# True Cloud Applications for Agile and Fast-Growing Businesses

Why Cloud Apps Are Key to Supporting Growth of Small and Medium Businesses
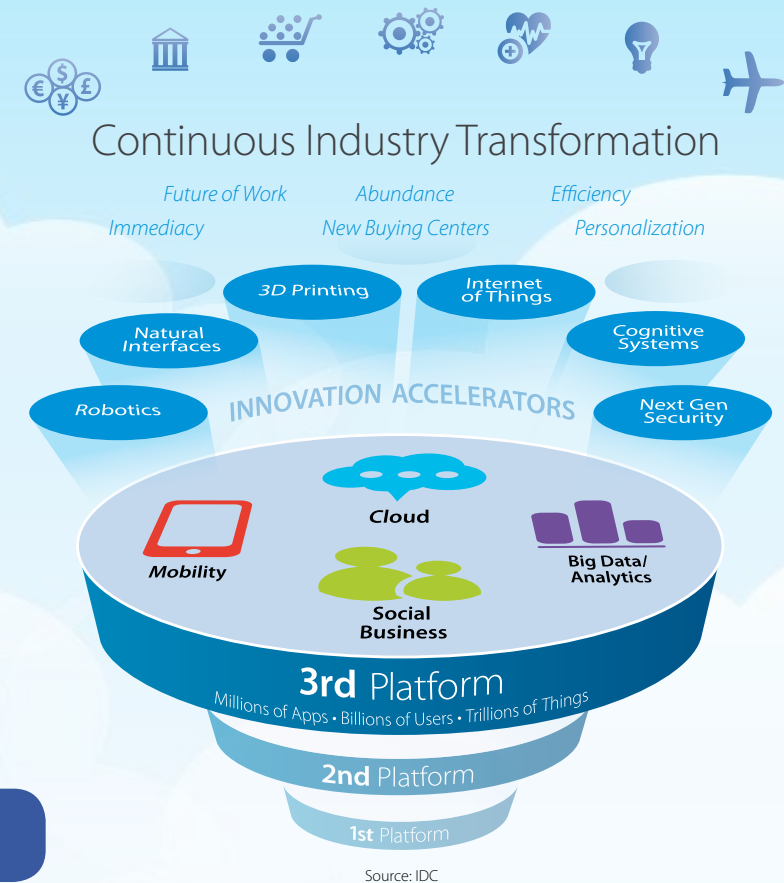
**IDC**
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# The IT Industry's 3rd Platform for Innovation and Growth

The "Innovation Stage" is defined by an explosion of innovation and value creation on top of the 3rd Platform's Cloud, Mobile, Social, and Big Data/Analytics foundation.
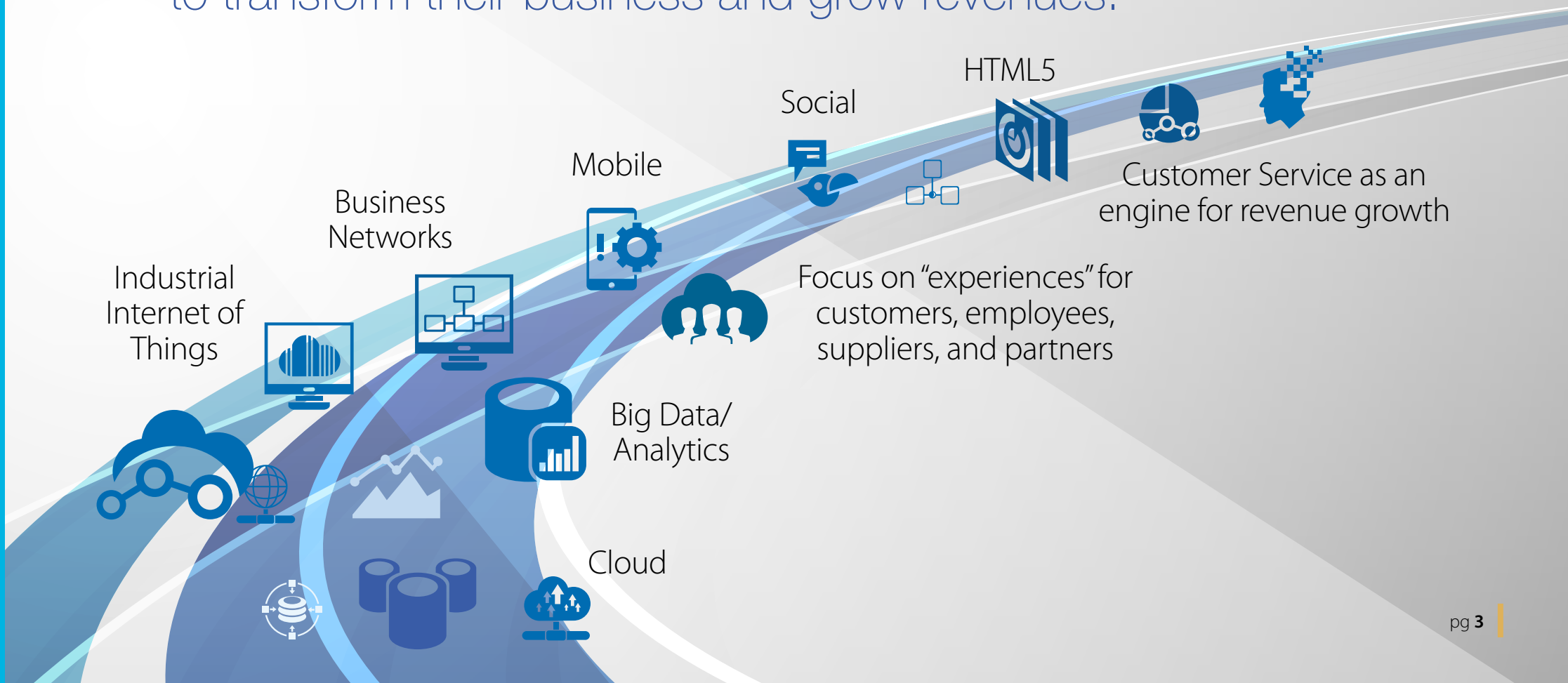
Businesses are changing:

