

# COMMUNICATION MARKETS MONITORING SYSTEM

no. 2/2015



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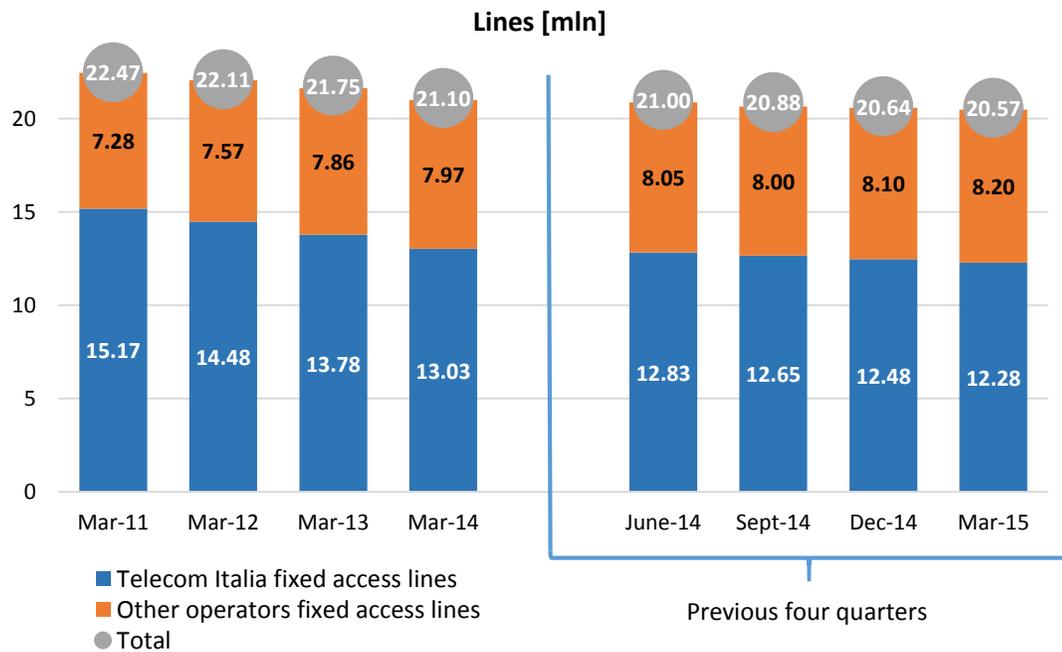
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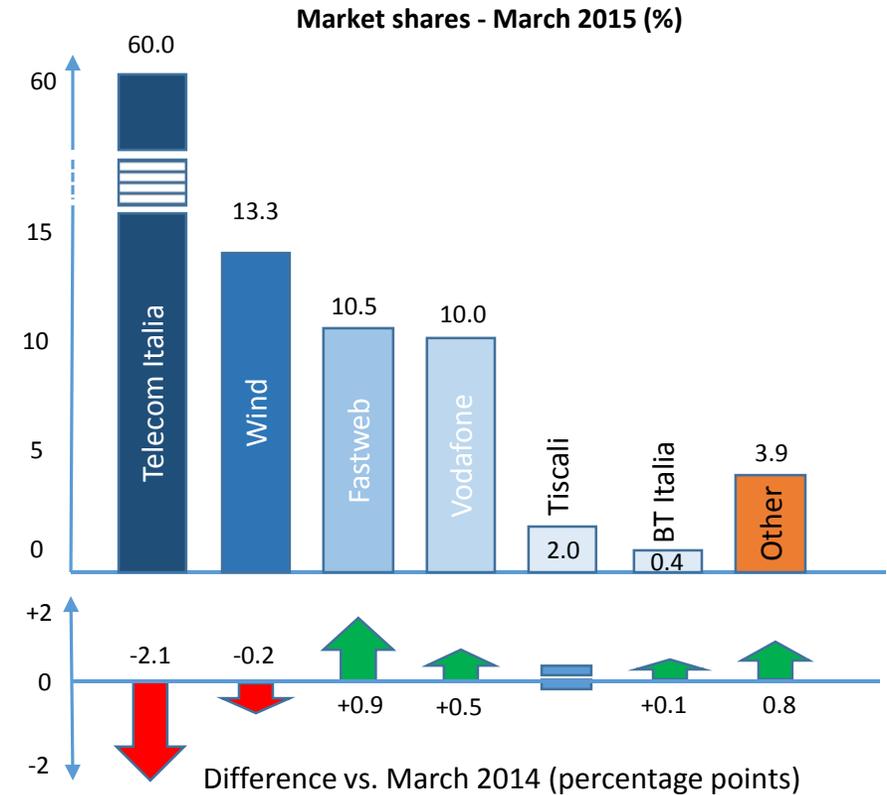
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The figures that follow are based on AGCOM elaborations on firms' data and other sources (updated to March 2015).

# 1.1 Total access lines



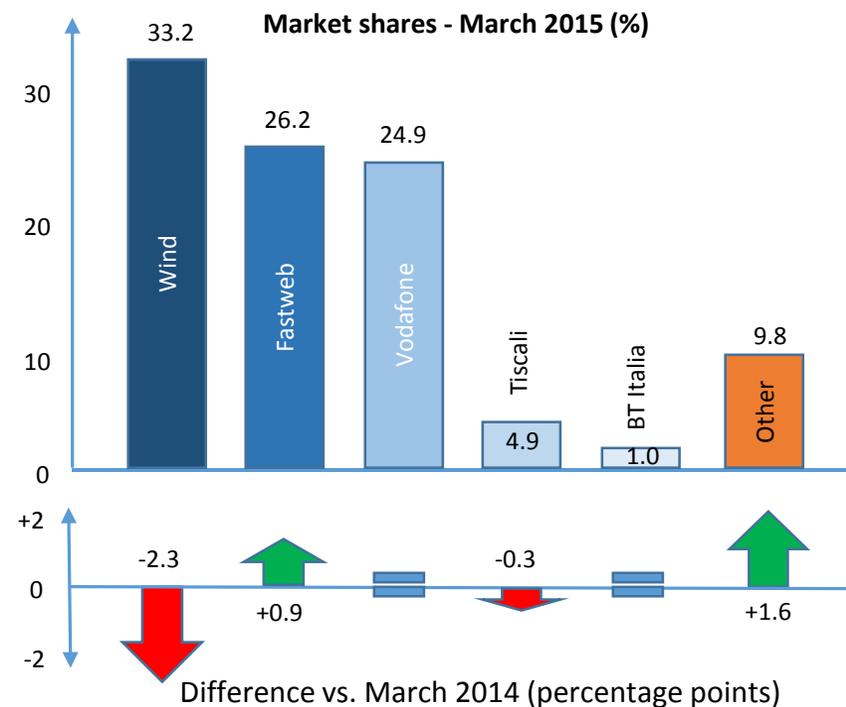
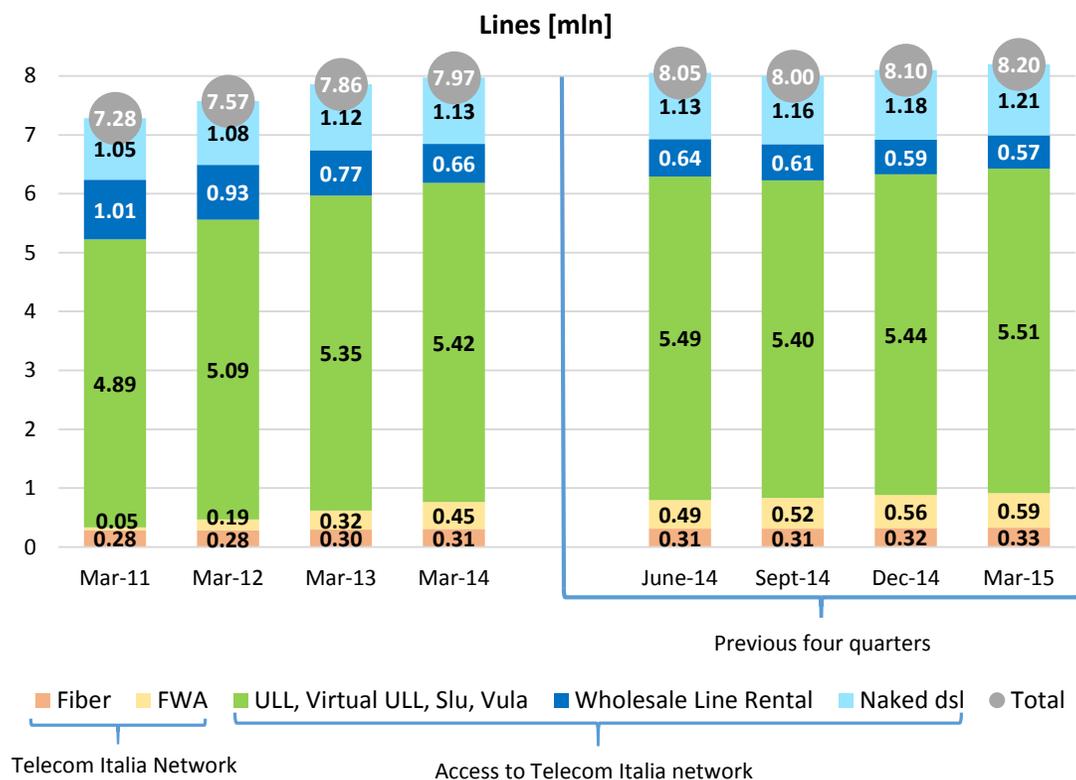
Note: access lines include Telecom Italia fixed access lines, fully unbundled, SLU, Vula, DSL naked, WLR, fiber and FWA lines



- Total access lines decreased by **520** thousand over last twelve months
- Telecom Italia's access lines decreased by **750** thousand, other operators' access lines have increased by about **230** thousand
- Over the last four years, Telecom Italia's access lines decreased by **2.9** million

- Fastweb's market share exceeds 10% with a growth of **0.9** percentage points (pp)
- Other operators have, as a whole, increased their market share by **0.8** pp; this increase was more pronounced for Fixed Wireless Access (FWA) operators

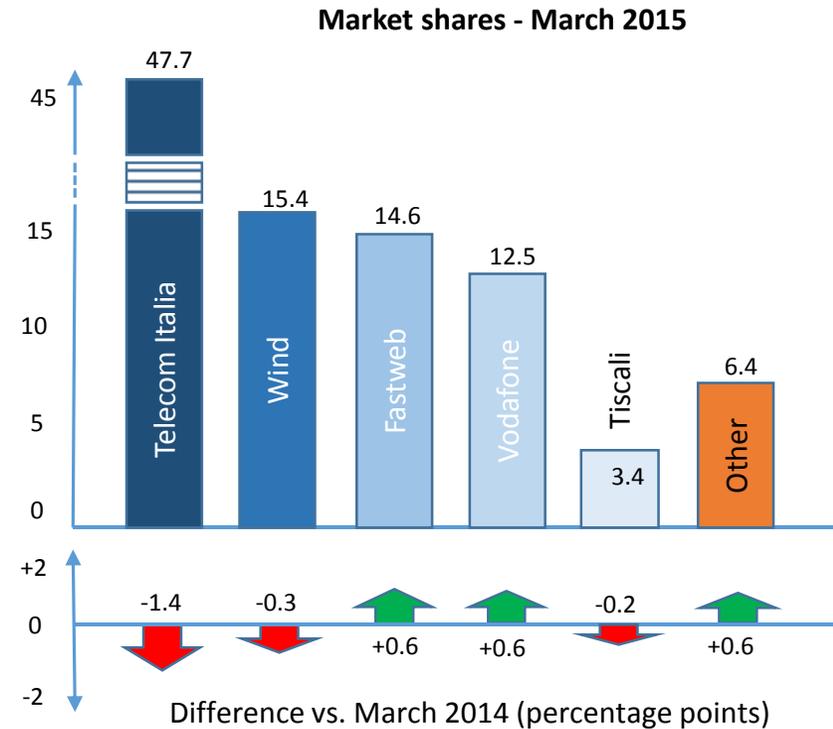
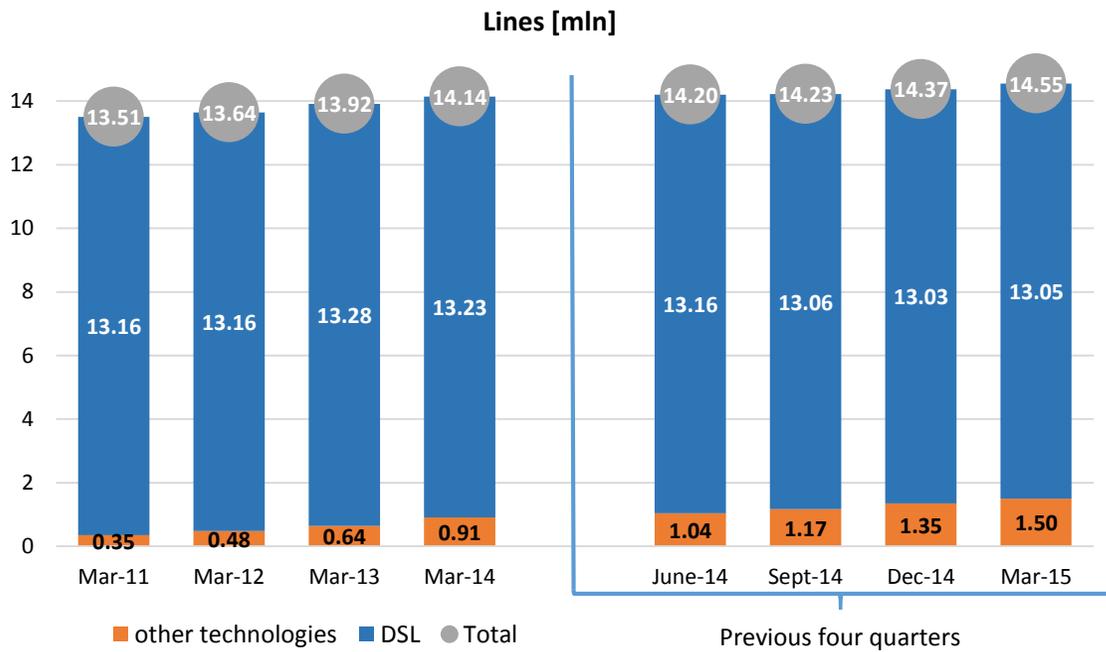
# 1.2 Access lines (excluding Telecom Italia)



