Microsoft

SMB Cloud Adoption Study Dec 2010 - Global Report

What will be the impact of cloud services on SMBs in the next 3 years?

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Methodology & Sample Characteristics

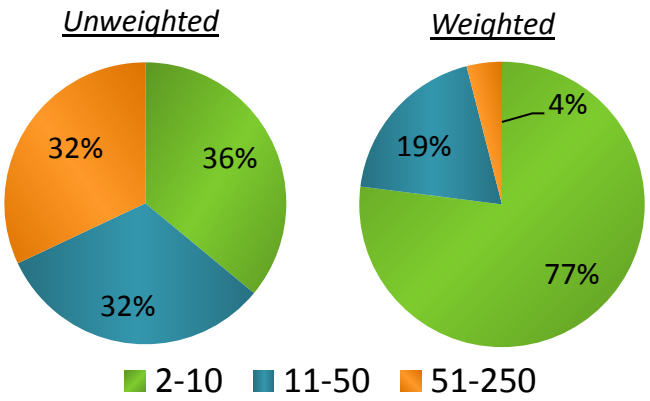
Summary of Sampling Parameters

- A total of **3,258 companies with 2 – 250 employees in 16 countries** completed the online survey in December 2010.
- To be eligible to participate, the respondent had to participate in decisions regarding the company's technology needs and capabilities.
- An equal number of interviews were conducted in each of three size groups (2-10, 11-50, and 51-250 employees) to ensure sufficient responses within each group for analysis. For the analysis to be representative of the SMB population, the sample was then weighted by the estimated number of companies within each size category within each country.
- Margin of error on global statistics is +/- 1.6%. The margin of error on individual country statistics is +/- 6.5%.

	N
TOTAL	**3258**
Australia	200
Canada	175
China	275
France	200
Germany	200
India	200
Japan	200
Netherlands	200
Norway	200
Russia	200
Singapore	200
South Africa	200
South Korea	200
Spain	200
UK	200
USA	208

All reported N's are unweighted.

Number of employees
N=3258



The study focused on the following services

Services *

SaaS
- Business class email
- Accounting software
- CRM
- Web Conferencing
- File sharing
- Project management
- Specific business applications

IaaS
- File/Data storage and backup
- Data archiving and compliance

- Companies were asked to indicate how they currently address each application and how they expect to address each application 3 years from now.
- Definitions for applications were provided during the survey.
- Response options were:
  - Don't use
  - Traditional IT
  - Free Cloud applications
  - Paid Cloud applications
  - Don't know
- **Beginning assumption was that companies don't understand what cloud applications are, so the definitions of Traditional IT, Free Cloud, and Paid Cloud were explicitly described on each relevant page of the survey.**

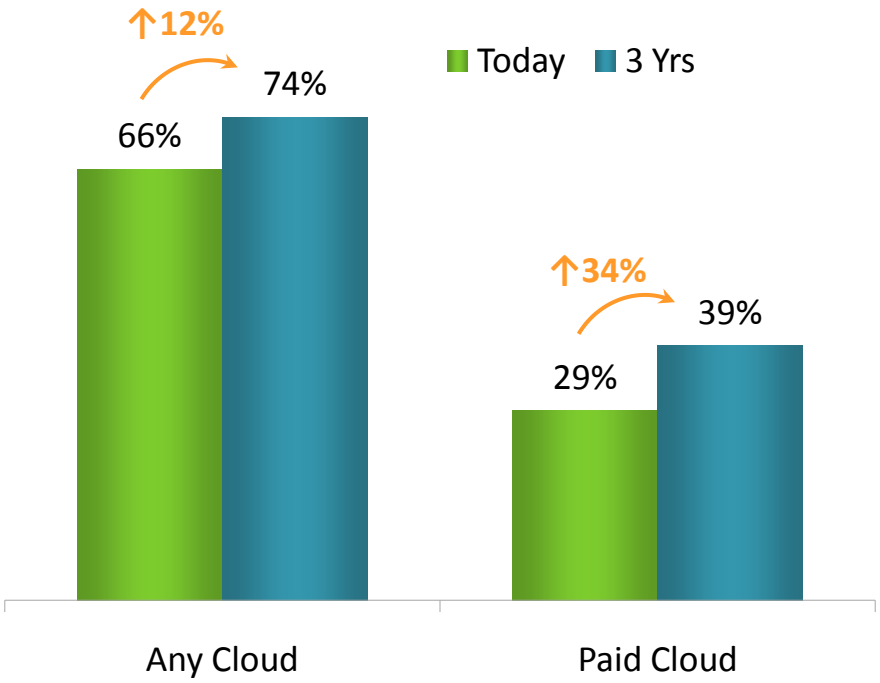
** Basic email and web hosting were included in the survey but excluded from the analysis of hosted services adoption*

Key Findings

39% of SMBs with 2-250 employees expect to be paying for cloud services within three years – an increase of 34%

Use of Cloud Services Today and Planned Use in 3 Years – Both Paid and Unpaid

All companies, N=3258



- 74% of SMBs plan to use at least one cloud service (paid or free) in 3 years
- 39% expect to be paying for cloud services

	Number of employees		
	2-10 *N=1180*	**11-50** *N=1033*	**51-250** *N=1045*
Any cloud, 3yrs	73% (↑12%)	78% (↑13%)	81% (↑13%)
Paid cloud, 3yrs	37% (↑38%)	45% (↑25%)	56% (↑27%)

