

CONSUMER
PANEL

Ofcom
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SMEs and the communications market: 2006

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Background, research objectives and approach

Background and research objectives

- 1.1 The Ofcom Consumer Panel is the independent advisory body set up under section 16 (2) of the Communications Act 2003 to advise Ofcom on consumer interests in broadcasting and telecommunications. This report details the findings from the second annual market research project commissioned by the Consumer Panel into small business and sole traders' experience of the communications market. This survey assesses changing concerns year on year, and is used by the Consumer Panel to inform its work in a number of areas.
- 1.2 This reports focuses on the research conducted amongst small businesses and sole traders' experience of telecommunications (fixed and mobile), the internet (including broadband) and (for consumers only) broadcasting – including digital switchover – and use of technology.
- 1.3 The two key objectives for the research are to establish:
 - What is the level of consumer knowledge regarding what is going on in the communications market and the choices/ alternatives they have now and will have in the future?
 - What is the current consumer experience in the communications market?
- 1.4 As this is the second annual survey a third objective is to identify the trends compared to the 2004 research

Research approach

- 1.5 This report details the findings from the quantitative survey conducted for the Consumer Panel by the research agency saville rossiter-base. A telephone study was conducted with owners and managers of small businesses and sole traders across the UK – from 17 October to 8 November 2005.

Small business and sole trader survey sampling

- 1.6 A total of 300 interviews were conducted with owners and managers of small businesses by telephone. A sample of small businesses sourced from Dun & Bradstreet was supplemented by contacts taken from classified advertisements in local newspapers across the UK. This supplementary sample served to reach those businesses without separate business premises.
- 1.7 Quotas were set to achieve a certain number of interviews with small businesses in each of three size categories as defined by the number of employees:
 - 1 employee – sole trader (150 interviews achieved)

- 2-5 employees (80 interviews achieved)
- 6-10 employees (70 interviews achieved)

1.8 All data reported in this document has been weighted to match the actual profile of small businesses by business size according to figures published by the Department of Trade and Industry. The profile of the small businesses covered by the survey for the UK as a whole and for each of the three size categories is shown in figure 1.

1.9 The table shows in bold where incidences for a particular small business size category vary significantly from the profile of the UK as a whole. The final row of the table shows the extent to which each of the three business size categories contribute to the overall UK small business population. This information has been included in order to illustrate that the findings for sole traders (those with one employee) will always be close to the findings for small businesses as a whole due to the relative number of businesses of this size.

Figure 1. Profile of small business by size (number of employees)¹

	1/ Sole trader (150)	2-5 employees (80)	6-10 employees (70)	TOTAL (300)
Have separate business premises	53%	79%	95%	61%
Business trading for up to 5 years	38%	32%	33%	37%
Turnover up to £100k	84%	67%	25%	78%
TOTAL SPLIT	75%	20%	5%	100%

Margin of error and statistical significance – small business and sole traders

1.10 Throughout this report we seek to answer the research objectives detailed earlier for the UK as a whole, and (where possible) for each of the three small business size categories. Because the survey of small businesses was conducted amongst a sample of businesses with 1 to 10 employees rather than the whole UK small business population, the data may be subject to a small margin of error. The error margin for each of the three size categories is illustrated in the table below. Error margins rise amongst the smaller sub-groups. Results referred to as ‘significantly’ different, have been tested at the 95% level of confidence. Unweighted base sizes are shown throughout this report to illustrate the number of respondents interviewed.

	All small businesses	Sole trader	2-5 employees	6-10 employees
Sample size	300	150	80	70
Error margin 95% confidence (+/-)	6%	8%	11%	12%

¹ Base: All respondents (301 small businesses) Ofcom Consumer Panel Survey, October/ November 2005, conducted by saville rossiter-base.
UK ‘total split’ profile sourced from Department of Trade and Industry October 2004

Executive summary – small businesses and sole traders

- 2.1 The Consumer Panel conducted research amongst small businesses (1-10 employees) and sole traders in order to understand their experience of telecommunications (fixed and mobile), the internet (including broadband) – including digital switchover – and use of technology.
- 2.2 This report identifies the current level of consumer knowledge regarding what is going on in the communications market and explores the current consumer experience in the communications market. As this is the second annual survey it also identifies the trends compared to the 2004 research.

Similar to residential consumers, small businesses are less aware of the technical terms for communications services than they are of the types of services available – e.g. wireless internet connection

- 2.3 As in the 2004 study, 'broadband' is the only one of the four communications services terms (broadband, 3G, Wi-Fi, VoIP) which has a reasonable level of understanding amongst small businesses; with understanding of this service also showing a significant improvement since the 2004 study. However, while majority of small businesses have not heard the term '3G', there has been a significant increase in both awareness and understanding of the term this year.
- 2.4 Similar to residential consumers, small businesses are more likely to be aware of the capability of these services than to know and understand their technical terms. For example, awareness of Wi-Fi and VoIP services increases significantly on describing the capability of each service to small businesses.

More small businesses say they keep informed now than in 2004 – however, levels are still below half of all small businesses

- 2.5 The proportion of small businesses keeping themselves informed about new developments regarding making calls from business landlines, mobile phone technology or ways of connecting to the internet has increased significantly this year, but still remains below half of all small businesses.
- 2.6 Suppliers and stores were the most popular source of information for small businesses in 2004 however, this position is now shared with 'friends and family'. As in the 2004 survey, those who keep themselves informed of communications services developments are considerably more likely to say they would refer to on-line sources.

Overall take-up of communications remains broadly unchanged with the exception of broadband. Sole traders continue to rely more heavily on mobiles

- 2.7 Similar to residential consumers, internet ownership has remained virtually unchanged since the 2004 survey while broadband access has increased significantly amongst small businesses; with this increase driven by the largest businesses (with 6-10 employees).

- 2.8 Overall levels of ownership of landline and mobile remain broadly unchanged since 2004 with lower landline ownership amongst sole traders. There has been a significant rise in mobile ownership amongst mid-size small businesses and a slight shift towards using mobiles with business payment plans, although the proportion using prepay or personal contracts for their business phone equates to almost two in five small businesses.
- 2.9 Involuntary exclusion from communications technology amongst small businesses remains at negligible levels.

Broadband users make wider use of the internet – notably for downloading, purchasing, banking and home-working

- 2.10 Small businesses with a broadband connection make a broader use of the internet; most notably finding and downloading information for work, purchasing goods and services, banking, and home working.
- 2.11 Business mobile phone use is limited in breadth; with around one in four with business mobile phones using the phones for anything beyond calls and texts. There are indications of a fall in spend on mobiles since 2004.

Small businesses are less likely to consider they are getting ‘good value’ from their mobile service than last year and show higher levels of dissatisfaction

- 2.12 Landline phones and mobile phones are considered essential by significantly higher proportions than consider internet access to be essential; with no significant changes since 2004.
- 2.13 A clear majority of non-owners do not see a benefit in owning a mobile phone or getting internet access. Significantly higher ratings for potential benefit are given regarding owning a mobile phone for the business; and this appears to be more common amongst sole traders and those who do not have business premises.
- 2.14 Around a quarter of small businesses in each market expressed worries or concerns – these levels are not significantly different to 2004. The key concerns relate to cost in the telecoms markets (landline and mobile) and security in internet – broadly similar to residential consumers although unsolicited calls does not appear to be a top of mind concern for small businesses.
- 2.15 The proportion of small businesses that consider they are receiving ‘good value’ from their internet and mobile services has declined this year. However, this is largely due to increased neutral ratings as opposed to increased negative opinions.
- 2.16 Small businesses are more dissatisfied with their communications services than residential consumers, with a quarter showing any dissatisfaction for landline and internet services and a third showing dissatisfaction in the mobile market.
- 2.17 Dissatisfaction in the mobile market has increased significantly since 2004, driven largely by a fall in satisfaction that suppliers are making sure they are on the best deal. This is consistent with the fall in the proportion of small businesses with mobiles rating them as providing ‘good value’.

Switching behaviour broadly similar to the residential market – mobile tariff checking is more common amongst those who keep informed

- 2.18 Switching levels for small businesses are broadly similar to in the residential market, although lower for mobile. The internet is the only market with increased levels of switching amongst small businesses since 2004.
- 2.19 Similar to residential consumers, around two in five small businesses with mobiles say they check whether they are on the most suitable tariff for them. This behaviour is more common amongst businesses who say they keep informed and those using contract mobile phones.

Is there a knowledge gap amongst small businesses and sole traders?