- Access lines provided by other operators have increased by 230 thousand (YoY)
- This growth is largely related to the increase of FWA (+130 thousand)
- It is important to emphasise that a substantial part of this growth took place in the 1<sup>st</sup> quarter of 2015

- Wind ranks first in terms of market shares, but it experienced a decrease of 2.3 pp
- Fastweb confirms its growth trend (+0.9 pp)
- Other operators' growth (+1.6 pp) is essentially due to the increase of FWA lines

# 1.3 Broadband lines



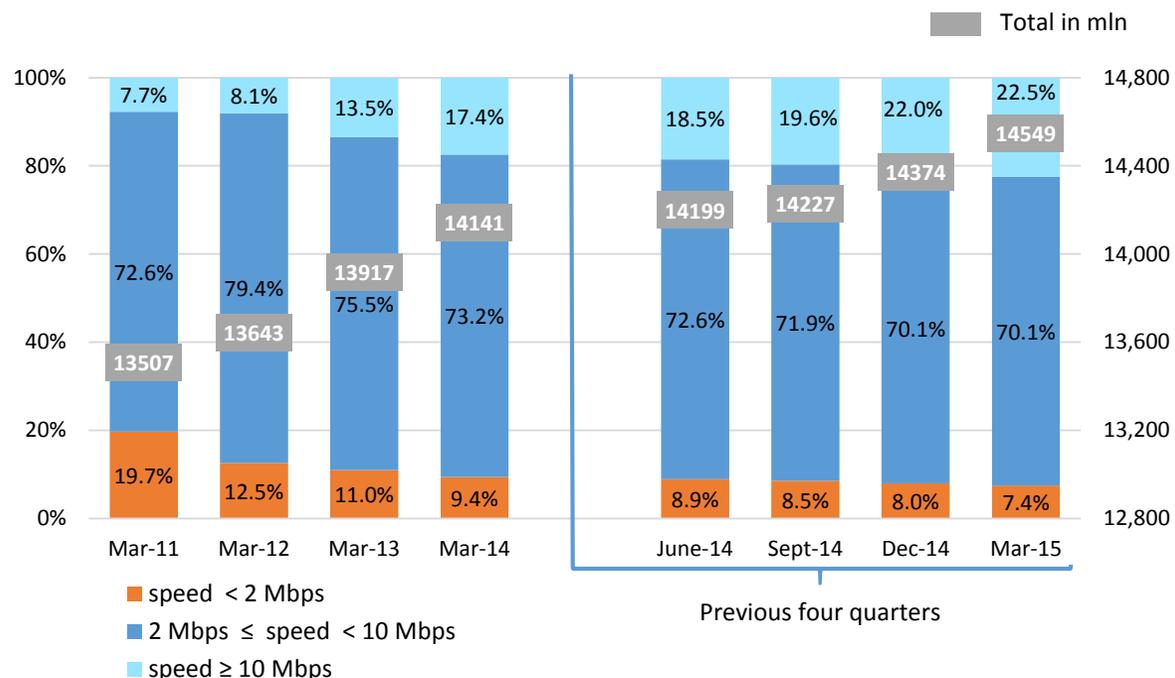
- Broadband lines increased by about 410 thousand YoY (+180 in the 1<sup>st</sup> quarter 2015)
- The number of DSL lines decreased by about 190 thousand YoY
- It is possible to observe an increase in the number of NGA (+460 thousand) and FWA lines (+130 thousand); jointly, they represent the 10% of total broadband lines

- Telecom Italia's market share reduced on a yearly basis by -1.4 pp
- Fastweb and Vodafone are the main beneficiaries (+0.6 pp, respectively)
- The growth of other operators' market share (+0.6 pp) is essentially due to the increase of FWA lines

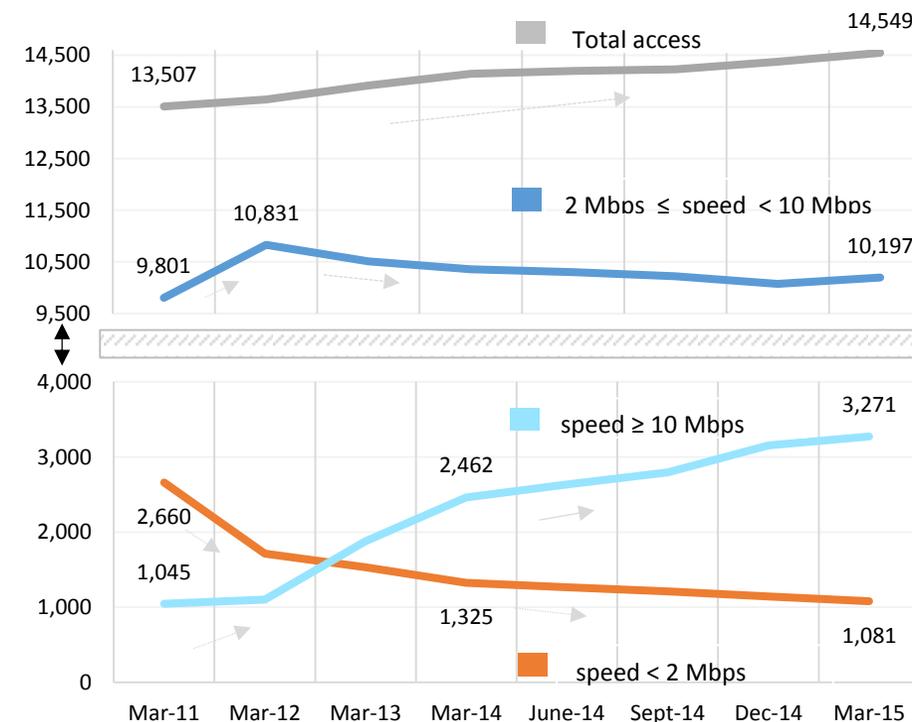
# 1.4 Broadband lines by speed



Access lines (%) by speed classes



Broadband access lines trend by speed classes (\*1000)

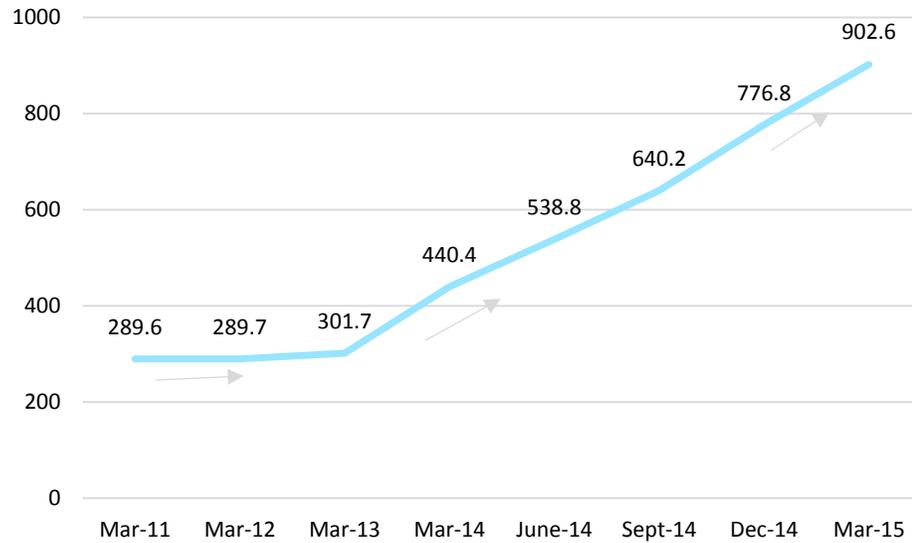


- The number of broadband lines with speed ≥10 Mbps increased by 800 thousand YoY, now accounting for the 22,5% of broadband lines (3.2 million lines)
- Fastweb, Telecom Italia and Wind, jointly, account for more than 85% of the total market

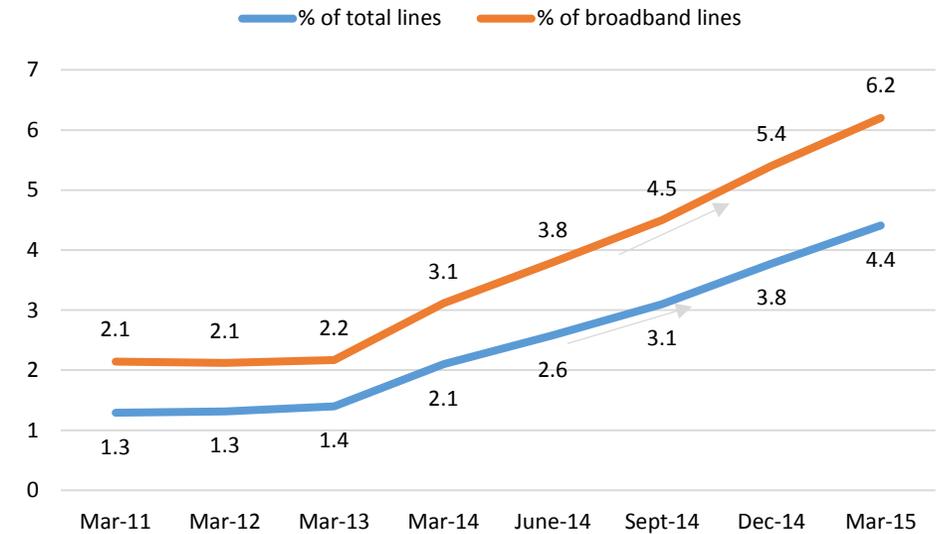
# 1.5 NGA broadband access lines



NGA broadband access lines (\*1000)

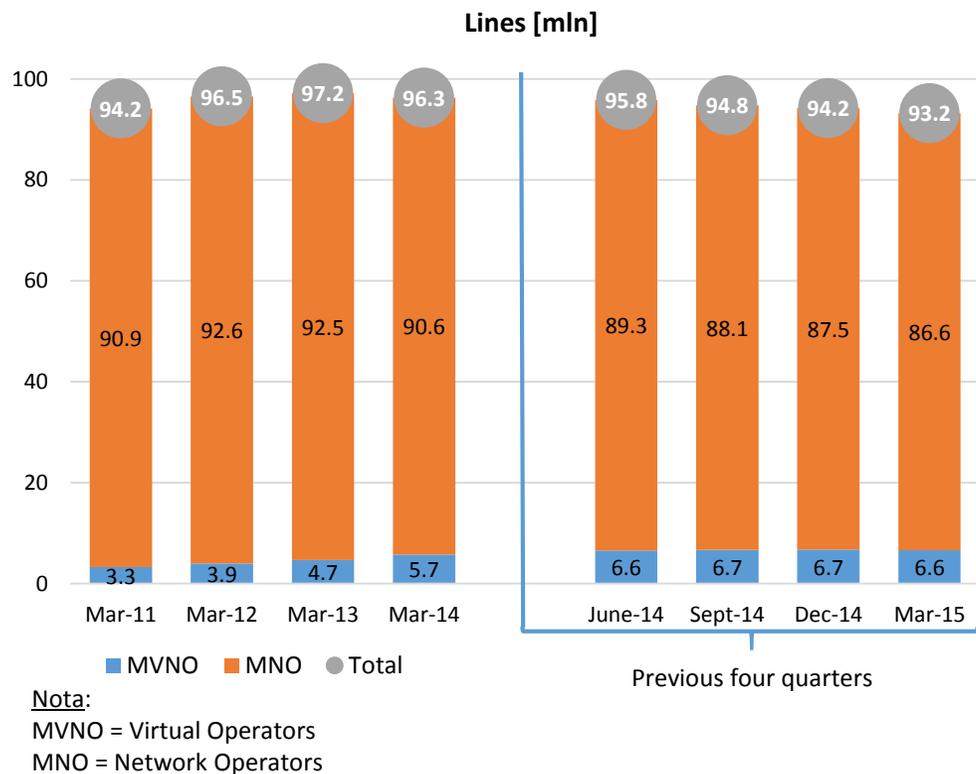


NGA broadband lines as a share of total and broadband lines

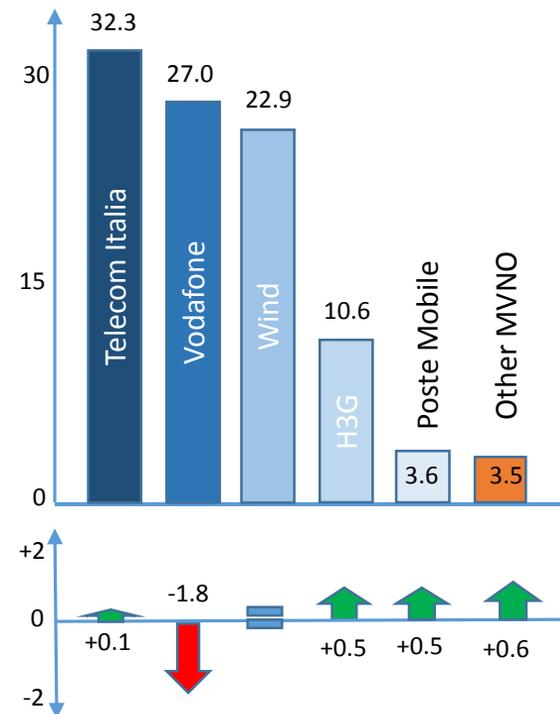


- At the end of March 2015, NGA lines exceed 900 thousand lines (+126 thousand in the 1<sup>st</sup> quarter of 2015), thus reaching the 4.4% of total lines and the 6.2% of broadband lines
- Fastweb and Telecom Italia, jointly hold more than 90% of NGA lines
- On a yearly basis, Vodafone and Wind NGA lines have increased by 4.8 p.p.

