



October 2015

Dear Sir/Madam,

Strategic Review of Digital Communications Discussion Document

The Federation of Small Businesses (FSB) welcomes the opportunity to respond to the above named call for evidence.

The FSB is the UK's leading business organisation. It exists to protect and promote the interests of the self-employed and all those who run their own business. The FSB is non-party political, and with around 200,000 members, we are also the largest organisation representing small and medium sized businesses in the UK.

Small businesses make up 99.3 per cent of all businesses in the UK, and make a huge contribution to the UK economy. They contribute 33 percent of private sector turnover and employ 48 per cent of the private sector workforce.

94 per cent of small businesses already view a reliable internet connection as vital to the success of their business and as business practices and technology evolves, their dependence on high quality, super fast broadband will only increase – regardless of the sector or industry in which the business operates. Small businesses continue to struggle to access the telecoms services which will allow them to compete in the global marketplace.

This is not however simply a question about the availability of infrastructure. Our most recent report illustrates how small businesses struggle to assess what services would be most appropriate for them, and face challenging quality of service issues which can lead to disengagement from the market.

This timely review offers an opportunity for Ofcom to address these challenges and to build on the successes of the past decade.

Yours sincerely,

Mike Cherry AIMMM FRSA

Policy Director, Federation of Small Businesses



Federation of Small Businesses
The UK's Leading Business Organisation



FSB response to Ofcom's Strategic Review of Digital Communications Discussion Paper

October 2015



We welcome the opportunity to respond to this review.

Digital technology is increasingly vital for small businesses across the country. Our recent research has found that small businesses are already integrating both fixed and mobile technology into their business operations.¹ This is providing small businesses with new opportunities to grow, connect with customers, employees and suppliers, and to access new markets. The most digitally advanced businesses are using the internet to transform their business offering. These businesses are not necessarily what would traditionally be thought of as digital businesses, but can also be traditional businesses which are taking advantage of the internet to offer goods and services in new ways.

Despite the positive stories the FSB found, there remain barriers stopping small businesses from becoming fully digitalised. Based on a survey carried out of FSB members - which was followed by in-depth interviews with a representative sample of 65 small businesses - we identified the following issues which need to be addressed before all small businesses can take full advantage of the opportunities offered by digital technology.

These are:

- **Satisfaction with the status quo:** Many small businesses remain unable to effectively assess their telecoms requirements, and are unable to quantify the potential benefits of being online. This can lead to missed opportunities where potential gains for small businesses are not identified or acted upon.
- **Quality of service issues affecting small businesses as consumers:** Other businesses lack the skills and understanding to effectively engage with the telecoms market. A variety of quality of service issues lower satisfaction with the market, and can result in disengage.
- **Infrastructure availability:** As Ofcom have found, the availability of superfast broadband is significantly lower for the small business market. This leaves many small businesses unable to access sufficient upload and download speeds to carry out business functions online.

For more information about this research, the full findings are available online.²

Previous research carried out by the FSB, "The Fourth Utility", which we published in July 2014, also uncovered concerns about the availability of fixed and mobile infrastructure for small businesses, along with the structure of the market.³

Based on the evidence received from interviews with small businesses, along with the results of different surveys we have carried out over the past two years, the FSB would like to raise the following key points:

¹ FSB, Reassured, optimised, transformed: driving digital demand among small businesses, September 2015

² FSB, Reassured, optimised, transformed: driving digital demand among small businesses, September 2015

³ FSB, The Fourth Utility: Delivering universal broadband connectivity for small businesses across the UK, July 2014



- Despite the increase in the availability of superfast broadband and mobile coverage, further policy interventions are required to close the gap in availability between small businesses and the residential market. We agree with Ofcom that a Universal Service Obligation (USO), set at 10Mbps and explicitly including small businesses would be the most effective way of achieving this.
- A referral by Ofcom of the telecoms market to the CMA would be appropriate, and would help to ensure that the market is structured in a way to deliver further investment in next generation technologies. This CMA investigation should specifically focus on whether structural separation of BT and Openreach would be appropriate.
- Small business consumers lack the ability to effectively engage in the telecoms market, leading to sub-optimal economic outcomes. Increased transparency and information sharing would help to empower small business consumers. A new source of independent advice - modelled on the British Banking Insight survey - would also help empower small businesses to make informed choices based on their requirements.
- The quality of service received by small businesses does not currently meet the expectations of small businesses. A new Broadband Code of Practice would help to improve a variety of different quality metrics, and increase certainty and confidence for small businesses when interacting with the market.

