

Broadband Consumption Survey

Executive Summary prepared for CCIA

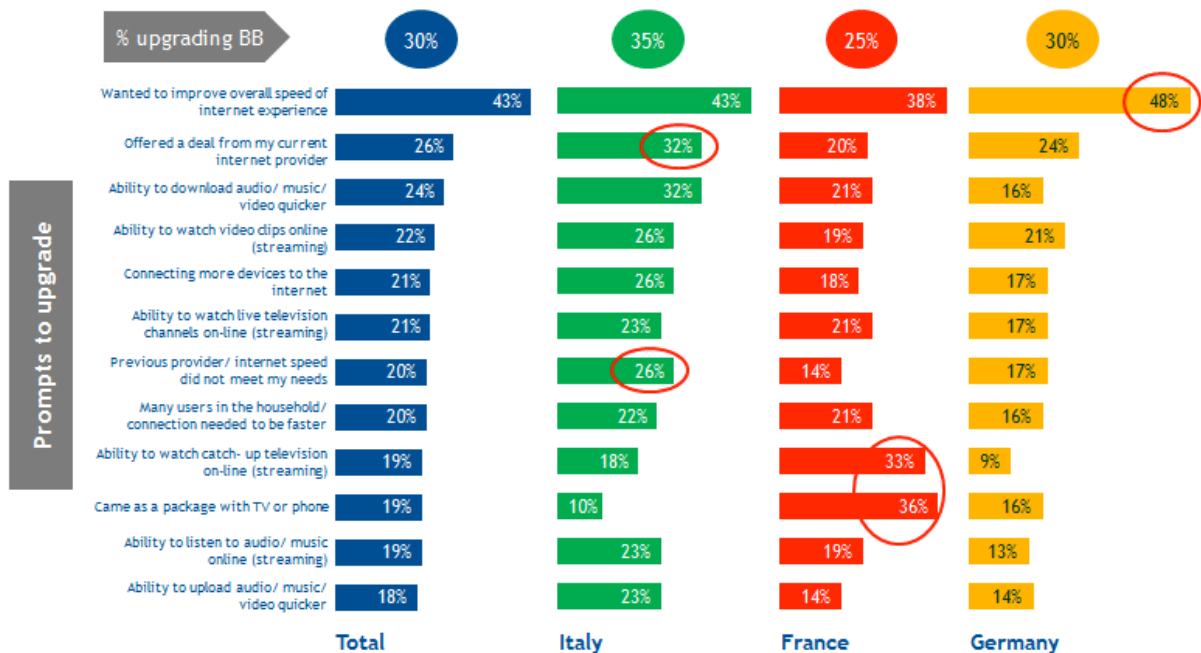
June 2013

Do consumers take up a higher speed broadband connection at home because they love particular broadband providers or because they love the content, apps, and services they use?

New research released today supports the old adage that it is consumer needs that drive usage and leads to take up of new technology. In fact, it clearly shows that the movement to take up new high-speed broadband services is driven by consumers' need to be able to use their favourite online services effectively and not just the strength of the pipe providing the service.

Among those who have upgraded in the last year, the desire for an improved overall speed, enabling a certain level/quality of internet experience is a key factor in their decision making process. The desire to download content quicker, the ability to watch video clips online or to connect more devices to the internet creates the need for an upgrade and the deals offered by providers help consumers in their decision to upgrade.

