

RESEARCH FORECAST REPORT

TELECOMS SERVICES FOR SMALL AND MEDIUM-SIZED ENTERPRISES: **WORLDWIDE FORECAST 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 from traditional voice and data services in many high-income regions is either stagnating or in decline, although there remains potential for growth in some emerging economies, particularly among micro enterprises.

The report also quantifies the growing market for other business services, such as security, co-location and hosting, and software-as-a-service (SaaS), which offer telecoms operators an opportunity to offset declining revenue streams.

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 of enterprises' ICT usage.

WHO SHOULD READ THIS REPORT

- Telecoms operators 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 operators.

¹ For the complete data set, see the accompanying Excel file at www.analysysmason.com/SMEs-forecast2017-worldwide-RDMZO.

REPORT COVERAGE

Geographical	Services ²	
Regions modelled: <ul style="list-style-type: none"> ▪ Western Europe ▪ Central and Eastern Europe ▪ Developed Asia-Pacific ▪ Emerging Asia-Pacific ▪ North America ▪ Latin America ▪ Middle East and North Africa ▪ Sub-Saharan Africa 	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 in the Methodology section of this report.

Contents [1]

8. Executive summary

9. Executive summary: Other business services provide an opportunity for growth as worldwide revenue from legacy services to SMEs stagnates

10. Executive summary: The most-significant growth will occur in emerging Asia–Pacific and among micro enterprises

11. Worldwide forecasts

12. SME revenue for new business services will grow, while revenue for legacy voice and data services stagnates

13. Micro enterprises are the largest segment for legacy voice and data, but medium-sized firms will spend more on other business services

14. Emerging markets will continue to deliver significant overall revenue growth for operators delivering services to SMEs

15. Mobile revenue growth will come primarily from an increase in mobile devices and smartphone penetration, especially among micro enterprises

16. Mobile revenue growth varies considerably between regions, with Asia–Pacific and emerging economies out-performing Western markets

17. Fixed revenue continues to decline despite growth in the number of fixed broadband connections

18. Fixed revenue is forecast to grow only in MENA and SSA, driven by significant increases in fixed broadband penetration

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

20. The growing market for other business services offers operators an opportunity to have a share in new revenue streams from SMEs

21. Key other business services for telecoms operators include colocation and hosting, security and SaaS

22. Western Europe is an important and growing contributor to worldwide revenue for other business services

23. Regional-level forecasts

24. Western Europe [1]: Growth in other business services may enable operators to retain current levels of revenue

25. Western Europe [2]: Micro enterprises will be a particularly important source of revenue growth for fixed operators

26. Central and Eastern Europe [1]: Fixed broadband and mobile data services will continue to deliver revenue growth

27. Central and Eastern Europe [2]: The relative dependence on different services will vary by business segment

28. Developed Asia–Pacific [1]: Mobile data services will continue to dominate revenue and drive overall growth

29. Developed Asia–Pacific [2]: Micro enterprises account for less revenue than in other regions, but will deliver most growth

30. Emerging Asia–Pacific [1]: Mobile services dominate revenue, but growth is also forecast for fixed connectivity services

31. Emerging Asia–Pacific [2]: Micro enterprises will continue to account for more than half of operators' SME revenue

32. North America [1]: Slower growth for data and rapid declines in voice revenue will drive down overall operator revenue

33. North America [2]: Medium enterprises form a significant part of the North American SME market

Contents [2]

