

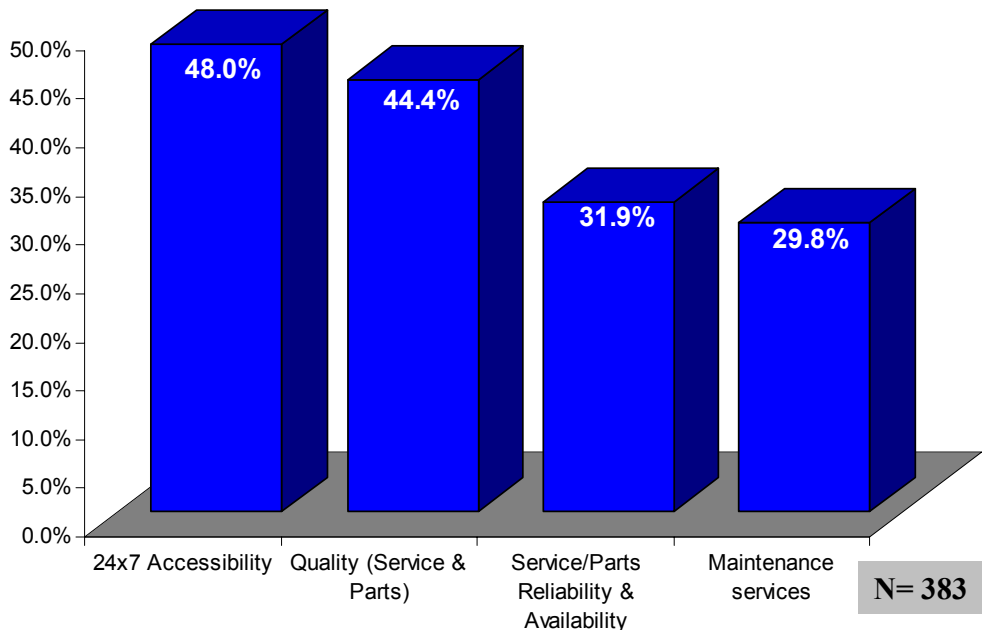
In-Stat TAP Survey Executive Summary:

Telecom Professional & Customer Services Survey

In May 2005, In-Stat conducted an online survey among members of its Technology Adoption Panel (TAP) on the topic of Professional and Custom Services in the Telecommunications Industry. As telecom providers continue to struggle with declining margins and more competitive markets, it is becoming increasingly important to understand customer and professional needs in an effort to increase loyalty, improve customer retention, and differentiate in the market.

The survey sample included 383 telecom decision-makers. Of those 383 surveyed, 48% claimed that 24x7 accessibility is the most important customer service when choosing a telecom provider. Other top customer services include service and part quality, service reliability and availability, as well as maintenance services. These services should all be a prime focus of telecom providers, in an effort to improve business customer services. Also important, the survey participants stated maintenance agreements, 24x7 customer service access, installation service, and manufacturer's warranty were the most used customer services used in conjunction with their telecom services.

Figure 1. Telecom Customer Services of Most Interest, (U.S.) 2005



Source: In-Stat 5/05

When looking across size of business, there were a few differences in customer service interests. Small and middle market businesses felt quality was the most important telecom customer service, while enterprise businesses felt 24x7 access is the most important. Also, both middle market and enterprise businesses were more interested in problem notification/escalation guarantees than small businesses. Small businesses also seemed more interested in online or web bill pay and customer services. We also asked which online or web services were the most important. Those of most interest include online customer services, online bill pay, online reporting, and the ability to make moves/adds/changes via the web.

Table 1. Telecom Customer Services of Most Interest By Size of Business, (U.S.) 2005

