



International Communications Market Report 2011

5 Internet and web-based content

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5.1 Key market developments in internet and web-based content

5.1.1 Industry metrics and summary

Figure 5.1 Internet and web-based content: key international statistics

	UK	FRA	GER	ITA	USA	CAN	JPN	AUS	ESP	NED	SWE	IRL	POL	BRA	RUS	IND	CHN
Online universe (m)*	38.7	40.6	48.1	28.6	199.9	n/a	61.9	14.8	22.4	n/a	n/a	n/a	n/a	44.9	n/a	n/a	n/a
Fixed broadband connections per 100 HH†	74	77	67	51	70	83	66	66	63	89	64	68	37	25	36	5	32
Cellular broadband connections per 100 population‡	8	4	5	10	n/a	3	8	20	7	4	32	12	9	n/a	n/a	n/a	n/a
Mobile-only broadband HH (%)‡	5	2	9	14	6	n/a	n/a	19	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Internet access via a mobile phone(%)‡	46	39	38	40	41	n/a	n/a	43	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Sources: IDATE / Industry data / Ofcom, Nielsen

* Nielsen, month of July 2011, home and work panel, applications included.

† IDATE / Industry data / Ofcom, 2010

‡ Ofcom consumer research, October 2011

In this section of the report we examine the transformative impact of the internet across our key comparator countries.

As a global platform, many of the trends are the same across our comparator countries – for example, our analysis of the leading web brands finds that the same internet giants are present in every country. But it is instructive to explore how the take-up of different services varies between countries, as internet connectivity, technologies and content interact with existing communications infrastructures, content ecosystems and cultural habits. Our data find, for example, that consumers in the UK are more likely to make online purchases than consumers in other countries – the result of a history of catalogue shopping and high credit card use; and that hand-in-hand with this, online advertising spend is proportionately higher in the UK than in other countries. And we find that consumers in Italy are most likely to use the internet as a main source of news; this could be related to the perception of other news media¹⁸.

Similarly, there are differences in the ways in which consumers access the internet. Differences in levels of use of the internet on mobile phones do not appear to be simply due to different availability of high-speed mobile networks (although this plays a role), but are also driven by smartphone take-up, data tariffs and online behaviour (mobile users in France are twice as likely to watch TV programmes on their mobile phones than consumers in the UK, but less likely to download apps, play games or use social networking). And while using mobile broadband networks to connect to a PC has grown very rapidly in some countries (Sweden, Australia, Ireland), in other countries, after initial growth, take-up appears to be levelling off at a lower level (UK, France, Germany, Canada).

¹⁸ “82 percent of Italians believe news offerings on traditional TV channels are influenced by political power... In general, TV is the medium that Italian people trust least: only 35 percent believe it to be trustworthy (the average value in Europe is 53 percent)”

http://www.ejc.net/media_landscape/article/italy/#128

This section of the report takes a high-level look at aspects of internet use, both in terms of platforms and devices, and content and consumption. It is increasingly difficult to separate the use of internet services from 'television', 'radio' and voice communications – the internet is a delivery mechanism for all of these services, and all services can be provided by the same device. Other sections of this report consider content delivered via the internet in the context of television and other audio-visual services (Section 3.1.5) and radio and audio services (Section 4.1.3), and in the Telecoms section of the report we examine the internet from a networks perspective.

We begin this section by looking in depth at two enduring key market developments in the evolution of internet services – the growth of internet access on mobile phones (Section 5.1.2), and trends in internet advertising (which remains the main business model for most internet services) (Section 5.1.3). Section 5.2 then looks at platforms and devices in examining the ways in which consumers access the internet, and Section 5.3 looks at internet content and consumption by analysing internet consumers across our comparator countries and looking at what they do online.

5.1.2 Smartphones have driven rapidly-increasing use of internet on mobile phones

Use of internet on a mobile phone has doubled in most countries since 2008

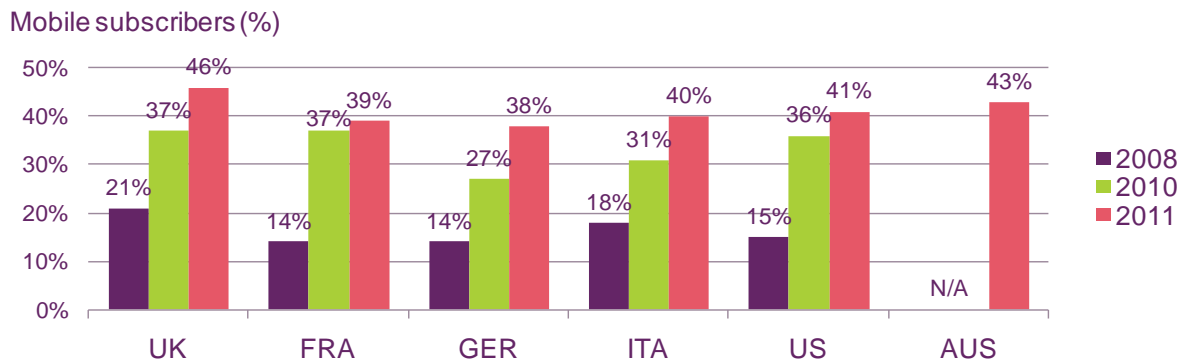
In recent years the use of internet-based services on mobile phones has risen in all of our surveyed comparator countries, driven by a combination of the launch of new devices designed for the use of internet services, operating systems which facilitate the installation and use of specific mobile internet applications, the availability of high speed mobile networks and low cost data plans.

Ofcom research conducted in October 2008, 2010 and 2011 enables us to track the large changes in the ways in which consumers in our comparator countries use their mobile phones.

In the UK, France, Germany, Italy and the US the proportion of mobile phone users who use their device to connect to the internet more than doubled between 2008 and 2011 (Figure 5.2). Among these countries, internet use on mobiles is highest in the UK, perhaps due to the wide availability and take-up of smartphones, which have a more user-friendly mobile internet browsing experience and are often included in 12- to 24-month contracts for free or with a discount, and with an inclusive data allowance.¹⁹

¹⁹ Analysis of mobile bills submitted to comparison service billmonitor in June 2011 found that 73% of those who used data services had no additional payment other than the monthly access charge (See *Ofcom Communications Market Report 2011*, Fig 5.22, p. 266)
http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr11/UK_CM_2011_FINAL.pdf

Figure 5.2 Use of mobile phone to access the internet



Source: Ofcom research, October 2008, 2010 and 2011.

Base: All adults aged 18+ who use the internet (UK=929, France=914, Germany=945, Italy=989, USA=902, Australia=957).

Q: Which, if any, of the following activities do you use your smartphone / mobile phone for?

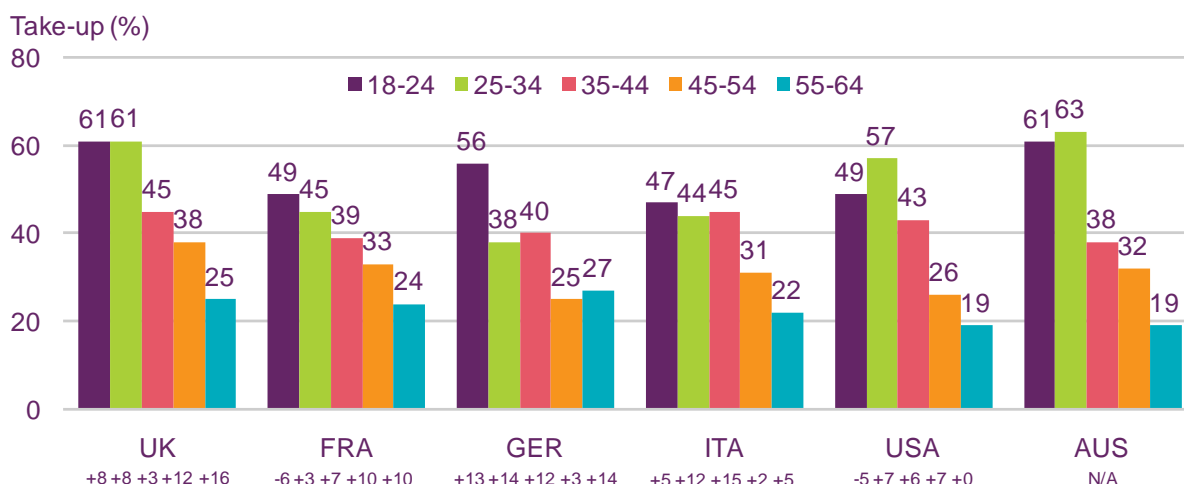
Note: Change since 2010 may be understated due to a change in the way in which the question was asked. In 2008 and 2010 we asked respondents to classify whether they had “ever” used their mobile phone for activities; in 2011 we simply asked what activities they used their mobile phone for.

Younger people more likely to use mobile internet – but fast growth among older age groups

In line with general patterns for adoption of new technologies, in all of the countries surveyed, younger mobile users were more likely to access the internet on their mobile phone.

However, there was significant growth in use among older users. In the European countries surveyed, between a quarter and a fifth of mobile users aged 55-64 claimed to access the internet on their devices in October 2011. The greatest increase in older users was in the UK, where 25% of 55-64s claimed to access internet services, up from 9% a year previously, and there was also a significant increase among 35-44s (up from 26% to 38%). However, it should be noted that in all countries it is likely that the use among older users is slightly overstated – this is because we used an online survey, and use of the internet among older age groups is lower than among younger age groups (see section 5.3.1 below).

Figure 5.3 Internet access via mobile phone among internet users, by age



Source: Ofcom consumer research, October 2011.

Base: All Adults who own a smartphone and/or a mobile phone, UK=929, France=914, Germany=945, Italy=989, US=902, Australia=957

Q: Which, if any, of the following activities do you use your mobile phone for?

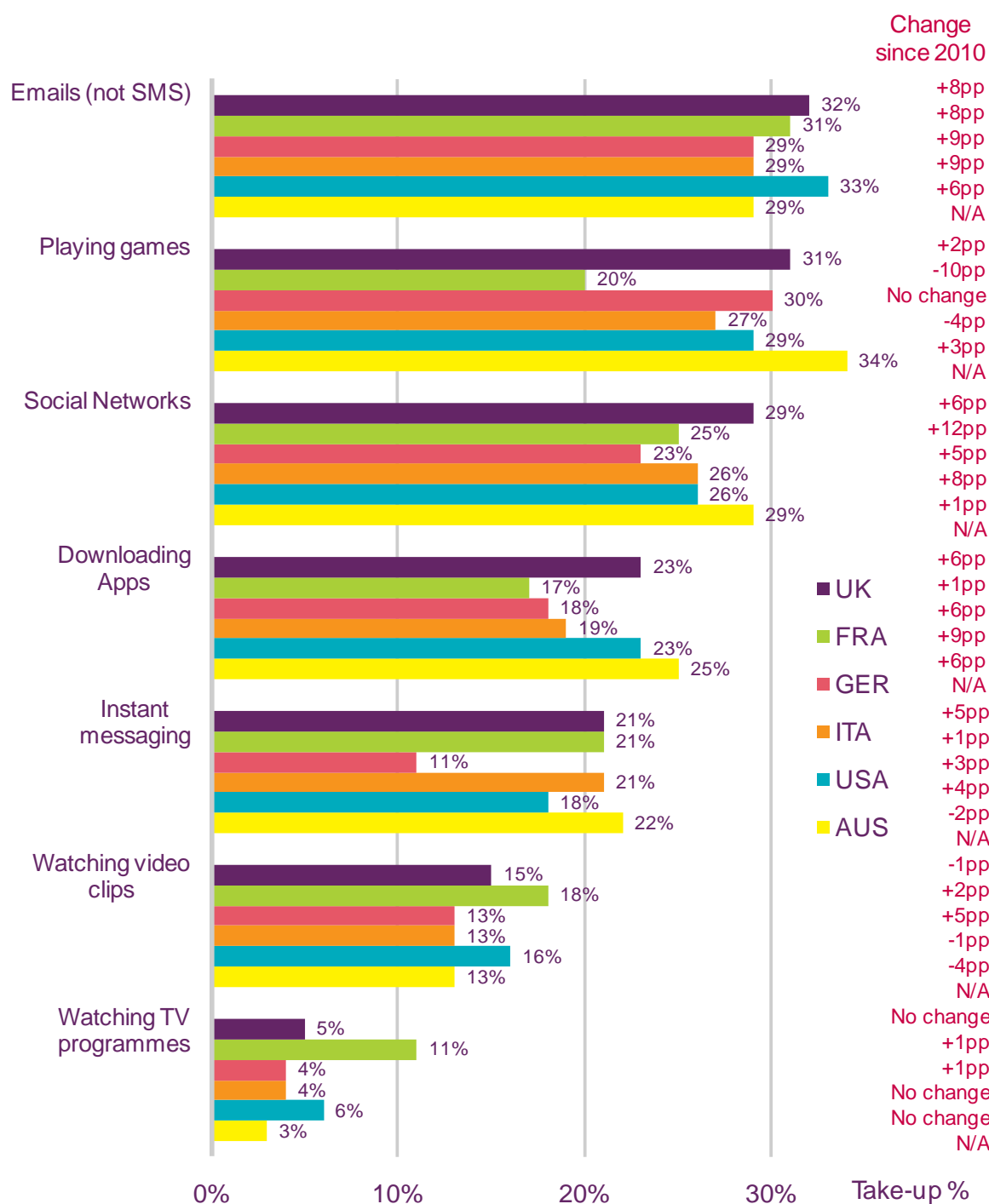
Note: Change since 2010 may be understated due to a change in the way in which the question was asked. In 2010 we asked respondents to classify whether they had "ever" used their mobile phone for activities; in 2011 we simply asked what activities they used their mobile phone for.

Growth in use of internet services on mobile phones is primarily for 'low bandwidth' services

Consumers use mobile phones for a wide range of internet-based applications, many of which may not be browser-based. Email, playing games and using social networks are the most popular services used, in all countries. It is also notable that, even from a higher usage base, the use of these services grew more in the past year than the watching of videos, either clips or TV programmes. This may reflect comparatively high data charges for mobile services compared to fixed-line broadband services, as well as the fact that the slower speeds of mobile networks generally mean that the user experience of services requiring high bandwidth is not as good as over fixed-line services. Furthermore, many mobile browsers are incompatible with web technologies used by online video services (e.g. Adobe Flash) and some popular video services cannot be accessed from mobile networks (e.g. BBC iPlayer in the UK). The proportion of people downloading mobile applications also increased in all countries except the US between 2010 and 2011 – this is indicative of higher take-up of phones with operating systems such as Apple's iOS or Android, which promote the installation of 'apps' to optimise the mobile internet experience (see below).

There are some variations in the use of services between countries. The watching of TV programmes on mobile phones is significantly higher in France than in the other European countries, probably because TV is often bundled with mobile subscriptions. Overall, take-up of internet services on mobile phones is slightly higher in the UK than in the other European countries – the UK has higher use of email, playing games, social networks and downloading applications than France, Germany and Italy.

Figure 5.4 Use of selected internet/data services on mobile phones



Source: Ofcom consumer research, October 2011.

Base: All those who use the internet, UK=929, France=914, Germany=945, Italy=989, USA=902, Australia=957.

Q: Which, if any, of the following activities do you use your smartphone / mobile phone for?

Note: Change since 2010 may be understated due to a change in the way in which the question was asked. In 2008 and 2010 we asked respondents to classify whether they had “ever” used their mobile phone for activities; in 2011 we simply asked what activities they used their mobile phone for.

Internet on mobile driven by take-up of smartphones

A key driver of the take-up of internet services on mobile phones is the take-up of smartphones.²⁰ According to data from technology research company Gartner, worldwide sales of smartphones were up 74% year on year in June 2011, and accounted for 25% of total mobile handset sales²¹. The US is the largest smartphone market in terms of revenue, but China overtook the US by volume of smartphone shipments in the third quarter of 2011. According to Mobile World Live, China shipped 23.9 million units during this period, growing 58% in the quarter, compared to 23.3 million units in the US, falling 7% on the previous quarter²².

ComScore's *MobiLens* survey provides a measure of smartphone take-up as a proportion of all mobile subscribers, and indicates strong growth across all five of the largest European markets between February 2010 and August 2011 (Figure 5.5).

In the UK nearly half (46%) of all mobile subscribers had a smartphone by August 2011, marginally ahead of Spain (45%). The UK had also seen very sharp growth, with take-up of smartphones almost doubling in the previous year. A driver of this is likely to be the bundling of smartphones in with 24-month mobile contracts, which allows the cost of the handset to be spread across a greater period of time. Research from Kantar WorldPanel ComTech finds that 67% of all mobile phones sold in the UK in the 12 weeks to 10 July 2011 were smartphones – the highest proportion of all 12 countries tracked – and that 61% of these smartphones were included 'free' for customers signing up to contract tariffs.²³ The second-highest sales of smartphones were in Australia, which also had the second-highest proportion of smartphones included in mobile phone contracts. Italy was an early leader in the take-up of smartphones, largely because of the high market share of Nokia phones with the Symbian operating system; however, growth has been slower, in part, because the high share of pre-pay mobile connections means that handsets are rarely offered to incentivise new subscribers.

²⁰ See Ofcom's *UK Communications Market Report 2011*, Section 1.5 (pp47-67) for an in-depth review of the take-up and use of smartphones,

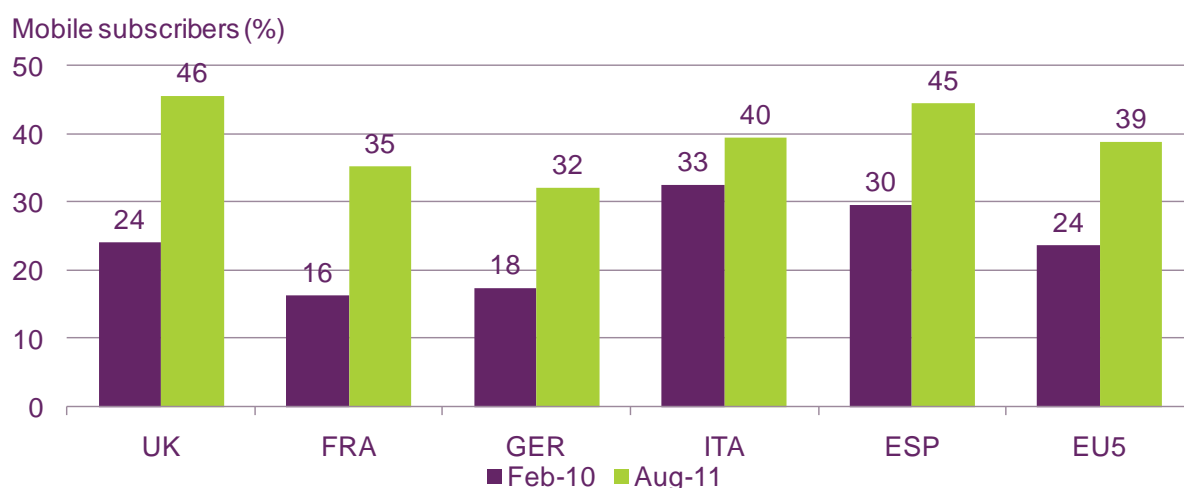
http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr11/UK_CMV_2011_FINAL.pdf

²¹ <http://www.gartner.com/it/page.jsp?id=1764714>

²² <http://www.mobilebusinessbriefing.com/articles/china-becomes-world-s-largest-smartphone-market/19721/>

²³ <http://www.kantarworldpanel.com/en/index.html#/News/news-list/Kantar-Worldpanel-ComTech:-Great-Britain-leading-global-Smartphone-adoption>

Figure 5.5 Proportion of mobile subscribers with smartphones in Europe



Source: comScore MobiLens, three-month averages ending February 2010 and August 2011, mobile subscribers ages 13+, EU5 is UK, FRA, GER, ITA and ESP

Note: MobiLens data are derived from an intelligent online survey of a nationally representative sample of mobile subscribers age 13 and above. Data on mobile phone use refer to a respondent's primary mobile phone and do not include data related to a respondent's secondary device.

Smartphone platform share varies between Europe, US and Japan...

