RESEARCH FORECAST REPORT

TELECOMS SERVICES FORECAST FOR SMALL AND MEDIUM ENTERPRISES: WESTERN EUROPE 2017–2022

CATHERINE HAMMOND

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About this report

This report analyses the demand for telecoms services by micro, small and medium-sized enterprises (SMEs), expressed in terms of revenue, connections or users, and average revenue per user (ARPU).[1]

It identifies that revenue for traditional fixed and mobile services in most Western European countries is either stagnating or in decline.

It also quantifies the growing market for other business services, such as security, colocation and hosting, and software-as-a-service (SaaS), which offer communications service providers (CSPs) an opportunity to offset declining revenue from traditional services.

It is based on several sources, including data from operators, national regulators, government agencies and other third parties, and from Analysys Mason's 2017 survey on enterprises' telecoms and ICT usage.

WHO SHOULD READ THIS REPORT

- CSPs that want to identify key areas for revenue growth, both in terms of SME segments and individual services.
- Vendors that are considering targeting the SME market.
- Third-party service providers seeking collaborative relations with CSPs.

[1] For the complete data set, see the accompanying Excel file at www.analysysmason.com/SME-forecast2017-WE-RDMZ0.

REPORT COVERAGE

Geographical

Regions modelled:

- Western Europe

Countries modelled individually:

- France
- Germany
- Italy
- Spain
- Sweden
- UK

Enterprise size

Segments:

- Micro (0–9 employees)
- Small (10–49 employees)
- Medium (50–249 employees)

Services[2]

Mobile:

- Voice, messaging and handset data
- Mobile broadband
- IoT connectivity (mobile and LPWA)

Fixed:

- Narrowband and VoBB
- ADSL/SDSL, vDSL, FTTP/B, cable, BFWA, other fixed broadband
- Dedicated connections up to 100Mbps, >100Mbps and up to 1Gbps, and >1Gbps
- Traditional managed services
- IoT connectivity

Other business services:

- Unified communications
- Security
- Colocation and hosting
- Private cloud
- Software-as-a-service (SaaS, public cloud)
- Platform-as-a-service (PaaS, public cloud)
- Infrastructure-as-a-service (IaaS, public cloud)
- Enterprise mobility
- Desktop management

[2] See service taxonomy on slides 23–27.

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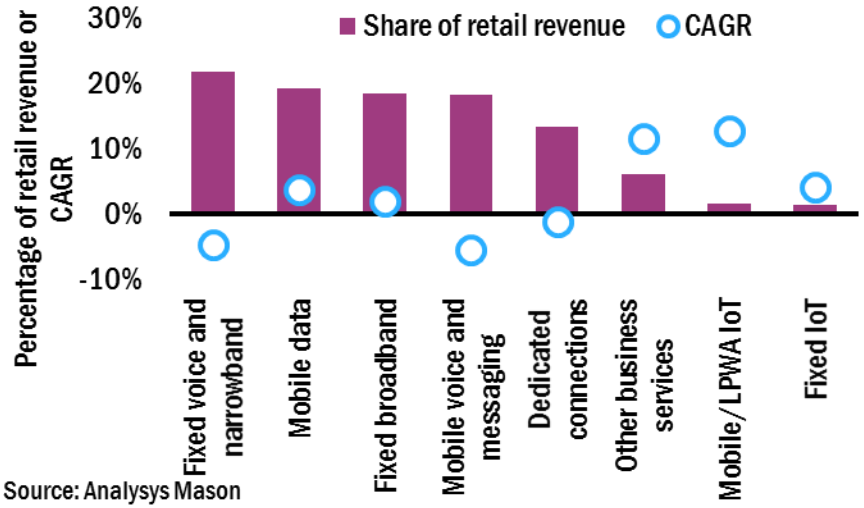
SME revenue from new business services will grow, while traditional voice and data services stagnate or decline

SMEs represent a significant percentage of the enterprise market in Western Europe, accounting for half of operators' enterprise revenue in 2016.[1]

We estimate that operators' retail revenue from SMEs in Western Europe will be EUR35.3 billion in 2017, with the potential to grow slightly to EUR35.7 billion by 2022.

Revenue growth will be primarily driven by other business services, such as unified communications, security, and cloud services (including SaaS and IaaS).

