



Commission for
Communications Regulation

Survey Report

Business Telecommunications Survey Wave 2, 2005: Report and Analysis

Document No:	06/04a
Date:	25th January 2006

An Coimisiún um Rialáil Cumarsáide

Commission for Communications Regulation

Abbey Court Irish Life Centre Lower Abbey Street Dublin 1 Ireland

Telephone +353 1 804 9600 Fax +353 1 804 9680 Email info@comreg.ie Web www.comreg.ie

Contents

1	Introduction	2
2	Fixed and Mobile Telecoms Spend	3
3	Switching behaviour	6
3.1	FIXED LINE SWITCHING	6
3.2	MOBILE CONTRACTS AND SWITCHING	7
3.3	SINGLE PROVIDER FOR FIXED AND MOBILE CALLS.....	7
4	Mobile Data Services	8
5	Internet and Broadband Services	9
5.1	INTERNET CONNECTIONS	9
5.2	VOIP.....	11
6	Impact of loss of service	12

1 Introduction

ComReg has surveyed the Small and Medium Enterprise (SME) sector as a user of communications products and services on an annual basis since 2001. This report is the second in the revised business sector survey series which samples both the SME and large corporate sectors in Ireland¹. The six-monthly survey, carried out by Millward Brown IMS, aims to gain insight into the attitudes and perceptions of the business sector towards fixed, mobile and internet services offered in Ireland.

The surveys were conducted in November 2005 via telephone interview, and the sample comprised 500 SME² and 50 corporate³ companies. SMEs were defined as companies with less than 100 employees. It is hoped that sampling the SME and corporate sector in tandem will enable richer comparative analysis on the differing needs and experiences among corporate and SME consumers of electronic communications services.

This report summarises the key findings of the survey, and provides further analysis of the survey results. A full set of survey results⁴ can be found in the presentation document accompanying this report.

¹ Wave 1 of this survey, ComReg 05/76 and 05/76a, was published in October 2005

² The sample structure changed in 2005 compared to previous business research undertaken for ComReg. The distribution of the SME sample across each of the company size segments has been determined by the number of employees each company size segment accounts for i.e. it is estimated that 57% of all employees are employed in companies employing less than 10 people, therefore 57% of the SME sample is made up of companies employing 1 – 9 people.

³ Large corporates were defined as companies employing 100 or more employees. Quota controls were set to ensure that 50% of the sample employed 100 – 299 employees, and 50% of the sample employed 300+ people