While a mobile phone's hardware (processing power, screen size, keyboard availability, etc) is integral to providing a good internet experience and promoting use of the internet on mobile phones, the operating system (OS) is of at least equal importance – as it largely defines the user interface and also the applications that are available.

As smartphone take-up has increased, the rivalry between platforms has intensified. In the past twelve months industry players have made a range of announcements and OS releases in a bid to compete in this growing market:

- In October 2010, Microsoft launched its revamped Windows Mobile 7 platform. This was followed four months later at the Mobile World Congress by the announcement of a major update, codenamed 'Mango'. Officially announced in May 2011, Windows Phone 7.5 was released internationally in September 2011, while devices pre-installed with the updated OS went on sale in autumn 2011.²⁴
- In February 2011, the handset manufacturer Nokia announced a strategic partnership with Microsoft. As a result Nokia will drop the Symbian OS and adopt Windows Phone as its principal smartphone operating system.²⁵
- In June 2011, at Apple's Worldwide Developer Conference, the technology company announced the latest iteration of its iOS platform, on which its phone, tablet and touch-screen portable music player will run²⁶. iOS5 was launched in October 2011,

²⁴ http://windowsteamblog.com/windows_phone/b/windowsphone/archive/2011/09/27/windows-phone-7-5-mango-update-begins.aspx

²⁵ <http://www.microsoft.com/presspass/press/2011/feb11/02-11partnership.msp>

²⁶ <http://www.apple.com/pr/library/2011/06/06New-Version-of-iOS-Includes-Notification-Center-iMessage-Newsstand-Twitter-Integration-Among-200-New-Features.html>

along with the latest version of the iPhone and the remote backup and storage service iCloud.²⁷

- In August 2011, Research In Motion (RIM), the manufacturer of the BlackBerry smartphones and the accompanying operating system, announced the release of the BlackBerry 7 OS²⁸, but just two months later, revealed BBX, RIM's unified OS for smartphones and tablets²⁹. While BB7 is only compatible with the latest handsets, BBX will not be backward-compatible with existing apps available for BlackBerry. However, RIM has committed to porting the top 100 apps to BBX, and highlighted that the second version of BBX will include support for Android applications.
- In August 2011 HP announced³⁰ that it was discontinuing the webOS platform, the operating system it acquired when it bought Palm for \$1.2bn just 15 months earlier³¹. This affected both webOS phone and TouchPad tablets running the OS.
- Android is the free and open-source operating system developed by a group of companies called the Open Handset Alliance and led by Google. Android has evolved rapidly since its launch in April 2009, as have the large number of handsets on which it has been released. Named after various desserts, Android released the *Gingerbread* version of its smartphone OS in December 2010, and a tablet-only version called *Honeycomb* in February 2011. A unified OS for both smartphones and tablets, *Ice Cream Sandwich*, was released on 19 October 2011.
- In August 2011 Google announced the acquisition of Motorola Mobility, already a handset manufacturer for Android, for US\$12.5bn. Google's CEO, Larry Page, hoped the acquisition would "supercharge" the Android ecosystem, increasing competition and delivering benefits for consumers. The deal is expected to be completed in late 2011 or early 2012 after approval from regulatory authorities in operating jurisdictions³².

The relative success of competing operating systems varies across markets, as demonstrated by platform penetration across Europe, the US, and Japan (Figure 5.6). In Japan, market share is a two-horse race between Apple and Google (40% and 47% respectively). In the US, Google leads with 42% of smartphone platform share versus RIM's 22% and Apple's 20%. In Europe, Apple and Google have grown at the expense of Symbian, which, while it still has a stronghold in Europe and is the largest platform by number of users, has rapidly lost platform share; from 61% in January 2010 to 38% in July 2011. Apple and Google have similar shares in Europe (20% and 22% respectively) and RIM is fourth with 9% of the market. However, RIM is more popular in the UK than the rest of Europe as sales figures in Figure 5.7 suggest. Microsoft's Windows Mobile and Windows Phone platforms had a smaller share across all markets, with 7% in Europe, 6% in the US and no significant presence in Japan³³.

²⁷ <http://www.apple.com/pr/library/2011/10/04Apple-Launches-iPhone-4S-iOS-5-iCloud.html>

²⁸ <http://press.rim.com/release.jsp?id=5071>

²⁹ <http://press.rim.com/release.jsp?id=5230>

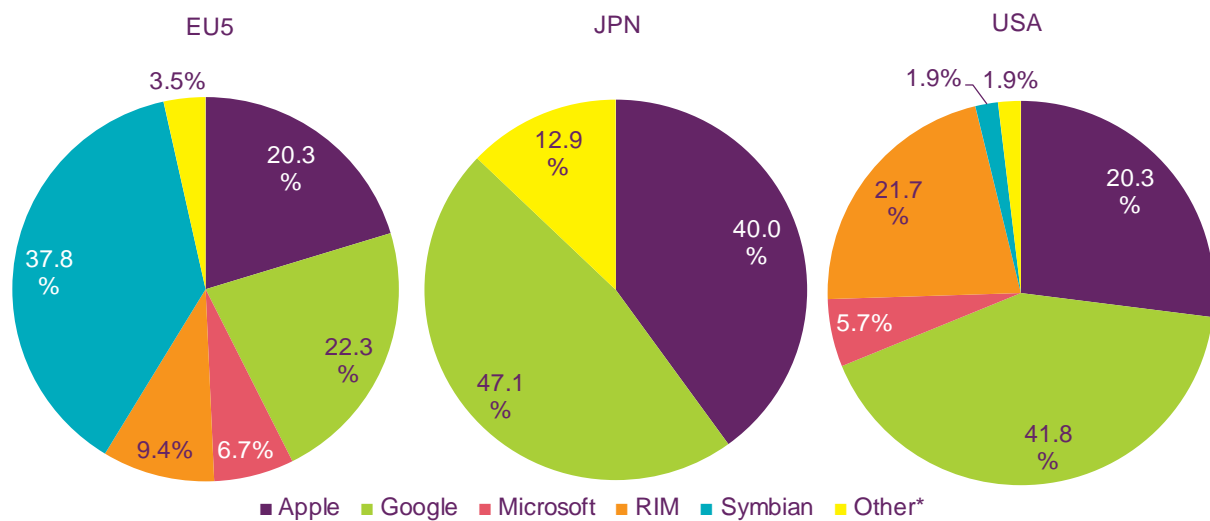
³⁰ <http://www.hp.com/hpinfo/newsroom/press/2011/110818b.html>

³¹ <http://www.hp.com/hpinfo/newsroom/press/2010/100428xa.html>

³² <http://mediacenter.motorola.com/Press-Releases/Google-to-Acquire-Motorola-Mobility-3797.aspx>

³³ Only with latest Mango release of Windows Phone 7 has the OS supported Japanese script, with the first Mango phone released in Japan in September 2011 <http://www.t3.com/news/fujitsu-is12t-goes-on-sale-in-japan>

Figure 5.6 Smartphone platform share across Europe, the US and Japan



Source: comScore MobiLens, aged 13+

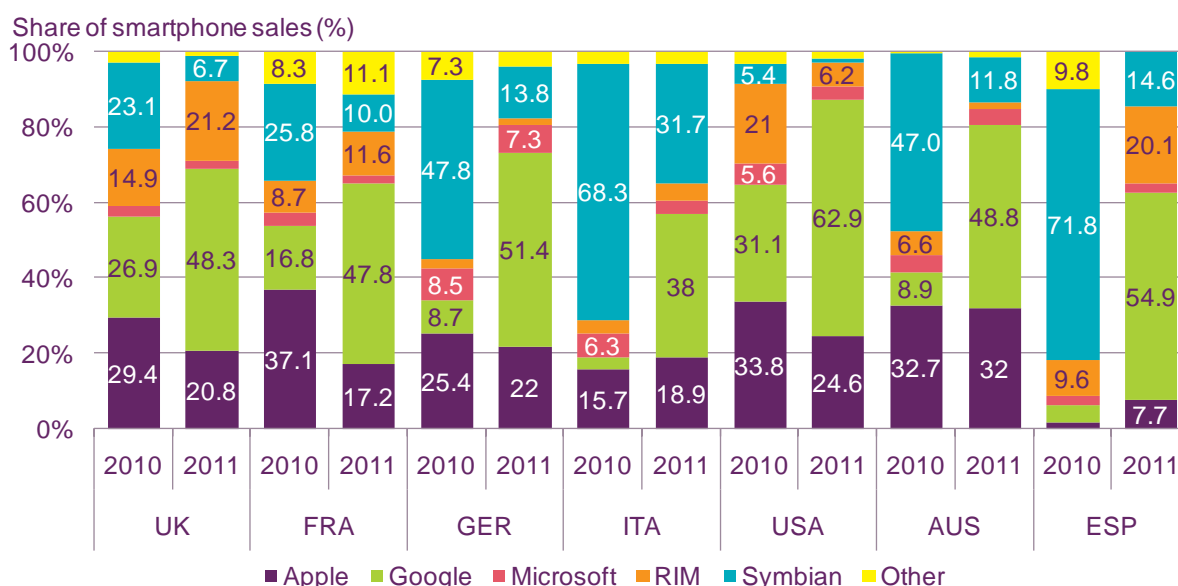
Note: MobiLens data are derived from an intelligent online survey of a nationally representative sample of mobile subscribers age 13 and above. Data on mobile phone use refer to a respondent's primary mobile phone and do not include data related to a respondent's secondary device. EU5 (UK, FRA, GER, ITA, ESP) 3 month average ending July 2011, USA 3 month average ending July 2011, JPN data March 2011. *Other includes all platforms not featured in respective pie chart.

...but Google's Android has had most success in winning market share

Data from Kantar Worldpanel ComTech on smartphone sales over equivalent 12-week periods in 2010 and 2011 clearly show that Google's Android had the greatest share of sales across Europe, the US, and Australia (Figure 5.7). Android is most popular in the US, with a 63% share of smartphone sales. Among the seven countries for which data are available, Android had lowest share in Italy, with 38% of sales, but is still the highest-selling operating system. Unlike Apple's iOS on iPhone or RIM's BlackBerry OS, Android is not tied to one specific handset manufacturer. Furthermore, Android is provided as an open source operating system, released for free, giving handset manufacturers and mobile network operators the opportunity to pass that saving on to the consumer. HTC, Samsung, Motorola, LG and Sony Ericsson and others all make handsets for Android, meaning that Android offers consumers a greater choice of handsets across a wider range of budgets than its main competitors.

Symbian is strongest in Italy, with a 32% share of smartphone sales, but sales have dropped significantly in all countries. As noted above, the UK remains a stronghold for the BlackBerry OS (21%) but more recently Blackberry has gained popularity in Spain (21%) where sales of Apple's iPhone have been the weakest across our comparator countries (7.7%). France is notable for its strong sales of the Bada operating system from Samsung (10.6%), which made up the majority of other smartphone sales during the 2011 period.

Figure 5.7 Operating system share of smartphone sales



Source: Kantar Worldpanel ComTech 12 weeks ending 5 September 2010 and 12 weeks ending 4 September 2011

Note: Microsoft includes both Windows Phone 7 and Windows Mobile operating systems. Data labels for operating systems with less than 5% share not shown.

5.1.3 Online advertising

Nearly 30% of advertising spend in the UK is on internet advertising

A major trend in advertising markets in recent years has been the growth of spend on the internet (Figure 5.8). In 2005, internet spend accounted for less than 10% of total advertising spend in all our comparator countries, but by 2010 online spend accounted for more than 15% in most countries, and approached 30% in the UK.

The UK continues to have the greatest internet share of total advertising spend (28.7%), followed by the Netherlands (25.2%) and Sweden (23.4%). Reasons for this include high internet take-up in these countries and, in the UK in particular, widespread take-up of online shopping, which is driven by high levels of credit card take-up, high levels of trust in online payments, a previous history of catalogue shopping and the early launch of major online shopping services (Amazon.co.uk launched in 1998, for example, following the purchase of bookpages.co.uk). More information on internet shopping is provided in Section 5.3.4 below.

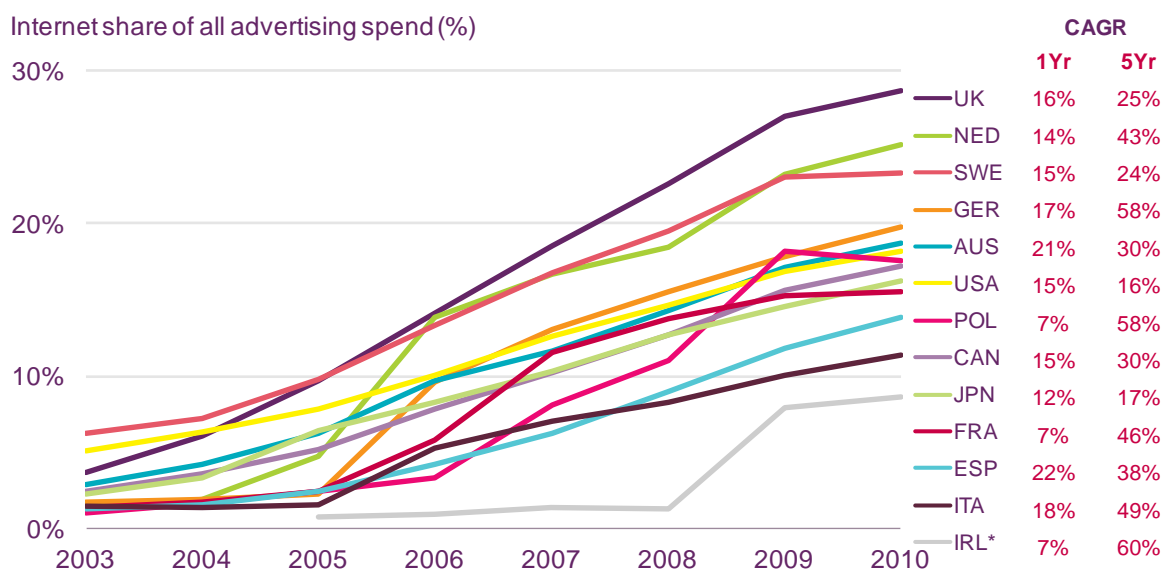
Ireland's internet advertising market has the smallest share of total advertising among our comparator countries (8.6%), although this may be in part be explained by some advertising being administered in the UK, followed by Italy (11.4%) and Spain (13.9%).

Between 2004 and 2009 the proportion of all advertising spend allocated to internet campaigns has steadily grown. However, in 2010 this growth slowed in some European markets. In Sweden and France the internet's share of total advertising expenditure remained almost constant (up by 0.3 percentage points in both countries) and in Poland the share of internet advertising fell by 0.6 percentage points.

Slower growth in share is not a reflection of a slowing internet advertising market but reflects a recovery in the total advertising market. In 2009 total advertising spend in all comparator countries fell, while internet advertising spend continued to grow in most countries (France and the US were the exceptions, with internet advertising spend falling by 3.3% in each

country in 2009). In 2010, total advertising spend recovered and exceeded 2009 spend in all comparator countries except Ireland. In Australia and Poland strong growth exceeded even the peak spend in 2008. Internet advertising also benefited from a recovery in growth, but in Sweden and France at a similar rate to the total advertising market, and in Poland at a slower rate than the total advertising market.

Figure 5.8 Internet share of total advertising expenditure



Source: Warc data (www.warc.com)

Note: Data do not include mobile advertising, a small but growing new market. This is particularly relevant to Japan where in 2010 mobile advertising accounted for approximately 3% of total advertising expenditure. * Ireland data prior to 2009 exclude paid-for search advertising. Ireland internet data from 2009 include display, classified, search and email and are therefore not directly comparable with those of previous years.

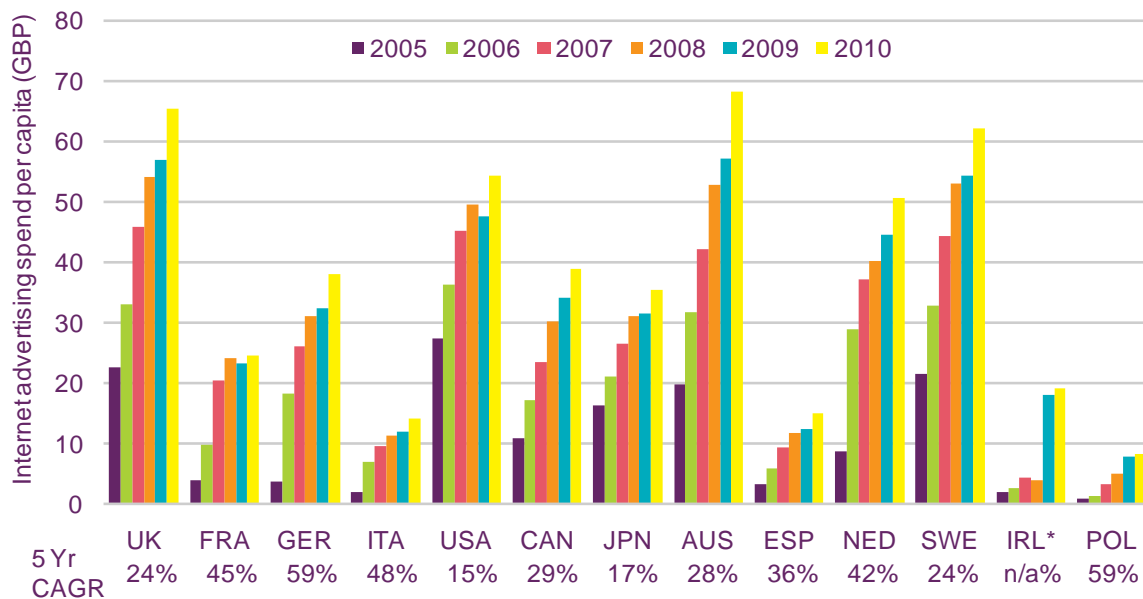
Australia spends the most on internet advertising per head

After a slowdown in growth in internet advertising spend per head during the economic downturn of 2009, growth rates increased in all countries except Poland.

In 2010, spend per head on internet advertising was highest in Australia (£68.29), ahead of the UK (£65.53)³⁴. In relative terms Spain's year-on-year growth of 21.5% was the strongest in 2010, while Poland and Germany had the greatest five-year compound annual growth rate, of 59% each.

³⁴ Currency exchange rates are of course a driver of relative differences in advertising spend. During 2010, the Australian dollar increased in value against the British pound by 18.5%. <http://www.google.com/finance?q=AUDGBP>, AUD/GBP Jan 1 2010 to Dec 31 2010

Figure 5.9 Internet advertising spend per head



Source: Warc data (www.warc.com) Currency conversions represent the IMF average for 2010. Population data from US Census Bureau (EoY estimates from mid-year values).

* Note: Ireland data prior to 2009 exclude paid-for search advertising. Ireland internet data from 2009 include display, classified, search and email and are not comparable with those of previous years.

Social media drives growth in display advertising in the UK and the US

The three key classifications of internet advertising are search, display, and classifieds. In search advertising (which is the main source of Google's revenue), ads are delivered against search results depending on what the user searched for. Search advertising has developed a range of tools that allow advertisers to create ever more sophisticated advertising campaigns. The advertiser can vary its campaign by a number of variables including geography, language and time of day.

In contrast, display advertising is contextual to the website being viewed, or can rely on certain types of profiling. It can therefore provide a different form of targeting for advertisers that may appeal to a user's broader interests: for example, gambling firms may advertise on sports websites, and airlines may advertise on travel websites. Internet advertising also includes classifieds which includes websites like Craigslist in the US, Gumtree in the UK and Le Bon Coin in France.