- 34. Latin America [1]: Growth in fixed broadband and mobile data sustain legacy revenue, while new services drive growth
- 35. Latin America [2]: Micro enterprises deliver almost all the forecast revenue growth
- 36. Middle East and North Africa [1]: Steady revenue growth is forecast for all but voice and messaging services
- 37. Middle East and North Africa [2]: Micro enterprises account for most of SME revenue but growth is higher for medium enterprises
- 38. Sub-Saharan Africa [1]: SME revenue is small, but is growing more rapidly in Sub-Saharan Africa than in other regions
- 39. Sub-Saharan Africa [2]: Revenue growth occurs across all segments as service penetration increases
- 40. Forecast methodology and assumptions**
 - 41. Forecast methodology and assumptions: Presentation of results
 - 42. Forecast methodology and assumptions: Market definition
 - 43. Forecast methodology and assumptions: Modelling approach
 - 44. Forecast methodology and assumptions: Mobile services
 - 45. Forecast methodology and assumptions: Fixed services [1]
 - 46. Forecast methodology and assumptions: Fixed services [2]
 - 47. Forecast methodology and assumptions: Other business services [1]
 - 48. Forecast methodology and assumptions: Other business services [2]
 - 49. Forecast methodology and assumptions: Geographical regions
- 50. About the authors and Analysys Mason**
 - 51. About the author
 - 52. Analysys Mason's consulting and research are uniquely positioned
 - 53. Research from Analysys Mason
 - 54. Consulting from Analysys Mason

List of figures [1]

Figure 1: Telecoms operators' retail revenue from SMEs by service type, worldwide, 2013–2022

Figure 2: Connections for SMEs and CAGRs by type of connection, worldwide, 2017–2022

Figure 3: Percentages of retail revenue, total employees² and total enterprises by enterprise size, worldwide, 2017

Figure 4: Regional share of telecoms operators' retail revenue from SMEs in 2017 and CAGR for 2017–2022, worldwide

Figure 5: Telecoms operators' retail revenue from SMEs by service type and enterprise size, worldwide, 2017 and 2022

Figure 6: Percentage of telecoms operators' retail revenue from SMEs in 2017 and CAGRs for 2017–2022 by service type, worldwide

Figure 7: Telecoms operators' retail revenue from SMEs by service type, worldwide, 2013–2022

Figure 8: Percentages of business sites, total employees and total enterprises by enterprise size, worldwide, 2017

Figure 9: Telecoms operators' retail revenue from SMEs by service type and enterprise size in 2017 and 2022 and CAGRs for 2017–2022, worldwide

Figure 10: Regional variances in composition of telecoms operators' retail revenue from SMEs for selected regions, 2017

Figure 11: Telecoms operators' regional share of retail revenue from SMEs in 2017 and CAGRs for 2017–2022 by region, worldwide

Figure 12: Percentages of mobile service retail revenue and total employees by enterprise size, worldwide, 2017

Figure 13: Mobile service retail revenue and connections for SMEs, worldwide, 2013–2022

Figure 14: Regional variances in composition of mobile retail revenue from SMEs for selected regions, 2017

Figure 15: Telecoms operators' mobile retail revenue in 2017 and CAGRs for 2017–2022 by region, 2017–2022, worldwide

Figure 16: Percentages of fixed service retail revenue and total business sites by enterprise size, worldwide, 2017

Figure 17: Fixed service retail revenue and connections for SMEs, worldwide, 2013–2022

Figure 18: VoBB revenue as a percentage of fixed voice and narrowband revenue by region, worldwide, 2017

Figure 19: Telecoms operators' fixed retail revenue in 2017 and CAGRs for 2017–2022 by region, worldwide

Figure 20: Percentage of SME fixed broadband connections by type of connection, worldwide, 2013–2022

Figure 21: Percentage of SME dedicated connections by connection speed, worldwide, 2013–2022

Figure 22: Percentages of other business services whole market retail revenue in 2017 and 2022 and total employees by enterprise size, worldwide, 2017

Figure 23: Other business services whole market retail revenue from SMEs by service type, worldwide, 2013–2022

Figure 24: Other business services retail revenue from SMEs by service type and provider and operators' share of this revenue by service type, worldwide, 2022

Figure 25: Share of other business services whole market retail revenue for selected regions, 2017

List of figures [2]

Figure 26: Telecoms operators' other business services retail revenue from SMEs in 2017 and CAGRs for 2017–2022 by region, worldwide

Figure 27: Connections for SMEs and CAGRs by type of connection, Western Europe, 2017–2022

Figure 28: Telecoms operators' retail revenue from SMEs in 2017 and CAGRs for 2017–2022 by service type, Western Europe

Figure 29: Percentages of business sites, total employees and retail revenue by enterprise size, Western Europe, 2017

