

# SMB IT spending forecast report: driving business growth and increasing efficiency

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## About this report

This report provides the latest insights into small and medium-sized business (SMB) IT spending based on data from Analysys Mason's *SMB Technology Forecaster* and covers the period between 2023 and 2028.

Vendors and operators can use this report to assess and respond to the changing demands in the SMB market and to inform their marketing campaigns and other strategic initiatives.

We quantify and forecast how the IT landscape will evolve as SMBs prioritise IT investment as a strategic lever for business expansion and innovation.

This report is updated twice a year. We welcome questions and discussions on our assumptions and outlook.

The scope of this report includes **worldwide geographical coverage** and includes both **small businesses (SBs)** (0–99 employees) and **medium-sized businesses (MBs)** (100–999 employees).



### KEY QUESTIONS ANSWERED

- What is the total SMB spend on IT services and how will SMBs' spending change in the future?
- How does SMB IT spending vary by solution category and SMB size?
- How will SMBs' adoption of IT services change between 2024 and 2028?
- How can IT vendors assist their SMB customers to thrive in the new normal?



### WHO SHOULD READ THIS REPORT

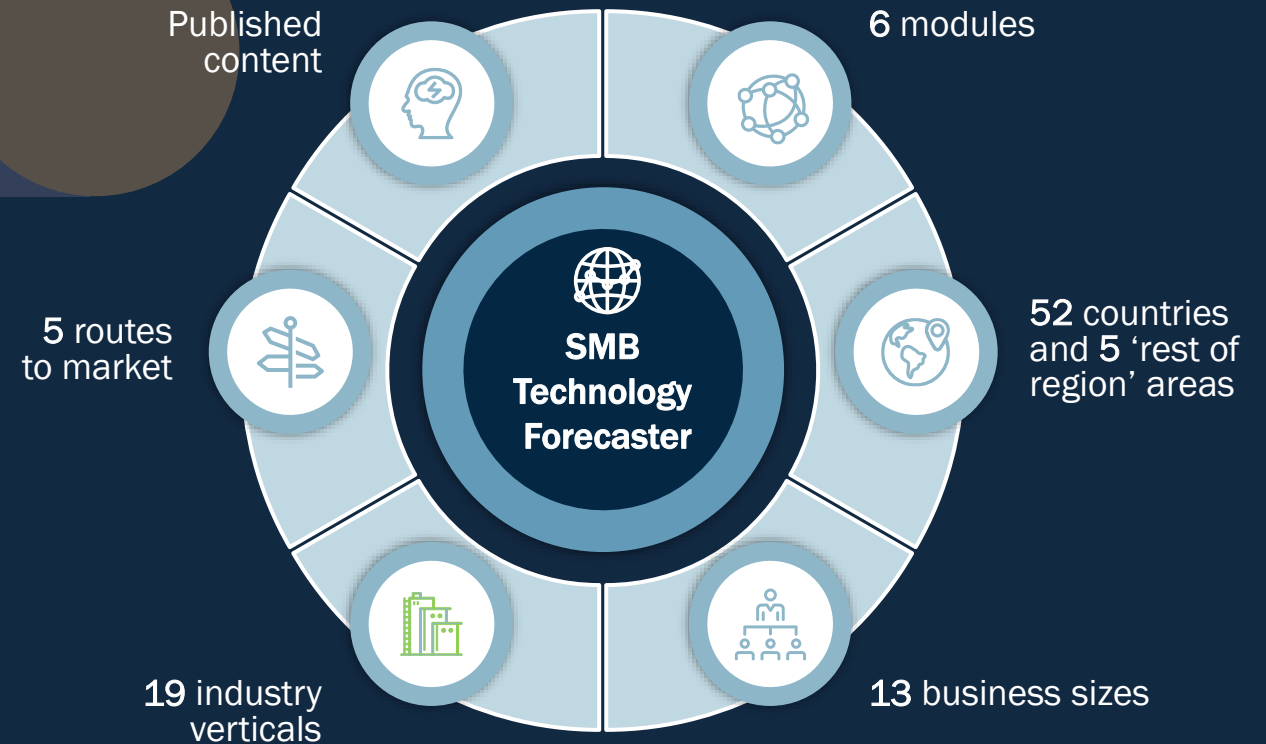
- IT vendors
- Managed service providers (MSPs)
- Telecoms operators
- Any service provider that is interested in how the SMB IT market has changed, and will continue to change, SMBs' technology buying behaviour

# SMB Technology Forecaster

The SMB Technology Forecaster is an essential tool that helps clients to forecast, inform and validate their marketing and channel strategies with precision and confidence.