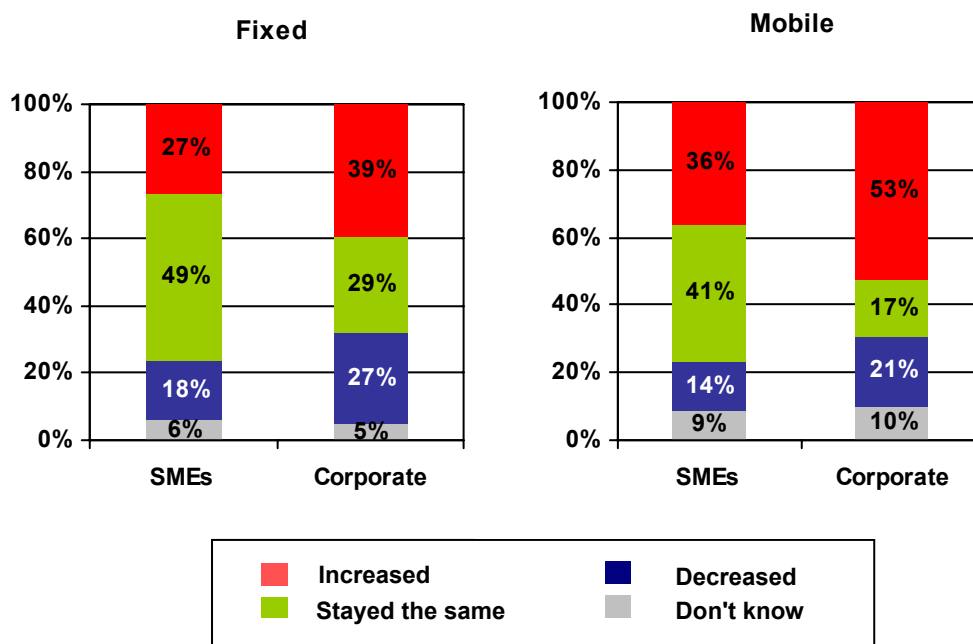
⁴ ComReg 06/04b

2 Fixed and Mobile Telecoms Spend

This section investigates business telecoms spend for both fixed voice and mobile services. A greater proportion of corporate businesses than SMEs reported that their fixed line spend has increased over the past 12 months, they attributed this increase to greater usage as opposed to higher prices. Nearly seven in ten SMEs stated that there had either been a decrease or no change in their fixed call costs in the last 12 months. Of those that believed their bill had increased in the last year, most felt it was a combination of increased usage and higher prices. Only 9% of SMEs, who believed that their fixed spend had increased, attributed this solely to higher prices.

On average, SMEs' monthly spend on their fixed line phone bill is €549; 42% of SMEs spend less than €250. The average for corporates is €3,239, with 28% of corporate respondents stating that they spend over €5,000 a month.

Figure 2.1: Changes in fixed and mobile spend



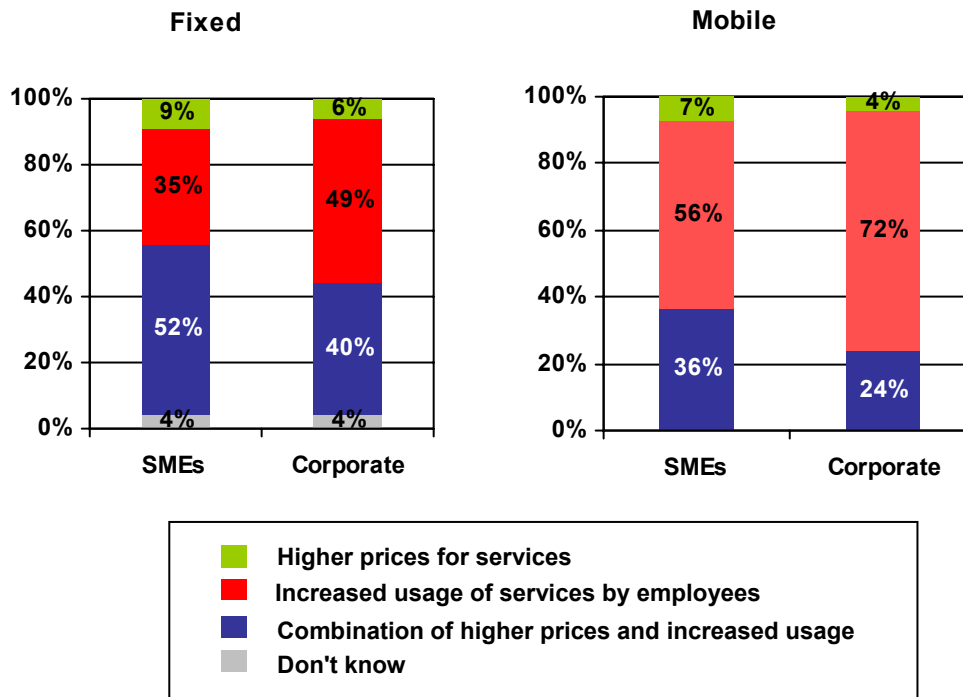
Base: All respondents (n=550)

The average monthly spend by SMEs on mobile calls was €562, which is slightly higher than their average monthly fixed spend. For corporates, the average monthly mobile spend was lower than fixed spend at €2,809. On a sectoral basis – wholesale and financial services companies had both higher mobile and fixed telecoms spend.

Overall mobile spend appears to have increased more than fixed line spend across corporates and SMEs in 2005, with 53% of corporate respondents and 36% of SMEs stating that their mobile phone bills had increased in the last 12 months.

The main reason given by both corporates (72%) and SMEs (56%) for their increased mobile spend was increased usage of their mobile phones, overall 34% of all respondents believed that it was a combination of increased usage and higher prices, while 7% of SMEs and 4% of corporates attributed the increase to higher prices only.

