



LEADERS IN THE CLOUD

Identifying the Business
Value of Cloud Computing
for Customers and Vendors

About Sand Hill Group

Serving the \$600B enterprise software, services and solutions market

Investments and Advice

- Provider of investments and management advice to emerging enterprise technology leaders

Conferences

- Host of Cloud Connect conference March 2010
- Creator and producer of prestigious Enterprise and Software conferences

Publishing

- Publisher of the SandHill.com Web site and the Software Pulse electronic newsletter delivered to over 12,500 executives each week

Research

- Producer of strategic reports about key enterprise software industry trends which aim to provide executives with meaningful, actionable insight into the critical issues they face

Industry-leading advisory board

- **Toby Redshaw** CIO, Aviva, \$90 Billion Insurance company
- **Daru Darukhanawala** CTO, British Petroleum
- **JP Rangaswami** Chief Scientist, British Telecom
- **James Barrese** VP Systems and Architecture, eBay
- **Michael Abbot** SVP, Application Software & Service, Palm
- **Gary S. Washington** Policy Lead, Cloud Computing, Office of Management & Budget (OMB), Federal Government

Survey of 511 IT execs with McKinsey and TechWeb

Title/Position	Percent of Respondents
Board Member/CEO	14%
CIO/CTO	13%
Other C-level executive	6%
Senior IT executive	18%
Other senior executive	10%
IT manager	7%
Other manager	6%
Staff	6%
Consultant	15%
Other	5%

40 confidential interviews with cloud leaders

Sector	Companies	Executives
Healthcare	1	1
Insurance and Financial Services	3	4
Publishing and Media	3	3
Telecom	1	2
Federal Government	3	6
Technology	4	4
Business and Software Services	3	3
Software Vendors	8	8
Electronics	1	1
Manufacturing	2	2
Energy	1	6
Total	30	40

Interviewees by company size

Companies (by Revenue)	Interviews
More than \$10 billion	10
\$1 - \$9 billion	5
\$200 - \$999 million	3
Less than \$200 million	8
Federal government	6
Software Industry	8
Total	40