Fig 1.1. Why have people upgraded

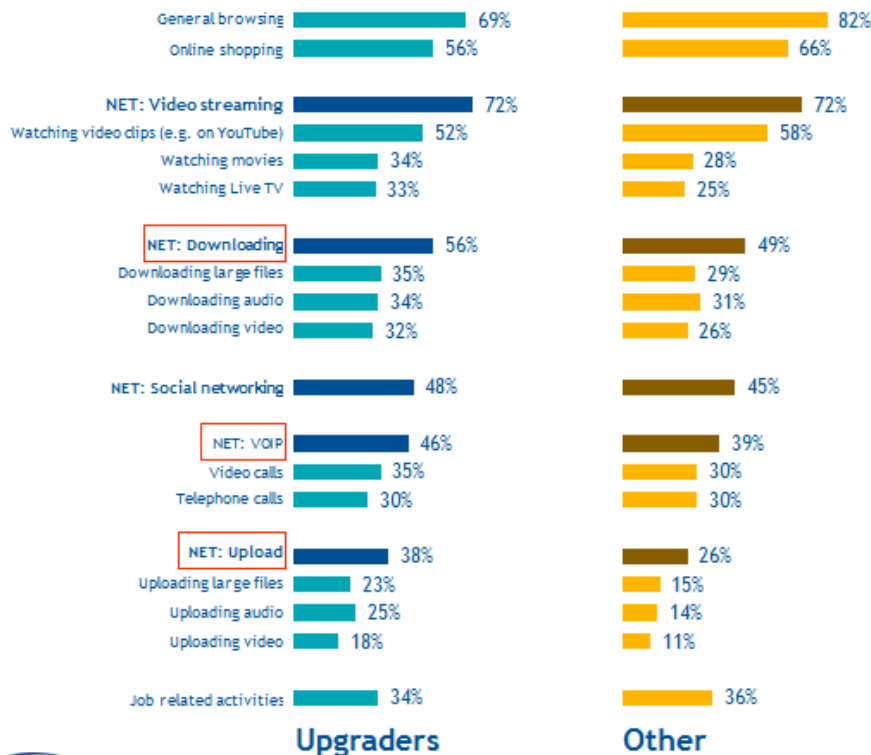




Overall consumers' demands online are increasing and they are using a wider variety of activities. The essential services - general browsing and online shopping - are among the most commonly used in all markets, but these are followed by more demanding services such as streaming, downloading, VOIP and uploading.

Those who upgraded to a faster speed in the last year are more likely to use internet for activities such as downloading, video VOIP and uploading, once again confirming the thesis that it is consumer needs that are driving the uptake of new technologies.

Fig 1.2 What are consumers doing whilst online?

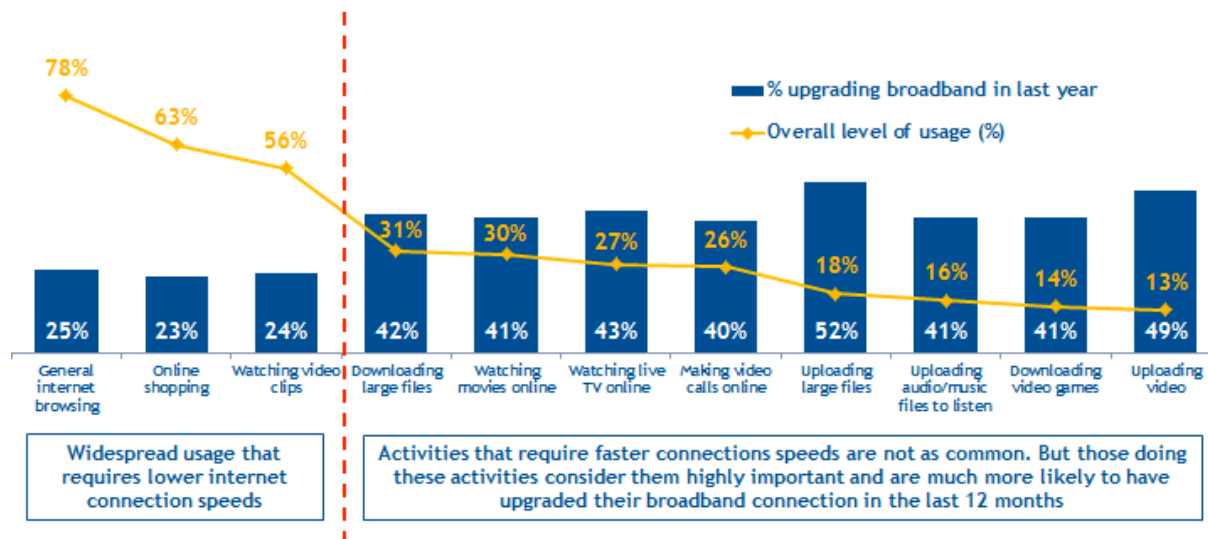


Q5a Which of the following types of activities do you use your household internet for?
Base: Those who upgraded their broadband (934); All other (2,164)



While activities such as watching movies or live TV online, video VOIP and uploading are not as commonly used as online shopping or watching video clips they are extremely important to those who use them. And as these activities require a faster internet connection those using them are more likely to have upgraded their connection.

Fig 1.3 Users of which activities are more likely to have upgraded?



