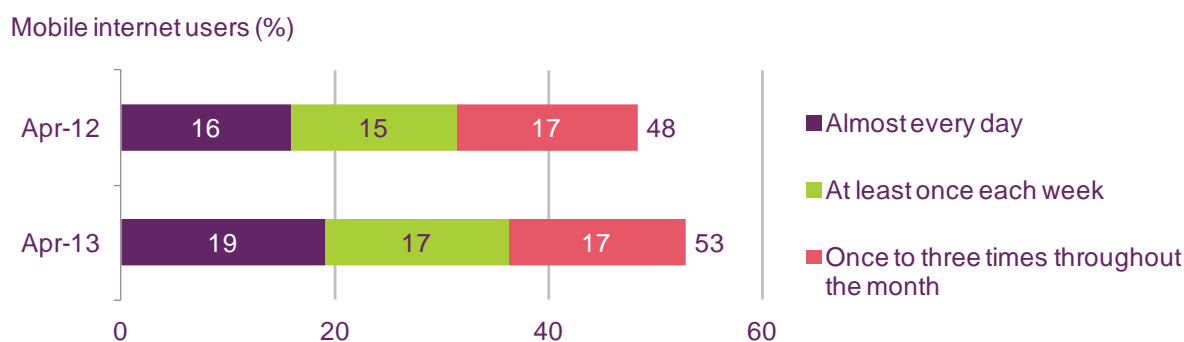
Source: comScore MobiLens, UK, three-month averages ending April 2013 and April 2012
Base: mobile internet users aged 13+

Almost a fifth of mobile internet users access the news ‘almost every day’ on their handset

Almost a fifth (19%) of mobile internet users accessed news through their mobile almost every day in April 2013, up from 16% in April 2012. Fifty-three per cent accessed news ‘ever’ in the month, up five percentage points in the same period.

The frequency with which mobile internet users access news through their mobile might be increasing for a number of reasons. News providers, including those brands featured in Figure 4.57, have mobile-friendly versions of their websites which aid navigation and consumption for mobile internet users. Furthermore, some news brands have released mobile applications that allow users to download content to their smartphone and read it when they do not have a cellular or WiFi internet connection.

Figure 4.58 Frequency of accessing news among mobile internet users



Source: comScore MobiLens, UK, three-month averages ending April 2013 and April 2012
Base: mobile internet users aged 13+



The Communications Market 2013

5 Telecoms and networks

Contents

5.1 Key market developments in telecoms	311
5.1.1 Industry metrics and summary	311
5.1.2 The launch of 4G paves the way for faster mobile services	312
5.1.3 Superfast broadband becomes mass-market as availability increases	318
5.1.4 Superfast users are altering their online behaviour after upgrading	324
5.2 The telecoms industry	331
5.2.1 Introduction	331
5.2.2 Industry overview	332
5.2.3 Fixed voice services	335
5.2.4 Fixed data services	338
5.2.5 Mobile markets	340
5.2.6 Business markets	347
5.3 The telecoms user	353
5.3.1 Introduction	353
5.3.2 Fixed voice services	360
5.3.3 Fixed broadband services	365
5.3.4 Mobile voice and data services	370

5.1 Key market developments in telecoms

5.1.1 Industry metrics and summary

Figure 5.1 UK telecoms industry: key statistics

	2007	2008	2009	2010	2011	2012
Total operator-reported revenue (£bn)	42.1	42.5	41.3	40.4	39.5	38.8
Operator-reported retail revenue (£bn) (excl. CDS)	28.5	28.9	27.9	27.4	27.3	27.5
Operator-reported wholesale revenue (£bn)	10.3	10.5	10.1	9.7	8.8	7.8
Average monthly household telecoms spend (2012 prices) (£)	88.38	85.71	82.07	79.62	78.94	80.25
Fixed access and call revenue (£bn)	10.4	10.2	9.6	9.3	8.8	8.5
Fixed internet revenue (£bn)	3.2	3.2	3.3	3.2	3.4	3.7
Fixed lines (millions)	34.5	34.2	33.5	33.4	33.3	33.1
Fixed broadband connections (millions)	15.6	17.3	18.2	19.5	20.6	21.7
Superfast broadband connections (millions)	0.0	0.0	0.0	0.2	1.1	3.3
Fixed voice call minutes (billions)	149	141	128	123	111	103
Mobile retail revenues (£bn)	15.0	15.5	14.9	14.9	15.1	15.3
Mobile voice call minutes (billions)	105	115	121	125	124	122
SMS messages sent (billions)	66	85	104	128	151	152
Active mobile subscribers (millions)	73.8	76.5	80.3	81.2	81.6	82.7

Source: Ofcom / operators

Notes: CDS = corporate data services

Operator-reported telecoms revenues fell for the fourth consecutive year in 2012

Total UK telecoms revenues declined for the fourth consecutive year in 2012, falling by £0.7bn (1.8%) to £38.8bn, largely as a result of a £1.0bn fall in wholesale revenues (Figure 5.1).⁸⁹ Retail revenue (excluding corporate data services) increased by £0.2bn to £27.5bn during the year: this comprised a £0.3bn increase in mobile retail revenue, a £0.3bn increase in fixed internet revenue and a £0.3bn decrease in fixed access and call revenue. This was reflected by an increase of £1.31 per month in average household telecoms spend. Corporate data services revenue increased by £0.1bn in 2012.

The total number of active mobile subscribers increased by 1.1 million in 2012, as did the total number of fixed broadband connections. During the year, the number of fixed broadband connections that were classed as being superfast (i.e. which had a headline speed of 30Mbit/s or higher) increased from 1.1 million to 3.3 million as consumers migrated to faster services. Call volumes from both fixed and mobile phones decreased in 2012, with the former down by eight billion minutes to 103 billion minutes and the latter down by one billion minutes to 122 billion minutes.

⁸⁹ Wholesale revenues include those from fixed access and call products, fixed broadband services NTS services, mobile voice and data services, mobile call and SMS termination and inbound mobile roaming on a UK mobile network.

These data are discussed in greater detail in the second and third parts of this chapter: the *Telecoms Industry* section and the *Telecoms User* sections, which focus on the consumer perspective. First we consider three key developments in the telecoms market. These are:

- **The launch of 4G mobile services.** This key market development provides quantitative and qualitative information on the launch of the new generation of mobile services. We examine use, take-up (existing take-up and future intention to subscribe), awareness and attitudes.
- **Availability and take-up of superfast broadband.** This key market development focuses on the increases in availability and take-up of superfast broadband and what is driving those increases. It examines the price premium required to upgrade to superfast services and looks at how the market for fibre is developing.
- **Consumer attitudes towards superfast broadband.** This key market development looks at the attitudes of consumers who have superfast broadband. It examines what the main reasons are for upgrading to superfast broadband, whether internet use changes after upgrading, and the level of satisfaction among consumers.

5.1.2 The launch of 4G paves the way for faster mobile services

The UK's first 4G service launched in 2012

2012 was the year when 4G services were launched in the UK. EE, the mobile operator that was formed by the merger of Orange UK and T-Mobile UK, launched 4G services on 30 October using the EE brand. The other mobile network operators (MNOs) – Vodafone, Telefonica O2 and Three – are expected to launch 4G services in the second half of 2013.

Following 3G, 4G describes the fourth generation of mobile networks. Known technically as Long Term Evolution, or LTE, 4G offers subscribers faster data downloads and uploads. This allows faster downloading and streaming of video and faster access to other data services like social networking. In June 2013, EE quoted a report from measurement firm RootMetrics which said the average download speed on its 4G network was 19.4Mbit/s,⁹⁰ and in July 2013 it announced that it had launched double-speed 4G services in 12 UK cities.⁹¹ For a typical user, initial 4G download speeds may be around six times those they would experience on existing 3G networks.

LTE also offers benefits to network operators, including more efficient use of radio spectrum and potential savings in capital expenditure. In the future, telephony and messaging may be carried over 4G networks (at present they use 2G and 3G networks unless they are carried as data). The coverage provided by EE's 4G network has increased since the service launched, and in June 2013 EE announced that its network footprint covered more than 55% of the UK population, and forecast 98% coverage by the end of 2014.⁹² Roll-out to June 2013 had been focused mainly on urban areas, with the company announcing⁹³ that 85 towns and cities were covered.

⁹⁰ <https://explore.ee.co.uk/our-company/newsroom/ee-unveils-latest-innovations-as-4g-customers-pass-half-million-mark>

⁹¹ <https://explore.ee.co.uk/our-company/newsroom/ee-launches-next-generation-services-on-world-s-fastest-network>

⁹² <https://explore.ee.co.uk/our-company/newsroom/ee-unveils-latest-innovations-as-4g-customers-pass-half-million-mark>

⁹³ <https://explore.ee.co.uk/our-company/newsroom/ee-4g-goes-live-in-11-more-towns-across-the-uk>

Ofcom auctioned 250MHz of radio spectrum to support the launch of 4G

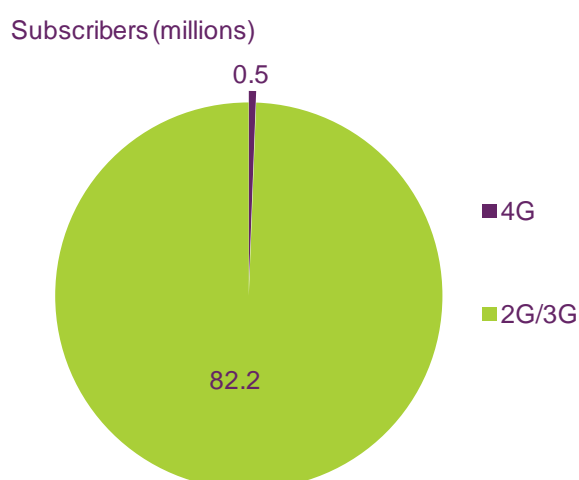
Critical to the existence of 4G services is the availability of radio spectrum in specific frequency bands. The quantity of radio spectrum available for use by mobile operators increased significantly when Ofcom auctioned 250MHz of spectrum in the 800MHz and 2.6GHz bands in the first quarter of 2013. Five operators: EE, Niche Spectrum Ventures (a wholly-owned subsidiary of BT), Telefonica O2, Three and Vodafone were successful in their bids for spectrum. EE used some of its existing 1800MHz radio spectrum to launch 4G.

Telefonica successfully bid for specific bands of radio spectrum that carried a coverage obligation. This means that Telefonica O2 will have to provide indoor 4G coverage to at least 98% of the UK population by the end of 2017. This is likely to be equivalent to at least 99% outdoor coverage. The coverage obligation also specifies that O2 will have to provide 4G coverage to at least 95% of the population of each of England, Northern Ireland, Scotland and Wales.

Half a million subscribers have signed up to 4G

In March 2013, EE said that 42% of those signing up to its post-paid tariffs took a 4G-enabled smartphone (although only a small proportion of these will have subscribed to a 4G mobile service), and a month later it said it aimed to have a million 4G subscribers by the end of 2013. According to EE,⁹⁴ there were more than 500,000 subscribers to its 4G service by the end of May 2013, representing approximately 2% of the company's total subscriber base and around 0.5% of all UK mobile subscribers (Figure 5.2).

Figure 5.2 4G share of total mobile subscribers: May 2013



Source: EE for 4G subscriber figures; Ofcom/ operators for remaining mobile subscribers
Note: 4G subscribers are cited for the end of May 2013. Total mobile subscribers are cited for the end of December 2012. Because growth in the number of total mobile subscribers is low, the December 2012 figure is likely to provide an accurate estimate of the figure for the end of May 2013.

Awareness of 4G services reaches four in five adults who have a mobile phone from which they can access the internet

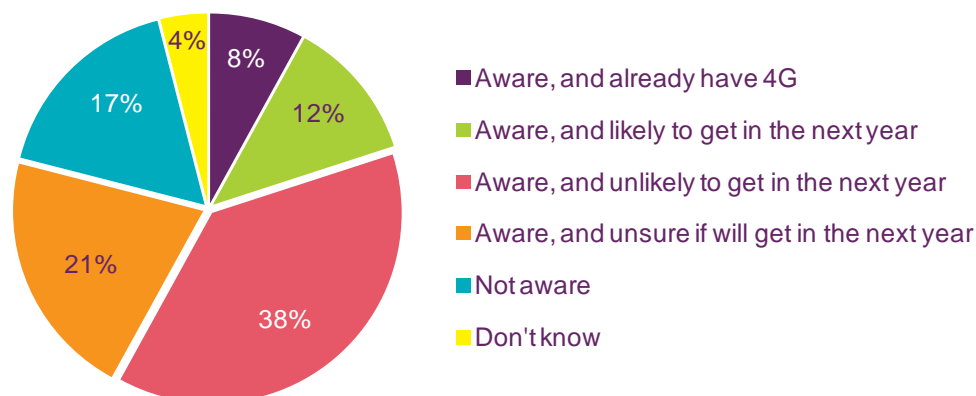
The proportion of consumers who are aware of 4G already appears to be high. According to Ofcom research conducted in April 2013, 79% of adults with a mobile phone from which they could access the internet said that they were aware of 4G services (Figure 5.3). Eight per

⁹⁴ <https://explore.ee.co.uk/our-company/newsroom/ee-unveils-latest-innovations-as-4g-customers-pass-half-million-mark>

cent of the same sample said they were already a subscriber to EE's 4G service, while a further 12% said that they were likely to purchase 4G services within the next 12 months.

Figure 5.3 Awareness and take-up of 4G

Proportion of respondents (%)



Source: Ofcom research, April 2013

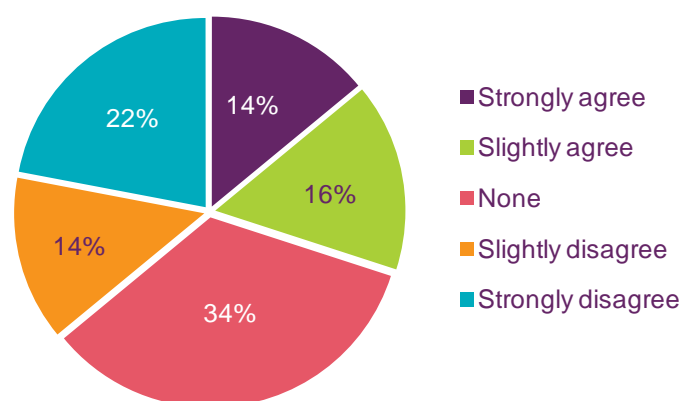
Base: All with mobile phone with internet (1320)

Question: 4G is a new service only currently available to Orange and T-Mobile (Everything Everywhere) customers and it enables faster mobile internet access. Which of the following statements best describes your awareness and use of 4G?

30% of smartphone users intend to upgrade to 4G at the end of their current contract

According to the same Ofcom research, three in ten smartphone users said they would like to upgrade to 4G when their contract expires (Figure 5.4). These users may wish to wait until the end of their contract because of the early termination charges that they might incur if they leave their contract before its minimum term has elapsed.

Figure 5.4 Future intention to sign up to 4G



Source: Ofcom research, April 2013

Base: All who use a smartphone (967)

Statement: I would like to upgrade to a 4G service when my contract is renewed

Mobile broadband subscribers were the keenest to upgrade to 4G

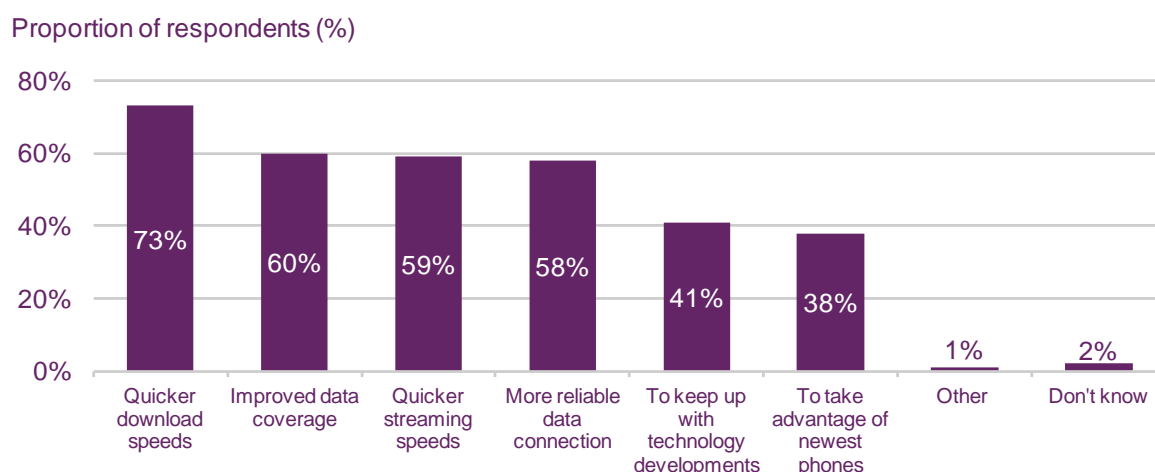
Figures from YouGov's DongleTrack survey suggest that interest in 4G appears to be higher among mobile broadband users than among mobile users in general. This is not surprising

because mobile broadband is a data-only service, and its users will benefit most from faster data connection speeds. Forty-one per cent of mobile broadband users said they were 'somewhat', or 'very', interested in switching to a 4G service at current prices, while only around a quarter (26%) said they were uninterested in 4G.

Although there are a number of consumer benefits to 4G, the most commonly cited reason for wanting a 4G service is speed, according to YouGov's SMIX (Smartphone, Mobile Internet eXperience) tracker (Figure 5.5). Nearly three-quarters (73%) of smartphone owners said they wanted a 4G service because of quicker download speeds, and 59% said they wanted 4G because it would enable faster streaming. The second most commonly-cited reason for smartphone owners wanting to upgrade to a 4G service was the reliability of the data service: six in ten said they wanted to take advantage of 'improved data coverage' and 58% said they sought a 'more reliable data connection'.

A desire to keep up with technology was stated less often as a reason for wanting 4G. 'Wanting to keep up with new technology developments' (41%) and 'taking advantage of new phones' (38%) were the fifth and sixth most commonly cited reasons.

Figure 5.5 Reasons for wanting to upgrade to 4G



Source: YouGov Smartphone, Mobile Internet eXperience, December 2012.

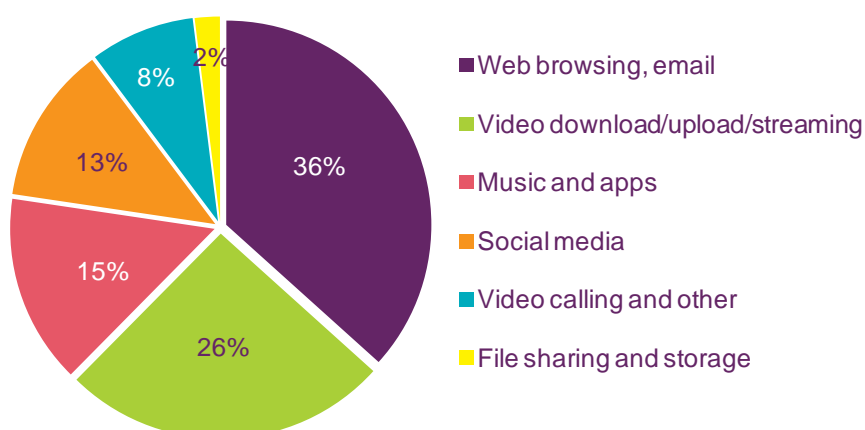
Base: Respondents who own a smartphone and said they are likely to get a 4G handset on a 4G contract (681).

Question: You said that you are likely to get a 4G-enabled handset on a 4G data contract in the future. For which, if any, of the following reasons are you likely to get a 4G data contract? (Please select all that apply).

4G users are more likely to watch video on their phone

EE has reported that its 4G subscribers use a different mix of services to its 3G subscribers, particularly with regard to an increased use of video downloading, uploading and streaming, which accounted for over a quarter of 4G data use in March 2013. However, although they require less bandwidth, web browsing and email contributed their highest consumption of data, at 36%, and as a proportion of time spent, the figure is likely to be higher, as web browsing tends to consume data at a much slower rate than the streaming of media. Music and apps (15%), and social media (12%) were the third and fourth largest activities in terms of data used, EE reported. YouTube accounted for over one-eighth of all 4G data, while Facebook and iTunes consumed 10% and 7% of the total respectively.

Figure 5.6 Use of EE's 4G network, by application: March 2013

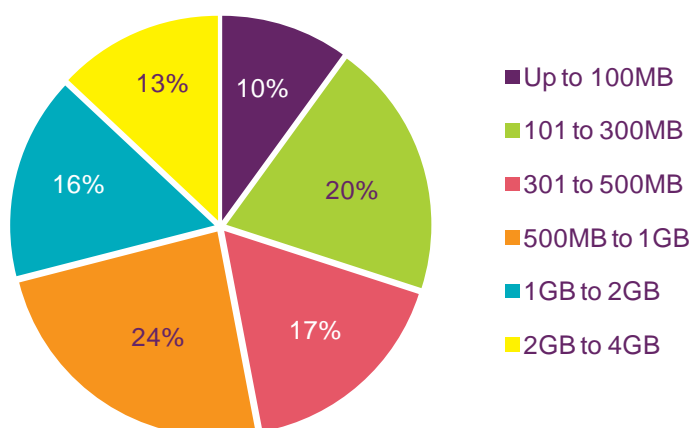


Source: EE

EE says that its 4G subscribers consume an average of 1.4GB of data per month

Speaking at the Mobile World Congress conference in February 2013, EE's chief executive officer Olaf Swantee said that subscribers to its 4G services used an average of 1.4GB of data per month.⁹⁵ This level of data consumption was higher than that of the majority of 4G handset users interviewed by YouGov SixthSense in May 2013. One-third of YouGov's respondents subscribed to EE's 4G service, while the remainder were using a 3G service. Among those that knew their level of data consumption, YouGov found that just 29% of 4G users said that they used more than 1GB per month, and almost half (47%) said they used less than 500MB per month (Figure 5.7). It is likely that faster mobile data networks will contribute to further increases in average data consumption, and 44% of the smartphone users questioned by Ofcom in April 2013 said that they would use their handset more if their mobile data connection was faster.

Figure 5.7 Volume of mobile data used by 4G handset owners



Source: YouGov, SixthSense & 4G Tariffs report

Question: How much data do you use in an average month? 'Don't knows' have been excluded. Remaining base: 286, all of whom owned a 4G handset.

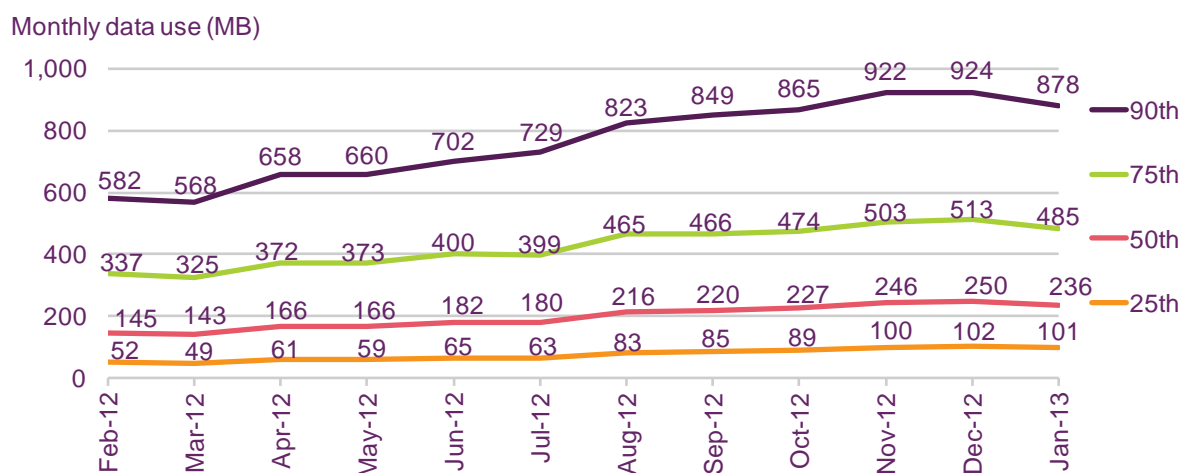
⁹⁵ <https://explore.ee.co.uk/our-company/newsroom/olaf-swantee-ceo-of-ee-mwc-speech-highlights>

Consumers' use of mobile data increased at an annual rate of 70%

Data collected by BillMonitor (Figure 5.8), a company that aims to help subscribers to analyse their mobile bills and find suitable tariffs, shows how data consumption has increased over time. From the sample of mobile users who checked their bill using the BillMonitor site, the median⁹⁶ user consumed 63% more data in January 2013 than in February 2012, a total of 236MB. This was equivalent to an annual increase of 70%.

BillMonitor also found that the largest percentage increases in the consumption of mobile data were from the lowest users. The 25th percentile⁹⁷ increased their use of mobile data by 94% over the same period; equivalent to 106% on an annual basis. The 90th percentile⁹⁸ increased their use of mobile data by 51% over the period, or 57% on an annual basis. The 90th percentile used 878MB of data in January 2013, more than 3.7 times the consumption of the median user. The rate of increase in the use of mobile data among the lowest users may be partly due to new segments of the population starting to use smartphones. Some bias is likely to be introduced because the BillMonitor site may attract certain types of users, such as those who are more technologically engaged. This may inflate the figures for the consumption of mobile data above those of the population as a whole.

Figure 5.8 Volume of mobile data used by BillMonitor site visitors, by percentile



Source: BillMonitor

Note: Percentiles are counted from the lowest user. Therefore, a quarter of all users consumed less data than the 25th percentile.

The price premium was cited as the main reason not to upgrade to 4G

Despite the interest of many consumers, some do not anticipate signing up to 4G. Ofcom research among smartphone users in April 2013 found that 70% of respondents did not intend to migrate to 4G when their current contract expired. There appear to be several reasons for this, primarily related to the additional cost of 4G services.

YouGov's SixthSense survey asked respondents who had said that they were unlikely to switch to 4G why this was the case. Forty-six per cent of those asked cited data charges as a reason, while 37% said handset cost was a reason, and just 29% named lack of interest in

⁹⁶ The median, or 50th per centile, is the middle value. For a simple example, if there were five subscribers that used 100MB, 150MB, 250MB, 275MB and 700MB respectively, the median data user would have used 250MB.

⁹⁷ The 25th per centile is one-quarter from the bottom. Three-quarters of the sample used more data than this and one-quarter used less.

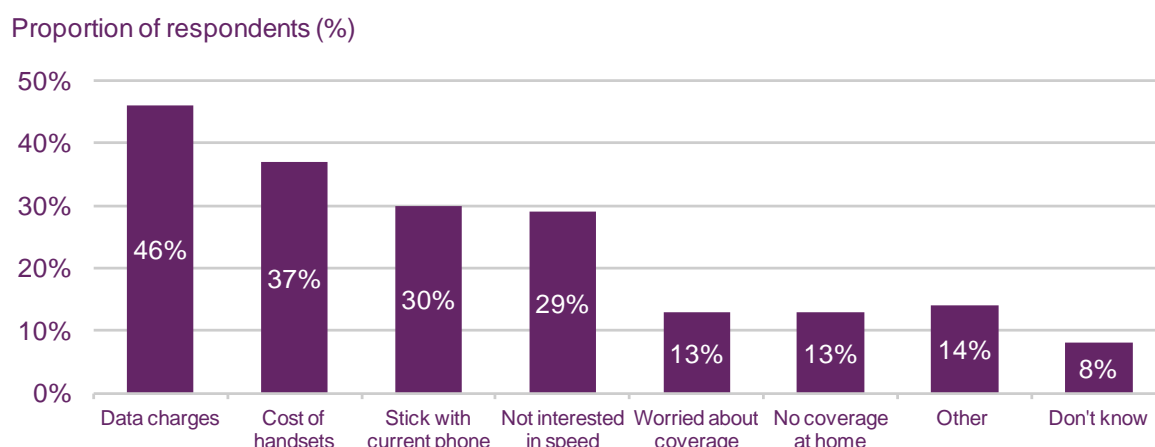
⁹⁸ The 90th per centile is one-tenth from the top of the sample.

faster speeds as a reason (Figure 5.9). The same survey asked consumers directly about the price of 4G services. Provided with the statement: “It will be too expensive for me”, 55% of respondents agreed or strongly agreed, while just 6% disagreed or strongly disagreed.

The roll-out of 4G by EE has been accompanied by new pay-monthly tariffs that offer unlimited texts and minutes, with the price varying depending on the amount of data included.⁹⁹ EE’s tariffs, including a handset, ranged from £31 per month for 500MB of data to £76 per month for 20GB of data at the time of writing. In contrast, many 3G tariffs are tiered by the number of minutes included. Some mobile industry analysts¹⁰⁰ have quantified the gap for consumers between the price of 4G services and 3G services – the so-called 4G price premium – as around £5 per month, based on EE’s initial published pricing.

EE reported that medium-sized and corporate businesses and public sector organisations were paying “from an additional £3 per month” to upgrade from 3G to 4G.¹⁰¹ At the time of writing, Three was the only mobile network operator to have published a statement regarding its intended 4G pricing; this said that there would not be a price premium for its 4G services when they launched.¹⁰²

Figure 5.9 Reasons for not moving to 4G



Source: YouGov SixthSense 4G Tariffs report.

Q: Which of these describes why you are unlikely to move to 4G? Please choose all that apply.

Base: 225. The answers given in the chart are abbreviated for reasons of space and clarity. The full answers, in the same order given in the chart are: The greater use of data will make it too expensive; The handsets are too expensive; Not interested in faster speed; I really like my current phone, which is not 4G compatible; Worried about poor reception; Will not get reception where I live; Other; Don't know.

5.1.3 Superfast broadband becomes mass-market as availability increases

BT's fibre roll-out target will be achieved 18 months earlier than originally planned

Superfast services refer to broadband connections with a headline speed of 30Mbit/s or higher. The two main technologies offering superfast broadband services in the UK both use fibre optic infrastructure, and are operated by BT Openreach and Virgin Media. BT is part-

⁹⁹ According to EE, subscribers receive an SMS when they are near their data limit at which time they can add more data if they wish. If they do not add more data, they do not incur any further data charges because data use is capped.

¹⁰⁰ <http://www.mobilenewscwp.co.uk/2013/04/23/ee-missed-the-point-with-4g-pricing-analyst-says/>

¹⁰¹ <https://explore.ee.co.uk/our-company/newsroom/big-business-backs-4g-in-britain>

¹⁰² <http://www.threemediacentre.co.uk/Press-Releases/752/Three-to-offer-latest-technology-as-standard-with-no-price-premium>

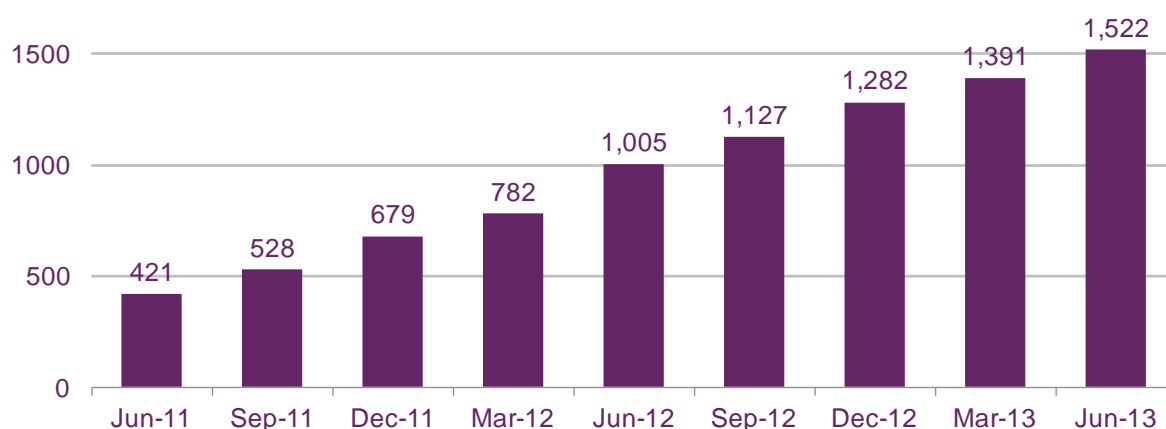
way through its commercial roll-out programme, which when completed will make superfast services available to 66% of UK premises, while Virgin Media has no published plans to extend its current cable network.

BT Openreach's fibre deployment maintained its momentum in 2012, and in April 2013 it announced that its fibre network had passed 15 million premises, with between 100,000 and 200,000 additional premises being passed each week.¹⁰³ This is 18 months ahead of its original schedule, and BT believes it is on course to reach its commercial next-generation access (NGA) deployment target of passing 66% of UK premises (a total of 19 million) by the end of spring 2014. Figure 5.10 shows that the number of FTTC-enabled BT local exchanges has risen rapidly since June 2011, with over 500 additional exchanges having been FTTC-enabled in the year to June 2013, bringing the total to over 1,500.¹⁰⁴

According to data provided to Ofcom, Virgin Media's cable network passed 48% of UK premises by June 2013, and in early 2012 it initiated an upgrade programme which doubled the speeds of most of its cable broadband connections at no extra cost to the customer. Although these increases have now been completed, Virgin Media is still in the process of upgrading its cable network to offer speeds of 'up to' 120Mbit/s, and this is expected to be completed by the end of 2013. Virgin Media now offers superfast services only to new cable customers, its lowest-tier cable broadband service offering speeds of 'up to' 30Mbit/s.

Figure 5.10 Number of BT exchanges that are fibre-to-the-cabinet enabled

FTTC-enabled BT exchanges



Source: BT Wholesale

¹⁰³ <http://www.btplc.com/news/articles/showarticle.cfm?articleid=%7b0b783057-2416-4a4d-8c8c-82a779f1c807%7d>

¹⁰⁴ https://www.btwholesale.com/pages/static/Library/Network_Information/21CN_Broadband_Availability/index.htm

Fibre-to-the-cabinet (FTTC)

In fibre-to-the-cabinet deployments, optical fibre (which is capable of handling faster broadband speeds) is run to the street cabinet, which is usually close to the user's premises, typically within 300m (1,000 feet). VDSL, a faster form of DSL, is then used to transmit data from the street cabinet to the end user's premises over the twisted copper pair. VDSL can take advantage of the shorter length of the twisted copper pair to deliver much higher data speeds. Current UK FTTC services are retailed as providing downstream speeds of 'up to' 38Mbit/s or 'up to' 76Mbit/s.

The vast majority of BT's fibre network is FTTC rather than fibre-to-the-premises (FTTP), where fibre is deployed all the way to the end user's premises. FTTP can provide higher speeds than FTTC, but the investment required is higher than for FTTC. In April 2013 BT launched its FTTP-on-demand service, which makes FTTP available to all FTTC-supporting lines. However, this is likely to be predominantly for business customers, due to the high installation charges.

Funding from BDUK sought to increase superfast availability

The UK government is investing £530m, with an additional £150m set aside for 'super-connected' cities (a voucher scheme is out for consultation in July 2013), to ensure that superfast broadband is available to communities which may not be served by purely commercial deployments. In June 2013 the government announced a target; that 95% of UK premises would have superfast availability by 2017. Broadband Delivery UK (BDUK), a team within the Department for Culture, Media and Sport, is responsible for managing this funding, with local authorities and devolved administrations running tendering processes to allocate funds to suppliers. Following Fujitsu's withdrawal in March 2013, only BT remains in the tendering process. As of March 2013, BT had won 19 BDUK contracts and in December 2012 the first customers began to be connected in North Yorkshire.¹⁰⁵

Seventy-three per cent of UK premises were in postcodes that were served by NGA networks in June 2013

Superfast broadband services are provided over NGA networks, which use technologies such as FTTC, FTTP and DOCSIS 3.0 (in the case of cable). Ofcom collects postcode-level data on the number of premises that are able to receive services over BT Openreach, Kcom (the incumbent fixed telecoms provider in the Kingston-upon-Hull area) and Virgin Media's NGA networks, in order to monitor the UK's communications infrastructure. From this data we are able to calculate the proportion of premises that are in postcodes in which one or more premises can receive NGA broadband services.

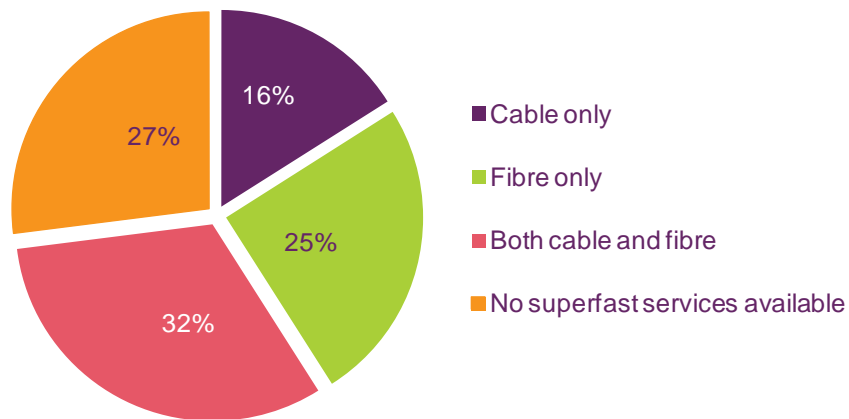
Using the latest data available to us, we estimate that 73% of UK premises were in a postcode that was served by an NGA network by June 2013, an eight percentage point increase compared to June 2012, which is largely as a result of the continued roll-out of BT Openreach's FTTC network. This estimate of NGA coverage is likely to be slightly overstated (despite the fact that it only includes data regarding these three providers' NGA networks) as not all premises in a postcode will necessarily be able to receive NGA services. In addition, not all NGA broadband connections will achieve actual speeds of 30Mbit/s or more, particularly FTTC-based services where line speeds are dependent on the length and quality of the line from the street cabinet to the end-users premises, among other things.

While the availability of NGA networks is increasing, so are the connection speeds that they offer. In March 2012 Virgin Media started an 18-month programme to double the speed of

¹⁰⁵ For more information: <https://www.gov.uk/broadband-delivery-uk>

most of its cable broadband connections¹⁰⁶, and it is currently upgrading its cable network to offer speeds of 'up to' 120Mbit/s. Similarly, BT Openreach doubled the speeds available over its FTTC network to 'up to' 80Mbit/s in April 2012, and has also increased the maximum speeds offered by its FTTP network to 'up to' 330Mbit/s.

Figure 5.11 Proportion of premises in postcodes served by NGA networks, by technology



Source: Ofcom / operator data, June 2013

Superfast services typically command a price premium of £5 to £10 a month

Figure 5.12 shows the difference between the cost of the lowest-priced superfast and ADSL2+ services from a number of large ISPs, when bought in conjunction with a fixed voice service (Sky offers a lower-cost ADSL2+ option when bought in a triple-play bundle with pay-TV, and Virgin Media offers a cheaper stand-alone broadband offer which does not require a landline). The price differential between these services was £10 a month for all ISPs except BT, where the difference was £5.

Ofcom data show that in the six months to November 2012 the average speeds recorded for superfast connections (those with an advertised 'up to' speed of 30Mbit/s and above) increased from 35.8Mbit/s to 44.6Mbit/s.¹⁰⁷ This can be compared to the 64% of connections that were advertised as being over 'up to' 10Mbit/s but less than 'up to' 30Mbit/s, which had an average speed of 8.1Mbit/s. From this it can be seen that by upgrading to superfast services, for a price premium of £5 to £10 a month, consumers get a significant increase in average broadband speeds.

¹⁰⁶ <http://mediacentre.virginmedia.com/Stories/Virgin-Media-s-speed-doubling-starts-2380.aspx>

¹⁰⁷ http://stakeholders.ofcom.org.uk/binaries/research/broadband-research/nov2012/Fixed_bb_speeds_Nov_2012.pdf

Figure 5.12 Comparison of major ISPs' superfast and current-generation broadband services

		BT	Virgin Media	TalkTalk	Plusnet	Sky
Lowest cost superfast service	Headline download speed/technology	38Mbit/s FTTC	30Mbit/s cable	38Mbit/s FTTC	38Mbit/s FTTC	38Mbit/s FTTC
	Average actual speed, Nov 2012	34.2Mbit/s	28.7Mbit/s	-	-	-
	Data allowance	40GB plus unlimited WiFi	Unlimited	Unlimited	40GB plus unlimited off-peak	Unlimited
	Call allowance	Fixed off-peak	Virgin Media plus fixed weekend	Fixed off-peak	Fixed off-peak	Fixed weekends
	Monthly cost	£18 plus line rental	£14.50 plus line rental (or stand alone at £22.50)	£16.50 plus line rental	£15.99 plus line rental	£20 plus line rental
Lowest cost current generation service	Headline download speed/technology	16Mbit/s ADSL2+	n/a	16Mbit/s ADSL2+	16Mbit/s ADSL2+	16Mbit/s DSL2+
	Average actual speed, Nov 2012	9.2Mbit/s	n/a	8.3Mbit/s	9.9Mbit/s	8.3Mbit/s
	Data allowance	10GB plus unlimited WiFi	n/a	Unlimited	10GB plus unlimited off-peak	Unlimited
	Call allowance	Fixed off-peak	n/a	Fixed off-peak	Fixed off-peak	Fixed weekends
	Monthly cost	£13 plus line rental	n/a	£6.50 plus line rental	£5.99 plus line rental	£10 plus line rental
Additional monthly superfast cost		£5	n/a	£10	£10	£10

Source: Ofcom / Pure Pricing UK Broadband Pricing Briefing, March 2013

Note: Excludes Virgin Media's ADSL service as this is available only outside its cable network footprint, meaning that the two services are not substitutes for each other

Take-up of superfast broadband services has doubled since June 2012

The number of superfast broadband connections doubled from 1.9 million to 3.8 million in the nine months to Q1 2013, with the proportion of all fixed broadband connections that were classed as being superfast increasing by 8.6 percentage points to 17.5% over the period (Figure 5.13).

The main driver of this increase was Virgin Media's 'double-speeds' upgrade programme, which doubled the speeds provided by most of its cable broadband connections at no extra charge to the customer. However, consumers are also choosing to migrate to faster packages, and over the course of the 2012/13 financial year the number of BT retail FTTC and FTTP broadband connections increased from around 550,000¹⁰⁸ to over 1.3 million.¹⁰⁹ This rapid rise shows that most current FTTC and FTTP broadband users had previously used an ADSL service, and had therefore elected to pay more for their service when switching to superfast broadband.

¹⁰⁸ BT's 2012 annual report:

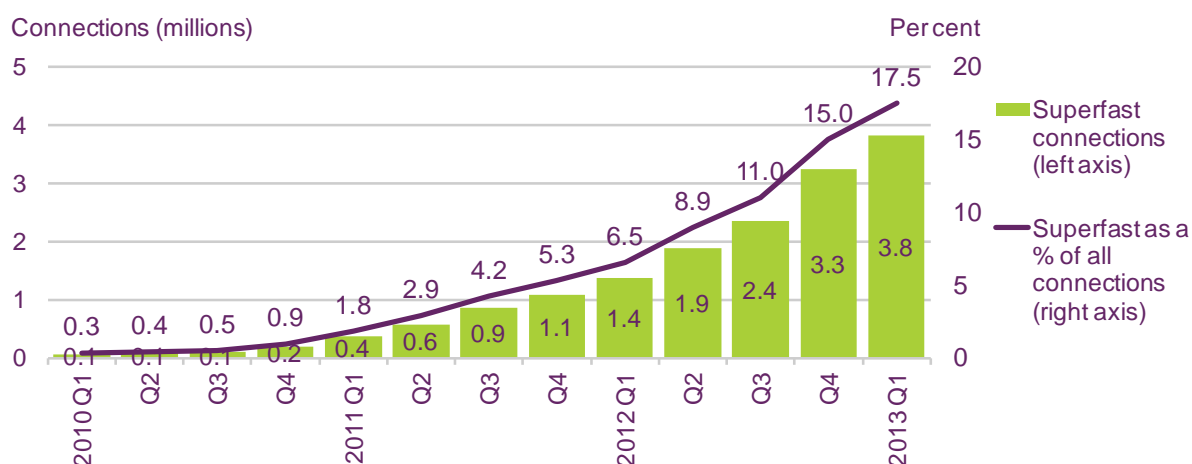
<http://www.btplc.com/Sharesandperformance/Annualreportandreview/pdf/BTAnnualReport2012.pdf>

¹⁰⁹ BT's 2013 annual report:

http://www.btplc.com/Sharesandperformance/Annualreportandreview/pdf/2013_BT_Annual_Report_smart.pdf

The reasons for this increase in consumers proactively migrating to superfast services (as opposed to automatic package upgrades) are wide-ranging, but are likely to include the increase in penetration of internet-connected devices and the number of such devices per household. In addition, the increase in video streaming services such as Netflix and Lovefilm is likely to have contributed to some extent to higher levels of demand for superfast services, alongside other popular activities such as streaming music and playing online games.

Figure 5.13 Take-up of superfast broadband services



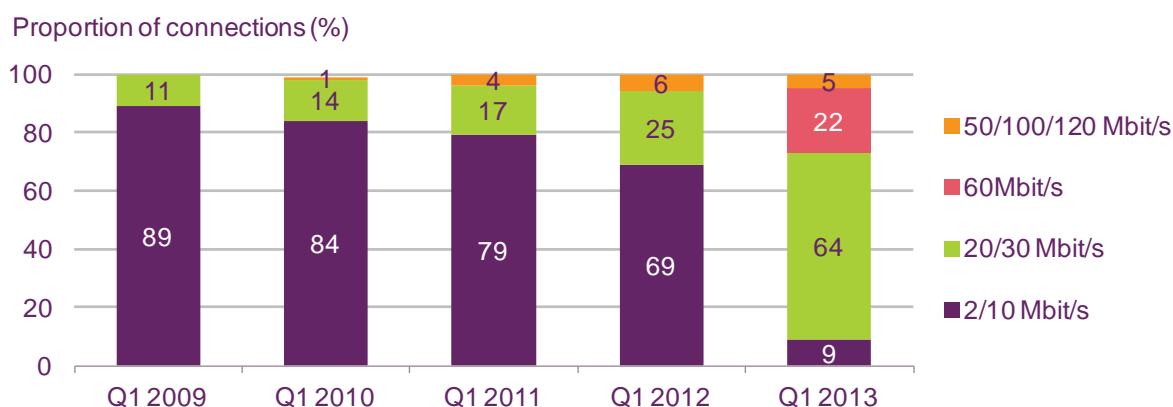
Source: Ofcom / operators

Note: Includes estimates where Ofcom does not receive data from operators

Over half of cable connections were superfast by March 2013

As mentioned previously, most of the increase in the number of superfast connections in the year to March 2013 has been due to Virgin Media's 'double-speeds' upgrade programme. Data released by Virgin Media in April 2013 shows that it had 2.5 million superfast connections at the end of March 2013, up from 843,600 a year previously, and that 58% of its broadband subscriber base was superfast at the end of March 2013, almost three times the 20% figure at the end of March 2012. Figure 5.14 highlights the change in the composition of Virgin Media's broadband subscriber base, with 27% of connections being 'up to' 60Mbit/s or faster by Q1 2013, a year-on-year increase of 21 percentage points. The majority of the speed increases under the 'double-speeds' upgrade programme have now been completed, meaning that this rate of change is likely to slow.

