

## **SMALL BUSINESS MANAGED SERVICES SPEND TO REACH US\$5.4 BILLION IN 2008 ACROSS US, UK, BRAZIL, AUSTRALIA, CHINA AND INDIA**

Survey of 6,827 small businesses also shows Purely Remote Managed Services spend likely to reach US\$1.5 Billion in 2008

### **Confusion leading to Emergence of a brand new breed of channel type - Managed Services Distributor**

**San Jose, CA, September 15, 2008:** Overall Small Business Managed Services spending is expected to reach US\$5.4 Billion in 2008 among six countries surveyed by Techaisle. Majority of spending is expected to come from the US followed by UK, Brazil, China, Australia and India. Nearly 30 percent of overall spending will be made by 20-49 employee size category making it the most lucrative target segment. Over 3.7 million small businesses in the above six countries are currently using some form of remote managed services resulting in a 19 percent penetration. Small businesses, firms with 1-99 employees, are turning to managed services as one way to efficiently address their computing, networking, storage and security support needs and help reduce the total cost of ownership of their IT. Survey found that Traditional Infrastructure Managed Services are still typically done onsite (Notebook, Desktop, Network and Server), while other categories such as Network Storage, VPN Management and Storage Backup and Recovery are showing higher penetration as Remote Managed Services.

Network and server related managed services account for highest level of spending while desktop and notebook managed services account for over US\$1.0 Billion in spending. Storage and Security services taken together including VPN management exceed US\$2.9 billion in spending.

The above findings were released today by Techaisle, a San Jose based market research and consulting firm with global coverage, based on a survey of 6,827 small businesses. Techaisle is a customer inspired leading market research and consulting organization providing actionable data on global emerging markets. Through consistent updating and cross-checking of primary and secondary

research information, Techaisle has developed the industry's most comprehensive Market Model of Opportunity Sizing and Penetration in the industry. The model covers SMBs, Consumers, Large Enterprises, Government, and Education across Verticals and IT Segments. Go- to-Market strategies require an actionable data delivery solution based on aggregation, focused analytics and dynamic market segmentation. Techaisle's core premise is that data is inherently more valuable when it can be summarized, made available in real time and delivered as an answer to a specific question.

### **Small Business Staffing Dynamics makes Managed Services Attractive but interpretation and understanding is low**

The top three reasons for using Managed Services are underscored with a closer look at the IT staffing situation for small businesses in the six markets surveyed.

- *Focus on Core Business*: Is enabled by not having to hire an IT staff and deal with operational distractions not core to the business.
- *Keep Costs Under Control*: Is achieved by not having to hire an IT staff and make capital outlays for IT Assets
- *Reduce Business and IT Risk*: Is accomplished by being able to hand off complex problems to specialists working with an SLA to solve critical issues quickly.

However, small businesses are generally unable to differentiate between "IT outsourcing" and "managed services". These small businesses often ask, "What is being managed and how can it help me?"

### **Both Small Businesses and service providers still evaluating contractual models**

Study found that approximately 20 percent of the small businesses in mature markets (US, UK, Australia) that use managed services have a contracted relationship with providers. In contrast, in emerging markets of Brazil, China, India only about 10 percent of those using managed services have a contract. The presence of contract increases with size of business. The study also found that average contract term is one year but varies with type of service. For certain types of services such as PC management "usage based contracts" are favored.

### **Opportunity by Type of Service**

US market is fundamentally different from other markets in that nearly half of spending is driven by businesses with greater than 20 employees while in the UK majority of UK spending is coming from 20-49 employee category. Across other markets, small businesses with fewer than 5 employees drive

majority of the spend. Within various types of managed services, Server Management is the most important in all markets, followed by Network Management and Network Storage resulting in the first tier of services. This is followed by Notebook and Firewall, after which there is less of a clear pattern, although VPN and ID Management tend to be at the lowest level. For Remote Managed Services the survey found that although the Australian market is slightly different, but mostly VPN, Backup and Recovery and Antivirus are the three most important categories in the first tier. In the second tier of remote management, Network Storage and WAN are important, followed by PC and Firewall management.

### **Combination Approach for Managed Services Preferred**

When asked the most important criteria for service provider selection, the survey found that selection criteria varies by size of small business and type of service. For example, less than 10 employee small businesses are more concerned about positive referrals, performance based fees and responsiveness while greater than 10 employee businesses are more concerned about technical competence and responsiveness. Informally, they all agree and would like their service provider to be within driving distance. Therefore small businesses seem to be very comfortable in buying managed services from their local resellers who on occasion also willing make onsite visits to the businesses for break-fix or informal consultation. A high percentage of businesses, still being unsure about the services, prefer a “Combination Approach”, that is, remote management augmented by onsite support.

### **The Future: Rise of “Managed Services Distributor”**

Overall demand likely to be impacted by shift to Cloud computing: Techaisle believes that the demand will continue to rise as the desire to reduce IT management overhead continues to rise. Beginning with mature markets there will be a shifting of applications to the cloud and as a result cloud computing players will begin to absorb some IT management functions as part of application delivery. However, overall, the move to cloud computing should accelerate the use of remote managed services.

Declining hardware price puts pressure on PC manufacturers: As the price of computing hardware continues to drop, businesses are hard-pressed to shell out additional dollars for extended warranties which in many cases is almost half of the price of the PC. Vendors will therefore either begin to offer longer warranties for no “visible” extra pricing or begin to progressively shift small businesses to remote managed services model. Hardware vendors will try to leverage channel partners who are

figuring out how to add managed services, particularly, remote services.

Emergence of support "aggregation": Broadband providers and traditional web and email hosting providers have new opportunity to increase their average selling prices, specialized SaaS providers are evolving into XaaS providers adding management as a value proposition. Over time, customers will look to a channel that can aggregate multiple Cloud and SaaS services and provide integration and support services and a single SLA. There is an opportunity for the channel therefore to transform their current business model to adapt to this new environment, blending local onsite and remote support models. At the same time direct marketers, especially in the mature markets are also experimenting with entering the market looking for services margins. Until the messaging is crisp the market will remain confused giving rise to a new set of Distributors namely, Managed Services Distributors (MSDs) who provide a standard platform and service models to VARs, retail and other resellers who in turn resell to their customers within driving distance.

### **About Techaisle**

Techaisle is a market research and consulting company providing actionable data and lead generation on emerging markets. Techaisle believes that companies need a consistent source of normalized market intelligence data on emerging markets Techaisle's core premise is that data is inherently more valuable when it can be aggregated, made available in real time and delivered as an answer to a specific question. Techaisle has pioneered a business model, very different from the traditional market research organizations, providing flexible data delivery, sales & marketing data Integration to manage opportunity vs. planning, online slicing-dicing for all market opportunity data analytics, customer segmentation that is easily understood, easily deployable and drives actual sales. Techaisle's ReadyRespondent database can be leverage for marketing services including channel lead generation in emerging markets.

Survey data and analytics referred to in the release are available for purchase in individual country reports. For more information on Techaisle or our global products, please visit [www.techaisle.com](http://www.techaisle.com) or call 408-914-2989.