

# Is 2010 the year SMEs fully embrace cloud computing?



A study of UK Small and Medium Size Businesses'  
readiness for cloud computing

January 2010

Commissioned by Easynet Connect  
Primary research conducted by OpinionMatters

#easynet  
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## Overview

A year or so ago, the term 'cloud computing' was by no means mainstream. While it has certainly been a topic favoured among IT professionals for the last few years – the so-called “next big thing” in technology that could spur a whole new decade of growth – it was only in the latter part of 2009 that it started to gather pace and enter day-to-day business vocabulary.

As early as 2008 small businesses had begun to take note of cloud computing, but how seriously were they taking it? It is one thing to be aware of and excited by a new technology, but it is another thing to run your business on it. To shed some light on this matter, Easynet Connect commissioned research to determine how seriously SMEs were taking the cloud at the end of 2008.

The results showed a steady interest in cloud computing, but still 53% said they would never adopt the cloud. But with interest in the cloud seeming to grow throughout 2009, Easynet Connect commissioned this follow-up research to see how attitudes may have changed in the course of just over a year (15 months). Did the hype help or hinder the reputation of cloud computing among SMEs? Do most SMEs now know what cloud computing is? How many SMEs have embraced the cloud, and how many are still sitting on the fence?

For those unfamiliar with the term, cloud computing describes the model of delivering IT-related capabilities as a service via the internet, as opposed to packaged software being installed within a company's offices. The actual word 'cloud' derives from the symbol originally used to depict the internet in computer network diagrams.

## About the Research

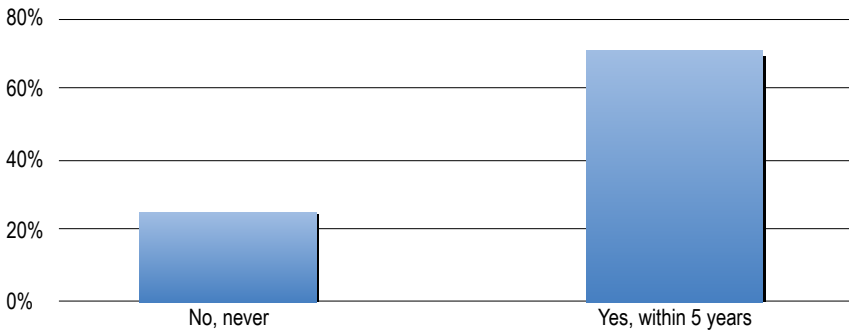
The primary research for this report was conducted by OpinionMatters, an independent pan-European market research company. The research was commissioned by Easynet Connect in order to gain insight into SMEs' interest in cloud computing.

OpinionMatters interviewed 255 IT decision-makers in SMEs (defined as organisations with between 10 and 250 employees), split equally between male and female respondents across a range of age groups. The research was conducted and compiled in December 2009.

## Section I: Adoption of the cloud by SMEs

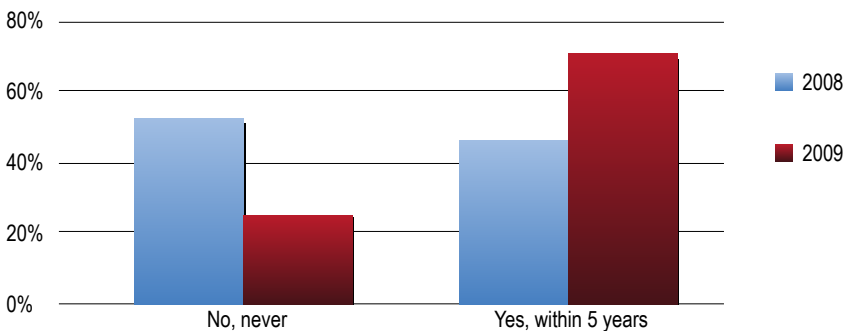
Question: Do you plan on using some 'cloud computing' applications now or in the future? The results show a significant rise in the acceptance of cloud computing among SMEs, with the proportion of businesses refusing to use cloud computing dropping by about a half. Whereas in 2008, this figure was 53%, now just 27% share this view. This reflects a growing awareness among SMEs of what exactly cloud computing is, and the benefits it can bring to small businesses.

