

Net usage reaches mass adoption tipping point



Aileen O'Toole,
Managing Director, AMAS

The Internet tipping point is in sight – the time when usage levels reach critical mass and trigger significant change. A crop of new research shows that Ireland's online population, fuelled by the accelerated uptake of broadband, is becoming increasingly sophisticated.

The result is profound changes in consumer behaviour. It means many Irish businesses and government bodies will have to reorient how they communicate and market their products and services.

There's no shortage of new internet research published so far in 2008, in stark contrast to two years ago, when State of the Net was launched. Ireland now has close to 900,000 broadband subscribers and could pass the million barrier this year. Two-thirds of Irish households now have a home PC, over 80% of which are internet-enabled.

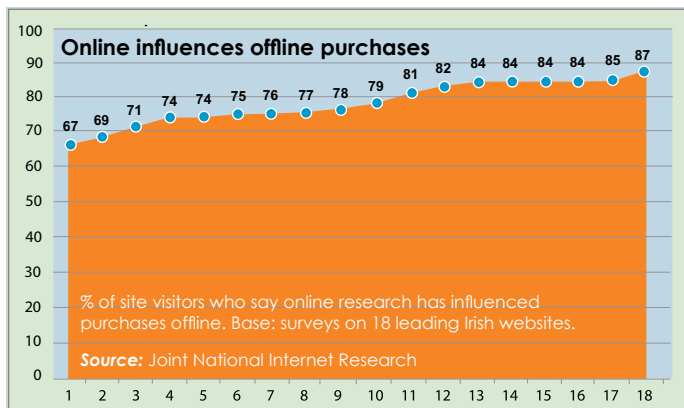
Businesses are conducting full-scale electronic case handling with government bodies, are using the mobile internet in increasing numbers and are taking a shine to Skype. Bebo, the leading social networking

site, counts its Irish audiences in the millions, not thousands. For many consumers, a Google search has become the default for everything from getting a phone number to booking a holiday.

From the Cinderella in the marketing budget, online has become the princess in the world's biggest economies. Witness the UK, where online advertising budgets are forging ahead – and are two years beyond that critical tipping point.

Online advertising stood at £2.8bn in 2007, a 106% increase in just two years. It commands a 15.3% market share of advertising spend, overtaking old media stalwarts like radio and regional newspapers. As a category, online advertising (display, search, classifieds, email) is in third place behind press at 19.9% and TV at 21.8%. But the Internet Advertising Bureau in the UK is predicting further growth and that online will overtake TV by 2010.

The tipping point is nigh. Research, such as the newly published study from Joint National Internet Research (JNIR), will allow marketing professionals and media buyers to plan more online campaigns with confidence. Communicating and marketing to the online generation present huge challenges for those charged with managing marketing budgets. But the upside is enormous – online can help stretch marketing budgets in these toughened times and give rich, reliable return-on-investment metrics that put many competing media categories in the shade.



JNIR shows bigger picture

Ireland's media planners have a new mechanism to plan and manage online advertising campaigns, through the Joint National Internet Research (JNIR).

Tim Griffiths, JNIR chair and Managing Director of leading media buyer OMD, says: "The JNIR is the most comprehensive, in-depth look at the Irish Internet user yet completed. These are exciting times for communication and a great time for us to get a richer understanding of Ireland's internet users. This research gives us this greater understanding and highlights the strengths of a selection of Ireland's leading internet properties."

Besides providing deep demographic and behavioural data, and a wealth of data about Ireland's leading internet sites, the JNIR confirms how online purchasing patterns are changing. One in two (53%) of internet users bought online in the



Tim Griffiths,
JNIR Chair

past month, according to the offline JNIR research conducted by leading market research company Behaviour & Attitudes.

