



Commission for  
**Communications Regulation**

## Survey Report

### **Business Telecommunications Survey Jan-June 2005: Report and Analysis**

<b>Document No:</b>	<b>05/76a</b>
<b>Date:</b>	<b>3<sup>rd</sup> October 2005</b>

**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](mailto:info@comreg.ie) Web [www.comreg.ie](http://www.comreg.ie)

## Contents

1	Introduction .....	2
2	Fixed Voice Market .....	3
2.1	COMPETITION IN THE FIXED LINE SECTOR .....	3
2.2	AWARENESS AND USE OF CARRIER PRE-SELECT AND WHOLESALE LINE RENTAL .....	3
2.3	INSTANCES OF SWITCHING AND REASONS FOR SWITCHING .....	3
2.4	SATISFACTION WITH FIXED LINE PROVIDERS AND LEVELS OF COMPLAINTS .....	4
3	Mobile Services .....	6
3.1	COMPETITION IN THE MOBILE SECTOR .....	6
3.2	REASONS FOR SWITCHING AND SATISFACTION WITH SWITCHING .....	6
3.3	MOBILE DEVICES AND MOBILE APPLICATIONS .....	7
3.4	SATISFACTION WITH MOBILE PROVIDERS .....	8
4	Internet and Broadband Services .....	9
4.1	TYPES OF INTERNET CONNECTIONS USED BY BUSINESS .....	9
4.2	BROADBAND TAKE-UP .....	10
4.3	SATISFACTION WITH THE SPEED AND COST OF INTERNET SERVICES .....	10
4.4	VOICE OVER IP .....	11
5	ComReg Awareness .....	13
5.1	AWARENESS OF COMREG IN THE BUSINESS SECTOR .....	13
5.2	COMREG'S PERCEIVED RESPONSIBILITIES .....	13

## 1 Introduction

ComReg has surveyed the SME sector as a user of communications products and services on an annual basis since 2001. This report is the first in the revised business sector survey series which samples both the SME and large corporate sectors in Ireland. 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. Additionally this wave of the questionnaire investigates the business sector's awareness of ComReg and its role in the communications industry in Ireland.

The surveys were conducted between May 9<sup>th</sup> and June 10<sup>th</sup> 2005 via telephone interview, and the sample comprised 500 SME<sup>1</sup> and 50 corporate<sup>2</sup> 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 telecoms customers.

This report summarises the key findings of the survey, and provides further analysis on the survey results. A full set of survey results<sup>3</sup> can be found in the presentation document accompanying these results. The next survey will take place in late 2005, with results being published early in 2006.

### 1.1.1 \_\_\_\_\_

<sup>1</sup> The sample structure has changed for this survey 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.

