



An Analysys Mason company



Worldwide survey results

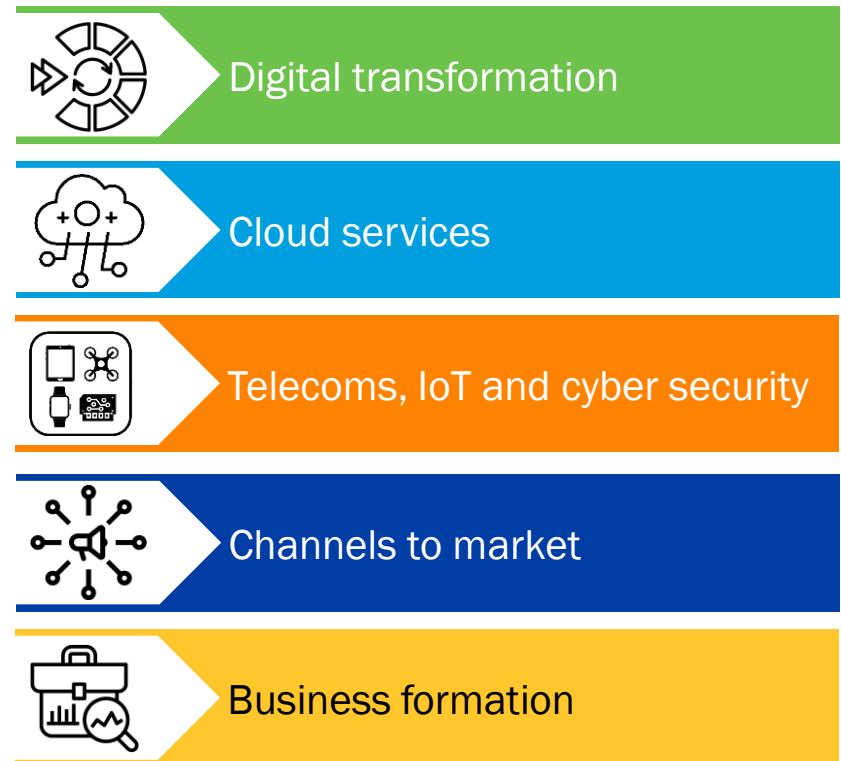
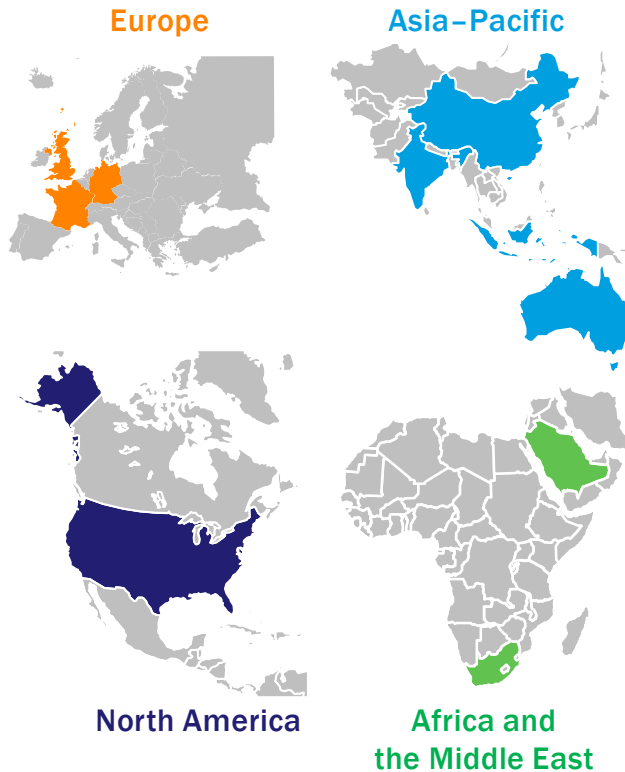
Small and medium-sized businesses: technology buying behaviour and channel preferences



We surveyed 3000 businesses to understand their usage and views of technology

Analysys Mason interviewed 3000 small and medium-sized businesses (SMBs) in 10 countries in Africa, Asia-Pacific, Europe, North America and the Middle East.

We asked questions on the following topics relating to all aspects of businesses' telecoms and technology usage and future plans.



More-detailed findings from the survey can be found in our published research.



Contents



Executive summary

Digital transformation

Cloud services

Telecoms, IoT and cyber security

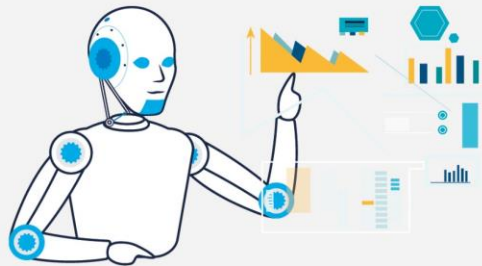
Channels to market

Business formation

Appendix

DIGITAL TRANSFORMATION

ADVANCED TECHNOLOGIES



Chinese companies show far more interest in adopting new technology like AI and IoT than their Western counterparts.

Interest is high in China, but only moderate in **Germany** and the **USA**.

NEAR-TERM TECHNOLOGY ADOPTION



Advanced security and migration to SaaS are **priorities** for businesses of all sizes.

CLOUD SERVICES

CLOUD INFRASTRUCTURE

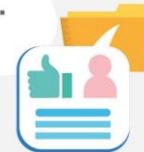
Spend on cloud infrastructure shows no signs of slowing down.

'More than half of medium-sized businesses plan to increase their spend in the coming year.



SaaS

On-premises services continue to dominate all categories – adoption levels are typically **two times higher** than for cloud services.



CLOUD MIGRATION

Improved performance is at least as equally important as lower costs.

37% of companies cited increased data accessibility as a key benefit,

compared to 32% who named cost.



TELECOMS, IOT AND CYBER SECURITY

TELECOMS

Customer satisfaction

is low for both mobile (NPS of 13) and fixed (NPS of 7) service providers.



This is causing churn, and is limiting cross-selling opportunities.



IoT

70% of small businesses

do not know what IoT is, or are not interested in it. Vendors believe

that IoT is relevant to businesses of all sizes (as does Analysys Mason);

the industry needs to do a better job of explaining IoT and its benefits to drive take up.



CYBER SECURITY

Almost 25% of micro businesses

think they have inadequate protection. Security vendors have an opportunity to address this underserved market.

