



Spiceworks Voice of IT™: State of SMB IT August 2009

The information contained in this report represents sample data from over 1,100 respondents from the more than 750,000 small and medium business IT professionals globally, across 196 countries.



Executive Summary

- **Small and Medium Business IT Budgets Took a Significant Hit in 2009**

39% cut 2009 budgets from 2008 levels, with the average cut being 22%

60% report having delayed or canceled at least one project so far in 2009

- **Small and Medium Business IT Hiring is Poised to Grow in 2H 2009**

22% plan to hire additional full-time or part-time staff, while only 3% plan to further reduce staff

Most plan to hold staff sizes steady, as reported by 61% of SMB IT departments

- **Small and Medium Business IT Departments are Squeezing More Useful Life from Their Hardware**

Average planned lifespan of hardware (desktops, laptops and servers) increased 26%

Planned lifespan increased from 40 months prior to 2009, to 50 months in 2009 and beyond

- **68% of Small and Medium Businesses Plan to Add New Hardware, 51% Plan New Software Purchases in 2H 2009**

Average new hardware order is expected to include 13 desktops, 10 laptops and 2 servers

Security and anti-spam solutions top the list with 32 percent of SMBs planning such purchases

30% plan to deploy or expand virtualization in their networks

SPICEWORKS™

9005 Mountain Ridge Drive

Suite 100

Austin, Texas 78759

+1.512.346.7743 ph

+1.512.346.7759 fax

www.spiceworks.com

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State of SMB IT: Q3 2009



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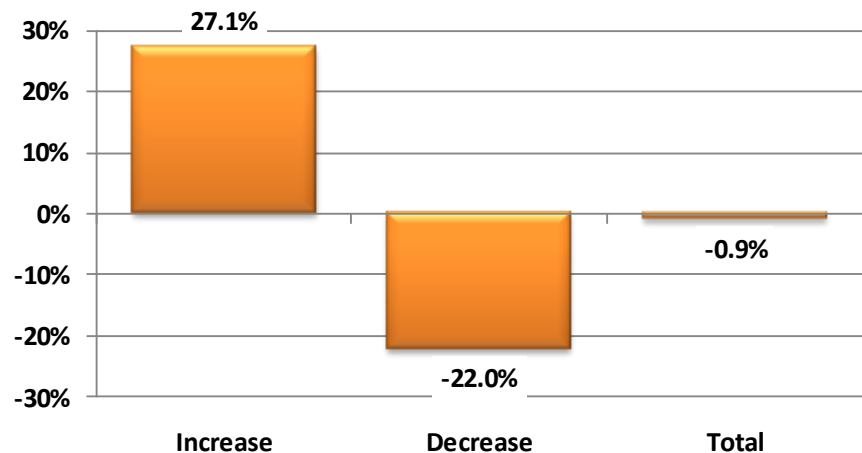
State of SMB IT: While Most IT Budgets Were Impacted by the Economy in 2009, Many Small and Medium Businesses Faired Better Than Expected

Small and medium business IT budgets took a hit in 2009 versus 2008 spending levels. 39% of SMB IT professionals report budget cuts in 2009, averaging a 22% reduction in allocated funds.

The news is not all dire, as 31% report that budget are flat compared to 2008, while 30% of SMBs actually report *budget increases* for 2009, averaging 27%.

Bottom line is SMB IT budgets for 2009 held up better than economic conditions would seem to indicate. The average SMB IT budget across all groups (increase, flat, decrease) declined only 1%. The average 2009 SMB IT budget is \$108,000.

2009 IT Budget Change Rates





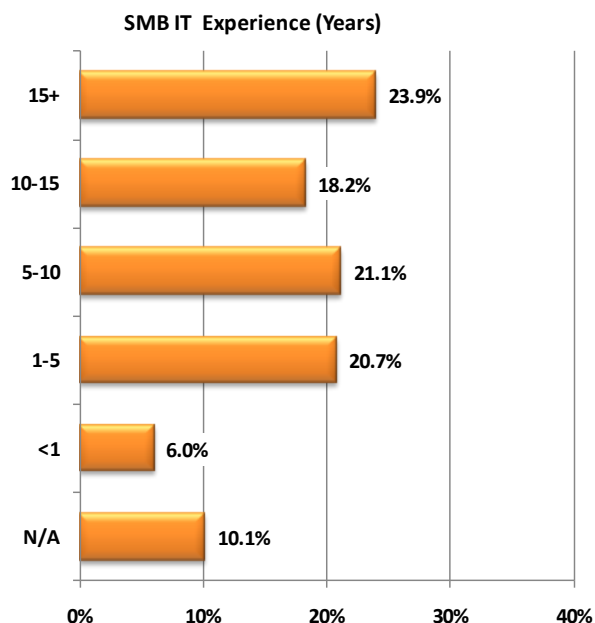
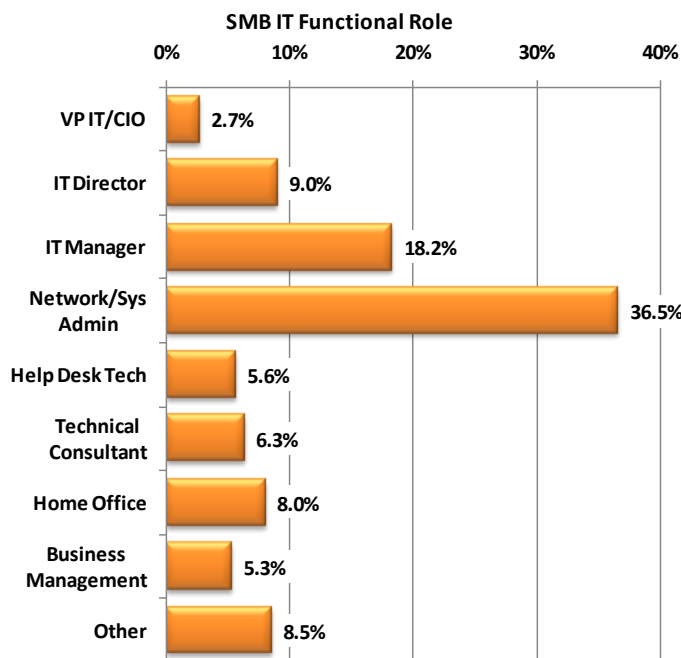
Background and Methodology

Survey to investigate current technology purchasing, usage and staffing trends among small and medium businesses (SMBs) worldwide

The majority of the 1,130 survey respondents are IT professionals representing technology teams of one to five people that support companies with fewer than 500 employees and with annual technology budgets of \$108,000.

80% are IT decision makers or influencers within their companies. The average experience of the respondents is 11 years.

**Over 1,100 respondents
from more than 75
countries; fielded July and
August 2009**



The Spiceworks Voice of IT™ market research program publishes data collected from a panel of small and medium business technology professionals that are among the 750,000 users of the free Spiceworks IT Desktop.

Survey panelists opt-in to answer questions on technology trends important to small and medium businesses.



