



**Greater East Tamaki
Business Association Inc.**

SME's yet to seize the opportunity of UFB Fibre

November 2015

In 2010 a survey on business use of Ultra Fast Broadband (UFB) was conducted by Crown Fibre Holdings and TUANZ. Earlier this year (2015) it was decided to survey the TUANZ membership once again and to invite the Greater East Tamaki Business Association (GETBA) to participate given the length of time UFB had been available in that area. The survey was conducted online during the month of June 2015.

Over November 2015, we published the key findings from the survey including our thoughts on the opportunities that we see arising from the survey results. We also published the data to the Figure.NZ site (search on TUANZ) - **note that at present that although the graph titles state that it is "TUANZ members", the results include the GETBA results as well.**

Background

The original 2010 survey attracted 283 respondents and this year's questionnaire drew 217 across the two organisations in total. Not all questions were answered by all respondents. Where sample sizes were low, they are identified accordingly, and therefore the answers to some questions should be considered indicative only.

In 2010 the survey reflected a NZ corporate viewpoint, with more than half the respondents from businesses employing 100 or more staff. In 2015, due to the inclusion of GETBA, this was reversed with nearly 50% (47.17%) of all survey

respondents reporting 0-19 employees, what is considered by Statistics NZ to be a small to medium enterprise (SME). Corporate respondents made up a far smaller share of the 2015 sample at around 30%.

Another difference this year was the increase in manufacturing and wholesale industries represented. The 2010 survey was largely dominated by telecommunications and education and training providers, and it was considered that this self-selection may have resulted in a higher level of awareness of UFB than non-respondents. The surveys in both years, by nature of the organisations involved, were heavily skewed by Auckland based respondents.

SME Uptake

In this section we look at the uptake amongst SME's in the survey and conclude that they are yet to seize the opportunities available to them.

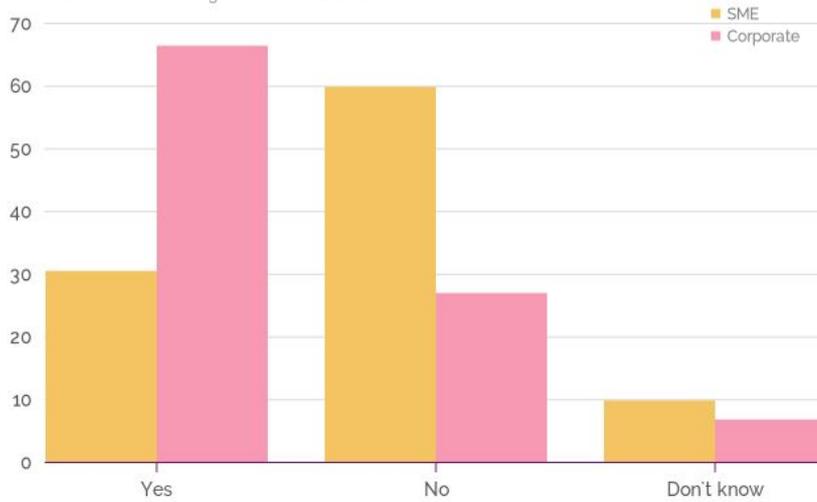
In 2010 around 64% of respondents said they already had at least one fibre service. This was not surprising given that fibre optic services had already been deployed in many CBD locations and the majority of respondents were corporates. For clarity on the difference - fibre laid before the UFB initiative was not built as part of an open access network available for all retail service providers to offer services over, and therefore more costly. It was largely made up of a series of bespoke, point-to-point connections from the exchange directly into the corporate office.

Back in 2010, of all respondents asked about their likelihood to connect to UFB within a year of it being available, 82% said they were "likely to", "highly likely to" or "definitely will" connect. This could only be considered an indicator of future behaviour as no retail costs were provided then.

