

# What Mexican SMBs Want from Cloud and Managed Services

## Cisco Consulting Services Research Uncovers How Best To Increase Mexican SMB Adoption of Information and Communications Technologies

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### Executive Summary

While small and medium-sized businesses (SMBs) represent the vast majority of economic units – and are important contributors to both employment and GDP – their productivity lags significantly behind that of larger enterprises. Information and communications technologies (ICT) have been recognized as one of the main contributors to productivity growth during last two decades, so their adoption in the SMB segment should contribute to addressing this problem. While Mexican SMBs understand the importance of ICT (55 percent claim ICT is a strategic enabler) and two-thirds see themselves as early adopters, there are several obstacles inhibiting successful adoption of ICT.<sup>1</sup> The most common barriers are cost, complexity, and lack of knowledge – both about ICT and about the available solutions.

For all of these reasons, SMBs represent a segment that is well suited for cloud and subscription-based services. Typically, they have less complex ICT needs, fewer legacy applications, and lower ICT support than larger enterprises. So, they are more inclined to hand over the delivery and operations of ICT to third-party services suppliers, enabling them to focus more on their core business. Research by McKinsey confirms this, finding that SMBs with fewer than 250 employees are more than twice as likely as larger companies to adopt subscription or on-demand technology services; their spend on these services will be almost twice the size of large enterprise public cloud spend in 2014.<sup>2</sup>

Mexican SMBs are well aware of terms such as “cloud computing,” “subscription-based services,” and “IT as a service” – more than 75 percent claim to be “very” or “somewhat” aware and understand the benefits. This reality is reflected in the expected shift of ICT budget spend to cloud and subscription-based services: by the end of 2014, almost all subscription-based services, a 2.7-times increase from 2012.<sup>3</sup>

However, adoption of cloud and subscription-based services will not be completely without obstacles. Key barriers to adoption identified by Mexican SMBs are data privacy and security; cost and unclear return on investment; and lack of customization of solutions to specific SMB needs.

The more tailored services are to addressing specific business needs or problems, the greater the likelihood of adoption. Research shows that interest in generic cloud services, such as access to computing on-demand, is relatively low. As additional features are added to address SMBs' concerns about reliability and security, interest grows rapidly. SMBs have the highest interest in well-defined cloud, managed, and subscription-based services such as secure-office connectivity, remote-worker solutions, virtual-desktop services, and business-security suites.

Telecommunications service providers, especially incumbent operators, are well positioned to provide cloud, managed, and subscription-based services to the SMB market segment, followed by application and technology equipment providers. But to win in the market, they first need to establish trust. They can do this by providing adequate reliability and security / privacy guarantees while addressing the specific needs of this market segment: customized solutions, advice, and support throughout the service lifecycle, including information sharing, service selection, deployment, adoption, and utilization. In the sales process, person-to-person interaction is crucial; salespeople need to have a deep understanding of both solutions and SMB business needs.

## SMB Market as the “New Frontier” for Mexican Service Providers

SMBs are at the core of economic activity all over the world, and Mexico is no exception. Of about 4.4 million economic units registered, 99 percent fall in the SMB category; 75 percent of employed Mexicans work in a business with 50 or fewer employees. SMBs contribute 52 percent of Mexico's gross domestic product, while the remaining 48 percent comes from 1 percent of big companies.<sup>4</sup> This information reflects the necessity to increase the productivity of SMBs. Since ICT was identified as one of the key productivity drivers (OECD, 2010), increasing ICT adoption in Mexican SMBs can help in this area.

On the other hand, service providers are looking for growth. The SMB market segment represents a natural expansion opportunity, as it has been typically underserved not only by telecommunications service providers, but also by the entire IT community. According to AMI Partners, the total SMB market<sup>5</sup> value was almost \$11 billion in 2012, with network, communications, and cloud services representing about \$9.1 billion.

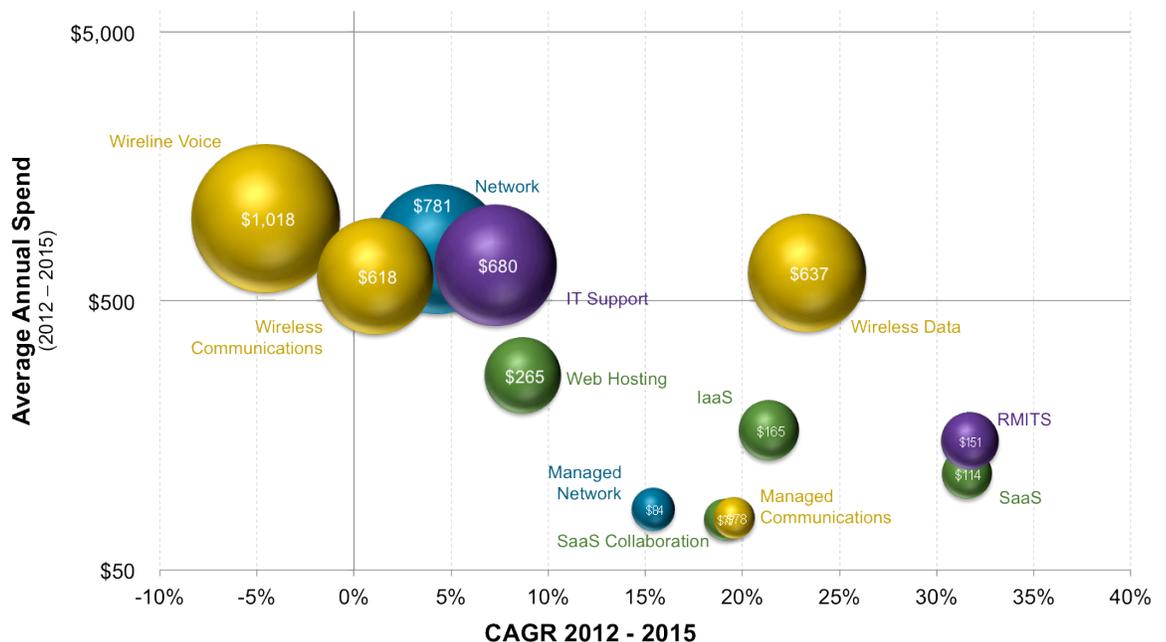
The services included in this analysis were grouped as follows:

- **Network services:** Physical and logical connection between disparate offices or to service providers. Services encompass Internet access (including wireless broadband), wide-area networking / WAN, remotely managed network and security, and network support.
- **Communication services:** Services that provide communication at a distance, including local and long-distance telephony, wireless phone service (including data), hosted VoIP, remotely managed PBX, and IP trunking.

- **Cloud services:** Hosted services that provide Infrastructure and software functionalities in a shared environment, including hosted collaboration / conferencing services, infrastructure hosting and infrastructure as a service (IaaS), and software as a service (SaaS) – from email to business applications and web hosting.
- **IT and professional services:** Support and / or management of IT (such as computing, software, and networking support), professional services (such as IT consulting, process management, development and integration), and remotely managed IT services (RMITS) for PCs, servers, storage, and more.

Figure 1 shows that, while most of the revenues will come from “traditional” services such as telephony (long distance, local, and wireless) and network services, the drivers of growth will be mobile data and especially cloud, IT, and professional services.

Figure 1. SMB Services in Mexico: Size and Growth (2012 – 2015) for Companies of 5 to 249 Employees.



