

BUSINESS' USE OF INTERNET
OFTEL SMALL AND MEDIUM BUSINESS SURVEY Q4 FEBRUARY 2001

1. INTRODUCTION

- 1.1 This report provides an overview of business use of Internet, taken from the fourth quarter 2000/01 of Oftel's quarterly business survey conducted in February 2001. Results from previous quarters are used for comparison purposes and referred to throughout this report.
- 1.2 The survey was conducted among 700 businesses, comprising 400 small (1-50 employees) and 300 medium (51-500 employees)¹ businesses located across the UK with a minimum turnover of £50,000. Quotas and weighting were applied to small and medium businesses separately so that the sample was representative of total SMEs (Small and Medium Enterprises) in the UK in terms of business size, industry sector and region.²
- 1.3 The fieldwork was conducted on behalf of Oftel by Continental Research during November 2000. This report has been prepared by Oftel³ based on the results provided by Continental Research.
- 1.4 The report covers:
- Internet penetration among SMEs
 - Type of package, ISPs used, switching ISP
 - Internet connection methods used including DSL (digital subscriber line) services and other non-PSTN/dial-up connection methods
 - Interest in alternative connection methods including DSL
 - Satisfaction with Internet services and with choice in Internet services

¹ Some sources of data (including the DTI SME Statistics) define SMEs as employing between 1-249 staff though the definition of medium businesses is arbitrary, defined sometimes by number of employees, sometimes by turnover. The current survey included businesses with up to 500 employees in order that the survey was as inclusive as possible. It was felt that, from the point of view of telecoms purchasing, little difference existed between businesses with 249 employees and those with 500.

² The survey was conducted amongst a representative sample of small and medium enterprises (SMEs) in the UK, reflecting the UK profile in terms of business size, sector and region. As small businesses (1-50 employees) make up around 99% of businesses in the UK, medium businesses were oversampled in the survey to produce a sufficiently robust sample to allow analysis of the results among medium businesses. The combined results were re-weighted to be representative of UK SMEs as a whole (99% small businesses; 1% medium businesses), consequently the results for small businesses closely resemble those for SMEs as a whole. The error margin for this survey of 700 businesses is about 2-4%, though higher amongst small subgroups. All data shown is weighted data. Unweighted base sizes are shown on charts and tables to show the number of businesses who were asked the question.

³ The report should not be seen as recommended best buys and should not therefore be relied upon when making purchase decisions. Oftel has conducted its own checks on the data in this report and whilst we consider it to be correct, Oftel accepts no liability in respect of any of the results provided to it by Continental or any decisions taken by any person in reliance on the report.

2. SUMMARY FINDINGS

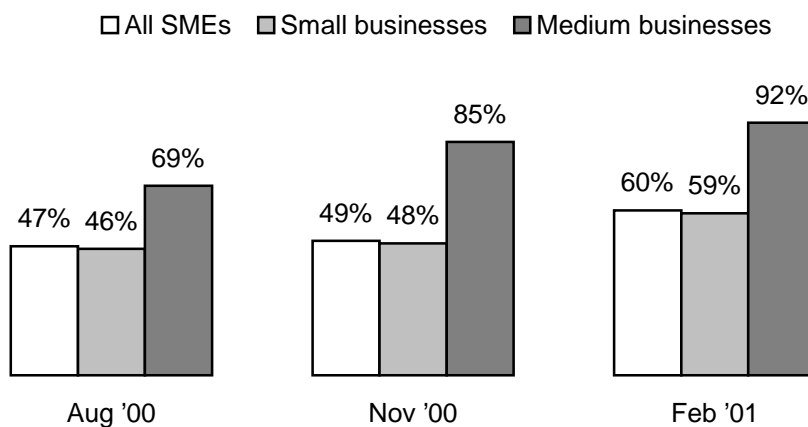
- 2.1 Internet penetration continued to rise amongst both small and medium sized UK businesses – 59% and 92% respectively were connected in February 2001. Take up levels varied quite considerably however, by both geographic region and business type.
- 2.2 Businesses on the whole appeared to be making use of a fairly wide range of ISPs, packages, and connection methods. The majority of small business used ordinary phone line / dial up access to connect to the Internet, whilst medium sized businesses were more likely to use ISDN or leased lines.
- 2.3 Only a small number of businesses claimed to be using DSL or cable modems. Whilst half of (all) businesses were not aware of DSL technology, a third of those currently connected to the Internet and not using DSL, thought they would be likely to use DSL in future.
- 2.4 About a quarter (24%) of businesses connected to the Internet said they used more than one ISP and a fifth had switched ISP, making greater use of the choices and deals available. The November survey reported that 90% of businesses were satisfied with the choice of ISPs available in the market. This survey reported that 86% of businesses with Internet were satisfied with the information available to assist them in their choices of ISP, and similar proportions were satisfied with the information available on how to connect and the choice of Internet packages. There was little difference in satisfaction levels between small and medium sized businesses.
- 2.5 Use of unmetered packages remained fairly constant at 26%, but was considerably more popular amongst medium sized businesses (40%). Use of subscription free / calls only packages recovered to the level reported in August 2000 (44%) following a apparent drop last quarter, although this was likely to be a result of minor sampling variations.
- 2.6 Satisfaction with Internet generally remains high – 90% of businesses were satisfied with their ISPs quality of service, and satisfaction with subscription charges was also high at 92% (amongst businesses using subscription based packages).
- 2.7 Satisfaction remained lowest for the customer care offered by ISPs (73%) which experienced a slight drop from November 2000 (78%). Levels of satisfaction with other factors including speed of access, and where applicable, call charges, remained consistent with last quarter.