Uptake of Ultra-Fast Broadband or fibre among TUANZ members

By business size, 2015, % of survey respondents (n=196)

Source: Crown Fibre Holdings Limited and TUANZ

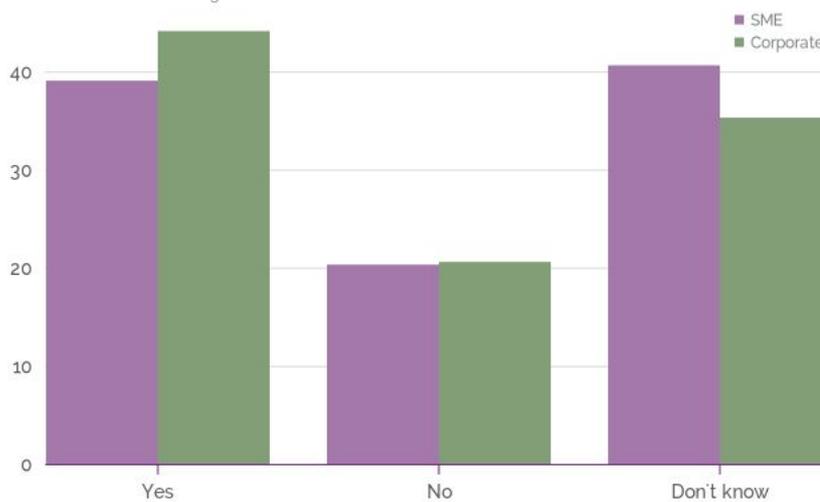


By 2015 49.5% of all respondents had actually taken up UFB or fibre at their head office or single site. More than 20% of those with UFB or fibre had pre-existing fibre and more than 65% were corporates. Drilling down, the share of those who had not taken up UFB was 42.3% and of them, 60% were SME.

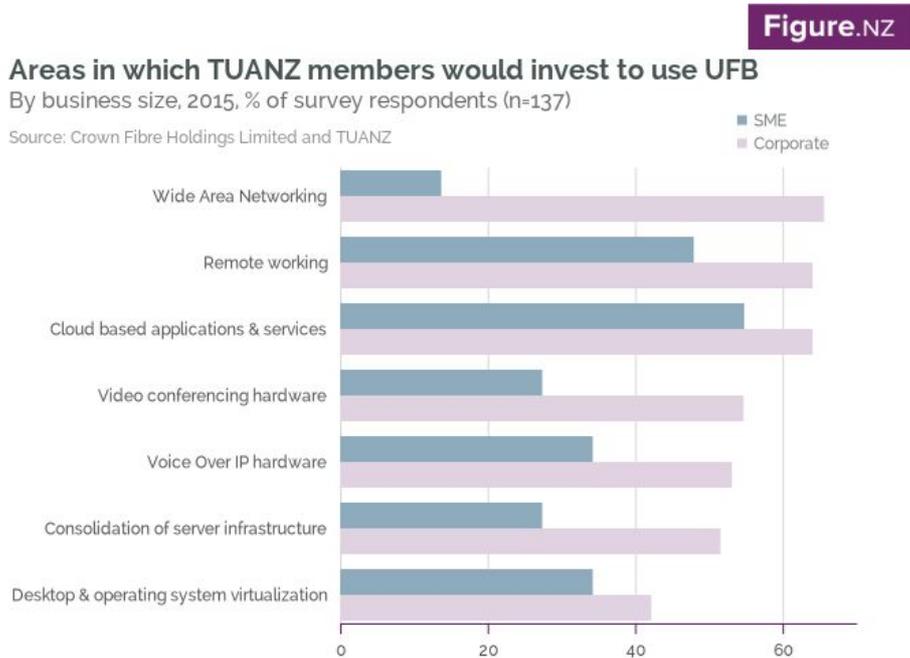
Availability of UFB or fibre at premises among TUANZ members

By business size, 2015, % of survey respondents who haven't taken up UFB (n=98)

Source: Crown Fibre Holdings Limited and TUANZ



The message from several studies in recent years, that there are untapped productivity and efficiency gains available to SMEs with a strong internet presence, isn't yet changing behaviour.

