

COMMUNICATIONS
CONSUMER
PANEL



Realising the potential

Micro businesses' experiences of communications services

September 2014

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Foreword

The Communications Consumer Panel is an advisory body that works to protect and promote the interests and needs of consumers, citizens and micro businesses in the communications sector. We aim to ensure that consumers and citizens are at the forefront of Ofcom's and communications providers' thinking when regulating and providing services respectively. We are aware of the commercial needs of the communications industry and the wider market place but believe that these should be complementary to the needs of consumers, citizens and micro businesses, not contradictory to them.

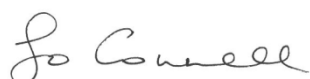
There are an estimated 4.89 million private sector businesses in the UK - 95% of these businesses can be classified as a micro business (employing 0-9 employees). Micro businesses account for 32% of UK private sector employment and 18% of relevant turnover.

The Panel was keen to explore three broad areas: how micro businesses use communications technology and services as part of their business, including their experience of mobile and broadband usage; what opportunities communications products and services might bring to this sector; and what barriers or challenges micro businesses face in respect of making the very most of what is available.

The Jigsaw qualitative research that we commissioned highlighted that communications services play a critical role in the success of micro businesses. However, in terms of maximising the opportunities offered by these services and technologies for the benefit of their enterprise, micro businesses face a wide range of challenges. For example, poor availability and variable quality of coverage of both mobile phone and internet services are highly disruptive, and have a disproportionate effect on micro businesses' ability to function - with potentially serious consequences for the business.

The problems experienced by businesses also highlighted the need for efficient customer service when there were issues surrounding communications service outages, disruptions and dips in performance. Those reliant on residential services were particularly vulnerable as they were limited by consumer-grade support and associated service levels.

These factors, coupled with a lack of access to independent advice and practical constraints - skills, time and investment - mean that many micro businesses' ability to advance is hampered. In this report we make a series of recommendations intended to support the ability of micro businesses to fully exploit the opportunities offered by communications.



Jo Connell OBE DL

Chair, Communications Consumer Panel and ACOD

Executive Summary

This report from the Communications Consumer Panel focuses on the findings of research we commissioned among micro businesses to investigate their use and experience of communications services. The qualitative research also reviewed micro businesses' needs, attitudes and concerns about communications services. The Panel is grateful for Ofcom's part-funding of this project. Jigsaw's full research report is available on our website at <http://www.communicationsconsumerpanel.org.uk/downloads/micro-business-qualitative-research-written-report-final.pdf>

The micro business sector is of significant value to the UK economy, contributing over 18% of UK private sector turnover.¹ Yet our research highlights that, in order to maximize the opportunities presented by communications services, there is a need for greater support for this sector by Government, business support associations and communications providers.

The research highlights that for micro businesses to gain greater benefit from their communications services, action is needed in three key areas:

- Government, in association with Ofcom, the industry and communications providers, should focus on supplying **improved speeds and coverage** for both fast broadband and mobile voice and data.
- Communications providers should consider offering **tailored communications service packages** for micro businesses, facilitating access to robust services and business grade support levels.
- Government, Ofcom, local authorities, local enterprise partnerships, chambers of commerce, trade associations and communications providers should review the **information and advice they offer about the benefits of investing in communications**, tailored to the needs and time restraints of micro businesses.

Key Research Findings

The Panel commissioned Jigsaw to carry out independent, qualitative research with 115 micro businesses from across the UK.

The importance of communications in micro businesses

The vast majority of micro businesses said that communications played a critical role within their business. The role these services play is also increasingly important due to today's 24/7 working culture. Significant proportions of micro business owners in this study worked from home and were therefore reliant on residential-grade telephone and broadband services and support levels. Others, particularly those who were mainly on the road or working on-site, were more reliant on the coverage of mobile networks. The reliability and performance of these services were vital in order for the micro business to prosper.

¹ <http://www.parliament.uk/briefing-papers/SN06152/business-statistics>

Challenges of a micro business and its impact on communications

The research highlighted that the specific nature of micro businesses means that they can face particular challenges in using and exploiting communications services and technology for the benefit of business. Business owners - often sole traders - generally lacked the time or resource to increase their awareness and knowledge of communications services and were rarely in a position to outsource communications support to a third party.

The majority of the micro businesses in the study were just keeping pace with changes in communications technology, only developing their communications services if customer needs or expectations changed. Many of these businesses were conscious that they could be making greater use of communications technology.

A minority of the sample were more proactive in their approach to exploiting communications channels, particularly online. They highlighted how communications services enabled them to enhance their competitiveness and expand their markets - essentially allowing them to 'punch above their weight'.

Beyond budgeting in relation to running costs, few micro businesses had a longer-term strategy for communications services and technology, with other investment priorities often higher on the list.

Reliability and performance of communications services

It was clear from the research that micro businesses have a fundamental need for their communications services to operate at optimum efficiency. Slow or complete loss of internet service - even for a short time - could significantly impair a business' ability to function.

“The impact is like walking on one leg. If you haven't got one of the things you need, it is fine being able to cook food and having all the staff standing there paid to do it, but if you can't get orders through because people can't phone to book a table or can't order online or can't do whatever they are doing, then you are not going to get any business in, so you need everything to happen.”
(Restaurant, Urban England)

Businesses also placed a great deal of importance on being contactable no matter where they were, and poor quality mobile coverage was considered to be a major impediment.

“So I need to be somewhere that I have got phone signal on my phone and it is a kind of worry that if I have not got signal a panic sets in because I know if there is a problem and there is no one there going to deal with it.”
(IT Support Company, Urban Northern Ireland)

“My mobile phone can be very frustrating in that the signal is poor and even in different areas of the house. I have to lean right into the window and somehow I get a signal there and my texts come through and people can phone me as long as I am hanging in the window. Sitting in the kitchen or even in the

bedroom and I can't use it and can't pick up signal at all. I can go across to the car park, I have signal in the car park. I can go across to my indoor arena and I have signal there, but yet down in the yard I have no signal.
(Equestrian Centre, Rural Wales)

Many business owners felt that resolving these issues needed to be made a priority.

