Communications services and SMEs

Call for Inputs

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About this document

Ensuring a high quality of service and choice for all communications service end users, including businesses, are priorities for Ofcom.

This Call for Inputs and a programme of stakeholder engagement aims to give stakeholders the opportunity to bring to Ofcom's attention any issues in relation to the provision of communications services to Small and Medium-sized Enterprises (SMEs) that we should be considering.

Responses to this Call for Inputs will help Ofcom to further identify particular issues in terms of the availability, quality and reliability of communications services available to SMEs and develop policies to address them where appropriate. We plan to outline our initial findings and any next steps in a report scheduled for publication in spring 2015.

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Section 1

Introduction

Background

1.1 There are nearly 5 million SMEs in the UK (defined as businesses employing 1-249 people), including around 3.7 million sole traders. SMEs employ 60% of the UK workforce and account for around 50% of GDP.

1.2 Ofcom has a duty, to further the interests of consumers in relevant markets. This includes furthering the interests of business users in markets for communications services. SMEs constitute a significant number of such users, with a wide range of needs across the whole of the UK.

1.3 For many years, most SMEs have made extensive use of fixed and/or mobile voice services to communicate with customers and suppliers. As the digital economy has evolved, internet connectivity has also become fundamental to many businesses, whether it is for basic services such as email and web browsing or for more sophisticated applications such as accepting online orders, linking IT systems across multiple sites together or using Cloud-based applications.

1.4 Ofcom outlined its programme of work designed to enable small businesses to get the best out of communications services in the UK in September.[1] It is important that SMEs:

- **have a widespread availability of communications services** meeting their needs. Ofcom's autumn Infrastructure Report will assess the gaps in superfast broadband coverage for residential and business users in both rural and urban areas as well as mobile coverage. Ofcom is already working closely with Government and industry to identify potential ways to fill these gaps. Better availability for SMEs as well as residential consumers is a priority;

- **receive quality and choice in communications services.** It is important that SMEs benefit from effective competition and innovation in communication services wherever possible. Effective competition should deliver benefits to SMEs in the choice, price and quality of communications services; and

- **are protected from harm wherever necessary**. It is important that businesses can navigate the market confidently, with effective protection and appropriate redress if things go wrong.

1.5 SMEs use a broad range of communications services, ranging from residential mass market products through to dedicated, higher quality services. As such, this assessment complements Ofcom's market reviews of communications services, including:

[1] http://media.ofcom.org.uk/news/2014/sme-plan/

- the Business Connectivity Market Review (BCMR), assessing how well competition is working in the provision of dedicated connections, known as leased lines, some of which are used by SMEs[2]; and

- the Fixed Access Market Review, covering the access connections used to provide fixed-line telephone and broadband internet services, including superfast broadband, to residential and business consumers.[3]

1.6 Ofcom's market reviews cover all the products that SMEs use for fixed telecoms. The purpose of this complementary study is to consider the needs and market outcomes for SMEs holistically, including fixed and mobile voice and data services. We plan to publish our initial findings alongside the BCMR, thereby providing a more complete picture of the provision of communications services to businesses of all sizes.

1.7 Our wider work programme for SMEs includes:

- launching a web portal offering advice and support specifically for businesses. This provides SMEs with information on choosing a service provider, advice on resolving disputes and knowing their rights[4];

- working with Ofcom's Advisory Committees in the Nations to understand the experiences of small businesses throughout the UK, including both urban centres and less densely populated areas. This will help shape future policies to support small businesses at local and regional levels;

- reporting through the 2014 Infrastructure Report (scheduled for publication later this year) on UK infrastructure development, including the availability of superfast broadband to SME business addresses; and

- researching SMEs' experiences – our work to help SMEs is underpinned by extensive research. We have published findings from a survey of 1,500 SMEs. This looks at satisfaction of communication services among SMEs; awareness of new technology and different suppliers; data on switching and complaints; and the prevalence of problems experienced by businesses.[5]

1.8 Our work to help SMEs is underpinned by extensive research. Alongside this report we have also published findings from a survey of 1,500 SMEs. We commissioned this report from Jigsaw Research in order better to understand the experiences SMEs have with the communications market. This Call for Inputs draws on the findings from the research to identify some potential issues, which we seek views on.[6]

1.9 A number of other recent reports have highlighted potential concerns concerning SMEs' take-up and experiences of communications services.

