Buying Into the Cloud

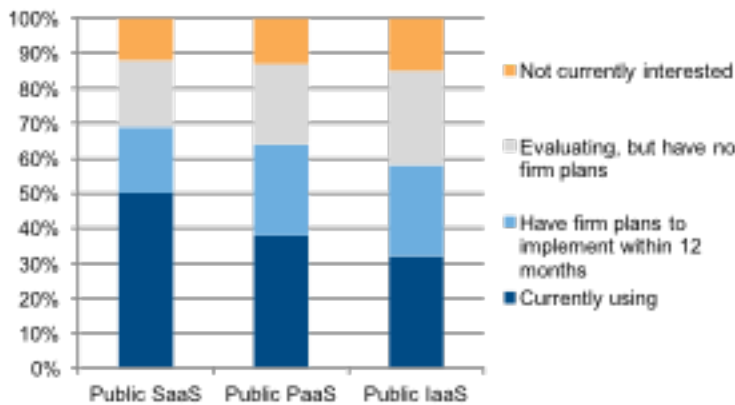Sponsored by: Ingram Micro and Microsoft

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Cloud Usage Today and Tomorrow

Many IT managers, owners, and CIOs are embracing the benefits of cloud IT. Whether it is acquiring new software-as-a-service (SaaS) capabilities or making infrastructure upgrades via infrastructure-as-a-service (IaaS) to reduce the cost and flexibility of server capacity, cloud has now reached a critical mass in the small and medium-sized business (SMB) consciousness. For companies of all sizes, currently half are using at least one public SaaS offering, with a further 20% planning to implement within the year. Platform-as-a-service (PaaS) and (IaaS) are less deployed today, but there is substantial interest and growth in that direction (see Figure 1).

FIGURE 1

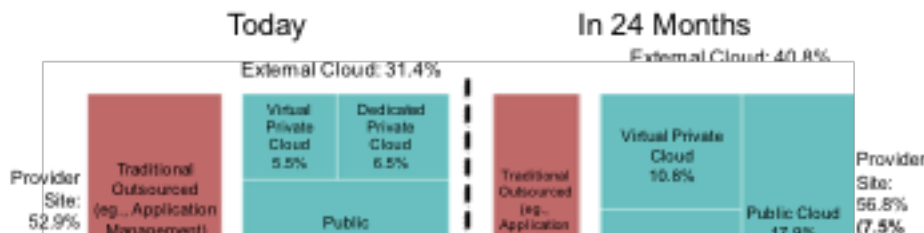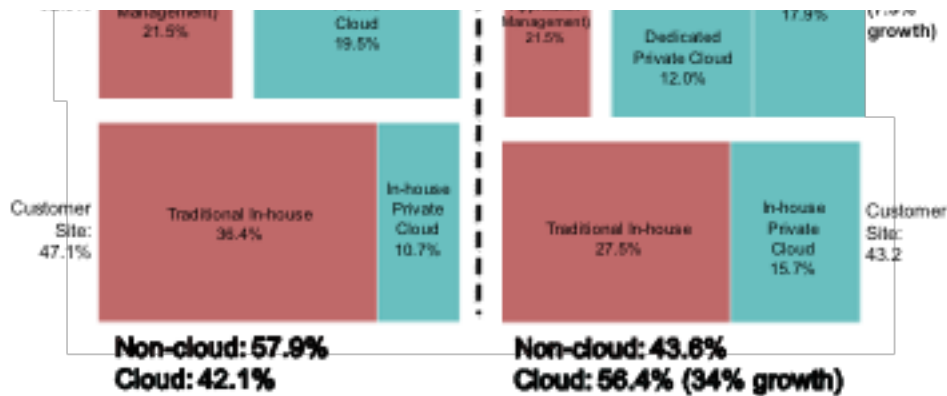### Current Cloud Usage and Future Plans

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Source: IDC CloudView Survey, 2014

Currently, 42.1% of the average IT budget is allocated to cloud, both public and private (see Figure 2). This is expected to grow to 56.4% two years from now, representing a growth rate of 34%. Clearly cloud is a very important component of IT spending and will become even more of a standard budget line item in the future.