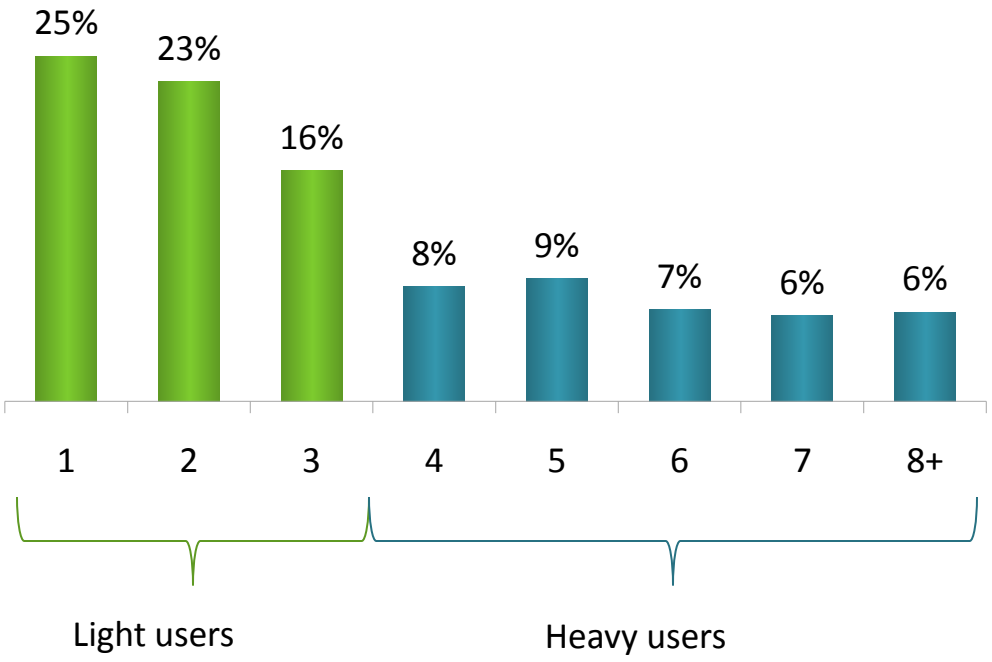
Back to key findings

On average, SMBs who pay for cloud services will be paying for 3.3 apps/workloads in three years

- **36% of SMBs will pay for 4+ services**

Number of paid services to be used

Companies planning to use at least paid app, N=1519



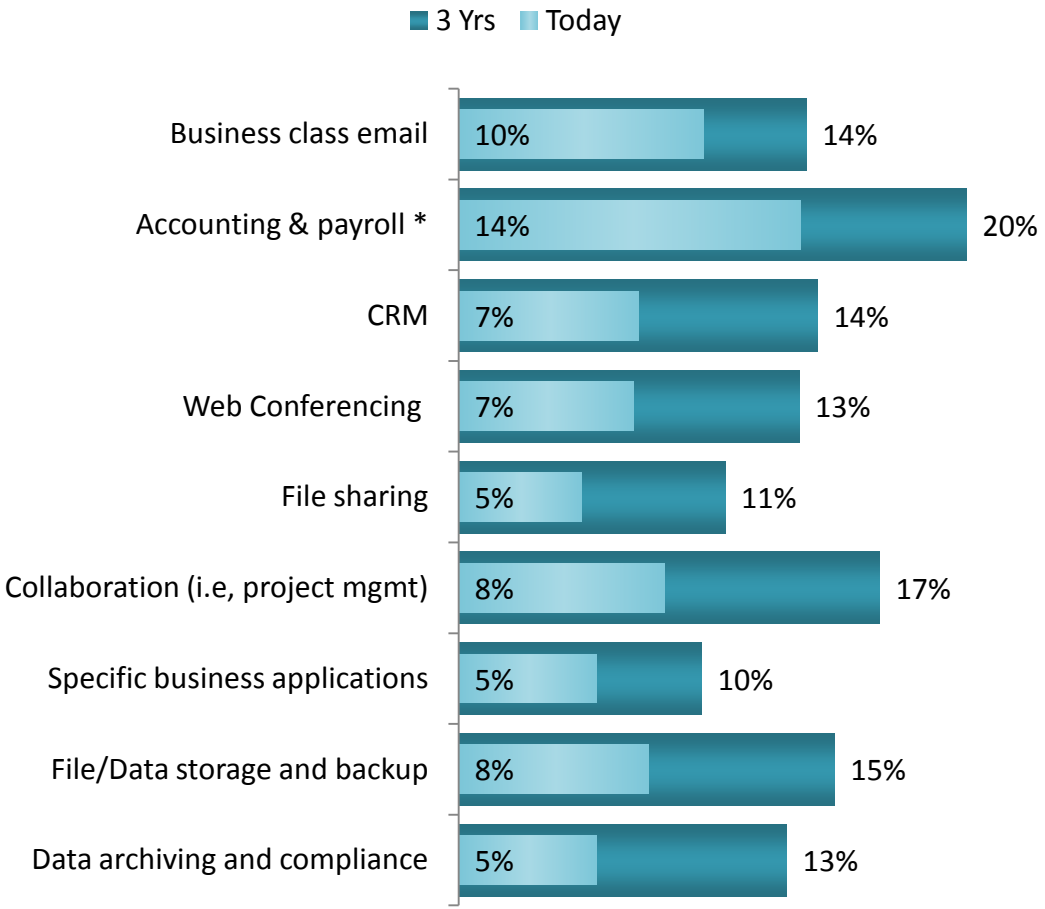
Mean number of paid services that will be used	
All companies *(N=1519)*	3.3
2-10 emp *(N=416)*	3.3
11-50 emp *(N=492)*	3.5
51-250 emp *(N=610)*	3.7

Back to key findings

Workloads to be addressed by paid cloud services

Workloads Addressed by Paid Cloud Services today and in 3yrs

All companies, N=3258

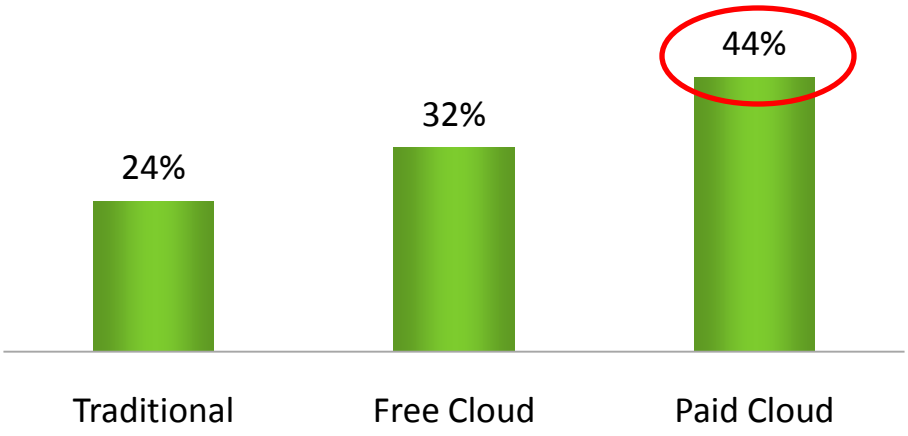


Number of employees (Today → 3 yrs.)

