

RESEARCH FORECAST REPORT

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

CATHERINE HAMMOND

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.analysismason.com/SME-forecast2017-WE-RDMZO.

REPORT COVERAGE

Geographical	Services ²	
Regions modelled: <ul style="list-style-type: none"> ▪ Western Europe Countries modelled individually: <ul style="list-style-type: none"> ▪ France ▪ Germany ▪ Italy ▪ Spain ▪ Sweden ▪ UK 	Mobile: <ul style="list-style-type: none"> ▪ Voice, messaging and handset data ▪ Mobile broadband ▪ IoT connectivity (mobile and LPWA) Fixed: <ul style="list-style-type: none"> ▪ 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: <ul style="list-style-type: none"> ▪ 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
Enterprise size		
Segments: <ul style="list-style-type: none"> ▪ Micro (0–9 employees) ▪ Small (10–49 employees) ▪ Medium (50–249 employees) 		

² See service taxonomy on slides 23–27.

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12. A continuing significant decline in fixed voice drives down overall fixed service revenue, even as data revenue increases

13. SMEs will continued to migrate to higher bandwidth services: vDSL and FTTP replace ADSL and dedicated connections move to >100Mbps

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20. Spain: Revenue for traditional services will stabilise and other business services continue to grow, following recent declines

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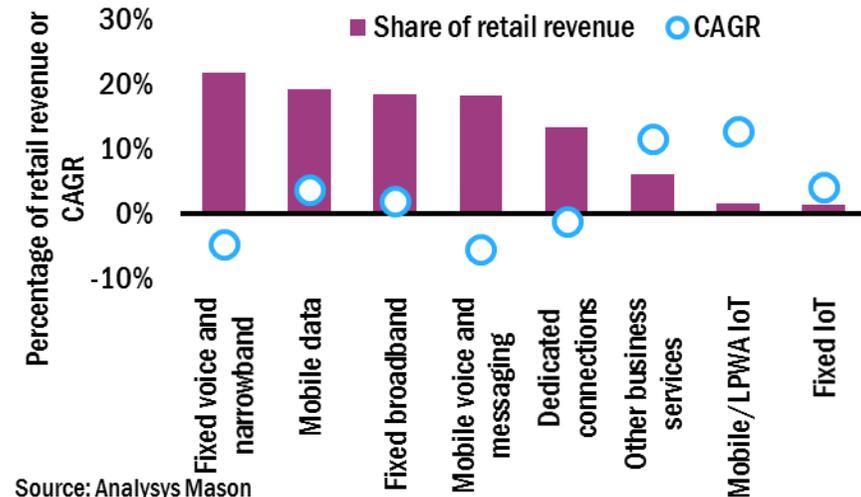
SME revenue from new business services will grow, while traditional voice and data services stagnate or decline

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).

