

IDC FutureScape: Worldwide Small and Medium-Sized Business 2022 Predictions

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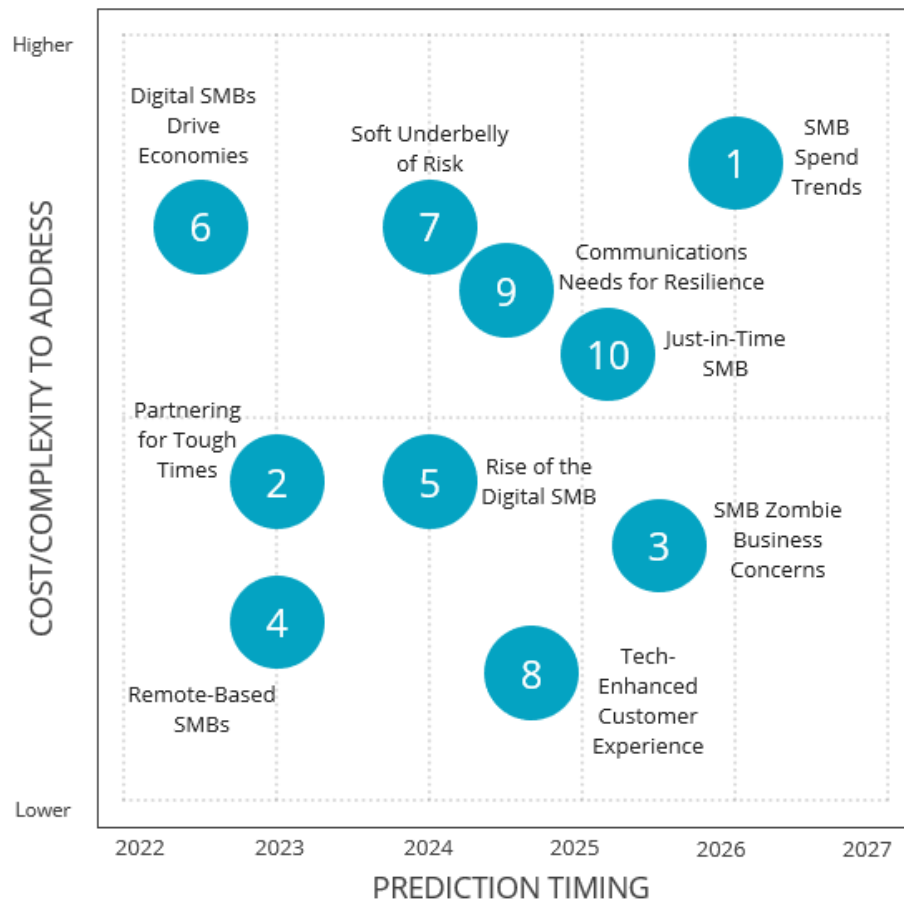
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IDC FUTURESCAPE FIGURE

FIGURE 1

IDC FutureScape: Worldwide Small and Medium-Sized Business 2022 Top 10 Predictions



Note: Marker number refers only to the order the prediction appears in the document and does not indicate rank or importance, unless otherwise noted in the Executive Summary.

Source: IDC, 2021

EXECUTIVE SUMMARY

COVID-19 continues to wreak havoc on economies, disproportionately impacting small and medium-sized businesses (SMBs). Our own research shows that a full 69% of SMBs are surviving or rebuilding their businesses. For the 46% of those that are surviving, 65% of these saw their revenues decline. In this same study, only 12% of SMBs are thriving, yet 40% of these thriving organizations are also seeing their revenues contracting (source: IDC's *Worldwide SMB Survey*, October 2020; n = 2,450).

This IDC FutureScape identifies the top 10 predictions that IDC's global team of SMB analysts believe are crucial for SMBs to understand and address for near-term survival and long-term success.

This study provides IDC's top 10 predictions for small and medium-sized businesses in 2022:

- **Prediction 1: SMB spend trends.** To become more digitally resilient and capitalize on changed market conditions, 70% of SMBs will have significantly increased their IT spending by 2026.
- **Prediction 2: Partnering for tough times.** By 2023, 20% of lagging SMBs will have to broaden their partnerships to stay afloat, while 30% of leaders will participate in industry ecosystems to grow and expand.
- **Prediction 3: SMB zombie business concerns.** At least 20% of SMBs that survived COVID-19 will cease operations by 2025 as they cannot pivot fast enough to digitize their operations to meet customer demand.
- **Prediction 4: Remote-based SMBs.** By 2023, 50% of SMBs will reorganize their company structure, deploying remote and virtual distributed structures through technology.
- **Prediction 5: Rise of the digital SMB.** By 2024, 75% of start-ups will have a digital-first strategy, either adopting next-generation technologies, placing high emphasis on innovation, or focusing on digital disruption.
- **Prediction 6: Digital SMBs drive economies.** By 2022, 10% of SMBs will account for 20% of new job creation in developed economies as digitally determined SMBs experience faster business and revenue growth than digital laggards.
- **Prediction 7: Soft underbelly of risk.** By 2024, 33% of SMBs will experience security breaches quarterly, causing business disruptions of at least one week per quarter.
- **Prediction 8: Tech-enhanced customer experience.** By 2024, 33% of SMBs will provide multitech customer experience by using data-oriented and virtual experiences.
- **Prediction 9: Communications needs for resilience.** By 2024, 70% of SMBs will invest in enhanced connectivity and communications services, making the move from on-premises to managed services to drive competitiveness, resilience, and customer experience.
- **Prediction 10: Just-in-time SMB.** By 2024, 40% of SMBs will increase investments in analytics and SCM solutions to optimize their inventory management and business planning.

