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Rethinking your 2021 SMB strategy: COVID-19 survey insights for IT vendors

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RESEARCH

About this report

Analysys Mason surveyed 1870 small and medium-sized businesses (SMBs) in Australia, Canada, the UK and the USA between December 2020 and February 2021 to assess how they have adapted since the beginning of the COVID-19 pandemic and what changes they expect in the future. This report is a refresh of the study that we did with over 400 SMBs in the USA in 2020.

This report uses survey data to provide insights into SMBs' responses to the crisis and explores how changing business conditions are driving fresh demand for IT and managed services.

We assess how SMBs' technology usage and spend has changed due to the prolonged pandemic, outline how this is likely to change in the future and examine the key implications for vendors and service providers.

GEOGRAPHICAL COVERAGE

- Australia
- Canada
- UK
- USA

SAMPLE BREAKDOWN[1]

- Small businesses (SBs; 0–99 employees): 1204
- Medium-sized businesses (MBs; 100–999 employees): 666
- Vertical sectors: 9

KEY QUESTIONS ANSWERED IN THIS REPORT

- What impact has the COVID-19 pandemic had on SMBs in Australia, Canada, the UK and the USA?
- How have SMBs responded to the pandemic?
- How has SMBs' use of IT and managed services changed during the pandemic and how do they expect this to change in the future?
- How do SMBs' actions in response to the pandemic correlate with the change in demand for IT and managed services?
- What types of support and services are SMBs demanding from vendors?

WHO SHOULD READ THIS REPORT

- IT vendors
- Cloud service providers
- 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.

[1] For further information on the sample sizes and vertical splits, please see the appendix.

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Executive summary

The COVID-19 pandemic has forced SMBs to rapidly adapt to new working conditions. Most SMBs have proactively adopted new technologies to connect and secure their remote workforces and have reallocated budgets. The pandemic is likely to cause a long-term acceleration in the adoption of IT and managed services.

Analysys Mason interviewed 1870 SMBs across Australia, Canada, the UK and the USA between December 2020 and February 2021 to understand how they have managed the crisis to date, and to learn about their post-pandemic plans.

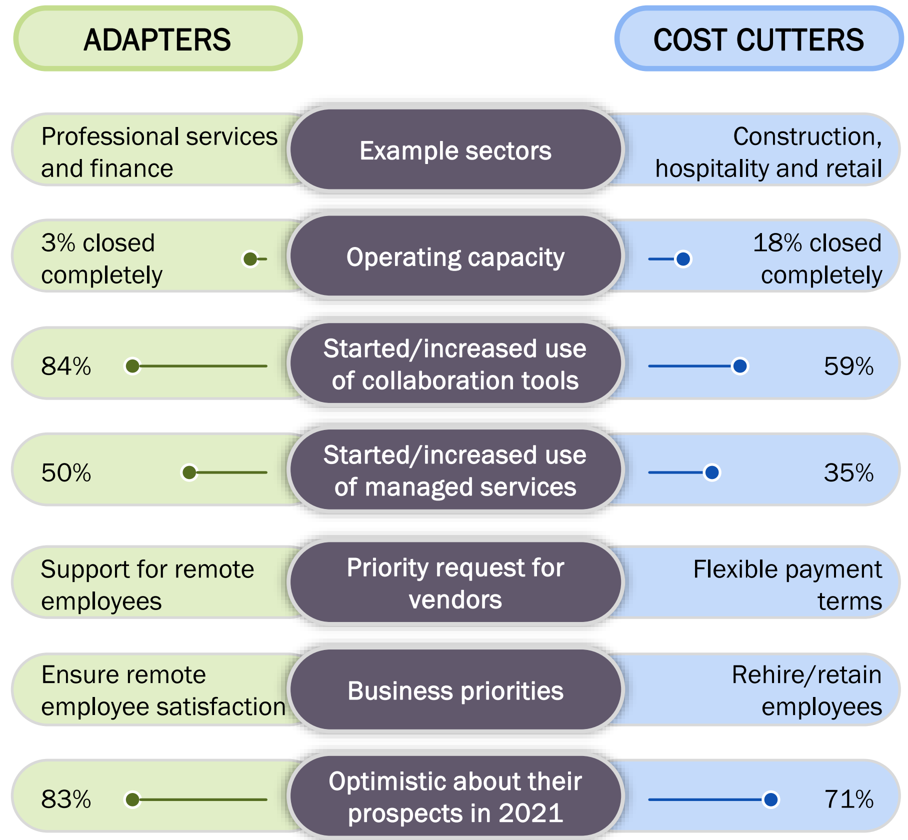
This report uses survey data to provide insights into:

- current business conditions
- current and planned technology usage and spend
- the services and support needed by SMBs from vendors.

KEY IMPLICATIONS

1. Most SMBs have been proactive in adapting to the crisis and we anticipate a K-shaped recovery in all countries.
2. Many SMBs had to quickly adopt new IT solutions to respond to the COVID-19 crisis, which is expected to translate into a long-term revenue opportunity for vendors.
3. The COVID-19 pandemic will lead to a long-term acceleration in the use of managed services.

Figure 1: Overview of the differences between SMBs that have adapted to the pandemic and those that have cut costs



Source: Analysys Mason

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Introduction

Analysys Mason surveyed 1870 SMBs in Australia, Canada, the UK and the USA between December 2020 and February 2021. We asked them about how their businesses have changed since the beginning of the COVID-19 pandemic and how they expect them 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 (93%) were still operational at the time of the survey, but a small number of businesses that have closed were also included.

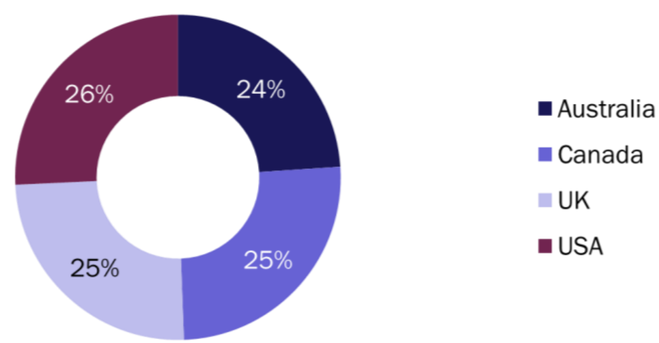
This survey gives a sense of companies' priorities as they develop strategies for the long term. We are planning to carry out further versions of this study in the future.

This report is divided into the following three sections.

- **Context.** This provides an overview of how companies have been affected by the COVID-19 crisis so far, and outlines the actions that they have taken.
- **Usage and spend.** This section explores how the use of IT and communications services has changed since the pandemic began and how SMBs expect this to change after restrictions are relaxed.
- **Support.** This section looks directly at how vendors and service providers could help SMBs.

We also offer key implications for vendors and service providers.

Figure 2: Split of survey sample by country, 1Q 2021[1]



Source: Analysys Mason

[1] A full breakdown is provided on slide 35, along with more details about the survey questions.

The impact of the COVID-19 pandemic has been substantial and widespread in all countries surveyed

Figure 3: Economic measures demonstrating the effect of the COVID-19 pandemic, by country

Measure	Australia	Canada	UK	USA
Real GDP growth forecast[1]	2020: –4.2%; 2021: 3.0%	2020: –7.1%; 2021: 5.2%	2020: –9.8%; 2021: 5.9%	2020: –4.3%; 2021: 3.1%
Unemployment forecast[1]	2020: 6.9%; 2021: 7.7%	2020: 9.7%; 2021: 7.9%	2020: 5.4%; 2021: 7.4%	2020: 8.9%; 2021: 7.3%
Lockdowns	• Lockdowns by city • Selected cities had severe lockdowns (such as Melbourne)	• Lockdowns by city • Selected cities had severe lockdowns (such as Toronto)	• National lockdowns • Severe restrictions across all of the UK	• Lockdowns by city/state • Selected cities/states had severe restrictions (such as New York), but others were less strict (such as Florida)
Inflation forecast[1]	2020: 0.7%; 2021: 1.3%	2020: 0.6%; 2021: 1.3%	2020: 0.8%; 2021: 1.2%	2020: 1.5%; 2021: 2.8%
Government stimulus	Yes – businesses and individuals	Yes – businesses and individuals	Yes – businesses and individuals	Yes – businesses and individuals
Vaccine roll-out	• Began in February 2021 • 0.4% of the population vaccinated as of 10 March 2021[2]	• Began in December 2020 • 6.5% of the population vaccinated as of 10 March 2021[2]	• Began in December 2020 • 35% of the population vaccinated as of 10 March 2021[2]	• Began in December 2020 • 28% of the population vaccinated as of 10 March 2021[2]
Changes in the number of SMBs[3]	• –7% (2019–2020) • Will return to pre-pandemic numbers by 2023	• –8% (2019–2020) • Will return to pre-pandemic numbers by 2024	• –9% (2019–2020) • No return to pre-pandemic numbers before 2025	• –10% (2019–2020) • No return to pre-pandemic numbers before 2025

Source: Analysys Mason

Figure 3 highlights some of the key measures used to determine the level of impact in each of the countries surveyed. We have considered how each country's economic situation has been affected (for example, in terms of GDP and inflation), what actions governments have taken in terms of lockdowns, restrictions and vaccine roll-outs and what the unemployment levels (both now and in the future) are in each country. We are predicting a K-shaped recovery across all markets, but each of these factors has, and will continue to have, profound effects on how SMBs operate and what IT technologies and services can help them continue to do business in their local environment.

[1] IMF (October 2020), *World Economic Outlook*. Available at: https://www.imf.org/en/Publications/WEO/weo-database/2020/October/.
[2] Our World in Data (March 2021), *Coronavirus (COVID-19) Vaccinations.* Available at: https://ourworldindata.org/covid-vaccinations/.
[3] For more information, see the Analysys Mason SMB Technology Forecaster.

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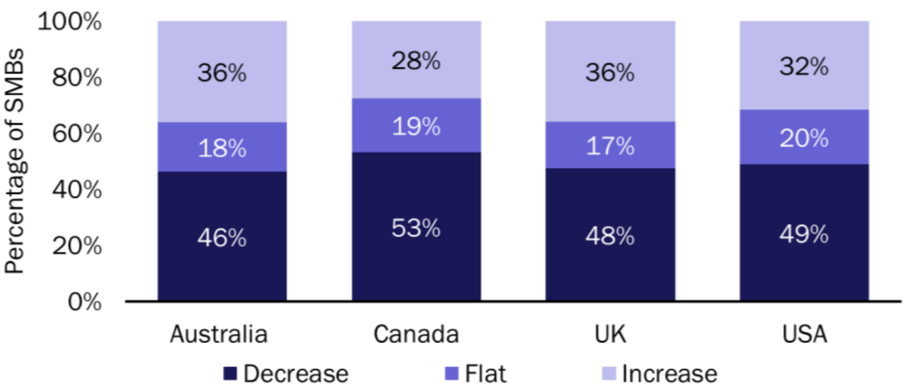
The COVID-19 pandemic had a strong impact on SMB revenue in Australia, Canada, the UK and the USA during 1Q 2021

The financial impact of the COVID-19 crisis is being felt around the world. It is greater for SBs and the hospitality industry, but is smaller for larger firms and the financial and professional services sectors (following a K-shaped recovery).

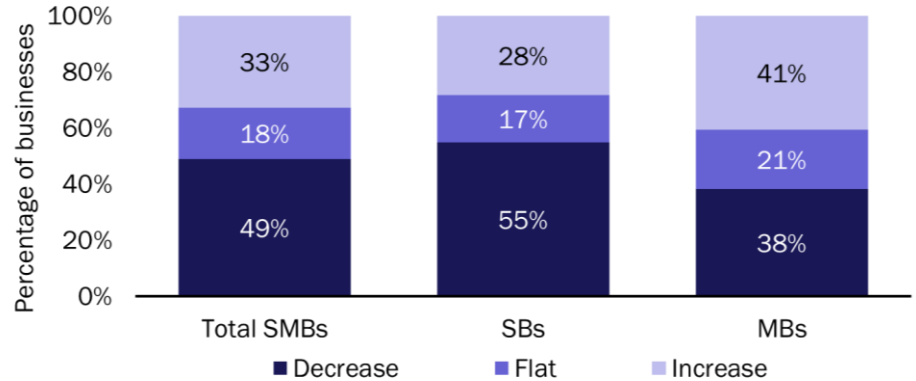
The effect of the COVID-19 pandemic on SMB revenue is similar across the four countries surveyed (Figure 4), though there is a difference between the effect on SB revenue and that on MB revenue (Figure 5). Revenue declined for 55% of SBs compared to 38% of MBs, and more MBs increased their revenue. There is also a marked variation by industry (Figure 6). The FIRE, healthcare and professional services sectors have been the most resilient during the crisis, while SMBs in retail/wholesale, other business services and hospitality reported the most significant losses.

Figure 4: Revenue change between 2019 and 2020 for SMBs of all sizes, by country[1]



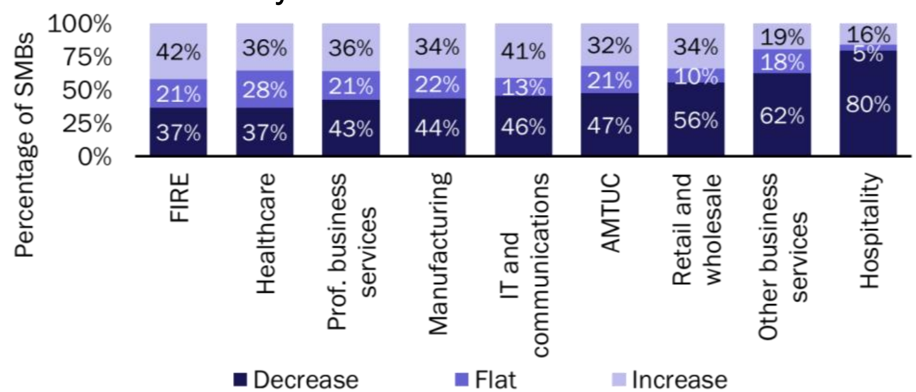
Source: Analysys Mason

Figure 5: Revenue change between 2019 and 2020, by firm size, all countries surveyed[1]



Source: Analysys Mason

Figure 6: Revenue change between 2019 and 2020, by vertical, all countries surveyed[1, 2]



Source: Analysys Mason

[1] Question: "How does your company's revenue in 2020 so far compare to the same period in 2019?" *n* = 1870.
[2] AMTUC = agriculture, mining, transportation, utilities and construction; FIRE = finance, insurance and real estate. See appendix for further information on each vertical.

Virtually all businesses have made operational changes as a result of the pandemic

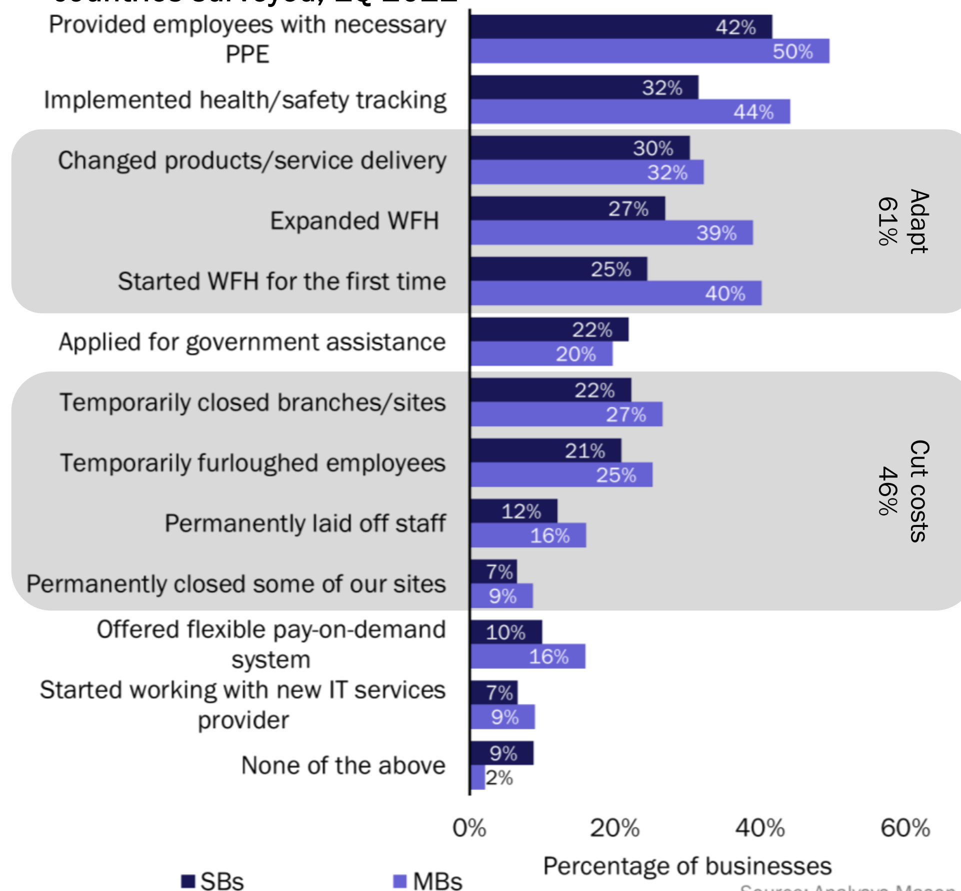
All but 6% of our sample (9% of SBs and 2% of MBs) have made changes to their operations in response to the pandemic (Figure 7). Just under half of all SMBs in Australia, Canada and the USA have cut costs in some way, compared to 58% of SMBs in the UK.