Sources: AMI Partners, 2011; Cisco Consulting Services, 2012

High growth of cloud and managed services is driven by two primary factors:

1. **SMBs’ Expanding ICT capabilities:** Cloud, managed, and subscription-based services allow SMBs to gain access to technologies and services (infrastructure, platforms, software) that would otherwise require fairly sophisticated ICT capabilities. By leveraging public cloud, managed, and subscription-based services, SMBs can stop worrying about managing complex and expensive infrastructure (from hardware to software). Instead, they can acquire these as services. Additionally, SMBs can gain access to significantly higher service levels than those they would provide with on-premise solutions. In short, by leveraging public cloud, managed, and subscription-based services, SMBs can focus on their core business and allow ICT to be one of many supporting pillars.

- 2. **Reducing ICT costs:** By turning to cloud, managed, and subscription-based services for their ICT needs, SMBs can more closely align service demand and supply, due to the on-demand nature of these services. This translates to greater flexibility and adaptability, as well as significant cost savings. McKinsey research states that SMBs can save 20 to 25 percent by using SaaS-based customer relationship management (CRM) solutions in place of traditional on-premise applications; moving infrastructure to the cloud can result in cost savings of more than 50 percent.<sup>6</sup>

Opportunities to win in the high-growth services segments exist; the key question remaining for service providers is how to win in the SMB segment.

### Research and Top Findings

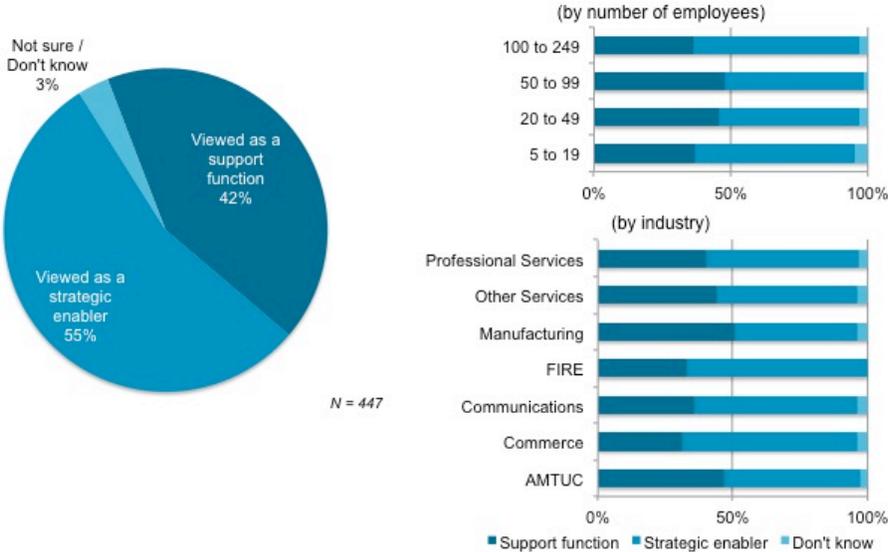
To gain a better understanding of the needs, attitudes, and preferences of small and medium-sized businesses regarding ICT and services, Cisco Consulting Services conducted an online survey of 447 Mexican SMBs in the second half of 2012.<sup>7</sup> The study focused on SMBs with 5 to 249 employees, as they represent a “sweet spot” for cloud, managed, and subscription-based services in terms of size and ICT complexity for service providers. Below are the key findings of the research based on the survey and Cisco Consulting Services analysis.

### 1. Mexican SMBs Believe ICT Is a Strategic Enabler and Consider Themselves Early Adopters

Mexican SMBs are aware of the strategic importance of ICT for their businesses. The Cisco Consulting survey shows that 55 percent of respondents view ICT as a strategic business enabler versus 42 percent who view it as a support function.

Figure 2. Importance of ICT for Mexican SMBs.

**Question:** In your organization, is ICT viewed as only a support function, or is it viewed as a strategic enabler to the growth of business? Select one.

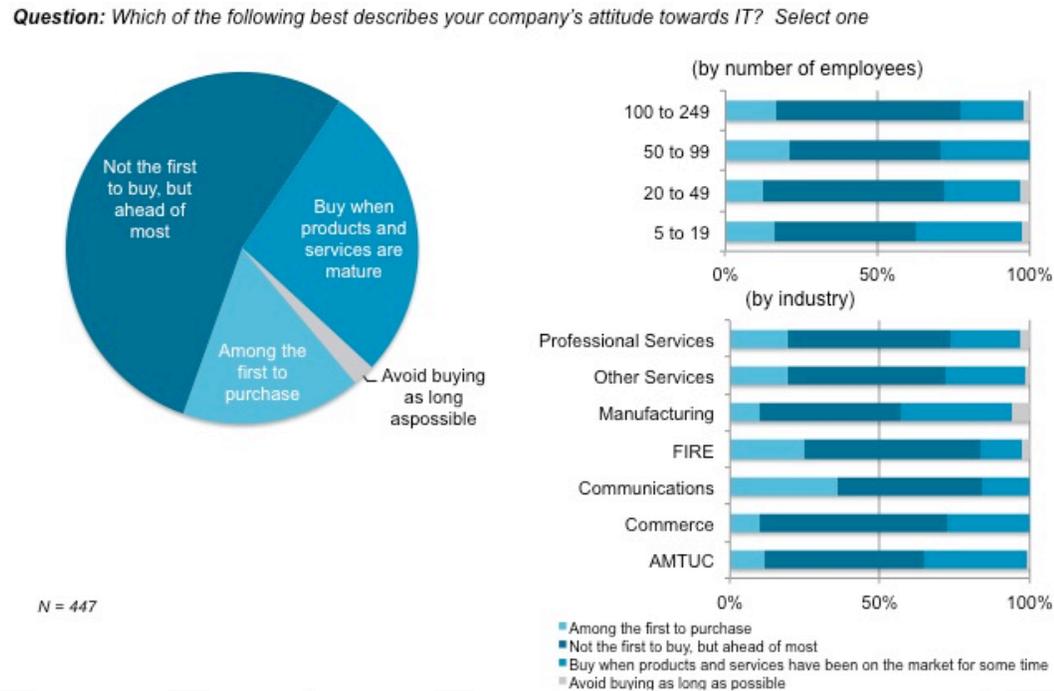


Source: Cisco Consulting Services, 2012

There is a slight variance among SMBs depending on the number of employees. ICT appears to be most important to the smallest (5 to 19 employees) and the largest (100 to 249 employees) businesses. Similarly, there is some diversity based on industry segment, where the largest numbers of respondents who consider ICT a strategic enabler are from companies in commerce (retail and wholesale), FIRE (financial services, insurance, and real estate), and communications.

According to responses from the survey, Mexican SMBs are not shying away from adopting new ICT products and services. Although only about 17 percent replied that they are among the first to purchase new ICT products and services, 54 percent believe they are adopting new ICT products and services ahead of most other SMBs.

Figure 3. Attitude of Mexican SMBs Toward Adoption of ICT Products and Services.

