# A Survey of Small and Medium-Sized Business Broadband Users

A USTelecom White Paper
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**The survey supports the conclusion that the Federal Communications Commission's 2013 data do not reflect material changes in the current marketplace.**

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# Key Findings

- The Federal Communications Commission's (FCC) analysis of competition, including its market share calculations, rests in significant part on business data services (BDS) product market definitions.
- The USTelecom survey provides direct evidence that contradicts many of the commission's assumptions, including the view that "best effort" internet service is in a different product market than BDS.
- The survey churn data support USTelecom's claim that the commission's 2013 data collection does **not** reflect current market conditions.

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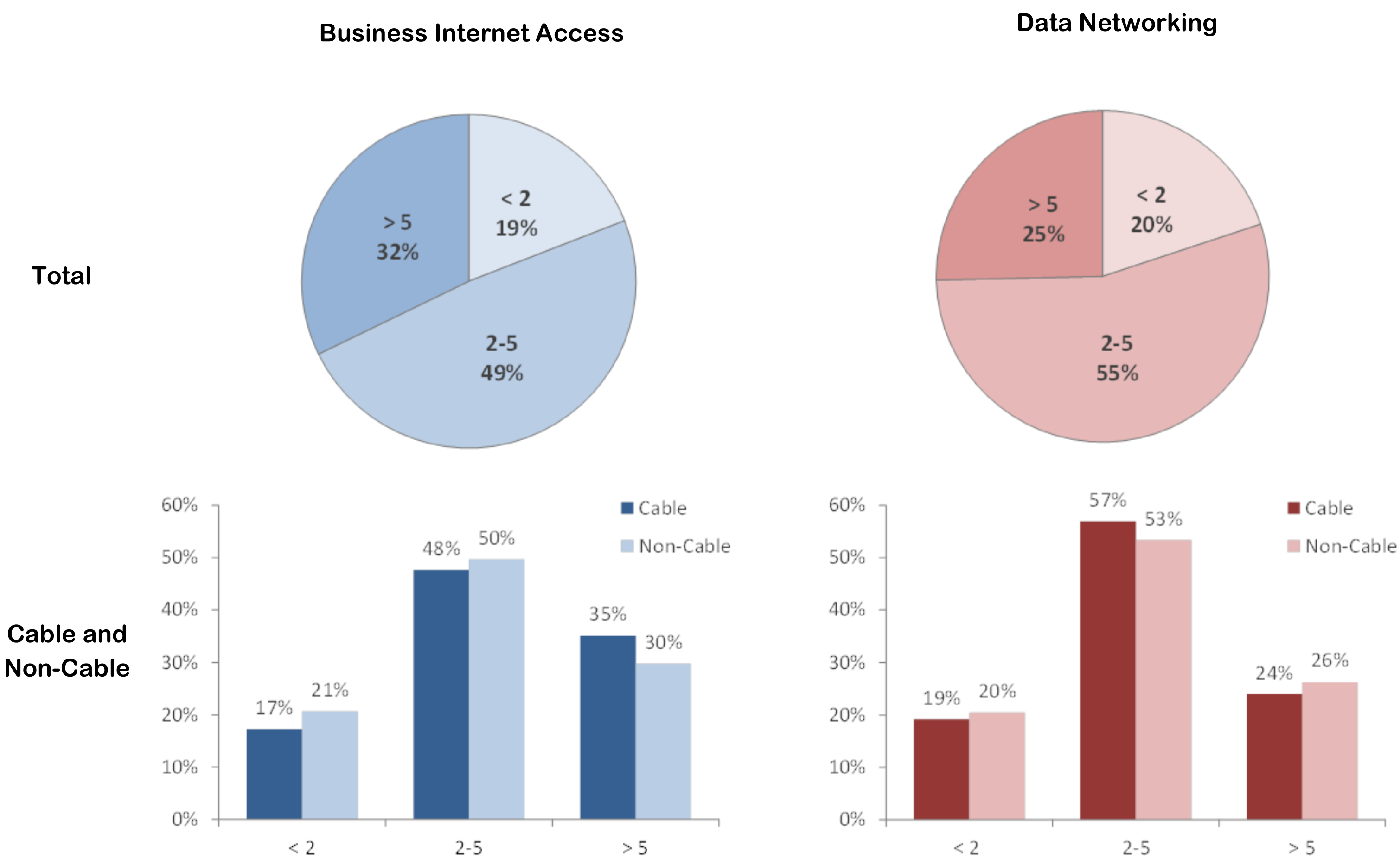
# Survey Focus & Definitions

