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Foreword

The continuing rapid adoption of mobile devices and increasing ubiquity of connectivity is changing our everyday lives at an ever increasing pace. Its continuing adoption is driving not just consumers but also business strategy. More and more companies are declaring that they are going mobile first.

In order to understand what drives consumers to choose, connect and use their mobile devices Deloitte conducts the annual Global Mobile Consumer Survey. By gathering insights from 37,000 respondents across 22 countries and by combining the results with expert perspectives, we provide one of the largest information resources of its kind.

This survey offers a perspective on the Finnish market by combining up-to-date comparisons with other countries and with last year’s survey results.

We hope you find these insights useful. If you would like to discuss the data or hear the perspective of our experts on the impact of these trends on you and your business, please do not hesitate to contact us.

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Partner, Head of Technology, Media & Telecommunications
Deloitte Finland
Smartphones are everywhere

We are all aware that for many people – today arguably the majority of Finnish citizens – the smartphone has become an integral part of their lives.

The popularity of smartphones has grown steadily and so far there are no signs of slowdown. There is still room for growth especially among older consumers where smartphone penetration is around 50%. Almost 30% of consumers who still don’t own a smartphone, think about buying one next year.

Approximately two thirds (65%) of all Finns now have a smartphone. This is 14 percentage points higher than in 2013, with the biggest rise in penetration among the 18-24 year olds (see Figure 1). Despite of the rapid growth, Finland still lags behind the European average that is 74%. Basic phones start to be rare especially among the youngsters as they are used only by 20% of young Finns. However, they still rule among older consumers: approximately 60% of over 55 year olds still use basic phones.

In addition, tablet ownership has also grown steadily. The tablet penetration rate in Finland is now 33% with a growth of stunning 65% from previous year. Tablets are now most popular among 35-44 year olds (42%). However, other age groups are following strongly. Almost 20% of consumers express their interest in buying a tablet next year.

Figure 1: Smartphone ownership by age group
Question: Which of the following portable devices do you own or have ready access to (smartphones)?

Base: All respondents, FIN, (2014) 1,000, (2013) 1,000, (2012) 1,127
Wake up and plug in

We don’t seem to be able to leave our smartphones alone. Smartphones have become an essential part of our everyday life. In Finland 35% of smartphone users check their phone more than 25 times a day. Young people are even more addicted as Finns under 25 years use their phones approximately 55 times per day. In comparison, 65-70 year olds check their device only 14 times per day.

Smartphones are in our hands as soon as eyes are opened. The wake up routine of most of the smartphone owners starts by checking who has been in touch with them overnight. Most smartphone owners first check their text messages, followed by e-mail and social networks. As can be expected, people under 25 years first check their social networks and then instant messages. More than half of the Finns use their smartphones within 15 minutes of waking up and more than 90% within an hour of waking up.

Figure 2: Interval between waking up and checking smartphones
Question: Typically how long is the interval between you waking up and looking at your phone for the first time (not including turning off your phone’s alarm clock)?

<table>
<thead>
<tr>
<th>Time</th>
<th>All</th>
<th>iPhone</th>
<th>Samsung</th>
<th>Nokia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immediately</td>
<td>17%</td>
<td>25%</td>
<td>20%</td>
<td>12%</td>
</tr>
<tr>
<td>Within 5 min.</td>
<td>36%</td>
<td>52%</td>
<td>42%</td>
<td>27%</td>
</tr>
<tr>
<td>Within 15 min.</td>
<td>55%</td>
<td>72%</td>
<td>57%</td>
<td>46%</td>
</tr>
<tr>
<td>Within 30 min.</td>
<td>68%</td>
<td>80%</td>
<td>73%</td>
<td>58%</td>
</tr>
<tr>
<td>Within 1 hr.</td>
<td>88%</td>
<td>95%</td>
<td>90%</td>
<td>83%</td>
</tr>
</tbody>
</table>

Weighted base: All respondents with a smartphone (652); iPhone owners (94), Samsung smartphone owners (201), Nokia smartphone owners (254)
Instant messaging and SMS: a complement and a competitor

Although Instant Messaging (IM) has so far not displaced SMS in Finland and is currently used by mainly young Finns, its success points to risks that may be facing mobile operators.