**Do you plan on using cloud computing?**



Comparing with last year's timeframe of adoption within 5 years, 73% plan to make the switch in this timescale, compared to 47% at the end of 2008 – a growth in popularity of nearly two thirds.

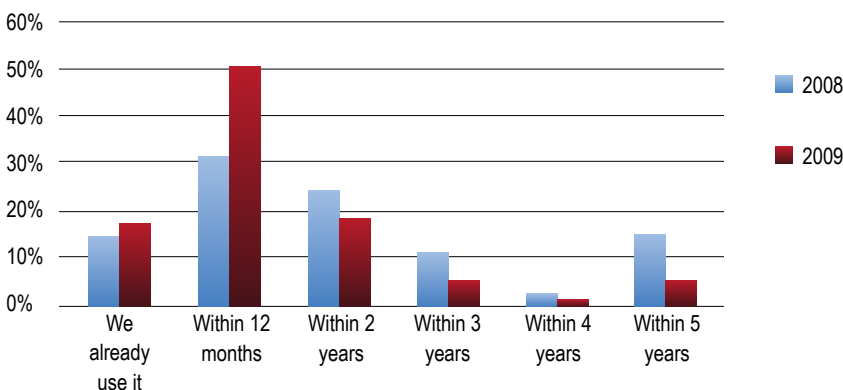
**Do you plan on using cloud computing? 2008 vs 2009**



### Aggressively embracing the cloud

2010 is the year of the cloud for SMEs, with the research highlighting a much more ambitious rollout within five years. Half of SMEs plan to be using cloud software by the end of 2010 (with 13% already using the cloud today and 37% planning to do so within 12 months).

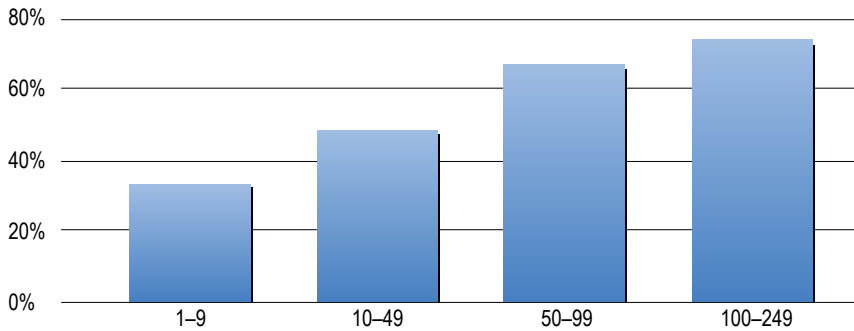
**When do you plan to adopt cloud computing? 2008 vs 2009**



## Further analysis

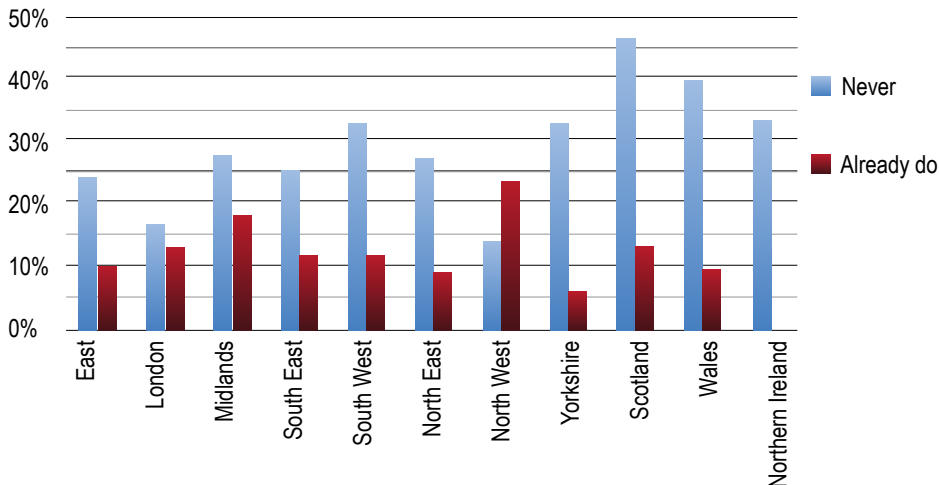
- The sales, media & marketing industry is the most cloud-savvy, with 30% already using cloud software and 40% planning to do so within two years
- Larger SMEs (those with 50 employees and upwards) are the keenest to adopt cloud computing, with 66% already using the cloud or planning to do so within 12 months. This is at odds with the general consensus that it is the smallest companies, with the least IT legacy, that are leading the charge to the cloud.

