

More than 70 Percent of U.S. SMBs Already Use Cloud Services, with SPs the Primary Providers—for Now

IBSG Connected Life Market Watch

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Small and medium-sized businesses (SMBs) are fueling the cloud market today. Their small IT departments and lack of money to invest in people and systems make them great candidates for cloud services.

- More than 70 percent of U.S. SMBs* with 5 to 250 employees use some form of cloud services today, including security, storage, backup, hosting, conferencing, and collaboration tools.
- Larger SMBs (100-250 employees) are adopting advanced cloud services, including hosting, business / sales / marketing applications, and on-demand computing.

There is great interest among SMBs in using more cloud services going forward. Only 11 percent of SMBs do not anticipate using any cloud services. In contrast, more than 50 percent expect to invest further in cloud services, and a third plan to shift more than 20 percent of their IT spending to cloud services within the next two years. With more than 2 million SMBs of 5-250 employees in the United States, that is a significant opportunity.

Today, SMBs see SPs and software companies as the preferred providers of cloud services; 57 percent indicate they have bought cloud services from their SPs. Looking ahead, however, unless service providers target the SMB audience with a differentiated offer, they will find themselves challenged by software and tech equipment providers. SMBs indicate that two years from now, they are more likely to shift to technology and software providers (with SPs registering a 15-point drop). In fact, the future importance of software and tech providers aligns with the projected growth in Software as a Service (SaaS), advanced applications, and platform services (see Figure 1).

The good news is that SPs are uniquely positioned to develop the type of differentiated offer that will allow them to retain and build on their SMB audience. IBSG research shows that service providers become the vendor of choice when value-added features are included. With bandwidth on-demand, security, and guarantees, SPs become the trusted vendor for more than half of respondents. No other vendor sees a corresponding increase in trust. The key action recommendations for SP are to:

- Build off strong base to create a portfolio of cloud services for SMBs and reinvigorate marketing

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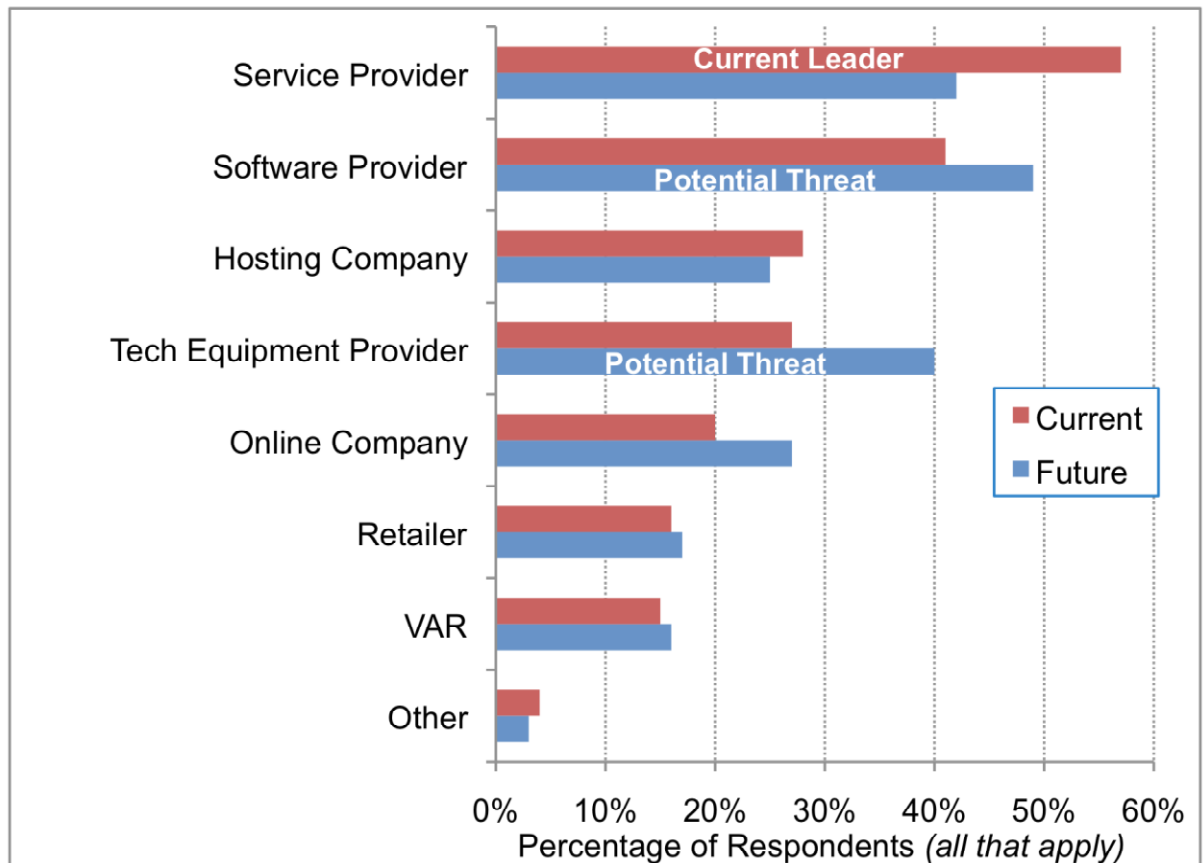


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- Expand to advanced services to capture market share and mind share. Forge relationships with software and tech companies to participate in plays around cloud-based Software-as-a-Service and Infrastructure-as-a-Service offerings
- Sell SMBs on the business benefits and business case for cloud
- Differentiate with network features by offering advanced, end-to-end SLA guarantees.

Figure 1. While U.S. SPs are Currently the Leading Providers of Cloud Services to SMBs, Software Providers and Tech Equipment Providers Could Be Potential Threats

Current and Future Providers of Hosted/Subscription Services



Survey questions: From which of the following types of firms has your company bought hosted/subscription services? From which would your company most likely buy in the future? (Select all that apply).

N = 510

Source: Cisco IBSG, December 2009

* Results from a parallel study in Germany are cited in a white paper entitled, *Small Businesses Ride the Cloud: SMB Cloud Watch – German Survey Results*, located on the [Cisco IBSG Connected Life Market Watch Website](#).

More Information

Cisco Internet Business Solutions Group (IBSG), the company's global consultancy, helps CXOs from the world's largest public and private organizations solve critical business challenges. By connecting strategy, process, and technology, Cisco IBSG industry experts enable customers to turn visionary ideas into value.

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