

Digital Consumption: Signs of Saturation



For the telecoms industry, the “Era of Enough” has arrived. For anyone trying to sell connectivity or digital devices, the results of Deloitte’s 2024 Digital Consumer Trends survey make sobering reading.

The new research suggests there is limited appetite to switch to fibre-to-the-home (FTTH) and 5G networks at additional expense and effort. Although only 40% of Dutch households have a FTTH service (source: TelecomPaper), 85% of the 2,000 respondents in the survey are satisfied with their Internet connection.

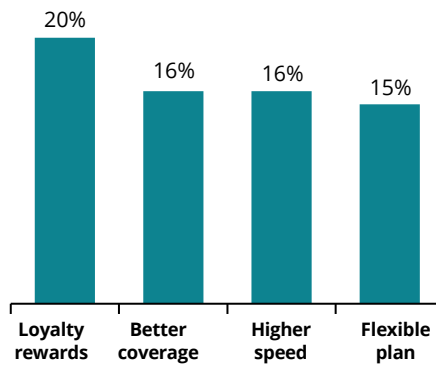
Speed isn't a differentiator

In fact, 38% of respondents don't know how fast their Internet connection is, highlighting how throughput speed isn't an issue for many consumers. While most telcos in the Netherlands are now offering multi-gigabit fibre connections, even a household of four will rarely require more than 50 Mbps. In essence, there is a growing imbalance between supply and demand, potentially accelerating the slide towards the commoditization of connectivity.

There is also limited enthusiasm for 5G mobile connectivity. A slight majority of the respondents (51%) consider 5G to be better than 4G, with 45% seeing little difference. While the rollout of standalone 5G networks in mid-band spectrum will widen the performance gap to 4G, many consumers may not value the additional speed, given that they rarely need more than 10 Mbps while on the move (unless streaming a 4K movie or playing cloud games with 4K quality). There is only so much data an individual can consume on a small screen device.

Graph 1. Which would encourage you to switch mobile network provider?

Multiple answers possible



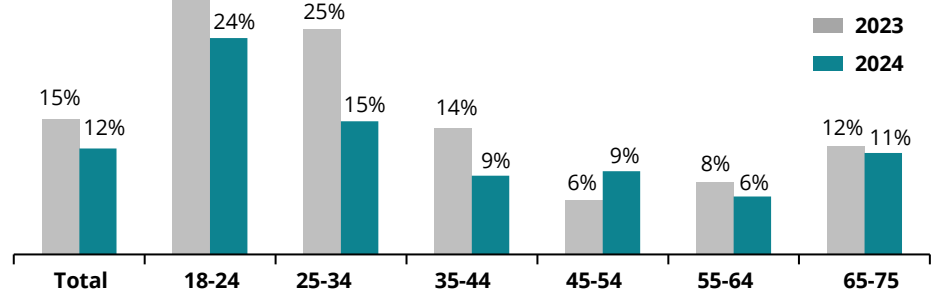
When asked what would encourage them to switch mobile network provider (graph 1), more respondents (20%) selected loyalty rewards than better coverage (16%) or higher speeds (16%).

Survey shows limited consumer enthusiasm for more bandwidth and more devices.

While the survey was conducted before Odido's launch of a 5G fixed wireless access service in October 2024, it found that households are becoming less reliant on mobile networks (graph 2). Only 12% of respondents said they use mobile as a primary connection, down from 15% in 2023. Among the 18-24 age group, where reliance on mobile is highest, that figure fell to 24% from 29% in 2023.

Graph 2. What type of internet or home broadband connection is the primary one used in your household?

