ComReg Trends Report Q4 2004

November 2004

Prepared by Amárach Consulting

Contents

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Introduction

Introduction

- The research contained in this report is based on a quarterly survey by Amárach Consulting of 1,000 adults throughout Ireland, aged 15-74.
- The survey was conducted in October 2004, and the results have been weighted up to the total adult population aged 15-74 using the most recent CSO statistics.
- This quarter's report looks at trends in:
  - Fixed & Mobile Phone Usage
  - Internet Usage
  - eCommerce
- In presenting the findings we have taken care to report the sample sizes for each question analysed and we would draw the reader's attention to the table at the end of this report explaining the statistical variance applicable to all survey based studies of this nature.

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Fixed and Mobile Phone Usage

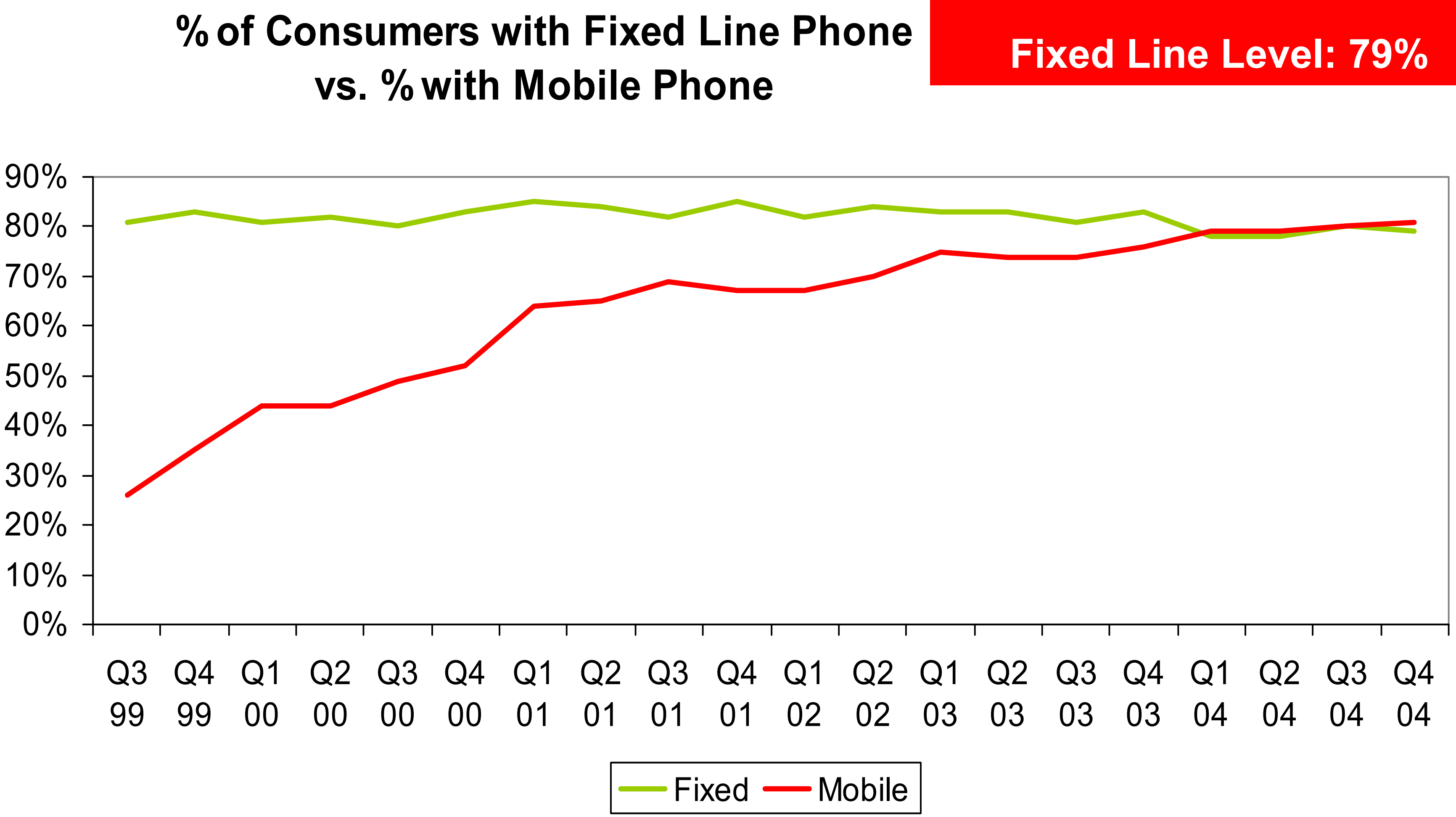
Communications Change

- Amárach has been tracking trends in information and communications technologies (ICTs) in Ireland for over 5 years.
- Perhaps the single biggest change in that period of time has been the surge in mobile phone ownership: up from a little over two in ten adults in 1999 to over eight in ten today.
- In this current wave mobile phone penetration levels have now outstripped fixed line phone levels in the Irish consumer market.
- It is likely that this trend will continue to emerge into 2005, a remarkable change from the situation of the ICT market five years ago.
- As we report the final quarter of 2004, we emerge from a relatively stable year in the ICT arena, however as predicted in the last wave, a period of ICT consolidation continues to unfold.

Fixed and Mobile Now Level

Mobile Level: 81%

Fixed Line Level: 79%



Source: Amárach Consumer TrendWatch, 1999-2004

Note: Per Capita Measurement

Why No Fixed Line?

What is your main reason for not having a fixed line telephone in your house?	
Have a current mobile subscription	50%*
Fixed line call costs are too high	13%
Cost of connection and line rental too high	12%
Easy access elsewhere	3%
Still waiting for installation/connection	3%
Plan to get fixed line in the next six months	2%
Other	12%
Don't Know	6%

***Having a current mobile subscription was a particularly predominant reason for those aged between 25-34 not to get a fixed line in their homes. This is a trend which is likely to continue into the future.**

n=229 (those who don't have a fixed line residential phone)

