

# Drivers & Inhibitors to Cloud Adoption for Small and Midsize Businesses

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*Source: Edge Strategies survey commissioned by Microsoft Corp., "SMB Business in the Cloud 2012," Feb. 8, 2012*

**Microsoft** | Operator Channels

| Key Classifications  
Used in Analysis

| Detailed  
Findings

| Attitudes Toward  
Technology & Business

| Cloud Opinions  
and Concerns

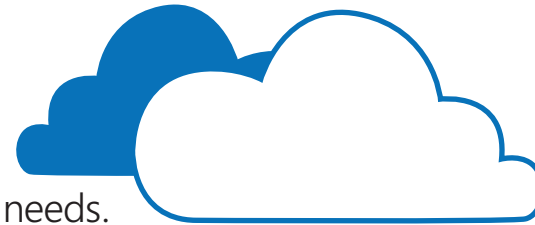
| Cloud  
Use

| Acquiring Cloud  
Services

| Methodology &  
Sample Characteristics

# Cloud Computing, SMBs' Secret Weapon

The move to the cloud represents a major opportunity for service providers, and partnering with Microsoft offers the most complete set of cloud-based solutions to meet SMB needs.



## TODAY'S SMBs

They believe in themselves.

**76%** agree that SMBs are the backbone of the economy.



They are growing.



**53%** expect sales growth within the next 12–18 months.

They want to have more fun at work.

**79%** believe that technology can make work more enjoyable.



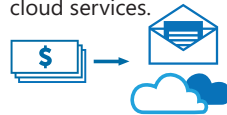
## POTENTIAL FOR SUCCESS

They are increasingly moving to the cloud.

The number of very small companies (2-10 employees) using paid cloud services will triple in the next three years.



They are growing more comfortable with cloud services.



**65%** expect to be using cloud email services in the next 2-3 years.

They think the cloud is important.

**50%** agree that cloud computing is going to become more important for businesses such as theirs.



## CLOUD CONCERNS

They see security as a priority.



**70%** want to know where their data is located.

**30%** want it kept in their country.

On-premise versus cloud

Only about 20% believe that data is less secure in the cloud than it is in their on-premise system.



Opportunities for service providers



**60%** don't have resources to implement new technologies and applications.

## MULTIPLE SERVICES, ONE VENDOR

They want one source for services.



**56%** prefer a single source for their IT, and many want a mix of applications and infrastructure sources.

They plan to use more cloud services.

SMBs report using an average of 4 services in the cloud now and expect to use 6 in the future.



They want to be more mobile.

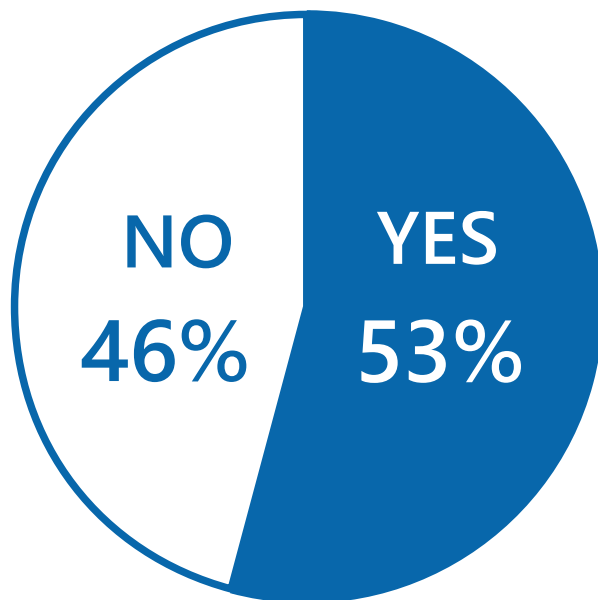


**71%** require technology that enables their staff to work anywhere at any time.

# Key Classifications Used in Analysis

**53%** of respondents are classified as growing companies — they expect to grow in sales in the next 12–18 months.

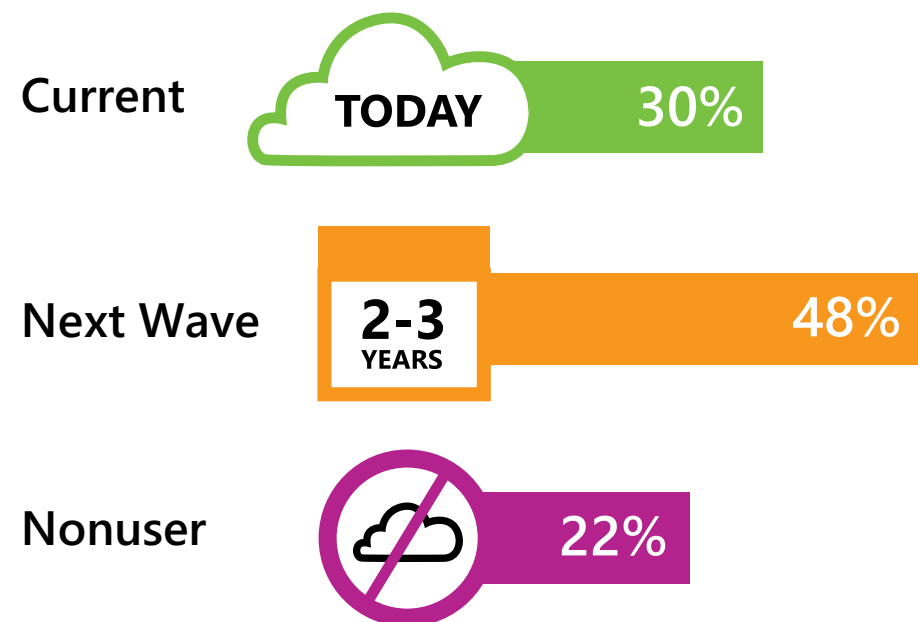
## Expect Growth in Sales



Number of respondents (N)=3,000

**30%** of respondents are currently using some cloud services.

## Using Paid Cloud Services







N=3,000

**Microsoft** | Operator Channels 4

# Detailed Findings

## SMBs & Cloud Adoption

- The number of very small companies using a paid cloud\* solution will potentially **triple** in the next 3 years.
- The number of companies with between 11 and 25 employees will potentially **double**.
- Even in the 101- to 250-employee segment, an additional **1/3** of companies will adopt the cloud in the next wave.
- The next wave of adopters may use as many as **5** apps within 3 years.

