

Cloud IT and Cloud Business: Going Mainstream

Open World Forum
Eurosites George V
Paris, France
September 22, 2011

Bill McNee
Founder and CEO
Saugatuck Technology
bill.mcnee@saugatucktechnology.com



Westport, CT • Falmouth, MA • Santa Clara, CA • Frankfurt, Germany

Copyright 2011 | Saugatuck Technology, Inc. | All Rights Reserved | www.saugatucktechnology.com | +1.203.454.3900

Accelerating Business and IT Velocity

- In the wake of the “*Great Recession*,” **businesses of all sizes are reshaping themselves to better compete** in an increasingly intertwined and complex global economy.
 - This includes rethinking and reinventing new ways of engaging with existing customers, as well as carving out new business opportunities.
- **Large businesses are waking up!** Recent discussions with senior business and IT leaders repeatedly emphasized both *the power* and *the threat* of the Cloud – especially around the concept of accelerating “**Business Velocity**” for firms developing / implementing in the Cloud.
 - Key benefits cited include substantially faster time-to-market and time-to-profit.
- In this environment, IT is increasingly being asked not only to help companies *save money* and *facilitate internal process improvement*, but to **better enable the business to grow** with differentiated new products, services and offerings.
- Given this, it isn’t surprising that “**IT Velocity**” has replaced “**IT / Business Alignment**” as the top concern for many CIOs.

Cloud IT and Cloud Business

Cloud IT

- Everything-as-a-Service – with a focus on cost savings and process improvement:
 - ✓ Infrastructure
 - ✓ Platform
 - ✓ Application
 - ✓ Business Process
 - ✓ Integration
 - ✓ Management
- Disruptive in IT strategy, planning, budgeting, buying, and management – therefore disruptive to business strategy, planning, budgeting, buying, and management
- **Key Challenge:**
 - ✓ *The Hybrid Portfolio*

Cloud Business

- New ways of doing business
- New business opportunities
- Driven by:
 - ✓ Low barriers to entry
 - ✓ Proven offerings from providers with viability and vision
 - ✓ Assimilation, *standardization*, and management of Cloud
 - ✓ Previously-unrealized levels of business + IT integration in funding, planning, management, and operations
- **Key Challenges:**
 - ✓ Identifying Opportunities
 - ✓ Assessing ROI / Benefits
 - ✓ Acquiring Cloud Solutions
 - ✓ Managing Resources (including Partners)

