About this report

This report examines the different approaches that operators are taking to selling and provisioning IT services and solutions to small and medium-sized enterprises (SMEs). The report explores the range of operators' IT services and go-to-market strategies. It also highlights how operators are using IT services to differentiate their connectivity portfolio and generate incremental revenue. The report is based on several sources, including:

- Analysys Mason's internal and desk research (including forecasts, press releases, annual reports and financial statements)

- Interviews with stakeholders within operators' business units that manage IT solutions for the SME market.

CASE STUDIES

- A1 Telekom
- Comcast Business
- Gamma (UK)
- Globe Telecom
- KPN
- Proximus

- StarHub
- Telefónica Spain
- Verizon
- Virgin Media O2 Business
- Vocus

KEY QUESTIONS ANSWERED IN THIS REPORT

- Why do operators want to sell IT services to SMEs?

- How do operators' portfolios of IT solutions for SMEs vary from each other?

- What challenges do operators face when delivering IT services to SMEs and how are they trying to overcome these challenges to penetrate the IT market?

- Which go-to-market strategies and sales channels are operators using to sell IT services to SMEs?

WHO SHOULD READ THIS REPORT

- Business strategy, product and marketing teams within operators' business divisions that are interested in understanding the opportunities for IT services and solutions in the SME market.

- IT vendors and service providers that want to partner with operators.

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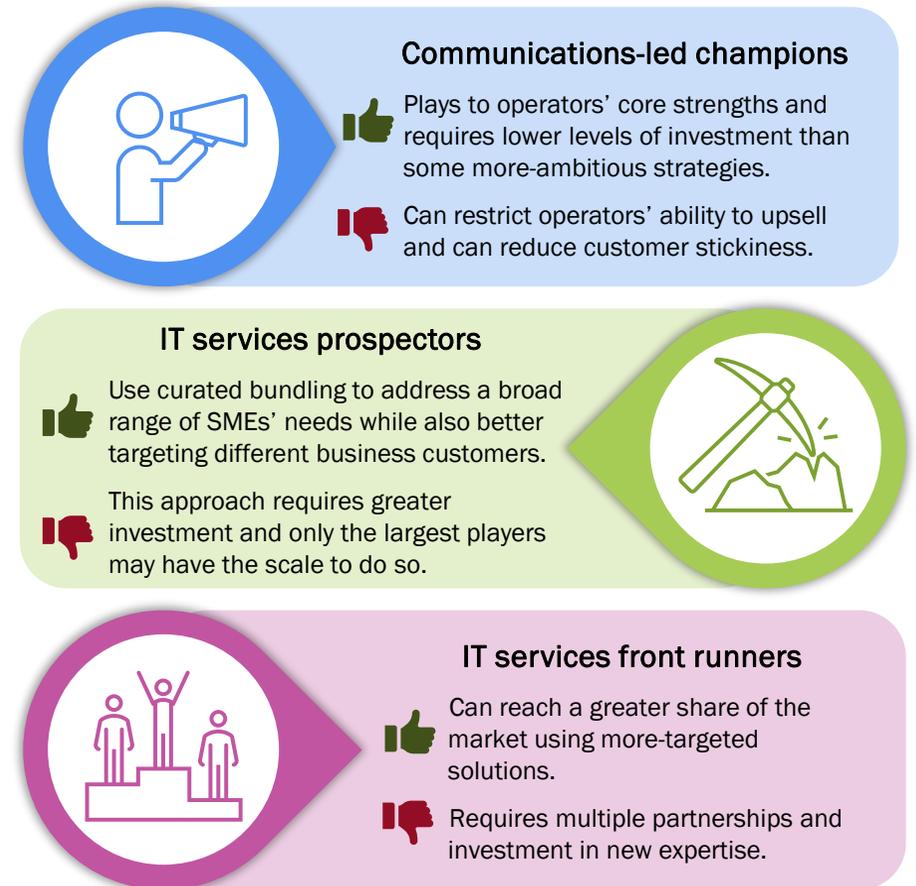mason

Executive summary

Many operators are seeking revenue growth by delivering IT services to small and medium-sized enterprises (SMEs). However, operators will face several challenges in this market, including the time and costs associated with educating customers about the benefits of IT solutions and ensuring that their technical support can be scaled in line with a growing number of small business customers. This report uses three main categories to assess the IT service strategies of eleven operators worldwide.

- **Communications-led champions** offer a small portfolio of IT services that focus primarily on communications or security.

- **IT services prospectors** have a moderate range of offerings and are likely to have in-house solutions. These products are sold individually or as part of a bundle.

- **IT services front runners** offer a broad range of IT services, which are sold individually and via curated bundles.

KEY IMPLICATIONS

- Operators that have limited resources or are just entering the IT services space should play to their strengths and develop a small IT portfolio that is adjacent to their core communications products.

