



State of the Public Cloud: The Cloud Adopters' Perspective

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Executive Summary

Over the past four years of working with more than 180 enterprises that have adopted cloud applications and platforms, we have formed a strong hypothesis that those organizations that have already adopted a cloud application behave very differently than those who are evaluating the cloud or just getting started. Since most cloud computing surveys focus on the market as a whole, which is still early in its market trajectory, we saw the need for a different perspective. Specifically, the perspective of those who are adopting the “public” cloud platforms that are having the most profound impact on business and IT. Thus, the introduction of Appirio’s first annual survey of these companies: “State of the Public Cloud: The Cloud Adopters’ Perspective.”

To understand the cloud adopter perspective, Appirio worked with Itracks, a leading online market research firm, to survey IT decision makers at 150+ mid-to-large sized North American companies (all with >500 employees, 65% with over 1000 employees) who had already adopted at least one leading SaaS or cloud application. We wanted to learn from these cloud adopters. Why did they adopt cloud solutions? What have they experienced in terms of real results? What are their plans for future cloud adoption? What are the current and future challenges of their cloud environments?

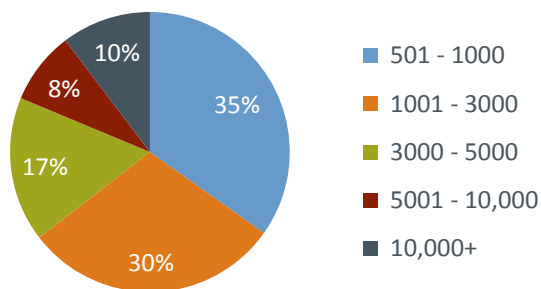
By better understanding the experiences and challenges of those who are already using public cloud applications and platforms in their organizations, we can all better prepare for a future in which most agree cloud solutions will play a larger and more significant role. In many cases the differences between what cloud adopters report and what other market surveys say are stark. Here are the results.

Methodology

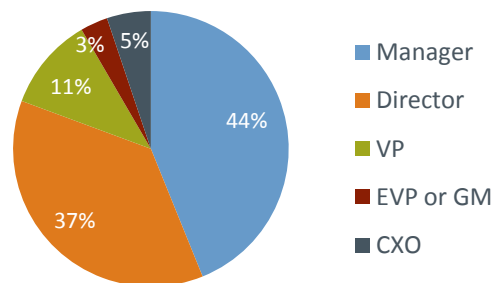
Appirio worked with Itracks to host and administer this online survey. Itracks is a world-leading expert in online market research and the patent holder for online qualitative applications. All of our respondents came from Itracks’ online IT decision-maker panels.

Our survey was in the field from Aug 11-25, 2010 and we had 155 responses representing 155 distinct companies. We focused on companies with over 500 employees who have currently deployed at least one market-leading SaaS/Cloud application (Google Gmail/Calendar, Successfactors, Workday, Salesforce CRM, Oracle CRM On Demand, Microsoft Dynamics CRM On Demand, RightNow, Netsuite or a custom app on Force.com, Google App Engine or Windows Azure). Within these companies, we specifically focused on those who are either directly involved in or providing recommendations around cloud solution decisions.

Respondents by Company Size



Respondents by Level



Key Highlights

Cloud adopters view things differently. *People who have adopted one or more cloud applications are more bullish on the technology and more aggressive in their near-term and long-term adoption plans than the overall market.*

- **60%+** say cloud solutions are better than on-premise in availability, total cost of ownership (TCO), and time-to-value
- **28%** say cloud security is the #1 misconception about cloud solutions
- **68%** say they will have the majority of their applications and platforms in the public cloud in three years

IT skeptics have turned into believers. *IT is seen as driving many of the misconceptions about the cloud, but IT is also becoming cloud computing's biggest advocate.*

- **36%** single out IT leadership as the primary driver of misconceptions about the cloud
- **70%** agree cloud solutions have changed the role of IT within their business
- **79%** of IT decision makers say they expect to drive future cloud decisions

Cloud computing impacts the business, not just IT costs. *Companies say they're implementing public cloud applications and platforms for business agility more than for just IT cost reduction, and report that cloud solutions are changing the way they run their business.*

- **59%** say business agility was among their top 3 reasons to consider cloud solutions (vs. 47% for TCO reduction)
- **83%** agree cloud solutions have helped them "respond faster to the needs of the business"
- **29%** strongly agree that cloud solutions "have changed the way we run the business"
- **39%** say cloud adoption will be part of an overall business transformation going forward

New challenges emerge for cloud adopters. *While basic challenges like security and manageability remain at the top of the list, new challenges around cloud-to-cloud integration, SaaS silos and mobile access are also a priority.*