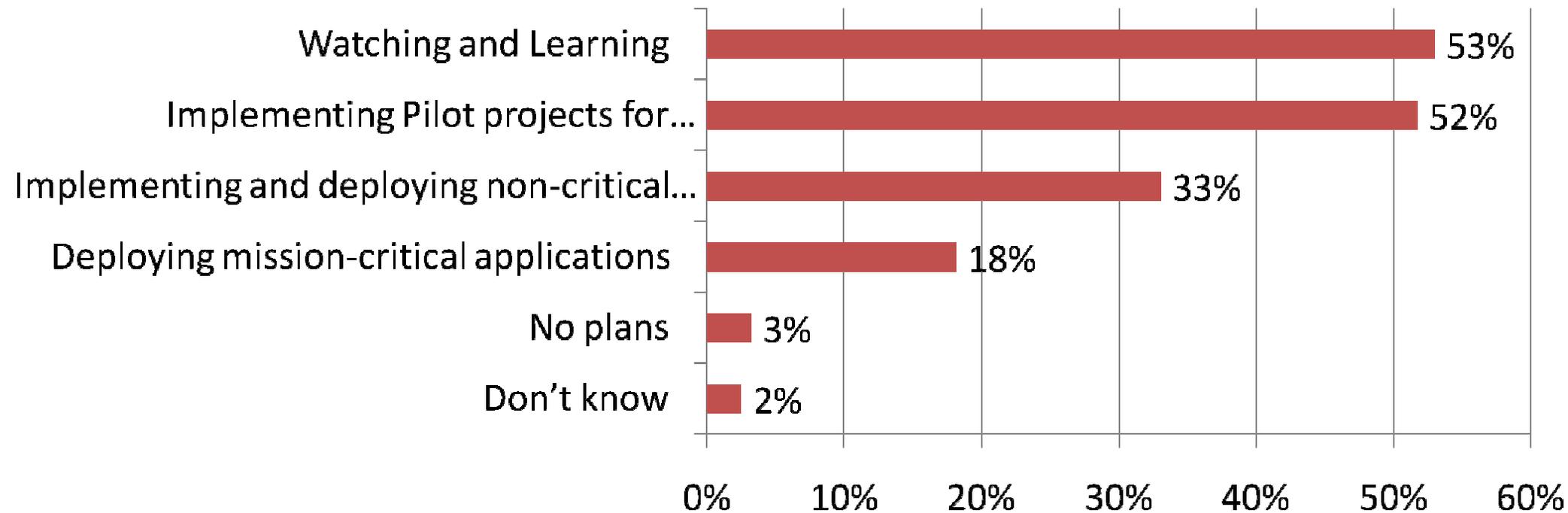
Cloud definitions and controversies

- Are cloud vendors offerings truly “cloud”? (If it looks like a duck...)
- Savvy customers are looking for cloud characteristics:
 - Rapid Elasticity, on-demand self-service, resource pooling, pay only for consumed resources, no ongoing obligation
- Controversies
 - Is private cloud a cloud?
 - Is virtualization a cloud initiative?
 - Is SaaS app a cloud app?

“SaaS Technology has to be new market multi-tenant application architecture, otherwise it is not cloud and there’s no innovation there, it’s simply a repeat of the old ASP model” – CIO Software Vendor

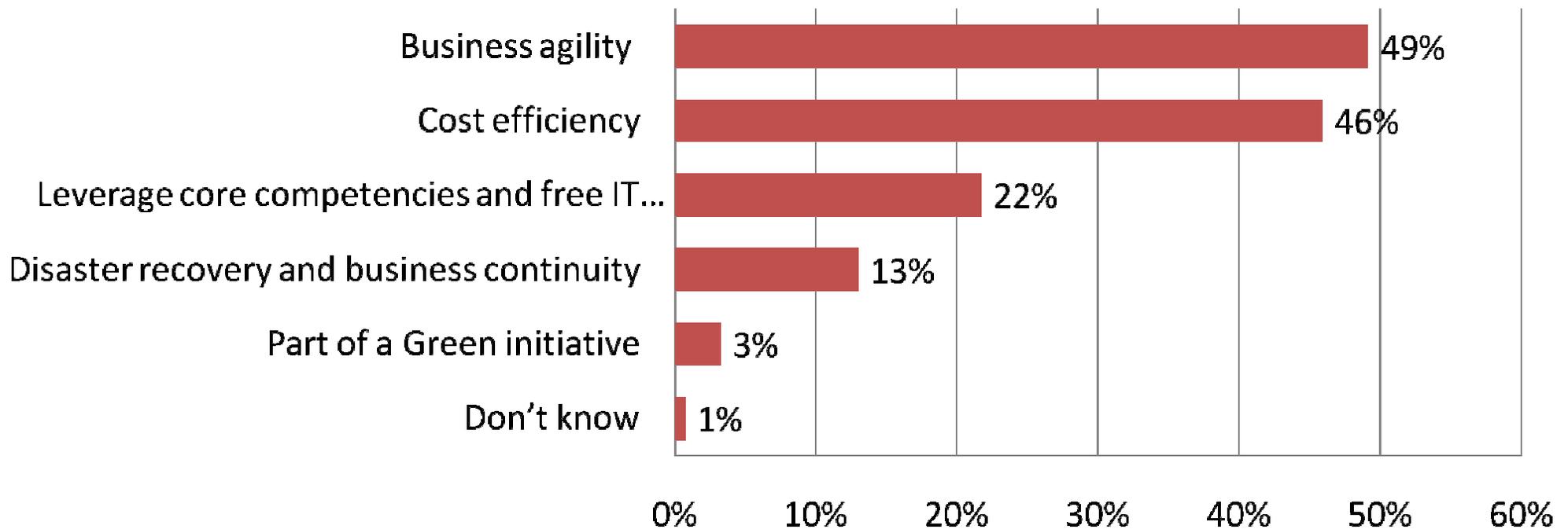
Cloud Reality is Catching The Hype

Some SMB's have 80% of services in the cloud



“Compared to what we were doing before, the cloud is a giant bed of roses.” – CIO, business services company

