



‘Caught in a Trap’ UK SMEs in Communications Limbo

**The Bulldog 2006
SME Communications Report**

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Broadband from Pipex

Table of contents

Introduction: What is an SME?	3
The challenge for SMEs	4
SME frustrations and needs: research findings	5
The Way Forward	7
The Bulldog Approach to Business Communications	7
About Bulldog	8

About this report

This research report was compiled in March 2006 following primary research on 200 small businesses, each with less than 150 employees. The research was carried out by Vanson Bourne, a specialist IT research house, on behalf of Bulldog Communications, the leading LLU innovator of broadband and voice services to small businesses and SOHOs in the UK.





Introduction: What is an SME?

There is no such thing as an SME. There are just businesses of all shapes, sizes and skills – law firms, dental surgeries, photography studios, grocers, hardware stores, farms, bakeries, net cafés, delicatessens. Each is very different in their goals, motivations and needs

In the UK, 99% of businesses are classed as SMEs and they employ 58.5% of the workforce – over 12 million people¹. Clearly they are a very important market.

All SMEs need to communicate effectively with customers, partners and suppliers in order to remain competitive in a market as cut-throat as the one we have today. With 68% of small businesses engaging with their customers online, according to the CBI, there is a stronger-than-ever need for simple, obtainable and affordable solutions to address the communications requirements of these small businesses.

Historically SMEs have often resisted technology and advanced communications adoption, and it has only been in the last few years that the overwhelming pace of development of e-commerce and the near-ubiquitous presence of broadband has seen SMEs embrace technological change. However, being caught in a flood of new technologies, service packages and bundles isn't necessarily what your business needs.

This research project was designed to gain insight into exactly what the pain points are for SMEs with their communications infrastructure, and where and why, vendors and service providers need to look in order to meet their needs. As the working culture in the UK evolves, with flexible working, home working and the increased need for quality contact with customers, partners and prospects, communications infrastructure has never been quite such a high priority for UK businesses.

We hope you find it illuminating.

Carlo Soresina, Director of Sales and Marketing,
Bulldog Business.

Source:

1. DTI SME fact sheet, August 2005

The challenge for SMEs

The competitive environment in the UK is seeing dramatic change. New, disruptive technologies are enabling different working practices at every level, from the supply chain to the tele-commuter to the outsourcer, and are influencing every sector – not necessarily just in service industries or for internet-enabled businesses.

In the late 1990s and early 2000s, there was considerable pressure on SMEs to adopt new technologies and embrace the potential of the internet. Since the dotcom bubble burst the market has become more cautious about the adoption of new technologies. The subsequent normalization of the market has led to a more gradual uptake of products and services in accordance to core business requirements. These business requirements have now matured, and all businesses are being pushed from a number of directions:

Customers

Customers require more streamlined and real-time interaction with their suppliers through any medium they choose – phone, web, email. The emergence of internet protocol (IP) as a universal standard allows for a more integrated approach to customer management and interaction. Email contact, video-contact centres, SMS-to-email or phone gateways all allow increasingly impatient customers across vertical industries to have as immediate contact as they'd like with their suppliers.

Partners

Consider a restaurant chain, or a franchise owner – where previously, managing supplies might have been simply a matter of a weekly phone call to one or two suppliers to place an order. However, the supplier has converted to an online requisitions system. Upgrading to broadband connectivity will give the franchise owner the ability to manage multiple restaurants across an online ordering system, and allow him to retire an overcomplicated ledger system.

Staff

Many larger firms have pioneered corporate cultures that involve things like 'remote working', 'hot-desking', 'flexi-time' – all made more achievable through the use of advanced communications infrastructure – including Voice over Internet Protocol (VoIP), broadband connectivity and virtual private networks (VPNs).

Competitors

Ultimately, if one small business isn't doing it, another is – and this competitive pressure is forcing the SMEs to be innovative in their use of technology to provide key differentiation points in customer service, product delivery and supply chain management.

Pressure from all sides, alongside a growing awareness of the benefits of modern communications technology, is driving a marked uptake in new services.