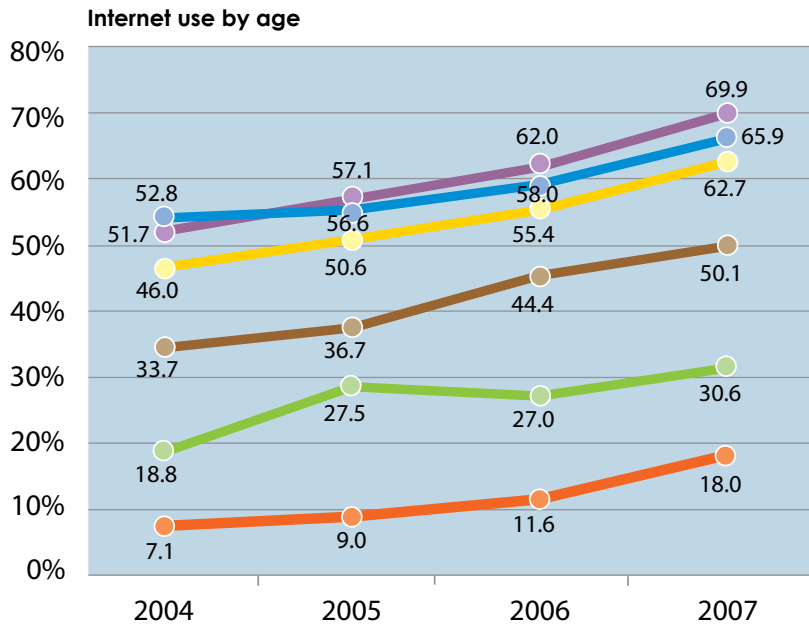
For the first time, there is hard evidence to show how online is influencing offline Irish purchasing. Online research, conducted by AMAS across the participating websites, shows that at least 67% and as many as 87% of the sites' individual audiences use online to research offline purchasing decisions.

Other headlines from the JNIR include:

- 49% of all Irish adults

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1. Internet Usage



Ireland's silver surfers are growing in number and, as a key demographic group, showed the greatest increase in Internet usage between 2004 and 2007. At 18%, the over 56-year-olds have some distance to go on 16- to 24-year-olds, where Internet usage was at almost 70%. Even so, that 18% compares with a meagre 7% in 2004.

The same CSO report shows regional disparities, with Internet usage over seven percentage points higher (56.8%) in the Southern and Eastern region compared with 49.6% in the Border, Midland and Western region.

Source: CSO Information Society and Communications reports, 2004-2007, figures based on reference person of household (formerly "head of household" up to 1996 Census)

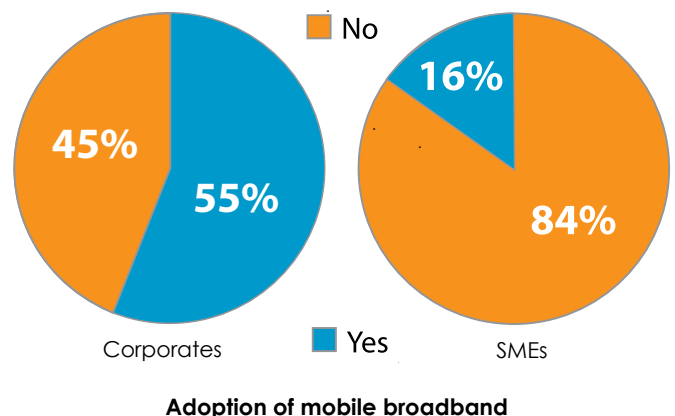
2. Businesses and the Internet

Irish businesses want the Internet on the move. More than half of large corporates now use mobile broadband devices, according to ComReg's latest business information and communications technology (ICT) survey.

Adoption of mobile broadband – using the 3G standard HSDPA – stands at 55% among corporates, and 16% for SMEs

Among other highlights of the survey:

