Oftel Office of Telecommunications

Business use of mobile telephony – Oftel small and medium business survey

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Chapter 1 – Introduction

1.1 This report provides an overview of the key findings of business behaviour in the mobile telecoms market, taken from the seventh wave of Oftel's quarterly business survey, conducted in November 2001 amongst 815 UK businesses.

1.2 The survey sample was changed in wave five, and hence results are not directly comparable with waves previous to that. Details and implications of the changes can be found in appendix 1. Quotas and weighting were applied to small and medium businesses separately so that the sample was representative of SMEs (Small and Medium Enterprises) in the UK in terms of business size, industry sector and region.[1]

1.3 The survey was conducted on behalf of Oftel by Continental Research during November 2001. This report has been prepared by Oftel[2] based on the results provided by Continental Research.

1.4 The report covers:

- number of mobiles used, and mobile telecoms spend;
- service providers and packages used;
- length of time businesses keep mobile handset;
- level of complaints to telecoms providers and satisfaction with complaint handling;
- use of SIM cards;
- satisfaction with mobile service; and
- satisfaction with information for comparisons.

1.5 A copy of the questions is attached in Appendix 2. Topics to be researched each quarter are requested by Oftel project teams, and results feed into current investigations and reviews in individual market areas.

[1] 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 97% of businesses in the UK, medium businesses (51-250 employees) were over-sampled 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 (97% small businesses; 3% medium businesses), consequently the results for small businesses closely resemble those for SMEs as a whole. The error margin for this survey of 815 businesses is about 2-4%, but is 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.

[2] 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.

Chapter 2 – Summary

Headline figures

- 64% all businesses have mobile phone
- £116 spent on mobile services per month by small businesses with mobiles
- £1,358 spent on mobile services per month by medium businesses with mobiles
- equates to £14 spent on mobile services per employee amongst all SMEs with mobiles
- 88% satisfied with overall mobile service

Business use of mobiles continues to increase

2.1 November sees 64% of UK businesses owning at least one mobile phone – up slightly from 61% in August. 63% of small businesses owned at least one mobile phone and on average have one mobile for every two employees. 83% of medium-sized businesses currently have at least one mobile phone and on average have one phone per six employees.

Businesses remain most likely to use post-pay packages

2.2 71% of all SMEs with mobiles use monthly contract packages (70% amongst small businesses and 77% amongst medium-sized businesses). Currently 20% use ‘pay as you go’ and 15% use an ‘all-in-one’ package.

Monthly mobile spend falling

2.3 Businesses are spending on average £40 per month on each mobile phone they own – this has fallen from £46 in August and £51 in May 2001. This equates to an average £14 per employee amongst all SMEs with mobiles (£16 in August 2001).

Awareness of using additional or alternative SIM cards fairly high, but few businesses using either option

2.4 Two-thirds of all SMEs with mobiles were aware of the ability to use additional or alternative SIM cards with their mobile handsets. Medium-sized businesses were slightly more aware than small businesses (76% and 66% aware respectively).

Only 4% of all SMEs with mobiles currently use more than one SIM card with their mobile phones, although 24% of those not currently doing expressed an interest in using their mobiles in this way (this includes businesses aware and previously unaware of this option). 15% businesses with mobiles claim to have switched network and retained their handsets therefore are using an alternative SIM with their phone – 27% of those not previously having switched were interested in this option (again this figure includes businesses aware of this option and those previously unaware).

Significant fall in satisfaction with overall mobile service

2.5 88% of businesses were satisfied with their mobile service overall (94% in August) – 87% small businesses, and 95% of medium businesses. This fall is mainly driven by the lower levels of satisfaction reported amongst small businesses. Another contributing factor may be a delayed impact of the drop in satisfaction with various cost aspects reported last quarter. However, overall satisfaction is currently in line with overall satisfaction with fixed telecoms services (also 88%), and the Internet (89%).

2.6 Small and medium-sized businesses were equally satisfied with information for comparing choices on various aspects of mobile service. Satisfaction with information on price and features of handsets and conditions of contract were highest (89% and 88% respectively). The lowest levels of satisfaction were seen for Internet costs and services and price of off-net calls (66% and 63% respectively).

