



B2C Technology Story

Web Summary:

Broadband for SMEs

by Leon A. Enriquez

Reading Time:

7 minutes

Reader Benefit:

- ◆ Should SMEs migrate from a dialup modem to a broadband connection?;
- ◆ Broadband can help you gain faster access without adding exorbitant business costs;
- ◆ Explore how your business can benefit from the broadband advantage.

The Internet revolution has brought about phenomenal change in the way we share, re-jig and use information. Starting with the common dialup modem, our need for fast access speeds have led to bigger pipelines to satisfy our ever-growing, Internet-driven appetities in this information-thirsty era.

Without a doubt, broadband is here to stay. A quick look at broadband user statistics is enough to justify this simple observation. Why? You may ask. Well, the answer speaks for itself.

Once a person experiences the phenomenon of broadband as compared to his or her previous narrowband Internet, it is unlikely that he or she will ever again be satisfied with or revert back to the telephone dial-up connection.

Put another way, broadband evokes a more immediate response to a user search query, and definitely more productive in cutting down precious waiting time.



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Most large companies and organisations have utilised high-speed data connections for years for their mission-critical applications. These include e-mail, data transfer between different geographical locations, supply chain information, and video-conference meetings to share the latest updates in real-time.

SMEs (small- and medium-enterprises) can be defined as companies with between one to 250 employees. Analysts' forecast indicate that broadband penetration to SMEs will reach 50 percent by the year 2005. (*See box story: SME Online Spending Forecast.*)

Even now, broadband connectivity is gradually transforming the work of SMEs as well as other small institutions that provide essential services, especially to the public. For example, small hospitals in remote locales are using expert radiologists from around the world for emergency diagnostics using broadband-borne high-resolution images in near real-time.

Or consider a local learning institution such as NTU, where wireless and broadband applications are used – to provide individually paced, repeatable training, classes, assignments, tutorials, and technical support to faculty staff and students – across the entire campus.



One thing is certain. The economics of broadband connections and mission-critical applications will become an increasingly attractive option for SMEs when the service costs are delivered at affordable price levels.

Another important issue is the idea that with broadband deployment will emerge a more significant productivity impact for such businesses. SMEs must realise the advantage of broadband for enhancing their business processes, and the ROI aspects that impact their bottomline. This is key determinant if broadband providers like SingTel and StarHub are to capture more of the local SME market share.

A scenario for SME broadband provisioning is emerging. Because of the nature of the SMEs supporting the major MNCs as their value or supply chain partners and subcontractors, it is inevitable that they keep pace with the real-time requirements of their customers.

Not surprisingly, broadband functionality is gradually becoming integral to the day-to-day business of SMEs – with the emphasis on access, e.g., fixed broadband, and mobile; e-mail and Web hosting; e-commerce, and specialised listings; data storage; and hosting of communication applications, e.g., intranets, conferencing, and e-procurement services.

More sophisticated applications such as ASPs (application service provider) may often require integration with the SME's IT systems. In addition to such standard applications, there are new vertical applications in industries where information sharing adds significant value. Such applications are a challenge to identify and develop as they require a deep knowledge of and a strong presence in the targeted industry.



Take for instance an automobile repair workshop. A practical broadband application can be achieved through online interactivity. Before automotive repair work begins, through a visual camera capture of the damaged vehicle – expert diagnostic and validation of the repairs needed can be established, and cost estimates exchanged online in real-time. This interactive solution can result in considerable time savings and money for the insurance firm to approve the repair work based on this practical application.

A McKinsey report (September 2001), showed an analysis of broadband services and applications along SME-based vertical clusters with the following emphasis on:

1. Medium-sized manufacturers, and professional firms;
2. Small manufacturers, and associated professionals;
3. Freelance professionals, and independent professionals; and
4. Hoteliers, craftsmen, retailers, and technicians.

Serving SMEs is economically challenging because of their small-scale and slower than expected broadband service adoption. Yet, the SME broadband opportunity is a sizeable one. The challenge for the telcos and service providers is to educate this emerging segment of the vitality and thus, the advantages of broadband to the profitability and success of their business. The trick is to focus on selling a simple offering. Where feasible, bundle new services and cement existing relationships with your SME customers.

Box Story 1:

SME Broadband Advantages

Just imagine, when compared to the narrowband dial-up line, broadband has certain distinct advantages which are as follows:

1. Broadband is phenomenally faster than the slow, best-effort connectivity of a telephone dial-up line;
2. Broadband download speeds are at most, a few mere minutes – and almost instant feeling – compared to the “waiting forever” feeling of the narrowband dial-up connection;
3. Broadband has an “Always-On” functionality; and this has a significant influence on the end-user behaviour usage pattern such as frequency of online usage and duration of use; and
4. Broadband is becoming a more economically viable option as compared to dial-up – when you consider dial-up charges, narrowband ISP costs, and the cost of a second telephone line.



Box Story 2:

SME Online Spending Forecast

The analysts' online spending forecast for SMEs by the year 2005 is as follows:

- ◆ Broadband access: 25 percent;
- ◆ Narrowband access: 21 percent;
- ◆ Web hosting and e-commerce: 16 percent;
- ◆ Communication services (e.g., e-mail, unified messaging): 15 percent;
- ◆ E-procurement: 16 percent;
- ◆ Online applications (e.g., ASPs): 5 percent; and
- ◆ Information and community services: 2 percent.

(Source: IDC, Gartner, Datamonitor, McKinsey)

Box Story 3:

Serving the SMEs

For telcos and service providers, here are some simple points to note when addressing the needs of the SMEs.

1. Bundle complementary services;
2. Build simple Internet offers and focus on selling them the benefits;
3. Differentiate prices;
4. Adapt sales and distribution strategy.

About the Author

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