Quicktake

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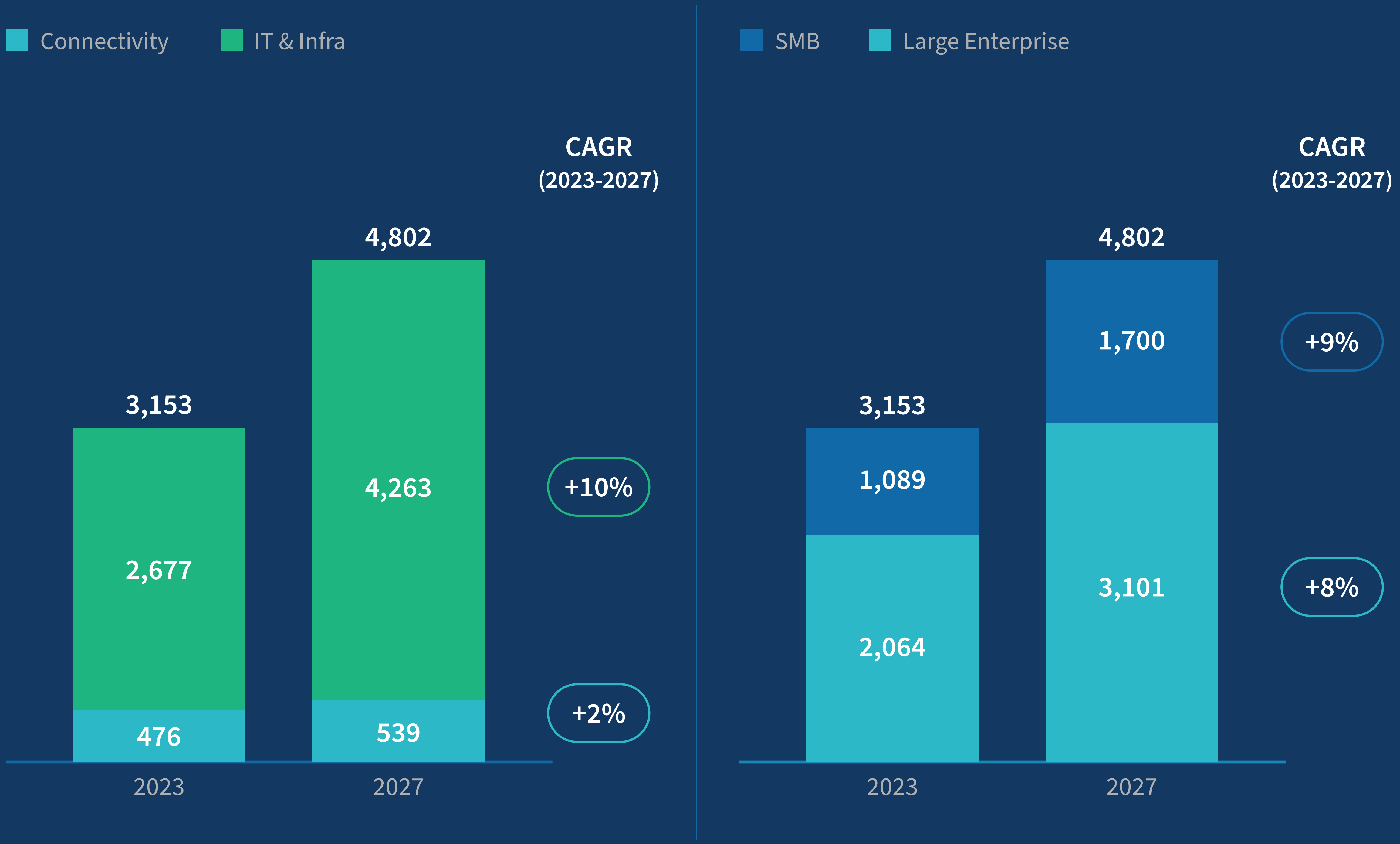
Small & Medium-size Business (SMB) Digital Transformation

How to capture the growth opportunity

Non-connectivity information and communications technology (ICT) and SMB spend are set for growth

GLOBAL ENTERPRISE ICT SPEND PROJECTION
(USD Bn, 2023 and 2027)



Source: Gartner, Omdia, and FTI Delta estimation. ICT spend includes SMB and large enterprise spend in telecommunications services, infrastructure services, horizontal software & applications, and vertical-specific software, consulting and business services, and enterprise security. Estimation includes 48 developed and developing markets worldwide.