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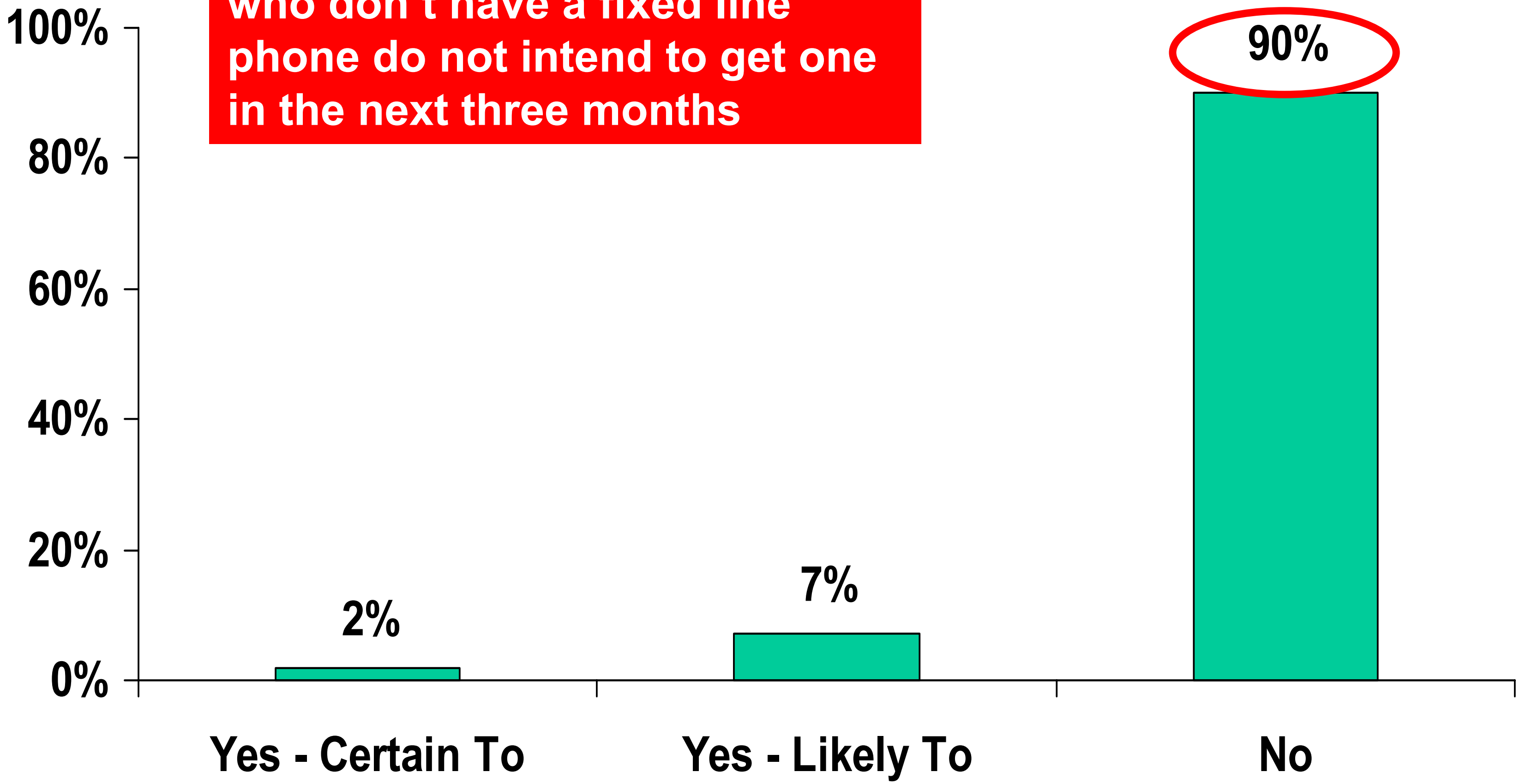
Low Intention of Getting Fixed Line Phones

Nine out of ten respondents who don't have a fixed line phone do not intend to get one in the next three months

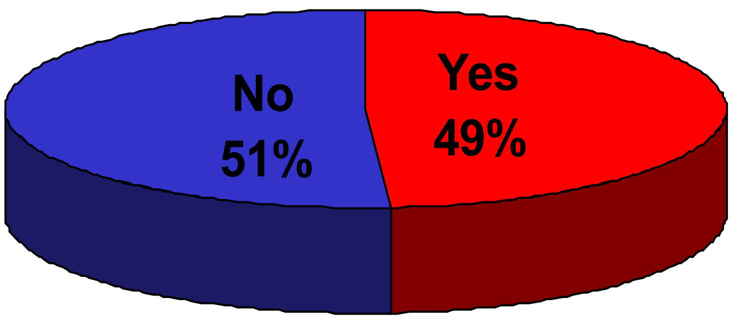


n=229 (those who do not have a fixed line residential phone)

Fixed Line SMS Messages

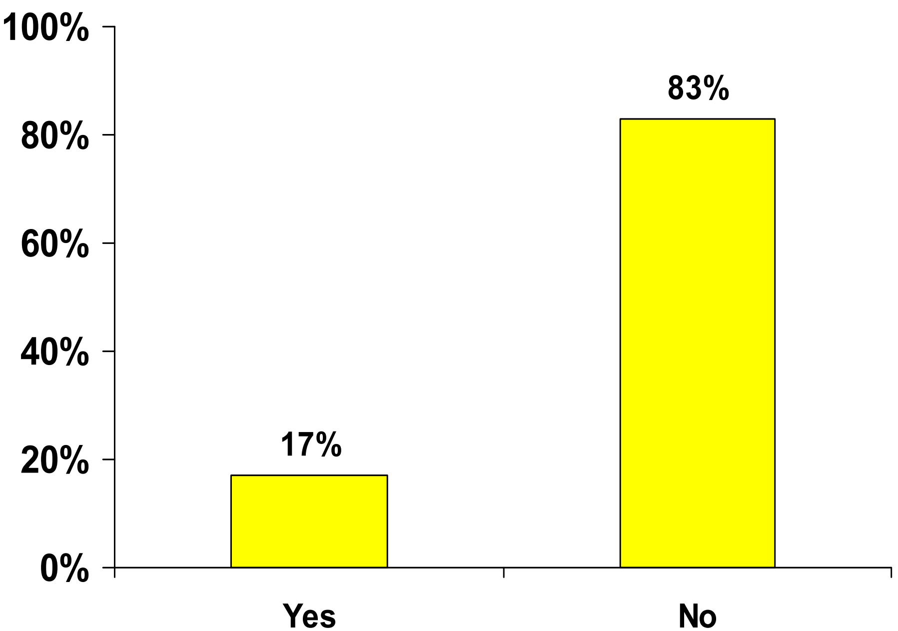
Although almost half of those who have a fixed line phone are aware they can send SMS messages through their phone, only 17% of those aware have sent an SMS message.

Are you aware that you are able to send SMS messages from a fixed line phone?



n=818 (those who have a residential fixed line phone)

Have you ever sent an SMS message on your fixed line telephone?

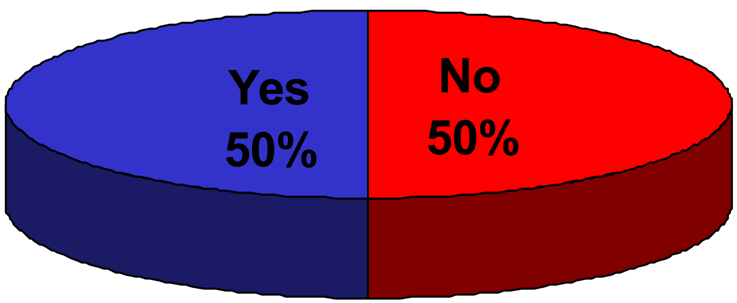


n=409 (those aware you can send SMS messages from a fixed line phone)

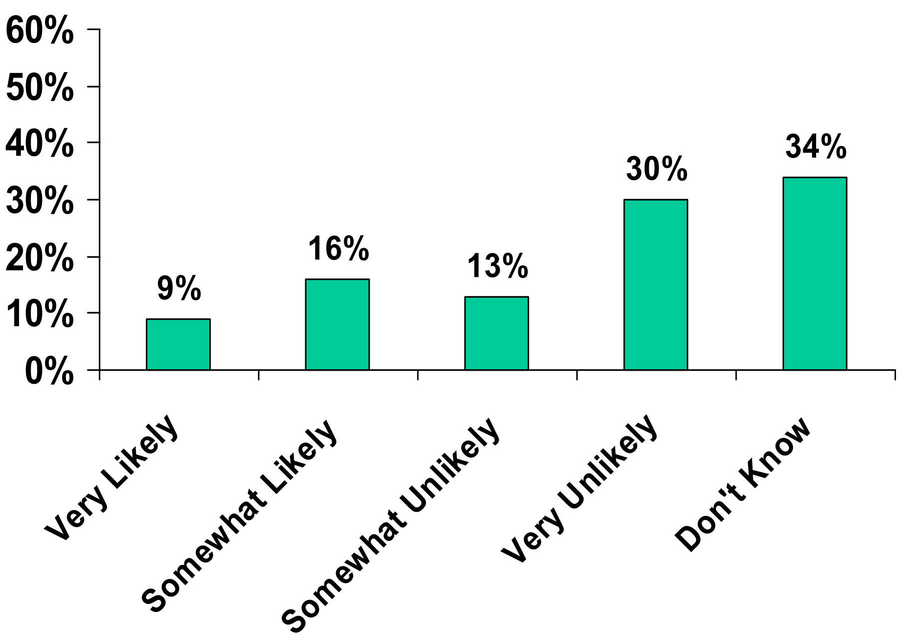
Single Billing

Half of those with a fixed line phone are aware of single billing, however, over four in ten respondents are unlikely to switch suppliers based on the availability of single billing.

