

# THE STATE OF CLOUD TECHNOLOGY IN THE STARTUP WORLD

## REPORT 2017

Based on an original SaaSGenius survey



# **We're excited to release The State of Cloud Technology in the Startup World 2017 report based on an original SaaSGenius survey.**

Our aim was to:

- **Shed some light on current trends in the cloud sector with a strong focus on startups,**
- **Answer important questions regarding technological needs of businesses across sectors,**
- **Examine the correlation between pace of development and degree of SaaS adoption,**
- **Identify barriers for cloud adoption,**
- **Present perceived benefits of implementing cloud solutions in organizations worldwide.**

Over the last few years, the SaaS market has been constantly on the rise and as insiders, we wanted to investigate this issue even further. Thanks to data gathered during this research, you can find out where companies are headed with cloud, as well as use that knowledge to supercharge your SaaS business strategy.

At this point I'd like to thank our amazing partners, including Google Campus, SaaS Alliance and Startup Poland whose support allowed us to present the topic in detail and reach wider audiences. We hope that the insights provided will help you pursue the right path of development for your online business and support you in the decision making process of your company.

Time to take your business to a new level!

Dorota Zys & Tom Gorski  
*Co-Founders of SaaSGenius*

CHAPTER

# 01

## METHODOLOGY

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## TOPICS &amp; SAMPLE

1.1

400



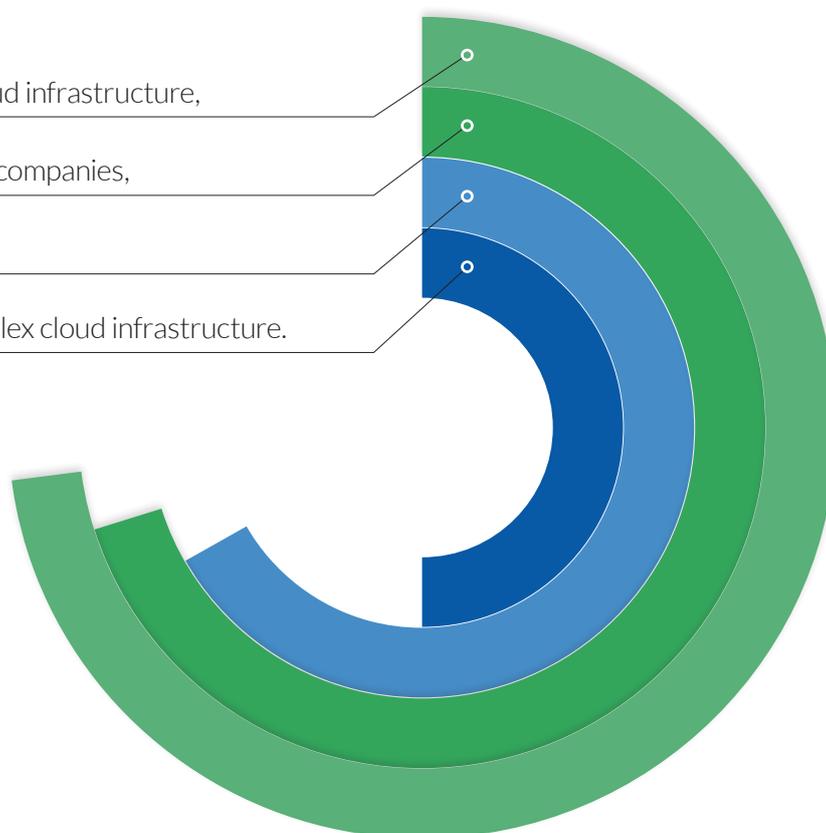
In September 2016, SaaSGenius conducted **The State of Cloud Technology in the Startup World** survey, which questioned professionals across the globe about:

their degree of adoption of cloud infrastructure,

current spending on IT in their companies,

perceived benefits of cloud,

obstacles to developing a complex cloud infrastructure.



