

Omnisperience | Discussion Paper

Nanobusiness – A New Business Category

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value from experience

The business market has traditionally been divided into different sizes – most frequently according to the number of employees a business has. The standard definition of large enterprise and SMEs has been extended to incorporate microbusinesses of less than 10 people.

However, the market continues to evolve and the internet has provided platforms that support the rise of new types of work and new types of commerce. In particular, the rise of the gig economy, the sharing economy, social commerce and the influencer economy mean that an increasing number of people now have part-time jobs, side gigs or semi-professional hobbies. These changes have been accelerated by the COVID-19 crisis, creating a hidden opportunity to serve what Omnisperience is calling **the nanobusiness sector**.

Nanobusinesses frequently have hidden ‘business’ needs that are not met by consumer accounts.

The question your business now needs to consider is:
are you ready for the rise and rise of the nanobusiness?

TRADITIONAL MARKET SEGMENTATIONS

Categorisation by number of employees

The global business market has traditionally been categorised according to the number of employees within a business. Although there is variation internationally in terms of business size categories, the EU and its Member States follow an agreed standard:

- Large enterprise - 250+ employees
- Medium-sized enterprise – 50-249 employees
- Small enterprise – 49 and fewer employees
- Microbusinesses – 1-9 employees.

If we take UK businesses as an example (see *Figure 1*), the often-quoted statistic that 99% of businesses are SMEs holds true. Fewer than 8,000 businesses in the UK, out of a total formal business population of 5.9 million, employ more than 250 people.

However, for service providers seeking to understand this market better, the SME category is not particularly useful, because it disguises the fact that most businesses (by number of employees) either fit into the micro segment (19.7% of businesses) or the category for businesses with no employees (76%). The latter being formal businesses that employ no-one except the owner.

It should be noted that just because businesses do not employ staff it does not mean that they do not utilise additional staff (from other formal businesses or in the form of self-employed workers), or that they do not have sophisticated ICT needs.

With increased automation, the use of AI and robotics, and the uptake of cloud services, combined with outsourcing of more tasks, the number of humans a business employs is becoming a far less reliable way of analysing the market opportunity for service providers.

Categorisation by revenue

Another way to categorise the market is to divide it according to the amount of revenue a business generates.

In the EU, SMEs are also defined partly by their turnover and balance sheet total (see *Figure 2*).

Figure 1 UK businesses by number of employees

Size of business (employees)	Number in UK	Proportion of UK businesses
Large (250+)*	7,685	0.1%
Total SMEs (up to 250)*	5,860,085	99.9%
Medium (50-249)	35,585	0.6%
Small (10-49)	211,295	3.6%
Micro (1-9)	1,155,385	19.7%
No employees	4,457,820	76%
Total businesses*	5,867,770	100%
Self-employed workers**	4,930,000	

Source: Omnisperience 2020 Notes: *Business population estimates for the UK and regions: 2019 statistical release (14 January 2020); ** Labour market economic commentary (May 2019)

Figure 2 EU definition of SME

Type of business	Revenues	Balance sheet
Medium-sized	EUR10 million to EUR50 million	EUR10 million to EUR43 million
Small	Less than EUR10 million	Less than EUR10 million
Micro	Less than EUR2 million	Less than EUR2 million
Medium-sized	EUR10 million to EUR50 million	EUR10 million to EUR43 million

Sources: Omnisperience 2020; EU recommendation 2003/361

Many Asian countries also define the SME market in part or in whole by revenues rather than employees. For example, in Singapore a SME has less than \$100 million in revenues, as well as less than 200 staff.

Defining the business market by revenues has drawbacks for service providers. Revenue does not necessarily correlate with spend on ICT. Some SMEs spend a relatively large proportion of their revenues on ICT – particularly if they are digitally native – and others do not.

It's important to recognise that the EU definition of the SME market was not designed for commercial purposes; but to enable government bodies to develop policies for the business market. Definition by revenues/balance sheet is intended to add supplementary information to help ensure that policies and assistance are targeted at truly small businesses that need help to grow, rather than at companies that can afford to invest in themselves, or which form part of bigger organisations.

This is very different to trying to understand which ICT services a business needs, or how it will buy them, – meaning this categorisation is less useful for ICT segmentation purposes.