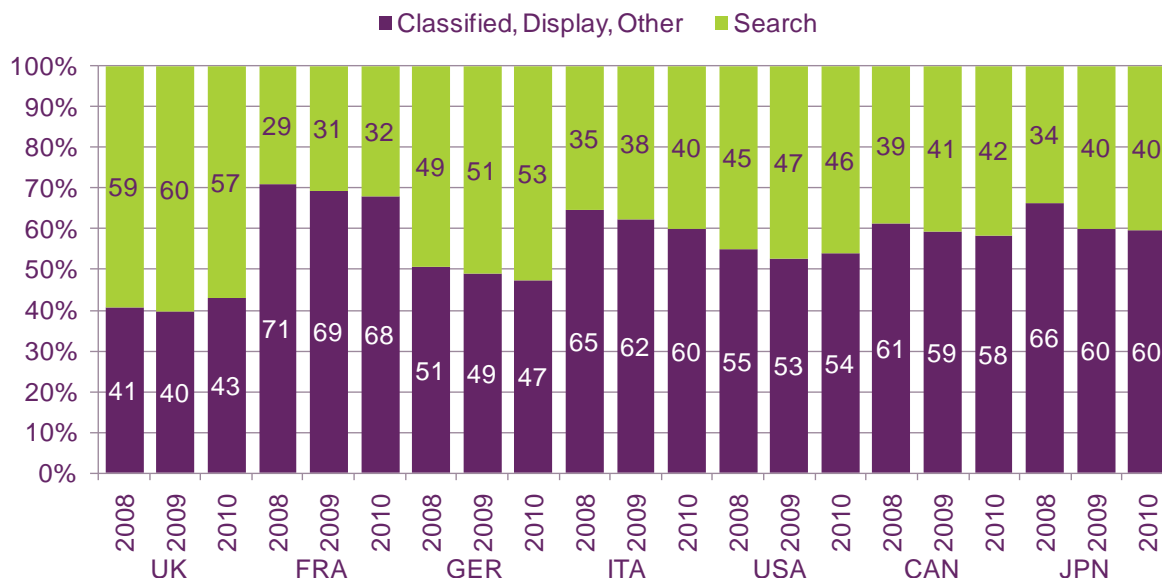
Between 2008 and 2009, search increased its share of advertising spend in all comparator countries (Figure 5.10). However, in 2010 there are some signs that display may be regaining share; between 2009 and 2010 share of internet advertising spend by search declined by three percentage points in the UK and by one percentage point in the US.

This growth in display advertising is driven by advertising on social media sites, and in particular on Facebook. ComScore reports that advertising impressions on social networking sites in the UK increased by 47% between December 2009 and December 2010, while other display advertising impressions fell by 3% over the same period.³⁵ Overall, the UK's online display advertising market grew by 27.5% in 2010 on a like-for-like basis to £945m,

³⁵ See Ofcom's UK Communications Market Report 2011, Section 4.1.3 for a fuller discussion of internet advertising trends in the UK, http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr11/UK_CMV_2011_FINAL.pdf

accounting for 23% of all internet advertising spend.³⁶ Similarly in the US, according to comScore, a third of all internet display advertising was served on social media sites in 2010³⁷ and display internet advertising rose 24% to \$9.9bn from \$8bn last year³⁸, accounting for 38% of all internet advertising revenues.

Figure 5.10 Internet advertising spend, by category



Source: PricewaterhouseCoopers Global Entertainment and Media Outlook: 2011-2015

(www.pwc.com/outlook)

Note: interpretation and manipulation of data are solely Ofcom's responsibility.

UK mobile internet advertising surges while Japan remains a world apart

The size of the UK's mobile internet advertising market increased by 118% in 2010, with revenues up from £38m to £83m (see Figure 5.11). Other European nations achieved moderate double-digit growth, while Ireland doubled the size of its fledgling mobile internet advertising market, to £2m.

The largest mobile advertising market in the world is Japan, where a saturated and sophisticated mobile market has offered greater opportunity for mobile advertising to grow. The proportion of mobile subscribers with a 3G connection in Japan in 2010 was 93%, far greater than in the US (48%) and the UK (39%); the average monthly spend on mobile phones in 2010 was £35.52, (compared to £15.40 in the UK), and 49% of this spend was on data (compared to 29% in the UK).³⁹

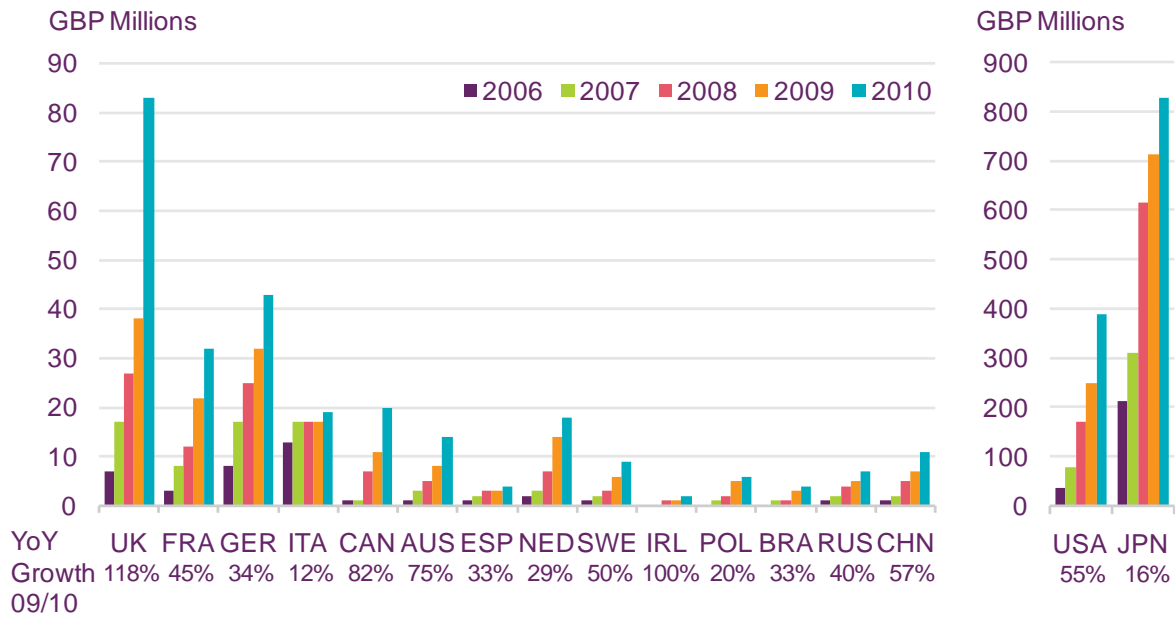
³⁶ <http://www.iabuk.net/en/1/adspendbreaks4billionmilestone280311.mxs>

³⁷ http://www.comscore.com/Press_Events/Press_Releases/2011/2/comScore_Releases_The_2010_U.S._Digital_Year_in_Review

³⁸ http://www.iab.net/media/file/IAB_Full_year_2010_0413_Final.pdf

³⁹ All figures IDATE / Industry Data / Ofcom

Figure 5.11 Mobile internet advertising expenditure

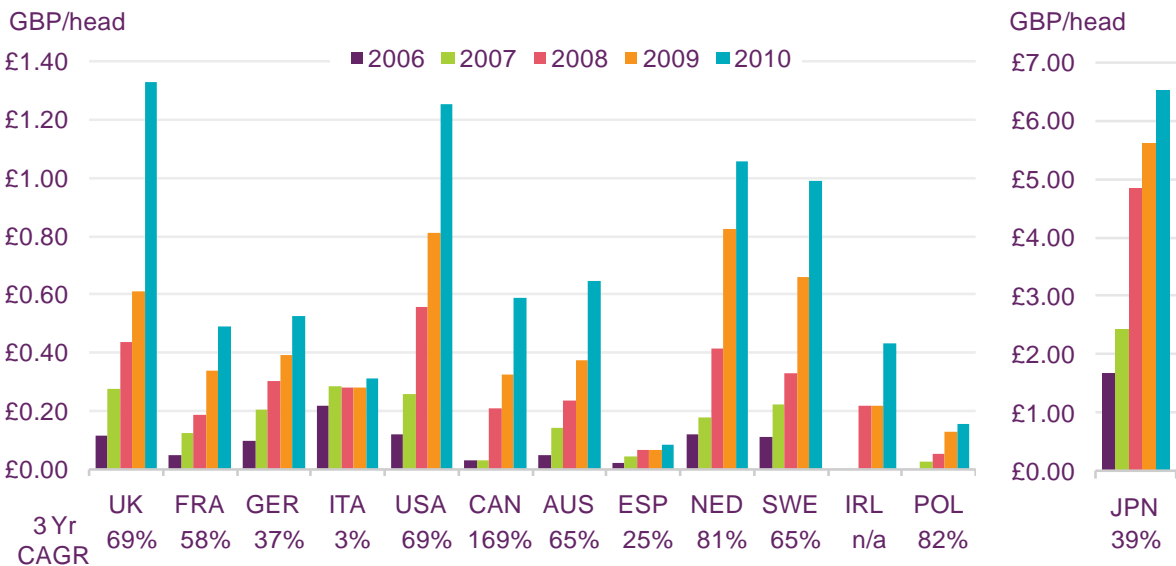


Source: PricewaterhouseCoopers Global Entertainment and Media Outlook: 2011-2015 (www.pwc.com/outlook)

Note: interpretation and manipulation of data are solely Ofcom's responsibility.

Those nations with a high proportion of internet advertising spend (see Figure 5.8 above) also have a high mobile internet advertising spend per head (Figure 5.12). This is notably the case with the UK (£1.33), the Netherlands (£1.06) and Sweden (£0.99). The US (£1.25) falls in line with comparable countries, but Japan remains by far the largest market on a per-capita basis (£6.52).

Figure 5.12 Mobile internet advertising spend per head



Source: PricewaterhouseCoopers Global Entertainment and Media Outlook: 2011-2015

(www.pwc.com/outlook) Population data from US Census Bureau (EoY estimates from mid-year values).

Note: Note interpretation and manipulation of data are solely Ofcom's responsibility.

5.2 Platforms and devices

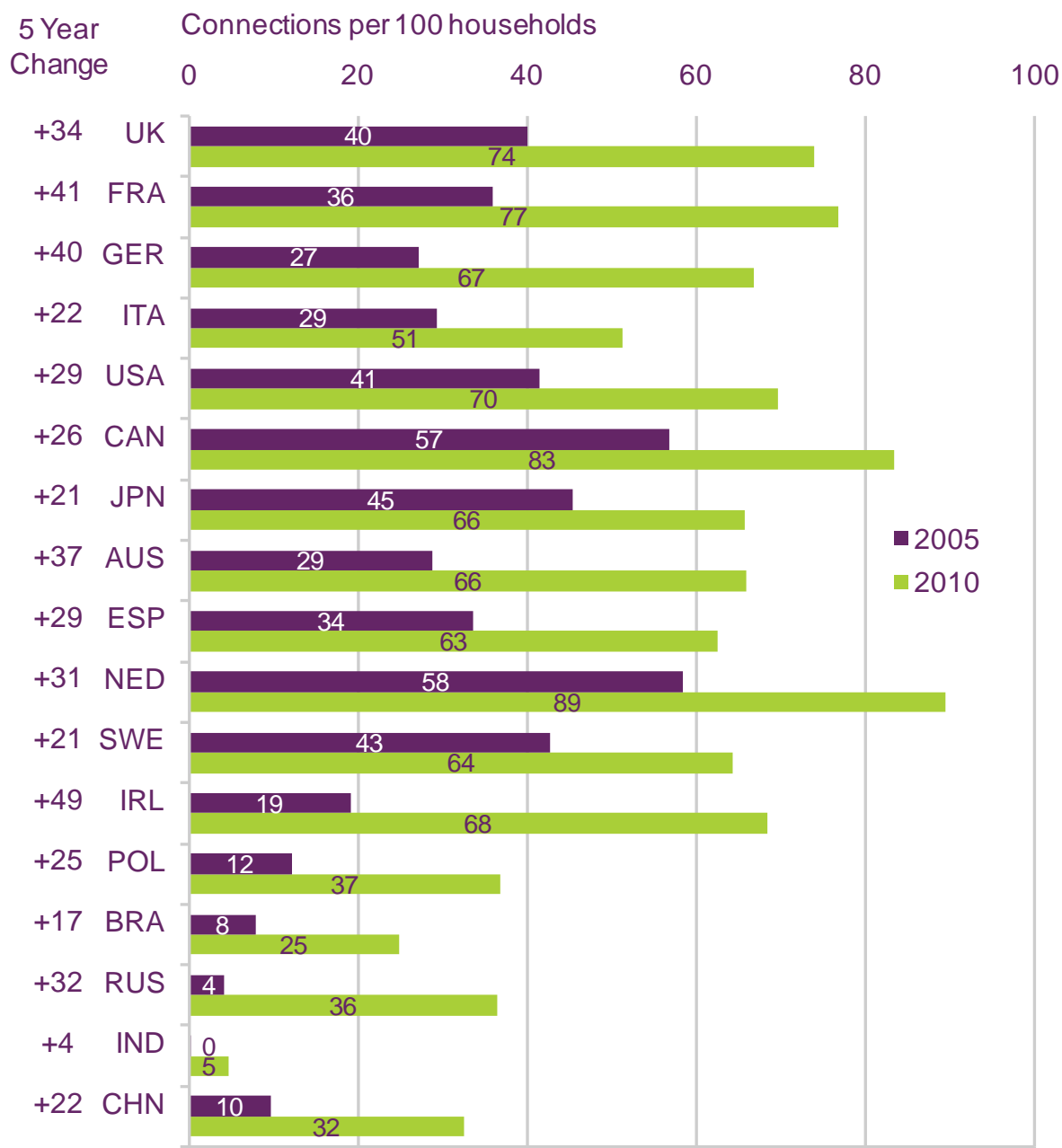
5.2.1 Access platform adoption

Early adopters retain highest penetration per 100 households of fixed broadband

Figure 5.13 shows that five years ago only two of our comparator countries averaged more than 50 fixed broadband connections per 100 households, but today all of them except Poland and the BRIC countries do. The two countries that led fixed broadband adoption five years ago continue to do so today, with the highest penetration of fixed broadband remaining in the Netherlands (89 connections per 100 households) and Canada (83 connections per 100 households). Take-up in France has grown rapidly in the past five years to 77 connections per 100 households, higher than in the UK (74 connections per 100 households) and the US (70 connections per 100 households). Ireland experienced the greatest growth in the past five years, up from 19 connections per 100 households in 2003 to 68 in 2010.

All comparator countries have experienced significant growth over the past five years. Broadband connections continue to become increasingly prevalent in emerging markets. Russia has 36 connections per 100 households, while China has 32 and Brazil 25. India lags behind the other BRIC countries, with just five connections per 100 households.

Figure 5.13 Broadband connections per 100 households



Source: IDATE / Industry data / Ofcom

Note: this calculation includes business broadband lines, and therefore the figures in the analysis do not equate exactly to household fixed broadband take-up.

Mobile broadband take-up slows in the UK – but grows apace in other countries

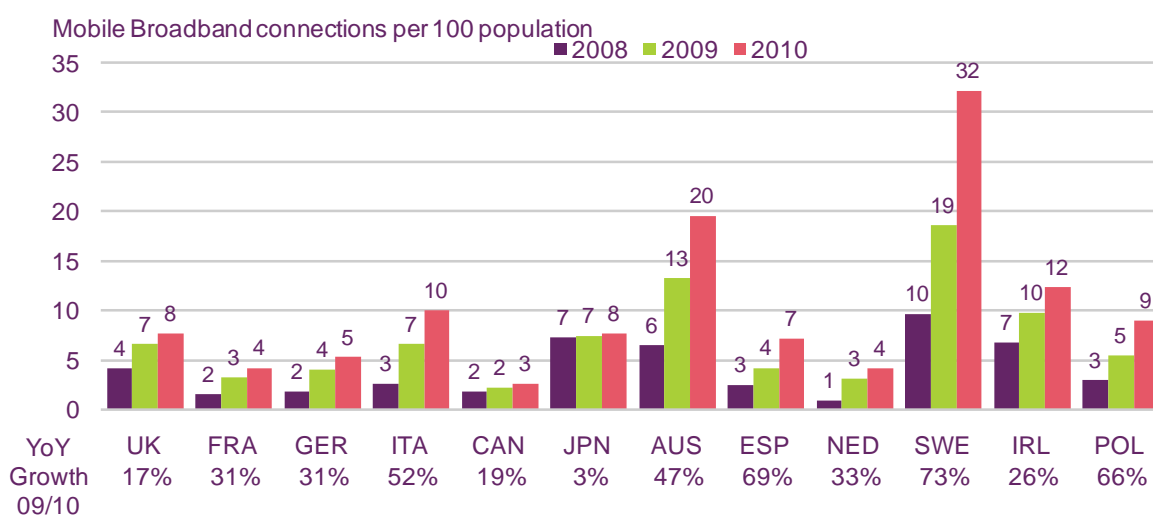
The roll-out of upgrades to 3G networks (such as HSPA and CDMA 2000 1xEV-DO) in recent years has facilitated the emergence of mobile broadband services and increased the data speeds that consumers can expect.

In all of our comparator countries there has been rapid growth in take-up of mobile broadband (defined as broadband delivered to PCs using dongles, datacards, or SIM cards embedded in laptop PCs) since 2008. Sweden and Australia had the highest number of mobile broadband subscribers per 100 population (32 and 20 respectively).

While many countries saw rapid growth in mobile broadband take-up during 2010, in some countries growth slowed. In the UK, the number of connections per 100 households grew by just one, to eight, while there was also only slow growth in France, Germany, Canada, Japan and the Netherlands. During 2010, mobile broadband take-up per 100 population in Italy (10), and Poland (9) overtook that in the UK (8) as each country experienced greater than 40% growth in the number of connections.

Of course, mobile broadband networks can also be accessed via mobile phones, and Figure 5.2 above shows that use of the internet on mobile phones has increased rapidly in most countries since 2008.

Figure 5.14 Mobile broadband subscribers per 100 population



Source: IDATE / industry data / Ofcom

Note: this calculation includes business mobile broadband lines, and therefore the figures in the analysis do not equate exactly to household mobile broadband take-up.

Mobile broadband can complement or substitute for fixed broadband

Mobile broadband services can either be a complement to or a replacement for fixed broadband services.

Ofcom consumer research among broadband users in six countries found that in the UK, France and Germany most mobile broadband users also have a home fixed broadband connection, indicating complementary use – with consumers using fixed broadband at home and mobile broadband when out and about. Separate Ofcom research finds that in the UK younger people, and those living in rented accommodation, are more likely to rely on mobile broadband.⁴⁰ This may reflect the fact that for many, mobile broadband is a life-stage product, particularly when used as a substitute for fixed broadband.

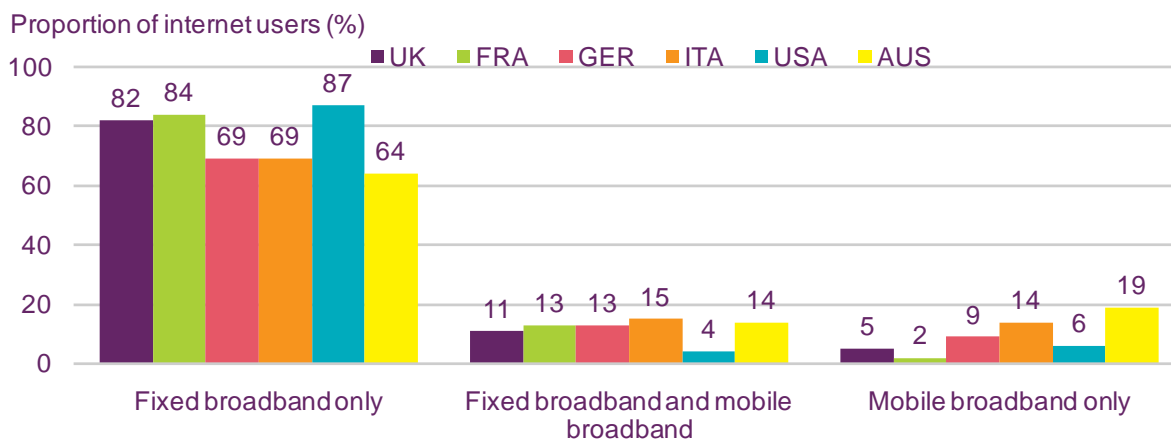
In the US and Australia, most mobile broadband users have it as their only broadband connection, and in Italy there is high take-up of mobile broadband, both as the only internet connection and as a complement to fixed broadband. High take-up of mobile broadband as the only service may be driven by a number of factors – lack of availability of fixed-line broadband (which historically⁴¹ has been the case in Australia), a high incidence of mobile-

⁴⁰ Ofcom *Communications Market Report 2011*, Fig 5.95, p323, http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr11/UK_CMR_2011_FINAL.pdf

⁴¹ However, Australia's National Broadband Network plans to roll out high speed fixed broadband services to 93% of the population by 2020 <http://www.nbn.gov.au/>

only households (as is the case in the US and Italy), the wide availability of high-speed mobile networks (HSPA services are widely available in Australia and Italy, and in the US alongside EV-DO services), the relative price of fixed and mobile broadband services, and demographic characteristics (e.g. mobile broadband is more likely to be taken up by young people in rented accommodation, as stated above).