EMPLOYEES		2-10	11-25	26-50	51-100	101-250
	Current Adopters	25%	41%	53%	58%	60%
	Next Wave	51%	42%	32%	29%	31%
	<b>Total Using Cloud</b>	<b>76%</b>	<b>82%</b>	<b>85%</b>	<b>87%</b>	<b>91%</b>
	Nonadopters	24%	17%	15%	13%	10%

\* Base excludes free services such as free Web mail in the cloud

**Microsoft** | Operator Channels 5

# Detailed Findings

## Current SMB Cloud User Characteristics



### Attitudes

Expects to grow sales, mostly companies in urban areas and younger companies

Believes technology is essential to growth and is likely to be an early adopter of technology overall

Thinks productivity is important, but also wants technology to make work more enjoyable

Has more IT capability and knowledge in-house and/or system integrators (SI)



### Cloud Views

Likes the cloud model because it increases competition, and believes the cloud is essential for small businesses

Wants cloud and traditional IT for at least the next few years

Believes data is as secure in the cloud as on its own systems (secure nowhere)

Uses 4 paid services today, but will use 6 in 2–3 years



### Decisions

Gets advice from consultants, blogs, analyst reports and Web research

Feels trust for service provider and offer is critical

Wants as many services as possible from a single source

Needs personalized support for setting up new services



### Interests

Says mobility is essential — most information workers use smartphones, and there is a growing use of tablets

Wants mobile devices for more than email, such as productivity and business apps

Is interested in managed hosted desktop but sensitive to price

Expects largest growth in VoIP, storage, backup and archiving

# Attitudes Toward Technology & Business

## SMBs & the Economy

SMBs believe they are critical to the economy.

- **76%** of respondents agree that SMBs are the backbone of the economy.
- **61%** believe that the current environment favors smaller, more agile and innovative businesses.

**53%** expect to grow sales.

- **27%** of respondents expect to hire new staff — **39%** of larger SMBs (with 51–250 employees) have this expectation.
- **9%** expect to shrink.

# Attitudes Toward Technology & Business

## SMBs & Growth

53% of companies expect to grow in sales in the next 12–18 months.



N=3,000

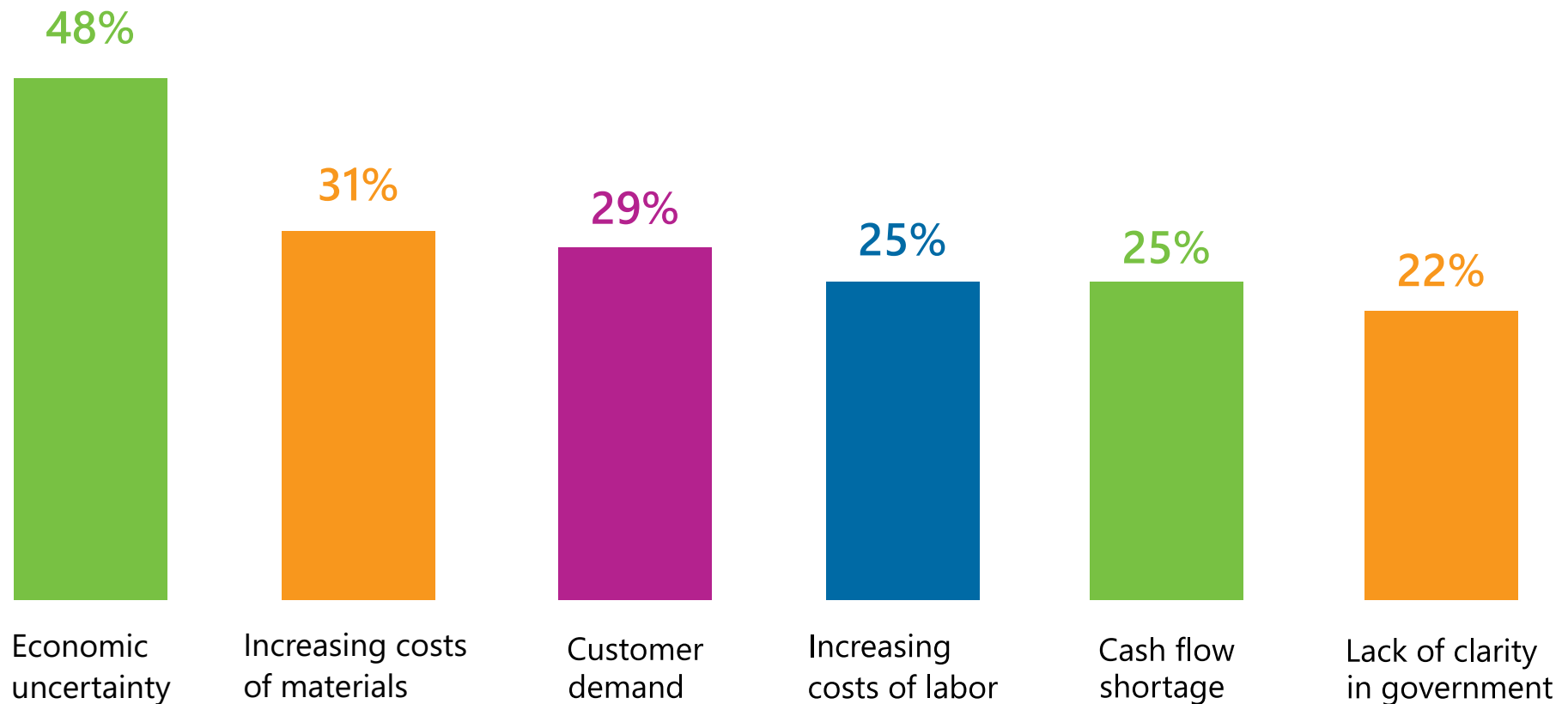
Microsoft | Operator Channels 8



# Attitudes Toward Technology & Business

## SMBs & Challenges

Economic uncertainty and increasing costs are significant challenges for SMBs.



