British Population Survey

accessible • topical • comprehensive

INTERNET ACCESS

AND

ONLINE SHOPPING

IN BRITAIN

-

SECOND QUARTER 2010

--- EXTRACT ---

REPORT PRODUCED BY

THE BRITISH POPULATION SURVEY

WORKING IN PARTNERSHIP WITH

IMRG

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Items in red are restricted to the Full Report

Information Levels and Availability

This is the Level 1 report for the second quarter of 2010.
Three levels of report / information are available:

1) **'Extract' provides a selection of some topline data and insight from the quarter 2 report. This is available FREE from www.thebps.co.uk and is provided FREE to all its Members by IMRG.**

2) The Full Report with all Content. This Report can be purchased through www.thebps.co.uk/reports
IMRG Members can obtain a discount on the purchase price – see www.imrg.org

3) Fully analysable data. Both the Level 1 and Level 2 Reports, described above, are based on data from The British Population Survey. The complete database is available in a fully analysable format complete with:

   - Comprehensive demographic information – 69 questions and over 370 response categories including information on internet access and use, durables owned, newspapers read, main supermarkets used etc.
   - Geodemographic Profiles, OAC, ACORN (3) CENSATION and MOSAIC (3).

   The data is provided within our own software which allows analysis by any variable and the building of complex filters to drill down to target segments. Charts and tables can be easily exported to PowerPoint, Excel, Word etc.
   Full details and a free download of the entire 2008 data can be found at www.thebps.co.uk. The up to date data (complete with all back data) can be downloaded at a price of £125 plus VAT

ALL CHARTS SHOWN IN THIS REPORT ARE BASED ON THE DATA IN THE BRITISH POPULATION SURVEY.

ALL TREND CHARTS ARE CALCULATED AS THREE MONTH ROLLING AVERAGES.

TREND CHARTS ARE BASED ON JANUARY 2008 TO JUNE 2010 DATA INCLUSIVE – THIS COMPRISES A TOTAL OF 209,876 FACE TO FACE INTERVIEWS

ALL Q2 CHARTS ARE BASED ON APRIL, MAY AND JUNE 2010 DATA – THIS COMPRISES 20,557 FACE TO FACE INTERVIEWS

INTRODUCTION

The internet as an economic force came of age in the recession of 2008 – 2010.

The importance of the internet to the daily lives of hard pressed consumers, of all age groups, has become deeper and more valued. Today they use it to search out and find new and innovative ways to make their pounds go further; to look for jobs; to access the increasing number of government services now available online; and to a rapidly increasing extent it is becoming an integral, arguably vital, medium for social engagement. The internet has effectively become a key life management tool for the UK consumer, and this will become ever more important in the new 'age of austerity'

Growth has been slower but always positive across the ecommerce sector. This has provided a vital commercial buffer for many retailers, their shareholders and their employees.

Early 2010 research figures from the IMRG show that ecommerce growth has again accelerated into double digits and that close to 80% of ecommerce retailers look to increase their staffing levels in the next 3 – 9 months.

CONTENT

This report studies the two main aspects of the population in relation to the use of the Internet for purchasing goods and services -

Who has access to the Internet.
Who uses the Internet for Online Shopping.

The purpose of the Report is to provide a detailed view of the current population of Internet Shoppers –
Who they are;
What identifies them amongst the population as a whole;
How their numbers have progressed over the last two years;
What are the differences between those who shop for Groceries and those who shop for all other goods and services.

The trend charts are based on the period from January 2008 to June 2010, and are constructed as three month rolling averages, each data point being the average figure for the three months to that point. The number of face to face interviews conducted during this period is 209,876, at an average of over 20,000 interviews per three month period.

The profile charts are primarily based on the second quarter of 2010 - April to June inclusive – based on 20,557 face to face interviews. Where comparisons are made to previous 'second quarters', the interview totals are 2008 20,747, and 2009 20,253 interviews.

The report is structured into four main sections as shown below, together with a fifth section detailing the background and methodology of the Research upon which the report is based.