16

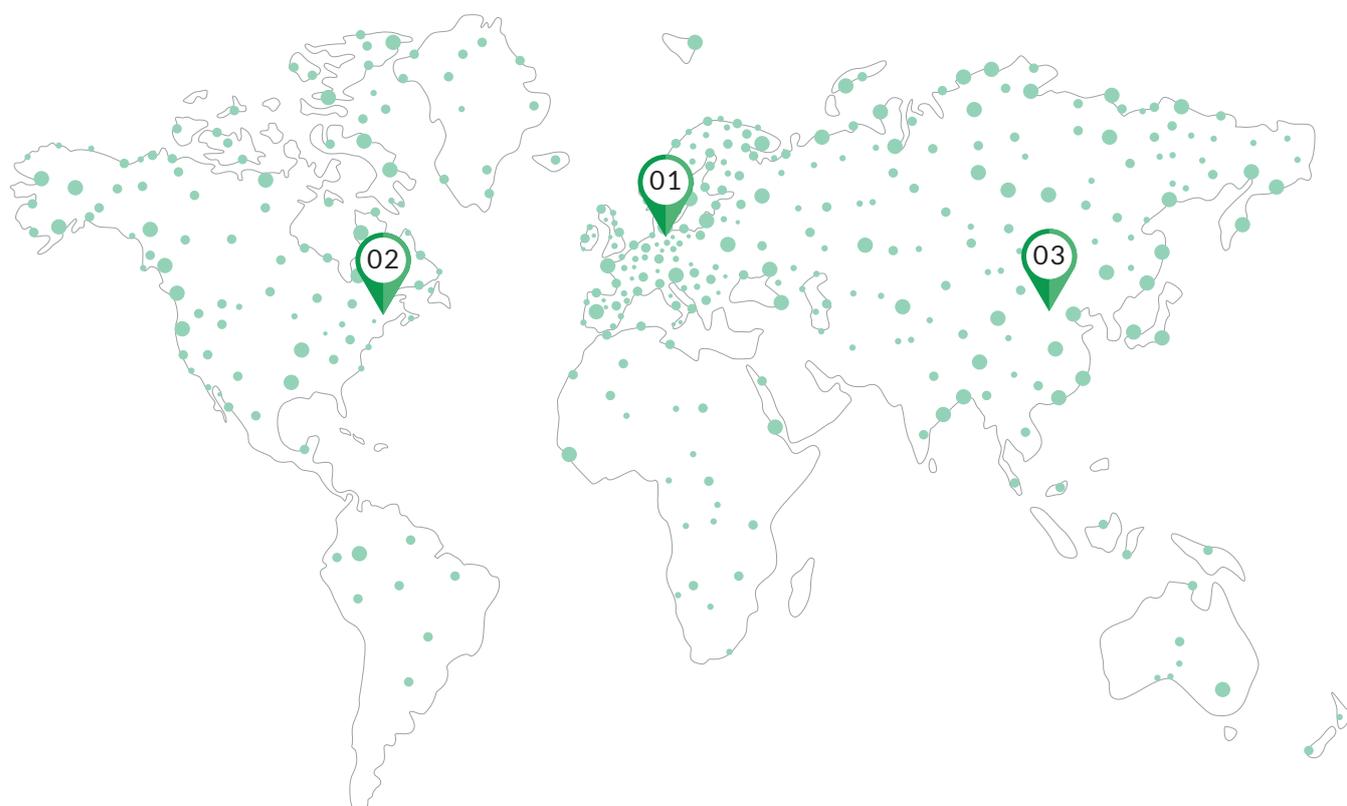


Survey results include responses to 16 questions from 400 professionals (business owners, executives, managers and practitioners) representing businesses of various sizes across the globe.

**GEOGRAPHY**

1.2

**70%** of survey participants are headquartered in Europe, with **18%** and **12%** of respondents representing North America and Asia respectively.