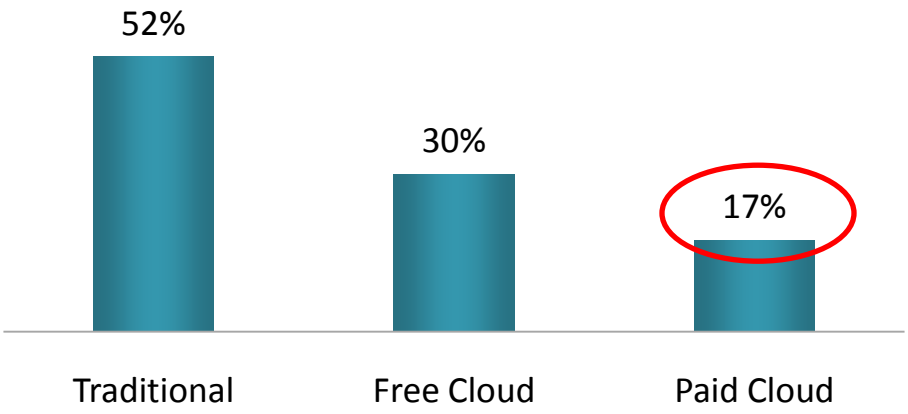
2-10 *N=1180*	11-50 *N=1033*	51-250 *N=1045*
9% → 13%	12% → 16%	15% → 21%
12% → 18%	18% → 25%	24% → 32%
6% → 13%	11% → 17%	15% → 24%
6% → 13%	8% → 15%	11% → 20%
4% → 10%	7% → 13%	11% → 20%
7% → 16%	11% → 18%	18% → 29%
6% → 9%	5% → 11%	7% → 13%
7% → 14%	10% → 18%	12% → 24%
4% → 12%	11% → 17%	11% → 22%

** Reflects companies using hosted service for Payroll*

Most SMBs will remain hybrid



For SMBs using **any** Paid Cloud Services, 44% of the 9 workloads Considered will be Paid Cloud Services



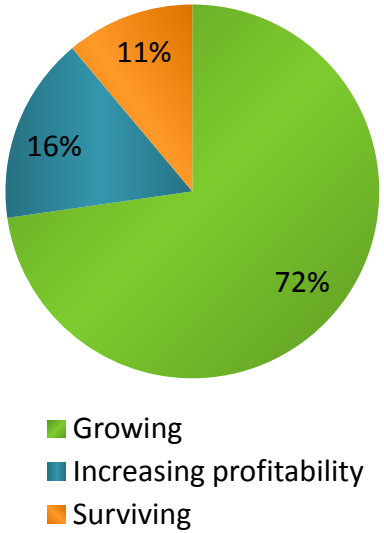
When considering all SMBs, 17% of workloads will be addressed By Paid Cloud Services

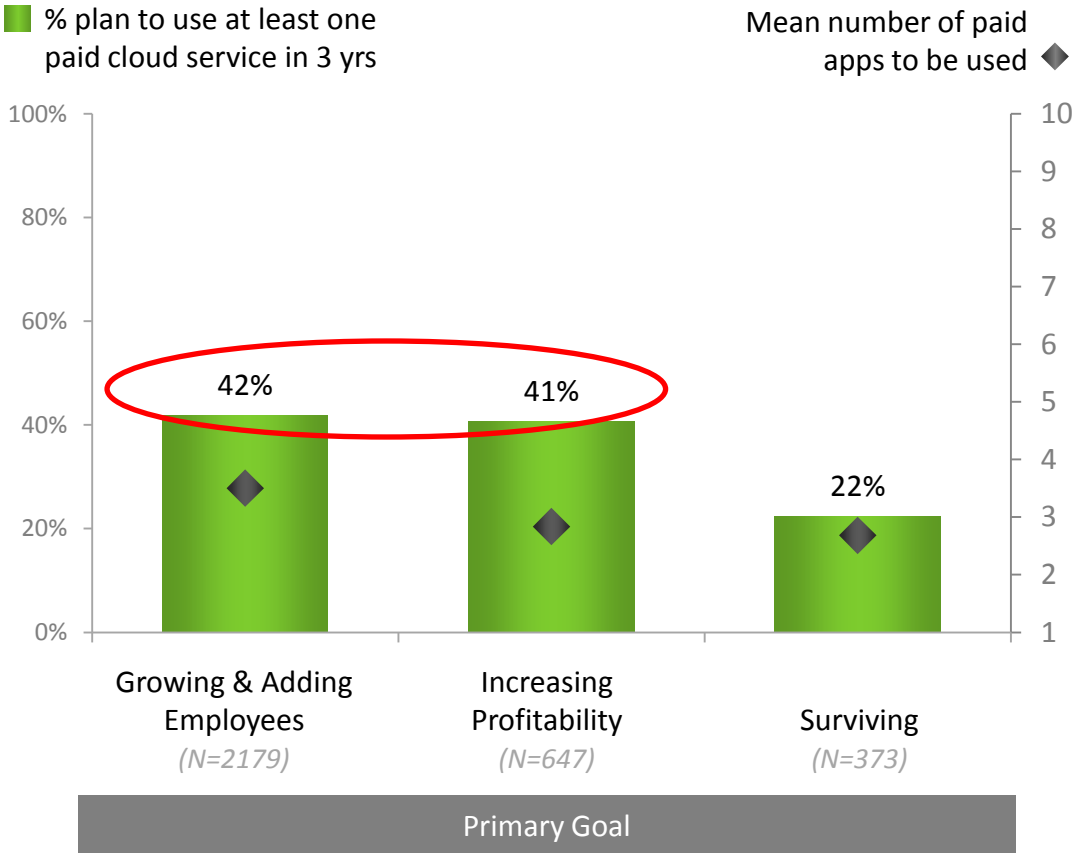
Cloud not just for growing SMBs, but also those focused on increasing profitability.