Figure 30: Telecoms operators' retail revenue from SMEs by service type and enterprise size, Western Europe, 2017 and 2022

Figure 31: Connections for SMEs and CAGRs by type of connection, Central and Eastern Europe, 2017–2022

Figure 32: Telecoms operators' retail revenue from SMEs in 2017 and CAGR by service type, Central and Eastern Europe, 2017–2022

Figure 33: Percentages of business sites, total employees and retail revenue by enterprise size, Central and Eastern Europe, 2017

Figure 34: Telecoms operators' retail revenue from SMEs by service type and enterprise size, Central and Eastern Europe, 2017 and 2022

Figure 35: Connections for SMEs and CAGRs by type of connection, developed Asia–Pacific, 2017–2022

Figure 36: Telecoms operators' retail revenue from SMEs in 2017 and CAGR for 2017–2022 by service type, developed Asia–Pacific

Figure 37: Percentages of business sites, total employees and retail revenue by enterprise size, developed Asia–Pacific, 2017

Figure 38: Telecoms operators' retail revenue from SMEs by service type and enterprise size, developed Asia–Pacific, 2017 and 2022

Figure 39: Connections for SMEs and CAGRs by type of connection, emerging Asia–Pacific, 2017–2022

Figure 40: Telecoms operators' retail revenue from SMEs in 2017 and CAGR for 2017–2022 by service type, emerging Asia–Pacific

Figure 41: Percentages of business sites, total employees and retail revenue by enterprise size, emerging Asia–Pacific, 2017

Figure 42: Telecoms operators' retail revenue from SMEs by service type and enterprise size, emerging Asia–Pacific, 2017 and 2022

Figure 43: Connections for SMEs and CAGRs by type of connection, North America, 2017–2022

Figure 44: Telecoms operators' retail revenue from SMEs in 2017 and CAGR for 2017–2022 by service type, North America

Figure 45: Percentages of business sites, total employees and retail revenue by enterprise size, North America, 2017

Figure 46: Telecoms operators' retail revenue from SMEs by service type and enterprise size, North America, 2017 and 2022

Figure 47: Connections for SMEs and CAGRs by type of connection, Latin America, 2017–2022

Figure 48: Telecoms operators' retail revenue from SMEs in 2017 and CAGRs for 2017–2022 by service type, Latin America

Figure 49: Percentages of business sites, total employees and retail revenue by enterprise size, Latin America, 2017

List of figures [3]

Figure 50: Telecoms operators' retail revenue from SMEs by service type and enterprise size, Latin America, 2017 and 2022

Figure 51: Connections for SMEs and CAGRs by type of connection, Middle East and North Africa, 2017–2022

Figure 52: Telecoms operators' retail revenue from SMEs in 2017 and CAGR for 2017–2022 by service type, Middle East and North Africa

Figure 53: Percentages of business sites, total employees and retail revenue by enterprise size, Middle East and North Africa, 2017

Figure 54: Telecoms operators' retail revenue from SMEs by service type and enterprise size, Middle East and North Africa, 2017 and 2022

Figure 55: Connections for SMEs and CAGRs by type of connection, Sub-Saharan Africa, 2017–2022

Figure 56: Telecoms operators' retail revenue from SMEs in 2017 and CAGR for 2017–2022 by service type, Sub-Saharan Africa

Figure 57: Percentages of business sites, total employees and retail revenue by enterprise size, Sub-Saharan Africa, 2017

Figure 58: Telecoms operators' retail revenue from SMEs by service type and enterprise size, Sub-Saharan Africa, 2017 and 2022

Figure 59: Percentage of total SMEs, employees and business sites by enterprise size, 2017

Figure 60: Diagram of the forecast modelling approach

Figure 61: Definitions and key drivers for mobile services

Figure 62a: Definitions and key drivers for fixed services

Figure 62b: Definitions and key drivers for fixed services

Figure 63a: Definitions and key drivers for other business services

Figure 63b: Definitions and key drivers for other business services

Figure 64: Regional breakdown used in this report

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

Colocation and hosting, as well as security services, for SMEs will be important for telecoms operators, as both are large overall markets and ones in which operators are well placed to have significant market shares.

