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IFOP/Risc Group Barometer
"SMEs and Private Individuals: crossing views on new technologies (June 2008)

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Introduction

In a context of a tightening economy and leaner budgets for Information Technology (I.T.), French companies have several alternative solutions to maintain or increase their competitive advantage. Among these, I.T. is often presented as a means of increasing productivity and efficiency. But what do people really believe?

Although SMEs[1] generally have three possibilities open to them for procuring their I.T. requirements (ordinary purchasing, SaaS[2] and Open Source), it is also important to understand more about their investment strategies. Risc Group and Panda Security have thus commissioned IFOP to carry out a first investigation through a market survey of their purchasing managers and senior executives.

In view of the results obtained from this first survey, Risc Group launched another survey, this time targeting the general public in France, in order to complete the panorama and confirm certain trends found among VSEs[2] and SMEs.

The results of these enquiries, presented here in detail, reveal a surprising fact: **French SMEs and the general public only seem to be vaguely aware of the potential impact of Information Technology.**

- Even though these groups are aware of the main benefits offered by I.T. systems, SMEs remain sceptical of the role played by I.T. in the growth of their turnover.
- Three French people out of four do not know what the term "digital economy" implies.

This discovery, combined with other findings from these surveys, can help us towards a better understanding of the way SMEs and the general public perceive Information Technologies and the efforts that still have to be made to simplify and generalise the adoption of I.T. across the board.

1. Methodology used for the two surveys

► VSE/SME and Information Systems

The first survey, carried out by IFOP in November 2007 on 602 company directors and purchasing managers for companies of between 5 and 250 employees (of which 70% in the 5 to 50 and 50 to 100 employee bracket and 30% with from 100 to 250 employees), was aimed at obtaining the opinions of Small and Medium Enterprises on their perception and use of Information Technology, their I.T. service providers and their investment strategies. The representativeness of the sample group was ensured by using the quota method (business sector, size of company, etc.). The interviews were performed by telephone or at the work place of the people interviewed. The results of this barometer were not published immediately, awaiting the announcement of government action to encourage the development of the digital economy in France.

Themes discussed:

- ► Perception, use and types of I.T. systems
- ► SMEs' method of selection and opinions on their I.T. service providers.
- ► I.T. investment strategies adopted by SMEs

► The French and the digital economy

The second survey, carried out by IFOP in May 2008 on a sample of 965 people representing the French population, aimed at analysing the French general public's perception of the digital economy.
The representativeness of the sample was ensured by the use of the quota method (sex, age, profession of head of family) after stratification by region and agglomeration category. The interviews were carried out by telephone or at the place of work of the people interviewed.

Themes discussed:

- ► Depth of knowledge about the Digital Economy
  (What is your perception of the Digital Economy?)
- ► Perception of measures favouring growth of NICTs[4]
  (What do you expect from the public authorities with regard to NICTs?)

2. Principle findings

► In general :

For SME management, Information Technology is an essential tool but its advantages remain limited, particularly in terms of productivity.

SMEs struggle to manage I.T. tools that are too complex and spread over an excessively large number of service providers and operators.

Private individuals say they are in almost total ignorance of the digital economy and are waiting for the State to make a more significant commitment.

Even though many of the advantages of Information Technology seem to be fairly well understood by SMEs, they are still somewhat dubious as to certain benefits:

- For almost all SME purchasing managers, I.T. is a way of **optimising** work production: 96% consider that it offers "significant time savings", 93% think it provides a means of "improved follow-up on business" and 90% think that it allows "improvement in the quality of service offered to customers".
- However, only 54% of the people interviewed consider that I.T. can **increase the company's turnover** and 25% admitted scepticism regarding its contribution to **increased productivity** among employees. Finally, 31% of managers feel that I.T. "generates stress", thus undermining improvements in productivity.

