

# Broadband Consumer Survey 2:

## D - Internet usage and applications I

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## Highlights

- The majority of internet households spend between 3 and 20 hours per week online. Broadband households are online for over 16 hours a week on average but dial-up households average only 10 hours.
- 76% of all internet households use the internet for 'Entertainment and Leisure'. 62% for keeping in touch with other people, 34% to help in managing their lives, 31% for education and 17% in working from home.
- Email, surfing and shopping are by far the most widespread internet activities, reaching 68%, 66% and 49% of broadband households respectively. Video and telephony applications are still all below 10% of households. Broadband users have higher take-up of all applications than dial-up users.
- Retired people are most likely to use the Internet for email or information searching; couples without children are the biggest shoppers; single people are the biggest users of chat or instant messaging.
- Information about entertainment and events is the most in demand for people browsing the internet. Shopping, hobbies, news, health, timetables, the weather, financial information, sports and celebrity gossip are all frequent topics of interest. Recipes, dieting and blogs are among the less accessed.
- The type of information people search for reflects their family situation as would be expected; prices are particularly important for low-income families, health for retired people and so on.
- Music and ring tones are by far the biggest proportion of downloaded files, followed by games, documents and pictures.
- TV watching or video downloading over the internet is mostly free of charge - only 15% of the people who do it say they pay for the privilege. The same proportion of internet telephony users pay their ISP for a VoIP service.
- Music, entertainment and sports drive the use of streaming radio or audio as well - educational or work-related content makes only a small showing.
- Although it is the most widely used application, many users see shortcomings in their email services. They want better protection - whether from spam, viruses or unwanted correspondents - and more storage.
- Online games are one of the biggest niches on the internet, reaching 16% of UK broadband households. *World of Warcraft* is the most widely played title, but there is a 'long tail' of others.
- Shopping - including online auctions - is thriving on the internet. Films and music is the biggest single category but the range is very wide and services such as tickets and holidays are large in total. Altogether Point Topic estimates that households spent £18.4 billion on internet shopping from home in 2005.

## ***Introduction***

Consumer Survey 2 of Point Topic's BroadBand User Service gathered considerable detail on internet usage and applications in UK households. This document summarises how internet usage varies between different consumer groups and internet access technologies.

The survey was conducted in the UK, and among UK households. Because of the universal nature of the internet, some general conclusions drawn from this survey may, indeed, be applicable to countries other than the UK. However, we do not recommend an unquestioning application of its findings to markets outside the UK.

This paper is one of five (A to E), covering the main top-level results from the survey.

BBUS Consumer Survey 2 carried out 2122 face-to-face interviews in January-February 2006. 1509 interviews were conducted according to a random quota sample, and an additional 613 interviews formed part of a broadband quota. This quota was set in order to ensure that the completed survey would include a minimum of 1,000 broadband households (which was well exceeded). A number of interviews were excluded from the analysis, mainly for lack of information about the actual mode of internet access used, leaving 2010 valid interviews which provide the basis of the analyses presented here.

To remove the bias created by the additional broadband quota we have weighted the survey results to reflect the actual proportions of usage of internet access modes as shown for end-2005 by Point Topic's statistical research. This is equivalent to 35% of households with broadband access, 21% with dial-up and 44% with no access.

This paper focuses mainly on what activities and applications dominate the pattern of internet usage in different types of households. At the same time, it is reasonable to assume that different access technologies extend or constrain the range of activities which is feasible. Thus in a second stage, different activities will be analysed in terms of their relationship to the main forms of internet access: dial-up, ADSL and cable modem.

The source for the data and graphics presented here is a workbook, [CS2\_Internet usage and applications.xls] which is available to BBUS CS2 subscribers. Actual numbers, sample sizes, and many more cross-tabulations, than is feasible to discuss here, can be found in this workbook.

### Spending Quality Time

The internet has become essential to many households. Now even essential things in life can take up little time. But with more services and a larger variety of content available on the internet, the time spent online is destined to continuously increase. We found that roughly 50% of all households which have internet access spent more than 6 hours per week surfing the internet.

The general pattern for the two main broadband access types - DSL and Cable modem - is very similar. The majority of households will spend between 3 and 20 hours per week online. A typical DSL or Cable modem household would spend on average 16.4 or 16.1 hours per week online respectively.

