

Operators in the Middle East should streamline their ICT portfolios and get basic business services right

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Many operators in the Middle East have experienced a slowdown in the growth of core business connectivity revenue as well as slower revenue growth in the consumer segment. They are increasingly looking to capitalise on opportunities in non-connectivity services to businesses to return to previous growth levels.

However, when looking at the strategies of the key operators in the Middle East region – Etisalat, Omantel, Ooredoo, STC and Zain – we can see that, while they want to grow in new ICT markets, they often struggle in the private sector, particularly in the SME market. These operators need to improve their position in this market and may, therefore, need to better align their portfolios and capabilities with the more common needs of local businesses and aim to change the perception that customers have of them.

The largest operators in the Middle East have expanded their IT portfolios to better address the needs of enterprises

Operators in the Middle East have adopted different approaches to bolster their ICT capabilities since 2016, including acquiring smaller ICT service providers (Zain), establishing new business units that specialise in ICT and digital transformation (Etisalat and STC), and investing in joint ventures to access specialised and strategic assets such as data centres (Omantel and Ooredoo).

In a recent [report](#), we analysed the ICT capabilities and product portfolios of five key telecoms operators in Kuwait, Oman, Qatar, Saudi Arabia and the UAE (Figure 1). We found that their business portfolios typically include dedicated connectivity, unified communications, cloud and hosting, security services and IoT.

Figure 1: Overview of operator business services strategies of five operators in the Middle East

Operator (market)	Overview	Evaluation
Etisalat (UAE)	Etisalat's key B2B subsidiary 'Etisalat Digital' was created to support local enterprises with their digital transformations. It is also considering acquiring, or investing in, local ICT players across the value chain.	Etisalat's strong position with large public organisations and private enterprises offers opportunities to upsell ICT services. It could do more to exploit smaller opportunities with SMEs.
Omantel (Oman)	Omantel used partnerships and investments to expand its ICT portfolio. The operator managed to increase its ICT revenue rapidly within 2 years of introducing the services. Omantel also has stakes in a data centre, an IoT company and business process outsourcing (BPO) companies.	Omantel works closely with government authorities and large enterprises. However, it may be spreading its resourcing across multiple initiatives, making it difficult to develop some of its propositions to maturity.
Ooredoo (Qatar)	Ooredoo has prioritised partnerships with ICT vendors over investments or acquisitions in order to	Ooredoo is well recognised by the public sector and large corporations

Operator (market)	Overview	Evaluation
	expand its ICT offerings. It is set to benefit from infrastructure development plans for the FIFA World Cup 2020.	and dominates the data centre market, but it has room to improve its traction with SMEs.
STC (Saudi Arabia)	STC aims to increase its business service portfolio to address the needs of the government and SMEs. Its subsidiaries provide different specialist services including systems integration and IoT.	STC exploits its infrastructure, subsidiaries and close relationship with the government to dominate the business market. However, more efforts are needed to attract SMEs.
Zain (Kuwait)	Zain's B2B specialist services portfolio in Kuwait is relatively new but the company aims to increase revenue from its existing business customers.	Zain Kuwait's ICT portfolio is rather limited but its smart city and drone capabilities are strong assets that can be used for future projects.

Source: Analysys Mason, 2019

Operators should improve customer satisfaction and provide more-innovative off-the-shelf solutions to attract small businesses

More than 90% of businesses in the Gulf region are SMEs but telecoms operators have yet to gain strong traction within this segment when it comes to services other than connectivity. Public institutions and large corporations are telecoms operators' primary business clients for which they dedicate most of their resources. All reviewed operators have stated plans to increase the contribution of the private sector, especially SMEs – we believe that SMEs account for between 5% and 10% of these operators' ICT revenue.

Operators dedicate large resources to cater to the needs of the public sector and large corporations. As a result, they give less attention to the largely-explored SMES market. Operators should find creative ways to help SMEs to run their business more efficiently. These do not have to be limited to IT services but could extend to administrative support. Etisalat's Hello Business Hub is a good example – it was launched in 2018 to provide business registration, insurance, banking, VAT consultation and office equipment.

Telecoms operators should also fix the basics of their existing services if they are to be considered by SMEs for their other ICT needs. In Analysys Mason's *Business survey 2019* conducted in 10 countries¹, we found that SMEs in Saudi Arabia were among the least satisfied with the price, presale support and customer service provided by their fixed service providers.

Operators' pursuit of overly ambitious ICT plans will lead to overstressing their resources

Most of the reviewed operators have invested or expressed interest in a variety of new technologies such as AI, blockchain and drones, as part of their drive to expand their IT portfolio and to position themselves as digital players.

These sophisticated services are unlikely to get much interest from local businesses that have simpler requirements. Operators should prioritise investing in initiatives that have greater market potential otherwise

¹ For more details, see Analysys Mason's *Business survey 2019: SME satisfaction with fixed services*.

they will risk falling behind more-ambitious competitors. For example, only a few operators in the region have developed integrated IoT offerings and even fewer have embraced [SD-WAN](#).

Operators should streamline their ICT investments to align their portfolio and capabilities with the more common needs of local businesses. They should also aim to change the perception that many customers have of them as being non-transparent, expensive and slow. This is imperative for telecoms operators if they are serious about increasing their share of the broader ICT market.

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