



2007 Study on IT Purchasing Behaviors in Hong Kong SMEs

Hong Kong Productivity Council
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Background

- ◆ In order to help small and medium-sized enterprises (SMEs) in Hong Kong to make better IT decisions, Hong Kong Productivity Council (HKPC) has recently conducted a study on IT Purchasing Behaviors among SMEs in Hong Kong.

- ◆ The study covers the following areas:
 - Server system deployment
 - Reasons for choosing the existing server system
 - Cost factors considered when purchasing a server system
 - Major barriers to adopt an in-house server system
 - IT decision making process in SMEs





Research methodology

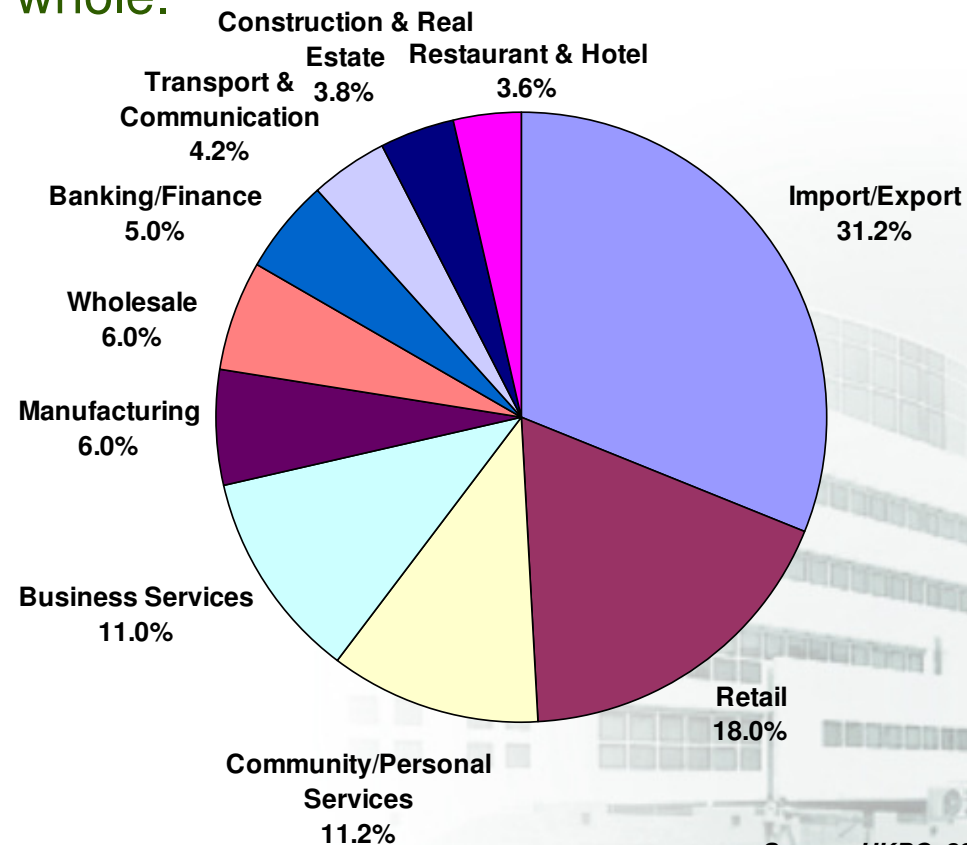
- ◆ Sampling frame
 - Databases from the Census & Statistics Department, industry/commercial directories and HKPC
- ◆ Target respondents
 - SMEs in Hong Kong that have server system
- ◆ Survey techniques: telephone interview
- ◆ Survey period: March to April, 2007
- ◆ No. of successful responses: 500





Industry sector

- ◆ Close to one-third of the respondents were in the “Import/Export” sector (31.2%), followed by “Retail” sector (18%).
- ◆ The distribution of the sample reflects the pattern seen in the community as a whole.