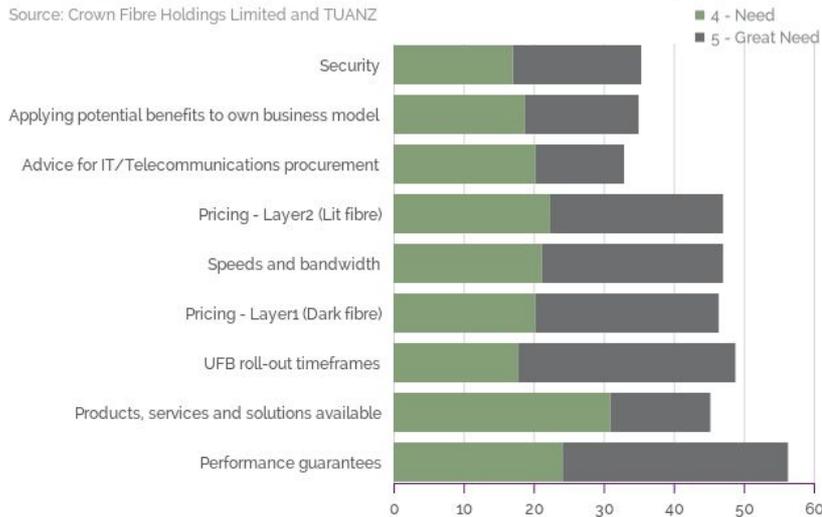


Cloud applications, remote working and voice-over-IP were the areas most businesses said they would consider investing in to use UFB. This was in line with the feedback in 2010, although collaborative tools ranked more highly then. Improved productivity, remote working and improved video conferencing were the most well known benefits of UFB.

Types of advice needed by TUANZ members for UFB

Advice type, ratings of 4 or 5 out of 5 for need, 2015, % of survey respondents (n=112)

Source: Crown Fibre Holdings Limited and TUANZ



Less than half the total respondents answered questions about the need for further information. Interestingly, the information most sought after was simple, high level and readily available, such as performance guarantees, UFB rollout timeframes, and speeds and bandwidth.

Looking forward, the survey results suggest there remains a strong need for wholesale and retail service providers to improve awareness of UFB availability, especially among SMEs.

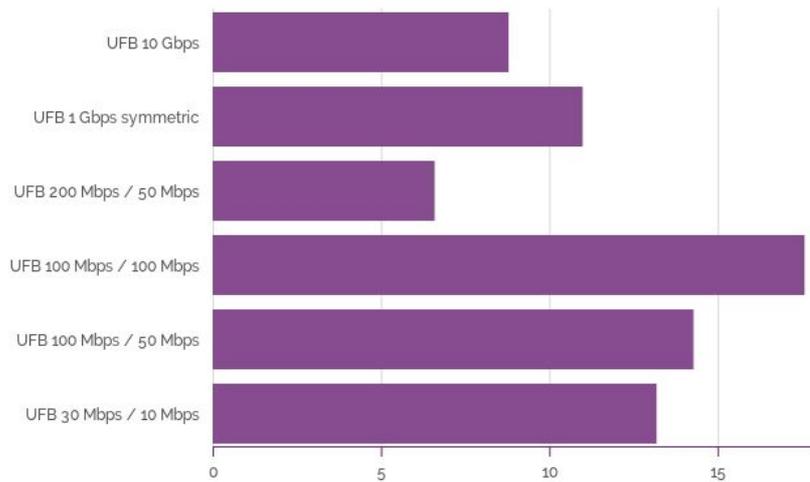
Speed is the Killer App

In this section we look at the respondent's view that SPEED is one of the key drivers to take a fibre service. In the survey we asked a series of questions that attempted to understand the key drivers for taking a fibre service. In some ways it was unsurprising that the key underlying reason was the reliable speed of connectivity.

