Everest Group
RESEARCH

CLOUD CONNECT

Enterprise Cloud Adoption Survey 2013: Summary of Results

March 2013

EGR-2013-4-O-0856

Content

- **Executive summary**
- Detailed findings
- Appendix – demographics

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Context and methodology

Context and objectives

- Cloud Connect and Everest Group conducted a joint survey to coincide with the Cloud Connect conference at Santa Clara, in April 2013
- The objectives of the survey were to:
  - Identify broad-based cloud adoption patterns
  - Identify barriers to adoption
  - Identify decision making patterns for cloud adoption

Methodology

- Cloud Connect and Everest Group jointly created an online survey for the purpose of this study
- Survey invitations were sent by e-mail to three primary groups of cloud market stakeholders:
  - **Cloud Buyers:** Enterprises that have adopted or are looking forward to adopting cloud solutions
  - **Cloud Service Providers:** Providers of cloud solutions (products and services), including ISVs and service providers
  - **Cloud Advisors:** Consultants and third-party advisors who work with Cloud Buyers and provide guidance on cloud adoption strategies
- Survey responses were aggregated and analyzed; wherever possible and insightful, viewpoints from different market constituents have been contrasted
- The focus of the study is on evaluating the viewpoint of the Cloud Buyer; given the sample size of Cloud Buyers and the random sampling methodology, analysis by different segments within the buyer community has been attempted, wherever possible and meaningful

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Key findings (page 1 of 3)

The public cloud conundrum – are buyers getting it wrong?

- There seems to be an overwhelming preference for private clouds across workloads, ranging from ERP – F&A migration (70% buyers indicated a preference for private cloud models) for e-mail & collaboration (60%) and custom applications (55%). Such a strong stated preference can be attributed to the fact that security concerns continue to emerge as the strongest inhibitor to cloud adoption, followed by concerns around integration challenges

- However, we wonder if buyers are overestimating the challenges involved in public cloud adoption. While outage incidents have been widely publicized, we doubt if the overall frequency of public cloud failures has been significantly higher than what one would expect in a traditional environment
  - Further, as industry standards evolve, and system integrators build meaningful relationships with major public cloud providers, we do not view the integration challenge as an overriding barrier
  - Buyers stand to gain significantly by evaluating public cloud options for "spiky" workloads, such as development/test environments, or for non mission-critical workloads such as e-mail & collaboration platforms

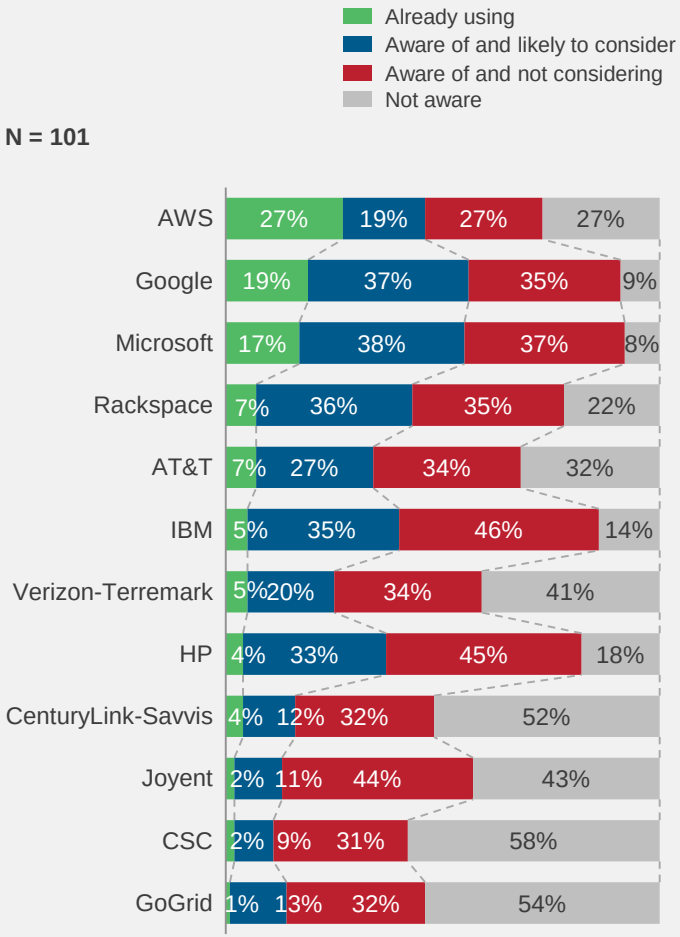
- While AWS enjoys a dominant mindshare for public cloud deployment, competition from players, such as Google, AT&T, Rackspace, and others, is likely to intensify – consequently market expansion is an imperative for profitable growth

There is a significant case for the industry to educate enterprises around the business case for public cloud environment and the options available to them

- However, with the overriding driver of adoption being Total Cost of Ownership (TCO) considerations, it is also not hard to understand why enterprises might be "coached" towards private cloud preferences

Public cloud providers may need to modify their communication on the cost benefits of adoption from a pure cost/unit conversation to one that is more focused around lower TCO and ROI

Public cloud – buyer preference by providers
2013; Percentage of buyer responses



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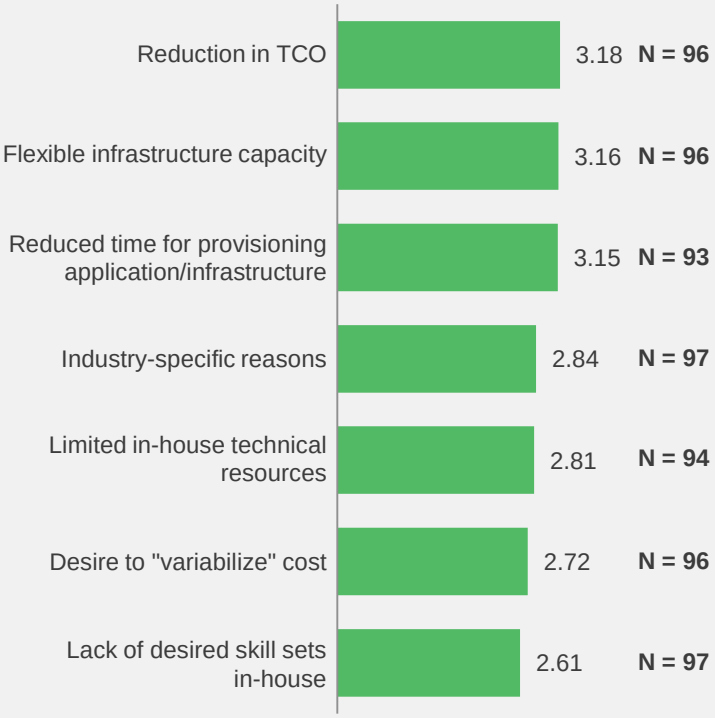
Key findings (page 2 of 3)

