

## The Benefits of Broadband to SMEs in the ICT Sector Interim Conclusions from Intellect Member Research September 2003

### Introduction

During June, July and August 2003, Intellect (the trade body for the UK information technology, telecommunications and electronics industry) commissioned a series of research projects to look at the effects of broadband on its SME members. The research started with a survey of SMEs, conducted by NOP Technology and comprising telephone interviews and a focus group. This was followed by further interviews and case studies, conducted by Intellect. The research is part of Intellect's ongoing Broadband Campaign, which is sponsored by Intel Corporation (UK) Ltd.

As a result of this research, Intellect believes that broadband is one of the key drivers for competitiveness and wants to encourage its members to take full advantage of broadband and associated technologies.

*"It's time SMEs woke up to the benefits of broadband. There's clear evidence that broadband is a highly cost-effective tool that enables SMEs to improve their competitiveness. SMEs that haven't got broadband yet should get it - and quickly! There is no longer any justification to grumble about the cost. This research proves that it is worth it!"*

Tom Wills-Sandford, Director, Intellect

For more information on Intellect's Broadband Campaign, survey data and case studies, please contact [Emma.Fryer@intellectuk.org](mailto:Emma.Fryer@intellectuk.org) or visit Intellect's website at: [www.intellectuk.org](http://www.intellectuk.org)

### Summary of Results

#### Headlines:

- The ICT sector is leading the way in Broadband adoption and providing an insight into the impact that Broadband will have on SMEs in general.
- While over half of SMEs in the ICT sector have either got broadband or are planning to get it, the rest seem strangely apathetic about upgrading from narrowband to broadband
- This is surprising given the enthusiasm of broadband users who see huge benefit in having broadband and would overwhelmingly recommend broadband to other businesses.
- But even among broadband users there is a difference between adopters and adapters. Companies that don't leverage the full value of broadband risk being left behind.
- The principal broadband benefit reported is always speed, and this survey tries to get beneath "benefits of speed" to understand the full implications for SMEs.
- The key is not speed itself, but the way in which greater download and upload speeds allow companies the flexibility to change existing practices, target new customers, increase staff productivity and satisfaction and take advantage of associated technologies.
- In this way, Broadband is a disruptive technology and an agent for disintermediation, that drives changes in business processes and habits and gives SMEs greater independence.
- Broadband is starting to change the business environment as leading edge SMEs use it to speed up the pace of business and gain competitive advantage.

### Take-up

The ICT sector is leading the way in broadband adoption in the UK. Over three quarters (80%) of the Intellect SME members surveyed have adopted Broadband as their main method of accessing the Internet. This penetration rate is significantly higher than the SME average (28%<sup>1</sup>). However, less than 20% of those SMEs without broadband, (but for whom it is available) are planning to adopt the technology over the course of the next 12 months. The principle reason stated by the remainder is *“lack of business case”*.

This is a surprising response since the feedback from SMEs who have broadband is extremely positive. They say overwhelmingly that they cannot imagine how they managed before it was available, that getting broadband *“is a no-brainer”* and that if they lost broadband tomorrow it would be like *“turning out the lights”*. 9 out of 10 SMEs with broadband say they are highly likely to recommend the technology to other business. Moreover, they say that broadband is easy to install and to integrate into their existing systems, scotching negative perceptions about complexity being a barrier to take-up.

This suggests that a new divide is opening up – not between the can-haves and the can't-haves but between organisations that are enjoying the competitive advantages that increased speed and cheap communication costs are bringing, and organisations that are getting left further behind because they are failing to recognise the difference that broadband will make

One reason for this is that organisations tend to apply cost-benefit analyses to their existing processes, they don't think about using broadband to change these. Since SMEs are reporting many benefits from broadband that they had not originally envisaged, these don't get factored in.

### Broadband – making a difference

When first asked, SMEs overwhelmingly report that the major benefit of broadband is speed but they often hardly notice the implications of this increased speed:- how it is changing their processes. A number of interviewees said at first that broadband had not changed their ways of working – until they were asked to recall how they had operated before. Once they had a chance to think about it, they said that broadband had had a transformational effect - it was just that they had grown accustomed to it so quickly that they didn't think about it any more. *“It's like having a dishwasher”* said one company *“you think it's a bit of a luxury before you get it and then within a week you are using it all the time and can't imagine how you ever coped without it”*.

Torpid dial-up speeds do not deliver the total Internet experience, and do not allow companies to use the Internet to its full potential as a platform for e-business applications. Companies with broadband use the web for online research, whether it is to look up business co-ordinates or prepare reports and presentations. *“No-one can seriously use the web for research via dial-up”* said one interviewee. *“When it takes 20 minutes to visit 2 websites it is simply not an effective tool, but with broadband it takes 2 minutes to visit 20 websites, and you start using it all the time – suddenly you have a new business resource”*. In this way broadband can be seen as a disruptive technology that really changes business processes and habits.

