



Commission for
Communications Regulation

Information Notice

ComReg Market surveys

Residential Internet and business datacommunications research

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1 Foreword [by the Chairperson]

The purpose of this Information Notice is to highlight the findings of 2 surveys commissioned by ComReg in recent months, namely:

- (1) Residential Internet survey (Amarach)
- (2) Broadband and Data Communications survey (TNS Mrbi)

Such surveys are commissioned by ComReg to inform our regulatory decision-making process and to examine trends in the Irish communications market, particularly with regard to end-user behaviour and perceptions. The Internet survey is carried out quarterly while the broadband and data communications survey is carried out on an annual basis. Summaries of both reports can be found in our most recent Quarterly Report. The full survey reports are also available on the ComReg web site.¹

**John Doherty,
Commissioner.**

¹ The Quarterly Reports and Surveys are available in the Market Information section of the ComReg web site at <http://www.comreg.ie/publications/display.asp?id=100011&q=cat&s=5&navid=131#?s=5&navid=131>

2 Residential Internet survey

Amarach carries out face-to-face interviews with over 1,000 adults each quarter.²

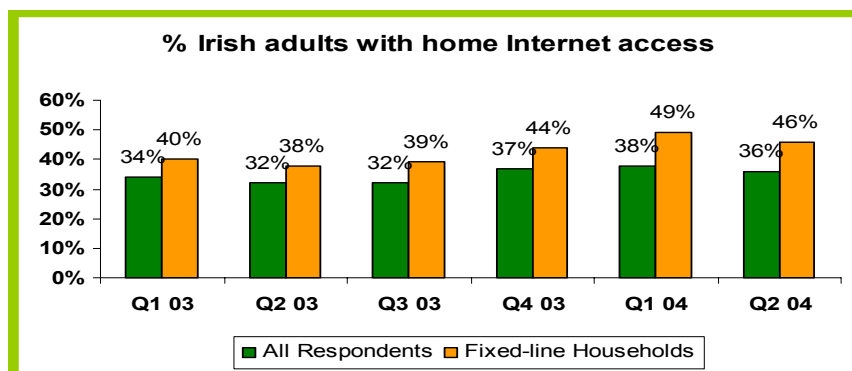
ComReg has commissioned the survey since January 2003 and, wherever possible, comparisons have been made over two years. However, as survey questions differed in some quarters, direct comparisons are not always possible. The latest data available is for the period ending April 2004.

2.1 Residential Internet Penetration

Data is quoted for all households unless otherwise stated. However data is also collected for all households with a fixed line and for all adults aged between 15 and 74.³

36% of all households have access to the Internet.⁴ This represents an increase of 4% in the past 12 months. This may be attributable to the steady increase in home PC penetration which had risen to 60% of all households by Q1 2004.

It should be noted that given the sample size of 1,000 adults, there is a margin of error of +/-3%. In addition, seasonal factors may also need to be considered, particularly where there is a marked change in data from quarter to quarter.



Source: Amarach Consulting Consumer TrendWatch June 2004

² Interlocking quota controls are set in terms of age within sex and marital status, and social class within each region. Weighting is subsequently applied to sex, age, region and marital status. These weightings are weighted to the total number of adults aged 15-74 years living in Ireland in the year 2003. Weighting is also applied to the proportions of respondents within each social class. Given a sample size of just over 1,000 there is a margin of error of +/-3%.

³ ComReg reports an Internet penetration figure for all households (36%, Q2 2004) and those households with a fixed phone (46%, Q2 2004) in its Quarterly Key Data report. The former figure is reported by the CSO while the latter was used by the European Commission in comparative surveys to 2003.

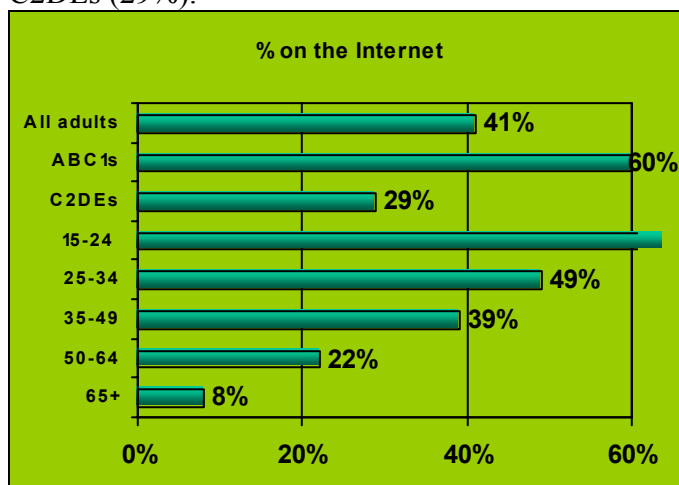
⁴ It should be noted that while ComReg's Quarterly Review has previously reported both data for fixed-line households and all households, the top-line figure reported was for fixed-line households (46% in Q1 2004). For ease of comparison with official data from the CSO, ComReg will report a top-line figure for all households going forward.