Figure 5.14 Changing composition of Virgin Media's broadband customer base



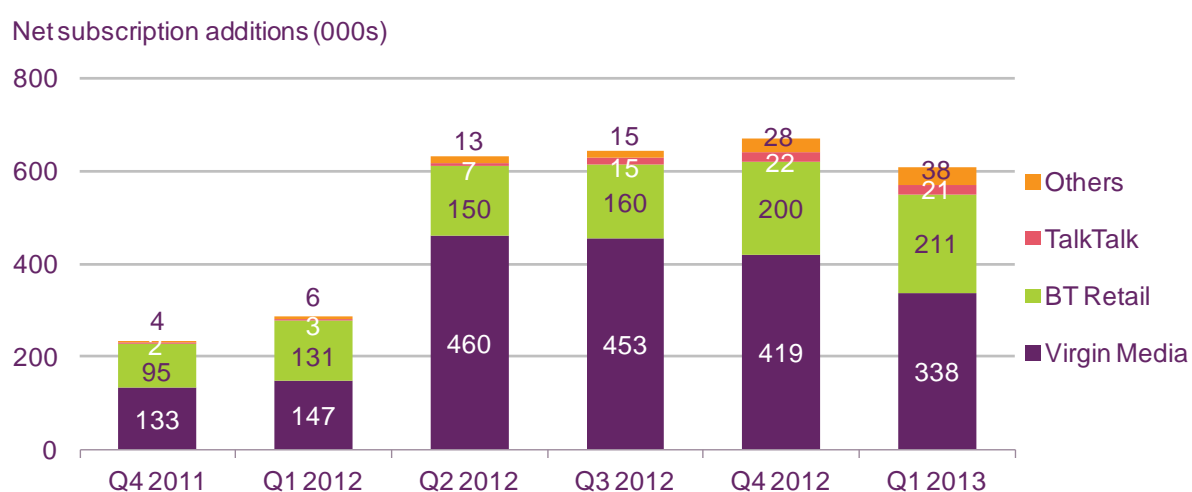
Source: Virgin Media: Q1 2013 Earnings Presentation

Other fibre providers have a small but increasing number of subscribers

Increasingly, other ISPs have been marketing superfast fibre broadband services using wholesale products that use BT Openreach's network. Data compiled by Enders Analysis from company reports show that net fibre subscription additions for these ISPs (which include TalkTalk, Sky and EE) are increasing (Figure 5.15). Between Q2 2012 and Q1 2013 TalkTalk's net fibre additions tripled and, according to its preliminary 2012/2013 report, this resulted in it having a total of 73,000 residential fibre customers by Q1 2013.¹¹⁰

These figures are small in comparison to Virgin Media and BT Retail (which includes Plusnet), although fibre products were launched by other providers only in 2012. It is also worth noting that Virgin Media's superfast broadband net additions started to decline in late 2012, as its 'double-speeds' upgrade programme approached completion, while BT's net additions have increased.

Figure 5.15 Superfast broadband net additions



Source: Company reports/Enders Analysis

Note: Data reflect company reported information, although estimates are used where data are incomplete or inconsistent.

5.1.4 Superfast users are altering their online behaviour after upgrading

Introduction

In order to better understand how UK consumers choose, and use, superfast broadband services (i.e. those with a headline speed of 30Mbit/s or higher), Ofcom commissioned market research company, Populus, to conduct consumer research among superfast users in the UK. The study was done to help us understand why superfast broadband users chose their service, how their use of internet has changed since they upgraded and how satisfied they are with their service. It is a follow-up to a similar study conducted in 2011, and we compare some of our 2011 findings to those in 2013. The research was conducted online among a sample of 1,215 superfast users in March 2013, and all respondents were UK adults aged 18+.

¹¹⁰ <http://www.talktalkgroup.com/~media/Files/T/TalkTalk/pdfs/presentations/2013/preliminary-results-presentation-2013.pdf>

Thirty per cent of consumers said value for money was the main reason for choosing their superfast broadband service

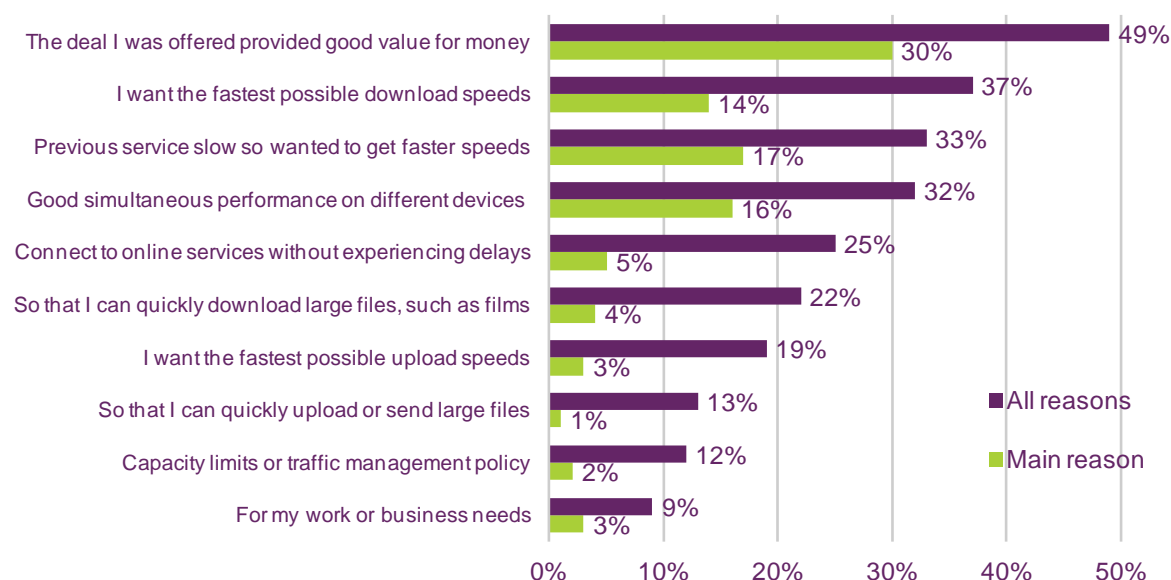
Value for money was the most-cited reason for choosing a superfast broadband service. It was mentioned by half (49%) of superfast users questioned, and was the most important reason for choosing their current service for 30% of respondents. Other reasons mentioned were that the respondent's previous service was slow and they wanted faster speeds (the main reason for 17% of those completing the survey), the need for good simultaneous performance on multiple devices (the main reason for 16% of respondents) and wanting to get the fastest possible download speeds (the main reason for 14% of respondents).

Two reasons for choosing a superfast service were more prevalent in 2013 than they had been two years before. The first was that 17% said they wanted a service that was faster than their previous connection (up from 10% in 2011); the second was the proportion who said they chose their broadband service because the deal offered good value for money; this rose by four percentage points, to 30%, over the same period.

There were differences between BT and Virgin Media customers in the reasons given for upgrading to superfast broadband; Virgin Media customers were more likely to say that the most important reason for their purchase was that the deal offered good value for money, while BT customers were more likely to say that they wanted faster speeds. This is likely to be related to Virgin Media's upgrade programme, which has resulted in customers' package speeds being doubled without any increase in charges.

A significant proportion of respondents (16%) said that they had been upgraded by their provider, with almost a quarter (24%) of Virgin Media superfast users saying that this had been the case (a likely consequence of Virgin Media's 'double-speeds' upgrade programme) compared to only 5% of BT superfast users.

Figure 5.16 Reasons for choosing current broadband service



Source: Ofcom research, fieldwork carried out by Populus in March 2013

Base: All respondents (excluding those upgraded by their provider) (1016; Virgin Media 516, BT Infinity 272)

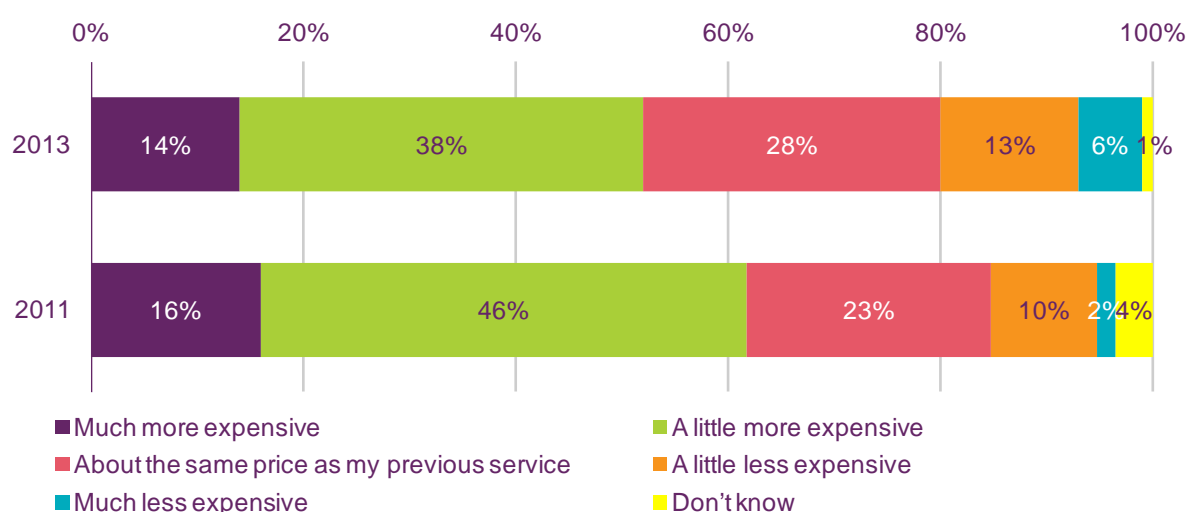
Question 1 & 2: Why did you choose a <x Mbit/s> broadband service? And which of these was the single most important reason?

Most superfast users pay more to receive superfast broadband

In 2013 just over half of respondents (52%) said that their current broadband service was more expensive than the service they used to have, down from 62% who said this in 2011. In 2013, 14% of superfast users said that their service was 'much more expensive' than their previous service, with 38% saying that it was 'slightly more expensive'.

Two-thirds (66%) of BT customers said that they paid more for their superfast broadband than their previous broadband, compared to 51% of Virgin Media customers. This is likely to be partly a consequence of Virgin Media's automatic upgrade programme, where speeds doubled while prices remained unchanged. However, between March 2011 and March 2013 prices for the lowest-cost superfast service (when bundled with a landline) fell from £18.50 to £14.50 for Virgin Media customers, while BT's lowest-cost service remained at £18 over the same period. This may partially account for this difference.¹¹¹

Figure 5.17 Price of current broadband service, compared to previous service



Source: Ofcom research, fieldwork carried out by Populus in March 2013

Base: All respondents who had ADSL, cable or mobile broadband previously (994)

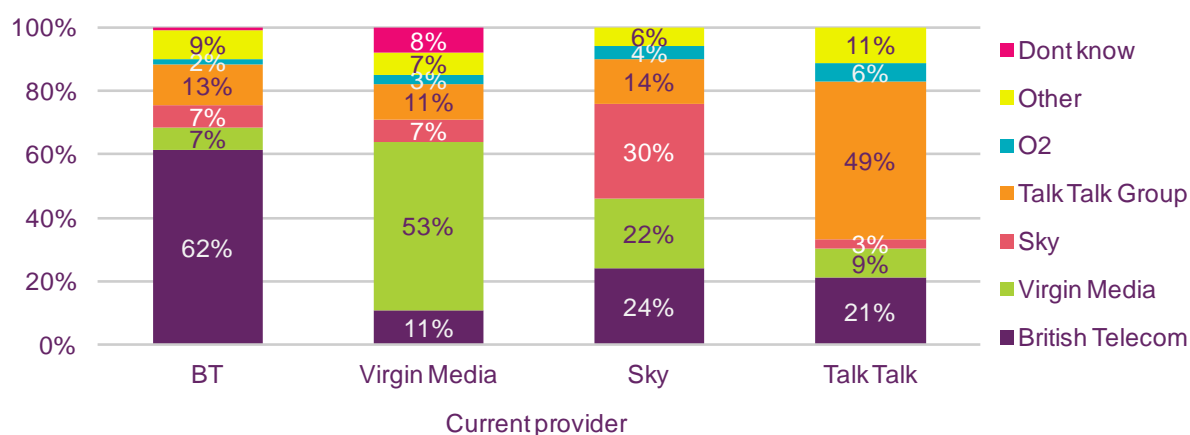
Question 9: How does the price of your current broadband service compare to the broadband service that you used to have?

Most superfast users stayed with the same ISP when upgrading to a superfast service

Most respondents said that they had not changed supplier when they upgraded to a superfast broadband service: 62% of BT fibre customers had been BT customers before upgrading to their superfast service, while just 7% had switched from Virgin Media, the same proportion from Sky and 6% from TalkTalk. Similarly, 53% of Virgin Media superfast broadband users had previously been Virgin Media customers (partly because Virgin Media has been migrating most of its customer base onto superfast services) and 49% of TalkTalk customers had been TalkTalk Group customers before purchasing superfast services (Figure 5.18). In contrast, Sky customers were more likely to have migrated from other providers, with just 30% of Sky superfast users saying that they had previously used its ADSL service.

¹¹¹ Prices are taken from Pure Pricing UK's March 2011 and March 2013 Broadband pricing briefing and exclude line rental.

Figure 5.18 Previous internet service provider, by current superfast provider



Source: Ofcom research, fieldwork carried out by Populus in March 2013

Base: All with ADSL cable or mobile broadband previously: 1012; BT Infinity: 244; Virgin Media: 595, Sky 61, Talk Talk 76

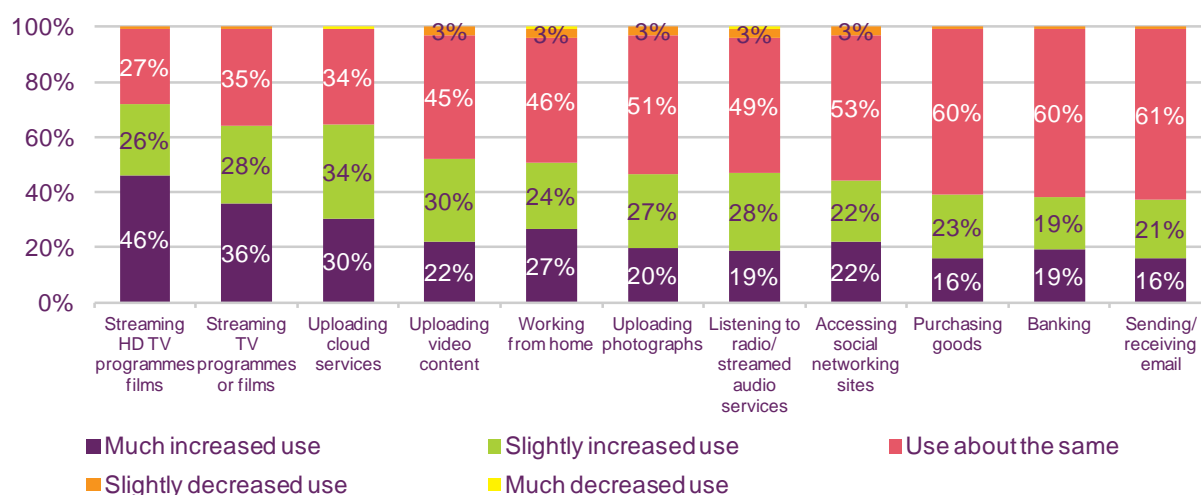
Question 5: And which internet service provider did your household use before you subscribed to your (current) service?

Superfast users consumed more streamed TV content than they had done previously

The most notable ways in which superfast broadband users said they had changed their use of broadband since upgrading to a superfast service related to the streaming of TV programmes and full-length films (Figure 5.19). Seventy-two per cent of respondents said that they had increased their levels of streaming high-definition content since switching to a superfast service, while 64% had increased streaming of standard-definition content (the same proportion that reported increased use of cloud services). This increase is likely to be related to the increase in the speed of the broadband service, but also to the increase in the general use of these services since 2011.

There were also notable increases in the uploading of video content (cited by 52% of superfast users) and the proportion who said that they worked from home more frequently (51%). The smallest increases were for those services for which use was already high and/or those which typically benefit less from having faster speeds, such as sending and receiving email, purchasing goods/services/tickets and online banking.

Figure 5.19 Change in use, compared to previous broadband connection



Source: Ofcom research, fieldwork carried out by Populus in March 2013

Base: All respondents who had ADSL, cable or mobile broadband previously and use each service

Question 12: How has the amount you use these services changed compared to when you had your previous

Actual superfast speeds met or exceeded expectations in most cases

In 2013, almost eight in ten (79%) superfast users said that the download speeds provided by their service had met or exceeded their expectations when they purchased the service, a similar proportion to that recorded in 2011. The proportion saying this was similar among BT and Virgin Media superfast users, with 81% of BT customers and 80% of Virgin Media customers saying their download speeds met or exceeded their expectations. The proportions of TalkTalk and Sky customers who made the same statement were 74% and 72% respectively.

Figure 5.20 Speed of downloads compared to initial expectations, by year



Source: Ofcom research, fieldwork carried out by Populus in March 2013

Base: All with broadband before (943)

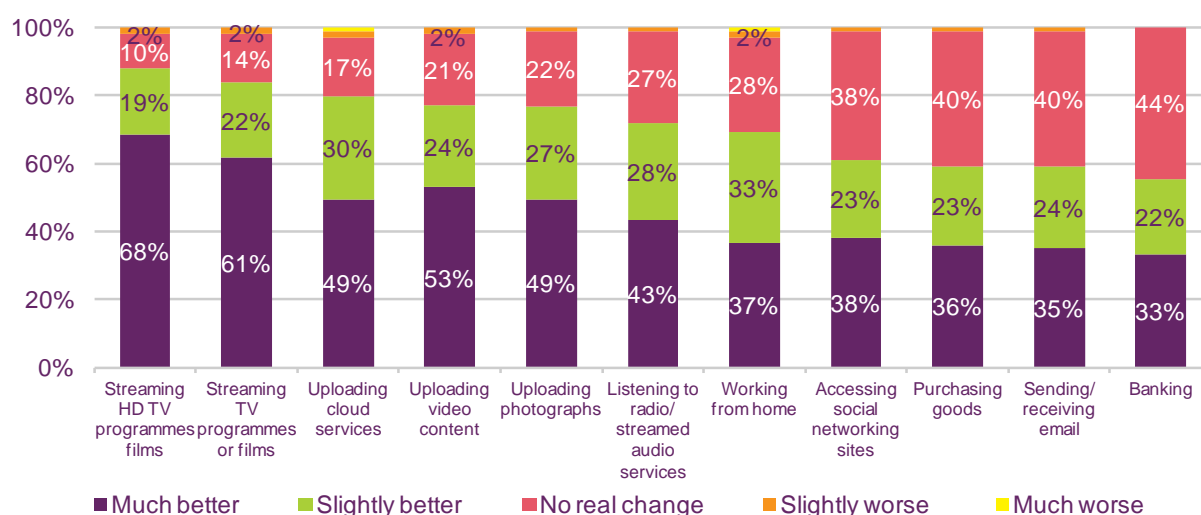
Question 9: How does the download speed of your current broadband service compare with what you expected when you signed up for it?

Most users said that having a superfast service had improved their online experience

Most respondents said that their experience across a range of online services had improved. In particular, the services where the largest proportion of respondents felt that their experience was slightly, or much, better were those services which benefit the most from higher speeds, such as streaming activities. More than four in five respondents said that streaming HD TV programmes and full-length films, and streaming standard-definition TV programmes and full-length films, was better than it had been previously, while over three-quarters said that their experience of uploading to cloud services, uploading video content and uploading photographs had improved (Figure 5.21).

The activities with the smallest improvement were those that benefit less from higher speeds, such as online banking (55%), sending and receiving emails (59%), and making online purchases (59%).

Figure 5.21 Experience of using services, compared to previous broadband connection



Source: Ofcom research, fieldwork carried out by Populus in March 2013

Base: All respondents who had ADSL, cable or mobile broadband previously and use each service
 Question 13: How would you describe your experience of these services using your current connection compared to your previous connection?

5.2 The telecoms industry

5.2.1 Introduction

In this section of the report, we examine recent trends in the telecommunications market from the perspective of industry revenues, subscribers and volumes. This section is divided into four sections:

- Industry overview: top-level findings from the UK telecoms industry
- Fixed markets: covers fixed-line telephony and fixed broadband
- Mobile markets: covers mobile telephony, mobile messaging, mobile data, mobile broadband and machine-to-machine communications.
- Business markets: covers mobile and fixed voice and broadband business services.

The key findings in the section of the report are:

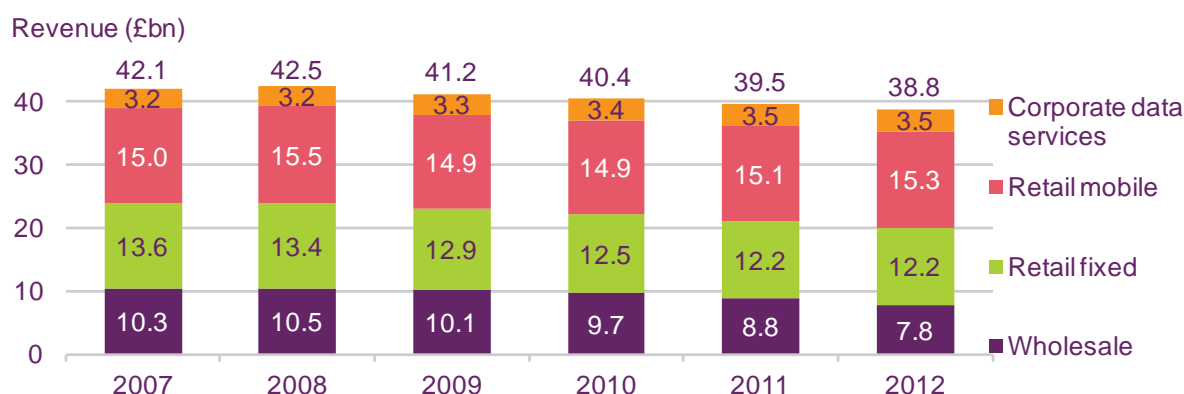
- **Total telecoms revenue fell by 1.8%, or £700m, to £38.8bn in 2012.** This decrease was as a result of a £1bn fall in wholesale revenues during the year, which was offset by 0.5% increase in retail revenues. Retail mobile revenues increased by 1.1% in 2012, while fixed internet revenues increased by 8.3% and fixed voice revenues fell by 3.4%.
- **Outgoing call volumes from landlines and mobiles and both decreased in 2012.** The volume of calls from fixed lines fell by 7.7% to 103 billion minutes in 2012, while the volume of mobile-originated calls fell by 1.0% to 122 billion minutes. Overall, total fixed and mobile call volumes fell by 4.2% to 225 billion minutes in 2012; 31 billion minutes less than the 2008 peak of 256 billion minutes.
- **The volume of outgoing text messages has been declining since Q4 2011.** Text message volumes fell in each of the first three quarters of 2012, and while there was a small increase in Q4 (which is usually strong because of the Christmas holiday), message volumes were 6.5% lower than they had been in Q4 2011.
- **The number of post-paid mobile subscribers exceeded the number of pre-paid subscribers at the end of 2012.** There were more post-paid mobile subscribers than pre-paid subscribers at the end of 2012, the first time that this had been the case since 1999. During the year the proportion of mobile subscribers that were on post-pay tariffs increased from 49% to 53%.
- **Over a million new fixed broadband connections were added in 2012.** The total number of fixed broadband connections continued to grow in 2012, increasing by 5.4% year on year to 21.7 million. Most of this growth was due to a 0.9 million increase in the number of LLU ADSL connections.
- **The number of business fixed lines fell in 2012, while the number of residential lines increased.** The total number of fixed lines continued to decline in 2012, falling by 0.3% to 33.1 million as a fall in the number of business lines was offset by a 0.5 million increase in the number of residential lines. This increase is likely to be because most UK households need a fixed line in order to receive fixed broadband services.

5.2.2 Industry overview

Total UK telecoms revenue fell by 1.8% in 2012

Total UK telecoms revenue fell by 1.8%, or £700m, to £38.8bn in 2012 (Figure 5.22). This decrease was largely due to a £1bn fall in wholesale revenues. The other segments – wholesale and retail fixed, retail mobile and corporate data services – remained broadly unchanged in 2012. Total retail telecoms retail revenue increased by 0.5% to £27.4bn in 2012, driven by a 1.1% increase in mobile telecoms retail revenue (see Figure 5.22). Fixed telecoms retail revenue decreased by 0.1% to £12.2bn in 2012, as an 8.3% increase in fixed internet revenues was offset by a 3.4% fall in fixed voice revenues.

Figure 5.22 Total telecoms revenue, by wholesale and retail, fixed and mobile, and corporate data services



Source: Ofcom / operators with the exception of corporate data services, sourced from IDC. Notes: Corporate data services comprises web hosting, ethernet, IP VPN, digital leased line and frame relay/ATM services; wholesale mobile comprises mobile voice and SMS termination revenue and wholesale inbound roaming revenue (i.e. - revenue from overseas operators when their subscribers use UK networks).

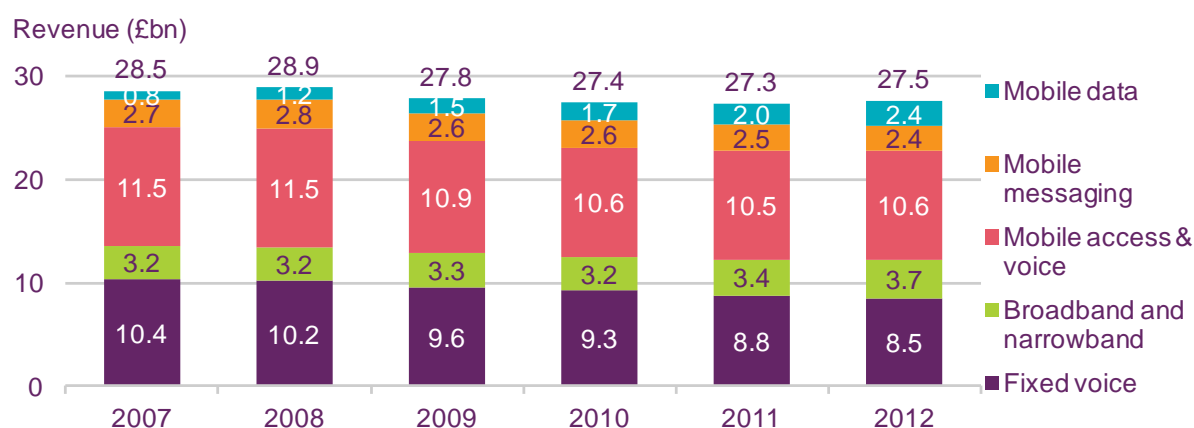
Fixed broadband and mobile data were the leading retail revenue growth categories

Total telecoms retail revenue decreased by a compound annual rate of 0.8% between 2007 and 2012.

Fixed internet revenues (which are predominantly fixed broadband revenues with a small amount of narrowband internet revenue) and mobile data revenues were the largest components of retail revenue growth in 2012, increasing by 8.3% and 16.8% to £8.5bn and £2.4bn respectively during the year (Figure 5.23). Increasing use of fixed broadband and mobile data services drove the increases: the number of mobile subscribers who used their handset to access the internet grew rapidly in 2012 (see Figure 5.41), while the total number of fixed broadband connections also increased (see Figure 5.25), as did the number of superfast broadband connections (shown in Figure 5.13).

The retail revenue component that showed the largest decrease in 2012 was mobile messaging (total of text and picture), with a 9.6% decrease, while revenues from fixed voice services decreased by 3.4% to £8.5bn during the year. Post-pay monthly mobile access/rental revenues, which often include bundled voice, messaging and data services, are recorded with voice call revenues below. As such, mobile messaging and data revenues relate only to out-of-bundle use, and as the use of pre-pay services has increased in the five years to 2012 (as is shown in Figure 5.41), changes to messaging and data revenue do not necessarily reflect changes in the use of these services.

Figure 5.23 Retail revenue, by service



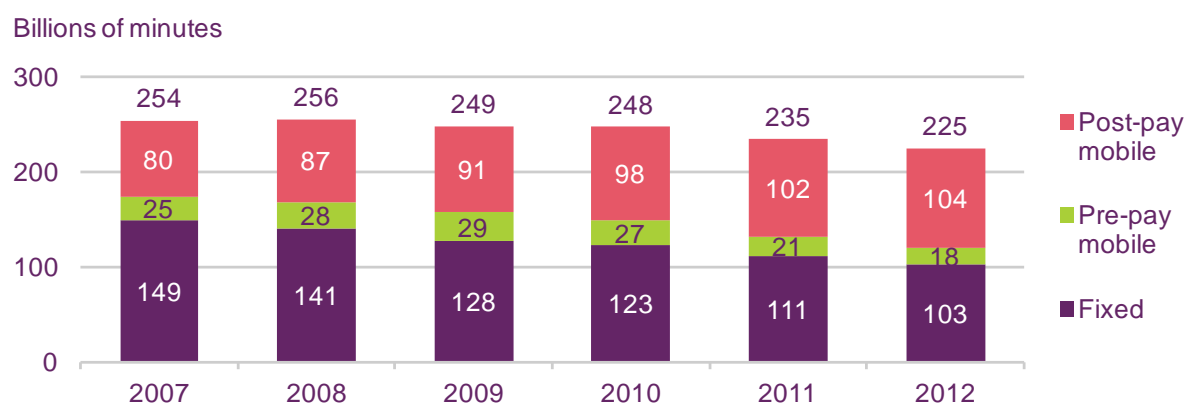
Source: Ofcom / operators

The volume of calls from mobile phones and landlines both decreased in 2012

The volume of calls from fixed lines fell by 7.7% to 103 billion minutes in 2012, marking a decrease every year since 2007, while the volume of calls made from mobile phones also fell in 2012, down by 1.0% in 2012 to 122 billion minutes, a second consecutive annual decrease (Figure 5.24). The total volume of outgoing calls fell by 4.2% to 225 billion minutes in 2012; 31 billion minutes less than its 2008 peak of 256 billion minutes.

The volume of calls from mobile phones has exceeded the volume of calls from fixed lines each year since 2010. But for the first time in 2012, the volume of calls made by subscribers on post-pay tariffs (104 billion minutes) was greater than the volume of calls from fixed phones (103 billion minutes). There was a sizeable difference in trends in usage levels between post-paid and pre-paid subscribers, with the volume of calls made by post-paid subscribers increasing by 1.8% in 2012, while the volume of calls made by pre-paid subscribers fell by nearly 15%, largely as a result of the migration of pre-pay subscribers to post-paid tariffs (see Figure 5.41).

Figure 5.24 Volume of outgoing fixed and mobile voice minutes



Source: Ofcom / operators

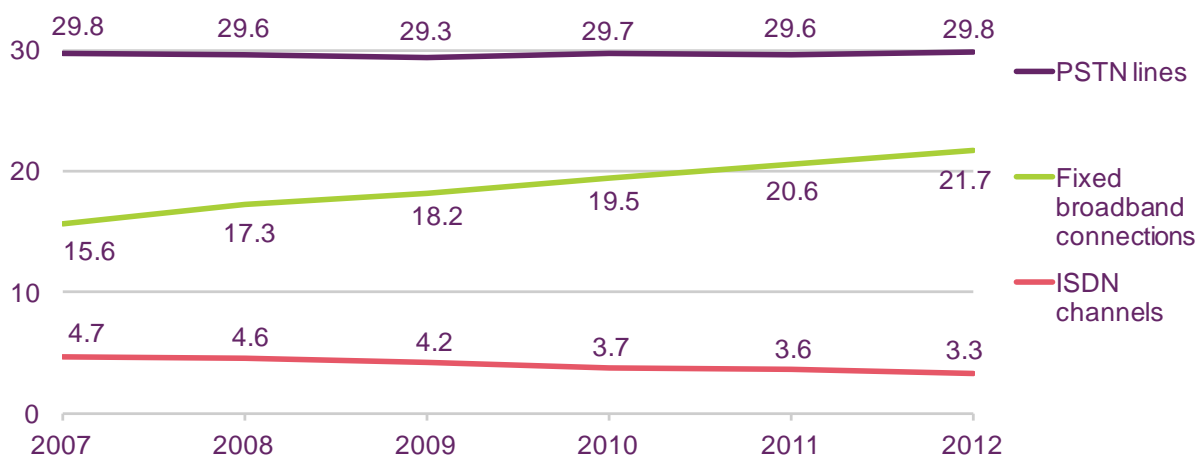
Increasing fixed broadband take-up is likely to be driving growth in the number of PSTN lines

Increasing take-up of fixed broadband services appeared to be underpinning resilience in the number of PSTN lines. The total number of fixed broadband connections increased by 5% to

21.7 million in 2012, while the number of PSTN lines also increased during the year, up by 0.5% to 29.8 million (Figure 5.25). There were over 600,000 more PSTN lines at the end of 2012 than there had been three years previously, and this resilience (against a backdrop of falling fixed-line telephony use) is likely to reflect the fact that a PSTN line is required in order to be able to subscribe to all ADSL, and most fibre, broadband services.

Figure 5.25 Number of fixed connections, by service

Lines, channels and connections (millions)



Source: Ofcom / operators

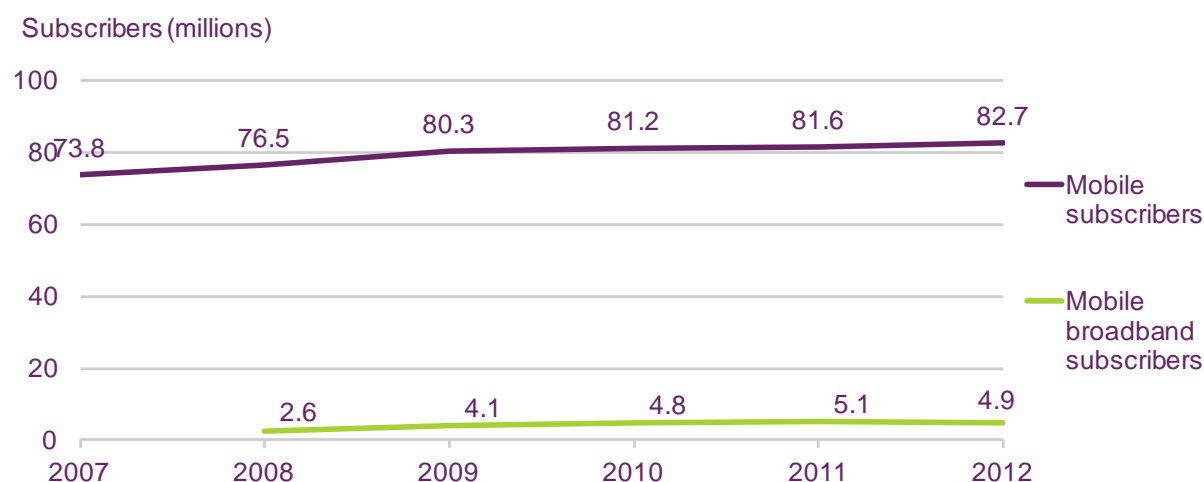
The number of mobile broadband subscribers fell in 2012

For the first time on an annual basis, the number of data-only mobile broadband subscribers decreased in 2012, down by 0.1 million to 4.9 million. This figure includes dongles (USB modems), mobile WiFi devices and SIMs used in laptops and tablets, but excludes devices with a SIM that can be used for voice, most commonly mobile handsets.

The decrease in the use of mobile broadband may be linked to two developments. First, more consumers are using their mobile phones to access the internet (Ofcom estimates that over 40 million subscribers did so in 2012) so these consumers may have less of a need to use mobile broadband. Second, the increasing availability of WiFi (public and private) may mean that fewer people have the need to use a cellular connection to get online.

The total number of active mobile subscribers (which includes mobile broadband subscribers) increased by 1.1 million in 2012 to 82.7 million (Figure 5.26). The total has increased each year, although the percentage increase (1.3%) was lower than the average annual increase between 2007 and 2012 (2.3%). The market appears to be largely saturated: 92% of the population owned a mobile phone in the first quarter of 2013, while the number of SIMs per person was 1.30 at the end of 2012, up from 1.29 at the end of 2011.

Figure 5.26 Number of mobile and mobile broadband subscribers



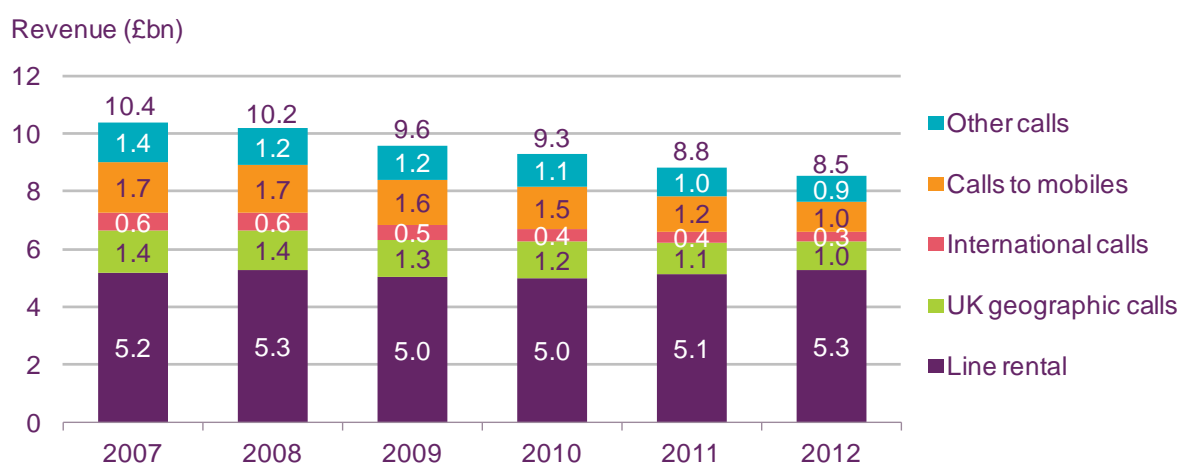
Source: Ofcom/operators. Mobile broadband figures are included in the total mobile subscriber figures.

5.2.3 Fixed voice services

Retail fixed voice revenues continued to decline in 2012

Fixed retail voice call revenues fell by 3.4% to £8.5bn in 2012 (Figure 5.27). Line rental revenue increased by 2.7% to £5.3bn during the year, and accounted for 62.1% of total retail fixed voice revenue in 2012. Line rental revenue in 2012 matched that in 2008, despite the total number of fixed lines (which includes ISDN channels) having by then fallen by over 3% in the intervening period. Revenues from calls to UK geographic numbers, international numbers, and 'other' calls each fell by £0.1bn in 2012, representing rates of decline of 9.3%, 13.3% and 9.2% respectively. The greatest proportional drop was seen in calls to mobiles, where revenues fell from £1.2bn to £1.0bn in 2012, a 16.2% decrease. This decline was partly the result of falling mobile call termination rates and falling call volumes, but was also due to the increased bundling of calls to mobiles with fixed line rental.

Figure 5.27 Retail fixed voice revenues: 2007 to 2012



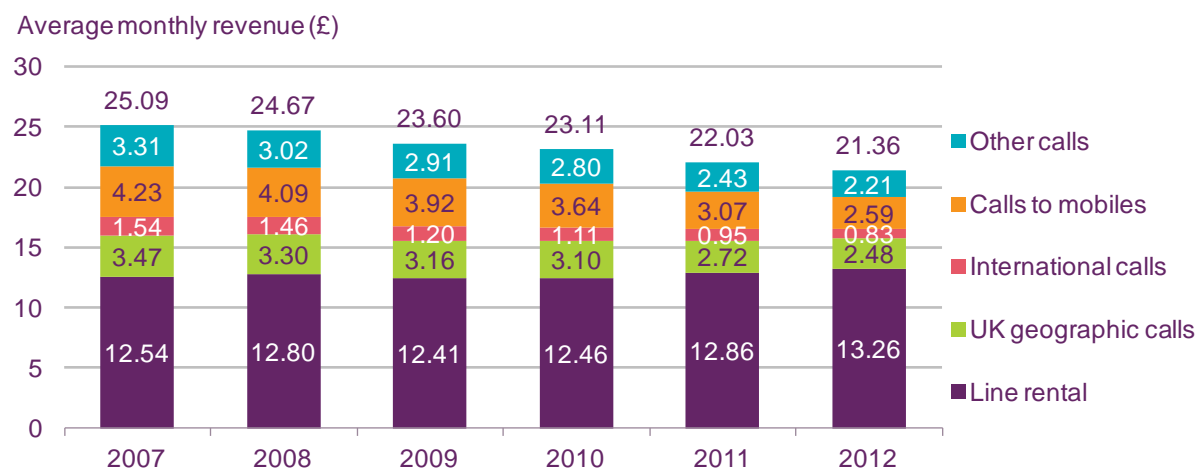
Source: Ofcom/operators

Average monthly revenue per retail fixed line decreased in 2012

Average monthly revenue per fixed line fell by £0.67 (3.0%) to £21.36 in 2012 (Figure 5.28). The largest reduction in average spend per line in 2012 was in calls to mobiles (down 15.8%

to £2.59), followed by calls to international destinations (down 13.0% to £0.83). Average monthly revenue per line from calls to UK geographic numbers and 'other' calls saw similar rates of decline in 2012, falling by 8.9% to £2.48 and 9.0% to £2.21 respectively. Line rental revenues, which accounted for more than half of average revenue per line in 2012, increased by 3.1% during the year, and have been increasing since 2009 as these increasingly include a bundled call allowance or 'bolt-on'.

Figure 5.28 Average monthly retail revenue per fixed line

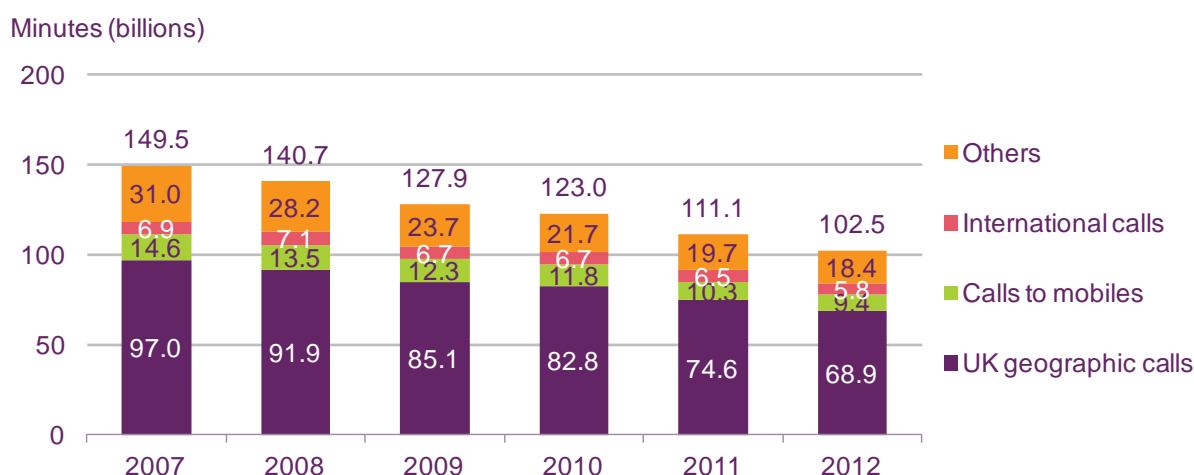


Source: Ofcom/operators

Fixed voice volumes declined in 2012

Total fixed-originated voice call volumes fell by 7.7% to 102.5 billion minutes in 2012. The highest percentage decreases were in calls to mobiles and international calls, which fell by 9.3% to 9.4 billion minutes and 9.6% to 5.8 billion minutes respectively (Figure 5.29). Calls to UK geographic numbers accounted for two-thirds of total call volumes in 2012, and declined by 7.6% to 68.9 billion minutes during the year. With call volumes from mobile phones having also declined during the year, the main driver of the decline in fixed voice volumes is likely to have been increasing use of text-based communication services, such as text messaging, email, instant messaging, social networking and micro-blogging sites. Increasing use of voice over IP services may have also had some impact on fixed call volumes.

Figure 5.29 Fixed voice volumes, by type of call



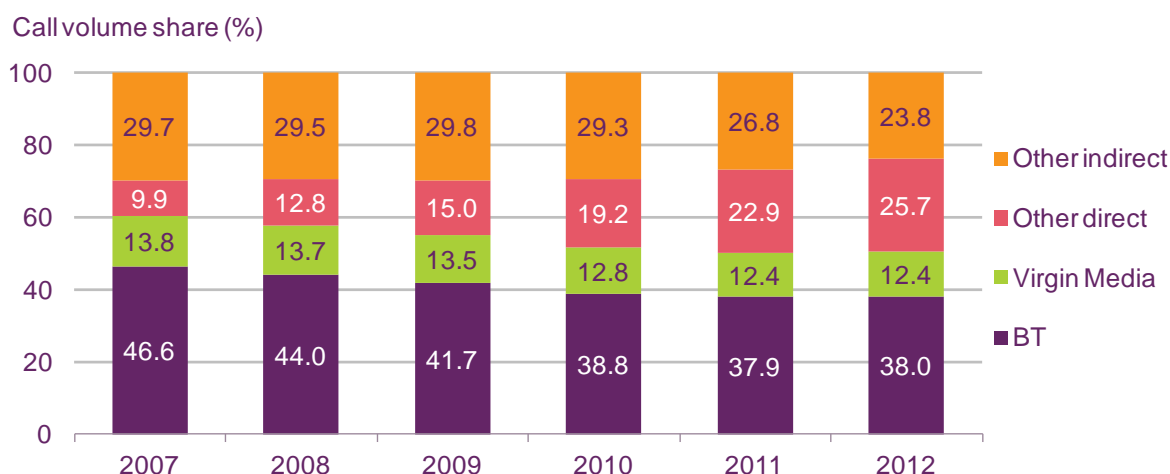
Source: Ofcom/operators

Note: Others category includes narrowband internet calls

Other direct operator market share increased to above 25% for the first time in 2012

'Other direct' operators' share of total fixed-line voice call volumes increased to above 25% for the first time in 2012, up by 2.9 percentage points during the year (Figure 5.30). This growth was as a result of increased use of full-LLU-based telephony services (such as those provided by Sky and TalkTalk), which are included in this category. The market share of indirect access providers (i.e. operators that offer services over another provider's network infrastructure) fell in 2012 (down three percentage points to 23.8%) while BT's share increased slightly (up by 0.1 percentage point to 38.0%) and Virgin Media's was unchanged (at 12.4%).

