Billmonitor Business Mobile Report - 2018

Businesses overpay for mobiles even more than consumers

billmonitor

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Table of Contents

Billmonitor's analysis of the UK business market for mobile phones shows that where consumers overpay by 66% for their required level of service, businesses overpay by 96%. Such huge savings… found by so few.

Businesses overpay for mobiles even more than consumers

The scale of savings is staggering

According to Billmonitor's new analysis, the first of its kind in the UK analysing actual billing data from SMEs, an astonishing 49% of UK businesses are spending more than twice what they need for mobile phone service with the three major providers (Vodafone, EE, O2). We estimate total annual overspend for UK SMEs of £1.0bn, whilst an extraordinary 38,000 UK SMEs could each save at least £10,000 per year.

Billmonitor analysed billing data from thousands of connections using proprietary software developed by Oxford mathematicians. Contrary to expectations, the analysis shows that where consumers overpay on average by 66%, businesses overpay on average by 96%. Even in a tender process, the lowest of your offers is unlikely to be nearly as low as that network can offer if you know what to ask for. Why is the business market so uncompetitive?

Obfuscation clouds the market

The business mobile market lacks transparency in two key areas: it's too hard to work out what you need, and too hard to find what's available. The operators provide fully itemised bills, from which even some experts would struggle to extract the information you need: a business with 50 connections typically receives a bill of 150 or more pages every month. Then, the operators do not publish all available tariffs. With limited visibility as to what is available and how much it costs, you are unlikely to find the best deal for your business.

Opportunities to streamline costs

It's easy to be happy not knowing. Though 93% of SMEs could save on their bills, 80% believe they enjoy a good tariff. The most substantial savings come from diverse and hard-to-predict sources, not from switching network but from negotiating the right contract with your existing provider. In order to demonstrate this, we have analysed two pairs of businesses with similar usage. In the first, one SME pays nearly twice as much as the other, and both can save: one by switching from shared to individual data allowances, the other by terminating dormant lines. In the second, two larger SMEs have tailored contracts yet both overpay substantially, one through charges for individual UK voice calls and the other through bundles for UK voice and data.

Why hasn't the government acted?

You can't rely on Ofcom: they have to date focused on the larger and higher-profile consumer market, and they have to take into account the networks' interests as well as businesses'. Moreover, Ofcom cannot initiate new legislation: they can only enforce existing laws, and even for that they have limited resources. In particular, Ofcom has not managed to make pricing as transparent for business as for consumers.

The scale of savings is staggering

Businesses overspend by even more than consumers

In this first published analysis of the mobile market for UK businesses, we use proprietary software developed by Oxford mathematicians, the only software of its kind in the UK, to analyse the options for business mobile contracts for a range of UK businesses.

Our analysis includes 357 business mobile phone accounts of actual UK companies from diverse industries: we include SMEs with a wide range of patterns of usage and scales, from those with a handful of connections to those with 250 or more connections. Our clients operate in diverse industries, domestic and international, with requirements both data-heavy and voice-focused, from companies with well priced mobile contracts to those paying two or even three times as much as they need.

We also compared the SME mobile market with the market for consumers. Although we had expected businesses to benefit from higher bargaining power, we were surprised to find that SMEs foot considerably higher bills than consumers, and moreover that overspending was higher for businesses (96%) than for consumers (66%). In particular, the typical SME pays nearly double what it needs.

Not only do SMEs overpay by considerably more than consumers, but also a much higher proportion of SMEs overspend: 93%, as against only 70% of consumers.