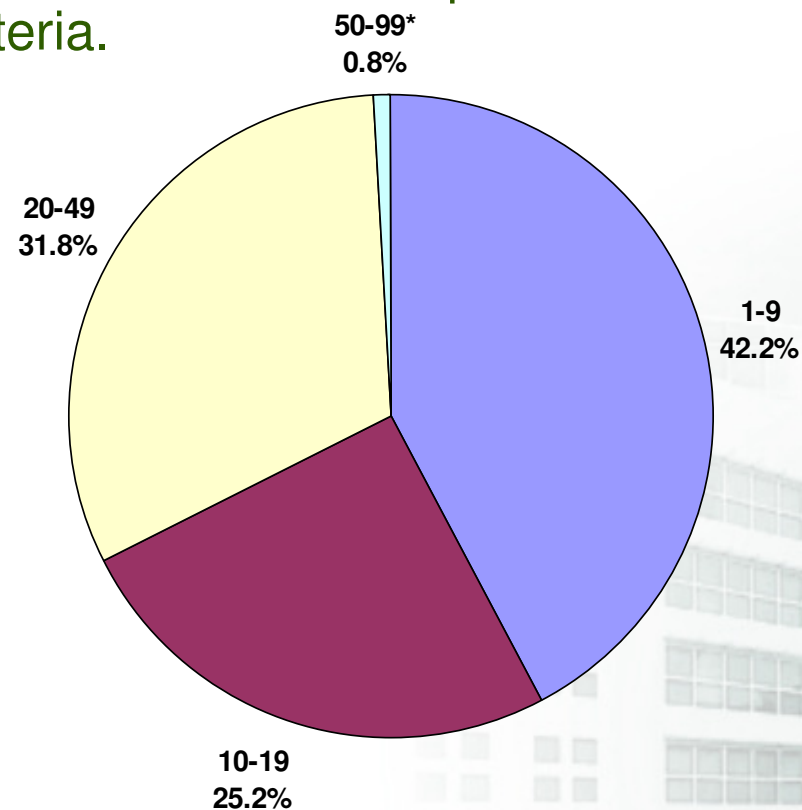
Source: HKPC, 2007



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Staff size

- ◆ Around two-fifths of the sample units had 1-9 full-time staff in Hong Kong and a quarter employed 10-19 people.
- ◆ The size distribution of the sample units was affected by the sample selection criteria.