Self-reported fibre connection speed among TUANZ members

Download/upload speed, 2015, % of survey respondents with UFB or fibre (n=91)

Source: Crown Fibre Holdings Limited and TUANZ



However when asked what speed broadband they would like to buy in future (n= 142), none of the respondents who already have fibre or UFB (n 70) = selected VDSL or 30 Mbps/10Mbps plans and 42% of that group would purchase plans of 1Gbps or more. Of those without fibre (n = 72), it was interesting to note a general preference for lower speed plans, with the exception of the 1 Gbps plan (selected by 13%), which has been heavily marketed through Gigatown and other campaigns.

Broadband speed that TUANZ members wish to buy in the future

2015, % of survey respondents (n=142)

Source: Crown Fibre Holdings Limited and TUANZ



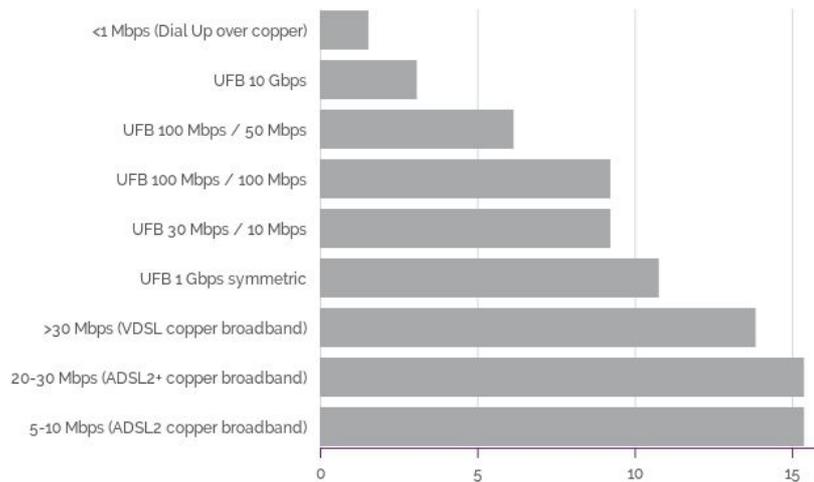
Of those respondents who had taken up UFB or fibre at their head office or single site, the majority (45%) were on plans of 100 Mbps symmetric or less. Almost 30% were on 1Gbps symmetric plans or more (including those on dark fibre). This appears relative to the greater sample of SME respondents than corporate. Of the more than 42% (n=92) on copper broadband, around 23% reported they were on a VDSL connection. The same number didn't know what speed their fibre connection was.

Figure.NZ

Internet connection speed at branch offices for TUANZ members

Download/upload speed, 2015, % of survey respondents with branch offices (n=65)

Source: Crown Fibre Holdings Limited and TUANZ

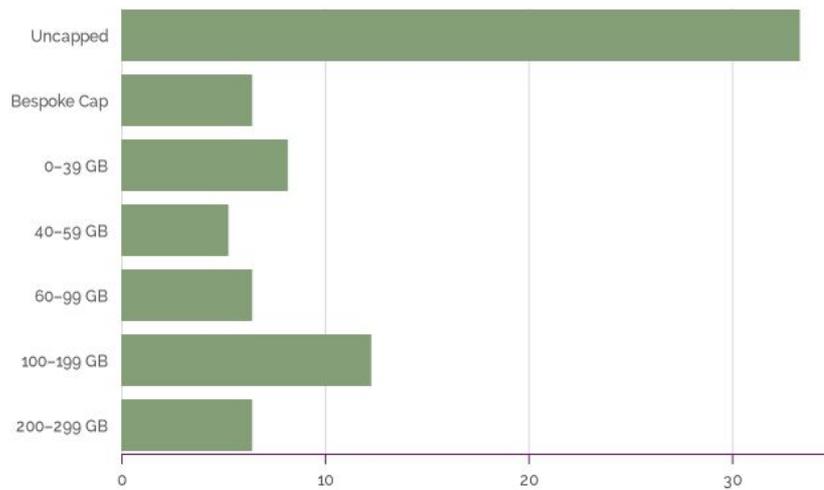


There are indications that opportunities lie in improving broadband speeds at branch offices. Nearly 45% of respondents (n= 83) had branch offices and although this sample diminished further when asked about the type of broadband connection they had (n=65), just under half were still on copper.