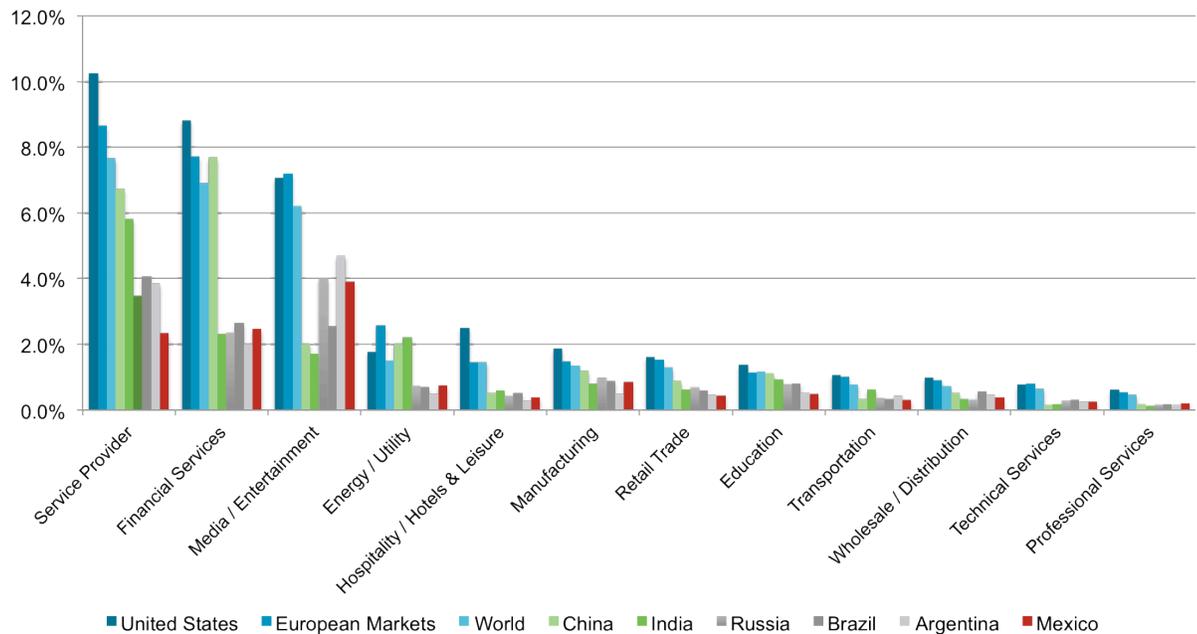


Source: Cisco Consulting Services, 2012

In terms of company size, larger SMBs (50 employees and above) are the most “aggressive” in adoption of new ICT products and services, while from an industry perspective, the fastest adopters are SMBs in the communications and FIRE areas.

While it seems that Mexican businesses are investing heavily in ICT products and services, a different picture emerges when looking at ICT spend as a percentage of revenues. As Figure 4 reveals, Mexican companies are spending significantly less on ICT than their peers around the world, with the exception of the media and entertainment industries.

This represents a potential challenge and an opportunity – building a good understanding of drivers and impediments to adoption of ICT products and services, along with providing an appropriate “response,” will be critical to increasing adoption and, consequently, to increasing ICT spending.

**Figure 4.** ICT Spending as a Percentage of Revenues by Country and Industry Sector.

Source: IHS Global Insight, 2010

## 2. Key Drivers for Adoption of ICT Products and Services Are Focused on Business Efficiency and Customer Service

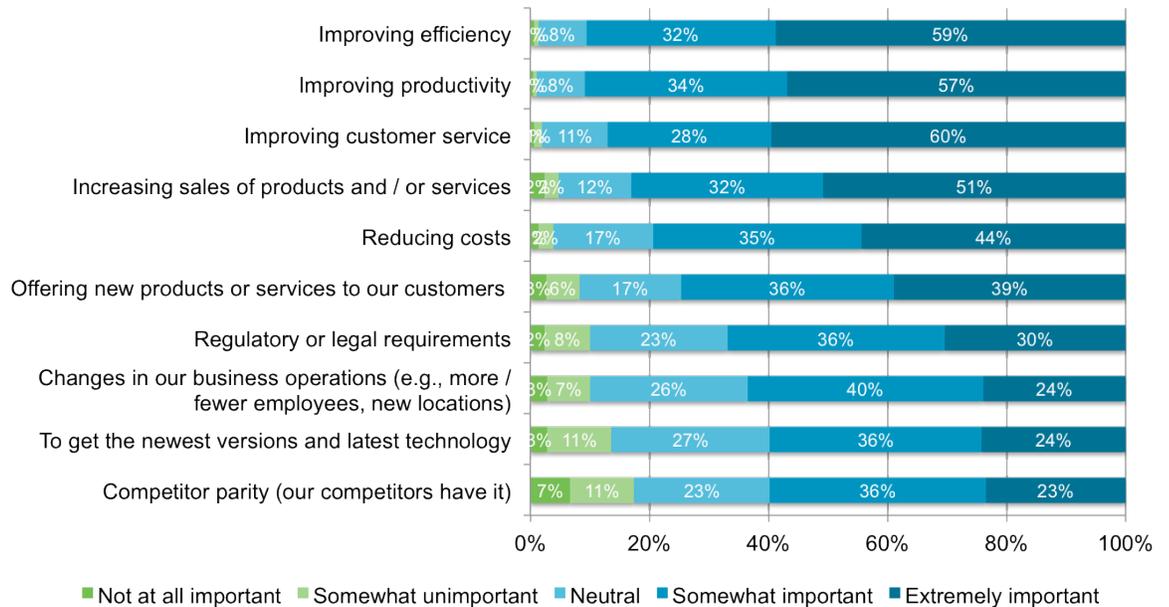
SMBs face many cash-flow and cost-/ expense-related concerns on a daily basis. So, it may be surprising that cost reduction ranks only as the fifth-largest driver of ICT product and service adoption. The primary drivers can be split into two categories:

1. Focused on improving the efficiency and productivity of the business
2. Focused on improving customer service and driving sales growth. The number-six driver on the list is also customer- / sales-related: offering new products / services.

The responses align closely with McKinsey's survey, where improving effectiveness of business processes, reducing ICT costs, and improving cost efficiency of business processes were ranked as the top three ICT priorities.<sup>8</sup>

Figure 5. Drivers for Purchasing ICT Products and Services.

**Question:** How important are the following factors in motivating your company to purchase new information and communications technology (ICT)?



N = 447

Source: Cisco Consulting Services, 2012

### 3. Cost, Complexity, and Lack of Knowledge Are Primary Barriers to ICT Adoption

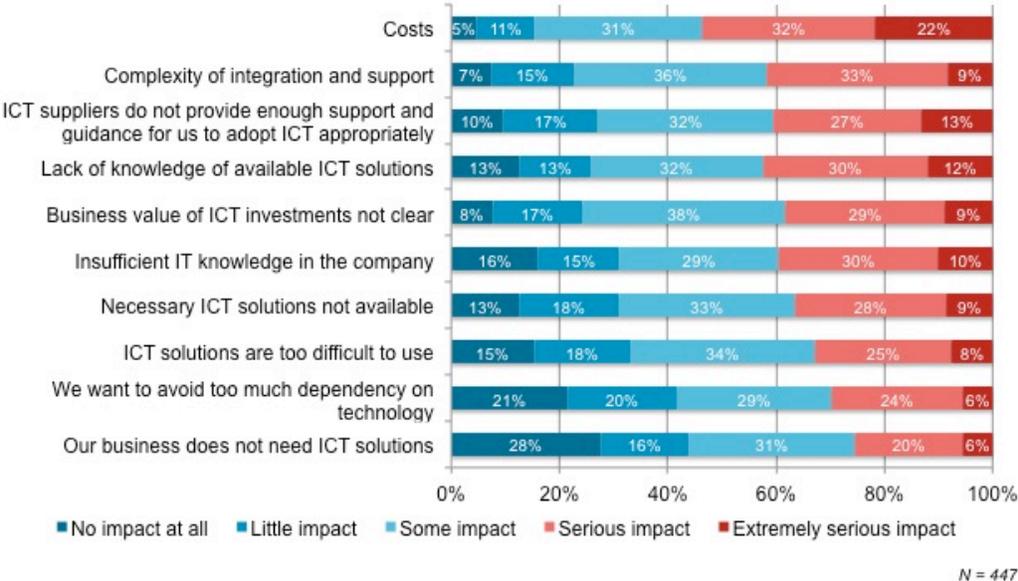
Unsurprisingly, the number-one factor hindering adoption of ICT products and services by SMBs is cost. Indeed, cash-flow-challenged SMBs that need to invest in their core business find it hard to set aside budgets for investments in ICT. The other key impediments to ICT adoption fall into two categories:

1. **Complexity and difficulties of using ICT solutions:** SMBs have either no ICT staff or it is very limited. Many have limited knowledge of available ICT solutions. According to respondents, ICT suppliers offer little help. The factor “ICT suppliers do not provide enough support and guidance...” ranked third on the list of inhibitors.
2. **Business value of ICT is not clear:** With many priorities competing for limited funding among SMBs, this is an important factor.