IM services have grabbed the headlines in 2014, because of their valuations as well as their volumes. IM is often considered a cheaper and higher functionality replacement for SMS. Free sending and network effect are the most dominant reasons behind IM services’ popularity.

According to Global Mobile Consumer Survey 28% of Finnish consumers use IM services regularly. IM services have appealed especially to young consumers. Among the 18-24 year olds 67% of respondents use IM services on a weekly basis (see Figure 3). This is a remarkably higher percentage than compared to for example UK where only 45% of 18-24 year olds use IM services on a weekly basis. Despite IM services’ great success among youngsters, the usage of IM services drops dramatically when moving to older age groups: only 4% of people aged 71-75 use IM services on a weekly basis.

Moreover, despite of the intensity of IM usage, SMS’s and voice calls have not been displaced. In Finland, SMS is used by over 80% of all consumers on a weekly basis. SMS is the only messaging service that works on all phones and the only service that will work in the absence of data connectivity.

Figure 3: Weekly use of different forms of communication

Question: In the last 7 days, in which of the following ways did you use your phone to communicate with others?

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Voice calls</th>
<th>SMS</th>
<th>IM</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24</td>
<td>70%</td>
<td>67%</td>
<td>67%</td>
</tr>
<tr>
<td>25-34</td>
<td>82%</td>
<td>49%</td>
<td>34%</td>
</tr>
<tr>
<td>35-44</td>
<td>84%</td>
<td>34%</td>
<td>18%</td>
</tr>
<tr>
<td>45-54</td>
<td>87%</td>
<td>18%</td>
<td>11%</td>
</tr>
<tr>
<td>55-64</td>
<td>89%</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>65-70</td>
<td>89%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>71-75</td>
<td>83%</td>
<td>5%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Weighted base: All adults 18-75 who have a phone or smartphone (954)
The majority of IM users have space for two IM services at most

IM services are incompatible with each other, which could easily lead to fragmentation. However, the IM market shows strong signs of consolidation. Despite of the rapid growth of IM services especially among the youngsters, consumers have space only for two IM services at most. According to survey results, almost 50% of Finnish IM users use only one IM app on a weekly basis (see Figure 4).

When using IM services the content of messages is rich and includes much more than just texts. For example, most IM communications include photos and/or videos in addition to text-based material. IM users send on average more than one photo a day and a video every five days.³

![Figure 4: Number of IM apps used on a weekly basis](image)

Question: On a weekly basis, how many IM apps do you normally use?

Note: Those who responded ‘Don’t know’ have been excluded from this analysis
Base: All adults 18-75 who have used IM apps in the last 7 days (268)

**Bottom line**

The smartphone has rapidly become a device that many of us cannot live without. The demand for uninterrupted Internet connectivity will increase as what we do with our phones becomes even more important.

There are a great number of services in the IM market but only a handful of them are able to succeed. Consumers have space only for two IM services at most and thus the competition in the IM market is fierce. In all probability, there will only be room in each country for a very small number of IM service providers who are likely to be global players.
Mobile networks:
4G is about to become mainstream

As 4G celebrates its fourth birthday in Finland, it is enjoying fast take-up rates, with relative subscriber numbers more than doubling during the last year from 6% to 14% of the Finnish mobile phone owners. Next year could be a game changer in the 4G market as 24% of Finnish respondents are likely to get their first 4G subscription in 2015.

4G offers significantly greater speeds than 3G, with actual speeds attainable varying by country. In Finland, 4G’s actual average speed is estimated at 15 Mbit/s-18Mbit/s downstream, approximately five times faster than 3G. This is ample for video streaming. When 4G was launched, it was expected to transform consumer behaviour, with video being a major application.

In this year’s survey we asked respondents with 4G which applications they were using more frequently since taking up 4G. The applications showing the most increase were the most ordinary, namely e-mail, navigation and searching for information online. Only a quarter of respondents were watching more video or streaming more music since subscribing to 4G.

In this year’s survey, undertaken in May 2014, the proportion of respondents with 4G had more than doubled to 14% of the sample, and many did not pay a premium for the service (see Figure 5). In terms of usage, we are seeing what we believe is more of a steady-state consumption pattern. E-mail and social networks are now in joint first place in terms of applications used more since adopting 4G. The three most used applications were respectively e-mail, navigation and searching for information. These are also popular applications on 3G, but they are easier to use on 4G due to faster download speeds, and so are used more frequently.