Are you aware of single billing?



Would the availability of single billing be likely to influence your decision to switch supplier?



n=818 (those who have a residential fixed line phone)

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Mobile Services

Have you purchased any of these mobile services in the last three months?	%
Ringtones	16%*
Picture Messaging	4%
Games	4%
Music	3%
Wallpapers/Icons	2%
Subscription Services	1%
None of These	82%

***Ringtones were purchased mainly by the 15-24yr old age group.**

n=853 (those who have a mobile phone)

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Why No Mobile Phone?

What is your main reason for not owning a mobile phone?	%
Have a current fixed line subscription	25%
Don't Like Them/Health Hazard	19%
Had one but lost/got rid of it	14%
Mobile call costs are too high	12%
Plan to get a mobile in the next six months	5%
Easy access elsewhere	1%
Cost of connection and line rental too high	1%
Not allowed/too young	1%
Other	21%

n=194 (those who do not have a mobile phone)

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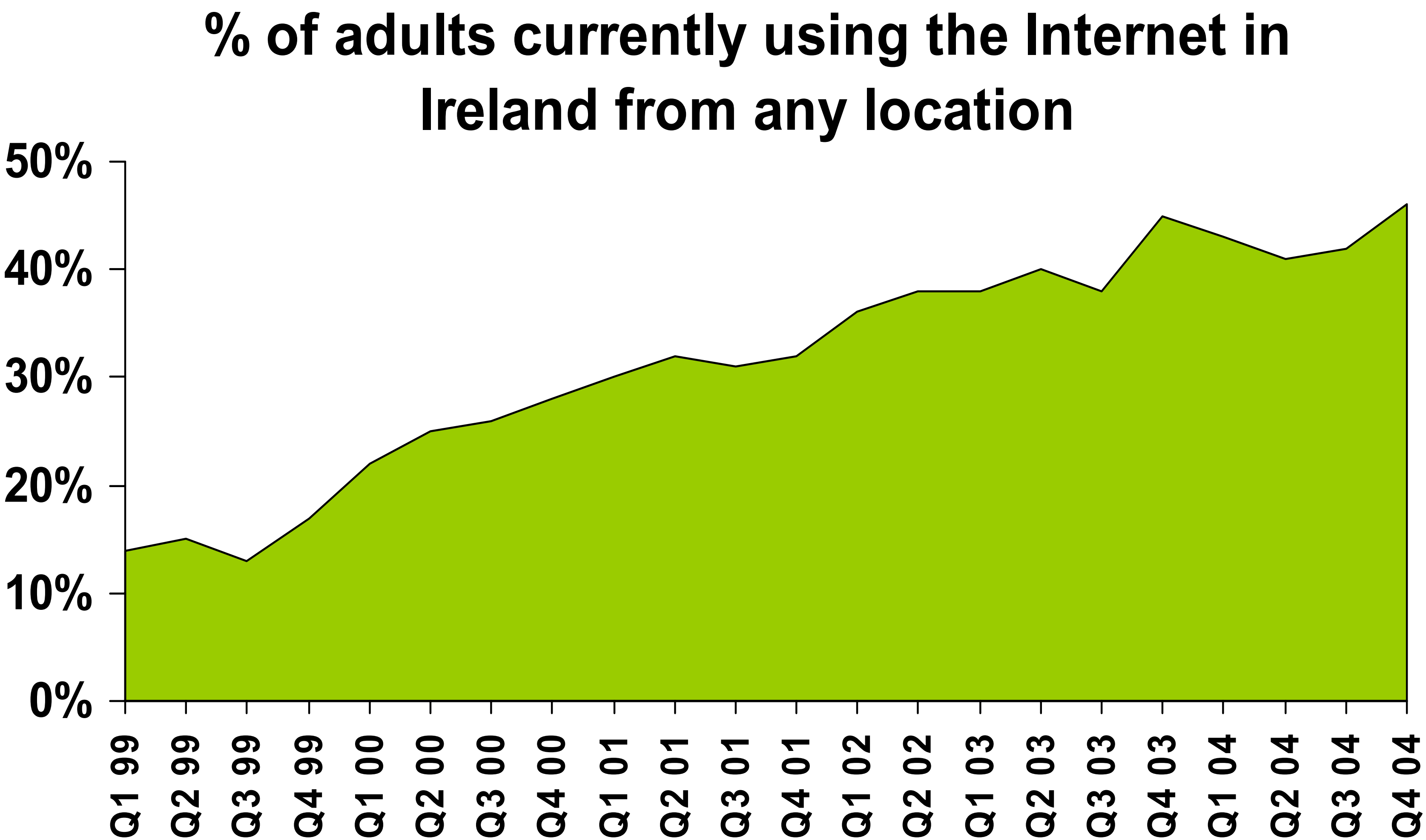
Internet Usage

Internet Usage

- Internet usage has remained relatively stable throughout 2004, but penetration levels have increased to 46% for this last quarter, compared to 42% in the previous quarter.
- The dominant point of Internet access continues to be the home, followed by the work place.
- Home connection to broadband has also increased substantially from the previous quarter and standard telephone line/regular dial-up has decreased from the last wave suggesting some substitution in the market (though the net trend is still one of growth).

Internet Usage



- **Over 1.3 million Irish adults use the Internet**

(n=1,047)

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Usage Location Patterns Fairly Stable

Location of Use*	% Of all Adults Q3 04	Equivalent Population Q3 04	% Of all Adults Q4 04	Equivalent Population Q4 04	% Of all Internet Users Q4 04
Home	30%	864,000	30%	882,000	66%
Work	14%	418,000	14%	418,000	31%
Schools/Colleges	8%	245,000	9%	270,000	20%
Friend's House	5%	140,000	4%	111,000	8%
Cyber Cafes	3%	82,000	2%	60,000	5%
Public Library	2%	52,000	2%	73,000	6%
On the move	1%	17,000	1%	32,000	2%
Total	**42%**	**1,209,000**	**46%**	**1,327,000**	

