

Communications Market Report

Bitesize Published 3 August 2017

Ofcom

making communications work
for everyone



The communications market report

The communications market plays a crucial role in the lives of citizens and consumers, and the fast-paced nature of the market means that this role is ever-changing.

This summary report draws on the findings of the 2017 Communications Market Report. Its aim is to underline the importance of communications to citizens and consumers and highlight how the market is changing in 2017, in a brief and accessible form.

The Communications Market Report exists to provide a reference for industry, stakeholders and consumers across the sectors Ofcom regulates: fixed-line and mobile telecoms, TV, radio and video-on-demand services, post, and the airwaves used by wireless devices.

It supports Ofcom's goal to research markets constantly and remain at the forefront of technological understanding, as well as fulfilling

the requirements on Ofcom under Section 358 of the Communications Act 2003 to publish an annual factual and statistical report, and in Sections 14 and 15, to undertake and make public our consumer research.

More in-depth analysis of the UK communications market is available in the full report, and in-depth analysis of communications in the nations is available in the reports for Northern Ireland, Scotland and Wales.

1 The market in context







1.1 Overview

The Communications Market Report this year highlights the continuing changes in how consumers use communications services. Chief among these is how the increasing

take-up of faster fixed and mobile data services is extending people's choice over how, where and when they communicate with others, watch or listen to content services,

seek information, shop, and participate in the digital world. The table below provides an overview of the take-up and usage of different communications services.

Unless otherwise stated, figures are from Q1 2017

TV		94%	Proportion of UK homes with digital TV ¹
		3h 32m	Minutes spent watching broadcast TV per day (per person aged 4+, average daily minutes across 2016)
Radio		57%	Proportion of radio listeners with a DAB radio in their household
		46%	Proportion of listener hours through a digital platform (DAB, online DTV)
		183	Minutes spent listening to radio per day (among radio listeners) ²
		329	Number of local radio stations broadcasting on analogue (excluding community stations) (May 2017)
		251	Number of community radio stations currently on air (May 2017)
Internet		88%	Total household internet take-up
		25.3m	Number of fixed broadband connections (end 2016)
		10.8m	Number of superfast broadband connections (end 2016)
		83%	Proportion of adults with broadband (fixed and mobile)
		44%	Superfast broadband take-up (% of all connections) (Q4 2016)
		36.2Mbit/s	Average actual fixed broadband speed (Nov. 2016)
Landlines and mobiles		58%	Proportion of homes with a tablet computer
		66%	Proportion of people who use their mobile phone to access the internet
		26.4m	Number of residential fixed landlines (end 2016)
		33.5m	Number of fixed landlines in the UK, including ISDN channels (end 2016)
		94%	Proportion of adults who personally own/use a mobile phone
		76%	Proportion of adults with a smartphone
		18%	Proportion of adults who live in a mobile-only home ³
Post		92.0m	Number of mobile subscriptions (including M2M) (end 2016)
		52.4m	Number of 4G subscriptions (end 2016)
Post		11.8bn	Addressed letter mail volume in 2016
		£4.2bn	Addressed letter revenues in 2016

¹ This figure is drawn from Ofcom's technology tracker. BARB's establishment survey measured TV take up at 95.6% of UK homes in Q1 2016 and this is set out in the TV section of this report.

² Average week in 2017

³ A household that solely uses mobile phones to fulfil its voice telephone requirements but may also use fixed or mobile broadband services.

The UK's TV landscape is evolving.

1.2 The changing TV landscape

People are supplementing live broadcast TV¹ viewing with broadcasters' on-demand and streaming services, recorded TV and paid-for streaming services like Netflix and Amazon Prime Video, which are becoming increasingly mainstream. Live broadcast TV remains a central component of TV viewing, but increasingly people are using different services and types of content to meet different needs. We conducted research in order to explore the needs that

these services are meeting, and the benefits and disadvantages of this new approach to TV consumption.

Methodology

This section draws on new Ofcom research carried out between 27 April and 9 May 2017, conducted by Populus. This research was conducted via an online survey comprising 2,356 interviews among adults aged 16+, and 505 interviews among 12-15 year olds.

1.3 Highlights from the research

On-demand and streaming is becoming more mainstream

When respondents were asked what on-demand and streaming services they use to watch TV programmes and films, BBC iPlayer was the most popular choice, with 63% of

UK adults citing this, followed by ITV Hub (40%) and YouTube (38%). When we group these together into types of services, we can see that the most popular on-demand and

streaming services for watching programmes and films are the public service broadcasters' online services (BBC iPlayer, All4, ITV Hub, My5) used by 67% of adults.

People are most likely to use live broadcast TV when they want to keep up with the news and to provide "background noise"

When we asked adult users of broadcast TV why they used live TV, 57% said they used it to keep up with the news and what's happening around them, but this purpose was chosen by only 19% of viewers of broadcasters' on-demand and streaming services and 8% of those using subscription on-demand and streaming services.

Live broadcast TV is also the most likely service to be used to provide "background noise"; 20% of respondents who watch live broadcast TV do so for this purpose. Among respondents who watch broadcasters' on-demand and streaming services, 8% do it for this reason, and among users of subscription on-

demand and streaming services, pay TV services and Facebook/YouTube, the figure is 9%.