Figure 2.2: Reasons attributed to increased spend

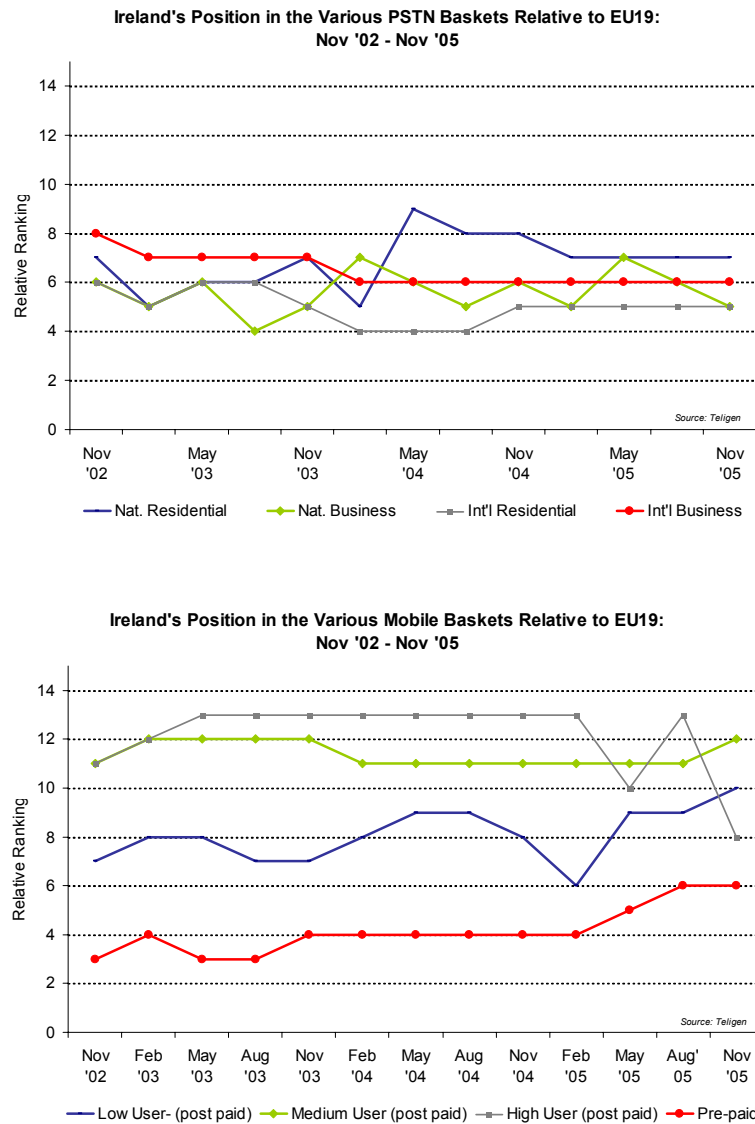


Base: All who believe their spend has increased (n=155)

Pricing data provided by Telenor in its T-Basket products⁵ compare the average costs of various telecoms services among 19 EU countries. The graphs below show Ireland’s relative positions over the last 3 years for PSTN and mobile baskets, and illustrate higher relative prices for mobile services as compared with fixed services. With the exception of the pre-paid mobile basket where there is no fixed monthly charge, all other baskets are based on a combination of fixed monthly charge e.g. line rental, and call costs.

⁵ An OECD-approved methodology was adopted by T-Basket to compare operators’ tariffs. This format follows a basic three-step process consisting of (i) the construction of one or more baskets of telephone/leased line services; (ii) the pricing of those baskets; and (iii) the conversion of the individual currencies to standard units (e.g. Euros of Purchasing Power Parities (PPPs)).

Figure 2.3: Teligen PSTN and mobile pricing baskets



A recent iReach alert on telecoms spend in Ireland 2006⁶ predicts continued decline in fixed voice spend, as mobile and fixed data services - which include the increased take-up of IP telephony – make up larger proportions of telecoms spend.

Initiatives like the reduction of mobile termination rates (MTRs) may spur further reductions in telecoms prices for businesses in the future.

