

# Operators should consider targeting micro enterprises in order to sustain and increase enterprise revenue

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## **“Micro enterprises will be significant contributors to sustaining and increasing enterprise revenue for operators in all regions.”**

At a global level, operator revenue from traditional enterprise voice and data services is in decline. Significant growth opportunities still exist in emerging markets, but will gradually diminish as penetration approaches saturation. At the same time, there exists a rapidly growing global market for enterprise ICT services, often delivered through the cloud. Enterprise requirements for telecoms services are extremely diverse and the challenge for operators is to identify and successfully target growth opportunities within different regions and business segments. This article draws on our recently published global enterprise forecasts<sup>1</sup> to highlight opportunities within the micro enterprise segment.

## **Revenue from legacy services will eventually decline for operators in all regions**

In high-income markets, most large telecoms operators are experiencing a decline in their enterprise revenue.<sup>2</sup> This is a consequence of price competition as operators struggle to differentiate themselves in largely saturated markets, and face increasing competition from substitute OTT services and cloud-based alternatives.

The situation for operators in emerging markets is more positive; we forecast that emerging Asia-Pacific will experience enterprise revenue growth of 2.6% per year between 2017 and 2022. Sub-Saharan Africa will experience a similar rate of growth, but from a much lower base, while Central and Eastern Europe and the Middle East and North Africa are also forecast to enjoy healthy rates of growth in this period. However, if founded only on an increasing penetration rate, this growth will not be sustainable in the longer term.

## **Micro enterprises offer prospects for revenue growth in all regions**

Micro enterprises (organisations with fewer than 10 employees) will be significant contributors to sustaining and increasing enterprise revenue in all regions. We estimate that micro enterprises account for 40% of employment worldwide,<sup>3</sup> but less than 20% of operators' enterprise retail revenue. Differences in business demographics mean that the share of enterprise revenue from micro enterprises varies considerably by region,

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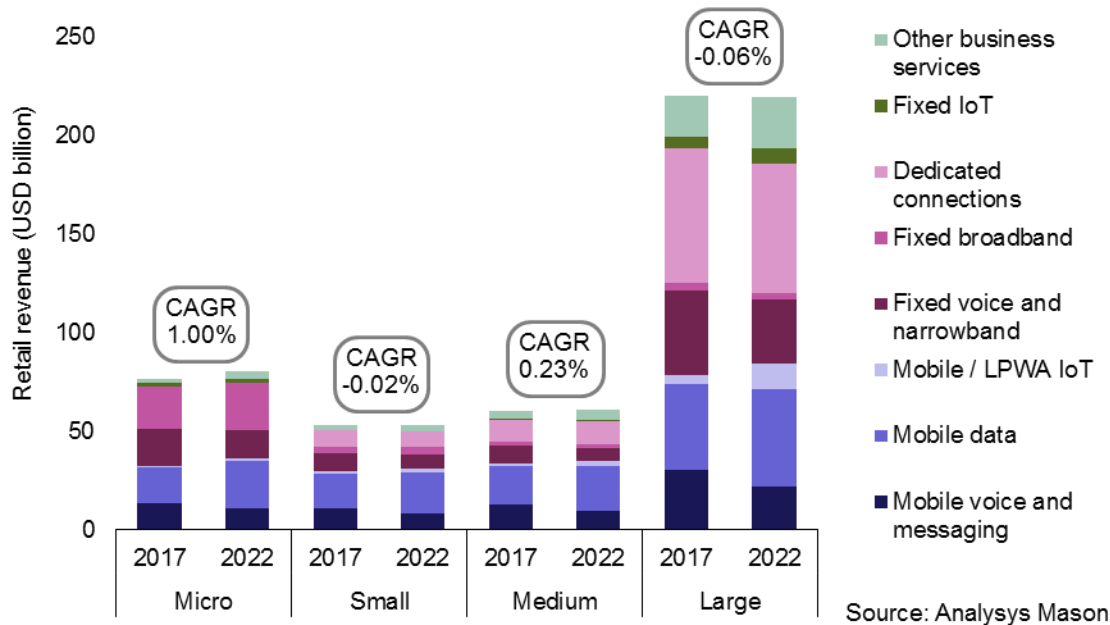
<sup>1</sup> For more information see Analysys Mason's [Telecoms services forecast for small and medium enterprises: Western Europe 2017–2022](#), [Telecoms services for small and medium-sized enterprises: worldwide forecast 2017–2022](#) and [Telecoms services for large enterprises: worldwide forecast 2017–2022](#).

