

BT's response to Ofcom's consultation document

*"Communications services and SMEs:
Call for Inputs"*

2 January 2015



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1. SME needs

Question 1: *What are the communications needs of SMEs and how may these differ by business size, sector, business model, location and other relevant factors?*

Understanding SME needs

BT Business is committed to understanding the needs of business customers of all sizes. Investing nearly £1m a year, we run a number of research initiatives to ask SMEs about their business needs, how they use communications services and what improvements they'd like to see in product design and service support. These include:

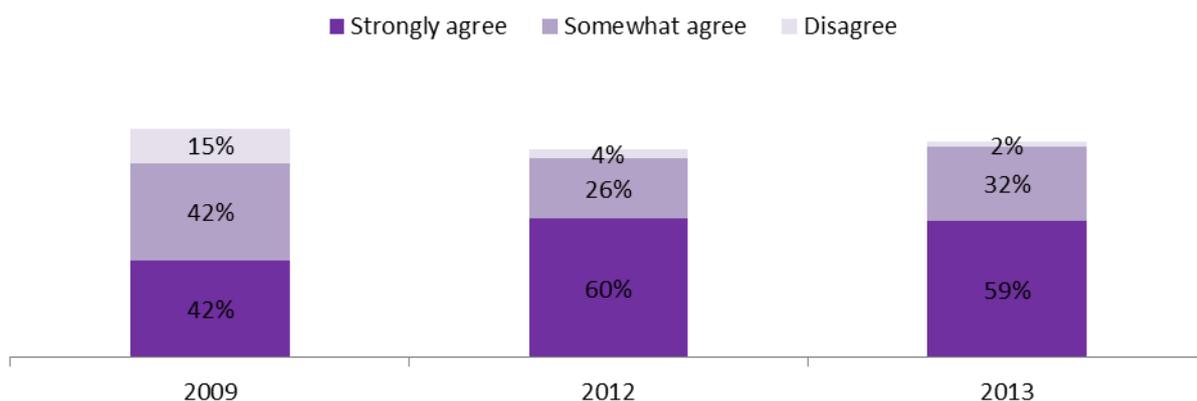
- **BT Business Panel:** Panellists are invited to comment on BT initiatives and improvements to products and services. **Customer/market research:** we use a variety of approaches to research new customer needs, experiences and priorities to inform product and service development.
- **BT Business customer experience feedback programme:** BT Business runs a suite of research to understand customer perceptions of their experience of dealing with BT, its people, products and services. The process for reviewing and acting on this feedback has recently been invigorated.

By getting closer to customers, BT Business has been able to design products which meet SME customer needs. For example, we developed BT One Phone, BT Business's new fixed-mobile solution, based on what customers told us they needed in our research with them.

Criticality of communications services

Communications technology is increasingly important to SMEs, frequently underpinning their ability to serve their customers and manage and grow their business efficiently and profitably. In a BT Business study, *Being in Business 2013*, 91% of SMEs agreed that IT and Communications were key to business success, up from 86% in 2012. Early results from 2014 indicate similar proportions. Only 2% disagreed, 13 points lower than four years ago¹.

Agreement that IT/comms are key to your business's success



The trend towards a more technically sophisticated consumer is driving businesses to introduce new communications services, business models and working practices. Consumers have growing expectations of the businesses they buy from. They expect them to be omni-channel, interacting with them at their point of need and through their channel of choice, whether physical outlet, the Web, social media or mobile device. They expect their interactions across these channels to be integrated and personalised. And they want to be able to interact with businesses at times that suit them, increasing the pressure on businesses to be 'always on'.

¹ Source: Being in Business 2013, BT Business Panel research, N (sample size) =302. NB Question defined IT and communications as "By IT we mean computing, networking and any related services (e.g. maintenance, consultancy) you use, and by communications we mean things like your telephones (fixed and mobile), broadband, leased lines or WANs".

The tougher, more competitive environment that SMEs have operated in since 2008 has driven significant change initiatives within them to increase efficiency, cut costs, reduce time to market, diversify and find new channels to market. At the same time, innovations in digital channels and business models have presented new opportunities for them. This has resulted in a more strategic use of communications technology within SMEs.

