



SMB technology demand in the USA: business survey 2022



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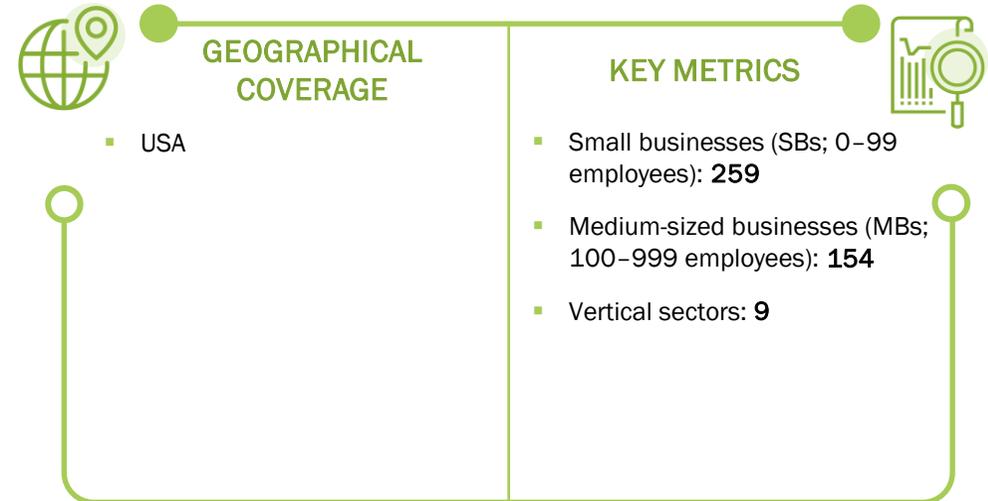
About this report

Analysys Mason surveyed 413 small and medium-sized businesses (SMBs) in the USA between December 2021 and January 2022. We asked SMBs how they have adapted to the changing business environment since the start of the pandemic and about future plans.

This report builds on our previous surveys of SMBs¹ to provide updated insights into SMBs' long-term strategies. SMBs are "getting back to business" (that is, instead of just trying to remain operational, they are focusing on revenue generation and business expansion, including hiring, opening locations and broadening their product or services offerings). This study assesses the drivers of SMBs' future demand for IT and managed services and examines the key implications for vendors and service providers.

KEY QUESTIONS ANSWERED IN THIS REPORT

- How have SMBs adapted to a changing operating environment?
- How has SMBs' use of IT and managed services helped them to adapt their operations to new working conditions and how do SMBs expect the business environment to change in the future?
- What are the key drivers of SMBs' future adoption of technology and what does this mean for vendors and providers?
- What types of support and services are SMBs demanding from vendors?



WHO SHOULD READ THIS REPORT

- IT vendors
- Cloud service providers (CSPs)
- Managed service providers (MSPs)
- Telecoms operators
- Any service provider that is interested in how the COVID-19 pandemic has changed and will change SMBs' technology buying behaviour.



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Executive summary

In 2021, SMBs in the USA were able to get back to business, with revenue increasing across most sectors. However, due to the persistence of pandemic-related issues, SMBs will be forced to rely on scaled-back resources to achieve their revenue targets. This will drive investment in a range of IT solutions.

This report uses survey data from 413 SMBs in the USA to understand:

- how SMBs have adapted to a changing business environment, including increased remote working
- current business conditions and SMBs' future priorities
- current technology usage and planned investments
- the services and support that SMBs need most from vendors.

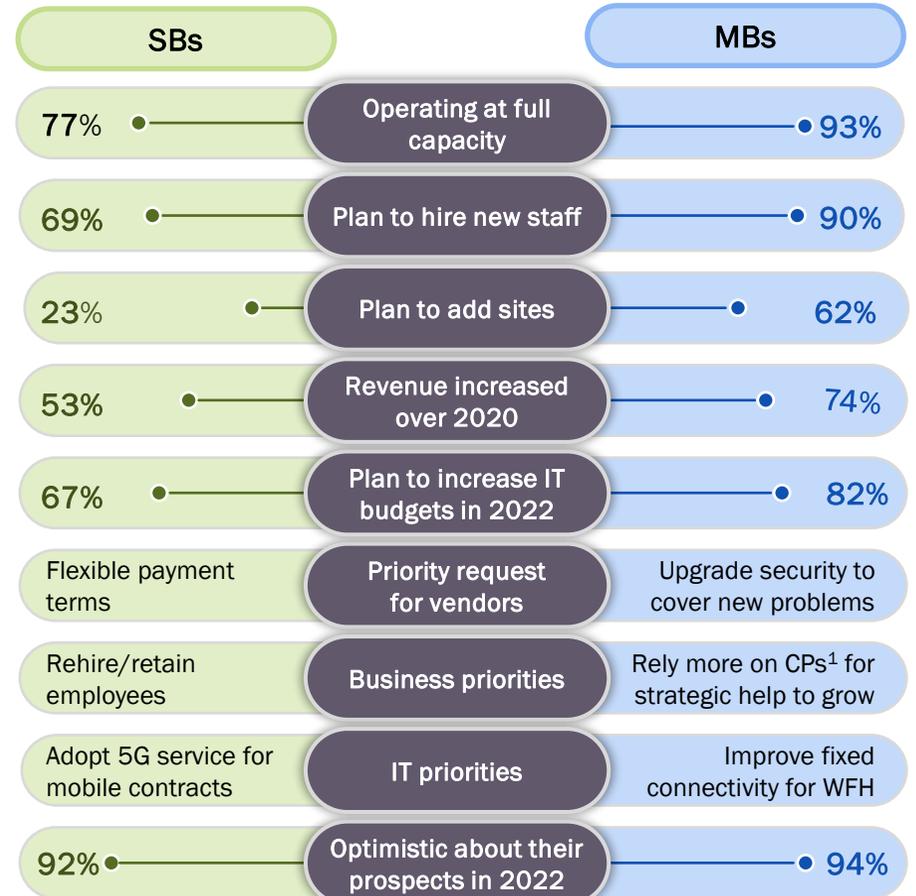


KEY IMPLICATIONS

- SMBs are increasing their IT budgets and expect to work more with channel partners to get strategic help beyond IT support, including assistance with expanding their business and increasing revenue.
- SMBs will spend more on solutions that help them to return to pre-COVID levels of operation and enable them to expand their businesses.
- Vendors and operators should help SMBs to establish their environmental, social and governance (ESG) strategies.

¹ CPs = channel partners

Figure 1: Overview of the differences between SBs and MBs, USA, 1Q 2022



Source: Analysys Mason

Key implications

1

SMBs are increasing their IT budgets and expect to work more with channel partners to get strategic help beyond IT support, including assistance with expanding their business and increasing revenue.

Vendors, operators and service providers should offer value propositions that focus on SMBs' key strategic initiatives and validate how IT can support businesses' goals for revenue growth. SMBs' key strategic initiatives include ensuring remote employees' satisfaction and engagement, rehiring and retaining employees and increasing their share of a customer's total IT spend.

2

SMBs will increase their spend on solutions that help them to return to pre-COVID levels of operation and enable them to expand their businesses; this presents vendors and operators with revenue opportunities.

New revenue opportunities are available for service providers that offer solutions that support remote working (including IT support and employee wellbeing), data security and business operations. SMBs also plan to increase their spend on financial and front-office applications, networking, storage and infrastructure solutions (such as cloud, on-premises and managed services), and security solutions that manage endpoints and mobile devices.

3

Vendors and operators should help SMBs to establish their environmental, social and governance (ESG) strategies.

Our survey results show that businesses are interested in establishing ESG initiatives, especially SMBs in sectors such as healthcare, IT and comms and professional business services. IT service providers' value propositions that include strategies for accomplishing this will therefore resonate well with SMBs. Providers that have their own ESG policies will be in demand: over 50% of SMBs reported that they are more like to buy from such vendors.



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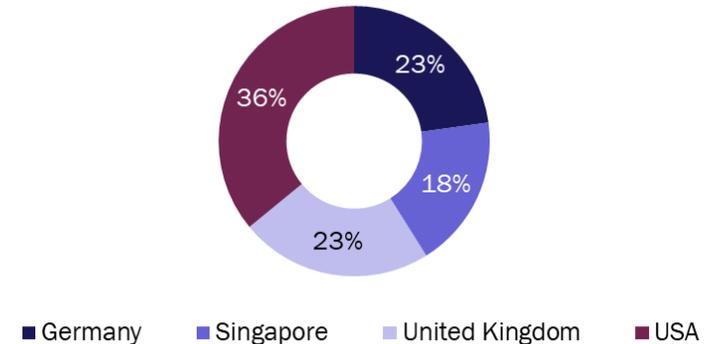
Analysys Mason surveyed 1149 SMBs in Germany, Singapore, the UK and the USA between December 2021 and January 2022. We asked them about their IT and telecoms usage and adoption, how they have adapted to a changing business environment, including the increasing trend towards remote working. We also asked them about how they expect their IT usage and priorities to change in the future.

Our sample was formed of companies with 1–99 employees (small businesses (SBs)) and those with 100–999 employees (medium-sized business (MBs)).¹ It included firms from a range of different sectors in the economy and from different parts of each country. Each survey was completed by a member of staff within the business with control or influence over the IT and communications decisions.

A number of caveats must be acknowledged, as with any survey. The responses reflect what the firms claim to be doing, which may differ from what they are actually doing. Any responses about future plans will not (and cannot) provide perfect insights into companies' future actions. The majority of SMBs surveyed (72%) were operating at full capacity at the time of the survey, but our survey also includes a small number of businesses that are still operating in a limited capacity due to COVID-19.

This survey gives a sense of companies' priorities as they develop strategies for the long term.

Figure 2: Split of survey sample by country, 1Q 2022¹



Source: Analysys Mason

This report focuses on the USA and is divided into three sections.

- **Context.** This provides an overview of how companies have addressed the lingering operational effects of the COVID-19 crisis.
- **Usage and spend.** This section explores how SMBs' use of IT and communications services have helped them to adapt their operations to new working conditions and how SMBs expect this to change as they focus more on increasing revenue rather than simply trying to stay operational.
- **Support.** This section looks directly at how vendors and service providers can help SMBs.

We also offer key implications for vendors and service providers.

¹ A full breakdown of the survey sample for this report is provided on slide 32, along with more details about the survey questions.

Business revenue is returning to pre-pandemic levels, but some macroeconomic issues are expected until 2023

In the USA, SMBs' revenue across most sectors increased in 2021. Improved GDP forecasts and lower unemployment have been key to this more-optimistic picture. However, the ongoing impact of the COVID-19 pandemic has created new issues.

Lockdown restrictions and closures had a significant impact on SMBs in 2020, but vaccine roll-outs, business re-openings, flexible work patterns and mask mandates have allowed SMBs to get back to business, albeit differently than pre-pandemic. SMBs' operations have been affected by other factors including rising inflation, worker shortages (due to a growing wave of resignations and health issues), increases in the minimum wage and supply chain issues due to materials shortages and shipping delays.

While some of these issues are global in nature, the metrics outlined in Figure 3 have helped us to determine the ongoing economic impact of COVID-19 on SMBs in the USA specifically. Each of these factors will continue to influence how SMBs operate, and which IT technologies and services can best help them continue to do business in their local environment.

Due to the persistence of pandemic-related issues, SMBs will have to rely on scaled-back resources to achieve their revenue targets. This will drive investment in IT solutions that help them to digitalise operational support functions, sales support, employee management, manufacturing, transportation and revenue generation.

Figure 3: Extended economic impact of the COVID-19 pandemic, USA, 2020–2022

Measure	USA		
	2020	2021	2022
Real GDP growth forecast ¹	-3.4%	6.0%	5.2%
Unemployment forecast ¹	8.1%	5.4%	3.5%
Inflation forecast ¹	1.6%	5.1%	2.6%
Changes in the number of SMBs ²	<ul style="list-style-type: none"> • 2019–2020: -10% • 2020–2021: 4% • No return to pre-pandemic numbers expected before 2026 		

Source: Analysys Mason

¹ IMF (October 2021), *World Economic Outlook Database: October 2021 Edition*. Available at <https://www.imf.org/en/Publications/WEO/weo-database/2021/October>. ² For more information, see the Analysys Mason *SMB Technology Forecaster*.