- The Broadband Stakeholder Group (an industry body representing UK ISPs) in March 2014 published a report claiming that SMEs are not capitalising as well as they could from the opportunities afforded by connectivity and technology. It

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[2] http://stakeholders.ofcom.org.uk/consultations/bcmr-passives/
[3] http://media.ofcom.org.uk/news/2014/famr-statement/
[4] http://consumers.ofcom.org.uk/ofcom-for-business-consumers/
[5] http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/sme/sme_research_report.pdf
[6] http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/sme/sme_research_report.pdf

called for government and industry to do more to understand the needs of SMEs and stimulate demand for broadband.[7]

- The Federation of Small Businesses published a report in July 2014 in which it referred to broadband as the “fourth utility” and claimed that 14% of small businesses consider a lack of reliable and/or fast broadband to be their main barrier to growth. It called on Government to adopt more ambitious targets for rolling out high speed broadband for businesses across the UK.[8]

- The Communication Consumer Panel has published research into micro businesses’ experiences of communications services. Its report highlights the critical role that communications services play in the success of micro businesses and calls for greater support from government and industry to help maximise the opportunities presented by communications services.[9]

- Citizens Advice published research in September 2014 which found that more than half of small businesses who use the internet would lose money, business or not be able to trade at all if they did not have a reliable internet connection. Its research found that almost a quarter of all small businesses have complained to their internet provider about problems.[10]

The scope and purpose of this project

1.10 Many of Ofcom’s recent initiatives on availability, competition and protection are likely to benefit both residential and business users. However, the purpose of this work is to ensure we better understand any SME-specific issues in sectors we regulate, and identify policy options that could deliver improved experiences for SMEs.

1.11 The objective of this study is to take a holistic view at how SMEs are served across the range of communications products and services. Based on stakeholder feedback above, and our SME research, we believe the project should focus on three main areas:

1. The availability of services for SMEs. We will assess the extent to which the infrastructure available meets the needs of SMEs.

2. How far the current market outcomes meet SME needs in terms of products, price and quality. This will include:

   - an assessment of whether the market is delivering appropriate products and services for SMEs, both at the retail level and the wholesale level which underpins it; and

   - an assessment of the extent to which SMEs have what they need to engage effectively in the market. This will consider whether SMEs are able to make efficient choices in the market, switch without undue barriers and able to resolve issues or seek redress when things go wrong.

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[7] http://www.broadbanduk.org/wp-content/uploads/2014/03/Capitalising-on-Connectivity.pdf
[8] http://www.fisp.org.uk/wp-content/uploads/2014/07/FSB-The-Fourth-Utility-PAPERv02.pdf
[9] http://www.communicationsconsumerpanel.org.uk/downloads/micro-business-qualitative-research-written-report-final.pdf
[10] http://www.citizensadvice.org.uk/index/pressoffice/press_index/press_office-20140926b.htm

3. Considering whether adequate protection is in place for SMEs.

Responding to this Call for Inputs

1.12 Through this Call for Inputs and a programme of stakeholder engagement we seek to give as wide a range of stakeholders as possible the opportunity to bring to Ofcom's attention any issues in relation to the provision of communications services to SMEs that we should be considering.

1.13 We would welcome responses from individual SMEs, but also understand that many SMEs, because of their relatively small size, may not typically engage with this type of consultation. We therefore also particularly encourage responses from trade associations and other representatives from small businesses.

1.14 Other stakeholders who we seek views from include communications providers, including both large communications providers and smaller providers and resellers (who may be SMEs themselves). We would also welcome views from local authorities and other stakeholders who consider the provision of communications services to SMEs as an important enabler for economic growth.

1.15 Details on how to respond are provided in Annex 1. We seek responses by 2 January 2015.

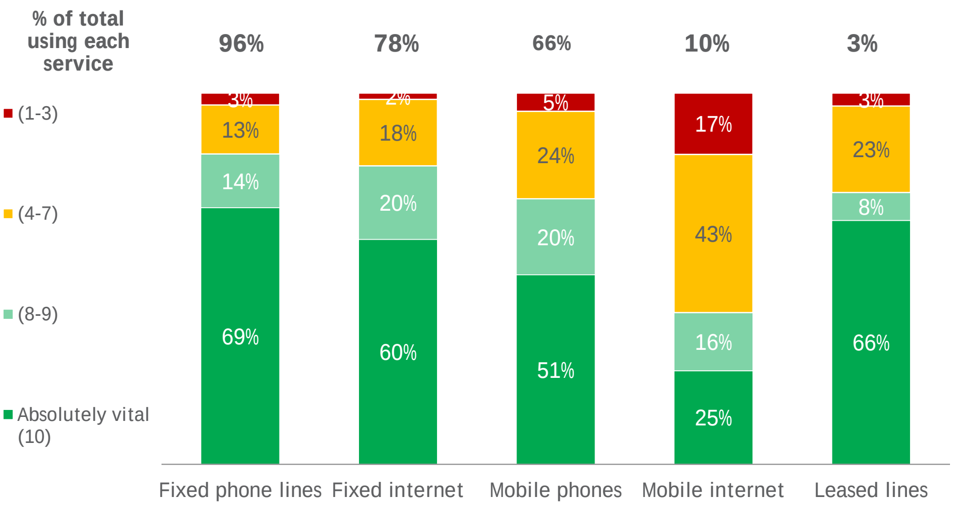
Section 2

SMEs' needs from communications services

2.1 There are nearly 5 million SMEs in the UK (including 3.7 million sole traders)[11].

2.2 Our research found that most SMEs (83%) claim communications services are fundamental to their business. A large majority of SMEs use communications services, and a large proportion of these consider the services to be absolutely vital to their business activities.