Although relatively low on the list, “ease of use” and “adequacy of ICT solutions” are two factors that need to be considered as well.

Figure 6. Factors Preventing SMBs from Purchasing and Using ICT.

Question: What factors are preventing your company from purchasing and utilizing new information technology?



Source: Cisco Consulting Services, 2012

Providers of ICT products and services need to take these factors (cost, education / information sharing, business value and relevance, ease of use) into account when building offerings targeted at the SMB market.

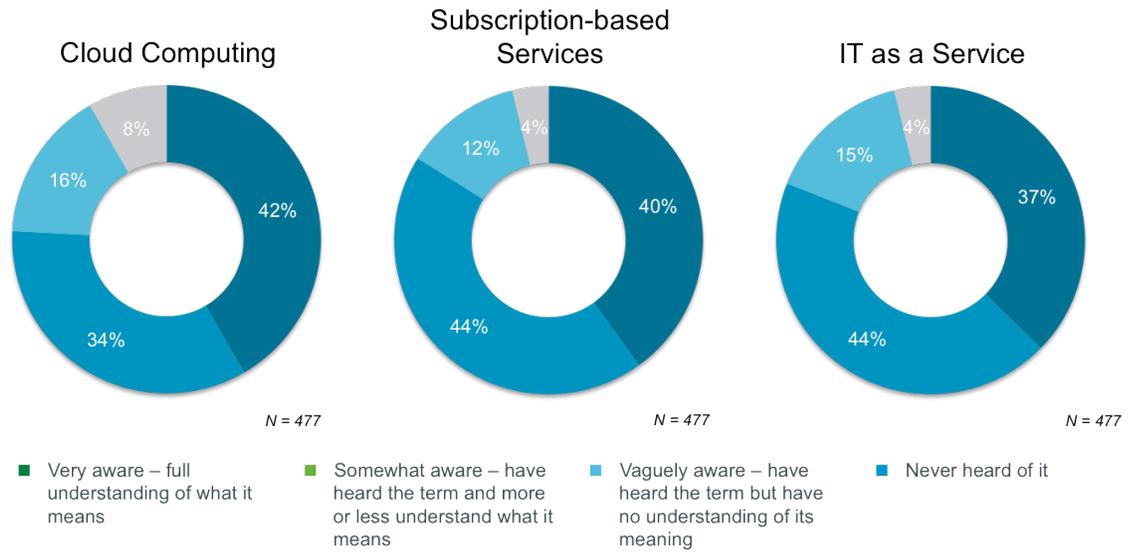
#### 4. Cloud and Subscription-based Services Are Well Known to Mexican SMBs, and Usage of These Services Is Poised To Increase Significantly

Mexican SMBs seem to be well aware of the terms related to cloud, managed, and subscription-based services. More than 75 percent of respondents to Cisco’s survey are either “very aware” (fully understand the meaning of the term) or “somewhat aware” (have heard the term and more or less understand what it means).

There is some variance among SMBs of various sizes – awareness is lowest among small SMBs (5 to 19 employees) surveyed, 68 percent of whom claim to be “very aware” or “somewhat aware” of the term. This awareness grows to 87 percent in the largest SMBs surveyed (100 to 249 employees). Interestingly, the least-understood term is “cloud computing” – 24 percent of respondents had never heard of it or were only vaguely aware of the term (see Figure 7).

**Figure 7:** Mexican SMB Awareness of Terms Related to Cloud, Managed, and Subscription-based Services.

**Question:** How aware are you of the following terms?

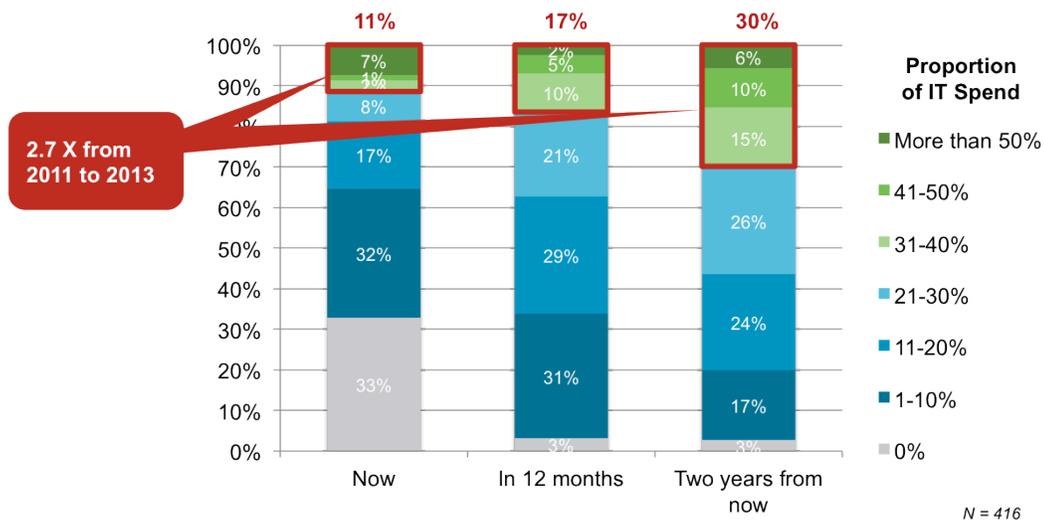


Source: Cisco Consulting Services, 2012

This awareness is also reflected in the growth of SMB spending on cloud and subscription-based services. The number of SMBs that spend 30 percent or more of their ICT budgets on cloud and subscription-based services is poised to grow from 11 percent to 30 percent between 2012 and 2014. The anticipated dynamic can be seen in Figure 8.

**Figure 8.** Percentage of ICT Budget Spent on Subscription-based Services.

**Questions:** What proportion of its total IT budget is your company currently spending on hosted or subscription-based IT services? What proportion of its total IT budget do you expect your company will spend on hosted or subscription IT services?



