

NETEVENTS

## APAC PRESS & ANALYST SUMMIT

*Draft*

### *Conference Debate V: Empowering SMEs with cloud services. What, How and Who?*

Introduced and Chaired by: Camille Mendler

**Practice Leader, SoHo & SME Services, Ovum**

Panellists:

Kevin Pang	Cloud Director, Solutions Development, StarHub Ltd
Chong Powmin	Group Head Enterprise Products and Services, MyRepublic
Bernie Trudel	Data Center CTO, Cisco Systems, Asia Pacific and Chairman of Asia Cloud Computing Association
Frank Wiener	Vice President of Marketing, Wedge Networks

So, please, give them a round of applause. Let's pretend this is The Price is Right is a similar game show.

So, please, number one on the list, Frank Wiener from Wedge is joining us, to talk about SMEs and security. A round of applause for Frank. Okay.

Next, I have Kevin Pang, Cloud Director at StarHub, will be joining us to talk about small business. Thank you very much, Kevin.

Bernie Trudel will be joining us next. He is Chair of the Asia Cloud Computing Association, and in his spare time also the Data Center CTO at Cisco. So, please, a round of applause for Bernie.

And last but not least, Powmin Chong, who's Group of Head of Enterprise Products and Services at MyRepublic. So, please, a round of applause for Powmin as well.

Okay. Thank you very much.

So my job today is to convince you about a great injustice in the technology industry. And that injustice is the focus that we have had. Many service providers, many technology vendors have been looking at the opportunity and need in technology the wrong way up in terms of who needs digital transformation more.

Now, digital transformation is one of those terms that we've been bandying around, misused, and just like I think a few years ago we used convergence, I mean, is that one of those hate terms now, yes? I think digital transformation is one of those as well. But digital transformation, the ability to transform business processes, to improve them, through technology, is something that is not just for large enterprises, though you'd anticipate that that was the case if you look at much of the marketing and media around this term.

In fact, the real opportunity lies in transforming smaller enterprises. And one of the most important tools that we have to do that is with cloud services. And I think finally there is some understanding that this is an opportunity amongst a number of service providers, ICT players in the market.

And what we're going to talk about on this panel is how cloud is an opportunity but demands from vendors a new way to engage with small enterprises. And I'm using the term small enterprise largely because SMEs, small and medium-sized enterprise, has a -- and SOHO -- has a vastly different definition by whatever country you may be looking at.

The definition of the small or the composition of the small enterprise universe in Indonesia, 50 million more small businesses, is rather different than the composition of small businesses in Australia, or indeed, from a job perspective, here in Singapore. But inevitably there is an opportunity to help these smaller organizations who do not have IT departments by and large or IT specialists formally to change how they do business.

Let me just see if these slides actually work, see if I can try to move them over. Yes, they seem to work, seem be my logo has -- is not -- doesn't seem to be on here, but never mind.

But certainly from the work that we do across the world, and this happens to be an extract from Asia Pacific, we see that smaller enterprises, by whatever size category you wish to use, are investing plan to invest more and more, not only in mobile but also cloud as well, be it in applications, in compute at certain parts of the market, there is a significant opportunity to sell to these organizations. But we're going to talk on the panel about what to sell and how.

And in terms of the contribution of smaller organizations to the global cloud market and specifically to that, in this very diverse region, though it does vary by country, they stand on their own in contributing to total cloud revenues across the different -- a number of different categories.

But there is a big problem. And that's how to reach smaller organizations. And again we think about digital transformation. What's interesting is that smaller organizations themselves realize that they need to change how they do business. When we've

surveyed across a number of different industries from actually agriculture to professional services and retail, it's significant to me the large percentage of smaller organizations that realized that they are losing out because they are not working effectively with technology.

So that's the opportunity for those on the panel and others, to actually make money but also make a huge difference to the economy by helping small businesses. Because, trust me, when we talk about economic growth, economic health, it's not about whether the government sector is doing well, it's about stimulating small business. Small business is when new jobs are created. Small business feeds and relies on technology and relies on more efficient processes, and we need to improve what they do.

