

IDC: W. European SMB Market is "Big and Growing"

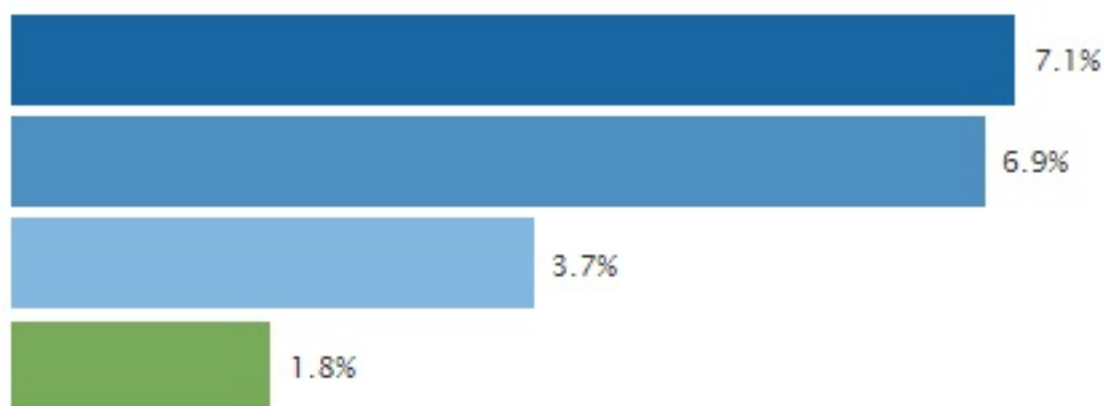
Written by Marco Attard
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The W. European SMB IT market is on the up IDC reports, even if European SMBs can make a "difficult" market-- and as such the region is the second largest for global SMB IT spending during the 2016-2021 forecast period.

"The W. European SMB market is big and growing even if European SMBs traditionally show a lower level of IT sophistication than their bigger counterparts and therefore they can represent a difficult target market," the analyst says. "In this context we see today the rise of SMBs that were born in the digital era, that are very innovative and attracted by 3rd Platform and Innovation Accelerators (particularly cloud, mobility, and IoT). Even if these companies represent only a small percentage of the overall SMB market, they can set the scene and pave the way to a broader adoption of innovative IT solutions."



Top Technology Group Based on 5 Year CAGR (2016 - 2021) (Value Constant Annual))



Source: IDC Worldwide Semiannual Small and Medium Business Spending Guide, 2016H2

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On a global basis, IDC predicts IT spending by SMBs (defined as companies employing 1000 or less) will total \$568 billion in 2017-- a sum expected to exceed \$676bn by 2021, with a CAGR for the 5-year forecast period of 4.5%. The forecast is actually slightly stronger than previous forecasts by the analyst, a reflection of the changing ways SMBs are buying and using technology.

SMBs around the world are "increasingly interested" in improving employee productivity, and thus improving their competitive positions. Smaller SMBs have immediate tactical needs to sharpen performance, and are also looking to coordinate resources in a meaningful way, all in the name of Digital Transformation (DX).

The 3 major IT categories-- hardware, software and services-- account for over 85% of total WW SMB technology spending. Hardware currently makes the largest share of the spending, but IDC expects software and services to surpass it by 2019. The smallest of the major categories, business services, will see the greatest spending growth at 7.1% CAGR, followed by software with 6.9% CAGR.

Over 30% of SMB software purchases in 2017 will be from the top 3 application categories-- enterprise resource management (ERM), customer relationship management (CRM) and content applications. Application development and system infrastructure software will also be "key areas" for SMB software investment. On the other hand, hardware spending is led by PC and peripheral purchases (accounting for 49.6% of 2016 spending, a share to decline to 43.3% by 2021).

Services spending is divided between IT services and business spending, with IT spending being over twice that of business services throughout the 2016-2021 period. However business services show roughly twice the growth than IT services (7.1% vs 3.7% CAGR).

The largest SMB market throughout the forecast period is medium-sized companies (100-499 employees), making 38% of WW SMB IT products and services revenues. The remaining revenues are equally divided between large (500-999 employees) and small (1-99 employees). Medium and large firms should also experience the strongest spending growth, with respective CAGRs of 4.6% and 4.5%, while small businesses should see a 4.4% CAGR.

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