Should competition policy remain at the core of good availability outcomes for most consumers, complemented by targeted intervention as required?

Q1: Do stakeholders agree that promoting effective and sustainable competition remains an appropriate strategy to deliver efficient investment and widespread availability of services for the majority of consumers, whilst noting the need for complementary public policy action for harder to reach areas across the UK?

We agree that sustainable competition remains the most appropriate and effective way of delivering investment in telecoms networks, and in providing positive results for consumers in both the residential and small business market.

Effective competition has delivered significant benefits for consumers over the past decade. Prices have generally fallen,⁴ and availability of both fixed and mobile services have grown.⁵ This has led to improved take up of new services, and allowed small businesses to increasingly integrate digital technology into their business.

This investment in digital infrastructure by communications providers has been complemented by further funding from the Government to help deploy infrastructure in areas where commercial investment would otherwise be unlikely to take place. This investment, as part of the Broadband

⁴ Ofcom, Cost and Value of Communications Services.

http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-13/cost_value_final.pdf

⁵ Ofcom, Infrastructure Report 2014

<http://stakeholders.ofcom.org.uk/binaries/research/infrastructure/2014/infrastructure-14.pdf>



Delivery UK (BDUK) programme has further helped drive availability into primarily rural communities which would not have access to superfast broadband without this.

We do however note, and as Ofcom has recognised, that the small business market has not benefitted from this investment to the same extent as the residential market. This is why complementary policy action, such as the introduction of a Universal Service Obligation which explicitly includes small businesses, is so important.

It is important that the successes of the past 10 years that have been delivered by the existing regulatory and market framework do not stop from assessing whether these models are the most appropriate to deliver the next round of investment and innovation.

What more can be done through public policy to deliver truly widespread availability?

Q3: We are interested in stakeholders' views on the likely future challenges for fixed and mobile service availability. Can a 'good' level of availability for particular services be defined? What options are there for policy makers to do more to extend availability to areas that may otherwise not be commercially viable or take longer to cover?

As Ofcom have previously found, there is a significant gap between the availability of superfast broadband for the residential market and for small business consumers. By the end of the BDUK programme, Ofcom have estimated that 18 per cent of small businesses (excluding sole traders) will be based in premises without this coverage. This is in comparison to the 5 per cent of residential properties which will be similarly disadvantaged.

This gap is important, and further policy intervention is required to address this. Small businesses generate jobs and economic growth, and evidence from a variety of sources demonstrates that increasing digital capacity among small businesses will generate increases in productivity levels and economic growth.

In our view, Ofcom's recommendation that the Government include small businesses within a future Universal Service Obligation would be an effective way to address this availability gap.

A Universal Service Obligation is particularly important due to the number of employees who are currently estimated to be working in business premises without access to superfast broadband.

Table One: Superfast coverage by business size⁶

Superfast coverage	Total number of businesses, by	Estimated number of businesses	Estimated range of employees without
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⁶ Small business population and employment estimates are from a BIS Statistical Release, November 2014 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/377934/bpe_2014_statistical_release.pdf Accessed June 2015. The different estimated percentages for superfast broadband availability are from Ofcom, Broadband services for SMEs: assessment and action plan, July 2015. Available at: <http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/sme/bb-for-smes.pdf> Accessed July 2015.



	(2014)	employee size (2014)	without superfast broadband (2014)	superfast broadband (2014)
Micro business premises (1-9 employees)	58%	1,044,385	438,641	438,461 – 3,947,775
Small business premises (10-49 employees)	51%	194,755	95,429	954,299 – 4,676,068
Medium business premises (50-249 employees)	47%	31,475	16,824	841,242 – 4,189,388
Estimated number of employees without superfast broadband access:				2,234,184 – 12,813,231

As demonstrated by Table One, Ofcom's estimates of the percentages of small businesses with employees which currently do not have access to superfast broadband suggests that an estimated 550,714 small businesses fall in this category. Potentially that means between 2,234,184 and 12,813,231 members of staff do not have access at present to these vital services.

These figures are derived by applying the percentage found by Ofcom of small business premises without superfast broadband by the potential number of employees working there. As the population estimates from BIS provide only wide ranges of numbers of employees, especially in the case of medium sized businesses, the total estimates reflect a similarly wide range.

