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CSPs: it's time to reacquaint yourselves with today's SMBs

Report 1

SMBs have changed

Small and medium-sized businesses (SMBs) make up 99% of the companies on planet Earth. They should be a major focus for communications service providers (CSPs) as they try to grow their revenues outside of the consumer market. But, historically, SMBs 'fall between the cracks' of consumer and enterprise markets in CSP targeting.

Telecoms and technology providers have typically evaluated SMBs by headcount, measuring success by the number of connections or mobile phone contracts sold. The result is that SMBs are treated much like consumers and offers tend to orientate around devices and connectivity. This may have been appropriate in the past, but that is no longer the case. As this paper will outline, a more proactive, bolder approach is necessary now and into the future because SMBs have changed. They are now more sophisticated buyers who require their providers to keep up.

Our research shows that today's SMBs are early adopters of technology and have managed to navigate their way through multiple, dispersed Information and Communication Technology (ICT) solutions to run their restaurants, farms, clinics and construction companies. The pandemic has accelerated this trend, as they evolved from bricks-and-mortar to advanced technology users. They're not waiting for anyone.

In fact, while large enterprises still struggle with digital transformation, many SMBs are already running as digital businesses. The SMBs of today are sophisticated, technology savvy, and quite independent when it comes to technology consumption. For example, one SMB analyst and consulting firm employs 20 people and uses more than 40 ICT products to deliver its services to clients.

While a great deal of research has been conducted into the SMB market, this report goes further. It illuminates a 'new' kind of SMB market, one that has vast, untapped potential for CSPs to accelerate their growth in the B2B sector. This report outlines the challenges SMBs face in making the most of their technology investments. It explores why CSPs are in a prime position to help and why now is the time to act.

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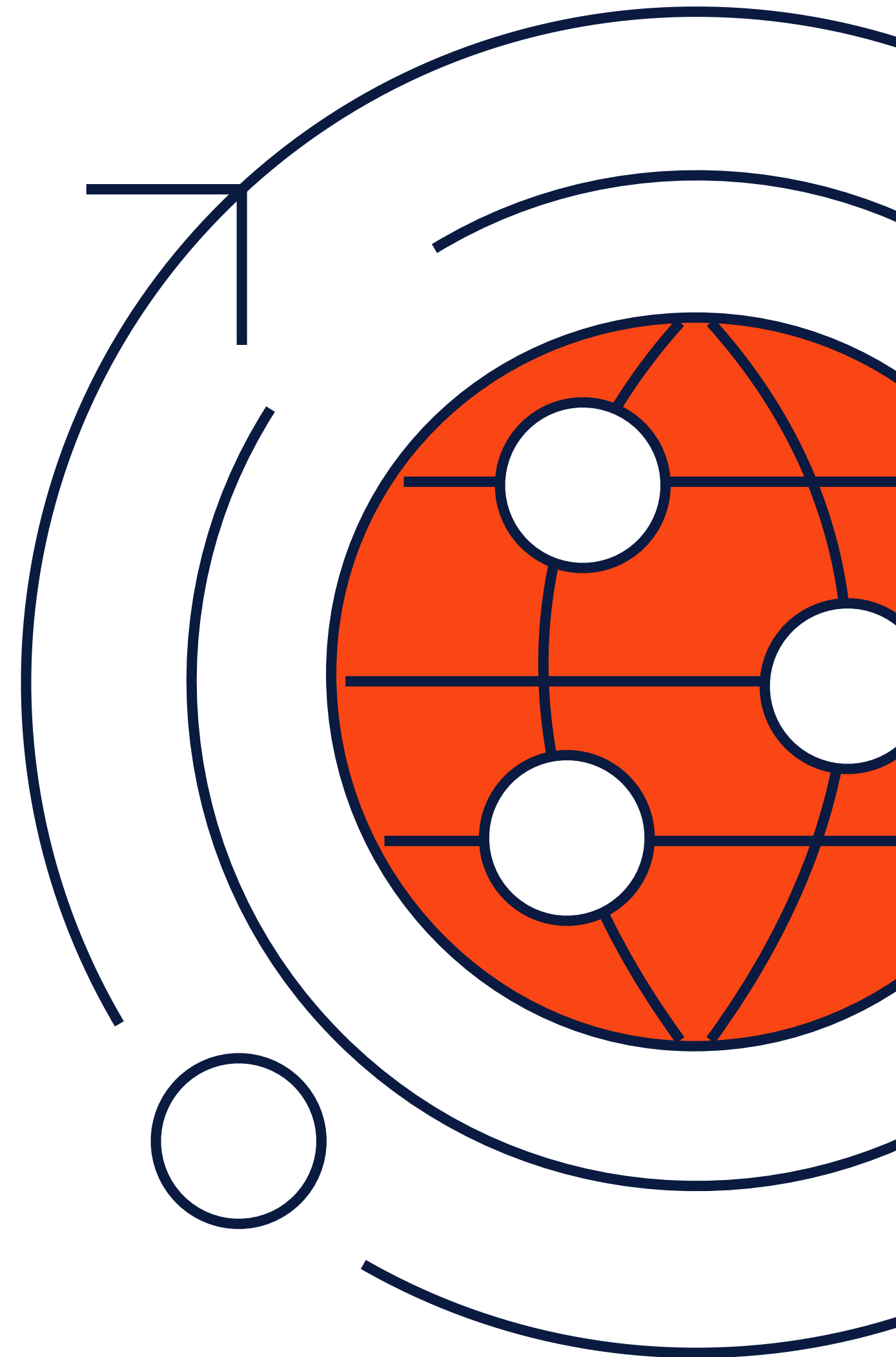
Unpacking the global SMB market

SMBs have already made the connection between technology, business resiliency, and growth.

❚❚ IT systems are the backbone of our company, we depend on ICT. ICT solutions help my organization to... manage operations effectively and respond rapidly to business opportunities or threats."

GM Finance and Operations, Healthcare sector, Australia.

SMBs are more sophisticated adopters and willing buyers of advanced technology solutions than most assume. In fact, 85% of SMBs recognize the importance of technology for the success of their businesses, with 51% of SMBs ranking technology as very-to-crucially important.