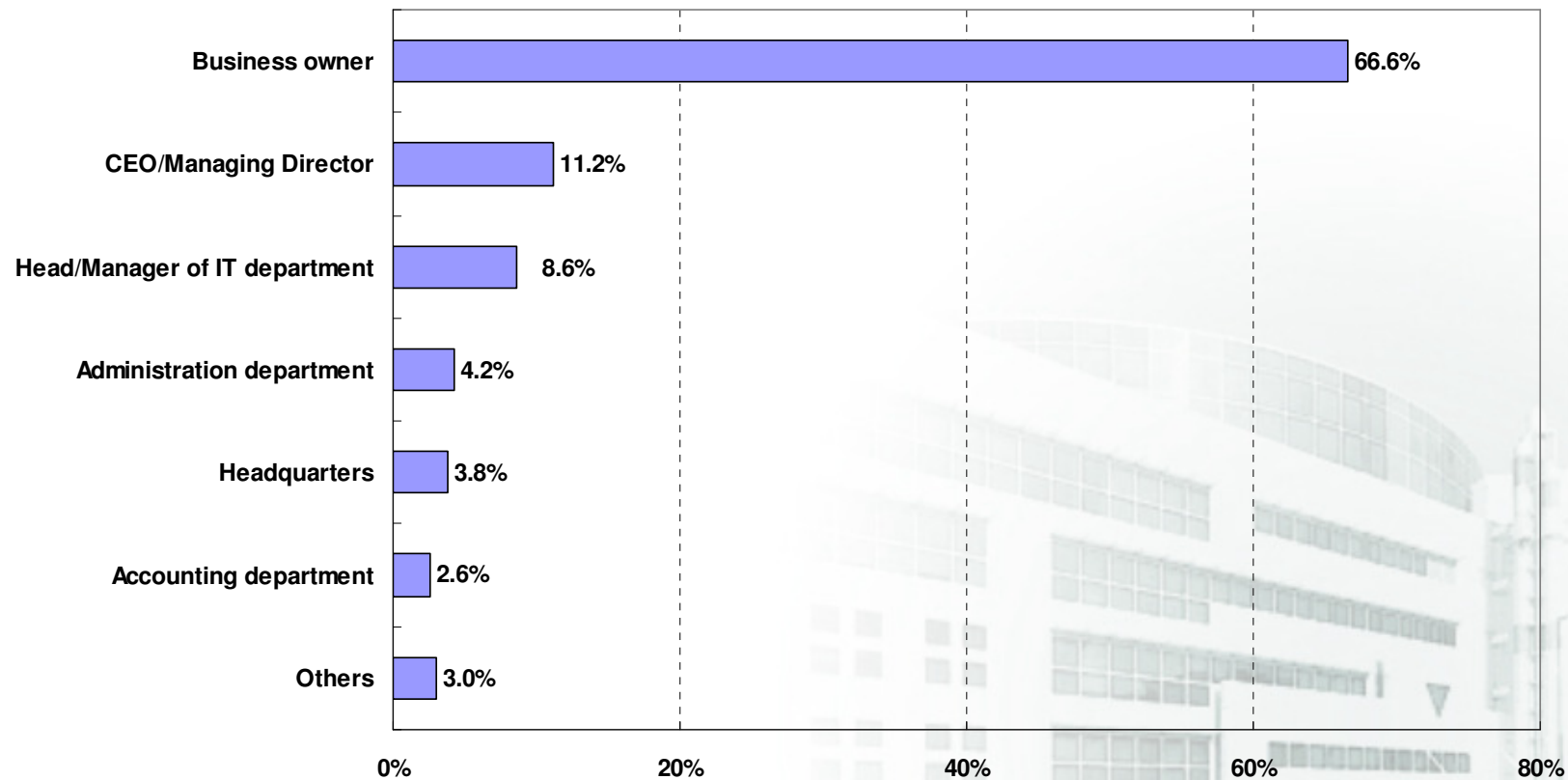


Source: HKPC, 2007

* Manufacturing enterprises <100 employees and non-manufacturing enterprises <50 employees are regarded as SMEs in Hong Kong

IT decision makers

- ◆ Business owners were the key IT decision makers. It is a common practice in SMEs.



