



Commission for
Communications Regulation

SME Telecommunications Survey 2004 Report and Analysis

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An Coimisiún um Rialáil Cumarsáide

Commission for Communications Regulation

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1 Introduction

ComReg publishes an annual telecommunications survey amongst a nationally representative sample of small and medium sized companies (SMEs) in the Republic of Ireland. This survey and its results examine the SME sector's usage of and attitudes to fixed, mobile and internet services.

The survey, conducted by TNS-MRBI between 17th November and 14th December 2004 by telephone interview, sought the opinions of 300 individuals with responsibility for telecommunications decision making in SME organisations. It should be noted that in analysing the outcomes of this survey, all results are subject to a margin of error of +/-5.7%.

This report outlines the key findings and trends from the responses of those interviewed and highlights a number of current issues in light of those responses. A more detailed presentation of the survey results is published on our website, www.comreg.ie.

In 2005 ComReg plans to survey small and medium sized enterprises on a six monthly basis, rather than annually to gauge more frequently their attitudes towards telecommunications service delivery in Ireland.

2 General Attitudes to Telecommunications

The survey results for 2004 relate to responses provided by the person with responsibility for telecommunications within their company between November 17th and December 14th, 2004. The survey covers a range of issues relating to respondents' general attitudes towards telecommunications in Ireland, and specific issues relating to their experiences of fixed voice, data and mobile services.

2.1 Competition in Telecommunications

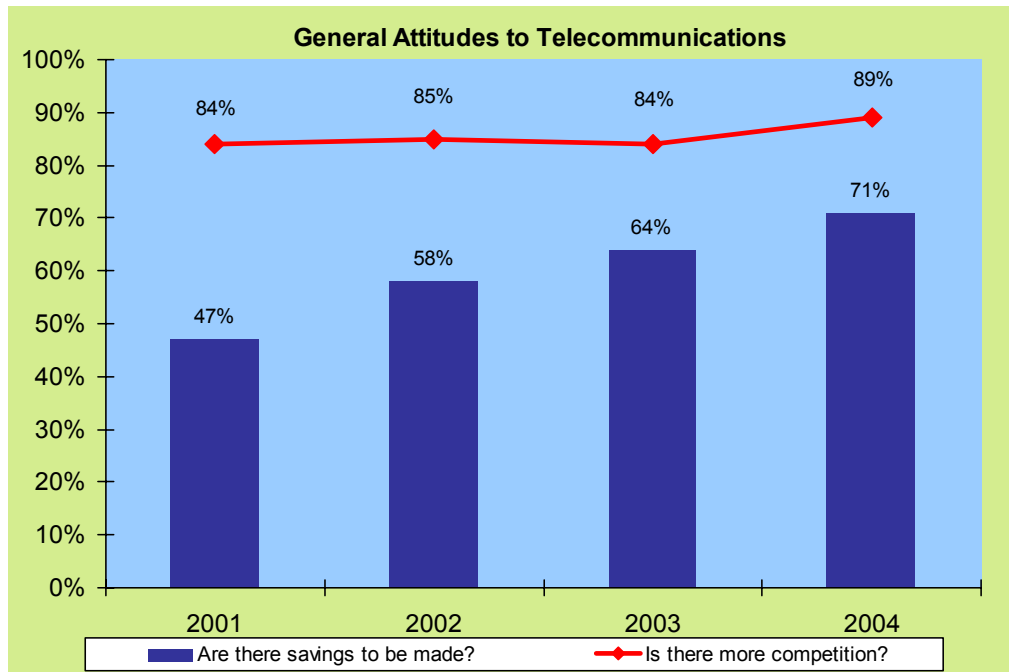


Figure 1: Attitudes towards the telecommunications market in Ireland.

The survey results indicate that over the past four years, there is a growing awareness that savings can be made by changing telecommunications supplier. 71% of respondents in 2004 perceive that there are savings to be gained from changing supplier, an increase of 11% on responses for the same survey in 2003, while 89% believe the market to be more competitive than it was 12 months previously, an increase of 5% since 2003.

2.2 Telecommunications Spend and Investment

When asked to consider how their telecommunications spend has changed in the last 12 months, 64% of respondents cited that spend had either remained the same or decreased, while 33% cited an increase in spend.