Introduction

- 3.1 This section examines levels of awareness and understanding of five communications services terms amongst small businesses, and how levels of awareness and understanding compare to those from the 2004 study in relation to broadband, 3G, Wi-Fi and VoIP.
- 3.2 We look at whether small businesses keep informed about the three key platforms of landline and mobile phone and the internet, and which groups of businesses are less likely to keep informed. We also examine the sources of information small businesses would turn to for advice or information regarding communications services.

Summary

- 3.3 As in the 2004 study, broadband is the only one of the four communications services terms which has a reasonable level of understanding amongst small businesses, with understanding of this service also showing a significant improvement since the 2004 study. While it is still the case that the majority of small businesses have not heard the term '3G', there has been a significant increase in both awareness and understanding of the term this year.
- 3.4 Similar to residential consumers, small businesses are more aware that each of these services exist in terms of recognising that service with these capabilities are available.
- 3.5 The proportion of small businesses keeping themselves informed about new developments regarding making calls from business landlines, mobile phone technology or ways of connecting to the internet has increased significantly this year, but still remains below half of all small businesses.
- 3.6 Suppliers and stores were the most popular source of information for small businesses in 2004, however this position is now shared with 'friends and family'. As in the 2004 survey, those who keep themselves informed of communications services developments are considerably more likely to say they would refer to on-line sources.
- 3.7 As noted in the residential section of this report, whilst we cannot identify where 'friends and family' obtain their information it is important to at least consider where these consumers might turn to when analysing use of other sources. For example, if 'friends and family' are turning to the internet the importance of 'online sources' is increased.

Technical terms for communications services – consumer awareness

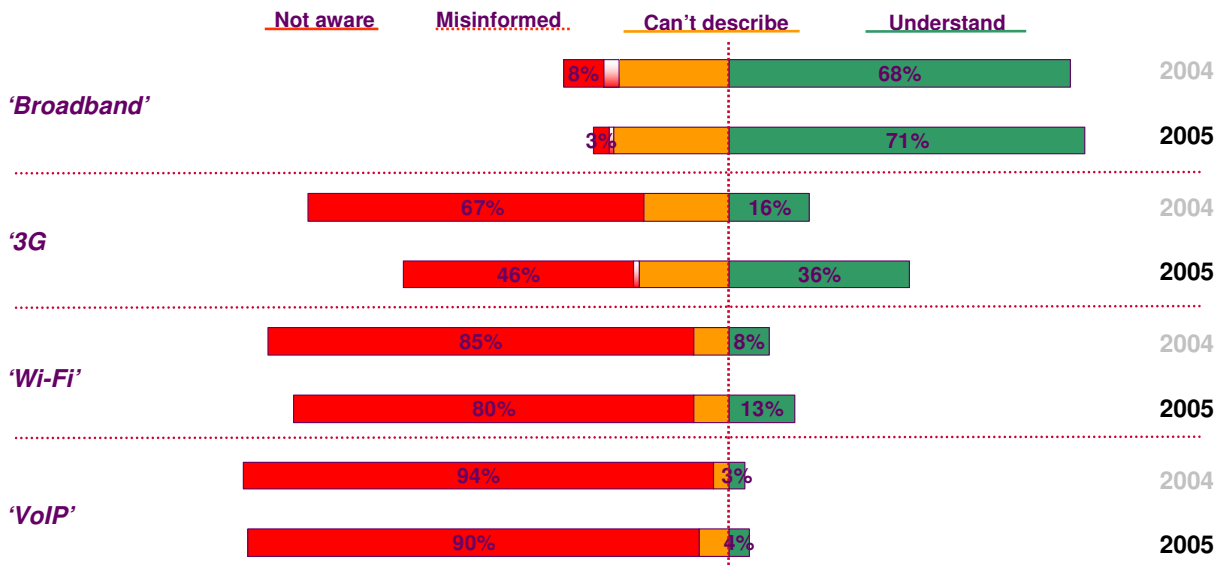
3.8 The owners and managers of small businesses interviewed for this survey were prompted over the telephone with the names of four communications services terms, and were asked to say which of these they had heard of. For each of the four terms they said they had heard of, they were then asked if they could describe to a colleague or friend what it meant, and how they would describe it to them. Those who had not heard of a particular term were prompted with a description of the service and were then asked whether they had previously been aware of the service.

3.9 Figure 2 below indicates the categories of response for each of the four terms relating to communications services that were covered by the survey. Responses are shown for both the 2005 and 2004 surveys conducted with small businesses. The sections shown in green to the right of the vertical line indicate those who understand the term through being able to provide a good description. Those shown in amber immediately to the left of the vertical line are aware of the term but (mostly) don't know what it means or (rarely) provide a poor description. The shaded red section indicates the proportion of consumers who have heard of the term but provide an incorrect description. Finally, the solid red section to the far left indicates those who have never heard the term in question.

3.10 Whilst almost all small businesses (97%) have heard of the term 'broadband', just over half (54%) have heard of '3G', and fewer still (20%) have heard of 'Wi-Fi' or 'VoIP' (10%). There have only been significant increases in awareness for the terms 'broadband' and '3G'.

Figure 2. Awareness and understanding of communication services terms²

Q. Which of the following terms relating to communication services had you heard of before today? [FOR EACH HAD HEARD OF] Could you describe what '[SERVICE]' is to a colleague or a friend? How would you describe it?



² Base: All respondents (301 small businesses) Ofcom Consumer Panel Survey, October/ November 2005, conducted by saville rossiter-base

Technical terms for communications services – consumer understanding

- 3.11 As well as the majority of small businesses having heard of broadband, over two-thirds (71%) of decision-makers understand this term through being able to give a correct description of what 'broadband' means. By contrast just over one-third of small businesses understand what '3G' means, and one in twenty (4%) understand what 'VoIP' means.
- 3.12 As shown previously by the green bars in figure 2, comparing responses from the 2004 and 2005 surveys, there has been a significant increase in understanding for the term '3G'. Understanding has been defined as those who are aware of the term and able to describe what the service or device is or what it can do. Figure 3 indicates levels of understanding for the four terms overall and by business size amongst those who were aware of the term. Levels of understanding from the 2004 study and the 2005 study are shown, and any statistically significant changes for 2005 are shown in **green bold text**.

Figure 3. Understanding of communications services terms and change 2004-2005

Q. [FOR EACH TERM HAD HEARD OF] Could you describe what '[SERVICE]' is to a colleague or a friend? How would you describe it?

		All small businesses (301)	Sole trader (150)	2-5 employees (81)	6-10 employees (70)
Broadband	2004	68%	67%	68%	83%
	2005	71%	68%	78%	91%
3G	2004	16%	14%	23%	26%
	2005	36%	37%	29%	49%
Wi-Fi	2004	8%	8%	8%	16%
	2005	13%	12%	17%	22%
VoIP	2004	3%	3%	4%	3%
	2005	4%	4%	4%	2%

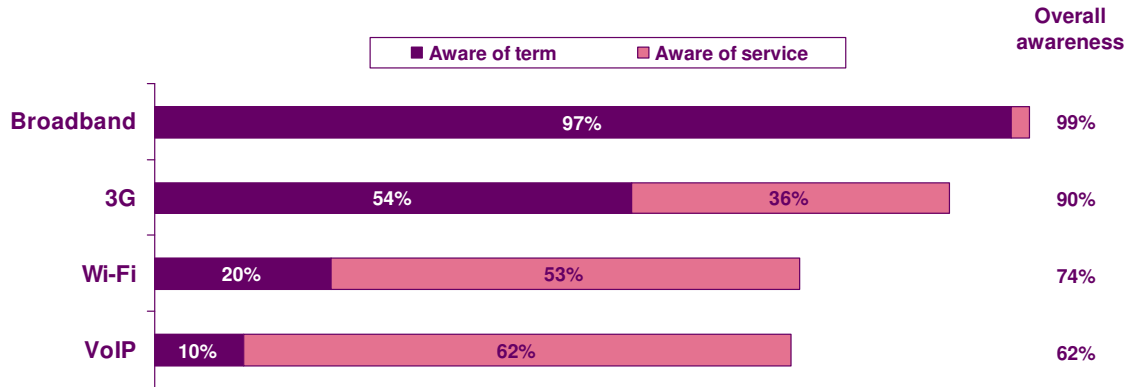
- 3.13 Amongst businesses that have heard of 3G there has been a significant increase in levels of understanding compared to the 2004 study; across all small businesses as well as sole traders and those with 6-10 employees. None of the other changes in levels of understanding have changed to any significant extent.

