Operators can increase their business revenue by using curated bundles to help SMEs adopt more IT services

February 2023

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The business case for operators selling IT services to small and medium-sized enterprises (SMEs) is strong, affording operators a way to differentiate their core connectivity services and to generate new revenue. However, the SME market is challenging for operators to serve because businesses have abroad range of needs and competencies, and because operators want to offer standardised solutions that are inexpensive to manage. Analysys Mason's recent report, *Approaches to IT services for SMEs: 11 operator case studies*, examines the different approaches that 11 operators are taking to selling IT services to SMEs. We have identified a pathway for operators to position themselves as trusted advisors with their business customers[1] and to encourage SMEs to adopt IT services. Operators need to help SMEs to begin purchasing IT services by first offering easy-to-consume bundles. From there, operators can add value to these contracts by using a tiered approach. Operators' success in the SME market will depend on the breadth of their IT services portfolios.

The breadth of each operator's IT services portfolio for SMEs varies widely in scale and ambition

We have grouped operators into three main categories based on the breadth of their IT services portfolios for SMEs (see Figure 1). **Communications-led champions** are operators that have a streamlined IT services portfolio and focus on a few key types of solutions adjacent to their connectivity services, such as unified communications (UC), collaboration and cyber-security services. **IT services prospectors** have a broader portfolio, and in addition to their core connectivity services, they also offer cloud computing services, as well as services to help SMEs establish an online presence and some limited marketing services. **IT services front runners** have a broad IT service portfolio, including expanded marketing and e-commerce services as well as specialised business applications.

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[1] For more information, see Analysys Mason's *Operator programmes for helping SMEs with IT: case studies and analysis*.

Figure 1: Comparison of operators' SME IT services portfolios

		Communications-led champions	IT services prospectors	IT services frontrunners
Connectivity	Fixed (e.g., fibre broadband)	✓	✓	✓
	Mobile	✓	✓	✓
	Enhanced services (e.g., SD-WAN)	✓	✓	✓
UC and collaboration	Cloud voice	✓	✓	✓
	UCC applications	✓	✓	P
Security	Endpoint security	P	✓	✓
	Application security	Mix	✗	✓
	Network security	✓	✓	✓
	Other (cyber-security insurance)	P	✓	✓
Cloud	Web hosting	P	P	✓
	Storage	✓	Mix	✓
	Cloud compute	✓	Mix	✓
Marketing and e-commerce	Online presence	✗	✓	✓
	Marketing	✗	✓	✓
	Payments (e.g., secure payments)	✗	✗	✗
	Other (e.g., CX and data analytics)	✗	✓	✓
Other business apps	Productivity	✓	P	P
	Financial apps	✗	✗	Mix
	Accounting/billing	✗	✗	P
	Other (HR and CRM)	✓	✓	P
Support	Support	✓	✓	✓

In-house solutions	Partner solutions	Do not offer

Source: Analysys Mason

Operators can work with partners to offer curated bundles and expand their IT services portfolio for the SME market

Operators (regardless of category) will often partner with IT services vendors to fill gaps in their portfolios. This is especially true for solutions where there are already strong brands operating in the market, such as Microsoft 365 (for productivity) or Teams (for UCC applications). Operators also partner with vendors when there is not enough demand to justify investment in proprietary services. This can enable a **communications-led champion** to offer a more-expanded range of cyber-security solutions, for example. **IT services front runners**, which maintain very broad portfolios, typically have partnerships with multiple IT services vendors and, in some cases, turn to intermediaries to support this (for example, Proximus partners with Odoo to offer a range of specialised business applications).

All operators' portfolios (regardless of category), should include attractively priced, simple bundles that lead with connectivity and add in cloud voice services or a UCC solution, and perhaps a basic cyber-security solution. These introductory packages can help operators to convert businesses that may otherwise take

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residential plans into business customers[2] and can help to start a conversation about the other services that a business may need. This will allow operators to encourage SMEs to adopt more IT solutions.

Each of the approaches to IT services can play a role in moving SMEs along the IT services adoption curve

All operators face common challenges when addressing the SME market: small businesses tend to need a significant amount of education to understand the potential benefits of IT services, as well as help with making decisions, and training and support with their deployments. Operators need to take this into account when tendering IT solutions to SMEs.

Communications-led champions offer a small number of IT solutions for SMEs, which can help to introduce SMEs to IT services. This type of portfolio helps operators to begin to grow their relationships with SMEs from strictly connectivity providers to trusted advisors that serve as a resource for SMEs that need help with more-complex issues. This strategy fits most easily with operators' core strengths and requires less investment than some more-ambitious strategies. However, a limited portfolio can constrain operators upsell opportunities. These operators typically rely on channel partners to sell and provision other IT services, which can also limit operators' control over the quality of customer care and service.

IT services prospectors maintain a moderately more-expanded portfolio of IT services for SMEs than communications-led champions because they also offer some cloud computing and productivity solutions. Their expanded set of IT solutions can be added to contracts once SME customers have adapted to using an initial set of simple IT services. Some operators in this group have a few tiered and curated bundles, which can help to move small businesses up the value chain. These bundles can also simplify product training, both for customers and the training that in-house sales teams need in order to sell IT services. Other operators in this group sell additional IT solutions as individual upgrade options.

IT services front runners have a very broad portfolio of IT services, which enables them to appeal to a large, addressable SME market and to meet a wide range of business needs. These players sell their IT services both individually and as part of bundles, which means that they can introduce SMEs to IT services slowly and then build out a comprehensive set of solutions over time. However, in order to sustain a broad portfolio, these operators rely on multiple partnerships and need to invest in new expertise for in-house sales teams and call centre staff. In addition, supporting a large number of SMEs – and the many different IT solutions that they can choose from – can be challenging and expensive.

Operators should introduce SMEs to IT services slowly, building the customer relationship over time

Regardless of the breadth of their IT services portfolios, operators need to slowly build up SMEs' adoption of IT services by starting with simple, connectivity-led packages and then by growing contracts using a tiered approach. A gradual introduction to IT services enables SMEs to absorb new solutions and helps operators to position themselves as trusted advisors. Then, using a tiered approach, operators can build up SMEs' usage step-by-step. This includes offering optional add-ons for more-advanced businesses. The broader the portfolio, the more opportunity an operator has to offer additional services, but even limited portfolios have a significant opportunity to engage SMEs.

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[2] For more information, see Analysys Mason's *Fibre broadband offerings for SMEs: operator strategies*.

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Most importantly, all IT services sold to SMEs need to include a business-grade service and support wrap. Operators that are able to provide prompt provisioning and reliable ongoing support will win more business in this typically underserved space.

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