Everest Group

CloudConnect

Enterprise Cloud Adoption Survey – Results

August 2012

Content

Context and methodology

Context & Objectives

- Cloud Connect and Everest Group conducted a joint survey to coincide with the Cloud Connect conference in Chicago, September 2012
- The objectives of the survey were to:
  - Identify broad-based cloud adoption patterns
  - Identify barriers to adoption
  - Evaluate overall "cloud sentiment" post adoption

Methodology

- Cloud Connect and Everest Group jointly created an online survey for the purposes of this study
- Survey invitations were sent by email to three primary groups of cloud market stakeholders:
  - **Cloud Buyers:** Enterprises that have adopted, or are looking forward to 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; however, given the sample size of Cloud Buyers, and the random sampling methodology, analysis by different segments within the buyer community has not been attempted, as the results would not be statistically significant

Key findings (1/2)

Cloud adoption is expanding beyond "low hanging fruit" such as email and custom applications

- While existing adoption remains strongest within the SaaS layer, cloud infrastructure models are expected to provide the next impetus to growth; private cloud models are expected to grow the most
- Early adoption workloads such as custom business applications and email/collaboration will continue to move to the cloud
  - However, adoption is poised to broaden with a large proportion of enterprises earmarking disaster recovery/storage/ archiving needs as part of their plans for cloud infrastructure implementation
  - Further, we believe that adoption patterns will be closely linked with the success of other Next Generation technologies as legacy integration challenges will be easier to resolve. For instance, with the advent of Big Data themes, a significant number of enterprises are planning to move their BI/Analytics workloads to the cloud

Cloud is seen as an enabler of topline growth, beyond the cost reduction imperative

- The ability of cloud technology to bring down enterprise's time to market for applications, solutions and products is one of the strongest drivers of adoptions
  - Further, buyers record high post adoption satisfaction scores in their ability to shrink time to market
- The ability to create and provision flexible infrastructure in line with demand patterns is rated as the second most important driver of adoption
- While buyers maintain that TCO reduction objectives rank low in the hierarchy of drivers, service providers mention this as the strongest driver for their customers

Perceived "security issues" continues to be the most significant barrier to adoption

- All market constituents unanimously agree on "security concerns" being the biggest barrier to cloud adoption
- However, it is interesting to note that service providers rank "lack of management buy-in" as an important barrier, which is at odds to buyer sentiment
  - This is good news for challengers seeking to account entry, as it clearly indicates that established incumbents are grappling with decentralized budget centers, as traditional IT roles are being blurred within the cloud context

Key findings (2/2)

While VMware has leading mindshare, many enterprises prefer opensource technology

- 19% of responses indicated no strong preference towards virtualization technology vendors, next to 47% for VMware
- 14% of responses indicated a strong preference for opensource cloud infrastructure platforms, next to 34% for VMware; 25% of responses indicated no strong preference

Service providers need to adapt to new budget centers and sell on business value rather than cost

- Enterprise adoption is being driven primarily to improve responsiveness (reduced provisioning cycle times) and flexibility without increasing IT spend; adoption is being driven by business users whose management teams are “bought in” and supportive
- Service providers, on the other hand, believe that adoption is being driven primarily to reduce IT costs by management teams that aren’t fully bought in yet
- We believe that as cloud technology simplifies IT consumption (e.g., small-scale SaaS consumption and virtual instance provisioning), traditional IT procurement roles are increasingly being driven by business users. Developer teams embedded in BUs do not need corporate IT buy-in for routine cloud usage, consequently leading to “budget shifting” away from traditional buying centers
- Service providers need to adapt to the “Next Gen Buying Center” and shift discussions away from the traditional cost-based value proposition

Overall, buyers’ “cloud sentiment” remains extremely positive, with high expectations for the future

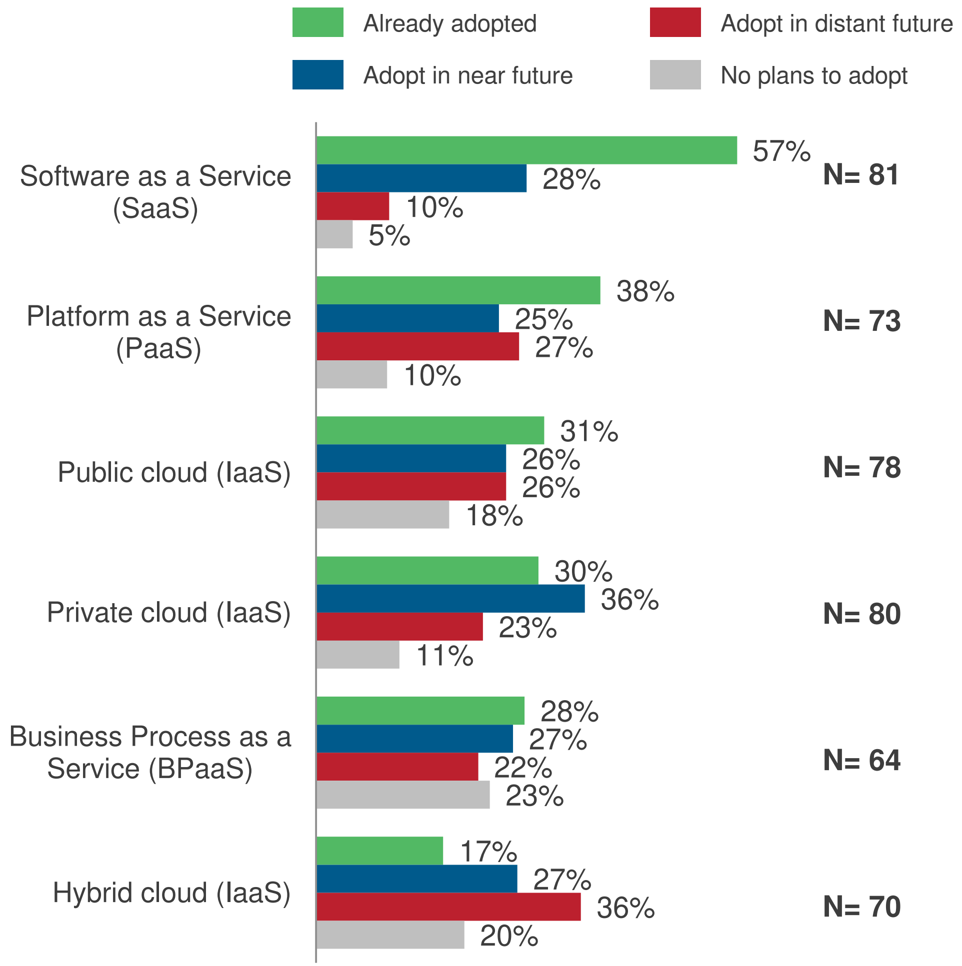
- An overwhelming majority of Cloud Buyers expressed high levels of satisfaction on their cloud implementations
- Highest satisfaction is recorded on buyers’ ability to create flexible infrastructure
- Most importantly, cloud computing is not going to be another flash in the pan. An overwhelming majority of survey respondents underlined their commitment to move larger chunks of their IT establishment to the cloud, as they expect to derive greater business value from cloud technologies in the future