<sup>2</sup> 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

<sup>3</sup> ComReg 05/76b

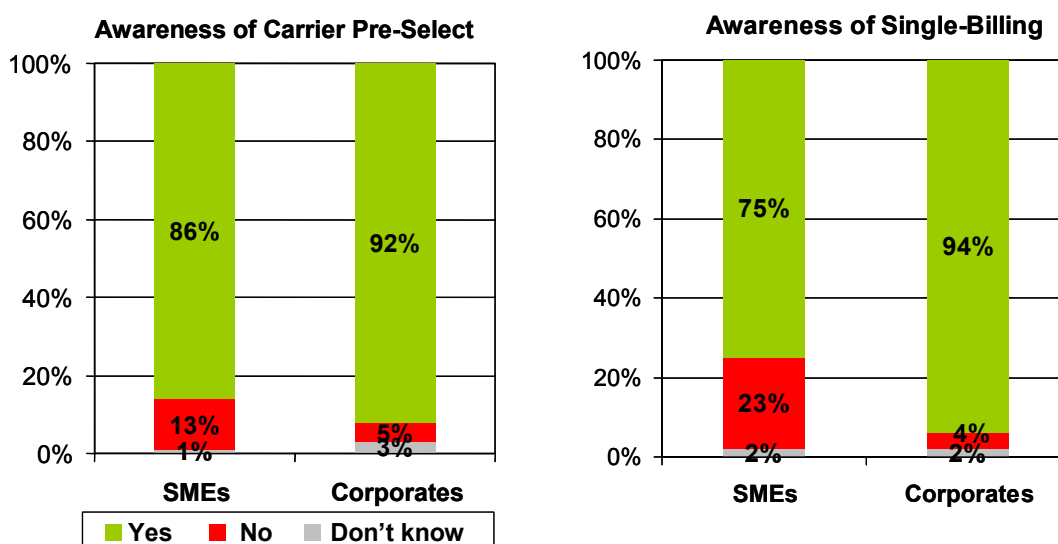
## 2 Fixed Voice Market

### 2.1 Competition in the Fixed line Sector

When asked about their supplier of fixed line services, 79% of SME respondents and 82% of corporates say that they are using eircom for some, if not all of their fixed line services. Despite continued high market shares by the incumbent, 84% of SMEs and 88% of corporate respondents consider that the telecommunications market in Ireland has become increasingly competitive in the last 12 months. Furthermore over 8 in 10 respondents believe that continued investment in fixed telecommunications is important for their business. This is particularly evident later on in this survey as a growing number of businesses indicate that they will invest in services such broadband and VoIP. An ireach market study<sup>4</sup> also sees evidence of increased corporate fixed-voice spend as Irish firms increasingly look for value-added services from IP networks including broadband, VPNs and IP telephony solutions.

### 2.2 Awareness and Use of Carrier Pre-Select and Wholesale Line Rental

Figure 2.1: Awareness of Carrier Pre-Select and Single-Billing Options



Awareness of options available for switching to an alternative fixed line provider is high for both the SME and corporate sectors. This may be due to the active manner in which telecoms operators target business markets – almost 80% of respondents indicated that they had been approached by an operator in the last 12 months regarding switching some or all of their fixed line business.

### 2.3 Instances of Switching and Reasons for Switching

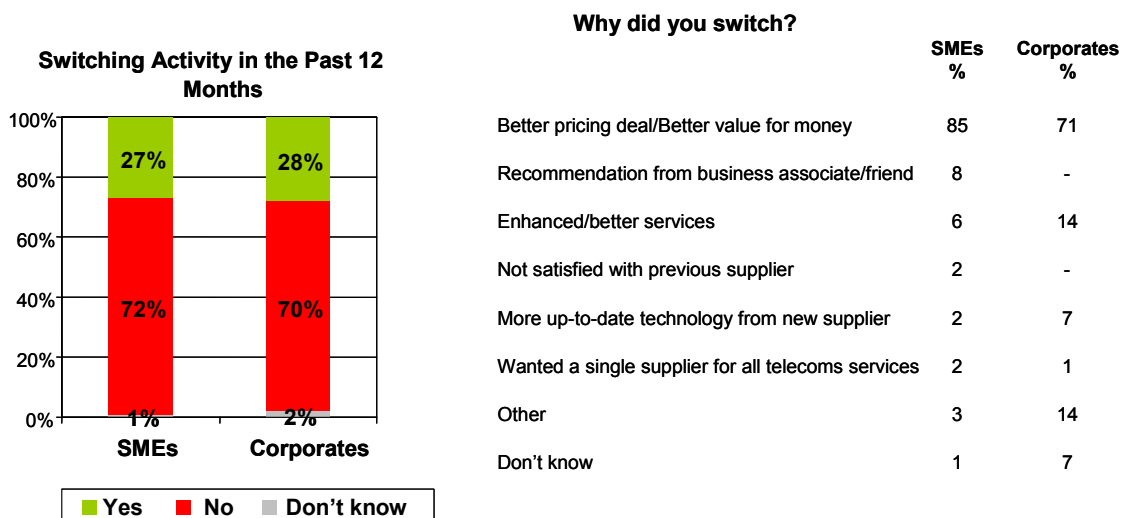
Given the high levels of awareness of options for switching fixed line operator, and active sales approaches by operators in the market, respondents were asked if they have switched

1.1.1 \_\_\_\_\_

<sup>4</sup> ireach: Telecoms Spend in Ireland 2005, 22 July 2005

operator for any of their fixed line services in the past 12 months. The following chart outlines actual switching activity in the business markets, and the key reasons provided as motivations for switching.