Figure 5.15 Take-up of home internet access platforms



Source: Ofcom consumer research October 2011.

Base: all those who use the internet, UK=1015, France=1014, Germany=1014, Italy=1045, US=1002, Australia=1012

Q. Which of the following do you have in your home?

5.2.2 Device penetration

Beyond the PC... new internet-connected devices gain a foothold

As WiFi and cellular networks have grown, and consumers and content providers increasingly value online access 'anytime, anywhere', the number of internet-connected devices available to consumers has increased significantly.

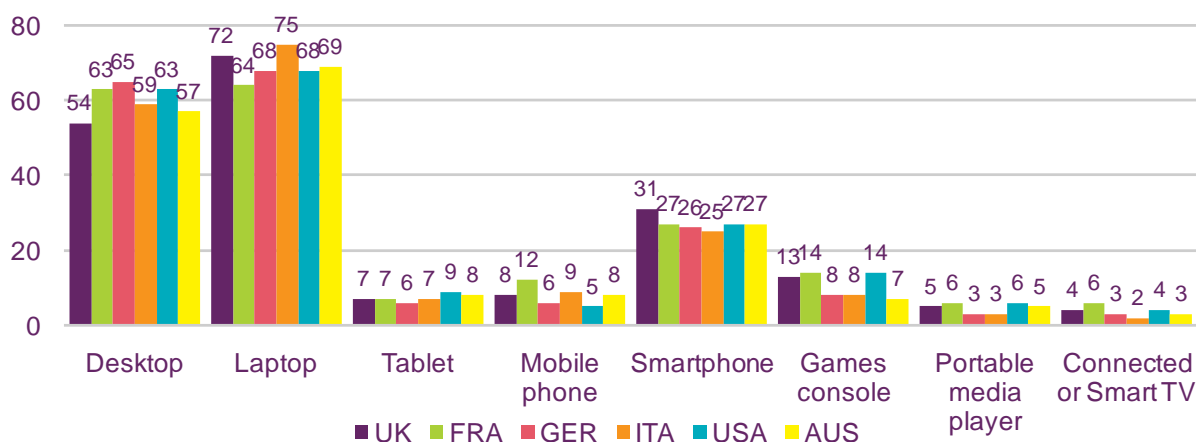
In all of the six countries we surveyed, consumers were more likely to use a laptop PC than a desktop PC to access the internet at home. The margin between the use of laptop PC and desktop PC was narrowest in France (1 percentage point) and widest in the UK (18 percentage points) where there was the lowest incidence of desktop PC use (54%) across our surveyed countries (see Figure 5.17 below for a demographic breakdown).

The mobile phone was the third key in-home internet device, and more than 10% of broadband users also used a games console for internet access in the UK, France, and the US.

Other internet platforms currently have lower take-up. The launch of Apple's iPad in 2010 defined the emergence of tablet PCs as a distinct category (although it was not the first such device), and according to our research it was used by 6% to 9% of broadband households to access the internet by October 2011. The use of portable media players (including e-readers such as the Amazon Kindle and music/video players such as Apple's iPod Touch) to access the internet stood at around one in 20 broadband households. Internet-enabled televisions are increasingly becoming widely available (connected TVs made up almost 20% of global

shipments in 2011⁴²) but by October 2011 they still had comparatively low claimed use, highest in France at 6% of broadband households.

Figure 5.16 Devices used to access the internet



Source: Ofcom consumer research October 2011.

Base: All those who use the internet, UK=1002, France=1004, Germany=1005, Italy=1040, US=992, Australia=1004

Q. Which of the following devices do you use to access the internet at home (e.g. visiting web sites, emailing, online gaming, downloading files)?

Younger internet users more likely to use laptops

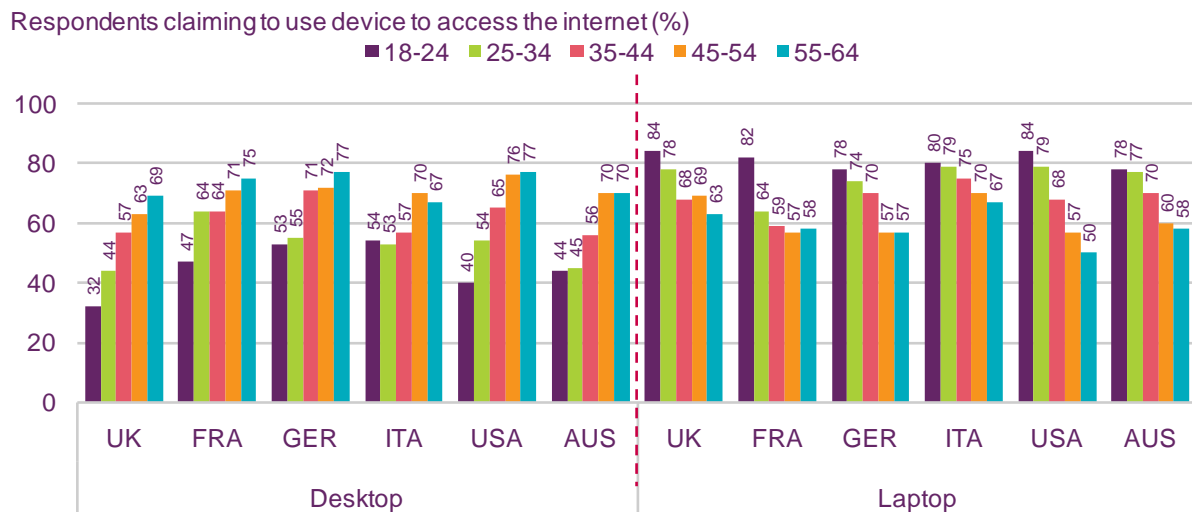
In the UK, less than a third (32%) of 18-24 year-old internet users use a desktop PC to access the internet at home, compared to 69% of 55-64s. A similar pattern is evident in the other five countries surveyed – where less than half of 18-24s and more than half of over-35s use a desktop PC.

Similarly, in all countries surveyed younger users are much more likely to use a laptop PC. This may be due to a number of factors – younger users putting more value on mobility, younger users being more likely to live in shared accommodation, sharing a WiFi connection or using a mobile broadband connection, or younger users living with parents being more likely to use a ‘secondary’ household device.

42

http://www.displaysearch.com/cps/rde/xchg/displaysearch/hs.xsl/110425_connected_tvs_forecast_to_exceed_123m_units_in_2014.asp

Figure 5.17 Use of desktop and laptop PCs to access the internet, by age



Source: Ofcom consumer research October 2011.

Base: All those who use the internet, UK=1002, France=1004, Germany=1005, Italy=1040, US=992, Australia=1004

Q. Which of the following devices do you use to access the internet at home (e.g. visiting websites, emailing, online gaming, downloading files)?

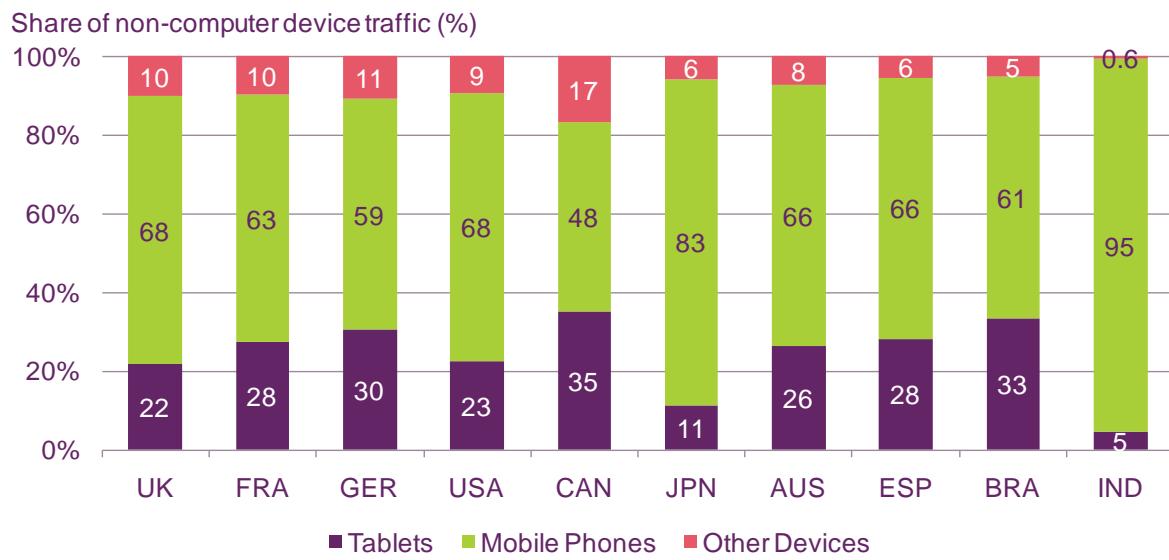
Tablets account for over a third of internet traffic on other devices in Canada

As the number of devices able to connect to the internet proliferates, the share of non-computer internet traffic will diversify. Furthermore, some devices create more internet traffic than others. Tablets may be more likely to be used for video content because of their larger screen size, as might other devices such as games consoles. Therefore device take-up is not necessarily a guide to internet usage or share of internet traffic.

Figure 5.18 presents the share of non-computer internet traffic for mobile phones, tablets and other non-computer devices. The share of mobile phone traffic was smallest in Canada, with just less than half of non-computer internet traffic coming from phones. Canada also had the highest proportion of traffic from tablet devices (35%), a large proportion of which was from Apple's iPad (33.5%). Brazil also has a high proportion of tablet traffic (33%), while the UK (22%) has the smallest share of tablet traffic among the European comparator nations. However, mature mobile data markets like Japan (where 93% of mobile connections are 3G) offer the ability to consume a large quantity of data on mobile devices over cellular networks very easily, and are therefore likely to have a greater skew towards mobile phone traffic than nations with a low proportion of 3G connections like Brazil and Canada (at 9% and 30% respectively)⁴³.

⁴³ 3G connections per 100 population as a proportion of mobile connections per 100 population. Source: Ofcom / EDATE / Industry data

Figure 5.18 Share of internet traffic on other devices



Source: comScore Device Essentials, May 2011

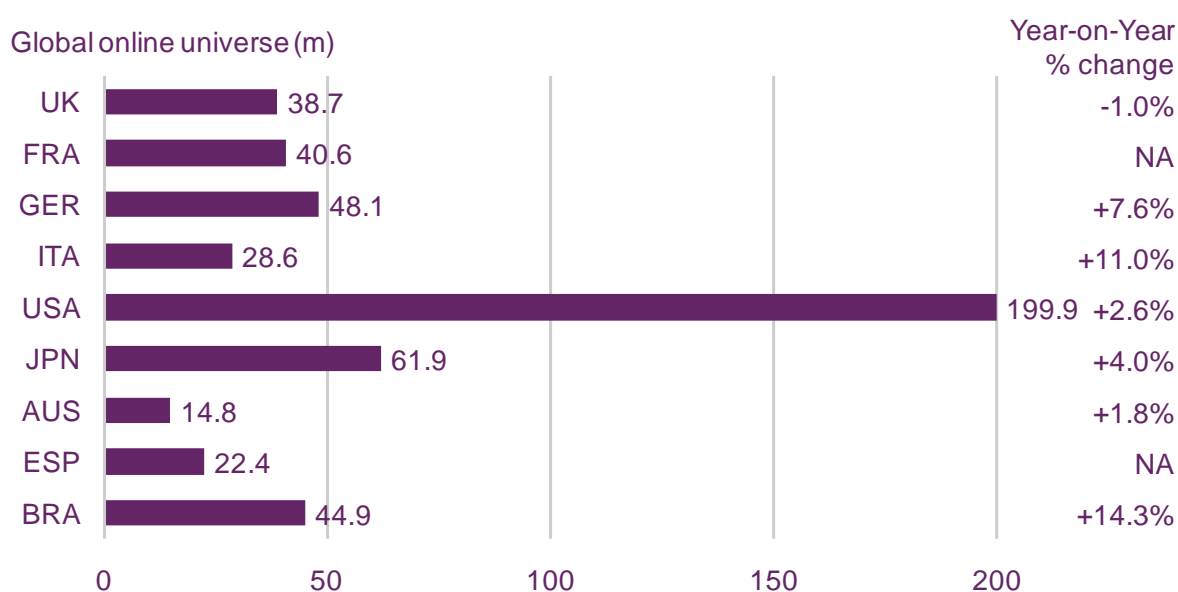
5.3 Internet content and consumption

5.3.1 Online audiences

Growth in internet users stalled in the UK in 2010-11

Based on data collected by internet measurement company Nielsen, the total internet audience (using a computer) across the nine countries for which we have data increased by just 2.4% between July 2010 and July 2011 (up by 12 million to 500 million across the nine countries). Audience levels have remained relatively flat with minor seasonal changes in the UK, the US, Japan and Australia. In contrast Italy (up 11%), Germany (up 8%), and Brazil (up 14%) experienced significant growth in the number of people online in the year to July 2011.

Figure 5.19 Global online universe, July 2011



Source: Nielsen, July 2011 and July 2010 (internet applications included, home & work)

Note: Due to a change in methodology in January 2011 online universe figures are incomparable for Spain between July 2010 and July 2011. Year-on-year comparisons for France are not applicable because of an anonymous high data point.

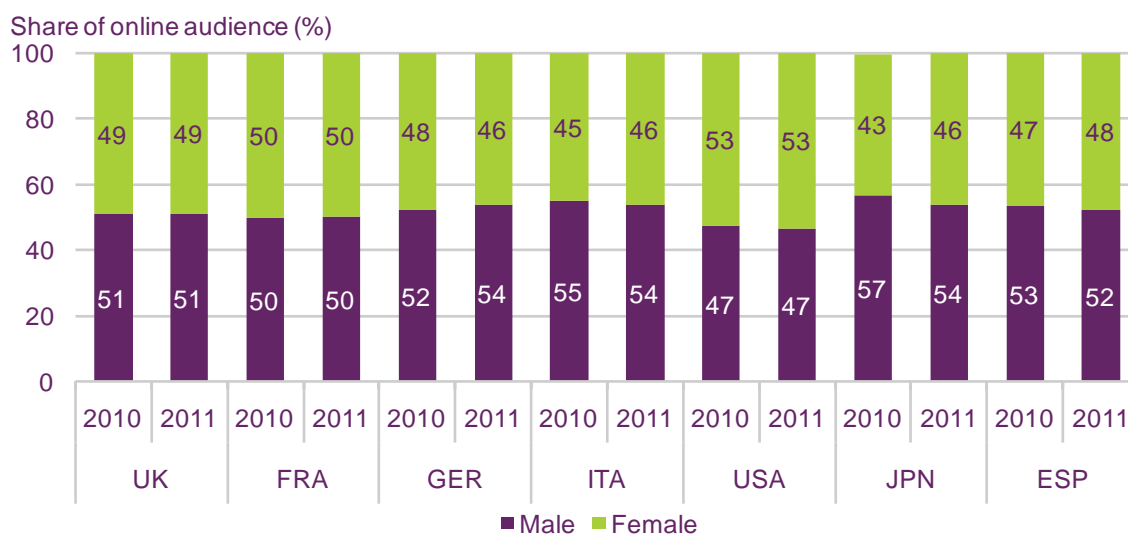
The US is the only country to have more women than men online

According to Nielsen, in August 2011 the only one of our comparator countries to have a greater proportion of women than men online was the US (53:47). There was an approximately even split between women and men in the UK (49:51) and France (50:50), while in Spain the gender balance was marginally in favour of men (48:52). The greatest differences between male and female online populations were in Germany, Italy, and Japan where 54% of the unique online audiences were male.

The gender split of unique online audiences between August 2010 and August 2011 has remained similar in most of our comparator countries, with no change in the UK, France and the US, and only a one or two percentage point change in Spain, Italy and Germany. Japan saw the greatest shift in gender split, at three percentage points, as the online audience

came closer to, yet remained a significant distance from, the population gender split of 48% men to 52% women⁴⁴.

Figure 5.20 Unique online audience, by gender: August 2010 and August 2011



Source: Nielsen, August 2010 and August 2011, home and work panel, applications included.

The US has the highest proportion of internet users aged 65 and over

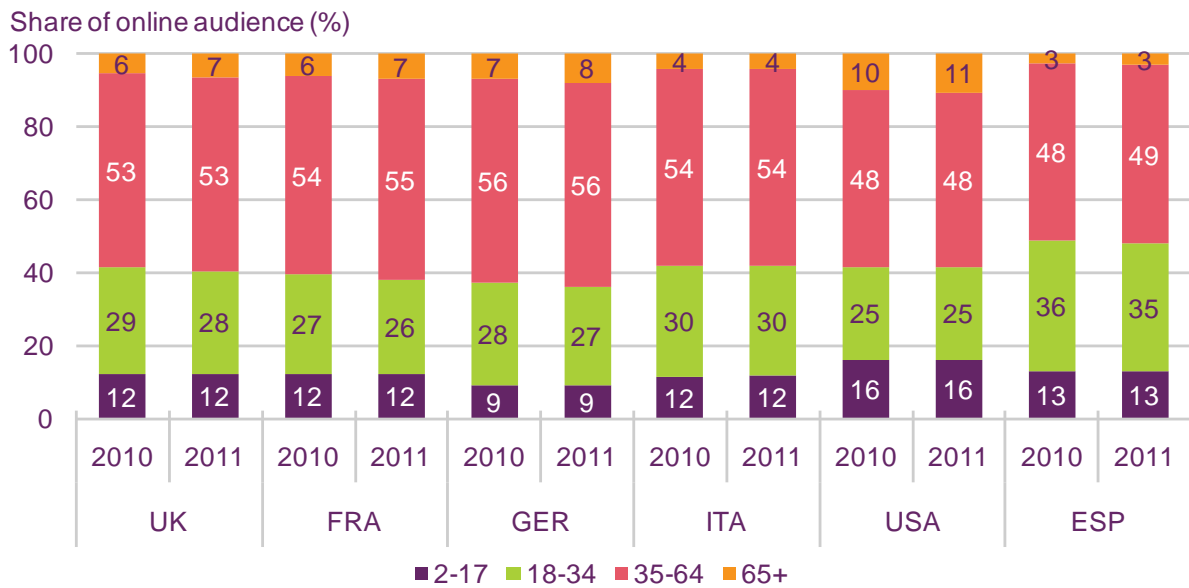
In the US 11% of the online audience was aged 65 and over in August 2011 – the highest proportion of any of our comparator countries where data were available, and despite the US proportion of this demographic being the smallest (13%)⁴⁵ among the comparator countries featured in Figure 5.21. Spain and Italy had the lowest proportion of over-65s among their online audiences, at 3% and 4% respectively, while France and the UK had 7%, and Germany 8%.

It should be noted that the data in Figure 5.21 will partly reflect the differing age profiles of the populations in each country.