Chapter 3 – Main findings

Business use of mobile telephony

Ownership of mobiles

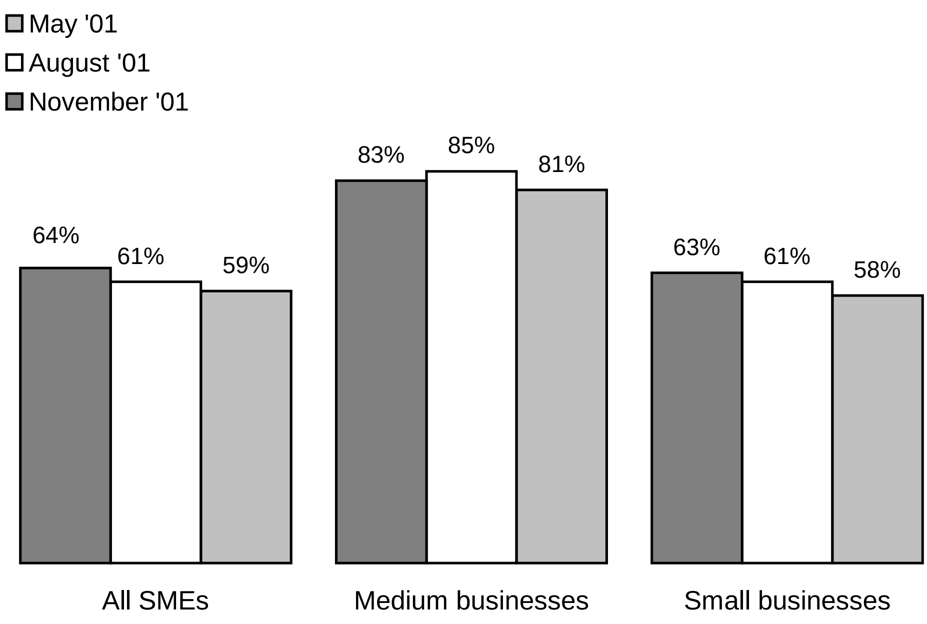
3.1 Currently 64% of all UK businesses own at least one mobile phone, up from 61% in August (59% May 2001). 63% of small businesses have a mobile compared to 83% of medium businesses. Ownership of mobiles and average number of mobiles per business compared with number of employees is shown in figure 3a.

3.2 UK businesses with mobiles claim to own on average four mobile phones (three for small businesses and 20 for medium sized businesses). The average number of mobiles owned by businesses increases with number of employees.

3.3 On average medium sized businesses have more employees per mobile phone than small businesses (six employees per mobile for medium-sized businesses, compared to two employees per mobile amongst small businesses). All UK businesses with mobiles have on average 12 employees – which equates to three employees per mobile phone.

3.4 This quarter sees mobile ownership continuing to rise more steadily amongst businesses with one to five employees – currently 59% businesses with only one employee own a mobile (56% in August 2001) and 64% of businesses with two to five employees (61% in August 2001).

Figure 3a – % businesses with mobiles, and average number owned, by business size
Base: UK businesses, May ’01 (Small: Base – 501, Medium: Base – 301), Aug ’01 (Small: Base – 516, Medium: Base – 300), Nov ’01 (Small: Base – 506, Medium: Base: 309)



