Millward Brown IMS

Commission for Communications Regulation

SME & Corporate ICT Research H2 2006 November '06 – January '07

Presentation of Findings

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Presentation Outline

- Introduction
  - Research Objectives
  - Methodology
  - Sample profile
- Research Findings
  - Fixed line market
  - Mobile market
  - Internet and Broadband communications
- Key Findings
- Appendix: Sample Details

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Introduction

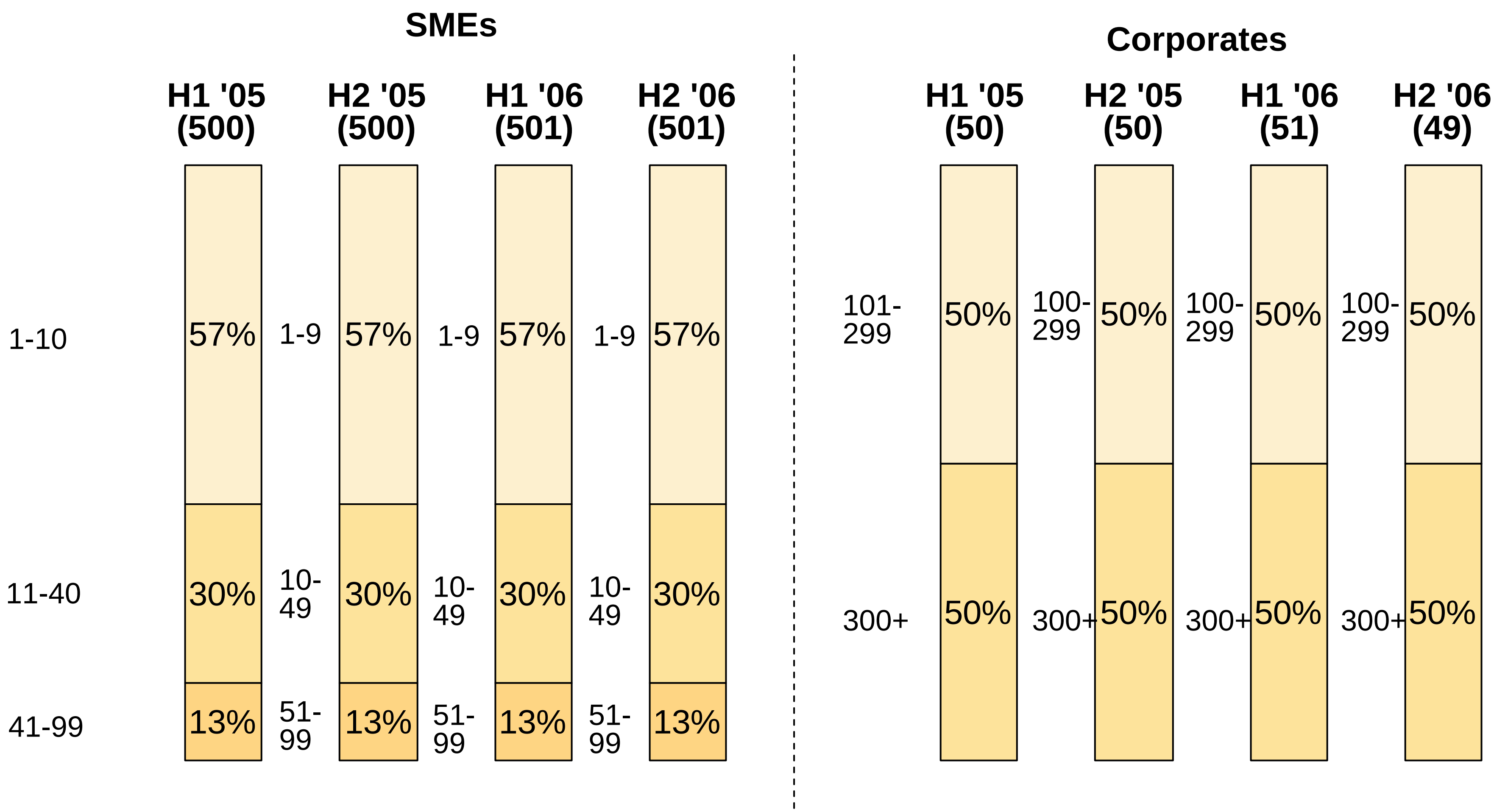
Research Objectives

- This is the fourth wave of a business market tracking research programme being undertaken on behalf of ComReg by Millward Brown IMS, with previous research being conducted in May and October 2005 and May 2006.
- The main purpose of the research is to gain an in-depth understanding of current information and communication technology (ICT) usage and attitudes to ICTs among a representative sample of Irish SMEs and large Corporate businesses.
- The specific areas explored in this wave of research included:
  - Fixed line market
  - Mobile market
  - Internet and broadband communications
- The survey findings will be used by ComReg for market understanding, future planning and policy formulation, and public dissemination.

Methodology

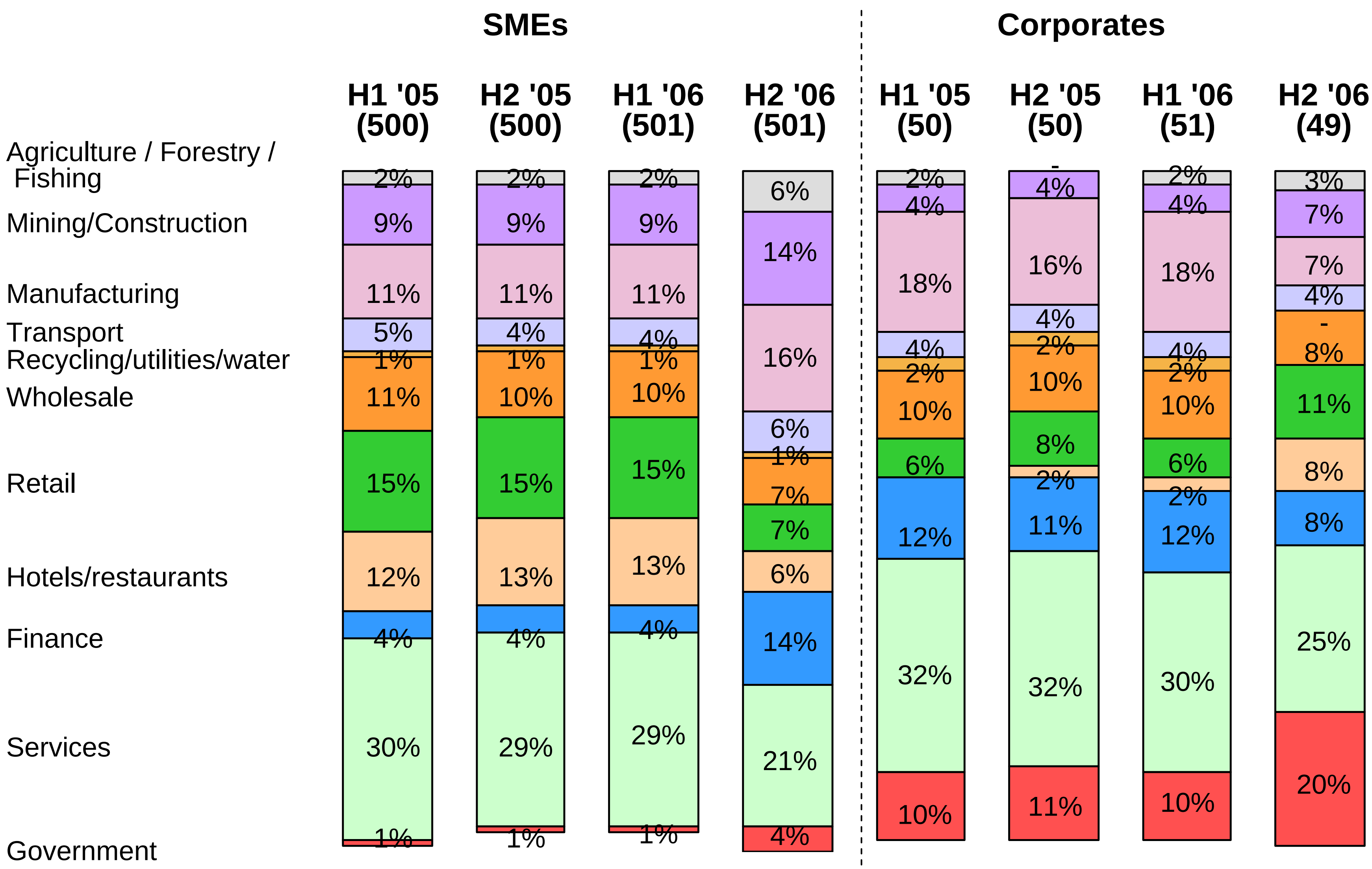
- Telephone interviews were conducted among a sample of 501 SMEs and 49 Corporates.
- SMEs were defined as companies with less than 100 employees.
- Quota controls set for company size were based on the total number of employees each company size segment accounts for. Representative quota controls were also set for industry sector.
- 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. Representative quota controls were also set for industry sector.
- Where the final profile of respondents differed slightly to the quota controls originally set, minor weighting adjustments were made.
- Interviews were held with the person in the company responsible for decision-making in relation to telecommunication and IT services.
- The fieldwork was conducted between the 23rd November 2006 and 10th January 2007.
- The H2 '06 sample structure replicates the sample structure adopted previously, although slight adjustments have been made to reflect the changing profile of Irish industries. This has resulted in an increase in representation of Construction and Financial sectors in particular, and a decrease in Retail and Services industries.

Sample Profile – Number of Employees



Base: All Respondents (n=501, 51)

Sample Profile – Industry Sector



	SMEs H1 '05 (500)	SMEs H2 '05 (500)	SMEs H1 '06 (501)	SMEs H2 '06 (501)	Corporates H1 '05 (50)	Corporates H2 '05 (50)	Corporates H1 '06 (51)	Corporates H2 '06 (49)
Agriculture / Forestry / Fishing	2%	2%	2%	6%	2%	-	2%	3%
Mining/Construction	9%	9%	9%	14%	4%	4%	4%	7%
Manufacturing	11%	11%	11%	16%	18%	16%	18%	7%
Transport	5%	4%	4%	6%	4%	4%	4%	4%
Recycling/utilities/water	1%	1%	1%	1%	2%	2%	2%	-
Wholesale	11%	10%	10%	7%	10%	10%	10%	8%
Retail	15%	15%	15%	7%	6%	8%	6%	11%
Hotels/restaurants	12%	13%	13%	6%	-	2%	2%	8%
Finance	4%	4%	4%	14%	12%	11%	12%	8%
Services	30%	29%	29%	21%	32%	32%	30%	25%
Government	1%	1%	1%	4%	10%	11%	10%	20%

Base: All Respondents (n=501, 51)

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Research Findings

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Fixed Line Market

Main Fixed Line Supplier

Q. Which fixed line phone services provider does your company use for its voice calls?

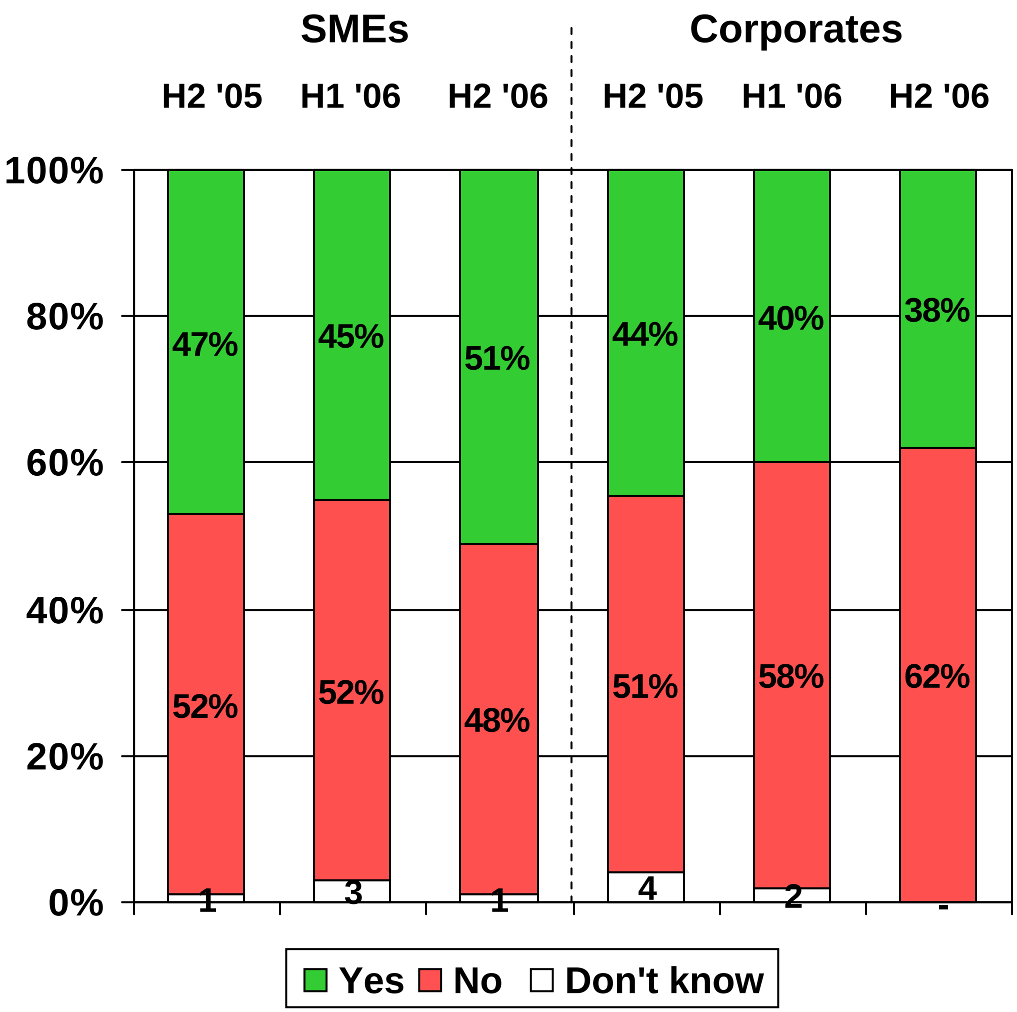
	Total	SMEs				Corporates			
	H2 '06 %	H1 '05 %	H2 '05 %	H1 '06 %	**H2 '06 %**	H1 '05 %	H2 '05 %	H1 '06 %	**H2 '06 %**
Eircom only	72	71	75	72	72	74	75	73	66
Eircom and others	5	8	6	5	4	8	2	15	11
Others only	24	21	20	23	24	18	23	12	23

- Eircom maintains its position as the main provider of fixed line services, although nearly one in four opt for alternate providers. Those in the financial sector are more likely to be using a provider other than eircom.

Base: All Respondents (n=501, 49)

Switching Activity

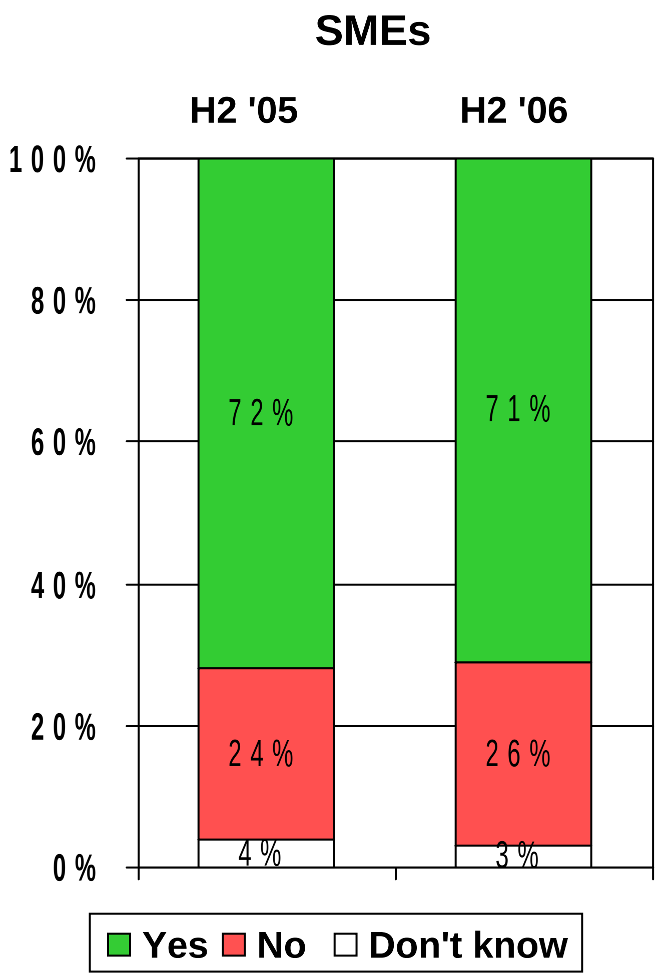
Q. Have you ***ever*** switched supplier for any of your fixed line services?