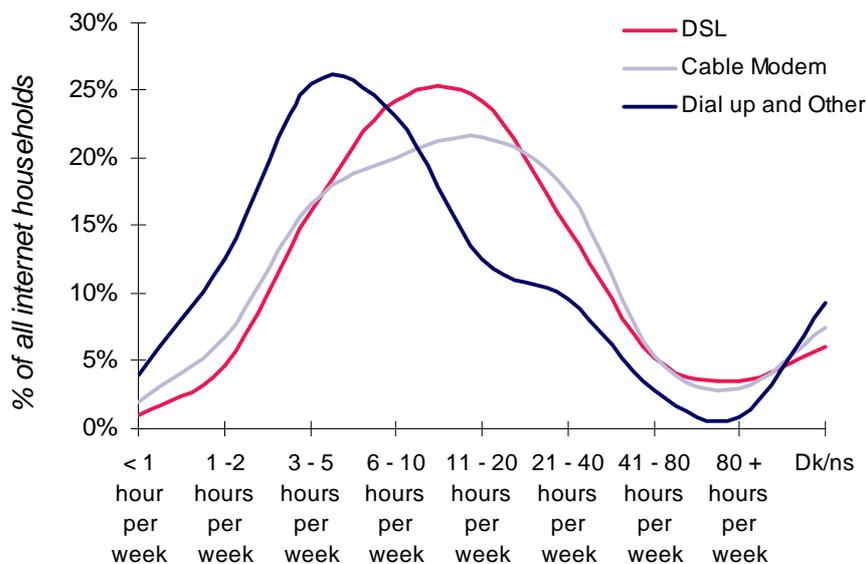


Figure 1. Hours spent using the internet at home per week by access type ([Q23])

For households which use a dial-up connection the average time spent is considerably less at 10.0 hours per week. Half of the households which spend less than 6 hours per week online are Dial-up users. The shorter usage times of dial-up users probably reflects both the more satisfactory experience of broadband Internet access and also the financial aspects. Dial-up services are

commonly PAYG (pay-as-you-go) which measure internet usage by time spent. The longer one spends online, the more one pays. It makes dial-up users look after their time and cost more carefully than broadband users whose services are charged at a monthly flat rate, with unlimited time usage.

Families, that is, households with at least one adult and one or more children, as well as sharers spent on average more time online than any other group. Families with children spent between 15.6 and 21.1 hours per week online, couples without children about 9.7 hours per week. Families on low income spent the longest online. Perhaps this is because poorer families are more likely to allocate money to the Internet only if it is relatively important to them. Once available, unlimited internet access guarantees abundant entertainment at low-cost, acting as a substitute for more traditional sources of entertainment.

### ***Your net - your space - your time. What do you do online?***

Internet access can be used with a variety of aims and objectives. [Q27] allows for multiple answers to the question of how households use the internet. The category of 'Entertainment & Leisure' ranks highest. About 76% of all internet households say they use the internet for 'Entertainment & Leisure'. Some 62% go online for keeping in touch with friends and family. (Table 1a)

<b>Activity</b>	<b>% of all internet households</b>
Entertainment & Leisure	76
Keeping in touch with other people (friends, relatives)	62
Managing your life	34
Education	31
Work	17

Table 1a Most popular internet usage activities ([Q27] – multi-response)

The vast majority of internet users are drawn to their internet at home for personal reasons. Work-related internet activity at home is relatively rare. Only 17% agreed that they use the internet at home for work-related tasks.

Table 1b lists the most popular personal online activities in UK households. Long-established activities like emailing, surfing and searching for information content come top. Shopping over the internet, may it be directly from a store's web portal or via an online auction has been gaining ground and is now the third most popular activity. More recent additions and bandwidth-needy broadband services, such as telephony over the internet (VoIP), Internet TV and watching videos rank lowest (Table 1b).

Activity	DSL access	Cable Modem access	Dial up and others	Broadband Households
Email	67	70	67	68
Blogging, Browsing, Surfing, Information searching or gathering	66	66	58	66
Shopping (including buying travel or entertainment tickets)	49	48	38	49
Visiting EBay or other auctions websites	34	31	21	33
Banking or other financial transactions	32	29	23	31
Chat or instant messaging	27	28	21	27
Downloading music, games, software, pictures, books, etc	25	29	14	26
Online games	16	13	10	15
Listening to Radio or music programmes	14	12	5	13
Swapping files with other Internet users	9	9	3	9
Webcam or video calls	8	7	3	8
Downloading Videos	8	8	2	8
Watching live TV or other streaming video	3	4	1	4
Other/Gambling	3	3	2	3
Make telephone calls	4	3	1	3
Don't know/ no answer given	0	1	1	0

Table 1b Most popular personal internet usage activities ([Q31] multi-response) by access technology (in %)

Again, there is little difference in the usage patterns of the two main broadband access types – ADSL and Cable modem. Unsurprisingly, Dial-up users shrink from

applications that require high bandwidth – e.g. internet telephony and watching videos online.

<b>Activity</b>	<b>Singles</b>	<b>Couples without children</b>	<b>Middle-class families</b>	<b>Working-class families</b>	<b>Low income families</b>	<b>Retired</b>	<b>Sharers, Others</b>	<b>Average, all internet users</b>
<i>Email</i>	63.1	70.3	68.0	60.3	64.3	83.8	69.7	67.4
<i>Blogging, Browsing Information</i>	64.7	67.2	56.5	59.2	65.7	66.3	68.7	62.7
<i>Shopping (incl. travel or tickets)</i>	39.0	49.0	46.0	43.4	46.3	42.5	43.1	44.7
<i>Visiting EBay or other auctions websites</i>	24.2	28.9	30.3	31.0	30.7	24.6	25.4	28.8
<i>Banking, financial transactions</i>	24.8	30.8	30.9	28.4	28.2	22.2	21.7	27.8
<i>Chat or instant messaging</i>	32.5	17.9	23.9	24.3	27.4	14.1	30.6	25.0
<i>Downloading music, games, software etc.</i>	19.1	17.5	23.5	23.1	23.4	12.4	31.5	21.9
<i>Online games</i>	14.0	11.2	12.1	19.1	18.3	4.9	16.8	13.6
<i>Listening to Radio or music programmes</i>	11.2	8.4	10.8	9.2	7.8	10.1	13.1	10.3
<i>Swapping files with other Internet users</i>	7.1	4.7	7.2	6.7	5.7	6.6	8.5	6.5
<i>Webcam or video calls</i>	5.9	2.4	5.8	7.8	5.0	4.9	11.0	6.2
<i>Downloading Videos</i>	7.2	3.2	6.2	4.4	8.4	2.6	8.7	6.0
<i>Watching live TV or other streaming video</i>	4.7	1.8	2.3	1.7	2.8	1.3	4.3	2.7
<i>Other/Gambling</i>	0.9	2.4	3.6	2.4	4.0	3.6	1.2	2.5
<i>Make telephone calls</i>	2.9	2.5	2.2	2.0	1.0	3.5	3.8	2.4
<i>Don't know/ no answer</i>	0.8	0.0	0.7	0.9	0.0	0.0	1.0	0.5