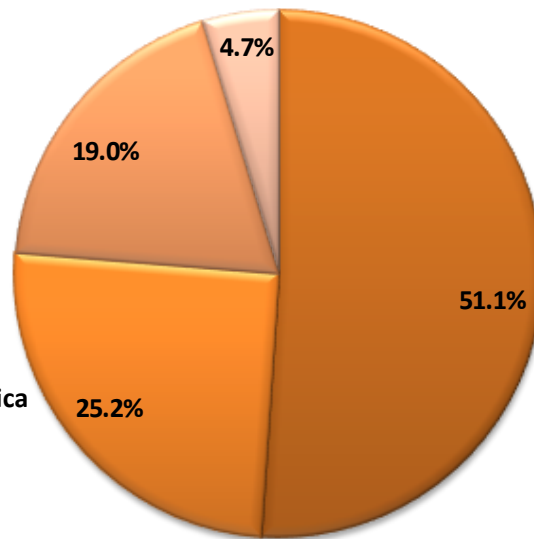
STATE OF SMB IT RESPONDENT PROFILES

Industry Representation

Respondent Profiles

Respondent Geographic Distribution

- North America
- Europe / Middle East / Africa
- Asia Pacific
- Latin / South America



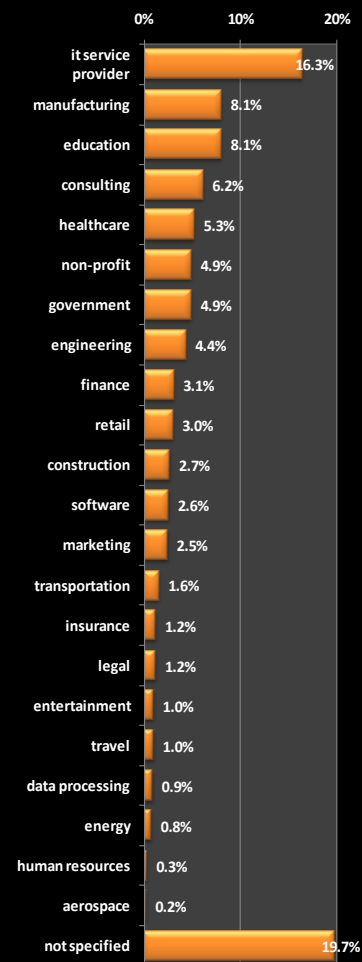
Responses were collected from more than 75 countries across the globe. Over 50% of responses were from North American countries, while Asia Pacific countries represented nearly 5% of the total response base.

Twenty-two different industries were represented by the respondent base. No single industry (or non-specified) represented more than 20% of the sample.

Nearly 50% of respondents came from businesses with less than 20 employees, while 20% came from businesses with more than 100 employees.

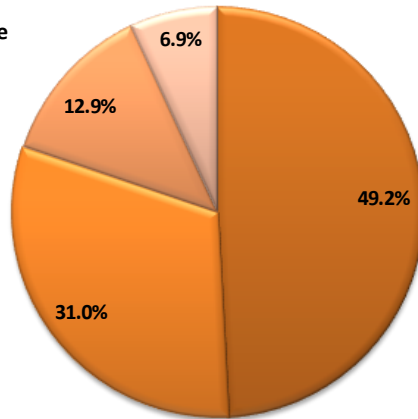
Broad based distribution of respondents across countries, industries and company sizes

Respondent Industry Distribution



Respondent Company Size Distribution

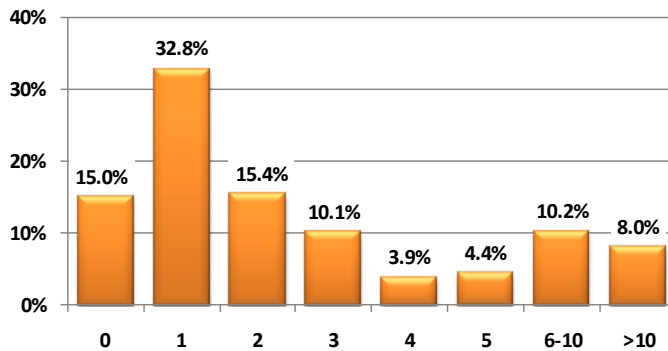
- <20
- 20-99
- 100-249
- >250



The average company size of respondents is 90 employees, with nearly 160 endpoint devices on their IT network under management.

Over 80% of the SMB respondents come from companies with fewer than 5 IT staff. The average IT staff is slightly fewer than 4 IT professionals.

Full Time IT Staff



Over 80% of respondents' companies have fewer than 100 employees and average less than 4 IT staff to support the company, a true reflection of the SMB IT market

Summary Findings: IT Budget and Staff



Budget and staffing trends among small and medium businesses (SMBs) worldwide indicate increasing stability for 2H 2009

While 47% of SMB IT departments have had to reduce the project plans and/or delay projects, indications of stability are forecast through the second half (2H) of 2009.

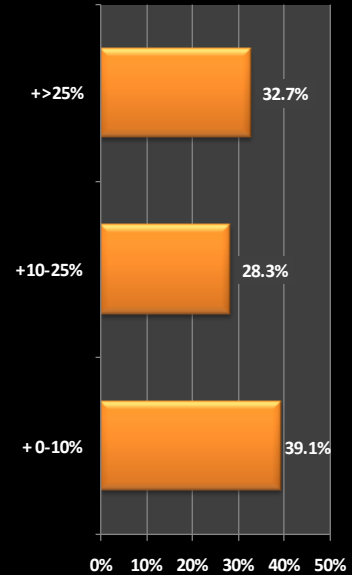
Budgets have stabilized, and are down an average of only 1%. Over 60% report no further change in IT staffing plans for the remainder of the year.



Budget

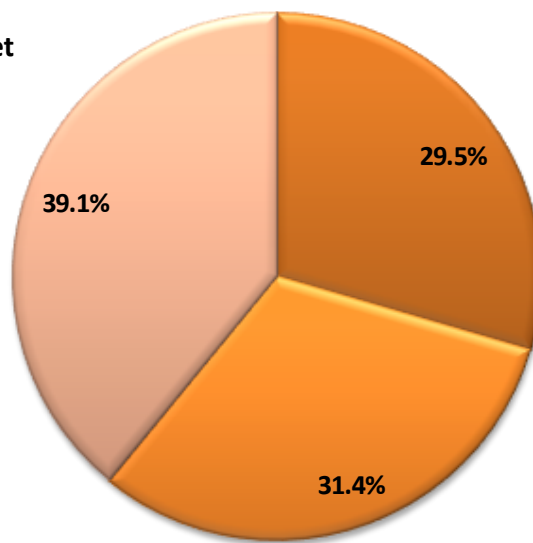
BUDGET CHANGES

Level of Increase

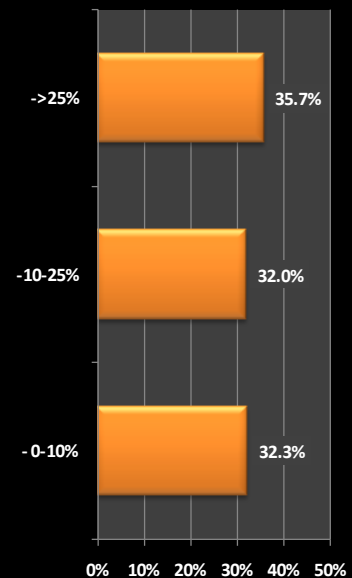


Change in Annual IT Budget 2009 v 2008

- Larger
- Same
- Smaller

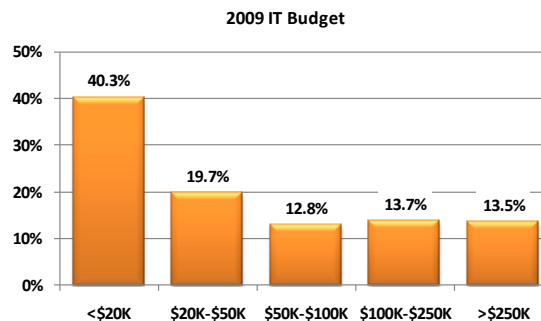


Level of Decrease



SMB IT budgets in 2009 average \$108,000. This figure includes all intended spend on all IT hardware, software and services (inclusive of all hardware, software licenses/purchases, and things like even online services like hosting, e-mail, telecom, and bandwidth). This figure does not include staffing. Overall, SMB IT budgets are 1% smaller in 2009.