It is expected that this situation will improve as coverage continues to improve as part of the BDUK roll out programme through to the end of 2017, even without further policy interventions. It should also be noted that many businesses, particularly medium sized ones which employ larger numbers of staff, will likely use leased lines to ensure reliable connectivity. There will also be a broad range of employee numbers within the BIS population estimates, rather than every business in the group employing the maximum number of employees to be classed within that range. These caveats mean that the total number of employees will in reality be closer to the lower end of these estimates.

Despite these important caveats, we would suggest these figures show that there are potentially a large number of businesses with employees who cannot access superfast broadband at present. As a result, policy interventions such as a Universal Service Obligation which explicitly include small business premises should be delivered as a priority.

The delivery of ultra fast broadband is important, but focussing investment towards not spots is critical.



In our view, the Government needs to work with communications providers to ensure that sufficient investment is directed towards delivering a minimum level of service to all properties, including small business premises as a priority above investment in ultrafast broadband.

New technologies such as G.Fast and DOCSIS3.1 will deliver significantly higher download and upload speeds compared to existing infrastructure. Whilst these new technologies are some time from being ready to be rolled out, there should be sufficient commercial incentive in many areas for both BT and Virgin Media to invest their own capex into delivery.

Research by the Broadband Stakeholder Group suggests that bandwidth requirements for most small businesses are currently below those which would be delivered by ultrafast broadband.⁷ The prime drive for bandwidth in this analysis is video, which has not been fully integrated into many small businesses at the current time. Whilst this is changing, and our own research recently found that 29 per cent of small businesses are already using video conferencing, there is less demand for ultrafast services in comparison to the residential market at the current time.

In our view, bringing minimum levels of service up to an acceptable level will provide greater productivity increases and economic benefits. The FSB receives significant volumes of complaints from small businesses who receive very low download speeds compared to complaints from small businesses wanting ultrafast services. As a result, and for the productivity gains highlighted above, the FSB views the delivery of minimum service levels for all small business premises as more important than the delivery of new and faster services.

Upload speeds are often left out of policy discussions

Upload speeds are particularly important for small businesses, and are often left out of policy debates. Residential consumers generally have low upload speed requirements, especially in comparison to small businesses. Small business owners may need to regularly and reliably upload large data files, including audio and video content. Without sufficient upload speeds, these tasks can take significant amounts of time and cause frustration and delays for many business owners.

BSG research has found that increasing numbers of small business's upload requirements are not being met by ADSL connections.⁸ As more and more small businesses start to use applications which require higher upload speeds, this gap will become increasingly pronounced.

The availability of mobile services is the key barrier stopping businesses from using their mobile phones

Small businesses report that their use of mobile phones are important for their business, with 70 per cent viewing these services as being either critical or very important to their business. Access to the internet from a mobile device was viewed as more important than voice and SMS services, possibly reflecting the fact that many small businesses continue to use a landline for voice calls.

⁷ BSG, The broadband requirements of small businesses in the UK, August 2015

⁸ BSG, The broadband requirements of small businesses in the UK, August 2015



Table Two: Percentage of small businesses viewing mobile services as important⁹

Business activity	Percentage identifying as important
Email	91
Interacting with customers	89
Web browsing	77
Interacting with suppliers	74
SMS	70
Voice	66
Internet banking	63

Our evidence did however show that far fewer small businesses are fully integrating mobile services into their business. The most commonly cited reason for this was a lack of mobile reception, with indoor coverage being viewed as especially poor by many owners.

This lack of coverage in effect meant that small businesses could not rely on a basic level of service to a degree which would allow them to integrate mobile technology into their business. We found low levels of satisfaction with both mobile voice and mobile data coverage.

Table Three: How satisfied are you with the following elements of different telecommunication services your business uses?¹⁰

	Very satisfied	Somewhat satisfied	Neither satisfied or dissatisfied	Somewhat unsatisfied	Very unsatisfied	Not applicable / do not use this service
Mobile voice coverage	10%	21%	16%	23%	19%	12%
Mobile data coverage	7%	21%	17%	22%	21%	12%

There was also a significant gap between the satisfaction with coverage levels between businesses based in urban and rural locations which if they continue to persist, will put rural businesses at a disadvantage compared to their urban based peers.