⁶ iReach: Telecom Spending in Ireland 2006, 16 December 2005

3 Switching behaviour

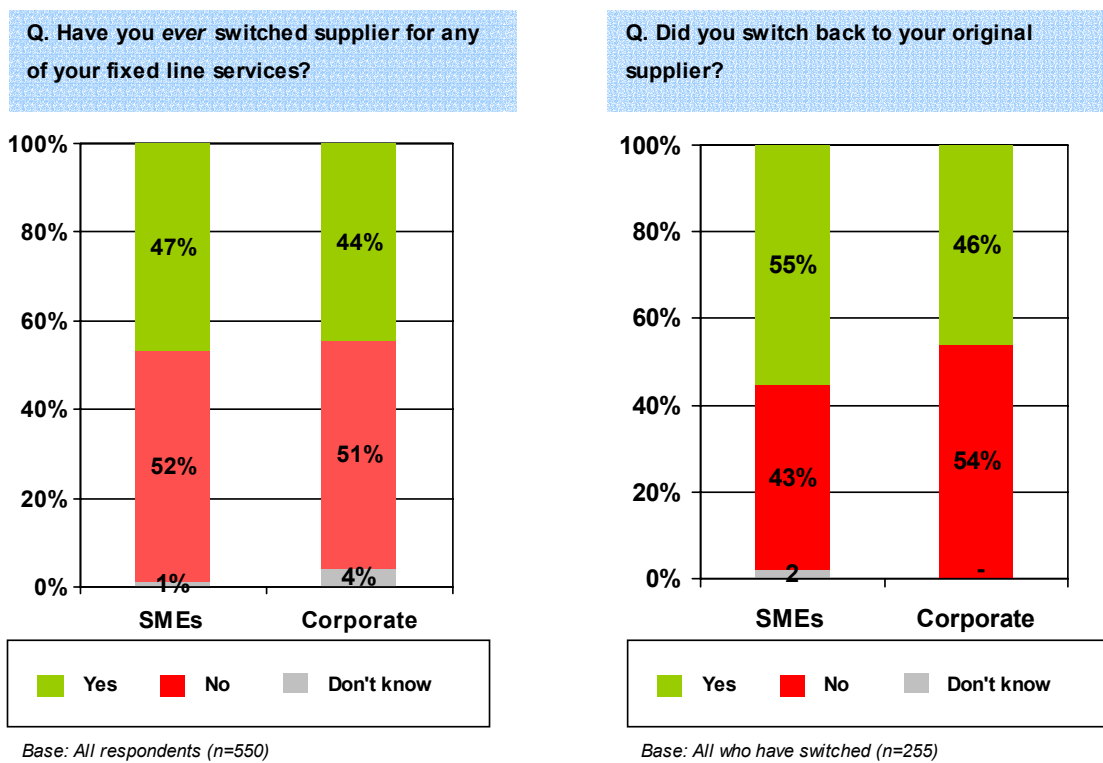
3.1 Fixed Line Switching

When asked about their supplier of fixed line services, 75% of all respondents said that they use eircom only for all of their fixed line services, while 20% use an alternate provider only. Six percent of SMEs and 2% of corporates use a mix of eircom and alternate providers for their fixed line services.

Nearly half of SMEs (47%) and 44% of corporates have ever switched their fixed line supplier. While the majority of respondents were satisfied with the switching process, one in four were not. The respondents who were not satisfied with the switching process were also more likely to have been dissatisfied with their new supplier.

Thirty percent of SMEs and 31% of corporates were dissatisfied with the fixed line supplier to whom they switched. Ninety percent of those who were dissatisfied with their new supplier switched back to their original supplier. Of the total number of respondents that had ever switched their fixed line supplier, half switched back to their original supplier. This indicates that a large proportion of those who were satisfied with the new supplier switched back to their original supplier. Winback campaigns which are used by operators to persuade companies to switch back to their original supplier could possibly be influencing this switching activity.

Figure 3.1: Fixed line switching activity



When asked if they would switch their operator to make a 15% saving on fixed line calls, 40% of SMEs and corporates said they would switch. Respondents who currently only use eircom were found to be more reluctant to switch than on average, with only 35% saying they would switch for the 15% reduction. The average amount cited by eircom-only respondents when asked what the absolute minimum percentage reduction of their fixed line

bill would encourage switching was 18%, while the average amount cited among those currently only using an alternate provider was 14%. The high number of respondents who answered “don’t know” to this question also indicates that price savings alone may not be enough to encourage companies to change supplier.