FIGURE 2

IT and Cloud Budget Distribution Over Time

Customer Site: 47.1%

| Management) 21.5% | Cloud 19.5% |
| Traditional In-house 36.4% | In-house Private Cloud 10.7% |

Non-cloud: 57.9%
Cloud: 42.1%

| Management) 21.5% | Dedicated Private Cloud 12.0% |
| Traditional In-house 27.5% | In-house Private Cloud 15.7% |

17.9%   (1.6% growth)

Customer Site: 43.2

Non-cloud: 43.6%
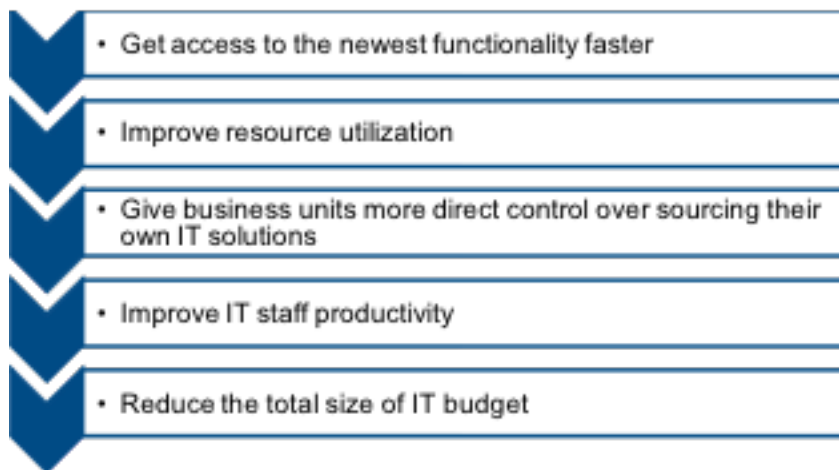**Cloud: 56.4% (34% growth)**

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Source: IDC, 2015

Why Move to the Cloud?

There are some very sound economic reasons for adopting cloud solutions, but also some compelling practical considerations and strategic opportunities. Figure 3 shows the top five reasons for moving to the cloud, based on the percentage of respondents that agree or strongly agree with the statement.

FIGURE 3

Top 5 Reasons for Moving to the Cloud

- Get access to the newest functionality faster
- Improve resource utilization
- Give business units more direct control over sourcing their own IT solutions
- Improve IT staff productivity
- Reduce the total size of IT budget

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Source: IDC CloudView Survey, 2014

While a few years ago the reasons to buy a hosted or cloud solution centered around the lower cost or the ability to pay by subscription, today those reasons have evolved. It's more about getting things done, than saving a few pennies. Here is a brief explanation of the top reasons for cloud adoption today:

- Cloud provides the opportunity to get access to new functionality faster than the time it would typically take to purchase or upgrade on-premise software. Further, it also affords smaller companies the ability to economically acquire 'enterprise-level' solutions. This can be at the core of a competitive response - to be able to get to market sooner, reach a wider customer-base or enhance the capabilities of products and services.
- Using cloud services can optimize back-office functions like accounts receivables management, because it can automate collaboration across physical locations very effectively. For example, one company told IDC that simply moving from desktop Excel to Office 365 made the annual budgeting process much less painful.
- Line-of-business decision makers are taking more and more interest in technology choices, and their expectations are colored by their experience with mobile apps and consumer applications delivered via the web. The availability of enterprise-ready cloud solutions reduces the risk of placing more IT decision making power in the hands of those who use the applications on a day-to-day basis, and improve the perception of IT responsiveness to business needs.
- If your IT resources are stretched thinly, IT staff can choose to transfer lower-value tasks to a cloud services provider (e.g. 'keeping the lights on') and transfer line items on the IT budget

cloud services provider (e.g. "keeping the lights on") and transfer line items on the IT budget from capital expense to operating expense, with a positive impact on IT budget efficiency. Cloud also streamlines solution sourcing by removing the lead time needed to acquire and prepare the necessary infrastructure.
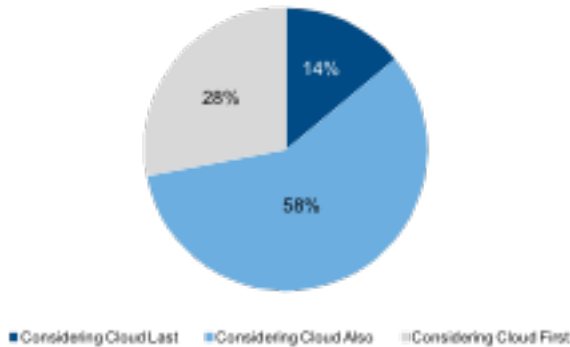
It is important to note that cloud is a lynchpin in the era of the 3rd platform – the new wave of technology reality that has emerged over the past five years, supported by the key pillars of cloud, mobility, big data and social business. Cloud works hand-in-hand with mobility to capture and store mobile payments or enable staff in the field via mobile applications. Cloud facilitates the collection and analysis of big data, and supports the type of pervasive collaboration that unleashes the power of social business solutions.