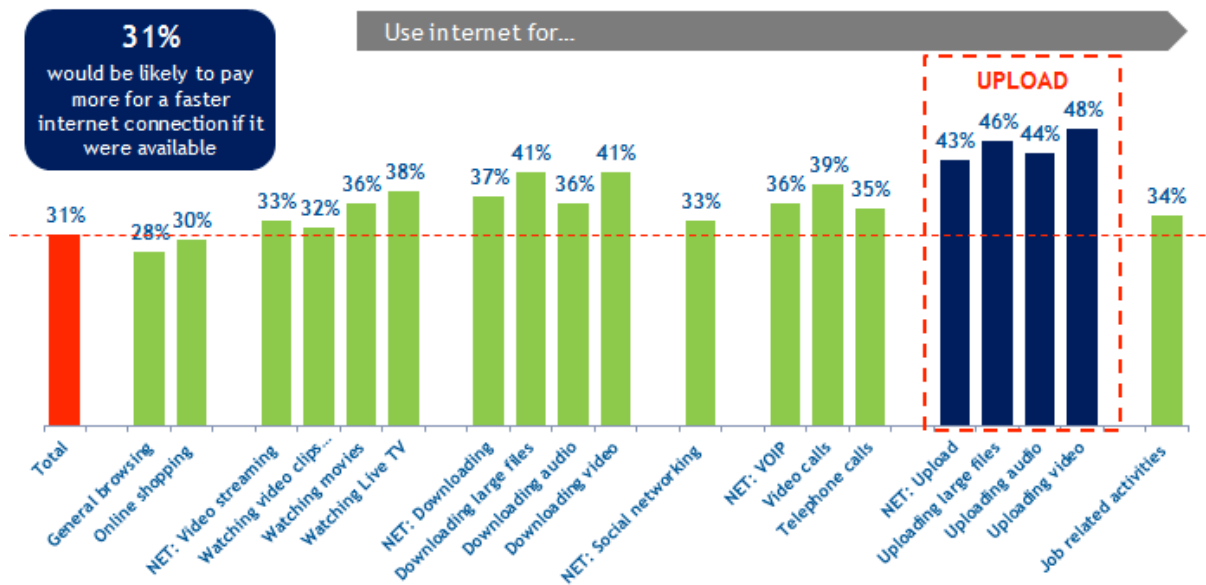
Q2b. How long have you had your current type of internet connection? / Q2c Have you upgraded to a higher speed Broadband internet connection in the last 12 months?
 Q5b And which three activities do you use the internet the most often for?
 Base: All respondents (934)



Likelihood to pay more for a faster internet connection if available is relatively high across the broadband market with almost a third (31%) saying this is something they'd consider.

Furthermore, as consumers become more digitally mature, their propensity to upgrade increases. It is those who are actively participating in generating online content (uploading audio / video) who are most likely to upgrade. Users of other more demanding services such as downloading large files or video and making VOIP calls are also more likely to upgrade. Users of these services expect a high-quality experience - for example ability to upload content in a reasonable time, an uninterrupted connection when making online calls - and as such, would be prepared to upgrade and pay more if their current connection could not provide this.

Fig 1.4 How does usage of service affect willingness to pay more for a faster internet connection