- **75%+** say cloud-to-cloud integration and better mobile access are important priorities (more than 80% still say security and manageability are priorities)
- **65%** say enhancing existing cloud apps is a high or essential relative priority
- **Only 4%** have fully integrated their cloud applications with each other

Adopters are looking for a new type of partnership. *Adopters want partners that can help them combine multiple cloud services and are open to both new and incumbent providers who can step up to the challenge.*

- **Only 15%** plan to execute future cloud projects using only internal resources
- **61%** highlight "management capabilities across multiple cloud applications" as critical going forward

Discussion of Results

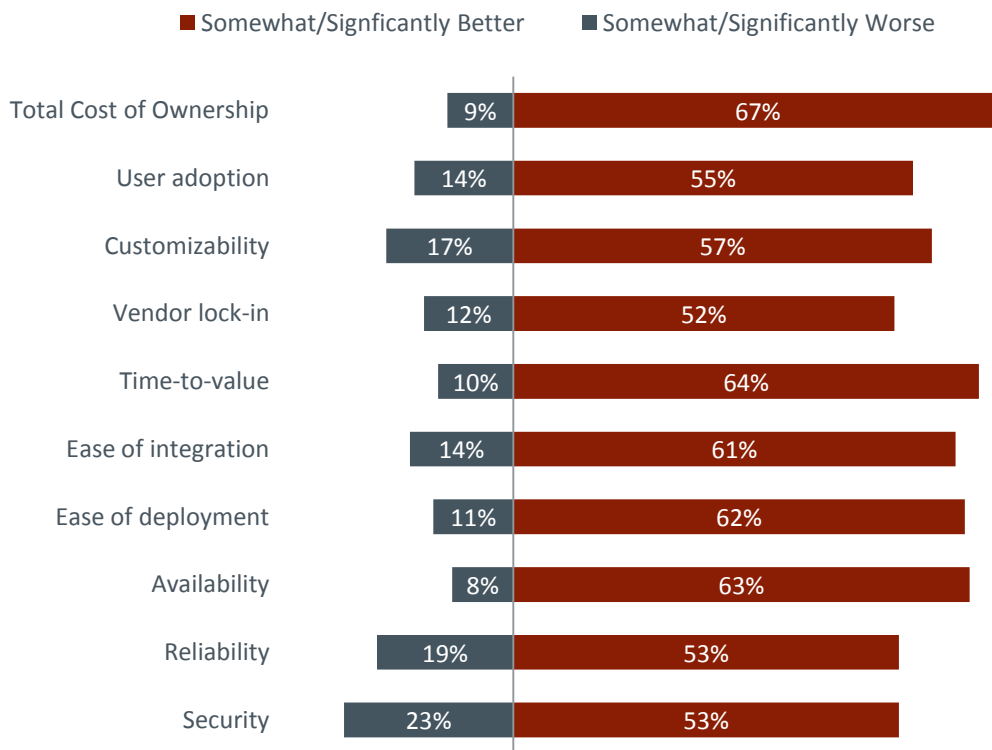
Cloud Adopters View Things Differently

People who have adopted one or more cloud applications are more bullish on the technology and more aggressive in their near-term and long-term adoption plans than the overall market

“Cloud adopters” are simply companies that have already adopted one or more cloud applications. Because of their first-hand experience, they have a very different perspective about cloud solutions than those who are just researching or piloting cloud solutions. Most general market surveys find that enterprises buy into the TCO and time-to-market advantages of cloud applications and platforms, but have genuine concerns about security, lock-in, customizability, reliability and availability. Cloud adopters who have had the chance to compare their cloud solutions with their on-premise counterparts don’t share these concerns. The majority of cloud adopters find that cloud solutions not only have better TCO and time-to-value, but are also somewhat or significantly better when it comes to availability, ease of deployment, integration, reliability and security.

How do Cloud Apps Compare to On-Premise?