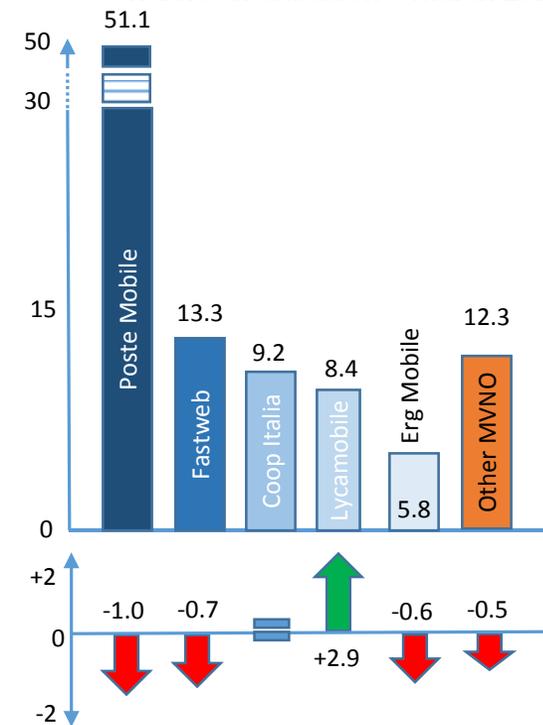
# 1.6 Mobile subscribers



Market shares – March 2015 (%)



MVNO distribution – March 2015 (%)

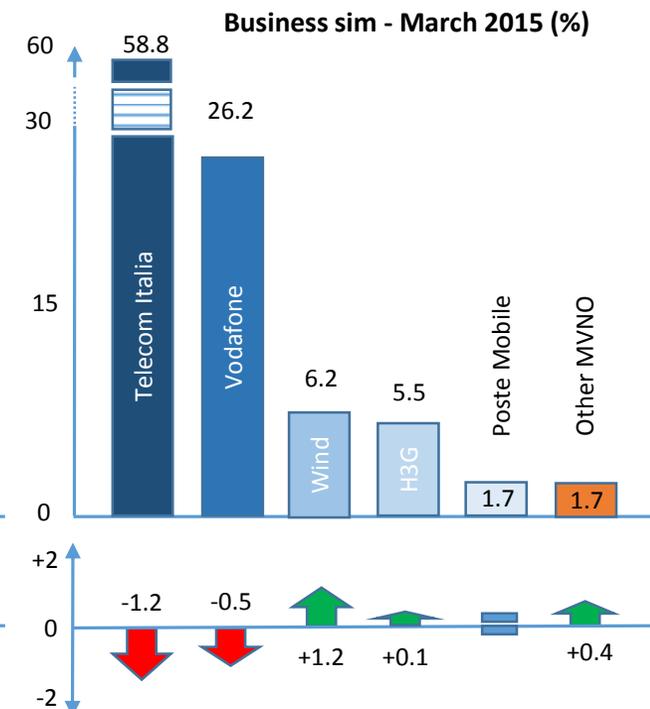
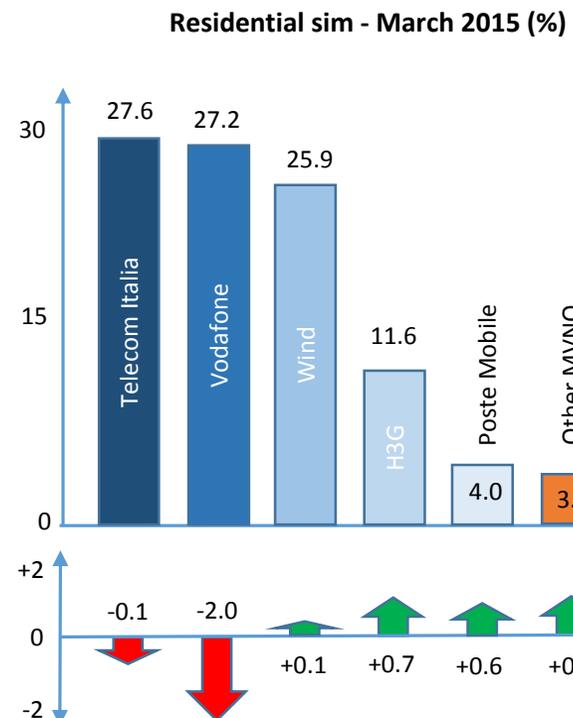
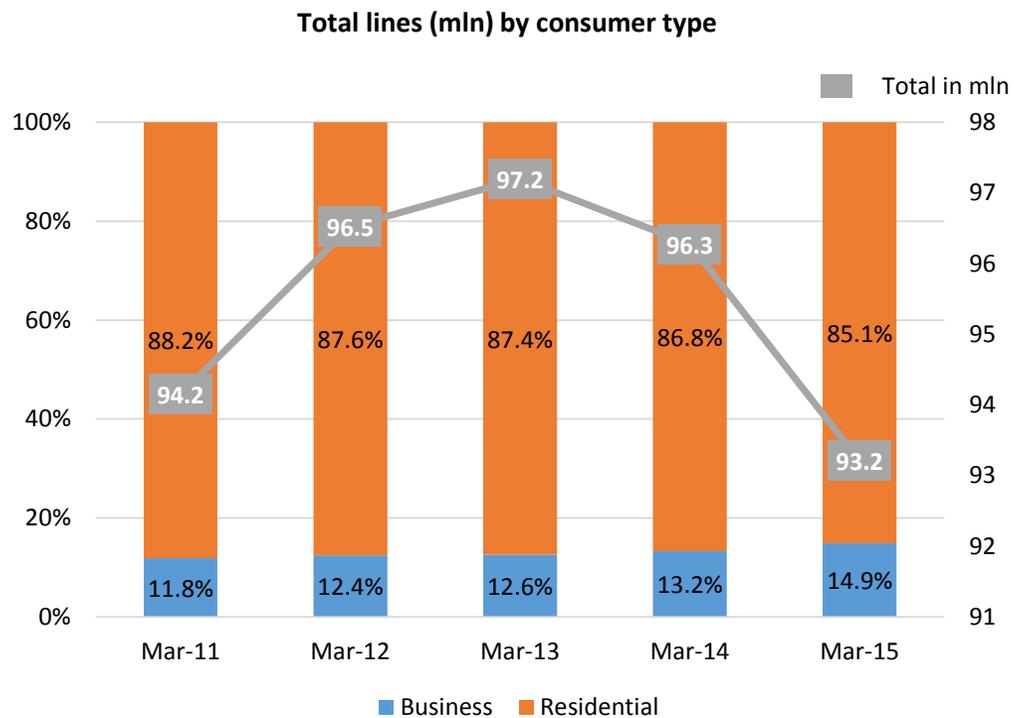


Difference vs. March 2014 (percentage points)

- On a yearly basis, the customer base of mobile services decreased by about **3.1** million
- It is possible to observe a reduction of **4.0** million in MNOs' lines and a growth of **0.9** million in MVNO's lines
- MVNOs' lines account for 7.6% of total lines (**+1.3** pp)

- Telecom Italia's market share is stable, while Vodafone's decreased by **-1.8** pp
- MVNO's market share increased by **1.1** pp (Poste Mobile + Other MVNO)
- Among MVNO operators, Poste Mobile holds a share of 51.1%
- Despite a **2.9** pp growth on a yearly basis, in the 1<sup>st</sup> quarter 2015 the market share of Lycamobile has decreased by **2.0** pp

# 1.7 Mobile subscribers by type of consumer

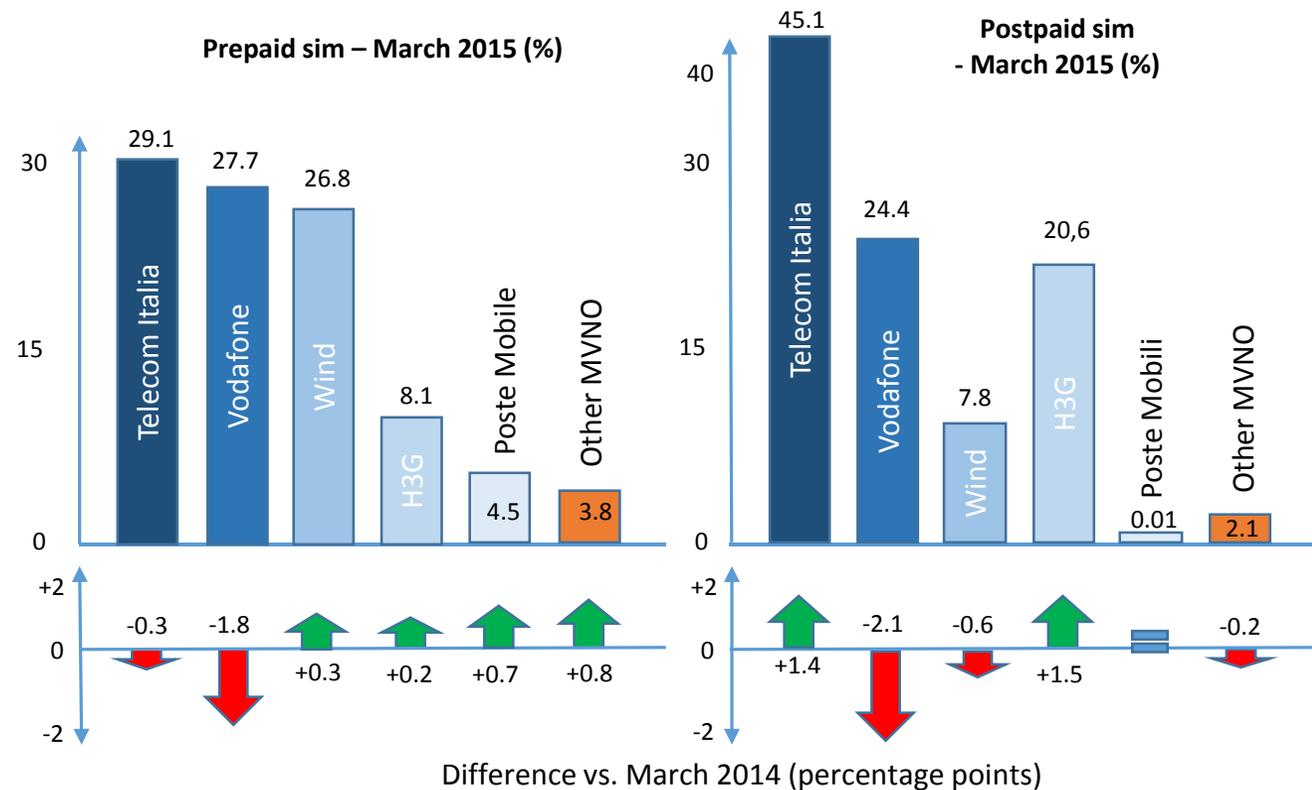
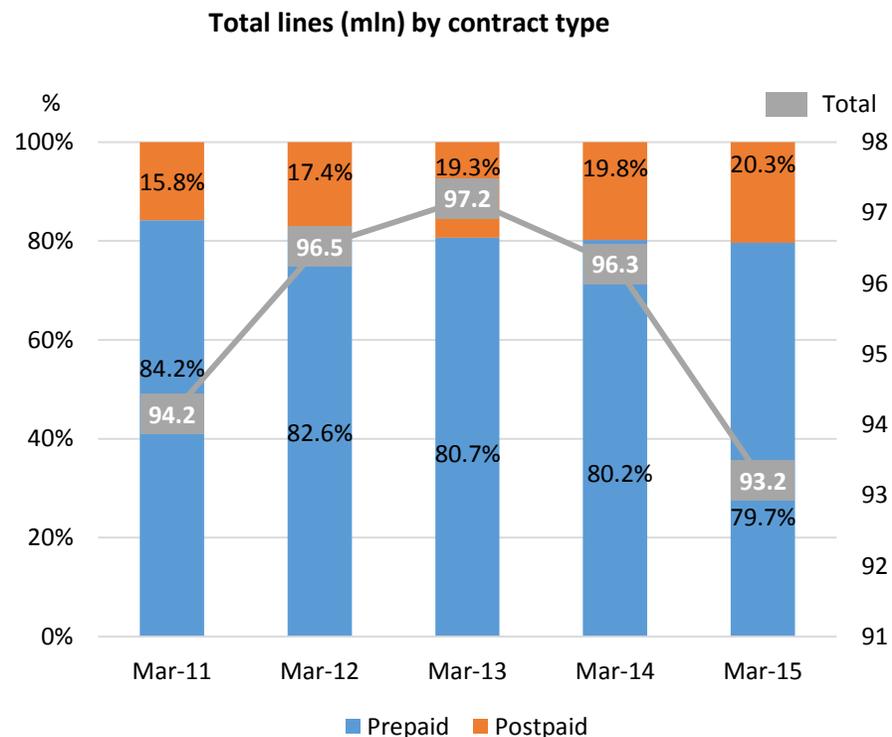


