Using Cloud Capabilities for Competitive Advantage:

How Small and Midsize Companies Worldwide Are Applying Cloud Technology to Meet Key Business Goals

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Small and Midsize Business Worldwide are Using Cloud Computing for Cost-effective Competitive Benefits

Cloud computing is an important resource that has gained growing support among small and midsize businesses worldwide. These businesses are attracted to the cost-effective competitive benefits the cloud affords to smaller business. By providing access to tools that otherwise would be unavailable to them, cloud computing enables smaller firms to become more agile, operate more efficiently, and compete and grow against larger-sized firms.

The cloud provides a way for these smaller businesses to overcome several key challenges they face when investing in IT. Cloud solutions are easily scaled to meet growth needs. Solutions are maintained and upgraded without the need to hire additional staff, and they do not require on-premise resources such as space, power, and cooling.

By providing online access to remotely hosted services through high-speed Internet connections, cloud resources provide more than just an alternative way to deploy new technology. The cloud model is an alternative to the traditional software licensing model, making the latest software more affordable than ever before.

Small and Midsize Businesses Worldwide Get Important Business Benefits from the Cloud

41%

Reduced IT Costs

No need to build and maintain on-premise hardware/software

40%

Increase Revenue/Decrease Costs

Link sales with accounting/enterprise resource planning to reduce time to payment

40%

Increased Productivity

Collaborate anytime/anywhere with secure mobile apps and devices

37%

Access New Services

Easily deploy new, advanced services or software that would have been unaffordable before, such as customer service SW

33%

Agility

Quickly add/subtract new apps, users, and features that reduce paperwork or response time

70%

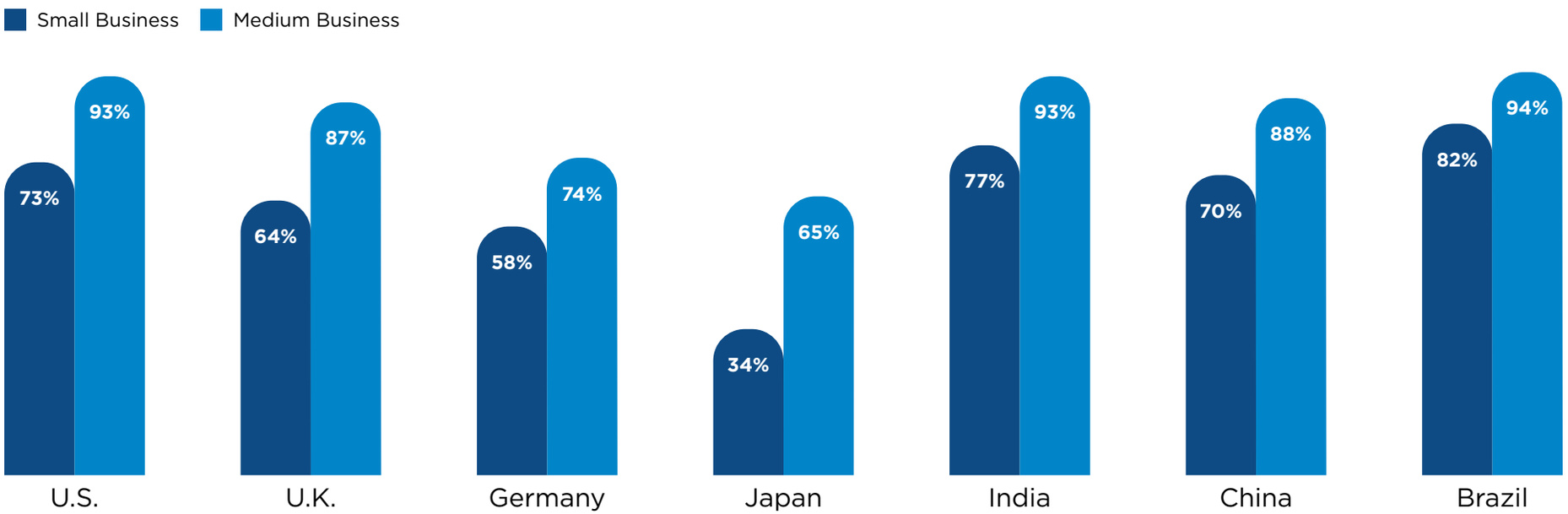
Expectations from cloud services met or exceeded

