SMEs' Communications Needs

A Report for Ofcom

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providing *intelligence*

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1.1- Overview of the research

Ofcom wanted to build on its understanding of the experiences and attitudes of the market for communications services for Small and Medium Enterprises (SMEs). In the past it had conducted quantitative research and wanted to do some complementary qualitative research in order to improve its understanding of SME experiences. Specific topics Ofcom wanted to explore in this research included:

- SMEs' needs and expectations of the communications market, both now and in the future;
- SMEs' experiences of navigating the market, including perceptions of switching and levels of choice available (of both services and providers);
- In providing connectivity, perceptions of alternatives to superfast broadband, such as leased lines and intermediate products;
- The significance of additional cloud-based services, including software services, web hosting and secure data storage; and how, if at all, these are linked with purchase decisions for communications services;
- Any causes for dissatisfaction with providers and to what extent these might be cost-driven.

In 2017, BDRC were commissioned to undertake a programme of qualitative research consisting of 10 mini-focus groups (generally with 4-5 participants in each, although the London pilot groups had 6-7 participants) and 20 depth interviews with SMEs across the UK. Businesses were selected to participate on the basis of two key criteria:

- Complexity of communications needs in the business;
- Engagement / dissatisfaction: whether the business had considered (or had cause to consider) switching, or indeed had switched providers.

The research included a very wide range of SMEs by size and sector. Respondents were either business owners or (in the case of larger businesses) whoever was responsible for selecting and procuring communications services.

1.2- Key findings

Understanding and accessing the market for communications

Our research found that SMEs often had difficulties in understanding and navigating the communications market, but also that those who were able to engage had a better experience.

- SME decision makers are often non-specialists in ICT and can have very limited technical understanding of the communications products and services available.
- These individuals struggle to understand some of the terminology used by providers on websites and by customer-facing staff, and this makes it difficult for them to procure the products and services that are right for their business at the right price.
- There is demand for more assistance from providers; a more consultative approach that takes time to understand their business before recommending appropriate products and services.
- Many SMEs are unaware of and/or nervous of using B2B providers for their communications services. There is a tendency only to consider the mass market brands they are aware of as consumers.
- Perceptions that BT has special access to the Openreach network for installation and fault-finding persist, and this deters some from switching.
- Generally speaking, more engaged SMEs have a better experience. They select from a much wider range of providers and as a result of this they feel they get better value services and more flexibility with regard to contracts.

Rollout of VoIP solutions to SMEs

Our research identified that some SMEs had particular concerns on the sale and servicing of Voice-over-IP (VoIP) solutions.

- VoIP is poorly understood by some SMEs.
- Some businesses believe they have been pushed in to purchasing this technology without sufficient understanding of how it works and with insufficient training and support.
- This lack of support has significant impacts when the new technology is bedding in and no back-up service is present.

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Availability of suitable internet access and/or connectivity

Our research uncovered a mixed picture on the availability of suitable internet access.

- Many SMEs are able to secure the internet access they need.
- However, some experience internet services that are not optimal for their business needs, in particular with reference to upload speeds or where they use internet services at peak times for residential users and experience a drop off in performance.
- Also, businesses interviewed in more rural areas identified limited access to services and limited choice of providers as a cause for concern.
- For some of those who need greater bandwidth than they currently purchase or can access, the price gap between business broadband and a leased line was too great to bridge and they remain capacity-constrained.

Switching supplier and contract terms

Our research identified that SMEs can be hesitant to switch supplier because of how they perceive the market, and that contractual terms that SMEs have to sign up to could limit their ability to do so.

- Some SMEs fear losing continuity of service, believe that switching supplier involves significant hassle and time, and/or perceive all providers to be "the same".
- The length and structure of contracts may restrict SMEs' ability to switch. Some SMEs believe that their contracts are too long relative to the products and services provided.
- The research also found examples of overlapping contract periods for fixed broadband and landline from the same provider, making switching more difficult.
- Some SMEs complained of having mobile and dongle contracts with multiple end dates, which acted as a barrier to switching.

Service level agreements (SLAs)

Our research found that SMEs didn't place much value on the SLAs in their contracts.

- There is low awareness of the provisions of SLAs in business communication contracts.
- For those who are aware, the available SLAs may not meet their needs, in particular with regard to minimum repair times. SMEs tend to believe that the time to repair outages of fibre services depends mainly on the time required for the infrastructure owner to address the fault and even the more IT literate amongst them don't find it credible that SLAs minimum repair time guarantees related to fibre services will offer any substantive protection.

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2- Background

Quantitative research amongst SMEs conducted in 2016 measured use, experience of and attitudes towards communications services and service providers across the UK[1].   The research showed that, while overall satisfaction was generally good across all three services (landline, broadband and mobile), there were pockets of dissatisfaction. Some of this dissatisfaction appeared related to network availability for SMEs located in more rural areas. There also appeared to be dissatisfaction involving a range of other factors, including reliability, customer service, perceptions around access to the market and speed (bandwidth) in non-rural areas.

Ofcom wanted to gain a fuller, more nuanced understanding of the market by having in-depth conversations with SMEs and setting an open, broad exploratory agenda for these. Within the research it also wanted to capture any differences in experience by UK nation, in urban versus semi-rural versus remote rural areas, by business sector, and by business type.

In September 2017, Ofcom commissioned BDRC to undertake a programme of qualitative research to build on the 2016 work and provide a more in-depth understanding of the reasons for SME dissatisfaction, and other areas of SME experience in the fixed and mobile voice and data communications market.

The intention was that results would be used as an input into Ofcom's work going forward.

2.1- Research objectives

Ofcom commissioned the research in order to further its understanding of the gaps between the communications services SMEs currently receive and the communications services that they need and want. The research looked at all communications services including VoIP, mobile and fixed connectivity, although during the research it became clear that the majority of issues experienced by SMEs related to fixed connectivity.

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[1] In 2016, Jigsaw Research conducted a survey amongst SMEs for Ofcom. The research report can be found here: https://www.ofcom.org.uk/research-and-data/multi-sector-research/general-communications/consumer-experience/sme-research

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Specific topics included:

Customer needs

- To understand the importance of different types of communications services to SMEs;
- To understand SMEs' current and future expectations from communications service providers and the communications market more broadly;
- More specifically, to understand the potential benefits to SMEs if communications services were to be improved or if new products and services were to become available, or if there were products that would benefit them but were outside their current willingness to pay.

Engagement with the market

- To better understand how SMEs procure their communications services: where do they look and who, if anyone, advises them;
- To explore any issues SMEs experience trying to navigate the market and understand their needs and the relative merits of the different options available to them: what the perceived barriers are to switching services;
- To understand why businesses that are dissatisfied with the bandwidth available to them over the copper / fibre network or over cable do not purchase leased lines or intermediate products;
- To understand what services are being purchased and how, including establishing the importance of additional services such as mail hosting, web hosting, anti-virus/security, SharePoint hosting, and cloud based services such as Office365, and whether SMEs want to buy these services from the same provider alongside core communications services.