Figure: Average monthly spend per connection*

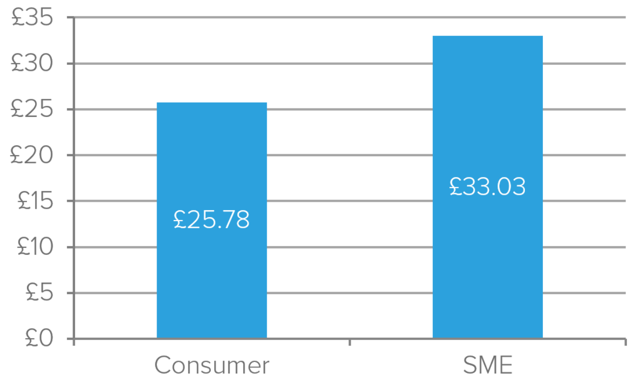
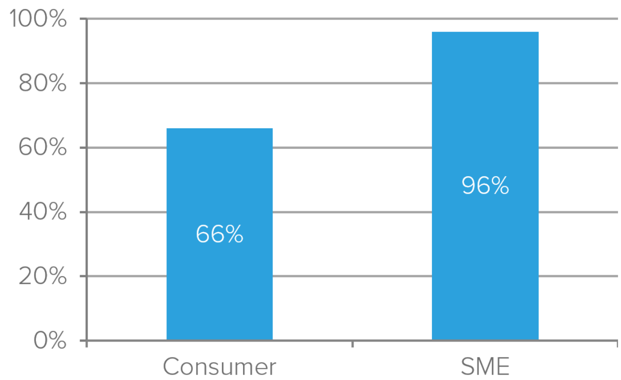


Figure: Average overspend in %



Source: *Billmonitor analysis*
Note: **All values before VAT*

The scale of savings is staggering (cont'd)

Bringing the story to life...

Selected examples: from businesses with 3 connections to those with 100 or more.

Figure: Wall of savings... selected case studies

Client A
Accountancy firm

Connections	3
Annual spend	£906
Annual savings	£525
Savings in %	58%

Key sources of savings
- Tariff changes £405
- Roaming costs £105

Client B
Unknown industry

Connections	7
Annual spend	£2,118
Annual savings	£955
Savings in %	45%

Key sources of savings
- Tariff changes £695
- Dormant lines £116

Client C
Consulting services

Connections	10
Annual spend	£3,006
Annual savings	£1,567
Savings in %	52%

Key sources of savings
- Tariff changes £1,388
- UK data costs £60

Client D
Office maintenance

Connections	23
Annual spend	£11,432
Annual savings	£5,846
Savings in %	51%

Key sources of savings
- Tariff changes £3,622
- Roaming data £1,379

Client E
Design consultant

Connections	39
Annual spend	£11,920
Annual savings	£5,799
Savings in %	49%

Key sources of savings
- Tariff charges £3,184
- Dormant lines £1,561

Client F
Construction

Connections	48
Annual spend	£14,671
Annual savings	£7,137
Savings in %	49%

Key sources of savings
- Dormant lines £2,631
- International calls £1,247
- Tariff changes £568

Client G
Engineering firm

Connections	67
Annual spend	£31,123
Annual savings	£17,181
Savings in %	55%

Key sources of savings
- Tariff changes £9,315
- UK data costs £3,998
- Dormant lines £2,905

Client H
IT reseller

Connections	142
Annual spend	£76,936
Annual savings	£31,643
Savings in %	41%

Key sources of savings
- Roaming data £28,088
- Roaming voice £11,559
- Extra tariff costs (£21,521)

Client I
Automotive

Connections	183
Annual spend	£90,541
Annual savings	£50,101
Savings in %	55%

Key sources of savings
- Tariff changes £27,288
- Dormant lines £13,189
- Roaming costs £5,381

Source: *Billmonitor analysis*
Note: *Selected to show a wide range of industries and size of businesses (by connections)*
Client profiles have been anonymised keeping all numbers proportionally correct

The scale of savings is staggering (cont'd)

Larger SMEs overspend by more (and a lot more of them do so)