- The survey asked 795 small and medium-sized businesses with 5 to 100 employees about their purchasing decisions and reasons for switching among business internet access and data networking service plans.
- Participants were asked about how they valued service features such as reliability, support, performance, speed, cost, network facilities, and security.
- Respondents were asked about two types of services:
  - ◊ **Business internet access service**: Marketed to businesses, typically with assurances of speed, quality, or 24/7 customer support and typically used for basic internet access or email. Sold on a standalone basis or bundled with voice and video services. Examples include cable modem, DSL, or similar services.
  - ◊ **Data networking service**: Dedicated service provided over facilities such as T1/DS-1, T3/DS-3, and dedicated fiber, including carrier-grade Ethernet service used for large data transfers over company networks, management of services requiring high reliability such as webinars or video conferences, or high volume internet access.

# Customer Churn is High for All Provider Types

These data show significant switching among SMBs in the last two years, indicating that the FCC's 2013 data do not accurately reflect the current state of the marketplace.

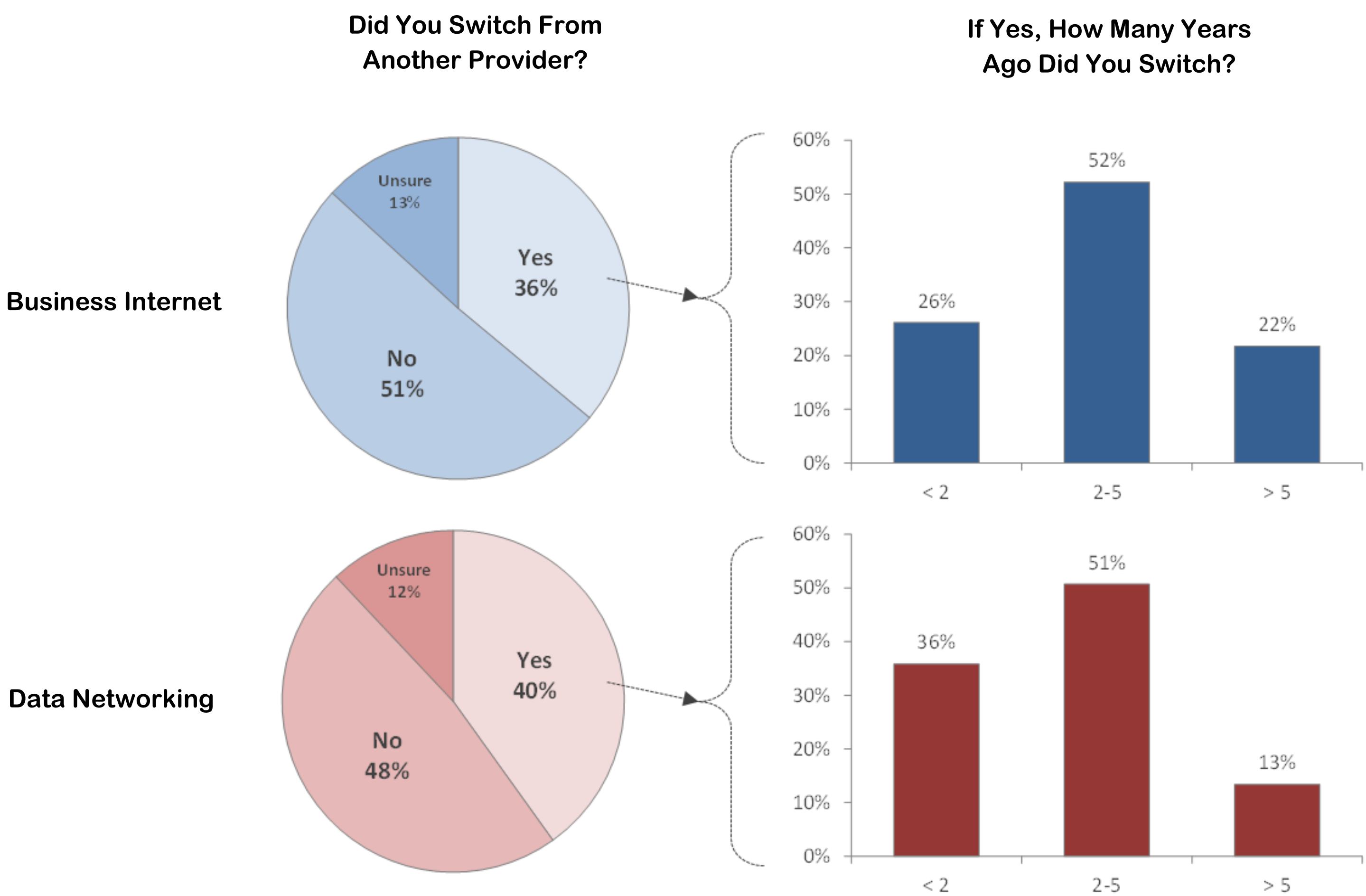
**Number of Years with Current Business Internet Access or Data Networking Provider**