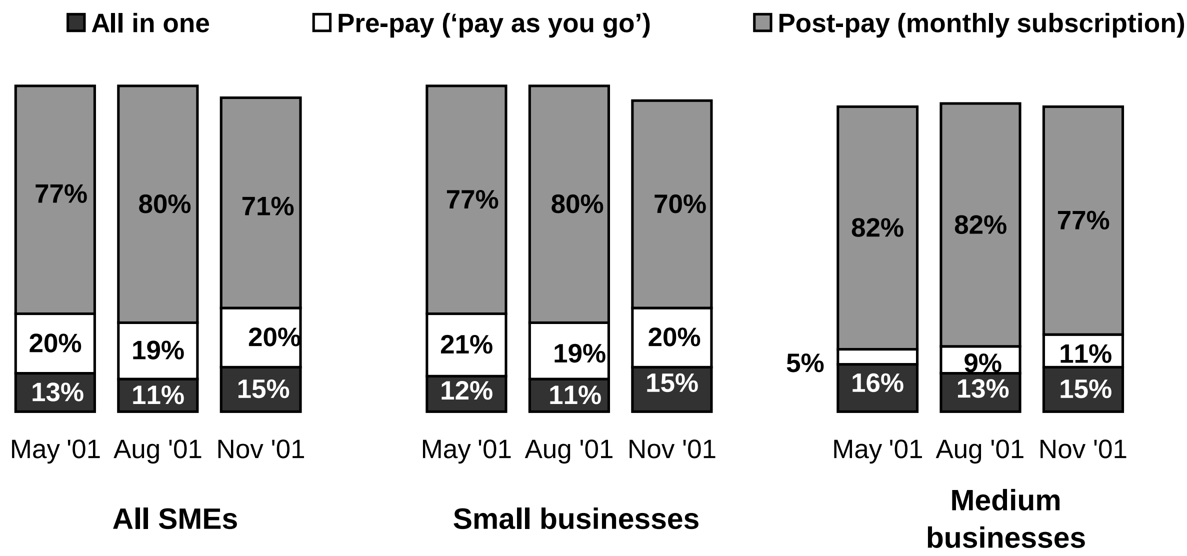
Use of service providers and mobile packages

3.5 During November of all SMEs that use mobile phones, 39% are using BTCellnet, 31% are using Vodafone, 26% using Orange, and 9% using One2One. In addition to these main suppliers, 6% were using a range of other service providers. There has been little change in these figures over the past six months.

3.6 Approximately seven in 10 (71%) businesses are currently using monthly subscription packages (previously eight in 10, August ‘01), two in 10 said they use ‘pay as you go’ phones and 15% were using an all-in-one package. This adds to more than 100% as some businesses were using more than one type of package. However, this quarter sees the proportion of businesses using more than one mobile package drop – particularly amongst smaller businesses.

3.7 Pre-pay packages remain more popular among smaller than medium-sized businesses, as shown in figure 3b.

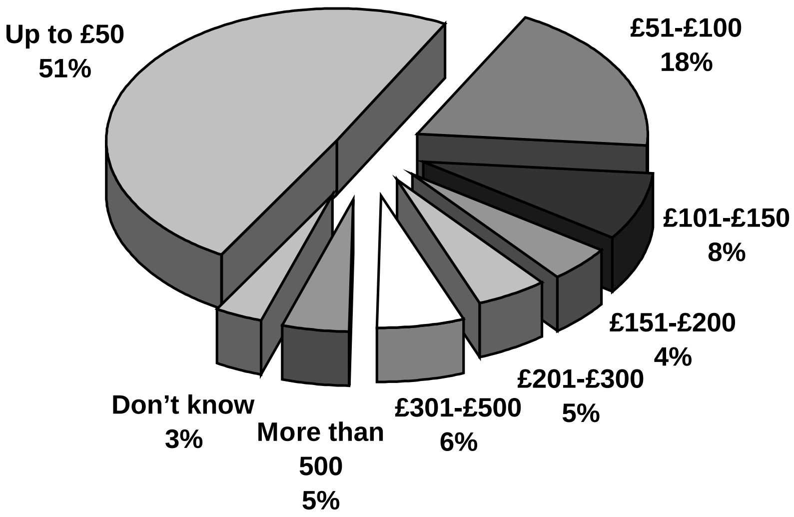
Figure 3b – Use of mobile packages by UK businesses
Base: UK businesses with mobiles, May ’01 (Small: Base – 311, Medium: Base – 245). August ’01 (Small: Base – 334, Medium: Base – 253), November (Small: Base 340, Medium: Base – 251)
NB packages used total more than 100% as some businesses using more than one type of package



Business spend on mobile telecoms

3.8 Average monthly mobile spend continues to fall. During November 2001 businesses were spending on average £159 per month on their mobile phone bills, including all subscriptions and call costs (previously £193). Small businesses were spending £116 (almost £50 less than May 2001), and medium businesses were spending £1358 (almost £370 less than May 2001). Most businesses actually spend less than these averages as they are inflated by a small number of higher spenders. In comparison fixed monthly spend this quarter is £329 (£257 small businesses and £2796 medium sized businesses).

