

Embracing technology



The **Egg** Interim Report

September 2001

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Introduction

**22 million
British adults
now use
interactive
technologies for
their own
personal uses**

Paul Gratton

Chief Executive, Egg plc

As a pioneer in the online banking revolution, I believe that Egg has a responsibility to provide consumers with not only the products they need and the service levels they desire, but also the channels through which to access us that fit in with their lifestyles. To that end, we think it is incumbent upon us to research, examine and report the nation's changing attitudes to these new channels and technologies. For example, who would have imagined that it would take digital TV just a couple of years to reach 33% penetration of the British market? The rate of uptake of new technology is amazing by anyone's reckoning.

So, welcome to the second 'Embracing Technology' report, designed as an update to last year's full report and to pave the way to the next full report later this year.

When Egg launched in 1998 we thought that the internet had some potential. We launched with a telephone service, and a limited set of internet applications. In the first two months we had more applications online than we had expected from both the phone and internet combined. This was clearly a market which was waiting to explode. Since then we have expanded our range of internet applications, developed a WAP service and most recently launched a refreshingly different interactive digital TV service. In under three years we have seen our customer base grow exponentially. It seems consumers were most definitely ready for it.

What has become clear is that the rate of change in both technology development and technology adoption is increasing rapidly. It is less than ten years since PCs started appearing in homes. Five years ago mobile phone usage was dominated by a small number of business users, and very few consumers had even heard of interactive television - remarkably, over one third of the British population now actively use digital TV in their homes. A cultural revolution seems to have taken place in Britain over the past decade.

Our PCs, mobile telephones, laptops and digital television sets are rapidly becoming 'functional' pieces of everyday life, on which we increasingly rely. What has emerged since our initial report is that consumers are growing in their sophistication and appetite. They are becoming increasingly comfortable with new technology and, over the six months to April 2001, increasingly discerning in what they use these new channels for.

This growth in popularity in online banking, together with the explosion in digital television uptake, shows we are getting it right in terms of our channel strategy. And it looks like our commitment to monitoring consumer attitudes to new technology is going to reap rewards for our customers by enabling us to bring them the products and services they want through the channels they want.

**Nearly 5
million people
have either
bought or
serviced a
financial
product online***

Foreword

A million people started banking online between September 2000 and April 2001

Professor Robert M Worcester
Chairman, MORI

Interactive technologies are no longer a novelty. The hype and over-excitement have died down and a new attitude of practical realism now prevails.

This research provides evidence that mobile phones, PCs, PDAs, digital TV and the web are increasingly seen as tools to help people to get the most out of day-to-day living, just like the car or the microwave oven. Interactive technologies are no longer seen as (slightly scary) playthings for geeks, as underlined by the big increases we've seen in the adoption of technologies by women and the over-55s.

Use of the web is still growing, but use of interactive television is now growing even faster, just as we'd expect of a younger technology not quite so far up the S-curve. There's no doubt that digital TV is opening up interactive technologies to new population segments which would not have considered PC-based access to the web before. It's only a matter of time before the boundary between PC internet and interactive television will be blurred.

Consistent with the growing view of technology as a useful means-to-an-end, we have found over the last year that technology users are becoming more demanding. Their expectations of websites, WAP services, and interactive television are increasing at a rapid rate; they are more aware of the range of choices they have, and are impatient with services that don't deliver quickly and effectively, and that aren't cost effective.

Most websites have responded to growing user demands by vastly improving their services. Over the past few years of researching websites we've witnessed a transition from the situation when most sites were simple 1st generation sites, offering one-dimensional, one-way information provision, to the situation today when most sites offer a more sophisticated and satisfying experience which is multi-dimensional, two-way, and longer-term. The new results corroborate this trend, showing that more and more people are using the web not merely to get information, but also to manage their finances, search for a new job, or get medical advice.

