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Headlines:

OFTEL RELEASES LATEST SURVEY RESULTS

- Little change from the last research into the segment in November 2000;
- Overall customer satisfaction with fixed, mobile and Internet services remains reasonably high (93%-95%);
- As the local loop is unbundled and cable and other players actively target the SME and SoHo segments, it will be interesting to monitor if BT's dominance amongst these customers continues.

NTL SHOPBUILDER PORTFOLIO LAUNCHED

- Five products aimed at offering customers an easy way to launch on the Web and set up an on-line store.

TELECOM ITALIA ALLOCATES LOCAL EXCHANGES

- Space in 150 local exchanges made available out of the first 432 that were applied for by rival operators, with 220 more to be available at the end of August;
- Italy offers a good opportunity due to the high number of SMEs and the on-going turmoil surrounding Telecom Italia.

NTL AND TELEWEST EXPLORE OPERATIONAL COLLABORATION

- UK cable companies looking to expand beyond current joint advertising work to collaborate on procurement, IT infrastructure and product development;
- Eventual merger of NTL and Telewest is seen by many as inevitable, but both are saddled with debt and problems caused at NTL through the integration of multiple acquisitions would only be exacerbated.

THUS PARADES AWARDS

- Thus' Demon wins three more awards for service and customer care;
- Company needs to clarify relative positioning of Thus and Demon brands.

BULLDOG ESCALATES ITS LOCAL LOOP LOBBYING CAMPAIGN

- Offers aggressive response to Oftel's draft determination on shared access pricing and starts lobbying campaign;
- Language indicates both frustration and some desperation at Bulldog.

FIRSTMARK GERMANY GOES INTO LIQUIDATION

- Another FirstMark national operation closes down – it is likely only to be a matter of time before the same happens to the remaining operations in France and Spain.

RIODATA REBRANDS ITS PORTFOLIO

- Portfolio rebranding is quicker and easier than new product development;
- Companies would be better off channelling their efforts into understanding customer needs and communicating the business benefits of the services they offer.

OFTEL RELEASES LATEST SURVEY RESULTS

UK regulator Oftel has released the results of its latest survey into the use of and attitudes towards fixed voice, Internet and mobile services amongst SMEs. The research was conducted in May and June of 2001 among 800 businesses – 500 small (1-50 employees) and 300 medium (51-250 employees) with a minimum turnover of £50,000. Quotas and weighting were also applied to ensure the sample was representative of the SME segment in terms of business size, industry sector and region. Highlights of the findings were as follows:

- Small businesses on average have more fixed lines per employee and spend more on fixed telecoms services per employee as a proportion of turnover than medium businesses;
- Medium businesses make greater use of advanced telecoms services (Internet, ISDN, leased lines);
- On average, small businesses spend about £354 per month on fixed telecoms services and medium ones an average of £3,478;
- Medium businesses were twice as likely as small ones to use more than one supplier – 61% and 29% respectively;
- Medium businesses were as likely as small ones to use BT (both about 90%) but were more likely to do so in conjunction with other suppliers;
- 80% of small and 92% of medium businesses said they were aware of indirect access operators;
- 25% of all SMEs said they currently used such operators, with a further 7% considering them. 10% had used them but no longer do, 15% had considered using them but decided not to;
- Small businesses has on average 5 fixed lines, medium ones 37 and single-person businesses an average of three;
- Overall, satisfaction with fixed services was good across SMEs:
    - Overall service 95%
    - Reliability of service 95%
    - Value for money 80%
- Only, 8% of SMEs had a special rate number. They were considerably more popular with medium businesses (24%) than small ones (7%);
- 3% of special number users had clubbed together with other companies to take advantage of discounted rates;
- Internet penetration stands at 55%, with 92% of medium businesses and 54% of small businesses connected;
- The majority of small businesses used dial access to connect, with medium businesses more likely to use ISDN or leased lines;
- 39% of SMEs are using unmetered packages;
- Satisfaction was quite high, with 93% satisfied with quality of service;
- The top three ISPs were:
    - AOL 18%
    - Freeserve 12%
    - Demon Internet 10%