% of Respondents

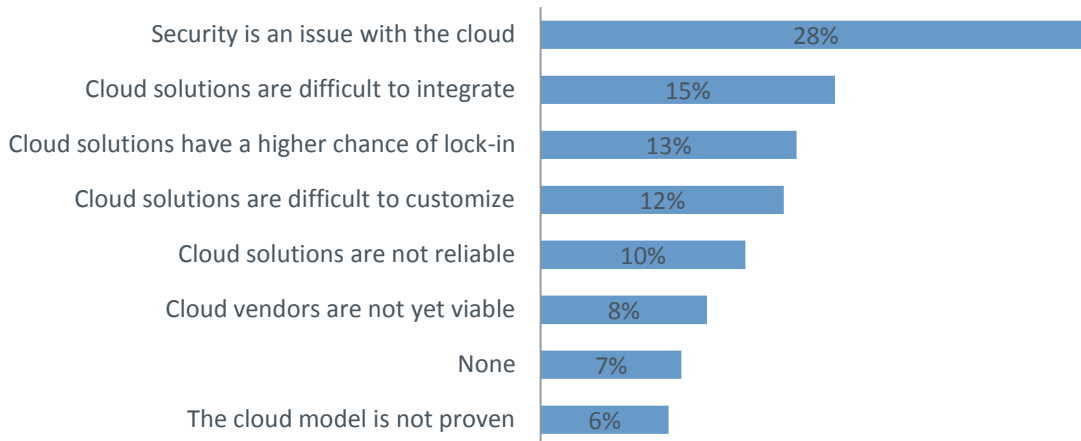


Note: Does not total 100% because chart excludes those answering “About the Same”

Given their experience, it's not surprising that cloud adopters believe that some of the most common fears about cloud solutions—security, ease of integration, customization, lock-in—are misconceptions. In fact, 28% of this group said that “security is an issue with the cloud” is the #1 misconception about cloud applications and platforms.

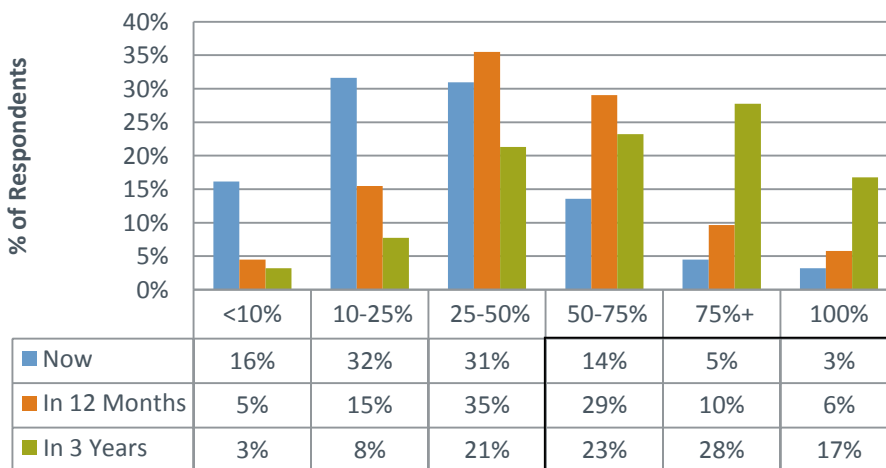
Single Biggest Misconception about the Cloud

% of Respondents



Cloud adopters are bullish about the future of cloud solutions within their businesses. Today, 84% of cloud adopters have more than 10% of their IT in the public cloud and 22% have more than 50% of their IT in the public cloud. Within 12 months, 45% of cloud adopters expect to have more than half their IT in the public cloud. Within three years that number increases to 68%. General market surveys typically report far less than this. For example, a recent Sandhill survey found that today 70% of enterprises are spending less than 3% of their IT budget in the cloud. In three years, 80% of those Sandhill respondents anticipate spending between 7-30% of IT budget in the cloud (“Leaders in the Cloud”, Sandhill Group, March 2010). Granted our survey results are a qualitative assessment rather than a budget estimate, but even accounting for that, this cloud adopter perspective is a remarkable vote of confidence in the public cloud.

% of IT in the Public Cloud over Time



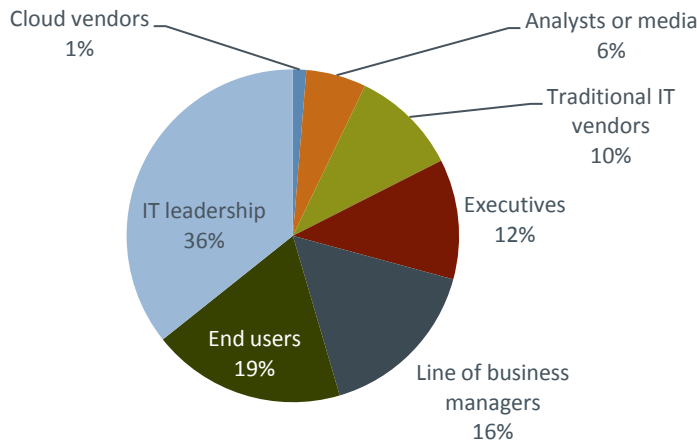
IT Skeptics Have Turned Into Believers

IT is seen as driving many of the misconceptions about the cloud, but IT is also becoming cloud computing's biggest advocate

Even among cloud adopters, IT admits to being a skeptic. When talking about cloud misconceptions such as lack of reliability, IT decision-makers chose themselves and their leadership teams as the biggest drivers of those misconceptions. Cloud adopters feel that the majority of misconceptions are driven from within their organizations rather than by either media or traditional IT vendors.