There are four major trends shaping the ICT needs of SMBs…

FOUR MAJOR TRENDS

Digital Consumerism	**Digital touchpoints** have become an inseparable part of consumers' lives Significant digital shift in **consumer spend and time** allocation continues Consumers adopt **new digital technologies** at faster pace
Future-Ready Workforce	**Hybrid and remote work** are here to stay, a basic expectation for employees SMBs explore digital technologies to **augment workforce** capabilities Pace of digital change necessitates **massive workforce up-/re-skilling**
Operations in New Normal	SMBs' ability to make large investments in ICT remains constrained Reliance on (near) **real-time insights** to guide operations continues to grow Building **resilient operations and supply chains** has become top priority
Digital as the Business	**Democratization of technology** drives stronger focus on innovation SMBs want to **deeply embed technology** into products/services[1] Agile and **platform-based business models** are seen as the growth path

[1] Revenue diversification is major priority for SMBs and those looking for ways to leverage technologies to create new products and services to their customers. This can be, for example, a law firm offering a subscription-based AI legal advisor chatbot for its customers as a service to deal with simple legal document drafting and Q&A.
Source: Gartner, CompTia (The Computing Technology Industry Association), and FTI Delta analysis.

…driving a shift in SMB ICT spend patterns

ICT DOMAINS	% of SPEND	TREND	SPEND LESS/SAME ON AVERAGE	SPEND MORE ON AVERAGE
Connectivity	15%	↘	Basic mobile and fixed network services and roaming	Remote work enabling collaboration and communications platforms
Engagement Platforms	10%	→	Basic online and e-commerce front-end platforms	Personalization, chatbots digital care, and digital marketing platforms
Operational Platforms	35%	↗	Traditional and on-premise enterprise software, in-house IT operations	Workflow automation, SaaS, vertical solutions, cyber, and analytics
Infrastructure	35%	↗	Traditional and on-premise enterprise infrastructure, in-house infra operations	Cloud consumption, cloud security and automation services
Innovation	5%	↗	Non-agile ICT innovation, traditional design thinking services	Tech advisory services, APIs integration, emerging tech, and AI

Artificial Intelligence (AI)

Note: The ICT spend split percentages varies by country, industry, and size of establishments. Excludes spend on devices and physical data centre equipment.
Source: Gartner, Omdia, and FTI Delta analysis.