- Just over half of SMEs and nearly two fifths of Corporates have switched their fixed line provider at some stage.
- Switching activity was found to be highest among smaller companies employing less than 10 employees (55%), those involved in manufacturing and transport, (59% and 63% respectively) and among companies in the Leinster region (excluding Dublin).
- Switching activity among SMEs has risen this wave, and is now at its highest level since the start of this research. This increased switching activity could in part be explained by Smart's withdrawal from the fixed voice market.

Satisfaction with the switching process

Q. Were you satisfied with the process of switching supplier?

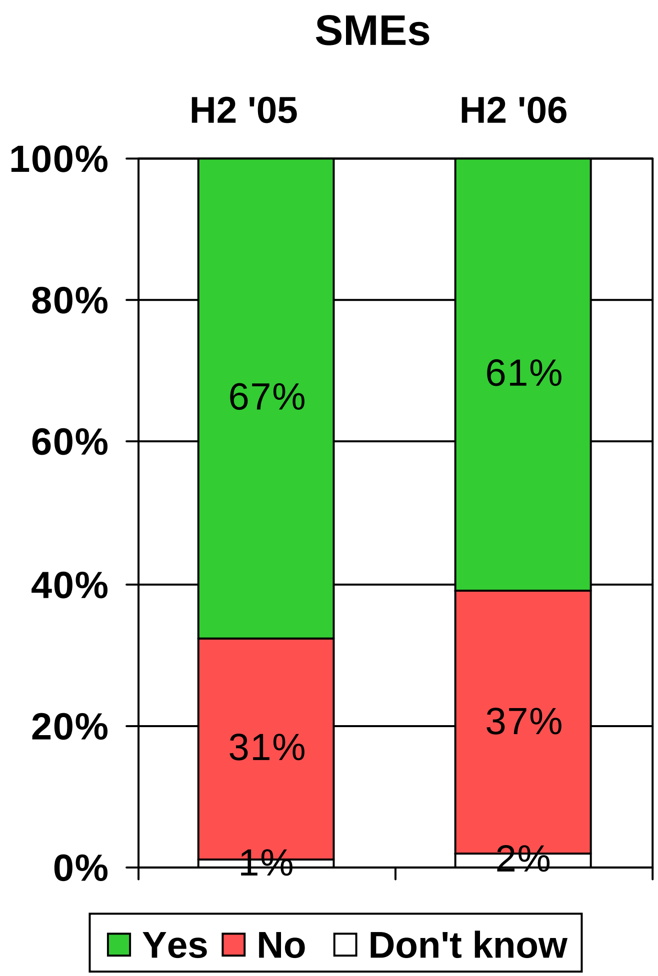


- Of those who changed operator, the majority were happy with the switching process involved. However, a sizeable minority, one in four, were unhappy.
- Over one third (37%) of those based in the Leinster region, excluding Dublin were dissatisfied with the process.
- Those who are now only using eircom were most dissatisfied with the switching process that they experienced (36%), suggesting that they switched back to eircom.

Base: All Who Have Switched (n=255)
**Note: Corporates base size too low to chart (n =21)*

Satisfaction with Supplier they Switched to

Q. Were you satisfied with the supplier you switched to?

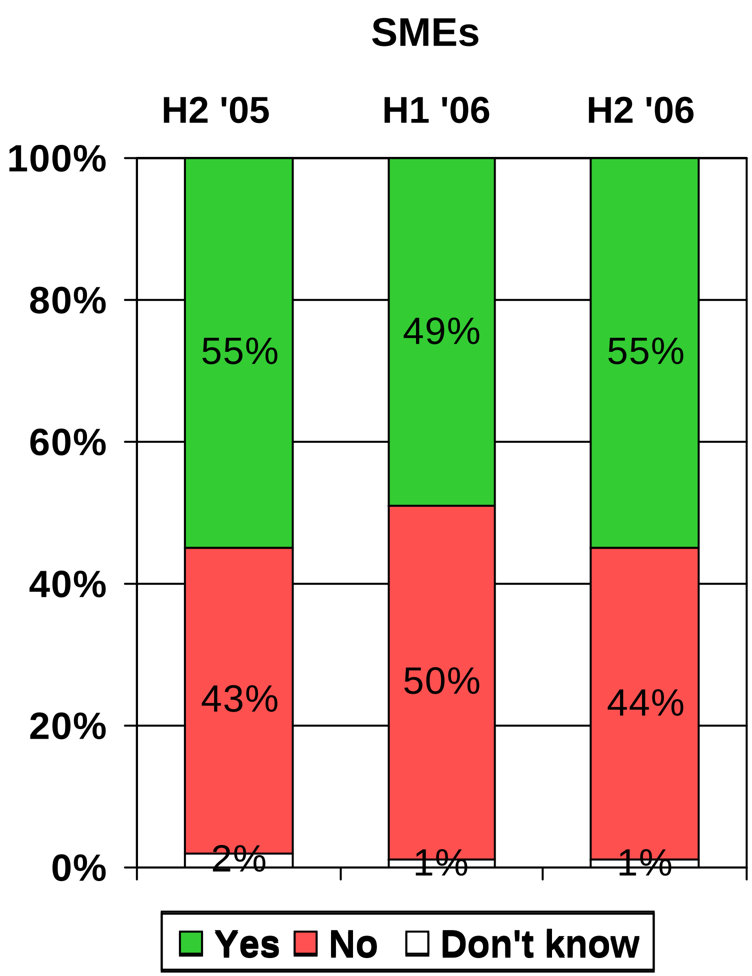


- Nearly four in ten SMEs were not satisfied with the supplier that they switched to.
- This could be attributed to initial expectations not being met, or that potential suppliers could be over-promising on cost savings or service quality.
- Those in Munster and Connaught / Ulster were least happy, with 41% and 46% respectively stating dissatisfaction.
- At 42%, companies with a low monthly Fixed Line spend (less than €500 a month) were also more likely to be dissatisfied with their new supplier.

Base: All Who Have Switched (n=255)
**Note: Corporates base size too low to chart (n=21)*

Extent of Switching Back

Q. Did you switch back to your original supplier?

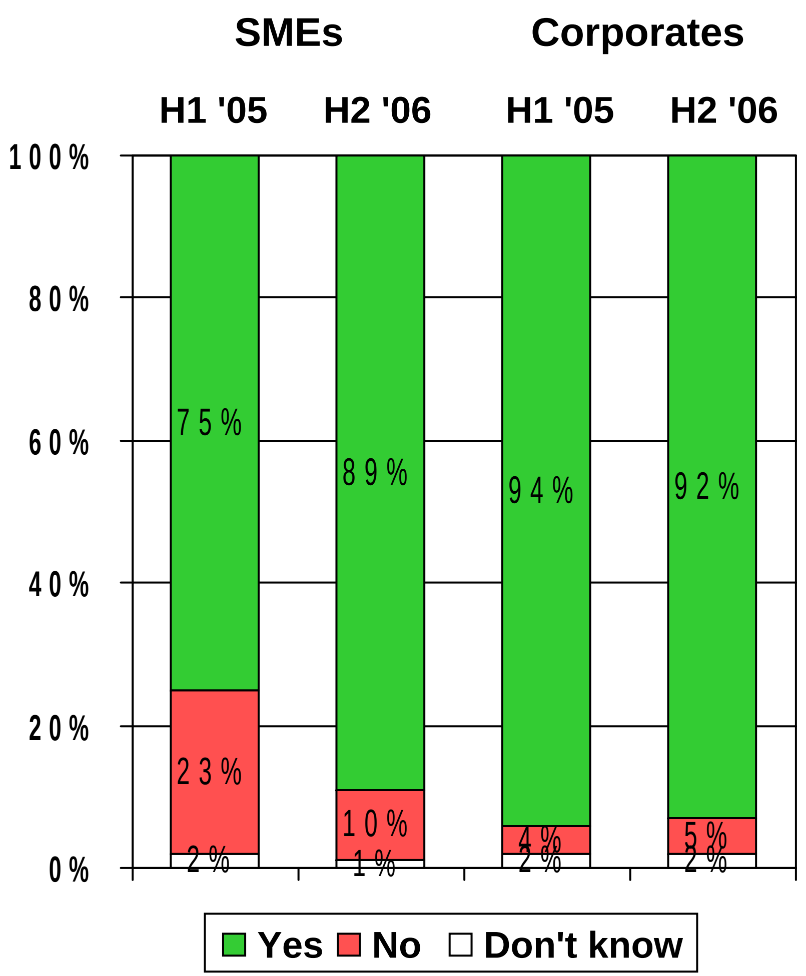


- Once a company has switched once, they are more likely to switch again.
- Over half of SMEs have switched back to their previous supplier, compared to just six out of the 21 Corporates who have switched. This may suggest that Corporates, as bigger spenders, receive better service delivery than smaller companies.
- 61% of switching companies with less than 10 employees returned to their original supplier.
- Levels of switching back this period may well have been affected by Smart's exit from the fixed voice market.

Base: All Who Have Switched (n=255)
**Note: Corporates base size too low to char (n = 21)*

Awareness of Single Billing

Q. Are you aware that you can select a telecom supplier other than eircom to provide your fixed telephone calls and line rental and receive a single bill? This is sometimes referred to as single billing.

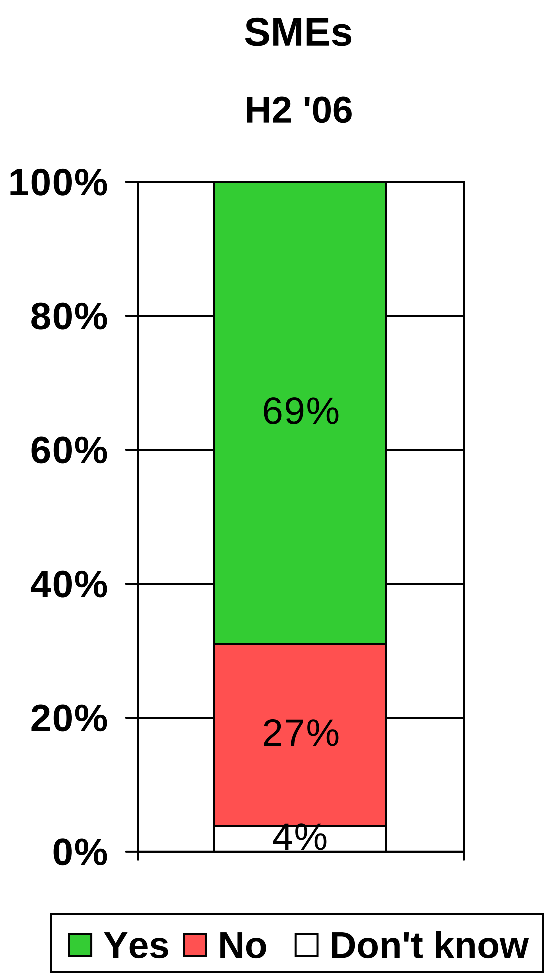


- Almost all SME and Corporate customers are aware of single-billing.
- Awareness has risen sharply among SMEs in the past 18 months, from a level of 75% from May 2005.
- Awareness levels are relatively uniform across industry sector, region and company size.

Base: All Respondents (n=501, 49)

Incidence of Single Billing

Q. Do you receive a single bill for your fixed telephone calls and line rental?



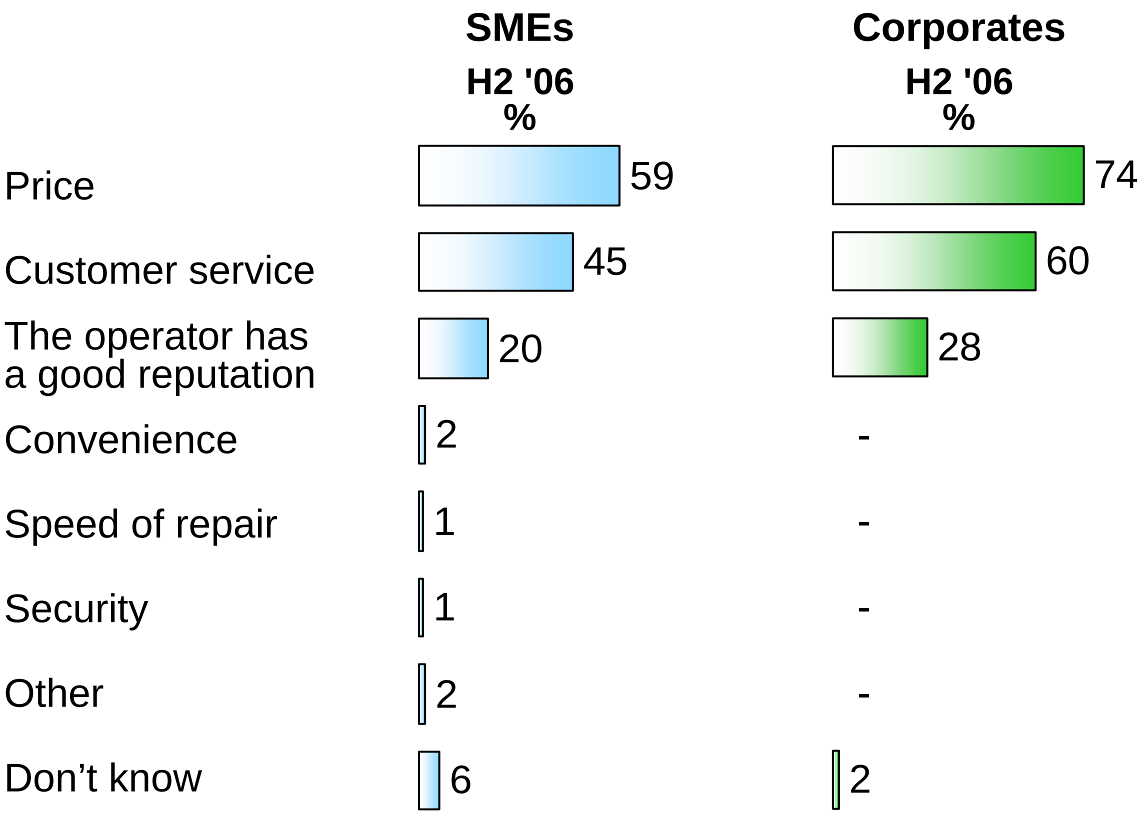
- Of those using a supplier other than eircom, over two thirds of SMEs receive a single bill for their fixed calls and line rental.
- Multiple bills are most evident among those employing between 50-99 employees (57%) and those employing 100+ employees (51%), along with companies based in Dublin (59%).

Base: Those using a Supplier Other Than Eircom (n=113)

Note: Corporates base size too low to chart (n=15)

Factors Considered when Selecting a Fixed Line Provider

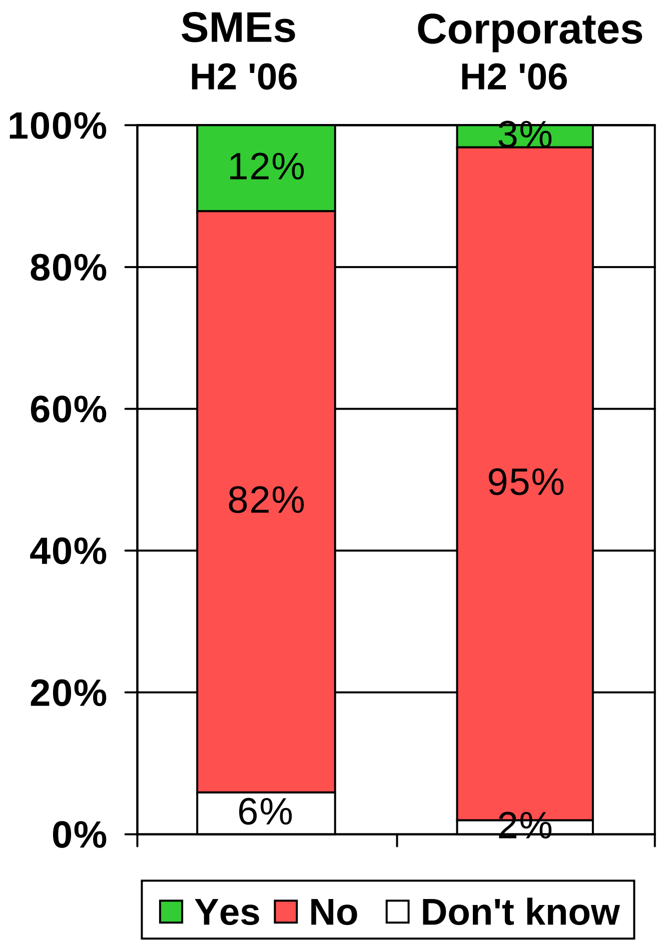
Q. What factors do you consider most important when selecting a fixed line provider?



- Price and quality of service received are by far the most important factors when selecting a fixed line provider.
- Price is a most important factor among those with high fixed spend.
- Service is considered particularly important by those who have switched in the past.

Residential Packages for Business Fixed Line Calls

Q. Have you ever subscribed to, or considered subscribing to a residential user package for your business fixed line calls?



- One in eight SMEs have considered subscribing to a residential user package for business fixed line calls, with nearly one in five (19%) of those with less than 10 employees having subscribed to, or having considered subscribing to such a package.
- Unsurprisingly, consideration for this service is negligible among Corporates.