- 58% of small businesses and 81% of medium ones owned at least one mobile phone;
- Average spend per mobile per month was £51;
- 95% of businesses were satisfied with their mobile phone service overall;
- Almost half of small businesses (48%) used their mobiles abroad, compared with 84% of medium businesses;
- Service providers being used were:
    - BT Cellnet 38%
    - Vodafone 32%
    - Orange 31%
    - One2One 10%

Whilst it is impossible to make direct comparisons between this an Oftel's previous survey of the SME segment due to changes in sampling (medium now defined as 51-250 employees as opposed to 51-500), some general observations can be made:

- BT still retains its position as the dominant supplier to customers in this segment, although competitors are making small inroads;
- Overall, satisfaction is pretty high across services – this may explain the lack of enthusiasm to change suppliers;
- Penetration of services more advanced than basic telephony and dial Internet services remains low.

The question remains whether the market is subject to natural inertia or whether the availability and successful promotion of better (and cheaper) broadband services and bundled telephony-Internet services will start to move customers away from traditional services and present an opportunity for BT and its competitors.

NTL SHOPBUILDER PORTFOLIO LAUNCHED

NTL has launched a new range of web shopbuilder products designed to help customers grow their web presence and sell products on-line.

The portfolio consists of five products, starting with the "cardfree" product positioned as "an easy-to-manage web page to advertise your company contact details and describe your business with the ability to upgrade instantly to a shop, the moment your business needs demand." This product carries no charge.

Next there are four "store-type" products, as illustrated in the table below:

	shop15	shop50	shop150	shop1000
Monthly charge	£24.99	£49.99	£74.99	£99.99
Products displayable	15	50	150	1000
Departments available	5	25	50	100

In addition to the facility to display various amounts of products in a range of departments, the range of services also offers:

- Free registration of one .co.uk domain name;
- Flexibility to upgrade to a bigger shop when business needs demand;
- Management features including tax calculation, shipping and payment methods;
- Payment gateway option to accept credit/debit card transactions on-line;
- Additional web pages to advertise hot deals, news items and product promotions;
- Management and statistics reports to help keep track of the best-selling products.

These off-the-shelf products provide an easy way for SME and SoHo customers to get on-line quickly, easily and relatively cheaply. For customers looking for a simple web presence and the ability to do business over the Internet without having to develop new skills or manage multiple relationships, products like these from NTL and similar products from other suppliers will be attractive.

TELECOM ITALIA ALLOCATES LOCAL EXCHANGES

Telecom Italia has nominated the first one hundred and fifty local exchanges which are now ready to receive equipment from operators taking part in local loop unbundling and co-location in Italy.

As of 3rd August, space has been set aside in 150 exchanges of the first 432 that had been applied for by other operators.

Although 559 exchanges were initially identified for the process, 81 were eliminated in the evaluation phase by the other operators themselves as they were no longer considered to be of interest and another 46 were eliminated as they failed to meet the necessary technical requirements.

A further 220 exchanges (48 in Milan and 50 in Rome) will be made available at the end of August (as agreed with the Communications Authority) because additional time was needed to obtain authorizations and permits from local authorities to carry out the construction work.

The remaining 62 exchanges will be made available during the period to October as local authorisation issues (such as building permits in seismic areas) are resolved.

The exchanges which are now available can be accessed by operators with an official contract with Telecom Italia – of these 150 exchanges, 120 are situated in major cities, including 20 in Rome, 20 in Milan, 15 in Naples and 18 in Turin.

The opening up of the local loop in Italy is particularly significant as there is a high proportion of SMEs in Italy. In addition, the opportunity for competitors must be enhanced as a result of the confusion over the future of Telecom Italia – it is highly indebted and has recently undergone another change of ownership in a politically charged environment.

NTL AND TELEWEST EXPLORE OPERATIONAL COLLABORATION

Reports suggest that NTL and Telewest are working towards an operational merger before eventual consolidation in the UK cable industry.

The cable operators are considering collaboration over purchasing, sharing customers, convergence of products and a joint national retail effort, with a working group having been established to explore the joint procurement of hardware, in particular the set-top boxes that connect customers to digital television services. Joint buying may extend to other items such as cabling equipment, transport, new products and IT infrastructure.