The most recent data from the Central Statistics Office on Internet penetration was collected as part of the Quarterly National Household Survey in June 2003. The CSO reports a figure for all households as well as all households with a PC. The table below compares the CSO data with data collected by Amarach.

	June-Aug 1998	Sep-Nov 2000	June 2003
% of all households (CSO)	5%	20.4%	33.6%
% of all households (Amarach)	n/a	19%	32%

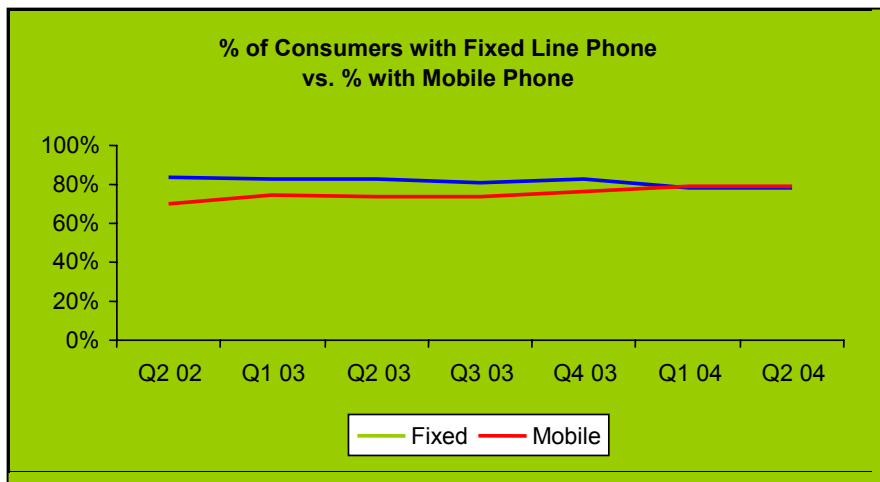
As can be seen from the above table, both the CSO and Amarach report similar Internet penetration rates, which are increasing year-on-year.

The survey shows that age and social class are the greatest determinants as to who is most likely to have access to the Internet at home. There does not appear to be any difference in usage patterns between genders. Amongst the under-35 age group usage is significantly higher than the national average at 57%. Sixty four percent of 15-24 year olds are online. This figure drops in the over 50 age group with 22% of those aged 50-64 and only 8% of those aged 65 and over using the Internet. Those in the ABC1 social class are more than twice as likely (60%) to be online than C2DEs (29%).



Source: Amarach Consulting Consumer TrendWatch June 2004

The research has shown that the percentage of consumers with a fixed line phone (78%) is more or less equivalent to the percentage of consumers with a mobile phone (79%). However while the % of fixed lines has remained relatively constant over the past two years, mobile penetration has been steadily increasing (up 11% in two years).