Broadband data volume being purchased by TUANZ members

2015, % of survey respondents (n=171)

Source: Crown Fibre Holdings Limited and TUANZ



The trend to uncapped plans was confirmed with around a third of respondents no longer tied to a fixed amount of data.

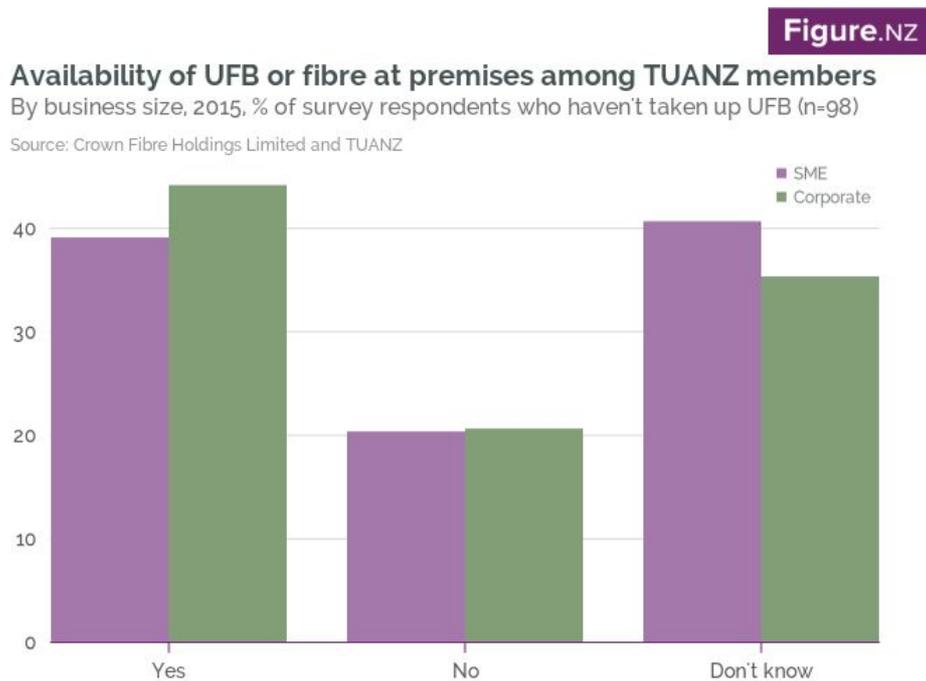
Other Drivers of uptake

Price (n=85) again proved to be a challenging question to survey, especially as many broadband plans are still bundled with telephony. Accordingly caution should be exercised when considering these results. When asked what monthly fee they were paying for broadband now, 77% of respondents said they were paying under \$200 per month. The median price paid was \$109. Unsurprisingly, SMEs and non-fibre users were the predominant type of businesses to answer this question. When compared with the 2010 survey results, it would appear businesses continue to be price sensitive. The similarity of the monthly UFB access fees to those for ADSL (copper) services was considered of greatest importance (74%) in encouraging UFB uptake by non-fibre respondents.

Other - The UFB benefits which were ranked second and third most important after access fees in encouraging uptake by non-fibre businesses were improved productivity (76%) and remote working (65%) respectively. All respondents considered cloud, remote working and voice-over-IP to be the three ICT services they would most consider investing in to leverage the benefits of UFB. These were similar to the responses given in 2010. The benefits respondents were least aware of in 2015 were reduced power costs and supply chain improvements.

Barriers to Uptake

This sections looks at what barriers to uptake that became apparent from the responses in the survey. The first barrier is simply the apparent lack of awareness that a fibre service is available.