What can be deduced from the results is that price is not the only driver to switching, and the perceived hassle factor could lead to customer inertia. The value placed on fixed line service as the main channel for customer contact is another reason companies may be reluctant to switch. With regard to loss of fixed, mobile and/or Internet service, analysis of which is outlined in section 6 of this report, a loss of fixed line service is most critical to businesses with 60% of SMEs and 64% of corporates responding that a one day loss of service would be extremely critical to their business.

3.2 Mobile Contracts and Switching

These questions aimed to investigate whether mobile phone contracts were creating barriers to businesses switching mobile suppliers. Sixty two percent of corporates, and 53% of SMEs said that they were currently committed to a contract with their mobile phone service provider, however these contracts were not seen as barriers to switching provider.

Fifty four percent of companies who have mobile phones are committed to a contract with a mobile phone provider, while 38% of respondents are not. Eight percent of respondents did not know which payment option their company used. By business size, 53% of SMEs and 62% of corporates are contract customers.

3.3 Single provider for fixed and mobile calls

When asked about preferences around having a single provider for both mobile and fixed line services, over six in ten respondents said they would prefer such an arrangement. When asked if they would be likely to move to such a provider if they were given a 10% discount on both mobile and fixed calls, 53% of SMEs and 60% of corporates said that they would be likely to do so.

4 Mobile Data Services

Advanced mobile data services, which include wireless email and internet browsing are an emerging communications area in Ireland. As 3G services were commercially launched in Ireland just over a year ago ComReg will continue monitoring the awareness, take-up and usage of such services. Additionally, the use of more basic mobile data services i.e. text messaging, continues to be prolific among business mobile users and is included in the definition mobile data services to provide a complete picture of business use of all mobile data services.

Of all companies with mobile phones 67% use mobile data services. The survey results illustrate that text messaging is the most popular data application used by both SMEs (61%) and corporates (79%). The use of wireless email (53%) and GPRS (33%) are also fairly popular applications used by corporates. However demand for data services is not yet well established among smaller SMEs.

When asked about the usefulness of mobile data services, corporates were more positive about the usefulness of these as 83% of those who use mobile data services rated them as either quite or very useful. Overall those who consider mobile data services to be useful are more likely to be using GPRS and wireless email. Smaller SMEs that tended to only be using SMS said that they were not very useful, yet a majority of SMEs (61%) stated that mobile data services were either very or quite useful.

While awareness of 3G services is high at 75% among all respondents, very little has changed with regard to the number of 3G handsets provided by SMEs and corporate businesses since the last survey. A high percentage of SMEs (76%) with company mobiles, and who are aware of 3G, still do not provide any advanced mobile data services (i.e. 3G, GPRS, Wireless LAN cards) to their employees. Intentions to provide 3G phones or data cards in the future are also low among SMEs, with only 13% saying that they will provide 3G phones in the next 12 months. However, 2006 should see some growth as new handsets are rolled out and additional operators enter the market. iReach research⁷ suggests areas that will drive telecoms spend in Ireland in 2006 include mobile data services and 3G.