Table 1c Most popular personal internet usage activities ([Q31] multiple answers allowed) by household type in %

Personal usage patterns become more distinct for different household types. Households which include retired persons have the lowest take-up of broadband and internet services. Once they gain access, they will most probably be found sending emails and browsing the internet for information. Many other activities which are popular in other households – such as downloading music and shopping – they rarely pursue.

Retired households, singles and couples without children browse online information more frequently than the typical internet household. In households with children, priorities shift to activities that may best be described as a mix of entertainment and utility. Online shopping scores high, higher than average in all but working-class families, as do downloading music, watching TV and online gaming (in particular for households with medium and low income).

Online chatting and instant messaging, which will include some forms of dating services, is clearly very attractive to single households (Table 1c). But Singles, similar to retired and shared households, partly shun Ebay and other auction sites.

If we were to imagine a rather unusual household which was doing all these online activities for the average amount of time, it would spend 32.5 hours per week online. This may sound an extraordinary amount and, indeed, it is very unlikely for two reasons. First, activities can be run in parallel. One can write emails whilst watching a video and chat whilst doing homework. Second, many internet households do not actively participate in all activities surveyed here, but only a few each week.

Indeed, some activities listed are pursued by so few users that they are difficult to assess properly: online gaming and gambling, for instance. However, what we can say is that some activities are more time-consuming than others. The most time-consuming are downloading and watching videos, as well as playing online games. Those who watch videos spent on average 4.5 hours per week of their time doing so. Very little time is spent on financial transactions and actual shopping. This excludes the time spent on researching information that relate to a purchase, included under 'browsing for information' to which some households devote on average 3 hours per week (Figure 2a).

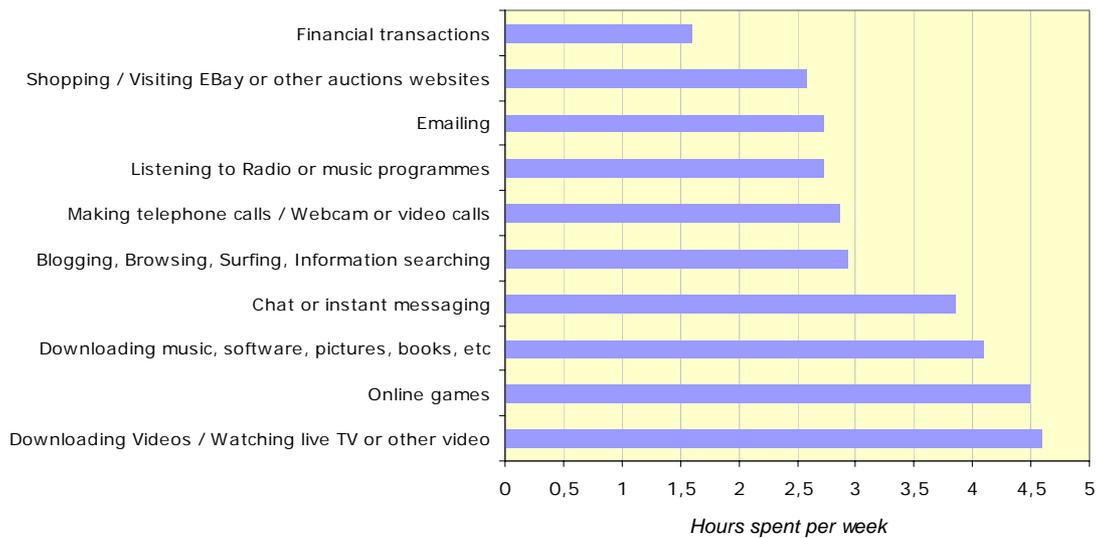


Figure 2a Time spent on online activities per week, as average of households that pursue this activity. [Q32]

Dial-up users believe that they spent more time on downloading, gaming and surfing than users with broadband access. Here slow access obviously causes constraints and different behaviour patterns.

