



I D C E X E C U T I V E I N S I G H T S

SMBs Shift Into High Gear for 2018: Staying Secure and Current

October 2017

By Victor Lim

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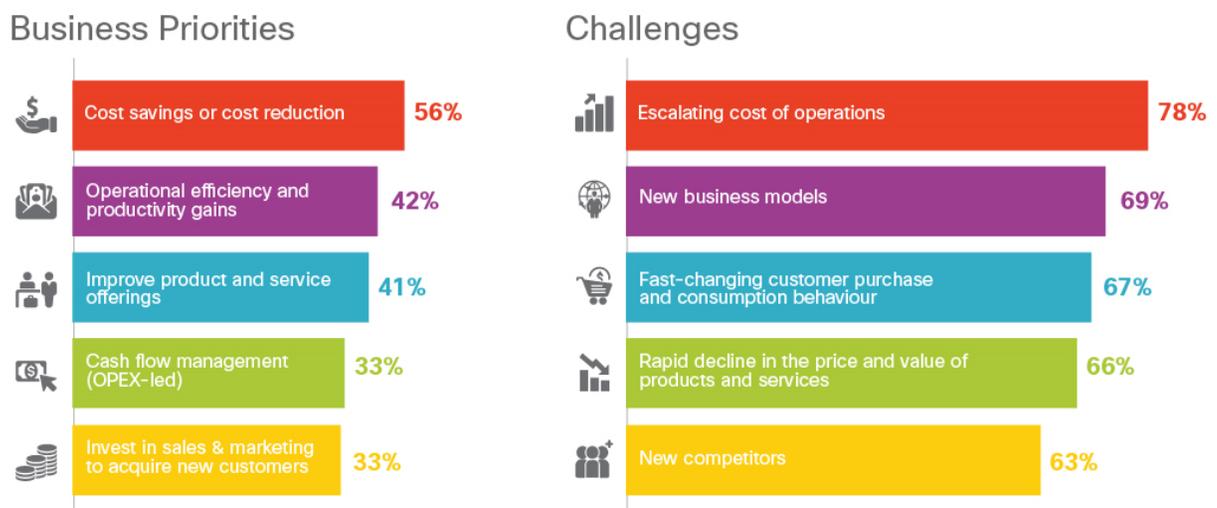
IT At the Heart of SMB Priorities

Today's small and medium-sized businesses (SMBs) face a future that is increasingly competitive, albeit awash with opportunities. Expanding high-speed broadband coverage, rising adoption of mobile devices, improving connectivity quality as well as the expansion of logistics services and networks are accelerating the breaking down of geographical market barriers. SMBs no longer compete with local rivals only but also against lower priced competitors from countries such as China and other emerging markets, and recognize the opportunities that technologies enable them to expand quickly overseas.

A recent survey by IDC of over 900 SMBs across Australia, India, Malaysia, Philippines and Singapore, shows the growing cost of doing business as a key concern (see Figure 1). To remain competitive, their top 3 business priorities are to reduce costs, gain operational efficiency, and improve productivity – essentially, protecting their margins by “doing more with less” and ensuring competitive differentiation through quality improvements in their product and service offerings.

Figure 1

Top 5 Business Priorities and Challenges of SMBs



N=941

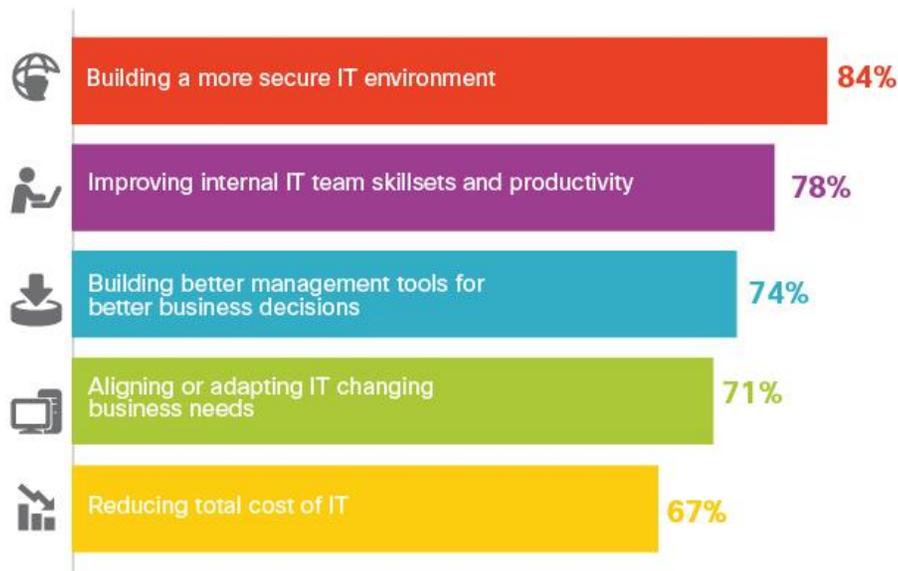
Source: IDC Custom SMB Survey 2017, sponsored by Cisco

However, this is not an easy task, as SMBs are buffeted on multiple sides by competition, operational challenges, and escalating cost of operations. New business models (e.g., renting or sharing instead of buying) give rise to new competitors, forcing them to evolve to keep up with changing customer needs and consumption behavior.