Now, who are they going to trust for their advice? Who are they going to invest and work with to help that digital transformation?

And I have to say that over time what we've seen is that trust is increasingly fragmented across a number of different stakeholders. Here we just have the top five, and this is from an aggregate of countries in Asia across different-sized groups, but you can see there are certain consistent types of organizations, but it's still there's no frontrunner really in terms of trust. And so there is likely to work with the telecoms operators, they are with the local tech reseller. And in this environment, what does a service provider do to capture the trust of a small business? The approach taken needs to change perhaps.

I will tell you today that most small businesses in terms of cloud services, and I think Bernie will probably be able to talk about this as well, are not buying on a self-serve basis. They need some assistance. You know, 5% to 10% of cloud transactions amongst small businesses are self-served. The remainder, there's some sort of facilitation about sale, there is some assistance into convincing that small enterprise to buy a particular service to use, to consume digitally.

The other problem is, and this is particularly acute across this very vast region, is very different types of demographics. Now I've exaggerated this somewhat, but in some countries you will see, and just particularly in more emerging economies, a proportionately larger government sector, but what you have is an extremely long, long tail in terms of microbusinesses and self-employed organizations -- self-employed people, many of whom are not in the formal economy. But having just done some work with a service provider on this, it doesn't really matter to a vendor whether a small business or a self-employed person is in the formal or informal economy, all dollars are green. But nevertheless, there has to be a way to try to reach out to these organizations.

But it's very difficult, isn't it, from a financial perspective, the cost of sale to reach out to microbusinesses because there is no medium-sized organization, and demographically that is often the case, the hollow middle in the demographics. Anyway, a couple of other points.

But there are clusters, types of organizations that we see at the smaller end of the market, certain groups. I think it was Napoleon that said that the British were a nation of shopkeepers. Actually in most countries, if you look at demographics, there's a lot of shopkeepers, so, retail is very large. And it's not about, you know, professional services people. That's a relatively small demographic [in the] smaller enterprise.

You're looking at retailers, you are looking at some construction, you're looking at food and accommodation, and manufacturing, which is important, lots of small manufacturers. And how do you reach out to these organizations and be relevant to the employees in those organizations, that have rather different skills bases and different priorities, shall we say, in terms of what they need in terms of services.

Now this is a bit complicated, but just to make the point, if you were trying to reach out to a manufacturing company versus a professional services company, don't go for the lowest common denominator. What motivates a professional services person, let's say a lawyer or a consultant, what business processes do they want to improve potentially through a cloud service?

Well, interestingly it's, you know, time management and client communication. Why? Because they bill by the hour. Whereas, interestingly, manufacturing firms want to learn how to reach out digitally more effectively, and perhaps go global. So there are very different priorities out there, which means a different cluster of cloud services. That is part of the challenge and the opportunity in reaching out to small businesses. And that's what we're going to talk about on the panel today.

Now, let me get each and every one in the panel to introduce themselves and see how -- talk about how they're involved in small business. Let's start with you, Kevin, if you would.

If the light is on, then you will be heard. There you go.

### **Kevin Pang**

Thank you. Hi, I'm Kevin from StarHub. So I'm the Cloud Director in charge of Cloud Services in StarHub.

And I think one of the key strategies of StarHub is actually to bring cloud services to SME, knowing that SME consists of 99% of the companies in Singapore, contributing 50% of the GDP. So, going forward, obviously understanding that the kind of different cloud services the SME wants to adopt, right, based on their requirements, this is where we get -- we are trying to go towards as well.

### **Camille Mendler**

Okay. Powmin?

### **Chong Powmin**

Sorry. Good morning everyone. My name is Powmin. I'm from MyRepublic, the, yet to be, the fourth telco mobile operator in Singapore, but everybody thought we are. I run the Enterprise Products Services probably across the Group.

We actually have operation in Singapore, in New Zealand, in Indonesia and, very soon, in Australia. So I sort of manage the old product strategy across the various offices, with product and solution targeting from the SME and also towards the larger enterprises.

**Camille Mendler**

Okay. Cool.

Bernie?