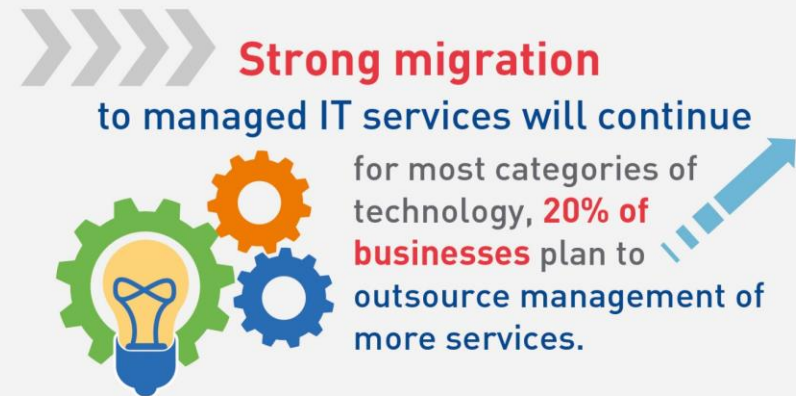


CHANNELS TO MARKET

CHANNELS TO MARKET



MSPs



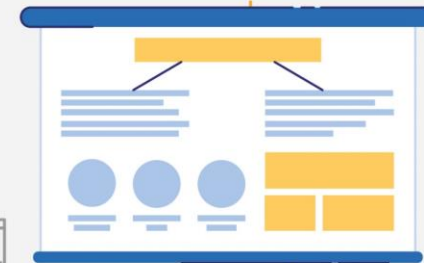
BUSINESS FORMATION

BUSINESS DEMOGRAPHICS

Almost a fifth of businesses have CEOs who are younger than 40



These businesses are far more interested in **new technologies, like cloud,** than businesses with older leaders.





Contents



Executive summary

Digital transformation

Cloud services

Telecoms, IoT and cyber security

Channels to market

Business formation

Appendix

Digital transformation – advanced technologies: businesses in China are more interested in new advanced technologies than businesses in the West

Findings

- Businesses of all sizes are more interested in near-term solutions, such as IoT and building apps in the cloud, than longer-term solutions like AI and robotics.
- Interest in all types of new technology is significantly higher in China than it is in Germany, which in turn is higher than in the USA.
- Businesses in Germany and the USA risk being overtaken by those in China in terms of developing and using advanced technologies.

Implications

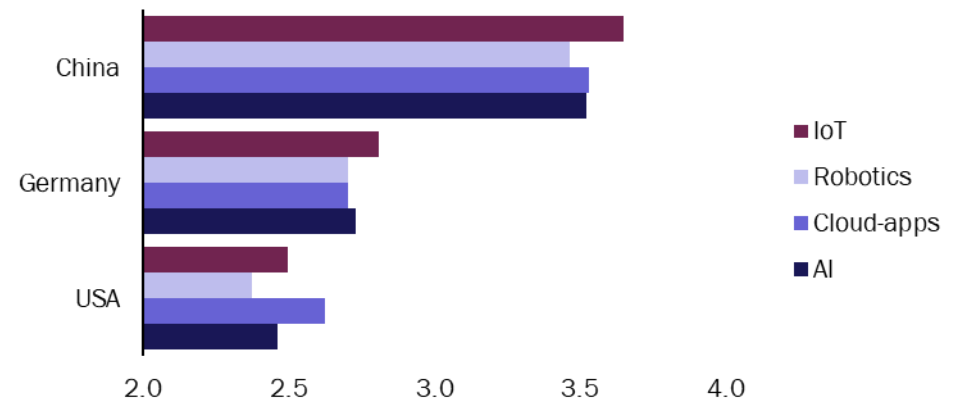
- Vendors have been focusing on the potential of AI and robotics, but they may do better to focus on real, near-term applications of other technologies, like SaaS and IoT.
- If the survey responses reflect actions, businesses in China will lead those in richer countries in terms of developing new technologies. Governments in Europe and the USA may need to do more to support the development of more advanced technologies.

Priorities for advanced business technologies, by business size¹

Priority	Business size	
	<250 employees	250–1000 employees
1	Cloud-based apps	IoT
2	IoT	Cloud-based apps
3	AI	AI
4	Robotics	Robotics

Source: Analysys Mason

Interest in advanced technologies, selected countries¹



Source: Analysys Mason

¹ Question: “Which of these technology strategies are critical to accomplishing your business growth goals? Please rate on a scale from 1–5 where 1 is ‘not at all important’ and 5 is ‘very important’”; n = 2983.

Digital transformation – near term: upgrading security and moving to SaaS are priorities for businesses of all sizes

Findings

- Surveyed businesses have similar near-term priorities, regardless of their size. Security and SaaS are the most important factors.
- Businesses were less interested in outsourcing IT and advanced analytics.
- IaaS was the lowest priority of all – SMBs are more interested in the **services that use IaaS**.

Implications

- Vendors that sell advanced security and SaaS are responding well to the needs of customers.
- SMBs appear to be more interested in capabilities (such as advanced security and SaaS) rather than how those capabilities are delivered. MSPs and SIs may need to focus on how they can support customers in areas such as security and SaaS, rather than on the modes of delivery.

Analysys Mason ICT Global Model¹

We forecast that SMB spend on security and security solutions will grow from USD95 billion in 2019 to USD205 billion in 2024 (a CAGR of 17%).

¹ For more information, see www.analysismason.com/services/Research/smb-ict-channels-forecasts.

² Question: “Which of these technology strategies are critical to accomplishing your business growth goals? Please rate on a scale from 1–5 where 1 is ‘not at all important’ and 5 is ‘very important’”; n = 2983.

Near-term business priorities, by business size²

Priority	Business size	
	<250 employees	250–1000 employees
1	Advanced security	Advanced security
2	Move to SaaS	Move to SaaS
3	Back up and recovery	Back up and recovery
4	Outsource IT	Advanced analytics
5	Advanced analytics	Outsource IT
6	Move to IaaS	Move to IaaS

Source: Analysys Mason

Digital transformation: businesses of all sizes share similar challenges but short-term goals vary

Findings

- All businesses cited the need to increase revenue and remain competitive, along with finding, retaining and training employees.
- The top-5 goals varied significantly by company size. The top priorities of smaller companies are to improve customer experience and loyalty, reduce expenses and capitalise on growth opportunities. Larger businesses identified productivity and innovation as more important than reducing operating expenses or customer experience.

Implications

- Larger businesses have a better understanding of technology, and its potential benefits, but need help with implementation. As well as lacking specific skills, changing the company culture can be a challenge for these larger businesses.
- Smaller businesses are less clear on the link between technology and challenges – vendors need to show how the technology can solve tangible issues, such as customer loyalty and reducing operating expenses.

Businesses' top-3 challenges, by type¹

Financial	Industry
<ul style="list-style-type: none"> Boosting revenue/sales Slower payment Restricted cashflow 	<ul style="list-style-type: none"> Differentiate from competitors Pressure to reduce price Comply with industry and regulations
Technology	Human resources
<ul style="list-style-type: none"> Train employees Understand the impact of new technologies Manage the TCO 	<ul style="list-style-type: none"> Find and retain talent Improve employee productivity Support a more mobile workforce

Source: Analysys Mason

Top-5 goals for the next 12 months²

Rank	<250 employees	250–1000 employees
1	Improve customer experiences/loyalty	Improve productivity with technology
2	Reduce operating expenses	Expand into new opportunities
3	Expand into new opportunities	Innovate products/services
4	Innovate products/services	Reduce operating expenses
5	Improve productivity with technology	Improve customer experiences/loyalty

Source: Analysys Mason

¹ Question: "What are the top business challenges your company is facing?"; n = 2983.

² Question "Please rank the following business goals (in terms of importance) that your company is planning in the next 12 months."; n = 2983.



Contents



Executive summary

Digital transformation

Cloud services

Telecoms, IoT and cyber security

Channels to market

Business formation

Appendix

Cloud infrastructure: spend on cloud infrastructure shows no signs of slowing down

Findings

- Businesses of all sizes are planning to increase their spend on cloud services in the next year.
- Azure is the most-used platform.
- A few big players dominate the market. The top 4 account for 87% of customers. Most cloud providers have a similar Net Promoter Score (NPS), highlighting the challenge that they face when trying to differentiate themselves.