✔ How they engage with customers

✔ The speed at which they deliver products and services

✔ How they innovate

✔ The reliability of their operation

✔ Their overall resiliency

✔ And their success depends on the ability to adopt the 3rd Platform

1st Platform = mainframes; 2nd Platform = client-server

Continuous Industry Transformation

Future of Work    Abundance    Efficiency
Immediacy    New Buying Centers    Personalization

3D Printing    Internet of Things
Natural Interfaces    Cognitive Systems
Robotics    INNOVATION ACCELERATORS    Next Gen Security

Mobility    Cloud    Big Data/ Analytics

Social Business

**3rd** Platform
Millions of Apps · Billions of Users · Trillions of Things

**2nd** Platform

**1st** Platform

Source: IDC

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# Top Technologies Expected to Drive SMB Growth in the Next Two Years

## CEOs believe "customer service" is the biggest opportunity to transform their business and grow revenues.

HTML5

Social

Mobile

Business Networks

Customer Service as an engine for revenue growth

Industrial Internet of Things

Focus on "experiences" for customers, employees, suppliers, and partners

Big Data/ Analytics

Cloud

# Many SMBs are Already Running Some Business Applications in the Cloud

Business applications include email, project management, CRM, ERP, content management, security, enterprise search, database services, data backup and archive, and more.

**59.6%**

**How would you best describe your organization's current or near-term plans to use public Cloud solutions to support production workloads and services?**

**20.3%**

**9.8%**

**6.8%**

**3.5%**

**0%**

**Currently using Cloud service(s) - more than one or two small applications**

**Currently using Cloud service(s), but only for one or two small applications**

**Have firm plans to implement Cloud service(s) within the next 12 months, but have not yet done so**

**Evaluating the Cloud approach for a specific workload or service, without any firm plans to implement**

**Generally educating ourselves about the Cloud model, without any firm plans to implement**

**No interest/ don't know.**

# SMB Cloud Strategy in 2015 and 2017

## Cloud Strategy Definitions

**Don't Know:** We are in the early stages of defining our Cloud strategy.

**Ad hoc:** Focused primarily on pilot projects and validation activities driven by the needs of individual decision markets and teams.

**Opportunistic:** Driven by the business need of individual workgroups and departments with no effort to share resources or create scalable, repeatable implementations.
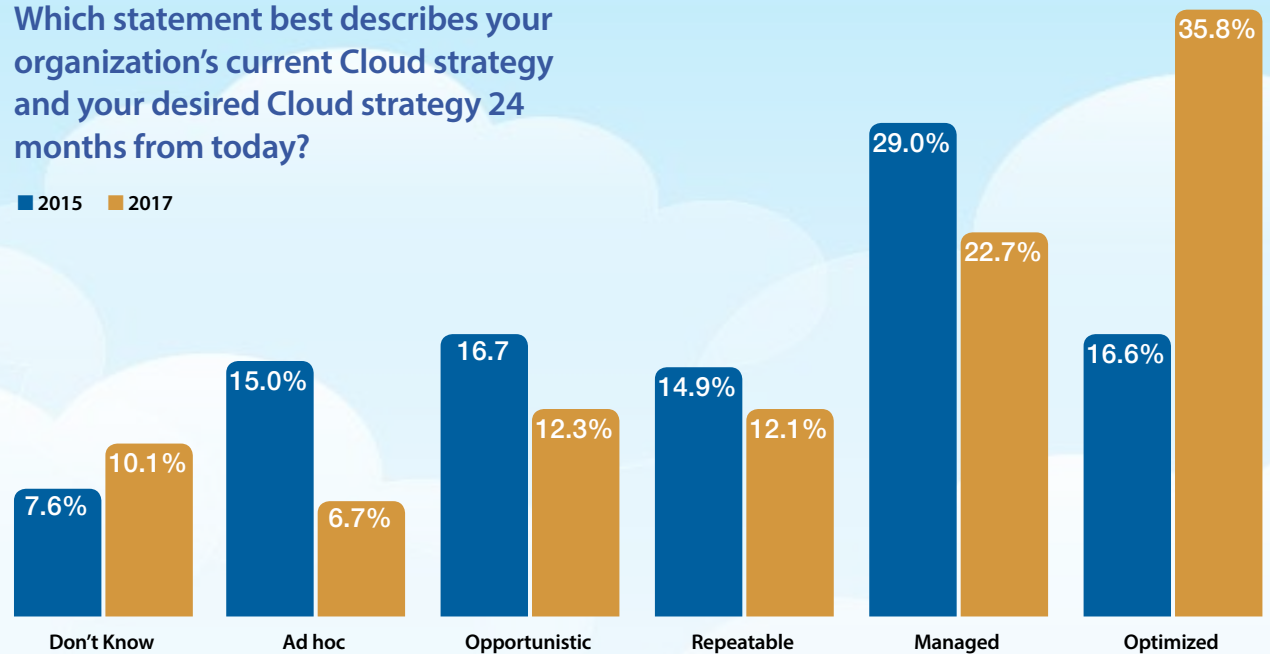
**Repeatable:** Consistent effort made to leverage and reuse best practices and resources across multiple groups and departments.

