

The Internet Market in Sweden

- a survey conducted on the assignment of the National Post and Telecom Agency

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Summary

This report is written by Docere Intelligence on the assignment of the National Post and Telecom Agency (Post- och telestyrelsen, PTS) with the purpose of surveying the Internet market in Sweden and its development. This assignment has been conducted with the assistance of a variety collection and analyst methods: secondary research, a consumer survey with Internet users in the form of 593 telephone interviews, 26 qualitative interviews with representatives of businesses active in the Internet market, a telefax questionnaire with some forty ISPs¹ together with a short scenario analysis. The result represents an overall view on the Internet market in Sweden, with the focus on a number of particular aspects, such as the relationship between the players in the market and their market shares, the use of the Internet by primarily households, techniques for access to the Internet, etc.

The Internet market has developed very rapidly in recent years. 1994 was a breakthrough year, when various technical advances made the Internet available and usable for a wider target group for the first time. At the end of the 1990s, after penetration in Swedish households – largely as a consequence of more advantageous offers with subsidised computers to employees of many businesses – penetration has also increased rapidly among enterprises. The next milestone in the dissemination and development of the Internet in Sweden now appears to be the opportunity for increasing numbers of households to obtain so-called broadband connection to the Internet. At the same time, high level goals have been set for IT policy: Sweden will, as a first country, become an information society with access for all. Many investigations also suggest that Sweden is well on the way towards this goal: access to computers and Internet connection is very good, viewed from an international perspective.

However, the market is still characterised by both technical and strategic uncertainty. It is thereby difficult for the final customers to keep up with developments and it is also difficult for the players in the market to know what strategic efforts have potential to be successful. In addition to this, there are also regulatory aspects of the development, insofar as there are at the various levels of the value chain regulatory issues that have not yet been completely investigated. It is in any event clear that the development of infrastructure will be supported by public funds and that the objective, among other things, is to create in this way options for the individual user. The extent to which freedom of choice will prevail in the broadband access network in the process of construction is more unclear.

The demands on ISPs are increased, which will probably result in some elimination, mainly among the smaller providers. Nevertheless, there will probably be scope for several kinds of players in the various parts of the value chain, both vertically integrated full-service providers and more specialised players. Another related issue is the opportunity of individual users to change ISP. There are a number of factors that have the potential of making such change more difficult.

The technical field is similarly characterised by rapid developments. Among other things, there is a clear tendency for various technologies for transfer of Internet traffic to be mixed and that a number of various forms are developed in parallel

¹ Internet Service Providers

and probably become successful in different situations, with varying pre-conditions in the form of geographical factors, existing infrastructure, etc. IP telephony is another area of technology that has been in focus in recent years. Interviews that we have conducted with players in the sector suggest that the development is in the process of accelerating. However, there are still a number of problems concerning, among other things, speech quality. However, when these are resolved, there is potential for IP telephony to not only provide lower costs but also facilitate new functions by the integration, of other technologies and also between telephony and other services.

As regards market developments, our investigations suggest that the growth of subscriptions has slowed up somewhat. This may possibly be the result of the market finding itself in a phase of technology interchange where, as mentioned above, opportunities of obtaining broadband connections for households are arising, something which appeals to many. This may result in a tailing-off of growth pending the actual provision of this opportunity.

The pricing profile for access to the Internet is also changing. Price levels are reducing at the same time as new forms of subscription are arising, a development that is driven forward by both competitive factors such as the above-mentioned technical development.

As regards the use of the Internet one can conclude, as mentioned above, that the inhabitants of Sweden enjoy good access to the Internet. This applies both in the home and at the workplace. However, there are differences in the use of the Internet between men and women, between groups with different incomes, between housing in urban areas and those who live in sparsely populated areas, and also between groups with different levels of education. This difference relates to both the proportion of Internet users at home and at work, and also to the frequency of Internet use.

The development of services is now characterised by creativity and diversity. At the same time, there is uncertainty surrounding what business models will be successful and for what services the consumer's preparedness to pay will be sufficiently great.

By the scenario analysis we conducted within the framework of the project, we can conclude that a number of orientations in development appear possible for the Internet market in Sweden. In our endeavour to foresee how the market may manifest itself in eight years, we have identified some central factors of uncertainty that will probably have a great influence on how the Internet will actually be used and which players will be successful in the market.

The conclusion is that – in precisely the same way as the Internet market has so far been characterised by rapid development and has been transformed to something quite different today than it was eight years ago – development will continue at a similar rate within the foreseeable future.