85%
of SMBs rate technology as important to their business success

51%
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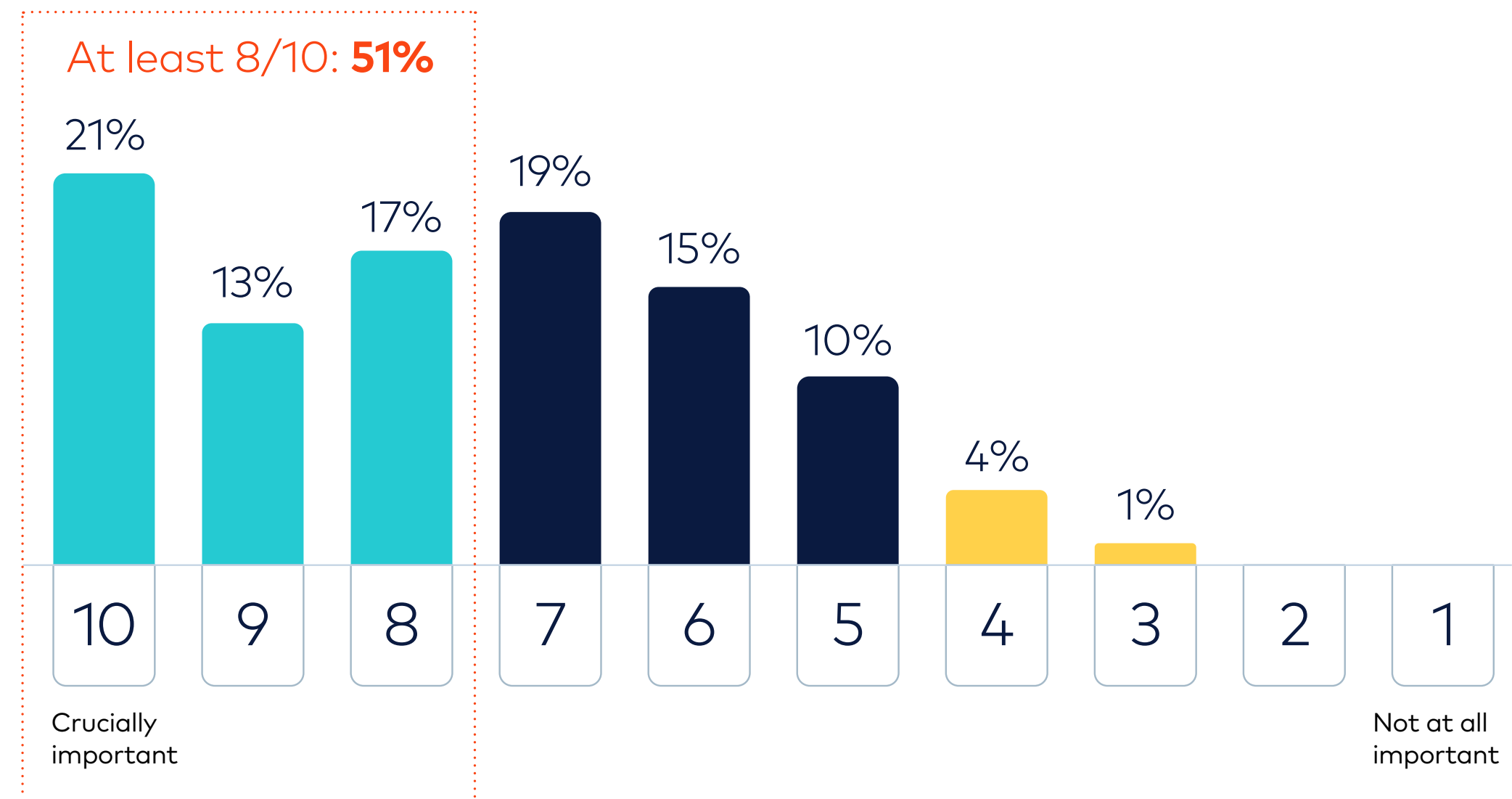
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During the pandemic, many SMBs suffered major financial hits. At the same time, many SMBs that previously used technology to power their businesses managed to recover and return to growth faster than their less technically-savvy peers. In fact, some of today's most successful SMBs have made the connection between technology adoption and business resiliency.

According to our survey, there was no significant difference in the perceived value of technology to deliver business improvements between each of the sectors surveyed for this report: hospitality & leisure, professional services, agriculture, manufacturing, education, healthcare, retail, technology, media and entertainment. Regardless of industry, the digital transformation that started before, but was accelerated by the pandemic, has created an SMB that is aware of and embraces the business improvements that technology can bring.

The importance of technolgy to SMBs' business sucess

At least 8/10: **51%**

21%	13%	17%	19%	15%	10%	4%	1%		
10	9	8	7	6	5	4	3	2	1

Crucially important
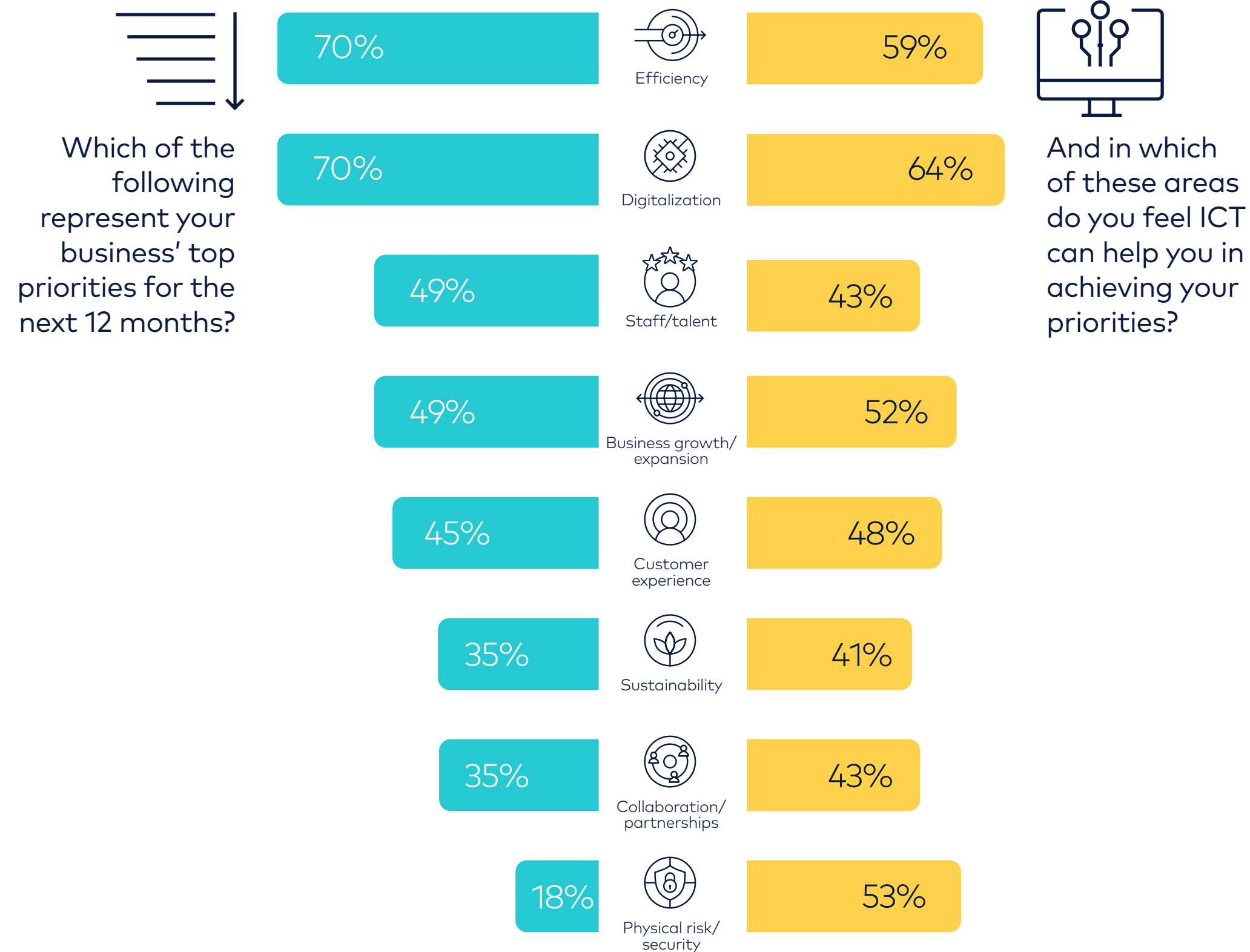
Not at all important

How important do you consider ICT and technology to be to the success of your business?

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Technology aligns with SMBs' business and operational problems

There is close alignment between SMBs' business priorities for the next 12 months and areas where they believe technology can help them to achieve these business priorities. 70% are focused on digitalization, an area that SMBs rank highest (64%) in their estimations of what technology can deliver. Seventy percent of SMBs are eager to drive efficiency improvements for their businesses, and this ranked second in the areas that SMBs see technology solving. Business growth and expansion, staff talent, and customer contact and experience were also all closely aligned, underpinning the strategic imperative of technology as an enabler for SMBs to meet their business priorities.

