



The Benefits of Virtualization for Small and Medium Businesses

VMware SMB Survey Results

WHITE PAPER

Table of Contents

Executive Summary **3**

The Benefits of Virtualization **4**

Chart 1: Impact of Virtualization on Costs, Security and Applications 4

Why SMBs Virtualize. 4

Improve IT Responsiveness. 4

Chart 2: Time Spent on Routine Tasks 4

Improve IT Effectiveness5

Chart 3: Perception of the IT Department5

Protecting Assets and Improving Disaster Preparedness **6**

Chart 4: Data Loss Leads to Lost Sales and Customers 6

“It Won’t Happen to Me” 6

Chart 5: Number of Companies Suffering Significant Outages 6

The True Cost of Downtime 6

Virtualization and Business Continuity Preparedness 6

Virtualization Inhibitors **7**

Chart 6: Factors That Inhibit Adoption of Virtualization.7

IT Budgets and Goals **8**

Chart 7: 2010 IT Initiatives 8

Chart 8: 2010 Business Goals 8

Conclusion and Recommendations **9**

Getting Started with Virtualization
from VMware 9

Methodology **10**

Chart 9: Number of Full-Time Employees10

Chart 10: Industries Surveyed10

Executive Summary

Small and medium businesses (SMBs) of all sizes are rapidly adopting virtualization and achieving significant benefits in a number of areas. That is a key finding from our survey of 309 senior business and IT managers at companies with 20 to 1,000 employees in the United States and Canada conducted in November 2009. In particular, with virtualization SMBs are reducing the time spent on routine IT administrative tasks, such as adding and managing new server workloads, adding new employees or developing and launching new applications; they are also becoming more responsive to business needs.

Virtualization can also reduce the very real risks of IT outages and data loss for SMBs. Many SMBs have lost critical business data because of an accident, disaster or emergency; many of those have lost sales or customers as a result. Virtualization increases application availability and can dramatically shorten disaster recovery time, so it can significantly improve SMBs' business continuity preparedness.

Although many SMBs have already implemented virtualization, budget and resources are sometimes impediments to rolling it out more broadly within their organizations. Of those companies that have not yet virtualized, lack of budget is the leading reason. Still, interest among non-adopters is high, with five out of six SMBs who have not adopted virtualization expressing interest in virtualization.

The Benefits of Virtualization

The VMware SMB Survey is designed to help small and medium businesses (SMBs) understand the benefits their peers are achieving with virtualization. It is also intended to provide SMBs with benchmarks on how their peers are getting the most from their investments in IT infrastructure.

Here are the key findings:

Virtualization is not just for the *Fortune* 500 anymore. SMBs are rapidly adopting virtualization and achieving significant benefits in a number of areas. Specifically, SMBs are seeing improvements in:

- Time spent on routine IT administrative tasks
- Backup and data protection
- Application availability
- Ability to respond to changing business needs
- Business continuity preparedness
- Company profitability and growth rate

On a scale of 1 (no improvement) to 5 (significant improvement), how would you describe virtualization's impact on each of these areas?