Figure 5.30 Share of fixed voice call volumes: 2007-2012



Source: Ofcom/operators

The number of business fixed lines fell in 2012, while the number of residential lines increased

The total number of fixed lines continued to decline in 2012, falling by 0.3% (0.1 million) to 33.1 million as a fall in the number of business lines was offset by an increase in the number of residential lines (Figure 5.31). During the year the total number of business lines (which include ISDN channels) fell by 0.6 million (6.3%) to 8.8 million, while the number of residential lines saw an increase of 0.5 million lines (2.0%) to 24.4 million over the same period. This increase is likely to be because most UK households need to have a fixed line in order to receive fixed broadband services.

Figure 5.31 Number of fixed lines: 2007-2012



Source: Ofcom/operators

5.2.4 Fixed data services

Fixed broadband revenues increased by £300m in 2012

Total fixed internet revenues grew in 2012, increasing by 8.3% to £3.7bn during the year (Figure 5.32). Retail broadband revenues increased from £3.4bn to £3.7bn, while narrowband internet revenues remained at less than £0.1bn.

This increase was as a result of increases in both the number of fixed broadband connections (see Figure 5.33) and the average revenue per connection (Figure 5.64 shows that the average price of a residential connection increased by 1.1% in real terms in 2012). Increasing average revenue per fixed broadband connection is in part due to growth in the take-up of superfast broadband services, as the number of fixed broadband connections that are classed as superfast (i.e. which had a headline speed of 30Mbit/s or higher) tripled from 1.1 million to 3.3 million during the year (see Figure 5.13).

Figure 5.32 Retail fixed internet revenues



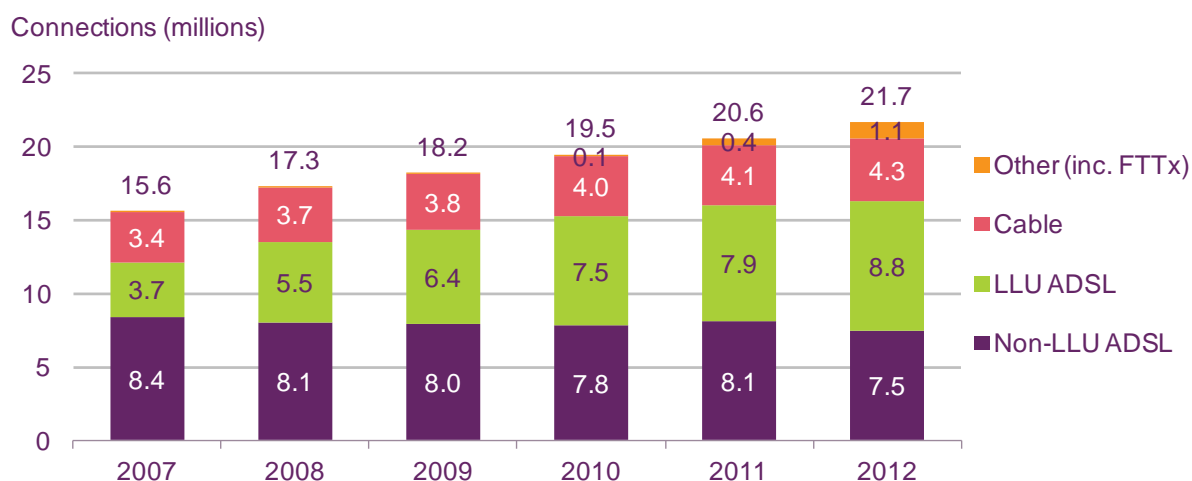
Source: Ofcom/operators

Over a million new fixed broadband connections were added in 2012

The total number of fixed broadband connections continued to grow in 2012, increasing by 5.4% year on year to 21.7 million (Figure 5.33). Most of this growth was due to an increase in the number of LLU ADSL connections, which grew by 0.9 million to 8.8 million during the year. ADSL connections made up three-quarters (75.1%) of total fixed broadband connections at the end of 2012, with a further 19.8% being cable modem connections and 5.1% being classed as 'other' (the majority of which were fibre connections), a three percentage point year-on-year increase.

Each of these connection types increased in 2012, with the number of ADSL connections growing by 0.3 million and the number of cable modem connections by 0.2 million. But it was 'other (inc. FTTx)' connections that saw the greatest increase in 2012, with 0.7 million net additions, an increase of over 150%. Most of this growth was due to the increased take-up of fibre-to-the-cabinet (FTTC) services; by the end of March 2013 17.5% of UK broadband connections were classed as being superfast. More information on superfast broadband services can be found in sections 5.1.3 and 5.1.4 of this report.

Figure 5.33 Fixed broadband connections: 2007-2012



Source: Ofcom/operators

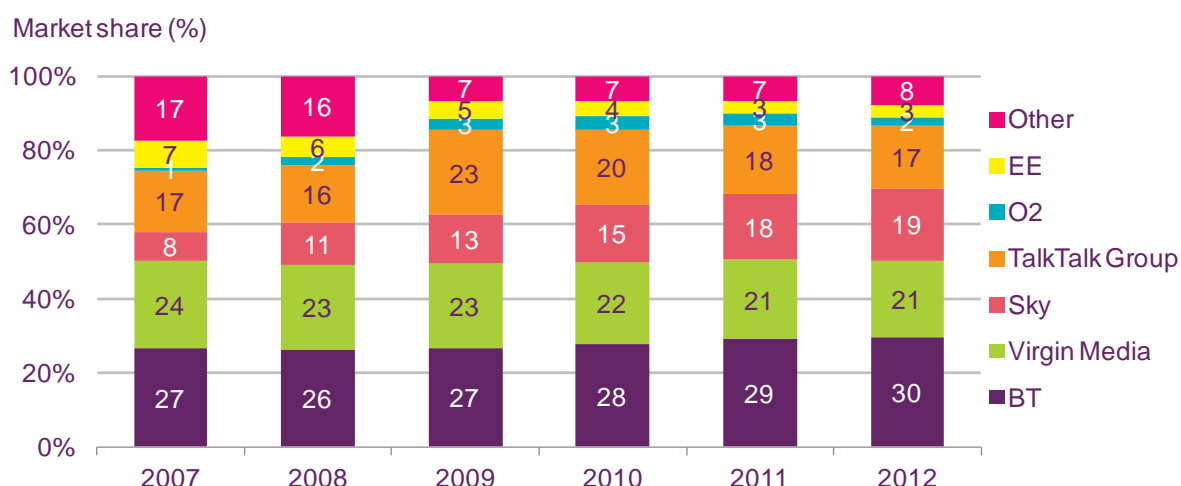
BT and Sky had the highest growth in broadband market share in 2012

BT continued to have the largest fixed broadband retail market share in 2012, with a 29.6% share of subscribers, an increase of 0.5 percentage points on the previous year (Figure 5.34). Cable operator Virgin Media had the second highest market share, at 20.8%, while Sky (the third largest provider in 2012, with a 19.4% market share) gained further ground on Virgin Media, with its share increasing by 1.6 percentage points during the year.

Sky announced that it had completed its acquisition of Telefónica UK's broadband and fixed-line telephony business (which includes the O2 and BE fixed broadband brands) in May 2013.¹¹² This will have further increased Sky's broadband market share, and is likely to have enabled it to overtake Virgin Media to become the UK's second largest broadband provider after BT. TalkTalk Group's market share fell by 1.4 percentage points to 17.0% in 2012, while EE's share remained flat at 3.4% during the year.

¹¹² <http://www.sky.com/mysky/latestnews/article/my-sky-updates/2013-05/sky-home-phone-and-broadband-service-gets-even-bigger/>

Figure 5.34 Fixed broadband market share: 2007-2012



Source: Ofcom/operators

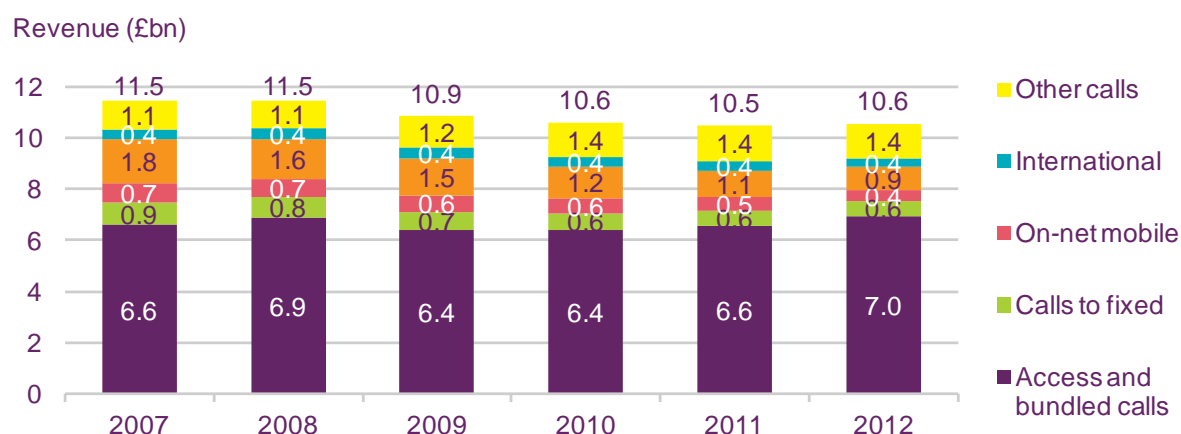
Note: TalkTalk figures include Tiscali from 2009 onwards. Please also note that Tiscali was included in 'other' prior to 2009.

5.2.5 Mobile markets

Subscription revenue led an increase in mobile voice retail revenue in 2012

Retail mobile voice revenues increased by 0.5% to £10.6bn in 2012, reversing the trend of the previous five years, which has seen revenues decline by an average of 1.6% a year (Figure 5.35). The increase is likely to be due to the increased number of mobile subscribers, as well as the migration of subscribers from pre-paid to post-paid tariffs. Revenue from subscriptions (referred to as 'access and bundled calls', which often include bundled voice calls, text messages and data), is included in mobile voice revenue. The increasing use of bundled mobile data services is likely to have been a driver of the increase in revenue, as extra revenues will have been generated by these services. Access and bundled calls were the largest element of mobile voice retail revenue in 2012, accounting for 66% of the total, or nearly £7bn.

Figure 5.35 Mobile voice retail revenue, by type of call

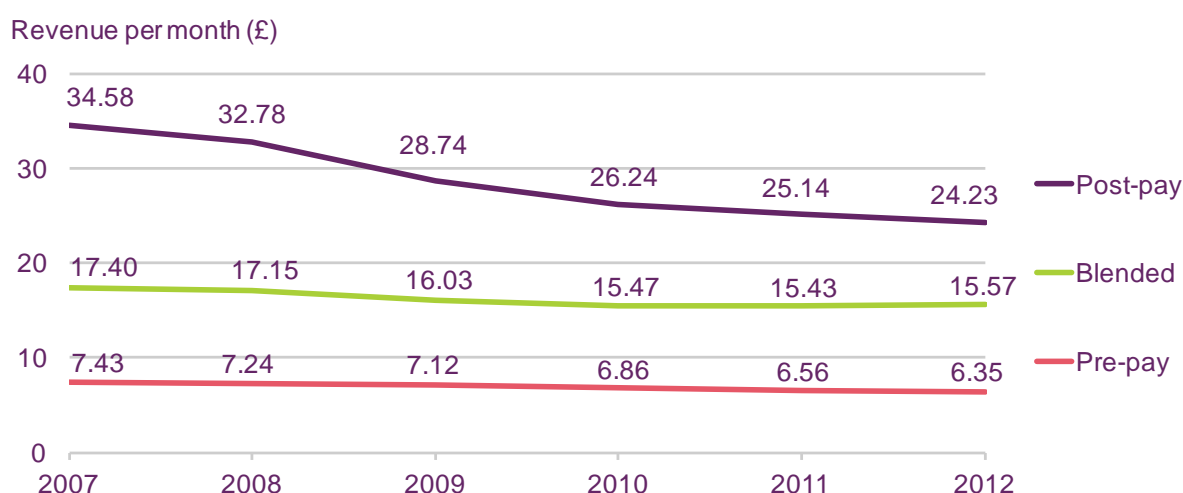


Source: Ofcom / operators

Average revenue per user increased slightly as subscribers shifted to post-paid tariffs

Average revenue per user (ARPU) increased by 14 pence per month to £15.57 in 2012, an increase of just under 1%, following four consecutive years of decline. The average figure for 2012 was therefore £1.83 lower than that it was in 2007 (Figure 5.36). Pre-pay and post-pay ARPU both decreased in 2012, by 23 pence and 91 pence per month respectively, although the average across all subscribers (blended ARPU) increased during the year. This was because although the pre-pay and post-pay averages both fell during 2012, the proportion of mobile subscribers who were post-pay customers (and therefore had a higher average spend) increased during the year, and pulled up the average.

Figure 5.36 Mobile average revenue per user, by pre-pay and post-pay



Source: Ofcom/operators

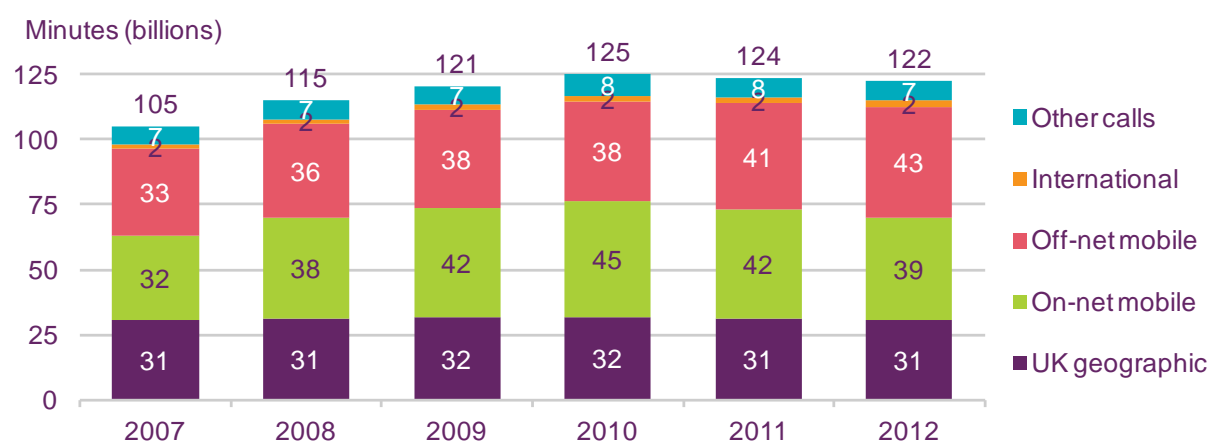
Note: Blended refers to all subscribers: prepay and postpay.

The volume of mobile calls fell for the second consecutive year in 2012, although international calling increased

After falling for the first time in 2011, the total volume of mobile-originated voice calls fell again in 2012, by 1% to 122 billion minutes (Figure 5.37). Nevertheless, this was still nearly one-sixth higher than it had been in 2007. The volume of international calls increased by more than 7% in 2012 to two billion minutes, bringing the total to nearly 50% higher than in 2007. The increase is likely to be driven by cheaper pricing, as mobile providers compete with calling cards and voice over IP services such as Skype. The increase in revenue from international calls was less than 0.5% in 2012, reflecting this price reduction.

The volume of calls from mobile phones to fixed phones, and the volume of calls from mobile phones to other mobile phones, both decreased in 2012, by 2.0% to 31 billion minutes and 0.7% to 82 billion minutes respectively. The proportion of total mobile calls that were accounted for by calls to other mobiles remained constant during the year, at 67%. In 2012, the volume of off-net mobile-to-mobile calls (i.e. calls from from one mobile network to another) exceeded the volume of on-net mobile calls (calls made to the same network) for the first time since 2007.

Figure 5.37 Volume of outgoing mobile calls, by type of call



Source: Ofcom / operators

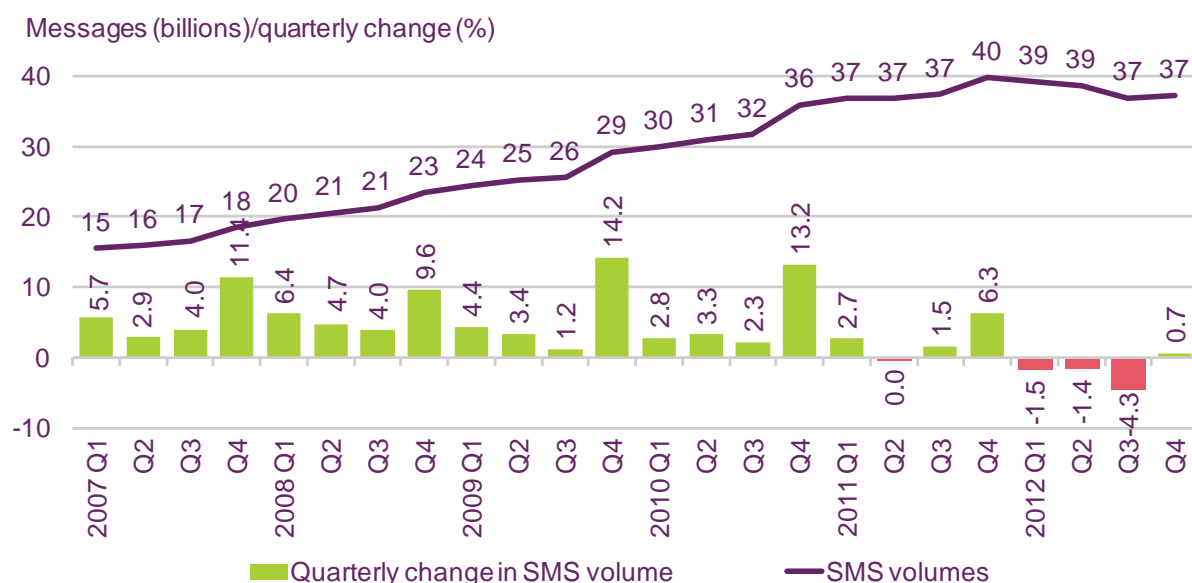
The volume of outgoing text messages has been declining since Q4 2011

The number of outgoing SMS (text) messages fell through much of 2012, having reached a peak in the fourth quarter of 2011. The first three quarters of 2012 saw sequential decreases in message volume, sliding from 39.7 billion messages in Q4 2011 to 36.9 billion in Q3 2012 (Figure 5.38). The fourth quarter of 2012, which is seasonally strong because of the Christmas holiday, when many consumers send festive messages, saw a small increase to 37.1 billion messages, although this was 6.5% less than the same quarter the previous year.

The quarterly declines in messaging throughout 2012 are likely to be a result of the increased availability of alternatives to SMS. There are now many ways consumers can send electronic messages to each other, including instant messaging, other 'over-the-top'¹¹³ applications such as What'sApp and Viber, and messaging capabilities built into frequently-used web tools such as Facebook and Skype.

¹¹³ An over-the-top application is used to send messages using the data connection of a mobile phone, making it different to text messaging, which operators provide as a service. Such applications are usually installed by a consumer from an applications marketplace, or directly from the vendor of the application, although some operators, like O2, offer their own over-the-top applications. In the former case, the operator receives no direct revenue from use of the application. They may gain a small amount of revenue from use of the data connection by the consumer.

Figure 5.38 Volume of SMS messages sent, and quarter-on-quarter change: Q1 2007 to Q4 2012



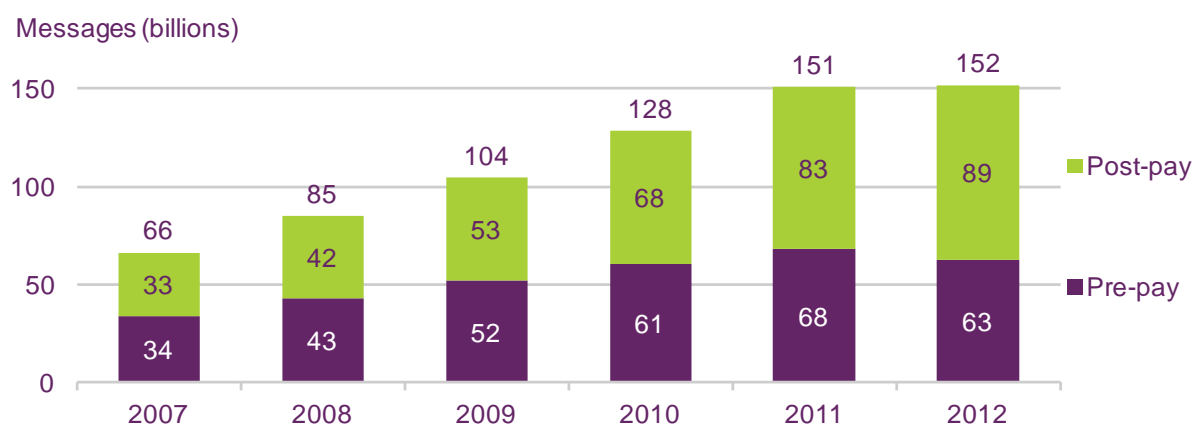
Source: Ofcom / operators

Year-on-year total SMS messages increased slightly after four years of strong growth

Expressed on an annual basis, the number of outgoing SMS messages increased by 0.7% to 152 billion in 2012, despite message volumes having peaked in the last quarter of 2011 (the annual figure increased because the first three quarters of 2012 saw a greater number of text messages sent than the first three quarters of 2011).

Post-paid subscribers sent 89 billion SMS messages in 2012, 7.2% more than 2011, while pre-pay subscribers sent 63 billion messages, 7.3% fewer than the previous year (Figure 5.39). As a result, the proportion of SMS messages that were sent by post-paid mobile subscribers' tariffs increased from 55% in 2011 to 59% in 2012. The decrease in the proportion of text messages that were sent by pre-pay users is likely to be a reflection of the migration of pre-pay users to post-pay tariffs, and the widespread availability of large and unlimited bundles of text messages on post-pay tariffs.

Figure 5.39 Volume of SMS messages sent, by pre-pay and post-pay: 2007-2012

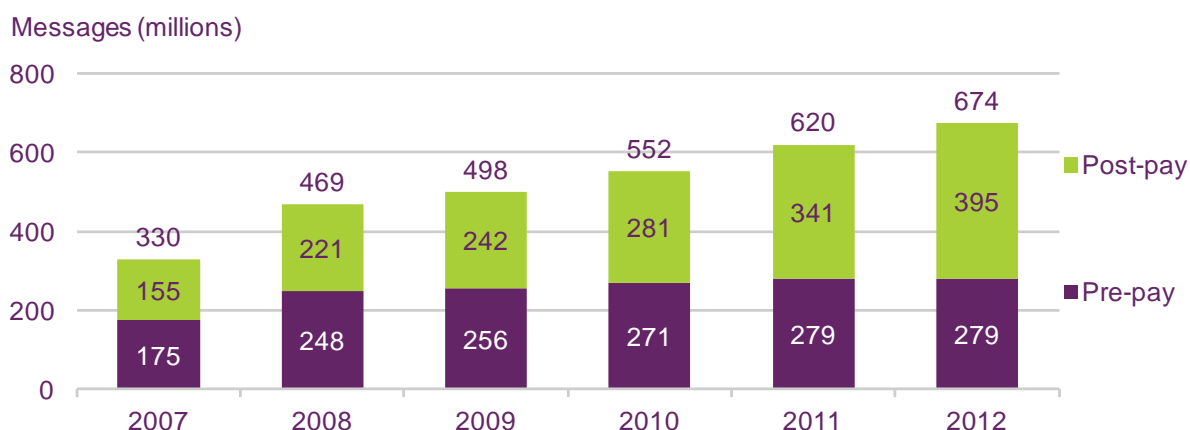


Source: Ofcom / operators

The volume of outgoing picture messages continues to grow

In 2012, 225 SMS messages were sent for every MMS (picture) message sent. In total, 674 million MMS messages were sent in 2012, up by nearly 9% compared with 2011 (Figure 5.40). Fifty-nine per cent of MMS messages were sent by subscribers on post-pay tariffs, an increase from 55% in 2011. However, MMS messages represent only a proportion of the total number of pictures sent by mobile phones. Many photos are now sent using the data connections of smartphones (e.g. using email, OTT messaging services or social networking sites).

Figure 5.40 Volume of MMS messages sent, by pre-pay and post-pay: 2007-2012



Source: Ofcom / operators

The number of mobile subscribers continued to increase in 2012

While the rate of growth in the number of mobile subscribers has slowed, amid signs of market saturation (there were 1.30 mobile connections per person in the UK at the end of 2012), it continued to increase in 2012; up by 1.1 million to 82.7 million (Figure 5.41). This equated to an annual increase of 1.3%, less than half the 3.1% annual average recorded over the previous five years.

Almost half of the increase in 2012 was the result of a 515,000 increase in the number of business mobile connections (see the *Business Markets* section below). Ofcom market research indicates that the percentage of adults who personally used a mobile phone was unchanged, at 92%, in the year to Q1 2013 (see Figure 5.51), suggesting that the majority of the growth in mobile connections in 2012 was as a result of existing mobile users taking out additional subscriptions or being given a second mobile device by their employer.

The number of data-only mobile broadband connections¹¹⁴ fell for the first time in 2012, ending the year 138,000 lower, at 4.9 million. Until 2012, mobile broadband had been a growth market, and the decrease in 2012 is likely to be due to the widespread use of smartphones, which provide an alternative to mobile internet access on a PC/laptop using a dedicated mobile data connection such as a USB 'dongle'. The increasing availability of public and private WiFi may have also contributed to a lower perceived need for cellular mobile broadband connections. The increasing use of tablet PCs, some of which offer a

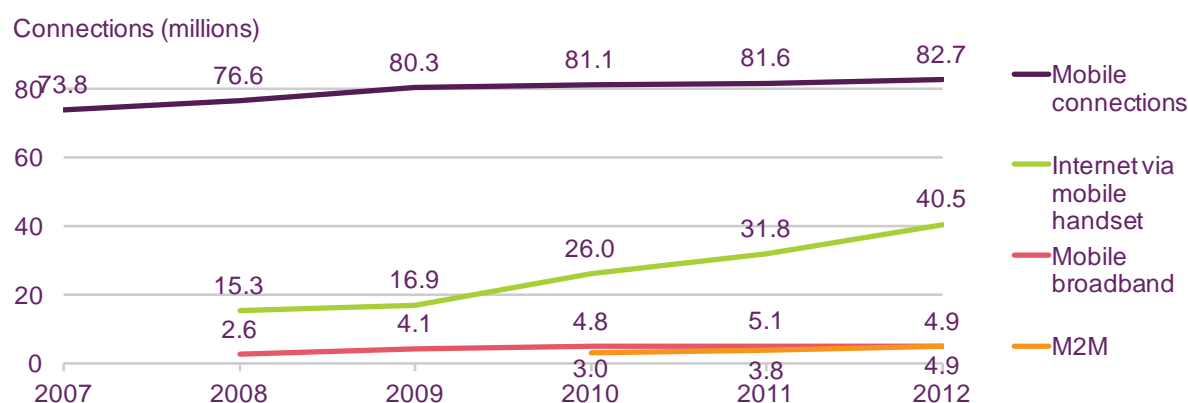
¹¹⁴ Mobile broadband includes the use of USB modems ("dongles"), datacards, mobile Wi-Fi devices and embedded cellular SIMs in tablets and PCs, or in other words a cellular data service that is not sold with a voice service. Mobile broadband excludes smartphone use because smartphones are usually sold with a voice service.

cellular data connection, is likely to have limited the decline in the number of dedicated mobile broadband connections.

Ofcom estimates that the number of subscribers who accessed the internet from mobile phones increased by nearly nine million to over 40 million in 2012. As well as the widespread take-up of smartphones, the bundling of data in many monthly tariffs is likely to have acted as a driver for higher data use. These figures include subscribers who use social networking and streaming media, as well as email and web browsing, and do not equate to the number of people who access the internet from mobile phones, because some people have more than one mobile data subscription.

Machine-to-machine communications (M2M) was one of the largest growth areas for mobile in 2012, with an increase of 1.1 million connections to 4.9 million at the end of the year. Our definition of M2M refers to cellular communications between machines, rather than between people. It includes uses such as smart electricity meters, connected office equipment and connections with company vehicle fleets, provided directly by mobile network operators.

Figure 5.41 Mobile connections, by type: 2007-2012



Source: Ofcom/ operators

Note: 'Internet via mobile handset' figures are based on Ofcom's market research on mobile internet use in Q1 of the year after the one stated; and Ofcom's subscriber figures obtained from operators that refer to the end of the year stated. M2M figures relate to the end of September of the year stated. The number of mobile subscribers includes mobile broadband subscribers but excludes M2M connections.

The number of post-paid mobile subscribers exceeded the number of pre-paid subscribers at the end of 2012

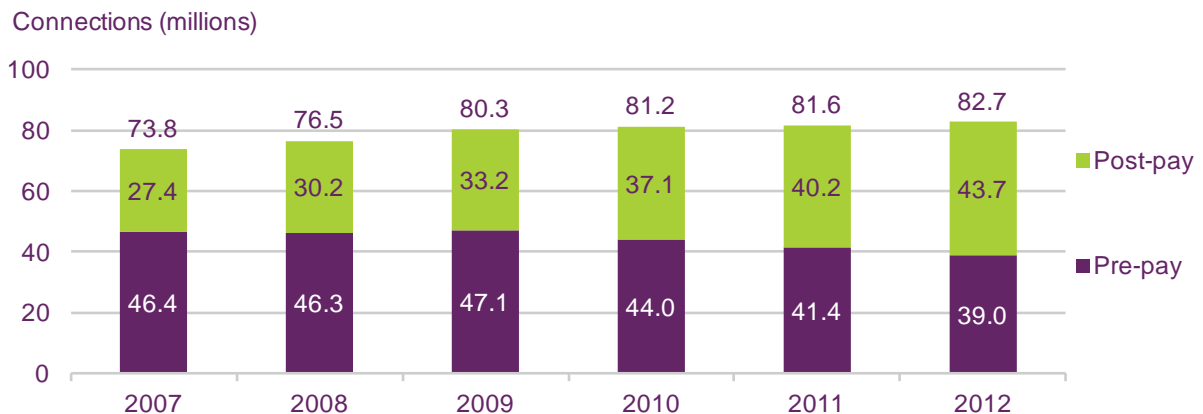
There were more post-paid mobile subscribers than pre-paid subscribers at the end of 2012, when nearly 53% of active mobile subscribers were on post-pay tariffs, up from 49% at the end of 2011 (Figure 5.42). This was the first time that there had been more post-pay than pre-pay mobile subscribers since 1999; the number of active post-paid mobile subscribers increased by 3.5 million to 43.7 million in 2012.

The increasing proportion of mobile subscribers on post-paid tariffs is likely to be driven by mobile operators making post-paid tariffs more attractive than pre-paid. Most of the mobile operators have publicly stated that their strategy is to encourage this shift, because post-paid subscribers generally spend more than pre-paid subscribers, as indicated in Figure 5.36. Post-paid tariffs may have become more attractive because:

- They now often include a large quantity of inclusive voice and SMS messages, plus an inclusive data allowance.

- There is now a wide choice of 30-day SIM-only rolling contracts from many operators.
- Post-paid tariffs often include handset subsidies that reduce the upfront cost of getting a new handset, including smartphones which can cost over £500 when bought without a monthly contract. The upfront purchase cost of pre-paid handsets may have become prohibitive for some consumers.

Figure 5.42 Number of active mobile subscribers, by pre-pay and post-pay: 2007-2012

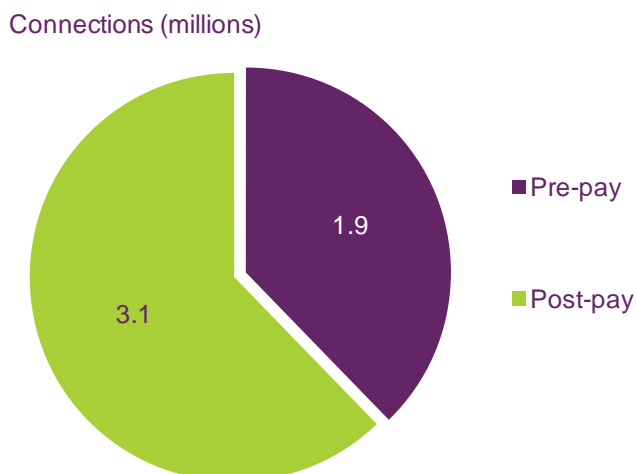


Source: Ofcom / operators

Over a third of data-only mobile broadband subscriptions are on pre-pay tariffs

There were 3.1 million post-paid data-only mobile broadband connections at the end of 2012, accounting for 62% of the total (Figure 5.43). Mobile broadband post-pay tariffs include large data allowances (as much as 15GB a month), and this may explain why the proportion of mobile broadband connections that are on a monthly contract is higher than the proportion for mobile subscribers as a whole. In addition, the availability of 30-day rolling data-only mobile broadband contracts may be a driver of post-pay mobile broadband take-up among occasional mobile data users who might otherwise have chosen a pre-pay service.

Figure 5.43 Number of active mobile broadband subscribers, by pre-pay and post-pay: 2012



Source: Ofcom / operators

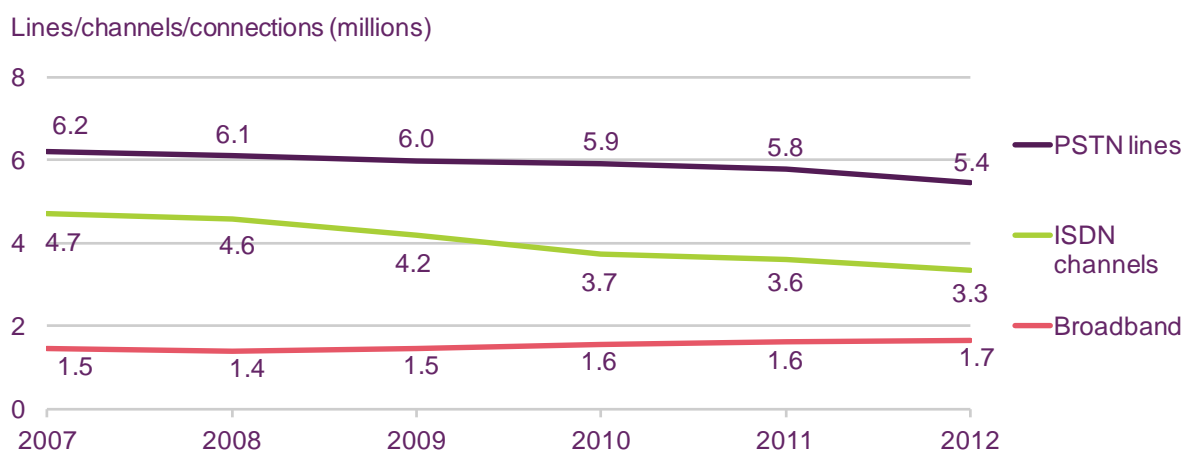
5.2.6 Business markets

The number of business fixed lines decreased and the number of business mobile subscriptions increased in 2012

The number of business PSTN lines fell by 329,000, or 5.7%, to 5.4 million in 2012; a larger decrease than the total fall over the previous three years (Figure 5.44). Meanwhile, the number of business mobile subscriptions increased by 515,000, or 5.1%, to 10.7 million in 2012 (Figure 5.45). These trends were not mirrored among residential consumers, among whom the number of residential PSTN lines increased faster (by more than 2%) than the number of consumer mobile subscriptions (less than 1%).

In terms of broadband, businesses increased their take-up of both fixed and mobile services in 2012, when the number of fixed broadband connections increased by 2% and the number of data-only mobile broadband connections by 3% (in contrast to consumer mobile broadband connections, which decreased). Businesses used 18% of the available PSTN lines and 8% of fixed broadband lines, 13% of mobile phone subscriptions and 29% of data-only mobile broadband subscribers at the end of 2012. Note that the fixed broadband figures used here exclude corporate connections.

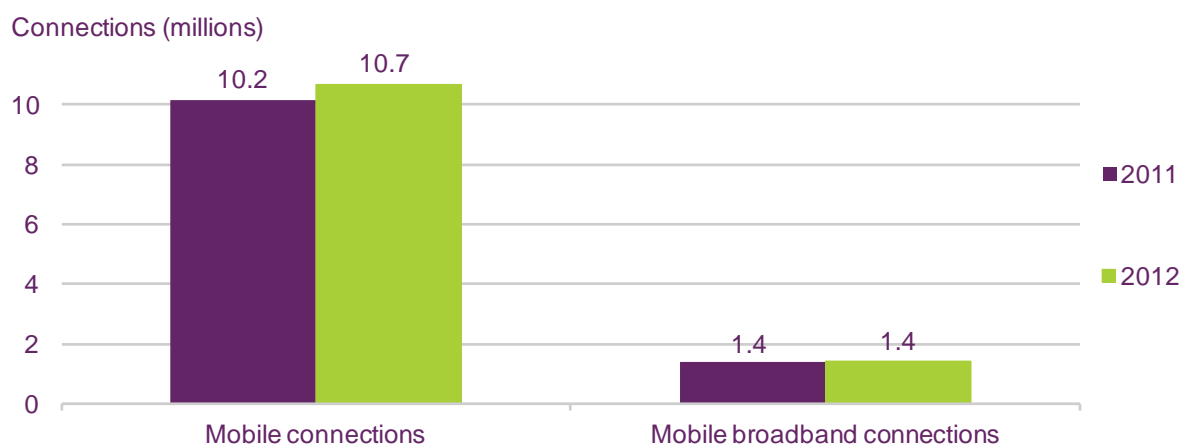
Figure 5.44 Business fixed voice and fixed broadband connections: 2007-2012



Source: Ofcom / operators

Notes: Fixed broadband includes FTTx and PSTN lines includes lines classed as 'other'

Figure 5.45 Business mobile and mobile broadband connections: 2011 and 2012

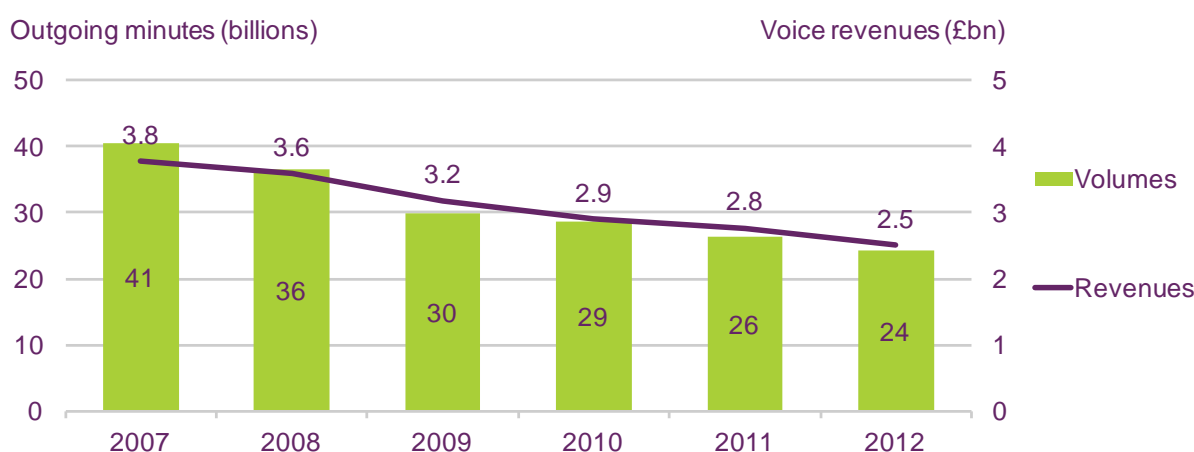


Source: Ofcom / operators. Mobile broadband excludes smartphone data use.

Business fixed voice volume and revenue continued to decline

The volume of fixed voice calls made by businesses fell by 7.8% to 24.2 billion minutes in 2012. Business fixed calls comprised 24% of total fixed calls by volume in 2012, with the remainder being residential calls. The decrease in business volume was larger than the decrease in the number of business PSTN lines, indicating a lower volume of calls per business PSTN line (371 minutes per month in 2012 compared with 379 minutes per month in 2011 and 545 minutes per month in 2007). Business fixed voice revenue fell at a faster rate than call volumes in 2012, down by 9.6% to £2.5bn, indicating falling average call revenues per minute. The decrease in residential voice revenue was much smaller during the year, down by 0.6% to £6.0bn.

Figure 5.46 Business fixed voice volume and revenue: 2007-2012



Source: Ofcom / operators

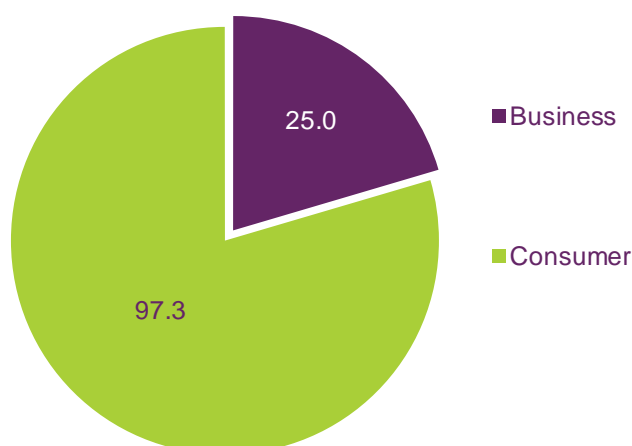
Businesses made a larger volume of calls from mobile phones than fixed phones

Businesses are prolific users of mobile voice services, making 25.0 billion minutes of outgoing mobile calls in 2012. This was higher than the 24.2 billion minutes of outgoing fixed voice calls made by businesses in 2012, meaning that mobile voice calls accounted for 50.9% of total outgoing business voice calls during the year. Average outgoing voice call volumes per mobile subscription were higher among business users (195 minutes per month) than among residential users (113 minutes per month) in 2012, and in total, businesses originated 20% of outgoing mobile call minutes during the year (Figure 5.47).

Higher average use among business mobile users may be because businesses tend to provide mobile phones only to employees who are expected to be regular users, whereas consumers may own a mobile phone even if their average use is low. Furthermore, use of some alternatives to voice calls, such as text messaging, instant messaging and social networking sites, is likely to be lower among business users.

Figure 5.47 Mobile voice call volume, by consumer and business: 2012

Outgoing minutes (billions)



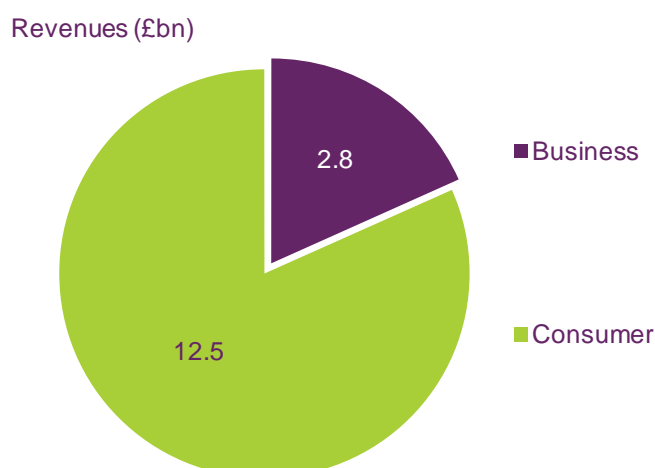
Source: Ofcom / operators.

Business mobile retail revenue was nearly £3bn in 2012

Although business subscribers represented 13% of the total number of mobile subscribers in 2012, they accounted for 18% of operators' mobile retail revenue: £2.8bn. Average revenue per subscriber was £21.90 per month for business subscribers, more than 50% higher than the £14.48 per month average for residential users. Business subscribers are likely to spend more per subscriber because:

- they have higher average use than residential subscribers;
- they may consume a greater quantity of data per subscriber, because of their use of mobile applications and downloading files;
- some business subscribers might not be as price-sensitive as residential subscribers, as they are not individually responsible for the costs of the call;
- basic handsets are likely to be insufficient for workers who need mobile data access, so subscription charges are likely to be higher;
- business subscribers may require mobile services that consumer subscribers do not, such as mobile enterprise applications; and
- business subscribers may travel abroad more often than residential users, and therefore spend more on roaming calls and data.

Figure 5.48 Mobile retail revenue, by consumer and business: 2012



Source: Ofcom / operators. Contains estimates for some operators.

Web hosting lifted corporate data services revenue in 2012

Data provided to Ofcom by IDC show that revenues from corporate data services (i.e. spend on services that connect business sites to each other and to the internet) increased by £50m to £3.5bn in 2012. This increase was largely as a result of a £65m increase in web-hosting revenues, as total revenues from the four remaining services included in the data (Ethernet, IP VPN, digital leased lines and Frame Relay/ATM) decreased by £15m during the year. Frame Relay¹¹⁵ and ATM¹¹⁶ revenues have been in decline for many years because of the migration of businesses to newer services, particularly IP VPNs¹¹⁷ and Ethernet¹¹⁸.

Revenues from these services are additional to the SME fixed broadband revenue recorded elsewhere in this report, and are related to connectivity revenues only (i.e. they exclude any revenues from managed services).

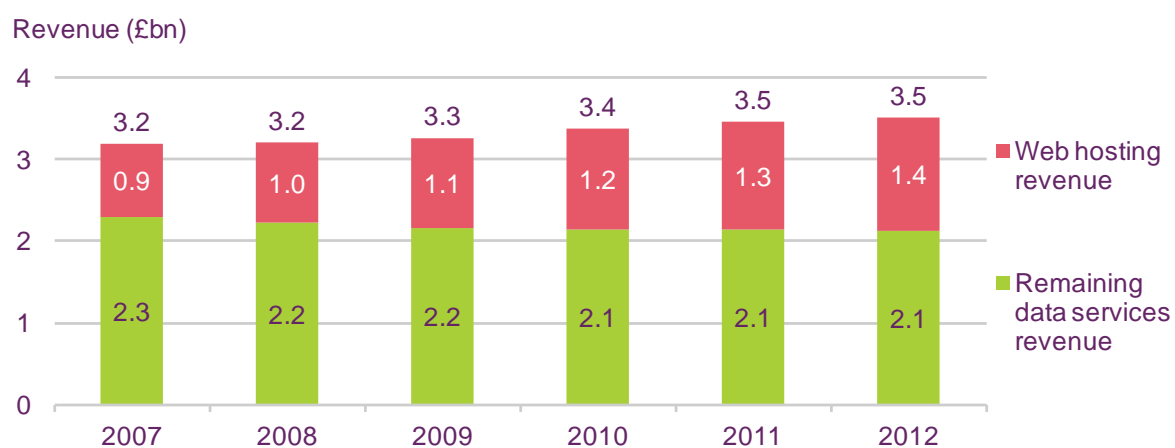
¹¹⁵ Frame relay is a packet-switched technology that was widely used to carry data across networks that connect business sites. It was commonly used over ISDN networks, but has for many years been in declining use.

