SMB Group
Actionable Market Insight

## 2011 Top 10 SMB Technology Market Predictions

Here are the SMB Group's ***Top 10 SMB Technology Predictions for 2011***! A more detailed description of each follows below.

1. Mobile Commerce Lifts Off
2. SMBs Demand that Vendors Bring Order to Social Media Chaos
3. App Stores Become a Key Information Source and Channel for SMBs
4. The Shift to Cloud Computing and Software-as-a-Service (SaaS) Becomes Irreversible
5. A New Cloud Channel Model Forms
6. The Transition to the Insight Economy Gets a Bit Easier
7. Tablets Add Fuel to the Mobile Applications Explosion
8. Better, Faster Integration Becomes a Key Business Solution Differentiator
9. Hybrid Computing Requirements Accelerate Virtualization Adoption
10. Continued Convergence of Unified Communication and Collaboration Suites

## 2011 Top 10 SMB Technology Market Predictions in Detail

1. **Mobile Commerce Lifts Off:** Today, mobile commerce is in its infancy, but with the Internet in our pocket or purse, it's only a matter of time before it takes off. As big retailers and companies invest to make mobile commerce easier, more convenient and more secure, the pressure mounts for SMBs to develop mobile commerce capabilities to stay competitive. The **SMB Group's 2010 Mobile Solutions Study** reveals strong SMB plans for mobile web sites, payments, product and service tracking, document sharing and sales/support/service in the upcoming year. However, key drivers for mobile commerce and adoption plans vary by industry, phase of business and other factors. Vendors will need to tailor messaging and solutions to resonate with these different requirements. As SMBs become more dependent on mobile commerce, they will also look for ways to integrate mobile commerce with ERP/accounting and CRM systems to save time and increase efficiency.

2. **SMBs Demand that Vendors Bring Order to Social Media Chaos.** SMBs are jumping on the social media bandwagon to help attract new customers and improve customer relationships. But managing marketing, branding and reputation across and between social media (e.g. Facebook, Twitter, blogs, etc.) and other digital marketing venues (email marketing, search engine marketing, etc.) as well as more traditional CRM solutions can be a nightmare—and surfaces as a top technology challenge in our **2010 Routes to Market Study**. In 2011, SMBs will demand converged solutions that streamline inbound and outbound interactions across different channels, and help measure their effectiveness. Vendors are stepping up efforts to help meet this challenge. For instance, BatchBlue "Social CRM" integrates contacts sales and social media feeds for small businesses; HubSpot's inbound marketing helps companies create, optimize and promote content to "get found," convert and close more business, and link to

relevant conversations across the Web in a unified dashboard; Sage CRM Solutions integrates social media with opportunities and contacts to help sales, marketing and support people prioritize and focus sales activities and marketing campaigns more effectively; and Salesforce.com makes Chatter available for free to all Salesforce users to integrate profiles, groups, online document sharing, task management, contacts, web forms, status updates, newsfeeds with CRM.

3. **App Stores Become a Key Information Source and Channel for SMBs.** In our 2010 Routes to Market Study, respondents rated "figuring out how different solutions can help the business" as their second most vexing technology challenge. SMBs most often turn to search engines, vendor emails and websites to help sort through this confusion, and keep up with information about technology solutions. SMB app stores—aka marketplaces—go beyond search engine listings to provide user-generated ratings and guidance to help SMBs determine best-fit solutions. They offer single-sign on access to apps and integration capabilities. Google Apps Marketplace, Intuit's Workplace, GetApp.com, Constant Contact Marketplace and Zoho Marketplace are just a few examples of SMB-focused app stores that have launched recently. In 2011, they will become a more important source and channel for SMBs—our survey results show that more than half of all SMBs use or plan to use app stores. Vendors that run their own app stores will need to stay ahead of competitors not only by offering the best selection of applications, but by providing superior information, community, guidance, integration and ecommerce experiences.

4. **The Shift to Cloud Computing and Software-as-a-Service (SaaS) Becomes Irreversible**. SaaS and cloud computing vendors have been pitching the mantra of easier, faster and more affordable solutions for SMBs since the late 1990s when pioneers such as NetLedger (now NetSuite) and Employease (now part of ADP) launched. But the great recession has accomplished what marketing alone could not. From 2009 to 2010, SMB awareness, interest, consideration and adoption of SaaS and cloud solutions has spiked. Our **2010 Routes-to-Market Study** reveals that more than 25% of small and 12% of medium businesses now use collaboration, customer management, online marketing and business analytics as cloud-based services. Economic necessity has driven more SMBs to the cloud, and once in, they are seeing mostly positive results--not only in terms of cost savings and time to solution, but in being able to re-deploy scarce (if any!) IT resources from application support and management to more strategic activities. As important, they are getting significant business value from real-time visibility and collaborative capabilities that are intrinsic to cloud computing--and provide a compelling case to expand their use.