IDC defines the worldwide SMB market as follows:

- **Small business (1-99 employees):** All regions
- **Medium-sized business (100-999 employees):** Americas and Japan
- **Medium-sized business (100-499 employees):** Rest of the world

This IDC study provides top 10 predictions for small and medium-sized businesses (SMBs) in 2022.

"One way SMBs are looking to grow, contain costs, and enhance productivity is by looking to digital technologies to increase awareness, reach, relevancy, and resilience. By investing in low-cost, 'as-a-service technology models,' SMBs can level-up their technological capabilities while preserving precious capital and free cash flows," observes Shawn Fitzgerald, research director, Worldwide Digital Transformation Strategies.

IDC FUTUREScape PREDICTIONS

Summary of External Drivers

- **Digital ecosystem** – Thriving in a multiplatform world
- **Embracing digital first** – New strategies for complexity and ubiquity
- **Engagement reimaged** – From responsive to anticipatory
- **Intelligence on demand** – Navigating the torrent of data
- **Pervasive disruption continues** – Volatility, opportunity, and resilience
- **The future enterprise** – Thriving in a jungle of agile innovation
- **The velocity of connectedness** – The future is data in motion

Predictions: Impact on Technology Buyers

Prediction 1: To Become More Digitally Resilient and Capitalize on Changed Market Conditions, 70% of SMBs Will Have Significantly Increased Their IT Spending by 2026

To become more digitally resilient and capitalize on changed market conditions, 70% of SMBs will have significantly increased their IT spending by 2026, generating a 7.5% CAGR.

Digitization has been crucial for the survival for the SMBs, which has accelerated SMB investments in digitization and digital transformation (DX). Digitally determined SMBs outperform digital distracted SMBs, increasing the digital gap in this segment. Successful SMBs invest in ecommerce optimization, customer experience (CX) enhancements, and online collaboration tools. This combined with tech investments in cybersecurity and increased (financial) regulations that SMBs have to comply to has made the SMB market embrace a digital-first strategy.

In the aftermath of the COVID-19 pandemic, SMBs are facing serious challenges in the areas of business model transformation, remote work transition, and competition from digital natives. To respond to these challenges, the future SMBs will accelerate adoption of next-gen technologies, will place innovation high on the agenda, and will increase investments in DX projects. The start-up community, also the future SMB, will also be at the forefront of digital disruption.

The SMB IT spending CAGR will outperform the market by 2 points, with a worldwide 2020-2025 CAGR of 7.5%. Software spending will see the largest growth, fueled by investments in cloud and SaaS solutions. The overnight shift to a digital strategy, combined with the knowledge that small businesses are – and will remain to be – vulnerable in uncertain and volatile markets, will increase investments in digital resilience, ensuring and securing the future and competitive position of SMBs.

Associated Drivers

- **Embracing digital first** – New strategies for complexity and ubiquity
- **The future enterprise** – Thriving in a jungle of agile innovation

- **Pervasive disruption continues** – Volatility, opportunity, and resilience

IT Impact

- The way SMBs purchase, consume, and pay for IT is changing, and though SMB revenue was severely impacted by the pandemic, SMB IT budgets remained comparatively resilient and are increasing. SMBs invest in cloud, SaaS, operational efficiency, and resource optimization tools.
- To respond and capitalize on changed market conditions, SMBs will invest in scalable and flexible IT solutions. Innovation is high on the agenda. Post pandemic, SMBs plan new innovative projects to accelerate post-crisis recovery and make the organization more competitive and resilient in the near future.
- SMBs realize that the usage of digital technology is a clear differentiator for them. The focus from having a digital transformation strategy is shifting toward executing on this strategy. SMBs need guidance to move toward a proactive digitization strategy to unlock transformation potential.

Guidance

- Ensure that IT investments are scalable and flexible, so that when demand or customer or employee interaction changes, IT systems support this change.
- Reevaluate digital transformation strategies and focus on innovation and execution.
- Focus on IT investments that "make life easy," enabling employees to work remotely and creating closer customer interaction. Focusing on resource optimization and operational efficiency will make it easier to compete with digital natives and new business models in the SMB segment.

Prediction 2: By 2023, 20% of Lagging SMBs Will Have to Broaden Their Partnerships to Stay Afloat, While 30% of Leaders Will Participate in Industry Ecosystems to Grow and Expand

The COVID-19 crisis has not only intensified existing operational challenges for many SMBs but also the digital divide that was already present in the marketplace. The gap between those companies that have been able to effectively respond and adapt to this crisis and those that haven't is growing, and it's forcing them to accelerate their digitalization with even scarcer funds.

IDC research shows that even before the pandemic, digitally determined SMBs (i.e., leaders) were nearly twice as likely to report double-digit revenue growth than their digitally distraught counterparts were. They were also three times less likely to report flat revenue and four times less likely to report revenue declines. Being a digital leader clearly translates to the bottom line, which is even more important during a crisis.

While the pace of digitalization has accelerated across countries and industries, IDC's 2020 *Worldwide SMB Survey* shows that there are still 58% digitally distraught SMBs worldwide plus an additional 17% of SMBs not even engaging digital transformation. These companies tend to adopt technologies primarily to gain efficiencies, and often wait until issues are compounding. To ensure business continuity, a growing number of SMBs are looking at broadening their partnerships to stay afloat. These approaches, however, tend to be tactical and focused on short-term goals. For example, in the food and beverage industry, some SMBs (e.g., restaurants) are collaborating by selling tickets that allow diners to book and pay for a discounted table first, then when the restrictions (e.g., lockdowns) are lifted customers can use them to tuck into a good, discounted meal.

On the other hand, digitally determined SMBs tend to plan ahead and have a companywide digital strategy and long-term goals. They are characterized by having mastered digital strategies, processes, technologies, and talent. Leading SMBs manage change effectively, and our research shows that they are increasingly focused on augmenting their presence and capabilities to drive growth and expansion by participating in industry ecosystems.

