

The Sky's the Limit with Cloud Computing

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Cloud computing is generating significant revenue streams for information technology (IT) channel companies, who plan to boost their cloud investments throughout the year, according to CompTIA's *Second Annual Trends in Cloud Computing* study. The CompTIA research shows that 82 percent of end users and 95 percent of channel firms are planning increases in cloud investment – making the sky the limit for cloud. Read on to learn about the opportunities and challenges in the rapidly expanding cloud computing space.

1. End Users Know More and Feel Better About Cloud

Before diving into the details, the research asked end users to compare their understanding and perception of cloud computing between now and one year ago. Sixty-nine percent of respondents classified themselves as “familiar” or “very familiar” with cloud computing, compared to 42 percent that believed they had that much understanding one year ago. There were especially notable increases among small firms (less than 100 employees) and business staff.

Likewise, 72 percent of respondents said they felt more positive about cloud than they did one year ago. This rise in perception came even as cloud services have come under greater scrutiny with large providers experiencing service downtime or security breaches. The top factors contributing to a more positive perception were being more convinced of the technical benefits and the fact that a cloud strategy can enable other business objectives.

Even with the gains in understanding and perception, there are still some areas of cloud computing where end users would like more clarity and information. Some of these areas are still around the cloud building blocks, such as service offerings (SaaS/PaaS/IaaS) or deployment models (public/private/hybrid). However, peripheral areas such as security and integration are becoming top areas of concern.

2. Usage Models are Changing with Experience

Software as a Service (SaaS) is by far the leader in cloud service offerings that are currently utilized. Sixty-nine percent of current users have adopted some form of SaaS application. However, while only 32 percent of current users utilize Infrastructure as a Service (IaaS) or Platform as a Service (PaaS), an additional 36 percent plan to use these models in the next year.

Deployment models are also shifting. Among current cloud users, 39 percent use a private cloud solution and 27 percent use a public cloud solution. Although many companies who are planning on using cloud are unsure of which model they will choose, only 8 percent believe they will use a public cloud solution, compared to 31 percent who believe they will use a private solution. These changes are coming as companies are moving beyond initial experiments with cloud and choosing specific solutions for specific applications.

3. **Cloud Saves Money, But Also Opens New Doors**

In the 2010 CompTIA study on cloud computing, cost was cited as the top benefit for a transition to cloud computing. While the 2011 study also saw cost as a major driver for cloud adoption, other drivers are gaining in importance as customers are learning what new capabilities they can gain through using a cloud solution.

In addition, 51 percent of customers say that a major reason for moving to a cloud solution was that it was simply a better solution for many reasons. This highlights the importance of understanding all the benefits that a cloud solution can bring and presenting it as more than simply a cost reduction.

4. **Cloud Integration Tops the List of Challenges**

Although integration of new systems is always difficult, it is particularly difficult to build interfaces to cloud systems, which are typically outside a company's domain. Indeed, 88 percent of firms who have moved into the cloud cite integration with existing systems as a major or minor challenge.

This difficulty likely leads to another challenge – 82 percent of firms cite initial costs as a major or minor challenge. This may come as a surprise to companies to expect cloud to lower costs, but integration, training, and network upgrades all must be carefully thought out when building an ROI analysis for a cloud investment.

5. **Channel Adoption of Cloud on the Rise**

Much as it has for the end user community, the past year has spawned growing acceptance of cloud across the IT channel. Fear and apprehension about being left by the wayside by cloud have evolved into a realization that the channel has a very real, very valid role to play in the delivery, management and development of cloud services.

Today, 4 in 10 channel companies both sell and use cloud offerings, compared with 15 percent of companies that did so 12 months ago. In addition, compared with a year ago when 40 percent of channel firms cited zero involvement with cloud – either as a line of business or used internally – that number dropped to just 13 percent of uninvolved in this year's survey. Meanwhile, 85 percent of channel companies cited moderate to heavy involvement with cloud in the last 12 months, while nearly 8 in 10 reported having a clearer understanding of what the model means than they had one year ago.

Sales are up too. Nearly half of the channel companies selling cloud today (46 percent) reported deriving 50 percent or more of their annual revenues from cloud – related products or services in the last 12 months. Among channel companies in the midsized range (\$20M - \$99.9M in annual revenues), more than half reaped between 50-75 percent of total sales from cloud-related business in the last 12 months.

6. **Channel Business Models Adjustments: Name of the Game**

For many channel companies, moving to a cloud-based model – in part or whole – is presenting a considerable adjustment, driving significant change to long-standing business operations. The past year has shown there are myriad considerations, from choosing what cloud services to offer, retraining staff and reworking sales compensation plans to ensuring sufficient

capitalization during a transition period when expenses can soar higher than recurring revenue coming in.

Many in the channel started making these adjustments in the last year and many faced challenges. About half of all respondents cited the following as “very significant” hurdles when transitioning to cloud as a line of business:

- Determining appropriate revenue model
- Time/cost investment for cloud-based training for sales/technical staff
- Deciding which vendors to work with
- Cash flow/financial considerations
- Initial costs

7. **Channel Relationships: Customer & Vendors**

Managing the relationships with vendor partners and existing and potential customers is another major consideration for the channel when making the transition to selling cloud services. The sales process is different than a product-oriented technology sale, for example, and the channel needs to have a good handle on the value proposition for the various cloud solutions to map them appropriately to specific customer needs.

What’s in demand? Cloud-based email, storage, backup and recovery and business productivity applications are in the highest demand among customers buying cloud solutions today. Channel firms are also seeing increased demand for more sophisticated services, such as collaboration and analytics.

The primary influence behind a channel company’s decision to recommend a cloud solution is the customer’s desire to reduce complexity. More than half (52 percent) of channel companies said one of the drivers behind their sale of cloud services is the customers desire to increase mobile and remote access to company data. The channel’s cloud customers to date lean toward medium- and larger-sized firms, with 8 in 10 current cloud customers having 100 employees and above in their organizations and roughly half of those exceeding 500 employees.

Vendor relationships also morph in a cloud scenario and the channel is in the process of evaluating different vendor cloud strategies, including getting a handle on compensation models for the channel. Nearly a third of our channel sample said that IT vendors need to be more specific about how they will engage with cloud.

CompTIA will be producing the 2012 version of their cloud study in the coming months, which will follow up on these trends. CompTIA members have access to the full research studies at www.comptia.org. You can also get involved and help create cloud education for the channel. Check out the [CompTIA Cloud/SaaS Community](#) to find out how you can actively engage in creating a number of resources to help improve channel opportunities for cloud solutions, including educational materials, business credentials and other practice-development tools.

If you’re planning to attend [Breakaway 2012](#) in Las Vegas August 30 - July 2, join us to hear a panel of industry-leading tech journalists as they cut through the hype that can fog a solution provider’s vision of cloud computing at a session on *Cutting Through the Fog of the Cloud*. CompTIA will also offer the new Executive Certificate in Cloud (both Foundations and the new Intermediate level) at Breakaway.

Attendees have the opportunity to complete their Executive Certificate at the conference. Breakaway registration is free to all CompTIA members.