Alongside this, MORI has seen a growing awareness that ease of use is absolutely crucial for the success of a website. It doesn't matter how good the content is, or how cool the design - if people cannot find what they're looking for or if it simply takes too long to get to it, they'll move on. And increasingly they give the site a shorter time of perusal before moving. It's obvious from these survey results that far too many organisations with websites haven't yet put themselves in the minds of the web user and addressed some basic design and navigation issues. While we've seen a shift in user wants from fun to functionality, it's clear that a clumsily executed site is neither!

Mobility is growing, as is the proliferation of gadgets available for people on the move. Nearly two-thirds of British adults use a mobile phone, and nearly half of them find that it has become an integral part of their everyday lives. I am intrigued by the finding that some of them are carrying both WAP and non-WAP mobile phones, and do feel for those poor guys who are carrying around a mobile and a laptop or a PDA. We see a great future for mobile devices which will perform all the functions of a phone, a laptop and a PDA in one, and in the meantime, wireless integration between the devices they do have.

Technical note

MORI conducted a total of 2,008 interviews with adults aged 16+ across Great Britain. All interviews were conducted face-to-face, in-home between 19 and 24 April 2001. The data were weighted to reflect the national profile. Where figures do not sum to 100 per cent this may be due to computer rounding, multiple codes or exclusion of 'Don't Know'. Throughout this report, comparisons are made with the original Egg report - 'Embracing Technology'. A total of 2,029 interviews were conducted face-to-face, in home between 12 August and 5 September 2000.

*Findings marked with an asterisk are derived from an additional survey - 1,957 adults aged 16+ were interviewed between 2-7 August 2001, using the same methodology as the April 2001 survey.

Five million new digital TV users since September 2000

Executive summary

In the six months to April 2001, more than **two million people** started accessing the internet for **personal use**

The Egg Index – measuring the change in proportion of British adults using interactive technologies

- The Egg Index has recorded a rise of seven percentage points between September 2000 and April 2001, with almost half (48%) of British adults now using interactive technologies for personal use.
- This equates to 22 million British adults.

Technology uptake **still growing** quickly

- Since September 2000 the proportion of the population accessing the internet for personal use has increased from 28% to 33%, an additional 2.2 million people.
- Almost six million British adults state that they will start using the internet for personal use within six months.
- One-third of the population now use digital TV, with five million new users since September 2000.

Online ‘marriages’, not short-lived affairs!

- The past six months have seen increased use of internet applications involving interaction and transaction. This Interim report illustrates that many internet users have undergone the transition from simple information-seeking to greater interaction and the development of online relationships.
- Online banking, downloading music, printing off information and online job searches have all shown a marked increase.

Growth in the online personal finance sector

- One third (34%) of all internet users say they have either arranged or serviced a financial product over the internet.*
- Nearly 5 million people have either bought or serviced a financial product online.
- The numbers of British adults conducting online banking has risen by around a million between September 2000 and April 2001.

- One-third of online bankers are women.
- The profile of online bankers is concentrated among men, the more affluent social classes and those on higher incomes than internet users as a whole.

Replacing fun with functionality

- Frequency of use for the key technologies measured has fallen over the past six months, whether for home, study or work use. It appears that use of technology has become more selective and purposeful.

From ‘Silver Surfers’ to ‘Silver Texters’

- SMS text messaging is now used by three-fifths of mobile phone users.
- A new breed appears to be emerging - Silver Texters - with well over a million over-55s now text messaging.

Website content remains king

- A crashing site, poor content or information that is difficult to find will cause most users to click away from a web site.
- Compulsory registration is also a barrier. Half of all internet users would click away from a site if forced to register their details.

Report findings

The Egg Index

The Egg Index measures the change in the proportion of British adults who use interactive technologies (internet, digital television or a WAP mobile phone) for personal use.

Between September 2000 and April 2001, the Egg Index has recorded an increase of seven percentage points, up from 41% of the population to 48%.