Approximate Monthly Spend on Fixed Line Telecommunications

Q. What is your company's average monthly spend on fixed phone services

Note: Mean Figures Shown

		€
	Total	997.00
Sector	SMEs	406.50
	Corporates	9,930.60
Number of Employees	1-9	243.70
	10-49	514.20
	50-100	867.60
	100+	7,953.00
Main Business Activities	Agriculture*	637.30
	Mining/construction	454.60
	Manufacturing	591.80
	Transport*	3,433.10
	Recycling/utilities/water*	473.00
	Wholesale	1694.60
	Retail	706.20
	Hotel/restaurants	464.20
	Finance*	823.10
	Services	1009.40
	Government*	906.70

Average monthly spend in H1 '06 was €1,300#

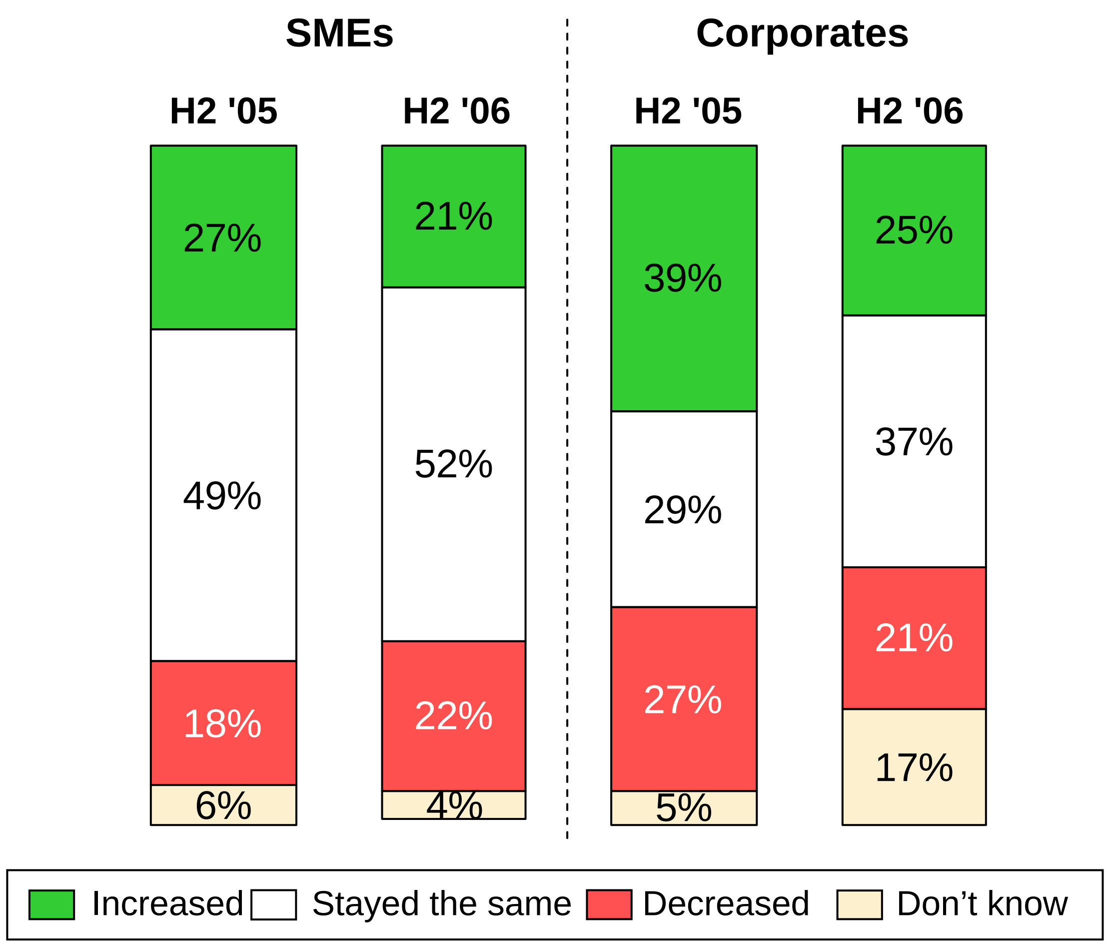
- 74% of SMEs estimate their monthly spend on fixed line services to be less than €500, whilst one in four Corporates estimate their monthly spend to be in excess of €5,000.
- The average monthly spend among those using eircom only was €966.50, with those using alternates only spending €844.60, whilst those using both spent €1407.10.
- Those who have switched tend to spend less, as do those who use alternate providers only (when compared to eircom only customers).

*Caution: Small base size

Base: All Respondents (n=501, 49)
 # Previously the question was asked for Annual Spend

Change in Fixed Line Spend

Q. Would you say that your monthly spend on fixed voice telephony services has increased, decreased or stayed the same over the last 12 months?



- Both SMEs and Corporates are both now more likely to believe that their fixed line spend has remained the same over the past 12 months, with a significant decrease in those who believe they are paying more.
- Those using other suppliers alongside eircom are most likely to claim their spend has decreased (32%), followed by those who only use a provider other than eircom (26%).

*Caution: Small base size

Reasons for Increased Fixed Line Spend

New

Q. Do you think this increase is due to…

	SMEs	
	H2 '05 %	H2 '06 %
Higher prices for fixed line service	9	14
Increased usage of fixed line service by employees	35	37
Combination of both higher prices and increased usage	52	47
Don't know	4	2

- Just under half (47%) attribute increases in their fixed line spend to a combination of both higher prices and increased usage, with one in seven believing it is due to higher prices alone, and 37% believing it is due to increased usage alone.

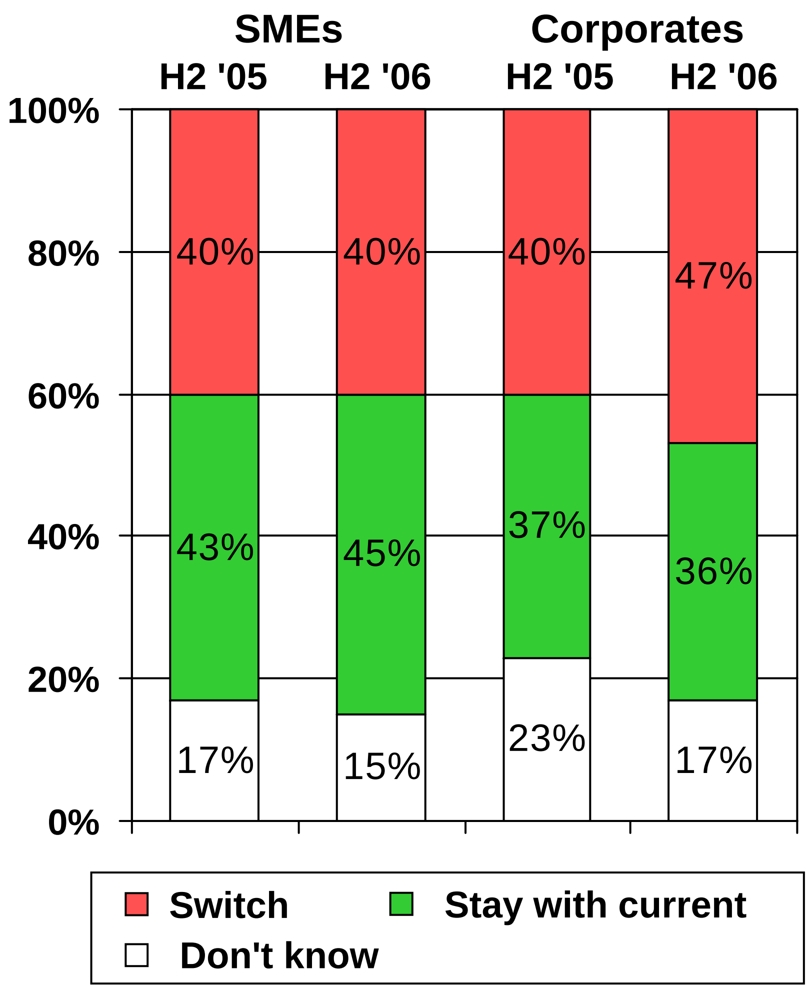
*Caution: Small base size

Base: All Who Believe Their Spend has Increased (n=112)

Note: Corporate Base size too low to chart (n=12)

Likelihood of Switching for 15% Reduction

Q. If you were offered a 15% reduction on all your fixed line calls by a well-known and reputable fixed line services provider, do you think you would switch to them or would you prefer to just stay with your current provider and avoid any possible hassles or inconveniences associated with switching?

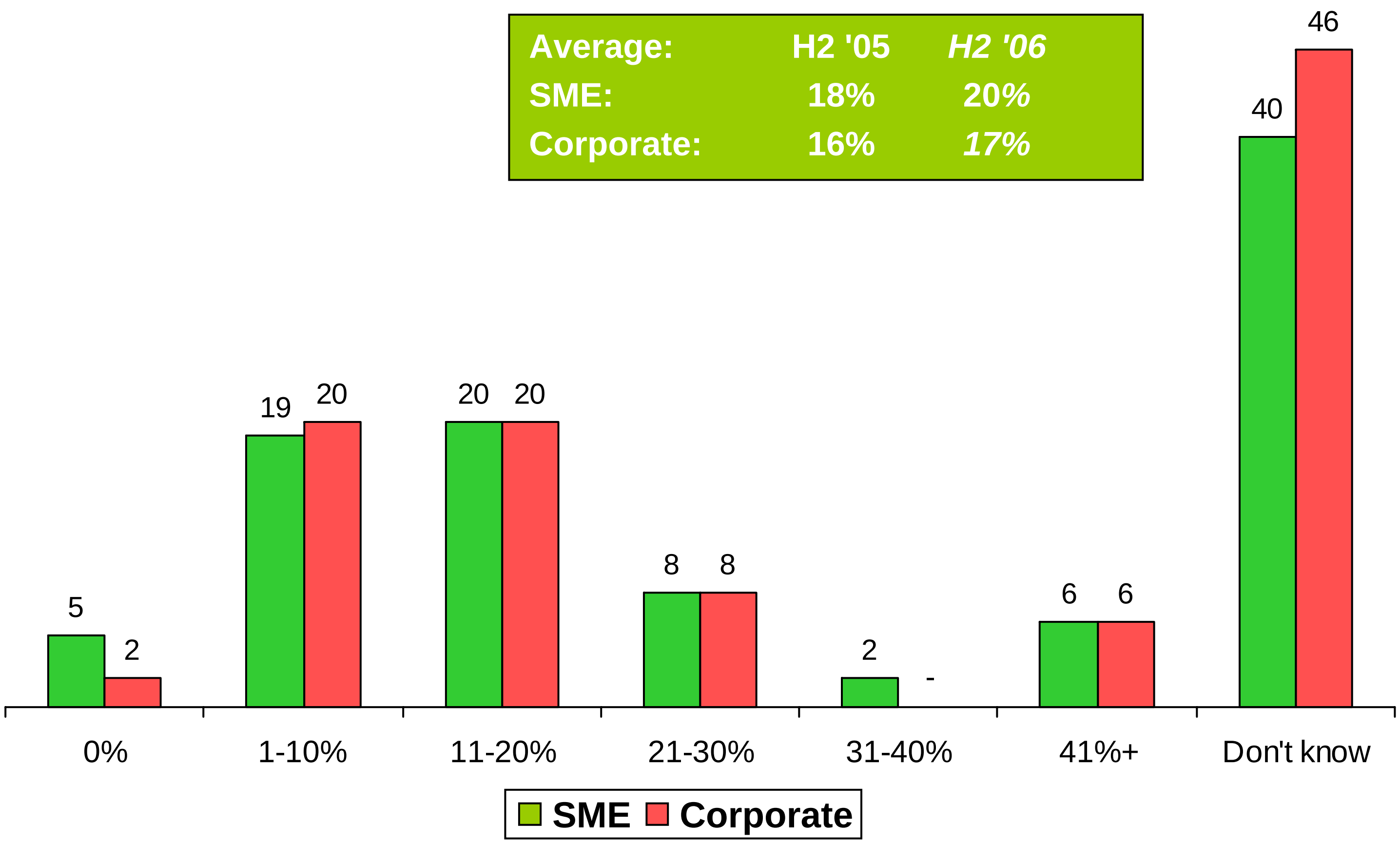


- Similar to a year ago, four in ten SMEs claim they would switch for a 15% reduction, whilst slightly more Corporates would now do so.
- Those most likely to switch are companies with 50-99 employees (54%), those in the Government sector (52%), and those using alternate suppliers (57%). This may well be because these companies are more pre-disposed to changing suppliers, having switched in the past.
- The results would suggest that whilst price is an important consideration, there are other factors at play also, such as quality of service received.

Minimum Percentage Needed to Encourage Switching

Q.	What is the absolute minimum percentage reduction on your fixed line bill, which would encourage you to definitely switch to another line provider?

Average:	H2 '05	*H2 '06*
SME:	18%	*20%*
Corporate:	16%	*17%*



- The average amount cited among eircom-only customers to move is 21%, compared to 16% among those currently using alternate providers.
- The financial sector are most demanding, and would only switch for a minimum of 22%

Base: All respondents (n=501, 49)

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Mobile Market

Mobile Phone Market Share*

Q. What company supplies your mobile telephone calls?

	SMEs				Corporates			
	H1 '05	H2 '05	H1 '06	H2 '06	H1 '05	H2 '05	H1 '06	H2 '06
Vodafone	45%	41%	34%	31%	54%	53%	70%	66%
O_2	36%	39%	28%	26%	44%	47%	45%	28%
Meteor	2%	2%	3%	2%	2%	-	2%	4%
3	-	-	-	-	-	-	-	2%
Don't know	2%	2%	2%	2%	4%	2%	-	2%
No company mobile	23%	23%	38%	44%	12%	11%	4%	6%

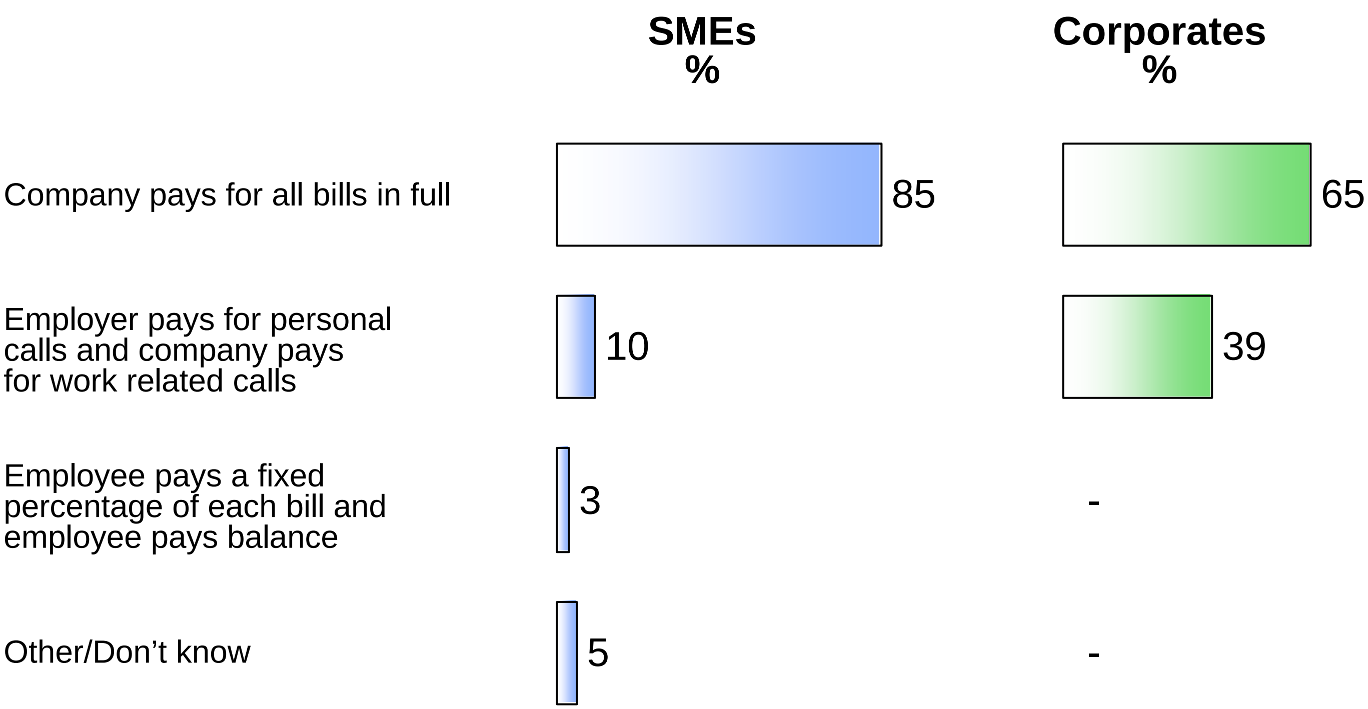
- Vodafone maintains its lead over O_2 this wave, although there was a higher incidence of companies not supplying mobile phones.
- Neither Meteor nor *3* is making a significant impact in this sector, with the vast majority of those supplying mobile phones opting to use the two largest providers.
- Those sectors least likely to supply mobile phones to their employees include the hotel/restaurant industry, agriculture, service and retail sectors.