International definitions of business sector

The NAICS, a classification system developed by Canada, Mexico and the US, is a very complex definitional system that defines SMEs according to the sector or sub-sector they operate in, with the definition varying between 1,500 and 100. Other national and international bodies also have different definitions of a SME (see *Figure 3*).

ICT definitions of business size

Within the ICT sector there is a great deal of variation in defining a SME (see *Figure 4*). Some companies keep their definition in line with EU standards (such as TalkTalk Business and Virgin Media), but others either include a disproportionately large size of business or, alternatively, have a low ceiling for this category.

Figure 3 SME definition by international bodies

Organisation	Max number of employees
African Development Bank	50
Australia	200
Canada*	500
China**	2000
Kenya	100
MIF – IADB	100
World Bank	300

Sources: Omnisperience 2020; *Industry Canada and Statistics Canada; ** The Chinese definition varies by industry from 200 (wholesale trade and warehousing) to 2000 (information transmission).

Figure 4 ICT firms' definition of SMEs

Organisation	Max number of employees
BT	100
Daisy	30
Google	750
IBM	1,100
Microsoft	250
Salesforce	500
TalkTalk Business	250
Virgin Media	250
Vodafone UK	150

Source: Omnisperience 2020

CHALLENGES OF CURRENT BUSINESS CATEGORISATION

Terminology is inconsistent

Small and medium-sized enterprise (SME) is the term used in the EU and in many countries worldwide. However, in the US this sector is known as SMB (small and medium-sized/mid-sized businesses) and in some countries, such as Kenya and India, as MSME (micro, small and medium-sized enterprises). In Somalia the term is SME but it stands for 'small, medium and micro enterprises'. Countries such as India also differentiate between the 'formal' and 'informal' economy.

Size categories vary

A worldwide standard definition is hard to apply because it needs to be appropriate to the economy being analysed. This is because the business composition may vary (the number of businesses of a given size), with relatively more or less informal businesses; while turnover may vary greatly between economies and is related to the economic realities of the locality.

Number of employees does not determine ICT needs

ICT has given small businesses a platform to compete on the world stage and offer sophisticated products while employing relatively small amounts of staff. Even where a business has a large amount of staff, ICT purchasing is becoming more fragmented due to factors such as the increasing use of contract workers and bring-your-own strategies (BYOD, BYON, BYOA).

The distinctions are artificial

The definition of the SME sector was established by governmental organisations for their own purposes and was not designed for the purpose of selling to the sector. There is little discernible difference in how ICT is consumed between a small business and a medium business. Factors to do with the nature of the business determine ICT needs rather than simply the number of employees.

The SME sector is not small enough

There are increasing numbers of businesses that employ less than 1 person. According to research by the University of Hertfordshire and the TUC, the UK's Gig economy doubled in size between 2016 and 2019, accounting for 4.7 million workers. This found that 1 in 10 workers now work on Gig economy platforms, with about 7.5 million people having done so at some time during their working lives.

A nanobusiness is a business that employs less than one full time member of staff.

It encompasses businesses that sell goods, creativity, services, labour or influence, as well as those that allow the commercial sharing of something that the businessperson already owns.

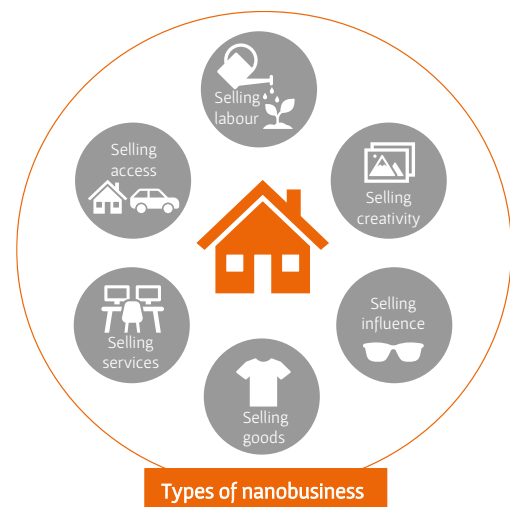
The nanobusiness is a new business category that fits beneath the microbusiness category to describe businesses that employ less than one person. This might be because of the nature of the business, because the business owner is only working part-time on the business, or because the business is largely automated.