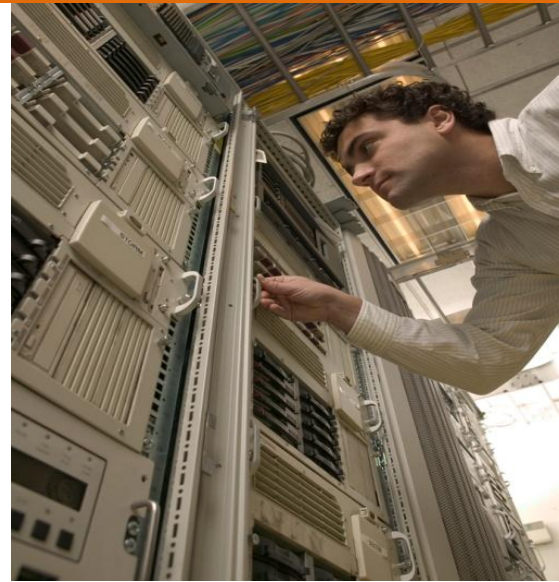
33% more SMB IT departments are experiencing budget cuts as opposed to budget growth in 2009 versus 2008



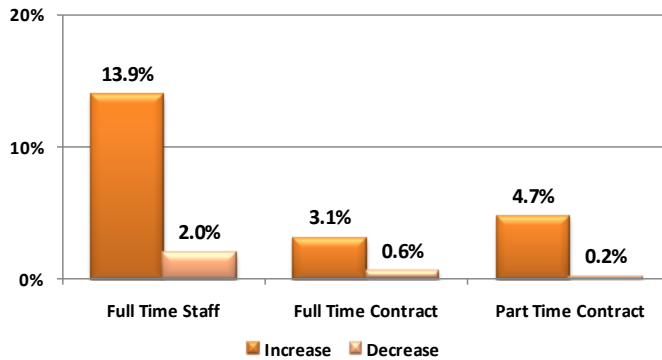
For those experiencing budget cuts the average reduction is 22%. Those fortunate enough to have increases, the rate of increase is 27% growth in budgetary funds for 2009.

Staff

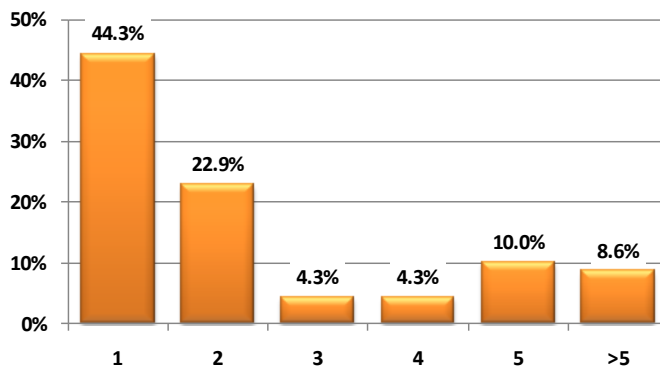
Staffing levels have stabilized, and are poised for growth, although risk is still present



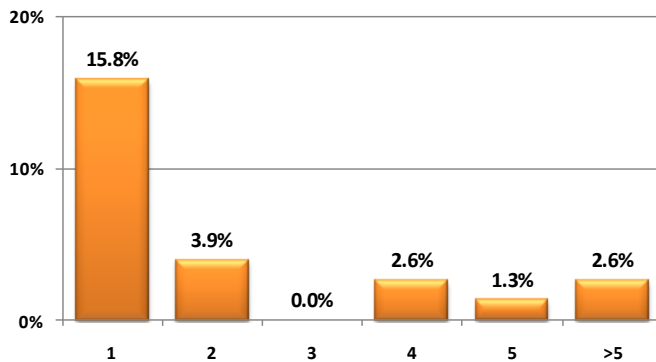
Change in IT Staffing Plans



Increase in Full Time IT Staff if Adding



Decrease in Full Time Staff if Reducing



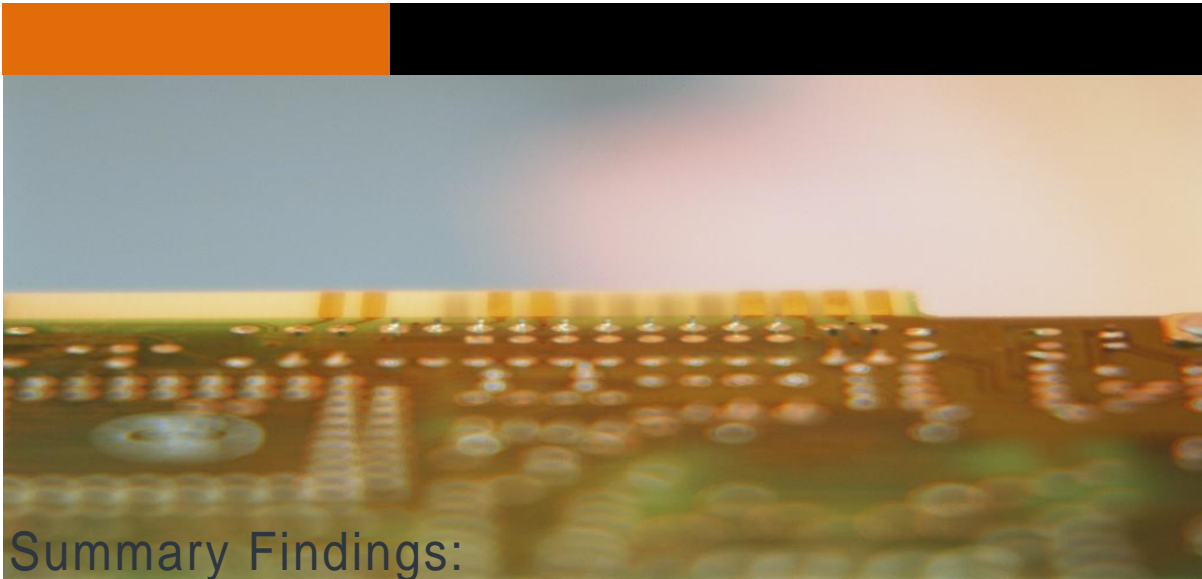
Staffing levels have stabilized from the first half of 2009. 61% of SMB IT departments plan to hold staffing levels constant over the next six months.

Regardless of whether an IT department plans to increase or decrease staff over the next six months, full time resources will be most impacted.

22% of SMB IT departments plan to add resources over the next six months compared to 3% who plan further reductions

Data regarding part time contract IT workers seem to reflect the very nature of the troubled economic conditions, having been eliminated already from challenged IT departments. Part time contract workers appear to be back up plans for those looking for additional resources.

SMB IT departments are trying not to reduce full time headcount any more, as 74% report no plans for reducing full time staff if further cuts are needed.