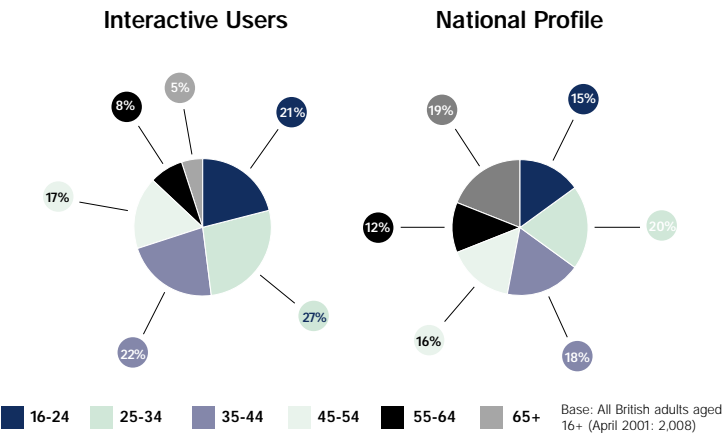
This seven-point increase equates to an additional three million British adults using interactive technologies for personal use over that period.

The demographic profile of those using interactive technologies differs from the overall British population in a number of significant ways. Users are younger, more likely to be men, from ABC1 social grades and working. Of note, over two-thirds (69%) are in part-time or full-time work, as opposed to 55% of the national population.

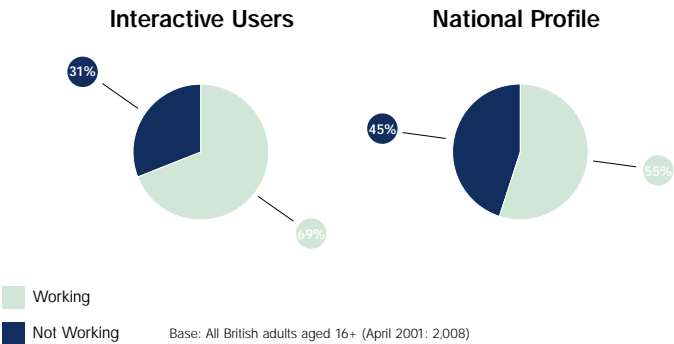
These "interactive users" (using the internet, digital television or a WAP mobile phone) are twice as likely to use a palmtop computer or a laptop computer than the population as a whole.

Over half of those who currently use interactive technologies would feel comfortable accessing financial services via the internet within the next three years, compared to only a third of the total British population.

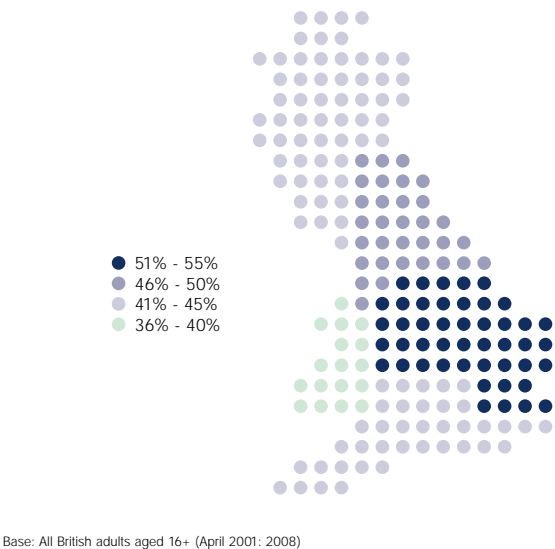
Usage of technology for work/study or personal purposes



The Egg Index measuring the change in the proportion of British adults who use interactive technologies for personal use.



The Egg Index highlights that the Midlands has the greatest proportion of adults with access to interactive technologies, while Wales has the lowest proportion. In fact, there are a third more 'interactive users' in the Midlands than in Wales.