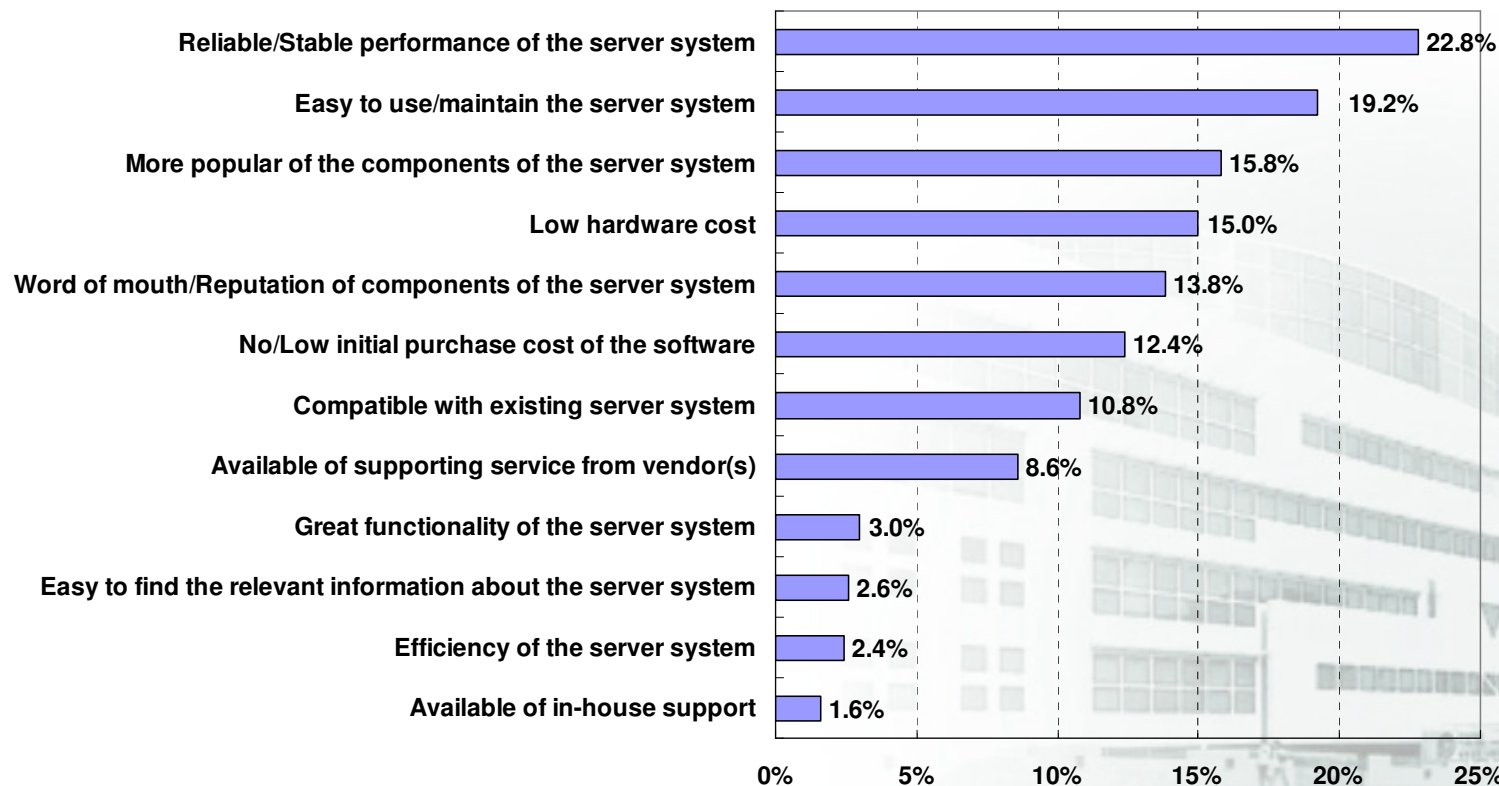
Source: HKPC, 2007



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Major reasons for choosing the existing server system

- ◆ “Reliable/Stable performance of the server system” (22.8%), “Easy to use/maintain the sever system” (19.2%) and “More popular of the components of the sever system” (15.8%) were the top 3 major reasons for selecting the existing server system.