*(n=488) * Multiple responses allowed*

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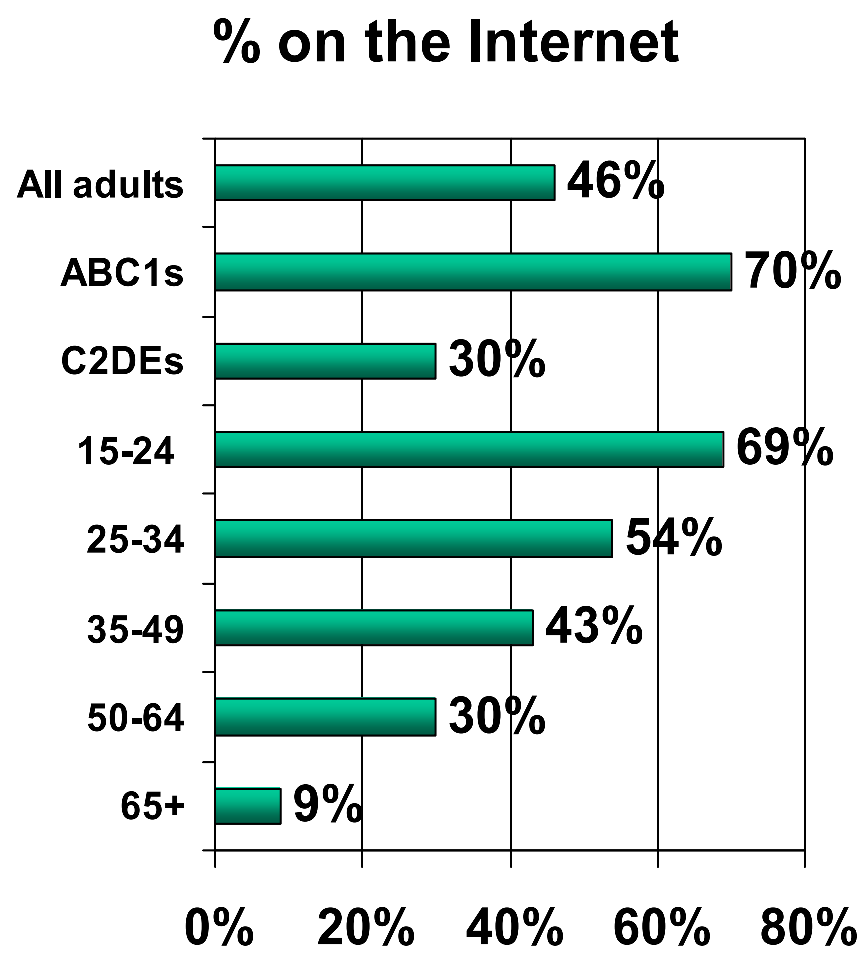
Socio-Demographics of Use

- Almost half of Irish adults (46%) are using the Internet.
- There are no significant usage differences in the usage between genders (46% male and 45% female).
- The main determinant of usage seems to be social class. ABC1s are almost two and a half times more likely than C2DE's to be on online
- Age is also an important determinant. Usage is significantly higher than the national average among the under-35s, however the Internet usage by the 35-49 year age bracket and the 50-64 age brackets have both increased since Q3 2004.



(n=1,047)

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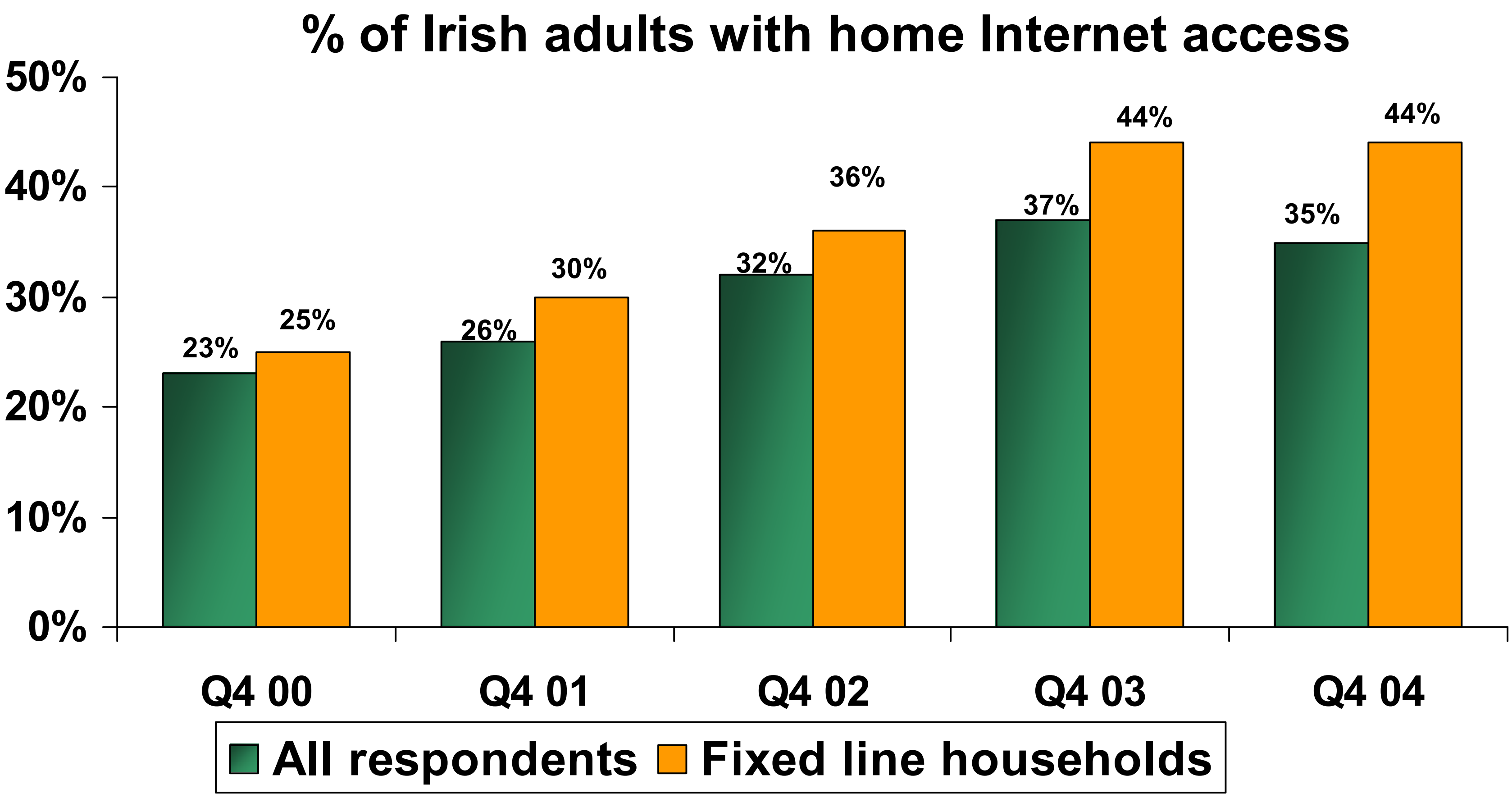
Almost Half of Fixed Line Households Online



(n=1,047)