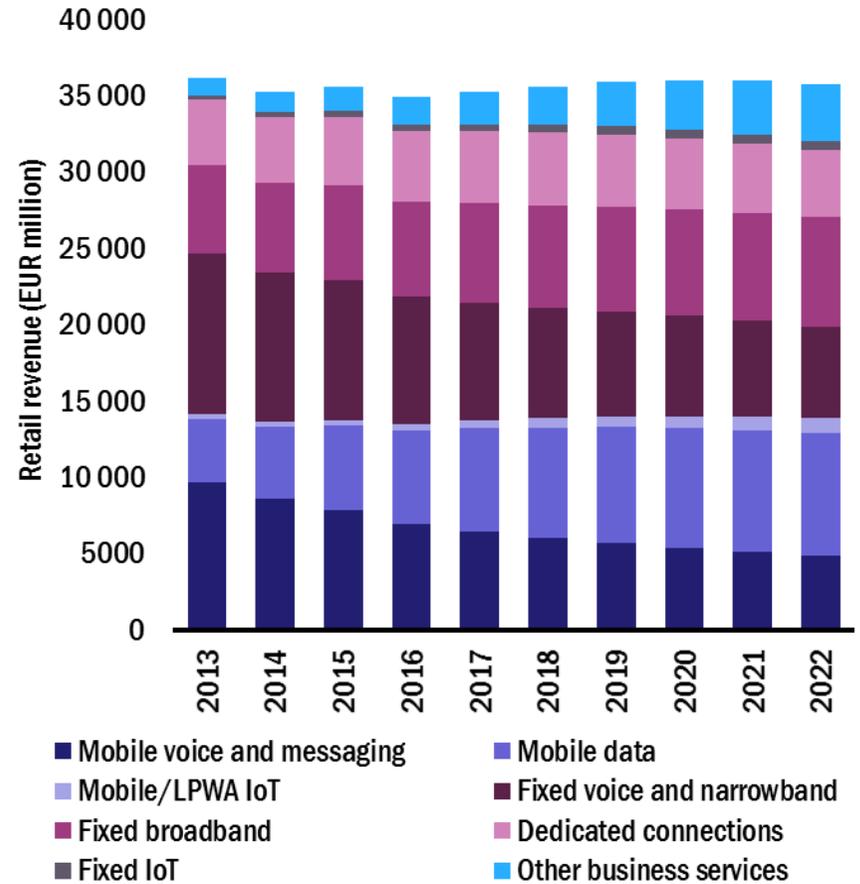
Figure 4: Percentage of retail revenue from SMEs in 2017 and CAGR for 2017-2022 by service type, Western Europe



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, 2013-2022²



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.

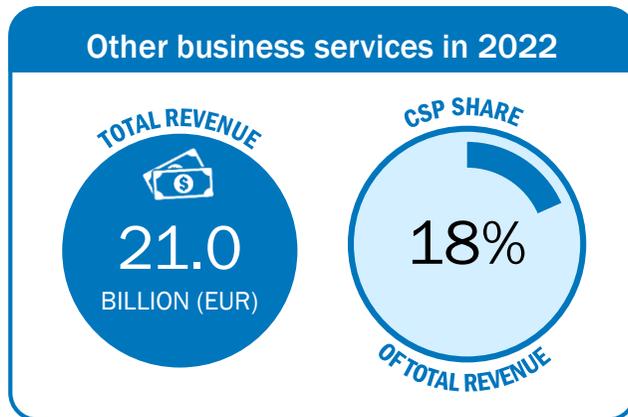
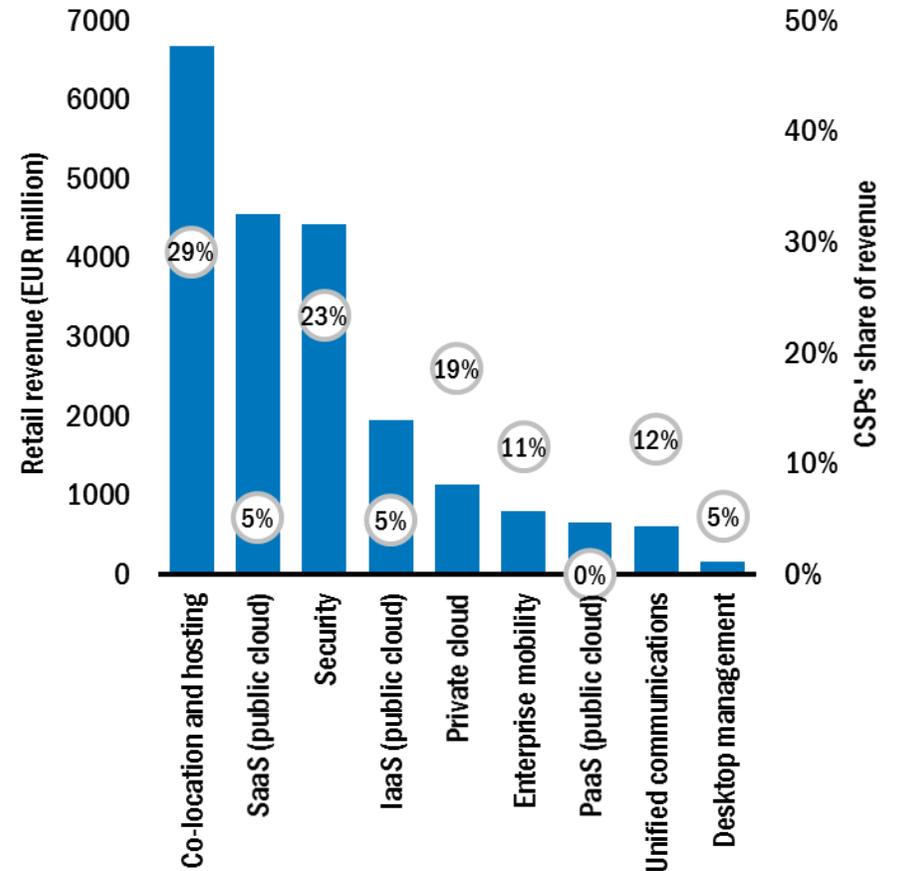