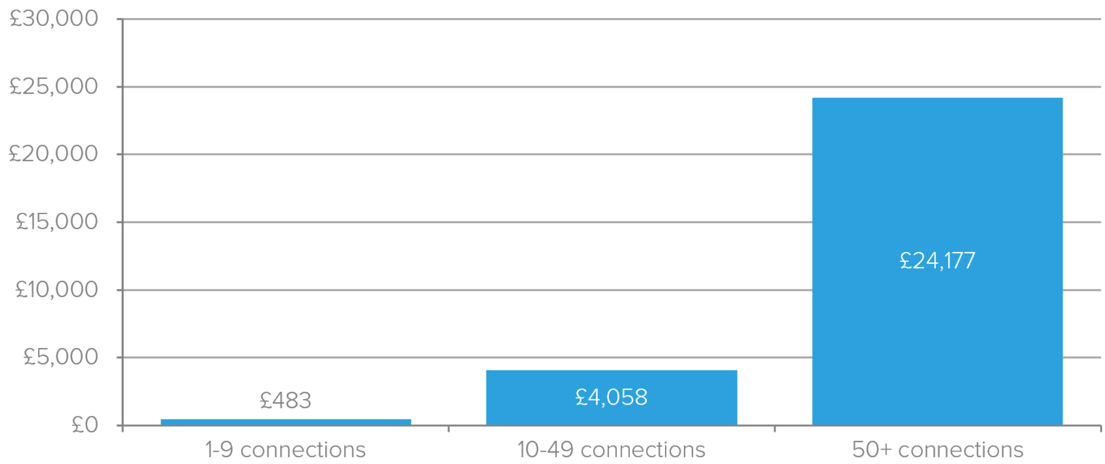
Although you might think that a larger SME would enjoy more bargaining power with the mobile operators, our analysis finds that the average amount a business spends per connection actually increases with the number of connections a business requires. The typical potential saving also increases faster than the number of connections: in Billmonitor's sample, larger SMEs with 50 or more connections can on average save some £231 per connection per year, whilst SMEs with 1 to 9 connections can on average save some £178 per connection per year.

Ofcom's latest mobile statistics show a total bill for UK businesses of £3.3bn per year for 11.3 million business mobile connections. Extrapolating from our data and the Business Population Estimates for the UK and Regions 2017 as published by the Department for Business, Energy & Industrial Strategy, we estimate total annual overspend for UK SMEs of £1.0bn, and that an astonishing 38,000 UK businesses could each save at least £10,000 per year.

Our analysis of total savings by number of connections per business shows that most SMEs could save, with larger SMEs able to save proportionately more. Some very substantial savings indeed:

- Micro SMEs with an average of 3 connections can save on average £178 per connection or a total of £483 per year.
- Smaller SMEs, with an average of 21 connections, can save on average £197 per connection or a total of £4,058 per year.
- Larger SMEs, with an average of 105 connections, can save on average £231 per connection or a total of £24,177 per year.

Figure: Annual savings potential by size (number of connections)



Source: Billmonitor analysis

Obfuscation clouds the market

Why don't the networks provide more helpful bills?

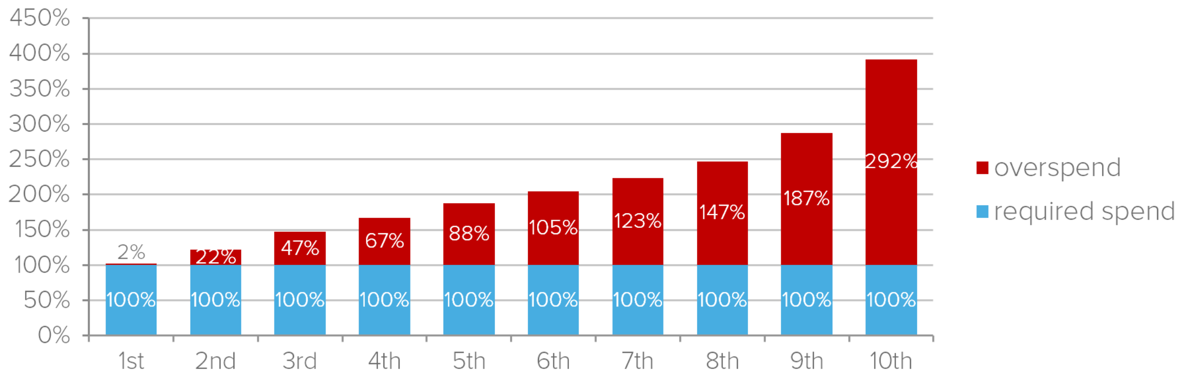
According to a survey carried out by Billmonitor in 2017, around 80% of SMEs believe they enjoy a good tariff, yet 9 out of 10 businesses could save an average of 49%, some £195 per connection per year, on their mobile phone bills. How can you find a well priced deal without specialist tools and knowledge? Whether a business runs a tender, goes directly to a preferred network or uses an independent agent, it should first truly and comprehensively understand its own usage and spending profile, focussing on key areas of potential savings:

- Identify those dormant connections, that are being paid for but not used.
- Search for those connections that incur excess data charges.
- Search for those connections that can comfortably be covered by smaller and thus cheaper data and/or voice allowances.
- Identify those users that regularly make international calls from the UK.
- Understand which users are roaming abroad, both within and outside Europe.