¹¹⁶ ATM, or Asynchronous Transfer Mode, is a cell-based switching technique that was designed for high-throughput real-time wide area networks connecting business sites and has for many years been in declining use.

¹¹⁷ An IP VPN is a service using internet protocol provided on a public telecommunications network that provides businesses with secure inter-site connections emulating those of a private network.

¹¹⁸ Ethernet was invented as a protocol for carrying data across local area networks, such as those used within office buildings. However, Ethernet is now also used to carry data between business sites and for connections to the internet because it is easier to change the bandwidth required, easier to manage and often cheaper than older technologies like frame relay and ATM, and it is this that we refer to as Ethernet in this report.

Figure 5.49 Corporate data services connections and revenue: 2007-2012



Source: IDC

Note: Data services means the following services for connections and revenue: Ethernet, IP VPN, digital leased lines¹¹⁹, frame relay/ATM and, for revenue only, web hosting.

¹¹⁹ A leased line is a data connection provided by multiple PSTN lines that is dedicated to a specific company.

5.3 The telecoms user

5.3.1 Introduction

In this section we consider the major trends in the use of residential telecoms services during the five years to 2012. The analysis in this section is based on a mixture of data provided to Ofcom by telecoms providers as part of its regular data collection programmes, Ofcom consumer research and data obtained from third-party suppliers.

The section is split into four main areas; the first provides an overview of the general trends in take-up and spend on fixed telephony services, while the second and third focus on developments in fixed voice and fixed broadband services. The final part looks at trends in the use of mobile voice and data services on mobile handsets and the use of data-only mobile broadband services.

Key findings

The key findings of this section are as follows:

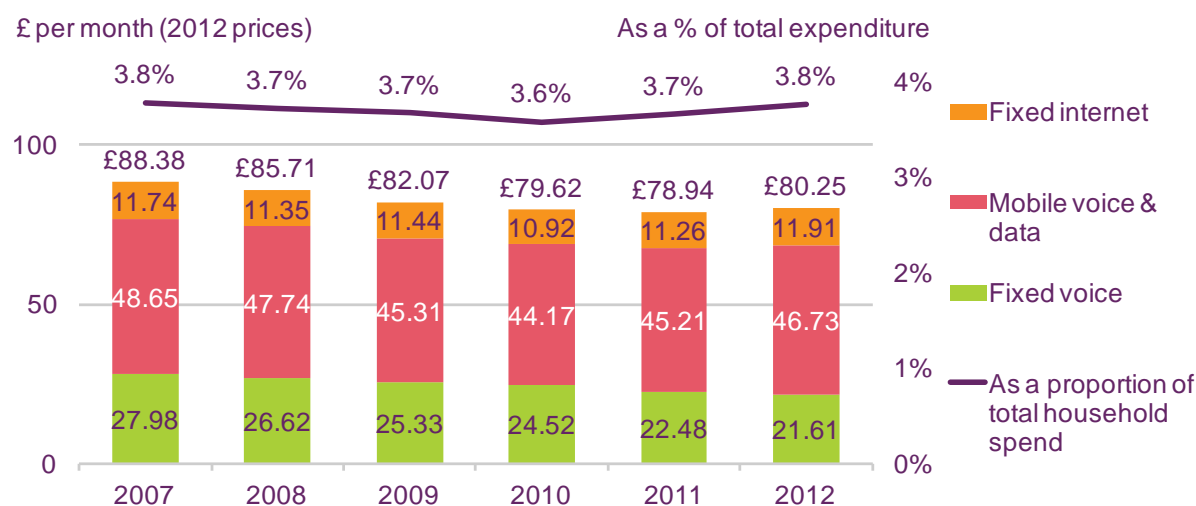
- **Average household spend on telecoms services increased by 1.7% in 2012.** Average monthly household spend on telecoms services was £80.24 in 2012, £1.31 more than it had been in 2011. This represented 3.8% of average total household spend in 2012, a 0.1 percentage point increase compared to 2011.
- **The average cost of a fixed-originated call minute was 5% higher than that of a mobile call minute in 2012.** The average cost of a fixed voice call was 9.1 pence per minute in 2012, 5.0% higher than the 8.6 pence per minute average for a mobile-originated voice call.
- **People in the UK spent an average of over one day a month using the internet over a mobile network or a fixed internet connection PC in 2012.** Most of this use (23.9 hours out of the total of 26.1 hours per month) was use over a fixed internet connection, with the remaining 2.2 hours being access over a mobile network.
- **The cost of a basket of residential fixed voice services increased in 2012.** The price of a basket of residential fixed telephony services (based on average use in 2012) increased by 0.5% in real terms in 2012. This was the first increase after a prolonged period during which residential fixed prices had fallen.
- **Over a quarter of DE homes were mobile-only in Q1 2013.** Ofcom research suggests that while the proportion of homes that were mobile-only averaged 15%, it was significantly higher among those aged 16 to 34 (at just under 30%) and households in the DE socio-economic group (26%).
- **The average price of a residential fixed broadband connection increased in 2012.** The average monthly price of a residential fixed broadband connection was £16.35 in 2012, an 18p per month (1.1%) increase in real terms compared to 2011. Growth in the take-up of superfast broadband services contributed to this increase.
- **Data-only mobile broadband use halved in the year to Q1 2013.** The proportion of adults who used a dedicated mobile broadband connection was just 5% in Q1 2013, eight percentage points less than a year previously and less than a third of the peak take-up level of 17% (recorded in Q1 2011). Increasing smartphone take-up is a key factor behind this decline.

Average household spend on telecoms services increased by 1.7% in 2012

Average monthly household spend on telecoms services (which is calculated by dividing residential telecoms service revenues by the number of UK households) was £80.25 in 2012, £1.31 (1.7%) more than it had been in 2011 in real terms (i.e. adjusted for inflation). This represented 3.8% of average total household spend in 2012, a 0.1 percentage point increase compared to 2011 (Figure 5.50). Average household spend on fixed voice services fell by 3.8% to £21.61 during the year, as a result of declining average call volumes per line, despite an increase in the number of residential fixed lines and increasing fixed voice prices (see Figure 5.58).

Average household spend on mobile services increased by 3.4% to £46.73, largely as a result of the growing use of mobile data services (driven by increasing smartphone take-up), while average spend on fixed internet services increased by 5.8% to £11.91 as a result of growth in the number of residential broadband connections and the migration to superfast broadband services (those with a headline speed of 30Mbit/s or higher) which are generally more expensive than lower-speed current generation services (see Figure 5.12).

Figure 5.50 Average household spend on telecoms services



Source: Ofcom / operators / ONS

Notes: Includes estimates where Ofcom does not receive data from operators; adjusted to RPI; includes VAT.

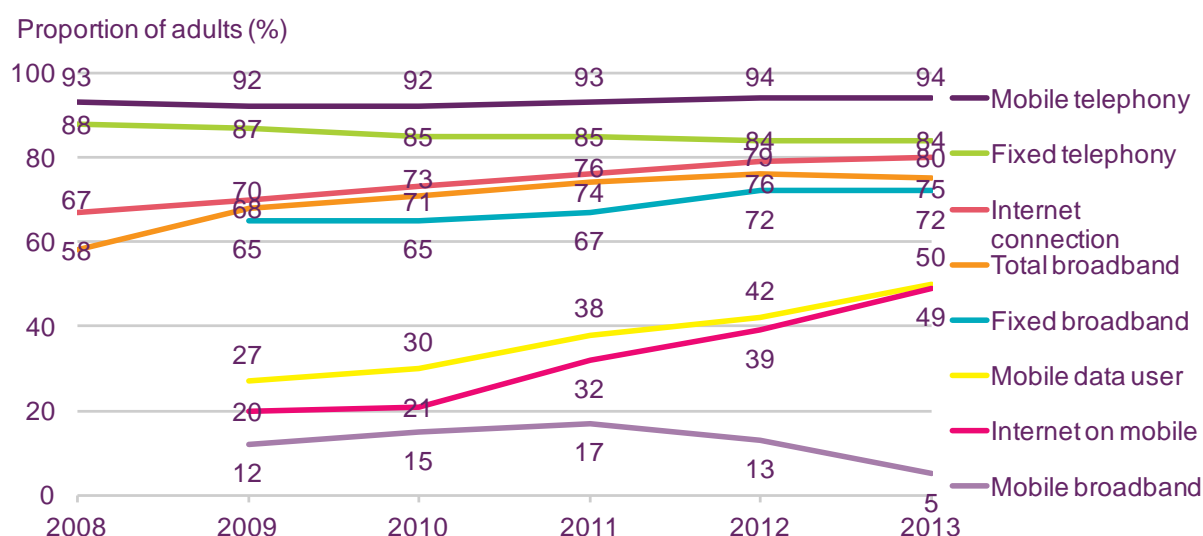
Use of data-only mobile broadband connections fell, as internet via a mobile handset increased

There was little change in the household take-up of most telecoms services in the year to Q1 2013 (Figure 5.51). Take-up of fixed and mobile telephony services were both unchanged, at 84% and 94% respectively during the year, while there was also no change in the proportion of homes which had an internet connection of any description (80%), a broadband connection of any description (75%) or a fixed broadband connection (72%).

The most notable changes in consumer use of telecoms services in the year to Q1 2013 related to mobile data services. First, the proportion of homes which accessed the internet or web-based services over a mobile network increased by eight percentage points to 50% during the year, the main driver of this being a ten percentage point increase (to 49%) in the proportion of homes accessing the internet using a mobile handset, largely as a result of increasing smartphone take-up. Second, over the same period, the proportion of homes that

accessed the internet using a dedicated data-only mobile broadband connection fell by more than half, from 13% to 5%, and it is likely that consumers are substituting a mobile broadband connection on a PC/laptop with internet access on a smartphone.

Figure 5.51 Household penetration of key telecoms technologies



Source: Ofcom research, data as at Q1 of each year

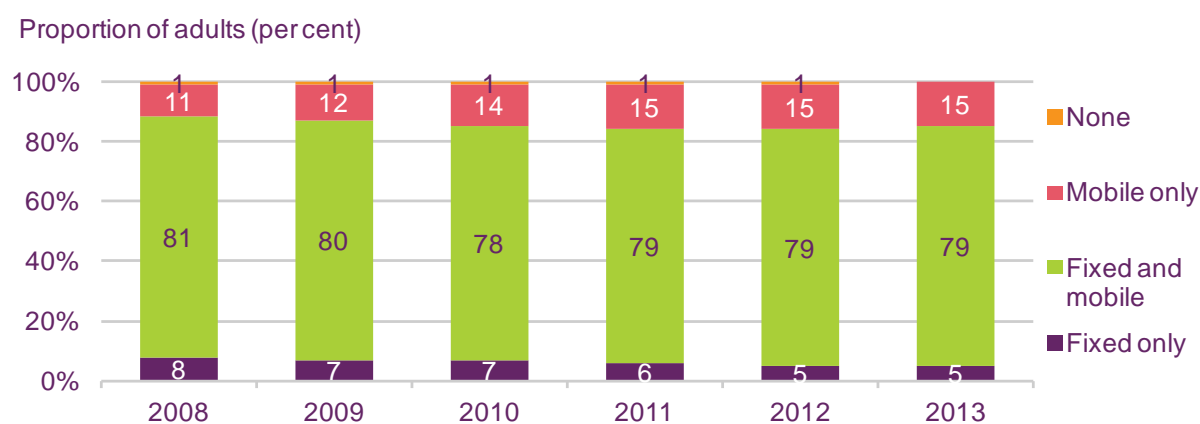
Base: All adults aged 16+

QE1: Does your household have a PC or laptop computer? / QE2: Do you or does anyone in your household have access to the internet/worldwide web at home (via any device, e.g. PC, mobile phone etc)? / QE6: Which of these methods does your household use to connect to the internet at home?

The proportion of homes that were mobile-only was unchanged at 15% in the year to Q1 2013

There was no change in household use of voice telephony services in the year to Q1 2013, when the majority of UK homes (79%) used both fixed and mobile telephony services (Figure 5.52). As had been the case in Q1 2012, 15% of homes were mobile-only, and 5% solely used a landline.

Figure 5.52 Household penetration of fixed and mobile telephony



Source: Ofcom research, data as at Q1 of each year

Base: All adults aged 16+

The average cost of a fixed-originated call minute was 5% higher than that of a mobile call minute in 2012

We are able to calculate the average cost of a voice call minute by dividing total line rental and out-of-bundle call revenues by total voice call minutes. This calculation shows that the average cost of a fixed-originated voice call was 9.1 pence per minute in 2012, 5.0% higher than the 8.6 pence average for a mobile voice call minute (Figure 5.53). By way of comparison, five years previously the average cost of a mobile-originated voice call minute had been 10.9 pence, 44% higher than the 7.6 pence-per-minute average for a fixed-originated voice call.

During the year the average cost of a fixed voice call minute increased by 0.5 pence per minute (5.7%), and while there is evidence that fixed telephony prices are increasing (Figure 5.58 shows that the cost of a basket of residential fixed voice services increased in real terms in 2012), this is partly due to average voice call volumes per line having fallen at a faster rate than the number of lines (these rates of decline were 7.6% and 0.3% respectively during the year). As a result, a larger proportion of the line rental cost is apportioned to each call minute, and the average call pence-per-minute cost is higher.

While this analysis shows that the average price of a mobile call voice minute increased by 0.1 pence per minute (1.6%) in 2012, it is likely that increasing smartphone take-up is distorting the analysis, as this will result in mobile contract monthly fees increasingly including a bundled data allowance (in addition to SMS/MMS messages). As it is not possible to split the SMS/MMS and data element of the line rental fee from that relating to voice calls, this analysis uses all of the monthly line rental fee, which means that the average mobile pence-per-minute will be overstated.

Figure 5.53 Comparison of average fixed and mobile voice call charges



Source: Ofcom / operators

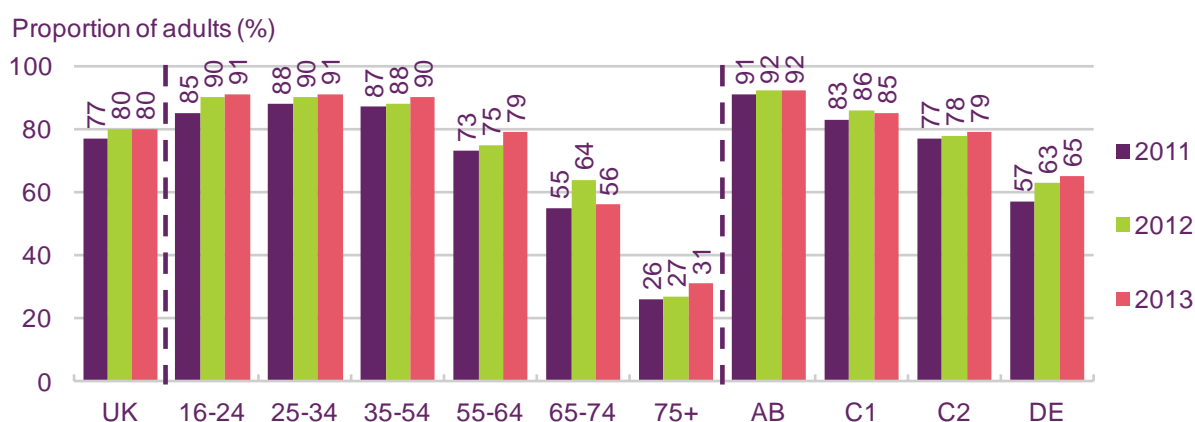
Note: Includes estimates where Ofcom does not receive data from operators; fixed calculation excludes non-geographic voice calls

Household internet take-up was unchanged at 80% in the year to Q1 2013

As mentioned previously, the proportion of homes which had an internet connection of any description was unchanged in the year to Q1 2013, at 80% (Figure 5.54). As was the case in previous years, the proportion of homes with an internet connection was highest among those aged 16 to 54, and those in the AB socio-economic group, and was lower among older age groups and less affluent households. The only groups among which there was a change in household internet take-up in the year to Q1 2013 were the 55 to 64 and 75+ age groups (where in both cases take-up increased by four percentage points, to 79% and 31%

respectively) and among the 65 to 74 age group (where take-up fell by eight percentage points to 56%, although it is likely that this is a statistical anomaly).

Figure 5.54 Home internet access, by age and socio-economic group



Source: Ofcom research, data as at Q1 2013

Base: All adults aged 16+

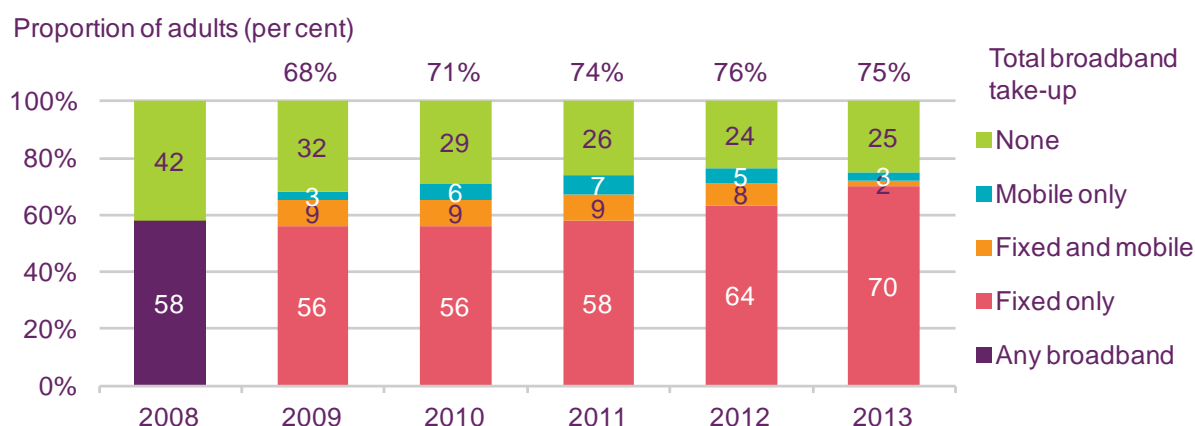
QE2: Do you or does anyone in your household have access to the internet/ worldwide web at home?

The proportion of homes using mobile broadband fell in the year to Q1 2013

Overall household broadband take-up was unchanged in the year to Q1 2013, when 75% of homes had either a fixed broadband connection or a data-only mobile broadband service (Figure 5.57). The five percentage point difference between this and the 80% internet take-up shown in Figure 5.54 is largely a result of homes that solely access the internet on a mobile handset, although it also includes a dwindling number of narrowband users.

The proportion of homes that used mobile broadband services fell by eight percentage points to 5% during the year, mainly as a result of increasing smartphone take-up, although this fall did not have a statistically significant effect on overall broadband take-up, as most of the homes which stopped using mobile broadband had been using it as a complement to a fixed broadband service. As a result, the fall in the proportion of homes which used both fixed and mobile broadband services (from 8% to 2% of homes) was offset by a similar six percentage point increase in the proportion of homes that solely used a fixed broadband connection.

Figure 5.55 Household penetration of fixed and mobile broadband



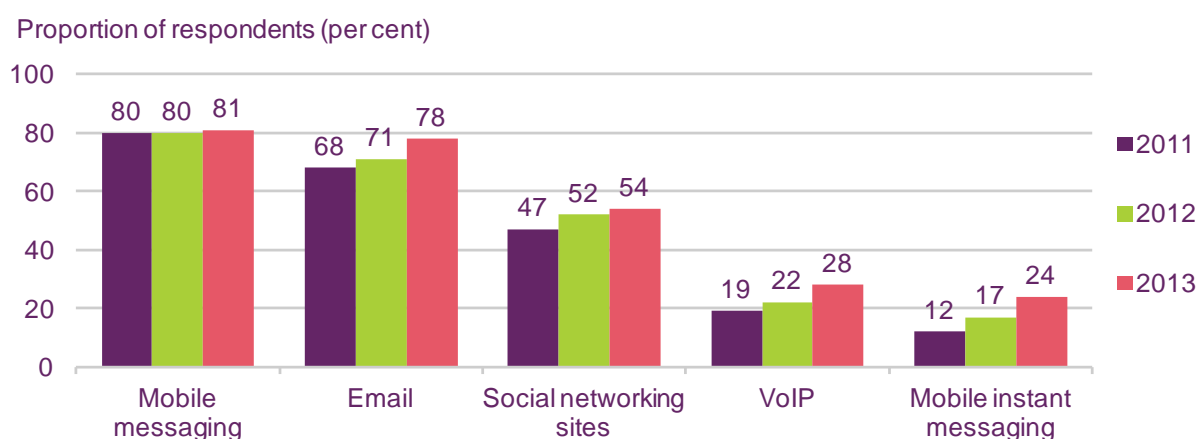
Source: Ofcom research, data as at Q1 of each year

Base: All adults aged 16+

Use of email, social networking sites, VoIP and instant messaging are all increasing

The changing use of communications services is shown in Figure 5.56 below. This shows that while the percentage of respondents who said that they currently used traditional mobile messaging services (i.e. SMS and MMS) was unchanged between Q1 2011 and Q1 2013, the proportion who said that they used email, social networking sites and instant messaging services all increased. Use of VoIP services also increased during the year, and by Q1 2013 over a quarter of respondents said that they were VoIP users.

Figure 5.56 Use of methods of communication other than traditional voice telephony



Source: Ofcom research, data as at Q1 of each year

Base: All adults 16+

Note: VoIP data for 2013 are not comparable to those from previous years they have been compiled on a different basis.

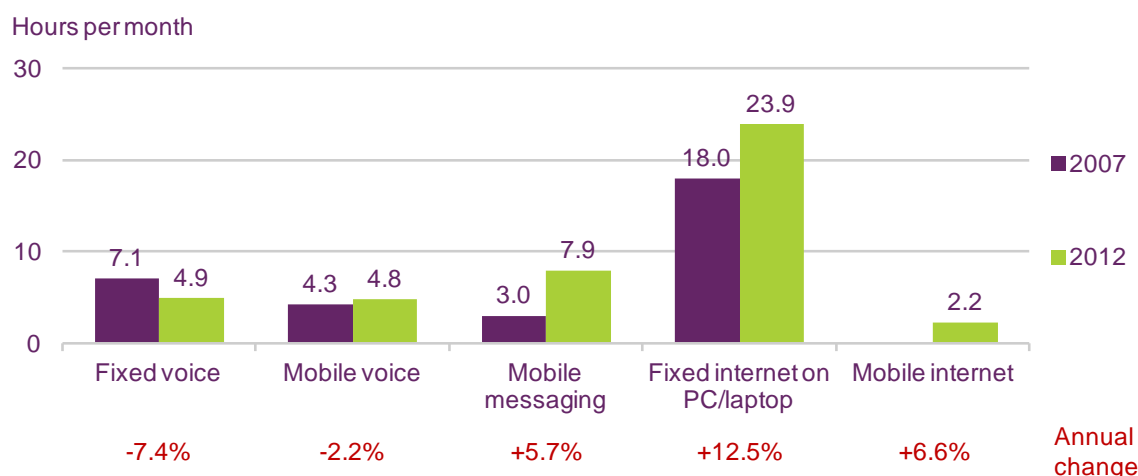
QD28A Which, if any, of the following activities, other than making and receiving voice calls, do you use your mobile for? QE5A Which, if any, of these do you use the Internet for? QE30 Have you or anyone in your household ever used one of these services to make voice calls using the Internet at home? (answers used relate to current use).

On average, people in the UK spent over one day a month using the internet in 2012

People in the UK spent an average of over one day a month using the internet on a PC/laptop over a fixed internet connection or over a mobile data network in 2012 (Figure 5.57). Most of this use (23.9 hours out of the total of 26.1 hours per month) was use over a fixed internet connection, with the remaining 2.2 hours being access over a mobile data network. During 2012, the average time spent using a mobile data connection increased by eight minutes per day (6.6%), while fixed internet use with a PC/laptop increased by 159 minutes per month (12.5%).

Average fixed voice call use per person continued to decline in 2012, when it fell by 24 minutes per month (7.4%) to 4.9 hours per month, and there was also a 2.2% decline in average time spent on mobile calls, which fell to 4.8 hours per month in 2012. The average time spent on mobile messaging increased by 5.7% to 7.9 hours per month in 2012; this increase was a result of growth in the use of instant messaging services, as average time spend using SMS and MMS services was unchanged at 6.7 hours per month during the year.

Figure 5.57 Average monthly time per person spent using telecoms services



Source: Ofcom / operators / comScore MMX, UK, home and work panel, January to December 2007 and January to December 2012 / US Census Bureau / comScore GSMA MMM, UK, browser access only, on-network, December 2011 and December 2012

Note: Includes estimates where Ofcom does not receive data from operators; voice calls include incoming and outgoing calls; fixed voice call figures include NTS voice calls; mobile messaging figures assume an average of two minutes per SMS and MMS message and one minute per IM message; Ofcom's estimates of fixed and mobile internet use per person are based on comScore data and exclude time spent watching online video and listening to streamed music; Mobile internet use includes on-network traffic only, and excludes time spent using internet connected mobile applications.

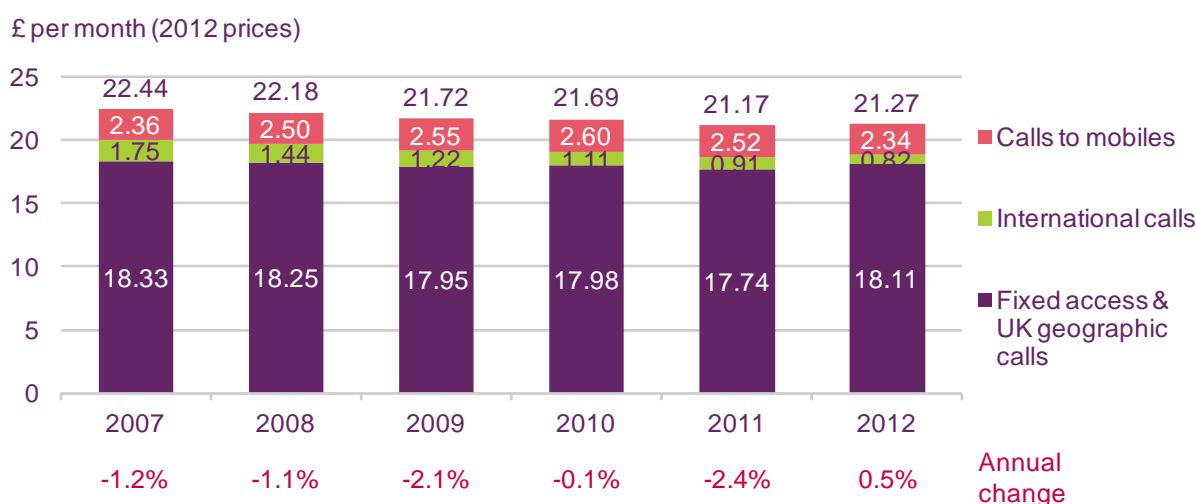
5.3.2 Fixed voice services

The cost of a basket of residential fixed voice services increased in 2012

The average price of a basket of residential fixed telephony services (consisting of a fixed line and average numbers of UK geographic, calls to mobiles, and international call minutes at 2012 levels) increased in real terms (i.e. adjusted for inflation) in 2012 (Figure 5.58). Although this increase was relatively small (at ten pence per month or 0.5%), it was the first increase after a prolonged period during which residential fixed prices fell (most recently as a result of the introduction of full LLU, which enabled providers such as Sky and TalkTalk to gain significant residential fixed-line market share).

The increase in the price of the basket of services in 2012 was as a result of an increase in the line rental and UK geographic calls element of the basket, as the cost of out-of-bundle international and calls to mobiles fell during the year. The main drivers behind this increase are likely to be residential line rental price increases (which were introduced by some of the largest residential telecoms providers in 2012), along with increasing take-up of 'bolt-on' call bundles that include additional or discounted calls to UK fixed numbers, mobile phones and/or international destinations for an increased monthly charge. Increasing use of call bolt-ons will result in an increase in fixed access revenues and a fall in out-of-bundle charges for these call types.

Figure 5.58 Real price of a basket of residential fixed voice services



Source: Ofcom / operators

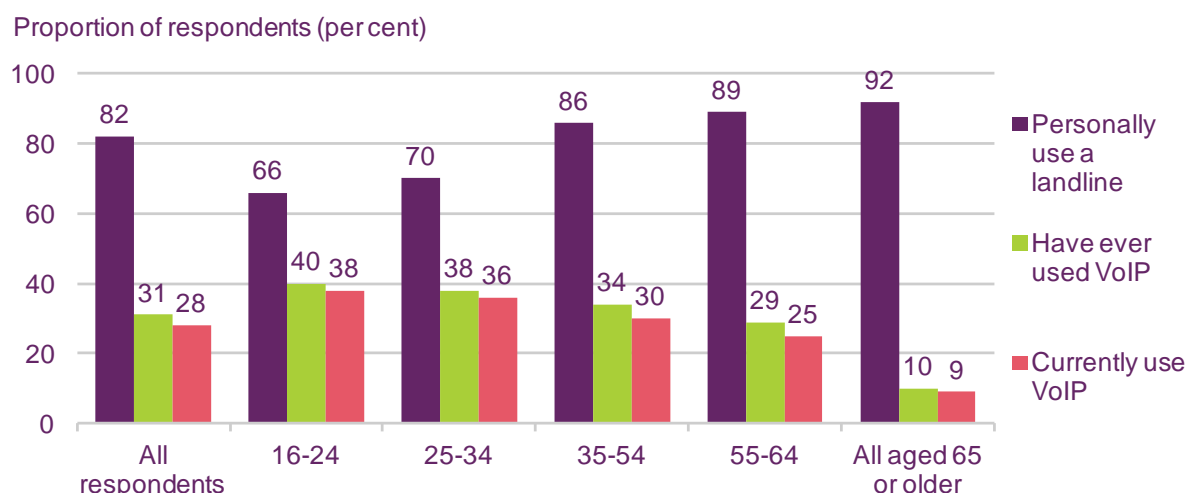
Note: Includes estimates where Ofcom does not receive data from operators; excludes non-geographic voice calls; adjusted for RPI; includes VAT

Almost three in ten UK adults used VoIP services in Q1 2013

Ofcom research suggests that 82% of adults used a landline at home in Q1 2013, in line with the proportion who said that they had a home landline (84%). Although the two percentage point difference between these figures is not statistically significant, it is likely that there are some adults who either live in a house with a landline that they do not use, but which is used by someone else, or who have a landline that is not used for calls, but has been installed in order to be able to access fixed broadband services (more than half of UK premises need to have a fixed line in order to be able to access fixed broadband services; Virgin Media's cable broadband offering is the only UK fixed broadband service that does not require a fixed line of any description).

As is shown in Figure 5.59, the proportion of adults who use a landline increases with age, and, in Q1 2013, ranged from 66% of those aged 16 to 24 to 92% among those aged 65 and older (it is likely that the main reason for this difference is higher levels of mobile use among younger consumers). The opposite was true of voice over Internet Protocol (VoIP), where use was higher among the younger age groups: while 28% of adults claimed that they currently used VoIP in Q1 2013, this proportion was highest among those aged 16 to 24 and 25 to 34, at 38% and 36% respectively, and fell to just 9% among those aged 65 and older. The main drivers of these disparities in VoIP use are likely to be the lower levels of broadband take-up and technical expertise among older consumers.

Figure 5.59 Use of fixed voice communication services in the home



Source: Ofcom research, data as at Q1 2013

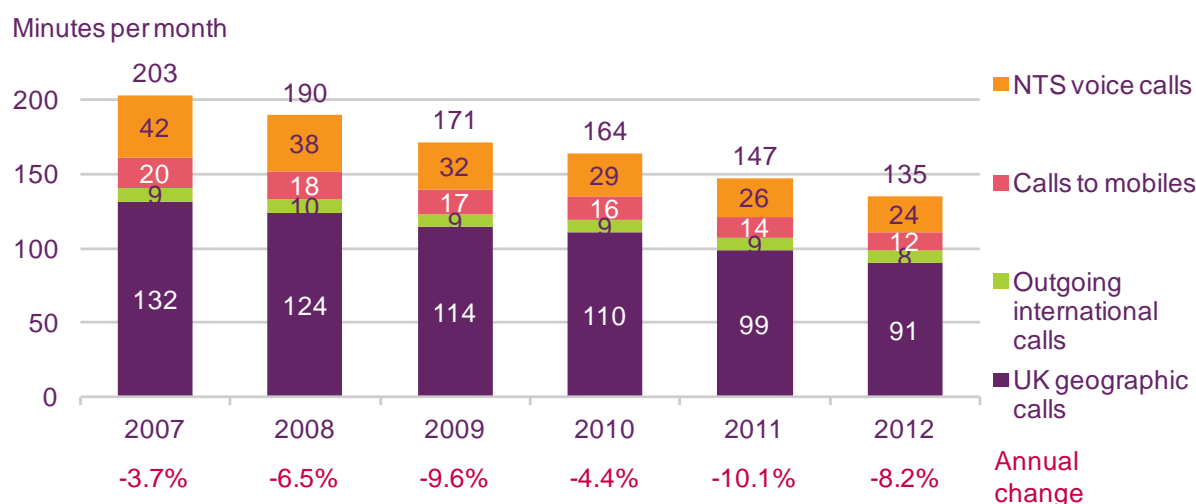
Base: All adults aged 16+.

Average fixed call volumes per person fell by a third in the five years to 2012

On average, people in the UK made 135 minutes of outgoing fixed-line originated calls per month in 2012 (Figure 5.60). This was 12 minutes per month (8.2%) less than in 2011, and 68 minutes per month (33.3%) less than the 203 minutes recorded in 2007. The rate of decline in average use in 2012 was slightly less than the 10.1% drop recorded in 2011, and while the majority of the average 2012 fall (eight minutes per month) was due to falling call minutes to UK geographic numbers, the fastest rate of decline was for outgoing international calls, which fell by over 10% during the year to eight minutes per month.

As average mobile use per person has been falling since 2010 (as is shown in Figure 5.76), it is likely that the main driver of falling fixed voice calls per person is the increasing use of VoIP and non-voice forms of communication such as email, SMS, and instant messaging (IM), including the services provided on social networking sites.

Figure 5.60 Average monthly outbound fixed call volumes per person



Source: Ofcom / operators

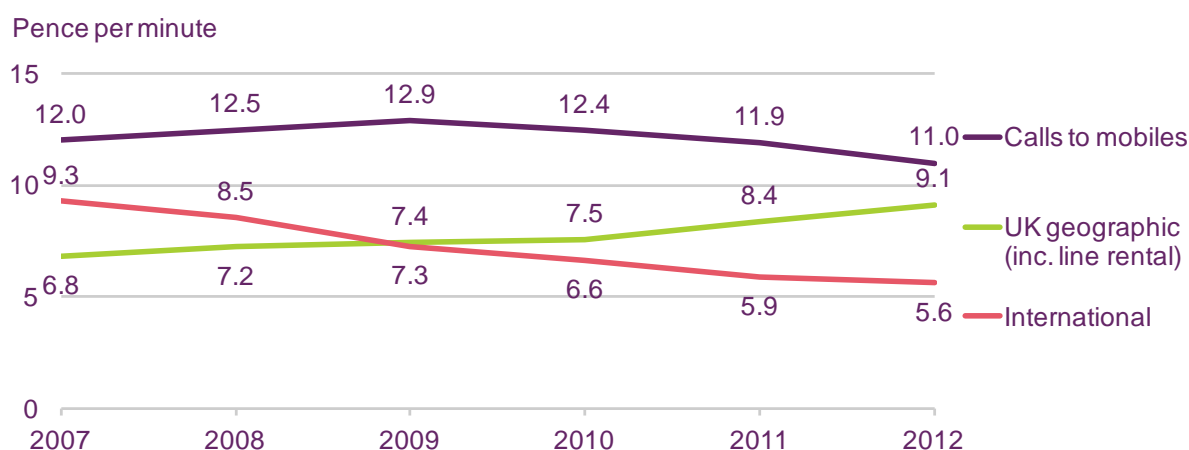
Note: Includes estimates where Ofcom does not receive data from operators

The cost of calling mobile numbers from fixed lines continued to fall in 2012

As shown previously in Figure 5.53, the average cost of a fixed-originated voice call minute (excluding voice calls to non-geographic numbers) increased by 5.7% in 2012. Figure 5.61 shows average pence-per-minute call charges by call type, which shows that the average costs of fixed-originated outgoing international calls, and calls to mobiles, fell by 4.1% and 7.6% respectively during the year. Conversely, the price of an average call to a UK geographic number (the calculation of which includes the monthly line rental fee) increased by 8.9% during the year, and it was this that was the driver of increasing overall fixed voice call revenues per minute, largely because these calls account for over 80% of the total volumes of all three call types.

Falling international, and calls to mobile, prices can partly be attributed to the increased availability of tariffs that bundle, or offer reduced prices for, these calls, although additionally, falling international call prices also reflect declining prices, as fixed providers seek to compete with low-cost international mobile and VoIP-based services. Falling calls to mobile average charges can partly be attributed to declining mobile call termination rates.

Figure 5.61 Average revenue per fixed-voice call minute



Source: Ofcom / operators

Note: Includes estimates where Ofcom does not receive data from operators; UK geographic calculation includes line rental revenues; excludes VAT

The availability of standalone fixed voice services is becoming more limited as providers push bundles

Two of the UK's largest residential fixed telephony providers, TalkTalk and Virgin Media, stopped selling standalone fixed telephony services in the year to March 2013 (Figure 5.62). In general, providers are now more focused on selling bundles rather than standalone services, as these generate more revenue, and customers who buy bundles are less likely to switch provider.

BT and Sky, which continued to offer standalone residential landline services in the year to March 2013, both increased the prices of their landline services during this period. BT increased its monthly line rental fee from £14.60 to £15.45 and increased the prices of its call bundles (although its line rental pre-payment annual fee was unchanged),¹²⁰ while Sky increased its basic line rental fee by 18%, from £12.25 to £14.50, an increase that was deemed to be sufficiently large that its line rental customers were given the option to cancel their subscription without charge.

¹²⁰ The price of BT's *Line Rental Saver* line rental pre-payment plan increased from £129 to £141 a year on 1 June 2013.

Figure 5.62 Standalone fixed-line tariff analysis

Provider	2012			2013		
	With weekend calls	With evening and weekend calls	With anytime calls	With weekend calls	With evening and weekend calls	With anytime calls
BT	£14.60 (£10.75)	£17.75 (£13.90)	£19.50 (£15.65)	£15.45 (10.75)	£18.75 (£14.05)	£20.60 (£15.90)
Sky	-	£12.25 (£9.95)	£17.25 (£14.95)	£14.50	-	£19.50
TalkTalk	-	£17.41 ¹ (£13.11) ¹	£20.01 (£15.71)	-	-	-
Virgin Media	-	£18.50 ²	£21.90 ²	-	-	-

Source: Pure Pricing UK Broadband Pricing Briefing, March 2012 and March 2013

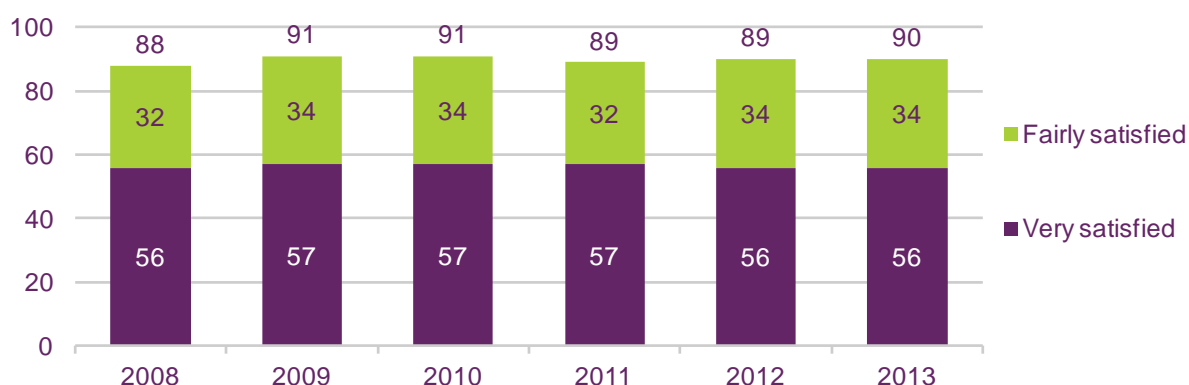
Note: All tariffs exclude activation charges and promotional discounts and include VAT; all tariffs are the lowest price available; contract lengths vary; figures in brackets require pre-payment of twelve month's line rental; ¹ Also includes anytime calls to TalkTalk landlines; ² Also includes calls to Virgin Mobiles

Ninety per cent of landline users were satisfied with their service in Q1 2013

Satisfaction with fixed-line services was unchanged in the year to Q1 2013, when 90% of adults with a fixed line were either 'very' or 'fairly' satisfied with their service (Figure 5.63). Over half of those with a landline (56%) said they were 'very satisfied' with their service in Q1 2013, while over a third (34%) were 'fairly satisfied'. Both of these figures were in line with responses in Q1 2012.

Figure 5.63 Residential consumer satisfaction with fixed-line services

Proportion of all adults with service (per cent)



Source: Ofcom research, data as at Q1 of each year

Base: All adults aged 16+ with a fixed line phone

Note: Only includes those who expressed an opinion

5.3.3 Fixed broadband services

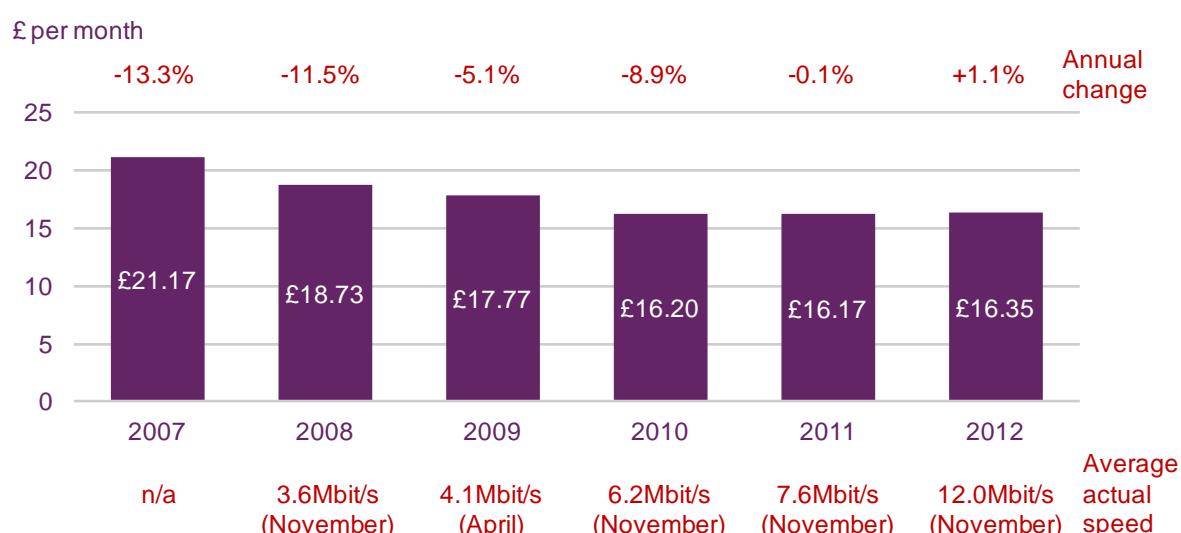
The average price of a fixed broadband connection increased in real terms in 2012

The average price of a residential fixed broadband connection was £16.35 a month in 2012, an 18 pence-per-month (1.1%) increase in real terms (i.e. adjusted for inflation) compared to 2011 (Figure 5.64). This was the first time that that average residential broadband prices had increased since Ofcom started collecting fixed broadband revenue data in 2004, and it is likely to be the first time this has happened since these services launched in 2000.

A key driver of increasing average prices in 2012 was the migration of consumers onto superfast broadband services (i.e. those with a headline speed of 30Mbit/s or higher), which are usually more expensive than slower, current-generation services. Data provided to Ofcom by ISPs show that the proportion of residential UK broadband connections that were superfast more than doubled, from 5% to 13%, in the year to November 2012, while Ofcom research shows that the average actual download speed of a UK residential fixed broadband connection increased by 4.5Mbit/s (59%) to 12.0Mbit/s over the same period.¹²¹

More information on the availability, take-up and use of superfast broadband services can be found in Sections 5.1.3 and 5.1.4 of this report.

Figure 5.64 Real average monthly price of a residential fixed broadband connection



Source: Ofcom / operators

Note: Includes estimates where Ofcom does not receive data from operators; includes VAT; adjusted for RPI

Few major UK ISPs continue to offer standalone fixed broadband services

Figure 5.65 shows the lowest-cost fixed broadband services offered by UK's largest ISPs in March 2013. Other than Virgin Media's cable-based service, these were all ADSL2+ services, which are typically marketed as offering speeds of 'up to' 14Mbit/s or 'up to' 16Mbit/s (the lowest-cost Virgin Media cable service offers a headline speed of 'up to' 30Mbit/s).

¹²¹ <http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/broadband-speeds/broadband-speeds-nov2012/>

As is the case with fixed voice services, there has been a move away from offering standalone fixed broadband services among UK ISPs, and in March 2013 only three of the UK's six largest fixed broadband providers offered standalone services: Virgin Media (which offers the only UK fixed broadband service that does not require a fixed voice line of any description, O2 (whose fixed telecoms business has recently been acquired by Sky) and Plusnet (which is wholly owned by BT). All of the ISPs listed below, other than O2 and Virgin Media, also offer superfast broadband services over the BT Openreach fibre network and, as is noted in Section 5.1.3, these services typically command a premium of between £5 and £10 a month above the price of a comparable ADSL service.

