Communications services and SMEs

Call for Inputs

SME needs

Q1. What are the communications needs of SMEs and how may these differ by: business size; sector and business model; location; other relevant factors?

There is a huge difference between the needs of SMEs based on a number of factors. While the size of the business is relevant, the applications that the business use and the policies that it applies to its staff can have great variability on their communications requirements. In our opinion, it is dangerous to take a broad-brush approach to the needs of SMEs. For instance, a digital marketing agency with 3 employees that streams content, uses VoIP and stores its data in the cloud can be as bandwidth hungry as an office with 50 employees using traditional telephony and does not keep services in the cloud. Whereas a few years ago, we might have suggested that business sectors such as creative &media may have had heavier communications needs, we do not think it is possible any longer to generalize. Our customers with greatest need include logistics firms, solicitors, architects, recruitment agencies, construction firms, manufacturing – indeed across all sectors. The differentiator in their needs is the way in which they have grasped the potential benefits of Internet usage and applied that to their business. In other words, this is a subjective question.

What is clear is that for the main part, very few SMEs know what their own communications needs are in any specific way and therefore cannot adequately plan for their future requirements. They know they need good Internet speeds, few recognise the importance of upload speeds and fewer actually understand their bandwidth consumption. While number of employees is not always reflective of bandwidth consumption, it is true to say that the number of employees will usually determine whether they have IT support (either internal or external) and as such will be reflective of their understanding of the products that they are purchasing.

Our customers tell us that reliability of communication services is just as important to the SME as speed.

Q2. How do the needs of SMEs for communications services differ from (a) residential consumers and (b) large enterprises?

Our experience suggests the following:
   a) Residential Consumers - This group is mre support hungry than an SME, uses more bandwidth, typically is more interested in download than upload and the profile of usage through the day is different, with higher usage being outside core hours.
   b) Large enterprises – Many SMEs think in a similar way to large enterprises around communication requirements. A large enterprise will usually build a far greater degree of resilience into their networks than an SME. They recognise the mission critical nature of the Internet / WAN provision although increasingly, this is becoming more prevalent in the SME space.

Infrastructure availability

Q3: 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?

Network availability is location dependent. Typically, in urban areas, choice for SMEs is greater than in rural areas, often with different technologies and services available from a range of providers. However, this is not universally the case and there are notable examples in many city centres where fibre services (either FTTC or traditional fibre leased line services) are simply not available or are costly to obtain. Often these urban Internet black spots will be former industrial areas or locations where new development is taking place.

In rural areas, it is often, but not always the case that choice is limited. Many areas have local WISPs that can start to plug the gaps left by traditional fibre services but geography does play a limiting role even for WISPs.

The effect on SMEs is simple – no access to fast, reliable Internet service has a detrimental effect on their business. We can cite a current live example in Cheshire where a business (a private educational establishment) ordered superfast Internet service from a 3rd party national fibre carrier in November 2013. In this case, not only is the business administration being compromised, the education of several hundred children that is being affected by the availability of Internet services.

Q4. 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?

The opportunity is straightforward. The SMEs are the large enterprises of tomorrow, and to supply and support them as they grow inevitably leads to growth in their requirements and their potential to do business. Furthermore, there is opportunity to supplement communications services with 'added value' products such as VoIP, security and managed / cloud services. As cloud services become more popular, both upload speeds and the reliability of Internet services becomes ever more important to SMEs and this fuels investment into higher end communications services and greater resilience requirements.

We also see opportunity in rolling out new core network infrastructure to meet the needs of SMEs in areas beyond our current coverage. Over the last six months, we have developed new network coverage in several new cities to meet the demands generated by the government's broadband voucher scheme, demonstrating that government intervention has generated private investment in permanent network infrastructure.

Product availability, technical characteristics and pricing

Q5. How far does the choice, quality and price of products in the retail market meet the needs of SMEs?

Choice is geographically limited, as discussed above and in some areas will not meet SME needs. The quality of leased line services is fairly standard across the board, the SME pays for guarantees around bandwidth, network uptime and SLAs. For FTTC, if available, we have noticed increased contention on these services over the last 18 months as uptake increases.

At some point, contention will mean that this product does not meet the needs of the SME, and in particular, if upload speeds cannot be guaranteed, it will not be suitable for certain applications. It is also clear that the BDUK superfast rollouts have been concentrated in residential areas and cabinets that service primarily business parks or areas have not been prioritized for upgrade and in many cases have not been included in the rollout program at all.