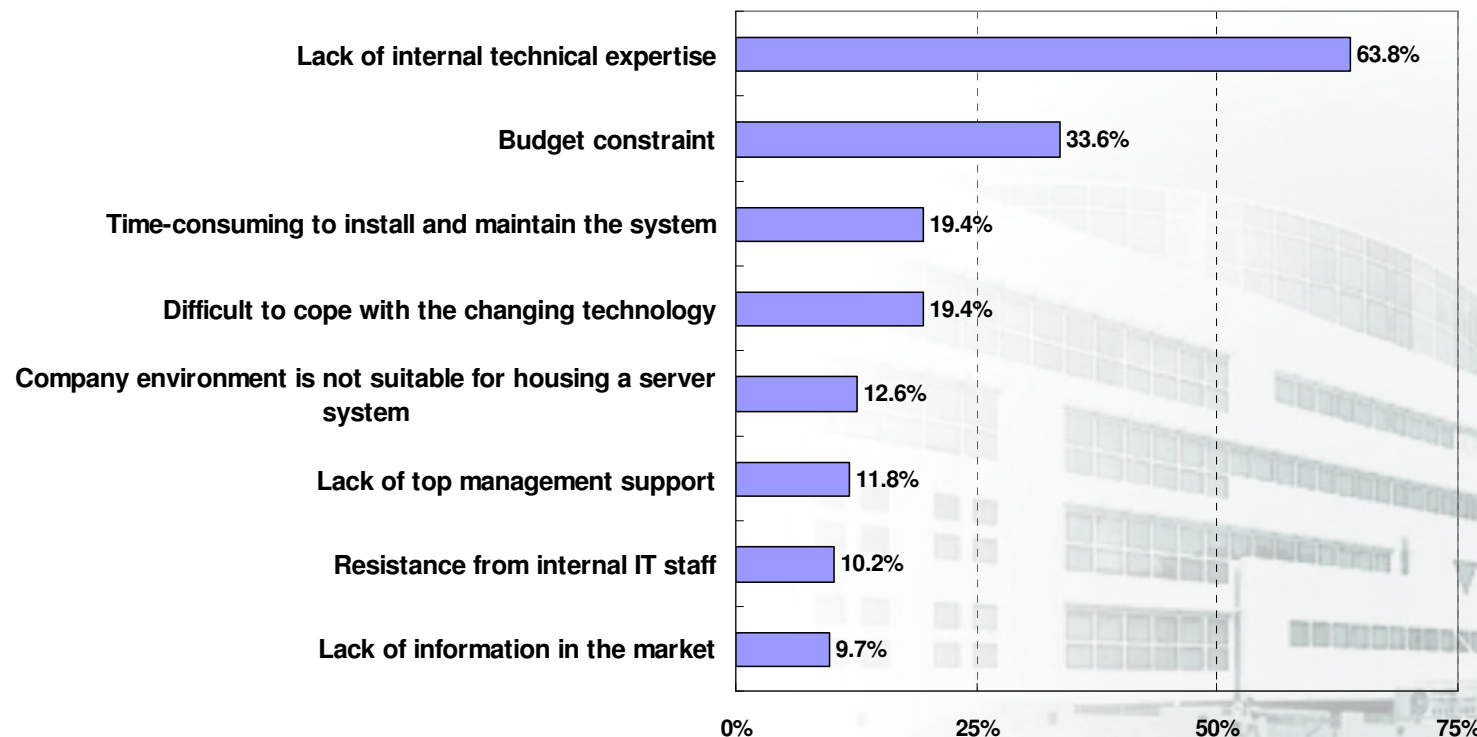


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Source: HKPC, 2007

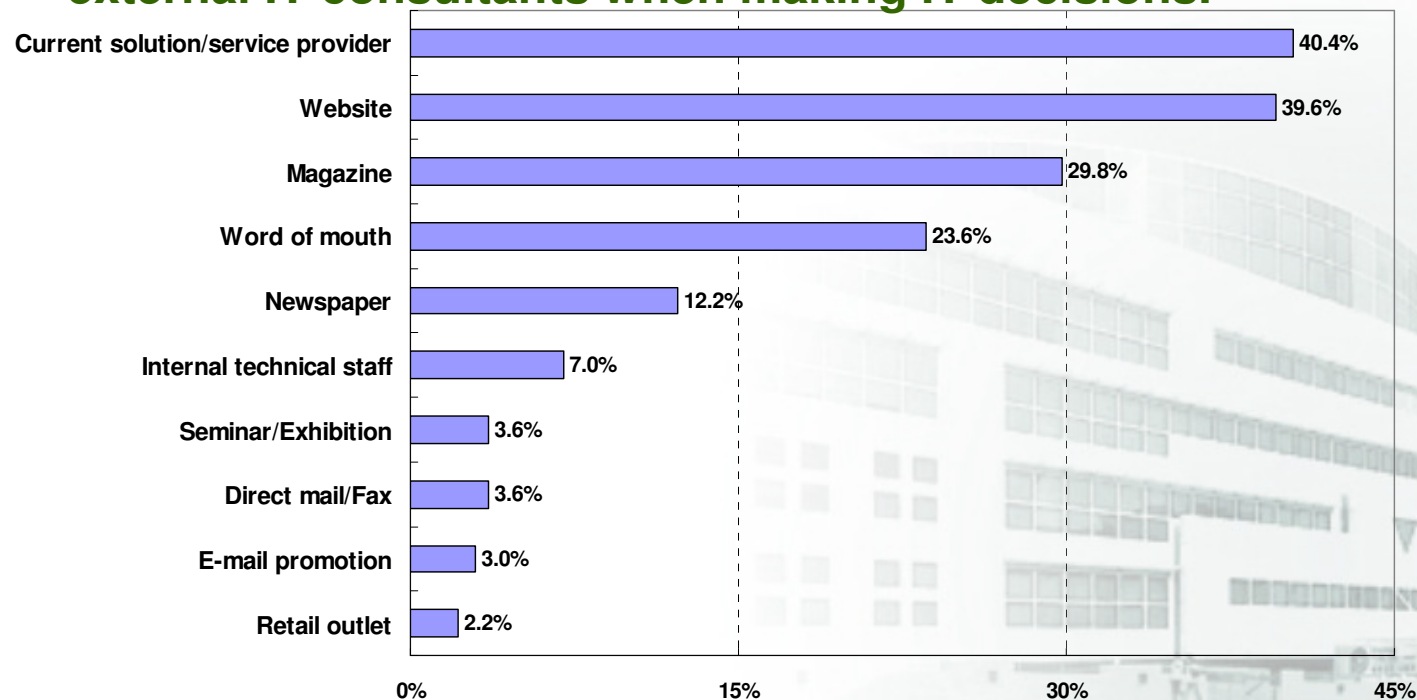
Barriers to adopt an in-house server system for SMEs in Hong Kong

- ◆ “Lack of internal technical expertise” (63.8%) and “Budget constraint” (33.6%) were the top 2 obstacles for SMEs in Hong Kong to adopt an in-house server system.
- ◆ As SMEs have limited IT staff and budget, a reliable, cost competitive and easy-to-use sever system is more preferred.