01 EUROPE 70%

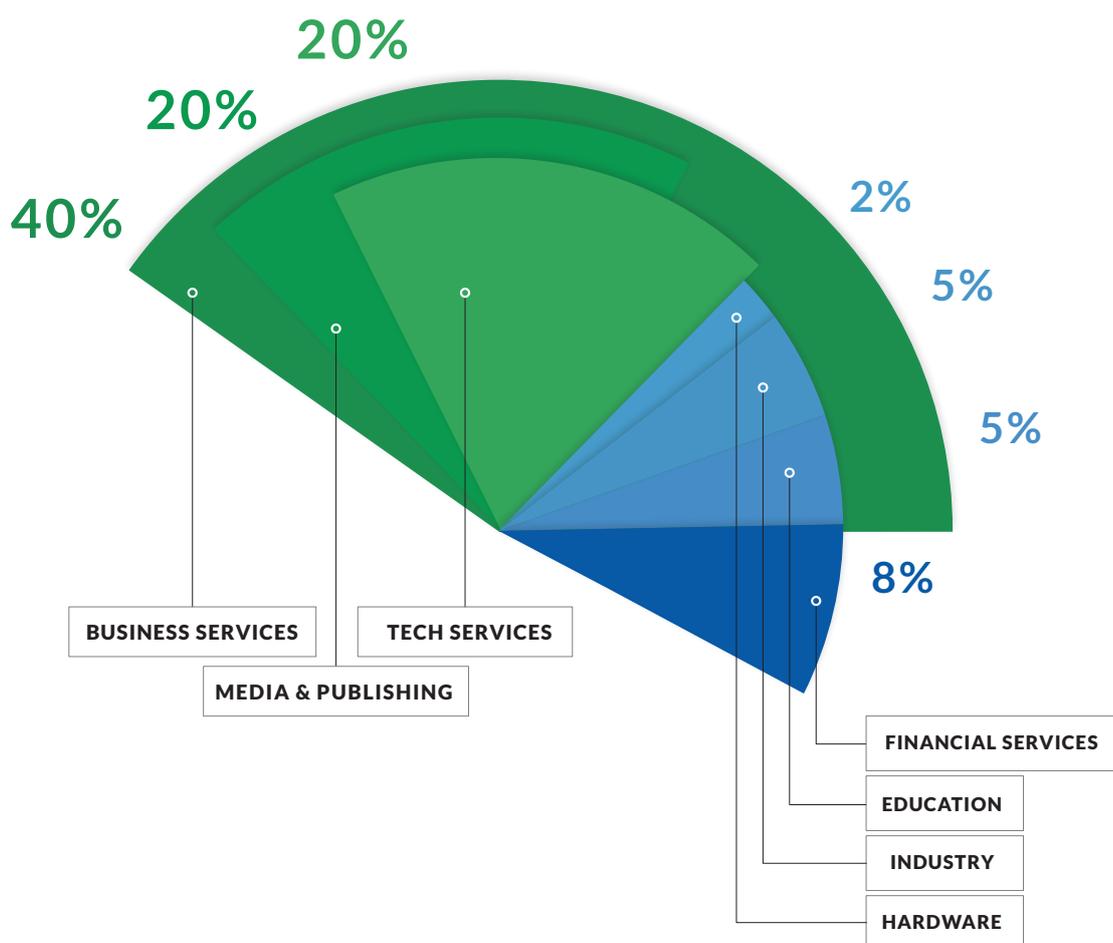
02 NORTH AMERICA 18%

03 ASIA 12%

**INDUSTRY**

1.3

Subjects of this study represent various industry sectors, which provides a comprehensive view of their cloud use.



Of all survey participants, **40%** operate in the business services sector, with **20%** of respondents representing media & publishing. While tech services constitute a further **20%** of the group, financial service representatives amount to **8%** of the sample. Education, industrial and hardware companies make up **5%**, **5%** and **2%** respectively.

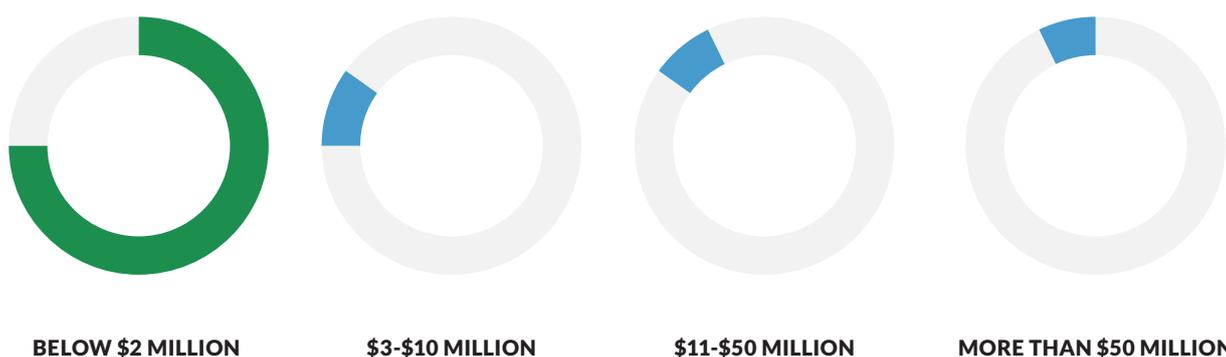
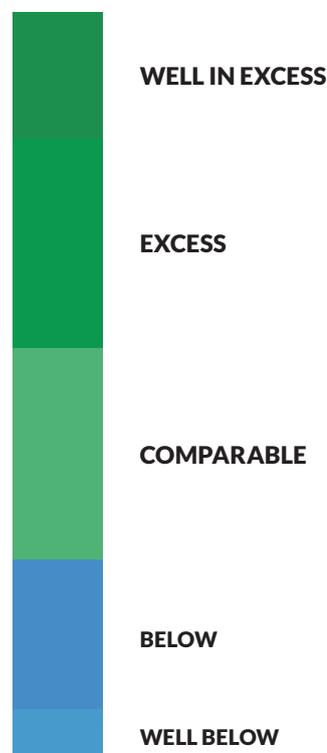
## PACE OF DEVELOPMENT