Additional frustrations were caused by a poor level of customer service from some providers. Businesses highlighted the difficulties caused when communications companies were slow to respond or did not take ownership of a problem, leading to the business needing to spend more time than ought to be necessary to deal with the issue.

"We send our orders electronically, and we send our invoices electronically, and we were unable to do both for about three days. It was just an absolute nightmare and (provider) kept coming out and they kept saying, 'oh we are only allowed to spend a maximum of three hours on this fault and then we have to move onto another fault'."
(Domestic Appliance Company, Urban England)

Making optimum decisions and choices

The research revealed that there is an unmet need for information, advice and guidance specifically tailored for micro businesses. Some businesses highlighted that they found it difficult to make decisions with respect to communications services and providers - as complex pricing and packages made it hard to compare information and to determine the potential return on investment. Many micro businesses expressed scepticism in relation to provider claims about internet speeds and mobile coverage and so there was some reluctance to switch providers.

"Being a small business just means being trampled over not only by the big businesses but by the legislation which allows them to trample over you."
(Restaurant, Urban England)

There was also a need for the provision of a business' communications services to be as flexible as possible to help overcome fluctuations in demand.

"When we came to cancel our service after finding it wasn't what we were promised, we found that we couldn't get out of our broadband contract for two years which left us sort of stuck and quite unhappy."
(Domestic Appliance Company, Urban England)

Exposure to risk

The research highlighted that micro businesses are also potentially more vulnerable to communications-related risks, due both to a lack of appreciation of the need for data backup and cyber security and a lack of awareness of the options available for protection. This, coupled with a reliance on residential services in many cases, meant there was a lower level of protection from risk.

“When we lost all the files it was a complete disaster. We had to go back to using pencil bookings. It took us a while to recover from that.”

(Restaurant, Rural Scotland)

Recommendations

The research highlights that for micro businesses to gain greater effect from their communications services, action is needed in the three key areas identified earlier.

- Government, in association with Ofcom, the industry and communications providers, should focus on supplying **improved speeds and coverage** for both fast broadband and mobile voice and data.
- Communications providers should consider offering **tailored communications service packages** for micro businesses, facilitating access to robust services and business grade support levels.
- Government, Ofcom, local authorities, local enterprise partnerships, chambers of commerce, trade associations and communications providers should review the **information and advice they offer about the benefits of investing in communications**, tailored to the needs and time restraints of micro businesses.

Improved Speeds and Coverage

The vast majority of respondents in this research felt that communications played a critical role in sustaining their business. Micro businesses are reliant on services and technologies that allow them to stay in touch with their customers - they are considered essential and indispensable services.

Impaired or poor service can therefore significantly impact on a micro businesses' performance - or even its ability to function at all. This can be both detrimental and highly disruptive, as micro businesses are often less likely to be able to absorb the resulting loss of business compared to larger companies with greater flexibility around resources.

The Panel recommends that:

- Government and Ofcom investigate the effectiveness of methods of increasing mobile coverage as a matter of urgency - including the possibility of national roaming. Improved coverage must also address road and rail coverage.
- Government explores, as part of the Digital Communications Infrastructure Strategy, a revised minimum requirement for standard broadband connection which would enable micro businesses to support better their online requirements.
- Government raises awareness of, and stimulates demand for, its small business initiatives, including the rollout of superfast broadband e.g. ensuring micro businesses are aware of the possibility of aggregating vouchers and are enabled to use growth vouchers to good effect.

Tailored Communications Services

A significant number of respondents in our research were dependent on the reliability and performance of residential-grade communications services, particularly with respect to the internet. However, this means that when services are disrupted there can be longer delays in rectifying issues or repairing faults than would normally be the case in a business environment (as these services are provided with residential-grade support levels). This is particularly true for business owners with a disability, who place great importance on being able to work from home as and when required.

Great value was placed by micro businesses on being able to easily scale up, and down, their communications usage in line with changes in business fortunes. However, due to their size, many micro businesses felt they lacked the negotiating power or leverage with their communications provider that larger companies enjoy.

The high cost of ancillary services, such as call diverts and international calls, were areas of particular concern to some micro businesses in our study.

The Panel recommends that communications providers:

- consider the introduction of intermediate contracts which are essentially a residential supply but with enhanced support, as well as improved service levels and response times to service faults. It is vital that: information about such contracts is in unambiguous language; there is transparency about key contract terms and conditions, price and any penalty clauses; and that there is ease of contact to skilled customer service staff. There is also a need to ensure improved co-ordination between multiple providers in the value chain around a single customer - particularly customer-facing and wholesale providers.
- provide better support for this growing market sector and look to tailor tariffs and packages to introduce more flexible contractual terms that are currently only available to larger corporations. Additionally, contract terms should not unduly impair businesses' freedom to switch due to lengthy fixed terms or hefty termination penalties.
- consider how these ancillary services can be included as standard as part of a competitively priced core package.

In terms of consumer protection, we have strongly argued that micro businesses should be classed as consumers for the purposes of the Consumer Rights Bill.

- We strongly encourage Government to consider the inclusion of micro businesses in the definition of a consumer for the purposes of the Consumer Rights Bill.

Information and Advice

A number of respondents suspected that they could be doing more with their communications, but approximately half (51%) thought that there was not enough easily understandable information available about technology and communications services for micro business. A lack of skills, knowledge and resources internally, combined with a general absence of specifically tailored information, advice and guidance were all barriers to leveraging the potential business benefits.

We believe that a more planned and purposeful approach to using communications in the business would be likely if it were integrated within broader business planning frameworks offered by business intermediaries and advisors.

The Panel recommends that:

- Local Enterprise Partnerships, Chambers of Commerce, local authorities, and trade associations consider how they can support micro businesses by the provision of an advice hub.
- Government, communications providers and business support organisations review their current information and advice for businesses in relation to communications services and tailor it as appropriate for micro businesses.
- Price comparison websites offer clear information on data and broadband packages that are relevant to micro businesses
- Ofcom uses its resources to support micro businesses seeking information that enables them to assess and judge different providers' performance.