⁷ iReach: Telecom Spending in Ireland 2006

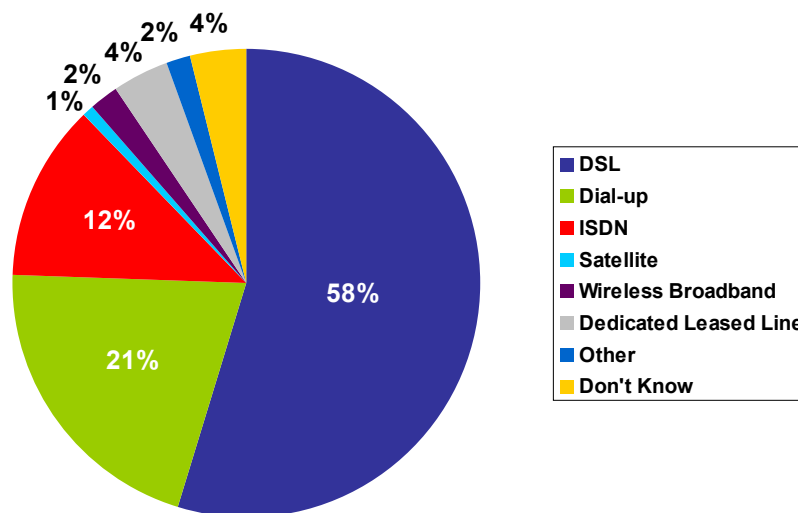
5 Internet and Broadband Services

5.1 Internet Connections

All corporate respondents and 87% of SMEs surveyed in this questionnaire are connected to the internet. As was illustrated in wave 1 of this survey, SMEs that are not connected to the internet tend to be smaller companies that operate in the retail sector. The most prevalent reason cited among SMEs for not being connected to the internet was that the businesses had no need for an internet connection (54%), while 22% stated that the internet was not appropriate to their business.

This wave's results have shown that broadband connections continue to grow, with DSL being the most popular connection type. Compared with last quarter when 51% of corporates and 49% of SMEs connected via DSL, 67% of corporates and 57% of SMEs who have internet connections now connect via DSL. The weighted percentage of all companies connecting to the internet via DSL is 58%, while 65% of all respondents with an internet connection connect via some form of broadband technology.

Figure 5.1: Type of internet connections used by businesses



Base: All respondents (n=550)

Those with dial-up and ISDN (n=154) were asked reasons why they used these technologies instead of broadband. The highest cited response was that broadband was not available to the businesses (47%); this response was most prevalent among companies with less than 10 employees (48%). Lack of perceived need or business relevance for the internet also featured strongly as reasons for respondents having narrowband connections.

The survey investigated whether ISDN and dial-up users were aware of what, if any, broadband platforms were available in their area. The respondents were asked to answer yes, no or don't know with regard to each platform, the results were as follows:

- DSL Lines – 19%
- Satellite – 17%
- Wireless broadband – 27%
- Leased lines – 9%
- Don't know – 33%
- None of above – 28%

Overall 40% of narrowband users said that they have some form of broadband available in their area. However, there appears to be a lack of awareness about broadband availability with a sizeable number of narrowband users claiming that it is not available in areas where it is. The low level of awareness suggest that some businesses would benefit from more direct marketing

As a percentage of the total sample, 487 companies (89%) have internet access. Of this total, 160 (33%) connect via dial-up or ISDN. Those businesses with dial-up or ISDN were asked about the availability of broadband services in their area and 45 respondents said that there was no form of broadband available in their area. This translates to 9% of businesses that connect to the internet cannot avail of broadband. A further 53 businesses (11%) were unsure about availability.

When asked about their intention to get a broadband connection if it were available, among SMEs that currently believe it is not available in their area the level of interest remains largely unchanged since last wave. However, intentions to get broadband, among those SMEs who are not currently using broadband in areas where it is available, increased fairly significantly in this wave. In the previous survey 41% said they were likely to get a broadband connection, while in this wave 59% of SMEs said they were likely to get a broadband connection in the next 12 months. Recent iReach⁸ figures predict that broadband subscriptions among SMEs will be a key growth area in 2006.

Figure 5.2: Intention to get broadband in the next 12 months

SMEs		
	Wave 1	Wave 2
Extremely likely	14%	22%
Very likely	12%	22%
Fairly likely	15%	15%
Fairly unlikely	8%	13%
Not very likely	18%	10%
Not at all likely	28%	13%
Don't know	5%	5%

The majority (89%) of SMEs using ISDN or dial-up had their connection installed at least 12 months ago. For 77% of SMEs it was their first Internet connections. As the intention to get broadband in the next 12 months has increased fairly significantly since the last wave ComReg will monitor the market for evidence of migration from narrowband internet connections to broadband.

All respondents who had internet access were asked what they considered to be the key business benefits of broadband. Time savings and more efficient communications with

⁸ iReach: iPredict 2006 - Broadband

customers were the highest cited responses by both SMEs and corporates, while cost savings and improved productivity also featured in the responses. Supporting these findings, the Chambers of Commerce Ireland survey⁹ found that 50% of respondents believed that broadband had improved their businesses' performance by allowing them to work faster and be more efficient.