Content

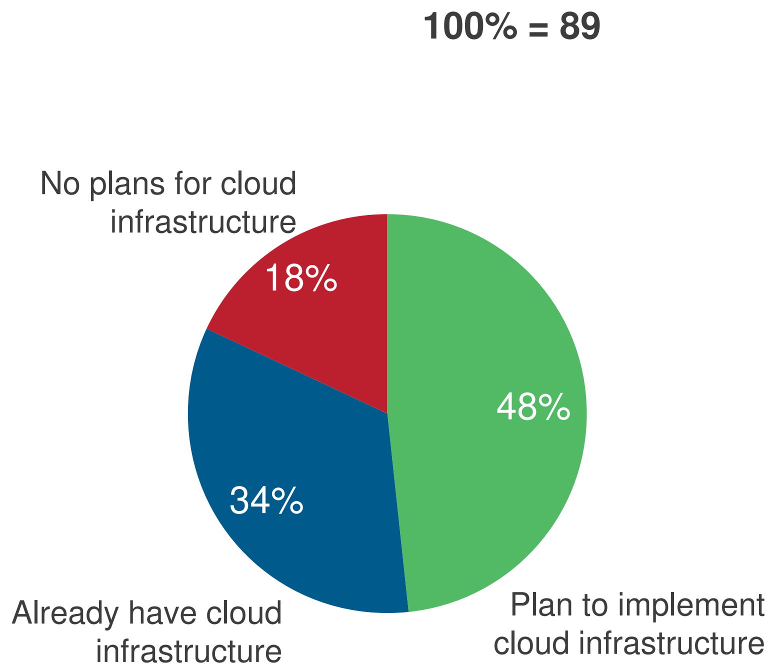
- Executive Summary
- **Detailed findings**
- Appendix - Demographics

SaaS modules have been adopted most widely; IaaS adoption is expected to grow fastest in the near future