Even though they believe they have I.T. systems that satisfy their needs, SMEs experience difficulties that could be solved by entrusting all I.T. related services to one single outsourced provider:

- The majority of SMEs say that their I.T. equipment responds to their needs: 66% of people interviewed think that it "totally" meets their needs while 32% say it only meets their needs "partially". Only 2% of the people interviewed felt that their equipment did not meet their needs.
- But the SMEs face difficulties in several domains: **updating/obsolescence, diversity of service providers, costs and compatibility**. SME top executives, the great majority of whom feel that "I.T. constitutes a very technical universe", feel that I.T. equipment becomes "obsolete very quickly" (70%), that it is expensive for the company (53%, particularly in companies with over 10 employees) and that it is often "very complex to understand" (48%).
- Even though they say they are satisfied with the services provided (90%), most SMEs expressed a preference for **one single service provider** (66%) in order to reduce costs and have a **single interlocutor** capable of taking charge of all of their I.T. requirements.

In general, the French seem to underestimate what is at stake with the digital economy. The State should increase its incentive efforts:

- **77%** of members of the public **do not know** what the term “digital economy” denotes. In detail, men seem to have a better knowledge of the term “digital economy” (30% as against 15% of women). This proportion is consistent across all generation categories, including among the young who are more technologically aware (25% for the under-35’s as against 21% for the over-35’s). Employees seem to have a particularly scant knowledge (13%, as against 26% of manual workers and 25% for intermediate professions). Finally, understanding of the digital economy is not greater in urban areas (21% in rural areas as against 22% in the Paris area).
- The general public assimilates the digital economy mainly with “on-line shopping” (45%) and with “new methods of communication” (42%). “The use of software and I.T. equipment by companies” was only selected by 31%, “Internet broadband equipment for companies” gained 24% of assent, “Technological innovation projects” 19% and “Dematerialisation of administrative procedures” only 15%.
- **The State** must reinforce its **commitment**. Efforts to promote I.T. and develop digital knowledge initiated by the public authorities are judged to be insufficient by most French citizens: only 44% of the people interviewed declared that the public authorities already make a sufficient effort to encourage companies in the use of new technologies. The efforts of the public authorities to “promote access to I.T. equipment” (38%), “encourage the development of companies in the new technology sector” (37%) and “to train French people to use digital tools” (25%) are judged to be even weaker, signalling **strong expectations** in these fields on the part of the public.

► A technical dimension

A single interlocutor

- 96% of VSEs and SMEs have at least one I.T. service provider, the average being three. The existence of a number of I.T. service providers does not seem to be the result of a considered choice by these companies: in fact, **66% of I.T. managers affirm** that if they could choose, they would prefer to have **one single service provider**.

Obsolescence and update management:

- The people interviewed identified I.T. equipment as "becoming **obsolete** very rapidly" (70%). This obviously explains the fact that a small majority (53%) considers that I.T. "is very expensive for the company".
- 44% of SMEs declare that "most of their software packages" have been updated recently, meaning that one company in every two must still be using old versions of software and finding difficulty in managing the updates.

High cost of I.T. systems:

- 53% of companies find that their I.T. systems "are very **expensive**". This proportion falls to below the 50% mark in small companies with from 1 to 9 employees and exceeds 60% in companies with over 50 employees.

Complexity & consistency:

- 81% of the people interviewed think that I.T. "constitutes a **very technical universe"**. The mastering of this technical universe is only done in a mitigated fashion: 48% of people interviewed felt that I.T. is "often very **complicated** to understand" (this proportion being somewhat higher among company executives: 51%) while 52% refute this idea.
- **Compatibility** of equipment is the first criterion taken into account when selecting I.T. products and services for purchase (65%). This figure reflects a growing trend among companies who have increasing requirements for their I.T. systems to be i**nteractive**.

Outsourcing:

- Outsourcing can be considered in certain domains, such as **updating of software and applications** (53%), security (48%), support (42%) and storage space (36%).

Security:

- The question of "I.T. security" constitutes the first focus of interest for companies (42% of the people interviewed would like to be better informed on matters of security), followed by on-line applications (35%).
- Almost one SME out of two says they are ready to outsource their security services.