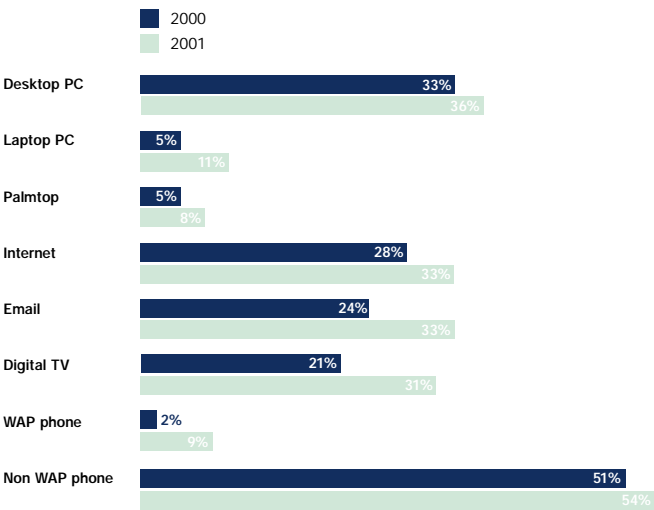


Report trends

Technology usage: home and workplace

The period between September 2000 and April 2001 saw continued uptake of all new technologies, although in some cases at a slightly slower rate than was indicated in the Autumn 2000 'Embracing Technology' report.

Usage of technology for personal use - 2000 to 2001

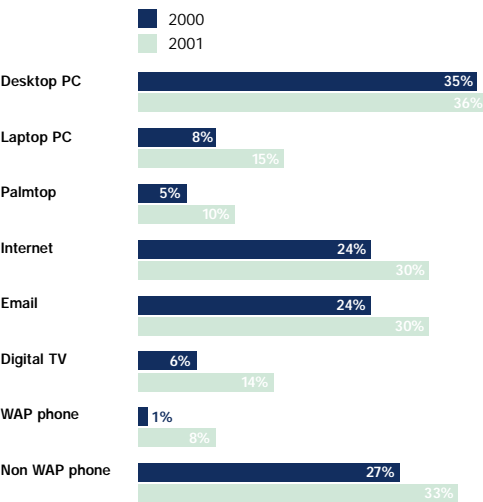


Base: All British adults aged 16+ (April - September 2000: 2,029) (April 2001: 2,008)

Digital television usage has accelerated rapidly, increasing by 50%, in the six-month period. This equates to five million new users and is welcome news for the Government which is hoping to switch off the analogue signal from 2006.

A steady, although less rapid, growth has also been recorded in the number of people using both the internet and e-mail. Each is now employed for personal use by one third of British adults.

Usage of technology for work/study - 2000 to 2001



Base: All British adults aged 16+ (April - September 2000: 2,029) (April 2001: 2,008)

Usage of desktop PCs has shown a modest increase between September 2000 and April 2001. This may be partly explained by the less rapid growth in internet and e-mail uptake identified in this Interim report. However, the uptake of technology that allows users to conduct their daily activities on the move has shown rapid growth. The number of British adults using laptops and palmtop computers has more than doubled in the past six months.

Almost two-thirds of British adults regularly use a mobile phone. While the majority still use non-WAP phones, more than five million people now have a WAP phone. Even though the jury may still be out on the success of WAP, these findings indicate that there is potential for the technology to be successful, if content delivery is improved.

SMS text messaging also continues its fast growth. Already three-in-five mobile phone users also text message. Nearly all (87%) younger adults with mobile phones send text messages. Among older mobile phone users a new breed is appearing, Silver Texters - well over one million people aged 55 or over now regularly send text messages.