There is a noticeable gap in the marketplace between the cost of FTTC type services and dedicated leased lines that some SMEs find hard to bridge (Typical costs for FTTC range from £25-£100 per month whereas leased lines start at about £350 per month for 10Mbps services. NB, this cost can be greater in some parts of the country). The government's voucher scheme has gone some way to address this by allowing suppliers to accurately represent installation costs up front rather than spreading them across the contract and as a result, the monthly costs of leased line services have often been reduced. This benefit is limited to the cities in which the voucher scheme operates.

As an SME ourselves and as a supplier of communications services, our needs are a little different. Access to dark fibre with which to build core network infrastructure is a limiting factor in our business development and the availability of this product is costly and by no means universal. The effect is that it makes it more difficult to roll out new network infrastructure.

Q6. Are there challenges for communications providers in targeting the SME sector, and do these vary by geography, SME size and SME sector?

Availability of services is a limiting factor for communications providers, for as discussed, not all areas have a variety of choice for services and one cannot resell what is physically not there.

One limiting factor is also education in the SME space. There is a lack of understanding around the difference between home broadband type services and business services. Granted, it is the job of the provider to sell the benefits and the differences yet we feel that government has a role to play in education.

Q7. Are there issues facing retail providers in engaging with wholesale providers in order to offer retail products which meet the needs of SMEs?

The challenges that we face as a provider in targeting the SME sector are mainly centered around our ability to build core infrastructure to service the needs of SMEs in a cost effective way. This is limited by the availability and high cost of dark fibre and the willingness of the wholesale to sell it to us, as mentioned above.

Many wholesale providers also impose an interconnect charge upon the retail provider to allow them to deliver services. For the smaller end of retail providers, this can be prohibitive.

As an SME and a supplier of wireless connectivity services, Ofcom is one of our key suppliers. We feel that improvements could be made to the licensing process for radio spectrum, particularly around digitizing the process and speeding up the turnaround time for license applications to allow us to be more reactive to the needs of our customers.

Quality of service

Q8. How far does the quality of service delivered by communications providers meet the needs of SMEs?

We do not see issues here. For the main, where SMEs purchase leased line services, these come with guarantees around uptime and quality that the SME signs up to. If they buy services such as ADSL or FTTC with no or poor SLAs, then they should expect reliability issues.

The quality of installation of those services by traditional fibre carriers is an issue. Lead times for installation are excessive and our experience is that this is a worsening situation.

Q9. 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?

If SMEs buy an FTTC service, there is no SLA as such – the service is 'best endeavored' and that is reflected in the price. If they buy a leased line, they buy a service level agreement. Typically, once leased line services (of either fibre or wireless) are installed, they are very stable and any redress should be possible through a provider's SLA.

Q10. 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)?

Transparency of information

Q11: 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

The available information for SMEs is fairly transparent in the contended space, for ADSL and FTTC services. In the leased line market, all services are priced and specified in a bespoke way. It is therefore incumbent on a customer that sources this sort of service to have a certain degree of technical knowledge. Unfortunately, this is not always the case and we believe that there is an education gap in the lower end of the SME space. We see this as the issue in SMEs making the right decision rather than transparency of information.

Switching

Q12. 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?

Increasingly, we see SMEs switching to us based on customer service reasons rather than for price or speed issues.

Some cynical providers do apply cancellation charges to SMEs that wish to move away and although we have seen this practice, it is very uncommon. For the smaller SMEs or for those without IT support, changing providers can be daunting because they will need to make changes to their internal IT systems.

Other potential sources of consumer harm

Q13. What evidence is there of issues where bad practices by communications providers causes harm to SMEs?

We do see some mis-selling of products in the marketplace. For instance, selling EFM services badged them as leased lines is relatively common with some providers.

It is worth highlighting that perceptions of mis-selling may also be present in the marketplace because sometimes, the SME does not have a good grasp of the services that are being purchased, perhaps because there is a lack of technical capability internally.

Conclusion

Q14. 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?

We would like to note that Ofcom's research has been heavily focused on traditional access media to date and has marginalized the importance of wireless connectivity as a product offering on the marketplace, indeed the only possible offering for some SMEs. As the leading SME supplier on the government's voucher scheme, our work in connecting upwards of 1000 SMEs under the scheme alone shows that wireless services should be seen as a more mainstream product offering for SMEs and certainly one that offers greater flexibility and affordability.

The research by Ofcom as set out in the 'call for input' document lumps together contended and uncontended services. SMEs will have very different experiences of each type of service provision and we believe that to truly understand the marketplace, future research should differentiate between the two. We also feel that the viewpoint here may be too broad and some breakdown of businesses by size in the SME space would help with understanding in this field (an SME with 2 employees is going to have very different communications needs and experience to an SME with 249).

Q.15 For any issues identified in response to any of the questions above do you have any views on how they may be resolved?

We would like to meet with Ofcom to discuss our views on the licensing of radio spectrum and how this process can be improved.