

Cloud and Advanced Services Are SPs' Keys To Tapping the Fragmented \$200 Billion SMB Market

Service Provider FastFacts

[View Cisco Service Provider FastFacts Website](#)

The small and medium sized-business (SMB) commercial-services market is important for all types of service providers (SPs). SMBs account for more than half of total U.S. commercial-services spending, according to AMR Research/Gartner. And, the portion of the U.S. SMB commercial-services market that service providers could capture is expected to grow to more than \$200 billion by 2015, according to analysis by Cisco Consulting Services (CCS) and industry research analysts.

To capture this opportunity, service providers need a deeper understanding of who the SMB customers are and what they buy, as well as how they purchase these commercial services. To better understand SMBs' detailed service delivery needs and expectations, Cisco Consulting Services (CCS), surveyed 761 U.S. SMBs with five to 1,000 employees in 2012. The study revealed that although this is a big and complex market, there are specific opportunities for SPs in cloud and advanced services.

Complex, Diverse Market, with Varying Expectations

The SMB market is complex – spanning companies with as few as five employees up to 1,000 employees. These companies have widely different needs and expectations, so it is difficult for service providers to serve this segment with existing enterprise-focused services, sales channels, and operational capabilities. Further, a number of complexities related to SMBs reflect unique service-delivery needs:

- SMB commercial-services needs and usage patterns are very different from those seen in either the consumer/SOHO or enterprise segments; SMBs require a combination of simplicity and low cost along with advanced features and functionality
- The SMB market comprises a wide range of companies where expectations, needs, and preferences for commercial services vary by business size as well as by vertical industry

- The SMB market is in transition, fueled by cloud-delivery enablement, technology advancements, and increasing SP competition

The complexity and variety make it a challenge for SPs to serve the SMB market at scale.

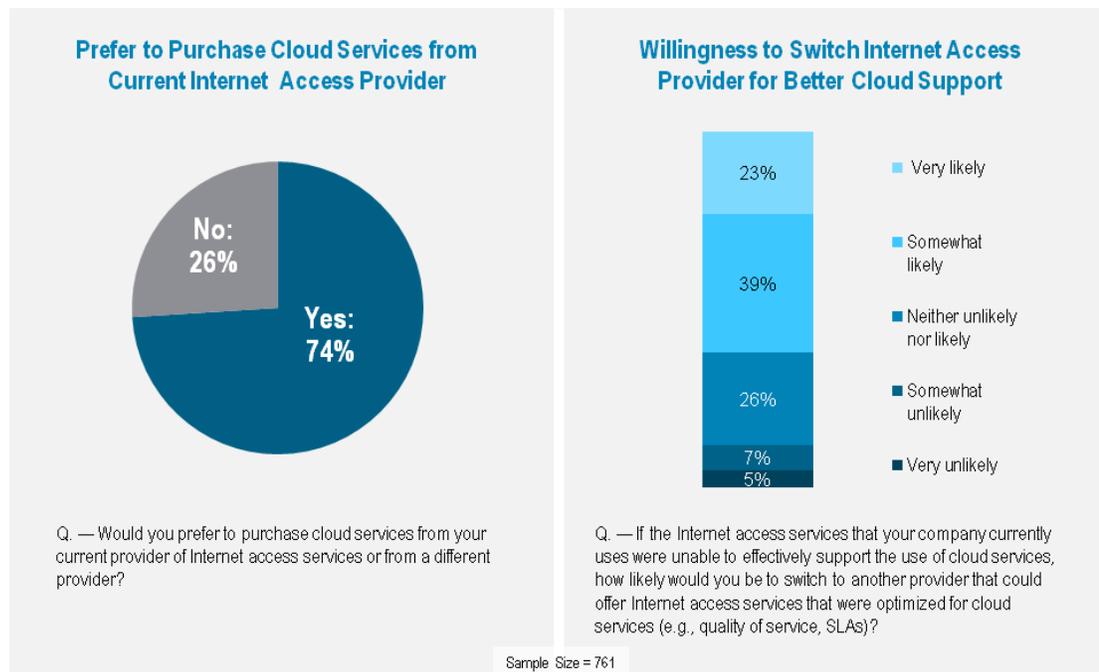
Big Opportunities in Cloud and Advanced Services

Despite those challenges, the CCS study identified two key areas where SPs have the opportunity to offer differentiated services: cloud and advanced services.

Cloud services are differentiated by high-quality network connectivity: SMBs are increasingly adopting cloud-based services. Cisco analysis concluded that the SMB cloud market represented a \$24 billion opportunity in 2012 and is ranked among the fastest-growing commercial-services categories.

The cloud market is especially important to service providers, as it has high linkage to – and differentiation potential with – network connectivity services. This linkage presents an upside if an SP is providing cloud services, and a downside if not. Figure 1 shows that SMBs prefer current Internet access providers for cloud services, presenting opportunities for service providers. At the same time, more than 60 percent of respondents are likely to switch to another access service provider if cloud services are not properly supported.

Figure 1. SPs Are Preferred for Cloud Services, but More than 60 Percent Will Switch Access Service for Cloud Support.



Source: Cisco Consulting Services, 2012

Advanced services should focus on SMB care-about: SMBs use a variety of commercial services, including services that are usually focused on enterprises. Advanced services include managed IT services, such as managed network and security; fiber-

based services, such as Ethernet; and hosted services, such as cloud, unified communications (UC), and hosted voice over Internet Protocol (VoIP). When adapted from the enterprise model, these services are gaining traction among SMBs, especially within larger-sized segments, as long as they are tailored to meet the top SMB criteria of reliability, quality, and cost.

Additionally, offering SMB-focused bundled services can make an impact on SMBs' commercial-services adoption. The main reasons SMBs seek bundles include reliability, quality, integration, ease of doing business, and discounts. More than 40 percent of SMB advanced-services users prefer to buy those services in a bundle.

Conclusion

To capture their share of the important SMB market, service providers should consider the following implications and strategies:

- **Adopt a segmented approach** to build capabilities that address and target each subcategory within the SMB market
- **Develop network-differentiated cloud-services capabilities** to capture a share of the growing market as well as protect/increase core network services
- **Build a comprehensive services portfolio** that includes advanced services for larger segments, leveraging core access services in a bundle to promote and upsell
- **Focus on reliability and quality**, along with support capabilities to drive differentiation

For more information, download our complete report: [“What Do SMBs Want from Commercial-Services Providers?”](#)

More Information

Cisco Consulting Services (CCS) drives market value creation for our customers by delivering industry-shaping thought leadership, CXO-level consulting services, and innovative solution design and incubation. By connecting strategy, process, and technology, CCS acts as a trusted adviser to help customers make transformative decisions that turn great ideas into value realized.

For further information about Cisco Consulting Services, visit our website: <http://www.cisco.com/ibsg>



Americas Headquarters
Cisco Systems, Inc.
San Jose, CA

Asia Pacific Headquarters
Cisco Systems (USA) Pte. Ltd.
Singapore

Europe Headquarters
Cisco Systems International BV Amsterdam,
The Netherlands

Cisco has more than 200 offices worldwide. Addresses, phone numbers, and fax numbers are listed on the Cisco Website at www.cisco.com/go/offices.

Cisco and the Cisco logo are trademarks or registered trademarks of Cisco and/or its affiliates in the U.S. and other countries. To view a list of Cisco trademarks, go to this URL: www.cisco.com/go/trademarks. Third party trademarks mentioned are the property of their respective owners. The use of the word partner does not imply a partnership relationship between Cisco and any other company. (1110R)