Figure 5.65 Lowest-cost fixed broadband options from major ISPs

Provider	Fixed broadband only	Fixed broadband and calls	Fixed broadband and fixed line	Fixed broadband and mobile	Fixed broadband and pay-TV	Fixed broadband, fixed line and mobile	Fixed broadband, fixed line and pay-TV
BT	-	-	£28.45 (£23.75)	-	-	-	£33.45 (£28.75)
EE	-	-	£24.00	-	-	£19.00 ²	-
O2	£13.50 ¹	-	£26.50	£8.50 ^{1,2}	-	£21.50 ²	-
Plusnet	-	£5.99 ¹	£19.98 (£16.48)	-	-	-	-
Sky	-	-	£24.50 (£19.95)	-	-	-	£36.00 (£31.45)
TalkTalk	-	-	£21.45 (£16.00)	-	-	-	£30.45 (£25.00)
Virgin Media ³	£22.50	-	£29.49 (£24.50)	£22.50 ²	£36.50	£29.49 ² (£24.50 ²)	£32.99 (£28.00)

Source: Pure Pricing UK Broadband Pricing Briefing, March 2012 and March 2013

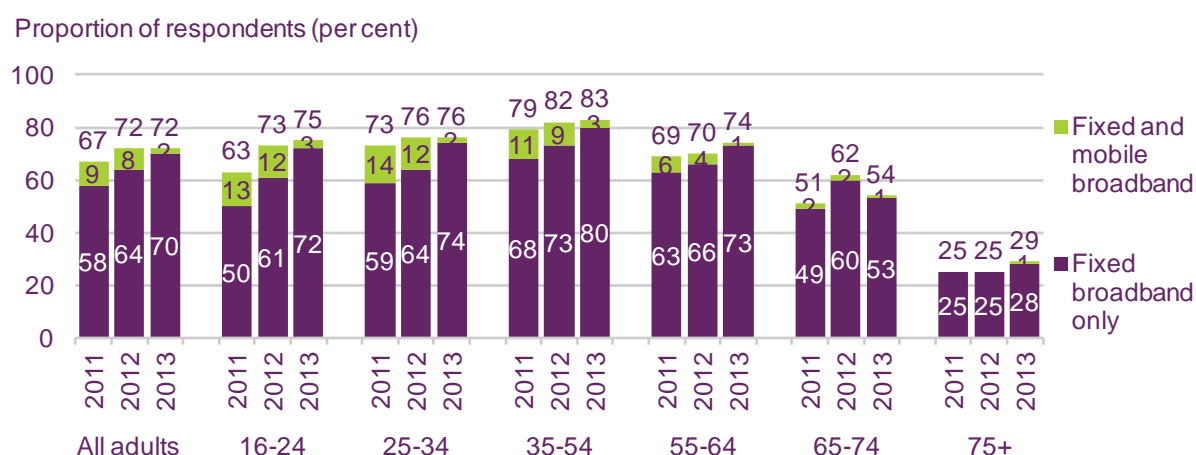
Note: All tariffs exclude activation charges and promotional discounts and include VAT; all tariffs are the lowest price available; contract lengths vary; allowances for fixed-line and mobile calls, plus availability of TV channels included within packages may differ by operator and option; figures in brackets require pre-payment of twelve months' line rental; ¹ Also requires BT fixed-line rental at £15.45 a month/£129 pre-payment for a year; ² plus cost of mobile tariff; ³ discounts available on Virgin Mobile tariffs.

Fixed broadband take-up is highest among those aged 35 to 54

As mentioned previously, overall fixed broadband take-up was unchanged at 72% in the year to Q1 2013. While overall take-up across all age groups was unchanged over this period, there were some differences by age group, with take-up increasing by four percentage points among those aged 55 to 64, and 75 and older (to 74% and 29% respectively), and falling by eight percentage points to 54% among those aged 65 to 74¹²² (Figure 5.66). Fixed broadband take-up was lowest among the older age groups in Q1 2013, and ranged from 83% among those aged 35 to 54 to 29% among those aged 75 and older.

¹²² It is likely that the fall in fixed broadband take-up recorded among the 65 to 74 age group is a statistical anomaly.

Figure 5.66 Take-up of fixed broadband, by age



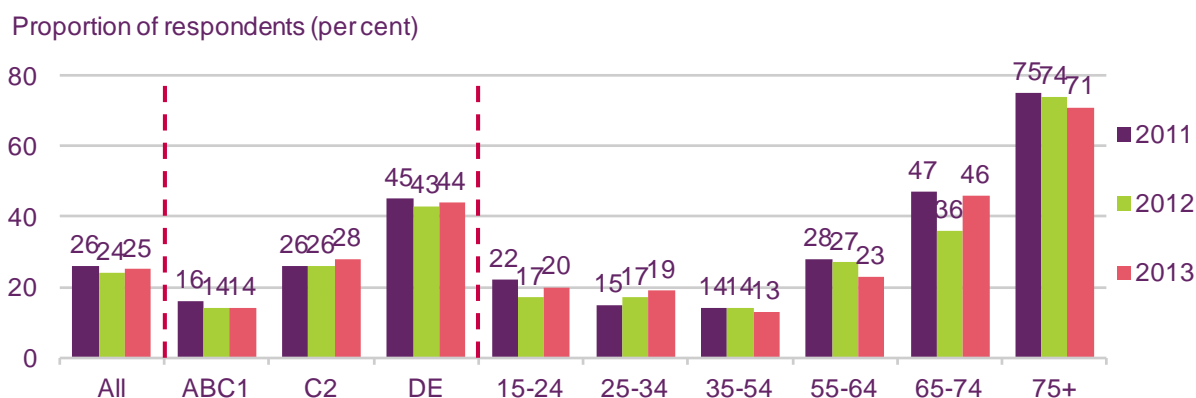
Source: Ofcom research, data as at Q1 of each year

Base: All adults aged 16+

A quarter of UK homes do not have a broadband connection of any description

Ofcom research shows that 25% of UK homes did not have a broadband connection of any description in Q1 2013, this proportion being unchanged from a year previously (Figure 5.67). The proportion of respondents who lived in a home without either a fixed or a mobile connection varied by age, ranging from 13% among those aged 35 to 54 to 71% among those aged 75 and older, and it was also higher among the less affluent socio-economic groups (44% of DE homes did not have a broadband connection, compared to just 14% of ABC1 homes).

Figure 5.67 Non-ownership of home broadband, by socio-economic group and age



Source: Ofcom research, data as at Q1 2013

Base: All adults 16+

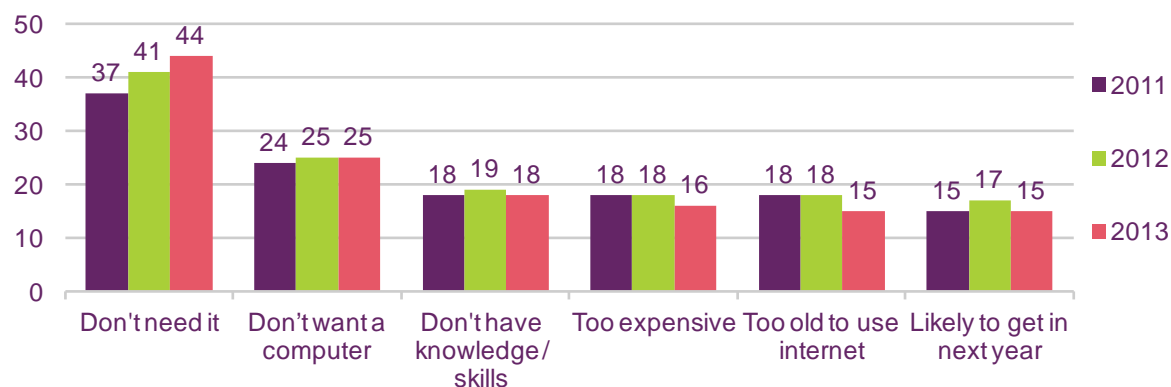
Almost half of those without a broadband connection do not think they need it

Ofcom research suggests that just under half the adults who did not have a home broadband connection in Q1 2013 (44%) did not think they needed one (Figure 5.68). This was the most frequently-cited reason given for not having home broadband, and the proportion of those without broadband who give this reason has increased over the past few years, partly because people giving this reason are less likely to have purchased broadband services in the intervening period.

The second most frequently-cited reason for not having a home broadband connection (which was given by a quarter of those without broadband) was that the respondent did not want to get a PC, while 18% didn't think they had the knowledge or skills to use the internet, 16% considered that it was too expensive and 15% said they were too old to use it. But 15% said they planned to purchase home broadband within the next 12 months.

Figure 5.68 Main reasons for not having a home broadband connection

Proportion of those without broadband (per cent)



Source: Ofcom research, data as at Q1 of each year

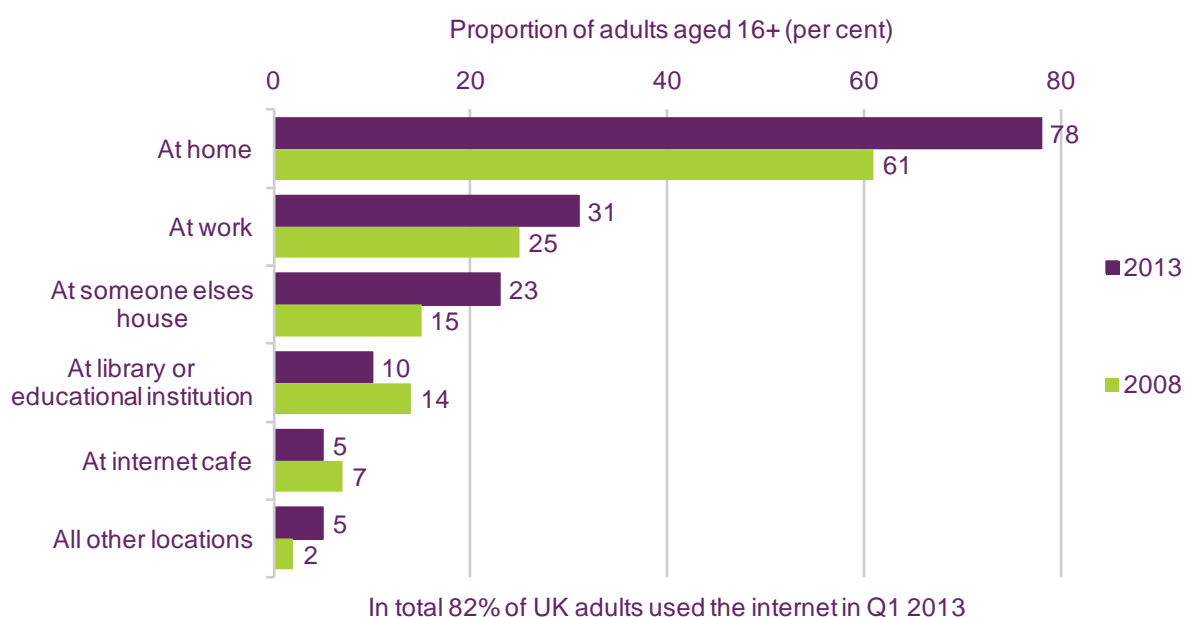
Base: All adults without the internet aged 16+

Note: 2% of people without the internet in Q1 2013 did not know what their main reason was or provided an 'other' reason.

Home and work are the places where people most frequently access the internet

Almost four in five internet users (78%) said that they accessed the internet at home in Q1 2013, 31% said they accessed it at work and 23% said they did so at someone else's house (Figure 5.69). All three of these proportions have increased in the five years to Q1 2013, with the largest increase being a 17 percentage point increase in the proportion accessing it at home, mainly reflecting growth in household internet take-up (which has increased from 67% to 80% over the period). This increase in home internet take-up also contributed to a decline in the proportion of people who went to an internet cafe or library/educational institution to access the internet.

Figure 5.69 Location of internet access



Source: Ofcom research, data as at Q1 of each year

Base: All internet users aged 16+

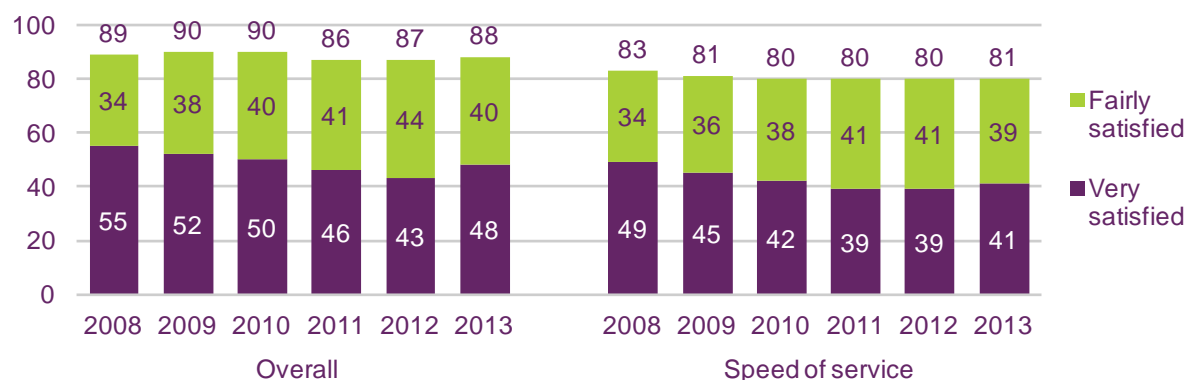
More than four in five fixed broadband users are satisfied with the speed of their service

Ofcom research conducted in Q1 2013 suggested that overall satisfaction with fixed broadband services had remained high, with 88% of broadband users being 'very' or 'fairly' satisfied with their service (Figure 5.70). This overall level of satisfaction with fixed broadband services is unchanged compared to Q1 2012, although the proportion who were 'fairly' rather than 'very' satisfied fell slightly during the year. Levels of satisfaction with fixed broadband speeds were lower, with 81% being 'very' or 'fairly' satisfied with the speed of their fixed broadband service, in line with the previous year's figure, despite average connection speeds having increased significantly over the period.

Separate analysis of levels of satisfaction among superfast broadband users can be found in Section 5.1.3 of this report.

Figure 5.70 Satisfaction with aspects of fixed broadband service

Proportion of all adults with service (per cent)



Source: Ofcom research, data as at Q1 of each year

Base: All adults aged 16+ with a fixed broadband connection

Note: Includes only those who expressed an opinion

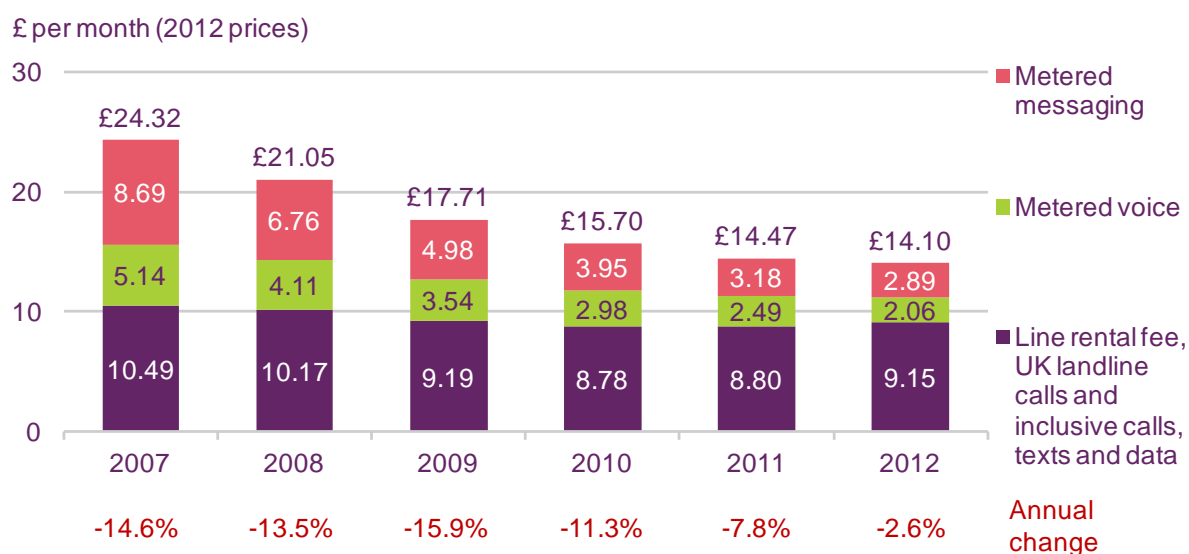
5.3.4 Mobile voice and data services

The rate of decline in mobile prices has slowed significantly

Figure 5.71 shows how the price of a basket of mobile telephony services (which is based on average use of UK geographic, on-net mobile, off-net mobile, outgoing international calls and SMS messages at 2012 levels) changed in the five years to 2012. Although this bundle of services does not explicitly include any mobile data use (as Ofcom does not currently hold the information required to add this to the basket), it does include an element of mobile data as its calculation includes post-pay monthly rental revenues, which will include revenues relating to bundled mobile data services.

Our analysis indicates that the price of the basket of mobile services fell by 2.6% to £14.10 in 2012. During the year, the cost of the line rental and bundled voice, messaging and data services part of the basket increased by 4.0% to £9.15, partly as a result of increasing take-up of smartphones, which meant that a higher proportion of monthly contracts include a mobile data allowance. The cost of out-of-bundle voice calls and messaging both fell (by 17.4% and 9.3% respectively), reflecting the shift towards tariffs that include generous (and sometimes unlimited) call and message allowances.

Figure 5.71 Real price of a basket of mobile services



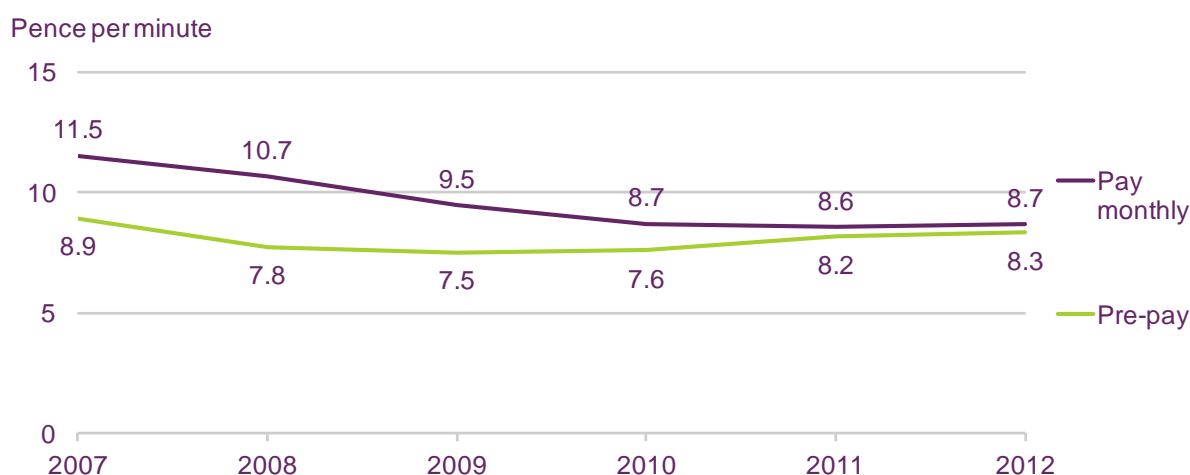
Source: Ofcom / operators

Note: Includes estimates where Ofcom does not receive data from operators; excludes non-geographic voice calls; adjusted for RPI; includes VAT

There was little difference between average pre-pay and post-pay pence-per-minute call charges in 2012

Data provided to Ofcom by the mobile network operators and MVNOs show that the average cost of a pay-monthly call minute remained slightly above that of a pre-pay call minute in 2012, at 8.7 pence per minute compared to 8.3 pence per minute for a pre-pay originated call (Figure 5.72). The average cost of an outgoing call increased for both pre-pay and post-pay customers in 2012, with the increase in that of pre-pay calls (0.2 pence per minute) being slightly higher than the 0.1 pence-per-minute increase for pay-monthly calls. It should be noted that these average call charges will be slightly overstated, as monthly mobile line rental payments and pre-pay top-ups often include bundled mobile messages and data, and the revenues relating to these services will be included in this calculation of average call charges.

Figure 5.72 Average per-minute mobile call charges, by customer type



Source: Ofcom / operators

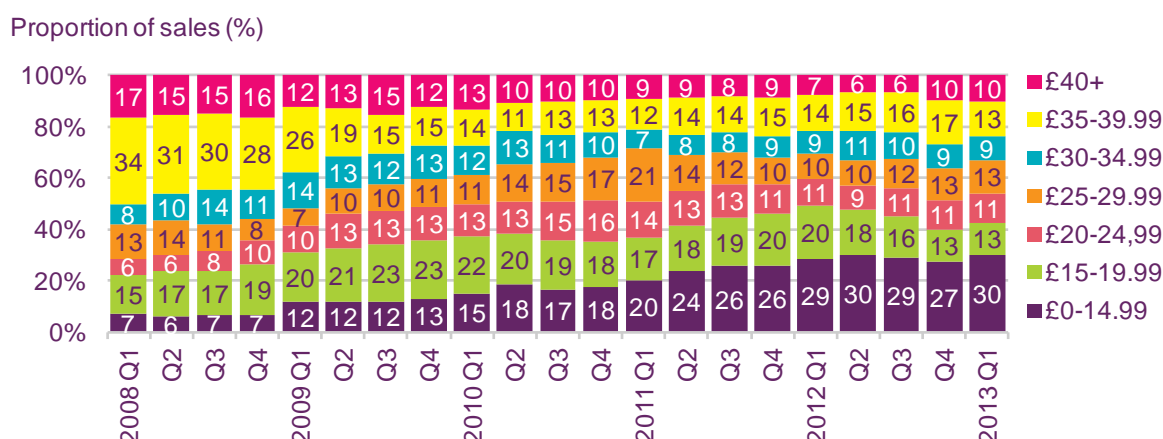
Note: Includes estimates where Ofcom does not receive data from operators; contract calculation includes rental element which will often include a number of inclusive messages and data allowance; calculations use actual minutes of use

Three in ten new mobile contracts in Q1 2013 had a monthly fee of £15 or less

GfK collects point-of-sale data from retailers, covering over 90% of new consumer mobile pay-monthly contract sales. This data show that 30% of new mobile post-pay contract sales (both including and excluding a handset) had a monthly fee of less than £15 in Q1 2013, an increase of one percentage point compared to Q1 2012, and twice the 15% figure recorded three years previously (Figure 5.73). In total, 54% of new sales were for contracts with a monthly rental fee of less than £25 in Q1 2013, up from 50% in Q1 2012, while over the same period the proportion with a monthly fee of £40 or more also increased, from 7% to 9%.

Over the past few years falling service prices, increasing average contract lengths and growing take-up of SIM-only services have all driven an increase in the availability and take-up of lower price monthly contracts, despite the upward pressure on average monthly mobile contract prices caused by increasing take-up of expensive smartphone handsets (which are often included in the price of monthly contracts) and the increasing demand for new services (particularly mobile data services).

Figure 5.73 Monthly line rental prices for new post-pay mobile connections



Source: GfK Retail and Technology UK Ltd, Contract Handset Acquisitions: price segments.

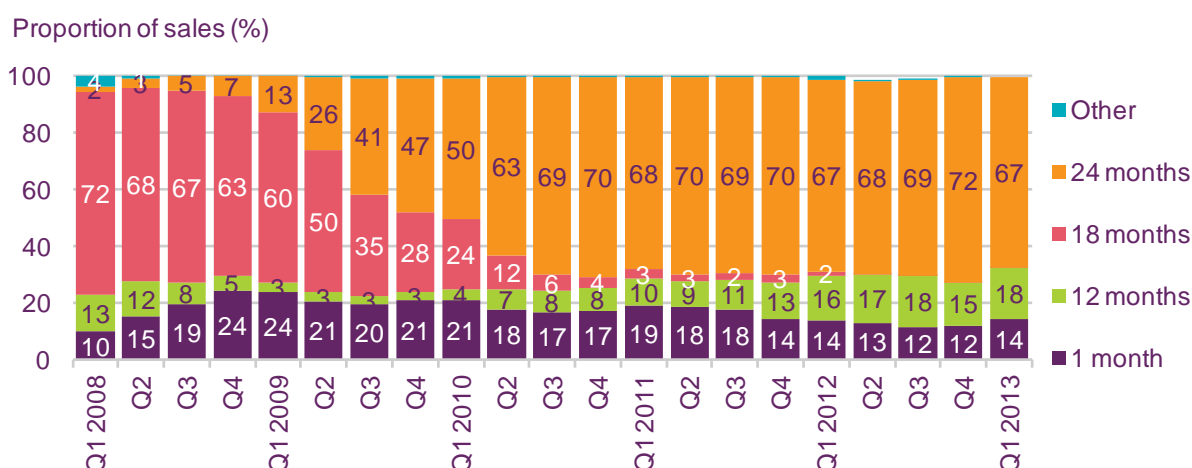
Notes: England, Scotland and Wales only (excludes Northern Ireland); based on GfK's coverage of 94% of the consumer market; based on new post-pay connections; excludes contract renewals; only represents sales through consumer channels (i.e. most business connections are excluded)

Two-thirds of new mobile contracts had a minimum period of 24 months in Q1 2013

As is shown in Figure 5.74 below, GfK sales data show that two-thirds of new pay-monthly mobile sales in Q1 2013 had a minimum contract period of 24 months, unchanged from a year previously. At the same time, 18-month contracts, which had accounted for almost three-quarters of contract sales five years previously, had all but disappeared by Q1 2013, partly due to increasing smartphone take-up (as longer contracts enable consumers to spread the high upfront cost of the handset across more monthly payments, therefore keeping monthly rental fees down).

In total, 32% of new mobile contracts had a minimum term of 12 months or less in Q1 2013, up two percentage points compared to Q1 2012. All of the 14% of new connections that were one-month contracts, and many of those with a 12-month minimum term, are likely to be SIM-only contracts, with which the user receives a new SIM to be used in a mobile handset that they already own. These have proved to be popular with consumers, as SIM-only contracts are usually much cheaper than those which include a new handset.

Figure 5.74 Contract lengths for new post-pay mobile connections



Source: GfK Retail and Technology UK Ltd, Contract Length Sales of new Mobile Connections

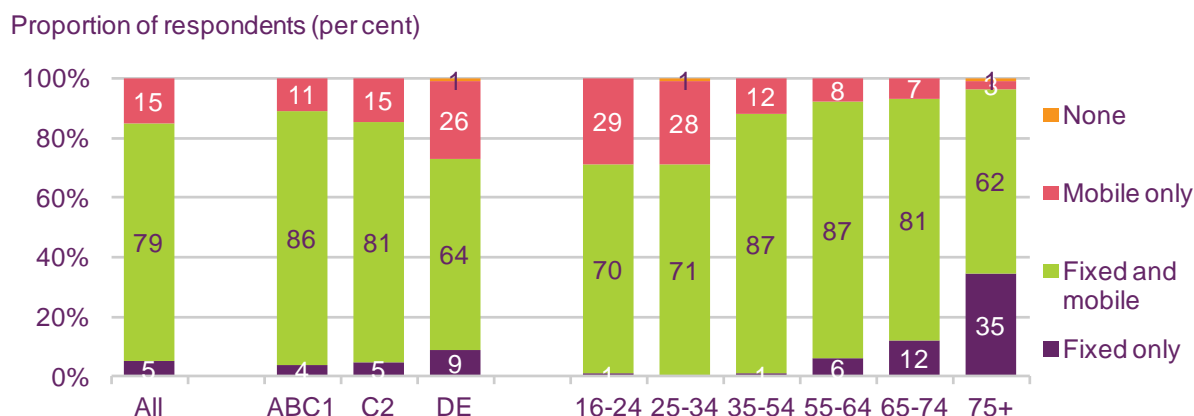
Notes: England, Scotland and Wales only (excludes Northern Ireland); based on GfK's coverage of 94% of the consumer market; based on new post-pay connections; excludes contract renewals; only represents sales through consumer channels (i.e. most business connections are excluded)

Over a quarter of DE homes were mobile-only in Q1 2013

Ofcom research suggests that there were significant differences by age and socio-economic group in Q1 2013 in the proportions of homes that solely use mobile phones to fulfil their voice telephony requirements (Figure 5.75). While the proportion of homes that were mobile-only averaged 15% across the UK as a whole, it was significantly higher among younger and less affluent households, with just under three in ten respondents in the 16 to 24 and 25 to 34 age groups, and over a quarter of those in the DE socio-economic group (26%), saying that they lived in a mobile-only household. In comparison, just 3% of those aged 75 and older, and 11% of those in the ABC1 group, said that they lived in a mobile-only home.

The lower landline take-up among these consumers may be because they are reluctant to sign up to landline contracts with 12- or 18-month minimum terms, or have difficulty passing credit checks, or prefer to use pre-pay mobiles to enable them to control their telephony spend.

Figure 5.75 Household penetration of fixed and mobile telephony, by socio-economic group and age



Source: Ofcom research, data as at Q1 2013

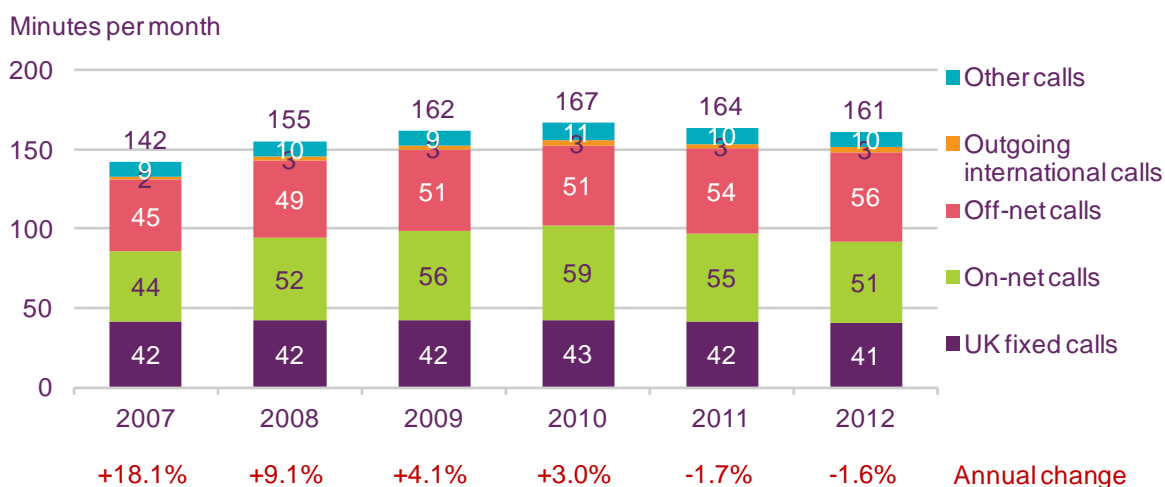
Base: All adults aged 16+

Average outgoing mobile call minutes per person continued to fall in 2012

On average, people in the UK made 161 minutes of outgoing mobile calls per month in 2012, three minutes less than in 2011 (Figure 5.76). This was the second successive year in which average mobile-originated call volumes per person fell, and as the level of outgoing SMS messages per person was unchanged in 2012 (see Figure 5.78) it is likely that mobile users are substituting mobile voice calls with messaging via social networking sites, email and instant messaging services.

A key driver of the shift away from mobile voice services is increasing take-up of smartphones, as these devices allow consumers to communicate using alternatives to fixed voice calls (such as email, instant messaging and social networking sites) that are either not available, or not sufficiently convenient to use, to make them a mass-market proposition on more basic handsets. Increasing use of these services on a mobile handset is shown in Figure 5.82 of this report.

Figure 5.76 Average monthly outbound mobile voice minutes per person



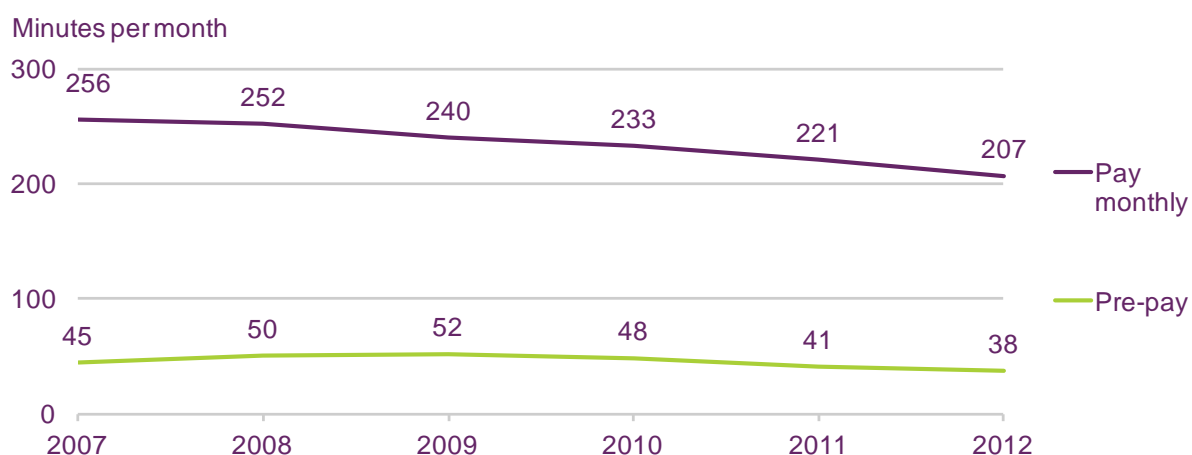
Source: Ofcom / operators

Note: Includes estimates where Ofcom does not receive data from operators; calculation excludes mobile broadband connections

Both pre-pay and post-pay contract mobile users are making fewer minutes of calls

Figure 5.77 shows that average outbound minutes per month fell, both for pay-monthly and pre-pay users, in 2012. The average decline in monthly minutes per connection was highest among pay-monthly users at 14 minutes per month (a 6.2% fall), compared to a 4-minute per month (9.1%) fall among pre-pay users.

Figure 5.77 Average monthly outbound mobile call minutes, by subscription type



Source: Ofcom / operators

Note: Includes estimates where Ofcom does not receive data from operators; calculation excludes mobile broadband connections

Mobile messages per person: growth stalls, following years of rapid growth

Growth in the number of SMS and MMS picture messages sent per person slowed significantly in 2012, when an average of 201 were sent per person per month, an increase of just one message per month compared to 2011 (Figure 5.78). This 0.1% increase in the average number of mobile messages per person follows a sustained period of rapid increase in SMS and MMS use (in the four years prior to 2011, the average number of messages per person grew by more than 20% on average).

Slowing growth in the use of traditional mobile messaging services is related to increasing smartphone take-up, as these devices enable consumers to access a number of alternatives to SMS and MMS messaging while on the move. These include email, instant messaging services (such as *BlackBerry Messenger* and *WhatsApp*) and social networking sites, which enable users to post updates to all of their 'friends' or on a one-to-one basis. Some of these SMS/MMS alternatives are provided on an 'over-the-top' (OTT) basis, and use apps which utilise a smartphone's internet connection. Strategy Analytics data show that the total volume of mobile instant messages sent in the UK increased from 37 billion in 2011 to 57 billion in 2012, equivalent to an increase from 49 to 75 messages per person per month).

Figure 5.78 Average monthly mobile messaging volumes per person



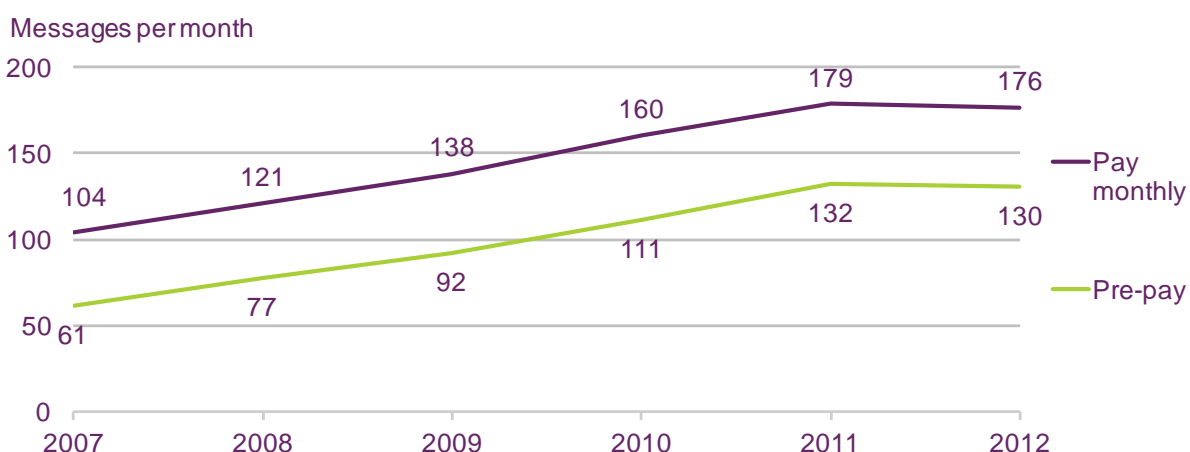
Source: Ofcom / operators

Note: Includes estimates where Ofcom does not receive data from operators.

Messaging levels fell among post-pay and pre-pay mobile users in 2012

Figure 5.79 shows that average total monthly SMS and MMS messages per mobile subscription fell by two messages per month, both for pay-monthly and for pre-pay subscribers in 2012, with the average percentage decline in use slightly greater among pre-pay customers (1.4%) than among pay-monthly customers (down 1.2%), because they have lower average use. This faster rate of decline among pre-pay users seems surprising, as increasing smartphone take-up is a major cause of falling SMS and MMS use, and as most smartphone users (84% in Q1 2013, according to Ofcom research) have monthly contracts. However, there has been a migration of pre-pay customers onto pay-monthly contracts (shown in Figure 5.42), and it is likely to be the higher-use pre-pay customers who are switching to pay-monthly services.

Figure 5.79 Average monthly mobile messaging volumes, by subscription type



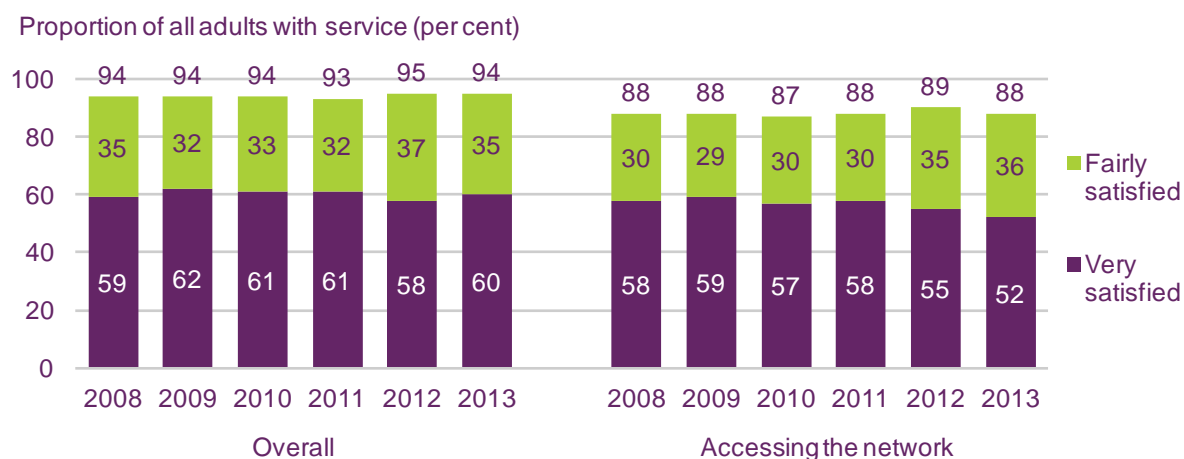
Source: Ofcom / operators

Note: Includes estimates where Ofcom does not receive data from operators.

Satisfaction with mobile services remains high

Ofcom research conducted in Q1 2013 suggests that levels of customer satisfaction with mobile services has remained high, with 94% of mobile users being 'very' or 'fairly' satisfied with their mobile service overall, and 88% being very' or 'fairly' satisfied with their ability to access their mobile network (Figure 5.80). These figures were both in line with those recorded over the past few years.

Figure 5.80 Satisfaction with aspects of mobile service



Source: Ofcom research

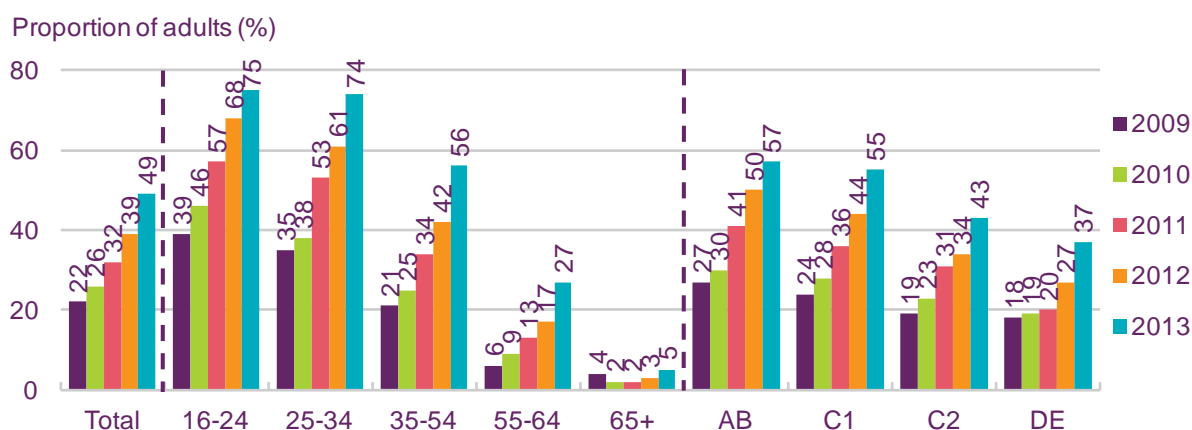
Base: All adults aged 16+ with a mobile phone

Note: Includes only those who expressed an opinion

Almost half of all adults accessed the internet using a mobile phone in Q1 2013

In Q1 2013, 49% of adults said that they used mobile data services, up from 39% a year previously (Figure 5.81). The proportion of people using mobile data services was highest among the younger age groups (around three-quarters of those aged 16 to 34 said that they accessed the internet using a mobile) and among the more affluent socio-economic groups (57% of AB respondents and 55% among the C1 group). The main driver of increasing internet use on mobile handsets is growth in smartphone take-up (as shown in section 4.1.2).

Figure 5.81 Use of data services on mobile phones, by age and socio-economic group



Source: Ofcom research, data as at Q1 of each year

Base: All adults 16+

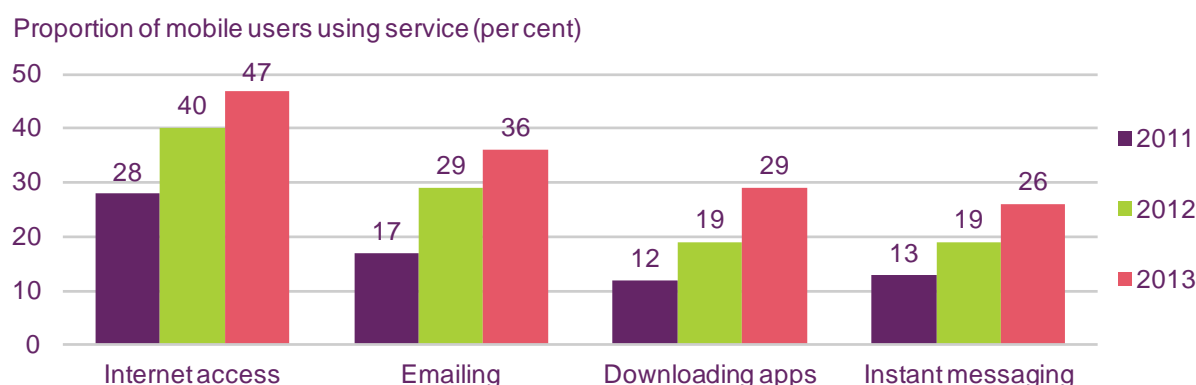
Note: Internet use includes accessing the internet, downloading and streaming content, connecting using WiFi and using VoIP

QD28A: Which if any, of the following activities, other than making and receiving voice calls, do you use your mobile for?

Over a third of people with a mobile use email on their handset, while over a quarter download apps or use IM

As is shown in Figure 5.82, the proportions of mobile users who use their handset to access websites, send and receive emails, use IM services or download apps all increased between Q1 2011 and Q1 2013. Almost half of all mobile users (47%) accessed web pages using their mobile in Q1 2013, up from 28% in Q1 2011, while the percentage of mobile users who used their handset to access emails, download apps and send and receive instant messages were 36%, 29% and 26% respectively in Q1 2013, all at least doubled since two years previously.

Figure 5.82 Use of mobile data services among mobile users



Source: Ofcom research, data as at Q1 of each year

Base: All mobile users aged 16+

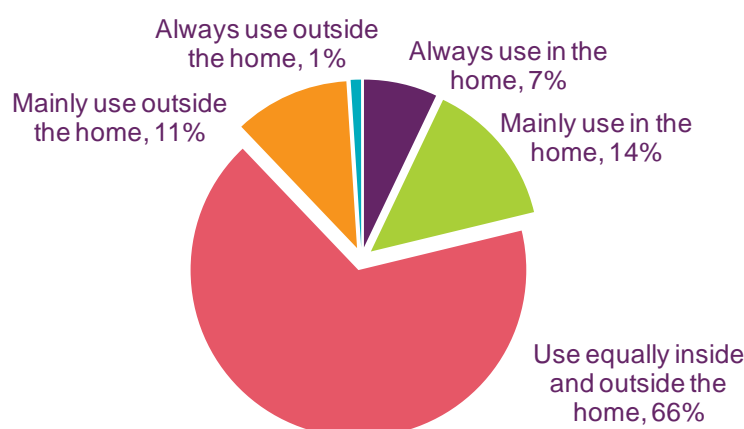
QD9A: Which if any of the following activities, other than making and receiving voice calls, do you use your mobile for?

Most people who use a mobile to access the internet do so equally inside and outside the home

Ofcom research suggests that almost two-thirds (66%) of people who use a mobile handset to access the internet did so equally inside and outside the home in Q1 2013 (Figure 5.83). Most of the remaining users (21% of the total) used their handset to access the internet either always or mainly in the home (with two thirds of these saying that they always used it to do so in the home). Conversely, a total of 12% said that they always or mainly used their mobile to access the internet outside the home, with just 1% saying that they always did so outside the home.