Figure 5. Premium paid for 4G

Question: Do you pay a premium for the 4G/LTE service relative to what you were paying for Internet before you subscribed to 4G/LTE?

Weighted base: Respondents who subscribe to 4G (136)
In most countries taking part in the survey, an additional reason for poor video take-up relates to data allowances. For example, in the UK a quarter of 4G subscribers have a data allowance of less than one gigabyte which allows about one hour of video streaming; and about a third of 4G subscribers have a data allowance of between one and three gigabytes.

While consumers in countries with strict data allowances may avoid using 4G due to concerns about exceeding their allowance, this is less likely in Finland. This is due to majority of the Finnish consumers enjoying unlimited data packages. 65% of Finnish 4G subscribers have unlimited monthly allowance and further 11% are unsure about their allowance.

4G squares up to Wi-Fi?

Another consequence of small data allowances in certain countries is a preference for Wi-Fi instead of cellular mobile. Over the last three years of the Mobile Consumer Survey, Wi-Fi has been the preferred network connection for the majority of UK smartphone users, including 4G subscribers. In addition to cost, speed was another reason for this. However, in Finland cellular mobile has constantly been a more popular method of mobile connectivity, possibly because of popularity of unlimited mobile subscriptions and a lack of public Wi-Fi hotspots. Also, the Finnish respondents see that 4G speeds are faster in public locations, such as in restaurants or shopping malls, than commuting or at home (see Figure 6).

Figure 6. Respondents’ perception of speeds received via 4G as compared to Wi-Fi, by different location of usage
Question: How do the 4G speeds on your phone compare with Wi-Fi speeds in the following places?

Note: Those who responded ‘Don’t know’ have been excluded from this analysis
Weighted base: Respondents who subscribe to 4G and are using Wi-Fi in the following locations: At home (100), When out and about (97), When commuting (85)
Deloitte expects that watching video on 4G will remain occasional and used for short video clips rather than films or TV programmes. While 4G may not be changing the services for which smartphones are used, it is certainly enhancing the use of existing services.

To maintain the consistency of their experience many may avoid using Wi-Fi networks especially when manual sign-in is required, such as in coffee shops and while commuting. More common use of data allowances would increase operators’ ability to charge a premium for 4G. Moreover, the costs and user limits of 4G subscriptions could be tailored based on planned usage.
The app store business: beware the gold rush

Over the years, app stores have passed some impressive milestones: one hundred billion apps downloaded by July 2013, two million apps available by October 2013, and the first app to hit one billion downloads on one app store by May 2014.\(^4\)

While the aggregate number of downloads remains impressive, the Finnish (and global) data of our Mobile Consumer Survey is showing a major decline in average number of apps downloaded per user. Among smartphone owners, excluding those who have never downloaded an app, the average number of downloads per month fell drastically from 2.0 in 2013 to 1.0 in 2014.\(^5\) Only a small proportion (just over 10 per cent) of consumers make app-related purchases monthly. Consumers’ reducing appetite for downloading apps (even if they may use them frequently) and the limited take-up of app-related purchases may be casting a shadow over the market.

There are three main reasons for the decline in the number of app downloads. First, as the base of smartphone users has grown, the appetite for apps among new users has lessened. Recent adopters of smartphones tend to be more laggards than early adopters. In 2014, smartphone penetration among the over 55 year olds reached a total of 49%, 12 percentage points higher than in 2013. The survey shows that a fifth of the smartphone users in this age group had never downloaded an app, compared with just 4% among the 18-24 year olds and 6% among the 25-34 year olds, the earlier adopters of smartphones (see Figure 8).

**Figure 8. Respondents who have never downloaded an app by age group**

Question: How many apps do you download on your phone in a typical month (respondents who have never downloaded an app)?

Weighted base: Respondents who connect their smartphone to the Internet (580)
Second, given the maturity of the market, most smartphone users already have the apps that they need, and their demand for new apps is not as strong. In addition, as the quality of apps improves, people use them for longer and feel less need to replace them. Among our respondents, 37% of smartphone users had not downloaded an app in the previous month and 12% had downloaded only one. Third, consumers may use their smartphone to access a mobile website rather than download a specific app, as sites are increasingly developed to be ‘mobile friendly’. Use of mobile sites is likely to be more pronounced for occasional users of a service.