1.4

To get a better understanding of their scale and pace of development, we asked survey respondents about their annual revenue and company size.

We also prompted them to evaluate their sales growth in the last three years (comparable to the competition: **28%**, excess of the competition: **28%**, below the competition: **20%**, well in excess of the competition: **17%**, or well below the competition: **7%**).

These three questions were extremely important for us because we wanted to examine the degree of correlation between the stage a company is at and its approach to cloud infrastructure.



Annual revenue below **\$2** million was reported by **75%** of participants, with **10%** claiming **\$3-\$10** million annual revenue. **8%** of respondents reported annual revenue between **\$11- \$50** million, with another **7%** claiming annual revenue exceeding **\$50** million.

## COMPANY SIZE

1.5

Micro companies were represented most heavily in the survey group (**63%**), with **17%** of respondents working in companies with a staff headcount within the range of 11-50.

Medium-sized companies with less than 250 employees constituted **10%** of the sample, with the same percentage of respondents representing large enterprises with 250+ team members.



## MAIN REVENUE STREAMS

1.6

We also wanted to investigate the correlation between degree of cloud adoption and where the revenue came from.

To do so, we provided research participants with a multiple choice question regarding their main revenue streams. Small companies with up to 50 employees were marked by **48%** of respondents, with **43%** choosing individual clients as their answer. **23%** of participants listed medium companies up to 250 employees as their main revenue stream, with **20%** and **18%** selecting micro companies/SOHO and large enterprises over 250 employees, respectively.

CHAPTER

# 02

## FINDINGS

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## 2.1 KEY FINDINGS

1. In the next three years, **small to medium businesses are 67% more likely to invest in cloud** than other survey participants.
2. Based on survey results, we've established that **cloud computing, mobile apps and business analytics are seen as top three investing priorities** for the next three years.
3. According to data gathered in the survey, **companies from Asia and Europe** will invest most heavily in cloud solutions in the next three years (43% and 36% respectively). They are also **most likely to "implement cloud solutions in all areas of operation"**.
4. **Tech and finance companies** show highest potential for cloud growth in the nearest future, **with 83% and 72% higher probability of cloud adoption** when compared to other survey participant groups.
5. **Businesses who list individual clients and small companies** up to 50 employees as their main revenue streams are most likely to implement the highest number of cloud products in the next three years. Companies of this type **are 54% more likely to adopt cloud solutions** than other types of businesses.
6. Operational **costs savings**, ability to **focus on core activities** of the organization, **improved organization performance** and **increased team collaboration** are seen as **biggest benefits of cloud infrastructure**.
7. **Physical control, application model** and **regulatory compliance** serve as biggest **barriers to cloud adoption**.

## SECURITY

2.2

In terms of current IT spending priorities, companies representing North America are allocating largest funds for security, with a markedly higher result than other regions. Asia and Europe come second and third respectively.

Data suggests that hardware companies, tech service companies and financial service companies invest in security cloud solutions more heavily than other types of businesses. Companies servicing individual clients, large enterprises over 250 employees and small companies with up to 50 employees report higher spending on security-related cloud solutions than other businesses. Low risk of adoption and operational cost savings are believed to be the biggest benefits of adopting security-related cloud solutions. Integration with existing systems and physical control pose as the biggest barriers of their adoption. Moreover, it appears that company size and high annual revenue are correlated with significance of security cloud solutions in an organization.