Implications

- Cloud infrastructure providers may need to do more to explore the opportunity to target smaller businesses. The cloud market will continue to grow, but take-up is slower for smaller businesses.
- Providers could also focus on improving customer satisfaction. NPSs of around 25 are good, but not exceptional.

Analysys Mason ICT Global Model¹

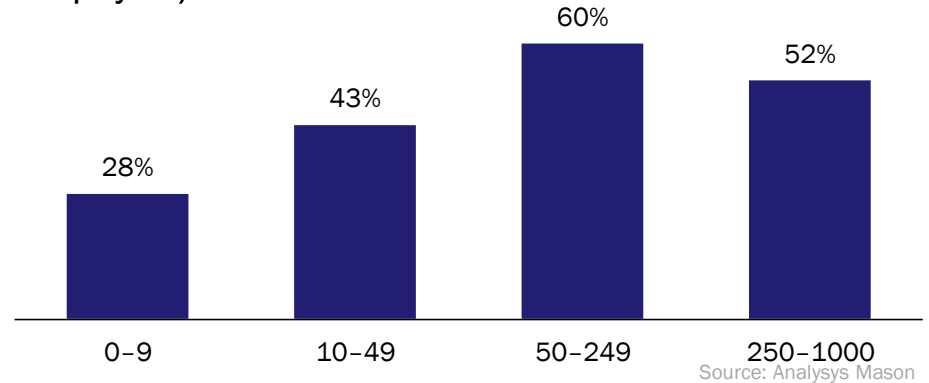
We forecast that spend on IaaS will grow substantially, from USD34 billion in 2019 to USD105 billion in 2024 (a 21% CAGR).

¹ For more information, see www.analysismason.com/services/Research/smb-ict-channels-forecasts.

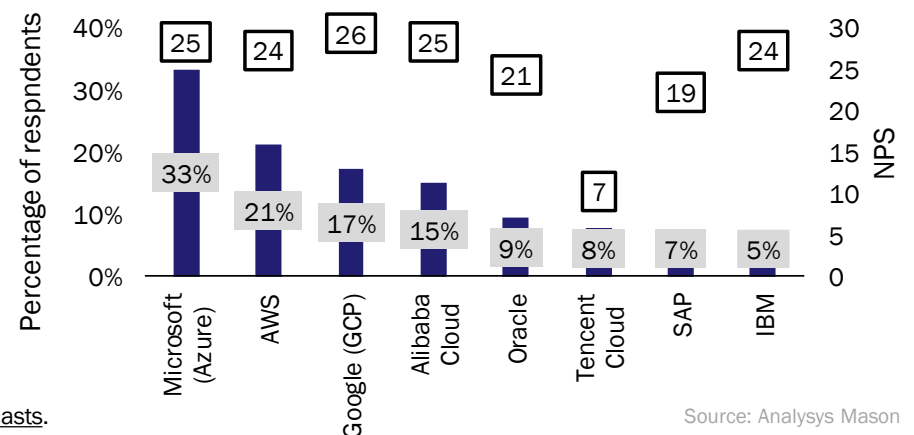
² Question: “How will your company’s IT spending change over the next 12 months for hosted/cloud-based services?”; n = 2983.

³ Question: “Which of the following service providers/data centers does your company use for leasing/managing servers, IaaS or PaaS?” and “On a scale from 0–10 (where 0=not at all likely, and 10=definitely), how likely are you to recommend this service provider to other businesses?”; n = 2384.

Businesses that intend to increase spend on cloud services during the next 12 months, by business size (number of employees)²



Use of cloud infrastructure, by platform, and NPS of providers³



Software and applications: on-premises services continue to dominate all categories

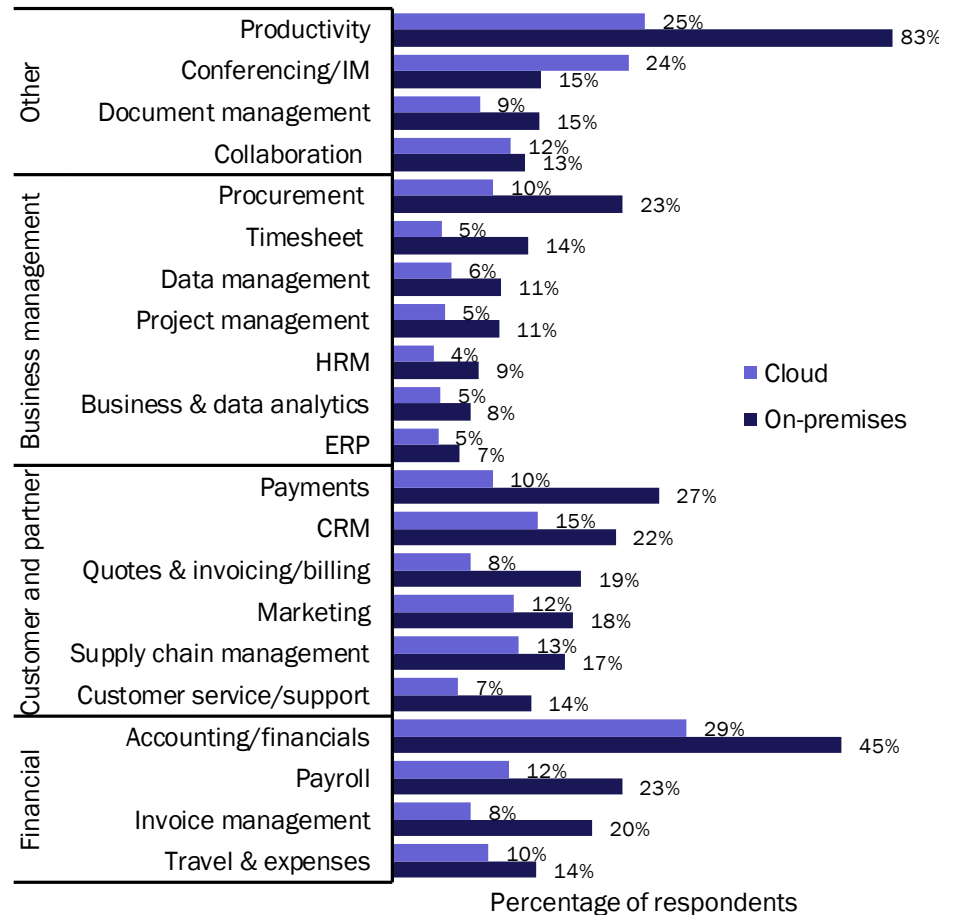
Findings

- Businesses are continuing to use on-premises software more than they use cloud/online software.
- Typically, cloud adoption is half that of on-premises solutions, although the difference is greater in some categories.

Implications

- The opportunity for growth for cloud software vendors remains considerable in the SMB market. Adoption to date has been low.
- Many businesses have benefited from cloud software implementations, but more needs to be done to help smaller organisations to migrate. Simple migration and strong support may help smaller businesses more than offering them the most advanced features or technology.