Biggest Driver of Cloud Misconceptions

% of Respondents

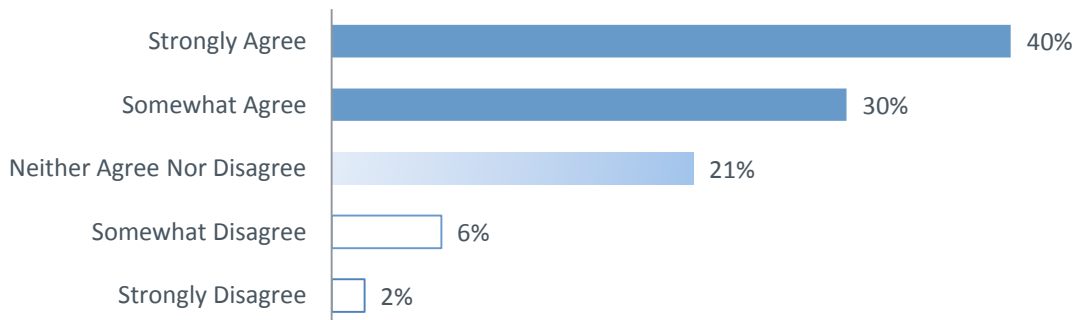


Yet for those who have begun their cloud journey, this skepticism has turned into a strong belief in the positive impact cloud services can have on business and IT. In the past, IT departments have been constrained by having to run inflexible on-premise infrastructure which has made it hard for them to respond quickly to business needs. After rolling out cloud applications and platforms, adopters are finding that IT is now seen in a different light. Almost 70% of cloud adopters say that cloud applications and platforms have “changed the role of IT within the business—IT is now seen as a true business enabler.”

Cloud Solution Impact

Changed Role of IT - IT Now Seen As True Business Enabler

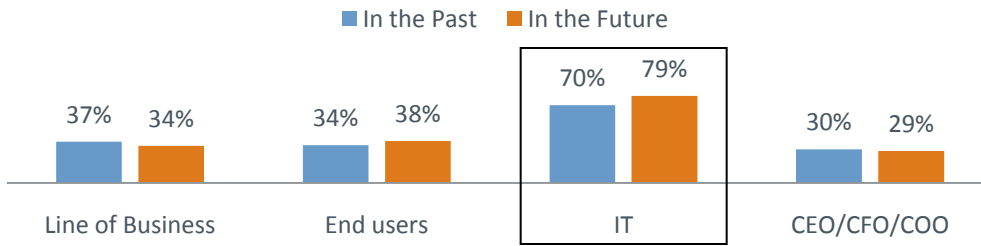
% of Respondents



Another stark difference between general market surveys and the cloud adopters' perspective is the role of IT in the decision-making process. Cloud applications have long been portrayed as a way for business to get around IT, whereas 70% of cloud adopters actually report that IT was a driver in the decision-making process. And they expect their role to only increase moving forward. Of course, many of these decisions will be made jointly with the business, executive management and end-users, but IT will be an integral part of the decision.

Who Drives Cloud Adoption Decisions?

% of Respondents



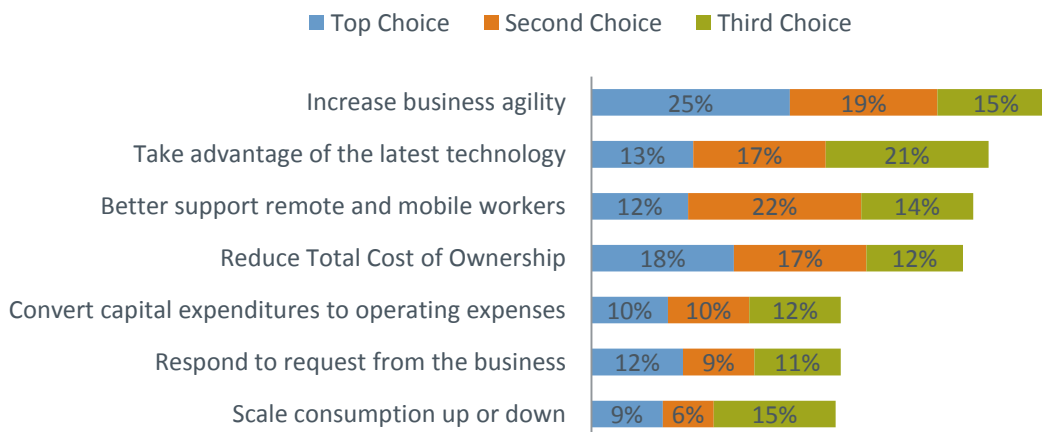
Cloud Computing Impacts the Business, Not Just IT Costs