Trends in working practices including flexible hours, working on the move (in airports, coffee shops, customer premises, at home) and an increase in the speed of business has amplified the importance of communications technology in enabling collaboration. Furthermore, employees in the workforce expect workplace technology to be as easy to use as it is in a home environment and would prefer in some cases to use their own devices (BYOD) and/or home applications such as Dropbox. This can represent both an opportunity for SMEs to save cost and an IT headache for them as they try to address the security and IT support implications.

Changing regulations and the digitisation initiatives of central government also mean a move online for much SME 'paperwork'.

Technology trends, such as the roll-out of super-fast broadband and 4G and applications providers' move to cloud-deployment models have themselves made communications technology more available to SMEs. For example, the availability of fibre broadband has helped SMEs adopt IP voice and other cloud-based collaboration services, which would have been unsatisfactory over copper broadband. The cloud delivery model has brought some types of applications within reach of even very small businesses for the first time, and they are often able to be more agile in their use of these than larger businesses, where internal process and legacy systems can be a barrier.

Communications needs are determined by multiple factors

BT Business research and interaction with customers suggest that in addition to size, SME communications needs are differentiated by:

- their location (type of location, region and number of sites)
- type of business (eg vertical sector, B2B vs B2C, public, private or third sector)
- importance of IT in their organisation (eg whether IT is mission critical, whether they have an IT specialist/team, their degree of technology understanding and skill)
- the extent to which the business is mobile (need to support remote workers, access data on the move)
- business priorities (efficiency, productivity, cost management, growth, diversification, new markets)
- business turnover
- availability of local infrastructure.

Business size is an important determinant of communications technology use

Although many factors affect communications need, employee size is used by many providers as the leading indicator. It is both strongly correlated with need and one of the most readily available firmographics. Use of most services increases at a steady rate by employee size, although broadband and fibre are more dominant in smaller businesses.

A diverse supply side exists to meet those needs

Businesses use a wide range of communications providers. A table was provided with examples of different types of suppliers in the business market.

Factors important to SMEs in selecting communications suppliers

SMEs often rank fast problem resolution over price when selecting IT and communications suppliers. They also look at the stability of the supplier, the brand and the availability of multiple contact channels. Factors specific to specific services are not covered here, but can be deciding factors in choosing suppliers, as shown later in this document in the discussion of broadband switching (see our answer to Question 12).

Sources of dissatisfaction with communications providers often relate to the broadband connection

The biggest sources of dissatisfaction² with telecoms suppliers are speed of internet connection, speed of response and the reliability of internet connection. Our research indicates that business buyers are often unaware of the 'best efforts' nature of broadband technology.

Question 2: *How do the needs of SMEs for communications services differ from (a) residential consumers and, (b) large enterprises?*

SME needs differ from consumers

There are clear differences between the needs of SMEs and consumers.

Businesses are more likely than consumers to use landlines, fixed Internet access and mobile broadband. They are much less likely to use business mobile than consumers are to use consumer mobile. Not all businesses need mobile services, and even when they do, many small businesses use their personal mobiles for business needs

The internet is important for both consumers and businesses. In the UK, the Internet has become increasingly important for consumers as a source of information, entertainment, communication and as a home management tool. As a result, consumers are more technology orientated and open to using a variety of different communications services, applications and devices.

However, as we have seen, communications technology is critical for businesses. They may be more cautious than consumers when introducing new technology, as the risks are potentially greater for them. Problems can expose them to loss of revenue, data or reputation. In addition, they are likely to take a longer-term view of their investment, sometimes buying with growth in mind. It is important for communications providers to reassure SMEs of end-to-end installation and reliability of services.

Larger Businesses vs medium-sized businesses

- As has already been mentioned in the response to Question 1, 100-249 employee businesses are often the high-water mark for penetration of communications services. However, there is a small step-up in usage of certain communications in larger businesses (those with more than 250 employees)³. Larger businesses are also more likely to have a clear roadmap for their future services, reflecting the fact that they tend to have defined IT strategy and work to specified refresh cycles.
- There are also marked differences in where work is done for these larger businesses compared to smaller ones.
- More of the larger businesses use dedicated internet access, and more have WANs. These businesses also tend to have larger IT departments, often comprising several sub-departments or teams that specialise in aspects of infrastructure or services, or in providing IT support services to the rest of the business, and are less likely to want or need to outsource support. They may make strategic decisions to outsource certain services however.
- When buying new communications services, larger businesses tend to balance cost saving goals with more strategic benefits such as improving the speed of doing business and improving mobility. That said, they can bring considerable pressure to bear on pricing, given their buying power, formal tender processes and procurement professionals focused on getting the best price possible. They also expect bespoke account and often service management, with much future purchasing decided on the quality of the service delivered over the course of existing contracts.