- SMBs hoping to increase profitability without adding employees are just as likely as those hoping to grow to adopt paid cloud services in 3 years, but they will use slightly fewer applications.

Primary company goal over the next 3 years

All companies, N=3258



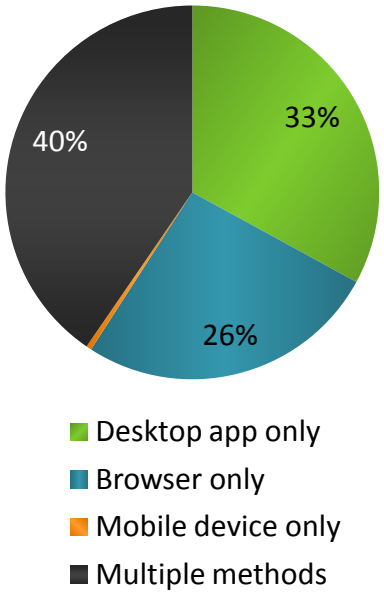


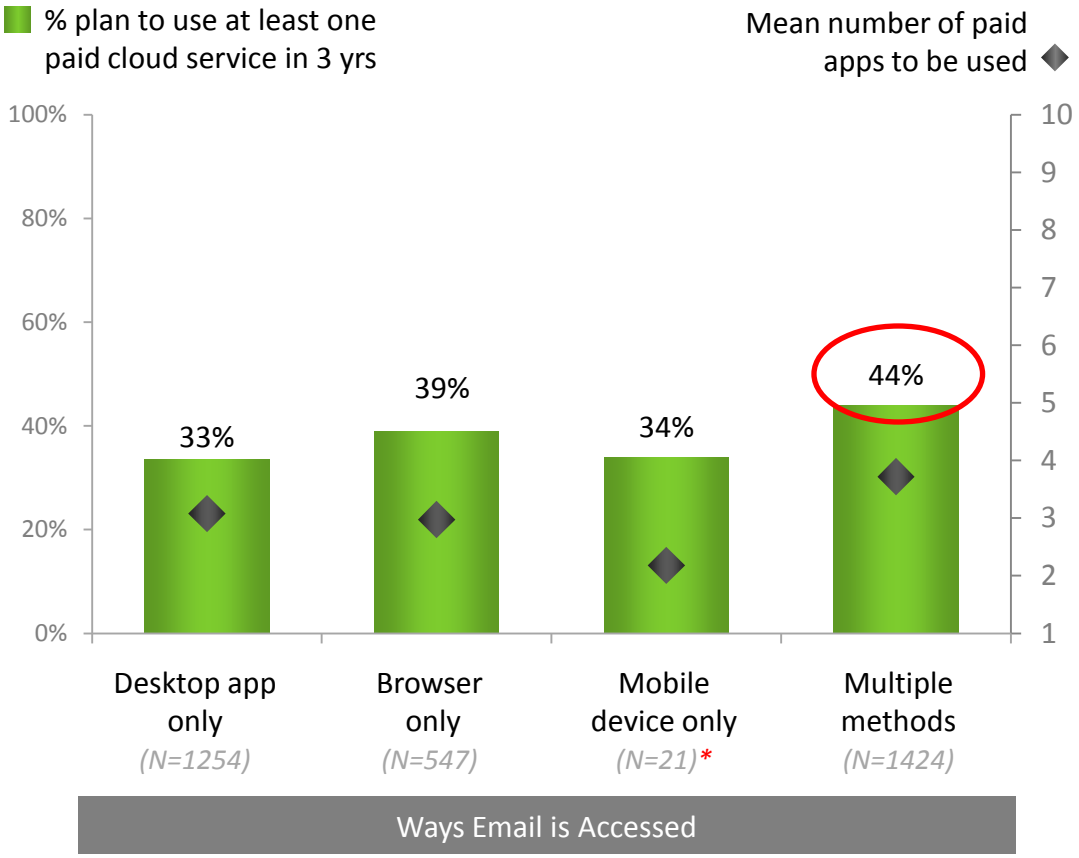
Back to key findings

SMBs accessing their email through multiple methods are more likely to adopt paid cloud services

Email Access

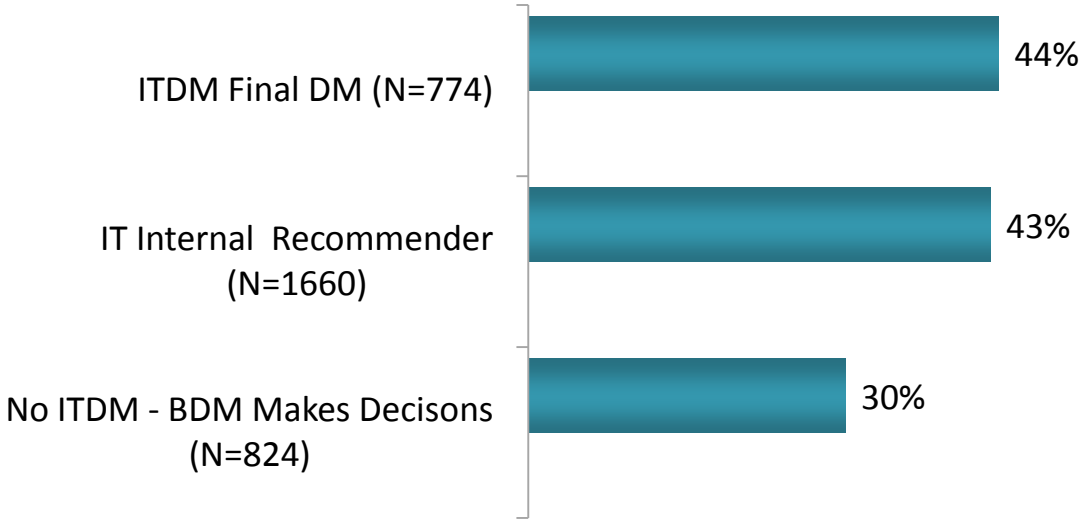
All companies, N=200





SMBs with ITDMs are more likely to adopt cloud services than those where BDMs make IT decisions