Use of software by category and delivery type¹



Percentage of respondents

Source: Analysis Mason

¹ Question: "Which of the following applications does your firm currently use" and "How does your firm currently have these installed? On-premises on PCs/servers or via a cloud-based/online service, or both?"; n = 2983.

Cloud services migration: improved performance is at least equally important as lower costs

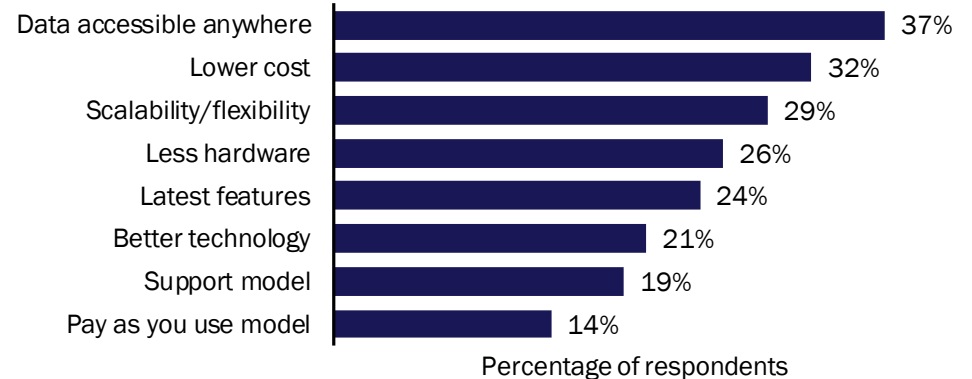
Findings

- Businesses regard the ability to access data anywhere and reduced costs as the most important benefits of moving to cloud-based services.
- Businesses that had made the move to cloud services reported that a lack of internal expertise, security and compatibility were the greatest challenges.
- The pay-as-you-use model – often cited as a benefit of moving to cloud services – is not seen as a major benefit by customers.

Implications

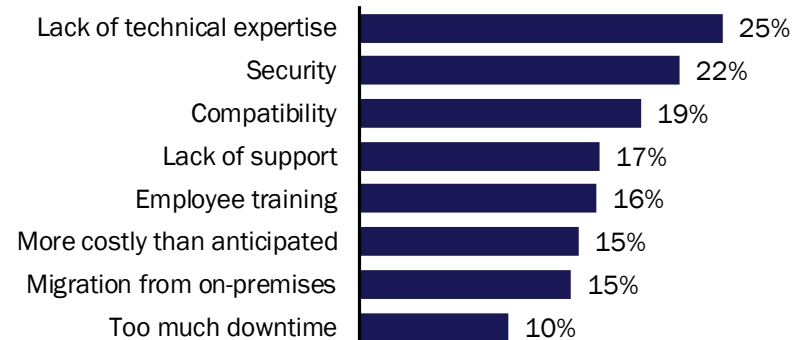
- Moving to cloud services is not simply a cost issue. Cloud solution vendors should continue to emphasise lower costs but businesses are receptive to other benefits, such as increased flexibility.
- Vendors need to simplify migrations, and so limit the reliance on internal expertise, or the need for additional training. Security and compatibility fears also need to be eased. MSPs and other service providers should be able to help with all of this.

Benefits of adopting cloud services^{1,2}



Source: Analysys Mason

Challenges in adopting cloud services^{1,3}



Source: Analysys Mason

¹ Question was only asked to companies who have already migrated some services to the cloud.

² "Which of the following benefits has your company experienced by using hosted/cloud solutions?"; nine options given; n=2772.

³ "Which of the following challenges has your company experienced while using hosted/cloud solutions?"; eight options given; n = 2772.



Contents



Executive summary

Digital transformation

Cloud services

Telecoms, IoT and cyber security

Channels to market

Business formation

Appendix

Telecoms: levels of satisfaction with most telecoms service providers is low, causing churn and limiting opportunities in new markets

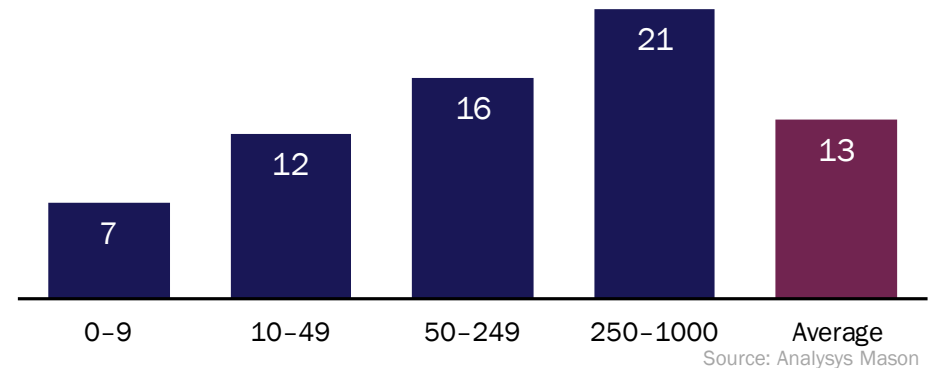
Findings

- Satisfaction levels with telecoms services are low, for mobile and fixed services.
- Satisfaction levels have improved, slightly, compared with our previous surveys but the lack of satisfaction continues to be a problem for service providers.

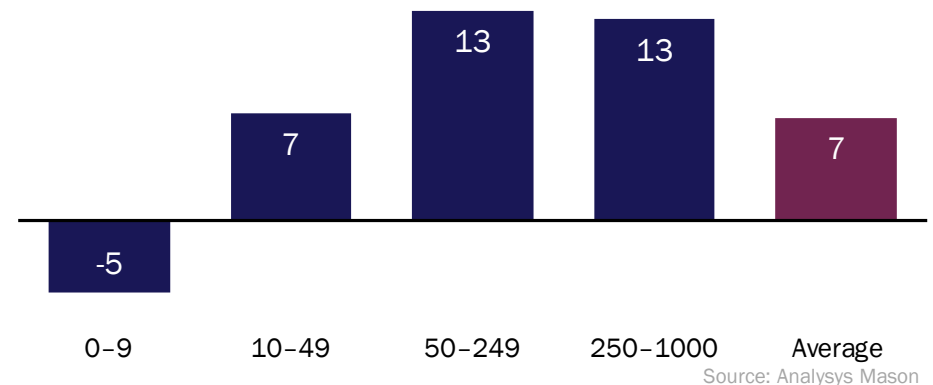
Implications

- Low satisfaction with core connectivity services is a problem for service providers because:
 - it leads to a high level of churn, particularly in countries that are saturated
 - it limits the likelihood that businesses will want to buy other products from their service providers.

Mobile services Net Promoter Scores by business size (number of employees)¹



Fixed services Net Promoter Scores by business size (number of employees)²



¹ Question: "On a scale of from 0-10 (where 0=not at all likely, and 10=definitely), how likely are you to recommend your mobile phone supplier to other businesses?"; n = 1974.

² Question: "On a scale of from 0-10 (where 0=not at all likely, and 10=definitely), how likely are you to recommend your fixed supplier to other businesses?"; n = 2005.