It is interesting to note that in 2015, some 39% of all respondents without fibre (n=98) didn't know whether UFB was available in their area. When added to those who thought UFB wasn't available, that figure grew to almost 60% of those without fibre. This data was gathered when the rollout to businesses was some 93% complete. The TUANZ results are in line with those from the Statistics New Zealand Business Operations Survey 2014 supplied to Chorus which found that 48% of respondents cited lack of availability of fibre as the greatest barrier to uptake. Note that market research on UFB has generally shown high awareness of what UFB is, which should not be confused with where it is available.

Broadband speed that TUANZ members wish to buy in the future
 2015, % of survey respondents (n=142)

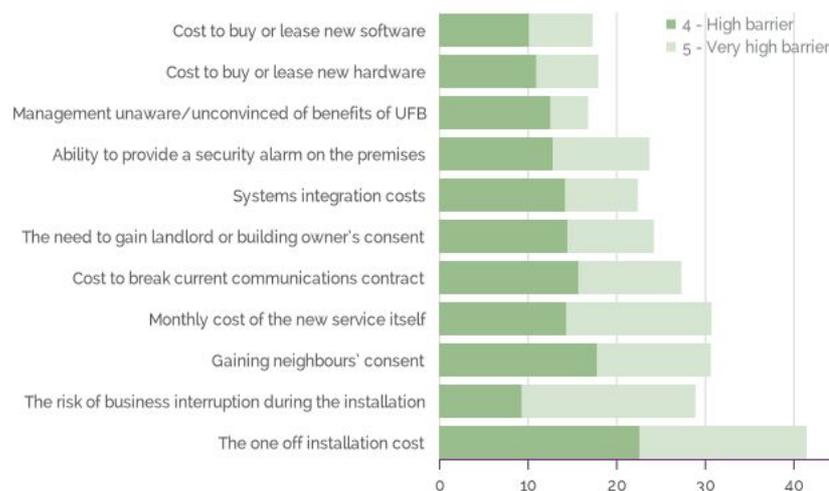
Source: Crown Fibre Holdings Limited and TUANZ



The second apparent barrier was the perceived price of a fibre service. When all respondents were asked what speed broadband they would like to buy in future (n= 142), it is interesting to look at the impact of UFB prices, now that they are in market. Non-fibre respondents (n= 72) were more likely to buy lower speed, lower cost plans than those already on UFB or fibre.

Barriers to connecting to UFB among TUANZ members
 Ratings of 4 or 5 out of 5, 2015, % of survey respondents (n=113)

Source: Crown Fibre Holdings Limited and TUANZ



Other barriers to take up among non-fibre respondents were the one off installation cost, the monthly access cost of the new service and the cost to break an existing

contract or potential risk to business interruption. There were perceived as the four greatest barriers to connecting, being considered a “high” or “very high” barrier by 56%, 44% and 34% equal respectively. Of least concern to this group was the need to gain a neighbour or building owners’ consent to connect and potential hardware, software or systems integration costs.

Figure.NZ

Types of advice needed by TUANZ members for UFB

Advice type, ratings of 4 or 5 out of 5 for need, 2015, % of survey respondents (n=112)