Underpinned by extensive primary research, granular demand insights and macroeconomic data, the SMB Technology Forecaster is stress-tested to ensure accuracy and predictability, providing granular forecast data to enable our clients to answer business-critical questions such as the following.

- What is my total addressable market?
- Which markets offer my brand the greatest opportunity?
- How much of my current revenue may be at risk?
- What is the best route to market?





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# SMBs will embrace advanced technologies, prioritising strategic investments in IT solutions that lead to revenue growth and operational efficiency

SMB IT spending worldwide is forecast to increase by 6% year-on-year, reaching USD1.62 trillion in 2024.

SMBs are set to significantly increase their IT investments during this forecast period. Their IT investment focus is shifting from reactive measures (in response to needs that emerged during the pandemic) to proactive strategies, planning for long-term growth and efficiency gains. These proactive strategies include investing in technologies that secure their IT infrastructure, enhance productivity, streamline processes and improve overall business performance and revenue.

The SMB landscape has experienced profound changes in recent years. The initial disruption to business operations caused by the pandemic has given way to a successful adaptation to remote and hybrid work environments, in which cloud and remote IT solutions have been integrated to help SMBs to drive business growth.

Today, SMBs are having to address intense competition, pricing pressures and the imperative to enhance customer satisfaction. In response, they are realigning their strategies to help them refine their processes and accelerate revenue growth. Focused investments in strengthening their infrastructure, managed services and security are at the forefront of this shift.

This strategic change of direction towards IT investment is expected to lead to a robust increase in annual IT spending, with forecasts predicting a rise from 6% year-on-year growth in spending in 2024 to 8% by 2028.

Figure 1: SMB IT spending, worldwide, 2023–2028

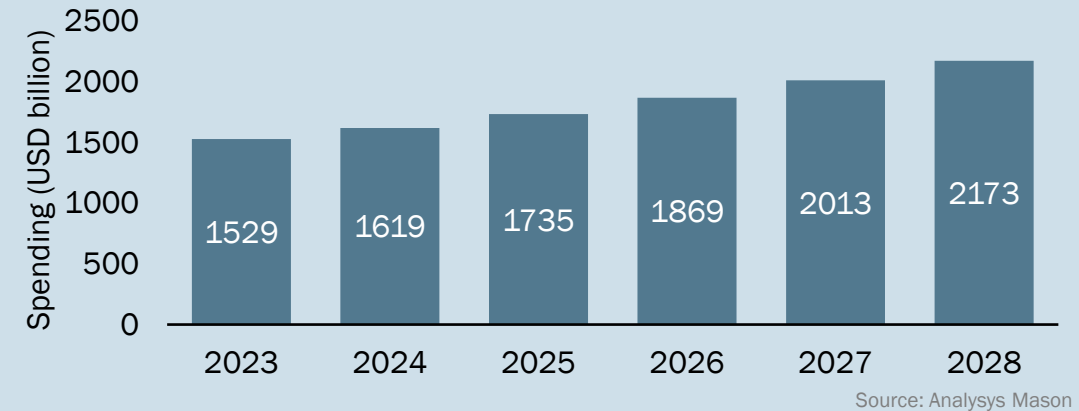
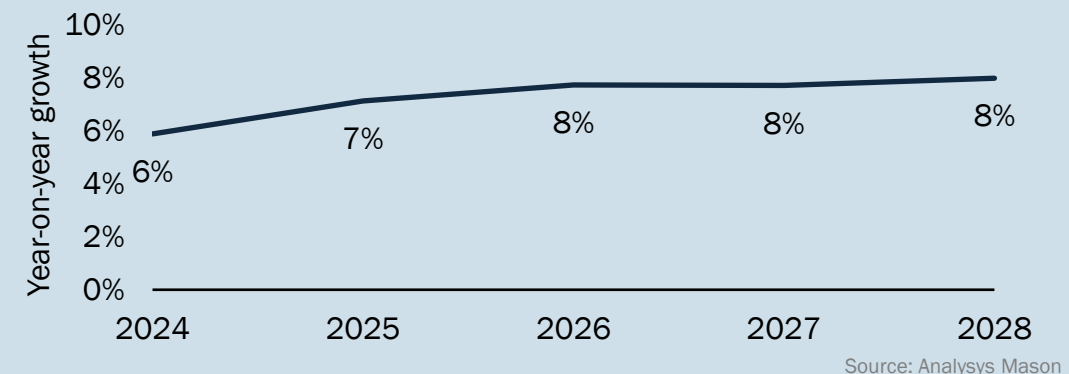
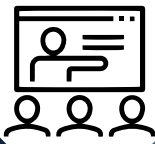