IDC's research shows there is alignment between SMBs' technology and business priorities (see Figure 2). When asked to name their IT priorities, respondents' top focus areas – IT security, improving IT skillsets and productivity, better decision making, and cost savings – are in keeping with the competitive and ever-changing needs of the business.

Figure 2

Top 5 IT Priorities for SMBs



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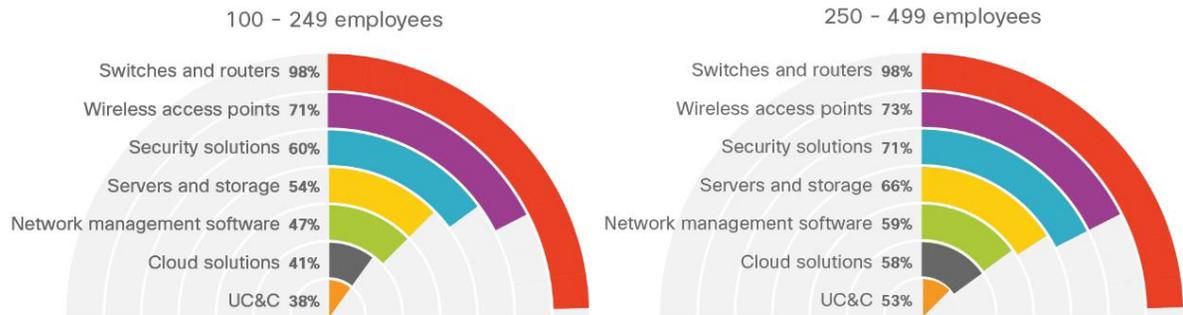
Source: IDC Custom SMB Survey 2017, sponsored by Cisco

Key Technology Investment Areas

IDC's research shows that SMBs are spreading their IT investments across technologies that are deemed necessary to run the day-to-day operations and those that help to sharpen their competitive edge. Almost all SMBs, regardless of employee size, have invested in switches, routers and wireless access points. Security solutions to secure their networks are also critical, with over two-thirds of respondents with such investments (see Figure 3).

Figure 3

Current Technology Adoption by SMBs



N=941

Source: IDC Custom SMB Survey 2017, sponsored by Cisco

Staying Secure and Current

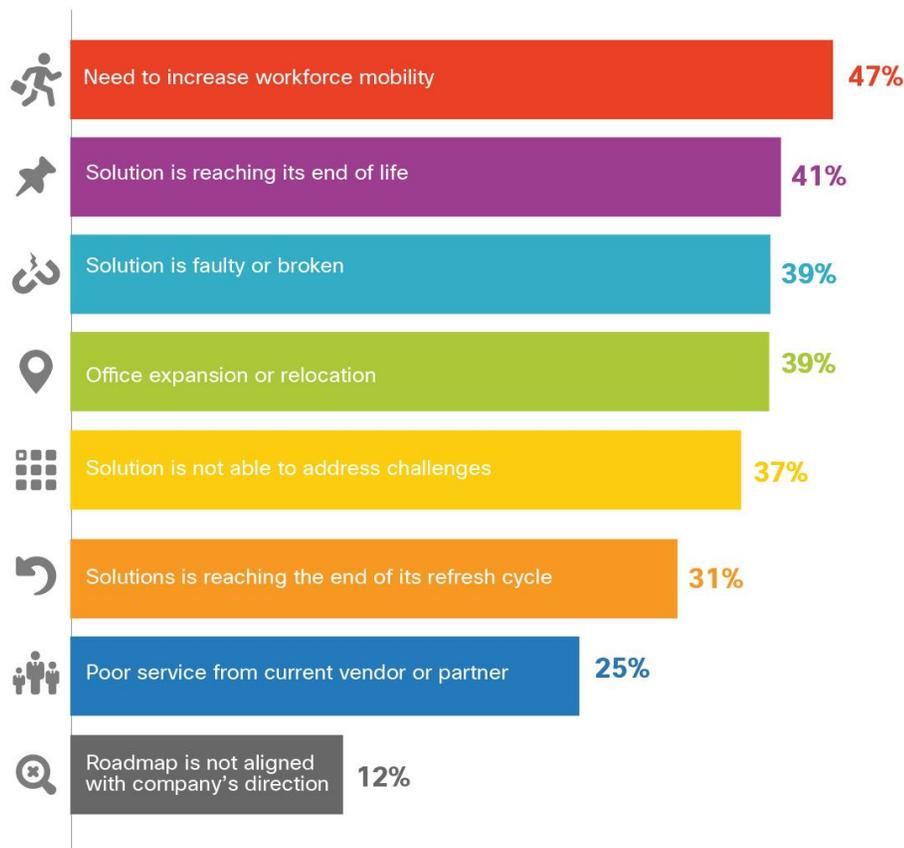
IT security is vital for every business, regardless of size. Besides the potential security risks posed by mobility and connectivity, the recent episodes of ransomware attacks and the negative effects of massive data loss have also increased SMBs' concerns of securing their ICT network and data. And all the more so with more SMBs handling growing volumes of data which include confidential customer data, transaction records, and intellectual property.

