



The revolution in communications - Will all consumers make the switch to the internet ?



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Introduction

We live in an era of change in the use of communications services. While various kinds of services have been available online for some time, the variety and use of services looks set to increase. Then again, in general terms online services have often been more or less complementary to conventional channels such as television. However, young people are acting as the harbingers of change: many use only the internet to watch television or read the news. Of course, for most of the population, the importance of conventional communications channels outweighs that of the internet. The key question then becomes: will the older generations take their cue from young people, and move to the internet for communications services? Or, as they grow older, will the young of today begin mimicking the behaviour of their elders?

Searching for information and e-services can be considered the most typical form of internet use, since practically all internet users engage in these activities. The use of such services does not have a direct and clear impact on the use of other means of communications, such as the media or telephones. On the other hand, using the internet to watch AV content or read news items seems, to a degree, to be replacing conventional communications channels. A rather sharp divide by age group can be discerned with regard to internet use in place of communications services. Young

people use the internet significantly more than older generations do for communicating, AV services and following the news. Increasing consumption of mobile services is only serving to heighten the differences between age groups, since an even sharper divide between young and older users exists with regard to internet use based on mobile phones.

This market review examines the current status and changes in the electronic communications market, from the perspective of various communications channels and age groups. Regional differences provide another interesting perspective on the matter. For instance, the use and penetration of broadband connections in the countryside as well as population centres will receive close attention in a study to be published in early 2012.

Unless otherwise specified, the information in this review is based on two surveys commissioned by FICORA. TNS Gallup Oy conducted the consumer survey for Communications services 2011, interviewing 3,000 consumers by phone in mainland Finland in November 2011. IROResearch Oy conducted the consumer survey for Audiovisual content services 2011, in which over 4,000 consumers between the ages of 15 and 65 answered internet panel questions in the autumn of 2011.

Subscriptions and devices

For quite some time, conventional communications services, such as television and voice services, have been in use in most Finnish households. Almost all Finns own a mobile subscription. Telephone services are therefore primarily available through mobile communications networks, with only 16 per cent of all Finnish households retaining a landline telephone subscription.

In early 2011, Finland had a total of 2,264,000 households with the opportunity to watch television. The number of TV households is slowly declining. However, they still constitute over 90 per cent of all Finnish households. The primary distribution channels for television have been the terrestrial antenna and cable

networks. (Finnpanel, TV households in Finland 1/2011). Some households have also watched television via the satellite network, which has primarily been a complementary channel.

Alongside the aforementioned communications channels, services provided via the internet have seen strong growth in recent years. Content watched through the internet has emerged alongside conventional viewing methods – in the form of television broadcasts and video clips alike. Similarly, various kinds of online communications methods, from internet calls to discussion boards, are increasingly complementing and replacing conventional telephone services.

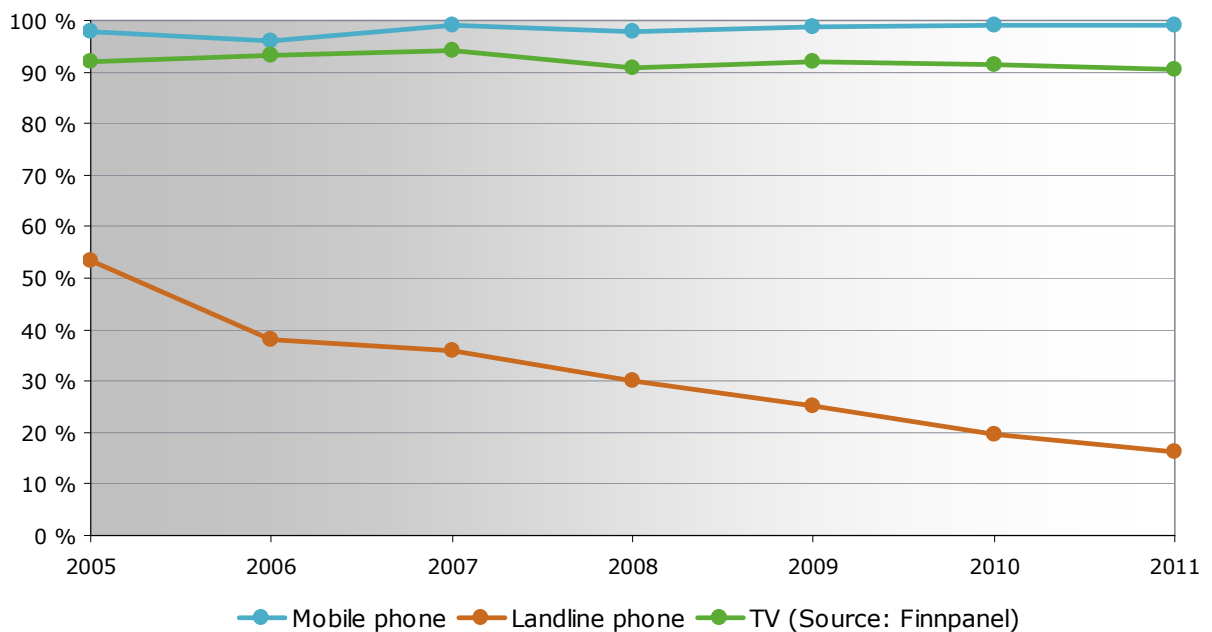


Figure 1. Penetration of telephone and TV subscriptions.

Internet subscriptions

At total of 88 per cent of all households have an internet subscription. Over 95 per cent of households consisting of people under 50 have access to the internet. After this age, the penetration of internet subscriptions sees a steady decline, with just over half of people over 65 holding an internet subscription. In comparison to the situation one year ago, the penetration of the internet has only increased by around two percentage points. On the other hand, that of mobile broadband has increased by 12 percentage points over the year, with 43

per cent of households now having mobile broadband.

The majority of mobile broadband subscriptions purchased last year were acquired alongside a fixed broadband subscription. In 2011, 21 per cent of households had both mobile broadband and fixed broadband, compared to only 12 per cent a year ago. Some 28 per cent of households only have a mobile broadband subscription. In 2011, 48 per cent of all households had exclusively fixed broadband subscription, whereas this figure was 61 per cent a year ago.

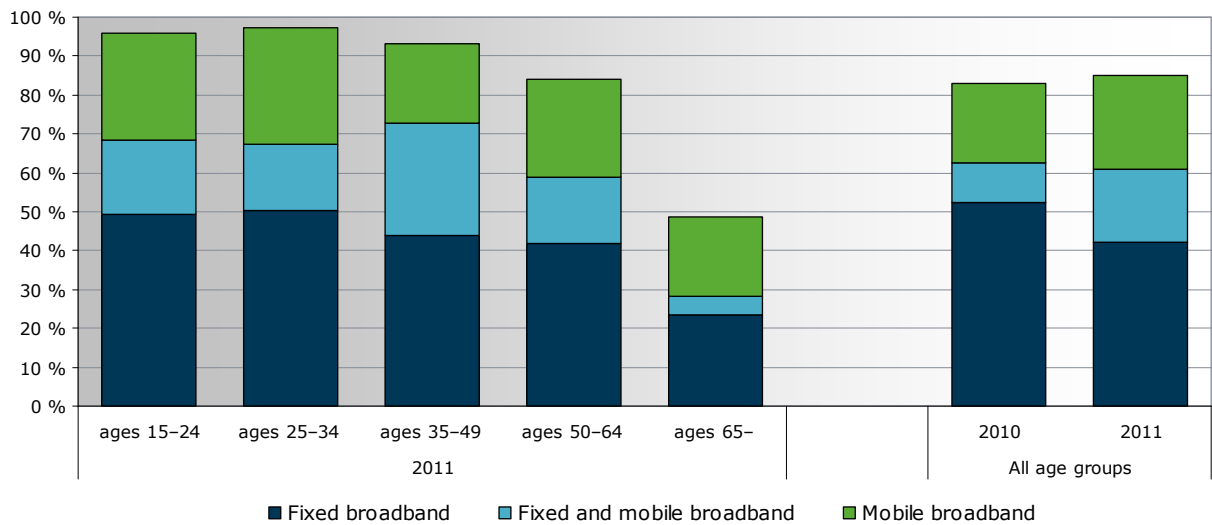


Figure 2. Penetration of fixed and broadband subscriptions.

Of Finns who have an internet subscription, roughly 70 per cent are able to tell the speed of their subscription. A little over half of these users have an 8 Mbps or faster internet connection. The proportion of these fast subscriptions, enabling HDTV video for example, has grown by around 10 percentage points since 2010. 22 per cent of users of slower broadband connections felt they needed at least an 8 Mbps subscription. The most urgent need for a faster subscription was felt in households with a 1 Mbps subscription: as many as 44 per cent of

these felt they needed faster broadband. However, a third of these households would be satisfied with broadband slower than 8 Mbps.