Source: Next Steps in Digital Transformation, an IDC InfoBrief Sponsored by SAP, January 2017 (N=3,904)

Cloud Capabilities Are Now Widely Embraced by Small and Midsize Businesses Worldwide

Use of cloud solutions is nearly universal among midsize businesses; however, many smaller businesses are still on the road to implementing and reaping the benefits of the cloud.

Share of Small and Midsize Businesses by Country Citing Use of Cloud Resources

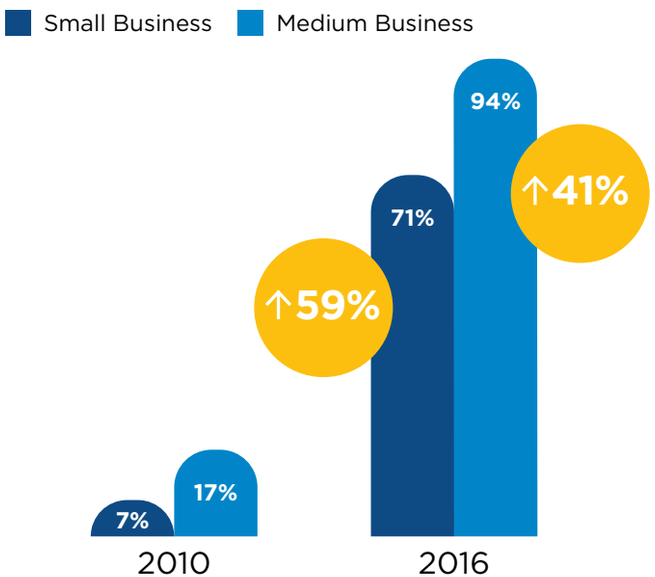


Source: Next Steps in Digital Transformation, an IDC InfoBrief Sponsored by SAP, January 2017 (N=3,904)

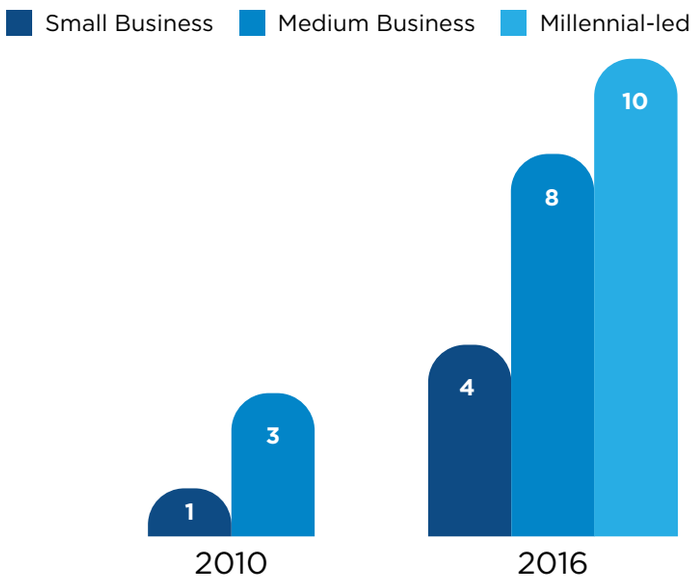
In U.S., Cloud Penetration Up by Small and Midsize Businesses, Application Count has Doubled in Recent Years

Not only has penetration grown, but the mean number of apps used has doubled since 2010. Especially in midsize businesses, cloud engagement growth is outpacing the growth of traditional on-premise licensed software.