Figure 5.83 Location of internet access using a mobile handset

Proportion of mobile data users



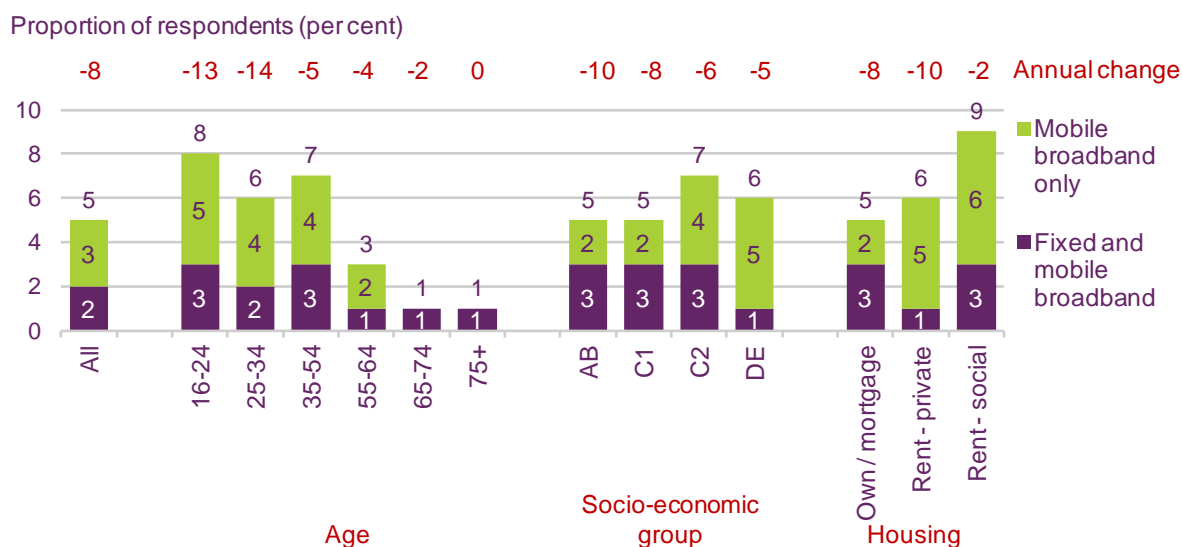
Source: Ofcom research, data as at Q1 2013

Base: All adults aged 16+ who access the internet on their mobile phone

Data-only mobile broadband use halved in the year to Q1 2013

The proportion of adults who said that they used a dedicated mobile broadband connection (such as a 'dongle' on a PC/laptop or a tablet with a mobile data SIM) was just 5% in Q1 2013, eight percentage points less than a year previously, and less than a third of the peak take-up level of 17% (in Q1 2011). It is likely that increasing smartphone take-up is a key reason for the decline in mobile broadband use: smartphone users are able to use their handset to access the internet on the move (and in many cases make their data connections available to other devices using tethering). This means that there is less of a need for a dedicated mobile broadband connection, and some consumers are likely to have cancelled their mobile broadband service in order to reduce their telecoms spend.

Figure 5.84 Take-up of mobile broadband: by age, socio-economic group and housing type



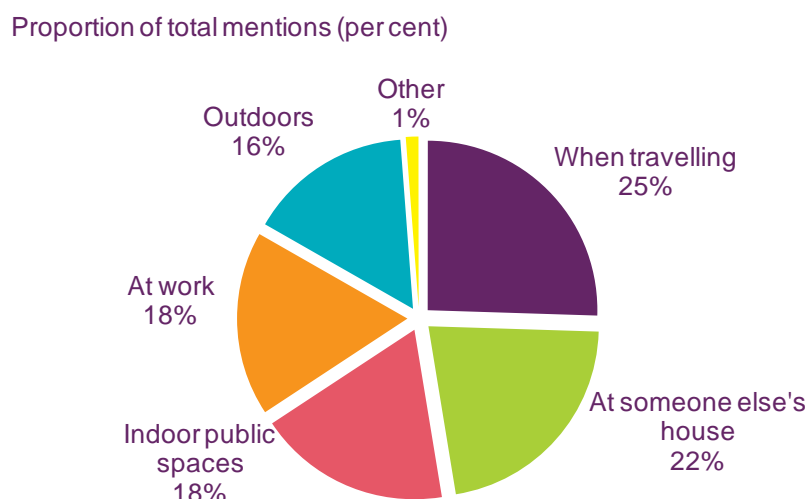
Source: Ofcom research, data as at Q1 2013

Base: All adults aged 16+

Only a small proportion of mobile broadband use takes place outdoors

Ofcom research, conducted in Q1 2013, asked mobile broadband users where they used their mobile broadband connection when not at home (Figure 5.85). More than half of the total responses (58%) were indoor locations, with 22% being 'at someone else's house', 18% at indoor public spaces (such as a library) and 18% at work. Conversely, just 16% of responses were 'outdoors', while a quarter were 'when travelling' (e.g. on a bus or a train), the largest proportion for any location.

Figure 5.85 Location of mobile broadband use outside the home



Source: Ofcom research, data as at Q1 2013

Base: All adults aged 16+ who use mobile broadband outside the home

4G mobile broadband services cost more than their 3G equivalents

Figure 5.86 summarises the lowest-cost pay-monthly dedicated mobile broadband services offered by a number of major UK mobile providers, and shows that there was little in the way of price changes for these services in the year to March 2013. Using the 4GEE brand, Everything Everywhere (EE) launched the UK's first 4G mobile services in late 2012 and, as can be seen in the table below, 4GEE's lowest-cost mobile broadband service is more expensive than similar 3G services, and also has a longer minimum contract term, at 24 months.

Figure 5.86 Lowest-cost standalone mobile broadband contracts, by provider

Provider		Monthly charge	Data allowance	Minimum contract length	Charges above allowance	WiFi hotspot use
Vodafone	2011	£7.50	500MB	1 month	£15/GB	1GB
	2012	£3.00	250MB	1 month	£2/250MB/day	Not included
	2013	£3.00	250MB	1 month	£2/250MB/day	Not included
O2	2011	£5.11	500MB	1 month	2.4p/MB	Unlimited
	2012	£10.21	1GB	1 month	£5.11/500MB or £10.21/GB	Unlimited
	2013	£10.21	1GB	1 month	£5.11/500MB or £10.21/GB	Unlimited
T-Mobile	2011	£10.00	1GB fair use	18 months	n/a	Not included
	2012	£10.00	1GB fair use	18 months	n/a	Not included
	2013	£7.50	1GB fair use	1 month	£3/day	3GB fair use
Orange	2011	£10.00	500MB	1 month	5.1p/MB	Not included
	2012	£10.00	500MB	1 month	5.1p/MB	Not included
	2013	£10.00	500MB	1 month	£3/day	Not included
3UK	2011	£7.89	1GB	18 months	10p/MB	Not included
	2012	£7.87	1GB	18 months	10.2p/MB	Not included
	2013	£7.87	1GB	24 months	10.2p/MB	Not included
4GEE	2013	£12.99	1GB	24 months	£6/500MB or £15/2GB	3GB fair use
Virgin Mobile	2011	£10.21	1GB	2 months	1.46p/MB	Not included
	2012	£10.21	1GB	2 months	1.46p/MB	Not included
	2013	£10.21	1GB	2 months	1.46p/MB	Not included

Source: Pure Pricing UK Broadband Pricing Briefings

Note: Data as at March of each year



The Communications Market 2013

6 Post

Contents

6.1 Key market developments in post	385
6.1.1 Industry metrics and summary	385
6.1.2 Introduction	385
6.1.3 Online shoppers and offline delivery	385
6.2 The postal services industry	393
6.2.1 Introduction	393
6.2.2 Mail revenues	393
6.2.3 Mail volumes	394
6.2.4 Stamp prices	397
6.3 Post and the residential consumer	399
6.3.1 Introduction	399
6.3.2 Sending post	399
6.3.3 Cost of postage	403
6.3.4 Receiving post	404
6.3.5 Attitudes towards the postal service	406
6.4 Post and the business consumer	409
6.4.1 Introduction	409
6.4.2 Sending post	409

6.1 Key market developments in post

6.1.1 Industry metrics and summary

Figure 6.1 UK postal industry: key metrics

UK postal services industry	2006	2007	2008	2009	2010	2011	2012
Addressed mail volumes	22.0bn	21.6bn	20.6bn	18.6bn	17.5bn	16.6bn	15.7bn
Addressed mail revenues	£6.8bn	£6.8bn	£6.8bn	£6.6bn	£6.5bn	£6.7bn	£7.2bn
Proportion of access mail in total mail	9.6%	16.9%	24.6%	32.7%	39.9%	43.6%	46.0%
Value of UK e-retail market	£30.2bn	£35.2bn	£43.8bn	£49.8bn	£58.8bn	£68.0bn	£78.2bn

Source: Royal Mail Regulatory Financial Statements, Royal Mail Wholesale, Royal Mail Group Annual Reports. Revenue figures are nominal. Note: Addressed mail volumes and revenues include Royal Mail total mails (excluding unaddressed), access revenues and end-to-end delivered addressed letter mail. This does not include courier or express volumes and revenues. Royal Mail calendar year volume and revenue figures are derived from Ofcom calculations based on financial year figures in Royal Mail's Regulatory Statements and estimates of 2011-12 performance informed by Royal Mail's Report and Accounts and are therefore not directly comparable with Royal Mail's published accounts.

6.1.2 Introduction

This section explores the growth in online retail which is leading to a greater need for a cost-effective delivery service that is convenient for the consumer. The key findings include:

UK internet retail spend has increased by 21%. Across the year to March 2013, although overall retail spend in the UK increased by just 0.1%, the average weekly spend on online retail purchases increased by 20.5%.

Almost two-thirds of adults with broadband have bought goods online. The most frequently purchased items are clothing and footwear, with 59% of adults claiming to have bought this type of item in the past six months.

Almost a third of adults are influenced by the delivery options offered by a retailer before choosing to buy online. The main concern has been with the cost of delivery; one in four shoppers (25%) say this has stopped them from buying online in the past. Almost six in ten online shoppers (59%) say that free delivery influences their choice of delivery method, while 38% say they choose the cheapest delivery option.

6.1.3 Online shoppers and offline delivery

Internet retail spend in the UK has increased by 21%

According to the ONS, the amount spent in the UK retail sector increased by just 0.1% between March 2012 and March 2013¹²³. However, across the same period, the average weekly spend online increased by 20.5%; evidence of the increasing appeal of home shopping¹²⁴.

¹²³ <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/march-2013/stb-rsi-march-2013.html>

¹²⁴ http://www.ons.gov.uk/ons/dcp171778_307078.pdf

eBay and Amazon are the most popular retail sites among online shoppers in the UK, each with over 22 million unique users.¹²⁵

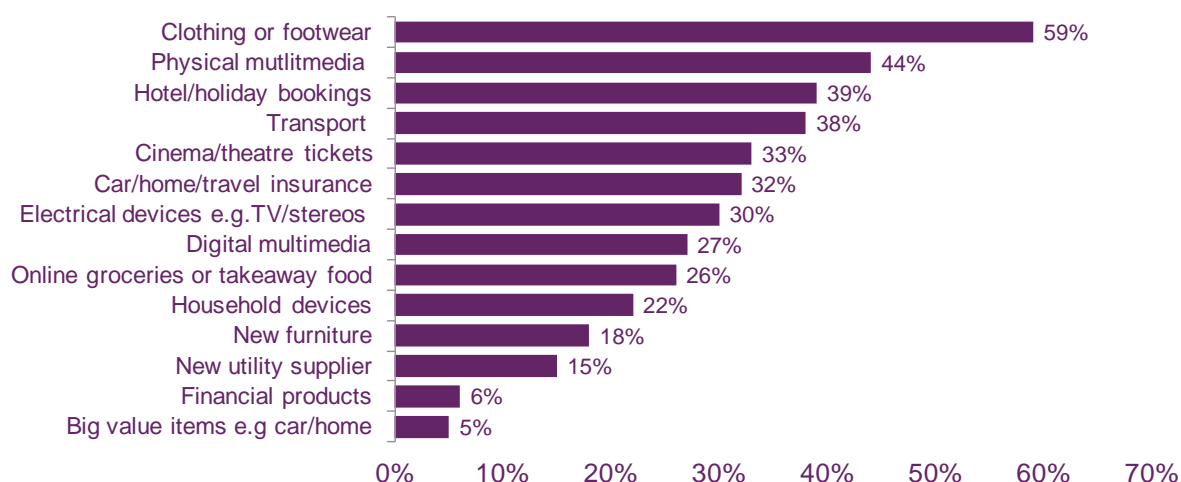
This growth has led to shifts in the nature of the residential postal service, as more people are ordering items to be delivered at home and using a range of delivery providers.

Almost two-thirds of adults with a home broadband connection have purchased goods online

Almost two-thirds of adults (65%) with a broadband connection have ever purchased goods or services online, with 34% claiming to have done this in the past week¹²⁶. We commissioned some research to explore these online shoppers in more detail. Figure 6.2 shows that the most-purchased items online are clothing and footwear, with almost six in ten (59%) online shoppers saying they have bought this sort of item in the past six months. Although increasing amounts of traditional media are being substituted with digital alternatives¹²⁷, more online shoppers had purchased physical multimedia (44%) than digital multimedia (27%) online in the past six months.

The online shopping habits of younger adults differ from those of older people. Compared to people aged 55 and older, 16-34 year olds are more likely to purchase: clothing and footwear (63% v 49% of those aged 55+), online groceries (33% v 11%) and new furniture (20% v 9%). But older online shoppers are more likely to book holidays online (45% v 32% of 16-34s) and buy household devices (28% v 16%).

Figure 6.2 Products or services bought online in the past six months



Source: Kantar Media Omnibus, March 2013

Base: All who use online shopping in the UK (N=1221)

Q.10A Which products or services have you bought online in the last 6 months?

Almost a third of adults are influenced by the delivery options offered by a retailer when they buy online

As shown in Figure 6.3, people browsing online are influenced by many elements of a website when they are deciding where to buy from. Familiarity is the biggest factor, with over half (54%) of online shoppers taking this into account before buying. After looking at

¹²⁵ comScore, MMX MP, April 2013

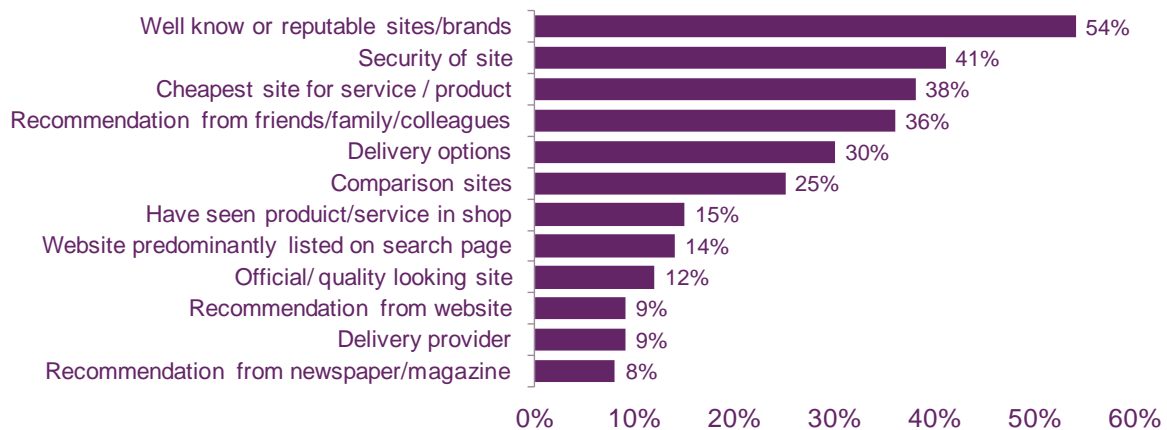
¹²⁶ Ofcom Technology Tracker Q2 2013

¹²⁷ Such as music, as explored in section 3.2.7

price, payment security and trusted recommendations, three in ten online shoppers (30%) assess the delivery options before deciding to 'click to buy'. Fewer respondents were influenced by the delivery company used by the online retailer, with just 9% citing this as a consideration before they made a purchase.

Figure 6.3 Factors that influence choice of online vendor

% influenced by factor



Source: Kantar Media Omnibus, March 2013

Base: All who use online shopping in the UK (N=1221)

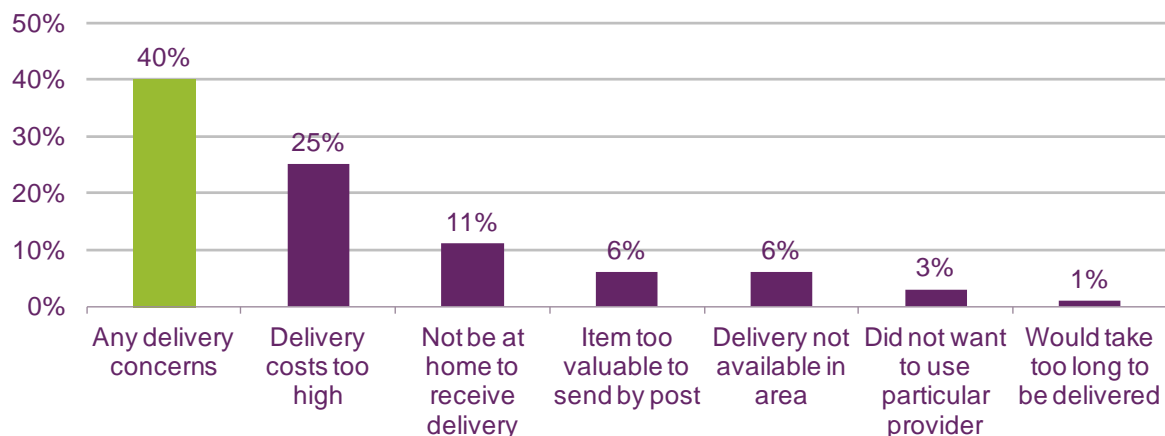
Q.10B And when buying these products online, which factors influence your decision of which website to buy these from?

Two-fifths of online shoppers say concerns about delivery have prevented them from buying items online

Figure 6.4 shows that 40% of online shoppers have had concerns about delivery options which have prevented them from buying online. The main concern has been with the cost of delivery, with one in four shoppers (25%) saying this has stopped them from buying online. The next-frequently-cited delivery concern is convenience, and not being able to be at home to receive the item (11%).

Figure 6.4 Delivery concerns preventing online purchasing

% Reason concerned by delivery



Source: Kantar Media Omnibus, March 2013

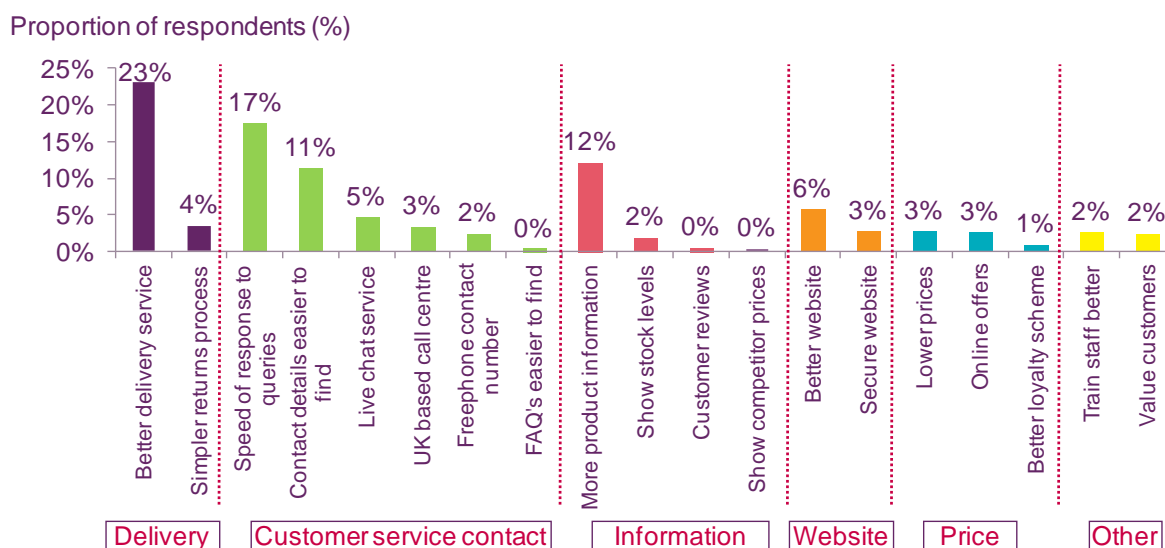
Base: All who use online shopping in the UK (N=1221)

Q.14 Have delivery concerns ever prevented you from buying items online? If yes, which of the following reasons prevented you from shopping?

One in four online shoppers would like to see improvements in delivery services

An Interactive Media in Retail Group (IMRG) tracking survey of online shoppers¹²⁸ has found that although consumers consistently rate delivery highly, almost one in four (23%) say they would like to see improvements by retailers in this area. A separate survey by IMRG¹²⁹ found that 74% of respondents say that a good delivery experience would encourage them to shop online again with a particular retailer.

Figure 6.5 Key improvement areas for online customers



Source: IMRG/eDigitalResearch, June 2013

Base: Online consumers aged 16+ (n=1,660)

Question: What one thing could retailers do to most improve their customer service?

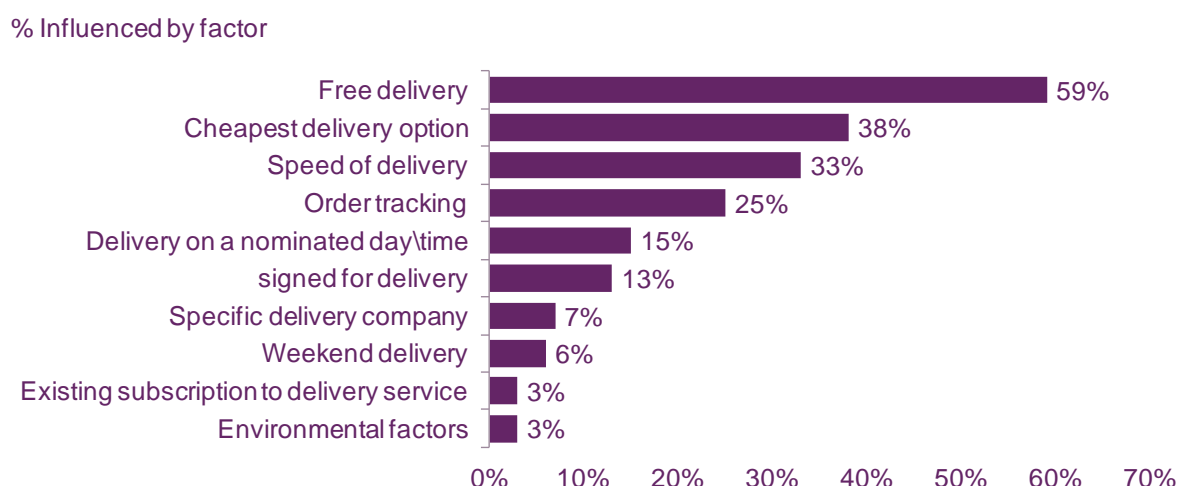
Cost is a key influence in deciding which delivery option to choose for an online purchase

Once a consumer has made the decision to buy online, there are more decisions to be made regarding delivery options. Many retailers offer a choice of delivery methods, which affect speed of delivery, cost and convenience. The main driver appears to be cost of delivery; almost six in ten online shoppers (59%) say that free delivery influences their choice, while 38% say they choose the cheapest delivery option. Other delivery options are less important than cost, from the perspective of the consumer. The ability to track an order was mentioned as an influence by one in four (25%) respondents, and being able to choose the day or time of delivery by 15%.

¹²⁸ Keeping your customers satisfied: The rise of online satisfaction, IMRG/eDigital, June 2013
http://www.imrg.org/ImrgWebsite/IMRGContents/Files/eDR_IMRG_Cust_Sat_June13.pdf

¹²⁹ IMRG UK Consumer Home Delivery Review 2013
http://www.imrg.org/ImrgWebsite/User/Pages/IMRG_Consumer_Delivery_Review_2013.aspx

Figure 6.6 Factors influencing choice of delivery method



Source: Kantar Media Omnibus, March 2013

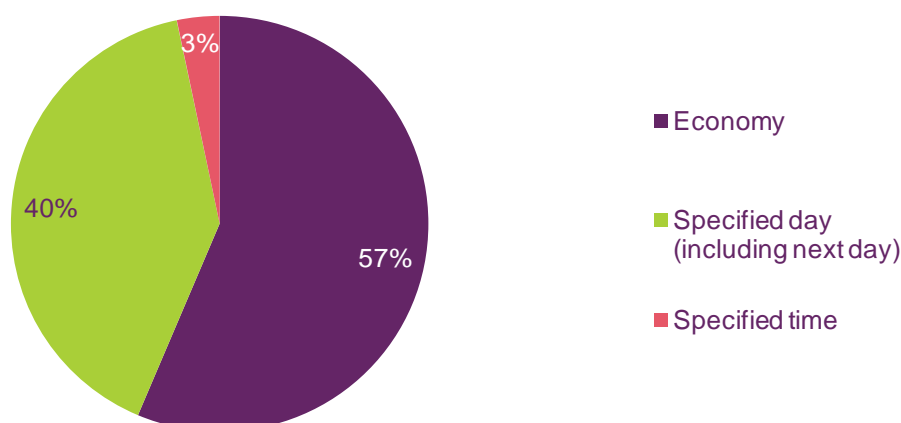
Base: All who use online shopping in the UK (N=1221)

Q.13 And which of the following factors influence your decision on which delivery method you choose? PROBE: Any others?

Over half of e-retail orders in 2012 were fulfilled using economy delivery services

Consumers prefer to use lower-cost delivery options; this is evident in the types of services used to fulfil e-retail orders. Figure 6.7 shows the ways in which a large sample of retailers dispatched ordered goods to consumers. Fifty seven per cent of orders were sent using economy services, reflecting consumers' preference for free and low-cost delivery options. As Figure 6.6 shows, one third (33%) of respondents cited speed of delivery as a factor in their choice of delivery method. This preference is also evident in the service types used to fulfil e-retail orders; 37% of orders were sent using a next-day service.

Figure 6.7 Service types used for the fulfilment of e-retail, by proportion: 2012



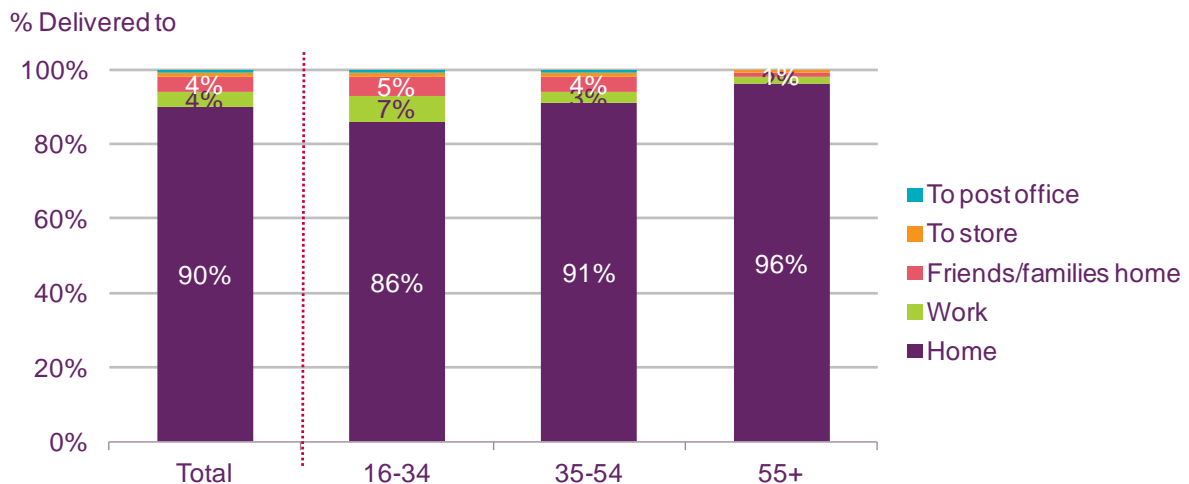
Source: Ofcom analysis of IMRG/Metapack Delivery Index, January – December 2012

Note: Specified time includes, AM, PM, Before 10am, Evening and School run; Specified day includes Same day and Next day. Proportions rebased to exclude International

The majority of online shoppers get their items delivered to their home address

Choosing a delivery destination is another decision to be made before a shopper can be united with their online purchase. The consumer's home address is the most likely destination; nine in ten (90%) say they normally choose this option. Young people are more likely than older people to ask for their items to be delivered to their work address, although this figure is still small, at 7%.

Figure 6.8 Where items bought online are 'usually' delivered



Source: Kantar Media Omnibus, March 2013

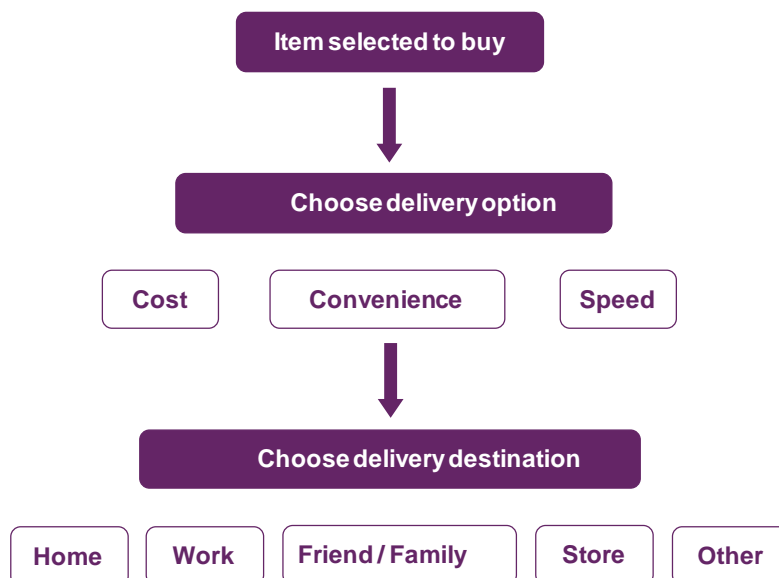
Base: All who use online shopping in the UK (N=1221)

Q.12 When shopping online where do you usually get the items delivered to?

Choosing an item to buy is only the first step in an online purchase: there are a number of delivery options to choose from

The evidence above shows that although 'range of products and appeal of item' is the first priority in deciding to make a purchase online, delivery is also a key element in the process. As shown in Figure 6.9, this can be a multi-stage process, with cost and convenience the primary motivators in choosing a delivery method.

Figure 6.9 Delivery decision tree after choosing to buy an item online



The delivery process is evolving to meet the needs of the consumer

Retailers are becoming increasingly aware of the need to improve their delivery services if they are to improve customer satisfaction with, and loyalty to, their online offering. In an effort to offer greater convenience to the consumer (and to increase footfall to their high street stores), many retailers are now offering a 'Click and Collect' service as an alternative to home delivery.

A recent report published by ExperienceLab¹³⁰ found that with many online shoppers at work during normal delivery hours, a Click and Collect service can provide greater convenience, which leads to greater satisfaction with the purchasing process.

Amazon, a retailer without a high street presence, is also recognising this need to enhance delivery choice and has started offering 'Pickup Locations' as a delivery option for its customers. These include Amazon Lockers, Yodel and the Paypoint network of Collect+ stores¹³¹.

Other operators, including InPost, ByBox and Local Letterbox, have announced the expansion of existing networks or the implementation of new networks of locker terminals or high street outlets, with the intention of offering 'Click and Collect' services for online shoppers. These services are typically available in certain areas of mainland UK such as large shopping centres, newsagents and railway stations.

These evolving changes to the delivery services offered at the online checkout suggest that the postal service is evolving to meet the demands of the consumer.

¹³⁰ ExperienceLab, Click & Collect Customer Experience, February 2013
http://www.serco.com/Images/Click%26Collect%203MB_tcm3-40383.pdf

¹³¹ See Amazon's website:
http://www.amazon.co.uk/gp/help/customer/display.html/ref=hp_left_ac?ie=UTF8&nodeId=200742950

6.2 The postal services industry

6.2.1 Introduction

This section explores some of the significant developments and trends in the UK postal services market. It includes information on mail volumes, revenues and stamp prices.

Key points in this section include:

Mail revenue has increased for the second year in a row. In 2012, total mail revenues grew by 7% to £7.2bn. This rise is partly due to increases in the prices charged by Royal Mail, which took effect in April 2012.

Addressed mail volumes fell by 5.9% in 2012. Mail volumes continued to fall in 2012, declining by 5.9% to 15.7 billion items. This is a 27.4% decline since 2007.

Growth in access volumes continued to slow in 2012, as the total number of items handled under access agreements reached 7.2 billion items. This is equivalent to 46% of total mail volumes. While access volumes have continued to grow, Royal Mail's retail bulk mail volumes have fallen.

Operators other than Royal Mail delivered 18 million letters in 2012 – less than 0.2% of the addressed letter market. Although this is a very small market share, it is more than double the amount of items delivered by other operators in 2011.

6.2.2 Mail revenues

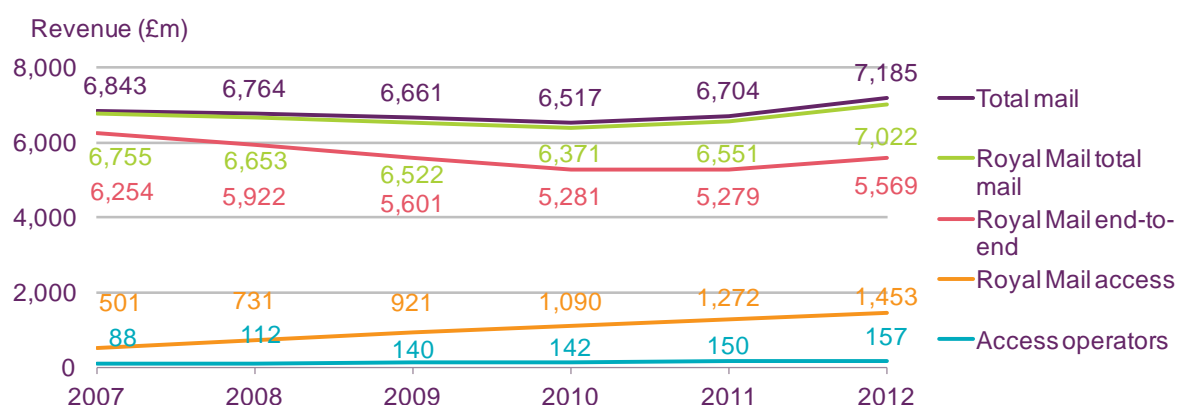
For the second year in a row, mail revenue has increased

In 2012, total mail revenues grew by 7% to £7.2bn. This rise is partly due to increases in the prices charged by Royal Mail, which took effect in April 2012 (Figure 6.10). A change in the mix of mail, driven by increased e-retail, has also led to increased revenues. Prices rose across Royal Mail's products, with stamp prices for First Class letters rising 30% to 60p, Second Class letter stamp prices increasing 39% to 50p and bulk mail prices rising by an average of 11%. Royal Mail has reported growing profits. Its preliminary financial results for 2012-13 reported a year-on-year increase in operating profit for UKPIL¹³² from 0.5% to 3.9%.

Revenue from access operations increased, both for Royal Mail and for the access operators. Price rises for these products meant that Royal Mail grew its access revenues by 14% to £1.5bn. At the same time access operators managed to increase their revenues for these products by 4% to £157m, despite access volumes growing by less than 1%.

¹³² UK Parcels, International and Letters – the division of Royal Mail Group which is responsible for providing the universal service.

Figure 6.10 Mail revenue: 2007-2012



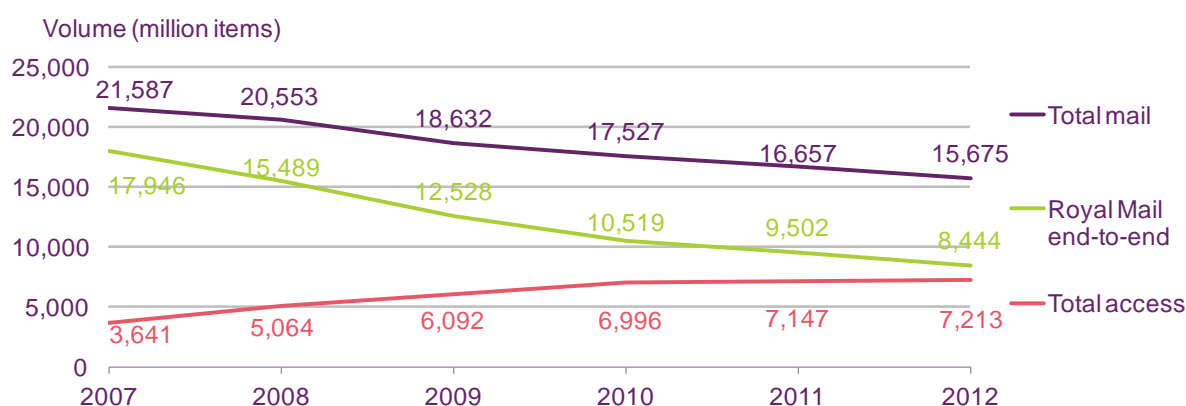
Source: Royal Mail Regulatory Financial Statements, operator returns to Ofcom, Ofcom estimates.
 Note: Royal Mail end-to-end refers to Royal Mail total mail revenues excepting access. Royal Mail calendar year revenue figures are derived from Ofcom calculations based on financial year figures in Royal Mail's Regulatory Statements and estimates of 2012-13 performance informed by Royal Mail's Report and Accounts and are therefore not directly comparable with Royal Mail's published accounts. Addressed mail only. Figures are nominal.

6.2.3 Mail volumes

Addressed mail volumes fell by 5.9% in 2012

Mail volumes continued to fall in 2012, declining by 5.9% to 15.7 billion items. This is a 27.4% decline since 2007. Access volumes grew slightly year-on-year, increasing by 0.9% to 7.2 billion items. The volume of items handled end-to-end by Royal Mail fell by 11.1%.

Figure 6.11 Mail volumes: 2007-2012



Source: Royal Mail Wholesale, Royal Mail Regulatory Financial Statements, Operators' returns, Ofcom estimates
 Note: Royal Mail end-to-end refers to Royal Mail total mail volumes excepting access. Royal Mail calendar year volume figures are derived from Ofcom calculations based on financial year figures in Royal Mail's Regulatory Statements and estimates of 2012-13 performance informed by Royal Mail's Report and Accounts and are therefore not directly comparable with Royal Mail's published accounts. Addressed mail only. Total mail includes volumes delivered by operators other than Royal Mail.

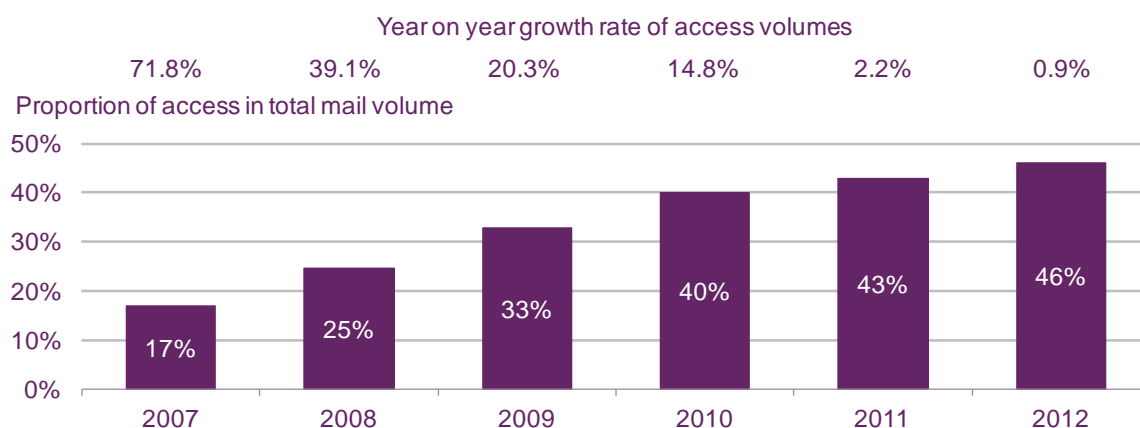
Growth in access volumes has slowed to 0.9%

Growth in access volumes continued to slow in 2012, as the total number of items handled under access agreements reached 7.2 billion items. This is equivalent to 46% of total mail

volumes. The growth rate of access volumes has fallen each year as the market has become more mature, although as total volumes fall, the proportion of access mail in total mail volumes will continue to increase.

Although there are a number of operators handling access mail, the bulk of the volumes are handled by two companies, TNT Post UK and UK Mail.

Figure 6.12 Proportion of access mail in total mail: 2007-2012



Source: Royal Mail Wholesale, Royal Mail Regulatory Financial Statements, Operators' returns, Ofcom estimates

One-third of access mail is advertising mail sent from businesses to consumers, with the majority consisting of transactional mail, such as bank statements and bills, and publications.¹³³ As such, standard-sized letters account for the bulk of access volumes and revenues. The proportion of access volumes accounted for by packets and large letters has remained broadly stable between 2011 and 2012 (increasing by 0.5pp only), but the amount that these formats contribute to the total revenue has grown by 1.2pp. This is due to the higher unit price, and higher cost of delivery, associated with their large size.

Figure 6.13 Access volumes and Royal Mail's access revenue, by format: 2011-2012



Source: Royal Mail Wholesale, 2011-12 to 2012-13

¹³³ Figures published by Royal Mail Wholesale, available at <http://www.royalmailwholesale.com/>

Operators other than Royal Mail delivered 18 million letters in 2012

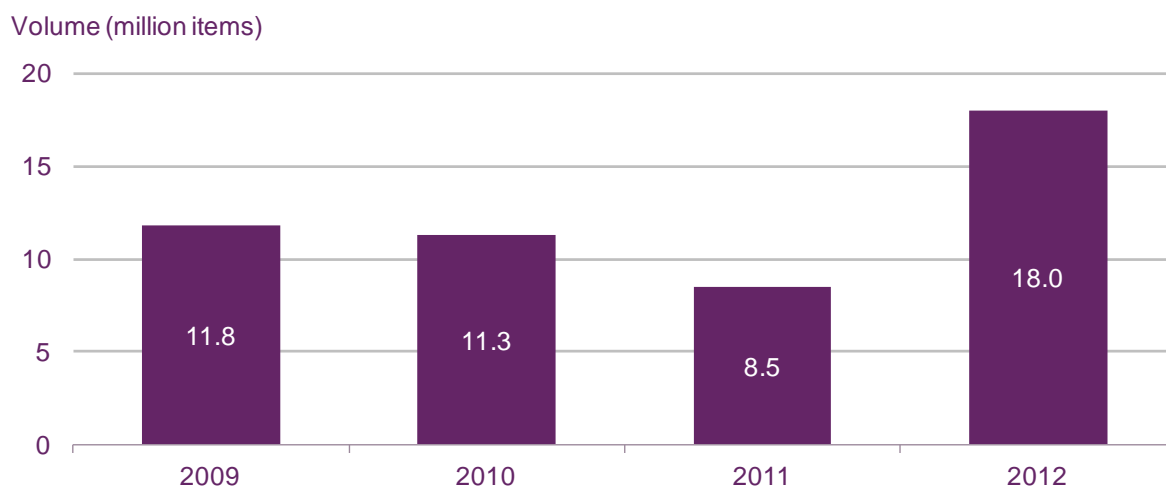
Alternative operators to Royal Mail delivered 18 million letters entirely through their own networks in 2012 – less than 0.2% of the addressed letter mail market. Although this represents only a small proportion of the addressed mail market, it is more than double the amount of items delivered by other operators in 2011.

The large percentage increase in these volumes is due to TNT Post UK, which began trialling the delivery of letters in London in April 2012. TNT Post UK has increased the size of the area in which it delivers and has also increased its volumes throughout the year. In recent press releases, TNT Post UK's parent company PostNL has stated that all six of its delivery units are operational, preparations are being made to extend delivery to the London SW area and that volumes have risen from an average of 345,000 per week in December 2012 to an average of 600,000 per week in March 2013.¹³⁴

Other smaller-scale operators also increased their volumes in 2012. Two cycle delivery firms, which collect and deliver in a specific range of local postcodes within the cities in which they operate, have done particularly well. Coventry operator Yellow Jersey Delivery has doubled its volumes year on year, and City Cycle Couriers, operating in Plymouth, has almost doubled its volumes. These operators include medical centres, dentists, accountants and other local businesses in their customer bases.

TNT Post UK has been able to increase its volumes faster than existing end-to-end operators as it is already well established as an access operator and can therefore offer its delivery services to its existing customer base. Other operators who are entering the market have to acquire, rather than convert, their customers.

Figure 6.14 Other operators' end-to-end delivered volumes: 2009-2012



Source: Operators' returns

¹³⁴ Post NL, Q1 2013 Results: Press release, 7 May 2013, http://www.postnl.com/Images/20130507-postnl-2013-q1-press-release_tcm216-670692.pdf

Post NL, Q4 and FY 2012 Results, Press release, 25 February 2013, http://www.postnl.com/Images/20130225-postnl-2012-q4-press-release_tcm216-666131.pdf

6.2.4 Stamp prices

There was no increase in stamp prices in April 2013

For the first time since 2004, the prices for sending individual letters and postcards did not increase in 2013. The largest increase in recent years took place in 2012 when both First and Second Class stamp prices rose by 14p as Royal Mail took advantage of commercial freedoms afforded to it by the new regulatory framework. Further increases in Second Class Letter and Large Letter stamp prices are restricted due to the safeguard cap on the price of these products, implemented by Ofcom.

Despite price increases, ONS figures show that the average household spend on post remained at an average of £2.17 per month between 2011 and 2012. Further information on household spend on communications services is included in section 1.1.

Ofcom's recent research into the affordability of universal postal services found that universal postal services are affordable both for residential consumers (including low income and other vulnerable consumers) and businesses (including small and medium businesses) at current prices.¹³⁵

Figure 6.15 First and Second Class stamp prices



Source: Royal Mail. Figures are nominal.

¹³⁵ Ofcom, *The affordability of universal postal services*, March 2013

<http://stakeholders.ofcom.org.uk/post/affordability/>

We note that our research findings indicate that there are some very limited circumstances in which a consumer could be at risk from not being able to afford universal postal services. These circumstances are where a consumer suffers significant financial difficulty or very low income, and has a frequent need to send post items which they consider to be essential. This reflects very particular circumstances and severe financial hardship. It is likely that consumers in such circumstances would have concerns about the prices of universal postal services, even at much lower prices.

6.3 Post and the residential consumer

6.3.1 Introduction

In order to support our duty to safeguard the universal postal service in the UK and to support our ongoing monitoring regime, we have started a programme of market research to ensure that we have constant access to up-to-date consumer metrics on the postal market. This includes two separate surveys to track use of, and attitudes towards, post: one focused on residential consumers and the other on business consumers. The tracker began in July 2012 and as this is the first full year of data, there are no historical data for comparison.

This section summarises the key findings from the first four waves of the *Ofcom Residential Postal Tracker* (Q3 2012 - Q2 2013).

Key points in this section include:

Over half of all adults say they love to send and receive letters and cards. However, for young people, email is the preferred form of communication, with almost three-quarters of 16-24 year olds preferring to send emails whenever possible.