Agility: #1 driver for the move to the cloud



“The biggest driver for us is – I can deliver results for the organization much faster.” – CIO Electronics Engineering Company

ROI, Cost Savings Examples From Use Cases

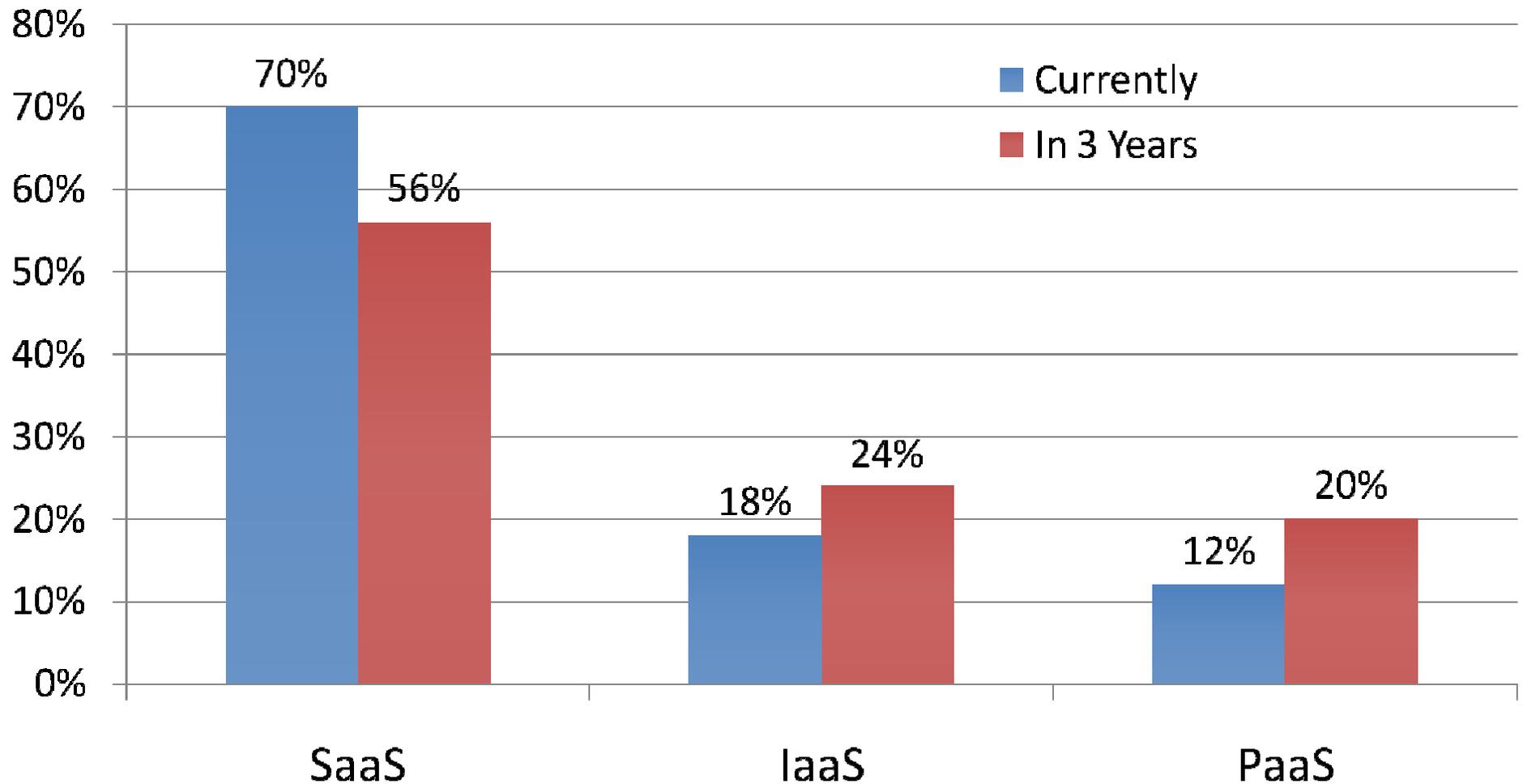
Private Clouds

- Provision resources in a few hours instead of 6-8 weeks.
- 20-50% percent cost reduction of data center operations