N=3,000

Microsoft | Operator Channels 9

# Attitudes Toward Technology & Business

## SMBs & the Future

Most SMBs think technology is critical to their success.

**55%** of respondents believe technology will determine if they will thrive.

- **67%** of larger SMBs (with 51–250 employees) have this belief.
- **63%** of growing companies believe technology is critical to their future.

**32%** say they are concerned that competitors may be making better use of technology than they are.

**27%** of respondents expect to invest in new technology in the coming year.

- **39%** of larger SMBs (with 51–250 employees) have this expectation.
- Companies that expect to grow are more likely to invest in new technology.
- Most SMBs believe that technology can make work more enjoyable (**79%**). That number is even higher among current cloud users.

# Cloud Opinions & Concerns

## SMBs & Understanding the Cloud

Understanding of cloud computing is limited but, once explained, most SMBs said they believe it will become more important.

**1/2** of all SMBs had at least a basic understanding of the meaning of cloud computing in a business context.

- **51%** of respondents were able to indicate that cloud computing refers to business computing services that are hosted over the Internet and that they “rent” rather than “buy.”
- **32%** thought cloud computing referred primarily to personal computing services such as Web mail or music and photo streaming.

Once a standard definition was provided, the following perceptions were expressed.

- **50%** of respondents agreed that cloud computing was going to become more important for businesses such as theirs.
- Only **21%** were skeptical and believe the cloud to be a passing trend.
- There is a significant percentage of growing companies (**44%**) that believe that cloud computing can make companies more competitive.

# Cloud Opinions & Concerns

## SMBs & Benefits of the Cloud

Why will companies move to the cloud? It's still about lowering costs and increasing productivity.

Increasing profitability by lowering costs and increasing productivity is the dominant combination of factors that will drive movement. However, one of the means to increasing productivity is the ability to do things that SMBs could not otherwise do.

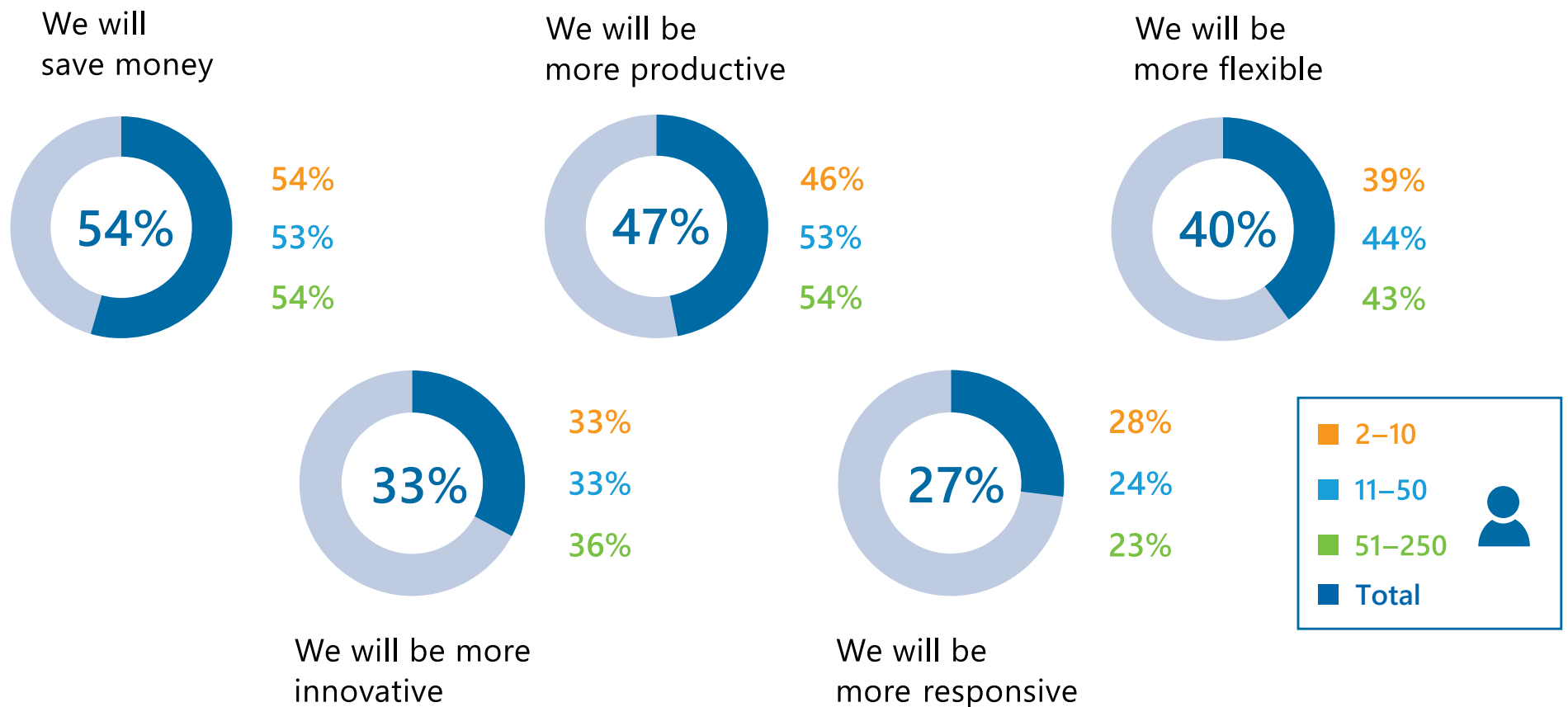
- Companies who currently use the cloud are much more likely than nonusers to realize productivity benefits (**59%**) from technology.
- Companies that expect to grow are most interested in productivity benefits of cloud computing.
- Nonusers don't understand the potential benefits.