U.S. Small and Midsize Business Cloud Adoption



Average Number of Cloud Apps



Fast Growing or Not, Majority of Small and Midsize Companies Will Consider Cloud-Based Solutions in Future

	Total Small and Midsize	Fast Growing 10%+ Annual Revenue Growth	Slower Growing Firms
Prefer On-Premise	41.9%	44.7%	40.9%
Prefer Cloud	42.2%	46.0%	41.6%
No Preference	15.9%	9.3%	17.5%
Prefer Cloud + No Preference	58.1%	55.3%	59.1%

Source: Next Steps in Digital Transformation, an IDC InfoBrief Sponsored by SAP, January 2017 (N=3,904)

Cloud preference grows with company size but the percentage is slightly higher than last year. Providing choice is increasingly a good idea.

Use of Diverse Cloud Capabilities is Also Significant (Not Just for Software and Storage Anymore)

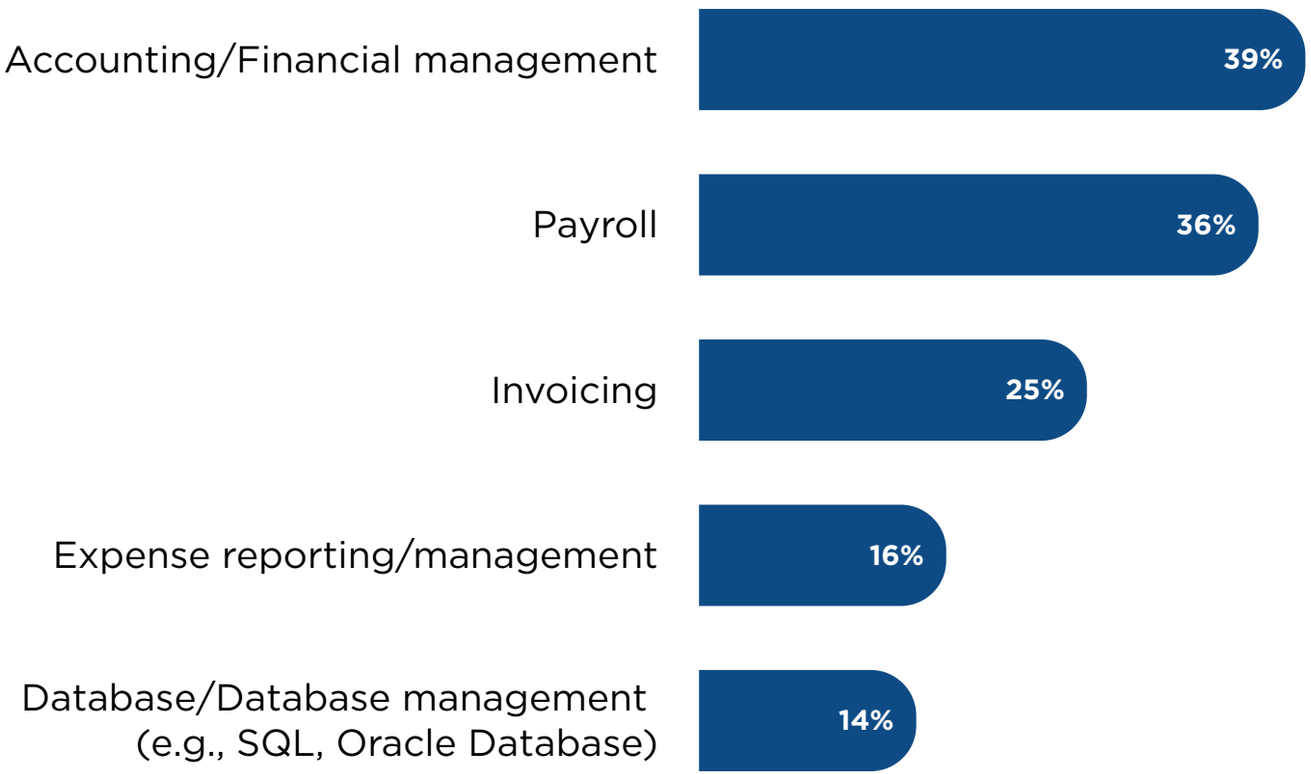
	Total Small and Midsize	Fast Growing 10%+ Annual Revenue Growth	Slower Growing Firms
Software-as-a-Service apps	30.2%	42.5%	25.9%
Infrastructure-as-a-Service	34.0%	38.5%	33.1%
Own on-premise private cloud	36.9%	38.5%	36.5%
Not using but plan to add cloud in next 12 months	13.6%	10.1%	14.9%
Not interested in public or private cloud resources	6.7%	3.8%	7.7%
Don't know/No opinion	4.6%	2.1%	4.6%

