Enterprise Cloud Adoption
Role of Cloud in Global Services

Cloud Vista
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Insight #1: Reports on the death of ITO due to cloud are grossly exaggerated

Cloud delivery is rapidly becoming an integral part of large global services deals

- In H2, 2011, 8% of all large global services deals had cloud delivery as a part of scope, up from 4% in H1, 2011; we believe this is an indicator of increasing adoption of cloud services within the matrix of global service delivery
- Most large service providers adopted the cloud paradigm by developing cloud capabilities. Given the nature of entrenched relationships, we believe that these service providers will continue to serve the market for cloud services
- In fact, cloud represents an attractive opportunity for most service providers
  - The average TCV of global services deals with cloud delivery in scope (2011) was US$168 million; compared to US$95 million for deals without cloud delivery in scope
  - The average contract duration for global services deals with cloud delivery in scope (2011) was 68 months; compared to 60 months for deals without cloud delivery in scope

Cloud services help service providers make inroads into new buyer segments

- Cloud computing and pay-as-you go models made it easier for buyers in hitherto underserved segments to gain access to enterprise class technology
  - Approximately 38% of all global services contracts with cloud delivery in scope were awarded by enterprises with less than US$500 million in revenues
  - Along with traditional leaders in global services adoption such as Banking, Financial Services, and Insurance (BFSI), healthcare and life sciences, government and non-profit sectors are also driving cloud adoption in global services. The government sector accounts for 14% of all global services deals with cloud delivery in scope, while the non-profit sector accounts for another 6%

Insight #2: Service recipients don't ask for cloud – they ask for transformation

Both service recipients and service providers see transformational value in cloud delivery models

- Transformation features as a prominent theme in most enterprise deals with cloud delivery in scope
  - Infrastructure transformation and modernization as the dominant theme was seen in 53% of all such deals
- From a service recipient's perspective, cloud delivery models allow for greater flexibility and go hand-in-hand with widespread infrastructure virtualization and consolidation
  - Often the infrastructure transformation agenda serves as a precursor to rationalization and upgrade of fragmented and legacy application portfolios
- Service providers also capitalized on the transformational potential of cloud delivery models as buyers ask for more value beyond traditional labor arbitrage
  - Service providers invested in developing standardized cloud solutions, and are able to offer transformational value with relatively shorter deployment and implementation cycles

Cloud services yield flexibility and cost benefits across a diverse variety of environments

- Within the infrastructure transformation agenda, cloud delivery models are being deployed across a wide variety of environments
  - However, the benefits are greatest for workloads with high variability, e.g., testing and development (73% of all cloud related deals with infrastructure transformation as the dominant theme)
  - However, cloud solutions are also being deployed for production and data continuity environments
- Cloud delivery models are also being deployed as a part of the application transformation agenda
  - As many as 54% of such deals involve porting of custom business applications to a cloud environment
  - Productivity suites and ERP (22% each) comprise the other important areas of cloud-driven transformation

Insight #3: Service providers play a variety of roles, but service recipients prefer an integrated solution

Service providers are driven by legacy to define their roles within the cloud paradigm

- Providers with a strong technology heritage and a substantial global asset footprint are positioning themselves as end-to-end solution providers
  - Mostly MNCs, traditional powerhouses such as HP and IBM are providing end-to-end stacks, combining hardware, software, hosting, and management services through a cloud delivery model
- Asset light players with consulting and professional services heritage are investing in partnerships with hosting providers to enable their solutions
  - Offshore service providers are focusing on integration and customization opportunities, as well as management of the cloud environment
  - However, providers such as HCL have had noteworthy market success with end-to-end global transformational deals

Service recipients prefer standard solutions, with a single provider responsible for integrated delivery