Companies say they're implementing public cloud applications and platforms for business agility more than for just IT cost reduction, and report that the results are changing the way they run their business

While reducing IT's total cost of ownership remains among the top four reasons that companies adopt cloud applications, business agility has become the #1 reason. Taking advantage of the latest technology and supporting mobile workers are also increasingly significant factors in the decision to move to cloud applications. Lower on the list are "convert capital expenditures to operating expenses," "respond to request from the business," and "scale consumption up and down." This reflects the shift not only in the value proposition of cloud computing toward business impact but also a macro economic shift in business priorities from cost-cutting to revenue growth. With the improvement in economic conditions, companies are looking to support growth and innovation in their businesses and see cloud solutions as a way to help.

Cloud Adoption Drivers

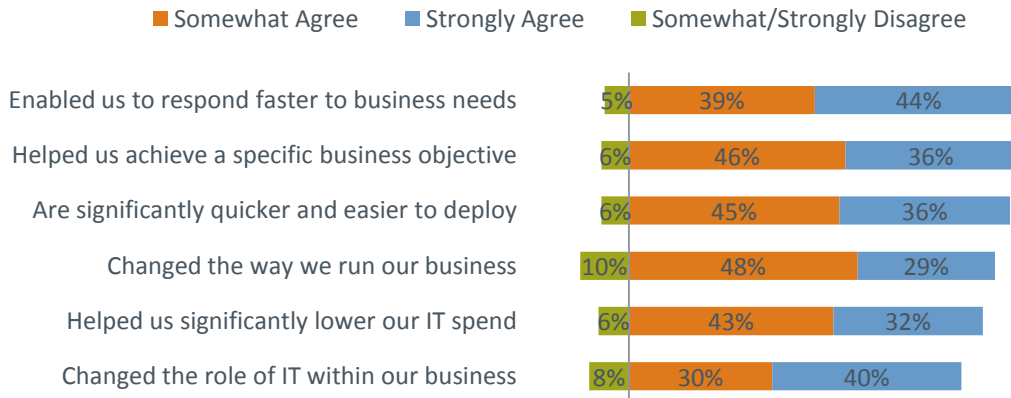
% of Respondents



Have these expectations been realized in actual results? Cloud adopters report that they have. More than 80% of companies that have adopted cloud applications and platforms say that they are now able to respond faster to the business and achieve business objectives. They've also found these solutions easier to deploy and cheaper to maintain. The cloud has helped change IT's role in the business—70% of adopters say that IT is now seen as a business enabler and 77% say that cloud solutions have changed the way they run their business.

Cloud Solution Impact

% of Respondents

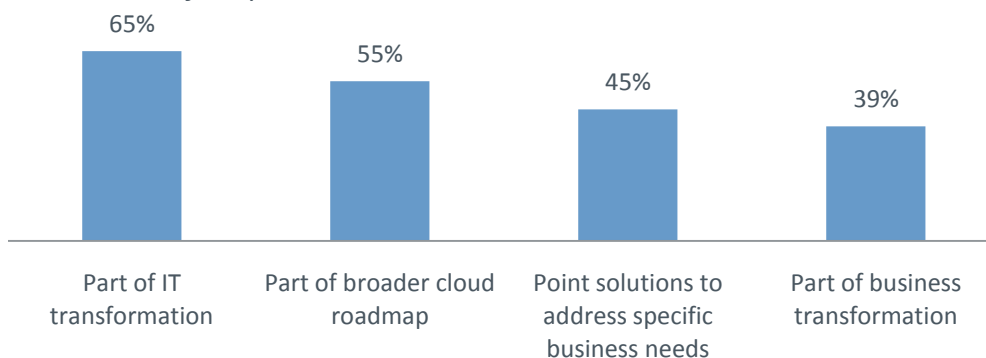


Note: Does not total 100% because chart excludes those answering "Neither Agree Nor Disagree"

Given the impact that cloud solutions have on the business and the way IT is perceived within the business, it's not surprising that IT decision makers plan to build more comprehensive cloud strategies in the future. Going forward, more than 50% plan to build cloud roadmaps and 65% see their cloud roadmaps as part of a broad IT transformation. Almost 40% see cloud solutions as part of a business transformation.