Almost two-thirds of British adults regularly uses a mobile phone

Report trends

One third of the population now uses digital TV

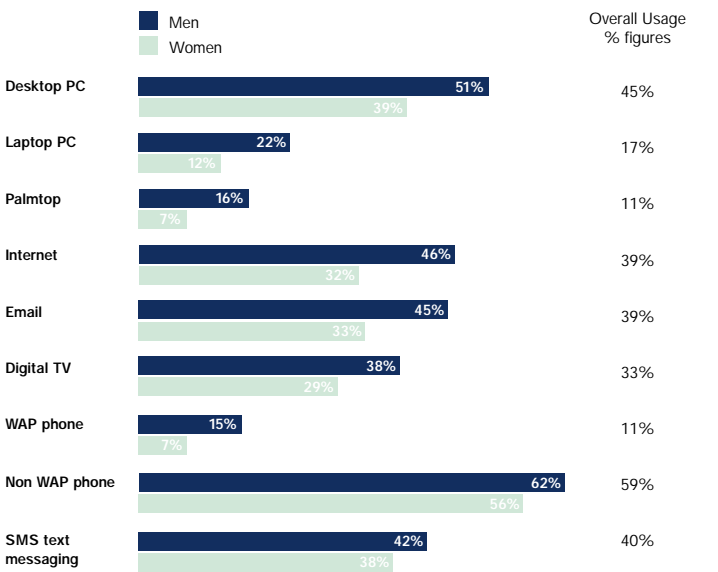
Frequency of use for personal purposes, work and study has fallen for almost all of the key technologies examined in this study.

Indications are that as technology blends more efficiently into everyday life, time spent using each device may diminish. As multi-platform ownership becomes increasingly commonplace, then one technology will not be used for all interactions and the time spent using each one will fall.

While we have seen that portable PCs (laptops and palmtops) are becoming more widely adopted, frequency of usage of these technologies remains considerably lower than the desktop PC.

As identified in the 'Embracing Technology' report, issued in November 2000, men are more likely than women both to use

Usage of technology for work/study or personal purposes



Base: All British adults aged 16+ (April 2001: 2,008)

technologies and to use them more frequently. This is the case for both work/study and personal use.

The majority of men using the internet for personal purposes, do so for almost three and a half hours per week on average. However, only one quarter of women use the technology, and for less time - a little over two and a half hours per week on average. Usage of mobile phones and SMS text messaging is the exception, with men and women using the technology in similar proportions, and for about the same amount of time per week.

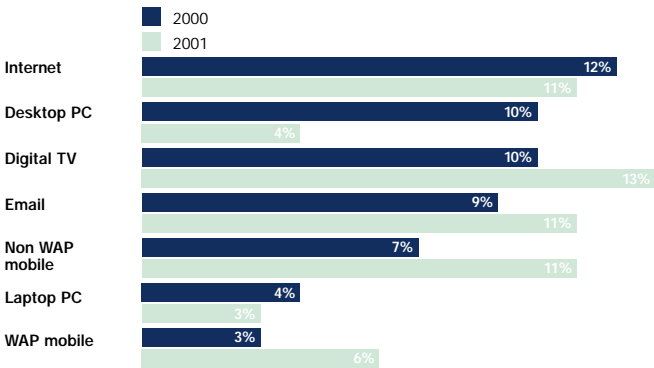
With age both the likelihood of using technology and, where it is used, the length of time it is used for, decreases. This correlation is most marked among the over 55's. Despite this age-group being one of the fastest adopters of technology, uptake is much lower with the usage of the internet falling from over two fifths of those aged 45-54 to one in ten of the over-55s.

More time is spent using technology for work/study than for personal purposes. For work or study, desktop PCs are used on average for more than seven and a half hours. This falls to just three and a half hours per week for personal use.

Technology usage: the future

One-third of British adults intend to start using at least one additional technology for personal use in the next six months, compared to a little under half in September 2000. Demand for technology clearly remains strong.

Which, if any, are you likely to start using for personal use within the next six months?



Base: All British adults aged 16+ (April - September 2000: 2,029) (April 2001: 2,008)

This demand is still coming from the traditional users of technology - young workers. This section of society is clearly embracing technology of all kinds.

A slight fall in the rate of demand for the coming six months is indicated - probably explained by the uptake identified since September. There remains a core group of people who do not believe that they will access new technologies, either because of (perceived) cost or a lack of need, so as uptake increases, there are fewer people left who expect to get new technologies in future.

