



Use of Internet services

Digital Agenda Scoreboard
2014

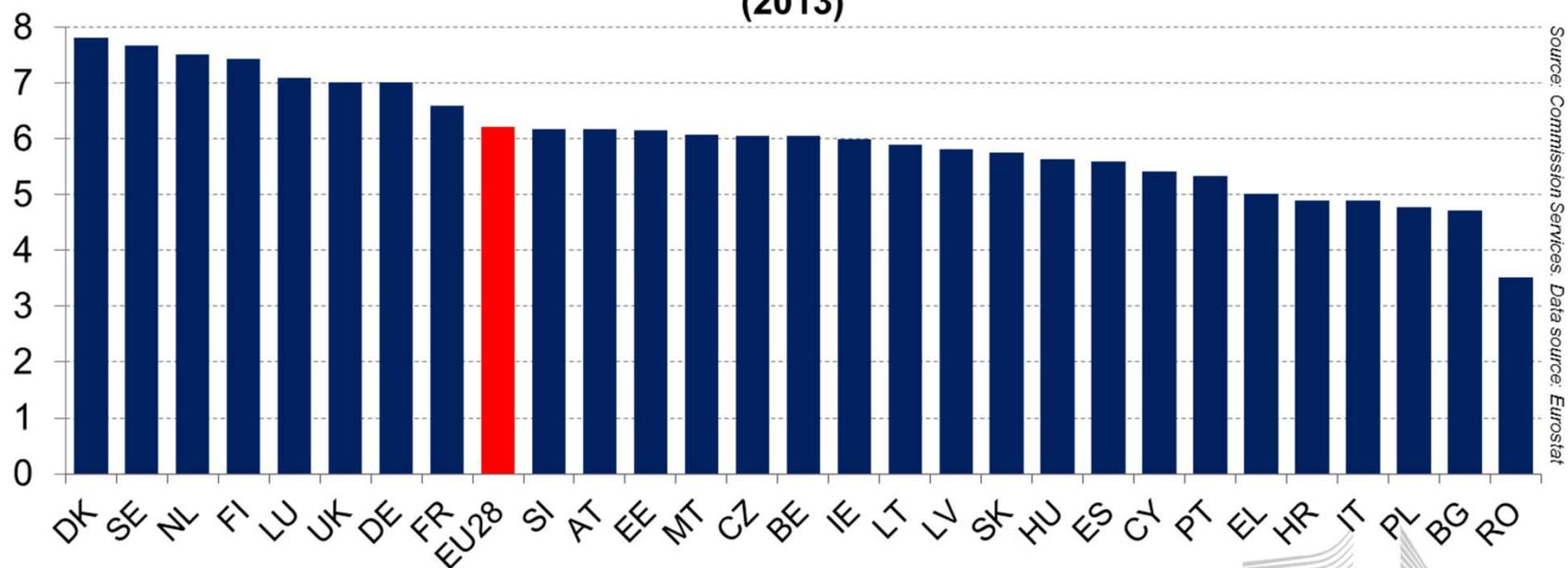
In countries where internet use is more defused, individuals also use a wider **variety of online services**.

The Diversification index (see chart) measures the mean number of online activities (out of a set of 12) undertaken by internet users. The index has **grown continuously of the past few years, from 5.1 in 2009 to 6.2 in 2013**, showing that as people become more experienced and confident online, they not only increase their frequency of use but also the diversity of the activities they perform. **This process takes time**, and while leading countries such as Denmark and Sweden are about 4 years ahead of the EU average, internet users in lagging countries such as Romania, Bulgaria, Italy and Poland are 4 years behind the average in terms of diversification of their online behaviour.

The Diversification Index is calculated for individuals that used the Internet in the previous 3 months, and is computed as the number of activities performed out of the following 12 selected activities:

- sending/receiving e-mails
- browsing for information about goods and services
- reading online newspapers/news
- looking for information on travel/accommodation services
- posting messages to social media
- interacting with public authorities
- internet banking
- telephoning or video calls
- selling goods or services
- purchasing content (films, music, software)
- purchasing goods
- purchasing services

Diversification Index of Activities performed Online by Internet Users (2013)