Overall awareness of communications services

- 3.14 For the 2005 survey those who were not aware of each term were prompted with a description of the service or device. By combining those who are aware of the term with those who are aware of the service when it is described to them we are able to look at a measure of overall awareness for each of the services covered by the study.
- 3.15 Compared to the levels of awareness amongst small businesses of the communications terms alone, significantly more small businesses are aware of the capability of Wi-Fi and VoIP services once they are read an explanation of what these services provide. This is illustrated in figure 4 below, which shows the proportion of small businesses aware of the terms plus the proportion who recognised the description of the service.
- 3.16 Given that almost all small businesses were already aware of broadband, overall awareness of this technology does not change significantly. However,

overall awareness of 3G rises by 36 percentage points to nine in ten small businesses. Overall awareness of Wi-Fi and VoIP rises by 53 and 62 percentage points to half and three in five small businesses respectively.

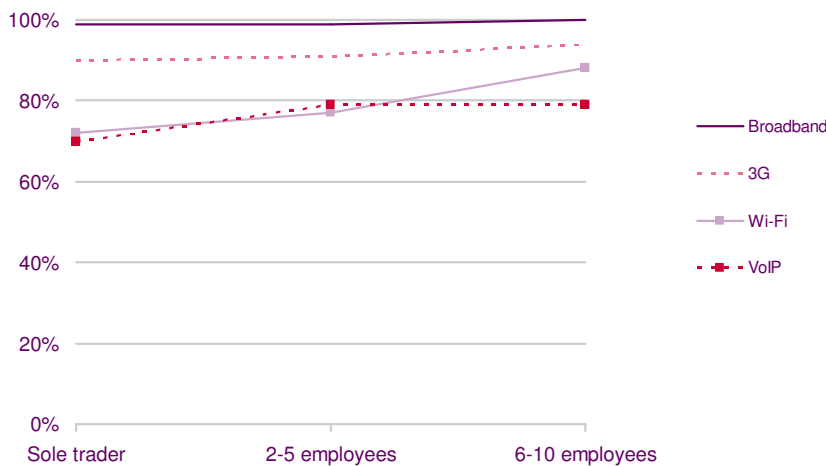
Figure 4. Impact of describing the service to small businesses³



3.17 Overall awareness of broadband accounts for virtually all small businesses (97%), and overall awareness of 3G accounts for nine in ten (90%). Overall awareness does not vary significantly by the size of the business for these two communications terms. For VoIP and Wi-Fi, however, overall awareness is significantly higher amongst businesses with 6-10 employees compared to sole traders.

3.18 Figure 5 below indicates overall awareness (in terms of having hearing of the term or being aware once the service/ device is described) across small businesses by the number of employees. Awareness of broadband and 3G services is broadly consistent across all small businesses whereas Wi-Fi and VoIP services see an increase in awareness amongst larger small businesses.

Figure 5. Overall awareness of communications services terms⁴



³ Base: All respondents (301 small businesses). Ofcom Consumer Panel Survey. October/ November 2005, conducted by saville rossiter-base

⁴ Base: All respondents (301 small businesses) Ofcom Consumer Panel Survey, October/ November 2005, conducted by saville rossiter-base

Keeping informed

3.19 Just under half (46%) of all small businesses say they keep themselves informed about new developments for any of the following:

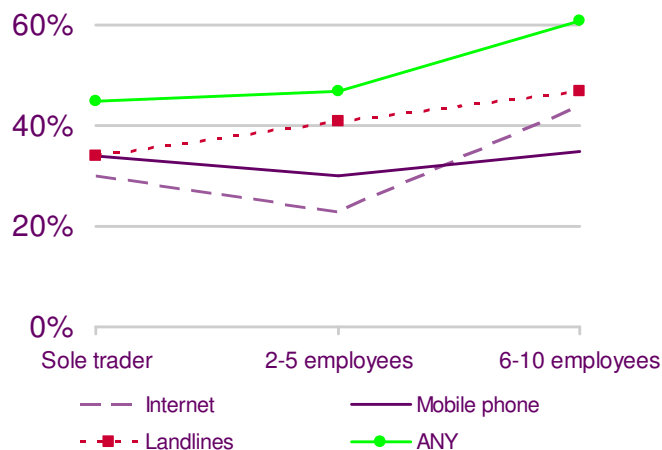
- Different options and suppliers for making calls from your fixed line at work
- Mobile phone technology, services and suppliers
- Different options and suppliers for connecting to the internet

3.20 The overall proportions who keep themselves informed (46% of all) represents a significant increase on the 2004 survey measure of 39%. In contrast to residential consumers and as per the 2004 survey, small businesses are most likely to keep themselves informed about options for making calls from their fixed line for work (36%, from 29% of all small businesses) and least likely to keep themselves informed about ways of connecting to the internet (29%, from 22% of all small businesses). One-third said they keep informed about mobile phone technology, services and suppliers (an increase from 24%).

3.21 Keeping informed varies to a reasonable extent in terms of the type of communications service and varies considerably by the size of business. This is illustrated in figure 6, which shows the incidence of those who keep themselves informed about each of the three communications services and (in green) any of these services, for each of three business size categories.

Figure 6. Keeping informed about communications services developments by size of business⁵

Q. Do you tend to keep yourself informed about new developments for any of the following?



3.22 The largest businesses are significantly more likely than average to keep informed about landlines and the internet. The green line shown in figure 6 representing businesses keeping informed about any of the services shows no significant differences between sole traders and those with 2-5 employees in terms of keeping informed. For each of the three business sizes, it is clear that a substantial proportion do not keep informed at all.

3.23 As mentioned earlier, the overall proportion of small businesses who keep informed has increased since the 2004 study (from 39% to 46%). By size of

⁵ Base: All respondents (301 small businesses) Ofcom Consumer Panel Survey, October/ November 2005, conducted by saville rossiter-base

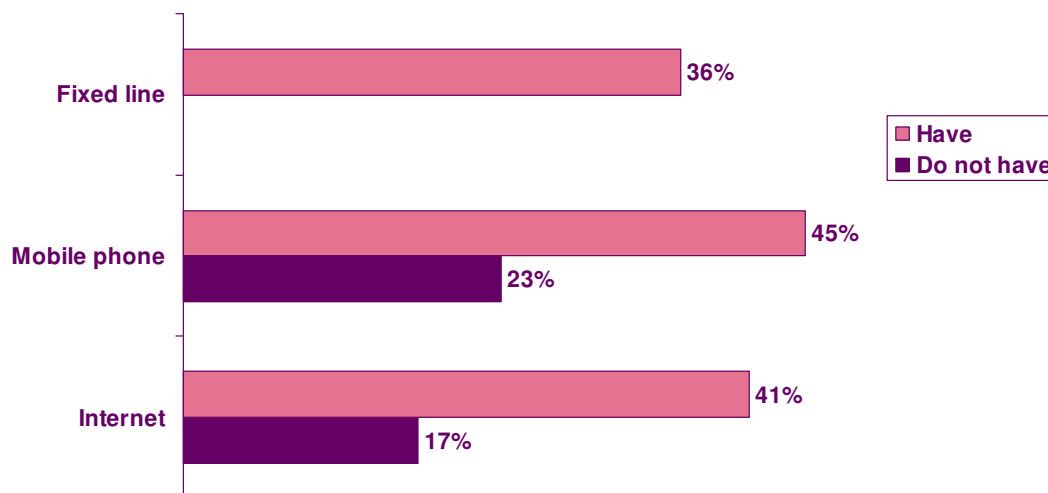
business, only sole traders show a significantly higher proportion of small businesses who keep themselves informed (at 45% from 37%).

3.24 It might reasonably be expected that owning each type of communications service would have an impact on keeping up with developments, and differences between owners and non-owners are detailed in figure 7 below. The figures shown in brackets and in italics for each bar are the comparable findings from the 2004 study.

3.25 Please note, at both waves of this study very few of the businesses interviewed did not have a fixed line phone they used for their business (whether at their business premises or at home), and so the base for non-owners of a fixed line is too small for any meaningful comparison and is therefore not shown.