² Source: Being in Business, 2013, BT Business Panel. Base is all businesses. N=302

³ Source: BT Business Usage and Attitude study, October 2014, for all statistics quoted on this page.

- Larger contracts are typically procured through competitive tender, sometimes through a procurement consultancy, whilst smaller contracts are typically procured after a request for quotes. In addition, smaller businesses are more likely to request quotations for discrete services rather than packages of services or solutions. Infrastructure availability

2. Infrastructure availability

Question 3: *What are the types and degree of network availability issues that affect SMEs, for example issues with specific locations or services and what is the effect of these issues on SMEs' businesses?*

The demand for bandwidth for data applications (both broadband and leased lines) has increased steadily in the last few years, driven by sustained increases in the penetration and the speed of business and consumer data services, adoption of 'cloud computing', growing consumption of video content, and the rapid growth of e-commerce and of internet applications. These have all added to businesses' bandwidth demands and are expected to continue in the future.

Ofcom's Infrastructure Report 2104⁴ highlights that "Superfast broadband coverage has not reached all SMEs and our analysis suggests coverage lags behind average coverage, particularly in urban areas". Certainly, BT Business recognises this more limited fibre coverage amongst its customers.

For fibre, the challenges around improving infrastructure coverage for SMEs are broadly similar to the overall challenges of extending superfast broadband roll-out through-out the UK and this is continuing at pace through a combination of commercial roll-out and a publicly-funded programme targeting those areas of the country which commercial providers are unlikely to reach. The Government's aim is to deliver superfast broadband to 95% of UK premises by 2017⁵, and publicly-funded roll-out is currently reaching up to 40,000 new premises a week. Openreach is already playing a major part in the project and will do so in the future, and we would anticipate such coverage levels significantly benefitting both SMEs as well as the wider consumer market.

BT recognises that even some very small businesses require network connectivity that is superior to standard broadband and fibre. Therefore BT Group (through Openreach) will be continuing to invest significantly in Ethernet infrastructure to provide leased line services with higher speed and more resilient connections than broadband can offer. Working with its CP customers and with Ofcom, Openreach will be investing in new systems and processes to meet the acknowledged industry requirement to improve service quality. Such investments will include the build out of more points of presence and align with improvements in the ordering process to provide more certainty of availability, price and delivery date for customers. Again we believe these will provide further choice and benefits for SMEs as well as for larger and more complex businesses.

In addition to fixed network infrastructure, BT is committed to bringing 4G mobile connectivity to small business customers, through its MVNO agreement with EE. This will supplement an existing BT network of over 5m Wi-Fi hotspots across the UK which can be accessed for free by BT Business broadband customers.

Question 4: *What opportunities do communications providers see in serving the SME market and how are these evolving as a result of developments in technology and infrastructure?*

A wealth of constantly evolving technologies is available for communication providers to serve the SME market. The fibre roll out has been instrumental for businesses being better connected and improved working capabilities by up to 73%⁶. There are further opportunities to extend the fibre rollout by using Fibre to the cabinet (FTTC), Fibre to the premises (FTTP) and Fibre on Demand (FoD) technologies. Openreach have reached their ambition to provide fibre coverage to over two thirds of the UK, and the government funded initiatives have the ambition of providing 95% of Britain access to superfast broadband by 2017⁷. SME's in rural areas such as Cornwall have already benefited from fibre coverage funded by one such government programme BT is also involved with the BDUK Government scheme, which subsidises SME's in 22 key cities for better access to the fibre network. The scheme promotes the importance of superfast to business throughout a local infrastructure.

⁴ Ofcom's Infrastructure Report 2014. Ofcom's second full analysis of the UK's communications infrastructure. Published 8th December 2014

⁵ Ofcom's Infrastructure Report 2014. Ofcom's second full analysis of the UK's communications infrastructure. Published 8th December 2014

⁶ Source: BTB research where 73% of fibre business customers say they can work faster and get more done

⁷ Source: Openreach Web Site: <http://www.superfast-openreach.co.uk/rural-broadband/>

Mobility allows SME's to take their business outside of fixed locations, including 4G technology and Wi-Fi hotspots. Widening opportunities in these areas allow for constant connection and less downtime. Improving mobile infrastructure ensures wider network availability and range of devices enables flexible platforms to do business from.