Associated Drivers

- **Pervasive disruption continues** – Volatility, opportunity, and resilience
- **The future enterprise** – Thriving in a jungle of agile innovation
- **Digital ecosystem** – Thriving in a multiplatform world

IT Impact

- IT will need to shift their IT strategy to a long-term road map, ensuring IT value is aligned with business goals and focused on demonstrating quick return on investment (ROI) to stabilize the business.
- IT and business leaders will have to collaborate and evaluate industry ecosystems including marketplaces.
- Digitization and digital technologies need to be incorporated into IT planning and budget. New skills and capabilities will be required.

Guidance

- Create a companywide strategy for digitalization and a long-term technology road map.
- Define metrics and KPIs that are aligned to your company's goals, as well as ensure your company's participation in new ventures drives ecosystem value.

Prediction 3: At Least 20% of SMBs That Survived COVID-19 Will Cease Operations by 2025 as They Cannot Pivot Fast Enough to Digitize Their Operations to Meet Customer Demand

SMBs represent 35% of IT spend globally, amounting to \$483.9 billion in 2021 globally, so the financial health and vitality of SMBs is critical for the technology industry. SMBs are important to technology vendors, which means that vendors need to design easy-to-use and easy-to-deploy product and service offerings as SMBs have fewer IT resources to deploy new solutions. Too often, they are mired down in day-to-day IT operations and end-user support to drive innovative or transformative initiatives. Furthermore, IT budgets for many SMBs are too low to support investments in such initiatives. And, unfortunately, poor user adoption of new technology solutions is a top challenge to achieving business priorities for many SMBs.

COVID-19 dramatically changed the SMB landscape. As countries around the world responded to the health threat of COVID-19 by implementing lockdowns across society, many SMBs were forced to shut down in-person operations. Governments globally provided economic supports to SMBs to counteract market challenges caused by COVID-19. Even so, media and economic agencies report that many SMBs globally have permanently closed. Indeed, without such government support, the failure rate of SMBs could increase by as much as 9 percentage points than we see in normal economic conditions – according to a report from the International Monetary Fund.

COVID-19 has also revealed that digital transformation is essential to SMB survival and speed in executing transformation initiatives is critical to long-term success. Digitally determined SMBs were more likely to see revenue increases during the pandemic than their peers that had not embraced

digital transformation. The percentage of SMBs in the United States saying digital transformation is not a priority dropped to 14.8% in 2020 from 33.9% in 2019. At the same time, 48.6% of SMBs in 2020 said it was a high priority up from 41.1% in 2019. For IT buyers, the concerning figure is the number of digitally distraught SMBs rose to 59.7% in 2020, up from 45.3% in 2019. These findings suggest that too many SMBs are waning in their strong, strategic approach to digital transformation, and instead, are taking reactive approaches to it – potentially losing the sustaining momentum necessary to transforming business models. As the economy emerges from the pandemic, more of global GDP will be digitally driven and SMBs will need to effectively compete in this digital economy.

Associated Drivers

- **Pervasive disruption continues** – Volatility, opportunity, and resilience
- **The future enterprise** – Thriving in a jungle of agile innovation
- **Digital ecosystem** – Thriving in a multiplatform world

IT Impact

- SMBs will focus on technologies that create the best return on investment as they meet the pressure to digitize their operations.
- SMBs will favor technology and digital solutions that have cost efficiency, that are easy to deploy, and that are easy to use to overcome the challenges of low budgets, lack of technical staff, and poor user adoption.

Guidance

- Reevaluate your IT investment approach from capex to opex and shift budgets to cloud services and as-a-service solutions.
- Assess where you are on digital strategy road map. Realign your IT strategy with your business strategy, and revise the road map to clearly prioritize projects that offer the best ROI and accelerate your business goals to digitize.
- Leverage existing digital ecosystems to quickly acquire digital capabilities without having to build them yourself, but be vigilant of transaction costs and other setup costs.

Prediction 4: By 2023, 50% of SMBs Will Reorganize Their Company Structure, Deploying Remote and Virtual Distributed Structures Through Technology

COVID-19, which has created a pandemic situation worldwide since the first half of 2020, has had a great impact on social life and corporate activities. Corporate activities, such as city lockdowns and movement restrictions, were implemented as measures against the spread of the COVID-19 pandemic. In addition, contactless demands for both consumers and business buyers have increased, and the trend to avoid direct meetings has increased. To adapt to such trends, companies have promoted the introduction of IT for remote work and web conferencing systems and have endeavored to maintain corporate activities. However, although such measures are being taken by large companies, it cannot be said that they have become widespread in SMB. One of the reasons for this is that SMBs have weak IT investment strength and IT management personnel. IT systems for performing remote work and virtual work are now platforms, and a certain scale is required to recover the investment. Another factor is the complexity of the ecosystem. In general, many SMBs are specialized businesses, and an ecosystem cannot be constructed by a single SMB alone, so a mutual network of SMBs is required. Consensus is needed for these multiple SMBs to implement remote and virtual workstyle transformation across ecosystems and is currently limited to some ecosystems such as transportation. With the COVID-19 pandemic, most SMBs are trying to survive current market conditions and challenges, among the various business pivots, many SMBs are transforming the

company itself with remote-based and virtual-based workforces, creating a new ecosystem and effectively competing with larger companies for market share gains. It is expected to become more active, and by 2023, 50% of SMBs will transform their organizational structure into remote/virtual organizations to face the challenges.

Associated Drivers

- **Engagement reimagined** – From responsive to anticipatory
- **Intelligence on demand** – Navigating the torrent of data
- **The future enterprise** – Thriving in a jungle of agile innovation

IT Impact

- Remote/virtual organizations face increasing pressure to digitalize the workplace and workflow. SMBs will need cloud-based digital workplace platform.
- Digital platform management resources will be required in the SMB place. However, cloud service providers or IT consulting service providers provide them instead.
- The whole ecosystem should be interconnected through SMBs — this needs IT interconnection and standardization. In some cases, API economy will wake up in the SMB place.