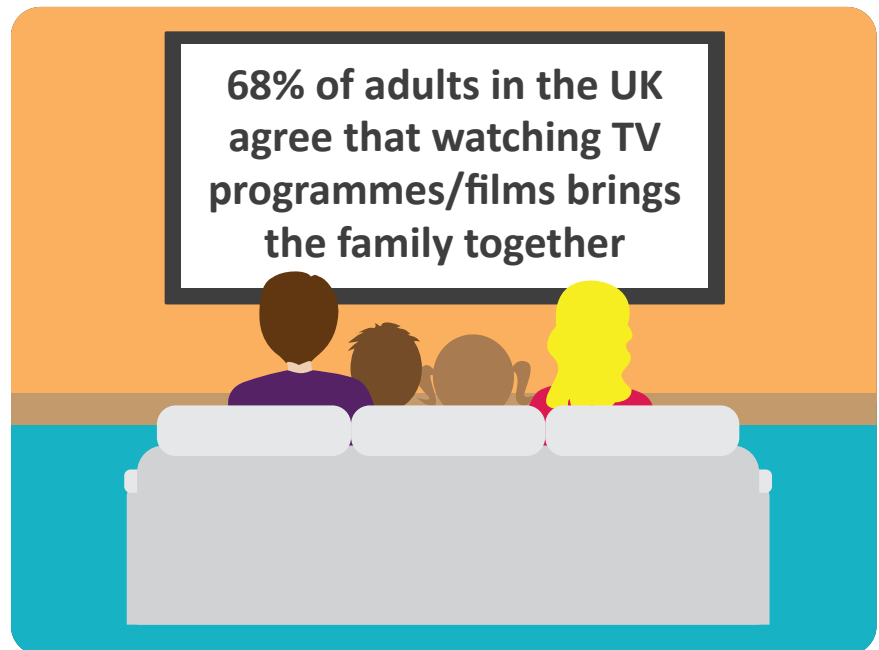
¹ The term 'Live TV' covers live scheduled programming that is broadcast as part of a linear channel.

People watch TV programmes/films for a range of other reasons

Forty-four per cent of live broadcast viewers use it to de-stress, as do 42% of subscription on-demand and streaming users, a third (33%) of both viewers of broadcasters' on-demand and streaming services and users of Facebook or YouTube, and 29% of Pay TV viewers.

In order to create some 'alone time', and to be able to watch what they want to, similar numbers of adult users say they turn to live or recorded TV (55%), broadcasters' online services (50%) and subscription libraries (55%). Teens tend to choose social media (53%) or subscription on-demand and streaming services (50%) for this purpose.

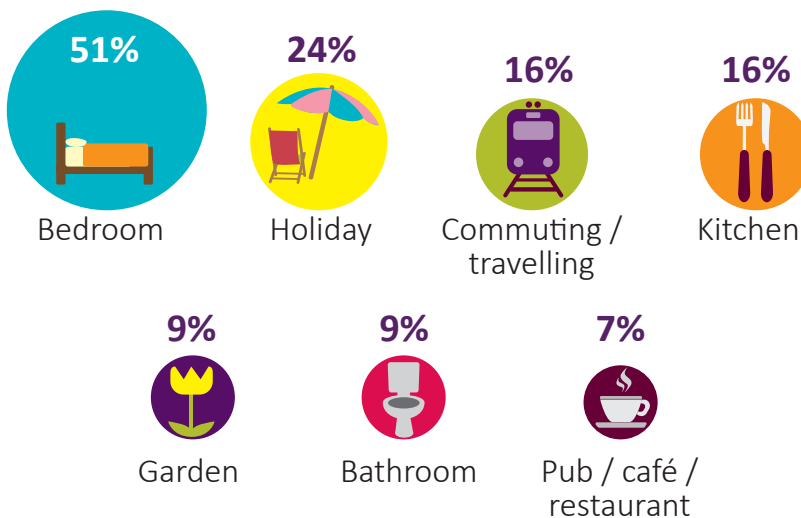
Family time is also a valued reason for viewing, with nearly seven in ten (68%) adults and 85% of teens in the UK agreeing that watching TV programmes/films brings the family together.



When asked which services they use for family time, both live TV (35%) and subscription on-demand and streaming services (31%) are popular among adults, with Pay TV (27%) and broadcasters' online

services (24%) not far behind, showing that all these services now play a role in family viewing.

Overall, more than a third of people engage in viewing outside their home



A quarter (24%) say they watch content when on holiday or breaks away from home, 16% say they do so while travelling or commuting and 7% say they do so in a pub, café or restaurant. The bedroom is the most popular location, however, with 51% of respondents.

Most recognise the importance of spending time together as a family but are increasingly doing their own thing

A third (31%) of respondents said that at least once a week, members of their household sit together in the same room while watching different programmes on different

screens. However, use of multiple screens doesn't mean people no longer have family TV time; indeed, 30% said they sat together with family members to watch the same

TV programme or film on the same device every day, while 70% said they did this at least once a week.