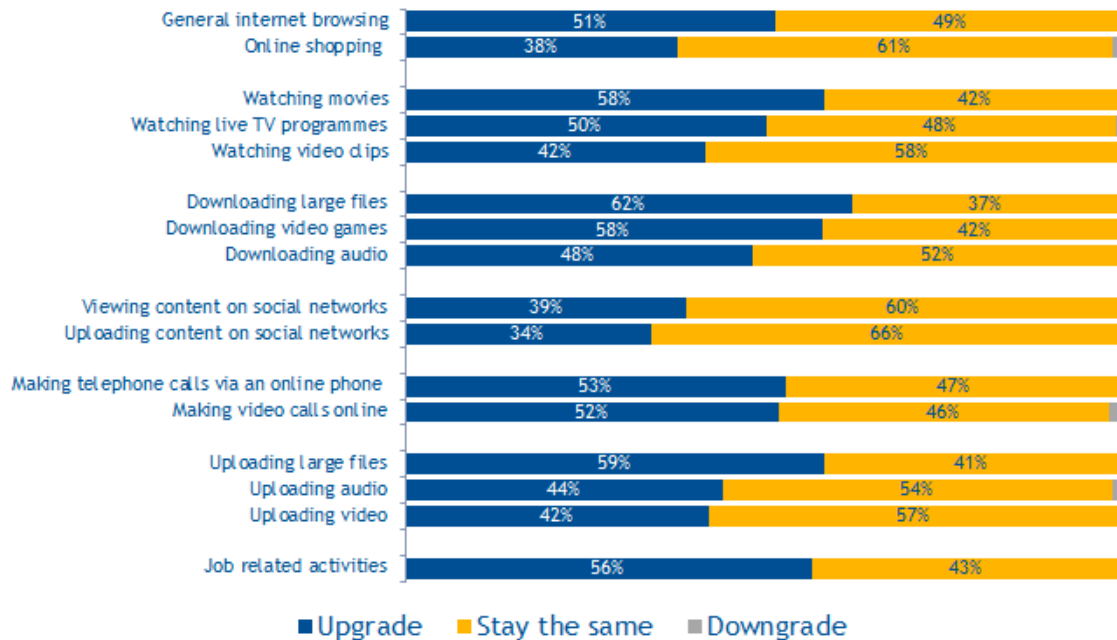
Q4 If there were a faster internet connection available for your household to what extent would you be likely or unlikely to pay more for this service?
 Base: All respondents using internet for the following activities





The research wanted to test this theory further and asked consumers what they would be likely to do if their current broadband connection was not fast enough to support key activities. When faced with this conundrum, the broad pattern was to upgrade their connection in order to keep the experience they wanted rather than suffer a poorer experience or lose the service altogether. This is particularly true for those who tend to use more demanding services.

Fig 1.5 Likely action if broadband would not support online experiences?

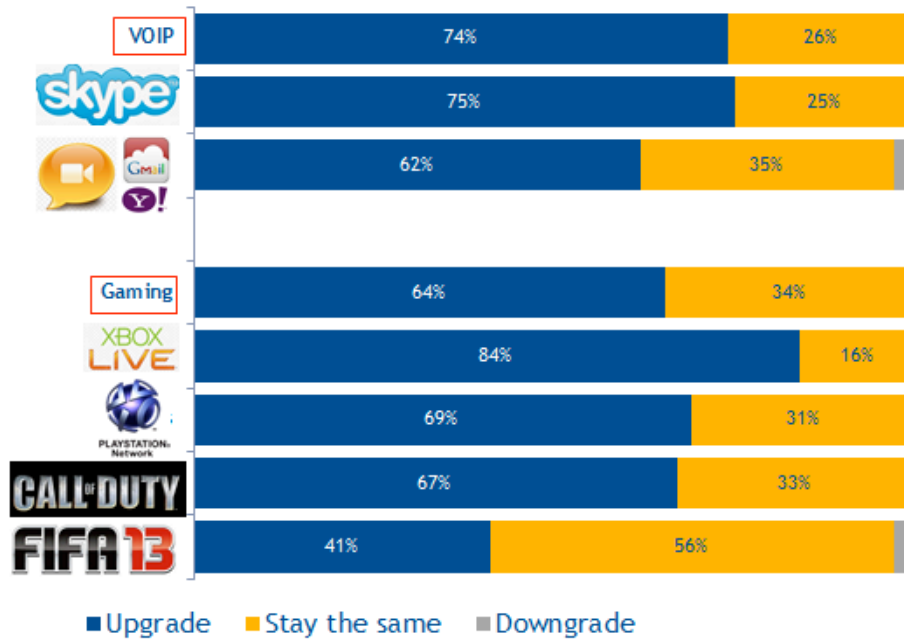


Q8a Thinking now about the activities you use the internet the most often for. Imagine if your current broadband internet connection was not fast enough to do this activity. Which of the following would you do?
Base: All respondents using internet most often (top 3) for the following activities



This was further tested on a brand level looking at key services such as Skype, Xbox and You Tube etc. The responses showed that the debate is wider than just video streaming. Brands involved in Gaming and VoIP are also highly important in driving broadband upgrades:

Fig 1.6 The impact of key online activities and brands



Q8b Imagine if your current broadband internet connection was not fast enough to use <INSERT MOST USED WEBSITE FROM Q6>. Which of the following would you do?
 Base: All respondent selecting an overall activity as key to upgrade and using the site