Figure 2.2: Switching Activity in the last 12 months, and reasons for switching



Switching activity remains comparable in both the SME and corporate sectors for the last 12 months. Comparing SME switching activity in the past 12 months according to a previous ComReg commissioned survey<sup>5</sup>, switching activity has increased from 16% in 2004 to 27% in the first half of 2005. The key motivating factor for switching operator is price - this being particularly evident among cost-conscious SMEs; corporates appear more likely than SMEs to switch supplier based on the availability of enhanced or better services from a fixed line supplier.

In relation to the likelihood of future switching, 49% of SMEs and 52% of corporate organisations consider that it is not likely they will switch operator in the next 12 months. Reluctance to change telecoms operator appears to be largely based on satisfaction with the current service provided. Respondents also reported a perceived “hassle factor” associated with switching telecoms operator, with a number of respondents, particularly in the SME sector, reporting that it was “too much hassle” or there was no time or resources available to consider switching operator. Loyalty to current supplier was also an important factor; ranked as the second most important factor by respondents in the corporate sector for not switching.

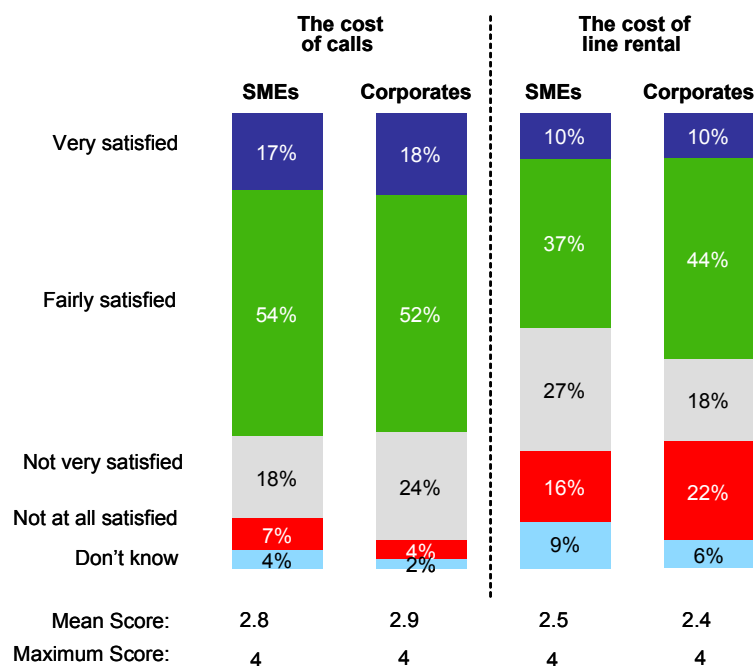
## 2.4 Satisfaction with Fixed Line Providers and Levels of Complaints

The survey explored levels of perceived respondent satisfaction in a number of areas of cost and service from fixed line operators. On cost, satisfaction levels are in general lower on the cost of line rental than on the cost of calls.

### 1.1.1 \_\_\_\_\_

<sup>5</sup> SME Telecommunications Survey, 2004 ComReg Document 05/05a

Figure 2.3: Satisfaction with the cost of calls and line rental.



In general terms respondents are reasonably satisfied with the overall value for money from their fixed line operator. Interestingly, satisfaction ratings for overall value for money are no different among respondent who had switched supplier in the last 12 months. There is also higher satisfaction with value for money of fixed line services compared to mobile services among both SMEs and especially among corporates, with 20% of corporates stating they were very satisfied with the overall value for money of their fixed line service compared to 11% who stated they were very satisfied with the value for money of their mobile service.

Survey respondents were also asked about how satisfied they were with aspects such as customer support, provision of product information and provision of information on the most suitable price plans for their business. The table below outlines these satisfaction ratings.

	<i>Customer support</i>	<i>Provision of information about new products &amp; services</i>	<i>Provision of information on the most suitable price plan</i>
<b>Satisfied</b>	63%	62%	55%
<b>Not Satisfied</b>	26%	29%	36%

Complaints made to fixed line service providers were higher among corporates, with 44% of them having made a complaint in the last 12 months compared with 28% of SMEs.