Figure 3c – Proportions of monthly spend on mobile services
Base: UK businesses with mobiles (Base: 591)



3.9 The fall in monthly mobile spend between August and November 2001 may be partly due to changes to existing packages and the introduction of new tariffs. During this period, all networks launched tariffs on which inclusive call minutes could be used to call mobiles on other networks. Also, during October BTCellnet lowered call rates on higher usage packages and changed various aspects of their specific businesses package – which may also have had an impact on monthly mobile spend amongst businesses with mobiles. We will continue to track businesses monthly mobile spend and changes to packages.

3.10 Figures 3d and 3e compare small and medium businesses' average spend per phone. Medium businesses are spending twice as much per phone than small businesses but less per employee.

Figure 3d – Average monthly business spend on mobile telecoms services
Base: UK businesses with mobiles, May '01 (Base: 556), August '01 (Base: 587) November '01 (Base: 591), 'don't knows' have been excluded

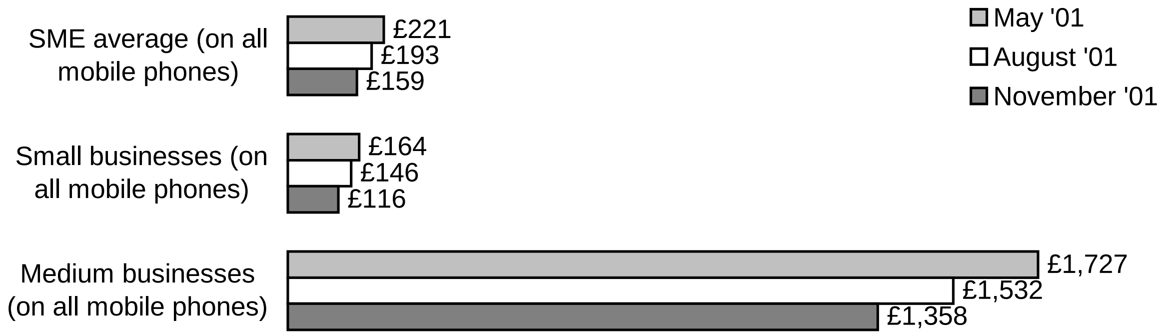


Figure 3e – Average monthly spend on mobile telecoms services per mobile and employee
Base: UK businesses with mobiles