**Already using/planning to adopt cloud computing within 12 months: By company size**



- By region, London is the most cloud-savvy, with 70% of SMEs already using/planning to use cloud computing within 12 months, with among the fewest never planning to do so (at 17%).
- Businesses in the East and South East regions have shown the largest change in attitude with those refusing to adopt cloud computing shrinking from 67% (East) and 68% (South East) to 25% and 16% respectively.

**Cloud computing adoption by region**

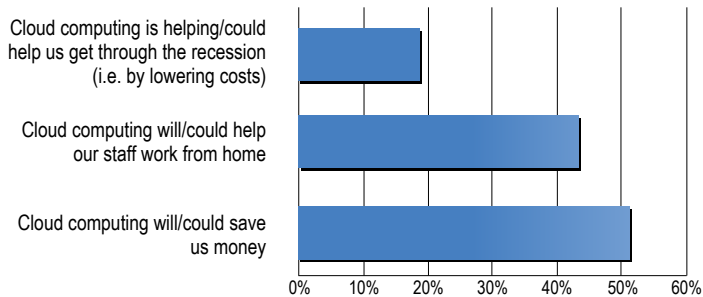


## Section 2: The perceived benefits and threats of cloud computing

Question: What do you feel are some of the business benefits of cloud computing?

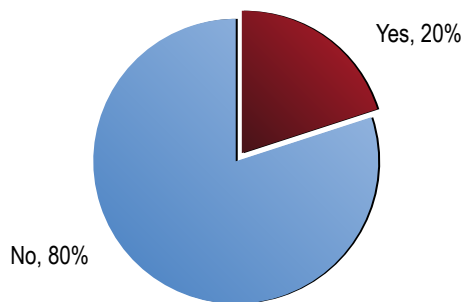
Small-to-medium businesses are much more accepting of the proposed benefits of cloud computing this time around. Whereas last year 35% believed cloud computing would save them money, this figure has climbed to 51%. Similarly, where 35% considered cloud computing as making it easier for staff to work from home at the end of 2008, now 43% consider this to be true.

### Perceived benefits of cloud computing?



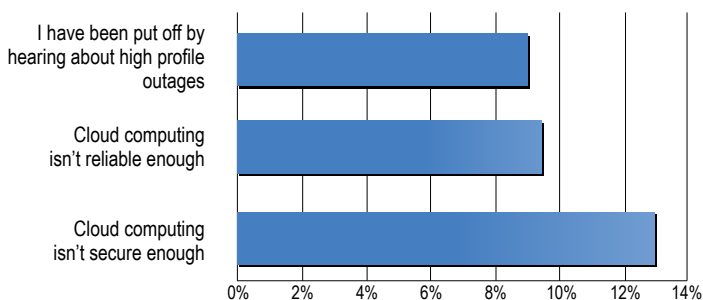
High profile adoption of cloud computing by large companies such as Jaguar, Rentokil and Motorola has however had little impact on SMEs' adoption of the technology. Only 20% have been encouraged by hearing about big business adoption of the cloud.

### I have been encouraged by big businesses moving to the cloud



Negative perceptions of the cloud are still very low, with only 13% of SMEs claiming it isn't secure enough and 9% saying it isn't reliable.