Information sources

- ◆ “Current solution/service provider” (40.4%) and “Website” (39.6%) were the two major information sources that respondents rely on when making IT-related decisions.
- ◆ Many business owners do not have much IT knowledge. Moreover, their companies are lacking of IT staff. So, they, very often, depend on external IT consultants when making IT decisions.



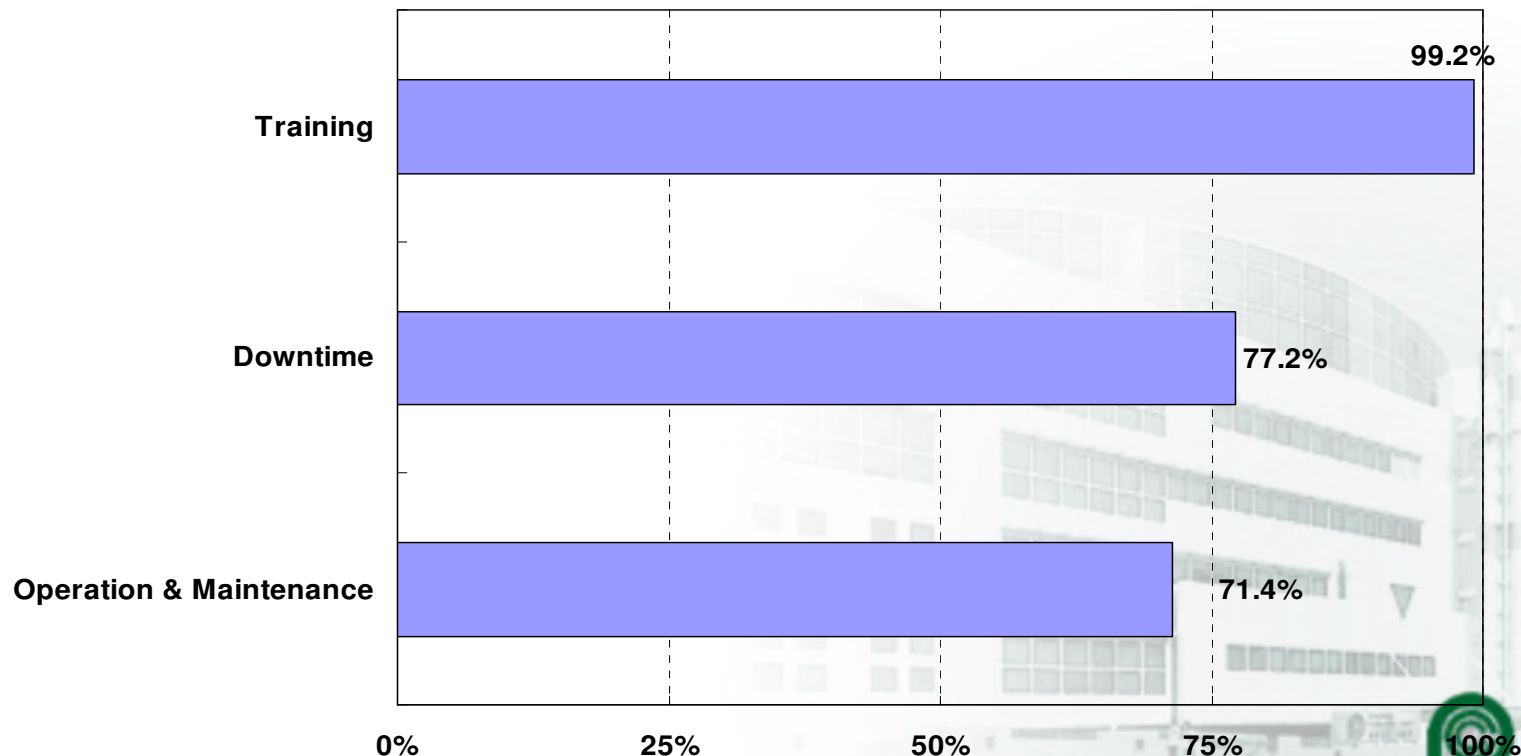
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Source: HKPC, 2007



Intangible costs NOT considered when choosing the existing server system

- ◆ 5 types of costs were identified: tangible costs (Hardware Costs, Software Costs) and intangible costs (Training Costs, Operation & Maintenance Costs, and Downtime Costs).
- ◆ 71.4% of the respondents reported that they would not consider the Operation & Maintenance Costs when choosing the existing server system, followed by Downtime Costs (77.2%). Worse still, only 0.8% would consider the Training Costs.