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The economic outlook for 2022 is more optimistic for SMBs in the USA than in the previous 2 years

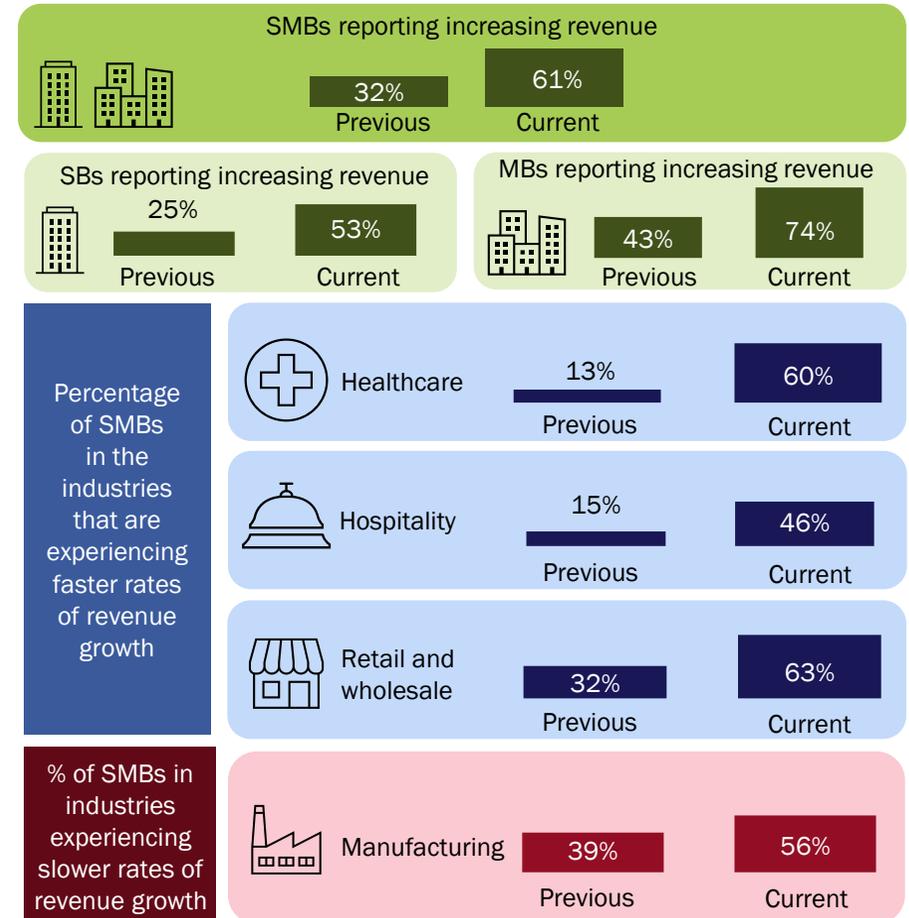
Only 17% of the sampled SMBs in the USA reported a decline in revenue between 2020 and 2021 (current), compared to 49% of SMBs sampled between 2019 and 2020 (previous) (see Figure 4).

In 2021, SMBs have, as expected, rebounded from the initial financial impact of the COVID-19 crisis. A significantly smaller percentage of SBs and MBs have reported a decline in revenue (for more detail, see Figure 35 in the appendix). A variety of government measures taken to mitigate the effects of COVID-19, as well as adaptation by the SMBs (including a dramatic increase in the number of employees working from home, improved health and safety measures, re-opening of offices and a rise in online and touchless transactions) have helped businesses return to operating more normally in a changed environment.

MBs have seen a more-dramatic economic rebound than SBs. Furthermore, some industry verticals have seen a more dramatic rise in revenue, including healthcare, hospitality, and retail and wholesale. The healthcare industry was particularly hard-hit by a decline in revenue, incurred as a result of cancelled elective procedures and the dramatic increase in pandemic-related equipment and staffing costs. These businesses have not recovered fully yet, but are making good progress.

However, some industry verticals have not performed as well, most notably manufacturing (mainly due to supply chain delays and worker shortages).

Figure 4: Percentage of sampled SMBs that reported revenue changes in the previous¹ and current² surveys, USA³



¹ Question (from Analysys Mason's [previous SMB survey](#)): "How does your company's revenue in 2020 so far compare to the same period in 2019?" $n = 481$.

² Question (from Analysys Mason's most-current survey): "How does your company's revenue in 2021 so far compare to the same period in 2020?" $n = 413$.

³ See slide 35 in the appendix of this report for more-detailed revenue changes.

Remote working will continue to be commonplace, but more SMBs now expect employees to return to the office than did so in our previous survey

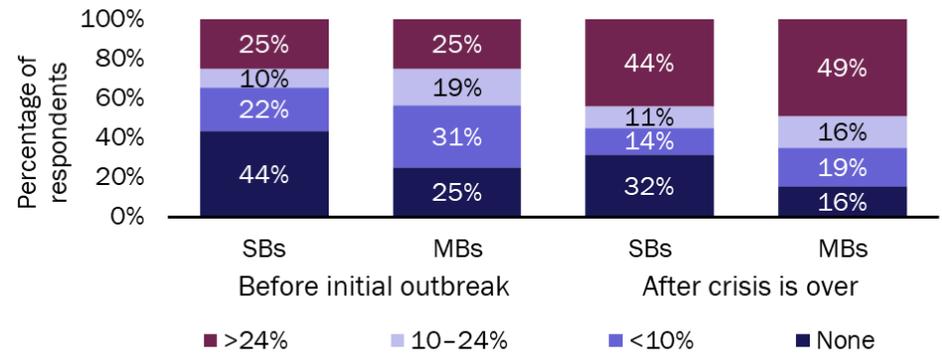
Remote working (both full-time and hybrid models) will be more commonplace during the next 1–2 years than was the case prior to the COVID-19 pandemic. However, SMBs are planning for more employees to return to the office/on-site full time than previously expected (see Figure 6).

In our previous survey in 1Q 2021, SMBs anticipated that an average of 32% of their employees would be working remotely on a regular basis while only 20% reported this belief in our latest survey. This variation will create a changing demand for cloud-based on-premises solutions.

The COVID-19 pandemic has triggered permanent changes to many SMBs’ working patterns. During the initial phases of the pandemic, SMBs looked to working from home (WFH) as a way to help them stay in business. Many SMBs realised that there were cost benefits, as well as increased productivity and employee satisfaction associated with home working and are planning to maintain remote work as a viable part of operations. However, more SMBs want employees to return to the office full time.

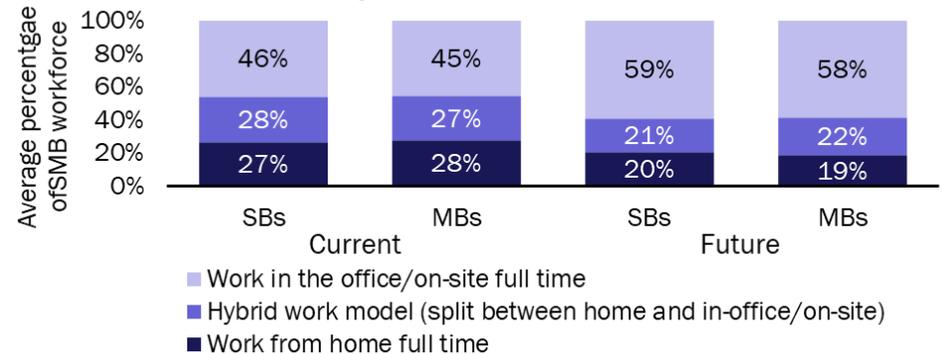
Employees in the healthcare, agriculture, mining, transportation, utilities and construction (AMTUC) and retail and wholesale sectors will be most likely to have to return to full-time office work. These industry verticals are expected to focus on technologies that support their employees’ return, and their focus on remote services may decline.

Figure 5: Proportion of WFH employees prior to the initial outbreak of COVID-19 and expectations for once the crisis is over, by business size, USA, 1Q 2021¹



Source: Analysys Mason

Figure 6: Current proportion of employees working from home and future expectations for the next 12–24 months, by business size, USA, 1Q 2022^{2,3}



Source: Analysys Mason

¹ Question: “Do you have any employees working from home due to the pandemic?” n = 481. ² Question: “What percentage of your company’s employees currently work at home and what proportion of your employees do you expect to work from home vs. work in the office in the next 12–24 months?” n = 413. ³ This percentage represents the average proportion of the workforce (employees) of all SMBs surveyed in this report.

SMBs in the USA are focusing on revenue growth and building their business operations back to pre-pandemic levels, as well as hiring qualified employees

SMBs are focusing on growth strategies and building their businesses operations back to pre-pandemic levels. Significantly, 69% of SBs and 90% of MBs plan to hire new employees in 2022 (see Figure 7).

Several factors have contributed to the high level of worker shortages in the USA in 2021, including government stimulus packages (which meant that many employees chose to accept financial assistance rather than return to work when they had the opportunity), a shift in worker mindsets (with many workers resigning), vaccine mandates and other macro-economic-related issues. 41% of SMBs are reporting difficulties in recruiting and hiring employees (see Figure 8). Vendors that offer technologies and services that support SMBs' recruitment efforts (such as human resource management applications and employee engagement solutions) can benefit most from these challenges.

Most MBs plan to add new business locations as they focus on revenue generation and business expansion (including hiring new staff, opening new locations and broadening product or services offerings. On-premises equipment vendors – particularly networking and infrastructure solutions – will likely benefit from increased SMB spending.

Figure 7: SMB expansion plans for the next 12 months, by business size, USA, 1Q 2022¹

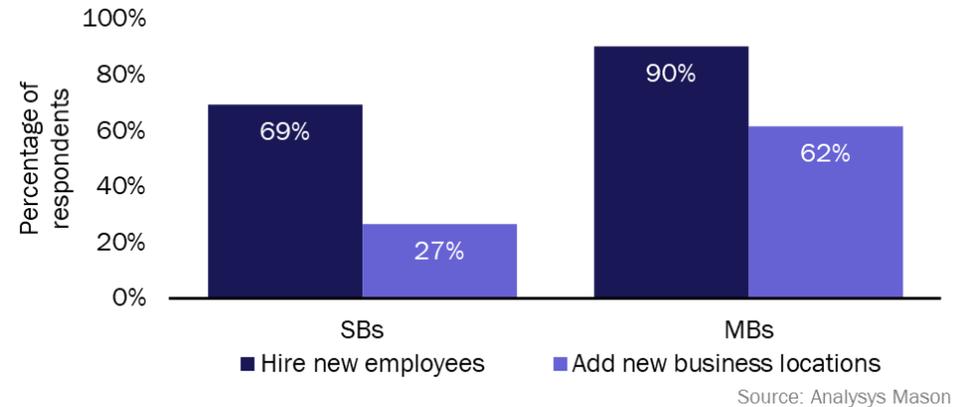
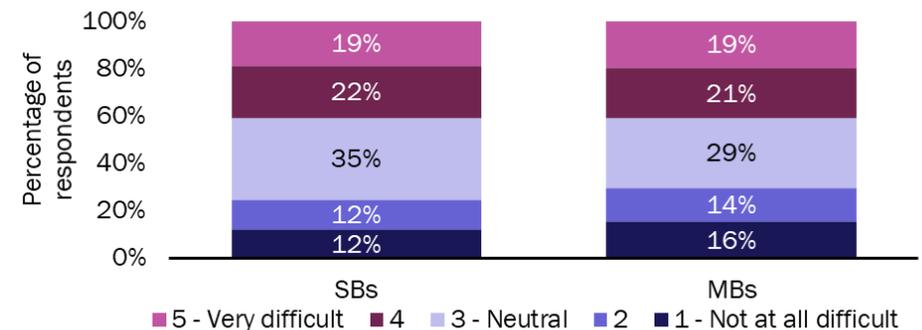


Figure 8: Level of difficulty for SMBs to recruit and hire qualified employees over the last 12 months, by business size, USA, 1Q 2022²



¹ Question: "Which of the following expansion plans does your company have in the next 12 months?" n = 413.

² Question "How difficult has it been for your company to recruit and hire qualified employees over the last 12 months?" n = 413.