### 3 Mobile Services

#### 3.1 Competition in the Mobile Sector

Vodafone is the largest operator in both the SME and corporate sectors. Meteor’s share of the business market remains relatively small - 2% of SMEs and 4% of corporates say they use Meteor as their mobile supplier.

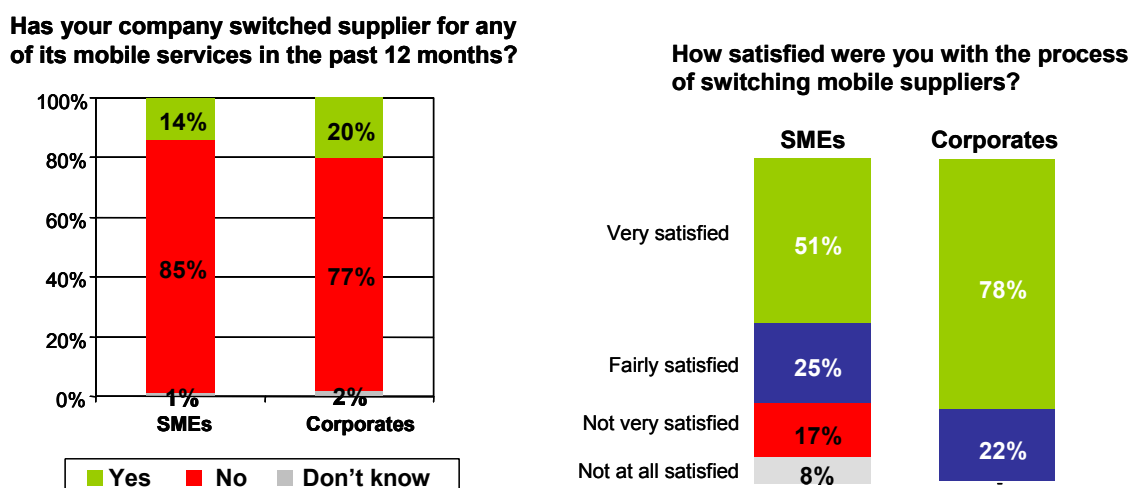
While the majority of organisations interviewed reported using company mobile phones, 23% of SMEs, and 12% of corporates (6 companies) said they did not have company mobile phones. Mobile spend by both corporates and SMEs accounts for a growing portion of their organisations’ telecommunications budget. Thirty nine percent of SME respondents report spending more on mobile services than on fixed line services; this being most evident in smaller SMEs and those operating in the manufacturing and construction sectors. Mobile data devices such as PDAs and WLAN cards - which are increasingly popular among corporate respondents - and mobile applications, represent areas of investment likely to account for the growing spend. Additionally, 3G services which are relatively new in the Irish market may also attract increased company mobile spend in the future.

#### 3.2 Reasons for Switching and Satisfaction with Switching

Awareness of mobile number portability, a service that allows customers to switch mobile supplier is widespread in both the SME and corporate sectors, with awareness particularly high among corporate customers.

Reported switching activity among business customers in the mobile market is less prevalent than in the fixed line sector. The following chart outlines switching activity within the mobile market and satisfaction with the process of switching mobile operator.

Figure 3.1: Switching activity in the mobile market, and satisfaction with switching



Thirty two percent of SMEs and 22% of corporate customers suggest that they are likely to switch mobile provider in the next year. Similar to the fixed line market, the key reason

offered for considering switching was the belief that a competing operator may offer better value for money.

Despite the high level of awareness of mobile number portability, and general satisfaction with the process of switching mobile provider, 64% of SMEs and 68% of corporates suggest that they are unlikely to switch.

### 3.3 Mobile Devices and Mobile Applications

The survey found much higher instances of corporate organisations supplying employees with mobile data devices than SMEs. Forty five percent of corporates supply their employees with WLAN (Wireless Local Area Network) cards and 43% offer PDAs (Personal Digital Assistants), GPRS (General Packet Radio Service) or 2.5G phones. SMEs are more likely to supply Wireless LAN cards than other devices, making WLAN cards the most popular mobile device supplied throughout the business sector. Most new laptops are now sold with WLAN cards as standard which may also be why this percentage is high. The number of 3G phones provided by companies is still fairly low, with 18% of corporates and 6% of SMEs stating that they have provided some employees with 3G phones. However, as outlined above mobile spend is becoming a larger portion of companies overall telecommunications budget and further spend on mobile devices and applications can be expected in the future as service providers develop more innovative products and services particularly those based around mobile data.