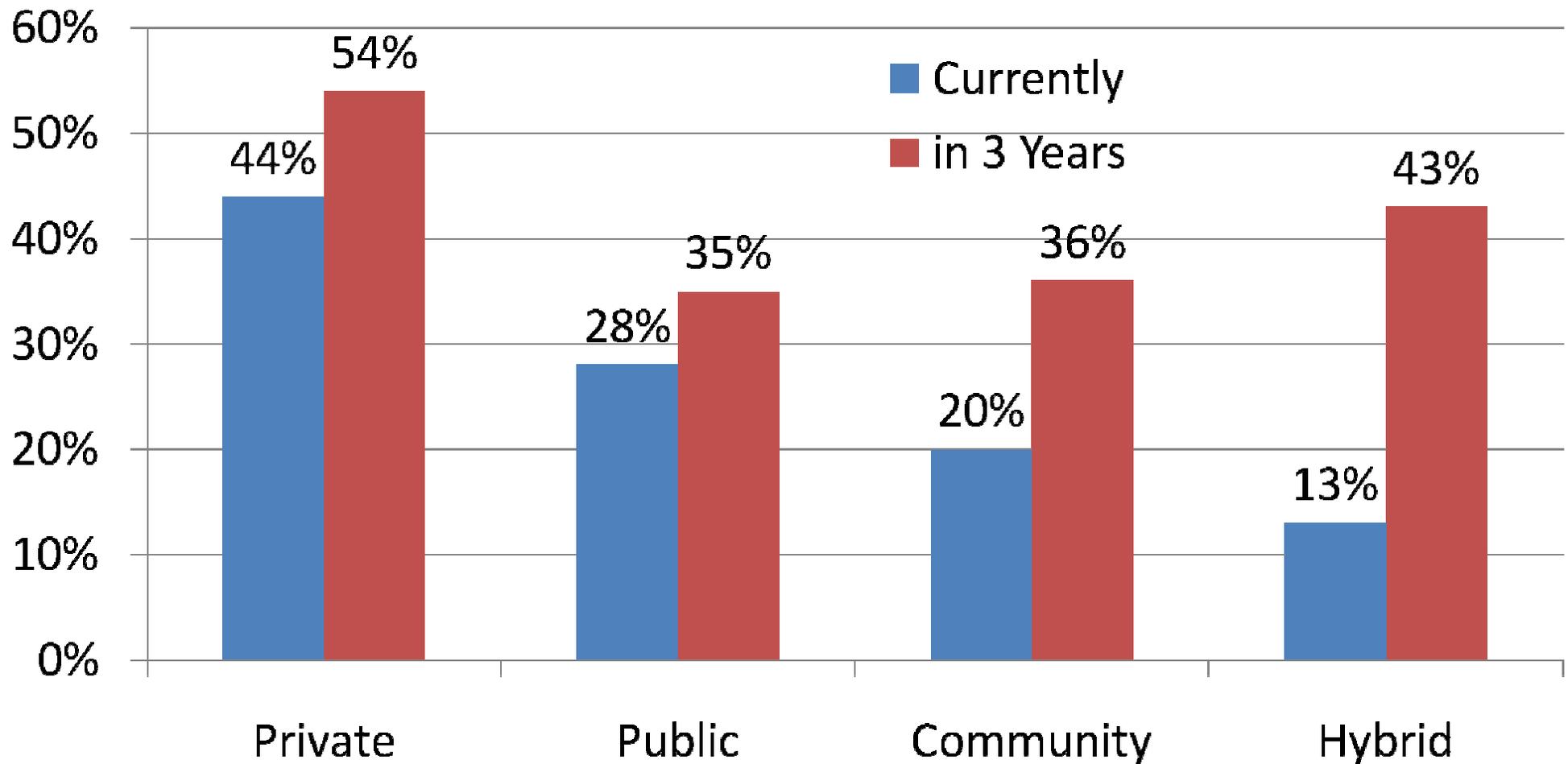
PaaS and SaaS vs On-premise

- Cloud E-mail system 5 times cheaper
- Developing with PaaS platform was 4x faster and 50% cheaper
- SaaS CRM system 50%-75% cheaper

Which cloud models are winning and why?