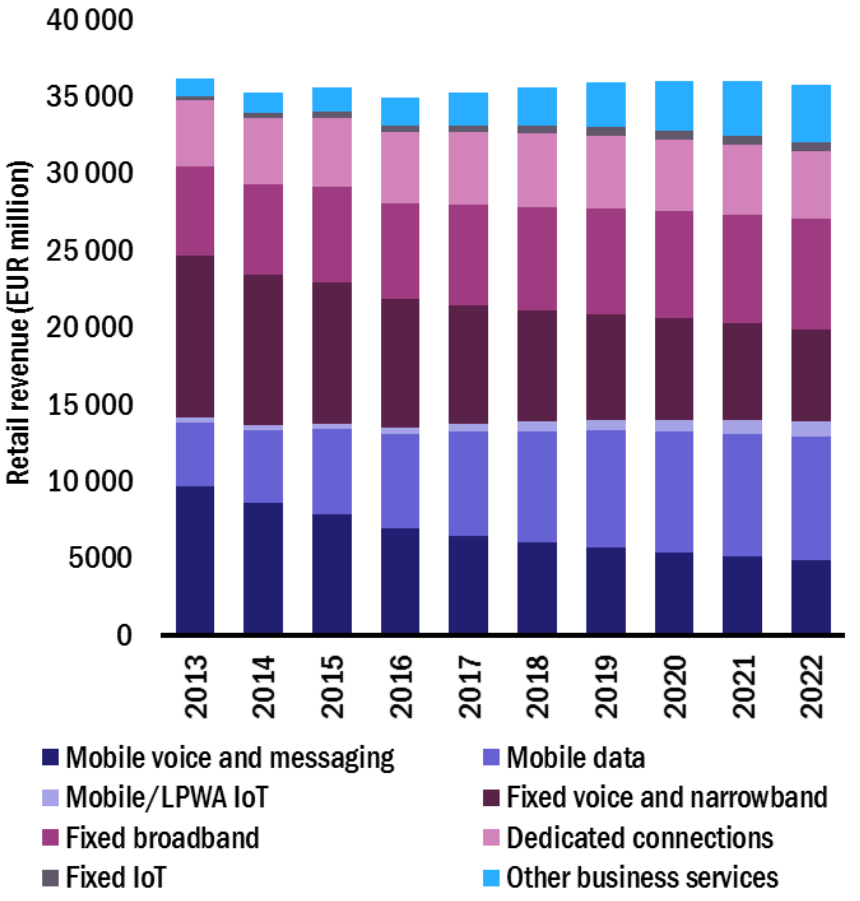
Figure 4: Percentage of retail revenue from SMEs in 2017 and CAGR for 2017–2022 by service type, Western Europe



Source: Analysys Mason

[1] The remainder comes from large enterprises, which have at least 250 employees.

Figure 5: Retail revenue from SMEs by service type, Western Europe, 2013–2022[2]



Source: Analysys Mason

[2] Dedicated connections revenue includes managed services.

Key other business services for CSPs include security, colocation and hosting, and SaaS

Security, colocation and hosting services for SMEs will be important for CSPs, as both are large overall markets and ones in which CSPs are well placed to have significant market shares.

SaaS and IaaS are also large overall markets, but we do not expect CSPs to have more than about 5% of the total retail revenue generated from these services in 2022.

CSPs are well placed to deliver private cloud solutions, enterprise mobility and unified communications, although these are relatively small markets.

Overall, we expect CSPs to account for 18% of the EUR21.0 billion market for other business services by 2022.

