SMB Activator
Four moves to massive growth in the SMB future office market
It’s no secret traditional Communication Service Providers (CSPs) have been facing slowing or stagnant growth in their core connectivity business for many years.

That’s certainly true of CSPs’ services directed to small and medium businesses (SMBs), a segment in which changing customer expectations and behaviors are putting severe pressure on CSPs’ revenue growth in traditional connectivity.

For example, the fixed-line market for SMBs is contracting, primarily due to customers’ increasing shift to voice-over-IP technologies. In the mobile market, growth is expected to be flat because of data commoditization, with subscribers forecasted to increase while Average Revenue Per User (ARPU) will decline. And, although new technologies such as 5G are being implemented, without new capabilities that directly help drive SMBs’ business expansion, CSPs can’t expect customers’ willingness to pay to suddenly change.

The reality is, to be able to continue to grow, CSPs must identify new revenue streams and new sources of business they can add to complement their traditional connectivity offerings for SMB customers.
A huge market with growing spend

Fortunately, there’s plenty of untapped potential in the SMB market, which represents the biggest opportunity for CSPs to go beyond connectivity—particularly, in providing digital and IT services.

The SMB market is huge.

For example, SMBs account for 99 percent of all companies in Europe and 60 percent of the total value generated by enterprises. And the value SMBs add is growing faster (4.1 percent versus 3.6 percent) than what large companies contribute. ¹

Figure 1: SMB market size

Furthermore, as more SMBs embark on digital transformation, they’re boosting their investment in IT products and services. SMB spending on new technologies and related products and services is projected to climb more than 6% between 2020 and 2025. A lot of this momentum can be attributed to COVID-19 which, despite slowing IT spending in the short term, created a greater sense of urgency among SMBs to become more digital as they witnessed the pandemic’s impact on their business.

SMB IT spend is concentrated largely in five key industries, with discreet manufacturing, professional services, process manufacturing, retail, and healthcare accounting for 70 percent of the total SMB IT market. Spend in these industries is also projected to grow more robustly than in the rest of the SMB sectors in the next several years.

The cloud is one technology area that’s attracting a lot of money: it’s expected to account for more than half (53 percent) of SMBs’ total IT spend in 2025—up from 42 percent in 2020.  

In fact, 63 percent of SMBs expect their usage of Platform as a Service in the public cloud to increase somewhat or significantly in the next year. 54 percent and 52 percent, respectively, said the same about their use of Infrastructure as a Service and Software as a Service for core business applications. And along with a more significant cloud presence comes a greater need for a wide range of security services.

2 Analysys Mason ICT forecaster; SMB Survey
Overall, IT and managed services, infrastructure, devices and peripherals, business applications, and digital marketing and advertising are expected to attract the vast majority of SMBs' IT spend (Figure 3).
A pressing need for comms and tech expertise

However, while SMBs are hungry for digital capabilities, they need the resources and tech savvy required to implement and manage advanced solutions—something they generally don’t have in-house.

They also would like to work with a partner that could help them understand how specific solutions can help them achieve specific business goals and outcomes. And they’d prefer to consolidate the services they currently receive from their vendors to a central partner who handles all their communications and technology needs. Juggling multiple vendors and contracts consumes a lot of time that SMBs could otherwise spend on managing and growing their business. According to Accenture research, two thirds of SMBs purchase such services from three or more vendors, and half of them would like to reduce that number.  

3 Accenture Communications and Media Covid-19 SMB Study, May 2020
This translates into a big opportunity for an external provider that can be the “one-stop shop” for all SMBs’ needs. As illustrated in Figure 4, CSPs can become that provider: a single, trusted partner with a local presence and requisite knowledge of SMB customers’ business and industry that can orchestrate everything SMBs need to transform into and operate as a modern digital business. This includes not only CSPs’ own services (especially, enhanced connectivity), but also those of key third parties such as hardware, software, and services providers—all offered and purchased through a unique “as a Service” marketplace and billed as a single, easy-to-understand package with clear and compelling business benefits for SMB customers. All wrapped in a superior, consistent omnichannel sales and service experience for SMBs, making it easy for customers to understand what they’re buying and to quickly get answers to their questions.