Drivers and barriers to adoption – same trigger points, fresh challenges

- Reduction of TCO, building flexible infrastructure capacity, and reducing provisioning time are the top three drivers to adoption across cloud layers
- However, providers need to understand that these needs are typically nuanced by vertical-specific context. While industry-specific reasons rank fourth in the list of overall drivers for buyers, service providers rank as the least important
- Security and integration challenges are mentioned as the most significant barriers to adoption across cloud layers. However:
  - **Lack of access to talent is mentioned as a key barrier for the BPaaS and PaaS adoptions**
  - **Lack of suitable solutions is mentioned as a key barrier to the BPaaS adoption, which lags behind adoption of all the other layers**
  - **In a marked change from the last year, budget constraints were mentioned as a key barrier to adoption**
- Across workloads, there is a significant maturation in adoption. While workloads, such as e-mail/collaboration and web apps / websites, often comprise the first series of workloads to be migrated, the overall adoption is coming closer to mission-critical business
  - **Custom business applications (including vertical-specific applications), ERP modules, such as F&A, workloads of BI/analytics, and a whole suite of sales and marketing workloads (CRMs, marketing automation, and e-commerce tools), are being considered for future migration**

Relative importance of adoption drivers
2013; Mean rating, buyer responses

1 = not at all important; ……. 4 = very important



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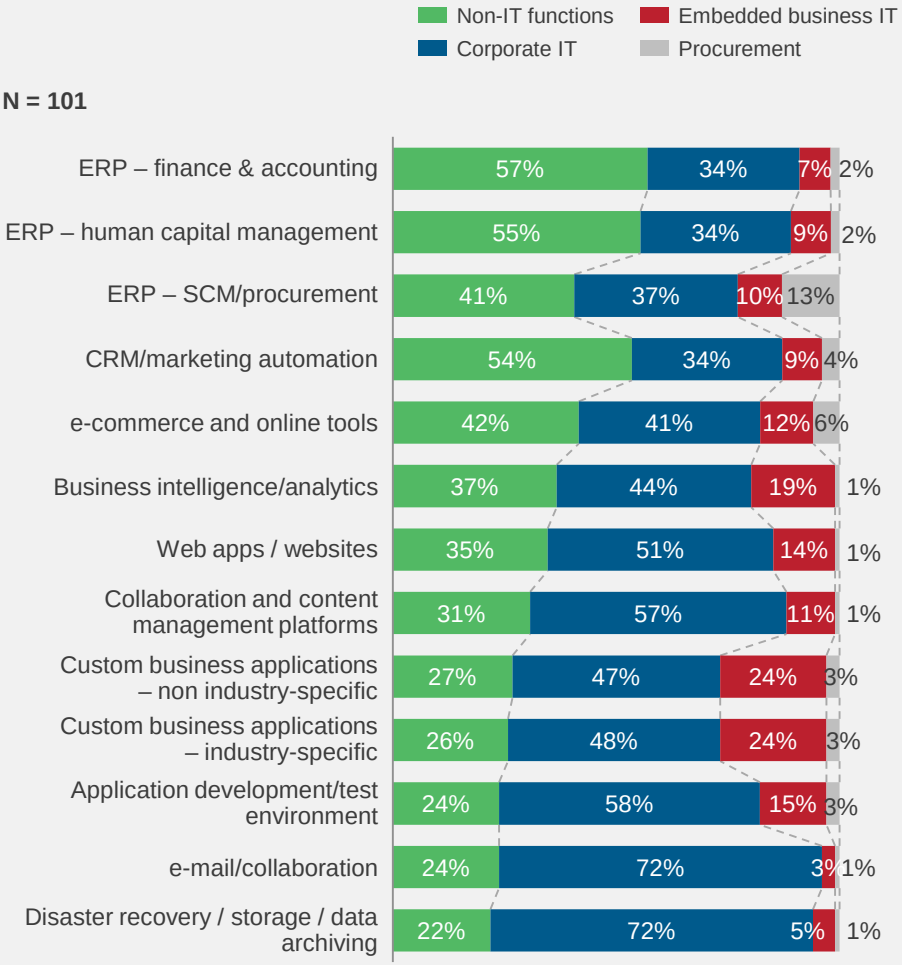
Key findings (page 3 of 3)
The growth of the next-gen budget center

- Business units and user functions for various workloads are wielding increasing influence on the adoption process
  - **The CMO has become a key stakeholder in the adoption process as various workloads that are earmarked for cloud migration are directly linked with sales and marketing operations. For example, BI/analytics, e-commerce tools, and CRM/marketing automation**
  - ERP migration is expected to be driven by the end-user functions, e.g., HR, procurement, operations, and F&A

- **Corporate IT is expected to continue to play a strong role in influencing technological choices across all workloads, but more so for workloads that are closer to physical infrastructure, or those that do not directly touch revenue generation, e.g., disaster recovery / storage & archiving, e-mail/collaboration, or development/test environments**

- **As business users start becoming more influential, service providers will have to adapt their orientation from:**
  - **Unit cost reduction to ROI**
  - **Superior control to flexibility in business operations**
  - **Technological sophistication to "how can it help my customers?"**

Primary decision makers for enterprise workloads/solutions
2013; Percentage of buyer responses



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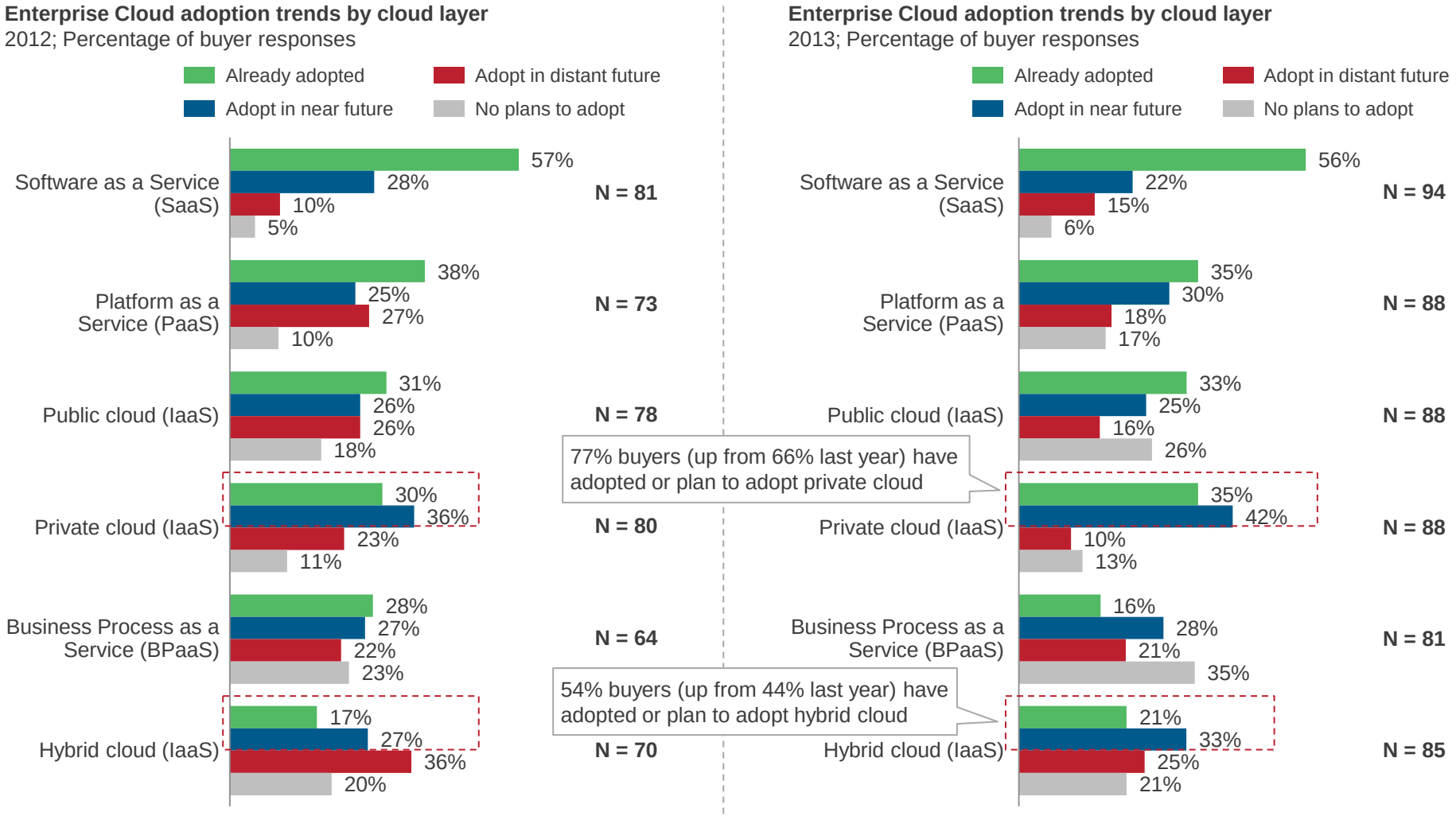
Significant increase in real adoption and willingness to adopt private and hybrid cloud models



