

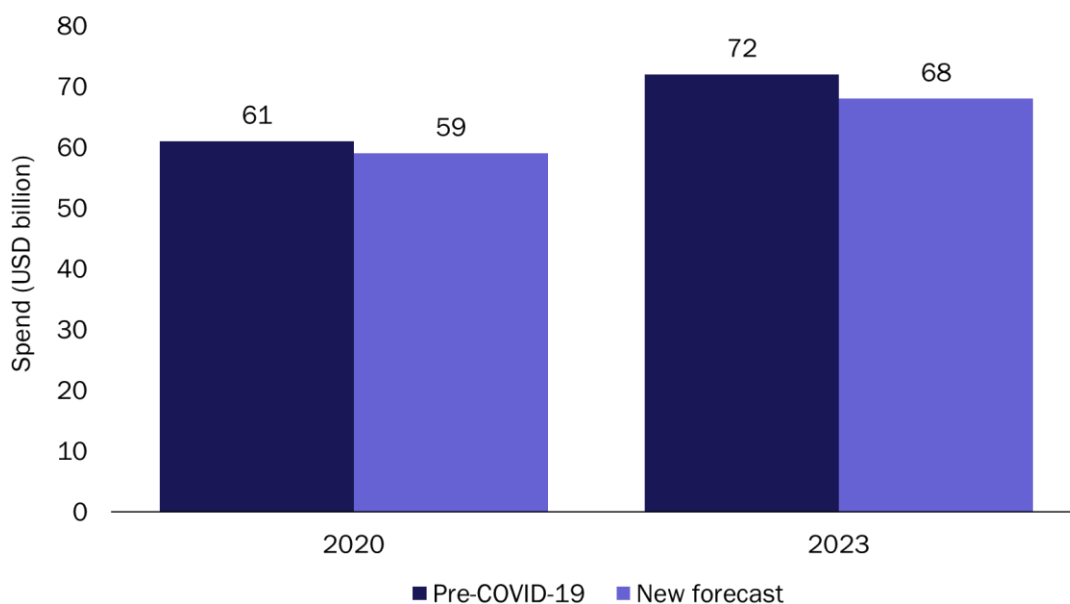
COVID-19: the shift to remote working provides a new opportunity for networking vendors

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Small and medium-sized businesses (SMBs) around the world are struggling to stay afloat due to the COVID-19 pandemic, and this has had a significant impact on their near-term spending on IT and communications services. We expect that the growth rates for SMB IT market will be lower than previously expected in 2020 and 2021, but should return to previous levels by 2023. However, we expect that the total spending on IT and communications services by SMBs will be USD100 billion less than previously estimated. A similar trend is expected in the networking solutions market;¹ lower growth rates in 2020 and 2021 mean that the absolute spending will be USD4 billion lower than previously estimated in 2023 (Figure 1).

Figure 1: SMB spending on networking solutions, before and after COVID-19 revisions, worldwide, 2020 and 2023



Source: Analysys Mason, 2020

¹ Our definition of networking solutions includes networking hardware (LAN switches, wired routers and wireless LAN), networking services (cloud VPN, IP VPN and WAN) and networking software (networking software and point-to-point VPN).

COVID-19 has prompted faster growth in spending on network and connectivity solutions by SMBs

Many businesses were not prepared to handle the surge in remote access to their office networks that has come with the shift to working from home. Traditional VPNs were not set up to handle this much traffic, and employees' home Wi-Fi routers lack the security and reliability of those on an enterprise network. Most companies needed VPNs to grant network access to a small number of remote employees before the pandemic, but SMBs now require larger network bandwidths to support a sudden surge in remote employees. As such, vendors and their channel partners have a huge opportunity to sell remote working solutions such as VPNs, network-security bundles and products designed for fast and secure connectivity over home broadband networks.

The use of VPNs, in particular, has increased significantly due to the sudden shift to working from home. Indeed, Verizon reported a 65% increase in VPN usage due to COVID-19 and increased working from home.² VPNs allow enterprises to extend their corporate networks into home offices, but potentially open the businesses up to security threats. There is a huge vendor opportunity in bundling solutions for managing and monitoring VPNs and encrypted traffic.

Several vendors have developed innovations that provide remote workers with a local experience with on-site security and functionality (such as Segra's 'remote office LANs'), thereby eliminating the need for VPNs and split tunnelling. The demand for network bandwidth is also likely to continue to grow as companies make greater use of collaboration tools (such as video calling) and cloud services.

Rapid action must be taken to ensure that networks in the healthcare and education sectors can handle high usage volumes

Schools and colleges are worried about maintaining the continuity of teaching following COVID-19 related closures; many have resorted to using online classes to connect students and teachers remotely. Educational institutions are rapidly ramping up their network infrastructure to ensure that their networks can handle the increased volumes of use. Vendors need to support business continuity by updating their portfolios to cater to the changing needs of the education sector and by focusing on smooth and secure remote connectivity. For example, they should consider providing solutions to enable schools and colleges to cope with the unprecedented demand for remote learning.

Similarly, vendors should look into providing solutions that enable secure home-based patient care and allow the extension of healthcare services beyond traditional hospital environment. Robust infrastructure is required to deliver secure and seamless connectivity to support these remote capabilities. Additionally, there is a short-term need for wired and wireless connectivity in outdoor healthcare facilities such as drive-through testing centres and initial triage and care set-ups outside overcrowded hospitals.

The large-scale transition of systems, devices and networks from in-office operations to home-based environments is an important consideration across most sectors (including healthcare and education). Seamless and secure remote connectivity is becoming increasingly essential.

² Verizon (2020), *1Q 2020 Earnings Conference Call Webcast*. Available at: <https://www.verizon.com/about/investors/quarterly-reports/1q-2020-earnings-conference-call-webcast>.

The changes implemented today may become the ‘new normal’

Some of the changes implemented during the pandemic are likely to become the ‘new normal’ after the crisis has subsided. Our recent [survey](#) on the impact of COVID-19 on SMBs in the USA showed that 71% of SMBs intend to change their work-from-home policies once the crisis is over. Many companies have now realised the cost benefits of home working and are likely to provide their employees with a flexible working environment, even after it is safe to go back to work, thereby creating a sustainable demand for remote-work-related solutions and network infrastructure.

The COVID-19 crisis has shown that companies need more agile and cloud-based solutions and operations to enable secure and strong remote working conditions, particularly as various industries adopt digital transformations (for example, banks are enabling remote sales, grocery stores are implementing online ordering and delivery, schools are shifting to e-learning and physicians are offering tele-health as an alternative to in-person hospital visits).