Beyond providing basic health and safety measures (such as PPE or health tracking), businesses had two broad, and often overlapping, responses to the crisis: adapt and cut costs.

- **Adapt.** 61% of all SMBs surveyed reported that they have proactively implemented measures to adapt to lockdown conditions. The most-common of these changes was to either start or expand working-from-home (WFH) arrangements for employees. However, a significant portion also changed the way in which they deliver products and services to customers, such as home delivery services, touchless payment options and video calls.
- **Cut costs.** Many SMBs have cut costs, either by reducing staff or closing down physical locations. 46% of SMBs have deployed at least one cost-cutting initiative.

The nature of each company's response to the continuing COVID-19 crisis has strongly influenced the demand for technology solutions. These points are further explored on the following slides and throughout this report.

Figure 7: Operational activities undertaken since March 2020 in response to the COVID-19 outbreak, by company size, all countries surveyed, 1Q 2021[1]



Source: Analysys Mason

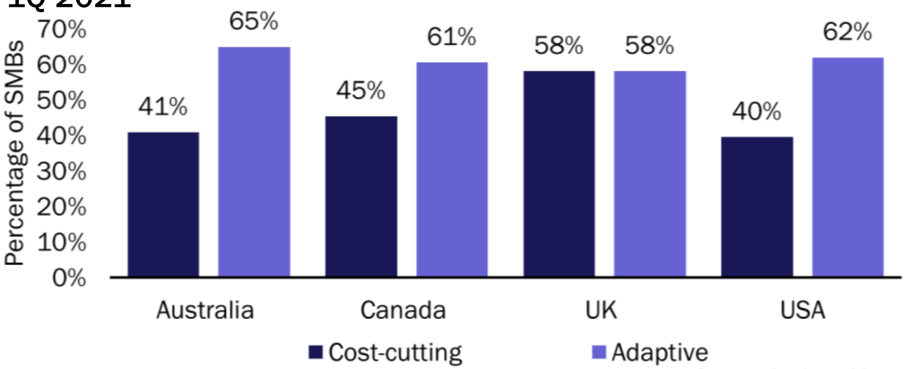
[1] Question: "Which of the following operational activities has your company undertaken in the since March due to the COVID-19 outbreak?" *n* = 1870.

SMBs in the UK are the most likely to have taken cost-cutting measures as a result of the COVID-19 pandemic

58% of SMBs in the UK have cut costs in some way in response to the pandemic. 37% have furloughed employees; this is more than SMBs in any other country surveyed (Figure 9).

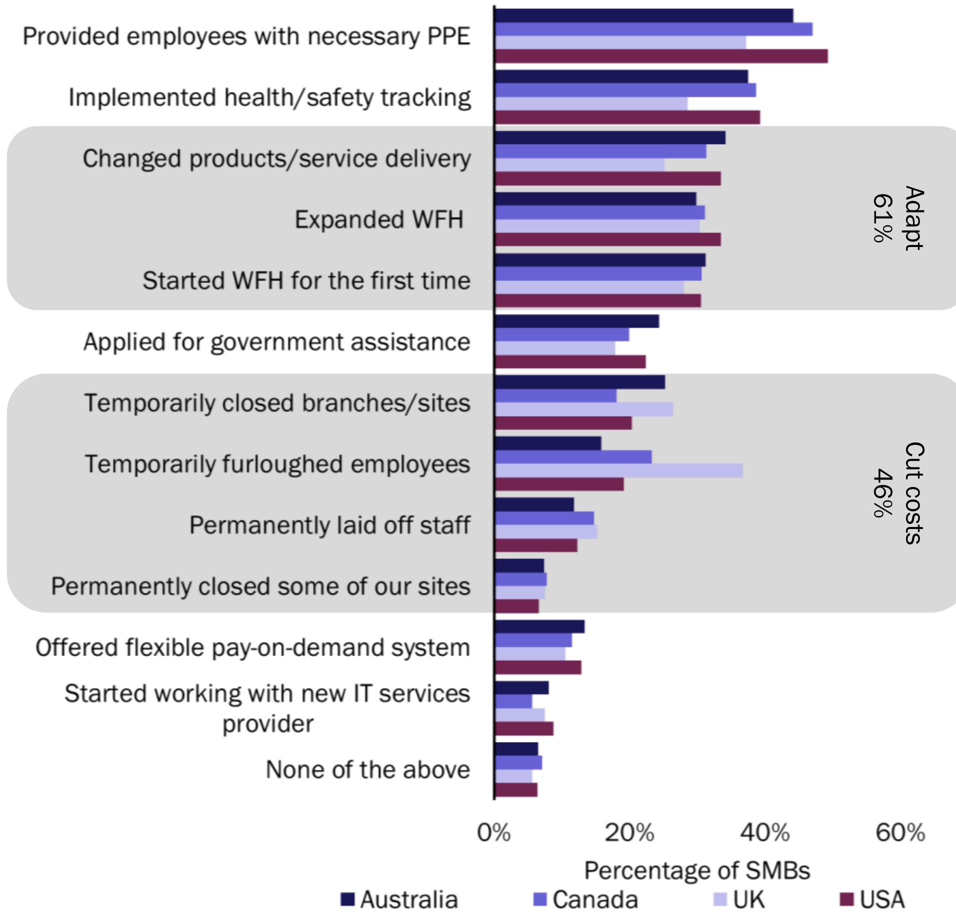
SMBs in Australia, Canada and the USA are comparable in terms of their operational measures: over 60% have taken some type of adaptive measure and 40–45% have cut costs (Figure 8). SMBs in Australia are the most likely to have changed their delivery methods, while those in the UK are the least likely. SMBs in the UK are the most likely to have temporarily closed locations, while Canadian SMBs are the least likely to have done this. Less than 10% of SMBs across all countries have started to work with a new IT services provider.

Figure 8: Adaptive and cost-cutting measures taken since March 2020 in response to the COVID-19 outbreak, by country, 1Q 2021[1]



Source: Analysys Mason

Figure 9: Operational activities undertaken since March 2020 in response to the COVID-19 outbreak, by country, 1Q 2021[1]



Source: Analysys Mason

[1] Question: “Which of the following operational activities has your company undertaken in the since March due to the COVID-19 outbreak?” *n* = 1870.

Most companies are taking proactive steps to adapt to the ongoing crisis

Over 75% of all companies surveyed are taking adaptive steps to deal with the crisis. Only a small percentage of businesses are exclusively cutting costs.

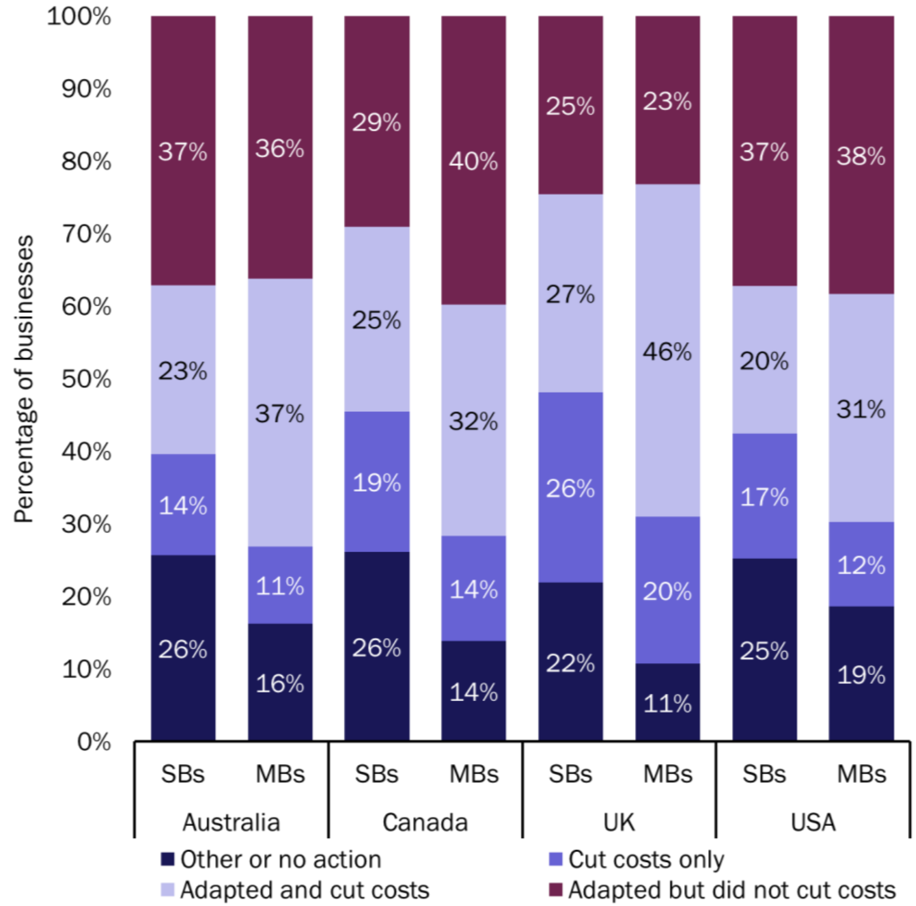
Figure 10 shows the split of businesses surveyed in terms of their responses to the COVID-19 pandemic.

- 25–37% of SBs and 23–40% of MBs have taken adaptive steps, but have not cut costs.
- 20–27% of SBs and 31–46% of MBs have implemented a mix of adaptive and cost-cutting measures.
- 14–26% of SBs and 11–20% of MBs have solely cut costs.
- 22–26% of SBs and 11–19% of MBs have not taken any definitive action in response to the crisis.

The percentage of SBs that have either only cut costs or not taken any action is higher than the equivalent percentage of MBs. MBs are more likely to have used a combination of adaptive and cost-cutting measures during the pandemic.

Later in this report, we will explore the correlation between SMBs' reactions to the crisis and their technology requirements from vendors. Businesses taking new approaches to working and delivering services are demanding new services, which is creating an opportunity for vendors.

Figure 10: Steps taken by SMBs in response to the COVID-19 pandemic, by business size and country, 1Q 2021[1]



Source: Analysys Mason

[1] Question: "Which of the following operational activities has your company undertaken in the since March due to the COVID-19 outbreak?" *n* = 1870.

SMBs in the professional business services, FIRE and IT/communications sectors have been the most proactive in addressing the impact of the COVID-19 pandemic

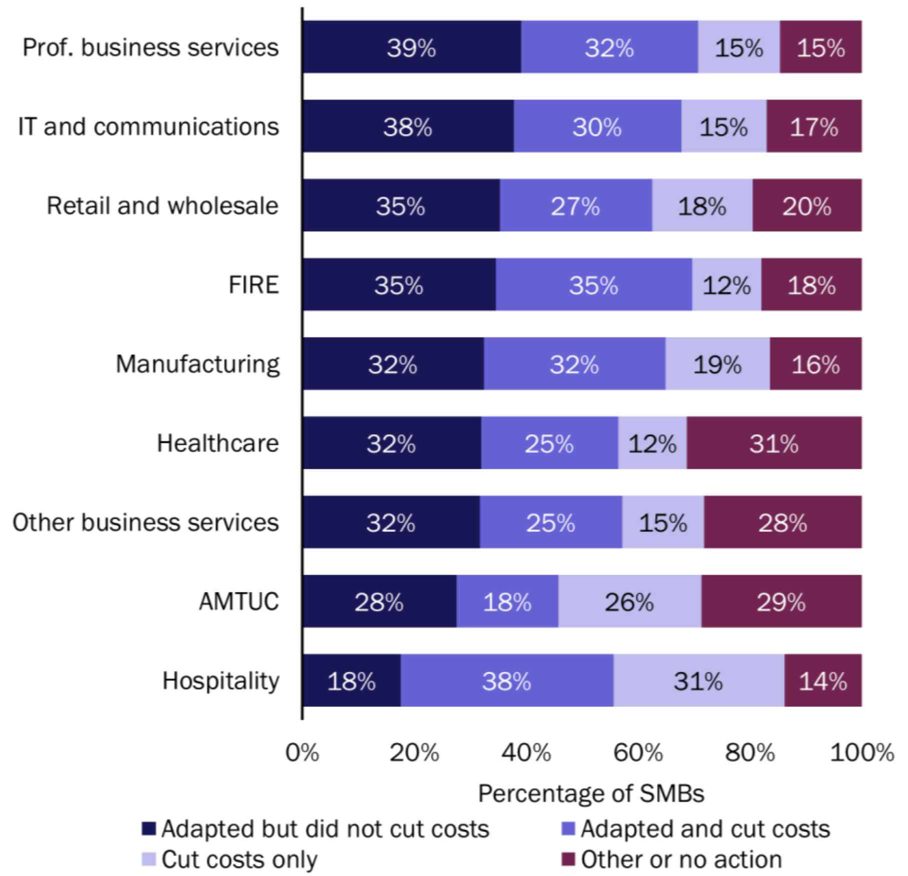
SMBs' responses to the COVID-19 pandemic have been similar around the world, but they have varied markedly between verticals. SMBs in the finance, insurance and real estate (FIRE), IT/communications and professional business services and sectors have been able to adapt their business operations without significantly cutting costs (Figure 11).

Most SMBs have adapted to the crisis in some form, albeit to varying degrees. The hospitality sector has been the most deeply affected by the pandemic, and as such, SMBs in this industry are the most likely to have exclusively cut costs (as well as adapting and cutting costs). Half of the SMBs in the hospitality industry in the UK said that they have taken some form of cost-cutting measure (see Figure 34 in the appendix).

Taking exclusively cost-cutting measures has also been prevalent in the agriculture, mining, transportation, utilities and construction (AMTUC) vertical. SMBs in the manufacturing vertical are a distant second to those in the hospitality sector in terms of their use of a combination of cost-cutting and adaptive measures.

SMBs in the FIRE and healthcare verticals (except in the USA, which does not have socialised medicine) are the least likely to have used solely cost-cutting measures. This suggests that businesses in these verticals are under less financial pressure than those in other sectors, thereby making it easier for them to adapt to and manage the crisis.

Figure 11: Steps taken by SMBs in response to the COVID-19 pandemic, by vertical, all countries surveyed, 1Q 2021[1]



Source: Analysys Mason

[1] Question: "Which of the following operational activities has your company undertaken in the since March due to the COVID-19 outbreak?" *n* = 1870.

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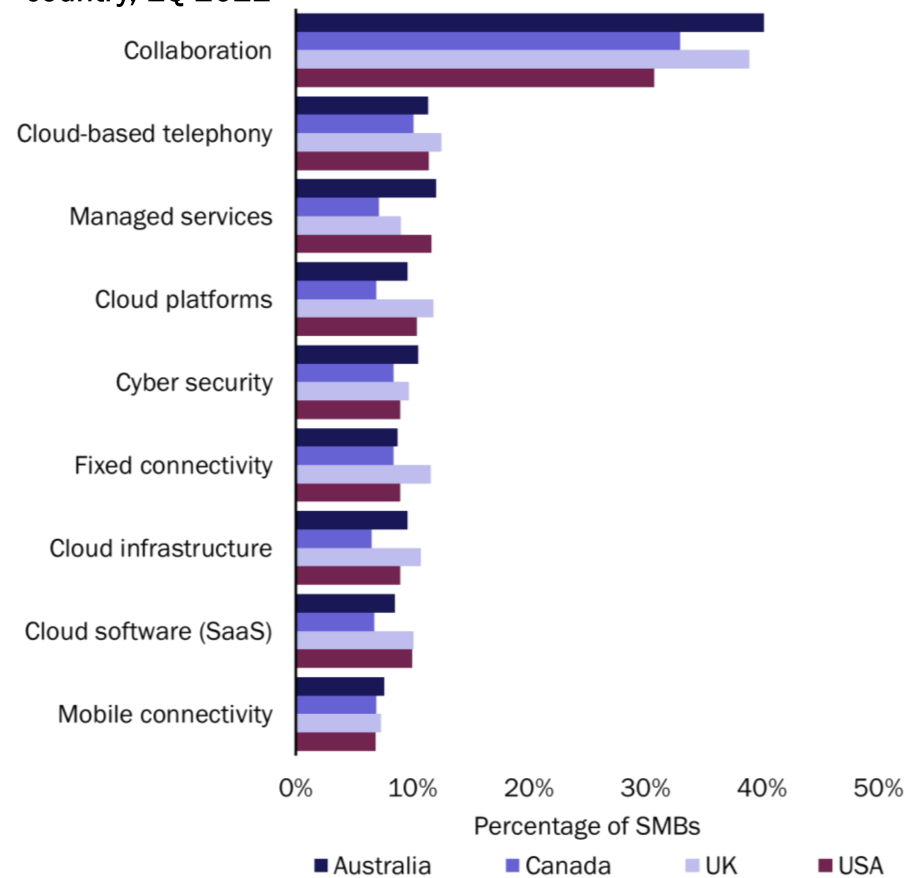
Current usage: many SMBs have acquired new solutions to support remote working

Some businesses have had to quickly acquire new solutions to enable remote working for the first time, which has created fresh demand for IT services. The adoption of new services is similar across all countries surveyed; collaboration tools are the most popular.