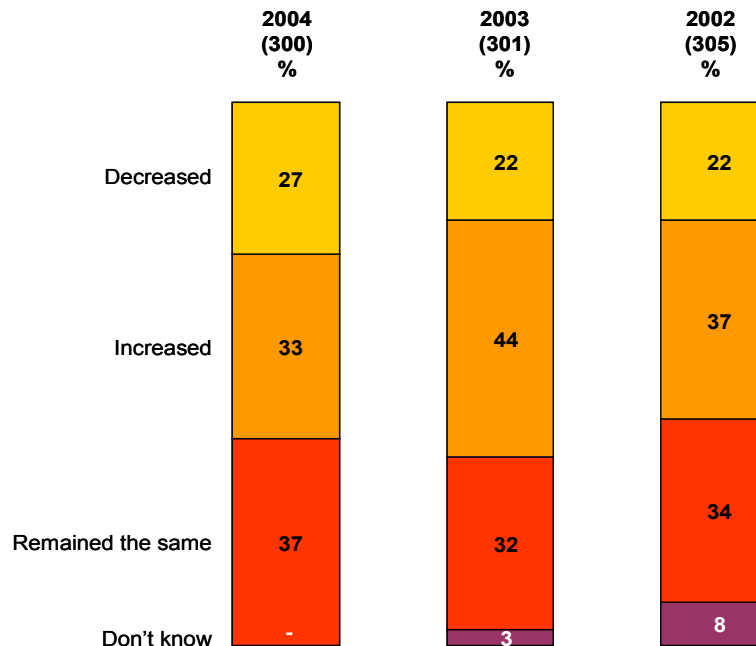


Figure 2: Changes in overall telecommunications spend in 2004

When asked about their company's intention to invest more in telecommunications devices or services in the coming 12 months, 30% of respondent stated that such investment was likely to happen. Of this group, a range of services were cited for potential investment. The table below indicates some of the services that respondents indicated they were likely to invest in, in the coming 12 months.

Service	2004
Web Development	52%
Fixed wireless access of WiFi	20%
Firewall/ security solution	26%
3 rd Generation mobile telephony	19%
IP Telephony/ Voice over IP	13%
VPN (Virtual Private Network)	12%

2.3 The Importance of Price in Choosing a Telecommunications Provider

Price is the leading factor cited by respondents when selecting a telecoms provider. In terms of importance, it scored 4.28 out of a possible 5 for importance in the fixed line market, and 4.22 out of a possible 5 for the mobile sector. The importance of price was rated highly by all respondents spanning all regions, company sizes and industry sectors within the nationally representative sample.

3 Fixed Voice Market

3.1 Competitive Climate

The survey sample was asked if they had switched supplier for fixed telephony services in the last 12 months. The response rate indicated that 16% of those surveyed had changed supplier during this time period.