MAIN FINDINGS

3. Internet penetration among small and medium businesses

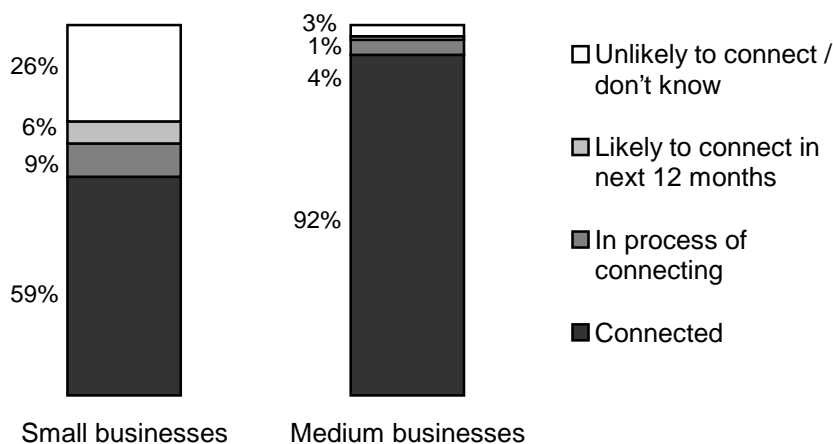
3.1 By February 2001, 60% of UK small and medium businesses said they were connected to the Internet, a significant growth from 49% in November 2000, driven by both small and medium sizes businesses. The results are summarised in figure 3a.

Figure 3a % UK SMEs with Internet access
Base: UK businesses, Feb '01 (Small: Base – 400, Medium: Base - 300)