Cloud Adoption Plans - In the Future

% of Respondents



New Challenges Emerge for Cloud Adopters

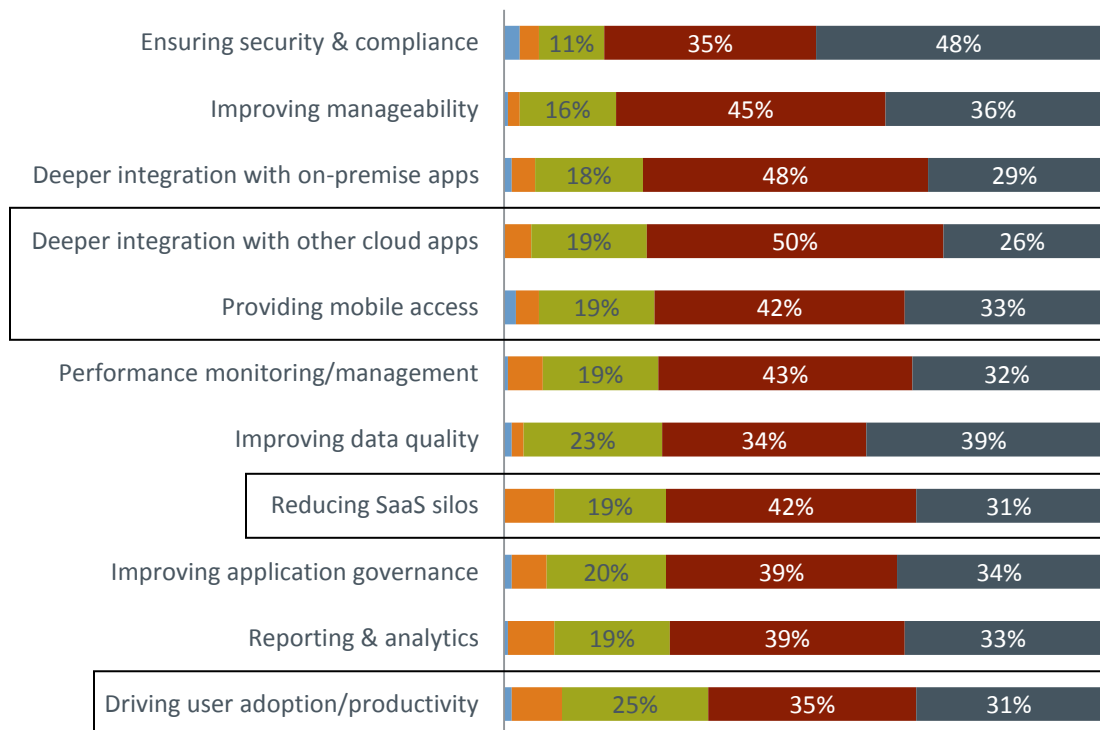
While basic challenges like security and manageability remain top of the list, new challenges around SaaS silos, cloud-to-cloud integration and mobile access are also a priority

We've already seen that cloud adopters are strong believers in cloud solutions and plan to make these solutions a core part of their IT strategies going forward. But all is not rosy in the cloud. Cloud adopters continue to want to improve the security, manageability, integration and data quality of their cloud solutions. Given that these are fundamental requirements, they will always be at the top of IT's priorities. But, we're now starting to see a new set of challenges emerge mainly around the areas of cloud-to-cloud integration, bringing information to mobile devices, reducing SaaS silos, and improving user productivity.

Priorities for Improving Cloud Apps

% of Respondents

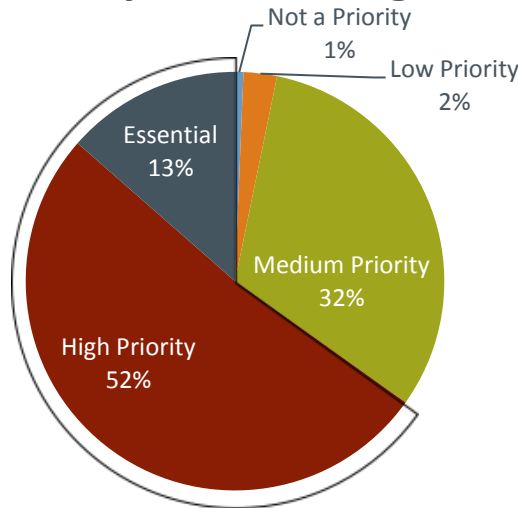
■ Unimportant ■ Of Little Importance ■ Somewhat Important ■ Important ■ Very Important



Note: Emerging challenges highlighted

Addressing these challenges is very important to cloud adopters. Over 65% say that enhancing their cloud applications is a high priority or essential in the context of their broader objectives.