As SMBs start to focus on expanding their businesses, they want to find solutions that help them to improve the productivity and data security of their WFH employees

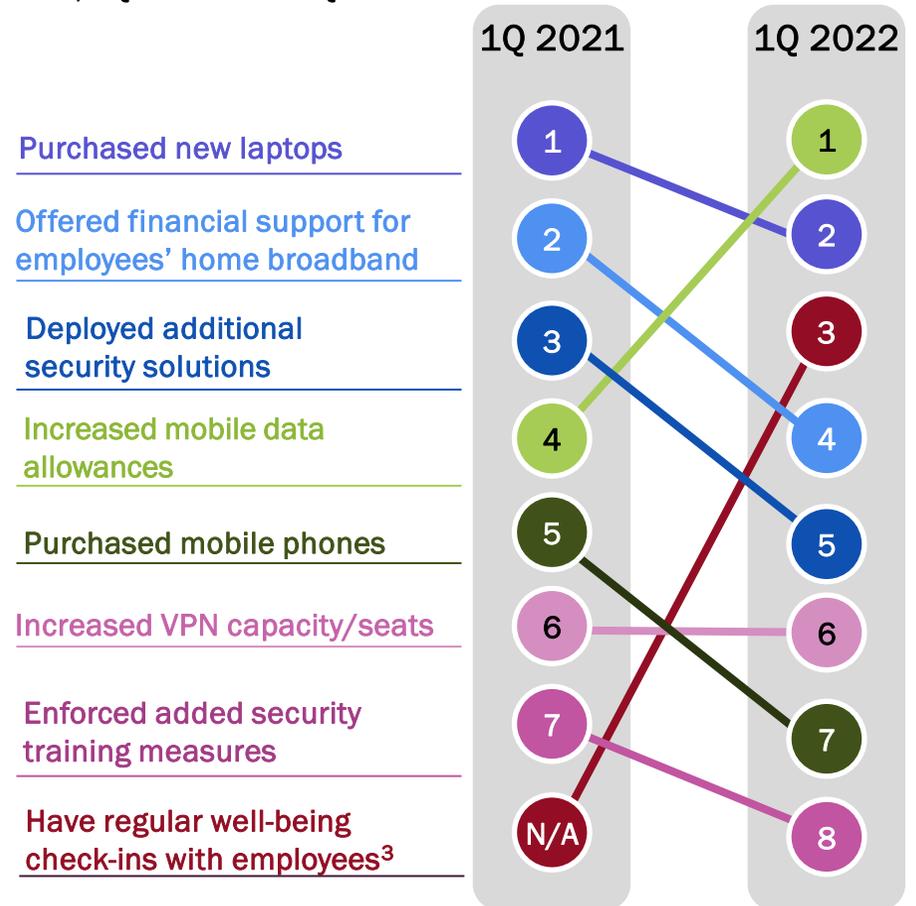
During 2021, SMBs focused on supporting remote working and expanding their WFH employees' communications capabilities (see Figure 9). SMBs now want to also prioritise measures that can help them to expand their businesses rather than simply stay afloat. Most importantly, SMBs need solutions that improve the productivity and data security for employees working remotely.

In 2020, many SMBs adopted measures to enable staff to work remotely. This included purchasing laptops and deploying security solutions. Now SMBs' focus is on improving staff productivity. For many businesses, this means improving their WFH employees' connectivity, which involves increasing mobile data allowances.

A key area of concern for many businesses has been finding and retaining qualified employees. Almost 40% of the surveyed SMBs implemented regular wellbeing check-ins with WFH employees to promote employee satisfaction and engagement. Solutions such as communication and collaboration tools, human resource management, compliance and mobile device management services can help remote staff to feel more valued.

Cyber security continues to be an important concern for SMBs, and they will need long-term support from vendors to protect their data assets, particularly those outside the office. Vendors that offer solutions that can be easily deployed and remotely maintained will attract business from SMBs, including those that are most cost-conscious.

Figure 9: Measures taken by SMBs to support WFH employees, USA, 1Q 2021¹ and 1Q 2022²



Source: Analysys Mason

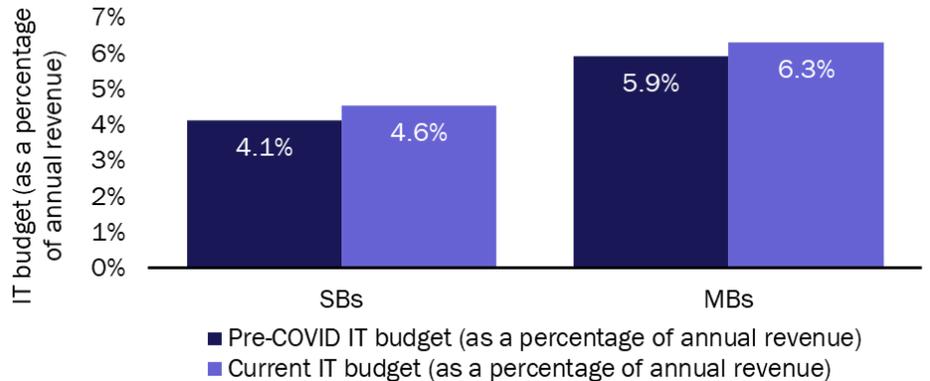
¹ Question: "What measures has your company taken to help support your employees working from home?" n = 317.

² Question: "What measures has your company taken to help support your employees working from home?" n = 386.

³ Note: "Have regular well-being check-ins with employees" was not asked in 1Q 2021.

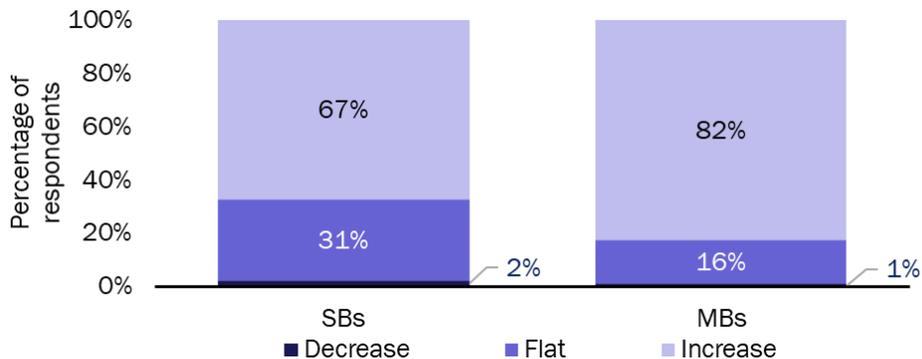
SMBs have increased their IT spending and this trend will continue

Figure 10: IT budget as a percentage of annual revenue, by business size, USA, 1Q 2022¹



Source: Analysys Mason

Figure 11: Expected changes in IT budget over next 12 months, by business size, USA, 1Q 2022²



Source: Analysys Mason

Many of the sampled SBs and MBs reported that they had increased their IT budgets compared to their pre-pandemic levels (see Figure 10). This trend looks to continue, with 67% of SBs and 82% of MBs planning to increase their IT budgets in the next 12 months (see Figure 11).

As the impact of the COVID-19 pandemic intensified, many SMBs had to increase their IT budgets to purchase technologies to help them continue to operate. This included investing in online sales platforms/e-commerce, touchless transactions and digital marketing. They also increased their spend on IT support for remote workers including laptops, fixed and mobile communications, additional cyber security and cloud-based infrastructure solutions and (SaaS) applications.

Other key areas of investment include solutions aimed at streamlining business operations, managing staff, opening/re-opening offices and future-proofing against pandemic-related restrictions.

¹ Question: "What proportion of your company's annual revenue was allocated for your overall IT budget prior to the COVID-19 pandemic, and what proportion is currently allocated?" $n = 413$. ² Question "Over the next 12 months, how do you anticipate your company's IT budget will change?" $n = 413$.

SBs across the four countries that we surveyed are optimistic about their companies' future, and businesses in the USA are among the most confident

In this survey cycle, an increasing percentage of surveyed SBs across all four countries that we surveyed expressed confidence and optimism about their companies' future (see Figure 13). These views have been buoyed by a return to more normal business activities, as well as increasing revenue and plans for technology investments that will help them to increase their share of customer revenue.

MBs were not as badly impacted by the pandemic as SBs during 2020 because they were better able to pivot to deal with the various effects of the crises. MBs' revenue share also declined less than that of SBs and, as a result, their optimism has remained at a similar level for 2022.

MBs in the USA expressed the highest levels of confidence and optimism about their country compared with the surveyed business in Germany, Singapore and UK. SBs in the USA are joint-second in terms of confidence levels after Singapore. While all four countries continue to face pandemic-related issues, many SMBs in the USA believe that the country's economy will rebound during 2022 and plan to increase their IT investments in order to adapt to the changing business environment and.

Figure 12: SMBs expressing confidence/optimism about their company, USA, 1Q 2021¹ and 1Q 2022²

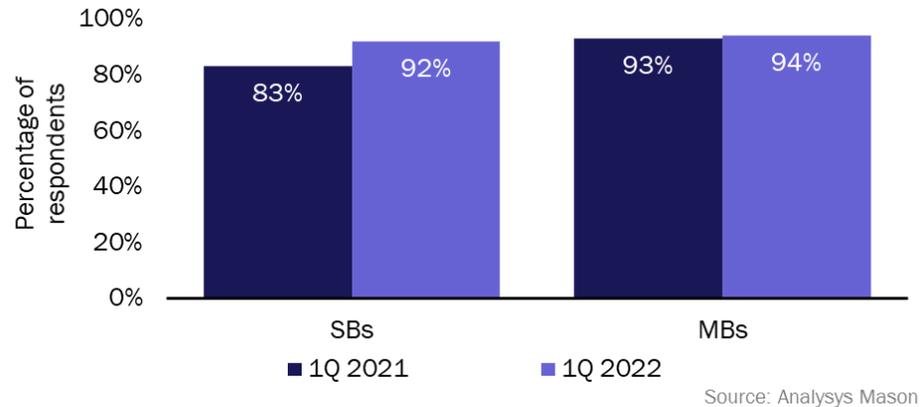
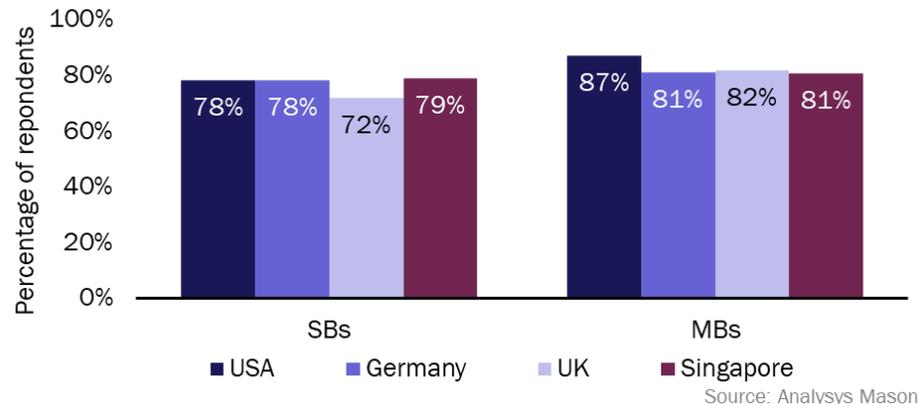


Figure 13: SMBs expressing confidence/optimism about their country, by country and business size, 1Q 2022³



¹ Question: "I feel confident/optimistic about my company's prospects in 2021." n = 481

² Question: "I feel confident/optimistic about my company's prospects in 2022." n = 413.

³ Question: "I feel confident/optimistic about my country in 2022." n = 1149.

SMBs' business priorities have shifted to improving business: reallocating budgets to invest in IT, rising reliance on partners for growth and increasing share of wallet

SMBs' priorities still include retaining and hiring employees, but new goals have emerged that focus on expanding their business, including hiring new staff, opening new locations, broadening product or services offerings and increasing revenue.

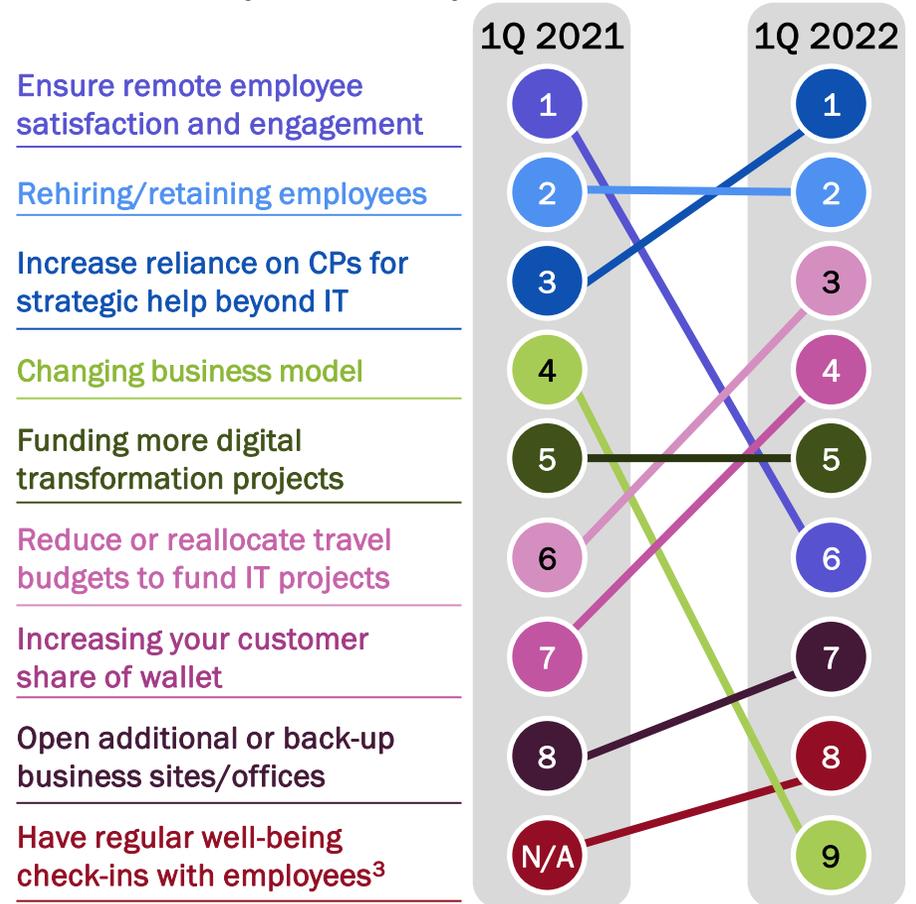
SMBs' plans for 2022 include reallocating travel budgets to invest in IT solutions, increasing their use of channel partners for strategic help beyond IT support to help them expand their customer share of wallet. Figure 14 highlights the most-significant shifts in priorities between 1Q 2021 and 1Q 2022.