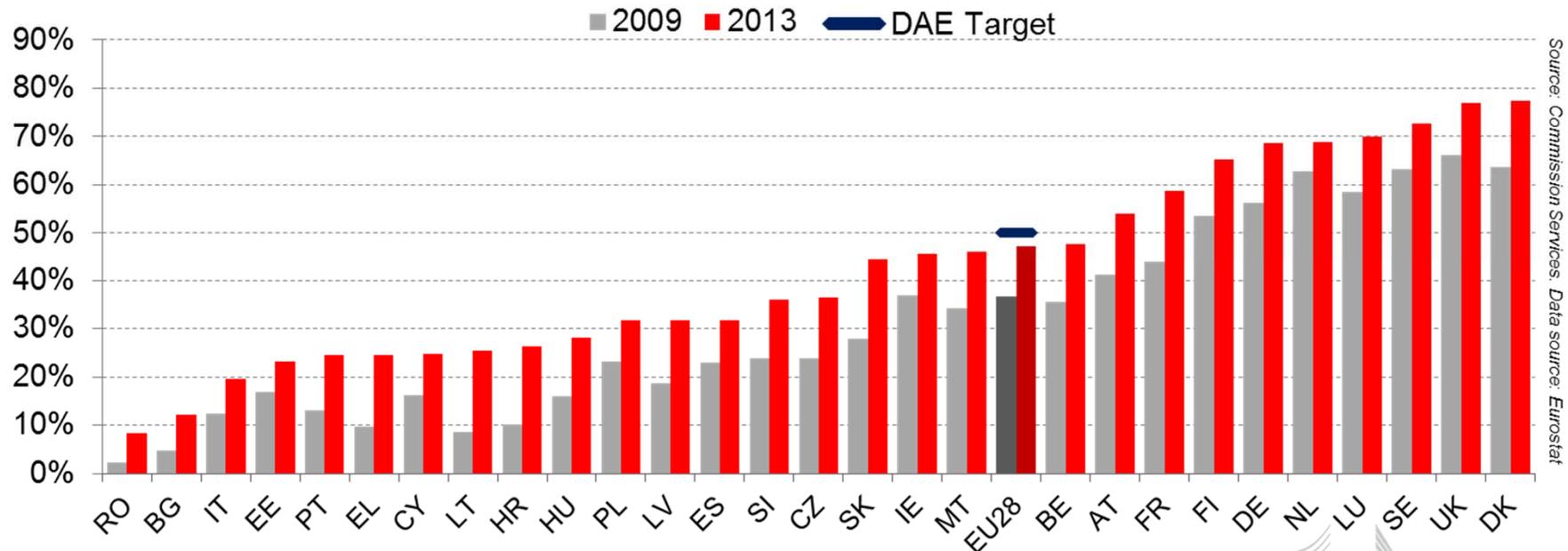
Source: Commission Services. Data source: Eurostat

Online shopping is growing, but less so cross-border.

The proportion of **online shoppers continues to grow**, up more than 10 percentage points over the period 2009-2013 to **47% of citizens**, advancing in a close parallel with the rate of internet use. As such the Digital Agenda **target of 50% by 2015 is likely to be achieved**. While there appears to be no overall relationship between the rate of online shoppers in a country and the rate of increase in this rate over the period observed, the countries with the lowest rates of online shoppers (Romania, Bulgaria, Italy and Estonia) have also seen least progress in increasing rates..

Cross-border online shopping has also increased somewhat over this period, up to **12% in 2013** (+4 percentage point over 2009), but this pace is **too slow to achieve the target of 20% by 2015**. As could be expected, smaller member states have higher rates of cross-border shopping. However, they also exhibit higher growth. In Poland only 9% of online shoppers purchased cross-border, the lowest share of all member states by far.

Online shopping by citizens (% of individuals)



Source: Commission Services. Data source: Eurostat

Europeans increasingly download Apps.

App Economy continues solid growth both in Europe and worldwide.

In 2013, total App downloads from all platforms reached 90bn worldwide and 20bn in Europe.