# Cloud Opinions & Concerns

## SMBs & Motivators

Lower costs and increased productivity are top motivators for SMBs to move to the cloud.

## Benefits of Cloud Computing



N=3,000

Microsoft | Operator Channels 13

# Cloud Opinions & Concerns

## SMBs & Cloud Concerns

SMBs have concerns about moving to the cloud.

About **44%** still believe that cloud services are unproven and, therefore, too risky, although less than **10%** feel strongly about this.

- **70%** want to know where their data is located.
- **51%** consider data privacy as an issue that would cause them to hesitate moving certain functions to the cloud.

About **1/3** of SMBs believe that the long-run cost of cloud services will be higher than through the traditional model, and about **20%** feel that in the long run costs will be lower in the long run.

Control is a concern. **1/2** of SMBs believe that they have more control of their IT with in-house solutions versus the cloud. However, in many cases, this has not prevented companies from adoption.

# Cloud Opinions & Concerns

## SMBs & the Security Concern

One of the more interesting findings of the study relates to security of data. Although security is well-understood as a concern that impacts cloud adoption, the study found the following:

- **1/2** of respondents indicate that data privacy concerns would make them think twice about moving some apps to the cloud.
- Only about **20%** of SMBs believe that data is less secure in the cloud than it is in their on-premise systems.
- **36%** overall, and **49%** of larger SMBs (with 51–250 employees), actually think that data is **as** secure in the cloud as in their own systems.
- **44%** were not sure at this point.

# Cloud Use

## SMBs & Cloud Usage

Cloud users are currently using an average of 4 cloud services.

About **30%** of all SMBs currently use paid cloud services in their company, with another **14%** using the cloud for email only.

- Current cloud users use an average of **4** paid services now and expect to use **6** in the next 2–3 years.
- **63%** of cloud users expect to grow in sales versus **49%** of noncloud SMBs.  
Cloud users are twice as likely to be using tablets.

## Specific Apps

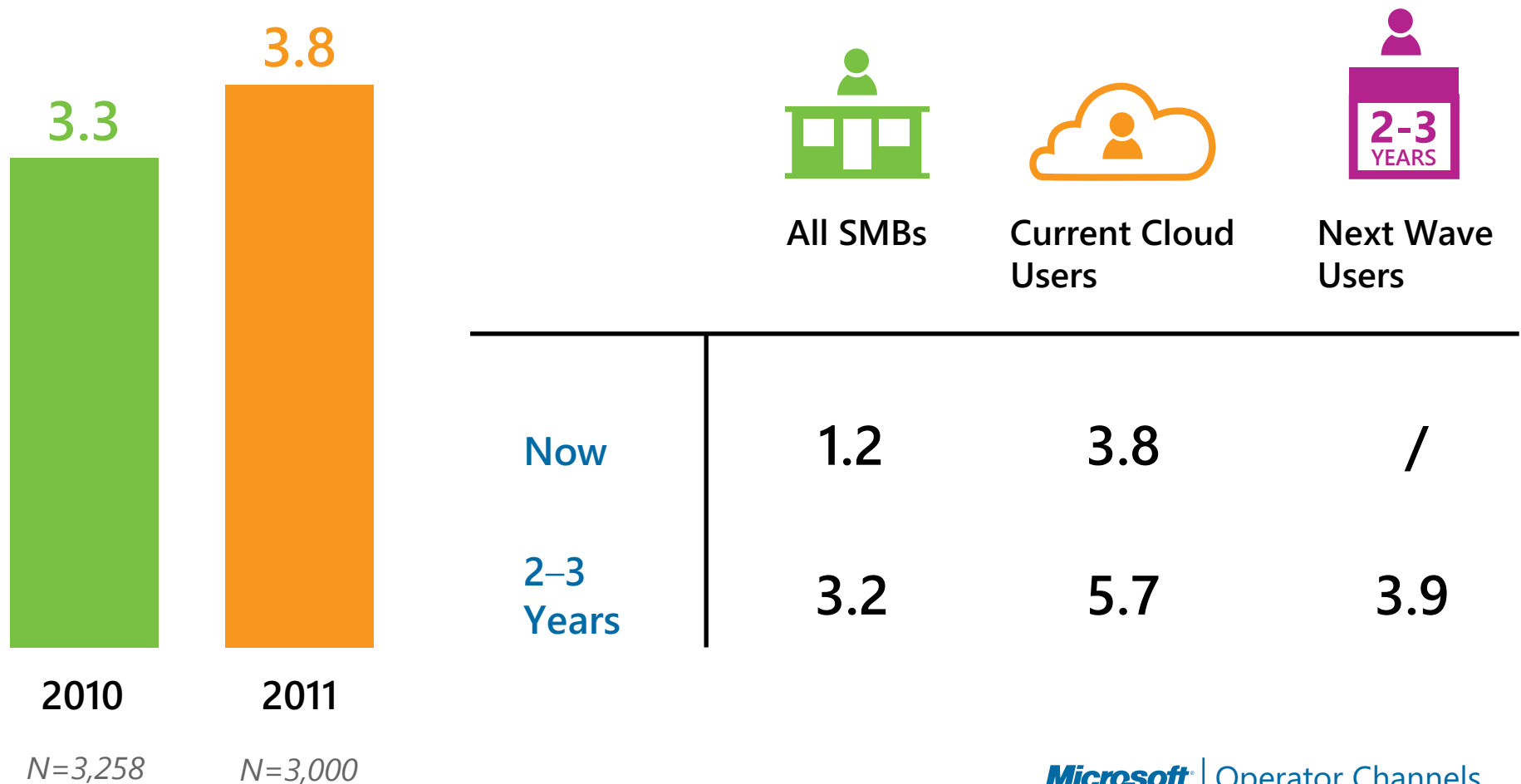
- **65%** of companies expect to be using email in the cloud in the next 2–3 years.
- Voice communications, online backup and databases, and IM are also expected to be used by **1/2** of all companies.