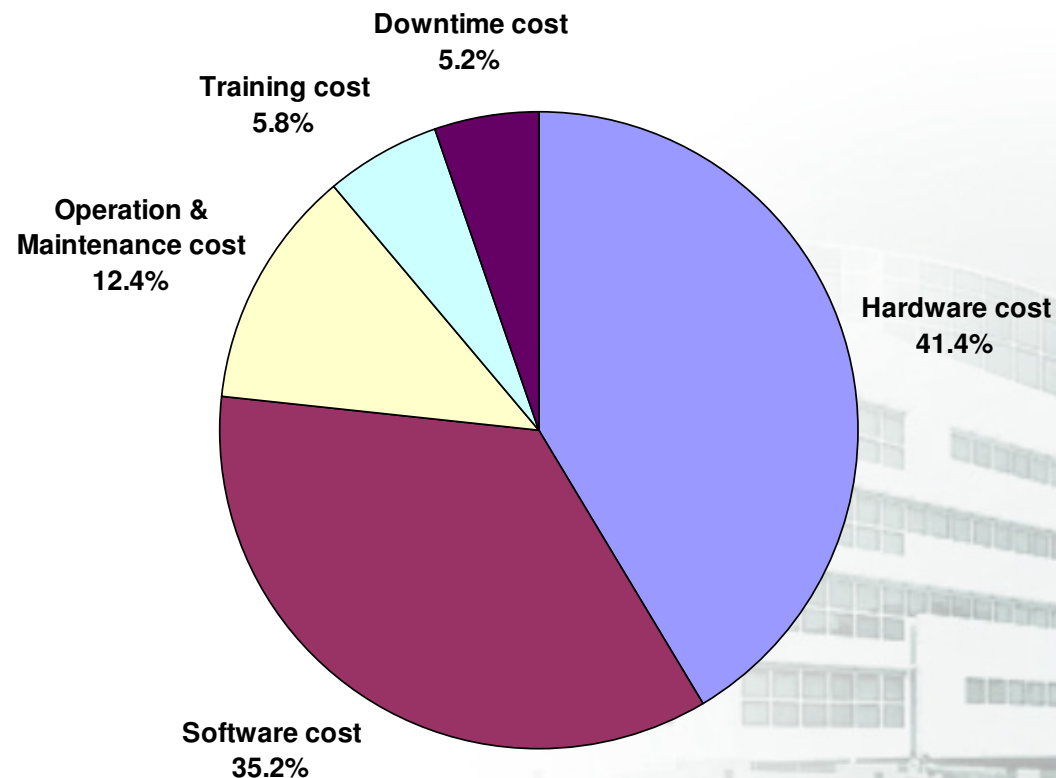
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Source: HKPC, 2007



Actual cost breakdown

- ◆ Hardware (41.4%) constituted the largest portion of the total cost of ownership on the existing server system.
- ◆ Operation & Maintenance, Training and Downtime Costs accounted for a quarter (23.4%) of the total investment.



Source: HKPC, 2007



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Conclusions

- ◆ SMEs are not aware of the costs (both tangible and intangible) incurred in their IT systems – *Lack of Knowledge*.
- ◆ SMEs do not take all costs into consideration when purchasing IT systems – *Lack of Risk Consideration*.
- ◆ Many SME IT Decision Makers may not have good understanding of IT technologies – *Gap between Business Requirement and IT Solution*.





Recommendations to SMEs

- ◆ Should consider a broader range of cost factors, risks and business flexibility when choosing IT systems.

- ◆ Should not simply look at the initial acquisition costs when purchasing IT systems. Should consider the long term total cost of ownership:
 - Tangible Costs: Hardware Costs, Software Costs.
 - Intangible Costs: Training Costs, Operation & Maintenance Costs and Downtime Costs.





Thank you!

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