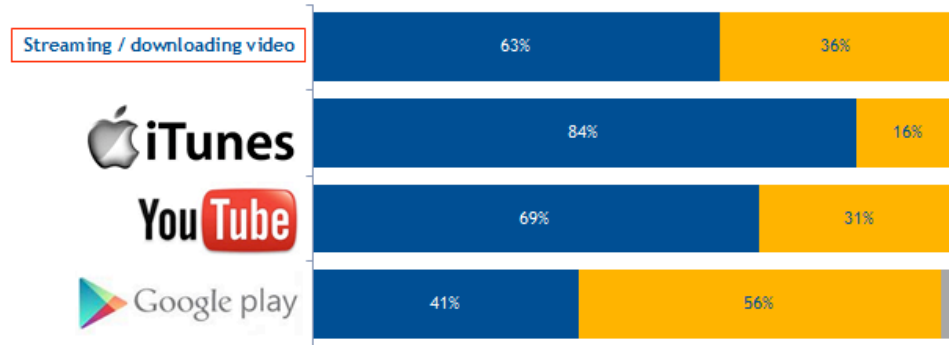
VOIP: Although not bandwidth intensive as such, VoIP services such as Skype also drive an interest in upgrading in order to protect their experience. This perhaps reflects the impact of any imperfections within the audio or video call environment. Customers want a flawless call and this would be enough to drive them towards considering upgrading their broadband speeds.

Video calls may be seen as key by just 13% of consumers but their impact cannot be underestimated. A service such as Skype creates a very strong need among its users with three out of four (75%) users claiming they would upgrade to a faster internet connection if their current connection was not fast enough.

Online gaming: is another service that appeals strongly to a smaller group of internet users, with 11% considering it as key when looking for faster internet. Amongst these users, two thirds (64%) would be likely to upgrade to a faster connection to ensure an uninterrupted gaming experience. Of the brands tested Xbox live platform had the strongest impact, with 84% of its users being likely to upgrade their internet connection.

Streaming / downloading video: amongst the services tested streaming and downloading of videos reached the furthest and is considered as key by over a quarter (27%) of internet users. As an overall activity streaming / downloading of video is also seen as important, with two thirds wishing to upgrade to protect their experience.

Fig 1.6 The impact of key online activities and brands



Note:
 iTunes / Google play results are based on low base sizes

■ Upgrade ■ Stay the same ■ Downgrade



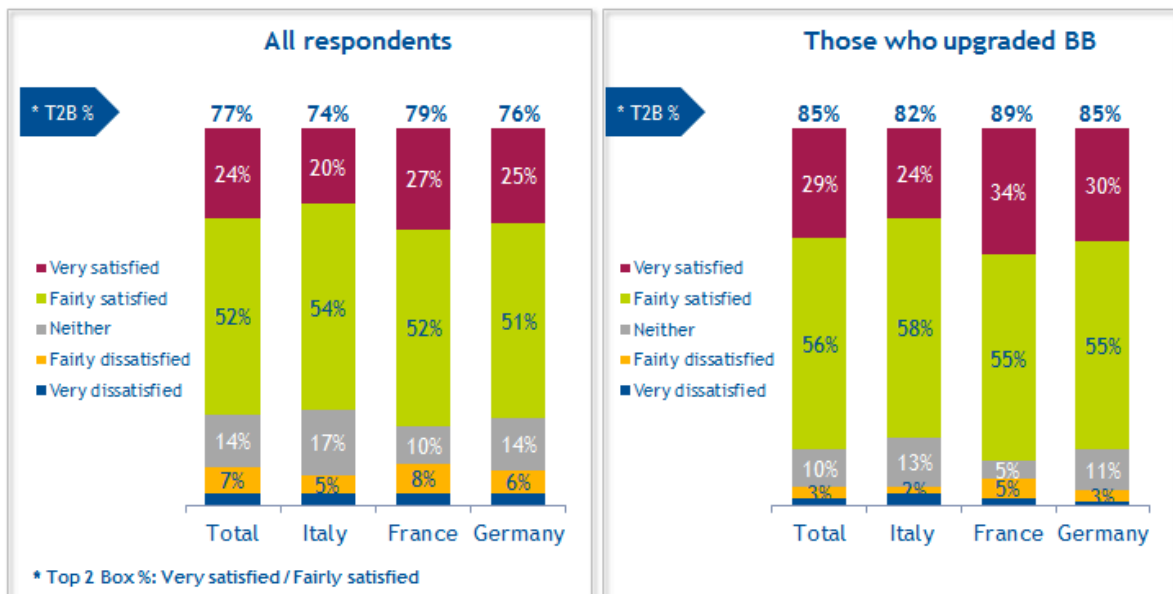
Q8b Imagine if your current broadband internet connection was not fast enough to use <INSERT MOST USED WEBSITE FROM Q6>. Which of the following would you do?
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It is not only consumers and service providers who can benefit from the desire for a faster internet speed. New services and application driving the upgrades are also beneficial for internet service providers (ISP).