Figure 2: Year-on-year growth in SMB IT spending, worldwide, 2024–2028





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# Spending by business size: SMB IT spending will increase in 2024

**In 2024, Small businesses' IT spending will grow by 5.6% year-on-year, while medium-sized businesses' spending will rise by 6.2%.**

Analysys Mason forecasts that SMBs will allocate around USD1619 billion worldwide on IT in 2024, with small businesses' (SBs) spending accounting for USD842 billion and medium-sized businesses' (MBs) spending totalling USD778 billion.

We project that in 2025, total SMB IT expenditure will reach USD1735 billion, with SBs accounting for USD899 billion and MBs USD835 billion.

Our research shows that both SBs and MBs are using, or planning to use, advanced technologies to improve profit margins and to optimise operations. This strategy includes deploying cloud-based solutions, automating workflows and implementing business applications, which will help to reduce manual and time-consuming tasks. Unsurprisingly, AI is also a hot topic among SMBs.

While SMBs may not use AI extensively in their daily operations, the trend towards AI undoubtedly influences their strategic planning and future outlook. They recognise the potential of AI to streamline operations and gain a competitive edge, yet they often encounter challenges such as budget limitations and a lack of expertise.

Adoption of AI within traditional solutions will happen much faster than pure AI adoption. For example, SMBs are more likely to quickly adopt business applications and cyber-security solutions that are enhanced with AI features.

Figure 3: SMB IT spending by business size, worldwide, 2023–2028

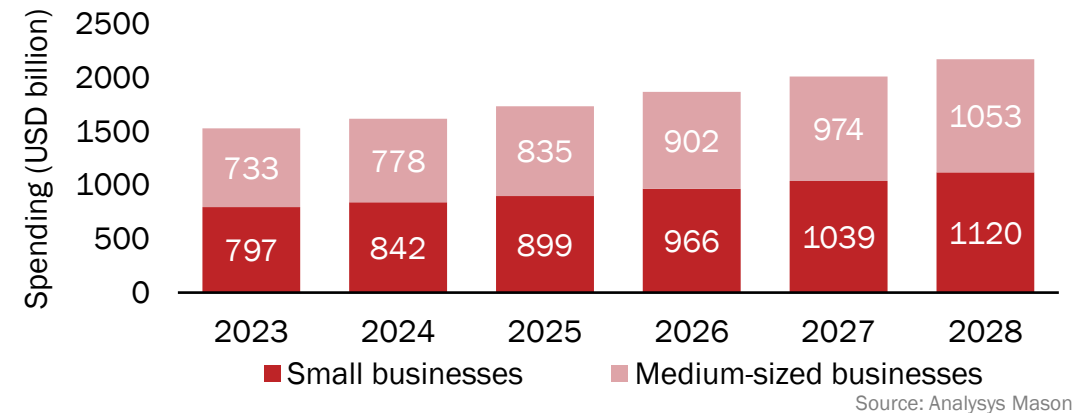
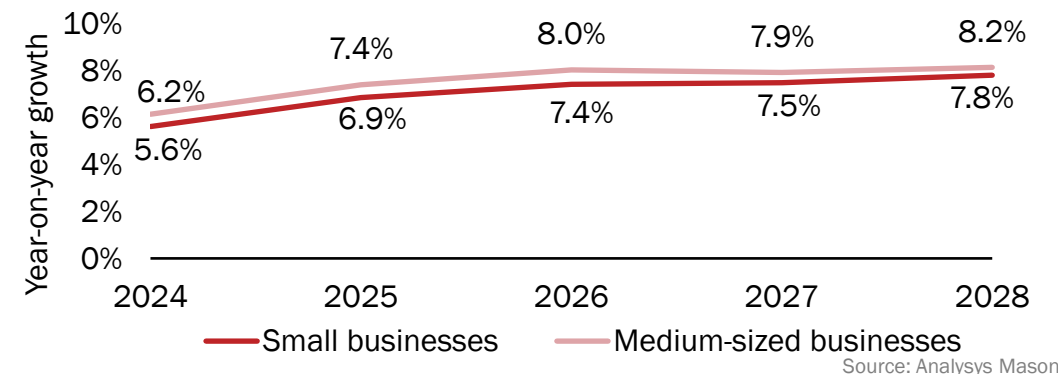