*Note: Company Mobile Phone is defined as any phone used for business purposes, regardless of whether bills are pre-paid or post paid, or if employees are reimbursed for calls made from private phones

Base: All Respondents (n=501, 49)

How Business Mobile Calls are Paid

Q. **How are business mobile calls made by employees paid for by the company?**



• A substantial majority of companies supplying mobile phones to their employees pay for the bills in full.

•At 87%, those with a low monthly mobile spend (less than €500) are most likely to pay bills in full, compared to just 63% of companies with a high monthly mobile spend (over €5,000 monthly).

Base: All Who Supply Company Mobile Phones and Identify their Suppliers (n=260, 44)

Approximate Monthly Spend on Mobile Phone Services

Q. What is your company's average monthly spend on mobile phone services?

Note: Mean Figures Shown

		€
	Total	1,213.00
Sector	SMEs	722.90
	Corporates	6950.10
Number of Employees	1-9	254.40
	10-49	1026.50
	50-100	1421.40
	100+	5891.00
Main Business Activities	Agriculture*	2,353.80
	Mining/construction	837.00
	Manufacturing	368.30
	Transport*	4,285.90
	Recycling/utilities/water*	608.40
	Wholesale	1,721.20
	Retail	916.40
	Hotel/restaurants	477.80
	Finance*	1,138.60
	Services	854.60
	Government*	482.90

Average monthly spend in H2 '05 was €737#

- Over half (52%) of companies supplying mobile phones spend less that €500 per month, rising to nearly 60% of SMEs.
- Nearly one in five (17%) Corporates claim to spend over €5,000 monthly on mobile bills, compared to 1% of SMEs.
- Among those who use them, monthly spend is now higher for mobile services than it is for fixed line services (€1,213 vs €997).

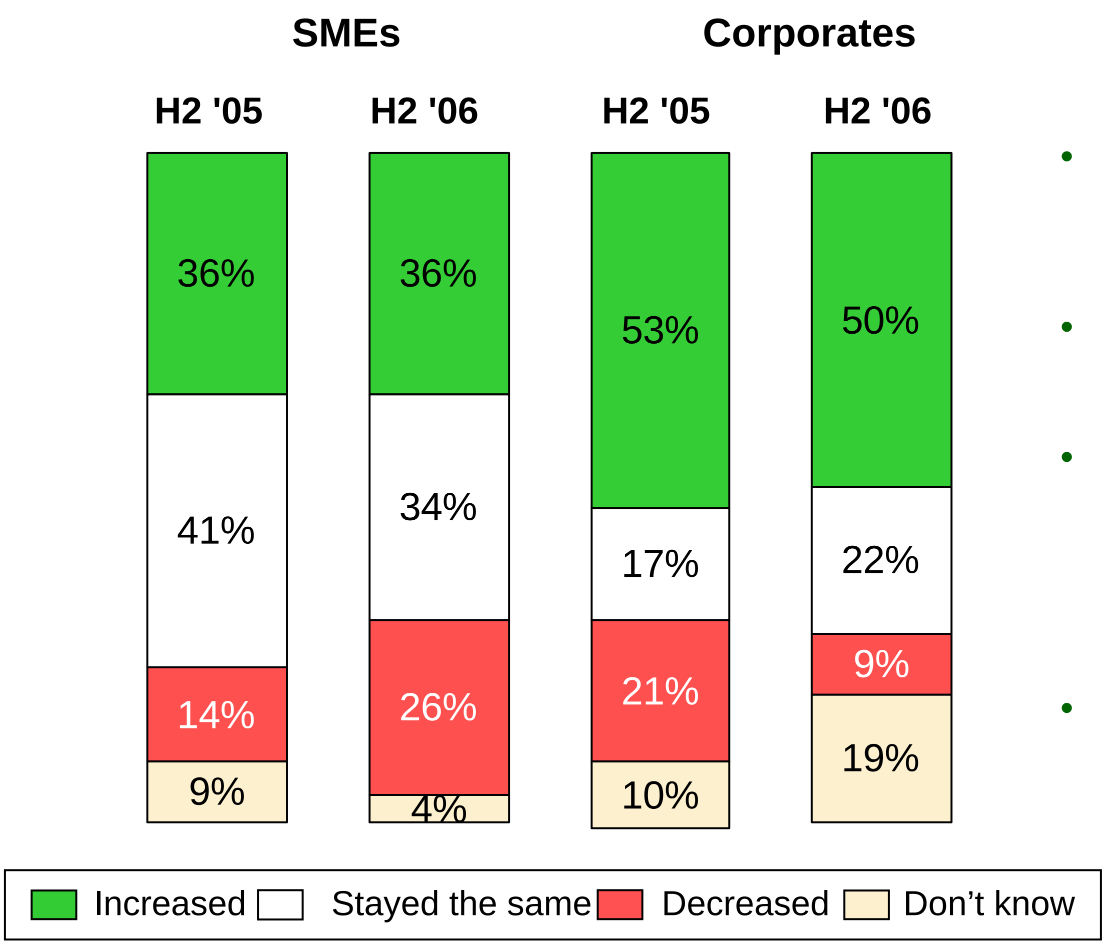
*Caution: Small base size

Base: All Who Supply Company Mobile Phones and Identify their Suppliers (n=260, 44)

 # Previously the respondent was asked to choose their spend from a set of ranges

Change in Mobile Spend

Q. Would you say that your company's monthly spend on mobile phone services has increased, decreased or stayed the same over the last 12 months?

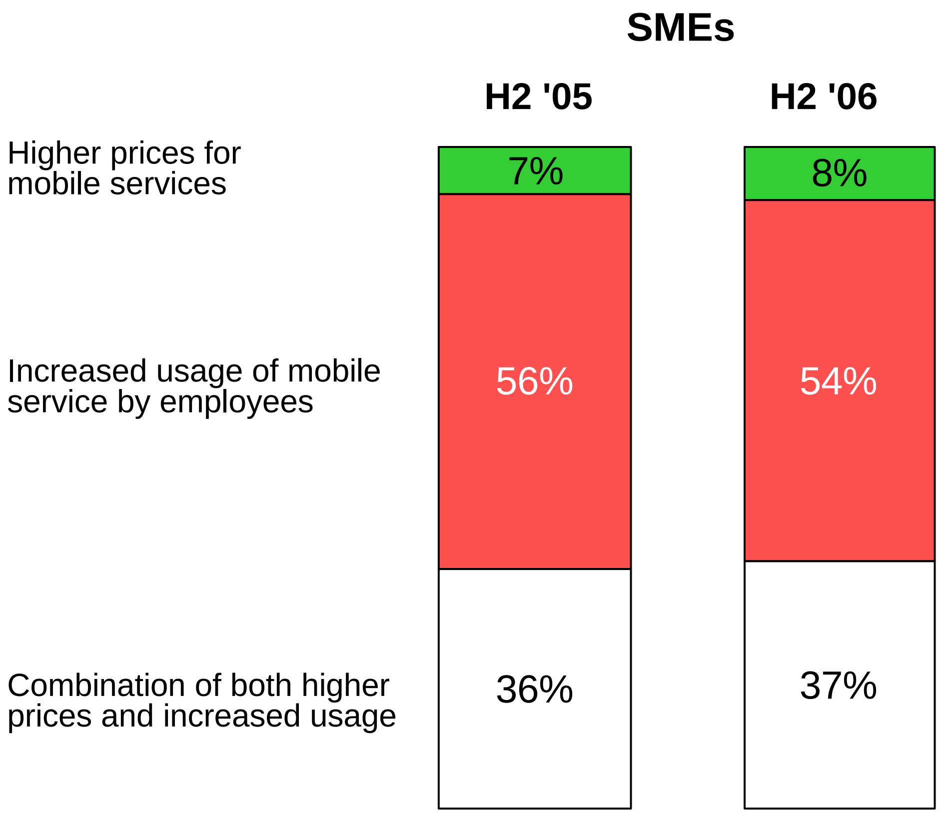


- When compared to fixed line spend a higher proportion of companies believe their mobile spend has increased over the past 12 months.
- However the number of SMEs believing their spend has decreased has almost doubled to 26%.
- SMEs who are committed to a mobile contract are more likely to have seen a decrease in their mobile spend over the past 12 months, with 31% claiming their spend has decreased.
- Corporates are less likely to believe this to be the case, with less than 1 in 10 claiming this.

*Caution: Small base size

Reasons for Increased Mobile Spend

Q. Do you think this increase is due to…



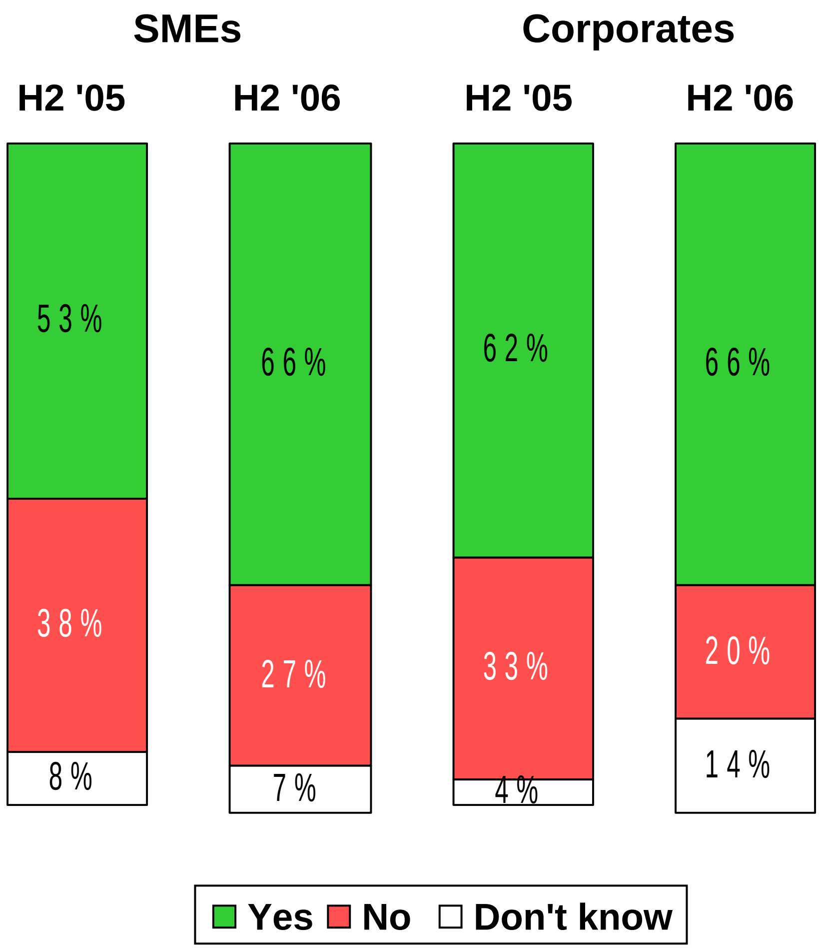
- Overall only 7% believe the increase in costs is due to higher prices, with increased usage being the biggest contributor.
- Among Corporates, none feel that their increased spend is due solely to higher prices.

Base: All Who Believe Their Mobile Phone Spend has Increased (n=93)

Note: Corporate Base size too low to chart (n=20)

Mobile Contracts

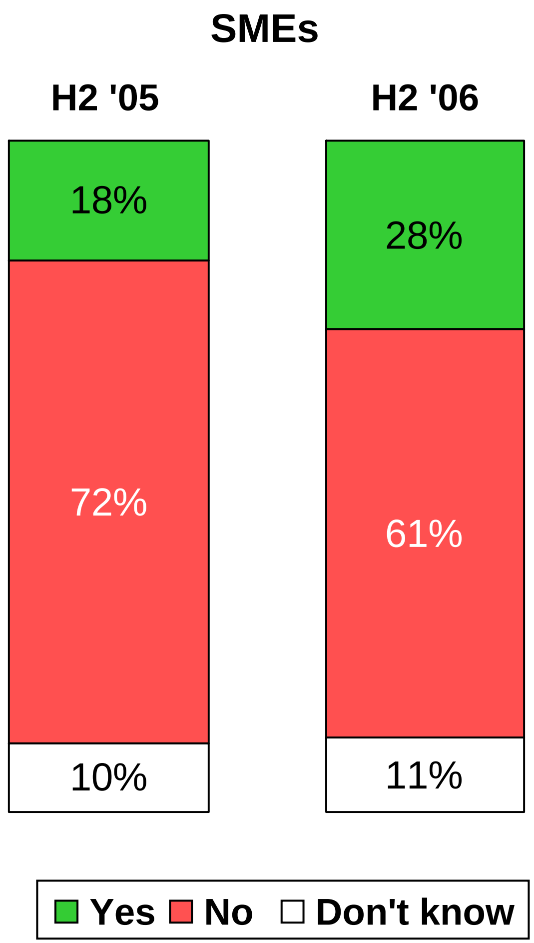
Q. Are you currently committed to a contract with your mobile phone service provider?



- The incidence of being on a contract appears to have increased since October 2005.
- Two in three companies are committed to a contract with their mobile phone supplier.
- Companies with 50-99 employees are most likely to have a contract as well as those who have a higher monthly mobile spend.

Contracts a Barrier to Switching

Q. Is this contract a major barrier to switching to another provider?



- Overall there has been an increase in those who consider their contract is a barrier to switching.

Base: All with company mobiles and committed to a contract (n=172)

Note: Corporates Base size too low to chart (n = 29)

Mobile Data Services Provided

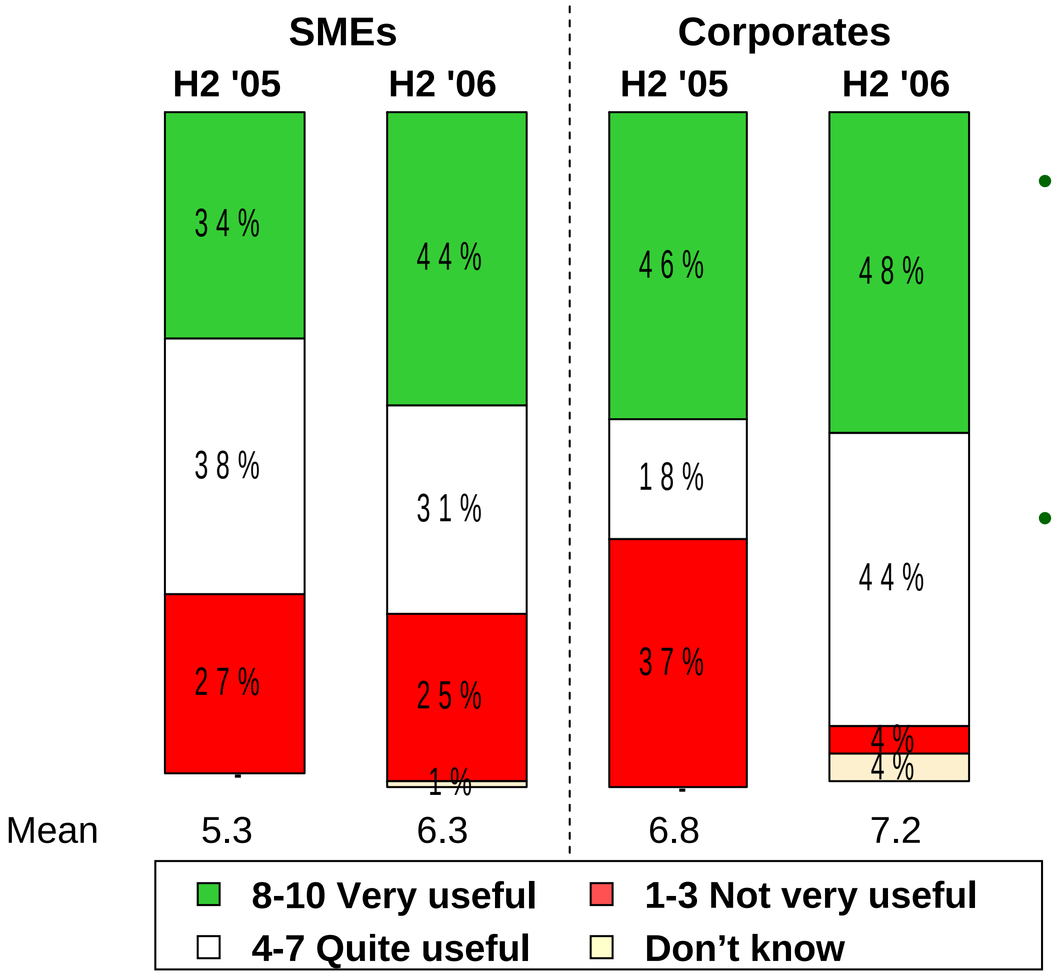
Q. Does your company use any of the following mobile data services?

	SMEs		Corporates	
	H2 '05	**H2 '06**	**H2 '05**	**H2 '06**
SMS (Text) messaging	61	81	79	86
MMS (Picture) messaging	15	19	15	23
Mobile Email (Using a Blackberry or PDA)	15	**26**	53	**70**
Information download over a mobile (GPRS)	11	15	33	44
Other	1	2	2	5
None	35	16	14	10

- Overall there appears to have been an increase in mobile data services used by the business community.
- Mobile email has seen large increases across both sectors.
- Corporates and those in the finance sector are most likely to use at least one of these mobile data services. Only one in ten Corporates do not avail of any mobile data service.