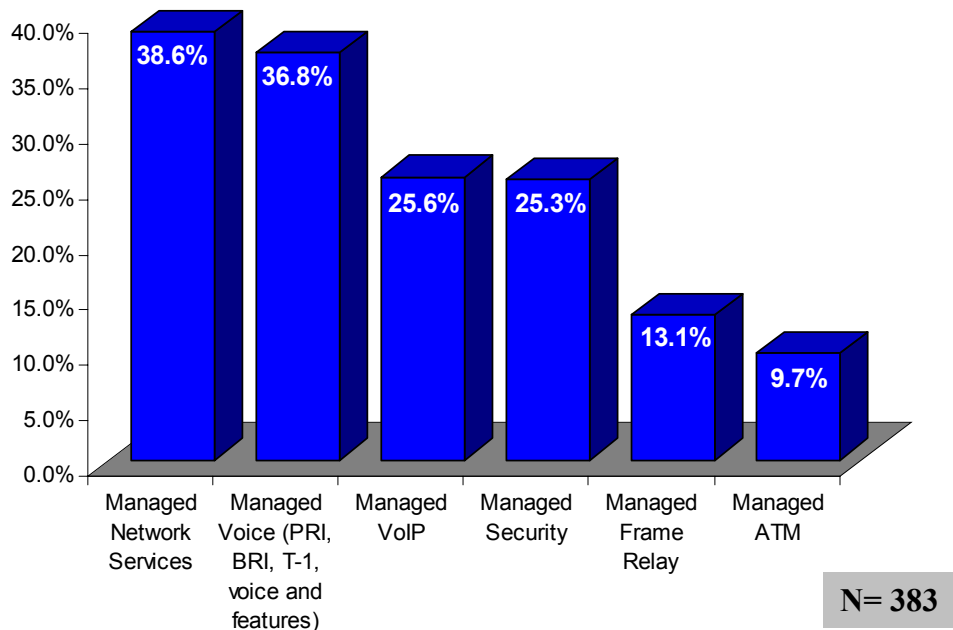
Sample Size: 383	Total	Small Business (n=215)	Middle Market (n=81)	Enterprise (n=87)
24x7 Accessibility	48.0%	42.8%	46.9%	62.1%
Quality (Service & Parts)	44.4%	45.6%	50.6%	35.6%
Service/Parts Reliability & Availability	31.9%	32.6%	28.4%	33.3%
Maintenance Services	29.8%	27.9%	33.3%	31.0%
Service Level Choices/Packages	20.6%	20.0%	24.7%	18.4%
Problem Notification/Escalation Guarantees	19.3%	12.6%	28.4%	27.6%
Dedicated personnel to your company	18.3%	16.7%	23.5%	17.2%
Dedicated personnel to your industry	11.5%	9.8%	11.1%	16.1%
Manufacturer's Warranty	11.5%	14.0%	9.9%	6.9%
Web/Online Network Performance Monitoring	9.4%	7.0%	13.6%	11.5%
Online or Web Bill Pay & Customer Services	9.4%	14.4%	4.9%	1.1%
Credit/Compensation During Network Outages	8.4%	7.9%	7.4%	10.3%

Source: In-Stat 5/05

Finally, it also appears that there are continued growth opportunities for a number of managed services, which are considered professional services by many in the telecom industry. When respondents were asked about which managed services they would be most likely to use, regardless if they have used them in the past, the results proved there are opportunities for telecom vendors. “Managed network services,” was selected as the most likely to use managed service, while interestingly managed voice came in second with 36.8% respondents indicating so. Other top opportunities for telecom vendors include managed VoIP and managed security.

As IP-VPN and business VoIP services continue to become more mainstream business offerings, this is expected, since many IT managers and directors are not experienced with packet voice and the management of IP equipment. Further, security continues to be one of the most important IT investments for businesses of all sizes. Managed security solutions are expected to be one of the leading opportunities, especially in the finance, healthcare, education, and government industries. These industries all have one thing in common, and that is government regulation that clearly requires the protection of customer information and houses a large database of private information that must remain secure at all time.

Figure 2. Managed Services Most Likely to Use, (U.S.) 2005



The below table illustrates the responses for the most likely to use managed services by size of business. Enterprises appear more interested in managed security than the smaller businesses, while the mid-market seems more likely to use managed VoIP services. The larger businesses also may be more likely to purchase managed frame and ATM services, as these data services will continue to impact businesses in the near-term as the transition to IP will be a slow process and most likely will be multi-service approach. The bottom line is telecom providers will need to understand the underlying needs across size of business and industry, to better target managed services. Clearly these managed services will also require strict Service Level Agreements, and will also be a prime opportunity for additional revenues around maintenance contracts and online reporting/monitoring.

Table 2. Managed Services Most Likely to Use Across Size of Business, (U.S.) 2005

Sample Size: 383	Total	Small Business (n=215)	Middle Market (n=81)	Enterprise (n=87)
Managed Network Services	38.6%	34.0%	43.2%	46.0%
Managed Voice (PRI, BRI, T-1, Voice & Features)	36.8%	27.9%	40.7%	55.2%
Managed VoIP	25.6%	20.5%	34.6%	29.9%
Managed Security	25.3%	21.4%	28.4%	32.2%
Managed Frame Relay	13.1%	6.0%	12.3%	31.0%
Managed ATM	9.7%	4.7%	8.6%	23.0%

Source: In-Stat 5/05

Lastly, businesses prefer a hybrid-managed solution, where the service provider and the business share various responsibilities of management, control, access, and maintenance. This being said, telecom provider must develop industry or size of business management packages that give some control to the business. Businesses are not yet willing to give complete control of their telecom/IT department to a telecom provider.