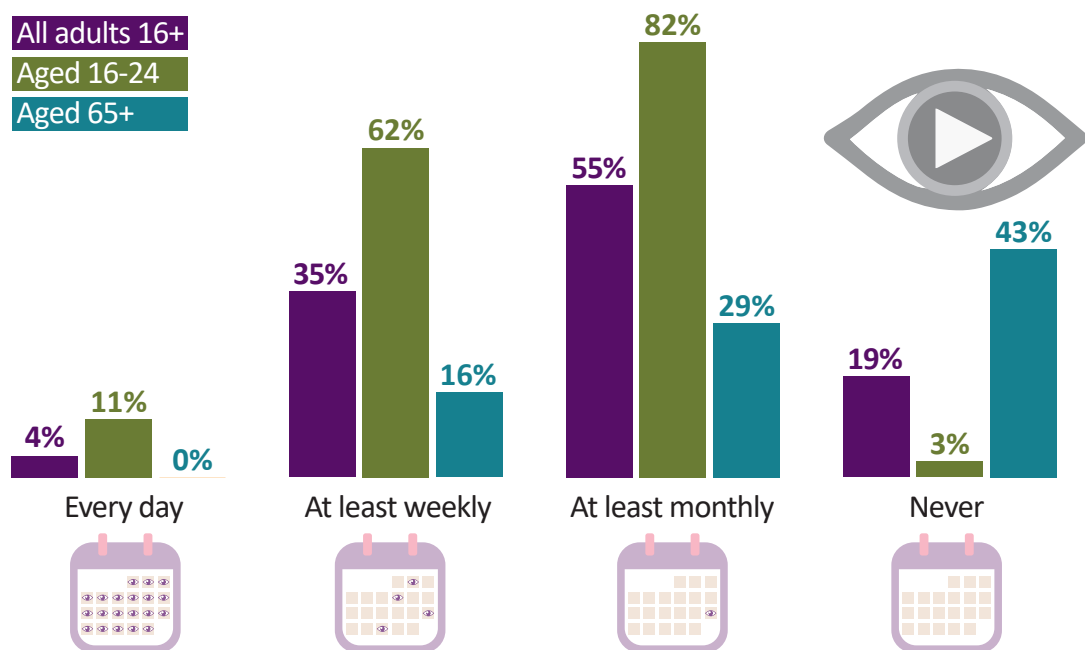
"Binge watching" is now commonplace with 35% of people in the UK saying they do it at least weekly

Eight in ten (79%) people overall say they ever watch multiple episodes of the same programme back-to-back in one sitting, and over a third (35%)

do this at least weekly. More than eight in ten (86%) teens ever engage in binge watching including 53% who do at least weekly. Also, more

than nine in ten of 16-24 year olds ever watch back-to-back episodes, including more than six in ten (62%) who do so at least once a week.

How often people watch multiple episodes of the same programme back-to-back in one sitting



A third of those who watch back-to-back say they have missed out on sleep as a result

A third (32%) of adults who binge watch at least monthly admitted to sometimes missing out on sleep or being tired the next day because of this kind of viewing. More than a

quarter (27%) said it had made them neglect housework or other chores, a fifth (22%) said it made them feel guilty for not doing something else, 8% said it made them neglect

their job/school work and 7% said it made them miss out on spending time with friends/family.

1.4 The power of the online image

In 2012 text messages were the most-used method of everyday communications with friends and family¹. But five years on, the landscape has shifted, with images

becoming an increasingly central method of communication.

We commissioned research to investigate how images, both photos and videos, are being

used. It also explores sharing and trust in the online world as well as understanding of the privacy rules that apply to it.

Methodology

This section draws on two pieces of research: a new Ofcom-commissioned study carried out between 25 and 30 April 2017, using YouGov's online panel of 1,000 nationally representative adults aged 18+, across the UK. The second is Ofcom's Adults'

Media Lives, a qualitative longitudinal study looking at participants' relationships with digital media over time. For this chapter, we asked five of the Media Lives participants, aged between 20 and 62, about their experiences with posting and viewing online images. These

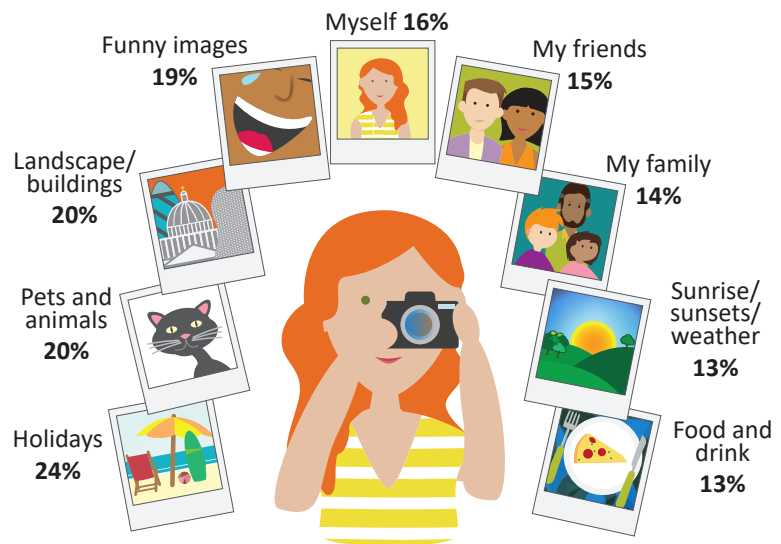
responses are presented as quotes within the chapter of the main report. We have also drawn on other Ofcom research when relevant, and this is referenced in the footnotes.

Six in ten respondents say they post images and videos online

Six in ten (62%) of respondents in the YouGov survey say they post images and videos online. When all respondents were asked what types of photos they posted and shared most often, holiday pictures came out on top. Almost a quarter (24%) said that they posted and shared pictures of their holiday, followed by photos of pets, and of landscapes and buildings.

18-24 year olds are most likely to post and share pictures of themselves (34%), while those aged 55+ are more likely to post and share pictures of their holiday (22%),

People who post/share photos online like to post/share these types of images the most



¹ Ofcom Communications Market Report 2012.