Those who upgraded to a faster internet connection in the last 12 months and now have access to everything that the internet has to offer are much more satisfied with the internet speed and its performance helping ISPs to retain their customers and also to attract new customers.

Fig 1.7 Satisfaction with broadband speed and performance



Q3 How satisfied or dissatisfied are you with speed and performance of your home broadband connection from your internet service provider [INSERT ANSWER FROM Q1]?
Base: All respondents (3,098)

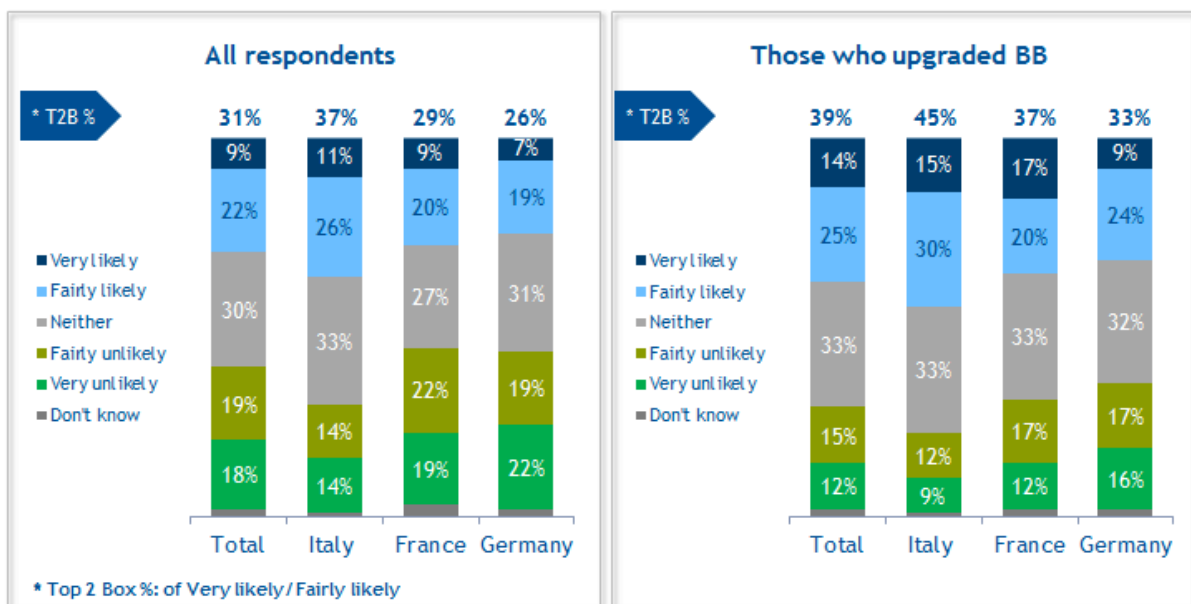


Faster speed and better performance also creates a new level of expectation for those who upgraded. Overall 31% of customers would be willing to pay more for a faster connection, while 39% of those who already upgraded their internet connection in the last year would be willing to pay more to upgrade again.

Once consumers upgrade to a faster connection and are able to use all the services and applications that the internet has to offer, needs and expectations will increase. With online services developing further and requiring an even better internet connection the cycle starts again.

ISP providers can market their new services alongside the online services that faster speed would enable and attract new customers or upgrade their already existing base.

Fig 1.8 Likelihood to pay more for a faster connection if available



Q4 If there were a faster internet connection available for your household to what extent would you be likely or unlikely to pay more for this service?
 Base: All respondents (3,098)



Note: the question did not specify the actual amount for which the price of a faster internet connection would increase