Internet of Things (IoT): most small companies have little or no interest in the IoT; vendors need to do more to promote the benefits of IoT

Findings

- The technology sector is focusing on IoT, but most businesses with fewer than 250 employees are either unaware of IoT (32%), or are not interested in it (37%).
- The picture is more encouraging for larger enterprises (i.e. those with 250–1000 employees), but even here 25% are unaware of, or uninterested in, IoT.

Implications

- Technology vendors cannot assume that all businesses understand IoT and its benefits; more education is needed.
- Technology vendors need to demonstrate how IoT can help SMBs and have more complete solutions ready for these businesses. Most SMBs do not have the capabilities or resources to create a solution, even if hardware and software tools are available.

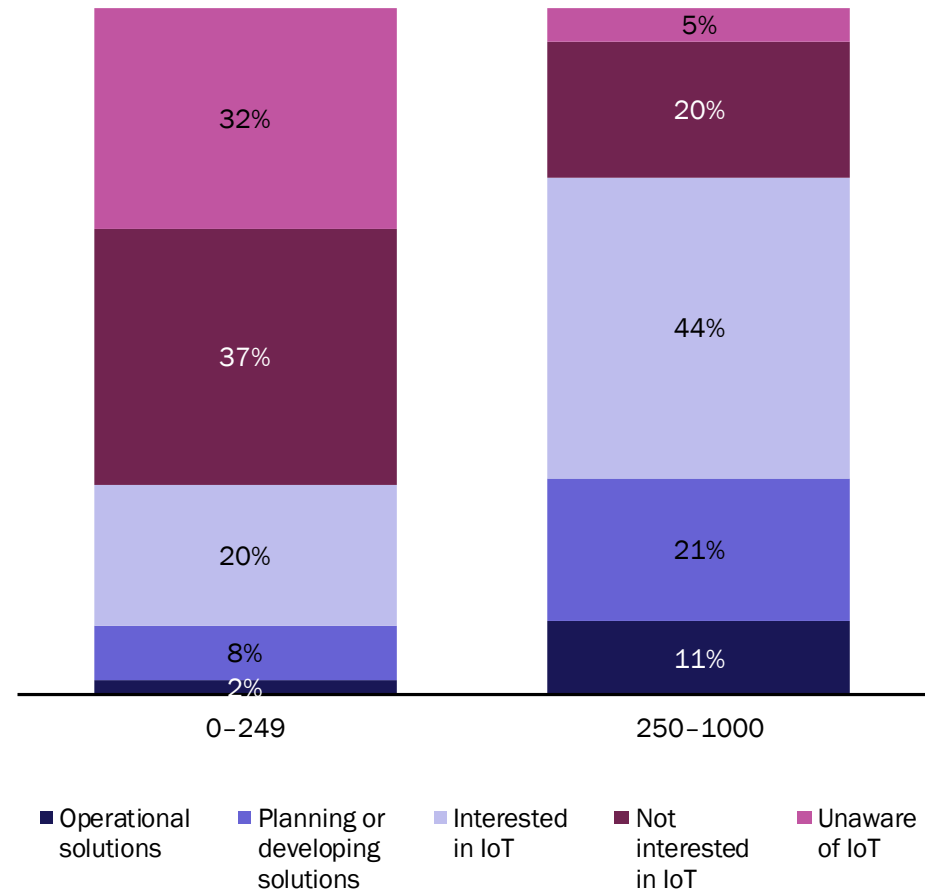
Analysys Mason ICT Global Model¹

Vendors (and Analysys Mason) believe that IoT is relevant for most, if not all, businesses. We forecast that SMB spend will reach USD77 billion by 2024, more than double the figure in 2019.

¹ For more information, see www.analysismason.com/services/Research/smb-ict-channels-forecasts.

² Question: “Which of the following most applies to your business when it comes to the Internet of Things (or machine-to-machine communications)?”; n = 2983.

Plans for IoT projects, by business size (number of employees)²



Source: Analysys Mason

Cyber security: almost 25% of micro businesses report having inadequate protection

Findings

- The smaller the business, the less well protected it feels against a cyber-security attack. These smaller businesses also do not feel well informed about security vendors or solutions.
- Security attacks can have a greater relative impact on smaller businesses; even an attack costing a few thousand dollars can threaten the existence of a company with tight cash flows.

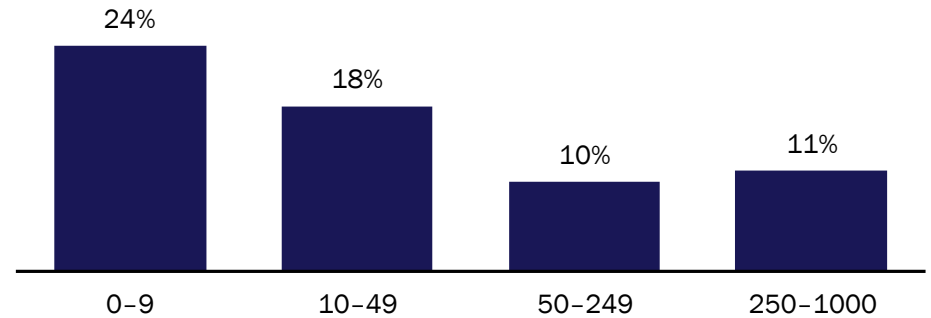
Implications

- Small businesses are a large and underserved market.
- Vendors that want to sell to small businesses need to:
 - highlight the impact of a security breach
 - show how their products can help to mitigate the risks
 - make it easy for businesses to adopt and understand the benefits of their services.

Analysys Mason ICT Global Model¹

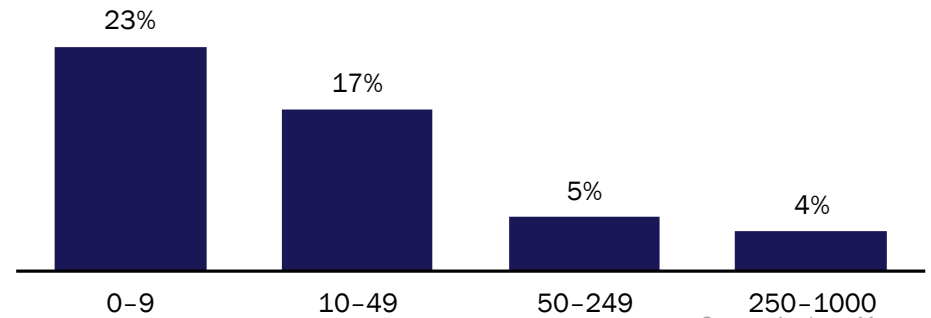
This market can be hard to target, but big rewards are available to vendors that are successful in this market. We forecast that SMBs will spend around USD50 billion on security in 2019.

Percentage of businesses that feel somewhat or not satisfactorily protected against a cyber-security attack, by business size (number of employees)²



Source: Analysys Mason

Percentage of businesses that cited the lack of awareness of security vendors and their products as a challenge, by business size (number of employees)³



Source: Analysys Mason

¹ For more information, see www.analysismason.com/services/Research/smb-ict-channels-forecasts.

² Question: “How well protected is your business against any type of internal data theft/loss, or external cybersecurity threats and attacks?”; n = 2983.

³ Question: “Which of the following are challenges to your company having a highly effective cybersecurity capability?”; n = 2983.