CSPs can meet these needs by building a partner network based on best-of-breed solutions in software, hardware, services, and solutions; using their own network services to help enhance partner solutions; and leveraging their existing relationships with SMBs to open a sales channel for partner solutions that SMBs need to run their business.
A huge market with growing spend

**Figure 4: The new SMB ecosystem for CSPs**

Source: Accenture
Three big CSP strengths to build on

How are CSPs faring in capitalizing on that opportunity? Currently, CSPs only have a sliver of the expanding SMB technology and services market, around 5%. This means they have plenty of room for growth—as much as 10% in the next five years—and they have three key strengths they can leverage to get them there.

1. The first and most obvious is the relationship CSPs have with many SMBs that are current buyers of connectivity services.

By virtue of SMBs’ use of CSPs’ networks, CSPs have a continuous engagement with those customers, direct communication with them, wide sales and support channels, an established way to bill them, and deep knowledge of how those customers are using these services (which gives CSPs unique insights into the state of SMBs’ business). These are all elements that put CSPs ahead of other types of companies that are vying for an expanded role in SMBs’ business.

2. The second is difficult to quantify but nonetheless critical: trust.

CSPs have performed exceptionally well during the COVID-19 crises, providing the connectivity and bandwidth SMBs need to keep their companies operating during periods of government restrictions. In fact, one-third of SMBs said CSPs’ performance exceeded their expectations, which has led to a positive change in how SMBs view their provider: Nearly half said they trust their CSPs more now than before the crisis began. 4

3. A third factor is CSPs’ local presence.

While SMBs tend to prefer digital channels—online chats, video calls, mobile apps, and self-service via websites—for interactions with CSPs, face-to-face meeting remains important. SMBs want to know they can have someone at their facility to help, if needed—and CSPs are well-positioned to answer the call with their “boots on the ground” across most communities. Furthermore, their extensive network of stores gives CSPs the opportunity to carve out spaces SMB customers can visit to get technical support and other consulting services.

4 Accenture Communications and Media Covid-19 SMB Study, May 2020
Some progress, but a long way to go

Some leading CSPs have begun building on these strengths to add specific capabilities and offerings outside their well-positioned core connectivity services. But they still have a long way to go.

For example, a recent qualitative assessment Accenture conducted of large CSPs found that:

- Several companies are making inroads in such areas as mobility solutions, cloud infrastructure services, digital marketing and advertising, and even business intelligence and data analytics services.
- Some have already virtualized their entire contact center, so all representatives work from home and can be connected to customers via video calls, so customers don’t have to spend time with an IVR system. Customers can talk to live people and see their faces which, for an SMB buying a critical business solution, is very important.
- Some companies have also expanded their product catalog. One CSP, for example, sells security cameras for facilities that SMBs can buy together with mobile SIM cards, which enables the cameras to continue working even if an intruder cuts the power to the plant, store, or office.
- Many are reselling Software as a Service productivity solutions, such as Microsoft Office and Teams and CRM and ERP software appropriate for smaller enterprises.
However, these new offerings are mostly piecemeal or ad hoc additions and generally not “fully baked.” For instance, while CSPs may offer such non-traditional products and services, these simply appear in an itemized list with a purchase price. Having access to a consolidated bundle of services an SMB, say, a construction company, bakery, or small law firm, might need to run their entire business, currently isn’t an option. Few SMBs have an IT person on staff and are ill-equipped to effectively choose and implement technology solutions.

Furthermore, many offerings simply are not yet available from several of the companies we studied, especially those in the areas of smart office, store solutions, vertical consulting, and integration services.

The fact is, it is likely that no CSP presently has a structured offering that provides the comprehensive set of solutions and services and the omnichannel shopping experience SMBs require.
Where do CSPs go from here? It’s time to level the playing field.

It’s clear SMBs offer a compelling growth opportunity for CSPs that can step out of their traditional connectivity-provider box and deliver a wider set of products and services SMBs need to run their business. At the same time, it’s also clear other companies have recognized the opportunity. These include local vendors of IT, security, legal, tax, and industry-specific solutions; global digital enterprises such as providers of unified communications (e.g., Teams, Zoom, and Facebook Messenger); and digital giants such as the hyper-scale cloud providers that have huge strengths in cloud and IoT solutions.
What do CSPs need to do to level the playing field and build a competitive business that’s capable of taking its fair share of the exploding SMB market?