Enterprise cloud adoption trends by cloud layer – Buyer responses

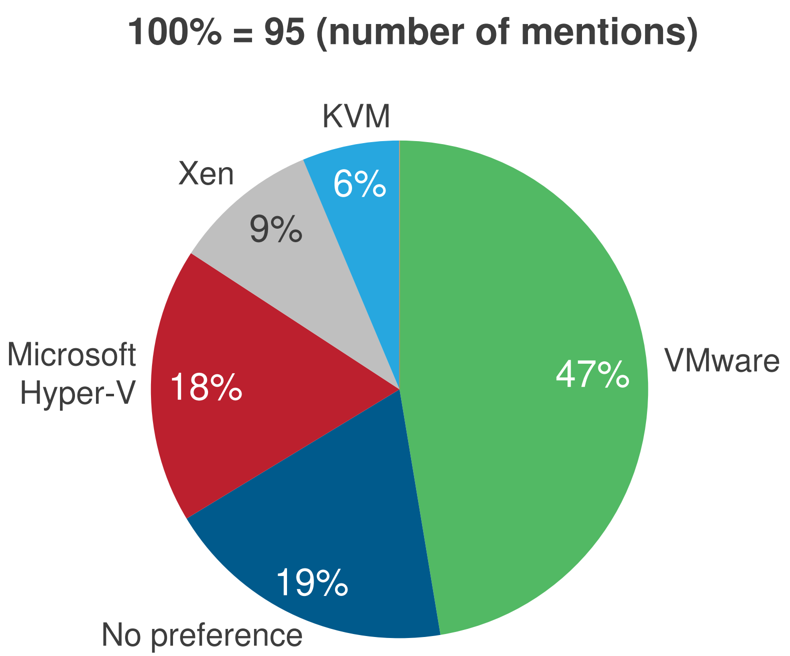


IaaS adoption plans - Buyer responses

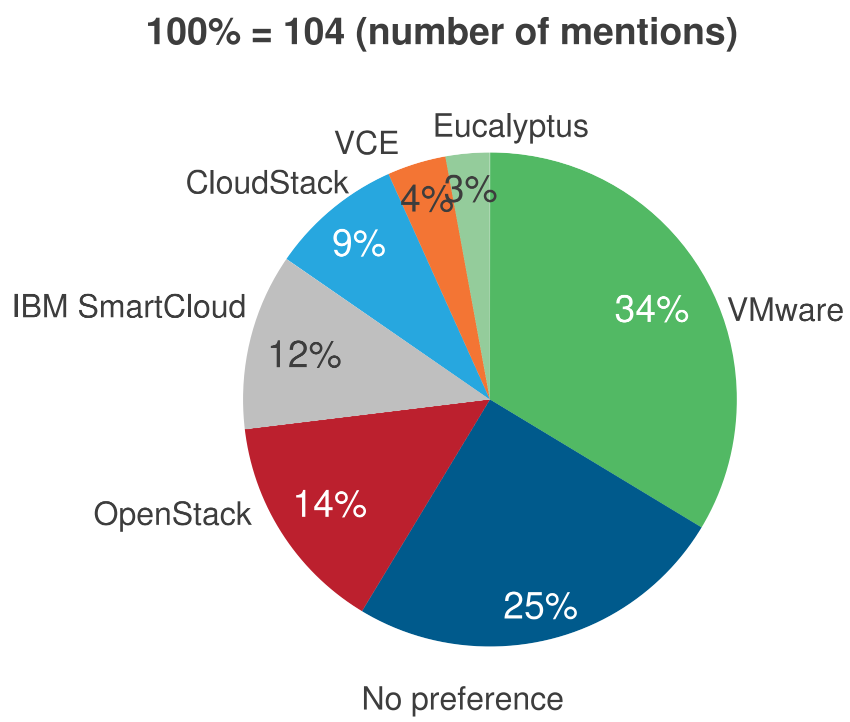


Amongst those planning IaaS implementation, VMware enjoys dominant mindshare

Preference for virtualization technology
Buyer responses (cloud infrastructure implemented/planned)



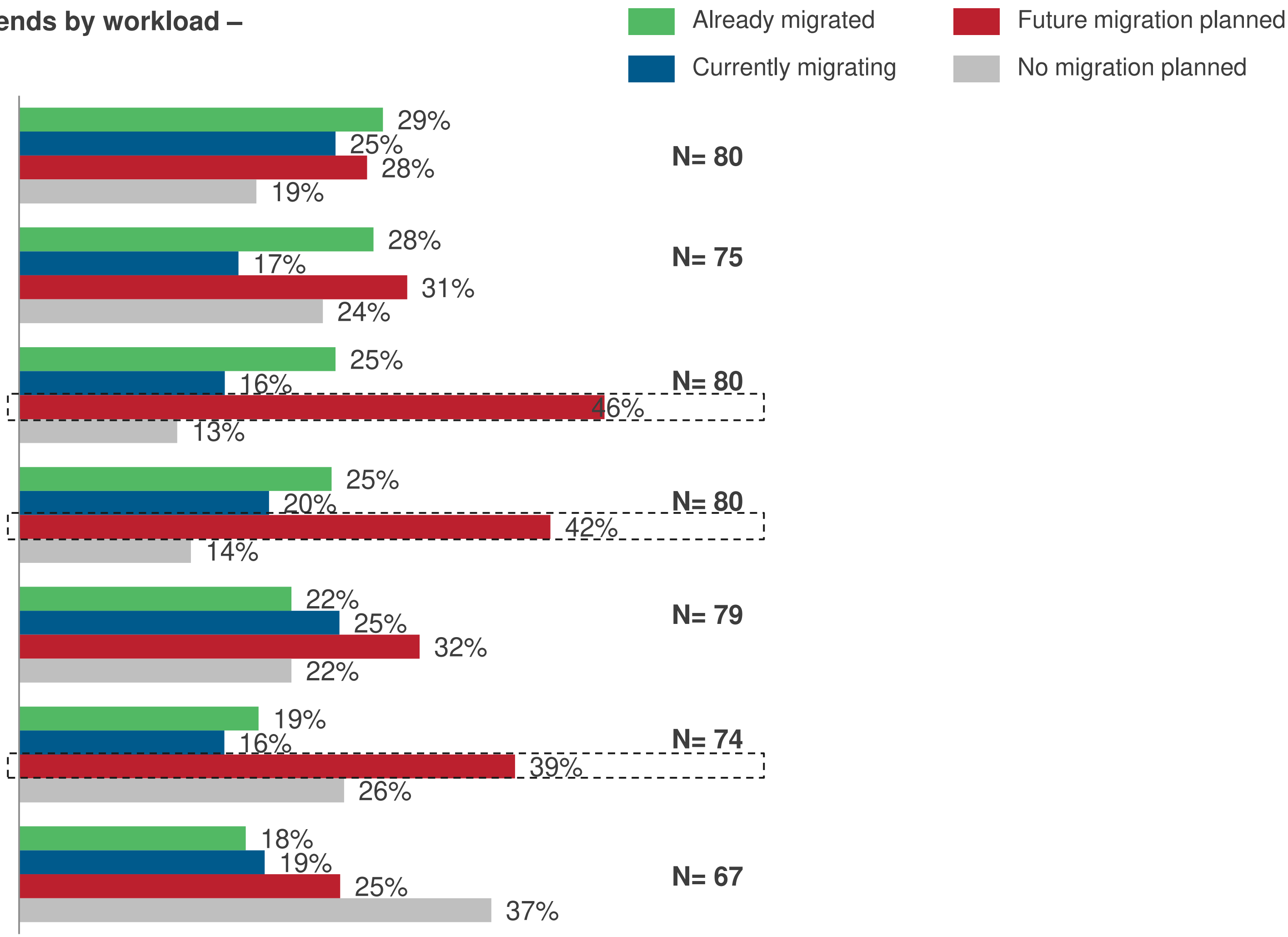
Preference for cloud platform
Buyer responses (cloud infrastructure implemented/planned)



However, a significant proportion of the market professes to be platform agnostic, or prefer open source platforms

Email/collaboration, DR/storage, and BI/analytics being targeted for cloud porting; as buyers think beyond custom applications and development platforms