Perceptions of availability and choice

- To understand whether the fixed and mobile services they need are available to them in their area / at their premises;
- To obtain views on the level of choice offered by the market, both in terms of number/quality of suppliers and range of services offered;
- If SMEs are dissatisfied with the options available to them, to understand whether this is because they lack a choice of suitable options or the costs of better options are prohibitive (or other factors).

Areas of dissatisfaction

- To obtain a precise understanding of any dissatisfaction – i.e. which business segments are dissatisfied, with which services, and for what reasons.
- To understand and evidence negative outcomes on the business from dissatisfactory service provision.

2.2- Method and sampling

The quantitative survey conducted by Jigsaw in 2016 took a broad representative overview of the entire SME market. The purpose of BDRC's qualitative study was to explore specific dimensions of the market in detail in order to increase depth of understanding.

Between 24 October and 24 November 2017, BDRC conducted a total of 10 mini-groups, 16 face-to-face depth interviews and 4 telephone depth interviews.

The SME market is skewed by size towards smaller / micro businesses[2]:
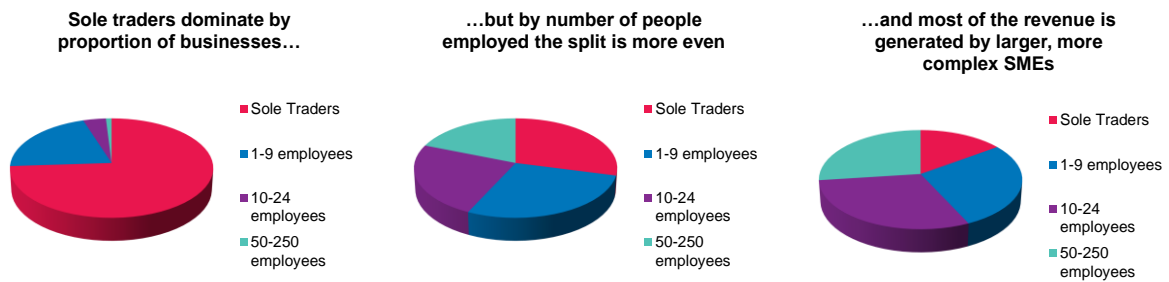
In a qualitative study of this nature, whilst it was important to understand and include the opinions of smaller businesses with relatively simple communication needs, it was agreed that it would be sensible to speak to a proportionately larger number of bigger businesses with more complex communication requirements, and a relatively smaller number of sole traders and micro SMEs with simple and broadly similar needs.

Standard statistical definitions for SMEs are usually based on number of employees, and for the quantitative work, this was a useful starting point for the analysis (more employees, more connection points, devices, communication needs etc.). However, BDRC's experience in researching the SME market over many years has shown that number of employees alone

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[2] Source: UK National Statistics BIS Enterprise Directorate Analytical Unit

is often a poor predictor of attitudes, needs and behaviours for SMEs as they constitute such a broad and diverse audience of business types (by sector and sub-sector).

For this research it was felt that the two most critical factors were:

- The level of complexity of the business with regard to its communications needs;
  - Bandwidth usage and needs;
  - Service Level Agreements (SLA): in particular whether the business bought a product with a faster / premium repair SLA;
  - The degree of integration of other business software and platforms with communications services;
  - The need for temporary (e.g. off-site) connections to services including high upload bandwidth;
  - The degree of expertise within the business: for example, whether the business employs a specialist ICT manager.
- The degree of engagement and satisfaction with the market;
  - Whether the business has switched communications services recently, considered switching or reviewed the availability of services;
  - Whether the business been dissatisfied with its communications services suppliers or complained about these services;
  - Whether the business perceives it has access to the communications services it needs.

Mini-Focus Groups

Ten mini-focus groups containing between 4 and 7 respondents were conducted across the UK. Respondents were given a pre-task which involved thinking about the current and future communication needs of the business. The duration of each group was 1 ½ hours.

Mini-Focus Group distribution: all in urban areas (London, Birmingham, Glasgow, Cardiff, Belfast)

	Engagement / dissatisfaction	
Complexity	High	Moderate
High	2	2
Moderate	2	2
Low / basic needs	1	1

Depth interviews and telephone depth interviews

A total of 16, 1 hour face-to-face interviews were conducted in Lancashire, Sussex, rural Cheshire and Somerset, and a further 4 telephone depth interviews were conducted with SMEs in rural Scotland.

Depth interview distribution

	Engagement / dissatisfaction	
Complexity	High	Moderate
High	3	3
Moderate	5	5
Low / basic needs	2	2

High Complexity was defined as all or any of the following:

- Having a leased line / ethernet line / uncontended bandwidth and paying at least £150 monthly for this service;
- Using secure off-site server capacity (e.g. Rackspace) as a back-up or for disaster recovery;
- Having a dedicated connection between sites in order to ensure shortest path / fastest possible data transfer;
- Having bespoke software integration between several systems / platforms;

- Remote communication with security devices, sensors or vehicles in the supply chain.

Moderate Complexity was defined as any three of the following six activities:

- Sending, receiving or streaming large audio, video, image rich or other files.
- Using a VPN;
- Collaborating using cloud based applications and services (Yammer, Slack, Google Hangouts, Office 365 etc.);
- Communicating using bulk email or text;
- Using VoIP as an alternative to fixed line;
- Using cloud based storage (One Drive, Google Drive, iDrive etc.).

High Engagement / Dissatisfaction was defined as:

- Having specific areas of dissatisfaction or complaint, and switched or reviewed within the last three years.

Moderate Engagement / Dissatisfaction was defined as:

- Having specific areas of dissatisfaction or complaint, but not switched or reviewed in the last three years; or
- Having no specific areas of dissatisfaction or complaint, but switched or reviewed in the last three years.

All respondents were selected on the basis of being a decision maker for the business (either an owner, Director, or someone with direct responsibility for IT and Communications).

As a sense check, it was decided that:

- All businesses with highly complex communication needs should have at least 10 employees (as well as any of the points listed above);
- All those with moderately complex communication needs should have at least 5 employees;
- The remainder (those with basic needs) to have at least 1 employee (i.e. not a sole trader).

Ofcom already has a significant body of information regarding residential customers. For this reason it was decided that, whilst it is known that many smaller SMEs (sole traders and

micro SMEs) hold residential communications contracts, the main focus should be on those with business contracts.[3]

For the mini-groups, it was ensured that no more than 3 in any group were BT customers and that the remainder used different (other) providers. Across the depth interviews, businesses with a range of service providers were recruited to participate.

2.3- The scope of the research

The research encompassed a very wide range of SMEs of different shapes, sizes and sectors reflecting the diversity of SMEs across the UK. With regard to *types* of business, the research included:

- Micro SMEs and sole traders;
- Businesses offering professional services;
- Retailers and wholesalers (including those trading online either via their own website or via marketplaces such as eBay and Facebook);
- Professionals (e.g. law firms, recruitment, financial services);
- Businesses in the creative industries;
- Businesses involved in servicing properties (such as care homes and office buildings).