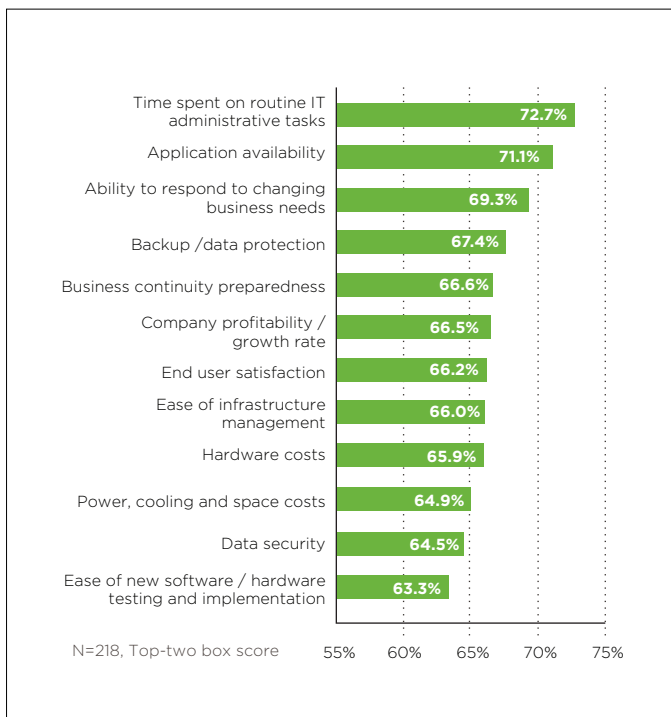


Chart 1: Impact of Virtualization on Costs, Security and Applications

Why SMBs Virtualize

SMBs are adopting virtualization for a variety of reasons. The number one reason cited is to improve server utilization; 72% of SMBs chose virtualization for this reason. But that's not the only benefit: 57% sought to reduce or contain the number of servers, 49% to improve security, 48% to improve availability and uptime, 47% to improve server and application management, and 47% to improve data backup and protection.

Improve IT Responsiveness

Nine out of 10 IT departments spend at least half of their time doing routine administrative tasks, such as adding and managing new server workloads, adding new employees or developing and launching new applications. SMBs who have implemented virtualization reported productivity gains with 73% seeing significant improvements in time spent on routine administrative tasks. Interestingly, IT decision-makers (ITDMs) feel their departments are more responsive than business decision-makers (BDMs) do; 33% of ITDMs say their IT department is very responsive, while only 18% of BDMs say their IT department is very responsive to company needs.

Which of these best describes how much time the IT department spends on routine tasks vs. strategic initiatives (i.e., delivering new capabilities that enable business growth)?

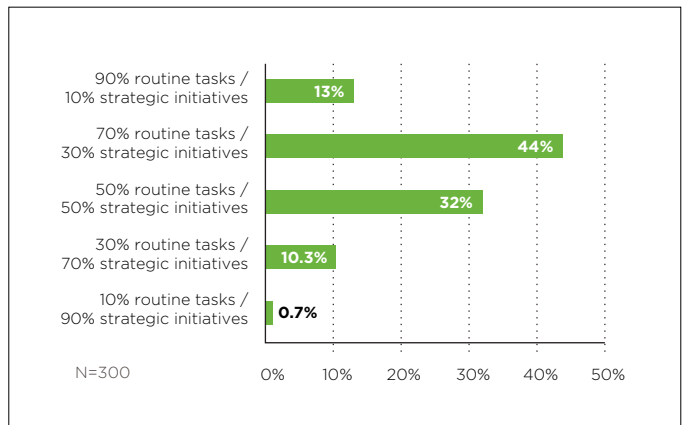


Chart 2: Time Spent on Routine Tasks

Virtualization can turn this negative perception around. SMBs that have adopted virtualization rate their IT departments as being more responsive to changing business needs: 73% of those who use virtualization say their IT department is “very responsive” or “somewhat responsive” to changing business needs, versus 57% of companies that don’t use virtualization.

Improve IT Effectiveness

In addition to being more responsive, IT departments in companies that use virtualization are viewed as being more effective than those that don’t: almost three in four (71%) of SMBs that use virtualization rate their IT departments as being highly effective, while less than half (45%) who don’t use virtualization feel their IT departments are highly effective.

On a scale of 1 (not effective / does not contribute to company goals) to 5 (highly effective / contributes significantly to company goals), how would you describe the perception of the IT department / role within your organization?