Source: Saugatuck Technology Inc.,

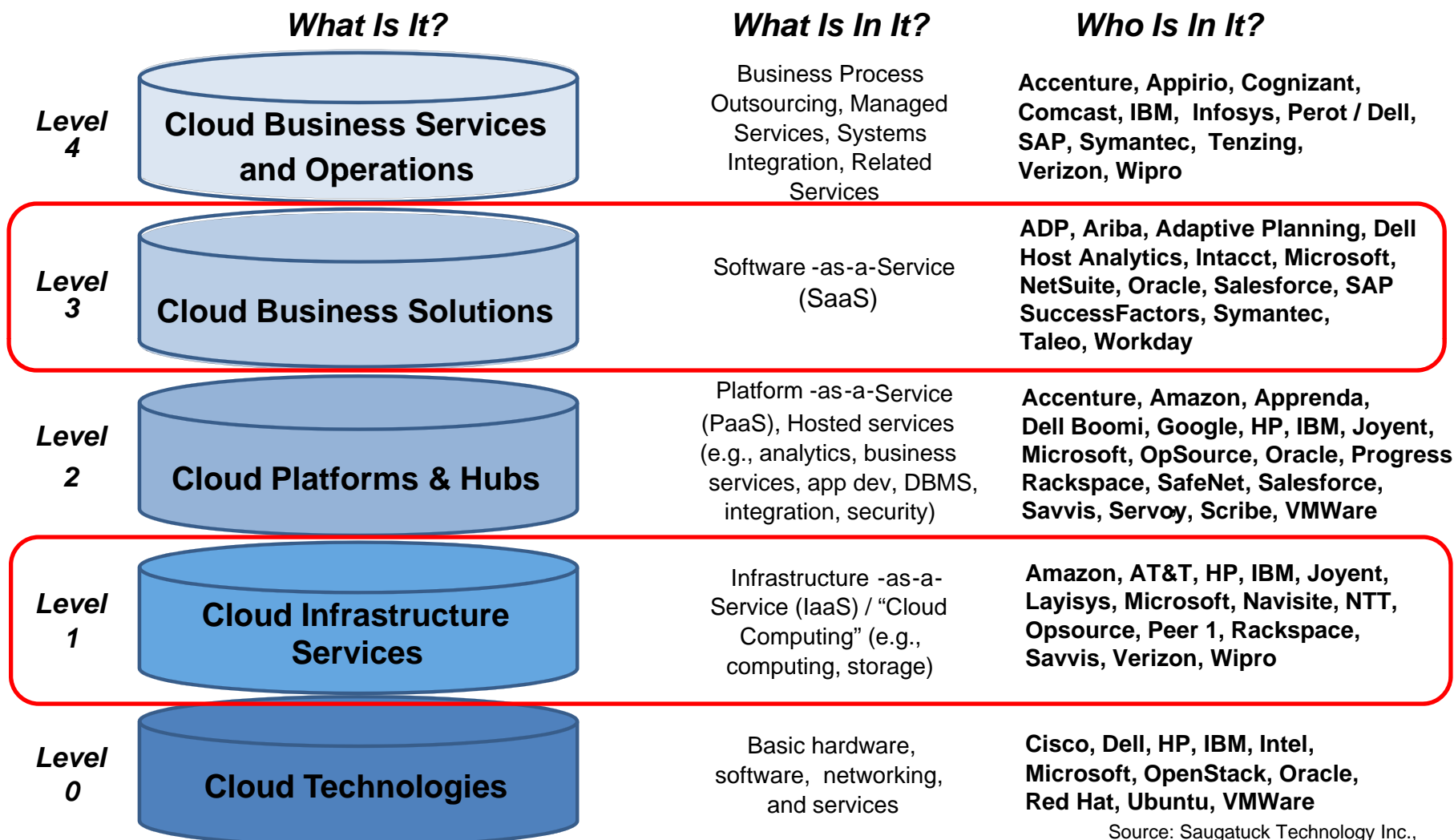
Large Enterprise Customers – What are They Doing?

- **CTO, Global Information Provider (wide range of vertical and horizontal markets)**
 - *“Our challenge is to never build another data center. It is a very expensive proposition, and we’d rather not have to do that.”*
 - *“Our focus right now is mostly around the Cloud as a means to provide services internally”.*
 - *“[The Cloud has] allowed us to drive a level of simplification . . . [and] helped us articulate the [high] cost of customization [to the business] that we haven’t been able to do in the past.*
 - *“We are not yet comfortable with the idea of using Public Clouds to provide our services; we think that our customers typically [will] want a throat to choke.”*
- **President, Corporate Ops and Technology, Financial Services**
 - *“A lot of the differentiation that we had inside [our company] is becoming meaningless now because Cloud infrastructures are coalescing around a LAMP stack, or some version of it.”*
 - *“[With] legacy . . . there will be a slow migration to technologies that are equivalent to Cloud and, as Cloud continues to decrease in cost, the semi-private and public clouds will start to receive more workloads in the 5-10 year timeframe.”*
 - *“As it concerns the ‘new,’ people are going to implement completely in the Cloud or using Cloud-like technologies from the get-go.”*
- **VP Global Strategy, Customer Communications Management Provider**
 - *“The old way of doing product development has been very structured and routine and isn’t going to work [in the Cloud].”*
 - *“The whole concept of agility that is required to get new businesses up can be dealt with so much easier in the Cloud, both in terms of the underlying technology and product development. It is way easier to bootstrap a new offering by leveraging the inherent pay as you go pricing of the Cloud.”*