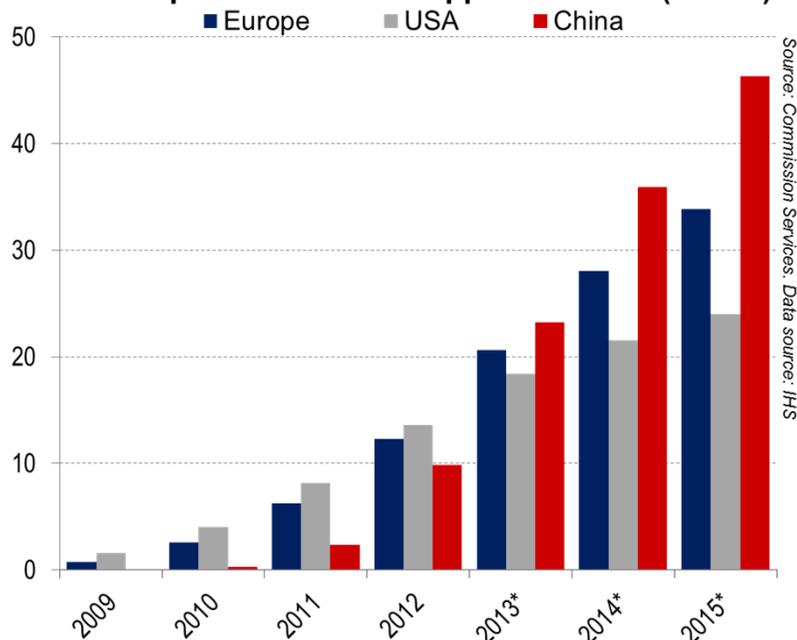
The number of downloads grew a staggering 80% worldwide in 2013. Europe showed a 68% growth, and the USA grew at a rate of 36%. However, growth is slowing, and forecasts for 2014 point to an increase of 44% in downloads worldwide, 36% in Europe and 17% in the USA.

In 2013, App revenues (downloads and In-App purchases) reached EUR 12bn worldwide and EUR 2.75bn in Europe.

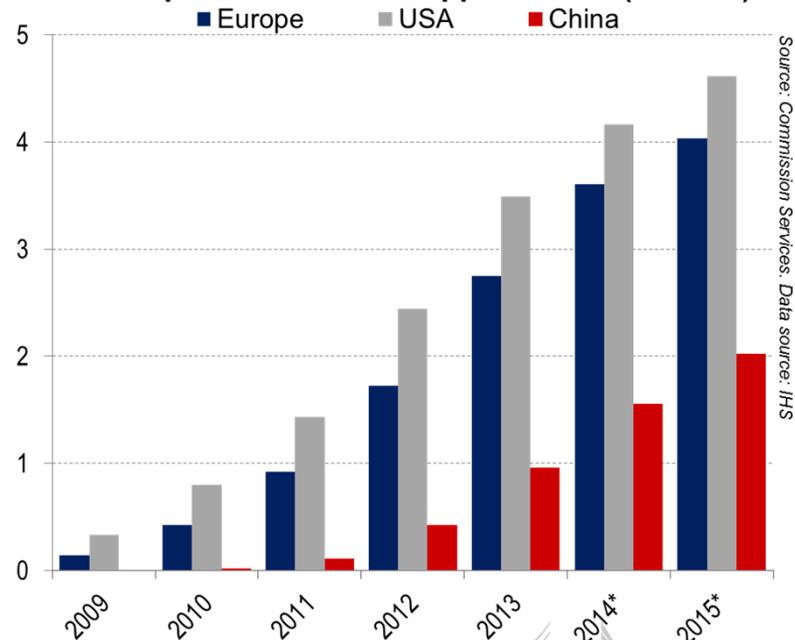
Worldwide App revenue has roughly doubled in 2013 (97% growth). In Europe it grew 59% and 43% in the USA. Revenue growth is slowing down and in 2014 it is expected to grow 32% worldwide, 31% in Europe and 19% in the USA.

China's App economy "woke up" only recently. From nearly no downloads until 2010, China has surpassed both Europe and the USA in 2013 with a total of 23bn downloads and a growth rate of 135% for that year. However, revenues have not yet caught up. While China accounted for 26% of worldwide App downloads in 2013, it accounted for a mere 8% of revenue.

Smartphone and Tablet App Downloads (billion)



Smartphone and Tablet App Revenue (bn EUR)



Apple App Store and Google Play are the main App platforms.
Google Play becomes leader in App downloads.
Apple App Store remains ahead in total revenues.

Google Play and the Apple App store are the two main platforms for App distribution worldwide.