CIO perspective on various cloud types



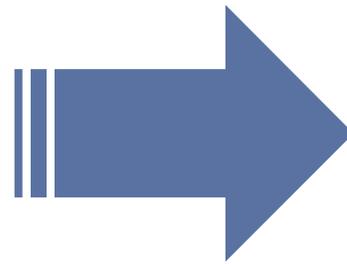
“I don’t think [the public/private cloud issue] is really an ‘either/or’ question. It’s a combination.”
– CIO, software company

Cloud investments expected to increase

Today

3%

IT Budget spent on Cloud



In 3 Years

7%-30%

IT Budget expected to be spent on Cloud

“Today we’ve got 95 percent of applications running internally and 5 percent externally. In five years, that ratio will be 80 percent internal and 20 percent external.” – CIO, Fortune 500 financial company

Small, large companies have different concerns

	Large Enterprises	Small and Midsize Businesses
Implementing pilot projects	62%	46%
Watching and learning	38%	49%
Implementing and deploying noncritical applications	35%	34%
Deploying mission-critical applications	12%	25%
No plans	6%	4%
Don't know	0%	1%

“I firmly believe that my data is safer in [the cloud vendor’s] hands than it is in mine” – SMB CIO

Workloads in the cloud

- Innovation and skunk work projects (Paas, IaaS)
- Collaboration, CRM, HR, and Content Management (SaaS)
- Disaster recovery and redundancy (IaaS)
- New development, testing (IaaS)
- SaaS/PaaS used more in SMB
- Virtualization/private cloud initiatives more in large enterprises

Barriers to cloud adoption

- While important, security and privacy issues mask other bigger challenges:
 - Risk aversion, reluctance to change
 - IT skills refresh, fear of job loss
 - Readiness of application architectures and workloads
 - Lock-in and integration

“I think two years ago, security was used constantly as an excuse for not going to the cloud, but that’s changed quite a lot now” – *CIO media company*

Implications for customers

- Embrace change: start with experiments and pilots now
 - Experience cloud business benefits first hand in a low-risk environment
- Think ‘Cloud = Outsourcing 2.0’
 - Innovate on “core” and outsource “context”
 - Leverage cloud to enable real-time decision making and collaboration across the supply-chain
- Change IT skill sets
 - Business requirements, vendor management, system architecture, new cloud platform skills

“I think a lot of companies in more traditional, mature industries like ours are missing out on a lot of opportunities to take advantage of what the cloud has to offer.” – *CIO manufacturing company*

Additional Resources

- Opinion Editorial on SandHill.com
 - <http://sandhill.com/opinion/editorial.php?id=296>
- Weekly Blog on cloud trends, vendors, customers, people, and solutions
 - http://sandhill.com/opinion/daily_blog.php?id=71
- Battle in the Cloud: Industry leaders take a stand on what's important in the evolution of the cloud
 - <http://sandhill.com/opinion/editorial.php?id=301>

Take a deep dive: Get the Research Report

- **Base Report: \$999**
 - 60 pages, hard-copy
 - First-hand CIO quotes, more than a dozen charts and figures, and six use cases of specific cloud projects.
- **Expanded Report: \$1599**
 - 85 pages, hard copy
 - Additional Government section
 - Additional six use cases
 - Dozens of additional unedited customer quotes
- **Digital Enterprise version: \$5000**
 - Unlimited internal distribution license
 - Data file of quantitative findings of 500+ IT exec survey
- <http://sandhill.com/research/index.php>

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