Source: Crown Fibre Holdings Limited and TUANZ

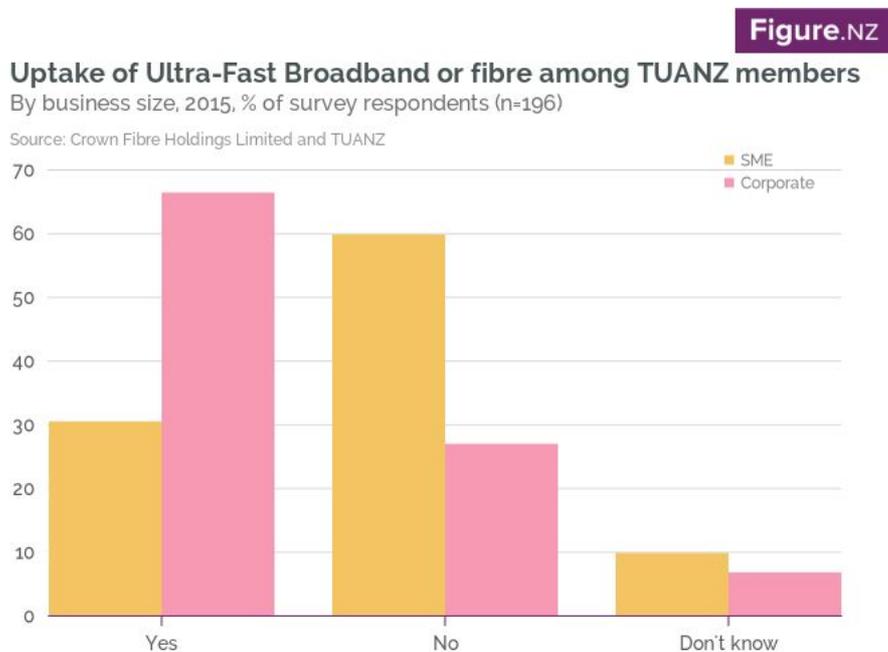


When asked what businesses would like to know more about, respondents (n= 84) had a strong or great need for information on performance guarantees (56%), UFB rollout timeframes (49%) and speeds and bandwidth (47%). Non-fibre users were more than twice as likely as those already with UFB/fibre to want to find out more about applying the benefits of UFB to their business model and products, services and solutions which run over UFB, however this was off a low base and should be considered indicative only. The survey in 2010 demonstrated a real lack of interest in these aspects of UFB by non-fibre/UFB users, but given the sample size in 2015 (n =~40) it is hard to draw an accurate conclusion about the extent to which this has changed.

When asked who they would trust to advise them on UFB (n = 121), over half the respondents chose their IT provider (50.4%) to assist, followed by their retail service provider (47%) or TUANZ (40%). Asked if they would undertake training to make the most of UFB, (n = 120) more than half the respondents (52%) were not willing to do so. Given this, the sample size of respondents to further questions about training was not sufficient to draw meaningful conclusions.

A summary

Almost 50% percent of TUANZ survey respondents said they were connected to UFB or fibre. In March this year, Statistics NZ released its Business Operations Report from Sept 2014. The results from those businesses (with six employees or more) indicated that almost 25% of companies were using fibre optic telecommunications services. When the TUANZ results are measured against this baseline, it would suggest quite solid growth in UFB uptake by firms in the last nine months. This is in keeping with another finding from the Business Operations Report, that a further 13% of businesses using the internet planned to connect by September 2015. With the bulk of respondents with UFB of fibre being corporate customers, the TUANZ survey suggests there's still considerable opportunity for retail service providers selling UFB in the SME market.

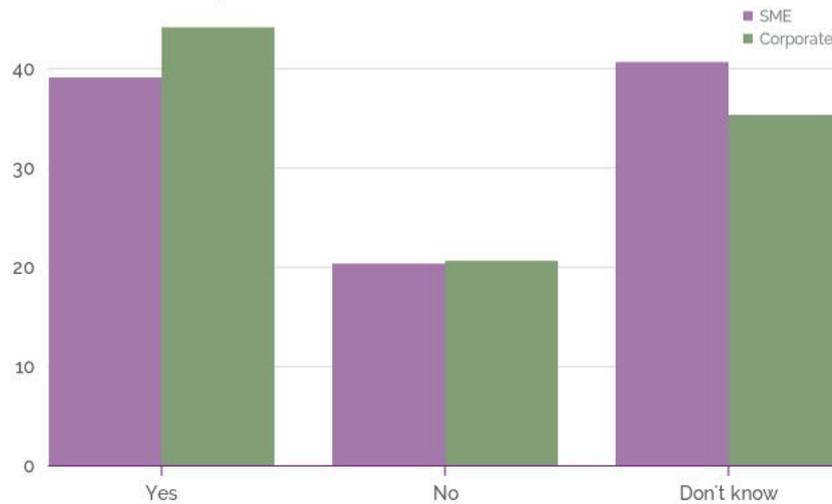


SMEs were less likely to have taken up UFB, in large part due to low awareness of its availability. Although the UFB rollout to businesses was 93% complete by 30 June 2015, almost 60% of respondents without UFB or fibre either thought they couldn't connect or didn't know whether they could.