Our survey shows that more SMBs are reallocating travel budgets to fund IT investments. Businesses plan to use these resources on both cloud-based and on-premises operational improvement solutions (including billing, project management, digital/touchless transactions, HR management, servers and networking hardware, cloud storage, back-up/recovery and cyber security).

SMBs will rely on channel partners for strategic help beyond just IT support to help them grow their business. MBs report plans to use their increased IT budgets to fund more digital transformation projects as they look to technology to help them expand in 2022 and beyond.

Vendors and operators should think about how they can help SMBs with establishing environmental, social and governance (ESG) policies because almost one quarter of businesses have indicated that they plan to focus on this area.

Figure 14: SMBs' planned business priorities in the next 12 months, USA, 1Q 2021¹ and 1Q 2022²



Source: Analysys Mason

¹ Question: "Because of the COVID-19 crisis, which of these business priorities will take on a greater urgency in the next 12 months?" $n = 481$. ² Question: "Because of the long-term, continuing effects of the COVID-19 crisis and the increase in remote working, which of these business priorities will take on a greater urgency in the next 12 months?" $n = 413$. ³ Note: "Establishing environmental/social/governance (ESG) policies" was not asked in 1Q 2021.

SMBs' main technology priorities for 2022 include effective remote IT management and improved connectivity for remote workers

SMBs' top IT priorities for 2022 are directly related to supporting those employees that are continuing to work from home. Many of their remaining priorities are indirectly related to this.

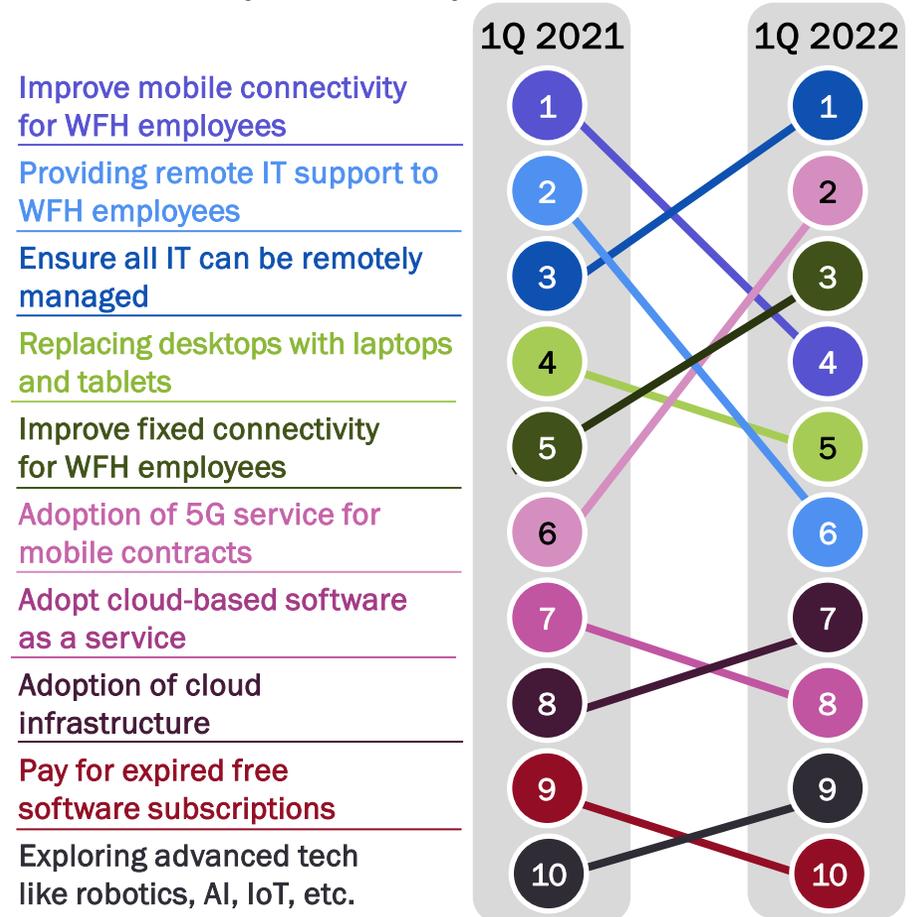
Many SMBs in the USA expect that more employees will continue to work from home in the coming year than did so prior to the pandemic. Many SMBs are prioritising technologies that will facilitate the productivity and efficiency of their remote employees (see Figure 15). Digital transformation is also becoming more important and SMBs' plans in this area are driving the adoption of cloud infrastructure and other advanced technologies.

In future, SMBs will place less importance on investing in those solutions that initially helped them to support remote working (for example, replacing desktops with laptops or tablets and providing remote IT support). This is because many of the initial problems have been resolved and systems for supporting remote workers are firmly established.

While a quarter of MBs in the USA are prioritising the exploration of advanced technologies such as robotics, artificial intelligence (AI) and IoT, support for remote working is still a higher priority.

Therefore, vendors must demonstrate to SMBs that advanced technologies can also improve productivity and efficiency and help to grow revenue. Advanced technologies are a much lower priority for SBs.

Figure 15: SMBs' planned technology priorities in the next 12 months, USA, 1Q 2021¹ and 1Q 2022²



¹ Question: "Because of the COVID-19 crisis, which of these IT-related priorities will take on a greater urgency in the next 12 months?" *n* = 481. ² Question: "Because of the long-term, continuing effects of the COVID-19 crisis and the increase in remote working, which of these IT-related priorities will take on a greater urgency in the next 12 months?" *n* = 413.



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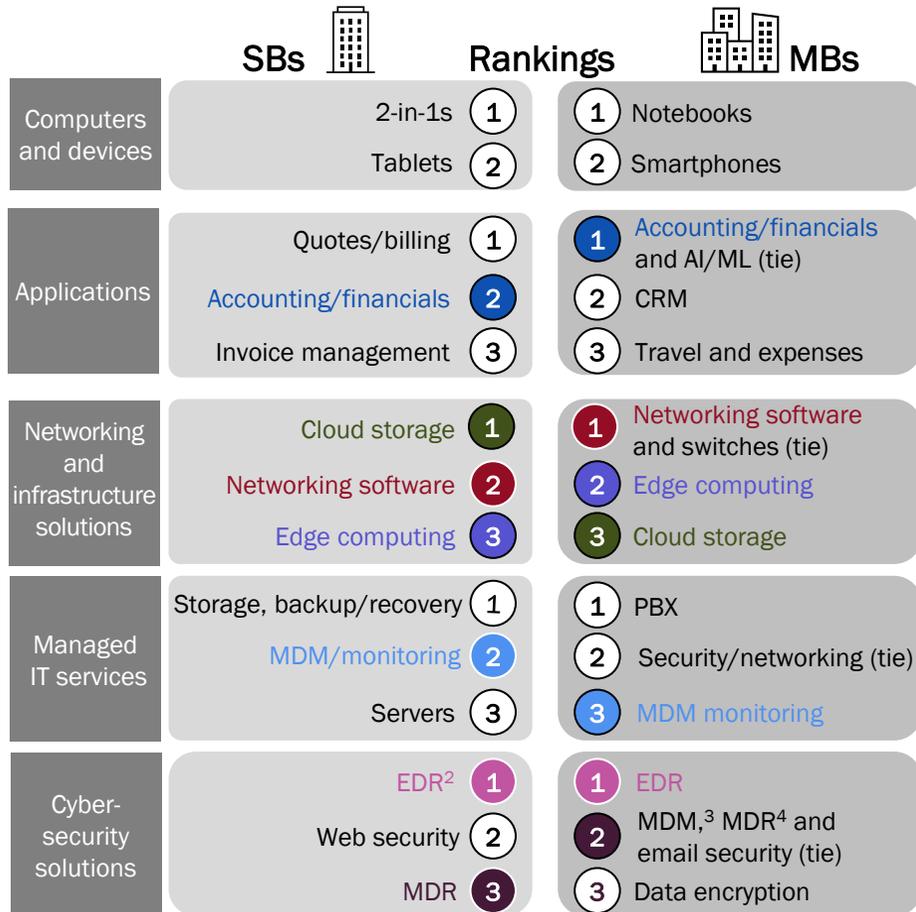
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SMBs are planning to invest in IT solutions that help them continue to adapt to changing business conditions, improve operations and expand their business

Figure 16: Key areas (ranked) for planned investments by SMBs, by business size, USA, 1Q 2022¹



Source: Analysys Mason

¹ See slides 36 and 37 in the appendix of this report for more-detailed rankings; ² EDR = endpoint detection response. ³ MDM = mobile device management; ⁴ MDR = managed detection and response.

In 2021, SMBs focused on returning their business operations “back to normal”. In 2022, they plan to invest in IT solutions that support their goals to increase revenue and the number of staff. They also expect to increase IT spend on a range of solutions and services, and not all of it for cloud-based solutions.

Cloud applications are in demand, particularly among larger firms: 62% of MBs plan to increase spending on cloud (SaaS) applications compared to 51% of SBs. However, SMBs are still planning on increasing their spend in on-premises apps (42% of SBs and 55% of MBs).

Almost one-third of SMBs are prioritising improving mobile and fixed connectivity for their WFH employees and half are planning to increase their spending to do so in the coming year.

55% of SMBs plan to increase spend on cloud-based networking/infrastructure solutions and 47% plan to increase spend for on-premises solutions. 59% of MBs report plans to increase spend on managed IT services compared to 46% of SBs.

Many SMBs’ IT projects were delayed due to COVID-19, but they now plan to deploy or upgrade on-premises solutions such as servers, switches, routers and networking software. They also plan to invest in subscriptions to cloud apps that support business operations, digitalisation and revenue growth goals. SMBs are also interested in future-proofing against data loss as well as potential restrictions to their operations.

To improve efficiency, SMBs are planning to invest in technology such as computers and devices to support both in-office staff and those working remotely

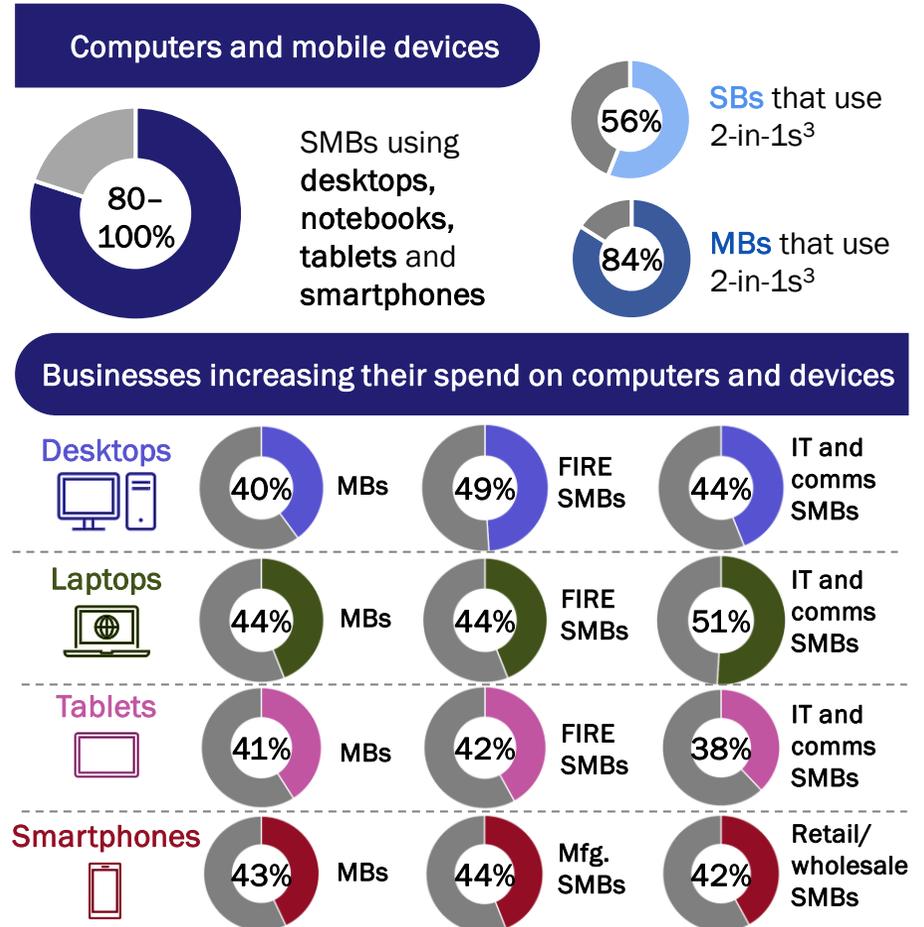
The overwhelming majority of SMBs surveyed are using a combination of desktops, notebooks, tablets and smartphones to conduct business. SMBs are most likely to increase their spending on notebooks/laptops and smartphones in 2022, primarily to provide devices for new employees or replace older or broken devices (rather than to switch OS or to run specific applications).