Context

Market definition

UK business is a vital part of the UK economy, providing a major source of skills, innovation and employment.

There were an estimated 4.98 million businesses in the UK at the start of 2013², of which 4.89 were private sector businesses.

The usual definition of small and medium sized enterprises (SMEs) is any business with fewer than 250 employees. Micro businesses are businesses with 0-9 employees i.e. 10 people or fewer including the owner.

The Panel research focuses on the micro business sector.

95% of UK private sector businesses are micro businesses (0-9 employees)

4.67 million micro businesses in the UK

32% - micro businesses account for nearly a third of UK private sector employment

18% - micro businesses contribute nearly a fifth of private sector turnover

75% of all UK private sector businesses are sole traders

6% - sole traders' contribution to private sector turnover

Recent years have seen an expansion in the numbers of businesses with no employees - i.e. sole traders. The Department for Business, Innovation and Skills (BIS) suggests that this may be related to the tough labour market conditions, which may have encouraged people to set up in business as they are made redundant. By 2013, the number of businesses with no employees (sole traders) had grown since 2000 by 56% to a total of 3.7 million, compared with growth of 41% in the total number of businesses.³ Most of the growth in non-employing businesses came from unregistered businesses - i.e. the smallest non-employing businesses not registered for VAT.

² <https://www.gov.uk/government/publications/business-population-estimates-2013>

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/254552/13-92-business-population-estimates-2013-stats-release-4.pdf

The following table illustrates the part micro businesses, and within that population, sole traders, play as part of the wider private sector business context around the UK.

Figure 1: Micro businesses' contribution to business population, employment and turnover across the UK⁴

| | UK | England | Wales | Scotland | Northern Ireland |
|--|---------|---------|--------|----------|------------------|
| Total number of private sector businesses | 4895655 | 4267310 | 189660 | 325570 | 113120 |
| Total number of micro businesses | 4671630 | 4074795 | 180870 | 308865 | 107095 |
| Micro businesses as % of all private sector businesses | 95.4% | 95.4% | 95.4% | 94.8% | 94.7% |
| Total number sole traders | 3684745 | 3227930 | 138510 | 236515 | 81790 |
| Sole traders as % of all private sector businesses | 75.3% | 75.6% | 73.1% | 72.6% | 72.3% |
| Total number of businesses with 1 - 9 employees | 986885 | 846865 | 42360 | 72350 | 25305 |
| Businesses with 1 - 9 employees as % of all private sector businesses | 20.1% | 19.8% | 22.3% | 22.2% | 22.4% |
| Total employment by micro businesses (thousands) | 7763 | 6695 | 322 | 548 | 196 |
| Employment by micro businesses as % of all private sector businesses | 31.8% | 31.4% | 41.8% | 31.8% | 38.9% |
| Total turnover by micro businesses (millions) | 596282 | 524829 | 18940 | 36923 | 15588 |
| Turnover by micro businesses as % of all private sector businesses | 18.2% | 17.7% | 24.7% | 18.1% | 29.7% |
| Total turnover by sole traders (millions) | 208627 | 184236 | 6187 | 12403 | 5800 |
| Turnover by sole traders as % of all private sector businesses | 6.4% | 6.2% | 8.1% | 6.1% | 11.0% |
| Total turnover by businesses with 1 - 9 employees (millions) | 387655 | 340593 | 12753 | 24520 | 9788 |
| Total turnover by businesses with 1 - 9 employees as % of all private sector businesses | 11.8% | 11.5% | 16.6% | 12.0% | 18.7% |

At the start of 2013, there were 4.67 million micro businesses in the UK - this equates to 95% of UK private sector businesses. Micro businesses accounted for nearly a third of UK private sector employment (32%). Micro businesses contributed nearly a fifth of private sector turnover at 18%.

In 2013, 75% of all UK private sector businesses were sole traders. Sole traders accounted for 17% of private sector employment⁵ and contributed 6% of all UK private sector turnover.

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/254552/13-92-business-population-estimates-2013-stats-release-4.pdf

Location

As can be seen in Figure 1 above, according to the Business Population Estimate study 2013⁶, micro businesses accounted for 95.4% of all private sector business across the UK. By nation, there is relatively little variation - micro businesses in England and Wales also account for 95.4% of the private sector business population, while in Scotland it is 94.8% and in Northern Ireland 94.7%. Looking at sole traders, in England, they account for 75.6% of the private sector business population, 73.1% in Wales, 72.6% in Scotland and 72.3% in Northern Ireland.

There is however some variation in the levels of employment by micro businesses with higher levels of employment as a proportion of all private sector businesses in Wales and Northern Ireland than England and Scotland. In Wales micro business employment accounts for 41.8%, and is 38.9% in Northern Ireland. In England and Scotland the figures are 31.4% and 31.8% respectively.

The percentage of private sector turnover contributed by micro businesses also varies between nations with Wales and Northern Ireland recording higher figures (24.7% and 29.7% respectively than England (17.7%) and Scotland (18.1%).