In 2013 they accounted together for three quarters of worldwide App downloads and about 90% of revenue from App purchases (App downloads plus In-App purchases).

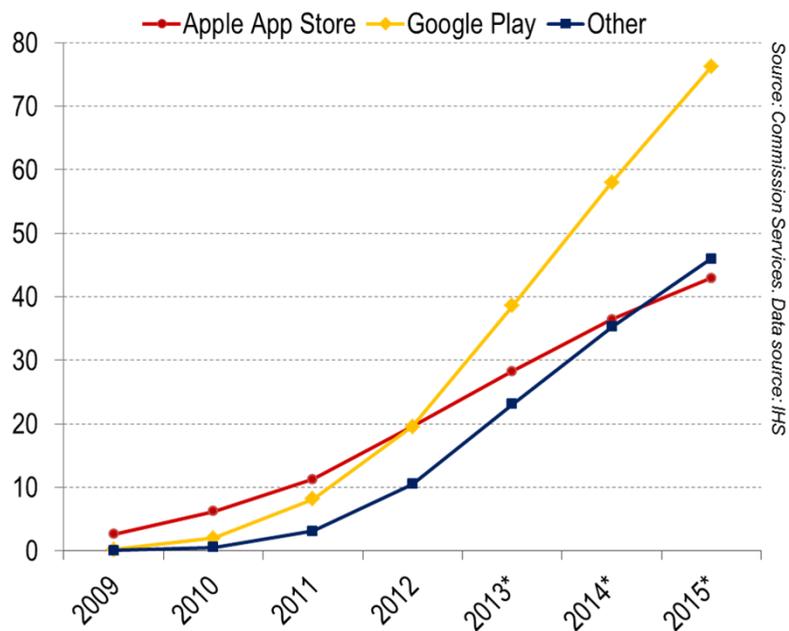
Concerning App downloads, Google Play is in the lead with 38bn downloads in 2013 versus 28bn for the Apple App Store.

In terms of revenue, Apple's App Store generated over EUR 7bn in 2013, almost the double of the EUR 3.8bn generated by Google Play.

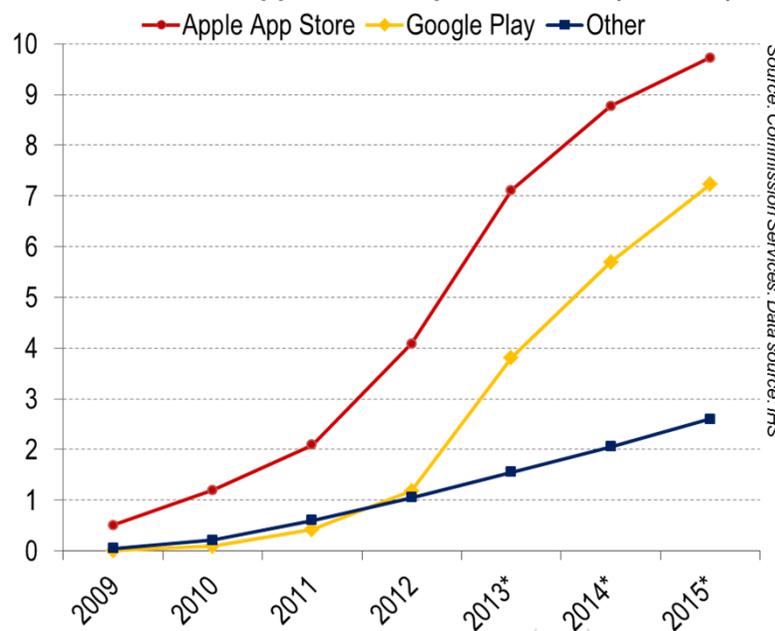
Both platforms are in rapid expansion, whether measured in terms of App downloads or in revenues therefrom.

The Apple App Store grew 45% in terms of downloads and 75% in terms of revenues in 2013. Google Play nearly doubled in number of downloads and saw a near 4-fold increase in revenue.

Worldwide App Downloads per Platform (bn)



Worldwide App Revenue per Platform (bn EUR)



In-App Purchases have become the preferred App business model.

Games generate more revenue than all other Application types together.

