CLOUD COMPUTING FOR SMBs

How to Build a Scalable
and Cost-effective IT Strategy

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INTRODUCTION

For small and medium-sized businesses (SMBs), every dollar counts, and every decision matters. With tight budgets and growing competition, SMBs must find smarter, leaner ways to operate. One of the most cost-effective strategies for SMBs is cloud computing, which allows businesses to scale their IT infrastructure without the burden of expensive hardware, lengthy setup times, or constant maintenance.

In fact, 78% of SMBs currently use cloud services, and over one-third (39%) of them are spending up to $600,000 annually on public cloud services. Why? Because the cloud levels the playing field. It gives SMBs access to the kind of technology that used to be reserved for much larger organizations—all at a fraction of the cost.

But cloud adoption is about more than just saving money. It's a strategic move that enables flexibility and resilience. If you're ready to build a smarter, more scalable IT strategy, this guide will show you how to make cloud computing work for your business.

78%
of SMBs use Cloud Services

WHAT IS CLOUD COMPUTING?

Cloud computing is simply a way to access IT resources—like storage, servers, and software over the Internet instead of relying on local hardware. Think of it as renting what you need when you need it rather than buying and maintaining expensive equipment upfront. This pay-as-you-go model allows businesses to scale resources up or down based on their needs, making it particularly appealing for SMBs.

Businesses can scale resources effortlessly to match demand, avoid the high, upfront costs of traditional IT infrastructure, and enable secure remote access for employees. In fact, nearly half of SMBs now use four or more technology platforms to stay competitive, and many cite technology as a key in managing costs and driving growth.

Types of Cloud Environments: Public, Private, and Hybrid

When adopting cloud computing, SMBs can choose from three main cloud environments, each offering distinct advantages and trade-offs. The right choice depends on factors such as security requirements, scalability needs, and budget constraints.

	✔ PROS	✘ CONS	👍 BEST FOR
PUBLIC	Cost-effective, scalable	Less control over security	SMBs with limited IT budgets
PRIVATE	More security and customization	Higher costs	Businesses with sensitive data
HYBRID	Best of both worlds, flexible	Complex set up	SMBs leveraging AI and analytics

Public cloud adoption remains strong among SMBs, with 61% managing workloads in the public cloud and 60% storing data there. This wide-spread usage underscores its appeal as a cost-effective, scalable solution for smaller businesses.

HYBRID CLOUD ADOPTION

A hybrid cloud environment provides SMBs with the flexibility to scale, while maintaining control over critical operations. By combining the scalability of public cloud services with the control of private cloud infrastructure, businesses can optimize their IT setup for a variety of needs. For example, an SMB running an e-commerce platform can use the public cloud to handle high traffic during peak shopping periods, while using the private cloud to manage backend processes like inventory management and accounting systems.

This approach is particularly valuable for SMBs looking to adopt emerging technologies like AI and analytics, which often require the scalable computing power that a hybrid setup provides. A hybrid cloud solution enables SMBs to handle these demands efficiently while avoiding unnecessary costs.

77% of SMBs plan to adopt emerging technologies like AI[1]

91% of SMBs say AI will help their business grow in the future[1]

When Hybrid Cloud Makes Sense

For SMBs, hybrid cloud solutions shine in scenarios where flexibility and control are equally important:

Data Security 🔒

Keep sensitive customer or financial data in a private cloud, while hosting less sensitive workloads such as marketing applications, on a public cloud.

Seasonal Scalability

Use public cloud resources during high-demand periods (e.g., holiday sales) and revert to private infrastructure when demand subsides.

Disaster Recovery

Maintain backups in the public cloud to ensure quick recovery, while keeping operational data on private servers for added control.

Steps to Implement a
Hybrid Cloud Strategy

1

Assess Your Current Infrastructure

Evaluate your existing IT setup to determine which applications and data should remain on-premises, and which can benefit from cloud scalability. Identify security, performance, and compliance needs before migrating workloads.

2

Define Your Goals

Clearly outline what you want to achieve with a hybrid cloud—whether it's improving scalability, reducing costs, or enhancing disaster recovery. These goals will guide your cloud strategy and provider selection.

3

Choose the Right Cloud Server Provider

Select a provider that offers seamless integration between private and public cloud environments, strong security features, and hybrid-specific solutions. Leading options include Microsoft Azure, AWS, and Google Cloud.

4

Ensure Security and Compliance

Implement security best practices such as encryption, multi-factor authentication (MFA), and access controls to protect sensitive data. Regular compliance audits are essential, especially for businesses handling regulated information.