Where SMEs are at

UK businesses currently allocate most of their IT purchasing and communications spend subjectively, relying primarily on 'gut-feel' to acquire the infrastructure that lies at the heart of many of their businesses. Much research into SME attitudes and responses to technology has been done in recent months and there is one unifying theme: SMEs find buying and using the right communications technology difficult.

Market pressure, and pressure from partners, clients and suppliers has resulted in over 60% of SMEs interacting online². A variety of sources in 2006 so far demonstrate that, whilst SMEs are likely to lead IT spending³, spending 10% more on IT this year, they are struggling with security management⁴ and are extremely vulnerable to cyber attacks⁵.

Despite this, not all SMEs are resisting the uptake of new technologies, and broadband adoption is growing - broadband penetration amongst SMEs is at 56%⁶, and over 10 million broadband lines have now been connected⁷. This trend will apply pressure to SME owner/managers to deliver the same level of Internet experience their staff experience at home at the office as well. Given the increased availability and reduced cost of broadband services finding the right package is no longer an issue.

Source:

2. CBI, February 2006
3. AMI Partners, February 2006
4. Inty, February 2006
5. CBI, Ibid
6. Natwest/SertTeam, Jan 2006
7. Ofcom, Feb 2006

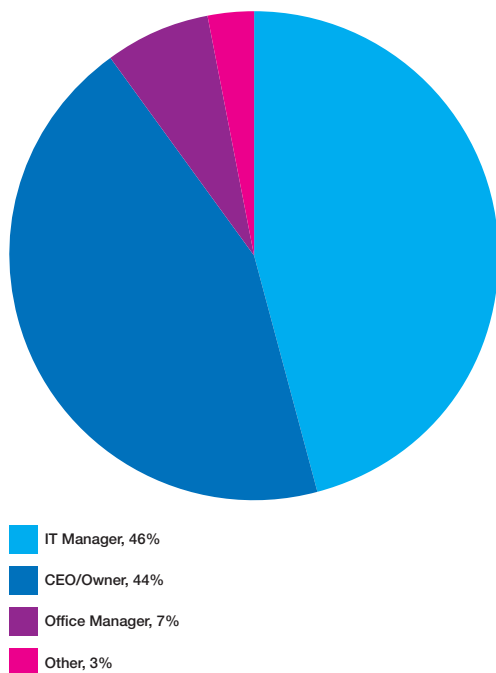
SME frustrations and needs: Research findings

Our research has highlighted five key areas that are points of frustration for SMEs when they buy and use communications services.

Simplicity – 44% of small businesses say the CEO, Owner or MD is the one responsible for the decision on their choice of communications service provider. When someone owns and manages their own business, they generally do not have time to become an expert in ADSL access technologies – they just need a product offering that's aligned with their business objectives. Simplicity is key.

Further to this, given that 69% of those surveyed buy voice and broadband services from separate suppliers, only 8% responded that they wouldn't change to a single supplier of voice and internet services if they could change easily – a point further underlined by the finding that 54% of SMEs find managing multiple suppliers to be a headache.

Who makes the decision to purchase broadband and telco services in your company?



Key findings:

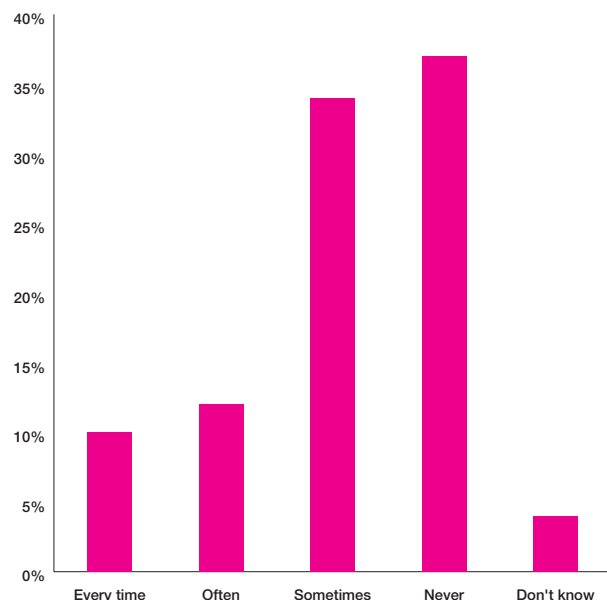
- 69% of respondents buy voice and broadband from separate suppliers
- Only 8% of those surveyed would not change to a single supplier if they could change easily
- 54% find managing multiple suppliers a headache
- 44% of SMEs responded that the person in charge of buying broadband/phone services was the CEO/MD/Owner of the business.