SMBs are clearly mature in their thinking about how technology can address their core business priorities as they have become more digitally-minded. The next step is understanding which specific technologies can address those business problems.

Which of the following represent your business' top priorities for the next 12 months?

	Blue	Yellow
Efficiency	70%	59%
Digitalization	70%	64%
Staff/talent	49%	43%
Business growth/expansion	49%	52%
Customer experience	45%	48%
Sustainability	35%	41%
Collaboration/partnerships	35%	43%
Physical risk/security	18%	53%

And in which of these areas do you feel ICT can help you in achieving your priorities?

❝ ICT solutions are important because they help to ensure all parts and aspects of the patient's journey into, through and from us are recorded and auditable. It also helps to put measures in place for security of data and it further helps to create cost efficiencies and benefit from economies of scale as we grow."

Director & IT Manager, Healthcare, United Kingdom.

❝ We could not function without our ICT systems. Bookings are processed online, records of travellers and products are kept in our travel system and a very complex set of services are priced, sold and billed for electronically."
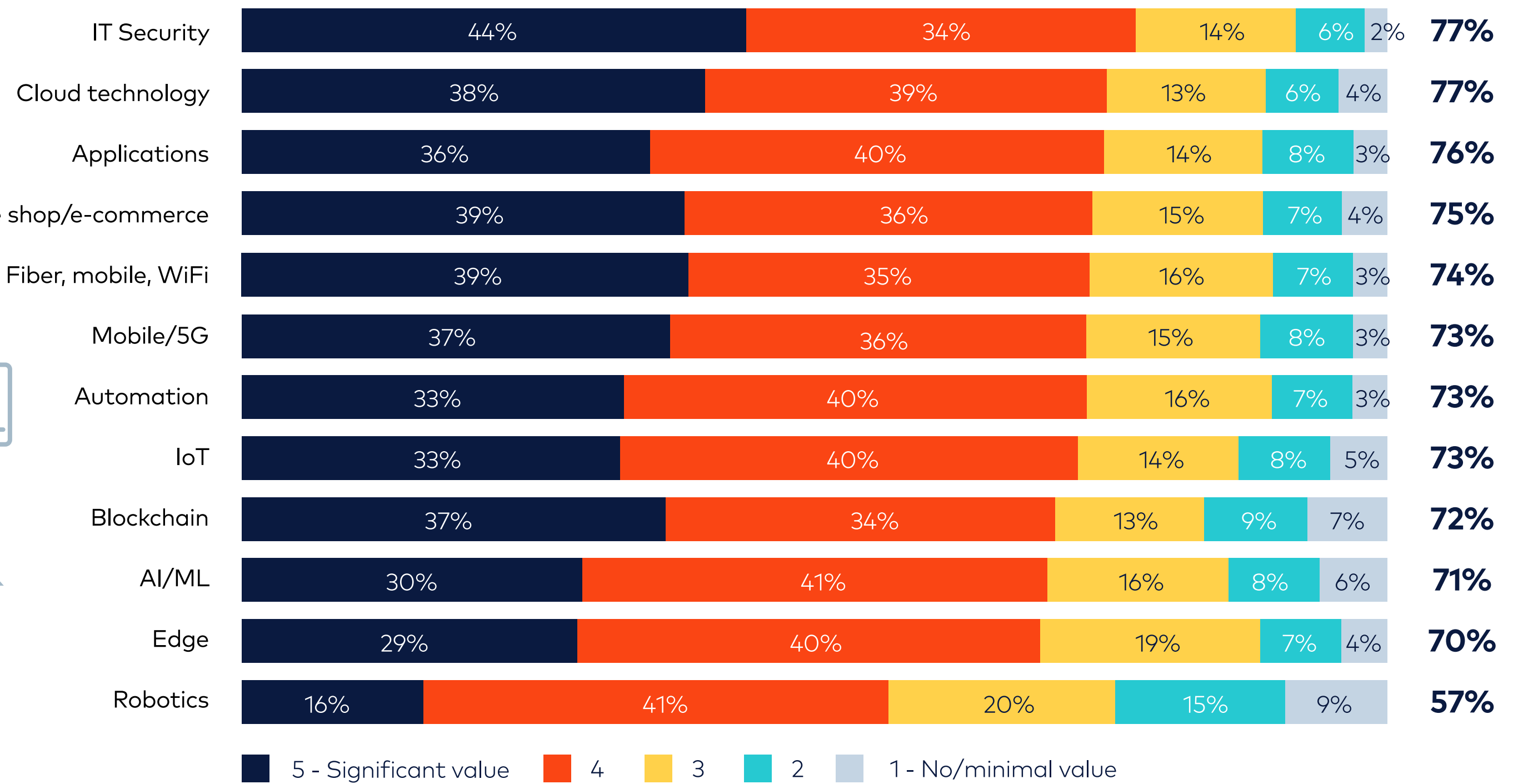
Director & IT Manger, Hospitality, United Kingdom.

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SMBs are sophisticated in their understanding of a range of technologies

SMBs are more sophisticated than many give them credit for. Of course, they are not as technically adept as enterprise clients, who have big ICT budgets and ICT teams that number in the hundreds and even thousands. However, SMBs understand and recognize the value that a wide variety of different technology solutions can bring to their businesses. Even those that are in the very early stages of development.

Strong/significant value (4/5)

Technology	5 - Significant value	4	3	2	1 - No/minimal value	Strong/significant value (4/5)
IT Security	44%	34%	14%	6%	2%	**77%**
Cloud technology	38%	39%	13%	6%	4%	**77%**
Applications	36%	40%	14%	8%	3%	**76%**
Online shop/e-commerce	39%	36%	15%	7%	4%	**75%**
Network services - Fiber, mobile, WiFi	39%	35%	16%	7%	3%	**74%**
Mobile/5G	37%	36%	15%	8%	3%	**73%**
Automation	33%	40%	16%	7%	3%	**73%**
IoT	33%	40%	14%	8%	5%	**73%**
Blockchain	37%	34%	13%	9%	7%	**72%**
AI/ML	30%	41%	16%	8%	6%	**71%**
Edge	29%	40%	19%	7%	4%	**70%**
Robotics	16%	41%	20%	15%	9%	**57%**

Legend: ■ 5 - Significant value ■ 4 ■ 3 ■ 2 ■ 1 - No/minimal value

How much value do you believe the following technologies can bring to your business?

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Obviously, IT security and cloud technology are perceived to deliver strong or significant value for 77% of SMBs. They're followed by applications, ecommerce, connectivity, automation and IoT (all 73%) and are all relatively established technologies.

SMB views of 5G are also at an interesting and unique stage. While CSPs continue to fret over what to do with 5G, debating killer use cases in the B2B sector, it is already making waves amongst SMBs. There is a high perceived value of the technology and SMBs expect CSPs to help them realize the potential of 5G beyond standard connectivity offerings.

But what's fascinating is that almost three quarters of SMBs recognize the potential value of more nascent technologies to their businesses: blockchain, AI/ML, Edge. Only robotics lags slightly behind, but it is still viewed by more than half as having demonstrated significant potential value to their businesses, unlocking new use cases in their respective sectors. They may even be aware of the benefits that a combination of these technologies can achieve. In many respects, SMBs are more advanced in their expectations of new technologies than enterprise clients. This is especially true in APAC.

We use ICT solutions in many forms. From normal desktops in the call centre that are used to make/take calls using a cloud-based softphone system, to Healthcare assistants in clinic using laptops to access our cloud based clinical systems. Mobile phones for taking photos and uploading directly to the cloud. Ultrasound scanners which then get archived into the cloud. We also use Robotic process automation to process referrals and carry out basic repetitive administration tasks."