Guidance

- Reconsider your own workflow, find bottlenecks, and increase standardization.
- Once the workflow is standardized, digitalize and automate the workflow as much as possible by using RPA and artificial intelligence (AI).
- Deploy digitalization through an SMB's own related ecosystem. If platforming is desired, cloud service providers are a great source of help, so be sure to partner with cloud service providers.

Prediction 5: By 2024, 75% of Start-Ups Will Have a Digital-First Strategy, Either Adopting Next-Generation Technologies, Placing High Emphasis on Innovation, or Focusing on Digital Disruption

The yearly increasing number of new start-ups is becoming an incremental part of the SMB community. With record venture capital (VC) investments in 2021, this market will only gain in size and influence. These start-ups and young companies are responsible for 20% of jobs, but they also play a large role in the creation of new jobs. Many of these start-ups focus on tech or deep tech or have an important tech component that enables them to run their business.

Start-ups are characterized by the fact that they start with limited resources in funding, personnel, and space. Those that make it through their first year are expected to grow and scale fast. Start-ups therefore need to invest into an IT infrastructure that supports this need to scale while at the same time be flexible enough to support growth. Adopting a cloud infrastructure and pay-as-you-go SaaS solutions will help start-ups maintain low monthly overhead as opposed to large up-front IT investments. Though it is generally assumed that start-ups take digital-first approach, our research shows that over 50% of the early stage and 37% of scale ups have minimal to no digital transformation initiatives or have digital transformation initiatives initiated at a functional or line-of-business (LOB) level. In many cases, this can be explained by the fact that these start-ups will have a digital-first approach from the start, this "digital savviness" is usually an integral part of the Gen Zers and millennials who run these companies. However, once these start-ups grow, they neglect to integrate this digital-first approach in their growth strategy. The more mature a company gets, the more focus it will have on implementing an integrated and companywide digital transformation strategy. Start-ups

that make it into their second or third year need to continue to be agile and disruptive, and to do so, they need to invest in next-generation technology and focus on emphasis on innovation.

Associated Drivers

- **Embracing digital first** – New strategies for complexity and ubiquity
- **The future enterprise** – Thriving in a jungle of agile innovation
- **Pervasive disruption continues** – Volatility, opportunity, and resilience

IT Impact

- Start-ups will need to focus on flexible and scalable IT infrastructures, with a focus on low costs, low maintenance, and high growth capacity.
- IT will need to look at how to leverage next-generation technologies such as AI/ML, robotics, IoT, and blockchain to support their business processes, fuel product innovation, and improve the customer experience.

Guidance

- For start-ups, define a long-term strategy for your digital transformation initiatives, making sure that the "digital savviness" that comes naturally with a start-up from the 21st century grows and scales with the company.
- Think for the long term. The challenge is to overcome a short-term opportunistic IT approach and invest in a long-term DX strategy to support innovation.
- Build performance indicators that track digital transformation progress and the benefits gained by a digital-first approach. Metrics that measure innovation and resilience will support long-term growth.

Prediction 6: By 2022, 10% of SMBs Will Account for 20% of New Job Creation in Developed Economies as Digitally Determined SMBs Experience Faster Business and Revenue Growth than Digital Laggards

The COVID-19 pandemic accelerated the global economy shift to being digitally driven, with 65% of global GDP being digitalized in 2020. The digital economy is gaining steam. Organizations of all sizes are accelerating their digital transformations to compete in the future economy. Most SMBs are following this trend, with 85% of SMBs telling IDC that digital transformation is a priority, and they are executing initiatives. However, only 26% of SMBs are digitally determined, indicating their degree of digital maturity. Digitally determined SMBs are characterized by having mastered digital strategies, processes, technologies, and talent. These SMBs manage change effectively and leverage digital technologies to gain a competitive edge to compete with their larger counterparts in their respective markets. They are SMBs because of the numbers of employees they have but resemble larger companies in areas like IT resourcing. For example, IDC found that digitally determined medium-sized businesses have approximately 13 more full-time equivalent IT resources than organizations lagging in digital transformation.

Digitally determined SMBs also saw greater revenue strength throughout the COVID-19 pandemic. IDC found that 25% of digitally determined SMBs saw revenue growth, 6 percentage points higher than less digitally mature SMBs. Many of these SMBs are in the fast growth phases that economists call scale up and scale out, and they are beyond the start-up phase. Economic research on net job creation suggests that a relatively small number of "high impact" SMBs account for a large percentage of new job creation once they get past the survival stage. High-impact businesses have been described as having sales that doubled over the previous four-year period. IDC believes the same

effect will be seen in the digital economy. Those digitally determined firms that effectively execute their strategies will see greater revenue growth than their digitally lagging peers and thus account for more new job creation, including IT resourcing. Supporting digital strategies is one of the most important things IT does. It is critical that SMBs have the appropriate skills to support and drive digital transformation initiatives, as the lack of skills often leads to major delays for organizations, according to IDC research.

Associated Drivers

- **The future enterprise** – Thriving in a jungle of agile innovation
- **Pervasive disruption continues** – Volatility, opportunity, and resilience
- **Embracing digital first** – New strategies for complexity and ubiquity

IT Impact

- Organizations committed to digital transformation as they come out of the pandemic are more likely to be able to recruit the IT resources they need to sustain those initiatives thus putting them further ahead than their digitally lagging peers. SMBs that are slow to react will find the labor pool for IT resources even more scarce and will delay important initiatives longer. 59% of organizations found their digital transformation programs at least six months behind schedule due to the lack of skills.
- Organizations are more likely to invest cautiously into digital transformation programs, so aligning technology investment philosophies of both IT and line-of-business leadership is crucial. Aligned investment philosophies will lead to clarity in shared objectives and prioritize digital projects, which will identify the IT skills required to deliver on those projects.