Mobile as a primary connection

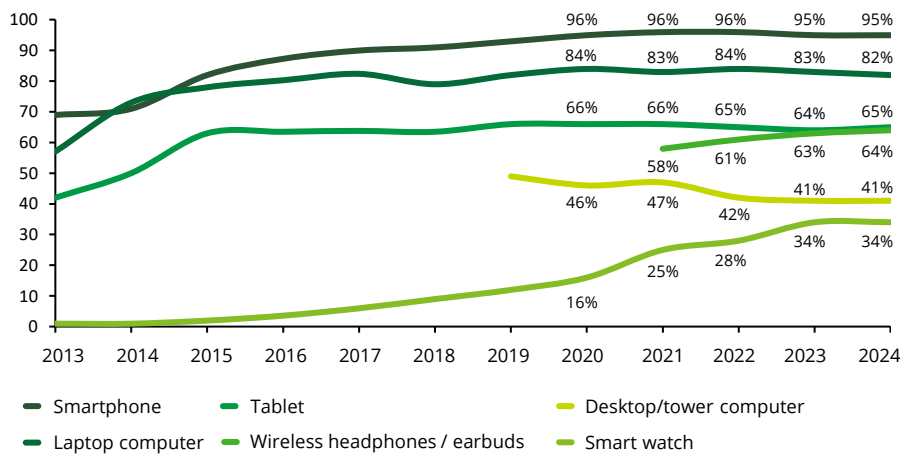


The device market is also increasingly saturated

As well as being satisfied with their broadband connections, consumers increasingly see little need to buy new devices. In fact, ownership levels of almost all digital devices in the Netherlands have now plateaued, according to the survey results. Ownership of smart watches, which had been rising, seems to have now plateaued at 34% (graph 3), while only 17% of the survey respondents plan to purchase a smartphone next year.

While there is still some growth in adoption of smart home devices, the survey suggests this market is also maturing fast. Penetration of smart TVs rose just one percentage point to 70% in 2024, while ownership of video streaming devices and wireless speakers/soundbars both went backwards.

Graph 3. Which of the following devices do you own or have ready access to?



In 2024, 46% of the smartphones in use in the Netherlands are at least 4.5 years old. That reflects the fact that smartphone hardware is only improving incrementally, while apps will generally run fine on older models. Some 16% of respondents are using a second-hand smartphone, while 12% use a second-hand laptop.

While the rising longevity of devices is good for the environment, it is more likely to reflect consumers' financial priorities, rather than a growing enthusiasm for sustainability. In fact, the survey found that only 17% of respondents have some idea what their carbon footprint is. There is also significant cynicism among consumers, with only 27% trusting tech companies to be transparent when declaring their carbon footprint.

New technologies are not yet seeing frequent use

The one segment of the digital market that is growing fast is generative AI (GenAI). The number of people to have used GenAI in the Netherlands has increased 56% in the past year. In the 2024 survey, 42% of consumers claimed to have used GenAI, a 15 percentage-point increase on 2023. Yet, the survey found 44% of GenAI adopters are extremely infrequent users, using the technology less than once per month.

Many stakeholders in the telecoms industry are hoping that a combination of AI and virtual reality (VR) and augmented reality (AR) services will drive growth in traffic, but the survey shows that most consumers are still not interested in VR. While VR headsets have been available for a decade or so, only 6% of respondents own one – the same proportion as in 2023 and 2022 and down on the 7% in 2021. Among the 6%, only 12% are using a VR headset daily. In other words, VR is still far too niche to move the networks' traffic needle.

What are the implications for telcos?

Telcos need to come to terms with the Era of Enough. Here are some high-level implications for the telecoms industry:

- **Be prepared to offer additional benefits** to convert customers from existing technologies to FTTH and 5G. These benefits could include price discounts, membership and service benefits.
- **Differentiate beyond speed** (e.g. highlight network reliability and membership benefits) to retain customers. Given many consumers don't seem to be interested in throughput speed, telcos could focus on ensuring their customers can always get a connection.
- **Pace capital expenditure appropriately:** In the near-term, at least, devices and applications will not drive the need for better connectivity as they have done in the past.

In a subsequent publication, we will dive deeper into the implications for the telecoms industry.

To discuss these insights and how you can adjust your strategy to the Era of Enough, please contact us.



Jan-Piet Nelissen
Partner
jnelissen@deloitte.nl



Jens Groot
Director
jgroot@deloitte.nl



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