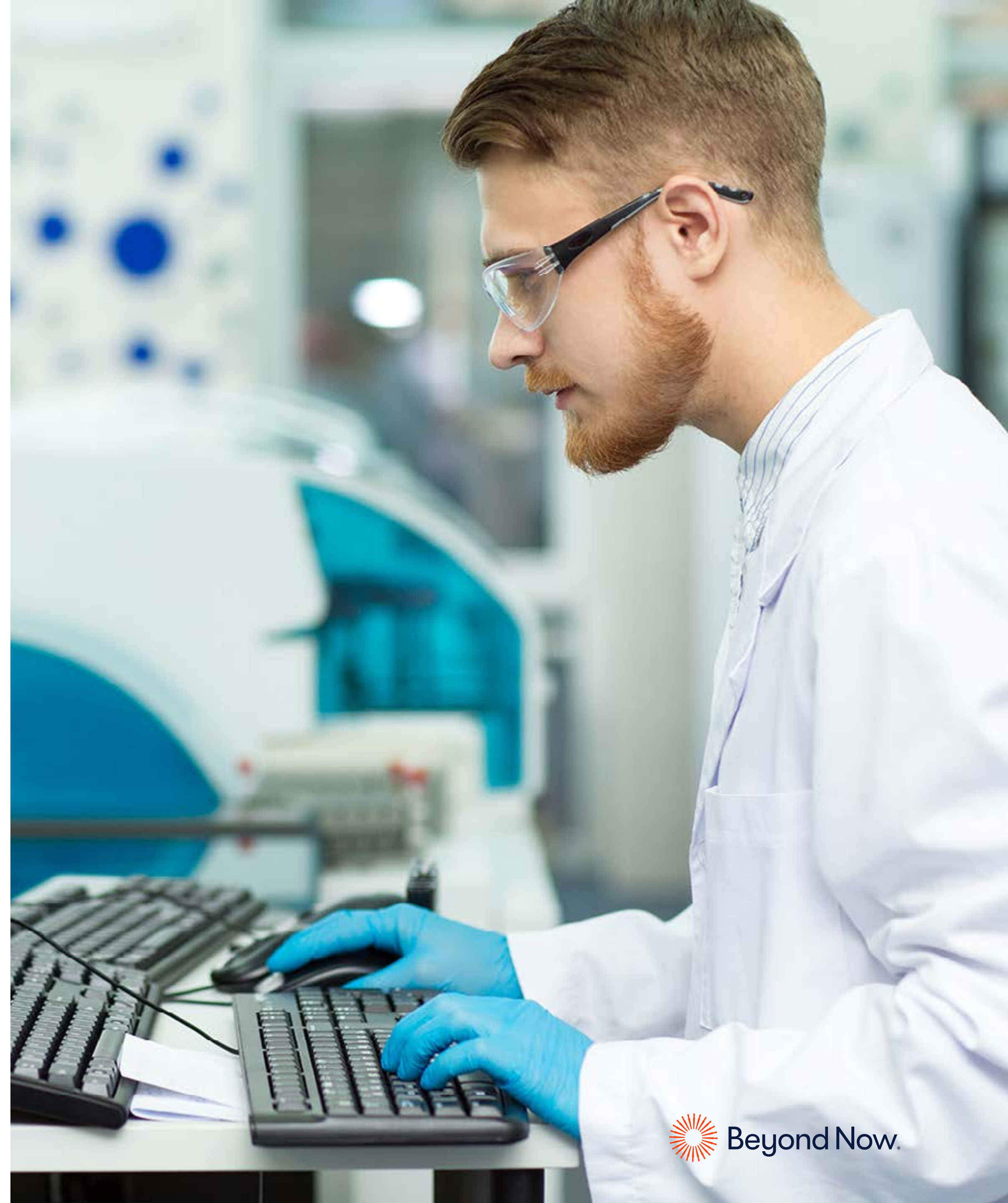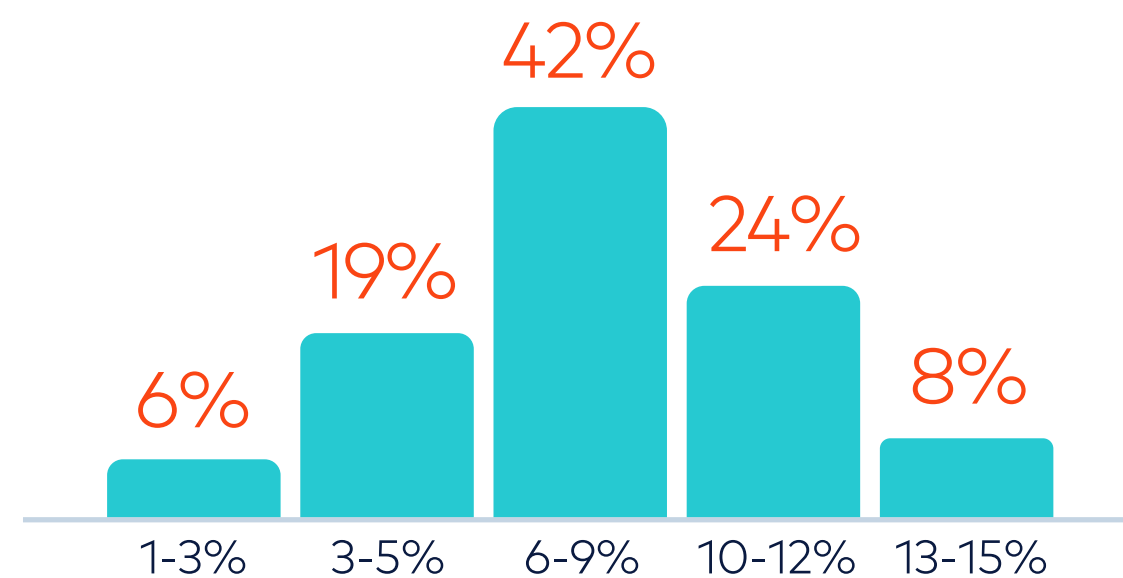Director, IT Manager, healthcare UK.

SMBs' awareness of the benefits that even the newest technology can offer, open new horizons for those who are looking to serve them. For years now, a lot of the offerings were focused on cloud and security, but it seems like SMBs are willing to bet big on technology.

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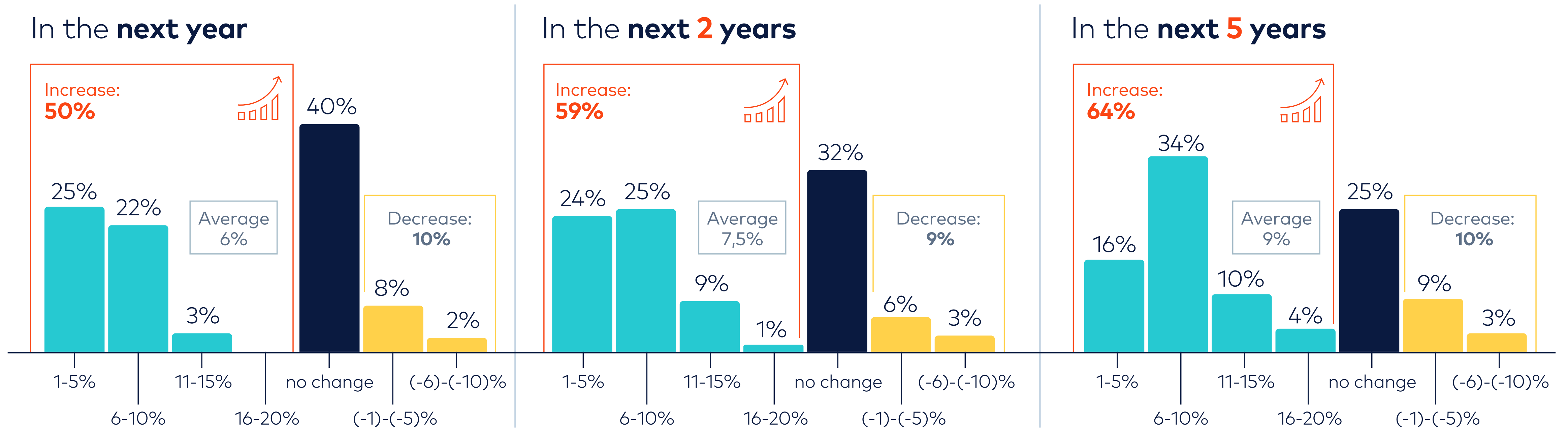# Despite economic uncertainty, SMBs put a premium on ICT