Enterprise Cloud adoption trends by workload – Buyer responses

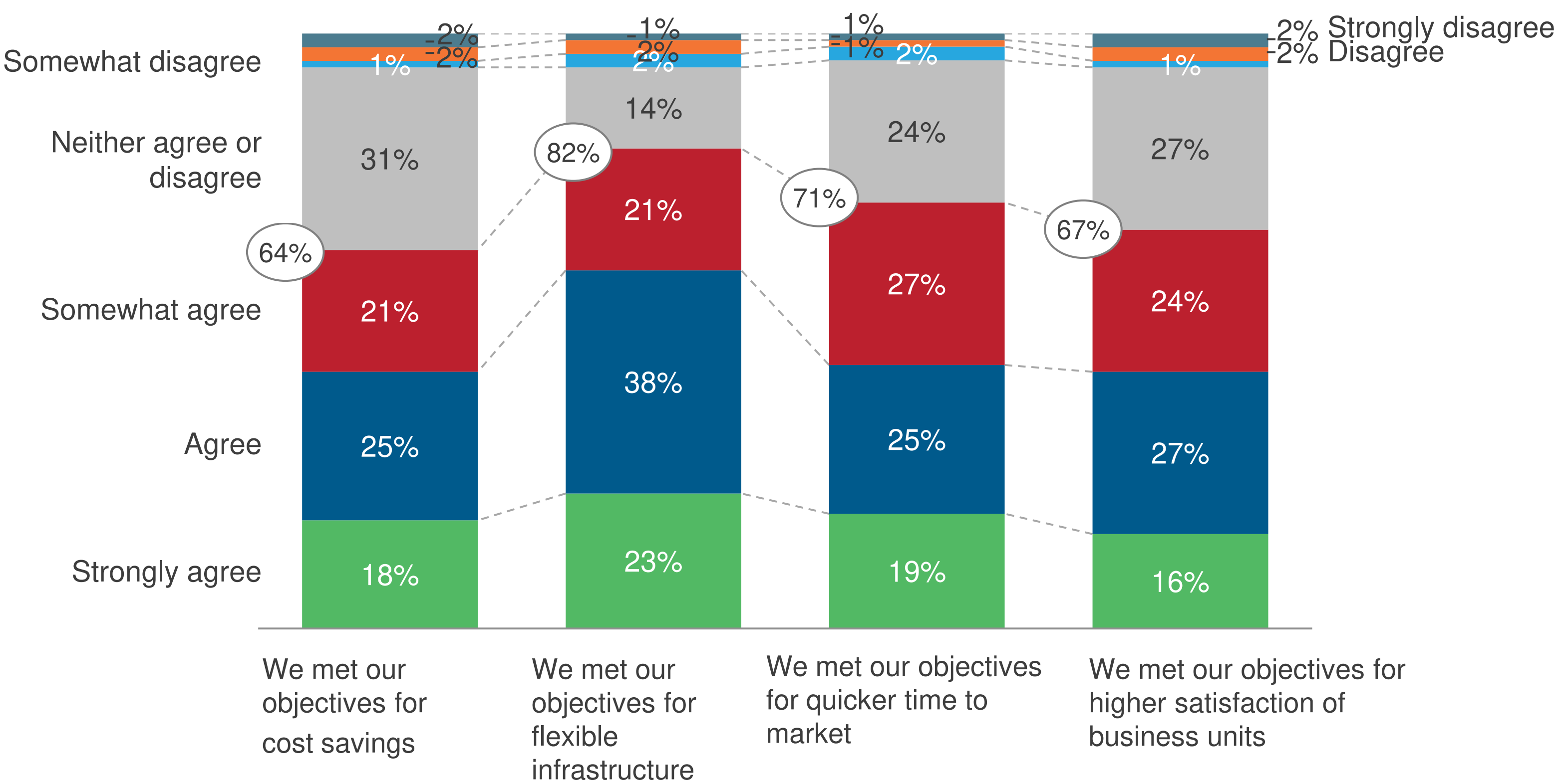


Vast majority of buyers met their “cloud objectives”; more than cost reduction, cloud enables flexible infrastructure and reduce time to market…

Enterprise Cloud adoption – objective fulfillment
Buyer responses

XX% **Overall agreement %**

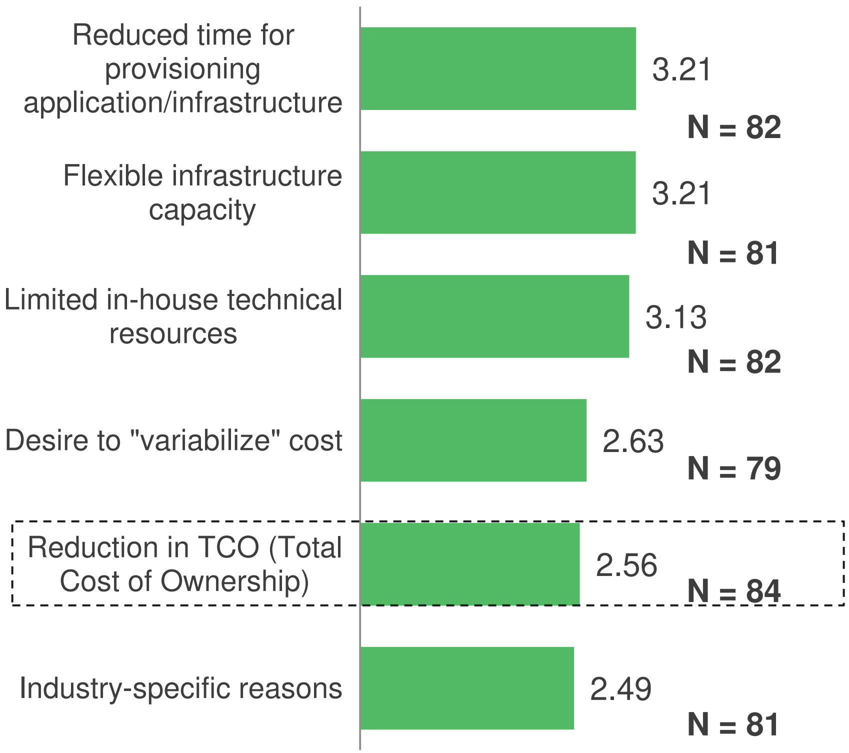
N = 88



… both of which are top adoption drivers for enterprise buyers; however, supply side constituents view cloud adoption to be driven primarily by cost reduction imperatives