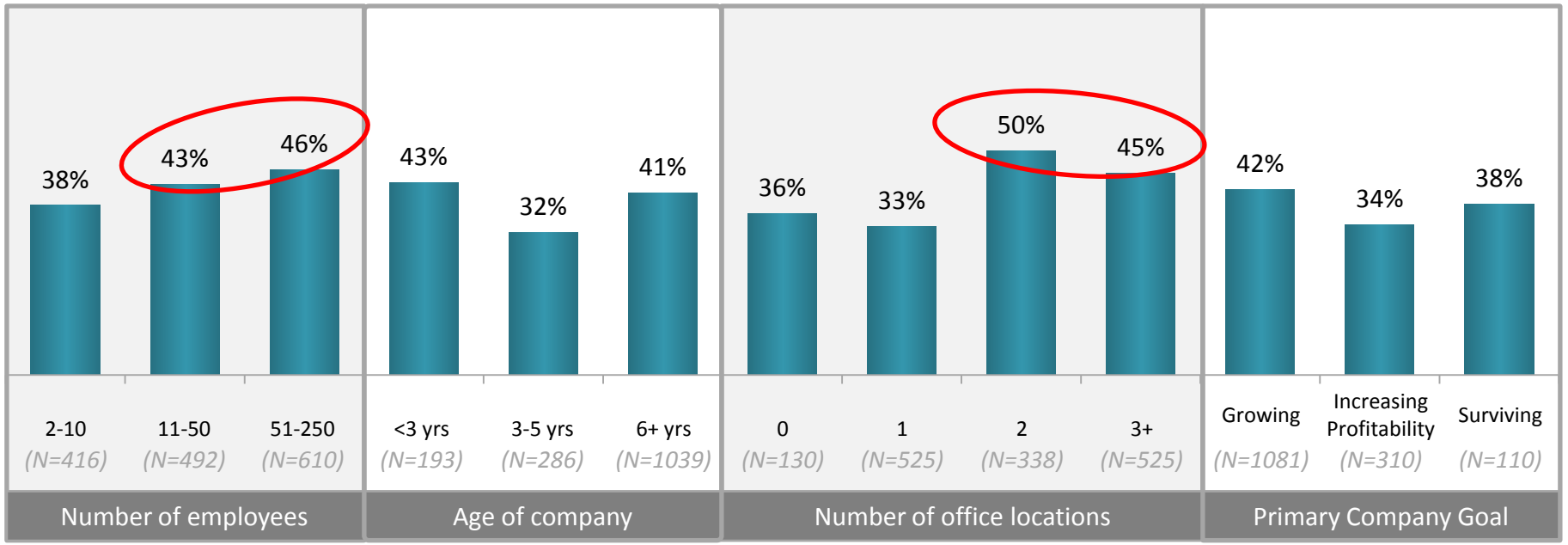
Paid cloud adoption by decision-making role



Mean number of paid services that will be used	
ITDM Final DM *(N=434)*	3.1
ITDM/Influencer *(N=797)*	3.8
BDM makes decision *(N=287)*	2.6

Broad spectrum (SaaS and IaaS) use will be greater in larger SMBs, and in SMBs with more than 1 office

SAAS and IAAS adoption by company size, age of company, number of office locations, and primary company goal

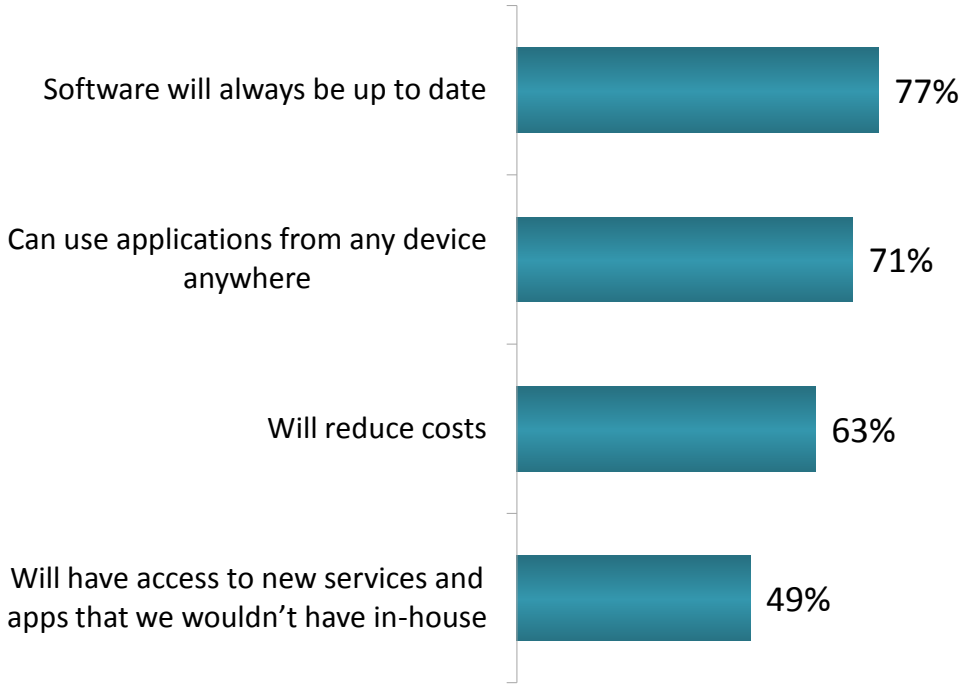


Moving to cloud will not necessarily be driven by cost alone

- Customers see value in increased productivity from staying current and the ability to have anywhere access
- Nearly half believe that the cloud will allow them to have applications that they would not have otherwise