Value – it is perhaps difficult to conceive that an SME's business growth would be limited by the cost of a service provider. 45% feel that their business could grow or perform better if they had access to the latest communications technologies at an affordable price.

61% of the SMEs surveyed had held back at some stage in their development on ordering additional phone lines due to their prohibitive cost.

Cost is also the key differentiator for 53% of the respondents in choosing their communications service provider. Given how business critical voice and broadband are to modern business, this shows the importance of budget management although small businesses do need to consider the strategic implications of their communications infrastructure viz, supporting growth, providing highly responsive customer support, maintaining uptime and so on.

Have you ever held back from ordering more phone lines because the additional costs are too high?



Key findings:

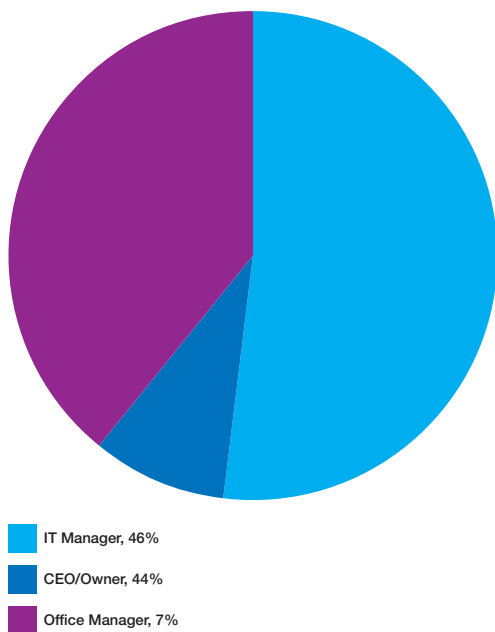
- 45% feel that their business could grow or perform better if they had access to the latest communications technologies at an affordable price.
- 61% have held back on ordering additional phone lines due to cost at some point
- 53% choose their communications service provider with cost in mind
- 21% choose their communications service provider with growth in mind

SME frustrations and needs: Research findings continued

Support – It is unsurprising that smaller businesses, for whom sophisticated data centres are not an option, and for whom uptime is a key priority, would rank customer support as a priority. 52% of those surveyed would like 24x7 customer support, and a further 9% would even pay more to get it.

The study showed that current views of support capabilities in general amongst suppliers are low, with Communications Service Providers (CSPs) ranked 2nd after banks as the least useful customer support function, and with nearly two thirds of those surveyed of the opinion that the support they receive is of low quality.

Would 24x7 customer support be a determining factor in your choice of a communications service provider?

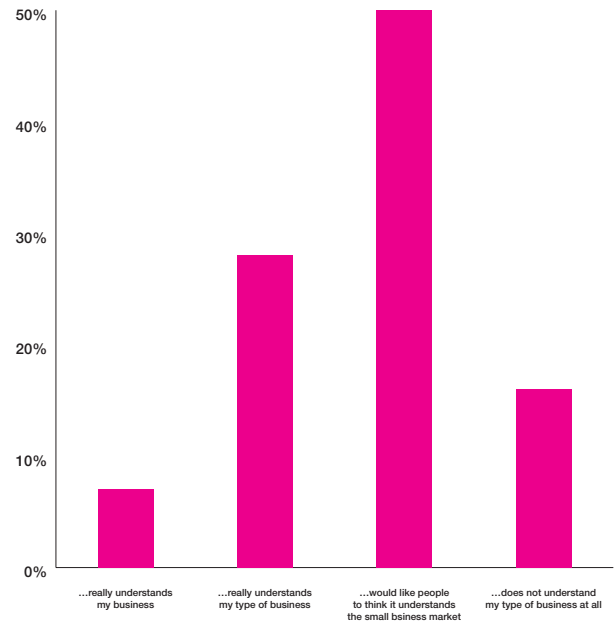


Key findings:

- 52% would like 24x7 customer support, 9% would pay more to get it
- CSP 2nd least popular for its customer support, 34%, after banks (41%)
- 61% don't think the support they receive is of high quality

Understanding - SMEs just don't think broadband or phone suppliers understand their type of business – 63% think their voice telecoms supplier either doesn't understand or just pretends to understand their business and 68% feel the same way about their broadband supplier. There is clearly a need from communications suppliers to 'walk the talk' and develop business propositions that are truly tailored for the needs of smaller businesses.