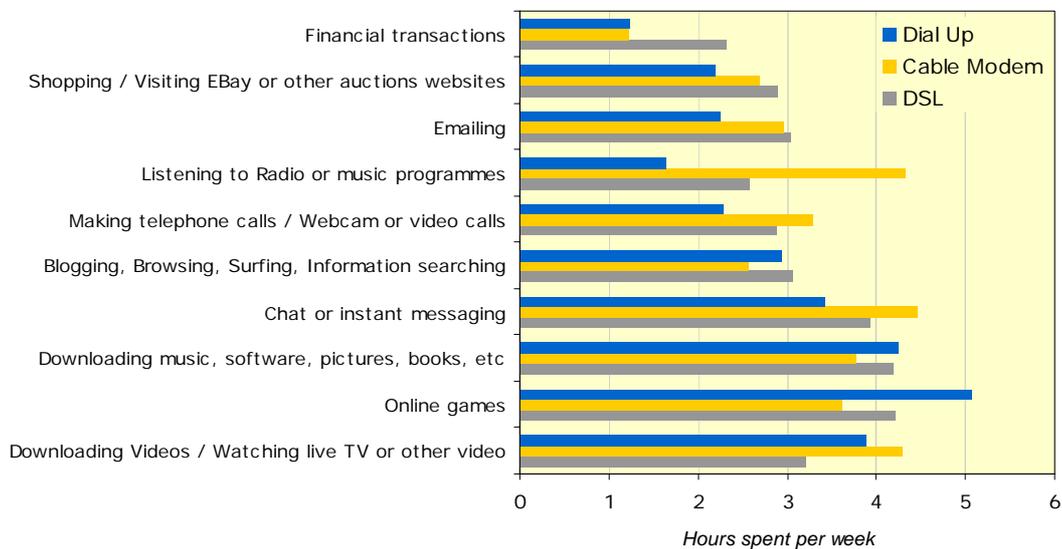


Figure 2b Time spent on various online activities per week as average of households that pursue this activity. [Q32]

In contrast, we would expect that with actions for which download speed is not decisive - online shopping, banking, or emailing – the usage patterns of the different access types would converge. But they do not.

For example, DSL users spent much longer on financial transactions than cable modem or dial-up users (Figure 2b). How people spent their time online is the result of a complex interaction between technological constraints, educational background, individual choice, demographic characteristics and income. Hence, any one or more of these variables may have forged these differences.

### **Research - the net as information hub**

Households like to be entertained, even when it comes to browsing information. 42.2% of all broadband households agree that they browse information on entertainment and events.

Type of Information	Dial up and Other			All Broad-band
	DSL	Cable Modem	Dial up and Other	
Entertainment information, events	41.9	42.9	40.2	42.2
Shopping preparation, looking at prices	37.9	40.1	37.8	38.5
Information on hobbies	38.2	32.0	44.3	36.4
News, Articles	34.2	29.3	19.2	32.8
Other	28.6	32.7	26.6	29.8
Health and medicine	26.9	25.2	23.3	26.4
Travel timetable	26.2	25.9	20.4	26.1
Weather	21.9	23.1	18.3	22.3
Financial information	23.3	17.7	12.7	21.6
Sport information	20.6	23.8	24.1	21.5
Celebrities, News and gossip	19.9	15.6	11.8	18.7
Yellow pages	10.6	9.5	6.2	10.3
Recipes	8.6	6.1	5.6	7.9
Legal information	9.0	4.1	5.6	7.5
Dieting	6.0	6.8	3.7	6.2
Blogs	6.0	6.8	3.1	6.2
Online animation and games	5.0	4.1	1.9	4.7
Don't know/ no answer	1.3	2.7	2.5	1.7
Comic strips, jokes	0.7	2.0	3.7	1.1

Table 2a. Topics of interest when searching for information (in %) by access type ([Q49] multi-response)

A high proportion of broadband households (38.5%) go online to prepare themselves for shopping and making a purchase either online or on the high street by comparing prices. Browsing information on hobbies takes third place. These top three interests score the highest percentages across all three internet access types. (Table 2a)

Incidentally, the proportion who say they go online specifically to follow blogs is quite small at only 6.2% of broadband users, despite the amount of media attention this type of web content is attracting. But some blog-following is probably included under the entertainment and hobbies categories.

Different households have different ideas of what information they want. Table 2b ranks information content according to how many households within each household type have said that this is what they would be looking for.

All household types use the internet to find information on entertainment and events. Contrary to current stereotypes about the British, most UK households find information on the weather not entertaining enough to make it part of their online researching routine. But then again, the world of British stereotypes may be restored. Searching for recipes scores low, (as does online information on dieting).

The majority of single households are contented with browsing information on their hobbies or entertainment as well as news items. Indeed, this group cares more about reading online news than any other type of household.

Again, for couples without children and high income families entertainment info is attractive, as is comparing prices.

Online news becomes less popular in families on a medium or low income and for retired people.