Expected benefits of cloud applications

Companies planning to use paid cloud applications, N=1518



	Number of employees		
	2-10 *N=416*	**11-50** *N=492*	**51-250** *N=610*
Software will always be up to date	76%	80%	79%
Can use applications from any device anywhere	70%	74%	71%
Will reduce costs	62%	65%	77%
Will have access to new services and apps that we wouldn't have in-house	51%	45%	44%

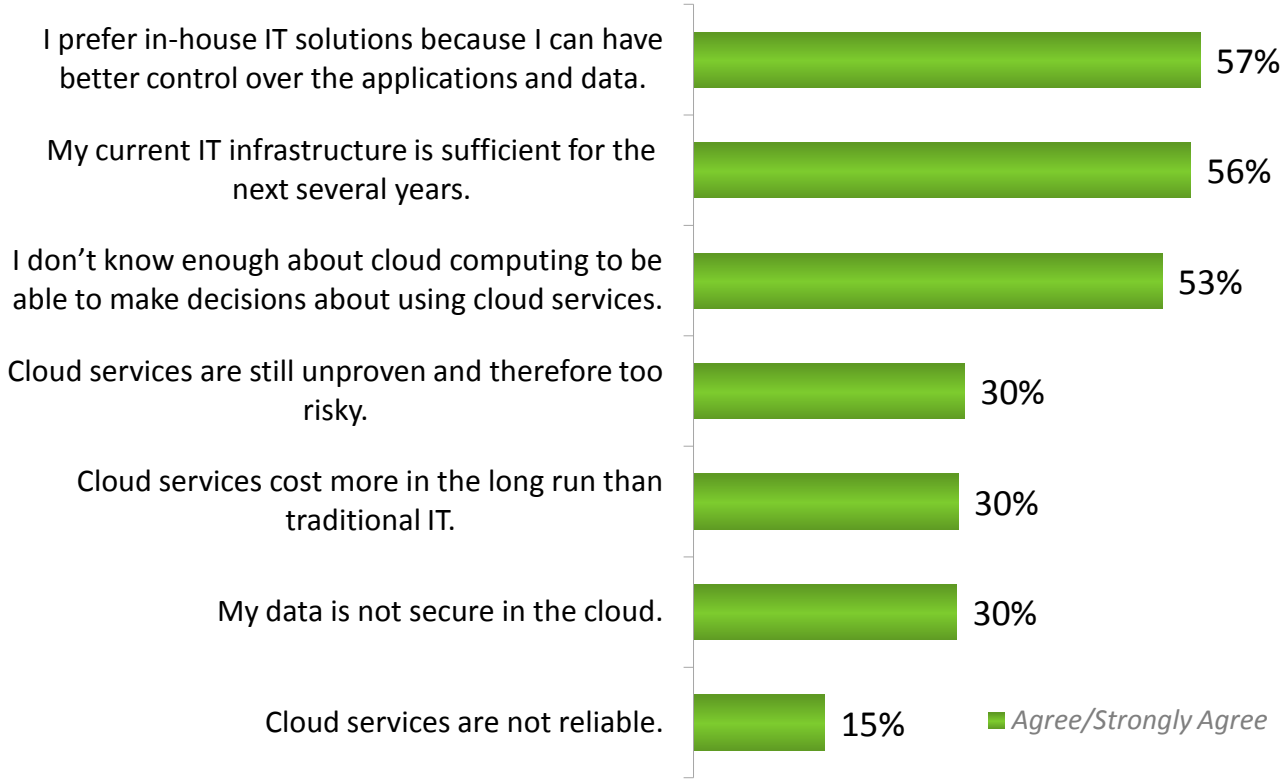
Back to key findings

56% of SMBs who don't intend to pay for cloud services believe that they have sufficient IT capability in place for now

- Perceived lack of control over applications and data is top concern regarding cloud services

Concerns about cloud applications

Companies who don't plan to use any paid cloud applications in 3 years, N=1740



	Number of employees		
	2-10 *N=764*	**11-50** *N=541*	**51-250** *N=435*
I prefer in-house IT solutions because I can have better control over the applications and data.	57%	58%	61%
My current IT infrastructure is sufficient for the next several years.	56%	54%	54%
I don't know enough about cloud computing to be able to make decisions about using cloud services.	55%	45%	42%
Cloud services are still unproven and therefore too risky.	30%	31%	38%
Cloud services cost more in the long run than traditional IT.	30%	28%	34%
My data is not secure in the cloud.	30%	28%	37%
Cloud services are not reliable.	15%	15%	18%

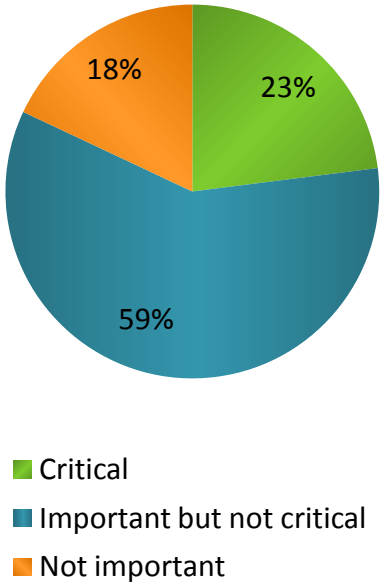
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Local presence is important. Cloud providers need an Ecosystem.