“[Security] is actually the most important part of our system, because of all the hacking that is going on around the world, people coming in, placing fake orders – all this is disrupting the business.” ~ SMB survey respondent

While increasing workforce mobility is the top priority driving new technology investments, other factors such as technology obsolescence, faulty or broken solutions, and new business expansion or digital needs are also driving the adoption of new technology (see Figure 4).

Figure 4

Reasons for New Technology Adoption



N=941

Source: IDC Custom SMB Survey 2017, sponsored by Cisco

Better Communication and Collaboration

SMBs' current investments reflect changing work practices as more SMBs allow employees to work outside the office. The increasing support for a mobile work culture has led SMBs to invest in cloud and unified communications and collaboration (UC&C) solutions (see Figure 5). This is especially true for larger SMBs that have adopted customer relationship management (CRM), accounting, enterprise resource planning (ERP), and other business applications, as well as cloud-based solutions as a cheaper alternative to boost capacity.

"I am looking to adopt UC. This will help my sales team to be more efficient with their work, even when they are not in the office." ~ SMB survey respondent

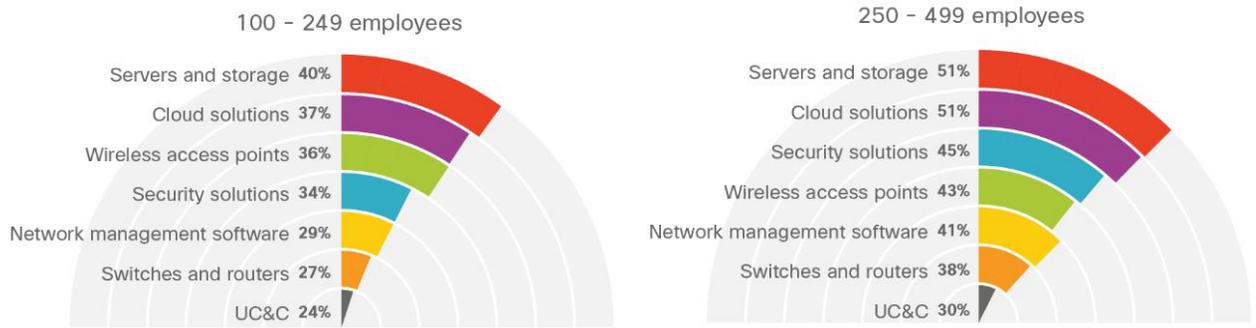
Cloud-based applications and UC&C solutions have also enabled SMBs to work across company boundaries with their partners and freelancers to more efficiently serve their markets. With more professionals choosing to freelance, cloud and UC&C give SMBs access to new skillsets and new third-party capabilities which support opportunities that require niche expertise, as and when needed.

"Our Internet connection is most important for our business. Without it, we can all go home." ~ SMB survey respondent

This work trend also creates more data that need to be stored and processed, increasing more server and storage requirements as well as cloud solutions. Server, storage and cloud solutions are the main technologies that SMBs are planning to invest more in 2018. This means that while SMB are looking to migrate over to cloud progressively, many are still planning for hybrid cloud, with their on-premises server and storage setup supplemented by cloud services.

Figure 5

Investment Priorities for 2017/2018



N=941

Source: IDC Custom SMB Survey 2017, sponsored by Cisco

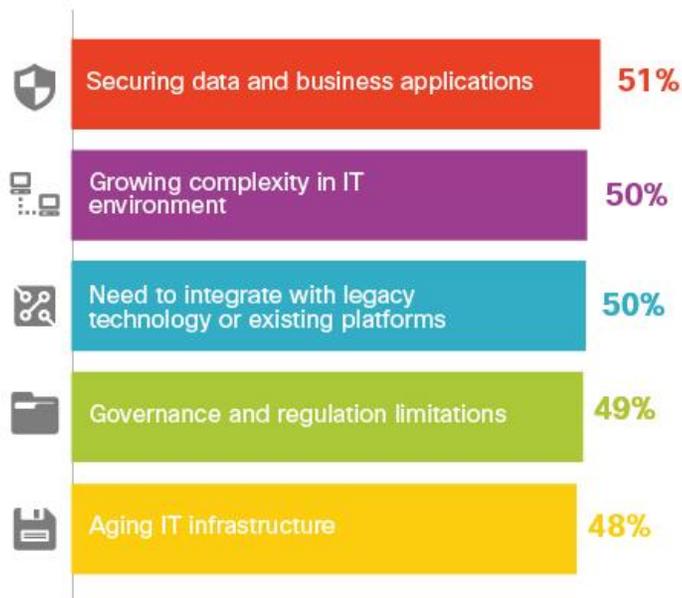
Resource Constraints Pose Ongoing IT Challenges

Most SMBs do not have a large IT department, and some smaller businesses have no in-house resources at all. For them, managing and maintaining their existing IT systems, and adopting new technology in response to business needs is an ongoing challenge.

SMBs' three biggest challenges are in securing IT and business applications, now that they are accessible from mobile devices and from external networks; coping with increasing complexity of their IT environment; and tackling technology issues arising from integrating new technology with their legacy platforms (see Figure 6).