Source: Everest Group Cloud Connect Enterprise Cloud Adoption Survey 2013

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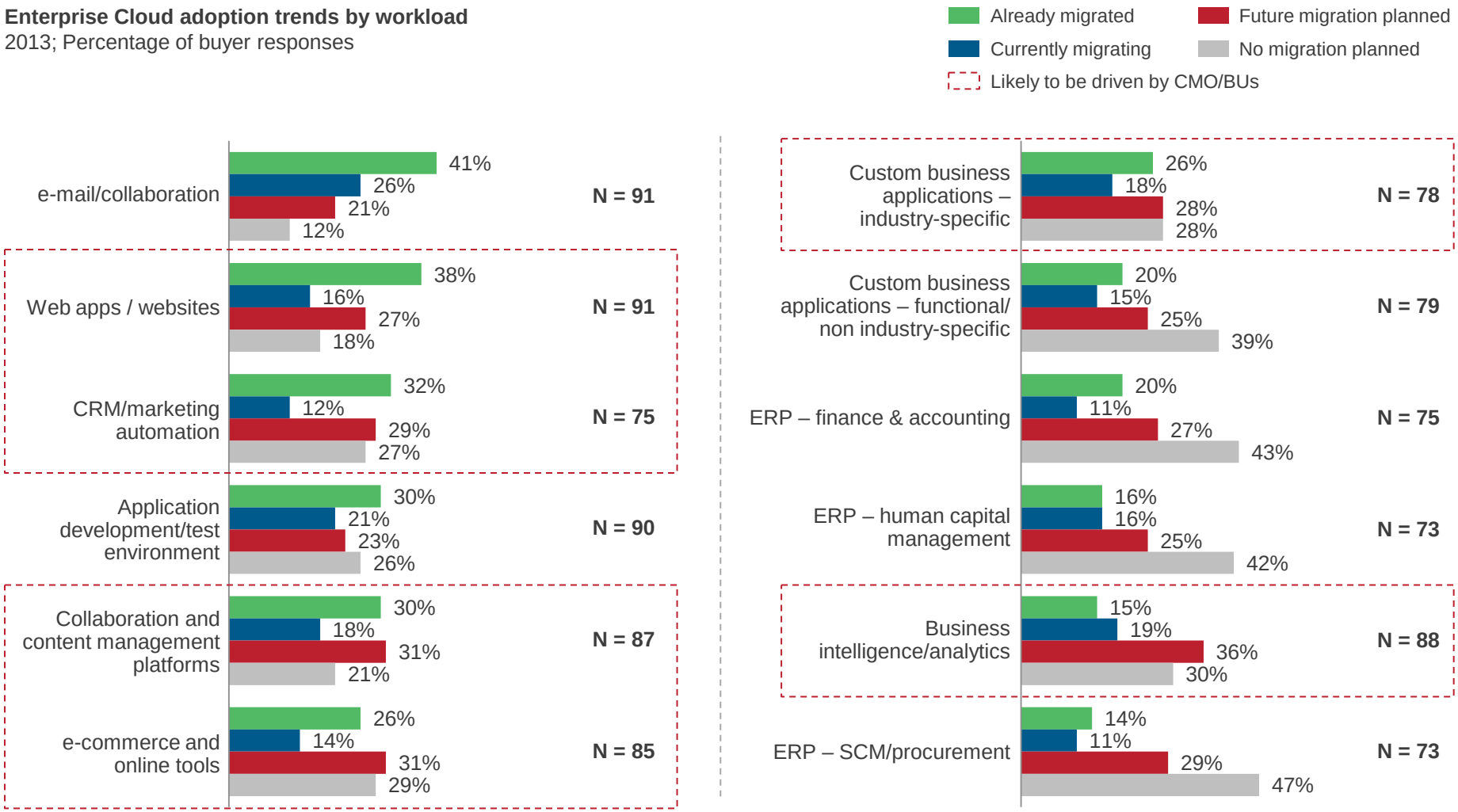
Over 40% of the workloads are under cloud migration consideration; workload patterns lead us to believe CMOs and BUs to be the key stakeholders