5

Test, Optimize, and Train Your Team

Before full deployment, conduct thorough testing to identify potential performance issues. Once live, continuously monitor and optimize your setup. Ensure your team is trained to manage and secure the hybrid environment effectively.

DATA STORAGE IN THE CLOUD

For small businesses managing growing volumes of data, cloud storage offers a flexible and cost-effective solution. By eliminating the need for expensive on-premises hardware and enabling seamless access to data from anywhere, cloud storage has become essential for SMBs.

Types of Cloud-based Data Storage

- **Object storage:** Ideal for unstructured data like videos, images, and backups. Highly scalable and great for archival needs.
- **File storage:** Functions like a shared network drive, making it perfect for teams that collaborate on documents and spreadsheets.
- **Block storage:** Offers high-performance storage for structured data, often used for databases or applications requiring fast processing speeds.

Key Benefits of Cloud Storage for SMBs

Cloud storage helps small businesses reduce hardware costs by eliminating the need for on-premises servers and storage devices. With 81% of SMBs planning to increase their use of technology, cloud storage is an affordable way to scale operations. It also improves collaboration, allowing employees to securely access and share files from anywhere, making it particularly valuable for remote and hybrid teams. Unlike traditional storage, cloud solutions are highly scalable, enabling businesses to adjust capacity based on seasonal demand without overpaying for unused resources.

Selecting the best cloud storage solution for your business requires careful evaluation of key factors that impact security, scalability, and efficiency. Keep these considerations in mind to make an informed choice:

1. **Assess your data needs:**
   Identify whether your business requires object, file, or block storage.

2. **Evaluate security features:**
   Choose providers with strong encryption, MFA, and compliance certifications.

3. **Consider scalability and costs:**
   Opt for flexible plans that grow with your business without hidden fees.

4. **Test accessibility and integration:**
   Ensure smooth integration with productivity tools like Google Workspace or Microsoft 365.

5. **Review backup and recovery options:**
   Look for built-in redundancy, disaster recovery solutions, and automated backups to protect against data loss.

Ensuring Data Security and Compliance

While cloud storage provides convenience, security and compliance must be a priority, given that one in three SMBs say they've experienced a cyberattack. Businesses should ensure data encryption is in place both in transit and at rest to prevent unauthorized access. Implementing access controls such as role-based permissions, helps limit data exposure to only those who need it.

Additionally, SMBs in regulated industries should select providers that comply with HIPAA, GDPR, or SOC 2 to ensure sensitive data is handled properly. However, confidential data protection is the biggest threat SMBs face, with 72% listing it as a top challenge.

72%
of SMBs say confidential data protection is their biggest threat

DISASTER RECOVERY AND BUSINESS CONTINUITY IN THE CLOUD

Unexpected events—such as cyberattacks, natural disasters, or hardware failures—can halt business operations, often with devastating consequences. For SMBs, the impact is particularly severe, with the average cost of a cyberattack reaching $254,445.

A cloud-based disaster recovery strategy offers an affordable and efficient solution, enabling SMBs to bounce back quickly from disruptions. Cloud-based solutions make disaster recovery faster, more reliable, and cost-effective by automating processes and ensuring data redundancy.

Automated backups eliminate the need for manual intervention, reducing the risk of human error. For example, a small retail business hit by ransomware restored its systems within hours using cloud-based backups, avoiding significant revenue loss. Cloud platforms also provide geo-redundancy, storing data in multiple locations to prevent disruptions. If one server goes down due to a natural disaster, businesses can still access critical data from another site.

Perhaps most importantly, cloud-based disaster recovery significantly reduces recovery times compared to traditional methods, which can take days or weeks. Cloud systems allow businesses to restore operations within hours—or even minutes—minimizing downtime and lost revenue. This is especially critical for businesses that rely on real-time transactions.

Steps for Implementing Cloud-based Disaster Recovery

Implementing a cloud-based disaster recovery (DR) plan ensures your business can quickly recover from unexpected disruptions. To build an effective strategy, follow these key steps:

1 Identify Risks and Critical Assets
Assess potential threats (e.g., cyberattacks, floods) and determine which data and systems are critical to operations.

2 Choose a Cloud Disaster Recovery Provider
Select a provider offering features like geo-redundancy, automated backups, and compliance with industry regulations.

3 Set Recovery Objectives
Define your Recovery Point Objective (RPO) and Recovery Time Objective (RTO) to ensure your plan meets operational needs.

4 Develop a Backup Schedule
Tailor the frequency of backups to your business—e.g., hourly for high-transaction businesses or daily for others.

5 Test and Update Regularly
Conduct routine tests and update your disaster recovery plan to reflect changes in systems or processes.

