Information Technology Outsourcing (ITO) Report: January 2011 – Preview Deck

Topic: Service Provider Cloud Strategies – "As Unique as Everyone"

ERI-2011-4-PD-0495

Background and scope of the research

Background of the research:

- Despite significant hype accompanying cloud computing, many buyers are exploring it as an option for IT consumption
- IT service providers jumped onto the cloud bandwagon with a plethora of services. We categorize these services as cloud advisor, enabler, orchestrator, and provider
- Buyers have certain expectations from cloud computing, though they have equally strong concerns. Service providers have their own concerns in providing cloud services
- Service providers seem to approach the cloud market with broadly similar strategies, which varies based upon the DNA of the service providers in terms of technology competence, business knowledge, owning infrastructure assets, and view of the cloud market

The scope of analysis includes:

- Overview of cloud computing capabilities
- Adoption trends in terms of geography, buyer size, and industries
- Drivers of cloud adoption from the buyers' perspective
- Perspective of service providers in terms of challenges in providing cloud services and expected winner across cloud layers and various cloud services
- Description of major service providers' strategies in approaching the cloud market

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Overview and abbreviated summary of key messages
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Everest conducted an outreach with major IT outsourcing providers including the global MNCs, Indian players and providers focused predominantly on the European market. The outreach was followed by a detailed discussion on their cloud strategies. This report provides a comprehensive overview of the strategies of these outsourcing 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.

Cloud computing overview

- Cloud computing is coming together of already available technologies and service consumption philosophies in a coherent and cost effective manner
- We can broadly break down various cloud capabilities into four segments, i.e., cloud advisor, enabler, orchestrator, and provider
- Service providers have a varying focus on these capabilities, we believe not all of these are equally important in terms of being a differentiator

Cloud adoption trends

Buyer trends:
- Defying the earlier expectations of small buyers driving cloud growth, it's the large buyers who are spearheading the cloud business growth
- Service providers are witnessing major traction in North America. Most of the service providers are targeting their strategic client base, which traditionally is from North America
- CIOs consider cost reduction and flexibility as the most important reasons to leverage cloud computing. They are still concerned about security and seamless integration of cloud into their legacy environment

Service provider trends:
- Offshore and MNC service providers see different revenue contribution from different cloud layers. Offshore service providers are seeing more contribution from SaaS, whereas, MNCs are generating more revenue from IaaS
- Offshore and MNC service providers are focusing on orchestration and provider capabilities to tap the cloud ecosystem. However, their relative focus is different
- Service providers face many challenges, the most important being a paradigm shift in strategy to provide cloud services. Despite buyers' concerns, the providers are surprisingly positive about the cloud's success

Overview and abbreviated summary of key messages
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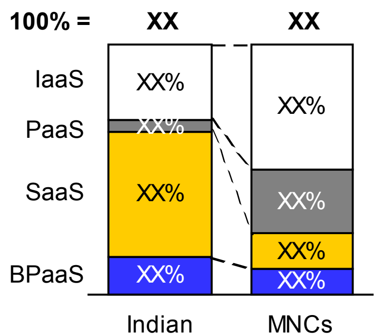
Overview – Service provider cloud strategies

- Overview of service provider strategies for each of the cloud capabilities (cloud advisor, enabler, orchestrator, and provider)
  - **MNC providers profiled** – Accenture, ACS, Atos Origin, CGI, CSC, HP, Siemens IT Solutions and Services, and T-Systems
  - **Offshore providers profiled** – Cognizant, Infosys, Mahindra Satyam, Patni, TCS, and Wipro

This study analysis the major reasons and hindrances towards cloud computing adoption. It also profiles cloud strategies of major service providers

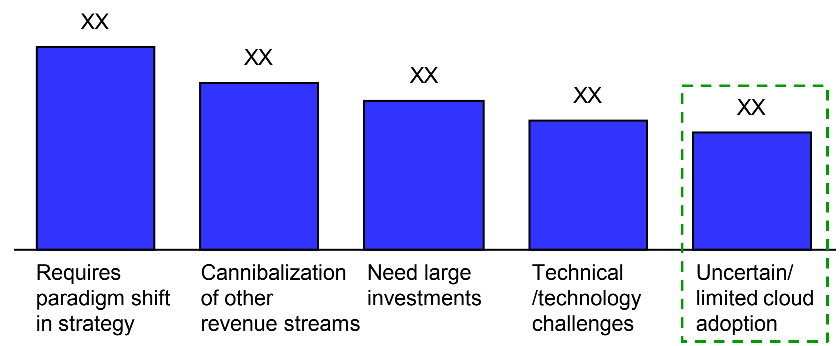
Revenue contribution from different cloud layers

Revenue contribution from different cloud layers for Indian and MNC service providers
Percentage of revenue from each cloud layer



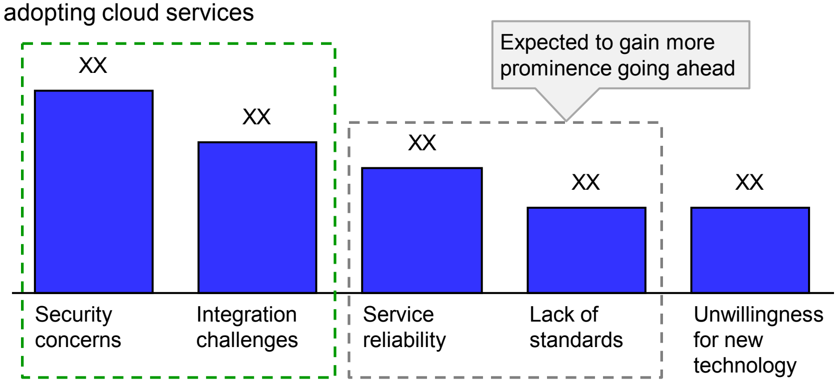
Supplier's concerns in providing cloud services

Key challenges and risks for service providers
Indexed comparison of the reasons cited by the service providers as risks/ challenges in providing cloud services



Buyer's view – hindrance in cloud adoption

Hindrances in cloud adoption
Indexed comparison of the reasons cited by buyers as hindrance towards adopting cloud services



Sample supplier profile – Cloud orchestration

Dimensions	Description
Client profile	▪ Xxxx ▪ Xxxx ▪ Xxxx
Key services	▪ Xxxx ▪ Xxxx ▪ Xxxx ▪ Xxxx ▪ Xxxx
Strategy and plans	▪ Xxxx ▪ Xxxx ▪ Xxxx ▪ Xxxx

Source: Everest Research Institute (2011)

Additional ITO research recommendations

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 which may be of interest

1. **Hype and Reality of Cloud Computing – "Mind the Gap!"**(ERI-2010-4-R-0402a); 2010: This report evaluates cloud computing with respect to traditional and virtualized enterprise setup and analyzes the risks and challenges associated with the cloud. It evaluates the often neglected "Operations as a service" stack in cloud computing and elaborates on various strategies the service providers are leveraging to woo the enterprise buyer. The report analyzes various scenarios which are possible in cloud computing evolution, as well as key challenges that need to be overcome for these scenarios to materialize

2. **Desktop Virtualization – "A Cautious March"** (ERI-2010-4-R-0443); 2010: This report analyses desktop virtualization with more focus on VDI. Comprehensive business cases include analysis of ROI for virtualized versus traditional desktops, virtualized versus offshored/automated desktop set-up and up-front costs needed to develop a VDI ecosystem. Buyers' concerns and strategies of top desktop management providers (MNCs and Indian) have been elaborated along with key dimensions of their divergence. The report also predicts the most likely scenario of VDI evolution

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

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