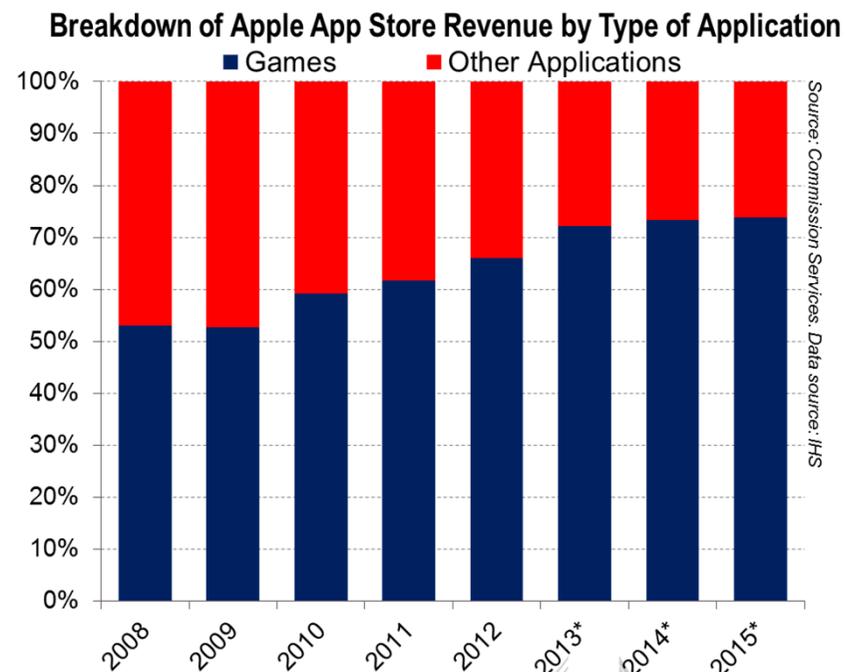
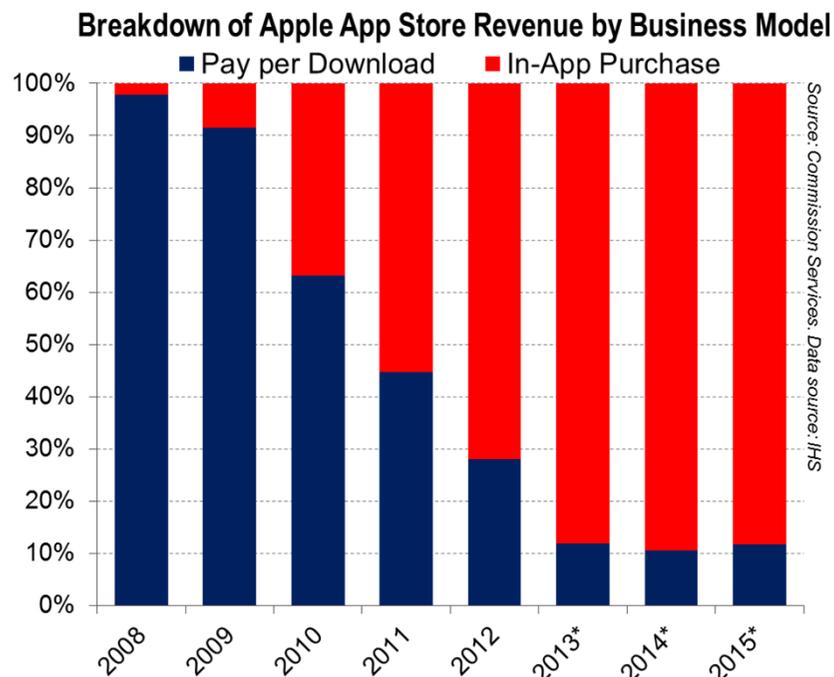
Looking at the breakdown of revenue from the **Apple App Store** in Europe reveals preferred business models and types of content.

In-App purchases are the preferred App business model, over Pay per Download.

In-App purchases account for close to 90% of App Store revenues in Europe in 2013. The revenue from In-App purchases was over EUR 1.4bn in Europe, versus less than EUR 200m from App paid downloads.

Games generate the largest share of App revenues, more so than all other Applications together.

Games account for over 70% of App Store revenues in Europe in 2013. The revenue from Games reached about EUR1.2bn in Europe, whereas other Applications generated only over EUR 400m.



Advertising revenues are in **slow recovery** after the financial crisis.