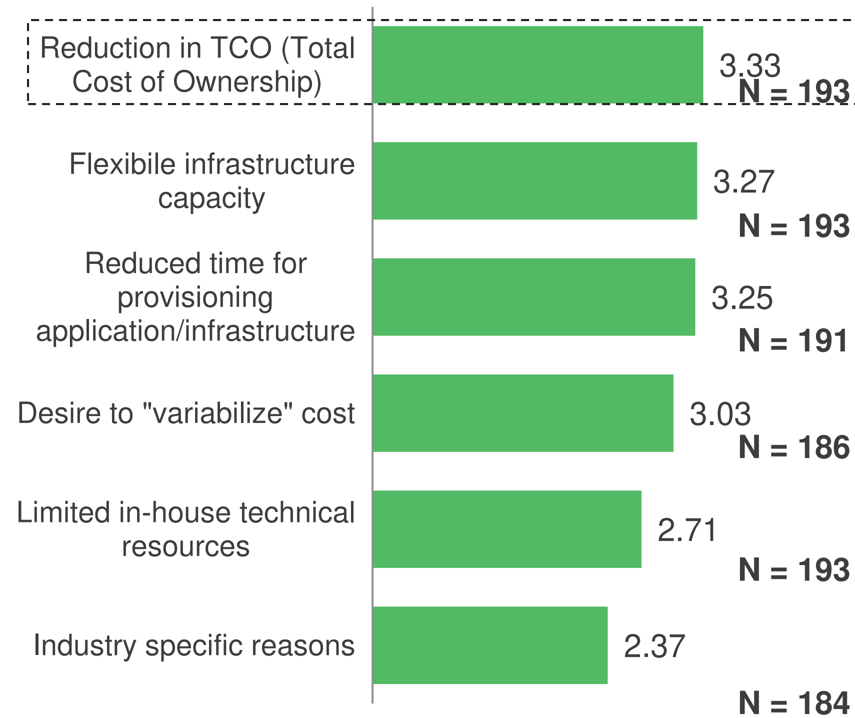
Relative importance of adoption drivers
Buyer responses

1 = not at all important; ………. 5 = very important



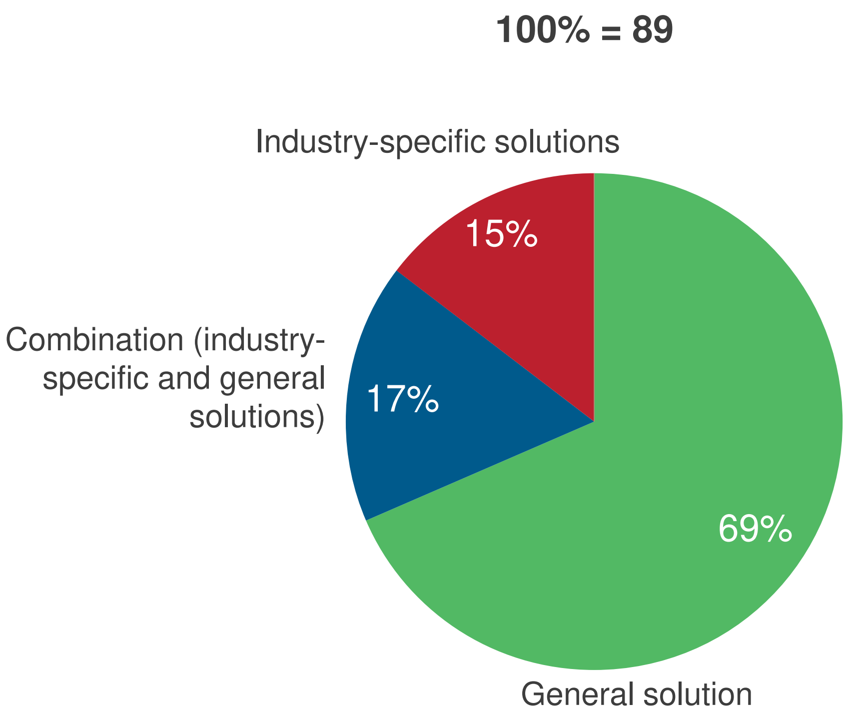
Relative importance of adoption drivers
Service provider/advisory responses

1 = not at all important; ………. 5 = very important



Adoption is by and large driven non-vertical solutions; however, industry-specific adoption patterns point towards significant impact on customer facing processes

Industry specificity of cloud adoption
Buyer responses



Industry specific reasons for cloud adoption
Buyer responses

Buyerspeak: *Industry specific cloud solutions enable us to…*

"…make changes quickly to web hosted customer portal"

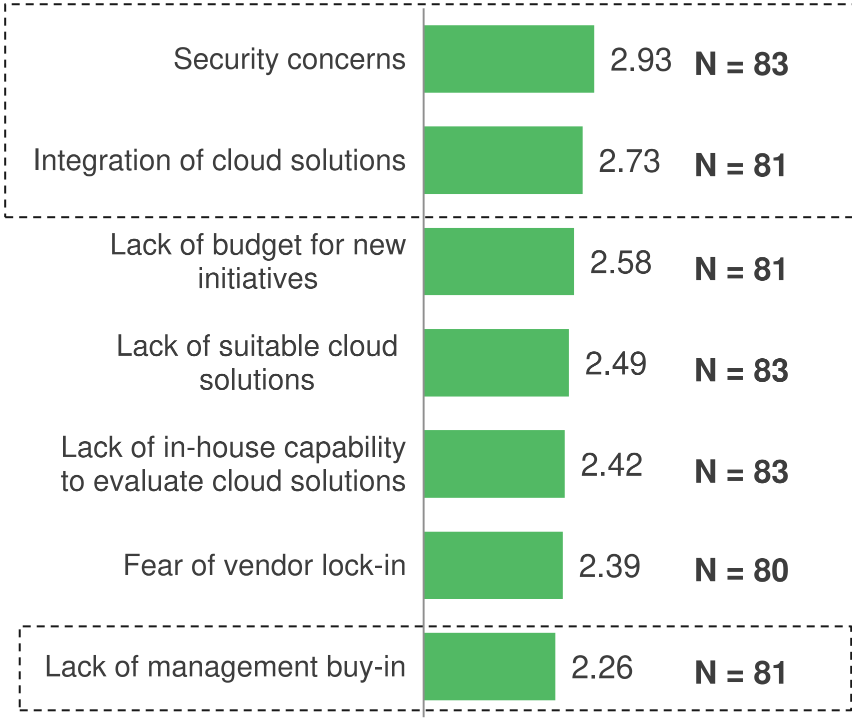
"… to serve the needs of our clients – through (dynamic) communication, and data analytics"

"… support with products and services, our customers who wish to operate within the public cloud."

