

Communications Consumer Panel and ACOD's response to Ofcom's call for inputs on communications services and SMEs

Introduction

The Communications Consumer Panel (the Panel) and the Advisory Committee for Older and Disabled People (ACOD) welcomes Ofcom's call for inputs on communications services and SMEs.

The Panel works to protect and promote people's interests in the communications sector. We are an independent body set up under the Communications Act 2003. The Panel carries out research, provides advice and encourages Ofcom, government, the EU, industry and others to look at issues through the eyes of consumers, citizens and micro businesses. The Panel pays particular attention to the needs of older people and people with disabilities, the needs of people in rural areas and people on low incomes, and the needs of micro businesses, which have many of the same problems as individual consumers. There are four members of the Panel who represent the interests of consumers in England, Northern Ireland, Scotland and Wales respectively. They liaise with the key stakeholders in the Nations to understand the perspectives of consumers in all parts of the UK and input these perspectives to the Panel's consideration of issues.

There is also cross-membership with ACOD. This means that Members, in their ACOD capacity, provide advice to Ofcom on issues relating to older and disabled people including television, radio and other content on services regulated by Ofcom as well as about issues concerning the postal sector.

Micro businesses' needs and experiences of the communications sector - Panel Input

We welcome the focus that the SME market sector is receiving. Our response is limited to those SMEs that fall within our remit (micro businesses employing nine or fewer people), which have needs that are often more acute than larger businesses. In particular, for the people running these enterprises time is often at a premium, so seeking out the best deals for them should be straightforward; availability of, access to, and reliance on communication services (voice and data) are crucial; and support needs to be given with micro business' particular circumstances in mind.

There are an estimated 4.9 million private sector businesses in the UK and 95% of them can be classified as a micro business. They account for 32% of UK private sector employment and 18% of turnover.

As noted in the call for inputs, as part of its recent report '*Realising the potential - Micro businesses' experiences of communications services*'¹, the Panel commissioned Jigsaw to carry out independent, qualitative research with a wide range of 115 micro businesses from across the UK.

The core areas the Panel wished the research to address were:

- To understand which communications technologies and services micro businesses use and their importance to the business.
- What are their experiences of the communications sectors and services?
- What are the barriers and challenges, and what are the opportunities?
- What, if anything, should or could be done to improve communications experiences to contribute to greater growth?

The research highlights that communications services play a critical role in the success of micro businesses. However, they face a wide range of challenges in using and fully exploiting the opportunities offered by these services and technology for the benefit of business. To help enable micro businesses to gain greater benefit from their communications services, the Panel made a series of recommendations which we detail below, supported by some direct quotes from business owners.:

Recommendations:

The sections below illustrate some of the issues experienced by our respondents, grouped into three key themes, and the Panel's related recommendations.

1. Improved Speeds and Coverage

'We have a website, use email a lot and make calls on our mobiles but you are hampered by the fact the broadband speeds are diabolical here and the mobile is very patchy.'
Rural equestrian centre, Wales

'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 a signal a panic sets in because I know if there is a problem there is no one there going to deal with it.'

IT support company, urban Northern Ireland

¹ <http://www.communicationsconsumerpanel.org.uk/research-and-reports/realising-the-potential-micro-businesses--experiences-of-communications-services>

The Panel encourages:

- Government and Ofcom to 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 to explore, 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 to raise awareness of, and stimulate 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.

2. Tailored Services:

“There is not a problem with them (phones) if you are just working within the UK, that is absolutely fine, that is very straight forward but as soon as my business partner goes to Italy then the tariffs immediately change, it is far more expensive. It is very complicated as to what we are allowed to do and not allowed to do, and if you make a mistake and start downloading data you get charged five quid a megabyte and things like that. It is quite, quite unpleasant when you have missed it and the bill comes in and it is for £400-500.”

IT support company, urban England

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 businesses are also reliant on residential grade support services. Many micro businesses feel they lack negotiating power or leverage with their communications provider that larger companies enjoy.

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.
- 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.

- 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.

3. *Information and Advice:*

“We don’t embrace technology you could say, a website would be good but we can’t do that or Facebook until we get broadband. There are so many products to put on it though; we’re not sure how to do it. We did think about setting up a shop on Ebay but we don’t know how to do it, there is no step by step guide.”

Craft shop, urban Scotland

The Panel encourages:

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

Research summary

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.

Summary

In summary, we urge more work in this important area with a view to ensuring that markets work in support of SMEs and particularly micro businesses.

- Government, in association with Ofcom, 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.