

# SME subscribers are the untapped potential for altnets

**Publication date:**

October 2023

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The SME segment represents a huge opportunity for UK fibre altnets. SMEs are at the heart of local communities and economies, as are local altnets. As such, SMEs are a good fit for altnets seeking to challenge traditional nationwide ISPs. UK fibre altnets that are targeting the residential segment can benefit from their existing brand, loyal customers, and local presence to tap into the SME segment. Moreover establishing a differentiated presence in the community through serving SMEs could also help drive UK fibre altnets' residential business aspirations.

In this article, we will address the opportunity this presents and discuss the main communication challenges that UK SMEs are facing and how fibre altnets can best address them.

## Communication services are increasingly important to UK SMEs

UK fibre altnets should be aware that the importance of communication services to SMEs is growing. According to Ofcom survey data from 2022 the net increase in the importance of fixed internet services since the pandemic was 29%<sup>1</sup> (defined as the percentage of SMEs for whom it has become more important—the percentage of SMEs for whom it has become less important). This suggests that there is an untapped market available to UK fibre altnets and with the right solution, they can cater to the specific needs of SME customers and make substantial gains, driving their brand, their ARPU and their profitability.

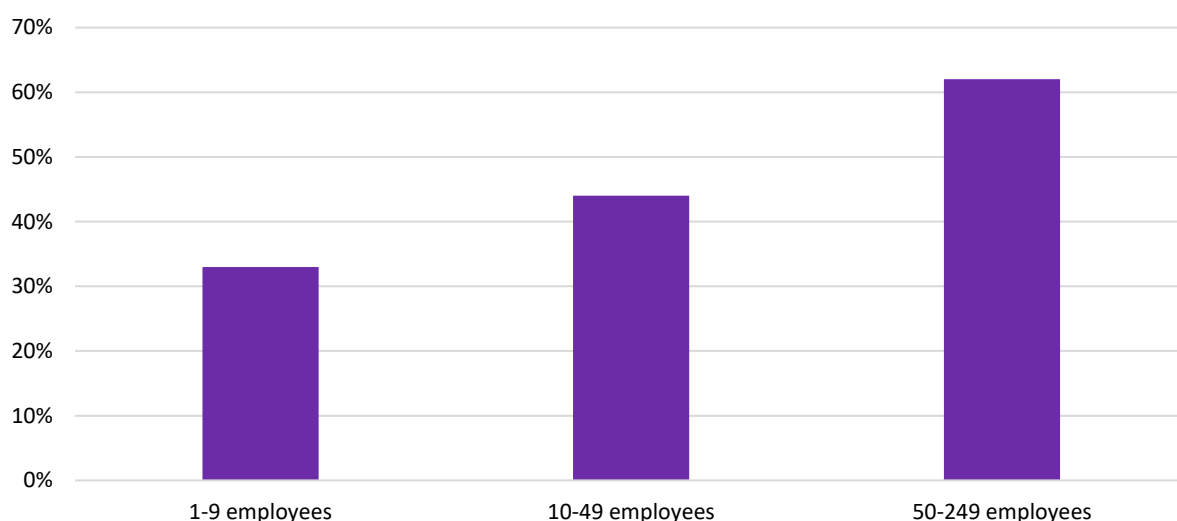
## Ensuring reliable connectivity for point-of-sale networks is crucial for SMEs

One particular challenge for SMEs is the often regular occurrence of their connectivity going down and impacting their point-of-sale network resulting in lost revenue and often potential temporary closure. This challenge is becoming increasingly important as UK consumers switch from traditional cash payments to electronic payments. For example, according to UK Finance, a trade association for the UK banking and finance sector, cash payments have fallen from 62% of the total in 2006 to just 15% in 2021. Furthermore card payments made up 57% of all payments in the UK in 2021 and contactless card payments made up almost one third of total payments in the UK in the same year, which represents very substantial growth from the 3% in 2015<sup>2</sup>.

SMEs would benefit from subscribing to altnets that can remove the risks associated with point-of-sale network failures. Altnets could offer solutions using dedicated Wi-Fi networks for point-of-sale

equipment and isolate business-critical revenue-generating traffic from customer Wi-Fi traffic. In addition altnets can provide highly reliable connectivity by offering gateways that automatically detect connectivity issues with the FTTP network and then automatically route the point-of-sale traffic through the cellular network via a mobile phone or dedicated LTE hub. Altnets that can advance the service offering beyond only connectivity will be well positioned to tap into a market with opportunities for growth. For instance, 2022 survey data from Ofcom shows that only a third of micro SMEs have a communication service backup in place and even amongst SMEs with 50-249 employees the figure is still only 62% (see **Figure 1**).

**Figure 1: Responses to question “What, if any, back-up communications services do you have in place for your business, for example if your mobile or internet goes down, or isn’t working at the level you need?”**