SMBs report relatively comparable changes in spending across all types of device, with more MBs than SBs expecting to increase spending. This aligns with MBs' plans to hire more staff and expand their operations more widely than SBs. SMBs in the finance, insurance and real estate (FIRE) and IT and communications sectors are most likely to purchase computers. SMBs in the manufacturing and retail and wholesale sectors reported that they want to acquire smartphones.

One-third of healthcare businesses are planning to invest in tablets and 2-in-1s, as they try to streamline operations to cope with rising costs and fewer employees.

Implications for vendors. A quarter of SMBs reported that they plan to purchase devices to help enhance employee productivity (using these devices' newer features and apps). Devices bundled with such solutions, including training, will appeal most to SBs, which lack adequate IT support. Robust IT support services appeal more to the larger MBs whose IT staff are overburdened.

Figure 17: Computer and mobile device usage and plans, by business size, USA 1Q 2022^{1, 2}

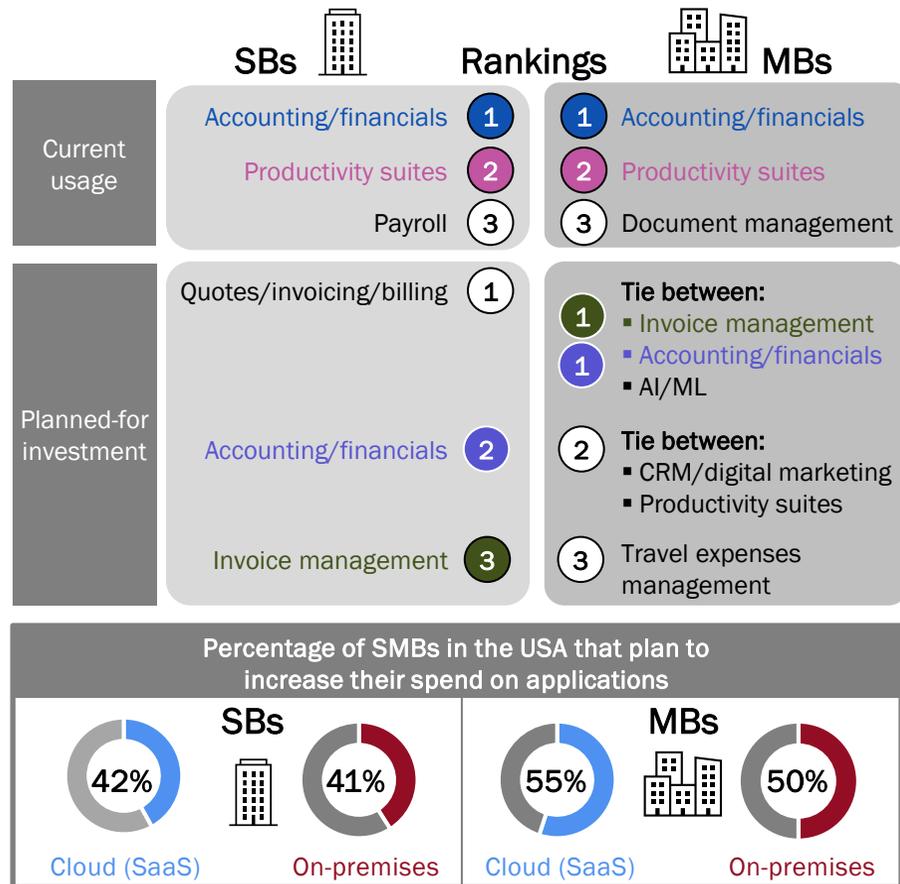


Source: Analysys Mason

¹ Question: "How many of the following types of devices are currently being used by employees at your company for business purposes?" n = 413. ² Question: "During the next 12 months, by how much do you plan to increase/decrease spending on PCs and devices?" n = 413. ³ 2-in-1s, also known as convertibles or detachable, combine the features of a tablet with those of a laptop.

Applications: SMBs plan to invest in a variety of operational and sales-related applications (cloud and on-premises) to support strategic business goals

Figure 18: Key applications usage and planned investments, by business size, USA, 1Q 2022¹



Source: Analysys Mason

Most SMBs use accounting, productivity suites and communications solutions. However, MBs and SBs have somewhat different usage patterns and deployment plans.

SMBs use a range of apps to support business operations and remote workers. SMBs plan to use part of their increased IT budgets to invest further in cloud-based and on-premises apps that will help them advance their digital transformation (including quotes/invoicing/billing and invoice management) and to grow their business (including digital/mobile/touchless transactions and e-commerce platforms).

MBs were better able to weather the COVID-19 crisis because they used applications that helped them to digitally manage operations, such as document management and enterprise resource planning (ERP). MBs want to fund more digital projects in 2022 to support their growth strategies and plan to invest in a transformative solutions (such as AI and machine learning (ML), customer relationship management (CRM) and digital marketing).

Implications for vendors and service providers. Software producers, ISVs and managed service providers (MSPs) need to understand the business growth goals of their customers, and the usage patterns for upcoming installations since this will often influence SMBs’ choice between cloud or on-premises for deployment. Installation, training and ongoing support for financial management and front-office solutions are vital components for SB propositions, while MBs will be also be heavily influenced by projected ROI.

¹ Question: “Which of the following [financial management-related/front office-related/business management-related/productivity and collaboration-related] applications does your firm currently use or plan to use/upgrade in the next 12 months?” n = 413.

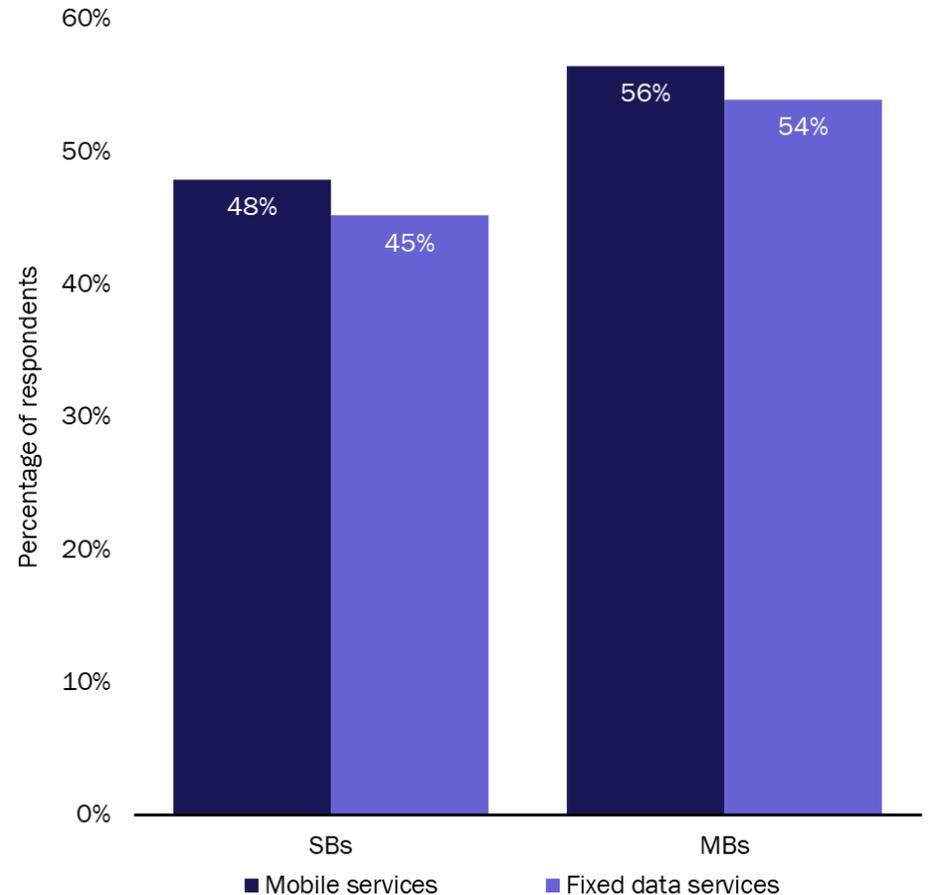
SMBs are prioritising improved connectivity for WFH employees and expect to increase spend on telecoms services by almost 10% in 2022

Telecoms services have been a key part of SMBs' strategies for maintaining business operations during the crisis. Almost a third of SMBs are prioritising improved fixed and mobile connectivity for their WFH employees in 2022 and are planning to increase their spending to do so.

Many businesses expect to spend more on telecoms services to support remote workers, on-site employees and strategic growth goals. SMBs are citing 5G service adoption as a key IT priority (a significant shift upwards from when we last conducted our survey in 2021).² SMBs in the IT and communications, professional business services and healthcare sectors are most likely to increase mobile spend. SMBs in the IT and communications, FIRE and AMTUC verticals are the most likely to increase fixed data spend.

Implications for vendors and service providers. Our survey shows that both SBs and MBs expect to rely more on channel partners for strategic help beyond just IT support to help grow their business, and many will look to their communications providers for this kind of help. Operators' value propositions that highlight those telecoms services that support broader business goals, such as revenue growth, lead generation opportunities and improved productivity will resonate best with SMBs.

Figure 19: SMBs expecting increases in telecoms services spending, by business size, USA 1Q 2022¹

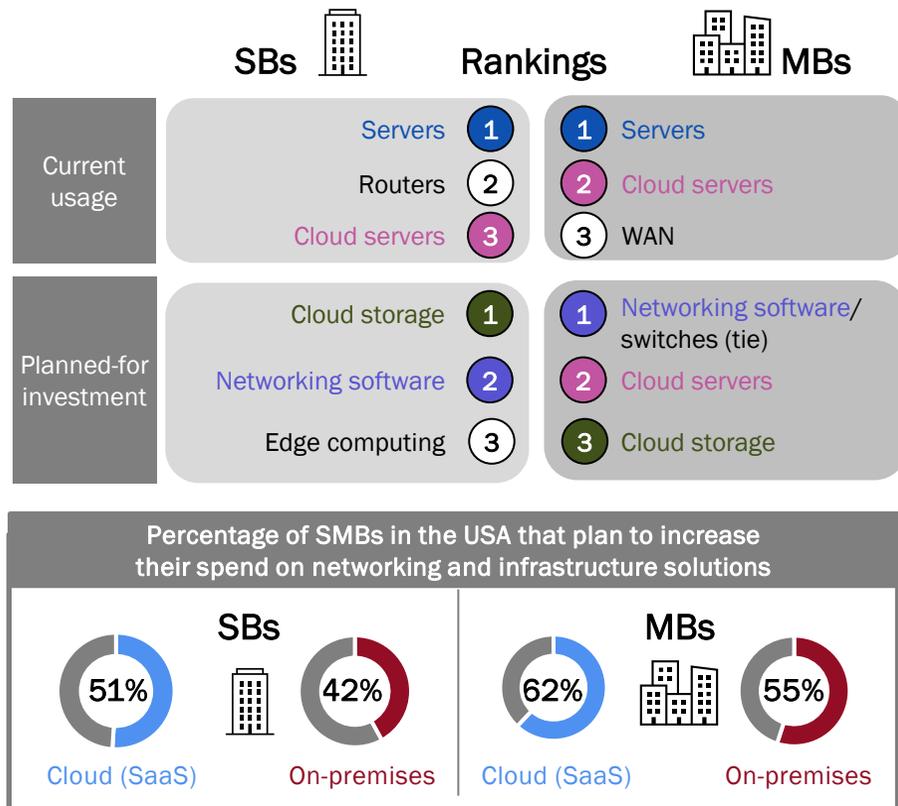


Source: Analysys Mason

¹ Question: "During the next 12 months, by how much do you plan to increase/decrease spending on telecommunications services?" n = 413. ² See Analysys Mason's *Rethinking your 2021 SMB strategy: COVID-19 survey insights for IT vendors*.

Networking and infrastructure: SMBs plan to invest in cloud and on-premises solutions that support business expansion and WFH employees

Figure 20: Networking and infrastructure usage and plans, by business size, USA, 1Q 2022^{1,2}



Source: Analysys Mason

SMBs have deployed a range of on-premises and cloud-based infrastructure solutions to manage their networking and storage demands. The most-commonly deployed solutions include on-premises servers and cloud storage as SMBs focused on supporting remote workers, securely storing their business data and enabling easier recovery options.