Usefulness of Data Services

Q. How useful are mobile data services to your company in conducting business on a scale of 1 ten 10 where 1 means not at all useful and 10 means extremely useful?



- Corporates are more likely to appreciate the usefulness of mobile data services, rating them on average 7.2 out of ten, compared to 6.3 out of ten among SMEs.
- Overall the perceived usefulness of mobile data services has increased among both SMEs and Corporates since H2 '05.

Mobile Phone Devices Provided

Q. Does your company currently provide any of the following mobile phone devices to any of its employees?

	SMEs				Corporates			
	H1 '05 %	H2 '05 %	H1 '06 %	H2 '06 %	H1 '05 %	H2 '05 %	H1 '06 %	H2 '06 %
3G handsets	6	7	13	25	18	19	42	41
3G Data Cards	n/a	6	6	9	n/a	42	47	40
GPRS or 2.5G handsets	7	10	12	13	43	33	47	55
Wireless LAN cards	10	8	10	11	45	26	47	42
GPS systems	3	n/a	6	n/a	18	n/a	18	n/a
None of these	77	76	70	58	30	39	25	28

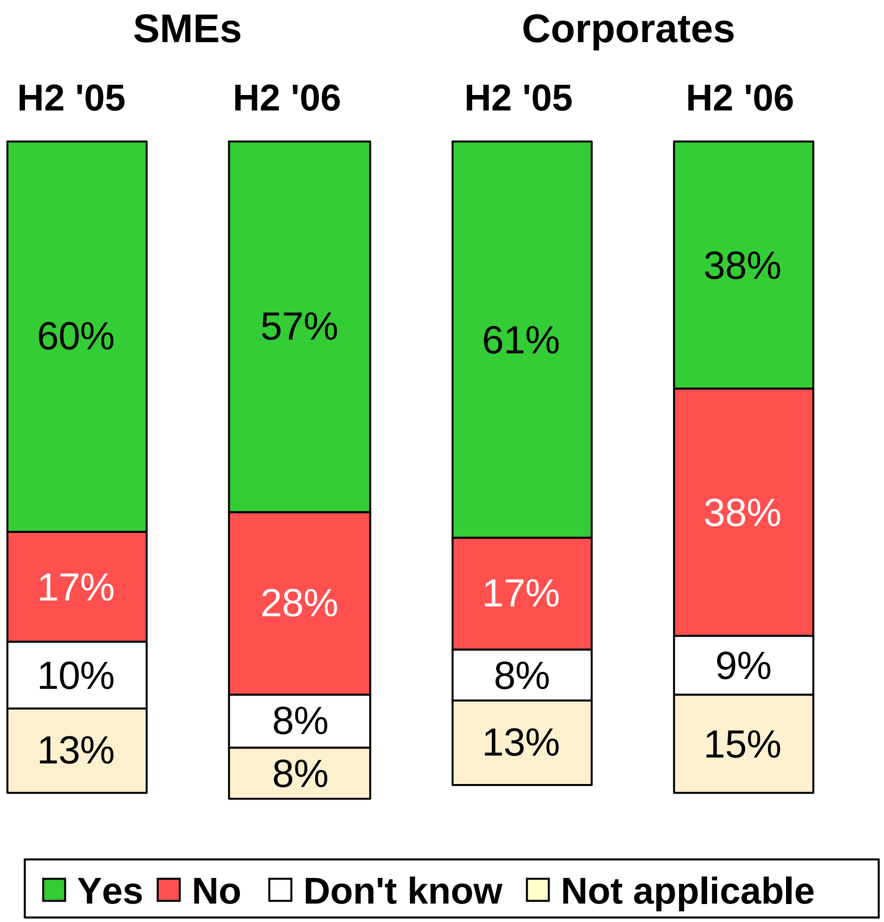
- There appears to be an increase in the range of mobile phone devices provided to employees.
- 3G handsets have become more popular among SMEs, and also among Vodafone customers (31% this wave compared to 9% in May 2005).
- The data suggests a correlation between the increase in mobile data devices and the increased use of mobile data services as outlined in the previous slide.

Base: All Who Supply Company Mobile Phones

And can Identify their Suppliers (n=260, 44)

Preference for a Single Provider

Q. Would you prefer to deal with just one company for your fixed and mobile phone services, receive just one bill and have a single point of contact?

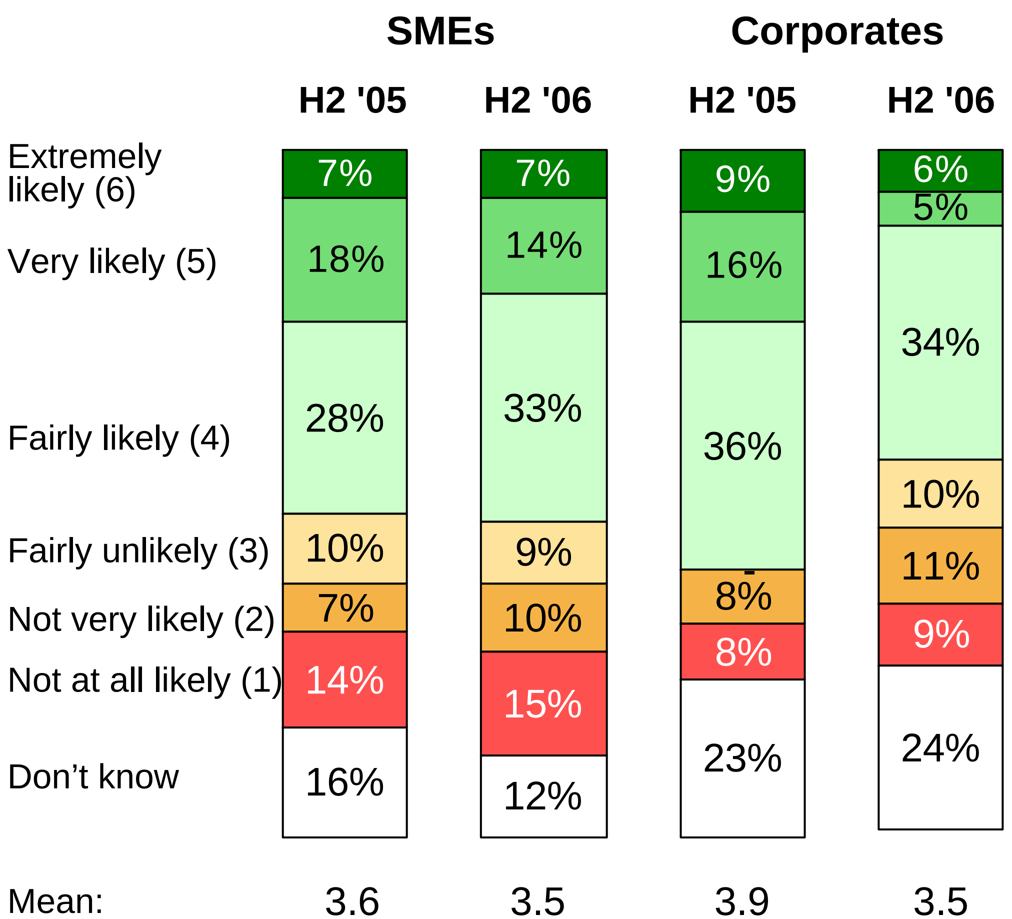


- Just over half (54%) indicated a preference for dealing with just one company for their fixed and mobile services compared to 60% in H2 ’05.
- Interest in a single provider was higher among SMEs and those in the service industry, along with those employing 50-99 employees.

Base: All Who Supply Company Mobile Phones and Identify their Suppliers (n=260, 44)

Likelihood of Switching for a Single Provider

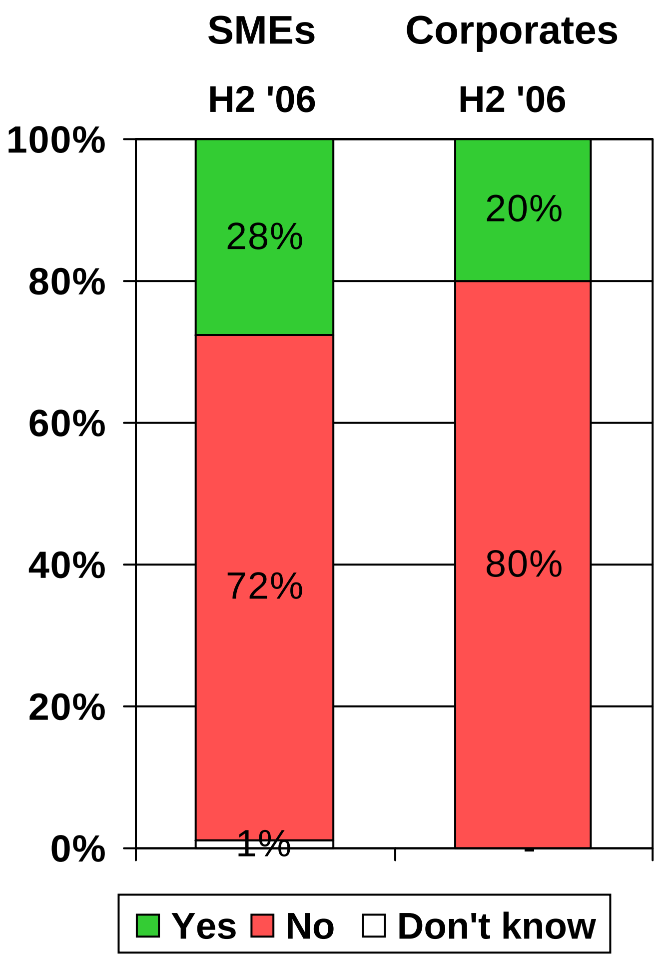
Q. If you got a 10% discount on mobile and fixed line calls by using just one company for these services, rather than two providers, how likely would you be to switch to this one company?



- Overall 53% of companies said they would be likely to switch to a single provider if they received a discount of 10% on mobile and fixed line calls. This compares with 54% of companies in H2 '05.
- It appears that a financial incentive of 10% has little effect on the likelihood of companies switching to a single provider for fixed line and mobile calls.

Incidence of Experiencing Service and Coverage Difficulties

Q. Have you experienced any difficulties in relation to the quality of service or coverage from your mobile operator?

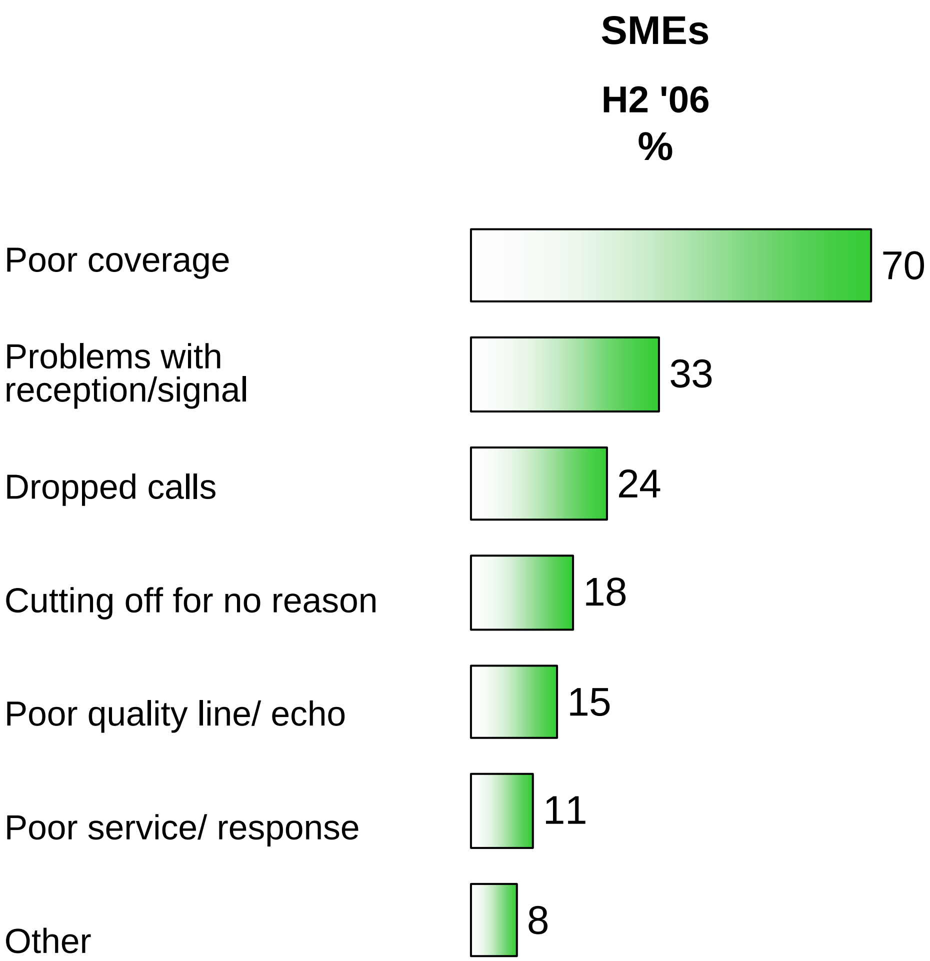


- Over one in four (27%) have experienced service or coverage difficultes from their mobile operator.
- Those in the construction/mining sectors are most likely to have had a problem (39%), along with those based in Connaught / Ulster.
- Over one in three (36%) of O_2 customers claimed to experience difficulties, compared to 22% of Vodafone customers.

Base: All Who Supply Company Mobile Phones and Identify their Suppliers (n=260, 44)

Service and Coverage Difficulties Experienced

Q. **What types of difficulty have you experienced?**



- Among SME companies, poor coverage is by far the most frequently cited difficulty encountered.
- Again the construction/mining industry was most likely to have had this problem. Dublin based companies were least likely to cite this.
- 78% of Vodafone and 73% of O_2 customers who had difficulties cited coverage as an issue.

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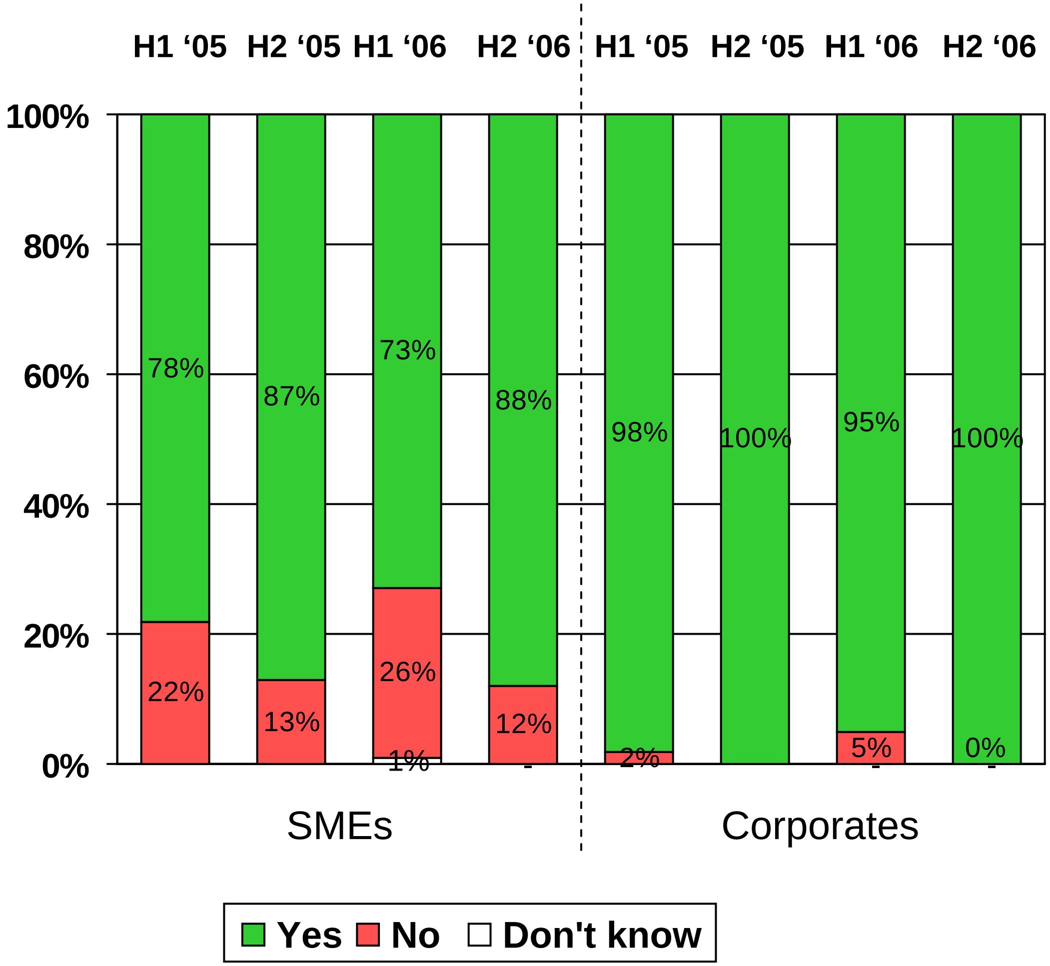
Internet & Broadband Communications

Internet Access

Q. **Is your company connected to the Internet?**



- All Corporates and the vast majority of SMEs claim to be connected to the Internet.
- As before, those less likely to be connected are small companies with less than 10 employees and those in the agricultural and retail industries (32% and 22% respectively).