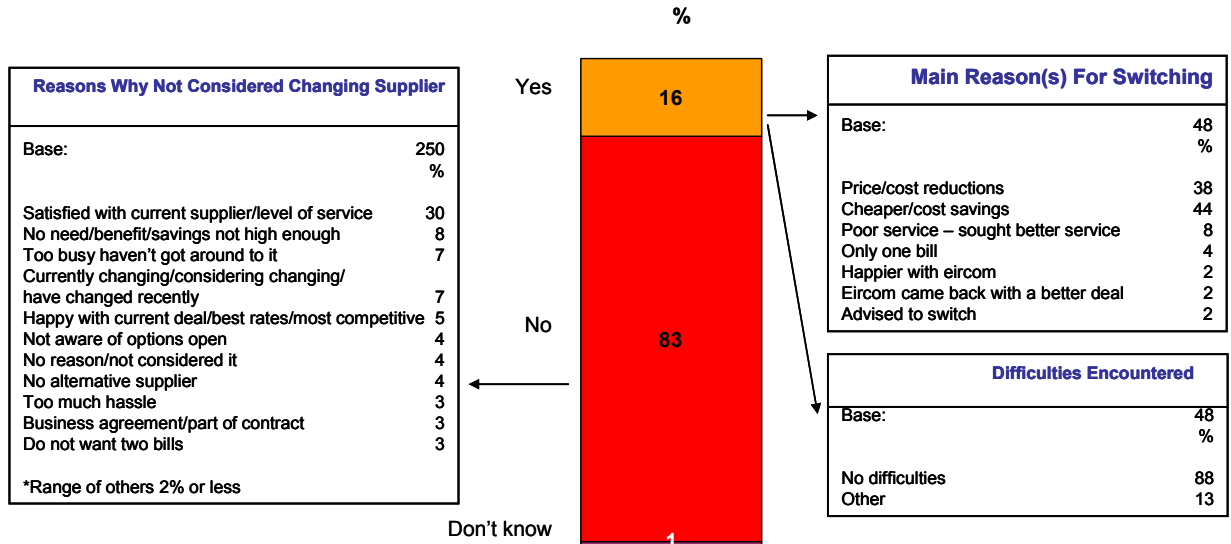


Figure 3: Percentage of consumer switching supplier of fixed line telephony in the previous 12 months, and reasons for this change, or reasons to remain with current provider.

Of those who switched supplier in the last 12 month, 82% considered cost reduction or cheaper costs/savings as their principal motivation for switching. Of those who remained with their current supplier, the main reason expressed for not switching was overall satisfaction with their current supplier and only 7% responded that they were either not aware of other options available, or did not believe there was an alternative supplier available in their area. Survey responses further suggest that 54% of consumers who had previously switched telecoms operator at any time in the past had switched back to services provided by *eircom*. The table below indicates the reasons provided when asked what prompted the move back to *eircom*.

What Prompted Switching Back to <i>eircom</i> ?	%
Visit from sales person (original telecom supplier)	37%
Telephone call from a sales person (original telecom supplier)	26%
Advice from internal staff with knowledge	7%
Advice from family/friends, general word of mouth	7%
Advice from consultant	6%
Direct mail, brochures etc	1%
General Media	7%
Don't Know	35%

3.2 Awareness and Use of Carrier Pre-Select and Wholesale Line Rental

Those surveyed were asked about their use of services which enabled them to use operators other than *eircom* for their fixed line telephony services. There are two main methods that allow consumers to avail of competitor services- Carrier Pre-Select (CPS) and Wholesale Line Rental (WLR).

3.2.1 Carrier Pre-Select Awareness and Use

Awareness of Carrier Pre-Select was widespread among the sample with almost 4 out of 5 of those surveyed positively responding when asked about awareness of the service.

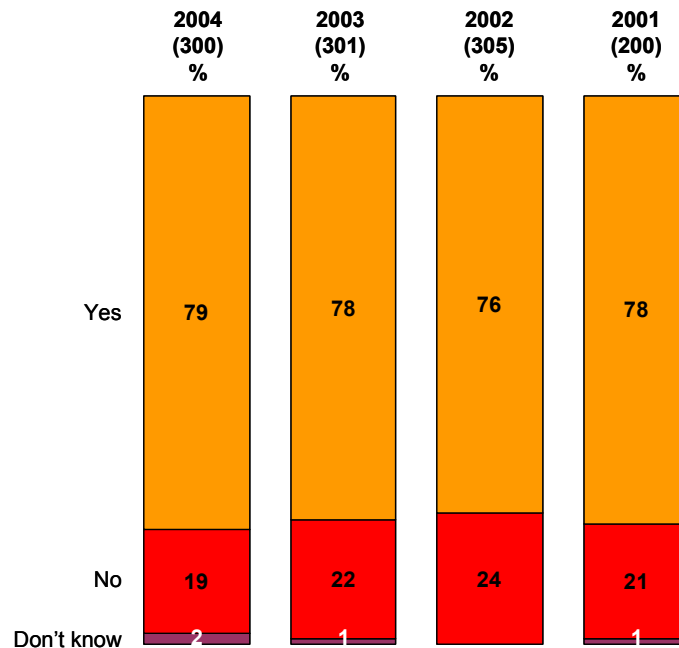


Figure 4: Awareness of Carrier Pre-Selection services for fixed line telephone calls.

The survey results for this period, and previous periods suggest that around one third of SMEs who chose to adopt CPS for their fixed line traffic transferred back to services provided by the incumbent, citing primarily poor service and lack of reliability from the CPS provider (28%), or a more favourable package being offered from *eircom* (13%).