Key Trends

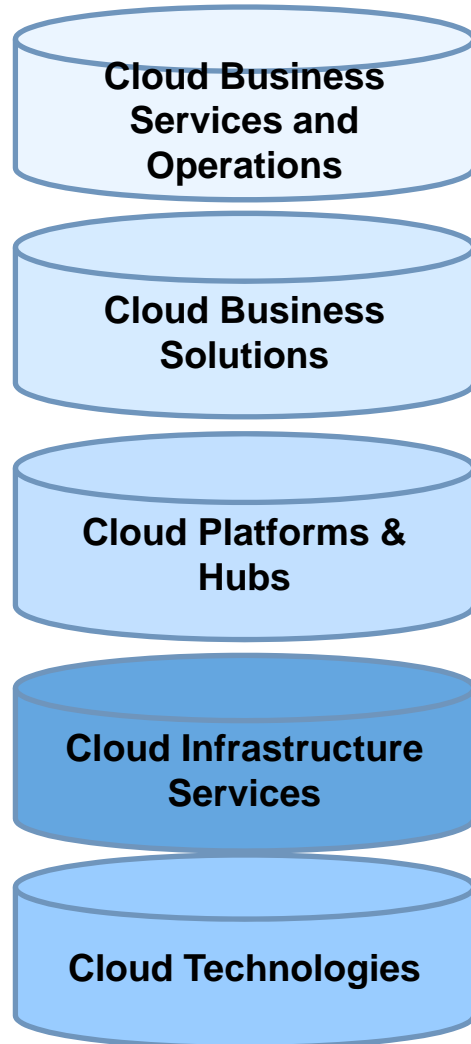
- **Today's economic situation continues to favor the Cloud**, driven by businesses that are reshaping themselves as the global economy recovers from the Great Recession.
 - The Cloud – including SaaS, PaaS, IaaS and Cloud Services – will drive increasing business and IT activity, resulting in **hybrid architectures** to manage, a new **Cloud IT mission**, and the launch of **Cloud-enabled Business Services** by traditional businesses.
 - **Through 2015, SaaS will continue to dominate Cloud IT spending**, including business apps, social computing and mobility solutions – key aspects of the boundary-free enterprise.
 - BI joins CRM, Customer Service, Collaboration and SFA as the leading Cloud Business Solutions in demand through 2012. Financial Analysis / Planning and HR rising dramatically in investment priority.
 - Big Data and Advanced Cloud Analytics become key drivers of Cloud solution demand.
 - Enterprises will increasingly leverage PaaS platforms and **ad-hoc aggregations of Cloud Services** across the stack (through the use of APIs) to build composite Cloud solutions.
 - This includes Cloud services such as SaaS and IaaS, as well as powerful Social Business and Mobile Commerce technologies that are increasingly imbedded directly into critical business workflows.
 - **Private Clouds are gaining traction** – especially at large enterprises wishing to maintain control.
 - **Integration and workflow in the Cloud** will remain a critical capability and requirement, especially for hybrid large enterprise environments.
 - **Cloud Services Providers (including Cloud Enablers and traditional service providers aggressively pursuing the Cloud) will flourish** – as they increasingly incorporate Open Source and CrowdSourcing strategies and embrace SaaS, PaaS, IaaS and BPaaS.
-