#### Does your company provide any of its employees with any of the following mobile devices?

	<b>SMEs %</b>	<b>Corporates %</b>
Wireless LAN cards	10	45
PDAs or Personal Digital Assistants	7	43
GPRS or 2.5G phones	7	43
3G phones	6	18
Global Positioning System devices	3	18
Other	2	11
None	77	30

Wireless email and wireless Internet browsing were found to be the top two most popular mobile applications among both corporates and SMEs; however use of these applications was significantly higher among corporates, with 59% of them offering wireless email to employees compared to 15% of SMEs, and 50% offering wireless Internet browsing as compared to 15% of SMEs. In general there has been very little change in SMEs' use of data applications since the last survey.



### 3.4 Satisfaction with Mobile Providers

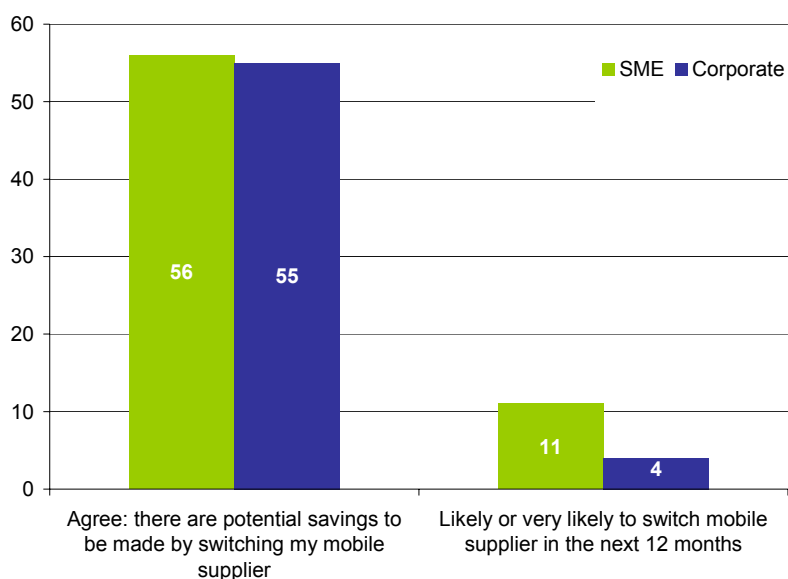
The survey also explored levels of perceived satisfaction in a number of areas relating to the costs of mobile communications. Levels of dissatisfaction are high for roaming costs, the costs of calls to mobiles on another network and the cost of calls to fixed line numbers. Forty three percent of corporate users and 49% of SMEs were dissatisfied with the cost of off-net calls, while the highest levels of dissatisfaction were recorded for costs associated with roaming, with 64% of corporates and 57% of SMEs expressing that they were dissatisfied with these costs.

Satisfaction levels were higher in terms of the costs of on-net calls and text messages, especially among corporates, where 75% of respondents said they were satisfied with costs of calls to mobiles on the same network. Business packages, which offer discounted rates and/or free minutes for on-net calls between company mobiles, may contribute to these higher levels of satisfaction.

While the majority of respondents stated that they were fairly satisfied with the value for money of company mobile communications, a much smaller percentage - 10% of SMEs and 11% of corporates - stated that they were very satisfied. Respondents' satisfaction ratings for mobile costs show that there is some dissatisfaction with costs for specific call types and services as outlined above.

Respondents acknowledged that there are potential savings to be made by switching mobile phone supplier - 56% of SME and 55% of corporates either strongly agree or agree with the statement – however only 11% of SMEs and 4% of corporates are extremely or very likely to switch mobile supplier in the next 12 months. The perceived hassle factor about switching could be discouraging companies from switching. Interestingly the companies who are more likely to change supplier are more likely to have already switched in the last 12 months.