The Gig economy is part of the nanobusiness category, as shown in *Figure 5*, but this category goes beyond selling labour on digital on-demand platforms such as Uber, Lyft and Taskrabbit, or services on platforms such as Fiverr, to incorporate selling goods on platforms such as Etsy, eBay and Amazon; selling creative products such as videos, images and influence on platforms such as YouTube and Instagram; and renting out things you own (such as driveways or bedrooms) on AirBnB. It includes the grey area of work and play where hobbies are being monetised for financial gain.

The nanobusiness is an important sector for ICT companies because it is ICT that has fuelled its emergence. Individuals rely on their mobile phone as an essential tool to sell their labour, goods and services and to connect with customers. Communications, collaboration and cloud-based solutions enable businesses to acquire and manage the skills they need, distribute work, and organise workers from anywhere in the world and at any time.

The nanobusiness economy is breaking down the barriers between work and play, is liberating labour and services from location, and is driving new forms of flexible working that allow workers to work when it suits them – opening up new pools of workers who previously found it hard to work in a more formal environment. Increasingly, this not only means students and parents balancing childcare, but the Grey Workforce that wants to continue working beyond retirement age – albeit not necessarily full time.

Figure 5 Types of nanobusiness



5 THINGS YOU SHOULD DO NOW

1.

The nanobusiness sector is an invisible driver of ICT demand

Omnisperience forecasts that the nanobusiness sector will be worth over \$1 trillion by 2025 and will drive demand for a wide range of ICT services worth billions of dollars to B2B service providers. To maximise the opportunity, it's essential to understand the different types of nanobusiness and their needs.

2.

If size doesn't matter what does?

Defining businesses by the number of employees suggests that a business must amass employees to be successful. In fact, this could be a sign of inefficiency. As automation, AI and robotics take off, the number of human workers employed by all businesses is likely to fall. Human workforces will also increasingly demand the flexibility to work when and how they choose, which digital platforms enable them to do. What matters should be the propensity of a nanobusiness to consume ICT services: size should not be an impediment to selling (although it will change the way you sell).

3.

Self-definition and self-provisioning are key for nanobusiness workers

The first opportunity in the nanobusiness category derives from selling services to workers. This is the ultimate B2C+ sale. Service providers should not allow customer personas, pre-bundled offerings, or internal barriers from preventing customers from buying a wider range of services from them. This means having standardised offerings that are easy to buy and configure, and removing barriers to sale.

4.

Businesses need ICT to help them consume nanobusiness services

Bigger businesses will also require products and solutions to enable them to benefit from the nanobusiness market. They will require collaboration tools, cloud-based ICT, superior connectivity and security applications to stitch together temporary and geographically dispersed workforces. Service providers have to build in flexibility to their business model to enable businesses to consume services they need, when they need them, and to switch these off (sometimes temporarily) when they don't.

5.

COVID-19 has accelerated the nanobusiness sector

Working from home has become part of the New Norm. But the COVID-19 pandemic has also boosted the nanobusiness sector. Some people will experience unemployment or a reduction in working hours as a result of the pandemic and will start up nanobusinesses as a result. Others will need extra income to pay back debt accumulated during the crisis. Some will seek a better work-life balance and choose to create a series of nanobusinesses or reduce their hours within a traditional business and top up their income with a nanobusiness.

About the author



Teresa Cottam is Omnisperience's subject matter expert for customer and employee experience, customer service, customer satisfaction and the future workplace. She is a renowned expert on SME and enterprise telecoms with considerable vertical market expertise which she uses to help B2B service providers understand the needs of their customers.

Teresa previously held senior positions at Analysys Mason, Chorleywood Consulting (Informa) and Ovum. She is a judge of the GSMA Global Mobile Awards (GloMo's) for customer experience and enterprise innovation, for the UK Cloud awards, and for Tech Trailblazers.

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Omnisperience is a leading independent research and advisory firm focused on the telecommunications, media and technology (TMT) industry. Our purpose is to help B2B service providers become more profitable by understanding and meeting the evolving needs of their customers. We provide in-depth expertise and fresh insights that help customers reimagine their businesses and improve commercial success.

This is achieved through insightful primary research, distinctive analysis, factual and authoritative papers delivered through direct and consistent interaction with B2B telecoms service provider clients. Deliverables are pre-tailored to the needs of clients in formats that make them easy to consume and apply to the target audience. Omnisperience engages and inspires your teams, partners and customers, delivering Value Through Experience.

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