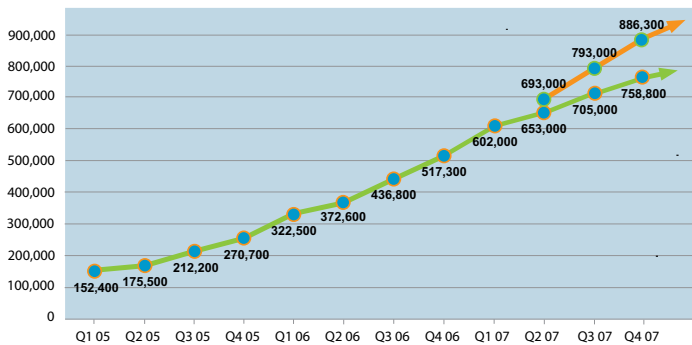
- 89% of Irish businesses have internet access, of which 82% have broadband while 12% still use narrowband
- 40% of corporates and 9% of SMEs now use Voice over Internet Protocol (VoIP) services, up from 29% and 5% respectively in the second half of 2006
- Skype is the top choice of SMEs – it's used by 67% of those using VoIP
- 28% of businesses made a complaint to their fixed line service provider in the previous 12 months



Source: ComReg, SME & Corporate ICT Research H1 2008 (Jan-Feb 2008)

Top Trends

3. Broadband Uptake



Broadband growth

Source: ComReg Quarterly Key Data Report, March 2008

More evidence in the last quarter of strong consumer uptake for broadband. The headline numbers from ComReg show the subscription total at 758,800, excluding mobile broadband connection, at the end of 2007. That's an impressive annual growth figure of 47% in a year, and some 180% over two years.

Add the mobile broadband numbers – shown in the red line on the graph – to the mix, and broadband uptake is nudging towards the 900,000 mark. The magic million is in sight.

4. Broadband Coverage

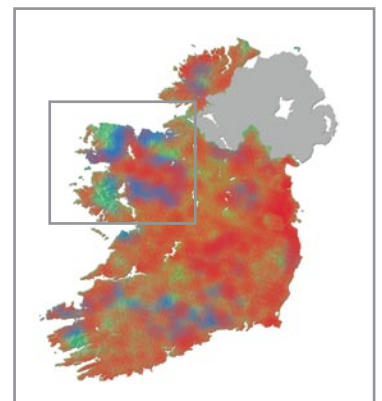
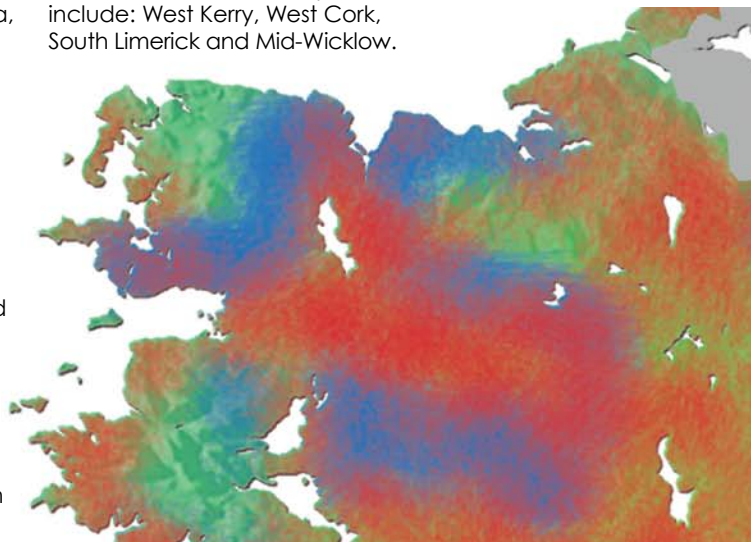
To hell or to Connacht. Swathes of Connacht are "unlikely" to be provided with a broadband service in the future, according to a national broadband map produced by the Department of Communications, Energy and Natural Resources (DCENR). Broadband blackspots include North Mayo, Sligo, Connemara, North Galway and East Galway. The map shows both DSL and wireless availability nationwide.

These locations are identified as "green" and "blue" areas on the DCENR's broadband coverage map. Green areas are defined as places "where no service is currently provided and is unlikely to be provided in the future". Blue areas are "places currently without broadband coverage but where service providers have indicated that they plan to provide broadband services in the future".

At least the DCENR is on the consumers' side. It says that it is "no longer justifiable for this broadband deficit to continue, particularly from social inclusion and economic competitiveness perspectives".

As well as the west of Ireland, other broadband blackspots include: West Kerry, West Cork, South Limerick and Mid-Wicklow.