SME respondents included:

- A leisure centre operator;
- A franchised estate agent;
- A catering business (both making and distributing foods);
- A children's nursery;
- A hairdresser and beauty salon;
- Manufacturers of:
  - Shoes;
  - Medical devices;
  - Valves;
- Various financial services businesses (pensions advisors, insurance brokers);
- A transcription service;
- Property management companies;

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[3] In the early stages of the research some respondents (6 or 7) were found not to have business contracts. Beyond this, those with residential communications contracts were excluded from the research

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- A surveyor;
- An independent social care consultant;
- An opera company;
- A florist;
- Recruitment agencies;
- Civil engineering companies;
- A printer and photocopier reseller.

The majority used the same provider for landline and internet supply and some also used the same supplier for mobile services. Across the sample, 33 used BT, 10 used Virgin Media, 5 used Sky and 3 used TalkTalk. Twenty other providers were used for communications services (mainly smaller, but including some larger providers such as Gamma).

Examples of High Complexity SMEs

An engineering company supplying consulting and repair services to public and private sector clients and employing 18 staff. The business had recently upgraded to a leased line supplied by BT. All employees used mobile phones, also supplied by BT. They used a managed VoIP service which allowed them to easily route repair calls to whichever engineer was on call for this. The upgrade was recommended by their IT services company in order to resolve issues with delays in receiving and distributing on-site communications (including video footage) from engineers.

A brand strategy and design company based in Cardiff, but with an office in West Africa, employing 20 people across the two sites. The business had a leased line supplied by a leading communications provider and a fixed IP address which it needed to facilitate VPN access to servers. They used VoIP as it allowed them to make cheaper international calls. They relied on an IT support company to manage the network and their phone system remotely, or on-site if needed.

Examples of Moderate Complexity SMEs

A business operating three leisure sites on behalf of a local authority in Surrey. The business had internet and VoIP services provided by Belcom, a local supplier. Speed and reliability of internet supply were essential, particularly during evenings and weekends where they needed to be able to take payments and make bookings. As a result, they were looking at either hosting some services locally on servers (everything was cloud-based) or installing a leased line.

A legal firm with 6 fee earners and 4 other employees had recently installed a VoIP system in order to integrate with its cloud-based case management software and record and store calls. The VoiP and fibre broadband were supplied by BT.

Examples of SMEs with Basic Communications Needs

A business with 2 directors and 2 employees providing maintenance contractors to local authorities in London. It had one business line and fibre broadband supplied by BT, and four mobile phones supplied by T-Mobile. It used Google Drive and had no physical servers.

A sole trader running a shoe manufacturing business from a home workshop, making about six pairs of shoes a week and selling these mainly via a Facebook page. The business used a residential communications contract supplied by Virgin Media, but was looking to change to a business contract with a view to getting better reliability and more bandwidth.

3- Understanding and accessing the market for communications

3.1- SME decision makers are often non-specialists in ICT

Other than in the largest and most IT-literate SMEs, ICT decision makers tend not to be technical experts.

- In smaller SMEs, they are owners and directors who know as much 'as they need to know' in order to get things done.
- Even in larger SMEs, communications and IT can be handled by the office manager or head of operations, i.e. individuals who are not specialists and have varying degrees of IT literacy.

"I'm basically the company go-to girl, and they cover it with 'administrator' but I kind of do everything, when it comes to purchasing facilities and getting the best prices for communications and stuff like that." [Cardiff - complex]

"I'm a partner in a solicitors' firm...from a managerial point of view and an operational point of view you have your own duties and your own responsibilities. One of mine happens to be communications and marketing, and you report back." [Cheshire - complex]

"I was a centre manager and I went on maternity leave, but was quite involved in setting up the DOS systems.... I've inherited a lot of the IT. I've never been IT trained. I'm self-taught." [Sussex - complex]

3.2- These individuals struggle to understand some of the technology used by providers

As an introduction to each mini-group session and depth interview, respondents were shown some examples of the terminology used by telecoms providers on their websites. The purpose of this was to understand the degree of communications technology 'literacy' amongst the different types of SMEs included within our complexity and engagement framework and to begin a conversation about some of the themes referenced by these terms.

We used the following example terminology:

- *'Dedicated, uncontended bandwidth'* [from BT Business Broadband website];
  - o Terminology to describe a 'leased line' service where the bandwidth is not shared by any other customer.

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- *'SLA - 6 or 9 hour support times'* [from BT Business Broadband website];
  - Maximum fault repair / response times.
- *'Managed Internet Access'* [from Virgin Media business website];
  - Another term for a leased / dedicated line.
- *'Dynamic or up to 5 static IPs - Suitable for multiple hosted services'* [from Virgin Media business website];
  - Static IPs are required for certain services including website hosting and VPNs – this ensures that traffic is consistently routed to the same fixed location.
- *'Fibre Broadband'* [various sites];
  - Higher speed broadband supplied via e.g. the copper / fibre Openreach network (e.g. BT Infinity, Sky Fibre) or other operators' full-fibre networks.
- *'Voice over IP Solutions'* [various];
  - Using the Internet rather than fixed line for voice calls.
- *'Cloud based apps'* [various];
  - Software solutions that are remotely hosted and where data is stored in the cloud (e.g. Microsoft 365, Xero accounting software).
- *'Network level security'* [from the TalkTalk Business website].
  - Filters all devices within a business from malicious sites and from internet misuse – e.g. viewing pornography.

It was noticeable that many of these terms caused confusion, even amongst more technical decision makers in larger businesses. SMEs particularly struggled with terminology around dynamic or static IPs, and also dedicated uncontended bandwidth. This exercise generated a broader conversation around the terminology used both in provider websites and by provider staff including sales staff, which many found generally confusing.

Some respondents had thought that their business had a 'dedicated' internet connection, on the basis that they believed they were not sharing their fixed fibre internet line or router with any other business. In later conversation these same businesses described some of the impacts of sharing bandwidth (variations in speed during the day, slow upload speeds), but tended not to fully understand why these were occurring and what alternative options were available to them.

"...we're uploading images and we need to have a decent speed otherwise it's, you know, sit and watch the wee line going... it's a lot slower to push stuff out it's much slower. If you send an email with a big file on it, it'll take a wee while as you're [uploading] it" [Glasgow business claiming to have dedicated line]

I knew you was coming in, I suddenly thought I better work out a bit more what's going on, so I thought it was dedicated because it's only our lines, but [leading communications provider] are saying they're not dedicated, we share with other people [Croydon - moderate]

The businesses defined as complex and the more ICT literate were familiar with much of the terminology, although comment was made that different communications providers used different terms to describe the same thing. This was confusing even for some with specialist knowledge of ICT.

These more knowledgeable respondents referred to Ethernet lines with dedicated uncontended bandwidth as 'leased lines', and there seemed to be a better shared understanding of this terminology than terms they had come across before but considered vague, such as 'Managed Internet Access'.

"Managed internet access, well it depends on the terminology...We had one company who came in and told us that for their managed internet access it would actually be remotely managed by them, completely outsourced, whereas another company who I took a quote from said actually no, it will all be set up but you'll actually remote-manage it from your office" [Cheshire - complex]

There was also reference made to the difficulties in researching and comparing different systems, such as VoIP, where there were so many variables to consider.

