BSG Foreword to Comres Survey

Broadband usage among micro-businesses

The BSG's work programme for the past two years has focused on the demand side of the broadband policy debate. With policy makers focusing on how to deliver increased speed and coverage targets given the differing costs and capabilities of technologies, we have sought to raise the profile of how this infrastructure is being used, and how it may be used in the future.

In this programme of work we have focused on *Domestic Demand for Bandwidth*, which we sought to quantifiably model to 2023, and we have recently concluded a qualitative counterpart to that, examining out-of-home internet usage. The third strand has focused on SMEs digital connectivity requirements, with a particular focus on micro and small businesses.

In early 2014 we published *Capitalising on Connectivity* which reviewed the current research on the benefits that improved digital connectivity and usage would bring to SMEs, and the economy as a whole. This recapped the actions that Government and others were undertaking in order to promote the business benefits that come from the use of broadband-enabled applications as well as new research and analysis from deep dive interviews with 16 micro and small businesses.

Although assertions are often made in the public domain about the bandwidth demands of SMEs, our report exposed a gap in the evidence base on SME internet usage as whole. As well as suggesting that Government seek to capture more data through its biannual Small Business Survey, the BSG committed to conducting more work in this area.

We therefore commissioned Comres to conduct a survey of 1000 micro-businesses to examine their internet usage. Comres did this over August-September via telephone interviews, with the data weighted to be representative of all micro-businesses in the UK by size, region and industrial sector. We chose to concentrate on micro-businesses as they form over 95% of all businesses in the UK and account for nearly one third of total employment, yet they are poorly understood by both industry and policy makers.

In the first section, Comres asked a series of questions around the speed, type, cost and supplier of a company's internet connection, as well as the reason that company's had chosen their internet product. In the second section, Comres questioned them about internet and broadband enabled services and the reasons why businesses do and do not use them. This second section is particularly important as we know that content and services ultimately drives take-up of internet products.

Of the 1000 businesses contacted 87% stated that they have an internet connection that they use for business purposes. Of those, 92% have a fixed line connection with 4% relying solely on a mobile internet product and just 1% relying on satellite connections. Of the fixed line connections, 69% have a standard broadband connection, with 22% using a superfast product and just 2% using a leased line. Most businesses were able to name their internet provider, but just 28% of respondents were able to name their product. This was mirrored in a lack of knowledge around the speed of their internet connection with 62% not knowing their exact speed[1] - the median of those that were able to provide an answer was 12Mbit/s, with both knowledge and speed varying across industrial sectors.

Price[2] was the primary driver of companies choosing their internet product, with 20% saying that this was a motivating factor. Loyalty to a brand and the overall package were secondary drivers with 9% of businesses saying that these were factors. Interestingly only 8% of respondents said that speed was a motivating factor – with those with superfast connections more likely to do so.

The report highlights a clear correlation between the use of internet applications and services and the type of connection, with those using superfast products more likely to use internet services, and use them more regularly, than those with standard broadband connections. This applies across services with generally low bandwidth requirements – such as e-invoicing – as well as across services requiring higher bandwidth – such as video conferencing or the creation and viewing of video content.

The survey also found that younger businesses – particularly those that have been in operation for less than five years – are without exception more likely to use these broadband enabled applications. This may indicate both a greater awareness of products but also being more inclined to try new products as a way of differentiating themselves.

Although the most common reasons that companies gave for using these services focused on them increasing their efficiency and productivity, many micro-businesses do not use these services. The most common reason given for not using any particular service is because it is not directly applicable or relevant – with online banking the sole exception, where security concerns rank most highly.

It is entirely possible that firms are making logical decisions in choosing whether or not to use certain applications. For example, it is understandable why 56% of those businesses in the hospitality and services sector who do not to use home working services do so because they feel that it is not relevant to them because of the nature of their work. However, just 48% of micro-businesses in the hospitality and services sector with an internet connection use social media – yet of those who do use it, 25% said that it is more efficient than offline communication methods with 15% saying that they used it because it helped drive sales. This suggests that some companies – who tend to be younger – have a different perspective on the opportunities presented by digital services.

[1] It should be noted that of those who gave answers it is unclear if this was the headline speed or whether they were providing information from a recent speed test.
[2] The survey enquired about the cost of businesses internet connection, with the median being £25/month. However, this is an indicative figure given the difficulty in splitting out line rental, calls and any additional services from an internet or communications provider.

As noted, services are not used as they are not relevant, or perceived to be relevant, to businesses – as opposed to there being a widespread infrastructure or cost barrier. This supports the Lloyds Bank Digital Index 2014 which stated that *"the main barriers to digital adoption are around attitude"*[3]. What makes modelling these organisation's future infrastructure needs difficult is that if, and we feel that there are at least some that should; these businesses did feel that they were relevant then it may be that insufficient infrastructure, such as their broadband connection, or a lack of skills would emerge as roadblocks to increased usage. At the moment they are at best known unknowns.

Whilst charities, private companies and Government have made impressive strides towards ensuring that UK SMEs can reap the benefits of the digital age, more can and should be done to assist them. The BSG believes that:

- It is critical to understand the scale and nature of the problem. This will require an expansion to the existing evidence base. In light of this the **BSG welcomes Ofcom's recently announced SME Plan looking at how communications markets serve SMEs and urges them to maintain this focus** – particularly on micro and small businesses.
- Around 4% of organisations – especially those with 0-4 employees – rely on mobile broadband connections. **Schemes aimed at increasing the digital maturity of businesses should therefore carefully analyse the role that mobile devices and indeed mobile only access can play**.

The survey substantially adds to the evidence base in this area and brings important new insights into attitudes amongst micro-businesses to internet applications, which the BSG looks forward to taking forward.

Please download the full report at www.broadbanduk.org

[3] Lloyds Bank, UK Business Digital Index, p. 34