Two-fifths of those that send mail have sent a parcel in the last month. Although invitations, greetings cards or postcards are the most common types of item sent in the post, with 58% of adults claiming to have sent these in the past month, 40% of adults have also sent a parcel. Over a third (34%) of adults who have received post in the last week say that they have received at least one parcel.

Almost half of all adults are sending fewer personal letters compared to two years ago. Seventy per cent of adults who send fewer items say they now use online methods more, including social networking and emails.

Almost two-thirds of adults say they are reliant on post as a form of communication. In addition, the majority of adults (87%) are satisfied with the postal service, increasing to 93% among those who say they are reliant on this form of communication.

6.3.2 Sending post

Although over half of all adults say they love to send and receive letters and cards, almost three-quarters of 16-24 year olds say they prefer to send emails whenever possible

Over half of all adults (58%) say they love to send and receive letters and cards, increasing to over two-thirds (67%) of those aged 55 and older. For older people in particular, post is a way of helping to keep them in touch with the rest of society; 63% say they would feel cut off without the facility to send and receive post. Younger people are more likely to say they prefer to send emails whenever possible; 68% of those aged 16-34 agree with this statement.

Figure 6.16 Attitudes to statements about sending / receiving post

Proportion of all respondents agreeing with each statement %

Ranked by adults 16+

	Adults 16+	16-34	35-54	55+
I prefer to send letters or emails to companies rather than make a phone call so I have a written record	61%	62%	65%	56%
I trust second class post to get there in reasonable timeframe	59%	55%	56%	66%
I love to send and receive letters and cards	58%	52%	57%	67%
I prefer to send emails rather than letters whenever possible	53%	68%	57%	33%
I would feel cut off from society if I can't send/don't receive post	51%	41%	48%	63%
I only send mail first class if it needs to get there next day	50%	45%	48%	56%
I only use post if there is no alternative	44%	54%	41%	36%
I send fewer letters due to cost	29%	25%	29%	33%

Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013

Base: All respondents (n = 4844 adults 16+, 1338 16-34, 1582 35-54, 1924 55+)

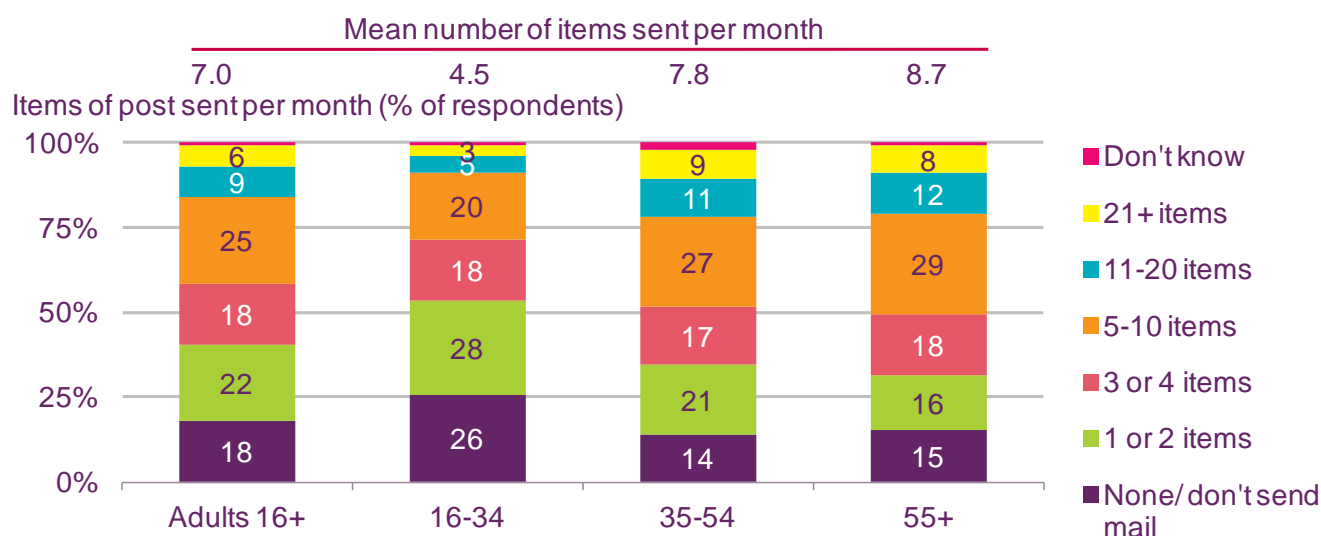
QH2A-H. Agreement with statements about sending / receiving post

Older people send the most items of post each month

The majority of adults (81%) in the UK have sent post in the past month, with more than two in five adults (41%) claiming to have sent at least five items. The average number of items sent each month is 7.0, including parcels.

But over a quarter of young people aged 16-34 (26%) say they have not sent any post in the past month, and among those that have, they are more likely than any other age group to have sent only one or two items. This is particularly driven by the younger end of this age band; 34% of 16-24 year olds say they have not sent any post recently.

Figure 6.17 Number of items of post sent per month (including letters, cards and parcels)



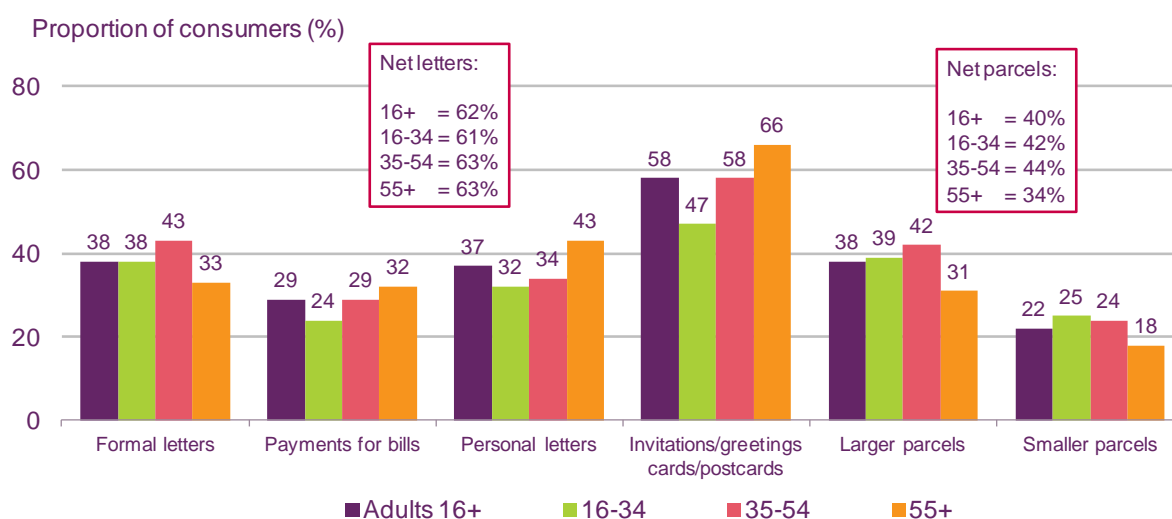
Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013
 Base: All respondents (n = 4844 adults 16+, 1338 16-34, 1582 35-54, 1924 55+)
 QC1. Approximately how many items of post - including letters, cards and parcels - have you personally sent in the last month?

Two-fifths of those that send mail have sent a parcel in the past month

Looking now at the types of post people send, Figure 6.18 shows that invitations, greetings cards and postcards are the most common types of post sent - 58% of adults claim to have sent these in the past month. This is particularly driven by the older age groups, with two-thirds (66%) of those aged 55+ claiming to have used the post for this reason in the past month.

Two-fifths (40%) of adults have sent a parcel in the past month, although older people are the least likely to have done so (34%). Forty-four per cent of those with internet access at home have sent a parcel in the past month, compared to just 16% of those without home internet.

Figure 6.18 Types of post sent in the past month



Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013

Base: All who have personally sent any items of post in the last week ($n = 3889$ 16+, 956 16-34, 1330 35-54, 1603 55+)

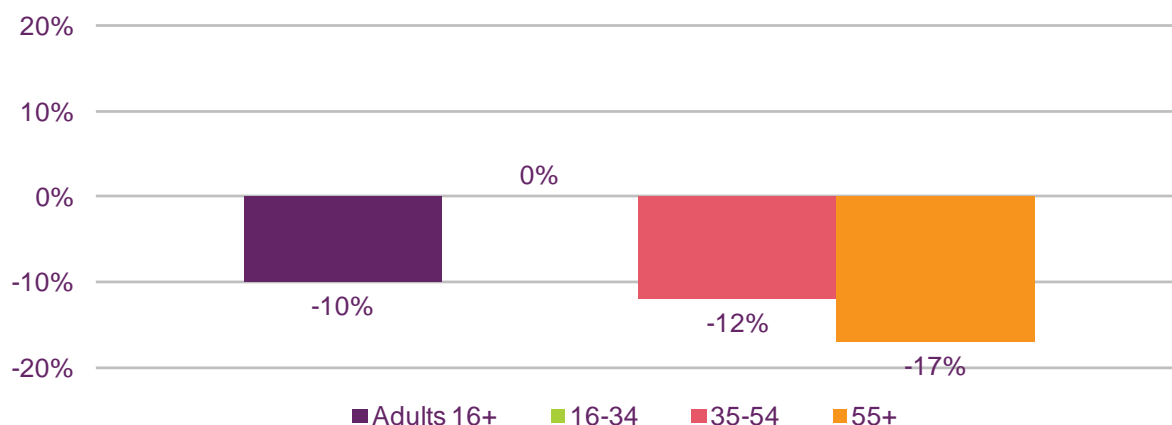
QC5. Which of these types of mail would you say you have personally sent in the last month by post? (MULTICODE)

Almost half of all adults are sending fewer personal letters, compared to two years ago

Taking into account the difference between the percentage of people who say they send more, and the percentage who say they send less, there is an overall decrease in the amount of post people across the UK say they send, particularly among the older age groups (-10% adults 16+, -17% 55+). However, among those aged 16-24 there has been an overall net increase in the amount of post sent, compared to two years ago (+11%).

When asked about the type of post they are sending less of, compared to two years ago, the most-cited categories are personal letters and payments; 45% of people say they send fewer of these items. Seventy per cent of adults who send fewer items say they now use online methods, including social networking and emails.

Figure 6.19 Net percentage of respondents reporting increasing or decreasing amount of post sent in the past two years



Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013

Base: All respondents (n = 4844 adults 16+, 1338 16-34, 1582 35-54, 1924 55+)

QC10: Compared with two years ago, would you say that the number of items you send through the post has...increased greatly, increased slightly, stayed the same, decreased slightly, decreased greatly?

Note: chart shows net percentage (% who claim their use has increased - % those who claim their use has decreased)

6.3.3 Cost of postage

More adults think a First Class stamp is good value for money than think a Second Class stamp is good value

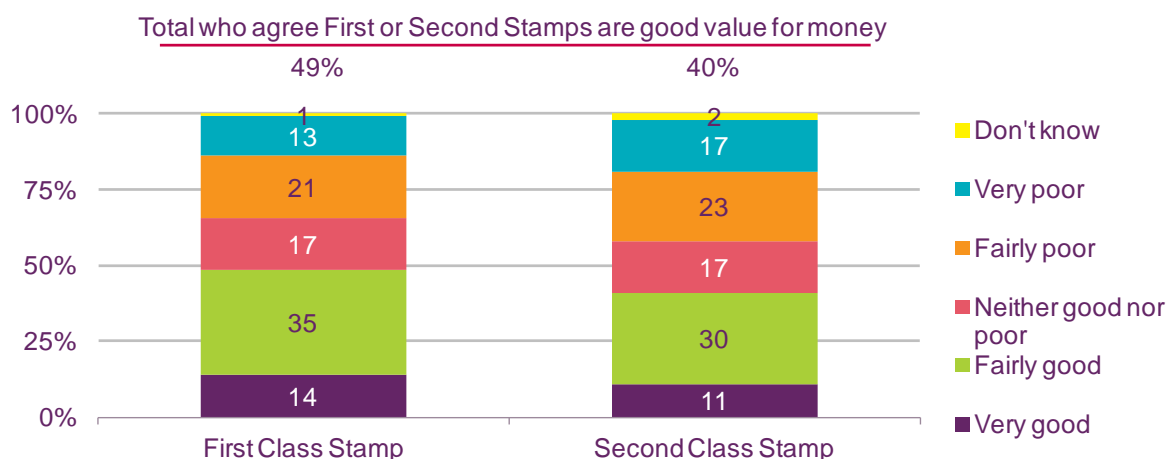
Only 30% of adults are aware of the correct price of a First Class stamp¹³⁶, with 35% indicating an incorrect price and 34% stating they did not know. Considering Second Class stamps, only 18% of people are able to state the correct price (50p).

Once informed of the correct price of each type of stamp, Figure 6.20 shows the extent to which people think they offer good value for money. Just under half (49%) of all adults think First Class stamps are good value whereas two-fifths (40%) think Second Class stamps offer good value for money. Age makes a difference: more of those in the 16-34 age group than in the 55+ group rate First Class as good value for money (53% and 45% respectively).

¹³⁶ 60p at time of survey

Figure 6.20 Perceived value for money of First and Second Class Stamps

Value for money of First and Second Class stamps (% of respondents)



Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013

Base: All respondents (n = 4844)

QF3/4. It currently costs 60p/50p to send a standard letter First /Second Class within the UK. How would you rate the Royal Mail's First/Second Class service in terms of value for money

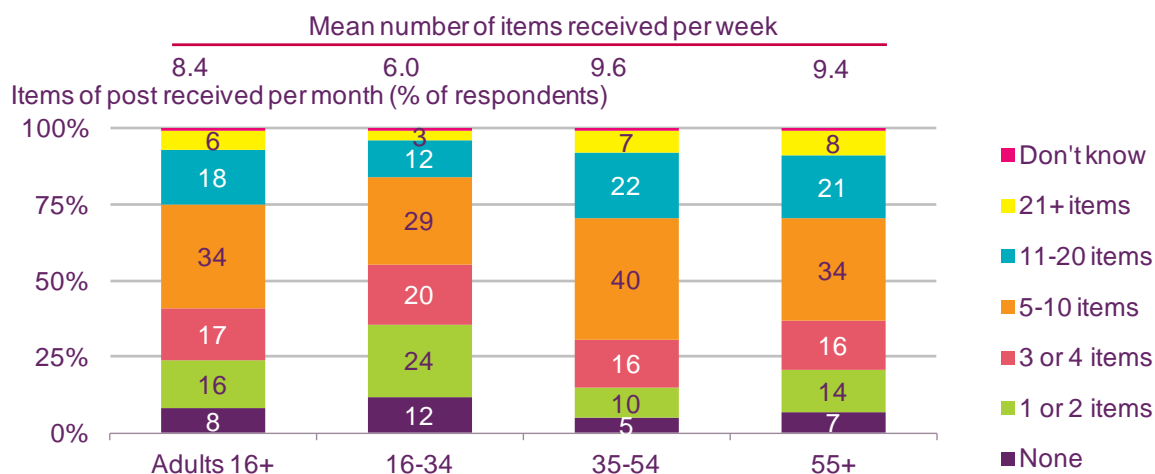
6.3.4 Receiving post

Over a third of adults who have received post in the past week have received at least one parcel

Around nine in ten (91%) adults said that they had received post in the past week, with each person receiving an average of 8.4 items in that period. Older people, particularly those aged 55+, are more likely to have received post; 92% of people in this age group claim to have received post in the past week, compared to 87% of those aged 16-34.

In line with the findings in section 6.1.3, which showed that 65% of adults with broadband have shopped online, just over a third (34%) of adults who had received post in the last week said that they had received at least one parcel.

Figure 6.21 Approximate number of items of post received per week (including letters, cards and parcels)



Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013

Base: All respondents (n = 4844 adults 16+, 1338 16-34, 1582 35-54, 1924 55+)

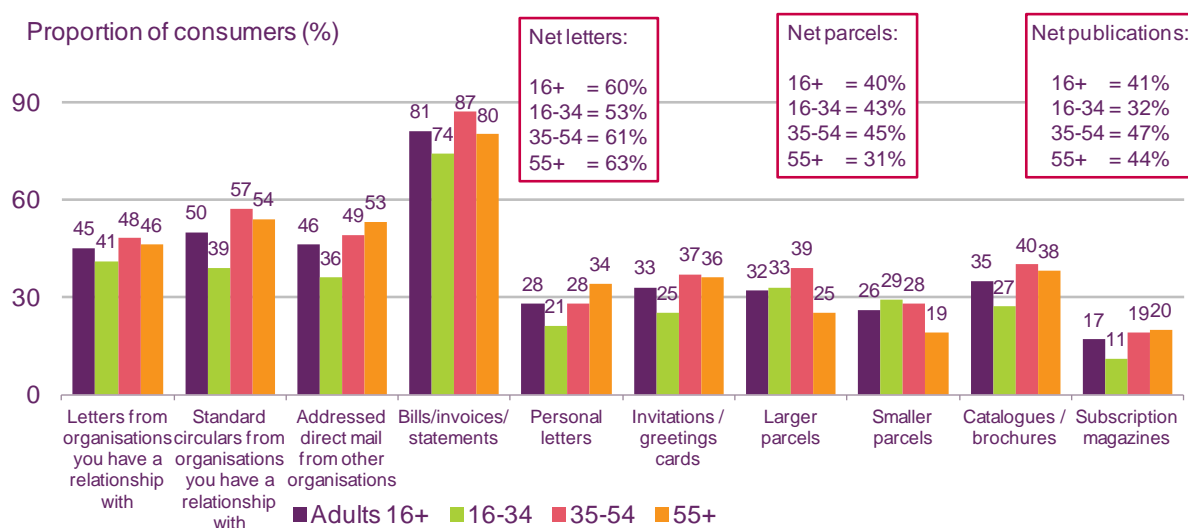
QD1. Approximately how many items of post - including letters, cards and parcels - have you personally received in the last week?

Two-fifths of adults have received a parcel in the past month

We look now at the types of post that people receive. Figure 6.22 shows that bills, invoices or statements are the most common types of post received, with 81% of adults claiming to have received these in the past month. This is particularly driven by the 35-54 age group, of whom 87% claim to have received this type of post in the past month.

Two-fifths (40% net) of adults have received a parcel in the past month, although older people are the least likely to have received this type of post (31% net). As seen with those who send parcels, (Figure 6.18) those with home internet access are more likely to have received a parcel in the past month, compared to those without (45% v 15%).

Figure 6.22 Types of post received in the past month



Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013

Base: All respondents (n = 4844 adults 16+, 1338 16-34, 1582 35-54, 1924 55+)

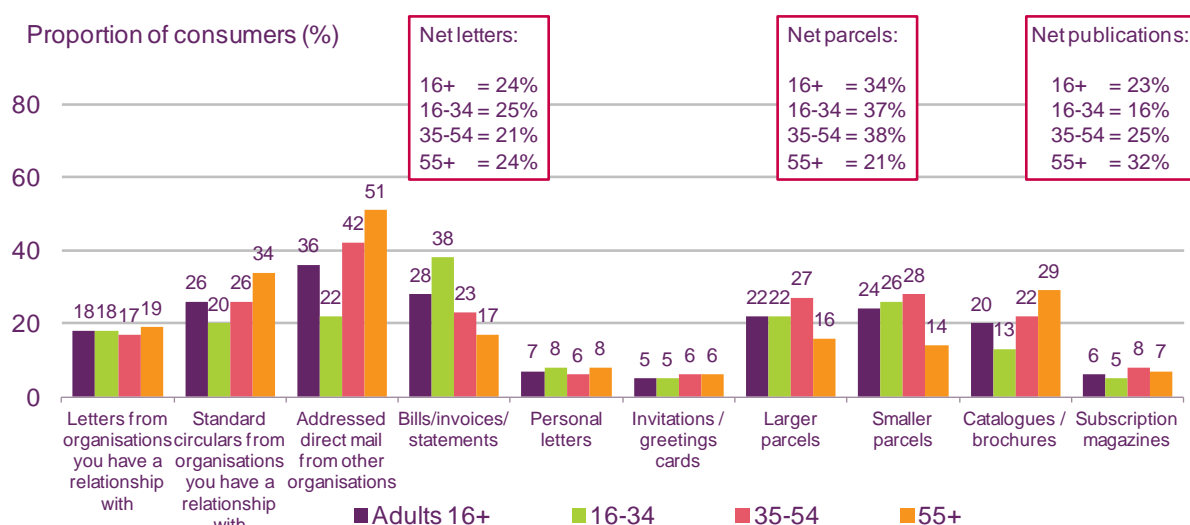
QD4. Please think about items that are addressed to you personally rather than leaflets or charity collection envelopes or bags that may come through your letterbox. Which of these types of items would you say you have personally received through the post in the last month? (MULTI CODE)

Among adults who claim to be receiving more post, compared to two years ago, those with home internet access are more likely to say they are receiving more parcels

Taking into account the difference between the percentage of people who say they are receiving more, and the percentage who say they are receiving less, compared to two years ago, there has been a slight increase (9%) in the perceived amount of post people receive. Figure 6.23 shows the types of post people now claim to be receiving more of. Among all the adults who claim to be receiving more mail, the largest increase is in unsolicited mail (36%); this increases to 51% among those aged 55 and older. Among the younger age group, the main increase is in the amount of bills and statements; 38% claim to be receiving more of this type of mail compared to two years ago. This is likely to be driven by those leaving education or starting higher education; 45% of 16-24 year olds say they are receiving more bills and statements, compared to 30% of those aged 25-34.

Reflecting the increase in online shopping and home deliveries, over a third of adults (34%) who say they are receiving more items of post say they are receiving more parcels now than two years ago (net). Among those who say the number of items of post they receive has increased, 37% of those with web access say they are receiving more parcels, compared to just 8% of those without access to the internet at home.

Figure 6.23 Types of post being received more often



Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013

Base: All who say the number of items received by post has increased compared to two years ago (n = 1181 16+, 466 16-34, 371 35-54, 344 55+)

QD6. Which of these types of addressed items are you personally receiving more often through the post now? (MULTICODE)

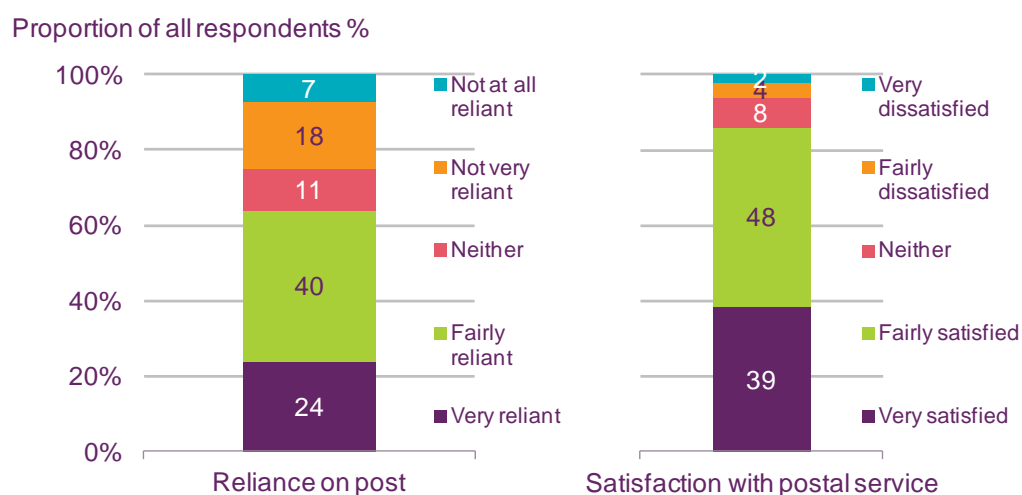
6.3.5 Attitudes towards the postal service

Almost two-thirds of adults say they are reliant on post as a form of communication

Post is still viewed as a key form of communication, with just under two-thirds (64%) of adults claiming to be reliant on post. The research asked how people felt about the postal service they currently receive: the majority (87%) were satisfied, increasing to 93% among those who say they are reliant on this form of communication. In addition, we see in Figure 6.16 that 63% of adults aged 55+ would feel cut off from society if they weren't able to send or receive post.

Similarly, when asked specifically about the service received from the Royal Mail, only 10% of adults said they had had a reason to complain over the past 12 months, although only 6% said they had actually complained. When prompted, the main problem experienced with Royal Mail over the past 12 months was with mis-delivered mail (22%) followed by delayed mail (16%).

Figure 6.24 Reliance on, and satisfaction with, postal service



Source: Ofcom Residential Postal Tracker, Q3 2012-Q2 2013

Base: All respondents ($n = 4844$ adults 16+, 1338 16-34, 1582 35-54, 1924 55+)

QE1. How reliant would you say you are on post as a way of communicating? (SINGLE CODE)

QE2. Thinking about your experience of using the postal service to send and receive mail, how would you rate your overall satisfaction with the postal service? (SINGLE CODE)

6.4 Post and the business consumer

6.4.1 Introduction

This section summarises the key findings from the first four waves of the *Ofcom Business Postal Tracker* (Q3 2012 - Q2 2013). Business users are particularly important in the postal market, as they account for a significant majority of the post that is sent. Approximately 90% of all mail in the UK is sent by businesses.

Key points in this section include:

Most organisations spend less than £1000 each year on post. An organisation's spend on post is broadly proportional to the size of the organisation. Most UK organisations (96%) employ nine or fewer people, and are classified as small companies. Sixty-nine per cent spend less than £83 each month, equivalent to less than £1000 each year.

For almost a third of organisations (31%) across the UK, the role of post is core to the running of the business. But for over half of businesses (52%), post plays primarily an administrative role in the organisation.

Larger organisations are more likely than smaller organisations to use franking machines to send post. This is the service used least frequently by businesses; only 16% of businesses say they ever use this method, either for First or Second Class post. However, 76% of businesses with between 100 and 249 employees used franked post.

Standard First and Second Class stamps are the Royal Mail services used most often by businesses to send items of post.

The greater the current spend on post by an organisation, the higher the likelihood that the volume of post sent by that business will increase. Almost three-quarters of businesses across the UK (72%) have moved some mail to other forms of communication over the past year. Only 4% of the businesses which spend less than £1000 on post each year predict that the amount of post they send will increase, compared to a third (31%) of the businesses spending more than £5000 each year.

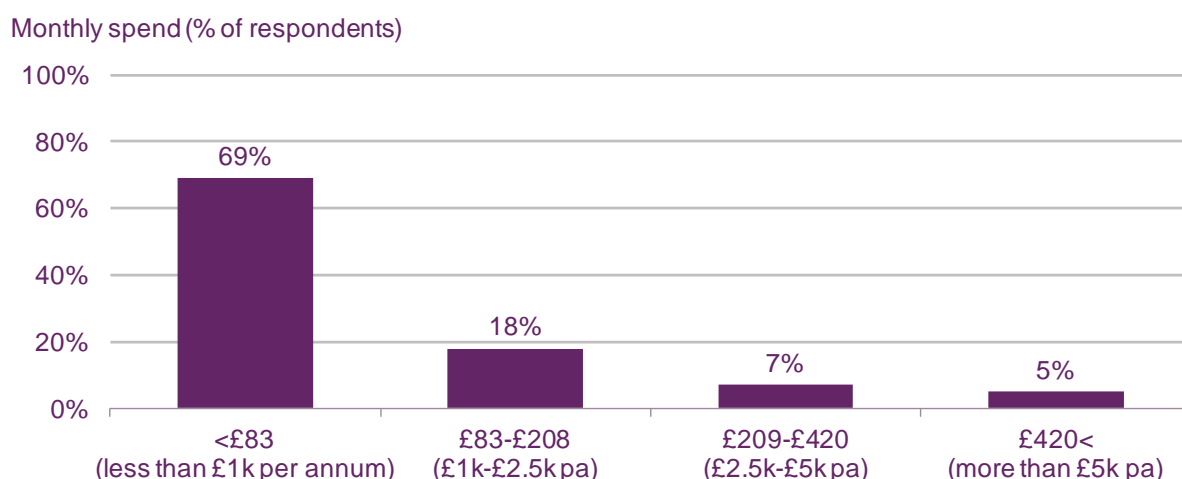
6.4.2 Sending post

Less than a third of organisations across the UK (31%) spend more than £1000 each year on sending post

Thirty one per cent of organisations across the UK claim that the role of post is core to the running of their business. But for over half of all businesses (52%) post plays primarily an administrative role in the organisation.

As Figure 6.25 shows, 69% of businesses spend less than £83 each month on sending post, equivalent to less than £1000 each year. Among the 5% of businesses which spend more than £5000 on post each year, two-thirds (66%) say that post is core to the functioning of their organisation.

Figure 6.25 Monthly spend on sending postal items



Source: Ofcom Business Postal Tracker, Q3 2012-Q2 2013

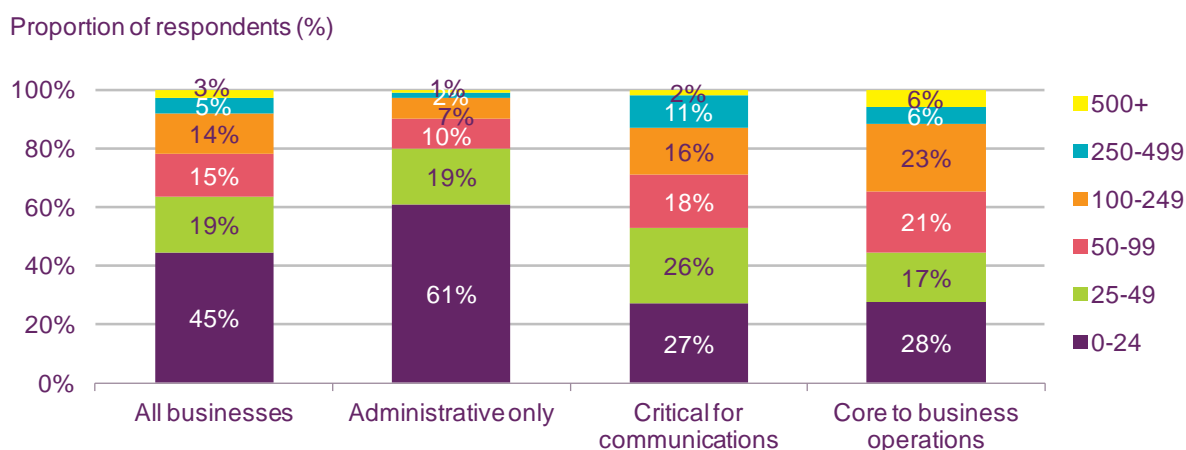
Base: All respondents (n = 1604)

QV1. On average, how much money does your organisation spend per month on sending mail items? Please think about all the letters, packets and parcels you may send as an organisation.

Nearly two-thirds of organisations send fewer than 50 letters each month

When asked to consider only the volume of letters they send each month, 64% of organisations say they send fewer than 50 items. Among businesses for whom post serves mainly an administrative role, four-fifths (80%) send fewer than 50 letters each month. However, the volume of letters sent on a monthly basis increases in organisations where it is seen as critical to the business; with 47% of these sending more than 50 items.

Figure 6.26 Volume of letters sent each month



Source: Ofcom Business Postal Tracker, Q3 2012-Q2 2013

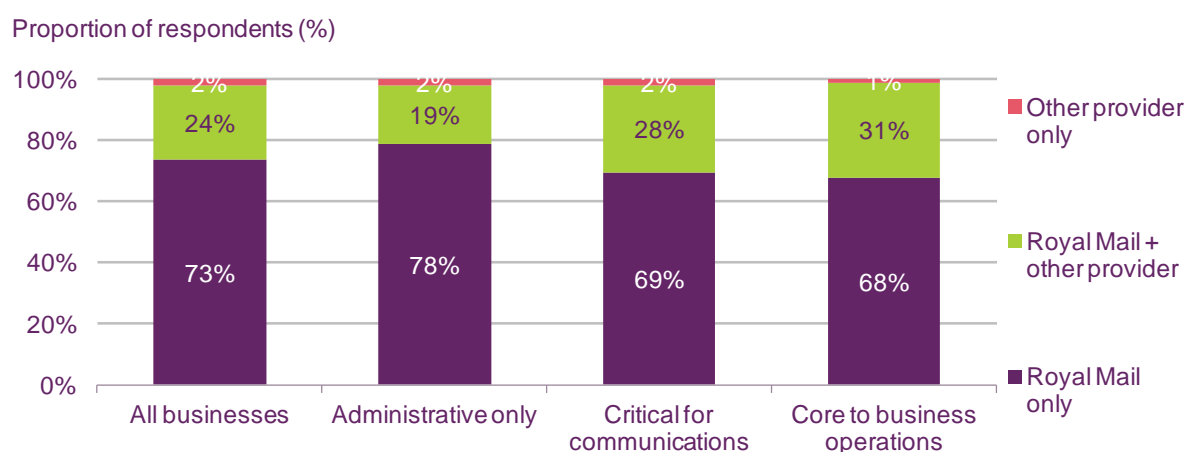
Base: All respondents (n = 1604)

QV2a. On average, how many letter items does your organisation send per month? Please think ONLY about all the letters and large letters you may send as an organisation.

Almost three-quarters of businesses use Royal Mail as their only postal operator

Seventy three per cent of organisations say they use only Royal Mail for their postal needs. Almost a quarter (24%) say they also use another provider; the most frequently mentioned are TNT (5%), Parcelforce, UPS and DHL (all 3%). The organisations for which post is seen as mainly administrative in their business are more likely to use only Royal Mail (78%).

Figure 6.27 Postal operators used



Source: Ofcom Business Postal Tracker, Q3 2012-Q2 2013

Base: All respondents (n = 1604)

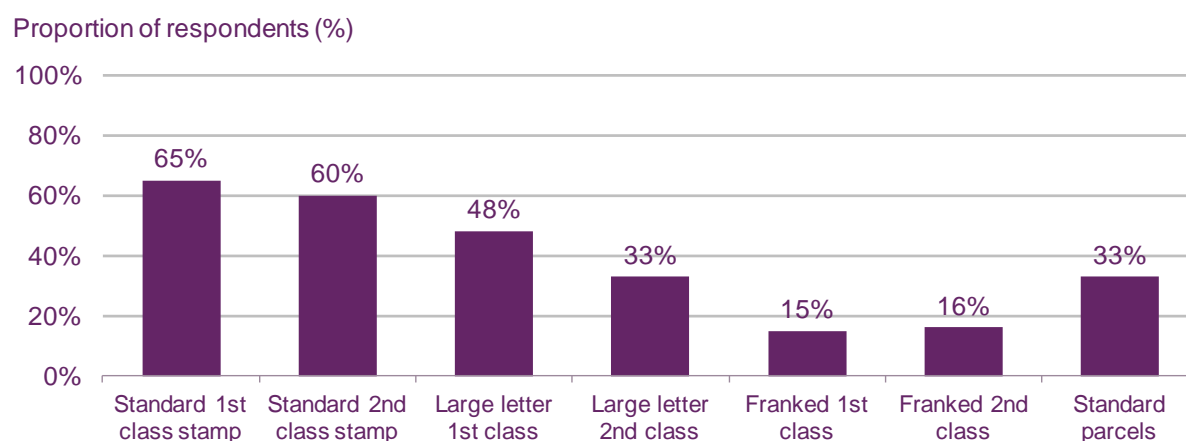
QV4. And who does your organisation use for its mail service?

Larger organisations are more likely than smaller organisations to use franking machines to send post

Figure 6.28 shows that standard First and Second Class stamps are the Royal Mail services used most often by businesses to send items of post. Of the Royal Mail standard delivery services used, the service used least frequently is franked mail, with only 15% of businesses saying they ever use this method for First Class post and 16% for Second Class post.

For businesses that spend less than £1000 each year on post, only 10% use the franked First Class service, compared to 49% of the organisations that invest more than £5000 each year in post. In addition, larger organisations are more likely to use franking machines: 76% of businesses with between 100 and 249 employees used franked post, compared to just 17% of those employing fewer than ten staff members.

Figure 6.28 Royal Mail services used to send standard mail



Source: Ofcom Business Postal Tracker, Q3 2012-Q2 2013

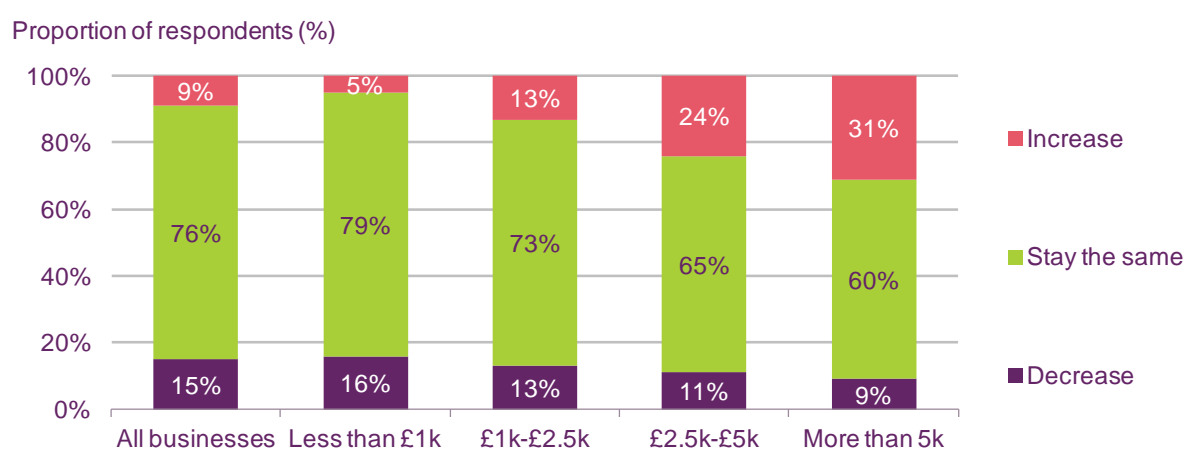
Base: All respondents using RM standard delivery services (n = 1460)

QV6d. Which, if any, of the following Royal Mail services does your organisation use to send your standard mail?

The greater an organisation's current spend on post, the more likely it is that the volume of post sent by that business will increase

Almost three-quarters of businesses across the UK (72%) have moved some mail to other forms of communication over the past year. However, over three-quarters of businesses (76%) predict that the volume of post they will send over the next 12 months will remain the same. Figure 6.29 shows how this forecast differs depending on the amount a business currently invests in sending mail. It shows that as spend on mail increases, the likelihood of increasing the volume of mail also increases. For example, only 5% of businesses which spend less than £1000 on post each year predict that the amount of post they send will increase, compared to almost a third of businesses (31%) which spend more than £5000 each year.

Figure 6.29 Predicted change in volume of sent mail by businesses over the next year



Source: Ofcom Business Postal Tracker, Q3 2012-Q2 2013

Base: All respondents ($n = 1604$, less than £1k = 1016, £1k-£2.5k = 311, £2.5k-£5k = 127, more than £5k = 150)

QS1. In the next 12 months, do you anticipate the volume of mail your organisation sends to increase, decrease or stay about the same?



The Communications Market 2013

7 Glossary and Table of Figures

Glossary

2.5G In mobile telephony, 2.5G protocols extend 2G systems to provide additional features such as packet-switched connections (GPRS) and higher-speed data communications.

2G Second generation of mobile telephony systems. Uses digital transmission to support voice, low-speed data communications, and short messaging services.

3.5G Refers to evolutionary upgrades to 3G services, starting in 2005-2006, that provide significantly enhanced performance. High Speed Downlink Packet Access is expected to become the most popular 3.5G technology (see HSDPA).

3DTV Three-dimensional television. A television viewing system whereby a 3D effect is created for the viewer. The 3D image is generated using red and blue colour tints on two overlaid images intended for left and right eye. Some forms of 3D TV can involve the viewer wearing glasses (stereoscopic) but more advanced systems do not require glasses (auto-stereoscopic).

3G LTE See LTE

3G Third generation of mobile systems. Provides high-speed data transmission and supports multimedia applications such as full-motion video, video-conferencing and internet access, alongside conventional voice services.

4G The fourth generation of mobile phone mobile communication technology standards, which provides faster mobile data speeds than the 3G standards that it succeeds.

802.11 see Wireless LANs (WiFi)

Access Allowing other companies operating in the postal market, or other users of postal services, to use Royal Mail's facilities for the partial provision of a postal service.

Access network An electronic communications network which connects end-users to a service provider; running from the end-user's premises to a local access node and supporting the provision of access-based services. It is sometimes referred to as the 'local loop' or 'last mile'.

Active audience – the total number of people who visited any website or used any internet connected application at least once in a given month.

ADSL Asymmetric digital subscriber line. A digital technology that allows the use of a standard telephone line to provide high-speed data communications. Allows higher speeds in one direction (towards the customer) than the other.

ADSL2+ A technology which extends the maximum theoretical downstream data speed of ADSL from 8Mbit/s to 24Mbit/s/

ADSL Max BT's range of commercial ADSL services.

ADS-RSLs Audio distribution systems restricted service licences. These licences are issued for broadcast radio services using spectrum outside the 'traditional' broadcast bands (i.e. FM and AM). Typically offering commentary and other information for attendees within a stadium or venue on specially-designed radio receivers for sale at the event (as they do not use standard broadcast frequencies).

Alternative operator Refers to service providers, usually in telecoms, other than the incumbent (or established) operator/s (see incumbent operator/s).

AM Amplitude modulation. Type of modulation produced by varying the strength of a radio signal. This type of modulation is used by broadcasters in three frequency bands: medium frequency (MF, also known as medium wave (MW)); low frequency (LF, also known as long wave (LW)), and high frequency ((HF, also known as short wave (SW)). The term AM is also used to refer to the medium frequency band (see MF, below).

ARPU Average revenue per user. A measurement used by pay-television or mobile companies to indicate the average monthly revenue earned from a subscriber.

Asynchronous Transfer Mode (ATM) A networking technology designed to handle high data volumes and low-latency content such as real-time voice and video.

ATT Analogue terrestrial television. The television broadcast standard that all television industries launched with. Most countries in this study are planning to phase out ATT in the next ten years.

BARB Broadcasters Audience Research Board. The pan-industry body that measures television viewing.

Bit-rates The rate at which digital information is carried within a specified communication channel.

BitTorrent A peer-to-peer file sharing protocol which uses 'trackers' on websites to index content and is used by a number of BitTorrent clients to download and upload content.

Blog Short for weblog. A weblog is a journal (or newsletter) that is frequently updated and intended for general public consumption. Blogs generally represent the personality of the author or the website.

Bluetooth Wireless standard for short-range radio communications between a variety of devices such as PCs, headsets, printers, mobile phones, and PDAs.

Broadband A service or connection generally defined as being 'always on' and providing a bandwidth greater than narrowband.

Bulk mail High volumes of mail sent in one posting, typically of the same format and weight and often sorted to a predetermined level before being handed to the operator

CAGR Compound Annual Growth Rate. The average annual growth rate over a specified period of time. It is used to indicate the investment yield at the end of a specified period of time. The mathematical formula used to calculate $CAGR = (present\ value / base\ value)^{1/\#of\ years} - 1$

Catch-up TV Usually refers to a services that allow consumers to watch or listen to content on a non-linear basis after the initial broadcast.

Communications Act Communications Act 2003, which came into force in July 2003.

'Connected' TV A television that is broadband-enabled to allow viewers to access internet content.

Contention ratio An indication of the number of customers who share the capacity available in an ISP's broadband network. Figures of 50:1 for residential broadband connections and 20:1 for business are typical).

CPS Carrier pre-selection. The facility offered to customers which allows them to opt for certain defined classes of call to be carried by an operator, selected in advance and with whom they have a contract. CPS does not require the customer to dial a routing prefix or use a dialler box.

DAB Digital audio broadcasting. A set of internationally-accepted standards for the technology by which terrestrial digital radio multiplex services are broadcast in the UK.

Data packet In networking, the smallest unit of information transmitted as a discrete entity from one node on the network to another.

DCMS Department for Culture, Media and Sport

Delivery office A facility serving a defined geographical area where postal packets are prepared for final delivery

Digital audience The active audience across laptop/desktop computers and mobile phones.

Digital Britain The government report, published in June 2009, outlining a 'strategic vision for ensuring that the UK is at the leading edge of the global digital economy'.

Digital switchover The process of switching over the analogue television or radio broadcasting system to digital.

Direct mail Addressed advertising mail

DMB Digital mobile broadcasting. A variant of the DAB digital radio standard for mobile TV services, and an alternative to DVB-H (see DVB, below).

Dongle A physical device, attached to a PC's USB port, which adds hardware capabilities.

Downstream access Access to Royal Mail's postal network at an inward mail centre or at any point in the postal chain after that.

Downstream The activities of inward sortation and delivery.

DRM Digital rights management. The technology that controls access and use of digital content.

DSL Digital subscriber line. A family of technologies generally referred to as DSL, or xDSL, capable of transforming ordinary phone lines (also known as 'twisted copper pairs') into high-speed digital lines, capable of supporting advanced services such as fast internet access and video on demand. ADSL, HDSL (high data rate digital subscriber line) and VDSL (very high data rate digital subscriber line) are all variants of xDSL).

DTR See DVR

DTT Digital terrestrial television. The television technology that carries the Freeview service.

DVB Digital Video Broadcasting. A set of internationally-accepted open standards for digital broadcasting, including standards for distribution by satellite, cable, radio and hand-held devices (the latter known as DVB-H). The DVB Project develops the standards.

DVB-T2. The latest digital terrestrial transmission technology developed by DVB. The technology is being used to facilitate the introduction of HDTV on DTT in the UK. DVB-S2 (satellite) and DVB-C2 (cable) are also available.

DVD Digital versatile disc. A high-capacity CD-size disc for carrying audio-visual content. Initially available as read-only, but recordable formats are now available.

DVR Digital video recorder (also known as 'personal video recorder' and 'digital television recorder'). A digital TV set-top box including a hard disk drive which allows the user to record, pause and rewind live TV.

End-to-end Operators other than Royal Mail that provide a full postal service from collection to delivery

EPG Electronic programme guide. A programme schedule, typically broadcast alongside digital television or radio services, to provide information on the content and scheduling of current and future programmes.

E-reader An electronic, portable device capable of downloading and displaying text such as digital books or newspapers.

E-retail Distance shopping, using online services to order and pay for goods

EST Electronic sell through. For the purposes of this report electronic sell-through is audio visual content that is purchased and a copy permanently kept, ie not rented.

Feature phone A low-end mobile phone that has less computing ability than a smartphone, but more capability than the most basic handsets.

Fibre-to-the-building A form of fibre-optic communication delivery in which an optical fibre is run directly onto the customer's premises.

Fibre-to-the-cabinet Access network consisting of optical fibre extending from the access node to the street cabinet. The street cabinet is usually located only a few hundred metres from the subscriber premises. The remaining segment of the access network from the cabinet to the customer is usually a copper pair but could use another technology, such as wireless.

Fibre-to-the-home A form of fibre optic communication delivery in which the optical signal reaches the end user's living or office space.