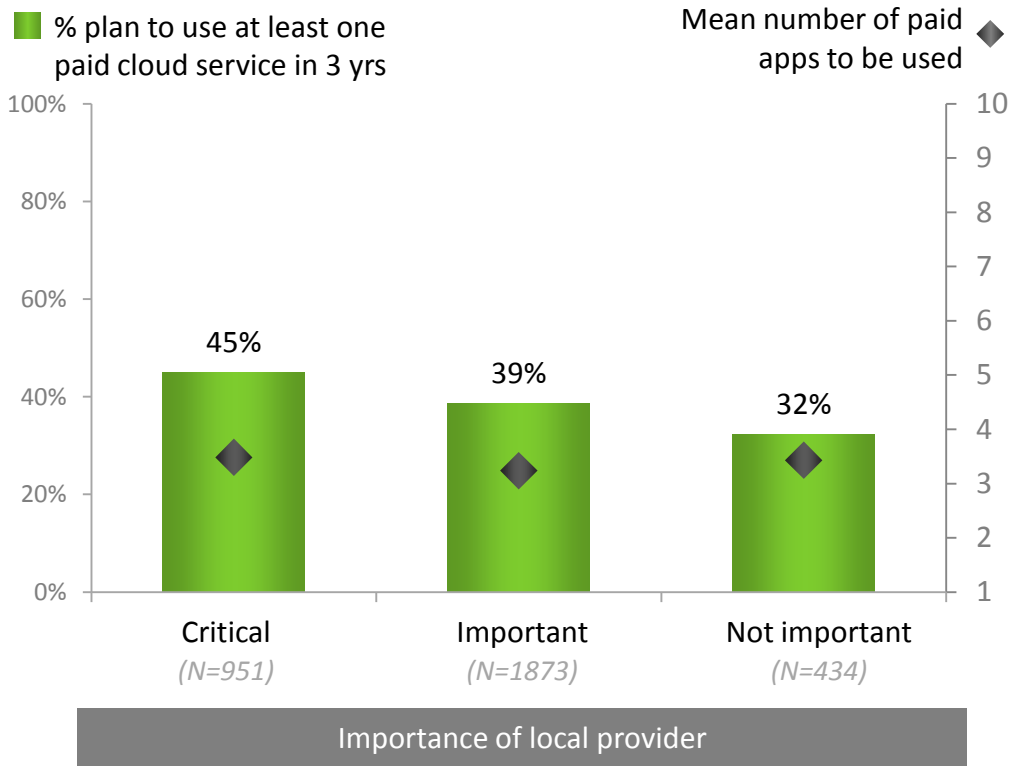
- Buying from a provider with local personnel is important to most companies and critical for about ¼ of companies.
- SMBs who say that local presence is important or critical are more likely to adopt paid cloud services than those who say it's not important.

Importance of buying from local provider

All companies, N=3258



Impact of local provider on hosted application use

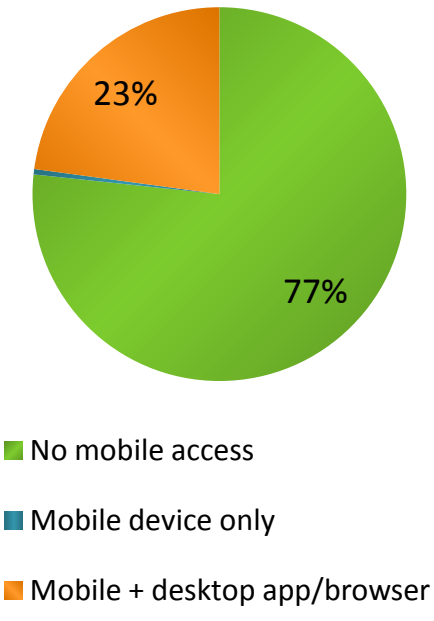


Back to key findings

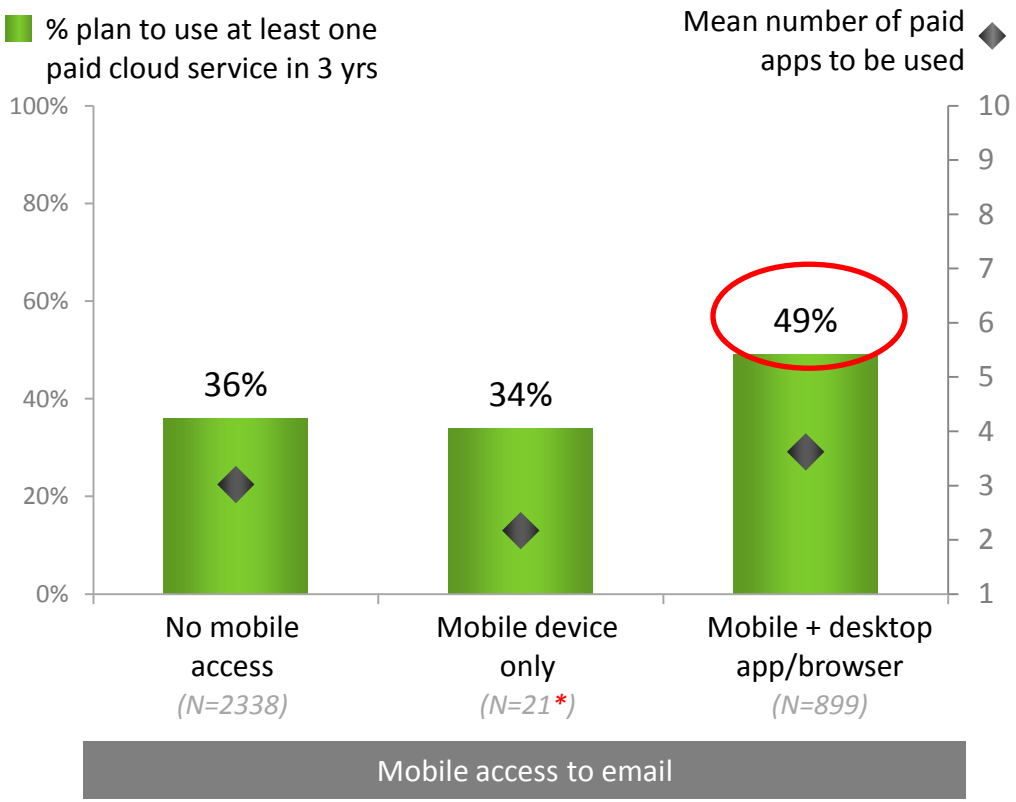
SMBs using mobile email are more likely to be paid cloud adopters