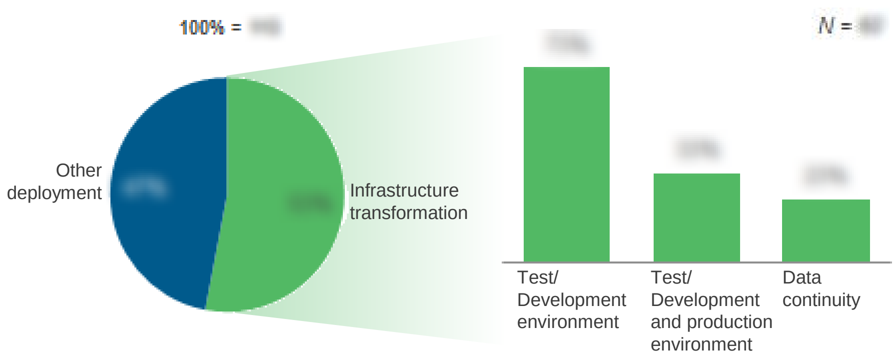
- Service recipients clearly prefer a templatized solution with standard architecture and service level agreements (SLAs)
  - It was found, 63% of all deals with cloud delivery in scope involved customization of such standard solutions, rather than ground-up solution development
  - Typically, such standard solutions involve shorter implementation cycles, and limit delivery risk through pre-defined SLAs and business case arguments
- While most cloud related deals involve management and professional services for the cloud environment, service recipients prefer the solution “owner” to provide these services
  - Only 8% of all deals with cloud management services in scope involved implementation of third-party solutions, while only 5% of all such deals were exclusive of solution development/customization or hosting services, i.e., comprising pure professional services scope

Cloud adoption within global services is being driven across several market segments; service providers have a variety of roles to play to capitalize on the opportunities