We’ve identified four core capabilities CSPs need to get right to position themselves for SMB success, starting with the basics and incrementally building on these toward more advanced domains.
Connecting the SMB/core connectivity—a $56 billion market

With all the attention given to adding non-traditional products and services to their portfolio, it’s important for CSPs not to lose sight of their core business. Indeed, CSPs have significant opportunity to extend and improve their connectivity service portfolio for SMBs, which they should do before tackling anything else.

To that end, CSPs must ensure optimal coverage and trusted, resilient connectivity with premium network access (i.e., converged mobile, fixed, and wi-fi) on the SMB’s premises, ensuring zero network fall-out, so SMBs can always maintain business continuity. This involves moving from traditional connectivity to “connectivity of the future” services built around infrastructure, cloud and security offerings, unified communications, IoT, and value-added services—coupled with a change in the service model to immediate activation and a “plug and play” approach.

THE IMPACT:

a shift from stagnant revenues (CAGR of just +0.1 percent from 2020 to 2024) with traditional connectivity to possibly an increase in revenue (potential CAGR of 8.3 percent in the next four years) with “connectivity of the future.”
Portfolio extension and third-party onboarding—a $17 billion market

Building on the trusted relationships established in connectivity, CSPs can further expand their portfolio offered to SMBs by leveraging their scale and expertise to provide bundled pre-packaged products, services, and third-party capabilities that help SMBs manage their costs and grow their business. These include workplace-related services for SMBs such as the Microsoft Office Productivity Suite; ERP, HR, CRM, and billing solutions; and managed services that help SMBs become more sustainable and serve their customers more efficiently.

THE IMPACT:

a shift from reselling simple cloud and security offerings with a current market size of $6.5 billion to selling end-to-end workplace solutions and managed services with an additional market of $11 billion.
Consulting and professional services—a $14 billion market

Consulting and professional services can bring enhanced value to SMBs and end-customers in the form of AI, data intelligence, and interactive components that help SMBs manage their business. SMBs get access to structured datasets to better understand their customers’ demand and changing behavior and, in turn, make more informed business decisions. In effect, CSPs become consultants to SMBs, guiding and training the SMB workforce in new technologies, industry solutions, and applications.

THE IMPACT:

a shift from selling basic professional services with a current market size of $5.5 billion to unlocking new revenue potential in an additional market of $8.6 billion by helping SMBs make data-driven decisions via professional and AI analytics services.
Industry marketplace—a $23 billion market

The final stage of the CSP evolution involves opening the CSP portal as a two-sided platform on which SMBs can meet new buyers and sell their products and services; and suppliers providing industry vertical solutions and a community of other complementary sellers can get exposure to a targeted and highly qualified potential customer base on a trusted platform. This platform not only allows CSPs to buy and sell products and services, but also to trade data, test products and services and get real-time market feedback, and build a brand for their SMB business. It also enables CSPs to monetize the data that’s exchanged on the platform and the insights it has on its SMB customers to, for example, generate advertising revenue from a marketplace vendor that wants to promote its offering beyond simply being on the platform.

THE IMPACT:

a shift from a revenue potential of $14 billion primarily dependent on brokerage and transaction fees to selling Everything-as-a-Service to SMBs, unlocking more than $20 billion in additional new revenue potential.
At the end of this journey, CSPs will have an offering portfolio built on a new ecosystem and business solutions that SMBs need to more effectively manage their business—putting CSPs at the center of SMBs’ growth (Figure 3).

Figure 5: The future CSP SMB portfolio
Source: Accenture
But beyond expanding their portfolio, CSPs also need to address one other big success factor: their sales efforts. Significant new offerings are only as good as a CSP’s ability to get them in the hands of customers, and that means having a salesforce that understands the new offerings and how to sell them to SMBs. That could present a significant hurdle, given CSPs’ existing sales model for the SMB market.