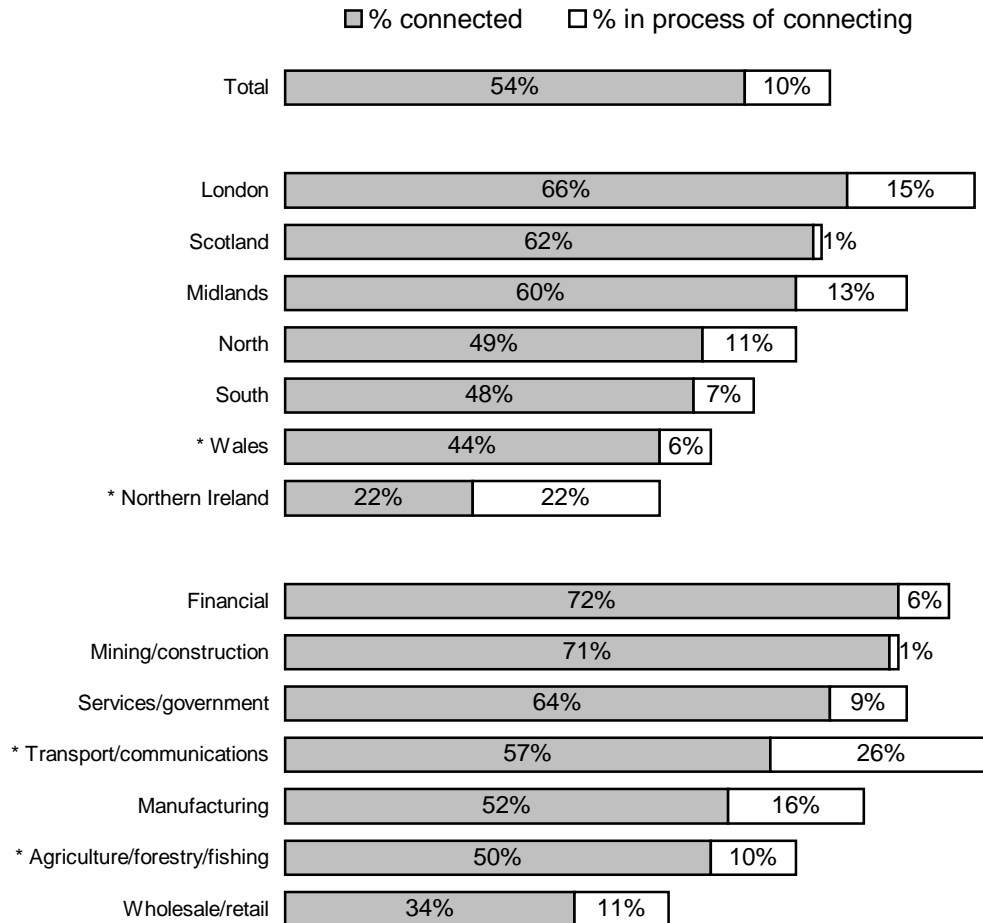
3.2 A further 9% of businesses (9% small, 4% medium) said they were in the process of getting connected. This is shown in figure 3b. Just over a fifth (23%) of UK businesses however, said they were unlikely to connect to the Internet within the next 12 months (predominantly small businesses). The August survey² found that the main reason for this was a perception that the Internet was not relevant to the business and could not assist it in any way. Lack of knowledge about the Internet, how to connect and its potential uses and benefits were identified as potential barriers for a small proportion of businesses.

Figure 3b Internet penetration amongst UK businesses
Base: UK businesses, Feb '01 (Small: Base – 400, Medium: Base - 300)



3.3 Figure 3c shows data for individual geographic regions and by business type. Sample sizes at this level of detail can be quite small for some groups, hence data from the November and February surveys has been combined, to provide more robust sample sizes on which to base conclusions.

Figure 3c Regional and industry differences in % UK businesses with / in process of getting Internet
Base: UK small and medium businesses, Nov '00 and Feb '01 (Base: 1400)



* Caution should be applied as combined base size less than 100

² <http://www.oftel.gov.uk/publications/research/bint1000.htm>

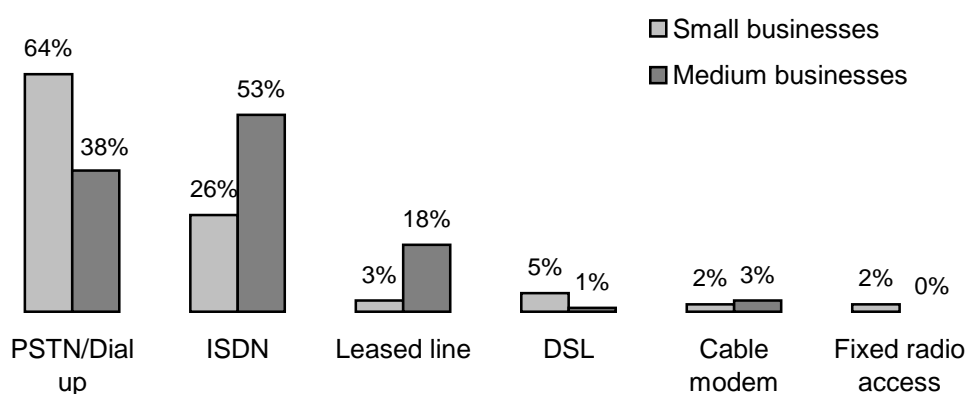
4. Business use of Internet access methods and ISPs

4.1 Businesses on the whole appeared to be making fairly wide use of the range of ISPs and packages available, given the relatively short length of time that some of the alternatives have been available.

Connection method

4.2 The majority of small businesses connected were using ordinary phone line / dial up to access the Internet. ISDN and leased lines were more popular amongst medium businesses. Access methods are shown in figure 4a.