Less than 25% of SMBs have no plans for first-time adoption or upgrades of any networking solutions. Many SMBs expect to invest their expanding IT budgets in deployment of infrastructure that will securely support digital transformation goals and expansion plans for new employees and new business locations. This includes investment in cloud storage, IP-VPN, disaster recovery-as-a-service (DRaaS) and edge computing.

Implications for vendors and service providers. Unsurprisingly, 55% of SMBs are planning to increase spending on cloud-based networking solutions, but 47% are still planning to increase spending for on-premises solutions. This is good news for hardware vendors. MSPs and other cloud service providers will also benefit as more businesses shift their infrastructure to the cloud. Smaller businesses require support and will need to lean on their providers for advice. Providers that can offer both strategic and technical guidance will fair better than those that only provide solutions.

¹ Question: "Which of the following networking solutions does your company currently use or plan to start using or upgrade in the next 12 months?" n = 413. ² Question: "During the next 12 months, by how much do you plan to increase/decrease spending on networking and infrastructure solutions that are delivered via the cloud, versus those deployed on-premises?" n = 413.

Managed IT services: SMBs are most interested in investing in remotely managed IT services that oversee storage, back-up/recovery, and mobile devices and security

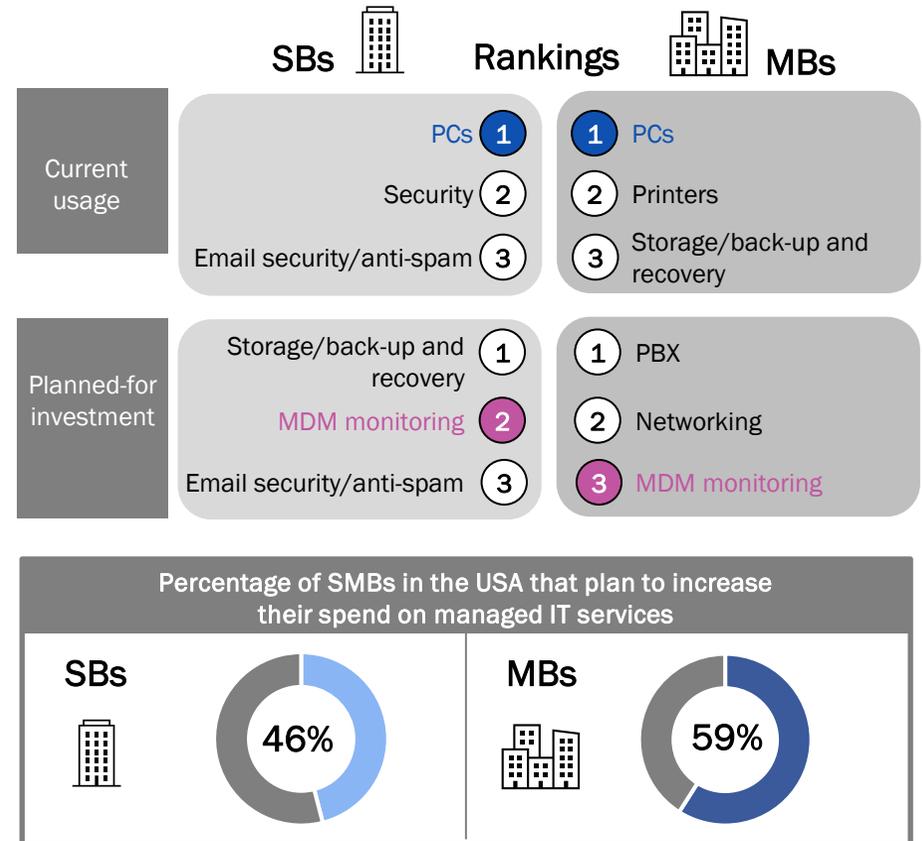
78% of SMBs subscribe to at least one managed IT service, with the highest usage reported for managed PCs and printers. Beyond the basic services, SMBs tend to opt for security and storage/back-up and recovery solutions. Storage, back-up and recovery MDM/monitoring, email security/anti-spam solutions were of most interest to those SMBs that are not already using a specific IT managed service.

MBs invest more heavily than SBs in managed services and are using them to help remotely manage larger WFH workforces, and more complex data networks. One of MBs' key priorities for 2022 is having the ability to manage IT services remotely via the cloud.

SBs expressed the most future interest in services that help them to manage mobile devices, data security and data storage/back-up and recovery. MBs reported interest in managed services such as networking, PBX, networking and MDM/monitoring.

Implications for vendors and service providers. About 50% of SMBs plan to increase their spending on managed IT services. MSPs and other cloud services providers have the best chance of winning SMBs' business by demonstrating how the strategic value propositions of their services match SMBs' operational and business growth goals.

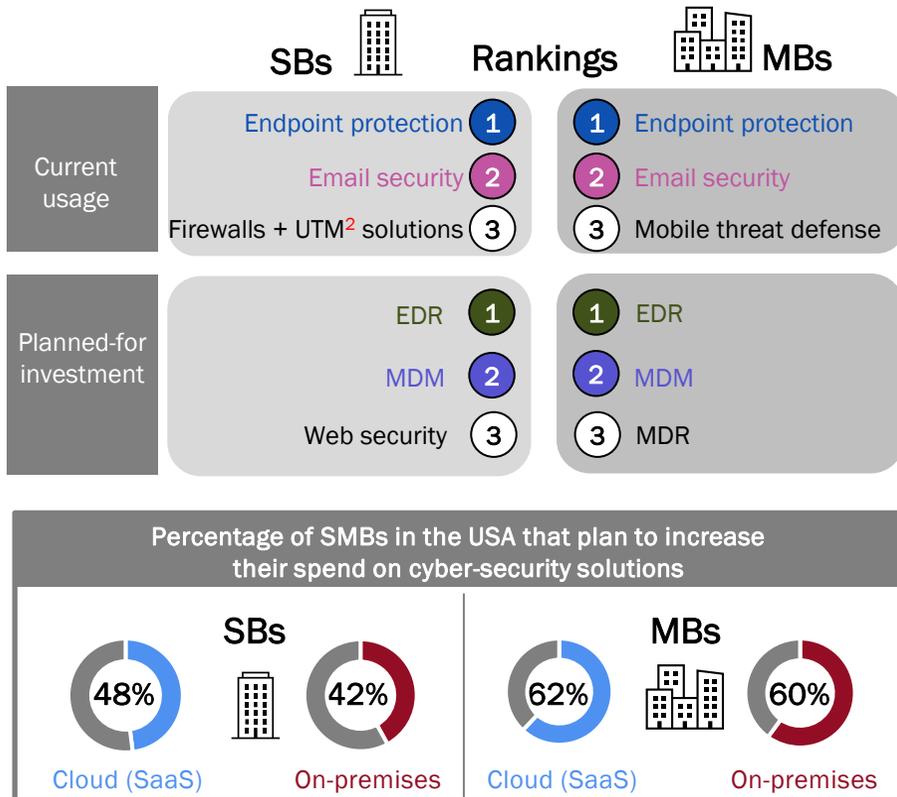
Figure 21: Managed IT services usage and interest, by business size, USA, 1Q 2022¹



¹ 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 = 413.

Cyber-security solutions: SMBs are most interested in investing in solutions that protect devices, websites and email; half of SMBs expect to increase their security spend

Figure 22: Cyber-security solutions usage and interest, by business size, USA, 1Q 2022¹



Adoption of cyber-security solutions is strong among SMBs, and over half of the surveyed SMBs plan to increase their spending on security in 2022. Key priorities will continue to include securing data assets and protecting remote endpoints.

Key security solutions used by all sizes of business include endpoint protection, email security, firewalls and unified threat management (UTM) solutions. SMBs are also likely to have deployed web security and data back-up and recovery solutions, while MBs report significant use of mobile threat defense (MTD) and data encryption solutions.

The majority of SMBs surveyed plan to deploy for the first time, or upgrade, at least one cyber-security solution. This will involve significant investment. Indeed, 48% of SMBs and 62% of MBs expect to increase investments for cyber-security solutions.

Implications for vendors and service providers. Only a third of SMBs have dedicated cyber-security specialists on staff to handle issues, and another third are managing security on an ad hoc basis only, Security vendors and service providers can benefit most by offering SMBs strategic planning advice and recommending easy-to-deploy, cost-effective solutions coupled with ongoing service plans.

Source: Analysys Mason

¹ Question: "Which of the following security solutions does your company currently use or plan to start using or upgrade in the next 12 months? n = 413. ² UTM = unified threat management.



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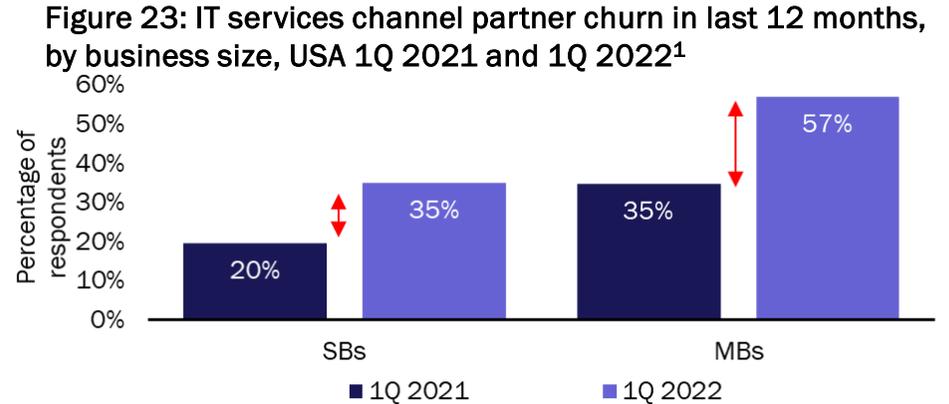
The higher-than-expected rate of SMB churn with channel partners suggests that IT service providers need to improve their performance

A higher-than-expected percentage of SMBs reported that they changed their IT services channel partner in the last 12 months (see Figure 23). This should be a wake-up call to vendors and providers to create value propositions that address SMBs' future goals and facilitate stronger relationships with SMBs.

For this series of surveys, we asked SMBs which services from IT vendors and telecoms operators would be most helpful to them. The responses have varied depending on business size and industry vertical, as well as how successful the business was during the preceding 12-month period. The importance placed on IT support for remote workers – while still considered helpful to over one-third of SMBs – has been declining over time as businesses' WFH strategies have become more established and effective. SMBs are mainly focusing on modernising their business operations with the main goal of expanding their business.

SMBs expect to rely more on channel partners for strategic help beyond just IT support to help them grow their business, which gives vendors an opportunity to become a trusted partner and adviser to SMBs.

All SMBs consider it to be a key priority to upgrade security to cover new problems. This is an area where security vendors, channel partners and telecoms operators can play a strong role.



Source: Analysys Mason

Figure 24: Comparison of the most-helpful services from technology suppliers, USA, 1Q 2020, 1Q 2021 and 1Q 2022²

	SBs			MBs		
	1Q 2020	1Q 2021	1Q 2022	1Q 2020	1Q 2021	1Q 2022
Provide IT support to WFH employees	45%	41%	37%	60%	51%	37%
Upgrade security to cover new problems	30%	39%	33%	51%	46%	46%
Offer flexible payment terms	34%	37%	35%	41%	38%	40%
Offer complimentary subscriptions	33%	33%	33%	47%	44%	32%
Suggest IT solutions to help during crisis	30%	32%	30%	50%	42%	44%
Business continuity planning	28%	31%	31%	48%	38%	38%

Source: Analysys Mason

¹ Question: "Please tell us if your company has switched to a new IT services (channel partner) company in the last 12 months." n = 481 (1Q 2021), n = 413 (1Q 2022). ² Question: "Please rate the following services from IT or telecoms suppliers in terms of how helpful they would be to your business during the next 12 months?" n = 404 (1Q 2020), n = 481 (1Q 2021), 413 (1Q 2022).

SMBs' strong preference for working with vendors that have ESG policies in place presents vendors and other service providers with a clear opportunity to win business

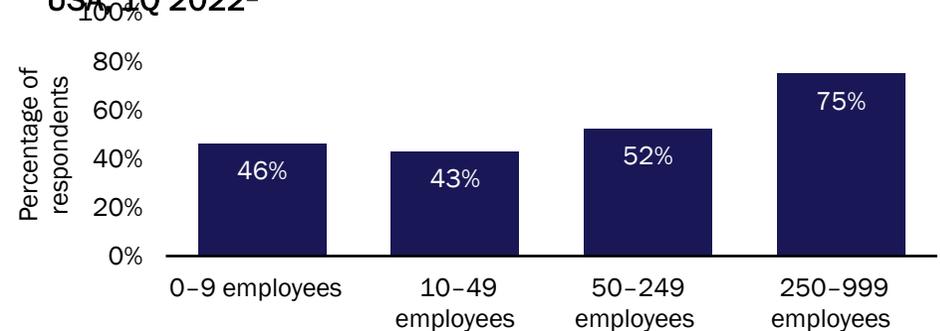
ESG is an area of significant importance to SMBs. Indeed, over 50% of SMBs report that they are more likely to purchase services from vendors that have established ESG policies.