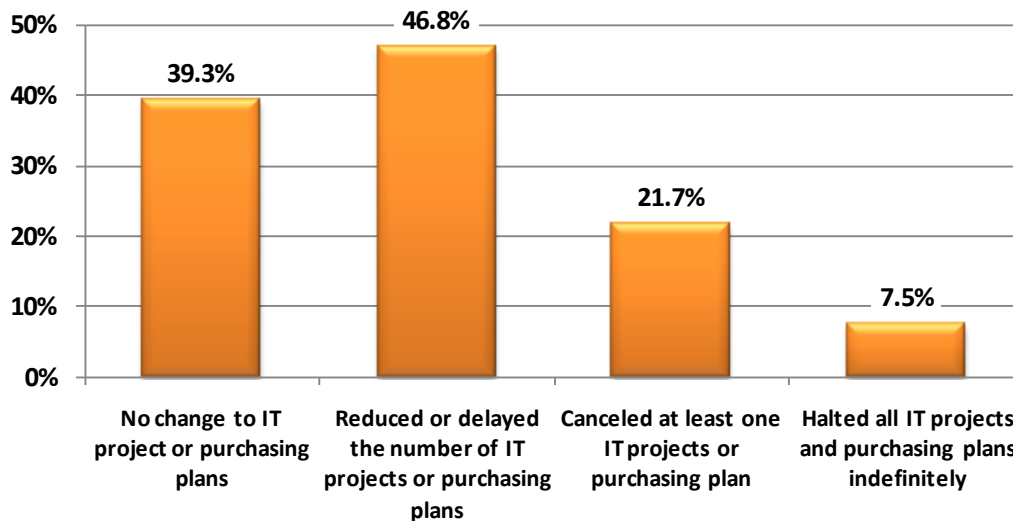
Summary Findings: Project and Purchase Plans

While projects and purchase plans have been impacted, significant new and upgrade purchases are planned

Due to the recent economic uncertainty, SMB IT departments have quickly adjusted, as over 60% report having to change, delay or cancel IT projects or purchases for IT hardware, software or services. Near 30% report having canceled one or all projects or purchasing plans for the year.

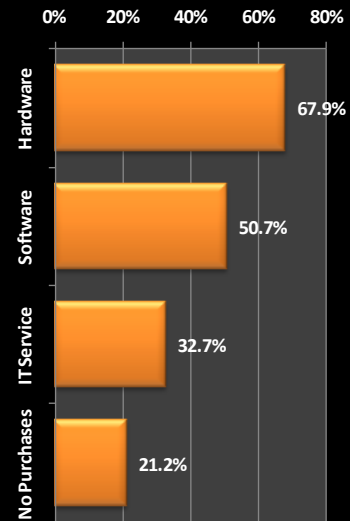
SMB IT purchasing plans have *not* been frozen by any means. 68% of SMB IT departments are planning hardware purchases, and 51% are planning software purchases, over the next six months. Additionally, 61% report plans for hardware upgrades, and 48% report upgrades for software.

Economic Impact on IT Project Plans

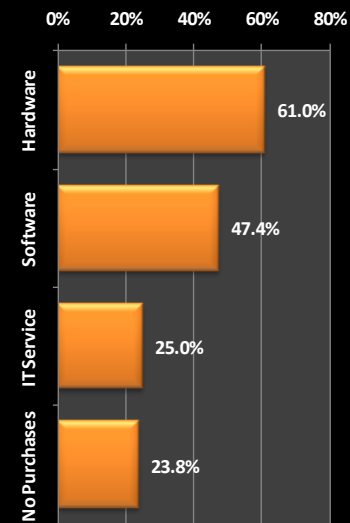


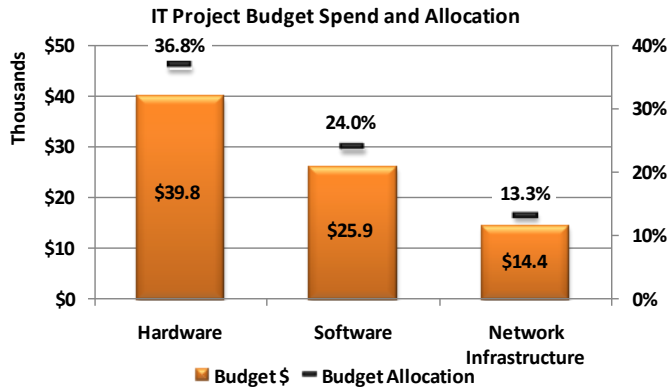
BUDGET CHANGES

New Purchases



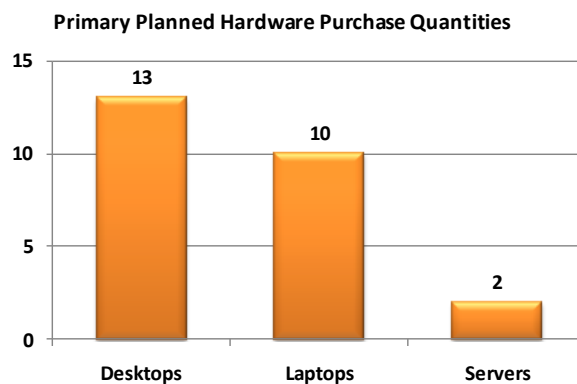
Upgrade Purchases





Over 35% of SMB's annual IT budget will be spent on hardware

The average SMB company will spend nearly \$40,000 on hardware in 2009. Software spend will total \$26,000 per company, while core network infrastructure investments will exceed \$14,000.



These top three budgetary allocations represent near 75% of an SMB's total IT spend for the year.

Over the next six months SMB IT departments plan to buy an average of 13 desktops, 10 laptops, and 2 servers

Detailed Findings: Hardware Purchase Plans

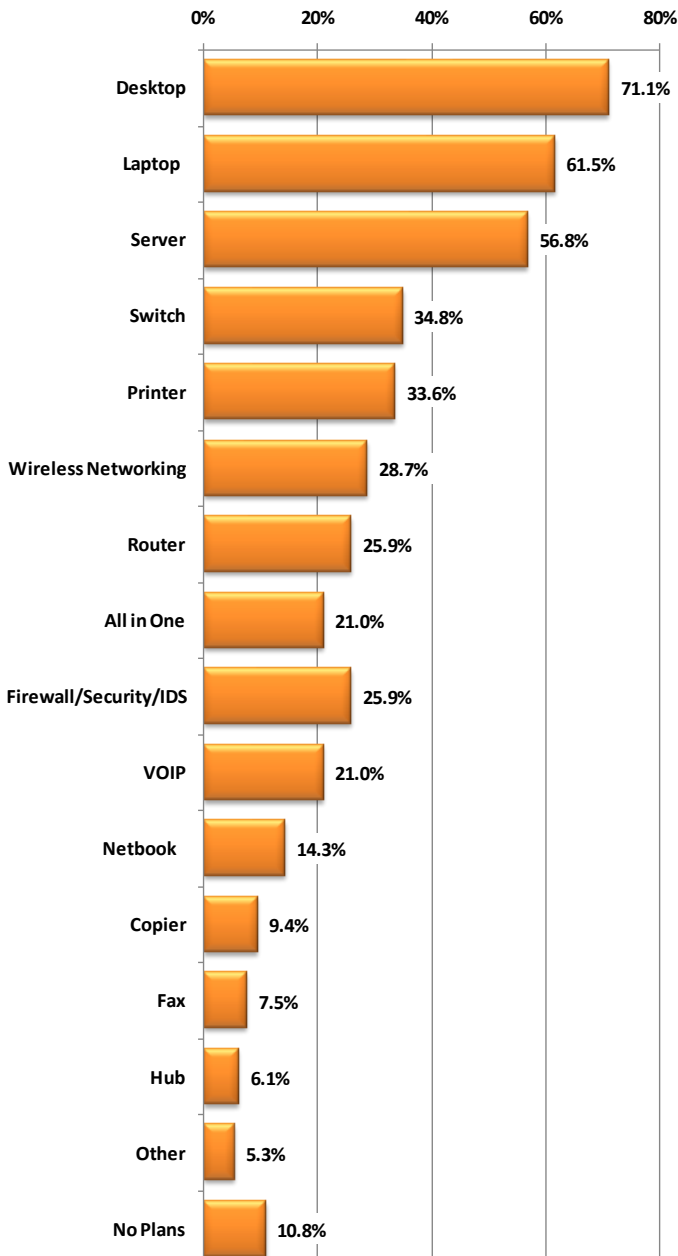
SMBs expect to get more useful life from their installed hardware, nonetheless significant purchases are planned over next six months



SMB IT departments now plan to get 26% more lifespan from their hardware (desktops, laptops and servers), increasing from 40 months prior to 2009, to 50 months in 2009 and beyond.