My Communications Service Provider...
(average result of voice/broadband provider)



Key findings:

- 19% think their broadband supplier doesn't understand business at all
- 49% think their broadband supplier just interested in perception that it understands business
- 13% think their voice supplier doesn't understand business at all
- 50% think their voice supplier is just interested in perception that it understands business

Transparency – In the relatively short time that broadband has been mainstream, Communications Service Providers have developed a dubious reputation. 23% of SMEs won't change their CSP due to suspicion over their pricing and contract. Yet transparency with their CSPs is crucial, as 74% buy direct from the suppliers, and 94% can, or would like to, be able to forecast their costs for the months and year ahead.

Key findings:

- 66% have limited or no idea about the communications costs
- 23% don't change supplier because they are suspicious over pricing and contract
- 48% can forecast their internet and phone bills and a further 46% would like to be able to
- 74% buy direct from suppliers, 16% buy from Value Added Resellers



The Way Forward

Communications requirements for SMEs can only grow as time progresses. New technologies that have brought benefits to larger enterprises will begin to have a bigger impact on SMEs: for example, VoIP and hosted services, as more SMEs embrace the 'Application Service Provider' (ASP) model for key business processes. Their communications infrastructure, as a key enabler of this, becomes a strategic component of their overall business strategy.

The ASP model flopped when it first reared its head in the late 1990s, but the availability of high performance broadband connectivity to a mass market has finally enabled this new way of working. This, alongside the drivers from customers, suppliers, partners and competition, will see businesses shouting for support, to get past the barriers thrown up by inflexible providers.

With adoption of these new technologies coming on apace, there is a real need for simple, easy, good value, supported and personalized services to support businesses as business models are adapted and interaction points change. Without these services, small businesses will continue to see their growth limited and their productivity slide.

The Bulldog Approach to Business Communications

At Bulldog we do everything we can to keep an up-to-date perspective on the key SME issues and we tailor our products and packages accordingly. When we launched our new Business Division in November 2005, our key objective was to build 'Office-in-a-Box' solutions that provide simple, secure, supported complete communications for SMEs. Bulldog is continually revising its awareness of its target markets through research such as this, focus groups and pilot programmes amongst its user base.

As such, there are a number of approaches we've taken that make our offering unique. As the pioneering provider of Local Loop Unbundled (LLU) services, we're able to customize packages to customer requirements and we're continually building simple 'Office-in-a-Box' solutions to meet specialized needs. We're also the leading provider of voice and broadband services in an integrated offering, with one itemized bill and the ability to forecast future payments – BT's voice and broadband divisions are completely separate and bill separately accordingly.

We've also built an enhanced customer support team – a dedicated team, available 7 days a week for business customers only.

And yet – as we're not part of BT's wholesale loop, with the majority of UK service providers, we are able to keep our prices consistently lower than BT, providing customers with the value they seek so urgently. There's also cost savings in consolidating your voice and broadband into a single bill.

No vendor will be able to successfully claim to be on the pulse of the every SME – but much more can be done to help address the issues of complexity, cost and lack of support and help get SMEs out of the communications trap.



About Bulldog

Bulldog was established in 2000 as a specialist provider of broadband and phone services to both consumers and businesses, and is a pioneer of Local Loop Unbundling (LLU). It was the first UK provider to offer a combined voice and broadband service at the highest available speeds, currently 8 Mbps, and additional value-added services.

In November 2005, Bulldog launched a division dedicated to bringing simple, secure and flexible 'Office-in-a-Box' communications solutions to SOHOs and small businesses. Bulldog broadband services are available to approximately 30% cent of businesses and homes across the UK, growing to 50% by September 2006.

For more information visit:
www.bulldogbusiness.com

**For further information
or sales enquiries please call:**
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