**Bernie Trudel**

Right, yes. Bernie Trudel. As Camille introduced me, I'm the Chairman of the Asia Cloud Computing Association.

And so, one of the things that we've done at Asia Cloud Computing, in our effort to accelerate the adoption of cloud across the region, is we've commissioned a study, some primary research, around what is it that SMEs in the 14 major economies of Asia Pacific, what is it that SMEs are looking for cloud providers and what is it that maybe SMEs are holding or what's holding back SMEs in each of these countries.

And so we've developed across ten parameters and index to indicate how that adoption and reluctance to adopt plays out across those. So, certainly if you're interested in some of that, I encourage you to go to our website, [asiacloudcomputing.org](http://asiacloudcomputing.org), and you can download the study for free and have a look at that.

That's one hat. The other hat is the Data Center CTO at Cisco, is our main channel in terms of cloud services is through telcos. And so we work with telcos and we have a whole partner program with telcos that are building cloud services for the SME and in terms of helping them with service creation and rolling that -- or developing go-to market and marketing and so on around that, is what we do. So.

**Camille Mendler**

Okay. One of the constraints and opportunities is security, right? Which leads us to Frank.

**Frank Wiener**

Right, right. Thank you. My name is Frank Wiener and I head up marketing for a company called Wedge Networks, and we spoke a bit yesterday. But in the context of this discussion, you can think of us in two categories.

And one is for the larger enterprises that have skilled IT resources. They can take our security platform, which is software, and they can run it in the cloud, their own cloud or maybe, you know, a hosted cloud for them.

The other play that really addresses that much larger swathe of small and medium businesses that don't have skilled IT resources. The model there is that they're service

provider, ideally they're broadband service provider, can offer security from their cloud as a subscription service for that customer.

**Camille Mendler**

Okay.

**Frank Wiener**

So we're kind of migrating. If you think back, if everybody had to put a mail server in their office or a local server for storage, there would be a much slower adoption of email, if you had to do that themselves. You just go online and subscribe to that service. We're trying to do the same thing with security, must make it something you subscribe to in the cloud and --

**Camille Mendler**

And part of the package. Okay.

So I want the panel to work hard this morning. And one of the outcomes that I would like to see is for us to put together what is the basic bundle of services required, right, to support a small enterprise digitally. Okay?

So, Kevin, let's start with you. What do you think's on the list?

**Kevin Pang**

Okay. So that very much depends on economies as well. So, across Asia Pac, based on the report by ACCS, well, different economies have different focuses. So, as diverse as the mature economies coming from New Zealand, Australia, etc. who predominantly, I think, the key adopters for SMEs are actually the ICD providers, right, the technology providers, that wanting a cloud software-as-a-service provider. So I think those are the key adopters of the [cloud].

Versus all the way to developing countries in Vietnam and all that. So, being developing countries, I think the key focus for the economy is actually on manufacturing as well as the wholesale, etc. So these are the SMEs will that will adopt cloud starting, right, as a top priority, as compared to different economies.

So, very diverse. Right? In Singapore alone, I think there's key adoption of cloud across multiple industries, so, not just one as well. So, going forward, with regards to this, I think it is also a very key role that service providers play in terms of educating the SMEs with regards to not just the technology available for them to adopt in terms of software-as-a-service, in terms of cloud services, but as well as the kind of potential grants or services that the government can support them on.

So that's --

**Camille Mendler**

Right. Powmin, you've been doing this as well, doing a bit of marketing for the government, isn't that right? I think both of you have, is that right?

**Chong Powmin**

We -- [on an] interesting thing as what Kevin is about to allude, is that probably the richest and most supportive government in the world is here in Singapore, towards helping the SME adopting IT, adopting cloud. There are easily half-a-dozen of funds available there. iSPRINT IDA have an initiative for iSPRINT over the year to have set aside about SGD400 million to offset the cloud adoption up to 80%, and to date, I think there are about 10,000 businesses that have benefited from such programs.

**Camille Mendler**

Which is positive, but only 10,000.

**Chong Powmin**

Exactly. And that is a small number compared to you have alive and kicking probably about 200,000 SMEs here in this country.