Figure 1: Importance of communication services currently used



Source: SME Jigsaw Research 2014. Base: all respondents (1508)

There is considerable variation among SMEs in their needs from communications services

2.3 The communications needs of SMEs and their spend on communications services vary according to the size and type of business.

- For smaller SMEs and SMEs with less exacting needs, the communications infrastructure available to residential consumers may deliver on their connectivity requirements.
- Larger SMEs, or those with more exacting needs such as companies in the technology sector, may have greater demands and require dedicated connectivity. This may include higher bandwidth than is generally available for residential consumers, or specific technical service characteristics such as uncontended bandwidth and symmetric upload and download speeds.

[11] Government (BIS) estimates

- SMEs that operate remotely or 'on the road' have a greater dependency on mobile networks.

- SMEs which operate over multiple sites may have particular requirements in terms of connectivity between these sites (currently 9% of businesses operate from multiple sites within the UK)

2.4 Figure 2 details the average annual spend as reported by SMEs in our research.

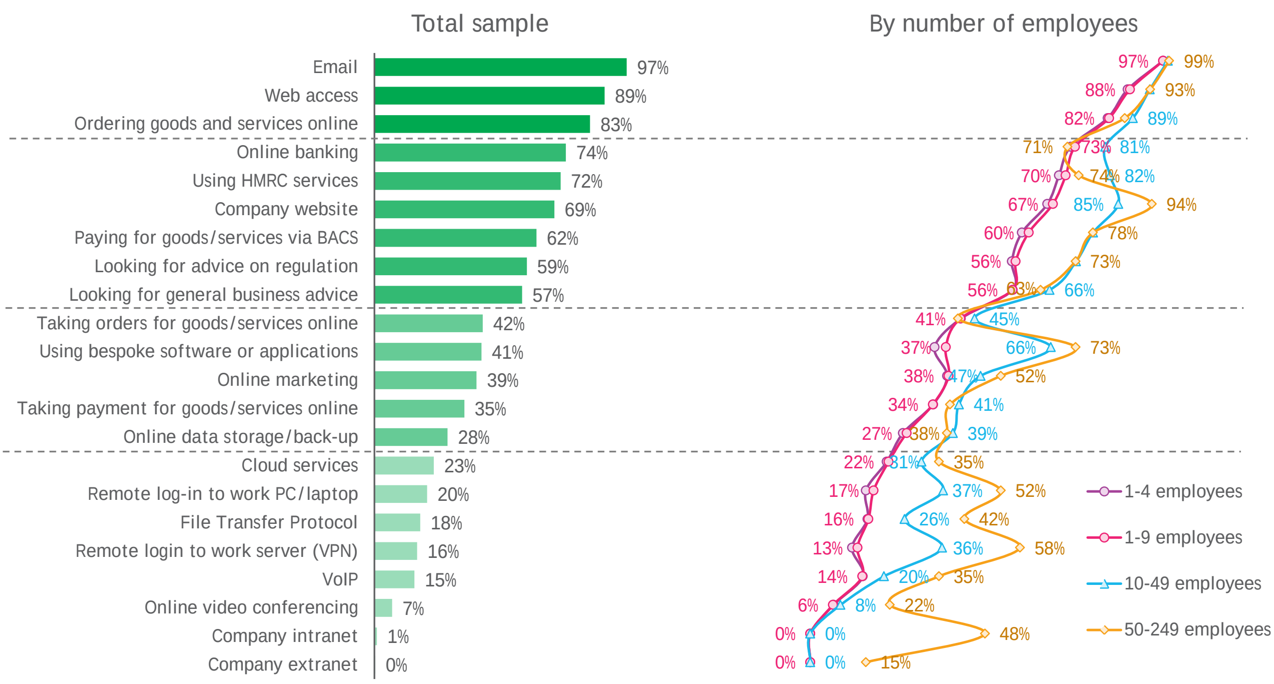
Figure 2: Average spend on communication services

Number of Employees	Average spend	Number of firms
All SMEs	**£1,579**	**4,895,695**
0 – 9 (Micro)	**£1,164**	**4,671,630**
10 – 49 (Small)	**£3,969**	**186,745**
50 – 249 (Medium)	**£11,532**	**37,280**

Source: Average spend as reported by SMEs in Jigsaw research; number of firms from UK Government (BIS) estimates.

2.5 To illustrate how the demands for connectivity may vary across SMEs. Figure 3 indicates a range of internet applications used by SMEs and how take-up varies by size of SME.