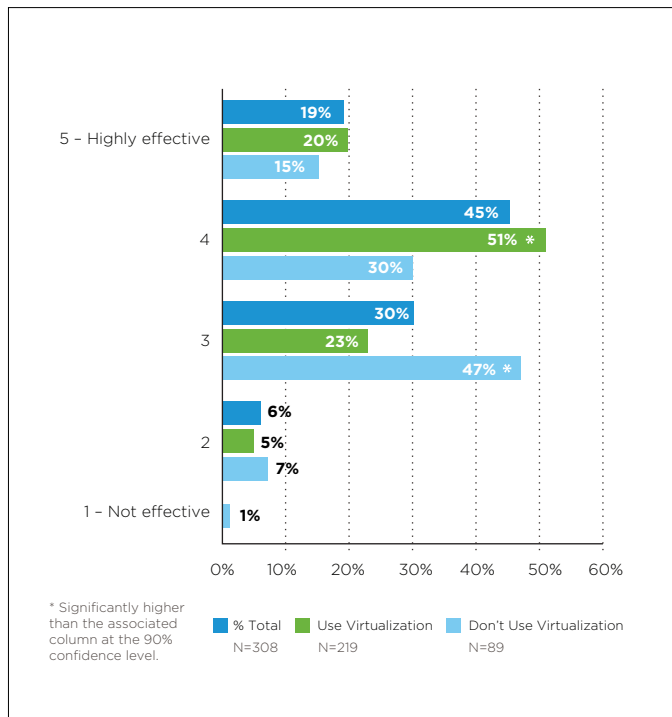


Chart 3: Perception of the IT Department

Protecting Assets and Improving Disaster Preparedness

IT outages and data loss are real dangers for many SMBs. One in three (33%) has experienced a significant outage in the past two years because of a disaster or emergency such as a power outage, server crash, storage failure, cooling failure, fire, flood, earthquake, hurricane or tornado.

Likewise, more than one in five (21%) of SMBs have lost critical business data as a result of an accident, disaster or emergency in the past two years. Of these, 62% have lost sales or customers as a result — a scary proposition in an economy where every sale is crucial.

Did this data loss lead to a loss of sales or customers?

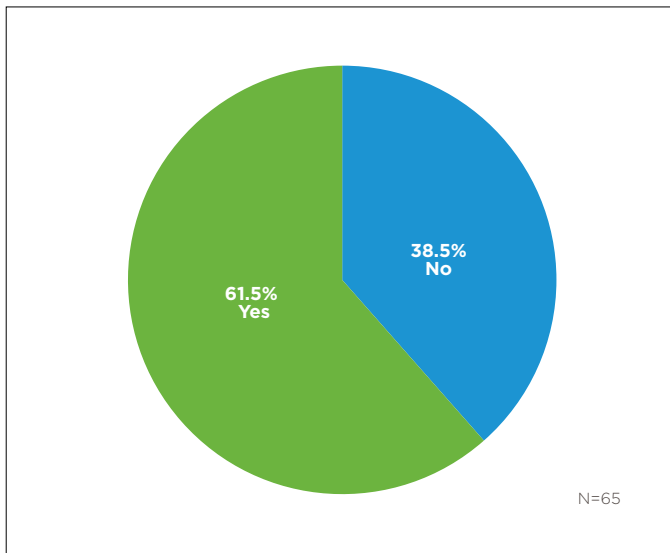


Chart 4: Data Loss Leads to Lost Sales and Customers

“It Won’t Happen to Me”

SMBs don’t seem to appreciate the risk of downtime and the repercussions. Less than half (47%) have business continuity plans that have been updated in the past two years, or have detailed data backup and retention policies, even though retaining current customers was ranked as a highly important business goal by 77%. Despite this lack of preparation, more than two-thirds (69%) are confident in their disaster recovery plans. And almost three in four (73%) are confident that any IT system downtime will not have a significant impact on their business in the next 12 months.

Has your company experienced a significant outage in the past 24 months because of a disaster or emergency, such as a power outage, server crash, storage failure, cooling failure, fire, flood, earthquake, hurricane or tornado?