Table Four: How satisfied are you with the following elements of different telecommunication services your business uses?¹¹

⁹ FSB, Reassured, optimised, transformed: driving digital demand among small businesses, September 2015

¹⁰ FSB, Snap poll, Communications Services, December 2014

¹¹ FSB, Snap poll, Communications Services, December 2014



	Urban		Rural	
	Net satisfaction	Net dissatisfaction	Net satisfaction	Net dissatisfaction
Mobile voice coverage	38%	30%	23%	54%
Mobile data coverage	35%	32%	20%	55%

This level of dissatisfaction with mobile coverage, especially in rural areas shows that further policy interventions are required to bring coverage levels up to that needed for small businesses. The deal struck between mobile operators and the Government in December 2014 should help to improve mobile coverage, but both Ofcom and the Government now need to hold the operators to the terms of the agreement.

The Government has made commitments designed to facilitate improvements in mobile coverage, such as reforming the Electronic Communications Code (ECC), and the planning regime for mobile mast sites.

We have supported these efforts based on the importance of mobile coverage to small businesses. It is now important for the Government to deliver these reforms following the consultation process. We are concerned that legislative time does not appear to have been made available for reform of the ECC in particular. Based on likely parliamentary calendars, failure to quickly move on this will make it challenging the reforms to take place with sufficient time for mobile operators to deliver on their commitments. Any further support Ofcom can give to the Government to speed up this process would be welcome.

Where regulation is required to promote competition, how can it best secure both efficient investment and effective competition during periods of significant investment in risky new assets?

Q16: Could structural separation address any concerns identified more effectively than functional separation? What are the advantages and challenges associated with such an approach?

The FSB has argued that Ofcom should refer the telecoms market to the CMA for them to carry out a broader investigation of the telecoms market, along with addressing the question of whether BT and Openreach should be structurally separated.¹² This will allow for an in-depth investigation to decide whether the current market structure is the most optimal to deliver the benefits of new technologies that will come on stream; greater access to high speed services; and wider competition and choice.

In our view there is a case for looking closely at structural separation. Despite the successes of the previous decade in terms of the market delivering more affordable products to a wide range of consumers, we have concerns that the existing market structure may hinder competition, and in the

¹² FSB, *The Fourth Utility: Delivering universal broadband connectivity for small businesses across the UK*, July 2014



long run, reduce the ability of other providers to compete and invest. This could cause long term consumer detriment in both the residential and business markets.

As BT have stated, there is a significant risk that further discussions about structural separation will cause regulatory uncertainty and freeze investment decisions. Any decision by Ofcom or the CMA is likely to be heavily litigated over a lengthy period. In the short term, this will pose a challenge. There will be other short term challenges to address such as pension allocations between BT Group and Openreach, but again, we believe these could be resolved within a reasonable timescale.

Over the longer-term, which rightly is the focus of this review, Ofcom should be bold and take the difficult decisions necessary to unlock investment and competition for the next phase of technology roll outs. The potential upsides of making this admittedly momentous change could be significant, and could outweigh the risks of doing so.

Simpler regulatory structure: In keeping with Ofcom's commitment to assess where the regulatory burden could be most effectively reduced, in the long run, a separate Openreach would be significantly simpler to regulate.

Greater incentive to invest in infrastructure: A structurally separate Openreach would be solely focussed on delivering value to shareholders through providing fit for purpose broadband provision throughout the UK. Further investment from smaller infrastructure providers, such as CityFibre and Gigaclear, could also be unlocked under this model. Other larger communications providers could also be incentivised to invest in Openreach deployments under the right conditions.

It is positive that BT recently announced new commitments to deliver a USO and G.Fast for many properties. What is less clear is whether these represent new and additional investments, or merely reflect investment in infrastructure which is already in the pipeline.

Greater competition in the retail market: Several retail providers have claimed that they are at a competitive disadvantage caused by BT's ownership of Openreach. BT has a significantly larger share of the small business market than other providers, and remains a major player in the residential market as well. BT's recent moves in the pay-TV and mobile markets pose challenges for competition across these industries, and pose a threat to the continuing ability of other retail providers to attract and retain consumers.

Improved quality of service: One frustration which many small businesses reported was that they did not know who was ultimately responsible for repairing a fault, or who to complain to in the event of a fault. Retail providers were often blamed for 'passing the buck' to Openreach. Whilst this reflects a general lack of awareness about the structure of the telecoms market, a fully separate Openreach could be viewed as more responsive and accountable for fault repairs.

Within the three options being considered by Ofcom, as stated above, our preference would be for further consideration of structural separation. With regards to the other two options being considered, we believe that it is clear that Ofcom's current approach is becoming increasingly



outdated. Therefore at a minimum, we think there is a case for strengthening the existing model of functional separation.

Should Ofcom do more to further support empowerment at each stage of the consumer's decision making process?