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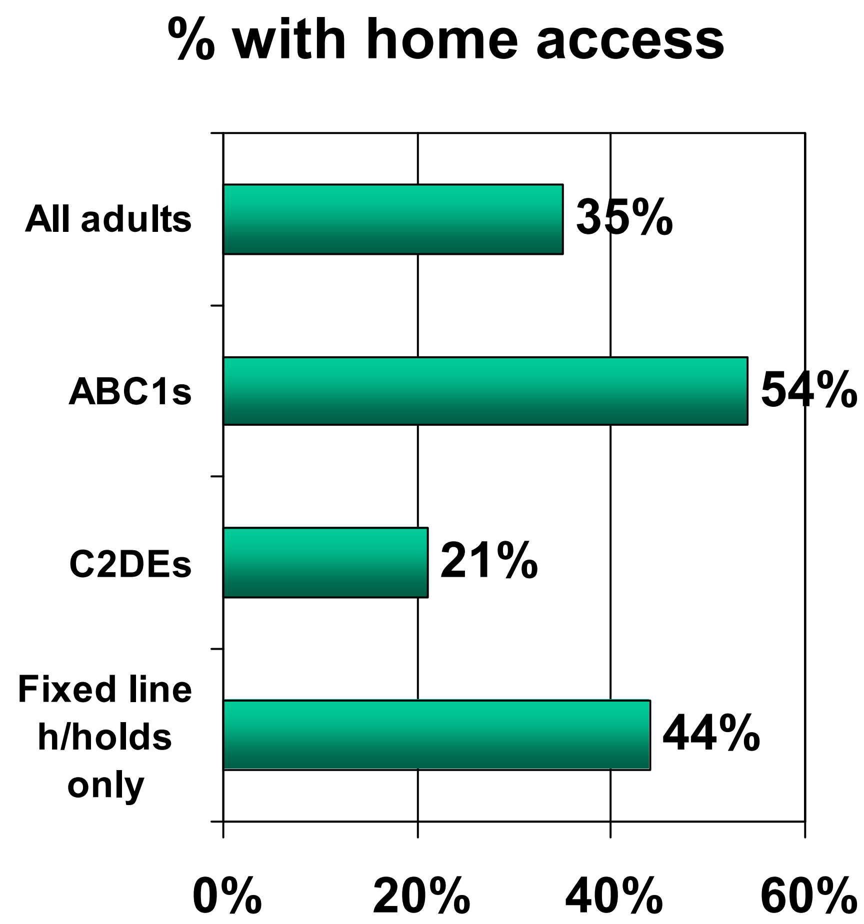
Socio-Demographics of Home Access

- 35% of adults have home Internet access – little changed since the last wave.
- Among households with a fixed line phone the access figure stands at 44%.
- Likelihood of having home Internet access is still significantly over two and a half times as high in ABC1 households than in C2DE households.



(n=1,047)

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Home Internet Connections

How does your household connect to the Internet?	Q4 03	Q4 04
Standard telephone line/Regular dial-up	84%	73%
ISDN line	7%	8%
ADSL /Broadband connection	2%	6%
Broadband via a Cable modem connection	1%	9%
Through a mobile phone via WAP or GPRS	0%	1%
Other	-	1%
Don't know	5%	3%

Base: All those with home Internet access (n=369)

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Home Internet Connection Payment Plan

Which one of the following options best describes your <u>home</u> Internet connection payment plan with your main ISP?	**%**
Pay as you go – pay only for time spent online	55%
Pay a monthly subscription cost to your ISP and then pay for time spent online	15%
Broadband flat rate	12%
Dial-up flat rate	6%
Don't Know	13%

Base: All those with home Internet access (n=369)

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eircom Dominant ISP

Who is your Internet Service Provider?	Q4 04
eircom	87%
Esat BT	6%
UTVnet	1%
Ntl	0%
Chorus	0%
Other	6%

 Base: All those who don't use any broadband type connection to Internet (n=313)

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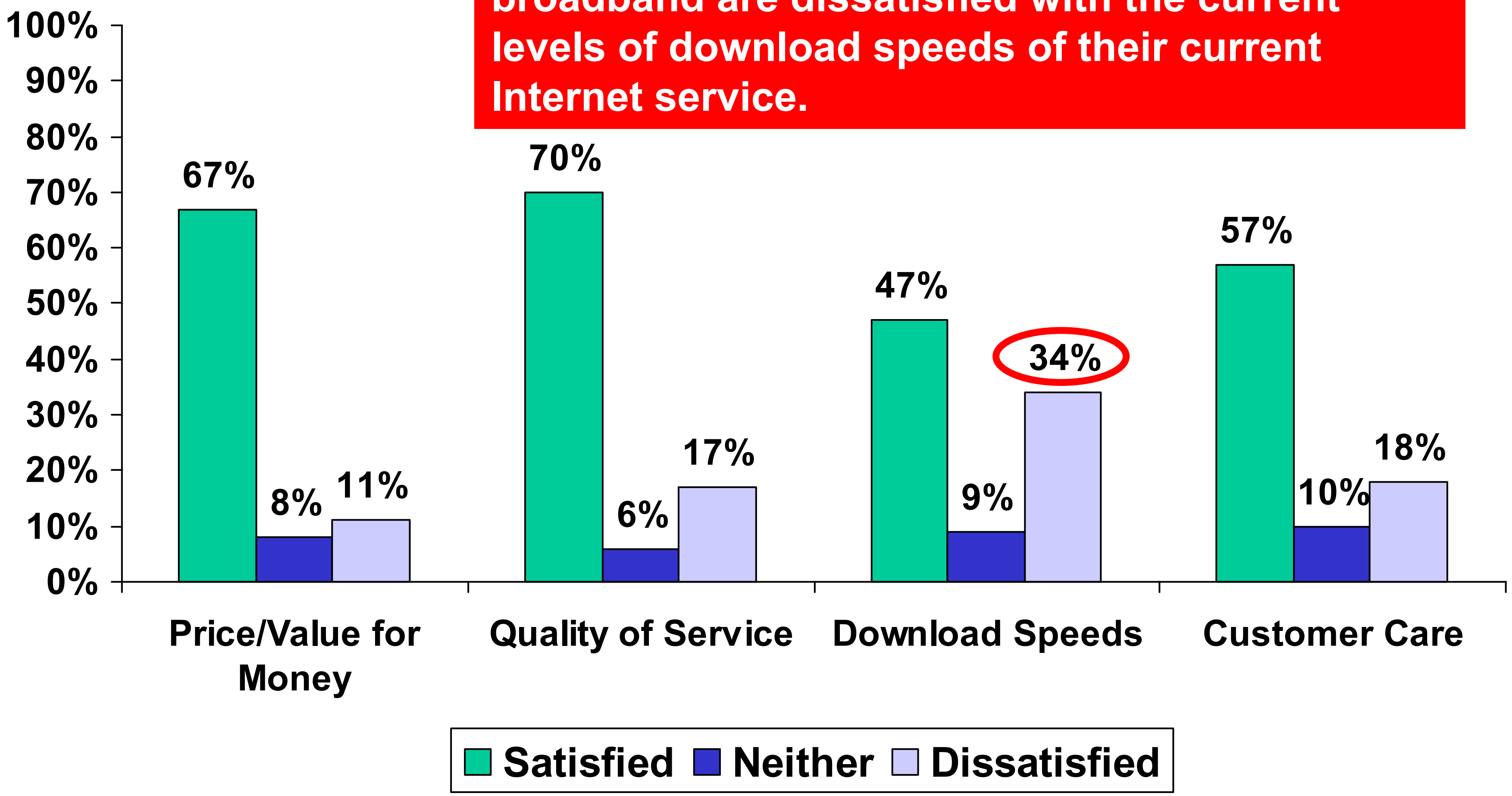
Satisfaction with Dial-Up Internet Service

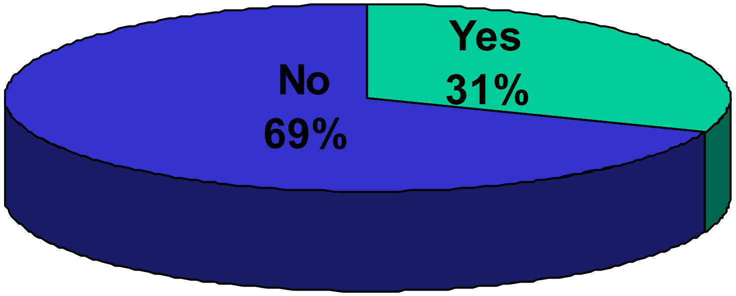
Over one in three households who do not have broadband are dissatisfied with the current levels of download speeds of their current Internet service.