## CLOUD COMPUTING

2.3

We discovered that companies headquartered in the Asia and Europe allocate significantly more funds for cloud computing than North America.

Cloud computing technologies are treated as a priority by hardware and tech industry representatives, with media companies investing in cloud least heavily. Based on data from survey respondents, cloud computing services seem most significant to businesses whose main revenue streams come from large enterprises employing at least 250 people.

It was established that the biggest barrier for cloud computing growth in organizations lies in their adoption model. What is more, companies examined in the course of this research report that cloud computing solutions allow them to focus on core activities of their organization, which they see as their biggest benefit. Increasing revenue streams was the least frequently reported benefit of cloud solutions of that kind.

Treating cloud computing solutions as a priority appears to be correlated with company size and annual revenue – the larger the company, the more likely it is to see the benefits of this type of software.

## BUSINESS ANALYTICS

2.4

In terms of current spending, business analytics cloud software is most important for businesses headquartered in Europe.

It was determined that tech and industrial sector are more advanced in implementing business analytics solutions than other types of businesses. Survey results suggest that their benefits are seen most clearly by financial department workers.

Companies who decide not to implement BA solutions do so in most cases because of their application model. At the same time, low risk of adoption and expected increase in team collaboration are seen as biggest benefits across organizations which decide to implement them. Interestingly, there appears to be no correlation between company size, annual revenue and the advancement of BA cloud software.

## PROJECT MANAGEMENT

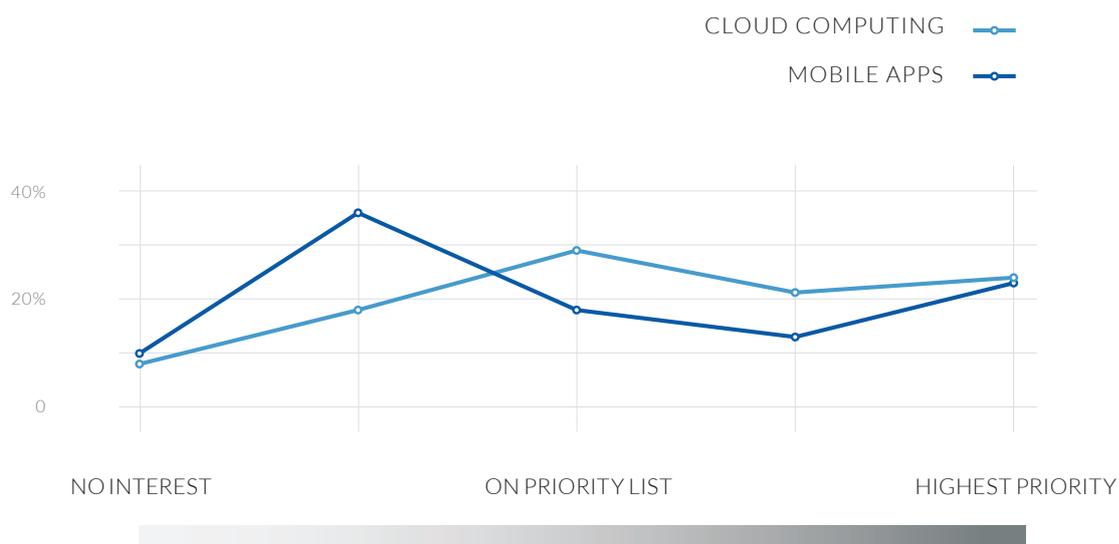
2.5

Project management SaaS tools are most often implemented across Asia and Europe, mostly in business services and tech services companies. Research suggests they are least appreciated by hardware companies.

Survey respondents who know and actively use Box are most likely to implement project management tools in their organizations. It appears that companies invest in project management tools because they are lured by potential operational cost savings. Integration with existing infrastructure and no physical control over processes are generally seen as biggest risks of implementing this type of software.