Around one in ten say that they are likely to start using a desktop-PC, internet, e-mail, mobile phone and digital TV in the six months following April 2001. This remains almost an equal proportion for all technologies on predicted uptake in September 2000.

This Interim report has highlighted that, in fact, actual uptake was lower than people expected for many of these technologies. While one in ten said they would be likely to start using a desktop PC for personal use within six months in September, only an additional 3% actually did so.

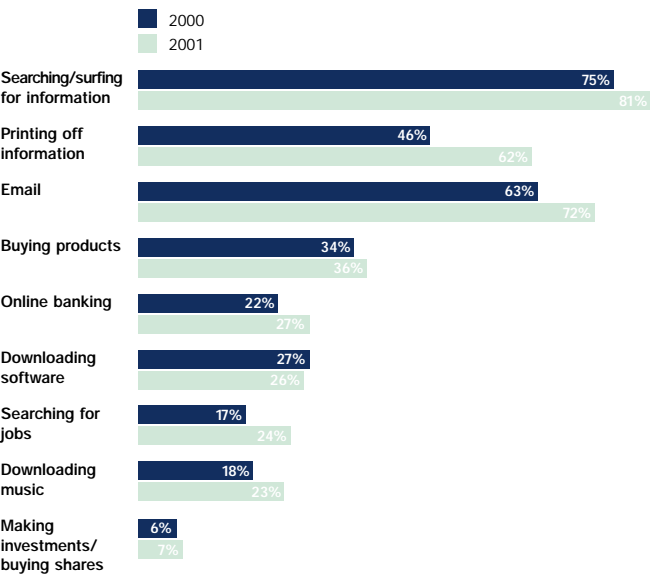
Almost equal proportions of men and women plan to start using these technologies for personal use. It will be interesting to monitor whether men continue to actually take-up the technologies more than women, or whether this is the first indication that the gender imbalance will begin to even out.

Internet activity

This report illustrates that many internet users have undergone the transition from basic information seeking to greater interaction and the development of online relationships.

While almost all internet applications are being conducted by higher proportions of users than in the Autumn of 2000, some of the fastest-growing applications have been transactional activities.

When using the internet for your own personal use, which, if any, of these do you use it for?



Base: All British adult internet users aged 16+ using internet for personal use (August - September 2000: 613) (April 2001: 632)

The most widely used applications remain information gathering, up 6 percentage points to more than four fifths of internet users, e-mail (around three-quarters) and printing off information (almost two-thirds).

Almost half of all internet users have now bought products and/or services online. In addition, over a quarter of internet users conduct online banking, which equates to some four million people. Online banking is one of the fastest growing applications, with almost a quarter having started in the past six months.

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Internet activity

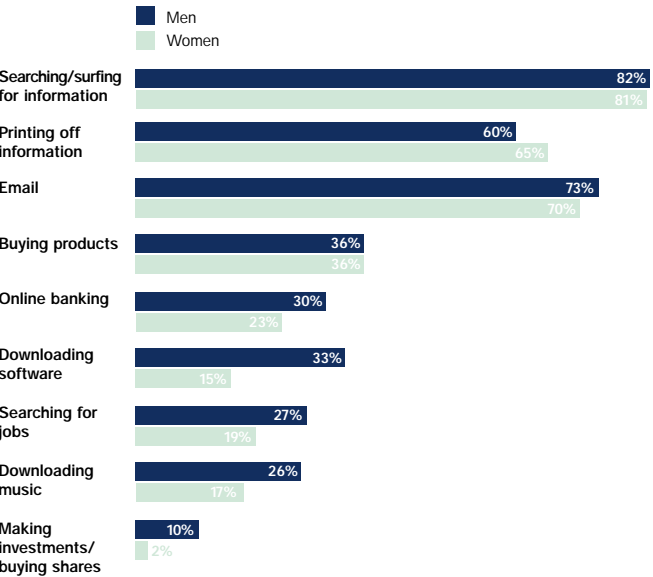
Percentage that has either bought or serviced a financial product over the internet*



Base: All British adult internet users aged 16+ (August 2001: 545)

Approximately 5 million (4.9 million) people - that's 34% of internet users - say they have either arranged or serviced a financial product over the internet. 'Servicing' includes activities such as checking balances, paying bills and transferring money between accounts.*

When using the internet for your own personal use, which, if any, of these do you use it for?