Enterprise Cloud adoption trends by workload
2013; Percentage of buyer responses



Source: Everest Group Cloud Connect Enterprise Cloud Adoption Survey 2013

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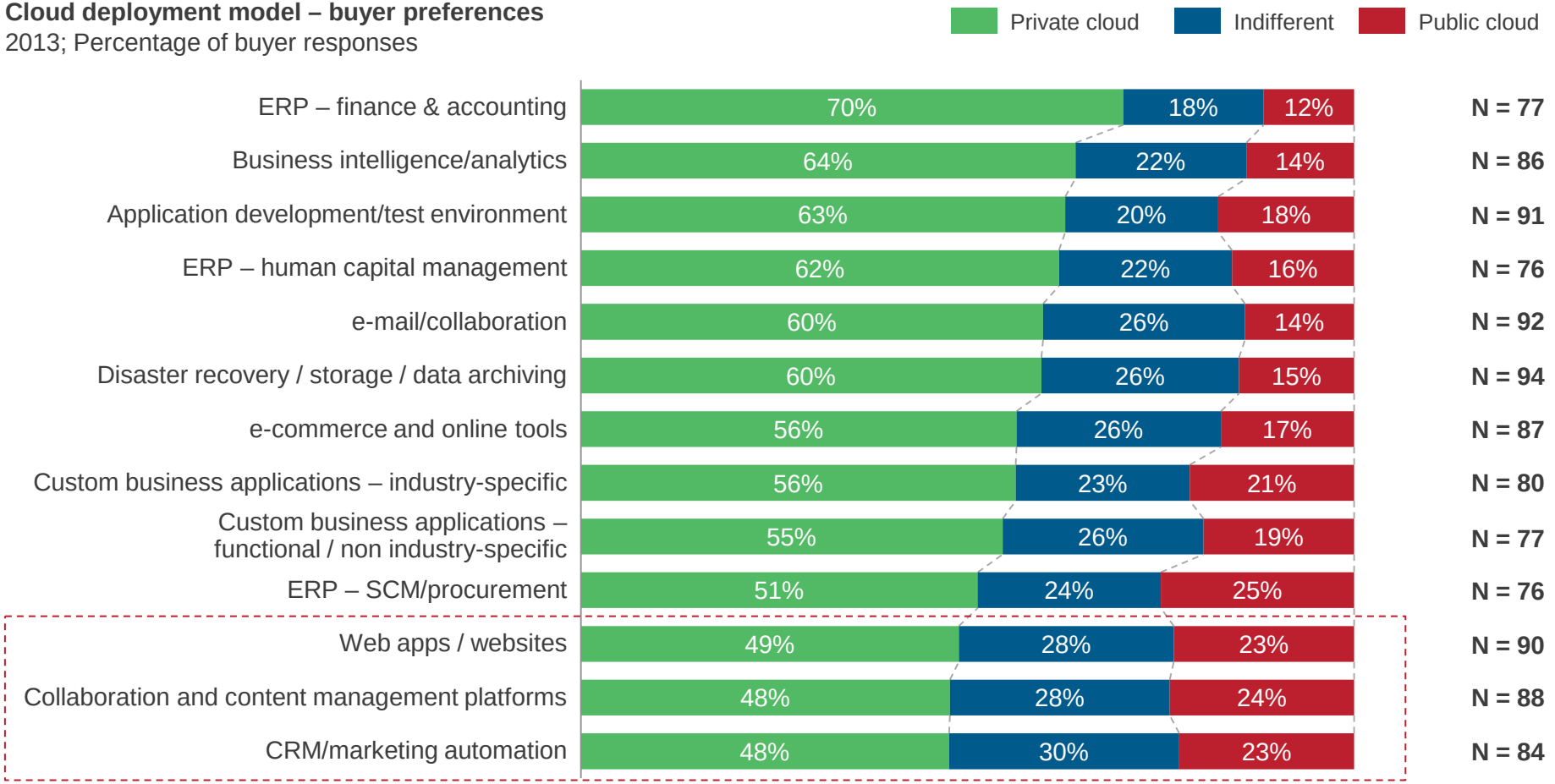
Buyers seem to prefer private cloud models for most workloads; however, web apps, collaboration, content management, and CRM solutions hold greater potential for public cloud models

Cloud deployment model – buyer preferences
2013; Percentage of buyer responses



Buyers continue to be in need of education around the possible applications of public cloud solutions

Source: Everest Group Cloud Connect Enterprise Cloud Adoption Survey 2013

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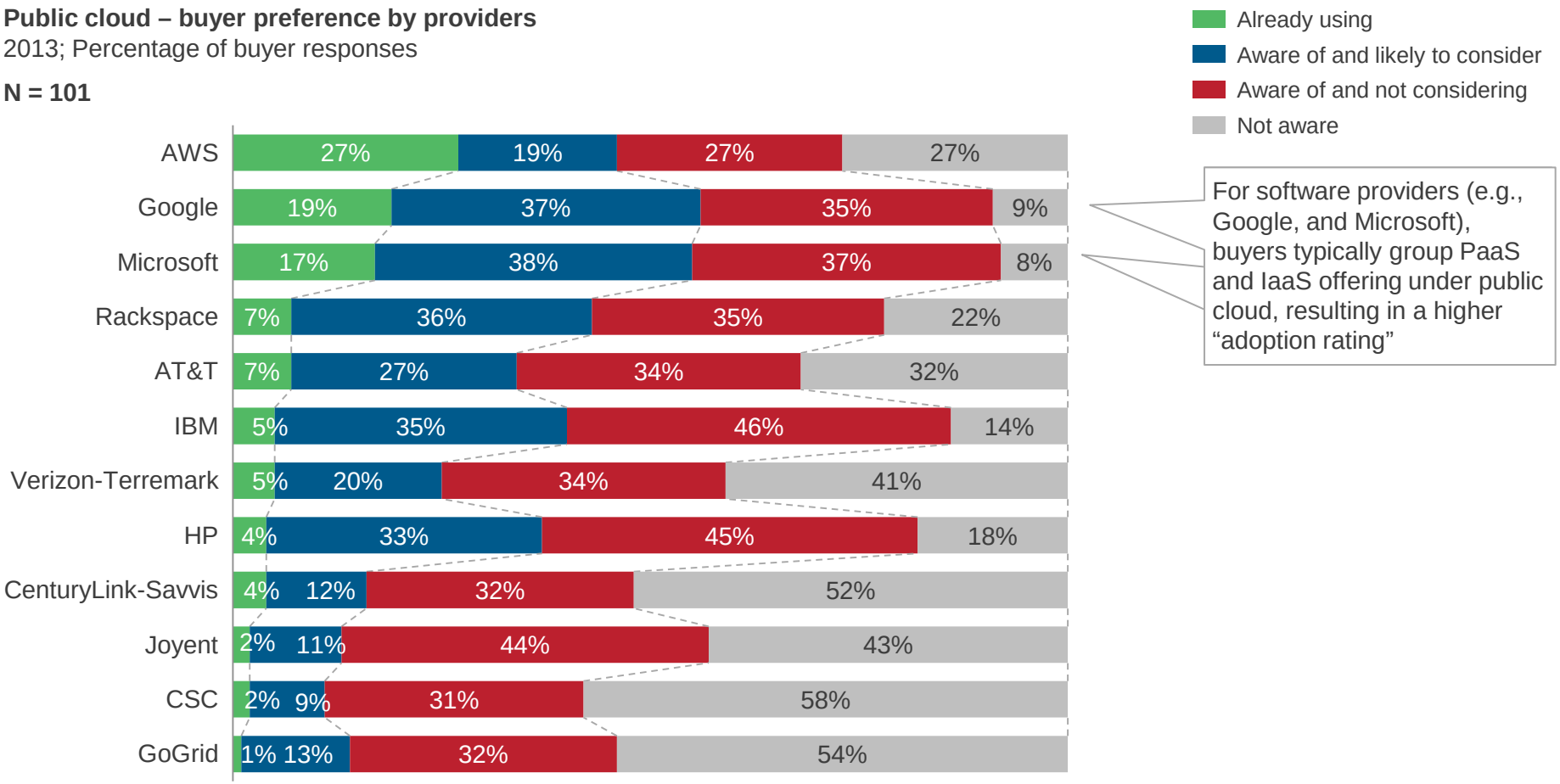
While AWS has the dominant market position, competition in the public cloud space is likely to intensify

Public cloud – buyer preference by providers
2013; Percentage of buyer responses

N = 101



AT&T, Google, HP, IBM, Microsoft, Rackspace, and Verizon-Terremark are likely to provide increasing competition to AWS