Q17: What do stakeholders think are the greatest risks to continuing effective consumer engagement and empowerment?

The main risk which the FSB has identified in this area is the low lack of understanding among many small businesses.

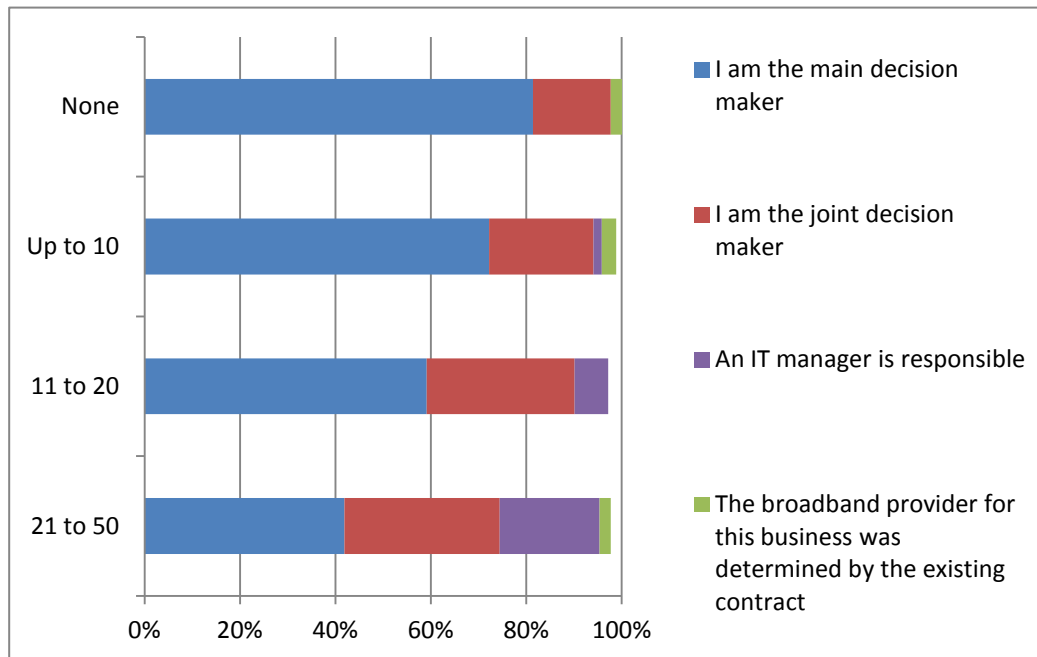
The telecoms market is fast moving and changing. New technologies and methods of access have emerged in recent years. For many consumers, including small business owners, these changes can be complicated to understand.

At the same time, and as a consequence of the growing importance of telecommunications services, small business owners increasingly need to engage with this market. Small business owners often can struggle to do so, especially as many smaller businesses and sole traders will not have an IT manager as a member of staff.

71 per cent of the small business owners said that they were the main decision maker when it came to setting up their telecoms services. An additional 22 per cent said that they were the joint decision maker. Just 3 per cent employed an IT manager who made those decisions. There is a substantial jump in the number of businesses employing an IT manager between those who employ less than 20 members of staff and those who employ more. Among businesses with between 11-20 employees, only five per cent had an IT manager. This figure rose to 24 per cent for those employing 21-50 members of staff. It should be noted that these figures remain low even for larger small businesses.

These statistics demonstrate the challenges which many small business owners will experience when interacting with the telecoms market. As well as running the core business, business owners will often need to make decisions about procurement, HR and IT issues. Without support, it can be difficult for them to make these decisions effectively.

Chart One: Main decision maker for IT issues (by number of employees)¹³



The lack of in house support is a challenge for small businesses, and requires further action from a range of stakeholders. As our research has shown, small businesses struggle to act as effective consumers as they do not possess the skills, knowledge or experience to effectively assess their own requirements, how they could better integrate technology within their business, or how to overcome any challenges they might face when engaging with communications providers.

Q18: What indicators should Ofcom monitor in order to get an early warning of demand-side issues?

The data gathered during the course of the SME work Ofcom has engaged in has provided useful insights into some of the challenges small businesses face. It would be helpful for some of these metrics to be evaluated over the longer term to monitor trends and ensure that any issues facing small businesses are addressed effectively.

In particular, we would like to see the work done to monitor the availability of superfast broadband to small business premises as part of the 2014 Infrastructure Report repeated in any future reports, including the annual update reports.