Around 9 per cent of households had broadband exceeding 100 Mbps, while around 4 per cent of users of subscriptions slower than this felt they needed broadband at least this fast. On the other hand, 21 per cent of users of this type of superfast broadband could not find a use for speeds this high.

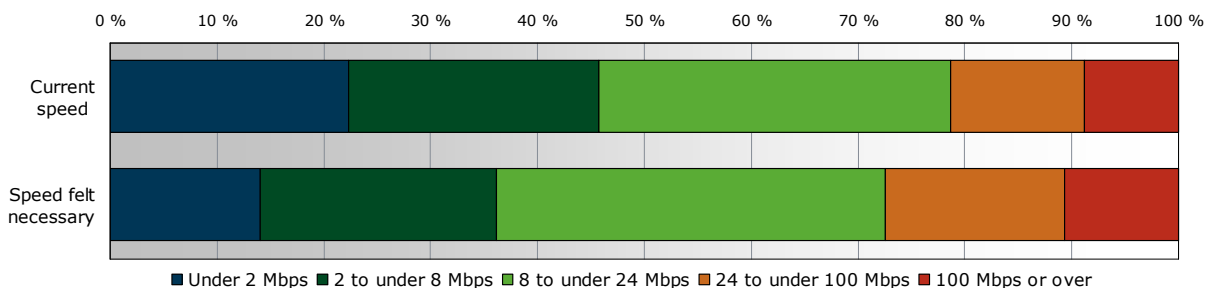


Figure 3. Current broadband speed and the speed users feel they need.

The most common reason for obtaining mobile broadband in 2011 continued to be the opportunity to use the internet regardless of place and on the go. A little over 40 per cent of users primarily obtained their subscription due to mobility; in 2010, this figure was five percentage points higher. Various kinds of service packages including mobile broadband were an increasingly common reason for obtaining a subscription.

Around 60 per cent of people using mobile broadband on their mobile phones had obtained their subscription because of mobility. It should be noted that the use of one subscription on various devices is becoming increasingly

common. As a result, even people using mobile broadband on their computers appreciate the mobility aspect.

Some 28 per cent of all internet households only have mobile broadband, representing an increase of 4 percentage points from 2010. Users other than those exclusively using mobile broadband are increasingly unlikely to be satisfied with mobile broadband as their only internet connection. In their own estimation, 60 per cent of fixed internet service users could not manage with only a mobile broadband subscription. In 2010, this figure was 48 per cent. At that time, 16 per cent of fixed internet service users were unable to say whether they

would manage with only a mobile broadband subscription. After a year, this figure had declined to nine per cent. In particular, men and young people estimated they could not manage with mobile broadband alone.

In the opinion of consumers, technical qualities are extremely important with regard to both mobile and fixed broadband services. There are only minor differences in customers' satisfaction with the technical quality of fixed and mobile

broadband subscriptions. The technical functionality of fixed broadband subscriptions was deemed to slightly exceed that of mobile broadband. According to users, in particular the functionality of mobile broadband on the move could be better. Then again, a slight improvement in this regard was seen compared to a year ago. Moreover, promised speeds are realised at a slightly lower rate with regard to mobile broadband than fixed broadband.

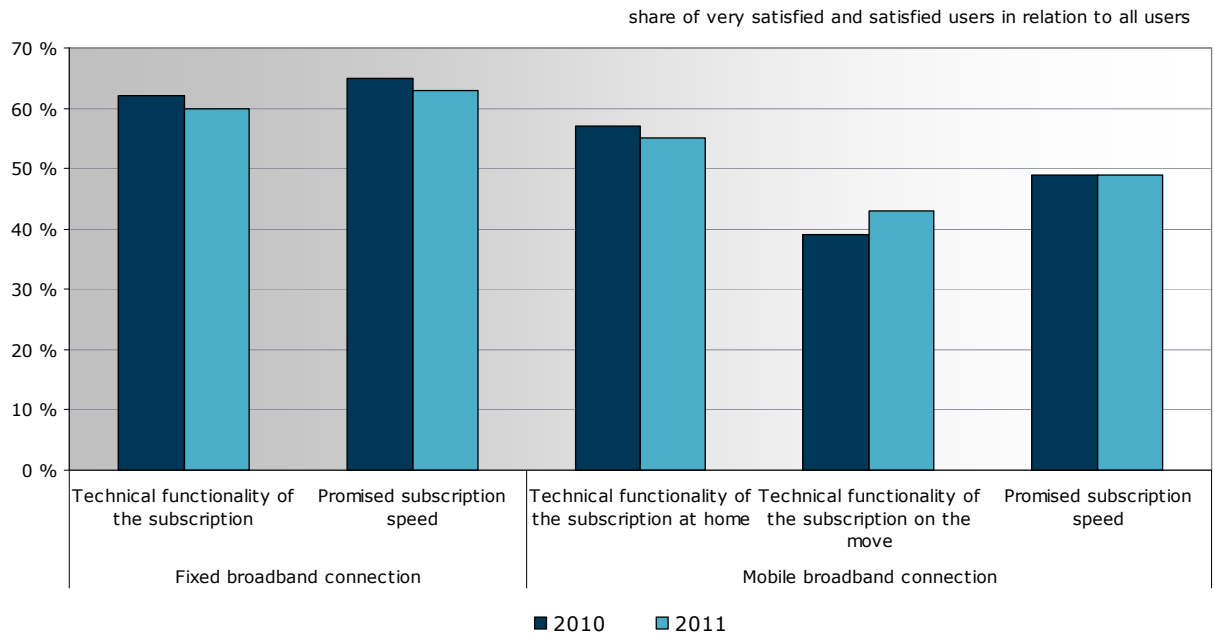


Figure 4. Consumers' satisfaction with broadband subscription quality.

Mobile broadband use is divided among many different locations. However, the majority – i.e. around 80 per cent - of mobile broadband customers use their subscription at home. Just over half of users also need their broadband subscription while on the move and while travelling in Finland. Holiday homes are the third-most common place for mobile broadband use, with just under 40 per cent of users using their subscriptions there. Among people over 50, the holiday home is the second-most

common place, after one's permanent residence, for using mobile broadband. Almost one third of users use mobile broadband at work or school, while 15 per cent use mobile broadband abroad. As far as middle-aged users are concerned, use outside the home is more common than for other age groups, and, similarly, less common at home. Women use mobile broadband at home slightly more than men do, whereas men use it significantly more when travelling and while on the move.

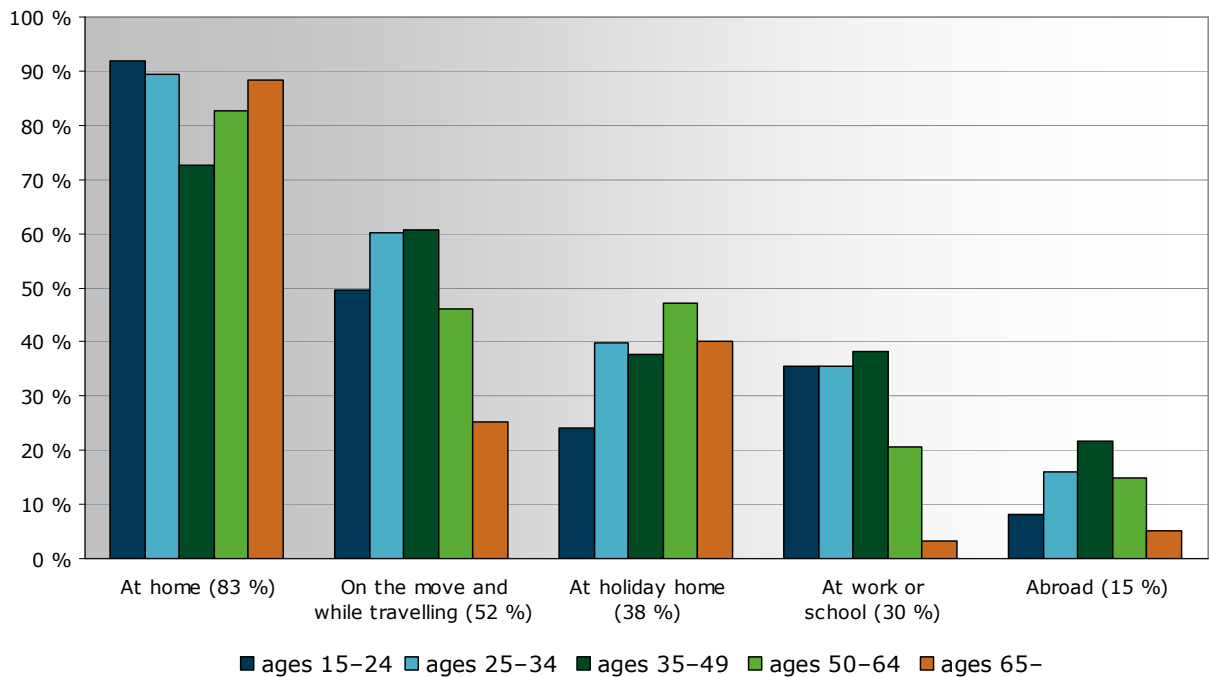


Figure 5. Places where mobile broadband is used.