SECTION 1

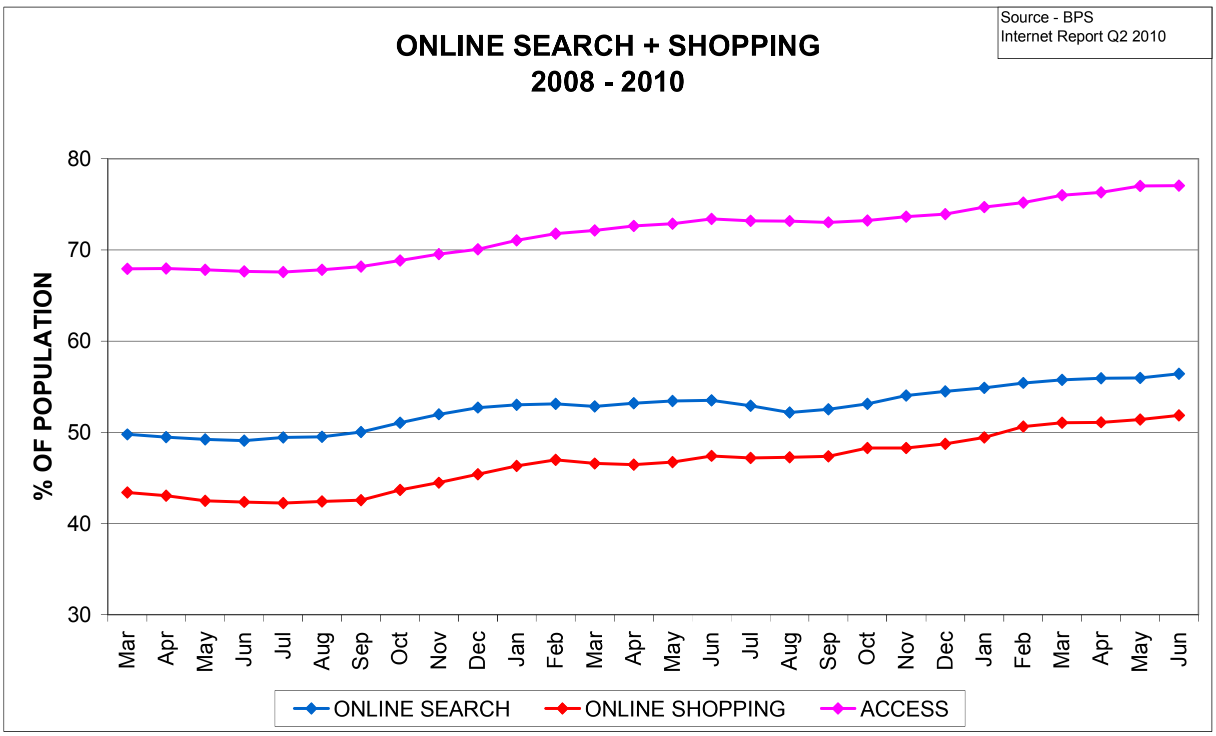
TRENDS IN INTERNET ACCESS, ONLINE SHOPPING AND COMPUTER OWNERSHIP

The trend charts in this section are based on three month rolling averages, using Interviews conducted from January 2008 to June 2010 inclusive. The total number of interviews on which they are based is therefore 209,876 during the period, an average of c7,000 interviews per month (or c21,000 interviews per chart point).

On an initial inspection, this set of trends immediately gives a positive view of the three measurements over the first two quarters of 2010. Internet Access has increased by 3.12 to 77.04%. Online Search has increased by 1.95 to 56.42%. Online Shopping has also increased, by 3.13 to 51.87%.

Therefore the initial background is of an Industry growing in both overall stature and penetration of the market.

However, a deeper analysis can be even more revealing, as we can see that while Internet Access is indeed increasing, the percentage of those with Access who use it for Online Search has fallen by 0.5 during the first half of 2010 from 73.7% to 73.2%.
On the other hand, the percentage of those with Access who use it for Online Shopping has increased by 1.3 from 66.0% to 67.3% - and the result of this is also an increase in the percentage of those who use Online Search also actually Shopping Online by 2.4 from 89.5% to 91.9%.