⁴⁴ <https://www.cia.gov/library/publications/the-world-factbook/fields/2018.html>

⁴⁵ <https://www.cia.gov/library/publications/the-world-factbook/fields/2010.html>

Figure 5.21 Unique online audience, by age: August 2010 and August 2011



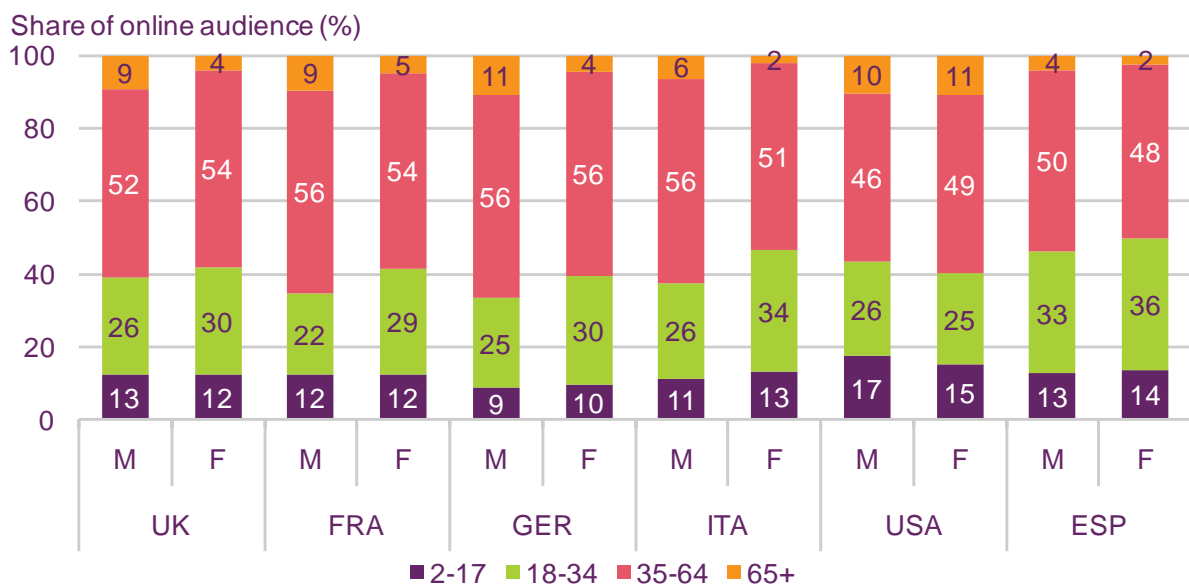
Source: Nielsen, August 2010 and August 2011, home and work panel, applications included.

In most countries male internet users are significantly older than female internet users

Across all but one of the comparator countries for which we have data, there were more than twice the proportion of men aged over 65 than the proportion of women aged over 65 using the internet in August 2011. The US bucked the trend, where over-65s accounted for 11% of the total female online audience, but just 10% of the total male online audience.

Conversely, 18-34 year olds account for a higher proportion of the female online audience than the male online audience in all countries for which we have data; in Italy, 18-34s account for 34% of the total female online audience, but just 26% of the male online audience.

Figure 5.22 Unique online audiences, by age and gender: August 2011



Source: Nielsen, August 2011, home and work panel, applications included.

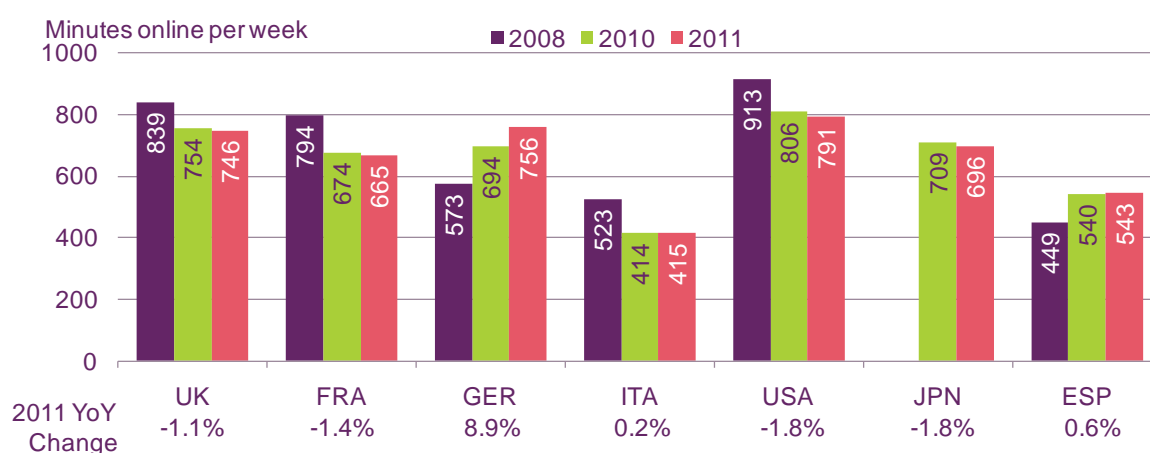
Average time spent online by PC users fell in most countries between 2008 and 2011

Average number of minutes spent online per week (on a computer) declined marginally for most of the countries for which we have data. Internet users in the UK spent an average of 12 hours 26 minutes online each week in August 2011, eight minutes less than a year previously. Among the countries for which we have data, internet users in the US spent the most time online, averaging 13h 11m a week in August 2011; and internet users in Italy spent the least amount of time online, averaging 6h 55m a week.

Germany was the only country where average time online went up significantly between August 2010 and August 2011, with average time online increasing by 60 minutes to 12 hours 36 minutes a week (an 8.9% increase).

It should be noted that the data in Figure 5.23 only include time spent on the internet using a computer. Internet use on mobile phone and tablet devices has increased significantly, and some of this use may be substitutional for time spent on the internet using a computer.

Figure 5.23 Average number of minutes spent online per week



Source: Nielsen, August 2008, 2010 and 2011, home and work panels, applications included.

Note: 2008 data unavailable for Japan.

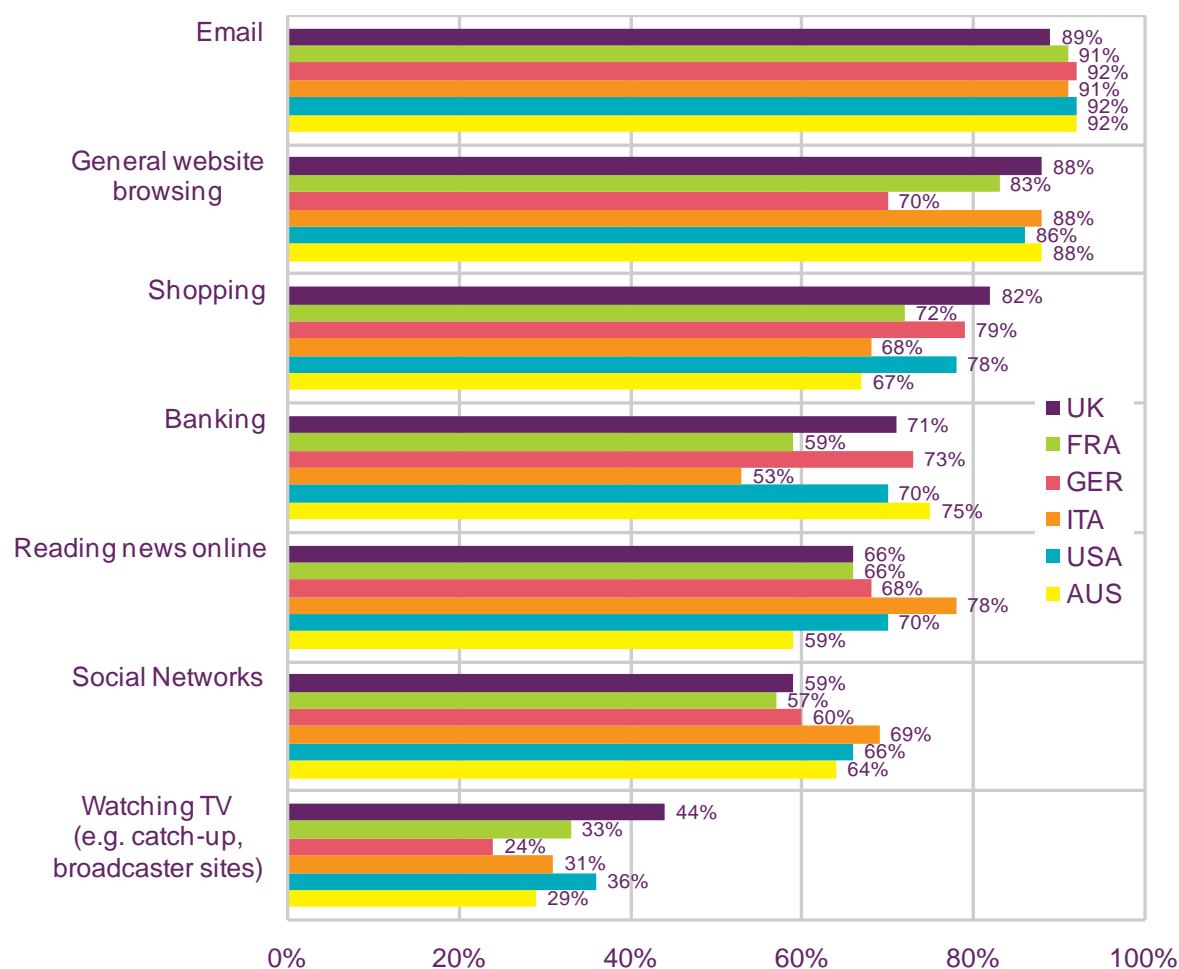
5.3.2 Activity and behaviour

So what are we doing online?

Our research into internet users in six countries provides a detailed overview of what services consumers use their home internet connection for (Figure 5.24 and Figure 5.25). There are similarities between consumers in most countries, with email and “general website browsing” generally the most popular two uses of the internet. However, there are also some significant differences.

A higher proportion of consumers in the UK used their internet connection for shopping (82% of internet users) and watching TV programmes (44% of internet users) than in the other six countries (Figure 5.24), but had lower-than-average use of instant messaging (36%), making voice calls (VoIP) (19%) and uploading video (13%) (Figure 5.25)

Figure 5.24 Highlighted use of home internet connection



Source : Ofcom consumer research, October 2011.

Base: All those who use the internet, UK=1015, France=1014, Germany=1014, Italy=1045, USA=1002, Australia=1012

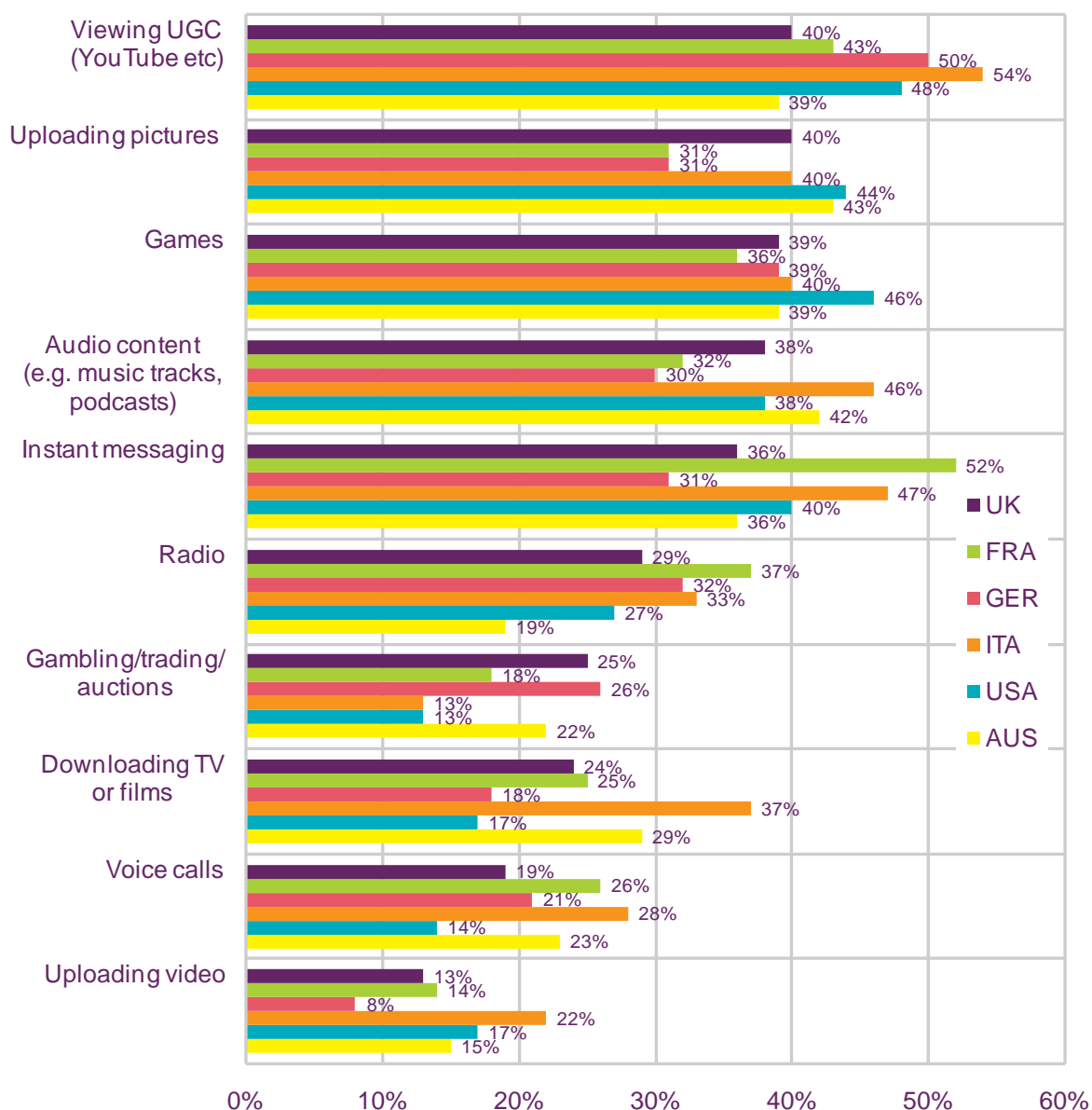
Q. Which, if any, of the following activities do you use your home internet connection for?

Other findings include:

- Use of instant messaging was greatest in France (52% of all internet users), but least popular in Germany (31%).
- In all countries more than half of all internet users claimed to read news online – the highest proportion was in Italy (78%).
- Internet users in Italy also claimed the highest use of social networks (69%), watching user-generated content (54%), listening to audio content (46%), downloading TV or films (37%), making voice calls (28%) and uploading video (22%).
- Consumers in Italy had lower use of online banking (53%) than the other six countries. The highest levels of use were in Australia (75%) and Germany (73%).

Social networking is discussed in more depth in Section 1.5 above, as is watching TV online in Section 3.1.5. See Section 5.3.4 below for a brief analysis of social networking among internet users, Section 5.3.5 for analysis of use of the internet for shopping, Section 5.3.6 for use of online banking and Section 5.3.7 for an overview of online newspapers.

Figure 5.25 Use of home internet connection



Source: Ofcom consumer research, October 2011.

Base: All those who use the internet, UK=1015, France=1014, Germany=1014, Italy=1045, USA=1002, Australia=1012

Q. Which, if any, of the following activities do you use your home internet connection for?

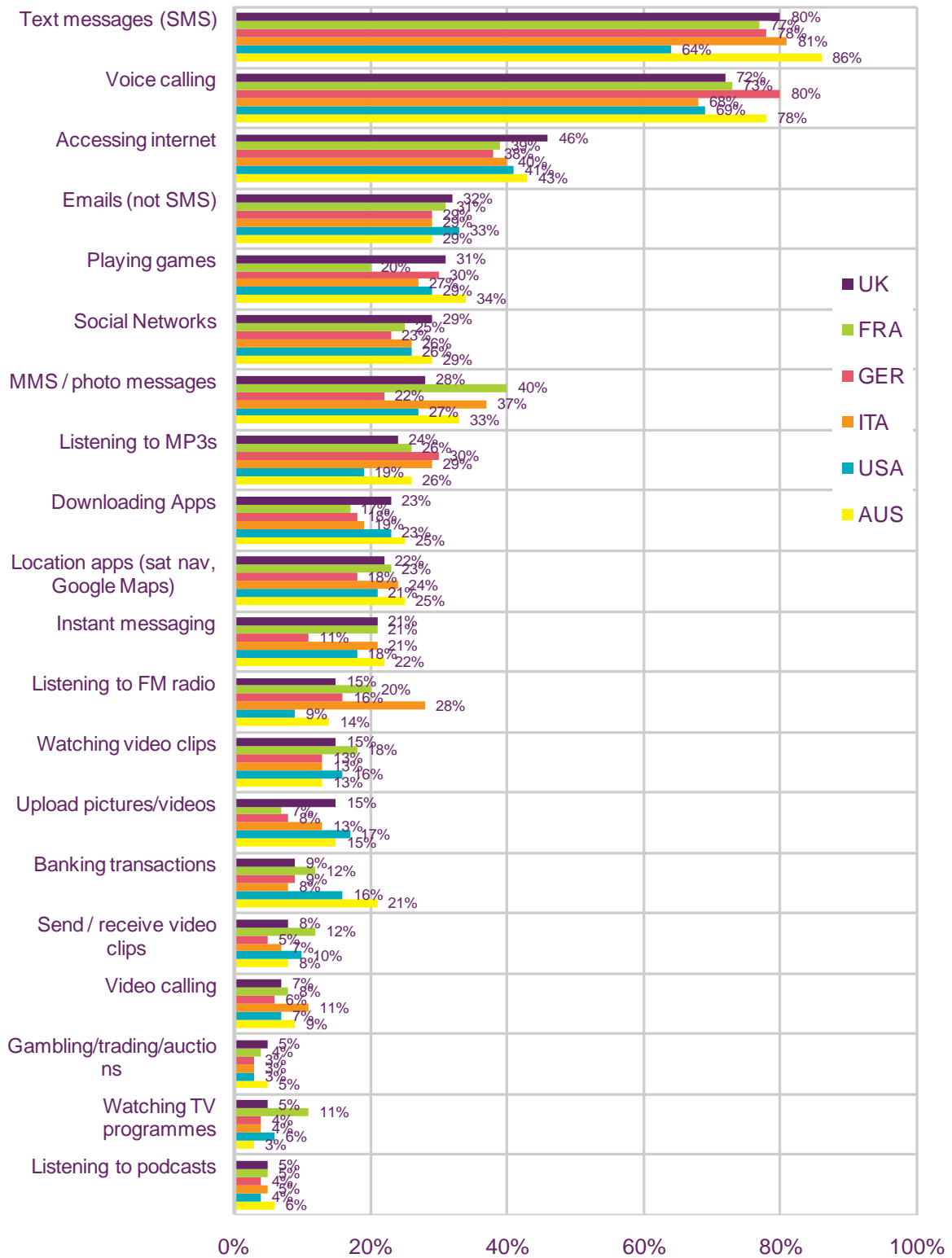
...and on mobile?

Figure 5.26 details the result from our survey of internet users in relation to what they use their mobile phone for. In all countries, internet-enabled services have much lower use than voice and SMS. However, more than a third of respondents in all countries use their mobile phones for internet access, while between 17% and 25% download applications.

Use of internet services on mobile phones is discussed in detail in Section 5.1.2 above. UK consumers were more likely to access the internet on their phone than were consumers in other countries surveyed, and were comparatively high users of email (32%), social networks (29%) and instant messaging (21%) on mobile phones. It is notable that use of banking services on mobile phones is much lower in all countries than on the fixed internet – for example, 71% of internet users in the UK claimed to use their home internet connection

for online banking, but only 9% claimed to use their mobile phone to do this (see Figure 5.43 below).

Figure 5.26 Mobile phone uses, by country



Source: Ofcom research, October 2011.

Base: All those who use the internet, UK=929, France=914, Germany=945, Italy=989, USA=902, Australia=957.

Q. Which, if any, of the following activities do you use your smartphone / mobile phone for?

ComScore's *MobiLens* survey provides an alternative measure of the use of mobile phones across some of our comparator countries, based on a representative sample of mobile subscribers aged 13 and above (Ofcom's research was among internet users aged 18 and above). Its data find that data and internet services on mobile phones in general have higher take-up in the UK than in other comparator countries. Mobile users in the UK are more likely to send text messages, use an application, access social networking sites/blogs and play games than their counterparts in France, Germany, Italy, the US and Spain (Figure 5.27).

Figure 5.27 Mobile behaviour in the US and Europe, September 2011

% of mobile subscribers	UK	FRA	GER	ITA	USA	ESP
Sent Text Message	91%	84%	80%	80%	70%	80%
Used Browser	47%	35%	28%	31%	43%	35%
Used Application (excl. pre-installed)	45%	32%	30%	31%	43%	35%
Accessed Social Networking Site or Blog	35%	22%	17%	21%	32%	23%
Played Games	34%	16%	25%	30%	29%	29%
Listened to Music	26%	23%	26%	24%	21%	33%

Source: comScore *MobiLens*, three-month average ending September 2011, ages 13+

Note: *MobiLens* data are derived from an intelligent online survey of a nationally representative sample of mobile subscribers age 13 and above. Data on mobile phone use refer to a respondent's primary mobile phone and do not include data related to a respondent's secondary device.