Obviously SMBs are very cost conscious, and this is especially important during turbulent times. However, our research found that, on average, SMBs are currently investing 8% of their annual revenues in ICT products and services. This makes the global market value of SMB technology solutions spend roughly $1.42 trillion per annum (Analysys Mason). SMBs are backing their sophisticated understanding of technology's potential with investment. And, critically, this amount will increase.

In spite of the economic reality they face – inflation rising and energy costs spiraling – SMBs across all sectors and geographies plan to increase investments in ICT. In the next year, half of SMBs will increase their ICT spend by an average of 6%. In the next two years, 59% will increase ICT investments by an average of 7.5%. And in the next five years, 64% expect to boost ICT spend by an average of 9%. SMBs represent a significant ICT market and, crucially, it's getting bigger.

Monthly spending on ICT services as proportion of organizations' monthly revenue

1-3%	3-5%	6-9%	10-12%	13-15%
6%	19%	42%	24%	8%

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Anticipated change in level of investment in ICT and technology

In the **next year**

Increase: **50%**

Increase bars:
- 1-5%: 25%
- 6-10%: 22%
- 11-15%: 3%

Average 6%

no change: 40%

Decrease: **10%**
- (-1)-(-5)%: 8%
- (-6)-(-10)%: 2%

X-axis: 1-5% | 6-10% | 11-15% | 16-20% | no change | (-1)-(-5)% | (-6)-(-10)%

In the **next 2 years**

Increase: **59%**

Increase bars:
- 1-5%: 24%
- 6-10%: 25%
- 11-15%: 9%
- 16-20%: 1%

Average 7,5%

no change: 32%

Decrease: **9%**
- (-1)-(-5)%: 6%
- (-6)-(-10)%: 3%

X-axis: 1-5% | 6-10% | 11-15% | 16-20% | no change | (-1)-(-5)% | (-6)-(-10)%

In the **next 5 years**

Increase: **64%**

Increase bars:
- 1-5%: 16%
- 6-10%: 34%
- 11-15%: 10%
- 16-20%: 4%

Average 9%

no change: 25%

Decrease: **10%**
- (-1)-(-5)%: 9%
- (-6)-(-10)%: 3%

X-axis: 1-5% | 6-10% | 11-15% | 16-20% | no change | (-1)-(-5)% | (-6)-(-10)%

How do you expect the amount you invest in ICT and technology to change in future?

Increased ICT investment emphasizes the fact that SMBs understand the relationship between technology and business resiliency. For CSPs who are looking to serve SMBs this is of course, good news. However, while SMBs will invest more in technology, they will also look for partners who can offer them more flexibility in their pricing models and creativity in payment terms to help them weather the current inflation storm.

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SMBs need help: enter the SMB saviors

Despite SMBs' appetite to realize the business improvements that technology can enable, they face several barriers to unlock its potential. Ultimately, they need help. They have done their best to work with existing technology offerings, but they know that technology can work harder for them.

Today's market reality is that most hardware and software has been designed to support large enterprises with ICT Teams and budget to hire system integrators when needed.

The SMBs of today have managed to adapt existing enterprise grade software and hardware to meet their business needs. But they acknowledge that off-the-shelf products are not enough to fulfil what SMBs need, 62% reported that there were gaps.

One of the SMBs we interviewed explained that:

❚❚ The idea of ICT solutions that are built for small and medium-sized businesses - they're not something that currently exists."
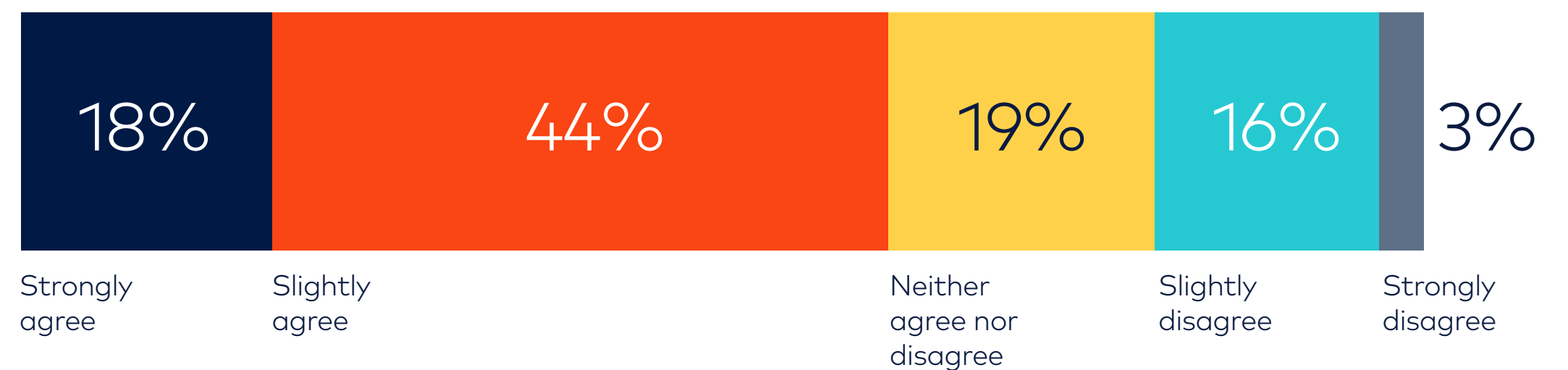
IT Director, Construction, U.S.A.

While another interviewee in the retail sector felt their needs were overlooked and that ICT providers should:

