

## SMBs Ready for IP and Cloud Services

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By John Macario

We've endured a very wet spring in New York City. As I look out my office window I normally see the New York skyline across the East River. But this spring the rain has been so bad and so heavy that often times the skyline is completely obscured. We've seen it all this spring: drizzle, showers and downpours. We've even had a downburst — the rain falling with such intensity that as it hit the ground it spread out quickly in all directions.

According to the latest research on the small and medium business market, it looks like the indirect sales channel should prepare for a downburst of activity around IP communications and cloud services. [Inzenka](#), a growth-focused consulting firm, has released the results of a study of 700 SMBs in the United States. The findings are encouraging:

- SMB adoption of VoIP is up 59 percent from 2009.
- More than two-thirds of companies with 20 to 100 employees say that they will switch to VoIP in the next two years.
- Cloud-services adoption is 69 percent greater among SMBs who have deployed VoIP.
- More than one-third of the respondents said they would prefer to purchase cloud services from the provider who sells them VoIP.

"The SMB market has achieved liftoff," said Dan Sachar, lead growth and innovation management consultant at Inzenka. "All indications are that, after a hiatus during the economic downturn, SMBs are preparing to make a significant investment in their communications infrastructure."

The study, sponsored by [Cisco Systems Inc.](#), [Metaswitch Networks](#) and [Cablevision](#), had some clear messages for the channel. It showed that more than 60 percent of the SMB survey respondents that already made the switch to VoIP purchased their new phone system and service through a channel partner.

"There are a lot of reasons for the success of the channel in this space," noted Sachar. "We spoke directly to many SMB buyers and found they are confused about their options. We think that, right now, channel partners stand as their best conduit to provide the critical information they need to make a purchase decision."

But to really take advantage of what appears to be a major market opportunity channel partners must dig a bit deeper into the facts.

**Best Prospects.** Not surprisingly, VoIP adoption has been led by larger enterprises. Overall 27 percent of the survey respondents reported that they had switched from a TDM phone system to a VoIP system. But Inzenka's data shows much higher adoption rates for larger companies (see chart). The adoption rate for companies with more than 500 employees was 43 percent, but companies with less than 50 employees reported about 20 percent adoption. Companies between those two sizes were at about 30 percent.

The lower end of the market, companies with fewer than 100 employees, should be a prime target for channel partners selling IP communications and cloud services. This segment has been traditionally underserved by service providers and is large and growing.

According to the U.S. Census Bureau, there are about 2.2 million businesses in the United States with five to 100 employees that employ more than 42 million people. If we extrapolate Inzenka's data to this universe, nearly 1.2 million businesses with more than 19 million employees will be looking to adopt VoIP in the next two years.

**Partners as Educators.** "While we see companies with less than 100 employees as the best prospects for the channel, when selling to this market channel partners will need to address a significant technical knowledge deficit and some important misperceptions," said Sachar.

Inzenka's study found that SMBs with less than 100 employees were 70 percent to 80 percent more likely to outsource the management of their IT infrastructure. Obviously this can be a plus for any channel partner selling IP communications and cloud services. But there is a major hurdle to overcome: misconceptions about these services.

Inzenka found that respondents in companies who had not yet switched to VoIP:

- Only 37 percent thought they would get better features from a VoIP system.
- Only 26 percent thought a VoIP system would be easier to manage.
- 76 percent thought that the migration to a VoIP system would be "as hard or harder" than the last time they bought a new phone system.
- Almost 40 percent thought that VoIP would mean inferior call quality.

This is in marked contrast to companies who have already switched:

- 76 percent say they got a superior features set with VoIP.
- 73 percent say the new system is easier to manage.
- 90 percent report that the migration was "as easy or easier."
- 93 percent say the call quality is "as good or better."

"We believe there are many reasons for this educational gap. One is the lack of staff technical resources in the sub-100 employee companies. Another is that the vast majority of respondents say that their primary information source for learning about technology is the Internet. Then there is the complexity of the value propositions targeting this market," noted Sachar. "Channel Partners can help on all fronts."

**Channel as Leaders.** When Inzenka asked the study participants from whom they might purchase VoIP system and service, only 8 percent mentioned a channel partner. Yet 60 percent of those respondents who have already switched bought from a channel partner.

"It's time for channel partners to get out in front," said Sachar. "If they are proactive in reaching out to the SMB market, working with service providers to craft the right propositions for the right customer targets, we see them as the big winners for both VoIP and cloud services like email, storage and security."

And what if they don't start now? "We think the real threat will come from cloud services providers and their partners," Sachar said. "They have the technical capabilities to get into the VoIP business and we see them selling IP communications as an add-on to their cloud offers."

As they say, it's time to "lead, follow, or get out of the way." With 19 million VoIP seats up for grabs in the next two years, the best option for channel partners is leading.

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