The Cloud offers a range of opportunities to be able to work from flexible locations. Businesses can manage calls, store documents and access information in the cloud which can be accessed by mobile customers. This is important for a flexible working environment and evolving infrastructure.

On the back of these technologies, BT Business has launched an unprecedented number of new products and services into the SME market in 2014, including:

- BT One Phone which enables customers to converge calls from a dedicated office system inside, to the BT Mobile network, outside, seamlessly without any breakup.
- A new portfolio of 3 FTTC and 3 broadband services
- A new router for businesses with improved Wi-Fi and smart diagnostics
- 3 new PSTN phone line options
- IP Voice product portfolio
- Managed WAN portfolio to help business link multiple sites
- New bundles of VAS services and Ethernet services, such as BTnet with included firewall

This investment in product development for SMEs will continue into 2015 and beyond. Product availability, technical characteristics and pricing.

3. Product availability, technical availability and pricing

Question 5: *How far does the choice, quality and price of products in the retail market meet the needs of SMEs?*

Key needs for SMEs include reliable connections, access to new technology, excellent service and good value speed. These key features have been implemented in our portfolio, which is constantly evolving to ensure we exceed customer needs and enhance their commercial footprint. BT provides a varied portfolio of products which covers the needs of 'one man bands', up to companies with 250+ employees. Products fit together in a way that enables SMEs to quickly and efficiently find the right package to suit their business needs and allow for future proofing as their organisation evolves.

BT Business offer 99.99% reliable connections and business traffic prioritised over consumer traffic. Dual Band Wi-Fi provided by the Hub 5.0 has opened up faster and stronger signals, alongside SmartWireless that constantly searches for the strongest signal, reducing drop out. For uncontended access and 100% reliability, BTnet ensures unlimited usage of top speeds at all times, providing a high quality product for SMEs that cannot afford to be offline.

The retail market is adapting to providing easier access to tailored services for SMEs. Products such as the Hub 5.0, a router which allows customers to have more flexibility over what they wish to prioritise, whether that is calls, data, emails or video-conferencing. Customers also have access to a variety of value added services that can improve their business accruement and streamline commercial relationships. Access to products such as TechHeads, Prompt Care and 24/7 support provide the vital services for small business who may not have their own support solution. Free, round the clock, technical support fulfils the need to have on hand advice and support with the combined confidence of choosing the right product.

The table below illustrates the wide range of broadband and fibre services available to SMEs from BT Business

INTERNET ACCESS - PRODUCT AND FEATURES COMPARISON.

	Wires only	BT Business Broadband	BT Business Broadband Unlimited	BT Business Broadband Premium	BT Business Broadband (Fibre) - Sub 15	BT Business Infinity	BT Business Infinity Unlimited	BT Business Infinity Premium	BT Business Infinity Ultra**	BT Business Infinity on Demand**	BTnet	Mobile Broadband
Engineer Install	Not available	Not available			Inclusive	Inclusive			Inclusive		Inclusive	
Network reliability	99.99%	99.99%			99.99%	99.99%			99.99%		100% target availability	
Download speed	Up to 17Mbps	Up to 17Mbps			Up to 14.25Mbps	Up to 38Mbps		Up to 76Mbps	Up to 330Mbps		2Mbps to 10Gb guaranteed	Up to 12Mbps (up to 54Mbps via BT Wi-fi)
Upload speed	Up to 0.9Mbps	Up to 0.9Mbps			Up to 9.5Mbps	Up to 9.5Mbps		Up to 19Mbps	Up to 30Mbps		Symmetrical service	Up to 5.7Mbps
Usage limits	1GB	10GB	Unlimited		Unlimited	50GB	Unlimited		Unlimited		Unlimited	1GB/3GB a month
Business traffic prioritised during busy periods	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Uncontended - so full speed at all times	
Minimum throughput speed during busy periods						30Mbps		60Mbps	70Mbps			
BT Tech Heads™ Support				✓				✓	✓	✓		
Office 365 Small Business				Inclusive			Inclusive		Inclusive			
Upgrade to Office 365 Premium	£9	£9	£9	£4	£9	£9	£4	£4	£4	£4		
Prompt Care End of next working day fix, £25 goodwill payment if not met			✓	✓			✓	✓	✓	✓	Target fix time 5-7 hours	
Standard Care End of next working day +1 fix	✓	✓			✓	✓						
BT Business Hub*	Hub 3 £79	Hub 3			Hub 5	Hub 5			Hub 5		Router included	
Unlimited use of BT Wi-fi hotspots	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
24/7 technical support online or via 0800	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Business Essentials 10 email addresses and 50MB web space	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