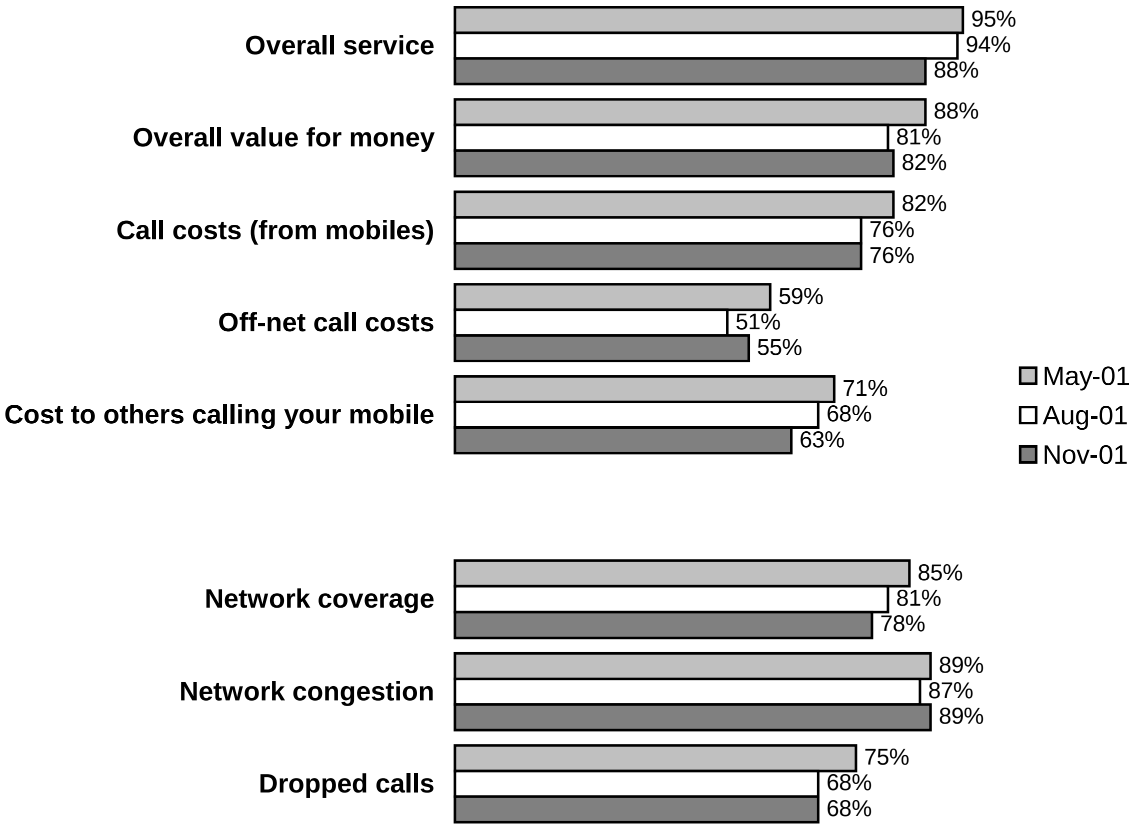
Average spend per mobile	**May '01** ***(Base: 556)***	**Aug '01** ***(Base: 587)***	**Nov '01** ***(Base: 591)***
All SMEs	£51	£46	£40
Small businesses	£44	£41	£35
Medium businesses	£91	£75	£69
Average spend per employee			
All SMEs		£16	£14
Small businesses		£20	£16
Medium businesses		£13	£12

Chapter 4 – Satisfaction with mobile telecoms service

4.1 Figure 4a shows businesses' satisfaction with a range of aspects of mobile service. Satisfaction with most aspects of mobile service have fallen over the last six months. Almost nine in 10 (88%) businesses are either very or fairly satisfied with their overall mobile service compared to 94% in August. The drop appears to be driven this quarter by a fall in satisfaction levels for network coverage and the cost to others calling your mobiles. However, it may also be delayed impact from the fall reported last quarter in satisfaction levels for overall value for money and all call costs (from mobile and off-net).

4.2 Small businesses have driven the drop in satisfaction – currently 87% are satisfied with overall service down from 94% in August – while satisfaction amongst medium sized businesses has risen to 95% this quarter. Satisfaction levels remain broadly similar to current levels of overall satisfaction with both the Internet (89%) and fixed line services (88%).

Figure 4a – % UK businesses satisfied with various aspects of their mobile telecoms service Base: UK businesses with mobiles, May ’01 (Base: 556), August ’01 (Base: 587), November ’01 (Base: 591) ‘don’t knows’ have been excluded



4.3 Medium sized businesses are less satisfied with the cost aspect of their mobile service than smaller businesses this quarter, but seem more satisfied with the overall service, the network coverage and number of dropped calls.

Figure 4b – UK SMEs satisfied with various aspects of their mobile service by business size Base: UK businesses with mobiles, November ’01, don’t knows have been excluded

	Small business			**Medium business**		
	May ’01 *Base:311*	Aug ’01 *Base:334*	Nov ’01 *Base:340*	May ’01 *Base:245*	Aug ’01 *Base:253*	Nov ’01 *Base:251*
Overall service	95%	94%	87%	90%	91%	95%
Overall value for money	89%	81%	82%	75%	83%	74%
Call costs (from mobiles)	84%	76%	77%	68%	69%	66%
Off-net call costs	60%	51%	56%	46%	50%	36%
Cost to others calling your mobiles	71%	68%	63%	57%	59%	52%
Network coverage	86%	81%	78%	87%	82%	93%
Network congestion	89%	87%	89%	86%	84%	85%
Dropped calls	75%	68%	68%	79%	76%	81%

4.4 The individual measures are not meant to 'total' overall satisfaction as there are likely to be many other factors which are not included in this survey which businesses consider important in contributing to their overall satisfaction with their mobile service.