**Managed:** Widespread use of Cloud supported by proactive business and IT leadership driving decisions about Cloud use, operational policies, IT architectures, and contract negotiation and monitoring.

**Optimized:** Have broadly implemented a Cloud-first strategy that is proactively managed and is clearly driving business innovation while improving IT operational efficiency.

**Which statement best describes your organization's current Cloud strategy and your desired Cloud strategy 24 months from today?**

■ 2015   ■ 2017

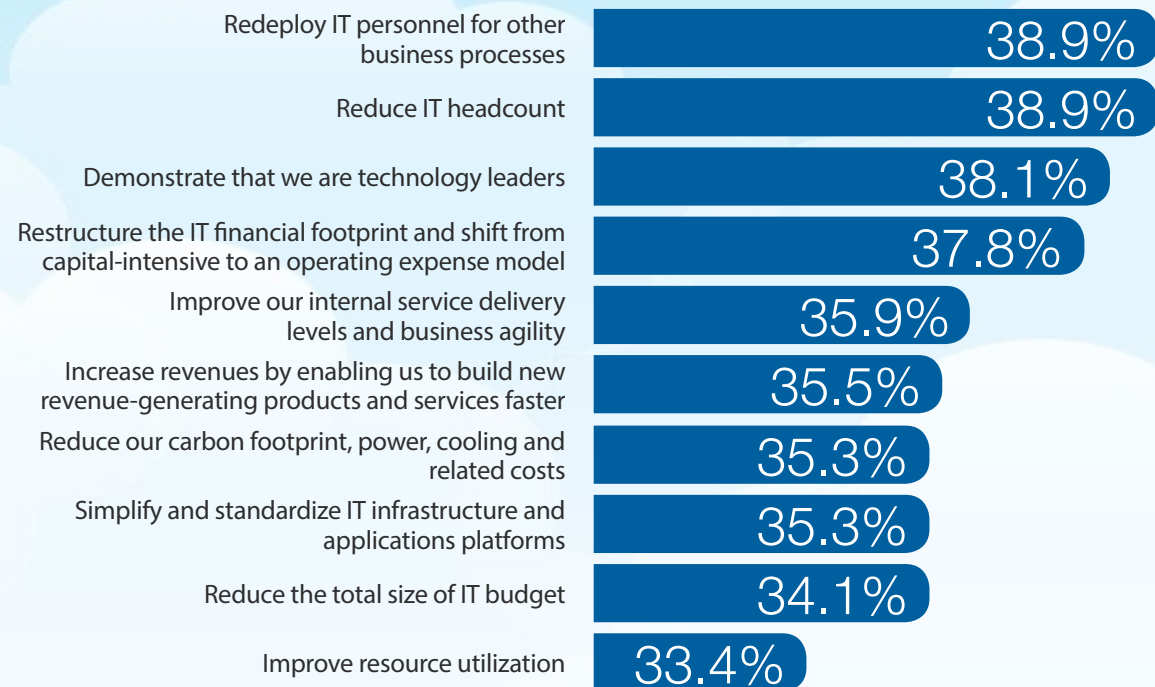| Category | 2015 | 2017 |
|---|---|---|
| Don't Know | 7.6% | 10.1% |
| Ad hoc | 15.0% | 6.7% |
| Opportunistic | 16.7 | 12.3% |
| Repeatable | 14.9% | 12.1% |
| Managed | 29.0% | 22.7% |
| Optimized | 16.6% | 35.8% |