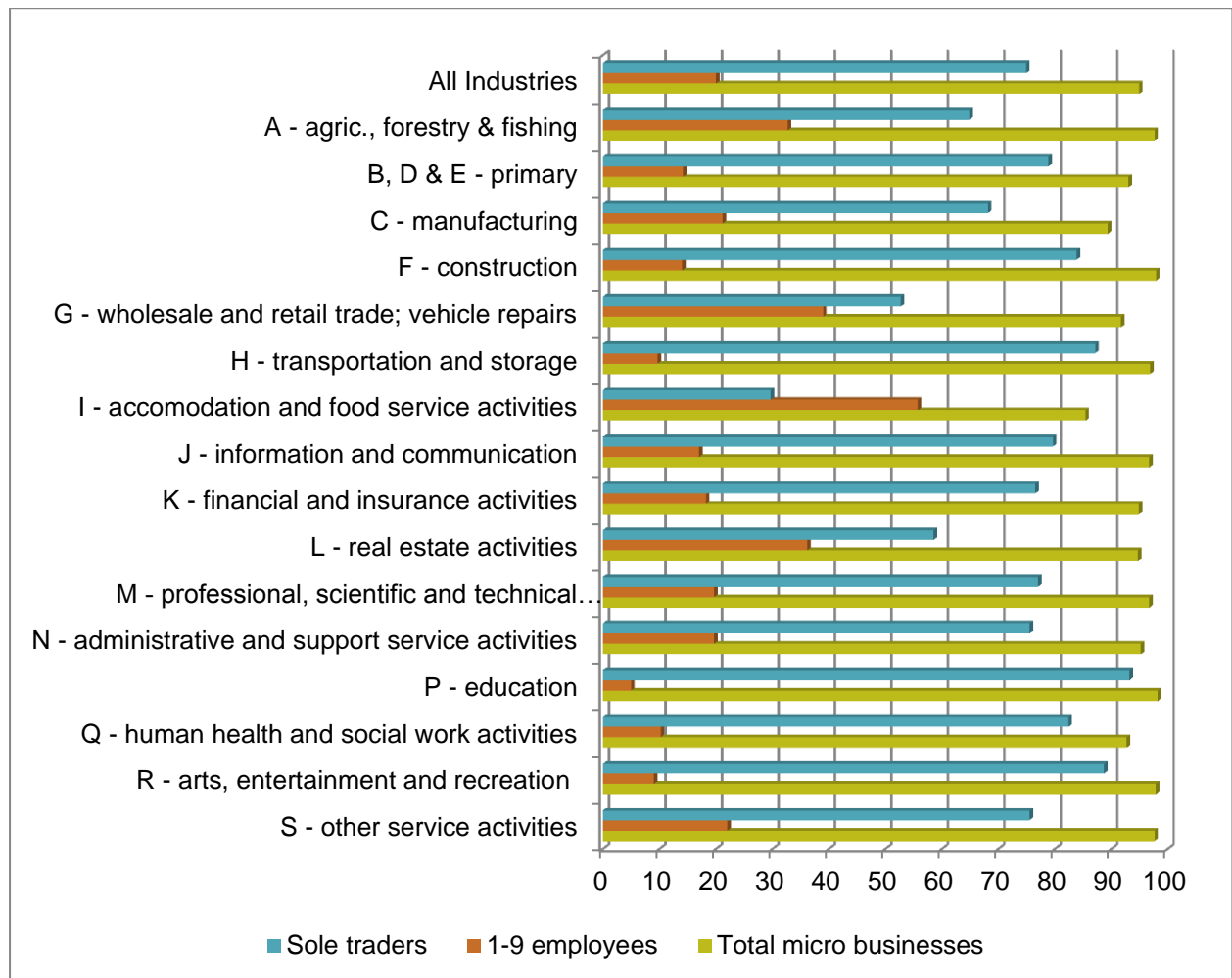
Sectors

The prevalence of micro businesses and, within them, sole traders - businesses that are run by the owner alone - varies between sectors. Education; construction; arts, entertainment and recreation; other service activities; and agriculture, forestry and fishing have a particularly high proportion of micro businesses within the overall sectoral population. Two of these - education; and arts, entertainment and recreation - along with transportation and storage also have a high level of sole traders within the sector.

⁵ <http://www.parliament.uk/briefing-papers/SN06152/business-statistics>

⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/254552/13-92-business-population-estimates-2013-stats-release-4.pdf

Figure 2: Percentage of UK businesses within each sector that are sole traders, have 1-9 employees and are micro businesses⁷



Source: Business Population Estimates 2013 - BIS

⁷ Primary industries in SBS contains 'Mining and quarrying', 'Electricity, gas steam and air conditioning supply' and 'Water supply; sewerage, waste management and remediation activities'.

Research summary

The Panel commissioned Jigsaw to carry out independent, qualitative research with 115 micro businesses from across the UK.

Micro business challenges and how they impact on communications:

The research highlighted that the challenges of running a business were amplified when it was a *micro* business due to its limited size and capacity. The sample of business owners were typically overstretched and time poor, often fixated on the immediate imperatives of acquiring customers and meeting their short term needs. They rarely had the luxury of internal resources to devote to business administration, and generally lacked either capital to invest, or cash to spend, which drove a highly frugal approach to the way they operated.

These challenges were compounded by the day to day headaches of dealing with administration, red tape and managing cash flow. Their physical working environments posed further challenges. A significant proportion of the sampled businesses worked from home, relying on residential services, whilst many other businesses were either operating from premises that were far removed from an ideal office environment, or were frequently on the road or working on site.

The broader context of the economic downturn had added to these challenges. The majority of the sample had been trading since 2008 and for many businesses simply surviving the recession had been a major achievement. Business owners were found to be cautiously optimistic about the general economic outlook; however they were also conscious that they now had to work harder for every pound of revenue brought into the business. Consequently many were focused on increasing revenue and profits over the next 12 months in the hope that the economy was starting to recover.

This context heavily influenced how the sample of micro businesses approached communications services and technology in terms of the following:

- Business owners generally lacked the time and resources to increase their awareness, understanding and knowledge of communications services and technology outside of the confines of their own experiences.
- They were rarely able to delegate communications management to other staff, and generally lacked the budget to contract a third party to support their communications.
- There was an absence of planning and longer term thinking around communications.
- Beyond covering the running costs, making a capital investment in communications could be both impractical and daunting, with other investment priorities often higher on the list.
- Many were dependent on the reliability and performance of residential services and home based technology, including only having access to residential service levels should there be a fault or outage.
- They had a significant need for services and technology that enabled them to work more flexibly and when mobile, helping them to overcome their capacity constraints and to operate in challenging environments.

In summary, relative to other businesses, the sampled micro businesses generally lacked the ability to optimally procure, manage and develop their communications.

The importance and role of communications in micro businesses:

Although communications rarely featured in respondents' explicit business priorities over the next 12 months, the vast majority of sampled businesses felt that communications played a critical and indispensable role in their businesses. The significance of communications was further enhanced by the specific pressures of running a micro business as many were acutely conscious that they could not afford to be unresponsive or un-contactable, a fact that had been sharpened by the economic recession. Many business owners felt that if they did not pick up the phone or respond to an email, then any number of competitors would do so, and their accessibility and speed of response made all the difference in acquiring and retaining customers. Even at its most basic, communications therefore played a vital role in helping micro businesses to survive and prosper.