For more bespoke customer needs, products such as; Feature Line ISDN2/30, BTnet, Fibre on Demand and Ethernet allow SMEs to select their products and services within certain budgets. Higher bandwidth and speed services such as BTnet are no longer the preserve of larger SMEs, with small data-dependent businesses such as graphic design studios or accountants choosing to invest in a higher specification of connection to help their business grow

A key part of the portfolio is being able to offer a variety of products at different price points without compromising on quality of service. BT Business Broadband for businesses start at £10 a month and BT Infinity fibre can start from £20 per month, and with various discounts and offers routinely available, business grade broadband is affordable for all UK SMEs. For instance, the BT Complete commitment plan can discount monthly rentals by £3.

Beyond the BT brand, BT Group offers small business customers an additional value option with its Plusnet brand. Plusnet offers customers a portfolio of ADSL and fibre broadband and phone services from £8 per month, and with current in-market offers the price of an unlimited broadband connection can reduce to as little as £4 per month for the first 12 months. These services come with a phone line for as little as £10.50 per month, and are actively marketed online and in press advertising. Details of these services are available here; <https://www.plus.net/business/broadband/>

The retail market is incredibly competitive for SMEs and market forces demand that retail providers such as BT Business deliver of quality, value and choice in order to compete.

Question 6: Are there challenges for communications providers in targeting the SME sector, and do these vary by geography, SME size and SME sector?

Customers in the SME market are diverse in size and requirements, however BT sees a clear distinction between the very smallest sole traders buying business services for a home office and a consumer customer. As set out in the customer insight in Q1, 2 of our response, key differences in customer needs include a higher specification of care (especially fault fix times), access to a static IP address and access to business specific applications such as Microsoft Office 365.

Unlike consumers, business customers also require a more tailored and bespoke approach to their communication needs. The two following examples show how products in our refreshed portfolio suit SMEs specifically and highlight some of the challenges within the business market.

Geographical challenges in service SME are focused on the fibre rollout and the availability to SMEs in some areas. BT Business aligns its communication on fibre availability with Openreach's roll out plans, typically informing its customers within a couple of weeks of a new exchange being enabled with fibre. As described above, BT Business also delivers an array of 4G and converged mobile solutions to small businesses to supplement the fibre network.

To better meet the needs of SME customers BT Business uses a multi-channel approach, from initial point of contact, through ordering and in-life management. In addition to traditional call centre based sales and service this also includes:

- An online channel for ordering by pre-arranged packages.
- Local Businesses (LB's) who can provide an insight into localised information about certain products for individual businesses. LBs have expert knowledge and a consultative approach to serving SMEs of up to 250+ employees and can give further insight into specific products.
- Customers can also buy BT products via a BT partner. Some customers prefer to use a reseller but want to be the reassurance of the BT branded products.

Overall businesses in the SME market have a variety of different needs and diverse requirements which communication providers are consistently trying to meet. The range of products and price points within the portfolio results in a well-served market. Alongside tailored support and individual ordering journeys, the customer has a range of information through online, Local Businesses and Telesales channels.

Question 7: Are there issues facing retail providers in engaging with wholesale providers in order to offer retail products which meet the needs of SMEs?

BT Business buys wholesale services from Openreach, BT Wholesale and mobile network operators. We have no particular issues that we wish to raise at this point.

3. Quality of service

Question 8: *How far does the quality of service delivered by communications providers meet the needs of SMEs?*

Overall we believe that the quality of service delivered by BT meets the needs of SME customers. Our customer satisfaction measures do not indicate that this is an issue. BT and other CPs have a range of different quality of service measures (see Q10) to meet the needs of SMEs.

Question 9: *What issues face SMEs in ensuring that they have appropriate SLAs and are able to gain redress when quality of services falls below the standards expected?*

BT has a customer service guarantee scheme in place whereby if we fail to deliver a repair SLA then the customer receives compensation. Daily rate rental credit is the amount BT will credit the customer for each whole or part day BT is late in providing the service or repairing a service failure, and for each line affected. Customers can also claim Actual financial loss. This is the amount the customer has lost that is reasonably foreseeable as a result of BT being late in providing the service on time or repairing a service failure. The maximum amount BT will credit and/or pay the customer is £6,000 for each line affected, and subject to an overall total of £25,000 for the same failure or series of related failures. If the customer claims this, it must show BT proof of its loss.