Q19: What options might be considered to address concerns about consumer empowerment at each stage of the decision-making process (access, assess, act)? What more might be required in terms of information provision, switching and measures to help consumers assess the information available to them? What role may Ofcom have to play compared to other stakeholders (including industry)?

The FSB published a report in September 2015 which looked at the experience of small businesses when interacting with the telecoms market.¹⁴ This found low levels of engagement with the

¹³ Verve: Telecoms survey, April 2015. Base: 1216 responses. Note Figures do not add up to 100% through excluding those who answered "Don't know"



telecoms market. A lack of awareness across different elements on the decision making process can lead to small business consumers making poor and economically inefficient decisions.

This lack of awareness is clearly demonstrated by the awareness of small businesses about the availability of superfast broadband. Our survey found that just 36 per cent of small businesses knew that superfast broadband was available at their business premises. Among this group, the take up of superfast broadband stood at 56 per cent, compared to 27 per cent across the entire small business market. This lack of awareness has an obvious impact on the ability of small businesses to engage with the telecoms market, and is a leading cause of small businesses failing to take up superfast broadband.

Communications providers, along with local councils, should take the opportunity to grow their share of the small business market through tailoring communications and advertising to small businesses, rather than focussing primarily on the residential market. Whilst we recognise that this is a commercial decision by the major providers, raising awareness of the availability of superfast broadband should be a relatively simple way to drive further take up of these services. We have promoted the coverage maps developed by Ofcom to our members, but any actions Ofcom could take to improve the visibility of these maps would help small businesses to better understand where superfast broadband is available – allowing them to make an informed decision about whether to investigate upgrading their existing subscription.

Across the evidence we assembled, we found that small business owners felt that they lack the ability to accurately assess their needs. We divided the process of upgrading to superfast broadband into six discrete phases, shown below, which are designed to illustrate the different areas where small businesses told us they lacked the information to effectively make economically efficient choices. These can track across the Access, Assess, Act framework which Ofcom have used within this consultation.



Stage of upgrading process	Small business requirements
Available: Knowledge about infrastructure availability	Reliable information as to when and if superfast broadband will be available, not only in their area, but also to their business premises specifically.
Aware: Understanding of how to start the process	Ability to find relevant and reliable information for themselves about the availability of superfast broadband in their area.
Consider: Getting advice	Independent advice and guidance from a trusted source. The FSB and

¹⁴ FSB, Reassured, optimised, transformed: driving digital demand among small businesses, September 2015



<i>about their actual requirements and the potential services which will most effectively provide measurable benefits at a reasonable price</i>	<p>the Government are seen as such a resource at the more general level, though small business owners may also require more tailored local advice.</p> <p>Use of plain and simple language as opposed to technical language or jargon. This requirement is relevant to all information sources but is made in reference to suppliers in particular. Whilst some technical language is unavoidable, small businesses felt that language generally was too hard to understand at present.</p> <p>Online tools and checklists to review</p> <ul style="list-style-type: none">• How to start and what the steps are when upgrading to superfast broadband• What speed is needed and feasible given hardware and infrastructure (this could include more guidance on what level of increase in speed is enough to warrant upgrading)• Support in assessing their actual requirements and their level of need <p>A choice of suppliers and packages and the ability to compare prices / packages / speeds across available suppliers, thereby giving reassurance that the price of the package is reflective of the service on offer.</p>
Apply: <i>Initial conversations with suppliers</i>	<p>The use of plain and simple language by the supplier is considered critical to making the right decisions at this phase.</p> <p>Open discussion with the supplier as to physical factors that will impact the possible speed / reliability e.g. distance from the cabinet, presence of any speed caps, number of users connected to the one line etc.</p>
Install: <i>Process of installation</i>	<p>A smooth installation process in which the engineer arrives at the pre-agreed date and time, and carries out the work as paid for in the agreed time period.</p>
Experience: <i>Post upgrade experience</i>	<p>Reduction in the gap between advertised speeds and actual speeds being delivered. Regulation of suppliers to provide reassurance that their claims are accurate.</p> <p>Commitment from the supplier post installation to resolve any issues with unacceptable speed or the reliability of the service.</p> <p>In essence, small business owners are looking for their supplier to be a</p>



trusted advisor both during and after the upgrade.