Fibre-to-the-premise A form of fibre-optic communication delivery in which an optical fibre is run directly onto the customer's premises.

First-run acquisitions A ready-made programme bought by a broadcaster from another rights holder and broadcast for the first time in the UK during the reference year.

First-run originations Programmes commissioned by or for a licensed public service channel with a view to their first showing on television in the United Kingdom in the reference year.

FM Frequency modulation. Type of modulation produced by varying the frequency of a radio carrier in response to the signal to be transmitted. This is the type of modulation used by broadcasters in part of the VHF (Very High Frequency) band, known as VHF Band 2.

Format The type of programme service broadcast by radio stations. Also, the part of a radio station's licence which describes the programme service.

Frame relay A wide area network technology which is used to provide a continuous, dedicated connection between sites without the need for a leased line.

Free-to-air Broadcast content that people can watch or listen to without having to pay a subscription.

Fulfilment mail Requested goods including tickets, brochures, packets and parcels

GDP Gross Domestic Product.

GPRS General packet radio service, a packet data service provided over 2.5G mobile networks.

GPS The GPS (global positioning system) is a 'constellation' of 24 well-spaced satellites that orbit the Earth and make it possible for people with ground receivers to pinpoint their geographic location.

GSM Global standard for mobile telephony, the standard used for 2G mobile systems.

HDTV High-definition television. A technology that provides viewers with better quality, high-resolution pictures.

Headline connection speed The theoretical maximum data speed that can be achieved by a given broadband. A number of factors, such as the quality and length of the physical line from the exchange to the customer, mean that a given customer may not experience this headline speed in practice.

HSPA Jointly, downlink and uplink mobile broadband technologies are referred to as HSPA (High Speed Packet Access) services.

Hyper-local website An online news or content services pertaining to a town, village, single postcode or other small geographically-defined community.

IDTV Integrated digital television set. A television set that includes a digital tuner (as well as analogue) and therefore does not require an additional set-top box to receive digital television. IDTVs are most commonly capable of receiving DTT but also digital satellite (Freesat).

Incumbent operator/s An incumbent operator usually refers to a market's established provider/s and in the case of the UK fixed market this is BT and Kingston Communications.

International roaming A service offered by mobile operators that allows customers to use their phone abroad. The home operator has agreements with foreign operators that allow customers to make and receive calls, send and pick up text messages, and use some of the other mobile services (such as access to voicemail or topping-up credit on pre-pay phones). The exact services available and the charges for their use vary between operators.

Internet A global network of networks, using a common set of standards (e.g. internet protocol), accessed by users with a computer via a service provider.

Internet-enabled mobile phone A mobile phone which allows its user to access the internet via in-built access technology such as GPRS or WCDMA.

Internet-enabled TV An umbrella term covering any television set connected to the internet via a third-party device, such as a set-top box, a games console or a laptop/PC.

Internet property A full domain (i.e. felmont.com), pages (i.e. sports.felmont.com/tennis), applications or online services under common ownership or majority ownership for a single legal entity.

IP (internet protocol) The packet data protocol used for routing and carrying messages across the internet and similar networks.

IPTV Internet protocol television. The term used for television and/or video signals that are delivered to subscribers or viewers using internet protocol (IP), the technology that is also used to access the internet. Typically used in the context of streamed linear and on-demand content, but also sometimes for downloaded video clips.

ISDN Integrated services digital networks. A standard developed to cover a range of voice, data, and image services intended to provide end-to-end, simultaneous handling of voice and data on a single link and network.

ISP Internet service provider. A company that provides access to the internet.

ITC Independent Television Commission, one of the regulators replaced by Ofcom in 2003

ITV All references to ITV1 should be read as including STV, UTV and Channel Television.

ITV licensees ITV Broadcasting Limited, STV, UTV and Channel Television.

LAN (Local area network) A network for communication between computers covering a local area, like a home or an office.

Large letter This refers to Royal Mail's definition Large Letter. A Large Letter is any item larger than a Letter and up to 353mm in length, 250mm in width and 25mm in thickness, with a maximum weight of 750g.

L-Band A range of frequencies within which an allocation has been made in much of the world for broadcasting (1452 to 1492 MHz), generally by satellite, but in Europe for terrestrial digital sound broadcasting in the range 1452 to 1480 MHz. Some DAB digital radio receivers can tune to this range.

Leased line A transmission facility which is leased by an end user from a public carrier, and which is dedicated to that user's traffic.

LLU (local loop unbundling) LLU is the process where the incumbent operators (in the UK it is BT and Kingston Communications) make their local network (the lines that run from customers premises to the telephone exchange) available to other communications providers. The process requires the competitor to deploy its own equipment in the incumbent's local exchange and to establish a backhaul connection between this equipment and its core network.

Local loop The access network connection between the customer's premises and the local PSTN exchange, usually a loop comprised of two copper wires.

L-RSL See also S-RSLs – Long Term Restricted Service Licences. L-RSLs are a means of providing a radio service for a non-resident population within a defined establishment such as hospital patients and staff, students on a campus, or army personnel. They are available

on demand, provided they meet the licensing criteria and that a suitable frequency is available. Licences are renewable after the initial five-year term.

LTE (Long-term evolution). Part of the development of 4G mobile systems that started with 2G and 3G networks.

Machine to machine (M2M) – wired and wireless technologies that allow systems to communicate with each other.

Mail centre A facility serving a geographical area used for the sortation of postal packets

Micro-blogging short form blogging, where posts are typically small elements of content such as short sentences, individual images or video links.

MMS Multimedia Messaging Service. The next generation of mobile messaging services, adding photos, pictures and audio to text messages.

MNO Mobile Network Operator, a provider which owns a cellular mobile network.

Mobile broadband Various types of wireless high-speed internet access through a portable modem, telephone or other device.

Modem sync speed The data rate at which a broadband network negotiates with a modem and the maximum data rate that a particular broadband service can support.

MP3 (MPEG-1 Audio Layer-3) A standard technology and format for compressing a sound sequence into a very small file (about one-twelfth the size of the original file) while preserving the original level of sound quality when it is played.

MP3 player A device that is able to store and play back MP3 files.

MPEG Moving Picture Experts Group. A set of international standards for compression and transmission of digital audio-visual content. Most digital television services in the UK use MPEG2, but MPEG4 offers greater efficiency and is likely to be used for new services including TV over DSL and high-definition TV.

Multichannel In the UK, this refers to the provision or receipt of television services other than the main five channels (BBC One and Two, ITV1, Channel 4/S4C, Five) plus local analogue services. 'Multichannel homes' comprise all those with digital terrestrial TV, satellite TV, digital cable or analogue cable, or TV over broadband. Also used as a noun to refer to a channel only available on digital platforms (or analogue cable).

Multiplex A device that sends multiple signals or streams of information on a carrier at the same time in the form of a single, complex signal. The separate signals are then recovered at the receiving end.

MVNO An organisation which provides mobile telephony services to its customers, but does not have allocation of spectrum or its own wireless network.

MW See MF and AM above.

Narrowband A service or connection providing data speeds up to 128kbit/s, such as via an analogue telephone line, or via ISD.

Near video on demand (NVoD), a service based on a linear schedule that is regularly repeated on multiple channels, usually at 15-minute intervals, so that viewers are never more than 15 minutes away from the start of the next transmission.

Net neutrality The principle that all traffic on the internet should be treated equally, regardless of content, site or platform.

Next-generation access networks (NGA) New or upgraded access networks that will allow substantial improvements in broadband speeds and quality of service compared to today's services. This can be based on a number of technologies including cable, fixed wireless and mobile. Most often used to refer to networks using fibre optic technology.

Next-generation core networks (NGN) Internet protocol-based core networks which can support a variety of existing and new services, typically replacing multiple, single service legacy networks

Non-linear Content that is delivered 'on demand' as opposed to linear, broadcast content.

Oftel Office of Telecommunications, whose functions transferred to Ofcom on 29 December 2003.

'Over-the-top' video Refers to audio-visual content delivered on the 'open' internet rather than over a managed IPTV architecture.

Pact Producers Alliance for Cinema and Television, the UK trade association for independent film, television, animation and interactive media companies.

Pay-per-view A service offering single viewings of a specific film, programme or event, provided to consumers for a one-off fee.

PDA Personal Digital Assistant.

Peak time The period during which: a radio station broadcasts its breakfast show and, on weekdays only, also its afternoon drive-time show; a television station broadcasts its early- and mid-evening schedule, typically used by Ofcom to refer to the period between 18:00 and 22:30 each day (including weekends).

Peer-to-peer (P2P) distribution The process of directly transferring information, services or products between users or devices that operate on the same hierarchical level.

Pipeline Stages involved in the production and distribution process of a good or service from the initiation of the process to the delivery of the final product. In postal services the pipeline refers to the stages from collection to delivery of a postal item.

Podcasting A way for digital audio files to be published on the internet, and then downloaded onto computers and transferred to portable digital audio players.

Postal packets A letter, parcel, packet or other article transmissible by post

PSB Public service broadcasting, or public service broadcaster. The Communications Act in the UK defines the PSBs as including the BBC, ITV1 (including GMTV1), Channel 4, Five and S4C.

PSTN Public switched telephone network. The network that manages circuit-switched fixed-line telephone systems.

Publications Regularly produced publications such as periodicals and magazines

‘Pull’ VOD A video-on-demand system where content is delivered in real time to the viewers. The approach is usually favoured on platforms that have a high-speed return path, such as cable or IPTV

‘Push’ VOD A video-on-demand system where content is downloaded to the hard disk of a set-top box rather than streamed in real time via a wired network. The approach is usually favoured on platforms that do not have a high-speed return path, such as satellite or terrestrial.

PVR See DVR

RAJAR Radio Joint Audience Research – the pan-industry body which measures radio listening.

Registered items A service of conveying postal packets from one place to another by post which provides for the registration of the packets in connection with their conveyance by post and for the payment of an amount determined by the person providing the service in the event of the theft or loss or damage to the packets

Repeats All programmes not meeting the definition of first-run origination or first-run acquisition.

Royal Mail Wholesale A business unit within Royal Mail Group that negotiates with any postal operator or user who applies for access to Royal Mail Group’s postal network.

RSL Restricted service licence. A radio licence serving a single site (e.g. a hospital or university campus) or serving a wider area on a temporary basis (e.g. for festivals and events).

Service bundling (or multi-play) A marketing term describing the packaging together of different communications services by organisations that traditionally only offered one or two of those services.

Service provider A provider of electronic communications services to third parties, whether over its own network or otherwise.

Share (radio) Proportion of total listener hours, expressed as a percentage, attributable to one station within that station’s total survey area.

Share (TV) Proportion of total TV viewing to a particular channel over a specified time, expressed as a percentage of total hours of viewing.

SIM (Subscriber Identity Module) A SIM or SIM card is a small flat electronic chip that identifies a mobile customer and the mobile operator. A mobile phone must have a SIM card inserted before it can be used.

SIM-only A mobile contract that is sold without a handset.

Simulcasting The broadcasting of a television or radio programme service on more than one transmission technology (e.g. FM and MW, DAB and FM, analogue and digital terrestrial television, digital terrestrial and satellite).

Smart TV A standalone television set with inbuilt internet functionality.

Smartphone A mobile phone that offers more advanced computing ability and connectivity than a contemporary basic 'feature phone'.

SME Small to medium-sized enterprise. A company with fewer than 250 employees.

SMS Short Messaging Service, usually used to refer to mobile text messaging (see text message below).

Social networking site (SNS) A website that allows users to join communities and interact with friends or to others that share common interests.

S-RSLs Short-term restricted service licences (S-RSLs) are issued for temporary local radio stations which usually serve a very localised coverage area, such as an education campus, a sports event, or a music or religious festival site. These licences are also used for temporary trials of community stations, sometimes to gauge interest before applying for a five-year community licence.

Streaming content Audio or video files sent in compressed form over the internet and consumed by the user as they arrive. Streaming is different to downloading, where content is saved on the user's hard disk before the user accesses it.

Superfast broadband Sometimes known as next-generation broadband, super-fast broadband delivers headline download speeds of at least 30Mbit/s.

Tablet computer A mobile computer which is included within a single panel with a touchscreen.

Telecommunications, or 'telecoms' Conveyance over distance of speech, music and other sounds, visual images or signals by electric, magnetic or electro-magnetic means.

Text message A short text-only communication sent between mobile devices.

Time-shifting The broadcasting of a television service on more than one channel with a specified delay (typically an hour), to provide more than one opportunity for viewers to watch the service. Alternatively, the recording of programmes by viewers (using DVRs, recordable DVDs or VCRs) to watch at another time.

Transactional mail Business mail usually sent on a regular scheduled basis, often used in financial transactions, including statements, invoices and credit card bills

Transmitter A device which amplifies an electrical signal at a frequency to be converted, by means of an aerial, into an electromagnetic wave (or radio wave). The term is commonly used to include other, attached devices, which impose a more simple signal onto the frequency, which is then sent as a radio wave. The term is sometimes also used to include the cable and aerial system referred to above, and indeed the whole electrical, electronic and physical system at the site of the transmitter.

TSA Total survey area. The coverage area within which a radio station's audience is measured by RAJAR.

TV over DSL/TV over broadband A technology that allows viewers to access TV content – either in a linear programme schedule, or on demand – using internet protocol via broadband services, either on a PC or (via a set-top box) on a TV set.

TVWF Television Without Frontiers. A range of provisions designed to achieve coordination of the legal, regulatory and administrative frameworks of European Union member states with respect to television broadcasting, adopted by the European Council in 1989 and amended in 1997. TVWF was replaced by the Audio Visual Media Services (AVMS) Directive in December 2007.

UKOM UK Online Measurement. A media industry measurement of UK consumers' online activity, specified by UKOM Ltd and delivered by comScore.

UKPIL UK Parcels, International and Letters is a division of Royal Mail Group which comprises parcels, international and media & unaddressed mail services

UMA Unlicensed Mobile Access, a technology that provides roaming between GSM and 802.11 WiFi

UMTS Universal mobile telecommunications system. The 3G mobile technologies most commonly used in the UK and Europe.

Unaddressed mail Also known as door-to-door and door drops, unaddressed mail is advertising mail with no specified recipient, usually distributed to all households within a targeted geographical area

Unbundled A local exchange that has been subject to local loop unbundling (LLU).

Unique audience The number of different people visiting a website or using an application.

Usage caps Monthly limits on the amount of data which broadband users can download, imposed by some ISPs.

UWB Ultra-wideband A technology developed to transfer large amounts of data wirelessly over short distances, typically less than ten metres.

VCR Video cassette recorder.

VHF Very High Frequency The part of the spectrum between 30 MHz and 300 MHz. FM radio is broadcast on part of this band (87.6 MHz to 107.9 MHz) and DAB digital radio is broadcast on another (Band III: 217.5 MHz to 230 MHz in the UK, and over a wider range, but shared with TV services, elsewhere in Europe).

VOD Video-on-demand A service or technology that enables TV viewers to watch programmes or films whenever they choose to, not restricted by a linear schedule (also see 'push' VOD and 'pull' VOD).

VoIP Voice over Internet Protocol. A technology that allows users to send calls using internet protocol, using either the public internet or private IP networks.

WAP Wireless application protocol.

Web 2.0 A perceived 'second generation' of web-based communities and hosted services - such as social networking sites and wikis, which facilitate collaboration and sharing between users.

Widget Widgets are small chunks of code embedded on desktops, web pages, mobile phones and TVs to enable content to be distributed.

WiFi hotspot A public location which provides access to the internet using WiFi technology.

WiMAX A wireless MAN (metropolitan area network) technology, based on the 802.16 standard. Available for both fixed and mobile data applications.

Wireless LAN or WiFi (Wireless fidelity) Short-range wireless technologies using any type of 802.11 standard such as 802.11b or 802.11a. These technologies allow an over-the-air connection between a wireless client and a base station, or between two wireless clients.

WLR (Wholesale line rental) A regulatory instrument requiring the operator of local access lines to make this service available to competing providers at a wholesale price.

XHTML (Extensible HTML) A mark-up language for Web pages from the W3C. XHTML combines HTML and XML into a single format (HTML 4.0 and XML 1.0).

Table of Figures

Figure 1.1	Communications industry revenue – telecoms, TV, radio, post	21
Figure 1.2	Digital communications services availability.....	23
Figure 1.3	Household take-up of digital communications/ AV devices, 2003-2013.....	24
Figure 1.4	Household take-up of communications services	25
Figure 1.5	Take-up of superfast broadband services	25
Figure 1.6	Most important device for connecting to the internet.....	26
Figure 1.7	Most-missed media activity	27
Figure 1.8	Approximate number of items sent and received by post.....	28
Figure 1.9	Average time spent using communications services per day.....	29
Figure 1.10	Take-up of bundled services	30
Figure 1.11	Overall satisfaction with communications services.....	31
Figure 1.12	Average household spend on communications services.....	31
Figure 1.13	Media multi-taskers	35
Figure 1.14	Demographic profile of weekly media multi-taskers	35
Figure 1.15	Media meshing activities conducted while watching TV	36
Figure 1.16	Media meshing activities, by nation.....	37
Figure 1.17	Demographic profile of media meshers, by activity	37
Figure 1.18	Frequency of media meshing: any activity	38
Figure 1.19	Demographic profile of weekly media meshers: any activity	39
Figure 1.20	Devices used: social activities	40
Figure 1.21	Devices used: participation activities.....	41
Figure 1.22	Media stacking activities conducted while watching TV	42
Figure 1.23	Media stacking activities, by nation	43
Figure 1.24	Frequency of media stacking: any activity conducted	43
Figure 1.25	Demographic profile of weekly media stackers: any activity conducted.....	44
Figure 1.26	Devices used: 'social' stacking activities	45
Figure 1.27	Devices used: 'non-social' stacking activities.....	46
Figure 1.28	Demographic profile: smartphone vs. tablet owners vs. laptop/netbook owners	46
Figure 1.29	Devices owned	47
Figure 1.30	Weekly multi-tasking, meshing and stacking, by device owned	47
Figure 1.31	Devices used: media meshing	48
Figure 1.32	Devices used: media stacking	49
Figure 1.33	Ownership and use of tablet computers	53
Figure 1.34	Claimed ownership, by tablet brand	54
Figure 1.35	Activities conducted on a tablet	54
Figure 1.36	Frequency of viewing different services on a tablet.....	55
Figure 1.37	Most important device for internet access.....	56
Figure 1.38	Which device is used more for specific activities by smartphone AND tablet users.....	57
Figure 1.39	Type of content watched over the internet: tablet vs. smartphone	58
Figure 1.40	Frequency of watching linear TV after device adoption.....	58
Figure 1.41	Household viewing habits.....	59
Figure 1.42	Locations for viewing content in the home: tablet.....	60
Figure 1.43	Shared vs. personal viewing device	60
Figure 1.44	Frequency of children's use of a tablet.....	61
Figure 1.45	Tablet use by children	61
Figure 1.46	Types of TV programmes and other video content watched by children on a tablet computer.....	62
Figure 1.47	Frequency of children's viewing of AV content on a tablet.....	62
Figure 1.48	Locations of children's viewing of content at home on tablet computer	63
Figure 1.49	Tablets as a tool for children	63

Figure 1.50	Methods used at least daily to communicate with friends and family	67
Figure 1.51	Methods used at least daily to communicate with friends and family: younger and older users.....	68
Figure 1.52	Methods used at least weekly to communicate with friends and family	69
Figure 1.53	Methods used at least weekly to communicate with friends and family: younger and older users.....	70
Figure 1.54	Web-based communication on computers, mobile phones, and both, among 16-24 year olds.....	71
Figure 1.55	Net increase in use of mobile and computer for communication.....	72
Figure 1.56	Increase in use of internet-enabled communication on computers and mobile phones among 16-24 year olds	73
Figure 1.57	Reasons for using IP communications	74
Figure 1.58	Agreement with statements about instant messaging	74
Figure 1.59	Acceptability of using private and public communication methods to share information.....	75
Figure 1.60	Acceptability of using private communication methods to share information: younger and older users.....	76
Figure 1.61	Acceptability of using public communication methods to share information: younger and older users.....	76
Figure 1.62	Age distribution, by ethnic group	79
Figure 1.63	Regional distribution of ethnic minority groups.....	79
Figure 1.64	Penetration of watching television	80
Figure 1.65	Recorded and on-demand TV	80
Figure 1.66	TV on demand, by platform	81
Figure 1.67	"I like the idea of having a large selection of TV channels"	82
Figure 1.68	Take-up of broadband	82
Figure 1.69	Using WiFi hotspots	83
Figure 1.70	Types of websites visited	84
Figure 1.71	Time 16-34 year-olds spent playing online games via a games console or PC	84
Figure 1.72	"I often refer to the internet before making a purchase"	85
Figure 1.73	"I tend to be influenced by comments/reviews posted online by other internet users"	85
Figure 1.74	"Computers confuse me, I'll never get used to them"	86
Figure 1.75	"I love to buy new gadgets and appliances"	87
Figure 1.76	"It is important my household is equipped with the latest technology"	87
Figure 1.77	Proportion of lines with speeds less/greater than 2Mbit/s	91
Figure 1.78	Number of lines less than 2Mbit/s	92
Figure 1.79	Estimated current and future availability of NGA infrastructure from BT and/or Virgin Media	93
Figure 1.80	Estimated current and future availability of BT NGA broadband infrastructure for eleven cities	93
Figure 1.81	Availability of Virgin Media cable infrastructure for 11 cities.....	94
Figure 1.82	Upgraded and in-plan exchanges as a percentage of the total exchanges serving the city area	95
Figure 1.83	Number of alternative operators to BT and Virgin Media identified as having a point of presence.....	95
Figure 1.84	Hotspots per 10,000 city residents (hotspots provided by The Cloud and BT)	96
Figure 1.85	3G mobile coverage from four operators (% of premises), by city	97
Figure 1.86	Illustrative results as at June 2012, showing average modem sync speed for basic broadband and SFBB lines, with SFBB all set at 40Mbit/s	98
Figure 1.87	City profiles, by age.....	99
Figure 1.88	City profiles, by socio-economic group.....	100
Figure 1.89	Access to landline, by city	101

Figure 1.90	Access to the internet, by method, by city	102
Figure 1.91	Access to mobile devices, by city	103
Figure 1.92	TV platform, by city	103
Figure 1.93	Platforms used for news 'nowadays'	107
Figure 1.94	Top 20 news sources – reach among all adults	108
Figure 1.95	Share of viewing of national and international news, all adults	109
Figure 1.96	TV channels used for news 'nowadays'	110
Figure 1.97	Radio stations used for news	111
Figure 1.98	Daily newspapers used for news 'nowadays'	112
Figure 1.99	Combined print and online readership of daily newspapers	113
Figure 1.100	Websites or apps used for news 'nowadays'	114
Figure 1.101	Online reach of top 20 selected news sites in the UK: March 2013	115
Figure 1.102	Ways in which online news is accessed	116
Figure 1.103	Single most important news source	117
Figure 1.104	Attributes of television news sources	118
Figure 1.105	Attributes of newspaper sources	119
Figure 1.106	Attributes of radio news sources	120
Figure 1.107	Attributes of website/ app news sources	121
Figure 1.108	Local news consumption: 2013	122
Figure 1.109	Personal importance of local news: 2013 (% rating 7-10 out of 10)	123
Figure 2.1	Industry metrics	127
Figure 2.2	Total TV industry revenue, by source: 2012	128
Figure 2.3	Advertising revenue, by share: 2011-2012	129
Figure 2.4	Use of different devices to connect TV to the internet	130
Figure 2.5	Smart TV sales and market share	131
Figure 2.6	Ownership, by smart TV brand	132
Figure 2.7	Reasons people buy a smart TV	133
Figure 2.8	Consumers' use of internet connection on smart TVs	133
Figure 2.9	Activities undertaken on smart TVs among adults and children	134
Figure 2.10	Attitudes towards smart TVs	135
Figure 2.11	Frequency of viewing live TV, by device	136
Figure 2.12	Percentage of TV sets sold, by screen size: 2004 to Q1 2013	137
Figure 2.13	Claimed consumption of audio-visual content online	138
Figure 2.14	Estimated share of the UK long-form 'pull' VOD market, by device (programmes/films, not short clips or videos)	139
Figure 2.15	Reason for video-on-demand use: TV vs. online	140
Figure 2.16	Claimed weekly use of TV catch-up services via set-top boxes	141
Figure 2.17	Types of audio-visual content consumed, by device users	141
Figure 2.18	Location of viewing on tablets and smartphones	142
Figure 2.19	TV and online VOD, and videos purchased online (EST*): claimed use, by genre	143
Figure 2.20	Time-shifted viewing in all homes: 2007-2012	146
Figure 2.21	Time-shifted viewing in DVR homes: 2007-2012	146
Figure 2.22	Time-shifted viewing, all channels, by programme genre: 2012	148
Figure 2.23	Time-shifted and live viewing of the top and bottom five of the 100 most- watched programmes in 2012	149
Figure 2.24	Viewing share of main channels and their +1 variants, all individuals: 2012	150
Figure 2.25	Media meshing while watching television, UK adults and 16-24s	151
Figure 2.26	Top 10 TV channels by average volume of tweets per programme	152
Figure 2.27	Total viewers of Olympic and Paralympic Games: 2004-2012	153
Figure 2.28	Top ten most-watched programmes: 2012	154
Figure 2.29	Proportion of time-shifted viewing, by programme genre: 2012	155
Figure 2.30	The top ten programmes watched live on BBC iPlayer: 2012	155
Figure 2.31	PSB and multichannel spend on sports programming: 2006-2012	156

Figure 2.32	Multichannel spend on programmes, by genre: 2012	157
Figure 2.33	PSB and multichannel sports output: 2007 – 2012	157
Figure 2.34	Total TV industry revenue, by source: 2007 -2012.....	160
Figure 2.35	TV industry revenues, by share.....	161
Figure 2.36	Total TV industry revenue, by sector: 2007-2012.....	162
Figure 2.37	TV net advertising revenues, by source: 2007-2012	163
Figure 2.38	TV net advertising revenue market shares: 2011-2012.....	164
Figure 2.39	Breakdown of other/ non-broadcast revenue: 2012	165
Figure 2.40	Revenue generated by multichannel broadcasters, by genre, 2012	166
Figure 2.41	Spend on network TV programmes: 2011-2012.....	167
Figure 2.42	Independent producer TV-related revenues.....	168
Figure 2.43	Relative share of spend on first-run originated network content, by genre: in-house vs. independent producers: 2007 and 2012	169
Figure 2.44	Spend on first-run originated output on the five main networks	170
Figure 2.45	PSBs' total and first-run originated hours of output, all day: 2012.....	170
Figure 2.46	Hours of first-run originated output on the five main channels	171
Figure 2.47	First-run network originations by PSBs: all day and peak time, per week...	172
Figure 2.48	Genre mix on the five main PSB channels: peak time, by hours.....	172
Figure 2.49	Genre mix on the five main PSB channels: daytime, by hours.....	173
Figure 2.50	The BBC's digital channels genre mix: all day, by hours.....	174
Figure 2.51	Total multichannel hours and first-run originations/acquisitions: 2012	175
Figure 2.52	Content spend by commercial multichannels in key genres: 2011-2012	176
Figure 2.53	Online TV revenues.....	177
Figure 2.54	Platform take-up survey results: Q4 2001 – Q4 2012	180
Figure 2.55	Platform by age, socio-economic group and viewing hours	181
Figure 2.56	Average hours of television viewing per day, by age, all homes: 2004 to 2012	182
Figure 2.57	Average 2012 audiences, weekdays/weekends, by day part: all homes	182
Figure 2.58	Average 2012 weekday audiences, by day part and age: all homes	183
Figure 2.59	Average 2012 weekend audiences, by day part and age: all homes	184
Figure 2.60	Total TV viewing, main sets vs. other sets: 2002-2012	184
Figure 2.61	Average weekly TV reach, all homes: 2004-2012	185
Figure 2.62	Channel share in all homes: 1982-2012.....	187
Figure 2.63	Five main PSB channels' audience share, all homes.....	188
Figure 2.64	Five main PSB channels' audience shares, by platform	189
Figure 2.65	Channel share, by platform: 2012	190
Figure 2.66	Share of total TV viewing hours, by platform signal	191
Figure 2.67	Five main PSB channels' share of total hours, by platform signal.....	191
Figure 2.68	Share of viewing hours for main PSB channels, by platform: 2012.....	192
Figure 2.69	PSB and portfolio channel shares in multichannel homes	193
Figure 2.70	Broadcaster portfolio shares in multichannel homes.....	194
Figure 2.71	BBC portfolio share in multichannel homes.....	195
Figure 2.72	ITV portfolio shares in multichannel homes.....	196
Figure 2.73	Channel 4 portfolio shares in multichannel homes.....	197
Figure 2.74	Channel 5 portfolio shares in multichannel homes.....	198
Figure 2.75	BSkyB portfolio shares in multichannel homes	199
Figure 2.76	UKTV portfolio shares in multichannel homes.....	200
Figure 2.77	The top channels by share in multichannel homes: 2011-2012	200
Figure 2.78	Age and gender profile of the 30 most-viewed channels in multichannel homes.....	201
Figure 2.79	Live versus time-shifted viewing: all homes	202
Figure 2.80	Live versus time-shifted viewing: DVR homes	203
Figure 2.81	Proportion of time shifted viewing, by age: all adults.....	204
Figure 2.82	Proportion of time-shifted viewing, by age: DVR adults	205
Figure 2.83	Unique audience of online catch-up services on PC/laptop	205

Figure 2.84	Requests for TV programmes across BBC iPlayer, by device type	206
Figure 2.85	Total unique visitors to selected online TV and film streaming sites	207
Figure 2.86	Total unique visitors to selected video sharing sites	208
Figure 2.87	Opinion on programmes over the past 12 months	209
Figure 2.88	Opinion on programmes over the past 12 months, by age.....	209
Figure 2.89	Reasons for online on-demand use: 2012.....	210
Figure 3.1	UK radio industry: key metrics.....	213
Figure 3.2	Radio industry revenue and spending: 2006-2012.....	214
Figure 3.3	Commercial revenue percentage change: 2011-2012	215
Figure 3.4	BBC radio stations' expenditure: 2011-12	216
Figure 3.5	Reach of national commercial and local commercial stations indexed by reach across the UK.....	217
Figure 3.6	Reach of BBC network and BBC local radio and national regional stations	218
Figure 3.7	Leading radio services in Cardiff, Birmingham and London	219
Figure 3.8	Leading radio services in Belfast, Edinburgh and Glasgow	219
Figure 3.9	Leading radio services in Manchester, Leeds and Newcastle.....	220
Figure 3.10	Key factors in local radio listening	221
Figure 3.11	Devices used to listen to radio	222
Figure 3.12	Reasons for listening to radio more now, compared to five years ago.....	223
Figure 3.13	Listening to radio via internet, television, mobile phone and DAB.....	223
Figure 3.14	Ways used to listen to radio through a mobile device	224
Figure 3.15	Discovering new music or information about live events.....	225
Figure 3.16	Ways of listening to music.....	226
Figure 3.17	Music services accessed in the past three months	227
Figure 3.18	Digital radio's share of radio listening: Q1 2013.....	227
Figure 3.19	Ownership of DAB sets: Q1 2013.....	228
Figure 3.20	Take-up of equipment capable of receiving digital radio: Q1 2013	228
Figure 3.21	UK commercial radio revenue and BBC radio spending	230
Figure 3.22	UK radio advertising spend and share of display advertising: 2007-2012...	230
Figure 3.23	Commercial radio revenue per listener.....	231
Figure 3.24	Number of commercial analogue licences held, by group.....	231
Figure 3.25	Share of all radio listening hours: Q1 2013	232
Figure 3.26	Commercial radio, by weekly audience reach: Q1 2012	232
Figure 3.27	Weekly reach of BBC stations: Q1 2013.....	233
Figure 3.28	BBC radio stations' spend on content: 2012-13	234
Figure 3.29	Analogue UK radio stations broadcasting: May 2013.....	235
Figure 3.30	Average income for community radio stations: 2008-2012	236
Figure 3.31	Distribution of total income levels across the community radio sector	236
Figure 3.32	Community radio income, by source	237
Figure 3.33	Average income, by type of community served.....	237
Figure 3.34	Average expenditure of community radio stations: 2008-2012	238
Figure 3.35	Community radio expenditure, by type	238
Figure 3.36	Average expenditure, by type of community served.....	239
Figure 3.37	Community radio hours and volunteers.....	239
Figure 3.38	Recorded music retail revenues: 2008-2012.....	240
Figure 3.39	Distribution of recorded music retail revenues: 2008-2012	240
Figure 3.40	Recorded music sales, by volume: 2008-2012.....	241
Figure 3.41	Reach of radio, by sector	243
Figure 3.42	Year-on-year change in total listening hours	244
Figure 3.43	Share of listening hours, by sector	244
Figure 3.44	Listening hours, by age group: 2011-2012.....	245
Figure 3.45	Percentage change in time spent listening by age group: 2007 and 2012..	245
Figure 3.46	Percentage of time spent listening, by sector: 2007 and 2012.....	246
Figure 3.47	Average weekly listening, by demographic: year ending Q1 2013.....	246
Figure 3.48	Share of listening hours across analogue and digital platforms	247

Figure 3.49	Digital radio listening, by age group: monthly.....	247
Figure 3.50	Platform split by sector and station: year ending Q1 2013.....	248
Figure 3.51	Most popular digital-only stations: Q1 2013	248
Figure 3.52	Share of listening hours, by nation	249
Figure 3.53	Location of listening: year to Q1 2012.....	250
Figure 3.54	Number of analogue and digital radio sets sold	251
Figure 3.55	Awareness of digital radio	251
Figure 3.56	Likely to buy a DAB radio in the next 12 months.....	252
Figure 3.57	Unique audiences of selected music streaming sites.....	253
Figure 3.58	Number of subscriptions to online music services: 2007-2012	253
Figure 3.59	Audio internet use	254
Figure 3.60	BBC iPlayer quarterly radio requests	254
Figure 3.61	MP3 player/ iPod ownership and personal use	255
Figure 4.1	UK internet and web-based content market: key statistics.....	259
Figure 4.2	Take-up of mobile phone internet access.....	260
Figure 4.3	Mobile internet users by gender, age, and social group: 2009 vs. 2013	261
Figure 4.4	Smartphones: take-up, share of handset sales and mobile internet use.....	262
Figure 4.5	Top ten internet properties accessed by mobile, and by laptop/desktop users	263
Figure 4.6	Internet properties with the greatest proportional increase in total unique audience through mobile	264
Figure 4.7	UK advertising expenditure: 2012	265
Figure 4.8	Digital advertising expenditure by type: 2008-2012.....	266
Figure 4.9	Video display advertising revenue: 2008-2012.....	266
Figure 4.10	Mobile advertising expenditure and mobile internet take-up	267
Figure 4.11	Mobile advertising, by type: 2008-2012.....	267
Figure 4.12	Mobile display advertising revenues, by type and location: 2010 – 2012....	268
Figure 4.13	Frequency with which mobile phone users recall seeing mobile advertising	269
Figure 4.14	Gender, age and handset of those who recall mobile advertising.....	269
Figure 4.15	Profile of smartphone users who recall mobile advertising	270
Figure 4.16	Household internet access: 2005-2013.....	272
Figure 4.17	Wireless router and broadband take-up: 2007 to 2013	273
Figure 4.18	Home internet access by age, socio-economic group, and gender.....	274
Figure 4.19	Active internet audience on laptop, desktop, and mobile devices	276
Figure 4.20	Average time browsing per internet user across laptop, desktop and mobile	277
Figure 4.21	Average time online on a laptop/desktop, by age and gender	277
Figure 4.22	Ownership of internet-enabled devices	278
Figure 4.23	Take-up of internet-enabled devices, by socio-economic group	279
Figure 4.24	Devices used in the home to access the internet, by age: 2012	280
Figure 4.25	Number of different internet-enabled devices per household: Q1 2013.....	281
Figure 4.26	Device ownership, by number of different internet-enabled devices in the household	282
Figure 4.27	Proportion of page views on desktop/laptop, tablet, and mobile devices	283
Figure 4.28	Most important device for internet access.....	284
Figure 4.29	Most important device for internet access, by device ownership	284
Figure 4.30	Internet take-up and intentions: 2008-2013.....	285
Figure 4.31	Internet take-up and intentions, by demographic group	286
Figure 4.32	Stated reasons for not intending to get home internet access in the next 12 months: 2005, 2007, 2009, 2010, 2011 and 2012.....	287
Figure 4.33	Interest in internet activities among non-users: 2012	288
Figure 4.34	Claimed use of the internet for selected activities	291
Figure 4.35	Top ten most popular internet properties among the digital audience.....	292
Figure 4.36	Top ten internet properties among the digital audience, by time spent.....	293

Figure 4.37	Active reach of search websites across digital, laptop/desktop and mobile audiences: April 2013	294
Figure 4.38	Overlap of audiences between platforms: April 2013	294
Figure 4.39	Laptop and desktop unique audience of selected search websites: May 2010 to Apr 2013	295
Figure 4.40	Mobile unique audience of selected search websites: Apr 2011 to Apr 2013	295
Figure 4.41	Proportion of adults who access social networking sites at home.....	296
Figure 4.42	Active reach of social networking services across laptop/desktop and mobile audiences: April 2013	297
Figure 4.43	Unique audience of selected social networking websites on laptop/desktop computers: May 2010 to May 2013	297
Figure 4.44	Unique audience of selected social networking websites on mobile phones: Apr 2012 to Apr 2013	298
Figure 4.45	Time spent on social networking sites across laptop, desktop and mobile .	299
Figure 4.46	Application and browser access to social networks on a mobile phone	299
Figure 4.47	Use of check-in services by mobile social networkers	300
Figure 4.48	Reach of online video services on laptop, desktop and mobile: April 2013.	300
Figure 4.49	Unique audience of selected online video websites on laptop and desktop computers: May 2010 to May 2013	301
Figure 4.50	GB internet retail sales	302
Figure 4.51	Active reach of selected online retailers, by platform: April 2013	303
Figure 4.52	Unique audience of selected online retailers on laptop and desktop computers: May 2010 to May 2013	303
Figure 4.53	Mobile unique audience of selected online retailers: Apr 2011 to Apr 2013	304
Figure 4.54	Mobile retail activities conducted by mobile internet users.....	305
Figure 4.55	Amount spent on goods and services among mobile internet shoppers	305
Figure 4.56	Active reach of selected news websites on laptop and desktop computers	306
Figure 4.57	Unique audience of selected news brands on mobile for world/ national/ local news	307
Figure 4.58	Frequency of accessing news among mobile internet users.....	307
Figure 5.1	UK telecoms industry: key statistics	311
Figure 5.2	4G share of total mobile subscribers: May 2013	313
Figure 5.3	Awareness and take-up of 4G	314
Figure 5.4	Future intention to sign up to 4G	314
Figure 5.5	Reasons for wanting to upgrade to 4G.....	315
Figure 5.6	Use of EE's 4G network, by application: March 2013	316
Figure 5.7	Volume of mobile data used by 4G handset owners	316
Figure 5.8	Volume of mobile data used by BillMonitor site visitors, by percentile	317
Figure 5.9	Reasons for not moving to 4G.....	318
Figure 5.10	Number of BT exchanges that are fibre-to-the-cabinet enabled.....	319
Figure 5.11	Proportion of premises in postcodes served by NGA networks, by technology	321
Figure 5.12	Comparison of major ISPs' superfast and current-generation broadband services	322
Figure 5.13	Take-up of superfast broadband services	323
Figure 5.14	Changing composition of Virgin Media's broadband customer base.....	323
Figure 5.15	Superfast broadband net additions	324
Figure 5.16	Reasons for choosing current broadband service	325
Figure 5.17	Price of current broadband service, compared to previous service.....	326
Figure 5.18	Previous internet service provider, by current superfast provider	327
Figure 5.19	Change in use, compared to previous broadband connection	328
Figure 5.20	Speed of downloads compared to initial expectations, by year.....	328
Figure 5.21	Experience of using services, compared to previous broadband connection	329

Figure 5.22	Total telecoms revenue, by wholesale and retail, fixed and mobile, and corporate data services	332
Figure 5.23	Retail revenue, by service	333
Figure 5.24	Volume of outgoing fixed and mobile voice minutes	333
Figure 5.25	Number of fixed connections, by service.....	334
Figure 5.26	Number of mobile and mobile broadband subscribers	335
Figure 5.27	Retail fixed voice revenues: 2007 to 2012.....	335
Figure 5.28	Average monthly retail revenue per fixed line	336
Figure 5.29	Fixed voice volumes, by type of call.....	336
Figure 5.30	Share of fixed voice call volumes: 2007-2012	337
Figure 5.31	Number of fixed lines: 2007-2012.....	338
Figure 5.32	Retail fixed internet revenues	338
Figure 5.33	Fixed broadband connections: 2007-2012	339
Figure 5.34	Fixed broadband market share: 2007-2012	340
Figure 5.35	Mobile voice retail revenue, by type of call.....	340
Figure 5.36	Mobile average revenue per user, by pre-pay and post-pay	341
Figure 5.37	Volume of outgoing mobile calls, by type of call.....	342
Figure 5.38	Volume of SMS messages sent, and quarter-on-quarter change: Q1 2007 to Q4 2012.....	343
Figure 5.39	Volume of SMS messages sent, by pre-pay and post-pay: 2007-2012	343
Figure 5.40	Volume of MMS messages sent, by pre-pay and post-pay: 2007-2012.....	344
Figure 5.41	Mobile connections, by type: 2007-2012	345
Figure 5.42	Number of active mobile subscribers, by pre-pay and post-pay: 2007-2012	346
Figure 5.43	Number of active mobile broadband subscribers, by pre-pay and post-pay: 2012	346
Figure 5.44	Business fixed voice and fixed broadband connections: 2007-2012.....	347
Figure 5.45	Business mobile and mobile broadband connections: 2011 and 2012	347
Figure 5.46	Business fixed voice volume and revenue: 2007-2012	348
Figure 5.47	Mobile voice call volume, by consumer and business: 2012.....	349
Figure 5.48	Mobile retail revenue, by consumer and business: 2012	350
Figure 5.49	Corporate data services connections and revenue: 2007-2012	351
Figure 5.50	Average household spend on telecoms services	354
Figure 5.51	Household penetration of key telecoms technologies	355
Figure 5.52	Household penetration of fixed and mobile telephony.....	355
Figure 5.53	Comparison of average fixed and mobile voice call charges	356
Figure 5.54	Home internet access, by age and socio-economic group.....	357
Figure 5.55	Household penetration of fixed and mobile broadband	358
Figure 5.56	Use of methods of communication other than traditional voice telephony ..	358
Figure 5.57	Average monthly time per person spent using telecoms services.....	359
Figure 5.58	Real price of a basket of residential fixed voice services	360
Figure 5.59	Use of fixed voice communication services in the home	361
Figure 5.60	Average monthly outbound fixed call volumes per person	362
Figure 5.61	Average revenue per fixed-voice call minute.....	363
Figure 5.62	Standalone fixed-line tariff analysis	364
Figure 5.63	Residential consumer satisfaction with fixed-line services	364
Figure 5.64	Real average monthly price of a residential fixed broadband connection ...	365
Figure 5.65	Lowest-cost fixed broadband options from major ISPs	366
Figure 5.66	Take-up of fixed broadband, by age.....	367
Figure 5.67	Non-ownership of home broadband, by socio-economic group and age	367
Figure 5.68	Main reasons for not having a home broadband connection.....	368
Figure 5.69	Location of internet access.....	369
Figure 5.70	Satisfaction with aspects of fixed broadband service	370
Figure 5.71	Real price of a basket of mobile services	371
Figure 5.72	Average per-minute mobile call charges, by customer type.....	372

Figure 5.73	Monthly line rental prices for new post-pay mobile connections	373
Figure 5.74	Contract lengths for new post-pay mobile connections	374
Figure 5.75	Household penetration of fixed and mobile telephony, by socio-economic group and age	375
Figure 5.76	Average monthly outbound mobile voice minutes per person.....	375
Figure 5.77	Average monthly outbound mobile call minutes, by subscription type	376
Figure 5.78	Average monthly mobile messaging volumes per person	377
Figure 5.79	Average monthly mobile messaging volumes, by subscription type	377
Figure 5.80	Satisfaction with aspects of mobile service	378
Figure 5.81	Use of data services on mobile phones, by age and socio-economic group.....	379
Figure 5.82	Use of mobile data services among mobile users	379
Figure 5.83	Location of internet access using a mobile handset.....	380
Figure 5.84	Take-up of mobile broadband: by age, socio-economic group and housing type.....	381
Figure 5.85	Location of mobile broadband use outside the home	381
Figure 5.86	Lowest-cost standalone mobile broadband contracts, by provider.....	382
Figure 6.1	UK postal industry: key metrics	385
Figure 6.2	Products or services bought online in the past six months.....	386
Figure 6.3	Factors that influence choice of online vendor	387
Figure 6.4	Delivery concerns preventing online purchasing	387
Figure 6.5	Key improvement areas for online customers	388
Figure 6.6	Factors influencing choice of delivery method.....	389
Figure 6.7	Service types used for the fulfilment of e-retail, by proportion: 2012.....	389
Figure 6.8	Where items bought online are 'usually' delivered	390
Figure 6.9	Delivery decision tree after choosing to buy an item online	390
Figure 6.10	Mail revenue: 2007-2012.....	394
Figure 6.11	Mail volumes: 2007-2012	394
Figure 6.12	Proportion of access mail in total mail: 2007-2012.....	395
Figure 6.13	Access volumes and Royal Mail's access revenue, by format: 2011-2012	395
Figure 6.14	Other operators' end-to-end delivered volumes: 2009-2012	396
Figure 6.15	First and Second Class stamp prices	397
Figure 6.16	Attitudes to statements about sending / receiving post	400
Figure 6.17	Number of items of post sent per month (including letters, cards and parcels)	401
Figure 6.18	Types of post sent in the past month.....	402
Figure 6.19	Net percentage of respondents reporting increasing or decreasing amount of post sent in the past two years	403
Figure 6.20	Perceived value for money of First and Second Class Stamps.....	404
Figure 6.21	Approximate number of items of post received per week (including letters, cards and parcels)	404
Figure 6.22	Types of post received in the past month.....	405
Figure 6.23	Types of post being received more often	406
Figure 6.24	Reliance on, and satisfaction with, postal service	407
Figure 6.25	Monthly spend on sending postal items	410
Figure 6.26	Volume of letters sent each month	410
Figure 6.27	Postal operators used	411
Figure 6.28	Royal Mail services used to send standard mail	411
Figure 6.29	Predicted change in volume of sent mail by businesses over the next year.....	412