Source: Cisco Consulting Services, 2012

While the 2.7-times increase in two years is impressive, the number of businesses spending 30 percent or more of their ICT budgets on cloud and subscription-based services still lags behind that of developed markets, such as the United States or Germany.<sup>9</sup>

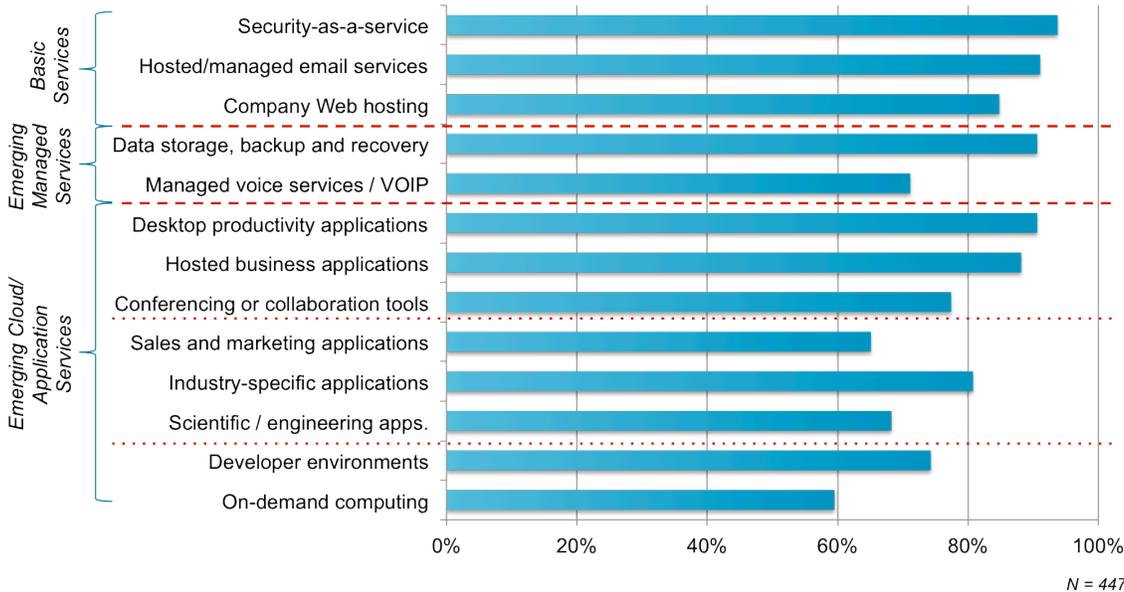
Research also showed that the budget shift will be most pronounced in the SMB segments of companies with 20 to 49 employees, where 33 percent of respondents are planning to spend more than 30 percent of their ICT budgets on cloud and subscription-based services, and in companies with 50 to 99 employees, where 38 percent of respondents are planning to shift this amount of their ICT spend. The spending shift will be the lowest in the smallest segment surveyed, businesses with 5 to 19 employees, where 23 percent of respondents are planning to spend more than 30 percent on cloud and subscription-based services over the next two years.

From an industry perspective, the biggest shift will happen in commerce (wholesale and retail) and communications, where 40 percent of respondents are planning to spend more than 30 percent of their ICT budgets on cloud and subscription-based services. These two industry groups are closely followed by FIRE (finance, insurance, real estate), with 39 percent of respondents, and professional services, with 35 percent. The shift in ICT budget spending will be the slowest in manufacturing, where only 19 percent of respondents are planning to spend more than 30 percent on cloud and subscription-based services in the next two years.

This budget shift seems conservative when considering the cloud and subscription-based services that Mexican SMBs are planning to adopt. As Figure 9 illustrates, all of the services that were assessed in the questionnaire will be adopted by at least 60 percent of Mexican SMBs. While the numbers seem very high, the selection of services that Mexican

Figure 9. Future Use of Cloud and Subscription-based Services.

**Question:** When, if ever, do you anticipate your company will use subscription-based services for the following?



Source: Cisco Consulting Services, 2012

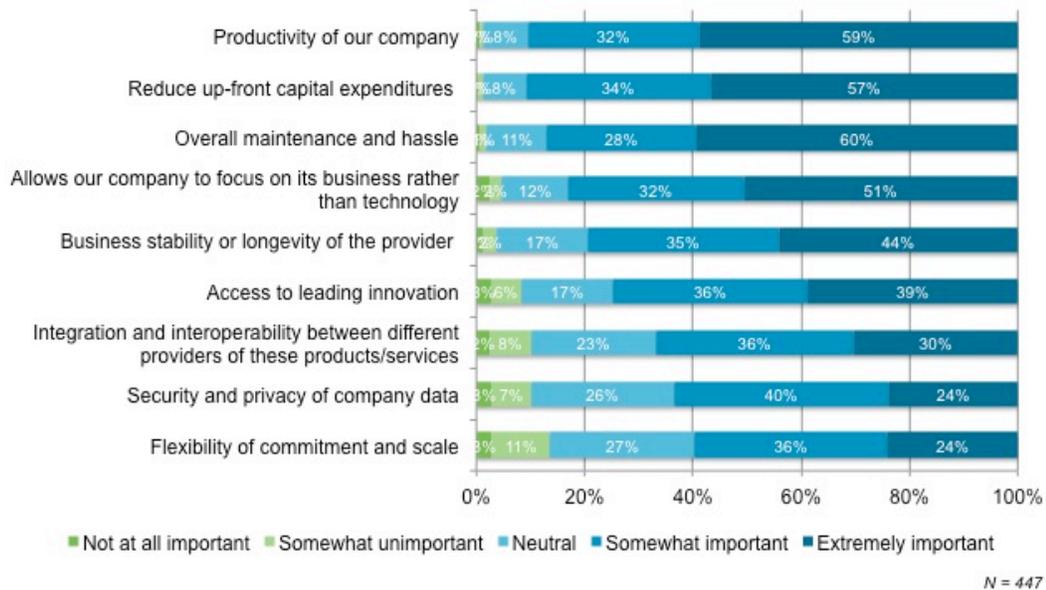
SMBs are planning to adopt does not vary from that of a similar survey that Cisco Consulting Services conducted in the United States and Germany,<sup>10</sup> where the top-three services also were security, data storage and backup, and desktop productivity applications.

### 5. Productivity Growth and Cost Reduction Are Primary Drivers for Adoption of Cloud and Subscription-based Services

As in responses concerning key drivers of ICT adoption, productivity is the No. 1 driver of cloud and subscription-based services (see Figure 10). This is closely followed by reduction of up-front capital expenditures.

Figure 10. Drivers for Moving to Subscription-based ICT Services.

**Question:** How important are/were the following factors in deciding whether to move to subscription-based IT services?



Source: Cisco Consulting Services, 2012

### 6. Concerns About Data Privacy, Security, Costs, and Lack of SMB Customization Are Preventing Migration to Cloud and Subscription-based Services

Most Mexican SMBs highlighted concerns about security and data privacy as factors preventing them from adopting cloud and subscription-based services. This issue is present in most SMBs, regardless of their size or industry.

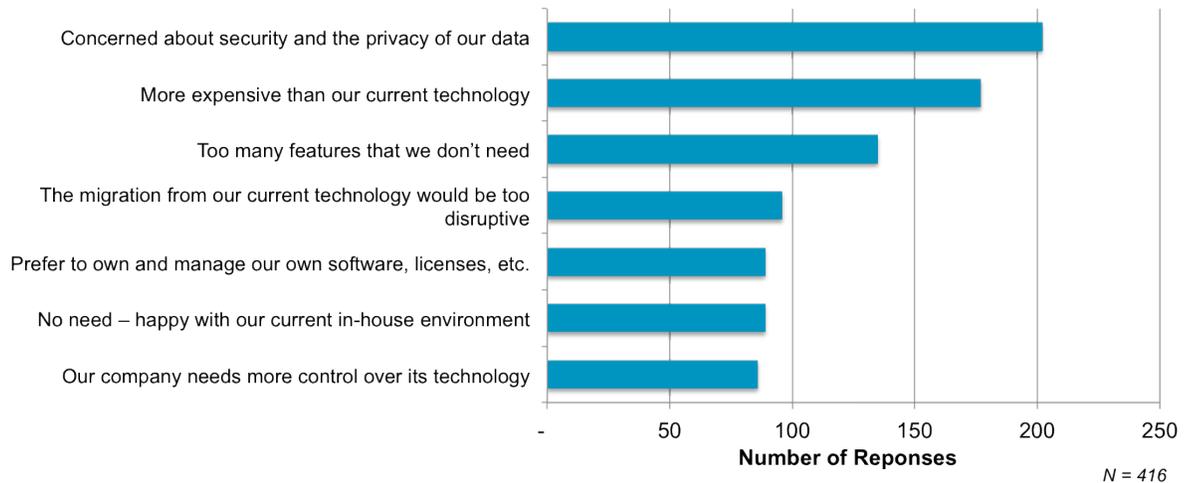
Second on the list is uneasiness about return on investment (ROI) – many Mexican SMBs perceive cloud and subscription-based services as being more expensive than their current technology. Interestingly, companies that most frequently mentioned this factor are not the smallest SMBs (5 to 19 employees), but rather SMBs with 20 to 49 employees.