# Cloud Use

## SMBs & Cloud Services

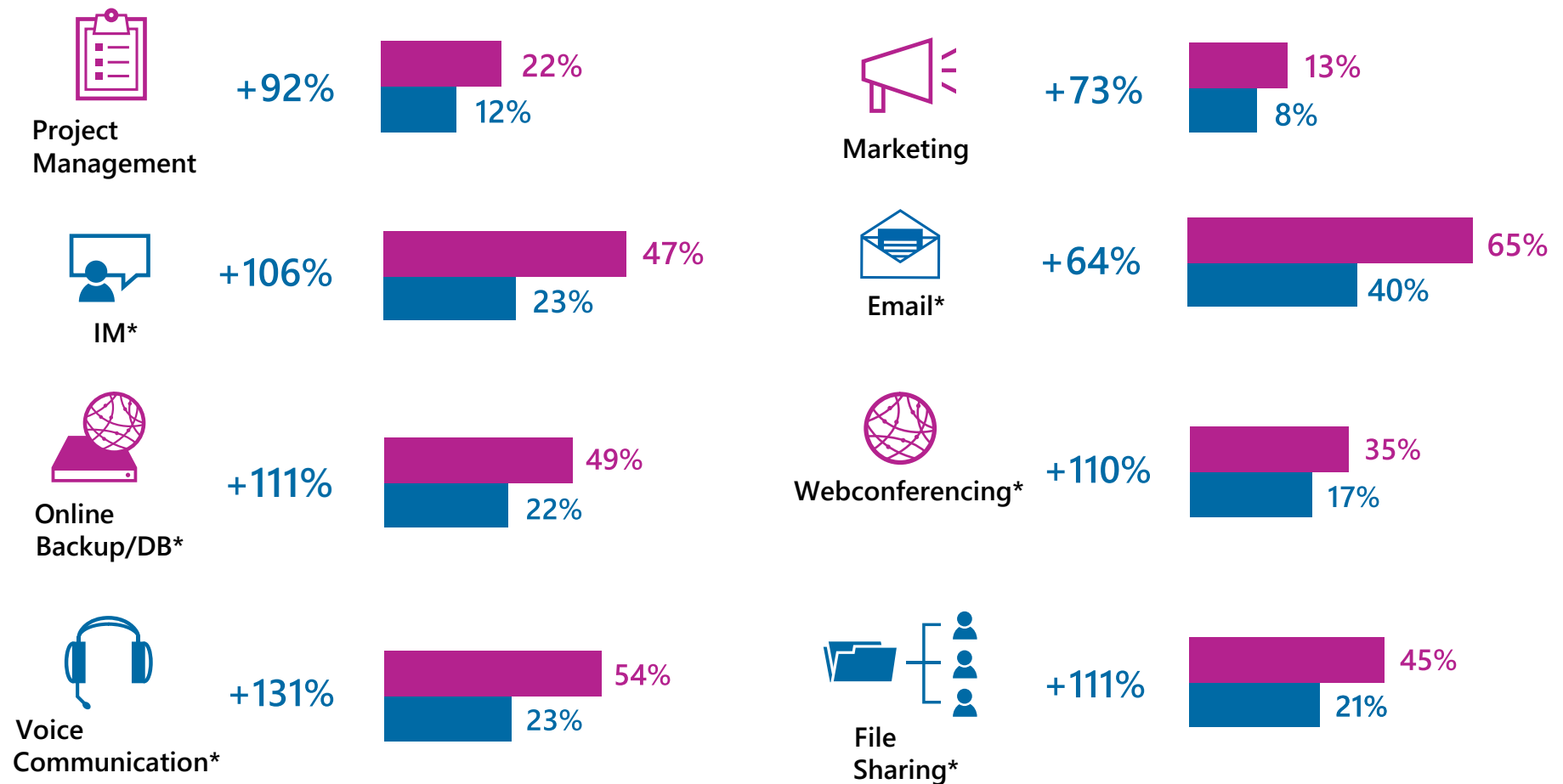
Average number of paid cloud services



# Cloud Use

## SMBs & Cloud Services

Tasks in cloud services currently and in 2–3 years



N = 3,000

\*Includes free & paid services

Currently 2–3 years

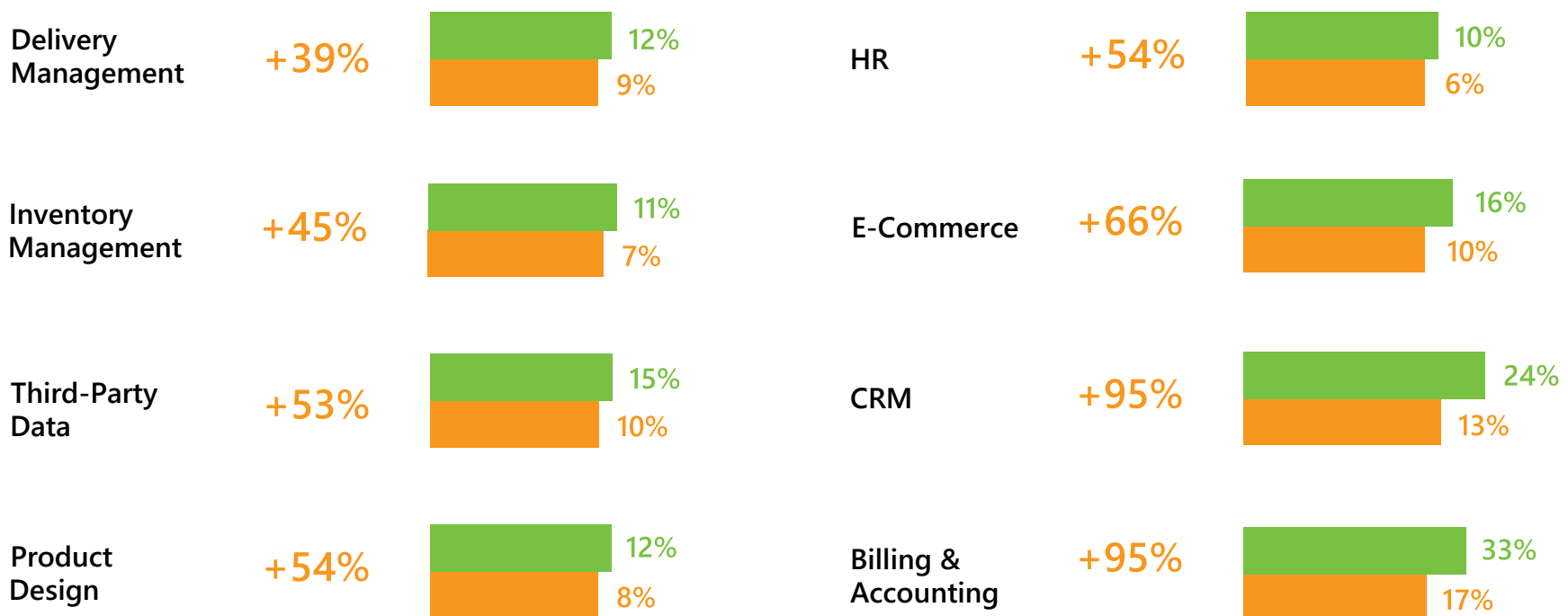
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# Cloud Use