Access to email on mobile devices

All companies, N=3258



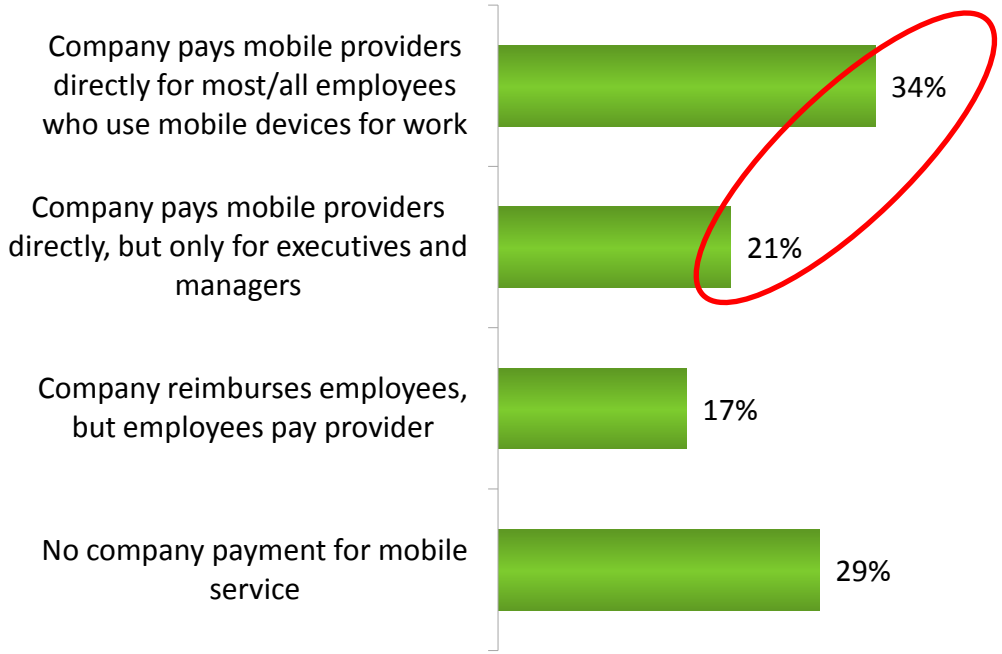
Impact of mobile access on hosted application use



~ Half of SMBs directly pay mobile service charge for at least some employees

Company payment for employees' mobile service

All companies, N=3258



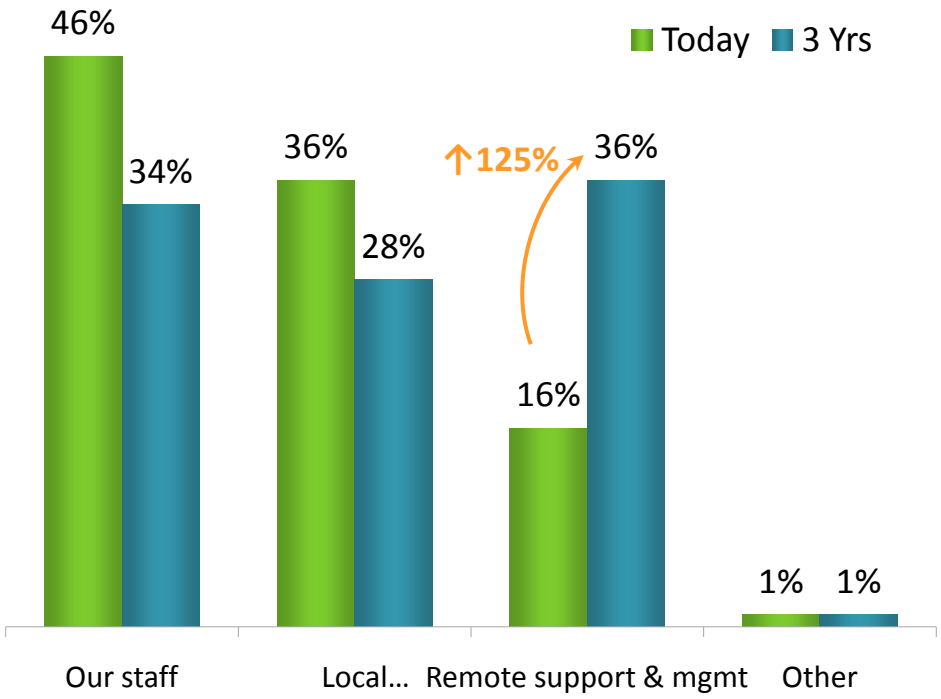
	Number of employees		
	2-10 *N=1180*	**11-50** *N=1033*	**51-250** *N=1045*
Company pays mobile providers directly for most/all employees who use mobile devices for work	33%	37%	38%
Company pays mobile providers directly, but only for executives and managers	18%	28%	32%
Company reimburses employees, but employees pay provider	17%	16%	16%
No company payment for mobile service	32%	19%	14%

Back to key findings

New support model emerging: substantial opportunity for remote support

Current and preferred future support for PCs

All companies, N=3258



- Number of companies preferring remote desktop services more than doubles

Remote support & management	Number of employees 2-10 N=1180	11-50 N=1033	51-250 N=1045
Today	16%	18%	16%
3 Yrs	34%	41%	46%
	↑113%	↑128%	↑188%

Definition of Remote PC support: A technology service provider checks, supports, and manages your desktop computers and applications remotely by logging in with permission. They typically charge a small monthly fee for each system.

Back to key findings

Appendix

Definitions

- Traditional IT: Your organization buys and owns the software and hardware it uses. You either have internal staff for support and maintenance of the software and hardware, or you pay a third party for support.
- Cloud Services: Your organization subscribes to the software or service and typically pays for each employee who uses it. The software is hosted and managed by a Hosting Company or the Software Developer (e.g., Microsoft, Google, etc). You access the software online, either through a web browser or desktop access software (e.g., Outlook). Some cloud services may be free (e.g., Google Docs)
- Business class email: Professional email service with shared calendars, contacts, tasks, and notes—all fully synchronized with your computers and/or mobile devices (BlackBerry, iPhone, Windows Phone, and more). Includes security, backup, and support.
- Customer Relationship Management (CRM): A typical CRM program allows you to gather, store and analyze information about your customers – as well as suppliers, vendors, and your own internal processes – with the goal of helping you to build and manage your customer relationships.
- File Sharing: Users can create, view, edit, store, and share files in a central repository for better collaboration.
- Project management: Ability to create, store, and share schedules, tasks, and content for individual projects.