The demand for collaboration solutions has surged due to the COVID-19 crisis. Indeed, more than a third of SMBs in all of the countries surveyed have adopted collaboration solutions for the first time in response to the pandemic. SMBs in Australia and the UK are the most likely to have adopted such solutions (40% and 39% of SMBs, respectively).

Many SMBs lacked the IT infrastructure to support a remote workforce prior to the pandemic. As such, a small percentage of businesses have adopted new technology solutions to adapt to the new working conditions. Figure 12 shows that mobile, cloud and security solutions have been deployed for the first time by roughly 10% of SMBs in order to connect and secure their company's data assets now located in employees' homes.

Figure 12: Percentage of SMBs that started to use various technology solutions in response to the COVID-19 pandemic, by country, 1Q 2021[1]



Source: Analysys Mason

[1] Question: "Please tell us about your company's current technology usage and if it has changed since the COVID-19 situation started." *n* = 1870.

Current usage: many SMBs have deployed managed services to help them to manage their IT solutions as a result of the COVID-19 pandemic

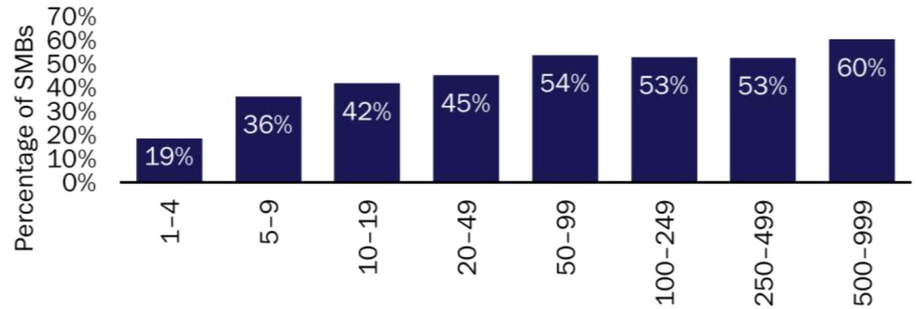
The majority of MBs and larger SBs have adopted managed services solutions to enable the remote management of their IT assets.

There is a correlation between the percentage of SMBs that have adopted new managed services in response to the COVID-19 pandemic and business size. Indeed, Figure 13 shows that larger SMBs are more likely to have adopted managed services than their smaller counterparts. The adoption of managed services by micro businesses (SMBs with fewer than five employees) is particularly low.

The difference between the adoption of managed services by SBs and MBs is significant: 55% of MBs have increased their use of managed services compared to only 37% of SBs. This phenomenon holds in all countries surveyed (Figure 14).

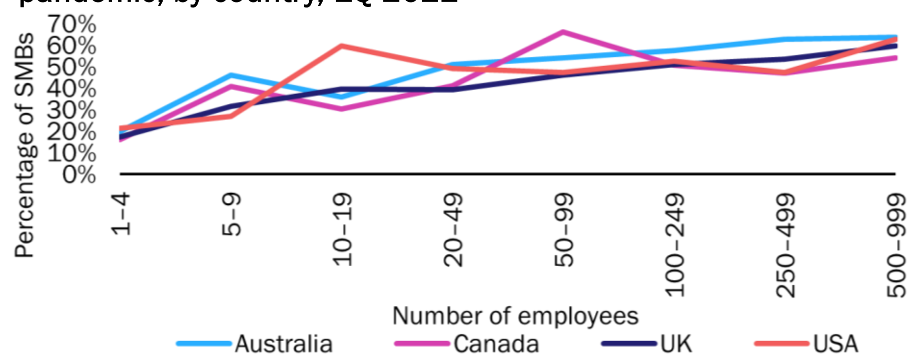
Larger firms have more-complex IT needs and may not have the in-house IT capabilities to support them remotely. This has driven up the demand for managed services significantly. However, our survey results suggest that providers of managed services and the vendors that support them could do more to help the smallest firms.

Figure 13: Percentage of SMBs that started/increased their use of managed services in response to the COVID-19 pandemic, all countries surveyed, 1Q 2021[1]



Source: Analysys Mason

Figure 14: Percentage of SMBs that started/increased their use of managed services in response to the COVID-19 pandemic, by country, 1Q 2021[1]



Source: Analysys Mason

[1] Question: "Please tell us about your company's current technology usage and if it has changed since the COVID-19 situation started." *n* = 1870.

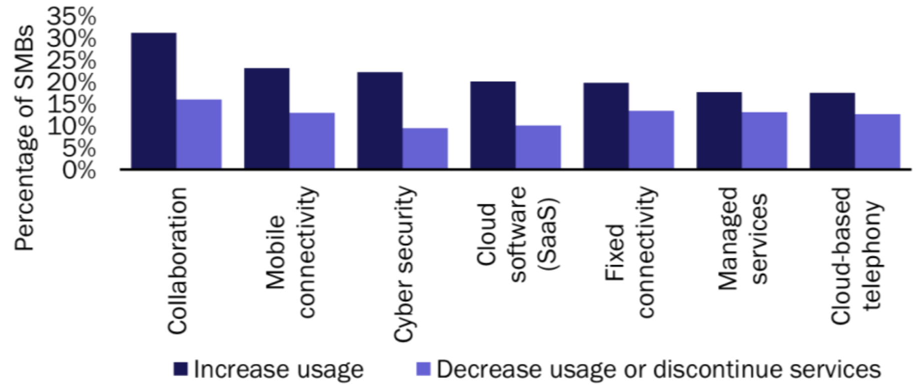
Future usage: SMBs' increasing adoption of IT solutions should translate into higher usage levels in the long term

A significant proportion of SMBs reported plans to increase their use of IT solutions post-crisis. Many businesses initially thought that the WFH situation would be short-lived and that the use of certain technologies would be a temporary measure. However, many are now planning to retain WFH measures, even when business operations return to normal.

Vendors need to understand the scope of SMBs' increased IT use and must determine whether the changes are permanent or temporary. Our survey results show more SMBs intend to maintain their increased IT solutions usage levels post-crisis than decrease them (Figure 15). SMBs in Canada and the USA are the least likely to decrease their use of various solutions. This represents a sustainable opportunity for IT and communications vendors. SMBs in the UK, especially those in the hospitality sector, are the most likely to decrease their use of select IT solutions (particularly fixed and mobile connectivity) post-crisis as employees move back onsite (see Figure 42 in the appendix).

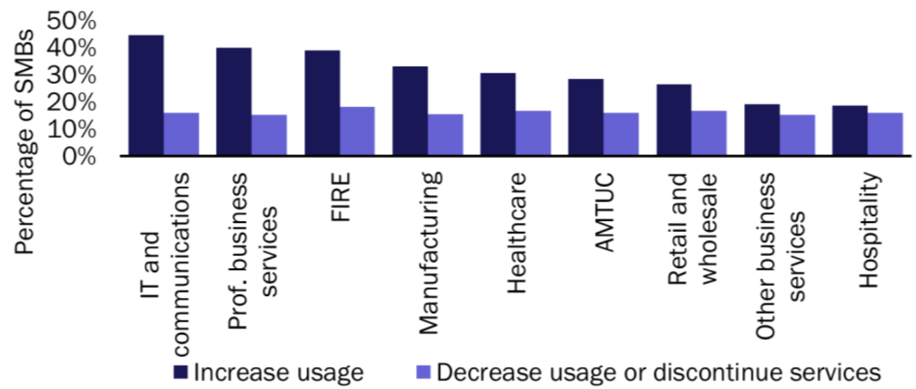
SMBs' future plans vary by vertical; particularly those regarding the use of collaboration tools (Figure 16). SMBs in most sectors will maintain their increased levels of use of these solutions, particularly those in the IT and communications and professional business services verticals.

Figure 15: SMBs' planned use of IT solutions post-pandemic, all countries surveyed, 1Q 2021[1]



Source: Analysys Mason

Figure 16: SMBs' planned use of collaboration solutions post-pandemic, by vertical, all countries surveyed, 1Q 2021[1]



Source: Analysys Mason

[1] Question: "Please tell us about your company's planned technology usage. After vaccines are available and lock down guidance is relaxed." *n* = 1870.

Future spend: a significant percentage of SMBs that have started to use, or have increased their use of, a given service expect this to become a long-term expense

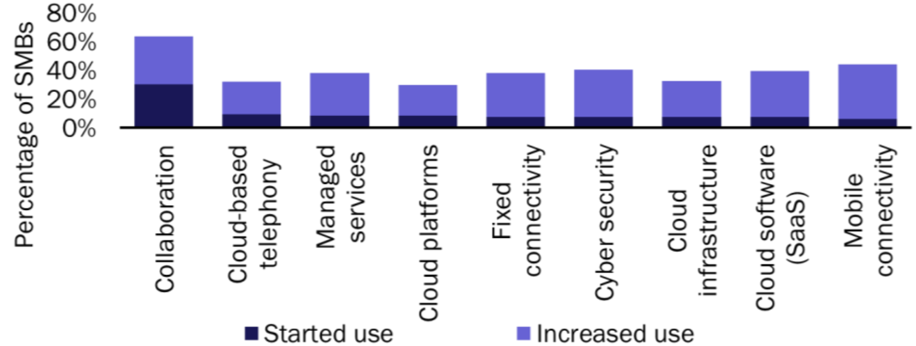
Many of the SMBs surveyed that have started to use, or have increased their use of, a given IT service anticipate that their spending in 2021 will be at least the same as that in 2020. This suggests that there is a significant opportunity for vendors.

Vendors that have been supporting SMBs during the COVID-19 crisis are in a good position to maintain their existing relationships into the future. They may also be well-placed to upsell additional IT services.

Figure 17 shows that many SMBs that have started to use, or have increased their use of, a given IT service expect that this will translate into a continued expense. Collaboration solutions, fixed and mobile connectivity, cloud software and managed services are some of the most-popular IT solutions that SMBs are using to help manage the impact of the COVID-19 crisis (Figure 18), but the ongoing demand for cloud infrastructure and cloud-based telephony is also strong.

Free trials inhibit the revenue opportunity for vendors initially, but they also tend to lead to an increase the use of a particular IT service. Vendors that have provided free trials and have supported SMBs during the crisis may see a surge in demand for paid-for solutions after restrictions are relaxed.

Figure 17: Percentage of SMBs that have started to use, or have increased their use of, an IT service and anticipate the same/higher spend in 2021, all countries surveyed, 1Q 2021[1]



Source: Analysys Mason

Figure 18: Percentage of SMBs that have started to use, or have increased their use of, an IT solution and anticipate the same/higher spend in 2021, by country, 1Q 2021[1]

	Australia	Canada	UK	USA
Collaboration	62%	62%	65%	66%
Mobile connectivity	44%	43%	42%	48%
Cyber security	38%	40%	38%	46%
Cloud software (SaaS)	39%	39%	36%	45%
Fixed connectivity	40%	32%	39%	43%
Managed services	40%	37%	36%	40%
Cloud infrastructure	30%	31%	34%	35%
Cloud-based telephony	31%	27%	35%	35%
Cloud platforms	29%	25%	31%	33%

Source: Analysys Mason

[1] Questions: “Please tell us about your company’s current technology usage and if it has changed since the COVID-19 situation started” and “please tell us about your company’s anticipated 2021 spending compared to your actual spending in 2020” *n* = 1870.

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SMBs' short-term business priorities include rehiring/retaining employees, ensuring remote employees' satisfaction and engagement and updating business models

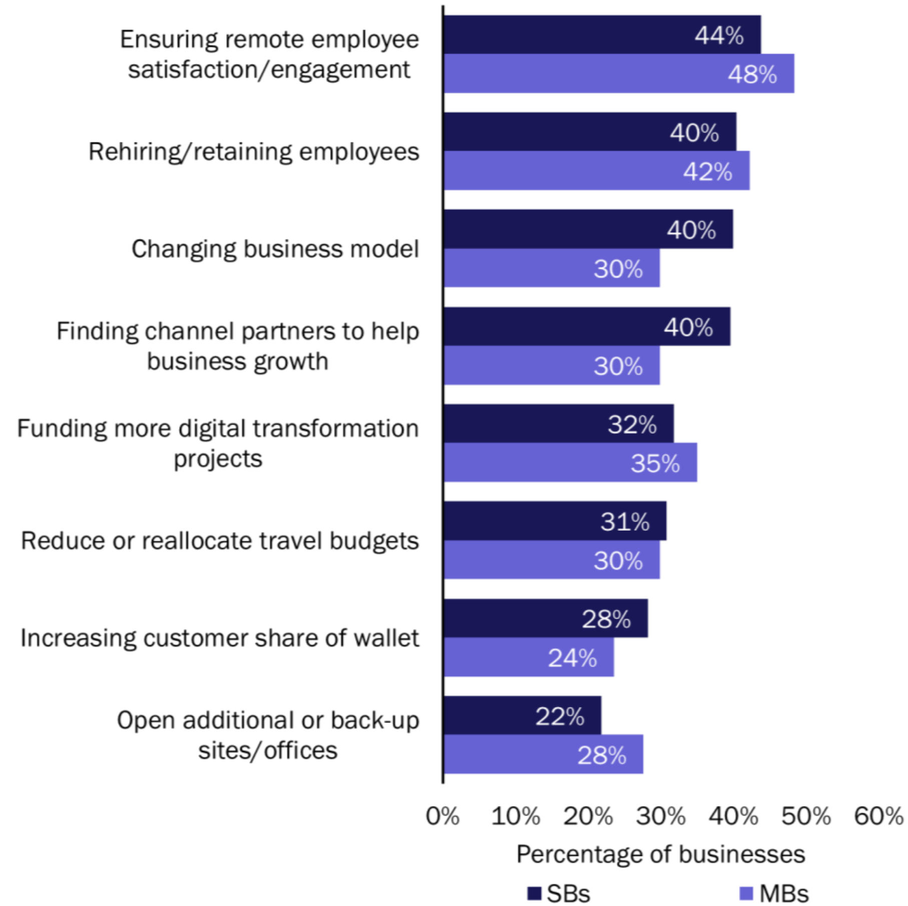
SMBs' short-term business-related priorities include ensuring remote-employee satisfaction and engagement and rehiring and retaining employees. Many SMBs have been coping with reduced revenue, which has increased their price-sensitivity. Consequently, almost a third of businesses expect to reallocate some of their travel budgets to support other goals.

Many SMBs are planning to prioritise the needs of their employees over the next 12 months to ensure that their businesses can continue to operate (Figure 19). SBs and MBs in all countries surveyed are planning to continue to invest in supporting remote working and bringing back furloughed employees (see Figure 44 in the appendix).

Some SMBs, particularly smaller businesses, plan to change their business models in the coming year (52% of SBs with fewer than 5 employees). Finding channel partners to help with growth will also be a focus (40% of SBs).

MBs will focus on funding their digital transformation projects (35% of MBs) and getting their employees back into the office safely (28% plan to open back-up locations in the coming year).

Figure 19: SMBs' planned business priorities for the next 12 months, by business size, all countries surveyed, 1Q 2021[1]



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* = 1870.