## SMBs & Cloud Services

**33%** of SMBs expect to use a cloud service for billing and accounting in 2–3 years, up **94%** from today. About **25%** expect to use a CRM cloud service.

### Tasks in cloud services currently and in 2-3 years (cont.)



N = 3,000

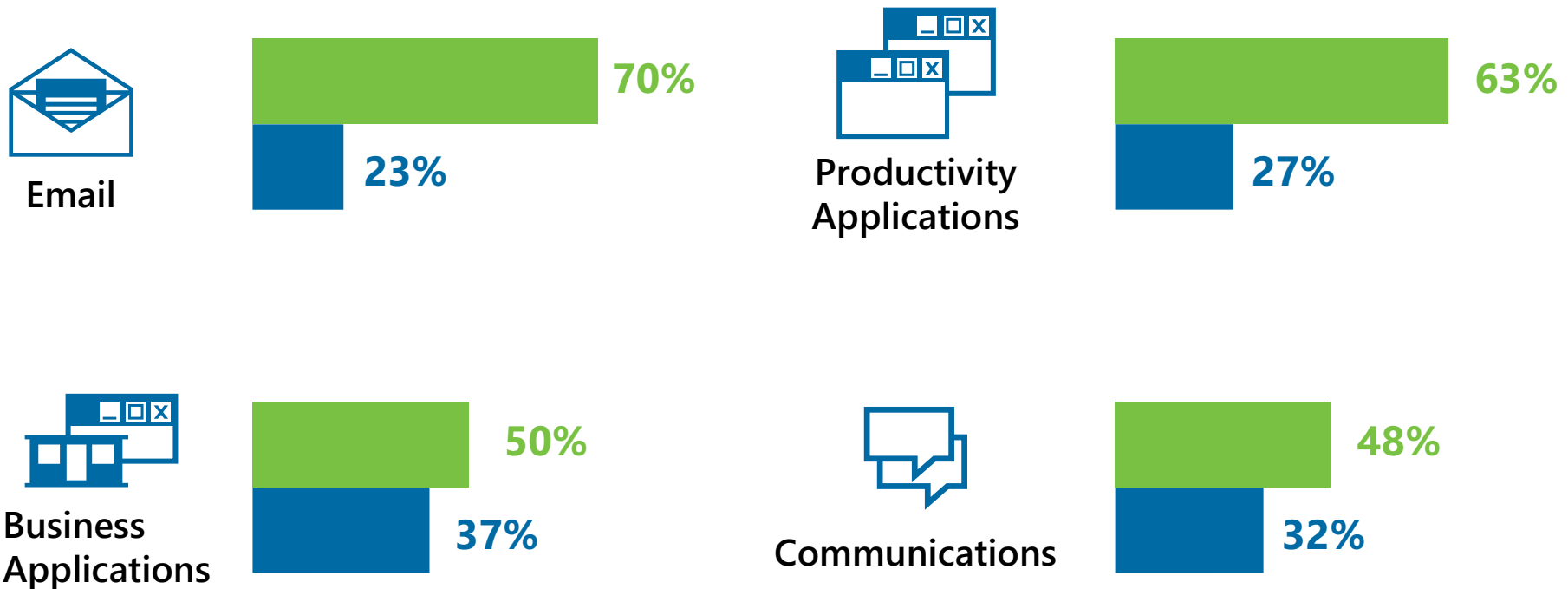
Currently 2-3 years

Microsoft | Operator Channels 19

# Cloud Use

## SMBs & Capabilities

Cloud adopters want to do more with devices. Mobile business apps may be an opportunity for Microsoft Corp. and partners.