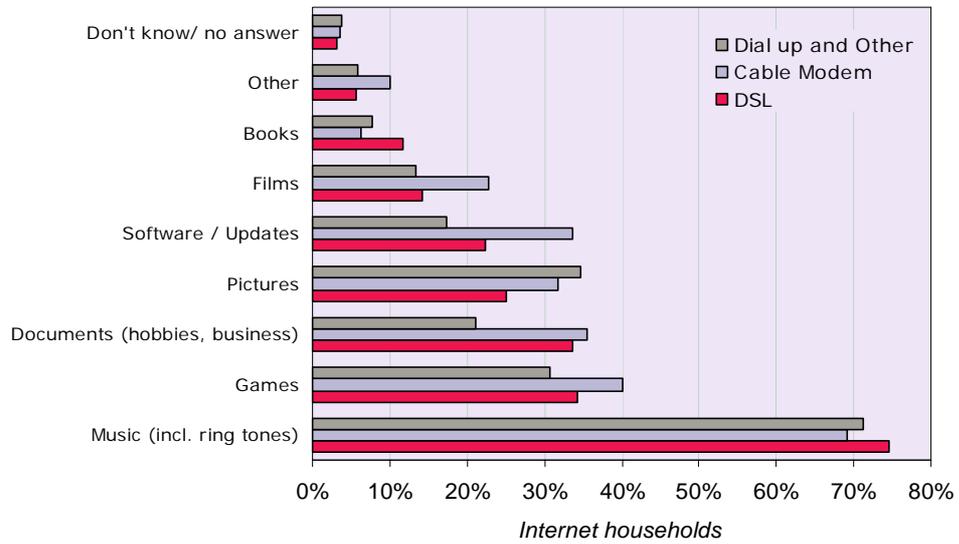
	Singles	Couples without children	Middle-class families	Working-class families	Low income families	Retired	Sharers, Others
Information on hobbies	1	3	3	1	4	6	3
Entertainment information, events	2	1	1	2	2	1	1
News, Articles	3	4	4	6	6	8	6
Shopping preparation, prices comparison	4	2	2	3	1	3	2
Other	5	5	8	4	3	5	4
Celebrities, News and gossip	6	11	11	12	8	17	10
Sport information	7	6	9	8	5	10	8
Weather	8	9	6	7	12	9	11
Travel timetable	9	8	7	9	9	2	7
Health and medicine	10	7	5	10	7	4	5
Financial information	11	10	10	5	10	7	9
Yellow pages	12	14	12	14	14	11	14
Online animation and games	13	17	16	17	18	13	16
Legal information	14	13	13	13	13	14	17
Comic scripts, jokes	15	19	18	19	17	19	19
Recipes	16	12	17	11	11	12	15
Blogs	17	16	14	16	15	18	13
Dieting	18	15	15	15	16	16	12
Don't know/ no answer	19	18	19	18	19	15	18

Table 2b. Topics of interests when searching for information ranked by popularity for each household type [Q49 – multiple answers]

### ***File sharing and downloads***

Of those households which have said that they share files and download items and which have broadband, 73% regularly download music files (which can include ring tones). Some 36% and 34% of households also engage in downloading games and files that contain information relating to their hobbies or

personal business. This trio of favourite download items changes very little throughout the various household types.



**Figure 3.** Type of files downloaded by access type ([Q37] multi-response)

Layering all responses by access type reveals that cable modem users appear to be more visual types. They are more likely to download films, games and software updates than any other group. E-books rank lowest throughout. Dial-up users are less likely to download documents for either business or hobbies. But they are particularly keen on pictures and music. (Figure 3)

Over 40% of households which answered affirmatively that they swapped files and that they use download clients for this purpose, did not actually specify which one they use. The most frequently named are Napster (27%), Fast Track or KaZaA (11%) and eDonkey (9%). [Q41]

When asked how many files they were sharing each month, 50% did not give an explicit answer. The remainder estimated that they would share between 5 and 19 files in a typical month. [Q42]

**How to roam free? Watching video and TV, making voice calls**

There are numerous ways of accessing videos and live TV over broadband. Free and live streaming is the most common. Over 50% of all broadband households which say that they access video over broadband actually do so live online. The alternative of downloading the video is appealing too. But only 15% of households accessing video or TV over broadband say they pay for the privilege. Unfortunately, the number of cases is too small to provide a meaningful breakdown between different household types. (Table 3a)

	% of Broadband Households	% of Internet Households
Click on links on free websites and watch TV or Video picture as it is shown	54.4	50.4
Download videos free of charge from website	47.5	45.8
Download videos or TV free of charge from other Internet users	15.8	19.3
Clicks on links and pay subscription	8.2	8.6
Download videos or TV paying a charge from websites	6.5	5.7
Don't know/ no answer	6.6	7.1

Table 3a. Ways of receiving video and live TV services over the internet ([Q33] multi-response)

Video and voice calls share a very similar fate to that of online video and TV streaming. Many households, among those for which making voice calls over the internet is a regular activity, use Skype or other services which are (in their basic installation) free. Only 15% use a VoIP service for which their ISP charges them either directly for a stand-alone offering, or indirectly as part of a bundle. (Table 3b)

	% of Broadband Households	% of Internet Households
Use software on my PC (e.g. SKYPE, MSN) but only to other internet users	45.9	46.1
Use a webcam and a software on my PC (e.g. I-see-you)	37.7	36.1
ISP provides a telephone service (Voice-over-IP)	14.6	12.9
Use software but can also call ordinary telephone lines	6.4	9.7
Use a voice call facility provided in my online games console	1.6	2.4
Other	0.8	0.6
Don't know/ no answer	7.2	9.3

Table 3b. Ways of making phone or video calls over the internet  
([Q35] multi-response)

### ***Fill the Air: radio and audio programmes***

BBC Radio programmes are the most widely listened-to programmes in UK households. Almost half of all internet households tune in on any of the many BBC Radio stations online. Music channels and sports commentaries are very popular too. (Table 4) Educational audio programmes survive at the bottom of the list. It underlines that music entertainment and news of any kind are key motivations that drive internet usage.