The need to customize cloud and subscription-based services to match the needs of Mexican SMBs is reflected in the third factor preventing adoption: the solutions have “too many features SMBs don’t need.” This was the assessment from all sizes of SMBs, with the exception of the largest group (100 to 249 employees).

From an industry perspective, FIRE is the least concerned with feature sets, ROI, or technology migration – the main inhibitor in this industry is control over technology.

**Figure 11.** Factors Preventing Migration to Subscription-based ICT Services.

**Question:** *What are the main reasons that you would not buy and use a hosted or subscription IT service?*



Source: Cisco Consulting Services, 2012

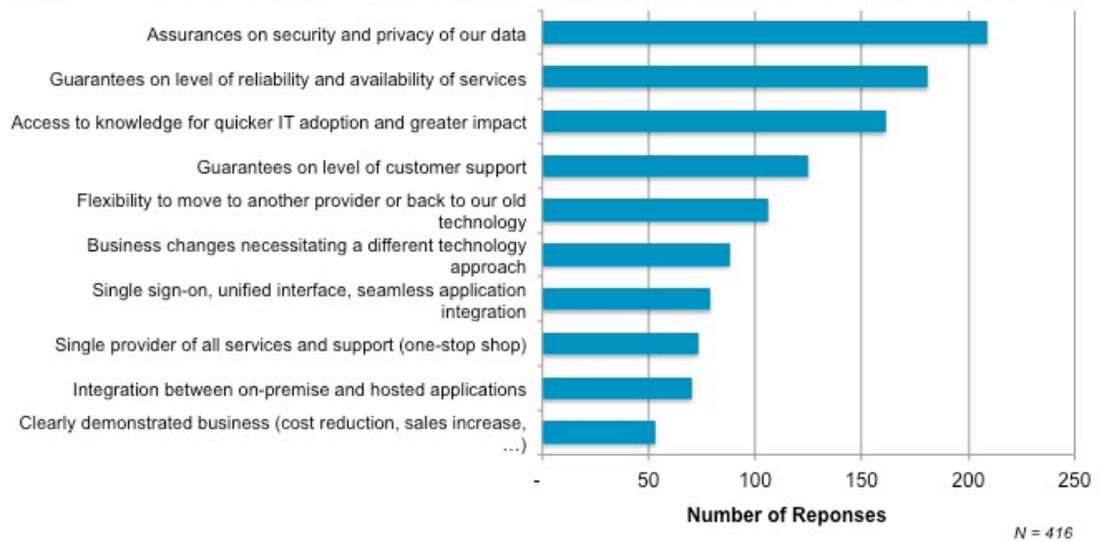
## 7. Vendor Trust and Help with Services Adoption Are Essential To Accelerate Adoption

To accelerate adoption of cloud and subscription-based services, service providers need to address the above concerns. This is clearly visible from responses to the question about factors that would increase interest in these services, as seen in Figure 12.

Vendor trust is a critical component – three of the top four responses are directly associated with it. Solving data security and privacy issues will be a major driver of adoption, followed by assurance and transparency regarding SLAs. Interestingly, despite doubts about the ROI of cloud and subscription-based services, having a clearly demonstrated business case concerning the benefits of new services is not a major factor. However, providing knowledge that would help SMBs adopt new ICT solutions quicker and ensuring greater business impact are important factors, aligned with the generic issue of lack of ICT knowledge in SMBs.

**Figure 12.** Factors Increasing Interest in Cloud and Subscription-based ICT Services.

**Question:** What would increase your interest in buying and using subscription-based ICT services? (Choose up to three)



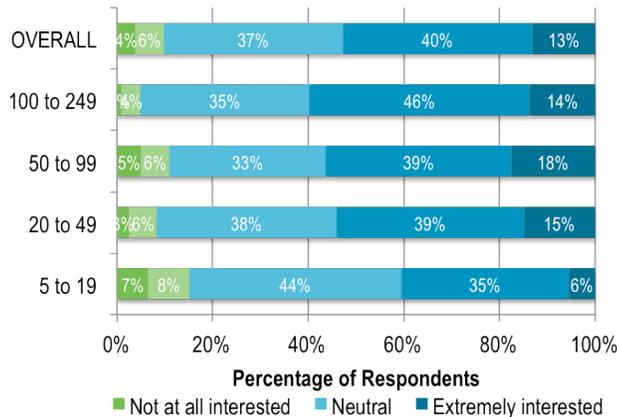
Source: Cisco Consulting Services, 2012

## 8. Interest in Generic Cloud Services Is Low – Services Need To Focus on Solving Specific Business Problems

To better understand and evaluate demand for cloud and subscription-based services, our research tested SMBs' appetite for various services, from generic infrastructure-as-a-service offerings to more complex bundles that address specific business needs.

It turns out that the interest in generic IaaS services is low. Regardless of business size, 18 percent or less expressed extreme interest in the service, with about double that percentage being somewhat interested. Responses from the industry groups were similar, with communications and professional services (which includes IT companies) expressing the most interest (see Figure 13).

If the basic IaaS service were enhanced with bandwidth-on-demand, which allows connectivity to be scaled on an as-needed basis, the interest level would increase. On average, 26 percent of respondents were extremely interested in the service, which is almost a 50 percent increase over their interest level in the basic IaaS service. Thirty-six percent of respondents indicated that they would be extremely interested if security and uptime guarantees were included – double the interest level of the basic service.

Figure 13. Interest in Generic Infrastructure as a Service<sup>11</sup>.

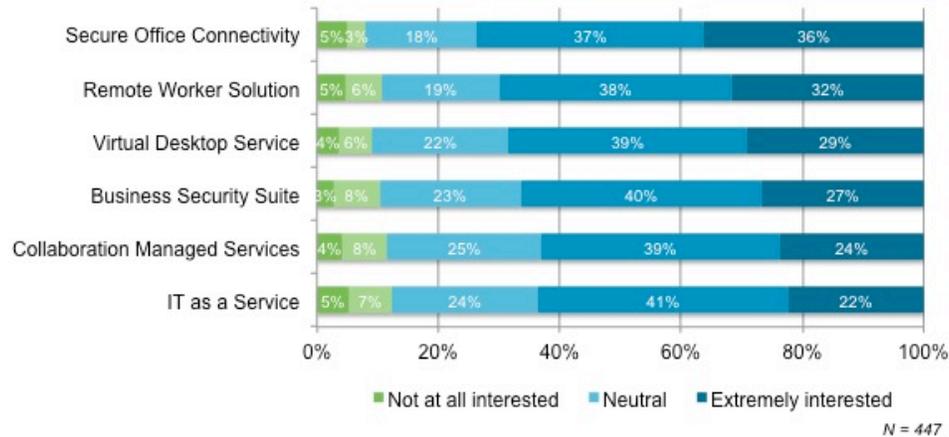
Source: Cisco Consulting Services, 2012

Interest also grows significantly when service bundles addressing specific business issues have been tested. The following service bundles were defined in the survey:

- **Secure Office Connectivity:** Mesh or site-to-site connectivity that provides access to cloud-based business apps, storage, and computing capabilities with a single CPE device as a service with a simple monthly fee.
- **Managed Collaboration Services:** Combined instant messaging (IM), web/video conferencing, presence, digital workspaces, team/project calendar, and desktop sharing, accessed securely from multiple devices and locations as a service for a fixed monthly fee.
- **Remote Worker Solution:** Telecommuter package that enables workers to securely access and work from remote locations via wireless / wireline for a simple monthly fee.
- **Virtual Desktop Solution:** Virtual desktop infrastructure, from a centralized data center with hosted business applications accessible from any device (laptop, smartphones, tablets) to enable employees to conduct everyday activities securely from the cloud for a per-person fixed monthly fee.
- **Business Security Suite:** Comprehensive security suite: secure, encrypted network (IP VPN); secure data backup / archiving; anti-virus / spyware / firewall; remote-site monitoring; alarm; and video archiving.
- **IT as a Service:** Complete IT and communications solution – hardware, software, connectivity, and communications. Employees who need desktops would be provided with thin clients that allow them to access virtual computers with applications. In addition, service would include desktop phones, printers, local area network, and Internet connectivity.

From the bundles tested, secure office connectivity and the remote-worker solution seem to be most attractive, while managed collaboration and IT as a service rank lower (see Figure 14).

Figure 14. Interest in Solution Bundles.



Source: Cisco Consulting Services, 2012

Level of interest in the services varies by the size of business. While all SMBs are interested in secure office connectivity, the interest in more advanced services is concentrated in the largest businesses (see Figure 15).

Figure 15. Interest in Solution Bundles by Business Size.

Bundle	5 to 19	20 to 49	50 to 99	100 to 249	Top Target Segments
Secure Office Connectivity	72%	75%	71%	76%	20-49, 100-249
Collaboration Managed Services	61%	63%	66%	62%	50-99
Remote Worker Solution	64%	68%	71%	77%	50-99, 100-249
Virtual Desktop Service	59%	69%	68%	77%	20-49, 50-99, 100-249
Business Security Suite	61%	65%	66%	75%	20-49, 50-99, 100-249
IT as a Service	61%	68%	63%	61%	20-49
Top Choices	Secure Office Connectivity	Secure Office Connectivity	Secure Office Connectivity	Secure Office Connectivity	
	Remote Worker Solution	Virtual Desktop Service	Remote Worker Solution	Remote Worker Solution	
	IT-as-a-Service	IT-as-a-Service	Virtual Desktop Service	Virtual Desktop Service	

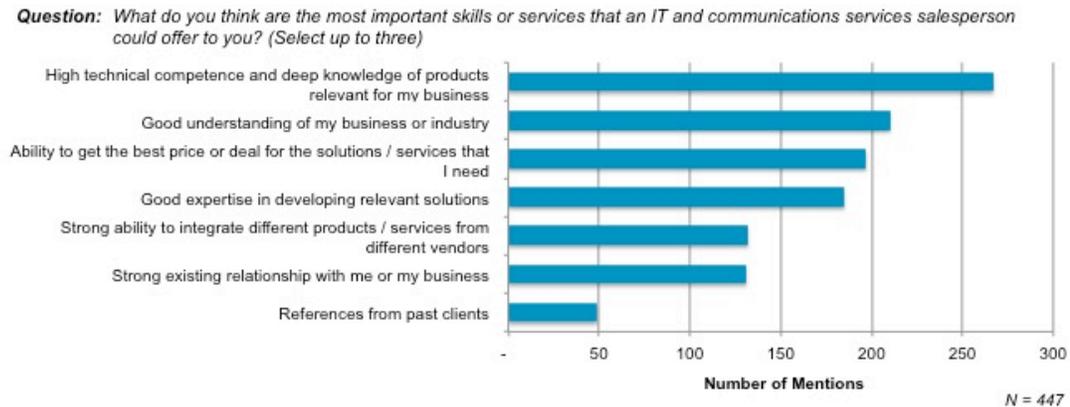
N = 447

Source: Cisco Consulting Services, 2012

### 9. Service Providers Need To Adopt a Go-To-Market Strategy that Focuses on Consultative Selling and Business Relevance

Because IT skills are in low supply in SMBs, these companies are looking at service providers to help them find the right solutions. The two critical skills salespeople need are a deep knowledge of relevant products, as well as a good understanding of each customer’s business and industry (see Figure 16).

**Figure 16.** Most Important Skills for a Salesperson.



Source: Cisco Consulting Services, 2012

Although these skills are not yet standard for most service providers’ sales staffs, the level of satisfaction with sales staff is quite good – about one-quarter of respondents are “very satisfied” with people selling ICT products and services to their company; an additional 50 percent are “somewhat satisfied.” The level of satisfaction is lowest at the smallest companies (5 to 19 employees).

Despite the proliferation of online sales, ordering, and provisioning tools, SMBs still prefer face-to-face interaction during the sales process (see Figure 17).

**Figure 17.** Preferred Sales Interactions.



Source: Cisco Consulting Services, 2012

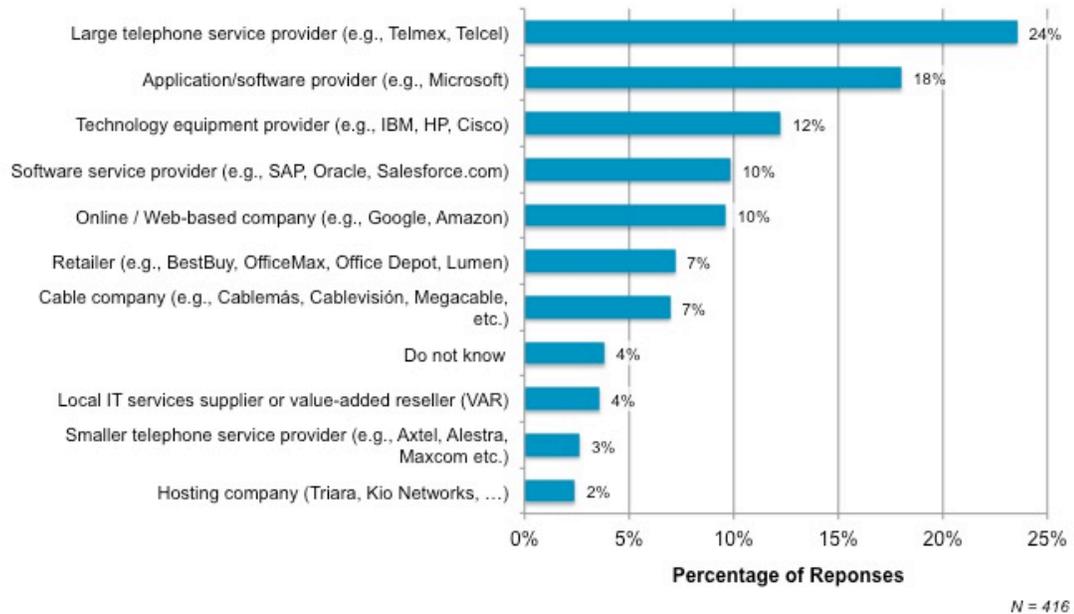
The larger the business, the more face-to-face sales interaction is important. Online tools are perceived as useful, especially in service monitoring and maintenance mode, but also in combination with live salesperson interactions.

### Implications for Service Providers

Research clearly indicates that service providers have been identified as the primary potential supplier of cloud and subscription-based ICT services (see Figure 18).

Figure 18. Supplier Preferences for Subscription-base Services.