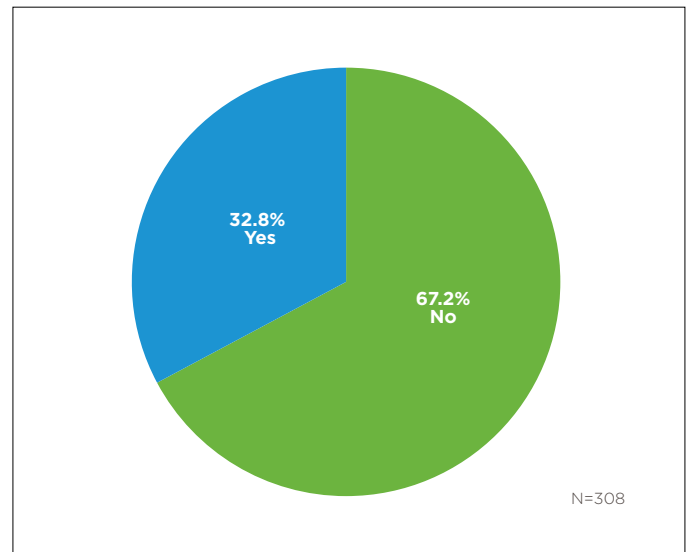


Chart 5: Number of Companies Suffering Significant Outages

The True Cost of Downtime

The costs associated with downtime can be significant. The average cost per hour that companies assign to downtime is \$23,188. More than 9 in 10 respondents (92%) say it would take three or fewer days to recover applications and data, but if servers are destroyed in a disaster, it could take a week or more to obtain new hardware and restore all systems.

Virtualization and Business Continuity Preparedness

Because virtualization improves application availability and data protection and can dramatically shorten disaster recovery time, a “hidden benefit” of virtualization is improved business continuity preparedness. In fact, 67% of SMBs report notable improvements in business continuity preparedness as a result of adopting virtualization.

IT Budgets and Goals

More than four in 10 SMBs (45%) had their IT budgets cut in 2009; 32% had their IT budgets increase; and 22% had no change. Security enhancements and data backup are the two most important IT initiatives for 2010.

What are the most important IT initiatives for your organization for the next 12 months?

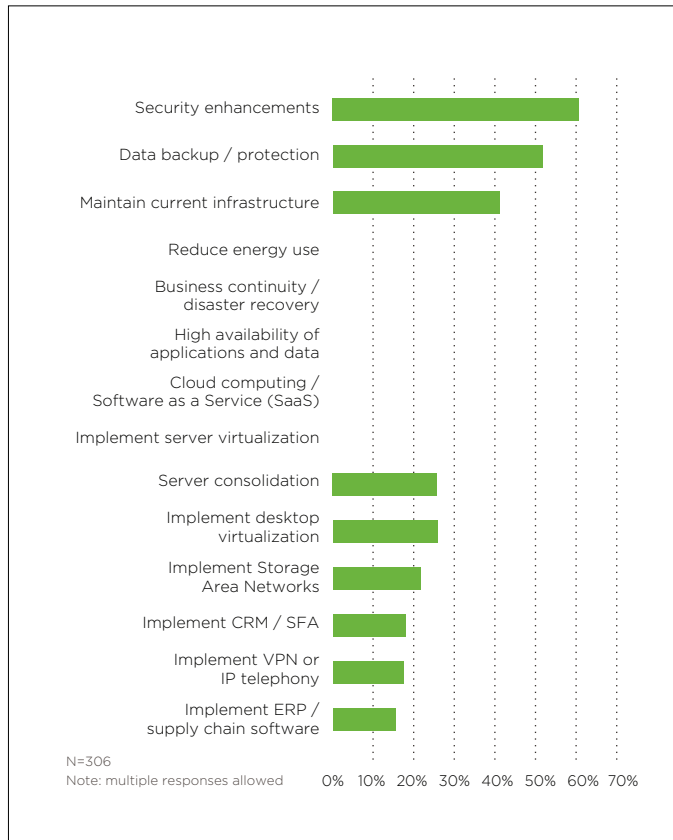


Chart 7: 2010 IT Initiatives

As for business goals, SMBs are focused mostly on controlling costs (81%), finding new customers (79%) and retaining current customers (77%).