Devices

Of all television-owning households, 58 per cent had one television set, according to a survey conducted in early 2011. Around 42 per cent of television households had two or more television sets. The most common type of television set was the flat screen TV, which could be found in 70 per cent of households. Cathode-ray tube television sets continued to be very popular, with 52 per cent of households owning one. Just over one per cent of television households used a video projector to watch television. (Source: Finnpanel, TV households in Finland 1/2011)

Households are purchasing increasingly large television sets, whereas the range of display sizes available for computers is increasing, with displays both larger and smaller than average gaining in popularity. Half of the primary television sets found in households were equipped with a display of between 24 inches and 32 inches, which was considered the normal size for displays before flat screen TVs became common. Television sets larger than this can be found in 45 per cent of television households. The display size of the primary computer is between 14 and 23 inches in 79 per cent of households that own a computer.

The most typical device connected to a television set was the external digital receiver, with 78 per cent of television households owning one of these. A DVD or Bluray player could be found in 56 per cent of television

households, while a game console could be found in 27 per cent. VCRs are also still holding up, with one connected to a television set in 32 per cent of television households. Some 19 per cent of television households owned an HD receiver, required for receiving HD television broadcasts.

Watching television exclusively on a computer is rather rare, with only half a per cent of all television households using a computer as their sole device for receiving television broadcasts. However, computers are used for watching TV in 31 per cent of television households. (Source: Finnpanel, TV households in Finland 1/2011)

Eighty-three per cent of mobile broadband customers use mobile broadband on their laptops. Some 22 per cent of users use mobile broadband on their desktop computers, while 20 per cent use it on their mobile phones and four per cent on their tablet computer. Almost one in three users use mobile broadband on more than one device. In 2010, one fifth of mobile broadband users fell into this category.

The largest increase in mobile broadband use has been seen in mobile phones. One and a half times more women use mobile broadband on their phones than in 2010. People under 50 use mobile broadband significantly more on their mobile phones than people over 50. In 2010, people over 65 mostly used mobile broadband on their desktop computers. A year later, desktop computer use within various age groups

has levelled off, with more people over 65 switching to laptop computers. Users between the ages of 25 and 49 form the group that uses mobile broadband the most on tablet computers.

Of all people owning a fixed broadband subscription, just under 60 per cent have a wireless LAN at home. This enables them to use the fixed broadband service in a similar way to mobile broadband, when at home. Mobile

phones can also be used to access the internet via WLAN networks. Viewed from the perspective of age group, the share of fixed broadband households with a WLAN rises slightly when progressing from younger age groups to people between 35 and 49, among whom the percentage is 70. In the oldest age groups (i.e. among people over 50), the share of WLAN sees a steep drop to under 40 per cent.

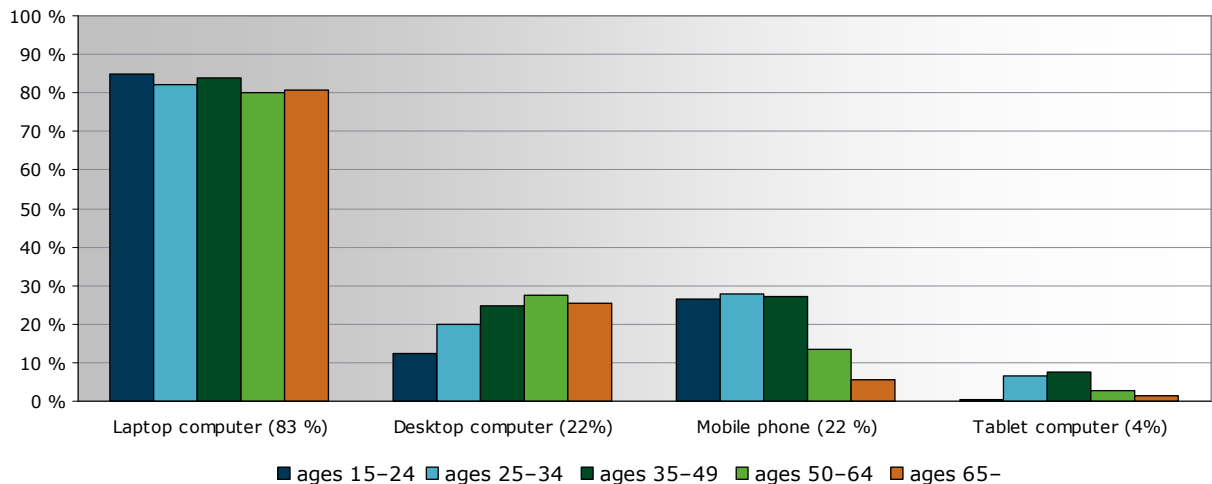


Figure 6. Use of mobile broadband on different devices.

Using communications services in the era of changes

As the range of online services becomes more varied, some services used via the internet are becoming part of everyday life for most Finns. Searching for information, e-services, and communicating with one another are the most typical purposes of internet use.

No great differences can be found between various age groups with respect to searching for information and e-services. However, there are statistically and otherwise significant differences between age groups with regard to methods for keeping in touch. Young people use internet tools such as email, instant messaging and discussion boards to contact one another more than in the case of older

people. Granted, even the majority of people over 65 communicate via the internet, mainly by email. Among the youngest age groups, listening to music as well as watching television and video clips emerge as purposes of internet use, which are as common as searching for information. Listening to music and watching AV content is clearly less common among older age groups. The same trend also applies to remote work, playing video games, and downloading software and large files. Young people do these things online markedly more than members of older age groups. No great changes from 2010 were seen with regard to the uses to which the entire population puts the internet.

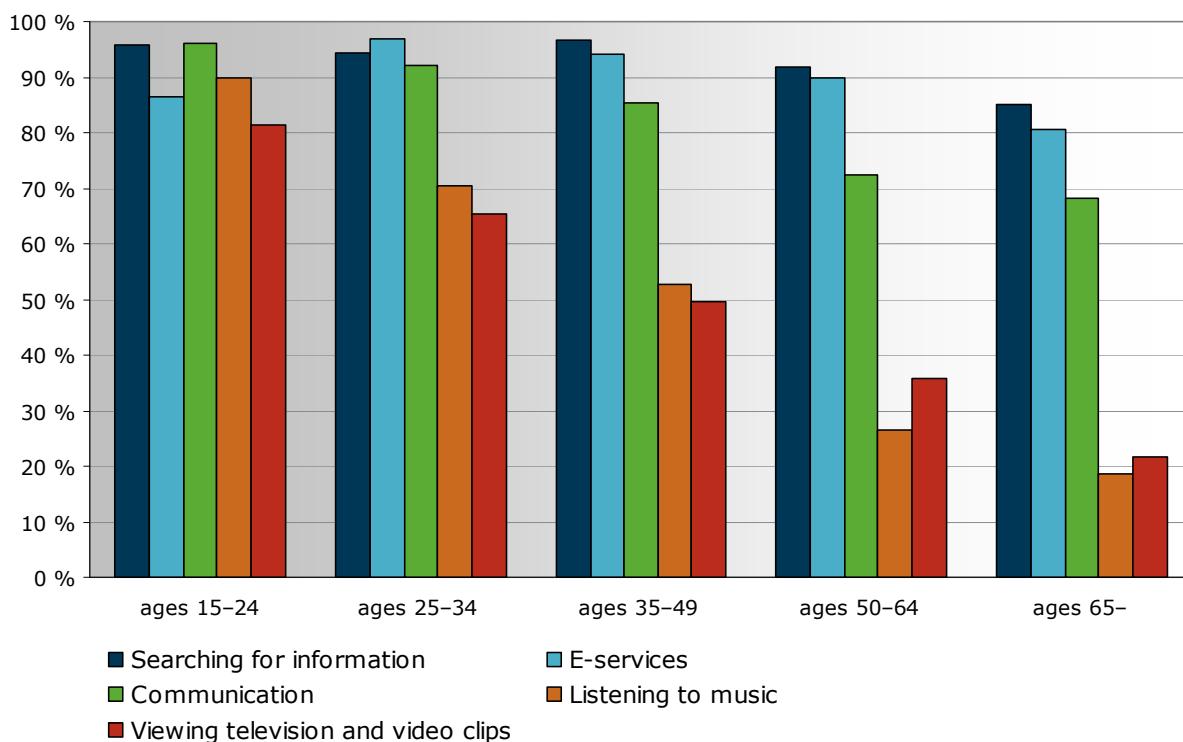


Figure 7. Purposes for which the internet is used.