Nonetheless, over 70% of SMB IT departments plan to purchase hardware (new and/or upgrade) over the next six months.

Hardware Purchase and/or Upgrade Plans Combined



Not surprisingly, desktops, laptops and servers lead the way.

Network infrastructure is getting attention as well with noticeable investments planned for switches, routers, firewalls and wireless equipment.

Lower on the list are plans for netbook computers.

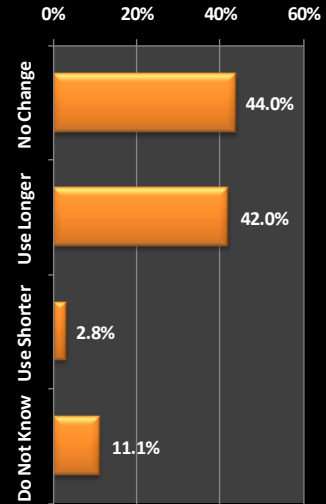
Despite a 26% increase in average planned lifespan before replacement, over 55% of SMBs plan to purchase and/or upgrade servers, laptops and desktops over the next six months

42% of SMBs plan to get more useful life from their hardware. Overall, the average life of hardware has increased more than 10 months, from 40 to 50, before replacement.

When looking *only* at those who plan to use hardware longer than they did prior to 2009, the average planned lifespan increases from 40 to 53 months, an increase of 30%.

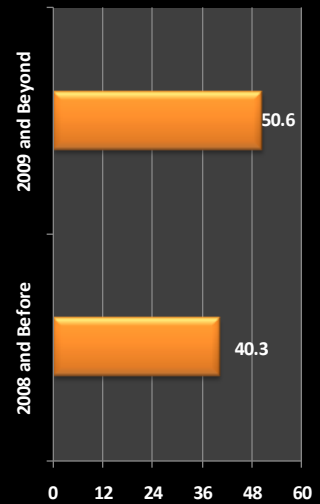
HARDWARE LIFE

Change in Useful Life



Planned Useful Life

(in months)

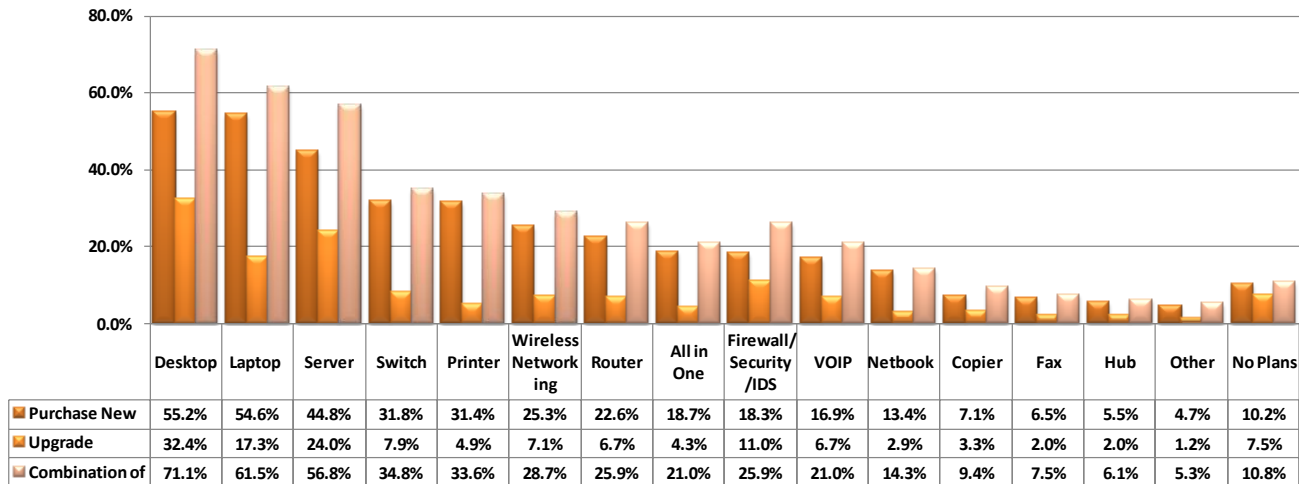




New purchases of hardware still outnumber upgrade purchases for hardware by an average of 3 to 1

Categorizing responses across plans to either purchase new, or upgrade hardware, SMB IT departments still have a strong preference towards buying new equipment. Across all categories, the spread averages a 3 to 1 purchase-to-upgrade rate. Desktops and servers are primary outliers at a 1.8 to 1 ratio.

Hardware Purchase and Upgrade Plans

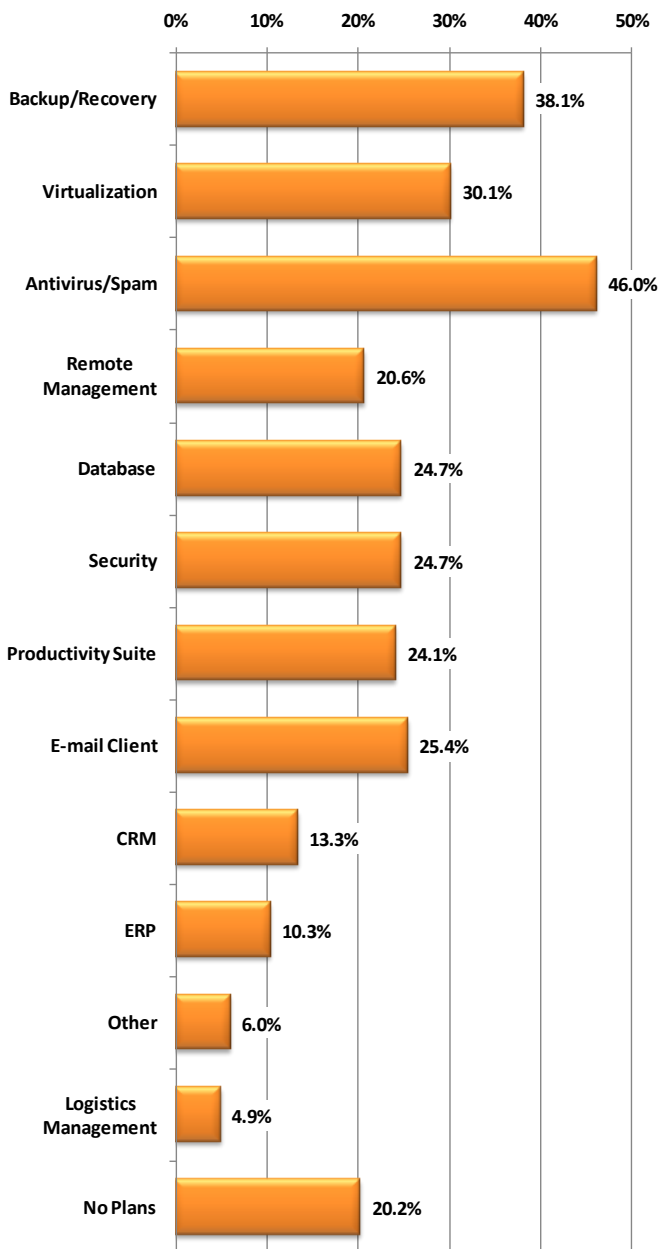


Over 50% of SMB IT departments plan to purchase new desktops and laptops over the next six months. 45% have plans to purchase servers. Collectively, 27% of SMBs plan to invest in new equipment for their network infrastructure.