Source: Everest Group Cloud Connect Enterprise Cloud Adoption Survey 2013

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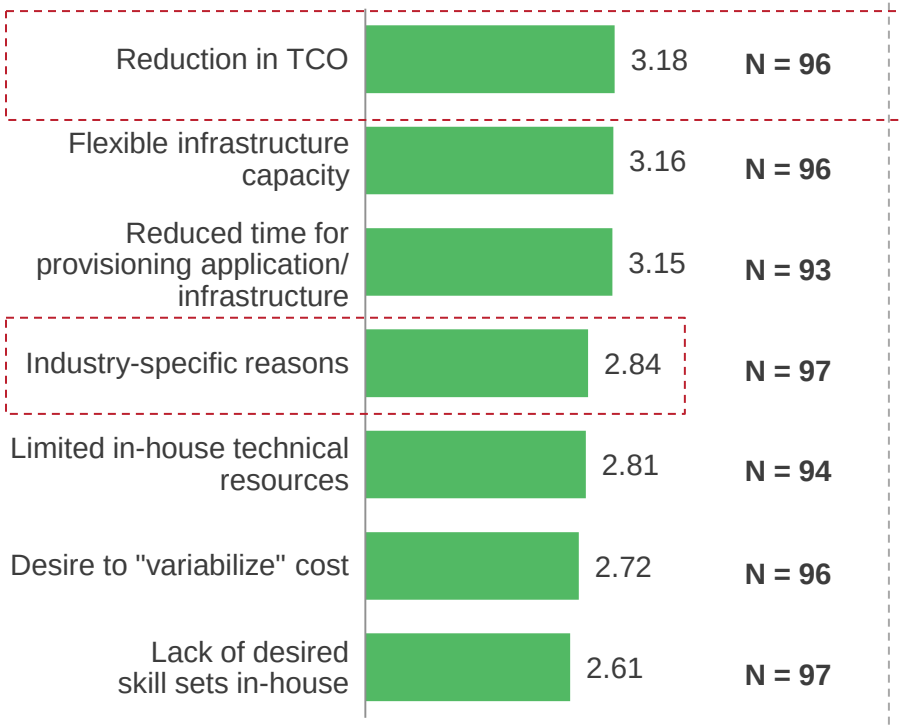
TCO reduction is becoming the primary driver behind cloud adoption; industry-specific reasons are important for buyers, however, providers do not share this view

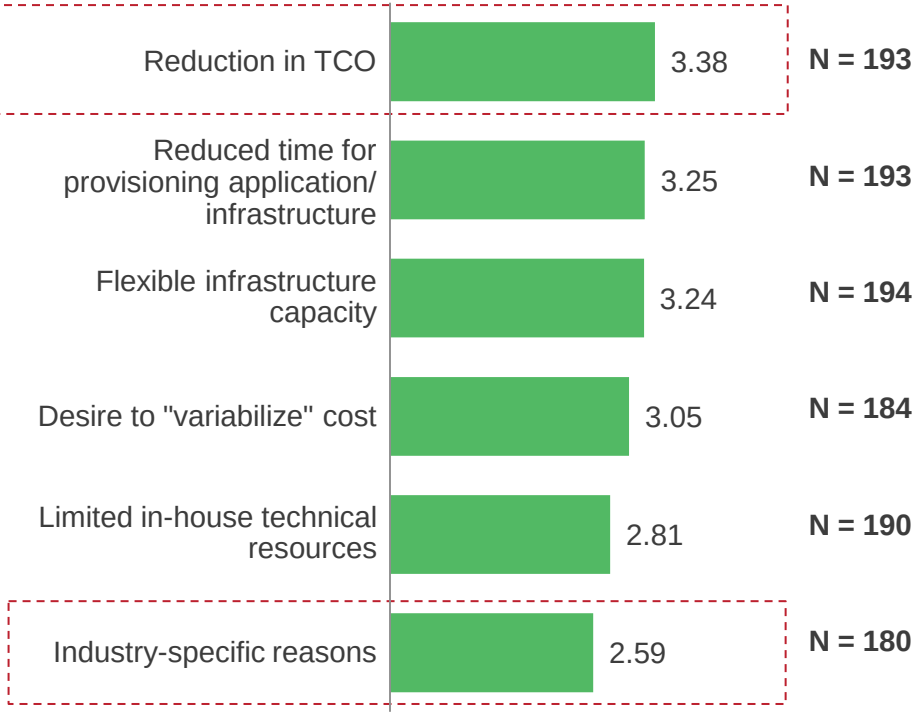
Relative importance of adoption drivers
2013; Mean rating, buyer responses

1 = not at all important; ……. 4 = very important



Relative importance of adoption drivers
2013; Mean rating, service provider / advisory responses

1 = not at all important; ……. 4 = very important



Source: Everest Group Cloud Connect Enterprise Cloud Adoption Survey 2013

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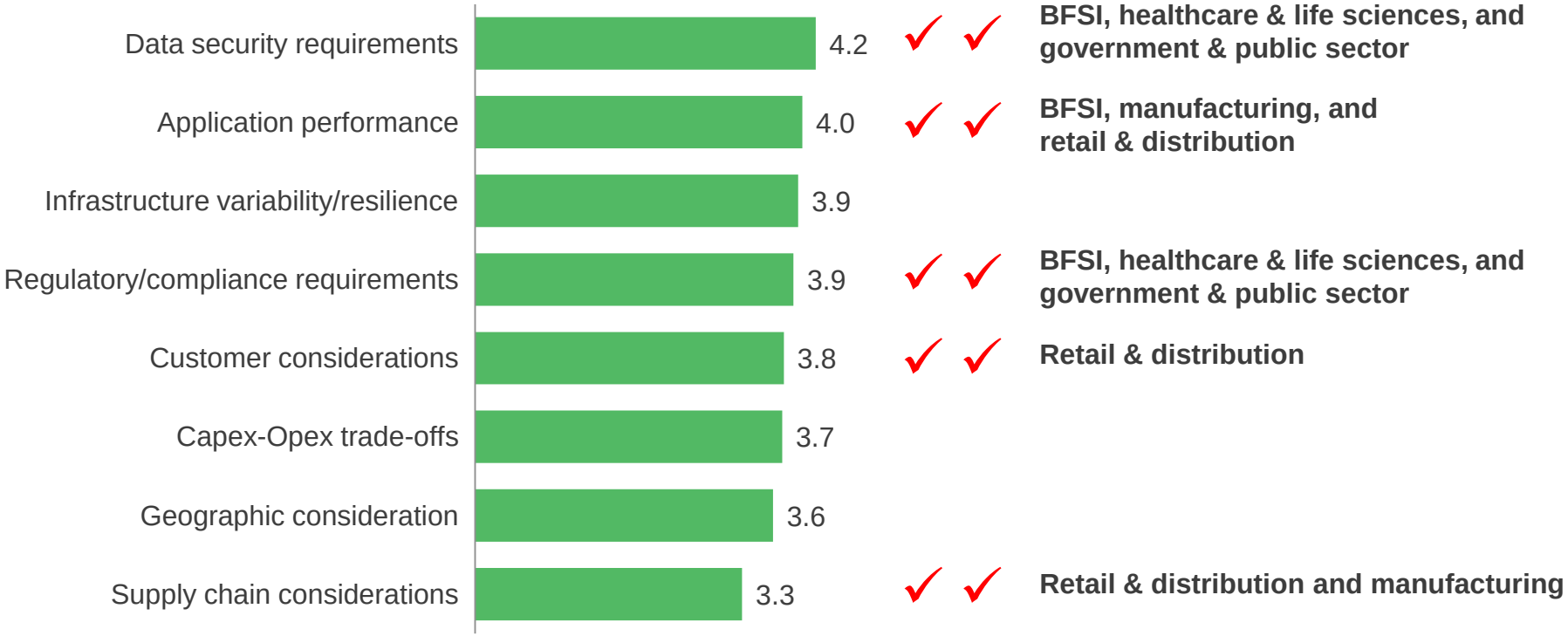
Different industries have different considerations that are driving their cloud strategy, some considerations (e.g., security) are relevant across industries