The gaps in broadband availability in the Republic is in stark contrast to Northern Ireland, which now has 100% broadband coverage from a combination of local exchanges, wireless and satellite technologies.

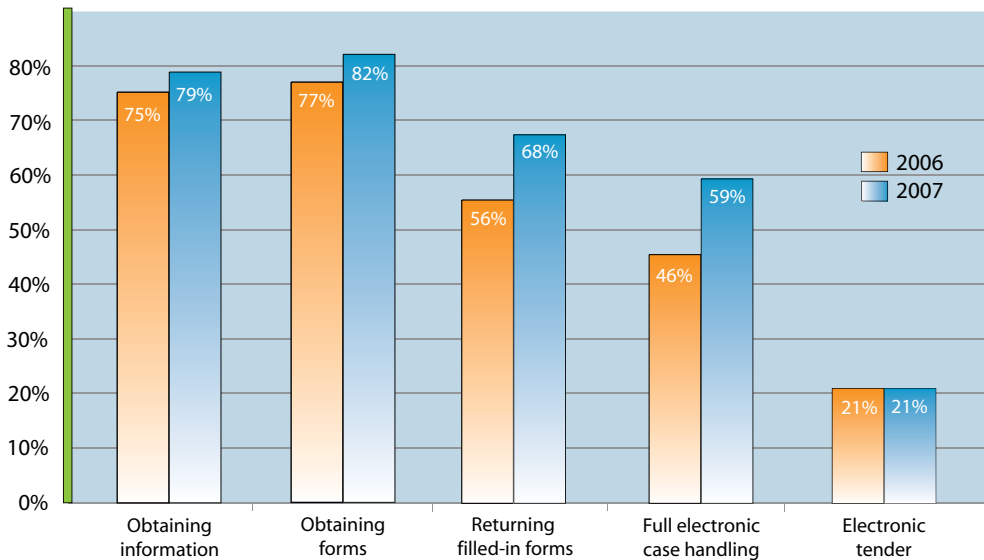


Source: Wireless and DSL broadband map, National Broadband Scheme, Department of Communications, Energy and Natural Resources, March 2008

the opportunity to win online

5. eGovernment

Percentage of businesses using the internet for eGovernment



Businesses have taken a real shine to eGovernment services. The number using the Internet for full electronic case handling increased significantly between 2006 and 2007.

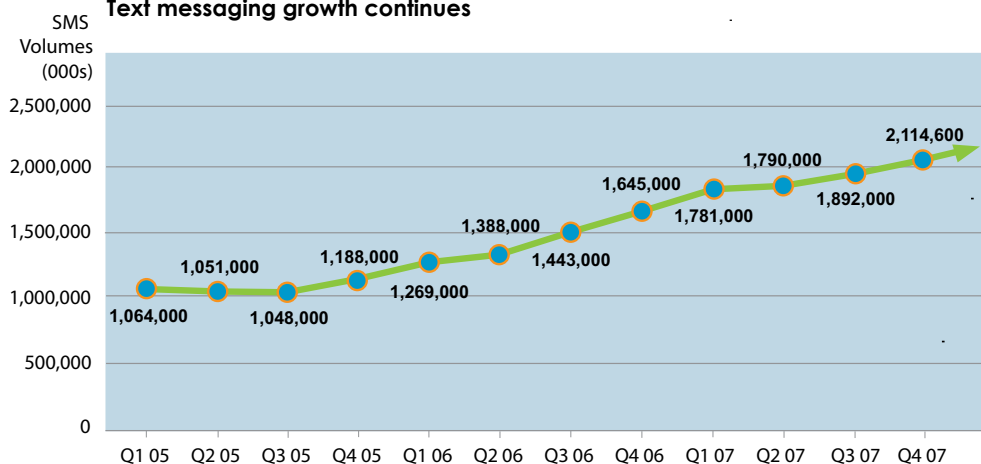
As many as 59% of businesses said that they used the Internet for full electronic handling with a public authority, compared with 46% the previous year. Form-filling is among the most popular online activities, with 82% of businesses obtaining government forms online and 68% returning filled-in forms online.