4.5 Figure 4c shows satisfaction amongst business with mobiles on information for comparing choices on various aspects of their mobile service. Satisfaction levels are generally high across all types of information – highest for comparisons of price and features of handsets (89%) and the conditions of contract (88%). Businesses are least satisfied with information for comparing the price of calls to other mobile networks (off-net calls) – 63% satisfied. Information on mobile Internet costs and services also tended to have lower levels of satisfaction.

Figure 4c – % UK businesses satisfied with various types of information for comparing networks/service providers
Base: UK businesses with mobiles, November '01 (Base: 591, don't knows have been excluded)

4.6 Small businesses were equally as satisfied with each method of comparison as medium-sized businesses.

Complaints to fixed or mobile providers

4.7 Almost a third (32%) of all UK businesses claimed to have ever made a complaint to either their fixed or mobile service provider. This equates to 37% of UK SMEs with mobiles that have ever made a complaint to a telecoms service provider.

4.8 Medium sized businesses are more likely to have made a complaint than small businesses with over half (54%) of medium sized businesses claiming ever to have complained compared to almost a third (31%) of small businesses.

4.9 Less than half (44%) of complainants were either very of fairly satisfied with the way the company handled their complaint. Medium sized businesses were slightly more satisfied with the handling of their complaints than small businesses (48% satisfied, compared to 43%).

Chapter 5 – Use of mobile SIM cards and handsets

Awareness of multi-SIM card use

5.1 Mobile handsets contain a SIM card which can be changed to enable the handset to be used with additional or alternative networks. Two thirds of SMEs were aware that their mobiles could be used in this way. Medium-sized businesses were slightly more aware of multi-SIM card use (76%) than smaller businesses (66%). There was little difference in awareness according to the type of package used – 68% pre-pay customers (pay as you go and all-in-one) were aware compared to 64% of those using monthly contract packages.

Use of additional SIM cards

5.2 Amongst those businesses aware of the ability to use additional or alternative SIM cards 6% actually use more than one SIM with either some (3%), most (2%) or all (2%) of their mobile phones (note - figures adds to more than 6% due to rounding) – this equates to 4% of all SMEs with mobiles currently using more than one SIM card with their mobile phones. There was little difference in the number of small and medium businesses currently using more than one SIM (6% and 9% respectively).

Use of alternative SIM cards

5.3 In November, 15% of all SMEs had switched network and kept at least some of their original handsets – comprising 8% of SMEs who have switched network and kept **all** their existing handsets, less than 1% kept **most** of their handsets and 6% said they kept **some** of their handsets when switching network/service provider.

5.4 Medium sized businesses were almost twice as likely to have switched network and kept their mobile handsets than smaller businesses (27% medium businesses with mobiles compared to 15% small businesses with mobiles).

5.5 18% of businesses who have switched network and kept at least some of their mobile handsets also claim to use more than one network with their mobiles.

Interest in using additional or alternative SIM cards

5.6 Of those businesses not currently using additional SIM cards with their mobile phones almost a quarter (24%) expressed an interest in doing so (5% very interested and 19% fairly interested). This aspect of SIM card use appears almost equally as popular amongst small businesses as medium businesses (24% and 28% respectively) – equating to 23% of all SMEs with mobiles interested in using more than one SIM card with their mobile phones.