Figure 7. Keeping informed about communications services developments by ownership of each type of service⁶

Q. Do you tend to keep yourself informed about new developments for any of the following?



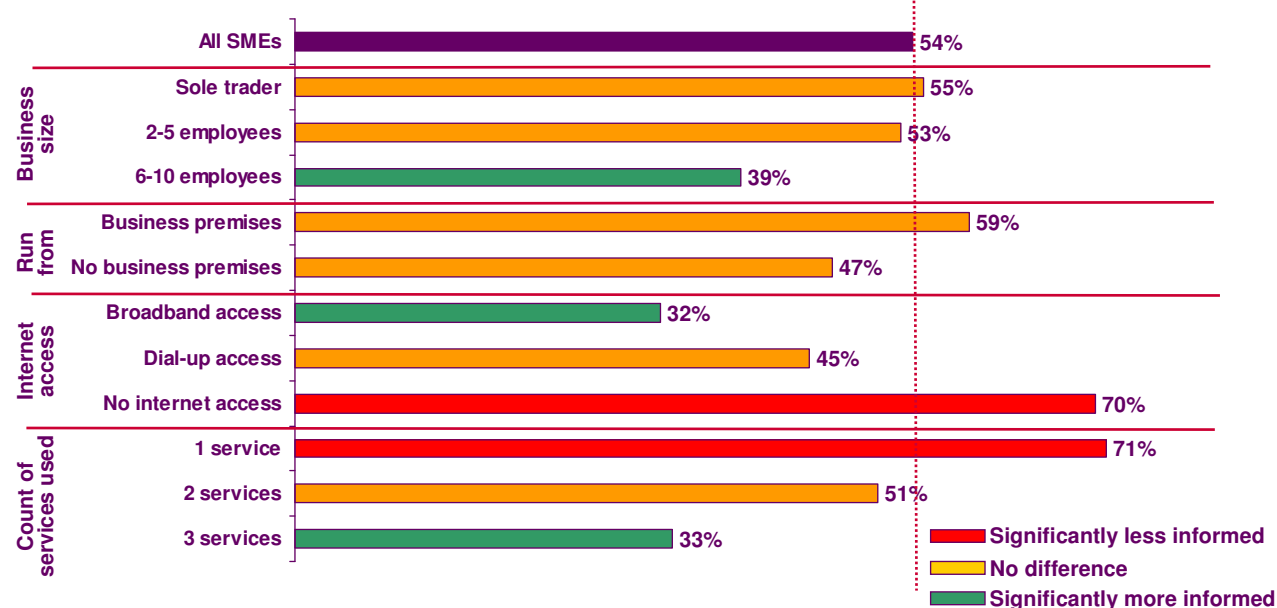
3.26 For each of the three services, small businesses with each service are significantly more likely than non-owners to keep themselves informed about developments for that type of communications technology; with this shown more strongly for mobile phone and internet than for fixed line developments. The gaps between owners and non-owners are at very similar levels to the 2004 survey, due to increases in non-owners (as well as owners) keeping informed for each of the technologies.

3.27 As shown previously in figure 6, larger small businesses are the most likely to keep informed about developments in communications services. Figure 8 below shows the incidence of those businesses who do not keep informed. Those shown in red are significantly less informed and those shown in green are significantly more informed compared to average. Amber bars indicate no significant difference from the overall measure.

⁶ Base: All respondents (301 small businesses). Ofcom Consumer Panel Survey, October/ November 2005, conducted by saville rossiter-base

Figure 8. Those who do not keep themselves informed about developments in communications services⁷

Q. Do you tend to keep yourself informed about new developments for any of the following?



3.28 As well as larger small businesses, the types of business significantly more likely to keep themselves informed are those with broadband access to the internet, and those who have all three platforms covered by the study (fixed line, mobile phone and internet access for their business - shown as '3 services' in figure 8 above). Conversely, the types of businesses least likely to keep themselves informed are those without internet access and those using only one of the three services (typically using fixed line only, shown as '1 service' in figure 8). This pattern of the least and most likely to keep informed remains unchanged from the 2004 study.

Learning about technology from others

3.29 Amongst businesses with a dial-up connection to the internet, the proportion who knows someone with broadband access who could show them how it works appears to be unchanged since the 2004 survey; at 62%. Please note, however, that as the number of interviews with dial-up users total just 55 businesses these findings should be treated as indicative only.

Sources of information

3.30 All small businesses were asked to nominate without prompting where they would turn for advice or information on any of the three communications services (fixed line, mobile phone, internet access). Where a first source was recalled, small businesses were then asked where they would turn to next. Figure 9 below shows the proportion of businesses nominating each of five sources of information, and whether each source was nominated as an initial or a secondary source. The green line indicates the responses given by those who

⁷ Base: All respondents (301 small businesses). Ofcom Consumer Panel Survey, October/ November 2005, conducted by saville rossiter-base

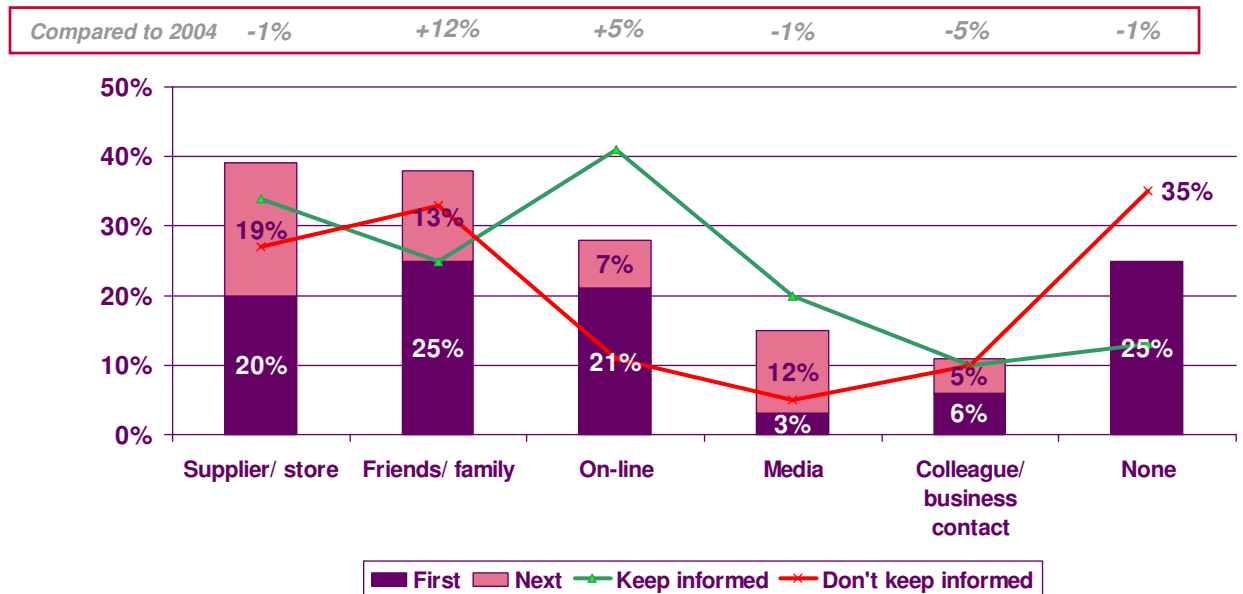
keep themselves informed about developments in communications services, with the red line indicating responses from those who do not keep themselves informed.

3.31 Whereas in the 2004 survey suppliers or stores able to provide communications services were the most popular source of information for small businesses, in the 2005 survey this position is shared due to a significant increase in the proportion saying they would turn to friends and family for information and advice. As in the 2004 survey, those who keep themselves informed of communications services developments are considerably more likely to say they would refer to on-line sources. Again as in 2004, whilst one in ten of those who keep informed could not recall any sources of information, this measure stands at over one-third of those who do not keep themselves informed.

3.32 As noted in the residential section of this report, as cannot identify where 'friends and family' obtain their information it is important to at least consider where these consumers might turn to, when analysing use of other sources. For example, if 'friends and family' are turning to the internet the importance of 'online sources' is increased.

Figure 9. Where small businesses would turn for information and advice on communications services⁸

Q. If you were looking for advice or information on any of these services where would you turn to first? Then where would you turn to for advice or information on any of these services?



⁸ Base: All respondents (301 small businesses). Ofcom Consumer Panel Survey, October/ November 2005, conducted by saville rossiter-base

Ownership of communications technology amongst small businesses and sole traders

Introduction

- 4.1 This section examines ownership levels amongst small businesses and sole traders for the three key communications platforms covered by the study: landline phones, mobile phones, and the internet (and broadband access). Having looked at current ownership levels for each, we then examine changes in ownership levels to understand which types of businesses are driving any increases in ownership.
- 4.2 We then move on to understand the extent to which those who do not own a particular technology are voluntarily or involuntarily excluded: a positive choice or forced behaviour.

Summary

- 4.3 Similar to residential consumers, internet ownership has remained virtually unchanged since the 2004 survey while broadband access has increased significantly amongst small businesses; with this increase driven by the largest small businesses (with 6-10 employees).
- 4.4 Overall levels of ownership of landline and mobile remain broadly unchanged since 2004, although there has been a significant rise in mobile ownership amongst mid-size small businesses.
- 4.5 Involuntary exclusion from communications technology amongst small businesses remains at negligible levels.