SMBs' preference for vendors with ESG policies increases by business size and is most pronounced among businesses in the healthcare, hospitality and IT and communications sectors.

ESG policies create many benefits for people and the environment – and make good business sense. By incorporating ESG initiatives into their operations, vendors and service providers can expect to see positive results including improved employee morale and productivity, enhanced customer satisfaction, a reduction in operational costs and better adherence to regulatory compliance.

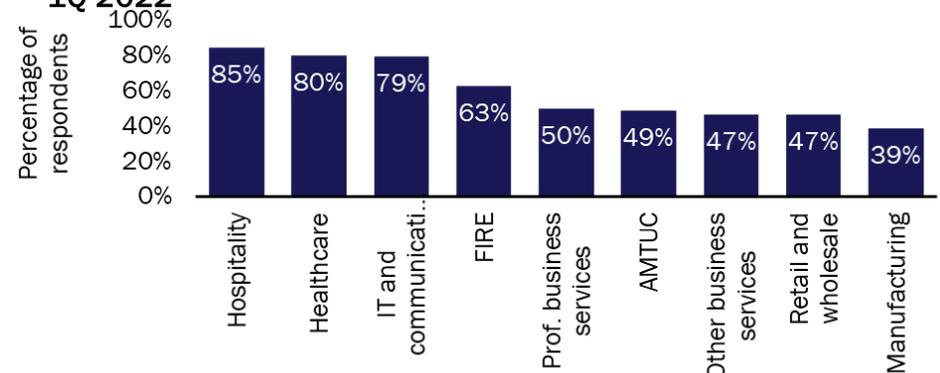
SMBs will select vendors based on whether they have ESG policies in place. SMBs' choice of service provider will also be based on whether the provider can help them to establish their own ESG strategies, with a view to helping them to attract both new business and qualified employees who are interested in joining environmentally and socially conscious companies.

Figure 25: Percentage of SMBs that are more likely to purchase from vendors that have ESG policies in place, by business size, USA, 1Q 2022¹



Source: Analysys Mason

Figure 26: Percentage of SMBs that are more likely to purchase from vendors that have ESG policies in place, by vertical, USA, 1Q 2022¹



Source: Analysys Mason

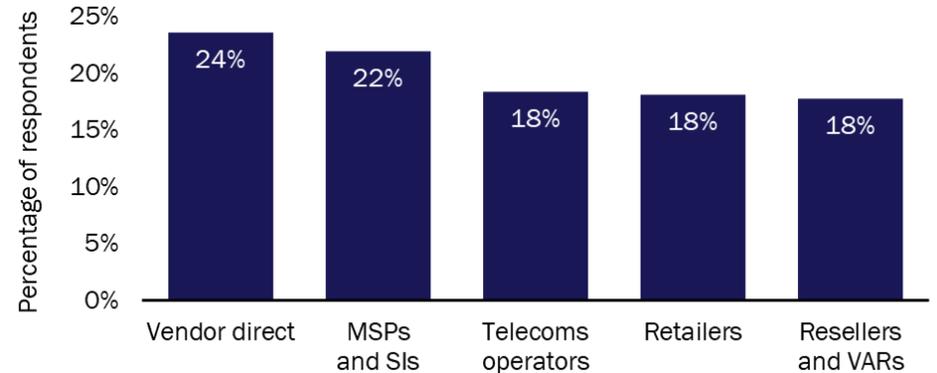
¹ Question: "In the future, my company's likelihood of purchasing IT solutions from vendors that have ESG (environmental/social/governance) policies in place is... Scale is 1 to 5, where 5 = more likely and 1 = less likely." n = 413.

Channel partners can increase SMBs' revenue and customer market share by offering service and support beyond initial sales

Our survey shows that the highest percentage of SMBs prefer to purchase PCs and tablets directly from the vendor. However, SMBs also turn to MSPs and SIs for device purchases because these sales channels can offer additional support, including configuration and remote monitoring/management. Our survey results show the same trends for smartphones (see Figure 28).

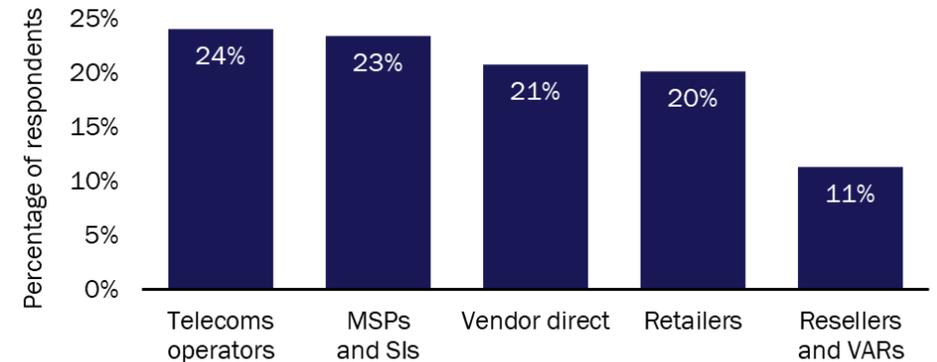
Implications for channels. Channel partners should market devices that support SMBs' long-term strategic growth plans, such as increasing revenue. Channel partners should also consider offering configuration advice, installation, remote support, security and device management solutions and various payment options.

Figure 27: Channels used by SMBs for computer/tablet purchases, USA, 1Q 2022¹



Source: Analysys Mason

Figure 28: Channels used by SMBs for smartphone purchases, USA, 1Q 2022¹



Source: Analysys Mason

¹ Question: "From where does your company typically purchase computers and mobile devices, i.e., desktops, notebooks, 2-in-1s, tablets or smartphones?" *n* = 413 (computers) and *n* = 413 (smartphones).

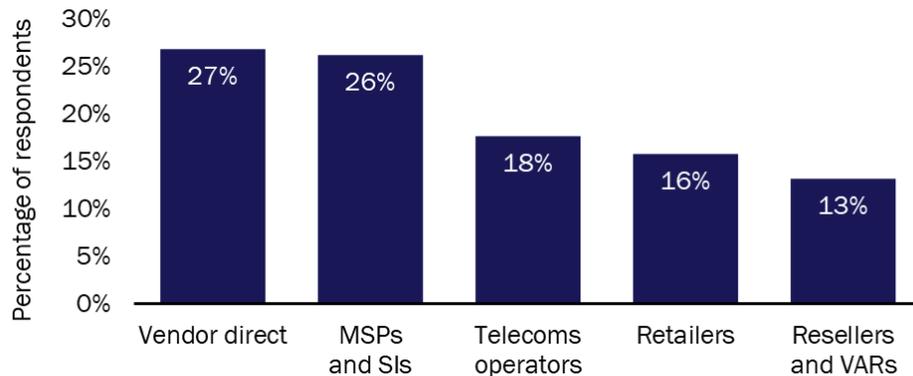
SMBs want solutions that support business growth; strong opportunities exist for SMB sales partners that offer technical and strategic advice and support

SMBs most frequently purchase software, networking and cloud-based infrastructure and security solutions directly from vendors and MSPs/SIs.

SMBs, especially smaller businesses, look to vendors and MSPs/SIs for advice and support when buying IT solutions.

Implications for channels. To improve their market share, channel partners should offer different service bundles, including an advisory aspect. Many SMBs plan to rely more on their channel partners to help them grow their business and want providers to advise on them on the IT solutions that best support those goals. They also want business continuity support.

Figure 29: Channels used by SMBs for software application purchases, USA, 1Q 2022¹



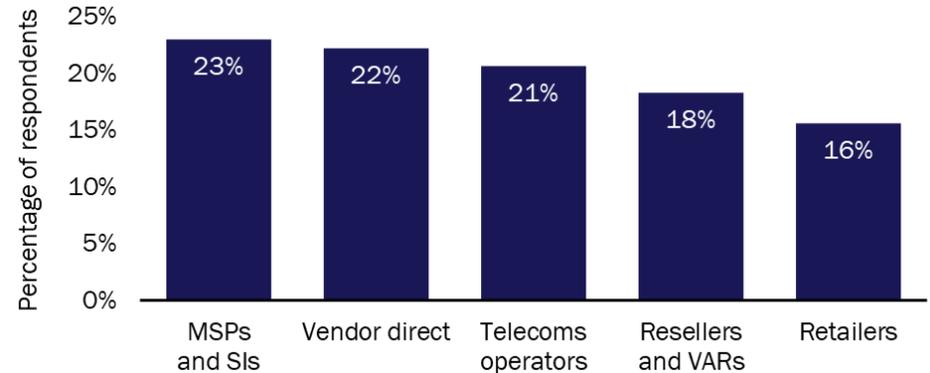
Source: Analysys Mason

¹ Question: "From where does your company typically purchase software applications?" n = 413.

² Question: "From where does your company typically purchase networking and cloud-based infrastructure solutions?" n = 413.

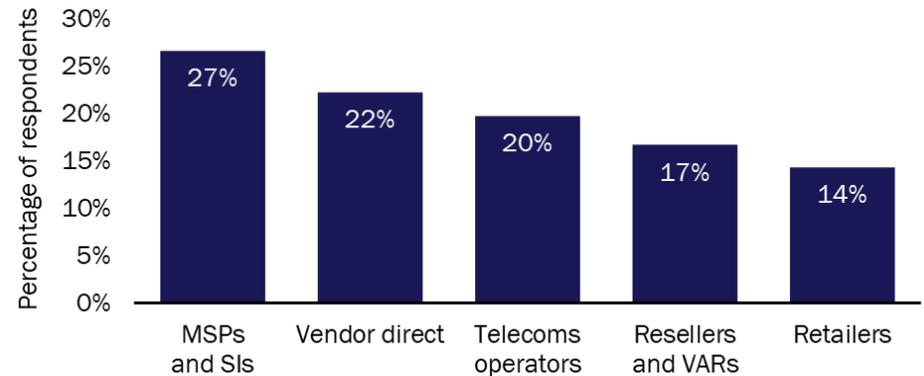
³ Question: "From where does your company typically purchase cyber security solutions?" n = 413.

Figure 30: Channels used by SMBs for networking and cloud-based infrastructure purchases, USA, 1Q 2022²



Source: Analysys Mason

Figure 31: Channels used by SMBs for cyber-security purchases, USA, 1Q 2022³



Source: Analysys Mason



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Survey questions, sample size and vertical distribution [2/2]

Number	Question
16	Which of the following financial management-related applications does your firm currently use or plan to use/upgrade in the next 12 months?
17	Which of the following front office -related applications does your firm currently use or plan to use/upgrade in the next 12 months?
18	Which of the following business management -related applications does your firm currently use or plan to use/upgrade in the next 12 months?
19	Which of the following productivity and collaboration -related applications does your firm currently use or plan to use/upgrade in the next 12 months?
20	Which of these telecommunications services does your company use?
21	Which of the following networking solutions does your company currently use or plan to start using or upgrade in the next 12 months?
22	During the next 12 months, by how much do you plan to increase/decrease spending on networking and infrastructure solutions that are delivered via the cloud, versus those deployed on-premises?
23	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?
24	Which of the following security solutions does your company currently use or plan to start using or upgrade in the next 12 months?
25	Please tell us if your company has switched to a new IT services (channel partner) company in the last 12 months.
26	Please rate the following services from IT or telecoms suppliers in terms of how helpful they would be to your business during the next 12 months?
27	In the future, my company's likelihood of purchasing IT solutions from vendors that have ESG (environmental/social/ governance) policies in place is...
28	From where does your company typically purchase computers and mobile devices, i.e., desktops, notebooks, 2-in-1s, tablets or smartphones?
29	From where does your company typically purchase software applications?
30	From where does your company typically purchase networking and cloud-based infrastructure solutions?
31	From where does your company typically purchase cyber security solutions?