❚❚ Assist particular types of businesses that seem to be overlooked as they are always seeming to try to cater to larger businesses."
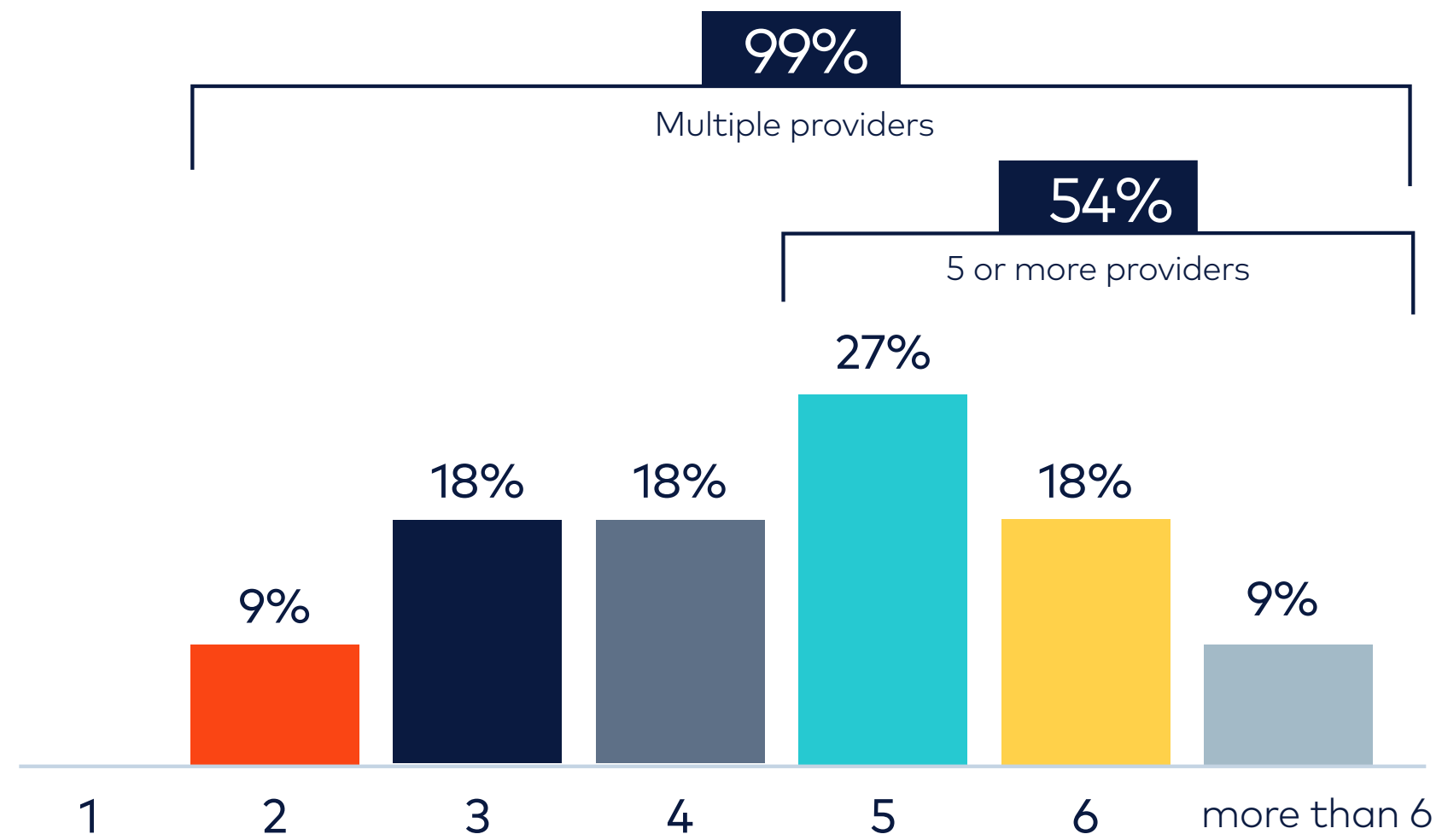
Owner Retail, U.S.A.

Fundamentally, technology solutions are not built with the needs of SMBs in mind.

Off-the-shelf ICT products don't quite fulfil what we need

18%	44%	19%	16%	3%
Strongly agree	Slightly agree	Neither agree nor disagree	Slightly disagree	Strongly disagree

To what extent do you agree or disagree with the following statements

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Number of ICT service providers currently used

99%

Multiple providers

54%

5 or more providers

|			27%		
	18%	18%		18%	
9%					9%
1	2	3	4	5	6	more than 6

How many ICT service providers do you currently use?

In addition to feeling underserved, 84% of SMBs are also forced to use multiple service providers in order to meet their technology needs. This, in turn, creates management headaches and puts greater strain on company resources. Eighty percent of SMBs admit that it could be easier to manage their ICT providers, 43% say it's not easy.

The higher the number of providers, the more difficult it is to manage them. With increasing sophistication and planned investment, it's likely that SMBs will have to take on more ICT provider relationships, thus intensifying the issue.
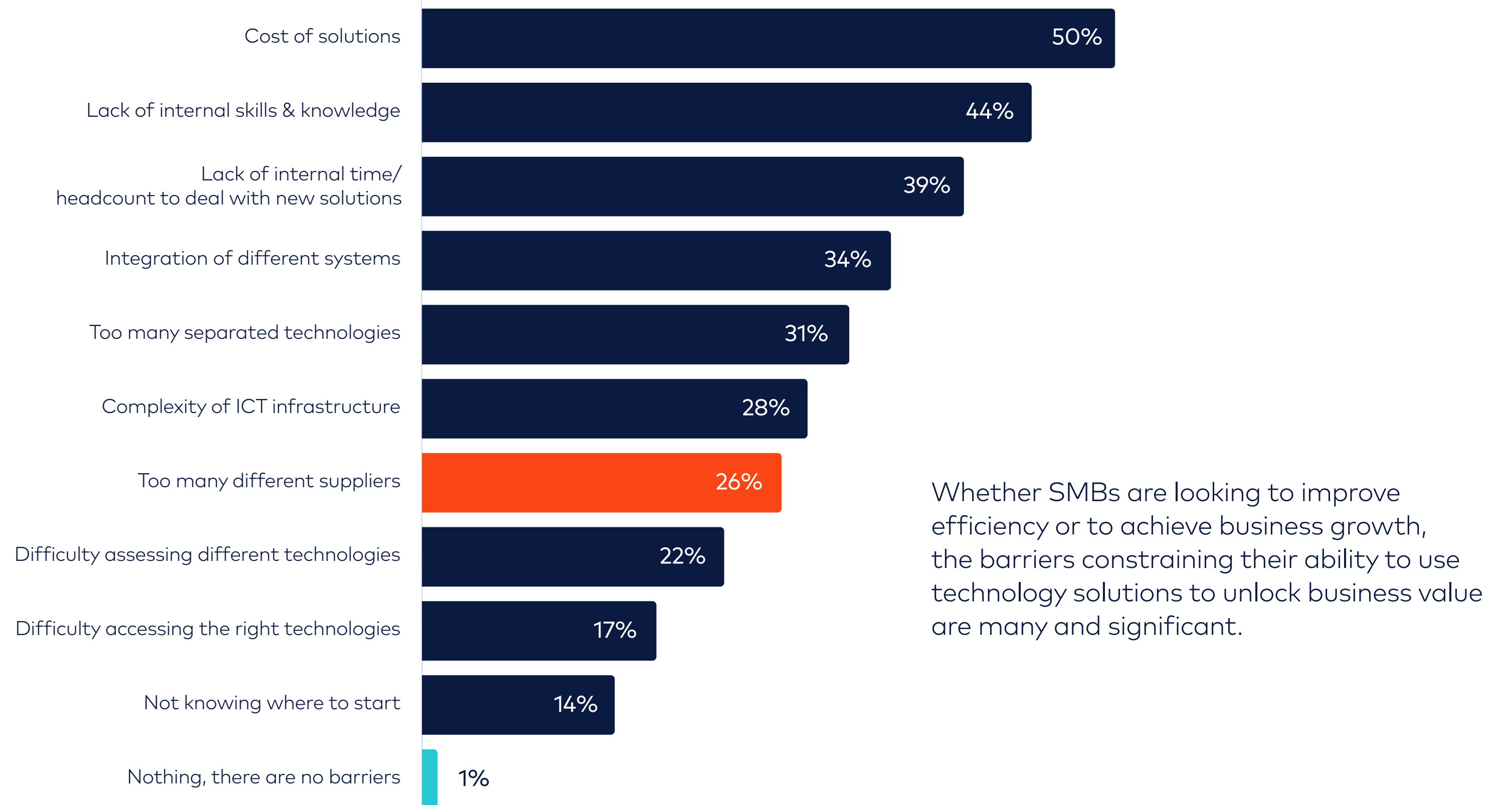
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Nearly all SMBs face barriers for technology adoption
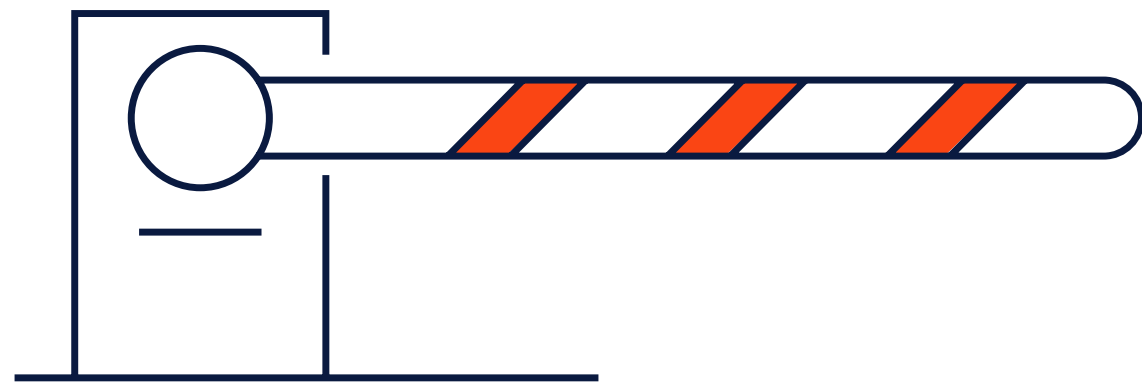
Gaps in off-the-shelf products, combined with the need to manage multiple providers consumes precious time for SMBs who should be focused on their core businesses. Unlike enterprises, SMBs don't have dedicated ICT teams. This means the responsibility of understanding and implementing technology falls to someone who does not have the time or skillset to maximize its value.