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# SMBs Expect Cloud Solutions to Optimize their Business by Giving LOBs* More Control and Improved Utilization of Resources

SMBs say the following are the top LOBs to benefit from their Cloud strategy in the next 3 years:

✔ IT Operations

✔ Customer Support

✔ Finance & Accounting

✔ Application Development

✔ Sales

## What are the most important drivers to SMBs when considering moving to the Cloud?

| Driver | Percentage |
|---|---|
| Redeploy IT personnel for other business processes | 38.9% |
| Reduce IT headcount | 38.9% |
| Demonstrate that we are technology leaders | 38.1% |
| Restructure the IT financial footprint and shift from capital-intensive to an operating expense model | 37.8% |
| Improve our internal service delivery levels and business agility | 35.9% |
| Increase revenues by enabling us to build new revenue-generating products and services faster | 35.5% |
| Reduce our carbon footprint, power, cooling and related costs | 35.3% |
| Simplify and standardize IT infrastructure and applications platforms | 35.3% |
| Reduce the total size of IT budget | 34.1% |
| Improve resource utilization | 33.4% |

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* LOB: Line of Business
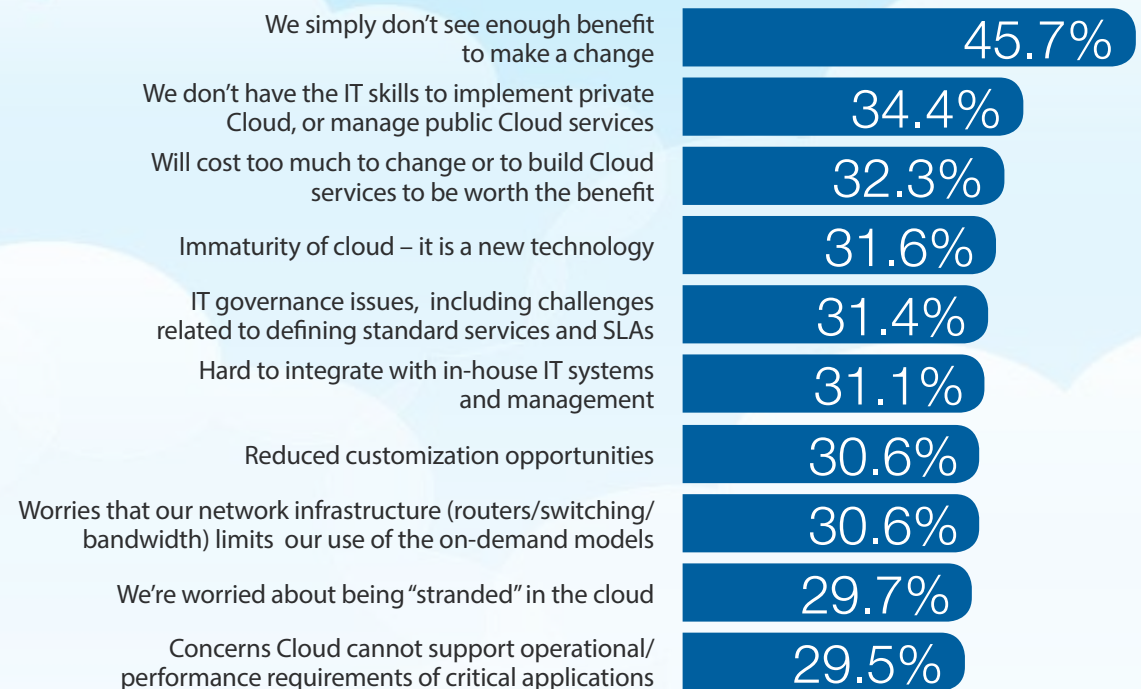IDC's *Cloudview Survey*, December 2014, N=1673