**Question:** From which of the following types of firms is your company most likely to buy subscription-based ICT services?



Source: Cisco Consulting Services, 2012

The value propositions of service providers need to reflect the key needs and concerns of SMBs:

- **Security:** SMBs know security is important and will ask about it. They need help and education, and they value offers where security is an integrated feature, not an afterthought. Security is a table-stakes issue: messaging, value propositions, and offers need to address security concerns.
- **Performance Guarantees:** SMBs have read about service outages at major cloud service providers and other non-SPs. For small companies, a week without service can be a disaster or even spell the end of their business. Telecommunications service providers are well positioned in this area – better than systems integrators or over-the-top (OTT) providers because they can provide end-to-end service guarantees, covering all service components.
- **Right-sized Offers / Bundled Solutions:** SMBs worry about complexity and paying for features they don't need. They look for integrated solutions to their everyday problems: "How do I connect and collaborate securely with colleagues remotely?" or "How do I obtain the basics for connectivity, security, and communications to get my office up and running?"

- **Price:** Smaller SMBs care about price and focus on solutions to help reduce expenditures. They also care about investment in time and resources, but financial costs are paramount. For larger SMBs, total cost of ownership may be more important; they are also willing to pay more for offers that provide additional or targeted value. However, overall price is still an important factor in decision making.
- **Education:** SMBs need help making the case for investment in cloud, managed, and subscription-based services. Examples of everyday problems solved, use cases, and business cases with total cost of ownership / value spelled out can help “connect the dots” when switching to a cloud, managed, or subscription-based services offer.

**Figure 19.** Criteria for Selecting a Hosted or Subscription-based ICT Service Provider.

**Question:** Which of the following would be the most important criteria when selecting a hosted or subscription IT service provider?



Source: Cisco Consulting Services, 2012

To successfully capture the opportunity, service providers need to observe some basic principles:

1. Build from the current base
  - Build upon the high level of satisfaction that customers have with existing cloud and managed services. Create the broad portfolio of cloud services that SMBs expect to buy in the next six to 24 months.
  - Reinvigorate marketing efforts around larger-sized SMBs, which are users of more advanced services such as business applications, collaboration, and on-demand computing.
2. Expand to advanced services
  - Increase emphasis on advanced cloud services in order to capture market share and mindshare.

- Forge business relationships with VARs, software, and technology companies in order to play a larger role in advanced cloud services such as SaaS and IaaS.
3. Sell business benefits
    - Emphasize security, guarantees, and business impact, which are the most important buyer factors for purchasing cloud services.
    - Develop a strong business case and a clear articulation of benefits to encourage greater uptake of cloud services.
  4. Differentiate with network features
    - Offer advanced network features such as bandwidth on-demand and security and uptime guarantees.
    - Explore bundled offers for SMBs that respond to their business needs – access, security, collaboration.
  5. Build scale and efficiency
    - Scalable shared infrastructure is critical to minimize costs per customer.
    - Organizational efficiency and agility will play a key role in this rapidly evolving market: implement agile business architecture to maximize efficiency and effectiveness of organization.

## Conclusion

Cloud managed and subscription-based services are quickly becoming an important source of solutions for SMBs' ICT needs. Given SMBs' dynamic nature and limited ICT and financial resources, these services represent an ideal solution set, provided they address specific SMB needs, expectations, and preferences.

SMBs are well aware of cloud and subscription-based ICT services. Both larger and smaller SMBs are increasing investments in cloud services, driving significant shift in ICT budget expenditures. By the end of 2014, about one-third of Mexican SMBs will be spending 30 percent or more of their ICT budgets on cloud, managed infrastructure, or subscription-based services. All of this represents significant upside for service providers.

For service providers, trust is critical. Security and performance assurances and guarantees are the key buying factors. When not present, they are key barriers to adoption. Once trust is established, services tailored for SMBs will be the single biggest driver of provider choice, with larger SMBs focusing on this factor even more than the smaller ones.

SMBs have deep interest in business-relevant, managed one-stop solutions for secure connectivity, support for remote work / telecommuting (virtual desktop, remote worker solutions), and collaboration.

This fast-growing and lucrative base is in a segment that historically has been underserved by major IT providers. To gain a share of the shifting IT budget spend for SMBs, service providers need to adapt to specific needs, requirements, and expectations of the SMB segment.

However, service providers have the key assets that SMBs value most. Foremost among these are the ability to offer the differentiated network-based features that SMBs are looking for: reliability and uptime guarantees, quality of service, service-level agreements, security, and privacy.

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## About the Survey

Cisco Consulting Services conducted an online survey of 447 Mexican SMBs in the fall of 2012, which focused on companies with five to 249 employees. The respondents were either final decision makers or deeply involved in evaluation, recommendation, and purchase of ICT products and services. Respondents' primary job roles were: department manager (31 percent); owner, partner, chairman, or CEO (25 percent); professional staff (11 percent), general manager or managing director (10 percent); technical staff (9 percent), and IT director or CIO (8 percent).

Companies surveyed were split into four groups based on number of employees: companies with 5 to 19 employees (24 percent of responses), 20 to 49 employees (27 percent), 50 to 99 employees (26 percent), and 100 to 249 employees (23 percent). From an industry perspective, 27 percent of responses came from companies in agriculture, mining, transportation, utilities, and construction; 18 percent from commerce firms (12 percent from retail and 6 percent from wholesale); 13 percent from "other" services (healthcare, hospitality, information and media, education); 12 percent from manufacturing; 10 percent from professional services; 9 percent from financial services, insurance, and real estate; and 2 percent from other industries.

Focus of the survey was learning about Mexican SMBs' attitude toward ICT products and services; drivers and inhibitors of ICT; awareness, utilization, and perceptions about cloud and subscription-based services; and plans related to adoption of cloud and subscription-based services, including levels of interest in various services. The survey also looked at supplier preferences for cloud and subscription-based services, as well as at sales interaction preferences and skills expected from ICT services sellers.

The survey was performed using an online panel provided by Global Market Insight. Survey error margin is 4.6 percent, with a confidence interval of 95 percent.

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## Endnotes

1. Cisco Consulting Services Survey, “What Mexican SMBs Want from Cloud and Managed Services,” 2012.
2. “Outlook – Overcast and Bright: How the Cloud Is Transforming IT for SMBs,” McKinsey, 2010.
3. Cisco Consulting Services Survey, “What Mexican SMBs Want from Cloud and Managed Services,” 2012.
4. INEGI, 2012; The World Bank, 2012.
5. SMB market in AMI Partners research is defined as for-profit business units with 1 to 999 employees based in commercial location (excluded are branch offices, non-profit, and publicly owned / government entities, home businesses). In 2012 there were 2.033 million registered business entities in Mexico that corresponded to these criteria.
6. “Winning in the SMB Cloud: Charting a Path to Success,” McKinsey, 2011.
7. More details about the survey can be found in the section “About the Survey” at the end of this paper.
8. “How IT Is Managing New Demands”, McKinsey Global Survey, 2011.
9. “Small Businesses Ride the Cloud: SMB Cloud Watch – German Survey Results”; “New Cisco IBSG Research Reveals Dramatic Growth in Cloud Interest Among SMBs,” Cisco IBSG, 2011.
10. Ibid.
11. Respondents were asked the following question: “One example of a hosted or subscription technology service would be to access server processing and storage capabilities over the Internet. This would allow your company to access computing capability, as you need it (e.g., to run database queries), without purchasing additional hardware. You would still need to purchase software applications (e.g., Microsoft SQL Server, Oracle database), but you would pay only the provider for server processing and storage you actually use. What is your level of interest in such a service? Select one.”



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