Saugatuck's Cloud EcoStack™



Source: Saugatuck Technology Inc.,

Open Source in the Cloud EcoStack™

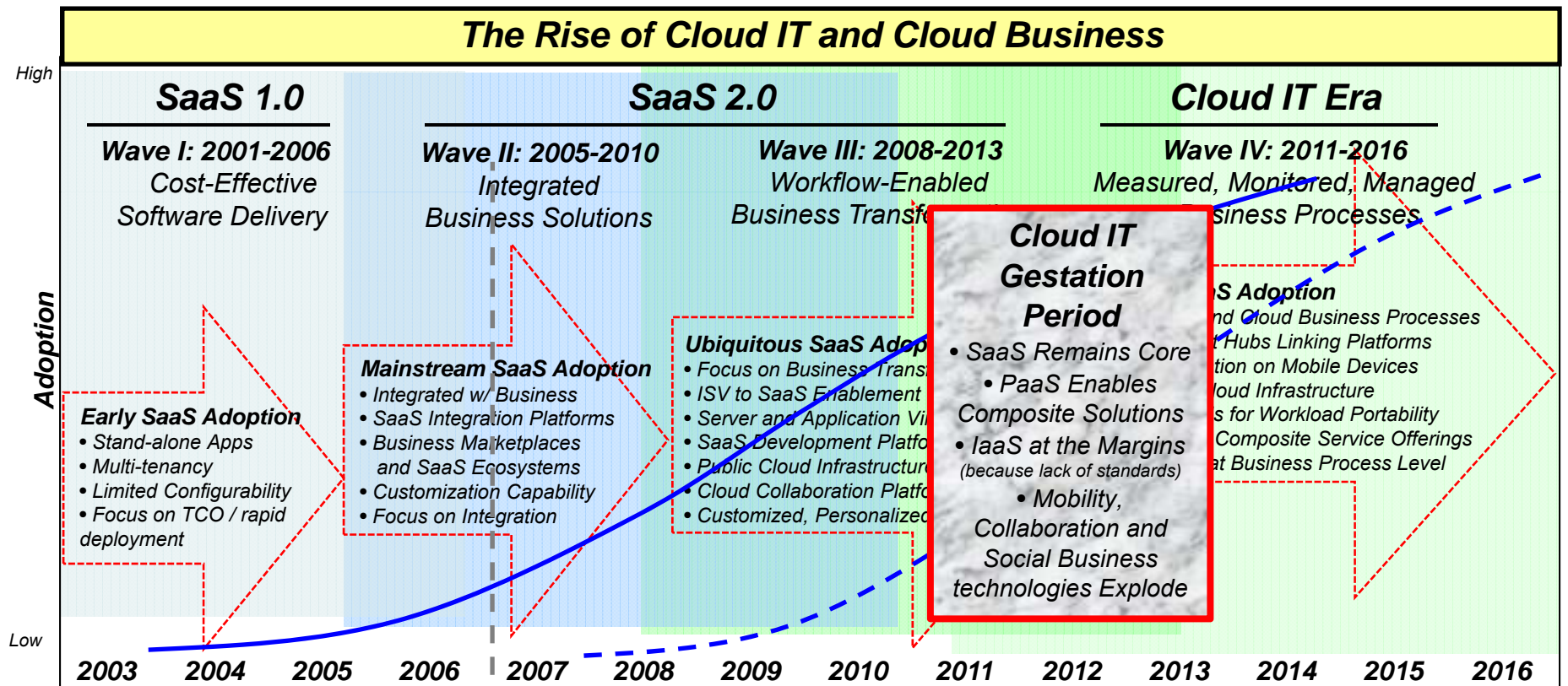


Open Source Roles & Influence Through 2014:

- Open source will provide low-cost building blocks, integrated within providers' core technology stacks and solutions
 - Enabling low-cost functionality at all layers while encouraging independent development – and fragmentation
- LAMP Stack will be the *de facto* SaaS / Cloud provider technology platform for Cloud services and providers
 - Linux, Apache, MySQL, PHP & Ruby
- Community-driven global innovation in technologies and applications will support Cloud provider evolution
- HOWEVER: Technology standards fragmentation, and open community contribution models, will continue to challenge widespread standardization and profitability for open source software developers and providers
 - Any vendor domination is unlikely and impractical
 - Cloud represents a tremendous opportunity for open source developers and providers (globally)
 - Opportunities will continue to follow core technology threads instead of commercial vendor ecosystems

The Evolving Cloudscape

Through 2015, the largest driver of Cloud IT workloads will continue to be Cloud Business Solutions (including business apps, social business technologies and mobile solutions).
Key drivers shift from “better, faster and cheaper” to “transforming the enterprise.”