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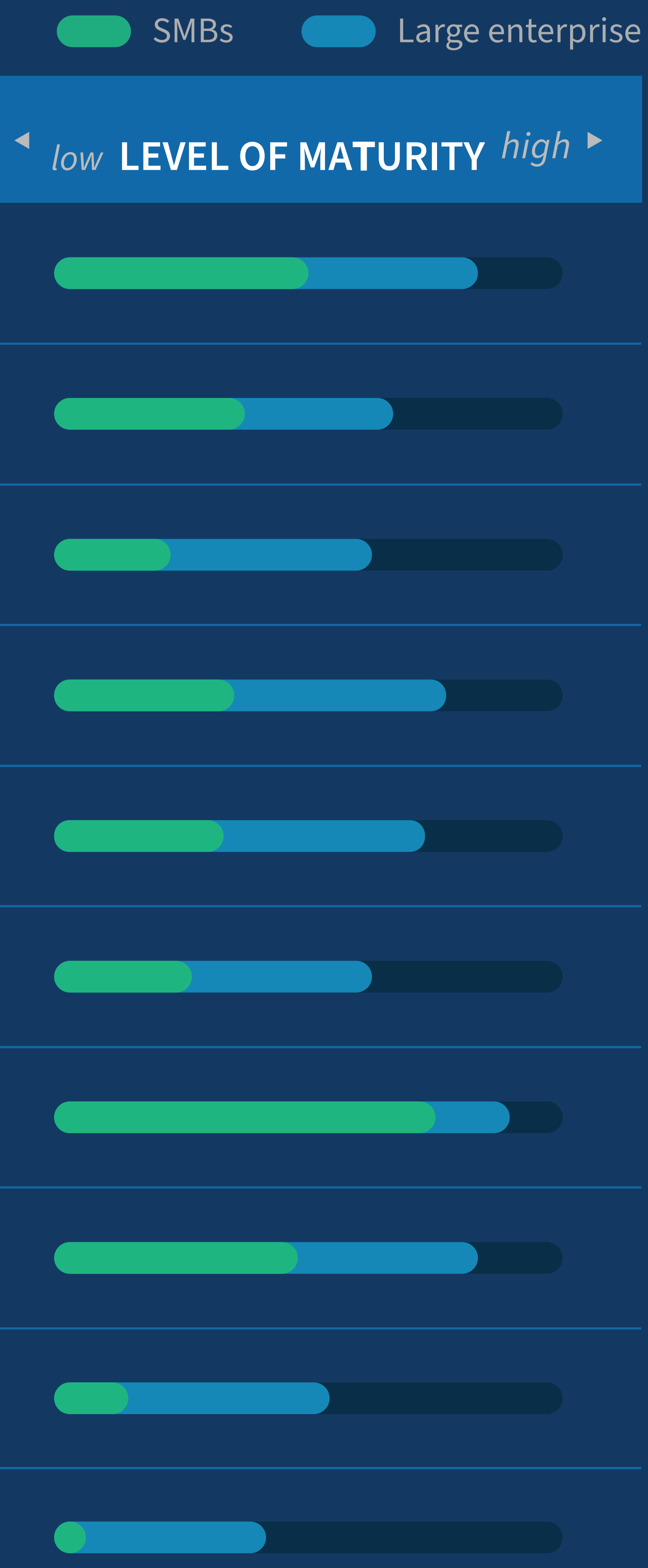
Compared to large enterprises, SMBs are still in early stages of the digital journey

ICT DOMAINS AND SUB-DOMAINS		EXAMPLES
ENGAGEMENT PLATFORMS	Digital front-end experience	Online and digital touchpoints, CMS & e-commerce
	Digital marketing	Digital campaign management, marketing automation
	Experience personalization	A/B testing, CDP/DMP tech, recommendation engines
OPERATIONAL PLATFORMS	Process automation	Workflow discovery and robotic process automation
	Digital and remote work	Unified communications and collaboration
	Operational analytics	Business intelligence, dashboarding, data warehousing, etc.
INFRASTRUCTURE	SaaS and cybersecurity	Cloud-hosted applications, application monitoring, etc.
	Cloud infrastructure	Infrastructure as-a-service, Platform as-a-service, etc.
INNOVATION	Ecosystem enablement	API management, IoT platforms, etc.
	Emerging technologies	Gen AI, Blockchain, web3, low-code platforms, etc.



Note: Level of maturity is reflective of solution adoption and sophistication of in-house expertise and capabilities.
Source: OECD, FTI Delta analysis.

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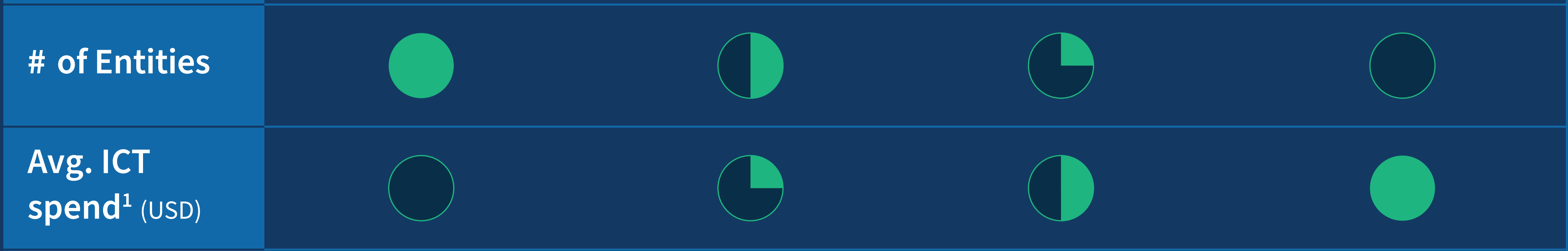
However, SMB landscape is fragmented and necessitates a tailored approach

High | Low

Enterprise segments	Micro	Small	Medium	Large
	LEVEL OF CONCENTRATION AND COMPLEXITY OF ICT NEEDS			



	Micro	Small	Medium	Large
Key Characteristics	Decisions made by owner, no dedicated IT personnel, limited needs for ICT	Decisions made by owner, small in-house IT team, one or multiple branches	Decisions made by specialists, formalized IT departments, network of branches	Professional procurement, large IT department, multi-vendor ICT landscape

How to approach?