Whilst communications served a range of business purposes across the sample, the most valued purpose was being in contact with customers. Micro businesses consistently emphasised the importance of every single customer to their business, and placed a premium on services and technologies that allowed them to stay in touch and always be contactable no matter where they were. The reliability and performance of these services was therefore vital to a business being able to connect with its customers.

Usage of communications services and technology by micro businesses:

Whilst the sample of micro businesses used a wide range of communications services and technologies, overall usage spanned a spectrum of sophistication.

At the least sophisticated end of the spectrum, a significant proportion of the sample were relatively 'laggard' in their adoption and usage of communications, getting by on the basics, still using relatively old fashioned technologies, and underutilising the potential of an online presence. These businesses tended to be more *passive* in their approach to this area.

The bulk of sampled businesses appeared to be keeping up with broader mainstream adoption and usage, often only changing their communications if customer needs and expectations changed. These businesses tended to be very *reactive* in their approach, but conscious that they could be doing more with communications.

A minority of the sampled businesses were more sophisticated in their usage and tended to be more *proactive* in their approach to exploiting the possible advantages that communications could offer, particularly through the online channel. They demonstrated the potential for micro businesses to use communications to punch above their weight in business terms, enhancing their competitiveness and expanding their market.

These success stories clearly illustrated the significant impact that communications could have on the prosperity of a given micro business. However these examples were in the

minority, within an overall sample which had largely underexploited the potential benefits that communications could offer.

Usage across the four services:

Fixed line - was still regarded an essential tool for micro business communications and was seen as central for many businesses who still conducted much of their business through a landline. Others still saw it as critical due to the internet service. Fixed line also played an important role in helping micro businesses give an impression of tangibility and credibility to new and prospective customers. There was limited usage of voice over internet protocol (VoIP) amongst the sample. However those using the service were strong advocates in terms of the flexibility, convenience and lower costs that it could offer.

Internet - as expected the internet was widely used amongst the sampled micro businesses but only around two thirds of the sample went as far as having a company website. Standard broadband (ADSL) was most frequently used and generally seen as an essential business tool. Superfast broadband was only used by a minority at the time of the research, but many respondents claimed they would be looking to switch to superfast broadband over the next 18 months, and they were keen to benefit from the expected combination of speed and reliability that would help enable a range of important business applications.

There was some active exploitation of e-commerce amongst a minority of respondents in the sample. Other respondents were considering converting a static website into a transactional website, although such a move often represented a daunting investment decision. However alongside questions of whether or not to develop a website, or move into e-commerce, was the widespread usage of social media for business purposes, in particular Facebook. Over half of those sampled were using social media for their business, and many saw their usage of services like Facebook as on a par with having a website. Using social media to help project the business online was a significant theme in the research, and the particular characteristics of social media lent themselves very well to the needs and preferences of micro businesses.

Looking to the future, exploiting the potential of online for business purposes was a major area of interest and ambition for many of the sampled micro businesses.

Mobile - mobile was regarded as critical across the sample and well suited to the needs of micro businesses. Mobile technology in general had the potential to enable them to work more flexibly and overcome their capacity constraints. A number of sole traders conducted the vast majority of their business communications through their smartphones using a combination of voice and email to cover most of their needs. Micro businesses were relatively confident in making decisions in this area and out of all the communications services they tended to operate more as a consumer than as a business, often relying on their own, and their staff's, personal phones to cover their business needs. Smartphones were therefore a particularly important tool for micro businesses, and the research indicated that they would remain a central part of their communications setup in the future.

Mobile internet - views on mobile internet frequently overlapped or merged with views on mobile in general with the demarcation between the two services often becoming blurred. The research indicated that mobile internet was still an emerging area for the sampled micro businesses, particularly in terms of harnessing its potential via devices other than a smartphone. However, the potential to be able to use devices such as a tablet whilst out and about represented the optimum balance of functionality and mobility that was particularly appealing to micro businesses.

Micro business issues and challenges with communications:

The research highlighted a number of issues and challenges faced by the sample in using communications services and technology. These included the following:

Key issue 1: Reliability and performance of communications

Fundamentally micro businesses needed their communications services to be available and to perform to the required standard. The quality of the technical service was of paramount importance. The issues raised by the sample in this area included the following:

Reliability and performance of the internet - a loss of internet service could significantly impair a business from functioning. The impact could be detrimental and highly disruptive, with relatively fragile micro businesses often less able to absorb the resulting loss of business compared to larger businesses. Slow internet speeds were an on-going issue in rural areas, but were also found in other locations. Micro businesses depended upon the internet for all sorts of key business functions, and slow speeds could significantly hamper their operation. These technical issues could be compounded by poor customer service from providers when trying to resolve the issue.

Mobile phone coverage - mobile phone coverage could be highly variable and consistently poor in certain areas. Around a third of the sample raised issues with respect to reception, and many appeared resigned to having to tolerate suboptimal coverage. Rural locations were the worst affected but the issue could also be experienced in urban locations. Those with poor coverage in and around their business premises found it a major impediment to doing business. For those experiencing coverage issues whilst on the move, poor coverage could be a disruptive irritant and inconvenience. The sample placed a great deal of importance on the need to always be contactable no matter where they were, and the quality of mobile coverage played a critical role in enabling this.

Variable 3G and 4G coverage - whilst mobile internet was a relatively emergent area for micro businesses, many nevertheless depended upon it for a range of business communications functions, particularly those who were heavy users of their smartphones. Many of the sampled businesses reported coverage as an issue either in general, or specifically with regard to a lack of 3G, and a minority also complained of a lack of 4G coverage. The sample was keen to see the continued roll out of robust and reliable mobile internet in the future.