Online + Mobile advertising are growing much faster than the advertising sector as a whole.

Online advertising is overtaking traditionally dominant segments in terms of revenue share.

After the severe dip due to the financial crisis and the ensuing period of near-stagnation, **advertising revenues have slowly started to recover**.

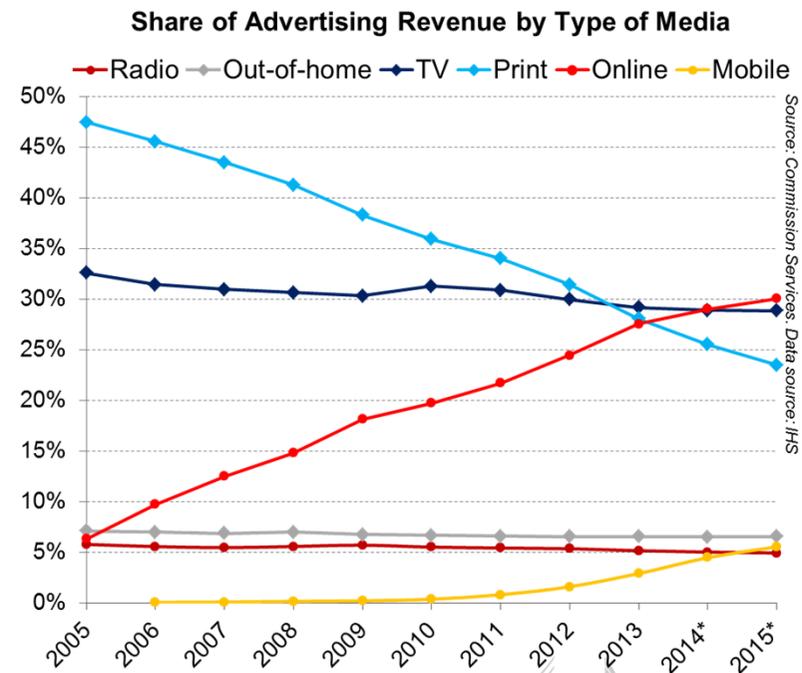
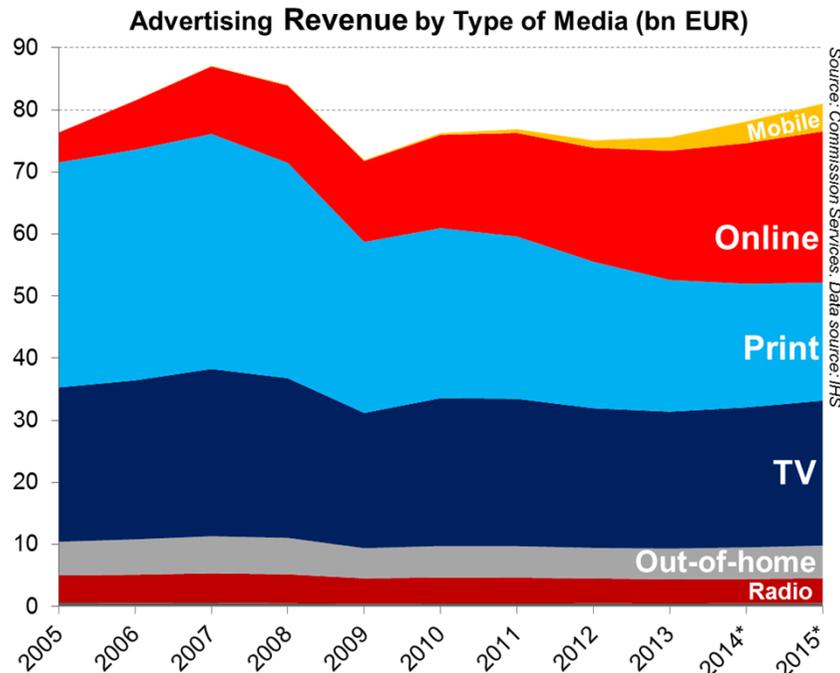
Total advertising revenues** reached EUR 75.593bn in 2013, which still represents only 87% of the 2007 pre-crisis peak value.

Revenue for the whole advertising industry returned to **positive growth of 1%** in 2013 (+EUR 0.5bn) largely due to the Online + Mobile segments.