- Operators should offer targeted bundles coupled with value-added IT services to address a broader range of SMEs' needs.

- Operators need to invest in sales and product provisioning channels to support their efforts to appeal to the largest share of the SME market.

Figure 1: Operators' involvement in selling IT services to SMEs has benefits, but is not without challenges

Communications-led champions

👍 Plays to operators' core strengths and requires lower levels of investment than some more-ambitious strategies.

👎 Can restrict operators' ability to upsell and can reduce customer stickiness.

IT services prospectors

👍 Use curated bundling to address a broad range of SMEs' needs while also better targeting different business customers.

👎 This approach requires greater investment and only the largest players may have the scale to do so.

IT services front runners

👍 Can reach a greater share of the market using more-targeted solutions.

👎 Requires multiple partnerships and investment in new expertise.

Source: Analysys Mason

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Virgin Media O2 Business: SME IT services portfolio details

Figure 19: SME IT services portfolio overview for Virgin Media O2

Category	Subcategory		
Connectivity	Fixed	✓	
	Mobile	✓	
	Enhanced services	Back-up, WiFi	SD-WAN
UC and collaboration	Cloud voice	8x8, O2 Voice for Microsoft Teams	
	UCC applications	Webex, Cloud Voice, Cisco	
Security	Endpoint security	ZScaler	
	Application security	ZScaler	
	Network security	Zscaler, Palo Alto Networks, Cisco (Meraki)	
	Other	✗	
Cloud	Web hosting	✗	
	Storage	✓	
	Cloud compute	✓	
Marketing and e-commerce	Online presence	✗	
	Marketing	✗	
	Payments	✗	
	Other	✗	
Other business apps	Productivity	Microsoft 365	
	Financial applications	✗	
	Accounting/billing	✗	
	Other	Contact centre	
Support	Support	Online, on-site, advisory/design/install	

In-house solutions | Partner solutions | Do not offer

Source: Analysys Mason

Virgin Media O2 Business is focusing on its converged fixed–mobile connectivity solutions and has only a limited IT portfolio for SMEs, mainly cyber-security solutions. It also offers a limited set of IT services to micro businesses (mainly call management features that can be added to fibre broadband contracts).

Virgin Media's largest fibre bundle comes with O2's mobile voice services, back-up service and guest Wi-Fi.

The company offers several cloud communications solutions for SMEs that have more than 10 employees, such as 'O2 Voice for Microsoft Teams' and Virgin Media's 'Cloud Voice and Cloud Communications' by 8x8 solutions. Microsoft 365 is offered to SMEs on the O2 site, but not on the Virgin Media site.

Virgin Media O2 Business offers a broad range of cyber-security solutions, partnering with Zscaler for most of them.

Virgin Media O2 Business's new 'Smart Internet Access' product provides an enterprise-grade firewall built into the cloud-managed Meraki Mx Security Appliance. It is available for customers with 10+ employees and its features include load balancing, security and Wi-Fi. Installation, monitoring and 24/7 support are included with this product. Virgin Media O2 reports that the service has seen some success since its launch.[1]

Virgin Media O2 Business does not offer any marketing, e-commerce, IoT or data analytics services to SMEs, but continues to broaden its offerings.

[1] For more information, see Analysys Mason's *SD-WAN for SMEs: operator strategies and case studies*.