Our initial conclusions are therefore that

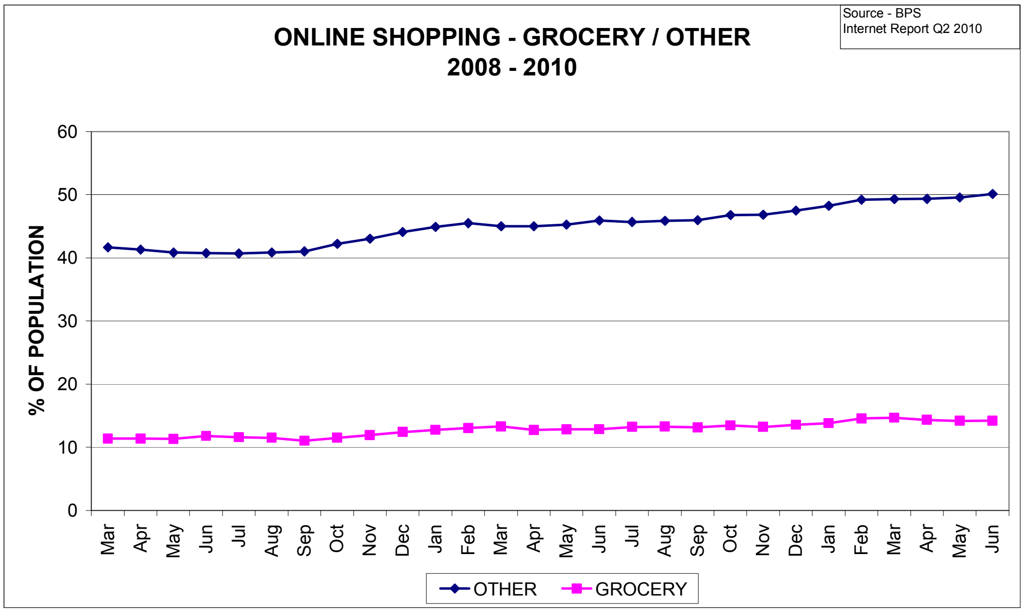
- Access is still increasing
- Online Search is not keeping pace with the growth of Access
- Online Shopping is still increasing, and is also increasing as a percentage of Online Search.

The key questions arising from these are

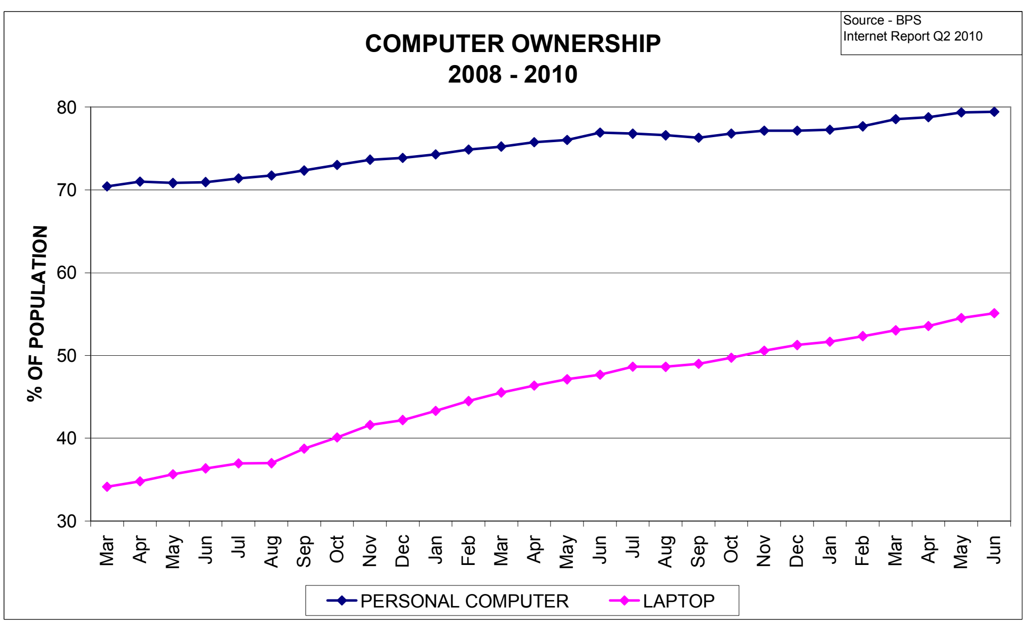
- Which parts of the population are now becoming newly engaged with the Internet?
- Why are they not initially engaging with Online Search?
- Will the slower engagement with Online Search become a ‘drag factor’ against the potential growth in Online Shopping as that gap narrows?

This Report will seek to answer these questions, or at the very least propose potential answers, and point to areas for further analysis over future Reports.

In the 1st Quarter report we said *"Other Shopping is also at another all-time high, and at 49.40% in March it can only be a very short time until it breaches the 50% mark*". It has actually taken the full second quarter, but at June it finally stands at 50.1% in its own right, up 0.7. This represents a full 2.6 rise in the first half of 2010.
Online Grocery Shopping, however, has reversed its upward trend of the first quarter. At March it stood at 14.7%, its historic highest point, but since then it has fallen back by 0.5 to 14.2%. It may be worth noting that a look back at the trend over the last couple of years shows a 'suggestion' of an upward trend during the fourth and first quarters, and a slowdown during the second and third quarters but not a full reversal.
This might point to a similar movement this year, an expectation of further 'flat growth' during quarter 3, and then a return to positive growth in the fourth quarter. Time will tell.