Levels of ownership

- 4.6 Businesses taking part in the survey were asked whether their business had access to three types of communications technology:
- Landline (whether at their business premises or at home and regularly used to make or receive business calls)
 - Mobile phone (owned by the business or with bills paid in full by the business)
 - Internet access (whether at their business premises or at home and regularly used in connection with the business)
- 4.7 Figure 10 below shows the levels of ownership for each of the three key communications platforms plus broadband access for all small businesses, and then the extent to which this overall level of ownership varies by the size of the business. Significantly lower levels of ownership are indicated by downward red arrows and significantly higher levels of ownership are indicated by upward green arrows.

Figure 10. Ownership of communications services by business size⁹

Q. Do you have a landline phone at your business premises that you're able to use to make and receive calls? Q. Do you have a landline phone at home that you regularly use to make or receive calls in connection with the business? Q. Does your business have access to the internet/ World Wide Web? Q. Do you use a broadband internet connection? Q. Does your business own or pay the bills in full for any mobile phones?

	All small businesses	Sole trader	2-5 employees	6-10 employees
Landline	94%	-2 ↔	+5 ↔	+5 ↔
Internet access	50%	-1 ↔	-3 ↔	+11 ↔
Broadband access	32%	+2 ↔	-12 ↓	+15 ↑
Mobile phone	45%	+2 ↔	-8 ↔	-12 ↓

4.8 As stated previously, sole traders account for the majority of all small businesses, and so it is not surprising that ownership levels for the platforms detailed in figure 10 do not vary significantly for this group. The largest small businesses are the most likely to have broadband access for their business, but the least likely to have mobile phones bought or paid for by the business. This might be a reflection of higher use of personal mobiles within larger small businesses.

Landline ownership

4.9 Almost all small businesses have a landline although ownership is lower amongst sole traders (92%) compared to small businesses with between 1-10 employees (99%).

Internet ownership

4.10 Half (50%) of all small businesses have internet access, with two-thirds of these (64%) having a broadband connection; equivalent to one-third (32%) of all small businesses. Broadband access is more common amongst those businesses without business premises; at 72% compared to 58% of those with business premises.

4.11 A total of 55 small businesses with a dial-up connection to the internet were interviewed on the survey. Across these, around one in five are unaware as to whether it is possible to receive broadband in their area; a slight decrease from the 2004 survey. Around one quarter with a dial-up connection state that having broadband access would be a benefit to them. An additional one in ten, however, are unsure as to whether there would be a benefit, with the remainder (around three in five) not seeing a benefit of broadband access.

⁹ Base: All respondents (301 small businesses, 150 sole trader, 81 2-5 employees, 70 6-10 employees). Ofcom Consumer Panel Survey, October/ November 2005, conducted by saville rossiter-base

Mobile ownership

- 4.12 Just under half of small businesses own a mobile for business purposes and, similar to 2004, a quarter of these use prepay rather than a contract phone. By type of business, using prepay is more common amongst sole traders, and those without business premises. These types of businesses are more dependent on their mobile phones given that fewer have a landline. Prepay business customers are also less likely to keep themselves informed about communications services.
- 4.13 Amongst those with business mobile phones on a contract, one in five do not have a business payment plan for their phone/s. Numbers of interviews with these types of small businesses with mobile phone are small, but it appears that around half of these businesses with personal contracts did not think about or did not know about the option for business payment plans.
- 4.14 Across all small businesses with business mobile phones, two in five (39%) either use pay as you go or have a personal contract with their phone network. This represents a decrease from the 2004 survey (previously 55%). Both of these payment methods can mean paying more for calls where the phone is being used more heavily.

Changes in ownership

- 4.15 Ownership levels for business landline and business mobile phones and access to the internet have not changed significantly since the 2004 survey:
- Almost all (94%) have a landline for business use (from 93%)
 - Just under half (45%) of all small businesses have any mobile phones owned by or paid for by the business (from 40%)
 - Half (50%) of all small businesses have access to the internet for business use (from 47%).
- 4.16 By business size, the only significant change is an increase in the proportion of mid-sized businesses with any business mobile phones (from 18% to 37%).
- 4.17 Whilst ownership levels for the internet have not changed to any significant extent since the 2004 survey (from 47% to 50%), broadband access has increased significantly; standing at 32% of all small businesses from 19% in the 2004 survey. Broadband ownership has increased significantly amongst the smallest and the largest business (both increasing by 14% since the 2004 survey).

Multiple platform ownership

- 4.18 As detailed previously, three key platforms form the focus for understanding ownership for this study; landline phone, mobile phone, and internet access. For the 2005 study, one in four small businesses (26%) own all three of these platforms. Ownership of all three of the platforms covered by the study does not vary significantly by the size of the business; but is significantly more common (at 33%) amongst those with no business premises. Multiple platform ownership has not changed significantly from the measure of 22% from the 2004 study.

4.19 At the other extreme, one in three (33%) small businesses only have a landline; with this being significantly more common amongst mid-sized businesses with 2-5 employees (at 42%). Only owning a landline accounted for 40% of all small businesses in the 2004 study, and so this year's finding is a significant decrease.

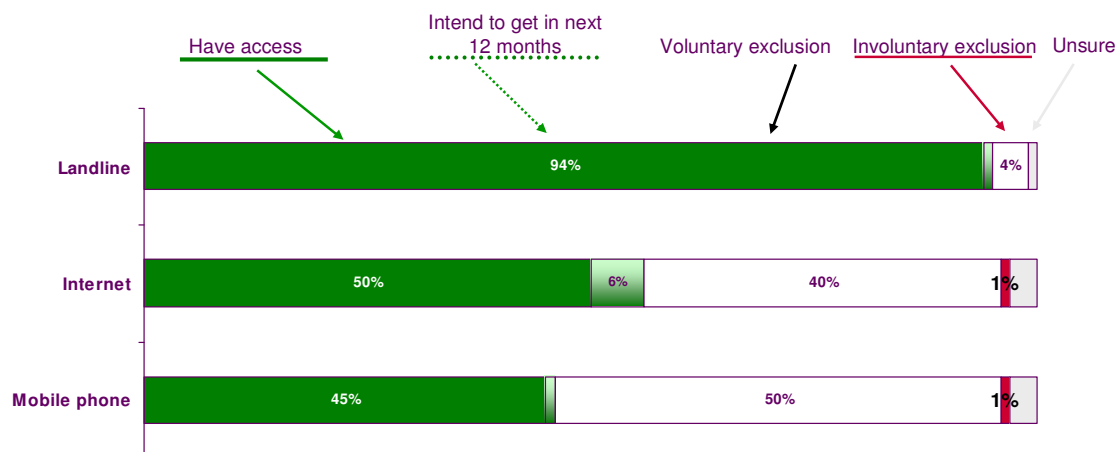
Voluntary and involuntary exclusion

4.20 Small businesses without access were asked whether they intend to get each type of communications technology for their business in the next 12 months, and if not, why not. Involuntary exclusion has been defined as those who do not have access, do not intend to get access and have not made this decision through choice. For example, those who do not intend to get access because they don't want or don't need the technology in question have been defined as voluntarily excluded. Those who do not intend to get access because of affordability or lack of coverage in their area have been defined as involuntarily excluded. Those who gave a mix of 'voluntary' and 'involuntary' responses were classed as 'involuntary'.

4.21 Figure 11 illustrates levels of ownership (through having access) across all small businesses for each of the three key technologies, followed by intentions to get in the next 12 months, then levels of voluntary and involuntary exclusion, and finally those who are unsure as to whether they will get the technology in question in the next 12 months.

Figure 11. Ownership, intention to get and exclusion levels for communications technology¹⁰

Q. Do you have a landline phone at your business premises that you're able to use to make and receive calls? Q. Do you have a landline phone at home that you regularly use to make or receive calls in connection with the business? Q. Does your business have access to the internet/ World Wide Web? Q. Does your business own or pay the bills in full for any mobile phones? Q. Do you intend to get [SERVICE] for your business in the next 12 months? Q. Why is that?



4.22 As was also the case in 2004, involuntary exclusion amongst small businesses is negligible; with almost all of those who do not have a particular

¹⁰ Base: All respondents (301 small businesses). Ofcom Consumer Panel Survey, October/ November 2005, conducted by saville rossiter-base

communications technology saying they do not need and/ or do not want the technology in question.

Use of communications technology amongst small businesses and sole traders

Introduction

- 5.1 In this section we examine the types of uses made by those small businesses and sole traders with the internet and those with any business mobile phones; to understand the breadth of use made by different users and those with broadband internet access. We also look at the self-reported monthly spend by small businesses for the various platforms, and make some comparisons with the 2004 study in this respect.