Networks: micro and small businesses can have complex networking requirements

Findings

- Relatively complex networks are not purely the reserve of larger companies. Even businesses with fewer than 50 employees may have complicated needs; these businesses also have relatively few resources to manage these needs.
- For example, businesses of all sizes are likely to have a Wi-Fi network. More than half of micro businesses have a LAN and almost half of small firms manage their own servers.

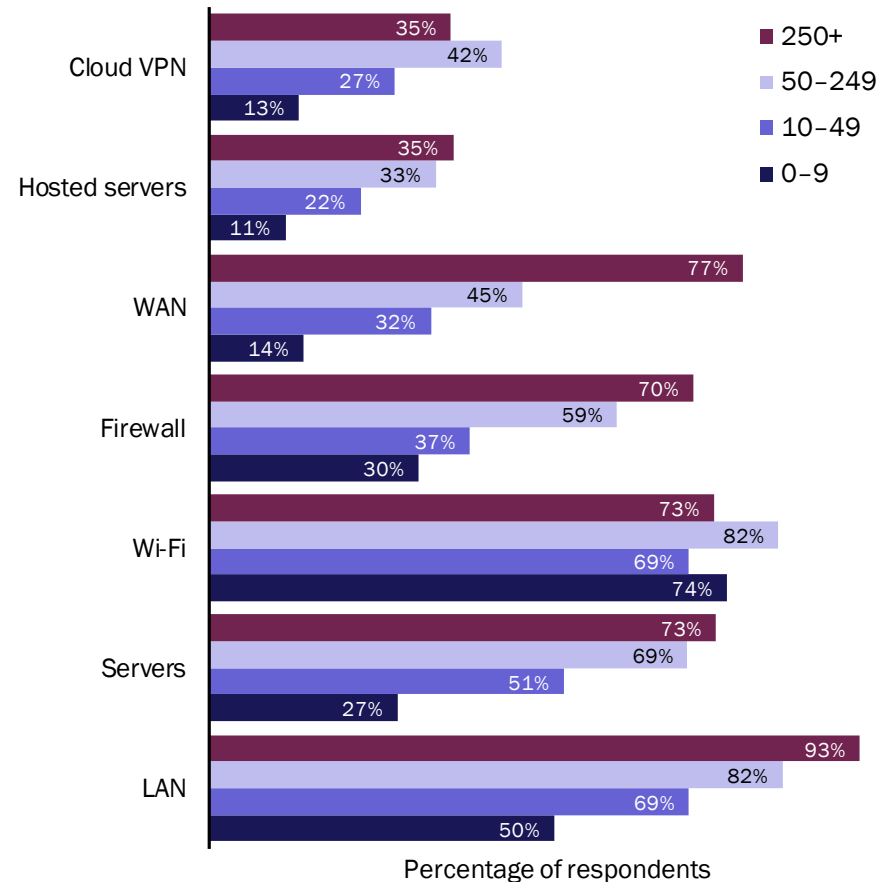
Implications

- Vendors have an opportunity to help businesses of all sizes with LAN management and Wi-Fi networks.
- Other services, such as firewalls and WAN, are more relevant to medium-sized businesses (but there will be exceptions).

Analysys Mason ICT Global Model¹

Spend on network-related products is significant at USD40 billion in 2019. We expect this to increase to USD55 billion by 2024.

Current use of networking solutions, by type and business size (number of employees)²



Source: Analysys Mason

¹ For more information, see www.analysismason.com/services/Research/smb-ict-channels-forecasts.

² Question: "Which of the following networking solutions does your company currently use?"; n = 2983.



Contents



Executive summary

Digital transformation

Cloud services

Telecoms, IoT and cyber security

Channels to market

Business formation

Appendix

Channel preferences: established technology service providers dominate, but domain experts are making their mark

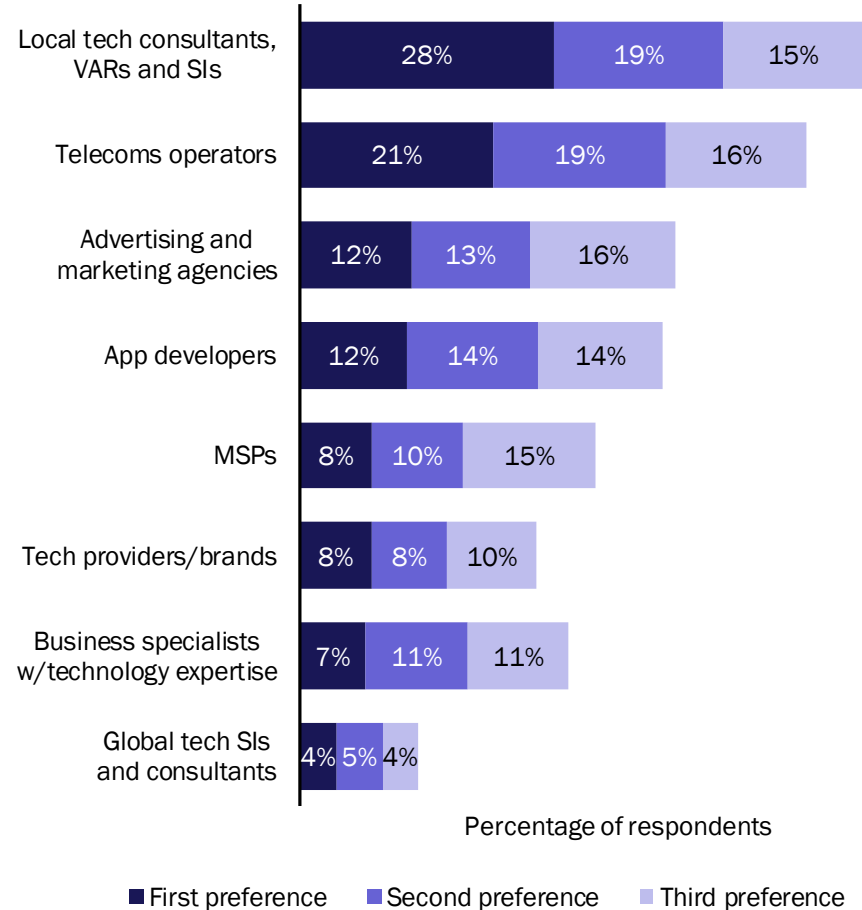
Findings

- Local consultants, SIs and VARs are the preferred partners of small and medium-sized firms for providing technology services, followed by telecoms operators.
- The market is fragmented; no one type of provider dominates.
- SMBs often also work with small, specialist players. These small players may do well in newer areas, such as IoT, where larger players have been slow to gain traction.

Implications

- The SMB market is highly contested; none of the service providers addressing it can afford to be complacent. SMBs may be particularly likely to look for different types of provider in new technology areas such as AI.
- Telecoms operators are considered as technology providers more often than we expected; operators have the opportunity to expand in new areas, if they are willing to adjust their sales and delivery models.

Technology service providers, by rank order¹



Source: Analysys Mason

¹ Question: "Which of the following types of service providers does your company prefer to work with when implementing technology initiatives? (Rank your top 3 choices in order of preference)"; n = 2983.

Managed service providers: Strong migration to managed IT services will continue – businesses show strong interest in outsourcing more services

Findings

- Businesses expressed a strong interest in buying services, such as security, networking and storage/back-up, as managed IT services.
- Many businesses are interested in outsourcing multiple services (for example, a combination of servers, PCs and security).