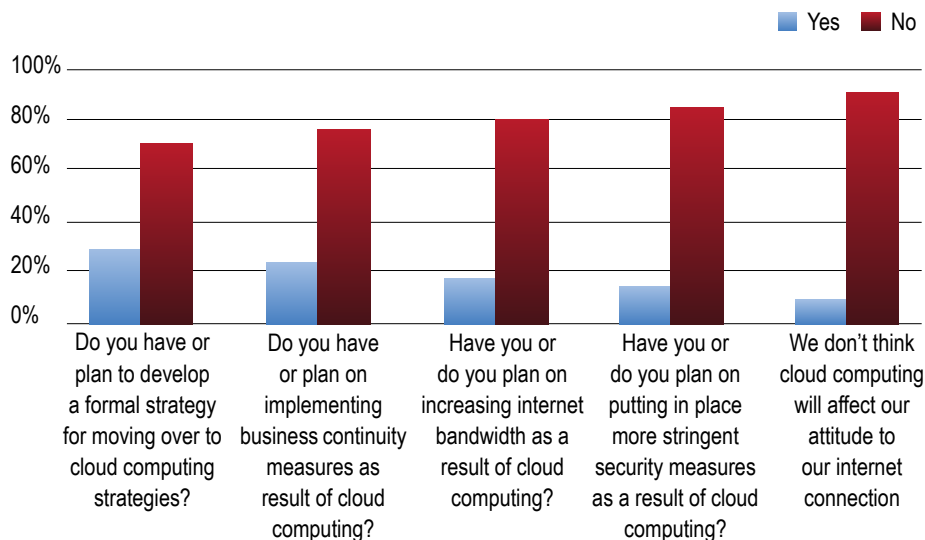
### Perceived disadvantages of cloud computing?



## Section 3: Planning for cloud computing

Question: Which of the following measures have been put in place / will be put into place by your company to prepare for cloud computing? Businesses are generally more aware of the various implications of moving to the cloud on their business continuity, quality of connection, bandwidth requirements, IT security etc., but awareness is still low overall.

**Which of the following measures have been put in place/will be put in place by your company to prepare for cloud computing?**



However more businesses are implementing formal strategies for adopting the cloud; 29% this year compared to 13% previously. Small businesses are acutely more aware of the need to bolster their internet connection as they move to cloud computing, with only 8% saying they didn't think that cloud computing would affect their attitude to their internet connection.

Marginally more businesses are improving their internet connection as they adopt the cloud (19% in 2009 vs. 13% in 2008), but this is still very low. Alarmingly, the vast majority of businesses (85%) aren't putting more stringent security measures in place and 71% lack a formal strategy for using cloud computing.

## Section 4: Types of connections used for cloud computing

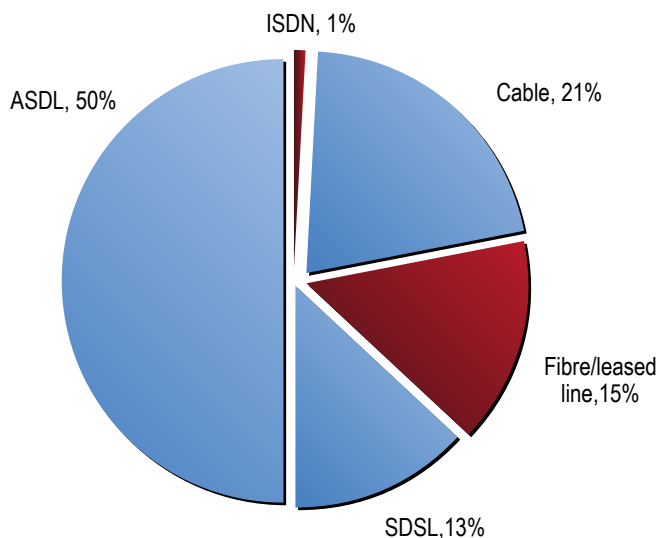
Internet connectivity, in particular the type of connection and speeds available, was certainly a hot topic during 2009. Since cloud computing places different demands on an internet connection than web browsing (in particular a greater focus on upload bandwidth), Easynet Connect felt it was necessary to investigate the types of connections being used by SMEs today as they look to the cloud.