Summary

- 5.2 Small businesses with a broadband connection make a broader use of the internet; most notably finding and downloading information for work, purchasing goods and services, banking, and home working.
- 5.3 Business mobile phone use is limited in breadth; with around one in four with business mobile phones using the phones for anything beyond calls and texts.
- 5.4 Small businesses say they spend around £40 per month each on landline and mobile services and around £15 per month on the internet. There are indications of a fall in spend on mobiles since 2004.

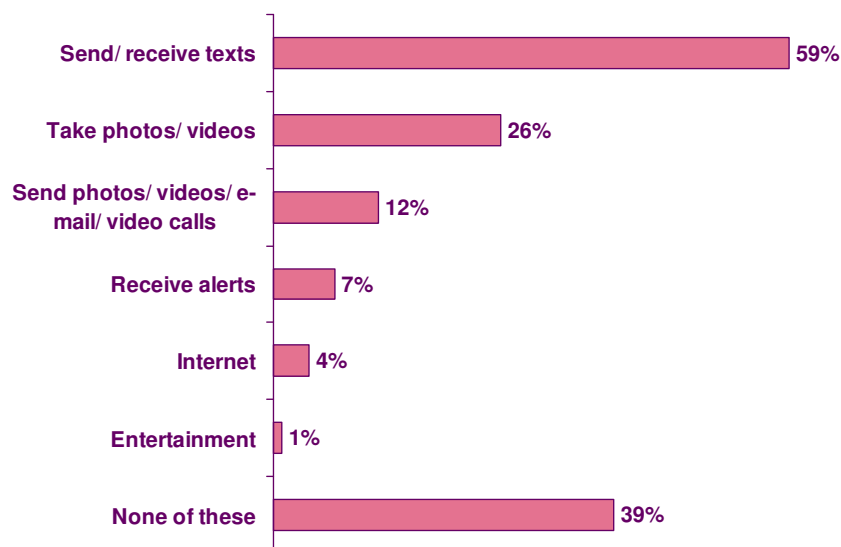
Activities mobile phones used for

- 5.5 For the first time on this survey, all small businesses with mobile phones owned by or paid for by the business were prompted with a list of 12 possible uses and were asked to say which use their mobile phone or phones for. These different types of uses have been grouped into the six broad groups¹¹ shown in figure 12 below, which indicates the uses made by all small businesses with business mobile phones. Too few interviews were conducted with those with pay as you go phones (29) for analysis by payment method, and there are also insufficient interviews by business size for further analysis.

¹¹ Individual responses at Q38AA-Q38AL grouped into six groups as follows. 'Send/ receive texts' – Sending and receiving text messages. 'Take photos/ videos' – Taking photos using the phone, Taking moving pictures using the phone. 'Send photos/ videos/ email/ make video calls' – Sending photos to others using your phone, Sending video messages to others using your phone, Watching videos, Making video calls, Sending or receiving email. 'Receive alerts' – Receiving news alerts. 'Internet' – Accessing the internet, Accessing network content (e.g. O2 Active, Vodafone Live, Orange World, T-zones). 'Entertainment' – Listening to radio.

Figure 12. Uses made of business mobile phones at least weekly¹²

Q. I'm going to read out some things that you may use your mobile phone for. Could you please say how often you use your mobile phone/s for each?



5.6 As shown in figure 12, two in five (39%) of those with business mobile phones do not use the phone beyond making and receiving calls. Of those who are making any of these other uses, most are sending and receiving text messages. Numbers are small, but it appears that those with business premises (more commonly larger businesses) are more likely to make more of these advanced uses of the mobile phone.

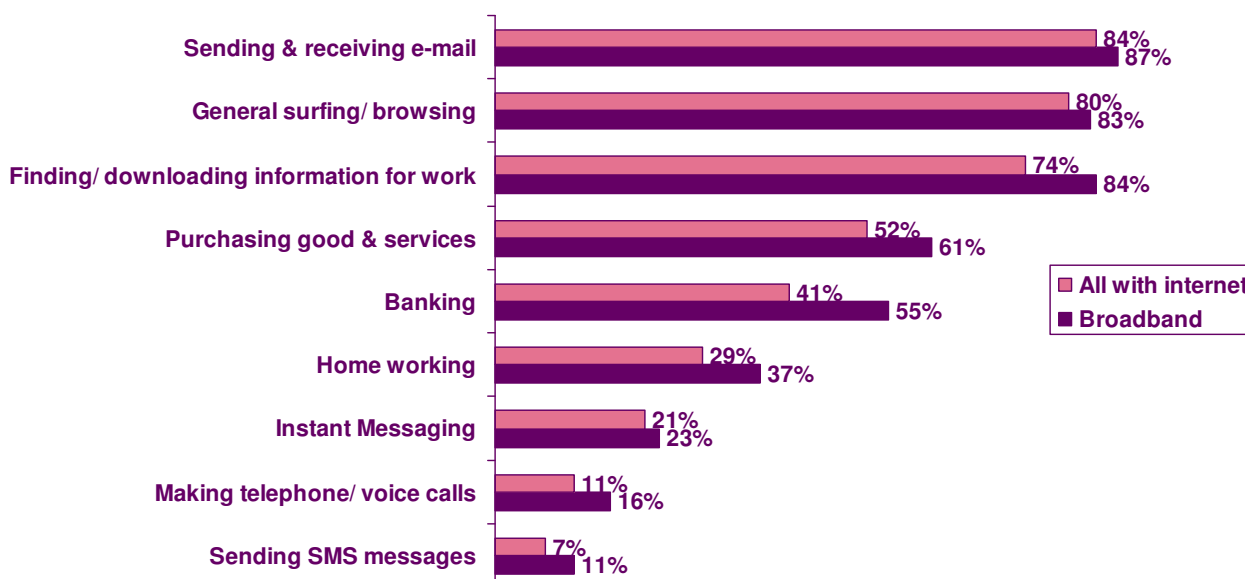
Activities internet used for

5.7 For the first time on this survey, all small businesses with access to the internet for their business were prompted with a list of nine possible uses and were asked to say which they use the internet for. Figure 13 below shows the responses from all businesses with internet access, plus those with broadband access. Figures for those with dial-up access have not been shown due to small base sizes (with just 55 interviews conducted).

¹² Base: All with business mobile phones (139). Ofcom Consumer Panel Survey, October/ November 2005, conducted by saville rossiter-base

Figure 13. Uses made of the internet by the business, overall and by broadband users¹³

Q. Which, if any, of these do you use the internet for?



5.8 Four of the nine possible uses are being made by at least half of those with internet access for their business. This overall average rises to five out of nine uses for those with broadband access; to include using the internet for Banking. Other than e-mail, use of the internet for communication (so, Instant Messaging, Voice calls, and SMS) is relatively uncommon.

5.9 Most (62%) of those with a broadband connection previously used another type of internet connection for their business; more commonly an unmetered rather than metered package with a subscription but no call charges. Base sizes are small, but the majority of those who previously used another type of connection nominated any types of uses they were previously unable to do or which were of poor quality with their previous connection.

Spend on business communications

5.10 The spend figures reported here are based on respondent estimates and it is likely that they could vary considerably from the actual figures spent. In addition, the small base sizes for businesses with 2 or more employees using a given service mean that we have only reported on business communications spend for all small businesses rather than by business size.

5.11 Those with access to each of the three types of communications technology were asked to estimate how much they pay per quarter for their landline phone (including line rental, calls, any equipment rental and VAT) and per month for their mobile phone, and internet access.

5.12 On average small businesses say they spend £39 per month on landline services, £42 per month on mobile services and £15 on internet. Spend on communications remains broadly unchanged since 2004 although there are indications of a decrease in mobile spend: down £10 per month since 2004.

¹³ Base: All with internet access (169) and with broadband access (114). Ofcom Consumer Panel Survey, October/ November 2005, conducted by saville rossiter-base

Small businesses and sole traders' attitudes towards communications services

Introduction

- 6.1 In this section we assess the stated importance to business owners and managers of the services and devices they have for their business, and whether these are seen as being any more or less important than was the case in the 2004 study. Similarly, we examine the stated benefit to non-owners of owning the technologies they do not currently have for their business.
- 6.2 Owners' concerns or worries about the service they have are detailed, along with attitudes towards the costs of services in terms of providing good value. Finally we look at levels of satisfaction and dissatisfaction amongst owners regarding the service they receive.