It's easy to list areas of potential savings but harder to identify those that have most potential to save money for your business. Mobile phone bills are complex objects, and not by chance. Reviewing the various summary tables in the front of your monthly bills will provide you with some useful indications about your usage and spend, even total spend per connection, but in most cases you will need the details of your fully itemised bill. The bill for a business with 50 connections often runs to as many as 150 pages. It's hard to see the wood for the trees: you would need to review row upon row of data to find the reasons for incremental charges, whether from excess UK data usage, international calls or roaming data charges.

One consequence of the ease with which businesses slip into a high tariff is that a shockingly large number of SMEs are paying not merely over the odds, but massively so. An astonishing 49% of businesses pay not just more than they need but more than double what they need, a fate shared by only 28% of consumers. Whereas the most efficient 10% of SMEs overspend by a mere 2%, the least efficient 10% overspend by 292%, paying nearly four times as much as they need. How long can such a state of affairs last?

Figure: Business spend by decile



Source: Billmonitor analysis

Obfuscation clouds the market (cont'd)

Limited visibility of tariffs and bundles

One likely reason for the higher prices paid by SMEs is that the network operators do not publish all available tariffs for business customers, and what tariffs they publish are difficult to find and even harder to compare. As an individual, you can browse phones and tariffs at the click of a website; as a business customer, you have only a limited range of plan prices available online, and the details get more sparse as the number of connections you require increases.

The business plans you can see on the operator's website won't necessarily include the cheapest for your pattern of usage. Moreover, the plan details are often spread across many different web pages and interleaved with information on the services offered, relevant and helpful in itself but distracting if you are aiming to compare tariffs.

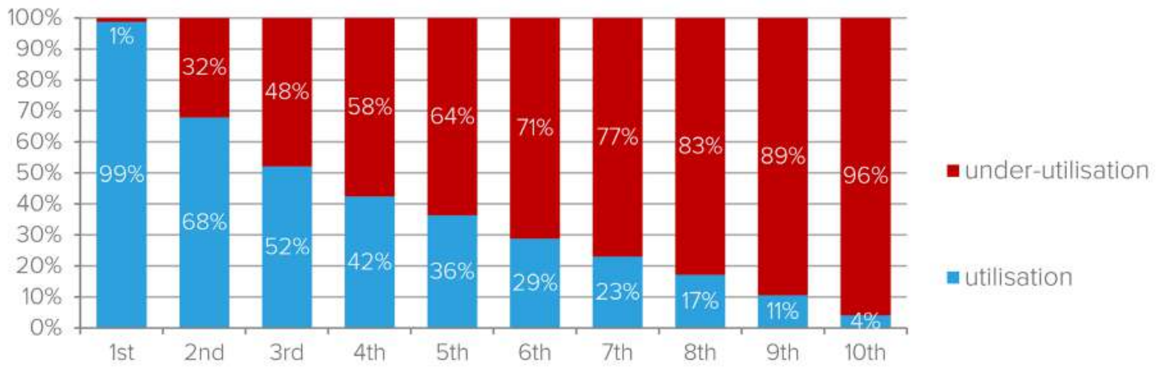
You could ask a mobile phone agent, but they have no interest in showing you the plans cheapest for you... in case you use one. Look to the operator's website for help, and you may be invited to "get in touch to find out more", guiding you into the hands of their sales team.

The choices a business faces are much more complex than simply picking a tariff. Consider:

- Are you better off sharing data allowances between phones or buying individual allowances for individual users? How much data do you need?
- Have you been offered a tempting 'discount', only to lose out to a much higher tariff or incurring unexpectedly high out-of-allowance costs?
- Is it cheaper to go for a more expensive plan which may come with a handset fund or 'free' handsets or is it cheaper to use a SIM-only tariff and to buy the required mobile phones separately? If the first option, how much handset fund should you ask for?
- Can you arrange for your contracts for different phones to co-terminate, so you can negotiate the renewal of all connections at the same time once out of contract?
- All networks offer money-saving add-ons for roaming and international calls. Which are best for your actual usage?

A consequence of the first point alone is that, whilst the most efficient 10% of SMEs use 99% of their data allowance, the least efficient are paying for 25 times as much data as they need.