# Benefits, IT Skills, and Cost are Top Concerns for SMBs Weighing a Move to Cloud

Security is also often mentioned, so it's essential that software vendors have industry-standard security credentials that comply with the most current regulations.
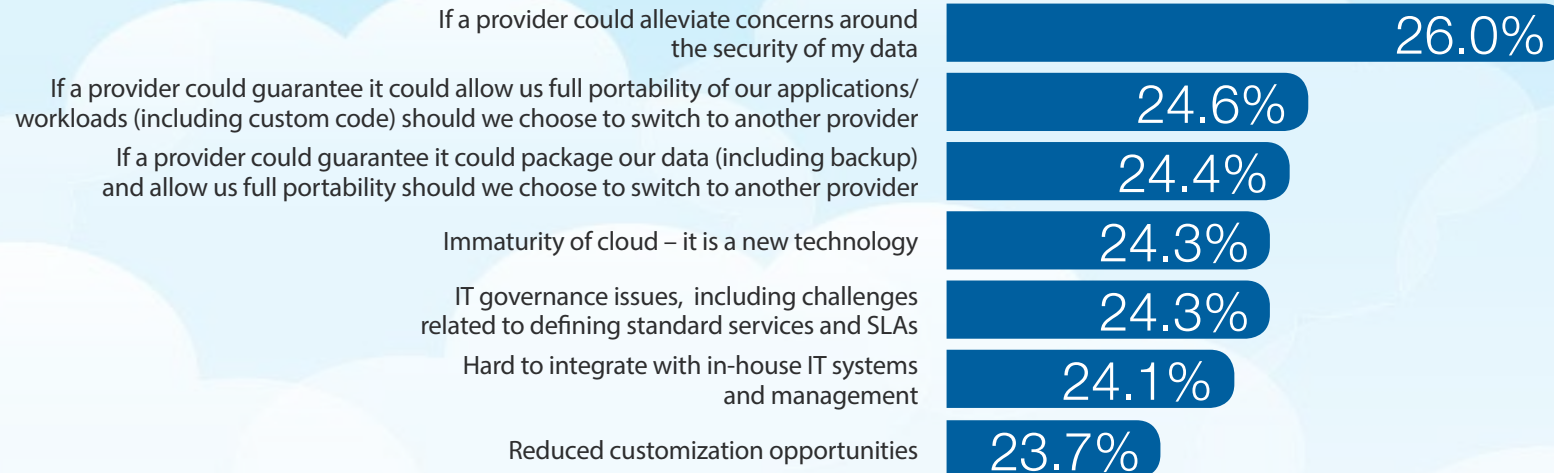
However, **63.7%** of SMBs agree/agree strongly that that any potential security risks around Cloud computing are outweighed by the benefits.

**What are the most important inhibitors preventing your organization from moving to the Cloud?**

| | |
|---|---|
| We simply don't see enough benefit to make a change | 45.7% |
| We don't have the IT skills to implement private Cloud, or manage public Cloud services | 34.4% |
| Will cost too much to change or to build Cloud services to be worth the benefit | 32.3% |
| Immaturity of cloud – it is a new technology | 31.6% |
| IT governance issues, including challenges related to defining standard services and SLAs | 31.4% |
| Hard to integrate with in-house IT systems and management | 31.1% |
| Reduced customization opportunities | 30.6% |
| Worries that our network infrastructure (routers/switching/bandwidth) limits our use of the on-demand models | 30.6% |
| We're worried about being "stranded" in the cloud | 29.7% |
| Concerns Cloud cannot support operational/performance requirements of critical applications | 29.5% |

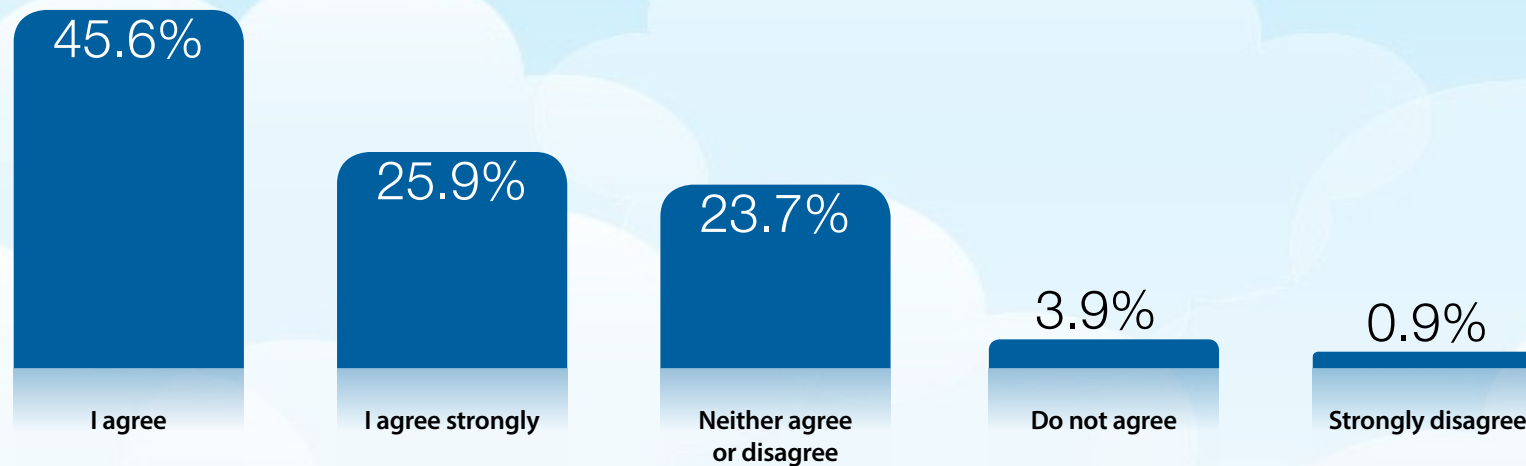IDC's *Cloudview Survey*, December 2014, N=1673