**Camille Mendler**

Yes. Or more.

**Chong Powmin**

And so you still have a very, very, you know, relatively from a percentage standpoint, a very low take-up.

And that's not the only program available. IRAS, the income tax department, actually have a program I believe down here where they have up to 40% rebate for CapEx, IT CapEx, of up to 100,000, so you can get back 40,000 for your network switches and routers.

SPRINT has a program called Innovation Capability Voucher, where they give you SGD5,000 for adopting like document management, e-procurement, e-HR, but every time you walk into an SME, that's like, is it true, is it real, you know, do I have [to sail with you] and then you tell me a different story later on?

So this is a very interesting scenario here where, on one hand you have a very generous donor, but on the other hand most will be too busy worry about that business day to day and it's just not taking advantage the facilities out there.

**Camille Mendler**

Yes.

**Chong Powmin**

So, operator like us, obviously we have the motivation to marry the two and kind of make our business a little bit easier --

**Camille Mendler**

So that's a big problem.

**Chong Powmin**

It is. It is. So, bundling comes in very handy. So, going back to your question about what will be ideal bundle. And so my favorite is retail in a box. Like, walked into, you know, most [probably] a new rather than old retail operation, and you give them broadband, Wi-Fi, POS, e-menu, electronic kiosk, you know, all the EPM and cloud, ERP and CRM, and for, you know, SGD499 a month, and now that 60% is paid by the government.

**Camille Mendler**

So in fact you're not selling an individual service, you're taking over, digitizing the entire business, which is a broader proposition.

**Chong Powmin**

Exactly. And you have a slide earlier when you stated local tech reseller. IT consultants are actually a very dominant partner --

**Camille Mendler**

They do relatively better, yes.

**Chong Powmin**

-- with the SME. And because those guys bring more than just one trick to the table, the SME doesn't want to go to 50 providers to get the things that they need. And why this IT consultant continue to be dead, because they are jack of all trades, but they are very handy to the SME. And so --

**Camille Mendler**

They can call them, they can come around.

**Chong Powmin**

And they can fix your printer, they can fix your CCTV problem, anything.

And so we have, you know, you think about it, so for ours, we also need to be able to bring a lot more than just one solution to the table.

**Camille Mendler**

Yes. I mean I think the expression and -- the British expression -- is you can lead a horse to water but you cannot make them drink. So you can offer these cheap discount to cloud services with very attractive offers, but they need to be part of a broader proposition.

Bernie, what has your research shown?

**Bernie Trudel**

Well, being in Asia, we probably wouldn't be leading the horse, but --

**Camille Mendler**

No [inaudible] --

**Bernie Trudel**

But that is, you know, I think one of the things we found in our study is that there is the opportunity for SMEs, and I think Powmin was actually illustrating that, that for the SMEs to leapfrog from going really with no technology, where they've been doing everything manually, to, in a sense, leapfrog a whole technology instead of having all this on-premise stuff to get all their IT services from the cloud.

**Camille Mendler**

I totally get that. But the only way that's going to work is I think if it's made to be simple and safe. And so I wonder about the security aspect.

**Bernie Trudel**

Yes.

**Camille Mendler**

The security becomes sort of like, you know, the hygiene factor but comes invisible as part of the proposition. I mean it's not the goal.

**Bernie Trudel**

Exactly. Exactly. Just last week the CEO of StarHub announced their cybersecurity initiatives. And their concept was to move security from behind the firewall to the network. So that you're removing the threads before the data is delivered to the customer. So it's kind of the clean water analogy. They're only delivering clean data to the customer.

**Camille Mendler**

And so, taking the analogy further --

**Bernie Trudel**

Yes.

**Camille Mendler**

-- you know, with virtualization, with, you know, SDN, NFV, we suddenly have a different way to reach out to smaller organizations, with more sophisticated propositions but also ones that are easier to get across perhaps.

**Bernie Trudel**

Exactly. And one of the things that we believe is, if you look at the communication service providers, they're -- people think of them, I'm going to call them for my phone

service, for my broadband service, right, but they often don't think about them as providing a lot of other services.