Another insight into online service use is gained by separately observing people using fast internet subscriptions with speeds of over 8 Mbps, and those using only mobile broadband. There are comparatively small but visible differences between these user groups. With regard to communicating with one

another, watching videos and listening to music, the difference in the proportion of people using such services is around 10 per cent. Almost 50 per cent of people only using mobile broadband also listen to music and watch videos online.

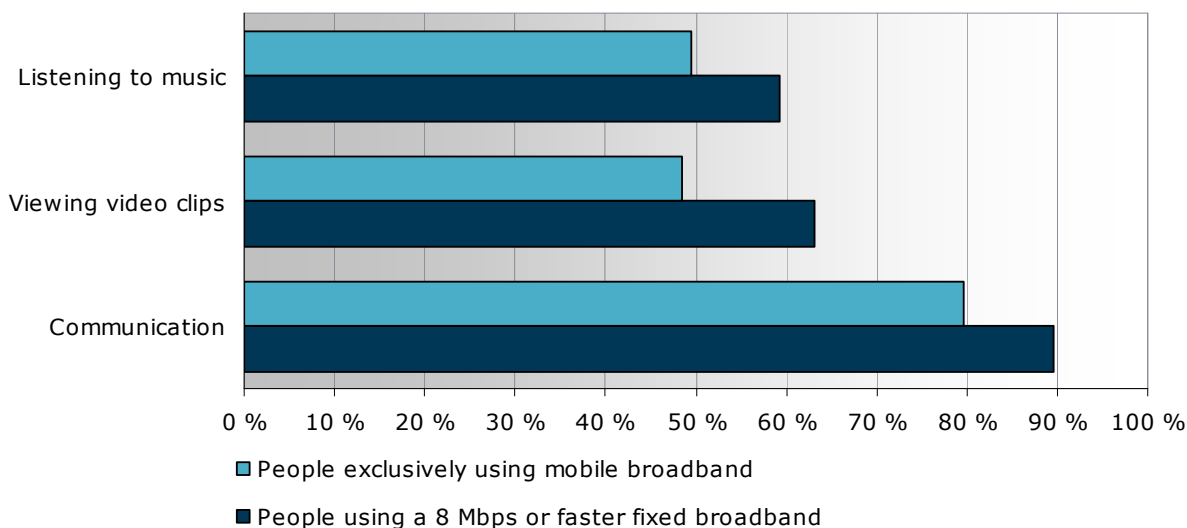


Figure 8. Impact of subscription type on internet use.

There are also clear differences between age groups when it comes to online service use by mobile phone. A particularly steep drop can be

witnessed with regard to online communications service use (e.g. Facebook, Twitter and instant message) when moving

from younger to older people. Whereas almost half of users between the ages of 15 and 24 use Facebook or instant messaging on their mobile phones, only one per cent of people over 65 use their mobile phones for online communications. Almost exactly the same usage trends, according to age group, also

apply to listening to music and watching videos. The threshold for email use and online information searches is the age of 50. Men use online services on their mobile phones more than women, excluding online communications services, which men and women use equally.

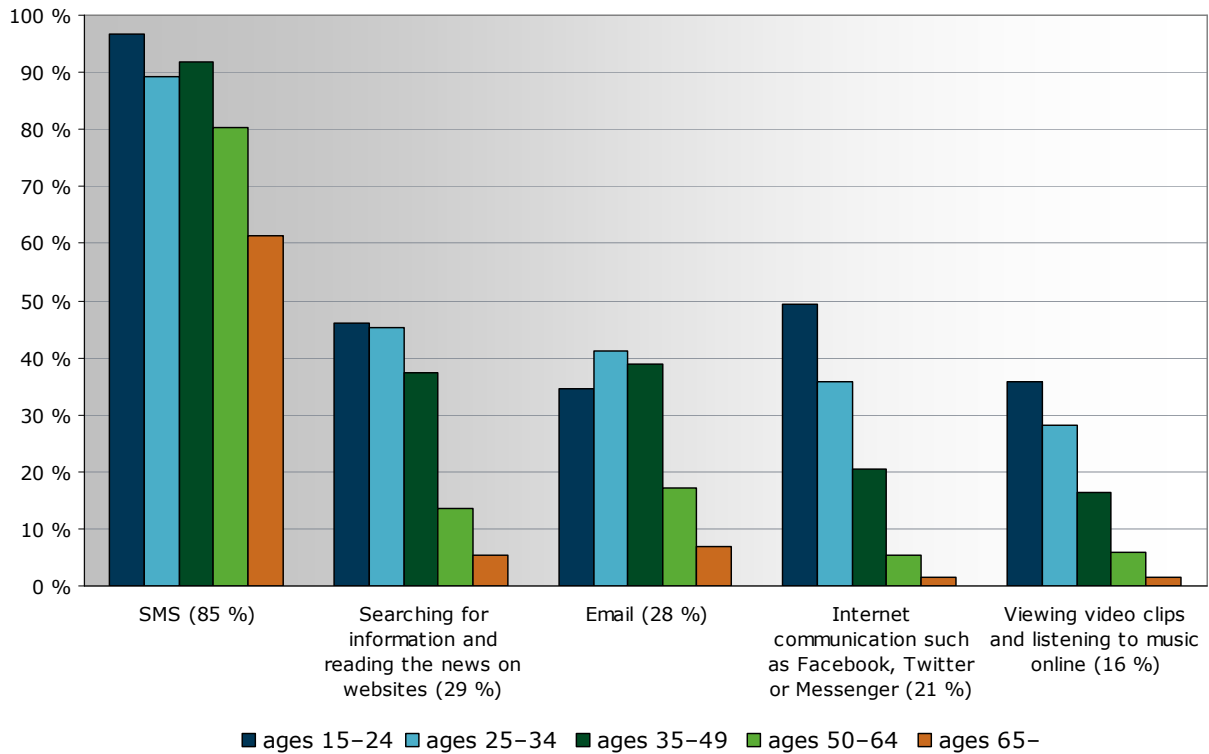


Figure 9. Services used on mobile phones.

Audiovisual content

Rapid growth is seen among younger age groups with regard to viewing audiovisual content online. Online viewing of AV content has been steadily increasing among all users between the ages of 15 and 65. In 2009, an average of 40 per cent of users sometimes watched TV programme-like content online. In 2010, this figure was closer to 50 per cent. However, the most pronounced changes are seen among the youngest age groups. Seventy per cent of internet users between the ages of 15 and 24 mention sometimes watching AV content online. However, among people between 35 and 44, this figure is lower, around 50 per cent. Just under 40 per cent of people between the ages of 45 and 54 view content online, while only 30 per cent of people between 55 and 65 watch content on the internet.

However, internet users in all age groups estimate that they still use the traditional method, television set, for most of their AV content viewing. Compared to other platforms,

television set is clearly the most common option among all age groups, except the age group of 20-24 yrs. Among this age group, there are very significant differences between watching by means of different methods, whether in terms of viewing live broadcast or recorded material, or online viewing of entire programmes or video clips. This age group also differs from the others in its lower proportion of time-shifted viewing.

Viewing of television programme-like content by mobile phone has also become more common, with almost one tenth of users mentioning that they sometimes use this method. This increase is mainly due to growth of use seen in the 20-34 age group. People between the ages of 25 and 34 are the most typical mobile viewers.

All users between the ages of 15 and 65 estimated their reduction in traditional television viewing over the past year as more significant than they had anticipated. The greatest differences were seen among people under 35.

The difference between the anticipated and experienced rise in online viewing was not quite as significant as the reduction in

television viewing. The largest difference was again seen among the youngest age groups.