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Source: Analysys Mason

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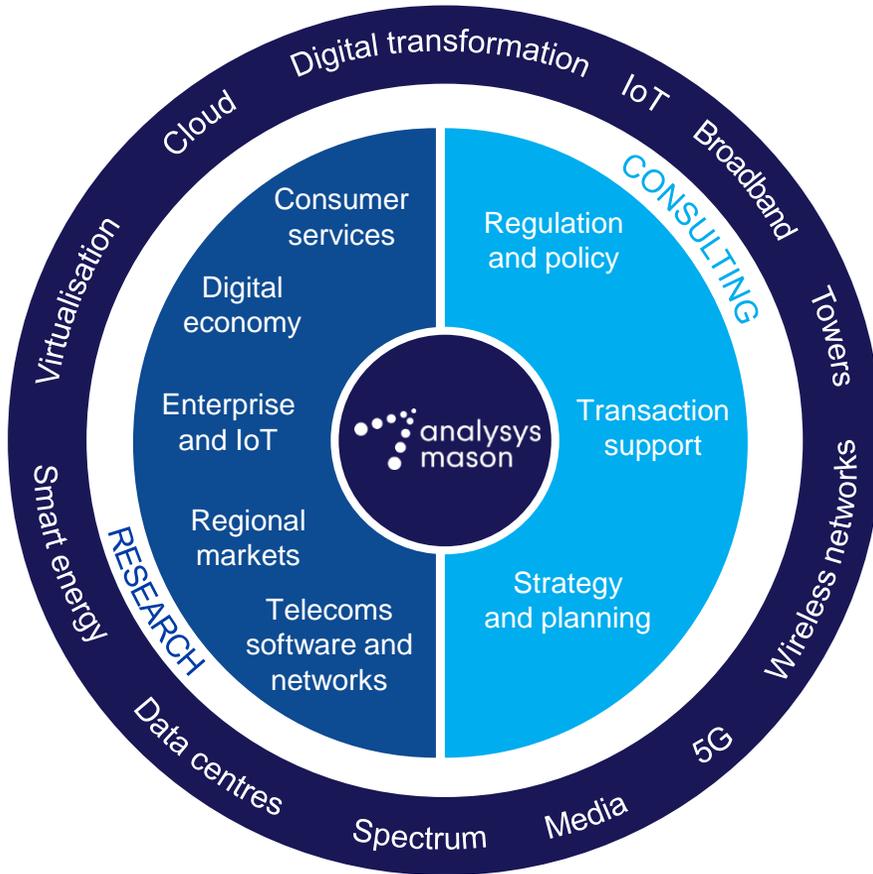
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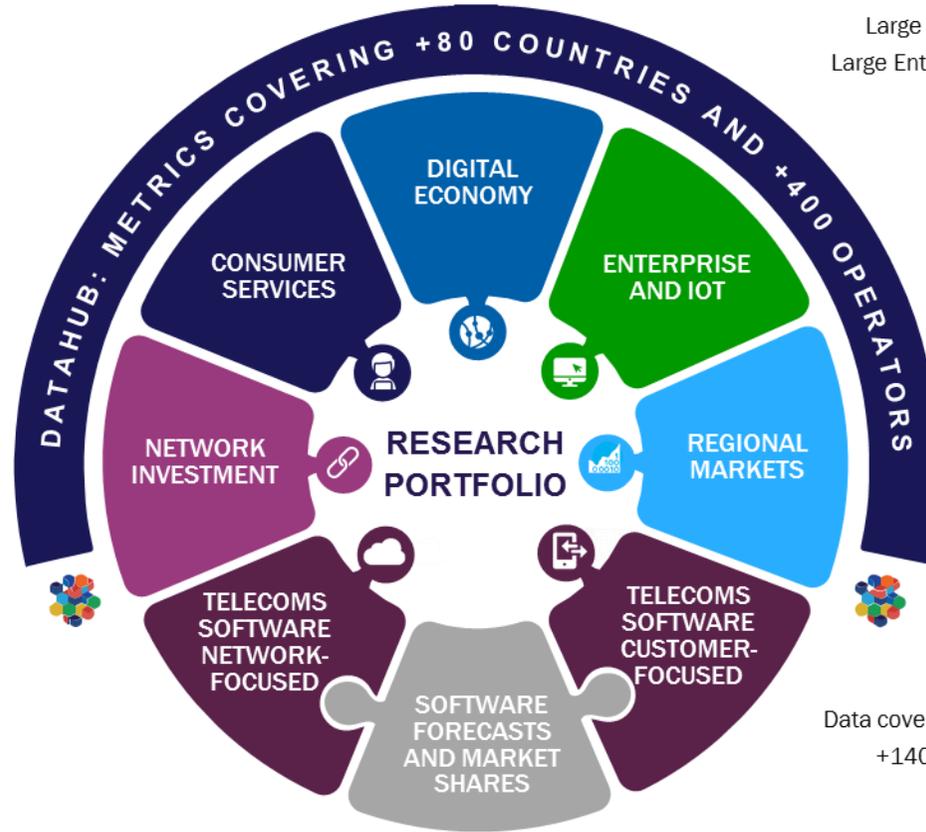
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- Telecoms Software Market Shares