Security and integration issues are barriers to adoption; contrary to buyer perception, service providers cite lack of buy-in as a more significant barrier than budget issues

Barriers to enterprise cloud adoption
Buyer responses

1 = not at all important; ………. 5 = very important



Barriers to enterprise cloud adoption
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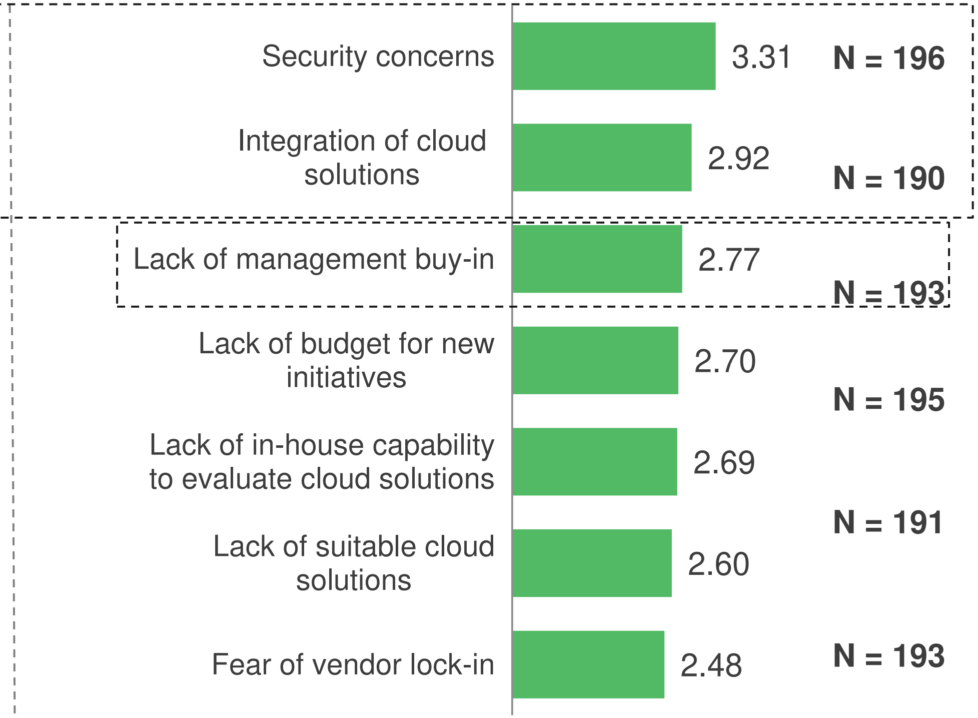
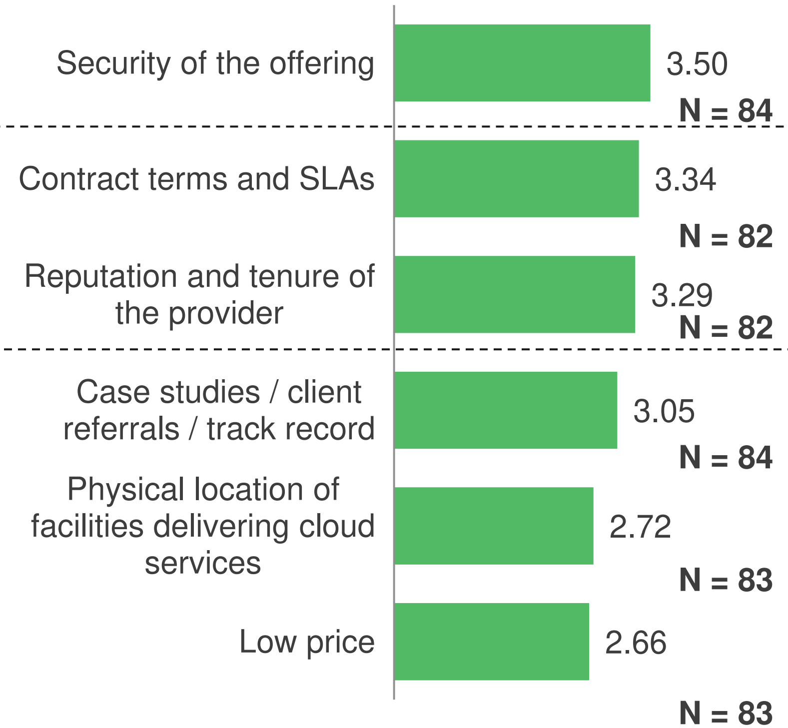


Service providers need support from stakeholder groups in order to generate buy-in across the enterprise

Buyers are willing to change service providers for the right contract terms, while service providers believe the reputation and tenure of the provider is more important