Figure 4a Methods used by businesses to access the Internet
Base: UK businesses with Internet, Feb '01 (Small: Base - 276, Medium: Base - 279)



* Note, figures add to more than 100% as some businesses are using more than one access medium

4.3 DSL usage by small businesses appears to have grown during the last quarter (from less than 1% to 5%). This could partly be a result of the more general rise in Internet take up amongst small businesses over the last quarter - of the small businesses claiming to use DSL, almost 2 in 5 said that they were not previously connected to the Internet and DSL was the first access method they used. More likely however, it would appear to be a slight over estimate probably a result of confusion as to what DSL actually is. Industry subscriber figures suggest that 3% would be a more realistic estimate of the proportion of businesses with Internet using DSL.

4.4 The DSL users who had previously been connected to the Internet (3 in 5), said that DSL had recently replaced their ordinary phone line / dial up, or ISDN connection. The reasons they gave for replacing their original access method with DSL included perceptions that it was a better quality service, offered higher speeds, was 'always on', and provided unmetered access. We will continue to monitor claimed usage of DSL as the market continues to develop.

4.5 Potential future use of DSL remains encouraging with a third of businesses with Internet (who don't currently use DSL) saying they would be likely to use it in future. The most common reasons for not considering DSL in future included insufficient use of the Internet, not knowing enough about DSL, and satisfaction with existing high speed or unmetered connection methods.

4.6 Lack of awareness of DSL is clearly a barrier to greater usage - half of all businesses interviewed had not heard of it, and interestingly perhaps, there was no difference in awareness levels between businesses connected and those not likely to connect to the Internet. Businesses who were in the process of connecting were considerably more likely to be aware of DSL, perhaps having recently investigated the alternative access methods available to them.

Number of ISPs used

4.7 About a quarter (24%) of businesses said they used more than one ISP. There was no difference between small and medium sized businesses. Furthermore, a fifth of small businesses and a quarter of medium businesses said they had previously used a different ISP, indicating a significant minority at least who are making use of the choices available. This is in line with switching in the fixed line market, but is lower than the level of switching in the mobile market (36%).

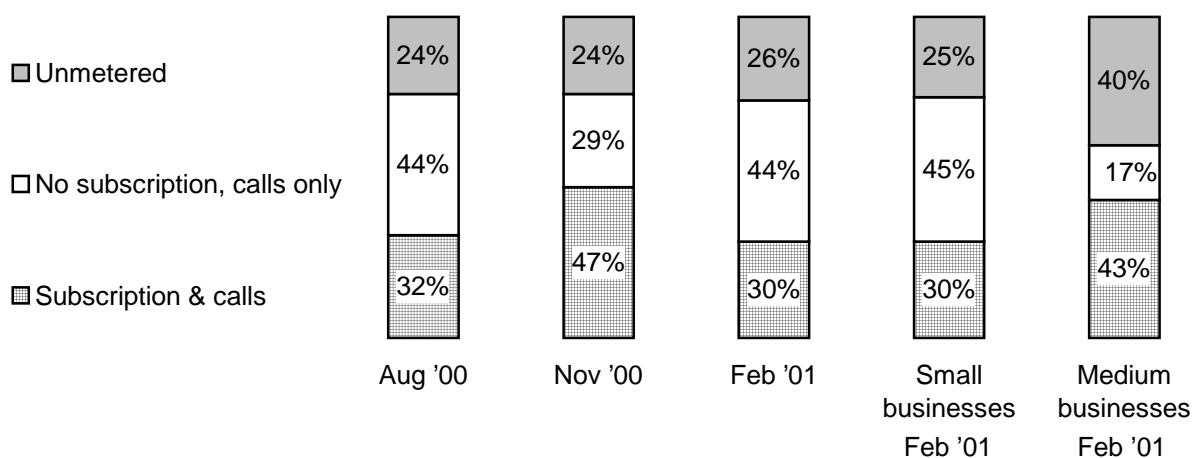
4.8 The proportion of businesses who have switched ISP was slightly lower than reported in previous quarters which were in the region of 30%. This might be a result of the growth in Internet take up amongst small businesses in particular this quarter, as those just recently connected will have had less opportunity in which to switch their ISP.

4.9 Previous quarters reported that the majority of businesses who had changed ISP found the switching process easy, and cost, better content/links, and faster speeds were the main reasons for changing.