Source: Next Steps in Digital Transformation, an IDC InfoBrief Sponsored by SAP, January 2017 (N=3,904)

Cloud resources may be added on initially, but they are increasingly being "baked in" to the technology environments of small and midsize firms worldwide.

U.S. Small Businesses Turning to Cloud to Sharpen Back-Office Capabilities

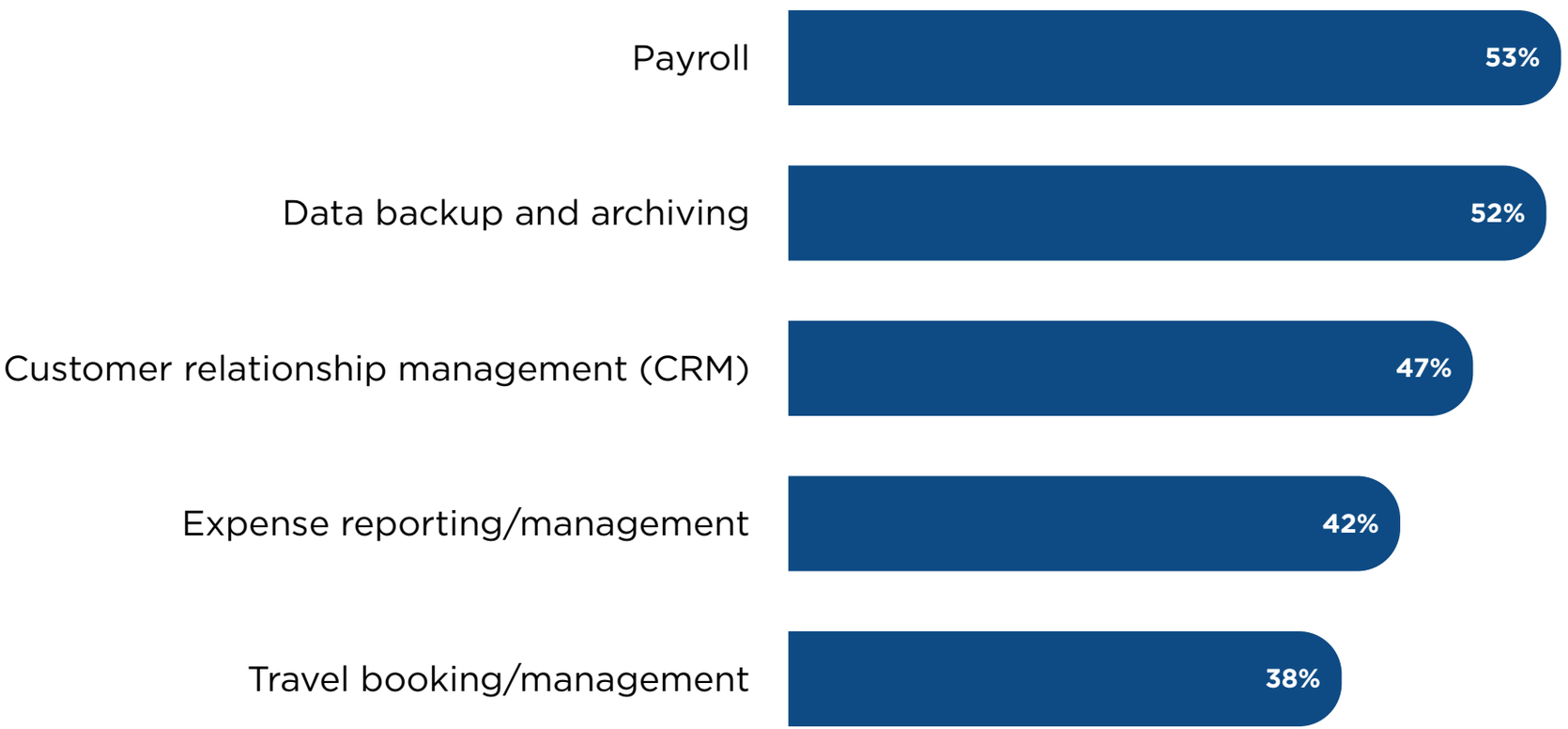
Fastest-Growing Cloud Apps (Year-over-year adoption, 2017 over 2016)