Figure 3.2: Agreement about price savings by switching compared to intention to switch mobile supplier in the next 12 months



## 4 Internet and Broadband Services

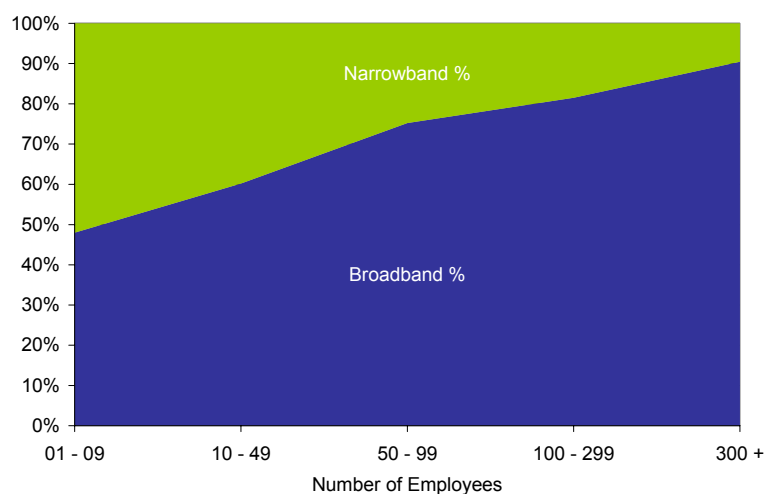
Ninety eight percent of corporates and 78% of SMEs have Internet access. While this suggests a high level of Internet penetration overall, a number of specific demographic groups are less likely to have an Internet connection for their business; small SMEs, with less than 10 employees make up the majority of those without an Internet connection. By industry type, those in the wholesale/retail sector were less likely to be connected, with this sector accounting for nearly 66% of all companies not connected. It is noteworthy however, that this sector also had the highest instances of stating that the Internet is becoming more and more important to their business. These findings are consistent with recent ireach analysis<sup>6</sup> on ICT spending in Ireland which expects industries such as retail and wholesale to be the biggest movers in terms of IT investment in 2005.

### 4.1 Types of Internet Connections Used by Business

The most noticeable trend in terms of Internet connections is the large increase in the number of businesses using DSL. DSL connections were up 20% in the last 6 months at the expense of narrowband connections, especially ISDN which dropped by 20% since the previous survey, while dial-up subscriptions dropped by 7%. This suggests a migration from narrowband to broadband connection by businesses in Ireland.

In 2004, of those who had an internet connection, 28% of SMEs were using a DSL connection – in 2005 this increased by 21 percentage points to 49%. Fifty one percent of corporates who have internet, have a DSL connection. Despite this increase in the number of connections via DSL, 42% of SMEs still connect to the Internet via PSTN or ISDN. The majority of these (51%) are companies employing less than 10 people, a large number of which are in the wholesale/retail and manufacturing/construction sectors. Overall 57% of respondents are using some sort of broadband internet connection compared with 36% in 2004.

Figure 4.1: Narrowband vs. Broadband Connections by Company Size



#### 1.1.1

<sup>6</sup> ireach: ICT Spending in Ireland 2005, 19 August 2005

## 4.2 Broadband Take-Up

The survey responses suggest that broadband is currently available to 72% of SMEs and 78% of corporate customers. Findings illustrate that companies are increasingly recognising that the Internet, and particularly broadband, will benefit their business. Indeed, when asked to what extent they agreed or disagreed with the statement “the Internet is becoming more and more important to our business” 86% of corporates and 84% of SMEs agreed. The value of broadband to businesses was measured in a survey by the Institute of Directors<sup>7</sup> in the UK of its members in 2004. When asked what quantifiable benefits businesses are seeing in using broadband access, over 84% ascribe productivity improvements to their investment in broadband and 61% said that broadband had delivered cost savings, while 33% of respondents said that broadband had helped them boost customer satisfaction.