Type of package used

4.10 Use of unmetered type packages has remained broadly consistent over recent months, at about a quarter of businesses. Medium businesses were more likely to use unmetered packages than small businesses although this also includes some leased lines. Small businesses were more similar to residential customers in terms of the packages they used, with almost half using subscription free / calls only packages.

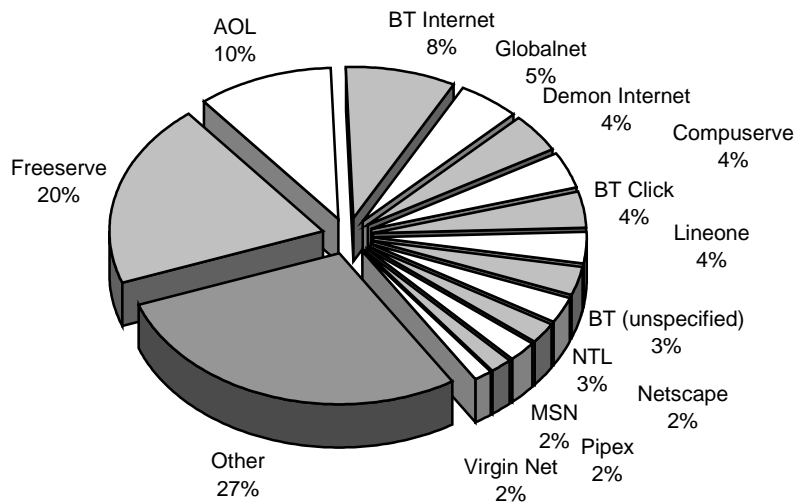
Figure 4b *Main type of Internet package used by businesses*
 Base: UK businesses with Internet, Feb '01 (Small: Base – 276, 13% 'don't knows' have been excluded), (Medium: Base – 279, 18% 'don't knows' have been excluded)



ISPs used

4.11 Businesses are making use of a range of ISPs as seen in figure 4c, which shows individual ISP share of the SME business market based on what ISPs businesses said they were using. [NB This is not the same as the proportion of businesses using each ISP as some businesses are using more than one ISP]. Only ISPs with a share of 2% or more are shown. Those with less than 2% share are included in the 'other' category.

Figure 4c *ISP share of SME business Internet access (based on all ISPs businesses use)*
Base: All ISPs used in small and medium UK businesses with Internet access, Feb '01
(Base:555 , 14% 'don't knows' have been excluded)



5. Satisfaction with Internet service

- 5.1 On the whole, there has been little change in satisfaction with Internet since November 2000, with businesses expressing fairly high levels of satisfaction with their Internet service.
- 5.2 As shown in figure 5a, satisfaction remains highest with quality of service offered by ISPs, at 90%, and was higher still amongst medium businesses (95%). Satisfaction was also high with subscription charges (amongst businesses for whom this was applicable).
- 5.3 Small businesses were considerably less satisfied with speed of access than medium businesses. This most likely reflects their higher use of PSTN / dial up access, compared with medium businesses who were more likely to use ISDN or leased lines.
- 5.4 Satisfaction with customer care offered by ISPs remains lowest at 73%, and has experienced a slight drop since November 2000 (78%). Smaller businesses who were least satisfied with this aspect of service (72%) were also less likely than medium businesses to have switched ISP (see para 4.7) and hence could potentially be making greater use of the choices available.

Figure 5a % UK businesses satisfied with aspects of Internet service
 Base: UK businesses with Internet, Feb '01 (Small: Base - 276, Medium: Base - 279, 'Don't knows' have been excluded)

	Nov '00	Feb '01		
	Total SMEs	Total SMEs	Medium businesses	Small businesses
Quality of service	89%	90%	95%	90%
Subscription charges (based on businesses who pay subscription charges)	75%	92%	*	*
Call charges (based on businesses who pay call charges)	87%	77%	*	*
Speed of access	77%	78%	88%	77%
ISP customer care	78%	73%	84%	72%

* Data available for total business sample only

Satisfaction with choice in the Internet market

- 5.5 The November survey reported that the majority of businesses were satisfied with the amount of choice in the Internet market. Satisfaction was highest with the number of ISPs available and the quality of service offered (90% of businesses were satisfied with these aspects of the market). Satisfaction was lowest (although still three-quarters of businesses were satisfied) with the choice in terms of customer care offered by ISPs which is in line with the lower levels of satisfaction with this aspect of service reported above.
- 5.6 Small businesses tended to be less satisfied than medium businesses with the choice of access speeds on offer. This may be a result of lower levels of awareness of alternatives available, or perceptions that there is insufficient choice at prices they are prepared to pay. Figure 5b shows business satisfaction with the information available in the market to assist them in their choice of ISP and connect to the Internet.