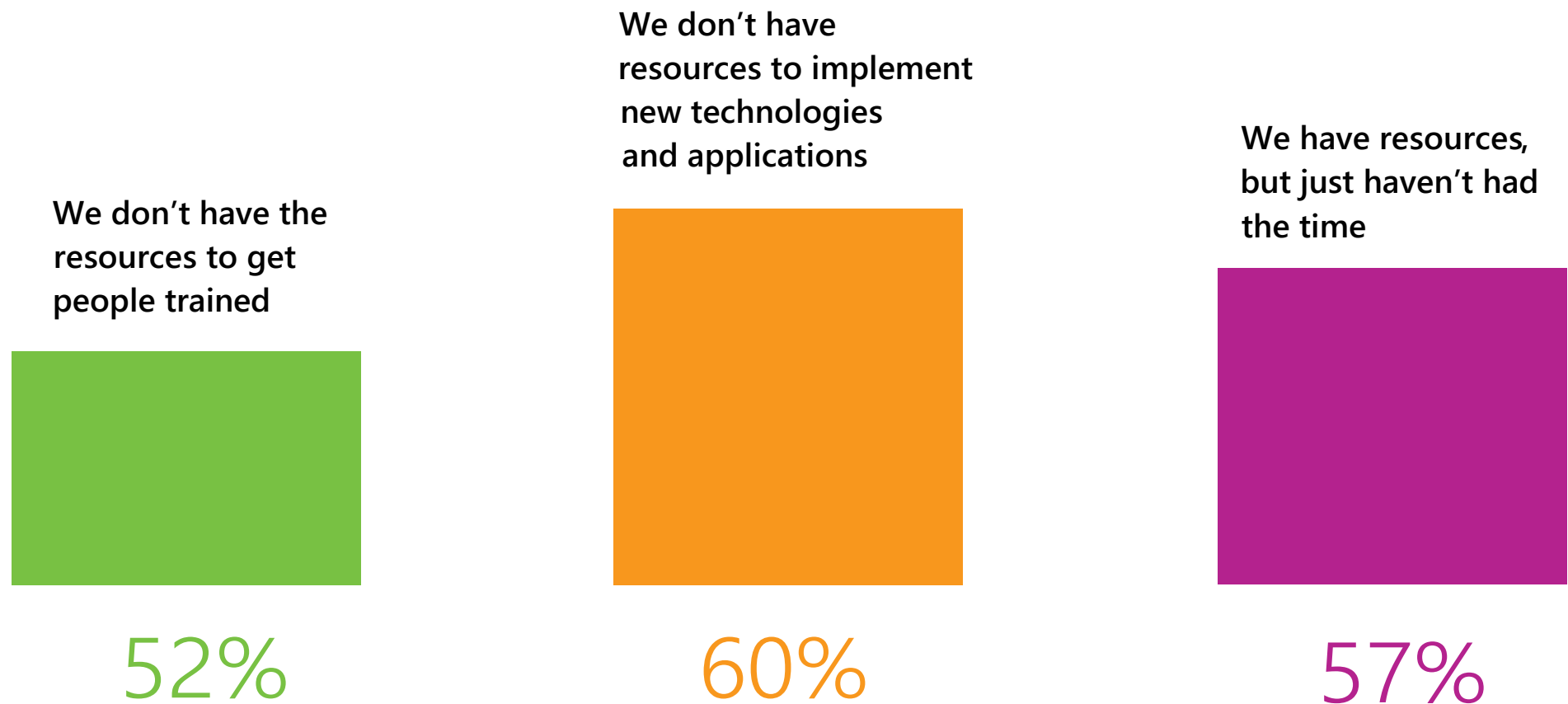
■ Important to a few employees ■ Important to most or all employees

Microsoft | Operator Channels 20

# Acquiring Cloud Services

## SMBs & Adoption

Cloud adoption is restricted by lack of time and resources; SMBs need appropriate partners or processes for implementation.