3.2.2 Wholesale Line Rental Awareness and Use

Wholesale Line Rental was developed in part in response to previous survey data from both the residential and SME sectors in relation to consumer perception and satisfaction with Carrier Pre-Selection. In the 2004 residential market survey (ComReg Document 04/30c) 51% of respondents suggested that they would be more inclined to change supplier if a single bill was received for both line rental and calls. Ireland was one of the first European countries to introduce WLR on 1st June, 2004, a service which allows telecoms competitors to offer consumers both line rental and call volumes over incumbent's lines in a single-bill offering.

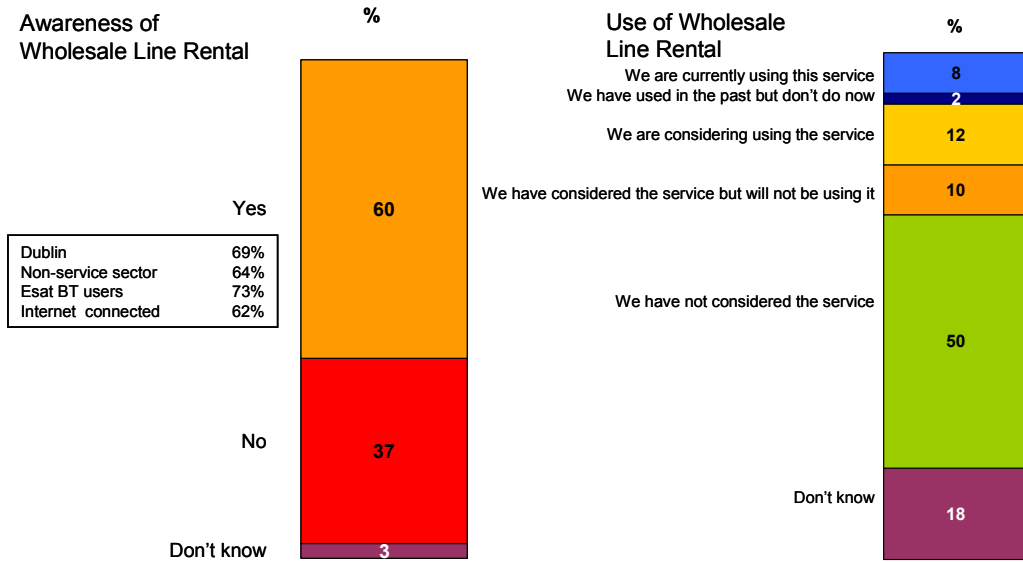


Figure 5: Awareness and Adoption of Wholesale Line Rental (WLR) services

Overall SME awareness of WLR or single-billing through a competitor network is 60% nationally. Its adoption by the SME sector remains relatively small although the product is still relatively new to the Irish market, with 8% of respondents currently using the service, and a further 12% currently considering using WLR services. ComReg expects demand for single-billing through the wholesale line rental product to increase in 2005.

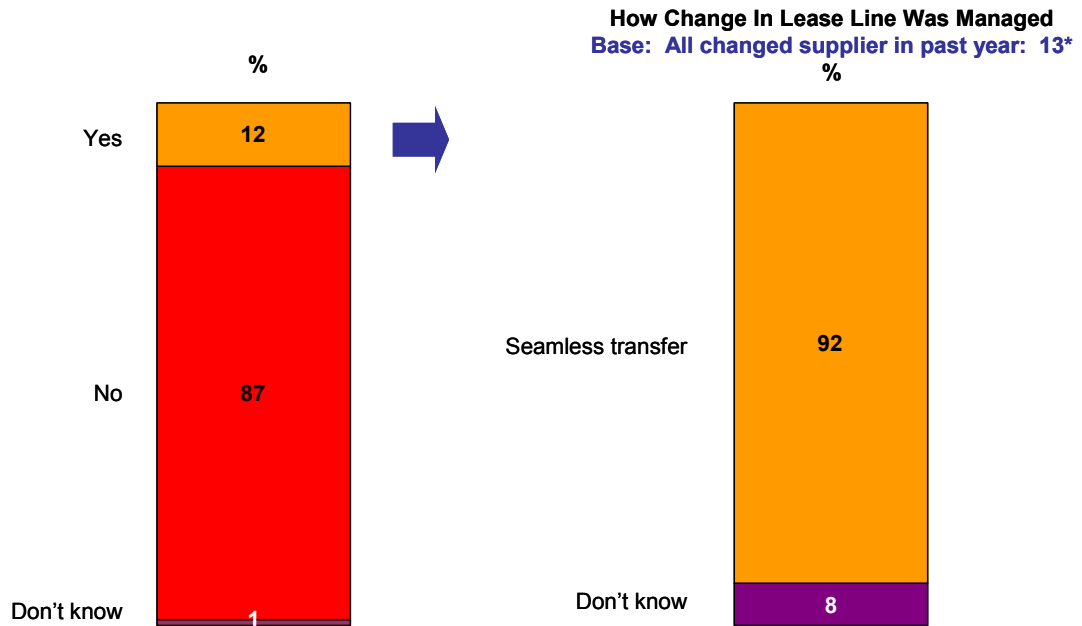
3.3 Likelihood of Switching Fixed Line Telecoms Supplier in the Next 12 Months