Source: IDC 2017 U.S. Small and Midsize Business Survey (N=730)

U.S. Midmarket App Migration Focusing on Core Areas, Processes, and Support

Fastest-Growing Cloud Apps (Year-over-year adoption, 2017 over 2016)



Source: IDC 2017 U.S. Small and Midsize Business Survey (N=730)

Top Cloud Applications Used and Planned by Small and Midsize Businesses

Many small and midsize businesses rely on the cloud now to deliver key applications such as collaboration tools and customer relationship management. Over the next year these firms will add new apps to the cloud, and holdout firms will be coming on board.

Currently Used	
Collaboration software	40.0%
Customer relationship management (CRM)	31.1%
Ecommerce (including order taking/billing)	25.3%
Social media analytics/marketing tracking tools	23.6%
Business analytics/Business intelligence software for data analysis	23.3%
Enterprise resource planning (ERP) software	21.9%

Planned in Next 12 Months (not currently used)	
Business analytics/Business intelligence software for data analysis	23.0%
Social media analytics/marketing tracking tools	21.3%
Planning/coordination solutions with partners or suppliers	20.5%
Customer relationship management (CRM)	20.4%
Collaboration software	19.6%
Enterprise resource planning (ERP) software	17.6%

Source: Next Steps in Digital Transformation, an IDC InfoBrief Sponsored by SAP, January 2017 (N=3,904)

Factors Encouraging Cloud Interest by Small and Midsize Firms in Different Regions

Critical factors vary by region. "Pay for only what you need" had been most important, but it is now secondary to ease of implementation and better IT management.

	North America	Europe	Asia/Pacific	Latin America	South Africa
Pay for capabilities as needed (nothing extra)	27.5%	25.1%	25.1%	26.5%	33.2%
Expand IT resources/capabilities without adding staff	40.4%	29.7%	30.4%	32.3%	34.9%
Ability to integrate with current apps/IT environment	26.8%	28.6%	30.8%	30.9%	34.2%
Everyone will use the same latest software and other resources	29.1%	31.5%	25.9%	28.3%	33.2%
Ability to add new users without difficulty	26.5%	30.2%	25.0%	29.4%	30.9%
Improve internal service levels and business agility	22.2%	25.1%	27.1%	33.6%	29.9%
Remote management/coordination that eases IT staff workload	24.2%	24.2%	28.8%	28.6%	32.9%
Reduce on-premise resource expenses (space, power, and cooling costs)	28.8%	24.4%	26.9%	30.6%	28.9%

Source: IDC's Worldwide Small and Midsize Business Survey, January 2017 (N=3,904)

Factors Discouraging Cloud Interest by Small and Midsize Firms in Different Regions

Security is still #1, but now fewer than half mention it. (Five years ago it was 75%.) North American and South African firms seem most worried about costs and losing control. This potential uncertainty is inevitable, associated with the fundamentals of cloud sourcing and a subscription model.