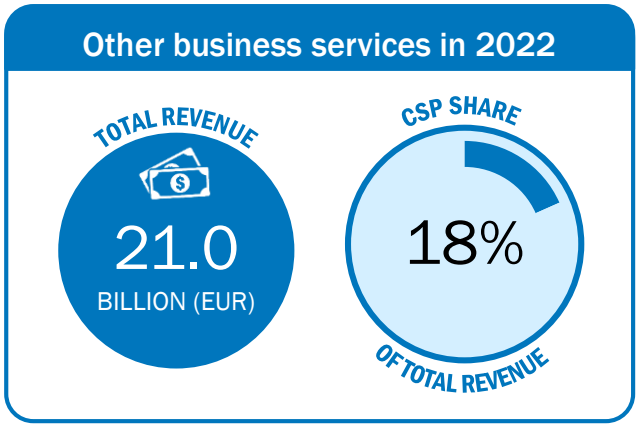
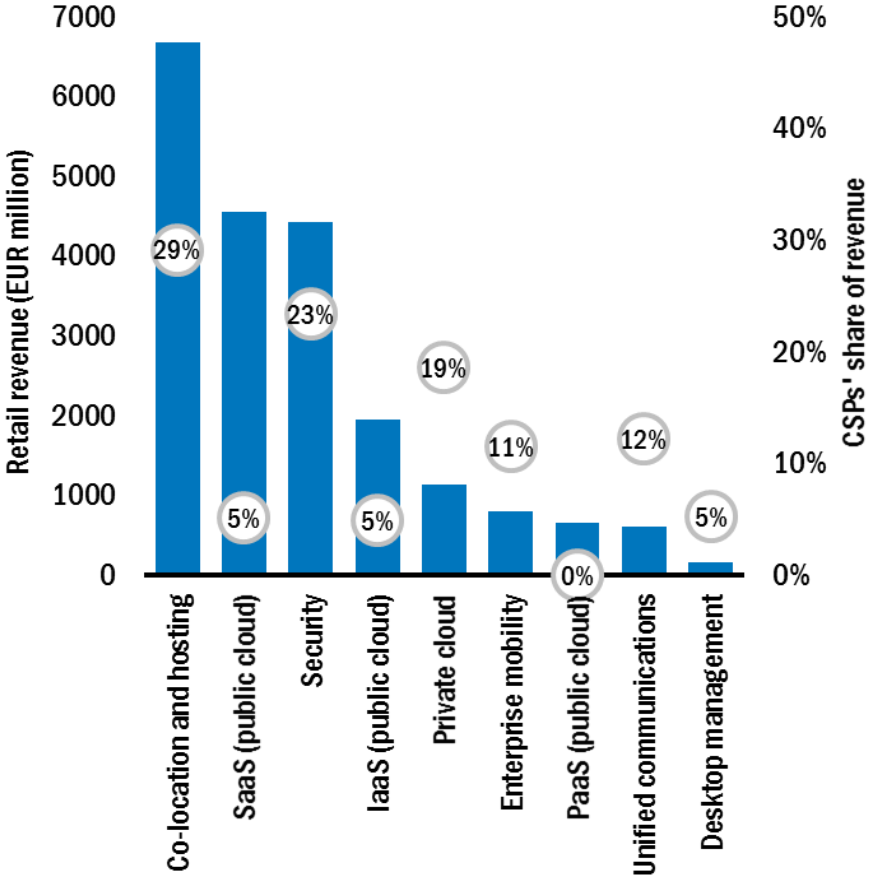


Figure 16: Retail revenue from other business services and CSPs' share, Western Europe, 2022



Source: Analysys Mason

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About the author

Catherine Hammond (Senior Analyst) is an analyst for Analysys Mason's *Enterprise and IoT* research programme, specialising in market forecasting. She previously worked for nine years as a Senior Manager within Analysys Mason's Consulting practice, undertaking work for a wide range of operators, regulators and government agencies in Europe and Asia. Her work included the development and review of quantitative models, assessment of business plans, development of market forecasts, collation and analysis of benchmarks, development of white papers and leading client workshops and major presentations. She holds an MA in mathematics from the University of Cambridge.