Detailed Findings: Software Purchase Plans

Software Purchase and/or Upgrade Plans Combined



Protecting users from viruses and investing in backup and recovery of data dominate purchase plan over next six months

Software purchases during the 2H of 2009 are primarily focused on protecting users and data. 46% of SMBs plan to invest in antivirus and spam software, while 38% plan to invest in backup and recovery software for their data.

Virtualization, still a hot topic in SMB IT departments, is third on the list with 1 in every 3 SMB IT departments allocating funds towards for the remainder of 2009.

Overall, 51% of SMBs plan to make at least one new software purchase over the next six months.

SOFTWARE FOCUS

51% of SMBs plan to make at least one new software purchase over the next six months

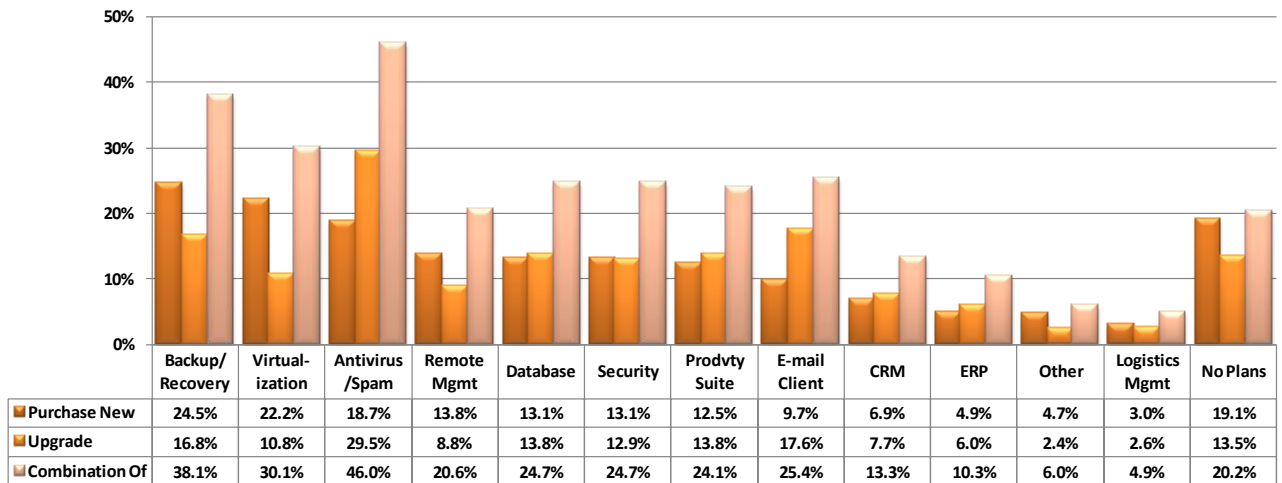
Nearly 1 in every 2 SMBs will be investing in antivirus and spam software over the next six months

Over next six months backup/recovery and remote management software will be new purchases, while antivirus and e-mail client software will be upgrades

Software purchase plans for 2H 2009 demonstrate that SMB IT departments plan to balance new purchases and upgrade purchases evenly. There is only a slight preference towards new purchases, at a 1.2 to 1 ratio (new to upgrade).

While 51% of SMBs plan to purchase at least one new software product over the next six months, what the software product category will be reflects a much broader distribution among potential choices than is seen with hardware.

Software Purchase and Upgrade Plans



30% of SMBs plan to upgrade and/or purchase new virtualization software over the next six months. Virtualization plans indicate the largest spread between new versus upgrade purchases at 2 to 1 (new to upgrade), reflecting the relatively low penetration rate in SMBs, and growing interest in investing in the solution.

E-Mail and antivirus purchase plans demonstrate the opposite: upgrades are planned at a rate of 1.8 to 1 versus new purchases.



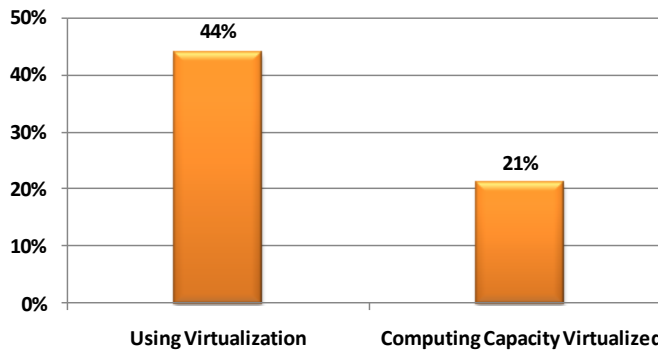
Virtualization

22% of SMBs plan to purchase and deploy new virtualization software in the next six months

SMB IT departments report that an average of 21% of their total server computing capacity is virtualized. The range scales from 0% to 85%, the latter being an average of the top 1% of virtualization users.

44% of SMBs currently use virtualization, with 22% reporting budget allocated towards the purchase of new virtualization software over the next six months.

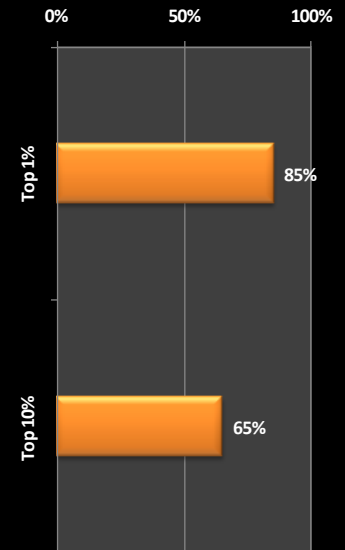
Virtualization Use



VIRTUALIZATION INSIGHT

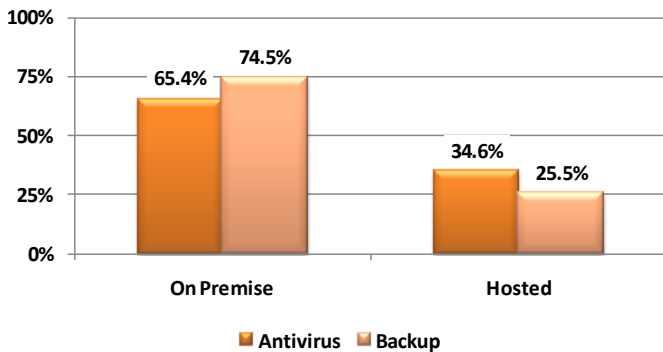
Top Penetration Rates

% of server computing capacity virtualized



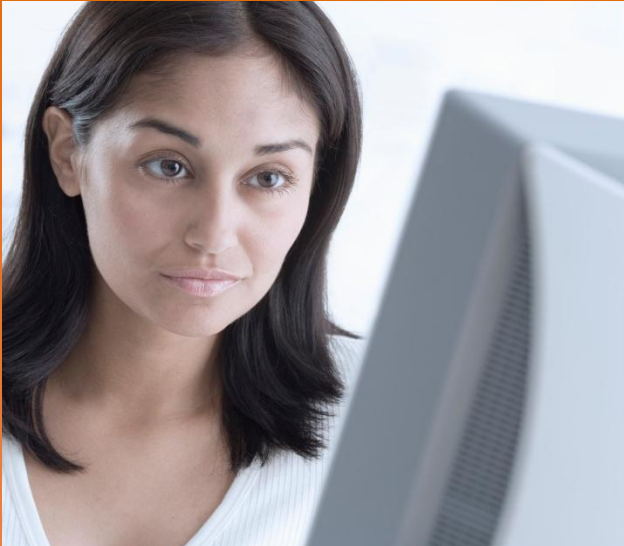
Antivirus and Backup: On Premise v Hosted

Antivirus & Backup Preferences: On Premise v Hosted



Of the planned purchases for antivirus and backup, 65% and 75% respectively will be on premise.