When asked how likely or unlikely they were to switch fixed line telephone supplier in the next 12 months, 36% of those surveyed responded that they were fairly likely or extremely likely to change supplier, an increase of 7% on the previous period. In contrast, 61% of those surveyed considered themselves not very likely, or extremely unlikely to change supplier in the coming 12 months, down from 67% of respondents in 2003, and 2002.

3.4 The Importance of Price When Selecting a Fixed Telephone Service Provider

Price remains the key driver for SMEs when selecting a fixed telephone services provider. Those surveyed were asked to rate the importance of price when choosing their fixed line telephone service provider on a scale of 1 to 5, where “1” rated price as not at all important, and “5” rated price as very important. The average score for respondents was 4.28 out of a possible 5, making price of fixed line telephony a fundamental driver for SMEs in Ireland when selecting a service provider. The importance of price in decision-making spanned all geographical regions, all company sizes and industry sectors within the sample. Price as a selection criterion was rated highly regardless of fixed line supplier.

3.5 Changing Leased Line Supplier



Please note small sample size with regard to this response

Figure 6: Percentage of those surveyed who have switched Leased Line supplier in the previous 12 months, and the perceived management of the change.

Of those surveyed who use leased lines (35% of sample), 12% have switched supplier in the last 12 months. 92% of those switching leased line suppliers were managed through a seamless transfer between operators. The aim of this process, which was facilitated by ComReg, is to ensure continuity of supply to the customer while the inter-operator transfer is taking place.

4 Mobile Services

4.1 Supplier of Mobile Services and Phone Package Used

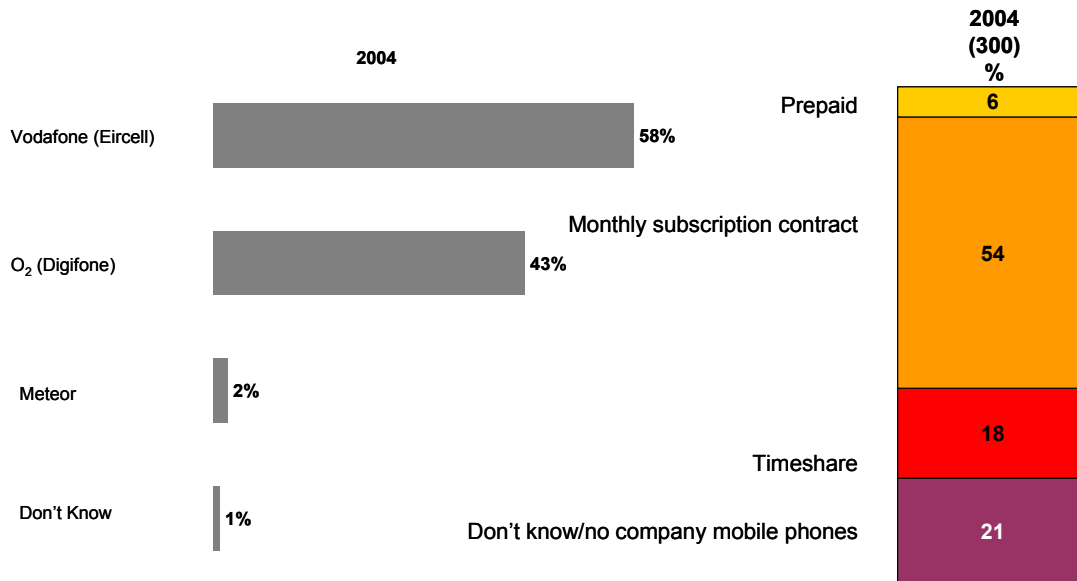


Fig 7: Respondents' supplier of company owned mobile telephone services and breakdown between pre-paid, post-paid and timeshare contracts.