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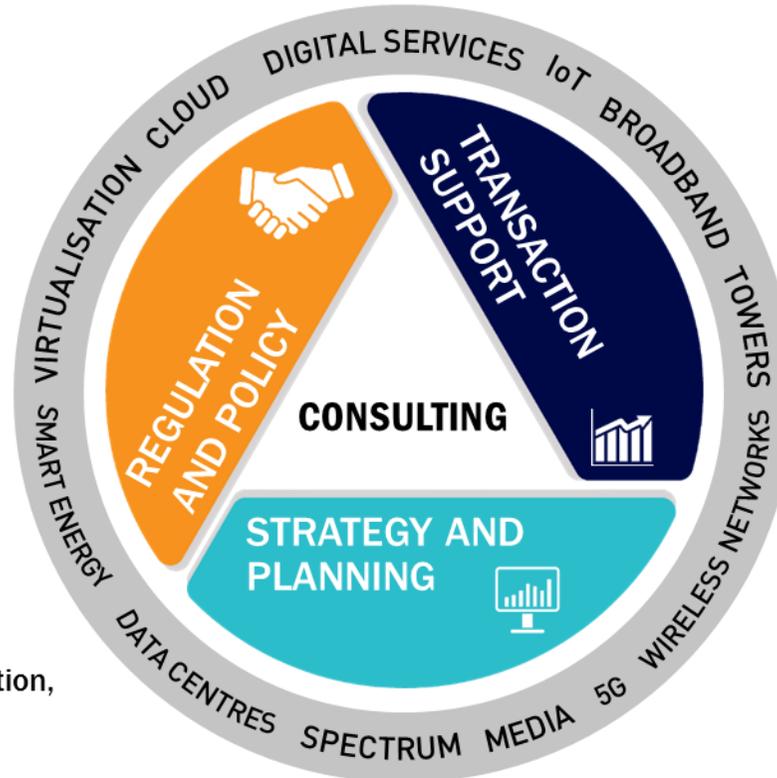
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