Whilst we saw (above) that Internet Access has grown from 67.9% in March 2008 to 77.0% in June 2010, this is matched by the growth in Computer Ownership during the same period. 79.44% now have a home computer in their household at June 2010, compared with 70.94% in June 2008 – a rise of 8.5. The growth in ownership of Laptops has continued to dwarf these rates though, up from 36.36% to 55.11% - a growth of 18.75 in the same two year period. Or to put it another way, ownership over the period has increased by over 50%!
This should also be seen particularly in the context of the growth in Access via mobile devices – see page 8 below.



It may not be entirely relevant to a report on Internet Access, but nevertheless it is fascinating to notice that 3.61% of those with a PC in the home do NOT have Internet Access, and a further 4.60% have Access but never use it.

SECTION 2

INTERNET ACCESS - Frequency, Type, Method and History, Q2 Comparisons '08, '09, '10
The Profile charts in this section are based on the Interviews conducted during the months of April, May and June each year. Interview totals are 2008 – 20,747, 2009 – 20,253 and 2010 – 20,557.
The charts therefore show the changes in profile over the period for each of the topics.
FIVE DETAILED CHARTS AND COMMENTARIES

INTERNET ACCESS – Demographic Profiles Comparison to Population
The Charts in this section are based on Quarter 2 2010, and are the results of 20,557 interviews conducted during this period. They show the profile of All with Access to the Internet in side by side comparison with the profile of the Adult Population. As a result, they provide an instant picture of the strength of penetration of the Internet in the various sectors.
FOUR DETAILED CHARTS AND COMMENTARIES

INTERNET ACCESS – Profile Comparisons Quarter 2 - 2008, 2009 & 2010
The charts in this section compare the Demographic profiles of Internet Access for the second quarters of 2008, 2009 and 2010, to show the changes happening over the last two years. The interview numbers in each case are once again :- 2008 – 20,747, 2009 – 20,253 and 2010 – 20,557.
FOUR DETAILED CHARTS AND COMMENTARIES

SECTION 3

ONLINE SHOPPING - Access Comparison of Online Shoppers to All with Internet Access
The charts in this section of the report are again based on the Interviews conducted during the second quarter of 2010 (total 20,557). Their purpose is to begin to identify characteristic differences of Online Shoppers compared to All With Access, in order to provide information to assist in the acquisition of new customers for online retailers.
FOUR DETAILED CHARTS AND COMMENTARIES

ONLINE SHOPPING - Demographic Profile Comparisons Online Shoppers to Population
This section continues to study the identifying characteristics of the Online Shopper, by providing Demographic Profiles of Online Shoppers, and combining these with a comparison with the profiles of the Adult Population. The charts are based on the second quarter of 2010, utilising the results of 20,557 interviews.
FOUR DETAILED CHARTS AND COMMENTARIES

ONLINE SHOPPING - Demographic Profiles Comparisons Q2 2008, 2009, 2010
The following set of charts show the changes to the Demographic Profiles of Online Shoppers over the last two years, by comparing the second quarter figures for 2008 (20,747 interviews), 2009 (20,253) and 2010 (20,557). They provide further context to enhance the analysis of the previous section.
It is also helpful to bear in mind the overall increase in Online Shoppers from 42.38% of the Population in March 2008, to 51.87% in March 2010, which will mean that a reduction in the contribution of a category to an overall profile will not necessarily translate into a drop in actual numbers of Online Shoppers in that category.
FOUR DETAILED CHARTS AND COMMENTARIES

ONLINE SHOPPING - Profile Comparisons of Online Grocery Shoppers to Other Online Shoppers
This final section of profile charts takes a detailed look at the differences between those who engage in Grocery Shopping Online, and those who engage in Other Online Shopping using the Quarter 2 2010 data for the latest view. They are not mutually exclusive categories, but as only 24.79% (26.19% at March) of Other Shoppers also do Grocery Shopping Online, and 12.57% (6.63% in March) of Online Grocery Shoppers do NOT do any Other Online Shopping, it should be useful to interrogate the differences between these categories.
FOUR DETAILED CHARTS AND COMMENTARIES