Figure: Business data utilisation by decile



Source: Billmonitor analysis

Opportunities to streamline costs

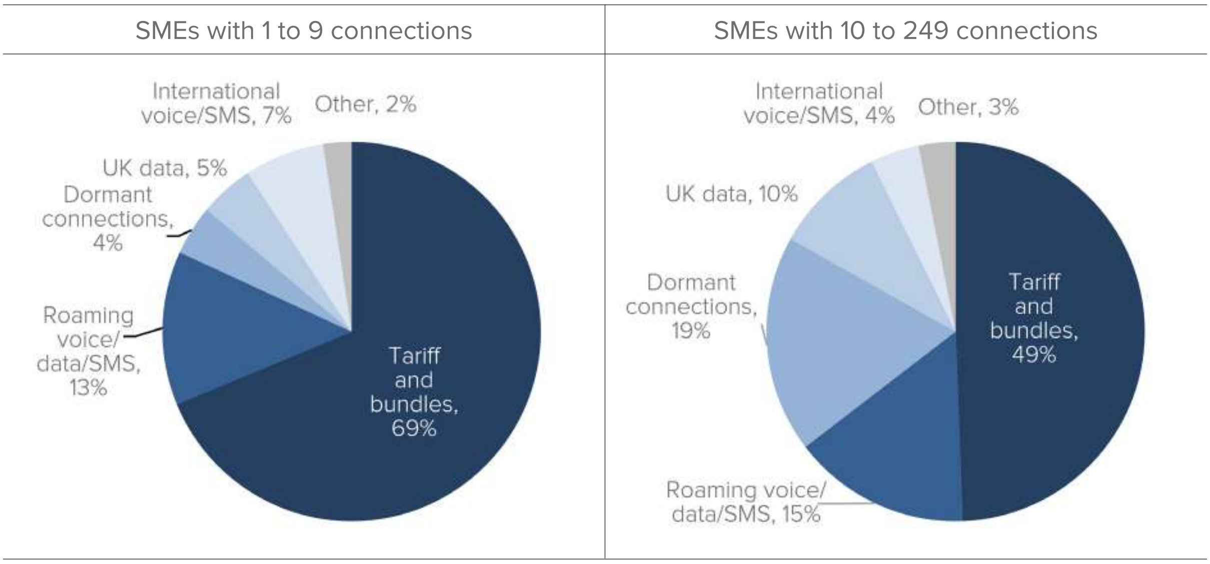
Savings come from diverse and hard-to-predict sources

Finding the right deal is hard work, but can be done. In fact, 30% of consumers manage to land the best deal for their pattern of usage, yet only 7% of businesses are on the right contract.

Our analysis shows that savings do not come from one simple and easy-to-learn trick, but from diverse and hard-to-predict sources. For micro SMEs, some 69% of savings come from reducing the cost of tariff and bundles. For SMEs with 10 or more connections, some 49% of savings are from reducing tariff and bundles and 10% from increasing UK data allowances. Reusing or terminating connections accounts for a further 19% of total savings. Businesses with international activities can save by optimising roaming bundles and through bundles for calling abroad.

In practice, savings are often interlinked. Nowadays all networks offer plans and tariffs that include free international minutes or favourable roaming costs. These plans can provide great value for money, but should only be purchased for users who would really benefit.

Figure: Analysis of average business savings by type of savings



Source: Billmonitor analysis
Note: Calculation based on those accounts with overall savings only

Asking all major network operators for a proposal or running a formal tender process may help, but is unlikely to truly optimise your mobile phone arrangements. The operators offer a bewildering 1.2 million combinations of tariffs and bundles. You can't rely on the networks to offer what's best for your particular pattern of usage: you need to know what to ask for. Moreover, while 'independent' mobile phone agents can provide a quality service, they get paid by commission from the operator, typically about 40% of your bill, so the agent earns more if they sell you a higher tariff. Some of that commission is used by the agent to finance your handset fund: how much is often a question of your negotiation skills.