Please rank each of these business goals from 1 (not important) to 5 (very important)

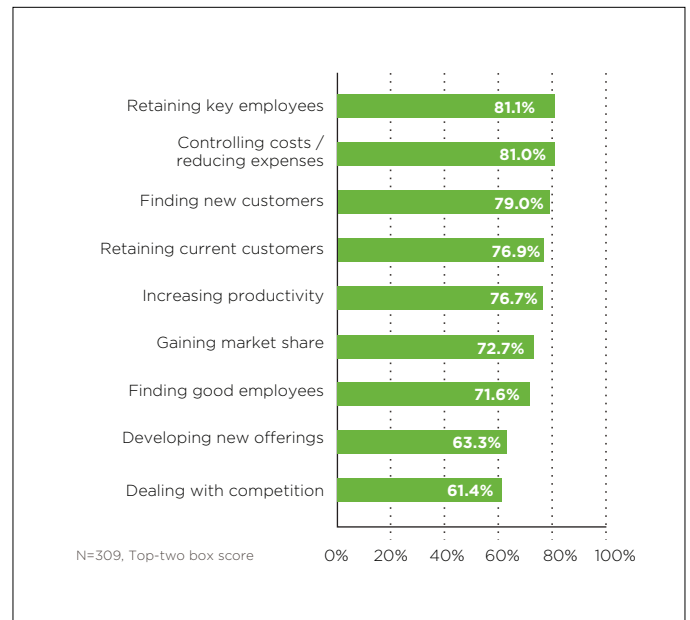


Chart 8: 2010 Business Goals

Conclusion and Recommendations

Server utilization and consolidation is a primary benefit of virtualization. However, virtualization can also help IT departments spend less time on routine administrative tasks, enabling them to be more responsive to business needs.

Another powerful, yet lesser-known benefit of virtualization is business continuity and disaster recovery. By making IT systems less likely to fail, and by making server restoration substantially faster, virtualization enables SMBs of all sizes to reduce the cost of downtime — in terms of lost productivity, lost sales or damaged reputation. Given SMBs' relatively limited disaster preparedness, virtualization can act as an important insurance policy.

Getting Started with Virtualization from VMware

Companies new to or considering virtualization should be aware of low-cost and easy solutions that will help them get started. For example, VMware offers a free hypervisor for virtualizing your servers called ESXi. When you are ready to step into low-cost complete solutions, the VMware vSphere Essentials editions add central management and business continuity features. You can support your business case with a financial analysis from VMware's free online ROI calculator.

Companies considering virtualization should consider the following four steps to get started:

1. Talk to a trusted advisor about the benefits of virtualization and learn best implementation practices.
2. Conduct an ROI analysis using a free online tool, such as the [VMware ROI calculator](#).
3. Use free [tools](#) to get started, such as VMware ESXi, VMware Converter and VMware Go.
4. Start slowly by virtualizing smaller application workloads, such as file, print and web application servers, to become comfortable with virtualization before tackling more critical line of business apps and database servers. In the end, most, if not all, of your server-based application workloads will be great candidates for virtualization.

Methodology

The VMware SMB Survey was conducted online among 309 senior business and IT managers at companies with 20 to 1,000 employees in the United States and Canada by Bredin Business Information, Inc. between October 21 and November 5, 2009. The survey has a margin of error of +/- 5.66 percentage points at the 95% level of confidence. Respondents are divided almost equally between business decision-makers (51%) and IT decision-makers (49%).

How many full-time employees does your company have?