"So I've done a little bit of research, but you think, is that right? What am I looking for? Am I looking for the right thing? Unless you really know the detail it's quite hard to be able to make any decisions with any degree of certainty. So there's definitely a lot of mystery around these things." [Cardiff – complex]

Beyond the written communications on websites, SMEs found the language used by some of the company representatives they spoke to confusing and difficult.

"I'm a lay-person, explain it. But they were using technical jargon which didn't mean anything to me, and then they were doing all these stats and everything" [Cardiff – complex]

"They've got a help site, doesn't answer your questions...everybody has terminology for certain things, you know cloud-based solutions and stuff, but it's so technically worded it doesn't need to be." [Leeds – moderate]

In order to engage with the market and compare competitor offers and tariffs, SMEs need to be able to better understand the terminology used. The research suggests that providers are using (in their written and verbal communications) terminology that is confusing and jargon-ridden and that this makes it very hard for a non-technical business consumer audience to make appropriate, informed decisions.

Part of the remit of this research was to understand the degree to which communications services were integrated with the IT infrastructure of the business (including hardware, software and platforms used) and the resulting impacts of this (if any) on how SMEs select, use and experience communications services. This element of the research provided a highly illuminating window into how SMEs think about IT and communications (broadly) and their resulting behaviours.

As illustrated by some of the verbatim comments above, within an SME audience many of the individuals making decisions about how the business operates digitally have no specialist knowledge. That said, the nature of running a small business means that these individuals are often highly resourceful and excellent networkers, and they are well equipped to pick up, sift and evaluate information from a wide range of sources. This information helps them to procure and use IT and communications products and services which enable the business to perform its primary function (engineering, manufacturing, surveying). But because they are not specialists, the solutions that they end up with are not necessarily optimal. Examples of sub-optimal solutions include:

- The financial services business that believed its only option for faster broadband was BT (they were currently on ADSL) and that was currently using 32 individual land lines;
- Conversely, the estate agency business that had an expensive and over-spec VoIP system installed.

3.3- Communications services are only one aspect of the greater digital and data challenges facing SMEs

Many of the businesses we spoke with use specialist or bespoke software or platforms which they need to somehow integrate with other software (such as databases) and then perhaps connect with other solutions (for example to send bulk email or SMS). These solutions rely on the 'fuel' provided by internet connectivity in order to function effectively. They also rely on internet connectivity to connect with data storage solutions, whether these are onsite (servers), offsite (hosted servers) or cloud-based storage solutions (whether hosted by one of the branded companies such as Google, Microsoft or Apple, or associated

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with some of the platforms they use for case management or accountancy). Even for a micro business, the digital dimension to their business raises significant questions.

- How to ensure reliable and consistent connectivity at reasonable cost?
- How to manage and store data securely?
- Whether to use a smaller number of suppliers (software, platforms, storage, communications) for simplicity, or use a larger number of suppliers to try and get a solution that works better for the business?
- What type of contracts to sign up to with suppliers and for what contract lengths?
- What happens if....
  - Connectivity fails / there is no internet connection (for a short period);
  - There is a longer-term connectivity failure – and the supplier is unable to fix it or takes a very long time to fix it (we found examples of this in the research);
  - There is a failure or a dispute with a supplier of software services or data storage?

In most instances, SMEs are answering these questions themselves, or taking some advice (e.g. from IT support suppliers) on some elements and working out the remainder themselves.

Some communications providers, IT services providers and other third party suppliers offer software packages and in some instances data management as add-ons or as part of a package of services. However, this research indicatively found low take-up for these amongst SMEs. Only two businesses interviewed had approached a third party IT and communications supplier with a view to getting an integrated or packaged solution, and in both cases these were businesses with complex communication needs, and the individual seeking this solution was an IT specialist. All other SMEs we spoke to used software, platforms and storage solutions from a wide variety of different providers that they had bought over time as the needs of the business evolved or changed.

Any upgrades tend to come as a result of necessity and build up piecemeal over time, often resulting in multiple provider relationships:

"It happens organically, really, doesn't it? I mean, at least it did for me. My mobile is where a lot of my work is done, and then the home internet. You look at the speed and reliability; I think that's very important. But it kind of happens organically, at least it did for me." [London - moderate]

A typical illustration of this 'mix and match' approach is an organisation operating three leisure centres in a small town in Sussex:

- They use Microsoft Exchange for email;
- They use Xn Leisure Dimension, which is a cloud based leisure management system; the data is stored on virtual servers in Croydon;
- They have a customer database in SQL;
- They communicate by Cascade for mass mailings;
- They use Essendex for bulk SMS;
- They use Forest to send SMS reminders for appointments for their beauty salon;
- Broadband and VoIP is supplied by Bellcom (a local provider) who resell internet lines from Zen.

When SMEs described how they purchased new IT and communications services, either upgrading with an existing provider or switching, the majority claimed to conduct their own research through internet searches and speaking to providers/similar businesses and peers. For larger SMEs, IT support companies and other providers played an important advisory role.

"Well, we use a third party to manage our system, but, to be quite honest, it's mainly my own research and going to trade fairs and conferences, going to law conferences, speeches and this, that and the other and CPD courses which can go on for two or three days." [Cheshire - complex]

"We've evolved, or we've brought things in, we've experienced problems and then trying to find out what can we do next, for example. We reached a point where our storage systems were overflowing so we had to upgrade various things, but we were doing them ourselves without really advice from a consultant." [Cardiff – complex]

3.4- There is demand for greater assistance from providers

Within this context, some SMEs said they would welcome a proactive and consultative approach, either from their communications suppliers or other suppliers to help them to get the products and services they need, and to help them to better navigate a market they perceive as complex and difficult to understand. A few even said they would be prepared to pay a consultancy fee for a provider to take a look at their business and provide unbiased advice.

Smaller SMEs in particular feel that there is a 'one size fits all' approach in terms of providers' approach to selling and recommending services and products. This can result in

businesses not fully understanding what they are purchasing, or potentially being mis-sold certain products or services. With this audience being so diverse there are clearly significant differences in needs based on sector, business size and location. Some larger SMEs also feel that suppliers do not take the time to understand their needs and assess which services would be most suited to their business.

One recruitment company based in Cheshire that was looking to switch providers in the near future was asking providers for examples of similar client businesses who they have supplied to ensure that the provider can actually meet the needs of their business. This particular business felt that when they previously acquired services from a leading communications provider they were ultimately sold services that did not meet their needs (especially in terms of reliability and continuity of service) as a result of the provider not taking the time to understand their business but instead recommending a solution based on what other businesses, with very different needs, had used.

"A business of my size, which is fairly small, I would say that somebody who came in and spent half a day with me and looked at my problems and then saw what I had and then came up with a proposal would be invaluable...they could incorporate a health check every six months." [London – moderate]

"It would be nice if they were a little bit proactive, so when it gets to the end of the three year deal they actually spend a little bit of time trying to understand your business requirements and say, 'Do you realise you could have this before you actually suffered three years of the deal?' so a little bit of proactive marketing" [Birmingham – moderate]

"I think rather than have one set of guidelines that they follow for every business and every person...I think it needs to look into what the business is, what the person's asking for, what maybe is required" [Scotland – basic]

3.5- Many SMEs lack awareness of the full market for business communications services and are nervous of using B2B providers

Many SMEs (and the majority of the smaller SMEs in the research) perceived the market for communications services in the same way as a residential customer would.