Summary

- 6.3 Landline phones and mobile phones are considered essential by significantly higher proportions than consider internet access to be essential; with no significant changes since 2004.
- 6.4 A clear majority of non-owners do not see a benefit in owning a mobile phone or getting internet access. Significantly higher ratings for potential benefit are given regarding owning a mobile phone for the business; and this appears to be more common amongst sole traders and those who do not have business premises.
- 6.5 Around a quarter of small businesses in each market expressed worries or concerns; these levels are not significantly different to 2004. The key concerns relate to cost in the telecoms markets (landline and mobile) and security in internet; broadly similar to residential consumers, although unsolicited calls does not appear to be a top of mind concern for small businesses.
- 6.6 The proportion of small businesses that consider they are receiving 'good value' from their internet and mobile services has declined this year however. This is largely due to increased neutral ratings as opposed to increased negative opinions.
- 6.7 Small businesses are more dissatisfied with their communications services than residential consumers, with a quarter showing any dissatisfaction for landline and internet services and a third (34%) showing dissatisfaction in the mobile market.
- 6.8 Dissatisfaction in the mobile market has increased significantly since 2004; driven largely by a fall in satisfaction that suppliers are making sure they are

on the best deal. This is consistent with the fall in the proportion of small businesses with mobiles rating them as providing 'good value'.

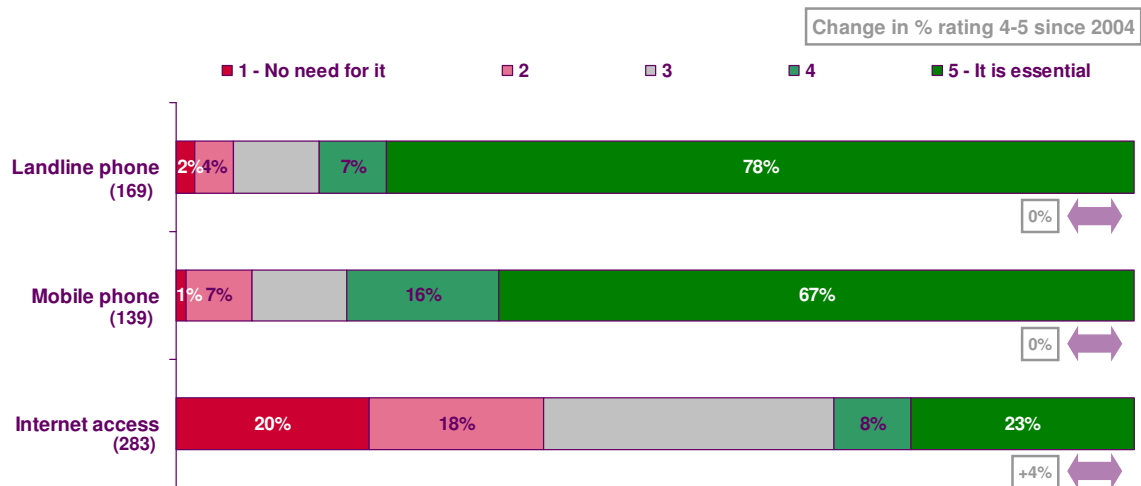
Importance of devices/ services owned

6.9 Small businesses owning each of the types of devices/ services covered by the survey were asked to use a 5 point scale to indicate how much they need each particular device/ service. Figure 14 below shows the overall responses to these questions ranked from least to most important, and also indicates the extent to which the proportion of owners giving the highest ratings (of 4 or 5 out of 5) has changed since the 2004 study. The boxes indicating the change since the 2004 study also show an arrow to indicate where any change is statistically significant.

6.10 Landline phones and mobile phones are considered essential by significantly higher proportions than consider internet access to be essential; with no significant changes since the 2004 study.

Figure 14. Importance of devices/ services owned¹⁴

Q. What score out of 5 would you give for how much your business needs your [DEVICE/ SERVICE] – where 1 means you have no need for it and 5 means it is essential?



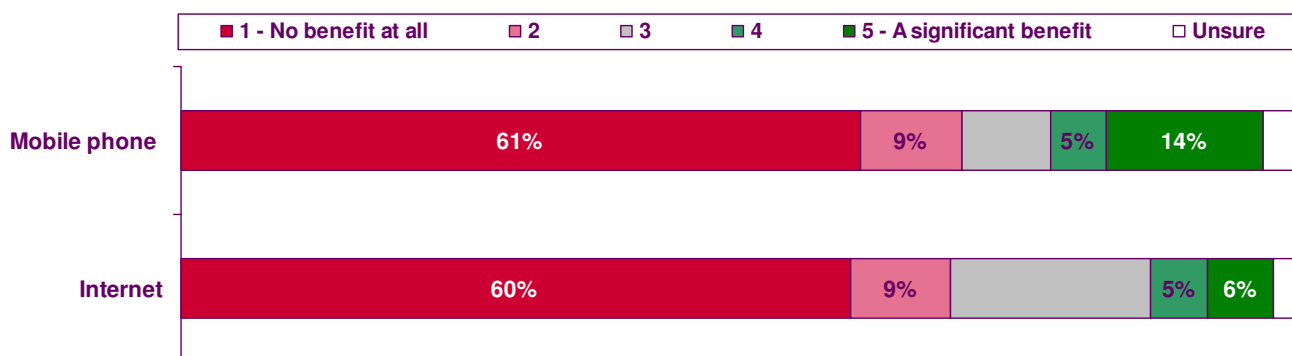
6.11 One in four small businesses with access to the internet rate this service as being essential to them, whereas over two in three with a mobile phone and four in five with a landline phone rate these services/ devices as essential. Those with broadband access to the internet assign a slightly higher rating for the need for their internet service (40% rating 4 or 5 out of 5 compared to 31% of all with the internet), but a relatively small base size means this difference is not statistically significant.

6.12 Those without each of the technologies were asked to say how much of a benefit the technology in questions would be to their business. Figure 15 below shows the responses from non-owners of each of the technologies. Please note, however, as just 18 interviews were conducted with businesses with no access to a landline phone for their business, these responses are not shown.

¹⁴ Base: Those with access to each service for their business. Ofcom Consumer Panel Survey, October/ November 2005, conducted by saville rossiter-base.

Figure 15. Rating of benefit of owning technologies amongst non-owners¹⁵

Q. What score out of 5 would you give for how much of a benefit having [DEVICE/ SERVICE] would be to your business – where 1 means no benefit at all and 5 means a significant benefit?



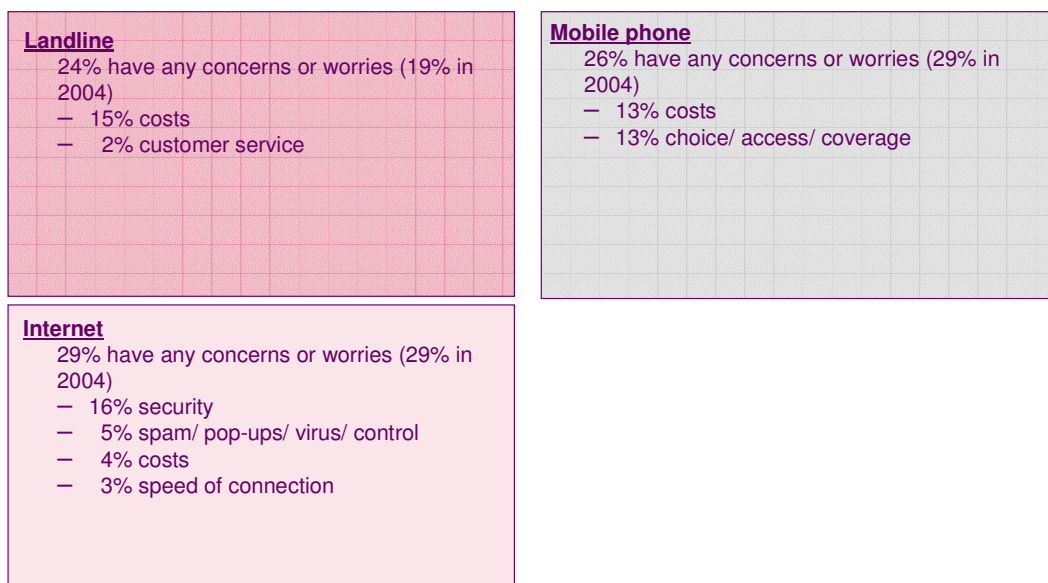
6.13 For each of mobile phone and internet access, a clear majority of non-owners do not see a benefit in owning these technologies. Significantly higher ratings for potential benefit are given regarding owning a mobile phone for the business; and this appears to be more common amongst sole traders and those who do not have business premises.

Concerns with communications services

6.14 All small businesses with each service were asked ‘What particular concerns or worries do you have about your [service]?’. Responses were unprompted, and figure 16 summarises the overall nominations for each service, the comparable measure from the 2004 survey, and the top nominations for each service.