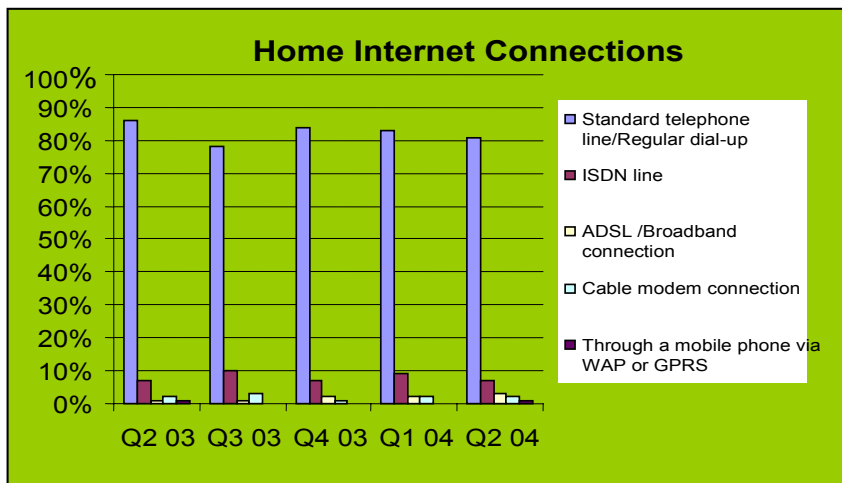


Source: Amarach Consulting Consumer TrendWatch June 2004

2.2 Residential Internet Access

The home remains the most popular location for access to the Internet, with 63% of all Internet users going online at home followed by the workplace (33%) and schools/colleges (19%). This has remained comparatively unchanged over the past year.

PSTN dial-up remains the predominant form of home Internet access (81%); however this has declined in the last 12 months. ISDN, DSL and cable modem follow at 7%, 3% and 2% respectively.



Source: Amarach Consulting Consumer TrendWatch June 2004

The most popular payment plan⁵ for Internet access is pay-as-you-go (54%) followed by monthly subscription (20%) and dial-up flat rate (7%). Therefore the majority of users are paying on a metered basis, i.e. based on their usage.

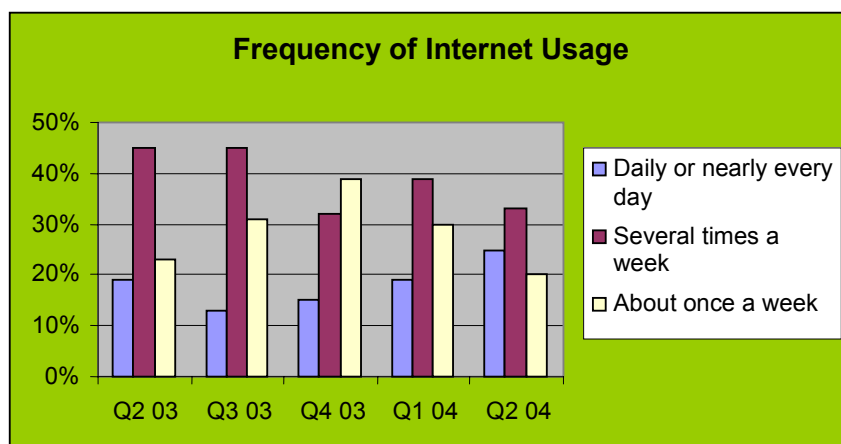
⁵ Comparison not available for last year as the question was not asked.

In addition 17% of respondents with home Internet access do not know how they pay for their Internet access.

In the corresponding Amarach survey carried out a year ago, 48% of respondents with home Internet access demonstrated some interest in unlimited Internet access for a flat monthly fee. However, given that only 7% of respondents in the most recent survey say that they are paying on a dial-up flat-rate basis, take-up of this option is disappointing so far.

However given the strong growth in take-up of FRIACO, a flat-rate un-metered Internet access product which was launched in Ireland in June 2003⁶, there may be a shift in the future away from metered payment plans to flat-rate un-metered packages.

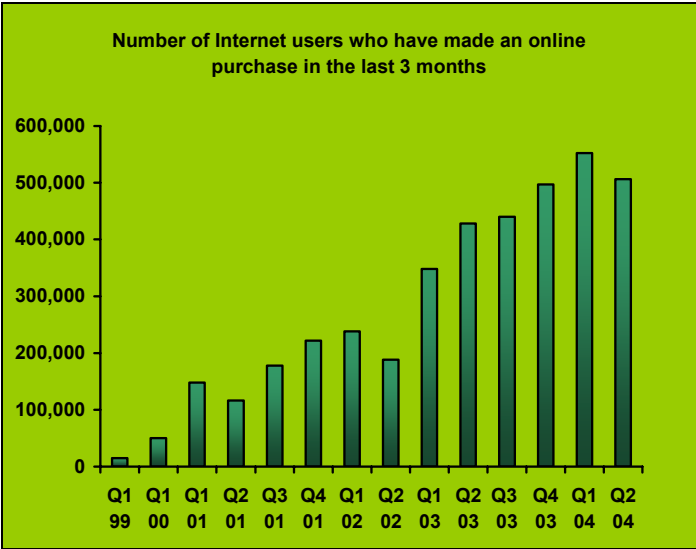
The survey suggests that users are going online more frequently with 25% using the Internet at home on a daily or almost daily basis, which is an increase of 6% on the same quarter last year. 33% use the Internet several times a week while 20% go online about once a week. Consumers go online an average of 3 times per week.