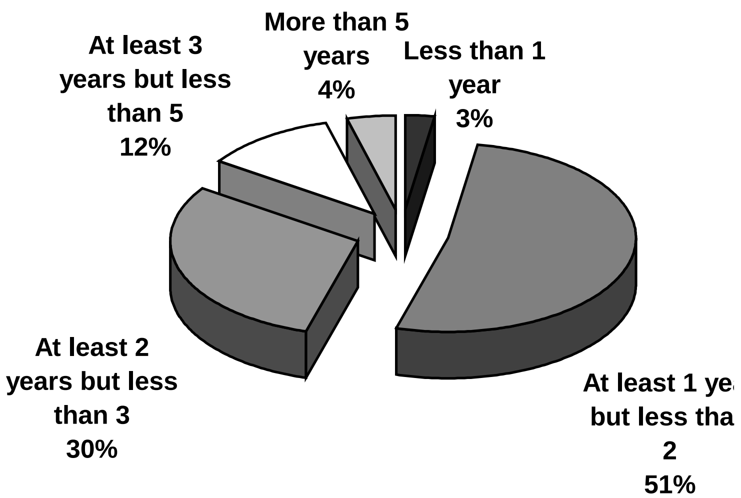
5.7 Businesses were asked whether they had previously switched network or service provider and kept their existing handsets. 27% of those who said ‘no’, expressed an interest in doing so (5% very, 21% fairly). Almost twice as many medium sized businesses were interested in switching network and retaining handsets than smaller businesses (47% medium compared to 26% small) equating to 23% of all SMEs with mobiles interested in using an alternative SIM card with existing handsets.

5.8 In summary, 4% of all SMEs with mobiles currently use more than one SIM card with at least some of their mobile phones and 15% are using a different SIM card with their original handsets (alternative SIM card use). Businesses were interested in both options equally with 23% of businesses with mobiles expressing interest in each.

Length of time businesses keep their mobile handsets

5.9 On average all UK businesses with mobiles are keeping their mobile handsets for two years. There were no differences in the length of time businesses keep their handsets according to business size and only slight differences by the types of mobile package used. Those using pre-pay (‘pay as you go’ and all-in-one) packages tend to keep their handsets for about two-and-a-half years on average compared to two years amongst those using post-pay.

Figure 5a – Length of time with mobile handsets
Base: UK businesses with mobiles (Base: 591, 4% don’t knows have been excluded)



Appendix 1 – Changes to Oftel's Quarterly Business Survey

Background

A.1 Oftel's quarterly business surveys began in August 2000. The purpose of these surveys is to provide better information for Oftel decision making and to assist stakeholders in their response to Oftel documents and policy decisions.

A.2 The surveys focus on small and medium-sized businesses and exclude large businesses for a number of reasons:

- large businesses account for less than 1% of all UK businesses;
- they are very over-researched particularly in the field of telecoms (primarily due to their limited number) and for this reason are often reluctant to participate in research;
- they have considerably greater buying power for telecoms services and can negotiate bespoke deals with individual suppliers, enabling them to get better deals, and making it difficult to make any meaningful comparisons in a research context; and
- Oftel uses its large business advisory panel to conduct research on specific topics.

A.3 Oftel's business surveys are conducted among a representative sample of UK small and medium businesses (with a minimum turnover of £50,000), reflecting the UK profile in terms of number of employees, business sector, and geographic region. As small businesses (with up to 50 employees and over £50,000 annual turnover) account for around 97% of UK businesses, the surveys over-sample medium businesses in order to produce a sufficiently robust sample to allow analysis of results among medium businesses.

A.4 Quotas are set for small and medium businesses separately to ensure each sample is representative of businesses of these different sizes, in terms of number of employees, business sector, and geographic region. After interviewing, the results are combined and weighted to be representative of UK small and medium businesses as a whole. This enables us to present representative results for small and medium businesses separately, each based on sufficiently robust samples, and representative results for the combined small and medium business sector.