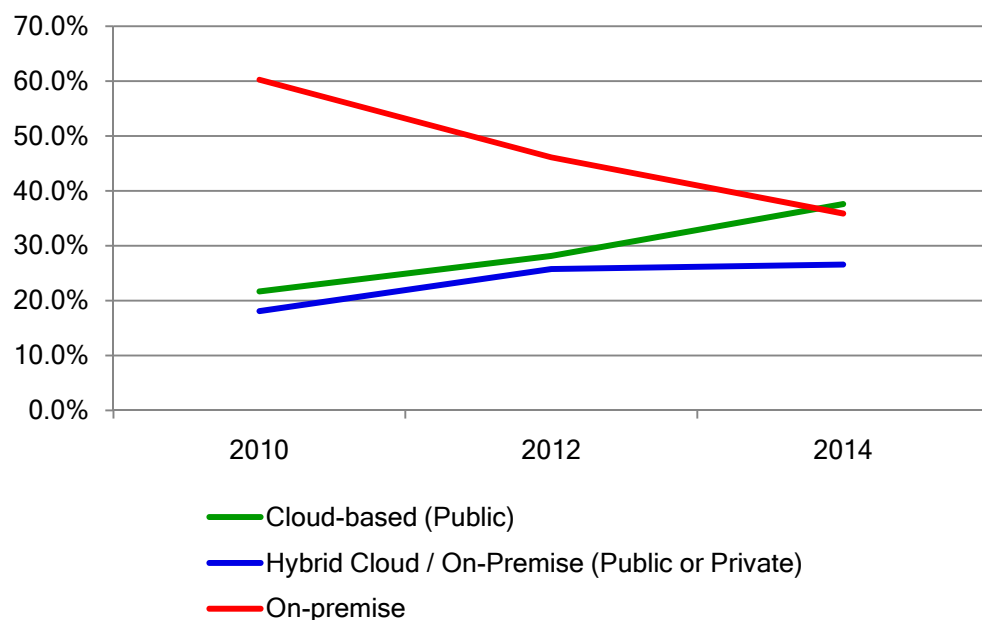


Source: Saugatuck Technology

After the Storm – The Shift to the Cloud Accelerates

*By 2015, 50 percent or more of NEW enterprise IT spend will be Cloud-based or Hybrid.
By 2015, 65 percent or more of NEW enterprise IT workloads will be Cloud-based or Hybrid.
By 2015, 25 percent or more of TOTAL enterprise IT workloads will be Cloud-based or Hybrid.*

For each of the following years, please indicate what percent of your company's preference for deploying NEW software (on a continuum from Cloud-based to On-premise) will be:



But significant differences in adoption by size of company!

< 100 Employees	2010	2012	2014
Cloud-based (Public)	26.5%	34.5%	43.6%
Hybrid Cloud	17.7%	23.8%	22.5%
On-premise	55.7%	41.6%	33.9%