When considering the market, SMEs with a non-technical background or those that had not engaged fully with the market tended almost exclusively to focus on residential consumer mobile and fixed brands: BT, Virgin Media, Sky, TalkTalk, Vodafone, EE, and O2.

"There probably is companies out there who cover more than BT, but it's just because BT's a household name, or they're the ones you automatically fixate on, that you don't look elsewhere, but then obviously there could be companies out there that have looked elsewhere, found a better provider, and they're happier, but we'll never know!" [Belfast - basic]

They had little visibility or understanding of the wider market for business communication services beyond these consumer brands. Whilst they were frequently contacted by resellers and other communications businesses (or lead-generators working for them), these were mostly considered nuisance calls. SMEs tended to assume that all or most of these suppliers were not 'real' businesses, but virtual businesses that bought up capacity from a larger retail operator in bulk. Ironically, the mechanisms used by some of these businesses to generate business appeared to be instrumental in leading to perceptions amongst many of their target customers that they were not to be trusted.

"Having a shop near enough every day, or every second day, there is always someone stopping in the shop, 'Oh, can we have a look at your phone lines? We could change whatever." [Scotland - basic]

Other than the few who used them, there was very low awareness of the larger providers of business communications such as Gamma and Zen.

It was illustrative that when SMEs (other than the more complex businesses) were asked during the focus groups and interviews to look on their smartphones at which suppliers were available in their area, they focussed on the residential consumer brands and tended to ignore the others. It was as if the providers of business broadband that were not brand names were invisible.

In a market that was hard to understand, and where the risk of making a mistake could be considerable, there was a default to the elements (such as brand) that SMEs felt they could trust. It was also very difficult for an SME with very limited market knowledge to tell the difference between a very large business communications provider (such as AT&T or Gamma) and a very small start-up reseller that might or might not be trustworthy or deliver as promised.

"The problem is, because there are other providers out there - there's 1000 out there - it could be a guy sitting in his garage, selling phone lines. It could just be one guy, but he's got computer access, Cloud boost, and BT wholesale, and all he does all day is phone people and say, 'Want to move your phone line?' Six orders in, and away he goes. If you're

dealing with that guy, that's it. It can be an absolute minefield, so I get why everybody's saying stick with the bigger providers." [Glasgow - moderate]

3.6- Perceptions that BT has special access to the Openreach network persist

The research uncovered persistent perceptions amongst some SMEs that BT had preferential access to Openreach for installation and repairs, and that consequentially other provider appointments had lower priority. Whilst some more knowledgeable SMEs are aware that this is not the case (or should not be the case), they still had suspicions.

In some instances, SMEs claimed to have been told (when experiencing a fault) that it would take even longer to resolve the issue if they were to switch. Whilst this may have been the case whichever provider they were with, it tended to drive perceptions that BT continued to receive preferential response times.

"In the past when I have used other providers I've found that BT with their actual arm of Openreach which do all the work involved with the BT lines, it's much quicker. I would definitely get something within a week with BT, where other providers have told me two to three weeks sometimes or they can't get Openreach which is the same company to do their job. I've cancelled before the lines I've had, other people are going to provide and used BT because of Openreach." [Bristol - basic}

I would leave BT today, but the engineer actually told me, 'It'll be longer getting a new line in and getting it sorted out with another company than it would be doing it with BT.' They've got me for another, what was it? I think it was an 18-month/two-year contract [Glasgow - moderate]

3.7- Generally speaking, more engaged SMEs have a better experience

Those SMEs who had fully engaged with the market found it to be much more open and competitive than the less-engaged businesses we spoke to. Once an SME or an individual within an SME stepped outside this residential consumer view and used an alternative (e.g. a reseller, a smaller local firm, or a larger communications supplier that is not a residential consumer brand), they quickly realised that this was better value for them, and claimed to be unlikely to return as they were benefitting from:

- Shorter contracts/ rolling contracts in some instances – although the research did uncover examples of longer contracts from smaller providers as well;

- Lower costs;
- Better access to support: one SME boasted of having the MD's phone number if she had any issues.

These businesses also reported few issues either with switching away from bigger brands or (in some instances) in regularly switching between providers to get best value. This tended to illustrate that, as with residential consumers, the fears around switching were a lot worse than the actual experience.

Those SMEs who were using companies outside of residential consumer brands tended to have been recommended or advised to do this by:

- IT support companies they used;
- Other professionals including accountants;
- Peer groups (at conferences or networking events);
- In some cases, their franchisor.

Occasionally, SMEs reported having been persuaded by a smaller or less-known provider to give them an opportunity to provide their services; but examples of this were scarce within our sample. The world of the SME is all about contacts and networking and so a recommendation from a trusted source is far more powerful than a sales call or other marketing activity.

Some SMEs also perceive that all providers using Openreach's network were "the same" and that there is considerable hassle and time involved in switching providers. These are discussed in section 6.1 below.

4- Rollout of VoIP solutions to SMEs

4.1- SMEs had particular concerns on the sale and servicing of Voice-over-IP solutions

Voice over Internet Protocol (VoIP) is a category of hardware and software that enables people to use the Internet as the transmission medium for telephone calls by sending voice data in packets using IP rather than by traditional circuit transmissions of the PSTN. VoIP is the technology used by communications services such as Skype and WhatsApp (voice calls).

In the UK, some larger businesses have already migrated all of their landlines to VoIP. This allows them to make cheaper calls (in particular international calls), use an almost unlimited number of lines (limited only by available bandwidth), and use a range of other features at low or no cost including call forwarding, call waiting, voicemail and teleconferencing.

VoIP is wholly dependent upon having an internet connection, so if there is no connection or a power outage which prevents connection it will not work.

The research suggests that some SMEs are enjoying considerable advantages in using VoIP, including:

- Much reduced costs compared with the landline bills they were paying previously;
- The ability to record calls – now essential for SMEs in certain sectors (particularly financial services and legal);
- The ability to connect with remote call centres: one SME in financial services ran a virtual call centre from Marbella using ex-pat retirees as staff.

However, the research also highlighted some areas of concern.

There were instances where a VoIP solution appeared to have been sold by an existing provider as an alternative to a landline, where the customer did not fully understand the technology involved or the implications for the business. This leading communications provider customer did not really understand what a VoIP phone was until it was explained to him by another respondent in the mini-group:

"The phones were a bit crackly...I phoned up [leading communications provider] and the girl sales-pitched VoIP phones with the [leading communications provider] cloud. I said, 'Brilliant, go for it.' He [the engineer] came in on the 20th October and put a new phone line in, and I've had no phone since. I've been on the phone every day for four hours, to Mumbai, everywhere. I keep saying 'look, just take it away'." [Glasgow – moderate/basic]

There were also indications that providers were using hard selling tactics in order to get customers to switch to VoIP – for example by informing customers that their current PSTN or ISDN lines would very soon be redundant technology[4] and that therefore some of the services that they relied on (e.g. switchboard) would no longer be able to function. Whilst, within the context of contract lengths of 5 or 6 years, this might not be considered unreasonable, SMEs felt that they were being pressured into adopting something new without having the arguments and consequences adequately explained.