Cloud solution purchase – decision criterion
Buyer responses

1 = not at all important; ………. 5 = very important



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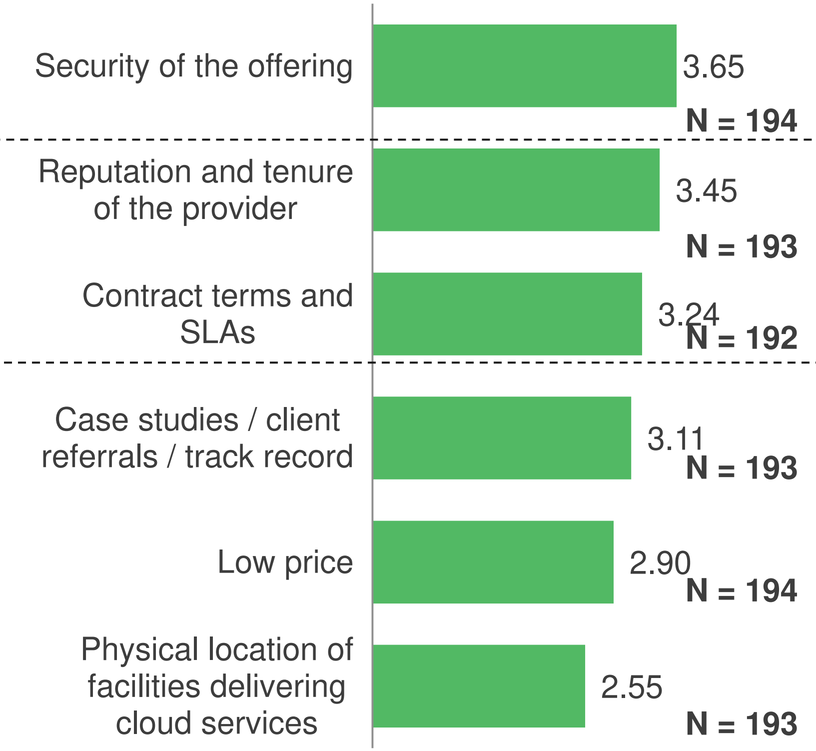
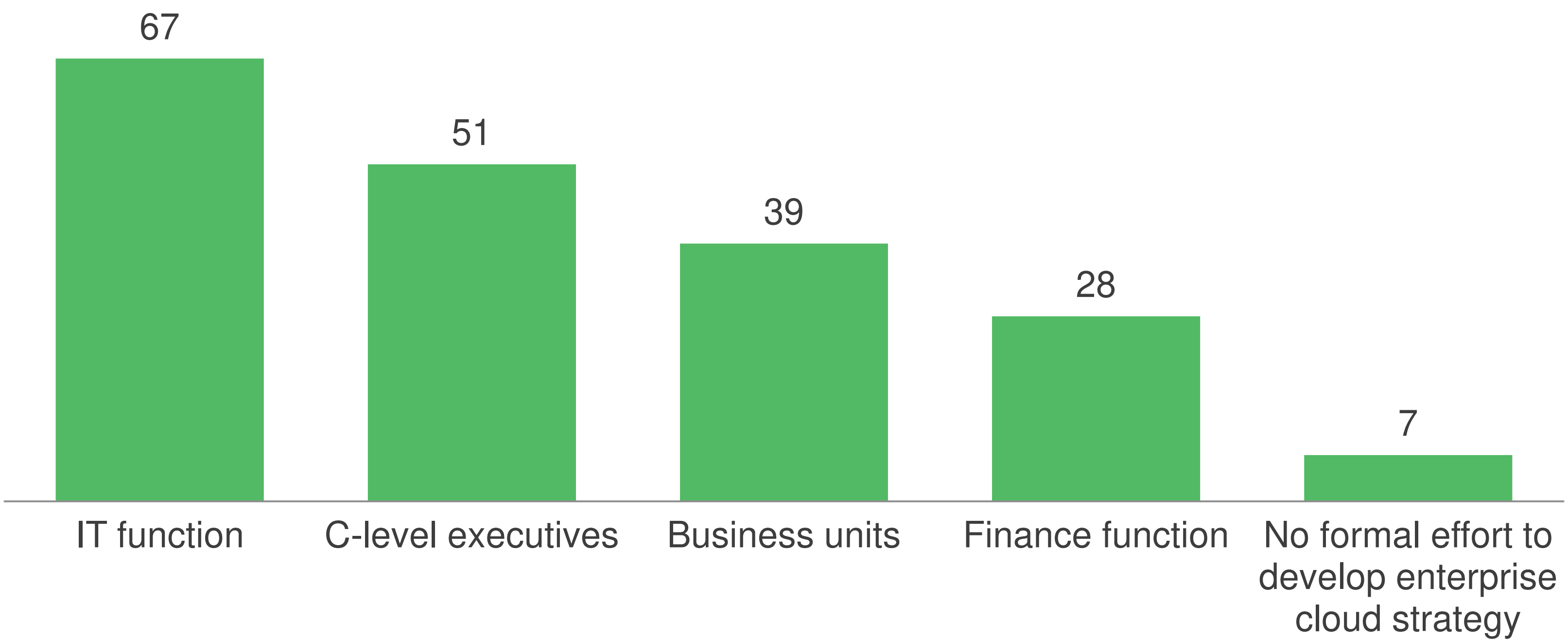


Security features continue to be the top decision criteria

IT, in conjunction with business leadership, comprises the primary decision-making group for cloud adoption

Stakeholder involvement in cloud solution purchase
Buyer responses

N = 192 (number of mentions)