Cloud Adoption Strategies

As shown in Figure 4, cloud is squarely in the mix for most companies when deciding how to spend money on new IT services. Almost 60% consider cloud in conjunction with on-premise options and almost 30% look to cloud options first. That means if you are not already evaluating cloud suitability for your new IT requirements, you are way behind what your competitors are doing.

FIGURE 4

Strategy for Using Cloud for New IT Services

14%
28%
58%

■Considering Cloud Last   ■Considering Cloud Also   ▥Considering Cloud First
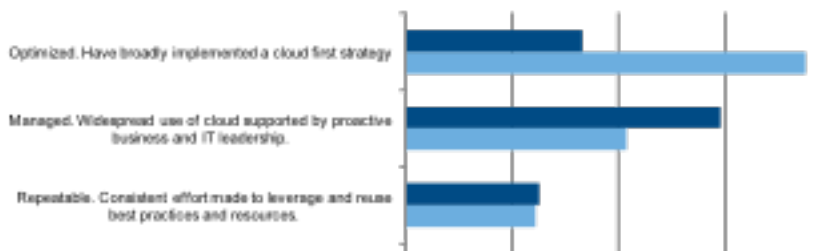
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Source: IDC CloudView Survey, 2014

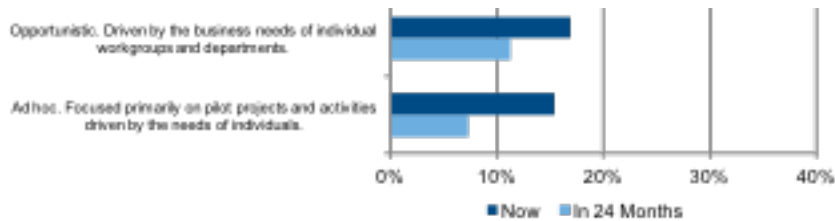Once it is part of the equation, cloud adoption can be characterized in five stages:

1. Ad hoc: Focusing on pilots and activities driven by individual needs.
2. Opportunistic: Driven by the needs of individual working groups.
3. Repeatable: Consistent effort to reuse best practices and resources across multiple groups.
4. Managed: Widespread use of cloud supported by proactive business and IT leadership.
5. Optimized: A broadly implemented cloud-first strategy that is clearly driving business. innovation

Figure 5 shows where companies place themselves with respect to their cloud involvement. The bottom line is that almost half are currently operating at the managed or optimized level, which is expected to rise to about 60% within the next two years. This means most are well on their way to successfully incorporating cloud into their core technology strategy. It is important to consider where your organization is on this continuum and where you would like to be, when planning your cloud strategy and tactics, as it will guide your path forward and influence your technology selection and management policies and procedures.

FIGURE 5

Maturity of Cloud Strategies

Optimized. Have broadly implemented a cloud first strategy

Managed. Widespread use of cloud supported by proactive business and IT leadership.

Repeatable. Consistent effort made to leverage and reuse best practices and resources.

Opportunistic. Driven by the business needs of individual workgroups and departments.

Ad hoc. Focused primarily on pilot projects and activities driven by the needs of individuals.

0%   10%   20%   30%   40%

■ Now ■ In 24 Months

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Source: IDC, CloudView Survey, 2014

Essential Guidance

IDC believes the next 20 years or so of business innovation will be based on 3rd platform technologies as literally millions of high-value, industry-transforming solutions and services will be built on this new platform.

- There is no denying that cloud is here to stay and all indications are that the sooner you start to incorporate it into your technology portfolio the better. The fact is your competitors are getting the message and there is competitive risk at stake.
- Because the hallmark of cloud is flexibility and agility, it can be relatively low risk to try it out. The 'pay as you play' cloud subscription model means there is little financial investment to get started. This all adds up to low barrier to entry.

There are many solution providers that are skilled in helping you get onboard with cloud. On average, those offering cloud technologies been have been doing it for more than three years and have the experience and best practices to make it a success.

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