Industry-specific considerations
2013; Mean rating

1 = not at all important; ……. 4 = very important

N = 101



Source: Everest Group Cloud Connect Enterprise Cloud Adoption Survey 2013

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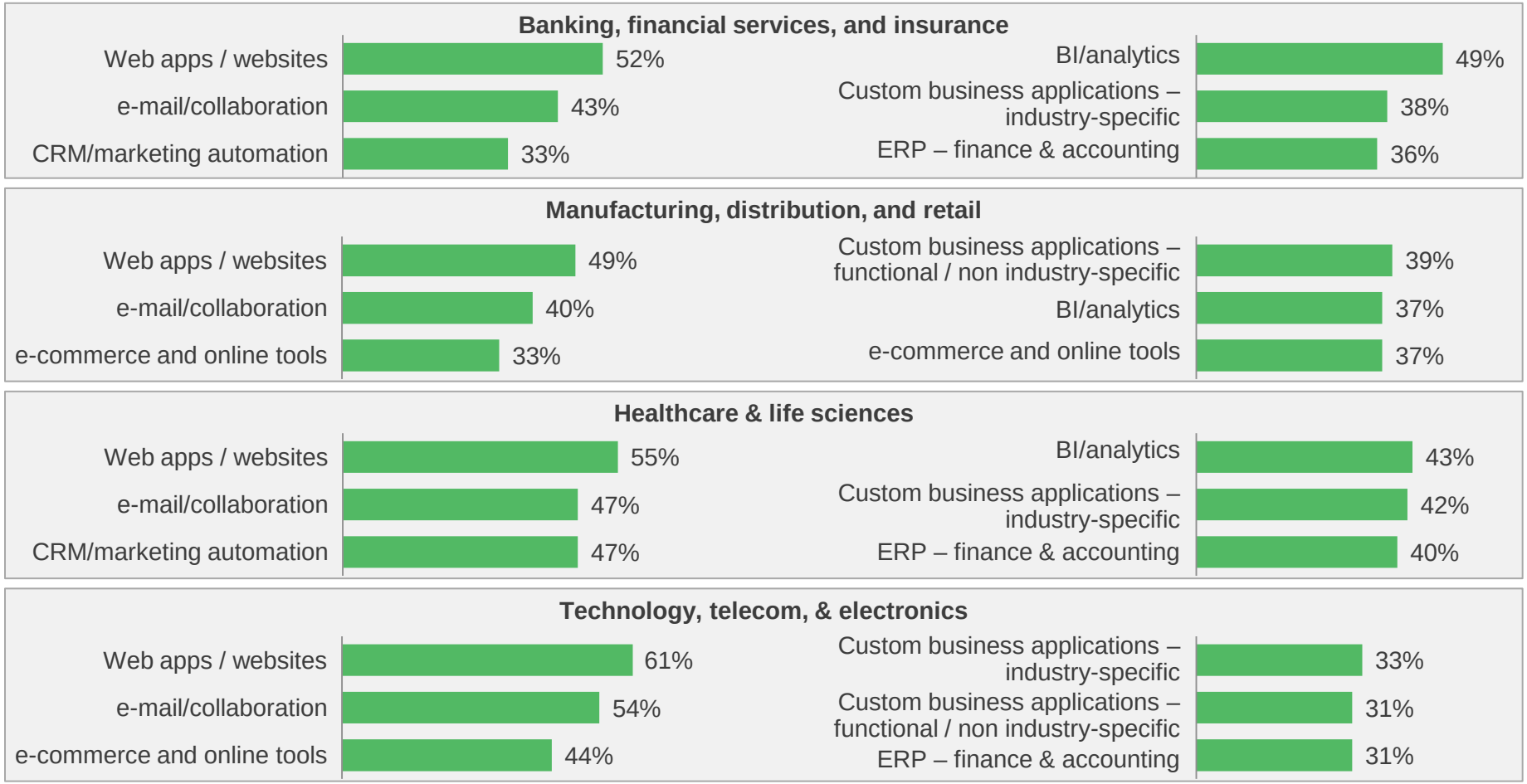
There are common patterns of maturing adoption across verticals, with BI/analytics, custom applications, and F&A systems being earmarked for the next wave of migration

Existing cloud adoption by workloads
2013; Percentage of buyer respondents

Likely future cloud adoption by workloads
2013; Percentage of buyer respondents



Source: Everest Group Cloud Connect Enterprise Cloud Adoption Survey 2013

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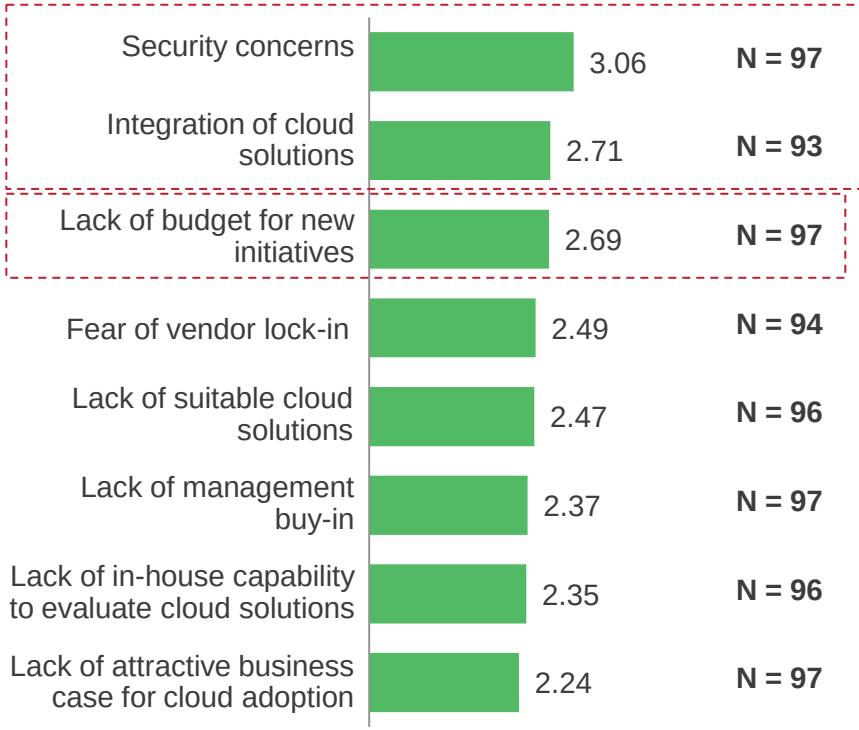
Apart from security and integration issues, buyers witness budget crunch in moving from a pilot to a broader strategic cloud deployment despite an attractive business case

Barriers to enterprise cloud adoption
2013; Percentage of buyer responses

1 = not at all important; ……. 4 = very important



Barriers to enterprise cloud adoption
2013; Percentage of service provider / advisory responses

1 = not at all important; ……. 4 = very important

Concerns around security lead to a pre-conceived bias against public cloud investments

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Drivers and barriers are broadly similar across cloud layers; however, there are interesting nuances and emerging constraints