	North America	Europe	Asia/Pacific	Latin America	South Africa
Concern about data security	47.4%	46.9%	41.5%	44.6%	44.9%
Concern about service reliability, including availability, data backup, etc.	27.5%	26.6%	28.1%	31.6%	25.6%
Concern about recurring cost of ownership	29.1%	25.7%	27.1%	27.5%	28.9%
Concern about being locked in to a single service provider	24.2%	27.7%	21.9%	29.3%	29.6%
Loss of control of IT department over applications	26.5%	22.4%	21.2%	22.0%	27.9%
Concern about not owning software	18.9%	21.6%	21.1%	21.6%	30.9%
Concern about regulatory issues/compliance obligations	21.9%	19.5%	22.4%	20.0%	24.6%
Concern about lack of flexibility/Ability to customize to meet our needs	17.5%	18.8%	22.1%	21.6%	24.3%

Source: IDC's Worldwide Small and Midsize Business Survey, January 2017 (N=3,904)

Essential Guidance for Early Stage Cloud Users or "Cloud Beginners"

- The first stage of cloud engagement involves leveraging new resources for maximum impact. Assess performance improvement with an eye toward building active internal supporters for cloud solutions. (Not just improved processes but better staff experience, ease of getting job done as a way to build advocacy.)
- Identify next steps/areas for cloud enhancement. This can be a new operational area or resource (the first time doing something), or it can be repair/replacement for an approach that is not having success. Past IDC research has shown that "low-hanging fruit" that can easily and quickly show positive results is where most small and midsize firms have the greatest success in deploying new technology. Time to value is key.
- The "internal imperatives" of sharpening efficiency and improving performance will drive visibility of successful cloud expansion. Cost savings is no longer the reason for investing in cloud solutions – the reason is operational ease of deployment without undue burden on the IT staff.

Essential Guidance for Intermediate Stage Cloud Users or "Cloud Expanders"

- Small and midsize firms that are deploying multiple cloud applications are on track to maintain their competitive position. Of course, there is more work to do to sharpen performance. Islands of technology productivity can benefit from new resources that help coordinate internal operations, but the next step toward improved business performance and outcomes is more demanding.
- Cloud resources can play a vital role in allowing small and midsize firms to leverage existing on-premise technology investments. Rather than buttress existing resources, cloud capabilities should be viewed as potential force multipliers that provide remote and mobile users with capabilities they might not otherwise have. This is in keeping with "3rd Platform" thinking that ties the resources of social, mobile, cloud, and big data in a comprehensive way.
- This ultimately means taking a fresh look at business operations to identify where new approaches can help you move beyond "modernizing" to "transforming." Effective application of cloud capabilities can be an important part of that transformative process.

Essential Guidance for Advanced Cloud Users or "Cloud Leaders"

- A relatively select group of small and midsize firms are significantly ahead of their peers in taking advantage of cloud resources. They are in a unique position to continue the coordination and alignment of technology resources for maximum impact. While some "digital native" small and midsize firms have built their operations on cloud resources, it is more typical for firms in this group to be "digital immigrants" that have fully embraced their new land and are rigorously shedding unproductive technology vestiges that compromise agility and drain resources that can be better used elsewhere.
- With internal operations now making full use of cloud functionality to support workers regardless of location, the next challenge for advanced cloud users is to extend low-friction operations to customers and suppliers. While a firm does not have to be an advanced cloud user to benefit from coordinated supply chain resources or a comprehensive "single view of the customer," cloud capabilities can play an important part in facilitating both.
- Ultimately, the full integration of on-premise and cloud capabilities in a hybrid IT environment will be essential for successful participation in the emerging digital economy. The digital transformation of small and midsize firms as they retool internal processes and external engagement will be increasingly reliant on the speed and flexibility associated with cloud resources.