Figure 6

Top IT Challenges of SMBs



N=941

Source: IDC Custom SMB Survey 2017, sponsored by Cisco

SMBs' Top Criteria When Making IT Purchases

For SMBs, these challenges have bearing on their technology purchase decisions. For one, buying from a trustworthy brand is often a key criterion, and this is evident when it comes to security, which is often mentioned as the highest priority for SMBs (see Figure 7). Many SMBs also think about security as end-point security (i.e., antivirus and anti-spyware securing laptops or PCs) as well as having a firewall. A best practice is to have multiple layers of security starting from end-point security to having a software firewall on the device as well as a firewall built into the network hardware. Therefore, many SMBs believe that IT solutions from established brands are trustworthy and have built in adequate security into their products.

Figure 7

Top 5 Decision Factors When Purchasing IT



N=941

Source: IDC Custom SMB Survey 2017, sponsored by Cisco

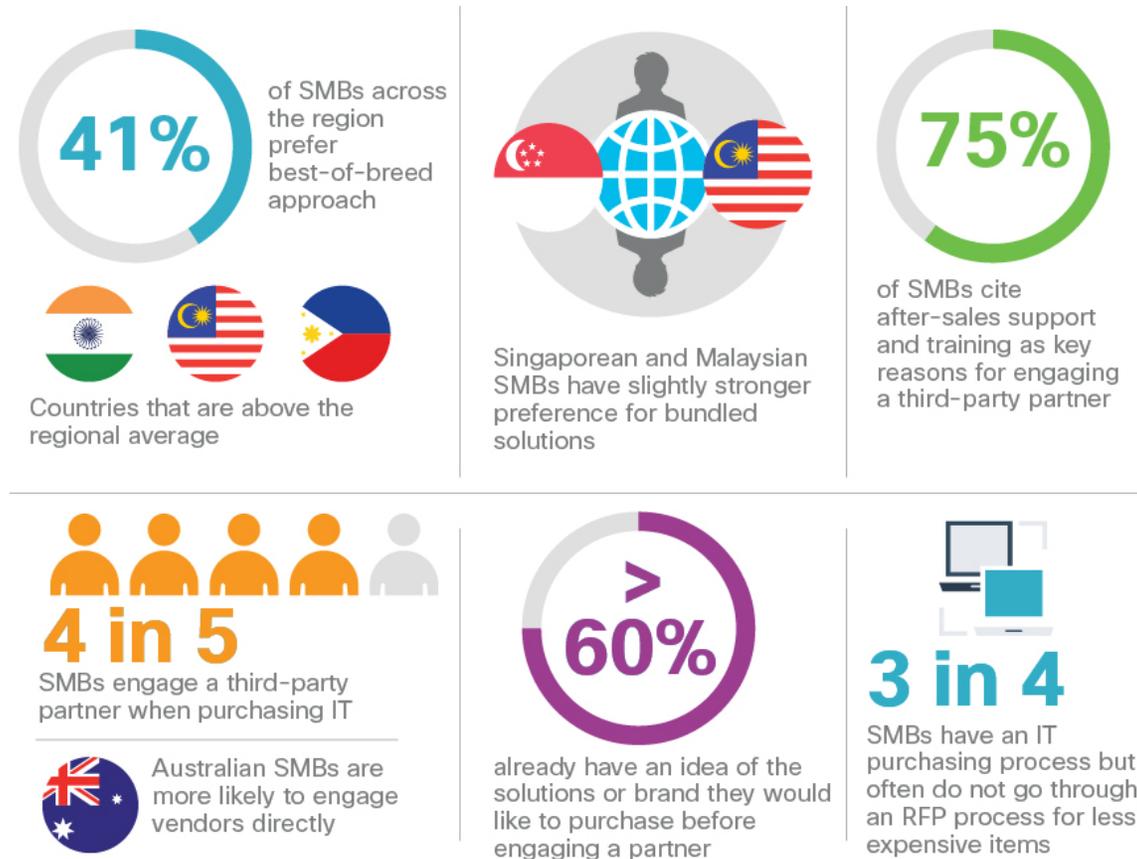
Compatibility with existing software and hardware is equally important, as SMBs prefer to add on new functionality to existing infrastructure instead of ripping and replacing systems. Ease of use is also among the top 5 criteria, as it is important that the IT solution is easy to deploy and integrates into the existing software and hardware setup. SMBs' preference for hybrid cloud also means that the solution needs to be adaptable to existing on-premises and cloud infrastructure, and is scalable as the business grows.