Base: All respondents(n=501, 49)

Reasons for remaining Off-Line

Q. **Why is your company not connected to the Internet?**

	SMEs H2 '05 %	SMEs H2 '06 %
Have no need	54	65
Not appropriate for our business	22	11
Company too small	14	6
Too expensive	6	4
Do not trust it	5	2
It is not available to me	-	5
Waiting for installation	-	4
My phone lines are not suitable	-	5
Other	3	-
Don't know	8	9

- Perceived lack of need to be connected to the Internet remains the dominant barrier.
- Lack of relevance (appropriateness) is also a reasonably high barrier.

Base: All companies not connected to Internet (n=63)

Internet Access Provider Used

Q. What Internet supplier does your company use for connecting to the Internet?

	Total				SMEs				Corporates			
	H1 '05 %	H2 '05 %	H1 '06 %	H2 '06 %	H1 '05 %	H2 '05 %	H1 '06 %	H2 '06 %	H1 '05 %	H2 '05 %	H1 '06 %	H2 '06 %
eircom	66	69	70	66	66	72	73	68	61	46	54	47
Other	34	31	30	34	34	28	27	32	39	54	46	53

- Eircom remains the main internet access provider, although its market share has slipped in the most recent wave of research.
- Providers other than eircom perform strongest among Corporates and the financial sector. Dublin based companies are more likely to be using a provider other than eircom.

Type of Internet Connection Used

Q. What type of internet connection does your company use?*

	SMEs				Corporates			
	H1'05 %	H2 '05 %	H1 '06 %	H2 '06 %	H1'05 %	H2 '05 %	H1 '06 %	H2 '06 %
DSL connection	49	57	59	52	51	67	57	29
Dial-up	27	24	19	17	2	6	2	7
ISDN line	15	13	9	9	8	13	4	3
Wireless broadband	4	2	4	9	2	6	4	12
Dedicated leased line	3	3	9	2	22	13	24	33
Fibre optic cable	-	-	-	1	-	-	-	9
Satellite	1	1	2	3	-	2	-	-
Other	1	2	-	2	2	8	5	10
Don't know	4	4	6	6	14	6	14	3

- Wireless broadband usage is up in this wave of research, among both SMEs and Corporates.
- DSL connections were not reported as often this quarter, particularly by larger Corporate customers.
- 25% of companies are still relying to some extent on Dial-up and ISDN connections, and are more likely to be based in Connaught / Ulster (36%) or in the retail industry (43%).

*Multiple responses allowed

Base: All businesses with Internet access (n=362, 49)

Main Reasons for not using Broadband

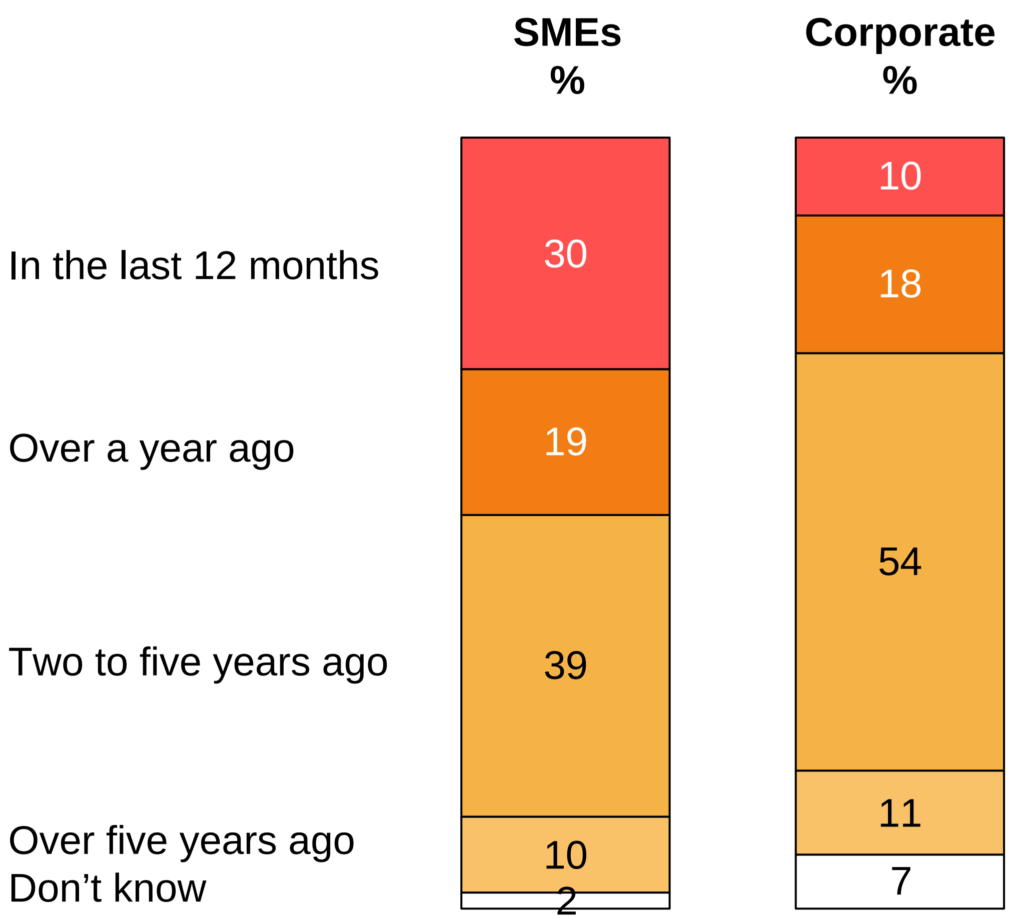
Q. What are the main reasons your company uses an ISDN line or regular dial-up for connecting to the Internet rather than Broadband?

	SMEs H2 '05 %	SMEs H2 '06 %
Broadband is currently not available to our business	47	47
It is the most suitable package for my needs	10	21
The Internet is not an important tool for our business	16	14
It is the most cost effective way of accessing the internet	8	10
I have not considered moving to a broadband service	7	3
I am not sure about the options for broadband services	5	5
These services are compatible with the technology used for our business	1	5
Other	5	6
Don't know	8	3

- Perceived lack of availability of broadband remains the main barrier to upgrading from dial-up or an ISDN line.
- As noted last year, lack of perceived utility or business relevance also still remain as significant barriers to upgrading.
- Those still using Dial-up / ISDN Lines are more likely to claim to do so now do so as it suits their needs, indicating that availability may not be as much an issue for some as before, but rather how appropriate it is for their business.

Length of Time since Internet Installed

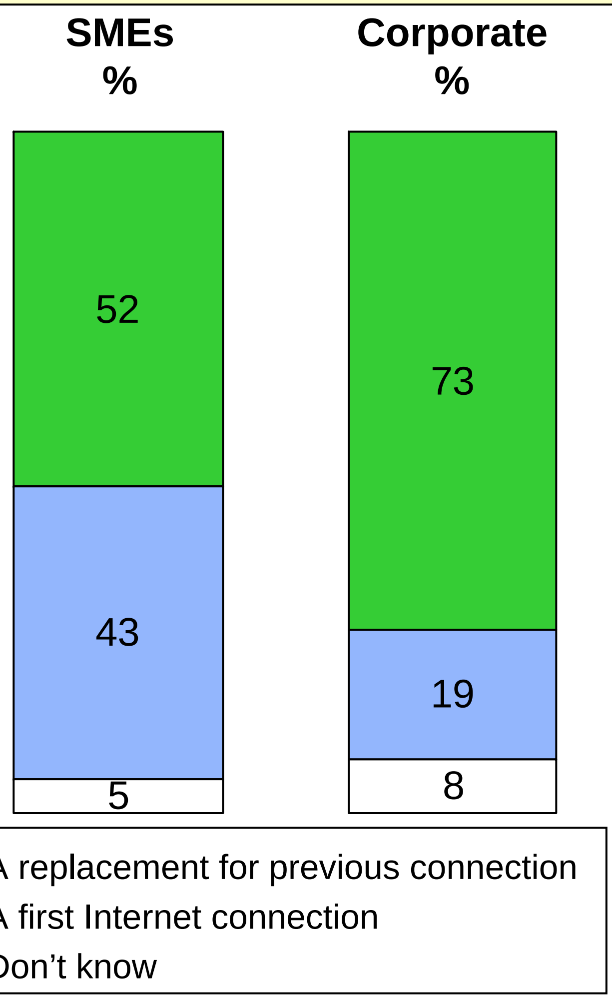
Q. When was your current Internet connection installed?



- Nearly half (47%) of all companies connected to the Internet installed their current connection in the past two years.
- Nearly one in three SMEs have a recent installation (past year) compared to just one in ten Corporates.

Replacement or First Connection?

Q. Is this Internet connection(s) the first Internet connection your company got or a replacement for previous Internet connection?



- Corporates are more likely than SMEs to have upgraded their Internet connection.
- Service industries (56%) and the Government sector (71%) are also more likely to have upgraded.
- Eircom only customers are more likely to be on their first installation (42% versus 22% for those using eircom and alternates), along with those with Dial-up (69%).

*Note: Question asked before only among Dial Up/ISDN customers

Replacement of Other Internet Connection?

Q. What type of Internet connection did it replace?

	SMEs %	Corporate %
Regular phone line/ dial up	49	19
ISDN line	25	30
DSL connection	13	4
Wireless broadband	3	14
Dedicated leased line	-	15
Satellite	2	-
Fibre optic cable	*	-
Other	2	6
Don’t know	7	12

- 70% of those who have upgraded had been using dial-up or ISDN previously

Base: All Who have Replaced their Internet Connection (n=223, 36)

Broadband Access

Q. Are any of the following broadband services available in your area?

	SMEs H2 '05* %	SMEs H2 '06 %
DSL Lines	19	17
Satellite	17	23
Wireless Broadband	27	38
Leased Lines	9	11
Fibre optic cable	n/a	10

•Among those SMEs either not connected to the Internet, or not using broadband, there has been a general increase in perceived availability of the Broadband options open to them, particularly Wireless options.

*Note: H2 '05 based on those with Internet access but not broadband access

Base: All businesses using dial-up and ISDN and those who do not use the Internet at all, (n=181)

Access to Broadband Services

Q. **Have you ever tried to subscribe to any of the following broadband services, and been told that it could not be supplied to your business?**

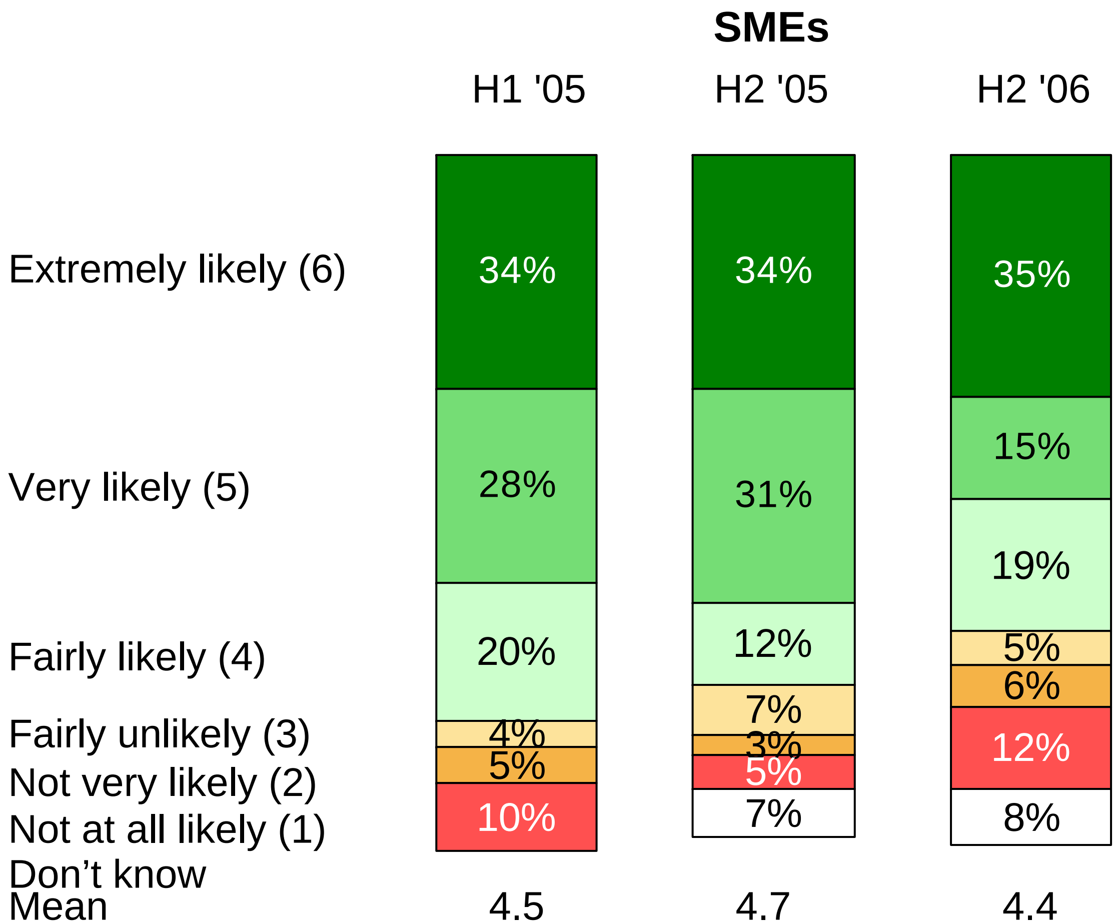
	SMEs H2 '06 %
DSL Lines	19
Satellite	10
Wireless Broadband	15
Leased Lines	8
Fibre optic cable	8

- Nearly one in five dial-up customers or businesses not connected to the Internet claim to have attempted to get a DSL connection, only to be advised that they could not be supplied.
- One in seven attempted to have Wireless Broadband installed, with companies in Connaught / Ulster (20%) being least successful.

Base: All businesses using dial-up and ISDN and those who do not use the Internet at all, (n=181)

Likelihood of Getting Broadband Were it Available

Q. If broadband was available in your area, how likely would your company be to get a broadband connection?

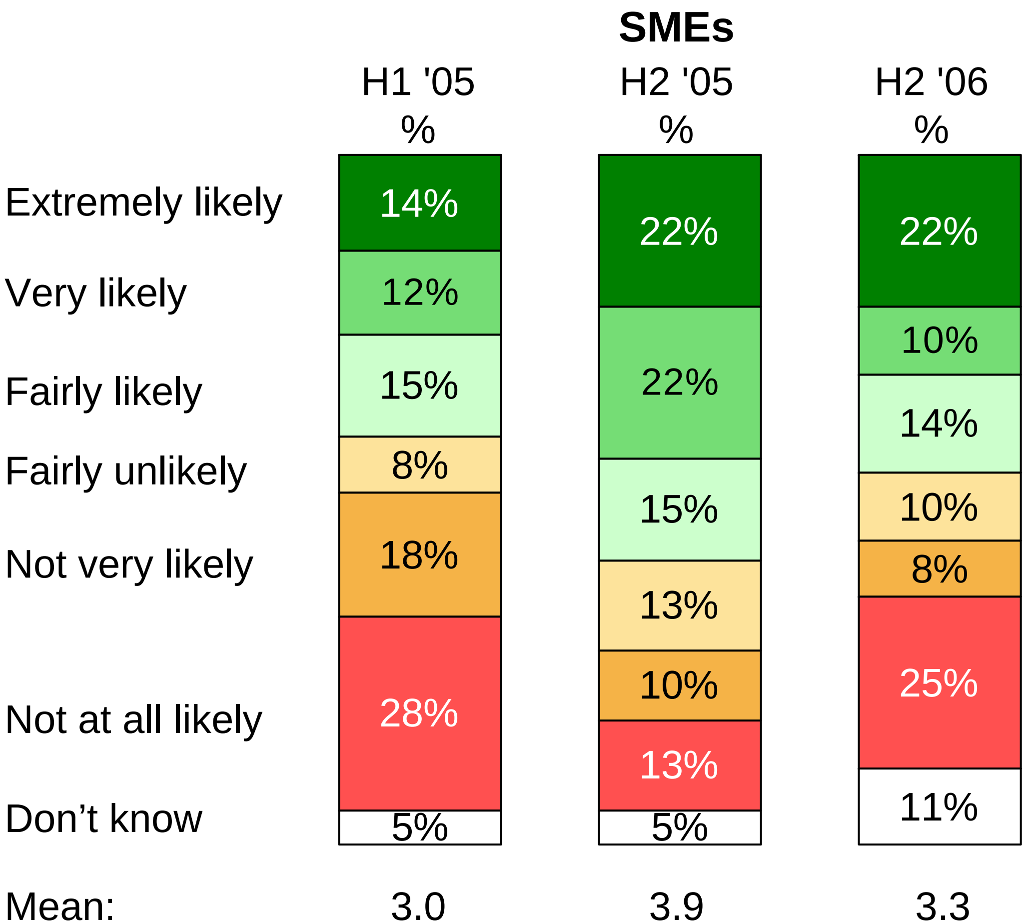


- The majority of SMEs claim they would avail of broadband if it were available.
- However, nearly one in four (23%) of SMEs do not consider it likely that they will install broadband, regardless of availability.
- This is higher among smaller businesses (27%), and those with 50-99 employees (37%), and companies based in Dublin (34%).