Opportunities to streamline costs (cont'd)

The big savings come from negotiating the right contract, not switching networks

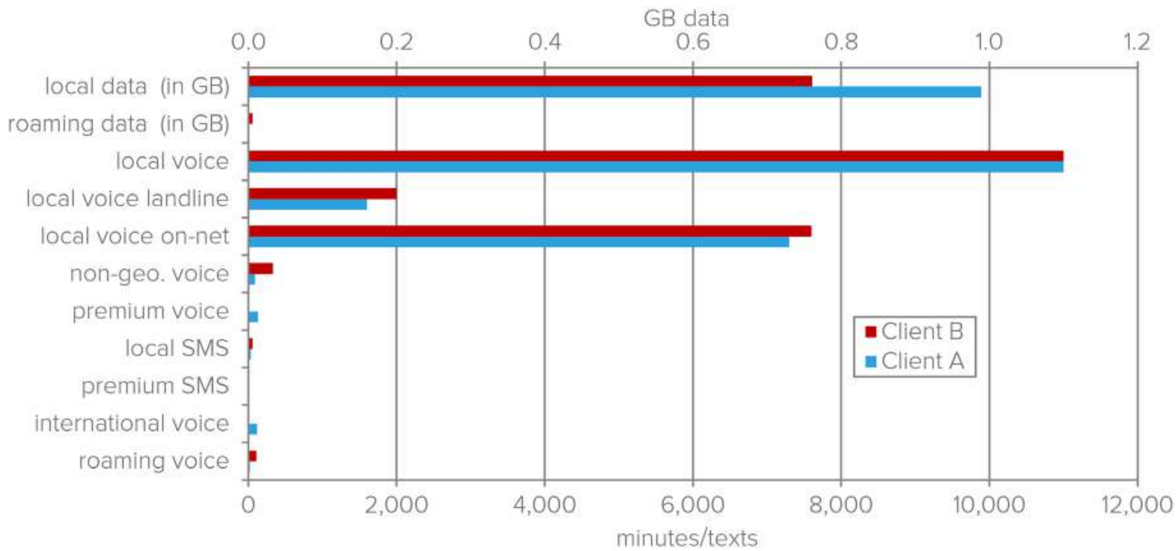
One measure of the relative importance of knowing what to ask for, against simply shopping around, is that the majority of businesses can achieve savings of 42% by negotiating the right contract with the current network, almost as much as the typical savings potential of 49%. Switching networks adds no more than an extra seven percentage points.

Below is a case study of a situation Billmonitor often sees, of two smaller businesses with substantially similar patterns of mobile phone usage paying substantially different prices. These two companies' mobile phone usage is dominated by local data and local voice calls (mainly to other mobiles with some calls to landlines) and limited use of roaming. The two companies each have ten mobile connections, and they use the same network operator... yet one pays £2,270 per year, the other £4,390, nearly twice the price for the same level of service.

Using proprietary software, our analysis shows that both companies could save substantially on their mobile phone bills, with the savings coming from very different sources:

- The first need pay only £1,510 per year, a saving of £760 (33%). The saving arises mainly from switching from a shared data plan to individual data allowances.
- The second need pay only £1,240 per year, saving an astonishing £3,150 (72%). The saving comes mainly from terminating dormant lines and adjusting allowances (some up, some down) for active lines.

Figure: Two businesses with substantially similar mobile usage



Source: Billmonitor analysis

Opportunities to streamline costs (cont'd)

Larger SMEs with tailored contracts still overpay substantially

The following two accounts share one key feature that is also shared by a lot of other companies with more than 100 connections: they both have a tailor-made corporate contract to reflect their size. That said, the way this translates into contract terms differs greatly:

- Client A secured big discounts to the standard tariff and even bigger discounts to the standard charges for voice calls, resulting in very low fixed (tariff) costs.
- Client B secured a big monthly cash discount to reduce its normal tariff and bundle costs, resulting effectively in negative tariff costs.