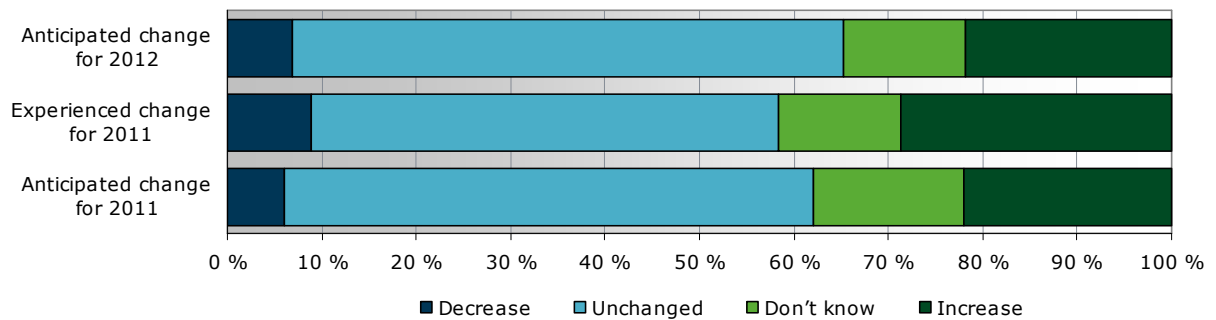


Figure 10. Experienced and anticipated change in time used for viewing content online.

Everyone between the ages of 15 and 65 felt that television set was still their main platform of viewing AV content. However, the differences between age groups were pronounced: where over 80 per cent of people over 55 feel that television is the most important method for them, just over 40 per cent of people between 15 and 19 are of this opinion. Just under 40 per cent of people between the ages of 20 and 24 see television

as their most important viewing method. Young men, in particular, differ from the other groups: instead of television, men under 25 see the internet as their most significant viewing method, if we take account of both entire programmes and video clips. One out of five people in this group deem video clips the most significant method of consuming AV content.

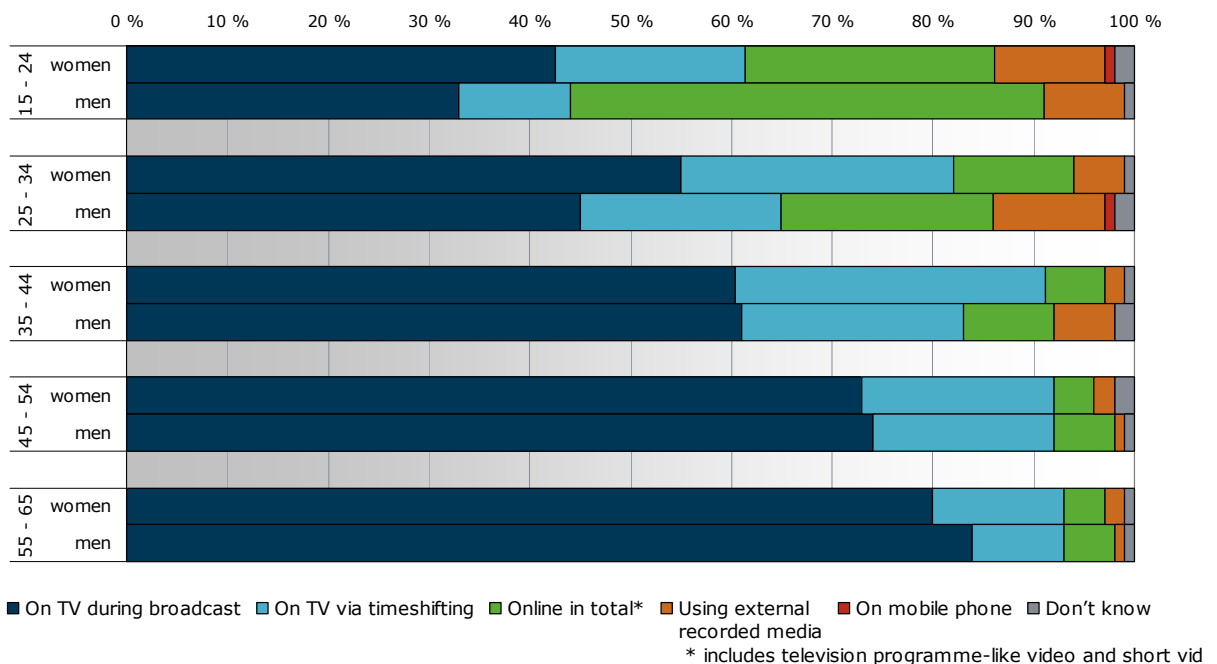


Figure 11. The most significant platforms of viewing AV content.

The significance of traditional television viewing as an AV content consumption method increases alongside age within each age group. Only 17 per cent of people over 55 mentioned a means other than linear television as their most significant AV content consumption method.

Among the two youngest age groups, online viewing of entire programmes was most frequently mentioned as the most significant viewing method. Among other age groups, viewing of time-shifted television programmes is given as the most significant method. The latter viewing method is especially pronounced among women between the ages of 25 and 45.

Obstacles to the growth of new viewing methods

There are no great differences between age groups with regard to the most oft-cited obstacles to online viewing – lack of interest, screen size, sound quality and the complexity of finding programmes. However, connection speed becomes a greater obstacle as the viewer age decreases. According to people between 25 and 44 in particular, poor location of the computer within the home presents an obstacle to online viewing.

The most oft-cited obstacles to mobile viewing were lack of interest, screen size, and sound

quality. Among the youngest age group, people between 15 and 19, the fees required for service use form a key obstacle. Price is still an important factor in the next group, people between 20 and 24. On the other hand, users between the ages of 55 and 65 claim only to be using their mobile phones for basic communications, i.e. making calls and sending SMS.

Once the screen size of the household's primary computer reaches the 24-inch limit, consumption of AV content via television sees a marked increase. However, short video clips are viewed on smaller screens as often as entire programmes on larger displays.

Share of people watching various kinds of AV content online				
	All respondents	Computer display size		
		<14"	14" - 23"	23"<
TV programme-like video	48 %	48 %	46 %	63 %
Short video clips	64 %	64 %	63 %	74 %

Table 1. Impact of screen size on online viewing.

Paying for online content

Four per cent of all Finns reported that they were separately paying for online services such as e-magazines and games, while 13 per cent stated that they could pay for such services. This means a total of 17 per cent of Finns view paying for services as a potential option for them. A clear-cut majority, 81 per cent, stated that they would not pay for such services.

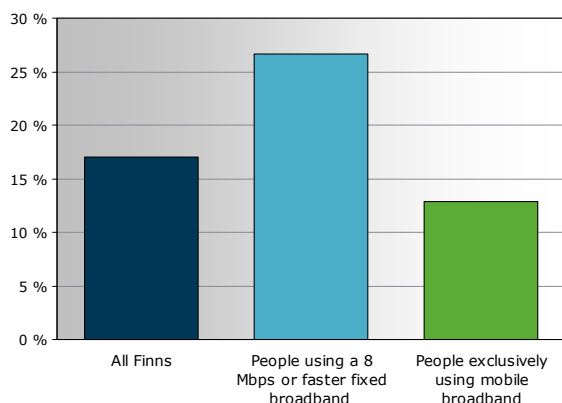


Figure 12. Share of users who are paying or might pay for online services.

Among users of high-speed fixed broadband, a much higher share than average reported that they had paid or might pay for such online

services. On the other hand, people who exclusively used mobile broadband were less willing to pay than the average user. Viewed from the perspective of age groups, people between the ages of 15 and 24 have paid more for these services than other age groups, and are also more willing to do so. Some 30 per cent of the people in this age group stated that they were paying or were willing to pay for these services. No great changes were seen in people's willingness to pay, as viewed from the age group-specific perspective.

Purchase of online AV content entailing a fee is still a rather rare phenomenon. 74 per cent of internet users between the ages of 15 and 65 mentioned that they were viewing some AV content online, yet only 17 per cent of these users stated that they had, on occasion, purchased AV content online. In this context, purchase may mean such things as the acquisition of the viewing right to a movie, then watching it online.

Online AV content purchases are clearly dependent on gender but also, to some degree, age. The most enthusiastic content purchasers are men between the ages of 15 and 44. People between the ages of 55 and 65 rarely purchase online content involving a fee; no great difference between the genders can be found in this age group.