	% of Broadband Households	% of Internet Households
BBC radio programmes	45.8	48.1
Music channels	40.2	43.7
Sports commentaries	24.4	19.4
Audio clips from news and other websites	18.2	17.4
Other British radio programmes	15.8	12.5
Foreign radio programmes	8.4	6.6
Webcasts - talks with PowerPoint slides	5.9	4.7

Lectures or talks for education or training	2.1	1.7
Other	8.0	9.3
Don't know/ no answer	6.3	5.0

Table 4. Radio or audio programmes listen to on the internet, ([Q45] multi-response)

### ***You've got mail: email software extras***

Emailing is an activity which is unthinkable without the internet. In its beginnings, the advance of the internet was driven by the benefits of email. Emailing is still an important and wide-spread activity. Some 68% of all households with broadband access send emails and keep in touch with their friends and relatives via email.

But email has its shortcomings too. When asked what extra features to their email programme they would most likely buy into or be interested in, 24% answered that they would like to see better spam protection, followed by 23.6% who would like to have more memory so that they can save and store their emails. Better protection from viruses is generally the third most frequent answer.

Household types have slightly different priorities for emailing extras. The craving for 'more memory' ranks top among single households, couples without children and shared households. Retired people have very little interest in this feature, nor in any other extras. Up to 45% agree that they have no interest whatsoever in extra features. This does not necessarily mean retired households are happy with what they have got. As in many other areas, they simply shrink from over-sophistication, in particular in the technical aspects. If it works fine now, why have more of something else? The typical middle-class family and retired people home in on better spam protection as their first choice. (Table 5)

	Singles	Couples without children	Middle-class families	Working-class families	Low income families	Retired	Sharers, Others	All internet users
Better spam protection	23.9	24.8	27.5	17.8	20.3	20.7	20.1	23.9
More memory for saving emails	26.9	25.2	25.2	23.2	20.6	4.6	30.8	23.6
Better protection from viruses and other malicious messages	22.3	21.1	27.0	22.1	15.9	10.2	24.7	22.6
Email filtering : to receive messages from approved senders only	15.3	10.8	16.9	12.0	15.2	10.4	18.4	13.7
Better software for managing email (such as filing, contact details, etc)	11.6	9.1	9.4	9.7	3.0	7.6	8.0	9.0
Online email back-up / storage	7.5	3.3	5.9	7.6	0.0	1.4	2.7	4.5
Email fee: agree to receive messages from senders who pay	3.6	1.6	3.3	0.8	3.0	1.6	2.6	2.3
None	20.0	23.4	17.5	26.0	32.5	45.2	8.7	21.8
Don't know/ no answer	20.6	20.1	17.7	17.7	19.7	23.5	24.6	20.3

Table 5. Interest for extra features to email services by household type (in %), ([Q40] multi-response)

## Games

Computer games, video gaming and multiplayer games are a growing industry, but this should not obscure the fact, that as a motivation of being online, gaming ranks relatively low. Some 16% of all UK households which have broadband access play online. Online games range from individual through to small-group games which can be either played online or off-line. Lastly, there are the so-called *Massively Multiplayer Online Role Playing Games* (MMORPG), with up to thousands of players locked into the same game simultaneously.

In the UK, the most popular games appear to be *World of Warcraft*, with 17% of households playing this game regularly while 16% consume a variety of PlayStation games. Over half of all internet households that pursue online gaming partly or exclusively play games that have not yet hit the market big time. (Table 6)

In the CS2 survey, computer game players are few in number. Contrary to common expectation, they are not all young men. 37% of households which pursue gaming have a female respondent or member using the internet. The average gamer plays up to 4 hours a week, although an addicted 6% have the stamina to game more than 11 hours per week. As the market evolves it penetrates new consumer groups. Players become older too. Here, half the households are 35+

	<b>% of All Broadband Households</b>	<b>% of All Internet Households</b>
World of Warcraft	17.8	14.8
Xbox title games	9.8	14.4
PlayStation title games	16.7	14.1
Final Fantasy	8.3	13.6
Star Wars Galaxies	10.1	8.1
EverQuest	10.1	5.9
Dark Age of Camelot	8.3	4.9
Ultima Online	6.2	3.7
RuneScape	2.1	3.4
Other	47.4	56.1
Don't know/ no answer	24.0	14.1

Table 6. Online multiplayer games by access type (in %)  
([Q47] multi-response)

### ***Doing the weekly shopping?***

Half of all broadband households state that they use the internet to do some form of online shopping. The most obvious format, receiving extensive media publicity, are big internet retailers, such as Amazon or EBay. But internet shopping extends

well beyond these two big players. ONS suggests that around 130,000 UK businesses sell their products online. Many prominent high street sellers have long since succumbed to the internet, adding an online retail channel to their existing business model. Point Topic's CS2 survey does not explicitly ask what format or channels households use to do their online shopping, with the exception of EBay.