Several companies reported that they could get instant access to the kind of information that previously could only have been obtained by purchasing or commissioning an expensive report, and that this enabled them to present the kind of well-prepared and researched proposals that would usually be expected of a much larger organisations. *“Access to information is that much easier and if you're relatively competent you can do it quicker yourself, than actually asking somebody else to go out and do the research for you. That's a huge difference because big companies can have teams of librarians, whose job it is to ferret out the information. You don't really need that any more and that's a huge change.”* Broadband is an agent for disintermediation because it enables companies to perform their own intermediate tasks more quickly and at a fraction of the cost.

ADSL or cable broadband delivers leased-line functionality at a fraction of the cost, allowing SMEs to achieve a level of versatility and sophistication that belies their size. *“broadband allows us to hold our own in a supply chain dominated by multinationals”*. For instance, they can upload and maintain multimedia content on their website and have a state-of-the-art web presence which is very important for meeting client expectations *“We've upgraded our website with Flash because we can.....most of our clients are large companies and they expect a professional, highly functional web-site”*.

<sup>1</sup> NOP's Business Internet Survey, March 2003

### **Changing the way things are done**

The Internet is a critical business application for Intellect members, and in some cases is actually seen as more important than the telephone, with members fully dependent upon it for all aspects of the client service relationship. Companies with broadband start working in different ways, building their functionality around the technology. *“The fact that you now are able to download faster, you are able to access websites faster, you build an infrastructure round that. You build security systems, everything around that..”*

Broadband changes individual working methods and empowers employees to harness the power of the Internet in a more productive and satisfactory way *“I can toggle between 10 windows, looking for bits of information, pull graphs from websites, copy things, whatever. It’s like having 5 or 6 telephone lines talking to 6 people at the same time”*. 96% of SMEs reported that broadband had improved staff productivity and 98% said that it had a beneficial effect on staff satisfaction. *“With broadband, staff have the tools to do their jobs properly”*. They can work remotely and it enables a better work-life balance. For Intellect members, the introduction of Broadband has resulted in a happier, more productive workforce.

Internal company processes also change as a result: *“It allows us to implement processes we wouldn’t have been able to do before...we do teleconferencing and use Webex to train people via the net”* and businesses also start changing the way that services are delivered to customers *“As more people get better access, we save money on distributing patches of our software. It’s much easier for people just to log into a support site and download a patch.”* Many companies now do online product demos to customers and enjoy savings in time and travel costs as a result.

Delivering services in new ways leads to new business opportunities for SMEs:- *“Imagine you have a particular accounting product, that you’re going to be selling to other domains, pharmaceutical, healthcare etc. If you hosted it at your location and you have Broadband connectivity, you could change the demonstration based on the domain, so that opens up a whole new business opportunity because now you are able to customise, you’re able to demonstrate it to a customer and you do all that sitting at your office. You can’t do that on dial-up.”*

Markets move faster with broadband – fast always-on access to information allows companies to respond and react more quickly and gives them a competitive edge. *“it allows our staff to use the net for quicker research and competitor analysis.”*

### **Differentiating the Adopters and Adapters**

Companies that just use broadband for faster e-mail are failing to capture the full benefits that broadband offers. The real value is in the way SMEs can take advantage of new services and applications that are enabled by broadband.

This is giving rise to another divergent trend - that between “adopters” and “adapters”. Adopters take up broadband and use the technology to speed up existing processes:- faster download means faster response, quicker turnaround times and generally, greater efficiency. These companies save money on communications, postage and travel. *“we used to courier disks to Germany all the time – it has saved us a fortune”* said one company.

Adapters, however, use the technology to change the way they do things – they adapt their business processes to exploit the technology, instead of applying the technology to their processes. *“Broadband enables us to work as though we are together in one office, sharing information and exchanging files, although we don’t have an office at all and are spread all around the country.”* Companies are now being built around broadband functionality *“We’ve built our company from scratch to £.5 million turnover in little more than a year and we wouldn’t be here without broadband”* said one SME with 5 employees. In their case, broadband enabled them to set up their company with minimum financial risk *“The critical thing was that broadband allowed us to minimise financial risk whilst growing the company. There is usually a substantial cost in setting up and running a new business:- for instance leasing or purchasing premises. This means a new business has to turnover a great deal just to stand still, and all this increases the risk. Broadband has allowed us to minimise these costs and the business can be grown incrementally – at the pace we need”*.

A marketing campaign concentrating less on speed and more on business benefits may well go some way to convincing the doubters that Broadband is a technology for SMEs, and a technology of the future, where the future is now.