Source: Amarach Consulting Consumer TrendWatch June 2004

E-commerce appears to be growing in line with the increase in residential Internet penetration. 43% of Internet users made an online purchase during Q2 2004, an increase of 6% since the same quarter last year. Those users living in Dublin and aged 35-49 are most likely to shop online. Airline tickets are the most popular purchase (63%), followed by concert tickets (22%) and package holidays (19%). This trend has remained relatively constant for the past year although the % of users purchasing travel services such as hotel reservations and car hire has decreased by 11% since Q02 3003 (from 18% to 7%).

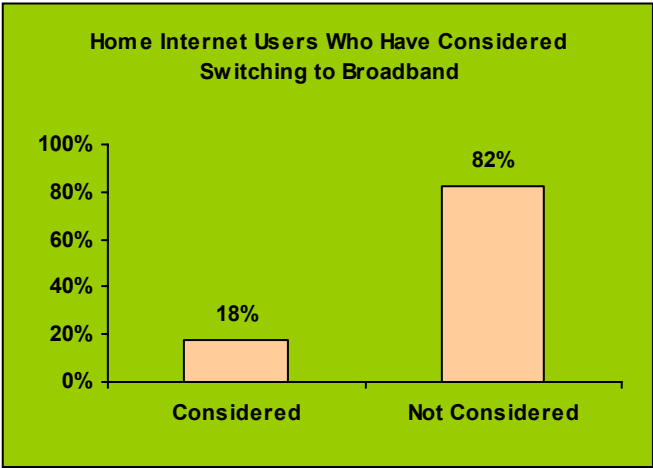
⁶ By March 2004 there were over 63,000 FRIACO subscribers (Source: ComReg's Quarterly Key Data report, June 2004)



Source: Amarach Consulting Consumer TrendWatch June 2004

2.3 Residential Broadband

23% of all home Internet users have been contacted about a broadband service in the past year although very few have switched. Of those not already using broadband, 18% have considered switching to a broadband service. Those living in Dublin (35%) and males (23%) are most likely to have considered switching.



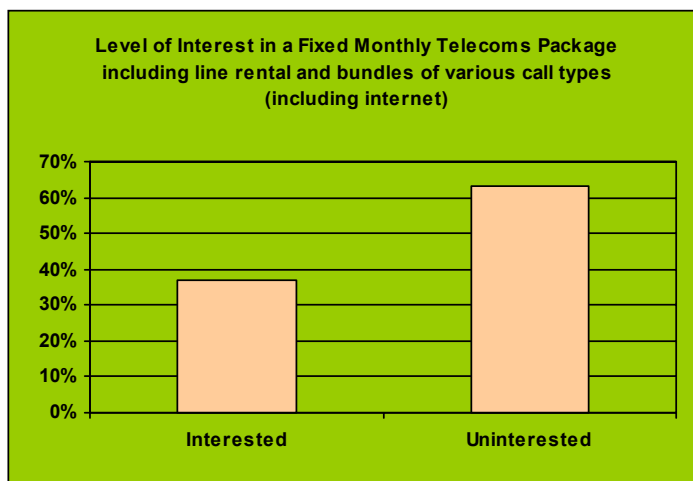
Source: Amarach Consulting Consumer TrendWatch June 2004

The factors that would encourage users to consider switching are; price/value for money (82%), quality of service (59%) and customer service (21%). The main reasons discouraging users from switching are that their current service is sufficient (23%), broadband is too expensive (23%) or that they would not use the Internet frequently enough (22%).

2.4 Bundling

This section was included in the most recent survey for the first time and looks at the level of interest consumers have in bundled telecoms packages. A number of operators are beginning to introduce bundled telecoms services, i.e. multiple services for a single fee. For example *eircom* recently launched a new product called “Talktime” which bundles together call minutes, phone services and line rental for a fixed monthly fee.

Thirty seven percent of respondents expressed an interest in a fixed monthly telecoms package including line rental and bundles of various call types (including internet). The level of interest amongst fixed line owners is 41% while only 23% of those without a fixed line said they would be interested in a bundled package. Interest is highest amongst adults in the 35-49 age group (43%) and those in the higher income groups (46% of ABC1s).