Overall, only 3 in 10 SMEs who did not have broadband, or 16% of the sample, stated that broadband was not available in their area. Those businesses where broadband was not available were asked if the lack of availability was a disadvantage to their businesses. Over half of SMEs stated that lack of broadband was a disadvantage to their business, a considerable increase from the previous year when this figure was 18%. Sixty-two percent of SMEs who cannot avail of broadband in their area stated that they would be extremely likely or very likely to get broadband were it available, while 40% of SMEs who have access to – but are not currently using – broadband are likely to get it in the next 12 months.

A survey undertaken by the Cork Chamber of Commerce in 2000 found that 75% of organisations surveyed indicated that they would have a requirement for broadband services within 18 months. By this year’s survey<sup>8</sup>, almost 100% of companies with over 10 employees used broadband services. Besides demand for a basic broadband services, their survey also found evidence of more demand for increased capacity; - over 75% of companies with 50 or more employees expect to increase their broadband capacity within the next 12 months.

## 4.3 Satisfaction with the Speed and Cost of Internet Services

One of the main benefits of broadband is the increased speeds at which users connect to the Internet; in addition broadband Internet also offers users an always-on connection at a fixed monthly cost. When questioned about satisfaction with Internet speeds, corporate users were significantly more satisfied with both upload and download speeds than SME users, which is very likely linked to the higher level of broadband usage and higher capacity services available to corporates. The highest rate of dissatisfaction with Internet speeds was among respondents who do not have broadband access.

More corporate respondents than SME respondents stated that they were satisfied with the cost and value for money of their Internet connections; and those with a broadband service (21%) were more likely to be very satisfied compared to those with narrowband (13%). Respondents were more likely to be satisfied with the overall value for money of their

### 1.1.1 \_\_\_\_\_

<sup>7</sup> Institute of Directors. Broadband: its impact on British Business, October 2004

<sup>8</sup> 2005 Cork Chamber of Commerce Broadband Business Survey

Internet access than with the actual cost of the Internet connection. As more broadband service providers begin appearing in the market there is a growing choice for consumers both in terms of price, and in terms of platform competition. This may lead to greater challenges for operators to focus on customer retention.

When asked about potential savings to be made from switching Internet Service Provider, 48% of SMEs and 51% of corporates agreed that there were savings to be made in switching. However, the likelihood of switching Internet supplier is quite low, and in the past 12 months only 13% of SMEs and 14% of corporates changed their supplier.

#### **4.4 Voice over IP**

To gauge the awareness and use of new technologies that will impact the end-user, this survey included questions on Voice over Internet Protocol (VoIP). Awareness of VoIP is high among corporates, with 78% stating that they had heard of it, compared to only 34% of SMEs. The awareness is likely to be linked to the fact that more corporates (41%) than SMEs (7%) reported having been approached by a service provider offering the service. Of companies who are aware of VoIP and who have been approached by a VoIP service provider, 17% of corporates and 7% of SMEs claim to be using the service. As a proportion of the overall survey sample, this translates to about 2% of all SMEs and 14% of corporates.

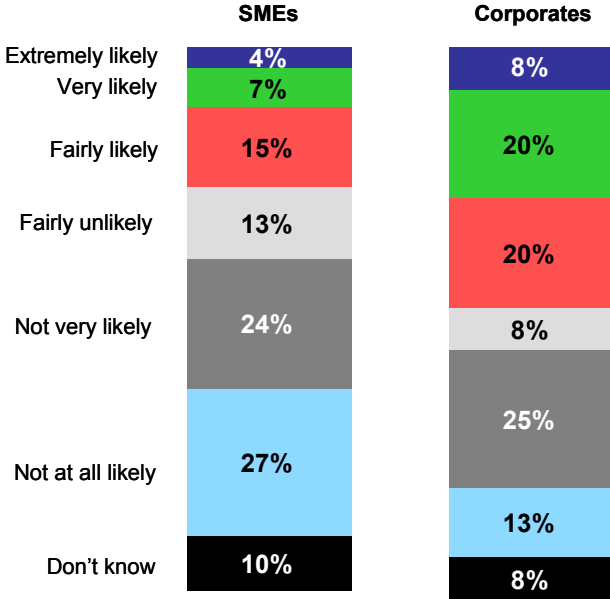
Interest in the service also appears to be quite high among corporates with 48% of respondents stating that they are likely to start using it over the next 12 months. This suggests that there is great potential for VoIP service providers to grow their business by focusing their marketing efforts on the SME sector. In an online survey conducted by ireach<sup>9</sup>, Chief Information Officers (CIOs) were asked if they agreed with the statement that VoIP is now at the stage where significant benefits can be achieved from its introduction. Seventy four percent of respondents replied yes, with over 50% of CIOs already trialling or planning to trial VoIP.