For broadband, if BT is late in repairing a service failure, the customer may claim a one off Service Level Credit of £25.00. This guarantee would not be applicable if a MBORC (Matters Beyond our Reasonable Control) situation was declared; examples of this are extreme weather, civil unrest or natural disaster. Quality of Service SLAs are set and governed by our supplier partners, e.g. Openreach. Any changes to these would have to be agreed at an industry level and be provided on an equivalent basis for all CPs who use Openreach as their supplier. It should be noted that some SMEs use a consumer line to run their business. In such cases this would only offer Service Maintenance Level 1, which would offer them far less protection.

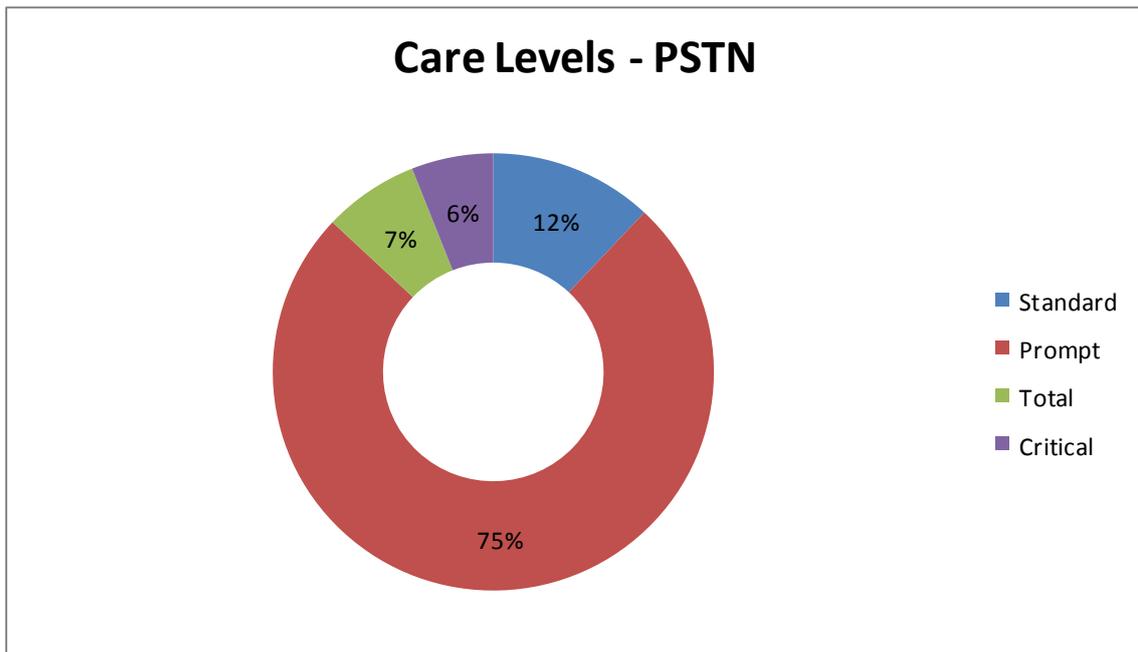
In addition to the compensation/redress described above, BT Business also gives away significant amounts in “goodwill” or “ex gratia” payments to customers – i.e. payments to which customers are not contractually entitled, but which are given away by BT in the interests of good customer relations, to customers who have complained.

In response to Industry feedback and CP submitted statements of requirements (SoRs), Openreach has developed 'Business 2 Plus', a new service level that aims to meet the needs of UK Businesses for an improved repair performance. Openreach has made substantial resource and system investments to support Business 2 Plus. Business 2 Plus launched on 22 November 2014.

Question 10: *What products and service enhancements are available, at what indicative price points, to deliver on SMEs' quality of service needs (e.g. in terms of technical product characteristics or fault resolution)?*

Service enhancements for SMEs

The chart and tables table below shows what our customers can and do buy from BT Business: as the chart shows, 88% buy a higher level of care than the standard offering.