When shopping online, households are more likely to be seeking goods than services. A large proportion (43%) buys CDs and DVDs. EBay and auction purchases are frequently made too. Launched in 1999 in the UK, EBay has remained the largest online market place in the UK. According to an EBay press release, its UK branch had 11.5 million users in January 2006. At that time, 42.3% of all active UK internet users visited EBay UK at least once a month. Each visitor spent on average 1 hour and 54 minutes on the site per month. In 2004, closed sales listings accounted for a total sales volume of US\$3.7 billion.

According to our survey, EBay and other auction sites are the second most popular access route for households to spend money online. Some 27% of internet households that make online purchases did so through EBay. We estimate that the average internet household, which may include more than one internet user, spends 2.5 hours per week at EBay and other shopping.

At the bottom of the online shopping league table in terms of frequency of purchase (Figure 4) are the more expensive and out-of-the-ordinary objects which are not part of the daily or weekly shopping routine: cars, art and home furniture. Although buying clothes and accessories finishes in third place, when considering all items bought online, only 10% of all purchases are clothing. Online bestsellers are clearly goods that do not require personal fitting tests.

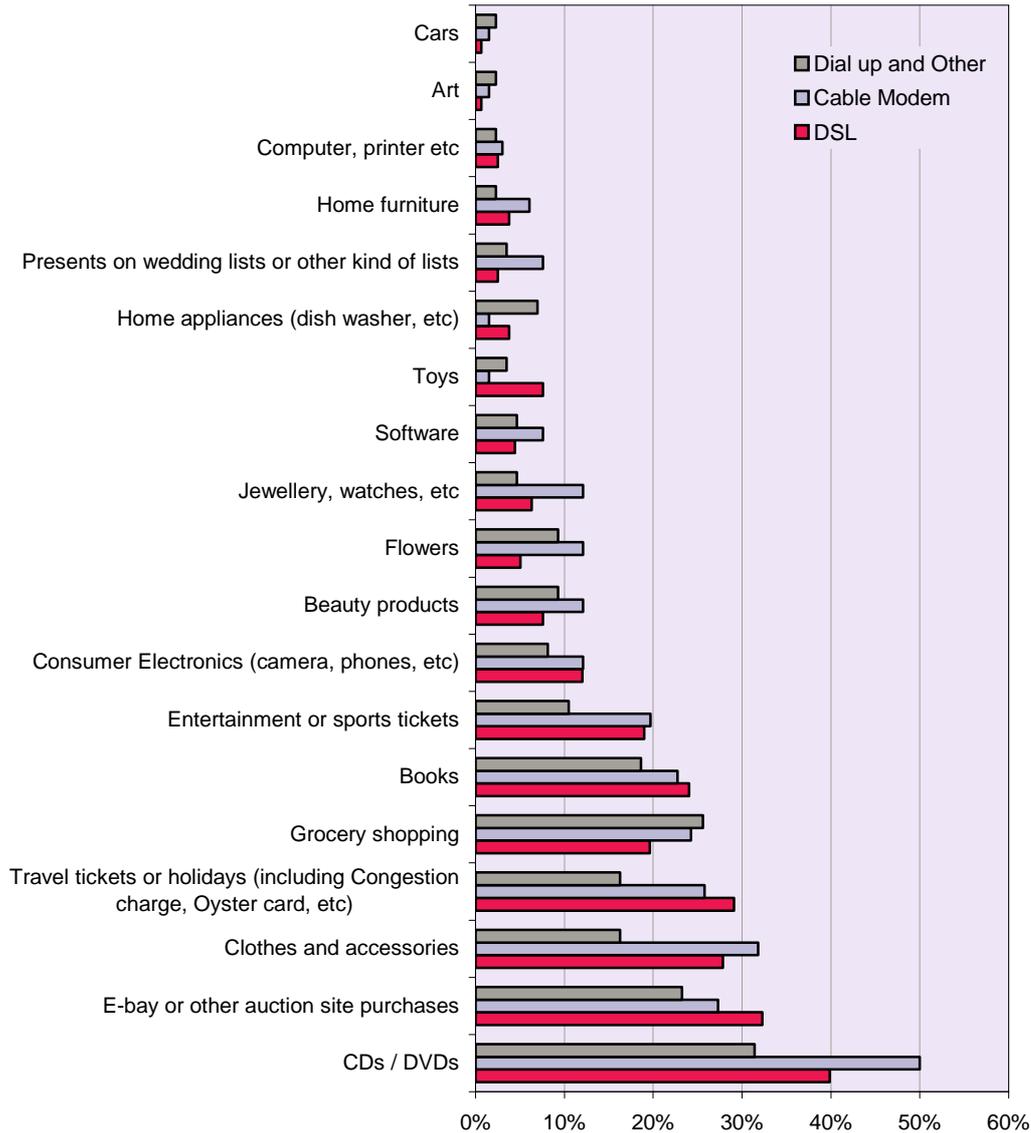


Figure 4. Online Purchase in the last three months ([Q50] multi- response) by access type