Ease of use also refers to the IT solution not requiring or depending on human resources to manage and monitor as the typical SMB has limited or no in-house IT staff. A major challenge of the IT department is to be able to allocate appropriate resources to support and meet the varied needs of users. It is also important that the IT solution has built-in smart capabilities and a user-friendly interface to make it easier for admin staff to manage the provisioning of IT services. **In other words, IT solutions that are smart, simple and secure are what SMBs prefer.**

When it comes to the procurement process, about three-quarters of SMBs surveyed have some form of formal IT purchasing process, although most companies do not go through the formal RFP process for small-ticket items (see Figure 8). SMBs prefer to buy from best-of-breed brands, especially **brands that they have been using, as this assures them of the reliability and security of the product.**

Figure 8

SMBs' Vendor and Brand Selection Preferences



Source: IDC Custom SMB Survey 2017, sponsored by Cisco

When SMBs purchase IT, **4 out of every 5 SMBs engage a partner** with some having multiple solution provider partners. **About 30% of SMBs prefer to purchase their IT solutions from a telecommunications/managed services provider.** More than **60% of SMBs already have an idea** of what they want before they engage a partner, although they will consider the partner's recommendations. **After-sales support and training** are the main drivers for engaging a partner, and SMBs rely on their partner to supplement their IT department. As a result, the majority of SMBs prefer to engage with partners that they are **familiar with or have prior experience, instead of a new partner.**

Essential Guidance for SMBs

- Stay abreast of the latest technologies and continually invest in solutions that enable the business to transform and respond to a changing and increasingly competitive market.
- Connectivity alone is insufficient to maximize IT investments. Leverage cloud-based solutions as an affordable solution to achieve IT priorities in support of business priorities.
- Overcome resource constraints by thinking simple, smart and secure. Simple refers to solutions that are easy to deploy and integrate into legacy platforms as well as cloud-based platforms. Solutions include communications and collaboration tools that are easy to use and manage, with self-reporting and monitoring capabilities as well as built-in security to networks and data, provide peace of mind.
- Finally, select a vendor that is not just a technology supplier but a partner that understands the unique requirements of your business and industry, an established track record that is financially stable, and an engagement model that is aligned to the growth potential of the business.

Appendix

IDC conducted phone surveys in March and May 2017 with 941 executives who make or influence IT purchase decisions for their businesses. The survey was conducted in 5 countries: Australia, India, Malaysia, Philippines and Singapore. The following pages provide a snapshot of the results by country.



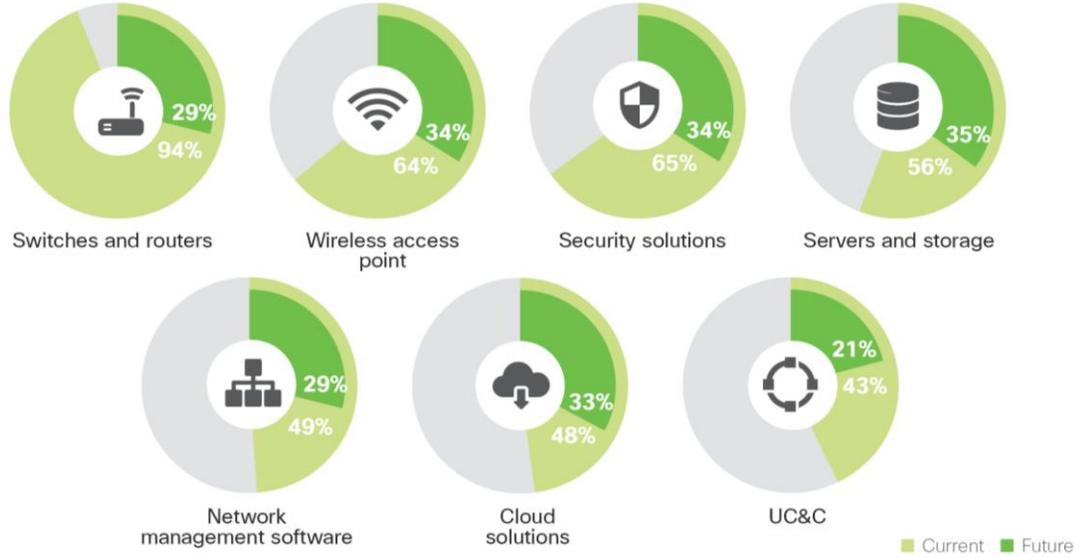
Australia

Australian SMBs' priorities are to cut cost, improve productivity and move to a OPEX model. They plan to achieve this through lowering their IT cost, more productive use of IT, and building a secure IT environment. Increasingly they are investing in servers, storage, cloud and security solutions. This is to replace products that are dysfunctional, reaching their end of life, or not able to address the company's challenges in supporting staff mobility. Security, compatibility with legacy systems, lower TCO and ease of use are key purchasing decision drivers.

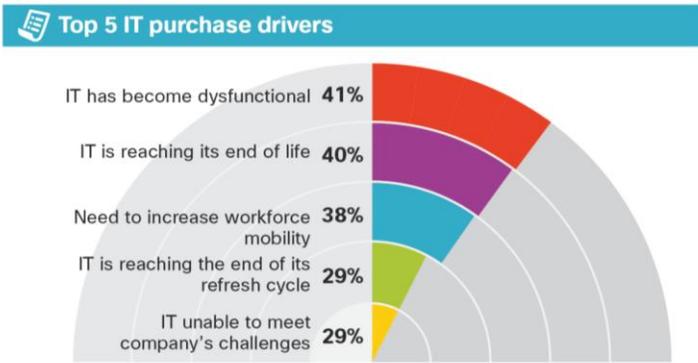
Top 3 business priorities	
	Cost savings or cost reduction
	Operational efficiency and productivity gains
	Cash flow management (OPEX-led)