PSTN with CARE Levels

	Value		Standard		Critical	
Features	A basic line with capped calls		500 free UK minutes each month		Standard line, but with a higher care level	
Contract Length	24 month	12 month	24 month	12 month	24 month	12 month
Line Rental	£13	£15	£19	£19.99	£23	£24
Care	Standard		Prompt Care		Critical Care	
Installation	£110	£125	£110	£125	£110	£125

Broadband and Fibre with CARE Levels

	Maximum Speed		Usage	Support	Cost	
Value Line & BB Premium	17mbps Download	1mbps Upload	10 GB	Standard	24 m £22	12m £29
Standard Line and BB Unlimited			Unlimited	Prompt	24m £34	12m £41.99
Standard Line and BB Premium			Unlimited	Prompt	24m £41	12m £50.99
Standard Line and Infinity	38mbps Download	9.5mbps Upload	50Gb	Prompt for Line, Standard for Fibre	24 m £41	12m £48.99
Standard Line and Infinity Unlimited			Unlimited	Prompt	24m £48	12m £56.99
Standard Line and Infinity Premium	76 mbps Download	19mbps Upload	Unlimited	Prompt	24m £56	12m £65.99

ISDN30 Pricing

Options	1 year contract per month	3 year contract per month	5 year contract per month
Without DDI quota	£22.31	£21.19	£20.08
With DDI quota	£25.47	£24.19	£22.91
Connection (One of charges)			
Without DDI quota	£144.00	£91.00	£0.00
With DDI quota	£36.00	£18.00	£0.00

ISDN2 pricing (minimum of 2 channels per order)

Cost per Channel	1 year contract per month	3 year contract per month	5 year contract per month	Connection	Conversion from a standard line
Low Start	£22.74	£21.60	£20.46	£353.00 (per 2 channels)	£280.00 (per 2 channels)
Start up	£34.72	£32.98	£31.23		
Call Plan	£47.69	£45.30	£42.92		

ISDN CARE Levels

The portfolio of BT ISDN30 business continuity (Assurance continuity) options delivers services, lets you plan ahead and so minimize the impacts of fire, flood or storm - or even human error. The cost is bespoke and customers have to contact BT to get a quote.

Featureline Pricing

	Compact			Standard		
Features	Phone line packed with Calling Features such as Call Diversion, 3-way calling, Call Waiting			A small phone system including Call Transfer, Hunt groups, and free internal calls.		
Contract Length	60 mths	36 mths	12 mths	60 mths	36 mths	12 mths
Cost per month	£20.10	£21.22	£22.33	£23.76	£25.80	£27.16
Installation	Free	£63	£125	Free	£63	£125

Featureline CARE Levels

Customers can expand Featureline/ Compact whenever they need - add up to 60 lines per site. Care levels for Featureline are bespoke and customers are given individual quotes.

Switching/Holding to term

SME customers wishing to leave BT are subject to the rules governed by the Ofcom Gaining Provider Switching process. All customers must give 28 days' notice to cancel their contract. If a customer is still in term they will be held to term and charged early termination rates unless;

- They take a higher value product, e.g. moving from PSTN to ISDN30
- Are moving business premises and taking an equal or longer contract.

Holding to term is a widely used Industry practice especially within Telecommunications. It allows BT to spread the costs associated with service, such as Hubs, Routers etc. and not have to charge high one off charges at the beginning of the term. This benefits SMEs as startup costs can be prohibitive and damaging at such a critical time for a business.

4. Transparency of information

Question 11: *What information is available to SMEs to enable them to select communications services appropriate for their business needs? Please identify any additional information or measures which you consider would enhance transparency for SMEs and your reasons for this view?*

Information regarding communication services is vital for businesses to be able to fairly and accurately choose which products they require. Online resources hold a bank of knowledge where customers can look at sales information and 'how to' product guides. Having tools such as self-assessment or feature comparisons can enable SME's to tailor their communications service for the purpose and size of their business and make an informed choice of which provider they choose. BT provides helpful information to customers with advice and support to ensure the customer selects the best solution for their business.

Business insight pages on bt.com

In addition to the wealth of information online, further materials are sent to customers, and used within the sales channels. These are constantly updated with new products, services and offers so the customer receives the most up to date information possible. Material for customers allows them to make informed choices with what products they would like to purchase and differences between communication solutions. Material for sales agents ensures they are well informed of the best solution for businesses.