Guidance

- Create a plan for IT with a comprehensive human capital management strategy.
- Make skill set optimization an ongoing priority.
- Increase budgets for IT staffing, IT skills development, and professional services.

Prediction 7: By 2024, 33% of SMBs Will Experience Security Breaches Quarterly, Causing Business Disruptions of at Least One Week per Quarter

SMBs want to protect their data and critical assets like their larger peers. However, most SMBs face challenges of lack of IT resources and security expertise, lower investment in security technologies, and end-user security training and vigilance. SMBs are investing in more security technologies, but IDC believes that they can prioritize their investments to better mitigate risks. Threat vectors for SMBs continue to grow. In 2020, IDC found that more than 35% of SMBs in North America found that malware, compromised business email, phishing, ransomware, and leaked privacy data were all very relevant threats they were dealing with. Indeed, ransomware and phishing appeared to be more concerning to SMBs since the beginning of the COVID-19 pandemic. Cybercriminals were taking of the economic turmoil and were targeting SMBs because they tend to have simpler security infrastructures and mechanisms in place to improve their security position. And SMBs will pay ransoms like enterprises do. IDC found that the median ransom payment is \$75,000 in a recent survey. Digital transformation laggards are significantly more likely to experience a ransomware event. For those SMBs that fall victim to ransomware, it is not uncommon to experience multiple ransomware events because they don't remediate their environments sufficiently to ward off more threats. A recent IDC survey found more than 50% of European SMBs experienced three or more ransomware events in the previous year that required significant extra resources to rectify. Once SMBs experience a serious ransomware attack, it takes time for them to react, and the business is disrupted – usually a few days

for most SMBs. IDC found that 20-30% of SMBs find their businesses are disrupted for a week or longer. IDC believes the frequency of security events and the length of time business is disrupted will increase as SMBs remain underinvested in security and continue to be exposed to greater risk.

Associated Drivers

- **Pervasive disruption continues** – Volatility, opportunity, and resilience
- **The velocity of connectedness** – The future is data in motion

IT Impact

- IT costs will increase due to reacting to the attack, conducting a forensic analysis of systems and data, and recovering from the breach. In addition, future IT costs are likely to increase from new purchases in security products and services and ongoing training of IT staff and end users.
- IT departments should invest in management tools to manage and secure the network, systems, data, and cloud services. IT teams cannot manage what they cannot see on the network and the increased reliance on technology to support digitized operations opens up additional threat vectors for cyberattacks.
- As SMBs digitally mature, they are likely to spend more on security services to complement their internal IT resources. Engaging with an external services firm on security offers greater expertise than most SMBs can build in-house and the reassurance of SLA commitments from managed services.

Guidance

- Educate senior management and business owners about potential losses associated with security breaches to gain alignment on a comprehensive cybersecurity program.
- Quantify and incorporate the monetary impact of costs and/or business losses into the SMB's enterprise risk assessment, including direct costs to respond and recover from the breach, financial and productivity losses, direct costs arising from ransom payments, legal fees and regulatory fines, increased expenses from marketing, and long-term lost business tied to the security breach.
- Create management-endorsed cybersecurity policies and procedures for the organization, such as a checklist for purchasing cloud services and mandatory end-user training, to foster a cybersecurity-including culture within the organization.

Prediction 8: By 2024, 33% of SMBs Will Provide Multitech Customer Experience by Using Data-Oriented and Virtual Experiences

The COVID-19 pandemic has led to a rapid digital shift in consumer/business buyers, with purchasing behaviors that are incomparable to those prior to COVID-19. Before COVID-19, customers that used to focus on "real" purchase behavior are now focusing on digital including ecommerce based, which has shifted the company's sales channels to digital. This change is not just a changing in customer purchasing behavior. The reason for this is that selling on digital channels provides many digital touch points to businesses and is a source of various information such as customer information, purchasing motives, purchasing timing, and comparison items when purchasing. Companies are beginning to actively utilize such customer data in order to improve customer satisfaction and prevent customer withdrawal and are beginning to focus on data-oriented sales and marketing. It was thought that a data-oriented customer experience was not necessary for SMB, which has fewer customers and fewer products than large companies, but the digital shift of customers with COVID-19 is unexpectedly rapid, and even for SMB. Data-oriented sales behavior is mandatory. In addition, in the after COVID-19

market environment where contactless demand is increasing, it is necessary to provide a virtual customer experience utilizing video and augmented reality/virtual reality (AR/VR) in order to provide a superior customer experience. Some companies such as apparel and retail already offer virtual customer experiences that utilize IT technology, but this trend will spread to the SMB area, and IDC will introduce a platform that can provide virtual customer experiences more easily. Let's predict. Given this market background, by 2024, 33% of SMBs are expected to accelerate data-oriented sales that leverage customer data to provide a superior customer experience and provide virtual experiences to their customers.

Associated Drivers

- **Engagement reimagined** – From responsive to anticipatory
- **Intelligence on demand** – Navigating the torrent of data
- **The velocity of connectedness** – The future is data in motion

IT Impact

- Data lakes, data warehouses, and customer data platforms (CDP) are necessary for SMBs to effectively collect customer data in context and at scale. Customer data volume is increasing, and velocity is growing, Big Data management is deployed in SMB.
- Digital-oriented CX requires customer data analytics. Big Data analytics (BDA) including business intelligence (BI) and predictive business analytics (BA) feature will deploy to SMB. In some cases, AI is required for Big Data analytics, and analytics for huge volume data needs AI-based automation.
- Video, AR, and VR technology for CX is deploying to SMB. Simultaneously, video and AR/VR content creation required for enhancing customer experiences, rich contextual content management, and efficient sharing of the related technologies are a way to differentiate your SMB.