Details of changes to the sample

A.5 A review of the first four surveys was conducted in March 2001, and a segmentation study conducted enabling the data to be examined in greater detail than was possible during each separate wave. As a result of this work, three key changes have been made to the surveys between waves four (February 2001) and five (May 2001):

a) larger quarterly sample

– The first four waves of Oftel's business survey interviewed 700 businesses each quarter – 400 small, 300 medium. From wave five, each quarterly sample has been increased to 800 businesses – 500 small, 300 medium.
– Increasing the overall sample will provide greater scope for a wider variety and more detailed analysis among subgroups.

b) change to definition of 'medium' businesses

– The first four waves of Oftel's business survey sampled 'medium' businesses with between 51-500 employees in order to be as inclusive of as many businesses as possible. From wave five, the survey samples 'medium' businesses with between 51-250 employees.
– Businesses with more than 250 employees were generally found to be making fairly good use of competition and choice, and were exhibiting behaviour that was more in line with larger businesses than smaller businesses in relation to their use of telecoms. It was therefore decided to exclude them from future surveys and focus resources on smaller businesses who generally require greater assistance to make best use of the choices available. This definition of medium businesses as up to 250 employees is now in line with that of the DTI.

c) more detailed sampling of small businesses

– The first four waves of Oftel's business survey applied quotas and weights for small businesses' number of employees in the categories 1-10 employees, 11-25 employees, and 26-50 employees. From wave five, these categories have been expanded and quotas and weights are now applied to 1-5 employees, 6-10 employees, 11-25 employees, 26-50 employees.
– Businesses with 1-10 employees account for around 86% of all SMEs. However, use of telecoms can differ quite significantly between businesses with one employee compared to those with ten. Refining the sampling methodology to interview consistent numbers of 1-5 and 6-10 employee businesses wave-on-wave, should result in fewer fluctuations in results, and enable greater opportunity for analysis and trend data based on number of employees at this lower end of the spectrum.

Implications of changes, for comparison between surveys

A.6 The changes to the sampling methodology (employee categories) as described above, mean that the results from wave five onwards are not directly comparable with those from waves one to four. This does not however mean that the results from waves one to four are inaccurate or invalid. Waves one to four are representative of businesses with up to 500 employees, whereas waves five, and onwards, are representative of businesses with up to 250 employees, and provide a greater focus on businesses with up to five employees than waves one to four.

A.7 Whilst this unfortunately results in a discontinuity of trend information between waves four and five, the re-focus on smaller businesses following the review of the first four waves of data, was felt to be of greater benefit in assisting Oftel's policy development and assessment, and other work in respect of small businesses.

Appendix 2 – Q7 business questions on mobile telephony

Q1 Does your company own any mobile phones which are currently connected to a network?

Q2 How many mobile phones which are currently connected does your company own?

Q3 And thinking just about your company's mobile phones, what is the approximate monthly mobile telecoms bill for your business. Please include all subscription and call costs and VAT.

Q4 Which suppliers provide your mobile phone services? By that I mean who sends you a bill?

Q5 Which of the following best describes the mobile phone packages your company uses?
Pre-paid (ie after paying a one-off fee for the phone, top up is bought as and when required)
Monthly subscription contract (ie line rental and call charges are paid each month)
All in one package (ie line rental paid in advance and calls either billed monthly or paid by call vouchers)

Q6 Are you satisfied with the mobile phone service and service supplier you use on the following attributes?
Overall mobile phone service
Value for money of overall package
Overall cost of calls from your mobiles
Amount it costs for others to call your mobiles
Network coverage
Dropped calls ie cut off in middle of call
Congestion ie ability to access the network
The cost of calling other mobile networks

Q7 Thinking about when you want to compare mobile phone network or service providers, please indicate which, if any, of these types of information you are satisfied with.
Price of calls to mobiles on the same network
Price of calls to mobiles on other networks
Price of calls to fixed line phones
Line rental and inclusive minutes
Price and features of mobile handsets
Mobile Internet costs and services
Geographical coverage
Conditions of contract

Q8 Mobile handsets contain a SIM card, which can be changed to enable you to use your phone with additional or alternative networks. Before now were you aware that your company could use its mobiles in this way?

Q9 Does your company use more than one network by using more than one SIM card in the same phone? If yes – is that for all of your phones, most of your phones or some of your phones?

Q10 Has your company ever switched mobile networks, but kept the same mobile phone handsets? If yes – is that for all your phones, most of your phones or some of your phones?

Q11 How interested would your company be in…
Using more than one network with its mobile phones?
Switching to a different network but keeping the same handsets?

Q12 How long on average does your company keep its mobile handsets before replacing them?