Top three drivers for adoption by cloud layer		Top three barriers to adoption by cloud layer
1. TCO reduction 2. Cost variabilization **3. Limited number of in-house resources**	**BPaaS**	1. Security concerns 2. Integration challenges **3. Lack of suitable solutions**
1. TCO reduction 2. Cost variabilization **3. Industry-specific reason**	**SaaS**	1. Security concerns 2. Integration challenges **3. Lack of management buy-in**
1. TCO reduction 2. Cost variabilization **3. Limited number of in-house resources**	**PaaS**	1. Security concerns 2. Integration challenges **3. Lack of budgets for new initiatives**
1. TCO reduction 2. Flexible infrastructure capacity 3. Reduced provisioning time	**IaaS**	1. Security concerns 2. Integration challenges **3. Lack of budgets for new initiatives**

While BPaaS adoption seems to be constrained by a lack of solutions in the market, budget issues are beginning to emerge as constraints to adoption

Source: Everest Group Cloud Connect Enterprise Cloud Adoption Survey 2013

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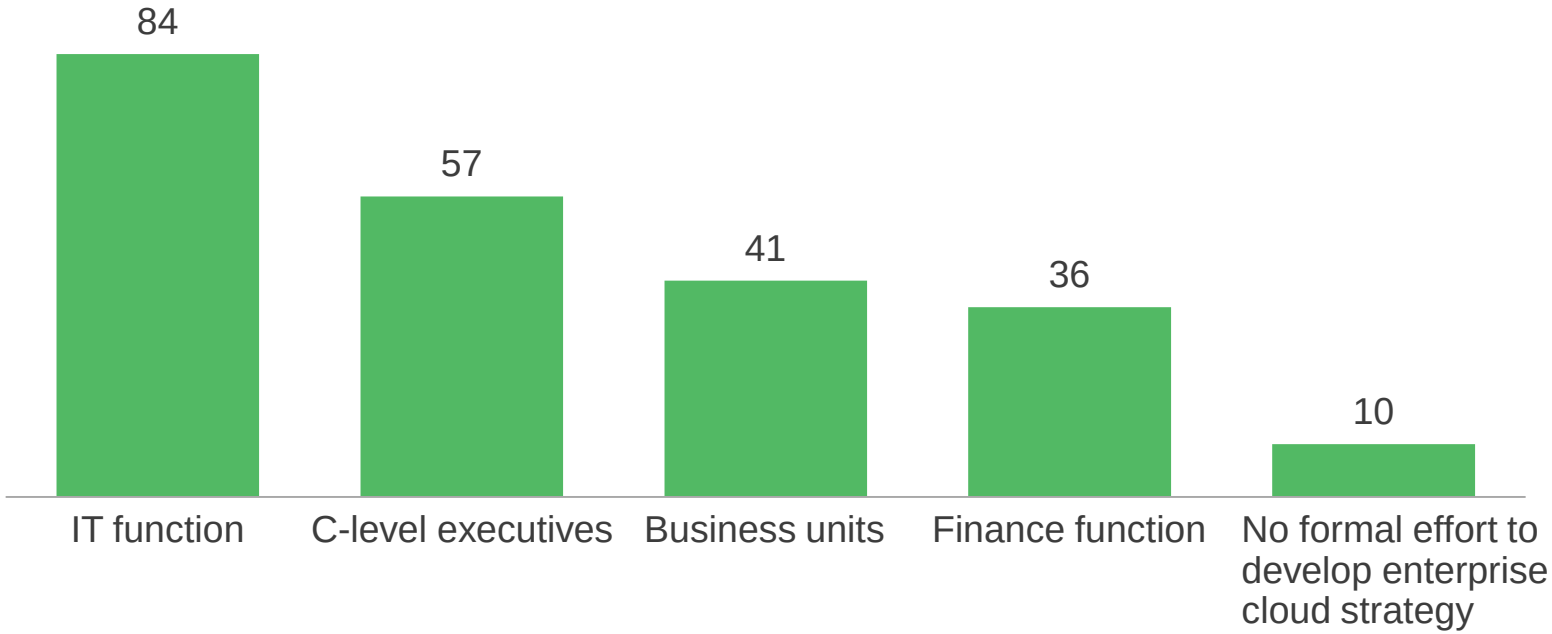
IT, in conjunction with business leadership, comprise the primary decision making group for cloud adoption decisions

Stakeholder involvement in cloud solution purchase
2013; Number of mentions in buyer responses

N = 228



Compared to other IT purchase decisions, cloud investments attract higher involvement from CXOs

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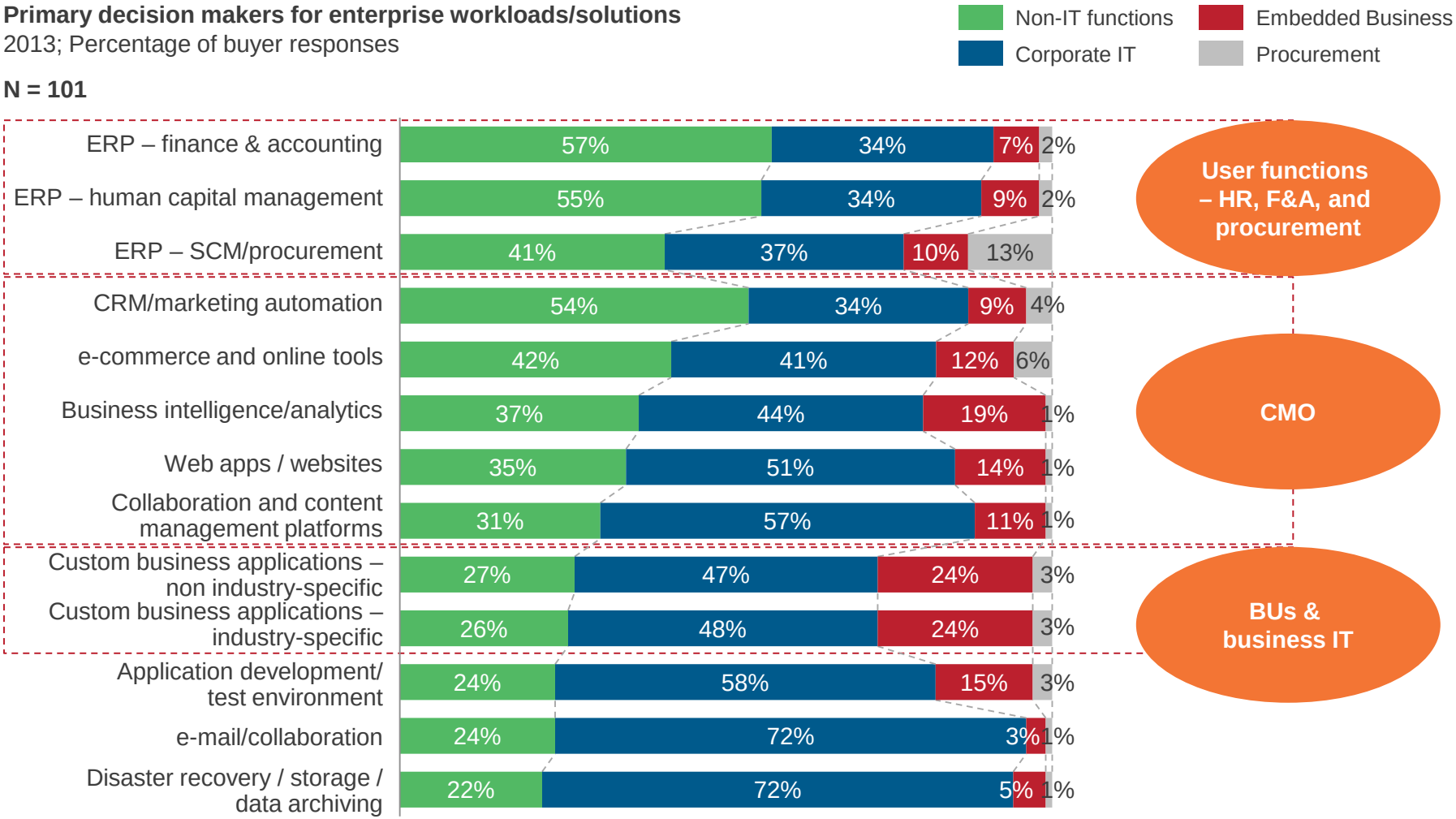
CMOs, user function teams for specific workloads, and IT teams embedded in business teams are likely to wield increasing influence in cloud adoption decisions