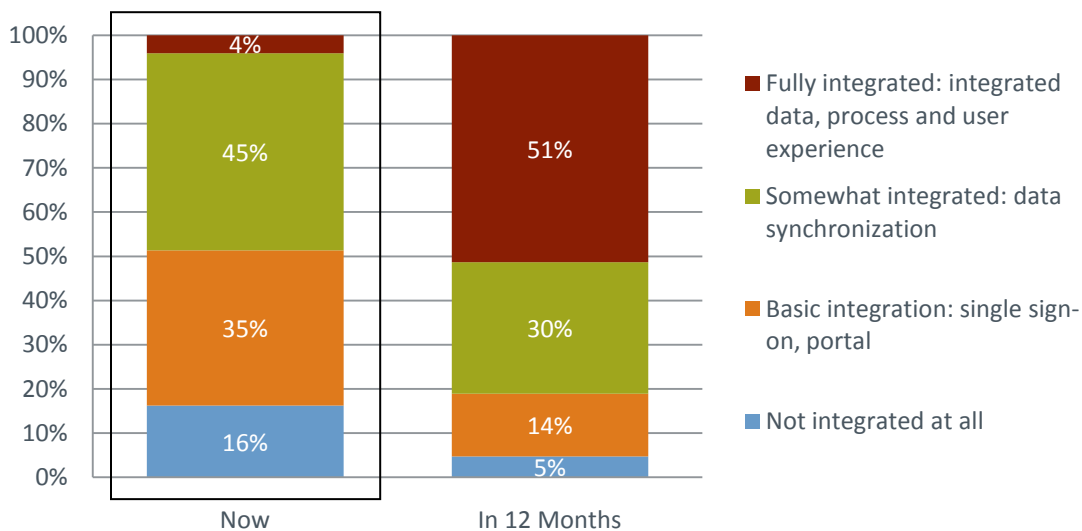
Relative Priority of Enhancing Cloud Apps



In spite of this, few have made progress toward addressing priorities such as cross-cloud integration. More than 75% of respondents say that integrating cloud applications with each other is important, but only 4% have succeeded in fully integrating their cloud applications and over 50% have at best basic levels of integration (e.g., single sign-on). Within 12 months, most cloud adopters would like to have their cloud applications much more tightly integrated with each other, with over 50% saying that they plan to have integrated data, process and user experience across their cloud applications. Whether this dramatic shift is possible in 12 months remains to be seen.

How Integrated Are Your Cloud Apps?

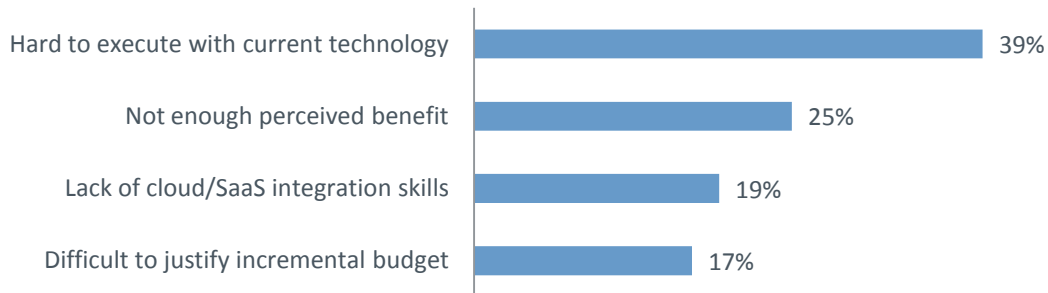
% of Respondents, n=148



The main barrier to better integration between cloud applications is the state of current technology. Cloud adopters can either try to integrate their cloud applications with their existing on-premise middleware or try to assemble their own cloud integration solutions from individual vendors such as Cast Iron, Boomi, Conformity, etc. In either case, for a significant number of cloud adopters (almost 40%), this is too significant a technical challenge at present. The other challenges cited are demonstrating the business case for better integration across cloud applications and lack of relevant skills.