Enabling and effectively supporting remote working will be the main technology priorities for SMBs in the short term

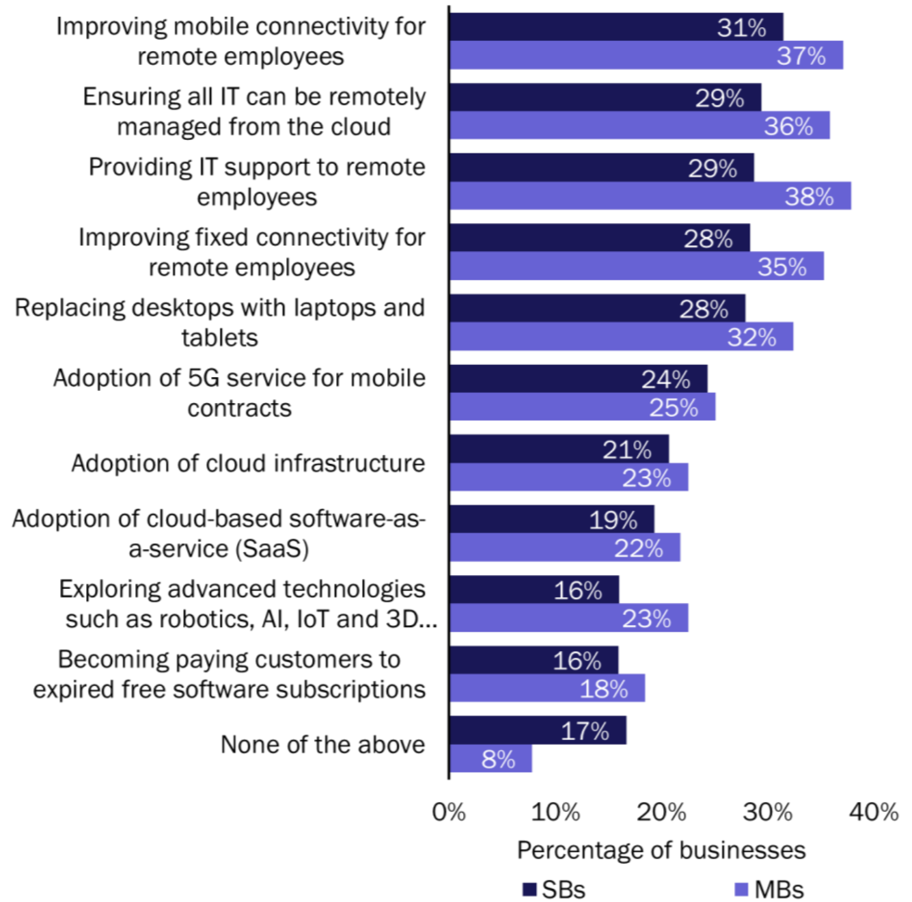
Many SMBs reported that they intend to enable an increased proportion of their employees to continue to work from home, even after the lockdown restrictions are lifted. As a result, SMBs' priorities for the coming year are largely focused on supporting remote workers (Figure 20).

The most urgent priority for many SMBs is to ensure that their business can continue to operate remotely for as long as necessary (given the extended nature of the COVID-19 crisis). This includes improving mobile and fixed communications for remote employees. Indeed, 38% of SMBs in the USA are prioritising mobile connectivity and 33% of SMBs in the UK are prioritising fixed connectivity (see Figure 45 in the appendix).

Ensuring that all of their IT assets can be managed from the cloud will be another key focus, particularly for MBs (36%) and SMBs of all sizes in the USA (36%) and the UK (33%). Providing remote IT support for their remote employees will becoming increasingly important for MBs (38%) and SMBs in the USA (36%) (see Figure 44 in the appendix).

Allocating laptops to replace desktops is the key to getting employees up and running at home for some SMBs. Furthermore, 26% of Australian SMBs and 29% of US SMBs plan to concentrate on adopting 5G services. 25% of Australian SMBs also reported plans to focus on adopting cloud infrastructure services or cloud-based software (SaaS) solutions in the next 12 months.

Figure 20: SMBs' planned technology priorities for the next 12 months, by business size, all countries surveyed, 1Q 2021[1]



Source: Analysys Mason

[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* = 1870.

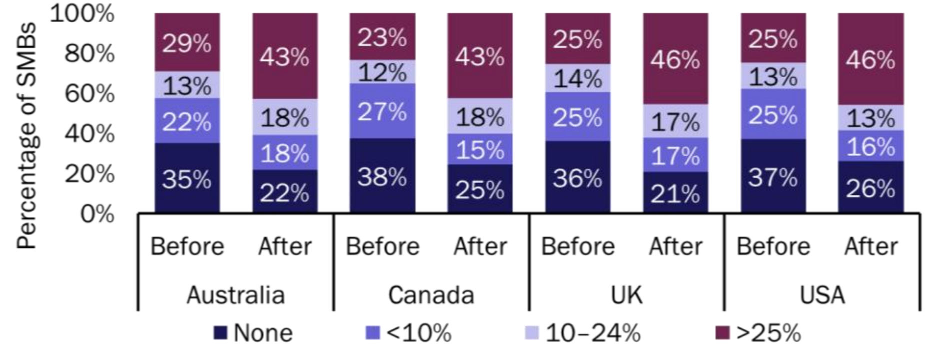
WFH will become more commonplace after the crisis; most businesses have prepared for employees to work remotely once restrictions are lifted

SMBs expect that more employees will work from home once the crisis is over than before the COVID-19 pandemic started (Figure 21). Most businesses that can do so will maintain a flexible way of working, which will create a sustained demand for managed services, connectivity, security and SaaS solutions (Figure 22).

The COVID-19 pandemic will result in permanent changes to the way in which many SMBs view working patterns. Indeed, there are cost and employee satisfaction benefits to home working. Furthermore, SMB employees have become used to a flexible working environment, which will put employers under pressure to maintain WFH policies. Some businesses may have even seen an increase in productivity during the COVID-19 pandemic, because employees that would normally have had to commute have found more time to work.

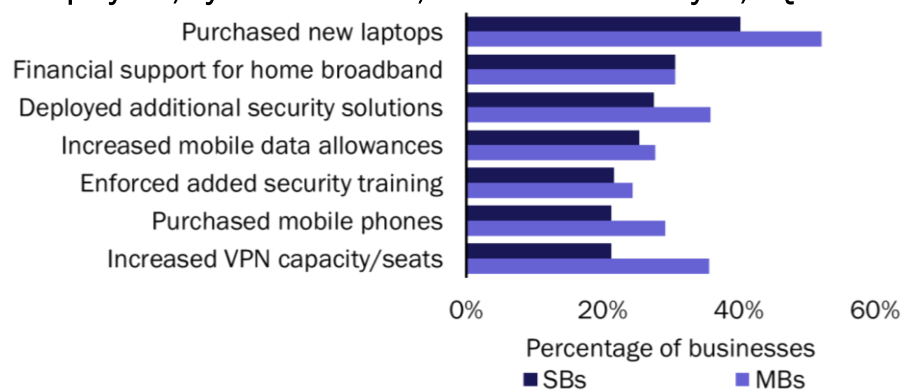
A significant proportion of SMBs that have remote employees have taken measures to support them, across all countries and segments. They have purchased laptops, helped employees to pay for their home broadband and deployed additional security solutions. 45% of MBs with remote employees in Canada reported that they have increased their VPN capacity; this is the highest figure across all countries (see Figure 47 in the appendix).

Figure 21: Proportion of employees working from home prior to COVID-19 crisis compared to the expectation after the crisis is over, all countries surveyed, 1Q 2021[1]



Source: Analysys Mason

Figure 22: Measures taken by SMBs to support their remote employees, by business size, all countries surveyed, 1Q 2021[2]



Source: Analysys Mason

[1] Question: "Do you have any employees working from home due to the pandemic?" n = 1870.
[2] Question: "What measures has your company taken to help support your employees working from home?" n = 1277.

The most proactive businesses are using IT/telecoms suppliers to help them to support WFH and increase their security; other SMBs are looking for cost savings

SMBs' needs vary depending on the initial actions that they took in response to the COVID-19 crisis. SMBs that adapted in some way are looking for support for their remote employees and for upgraded security, while those that cut costs are looking for financial assistance.

Support for their remote workers is the main area of concern for businesses that have adapted to the COVID-19 crisis, whether they have also cut costs or not. These businesses are primarily in verticals that have been more resilient during the crisis and they are more open to acquiring new technology to adapt. MBs in all countries are more interested in supporting remote employees than SBs (see Figures 50–53 in the appendix). 45–50% of MBs in Canada, the UK and the USA felt that this would be very helpful, compared to only 38% of MBs in Australia (see Figures 50–53 in the appendix).

SMBs have cut costs are looking to suppliers for financial help, such as flexible payment terms (the top service for SBs in Canada and the UK) and complimentary subscriptions to IT services. Vendors have an opportunity to introduce IT solutions that SMBs need now to maintain their operations, with an eye to creating a long-term relationship once the crisis is over.

All SMBs consider upgrading their security to be a priority and this is an area where security vendors, channel partners and telecoms operators can play a strong role.

Figure 23: SMBs' ranking of the most-helpful services from IT, telecoms and technology vendors in the next 12 months, by actions taken, all countries surveyed, 1Q 2021[1]

Rank	Adapted but did not cut costs	Adapted and cut costs	Cut costs only
1	Provide IT support to remote employees	Provide IT support to remote employees	Offer flexible payment terms
2	Upgrade security to cover new problems	Upgrade security to cover new problems	Upgrade security to cover new problems
3	Suggest technology solutions to help my business during the crisis	Offer flexible payment terms	Offer complimentary subscriptions to IT services
4	Offer complimentary subscriptions to IT services	Suggest technology solutions to help my business during the crisis	Provide IT support to remote employees
5	Offer flexible payment terms	Provide contingency and business continuity planning	Suggest technology solutions to help my business during the crisis
6	Provide contingency and business continuity planning	Offer complimentary subscriptions to IT services	Provide contingency and business continuity planning

Source: Analysys Mason

[1] Question: "Please rate the following services from IT, telecommunications or technology suppliers in terms of how helpful they would be to your business during the next 12 months?", with a 4-scale rating where 4 = most helpful and 1 = least helpful. *n* = 1870.

Contents

Key implications

1

The majority of SMBs have been proactive in adapting to the COVID-19 crisis and have focused primarily on supporting remote working.

61% of SMBs have implemented at least some form of proactive measure to adapt to restricted working conditions, predominantly by expanding WFH arrangements and by changing the way in which they deliver products and services. 46% of all SMBs surveyed began to cut costs as soon as the crisis took effect, and most businesses have deployed a mix of proactive and cost-cutting initiatives. Only 17% of SMBs have elected to exclusively cut costs.

2

SMBs in different countries have responded in a similar way to the new environment.

SMBs worldwide have responded in similar ways to the pandemic, but there are some differences. SMBs in the UK are the most likely to have furloughed employees; Australian SMBs are the most likely to have changed their delivery methods; Canadian SMBs are the least likely to have closed locations; SMBs in the USA and Canada are the least likely to have decreased their use of some IT solutions; and SMBs in the UK are the most likely to decrease their use of select IT solutions post-crisis.

3

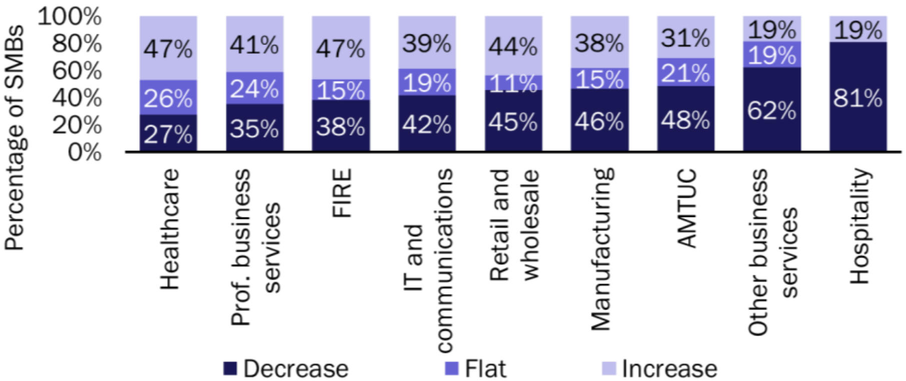
Continued remote working is driving the use of managed services and collaboration solutions among SMBs.

There has been a surge in demand for collaboration tools and managed services, especially among MBs, because SMBs have needed help to quickly connect and secure their businesses for remote operations and effectively enable communications for remote employees. The change in working patterns has made technology more complex to manage, and will push firms to migrate to cloud services more rapidly. Security has become more challenging due to widely distributed remote workers, and SMBs reported needing support from providers.

Contents

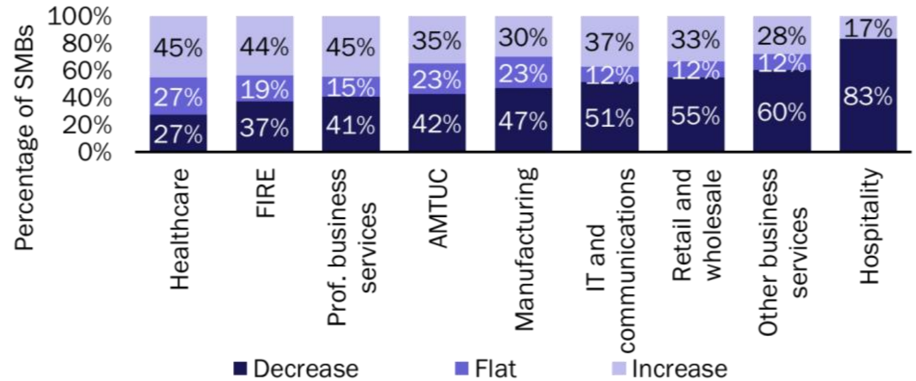
Appendix: the impact of the COVID-19 pandemic on SMB revenue in Australia, Canada, the UK and the USA, by vertical

Figure 24: Revenue change between 2019 and 2020, by vertical, Australia[1]



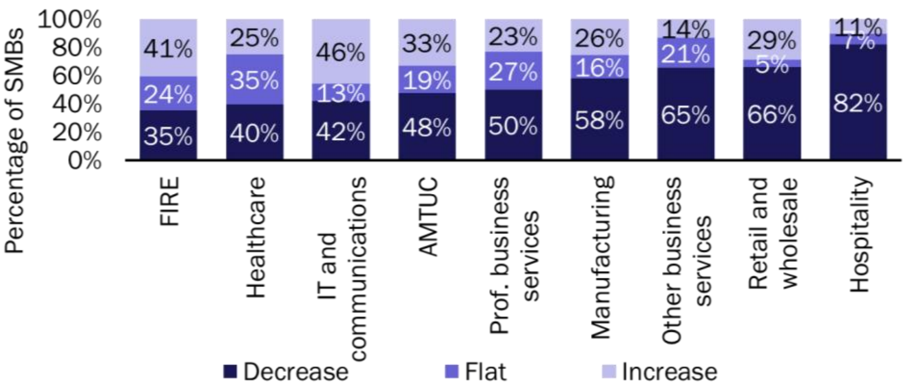
Source: Analysys Mason

Figure 26: Revenue change between 2019 and 2020, by firm size, UK[1]



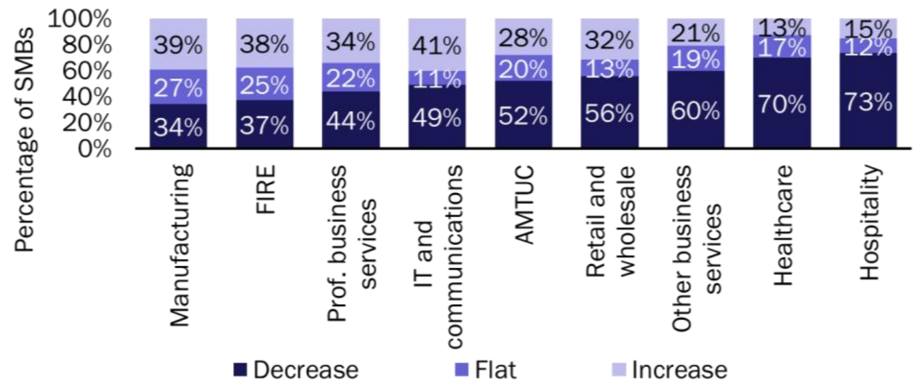
Source: Analysys Mason

Figure 25: Revenue change between 2019 and 2020, by vertical, Canada[1]



Source: Analysys Mason

Figure 27: Revenue change between 2019 and 2020, by vertical, USA[1]

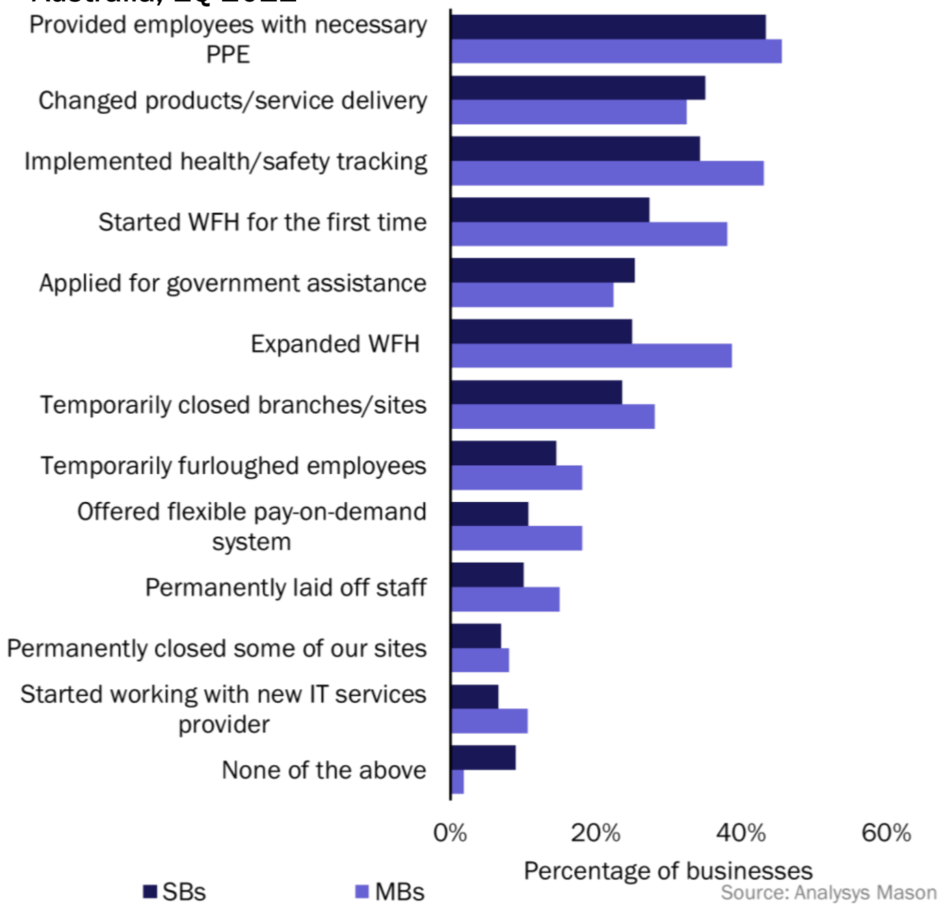


Source: Analysys Mason

[1] Question: "How does your company's revenue in 2020 so far compare to the same period in 2019?" *n* = 1870.