Information remedies can be useful, although information needs to be tailored towards the specific needs of small businesses in order to be most effective

It is important that all stakeholders, including Ofcom, do more in order to help small businesses interact with the telecoms market. This also includes the FSB, which is delivering a series of events and roundtables across the country in order to help address some of these issues for our members. We have also developed a toolkit which has been made available to members, and which is designed to help small businesses better understand how they can engage more effectively with the market. The intention is to regularly update the toolkit in response to member's concerns in order to fully reflect any new issues which affect our members.

We note that Ofcom has created a small business portal, which we have publicised to our members. This is a useful tool for small businesses, although has been criticised by some of our members for focussing too much on the needs of established and larger businesses. Following the relaunch of the portal in September 2015, we have used various communications channels to raise awareness of this tool to our members. We would welcome the opportunity to participate in developing any further iterations of the portal.

Communications providers are also viewed as a source of information for small businesses. It would be helpful if they could signpost to the Ofcom portal. This would provide a source of independent information for small businesses when they are close to the point of purchase. Communications providers should therefore be encouraged to link to this information, preferably in a visible location on their home page. They could similarly develop their own checklists for small businesses.

During the course of the interviews carried out for our recent report we frequently heard the repeated, unprompted assertion that small business owners didn't know the right questions to ask, meaning they were unable to effectively interact with the telecoms market. Online checklists, and suggested things to consider would substantially benefit small businesses through providing them with more information about what they need to think about.

Small businesses struggle to compare products effectively, hindering switching rates

The ability to effectively compare products is significantly limited for small business owners as well. Unlike residential consumers, who have access to a variety of price comparison websites which can allow them to assess which product best suits both their needs and budget, small business owners do not have the tools to effectively compare products. This is particularly challenging as small business owners should be considering metrics such as upload speed and service level agreements on fault repair times – both key metrics which are generally not provided by price comparison websites. This information would be highly valuable in order for small business consumers to be able to act as empowered consumers in the telecom markets.



We recognise that Ofcom is unlikely to be best suited for this role, particularly to avoid appearing to endorse one product or service over another. Ofcom could however fill a role in working with communications providers to make this information more readily accessible to consumers. If possible, existing price comparison websites could also play a valuable role in providing this information in a transparent and easily understandable fashion.

The challenges small businesses face in firstly assessing what their requirements are, and then choosing a product could be having an effect on the ability to switch. Small businesses may choose to stay with a potentially sub-standard product as they are not able to assess which products offer a service level which would better suit their needs. In a recent survey carried out by the FSB, we found low levels of satisfaction with the ease with which small businesses could switch providers.

Table Five: How satisfied are you with the following elements of different telecommunication services your business uses?¹⁵

	Very satisfied	Somewhat satisfied	Neither satisfied or dissatisfied	Somewhat unsatisfied	Very unsatisfied	Not applicable / do not use this service
Ease of switching providers	6%	11%	32%	16%	12%	22%

We therefore support Ofcom's efforts to improve switching rates, as this is a core way in which to promote competition. Any further steps which Ofcom can take to reduce the barriers to switching would be welcome. In particular, the move towards gaining-provider lead (GPL) switching should remove some of the barriers encountered by small businesses. As with other issues in the telecoms market, an increase in the amount of information small business owners are able to access would help them to make the best decisions for their business.

A new Code of Practice could also help to empower small business consumers

Many small businesses report that they do not fully understand their rights or what means of address they could use if the quality of the service they received did not meet their expectations or requirements.

We believe that a new Code of Practice, modelled on the Code for Broadband Speeds which is currently being developed between Ofcom and communications providers, would provide additional support and certainty for small businesses.

Among the areas which could be covered within this new Code of Practice would be new protections relating to:

¹⁵ FSB, Snap poll, Communications Services, December 2014



- An expectation that communications providers provide clearer information about the service on offer to enable a better comparison of these products. In the field of banking services for sole traders and small firms, the Business Banking Insight survey and website¹⁶, supported by the FSB and BCC, offers a model which could be replicated by the telecoms industry.
- A requirement that contracts should be clear, transparent and easy to understand. If necessary, enhanced scrutiny of contracts would increase small businesses confidence in engaging in the contracting process.
- In cases where one provider is unable to provide required services, there should be a requirement for communications providers to provide referrals to other providers who may be able to provide this service.
- Clear guidelines to ensure that communications providers give more accurate information about installation dates and appointment times.
- Ofcom should also consider whether to introduce escalating penalties for failure to repair faults within previously agreed service level agreements (SLAs), and introduce further penalties for persistent failure to resolve faults. Small business consumers also need more accurate information about what is causing a fault, and clear timescales for fixing the issue.
- Ofcom should challenge all suppliers to adopt a more consistent approach when assessing and advertising achievable speeds in a given premises, using minimum instead of maximum speed as a benchmark. This could alternatively be introduced within the existing proposals to bring in a Code of Practice focussed on available speeds.