And, despite the efforts of eTenders, the number of businesses using the Internet to submit proposals by electronic tender remained static at just 21% between 2006 and 2007.

Source: CSO Information Society and Communications reports, 2004 – 2007; survey based on a sample of over 6,600 enterprises employing more than 10 people in manufacturing and selected services, and enterprises employing 20 or more people in the construction sector.

6. Mobile

Text messaging growth continues



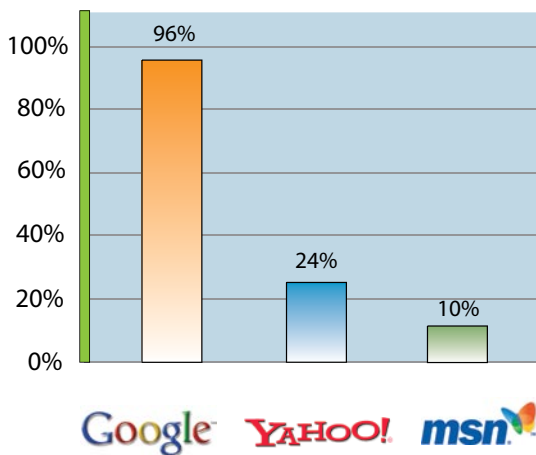
Irish mobile phone users love texting more than ever. They sent 7.58 billion text messages during 2007 – a 74% increase on 2005. By comparison, the take-up of MMS messaging – “next-generation” multimedia messages such as images – remains relatively low. Irish users sent 33.7 million MMS messages in 2007, an increase of just 7.5% on 2006 levels.

Source: ComReg Quarterly Report for the fourth quarter of 2007, and Quarterly Key Data - December 2007 Raw Data

Top Trends

7. Search Marketing

Usage of search engines



Source: Amárach survey for the Search Marketing World Conference in April 2008; based on survey sample of 526 respondents.

When was the last time you used the phone book for a company's telephone number? Search engines, particularly Google, have changed everyday behaviour such as looking for phone numbers.

New research from Amárach offers insights into current search behaviour among Irish internet users. Unsurprisingly, Google dominates with usage levels of 96%, leaving Yahoo and MSN far behind. Google Ireland is used in 67% of searches, compared with 23% for Google.com

What are internet users searching for? It varies from topics of interest (83%) to work-related content (43%), prices (43%) and hobbies (37%).

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- (1.69m individuals) identify themselves as internet users
- 87% of these connect from home, 33% from work, 13% from school, and 8% from internet cafes
- Of those connecting from home, 77% have broadband at home

Tim Griffiths adds: "The JNIR gives us great insight into the behaviour of Irish Internet users and their specific viewing patterns on the subscriber sites. Supported by the advertising industry, including the Institute of Advertising Practitioners in Ireland, the research involves face-to-face interviews with over 10,000 respondents annually to give us a consistent statistical analysis of the Irish Internet user going forward.

"The research was in two parts. First was an offline survey conducted by Behaviour & Attitudes, which ensured that the strictest statistical practices were applied to the data collection. Secondly the online survey conducted by AMAS delivered individual snapshots to each of the subscriber sites.

"The launch of this research will act as a platform for more informed media buying and encourage more properties to get involved in future waves of JNIR research."

Ian McShane, Managing Director of Behaviour & Attitudes, said: "It is the goal of the JNIR that any media buyer is empowered to plan advertising to all Irish internet users with measures and a language readily understandable and comparable with other media research."

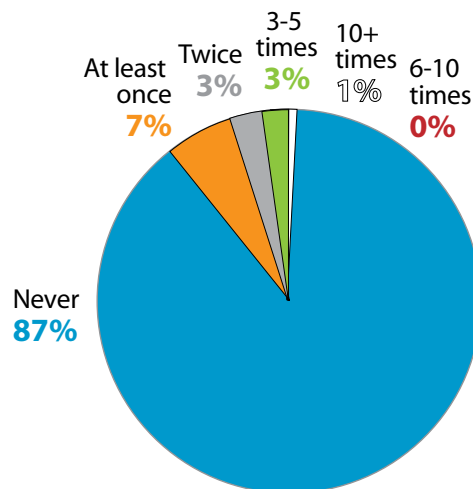
8. Online Shopping

The online shopping experience is an overwhelmingly positive one, according to new research from the National Consumer Agency. Of consumers who have shopped online 87% have never had cause for complaint.