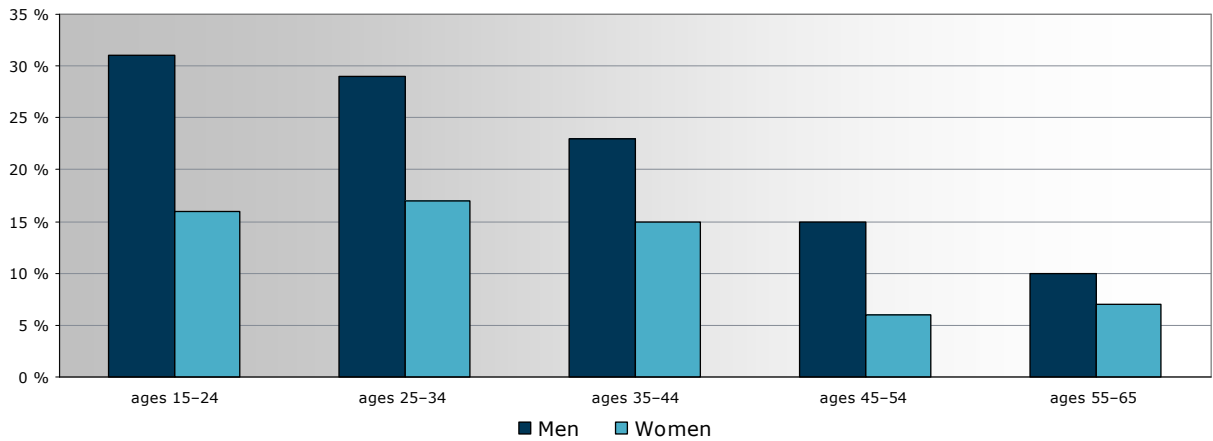


Figure 13. People purchasing AV content, as a share of all people viewing AV content online.

Following the news

Changes in the ways people follow the news reflect the revolution in communications service use. People mainly use four channels to follow the news: television, print media, radio, and the internet. The internet, the latest arrival to feeding people's appetite for news, is becoming Finnish people's most significant news channel, while the importance of other media dwindles. However, television has retained its position as the Finnish people's most important news channel so far. The internet comes second, having overcome the print media and radio.

Among Finns under 35, the internet is by far the most followed news channel, having made further gains over the past year. Almost 70 per cent of people between the ages of 15 and 24 say the internet is the news channel they follow most during their free time. The internet is the most-followed news channel for 60 per cent of people between the ages of 25 and 34. Above these age groups, the popularity of the internet as a news channel sees a steep drop. Television is by some distance the most-followed news channel among people over 34. Among people over 50, the newspaper is the second and radio the third most followed news channel. The internet, on the other hand, is rarely the most followed news source in this age group.

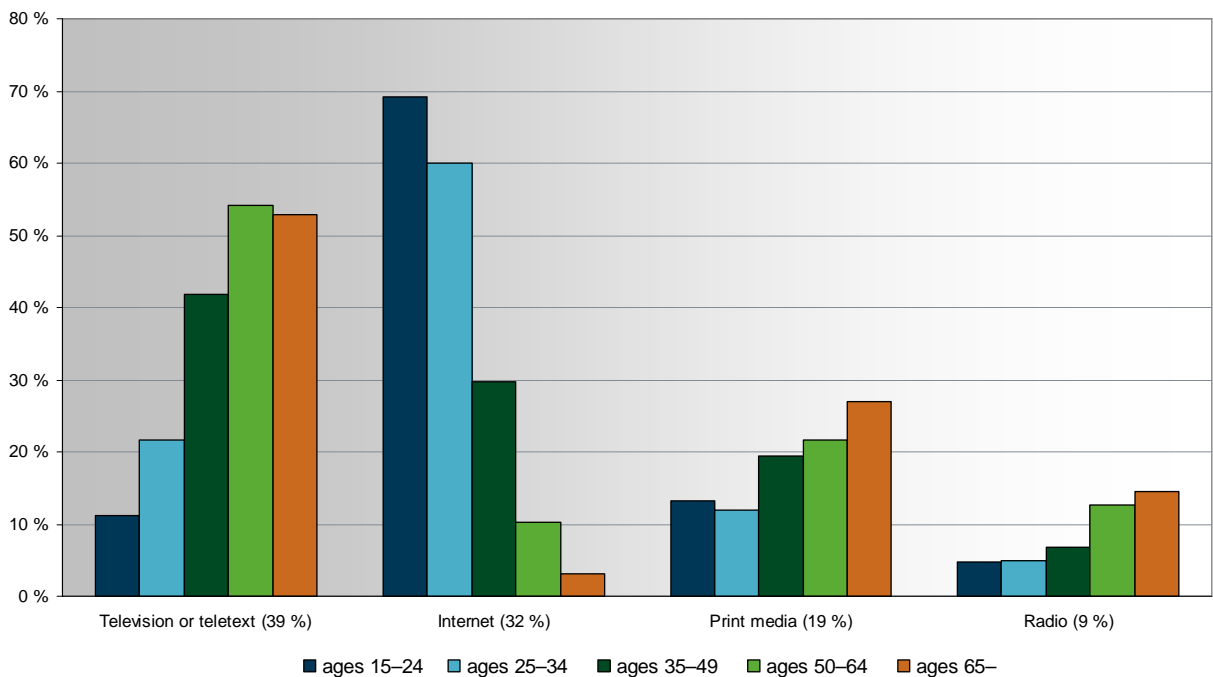


Figure 14. Most followed news channels.

The news sources used by fixed high-speed broadband and mobile broadband users are somewhat dissimilar. For almost half of high-speed internet users, the internet is the most followed news channel, whereas this figure is under one third among mobile broadband users. Mobile broadband users more often follow the news on television. When following the news, mobile users represent the average, since the importance of television as a news channel is even more pronounced among users of slow broadband connections.

Over 90 per cent of people who mainly follow the news online consume their news in written format. Written online news includes newspaper and TV channel websites such as *hs.fi* and *mtv3.fi*. The second most important source of news can be found in social media services such as Facebook and Twitter. Social media services are clearly a more important news source among women than men. Almost half of women see social media as a significant news source, whereas only one third of men

think so. Social media services are also an important news source for the youngest age group, with almost 60 per cent of people in this age group considering them an important news source.

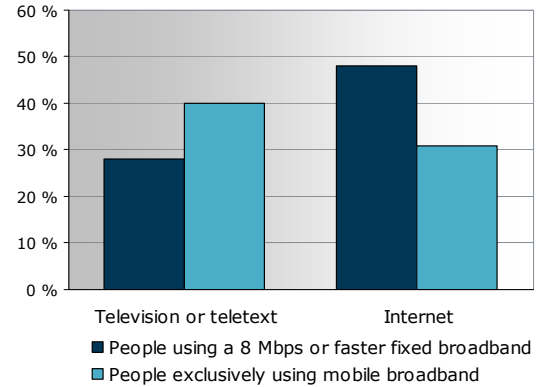


Figure 15. Impact of Internet subscription type on following the news.

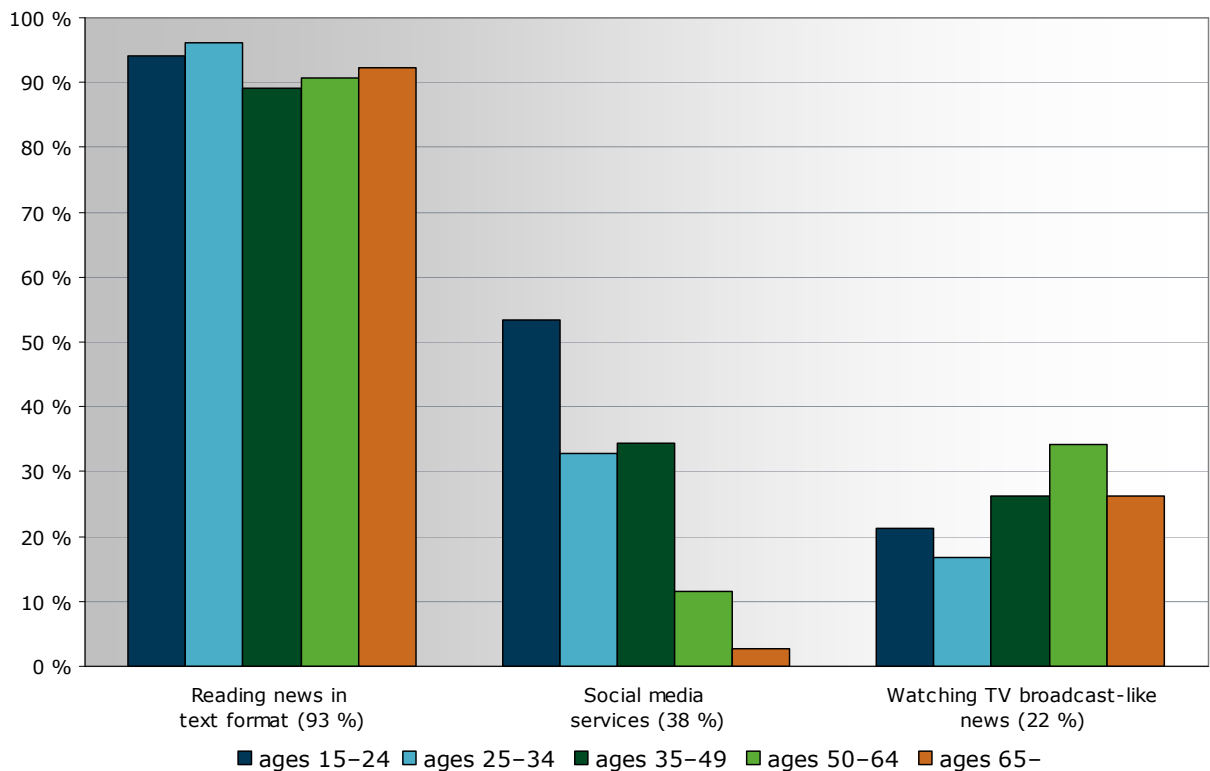


Figure 16. Following the news on the internet.