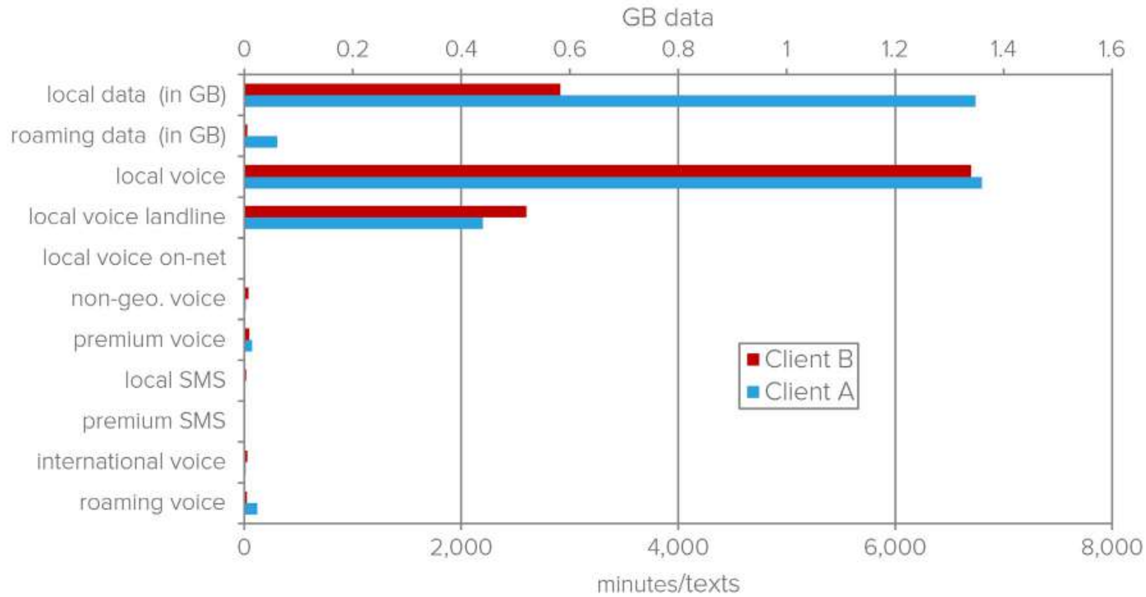
So, surely there are very little savings for both clients, right?

Unfortunately, both clients would have achieved a better result with a standard tariff and then asking for a discount to reflect their respective size:

- Client A's big discount was more than offset by monthly charges for UK voice, when the majority of UK voice plans allow for unlimited UK calls and text messages.
- Client B's monthly cash discount was more than offset by too-high costs of tariffs and bundles for voice and data.

Both clients are also able to cut quite a few dormant lines (Client A: 20% and Client B: 18%), contributing significantly to the total savings potential of approximately 70% and 52%, respectively.

Figure: Two businesses with substantially similar mobile usage, larger SMEs



Source: Billmonitor analysis

Why hasn't the government acted?

Ofcom says UK consumers and businesses spend an annual £15.2 billion and £3.3 billion on mobile phone connections, respectively. While Ofcom has kept a keen eye on the consumer market and has over the past decade introduced various features and initiatives such as its accreditation scheme, it has not done the same for the business market. Why does Ofcom not act faster to make the business mobile market more transparent?

One reason is that Ofcom has to take into account the networks' interests, as well as businesses'. You can see the effect of this in the regime for switching. In electricity and gas, you can switch to another provider immediately: the first your existing provider hears about it is when your switch is already under way. In the mobile market, however, your existing provider knows you still need to ask them for a PAC (Porting Authorisation Code). To avoid losing your business, they have an excellent chance to offer you a better deal... how much better, depends on what you ask.

Ofcom can't legislate: all they can do is enforce existing legislation, and they have limited resources even for enforcement. Moreover, enforcement tends to focus on consumers: it's a higher profile segment of the market, and it's more obvious how it affects peoples' lives. It would be an irony if Ofcom felt less pressure to act because SMEs appear happy with their mobile contracts, particularly if SMEs are happy only because the market is opaque, and savings thus hard to find.

Businesses overspend a lot more than consumers: SMEs overspend by 96%, consumers by 66%. If the SME market were more transparent, such that SMEs overpaid only by the same margin as consumers, then SMEs would enjoy an annual saving of £63 per connection. For example, a company with 50 connections would save a total of £3,150 per year... the high price of opacity.

According to a recent publication from the Competition and Markets Authority, most consumers use price comparison services... yet even then, as our statistics show, many get it wrong. SMEs, however, have no meaningful independent price comparison, which may play an important role in why they overpay by even more. So, Billmonitor strongly advocates a more active role for Ofcom, to promote improved transparency of usage and tariff disclosure, meaningful price comparison between the main networks and a potential expansion of Ofcom's accreditation scheme to cover SMEs as well as consumers.

Samples and methodology

Our business sample consists of 357 mobile phone accounts from 338 businesses with a total of some 7,000 mobile connections, including a wide range of industries, some with domestic and some with international orientation. The size of company ranges from those with just a few mobile connections to those with 100 or more. The sample includes mobile contracts with all three networks: 129 accounts with EE, 127 accounts with Vodafone and 101 accounts with O2.