Difference vs. March 2014 (percentage points)

- The number of non residential sims (14.2 million at the end of March 2015) increased on a yearly basis by 0.8 thousand
- The number of residential sims (79 million at the end of 2014) experienced a decrease by 3.8 million

- In the residential segment, the market shares of the three main players are similar; Vodafone's market share reduced by 2.0 pp
- In the business segment, although with a market share in reduction by 1.2 pp YoY, Telecom Italia confirmed its leadership position
- Wind's experienced a growth in market shares (+1.2 pp)

# 1.8 Mobile subscribers by type of contract

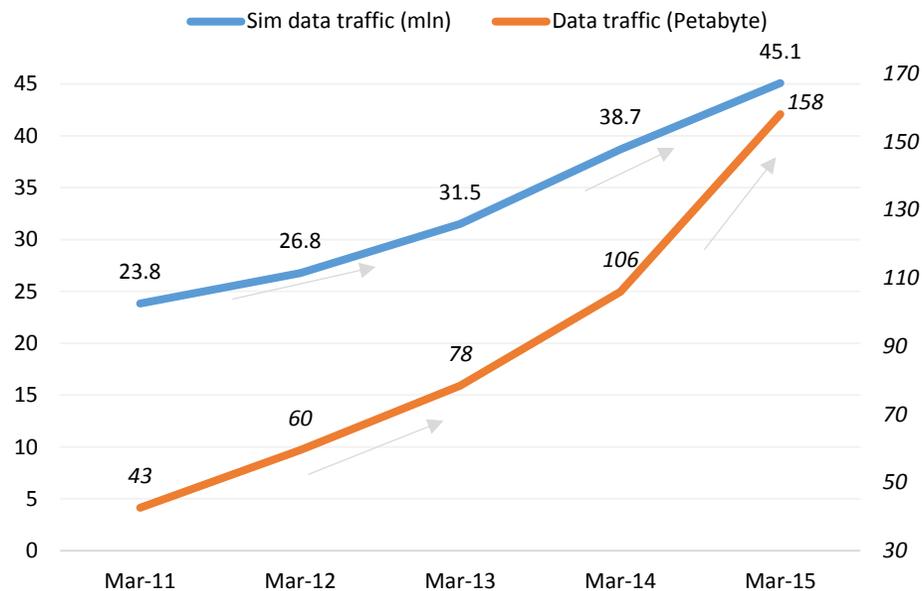


- At the end of March 2015 prepaid sims amounted to 74.2 million, with a decrease of 3 million YoY
- At the end of 2014 postpaid sims amounted to 19 million, more or less unchanged compared to March 2014

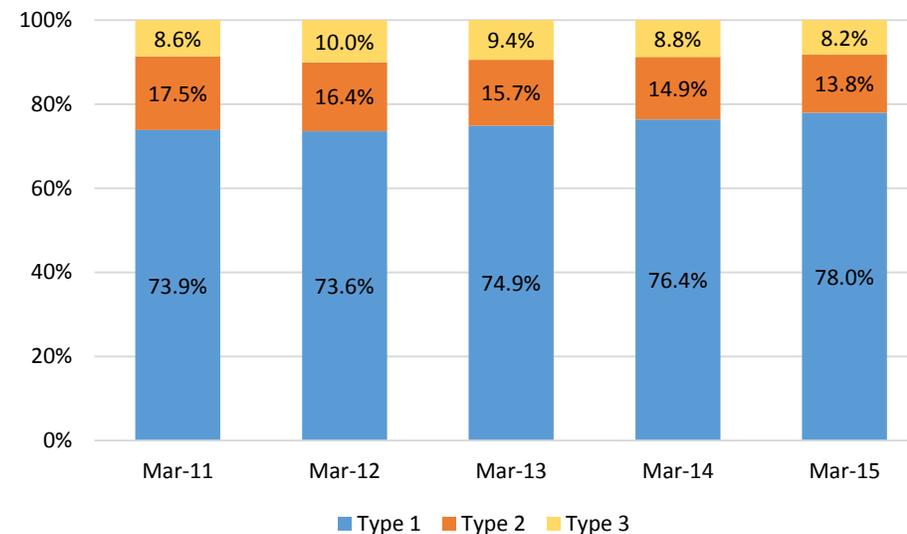
- In the prepaid segment, with respect to March 2014, Telecom Italia's (-0.3 pp) and Vodafone's (-1.8 pp) market shares decreased, while the share of other companies increased, in particular those of small operators (+0.8 pp)
- Telecom Italia leads the postpaid segment with a share of 45.1% (+1.4 pp as compared to March 2014)



Volumes of data traffic



Sim data traffic by contract type (%)



According with EU reporting definitions:

**Type 1:** "dedicated data subscriptions for add-on data package to a voice service requiring an additional subscription"

**Type 2:** "dedicated data subscriptions for stand-alone services"

**Type 3:** "actual usage of standard mobile subscriptions"

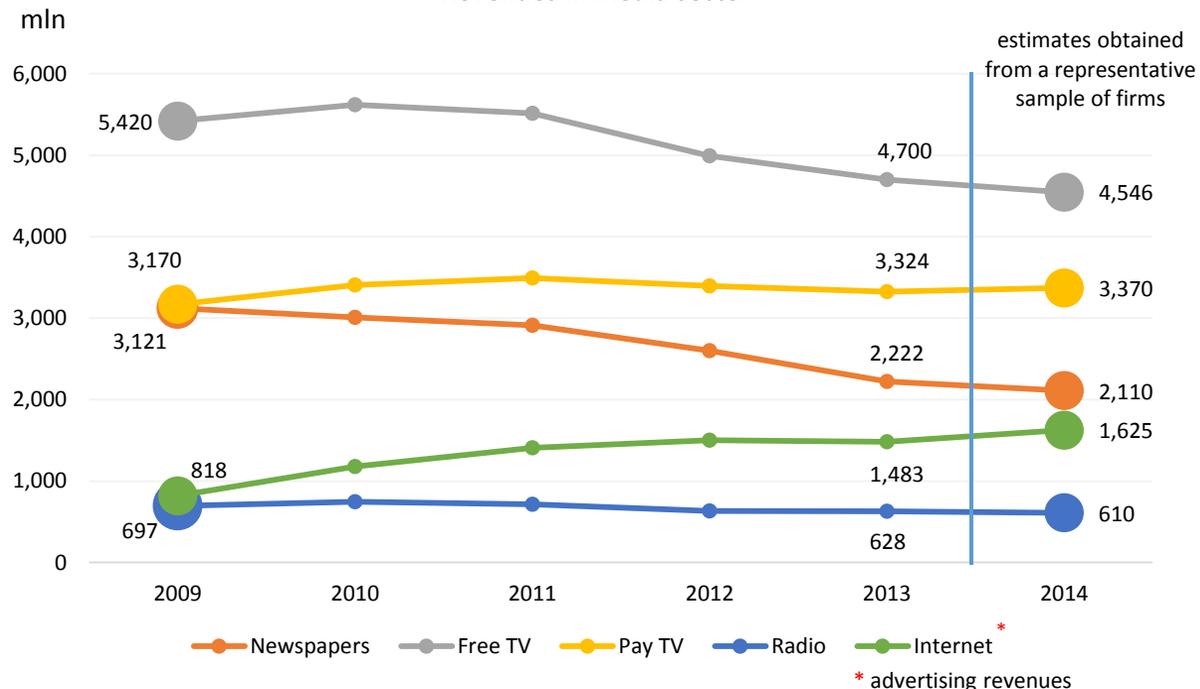


- The number of data sims increased over the last year from 38.7 to 45.1 million, with a growth rate of **16.5%**
- In March 2015, data traffic showed a **49.1%** increase as compared to March 2014
- Since the end of 2011, the number of sims with data traffic has increased from 25.3% to 48% of overall customer base

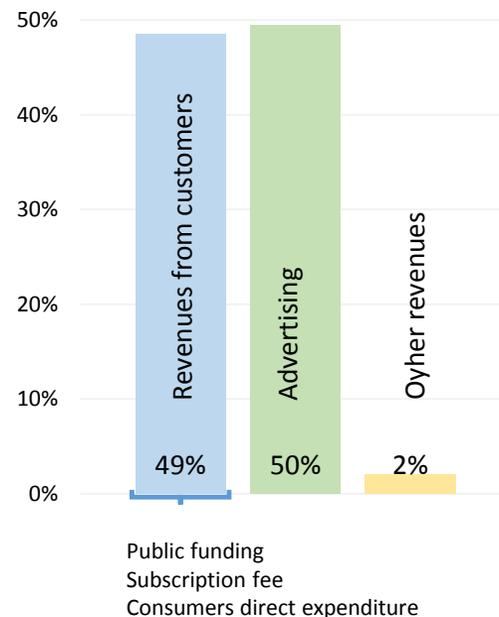
# 2.1 Revenues trend and composition



Revenues in media sector



Revenues by type – 2013 (%)



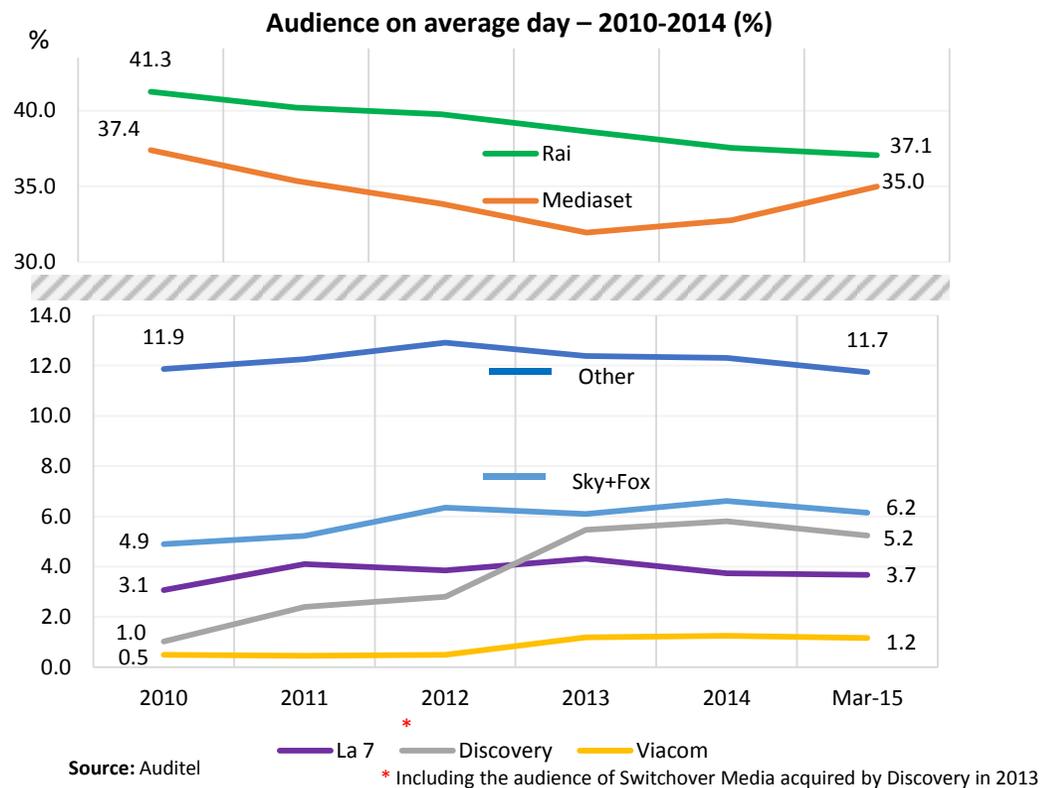
Change in revenues (%)

	2009-2014	Estimate 2013-2014
Newspapers	-32.4	-5.0
Free TV	-16.1	-3.3
Pay TV	+6.3	+1.4
Radio	-12.4	-2.8
<b>Traditional media</b>	<b>-14.3</b>	<b>-2.2</b>
Internet *	+98.7	+9.6
<b>Total media</b>	<b>-7.3</b>	<b>-0.8</b>