### Results

Half of the businesses surveyed had more than one internet connection, reflecting businesses increased reliance on the internet, but should this figure be higher? This means that half of SMEs have no backup line at all if their primary one fails.

- 80% of SMEs still use ADSL connections, although not necessarily as their primary connection
- Cable connections are currently more popular than fibre among small businesses looking for high-speed internet connectivity. 33% of SMEs have a cable connection vs. 24% having fibre
- Only 1% of small businesses still use ISDN
- The results showed there is a definite appetite for higher bandwidth connections among some SMEs, with 24% using cable connections over 21Mb and 18% using fibre connections of the same speed

**Types of connections used by SMEs**





Commentary on the research results from Chris Stening, managing director, Easynet Connect

When we conducted this research towards the end of 2008, we saw that the cloud was coming for SMEs. While not quite as fast as vendors would hope, it was certainly coming. By the end of 2010, half of SMEs in the UK will be using cloud computing in some form or another. This is a complete reversal from just over a year ago when nearly the same proportion (53%) said they would never adopt the cloud. Either businesses have changed their minds very quickly or the benefits of cloud computing are more clear than they were. I expect it is a combination of both. Either way, this is still a phenomenal turnaround.

The next challenge is for SMEs to ensure they have a formal strategy in place for adopting the cloud. While today's installations may not be entirely critical to the business, it is only a matter of time before the core business functions, which typically run on off-the-shelf spreadsheets and databases today, are migrated to cloud platforms. The success of Salesforce (a cloud based CRM) is one such example of how business-critical functions can so readily migrate to the cloud. With more core applications moving this way, SMEs need to ensure they cover all the bases – can their existing internet connection cope with the additional bandwidth demands? Is their ISP reliable enough? Do they have a backup line if their main one fails? How secure are the cloud services they're using?

In 2009 we moved some of our most critical CRM and support systems into the cloud to help us in our drive to deliver first class customer service. With a cloud-based solution there is less strain on internal systems and installing updates and tailoring the platform happens much more quickly and easily than systems managed in-house. It has dramatically helped us improve the way we work, giving us a single view of our customers and improving our customer response times and first time fix rates. For us, moving into the cloud was a big move which is certainly paying off.

Preparation is key for any business undertaking such a radical change to their operations. You wouldn't, for example, relocate your offices to another country without first checking out the local tax regimes, regulatory frameworks, workforce quality etc. The same is true for businesses migrating to the cloud.

If a company is considering the move to a cloud computing environment, what are the main issues to consider when transitioning to the new system and transferring existing data from proprietary software apps?

- Is my data clean?
- Is there feature parity between new and old data?
- How far away is the cloud computing service (e.g. Europe or Australia?)
- Is my internet connection adequate and reliable enough: will I need to increase my bandwidth; is my upload speed sufficient?
- Think about which regulations affect you regarding the transferral of customer data – certain sectors have very strict rules
- Are your PCs fit for purpose? New/old
- Will you be accessing through a browser window or remotely? If you are changing this, it may affect the flow of the connection
- Will you adopt cloud computing all in one go, or as a phased approach?
- Can you grow or shrink the service? (i.e. is it scaleable?)
- What training does your staff require?
- Can you download the data from the Cloud? Or is it one way traffic only?

SMEs should talk to their software and services cloud providers about what services and guarantees are available when they start moving more of their business into the cloud. It is important to assess what proportion of your business can be conducted in the cloud before assigning availability to your internet connection.

Work out how many people will be accessing the cloud services and from where before you negotiate with your ISP or software vendor to move IT services into the cloud. Crucially, it is important to assess what the business impact would be if you are unable to access these services.