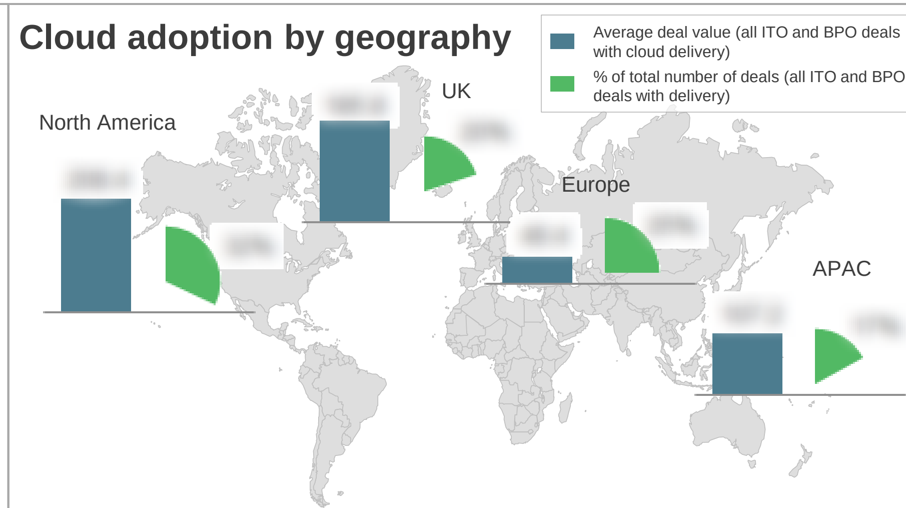
Role of cloud in transformation

Driver of cloud adoption
2011; Number of deals

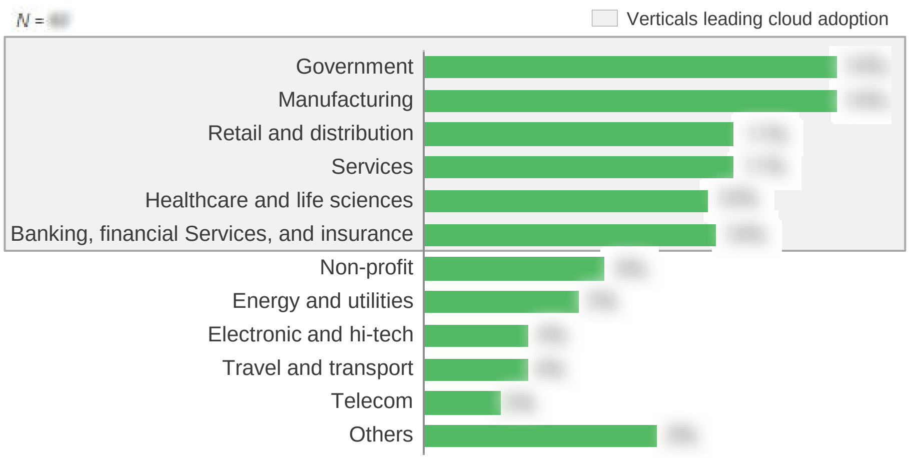
Typical role of cloud infrastructure
2011; percentage of deals



Cloud adoption by geography

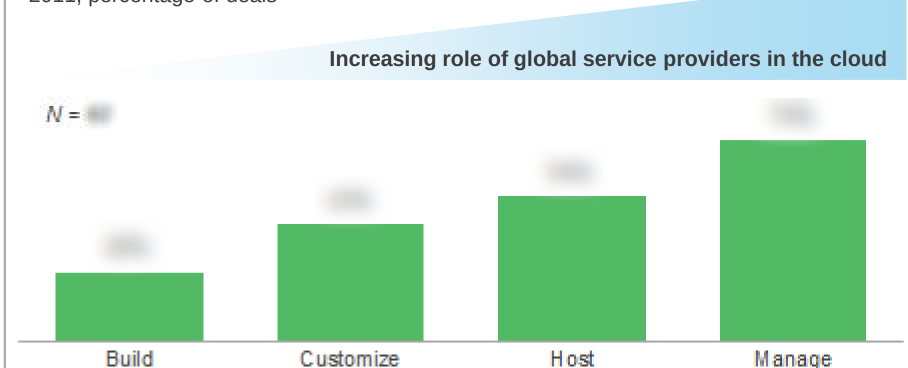


Cloud adoption by industry vertical



Opportunities for service providers

Roles played by cloud service providers
2011; percentage of deals



Source: Everest Group (2010)

Appendix: Additional ITO research references

The following documents are recommended for additional insight on the topic covered in this research report. The recommended documents either provide additional details on the topic or complementary content that may be of interest

1. **Service Provider Cloud Strategies – "As Unique as Everyone"** (ERI-2011-4-R-0495a); 2011: This report provides a comprehensive overview of the strategies of global service providers in terms of their focus in cloud ecosystem, challenges they foresee, buyers concerns, expectations from cloud, partnerships, and their future plans to tap the cloud opportunity. The report will be useful for both the buyers to understand strategies of these providers and service providers to understand the broader market

2. **Social Networks for Global Delivery – Get that ITCH** (EGR-2012-4-R-0662); 2012: This viewpoint report analyzes the role of an internal social network for improving the global delivery model. The report discusses challenges and issues in global delivery such as resourcing, collaboration, overheads. It provides a framework for service providers which they can leverage to create their own internal social platforms and augment their delivery models

For more information on this and other research published by the Everest Group, please contact us:

Ross Tisnovsky, Senior Vice President: ross.tisnovsky@everestgrp.com
Chirajeet Sengupta, Practice Director: chirajeet.sengupta@everestgrp.com
Yugal Joshi, Senior Analyst: yugal.joshi@everestgrp.com
ITO Team: ITOresearch@everestgrp.com

Everest Group
Two Galleria Tower
13455 Noel Road, Suite 2100
Dallas, TX 75240
Phone: +1-214-451-3110
Email: info@everestgrp.com

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Everest Group locations

Dallas (Headquarters):	info@everestgrp.com +1-214-451-3000
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Toronto:	canada@everestgrp.com +1-416-865-2033
London:	unitedkingdom@everestgrp.com +44-207-887-1483
Delhi:	india@everestgrp.com +91-124-496-1000

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