ONLINE SHOPPING - Comparison of Other Internet Uses by Online Shoppers to All Users
Based on the 20,557 interviews conducted during April, May and June 2010, this chart shows a breakdown of the other principal Uses of the Internet engaged in by all Internet Shoppers compared to All With Access to the Internet.
ONE DETAILED CHART AND COMMENTARY

SECTION 4

HIGHLIGHTS

A 'REVIEW' of what we thought worth 'highlighting'…

'Quotes' from the Full Report	Page
Our initial conclusions are therefore that Access is still increasing Online Search is not keeping pace with the growth of Access Online Shopping is still increasing, and is also increasing as a percentage of Online Search.	5
In simple terms, this means that during any given 24 hours, more than half the population will be voluntarily engaged with the Internet in one way or another.	7
Over the past two years the largest access growth has come in Mobile Devices, up from 5.0% in June 2008 to 15.1% in June 2010.	8
However a dominant factor is almost certainly the phenomenal escalation in the use of Social Networking sites, and their adoption as one of the primary methods of everyday social interaction.	8
Firstly, Banking and Finance has grown from 45.5% in 2008 to 51.4% in 2010 – a steady growth which now takes the figure above half of all with access.	9
The dominant feature here, though, and perhaps a driving force behind the growth in Access and Frequency of Access, is Social Networking and Blogging. This has grown from 11.7% in June 2008 to 48.9% in June 2010 – fully four times the penetration in just two years.	9
What does not so readily catch the eye is the simple fact that almost a quarter of those with Internet Access are over 55	10
Across the Age Groups, the growth continues to occur in the groups from 45 upwards - with compensating reductions across the younger groups.	12
Basically, whilst the overall rise in Access for the population during this period has been around 13% of its June 2008 level the equivalent rise in the 65+ has been around 26% of its June 2008 level.	12
A closer look at the underlying data actually reveals some interesting behavioural differences between ADSL and Cable Access. While Email shows 93.5% of ADSL and 93.2% of Cable, Purchases – not Groceries shows 70.4% of ADSL and 60.7% of Cable, yet the figures reverse in Grocery Shopping to show 18.8% of ADSL and 21.0% of Cable. It will be fascinating to interrogate the data further to see if there is a correlation in the 'urban influences' over both the existence of a cable infrastructure, and the availability of online grocery delivery services – but that's probably for another report!	14
On average, All With Access to the Internet have 1.64 Methods of Access, whilst Online Shoppers have an average of 1.79 Methods of Access – underlining the 'familiarity' aspect.	15
Lifestage penetration is dominated by the underweight representation of the Post Family group, where they represent 47.3% of the Adult Population but only 37.5% of Online Shoppers. However this should not obscure the fact that even though they may be an underweight sector, they still represent a far larger proportion of Online Shoppers then Single and Pre Family combined	16
The increases in Lifestage and Age Groups are appearing over this period in Post Family, and in the 55-64 and 65+ Age Groups, once again underlining the growth in access and Use by 'Silver Surfers'.	19

CONCLUSIONS

Internet Access has made further considerable inroads into the Adult Population during the second quarter of 2010, reaching yet another all-time peak of 77.04% (75.99% at the end of the first quarter). The rate of growth has slowed perceptibly over the last year – June 08 / 09 showed a rise of 5.65, against June 09 / 10 a rise of 3.65.

As the power and influence of the Internet grow, particularly in the fields of access to knowledge, access to more economic goods and services, and not least in the particular field of social interaction and engagement, it becomes more important to take the opposite perspective and record that even now, more than one in five of the adult population do not yet have Internet Access. This is particularly anomalous against the background of more than 50% of the population engaging with the internet in any given 24 hour period.

While it is self evident that overall growth in Access will decline as saturation is approached, it is clear that we are not yet anywhere near that point at present. Even though there will remain a proportion of the older population who are simply not a viable target market, this has not precluded a steady growth amongst this sector of the population. Furthermore, with access penetration levels overweight in all age groups below 55, there is a natural progression over time towards an even greater degree of Access as the current generations with established familiarity and Access patterns take the place of the older non-adopter generations.

The key questions going forward will be

- To determine the levels of geographic and economic exclusion, and to explore the methodologies by which these exclusions can be eradicated, and
- To monitor the extent to which access is really going to be influenced by the ever increasing advances in the efficiency and availability of mobile technology.

Online Shopping continues to grow alongside Access, with non-grocery shopping breaching the 50% mark on its own during the second quarter of 2010. Underlying this growth in terms of the population is the growth in penetration of those with Access, which has increased over the last two years, together with the narrowing gap between Search and Purchase Online over the same period.