Base: All those who don't use any broadband type connection to Internet (n=313)

Broadband Consideration

Have you considered moving to a broadband connection for your Internet access?



What factors would encourage you to move from a dial-up Internet connection to a broadband Internet connection?	%
Better Price/VFM	64%
Quality of Service	30%
Current Download Limits	12%
Customer Service	10%
Higher Bandwidth	7%
Installation Time	3%
Other	22%

Base: All those who don't use any broadband type connection to Internet n=313

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Broadband Consideration

Value for money proposition and unavailability of broadband in certain areas are substantial barriers to the take-up of broadband.

Why have you not considered moving to a broadband Internet connection?	%
Too expensive	29%
Would not use the Internet often enough	27%
Broadband not available in my area	26%
Current Internet access package sufficient for my needs	17%
Security concerns	1%
Other	15%

Base: those who have not considered moving to broadband n=218

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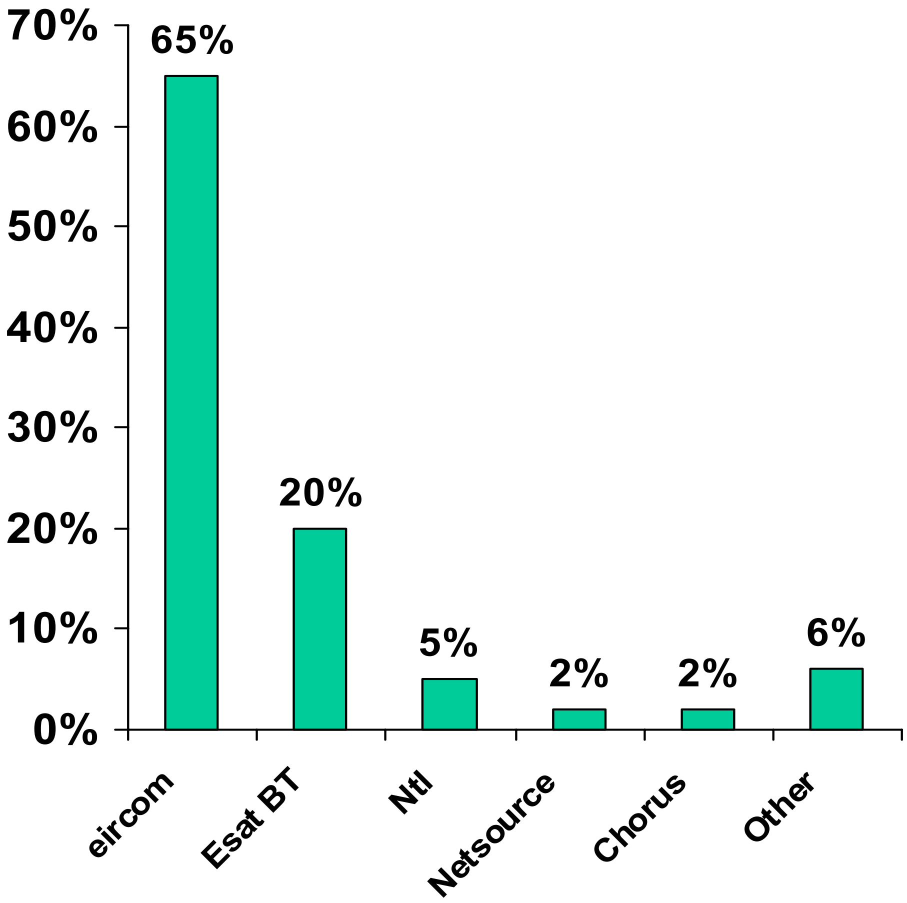
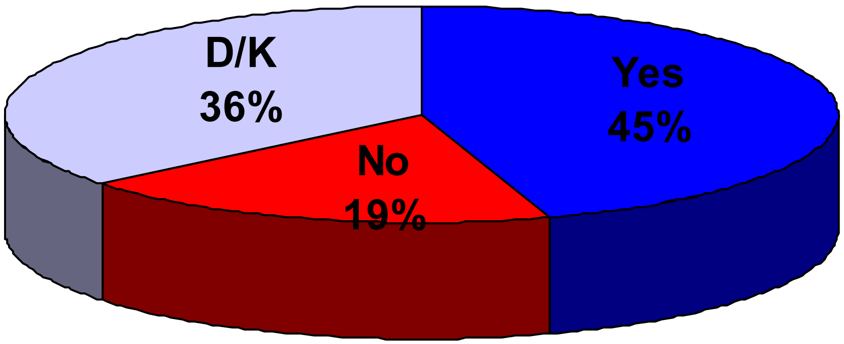
Broadband Customers



Do you have a choice of operators for broadband services in your area?



Note: Small Base *All those with a broadband connection n=56*

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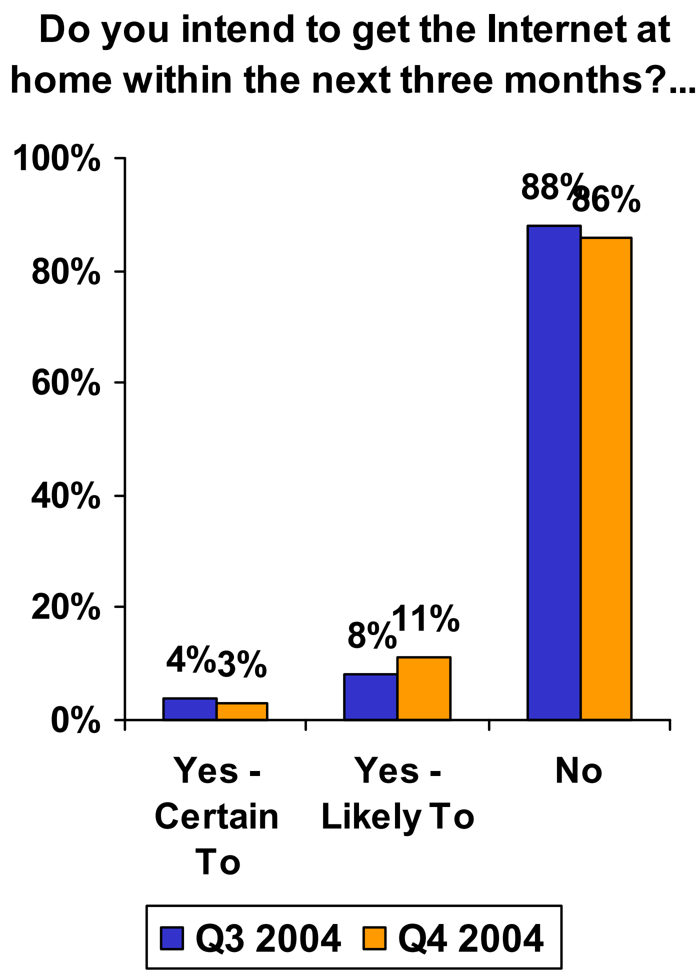
Intention to Start Using the Internet



- Almost nine of then households who do not have Internet access at home do not intend to connect to the Internet within the next three months
- Lack of interest remains highest among the over 50s, C2DEs and those in the farming community.