They are keen to present a united front against fierce competition from rival telecoms and pay-per-view television operators. The comapnies face stiff competition from Sky for residential TV customers and they are ramping up their efforts to sell to business customers at a time when local loop unbundling is being rolled out and providing an opportunity for new competition at the level of the local loop.

A deepening alliance would follow the merging of some advertising operations and the launch of a joint campaign to promote ‘Broadband Britain.’ Executives say it could lead to the merger of most of the companies' operations. A full merger is some way off because of debt burdens - NTL's net debt is £10.9bn and Telewest's £4.8bn.

Stephen Carter, managing director of NTL, and Philip Jansen, his counterpart at Telewest, are heading the joint effort to cut costs and improve efficiencies. Jansen said: “Everybody understands the rationale for the merger of these two businesses but, in the meantime, there are some benefits we can get from co-operation in certain areas.” Carter said a merger was not inevitable. “We are working together to create value where it doesn't prevent us running our own businesses.”

Many observers regard the eventual merger of NTL and Telewest as inevitable and it would offer some obvious advantages as their franchises do not overlap and there would be plenty of scope for synergistic savings. However, NTL in particular would need to reduce its debt mountain – one suggested solution would be the sale of its continental European cable assets, although finding a buyer filling to pay what NTL would regard as a fair price might be a challenge.

Initiatives such as the joint marketing of broadband are a good idea – the companies are able to pool their resources to position cable as a key broadband product without the threat of competing with one another. It will be interesting to monitor if Telewest can continue its solid growth in its base of customers for blueyonder workwise and to see the results of NTL’s strategic push to grow its presence in the SME segment.

THUS PARADES AWARDS

Thus is trumpeting the fact that it has won three more major awards for service and customer care in the UK and the Netherlands through its SME-focused Demon Internet brand.

In the UK, the company was voted both ‘Best ISP’ and ‘Best Overall ISP’ by PC Pro and The Net magazine, respectively. This comes on top of the ‘Best ISP on the Planet’ award conferred by Internet Magazine last year.

In the Netherlands, Thus was recently awarded the ‘Golden Sword’ by Net Magazine for the third year in a row. This is the prize for best Internet provider of the year.

Additionally, in a telephone survey by Blauw Research of 400 SMEs to establish the best customer service for an ISP in the Netherlands, Thus registered an average 7.8 out of 10 - the highest score in the research study.

A Thus spokesman said: “Everyone is delighted with these awards because they show what they've known all along - that this company works harder to deliver new technology and great service than any other player in the market. The very fact that these are repeat awards just goes to show that the market appreciates the efforts we're making to improve service levels and lead the industry.”

Thus, or rather Demon, continues to develop a reputation in the broader market for Internet service provision that must be the envy of many of its competitors. It consistently comes top or near-top of polls and it can only be concluded that the company must be getting things right. What it needs to communicate more clearly is the relative positioning of Thus and Demon – recent reports suggest that Thus will be the brand of the business addressing the market for services to the corporate segment and Demon for services to the SME/SoHo segment. However, to most observers it would appear that Thus delivers voice and data services and Demon Internet services.

BULLDOG ESCALATES ITS LOCAL LOOP LOBBYING CAMPAIGN

Bulldog Communications has submitted a detailed response to Oftel's draft determination on shared access pricing. As one of the few remaining players in the local loop unbundling (LLU) process, and the only remaining competitor to BT for wholesale DSL to the residential market in the UK, Bulldog has taken the lead to ensure that “all alternative operators receive a fair hearing.”

“Bulldog is encouraged by Oftel's invitation to respond to its draft determination as it demonstrates the regulator's interest and acceptance of responsibility to both promote and maintain effective competition, and prevent BT from delaying the roll-out of competing DSL services any longer.

In its response Bulldog contends that the pricing for shared access, as proposed, is highly subjective since it has been based, in large part, on BT's own recommendations. Bulldog has identified a number of areas in the draft determination where BT has failed to provide statistical validity for the proposed charges, and points to the fact that the charges themselves reflect inconsistency and BT's lack of operational and technical efficiency.”

The main points of Bulldog’s argument include:

- BT has given no justification of, or breakdown for, the shared access costs - a large part of which consists of faults in BT's own network that need repairing.