Implications

- MSPs are likely to see strong growth, especially of bundles of related services. This will favour technology vendors that can provide their MSP clients with more than one solution.
- Companies are not typically interested in outsourcing IT per se; MSPs need to stress how their services improve an existing solution.

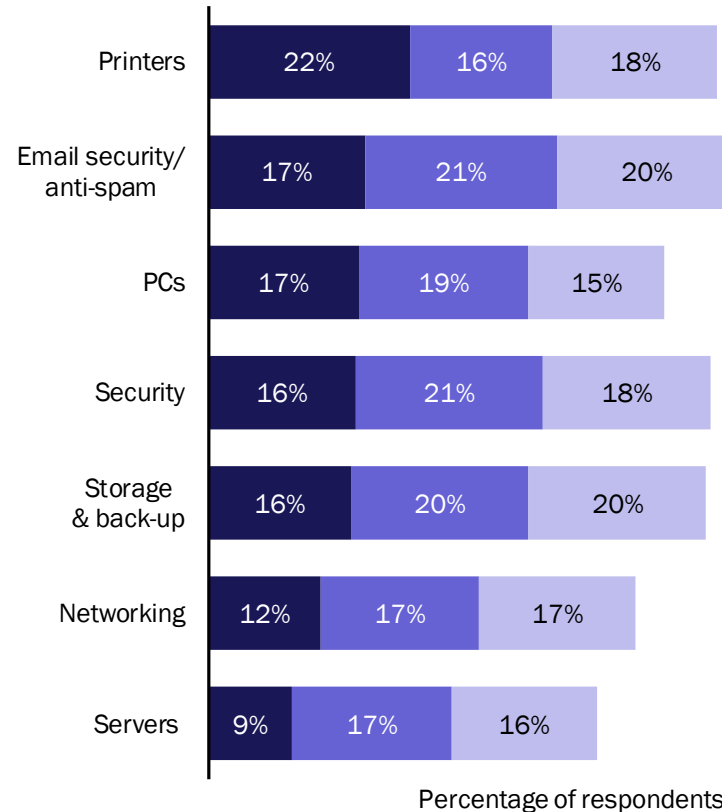
Analysys Mason ICT Global Model¹

We estimate that approximately 11% of IT spending by SMBs in 2019 will be through managed service providers. This is expected to rise to 15% by 2024.

¹ For more information, see www.analysismason.com/services/Research/smb-ict-channels-forecasts.

² Question: “Which of the following managed IT services does your company currently subscribe to via a monthly or annual contract, or what is your level of interest in using these in the future?”; n = 2983.

Managed IT services – usage and interest among non-users²



■ Currently use ■ 5 - Extremely interested ■ 4 - Somewhat interested

Source: Analysys Mason

Telecoms operators: operators have the potential to act as a channel for IT services, if they are willing to invest and change processes

Findings

- Businesses are receptive to buying IT services from their principal fixed telecoms operator.
- The results vary by:
 - service
 - business size
 - satisfaction levels.

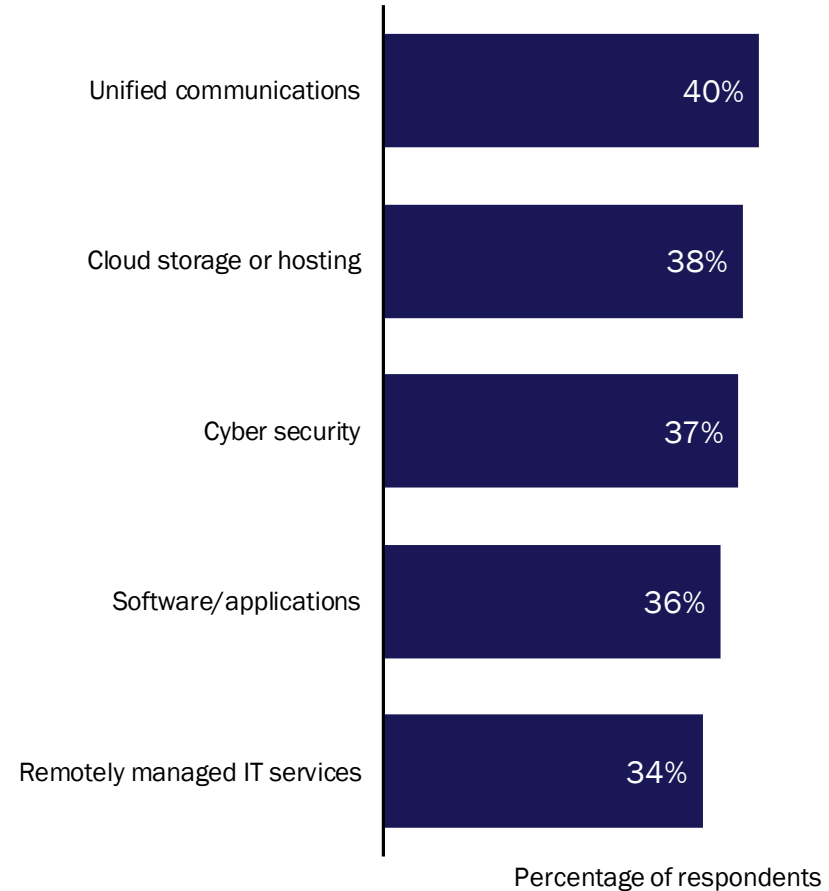
Implications

- Telecoms operators have the potential to sell a range of business services to customers. Whether they can do so successfully, depends on how they work with partners, and how they sell to, and service, customers.

Analysys Mason ICT Global Model¹

We believe that only 1% of business application budgets will be awarded to telecoms operators.

Intention of businesses to buy services other than connectivity from their fixed service provider²



Source: Analysys Mason

¹ For more information, see www.analysismason.com/services/Research/smb-ict-channels-forecasts.

² Question: "Would you consider purchasing the following services from your principal fixed provider?"; n = 2983.



Executive summary

Digital transformation

Cloud services

Telecoms, IoT and cyber security

Channels to market

Business formation

Appendix

Business demographics: younger business leaders have different priorities than their elder peers

Findings

- A large proportion (almost a quarter) of businesses are led by people under the age of 40.
- These businesses have different characteristics from those with older CEOs. They tend to be smaller, newer and faster growing. Expansion is more often a higher priority than cost cutting.
- Younger business leaders are more interested in digitising/modernising all business areas, and will use more modern technologies to do so.

Implications

- As well as the standard segmentations (for example, vertical market), technology vendors may need also to consider who business leaders are and they are changing.
- Younger leaders appear to be more willing to adopt new technologies and make changes more quickly.

Business characteristics based on the age of the CEO¹

	Age of CEO (years)		
	Under 40	40–49	Over 50
Share of businesses	24%	39%	37%
Expected revenue growth rate (last/next 12 months)	8.0%/11.6%	6.3%/6.6%	4.9%/5.8%
Intend to digitise marketing	42%	35%	32%
Intend to digitise financial planning	45%	33%	32%
Intend to migrate more processes to the cloud	50%	40%	30%

Source: Analysys Mason

¹ CEO or equivalent title.