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About the author

Eileen Zimbler (Senior Analyst) is a senior analyst in Analysys Mason's Operator Business Services and IoT research team. She has more than 25 years of experience in IT market research, with a focus on SMB IT and communications research services. Eileen oversees the primary research and analysis process that informs many Analysys Mason programmes including the SME Strategies 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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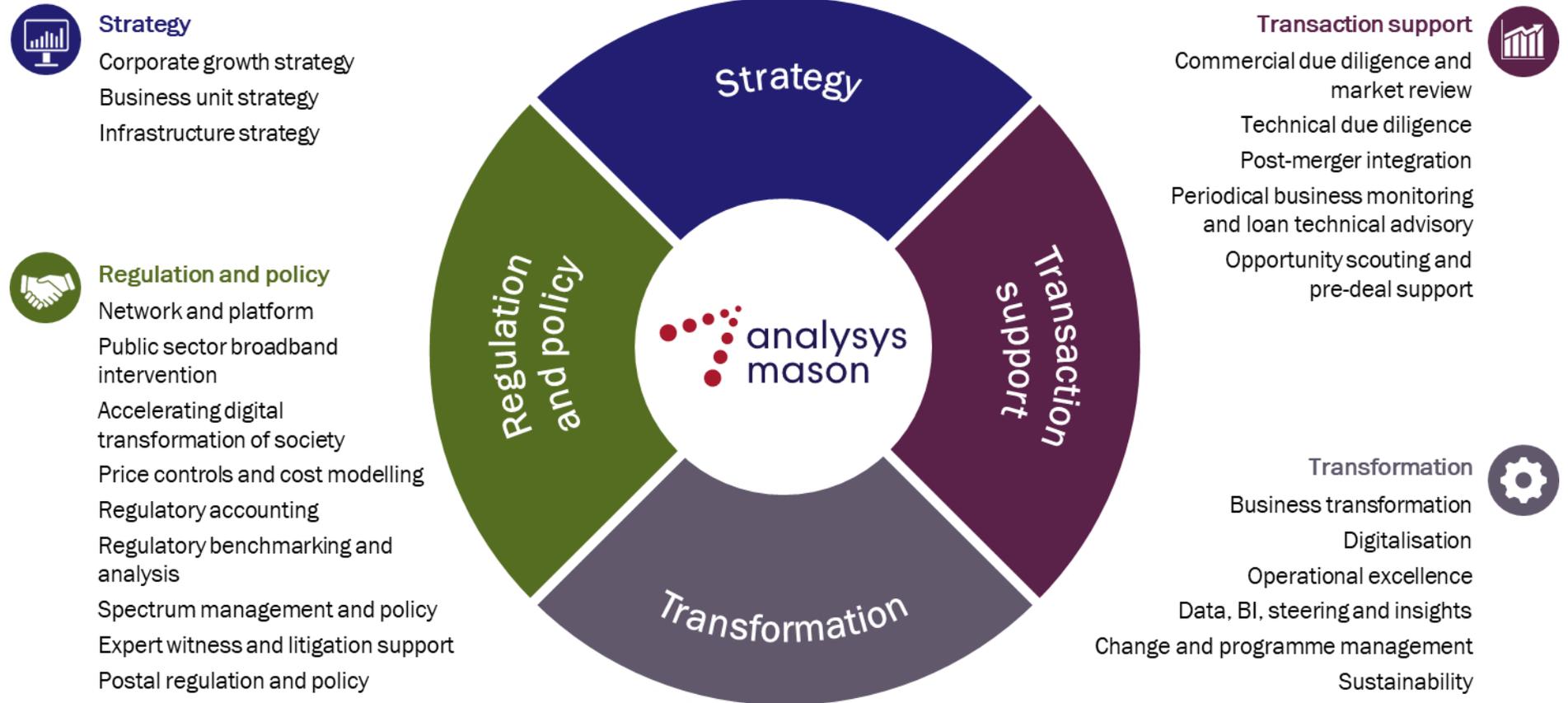
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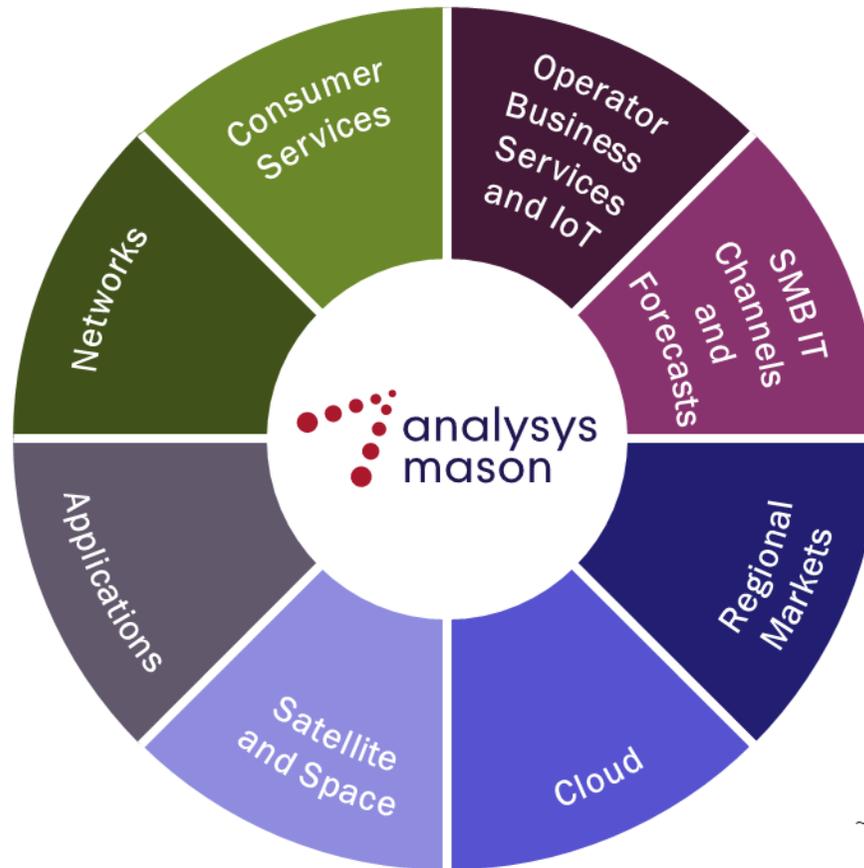
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