Figure 16. Concerns or worries for those with access to each service for their business¹⁶

Q. What particular worries or concerns do you have about your [SERVICE]?



¹⁵ Base: Non-owners for each technology (162 Mobile phone, 132 Internet). Ofcom Consumer Panel Survey, October/ November 2005, conducted by saville rossiter-base

¹⁶ Base: Those with access to each service for their business – 285 landline, 110 mobile phone, 150 internet access. Ofcom Consumer Panel Survey October/ November 2005, conducted by saville rossiter-base

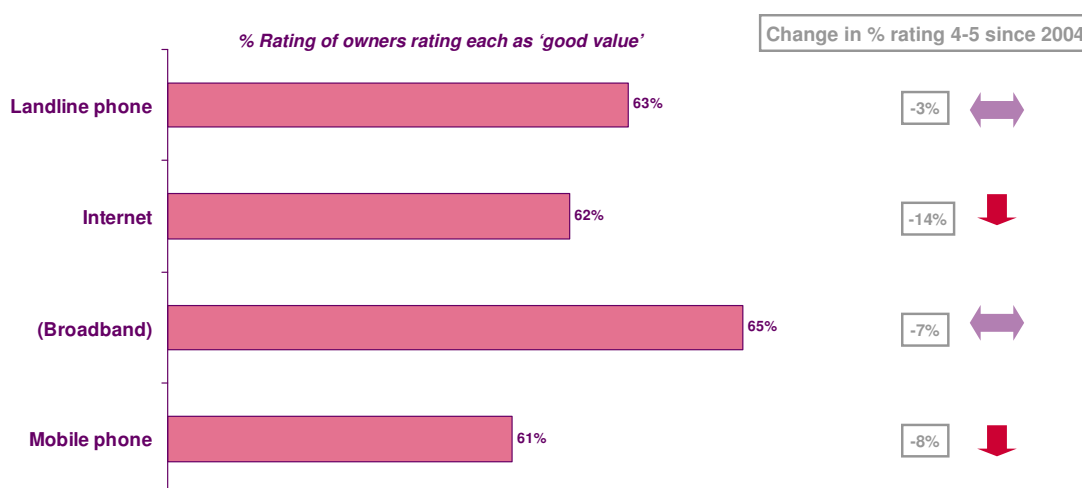
6.15 Around a quarter of small businesses in each market stated concerns or worries about these services, broadly similar levels to 2004. The types of concerns or worries have not changed to any significant extent since the 2004. As was also the case with the 2004 survey, those who are spending more on each service and those who keep themselves informed are more likely to nominate any concerns or worries.

Attitudes towards the cost of services

6.16 All small businesses with each service were asked to use a 5 point scale to rate the cost of the service in terms of providing good or poor value. Figure 17 below illustrates the proportion of those businesses with each service awarding a 'good value' rating (of 4 or 5 out of 5). Changes in this 'good value' rating since the 2004 survey are also indicated, and the services are shown in ranked order of the proportion of owners assigning a 'good value' rating. Please note, the overall rating for the internet is shown, along with ratings given by those with broadband access to the internet.

Figure 17. Services rated as providing 'good value' by those with each service¹⁷

Q. Which of these options applies in terms of the cost of your [SERVICE]?



6.17 The proportion of small businesses that consider they are receiving 'good value' from their internet and mobile services has declined this year. It should be noted that around one in four with access to each service assigned a 'neutral' rating for the value of the service, which is higher than was the case in the 2004 survey, and accounts for some of the decline in those rating the services as providing 'good value'.

Satisfaction with services/ suppliers

6.18 Levels of satisfaction with the service provided by communications service suppliers are relatively high amongst those with landlines, mobile phones, and internet access. As was also the case in 2004, in terms of the overall service provided, dissatisfied customers account for fewer than one in ten small businesses, with a similar proportion dissatisfied in terms of

¹⁷ Base: Those with access to each service for their business (283 landline, 139 mobile phone, 169 internet access, 114 broadband access). Ofcom Consumer Panel Survey October-November 2005, conducted by saville rossiter-base

understanding bills from their supplier. The aspect of service covered by the survey which found higher levels of dissatisfaction (accounting for between one-fifth and one-third of customers) is ‘Your supplier making sure you are on the best of their deals for you’.

6.19 Figure 18 below shows the measures of satisfaction (in green) and dissatisfaction (in red) for each aspect covered by the survey and for each type of technology that small businesses had access to for their business. Please note that those neither satisfied nor dissatisfied with each aspect are not included in this table, and so figures may not add to 100%. The percentage figures shown in brackets indicate the change in satisfaction and dissatisfaction ratings since the 2004 survey, with green and red arrows indicating any significant increases or decreases.

Figure 18. Levels of satisfaction and dissatisfaction with suppliers¹⁸

Q. How satisfied are you with [SUPPLIER] for each of the following?

	Landline (285)	Mobile phone (139)	Internet (169)
Understanding bills	83% satisfied (+8%) ↑ 7% dissatisfied (-1%)	83% = 5% (+2%)	65% (-3%) 6% (-1%)
Making sure you're on best of their deals	52% (+2%) ↑ 23% (+6%) ↑	33% (-16%) ↓ 32% (+9%) ↑	41% (-9%) ↓ 21% (+7%) ↑
Overall service provided	80% (+4%) 7% (+4%)	71% (-2%) 9% (+2%)	63% (-7%) 8% (-1%)
ANY DISSATISFACTION	25% (+3%)	34% (+10%) ↑	25% (+5%)

↓ ↑ Significant change since 2004

6.20 Small businesses are more dissatisfied with their communications services than residential consumers; with a quarter showing any dissatisfaction for landline and internet services, and a third (34%) showing dissatisfaction in the mobile market.

6.21 Dissatisfaction in the mobile market has increased significantly since 2004 driven largely by a fall in satisfaction that suppliers are making sure they are on the best deal. This is consistent with the fall in the proportion of small businesses with mobiles rating them as providing ‘good value’.

6.22 By contrast, ratings for understanding bills and the overall service provided show little change since the 2004 survey. The mobile phone service now attracts the highest levels of dissatisfaction; whereas the 2004 survey showed little difference across the three services overall.

¹⁸ Base: Those with access to each service for their business– 285 landline, 110 mobile phone, 150 internet access. Ofcom Consumer Panel Survey, October/ November 2005, conducted by saville rossiter-base.

6.23 Dissatisfied customers are more commonly those who spend the most each month on the service concerned, and also those more likely to keep informed of developments regarding these communications services.

Switching suppliers amongst small businesses and sole traders

Introduction

- 7.1 This section assesses small business and sole traders' experience of switching service suppliers, which of these businesses are more likely to have ever switched, and possible checks on tariffs that could be made by mobile phone owners.

Summary

- 7.2 Switching levels for small businesses are broadly similar to in the residential market, although lower for mobile. The internet is the only market which has experienced increased levels of switching amongst small businesses in the last year.
- 7.3 Similar to residential consumers, around two in five small businesses with mobiles say they check whether they are on the most suitable tariff for them. This behaviour is more common amongst businesses who say they keep informed and those using contract mobile phones.

Experience of switching suppliers

- 7.4 Those small businesses with each of the services covered by this study were asked whether (apart from moving premises for landline and internet services) they had ever changed the supplier that they use for each service.
- 7.5 Whilst a minority of small businesses have ever changed the supplier for communications services for their business, this is most common for the landline service used. One in three (32%) with a landline used for business have ever changed landline supplier; very similar to the measure from the 2004 survey (30%).
- 7.6 Comparable figures for changing suppliers for business communications services are 24% changing mobile phone network (from 22%), and 18% changing internet service provider (from 24%).
- 7.7 Experience of having changed supplier tends to be more common amongst those who keep themselves informed of developments in communications services, and those using two or more of the services covered by the survey. Base sizes are too small to look in any detail at those who have changed supplier and report any difficulties in doing so.

Mobile phone tariff checks

- 7.8 Amongst all small businesses with mobile phones for their business, the majority (59%) said that they ever check whether they are on the best tariff or deal. As might perhaps be expected, checking is more common amongst those who keep themselves informed of developments in communications technologies, and also amongst those who use other services as well as a

mobile phone. Base sizes are small for prepay users (29), but there are indications that tariff checks are more likely to be undertaken by those with a contract for their mobile phone/s; as with the consumer study.

- 7.9 Amongst those who do check whether they are on the best mobile phone tariff or deal (59% of small businesses), around three in five (61%) do so yearly, and the remainder more often than this. Again as with the consumer survey, this would correspond with the renewal process for contract customers prompting an assessment of the tariff.