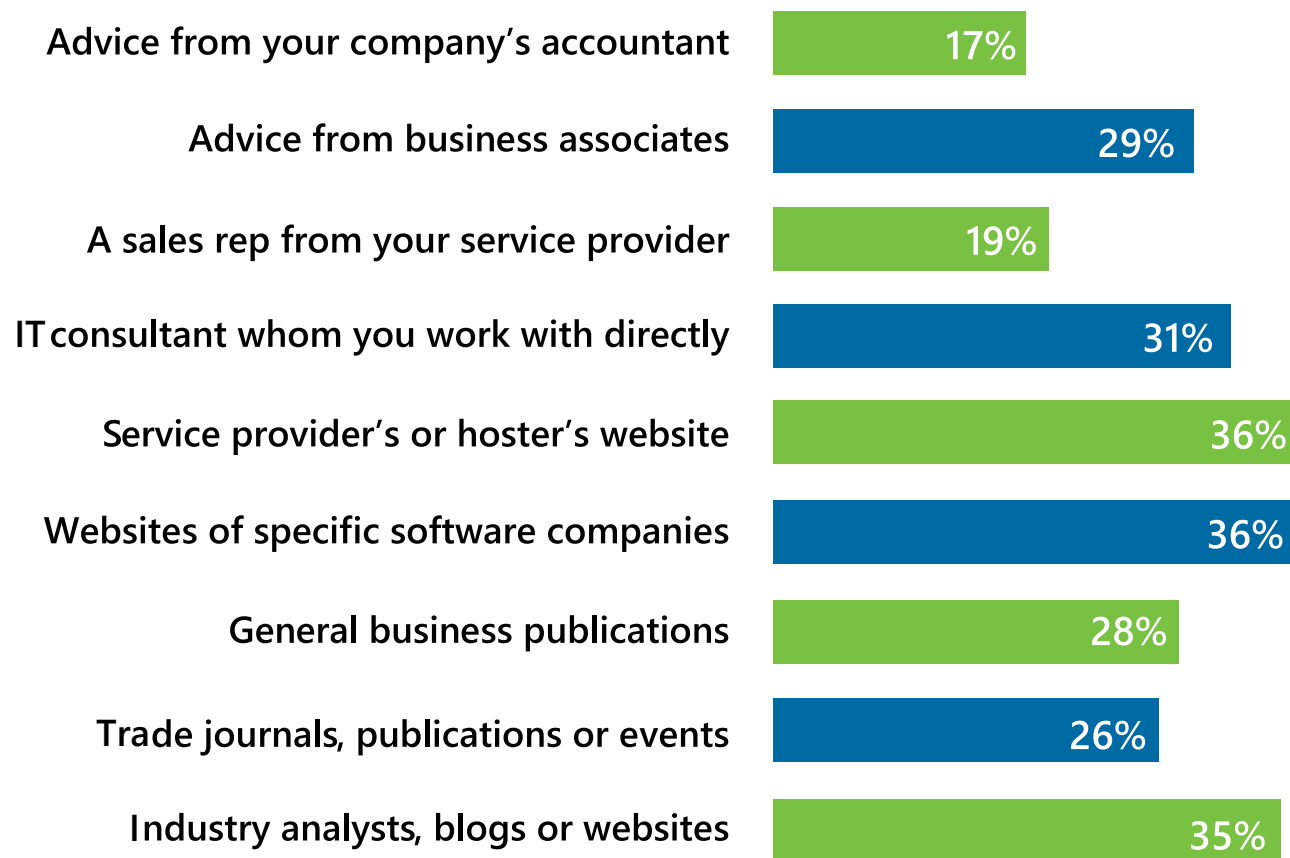
N=3,000

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# Acquiring Cloud Services

## SMBs & Learning Sources

SMBs visit their service providers' or hosters' websites and the websites of specific independent software vendors (ISVs), as well as read analyst reviews and blogs, to learn about cloud services.



N=3,000

Microsoft | Operator Channels 22

# Acquiring Cloud Services

## SMBs & Hosters as a Choice

The default for SMBs is to consider ISVs as their primary choice since hosters are not always well-known; however, many want a local “reseller” that can bring together the services they need.

- Less than **10%** of respondents consider their hosting provider as their first choice, compared with **53%** from a software vendor and **12%** from a local reseller or SI.
- Another **16%** would consider a hosting provider as a second choice.

The signs are right for hosters to develop an aggregator/broker model.

- SMBs want a single source, diversity of business functions, and a spectrum of software as a service (SaaS), infrastructure as a service and platform as a service services.

Hosters need to build channels; design marketing programs targeted at the business decision-maker, not just the IT professional; and be able to help educate, activate and migrate customers, either directly or with partners.

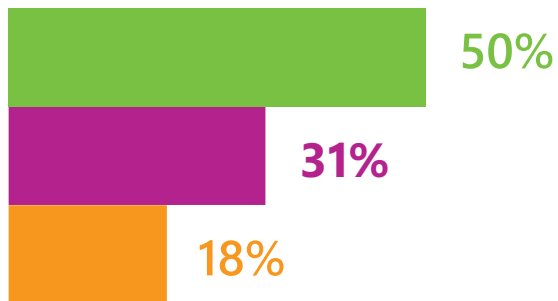
# Acquiring Cloud Services

## SMBs & the Importance of a Local Provider

Most SMBs feel it is important to buy services from a provider with local personnel — **31%** feel this is critical.

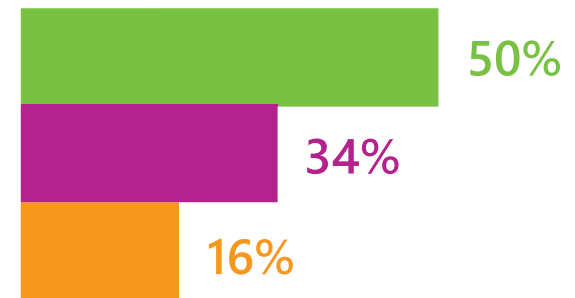
### TOTAL

N=3,000



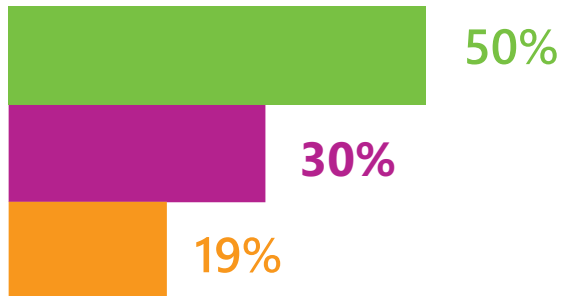
### 11–50

N=963



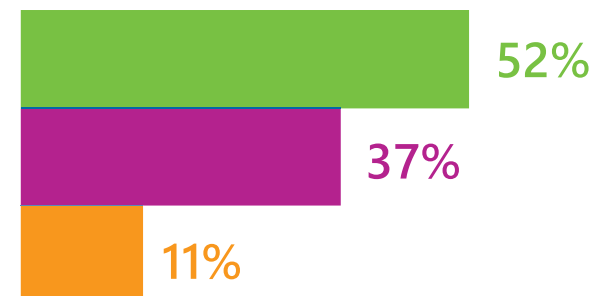
### 2–10

N=834



### 51–250

N=1,203



■ Critical ■ Important ■ Not Important

Microsoft | Operator Channels

24



# Methodology & Sample Characteristics

Countries represented in the survey & number of respondents per country

## ASIA



**JAPAN**

N=200



**S. KOREA**

N=200



**AUSTRALIA**

N=200



**CHINA**

N=300

## NORTH AMERICA



**U.S.**

N=300

## SOUTH AMERICA



**BRAZIL**

N=250

## EUROPE



**U.K.**

N=225



**DENMARK**

N=200



**FRANCE**

N=225



**SPAIN**

N=200



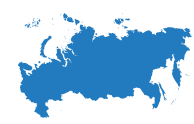
**GERMANY**

N=250



**TURKEY**

N=200



**RUSSIA**

N=250

# Methodology & Sample Characteristics

## Methodology

Microsoft SMB Business in the Cloud 2012 research report was designed and conducted in conjunction with Edge Strategies Inc. (<http://www.edgestrategies.com>) in December 2011. The research questioned 3,000 SMBs that employ 2 to 250 employees across 13 countries worldwide, completed in December 2011.

- Companies were selected from an online panel. Companies without Internet access and/or companies not using email were screened out. As such, any projections are limited to the percent of companies in each country with Internet access and email.
- Respondents were IT decision-makers or influencers who spend at least 5% of their time on IT and are aware of most or all of the company's applications.
- Larger SMBs were intentionally oversampled to ensure sufficient responses within the size group for analysis. The sample is weighted by estimated company size within each country to be representative of the SMB population.
- Margin of error on global statistics is +/- 1.8%. The margin of error on individual country statistics is +/- 6.9%.