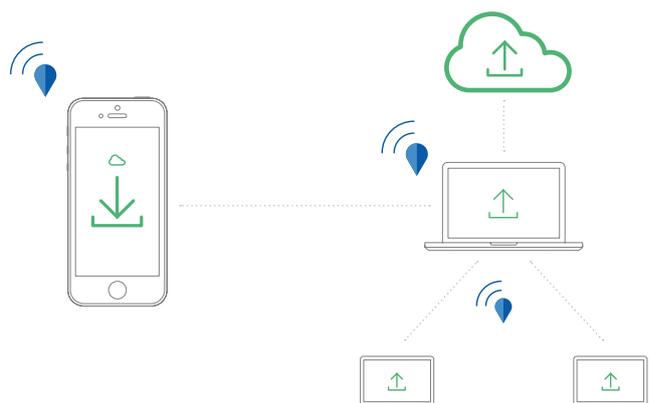
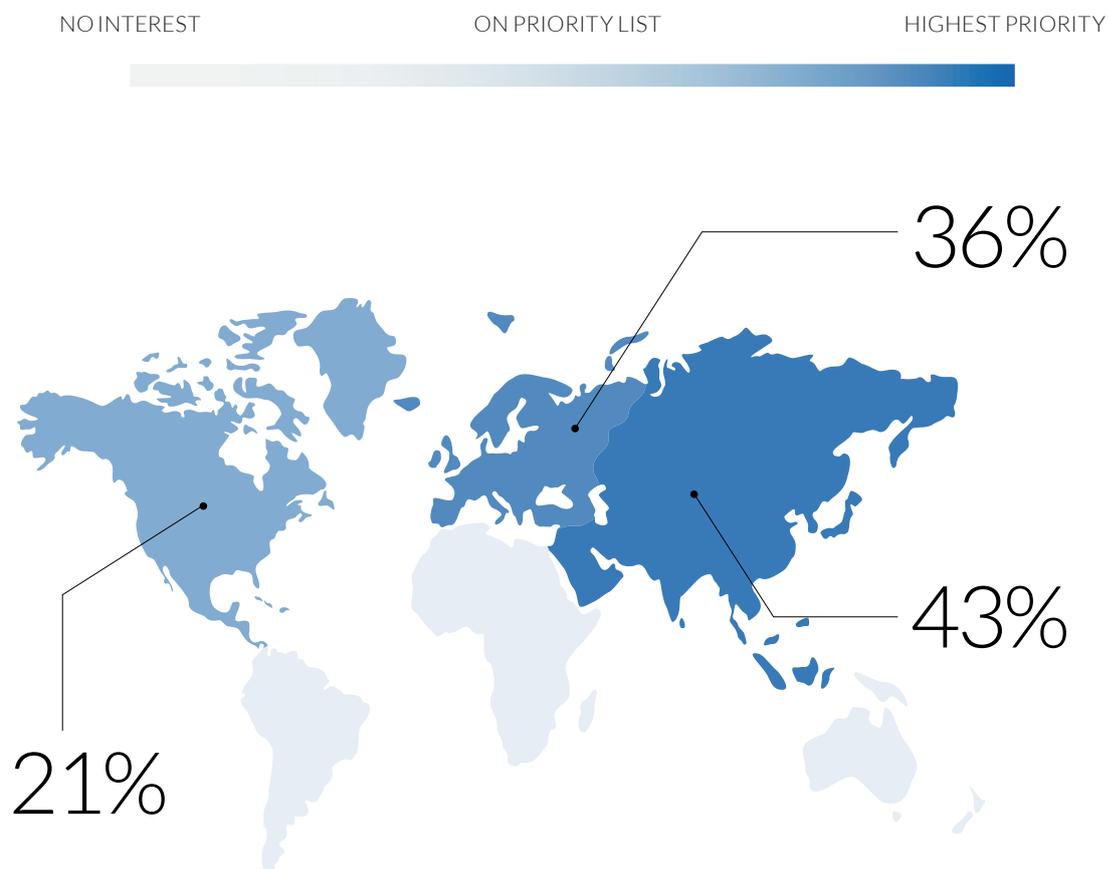
We found that companies who see investing in business analytics as a priority tend to implement PM tools across their organizations most frequently. Moreover, data gathered from survey participants suggests that majority of businesses who implemented PM solutions observed sales growth in the last three years.

At the same time, realizing fast sales growth in the last three years seems to have an impact on the perceived role of project management tools.