Source: USTelecom and Market Strategies

# Many Customers Have Switched to Cable in Recent Years

These data show significant switching by SMBs to cable in the last two years, indicating that the FCC's 2013 data do not accurately reflect the current state of cable's presence in the marketplace.



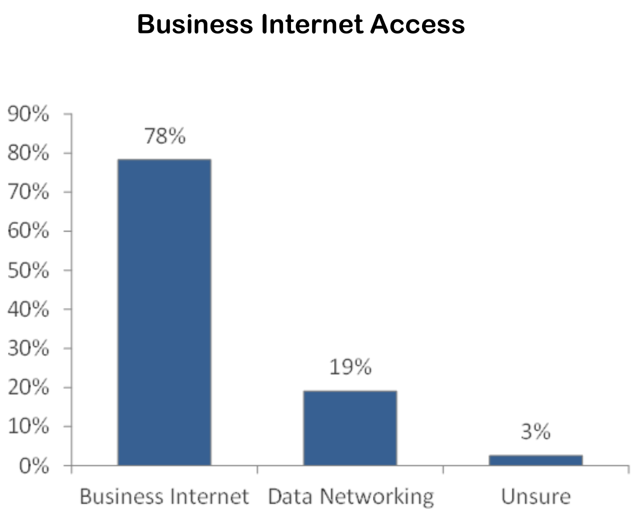

Source: USTelecom and Market Strategies

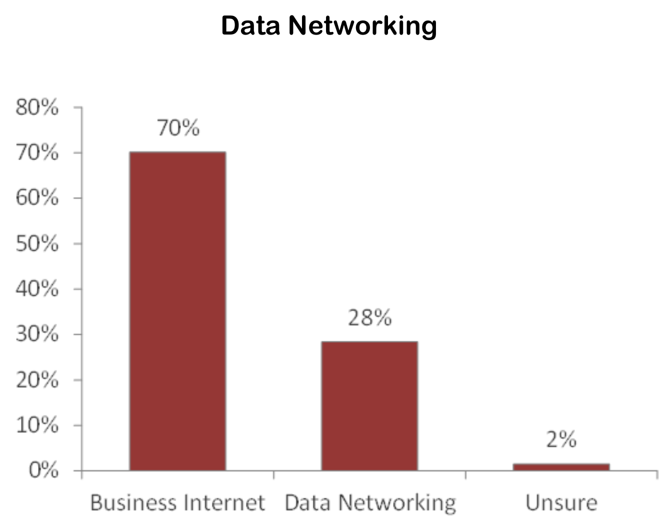
# Customers Switching Among Services

There is significant switching between Business Internet Access and Data Networking Services, in both directions.