- The law says that costs should reflect the actions of an efficient operator. But BT has set excessively high costs of £6.17 per month per DSL line to keep the competition at 'arms length.' Oftel's response suggests a price of £5.67. However, Bulldog believes that based on analysis of the data, these costs should be no more than £1.50.

- Operators should not bear the costs for BT's operational inefficiency. BT is attempting to persuade Oftel to set costs assuming that it will encounter very high fault levels on its broadband lines on an on-going basis. The data BT uses to support this contention is drawn from the early days of BT's ADSL operations, when it ran into teething problems often encountered when inexperienced staff manage new processes. Bulldog argues that amongst other things, more seasoned staff as well as more automated testing systems should lead to lower fault levels and more rapid fault resolution.

- There are no benchmarks from which to compare the charges set by BT. External benchmarking shows that BT's charges are among the highest in the world.

- Oftel has a responsibility under anti-trust law to investigate the charges. Bulldog has submitted to Oftel that the charges should be lowered to comply with anti-trust laws. Bulldog is the last remaining competitor to BT for wholesale DSL and must be supported to ensure competitively priced broadband services in the UK.

Bulldog's CEO said: "Oftel's determination on shared access is crucial to the success of LLU and the realisation of Broadband Britain and Bulldog is actively campaigning to ensure BT is not allowed to get away with these excessive charges. Bulldog's goal is to create a level playing field in the DSL broadband sector.

Oftel's consideration of Bulldog's concerns and its efforts to move toward addressing them will further promote the interests of end users, making sure they receive the best choice and value for money. And, if Oftel moves quickly, it is still possible to stimulate and kick-start Broadband Britain, sooner rather than later."

To further support Oftel's efforts to resolve the shared access pricing dispute and introduce adequate competition, the company has also begun lobbying plans with the UK Government and the EU.

Bulldog obviously wants to pressure BT as mush as possible, but the language being used smacks more than a little of desperation and the company's mood is driven at least as much by concerns about its future business plan as much as by the drive for customer choice.

FIRSTMARK GERMANY GOES INTO LIQUIDATION

FirstMark Germany has filed for insolvency in the Hanover district court, leaving the Luxembourg-headquartered company with only two national WLL (Wireless Local Loop) operations – in France and in Spain.

FirstMark has been trying to find "additional investors and strategic co-operation with other service providers" in Germany but has failed to do so. A spokesman commented: "After thorough analysis of the alternatives, the Board of Directors of FirstMark Europe has decided not to continue the financing of FirstMark Gmbh."

The reasons for the company's demise have included the poor take-up of services based on WLL technology, the collapse in sentiment in investing in the telecoms sector and the excessive prices paid for WLL licences in many countries across Europe.

Despite the company's claims that its operations in France and Spain remain unaffected by this move, it can only be expected to be a matter of time before these assets are also sold or operations closed down. FirstMark managed to raise $1bn for its foray into Europe and recruited a high-profile management team, but this has been insufficient to ensure success – like many other new entrants to the market, it raised a large sum of money, spent it very quickly and failed to establish a solid enough revenue stream to cover its running costs, let alone service its debts.

RIODATA REBRANDS ITS PORTFOLIO

Riodato has re-branded its portfolio of services for the SME segment in Germany. It has decided to drop the "Rio" prefix and rename its portfolio in a more descriptive manner, thus:

Old Name	New Name
rioBusiness	BusinessConnect Basic
rioConnect	BusinessConnect Premium
rioVPN	PrivateNetworks
rioWeb	WebHosting
rioServer	ServerHosting
rioBackup	OnlineBackup

- BusinessConnect Basic – "always-on" Internet access product running at 128kbps/1Mbps and aimed at companies with up to five workstations;
- BusinessConnect Premium – ADSL/SDSL Internet access running between 256kbps and 8Mbps;
- PrivateNetworks – IP VPNs for customers with more than two locations, 64kbps to 34Mbps;
- WebHosting – shared hosting capability;
- ServerHosting – dedicated hosting services;
- OnlineBackup – data back-up service.

This is a great example of a pointless announcement. The new names are little, if any, clearer than the old ones and are of virtually no relevance to customers. Riodata should concentrate its efforts on developing new products and conveying their benefits to customers, rather than tinkering with naming policies.