Source: Amarach Consulting. Consumer TrendWatch June 2004

Respondents said that they would expect to pay on average of €56 per month for a bundled service. The most interesting features of such a package to consumers are fixed amount of landline calls (79%), fixed amount of mobile calls (68%) and fixed duration internet dial-up (33%).

3 Corporate broadband and datacommunications survey

TNS MRBI carried out two separate surveys by telephone in May 2004 with 53 corporate customers and 353 SMEs. The survey sample was split to allow for adaptation of the questionnaire to meet the different data needs of these two groups. All telephone interviews were conducted with the person in the company who is responsible for management of IT/communications.

The 50 corporate respondents were drawn as a random sample from the Top 1000 companies in Ireland as published by Business and Finance magazine. The SME sample is based on the universe of companies with 1-99 employees in Ireland.⁷

The following table sets out the differences in sample size and composition of the 2003 and 2004 surveys:

Figure 1 Comparison of 2003 and 2004 sample sizes and composition

No. employees	2003	2004
SME		
1-10	}	36%
11-30		45%
31-50		8%
51-100	16%	12%
Large Corporates		
101-300	23%	6%
301+	17%	6%

As can be seen from the table above, the 2004 survey has a greater bias towards SMEs than large corporates, to reflect the fact that the corporate base in Ireland is predominantly made up of SMEs.⁸

3.1 Business Broadband access and availability

The predominant mode of broadband access for SME and corporate respondents combined in the 2004 survey is DSL (57%). Only 14% of all respondents in the 2003 survey used DSL although 18% of respondents did indicate that they intended to move to DSL access in the near future.

There is evidence that companies appear to be switching to DSL at the expense of ISDN, usage of which has fallen from 55% of all respondents in 2003 to 3% in 2004. The growing penetration of DSL is a result of the accelerated roll-out and take-up of DSL in the past year.⁹

⁷ Please note that as previous years' surveys were conducted among a single sample of companies, the 2004 survey is not directly comparable with earlier surveys.

⁸ SMEs are defined in the TNS survey as companies with less than 100 employees.

⁹ ComReg's latest Quarterly Market Update (04/71b) indicates that DSL lines grew by 45% in the 3 months to March 31st 2004 to a total of 36,600:

Usage of leased lines has also fallen from 36% (2003) to 21% (2004) while fixed wireless access (FWA) has made good gains and is used by 8% of the overall sample and 10% of SMEs.

Figure 2 Broadband access technologies, 2003 and 2004

	DSL	Leased Lines	ISDN	FWA	Cable Modem
2004	57%	21%	3%	8%	7%
2003	14%	36%	55%	1%	2%

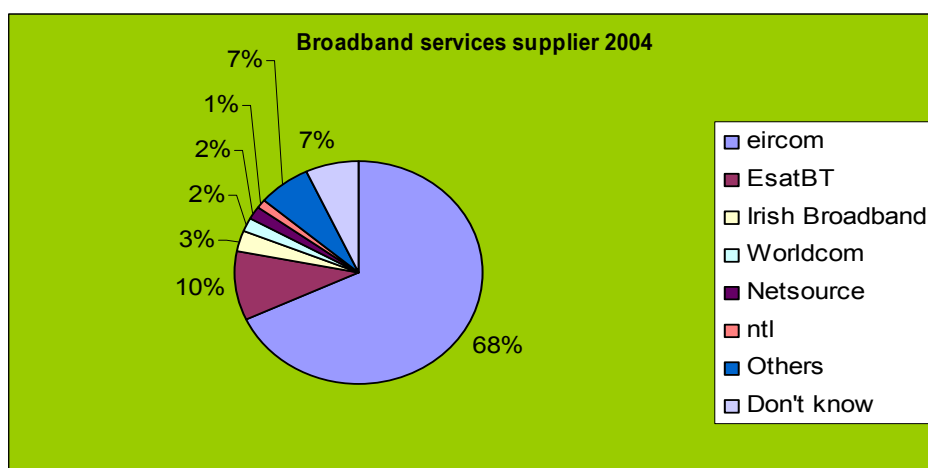
Another indicator of the growing awareness of DSL is the fact that while 53% of all respondents indicated in the 2003 survey that they would depend more on DSL in the future, the corresponding figure in the 2004 survey was 66%.