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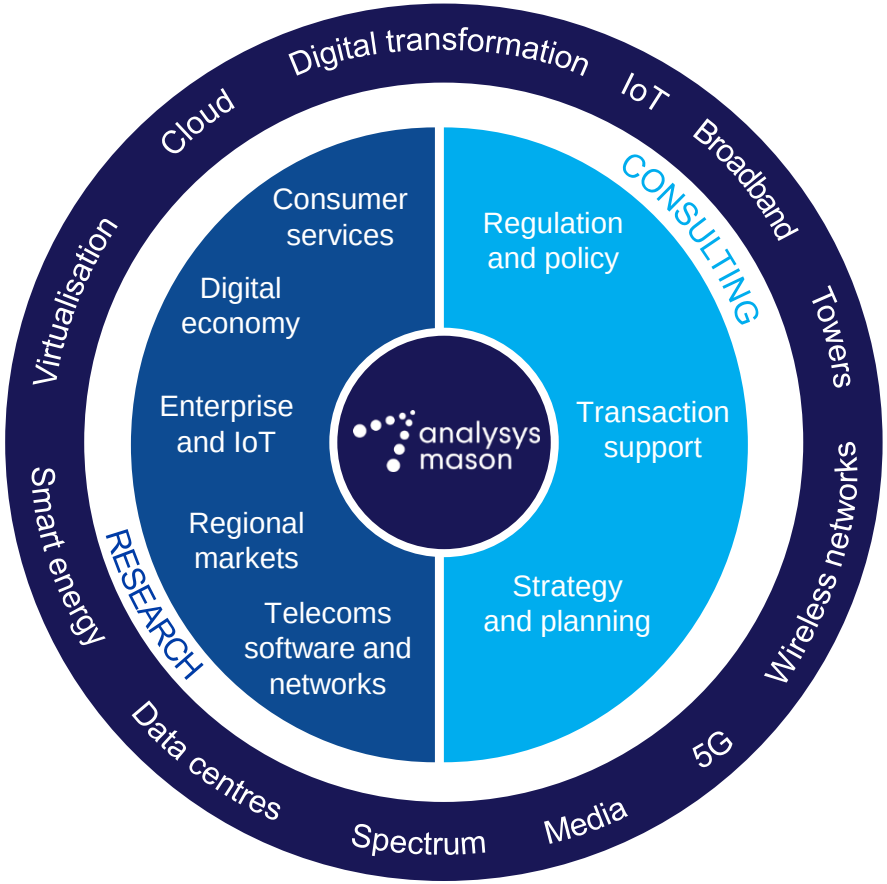
Analysys Mason's consulting services and research portfolio



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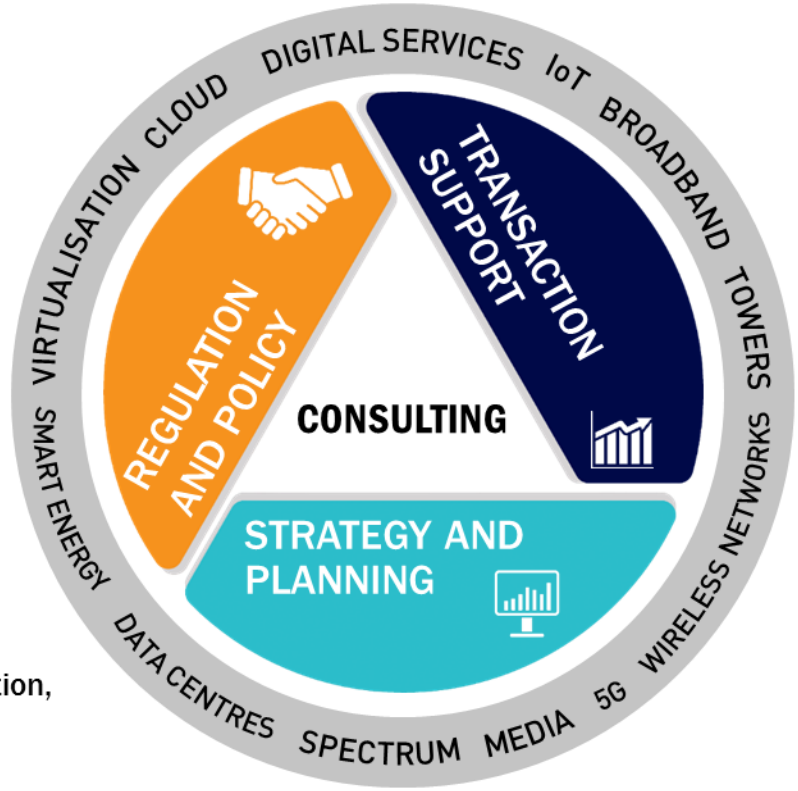

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Bush House • North West Wing • Aldwych • London • WC2B 4PJ • UK

Tel: +44 (0)20 7395 9000 • Email: research@analysysmason.com • www.analysysmason.com/research • Registered in England No. 5177472