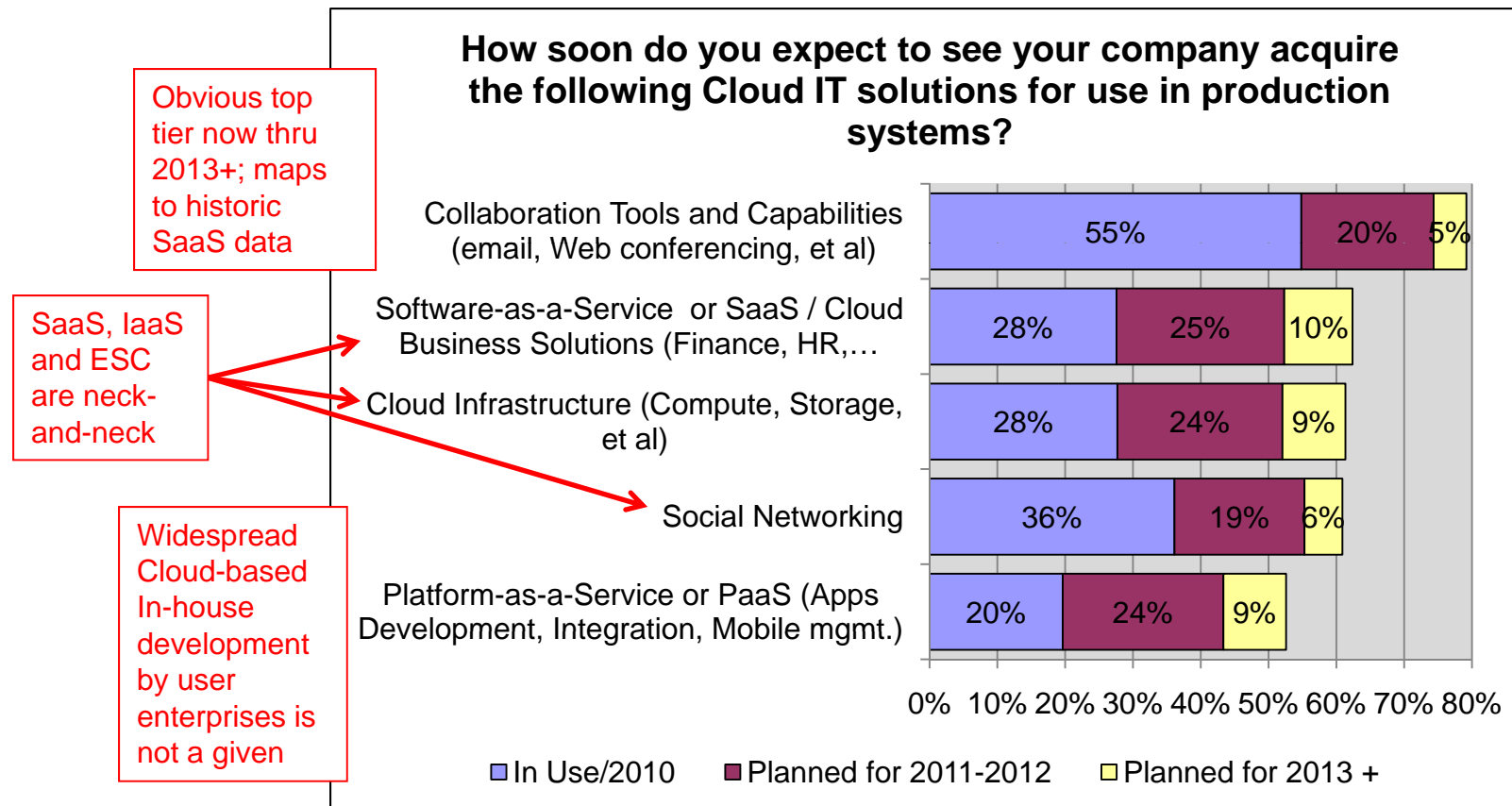
5,000 + Employees	2010	2012	2014
Cloud-based (Public)	17.0%	24.5%	34.6%
Hybrid Cloud	17.5%	24.7%	27.3%
On-premise	65.0%	50.8%	38.1%

Source: Saugatuck Technology Inc., 2010 Cloud IT Survey (September 2010), Global N=546

Cloud IT Solutions in Production Systems

Today Through 2013

Through 2012, Collaboration, Mobility and Social Business technologies will lead all forms of Cloud IT deployment.