The number of SMBs that reported declining revenue in 2022 is less than half of that in 2021; many more MBs than SBs are reporting revenue increases

Figure 32: Revenue change between 2019 and 2020, by business size, USA, 1Q 2021¹

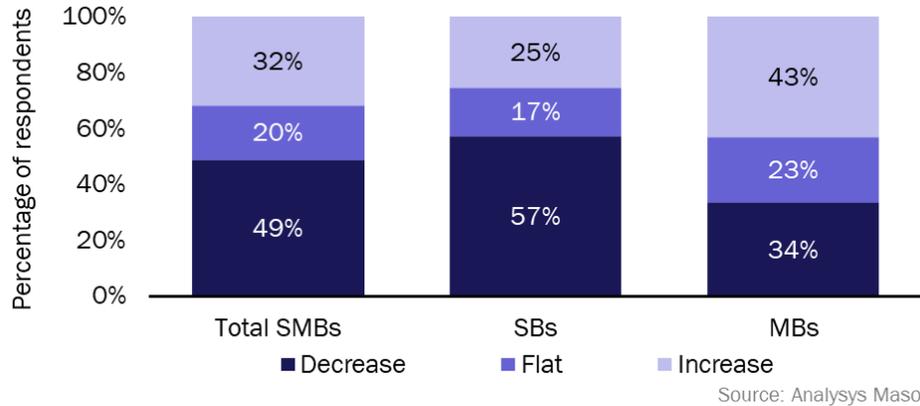


Figure 34: Revenue change between 2020 and 2021, by business size, USA, 1Q 2022²

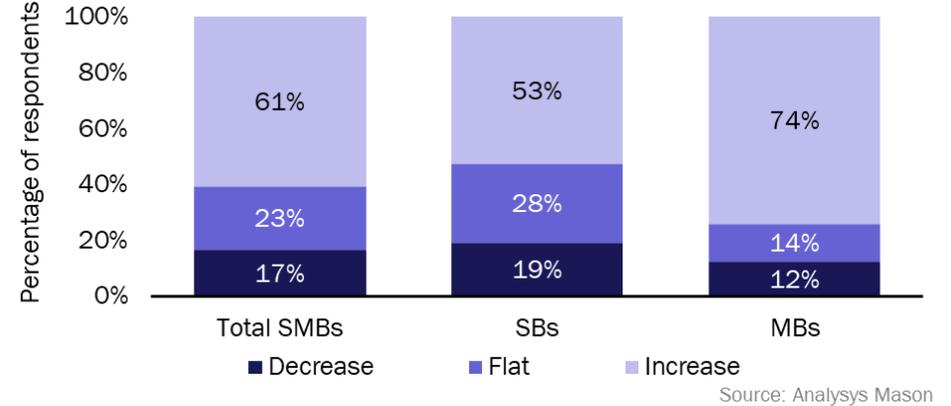


Figure 33: Revenue change between 2019 and 2020, by vertical, USA, 1Q 2021^{1,2}

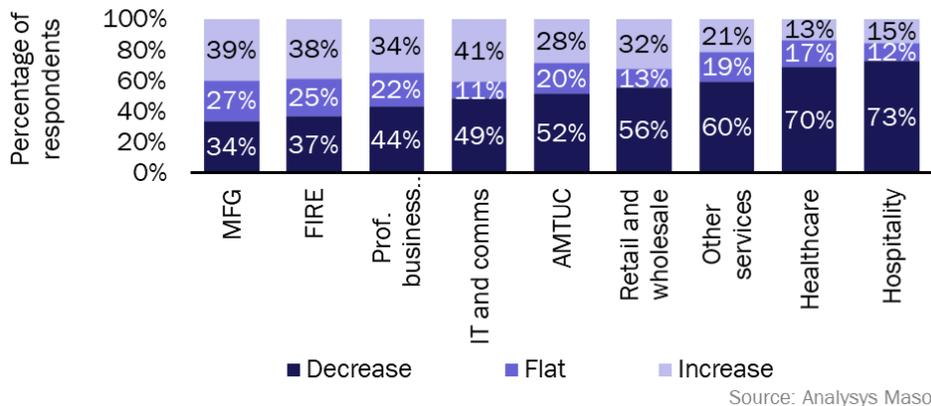
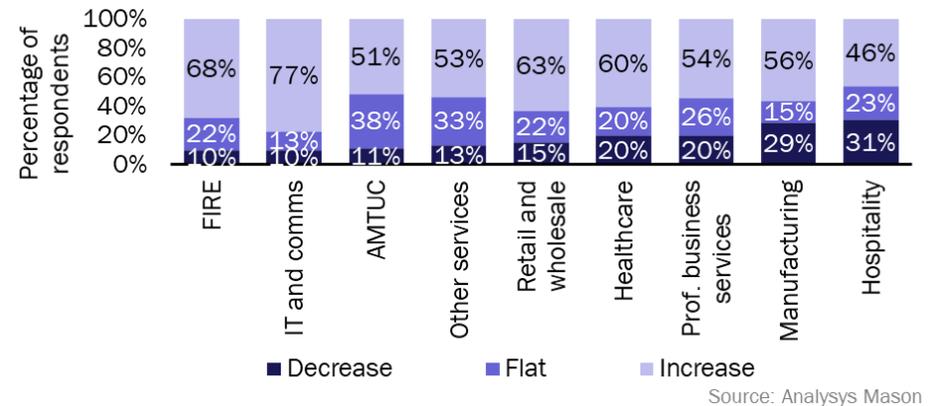


Figure 35: Revenue change between 2020 and 2021, by vertical, USA, 1Q 2022^{2,3}



¹ Question: "How does your company's revenue in 2020 so far compare to the same period in 2019?" n = 481.

² Question: "How does your company's revenue in 2021 so far compare to the same period in 2020?" n = 413.

SMBs' year-on-year revenue changes

Figure 36: Percentage of sampled SMBs that reported revenue changes¹

Business size/ industry vertical	Declining revenue		Increasing revenue	
	Previous survey ²	Current ³	Previous survey ²	Current ³
SMBs	49%	17%	32%	61%
SBs	57%	19%	25%	53%
MBs	34%	12%	43%	74%
Healthcare	70%	20%	13%	60%
Hospitality	73%	31%	15%	46%
Retail and wholesale	56%	15%	32%	63%
Manufacturing	34%	29%	39%	56%

¹ See slide 10 of this report for further explanation of these results. ² Question (from Analysys Mason's [previous SMB survey](#)): "How does your company's revenue in 2020 so far compare to the same period in 2019?" *n* = 481. ³ Question (from Analysys Mason's most-current survey): "How does your company's revenue in 2021 so far compare to the same period in 2020?" *n* = 413.

Key areas of planned investment by SMBs [1/2]

Figure 37a: SMB rankings for planned investments by business size, USA, 1Q 2022¹

Key area	Ranking	Small businesses (SBs)	Medium-sized business (MBs)
Computers and devices	1	2-in-1s	Notebooks/laptops
	2	Tablets	Smartphones
Applications	1	Quotes/invoicing/billing	Tie between: Accounting/financials/invoice management/AI/ML
	2	Accounting/financials	Tie between: CRM/digital marketing/productivity suites
	3	Payroll	Travel and expenses management
	4	Invoice management	Tie between: Shipping/delivery / SCM
	5	Digital/mobile/touchless transactions	Tie between: Payroll/Digital/mobile/touchless transactions/ Customer service/Project management/collaboration
Telecoms services	1	Mobile phone services	Mobile phone services
Networking/ infrastructure solutions	1	Cloud storage	Tie between: Networking software/switches
	2	Networking software	Edge computing
	3	Edge computing	Cloud storage
	4	Routers	IP-VPN (MPLS and Non-MPLS VPN)
	5	Recovery as a Service (DRaaS)	Cloud VPN

¹ See slide 19 of this report for further explanation of these results.

Key areas of planned investment by SMBs [2/2]

Figure 37b: SMB rankings for planned investments by business size, USA, 1Q 2022¹

Key area	Ranking	Small businesses (SBs)	Medium-sized business (MBs)
Managed IT services of interest	1	Storage, back-up/recovery	PBX
	2	MDM monitoring	Tie between: Security/networking
	3	Servers	MDM monitoring
	4	Email security/anti-spam	Storage, back-up/recovery
	5	Networking	Tie between: Servers/Email security/anti-spam
Cyber-security solutions	1	Endpoint detection/response (EDR)	Endpoint detection/response (EDR)
	2	Web security	Tie between: mobile device management (MDM), managed detection and response (MDR) and email security
	3	Managed detection and response (MDR)	Data encryption
	4	Email security	Web security
	5	Mobile threat defense (MTD)	Data loss prevention (DLP)

¹ See slide 19 of this report for further explanation of these results.



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Tom Rebbeck (Partner) leads Analysys Mason's *Operator Business Services and IoT* research practice drawing on more than 20 years of experience in the telecoms sector. He is based in our London office, but works for clients worldwide. Tom is a specialist on the Internet of Things (IoT) and other enterprise services and has written widely on the role for operators as telecoms markets develop. As well as published research, he has worked on projects for a range of clients – including operators, regulators, industry bodies and vendors. Many of these projects have been supported by original research, such as expert interviews and customer surveys.

We are experts in the telecoms, media and technology sector



Strategy

- Corporate growth strategy
- Business unit strategy
- Infrastructure strategy



Transformation

- Business transformation
- Digitalisation
- Operational excellence
- Data, BI, steering and insights
- Change and programme management
- Sustainability



Transaction support

- Commercial due diligence and market review
- Technical due diligence
- Post-merger integration
- Periodical business monitoring and loan technical advisory
- Opportunity scouting and pre-deal support



Regulation and policy



- Network and platform
- Public sector broadband intervention
- Accelerating digital transformation of society
- Price controls and cost modelling
- Regulatory accounting
- Regulatory benchmarking and analysis
- Spectrum management and policy
- Expert witness and litigation support
- Postal regulation and policy

Subscription research



- DataHub and Regional Markets
- Consumer Services
- Operator Business Services and IoT Applications
- SMB IT Channels and Forecasts
- Cloud Networks

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 - Fixed-Mobile Convergence
 - Smart Devices
 - Future Comms
 - Video, Gaming and Entertainment
 - Digital Services
- 
Networks programmes
 - Next-Generation Wireless Networks
 - Wireless Infrastructure Strategies
 - Fibre Infrastructure Strategies
 - Operator Investment Strategies
- 
Applications programmes
 - Network Automation and Orchestration
 - Customer Engagement
 - Monetisation Platforms
 - Digital Experience
 - Automated Assurance
 - Service Design and Orchestration
 - Software Forecast and Strategy
 - Telecoms Software Market Shares
- 
Cloud programmes
 - Cloud Infrastructure Strategies
 - Data, AI and Development Platforms
 - Edge and Media Platforms



- 
Operator Business Services and IoT programmes
 - Large Enterprise Strategies
 - SME Strategies
 - IoT and M2M Services
 - Private Networks
- 
SMB IT Channels and Forecasts programmes
 - Cyber Security
- 
Regional Markets programmes
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 - Americas
 - Asia-Pacific
 - Middle East and Africa
 - European Core Forecasts
 - European Telecoms Market Matrix
 - European Country Reports
- 
DataHub
 - ~2800 forecast and 280+ historical metrics
 - Regional results and worldwide totals
 - Operator historical data

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Our areas of expertise



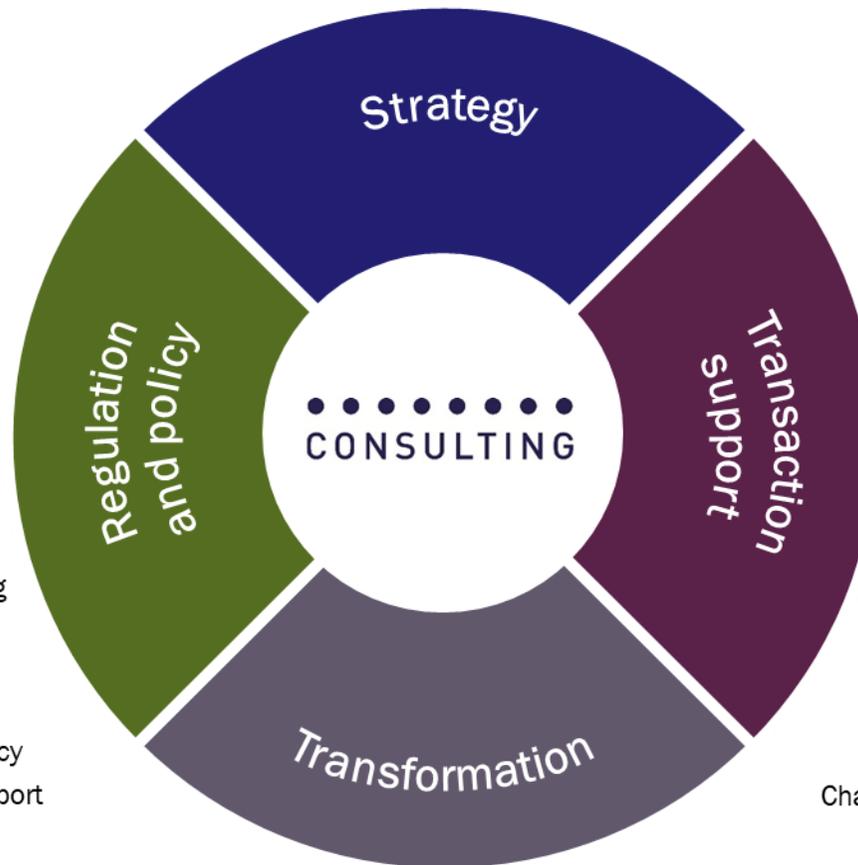
Strategy

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