Most respondents believe that *other people's* photos and videos may not match up to reality

People tend to be cynical about the photos that other people post. Seven in ten (74%) adults say that when they look at other people's

photos/videos they 'often' or 'sometimes' think they show a 'rose-tinted' view of that person's life.

More than four in ten respondents say that it is not easy to recognise real/ truthful images/ videos online

Only 16% of all respondents agreed that it is easy to recognise if an online image or video is real or truthful, while 44% respondents disagreed, and 10% said they did not know.

The younger age groups (18-24s and 25-34s) are more likely than all adults to be confident that they can recognise if an image or video is real or truthful, while over-55s are less likely.

While the younger age groups are more confident in their ability to tell whether an image or video is real, they are also more likely to say that they know some content will be false but that it does not bother them.

Four in ten would not know who to complain to if they saw something misleading or untruthful online

In line with our media literacy duties, we wanted to know whether people would be likely to complain to a social media site/app if they saw misleading or untruthful content online. Thirty-six per cent of respondents say they would complain, while 44% would not. Younger people are

less likely to complain; more than half (55%) of 18-24s say that they would be unlikely to complain, compared to 35% of respondents aged 55+. We also wanted to know whether people would know to whom they should complain. Four in ten (42%) respondents say they would not know who

to complain to. This increases to 45% among those aged 55+.

Most social media networks and platforms allow users to report or complain about harmful or illegal content. This can be done via the settings or help functions on websites or apps.

Half of respondents do not recognise the permanency of online images

There is a recognition among some respondents that once a post is online, they no longer have control over it. When asked if it was easy

to delete photos or videos from the internet once they have been posted, 50% disagreed. However, 17% said that it was easy, a further

17% neither agreed nor disagreed and 16% say they did not know.

More than half of parents say that they do not share, post or blog about their children

Fifty-six per cent of parents say that they do not use social media to share, post or blog photos or videos of their children. Of those

parents who do not do this, an overwhelming majority agreed that their children's lives should remain private (87%). Seven in

ten (67%) agreed that it would be inappropriate to do this, and 38% said that their children would not want them to do it.

¹ There is no statistically significant difference between these two figures, due to low base sizes.

2 TV and audio-visual

2.1 Overview

The vast majority of people still watch broadcast TV regularly

Broadcast TV is still very popular, with 91% of the TV population watching TV at least once a week through 2016. The time spent watching broadcast TV continued to decline in 2016, although to a lesser extent than in previous years,

decreasing by four minutes since 2015 to an average of 3 hours 32 minutes a day across all individuals.

In the last five years, average viewing time has dropped markedly; people are watching 30 minutes (12%) less TV a day than they

were in 2011. Viewing fell across almost all age groups across this period, but the decline has been greatest, proportionally, among adults aged 16-24 and children aged 4-15 while viewing held stable among the over-65s.

But the young do so less than the old

Within that overall decline, there is a widening gap between the viewing activities of the youngest and oldest audiences. Over 65s watched an average of 5 hours 44 minutes a

day in 2016, up by 48 minutes from 2006; 16-24s watched an average of 1 hour and 54 minutes, 41 minutes less than in 2006. Furthermore, new research from Ofcom found that

66% of teens use YouTube to watch TV programmes/films compared to 38% of all adults in 2017.

Public service broadcasters continued to retain more than half of the total broadcast TV audience in 2016

Viewers have more choice than ever before, but the main public service broadcast channels (BBC1, BBC2, ITV/STV/UTV, Channel 4 and Channel 5) continued to retain more than half of the total broadcast TV

audience in 2016, maintaining their 51% share over the past four years. Including their portfolio channels, the PSB broadcasters accounted for more than two-thirds of viewing. The spend on UK-originated

programming by the five main PSB channels was at its highest level since 2012, and more than half of the channels' output (52%) was first-run UK-originated content in 2016.

Subscription video-on-demand is growing in popularity

The media analyst firm 3 Reasons estimates that people spend most of their viewing time watching live TV (80%) with recorded viewing (12%) accounting for more of

their time than on-demand (8%). However, this 8% figure represents a doubling of on-demand viewing over the last four years, with subscription video on demand

(SVoD) growing at a faster rate (from 1% to 4%) than broadcast Video on Demand (VoD) (from 3% to 4%).

BBC iPlayer is the most popular on-demand/streaming service in the UK among adults but teens like YouTube and Netflix

New research from Ofcom found that the BBC iPlayer was the most popular on-demand and streaming service across all adults, with 63% of respondents saying they use it.

However, among teens, YouTube was the most popular service, with 66% saying they used this to watch TV programmes and films compared to 54% using

BBC iPlayer. Of subscription on-demand and streaming services, Netflix was the most popular among both adults and teens.

The television advertising market has remained resilient

Despite the threat from online services, revenues for the broadcast TV industry increased by 2% in real terms to £13.8bn in 2016, with further revenue of £1.7bn

generated by online AV services. Within this, net advertising revenue in the traditional TV sector exceeded £4bn for the second consecutive year, despite fundamental changes

in the advertising market over the last ten years, the television advertising market has remained very resilient due to its primacy in providing mass audiences.

Increased spend on network programming largely driven by new deals for sports broadcasting rights and the BBC decreased its spending on TV content for a second year

Spend¹ in key genres² by channels broadcasting in the UK in 2016 was £7.3bn in 2016, an increase of 11% year on year in real terms. Much of this increase was driven by the 24% rise in spend on sports channels in the multichannel

sector. 2016 marked the start of the new English Premier League Football broadcast rights deals, for which Sky and BT paid a higher price than in previous years.