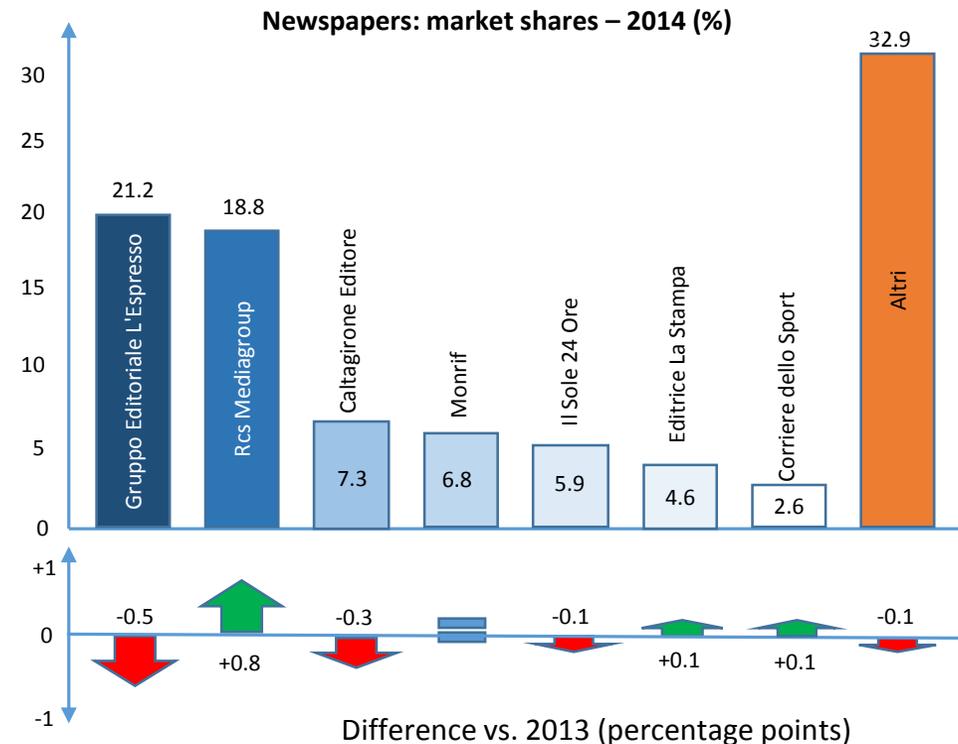


- The economic crisis hit the newspapers market severely (-32.4% over the five year period)
- The downturn has been more contained For Free TV (about -16.1%), while Pay TV experienced a revenues' growth of +6.3%
- As compared to 2009, in 2014 Internet advertising figures nearly doubles from 818 to 1625 million (+98%)
- As compared to 2013, in 2014 an overall decrease of the media sector of around 2% is estimated

## 2.2 TV audience and market share in newspapers

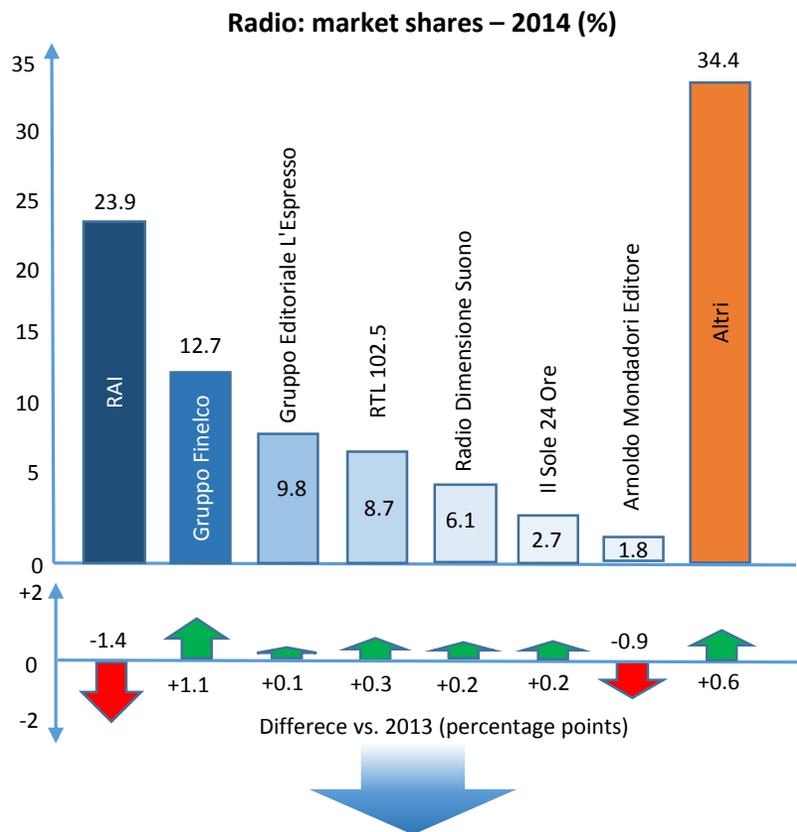


- In the considered period, the audience of the two most important players (Rai and Mediaset) decreased significantly (by more than 6 pp, from 78.7% to 72.1%)
- During 2014, only Mediaset showed an increase in audience by 2.4 pp, whereas others showed a decrease, on average, by 0.37 pp



- Newspapers competitive structure is nearly stable compared to the previous year
- Gruppo Editoriale l'Espresso and Rcs Mediagroup currently share the leadership of the market with 21.2% and 18.8%, respectively

## 2.3 Market share in Radio and Internet audience



### Internet: active reach (ranking March 2015)

Position March 2015	change on previous year	Parent*	Active Reach** (%)	Position March 2015	change on previous year	Parent*	Active Reach** (%)
1	(0)	Google	95.6	11	(-2)	Gruppo Espresso	50.5
2	(0)	Facebook	82.5	12	(0)	RCS MediaGroup	45.6
3	(0)	Microsoft	73.4	13	(+1)	Triboo	45.1
4	(+1)	Banzai	63.9	14	(-1)	Mediaset	44.7
5	(+5)	WhatsApp	60.2	15	(+7)	Trilud	34.5
6	(-2)	Yahoo	59.0	16	(-1)	Telecom Italia	33.7
7	(-1)	ItaliaOnline	58.4	17	(+1)	Seat Pagine Gialle	32.6
8	(-1)	Wikimedia Foundation	57.6	18	(+3)	Subito.it	31.9
9	(+2)	Amazon	56.0	19	(+7)	Caltagirone Editore	31.8
10	(-2)	eBay	54.4	20	(-3)	Twitter	31.2

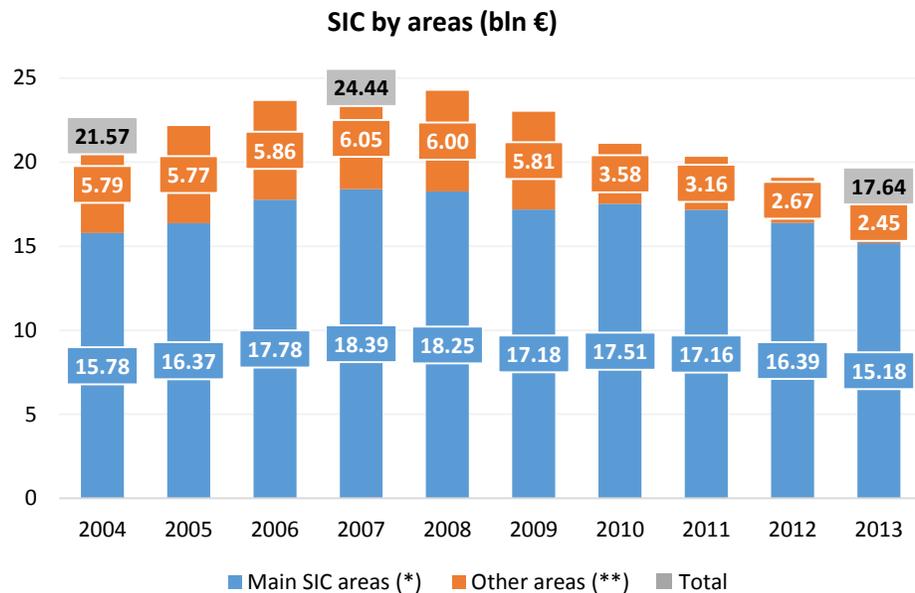
\*Parent: name of the website's parent entity. Parent provides the Parent-level information for a Brand or Channel

\*\*Active Reach (%): is the percentage of all active unique persons who visited the site or used the application.

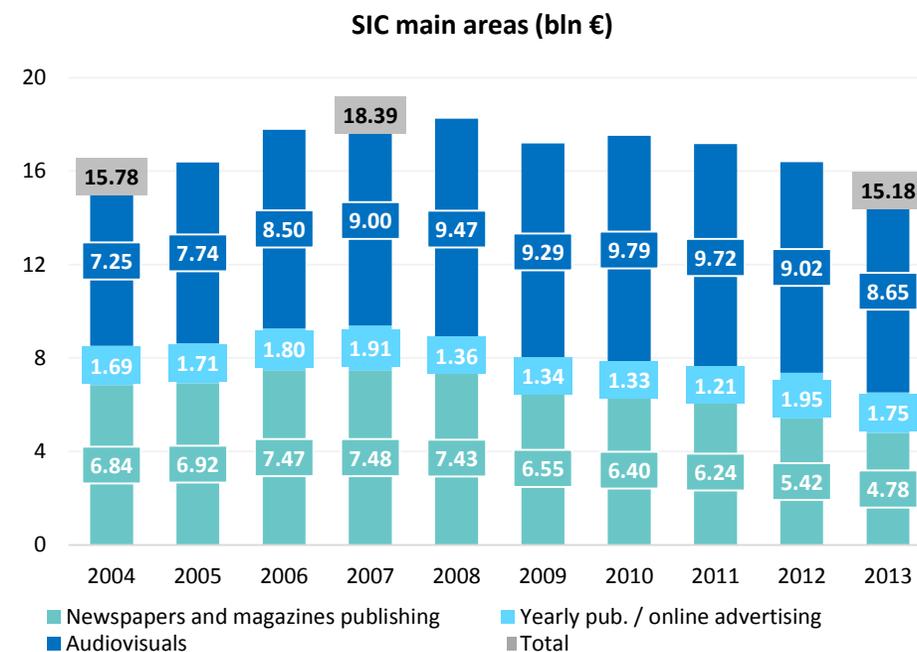
Source: Audiweb (March 2014 – March 2015)

- RAI (public service TV), despite a fall by 1.4 pp, preserve its position of leader of the market
- Gruppo Finelco (including Radio 105, Radio Montecarlo and Virgin Radio) has a market share of 12.7%, with a 1.1 pp growth

- Google parent entity remains the leader with about 96% of the active reach



(\*) – Include «Audiovisual services», «Newspapers and magazines publishing» and «Yearly pub. / online advertising»; The data are collected via IES – the economic informative report system  
 (\*\*) – Include «Cinema (including advertising)», «Outside advertising» and «Sponsorship»



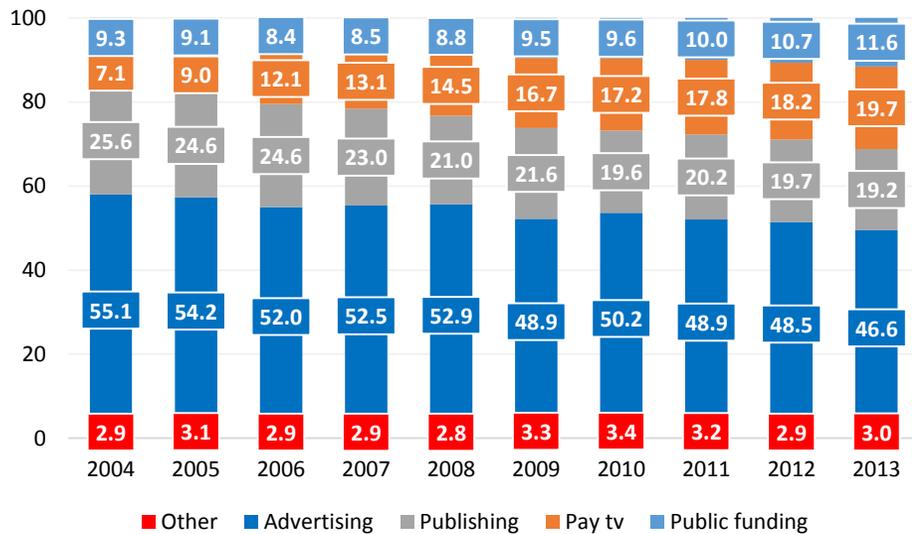
- Over the past ten years broadcasting sector revenues, due in part to the continuous development of pay TV, grew by more than **19%**; however, as compared with the 2010 peak of € 9.79 billion, there was a decline of **11.5%**
- Newspapers' and magazines' revenues have experienced a decrease of **30%** from 2004 to 2013