An increasing number of respondents do not have any company mobiles- 22% in 2004, compared with 16% in 2003. Market shares between the main network operators as per the sample differ slightly to the market share data published by ComReg as part of its Quarterly Market Review. The graph above illustrates market share information for only those respondents who cited that they had company mobile phones with one or more of the three Irish mobile operators. The responding sample appears to relatively favour Vodafone and O₂ as their network provider (58% market share and 43% market share respectively), rather than Meteor, which in contrast to the 2% response rate in this SME survey currently holds around 7% of the overall mobile market share measured by subscribers.

4.2 Perceived Quality of Service from Mobile Operators

In previous surveys, ComReg has sought to understand respondents' perceptions of quality of service provided by the mobile operators. Of those surveyed on quality of service, 14% had experienced problems with their mobile service in the previous 12 months, a decrease of 2 percentage points in 2003. The nature of these problems was predominantly related to issues of poor coverage or problems with the signal. Respondents were further asked if they had complained directly to their network operator in relation to this problem. Figures for 2004 suggest a change in SMEs' approach to network problems. In 2003, only 35% of customers with problems relating to their mobile service contacted their network operator to complain, however, response rates for 2004 indicate that 65% of those experiencing quality of service issues had made a complaint. This may be indicative of increasing expectations by SMEs in relation to the quality of service provided by mobile operators, and/or an increased willingness to register complaints with an operator in relation to quality of service issues.

4.3 Awareness and Use of Mobile Number Portability

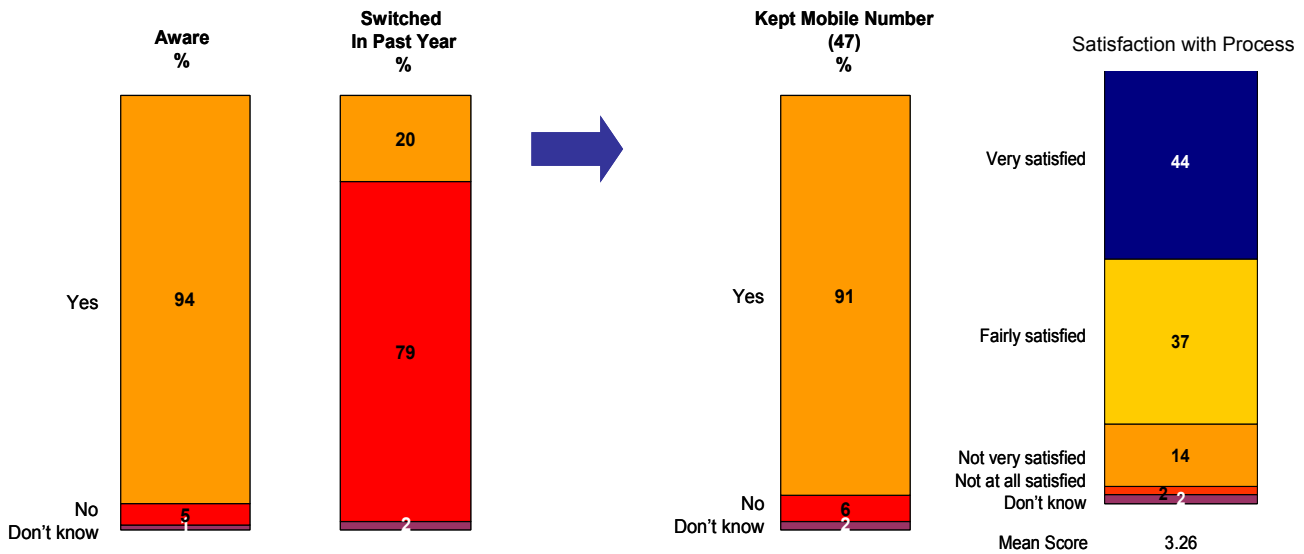


Figure 8: Awareness of, use and satisfaction with Mobile Number Portability (MNP) among all companies with mobile phones