Figure 4: Year-on-year growth in SMB IT spending by business size, worldwide, 2024–2028





# Spending by solution category: SMBs will increase spending across all solution categories, with cyber security growth stabilising after a sharp rise over the previous 2 years [1/2]

## Business applications

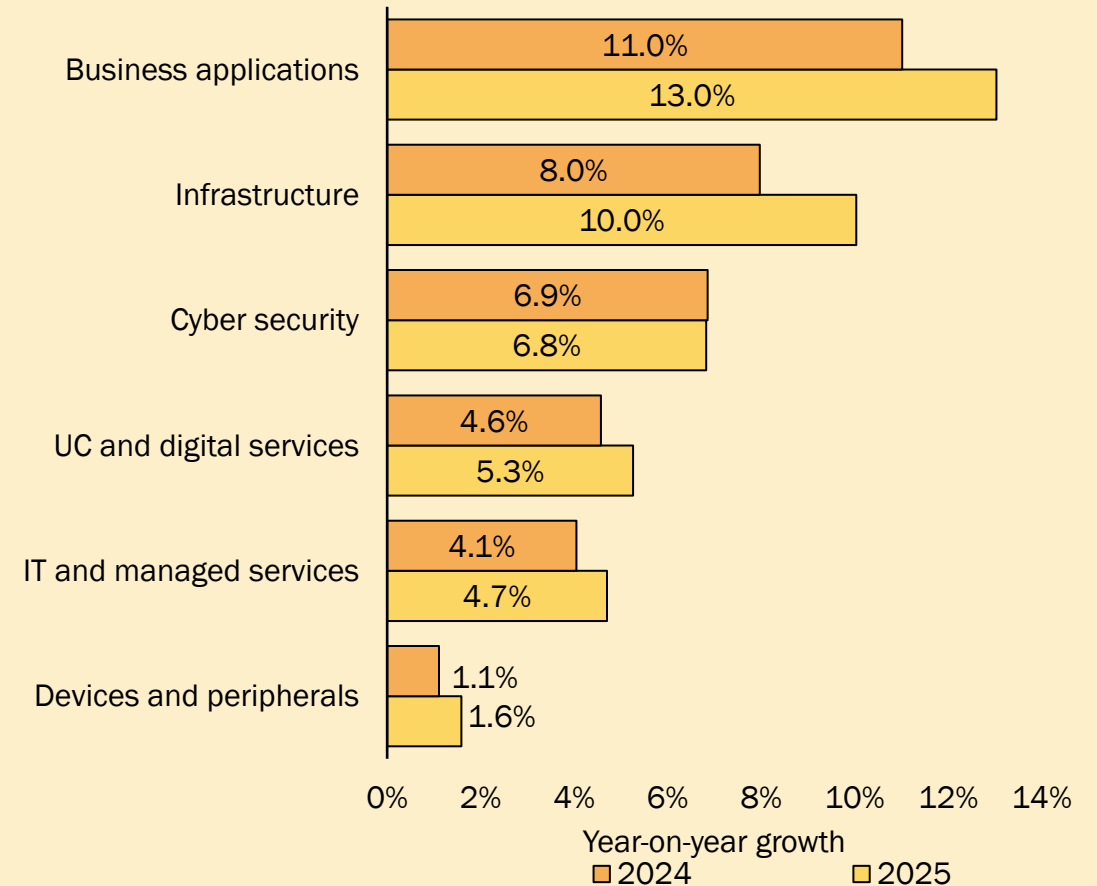
The business applications market is expected to experience significant year-on-year growth of 13% between 2024 and 2025, driven by software-as-a-service (SaaS) solutions. SMBs are increasingly investing in SaaS-based business applications software to have a cost-effective, flexible and scalable way to access advanced software functionalities to streamline operations and spur business growth in the current competitive landscape. Nearly one-third of this category's spending comes from line-of-business (LOB) software. Spending on LOB software is primarily being driven by SMBs' need for business process optimisation, efficiency gains, customer experience enhancement, competitive advantage and technology innovation.

## Infrastructure

IT infrastructure remains the backbone of SMBs' aspirations to move up the digital transformation curve. Infrastructure solutions enhance SMBs' operational efficiency and productivity, facilitate innovation and provide them with a competitive edge. Fast-growing infrastructure solutions are mostly cloud-based. These include cloud VPN, desktop-as-a-service (DaaS), infrastructure-as-a-service (IaaS) servers, platform-as-a-service (PaaS) solutions, recovery-as-a-service (RaaS) solutions, IaaS online storage backup and databases (SaaS).