Top 3 IT priorities	
	Building a more secure IT environment
	Reducing total cost of IT
	Improving internal IT team skillsets and productivity

Current and future IT investments



Top 5 IT selection drivers	
	Security of IT
	Compatibility hardware
	Compatibility software
	Price/TCO
	Ease of use



Source: IDC Custom SMB Survey 2017, sponsored by Cisco



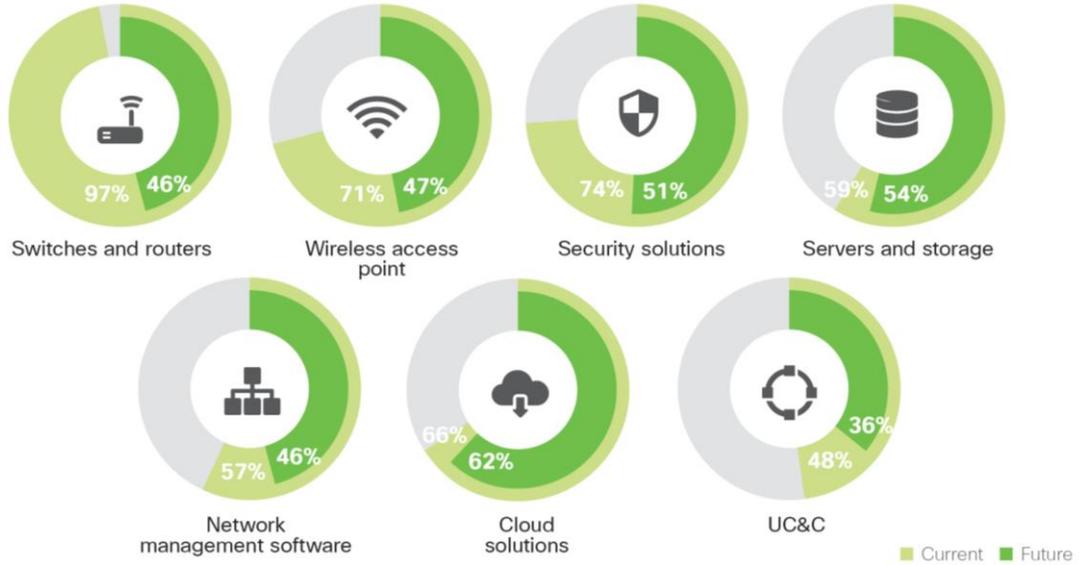
India

Indian SMBs are focused on improving their products and services, expanding into new markets and improving their talent. They intend to improve their internal IT skillsets and productivity, build a secure IT environment and adapt IT to support the business needs. Workforce mobility and new technology to support company needs are key investment drivers. Top IT investments are for on-premises datacenter, cloud solutions, and security. Security, compatibility with software and ease of use are IT selection decision factors.

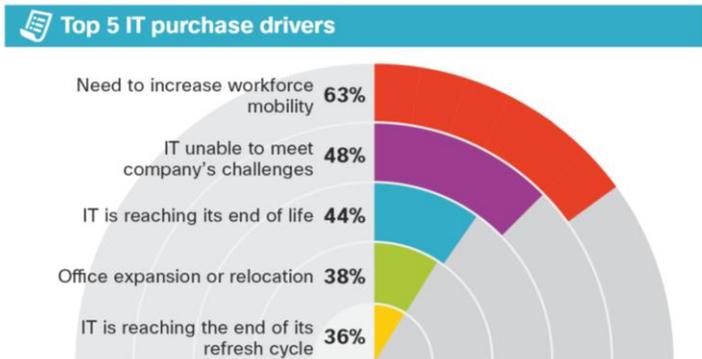
Top 3 business priorities	
	Improve product and service offerings
	Market expansion
	Talent focus to drive competitive edge

Top 3 IT priorities	
	Improving internal IT team skillsets and productivity
	Building a more secure IT environment
	Aligning or adapting IT to changing business needs

Current and future IT investments



Top 5 IT selection drivers	
	Security of IT
	Compatibility software
	Ease of use
	Product features
	Brand reputation