Because, by its nature, the SMB market doesn’t include companies large enough to merit a dedicated CSP sales team, CSPs rely heavily on independent agencies that are paid a commission for every telecom contract they sell to SMBs. But this reliance has two drawbacks. First, CSPs lack transparency in agencies’ sales process: The CSP gives an agency a lead, and at some point, gets a sale. That’s the extent of what the CSP knows. Second, to be effective, agencies need to be trained on everything they sell. If a CSP plans to add hundreds of new offerings, that means a lot time, money, and energy must be invested to get agencies up to speed on them—presuming agencies are even interested in selling things outside of the connectivity they’ve always sold.

As a result, CSPs will find that as they continue in their evolution, the digital sales channel becomes increasingly important. It will enable CSPs to forge direct connections with SMBs during the sales process and reduce the amount of investment CSPs will need to make in their sales agencies. It won’t be easy, though. CSPs will have to do a lot of work to create and deliver a premium digital sales and service experience that can intuitively walk SMBs through their needs and identify the complete package that meets those needs. Most likely, CSPs will find they’ll need a hybrid sales approach, with digital channels serving as the primary point of contact and a human sales force stepping in where and when it makes sense.
The road ahead

The transformation just described is critical to CSPs’ ability to thrive and grow in the coming years. It’s the way to build on a vital but stagnating connectivity business to capitalize on the growing needs of the SMB market. That said, the journey is a complex one that could take many years—time that CSPs simply don’t have given the speed with which competitors are already building their capabilities to attack this opportunity.
Working with Accenture is one way to help accelerate that journey while minimizing the risk of disrupting the business as new offerings and capabilities are added to existing ones.

We’ve developed an integrated solution that can help guide CSPs through the transformation’s initial strategy phase as well as the subsequent execution, bringing to bear the full power of Accenture’s industry, technology, and operations expertise.

On the strategy side, we work with CSPs to help develop their SMB vision and value proposition—identifying capabilities gaps, building the business case, defining the required operating model, and developing the product roadmap. We also help design a state-of-the-art ecosystem experience, from both the SMB customer and the partner and provider perspectives. And we help create the one-stop-shop catalog, including identifying the right products for specific industries and the back-office and professional services SMBs need.

Once the strategy is set, we work with CSPs to make their vision a reality. We can either help a CSP build its own SMB platform in-house, or provide our fully agile Accenture platform built on cloud-native technologies that’s capable, in a managed services arrangement, of orchestrating for CSPs all of the capabilities they need to build their new SMB business. The Accenture platform supports offering billing, settlement, reconciliation, and lead management; and leverages artificial intelligence, machine learning, and DevOps to automate most of the activities and interactions on the platform.
Take, for example, the onboarding of third-party merchants. Instead of requiring a CSP employee to manually onboard every new merchant—negotiating the commercial agreement, creating the contract, reviewing terms and conditions—the Accenture platform uses intelligent processes to complete the onboarding with little to no human intervention, all while delivering a superior experience for the merchant.

With Accenture’s help, CSPs can accelerate the transformation journey. Depending on business requirements, an end-to-end digitized customer engagement experience can be deployed in three to 12 months, followed by the addition of new ecosystem solutions in year two and the ultimate scaling of a fully operational marketplace in year three. At each step in the journey, CSPs generate new value for their SMB customers and themselves, gradually shedding the constraints of a declining business with no future on its own.
The time is now to begin the evolution

These are certainly challenging times for CSPs, as tough new competitors and changing customer demands have left them overly dependent on an aging and stagnating business and increasingly marginalized in what’s otherwise a highly dynamic and growing broader technology services market. That’s especially true when it comes to SMB customers, which represent a massive target and equally massive revenue potential.

CSPs need to seize the chance to become a player in that market. They have significant strengths to build on and plenty of white space they could claim as their own. But others also see the promise, and in many ways, have a head start on CSPs due to their more agile business models and lack of legacy constraints. They’re moving quickly to fill the void, so it’s imperative that CSPs begin their evolution today. Their future as a growing business depends on it.
Author:
Davide Bellini, Accenture Applied Intelligence
Communication, Media & Entertainment Global
Industry Lead
davide.bellini@accenture

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