5.3.3 Web brands and search

Where are we going on the web?

While devices play an important role in how consumers access the web, the sites they visit and how they navigate to them help to determine the type of content they consume. Figure 5.28 shows the ten most-visited websites (in terms of number of users) for seven of our comparator countries. Search engines remain key brands on the web, and the number-one spot has not changed across our comparator countries since 2008. However, Facebook has risen to second place in five of our comparator countries - above alternative search engines Bing and Yahoo!, indicating both the growth of social networking and the strength of Facebook in the social networking category. Online video site YouTube continues to grow in strength, reaching third place in Germany and Italy, but is only sixth in the UK, behind the BBC's iPlayer service.

Changes within the top ten can indicate how dynamic are the tastes and habits of the respective country's internet users. The UK has the most changed positions within the top ten, while Spain has the fewest. Nevertheless, despite Spain's static top eight websites, positions nine and ten have been taken by new entrants, including social networking site Tuenti, which is emerging as a competitor to Facebook in Spain. Japan is also notable for having five Japanese brands in the top ten, whereas in all other countries the top ten is dominated by US-based internet giants.

Figure 5.28 Top ten website brands, by country

	UK	FRA	GER	ITA	USA	JPN	ESP
1	Google	Google	Google	Google	Google	Yahoo!	Google
2	Facebook +1	Facebook +1	Facebook +7	Facebook	Facebook +1	Google	MSN/WindowsLive/Bing
3	MSN/WindowsLive/Bing -1	MSN/WindowsLive/Bing -1	YouTube +2	YouTube +1	Yahoo! -1	FC2	Facebook
4	BBC +1	Microsoft	Microsoft -1	MSN/WindowsLive/Bing -1	MSN/WindowsLive/Bing	YouTube +4	YouTube
5	Yahoo! -1	YouTube +1	eBay -3	Virgilio	YouTube	Rakuten -1	Microsoft
6	YouTube +1	Orange -1	Amazon +1	Yahoo!	Microsoft	Wikipedia	Yahoo!
7	Amazon +2	Wikipedia +3	MSN/WindowsLive/Bing -3	Liberio +1	AOL Media Network	goo	Blogger
8	eBay -2	Yahoo! -1	Wikipedia -2	Microsoft -1	Wikipedia +2	Microsoft -3	Wikipedia
9	Microsoft -1	Free -1	T-Online -1	Wikipedia	Apple -1	Ameba +1	Tuenti N
10	Wikipedia	PagesJaunes -1	RTL Network	Blogger	Ask Search Network -1	livedoor N	Elmundo.es N

Source: Nielsen, August 2010.

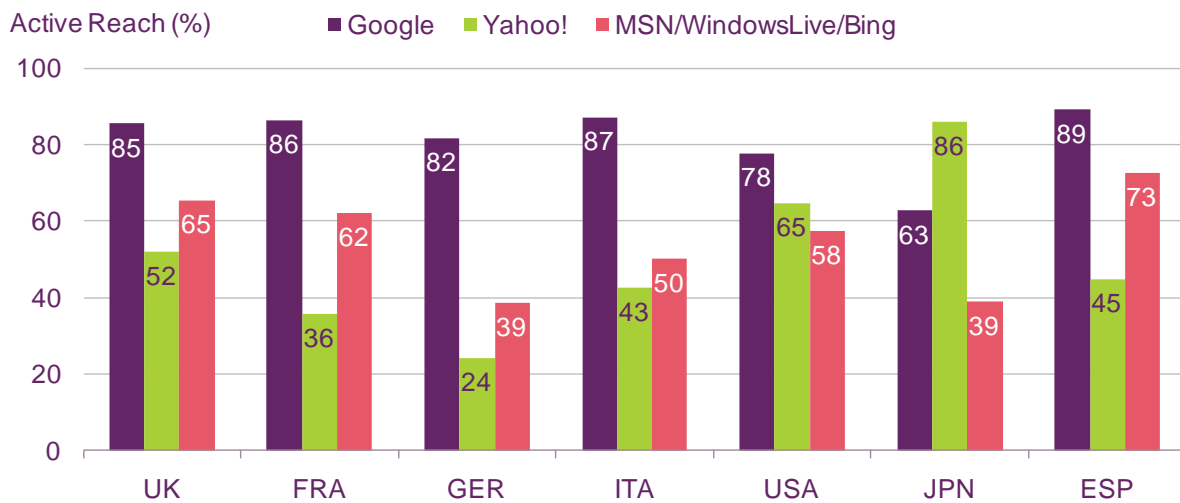
Note: Coloured font indicates brand appears more than once. Includes all internet applications. '+' or '-' denotes change in rank since 2010 ICMR publication, and 'N' denotes a new entrant to the top 10.

How are we searching for content?

Figure 5.29 clearly shows that Google is the most popular search engine among our comparator countries with the exception of Japan. However, the competition between Google, Microsoft's Bing and Yahoo! is not consistent everywhere. The closest competition between the three search engines is in the US, where only 20 percentage points separate first place Google (78% active reach) from third place Bing (58% active reach). The greatest disparity is in Germany, where Google has 82% active reach while Yahoo! and Bing have only 24% and 39% active reach respectively.

Yahoo! is the most popular search engine in Japan where Yahoo! Japan is a joint venture between the American internet company Yahoo! and Japanese internet company Softbank. In July 2010 Yahoo! Japan announced that it would use Google technology to power its internet search engine and search advertising platform. This is the opposite direction of Yahoo! Inc., which partnered with Microsoft to cede control of its search engine in exchange for a shared search advertising inventory. The partnership, *Search Alliance*, was announced in July 2009 and cleared US and European regulators in February 2010.

Figure 5.29 Active reach of search engines



Source: Nielsen, *Search Brands per Country, August 2011, home and work panel, including applications.*

And what are we looking for?

In all of our comparator countries except Japan, Brazil, India and China, a social network was the most searched-for term on Google in the year to August 2011 (Figure 5.30). Only in Japan and India did a social network not feature in the top three most-searched-for terms on Google. However, social networks were not completely without influence in India; “www.facebook.com” was the search term with the largest proportional increase over the year.

The terms most searched for on Google correlate closely with the web brands with the largest active reach (see Figure 5.28). This may reflect the way internet users navigate the web: using a search term and Google as a shortcut to a website’s address. This is particularly the case in Germany, where the search term with the largest increase was “facebook.de”, suggesting that users confuse the search box of Google’s website with the address bar of their browser.

Figure 5.30 Most-searched terms on Google between August 2010 and August 2011

Country	1 ST	2 ND	3 RD	Largest increase
UK	facebook	bbc	youtube	fb
FRA	facebook	youtube	bon coin	dpstream
GER	facebook	youtube	berlin	facebook.de
ITA	facebook	youtube	libero	fb
USA	facebook	you	youtube	minecraft
CAN	facebook	youtube	you	minecraft
JPN	yahoo	youtube	画像 ¹	東京電力 ²
AUS	facebook	youtube	google	minecraft
ESP	facebook	tuenti	youtube	twitter
NED	hyves	youtube	facebook	ipad
SWE	facebook	youtube	google	minecraft
IRL	facebook	youtube	facebook login	donedeal
POL	nk	gry	allegro	nk.pl
BRA	jogos	orkut	youtube	facebook
RUS	одноклассники ³	контакте ⁴	в контакте ⁵	гугл ⁶
IND	in	download	india	www.facebook.com
CHN	qq	人人 ⁷	游戏 ⁸	pptv

Source: Google Insights Search Tool, August 2010 to August 2011.

Notes: 1. Image 2. TEPCO 3. classmates (odnoklassniki.ru) 4. Contact (vkontakte.ru) 5. In contact (vkontakte.ru) 6. Google 7. Everyone (renren.com) 8. Games

5.3.4 Social Networking

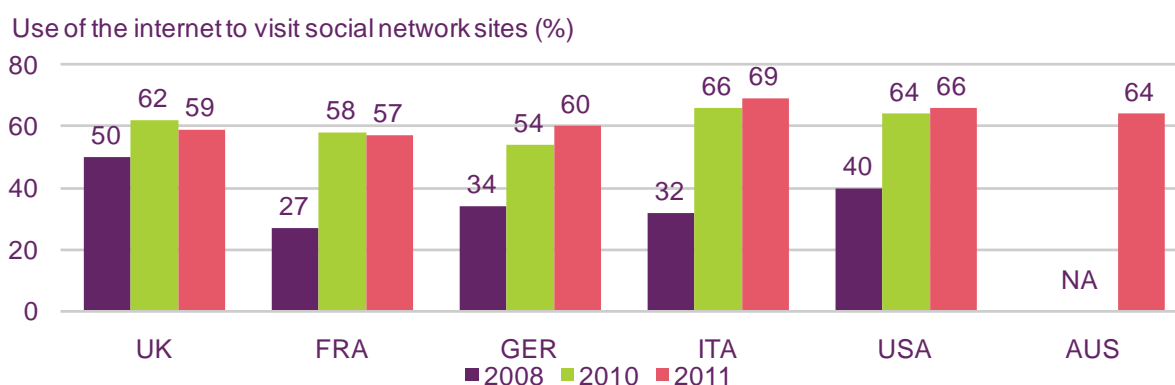
Social networking is a majority activity among all comparator countries

Over the past five years social networking has spread across the world to become a significant, if not the leading, activity of our time online. Social networks are leading brands on the web (Figure 5.28) and are among the most searched-for terms online (Figure 5.30). Social networking is discussed more fully in Section 1.5 of this report, particularly in the context of the attitudes and behaviours of social networkers. This section will briefly summarise the take-up of social networking among internet and mobile users across our comparator countries and demographics.

Consumer research conducted by Ofcom shows that access to social networking sites from a home internet connection continues to grow among most of our comparator countries (Figure 5.31). Italy has the greatest proportion of internet users using their home connection to access social networking sites (69%) followed by the US (66%) and Australia (64%).

In the UK and France the proportion of internet users visiting social networking sites appears to have declined between 2010 and 2011, but neither drop is statistically significant. Analysis elsewhere in this chapter shows that social networks remain very popular in the UK and France; the apparent decline could be explained by the increased adoption of the internet among demographics less likely to visit social networking sites, or by substituted access by other means (see mobile social networking below).

Figure 5.31 Use of home internet connection to visit social networking sites



Source: Ofcom consumer research, October 2011.

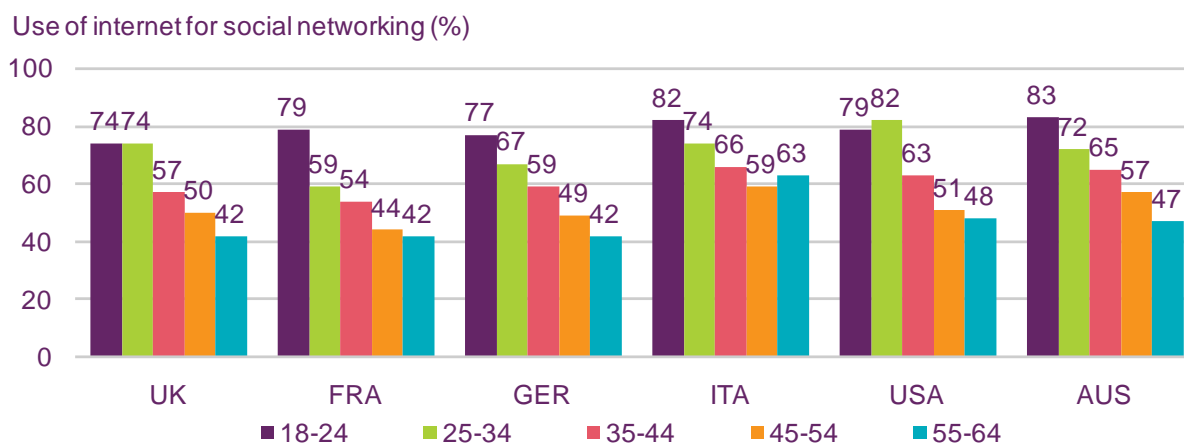
Base: All those who use the internet, UK=1015, France=1014, Germany=1014, Italy=1045, US=1002, Australia=1012.

Q. Which, if any, of the following activities do you use your home internet connection for?

Social networking no longer just an activity of the young

In all markets surveyed, except the US and the UK, the greatest use of a home internet connection for social networking was among 18 to 24 year olds. In the UK, use among 18 to 24 year olds equalled that of 25 to 34 year olds (74%), while in the US use among 25 to 34 year olds was greatest (82%). The prevalence of social networking among 25 to 34 year olds in the US is perhaps partly a result of Facebook originally being available only to those with a US educational email address (.edu) before 2006, and the first iterations of US networks such as MySpace and Bebo targeting younger audiences. In Italy, 55 to 64 year olds were the only group to outnumber a younger group.

Figure 5.32 Use of home internet connection for social networking, by age



Source: Ofcom consumer research, October 2011.

Base: All those who use the internet, UK=1015, France=1014, Germany=1014, Italy=1045, US=1002, Australia=1012

Q. Which, if any, of the following activities do you use your home internet connection for?

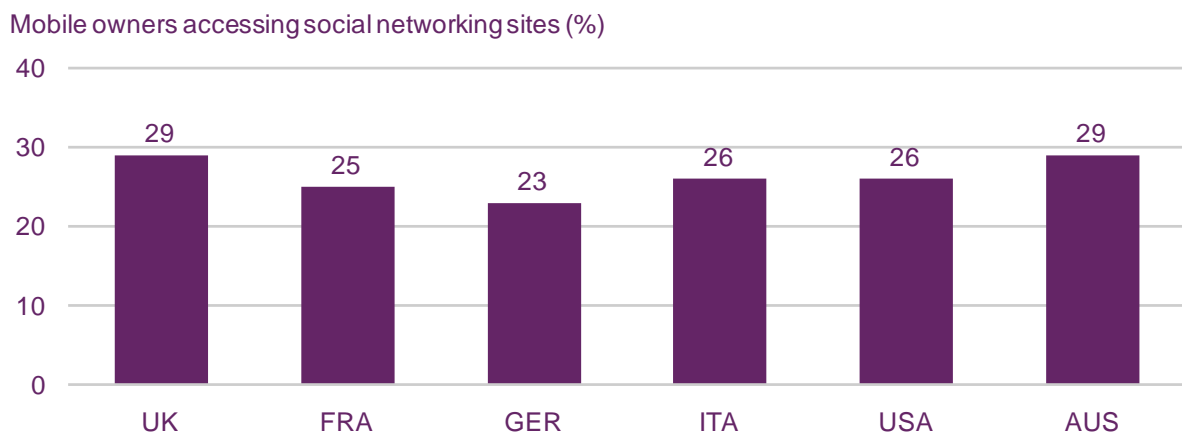
Mobile social networking highest among UK and Australian mobile subscribers

As outlined in Section 5.1.2 above, the growth of the mobile internet continues to gather pace. Smartphones have been a key driver of this growth and similarly appear to be a driver of the growth of mobile social networking. Social networking applications on smartphones

allow subscribers easily to access social networks as well as upload photos and videos to them. And handset manufacturers have, in 2011, taken steps to further integrate their phones with social networks. At the 2011 Mobile World Congress HTC announced the launch of the HTC Salsa and HTC ChaCha Android phones with a dedicated one-touch access button to Facebook⁴⁶. Operating system manufacturers have acted similarly: Apple's iOS 5 features Twitter integration, allowing users to easily share photos, YouTube videos, web pages and locations⁴⁷; and Microsoft's Windows Phone 7 integrates SMS, Facebook, LinkedIn, Twitter and instant messaging into unified conversation threads.

In the context of the growing partnership between smartphones and mobile social networking it is unsurprising to see the UK and Australian markets, where smartphone sales have been strongest, have the highest proportion of mobile subscribers accessing social network on their phones (29%). The US and Italy have the next highest, with one in four mobile subscribers accessing social networking sites (26%).

Figure 5.33 Use of mobile phones for social networking



Source: Ofcom consumer research, October 2011.

Base: All those who own a smartphone and/or a mobile phone, UK=957, France=914, Germany=945, Italy=989, US=902, Australia=957

Q. Which, if any, of the following activities do you use your mobile phone for?

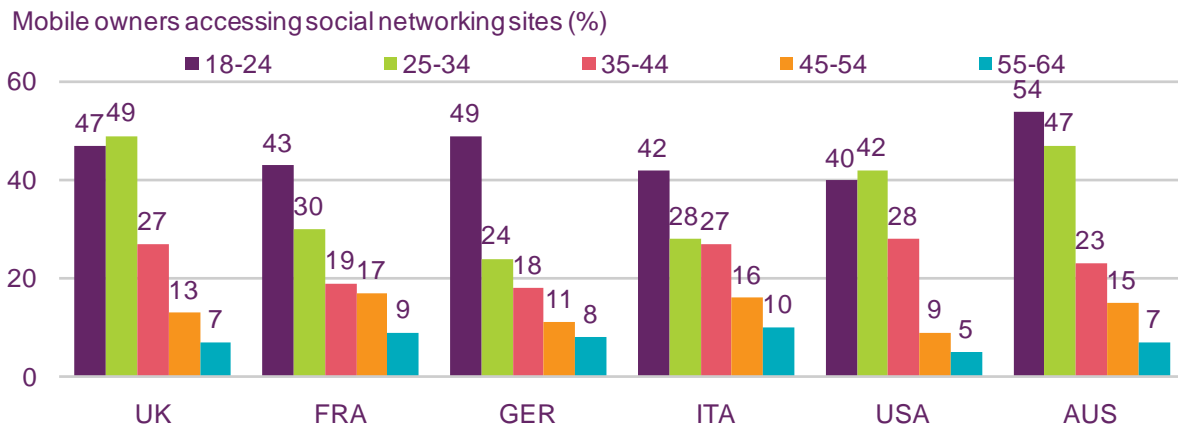
Younger mobile subscribers are much more likely to access social networks on their phones

More than half of all Australian 18-24 year old mobile subscribers use their phone to access social networks (54%). This is also the most popular demographic for mobile social networking in France, Germany, and Italy. However, echoing the pattern of social networking on a home internet connection (see Figure 5.32), the proportion of mobile subscribers using their phone to access social networks is highest in the UK (49%) and the US (42%) among 25-34 year olds.

⁴⁶ <http://www.htc.com/www/about/#news>

⁴⁷ <http://www.apple.com/ios/features.html#twitter>

Figure 5.34 Use of mobile phones for social networking, by age



Source: Ofcom consumer research, October 2011.

Base: All those who own a smartphone and/or a mobile phone, UK=929, France=914, Germany=945, Italy=989, US=902, Australia=957

Q. Which, if any, of the following activities do you use your mobile phone for?

5.3.5 Retail

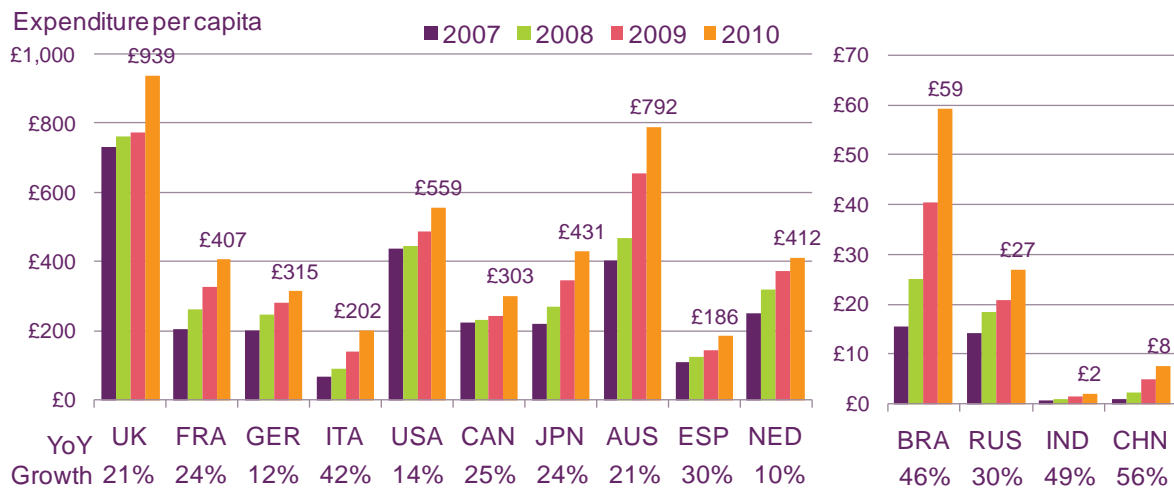
The value of business to consumer e-commerce is almost £1000 per person in the UK

Our research found that more than two-thirds of internet users in the UK, France, Germany, Italy, the US, Japan and Australia use their home internet connection for online shopping. At 82% in the UK, this is a higher proportion than for any other internet use other than email and “general website browsing” (Figure 5.24). Retail sites Amazon and eBay appear in the top ten web brands in both the UK and Germany (Figure 5.28), and classified websites leboncoin.fr and donedeal.ie, and auction site allegro.pl appear among the most-searched-for terms on Google in France, Ireland and Poland respectively (Figure 5.30). In the analysis below we investigate in more detail how the web has changed the way we shop.

