

## A TECHAISLE WHITE PAPER



# *SMB PERSPECTIVES* VENDOR ACTIONS NEEDED FOR OVERCOMING SMB CLOUD COMPUTING ADOPTION BARRIERS

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## NON-CLOUD COMPUTING USERS CAN BE CONVERTED

Techaisle SMB surveys in multiple countries are showing that SMB cloud computing non-users will increasingly get comfortable with the idea of Cloud based services once there are enough proof points in the market. The question remains though whether there are actions that vendors can take now that would not only overcome the barriers for cloud adoption but compel SMBs to switch to or adopt Cloud services?

Of those SMBs that are currently not using Cloud services, 43% state they will never consider Cloud services under any circumstance. For the remainder, 24X7 customer support (34%) is a key requirement that would compel them to adopt in addition to if the cloud services were provided by a trusted vendor (26%). And if the trusted vendor is a single vendor that has a broad catalog of services and takes responsibility for service then it is even better.

Techaisle has conducted quantitative surveys with over 8300 SMBs and has spoken with ITDMs in multiple countries to understand small and medium business Cloud Computing market opportunity along with issues, concerns, problems and challenges.

## MATTER OF PRINCIPLE

This obviously begs the question as to what barriers need to be overcome to convince this constituency to subscribe to Cloud services.

When asked about what the primary reason was for not using Cloud services, it turns out to be a matter of principle. As a principle these businesses simply prefer to purchase rather than rent solutions. They also do not believe in keeping their data at another location.

Not surprisingly, in some geographies, SMBs report that regulations prevent them from keeping their data at a third-party location. It is true that regulations governing data security and liability in case of data loss have yet to catch up with the Cloud world. Indeed, in some European countries data cannot leave the geographical boundaries of the country. Such laws reduce the economy of scale benefit that vendors expect to enjoy. In the US however, privacy laws in certain sectors such as healthcare, pharmacy prevent companies from keeping data at locations not owned by the company. However, this only constitutes 9% of the non-user universe.

## TCO WILL HELP

Are these issues insurmountable? Will non-users never consider using Cloud services? It turns out that there are some situations that could lead to use of Cloud services among existing non-users. The primary reason stated is cost. If the cost of owning is higher than renting they would consider. Given that a

subscription based model is always cheaper at sign-up, this really becomes an issue of total cost of ownership over the lifecycle of the solution. The second most stated reason is whether or not the Cloud service completely meets their need.

## KEY VENDOR ACTIONS NEEDED NOW

One of the questions that we asked to current non-Cloud-computing-users was: What vendor actions would compel you to use Cloud services?

Top reasons ranked in order of % of respondents for the US is given below.

Ranking	SMB (1-999 Employees)
1	Provide 24X7 customer support
2	If the application was provided by a trusted IT provider
3	Provide onsite training
4	Provide discounts for pre-paying annually
5	Provide a broader catalog of applications
6	Provide better notification of upgrades, changes and downtime
7	Help integrate hosted applications into existing infrastructure
8	Provide single sign-on or single login across all applications
9	Have a policy for migrating data to competing applications
10	Provide an SLA to ensure application is accessible at all times

Some key differences exist between SBs (1-99 employees) and MBs (100-999 employees). Mid-market businesses for example give higher priority to single sign-on, notifications of upgrades and changes while small businesses emphasize pricing, training, integration and data migration.

There exists a strong correlation across all the points raised by SMBs. While most cloud computing vendors may like to pick up one or two issues and address those in their marketing messages but it may not have the most impact in converting non-believers to believers.

## DELL ON THE RIGHT PATH

Vendors like Dell that have embarked on a journey to help SMBs adopt cloud solutions have the most to gain by addressing all of the above issues. They are also well-positioned and are doing the right thing by designing a well thought-out solution. If Dell executes on its plan it may take the lead. The last time we spoke with Dell, they had already addressed most of the concerns and had developed a roadmap to address the remaining. For example,

1. Provide 24X7 customer support - currently available through user portal and on the roadmap for phone support
2. If the application was provided by a trusted IT provider – Dell is a trusted vendor
3. Provide a broader catalog of applications – continuing to build a portfolio of best of breed applications
4. Provide single sign-on or single login across all applications - on the roadmap
5. Provide an SLA to ensure application is accessible at all time – currently available

Recently Intel has also rolled out its AppUp service under its Hybrid Cloud Program mostly directed towards its channel partners to enable cloud computing and managed services deployment. Intel is bringing together a collection of tools that allow service providers to download from a catalog. Intel strategy is hardware-centric pushing for greater adoption of vPro technology as an enabler for cloud related services. It still needs to have a strong messaging for SMBs directly. Dell on the other hand seems to have a strategy that creates a dialog between Dell and its channel partners as well as Dell and its current SMB and potential customers. And this two-pronged messaging is also important for success.

HP (Hewlett-Packard) in select countries, especially in some emerging markets, has begun to sign up with ISVs to provide SMB Cloud services. However, its strategy at best remains unclear and sporadic for now.

The above moves by Dell are in the right direction. We were the first industry analyst firm to write ([download](#)) there will come a time when independent IT vendors will have to integrate and deliver cloud services that best serve their customer base. We called them Cloud Services Aggregators. It has begun to happen.

## ABOUT TECHAISLE

Techaisle is a global ICT Market Research and Industry Analyst organization. Techaisle conducts surveys with Enterprises, SMBs and channels to understand market trends, opportunities, buying behavior, purchase intent, and IT priorities. Techaisle offers its clients: focused Syndicated reports, Primary Research & Competitive Intelligence. For more information on Techaisle or its global products/services, please visit [www.techaisle.com](http://www.techaisle.com) or email [inquiry@techaisle.com](mailto:inquiry@techaisle.com)