

## Communications Options for SME

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As the introduction said, I've spent the last few years in the telco regulatory space. What that has meant is I've spent that time at the executive table and I have some idea of how telcos think about the SME sector.

## SMEs: everyone's target market

- ❑ *All telcos report that they are now targeting SME sector*
- ❑ *That means SME's should be seeing benefits of greater competition*
- ❑ *So why doesn't it feel like it?*
  - o Not achieving same levels of price reduction as corporates
  - o Service still sucks – while corporates get “differentiated” help desks



USO

The first thing you'll find is that all telcos are reporting they are now targeting the SME sector. They've spent a number of years competing with each other in the corporate sector, they've beaten each other over the heads fairly vigorously. There's been vigorous price competition, therefore they are all thinking the SME sector will be the nice sweet spot, they won't have to compete quite so hard on price, so if they can get a greater share they will grow their profits. The good news for the SME sector is that all telcos have had that thought at the same time, (thus proving that no original thought ever occurred inside a telco) and so SMEs should see the benefits.

At the moment SMEs should be seeing those benefits but most SMEs aren't seeing it; they don't feel the most valued customers in the land.

They aren't seeing the price benefits, the AAPT reports on the price declines since competition and the corporate sector is reporting far greater declines than the SME sector.

But far far more important than the price question is the fact that service still sucks. Sitting inside a telco you hear customer service come up with the gold, silver and bronze help desk. Then they find an even more important customer and call it the platinum help desk, I don't know what will come next – polonium, or something. This differential service model has been deployed in the corporate sector while SMEs still experience what my wife refers to delightfully as “wait lines”.

## 1. Telcos don't understand SMEs

- ❑ Telcos are all big businesses – none of the people in them have any real SME experience
- ❑ Telcos “get it” that all business customers are looking for someone to help them –but they don't get what that means
- ❑ Telcos think a “bundle” is a pricing plan not a service package

**HAVYATT**  
ASSOCIATES

USO

So “Why is this so?” as Professor Julius Sumner Miller so wonderfully put it. The first reason is that telcos themselves are all big businesses. Little companies like AAPT with only 3% market share has a \$1.3B turnover and employs 2,600 people. Small in the telco space but by the standards of Australian business a big business. And very few of the people working in those businesses has any experience with working in SMEs. So that's the first thing they just don't understand.

The second thing is that they get that business is looking for someone to help them but they don't get what that means. Hearing the guy in customer service extolling the virtue of the customer being able to transact on line rather than talking to a person, you are left scratching your head saying “how does that help the business get done what he wants which is how to get his telephones working for him better”. He wants someone to help him work out what to do.

And finally telcos think a bundle is a pricing plan, not a service package, and that is a really important distinction. Whoopy do if you can get your mobile cheaper if you buy it from your fixed line provider, but the businessman wants integrated messaging that isn't going to rip you off on call forwarding charges between two platforms, and is going to give the same cheap retrieval prices from either. I'm not aware of many packages giving that kind of functionality, let alone providers who understand in the IP world that the opportunity of VoIP is a bundled solution, not just cheaper calls – getting all the services in one process, not just a bunch of services delivered over the same pipe.

## 2. How to shop

- ❑ “More for less” doesn’t have to mean cheaper prices (compare NRMA and AAMI)
- ❑ Don’t ask suppliers for what you want – tell them what you need
- ❑ Don’t reward suppliers who don’t contact you, especially if they just “drop their pants” at rebid time

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Being a regulatory kind of dude I spend a lot of time worrying about markets, because you have to phrase your ACCC submissions about markets. It is really important for people to understand the role consumers play in markets, because it is purchasers who discipline providers. Providers will do whatever purchasers will let them do. So consumers have an important role to play and there are a few things you need to pay attention to.

The first is that when you are looking for value, or “more for less”, that doesn’t have to mean cheaper prices. The distinction that strikes me here is demonstrated by car insurance ads and NRMA and AAMI, and what their proposition is. AAMI’s proposition is “cheapest price for insurance”. NRMA’s is “we’re here to help you”. What you want to know when you buy that insurance is not just how much it costs, but how it will pan out if you do have the accident and have to make the claim. Surprise, surprise, those insurers who charge the lowest premium tend to have the worst record on managing claims.

Second question, when you are talking to your supplier never tell them what you want, tell them what your circumstances are and your need. My best example is many years ago in Telecom Australia when the Commander key systems had been launched, and customers would ring Telecom and say “I want a new phone line” and we’d go ahead and provide it. Reality was the firm had just grown by another employee and what they needed was a key system to handle multiple lines across multiple desks. If you happen to meet a good salesperson, he or she will say “before I organise what you’ve asked for, what are your circumstances”. But you as the customer can solve that by only saying “I need a communication solution for my business, this is what my business is about”. Expect the same sales service and delivery that a corporate would expect.

And finally don’t reward suppliers who don’t contact you while you are with them, especially those who, to use the venacular, who drop their pants at deal time. You know it is great to be with a provider who signed you up to a two year deal, then sent you an invoice each month; then when the contract was up offered you a cheaper price, even worse those who only give you a cheaper offer only after you reveal to them the best you’ve got so far while maintaining the price offer they have given to you is confidential. That is not the way good markets work. It is interesting we believe in this confidentiality of prices. I know of no market in the world where confidentiality of prices is a good feature. Can you imagine the ASX if everyone put in their buy and sell orders each day, but no one published at what price the actual trades occurred. Would that be an efficient market? No. But somehow telcos think it is AND customers let them get away with it.

### 3. Getting help

- Information problem in the SME market
  - o Customers don't know enough about what to ask for
  - o Suppliers don't know enough to know what to offer
- Aggregation of demand also shouldn't be about price – it should be about service



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Finally we have an information problem, another thing much loved by economists describing markets, and it is a two-sided problem.

Firstly customers don't know what they should be able to get, they are limited to their experience and not the possibility. And as businesses you are worrying about your core business not what's been happening in the world of telecommunications.

The flip side suppliers don't know enough about what to offer.

This creates an opportunity in the marketplace for industry associations. Industry associations I believe can play an important role of bridging the gap between customers and suppliers. They can tell suppliers more about the industry, and their members more about the kinds of solutions they should be looking for.

Unfortunately, every instance I've seen of industry associations getting in to help their members on telecommunications, they get caught up in the affinity marketing plan. So for example members of the NFF who sign up with Telstra on the affinity plan get a 6% discount. I'm still trying to figure out how customers funded through the USO get a discount, but those of you funding the USO should ask Telstra that not me.

So there is something you can do, ask your association what they can do to bridge that information gap.

Thank you.