The BBC portfolio channels reported a real-terms decrease in spend for

the second year running. Some of this may be attributable to BBC Three's move online in February 2016, which was carried out partly to make broadcast savings³. The channel's budget was reduced from £85m to £25m as part of the move⁴.

2.2 Key TV and audio-visual metrics

UK television industry	2011	2012	2013	2014	2015	2016
Total broadcast TV industry revenue (£bn)	13.3	13.1	13.1	13.3	13.7	13.8
Proportion of revenue which is BBC income allocated to TV	21%	21%	20%	21%	19%	18%
Proportion of revenue generated by advertising	29%	28%	29%	29%	30%	30%
Proportion of revenue generated by subscriptions	44%	44%	46%	45%	45%	46%
Total online TV industry revenue (£m)	0.3	0.4	0.6	0.9	1.3	1.7
Broadcaster share of total display advertising spend	31%	31%	31%	31%	30%	30%
Spend on first run originated output by 5 main PSB channels (£bn)	2.7	2.7	2.5	2.6	2.6	2.7
Spend on network content by UK broadcasters (£bn)	5.9	5.9	5.9	6.4	6.6	7.3
TV homes (% all households)	94%	96%	95%	93%	95%	96%
Minutes spent watching TV per day (per person aged 4+)	242	241	232	220	216	212
Share of the main five PSB channels in all homes	54	52	51	51	51	51

Source notes are on p18

¹ Spend figures here do not represent the entire cost of programme production in the UK as they do not include third-party funding or the full cost of co-productions with overseas broadcasters.

² See Figure 1.17 for detailed spend analysis of key genres.

³ Source: <http://www.bbc.co.uk/news/entertainment-arts-35578867>

⁴ Source: <http://www.bbc.co.uk/news/entertainment-arts-34932688>

3 Radio and audio

3.1 Overview

Almost nine in ten adults listen to the radio each week

Despite the range of ways in which audio content can now be consumed, the reach of live radio remains extremely high.

Nine in ten people (89.6%) in the UK listened to the radio at least once a week in 2016.

There has been a slight shift in the balance of overall radio listening

The reach of the BBC stations is lower than five years ago, down by 2.2pp compared to an increase in weekly reach of 1.2pp for commercial radio stations. This has

been driven by an increase of 4.3pp over the past year in the reach of national commercial stations, and an increase of 1.4pp, the equivalent of 900,000 listeners each week.

This is likely to be linked to the increase in DAB ownership and digital listening but also because of the launch of new services on the Sound Digital multiplex.

DAB ownership continues to grow incrementally as does digital listening

Ownership of DAB radio sets continues to increase, with around 57% of adults now claiming to own one, or have a set in the household. There are some significant

differences in take-up by age; 65% of those aged 45-54 are most likely to have access to a DAB radio compared to 46.9% of 25-34s.

The financial health of the commercial radio sector is stable

Overall reported commercial radio revenues were flat in real terms at £524m in 2017. Radio maintained its share of total advertising expenditure at 3.0% in 2016,

helped in part by internet brands increasing their radio budgets. Overall estimated BBC expenditure on radio in 2016 was 2% lower in real terms than in the previous year.

The number of people listening to podcasts is increasing

The reach of speech radio has been stable for the past five years. According to RAJAR, about a third (34%) of adults listen to speech radio each week; two-thirds of these are aged over 45. RAJAR also

measures listening to podcasts: this is shown to have grown in popularity over the same period, from 19% of adults who claimed to have ever listened to one in the 12 months to Q1 2013, to

24% in the latest figures. Unlike audiences of broadcast speech radio, 61% of those who ever listen to podcasts are aged under 45.

However, music-based radio is still the most popular listening activity among all UK adults

When we asked people what types of listening activities they ever did, the most popular answer was “a radio station that plays

music” (63%). This was followed by “personal music collection on CD, vinyl record or cassette tapes” (48%) and “personal music stored on a

digital device” (41%). Radio stations that are mainly speech-based, and podcasts, were less popular (38% and 16% respectively).¹

3.2 Key radio and audio metrics

UK radio industry	2010	2011	2012	2013	2014	2015	2016
Weekly reach of radio (% of population)	90.8%	90.5%	89.6%	90.4%	89.4%	89.5%	89.6%
Average weekly hours per listener	22.3	22.6	22.0	21.4	21.3	21.3	21.4
BBC share of listening	54.8%	54.7%	54.8%	54.5%	53.7%	53.4%	52.5%
Total industry revenue	£1280m	£1255m	£1261m	£1203m	£1257m	£1256m	£1246m
Commercial revenue	£509m	£492m	£498m	£471m	£516m	£522m	£526m
BBC expenditure	£760m	£751m	£751m	£721m	£730m	£722m	£707m
Community radio revenue	£11.3m	£11.3m	£11.3m	£11.1m	£11.6m	£11.7m	£11.6m
Radio share of advertising spend	3.2%	3.2%	3.3%	3.1%	3.1%	3.0%	3.0%
DAB digital radio take-up (adults)	36.2%	40.3%	42.6%	46.3%	48.8%	53.4%	56.8%
Digital radio listening share	25.2%	28.4%	32.5%	36.3%	38.0%	42.2%	45.7%

Source notes are on p18

¹ Differences in methodology between RAJAR and the Ofcom 2017 research mean that activity reach figures are not directly comparable.