- The law no. 112 of 3 May 2004, regarding the reform of the Italian audiovisual system (so called «Gasparri law»), introduces the SIC as a measure of the total amount of communication system revenues in order to ascertain that no operator earns more than the limit of 20% of the total revenues
- SIC reached a peak in 2007, for a total value of approximately € 24 billion
- In 2013 SIC main areas' revenues decreased by **17.4%** as compared with the 2007 peak of € 18.39 billion

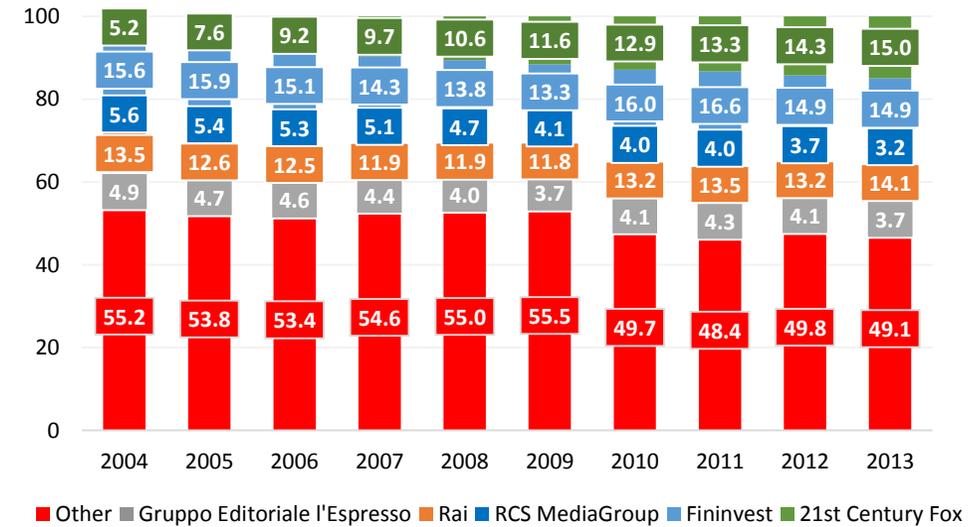
Note: SIC economic values in the 10-year period considered, are not fully comparable as a result of legislative reforms (see law 103/2012).



«SIC» by source type (%)



«SIC» by main companies (%)

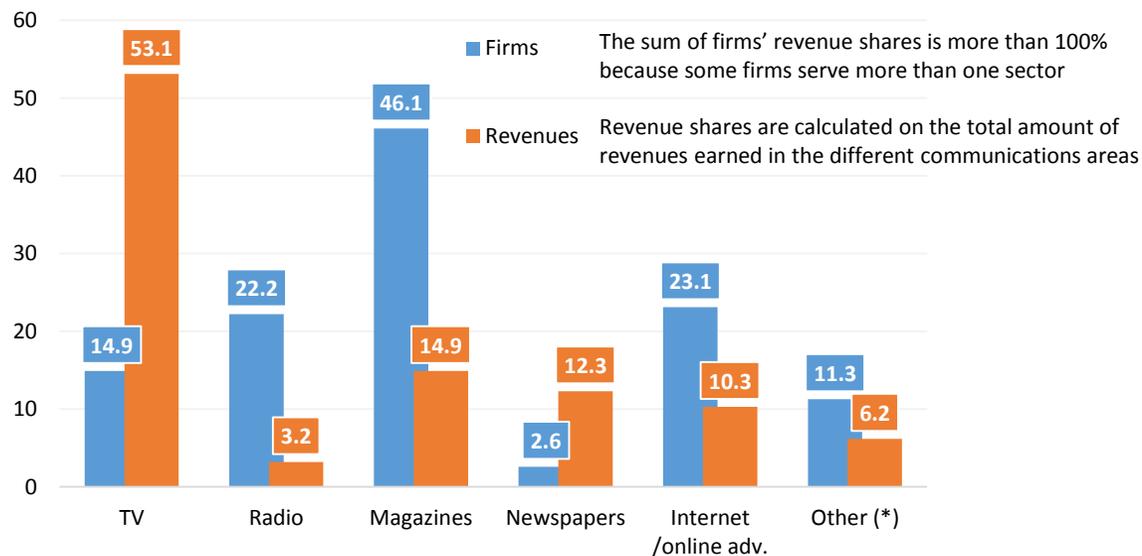


- As regards the source of the SIC main areas' revenues, despite the context of economic crisis, the weight of public funding and pay TV increased by 14.8 pp (from 16,4% in 2004 to 31,3% in 2013)
- Publishing revenues decreased by 6.4 pp (from 25.6% to 19.2%)
- Advertising revenues decreased by 8.5 pp (from 55.1% to 46.6%)

- In 2013, 21° Century Fox (Sky) is the market leader with 15% of market share (+10 pp from 2004 to 2013)
- After the 2011 peak, Fininvest has currently a market share of 14,9% (-1.7 pp compared to the 16.6% of 2011)
- Rai experienced a growth in market shares (+0.9 pp from the 13.2% of 2012 to the 14.1% of 2013), due to license fee payments
- From 2004 to 2013, the market shares of RCS Mediagroup and Gruppo Editoriale l'Espresso jointly fell from 10.5% to 6.9%

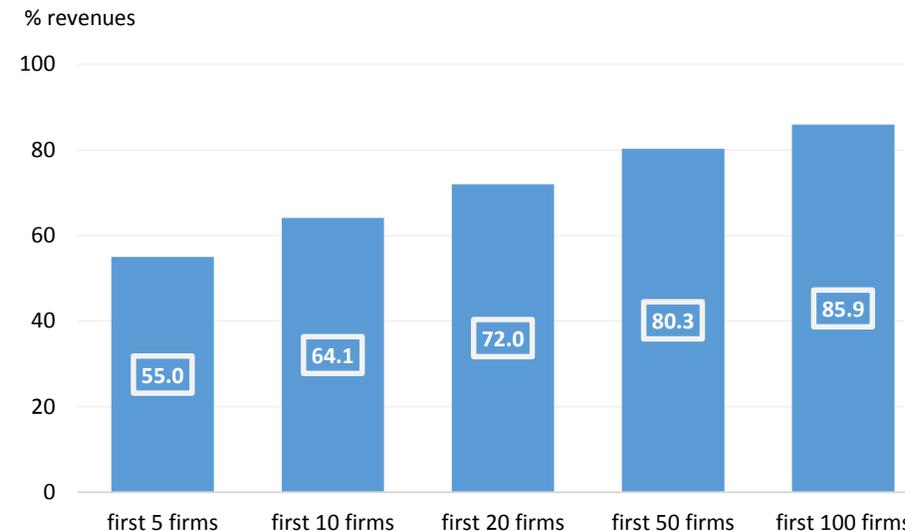


IES distribution by industry (%) - 2014



(\*) – Includes advertising sales companies, press agencies

Concentration of total revenues (%) (\*)



(\*) – The total amount of revenues is different from that provided with the SIC (slide 2.5): in the IES are included some revenues not considered in the SIC (for example, wholesale revenues)

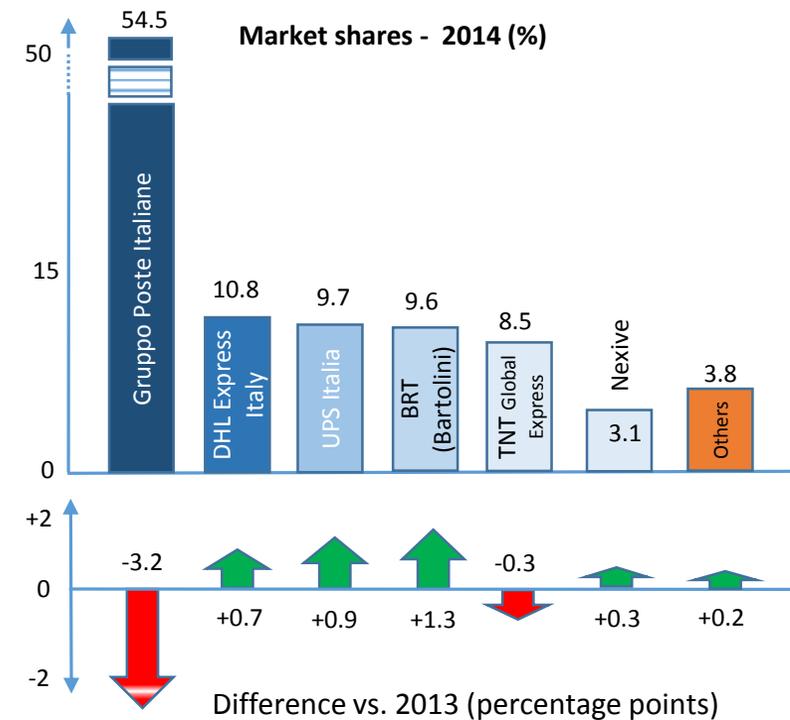
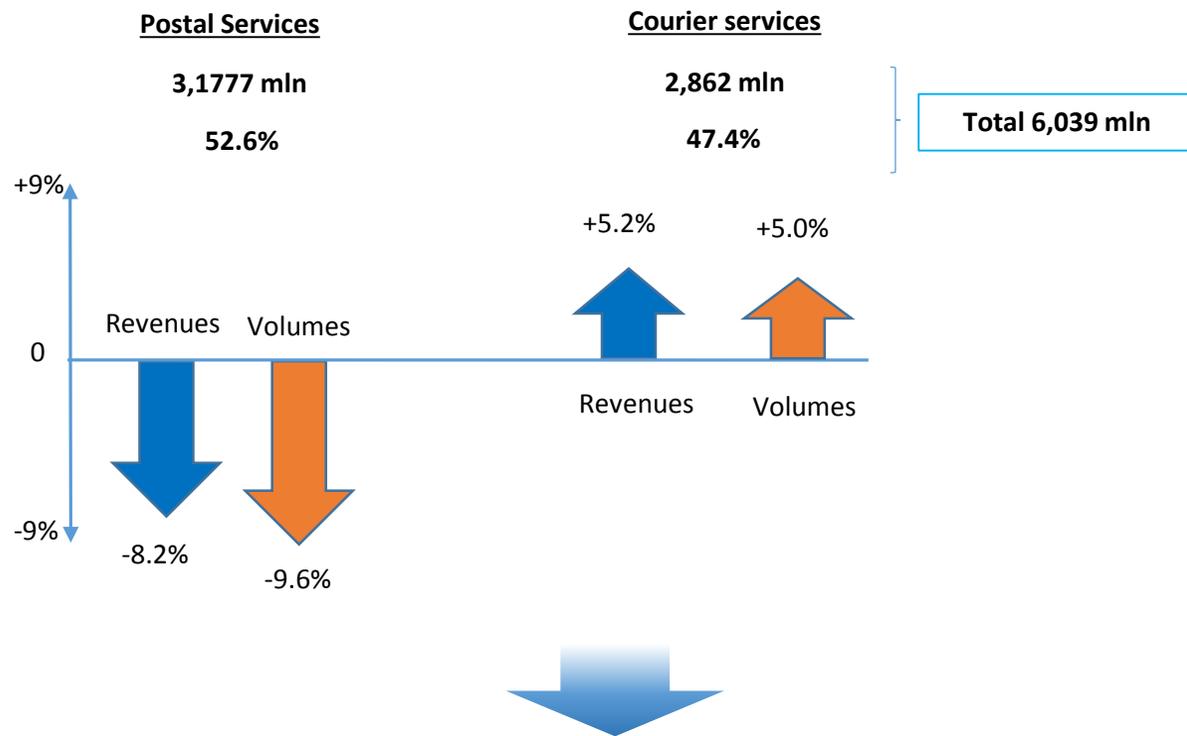


- More than 4 thousand notifications received in 2014: approximately half (48.7%) comes from firms operating in the publishing sector (magazines and newspapers)
- Over half of IES revenues (53.1%) comes from the broadcasting sector
- It is possible to observe a high level of revenues concentration: the 70% of total revenues is produced by the first 20 operators

# 3.1 Revenues and volumes



Revenues and volumes - 2014



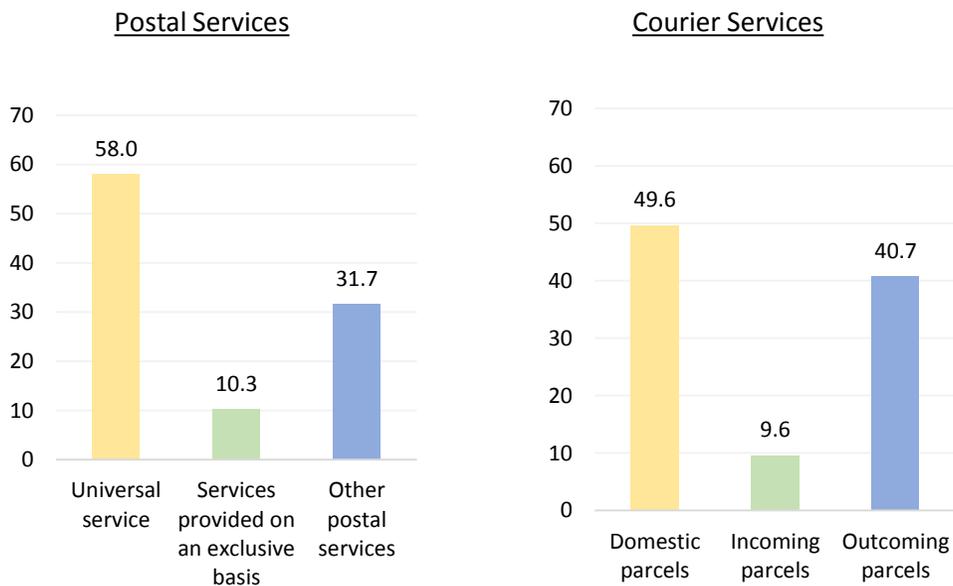
- At the end of 2013, the market value is about € 6.9 billion, which reveals a contraction of **2% YoY**
- Postal services' market experienced a decline both in revenues (**5.8%**) and in volumes (**8.9%**)