This data refutes the Commission's key belief that BDS and "best efforts" service are in clearly separate markets that serve different types of customers.

**Prior Service for Customers Who Switched to Cable for...**




**Source: USTelecom and Market Strategies**

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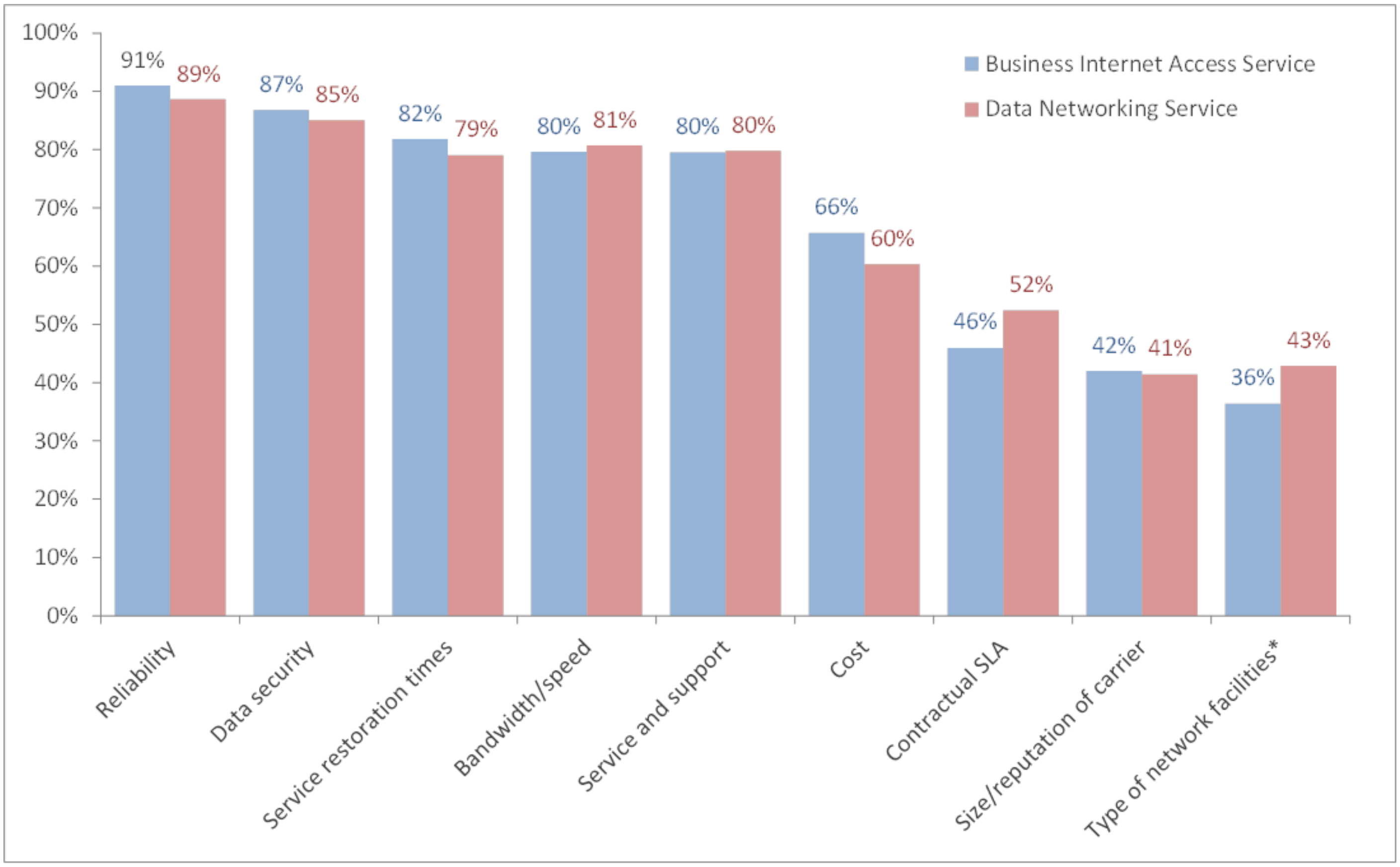
# Services Features More Important Technology Type