# Alleviating Data Security Concerns Accelerates SMBs' Move to the Cloud

**Which of the following factors would ACCELERATE your organization's adoption of Services?**

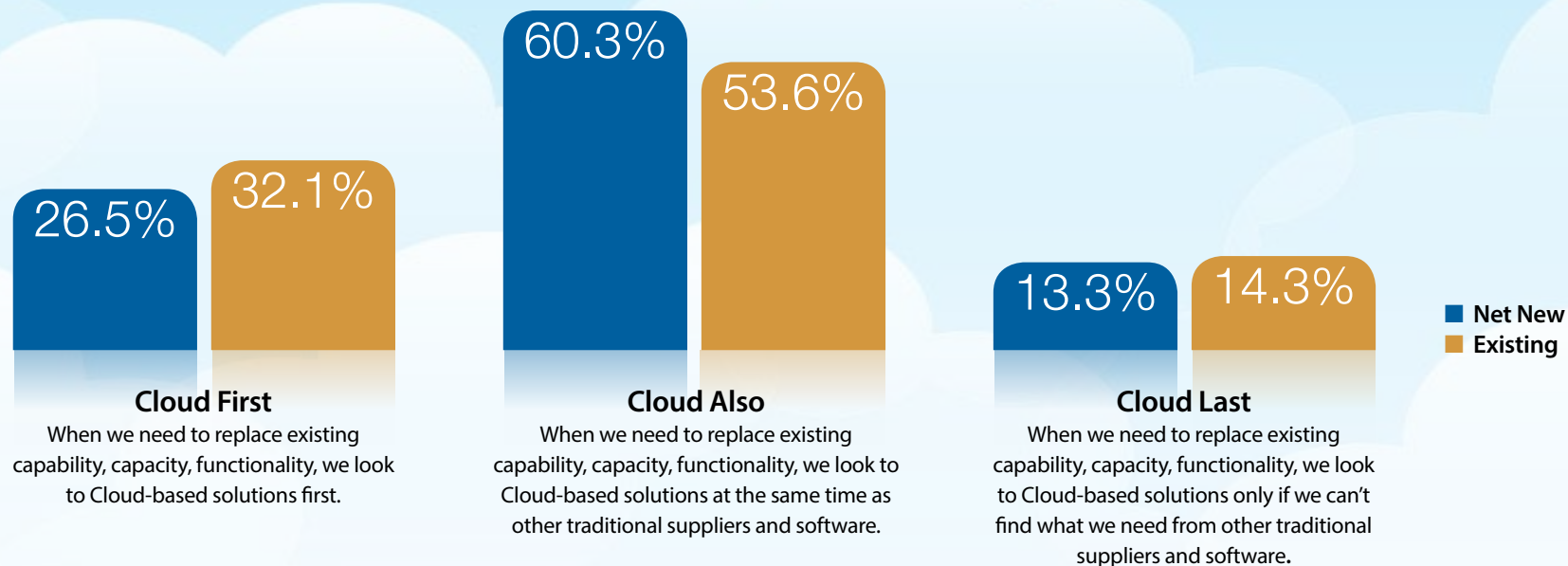| Factor | Percentage |
|---|---|
| If a provider could alleviate concerns around the security of my data | 26.0% |
| If a provider could guarantee it could allow us full portability of our applications/workloads (including custom code) should we choose to switch to another provider | 24.6% |
| If a provider could guarantee it could package our data (including backup) and allow us full portability should we choose to switch to another provider | 24.4% |
| Immaturity of cloud – it is a new technology | 24.3% |
| IT governance issues, including challenges related to defining standard services and SLAs | 24.3% |
| Hard to integrate with in-house IT systems and management | 24.1% |
| Reduced customization opportunities | 23.7% |

# SMBs believe the Cloud Offers Better Business Continuity and Disaster Recovery

**We believe that Cloud Services offer better business continuity and disaster recovery than traditional technology**

| | | | | |
|---|---|---|---|---|
| 45.6% | | | | |
| | 25.9% | | | |
| | | 23.7% | | |
| | | | 3.9% | 0.9% |
| I agree | I agree strongly | Neither agree or disagree | Do not agree | Strongly disagree |

# SMBs are Increasingly Thinking "Cloud"

Cloud is often the first choice when SMBs consider making net new IT decisions or replacing existing and outdated IT solutions.

**How would you describe your organization's general posture toward using net new IT vs. its general posture toward replacing existing IT functionality with services?**

26.5%    32.1%

60.3%    53.6%

13.3%    14.3%

■ **Net New**
■ **Existing**

**Cloud First**
When we need to replace existing capability, capacity, functionality, we look to Cloud-based solutions first.

**Cloud Also**
When we need to replace existing capability, capacity, functionality, we look to Cloud-based solutions at the same time as other traditional suppliers and software.

**Cloud Last**
When we need to replace existing capability, capacity, functionality, we look to Cloud-based solutions only if we can't find what we need from other traditional suppliers and software.