- The market stands out for the large number of firms, mainly small firms
- There are 3800 licensed operator; 40% of these are individual enterprises

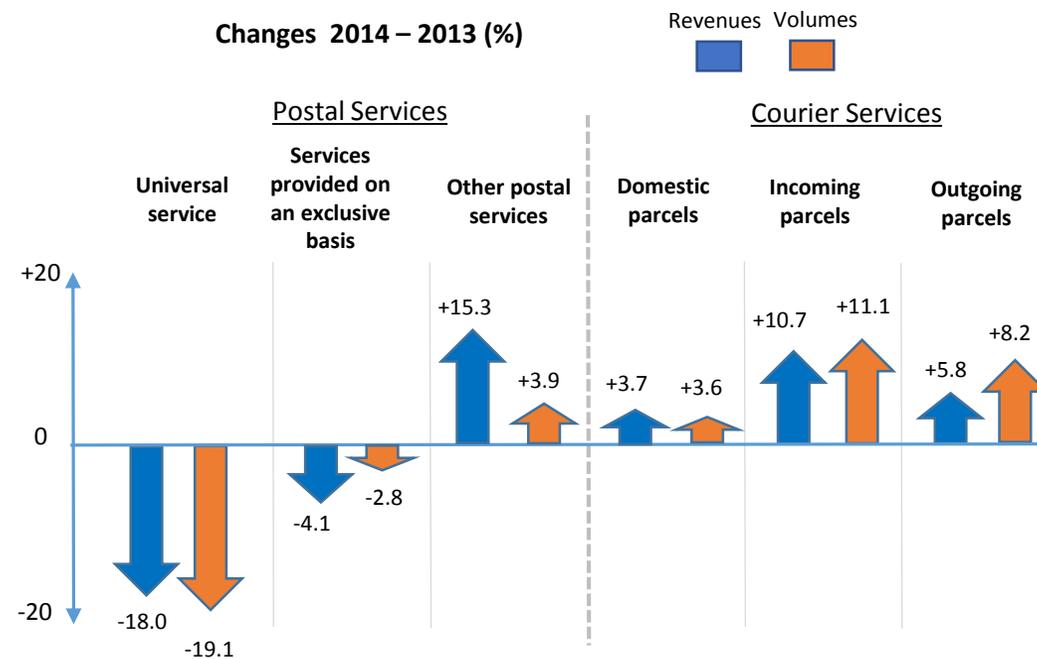
## 3.2 Services by type



Revenues by type - 2014 (%)



Changes 2014 – 2013 (%)

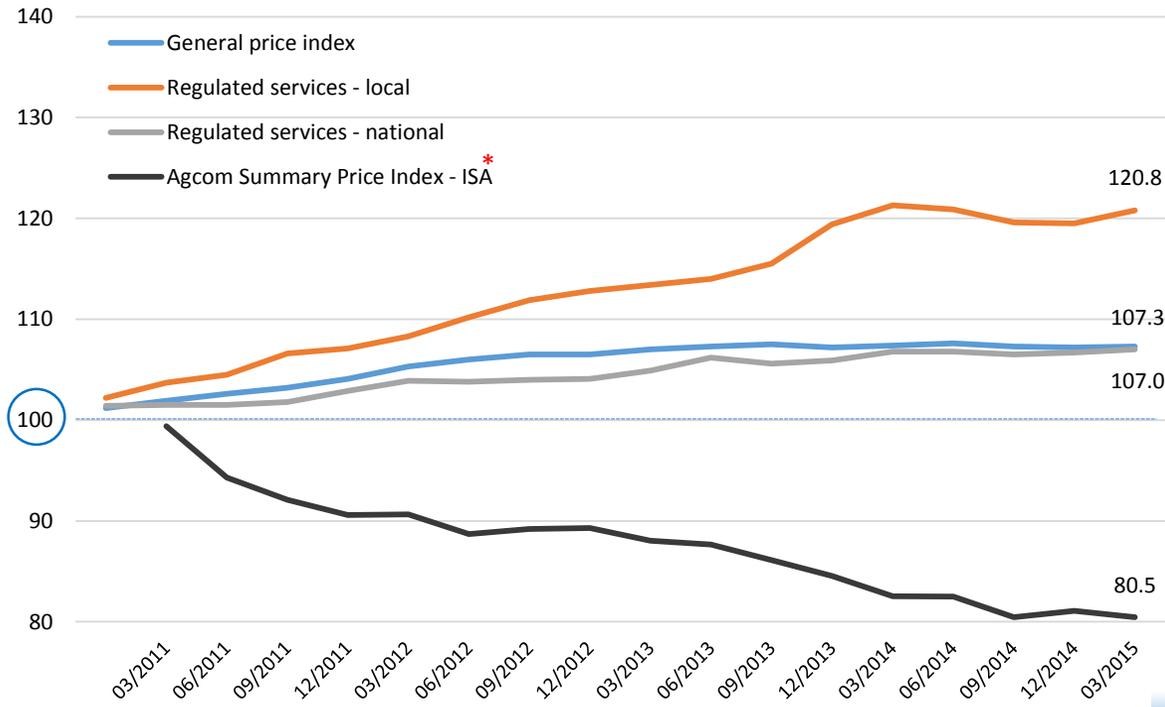


- Universal services constitutes 67% of all postal services. During 2013, revenues and volumes fell by **6.7%** and **10.1%**, respectively
- As for the courier services segment, volumes and revenues increased by about **6** and **2** percentage points, respectively; 57% of the revenues derives from domestic parcels services

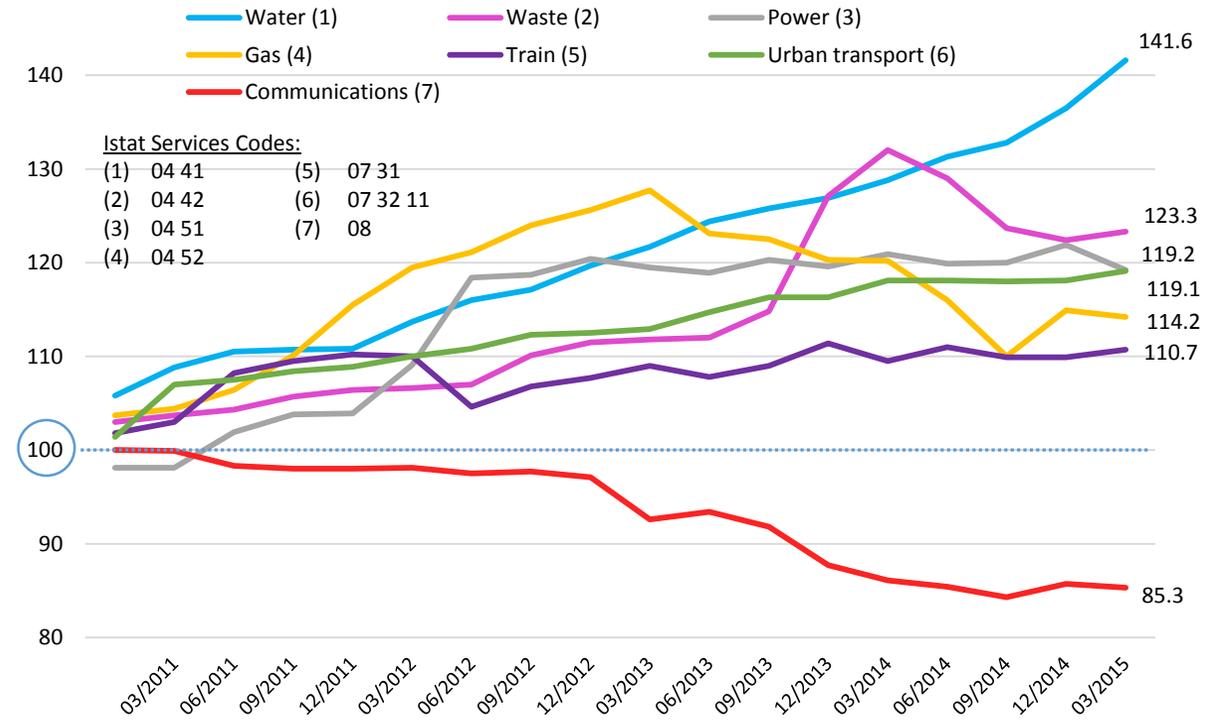
# 4.1 Harmonised indices of consumer prices and other utilities



Average price index (2010=100)



Utilities price index (2010=100)



Istat Services Codes:  
 (1) 04 41 (5) 07 31  
 (2) 04 42 (6) 07 32 11  
 (3) 04 51 (7) 08  
 (4) 04 52

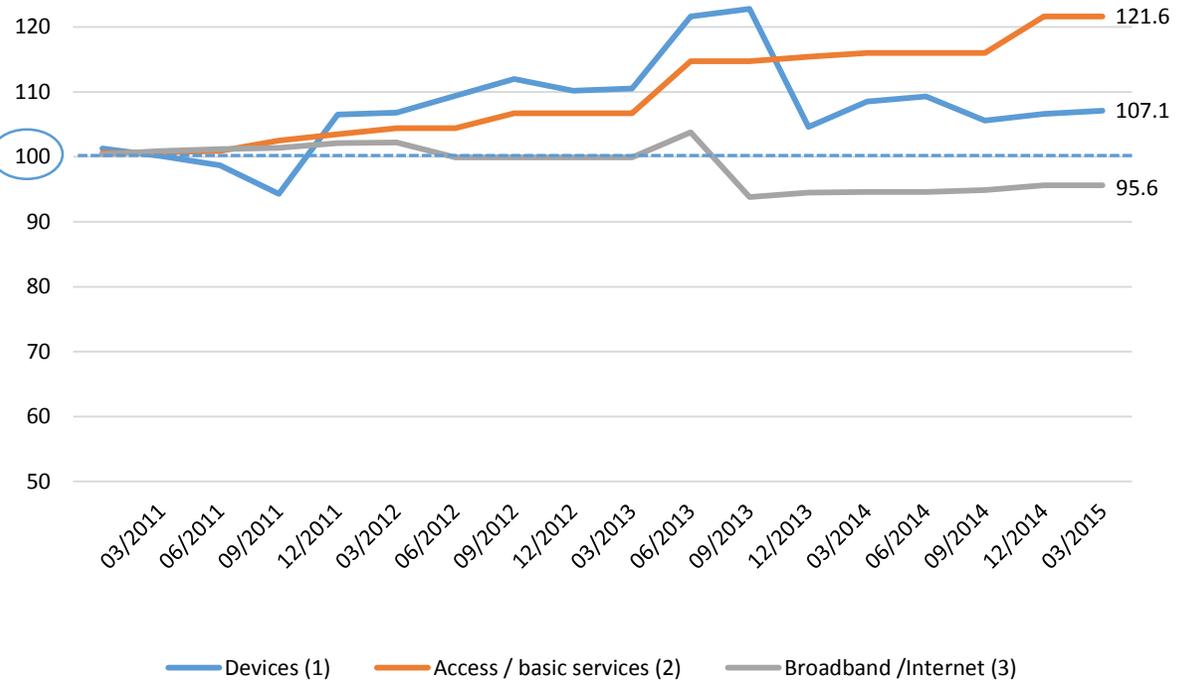
- The ISA price index decreases more rapidly with respect to the others
- The growth rate of the prices of services regulated at the national level is comparable to the general price index, while the prices of services regulated at the local level experienced a steeper growth
- Among the services provided by public utilities, communication services are the only to show a decrease in their price index since 2010

\* The ISA («Indice Sintetico Agcom») price index includes postal services, services and devices for fixed and mobile telephony, public TV license fee, pay TV, newspapers and magazines (10 items). In compliance with the procedure adopted by ISTAT for the indices of consumer prices, the aggregate communications index is calculated by the "method of chaining", by which the system of weights assigned to the items is updated yearly.