We recognise that some elements of this Code will likely instead be incorporated within Ofcom's existing work programme, such as the different market reviews and the work of the Consumer Policy team. However, the benefit of including various measures within a comprehensive Code would be to provide small businesses with a single document which sets out the quality of service in different areas which they should expect from communications providers. This would help to improve confidence in interacting with the market.

An independent advisory body, modelled on the British Banking Insight survey, would be beneficial to consumers

The British Banking Insight survey offers a model which a future Independent Advisory Body could be based on. This survey provides data and ratings which allows small business consumers to make informed choices about a range of different finance providers, based on the experiences of their peers. The data gathered is based on what small business owners report is important to them, and is sortable by business size and product type. This allows small businesses of all sizes to effectively make informed decisions about what service would best meet their needs.

Q20: Are there examples in competitive or uncompetitive sections of the market where providers are not currently delivering adequate quality of services to consumers? What might be causing such outcomes?

¹⁶ British Banking Insight. Available at <http://www.businessbankinginsight.co.uk/>



The overall quality of service experienced by small businesses was generally rated poorly. Our research shows relatively low satisfaction levels with the quality of service being delivered at present by different communications providers. This matches some of the data which was found by Ofcom.

Table Six: How satisfied are you with the following elements of different telecommunication services your business uses?¹⁷

	Very satisfied	Somewhat satisfied	Neither satisfied or dissatisfied	Somewhat unsatisfied	Very unsatisfied	Not applicable / do not use this service
Broadband upload speed	14%	23%	13%	23%	26%	2%
Broadband download speed	16%	25%	10%	22%	25%	1%
Broadband reliability	18%	30%	14%	22%	15%	1%
Speed of fault repairs	10%	22%	26%	19%	12%	11%
Availability of business broadband products	10%	20%	31%	18%	14%	8%
Length of contracts	11%	22%	35%	20%	10%	3%
Clarity of contracts	9%	20%	35%	21%	12%	2%
Customer service	15%	23%	22%	21%	15%	3%

Fault repair emerged as a major concern for small businesses, as has been identified by Ofcom in the recent SME action plan. Many small businesses reports frequent problems with their broadband connection. Whilst many of these will have been caused by internal rather than network issues, there was a clear appetite for further intervention to address this. As the table above illustrates, many businesses were dissatisfied with the speed with which their faults were resolved.

The main area of concern was the 'long tail' of faults which were not addressed, rather than the average time taken to resolve faults. As the importance of broadband services increases to small businesses, the costs of failure to resolve faults can escalate dramatically.

¹⁷ FSB, Snap poll, Communications Services, December 2014



Table Seven: On average, how often does your business experience problems with your broadband connection? (by number of employees)¹⁸

	Total	None	Up to 10	11-20	21-50	+51
On a daily basis	20%	23%	19%	25%	12%	23%
On a weekly basis	23%	19%	22%	32%	27%	38%
On a monthly basis	15%	14%	15%	15%	27%	8%
Less frequently	25%	24%	25%	21%	19%	0%
Rarely / never	17%	19%	18%	8%	13%	31%
Don't know	1%	1%	0%	0%	2%	0%

As demonstrated in previous answers, clearer information would give small businesses the ability to demand better quality of service. However, we also believe that there is a case to be made for increasing the quality standards currently imposed on Openreach.

The findings by Ofcom that different levels of fault repair offered by Openreach are not always passed through for the retail market is worthy of further investigation. Again, education and awareness raising is important. Small businesses need to be able to understand what the potential costs of a lengthy unresolved fault would be, as well as to understand what service level their contract offers. A better understanding of the importance of these issues would be likely to increase the willingness to pay for quality improvements. Clearer contracts which make this information more transparent would help small businesses to better understand the potential value of paying more to increase their service level in this area.

Q21: What further options, if any, should Ofcom consider to secure better quality of service in the digital communications sectors?

As above, we believe that Ofcom should consider whether to introduce a wider Code of Practice covering various quality of service issues affecting small businesses. If this is not feasible, many of these issues should be addressed via the continuing work of the Consumer Policy team or different market reviews. The FSB would welcome the opportunity to help shape this work in any way which Ofcom might find helpful.

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¹⁸ FSB, Snap poll, Communications Services, December 2014