Satisfaction with information sources on the Internet market

5.7 Whilst satisfaction with existing information remains high, the November survey reported that the most popular source of information used by businesses, when connecting to the Internet, was advice from family and friends. Whilst small businesses were satisfied with this advice, it is not necessarily impartial and they acknowledged that a shortage of appropriate information for them had led them to rely on informal ‘word of mouth’ sources, for information about the Internet. This highlights the importance of raising awareness and usage of independent information sites such as www.TelecomsAdvice.org.uk and www.ukonlineforbusiness.gov.uk which are aimed at improving businesses’ awareness and understanding of Internet and telecoms to assist them get the full benefit of new and existing technologies most appropriate to their business.

Figure 5b % UK businesses satisfied with information on the Internet market
 Base: UK businesses with Internet, Feb ‘01 (Small: Base - 276, Medium: Base – 279, ‘Don’t knows’ have been excluded)

	Nov ‘00	Feb ‘01		
	Total SMEs	Total SMEs	Medium businesses	Small businesses
Amount of information on how to get connected to the Internet	82%	88%	88%	89%
Amount of information on choosing an ISP	80%	86%	85%	86%
Amount of information on choosing an Internet package (call costs, subscription charges etc)	73%	86%	83%	86%

6. CONCLUSIONS

- 6.1 Business take up of Internet continues to rise, although the number of medium businesses connected appears to have almost reached a ceiling, with 92% connected and a further 5% in the process of connecting or likely to connect soon. The proportion of small businesses connected is significantly lower at 59% but is still growing with the potential for a further 15% who are in the process of connecting or likely to connect soon. The remaining quarter of small businesses who said they were unlikely to connect to the Internet may benefit from better provision of information on the uses and potential benefits of Internet access, as the main reason for not connecting was a perception that the Internet was not relevant and nor would be of any benefit to the business.
- 6.2 Although high levels of satisfaction were expressed with the amount of information on the choices available in the Internet market, the November survey reported that family and friends were the most popular source of Internet advice for small and medium sized businesses. This will not necessarily provide businesses with the most appropriate advice for their individual needs and in depth interviews conducted amongst small businesses on behalf of Oftel by Research Works³, most acknowledged that they had been driven to these information sources by a shortage of appropriate information for them.
- 6.3 This emphasises the importance of raising awareness and use of initiatives such as TelecomsAdvice (www.telecomsadvise.org.uk) – an industry-sponsored, Oftel endorsed, independent advice site for small businesses; and UK online for business (www.ukonlineforbusiness.gov.uk) – an industry/government partnership – both of which are aimed at improving businesses' awareness and understanding of the Internet and other communications technologies.
- 6.4 Recent research conducted amongst small businesses who had used the TelecomsAdvice site reported favourable feedback about the site, and their suggestions to further improve the content and design are currently being implemented.
- 6.5 Once connected, businesses were generally found to be making fairly good use of the choices available and the majority (90%) were satisfied with the quality of their Internet service. Customer care offered by ISPs was less satisfactory and about a fifth of businesses with Internet have changed their ISP. We will continue to track levels of switching as this might reasonably increase if satisfaction with customer care were to fall further.
- 6.6 Satisfaction with speed was low in comparison to other aspects of Internet service, amongst small rather than medium sized businesses. This most likely reflects greater use of ISDN and leased lines amongst medium businesses and lower use of PSTN / dial up access. The November survey also found small businesses to be less satisfied with the choice of speeds on offer. This may be a result of low levels of awareness of alternatives available, or perceptions that there is insufficient choice at prices they are prepared to pay. Half of businesses had not heard of DSL, although this is not unexpected given the relatively early stage of roll-out. A significant proportion of businesses with Internet expressed interest in using DSL in future and we will continue to monitor awareness and take up as roll-out continues.

³ <http://www.oftel.gov.uk/publications/research/2001/sbir0101.htm>