Figures from the Interactive Media in Retail Group (IMRG) show that the value of business to consumer (B2C) e-commerce per person is higher in the UK than that of any of the comparator countries for which we have data. The value of B2C e-commerce per head was £939 in 2010, up 21% from £773 in 2009. Australia and the US had the greatest values after the UK, growing 21% to £792 and 14% to £559 respectively.

The BRIC countries experienced the greatest growth in B2C e-commerce per head in 2010, but from much lower bases. Brazil leads the BRIC nations in value with £59 per head, followed by Russia (£27), China (£8) and India (£2).

Figure 5.35 Value of B2C e-commerce per head



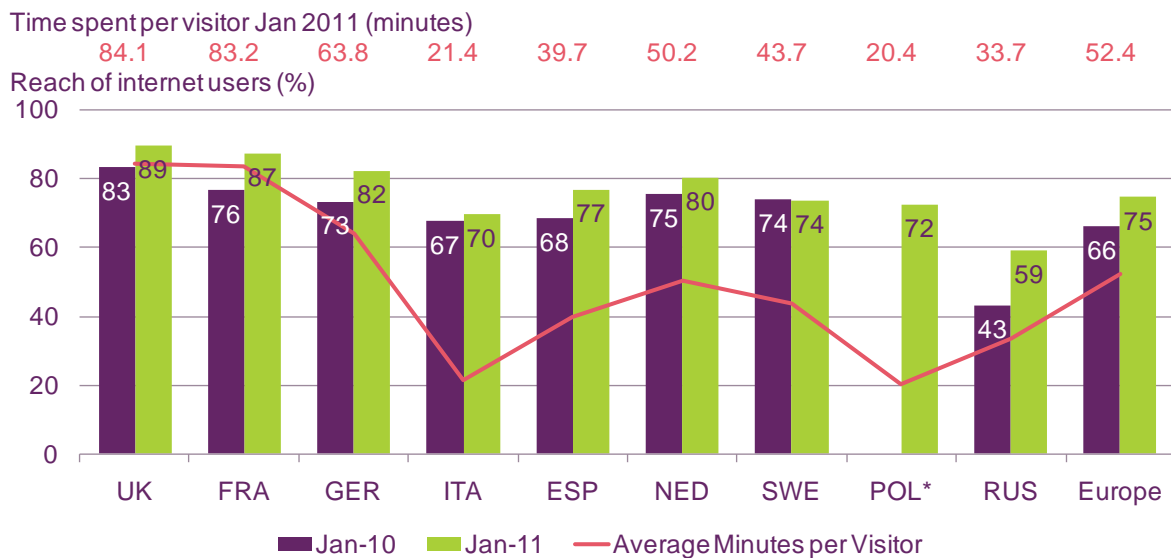
Source: IMRG B2C Global e-Commerce Overview 2011 Update 01, June 2011

Notes: Values converted from Euros to Sterling (£1 = €1.167382). Population figures from US Census Bureau (end of year estimates from mid-year values)

UK users spend more time shopping online than any other country in Europe

According to data from online measurement company ComScore, in January 2011 89% of internet users in the UK visited a retail website, each user spending on average 84 minutes on these websites each month (Figure 5.36). France followed close behind, with 87% of internet users visiting a retail website, spending on average 83 minutes in the month. The fastest-growing market for the reach of retail websites was Russia (59% of internet users), gaining 16 percentage points in the year to January 2011. Despite such growth, the reach of Russian retail websites remained the lowest among the comparator countries for which we have data, followed by Italy (70% reach) and Poland (72%). Internet users in Poland recorded the lowest average amount of time spent on retail websites (20 minutes).

Figure 5.36 Average minutes per visitor, and reach of retail websites

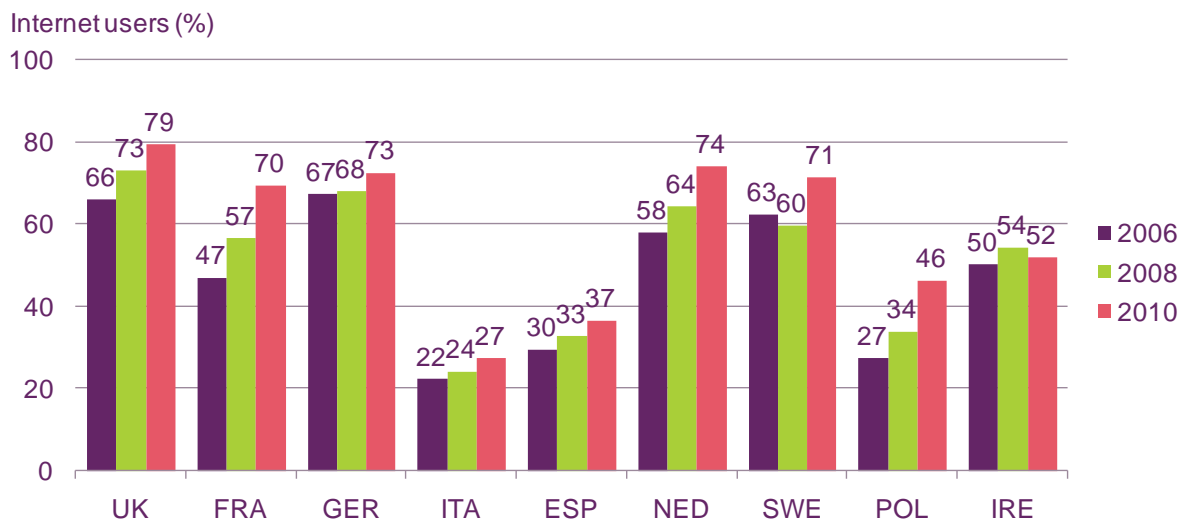


Source: comScore Media Metrix, January 2011, user aged 15+, home and work locations.

Four in five internet users in the UK purchased online in 2010, while consumers in Italy and Spain prefer to window-shop

Survey data collected by the European Commission provide insight into online shopping habits across Europe. Four in five internet users (79%) in the UK had ordered goods or services online in 2010, up from 66% in 2006 (Figure 5.37), and more than any other EC country (Denmark was next, with 76% of people claiming to have shopped online). Among our comparator countries, the Netherlands had the next-highest proportion of online shoppers, with 74% of internet users having ordered goods or services online in the past year, followed by Germany (73%) and Sweden (71%). Although the reach of retail websites is only slightly lower than in other countries (see Figure 5.36 above), internet users in Italy (27%) and Spain (37%) were significantly less likely to buy goods and services online.

Figure 5.37 Internet users ordering goods or services online



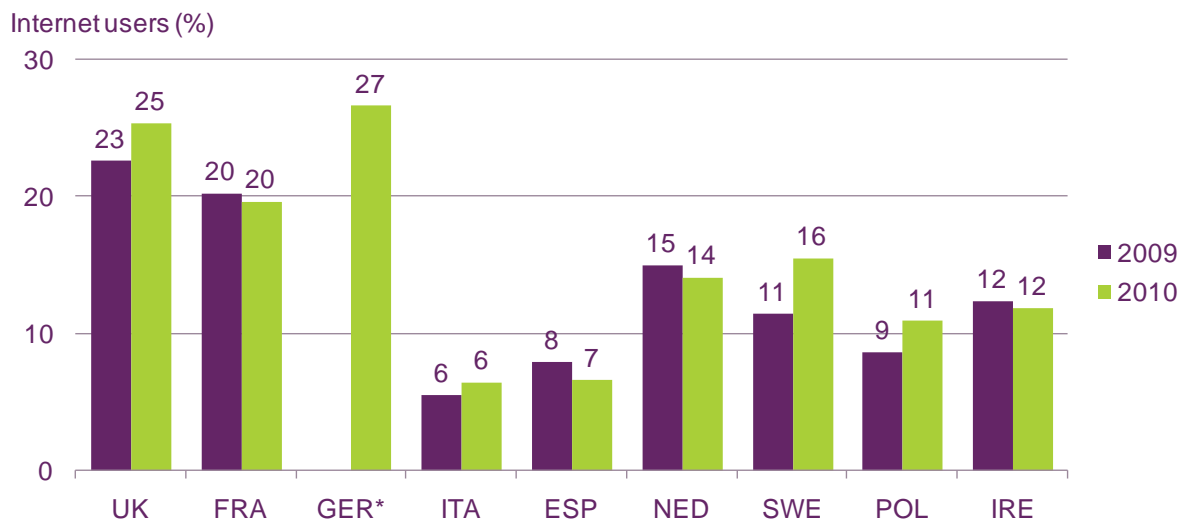
Source: Eurostat - Community survey on ICT use in households and by individuals

Scope: Individuals who used the internet in the last 12 months, aged 16-74, carrying out this activity over the internet in the last year, for private use

A quarter of internet users in the UK and Germany bought digital goods in 2010

One in four internet users in the UK (25%) and Germany (27%) ordered content or software that were delivered or upgraded online in 2010. Examples of this behaviour include buying an MP3 download or upgrading anti-virus software following a free trial. In the UK and Poland the number of internet users ordering digital goods online rose by two percentage points between 2009 and 2010. The greatest increase was in Sweden, where the number of internet users who bought digital goods rose by five percentage points to 16%. Among the rest of our comparator countries figures remained flat or experienced marginal declines.

Figure 5.38 Internet users ordering digital goods online

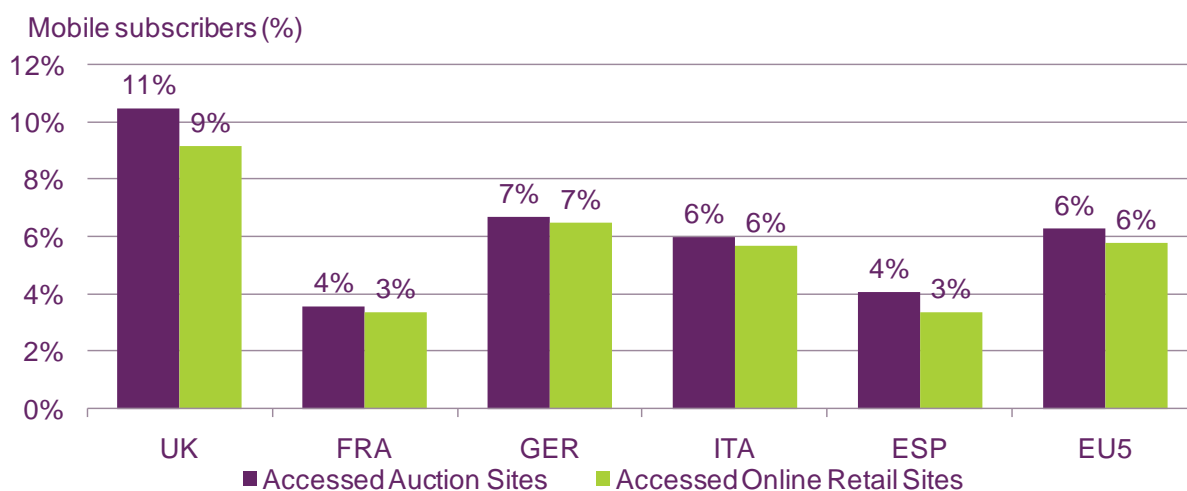


Source: Eurostat - Community survey on ICT use in households and by individuals
Scope: Individuals who used the internet in the last 12 months, aged 16-74, ordering content or software that were delivered or upgraded online in the last year, for private use

The UK leads on mobile online shopping but it still remains a minority activity

Using a mobile phone to visit online auction websites such as eBay, and accessing online retail websites, are still very much minority activities among European mobile subscribers. According to data from comScore, between 3.4% and 6.7% of mobile subscribers in France, Germany, Italy and Spain engaged in either of these mobile retail activities in May 2011. However, mobile subscribers in the UK have been much more receptive to this way of shopping, with 10.5% having visited an auction site and 9.2% an online retail site. Across our comparator countries, penetration levels of auction sites on mobile phones is slightly greater than online retail sites. The nature of auctions can require bidders to check the status of a lot wherever they are, or to make another bid before the auction ends. As such, auction sites are particularly well suited to mobile use, especially when sites like eBay serve mobile versions of their site to aid navigation.

Figure 5.39 Mobile retail activity among mobile subscribers in Europe, May 2011



Source: comScore MobiLens, three-month average ending May 2011, mobile subscribers ages 13+, EU5 is UK, FRA, GER, ITA and ESP

Note: MobiLens data are derived from an intelligent online survey of a nationally representative sample of mobile subscribers age 13 and above. Data on mobile phone use refer to a respondent's primary mobile phone and do not include data related to a respondent's secondary device.

The Open Graph Protocol

The latest version of the Open Graph Protocol is the third iteration of an evolving concept that Facebook introduced to social networking. Originally, the map of relationships between users and their friends was known as the social graph. Facebook extended the social graph to the open graph by allowing developers to turn web pages into objects which became a part of the social graph. Users could then 'like' these objects (an artist, a venue, a cafe) and receive updates from them.

The third version of the Open Graph Protocol was announced at Facebook's f8 conference in September 2011. Whereas the previous version of the protocol allowed users to connect to any *thing* (any noun), the most recent version allows users to connect in any way to any *thing* (any action). Facebook users can now *listen* to a song, *read* a news story, *watch* a TV programme, or *cook* a recipe.

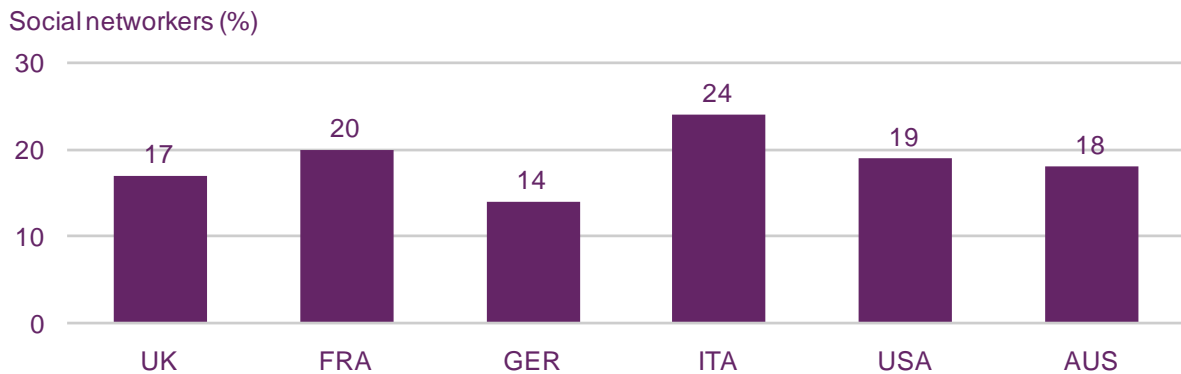
Influence of social networks on online shopping

Review websites have long been a feature of the online retail experience for web users, and social networking provides a platform on which users can discuss potential purchases and receive feedback from their peers. Figure 5.40 indicates that across the six countries where we commissioned research, a significant proportion of people with a social networking profile claimed to have made a purchase following a recommendation made on a social networking site. Social networking recommendations appear to have the most influence in Italy (where 24% claimed to have made a purchase following a recommendation), and the least influence in Germany (14%).

The concept of social commerce could spread, following Facebook's recent extension of its 'open graph' (see above), making it easier for users to share their experience of online shopping and enabling retailers to find new ways of marketing products and services to online communities. Further impetus could also come from the growth of Twitter, which is popular across a number of our comparator nations (see Section 1.5.4). Social connections on Twitter are not reciprocal; users can 'follow' individuals and receive their updates without

the obligation to share their own. And users of Twitter are more likely to follow individuals who they don't know personally, but with whom they share similar interests. Updates from these connections are a likely source of recommendations for potential purchases.

Figure 5.40 Peer recommendation of online purchases

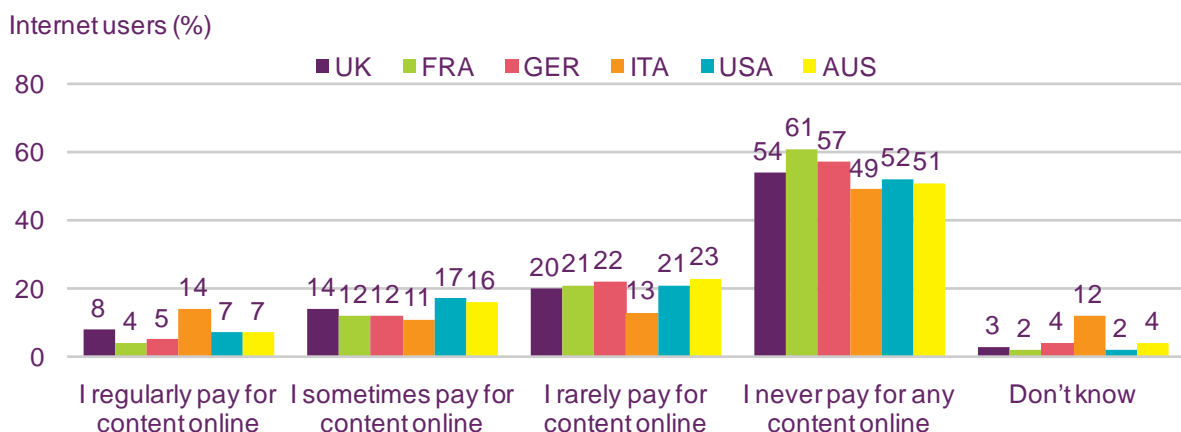


Source: Ofcom consumer research, October 2011.
 Base: All who have a social networking site profile, UK=715, France=717, Germany=658, Italy=841, US=778, Australia=755.
 Q. Have you ever made a purchase following a recommendation from a 'friend / connection' on a social networking site?

A minority of internet users regularly purchase online content

Despite the widespread consumption of digital media – newspapers, books, films, music – only a minority of internet users in all six countries surveyed said they had ever purchased online content. Consumers in Italy were the most likely to regularly pay for online content (14%). More than four in ten internet users in the UK, the US and Australia claimed to have paid for content online, but only 7% or 8% in each country did so regularly, with even lower levels in France and Germany.

