

The SME market is packed with potential for service providers of all types and the web companies needn't have it all their own way, says Scott Stonham

# Operators should look to their strengths to secure SME supremacy

Scott Stonham: Services for SMEs provided by web companies present a triple negative for operators



As operators seek to avoid being relegated to the role of a dumb pipe with their businesses confined to providing transport, it is clear that many revenue generative opportunities are being missed. Among these, the opportunity among the small to medium size enterprise (SME) market is one that offers great potential. However, in common with other areas of the industry, carriers are being cut out of the value chain by web companies that provide applications and services to clients directly.

Google is the classic provider of many services that SMEs use via the cloud on a pay-as-you-go or subscription per month model. Some of such providers' propositions fit elegantly with the requirements of SMEs. By their nature with between 2 and 75 employees, they can't invest in enterprise-grade hardware and software and don't want to get locked in to rigid, long-term contracts that could either prove too costly or fail to scale up as their business grows. The type of communications applications – and other cloud-based IT services – that the likes of Google can provide with clearly defined costs on a monthly basis per user therefore fit well with the market.

However, from an operator perspective there is little gain to be made from selling those services. In fact, in many respects, there's a triple negative for operators. Sales of such services generate

commoditised data traffic on operator networks thereby confining them to dumb pipe, low margin business. They also limit the capacity operators have available for their own high-value customers because bandwidth is being used by such services and operators have no control whatsoever over this. Finally, they negatively impact the operational costs and reputation of the operator because it has to bear the cost of support calls. In the SME market those are disproportionate to the value of the service because it only takes one or two support calls per month and an operator's profitability for that customer is wiped out for one to three months. That negative is compounded because faults with a service are often attributed to the operator rather than the service provider and the typical absence of customer support provided by the likes of Google to users on cheap bundles of SME services means the operator provides the only apparent route for complaint. Operators clearly haven't been ignoring the enterprise market in general and have devoted huge effort and resource to supporting the needs of the large enterprise market. These are big companies with large employee bases and significant communications requirements. Leased lines, mobile fleets, messaging, hardware and software can all be bundled in bespoke packages for such concerns – with

attractive profitability for the operators. However, such propositions don't scale down to the sub-100 employee business. The work involved in establishing and configuring such propositions is unviable for that type of approach and it's not necessarily an approach that appeals to SMEs. The service requirements are different so, whilst SMEs want to keep in contact and access CRM systems, they don't have IT departments or 'corporate approved' equipment and applications. Instead, they have far more ad hoc and diverse policies and operations so, while they want dedicated, 24/7 support, they seldom need an account manager to call them every week. In fact, for many that would be an irritation rather than a benefit. That, however, doesn't mean operators should surrender this market to the web companies and take the hit of carrying poorly monetised data traffic in bulk. Instead, they should look to their strengths and understand what they can do to provide SMEs with a better proposition than those currently on offer from the web companies. Operators have several of the fundamental skills and capabilities needed to support SMEs. At the core, they obviously have the network but they also have the CRM and the billing relationship. In addition, and most importantly since SMEs acquire services in the same way as consumers, they have the retail channel.

SMEs, which in the UK alone employ over 12 million people, contribute £1,100bn to the UK economy and, according to the country's government department of Business Innovation and Skills, account for 99% of businesses in the UK. From some casual research I've done in operators' retail stores, it is clear that these companies turn to the High Street when it comes to buying their communications services and mobile services in particular. In my experience, whilst operators' own shops and specialist retailers were ready to offer bundles of minutes and messages and SME-focused propositions such as shared call packages between company users, they were unable to offer more specific, enterprise applications and therefore miss out on the opportunity to upsell.

I believe that operators can use this channel successfully. By offering revenue generative, value-added services directly to SMEs at the traditional point of sale, backed by the enviable trusted relationship they already have with their SME customers, they can outflank the web services companies and tap into the greater revenues generated for themselves. After all, the performance of Google's Checkout service suggests consumers are reluctant to trust the web giant with their credit card details while they're happy to do so for their bank or operator. Business class smartphone services for iPhone, iPad, Symbian, Microsoft Mobile and Android-based devices can all be offered by operators using solutions such as CommuniGate Systems' own MobileOffice product.

Solutions such as ours empower the operator with a service that can be fully branded, requires no mobile software, is an IMS compatible, fixed-mobile-convergent solution and enables secure, business class messaging that the operator is in control of. The investment required is minimal and the solution can be up and running within weeks thanks to the service being delivered using a simple, hosted SaaS model.

The service also gives operators an alternative to the Blackberry for virtually all other smartphones while making use of the already familiar Blackberry model. In addition, these aren't complex services to sell so should be well within the existing competency of the High Street retail channel.

Users will also be better served than they currently are by buying minutes, messages and devices from operators and applications and services from the likes of Google. They'll get features such as; push mail, group and individual calendar and contacts, remote device wipe and security control and a universal, zero-installation client for desktops, laptops and netbooks. In addition, operators could package these services together with web hosting, file storage, back up and compliance to offer a complete managed service with functionality to address issues such as disaster recovery.

Furthermore, unlike in the web services market, they'll have a call centre to contact for support or an expert in their local shop to discuss any problems with. The experience is richer and the revenue generated is kept within the operator rather than the cream being siphoned off to a third party web company. From a user perspective the service is cohesive, supplied by one trusted company, under one contractual arrangement with a single point of support and customer care. A further advantage for the operator is that when a business uses Google or Yahoo for its mail, it doesn't care who its operator is. However, when the operator controls the mail, it controls the business' data making it far harder for the business to switch operator.

I believe now is the time for operators to address this market. SMEs need the functionality of enterprise communications and operators already have so many of the attributes required to provide such packages effectively. They have the real opportunity to provide a richer service to their SME customers than the likes of Google. They are truly differentiated by their trusted relationships, the 24/7 business level customer care they routinely provide to their SME connectivity customers and their physical visibility in the retail locations of the world. I believe this is a battle that will be fought on the High Street and not the browser because that is where the SME customer goes to buy its services. The best effort attempts at customer service by the web companies are insufficient in a business context and increasingly SMEs realise this and turn to suppliers in which they trust. You only have to trawl the web for forums asking how to make use of web companies' services to see how much harder it is for users to get queries answered than it is to dial operator customer care services. Operators are already in pole position in this context and would be foolish to squander the opportunity to address SMEs and allow web companies to serve this mass market in a way that freezes them out of the value-added revenue chain and clogs up their networks in a way over which they have no control. Ultimately, SMEs are a core, natural market for mobile operators and I think both the operator and the SME will benefit from bringing enterprise applications previously only available to large corporations to the SME market place. ■