**Camille Mendler**

Right.

**Bernie Trudel**

We view security as kind of a bridge to a more strategic relationship with the customer. But if they can say, hey, while I'm giving you that broadband, I can also provide security for you, and they can help them understand --

**Camille Mendler**

And you can be compliant in your organization, your industry -- yes.

**Bernie Trudel**

Compliance is a big deal, right? When you get into healthcare and financial and those types of things, there's all types of regulatory compliance that small businesses kind of struggle with.

**Camille Mendler**

Yes. But you guys can put together this type of bundle, but are you going to sell it directly or going to use a channel? You're going to use the consultants as a channel? I mean, that's one of the big issues, whether your direct sales people can actually do this themselves, maybe it's something we could talk about too.

**Chong Powmin**

Yes. Let me add a little bit to that.

**Camille Mendler**

Yes.

**Chong Powmin**

We -- MyRepublic, I'm using MyRepublic as an example, is that traditionally most of the time you will go out there and appoint what we'll call a channel or a dealer, your resellers, and, you know, someone that obviously have an existing relationship with the customers, right, and everybody --

**Camille Mendler**

Are you talking from a B2B perspective or --

**Chong Powmin**

For the B2B --

**Camille Mendler**

-- or consumer?

**Chong Powmin**

Yes.

**Camille Mendler**

Okay.

**Chong Powmin**

But what we also have done is, when we launched, we realized that we just don't have the scale that we want to go out there and reach out to the consumers, the SME. And we have a program called MPP, called MyRepublic Partners Program.

Now, within this program is like a direct selling program where you could be an insurance agent, a real estate agent, taxi driver, and you could sell it for us, and we'll pay you commission.

**Camille Mendler**

Oh, interesting. Okay.

**Chong Powmin**

You can recruit down-liner --

**Camille Mendler**

So, small businesses or self-employed people essentially being your agents --

**Chong Powmin**

Right.

**Camille Mendler**

-- for commission. Yes.

**Chong Powmin**

And they can sell to home, they can sell to if they have business acquaintance as well. And they can appoint down-liners so that the down-liner will get x dollar and you will get overriding --

**Camille Mendler**

It's a bit like what they did with the Avon lady.

**Chong Powmin**

Exactly.

**Camille Mendler**

Is that right? Multi-level marketing?

Kevin, is StarHub doing this as well, similar approach?

**Kevin Pang**

We better not. We have been -- we've been having a channel program, which is essentially a B2B2C, very similar, right? Just that we do not go down to the details of actually like having individuals kind of selling.

So, going to really small resellers, right? Resellers or IT companies or system integrators, to -- because these are the guys that actually have the boots on the ground, right? They speak to the customers sometimes on a daily basis. They have telemarketing teams, big telemarketing teams, that call customers, [co.] calls, etc. So that's something even providers like ourselves, like both StarHub and MyRepublic, even SingTel, doesn't have the --

**Camille Mendler**

What about stores?. I mean I have done a fair amount of work on how to, you know, to continue the sales discussion from the telesales into the store where there might be a business advisor, but many service providers are fighting a bit of an internal battle as to who owns the store and whether they can get a little square meterage of space for business advisor when the consumer team is saying, oh, it's all for consumers. Is that something you've faced as well?

**Kevin Pang**

Well, [definitely have], in terms of like -- because there is -- sometimes there is a line that is really grey when you define what constitutes a consumer and what constitutes as a business, right. So a [9%] company, well, in some definition it's defined as a consumer, because basically the boss himself could be paying for services through his credit card, right? So that's a consumer.

But --

**Camille Mendler**

Yes.

**Kevin Pang**

-- that business is also a business as well. So --

**Camille Mendler**

But does that mean that actually there's a bit of a political fight because the consumer team has actually got a bunch of business customers, or actually small businesses that actually should be recategorized?

Powmin, this sounds a bit -- you smiled a bit and I wondered if this is something that you faced yourself?