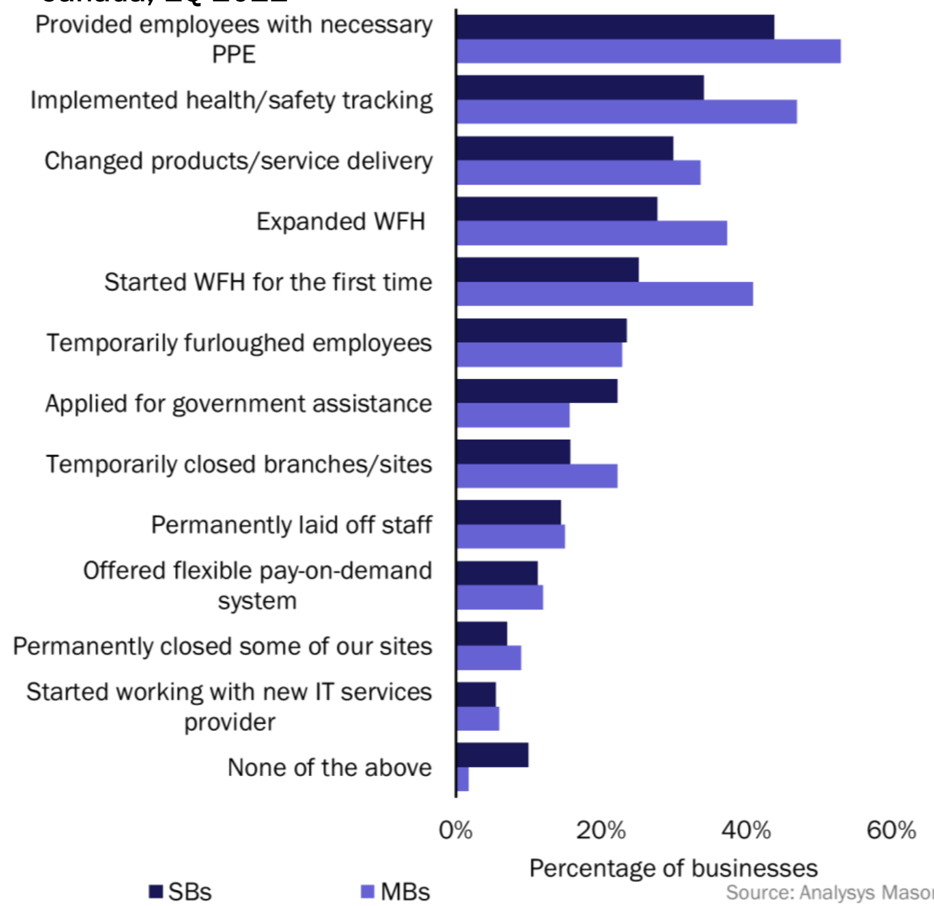
Appendix: steps taken to adapt to the ongoing crisis in Australia and Canada, by business size

Figure 28: Operational activities undertaken since March 2020 in response to the COVID-19 outbreak, by company size, Australia, 1Q 2021[1]



Source: Analysys Mason

Figure 29: Operational activities undertaken since March 2020 in response to the COVID-19 outbreak, by company size, Canada, 1Q 2021[1]

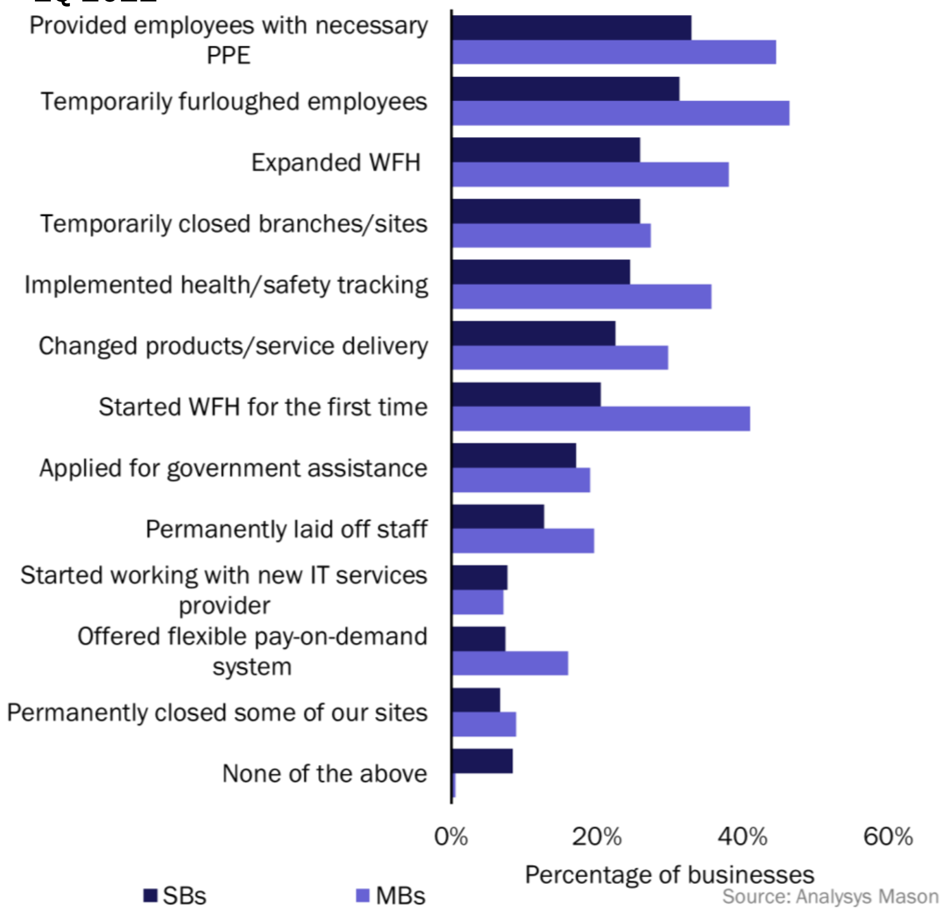


Source: Analysys Mason

[1] Question: "Which of the following operational activities has your company undertaken in the since March due to the COVID-19 outbreak?" *n* = 1870.

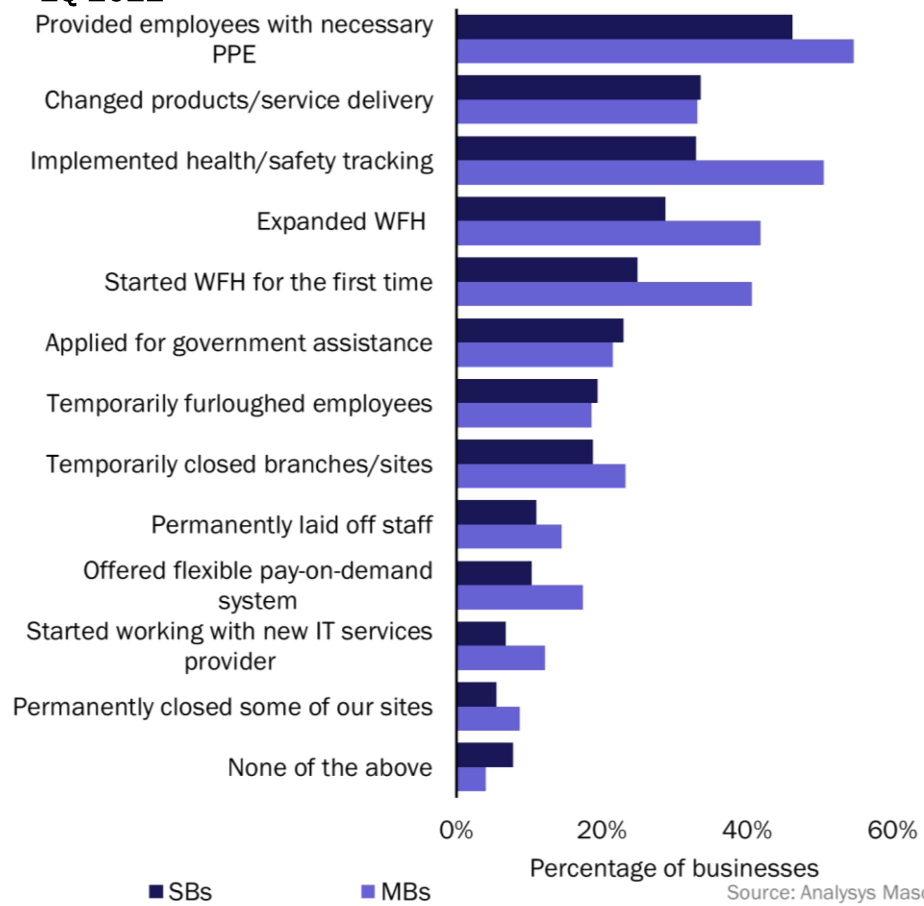
Appendix: steps taken to adapt to the ongoing crisis in the UK and the USA, by business size

Figure 30: Operational activities undertaken since March 2020 in response to the COVID-19 outbreak, by company size, UK, 1Q 2021[1]



Source: Analysys Mason

Figure 31: Operational activities undertaken since March 2020 in response to the COVID-19 outbreak, by company size, USA, 1Q 2021[1]

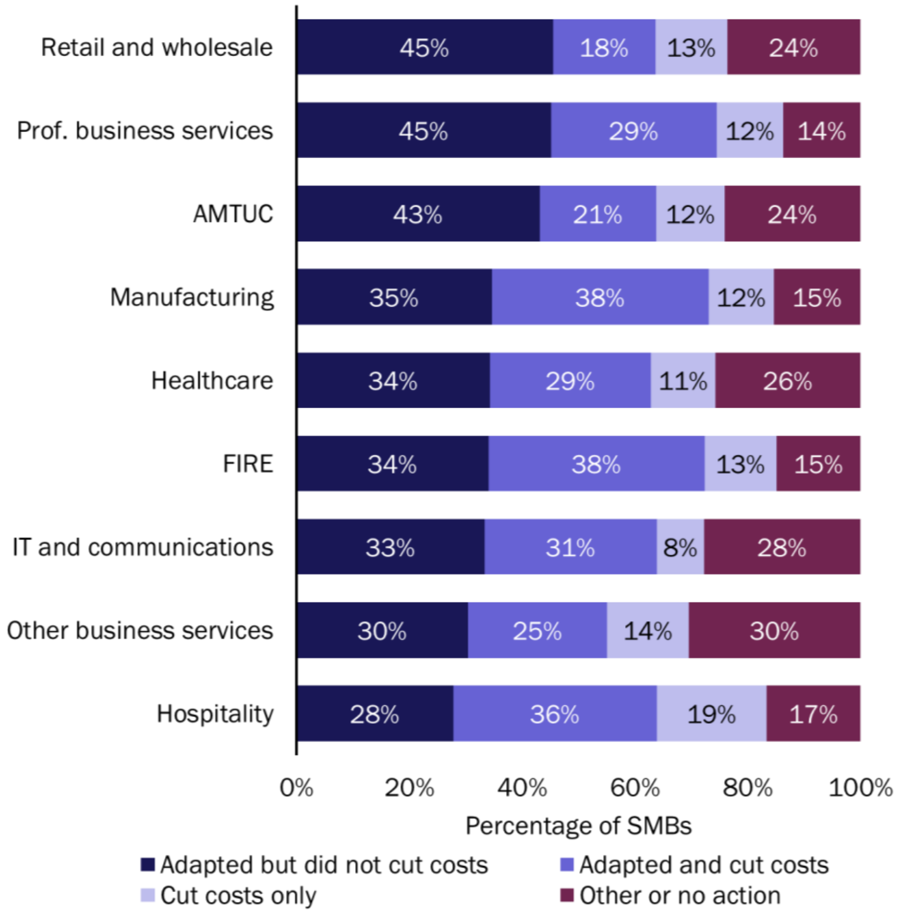


Source: Analysys Mason

[1] Question: "Which of the following operational activities has your company undertaken in the since March due to the COVID-19 outbreak?" *n* = 1870.

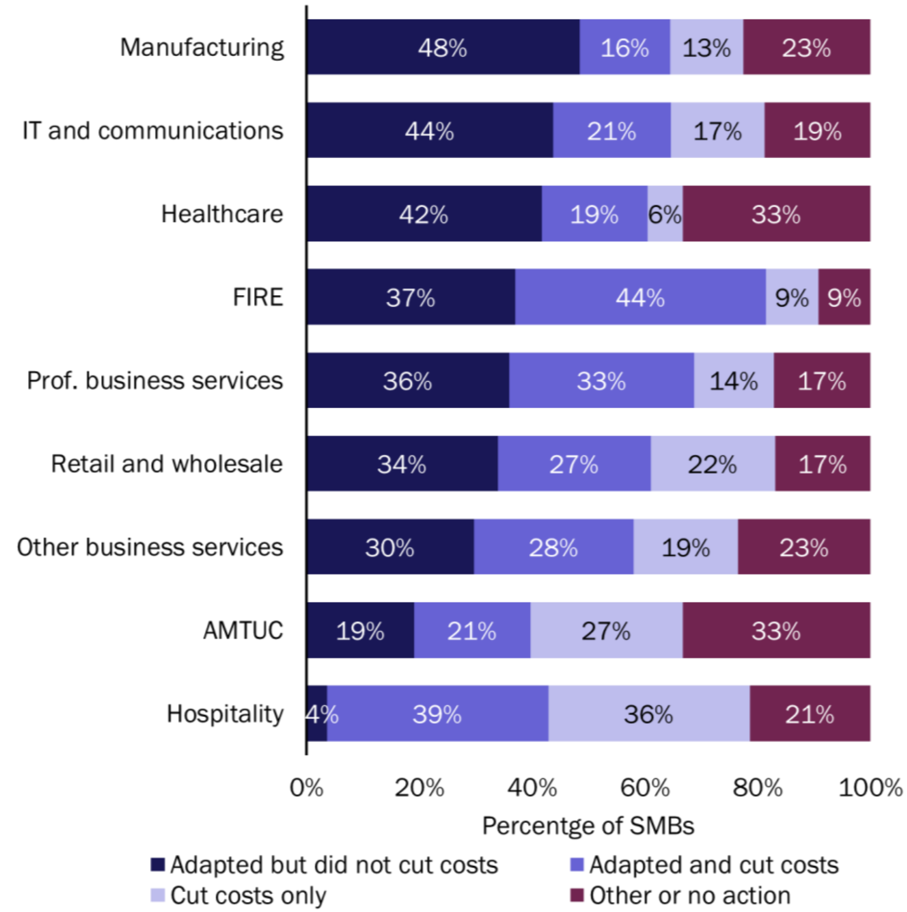
Appendix: adaptive versus cost-cutting operational changes as a result of the COVID-19 pandemic in Australia and Canada, by vertical industry

Figure 32: Steps taken by SMBs in response to the COVID-19 pandemic, by vertical, Australia, 1Q 2021[1]



Source: Analysys Mason

Figure 33: Steps taken by SMBs in response to the COVID-19 pandemic, by vertical, Canada, 1Q 2021[1]