Base: Households with no Internet access n=678

eCommerce

eCommerce

- eCommerce activity for Irish consumers has most certainly stabilised throughout 2004.
- While online airline and concert ticket purchases are the clear winners each quarter, with books and music usually in third/fourth place, the popularity of purchasing package holidays and other commodities such as information and clothing online seem to be declining with each quarter.
- Intentions to shop online in Q4 2004 suggest that eCommerce will play a key part in Christmas shopping activities this year.

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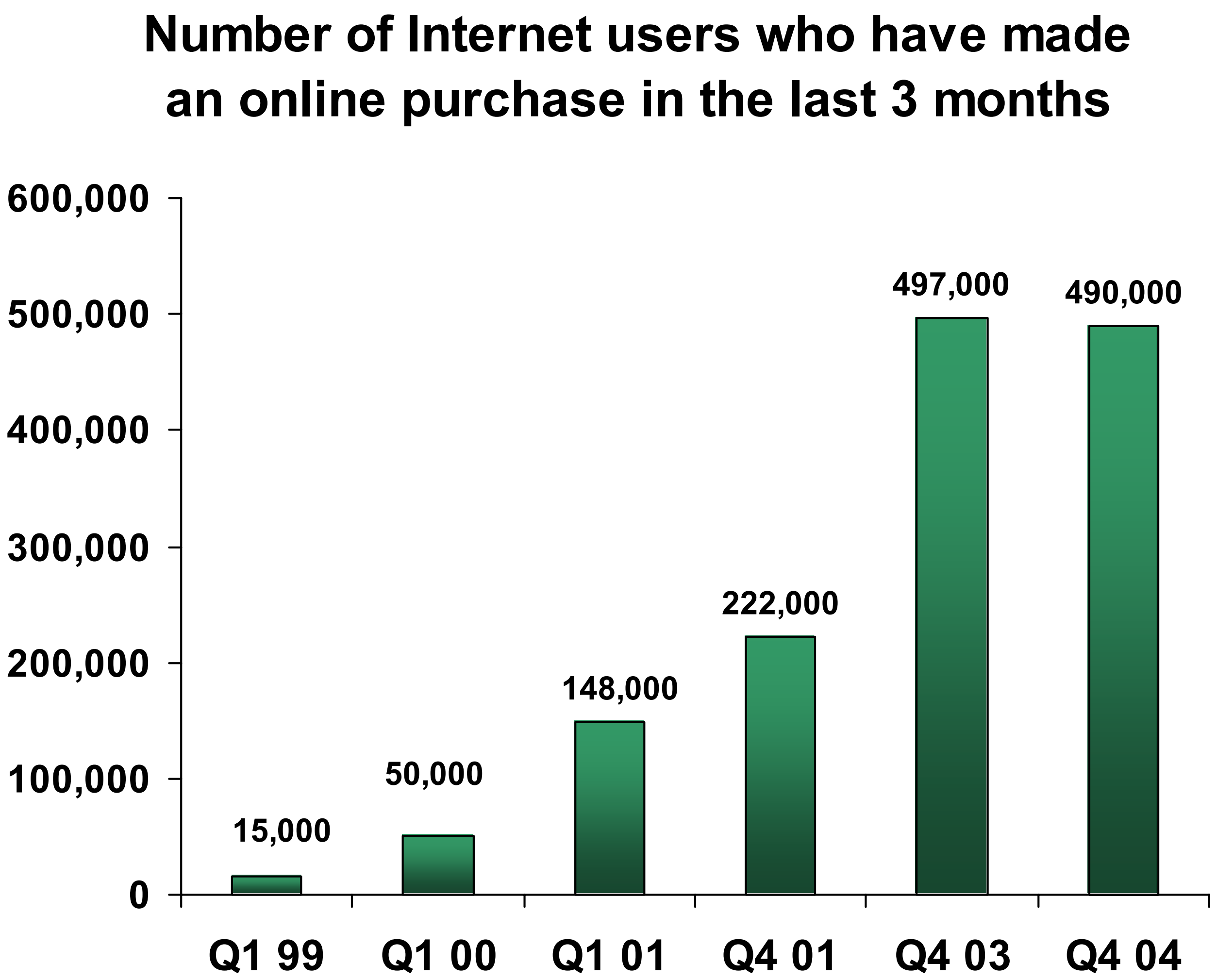
Slight Decrease in e-Commerce Activity



- 37% of Internet users have made a recent online purchase
- Online shopping in this wave is most prevalent among 25-34 year olds, and ABC1's

Base: All Internet users (n=488)

Online Sales

Top 10 Online Purchases*	Q4 2003	Q4 2004
Airline tickets	62%	61%
Concert tickets	29%	19%
Books	12%	16%
Videos/DVDs	8%	15%
Music	6%	13%
Package holiday	27%	11%
Other travel services (e.g. hotel, car hire)	13%	10%
Computer Software	10%	9%
Information	13%	3%
Clothing	6%	2%

** Multiple responses allowed*

Base: All those who have made an online purchase in the last 3 months (n=176)

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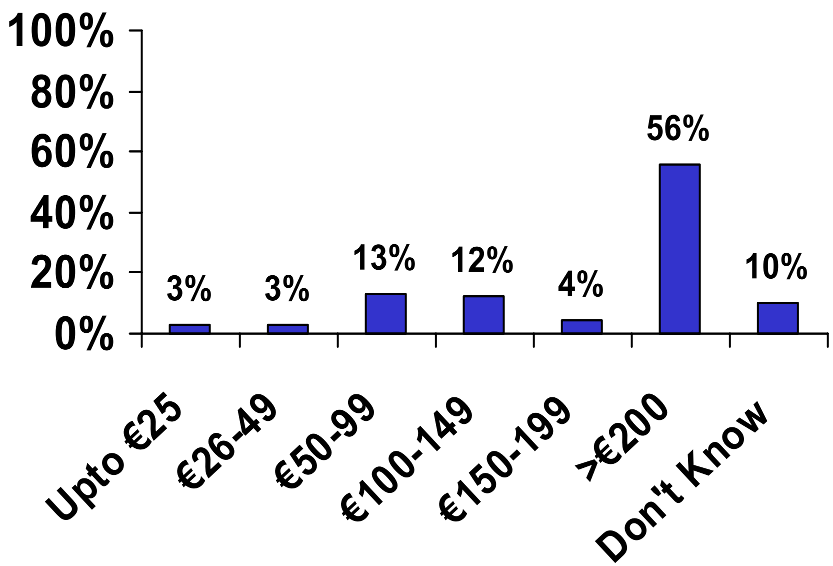
Online Sales

Over eight in ten online purchases came from Ireland or the UK.

In the last three months, how much did you spend on products/services you purchased online?...