Figure 3: Internet application usage



Source: SME Jigsaw Research

2.6 The most commonly used services (for example, email and web access) may be business critical for many SMEs, but are typically less bandwidth intensive. However, a significant proportion of SMEs – and particularly larger SMEs – do use services which may have higher bandwidth and particular upload requirements, such as online data storage/back-up, Cloud services, FTP (File Transfer Protocol) and online video conferencing. A requirement for many of these business would be traffic prioritisation, for example to ensure that services such as web browsing, taking orders and Voice over the Internet Protocol (VoIP)[12] are not interrupted during the transfer of a large file by FTP.

2.7 In practice, considering the business applications above, and from discussions with stakeholders, we have identified five broad categories of needs relating to the characteristics of products and services:

i) **technical characteristics** which determine the capabilities of the connection for meeting business needs. These include the bandwidth (speeds) available, symmetry (i.e. whether upload bandwidth is the same as download bandwidth), and contention (i.e. whether the connection is dedicated and therefore provides guaranteed bandwidth or whether the access network is shared with other users, meaning that bandwidth available may vary);

ii) **quality of service** including provisioning, reliability, and resilience;

iii) **service protections and redress** including the availability and applicability of business-specific service level agreements (SLAs) and service level guarantees (SLGs), and associated options for redress;

iv) **quality of customer service** including account management and responses to concerns; and

v) **competitive prices,** i.e. that SMEs can select from a range of products and/or suppliers and pay a price that is appropriate to the service being received.

2.8 In addition, it is important that SMEs have access to clear and accurate information about the products and services available to them, and are able to switch providers quickly and easily.

2.9 We wish to get a better understanding of the range of needs from SMEs in order to assess how the services available are meeting SME needs, and how effectively SMEs are able to engage in the market.

Question

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

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

[12] Voice services using the Voice over Internet Protocol (VoIP) normally use a broadband connection to provide voice calls using VoIP technology through a personal computer (PC) with a handset or headset, or a special adaptor connected to a traditional phone handset.

Section 3

SMEs' experiences and potential concerns

Ofcom research shows that SMEs have a generally positive experience of communications services

3.1 The quantitative research conducted for us by Jigsaw Research and published alongside this Call for Inputs provides a detailed picture of SMEs' experiences of communications services.[13]

3.2 It shows that generally SMEs have a positive experience of the communications market. The majority (85%) of SMEs say they are well served by the communications market. Most SMEs are satisfied with communications services, with 77% satisfied with their ADSL service, 88% with PSTN landline and 90% with smartphones. Conversely few SMEs (circa 5%) were dissatisfied overall with landline, internet and mobile.

3.3 Two-thirds of SMEs feel very well informed about how communications services can help them survive and grow (67%), and most (75%) did not feel that their growth had been impacted by the lack of suitable products and services.

3.4 The majority of SMEs did not experience any problems at all with their communications services in the last 12 months, with 75% not experiencing any problems with landline, 58% with internet and 62% with mobile.

3.5 Among SMEs who experience problems, 85% of them complained to their provider in relation to landline, 70% in relation to internet, and 51% in relation to mobile. They generally felt that their issue had been partly or fully resolved in relation to landline and internet (although the rate is lower for mobile). Of those who complained about landline issues, 69% felt that their complaint had been either fully or partly resolved, and 64% in relation to internet (but 44% in relation to mobile).

3.6 However, the research also indicates some potential concerns among SMEs. Ofcom is committed to ensuring that SMEs can get the best from their communications services. Based on the research, we have identified five potential areas of focus for our further work:

- Infrastructure availability
- Product availability, technical characteristics and pricing;
- Quality of Service;
- Transparency of price and quality information; and

[13] http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/sme/sme_research_report.pdf

- Switching.

3.7 A sixth potential area for focus is mis-selling, i.e. when the service provided does not match the service sold, and other potential sources of harm. While the research did not highlight widespread issues, such bad practices can have a major impact on individual businesses.

3.8 We are seeking input from stakeholders as to whether we have identified the correct areas for considerations, and whether there are any other potential issues that we should consider.

Infrastructure availability

3.9 Connectivity is essential to most SMEs. However, the availability of fixed broadband and mobile networks varies across the UK.

3.10 Our quantitative research found that 15% of SMEs claimed their growth had been impacted by a lack suitable communication services. Furthermore, 11% claimed there are services not currently available to them that their business would benefit from. This was more of a concern for larger SMEs, with a fifth of medium sized businesses (50-249 employees) stating this, compared to 9% of 1-4 employee businesses.

3.11 There is variation in the availability of fixed and mobile broadband infrastructure across the UK. A higher proportion of those based in remote areas (21%) stated they could benefit from additional services compared to those in urban areas (8%). Superfast broadband availability and mobile coverage are two specific areas of concern:

- Superfast broadband offering download speeds of over 30Mbit/s are available to the majority of UK addresses either via BT's fibre network or Virgin Media's DOCSIS cable network, but there are still a large number of premises where superfast broadband is not available. The length and quality of the copper telephone line from the exchange or cabinet determines the capabilities of ADSL broadband (which offers maximum speeds of 24Mbit/s, but average speeds of around 7Mbit/s).[14] However, the availability of superfast fibre broadband is continuing to increase as a result of government initiatives and ongoing commercial investment in specific locations.