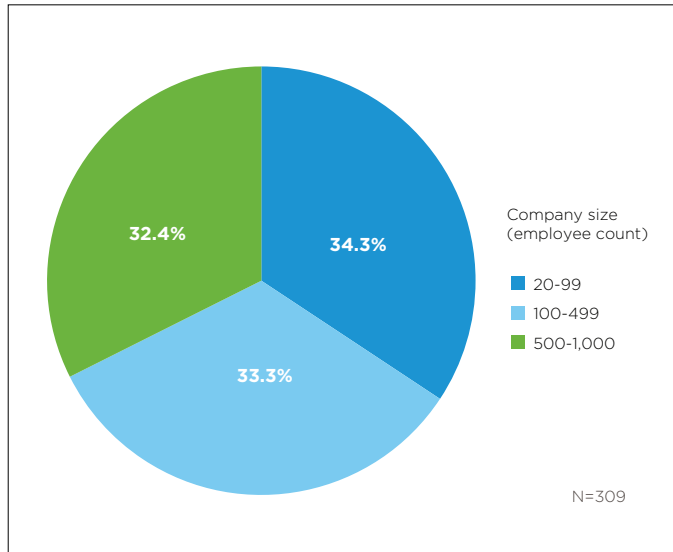


Chart 9: Number of Full-Time Employees

Other information about the respondents:

- Company size: 34% are from companies with 20-99 employees, 33% with 100-499 employees and 33% with 500-1,000 employees.
- Location: 90% of respondents are from the United States and 10% are from Canada.
- Industry: A range of industries is represented. The top five are manufacturing; professional, scientific and technical services; finance and insurance; educational services; and health care.

Which best describes your industry?

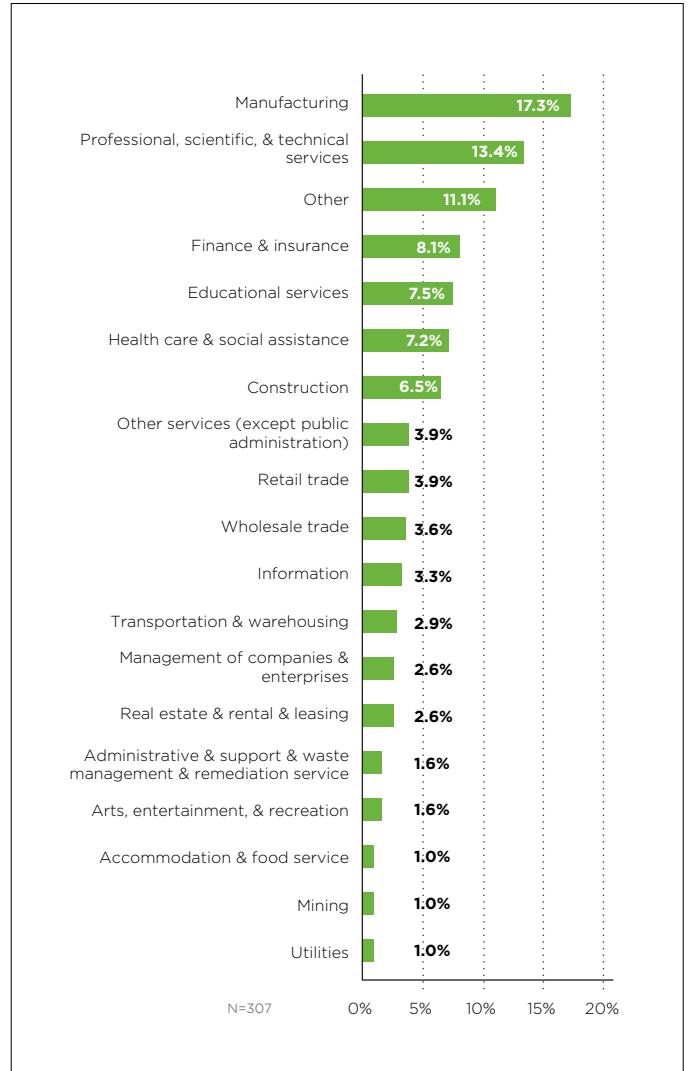


Chart 10: Industries Surveyed