4 Telecoms and networks

4.1 Overview

Number of fixed lines remains stable but call volumes continue to decline

The total number of fixed lines remained stable at 33.5 million in 2016 and residential fixed lines increased by 1.3% to 26.4 million due to the increase in the number of UK households and because most households require a fixed

line to access broadband services. However, use of fixed line services continued to decline in 2016, with outgoing fixed call minutes falling by 11.9% to 65 billion as consumers increasingly choose to make mobile voice calls and use

mobile messaging services. Despite the declining usage, average retail revenue per fixed line increased in real terms in 2016, largely as a result of increases in line rental prices and out-of-bundle call tariffs.

Superfast broadband take-up has increased, leading to improvements in average actual speeds

The total number of fixed broadband connections increased by 2.2% to 25.3 million in 2016 driven by growth in the number of fibre and cable broadband lines. The proportion of superfast broadband

connections (i.e. connections providing actual speeds of at least 30Mbit/s) increased by six percentage points to 44% of all fixed broadband connections. Higher take-up of superfast broadband has

led to improvements in average actual speed, which increased from 28.9Mbit/s in November 2015 to 36.2Mbit/s in November 2016 and higher average data usage of 132GB per month.

More mobile consumers are now using pay monthly tariffs

The number of mobile subscriptions increase marginally (0.1%) to 92.0 million in 2016 as the number of post-pay subscriptions increased by 6.1% and was partially offset by decline in pre-pay subscriptions. This

was likely because many pay-as-you-go customers switched to SIM-only pay-monthly tariffs and because of the increase in machine-to-machine (M2M) connections. 4G connections reached 52.4 million and accounted

to 62% of all active mobile subscriptions in 2016, up from 46% in 2015. After years of decline, the average monthly retail revenue per mobile subscription grew by 1.1% in real terms to £15.19 in 2016.

Mobile data consumption continues to grow but messaging services have declined

Use of traditional messaging services continued to decline in 2016 due to the increasing popularity of internet-based messaging services such as WhatsApp and

Facebook Messenger. Consequently, average mobile data consumption increased by 44% to 1.3GB per connection per month in 2016.

4.2 Key telecoms metrics

UK telecoms industry	2011	2012	2013	2014	2015	2016
Total operator-reported revenue (£bn)	39.7	38.4	36.5	35.1	35.4	35.6
Operator-reported retail revenue (£bn) (excl. CDS)	30.1	29.7	28.8	28.4	28.9	29.6
Operator-reported wholesale revenue (£bn)	9.6	8.7	7.7	6.6	6.5	6.0
Average monthly household telecoms spend (£, 2016 prices)	84.72	83.74	81.26	82.03	84.46	85.26
Fixed access and call revenue (£bn)	9.7	9.2	8.9	8.5	8.4	8.5
Fixed internet revenue (£bn)	3.8	3.9	4.1	4.6	5.2	5.7
Fixed lines (millions)	33.3	33.4	33.4	33.6	33.7	33.5
Fixed broadband connections (millions)	20.7	21.8	22.8	23.7	24.7	25.3
Superfast broadband connections (>30Mbit/s, millions)	1.0	3.1	5.3	7.1	9.2	10.8
Fixed voice call minutes (billions)	111	103	93	82	74	65
Average actual residential fixed broadband download speeds (Mbit/s)	7.6	12.0	17.8	22.8	28.9	36.2
Mobile retail revenues (£bn)	16.6	16.6	15.8	15.3	15.3	15.3
Mobile voice call minutes (billions)	131	132	134	137	143	151
SMS & MMS messages sent (billions)	150	151	129	110	102	96
Average monthly mobile data per active connection (GB)	0.1	0.2	0.4	0.5	0.9	1.3
Active mobile subscribers (millions)	86.5	88.4	88.8	90.3	91.9	92.0
4G subscribers (millions)	-	-	2.7	23.6	39.4	52.4
M2M subscribers (millions)	4.1	5.0	5.7	6.3	6.7	7.6

Source notes are on p18

5 Online

5.1 Overview

Almost nine in ten adults have internet access at home

Eighty-eight per cent of adults have internet access at home in 2017. Older people are less likely

to have internet access, but 53% of over-75s had internet access at home, up from 45% in 2016.

Smartphones continue to be the most widely owned internet-enabled device

Four in ten UK internet users considered smartphones to be their most important device for accessing the internet in 2017, a significant increase from previous year. Almost eight in ten adults own

a smartphone followed by almost six in ten owning laptops. However, largest increase in take-up has been of smart TVs with almost four in ten households owning one in 2017. Those aged 35-44 are significantly

more likely than over-55s to own an internet-enabled Smart TV while those aged under 55 are more likely to own a smartphone.

Those without internet access do not think they need it

Twelve per cent of UK adults did not have access to the internet at home in 2016. Over half of them say they do not think they need

it. Other said that they did not have a computer, or thought that broadband was too expensive.

Facebook remains the most popular social networking site

Facebook continues to be the most popular social network service in the UK with a digital audience of 39.7 million in March 2017. This

was larger than the next most popular sites, LinkedIn (23.2 million) and Twitter (22 million). Among online video sharing sites, YouTube

had more than three times the audience share of the next most popular video-sharing website.