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

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

Overall, we expect operators to account for 15% of the USD81.3 billion market for other business services by 2022.

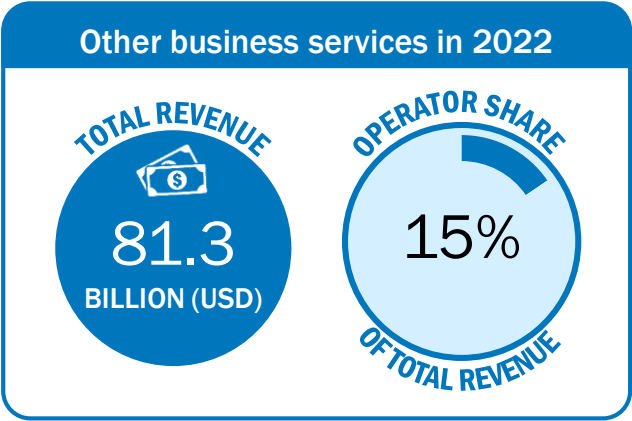
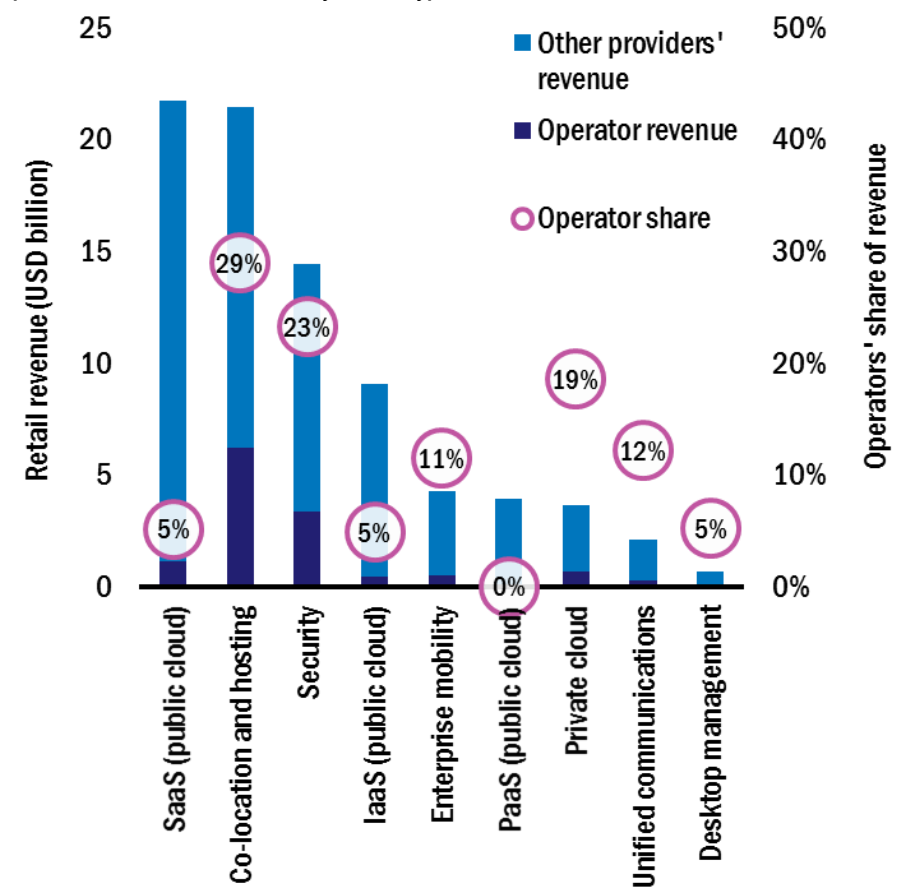


Figure 24: Other business services retail revenue from SMEs by service type and provider and operators' share of this revenue by service type, worldwide, 2022