Guidance

- SMBs need to ensure they are trusted by customers, who can be a source of significant data and insight, once customers believe that the company is trusted. Security policy, customer data governance, and customer data management policy should be opened to the market to ensure transparency.
- SMBs should pay attention to customer data storage costs. With the increased velocity and amount of customer data, which is only growing, on-premises storage approaches will "bankrupt" SMBs sooner or later, so sourcing cloud-based storage is a cost-effective way to scale your business.
- AI-based analytics, video, and AR/VR technologies are useful for superior CX. Do not hesitate to install those technologies in sales and marketing workflow.

Prediction 9: By 2024, 70% of SMBs Will Invest in Enhanced Connectivity and Communications Services, Making the Move from On-Premises to Managed Services to Drive Competitiveness, Resilience, and Customer Experience

Shifting business models, driven by digital-first competitors and the COVID-19 pandemic, has placed pressures on businesses to adapt to new connectivity and communications demands. Customers want to interact with businesses in different ways, which require a variety of solutions across multiple channels, including online, video, voice, applications, and in-person. Many SMBs are realizing that their current connectivity and communications solutions are not adequate to address these new demands.

For many small and midsize businesses around the world, fast, robust wired network connectivity is not widely available and has left businesses on inadequate connections, including DSL. These legacy services are unable to support many of the new communications and collaboration services that both employees and customers need to connect with these businesses. In many regions, fixed wireless access networks are being deployed, with both LTE and 5G underpinning these connections. These networks will offer a significant improvement in speed and reliability while opening a new world of service options for communication and business operations. Where available, cable networks have been driving growth by offering higher speeds and advanced communications platforms. For more advanced, larger SMBs, more robust network options like Ethernet may be required.

The bottom line is that SMBs will increasingly rely on connectivity for business continuity and resiliency going forward. The increased bandwidth from upgraded broadband connections will be used to support new services and business models, including Wi-Fi, unified communications as a service (UCaaS), managed services and cloud, remote ordering, and ecommerce and delivery. The investments made in these new connections and technologies will drive the rebound and next cycle of growth for many SMBs around the world.

Associated Drivers

- **The velocity of connectedness** – The future is data in motion
- **The future enterprise** – Thriving in a jungle of agile innovation
- **Embracing digital first** – New strategies for complexity and ubiquity

IT Impact

- IT leaders should evaluate the options available from various providers and assess the evolving needs for their specific business scenarios.
- IT budgets, which already may be strained, will need to be addressed and possibly increased to meet the changing demands for connectivity and communications services.

Guidance

- Evaluate both current and expected requirements for connectivity and communications to support internal uses as well as customer experience.
- Consider new connectivity options that may be available to enhance broadband speeds at business locations, including LTE and 5G fixed wireless access.
- Investigate bundling advanced communications services, including IP-based phone, UCaaS, or video conferencing with connectivity, enhancing the services and capabilities while minimizing service management resources.

Prediction 10: By 2024, 40% of SMBs Will Increase Investments in Analytics and SCM Solutions to Optimize Their Inventory Management and Business Planning

Events like this global pandemic and its impact on businesses and society are highly unpredictable.

While some business leaders already had some form of business continuity or contingency plans, many SMBs were highly unprepared to deal with a crisis of this magnitude. Among other factors, global disruption in supply chains and the lack of good-enough business planning resulted in many SMBs having to shut down their operations, while others are still struggling to keep the business afloat.

Digitally resilient companies are able to maintain their core business purpose and integrity when facing dramatic circumstances. To become digitally resilient, SMBs need to create a digital strategy and

rethink processes, skills, and leverage technologies more extensively, allowing the company to continuously adapt to changing conditions through adaptive change and innovation.

Responding to the pandemic, many SMBs implemented actions to protect employees and ensure operations. The initial responses were, in some cases, followed by BCP and resilience plans that included scaling down or temporarily adjusting their business, for example, by shifting to online sales, remote working, and sourcing alternative suppliers. However, the lack of adequate planning and effective visibility into their supply chains impacted many businesses' long-term viability.

To future proof their business and build resilience, IDC expects that at least 40% of SMBs will increase their analytics and supply chain management investments, optimizing their inventory management and business planning.

Associated Drivers

- **Pervasive disruption continues** – Volatility, opportunity, and resilience
- **The future enterprise** – Thriving in a jungle of agile innovation

IT Impact

- IT leaders will need to evaluate the options available from various technology vendors and assess the evolving business needs.
- IT and business leaders will have to collaborate to prioritize investments in finance and operations and determine a viable road map for adoption.
- IT budgets will need to be reassessed to address immediate business needs, but also long-term resilience efforts.

Guidance

- Evaluate both current and expected requirements for business planning and supply chain management to ensure future business resilience.
- Create a companywide strategy for digitalization and a long-term technology road map.
- Assess current and future skills gaps, as new technology and business skills will be required to effectively leverage new solutions and derive business value.

ADVICE FOR TECHNOLOGY BUYERS

While newly forming SMBs are fortunate to be digital natives, meaning they are creating their business models with digital technologies at the core of their visions, strategies, and operating models, existing SMBs also need to reimagine themselves in the context of digital transformation. Leverage digital to expand their own products, services, and experiences for customers' while expanding reach and relevance in the increasingly important digital economy.

Prioritizing digital investments in the context of your business strategy and looking to self-funding service models that preserve cash are one of the most intelligent approaches to getting the full benefits of digital while mitigating financial and business risks at the same time.

Successful SMBs can create global presence for themselves through digital transformation, effectively competing in net-new markets that were previously unknown and/or unavailable to them previously, all through digital technologies that provide a source of competitive advantage. Understanding these

predictions as planning assumptions for your SMBs digitally transformed future is an important step today for success tomorrow.

