

With Cloud, SMBs Will Lead Emerging Economies Across the Digital Divide

Service Provider FastFacts

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Service providers in developing countries have the potential to kick-start economic growth by helping small and medium-sized businesses (SMBs) take advantage of information and communications technology (ICT), especially cloud services. The “greenfield” nature of ICT in many emerging economies creates the opportunity to “leapfrog” to cloud computing.

Cloud Is Key To Unlocking Potential of Networks

For some time, governments have recognized the role of broadband in supporting economic development. The World Bank states that for every 10 percent of broadband penetration in a developing economy, there is typically a 1.38 percent increase in GDP.¹

Each year, there have been tangible improvements in broadband networks across emerging markets.² However, in some cases, these investments have not delivered on the promise of economic development—a failure that can be attributed to the lack of relevant content and services. A cloud model makes the creation and distribution of local/regional applications and content simpler and more cost-effective, unlocking the potential of networks.

Many emerging countries have invested in core and access networks, and enabled them to tap into the value of cloud services. While broadband speeds in emerging markets are typically lower than those in Europe or North America, they are adequate for basic cloud services.³ And some countries—for example, Egypt, South Africa, and the United Arab Emirates—have developed their networks enough to support intermediate cloud applications such as CRM, ERP, and basic video conferencing.

SMBs Hold Highest Potential for Transformation

Cisco’s Internet Business Solutions Group (IBSG) believes that cloud models will drive the greatest transformation through SMBs. In emerging markets, SMBs play the most important role in their countries’ economic development. Brazil, Russia, India, and China have more than 195 million small businesses among them, compared with 15 million in the



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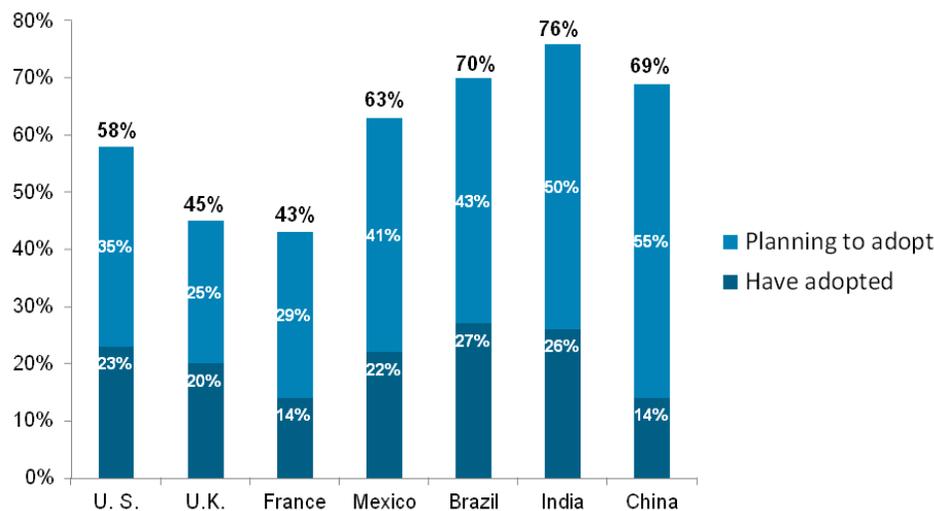
United States. SMBs in India contribute more than 60 percent of GDP (more than US\$600 billion).⁴ This figure is mirrored across many emerging economies: the United Nations Conference on Trade and Development estimates that small businesses account for more than 90 percent of output across Africa. While not all SMBs rely on or invest in IT, even the smallest businesses can be transformed by cloud-based applications, such as micro-payments.

Small companies are a nursery for the larger ones of the future, and usually drive innovation within a developing economy. Cloud will be key for emerging markets because cloud enables businesses to access innovative applications without requiring the typical up-front investment in ICT and a skilled IT staff. With cloud applications, SMBs can access key business tools from anywhere and from any device, even smartphones or older PCs with limited computing power.

SMBs Are Driving the Growth of Public Cloud

The Cisco IBSG 2011 SMB Cloud Watch Survey shows that, in the United States, cloud applications are becoming more and more important for SMBs. The number of SMBs that rely extensively on cloud applications to manage their communications and business processes will grow 2.6 times over the next two years. And, in 2013, nearly 50 percent of U.S. SMBs will spend more than one-third of their IT budgets on cloud services.⁵

Figure 1. Clearly, IT Decision Makers in Developing Markets Are Looking to Cloud To Provide Greater Access to Applications and Services.



Source: Cisco Connected World Technology Report, December 2010

In emerging markets, where many small businesses do not have the capital or skills to use ICT, the impact of cloud will be much greater. On-demand applications will place many companies onto the first step of the technology ladder. As shown in Figure 1, more IT decision makers in emerging countries than in developed countries plan to use cloud—50 percent in India, 43 percent in Brazil, and 40 percent in Mexico confirmed that they will adopt cloud, compared with 29 percent of CIOs in France and 25 percent in the United Kingdom.⁶

If policymakers and regulators can foster an environment where cloud prospers, cloud could become a critical enabler of SMB growth, which, in turn, can dramatically impact economic growth in emerging markets. Service providers should be investing now to create both an access infrastructure and suites of cloud services tailored to the needs of SMBs in emerging markets, including messaging and calendaring, as well as customer, inventory, accounting, invoicing, and human resources management.

For more information, read related IBSG thought leadership:

- [“New Cisco IBSG Research Reveals Dramatic Growth in Cloud Interest Among SMBs”](#)
- [“Cloud Computing and the Digital Divide”](#)

Endnotes

1. “Broadband, Mobile Key to Economic Growth: World Bank,” AFP, June 30, 2009.
2. “Broadband Quality Score III: A Global Study of Broadband Quality,” Cisco; Saïd Business School, Oxford University; and Universidad di Oviedo, September 2010.
3. The average fixed-consumer download speed in the Middle East and Africa is 1,691 kbps, and the average upload speed is 795 kbps. “Cisco Global Cloud Index: Forecast and Methodology, 2010–2015.”
4. “Indian SMB ICT Adoption Insights,” Zinnov Management Consultancy, 2012.
5. [“New Cisco IBSG Research Reveals Dramatic Growth in Cloud Interest Among SMBs.”](#) Cisco IBSG, 2011.
6. “Cisco Connected World Technology Report,” September 2011. This global survey included IT decision makers from companies with 10 or more employees.

More Information

Cisco IBSG (Internet Business Solutions Group) drives market value creation for our customers by delivering industry-shaping thought leadership, CXO-level consulting services, and innovative solution design and incubation. By connecting strategy, process, and technology, Cisco IBSG acts as a trusted adviser to help customers make transformative decisions that turn great ideas into value realized.

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