<sup>1</sup> See the appendix for a list of products in each category.

Figure 5: Year-on-year growth in SMB IT spending by solution category, worldwide, 2024 and 2025<sup>1</sup>



Source: Analysys Mason

# Spending by solution category: SMBs will increase spending across all solution categories, with cyber security growth stabilising after a sharp rise over the previous 2 years [2/2]

## Cyber security

In response to escalating cyber threats, SMBs are increasing their spending on cyber security. Advances in areas such as cloud-based solutions and mobile devices has left SMBs more vulnerable to cyber-attacks. In response, SMBs are investing in diverse security solutions such as remote management systems, mobile device security and data protection. They are also turning to managed service providers (MSPs) and managed security service providers (MSSPs) for guidance in navigating these evolving threats and effectively meeting regulatory standards.

## UC and digital services

Spending on unified communications (UC) and digital services will increase by 5.3% between 2024 and 2025. Spending on communications and digital marketing and advertising categories accounts for almost three-quarters of spending in the UC and digital services category. Communication channels such as data, voice and messaging are gradually being integrated into a unified platform to enable smoother and more-effective communication. As businesses increasingly rely on collaboration tools to support remote and hybrid work setups, solutions that include AI-enhanced features will become more popular.

## IT and managed services

SMBs increasingly recognise the value of IT and managed services, turning to external providers to enhance their technological capabilities without the overhead of in-house teams. In anticipation of future needs, businesses are partnering with IT and MSPs, which can deliver comprehensive, customised solutions that evolve alongside SMBs; operations, from strategic planning to implementation and ongoing maintenance. The shift to managed IT services is being driven by cost efficiencies, access to the latest technology, the need for multi-brand support and the growth of a distributed workforce culture. This trend marks a noticeable shift in the operational strategies of SMBs, with spending on these services expected to rise by 5% annually between 2024 and 2025.

## Devices and peripherals

The modest year-on-year growth in SMB spending between 2024 and 2025 on devices and peripherals (see Figure 5) is being driven primarily by the increasing adoption of remote and hybrid work models, which has necessitated investments in handsets and 2-in-1 PCs for enhanced connectivity and productivity. Businesses are also upgrading desktop PCs and notebooks to boost processing power, which supports their operational efficiency. The need for rapid prototyping and customisation in product development is driving a rising demand among SMBs for specialised equipment such as 3D printers. SMBs are adapting their hardware needs to the evolving work environments, improving productivity and maintaining competitiveness.

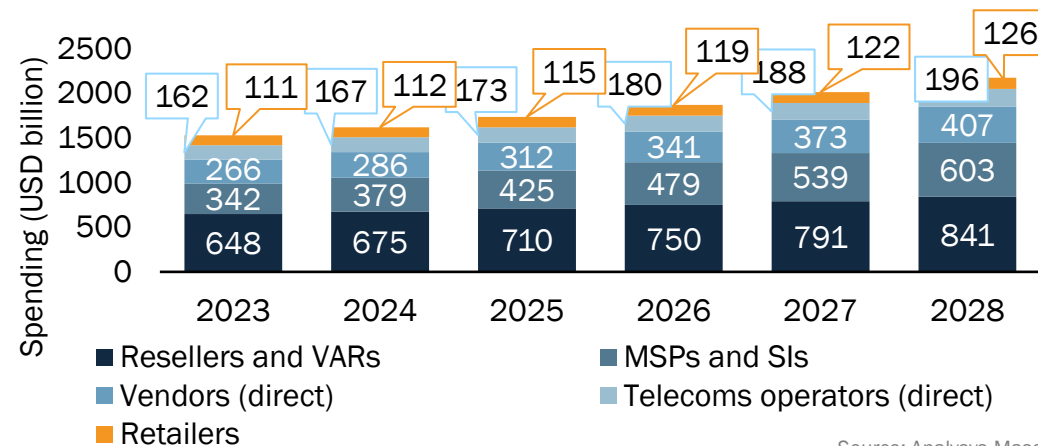
# Spending by route to market: MSPs/SIs continue to gain market share as SMBs search for more-integrated services

Revenue for MSPs and systems integrators (SIs) is expected to rise at a CAGR of 12% between 2023 and 2028. We anticipate that by the end of this period that their collective revenue will amount to USD603 billion.