Figure 5.41 Frequency of purchasing online content



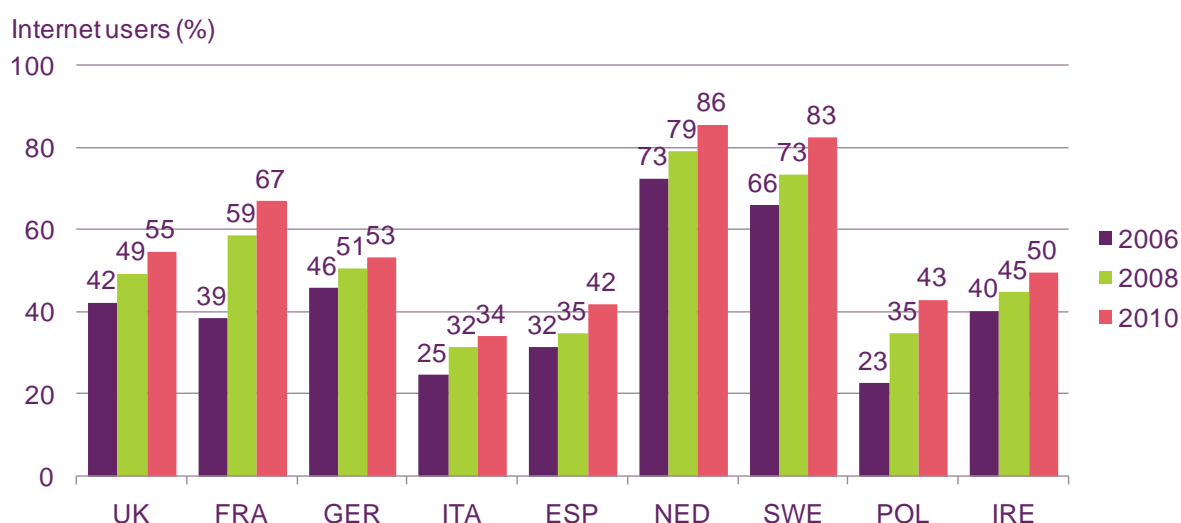
Source: Ofcom consumer research October 2011.
 Base: All those who use the internet, UK=1015, France=1014, Germany=1014, Italy=1045, US=1002, Australia=1012.
 Q14. Which of the following best describes your behaviour with regards to paying for digital content online? Examples of digital content would be newspapers, TV programmes, films, e-books, music tracks, smartphone apps.

5.3.6 Banking

Internet banking is most prevalent in the Netherlands and Sweden

European Commission survey data show that internet banking has been steadily increasing across our European comparator countries since 2006 (Figure 5.42). In 2010, in two-thirds of our comparator countries, the majority of internet users claimed to have used internet banking at least once in the past three months. The highest take-up of internet banking is in the Netherlands and Sweden, where 86% and 83% of internet users have used internet banking at some point in the past three months. France holds third place, with two-thirds of internet users (67%), and the UK fourth place with just over half of internet users (55%).

Figure 5.42 Internet users using online banking

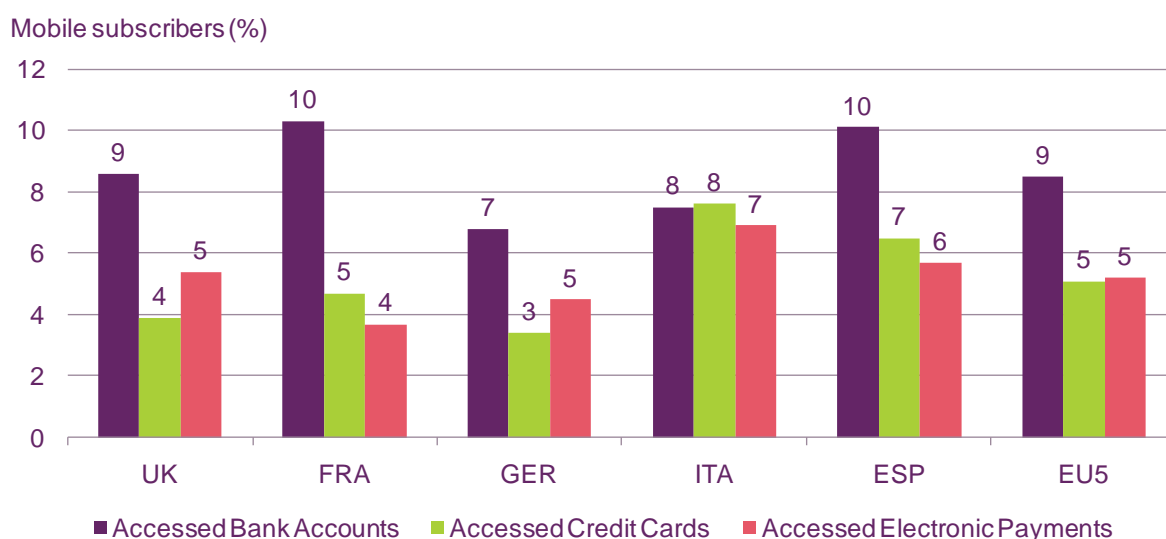


Source: Eurostat - Community survey on ICT use in households and by Individuals
Scope: Individuals using internet in the last 3 months, aged 16-74, carrying out this activity over the internet in the last year, for private use

Mobile banking has yet to take off, but shows promise in France and Spain

As with mobile shopping, data from comScore show that mobile banking is still very much a minority activity among European consumers. On average, across the big five European economies (EU5), only one in 20 mobile subscribers have made credit card or electronic payments through their mobile phone, while one in twelve have accessed their bank account (Figure 5.43). France and Spain lead among the EU5 for bank account access, with one in ten mobile subscribers using their phone to access their account (Spain has a comparatively high use of mobile online banking, despite having comparatively low use of internet banking). In the UK, 9% of mobile subscribers used online banking services at least once a month in Q1 2011, in line with the average across the EU5.

Figure 5.43 Use of online financial services on mobile phones



Source: comScore MobiLens, age 13+, three-month average ending March 2011.

Note: MobiLens data are derived from an intelligent online survey of a nationally representative sample of mobile subscribers age 13 and above. Data on mobile phone use refer to a respondent's primary mobile phone and do not include data related to a respondent's secondary device. EU5 is UK, France, Germany, Italy, and Spain

5.3.7 Newspaper content

Mail Online and Guardian.co.uk the most popular newspaper sites in Europe

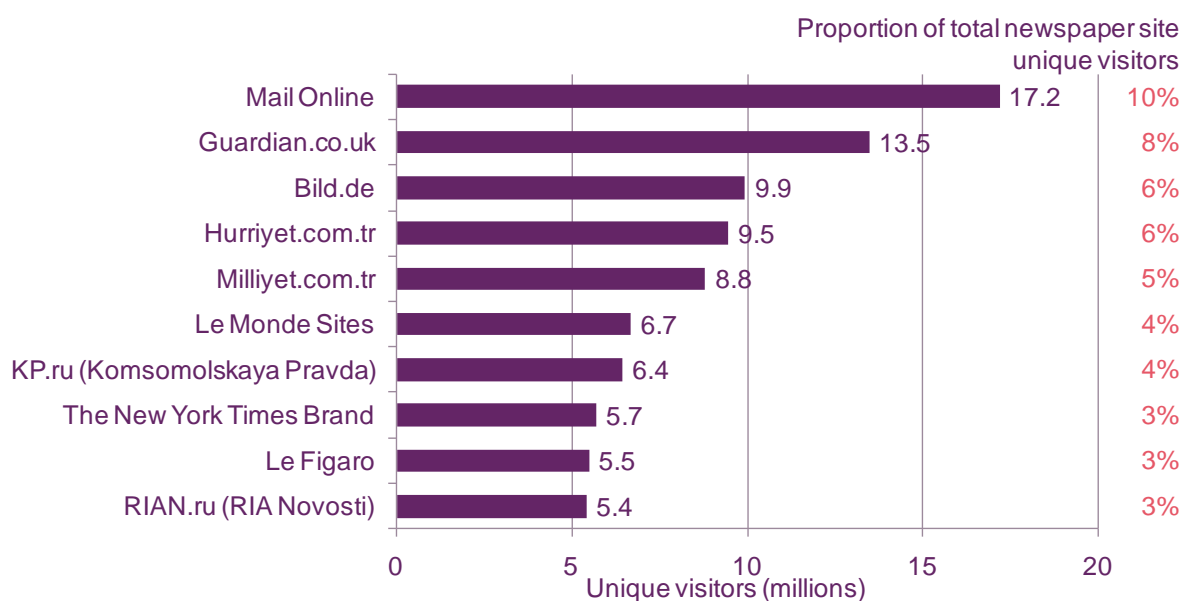
The internet has presented many challenges for traditional content companies, which have seen both subscription and advertising revenues come under increased competition from digital content providers. However, the internet also provides opportunities, such as removing the geographical constraints of distribution and enabling content providers to appeal to audiences beyond their domestic market.

According to comScore, the two newspaper websites with the greatest audience in Europe are Mail Online and Guardian.co.uk, both from the UK. Mail Online,⁴⁸ the website for *The Daily Mail*, attracted 17.2 million unique visitors from Europe to its website during June 2011, while the website for the *Guardian*, guardian.co.uk, attracted 13.5 million unique visitors. These figures represent 10% and 8% respectively of total newspaper sites' unique visitors from Europe in June 2011. Nielsen statistics for the same month suggest that only a minority of the unique audience for Mail Online and Guardian.co.uk were from the UK⁴⁹. It is also notable that the online versions of two Turkish newspapers feature in the top five newspaper websites in Europe, indicating how internet distribution serves the Turkish diaspora across Europe. As another illustration of the way in which internet access transcends geographical boundaries, 5.7 million unique visitors from Europe visited websites associated with the *New York Times* in June 2011.

⁴⁸ www.dailymail.co.uk

⁴⁹ Unique audience figures: Mail Online (6.1 million) Guardian.co.uk (4.2 million), Home and Work Panel, June 2011, ages 15+

Figure 5.44 Top newspaper websites, by total unique European visitors: June 2011



Source: comScore Media Metrix, June 2011, Total Europe, Age 15+, home and work locations

UK leads consumption of newspaper site content on mobile devices

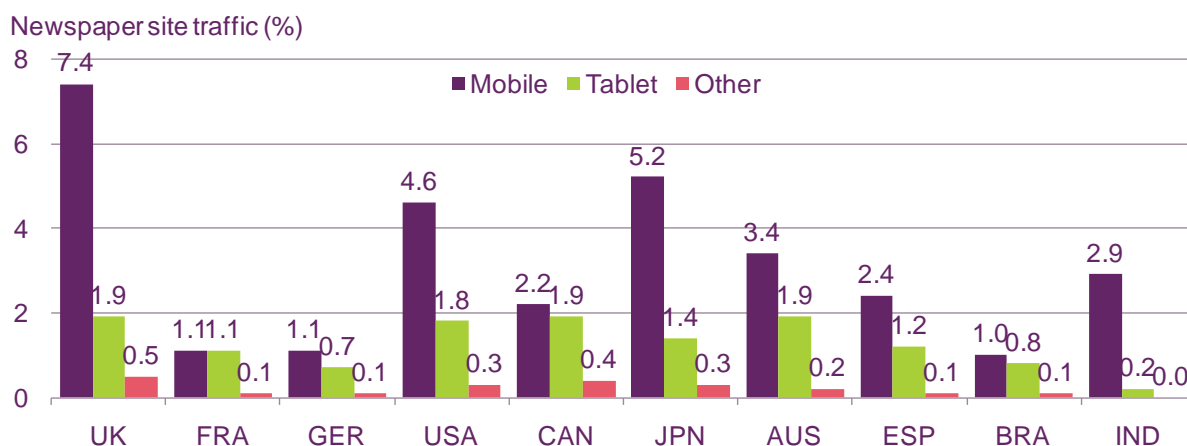
The digital distribution of content through the internet has enabled consumption across a range of devices, including tablet computers such as the iPad and e-readers such as the Kindle. However, newspaper site traffic to non-computer devices remains low across our comparator countries; the highest proportion is 9.8% of newspaper site traffic in the UK and the lowest proportion is 1.9% of newspaper site traffic in Brazil and Germany in May 2011 (Figure 5.45).

One factor that might contribute to the popularity of newspaper websites on mobile devices in the UK is the availability of mobile versions of newspaper websites. These mobile sub-sites format the width of the page and navigation to suit the smaller screens of mobile devices, while some newspapers offer mobile applications which allow the content of newspapers to be downloaded to mobile devices and read offline. Eight of the top ten national newspaper websites in the UK had mobile-specific websites⁵⁰, and these eight sites accounted for 99% of page views of the top ten sites⁵¹.

⁵⁰ Mail Online, Guardian.co.uk, Telegraph, The Sun, Mirror.co.uk, The Independent, The Metro, The Times

⁵¹ 391,252 of 395,132 page views, The Nielsen Company, Home and Work, ages 2+, May 2011.

Figure 5.45 Newspaper site traffic by non-computer devices

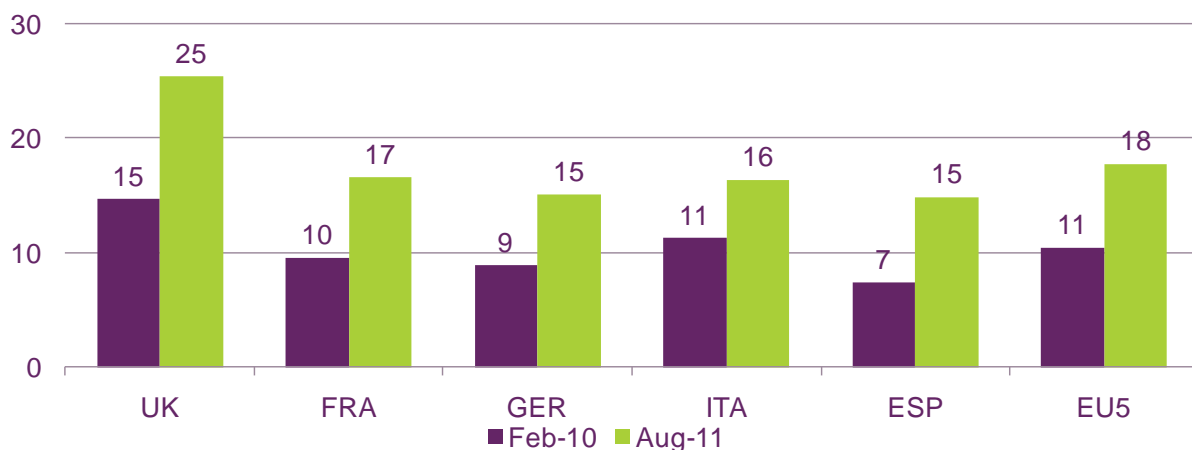


Source: comScore Device Essentials, May 2011

One in four UK mobile users access news on their phones

Survey data from comScore MobiLens indicate that the consumption of news (which includes all types of news, not just newspaper sites) on mobile phones increased significantly between Q1 2010 and Q3 2011 in the UK, France, Germany, Italy and Spain. According to these data, one in four UK mobile users accessed news content on their phone in Q3 2011, significantly higher than in the other countries – and up ten percentage points compared to 18 months previously.

Figure 5.46 Proportion of mobile subscribers who accessed news on their mobile



Source: comScore MobiLens, three-month averages ending February 2010 and August 2011, mobile subscribers ages 13+, EU5 is UK, FRA, GER, ITA and ESP

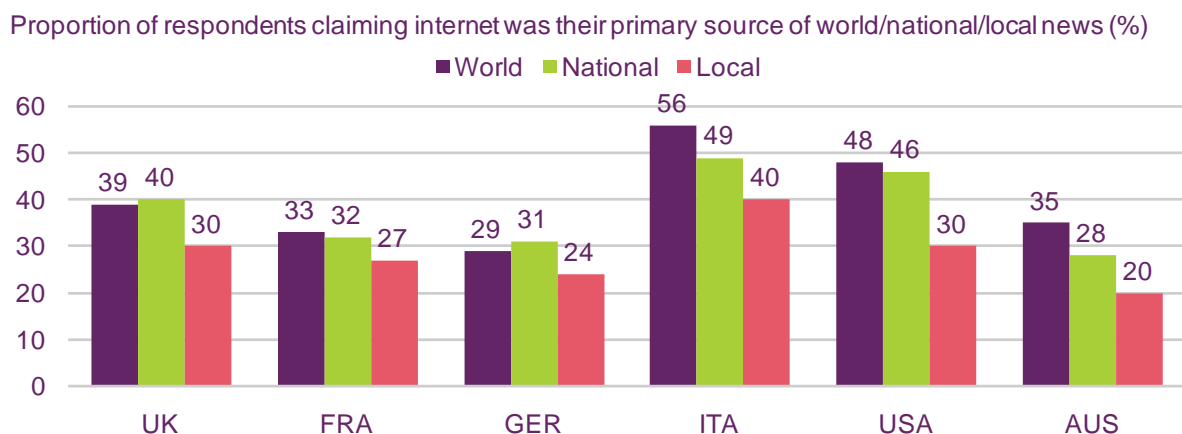
Note: MobiLens data are derived from an intelligent online survey of a nationally representative sample of mobile subscribers age 13 and above. Data on mobile phone use refer to a respondent's primary mobile phone and do not include data related to a respondent's secondary device.

The internet as a source of news

Ofcom's survey of internet users asked consumers in six countries about their main source of different types of news. Overall, a large majority of respondents in each country cited either the internet or television as their main source of news, although for many respondents newspapers were the main source for local news. Use of the internet as a main source of news was highest in Italy, and lowest in Germany (Figure 5.47).

In all countries, consumers were least likely to use the internet as a main source of local news. The UK and Germany were the only countries in which consumers were (marginally) more likely to use the internet as a source of national news than of world news.

Figure 5.47 Internet as a primary source of news



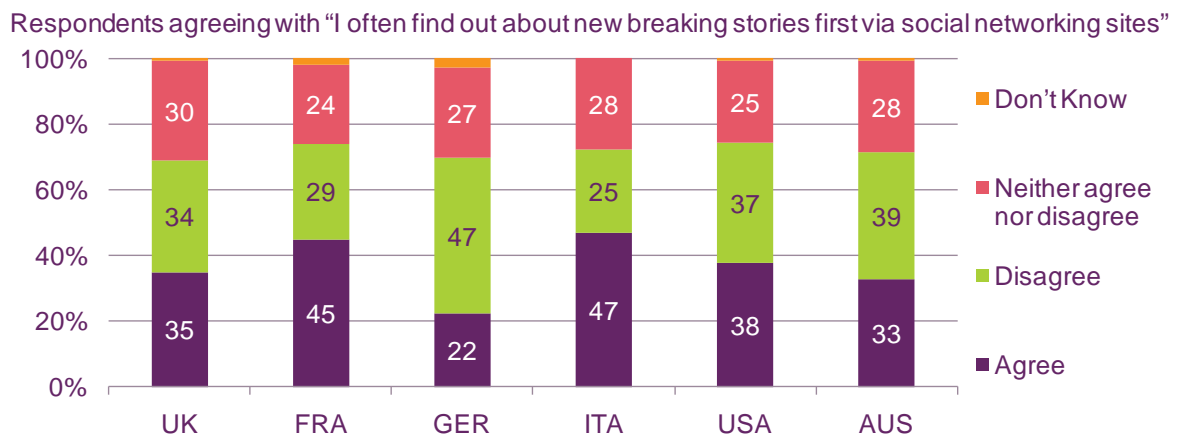
Source: Ofcom consumer research, October 2011.
 Base: All those who use the internet, UK=1015, France=1014, Germany=1014, Italy=1045, US=1002, Australia=1012. Responses are cumulative figures for internet on computer/mobile phone/tablet Q11. Which, if any, is your main source for the following information? News about the world; news about your country; news about your region/locality.

Nearly half of all social networking users in Italy often find out first about breaking news from social networking sites

In recent months a good deal of media attention has been paid to the use of social networks for breaking news – they played a leading role in sharing information about the tsunami in Japan in March 2011, and have also had a prominent role in celebrity news; for example, in the first half of 2011 social networks in the UK were at the centre of controversy over the breaking of ‘super-injunctions’ taken out by celebrities seeking to prevent press publication of details of their private lives.

In the six countries we surveyed, a significant proportion of adults with a social networking profile agreed that they often found out about breaking news stories from social networking sites. In Italy, nearly half (47%) of respondents claimed to often find out about news in this way, while the lowest proportion was in Germany (22%). In the UK 35% of those with a social networking profile agreed that they often found out news first from a social networking site, approximately the same proportion as those who disagreed (34%). Differences between countries may be driven by a number of different factors including the use of the internet in general as a source of news, the frequency of social networking, levels of trust in established news media and the type of news people are most interested in.

Figure 5.48 Social media as a source for breaking news



Source: Ofcom consumer research, October 2011.

Base: All those who have a social networking profile, UK=715, France=717, Germany=658, Italy=841, US=778, Australia=755

Q. From the statements below can you please confirm how much you agree or disagree with them: "I often find out about new breaking stories first via social networking sites".