3.2 Competitive provision of broadband/telecoms supplier

Based on responses to the survey, *eircom* is the main provider of broadband access to both SMEs and large corporates combined with an overall share of 68%. Its share of the SME market is 69% while it has a 56% share of the large corporate market for broadband service provision.

EsatBT is the 2nd largest supplier with an overall share of 10%. It has 8% of the SME market and 26% of the large corporate market.

Figure 3 – Broadband service suppliers to SMEs and large corporates



Over half of all respondents (51%) in the 2004 survey indicated that they had been approached by an alternative broadband supplier in the past 12 months. This figure

rose to 78% of all large corporate respondents, compared with less than half (48%) of all SMEs.

In terms of satisfaction with the different aspects of the service offered by their supplier, both SMEs and large corporates diverged.

Both SMEs (75%) and large corporates were most satisfied with the speed/quality of service (74%) offered.

However while SMEs were most dissatisfied with efficiency and general customer service (16%), large corporates were most dissatisfied with prices (22%).¹⁰

46% of all SMEs indicated that they were able to compare different broadband services in terms of technology. In the 2003 survey the corresponding figure was 76% of all respondents (i.e. SMEs and large corporates). While both figures are not directly comparable, there does appear to be a lack of technical confidence and awareness among SMEs in Ireland in relation to datacommunications/broadband options available.

The Chambers of Commerce of Ireland, in its 2003 SME E-Business Survey,¹¹ found that a lack of internal advanced technical skills was a problem for 55% of SMEs surveyed and almost 50% of SMEs stated that a lack of technical skills available from IT/e-business specialist companies was a problem.

3.3 Use of broadband

The most popular data applications and services used by all respondents are email (100%) and web browsing (93%). These figures are almost identical to the 2003 survey.

There is evidence of growing adoption of hosting services (33% of all respondents in 2004 compared with 28% of all respondents in 2003) and demand for Voice over IP (VoIP) is also beginning to take off with 9% of all respondents using it on a regular basis.¹²

However adoption of business-to-business e-services is slow (35% of all respondents in 2004 compared with 34% in 2003).

Remote access is used by 44% of both SMEs and large corporates combined (no change on the 2003 survey).

However in the 2004 survey, this question was put to SMEs and large corporates separately and 74% of large corporates indicated that they provide remote access for employees compared with 39% of SMEs.

Of those companies who plan to increase their bandwidth, 44% do not know what applications/services they will use with this additional bandwidth. This compares

¹⁰ The Telecommunications User Group's (TUG) 3rd National Telecommunications Survey also found that the price of data services was the area of most dissatisfaction for 51% of its respondents.

¹¹ <http://www.chambersireland.ie/index.asp?docID=602>

¹² There is no corresponding data for 2003.

with a figure of 29% in the 2003 survey. Both samples are based on both SMEs and large corporates.

This suggests that there is an opportunity for telcos to concentrate their marketing efforts on specific applications which are only available with broadband capacity or are enhanced by that capacity, such as video conferencing.

3.4 Regional trends

TNS applies controls to the sample to ensure that there is a representative sample of companies across Ireland.

It should be pointed out that over half (57%) of the overall sample is based in Dublin.

When asked if they have encountered difficulties in getting broadband connectivity to their business, 20% of the overall sample said yes. The corresponding figure in 2003 was similar at 23%. The difficulties were more pronounced for large corporates. 34% of this segment said that they had difficulties accessing broadband.

Of the total sample of those who encountered difficulties in getting broadband in specific areas, 41% said that these concerns have an impact on their decision to invest resources in specific locations. The corresponding figure in 2003 was lower at 35%.

Inadequate bandwidth availability was the major difficulty encountered. 48% said this was the main difficulty, compared with 38% in 2003.

Recent surveys by both the Chamber of Commerce of Ireland (CCI) in 2003 and the Telecommunications Users Group (TUG) in 2004 have also highlighted regional disparities with regard to broadband availability to businesses in Ireland.

In the CCI survey 38% of respondents who tried to upgrade their Internet connection were unsuccessful, and the main reason cited (39% of respondents) was the fact that there was no service available in their area. This lack of service availability was most prevalent in the South East, Mid West and South West.