Appendix

- Current use of different cloud resources by country
- Cloud versus on-premise application future deployment preferences by country
- Factors encouraging cloud use by country
- Factors discouraging cloud use by country

1. Current use of different cloud resources by country

	Brazil	China	France	Germany	India	Japan	Korea	Mexico	Singapore	South Africa	U.K.	U.S.
Currently using software-as-a-service applications firms or other service providers where the service is completely outside of our internal IT environment	33.2%	33.0%	22.7%	15.0%	50.3%	21.3%	21.7%	24.0%	29.3%	38.5%	31.3%	41.4%
Currently using infrastructure-as-a-service for server storage, or network resources	35.5%	58.7%	30.3%	15.3%	47.0%	30.3%	37.0%	33.7%	27.7%	33.2%	29.3%	35.8%
Currently using our own on-premise private cloud	38.2%	30.0%	34.3%	33.3%	45.7%	26.7%	33.0%	37.3%	34.0%	41.5%	48.7%	37.7%
Not using but plan to use public or private cloud resources in the next 12 months	12.6%	13.7%	17.0%	16.3%	7.0%	15.3%	24.0%	17.0%	13.0%	10.0%	9.0%	10.6%
Not interested in public or private resources	3.7%	2.0%	7.3%	21.3%	2.3%	11.3%	5.7%	4.7%	5.3%	4.7%	7.3%	5.0%
Don't know/No opinion	3.0%	0.7%	5.7%	5.7%	0.7%	13.3%	3.3%	4.3%	6.7%	3.0%	2.7%	3.3%

2. Cloud versus on-premise application future deployment preferences by country

	Brazil	China	France	Germany	India	Japan	Korea	Mexico	Singapore	South Africa	U.K.	U.S.
Prefer on-premise solutions in general	37.2%	28.7%	38.3%	58.3%	44.0%	33.3%	43.0%	45.3%	40.3%	46.5%	47.0%	42.4%
Prefer cloud solutions in general	51.5%	56.0%	40.0%	27.0%	53.7%	35.3%	42.7%	41.7%	42.3%	43.9%	35.7%	36.8%
No preference	11.3%	15.3%	21.7%	14.7%	2.3%	31.3%	14.3%	13.0%	17.3%	9.6%	17.3%	20.9%

3. Factors encouraging cloud use by country

	Brazil	China	France	Germany	India	Japan	Korea	Mexico	Singapore	South Africa	U.K.	U.S.
Ability to add new users without difficulty	30.6%	23.7%	28.0%	28.3%	35.0%	15.7%	21.0%	28.3%	26.3%	30.9%	33.7%	26.5%
Remote management/coordination that eases IT staff workload	26.9%	34.3%	21.7%	16.7%	36.0%	21.7%	30.0%	30.3%	24.0%	32.9%	25.7%	24.2%
Pay for capabilities as needed, don't need to purchase unneeded software licenses	27.9%	28.3%	18.0%	25.3%	29.0%	23.0%	22.7%	25.0%	21.7%	33.2%	24.0%	27.5%
Attractive payment model — OPEX rather than CAPEX, lower initial costs	21.6%	31.0%	18.0%	12.7%	27.3%	15.3%	18.7%	17.0%	17.7%	24.6%	19.7%	19.9%
Ability to bring capability in-house if needed	23.3%	27.7%	14.3%	25.0%	36.7%	22.7%	22.7%	27.3%	24.7%	31.2%	25.0%	19.2%
Ability to integrate into current applications/IT environment	32.6%	36.0%	27.0%	21.0%	40.0%	24.0%	27.3%	29.3%	29.3%	34.2%	32.0%	26.8%
Easier to support branch offices/remote locations with latest technology	31.6%	38.0%	18.7%	21.3%	34.0%	13.7%	21.7%	31.0%	24.0%	29.2%	20.7%	22.2%
Use of services along with on-premise resources that we continue to own and control	26.6%	28.7%	20.7%	25.3%	34.0%	18.7%	28.3%	19.7%	17.7%	26.6%	26.0%	26.2%
Reduce expenses associated with on-premise resources (space needed, power and cooling costs)	28.6%	27.0%	24.0%	17.7%	38.7%	16.0%	30.3%	32.7%	24.3%	28.9%	27.0%	28.8%
Expansion of IT resources/capabilities without having to add IT staff	36.2%	31.3%	22.7%	28.0%	39.0%	26.3%	33.7%	28.3%	25.7%	34.9%	33.3%	40.4%
Everyone will be using the same latest software and other resources	28.6%	27.0%	34.7%	26.0%	36.0%	20.7%	17.0%	28.0%	25.0%	33.2%	32.0%	29.1%
Improve our internal service agility levels and business agility	34,6%	41.3%	32.0%	19.0%	32.3%	16.7%	23.7%	32.7%	27.0%	29.9%	19.3%	22.2%

