

Getting Their Heads in the Cloud

Small and mid-sized businesses slowly seeing value of cloud-based solutions

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It's no secret that cloud computing is one of the fastest-growing segments of the information technology industry. **Gartner pegs 2017 growth of the worldwide public cloud-services market** at 18 percent, and projects 16.6 percent growth, to \$287.8 billion, this year. Cloud storage alone was a \$25.1 billion market last year, **according to Research and Markets**, which forecasts a compound annual growth rate of 29.7 percent through 2022, at which point it will total more than \$92.4 billion.

Considering the growth in cloud computing, B-to-B marketers must be jumping on the bandwagon, right? Not so much, especially among small and midsized businesses (SMB). In fact, a **Clutch survey of IT services used by SMBs** found that only about a third use professional cloud services providers at all. So what gives?



SMBs are seeing value in the cloud despite privacy and security concerns.

For starters, statistics are tricky and can't be relied on to present an accurate picture of the marketplace. For example, even though just 36 percent of SMBs questioned by Clutch said they used a cloud services provider, that was actually the highest percentage for any of the IT service categories included in the survey. SMBs, it turns out, simply use fewer IT services overall than do their larger counterparts.

Rishi Dave, CMO at Dun & Bradstreet, cites Intuit's QuickBooks, Marketo, Salesforce.com, and Sage as examples of some of the most popular finance, marketing, sales, and operations programs used instead by smaller B-to-B companies. "Their need to store information is largely satisfied by these cloud-based solutions, and they don't always need additional dedicated cloud storage," he says.

Moreover, many SMBs use the cloud for storage without hiring an IT professional to manage that function; a **related Clutch study** found that 52 percent of SMBs use some form of cloud storage on their own. It's also likely that smaller B-to-B companies are using cloud storage without being consciously aware of it. The storage is simply bundled with some other services they use.

Randy Nieves, chief technology officer at **Cal Net Technology Group**, a southern California-based provider of IT solutions to SMBs, points out that any organization running business transactions through email is already using cloud storage, unless it also runs its own email server. "If they're on Microsoft Office 365, Gmail, or Yahoo!, they're using cloud storage," Nieves says.

Weighing the Concerns

Nevertheless, some B-to-B marketers say concerns about cloud services make them hesitant to test the waters. Privacy, security, and compliance top the list, and understandably so.

"Marketing data is one of the most sensitive types of data a business creates, as it usually contains many identifying and personal details about paying customers," says Jon Sanderson, VP of marketing at Storj Labs, a provider of decentralized cloud storage.

Cloud services providers generally have access to those files and often scan them to make sure they don't contain illegal content that violates the provider's terms and conditions. Encryption is one option to protect privacy and boost security, but to be effective it must be end-to-end, with the marketer holding the encryption keys, Sanderson says.

Nieves contends that there is a high level of misunderstanding and misuse of cloud storage in the SMB market. Some businesses that currently use the cloud, he says, probably should consider an alternative data storage solution, because of security or compliance issues, for example. Conversely, he sees many SMBs that could benefit immensely by switching to cloud storage but remain stuck in their old ways.

"In short, deciding if cloud storage makes sense and which solution to use highly depends on the compliance and contracts they have with their customers," Nieves says. He recommends marketers read the fine print about privacy and security in the cloud storage provider's terms and conditions

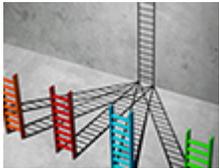
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The type of data SMBs store, where it's stored, and the mechanisms they have in place to satisfy an "erase all my personal information" request are all factors in picking the right cloud — and non-cloud — storage solution. Nieves says this is particularly important for SMBs conducting business overseas, due to the **European Union's new General Data Protection Regulation (GDPR)**, which takes effect in May.

B-to-B marketers' concerns about privacy, security, and compliance are "extremely valid," says attorney Anne P. Mitchell, president and CEO of the Institute for Social Internet Public Policy. "It's very important to remember 'the cloud' is just another term for 'somebody else's computer,'" she says.