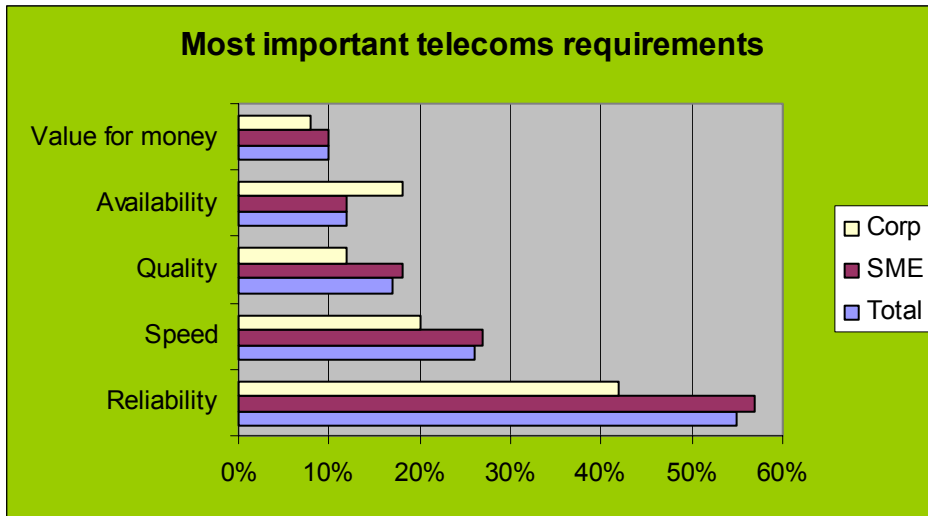
In TUG's 3rd National Survey issued in July 2004, 59% of all respondents stated that broadband services were not available in all of their company's locations.

3.5 General attitudes & opinions on the telecommunications market

When asked if they believed the telecommunications market to be more competitive than it was in the previous 12 months, 69% of SMEs and 62% of large corporates agreed or strongly agreed.

In the 2004 survey, respondents were asked to rate their company's most important telecommunications requirement.

Figure 5 Most important telecoms requirements

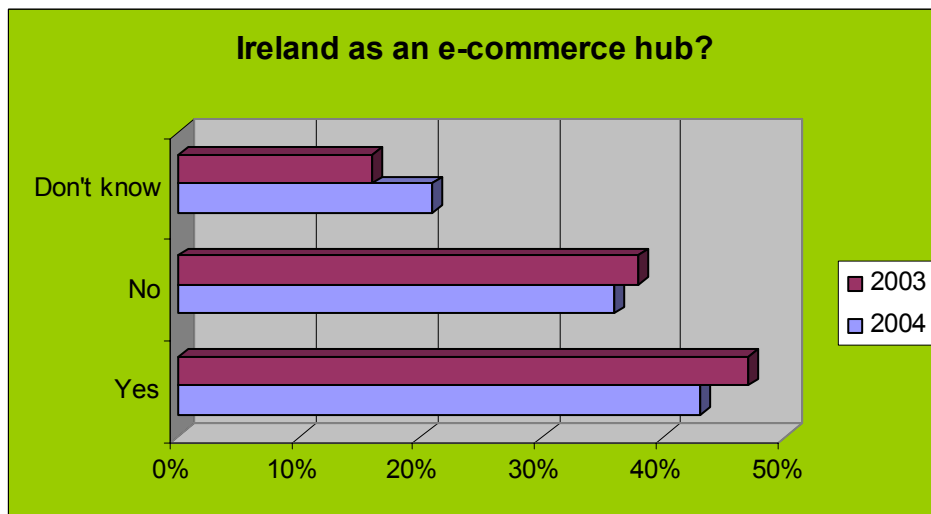


It can be observed from the above slide that price/value for money is much less important to business users of telecoms than residential telecoms users.

When asked if they believed Ireland to be best placed to be an e-commerce hub for Europe, 43% of the total sample said yes. This is down by 4% on last year's survey.

More corporates (48%) than SMEs (42%) agrees that Ireland is best placed to be an e-commerce hub

Figure 6. Ireland as an e-commerce hub for Europe



When asked what needed to be done in terms of telecommunications to make Ireland an e-commerce hub for Europe, 34% cited nationwide access to new and improved broadband services as the most important requirement, followed by price reductions (26%), more competition (18%) and major improvement in national infrastructure (17%).