App-related purchases: a low-spenders business

App revenues in Finland are generated by a minority of smartphone owners. According to the survey, only 13% pay for apps or app subscriptions or make any in-app-related purchases, such as additional lives or credits for games each month (see Figure 9). Average monthly spend on apps, excluding those who have never made an app-related purchase, was 2.74€ per smartphone owner.

Figure 9. Smartphone users’ monthly app-related expenditure
Question: How much do you spend per month on apps/games, including purchases that you make via the apps on your phone? Please include any app subscriptions that you have and pay per month.

![Figure 9. Smartphone users’ monthly app-related expenditure](image)

Weighted base: Respondents who connect their smartphone to the Internet (580)

In a typical month, more than 40% of Finns do not download any new apps. Last year the corresponding number was 28%. Only 4% of consumers download more than four apps in a month. Moreover, purchasing an app is even more uncommon as more than half of the Finns have never purchased an app.
Many play but few pay

Playing games is one of the most popular activities on smartphones. According to our research, almost a third of Finnish smartphone owners play games weekly. ‘Games’ is also the highest-grossing app category, accounting for over three quarters of app store revenues. However, the survey results show that only 6% of respondents with a smartphone spend any money on purchasing games and further 3% for game related virtual goods. The 18-24 year olds are those most likely to make purchases (see Figure 10).

Figure 10: Smartphone owners that play games, make app-related purchases and those that do not make app-related purchases

Question: In the last 7 days, for which, if any, of the following activities have you used your phone for? In the last month, which of the following did you purchase for your phone?

Weighted base: Respondents who connect their smartphone to the Internet (580)

Subscription services are still a niche market

Other sources of revenue for app stores are subscription-based streaming services for films and music. Watching films on a phone can be difficult due to the small screen, but music is well-suited to smartphones. In Finland using Internet-based streaming services on a smartphone is currently as popular as listening to music stored on phone.

Streaming and watching TV or movies online has already surpassed watching video stored on the device. Deloitte’s view is that the absence or rare implementation of mobile data allowances has made streaming more appealing option among smartphone users in Finland. However, still only a fifth of the respondents use music and 12% of the respondents use video services based on streaming.
As the smartphone user base in Finland expands and consumers get the apps they want, the average number of app downloads per smartphone user is likely to decline. Consumer appetite for app related purchases or subscription-based services does not seem likely to change, when so much is available for free.

For developers, games and content makers, this will raise questions about the size and profitability of the mobile market and they may need to look for additional revenue streams. Advertising is likely to become an increasingly important source of revenue (just seven per cent of the total today).
Endnotes

1 The fieldwork for the 2013 and 2014 survey results took place in Finland in May 2013 and May 2014 respectively. In both cases, the sample was nationally representative of the population aged 18-75.


4 For two million apps available, see: Apple announces 1 million apps in the App Store, more than 1 billion songs played on iTunes radio, The Verge, 22 October, 2013: http://www.theverge.com/2013/10/22/4866302/apple-announces-1-million-apps-in-the-app-store; for 100 billion downloads, see: Google Play Passes 50 Billion App Downloads, Mashable, 19 July 2013: http://mashable.com/2013/07/18/google-play-50-billion-apps/; for the first app to hit one billion downloads, see: Gmail Android app is first to hit one billion installations, The Guardian, 16 May 2014: http://www.theguardian.com/technology/2014/may/16/gmail-android-app-one-billion-installations-google-milestone

5 The analysis in this chapter applies to smartphone owners who use their device to connect to the Internet.


About the research

The Finnish data cut is part of Deloitte Global Mobile Consumer Survey, a multi-country study of mobile phone users around the world. The 2014 study comprises of 37,000 respondents across 22 countries and five continents.

Data cited in this report is based on a nationally representative sample of 1,000 Finnish consumers aged 18-75. Fieldwork took place in May 2014 and was carried out online by Ipsos MORI, an independent research firm, based on question set provided by Deloitte.

This brief report provides a snapshot of some of the insights that the survey has revealed. Additional analyses such as: reasons for buying mobile devices, device replacement cycle, reasons for joining/leaving mobile operators, attitudes towards triple/quad play, usage of tablets are available upon request.

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