**SPENDING PRIORITIES GRAPH 1****SPENDING PRIORITIES GRAPH 2**

## INVESTMENTS IN CLOUD COMPUTING

in the next 3 years



## HR TOOLS

2.6

Among survey participants, HR cloud tools are used most frequently across Asia and Europe and are most widely implemented in education, tech and industrial companies. Their benefits are seen most clearly by HR department workers and marketing & sales professionals.

HR cloud solutions show a strong adoption and steady growth mostly in businesses who point to medium companies up to 250 employees as their main revenue stream. While geographic proximity seems to be the biggest barrier for adoption, software cost savings and potential increase in revenue streams are seen as their biggest benefits.

Respondents who are familiar with NetSuite and use it in their organizations are more likely to invest in HR cloud tools than those who don't. We've also established that investing in security and virtualization tools further increases the likelihood of implementing HR cloud infrastructure in an organization.

Based on available data, realizing fast sales growth in the last three years and company size seem to be correlated with the current degree of adoption of HR cloud tools in an organization.

## CRM SOFTWARE

2.7

CRM software cloud solutions are a spending priority in North America and Europe, with markedly higher scores than Asia.

Data suggests that business services and tech services companies allocate largest funds for CRM software in comparison to other sectors. This tendency can be seen most clearly in organizations offering their services to medium companies with up to 250 employees.

Benefits of CRM software are expressed most frequently by marketing, sales and management professionals, and they include increased team collaboration and potential operational cost savings. Integration with existing systems is reported as the biggest barrier for their adoption. It seems that growth of business analytics infrastructure in an organization is followed by a subsequent growth of CRM cloud tools in that organization. Moreover, fast sales growth in the last three years is correlated with the degree of advancement of this type of infrastructure across organizations.

## ACCOUNTING

2.8

Of all survey respondents, representatives of Asia and Europe reported highest usage of accounting cloud solutions in their organizations.

Data suggests that companies providing tech services, business services and representatives of the industrial sector invest in accounting solutions more heavily than other sectors, with hardware coming last in that respect.

Improved organization performance is by far the biggest benefit reported by research participants, along with operational cost savings. At the same time, vendor lockin is being listed as the biggest barrier to their implementation.

Current interest in virtualization and cloud computing software can be seen as a factor increasing the chance of adopting accounting cloud solutions in the future. We've found that of all research participants, those who know and use Box and/or Brand24 are most likely to introduce accounting cloud tools in the nearest future. Companies with a rapid sales growth in the last three years tend to see the need for accounting cloud tools in their organization more clearly than those with a slower sales growth.

## IT MANAGEMENT

2.9

Survey results indicate that companies headquartered in Europe and North America invest larger funds for IT management cloud tools than businesses from Asia. Companies who list them as their spending priority represent mostly business services and tech services, with hardware companies coming last in the category.

We've established that respondents providing services to medium companies with up to 250 employees report higher spending on this type of software, with businesses offering services to micro companies coming last in the category.

While operational cost savings are the biggest benefit of adopting IT management cloud solutions, regulatory compliance seems to be the the biggest barrier of their adoption.

Similarly to HR tools, investing in business analytics seems to be followed by subsequent spending on IT management cloud software. Representatives of large companies with a robust sales growth in the last three years tend to see the benefits of adopting this type of solutions more clearly than other survey respondents.

## MARKETING TOOLS

2.10

Of all survey respondents, those representing companies headquartered in Asia and North America reported highest spending on marketing tools.

Available data yields a snapshot of sectors treating marketing cloud solutions as a spending priority - these include business services and tech services, with markedly higher results than other categories. We've established that marketing cloud software is implemented most heavily across organizations who list small companies with up to 50 employees as their biggest revenue stream. While physical control issues and integration with existing infrastructure are pointed out to be the biggest barriers for implementation of this type of software, being able to focus on core activities and increased team collaboration are believed to be their biggest benefits. We've also discovered that users of Slack, NetSuite and Salesforce are most likely to invest in them in them in years to come. There appears to be no correlation between company size, pace of sales growth and prioritizing this type of software.

## MOBILE APPS

2.11

North America and Europe report largest investment in mobile app cloud solutions, with the highest score for the hardware sector (markedly higher than other sectors). This holds true especially for respondents from companies qualifying as business services and education, who tend to treat mobile apps as a spending priority.