"When we chatted with [a leading communications provider] it was pushing their Avaya, and their push on it was ISDN as a carrier, that's gone! You're going to have to do something soon!" [Belfast – complex]

Some customers reported a very poor migration experience, where promised training and support did not materialise.

"Then we had the guy turn up to install it, but he didn't have anything to install because the equipment hadn't arrived. Then the equipment arrived. Obviously none of this had been communicated to us at the time, and then not being told about the going live date until about ten minutes before allegedly going live, and then no training. Then, after the event, messaging your relationship manager who I've had three of in the course of three months, and never getting a response to these three issues." [Leeds – moderate]

For some SMEs, the migration process to VoIP was painful, protracted and complicated: the technology (hardware and software) includes a lot of functionality, but for this reason could be extremely complex to understand, particularly for a non-IT specialist.

Sometimes the system did not initially work as promised or intended:

- One respondent reported a protracted, on-going (at the time of the research) issue with porting his landline number across to his newly installed VoIP system;
- Another customer reported an issue where if her receptionist's VoIP line was in use, no other staff could receive calls.

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[4] BT has said that it will start enforced migrations in 2023.

5- Availability of suitable internet access and connectivity

5.1- Many SMEs were able to secure the internet access they need, but some experienced services that were not optimal

Many of the SMEs in the research were relatively content with the bandwidth they were able to receive and were therefore able to access fixed internet services to meet their needs.

> *"You live and die by the broadband. It's fairly stable now and I have no issues with bandwidth these days." [Bristol – basic]*

However, some SMEs, particularly those with need for greater or more consistent bandwidth than that typically available for residential consumers were less satisfied. The primary need cited by all businesses was for sufficient bandwidth to be able to conduct routine business operations quickly, reliably and (above all) predictably.

- Many felt they had services which competed for bandwidth with residential needs – and therefore at peak hours of residential use, speeds reduced considerably (and sometimes usability/reliability).
- This was particularly an issue for businesses which operated during evenings and weekends, or who were located in high-density residential areas.
- Download speeds were generally good and often beyond the needs of day-to-day business operation. But upload speeds could be more of an issue for businesses that needed to regularly save and share files (rather than simply upload and consume content as a residential user might). It was difficult for some business users to:
    - o Assess what upload speeds they were likely to get from a given provider during business hours and during peak consumer hours;
    - o Find services which focus on this dimension; usually, published broadband speeds only stated the download speed.

A secondary need for some businesses was to be able to call on greater bandwidth periodically in order to perform specific tasks such as uploading and sending very large files (often video, audio or image-related). Some of these businesses had decided that the step up in cost to a leased line was not worth it as their issues with upload speed were only occasional. Instead, they had developed workaround solutions for these periodic needs for greater bandwidth (i.e. using file transfer services such as WeTransfer and Dropbox).

> *"There has been a few occasions when the upload speed was too slow...we had a few projects on where there was a huge amount of information that was passing between us and clients, it was quite a long time especially when we were uploading bulk files....is it worth paying for the dedicated line for the handful of issues that you get? Or can you line*

with them a little bit? You can't always pre-forecast where the peak times in your business are." [Cheshire – basic]

5.2- In some rural areas, limited access to services and limited choice of providers remains a cause for concern

In rural Scotland, the SMEs included in the research did report issues, in particular with finding sufficient internet bandwidth. One of these businesses had recently relocated in order to get better bandwidth and another was considering doing so.

We find that our broadband connection's so variable and we find that all we can do, sometimes we'll actually stock up documents, we take if we're going away on trips and we'll actually transmit them from the hotel room, because it's quicker and I once had a new PC and it was actually quicker to populate my new PC by Dropbox from a hotel room than it was actually to do it from here [rural Scotland – moderate]

The business that had recently moved had considered some quite radical solutions in order to improve the internet service for himself and his neighbours, but this had proven to be too expensive and too complex to undertake.

Believe it or not, we actually did vaguely investigate or just look up what would be available if we wanted to have fibre installed and getting other people. You've got, I suppose, maybe there'd be grants available to effectively start up our own internet service provider but then you've got to be prepared to buy into the whole fibre to the premises. We always felt that there was a business there waiting for somebody, to speak to somebody, to have Sky, I don't know, we always joke it's going to be Stewarton Broadband Incorporated or something like that up here. Everybody in Stewarton, they'd chip into it and get their one gigabyte that they could actually get on the fibre, one gigabyte each way, and everybody would pay £30 a month into it and everybody's happy but that sort of investing, you're looking at millions of pounds' worth of investment [rural Scotland - moderate]

5.3- The price gap between high speed fibre or cable and a leased line was too great to bridge for some SMEs

A potential solution in many cases would be a leased line, providing reliable upload and download speeds and not shared with other businesses. However, there was a trade-off between benefits versus cost. This was different for each business and was often dependent

on the size and profitability of the business, in particular on how many employees were using the internet:

"Nine/ten o'clock in the morning on a Saturday morning, if we're working, there's no point doing anything on the internet. Every kid's on YouTube, or playing on their Xbox, or doing whatever....we're on 500:1 contention, or something stupid like that. We could pay hundreds more to get less, but it's just, for the size of business we are, it's not worth it at this point." [Glasgow – moderate]

"It's a huge step up in cost...I mean it was in the thousands because they have to put dedicated lines in between offices. We'll just have to manage, and if it means sending stuff in piecemeal well so be it, but we don't have that type of budget available" [Cheshire – complex]

Previously we used just normal broadband, just normal telephone lines, business, but we didn't feel that the uploading speeds were good, we were finding there was time-lapses of information getting received, it was having knock-on effects. We've now changed to a dedicated line. Service is much better. Information is uploading and downloading at far better speeds. Information is flowing quicker which is enabling our company to progress and get jobs moving quicker, and there are no time lapses anymore. It is worth it, definitely worthwhile. It's improved our business; the service that we can give, speeding repairs up, just generally kind of moving things on, saving the customer's money, and saving us money. [Somerset – complex]

Larger SMEs employing more people, or for whom fast internet speeds were vitally important to their work, were prepared to pay the additional cost of a leased line.

For one larger SME, managing three leisure centres in Sussex, the alternatives being considered were to either create some form of locally-hosted storage solution to enable them to cope with high demand and lower internet speeds during evenings and weekends, or else to install a leased line which would guarantee stability of service during those periods.

Prices for leased lines vary considerably dependent upon the overall bandwidth and other features such as built-in redundancy. The minimum cost for a leased line is around three or four times more expensive than a standard fibre connection, but in the research we heard examples where businesses were quoted up to ten times more than they were currently paying for fibre.

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- In Northern Ireland, one customer paying around £37 monthly was quoted £400 per month for a leased line. Another was paying £140 and was quoted £480 for a leased line.
- In other parts of the country, and depending upon the associated installation costs, we heard evidence that leased lines were less expensive than this and were becoming more affordable. Some respondents in the research were paying around £150 a month.