Translation: Marketers are entrusting sensitive data to someone else's computer, to someone else's idea of what constitutes security and best practices.

Another issue that may be preventing faster adoption of cloud-based services among B-to-B marketers is simply the lack of access to those services via their IT providers. TechTarget's **2016 Channel Directions survey**, which polled 565 technology channel partners worldwide, found that more than half (54.7 percent) don't offer any cloud services. Among channel partners that do offer them, cloud services account for a relatively small amount of their total revenue: 11.5 percent, on average. That trails other revenue contributors such as product sales, consulting, IT project work, and managed services.

Amid the Dangers, New Advantages

It's worth noting that many SMBs appear to be out in front of their IT channel partners as far as the cloud is concerned. **Research by IDC** shows that 70 percent of small businesses and 90 percent of midmarket organizations now engage with the cloud, primarily through the use of cloud-based apps. The typical small business already uses four cloud apps, the typical midmarket company eight.

To be sure, there are dangers associated with cloud storage, as there are with other types of data storage. But there are also multiple advantages, such as the anytime, anywhere access to critical data it enables.

"[Because of] where we are, in the Northeast, working remotely is a huge benefit, given our winters," says Jim Walsh, chief information officer at Right Networks, a tech firm based in Hudson, N.H., that cloud-connects more than 100,000 people at 15,000 companies. "For SMBs to be able to reliably access their business-critical applications doesn't just allow them to avoid bad weather, it lets them focus on getting out in front of their clients or customers, to travel more freely if they're trying to open a second location, or attend training or a conference. And it provides peace of mind that if something happens to the IT infrastructure in their office, the business will not be impacted."

Dun & Bradstreet's Dave stresses that the most important benefits and opportunities cloud computing offers B-to-B marketers are faster time to value (TtV) and lower total cost of ownership (TCO). These advantages, he adds, are notably relevant to small and midsized firms.

"SMBs should always consider and prefer these (cloud-based) solutions based on the extraordinary value they offer compared to traditional solutions," he says. "Most cloud solutions have been designed with a business user imperative — fast to set up, easy to use, and tailored around targeted workflows. For SMBs, this significantly reduces the dependence on expensive IT resources."

Walsh says the two biggest cloud misconceptions revolve around security and costs. "Businesses often think they can provide the same level of security as cloud providers," he adds. "That's much more difficult and costly to do than most businesses realize."

Walsh says he understands why businesses might be hesitant to trust their data to the cloud. However, the belief that their data is somehow safer within their own infrastructure, because they can see and touch that infrastructure, often isn't true.

"The reality is that any machine connected to the internet in any fashion is potentially at risk," he says. Truly advanced security requires specialists in multiple cybersecurity disciplines to bolster infrastructure, third-party hardware solutions, routine penetration testing and security analysis, and training for staff.

Staff training often gets overlooked, Walsh says. "Many intrusions are social attacks, meaning that a business' employees can represent a cybersecurity threat to their own organization," he notes. "A business should always provide training to mitigate cybersecurity threats, but in the cloud, there is no need to hire specialists or provide third-party hardware."

Small and midsized B-to-B marketers likely will come to the same conclusion. "Cloud solutions will inevitably replace traditional on-premise business solutions," Dave says. "The trend toward the cloud has been consistent across industries and business segments and will continue to have a network effect in terms of availability of new solutions as well as participants on cloud platforms."

Threats to Cloud Computing

The Cloud Security Alliance is an organization dedicated to defining and raising awareness of best practices to ensure a secure cloud computing environment. In a **recent whitepaper**, the group enumerated the top 12 threats to cloud computing:

1. Data breaches
2. Insufficient identity, credential, and access management
3. Insecure interfaces and APIs
4. System vulnerabilities
5. Account hijacking
6. Malicious insiders
7. Advanced persistent threats
8. Data loss
9. Insufficient due diligence
10. Abuse and nefarious use of cloud services
11. Denial of service
12. Shared technology vulnerabilities
— *M.J.M.*

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