Base: All businesses using dial-up and ISDN and those who do not use the Internet at all, (n=181)

Likelihood of Connecting to Broadband

Q. How likely is your company to get a broadband connection in the next 12 months?



- Among SMEs not using broadband, there is more or less an even split between those who will consider broadband over the next 12 months (46%) and those who will not consider installing broadband (43%).
- This would suggest that there is one group who are unable to receive Broadband currently, and another group who simply do not believe that they need or require broadband.

Impact of Broadband on Business

Q. How has broadband impacted on YOUR business?

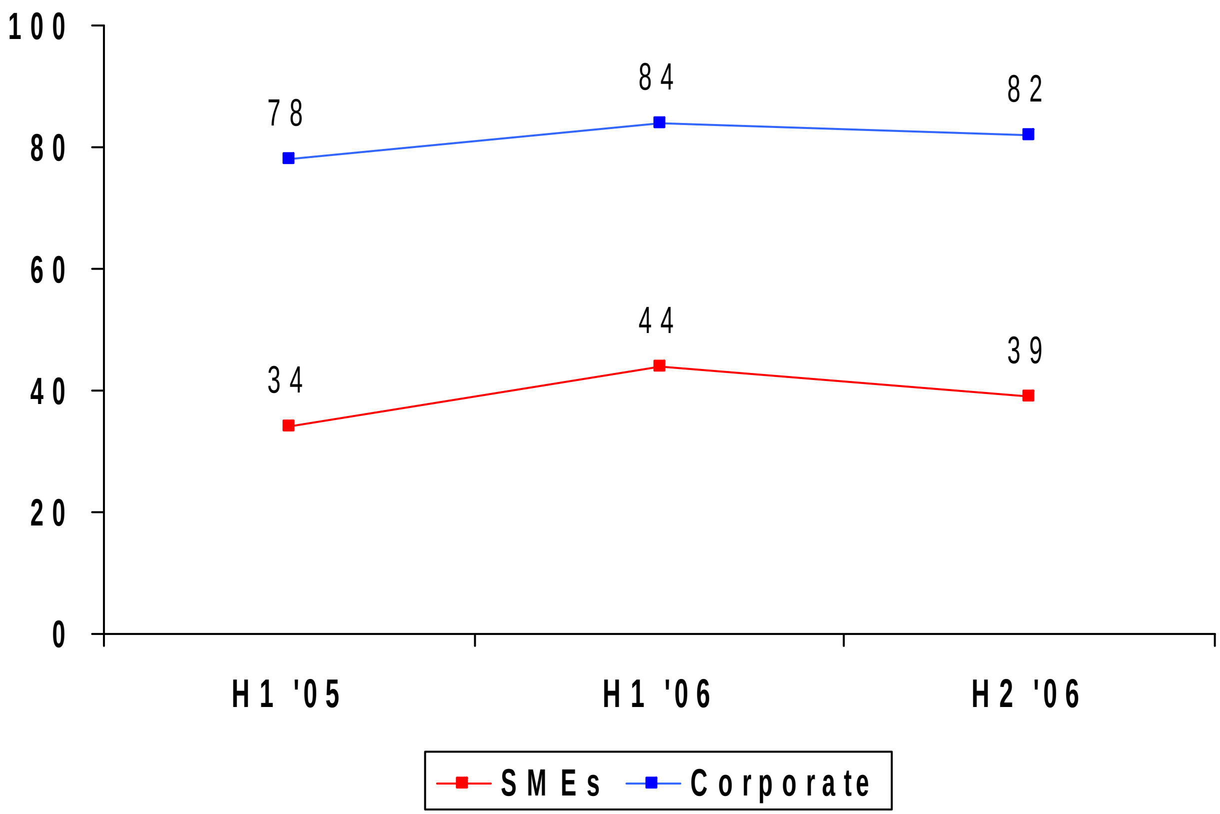
	SMEs H1 '06 %	SMEs H2 '06 %	Corporates H1 '06 %	Corporates H2 '06 %
Time savings	45	32	32	32
More efficient communications with customers	22	31	18	27
Productivity improvements	15	19	14	30
More efficient internal communications	15	15	8	34
Has made no real difference to our business	-	9	-	11
IT cost savings	7	5	7	7
Has allowed us to use more advanced IT technology	2	5	3	2
Faster	-	4	-	4
Has helped increase sales	-	5	-	-
Other	-	2	-	2
Don't know	-	11	-	4

*Answers under 4% not shown

Base: All Businesses using Broadband (n=294, 39)

Awareness of VoIP

Q. Have you heard of a service called Voice Over IP also known as 'VoIP'?

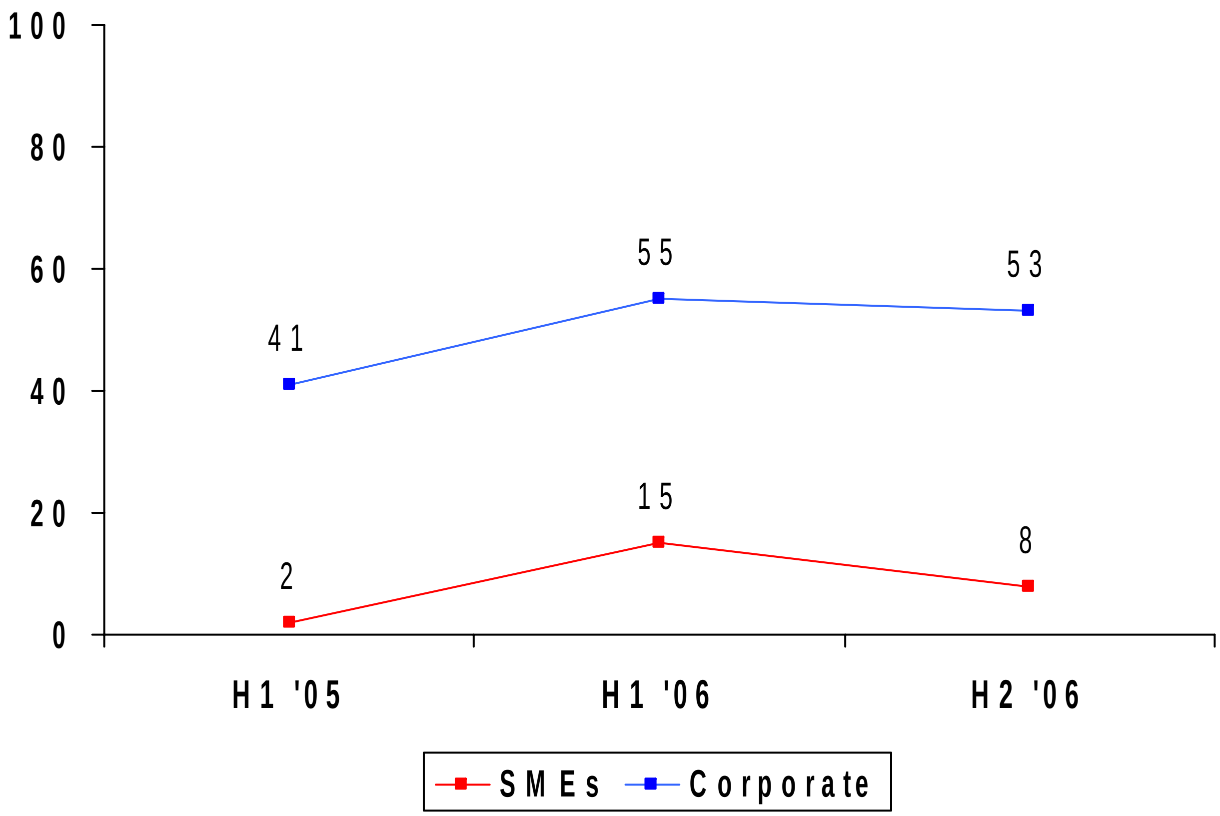


- Awareness of VoIP has remained relatively unchanged, with over four in five Corporates aware and two in five SMEs aware of the service.
- Awareness is higher among Dublin based companies and those employing 100+ employees.

Note: Question Not Asked in H2 '05

Approaches by VoIP Providers

Q. Have you been approached by a Service Provider offering such a service?

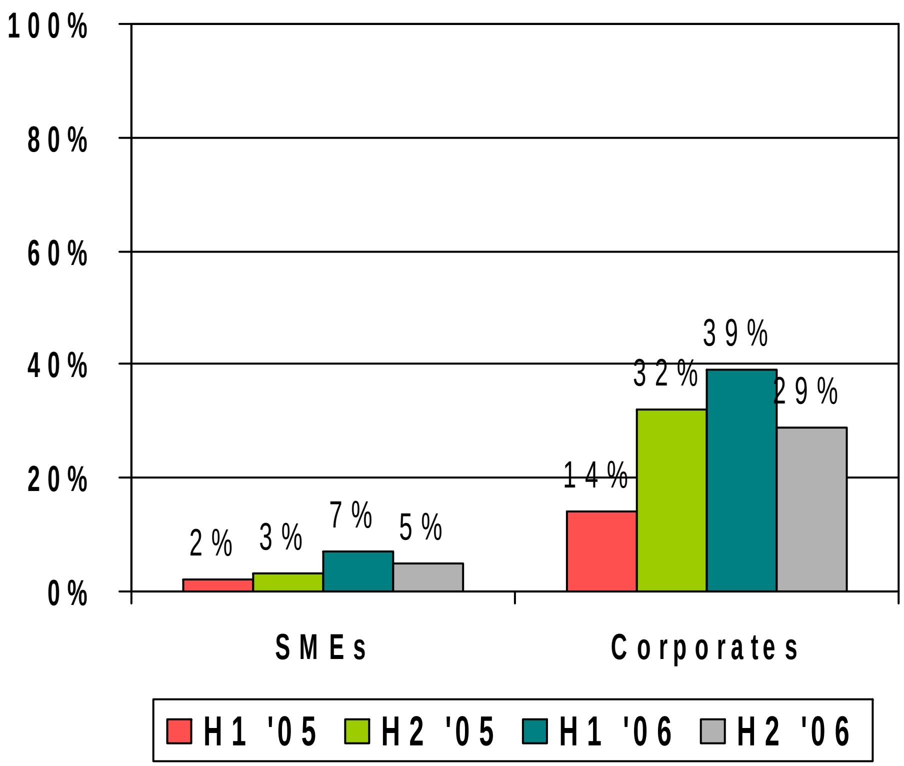


- Corporate companies are much more likely to have been approached by a service provider regarding VoIP, with just one in 12 SMEs having been approached. Even among Corporates however, just over half have been approached about this service.

Note: Question Not Asked in H2 '05

Usage of VoIP

Q. Is your company currently using Voice over IP (or VoIP) services?



- Overall 5% of SMEs claim to be using VoIP, compared to a level of 7% in the last wave of research. Usage of VoIP among Corporates remains relatively steady, with three in ten claiming to use it.
- Of those using VoIP, Skype is most widely used, with four in ten citing them as their service provider.

Reasons for Using VoIP

New

Q. How do you use VoIP services?

	Number of Mentions*
Used for calls made by employees while in the office	31
Used for calls made by employees while working from home	13
Used for calls made by employees while travelling outside the office	7
Don't know	2

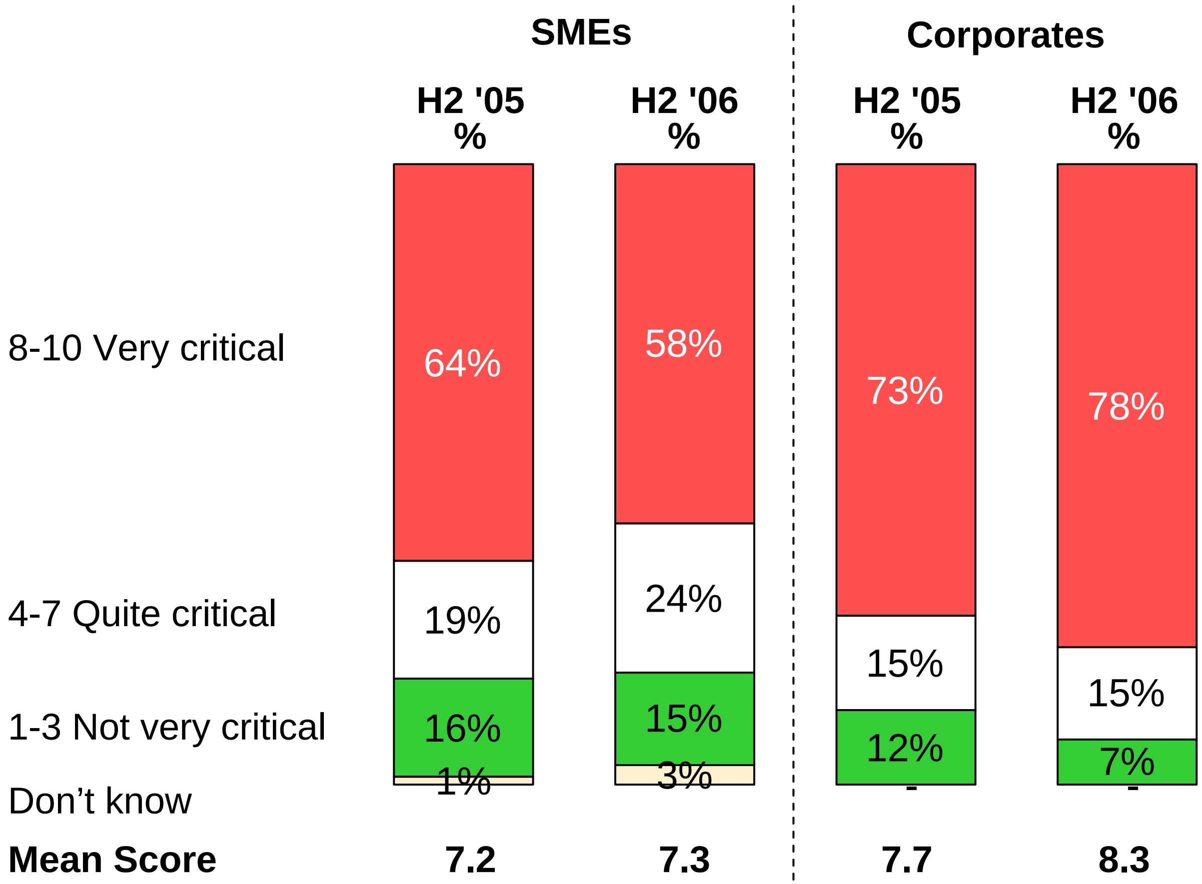
- The majority of those using VoIP services use it primarily for calls by employees while in the office, with only one in five using it for calls made by employees whilst travelling outside the office.

*Base: All Using VoIP Services (n=36). *Note : Small base*

Impact of Loss of Services

Q. How would a one day breakdown of the following services in your company affect your business on a scale of 1-10 where 1 means not at all critical, and 10 means extremely critical?

Fixed Line Service



- Loss of fixed line services is still considered a more critical ICT loss than either mobile or Internet services
- It is still the case that businesses rely most often on fixed line communication as their primary customer communication channel.