Customer service and provider response to disruption - customer service issues were primarily raised with respect to how satisfactorily providers responded to internet and fixed line outages, disruptions and dips in performance. Many of the sampled micro

businesses were highly critical of provider responses in this area which could prolong the impact of service disruptions. Those dependent upon residential services could be particularly vulnerable in this area as they only had residential grade service levels to fall back on. Slowness of response, not knowing how long the fix would take, being caught between two different service providers who refused to take ownership, and not having access to assigned engineers, were all cited as specific frustrations and shortcomings in this area.

Key issue 2: Making optimum decisions and choices

The sampled micro businesses raised a number of specific issues around decision making with respect to communications services and providers. The most significant issues included the following:

Difficulty comparing information - some businesses felt it was difficult to compare information across providers due to complex pricing and packages, particularly for internet and mobile data.

Lack of trust in provider claims - many expressed scepticism about provider claims with respect to internet speeds and mobile phone coverage. The perception was that mobile coverage did not turn out to be as comprehensive as the provider claimed and internet speeds presented as 'up to X MB' were often regarded as questionable.

Lack of access to information, advice and guidance specifically designed for micro businesses - the majority of those sampled were unable to afford independent 3rd party advice. In addition information, advice and guidance seemed more geared towards either consumers via comparison services, or SMEs via more account managed services from providers or external consultants. The research revealed an unmet need for information, advice and guidance that was specifically designed for micro businesses in this area.

Deciding whether or not to invest capital in communications - micro businesses' ability to invest was relatively limited due to financial constraints. However potential opportunities, particularly e-commerce, could be hampered by the difficulties of calculating the return on investment and building a firm business case.

Key issue 3: Micro businesses may be more reluctant to switch

The research revealed a reluctance to switch amongst the sampled businesses, in particular with regard to fixed internet. A key barrier to switching was the expected service disruption which was seen as intolerable from a business perspective, particularly for those dependent upon residential services. Many who had switched internet providers in pursuit of cheaper costs had often regretted their decision when they experienced a service disruption and poor provider response.

This reluctance to switch needs to be considered in the context of how confident the sample of micro businesses felt about negotiating better terms with their existing providers. Many of the sampled businesses felt that micro businesses were particularly disadvantaged in such negotiations due their small size and limited account value. In their view they lacked the negotiating leverage that larger companies enjoyed with providers, which enabled such companies to secure better deals.

Key issue 4: Micro businesses' exposure to risk

The research revealed that the sample of micro businesses were particularly vulnerable to certain risks due to their approach to communications. Whilst some had learnt about issues such as remote data backup or cyber security the hard way through experience, many others were simply unaware of their exposure in this area. The two most significant risks arose from the following:

Reliance on residential services - over a third of the sampled micro businesses were working from home either on a full or part time basis. These businesses were therefore more dependent upon the quality of residential services and subject to residential grade support when the service was disrupted.

Lack of awareness about remote data backup - many of the sampled micro businesses were unaware of the need for remote backup of business data. For those that had experienced a loss of business data, the impact could be highly disruptive and long lasting.

In addition there was a general lack of spontaneous awareness of the importance of cyber security amongst the sampled businesses. Although few within the sample had directly experienced breaches in security this could become a growing area of risk if more micro businesses engage in e-commerce opportunities.

Unlocking the potential of communications in the future:

Looking forward, across the sample, micro businesses saw communications as continuing to be central and critical to their future. Although many found it hard to be specific, respondents highlighted a number of broad areas where they felt their approach could be developed further. These included:

- A communications review that evaluated their current setup and practices and suggested improvements.
- Further exploration of how expanding their business online could be of benefit to them.
- Investing in more up to date technology, particularly mobile devices such as tablets.
- Bringing about a level of integrated mobility that enabled greater flexibility and agility in their operations.

However the potential to exploit communications further faced two overall barriers; which can be broadly seen as external, (primarily supplier and market driven) and internal, (primarily the understanding of the business owners themselves).

External barriers that the sample highlighted included improving mobile phone coverage and access to faster and better broadband. In addition, providing clearer information and advertising were seen as market related barriers that needed to be addressed.

In terms of internal barriers, these primarily focussed on the general lack of skills and knowledge about communications that was evident amongst the majority of the sample, bar the most proactive and sophisticated users. Furthermore the sample simply lacked the time and resources to devote to investigating the area, either independently or via a third party. This knowledge barrier was further compounded by a general absence of any

information, advice and guidance that was specifically designed for micro businesses and their needs.

These barriers will need to be addressed if micro businesses are to realise the potentially significant business benefits that greater adoption and usage of communications can deliver.

Research - Summary of Key Findings

- Virtually all respondents who participated highlighted the critical and fundamental role that communications played in their business both now and in the future.
- However only a minority of the sample took a proactive and relatively sophisticated approach to communications, delivering tangible business benefits as a result.
- The majority were relatively passive or reactive in their usage and adoption, with many in the sample under-exploiting the potential of communications.
- Overall the sample of micro businesses faced considerable challenges in terms of being able to optimally procure, manage and develop communications within their businesses.
- The research highlighted a number of issues and challenges that micro businesses faced with respect to their communications. These included the following:
- **Key issue 1: Reliability and performance of communications infrastructure.** Specific issues included:
 - Loss of internet service or slow, variable, speeds.
 - Poor and variable mobile phone coverage.
 - Poor and variable mobile internet coverage.
 - Poor customer service response to service faults.
- These infrastructural issues could be highly disruptive to the sampled micro businesses, impairing their ability to function day to day, and hampering operations.
- **Key issue 2: Making optimum decisions and choices.** Specific issues included:
 - Difficulty in comparing information, particularly prices and data packages.
 - A lack of trust in provider claims regarding mobile network coverage and internet speeds.
 - A general absence of information, advice, and guidance specifically designed for micro businesses and their needs.
 - Difficulties in calculating the return on capital investments in communications.
- **Key issue 3: Micro businesses may be more reluctant to switch providers particularly internet service providers.** Specific issues included:
 - Concerns over the expected loss of internet and fixed line during the switching process could be prohibitive to switching.
 - Many of the sampled businesses also felt they were in a relatively weak position in negotiating better deals with existing providers due to their small size.
- **Key issue 4: Micro businesses' exposure to risk in relation to communications.** Key risks included:
 - Reliance on residential grade services by a significant proportion of the sample.
 - Lack of awareness about remote data backup practices.
 - Lack of awareness about cyber security.