Primary decision makers for enterprise workloads/solutions
2013; Percentage of buyer responses

N = 101



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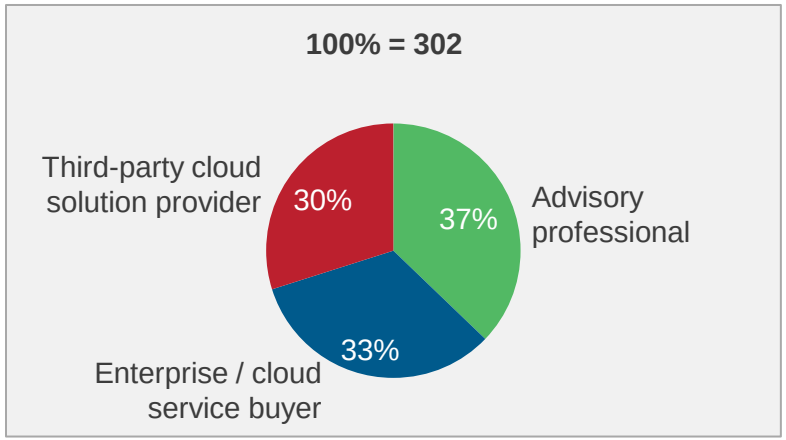
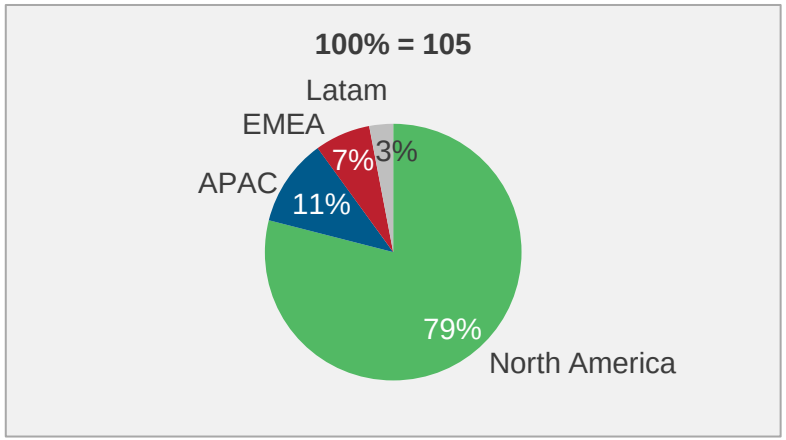
Survey demographics

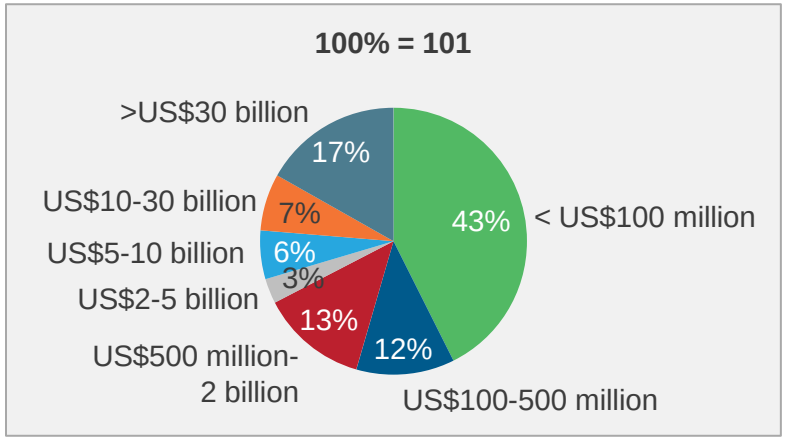
Number of respondents



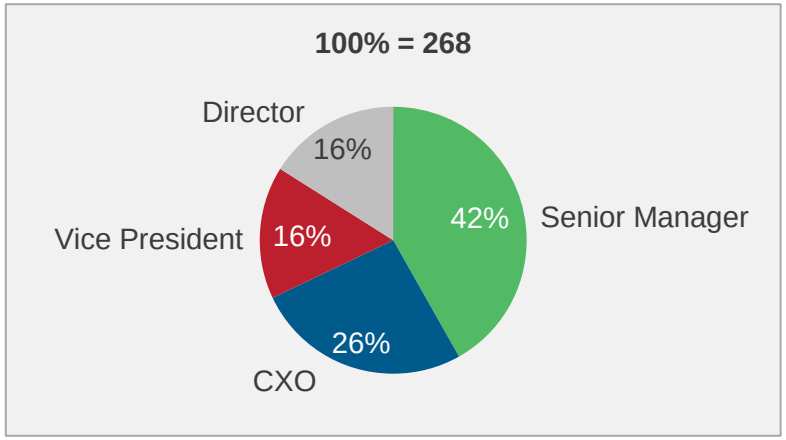
Buyer responses by geography



Buyer responses by size



All responses by job title



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About Everest Group

Everest Group is an advisor to business leaders on the next generation of global services with a worldwide reputation for helping Global 1000 firms dramatically improve their performance by optimizing their back- and middle-office business services. With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of global services in their pursuits to balance short-term needs with long-term goals. Through its practical consulting, original research, and industry resource services, Everest Group helps clients maximize value from delivery strategies, talent and sourcing models, technologies, and management approaches. Established in 1991, Everest Group serves users of global services, providers of services, country organizations, and private equity firms in six continents across all industry categories. For more information, please visit www.everestgrp.com and research.everestgrp.com.

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About Cloud Connect

Cloud Connect, produced by UBM TechWeb, is the defining event of the cloud computing industry. As both a conference and an exhibition, Cloud Connect's goal is to chart the course of cloud computing's development by bringing together enterprise IT professionals, developers, infrastructure, service providers, and cloud computing innovators. UBM TechWeb has produced cloud events that define and frame cloud computing discussions since June 2008, including Cloud Summit Executive and Enterprise Cloud Summit at Interop. Cloud Connect is a one-of-a-kind event that encompasses the entire cloud computing ecosystem featuring IT & developer workshops and a full conference program. For more information, visit www.cloudconnectevent.com.

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Everest Group locations

Dallas (Headquarters): info@everestgrp.com
+1-214-451-3000

New York: info@everestgrp.com
+1-646-805-4000

Toronto: canada@everestgrp.com
+1-416-865-2033

London: unitedkingdom@everestgrp.com
+44-207-129-1318

Delhi: india@everestgrp.com
+91-124-496-1000

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