Source: Analysys Mason

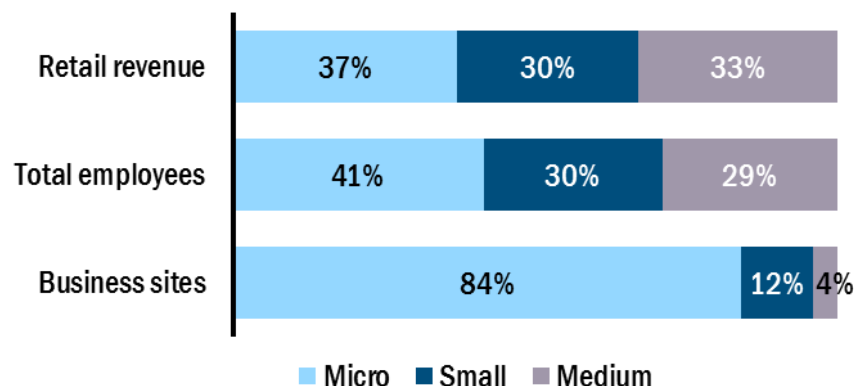
Developed Asia–Pacific [2]: Micro enterprises account for less revenue than in other regions, but will deliver most growth



Micro enterprises account for a smaller share of SME revenue in developed-Asia Pacific than in Europe. This reflects the importance of mobile services, which tend to be spread fairly evenly by employee numbers. In contrast, fixed services are concentrated on micro enterprise, which account for the large majority of business sites.

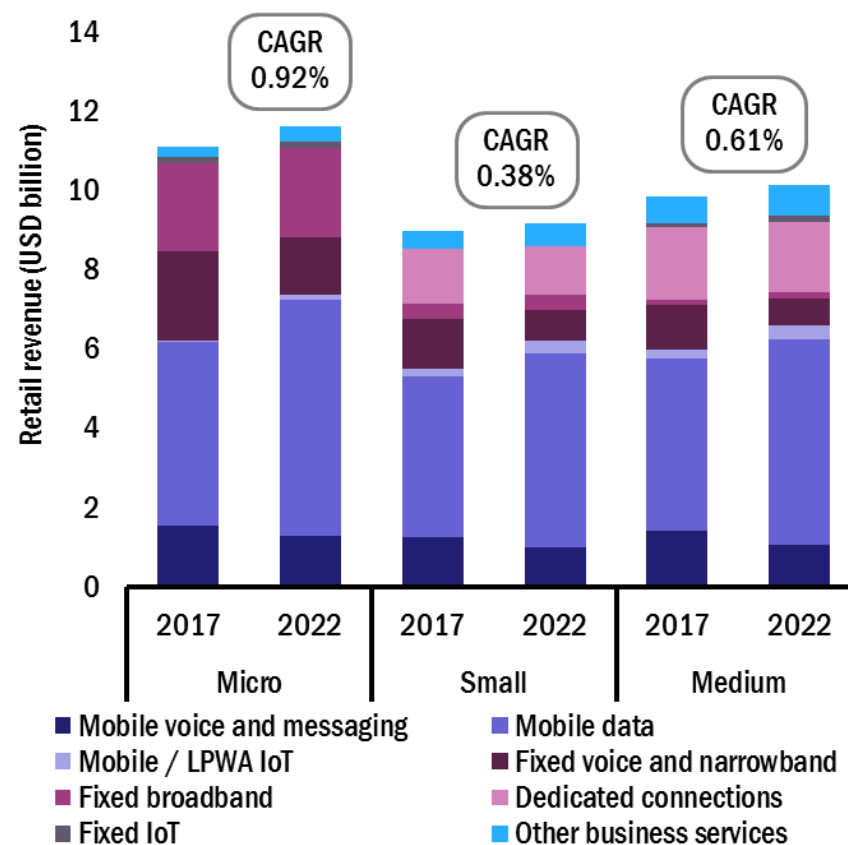
Growth in other business services revenue is more limited than in Europe (since penetration of these services is already high), although it is significant among micro enterprises, with revenue for this segment growing at 8.0% per annum compared with 2.7% for medium enterprises.