While traditional resellers and value-added resellers (VARs) are expected to account for 42% of the SMB IT spending market in 2024, this figure is projected to decrease during this forecast period. This is because MSPs/SIs are quickly becoming the preferred choice for SMBs that want partners that can address the gaps in SMBs' skills and staffing as well as partners that can identify operational efficiency opportunities and provide services beyond simple procurement and repairs. As a result, the market share of VARs, retailers and telecoms operators will fall as SMBs move towards MSPs/SIs for more-comprehensive and proactive advisory partnerships.

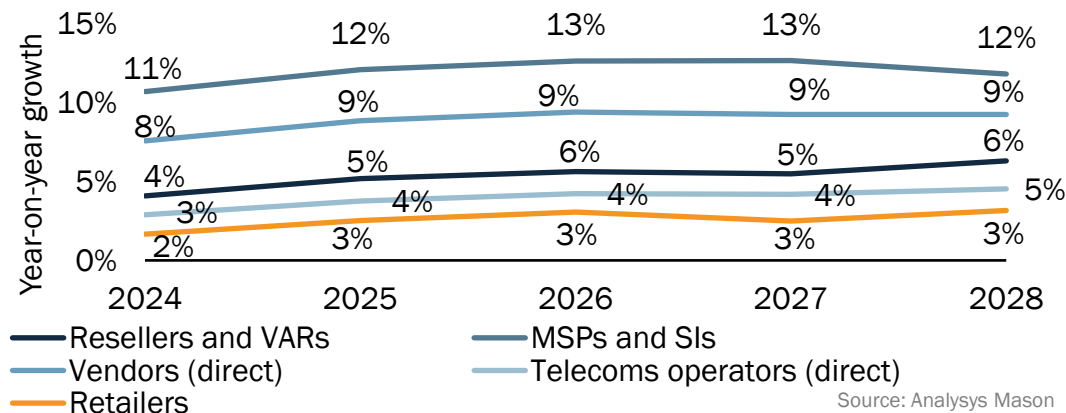
It is noteworthy that IT vendors are actively engaging their channel partners through a series of strategic actions. IT vendors are improving partner programmes by providing easy product listings, flexible delivery options, simplified billing processes and access to marketing tools and resources. They are also expanding their suite of solutions, offering a comprehensive portfolio and providing monetary incentives such as significant rebates and financial rewards to stimulate growth and recognise successful partnerships. In addition, vendors are promoting channel sales over direct sales by offering tiered partner programmes and by committing to a reduction in direct customer sales, thus driving more business through partner channels.

Figure 6: SMB IT spending by channel, worldwide, 2023–2028



Source: Analysys Mason

Figure 7: Year-on-year growth in SMB IT spending by channel, worldwide, 2024–2028



Source: Analysys Mason

## Key takeaways

# 1.

**SMBs will increase their IT investments during the forecast period to foster business growth, innovation and operational efficiency.**

SMBs' shift from a recovery mode to strategic investment follows their successful adaptation to remote and hybrid work models in the wake of the COVID-19 pandemic. This strategic focus on technology, particularly in infrastructure, managed services and security, is set to intensify during the forecast period.

# 2.

**SMBs will approach AI pragmatically due to operational and financial challenges.**

While AI is not yet a staple in daily operations, SMBs recognise its strategic importance. They are keen to take advantage of the benefits of AI but are challenged by budget constraints and expertise requirements. SMBs are more ready to use AI features within existing business applications, cyber-security and unified communication solutions than to adopt standalone AI technologies.

# 3.

**MSPs and SIs are on a trajectory of revenue growth, with a significant compound annual growth rate expected over a 5-year span.**

Traditional resellers and VARs are projected to lose market share as SMBs increasingly look to MSPs/SIs to help them fill skill gaps and offer more than just procurement and repairs. IT vendors are taking advantage of this shift by enhancing partner programmes, expanding solution suites and incentivising channel sales to drive business growth through partnerships.



