

There are six ways in which operators can improve their approach to SMEs

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Many operators, particularly incumbents, have been reporting flat or declining business revenue, even before the COVID-19 crisis. As a result, they are exploring new opportunities in the small and medium-sized enterprise (SME) market. Operators are finding innovative ways of approaching this market to increase their revenue while avoiding competing on price alone (which could further erode revenue for some operators).

Some of these approaches are based on improving connectivity services to increase ARPU using customer service and SLAs, or using unified communications to integrate fixed and mobile services. More commonly, operators are expanding into new product areas such as office applications, cloud storage and security, and are using these services to augment the value of their connectivity packages. These products may become more important than ever for businesses as ways of working change following the COVID-19 pandemic. These new approaches may be effective at increasing revenue from SMEs, but expanding into new areas requires operators to commit and invest.

This article is based on our [recent case studies report](#) that analyses how different operators are approaching SMEs and highlights some of the best practices in this segment.

Operators have numerous ways to improve their approach to SMEs

Adding new products gives operators the opportunity to generate incremental revenue through a wider range of services, but changes to support and sales processes are a key determinant of operators' success. Operators should therefore consider implementing initiatives in all three areas: products, support and sales.

Products

- **Use unified communications (UC) to drive fixed–mobile bundling.** [TDC Denmark uses UC to combine its fixed, mobile and ICT services for SMEs.](#) It sells the whole package for a single fee rather than selling the services separately for an additional cost. Indeed, it may be easier for operators to sell a single integrated product for a fixed price than a range of add-on solutions, each with an additional cost.
- **Use ICT services to augment the value of premium converged packages.** [Deutsche Telekom uses dedicated support, discounts and value-added ICT services to drive the sale of its fixed–mobile and ICT bundle for SMEs, Magenta Business.](#) For example, the operator offers Microsoft 365 and anti-virus for no extra cost, in some cases, in order to augment the value of Magenta Business. Spark New Zealand includes a free 3-month subscription to accounting software as well as a set-up consultation in its premium packages. Operators may have more to gain from using ICT services to upsell premium or converged packages than from the incremental revenue generated by the ICT services themselves.

Support

- **Use premium customer service and SLAs to increase ARPU for SME broadband.** [Telia Sweden uses guaranteed download and upload speeds, guaranteed repair times, business traffic prioritisation, wireless failover and portals to make its premium packages attractive to SMEs.](#) Such an approach helps operators to avoid competing solely on price and capitalises on SMEs that are willing to pay more for support. The incremental revenue gain can be significant, even if this number of SMEs is small (Telia's Broadband Plus package retails for around double the price of a comparable starter package).
- **Tie incentives to customer satisfaction.** [Operators' success in the ICT market will largely be determined by customer satisfaction with their core connectivity services.](#) Customers that are satisfied with their core connectivity services will be much better prospects for operators to cross-sell ICT services to. UK-based Gamma structures its incentives with a significant weight on customer satisfaction for both direct and indirect sales channels, and uses quarterly surveys to track and measure customer satisfaction via the Net Promoter Score (NPS). Spark New Zealand uses similar initiatives, but measures NPS across both sales and support processes to gain a wider view of customer satisfaction, which means that it can more easily isolate and address any issues, thereby helping to improve satisfaction.

Sales

- **Shift from a pure volume-based sales model to a more value-based approach.** ICT services for SMEs are generally of lower value than connectivity services, which means that they have limited significance in a pure revenue or volume-based incentive model (we estimate that operators currently only generate around 6% of their SME revenue from ICT services worldwide). Operators will need to ensure that direct and indirect salespeople are incentivised to sell ICT services in order to drive their take-up; this will require a rebalancing of focus from traditional connectivity services into new areas such as UC and ICT.
- **Invest in salespeople and indirect channels.** Many operators are attempting to use online marketplaces to sell ICT and telecoms services to SMEs in order to improve the efficiency and margins of sales. However, more personal involvement is needed to sell ICT services to SMEs. Indeed, personal sales and support is a key enabler of operators' success in this market. The majority of operators' success in driving the take-up of their SME ICT services comes through small, local ICT resellers. Swisscom has a nationwide network of around 4000 partners for sales, installation and support, and these partners are generally SMEs' first point of contact for support. Swisscom also has a network of 40 SME centres at which SMEs can book appointments with small business professional advisers. Other operators will need to invest in similar assets to be successful.

There is no single 'correct' approach to SMEs

The case studies explored in our report show that there are many ways in which operators can capitalise on the revenue opportunity in the SME market. Different approaches will appeal to different types of operator, and exploring new approaches carries risk. Challenger operators with a relatively low market share may be able to increase their revenue through price competition alone, at least in the short term, and may see little need to take on additional risk. Other operators may need to explore new opportunities; they should ensure that their initiatives receive the necessary investment and that changes are made to products, sales and support processes.

The approaches are not necessarily complementary. Operators will only explore some of the initiatives and will invest to varying degrees. For example, Swisscom has greater ambitions in SME ICT services than most operators and it has invested accordingly to support a large ICT portfolio. Most other operators will probably

only explore basic SME ICT services, and will use these services to differentiate and augment their premium connectivity packages.