Main Reason Cloud Apps Aren't More Integrated With Each Other

% of Respondents, n=148



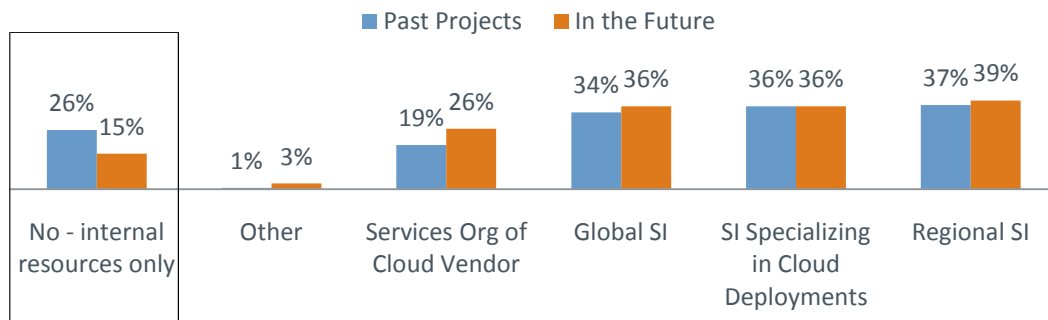
Adopters Looking for a New Type of Partnership

Adopters want partners that can help them combine multiple cloud services and are open to both new and incumbent providers who can step up to the challenge

As cloud adopters face these new cloud-specific challenges, they are looking for help from external partners to supplement their own internal resources or provide specialized expertise. While a quarter of cloud adopters executed past cloud projects internally, in the future, 85% of them plan to look for external help. They're open to all types of partners, including global, regional and cloud-focused systems integrators or a combination of these. Cloud specialists have grown their credibility enough to be considered alongside regional and global SIs as a trusted partner, but it's an open market and no type of partner is heavily favored.

Cloud Partners - Past Projects

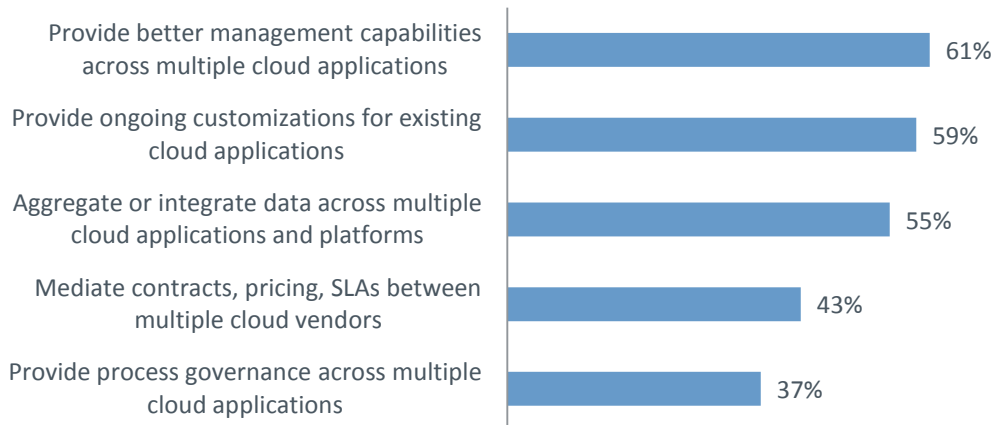
% of Respondents



The services provided by these external partners will need to evolve as the industry evolves. Cloud adopters are looking for assistance with their emerging challenges, which include integrating, aggregating and managing multiple cloud solutions.

Desired Cloud Partner Capabilities

% of Respondents



Conclusion

Who better to ask about the cloud than companies who have already started their journey to cloud applications and platforms? These companies have a different set of concerns and are focused on a different set of opportunities than the market at large. As enterprise adoption of the cloud accelerates, it is these cloud adopters that the entire industry should learn from if we're going to look beyond the challenges of today.

Here at Appirio, our mission is to accelerate enterprise adoption of the cloud. That means both helping today's cloud adopters with their journey, and also helping more and more companies join their ranks. Insights from conversations with cloud adopters are critical to shaping the products and services that we offer to the market. We will continue to keep a pulse on this fast-paced market through future "State of the Public Cloud" surveys, our [ecosystem research](#), as well as our day-to-day work on the ground with cloud leaders.

About Appirio

Appirio (www.appirio.com) is a cloud solution provider offering products and professional services that help enterprises accelerate their adoption of cloud applications and platforms. Appirio's innovation and expertise has been recognized by *BusinessWeek* as one of America's Most Promising Startups and by *AlwaysOn* as the On-Demand Company of the Year. Appirio has helped more than 180 leading enterprises implement, build and manage mission critical cloud solutions using [salesforce.com](#), Google and Amazon. We are proud to serve a wide range of customers such as Avago, the City of Los Angeles, Diversey, Dunkin Brands, Flextronics, Japan Post Network, Ltd., IMS Health, Motorola, Qualcomm, RehabCare, Safety Kleen, Starbucks and VMware, as well as the 5,000 companies that use Appirio's products to connect and extend cloud platforms. Founded in 2006, Appirio has offices in the U.S. and Japan, and is backed by Sequoia Capital and GGV Capital.