5. **A New Cloud Channel Model Forms.** Cloud vendors deliver many of the things that IT channel has traditionally provided--software and hardware sourcing, installation, management, etc. As a result, cloud computing doesn't neatly align with the traditional IT channel provider role, and many VARs and SIs have been wary of cloud computing. But as customer demand catches up with early hype, and the lure of annuity revenues and higher value services grows, more

channel partners are inclined to get on board—even if they're not yet sure how to straddle two very different business models. At the same time, more cloud solution vendors are acknowledging that partners will be critical to fuel future SMB market growth. After all, while the cloud removes technical barriers to adoption, SMBs often need the one-on-one guidance to derive maximum business value from solutions. In 2011, a new channel model will began to take shape, incorporating greater collaboration and joint goal setting between cloud vendors and partners; a selective partnering framework that gives fewer partners more opportunity to make money; more transparent and simplified partner programs; and increased incentives for customer satisfaction, cross-selling and renewals. Vendors to watch here include Intacct and Acumatica.

6. **The Transition to the Insight Economy Gets a Bit Easier.** Experts tell us that 1.2 zettabytes of digital information will have been created in 2010. A zettabyte is 1,000,000,000,000,000,000,000 bytes (that's 21 zeroes!) Whew! Online video, social networking sites such as Facebook, digital photos and cell phone data all contribute to the data pile-up. No wonder that SMBs in our 2010 Routes to Market study said their #1 technology challenge is "getting better business insights from the data we already have," and that 40% of medium businesses plan to spend more in this area in 2011. Luckily, SMBs have more options than just a few years for digestible BI solutions. Vendors such as Adaptive Planning, IBM/Cognos (and now Clarity), SAP Business Objects, Rosslyn Analytics and Xactly offer function-specific and/or modular solutions that zero in on a specific task such as performance management, spend analysis or pipeline management. And several on demand/SaaS BI solutions (check out Birst, Cloud9 Analytics, PivotLink, Zoho Reports) are designed to be easy and inexpensive enough for many small businesses to use and get those important "aha moments" from.

7. **Tablets Add Fuel to the Mobile Applications Explosion.** Smartphone apps have already caused a seismic shift in the IT industry—and in how SMBs use and interact with technology and the world. Increasingly, SMBs have mobile workforces that need real-time information and access to applications no matter where they are. The iPad's swift rise and a slew of new tablets from vendors such as Dell, HP, RIM, Samsung has led to a quick ramp up in tablet adoption. Our Mobile Solutions Study reveals that 10 % of small businesses and 22% of medium businesses have at least some employees using tablets to help them get more done on the go. However, while SMB adoption of calendar, contacts, email and web access is almost ubiquitous, the mobile business solutions market is still largely untapped. But, SMB plans to invest in mobile marketing and advertising, customer service management, social media solutions are on the rise. Innovative, versatile tablet designs and capabilities will further accelerate the availability, quality and adoption of mobile solutions among SMBs. However, fast-paced traction of newer devices, such as Android-based tablets underscore that SMB device preference is highly volatile—so look out for the next new thing that can shift the landscape

8. **Better, Faster Integration Becomes a Key Business Solution Differentiator.** Integrating

business solutions with each other and with other applications shouldn't cost more than the business solutions themselves. This is especially the case for SMBs, who usually don't have the money or appetite for complex or time-consuming integrations. This reality has driven IBM to acquire Cast Iron earlier this year, Dell's recent purchase of Boomi, and Pervasive's strong growth. Because simple, clean integration options save SMBs time and money, they will increasingly become a vital factor in SMBs 'short list selections. The good news is that options in this area are growing, and include: comprehensive integrated business suites, such as NetSuite; solutions that come with embedded integrators for typical integration scenarios; app stores that streamline integration among participating solutions; and on demand integration marketplaces, such as Pervasive's DataCloud marketplace.

9. **Hybrid Computing Requirements Accelerate Virtualization Adoption.** Even as SMBs embrace cloud computing, they will continue to use packaged applications that are working just fine. In addition, some businesses will purchase new on premise solutions because they best meet their needs, or due to privacy, security or regulatory considerations. For the foreseeable future, most SMBs will need to combine on-premise and cloud solutions in a hybrid computing approach. As virtual server desktop and storage options grow, more midsize businesses will consider cloud enabled high availability and disaster recovery solutions, which until now, have been desirable, but largely unaffordable for SMBs. They will also look to managed services providers for remote management of their on-premise IT infrastructure, and for help in implementing and managing virtualization and cloud-based business continuity/disaster recovery solutions. Look for VMware to lead the way, with others, such as Citrix and Microsoft playing catch up. A growing mobile workforce combined with next-generation virtual desktop solutions, such as IBM Virtual Desktop for Smart Business, will also spark greater interest in the virtual desktop area. However, vendors will need to continue to invest to educate SMBs about the cost savings, management, and provisioning benefits to further SMB understanding and adoption.

10. **Continued Convergence of Unified Communication and Collaboration Suites.** In 2010, the collaboration battle swung into full gear, with many vendors introducing integrated solutions that pull together suites to help make it easier for to find and share information, extend and enhance shared knowledge, and connect with people more easily than with email and disjointed point solutions. Because collaboration is the only business activity that every employee engages in every day, large vendors such as IBM, Cisco, Google and Microsoft, as well as a slew of smaller ones from HyperOffice to Zoho will continue to ratchet up efforts and add more capabilities to expand their market footprints. Vendors are also filling in gaps in their unified communications and collaboration portfolios, such as Cisco did with its Tandberg acquisition; Google has done with Google Voice, to add VoIP and softphone capabilities; and as HyperOffice and IBM LotusLive have done with Skype. And of course, all are integrating social networking capabilities as well. As the kinks get worked out and the integrations become smoother, these converged services can help SMBs to declutter their inboxes, improve productivity and save money.