- Although over 99% of UK premises are covered by at least one mobile network, coverage varies across the UK, with 'not spots' in 2G, 3G and 4G mobile coverage most common in rural areas.

3.12 Ofcom's Infrastructure Report 2014, scheduled to be published later in the year, examines the current coverage and capacity of communications infrastructure for residential and business end users. This includes data on the availability of superfast broadband to SME business addresses and how these vary by rural/urban location and by size of business, and the coverage of 2G, 3G and 4G networks across the UK. It also examines the average fixed broadband speeds delivered to SMEs and how these vary by rural/urban location and by size of business.

[14] UK fixed-line broadband performance, May 2014, http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/broadband-speeds/broadband-speeds-may2014/

3.13 There is a wide range of demand for different types of communication services among SMEs.

- ADSL broadband networks may be sufficient to meet the needs of some SMEs.
- For some SMEs, higher bandwidths (upstream and downstream) supported by superfast broadband networks may make a significant difference to their ability to benefit from the digital economy. [15]
- Other SMEs may seek dedicated fixed-line connectivity offering higher, non-contended and potentially symmetric upload and download bandwidth as provided by leased lines.
- New technologies such as Ethernet to the First Mile (EFM) and fixed-mobile services may help extend the capabilities of existing infrastructure to help meet SMEs' needs.
- SMEs' reliance on mobile networks will vary according to the nature of their business.

3.14 Dedicated fixed-line connectivity may be uneconomic for many SMEs. However, they may benefit from using the same superfast broadband networks which are provided for residential consumers. These networks are contended as they are based on shared access, but typically offer a much lower cost per connection.

3.15 SMEs in rural areas may be more likely to be affected by the absence of fixed and/or mobile communications infrastructure. Our research found that SMEs in remote rural locations were less likely than other SMEs to feel that the needs of their business were well catered for in the communications market (73% versus 85% overall).

- They were less satisfied with several aspects of their internet service, in particular, the reliability (61% satisfied) and speed (52% satisfied) of their connection, and the ability to access the speed paid for (49% satisfied). They were also more likely to have experienced problems with their internet service over the last 12 months than other SMEs (54% versus 42% overall).
- SMEs in remote rural locations were also less satisfied with the reliability and coverage of their mobile connections and more likely to claim that they had experienced problems in the last 12 months.

3.16 Our work in preparing the Infrastructure Report 2014 has identified that businesses in urban areas are also not able to benefit from superfast broadband networks. The deployments of BT's FTTC network and Virgin Media's cable network have focused primarily on residential premises and there are some numbers of businesses in urban areas that are in superfast broadband not-spots. This will be examined further in the forthcoming Infrastructure Report.

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[15] The FSB called for the Government to "prioritise the delivery of fibre-optic broadband to new and existing business parks and ensure that enterprise zones and clusters are fully connected. The aim should be to equip all businesses in these areas with high-speed broadband, with guaranteed speeds and a symmetrical service." http://www.fsb.org.uk/policy/assets/FSB-The-Fourth-Utility.pdf

3.17 We will use this data to assess the extent to which gaps in infrastructure may constrain SME businesses from benefiting fully from opportunities provided by the digital economy.

3.18 We seek views and evidence on the availability or lack of availability of networks which meet the needs of SMEs and the impact on SMEs. We also seek views and evidence on how networks may evolve to meet the needs of SMEs.

Questions

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?

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?

Product availability, technical characteristics and pricing

3.19 Communications providers offer a range of products provided over communications infrastructure. Our research found that the majority of SMEs have business-specific contracts rather than using residential products: 77% of SMEs' landlines, 74% of internet services and 50% of mobile phone services were on business-specific contracts (i.e. as opposed to contracts/tariffs which are typically aimed at residential consumers). SMEs with 10 employees or more were generally more likely than SMEs with less than 10 employees to have business contracts. Notwithstanding this, the majority of businesses with 1-4 employees had a business contract in relation to landline and internet services, although residential contracts were more prevalent in relation to mobile services.

3.20 Our research found a number of core concerns expressed by SMEs in terms of provision of products. Of all communications services it was the internet service that tended to receive the lowest satisfaction ratings and the most reported problems, for example in terms of technical characteristics such as download speeds, upload speeds and contention.

3.21 Satisfaction with ADSL broadband was lower than with any other communication service (77% versus 88% for PSTN landline and 90% for smartphones). Connection speed and accessing connection speed paid for were key areas of dissatisfaction (22% and 20% dissatisfied respectively).

3.22 We note that products available in the market may have available solutions to some problems. For example, BT offers ADSL and VDSL products specifically designed to meet the needs of business users (BT Business Broadband and BT Business Infinity), and Virgin Media offers Superfast Broadband Business over its DOCSIS cable network. Other business-focussed providers also offer a range of business-focussed ADSL broadband and VDSL/FTTC superfast broadband packages. Lower cost alternatives to leased lines are also available which offer non-contended and symmetric connectivity, using technology such as Ethernet First Mile.