- In terms of the future exploitation of communications, many in the sample were keen to understand how they could use communications more widely and effectively in their business.
- Areas of interest included reviewing and improving their current approach, exploiting being online more, investing in new technology, and achieving greater integration and mobility.
- However exploiting communications further required key barriers to be addressed before micro businesses could realise this potential. These included:
 - Improving mobile network coverage and access to faster and better broadband.
 - Accessing clearer information and advertising from providers.
 - Improving micro businesses' knowledge and skills in the area.

Recommendations

The micro business sector is of significant value to the UK economy, yet our research highlights that, in order to maximize the opportunities presented by communication services, there is a need for greater support for this sector.

Our findings highlight that for micro businesses to gain greater effect from their communications services, action is needed in three key areas:

- Government, in association with Ofcom, the industry and communications providers, should focus on supplying **improved speeds and coverage** for both fast broadband, and mobile voice and data
- Communications providers should consider offering **tailored communications service packages** for micro businesses, facilitating access to robust services and business grade support levels
- Government, Ofcom, local authorities, local enterprise partnerships, chambers of commerce, trade associations and communications providers should review the **information and advice** they offer about the benefits of investing in communications, tailored to the needs and time restraints of micro businesses

Improved Speeds and Coverage

The vast majority of respondents in this research felt that communications played a critical role in their business. Micro businesses in particular place a premium on services and technologies that allow them to stay in touch with their customers.

Impaired or poor service can therefore significantly impact on a micro business's performance - or even its ability to function at all. The impact can be both detrimental and highly disruptive, particularly amongst this group, who are often less likely to be able to absorb the resulting loss of business compared to larger companies.

The Panel has welcomed the 4G coverage obligation and the mobile infrastructure project as tools to increase mobile coverage in each Nation, and contributions to addressing the urgent need to drive rapid improvements in rural broadband and mobile voice/data coverage. However there is still some significant way to go and the need to keep this matter at the top of the agenda has been highlighted by issues encountered as a result of recent developments in this area e.g. some mobile network operators' mast rationalisation programmes.

In the Panel's view, sub-optimal delivery of communications services as a result of inadequate infrastructure - be it lack of fast broadband or the absence of mobile voice and/ or data coverage - has long ceased to be a matter of irritation and is now one of real detriment. This is particularly the case for business owners with a disability, who the research found are particularly reliant on mobile technology, and for companies working in many rural areas and outside major conurbations.

The Panel therefore recommends that:

- Government and Ofcom investigate the effectiveness of methods of increasing mobile coverage as a matter of urgency - including the possibility of national roaming. Improved coverage must also address road and rail coverage.
- Government explores, as part of the Digital Communications Infrastructure Strategy, a revised minimum requirement for standard broadband connection which would enable micro businesses to support better their online requirements.
- Government raises awareness of, and stimulates demand for, its small business initiatives, including the rollout of superfast broadband e.g. ensuring micro businesses are aware of the possibility of aggregating vouchers and are enabled to use growth vouchers to good effect.

Tailored Services

A significant number of respondents were dependent on the reliability and performance of residential-grade communications services, particularly with respect to the internet. However, this means that when services are disrupted there can be longer delays in rectifying issues or repairing faults than would normally be the case in a business environment (as these businesses are also reliant on residential-grade support services). This is particularly true for business owners with a disability who place great importance on being able to work from home as and when required.

- We recommend that communications providers consider the introduction of intermediate contracts which are essentially a residential supply but with enhanced support, as well as improved service levels and response times to service faults. It is vital that: information about such contracts is in unambiguous language; there is transparency about key contract terms and conditions, price and any penalty clauses; and that there is ease of contact to skilled customer service staff. There is also a need to ensure improved co-ordination between multiple providers in the value chain around a single customer - particularly customer-facing and wholesale providers.

Great value was placed by micro businesses on being able to easily scale up, and down, their communications usage. In particular, there was a desire for more flexibility within mobile phone contracts as well as the ability to add and subtract services without undue cost or penalty. However, due to their size, many micro businesses feel they lack the negotiating power or leverage with their communications provider that larger companies enjoy.

- We recommend that communications providers better support this growing market sector and look to tailor tariffs and packages to introduce more flexible contractual terms that are currently only available to larger corporations. Additionally, contract terms should not unduly impair businesses' freedom to switch due to lengthy fixed terms or hefty termination penalties.

We have encouraged communications providers to provide clearer information for customers about service expectations, and we believe this, along with better support for those micro businesses experiencing a problem, is now a paramount requirement. The Panel's previous research, '*Going round in circles? The Consumer Experience of dealing with problems with communications services*'⁸, highlighted that initial frustrations in relation to a service could be exacerbated by a negative contact experience. This research has highlighted how service disruptions and poor provider response can significantly impair the running of micro businesses.

When communications providers are slow to respond, fail to take ownership of a problem or require multiple contacts to be made to get the problem resolved, they risk significantly undermining a micro business's operations - both in terms of logistics as well as negative financial and reputational impact. Both providers and micro businesses could consider how businesses' resilience could be increased by the provision of services from dual sources and remote backup.

The high cost of ancillary services, such as call diverts and international calls, were areas of particular concern to some micro businesses in our study. We are also conscious that some mobile operators make an additional charge for using mobile data via tethering or when using a handset as a Wi-Fi hotspot. These services are integral to the operation of many micro businesses.

- We recommend that communications providers consider how these ancillary services can be included as standard as part of a competitively priced core package.

In terms of consumer protection, we have strongly argued that micro businesses should be classed as consumers for the purposes of the Consumer Rights Bill.

- We strongly encourage Government to consider the inclusion of micro businesses in the definition of a consumer for the purposes of the Consumer Rights Bill.

Information and Advice

This research strongly suggests that there is an unmet need for well-signposted, independent advice on how micro businesses can exploit communications services to their advantage, as well as a lack of information on the business benefits of investing in this area. However this is not in relation to the simple provision of information and advice but rather the signposting, format, accessibility and independence of such advice.