An interesting trend to watch is the 35% and 25%, for antivirus and backup respectively, of SMBs that report they will utilize hosted or cloud based solutions.



Detailed Findings: Services Purchase Plans

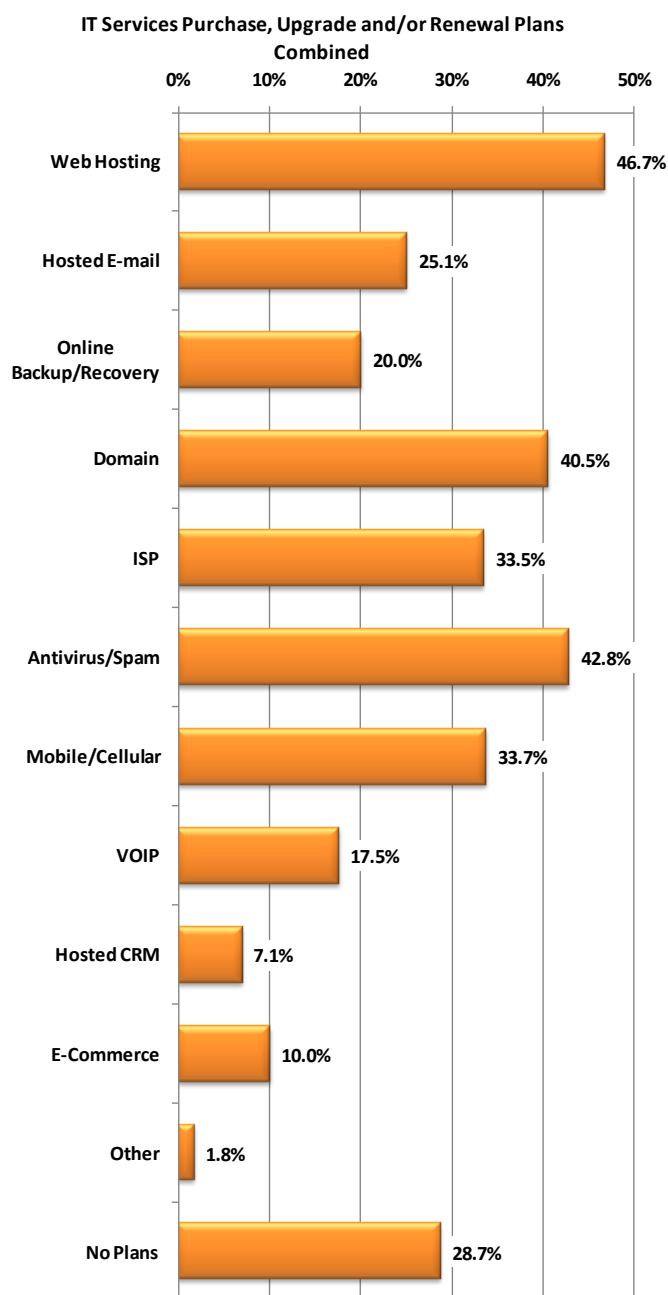
Planned IT services investments over next six months parallel their cyclical nature; majority of purchases were completed earlier in year

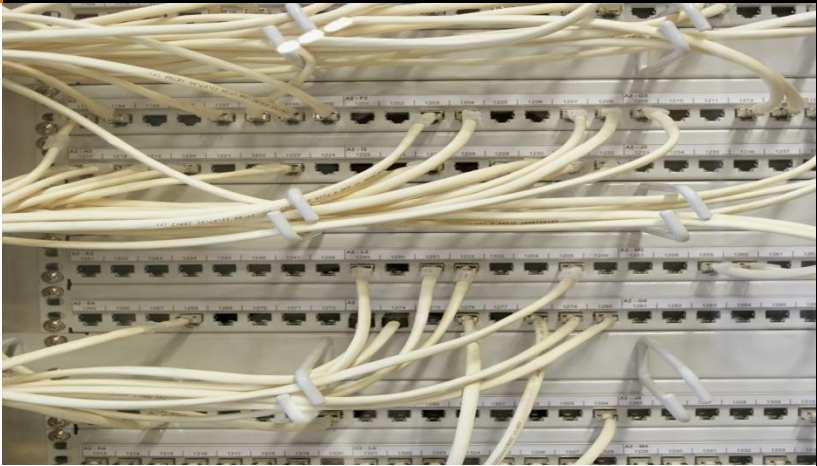
Collectively, only 33% of SMBs plan to purchase at least one new IT service over the next six months. Purchases during the 2H of 2009 are primarily concentrated in renewals of contracts, and reflect the cyclical nature of purchases completed earlier in the year.

33% of SMBs plan to make at least one new IT service purchase over the next six months

Web hosting and domain registration purchases are most common at 47% and 41% respectively. Other core services, wireless and ISP, follow at approximately 35% of SMBs allocating funds.

Over next six months renewals will drive IT services purchases, at a rate of 2x new purchases and 3x upgrade purchases



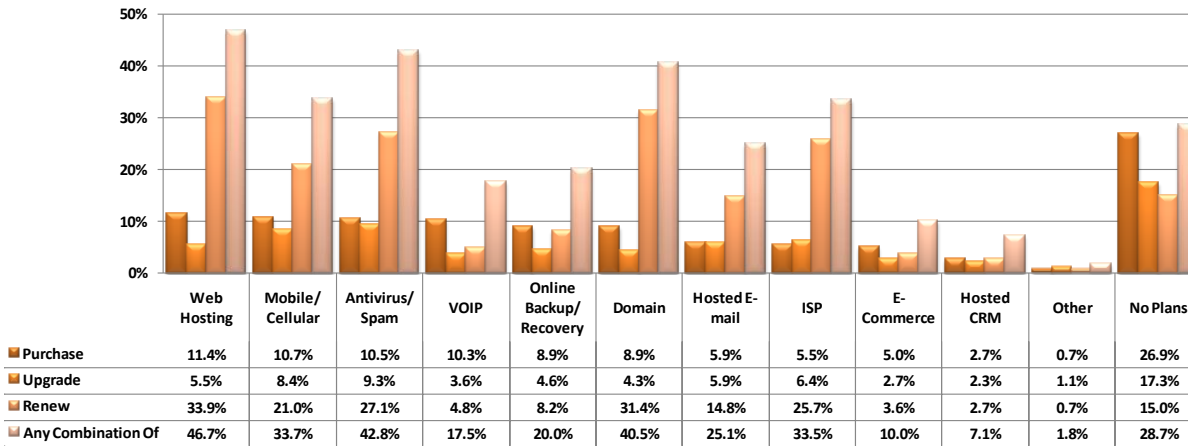


IT service upgrades are off the table for the last six months of 2009, with only 5% of SMBs allocating funds towards

Service renewals planned for the next six months average 16% across all IT services. Web hosting and domain renewals are driving most of that figure with 34% and 31% planning to spend on these services.

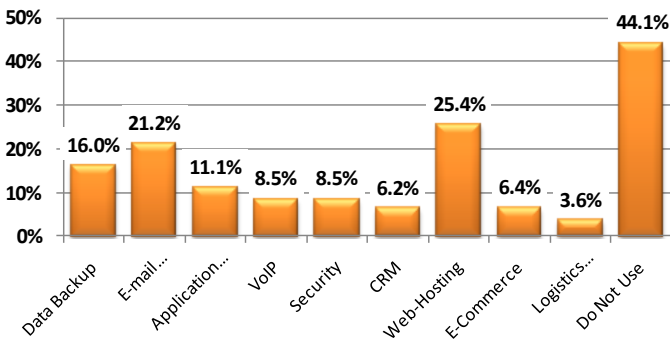
New purchase plans for 2H 2009 are not concentrated in any area, with no service being reported by more than 12% of SMBs.