Barriers constraining ability to use ICT solutions

| Barrier	%
Cost of solutions	50%
Lack of internal skills & knowledge	44%
Lack of internal time/ headcount to deal with new solutions	39%
Integration of different systems	34%
Too many separated technologies	31%
Complexity of ICT infrastructure	28%
Too many different suppliers	26%
Difficulty assessing different technologies	22%
Difficulty accessing the right technologies	17%
Not knowing where to start	14%
Nothing, there are no barriers	1%

Whether SMBs are looking to improve efficiency or to achieve business growth, the barriers constraining their ability to use technology solutions to unlock business value are many and significant.

Which of the following barriers currently constrain your ability to use ICT solutions to help you to meet your business priorities?

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Cost topped the table for SMBs (an issue for 50% of the cohort, which is understandable especially given the timing of the survey). But then the next biggest issues related to professional IT headcount, SMBs' lack of internal skills and insufficient time to look at new solutions. SMBs also report issues relating to a growing number of technologies and solutions, an inability to integrate different systems and too many separated technologies. All of these issues are caused by the gaps between the industry's willingness to meet the needs of SMBs and SMBs' limited resources to allocate time to learn, adapt and integrate technology into their businesses.

Critically, only 1% of SMBs said that there are no barriers preventing them from using ICT to succeed. SMBs face a conundrum. They realize that technology is a critical enabler for business resiliency, but current market offers force them into a tradeoff between investing in the core business or investing in technology. For cost conscious businesses, that is a difficult choice to make.

A digital marketplace of solutions based on collaboration and co-creation

| 64%		
28%	36%	25%	6%	4%
5	4	3	2	1
Extremely important				Extremely unimportant
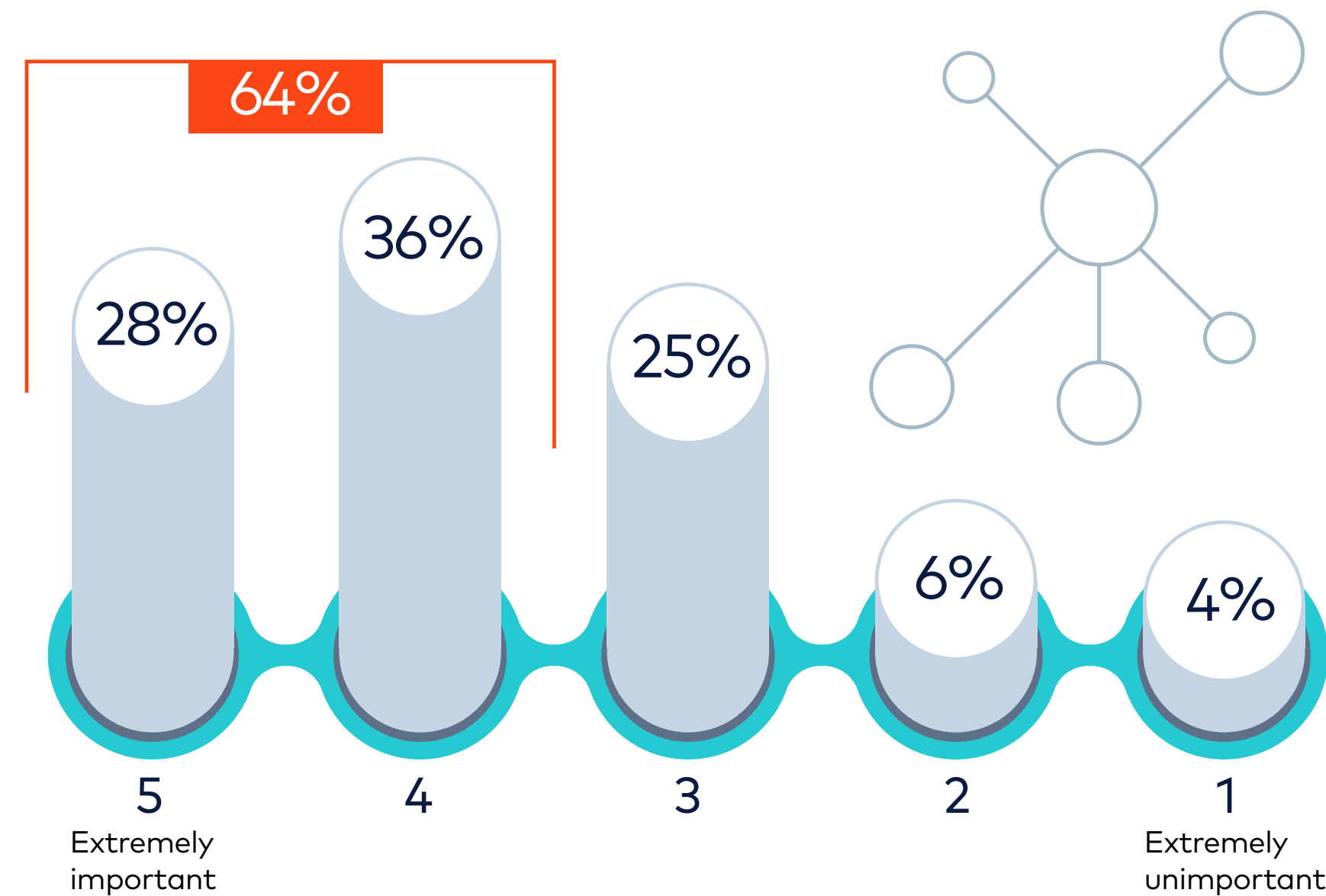
How important is it for you that ICT providers and technology players to work together to build joint solutions to help you achieve your goals?

There's a clear 'cry for help' from SMBs. They lack the appropriate skills, knowledge and time to capitalize on their immediate business priorities. This is exacerbated by management headaches caused by needing to manage multiple ICT suppliers which puts greater strain on already scarce resources.

Ultimately, SMBs want ICT providers to work together to build joint solutions that help them achieve their goals. 64% of SMBs felt this was important, 25% were on the fence, but only 10% felt it was unimportant for them.