Base: All respondents (n=501,49)

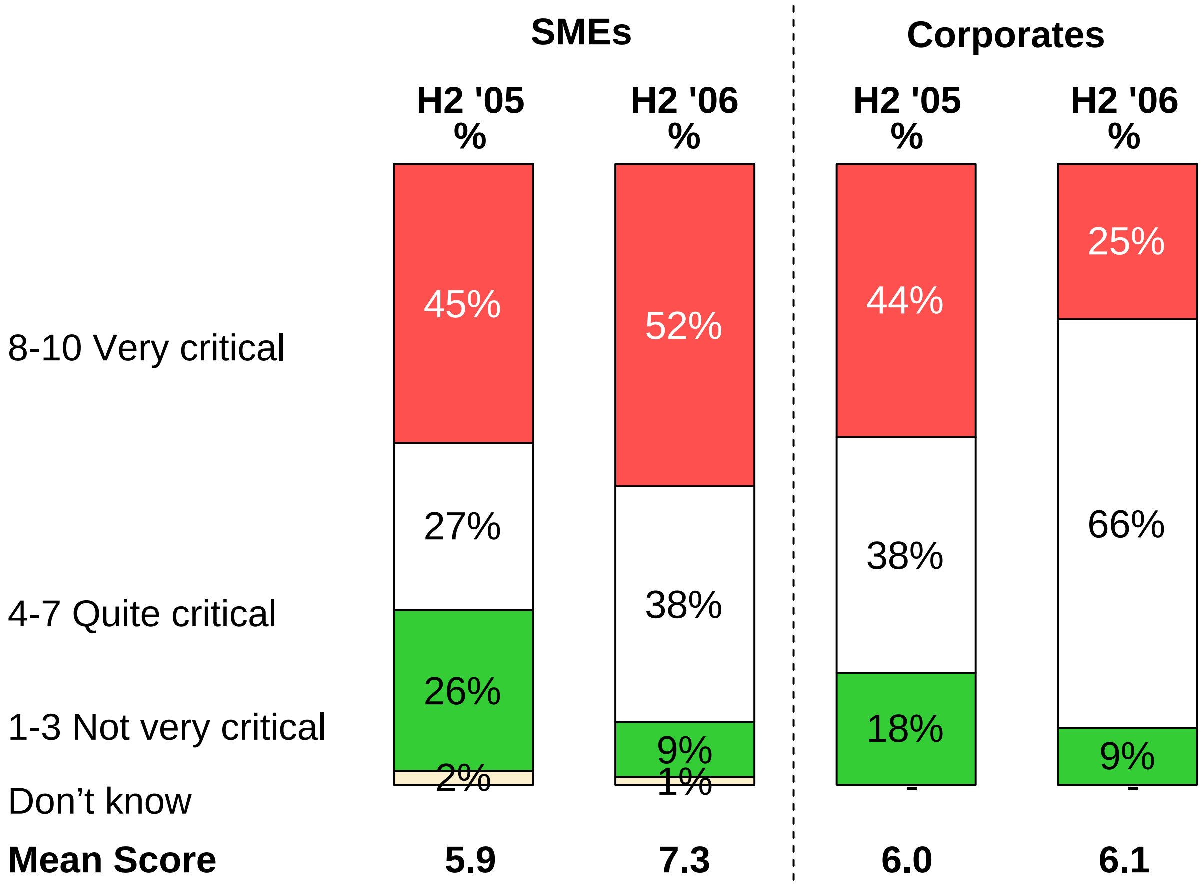
**Base: All businesses with company mobiles (n=270, 45)*

^Base: All businesses with Internet access (n=438,49)

Impact of Loss of Services

Q. How would a one day breakdown of the following services in your company affect your business on a scale of 1-10 where 1 means not at all critical, and 10 means extremely critical?

Mobile Service*



- Loss of mobile services is now considered more critical among those who use them than a year ago.
- Since the last wave, downtime for mobiles among SMEs has become as critical an issue as downtime for fixed line services.

Base: All respondents (n=501,49)

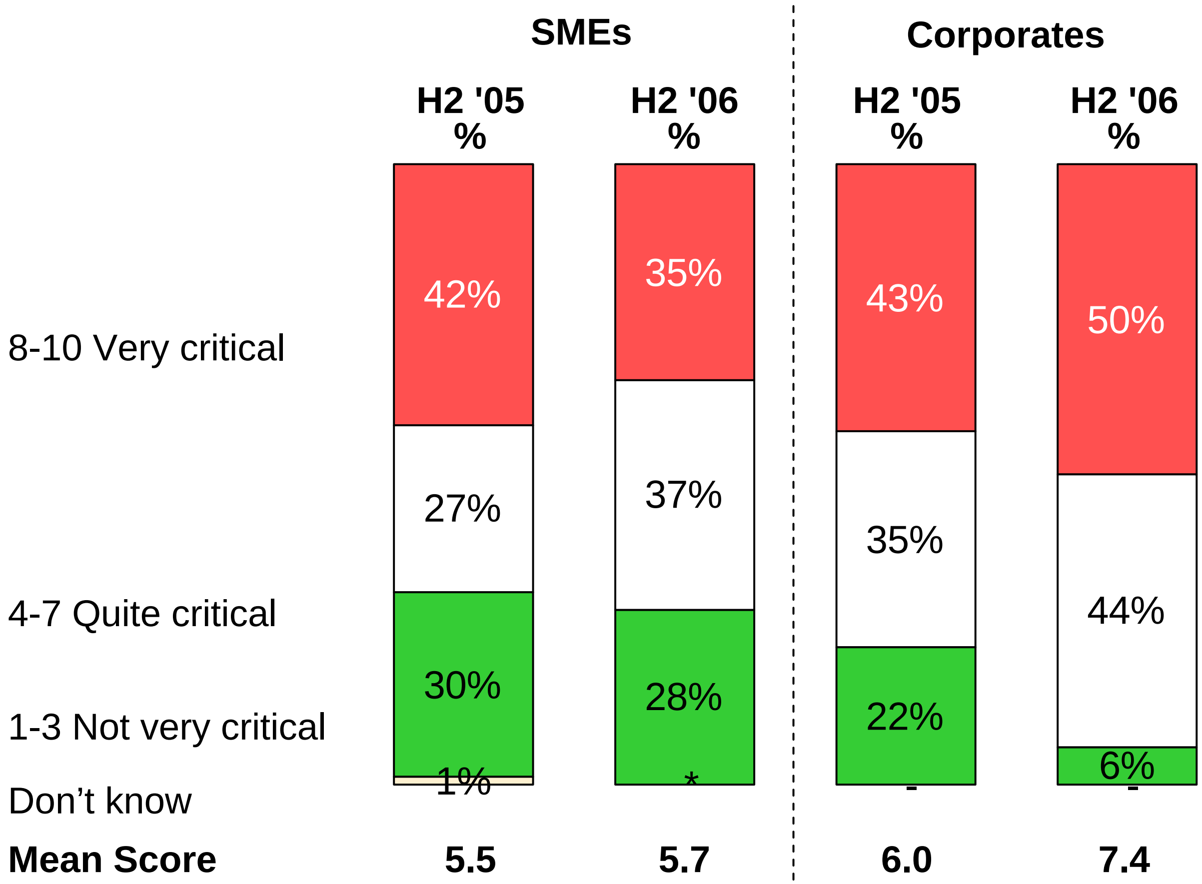
**Base: All businesses with company mobiles (n=270, 45)*

^Base: All businesses with Internet access (n=438,49)

Impact of Loss of Services

Q. How would a one day breakdown of the following services in your company affect your business on a scale of 1-10 where 1 means not at all critical, and 10 means extremely critical?

Internet Service^



- Internet downtime is also perceived as more critical an issue than last year, and especially so among Corporates.

Base: All respondents (n=501,49)

**Base: All businesses with company mobiles (n=270, 45)*

^Base: All businesses with Internet access (n=438,49)

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Key Findings

Key Findings - I

- *eircom* maintains its position as the largest provider of fixed line voice services to business markets, holding 72% of the market, similar to the last wave of research.
- Switching within the fixed line sector has also remained quite constant, but for the first time over half of SMEs (51%) now claim to have switched their fixed line services, and nearly two fifths (38%) of Corporates claim to have done so. One in four of all SMEs who switched were dissatisfied with the actual process of switching.
- With this in mind, switching back is quite common. Service benefits are considered of high importance when choosing a supplier, and if those benefits are not met, a company is likely to return to their original supplier.
- Over half of SMEs believe their monthly spend on fixed line services has remained the same over the past year, compared to just over one third of Corporate companies. SMEs are more likely to believe their monthly spend has decreased rather than increased (22% versus 21%), with Corporates slightly more likely to believe their spend has increased (25% versus 21% who feel they have decreased). Of those who feel costs have risen, the majority attribute this rise more to increased usage rather than increased charges.
- The average price reduction needed to entice switching behaviour for their fixed line services is 20% for SMEs and 17% for Corporates
- Of all ICT services used by companies, fixed line services are considered most critical in terms of a break down affecting the day to day running of a business, illustrating that they remain the key channel between companies and their customers.

Key Findings - II

- Within the mobile phone market, both Vodafone and O2 have the largest shares. Neither Meteor nor 3 appears to have had a significant impact on the business sector. There has been a decline in the numbers of companies supplying mobile phones to their employees, with those in the the hotel/restaurant sector, agriculture, service and retail industries less likely to supply mobile phones.
- When compared to fixed line bills, significantly more companies believe that their mobile bills have increased over the past year, but again this perception is fuelled primarily by increased usage rather than increased costs.
- Whilst fixed line services are seen as most critical in terms of the effect they have when service is lost, the loss of mobile services is perceived to be as important among SMEs. There has been an increase in the level of importance attached to mobile phone service downtime compared to 12 months ago among both Corporates and SMEs.
- Two thirds of companies are committed to a mobile phone contract, and of those, nearly one in three believe this to be a barrier to switching.
- Over half would prefer to deal with just one company for their fixed and mobile phone services, with a similar proportion claiming they would switch to such a company for a 10% discount.
- Monthly spend on mobile phone services is now higher than monthly spend on fixed line services (€1,213 versus €997 respectively).
- There has been a significant uplift in the number of mobile data services provided to employees, with mobile email particularly enjoying a lift in popularity. Growth has been most evident in the financial sector, and among Corporates. 3G Handsets have also experienced growth, especially among SMEs.
- Over one in four have experienced service or coverage difficulties from their mobile service provider, with poor coverage and problems with reception and signal being the most cited issues.

Key Findings - III

- Broadband penetration has remained mostly unchanged this wave, leaving just one quarter of companies connected to the Internet using dial-up or an ISDN line, similar to previous research.
- Time savings and efficient customer communications remain the key business benefits of having broadband. Among those using Dial-up/ISDN, the main reason for not upgrading continues to be the perceived lack of availability, followed by lack of need or relevance.
- Businesses without broadband/Internet connections are becoming more aware of the Broadband services available to them.
- Nearly one in five of those without broadband have attempted to upgrade to DSL lines, only to be told it was unavailable.
- More businesses, both SMEs and Corporates, now claim to be using Wireless broadband compared to six months ago, with nine percent of SMEs and eleven percent of Corporates now using this type of connection (compared to four percent for each previously).
- Significantly, however, one in four of those not using broadband/the Internet have no intention to do so, regardless of availability.
- Awareness of VoIP has remained relatively consistent, and there has been no significant increase in uptake of this service.

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Appendix: Sample Details

Sample Profile: Location of Business

Q. What region is your workplace in?

	SMEs				Corporates			
	H1 '05	H2 '05	H1 '06	H2 '06	H1 '05	H2 '05	H1 '06	H2 '06
	%	%	%	%	%	%	%	%
Dublin City	29	30	24	25	38	42	40	52
Rest of Leinster	25	20	24	28	16	14	14	10
Cork City	5	9	5	9	12	2	4	4
Waterford City	3	1	1	1	-	-	7	8
Limerick City	3	4	4	1	2	2	4	3
Rest of Munster	15	19	24	17	24	17	15	15
Galway City	4	3	2	1	-	2	5	4
Rest of Connaught	10	9	10	10	4	12	9	3
Rest of Ulster	6	4	5	7	4	9	2	1

Base: All Respondents (n=501,51)

Sample Profile: Location of Premises

Q. Is your company located in….

	SMEs			Corporates		
	H2 '05 %	**H1 '06 %**	**H2 '06 %**	**H2 '05 %**	**H1 '06 %**	**H2 '06 %**
In a large town or city	39	32	31	46	41	55
A small or mid-sized town	20	25	20	15	19	6
A rural area or village	20	23	28	5	2	13
A business park in urban area	17	16	18	27	30	24
A business park in a rural area	3	2	3	4	6	2

Base: All Respondents (n=501,51)

Sample Profile: Type of Company

Q. Is your company?

	SMEs				Corporates			
	H1 '05 %	H2 '05 %	H1 '06 %	H2 '06 %	H1 '05 %	H2 '05 %	H1 '06 %	H2 '06 %
An Irish owned – private company	89	86	83	85	40	35	36	32
An Irish owned – public company	3	3	3	3	8	3	11	10
A Subsidiary of overseas company	6	3	4	5	30	30	24	24
A Semi-State body	1	2	1	*	10	10	7	3
A Government department	1	2	2	3	10	18	11	20
Other	*	3	6	5	-	2	11	10

Base: All Respondents (n=501,51)

Sample Profile: Position in Company

Q. What is your own position in the company?

	SMEs				Corporates			
	H1 '05 %	H2 '05 %	H1 '06 %	H2 '06 %	H1 '05 %	H2 '05 %	H1 '06 %	H2 '06 %
IT Manager /IT Director	7	11	6	8	46	46	44	68
CEO/Managing Director/ Owner Manager	45	36	38	48	2	-	6	3
Telecommunications Director/ Telecommunications Manager	1	2	*	1	4	11	-	5
Finance Director/ Finance Manager	8	11	5	9	8	9	6	6
Other Director/Manager	23	24	19	21	26	12	10	12
Administration	10	9	9	9	-	4	-	4
Other	5	7	32	4	4	19	35	4
Refused	1	1	*	-	-	-	-	-

Base: All Respondents (n=501,51)

Main Fixed Line Supplier

Q. Which fixed line phone services provider does your company use for its voice call?

	Total H2 '06 %	SME H1 '05 %	SME H2 '05 %	SME H1 '06 %	SME H2 '06 %	Corporates H1 '05 %	Corporates H2 '05 %	Corporates H1 '06 %	Corporates H2 '06 %
Eircom	76	79	80	77	76	82	77	88	77
BT Ireland	5	6	8	6	5	8	14	4	10
Imagine	4	1	1	1	4	1	1	1	3
Access	2	3	2	5	2	8	2	-	2
Euphony	2	4	2	2	2	2	-	5	-
Perlico	2	*	-	-	2	2	-	-	2
Smart Telecom	1	2	2	2	1	-	2	1	-
Pure Telecom	1	1	2	1	1	2	-	2	2
WorldCom (MCI)	1	2	1	*	1	4	-	4	-
NewTel	1	1	*	1	1	-	-	-	-
Cinergi/Speedial	1	1	*	1	1	-	-	-	-
NTL Business/NTL	1	1	*	*	-	-	2	6	2
Other*	7	5	5	7	7	-	2	8	12
Don’t know/refused	3	1	2	2	3	-	2	-	4

Base: All Respondents (n=501,51)

**Other answers 1% or less included Talk Talk, Gaelic Telecom, ATS and Cable & Wireless*

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Internet Supplier Used

Q. What internet supplier does your company use for connecting to the internet

	Total				SMEs				Corporates			
	H1 '05 %	H2 '05 %	H1 '06 %	H2 '06 %	H1 '05 %	H2 '05 %	H1 '06 %	H2 '06 %	H1 '05 %	H2 '05 %	H1 '06 %	H2 '06 %
eircom	66	69	70	66	66	72	73	68	61	46	54	47
BT Ireland (Esat BT)	7	7	6	6	6	6	6	5	16	12	1	14
Irish Broadband	3	4	5	4	4	4	5	4	2	4	4	7
IOL	2	1	-	-	2	1	-	-	-	-	-	-
MCI (Worldcom)	1	*	*	1	1	*	*	*	2	2	-	5
DigiWeb	1	1	1	2	1	1	1	2	-	-	-	-
UTV Internet	1	1	*	1	1	1	1	1	-	-	-	-
Leap Broadband	1	*	*	*	1	*	*	1	-	-	-	-
Indigo	1	1	-	-	1	1	-	-	-	-	-	-
NTL	1	1	2	1	1	1	1	*	-	2	7	3
Net Source	1	*	1	1	1	*	*	1	2	-	2	-
Smart Telecom	1	*	1	1	1	*	1	1	-	-	3	2
Oceanfree.net	0	*	-	-	1	*	-	-	-	-	-	-
Galileo	0	*	-	-	1	*	-	-	-	-	-	-
IFA Telecom	-	*	-	-	-	*	-	-	-	-	-	-
Perlico	-	*	-	1	-	*	-	1	-	-	-	-
Other*	7	9	9	13	6	7	8	11	10	26	16	24
Don't know	6	6	6	8	6	5	4	8	4	8	16	11

Base: All businesses with Internet access (n=362, 49)

** Other answers not mentioned any more than once*

Impact of Loss of Services

Q. How would a one day breakdown of the following services in your company affect your business on a scale of 1-10 where 1 means not at all critical, and 10 means extremely critical?

	Fixed Line Service				Mobile Service*				Internet Service^			
	SMEs		Corporates		SMEs		Corporates		SMEs		Corporates	
	H2 '05 %	H2 '06 %	H2 '05 %	H2 '06 %	H2 '05 %	H2 '06 %	H2 '05 %	H2 '06 %	H2 '05 %	H2 '06 %	H2 '05 %	H2 '06 %
Mean Score	7.2	7.3	7.7	8.3	5.9	7.3	6.0	6.1	5.5	5.7	6.0	7.4

Base: All respondents (n=501,49)

**Base: All businesses with company mobiles (n=270, 45)*

^Base: All businesses with Internet access (n=438,49)

Current and Previous Internet Connection

Q. **What type of internet connection does your company use?**
What type of Internet connection did it replace?

Current Connection

Previous Connection

	DSL Connection %	ISDN Line* %	Wireless Broadband* %	Satellite* %
DSL Connection	16	9	14	-
Dial Up	52	65	31	32
ISDN Line	25	9	37	44
Wireless Broadband	1	-	11	-
Fibre Optic	-	-	-	-
Satellite	1	-	-	24
Other	1	-	4	-
Don't know	6	-		-

Caution: Base sizes extremely low for some
(n = 148, 12, 25 and 10 respectively)

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