Awareness among the sample of Mobile Number Portability, which was launched in June 2003, stands at 94% of respondents. The survey also suggests that 20% of respondents had switched mobile service operator in the previous 12 months, with over 90% of this subset availing of MNP and keeping their original mobile number. In addition 81% of those who transferred mobile operator using the MNP service were satisfied with the process.

4.4 Importance of Price When Choosing a Mobile Phone Service Provider

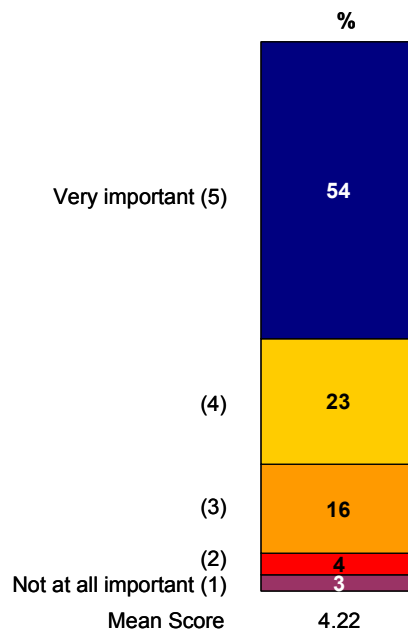


Figure 9: Importance of price when choosing a mobile phone service provider

54% of those surveyed cited price as being very important when selecting a mobile phone service provider. This figure is slightly lower than the ranked response to the same question asked with regard to fixed line service operators (57%).

5 Internet and Broadband Services

5.1 Connection to the Internet

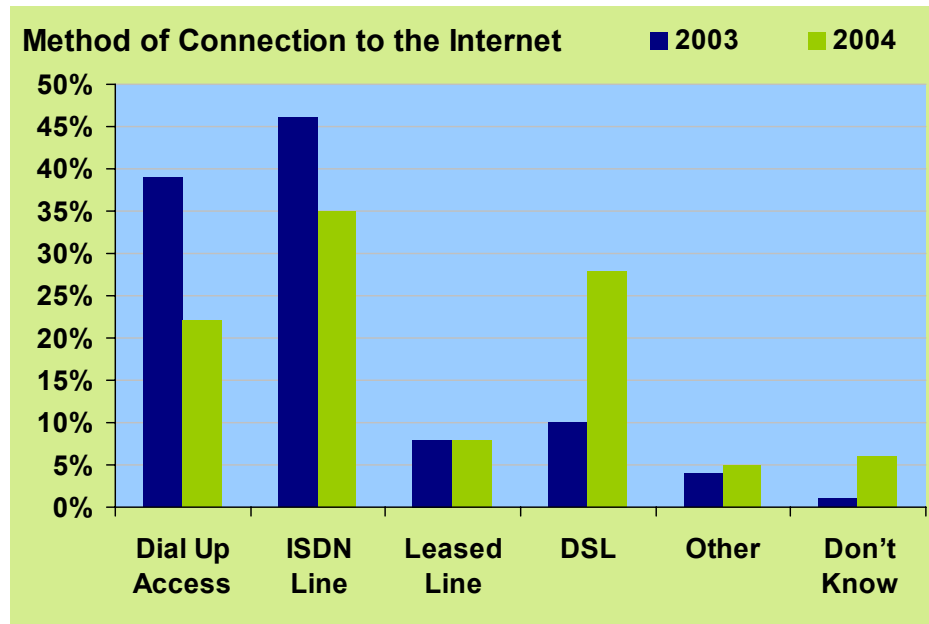


Figure 10: SME connection to the internet at their company and the internet connection speed.

Connection to the internet in the workplace remains relatively stable within the SME sector for 2004 with almost 90% of SMEs indicating that they had connection to the internet. What is significant though is the decline in use of ordinary dial up access, which has declined from 39% of respondents to 22%, and ISDN line access which has declined from 46% of respondents to 35%. In contrast access via DSL technology has increased from 10% of respondents in 2003 to 28% of respondents in 2004.