64% of SMBs believe that technology players collaborating with the ecosystem to build solutions that meet their needs is key

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Serving SMBs: decision time for CSPs
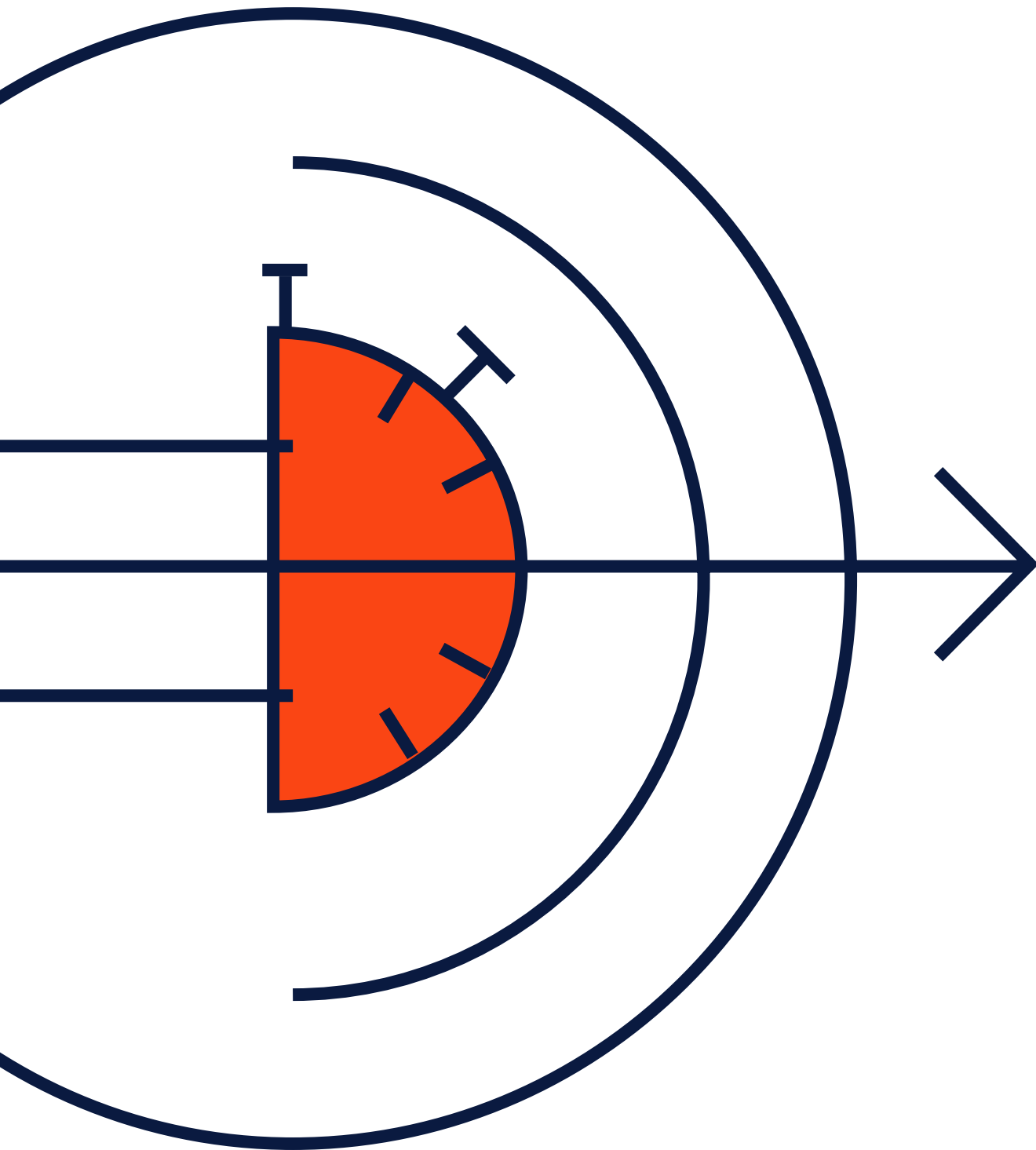
Globally, regionally and domestically, the SMB technology market is gigantic. SMBs spend a decent proportion of their revenues on technology, and plan to increase this investment in the short and long term. They're sophisticated technology buyers and understand the potential of technology to improve their businesses and achieve priorities. But CSPs need to adopt a change in mindset and grow beyond connectivity to address the broader technology needs of SMBs.

SMBs don't understand how their existing ICT solutions can work together to benefit their businesses, nor do they have the time or resources to figure it out. Off-the-shelf products are insufficient and SMBs need help. And this is where CSPs step in.

The good news for CSPs is that they're starting from a position of strength. Previous research proves that SMBs view CSPs positively as a source of ICT services, especially when linked to 5G technology. 73% of SMBs see 5G as important to their business and 42% view CSPs as their trusted 5G partner. (Omdia 5G SME research).

However, CSPs mustn't rest on their laurels as they also have a social responsibility to uphold. SMBs are the backbone of the economy and as society teeters on the edges of financial crisis, CSPs must step up to find creative ways to serve the technology needs of SMBs that can see them build resilience and achieve business continuity in uncertain times.

SMBs will prove critical for CSP growth. They are looking for partners who'll spend time getting to know their businesses and vertical industry contexts to develop the right solutions that will support their growth as well. But CSPs must do more to meet them. If they continue to minimize SMBs by offering relatively basic connectivity and product packages, or solutions built with large enterprises in mind then there are two major risks. First, that they fail to take advantage of the growth of the SMB ICT space. Second, that they could also find themselves losing current revenues to new and traditional competitors who can offer more valuable solutions at scale.

And SMBs are not an amorphous segment. Each business has unique needs relative to

its vertical industry. CSPs will have to step out of their comfort zone, and there is big reward for CSPs that can build solutions relative to that industry context by marrying SMBs' technology requirements with their business priorities. Working with specialist technology partners from the ecosystem will expand CSPs' breadth 'of' capabilities to tackle a variety of needs across sectors.

The future, however, is bright for CSPs if they decide to become orchestrators of the technology ecosystems that are integral to removing management headaches and stimulating growth for SMBs. This will depend entirely on CSPs' abilities to collaborate with dozens of technology partners to present a range of solutions to SMBs in a way they want to consume them.

While there is a lot of potential in serving SMBs, it's not a straightforward effort as SMBs are diverse, cost conscious and CSPs are built to support mass market with high repeatability. In our next paper, we put forward a playbook for CSPs looking to take advantage of the opportunity and build growing, profitable lines of SMB business.

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Methodology

This research study is based on responses from 700 decision-makers or key influencers for ICT service providers in small and medium business, across North America, Europe and Asia Pacific.

Respondents are equally represented from eight sectors including: hospitality and leisure, professional services, agriculture, manufacturing, education, healthcare, retail, and technology, media and entertainment.

Field work was concluded in August 2022 by independent research consultancy, Coleman Parkes.

About Beyond Now

Beyond Now is a fast-growing ecosystem orchestration and digital platform provider, powering organizations to launch new services at speed and grow revenue by utilizing our digital platform, digital marketplace and SaaS BSS.

Our platforms are designed to help our customers experiment, monetize and orchestrate services while taking advantage of new technologies such as cloud, edge, IoT, AI, 5G and more. We enable them to co-create solutions with a growing network of partners; bringing them closer to their customers, helping drive higher efficiency and automation, taking them further, faster, Beyond Now.
We serve customers across Asia-Pacific, Europe, Middle East, Africa and the Americas, spanning industries from telecommunications, media and entertainment, to tech and IT, financial, and automotive.

For more information, please visit: www.beyondnow.com

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