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# IT categories covered in this report [1/5]<sup>1</sup>

Figure 8a: IT categories covered in this report

Level 1	Level 2	Level 3	
Devices and peripherals	Mobile hardware	Handsets	
	PCs	Desktop PCs	Tablets
		Notebook PCs	2-in-1 PCs
	Printing and peripherals	Peripherals	Printers
Printing supplies		3D printers	
Business applications	On-premises and licensed software	Accounting/financial (on-premises)	Business intelligence (on-premises)
		Customer relationship management (CRM) (on-premises)	Email (on-premises)
		Enterprise content management	Enterprise resource planning (ERP) (on-premises)
		Human resources (HR) (on-premises)	Line of business software (LOB) (on-premises)
		Payroll (on-premises)	Point-of-sales (POS) (on-premises)
		Productivity (on-premises)	Project management (on-premises)
		Quotes and invoicing (on-premises)	Travel and expense (on-premises)
	Software-as-a-service (SaaS)	Accounting/financial (SaaS)	Business intelligence (SaaS)
		Customer relationship management (CRM) (SaaS)	Email (SaaS)
		Enterprise resource planning (ERP) (SaaS)	Human resources (HR) (SaaS)
		Line of business software (LOB) (SaaS)	Marketing automation
		Payroll (SaaS)	Point-of-sales (POS) (SaaS)
		Productivity (SaaS)	Project management (SaaS)
		Quotes and invoicing (SaaS)	Travel and expense (SaaS)

<sup>1</sup> Cloud categories are highlighted in pink.

# IT categories covered in this report [2/5]<sup>1</sup>

Figure 8b: IT categories covered in this report

Level 1	Level 2	Level 3	
Infrastructure (further sub-categories are shown on the next slide)	Storage hardware	FC SAN	IP SAN
		Network-attached storage (NAS)	PC attached storage
		SAN switches	Server attached storage
		Tape back-up	
	Storage software	Back-up and recovery (on-premises)	Other storage software
		Replication software	Storage resource management software
	Infrastructure-as-a-service (IaaS)	IaaS storage online back-up	IaaS storage simple development
		Recovery-as-a-service (RaaS)	
	Server	Server co-location	IaaS server
		Server	
	Virtualisation	Desktop-as-a-service (DaaS)	Desktop virtualisation
		Server virtualisation	Storage virtualisation
	Networking hardware	Switches	Routers
		Wireless LAN	
	Networking services	Cloud VPN	IP VPN
		WAN	
	Networking software	Networking software	Point-to-point VPN
	On-premises and licensed software	Databases (on-premises)	Middleware
		Mobile application development	Operating system

<sup>1</sup> Cloud categories are highlighted in pink.

# IT categories covered in this report [3/5]<sup>1</sup>

Figure 8c: IT categories covered in this report

Level 1	Level 2	Level 3		
Infrastructure	Software-as-a-service (SaaS)	Databases (SaaS)		
	Platform-as-a-service (PaaS)	Platform-as-a-service (PaaS)		
	Point-of-sales (POS) hardware	Point-of-sales (POS) hardware		
	IoT	IoT services	IoT hardware	
Cyber security	Data security	Data security (SaaS)	Data security (on-premises)	
	Endpoint security	Endpoint detection and response (SaaS)	Endpoint detection and response (on-premises)	
		Endpoint protection (SaaS)	Endpoint protection (on-premises)	
	Mobile security	Mobile security (SaaS)	Mobile security (on-premises)	
	Network security	DoS/DDoS mitigation	Intrusion detection/prevention	
		Firewall and unified threat management software (SaaS)	Firewall and unified threat management software (on-premises)	
		Identity and access management (SaaS)	Identity and access management (on-premises)	
		Other security and vulnerability management (SaaS)	Other security and vulnerability management (on-premises)	
		Security operations and incident response (SaaS)	Security operations and incident response (on-premises)	
	Security appliances	Network firewall and intrusion detection/prevention appliances	Unified threat management appliances	
	Web and e-mail security	Email security (SaaS)	Email security (on-premises)	
		Web security (SaaS)	Web security (on-premises)	

<sup>1</sup> Cloud categories are highlighted in pink.



# IT categories covered in this report [4/5]<sup>1</sup>

Figure 8d: IT categories covered in this report

Level 1	Level 2	Level 3	
IT and managed services	Product support services	Computing support	Network support
		Security support	Software support
		Storage support	
	Professional services	Development and integration	IT consulting
		Process management	
	Managed services	Remotely-managed IT services (other)	Remotely-managed mobile device (MMS)
		Remotely-managed networking (wired)	Remotely-managed networking (wireless)
		Remotely-managed PBX (TDM and/or IP-PBX)	Remotely-managed PC
		Remotely-managed security	Remotely-managed server
		Remotely-managed storage	
Unified communications (UC) and digital services	On-premises and licensed software	Collaboration (on-premises)	
	Software-as-a-service (SaaS)	Collaboration business workflows (SaaS)	
		Collaboration (file share and sync) (SaaS)	
	Unified communications (UC) services	Audio conferencing	
		Video conferencing	
		Unified communications (UC) and hosted voice	

<sup>1</sup> Cloud categories are highlighted in pink.