The highest charges for leased lines (as per the examples given in Northern Ireland) involved an extended contract which included the cost of installation rolled into monthly payments over a number of years. Some businesses felt that this was not transparent and was not helpful to them in planning expenditure with regard to one off costs versus on-going monthly costs.

Some of the SMEs in the research would like access to an intermediate level of service between a standard (residential) fibre option that was simply re-packaged as a business connection, and a completely uncontended leased line solution with all of the service guarantees available at the higher price points involved. Currently there was a sense in which there was economy class (standard fibre or cable) and business class (a leased line), but no 'premium economy' option and too big a price gap.

6- Switching suppliers and contract terms

6.1- SMEs can be reluctant to switch supplier

As part of the recruitment process for the research, participants were selected on the basis that all had at least experienced some degree of dissatisfaction with their communication providers, even if they had not engaged with the market or considered switching. However, even some of those SMEs who said that they were not satisfied with their current communications providers were reluctant to switch. The main underlying reasons were:

- Fear of losing continuity of service (internet supply in particular, but also retention of landline numbers in some instances);
- Perceptions around the hassle and time involved in switching providers;
- Perception that all providers were 'the same' – a particularly strongly held perception with regard to supply within the Openreach network.

Fear of losing continuity of service

Several respondents stated that they would be much more likely to consider switching their telecoms providers if it was as easy as switching utility providers, where they would have certainty over continuity of service. However, their perceptions (sometimes backed up by experiences) are that any switch will likely involve:

- A period without internet supply, which could become protracted if they experience difficulties with routers or other unforeseen technical challenges which could require an engineer visit (or visits);
- Uncertainty over the reliability of the internet connection relative to their existing supply. For some SMEs, even if the current connection was not optimal, it was at least predictably sub-optimal;
- The potential for billing and contract disputes with their current supplier.

For SMEs with little or no technical knowledge, switching a supplier for internet services is analogous to turning off the electricity in their offices and then turning it on again without any certainty that the lights will work.

"Yes I've had issues, but nothing that major that I've firmly put my foot down and gone, 'Right that's it I'm changing providers no matter what'...for the amount of time and hassle and whatever you just think is it really worth it and is it going to work?" [Birmingham - moderate]

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Perceptions around the hassle and time involved in switching providers

The point at which SMEs said they most wanted to switch was when they had experienced failures (outages in their internet supply primarily) either due to 'the network' (felt to be a frequently used excuse for service failures) or other technical issues. When such perceived failures occurred, businesses felt a strong urge to switch away from their current supplier, but even if this were possible bearing in mind any contractual obligations, they were sometimes dissuaded from this course of action, reportedly either by Openreach engineers or by staff from their provider.

SMEs reported being told that, even though they were quoted a long lead time to fix the problem (one customer was told 30 days), it would take even longer if they were to switch away from BT. Some SMEs had tested this by contacting other providers to see if a new supply could be arranged sooner and found this to be true. SMEs speculated that this was likely due to appointments systems within Openreach, but the net impact (that a switch within Openreach takes longer than a repair) meant that when SMEs were at their most aggravated and likely to switch, they were discouraged from doing so.

> *"I know it's not as simple as flicking a switch, but that's what turned us off, so how could someone not turn that on? In my limited knowledge, running a business, it was so, so frustrating. I would definitely have walked - if I could have just gone to a shop and bought that service from somebody else that could have got me up and running on that Monday, I would have definitely done so; but I felt, as I think - and speaking to friends and colleagues, I felt not beholden to BT, but that they were the best of a bad bunch, rightly or wrongly." [Somerset – basic]*

Perception that all providers were 'the same'

Many SMEs have a view of the market that is skewed towards larger, well-known brands (discussed in more detail above), and part of this relates to perceptions of the Openreach network. Those who do not have the option of cable or fibre-to-the-premises from another operator have a tendency to view all of their potential suppliers (or the ones they are aware of) as using the same underlying supply network. Essentially, they see internet supply as directly analogous to the National Grid, when in reality other factors can affect quality of experience for customers of different providers, such as customer premises equipment and whether back-up networks are installed to provide redundancy.

This perception that, except with cable or fibre-to-the-premises from another operator, it makes little or no difference (with regard to product) which supplier they use on the Openreach network is a disincentive to even consider switching.

"They're reselling a BT service ultimately, or Openreach service, but they would have the same issues with network, you'd just be paying a bit less for the same thing, and that's not what we want; we want something that's better." [Belfast - moderate]

"I think at the moment the industry has got a problem because most of the providers are still piggybacking on the same network. So it's BT at its heart [even] if you're going down the Virgin fibre line. That's what it is." [Birmingham – moderate]

6.2- The length and structure of contracts may restrict SMEs' ability to switch

Some SMEs were unhappy that their business communications contracts (in particular fixed line / internet) were too long; in some cases 5 years and 6 years. Whilst this is not unusual for contracts of this nature (some of which involve a large number of products and services; multiple lines and devices etc.), for a smaller business with rapidly changing needs it is a considerable commitment.

An SME can quite easily double or treble in size over this period or, conversely, can suffer a downturn in business meaning that ongoing contract payments become a considerable burden.

One respondent in rural Scotland felt that, once they had signed up to a lengthy contract with a leading communications provider (six years in this case), they were tied in and realistically could not get out of the contract and switch providers due to high cancellation fees (some of which they claimed they were not aware of when signing the contract).

"I feel there is a lot of bullying tactics once you're tied into a contract, it's a lengthy contract. I'm tied into a contract with [leading communications provider] for six years and if you try to move they hit you with such a high penalty that you simply can't move." [Scotland – basic]

A couple of SMEs in different locations (one in Glasgow and another in Belfast) mentioned that, as businesses employing more than 10 people, they had (they believed) fallen foul of an automatic renewal of their contract.[5] This is a particular issue for a smaller business with an informal structure and where staff perform multiple roles. An example cited was where a provider claimed that they had received verbal permission to renew a long-term contract

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[5] Ofcom's General Condition 9.3 prohibits Automatically Renewable Contracts (also referred to as 'rollover contracts' or 'rollovers') to residential customers and small businesses with no more than ten employees in the fixed voice and broadband sectors. From October 2018 this requirement will become General Condition C1.3.

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from an employee, where this individual was not an owner or a director and had no authority to agree to this.[6]

"According to Ofcom, if an SME has over ten employees, the current provider can automatically renew your contract without you signing anything on the exact same plan[7]. So in our case we got our five year deal, and this Ofcom rule was quoted me down the phone, meant that we'd automatically renewed into a five year deal, without the need for any paperwork, nothing, no quotes, no nothing. Short story is it would have gone to court, but we had to pay this firm £10,000 as a settlement fee to get out of this contract. Which makes you think, how do you move your business to another service? Because if you're relying on one firm and your telephone number is your core business." [Cardiff – complex]

Some SMEs also felt they were not given all the necessary information around terminating their contract, with one respondent in Cardiff believing they were given misleading information about the notice period and not being informed about the provider's ability to automatically renew the contract on the same terms.