Many micro businesses considered that communications would remain central and critical to their future. Many were keen to review their communications to evaluate their current set up and identify areas to improve, whilst avoiding over-complication. A number of businesses suspected that they could be doing more with their communications, but approximately half (51%) thought that there was not enough easily understandable information available about technology and communications services for micro business. A lack of skills, knowledge and resources internally, combined with a general absence of specifically tailored information, advice and guidance were all barriers to leveraging the potential business benefits.

We believe that a more planned and purposeful approach to using communications in the business would be likely if it were integrated with broader business planning frameworks offered by business intermediaries and advisors.

We recommend that:

- Local Enterprise Partnerships, Chambers of Commerce, local authorities and trade associations consider how they can support micro businesses by the provision of an advice hub.

Such a hub could be linked to other trusted micro business touch points, such as Companies House, HMRC, banks and business resource libraries, providing independent information and signposting to relevant resources.

The research highlighted that micro businesses are keen to have resources such as:

- ‘how to guides’ and case studies on communications issues, e.g. how to evaluate website design proposals;
- cyber-security and data backup advice;
- an online communications ‘health check’ to identify and assess opportunities to improve their current communications;
- signposting to independent advice for more detailed communications issues;
- accessing and procuring adaptive technologies and making best use of accessibility features in mainstream equipment and software to help business owners with a disability improve their use of communications; and
- assessment tools that can help businesses calculate the potential business benefits e.g. return on investment of investing in communications

Micro business owners were also seeking information that was relevant to and fitted their circumstances, bearing in mind the life-stage, maturity and size of the business.

- We recommend that Government, communications providers and business support organisations review their current information and advice for businesses in relation to communications services and tailor it as appropriate for micro businesses.

The introduction of micro business specific contracts would also enable micro businesses to compare packages across services and providers, and assess the implications and potential benefits of switching.

- We recommend that price comparison websites offer clear information on data and broadband packages that are relevant to micro businesses

The Panel has worked closely with Ofcom to encourage it to provide information in relation to reliability of service and complaints data. The type of information that Ofcom has long provided for consumers is also of great value to micro businesses. We have therefore encouraged Ofcom to use its position and knowledge base to support these businesses. In respect of coverage information, we suggest that information should be handset specific if at all possible and about indoor, outdoor and on the move voice and data coverage.

- We recommend that Ofcom uses its resources to support micro businesses seeking information that enables them to assess and judge different providers' performance.

It is also important to consider micro businesses' experience as consumers of other services - including those they are required to undertake by the public sector. As the Government Digital Service continues to develop online government services, we would urge them to remain alert to the needs of micro businesses.

Excellent network coverage and call quality combined with the provision of better information will help people make better choices - and make greater use of the functions and applications that they want, which in turn we believe will drive up service levels and ensure that a thriving competitive market benefits all stakeholders. In particular, consumers in the widest sense - including micro businesses and irrespective of location - should not be left behind, left out or left wanting.

Annex 1: Microbusiness Research, Background and Context

The Panel also undertook desk research to review the information already available in this area. Common themes from the research included:

- There are some businesses who are not online and believe that it is not relevant to them;
- Lack of knowledge/ technical “know how” is a key barrier to some small businesses making the most of technology;
- SMEs are constrained by time and resource to seek out advice to help make the most of communications technology;
- More support and better access to information are seen as key drivers to getting SMEs to make the most of communications services; and
- Industry as a whole needs to reinforce the additional value that communications services could bring to businesses.

Published research we reviewed included, but was not restricted to:

Digital Capabilities of SMEs in the North East, August 2014

<http://mydigitalbiz.co.uk/2014/07/market-research-report-on-smes-in-the-north-east-launched/>

The fourth utility: Delivering universal broadband connectivity for small businesses across the UK

<http://www.fsb.org.uk/policy/assets/fsb%20the%20fourth%20utility%20paper.pdf>

UK Business Digital Index 2014, Lloyds Banks, April 2014:

http://businesshelp.lloydsbankbusiness.com/downloads/LB_UK_Business_Digital_Index_31_03_14.pdf

Capitalising on Connectivity: Realising the benefits of broadband for UK Small and Medium Sized Enterprises, Broadband Steering Group (BSG), March 2014:

<http://www.broadbanduk.org/wp-content/uploads/2014/03/Capitalising-on-Connectivity.pdf>

Small Business Survey, 2012: SME Employers BIS, April 2013:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/193555/bis-13-p74-small-business-survey-2012-sme-employers.pdf

Small Business Survey, 2012: Businesses with no employees, BIS, April 2013

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/193548/bis-13-p180-small-business-survey-2012-businesses-with-no-employees.pdf

The Digital Imperative: small businesses, growth and technology, 2013:

<http://www.fsb.org.uk/frontpage/assets/fsb-intellect-april13.pdf>

IT's role at the grassroots of British business, techSME Index 2013

<http://www.simplybusiness.co.uk/media/pdf/downloads/techsme-report.pdf>

Drivers & Inhibitors to Cloud Adoption for Small and Midsize Businesses, Microsoft, February 2012

<http://www.microsoft.com/en-us/news/presskits/telecom/docs/smbcloud.pdf>

“This Is for Everyone” The Case for Universal Digitisation, Booz & Company 2012

http://www.strategyand.pwc.com/media/uploads/Strategyand_This-Is-for-Everyone.pdf

Internet matters: The Net’s sweeping impact on growth, jobs, and prosperity, May 2011

http://www.mckinsey.com/insights/high_tech_telecoms_internet/internet_matters

ICT Activity of UK Businesses 2011, Office for National Statistics

http://www.ons.gov.uk/ons/dcp171778_289328.pdf

SME Engagement with Digital Communications Services, Ofcom (and Jigsaw), September 2006

<http://stakeholders.ofcom.org.uk/binaries/research/cmr/smereport.pdf>

Annex 2: Jigsaw's Microbusiness Research

See <http://www.communicationsconsumerpanel.org.uk/downloads/micro-business-qualitative-research-written-report-final.pdf>