Base: All British adult internet users aged 16+ using internet for personal use (April 2001: 632)

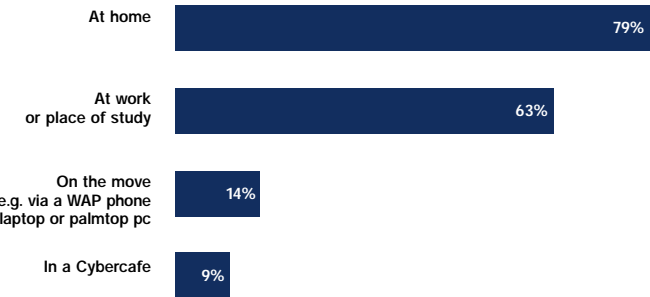
Although many applications are used by both men and women in equal proportions, the transactional activities (including online banking, downloading software and downloading music) are conducted by higher proportions of male internet users than females.

While younger people are more likely to use the internet, it is often the older internet users who make the widest use of the technology. Searching for information, e-mail and downloading music are all done by a higher proportion of young adults, but other activities, including buying products and services, online banking and seeking legal or medical advice are all done by greater proportions of adults aged between 25 and 54 than those aged 16-24.

Almost four-fifths of internet users access the technology from home. Around a third of home users access the internet on a daily basis. Around two-thirds access the internet from work, with two-fifths of these doing so on a daily basis. Few people access the internet from a cybercafé frequently, although around one in ten internet users have done so.

Around one in seven internet users has accessed the technology while on the move, using a WAP phone, laptop or palmtop PC. The uptake of mobile technology has already been highlighted in the Interim report, and this remains likely to be a growth area in future and the market for portable technologies may eventually accelerate at a far greater pace than for traditional desktop technology.

Location that internet is accessed from



Base: All British adult internet users aged 16+ (April 2001: 737)

Online finance: now & in the future

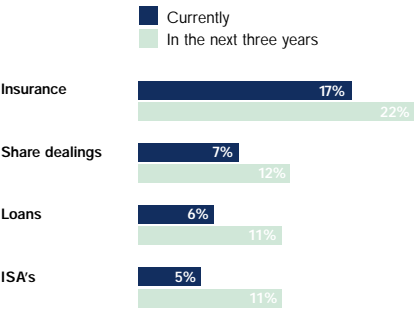
Over two-fifths of male internet users have applied for a financial product online...

...and a quarter of all female internet users

More than a third of internet users have applied for financial products online, representing just over six million British adults. Over two-fifths of men, but just a quarter of women, have done so.

Unlike many internet applications, older users are more likely to have applied for financial products. Two-fifths of internet users aged 25 and over have applied, compared to just one-fifth of those aged between 16 and 24. Clearly this is explained in part by the greater interest in financial security and disposable assets that older people have. In support of this, half of those in households earning £30,000 or more per annum have applied for financial products online.

Which of the following have you applied for or accessed/would feel comfortable applying for or accessing via the internet?



*Currently' Base: All British adult internet users aged 16+ (April 2001: 737)
'In the next three years' Base: All British adults aged 16+ (April 2001: 2008)

4.9 million people say they have either bought or serviced a financial product online.* Furthermore the majority of internet users say that they would feel comfortable applying for or accessing financial products via the internet in the next three years.

Findings indicate that insurance will remain one of the most commonly accessed financial products by around one fifth (22%) of all British adults aged 16+.

