



United Kingdom

INFORMATION and COMMUNICATION TECHNOLOGIES

Market Overview

The UK is the second largest information and communication technology (ICT) market in Europe and is, on a per capita basis, larger than Germany. The UK, which is also Canada's largest trade and investment partner in Europe, has attracted large numbers of Canadian companies to establish direct operations locally, ranging from major companies like Nortel Networks with close to 16,000 UK employees, to small companies with one or two persons in their UK sales offices.

One reason why the UK attracts Canadian and other ICT companies, apart from size, is the very open and transparent market, which makes it relatively easy for companies to become established. However, this also means that the market is very competitive, the UK already being a world leader in a few market areas. Traditionally, the UK has been strong in media and publishing. This strength has been carried into areas of new media, including computer and video games, where UK studios produce around 30% of the world market. Other areas of software production where the UK leads include: small business accounting software, where Sage Software enjoys a 50% share of the world market; and GSM (Global System for Mobile Communications) text messaging SMS (Systems Management Server) software, where 50% of the world's text messages are handled by systems supplied by the UK's Logica.

In the telecommunication sector, the UK was the first country in Europe to privatize its nationally owned operator and to introduce competition, and it has also been a leader in developing wireless services. The world's largest wireless operator (and Britain's largest company), Vodafone, is based in the UK.

In the e-business sector, the UK's traditional retailing strengths have made themselves felt in some areas of the business-to-customer commerce segment. The Tesco supermarket chain has developed a strong online presence and is now the world's largest online grocer, offering home delivery within a two-hour window seven days a week. Sainsbury, second in size to Tesco, has also created a strong online presence. EasyJet, a UK-based discount short-haul airline, sells over 80% of its seats online, the highest proportion of seats online anywhere in the world.

The UK also leads the world in digital television, with almost 30% of households now receiving digital programming via satellite (BskyB), cable (ntl, Telewest) or terrestrial (onDigital). In addition, each is developing interactive services. BskyB's advanced e-commerce services generated significant revenues for companies such as Domino's Pizzas.

Mobile communications continue to be a major growth area in the UK, with 68% of the population now having mobile phones. Text messaging (SMS) over GSM phones has snowballed from 50 million messages per month in July 1999, to 1 billion messages per month in January 2001. In April 2000, new third-generation (3G) mobile licences were auctioned, raising almost \$C50 billion for the government, and Montreal's TIW was one of the winners (subsequently revealed to be backed by Hutchinson of Hong Kong). An interim step to 3G, General Packet Radio Service (GPRS) is being rolled out by all four UK GSM networks over the next year or so. Many believe that, within a few years, Internet access via mobile devices will outnumber access via fixed links, given the much higher penetration of mobiles than personal computers.

Opportunities

There are opportunities for Canadian companies in virtually every sector of the UK ICT market, provided they have an innovative and competitive product or service offering, and are prepared to spend time understanding the market and distribution channels. Areas of particular growth are wireless applications and mobile e-commerce, with their associated infrastructure.

Many Canadian companies are choosing to establish their own local subsidiary to have greater control over their UK channels, obtain better feedback on market requirements and developments, and be closer and more responsive to their customers. Costs of doing business in the UK are high compared to North America (but less than most other European countries), and companies considering this strategy need to carefully review whether they have adequate resources to adopt this approach.

The main alternative is to identify a local partner with good access into the appropriate channels and customers, an area where the High Commission can usually provide advice and contacts, if provided with an adequate profile. As a general rule, direct marketing from Canada is not a viable option (There are various legal controls on the use of direct mail, fax and telephone marketing, especially to consumers.) See the Web site of the Direct Marketing Association <http://www.dma.org.uk>