5.2 Key online metrics

UK internet and online content market	2010	2011	2012	2013	2014	2015	2016	2017
Internet take-up (%)	75	77	79	80	82	85	86	88
Smartphone take-up (%)	n/a	27	39	51	61	66	71	76
Tablet take-up (%)	n/a	2	11	24	44	54	59	58
Laptop take-up (%)	51	55	61	62	63	65	64	64
Consideration that the smartphone is the most important device for internet access				15	23	33	36	42
Total digital audience (millions)	n/a	n/a	n/a	n/a	48.2	47.5	50.3	50.4
Digital advertising expenditure (£bn)	4.6	5.2	5.7	6.4	7.4	8.7	10.3	n/a
Mobile advertising expenditure (£bn)	94	219	554	1,044	1,642	2,678	3,866	n/a

Source notes are on p18

6 Post

6.1 Overview

Total addressed letters volumes fell by 4% between 2015 and 2016

Between 2015 and 2016 total addressed letter volumes declined by 4% to 11.8 billion items. This decline was driven by a 9%

decline in Royal Mail's end-to-end letter volume, to 4.7 billion items, which accounted for 40% of total letter volumes in 2016.

Online activity continues to drive developments in e-commerce and delivery networks

UK consumers continue to rely on physical postal delivery networks to provide them with access to a range of goods and services. In 2017

almost a quarter (23%) of adult internet users said they bought a physical product online at least once a week, while 62% said that they

made an online purchase about once a month or more often.

People are using a range of communication types more than post, compared to two years ago

More than six in ten people (65%) said they are using email more than post, compared to two years ago.

Around four in ten said they are using more text/ SMS (40%) and mobile calls (39%), while around

a quarter reported that they are using more social networking (27%) and instant messaging (26%).

Yet people still value being able to use the postal service

Nearly nine in ten people (88%) said that they value the option to be able to use the postal service. This is lower among 16-24s (82%) and 25-44s (85%), and higher among

45-64s (91%), 65-74s (93%) and over-75s (97%). Around six in ten (62%) say that they would feel cut off from society if they couldn't send or receive post. Age is again a

significant factor, with this being less likely among younger people and more likely among older people.

5.2 Key post metrics

UK postal services industry	2011	2012	2013	2014	2015	2016
Addressed letter volumes (bn)	14.6	13.5	12.9	12.7	12.2	11.8
Addressed letter revenues (at 2016 prices, £bn)	4.4	4.4	4.3	4.3	4.3	4.2
Proportion of access in total mail (%)	49%	54%	56%	56%	57%	60%
Letter volumes delivered by operators other than Royal Mail (millions)	9	18	56	159	68	16
Domestic parcels volume (bn)					1.6	TBA
Direct mail share of total advertising spend	11.4%	11.1%	10.9%	10.1%	9.3%	8.0%

Source notes are on p18

7 What Ofcom is doing for citizens and consumers in 2017/18

Understanding the market, and the ways in which it affects consumers, is a key determinant of our strategic planning and

helps to ensure evidence-based policy-making. Below, we set out our three goals and highlight the key areas of work we are

undertaking in 2017/18 to help deliver these. More details are available in Ofcom's annual plan.

7.1 Promote competition and ensure that markets work effectively for consumers

Enabling competing operators to invest in super- and ultra-fast fixed-line networks by opening up and improving access to Openreach's ducts and poles and apply appropriate price controls to BT's regulated access network products.

Promoting competition in fixed-line services, by strengthening Openreach's strategic and operational independence from BT and overseeing transition to the new model of legal separation notified by BT.

Ensuring fair and effective competition to deliver a wide range of high quality and varied content for broadcasting audiences, including assessing whether the potential public value of new services (or significant changes to existing services) proposed by the BBC justifies any potential effect on competition.

7.2 Secure standards and improve quality

Improving the coverage of fixed and mobile communications services to meet the needs of people and businesses across the UK, including in rural and remote areas by supporting the implementation any UK Government decision on a broadband Universal Service Obligation (USO).

Improving quality of service in fixed and mobile telecommunications services for consumers and businesses by rigorously applying and enforcing new minimum service levels and targets for Openreach's quality of service.

Securing quality in Public Service Broadcasting, by implementing a new approach to performance assessment of the BBC, including a new operating license and by assessing Channel 4 Corporation's performance in delivering its media content duties through the annual Statement of Media Content Policy process.

7.3 Protect consumers from harm

Protecting audiences from harmful content in TV, radio and on demand services, by ensuring that content meets the relevant standards, whilst considering audience complaints under the Broadcasting Code and other applicable codes and guidelines.

Ensuring landline-only customers get value for money from voice services, are protected from high prices and benefit from choice.

Addressing nuisance calls by working with UK communications providers to monitor and block problematic call traffic, and with international partners on enforcement and caller line identification.

8 Source notes

The market in context

Source: Proportion of UK homes with digital TV is drawn from Ofcom's technology tracker. BARB's establishment survey measured TV take up at 95.6% of UK homes in Q1 2016 and this is set out in the TV section of this report. Minutes spent listening to radio per day (among radio listeners) for average week in 2017. Proportion of adults who live in a mobile-only home i.e., a household that solely uses mobile phones to fulfil its voice telephony requirements. Approximate no. items received by residential consumers per week represents yearly data from Ofcom's Residential Postal Tracker. Approximate value calculated by adding the approximate values for invitations/ postcards/ greetings cards, smaller parcels, larger parcels, formal letters, personal letters, bills/ statements/ invoices, and items requiring a signature. Approximate no. items sent by residential consumers per month represents yearly data from Ofcom's Residential Postal Tracker. Approximate value calculated by adding the approximate values for invitations/ postcards/ greetings cards, smaller parcels, larger parcels, formal letters, personal letters, payments for bills/ statements/ invoices, and items requiring a signature.