Availability of UFB or fibre at premises among TUANZ members

By business size, 2015, % of survey respondents who haven't taken up UFB (n=98)

Source: Crown Fibre Holdings Limited and TUANZ



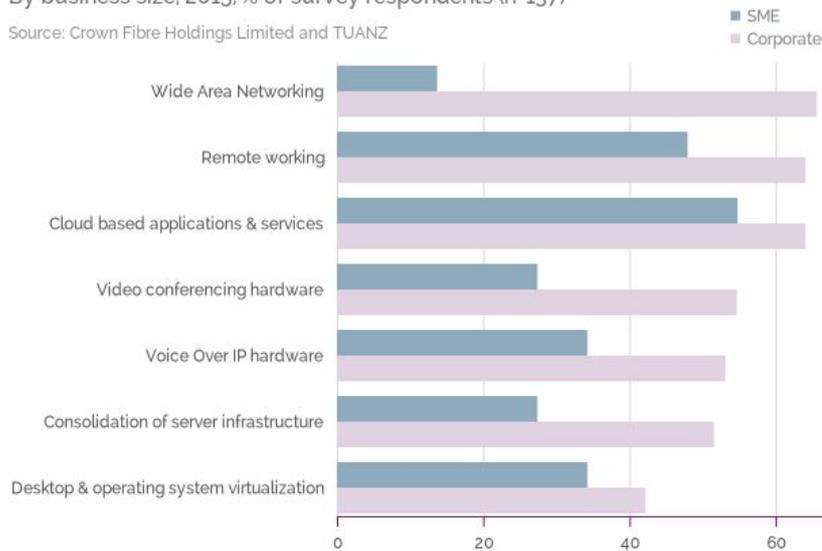
The market continues to be highly price sensitive as was demonstrated in 2010. UFB price comparability to fibre was a driver of uptake and the survey showed a clear preference for lower speed, lower cost plans by non-fibre users. Once a business has higher speed broadband, the survey suggests there's no going back, with no existing UFB or fibre users selecting the lowest speed plans.

Keenly priced monthly access fees, improved productivity and remote working were considered the greatest drivers of uptake. Among non-fibre respondents: the one off installation cost, the monthly access charge and the cost to break an existing contract or potential risk to business interruption were the four greatest barriers to connecting. Surprisingly, the need to gain a neighbour or building owners' consent did not present as a significant barrier to connection among respondents. This is contrary to strong anecdotal evidence.

Areas in which TUANZ members would invest to use UFB

By business size, 2015, % of survey respondents (n=137)

Source: Crown Fibre Holdings Limited and TUANZ



Cloud applications (59%), remote working (55%) and voice-over-IP (43%) were the areas most businesses said they would consider investing in to use UFB. This was in line with the feedback in 2010, although collaborative tools ranked more highly then. Improved productivity, remote working and improved video conferencing were the most well known benefits of UFB. Less than half the total respondents answered questions about the need for further information. Interestingly, the information most sought after was simple, high level and readily available, such as performance guarantees, UFB rollout timeframes, and speeds and bandwidth.

Looking forward, the survey results suggest there remains a strong need for wholesale and retail service providers to improve awareness of UFB availability, especially among SMEs. It appears the opportunity remains for retail service providers to sell fibre into branch offices, as there was in 2010. UFB benefits such as improved supply chains and reduced power costs are not well known. Most challenging and least conclusive, is the question of business capability in the use of fibre. Only 55% (n= 120) of the total sample indicated whether they would undertake training, and of these fewer than half 48% (n = 57) said yes. Without any indication of cost or provider this should be considered with caution.

End