Recent technology developments, in both the fields of hardware and software, have played their part in these growth trends. The continued surge in laptop ownership (now well over 50% of adults), together with the new generations of mobile phones and touch pad devices, have ensured the continued engagement of the ‘early adopters’. At the same time, there has been a dramatic increase in the general level of use of social network and blogging websites, with almost 40% of the adult population using them recently compared to 8% two years ago.

The overall conclusions from the Research at this point are :-

1 There is still significant room for further steady long term growth in Internet Access, but it will become increasingly important to ensure that the Internet remains a ‘Universal Franchise’, rather than seeing the inadvertent development of economic or geographic ‘exclusion zones’.

2 The development of applications and services should take into due consideration the shifting patterns of Access profiles as the older generations become more engaged with the Internet.

3 The rapid and substantial growth in engagement with Social Networking may well have unforeseen consequences for commerce on the internet, not only from the ‘marketing’ and ‘brand reputation’ perspectives, but also a potential influence on the way that consumers ‘Search’.

4 The Online Shopping Industry continues to hit significant target benchmarks as it grows, and the potential for a continuation in this growth is not yet diminishing while it still only just reaches two thirds of the Access market. This gap, underpinned by the continuing gap between Search and Purchase, defines the strong potential for maintaining the growth in Online Shopping. While some sectors of the economy are showing signs of weakness in the post election ‘era of austerity’, this is clearly an Industry capable of a making a positive contribution.

5 This Report is able to define the characteristics of those who engage with the Internet and Online Shopping, and provide pointers to areas and methods to widen both degree of engagement, and number of shoppers. It cannot provide any information or indicators in the areas of the frequency and value of their Online Shopping.

Mike Hare
Research Director,
The British Population Survey
July 2010

SECTION 5

About The British Population Survey

METHODOLOGY AND BACKGROUND

This Report is based on The British Population Survey, the largest long term and accessible monthly Tracking Study of the Adult Population of Great Britain. It conducts face to face, in home interviews with population representative samples of Adults aged 15 and over, at the rate of between 6,000 and 8,000 interviews per calendar month. It is not based on a panel, but always interviews new respondents, with long term guarantees of non – duplication.

The full text of all the questions asked in the survey is available as a download from the Survey website at www.thebps.co.uk. The Survey Questionnaire contains 69 questions, with over 360 unique responses, each of which can be used for cross analysis or as an individual filter or part of a complex filter. Question areas cover details of family structure, economics, media consumption, lifestyle and, of course, Internet Access and Use.

In addition, the Survey contains a series of Geodemographic Segmentation models, including 3 ACORN sets, 3 MOSAIC sets, Censation and finally the official ONS developed Output Area Classification (OAC). These combine to produce a further 400 segments by which the data can be interrogated.

Since commencing in January 2008, the Survey has conducted interviews with 216,019 individual respondents, including over 20,000 in the second quarter of 2010. The data arising from the Survey is available to any interested party, and is supplied, via the Survey's website, as a comprehensive database embedded in its own easy to use analysis software for unlimited cross analysis, trends analysis and filtration. The software, complete with the full Survey database for the whole of 2008, is available FREE from the website, and full updates from the free version to the full current extensive database can be downloaded at a small charge.

Each month, the complete new set of data is uploaded to the website and is available for download within 10 working days of the end of the month. Whenever a download is made from the website, it will include the full back database from January 2008 to date, meaning that absolutely no 'regular subscription' or any similar undertaking is required in order to access the data at any time.

As a subsidiary Survey alongside The British Population Survey, The British Marketing Survey is also available. This is conducted on one single set of 1000 interviews around the middle of each calendar month, and poses an additional set of 8 key attitudinal questions, with over 150 unique responses, about consumer response and acceptability in respect of 18 Marketing Communication Channels, and 21 Industry Sectors. This Survey database is also available on similar terms through the www.thebps.co.uk website.

About IMRG

IMRG (Interactive Media In Retail Group) is the industry body for global e-retail. Formed in 1990, IMRG is setting and maintaining pragmatic and robust e-Retail Standards to enable fast-track industry growth, and facilitates its community of members with practical help, information, tools, guidance and networking. Consumers can be confident when dealing with IMRG Members because all have committed to operate using methods that are Honest, Decent, Legal, Truthful and Fair, and have undertaken to not bring the industry into disrepute. The strength of IMRG is the collective and co-operative power of its members.