TV and audio-visual

Source: Ofcom/broadcasters/ Ampere Analysis/Advertising Association/Warc/BARB/. Note: Financial figures are expressed in real terms (adjusted for 2016 CPI prices). BBC income allocated to TV includes the proportion of the licence fee that goes to S4C. Broadcaster share as a proportion of total display advertising

spend excludes direct mail and classified ads and is based on Advertising Association/Warc Expenditure Report. The AA/ Warc data are net of discounts, and include agency commission, but excludes production costs. Spend on originations includes spend on nations and regions programming (not Welsh or Gaelic language programmes but some Irish language). TV viewing based on BARB analysis of viewing to scheduled TV programmes on TV sets up to seven days after first broadcast. After DSO in October 2012, all homes were required to have digital TV. From 2013, data refers to the proportion of UK homes that had a working TV set as defined in BARB's Establishment Survey. Data refers to Q4 of each year. BARB changed the methodology for defining a TV set home from Q4 2015 and data comparisons to previous years should be treated with caution.

Radio and Audio

Source: RAJAR (all adults age 15+) 12 months to Q1 of the following year. Ofcom calculations based on figures in BBC Annual Report and Accounts 2016-17 (www.bbc.co.uk/annualreport), AA/ Warc, broadcasters. Revenue figures are adjusted for CPI (2016 prices). Commercial and total revenue figures for 2010-2013 are not wholly comparable to 2014-2016 data and 2015 due to an amendment to the data collection methodology.

Telecoms

Source: Ofcom / operators / Ofcom Connected Nations Reports 2011- 2016

Notes: Connection figures are at year-end; all revenue data includes VAT and is adjusted for CPI (2016, prices); fixed voice minutes shown here are likely to be understated as they do not fully capture the use of VoIP services; Average monthly mobile data per active connection for 2011 as of March, 2012-2016 as of June of each year; Active mobile subscribers include machine-to-machine subscriptions.

Online

Source: Ofcom consumer research, comScore MMX multi-platform, UK, data for March 2015, March 2016 and March 2017; IAB/PwC Digital Adspend Study

Note: Caution is advised in comparing values before and after February 2011 because of a change in comScore methodology. Note: Revenue and expenditure figures are adjusted for CPI (2016 prices).

Post

Source: Royal Mail Regulatory Financial Statements, Royal Mail Wholesale, Royal Mail Group Annual Reports, AA/Warc. Note: Royal Mail calendar year volume figures are derived from Ofcom calculations based on financial year figures in Royal Mail's Regulatory Statements and unaudited submissions to Ofcom and are therefore not directly comparable with Royal Mail's published accounts. Royal Mail figures relate to the 'Reported Business'. Earlier data are not comparable. Figures are adjusted for CPI (2016 prices).

9 Methodological note

A variety of data sources were used in compiling this report: Ofcom's technology tracker survey, its residential consumer postal tracking survey, its business postal tracking survey and its media tracking survey, as well as a range of ad-hoc research. The following is a brief outline of the tracking surveys used, any methodological changes and an explanation of the significance testing.

Ofcom Technology Tracker

The technology tracker survey is run twice a year. It provides Ofcom with continuous understanding of consumer behaviour in the UK communications markets, helping us to monitor change and assess the degree and success of competition. The data collected is weighted to the profile of UK adults, so the data are representative of adults aged 16+. The weighting profile was updated from 2015 to reflect updated Census and NRS data.

Ofcom Residential Postal Tracker

The residential postal tracker survey is run throughout the course of the year and reported

on a quarterly basis. The main objective is to help Ofcom to keep abreast of the UK postal market and to help us to quickly identify and react to any changes in attitudes and behaviour among residential postal consumers.

Ofcom SME Postal Tracker

The business SME postal tracker survey is run throughout the course of the year on a sample of 1600 2000 SMEs (businesses with 0-249 employees) and reported annually. The main objective is to help Ofcom to keep abreast of the UK postal market and to help us to quickly identify and react to any changes in attitudes and behaviours among SME postal consumers.

Ofcom Media Tracker

The media tracker survey is run throughout the course of the year to counter potential seasonality issues, and is reported on an annual basis. The research provides Ofcom with a valuable source of information on consumers' attitudes, and helps inform Ofcom's work on broadcasting standards.

Significance testing

In statistics, a 'significant' result is one that is unlikely to have occurred by chance. All of the differences (e.g. year on year) that are commented on in the text of this report will be significantly different to one another. Where percentages are described as being the same or similar, despite there being a difference in number, this is because the difference is not statistically significant. Ofcom conducts all significance testing to a 95% confidence level, which means that we are 95% certain that there has been a 'real' change and that the difference has not occurred by chance.

Significance is tested using the effective sample size, where available, and the unweighted base, where not. Ofcom's Technology Tracker survey methodology changed in 2017 to full CAPI (Computer Assisted Personal Interview). As such, year-on-year significance testing of Half 1 results have been conducted at the 99% confidence level, whereas testing within 2017 results are still conducted at 95%.



making communications work
for everyone

www.ofcom.org.uk

Ofcom

Office of Communications
Riverside House
2a Southwark Bridge Road
London SE1 9HA

www.ofcom.org.uk

Switchboard:

+44 (0)300 123 3000 or

+44 (0)20 7981 3000

Facsimile:

+44 (0)20 7981 3333

Textphone:

+44 (0)20 7981 3043