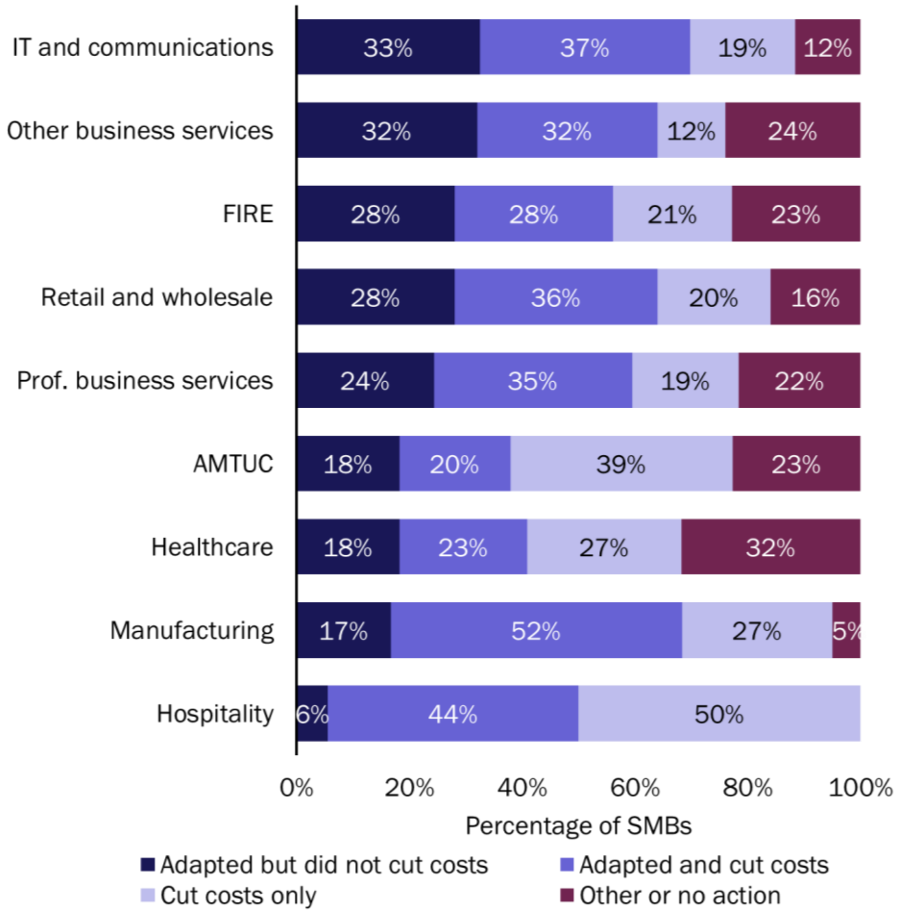


Source: Analysys Mason

[1] Question: "Which of the following operational activities has your company undertaken in the since March due to the COVID-19 outbreak?" *n* = 1870

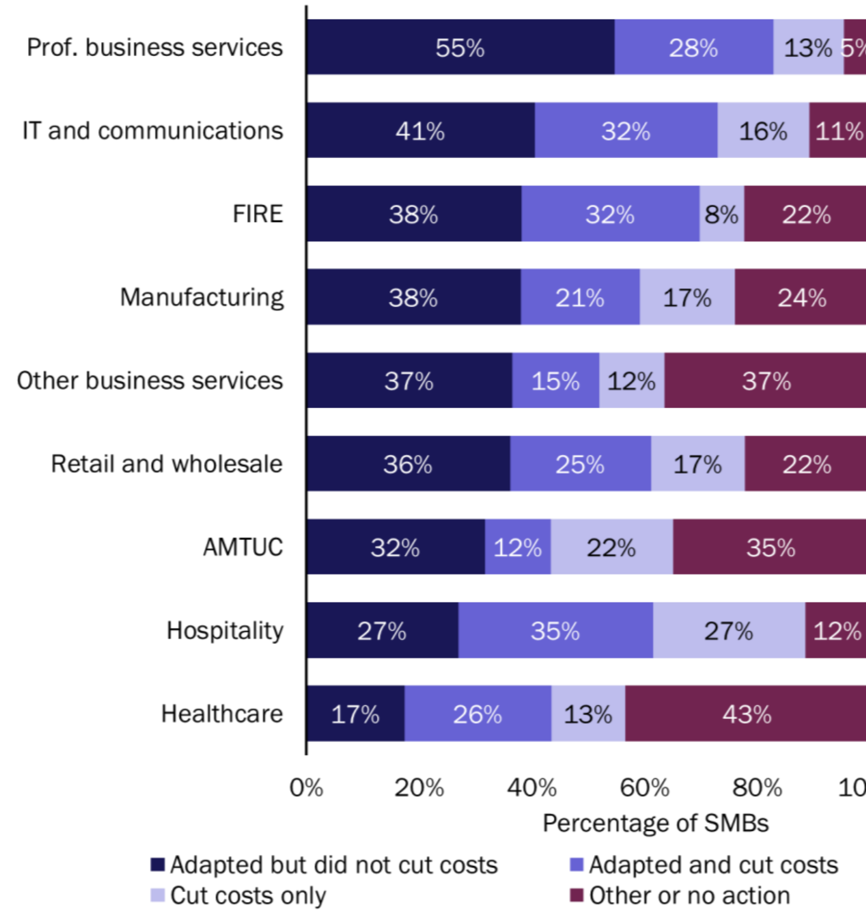
Appendix: adaptive versus cost-cutting operational changes as a result of the COVID-19 pandemic in the UK and the USA, by vertical industry

Figure 34: Steps taken by SMBs in response to the COVID-19 pandemic, by vertical, UK, 1Q 2021[1]



Source: Analysys Mason

Figure 35: Steps taken by SMBs in response to the COVID-19 pandemic, by vertical, USA, 1Q 2021[1]

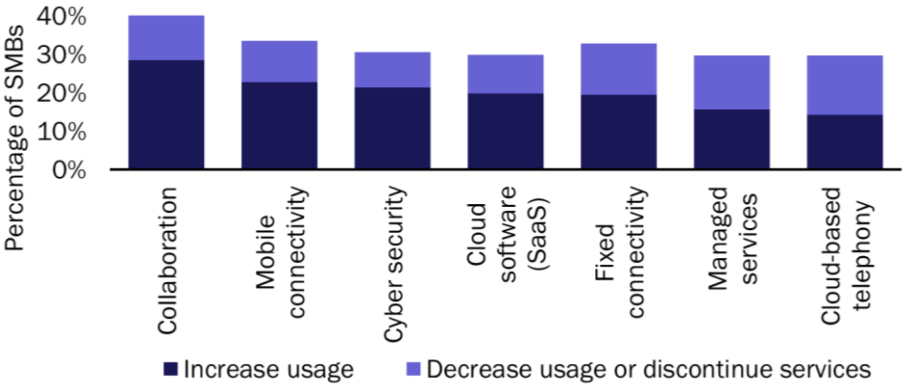


Source: Analysys Mason

[1] Question: "Which of the following operational activities has your company undertaken in the since March due to the COVID-19 outbreak?" *n* = 1870

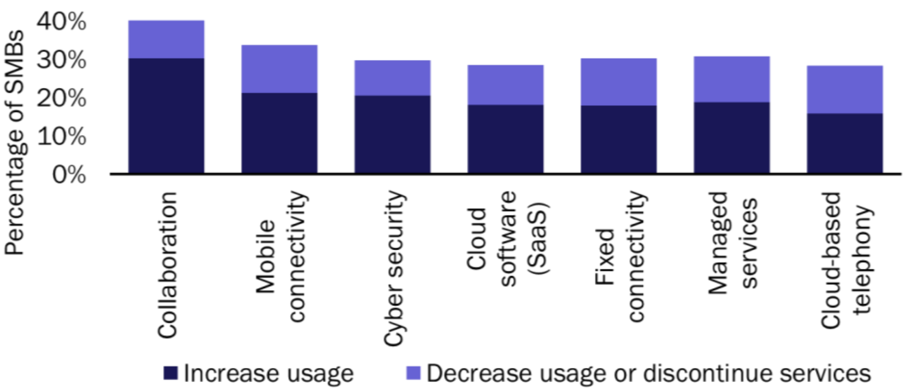
Appendix: future usage of IT solutions after restrictions are relaxed in Australia, Canada, the UK and the USA

Figure 36: SMBs' planned use of IT solutions post-pandemic, Australia, 1Q 2021[1]



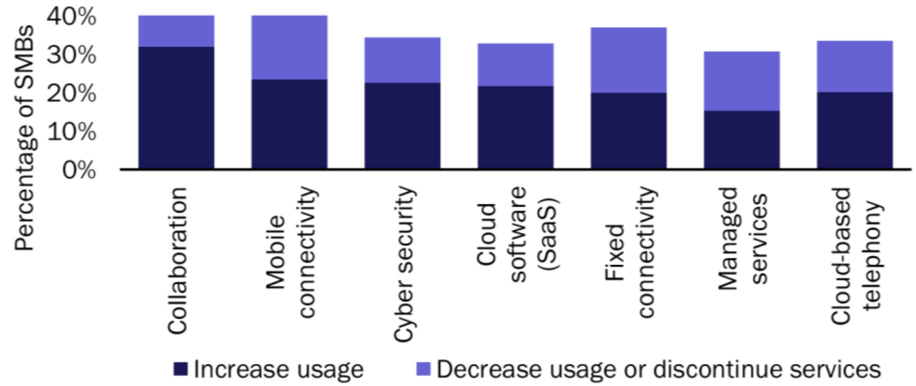
Source: Analysys Mason

Figure 37: SMBs' planned use of IT solutions post-pandemic, Canada, 1Q 2021[1]



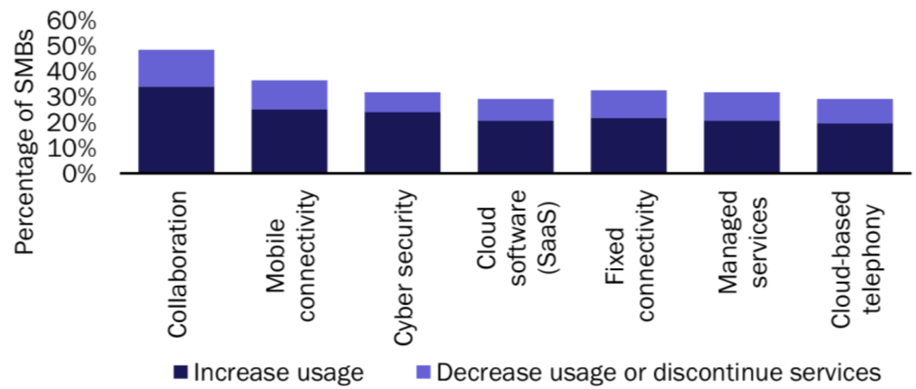
Source: Analysys Mason

Figure 38: SMBs' planned use of IT solutions post-pandemic, UK, 1Q 2021[1]



Source: Analysys Mason

Figure 39: SMBs' planned use of IT solutions post-pandemic, USA, 1Q 2021[1]

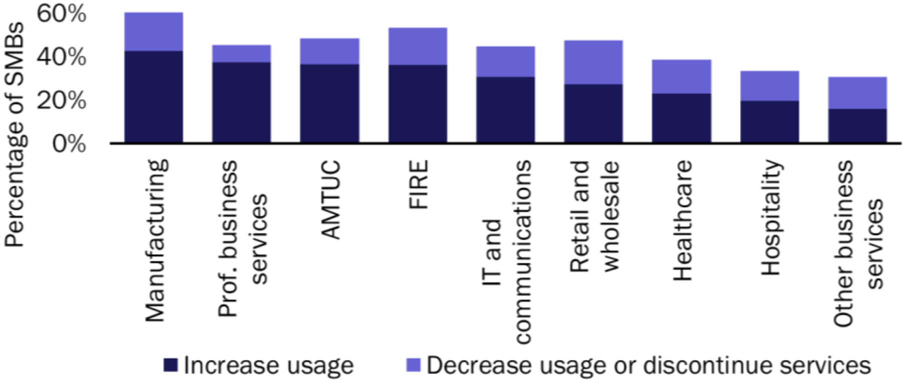


Source: Analysys Mason

[1] Question: "Please tell us about your company's planned technology usage. After vaccines are available and lock down guidance is relaxed." *n* = 1870.

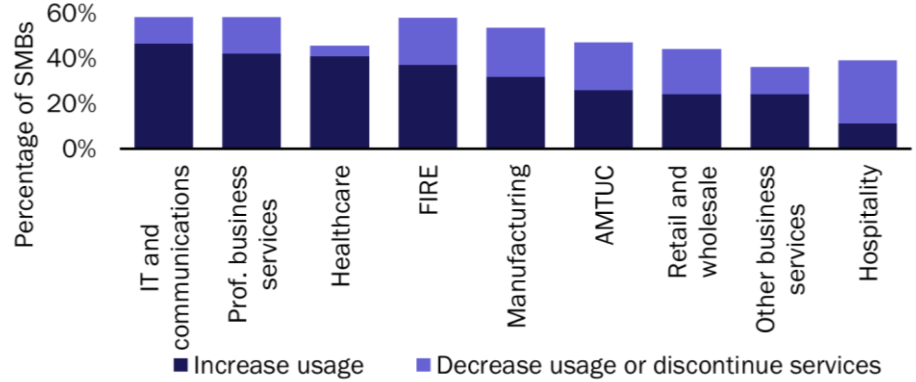
Appendix: future usage of collaboration solutions after restrictions are relaxed in Australia, Canada, the UK and the USA, by vertical

Figure 40: SMBs' planned use of collaboration solutions post-pandemic, by vertical, Australia, 1Q 2021[1]



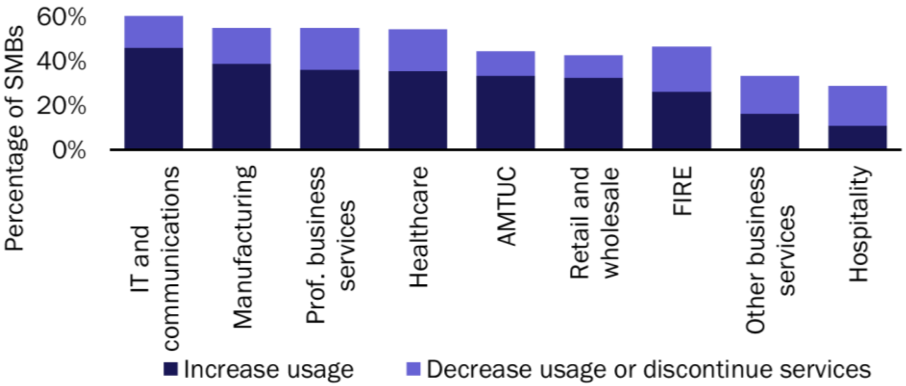
Source: Analysys Mason

Figure 42: SMBs' planned use of collaboration solutions post-pandemic, by vertical, UK, 1Q 2021[1]



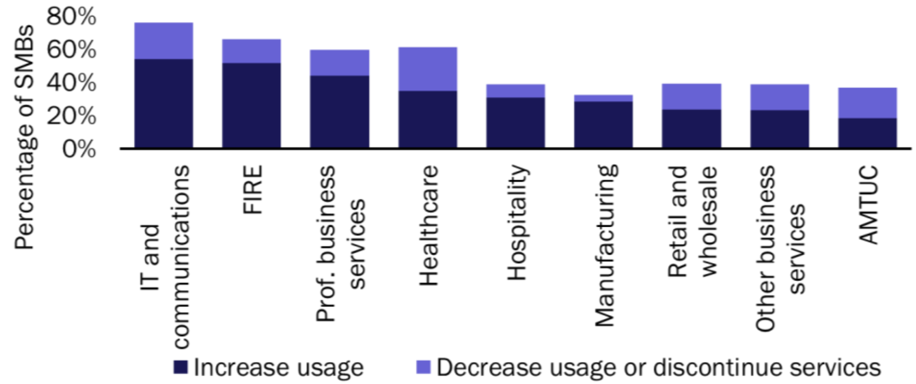
Source: Analysys Mason

Figure 41: SMBs' planned use of collaboration solutions post-pandemic, by vertical, Canada, 1Q 2021[1]



Source: Analysys Mason

Figure 43: SMBs' planned use of collaboration solutions post-pandemic, by vertical, USA, 1Q 2021[1]

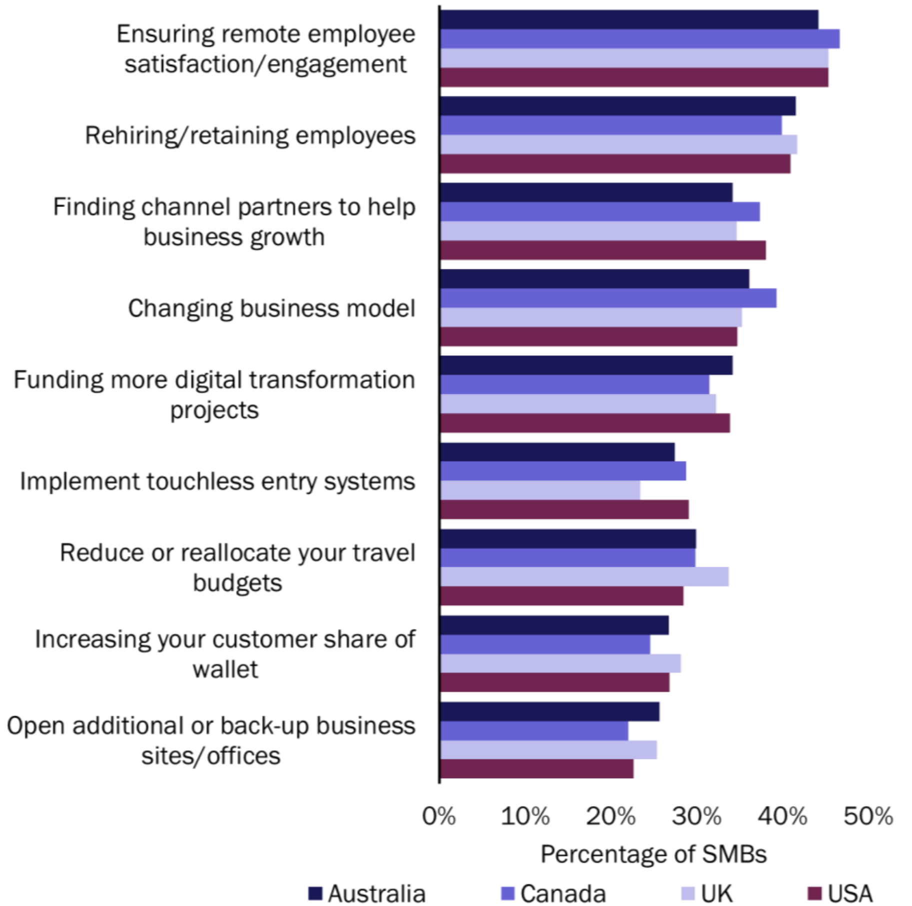


Source: Analysys Mason

[1] Question: "Please tell us about your company's planned technology usage. After vaccines are available and lock down guidance is relaxed." *n* = 1870.