► A strategic dimension

Investment strategies of SMEs

Level of satisfaction :

- The people in charge of I.T. purchases within Very Small Enterprises and Small and Medium Enterprises declare that they are, on the whole, **satisfied** with their service providers under all aspects tested, in particular the offer of products and services (90%) and availability (87% of satisfied customers, *of which 34% were "very satisfied" and 53% "fairly satisfied").*

Purchasing decisions:

- The **replacement** of obsolete (62%) or defective (47%) material, as well as responding to a need for new material (45%) constitute the major reasons for making most I.T. purchases.
- **Compatibility** (65%)**, cost** (65%) and **user-friendliness** (63%) are the main priorities in the purchasing decisions made by companies.

Purchase or rental?

- Over three quarters of the people interviewed (76%) preferred purchasing the I.T. products and services needed by the company to renting them (23%).

Information

- In order to obtain information about I.T. products and services, the purchasing managers interviewed declared that they obtain such information mainly from the **Internet** (46%) and through **mail shots** (42%). The specialised press (27%) and word of mouth (26%) constitute secondary sources of information that are nevertheless important. The so-called "traditional" media, such as radio (4%), television (5%) and the general press (11%) came at the bottom of the list.
- Unsurprisingly, the responses of I.T. executives and managers diverged considerably from those of the rest of our sample: they use internet (70% as against 46%) and the specialised press (54% as against 27%) to a far greater extent. It may also be noted that large companies use the specialised press more and sometimes most (52%).

► A political and institutional dimension

The involvement of the State:

- A majority of French people (56%) consider that the State's involvement should be further reinforced in terms of the setting up and planning of I.T. projects. The efforts to promote and develop digital technology in SMEs on the part of the public authorities are judged to be insufficient, as are those aimed at encouraging the French population to equip itself with I.T. tools and to train in their use. Only 44% of the people interviewed declared that the public authorities make sufficient effort to encourage companies in the use of New Technologies.

A specific Ministry for I.T.:

- The perceived lack of intervention on the part of the State no doubt explains the massive consensus of the French population to the creation of a Ministry for New Technologies: 79% feel that this would promote economic development and growth in the New Technology business sector. This point of view is consistent across age, sex, profession, political proclivities and the region of origin of the people interviewed.

An action judged to be a priority:

- In spite of this criticism of action taken, the French people, by a small majority, nevertheless feel that the development of the new technology business sector constitutes a **priority** project for the Government (51%). 26% of French citizens felt that this project was not a priority while 22% judged it to be of "secondary" importance. We noted that pensioners seemed to be most aware of this priority need (63%) as against 43% of employees.

Conclusion

As this document goes to press, the “Assises du Numérique (“Digital Deliberation”) has been launched by the government and 27 work projects have been formally tabled to prepare a development plan for the digital economy. The State has thus launched several ways of responding to the preoccupations of the French people, the SMEs and companies in general, on issues of technology and information. But beyond this political vision supported by institutional intervention, the actors in the world of technology must themselves lend some thought to improving their offers in order to make them more accessible and facilitate their integration into each customer’s digital universe.

On the part of private individuals, it is clear that an effort in terms of information and awareness raising must be begun to engage the public at large in benefiting from the advantages of the digital economy. The evolving viewpoints of the French people will also remain at the centre of our barometer and we will see whether the e-administration will succeed in taking root in their practices, like the on-line tax returns used by 7.5 million French people in 2007 as against 5.7 in 2006, representing an increase of 31% (and there were only 120,000 in 2002!).

It would also be instructive to follow the evolution of the SMEs’ economic strategies that, in the light of our two first surveys, would seem to be more reactive than proactive. In the same way, we will see if these companies continue to deplore the excessive diversity of service providers and the complexity of their I.T. systems or whether they will have decided to optimise their management by entrusting the majority of their I.T. services to a single service provider or by turning more frequently to outsourcing solutions.

The results of these surveys have highlighted a certain number of problems that we have decided to track over time in order to measure their development. Advances in this sector affect everyone, customers, service providers and institutions alike. We will therefore provide an update next year to enable us to study together the new findings of our annual barometer.

1.	*SMEs*	*Small and Medium Enterprises*
2.	*SaaS*	*Software as a Service*
3.	*VSEs*	*Very Small Enterprises*
4.	*NICT*	*New Information and Communication Technology*