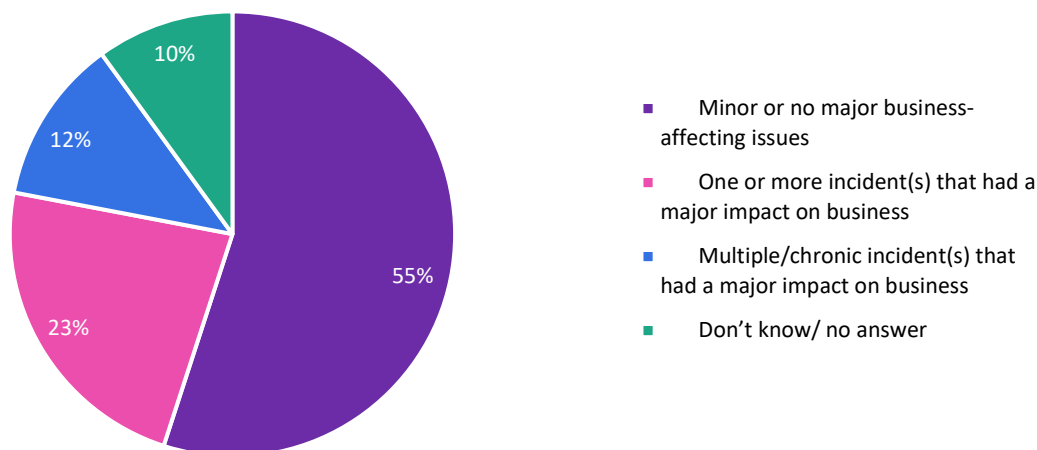
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Source: Ofcom, SME Communications Experience Research 2022

### Cybersecurity is a major concern for UK SMEs

The results of Omdia's 2023 SoHo and SME Insights Survey, which was conducted across nine countries, including the UK, show that cybersecurity is also a real challenge. For example, amongst all SMEs surveyed 23% stated that they had had one or more security incidents that had a major impact on their business in the last 12 months. A further 12% reported multiple/chronic incidents that had had a major impact on business in the preceding year (see **Figure 2**). Unsurprisingly, as a result, cybersecurity is viewed as a key priority for SMEs, and, as part of the Omdia survey, mature SMEs (i.e., those established more than 5 years ago) rated cyber security and data protection as the organisation's top technology/digital challenge at present.

**Figure 2: Responses to question “Did you experience significant security issues in the last 12 months?”**



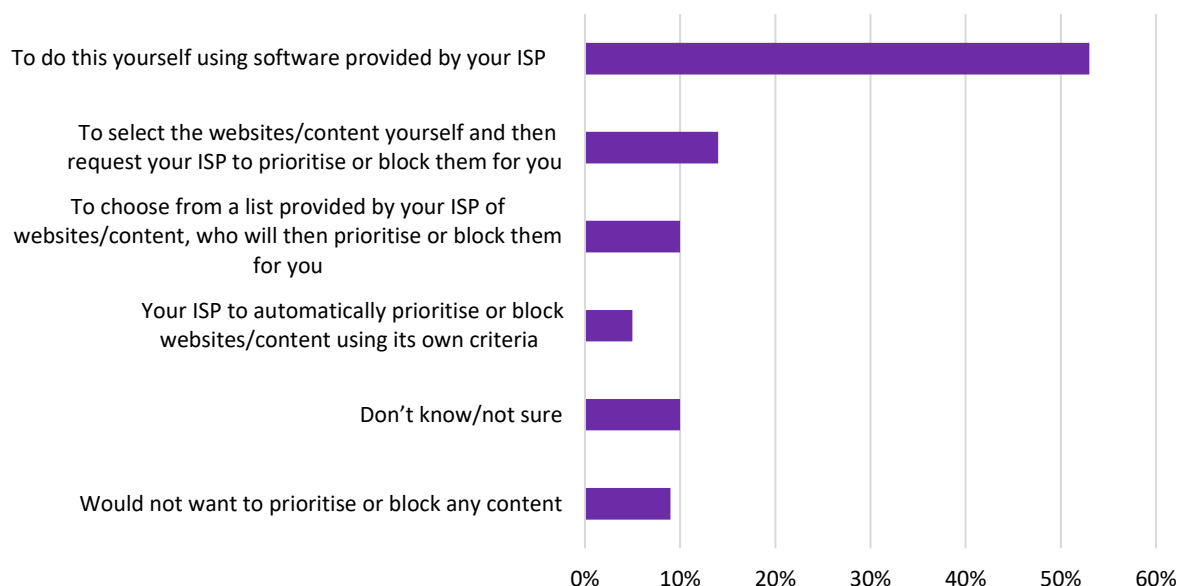
Source: Omdia 2023 SME survey

Altnets that also address SMEs' cybersecurity concerns therefore stand to gain new customers. Cybersecurity software solutions that can provide protection from malicious websites, as well as offering anti-virus and intrusion prevention capabilities, are likely to be of interest to SMEs and provide the opportunity for altnets to differentiate their service offering and build their brand across their communities, not only securing their residential subscribers, but now also securing the local businesses that are at the heart of their communities.

#### SMEs also require solutions that manage access to content

Ofcom's survey data also demonstrates there is a pressing need for solutions that allow SMEs themselves to manage content using software provided by the altnet (see **Figure 3**). Areas that altnets should explore include solutions that allow SMEs to manage content avoiding access to unsavoury content on their network, prioritize revenue generating traffic, having the ability to have an internal network for staff with easy onboarding/off-boarding of access, and the ability enforce time limits on internet access for their customers. No SMB wants customers outside their premise at 10pm browsing on their internet service, for instance.

**Figure 3: Responses to question “Assuming it was possible to specify which types of sites/content could be prioritised or blocked, which of the following methods of control would you prefer to have available from your Internet Service Provider (ISP)?”**



Source: Ofcom, SME Communications Experience Research 2022

## Appendix

### Further reading

<sup>1</sup> See [https://www.ofcom.org.uk/\\_\\_data/assets/pdf\\_file/0026/245078/SME-consumer-experience-in-the-communications-market-2022-.pdf](https://www.ofcom.org.uk/__data/assets/pdf_file/0026/245078/SME-consumer-experience-in-the-communications-market-2022-.pdf)

<sup>2</sup> See <https://www.ukfinance.org.uk/system/files/2022-08/UKF%20Payment%20Markets%20Summary%202022.pdf>

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