This type of software seems to be implemented most frequently in companies whose main revenue stream comes from individual clients and large enterprises over 250 employees. At the same time, data sovereignty, privacy and regulatory compliance are seen as highest risks. It was established that operational cost savings and pricing flexibility are believed to be the biggest benefits of mobile app cloud infrastructure. High annual revenue seems to positively influence the perceived role of mobile app solutions in an organization.



## VIRTUALIZATION

2.12

We discovered that companies from Asia and Europe report highest spending on virtualization solutions, with North America expressing least interest in them at the moment.

Data gathered in the course of this research suggests that industrial, education, and tech services treat them as a spending priority, with hardware, business services, and media & publishing investing least heavily in virtualization cloud.

The need for virtualization software is expressed most frequently by finance & accounting professionals, especially those who list micro companies as their main stream of revenue. While improved organizational performance and operational savings are believed to be the biggest benefits of virtualization tools, the application model seems to serve as the greatest barrier to their adoption. Additionally, it seems that the likelihood of implementing them is higher for companies using Brand24 and/or Salesforce. High annual revenue seems to be correlated with seeing virtualization as a spending priority.



CHAPTER

# 03

## CONCLUSION

In the course of this research it was established that **smaller companies are 67% more likely to implement cloud solutions than larger ones in the next three years.**

**Recommendation:** Marketing efforts of cloud companies should be focused on this type of businesses, as they seem to offer higher chance for growth. Smaller businesses (including startups) tend to implement cloud solutions faster mostly because the decision process is shorter than that of corporations. Additionally, their employees are generally given more freedom to test new solutions in search of finding the best one.

Focusing on smaller companies is also advised in the context of churn: relying on large numbers of smaller businesses is safer than having a small number of large clients, partially because of the impact of a single customer churning out.

**Cloud computing, mobile apps and business analytics** tend to be treated as spending priorities most commonly.

**Recommendation:** These types of cloud solutions seem to offer highest chance of growth and are most likely to be profitable. At the same time, it must be underlined that the space is already highly competitive and only tools solving most crucial customer pains or providing outstanding value (i.e. offering what their competitors are lacking) have a chance of succeeding.

**Companies from Asia and Europe** will invest most heavily in cloud solutions in the next three years (with a 43% and 36% higher chance of cloud adoption than other businesses, respectively).

**Recommendation:** Findings of this research suggest that for businesses offering cloud solutions, Asia and Europe should definitely be taken into consideration as possible markets for expansion. Partnering with companies originating in these markets or intensifying your current marketing efforts (i.e. via AdWords location targeting) is advised. At this point, it should be emphasized that due to limited sample size of this research, further investigation of the subject is much needed.

**Tech and finance companies** are likely to implement cloud solutions most heavily in years to come, **with 83% and 72% higher probability of cloud adoption** when compared to other survey participant groups.

**Recommendation:** These businesses should be given a special place in marketing efforts of cloud providers. Given that LTV is longer than that of other industries, it is recommended creating dedicated sales & marketing funnels with tech and finance companies in mind.

**Businesses who list individual clients and small companies** up to 50 employees **as their main revenue streams** are most likely to implement the highest number of cloud products in the next three years. Companies of this type are 54% more likely to adopt cloud solutions than other types of businesses.

**Recommendation:** Technological revolution impacts SMBs more heavily than was the case with the enterprise market in the previous years. This is a huge opportunity for SaaS vendors, who offer cheaper pricing plans adjusted to limited budgets and functional requirements of SMBs.

**Cost savings, ability to focus on core activities, improved organization performance, and increased team collaboration** are seen as biggest benefits of cloud adoption.

**Recommendation:** The abovementioned benefits should be emphasized in communication of cloud providers (i.e. in website copy, landing page copy, blog posts and larger content formats). SaaS vendors are therefore encouraged to audit their content and ensure that these benefits are communicated on a regular basis.

**Physical control, application model and regulatory compliance** serve as biggest **barriers** to cloud adoption.

**Recommendation:** It should be acknowledged that these barriers may prove problematic during implementation, especially in enterprise-level companies. That said, we see a significant increase in the number of alternative technological solutions, which allow to use the solution on your own server after purchasing a licence. This option solves the problem of physical control and regulatory compliance issues to a large extent.

## PARTNERS



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