3.23 In practice, when it comes to internet connectivity there are a wide range of products marketed towards different SMEs (see Figure 4 below).

Figure 4: Overview of fixed-line retail broadband and Ethernet products available to SMEs

Products offered	Service characteristics	Typical monthly price
Basic ADSL broadband	Most CPs offer a basic version of business broadband which may include prioritisation over residential traffic	Up to £30-40/month
Advanced ADSL broadband	As above but may include higher upload speeds	Up to £30-40/month
Advanced DSL	Offers greater symmetry e.g. SDSL or bonded ADSL Not offered by all communications providers, for example e.g. BT Retail is currently seeking to migrate SDSL users to alternative services	From £60+/month
Superfast broadband	FTTC broadband – up to 80 Mbit/s down and 20 Mbit/s up.	c. £30-60/month (where available)
Entry level leased lines, i.e. cheaper than fibre-based Ethernet leased lines	e.g. Ethernet first mile / Ethernet over GEA Generally offers form of QoS guarantee not available for broadband service Rapid install times compared to traditional leased lines products may also be marketed as a feature	From c. £120/month – bespoke pricing
Leased lines	Dedicated Ethernet based internet connection Similar products offer dedicated point to point multi-site connectivity - may be less of an SME product These products not offered by all CPs and targeted at data intensive / larger SMEs	From c.£300/month but bespoke pricing

Source: Ofcom desk research

3.24 Overall SMEs reported that they were satisfied with the value for money of their services. Only about one in ten SMEs were dissatisfied with the value for money of their services (11% were dissatisfied with the value for money of their landline, 13% with their internet, and 8% with their mobile service).

3.25 Key to effective retail product provision is the underlying market structure. The value chain for the provision of business services to SMEs is complex. There are a small number of vertically integrated network operators who provide end-to-end services, including BT Group, Virgin Media, Vodafone and Colt. Some of these providers also offer wholesale services which are retailed by a large number of retailers and resellers. Such retailers and resellers include, for example, TalkTalk, Azzurri, Daisy, and Spitfire, who offer alternatives to the integrated network operators.

3.26 In order to assess retail market outcomes we will investigate how infrastructure providers and the wholesale market are delivering competition in the retail markets. Our assessment will also link to SMEs' ability to engage with communications services: concerns from SMEs may in practice stem from an inability to engage effectively as opposed to a lack of supply.

3.27 We will examine the retail market outcomes in terms of products available and service providers in the market in order to understand any potential or perceived gap between SMEs' needs and the services available to them. We seek views and evidence on the availability or lack of availability of products available to meet SMEs needs and the drivers of and barriers to the availability and take-up of SME-tailored products.

Questions

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

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

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

Quality of service

3.28 Quality of service is an important part of SMEs' satisfaction with the communications services they buy.

3.29 Our research found that the majority of SMEs did not experience any problems with their communications services in the last 12 months. However, just fewer than one in three SMEs who had an internet service had made a complaint about the service, with around one in five making a complaint about landline or mobile phone services.

3.30 Our research suggests that the reliability, mobile coverage and speed of their internet services are the main quality issues experienced by SMEs:

- Reliability (e.g. temporary loss of service/connection) was an issue in relation to all telecoms services. Internet reliability was a problem experienced by nearly a third of SMEs: 29% of SME using the internet mentioned experiencing poor service reliability in the last 12 months. Poor service reliability (e.g. loss of service or technical fault) was a problem for 15% of SMEs using a landline, and particularly an issue for SMEs of 50-249 employees using a landline (22%), and a problem for 18% of SMEs using mobile services.

- A quarter (26%) of SMEs reported experiencing problems with poor mobile coverage in the last 12 months.

3.31 Internet speed was a key area for dissatisfaction for SMEs (22% and 20% dissatisfied with connection speed and accessing connection speed paid for respectively). Speed was also the second most experienced problem after reliability, with 16% and 13% experiencing slow download speeds and slow upload speeds respectively.

3.32 In some of these areas (notably reliability and internet speed), it is possible to secure contractual protection in respect of issues that may arise in the provision of communications services. For example, services are available which offer fault resolution significantly faster than on a standard product, with service level guarantees which compensate for any failure. For example, BT's Wholesale Line Rental (WLR) service with Service Level 4 offers 6-hour fault resolution and Service Level Guarantee (SLG) payments if this is not met.

3.33 SMEs should be better able to ensure the required quality of service if they have clearly agreed Service Level Agreements (SLAs) and SLGs in their contracts. However, it is not clear whether standard retail business contracts contain SLAs or SLGs, and whether these are sufficient to meet SME needs.