Television set is still a more common platform of following audiovisual news broadcasts on a daily basis than the internet. All age groups follow the news more commonly on television more than via the internet. However, the differences between age groups were pronounced: where 70 per cent of people over 45 years of age follow the news on television on a daily basis, only 20 per cent of people between 15 and 24 do so. Men in all age

groups follow the news on a more regular basis than women, with the largest difference seen in the 25-44 age group.

Different age groups are not as sharply divided on the basis of viewing news broadcasts online. On the other hand, differences between the genders are pronounced in all age groups, except for the oldest group – people over 55 – in which these differences level out.

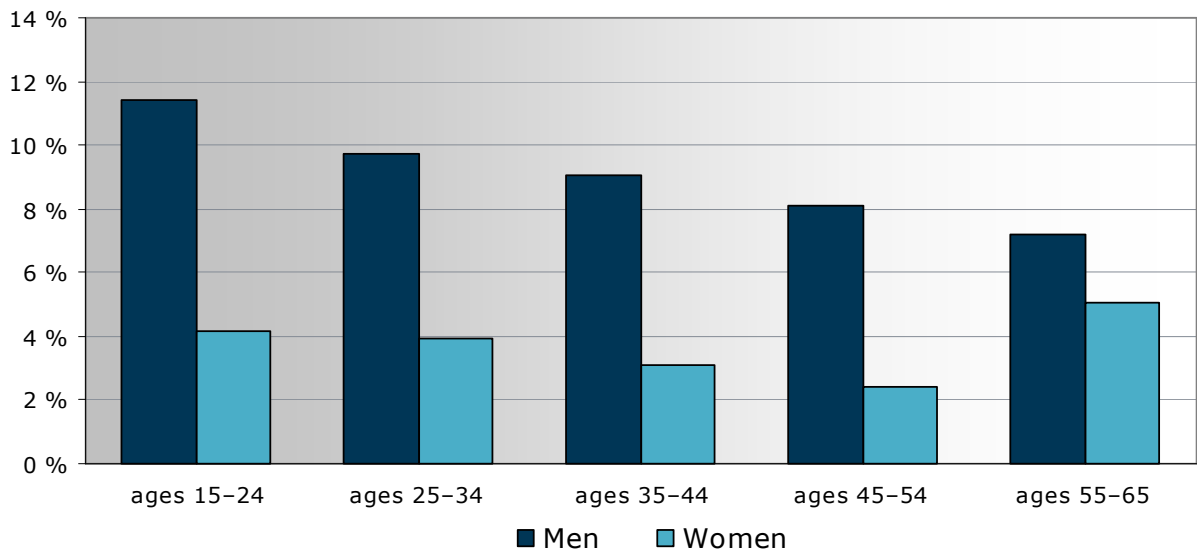


Figure 17. Following AV news broadcasts on a daily basis.

The importance of communications methods

When comparing the importance of various communications services to Finns in terms of personal communications, talking on the telephone is by far their most important method of keeping in touch. Around 70 per cent of Finns could not cope without the chance to communicate on the telephone. After this, the second most important communications methods were email and SMS, which were equally important. Around one third stated that they could not cope without these communications methods. The differences between age groups were rather notable. The youngest age group, people between 15 and 24, could cope more often than others without the phone's call feature, with SMS outweighing the importance of email.

Only in the case of a very few Finns were internet discussion boards, conventional letters and instant messaging tools so important that they could not cope without them. However, one tenth of people under 50 stated that they could not cope without internet discussion boards, while 15 per cent of people between 15 and 24 stated they could not cope without instant messaging. 99.6 per cent of people over 65 manage just fine without instant messaging. Then again, 10 per cent of people over 65 could not cope without letters as a means of communications.

Comparing the importance of various communications methods to the previous year, the importance of talking on the telephone and letters has seen a slight dip. Then again, the importance of email, internet discussion boards and instant messaging has increased slightly.

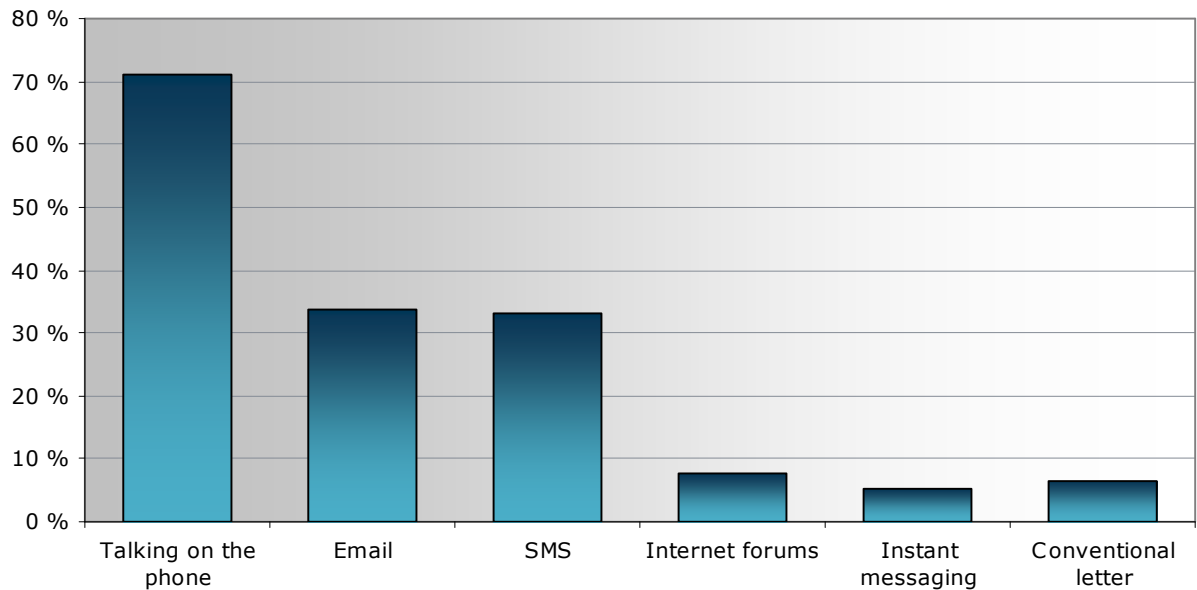


Figure 18. Communications methods without which users could not cope.

Online communications methods

The revolution in communications service use is also manifested in internet communications methods. There are sharp differences between age groups with regard to how important people feel these communications methods are, or how actively they use them.

All respondents were asked about the importance of internet communications methods on a four-step scale: So important that you couldn't really cope without it; rather important; not very important; rather unimportant.

The importance of internet discussion boards and instant messaging was on an entirely different level among people between the ages of 15 and 24 than among people over 50.

Around half of people between 15 and 24 view internet discussion boards as at least somewhat important, with 40 per cent of people in this age group viewing instant messaging as at least somewhat important. Instant messaging is an important communications method for less than five per cent of people over 50.

Insofar as internet communications methods are concerned, the importance of email does not undergo a similar decrease to instant messaging and discussion boards. E-mail has long been the dominant means of communications, and as such has been widely adopted among older age groups. Over 70 per cent of people 50 consider email at least somewhat important. Although the importance of email decreases among people over 50, as many as one third of people over 65 still consider email to be at least somewhat important.