Figure 37: Percentages of business sites, total employees and retail revenue by enterprise size, developed Asia–Pacific, 2017



Source: Analysys Mason

Figure 38: Telecoms operators' retail revenue from SMEs by service type and enterprise size, developed Asia–Pacific, 2017 and 2022¹



Source: Analysys Mason

¹ See Presentation of results in the Methodology section of this report for full definitions of the aggregate categories presented in figures and details of currency conversions.

CONTENTS

EXECUTIVE SUMMARY

WORLDWIDE FORECAST

REGIONAL-LEVEL FORECASTS

WESTERN EUROPE

CENTRAL AND EASTERN EUROPE

DEVELOPED ASIA-PACIFIC

EMERGING ASIA-PACIFIC

NORTH AMERICA

LATIN AMERICA

MIDDLE EAST AND NORTH AFRICA

SUB-SAHARAN AFRICA

FORECAST METHODOLOGY AND ASSUMPTIONS

ABOUT THE AUTHOR AND ANALYSYS MASON

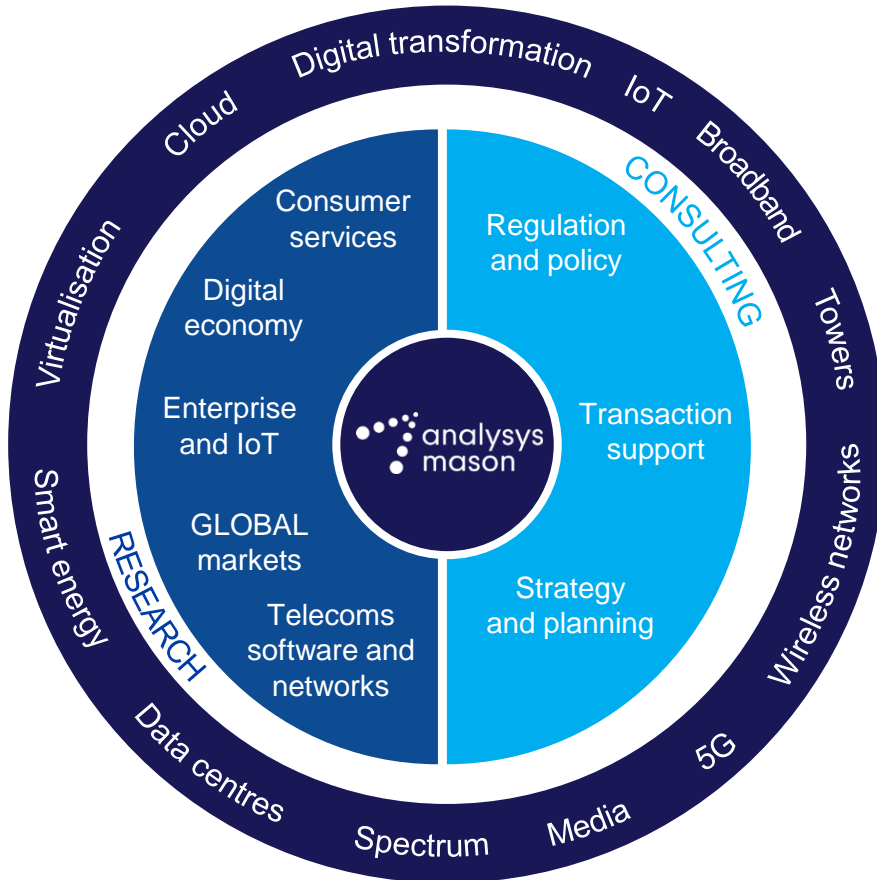
About the author



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.

Analysys Mason's consulting and research are uniquely positioned

Analysys Mason's consulting services and research portfolio



CONSULTING

- We deliver tangible benefits to clients across the telecoms industry:
 - communications and digital service providers, vendors, financial and strategic investors, private equity and infrastructure funds, governments, regulators, broadcasters, and service and content providers.
- Our sector specialists understand the distinct local challenges facing clients, in addition to the wider effects of global forces.
- We are future-focused and help clients understand the challenges and opportunities that new technology brings.

RESEARCH

- Our dedicated team of analysts track and forecast the different services accessed by consumers and enterprises.
- We offer detailed insight into the software, infrastructure and technology delivering those services.
- Clients benefit from regular and timely intelligence, and direct access to analysts.