Segmentation	Needs & firmographics	Behavioral, technographic & value-based	Hybrid
Offering	Packaged	Configurable & verticalized	Customized & managed
Service	Digital-first	Hybrid digital + personal	Account management-led

[1] Average annual ICT spend per establishment, in USD: Micro 0-50k, Small <1M, Medium 1-5M, Large >5M.
Note: The average ICT spend per establishment vary by country and industry; figures are illustrative and most applicable to developed markets.
Source: FTI Delta analysis

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Majority of SMBs want a single provider that can meet all their ICT needs[1]

ICT DOMAINS	MICRO	SMALL	MEDIUM
Connectivity	Reliable mobile and fixed connectivity	High-tier fiber and VoIP services	Dedicated lines, UCC, SD-WAN, etc.
Engagement platforms	Basic online presence	Digital experience solutions (e.g., e-commerce, loyalty, personalization, analytics)	Integrated front-end and operational system stack
Operational platoforms	Simple cloud-deployed productivity applications	Simple vertical and cloud-deployed enterprise software (e.g., HCM, SCM)	Vertical solutions, process automation, and cybersecurity solutions
Infrastructure			Scalable cloud infrastructure and hybrid-cloud services
Innovation	Simple app/task automation and integration tools	Low-code platforms	AI platforms and tech advisory services
		Ecosystem enablement[2]	

[1] Based on a global SMB survey by Beyond Now: 65% of SMBs would prefer to buy all their ICT from one source, and they would pay a premium for this. The 33% would be willing to pay between one and five percent more, and 45% would pay between five and 10 percent more.

[2] There is growing need for technologies and platforms that integrate the companies with broader ecosystems, e.g., distribution platforms and centralized data platforms.

Source: FTI Delta analysis.

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The SMB segment is receiving increasing attention from market players

CATEGORY	PLAYER	DETAILS
Cloud providers	Amazon Web Services	SMB-specific programs for a low-cost entry point into cloud computing via 12 months of promotional credits for a stack of ~200 services
	Microsoft	Marketplace with thousands of cloud apps and professional services in a flexible pricing model and a single bill
Telco providers	Deutsche Telekom	Dedicated unit to drive growth in the SMB segment via E2E digital solution offerings (consulting, implementation, and operations services)
	BT Group	Micro business unit for underserved UK segment; fiber BB, dedicated technical support, committed SLAs, and cyber security offerings
	NTT Docomo	B2B2X models to deliver cost-effective solutions to SMBs and an SMB-focused ICT one-stop-shop marketplace
Large independent software vendors (ISVs)	Salesforce	Simplified & extendable suite of marketing, sales, and care capabilities for the SMB segment, priced at USD 25 / month
	Adobe	Subscription-based product offerings for the mid-market segment and a dedicated SMB-focused organization
Governments	Singapore	"CTO-as-a-service" model with digital maturity assessment, digital solution consultation, grants, and implementation support
	Spain	Comprehensive SMB digitalization plan for 2021-25 with digital training & strategy, tools and services, and gender equality initiatives

Source: Company annual reports and announcements, TM Forum, OECD, and FTI Delta analysis.

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FTI Delta can support the creation and stress-testing of tailored SMB growth strategies

SMB opportunity assessment

What is the business opportunity and how will it develop in future?

How significant an investment is required to capture it?

What is the expected return on investment?

Go-to-market strategy

What are the target segments, offerings, and capabilities required?

What advantages help differentiate offerings from competitors?

What are key partnerships that can accelerate time-to-value?

Operating model design

What are the most effective channels to reach SMBs (e.g., direct sales, partnerships, platforms)?

What is required in terms of organization structures, governance, and incentives, etc.?

Strategy execution

How should resources (financial, human, technological) be allocated to maximize impact?

What is the optimal approach for scaling up?

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