5.2 VoIP

The awareness of Voice over IP (VoIP) has increased, especially among SMEs, since the last wave. This could in part be due to approaches by VoIP service providers. A higher number of SME and especially corporate respondents had been approached by a VoIP service provider in this wave. The number of corporates using VoIP has increased from 14% to 32% this wave, with a third of users using VoIP saying that they use it through eircom.

A recent iReach report¹⁰ on the fixed data market in Ireland reported that more ubiquitous and cost-effective broadband services are primarily responsible for growing fixed data spend. Moreover, they expect the trend to continue with greater usage of VoIP over corporate Virtual Private Networks (VPNs) and SME networks and private residential broadband lines.

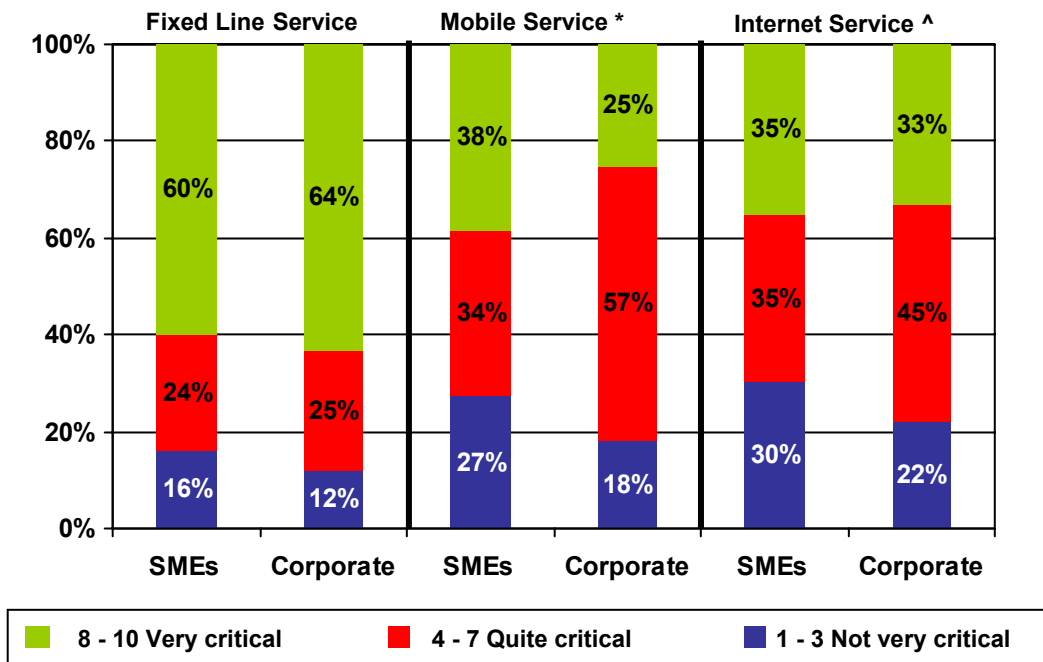
⁹ SME eBusiness Survey 2005

¹⁰ iReach: Telecoms spend in Ireland 2006

6 Impact of loss of service

Respondents were asked in relation to all service types (fixed, mobile and internet) how a one day breakdown would affect their business. Using a scale of one to ten, where 1 means not at all critical and 10 means extremely critical, loss of fixed services was considered more critical than loss of either mobile or internet services. When taken in tandem with reluctance to switch fixed line operator, and mobile switching behaviour, this chart may indicate that reluctance to switching can be tied in to the impact a loss of service would mean for the business. i.e. as the impact of loss of service for fixed services is so critical, cost savings alone are not enough to encourage businesses to switch fixed line supplier. Businesses appear more likely to rely on fixed lines as their main customer communications channel, therefore any problems with their fixed service would be severely felt by most of these companies. Across all technologies companies recognise the critical nature of electronic communications networks and services to their business.

Figure 6.1: Impact of loss of service – fixed, mobile and internet



*Base: All businesses with company mobiles (n=451)

^Base: All businesses with Internet access (n=487)