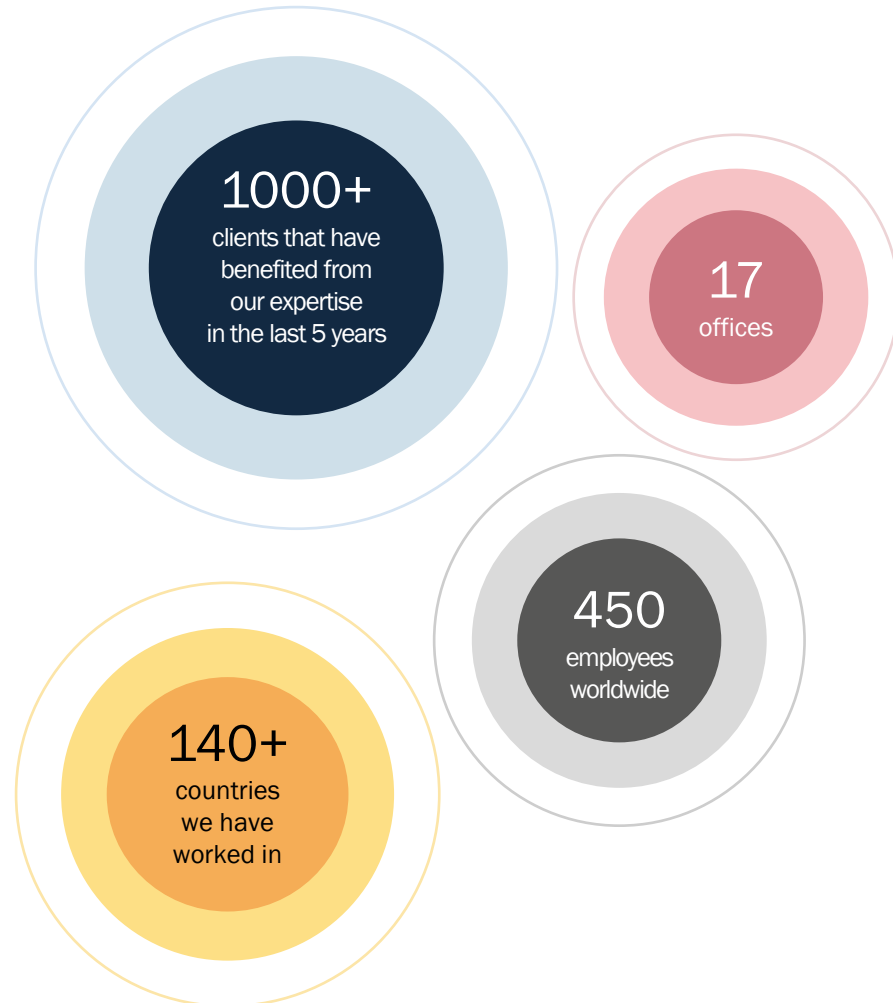
# IT categories covered in this report [5/5]<sup>1</sup>

Figure 8e: IT categories covered in this report

Level 1	Level 2	Level 3
Unified communications (UC) and digital services	Fixed hardware	Pure TDM-PBX/key systems
	Fixed network	IP voice
		Narrowband voice
		Fixed broadband
	Mobile network	Mobile broadband
		Data, voice and messaging plans
	Unified communications (UC) hardware	IP PBX/hybrid
		IP phones and adaptors
	Digital marketing and advertising	Display advertising
		Search engine marketing (SEM)
	Social	Social media marketing
	Web hosting and development	Website hosting and maintenance
		Website development

<sup>1</sup> Cloud categories are highlighted in pink.

## About Analysys Mason



### Who we are

- Analysys Mason is a global research and consulting firm.
- Our SMB IT division has over 20 years of expertise in the market and was created when Analysys Mason acquired AMI-Partners in 2018.
- We have invested over USD50 million in primary SMB research to date, thereby setting a global benchmark.
- We are trusted advisors in leading operators and all major technology brands.

### What sets us apart

- **Market execution DNA.** Drive your brand within the highly fragmented SMB market with strategic advice based on fact-based consulting research and methodologies.
- **Unparalleled SMB insights.** Propel your brand by using our forward-thinking analyst know-how.
- **Precision forecasting.** Make accurate predictions about market opportunities with our *SMB Technology Forecaster*.

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