4. Factors discouraging cloud use by country

	Brazil	China	France	Germany	India	Japan	Korea	Mexico	Singapore	South Africa	U.K.	U.S.
Concern about not owning software	22.3%	18.7%	16.0%	15.0%	30.7%	14.7%	17.7%	21.0%	23.7%	30.9%	24.7%	18.9%
Despite appeal of remote management, we still want to have software and our data remain on site	19.9%	22.3%	14.3%	21.0%	21.3%	13.3%	20.3%	23.3%	11.7%	21.6%	16.7%	14.6%
Concern about data security	**40.9%**	**48.0%**	**44.3%**	**48.0%**	**41.3%**	**32.0%**	**38.7%**	**48.3%**	**44.0%**	**44.9%**	**50.3%**	**47.4%**
Questions about the level of functionality being delivered	16.3%	23.0%	12.3%	13.3%	29.7%	21.7%	19.0%	14.0%	18.0%	23.6%	22.3%	17.5%
Concern about the recurring cost of ownership	26.2%	27.7%	30.0%	19.7%	29.0%	25.7%	30.0%	28.7%	23.7%	28.9%	24.3%	29.1%
Concern about reputation/business viability of service provider (concern about being stranded in cloud)	21.9%	27.7%	16.7%	17.3%	27.0%	12.7%	17.7%	18.7%	15.3%	19.6%	14.3%	15.6%
Concern about ease of integrating SaaS or cloud capability into our current technology environment	16.6%	26.7%	10.3%	13.0%	24.3%	14.3%	21.3%	20.0%	13.7%	15.0%	18.3%	17.2%
Concern about service reliability, including availability, backup of data, etc.	33.9%	40.7%	25.0%	28.0%	32.0%	18.7%	24.0%	29.3%	28.7%	25.6%	28.0%	27.5%
Loss of control of IT department over applications	23.3%	20.3%	18.7%	20.7%	25.7%	19.3%	14.7%	20.7%	19.3%	27.9%	22.3%	26.5%
Concern about regulatory issues/compliance obligations	18.9%	25.7%	14.3%	18.3%	32.7%	14.7%	17.0%	21.0%	21.0%	24.6%	20.7%	21.9%
Concern about lack of flexibility/ability to customize to meet our needs	21.3%	25.7%	17.3%	16.0%	29.0%	18.0%	21.3%	22.0%	19.7%	24.3%	17.7%	17.5%
Concern about being locked in to a single service provider	31.2%	18.7%	26.7%	26.3%	27.7%	11.0%	23.7%	27.3%	25.0%	29.6%	28.3%	24.2%

Methodology

- This InfoBrief presents the results of an IDC global survey of 3,609 small and midsize businesses that examined the use of advanced technology to achieve business objectives.
- Other research used in this report includes:
- *Next Steps in Digital Transformation, an IDC InfoBrief Sponsored by SAP*, January 2017 (N=3,904)
- *IDC's Worldwide Small and Midsize Business Survey* for January 2017 and other years