Source: IDC Custom SMB Survey 2017, sponsored by Cisco



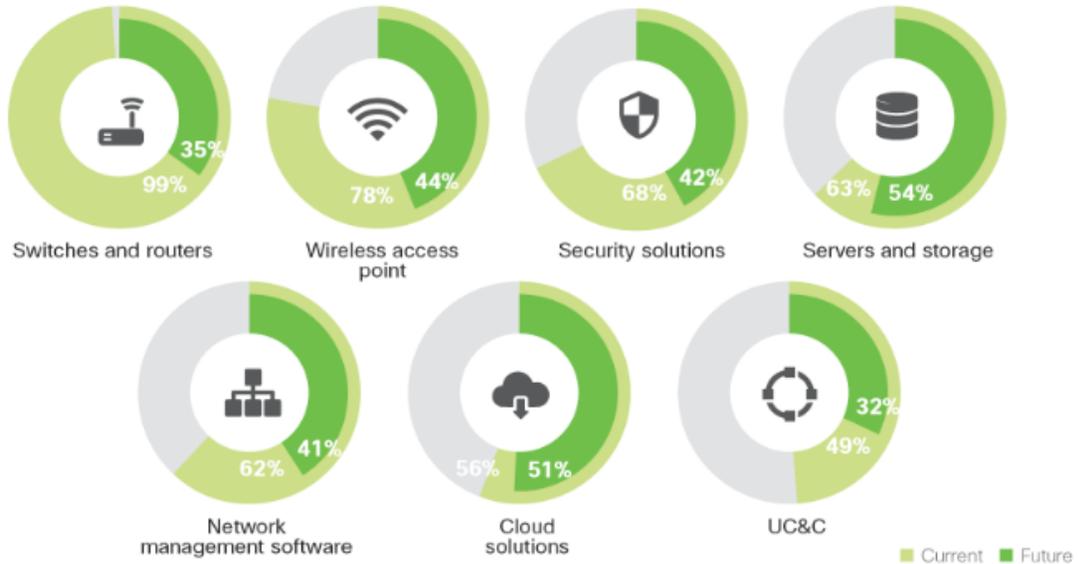
Malaysia

Malaysian SMBs' priorities are to grow their customer base through sales and marketing with better product offerings as well as to reduce cost. They intend to build a more secure IT platform with better management tools that are able to adapt to their changing business needs. Investments are focused on increasing their on-premises and cloud compute capabilities as well as enhance their network and security. This is to increase workforce mobility, expand their business and replace old equipment. Their IT purchase is based on security, ease of use, and product features.

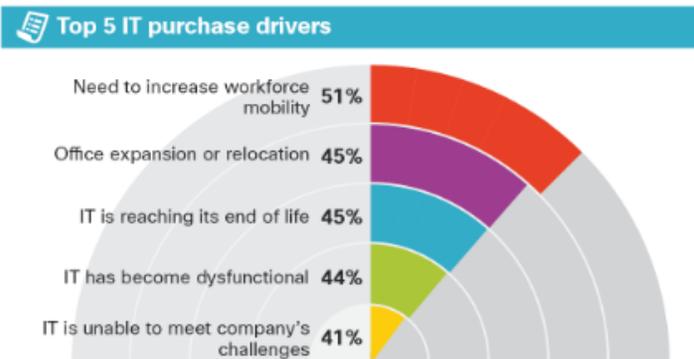
Top 3 business priorities	
	Investment in sales and marketing initiatives to acquire new customers
	Improve product and service offerings
	Cost savings or cost reduction

Top 3 IT priorities	
	Building a more secure IT environment
	Building better management tools for better decision-making
	Aligning or adapting IT to the change in business needs

Current and future IT investments



Top 5 IT selection drivers	
	Security of IT
	Ease of use
	Product features
	Compatibility hardware
	Compatibility software



Source: IDC Custom SMB Survey 2017, sponsored by Cisco



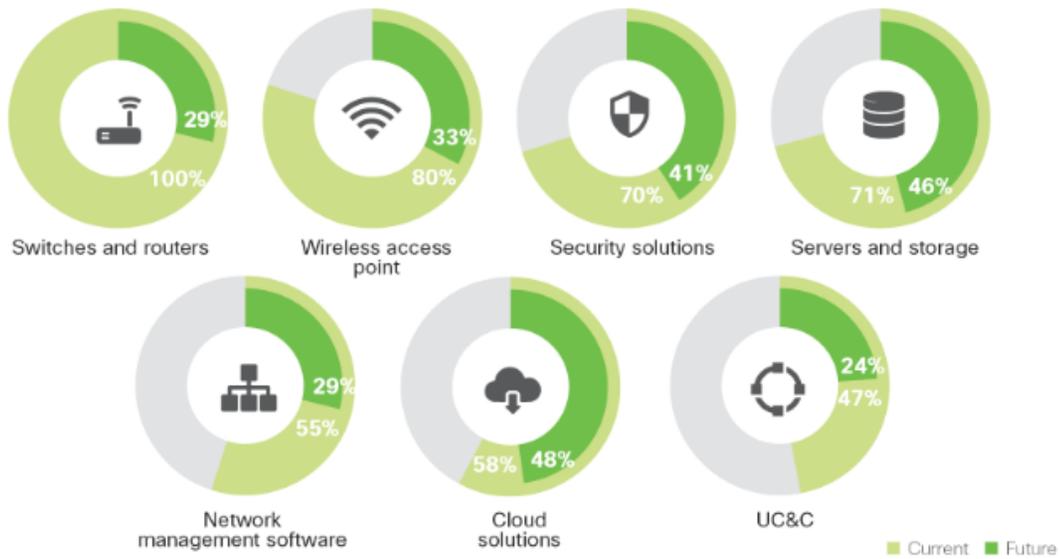
Singapore

Singaporean SMBs' priorities are about improving product and service offerings, reducing costs, and increasing operational efficiency. They intend to support this from a secure IT system with the skillsets and more productive use of IT to provide better management tools. They will invest in IT to replace old equipment, upgrade IT to meet company challenges and increase workforce mobility. IT investments will be on cloud solutions, expanding their datacenter and security. Security, price/TCO and compatibility with existing software will drive their selection.