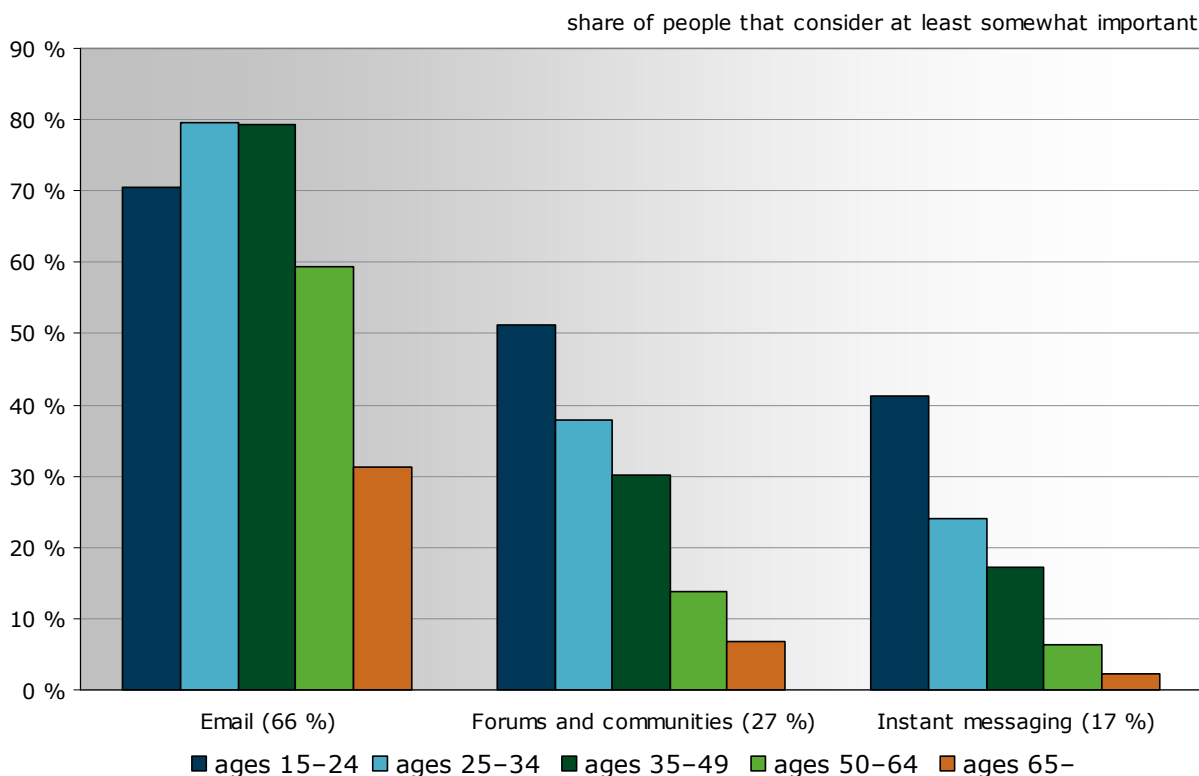


Figure 19. Perceived importance of internet communications methods by age group.

Users of high-speed fixed broadband consider internet communications methods more important, than do people who exclusively use mobile broadband. The most pronounced difference is seen in relation to instant messages, with over 25 per cent of fixed high-speed broadband users finding them important, while only just over 10 per cent of

people exclusively using mobile broadband feel the same way. The importance of instant messages for users exclusively using mobile broadband is low compared to all Finns. People who exclusively use mobile broadband are near the average for all Finns, with respect to the importance of other online communications methods.

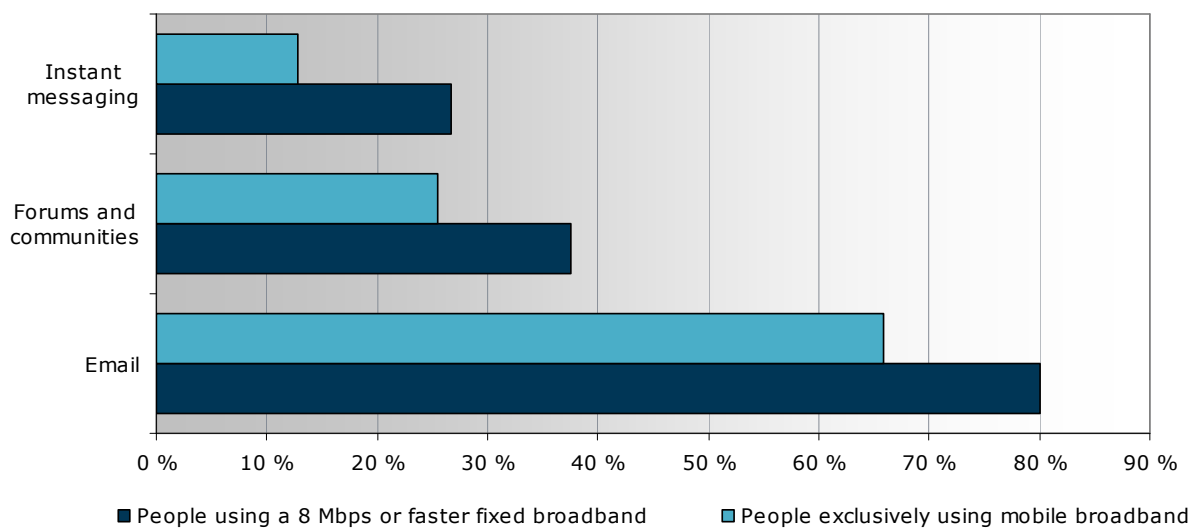


Figure 20. Impact of internet subscription type on communications methods.

Everyone with access to the internet was asked about the frequency of internet calls and instant messaging. In this case, those who

stated that they use these services on a daily or weekly basis were included in the calculated percentages. No great differences between age

groups were seen with regard to internet calls. Internet calling decreases slightly as age groups become older, until it sees an upward turn among people over 65. However, young generations are markedly more active users of instant messaging than older age groups. Amongst the youngest age group, people between 15 and 24, around 50 per cent of users with access to the internet use instant messaging services on at least a weekly basis. Only around 5 per cent of people over 50 and with access to the internet use instant messaging.

It should be noted that among people between 15 and 34, instant messaging is more popular

than internet calling, while internet calling is more common than instant messaging among people over 50.

A markedly larger share of owners of fixed broadband exceeding 8 Mbps make internet calls and use instant messages weekly, than people who exclusively use mobile broadband. The number of users using internet calling services weekly almost doubled, while just under double used instant messaging. The proportions among people exclusively using mobile broadband were also lower than among all internet users.

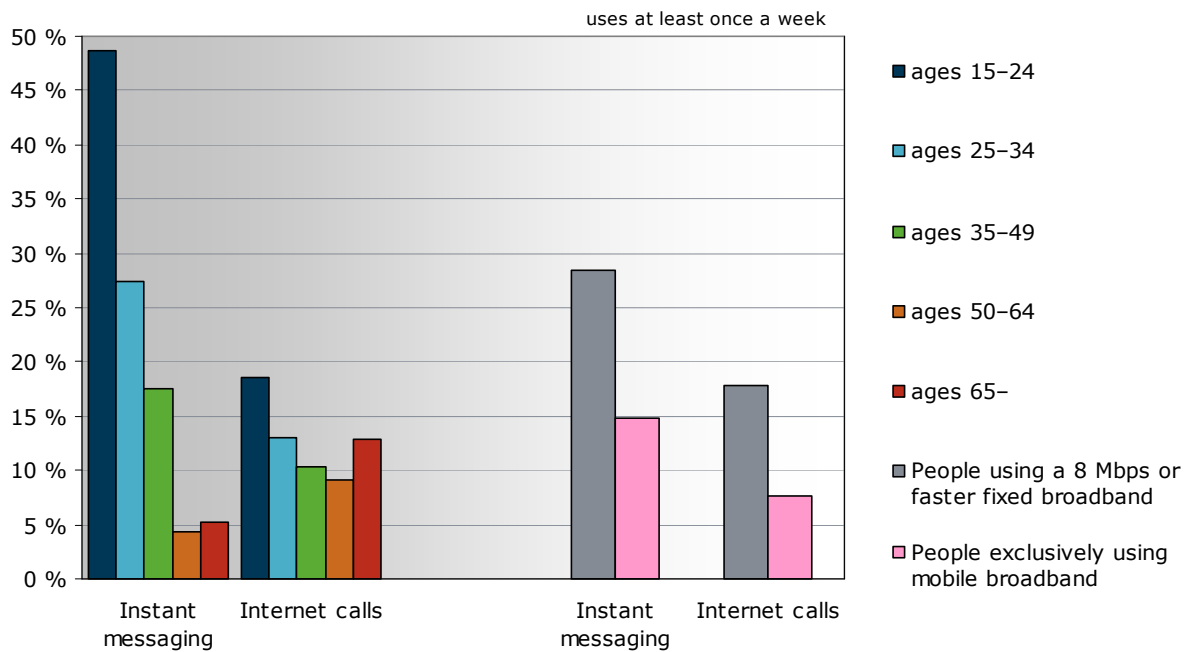


Figure 21. Internet calling and instant messaging service use.



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