5.2 Growth of DSL and Broadband Technologies

The adoption of broadband by SMEs has significantly grown in 2004. While previously 10% of respondents stated that they used this technology in 2003, this figure rose to 28% of those with an internet connection in 2004. ComReg expects that DSL connections will continue to add market share within the SME sector in 2005 at the expense of dial-up and ISDN connections.

5.3 Bandwidth and the Availability of DSL and other Broadband services

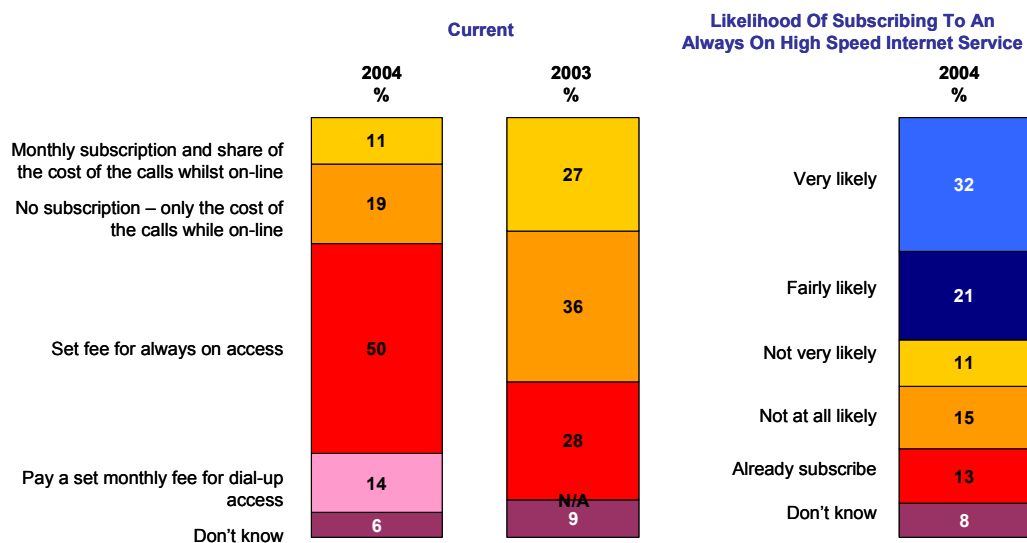


Figure 11: Type of internet package used by SMEs and likelihood of subscribing to high speed, always on service in the future

Survey respondents in 2004 indicated in much greater numbers their adoption of “set fee, always on” internet packages for company internet access (50% of respondents), with a corresponding decline in the use of “pay as you go” internet access, declining from 36% of respondents in 2003 to 19% of the sample in 2004.

In addition to the growing adoption of “set fee/ always on” packages by SMEs there was also an increased number of respondents who suggested they would be likely to adopt high speed internet services in the future. 53% of those respondents not currently using broadband to connect to the internet suggested that they were either very likely or fairly likely to subscribe to an “always on” high speed internet service in the future.

5.4 Internet Usage

SME respondents are using the internet more, and for a wider range of purposes than in previous years. The table below outlines the main applications the company use.

	2004 (264) %	2003 (272) %	2002 (259) %	2001 (183) %
Email with suppliers/customers	83	87	79	80
Booking travel/accommodation	79	53	61	n/a
Sourcing competitor, market or other information from websites	69	61	58	84
On-line banking	68	60	56	49
E-mail within company	62	54	44	45
On-line purchasing from suppliers/orders from customers	50	41	39	32
On-line payments to suppliers/from customers	38	29	27	25
Communicating with newsgroups	n/a	19	21	14
Video conferencing	4	6	3	1
Other	2	2	1	1
Don't know	2	-	7	4

Figure 12: Types of internet applications SMEs are using.

Booking travel, on-line banking and the use of email have all seen significant rises in the last 12 months. The SME sector appears to be using the internet as a business tool to a greater extent in both communicating with customers and suppliers. Survey results further indicate the adoption of the internet for more sophisticated applications such as online purchasing and payments to and from suppliers and customers. In addition, 56% of respondents suggested that their customers and suppliers were using the internet more often to do business with them.