IT Service Purchase, Upgrade and Renewal Plans



Cloud Services

Cloud Service Use

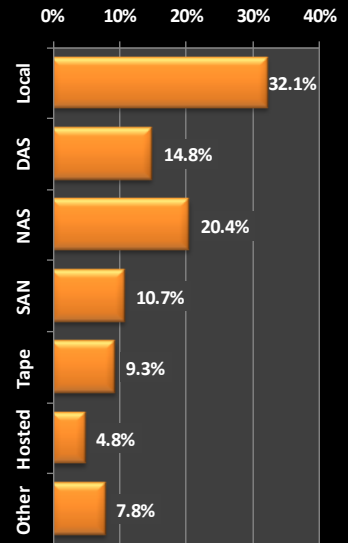


56% of SMBs report utilizing one or more cloud services. The three most popular cloud computing services in use, or on the purchase list over the next six months, include anti-spam (43%) hosted email (25%), and online backup (20%).

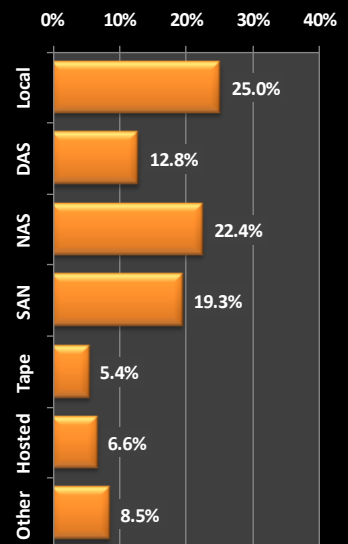
HOSTED STORAGE

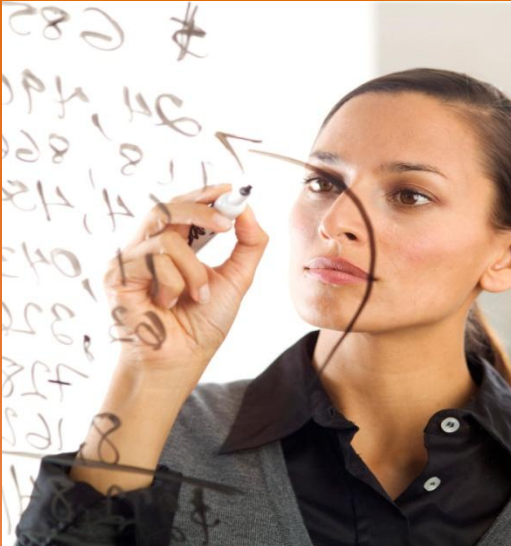
Not a mainstream solution...yet

Current Storage Allocation



Planned Storage Allocation

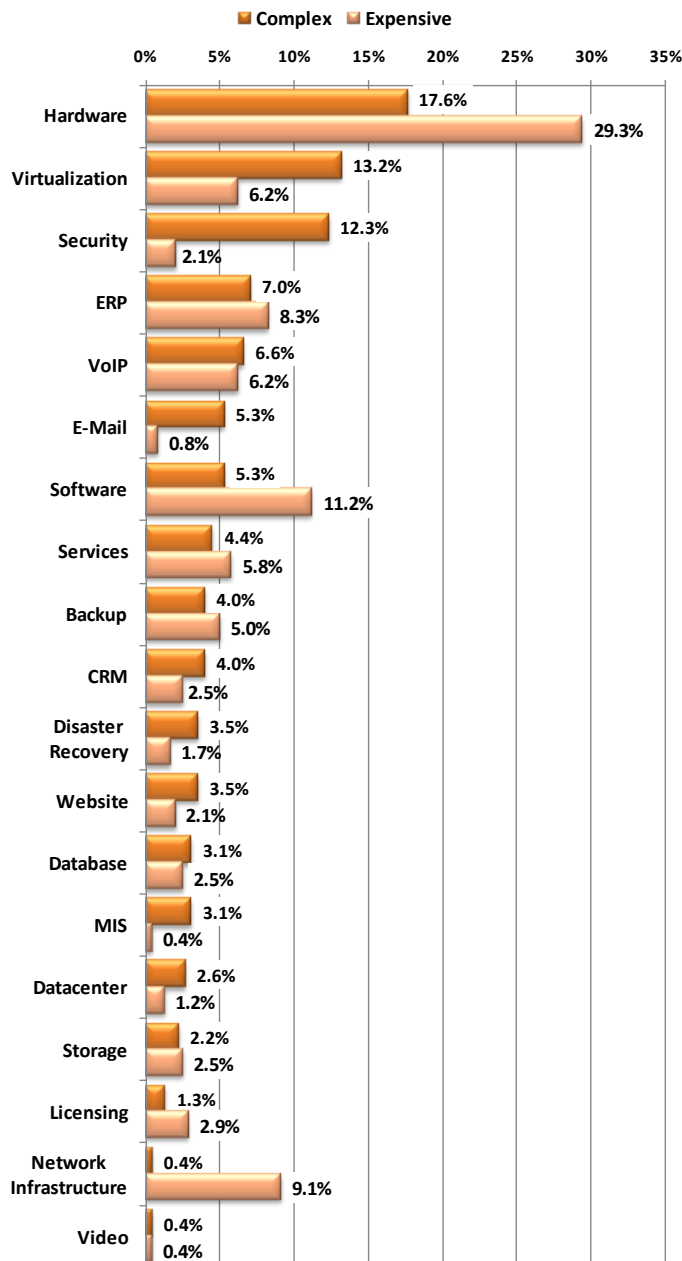




Detailed Findings: Project Plans

Hardware projects are ranked as both the most complex and expensive projects SMB IT professionals will undertake this year

Top Ranked Complex and Expensive Projects



18% of SMB IT professionals state that hardware projects are their most complex undertaking this year. Virtualization and security projects follow rated by 13% and 12% of SMB IT professionals respectively.

29% of SMB IT pros state that hardware projects are their most expensive budgetary expense this year

While software and network infrastructure projects are not ranked high on complexity, each ranks disproportionately high versus complexity, as far as being reported as a SMB IT departments' most expensive budgetary item for 2009.

SMB IT pros do not think software and network infrastructure projects are complex, but rank both high on the expense scale

Small and medium businesses are showing positive signs of growth in technology spending



Due to the recent economic uncertainty, SMB IT departments have adjusted to current conditions by delaying or canceling IT projects and squeezing more useful life from their hardware.

Conclusions:

SMB IT is Stabilizing and Poised for Growth

Despite the changes, the next six month's forecast show signs of stabilization. The second half of 2009 should look reasonable, as SMBs plan to invest across a broad range of hardware, software and services.

Many SMBs indicate they are ready to buy and the Spiceworks Voice of IT™ market research program will watch how these plans play out among different geographies, industries and company sizes. These and other technology trends of interest will be tracked in future studies.

About The Spiceworks Voice of IT™

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For more information visit <http://www.spiceworks.com/voice-of-it>. To receive updates on future research, follow Spiceworks Voice of IT™ on Twitter at <http://www.twitter.com/VoiceOfIT> or @VoiceOfIT, and sign up for Spiceworks Voice of IT™ research e-mails at marketresearch@spiceworks.com.

About Spiceworks

The Spiceworks IT Desktop is a free IT management application designed for small and medium organizations with up to 500 devices. It is the first business application to embed crowdsourcing, social networking and community collaboration features directly into an IT professional's daily workflow. More than 750,000 IT professionals and 70,000 managed service providers (MSPs) in 196 countries worldwide rely on Spiceworks to support 25 million employees and manage 37 million technology devices.

SPICEWORKS™