Even if they have, robust EU legislation is on their side. It offers more protection for consumers in online transactions than in conventional face-to-face transactions.

Source: National Consumer Agency, 2007 Consumer Market Research, conducted by Amárach. Question based on 340 interviews of consumers who have shopped online.

Percentage of online shoppers who have made a complaint



Listening to customers - no, really listening

That staple fixture of a million office-based cartoons - the suggestion box - is alive and well and living on the Web. But it is not the suggestion box as we know it.

Starbucks, Salesforce.com and Dell have all opened up public forums for customer ideas and feedback. Their aim is to tap into the creativity of their customer base and harvest the best ideas. How do they pick the best ideas? They let the customers choose them.

All the customer-submitted ideas are voted on by other members of the customer forum. Some gain a following and rise to the top. Others die off.

The key point? This process happens in public, transparently - and much more cost-effectively than other forms of customer research.

"The dead-end suggestion box



Fiachra Ó Marcaigh,
Director, AMAS

and the auto-reply are symbols of corporate indifference and are no longer tolerated," says Salesforce chief executive Marc Benioff.

Ideastorm.com was set up by Dell last year to build an online community "that brings all of us closer to the creative side of technology". Since then, it has gathered almost 9,000 ideas, and these have been voted on over 600,000 times.

So far, so good. But before a company dives into an online dialogue with customers, it

needs to consider some serious questions, such as:

1. Negative comments: How robust a debate do you want to foster? How much negative commentary will be allowed?

2. Censorship allegations: If the company removes negative comments will it be attacked for censorship on top of whatever the original complaint was?

3. Motivating users: What is the best way to get customers to join in and contribute? Will they do it altruistically, or will they need a more tangible incentive?

4. Legal risk: How can the company manage legal risks, such as the dangers of defamation and copyright breach?

5. Staffing and training: What resources will be needed to manage the conversation and ensure that it creates value for the company?

6. Fostering discontent: If some criticism is ill-informed, will other customers realise this, or will



they take it at face value? Will giving unhappy customers a platform lead to many more complaints?

Benioff argues that in our networked age all companies and brands are being talked about by their customers constantly. Fostering that conversation at least gives the company a chance to join in.

Ultimately, the decision is whether the company really wants to join in a conversation with customers - or just wants to say it does.

IIA membership tops 500

This May, the Irish Internet Association's (IIA) 2008 congress on social networking coincides with strong growth and development for the association. It passed the 500 member-companies milestones and the strong membership trend continues, recognising increased interest by Irish businesses and government agencies in the Internet.

The IIA has an extensive programme of events over the next quarter including:

- Measuring Campaign Success Online (29 May, Dublin), a half-day seminar on measuring online marketing campaign effectiveness.
- Making Your Web Strategy Pay (4 June, Derry), a half-day masterclass

on how to get real benefit from online communications and marketing strategies

- Email Marketing Masterclass (26 June, Dublin)
- Blogs, Podcasting and RSS Feeds (10 July, Dublin)
- Creatives and Online Advertising (18 September, Dublin)

The IIA has also set up a number of working groups to promote greater knowledge of and attention to certain areas of internet business. Among them are working groups on infrastructure, internet security and the key question of user experience. AMAS Director Fiachra Ó Marcaigh serves on the latter group.

AMAS: what we do

AMAS is a consultancy specialising in online channels. The company is retained by businesses and government bodies to plan, manage, evaluate and market their online channels. Services include:

- **Strategy**
- **Marketing**
- **Research**
- **Project management**
- **Audits**
- **Outsourcing**
- **Content**

Find out what AMAS can do for you. Contact Aileen O'Toole, Managing Director, on + 353 1 6610499 or info@amas.ie.