MANAGING CLOUD COSTS

Cloud computing offers SMBs incredible flexibility and scalability, but managing cloud expenses can be a challenge. Without proper oversight, costs can spiral out of control due to unpredictable billing from pay-as-you-go services, which leads to fluctuating monthly charges. Over-provisioning resources can also result in paying for unused capacity.

In addition, many SMBs also struggle with shadow IT, where employees use unauthorized cloud services, creating hidden costs and security risks. Finally, tiered pricing structures can make it challenging to forecast expenses accurately.

Cost-saving Strategies for Cloud Computing

With some smart strategies in place, SMBs can get all the benefits of cloud computing while also making sure costs don't spiral out of control:

1. **Right-size resources:** Regularly audit cloud usage to identify and eliminate waste. Scale back underutilized resources, such as idle virtual machines or excess storage, to ensure you're only paying for what you need.

2. **Use cloud cost management tools:** Platforms like AWS Cost Explorer, Azure Cost Management, and Google Cloud Billing Reports provide real-time insights into cloud spending. These tools help track usage patterns, identify inefficiencies, and improve budgeting.

3. **Implement auto-scaling and pay-as-you-go models:** Auto-scaling dynamically adjusts cloud resources to match demand, preventing overpayment during slow periods while ensuring sufficient capacity during peak times. Pay-as-you-go pricing eliminates large upfront costs, making cloud services more budget-friendly for SMBs.

4. **Avoid common pitfalls:** Set realistic usage expectations to prevent over-provisioning. Establish clear policies to reduce shadow IT risks and regularly monitor expenses with cost alerts to prevent unexpected spikes in cloud spending.

58% of businesses say their costs are too high[2]

Two-thirds of businesses lack full visibility into their cloud spending[2]

SELECTING THE RIGHT CLOUD SERVICE PROVIDER

Choosing the right cloud service provider is one of the most critical decisions SMBs can make when adopting cloud computing. The provider you select will impact everything from costs to performance, security, and scalability. With so many options available, it's essential to evaluate potential providers carefully to ensure they align with your business needs.

Key Considerations

1. **Pricing models:** Cloud providers typically offer various pricing models, including pay-as-you-go, reserved instances, and subscription plans. Look for flexible options that allow you to scale costs based on usage. Some SMBs opt for hybrid plans that combine cost efficiency with predictable billing. For instance, businesses leveraging hybrid cloud strategies often benefit from lower costs during periods of reduced activity.

2. **Support and service level agreements (SLAs):** Reliable customer support is crucial for SMBs that may not have in-house IT experts. Ensure the provider offers 24/7 support via multiple channels like chat, email, and phone. Review the SLA to understand the provider's uptime guarantee, response times for issues, and penalties for non-compliance.

3. **Security certifications:** Security is a top priority for SMBs, especially when handling sensitive customer data. Look for providers with certifications such as ISO 27001, SOC 2, and HIPAA compliance, depending on your industry's needs. Data encryption, multi-factor authentication (MFA), and regular security audits are essential features to seek.

A Checklist for Evaluating Potential Providers
Use this checklist to simplify your selection process:

- ☑ **Cost Transparency:** Does the provider offer a clear breakdown of costs? Are there hidden fees?

- ☑ **Scalability:** Can the provider handle your growth and seasonal fluctuations in demand?

- ☑ **Integration:** Will the provider's services integrate seamlessly with your existing tools and workflows?

- ☑ **Data Sovereignty:** Does the provider comply with data regulations in your region (e.g., GDPR, HIPAA)?

- ☑ **Disaster Recovery:** Does the provider offer geo-redundancy, automated backups, and quick recovery options?

- ☑ **Performance Guarantees:** What uptime does the SLA promise? Is it adequate for your business needs?

- ☑ **Support Quality:** Are customer support channels responsive and accessible?

- ☑ **Reputation:** What do reviews and case studies from other SMBs say about the provider?

FUTURE-PROOFING YOUR SMB WITH THE CLOUD

Cloud computing isn't just a tool for today—it's a long-term strategy that empowers SMBs to stay competitive, resilient, and agile in an ever-changing business environment. By adopting cloud solutions, your business gains the ability to scale operations effortlessly, enhance collaboration, reduce IT costs, and protect its data with robust disaster recovery options. Whether leveraging a hybrid cloud for flexibility or adopting cloud-based storage to streamline workflows, the cloud provides opportunities for growth that were once out of reach for smaller businesses.

Connection can help you find data and backup solutions that will improve the resilience, scalability, and agility of your data environments. **Contact your Connection Account Team for more information.**

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Sources:
1. The Impact of Technology on U.S. Small Business
2. The State Of Cloud Cost In 2024

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