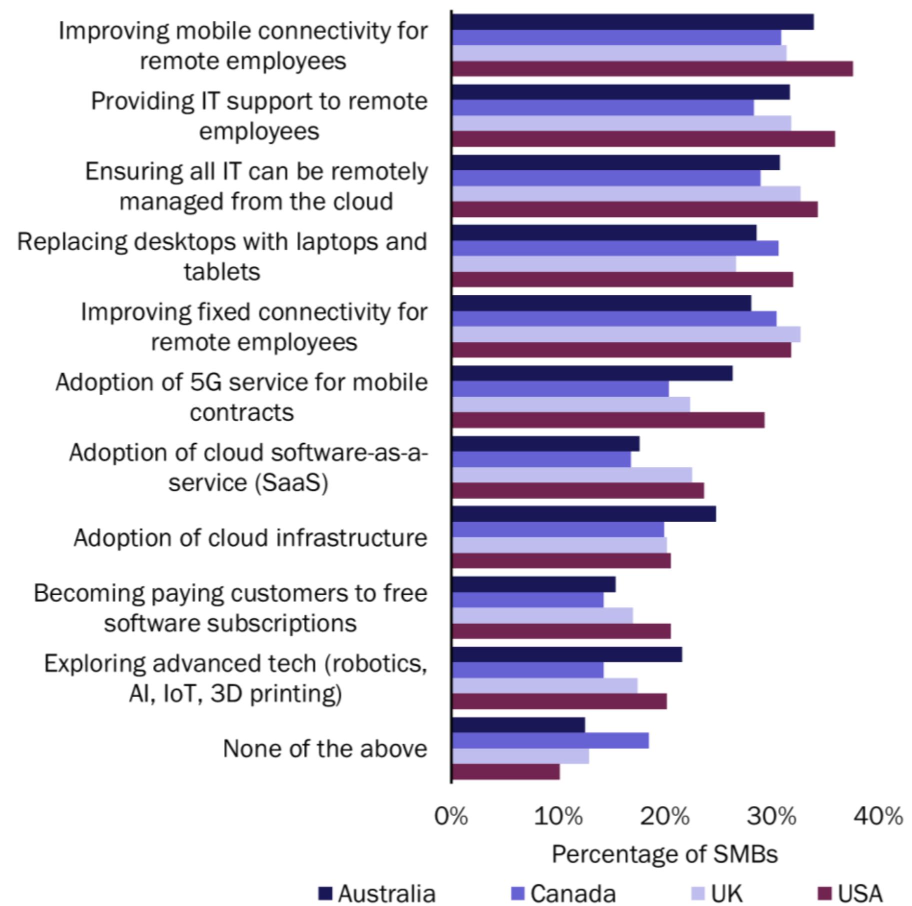
Appendix: planned business and technology priorities for SMBs, by country

Figure 44: SMBs' planned business priorities in the next 12 months, by country, 1Q 2021[1]



Source: Analysys Mason

Figure 45: SMBs' planned technology priorities in the next 12 months, by country, 1Q 2021[2]

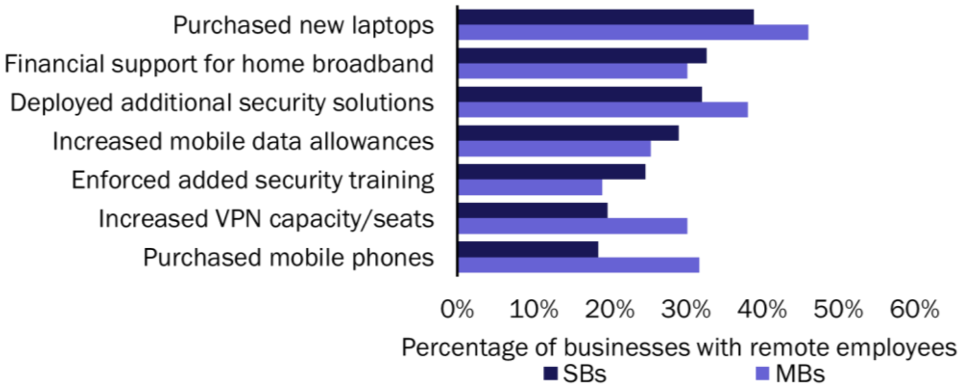


Source: Analysys Mason

[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* = 1870.
[2] 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* = 1870.

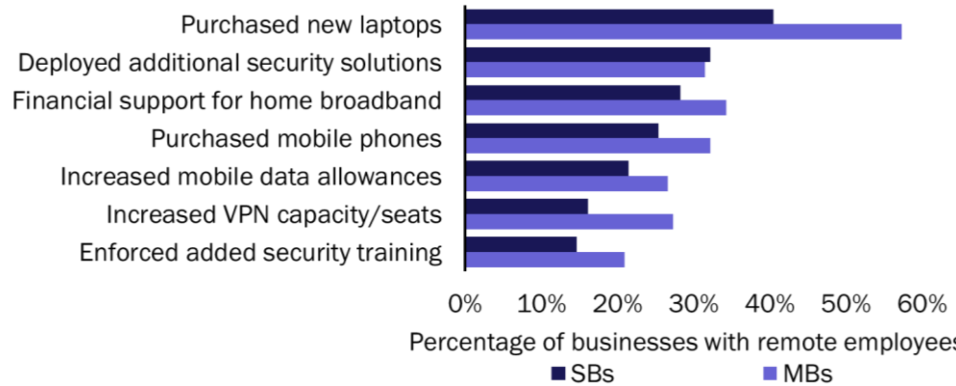
Appendix: measures that SMBs have taken to support employees working from home in Australia, Canada, the UK and the USA, by business size

Figure 46: Measures taken by SMBs to support their remote employees, by business size, Australia, 1Q 2021[1]



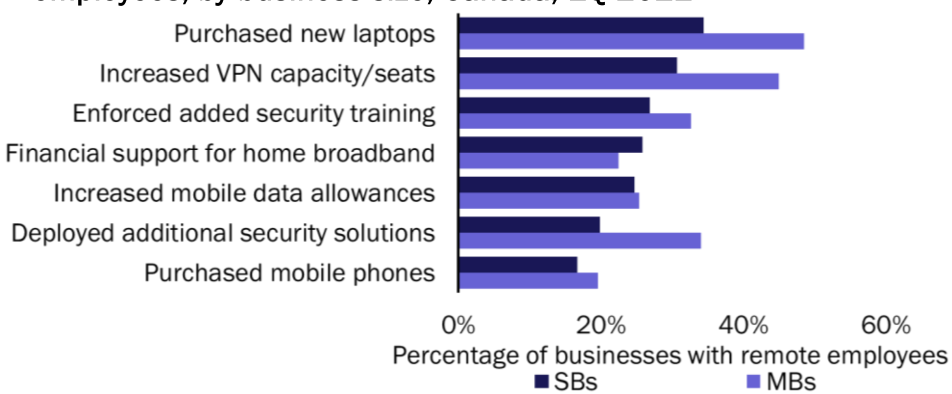
Source: Analysys Mason

Figure 48: Measures taken by SMBs to support their remote employees, by business size, UK, 1Q 2021[1]



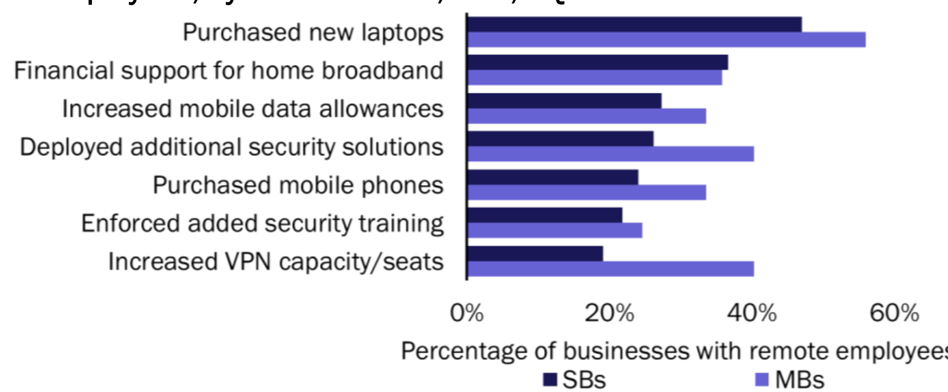
Source: Analysys Mason

Figure 47: Measures taken by SMBs to support their remote employees, by business size, Canada, 1Q 2021[1]



Source: Analysys Mason

Figure 49: Measures taken by SMBs to support their remote employees, by business size, USA, 1Q 2021[1]

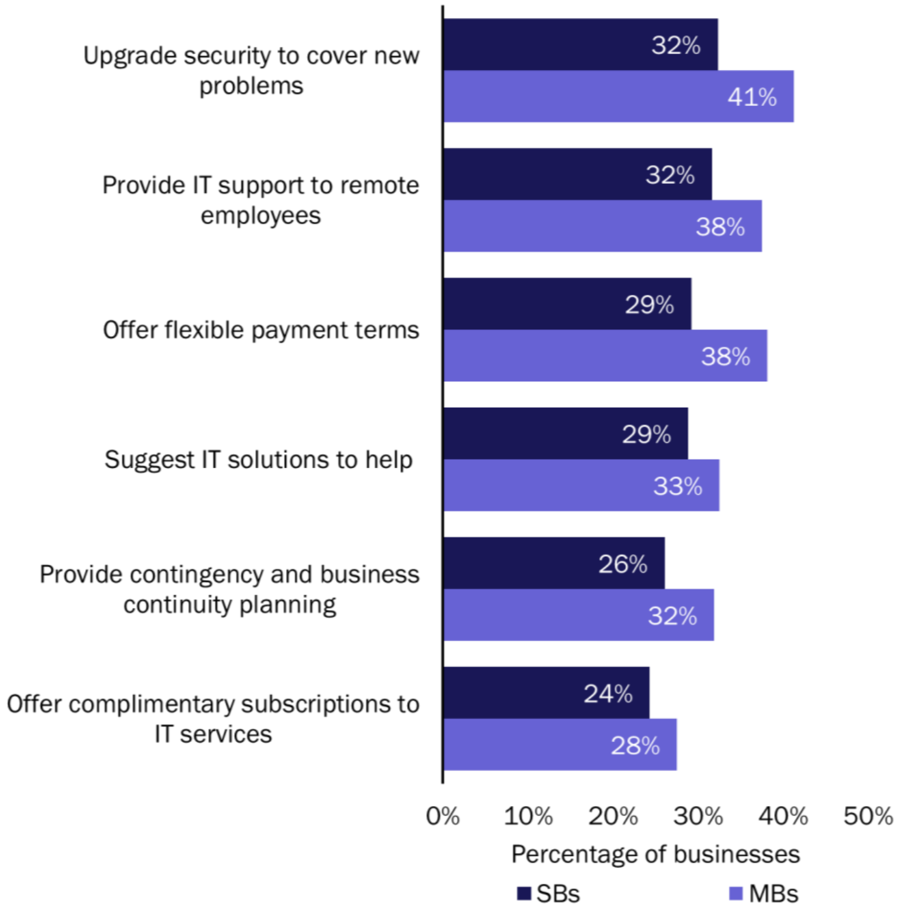


Source: Analysys Mason

[1] Question: "What measures has your company taken to help support your employees working from home?" *n* = 1277

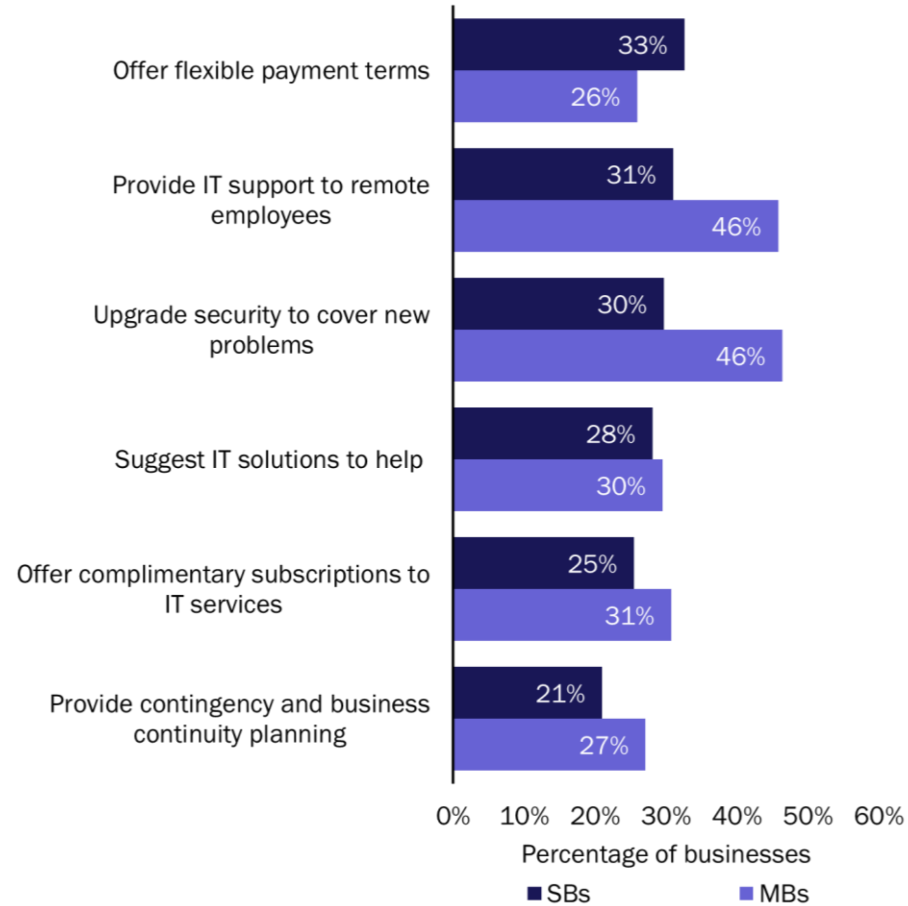
Appendix: comparison of the most-helpful services from IT/telecoms vendors in the next 12 months in Australia and Canada, by business size

Figure 50: Most-helpful services from IT/telecoms vendors in the next 12 months, by business size, Australia, 1Q 2021[1]



Source: Analysys Mason

Figure 51: Most-helpful services from IT/telecoms vendors in the next 12 months, by business size, Canada, 1Q 2021[1]

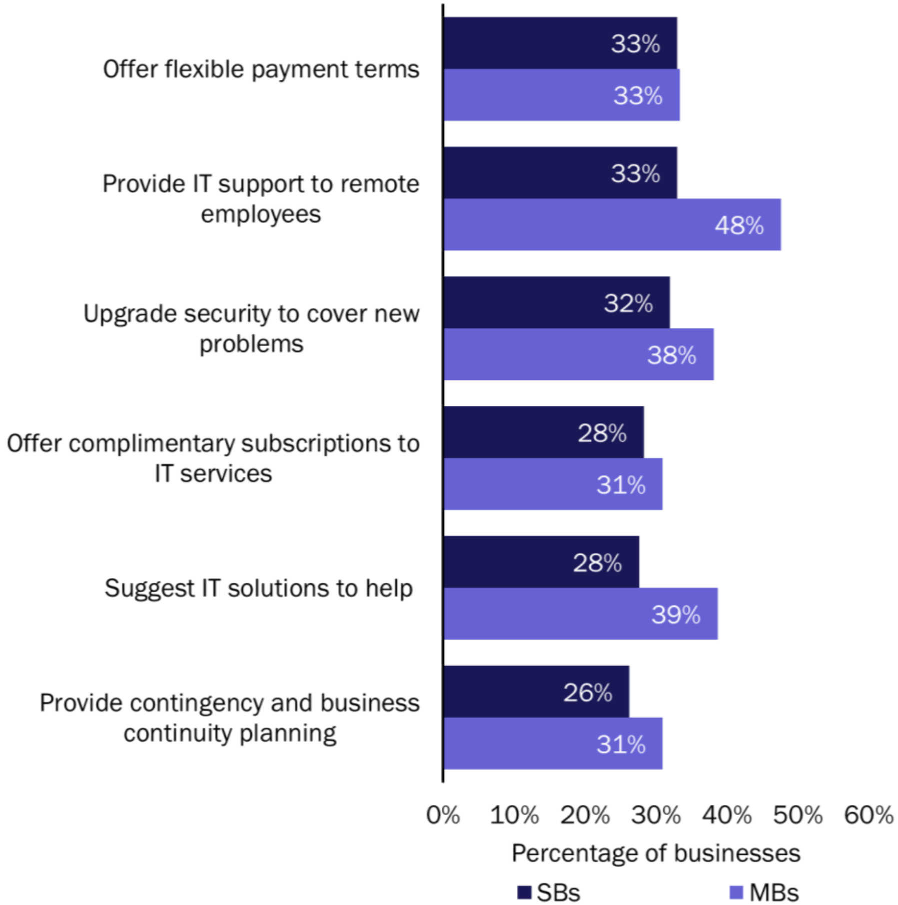


Source: Analysys Mason

[1] Question: "Please rate the following services from IT, telecommunications or technology suppliers in terms of how helpful they would be to your business during the next 12 months?", with a 4-scale rating where 4 = most helpful and 1 = least helpful. *n* = 1870.