In 2013, revenue from **traditional segments decreased 5%** (-EUR 2.9bn), while the **Online + Mobile segments grew 18%** (+EUR 3.4bn).

Online + Mobile advertising revenue shares have grown steadily since 2005. At EUR 23bn in 2013, they accounted for over 30% of total advertising revenue.

By contrast, the revenue shares of the **Print and TV segments have been declining**, and are about to be overtaken by the Online segment.



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** data comprising 23 EU countries (excluding Cyprus, Latvia, Lithuania, Luxemburg and Malta)

* forecast for 2014 and 2015

Germany, the UK and France account for over 60% of advertising revenue in the EU. The UK accounts for the largest share of online revenues.

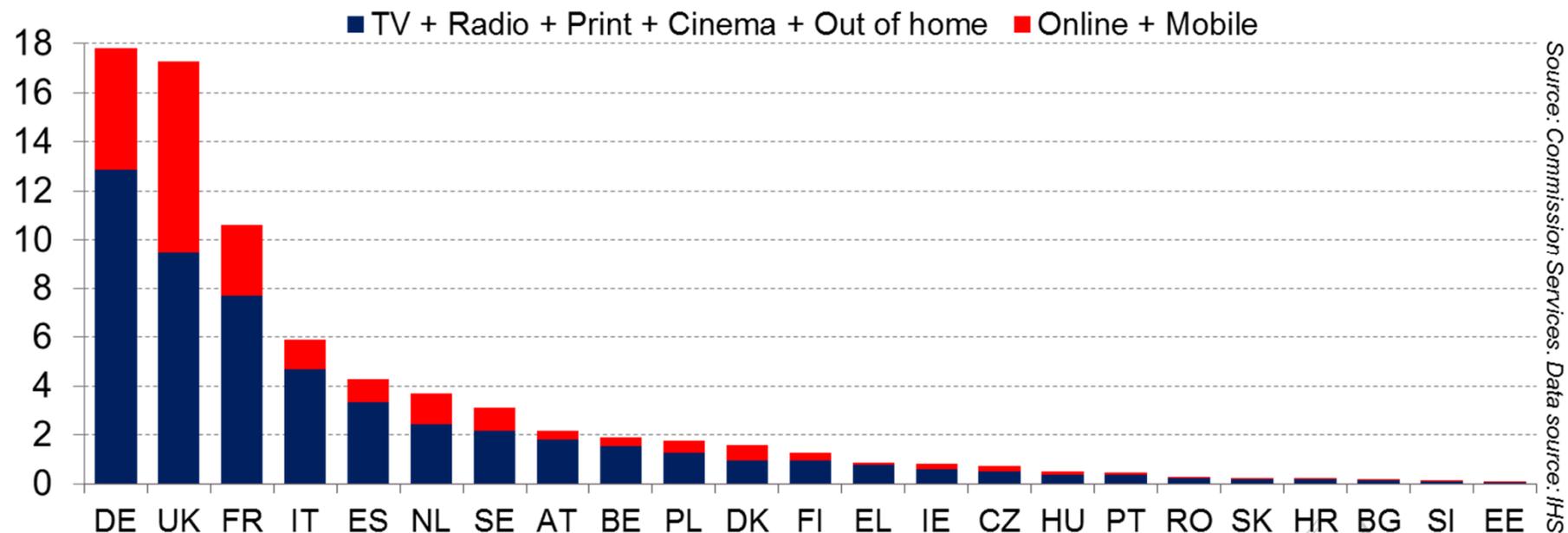
The largest European countries also generate the most advertising revenues: **Germany** (23.5%), the **UK** (22.9%) and **France** (14%).

The share of online revenue in total advertising revenue varies significantly across countries. The **UK accounts for the largest share of online revenues** (45%), followed by Denmark (39%) and the Netherlands (34.5%).

Both the UK and Germany showed growth in total advertising revenues in 2013 (UK: 9.5%, DE: 4.3%), as well as in the online segment (UK: 24%, DE: 33%). France showed some growth in the online segment (6%), but a decline in total revenues (-1.2%).

Due to the revenue from the Online segment, **the UK is expected to overtake Germany** as the biggest advertising revenue generator in 2014, with a forecast EUR 18.5bn in total revenue.

Advertising Revenue per Country in 2013 (bn EUR)



Source: Commission Services. Data source: IHS