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# SMBs are Already Running Core Business Applications in the Cloud

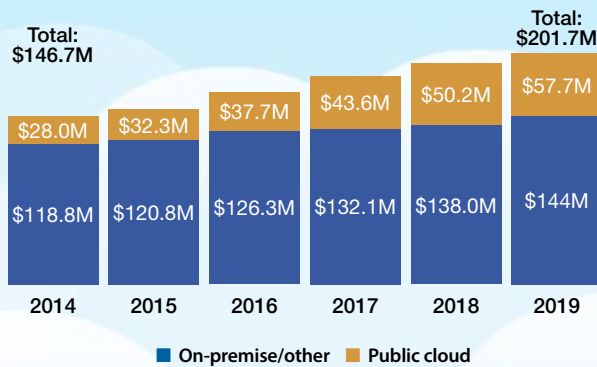The SMB innovators and early adopters have already moved to the cloud; the early majority is now getting started.

|  | CRM* | Financials/ERP | SCM* |
|---|---|---|---|
| Currently running at least some of this app in the Cloud | 14% | 14% | 11% |
| Plan to move to the Cloud within 2 years | 22% | 22% | 24% |
| Not currently running this app in the Cloud | 63% | 64% | 65% |

| 2.5% | 13.5% | 34% | 34% | 16% |
|---|---|---|---|---|
| Innovators | Early adopters | Early majority | Late majority | Laggards |

* CRM: Customer Relationship Management, SCM: Supply Chain Management.
IDC's *Cloudview Survey*, December 2014, N=1673

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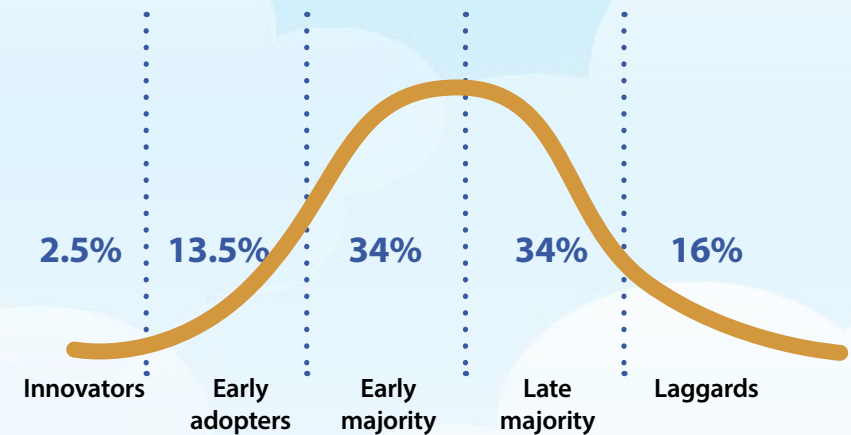
# Cloud is Driving Net New Purchases of Enterprise Applications

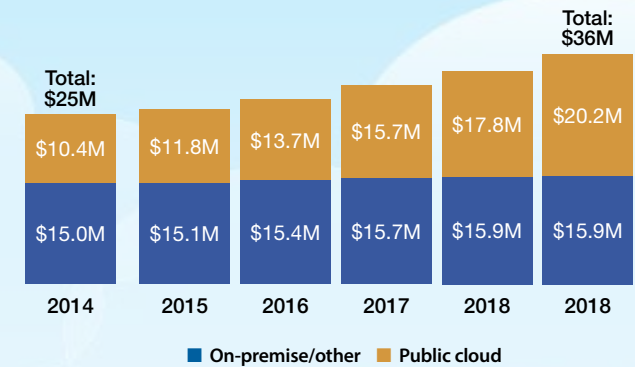## Worldwide Enterprise Applications Snapshot

### 2014 – 2019 Revenue ($M)

Total: $146.7M

Total: $201.7M

| Year | Public cloud | On-premise/other |
|------|------|------|
| 2014 | $28.0M | $118.8M |
| 2015 | $32.3M | $120.8M |
| 2016 | $37.7M | $126.3M |
| 2017 | $43.6M | $132.1M |
| 2018 | $50.2M | $138.0M |
| 2019 | $57.7M | $144M |

■ On-premise/other  ■ Public cloud

**Selected Segment Growth Rate**
On-premise CAGR: 3.9
Public Cloud CAGR: 15.6

**Total Market CAGR**
# 6.6%

## Worldwide Financial Applications Snapshot

### 2014 – 2019 Revenue ($M)

Total: $18M

Total: $24M

| Year | Public cloud | On-premise/other |
|------|------|------|
| 2014 | $3.9M | $14.1M |
| 2015 | $4.7M | $13.9M |
| 2016 | $5.6M | $14.2M |
| 2017 | $6.8M | $14.5M |
| 2018 | $8.0M | $14.7M |
| 2019 | $9.4M | $14.8M |