Business demographics: vendors need to consider how their technology can support the agendas of businesses of different ages

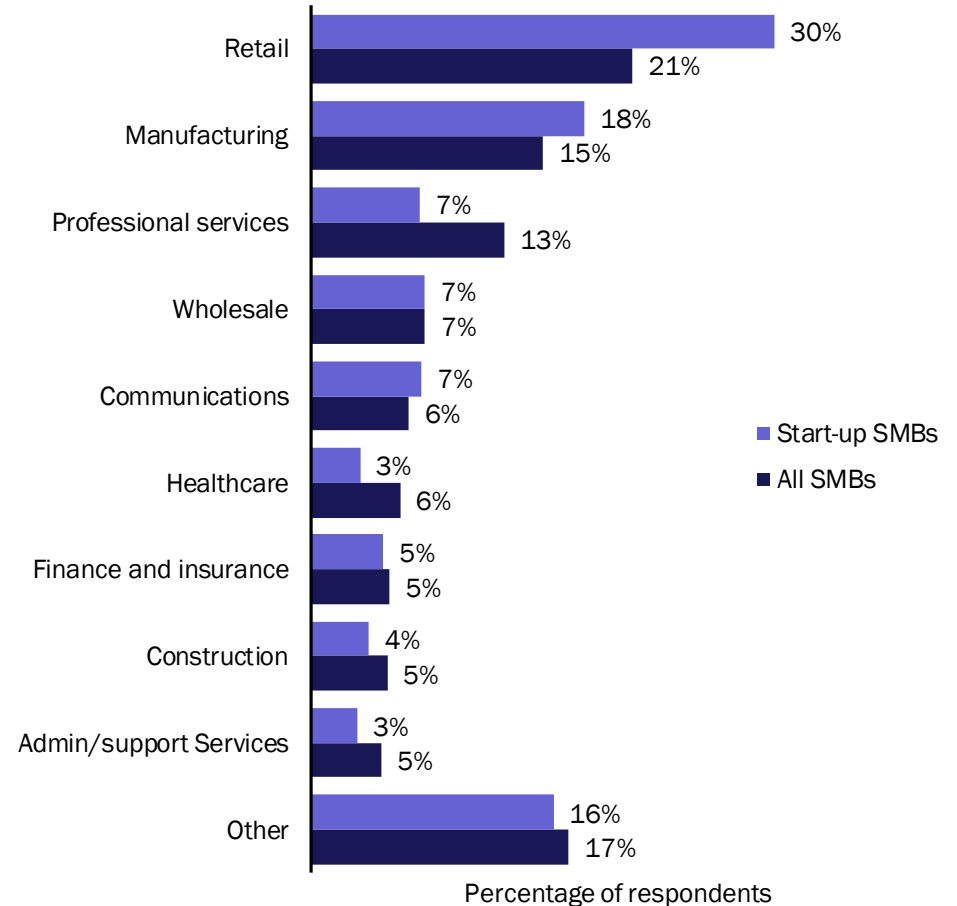
Findings

- Newer businesses tend to be present in different segments from established firms. This is for a variety of reasons such as barriers to entry and perceived opportunities.
- Some sectors, such as professional services and healthcare, are not attracting new competitors, while retail in particular has a high share of new companies.
- Typically, between 5% and 10% of SMBs are in start-up mode in any year, and more in middle-income countries in Asia.

Implications

- Start ups in all verticals are likely to be interested in how technology can reduce barriers to entry to new markets. Established businesses may be more interested in how technology can increase these barriers and help to deter new entrants.
- Technology vendors need to consider the different agendas of these companies when trying to promote the benefits of their solutions.

Activity of start-up (less than 2 years old) and established SMBs, by vertical market¹



Source: Analysys Mason

¹ Question: "How long has your company been in business?" and "What is your company's primary business activity?"; n = 2983.



Contents



Executive summary

Digital transformation

Cloud services

Telecoms, IoT and cyber security

Channels to market

Business formation

Appendix

Survey methodology and sample size

Topic	Description
Survey description	The survey consisted of an approximately 45-minute online questionnaire filled out by a senior/director-level executive or CTO from each business during 1Q 2019. The survey covered almost 3000 businesses across 10 countries and the questions related to all facets of businesses' telecoms and technology usage and future plans. Surveys in non-English countries are translated by professional translators and checked in-house.

Country	Sample size
Australia	251
China	303
France	306
Germany	304
India	302
Indonesia	250
Saudi Arabia	257
South Africa	250
UK	301
USA	459
Total	2983

Business segment (number of employees)	Sample size
Micro (0-9)	870
Small (10-49)	710
Medium (50-249)	730
Large (250-1000)	673
Total	2983

Contact details

Tom Rebbeck

Research Director

tom.rebbeck@analysismason.com



@tomrebbeck



linkedin.com/in/tom-rebbeck-7544a/

Deepinder Sahni

Principal Consultant

deepinder.sahni@analysismason.com



linkedin.com/in/dsahni/



@AnalysysMason



linkedin.com/company/analysys-mason



youtube.com/AnalysysMason



analysismason.com/RSS

Cambridge

Tel: +44 (0)1223 460600

cambridge@analysismason.com

Dubai

Tel: +971 (0)4 446 7473

dubai@analysismason.com

Dublin

Tel: +353 (0)1 602 4755

dublin@analysismason.com

Hong Kong

Tel: +852 9313 7552

hongkong@analysismason.com

Kolkata

Tel: +91 33 4084 5700

kolkata@analysismason.com

London

Tel: +44 (0)20 7395 9000

london@analysismason.com

Lund

Tel: +46 8 587 120 00

lund@analysismason.com

Madrid

Tel: +34 91 399 5016

madrid@analysismason.com

Manchester

Tel: +44 (0)161 877 7808

manchester@analysismason.com

Milan

Tel: +39 02 76 31 88 34

milan@analysismason.com

New Delhi

Tel: +91 124 4501860

newdelhi@analysismason.com

New York

Tel: +212 944 5100

newyork@analysismason.com

Oslo

Tel: +47 920 49 000

oslo@analysismason.com

Paris

Tel: +33 (0)1 72 71 96 96

paris@analysismason.com

Singapore

Tel: +65 6493 6038

singapore@analysismason.com

Stockholm

Tel: +46 709 211 719

stockholm@analysismason.com

PUBLISHED BY ANALYSYS MASON LIMITED

Bush House • North West Wing • Aldwych • London • WC2B 4PJ • UK

Tel: +44 (0)20 7395 9000 • Email: research@analysismason.com • www.analysismason.com/research • Registered in England and Wales No. 5177472

© Analysys Mason Limited 2019. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without the prior written permission of the publisher.

Figures and projections contained in this report are based on publicly available information only and are produced by the Research Division of Analysys Mason Limited independently of any client-specific work within Analysys Mason Limited. The opinions expressed are those of the stated authors only.

Analysys Mason Limited recognises that many terms appearing in this report are proprietary; all such trademarks are acknowledged and every effort has been made to indicate them by the normal UK publishing practice of capitalisation. However, the presence of a term, in whatever form, does not affect its legal status as a trademark.

Analysys Mason Limited maintains that all reasonable care and skill have been used in the compilation of this publication. However, Analysys Mason Limited shall not be under any liability for loss or damage (including consequential loss) whatsoever or howsoever arising as a result of the use of this publication by the customer, his servants, agents or any third party.