3.34 Our research suggests that less than half (41-49%) of SMEs have SLAs included in their contracts. Further, awareness of SLAs is low - between about a third and two-fifths of SMEs said they did not know if SLAs were included in their contracts (landline 35%, internet 37%, mobile 45%). Moreover, only about one in five of SMEs with a contract said they had any compensation arrangements in place if SLAs are not met in relation to their landline, decreasing to about one in ten in relation to internet and mobile. This potentially reduces an SME's ability to incentivise the required quality of service.

3.35 Nevertheless, our research did find that most who were aware of SLAs did feel that these were largely being met.

3.36 Customer service was also an issue for SMEs. The ease of contacting the customer service department was a source of dissatisfaction across all three services (landline -16% dissatisfied, internet - 18% dissatisfied, mobile -11% dissatisfied).[16] However, SMEs appear to know how to complain as the research shows that the majority complain to their providers about problems experienced.

3.37 We seek views and evidence on whether quality of service and SLAs are significant issues that we should consider further.

Questions

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

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[16] Ease of contacting the customer service department was the highest area of dissatisfaction for landline, the third highest area of dissatisfaction after connection speed and ability of accessing connection speed for internet, and the third area of dissatisfaction after reliability of signal and geographic coverage for mobile.

Q9. What issues face SMEs in ensuring that they have appropriate SLAs and are able to gain redress when quality of service falls below the standards expected?

Q10. What products and service enhancements to standard retail products and services 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

3.38 SMEs need to have access to information on price and quality of service in order to be able to choose the right supplier and services to meet their needs.

3.39 Our research found that many SMEs found it hard to make comparisons between suppliers (landline 51%, internet 52%, mobile 43%) and tariffs (landline 52%, internet 49%).This finding is consistent with qualitative research commissioned by the Communication Consumer Panel research where businesses with less than 10 employees felt it was difficult to compare information across providers due to complex pricing and packages, particularly for internet and mobile data. [17]

3.40 Our research suggests that the main source of information for SMEs is suppliers' websites (39% of SMEs use these). However, there may be variations between providers' websites in the level of information provided on tariffs and service features. Other sources of information may be available depending on the services used by SMEs, such as price comparison websites for services aimed at residential consumers.

3.41 Quality of service is an important consideration for SMEs. Based on our research, it is one of the key drivers of satisfaction (reliability was amongst the top three drivers of satisfaction across all three services), and dissatisfaction with quality and customer were key reasons for considering switching[18]. However, our research suggests that around half of SMEs find it difficult to compare providers. The research indicates that while problems with the quality of service and customer service are factors driving SMEs to consider switching, their choice of provider when switching is primarily based on price, as the most frequent reason given for switching providers was to get a better deal.

3.42 We seek views and evidence from stakeholders on whether the information currently available on price and quality of service is sufficient for SMEs to make correct decisions, and if so the extent to which transparency of information is a barrier for SMEs and therefore well functioning markets.

Question

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?

[17] http://www.communicationsconsumerpanel.org.uk/research-and-reports/realising-the-potential-micro-businesses--experiences-of-communications-services

[18] Based on those SMEs considering switching. Note: small sample size.

Switching without unnecessary barriers

3.43 SMEs should be able to switch their communication service easily and without unnecessary barriers. These may be process barriers (e.g. when the process of switching is difficult, time consuming or incurs service disruption). Contractual terms such as early termination charges incurred when a fixed term contract is terminated may also deter SMEs from switching.

3.44 While most switchers found the switching process relatively straightforward, many did experience problems (landline 48%, internet 37%, mobile 41%). The problems were relatively diverse and dependent on the service or services switched. The most common problems experienced included receiving bills for the cancelled service, cancellation charges, temporary interruption (for internet service), and/or the process taking longer than expected.

3.45 Our research suggests there may be some issues specific to SMEs over 10 employees, in particular in relation to landline and mobile.

- Landline switchers who had more than 10 employees were more likely to cite technical issues during the switching process (20% vs. 9% overall) and SMEs with 10-49 employees were more likely to cite cancellation charges (33% vs. 18% overall) as an issue during the switching process.
- Internet switchers with 10-49 employees were more likely to have been paying for two services at the same time (17% vs 9% overall).
- Switchers in medium SMEs (50-249 employees) were most likely to have had problems or issues when switching mobile, and more likely to mention technical issues (18% vs 7% overall) or cancellation charges (18% vs 9% overall).

3.46 We seek views and evidence on issues related to switching and whether there are specific issues in relation to switching for larger SMEs that we should explore further.

Question

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?

Other potential sources of consumer harm

3.47 The research did not find high incidences of mis-selling (i.e. when the service provided does not match the service sold) or other potential causes of harm.[19] Nevertheless, there have been reports of mis-selling and other bad practices such as slamming (where customers are switched from one company to another without their knowledge or consent) by businesses to Ofcom's contact centre. Even if not widespread, these types of bad practice can have a major impact on individual businesses and we invite comments and evidence on the extent to which SMEs experience such practices and any harm they may cause.

[19] 1% of SMEs using landline and 1% of SMEs using internet said they experienced problems with mis-selling.