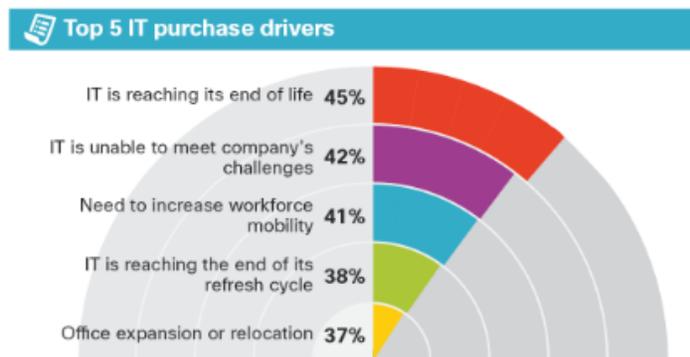
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	Improve product and service offerings
	Cost savings or cost reduction
	Operational efficiency and productivity gains

Top 3 IT priorities	
	Building a more secure IT environment
	Improving internal IT team skillsets and productivity
	Building better management tools for better decision-making

Current and future IT investments



Top 5 IT selection drivers	
	Security of IT
	Price/TCO
	Compatibility software
	Ease of use
	Product features



Source: IDC Custom SMB Survey 2017, sponsored by Cisco

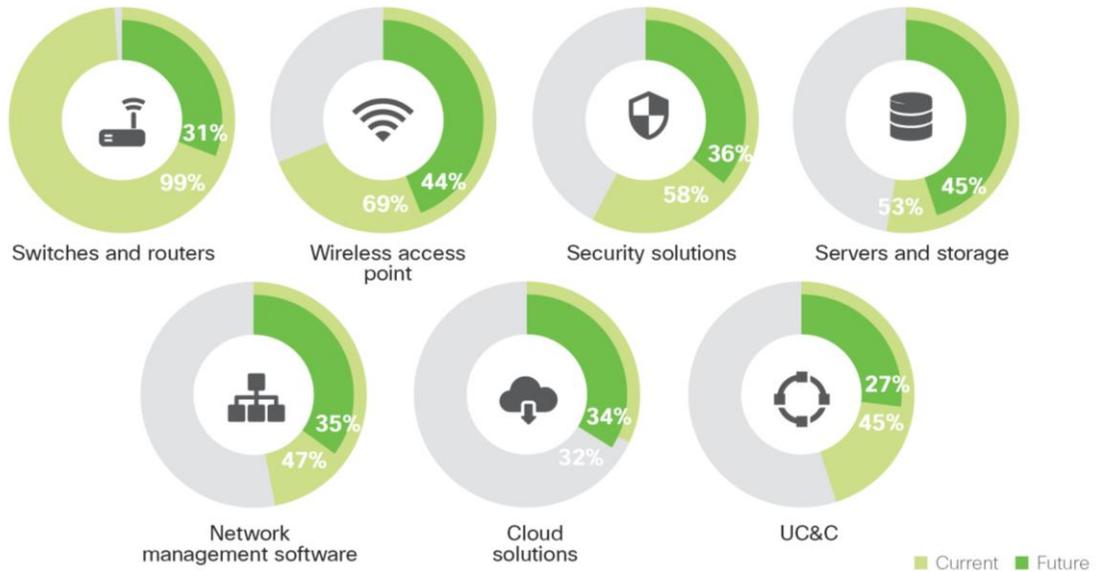
Philippines

Philippine SMBs are focused on cost savings, managing their cashflow, and improving their customer services. This is supported by IT initiatives to build a more secure IT system, at lower TCO and with better tools to support management decision making. IT investments will be driven by supporting workforce mobility, office expansion and replacing dysfunctional equipment. Spending will be focused on increasing server and storage capabilities, network access points and security. SMBs will select their IT purchases based on security of the IT, compatibility with software and TCO.

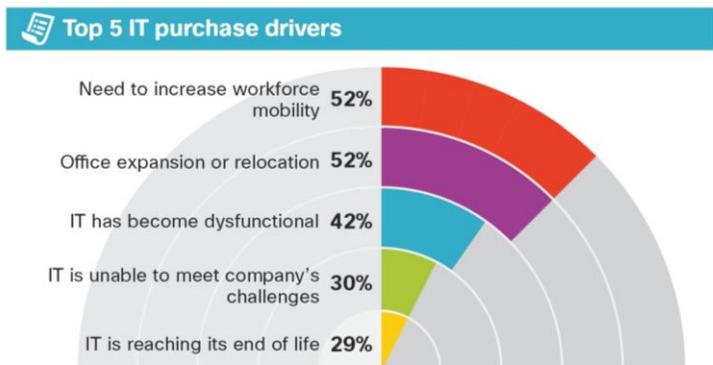
Top 3 business priorities	
	Cost savings or cost reduction
	Cash flow management (OPEX-led)
	Customer experience initiatives

Top 3 IT priorities	
	Building a more secure IT environment
	Reducing total cost of IT
	Building better management tools for better decision-making

Current and future IT investments



Top 5 IT selection drivers	
	Security of IT
	Price/TCO
	Compatibility software
	Ease of use
	Product features



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