EXTERNAL DRIVERS: DETAIL

Pervasive Disruption Continues – Volatility, Opportunity, and Resilience

- **Description:** In an interconnected world, any disruption is felt across the entire ecosystem, leading to more volatility, challenges, and opportunities. Survival is linked not to size or strength but to resilience and the ability to change – to move quickly, adapt, seize opportunities, and be ready for the next disruption. Adaptations and lessons learned from the COVID-19 pandemic are becoming permanent, requiring revised global business and operating models. Digital resilience approaches counter supply chain disruptions. Organizations are preparing for the return to office, the return to travel, new consumer spending patterns, the challenges of finding (higher-cost) talent, and the possible return of inflation in an environment of continued economic uncertainty. Innovation and digital resiliency become key to navigating ongoing disruption. Beyond headwinds like the pandemic are crosswinds like exponential scientific advancements and innovations enabled by enormous compute resources – leading to advances in healthcare, food production, alternative energy generation, and storage. The pace of disruption may, in fact, be increasing.
- **Context:** OECD revised its economic outlook for 2022 to 4.4% GDP growth due to strong vaccine rollout and "massive fiscal stimulus by the United States." The global economy, after 18 months of shock, has recovered to pre-pandemic levels. However, the global recovery is uneven. Many countries, vulnerable to a lingering recession, will require three to five years to return to pre-pandemic standards. IDC reports that with growing global growth, 71% of decision makers give top priority to digital infrastructure resiliency investments over the next two years. IDC projects global IT spending to increase in parallel with GDP growth in 2021 and to exceed GDP growth in 2022-2024 (~5%). Digital innovation investments continue to support growth in digital resiliency. "An uptick in forward-looking investments aimed at accelerating the business should ensure that core investments remain stable and digital transformation remains a top priority."

The Future Enterprise – Thriving in a Jungle of Agile Innovation

- **Description:** The COVID-19 pandemic proved that organizations that were well along the path to being digital businesses are surviving much better – even prospering under the pressures. Future success no longer relies on imagining what the future will look like or scrambling to adjust to immediate disruptions but rather on continuous innovation in response to "every moment" challenges and opportunities. And innovation is not just internal; organizations need to extend innovation into their ecosystems, including with partners. Innovation's accelerating velocity is enabled by digital technologies, software, AI, and cloud, which fundamentally democratize access to the building blocks for innovation. Digitally native start-ups, looking to disrupt existing industries and business models, add more urgency. Changes are everywhere: in banking and financial transactions, the workforce, decentralized corporate governance, data provenance, edge computing, and elsewhere. Dynamic change provides a constant imperative to innovate both technology and cross-functional solutions. Organizations with the ability to quickly sense and respond to market changes and dynamics are key to strategic innovation in the enterprise now and in the future.
- **Context:** Now more than ever, organizations are looking for new ideas and innovative practices to improve the effective use of resources and accelerate the ability to deliver digital

products and services to customers, patients, and constituents. IDC predicts that by 2024, 80% of enterprises will overhaul relationships with their suppliers, providers, and partners to better execute digital strategies for ubiquitous deployment of resources and for autonomous IT operations. Ecosystem business models are emerging across multiple industries, and some of those most significantly affected by this change will be the IT industry itself. At the same time, IDC predicts that up to a quarter of Fortune 500 companies will have to become software producers to digitally transform and maintain their Fortune 500 status. Wherever the future takes us, those organizations with the ability to innovate with multifaceted solutions to dynamic changes will come out on top.

Embracing Digital First – New Strategies for Complexity and Ubiquity

- **Description:** During the pandemic, changes in behavior, consumption, and supply forced companies to adopt digital-led business and operating models that endure lockdowns, movement restrictions, social distancing, and more. Work from anywhere, connectivity, scalability, security, throughput, resiliency, and redefining internal processes for remote access will define the next normal. Organizations are shifting to a complex hybrid world, changed by delivery of "anything, anywhere" and customer requirements that redefine product and service expectations. As national economies emerge from the pandemic, there is pent-up demand for products and services, especially in tourism, hospitality, entertainment, and travel. Some consumers have amassed household savings. The confluence of heightened savings, pent-up demand, and a return to normalcy will create strong growth for many, but not all, businesses – exacerbating the inequities of recovery and prolonging supply disruptions. However, the spike in demand may be the first wave of permanently altered behaviors and systemic changes. Enterprises must address the complexity and continued evolution of hybrid work, delivery, customer engagement, and supply models. Exponential change will come from successfully embracing and exploiting new complexities in innovative ways.
- **Context:** COVID-19 has acted as an accelerant to adopting digital-first business and operating models. Consumers are expecting to return to in-person shopping and still have delivery anywhere, anytime. Employees are expecting to work from anywhere and go into the office. United Airlines CEO Scott Kirby predicts "huge pent-up demand" for business travel, despite the general adoption of virtual meetings – "as tough as this pandemic has been, it has not changed human desire to be together." OECD projects global economic growth to be 5.8% in 2021 as demand increases with the vaccine rollout. WFH or WFAnywhere has created unexpected demand for long-term "workation" rentals. Airbnb reports that a significant portion of rentals are now for 30+ days. A hybrid and more complex model is the new strategy.

The Velocity of Connectedness – The Future Is Data in Motion

- **Description:** Access to technology and digital connectedness are now critical. We are more connected than ever, with ever-increasing amounts of data in motion. The velocity of connectedness has changed how people socialize, shop, learn, work, and collaborate, creating a rich, seamless, immediate, and interoperable experience, regardless of the location of people and data. Businesses connect people, things, applications, and processes in real time, enabling new levels of automation and digitization. While the new connectedness enables new products or businesses, it also brings new attack surfaces and levels of dependency. The digital divide – the gap between people, organizations, and countries that do or don't have access to technology and the skills to use it – becomes more consequential, even in everyday tasks. The increased importance of connectivity requires governments to consider whether affordable and effective internet has become a fundamental human right and a pressing need for investment. The communications industry's journey of systemic change –

starting with 5G and cloudification – will have broad, long-lasting consequences. The challenge and opportunity will be creating innovative connected products and services that expand current advances.