"When I asked them what's the termination policy, it came back the termination is 30-60 days. I'm thinking we're on a five year plan, at the end of the five years, the way I read that email was after the five year plan, once you give 30 days, give your 60 days' notice and then you can move somewhere else. That was the way I read it, that was the way our Financial Director read it." [Cardiff – complex]

Some respondents felt that they did not really have a choice other than to accept the contract terms offered by their existing provider. This was particularly the case in more rural areas where there was less availability of providers/products and the SME had limited knowledge.

"I didn't really feel like I had a choice in terms of contract length. I think they basically tell you that is what's available to you. They don't really give you options. I think it's just what it available." [Scotland – basic]

As previously outlined, some of the terminology used by providers was often found confusing by SMEs, with some even going as far to say that providers are being purposely opaque with the terminology and explanations used.

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[6] NB: Neither respondent mentioned receiving a written reminder that the contract was up for renewal
[7] Ofcom has protections in place for SMEs with fewer than 10 employees to restrict rolling over of contracts. The research suggests that some larger SMEs were dissatisfied that they were not offered similar protection

"Everybody has terminology for certain things, you know cloud-based solutions and stuff, but it's so technically worded it doesn't need to be." [Leeds – moderate]

"If you speak to [leading communications provider] or those other companies, they're all the same, they over-promise, and they won't tell you the pitfalls until it's too late." [Cardiff – complex]

"So it didn't cost me anything to upgrade the modem, but it cost me a few grand to upgrade everything else, including the cabling and all the rest of it...they didn't tell you that. It just unravels slowly and then you end up understanding the full picture." [Cardiff – complex]

6.3- Some SMEs complained of having contracts with multiple end-dates

Another issue reported relating to contracts was one of overlapping contracts for different services (sometimes with the same supplier) that made it difficult to switch optimally (to one new supplier) without incurring penalties.

One SME in Glasgow had two contracts (one for internet supply, another for landlines) which she perceived as being both with the same large communications provider, but because these overlapped, she could not switch them both at the same time.

"We spoke to somebody on the phone from both [large communications provider] and [large communications provider] local, thinking that they were the same people and not realising it. So they shared the commission and split it but then the contracts had different end dates and then everything's out of sync. So for me it's really hard for me to walk away from [large communications provider] because they'll either say, 'We want £2,000 exit fee to clear off your contract', or, 'We want you to renew another contract to this date and then that one goes, bypass the other date', and you're like, it's really hard to walk away. So I think we're going to be, might try and stage it where whenever the broadband's up we're moving the broadband to somebody else. Whenever the main line's up we're moving to someone else and stage it bit by bit, or, if we can, negotiate an end contract." [Glasgow – moderate]

Another SME in the same session reported similar issues.

"Well what we could do is we could give you this, we could give you that, we'll tie you into a deal', but I don't want you to tell me deals. I want you to tell me the date it expires. They still could not confirm that for me. So I'm just like, I'm getting away from [a leading communications provider]. But they've been really savvy with what they do. They've

always tied the phones and the broadband and everything into different terms of contracts, so you always end up renewing one. So you're going to end up having to either pay to get out your contract or one of your things you're going to end up having to pay above and beyond because it's going to default off your contract on to a higher rate." *[Glasgow – moderate]*

A similar issue related to mobile phone contracts. Larger businesses tend to have one flexible contract with their supplier that covers all users in the business and their devices, irrespective of the different start and end points which arise as new members of staff require a handset or as upgrades occur. Within SMEs, it would seem that some of these relationships evolve with their mobile providers over time, such that they move from being perceived by the supplier as merely a series of individual contracts towards being perceived as a genuine 'business customer'. They may receive additional benefits, such as an account manager, but the relationship for billing and contractual purposes remains as a series of overlapping contracts, making it very difficult to switch to another provider all at once.

The research uncovered a separate but related issue regarding 3G and 4G dongles. Some SMEs use these either as back-up devices in case they experience failures in fixed internet supply, or else for remote sites where they cannot easily or cost-effectively get a fixed internet connection and need an alternative: one example in the research was an engineering company that needed to have staff on sites that were sometimes quite remote for a period of months.

Some SMEs complained that the contracts for these devices were sometimes too inflexible to meet their needs, in particular with regard to:

- The maximum amounts of 'bundled' data usage included before data was charged at much higher rates per gigabyte;
- Minimum contract lengths: the engineering company referred to above sometimes needed to be on site for only three months, but had to buy a two year contract in order to get the volume of data it required monthly at reasonable cost.

7- Service Level Agreements (SLAs)

7.1- SMEs tend not to place much faith in the SLAs in their contracts

Typically, a business communications contract includes a Service Level Agreement which defines minimum service standards, including minimum timescales for an engineer to visit or to fix a fault in the result of disruption to the service. This is a key difference between business and residential contracts, with most of the latter offering either no SLA at all or one with few specific details or guarantees.

Some communications providers offer different grades of SLA at different price points. The more expensive grades offer, for example, quicker response times or guaranteed response during weekends as well as week days.

NB: Openreach offers wholesale SLAs to retailers using the network, but it is up to retailers using the Openreach network what SLAs they offer to their direct customers.

This research suggested that knowledge and awareness of SLAs amongst SMEs is very low indeed. Some were aware of the customer service benefits of having a business communications contract (better access to dedicated customer support staff, rapid replacement for lost or stolen devices such as mobile phones), but very few were able to say how quickly their internet supply would be repaired under the terms of their SLA.

The few SMEs in the research on residential contracts were unaware that they had no SLA whatsoever, or that this was a potential rationale for them to switch to a business contract. Of the remainder, most were unaware of what, if any, SLA they had with their business communications contracts.

Those with more knowledge and sophistication in this area (including IT specialists), were more aware of repair times within SLAs, but doubted their value (for internet supply) unless the customer was using a leased line.

> *"It's not that much, but it mounts up over the course of time. We had, originally a six-hour fix, but when you read the small print it's not a six-hour fix. It's six hours for an engineer to pick it up, and then they've got a further six hours from there". [Glasgow – moderate]*

SMEs sharing this mind-set were of the view that outages were most often related to (or communicated as) 'network issues' and involved disruption of supply to a large number of customers. In this scenario, the suggestion that their supply would be prioritised was simply not credible and therefore they had little or no trust in providers to deliver on an SLA.

Others preferred to rely on a back-up plan, either having two lines installed or else using the 3G or 4G network as a substitute.

"We've got 100MB leased line and an ADSL in terms of back-up and two ISDN lines also for back-up" [Cardiff – complex]

"I have my data package on my mobile which is 4G. It's quite extreme. I think I've got 40 gigs or something on there. So if my fixed line goes down I can just Wi-Fi hotspot the phone and work on the back of that and actually that's a far cheaper solution than worrying about service level agreements because if it takes them two days to fix it then so what?" [Birmingham –moderate]

Some SMEs said that they would be willing to pay more for an enhanced SLA on a fibre or cable service that was not a leased line, but would need reassurances (backed up with specifics and examples) as to how this would enable them to receive a priority repair.

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