Question

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

Conclusion

3.48 This section has set out six key areas that we believe merit consideration in terms of outcomes for SMEs: network availability, product availability, quality of service, transparency of information and switching, quality of service and protection against bad practices. We welcome views and evidence on these issues in particular but also would like views on whether there are other potential issues that you believe we should examine. Please include reasoning and evidence to support your views.

3.49 We also welcome views on how any issues identified may be resolved.

Question

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?

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?

Section 4

Call for Inputs questions

4.1 As set out in section 1, with this Call for inputs we are seeking information and views in relation to the provision of communications services to SMEs.

We extend a 'Call for inputs' in relation to the matters set out in this document as follows:

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?

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

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?

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?

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?

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

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

Quality of service

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

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?

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?

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?

Other potential sources of consumer harm

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

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?

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?

4.2 We would like to receive responses to this Call for inputs by 2 January 2014. The Annex below sets out further how to respond.

Section 5

Next steps

5.1 We seek responses to our Call for Inputs by 2 January 2015.

5.2 In the meantime we will continue our stakeholder engagement plan in order to gain as full an understanding as possible of how the communications market is serving SMEs.

5.3 We will publish our initial findings on how the communications market is serving SMEs alongside the Business Connectivity Market Review in spring 2015.

5.4 In light of the findings from this study we will consider whether there is a need for Ofcom to develop policy options in order to help ensure that the communications market is delivering good outcomes for SMEs in the availability, choice and quality of communications services.

Annex 1

Responding to this Call for Inputs

How to respond

A1.1 Ofcom invites written views and comments on the issues raised in this document, to be made **by 5pm on 2 January 2015**.

A1.2 Ofcom strongly prefers to receive responses using the online web form at http://stakeholders.ofcom.org.uk/consultations/smes-cfi/howtorespond/form, as this helps us to process the responses quickly and efficiently. We would also be grateful if you could assist us by completing a response cover sheet (see Annex 3), to indicate whether or not there are confidentiality issues. This response coversheet is incorporated into the online web form questionnaire.

A1.3 For larger consultation responses - particularly those with supporting charts, tables or other data – please email sme@ofcom.org.uk attaching your response in Microsoft Word format, together with a consultation response coversheet.

A1.4 Responses may alternatively be posted to the address below, marked with the title Call for Inputs – SME Service Provision and Availability.

Puja Kalaria
Ofcom – Strategy Team
3rd Floor, Riverside House
2A Southwark Bridge Road
London SE1 9HA

Note that we do not need a hard copy in addition to an electronic version. Ofcom will acknowledge receipt of responses if they are submitted using the online web form but not otherwise.

A1.5 It would be helpful if your response could include direct answers to the questions asked in this document, which are listed together in Section 3. It would also help if you can explain why you hold your views and how Ofcom's proposals would impact on you.

Further information

A1.6 If you want to discuss the issues and questions raised in this Call for Inputs, or need advice on the appropriate form of response, please contact Puja Kalaria on 020 7981 3941.

Confidentiality

A1.7 We believe it is important for everyone interested in an issue to see the views expressed by consultation respondents. We will therefore usually publish all responses on our website, www.ofcom.org.uk, ideally on receipt. If you think your response should be kept confidential, can you please specify what part or whether all of your response should be kept confidential, and specify why. Please also place such parts in a separate annex.

A1.8 If someone asks us to keep part or all of a response confidential, we will treat this request seriously and will try to respect this. But sometimes we will need to publish all responses, including those that are marked as confidential, in order to meet legal obligations.

A1.9 Please also note that copyright and all other intellectual property in responses will be assumed to be licensed to Ofcom to use. Ofcom's approach on intellectual property rights is explained further on its website at http://www.ofcom.org.uk/about/accoun/disclaimer/

Cover sheet for response to an Ofcom Call for Inputs

BASIC DETAILS

Call for Inputs title:

To (Ofcom contact):

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

CONFIDENTIALITY

Please tick below what part of your response you consider is confidential, giving your reasons why

Nothing	☐	Name/contact details/job title	☐
Whole response	☐	Organisation	☐
Part of the response	☐	If there is no separate annex, which parts?	

If you want part of your response, your name or your organisation not to be published, can Ofcom still publish a reference to the contents of your response (including, for any confidential parts, a general summary that does not disclose the specific information or enable you to be identified)?

DECLARATION

I confirm that the correspondence supplied with this cover sheet is a formal Call for Inputs response that Ofcom can publish. However, in supplying this response, I understand that Ofcom may need to publish all responses, including those which are marked as confidential, in order to meet legal obligations. If I have sent my response by email, Ofcom can disregard any standard e-mail text about not disclosing email contents and attachments.

Ofcom seeks to publish responses on receipt. If your response is non-confidential (in whole or in part), and you would prefer us to publish your response only once the Call for Inputs has ended, please tick here. ☐

Name

Signed (if hard copy)