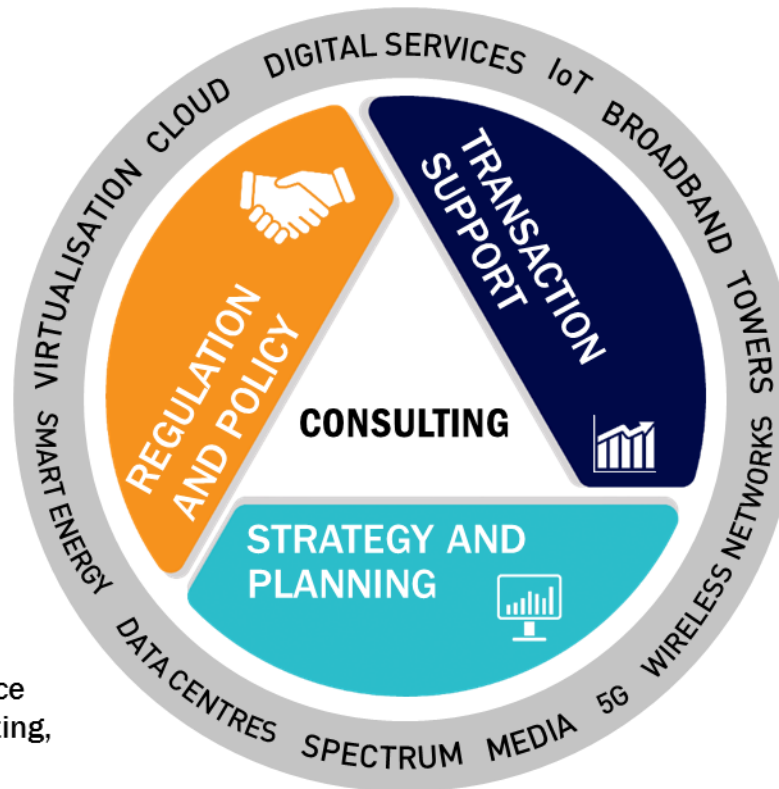
Research from Analysys Mason



Consulting from Analysys Mason

REGULATION AND POLICY

- Quality of service
- Market review
- Margin squeeze tests
- Analysing regulatory accounts
- Regulatory economic costing
- Policy development and response
- Media regulation
- Expert legal support
- Radio spectrum management
- Net cost of universal service
- Radio spectrum auction support
- Postal sector policy: universal service obligation (USO), liberalisation, costing, pricing and regulation



TRANSACTION SUPPORT

- Commercial due diligence
- Technical due diligence
- Mergers and acquisitions (M&As)
- Debt and initial public offerings (IPOs)
- Joint-venture (JV) structuring
- Mid-market financial sponsors

STRATEGY AND PLANNING

- Commercial expertise
- Technology optimisation
- New digital frontiers

analysysmason.com/consulting

PUBLISHED BY ANALYSYS MASON LIMITED IN OCTOBER 2017

Bush House • North West Wing • Aldwych • London • WC2B 4PJ • LATIN AMERICA, MIDDLE EAST AND NORTH AFRICA, SUB-SAHARAN AFRICA

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

© Analysys Mason Limited 2017. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without the prior written permission of the publisher.

Figures and projections contained in this report are based on publicly available information only and are produced by the Research Division of Analysys Mason Limited independently of any client-specific work within Analysys Mason Limited. The opinions expressed are those of the stated authors only.

Analysys Mason Limited recognises that many terms appearing in this report are proprietary; all such trademarks are acknowledged and every effort has been made to indicate them by the normal LATIN AMERICA, MIDDLE EAST AND NORTH AFRICA, SUB-SAHARAN AFRICA publishing practice of capitalisation. However, the presence of a term, in whatever form, does not affect its legal status as a trademark.

Analysys Mason Limited maintains that all reasonable care and skill have been used in the compilation of this publication. However, Analysys Mason Limited shall not be under any liability for loss or damage (including consequential loss) whatsoever or howsoever arising as a result of the use of this publication by the customer, his servants, agents or any third party.