Where was the company that you last purchased from located?	%
Ireland	57%
UK	26%
US	9%
Other European Country	4%
Other	2%
Don't Know	2%

Base: All those who have made an online purchase in the last 3 months (n=176)

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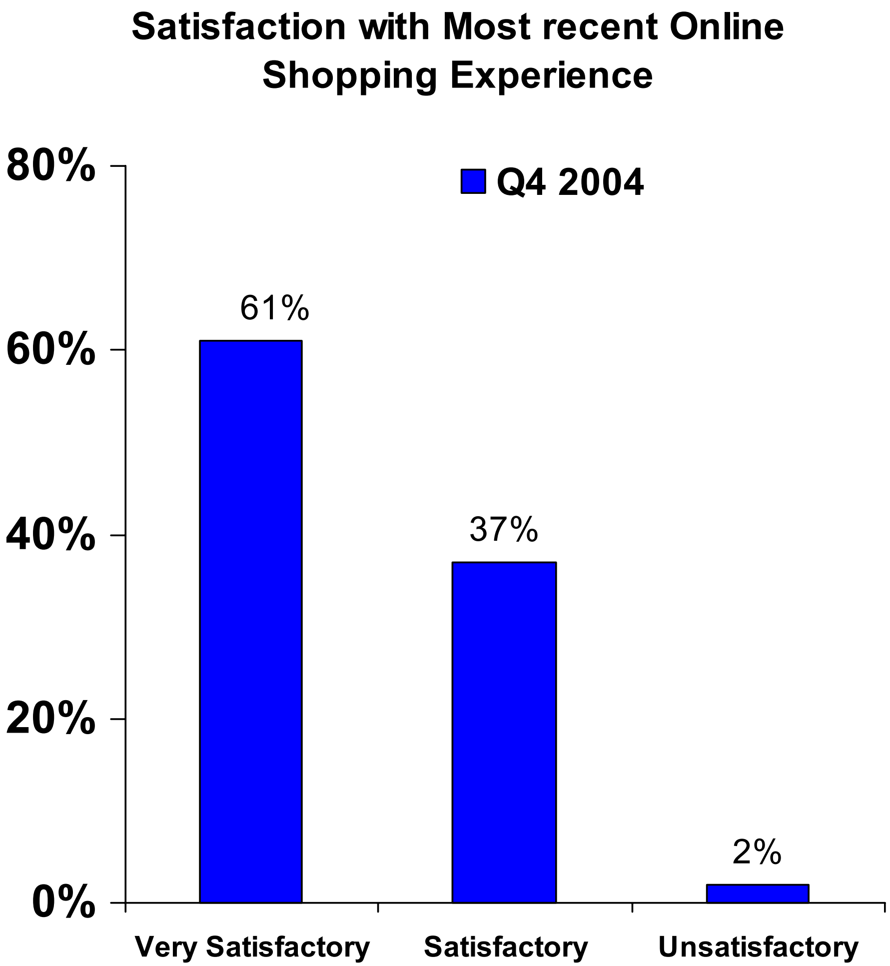
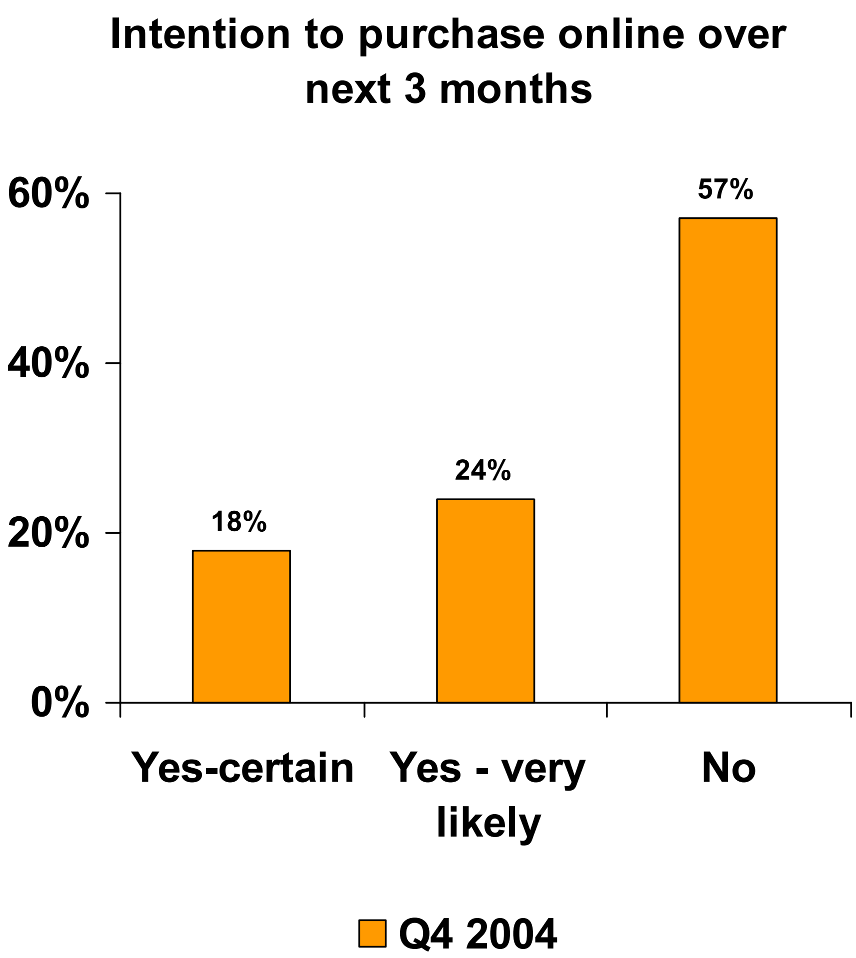
Majority Satisfied with Online Shopping



- A very small minority of respondents were unsatisfied with their most recent online shopping experience (2%).
- This is compared to no unsatisfied shoppers in the previous quarter.
- A majority (62%) say they were very satisfied.
- This high level of satisfaction continues to bode well for continued growth in online shopping.

Base: All those who have made an online purchase in the last 3 months (n=176)

E-Commerce Intentions



- Over four in ten of Ireland's Internet users say that they intend to purchase online.
- This suggests a strong potential for eCommerce in relation to Christmas shopping.

Base: All Internet users (n=488)

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Conclusions

The Forward March of Technology Stuttering?

- This wave of TrendWatch sees us pass a key milestone: the replacement of fixed line telephones by mobile telephones as the dominant telecommunications technology.
- We are also witnessing the take off stage for broadband internet access – a trend almost certain to gather pace in 2005.
- Encouragingly, broadband finally appears to be contributing to a net growth in internet access, rather than merely substituting among existing users as it appeared to earlier in the year.
- With eCommerce now established as a key channel in consumers shopping behaviours, 2004 should end with online shopping playing a key role in overall spending and Christmas shopping in particular.

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independent insight

Appendix: Note on Methodology

Methodology

- 1,043 people surveyed aged 15 – 74.
- Fieldwork conducted: 8th – 29th October 2004.
- Nationally representative survey with inter-locking controls set for age, gender, and marital status. Non-interlocking controls set for social class and region.
- Findings weighted up to represent the full population of adults aged 15-74 in the Republic of Ireland based on the most recent findings from the CSO.
- Given a sample size of just over 1,000 there is a margin of error of +/-3%.
- Surveys were conducted face-to-face in respondents' own homes at over 128 different locations throughout the Republic.

Data Interpretation

- The table opposite shows the margin of error for a range of unweighted sample sizes
- If 20% of a total sample of 1,000 adults say they do something, you can be 95% certain that the figure for the population lies between 17% and 23% (i.e. there is a margin of error of 3%)
- As the sample size is reduced the margin of error increases
- To determine the margin of error on a particular section look at the unweighted sample size on each question i.e. the “n” (number of respondents to that question) at the base of each slide

Percentage of respondents who said…	1,000	500	100
10%	+/-2%	+/-3%	+/-6%
20%	+/-3%	+/-4%	+/-8%
25%	+/-3%	+/-4%	+/-8%
40%	+/-3%	+/-5%	+/-10%
50%	+/-4%	+/-5%	+/-10%
60%	+/-3%	+/-5%	+/-10%
75%	+/-3%	+/-4%	+/-8%
80%	+/-3%	+/-4%	+/-8%
90%	+/-2%	+/-3%	+/-6%

- If the “n” or number of respondents to a particular question falls below **75** the findings are in no way representative and should be only regarded as indicative and not overly analysed or interpreted

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