The economics of the business mobile market varies substantially by size of account. In this report, we distinguish between small, medium and large accounts, as having 1-9, 10-49 and 50 or more mobile connections, respectively. In the UK, businesses have an average of 0.33 mobile connections per employee, though this proportion varies widely between different industries and between businesses of different sizes.

Consumer figures are quoted before 20% VAT, to be directly comparable with the VAT-free prices paid by businesses. Like our business sample, our consumer sample is spread across the major networks (EE, O2, Vodafone and Three), and excludes MVNOs (mobile virtual network operators) such as Virgin and Tesco.

Where we analyse a ‘typical’ SME, we quote the three-month average (arithmetic mean) of SMEs paying within £10 per month of our sample’s median cost per connection. This helps avoid unusual situations, focussing on the more common situations in which UK businesses find themselves. For our consumer sample, we quote the three-month average across some 4,000 accounts.

Glossary

Allowance	The amount of data, voice or text messages included in your tariff.
Connection	A mobile phone or a data-only device such as a tablet.
Co-terminate	When the contracts for your business's mobile phone connections can be terminated at the same time.
Discount	Discounts are offered by the networks in the form of monthly cash discounts or lump-sum up-front discounts ("Airtime Credit"), subject to your negotiation position and the competitiveness of the situation.
Gaining-provider-le	A switch where your new provider (for mobile phones, gas, electricity, etc.) activates the switch on your behalf, without you having to tell your old provider you are leaving them.
Handset fund or tech fund	The amount of money the operator allocates, out of your mobile phone plan, to pay for new phones. This can also be provided in the form of 'free' handsets, which significantly reduces the visibility of its actual value.
International calls	A call made from the UK to abroad.
MNO/network/operator	An MNO (Mobile Network Operator) is a company which operates its own mobile phone infrastructure. The UK has four MNOs: EE, O2 and Vodafone and Three.
MVNO	An MVNO (Mobile Virtual Network Operator) uses the infrastructure of an MNO.
(Mobile phone) plan	The combination of tariffs and bundles for which a business or consumer has signed a contract.
Overage or out-of-allowance charges	Charges in your mobile phone bill from exceeding your allowance, or for items not covered by your allowance, such as picture messages, international calls, roaming costs, etc.
Ofcom	The UK communications regulator. In addition to mobile phones, Ofcom regulates TV, radio, landlines and postal services. The Communications Act 2003 specifies that Ofcom's principal duty is to further the interests of citizens and of consumers, where appropriate by promoting competition.
Overspending	The amount spent above what you need to get the level of service you require.
Roaming voice (calls), data, text messages	Calls made or data used while you are abroad. When roaming in certain countries, this includes costs for accessing your voice messages.
SME	A small or medium-sized business, often specified as a business with fewer than 250 employees.
Tariff	Usually a monthly fee for mobile service, which often but not always includes handsets and allowances for data, calls to landlines and mobiles, text messages and WiFi.
Tariff, SIM-only	A tariff that specifically excludes a handset or handset fund.

Disclaimer

About Billmonitor

Billmonitor is a specialist mobile tariff advisor for businesses and consumers and is independent of the mobile phone operators. Using advanced maths to turn the complexity of bills and tariffs into simple, actionable intelligence, the Billmonitor software allows users to make more informed decisions and save money on their mobile phone bills.
For more information go to www.billmonitor.com or contact us at business@billmonitor.com.

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Billmonitor advises on and negotiates mobile phone contracts for businesses and consumers, and is independent of the mobile phone operators. Using advanced maths to turn the complexity of bills and tariffs into simple, actionable intelligence, Billmonitor empowers users to make informed decisions and save money in a market that is complex and significantly lacks transparency.

In this report, Billmonitor uses its proprietary software to analyse the mobile phone market for UK businesses. This is the first analysis of its kind, and reveals an opaque and inefficient market where many businesses are rarely offered the most suitable contract, so pay very much more than they need.

Billmonitor is 100% risk-free and independent.
We only make money when you save money.

Billmonitor is recognised as a trustworthy and credible partner

Registered data controller (ref Z1431613)

Billmonitor's consumer service is Ofcom-accredited since 2009

Recommended for its business mobile phone analysis