In Ireland a number of providers have been assigned VoIP numbers by ComReg, and have either started offering or announced plans to offer VoIP services to either or both business and residential customers. The packages on offer differ between providers, but are either typically sold as a bundle of minutes or on a pay as you go basis. Most packages are determined by type of call e.g. either local/national calls, or a mix of local/national and international calls, while calls to mobiles are generally billed at a higher rate. The number of calls minutes are also packaged to appeal to both light and heavy users, and most operators offer unlimited free calls between their own customers.

1.1.1 \_\_\_\_\_

<sup>9</sup> ireach: VoIP CIO Survey, 1 July 2005

Figure 4.3: Likelihood of Businesses Starting to use VoIP in the Next 12 months



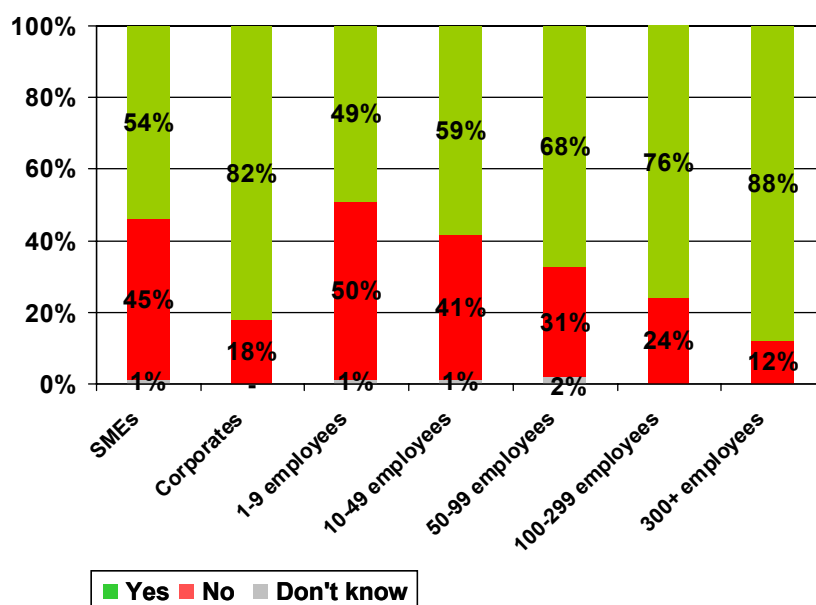
## 5 ComReg Awareness

This wave of the survey incorporated questions to gauge awareness of ComReg and find out what businesses perceive the responsibilities of ComReg to be. The responses provide an insight into ComReg's visibility in the business market and identify opportunities for ComReg to make itself more visible, and available to, businesses telecommunications users.

### 5.1 Awareness of ComReg in the Business Sector

Awareness of ComReg in the Business Sector seems to be directly linked to company size, with a higher percentage of corporates (82%) than SMEs (54%) being aware of ComReg and its functions; among SMEs, those with more employees had a higher awareness of ComReg. There is also a correlation between higher awareness of ComReg and those businesses who have broadband, and/or who have switched fixed line provider.

Figure 5.1: Awareness of ComReg by SMEs and Corporates



### 5.2 ComReg's Perceived Responsibilities

When asked what specific responsibilities ComReg had, respondents most frequently stated price regulation and regulation of the telecoms industry and its service providers. As the question was unprompted, a high percentage of respondents were unable to provide an answer.

More SMEs answered "don't know" to whether ComReg is meeting its responsibilities (40%) than agreed that it is meeting those responsibilities (28%). This is indicative of a lack of awareness among smaller SMEs of the existence and role of ComReg. Nearly 50% of corporates agreed that ComReg is meeting its responsibilities, with 23% stating that they don't know. Only 16% of all corporate respondents and 14% of SMEs disagreed with the statement.