Indeed, 15% of internet households say that not being able to touch goods is a serious draw back to online shopping. A similar proportion of households also worry about the delivery and quality of goods ordered. But all these factors take backstage to the major concern of almost 50% of households: the security of payment and the risk of fraud. ([Q52] multi-response)

Very similar concerns commonly arise over other financial transactions that do not directly relate to online shopping. Of the broadband households that state that they conduct financial transactions online, 92% simply check their account

balance. Only 65% make payments from their account, and a further 29% just reshuffle money between their own personal accounts. ([Q53] multi-response)

### ***Saving a million - spending a fortune. Online spending made easy***

According to a recent ONS Survey (Wallis [2006], Internet spending: measurement and recent trends), internet spending has increased rapidly and takes on a variety of shapes. Both business and households make increasing use of the internet to purchase goods and services. But estimates on how much household internet spending contributes to the national retail volume vary. ONS' own *e-commerce survey* suggests a figure of £18.1 billion in 2004, with household internet spending having grown by 67% between 2003 and 2004.

Provisional results from the *Annual Business Inquiry* stick to a much lower figure of £8 billion for 2004. Lastly, the *Interactive Media in Retail Group* (IMRG) settled comfortably in the middle, estimating that the total volume of household internet spending in 2004 was £14.5 billion. Even if we are to believe the ONS figure, household internet spending only accounted for a small part of total household spending – 2.5% in 2004.

Point Topic's Consumer Survey 2 broadly supports these estimates and helps to show what has happened since 2004.

The average internet household spends £107 per month on services and goods bought over the internet, amounting to £1,290 per year. Online retail shopping contributes the lion share of £80 per month. All other activities add to households' average online expenditure each in a small way, but adding up bit by bit. Playing games and downloading files cost internet households £5 to 6 per month. (Figure 5)

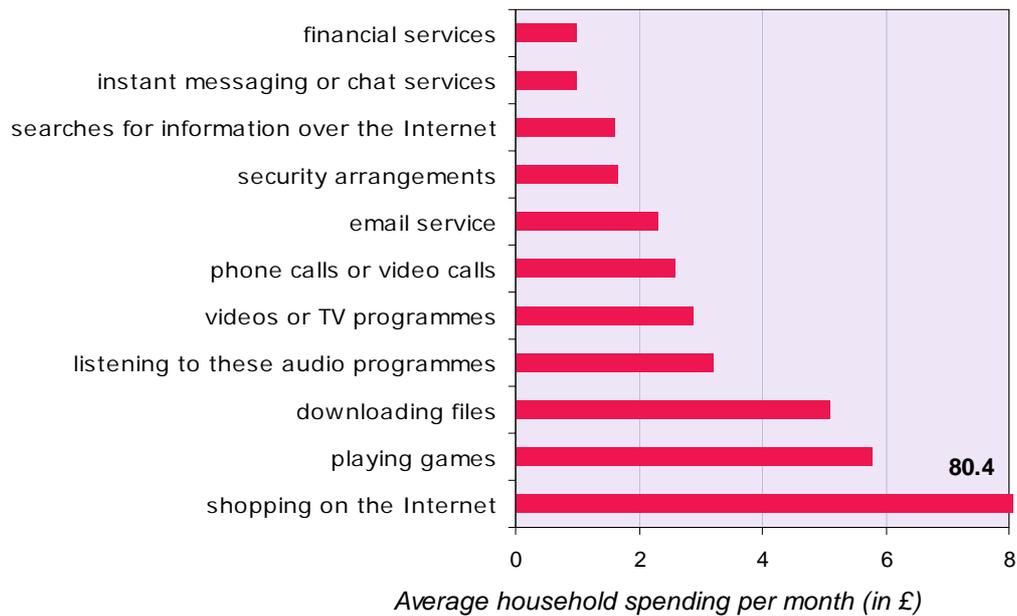


Figure 5 Average household internet spending per month, [Q54, Q51, Q48, Q46, Q44, Q38, Q34]

From this it is possible to estimate what the total annual spending on goods and services bought over the internet by internet-access households in the UK would have been in 2005: £18.4 billion. (see Table 7)

This figure is lower than would be expected projecting from what ONS found in 2004, but quite well in line with the IMRG figure, amounting to 28% growth. It is also not the whole story, since the ONS and IMRG figures both relate to household spending online as a whole. In contrast, our figure relates only to online expenditure by households that have internet access. But households with no home internet access also make internet purchases. They use internet access in other places, such as their workplace, public libraries, internet cafes, schools and elsewhere. We estimate that this applies to 35% of non-internet households.

Anecdotal evidence of families without home internet going online at a friend's house or at work when there is a strong incentive - to get cheaper car insurance for example - is plentiful. We do not have direct evidence of how much this would add onto internet household spending, but we would estimate that in total household internet spending may have been worth around £20 billion in 2005.

	<b>Households</b>
All UK	25,500,000
With internet access at home	14,300,000
Without internet access at home	11,200,000
Using internet access elsewhere than at home	3,900,000
Average online spending (in £ p.a.) for those having internet access	1,290
Market volume for internet households in 2005 (£ billion)	18.4

Table 7 Demographic data for UK, end-2005