- **Context:** COVID-19 has reshaped how people and businesses think about connectivity. Creation, management, and consumption of data must be realigned with the core assumption that data will always be in motion and data volumes will increase. Services and products need ubiquitous deployment among people, things, processes, and applications. IDC predicts that by 2023, enterprises will get a 30% boost in productivity by re-architecting networks to include a "branch of one" operating model, enabling the same secure application experience as they get on premises and supporting the right experience for each user. Digital enterprises will commit resources to develop, foster, create, and mandate connectivity-driven outcomes. Those that deploy strategic, integrated connectivity throughout the organization will realize higher return on investment through gains in revenue, customer retention, infrastructure longevity, and efficiencies.

Intelligence on Demand – Navigating the Torrent of Data

- **Description:** Many organizations are drowning in data they are collecting but not using, focusing on the immediacy, not the importance, of data. Artificial intelligence (AI) is playing a key role in interpreting and harnessing huge volumes of data to create insight and value and enable dynamic learning across the organization and in the flow of work. But organizations need to maintain a balance between the potential of AI and the realization that people are still needed in the loop. Delivering intelligence where and when it's needed poses new challenges to resource allotment and data control. And as automation and augmentation increase, so do concerns around trust, visibility, and responsibility. Issues with bias and misuse, surveillance, invasions of privacy, and more are met with government interventions, regulations such as GDPR, and antitrust actions. While regulations may level the playing field for data and automation, competitiveness requires creativity, differentiation, and balance between governance and innovation. Organizations that strike that balance and harness data, AI, and learning will achieve an asymmetrical advantage in the market, benefiting from superior predictions, improved engagement, processes, operations, enterprise decision making, and resilience.
- **Context:** Where data delivers value, ensuring its veracity and transforming data into insights are strategic imperatives. In 2020, 64.2ZB of data was created or replicated globally. IDC predicts the Global DataSphere will grow at a CAGR of 23%. But it is not just having more data that matters. Based on IDC's Global DataSphere study, less than 3% of the data currently created is analyzed to affect enterprise intelligence. In an IDC survey of mid- to upper-level managers, 59% say they are overwhelmed by the amount of information available for decision making; however, 45.6% say they don't have enough data and information available for making decisions. Organizations that solve that problem will be the winners of the battle for intelligence.

Digital Ecosystem – Thriving in a Multiplatform World

- **Description:** Understanding, participating in, and provisioning the digital ecosystem that will sustain, advance, and scale business and operations are essential for every business. A digital business platform, the architecture to support the future enterprise, is the assembly of technologies, capabilities, and data upon which digitally enabled organizations run. In the emerging multiplatform world, infrastructure, pervasive compute power, data management, intelligence, and connectivity can all be provided independently as services. The new dynamic is to integrate them at scale to gain control and minimize technical debt while still providing

choice. Becoming a digital business requires a shift from traditional, linear processes that start and end in the organization toward platform-based, data-driven value chains that link to external partner ecosystems. The open integration of platforms into those ecosystems plays together better than other models based on closed alliances and facilitates innovation across the enterprise and across the business ecosystem. This enables the network effect of ecosystem economics to generate new value beyond the organization or technology itself.

- **Context:** The digital economy has spread rapidly throughout the world. Leading organizations are shifting from digital platform thinking to new digital ecosystems to evolve their business models, capture innovation, and manage technology architecture. IDC predicts that by 2023, the need for G2000 companies to access and monetize multipartner solutions will lead to fivefold growth in marketplaces facilitated by SaaS-based ecosystem orchestration platform deployment. And that by 2024, net-new production-grade cloud-native apps will increase to 70% of all apps because of the adoption of technologies such as microservices, containers, dynamic orchestration, and DevOps. This represents a fundamental shift in business strategy – moving beyond product differentiation and pricing toward ecosystem-based value creation and the transformation into digital-native enterprises.

Engagement Reimagined – From Responsive to Anticipatory

- **Description:** The COVID-19 pandemic has shifted what customers care about and how consumers and brands engage and interact. Self-service and "delivery anywhere" are now enduring customer engagement practices. The online digital experience has become more important in distinguishing one brand from another. Companies with the best price, coolest product, or most memorable marketing campaign do not necessarily have an advantage compared with companies that provide "empathy at scale" in safe, secured, and seamless experiences. The boundary between customers and employees is blurred, while a wealth of data allows companies to emphasize personalization and a consistent contextual experience. At the same time, this explosion of data accentuates the importance of data security. Customers care about the safety and security of employees, how customer data is collected and used, and a company's environmental and social justice efforts. Companies need to understand the different contextual expectations of their customers – whether they are students, patients, consumers, or businesses – and shift how they engage and support their customers to create experiences that are empathetic, personal, compelling, and relevant.
- **Context:** IDC's *Future Enterprise Resiliency Survey* shows that 51.3% of enterprises worldwide expect to increase spending on customer engagement applications to stay connected digitally and intelligently with their customers. Even as more traditional physical customer interaction channels return, staying digitally connected in real time with the end customer remains the predominant method to deliver relevant and timely communications. The use of intelligent analytics-driven platforms ensures that the outcome of any customer journey is the right one. Organizations continue to focus on consistently connecting with existing customers, patients, and citizens – through ongoing engagement and collaboration – that will help drive new products, services, and experiences. The need for a hybrid physical/digital product and service capability across every industry continues to accelerate.

LEARN MORE

Related Research

- *Critical External Drivers Shaping Global IT and Business Planning, 2022* (IDC #US48047121, October 2021)

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