The market to serve SMEs is highly competitive with over 80 different broadband providers all offering a variety of services within the SME market. In addition to the information provided by BT Business to customers, there is an array of online price comparison sites, resellers and third party sales agents who support customers in comparing this array of providers, packages and prices and making an informed choice on the best option for their needs. Market forces therefore are driving choice and transparency of information for customers

5. Switching

Question 12: *What factors do SMEs take into account when they are considering changing their communications service or provider? Please identify any that you consider may deter SMEs from switching and your reasons for this view?*

Our research, summarised in the charts below, suggests that the level of competition in the SME market is encouraging SMEs to switch broadband, for example, in significant proportions. A recent, very robust study found that a significant minority⁸ of <150 employee businesses had switched broadband provider in the last year, largely driven by a vibrant market where they were attracted by offers rather than being pushed by dissatisfaction with their current provider⁹. The majority switched for a ‘better offer’.

Which was the most important reason you changed internet provider?¹⁰

The top three reasons for changing internet service provider are the same regardless of business size: to save

The most popular reasons for switching are to save money or to get a faster or more reliable connection.

In the experience of BT Business and BT Global Services, the main non-price factors valued by customers are:

- Performance: supplier network latency and where appropriate (e.g. particularly for finance customers), extent of intra data centre connectivity that can be provided;
 - Reliability: supplier network availability, resilience, repair times and associated SLA/SLGs;
 - Management capability: fully managed service from a trusted supplier;
 - Financial stability of supplier;
 - Supplier’s reputation;
 - Nature of existing relationship between customer and supplier; and
 - Breadth of supplier portfolio of other services and the ability to add security or application assurance, etc.
-
- Those not planning to switch suppliers are often happy with what they have. Recent research¹¹ on businesses not intending to switch revealed that most are happy with their current services or feel they are already getting a good deal, while a much smaller minority think switching is too much hassle or risk.

⁸ Source: BT offers research Dec 2014 <150 employee businesses, N=1,727

⁹ Source: BT offers research Dec 2014 <150 employee businesses, N=1,727

¹⁰ Source: BT offers research Dec 2014 Base: Businesses with up to 150 employees who have switched broadband provider in the last three years. N=1,166

¹¹ Source: BT offers research Dec 2014 Base: Businesses with up to 150 employees who will not change provider in next year or when current contract expires.

6. Other potential sources of harm

Question 13: *What evidence is there of issues where bad practices by communications providers causes harm to SMEs?*

BT Business has dedicated teams to help SMEs when issues arise and systems in place to capture reports of unfair practices. Many of the reports show the main problems occur when transfer orders are placed without customer consent or orders placed by customers to transfer to BT Business are inappropriately cancelled without consent.

7. Conclusion

Question 14: *Are there any other issues in relation to the provision of communications services to SMEs, or SMEs' experience of these services, which you consider should be included within our assessment?*

BT believes that a key element to be considered in any subsequent public consultation related to the SME market is the definition of Small and Business Enterprises and how any agreed definition should in practice be applied.

We believe it is important to ensure that any genuine large business is not captured by the definition of SME and/or any applicable regulation. As Ofcom itself recognizes, large corporate customers have very different characteristics and buying power to small/medium businesses. They buy complex solutions rather than individual telecom services, often through very competitive tender processes.

It is therefore important that this greater buying power is taken into account when defining a business. For this reason, small entities that are part of bigger organisations and buy telecom services under single centrally-negotiated contracts need to be considered as part of a homogenous group, based on their buying power.

For example, in the public sector a small local authority should not be seen as an SME when it procures its telecoms services on the back of a centrally-negotiated contract. Equally, large multinational businesses, with their headquarters outside the UK, may have operations in the UK which are small, if considered in isolation: but these operations do not have low buying power if they purchase their telecoms services through a global contract.

It is important that such businesses are not considered as small/medium enterprises in the UK, as this will potentially add a further level of complexity to the provision of services in the market of multinational customers, which is per se a very complex and competitive market.

As part of the work that we have been carrying out to develop our response to this Call For Inputs, we have been reviewing the regulations (including definitions) that impact SMEs (and larger businesses) to identify changes that we believe should be made.

Question 15: *For any issues identified in response to any of the questions above, do you have any views on how they may be resolved?*

In most cases, changes to the regulation applying in respect of business customers would require changes to the European Common Regulatory Framework, in particular the Universal Service and user Rights Directive.

We believe that Ofcom should engage with Communications Providers in advance of the approaching review of the Directives to define a coherent "UK view" on regulation applying in respect of business customers that can be put forward in the EU-wide debate.