■ On-premise/other  ■ Public cloud

**Selected Segment Growth Rate**
On-premise CAGR: 1.0
Public Cloud CAGR: 19.3

**Total Market CAGR**
# 6.1%
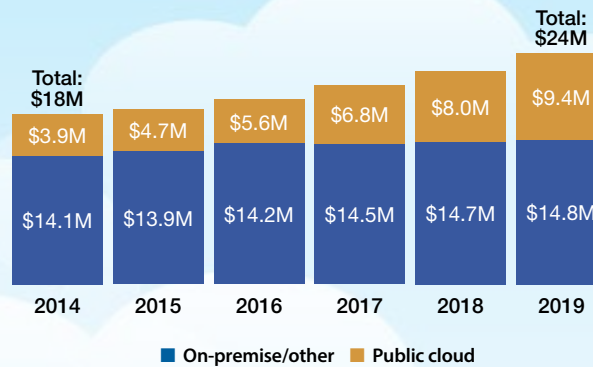
## Worldwide CRM Applications Snapshot

### 2014 – 2019 Revenue ($M)

Total: $25M

Total: $36M

| Year | Public cloud | On-premise/other |
|------|------|------|
| 2014 | $10.4M | $15.0M |
| 2015 | $11.8M | $15.1M |
| 2016 | $13.7M | $15.4M |
| 2017 | $15.7M | $15.7M |
| 2018 | $17.8M | $15.9M |
| 2018 | $20.2M | $15.9M |

■ On-premise/other  ■ Public cloud

**Selected Segment Growth Rate**
On-premise CAGR: 1.1
Public Cloud CAGR: 14.4

**Total Market CAGR**
# 7.3%

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# Moving to the Cloud Increases the Ability of SMBs to Grow Net Revenue

## Actually using SaaS solutions is shown to increase an SMB's opportunity to grow revenue.

✔ Growing small businesses (under 100 employees) are 67% more likely to be using SaaS than the average small business.

✔ Medium businesses (100-999 employees) are 11% more likely than the average medium business to be using SaaS.

|  | Small Business (<100) | Medium Business (100-999) |
| --- | --- | --- |
| Total respondents (%) | 17.7 | 44.8 |
| Respondents who increased revenue over past 12 months (%) | 29.6 | 49.8 |

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# Essential Guidance

✔ Cloud applications are the 3rd Platform foundation for fast-growing SMBs to leverage technology to enable them to grow their business.

✔ Consider "Cloud-first" or "Cloud-also" when looking for net new business applications or when replacing existing solutions.

✔ Cloud software vendors (and their partners) offer impressive security options, so make sure you understand how to leverage them.

✔ Cloud applications can keep your business up and running, even during a disaster such as a hurricane, by providing business continuity and disaster recovery options that exceed those available from traditional IT.

✔ Cloud solutions enable SMBs to stay current on the modern technology that is necessary to support business agility.

✔ Cloud solutions enable your LOB (line of business) executives to better utilize resources and control business processes.
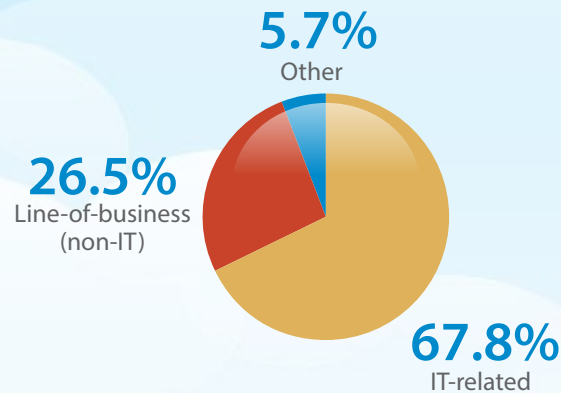
# Survey Scope and Methodology

IDC conducted an online survey of 1,636 worldwide IT decision makers in December 2014. Participants were selected based on their responsibility for IT decisions and strategy. This study was specifically designed to understand how organizations are transforming their business and IT operations by using cloud solutions. *Numbers may not be exact due to rounding.*

## Respondent Country

**29.6%**
North America

**29.8%**
APAC

**11.5%**
Latin America

**29.1%**
EMEA
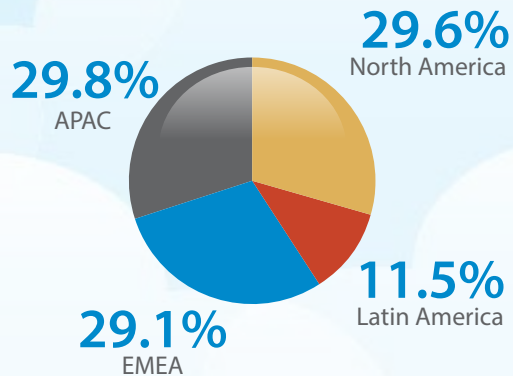
## Survey Participants' Roles

**5.7%**
Other

**26.5%**
Line-of-business (non-IT)

**67.8%**
IT-related

## Approximately how many employees are there in your entire organization?

**15.2%**
50 - 99 employees

**31.8%**
500 - 999 employees

**24.3%**
100-249 employees

**28.7%**
250-499 employees