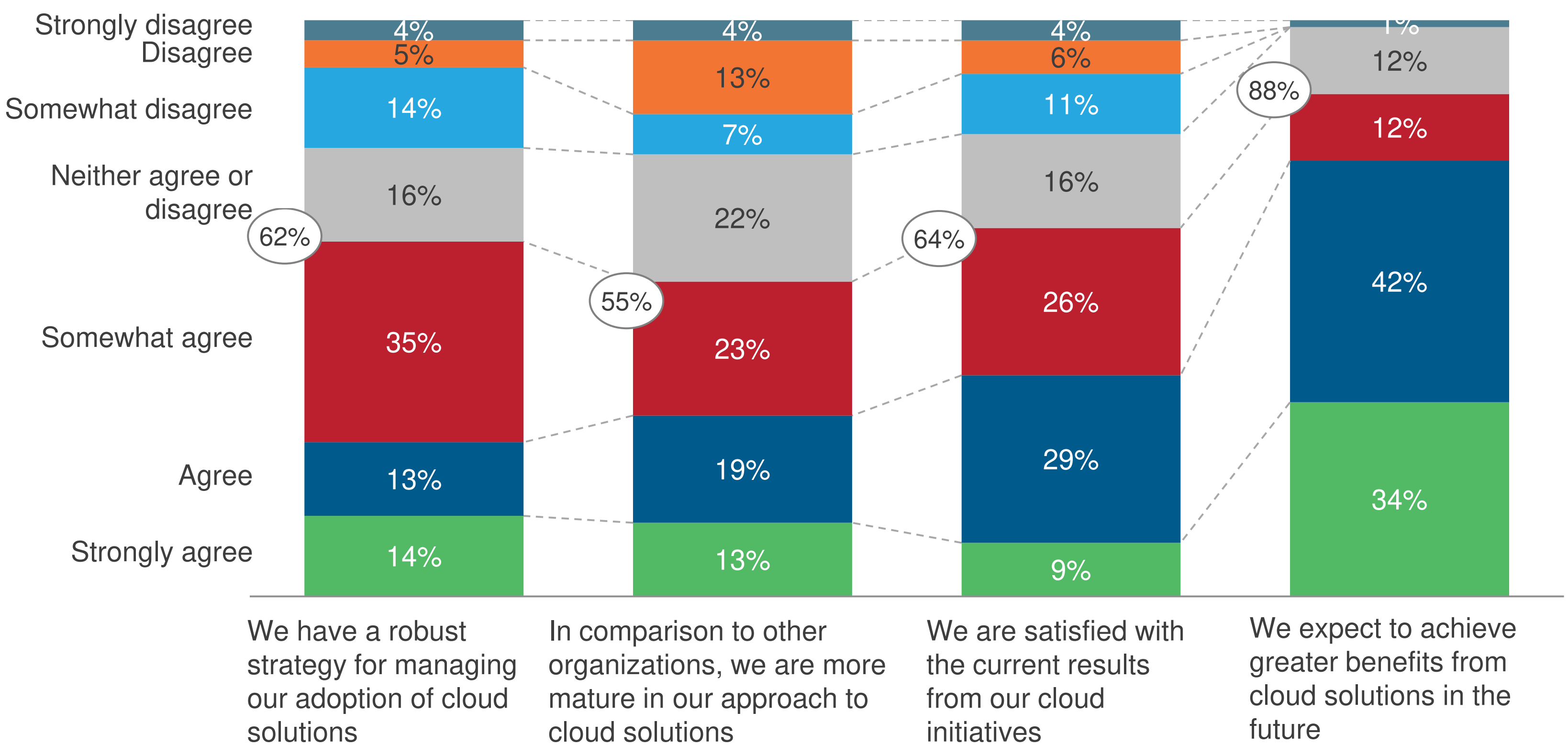
Compared to other IT purchase decisions, cloud investments attract higher involvement from CXOs

Enterprise adopters express strong satisfaction and remain extremely optimistic about their ability to generate business value from cloud solutions

Chart title
Number of respondents

XX% **Overall agreement %**

N = 86



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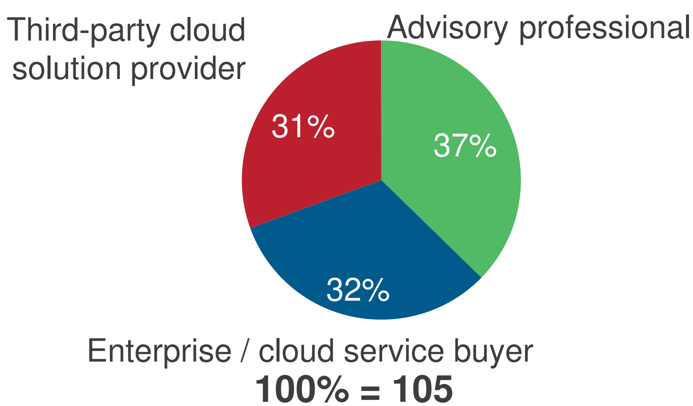
Content

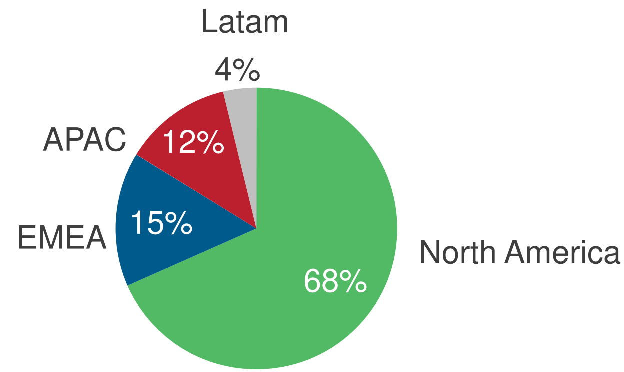
- Executive Summary
- Detailed findings
- **Appendix - Demographics**

Survey demographics

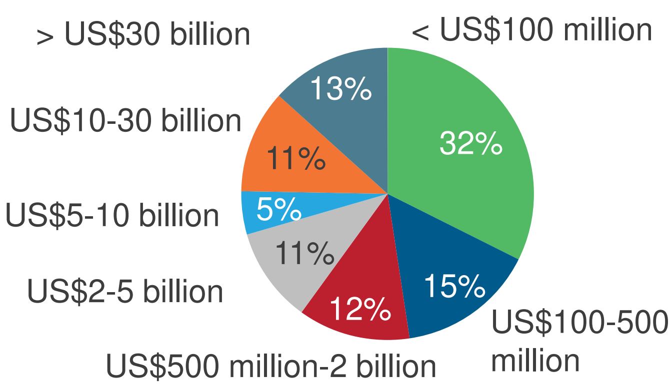
Number of respondents; 100%=346



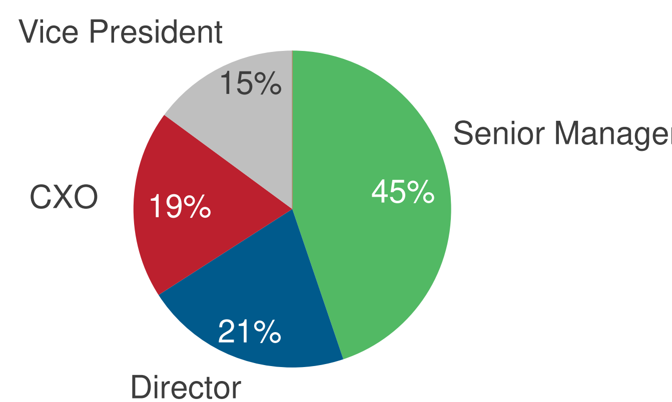
Buyer responses by geo; 100%=105



Buyer responses by size; 100%=105



All responses by job title; 100%=261



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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.

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 and 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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