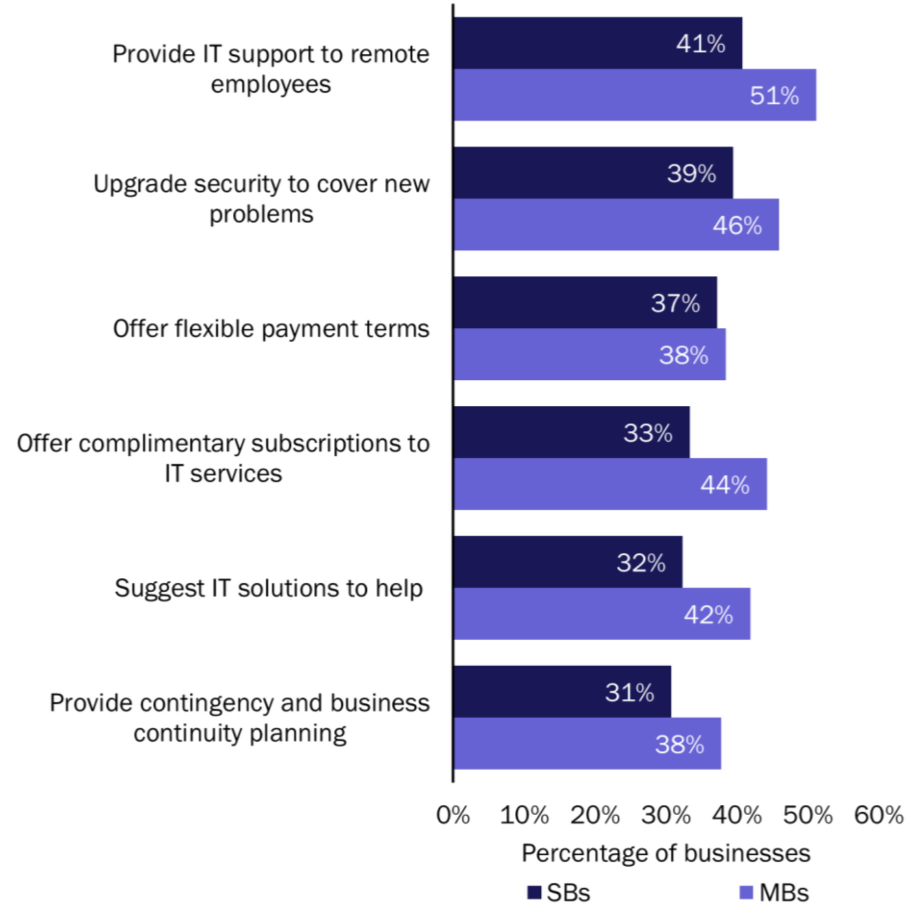
Appendix: comparison of the most-helpful services from IT/telecoms vendors in the next 12 months in the UK and the USA, by business size

Figure 52: Most-helpful services from IT/telecoms vendors in the next 12 months, by business size, UK, 1Q 2021[1]



Source: Analysys Mason

Figure 53: Most-helpful services from IT/telecoms vendors in the next 12 months, by business size, USA, 1Q 2021[1]



Source: Analysys Mason

[1] Question: “Please rate the following services from IT, telecommunications or technology suppliers in terms of how helpful they would be to your business during the next 12 months?”, with a 4-scale rating where 4 = most helpful and 1 = least helpful. *n* = 1870.

Survey questions, sample size and vertical distribution

Number	Question
1	How many full-time employees, including you, worked at your company prior to COVID-19 restrictions?
2	Including yourself, how many non-furloughed, full-time employees, are actively working at your company as of today?
3	What is your company's primary [vertical] business activity?
4	How does your company's revenue in the first three months of 2020 compare to the same period in 2019?
5	Which of the following operational activities has your company undertaken since March due to the COVID-19 outbreak?
6	What measures has your company taken to help support your employees working from home?
7	Please tell us about your company's current technology usage and if it has changed since the COVID-19 situation started.
8	Please tell us about your company's planned technology usage after vaccines are available and lock down guidance is relaxed.
9	Please tell us about your company's anticipated 2021 spending compared to your actual spending in 2020.
10	Please rate the following services from IT, telecommunications or technology suppliers in terms of how helpful they would be to your business during the next 12 months?
11	How important are the following aspects of a mobile telephony service to your company?
12	What proportion of your employees worked from home regularly prior to the start of the COVID-19 pandemic and what proportion do you expect to work from home once the crisis is over?
13	Because of the COVID-19 crisis, which of these business priorities will take on a greater urgency in the next 12 months?
14	Because of the COVID-19 crisis, which of these IT-related priorities will take on a greater urgency in the next 12 months?

Business segment (number of employees)	Sample size
Small businesses (SBs)	1204
Medium-sized businesses (MBs)	666
Total	**1870**

Vertical	Sample size
Agriculture, mining, transportation, utilities and construction (AMTUC)	247
Manufacturing	188
IT and communications	164
Retail/wholesale	261
Finance, insurance and real estate (FIRE)	234
Professional business services[1]	253
Other business services[2]	252
Healthcare	163
Hospitality	108
Total	**1870**

[1] Includes legal, accounting/tax/payroll, architecture/engineering/technical services, HR services, management consulting/marketing.
[2] Includes admin/support services, repair and maintenance, waste management and services not elsewhere categorised.

Contents

About the authors

Tom Rebbeck (Partner) leads Analysys Mason's *Operator Business Services and IoT* research practice drawing on more than 18 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.

Eileen Zimbler (Senior Analyst) is in Analysys Mason's *SMB IT Channels and Forecasts* research team. She has more than 25 years of experience in IT market research and manages a global team of analysts and consultants that focus on SMB IT research services. Eileen oversees the primary research and analysis process that informs many Analysys Mason programmes, including the PCs and mobile devices programme. She is also involved in custom research projects for leading IT vendors such as Cisco, Dell, HP, Intel and Microsoft. Prior to joining Analysys Mason, Eileen held roles at AMI-Partners (acquired by Analysys Mason) and IDC/LINK, a leading consulting and research firm focused on PCs, telecoms and consumer electronics, where she authored a number of research reports on small business computing and multimedia. Eileen holds an MBA in Finance as well as a Bachelor of Arts in Liberal Arts from Hofstra University.

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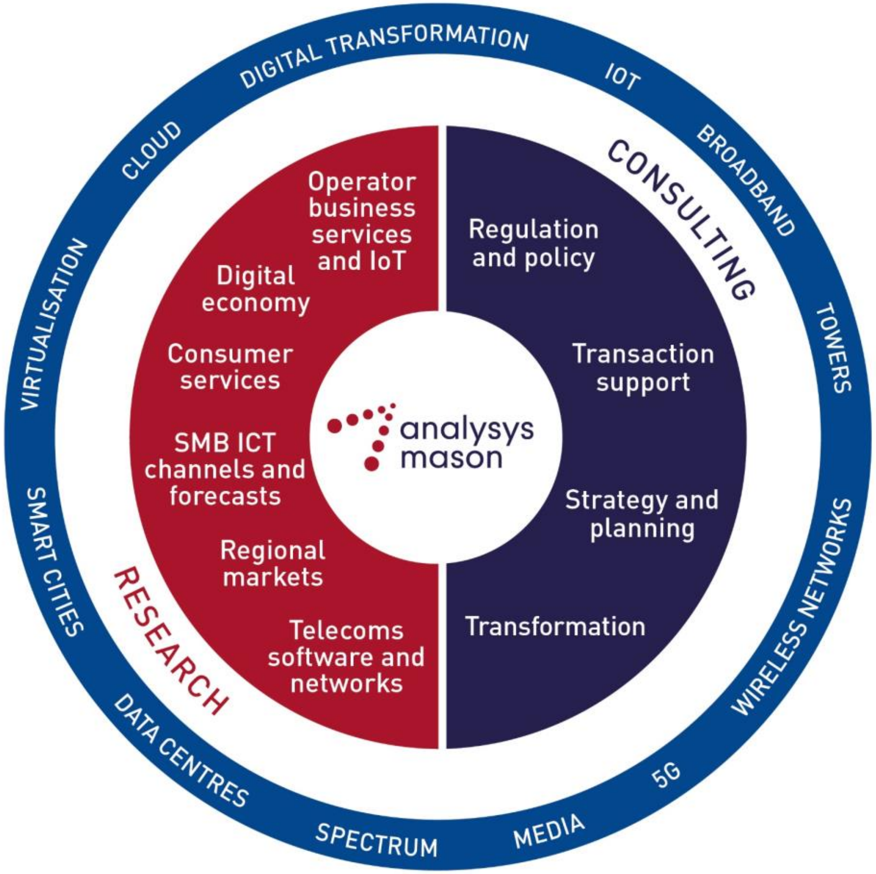

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Customer Engagement
Monetisation Platforms
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Automated Assurance
Service Design and Orchestration
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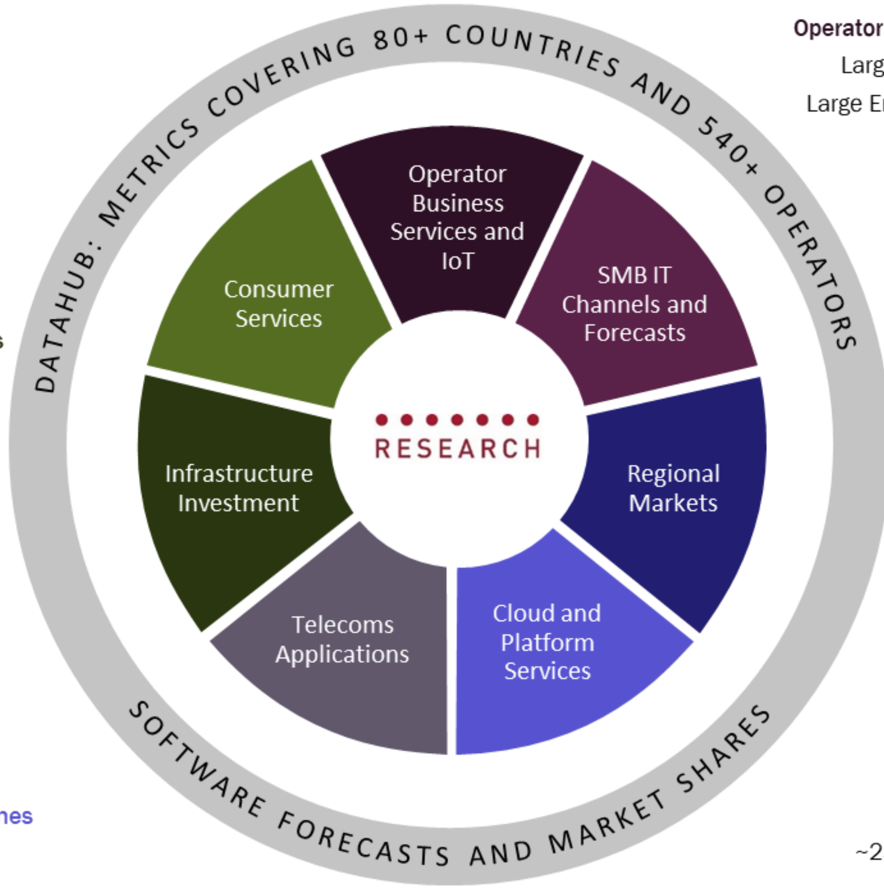
Next-Generation Wireless Networks

Cloud and Platform Services programmes
Cloud Infrastructure Strategies
Data, AI and Development Platforms
Media Platforms



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SME Strategies
IoT and M2M Services
IoT Platforms and Technology

SMB IT Channels and Forecasts programmes
Cyber Security

Regional Markets programmes
Global Telecoms Data
Americas
Asia–Pacific
Middle East and Africa
European Core Forecasts
European Telecoms Market Matrix
European Country Reports

DataHub
~2500 forecast and 250+ historical metrics
Regional results and worldwide totals
Operator historical data

Consulting from Analysys Mason

Regulation and policy

Policy development and response

Ex-ante market reviews, remedies, costing…

Universal Service Obligation (USO)

Scarce resources: radio spectrum management, auction support, numbering…

Ex-post / abuse of dominance

Postal sector

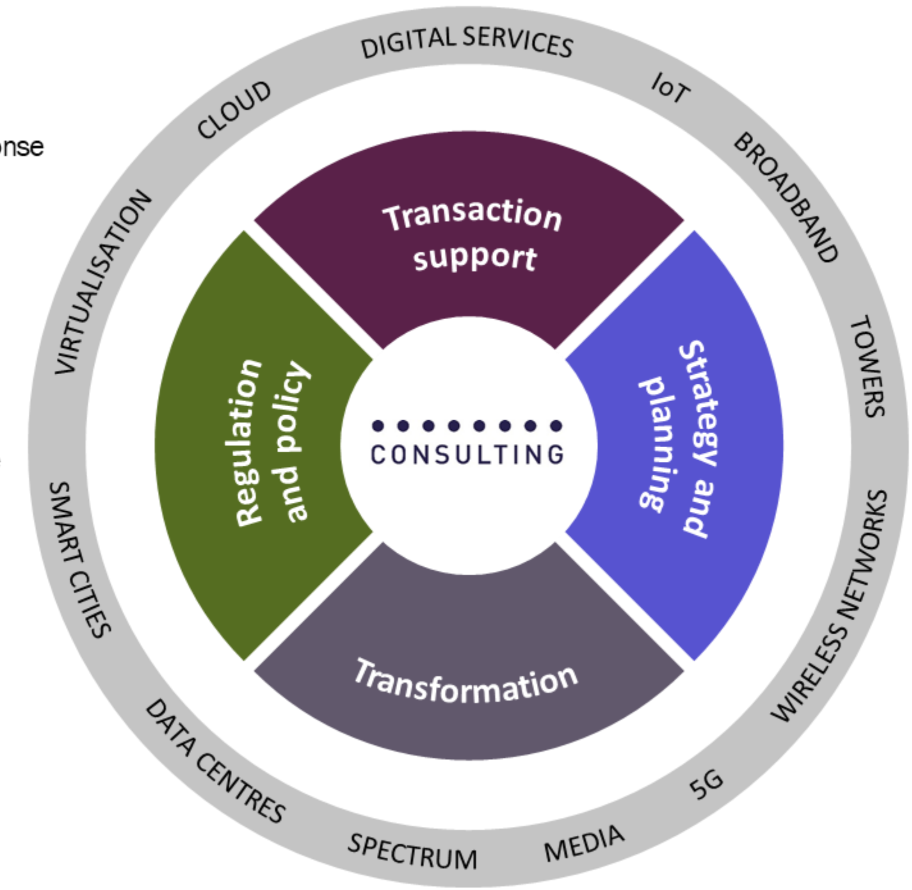
Transformation

Transformation programmes

Assurance

Implementation

Delivery



Transaction support

Commercial and technical due diligence, buy-side and sell-side

Initial public offerings (IPOs)

Financial valuation

Debt financing

Lending technical advisory

Opportunity scouting

Business plan review

Strategy and planning

Commercial expertise

Technology optimisation

New digital frontiers

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