Customers value certain service features more than others and rather than particular types of facilities, and there is little variation among Business Internet Access and Data Networking users. This challenges the notion that SMBs will not purchase "best efforts"-type services that are reliable but lack certain features like SLAs.

### Portion of Respondents by Service Type Ranking Each Factor "Very Important"




**Source: USTelecom and Market Strategies**

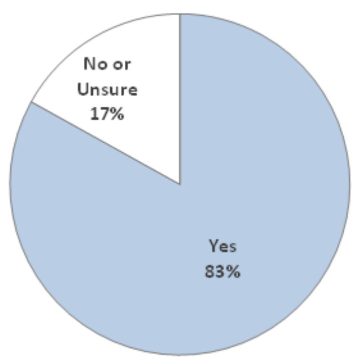
# Service Level Assurances Don’t Define Markets

While most SMBs have service assurances, only half of Business Internet and Data Networking customers rank contractual SLAs “very important,” indicating that “best efforts” and BDS services are not in separate product markets due to the presence of SLAs.

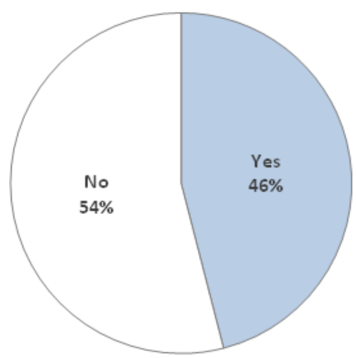
**Customers’ Views on Service Guarantees and Contractual SLAs**

**Business Internet**

**Does Your Service Come With Promises or Assurances?**

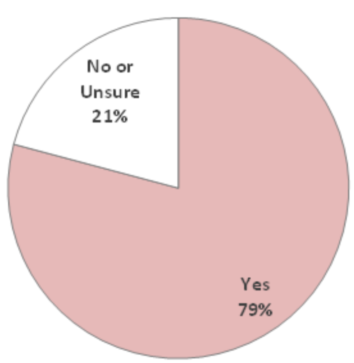



**Are Contractual SLAs “Very Important”?**




**Data Networking**

**Does Your Service Come With Guarantees Such as SLAs?***

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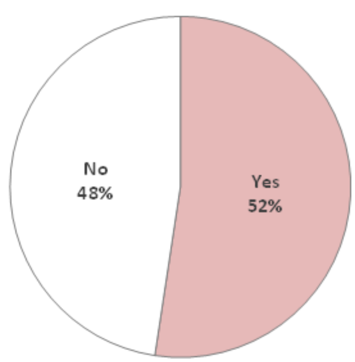


Source: USTelecom and Market Strategies

# Who Participated in the Survey?

- 795 non-telecom retail businesses with 5 to 100 employees.
- Respondents were knowledgeable about communications services providers, with 79 percent involved in decisions to select service providers, and 21 percent knew about providers and options
- 88 percent had BI services; 41 percent had BI and DN and 12 percent had DN only.
- Nearly 40 percent of customers for both types of services used cable as a primary service provider.

# Conclusion

- Small and medium-sized business (SMB) customers have many options for business data services due to significant competition in the market.
- These businesses value service features such as reliability, security, speed and support more than certain types of facilities and contractual service level agreements.
- The survey contradicts the FCC's:
  - ◊ Key facts about product market definitions, in particular the notion that there is a clear distinction between BDS and "best efforts" service, and the assumption that prices are not a factor driving switching between the two types of services.
  - ◊ Claims about customer lock-in and telco market power.
- The survey supports the conclusion that the commission's 2013 data do not reflect material changes in the current marketplace.