<sup>2</sup> For more information, see Analysys Mason's [Singtel outperforms a declining telecoms enterprise market](#).

<sup>3</sup> We include both private and public-sector workers, the self-employed and sole traders. However, we seek to exclude informal workers such as smallholders and casual labourers and those working for home-based businesses where communications needs are fully met by existing consumer services.

but we forecast growth in this segment to outpace that of other segments in almost all regions apart from emerging Asia-Pacific and the Middle East (where revenue growth is still significant for all sizes of enterprise).

**Figure 1: Operator retail revenue from telecoms services to enterprises, by service and segment, worldwide, 2017 and 2022 and CAGR 2017–2022<sup>4</sup>**



In middle-income markets, growth for the micro enterprise segment will arise principally from an increase in the provision of fixed and mobile data services – more broadband connections and greater provision of mobile handsets and smartphones to employees. As telecoms services become ever more integral to the business requirements of a wide range of micro businesses, operators would do well to provide competitive business-grade products targeted at this market. Engaging with these enterprises as business customers rather than servicing them through consumer channels will better enable operators to deliver a wider range and higher quality of services as their business requirements grow.

## New ICT services provide an opportunity to increase revenue and reduce churn

In high-income markets, most opportunities for growth in the micro enterprise segment will arise from demand for ICT services such as security, data storage, and software-as-a-service (SaaS). These services are often characterised by low entry prices and scalability, which make them an ideal fit for the financial capabilities and ambitions of micro enterprises. The internal IT capabilities of such enterprises is typically low, as is their capacity to manage multiple contracts with multiple suppliers. Operators already providing voice and data connectivity services to this segment are well-placed to gain significant market share if they can deliver suitable off-the-shelf products and services and can adapt their sales channels and customer support appropriately. Swisscom, for example, targets some of the smallest micro enterprises (up to 5 employees) with a service bundle that includes Internet failover, automatically diverting businesses onto its mobile data network in the case of fixed-line outages. Cloud storage, Microsoft 365 and unified communications solutions are easily available as

<sup>4</sup> Dedicated connections revenue includes managed services such as IP-VPN. Fixed IoT connectivity revenue includes fixed broadband, PLC and other technologies.

add-ons and personalised advice is available either via a phone call, or a face-to-face meeting with a business specialist in one of Swisscom's network of shops.

A similar opportunity exists for operators to deliver ICT services to small and medium enterprises. In high- and middle-income markets, the use of cloud services is already widespread for these segments<sup>5</sup> but will continue to expand, and enterprises in emerging markets will increasingly require similar services. Several operators are addressing this by offering bundles suitable for specific industry verticals, for both micro enterprises and larger SMEs. Vodafone's Ready Business solutions for example (targeted at industries including construction, retail, logistics and manufacturing) have met with initial success in several markets.

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Analysys Mason is helping clients to develop their enterprise strategies, both through our published research and through consulting projects. As well as the worldwide enterprise forecasts referenced in this article, we also publish regional- and country-level forecasts and analysis. For further information, or if you wish to discuss this further, please contact [Catherine Hammond](#), Senior Analyst, Research or [Tom Rebbeck](#), Research Director, Enterprise and IoT.

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<sup>5</sup> Our survey of SMEs in 2017 indicates that 67% of SMEs are already using at least one cloud service. For more details, see Analysys Mason's [Enterprise survey 2017: ICT services for small and medium-sized enterprises](#).