Source: Saugatuck Technology Inc., 2010 Cloud IT Survey (September 2010), Global N=546

Key Challenges / Common Pitfalls for Mid-to-Large Enterprises

➤ Key Challenges:

- IT Asset Management
- Understanding and *Managing Risk* (business and technology)
- Integration: Data, Security, Processes (internal and external)
- Opportunity Recognition and Execution

➤ Common Pitfalls in the Cloud Transition:

- No formal planning process
- Missing or poor governance structure
- Poor or missing responsibility matrix
- Neglecting or underestimating HR and change management challenges
- No project management office (PMO)
- Missing or incomplete inventory of assets
- Lack of operational oversight
- Few relevant SLAs
- Poor communication to constituencies

Source: Saugatuck Technology Inc.,

Summary

Cloud Business

Cloud IT

About Saugatuck Technology

SAUGATUCK OFFERINGS AND SERVICES

Saugatuck Technology provides subscription research / advisory and consulting services to senior business and IT executives, technology and software vendors, business / IT services providers, and investors. Our Mission is to help our clients make better business decisions and create new business value through trusted and objective insights into the key market trends and emerging technologies driving real change. Over the last few years, this has included a major focus on Software-as-a-Service (SaaS), Cloud Infrastructure, and Social Business Technologies, among other key trends.

CONTINUOUS RESEARCH SERVICES (CRS)

- Subscription access to Saugatuck's ongoing premium research, providing independent / unbiased insights and guidance into key market trends, buyer behavior, "white-space" opportunities and disruptive market forces driving changes in business computing.
- A variety of advisory services, including telephone-based inquiry, and "Analyst Days"

USER STRATEGIC CONSULTING SERVICES

- Leadership and Planning Workshops
- Strategy and Program Assessments
- Vendor Selection / Evaluations
- Cloud Transition / Migration and Management Best Practices

VENDOR STRATEGIC CONSULTING SERVICES

- Market Assessment
- Strategy Validation
- Opportunity Analysis
- Positioning / Messaging / Go-to-Market Strategies
- Competitive Analysis

THOUGHT-LEADERSHIP PROGRAMS

- Custom research programs targeting key technology and business/IT investment decisions of CIOs, CFOs and senior business executives
- Delivered as research reports, position papers or executive presentations.

VALUE-ADDED SERVICES

- Competitive and market intelligence
- Investment advisory services (M&A support, due diligence)
- Primary and Secondary market research.

US AND EUROPEAN OFFICES

Headquarters

Saugatuck Technology Inc.
8 Wright Street, 1st Floor
Westport, CT 06880 USA
(P) +1.203.454.3900

Regional Sales:

- New England, East: Al.Vanek@SaugatuckTechnology.com
- South, Mid West: Matt.Peters@SaugatuckTechnology.com

Silicon Valley

Saugatuck Technology Inc.
5201 Great America Parkway, Suite 320
Santa Clara, CA 95054 USA
(P) +1.408.727.9700

Regional Sales:

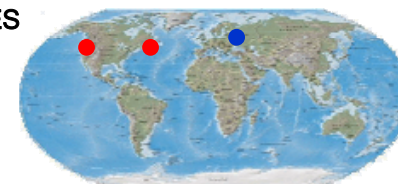
- West: Andrew.Jeffs@SaugatuckTechnology.com

Germany

Saugatuck Technology Inc.
Bluecherstr. 4
D 65343 Eltville am Rhein, Germany
(P) +49.6123.630285

Regional Sales:

- Europe: Frank.Sempert@SaugatuckTechnology.com



For more information about these or any other Saugatuck Technology service, please reach us through the contact information noted above.

- To learn more about Saugatuck consulting and research offerings, go to www.saugatucktechnology.com or email [Chris MacGregor](mailto:Chris.MacGregor@SaugatuckTechnology.com) for more information.
- While there register on our site and begin receiving our complimentary *Research Alerts*.