# 4.2 Mobile and fixed telephony



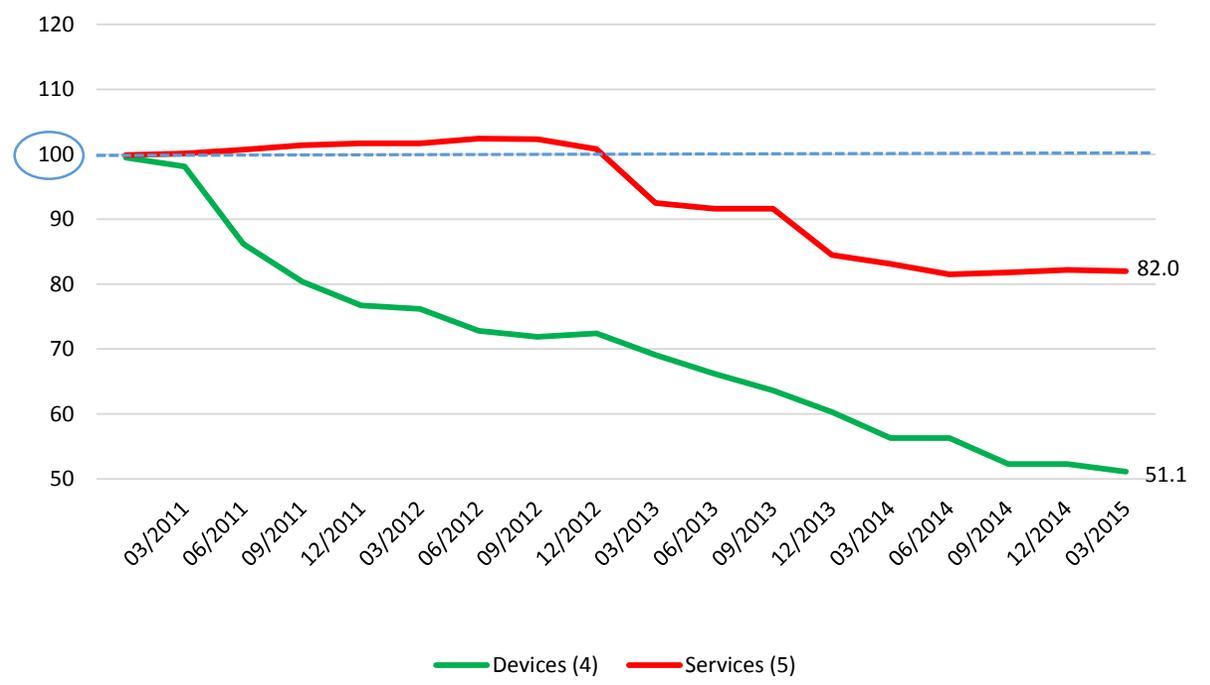
Fixed telephony price index (2010=100)



Istat services codes:

- (1) 08 20 10
- (2) 08 30 10
- (3) 08 30 30

Mobile telephony price index (2010=100)



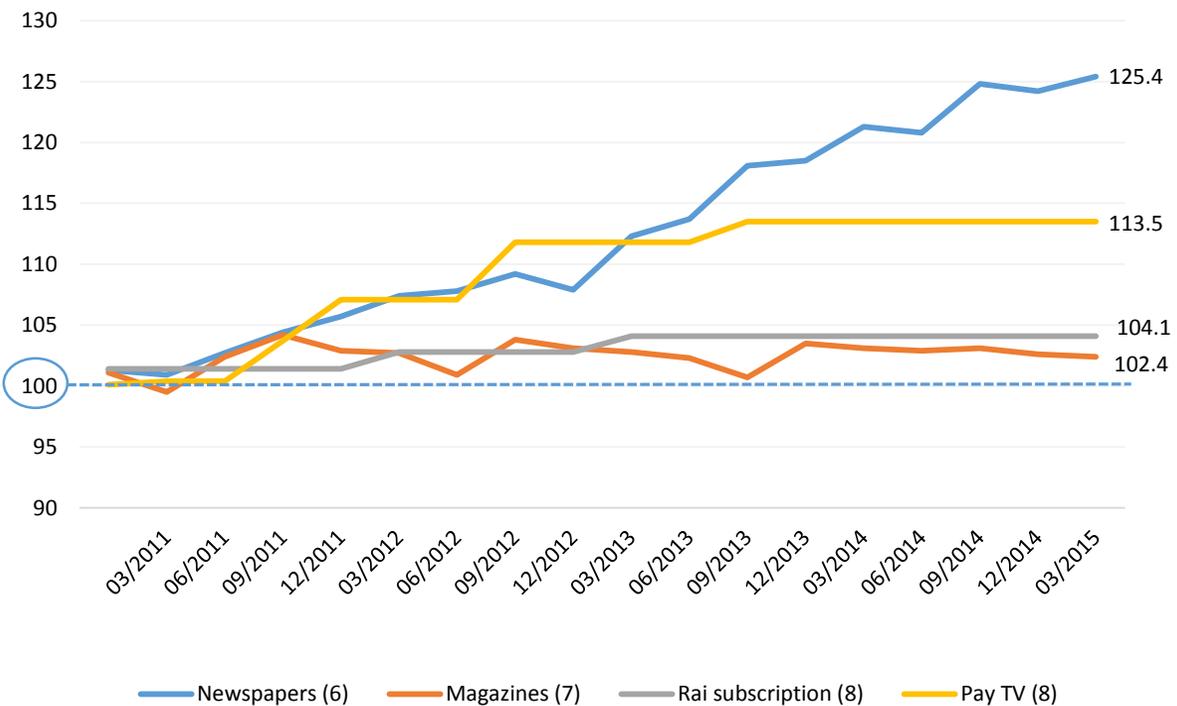
Istat services codes:

- (4) 08 20 20
- (5) 08 30 20

# 4.3 Daily newspapers, magazines, TV and postal services



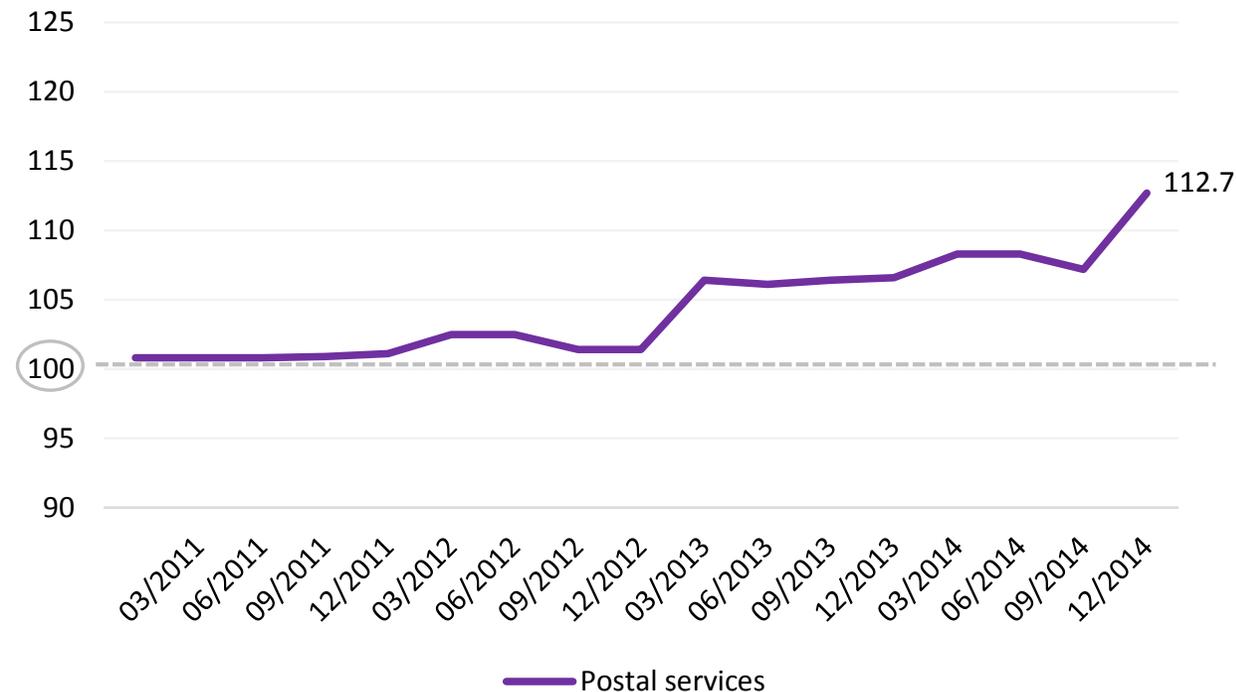
**Newspapers, magazines, Tv price indexes (2010=100)**



Istat services codes :

- (6) 09 52 10
- (7) 09 52 20
- (8) 09 42 30

**Postal services price index (2010=100)**



Istat services codes

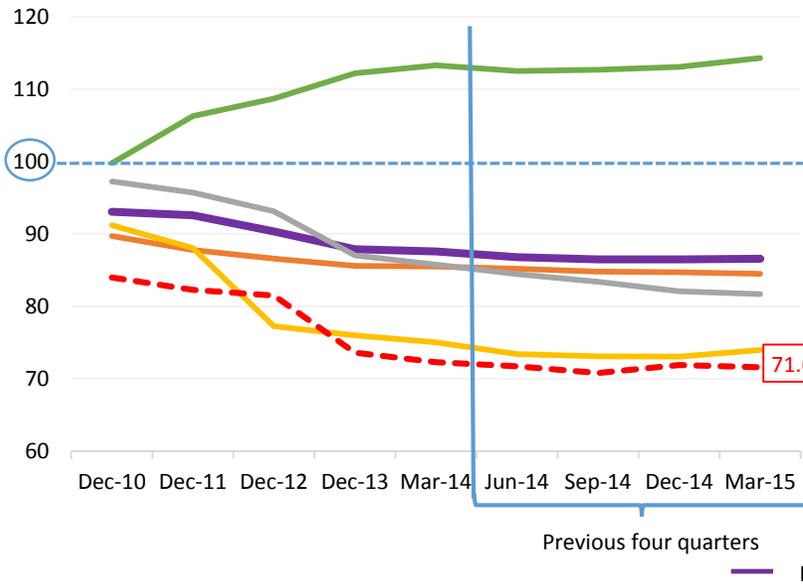
- (9) 08 10 00

# 4.4 International benchmark



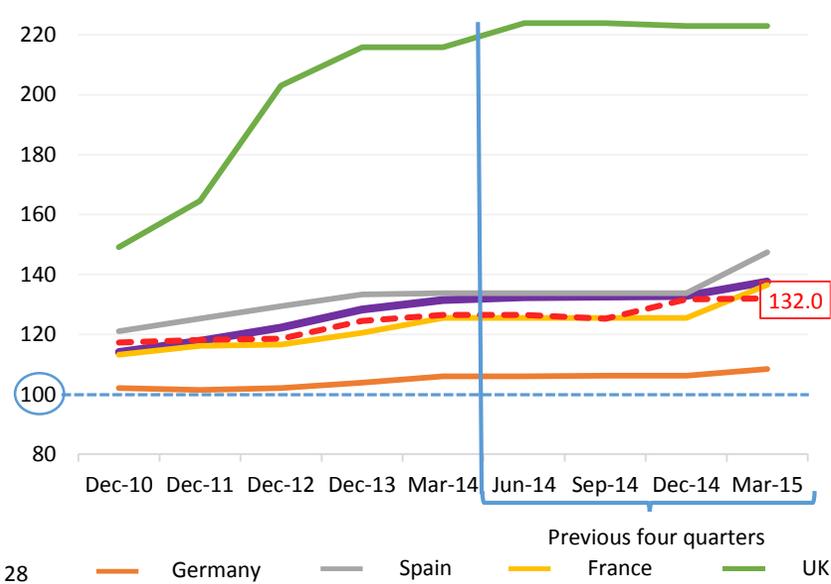
Communications – (2005 = 100)

COICOP\* -08



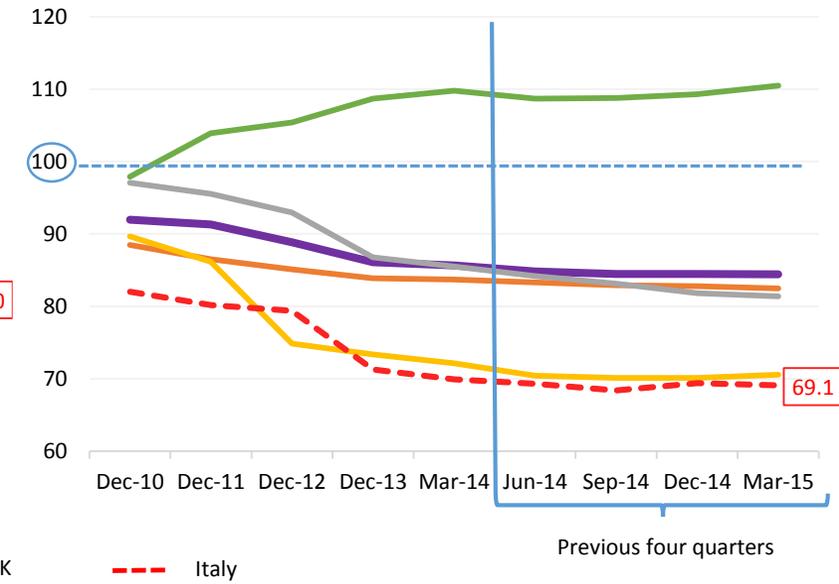
Postal services – (2005 = 100)

COICOP\* -081



Telephone and telefax equipment and services – (2005 = 100)

COICOP\* -082 -083



\*COICOP: Classification Of Individual COnsumption by Purpose



- The Italian communication price index is much lower than the European average
- The Italian postal services price index performed slightly below European price index
- It follows that Italian consumers have benefited more than their European peers from the liberalization of electronic communications



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