Research Report

The Connected Consumer Survey 2015: OTT communication services

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About this report

- This report focuses on aspects of Analysys Mason’s annual Connected Consumer Survey that relate to the behaviour and plans of over-the-top (OTT) communication service users in France, Germany, Indonesia, Malaysia, Morocco, Poland, Qatar, Saudi Arabia, South Africa, South Korea, Spain, Turkey, UAE, the UK and the USA. The survey was conducted in association with Survey Sampling International (SSI) and On Device Research.

- The research was conducted in July and August 2014. The survey groups in Europe and the USA were chosen to be demographically representative of the broader online consumer population, and those in Asia–Pacific and the Middle East and Africa (MEA) were chosen to be representative of the mobile-Internet-using population. We set quotas on age, gender and employment status to that effect. There were a minimum of 1000 respondents per country, and 22,174 respondents.

- This report focuses on several issues that are critical to the strategy of mobile operators in 2015, including:
  - penetration of OTT communications apps, including OTT messaging, VoIP and video calling apps
  - the market demographics for OTT messaging adoption, and the impact of these services on operators’ SMS services
  - use cases for, and barriers to adoption of, VoIP and video calling services.
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19. The ‘messaging giants’ in Europe and the USA appeal across age groups and platforms, but a long tail of services is catering to niche segments

20. OTT messaging penetration and SMS usage are highest among younger age groups in Europe and the USA

21. A lack of universal reach limits the ability of OTT apps to fully replace SMS, but substitution is advanced in several countries nevertheless

22. Unlimited SMS message allowances may have restricted OTT messaging penetration in some countries, but SMS volumes are decreasing overall

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Messaging was the most widely used OTT communication service on handsets, and video calling apps were used more than VoIP

- Penetration of OTT messaging (IP or social messaging), voice and video calling services varies significantly by country. OTT messaging was the most commonly adopted category of OTT service, because it offers an improved user experience compared with SMS, at zero or minimal cost.

- Penetration of VoIP on mobile handsets remains relatively low in Europe and the USA. In contrast to messaging, VoIP apps have not been able to offer a significantly differentiated user experience or price advantage for domestic calling.

- The Gulf Cooperation Countries (GCC) in the survey had the highest VoIP and video communication app penetration in the panel because the large population of workers from overseas use these services to communicate with friends and family in their home countries.

- In Malaysia and Indonesia, fragmentation between services was significant. Five services have more than 20% penetration of respondents in Malaysia, and six in Indonesia. In South Korea, only KakaoTalk fits this description.

Figure 2: OTT communication app usage on smartphones, by category, country and region [Source: Analysys Mason, 2015]

- Question: “Which of the following services do you use on your handset?”; n = 15,072.

1 The respondent panels in Asia-Pacific and MEA are representative of mobile Internet users, who are more likely to be smartphone owners and to use these services than the general population. In these regions, smartphone owners tend to be early adopters, and therefore penetration of services may appear higher than in more mature markets worldwide.

2 Social messaging apps are those that fall between social networks (such as Facebook) and pure messaging apps (such as WhatsApp Messenger). Examples include Instagram and LINE.
OTT messaging penetration and SMS usage are highest among younger age groups in Europe and the USA

- OTT messaging penetration is highest among younger age groups and these respondents are typically heavy users of SMS. OTT messaging services often encourage users to send more messages because the apps facilitate chat-style conversations, and are free.

- In Europe and the USA, Facebook Messenger, Skype and WhatsApp Messenger, the three dominant apps, were each used by over 30% of OTT messaging users in these regions. The market is characterised by a long tail of niche apps that appeal to specific groups, often based on age, and often within a specific country – for example, Kik in the USA and Snapchat in the UK.

- Respondents in most countries in Asia-Pacific and MEA used a combination of OTT messaging and traditional SMS for messaging on their handset. In Europe and the USA, 63% of respondents with smartphones did not use OTT messaging services.

- The example of Turkey shows that high usage levels of SMS do not protect against OTT substitution. Operators need to use pricing levers to more-effectively manage the decline of SMS. They should also consider improving the user experience of their communication services to remain competitive.

Figure 3: SMS usage and OTT messaging app penetration by age group, Europe and the USA [Source: Analysys Mason, 2015]
Executive summary

Recommendations

Penetration of communication apps

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VoIP and video calling services

Methodology and panel information

About the authors and Analysys Mason
About the authors

Patrick Rusby (Analyst) is the lead analyst for Analysys Mason’s SME Strategies research programme, and contributes to the Mobile Services programme within the Consumer research practice. Patrick’s areas of specialisation for SME strategies are SME technology trends and adoption, enterprise mobility, SaaS and IaaS services for SMEs and unified communications. Within Mobile Services, Patrick is focused on the MVNO market and churn-reduction strategies for operators. Patrick was previously a Research Manager for Knowledge Peers, a peer learning platform helping SME CxOs share best practice in finance, technology and telecoms. He holds a Master’s degree in Contemporary British Politics from Goldsmiths College, University of London.

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