Internet turn-offs

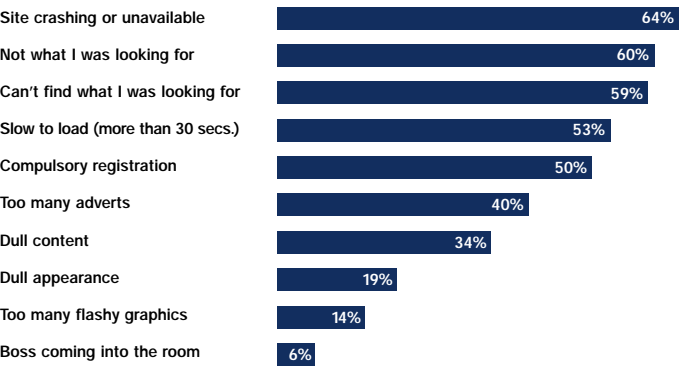
There has been much discussion about the 'stickiness' of a website - that is, how to keep a visitor to a website once they have found it. In the Interim report, a number of factors have been identified that will cause internet users to click away from a website.

The greatest turn-offs are a website that crashes, difficulty finding information or a web page that takes over thirty seconds to load.

Women internet users are more likely than men to click away from a website if they cannot find what they are looking for. However, men are less patient, with more clicking away from pages taking longer than thirty seconds to load.

The design of a site is of more importance to younger internet users, with only one in ten internet users aged between 16 and 44 saying they would click away from a site with too many flashy graphics, compared to one-quarter of older users. In contrast, content appears to matter less for older internet users. More than a fifth of internet users aged between 16 and 35 would click away from a site with dull content, compared to just one in six older internet users. Many sites have gone to great lengths to drive registration before users are able to access content. However, in doing this, they risk alienating great numbers of internet users, with half of all internet users, some nine million people, saying that they would click away from a website if forced to register their details.

When using the internet which, if any, of the following reasons would cause you to click away from a web site?



Base: All British adult internet users aged 16+ (April 2001: 737)

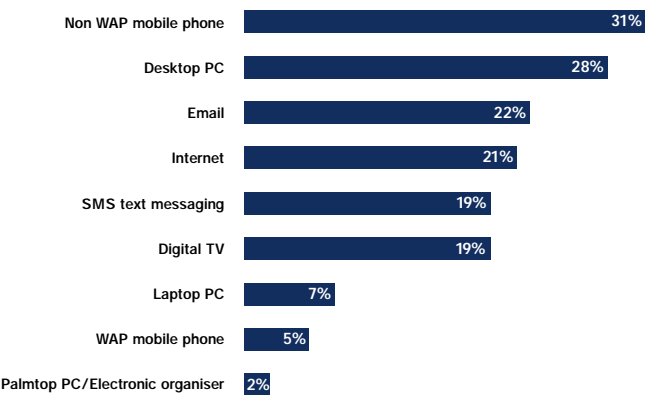
Technology dependency

More than a million people aged **over 55** now send text messages

The mobile phone and the PC remain the two technologies which people say above others have become a part of their everyday life. One in six PC users admit that they could not live without it, with a minority (4%) describing their PC as being "like their best friend".

Most people continue to say that they are not dependent upon technology. However, three-fifths say that at least one technology has become a part of their everyday life. Younger people are more likely to feel this, with more than four-fifths of those aged under 35 stating that this is the case. Conversely, just a quarter of over-55s feel that technology is now a part of their everyday life.

Which, if any, would you say have become part of your everyday life?



Base: All British adult internet users aged 16+ (April 2001: 737)

Dependency upon technology is much higher among workers than non-workers. Just one in five workers do not feel that any of the technologies is part of their everyday life. This may be explained by the use of technology such as desktop PC, internet and e-mail while at work, or by needing technologies such as mobile phones to manage family life while away from home.

Media enquires to be made to:

t: 020 7526 2600 **e:** prteam@egg.com

Egg plc, 1 Waterhouse Square, 138-142 Holborn Bars, London. EC1N 2NA

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