**Chong Powmin**

Well, I spent a number of years in telco and the last big one, [I spent five years], was Maxis, and Maxis was a very big operator in Malaysia, 14 million subscribers. And we fight all the time between what is classified as a consumer and what is a SOHO or what is business, all the time.

**Camille Mendler**

What we should be focusing on is how to empower them, right, Bernie?

**Bernie Trudel**

Yes. I mean, ultimately it comes down to them being able to consume IT services. And so, a small business may act like a consumer from a classic telco perspective, but then --

**Camille Mendler**

But they need collaboration tools. They need security. They need broadband, fixed and mobile, right?

**Bernie Trudel**

They need Wi-Fi. They need -- eventually they need things like collaboration and --

**Camille Mendler**

And many even need mobile transactions in retail, right?

**Bernie Trudel**

Analytics.

**Camille Mendler**

Analytics. Analytics, indeed.

**Bernie Trudel**

Consumer 360 and -- yes.

**Camille Mendler**

There's one service provider here that's doing retail analytics for small retail SMEs, if I remember correctly, with the camera in the -- checking people walk in the store, optimizing the layouts.

**Panellist**

Yes.

**Bernie Trudel**

Right.

**Camille Mendler**

That's changing things.

**Bernie Trudel**

Face recognition also.

**Panellist**

Yes.

**Camille Mendler**

Face recognition. Why not?

**Bernie Trudel**

Yes.

**Camille Mendler**

So, where are your bets in terms of where the growth opportunity is for cloud and smaller business, in your view, Bernie?

**Bernie Trudel**

Well, it really goes across the spectrum from infrastructure out to software to business services. And yes, there is a, you know, I like your idea of having a bundle.

**Camille Mendler**

A soft bundle. Not --

**Bernie Trudel**

Right. Because it's going to --

**Camille Mendler**

-- verticalized, but a cluster of things that will be appropriate.

**Bernie Trudel**

Right, right. So, horizontally you could pick and choose what you needed.

**Camille Mendler**

But anchored in security. I would say anchored in security and collaboration, I think -  
-

**Bernie Trudel**

Absolutely. Security can't be an option.

**Camille Mendler**

Yes. Yes, and we didn't -- he didn't pay us or anything.

**Chong Powmin**

Camille, can I just maybe add on one point that we might --

**Camille Mendler**

Please.

**Chong Powmin**

You know, we talked about SDN. You know, I was sitting at the back there, we talked about NFV and SDN. And every time we talk about things like that, we talk about huge datacentre. We use Amazon, Google, Facebook. What about the SME?

Now let me share with you, we have our SDUN solution. And as we look at this segment, we realized that actually the -- if you know how to position your product already, you can actually find a niche in the SME market. I'll tell you why SDN makes sense to the SME.

One of the [inaudible] decoupling the routing and the policy is you are able now to put a box out there and manage the network policy centrally. And think about it, SME, this is one of the pain points that they have. They don't have the ability to employ a CCIE in every remote site, in the restaurants or, you know, shoe store. But they need the connectivity, a secure connectivity, that can connect back to the head office, right?

So the SDN in a way becomes a plug-and-play solution for the SME where they can shift a NFV box there, bring that up, and somebody in the head office will be able to manage this vast network of stores centrally. So in a way, SDN makes a lot of sense to SME.

**Camille Mendler**

Okay. Kevin, would you agree?

**Kevin Pang**

Yes. Just something -- I mean it is about getting back to the question of what kind of skill sets that SME typically have in terms of IT services, right? They do not necessarily have the skill set.

So with this kind of technology, which essentially kind of like a modern version of outsourcing it allows SME that doesn't have this kind of skill sets to be able to use this kind of services to support their business.

**Camille Mendler**

Okay. Well, great. So, huge opportunity, and now we have the tools to make it happen. Right?

**Kevin Pang**

That's right.

**Camille Mendler**

Okay. Thank you very much to the panel. There's plenty more to talk about but we're out of time. Thank you very much.

Oh, sorry, I was told that we had run out of time.

Okay. Do we have any questions? I'm always happy to take questions.

I'm surprised. Okay.

Well, thank you very much once again. Thank you, panel.

[End]