

Cloud computing on a high

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2010 saw many organizations focus on moving their IT infrastructure on to virtual environments in order to reduce costs. SMBs embraced the public Cloud and Software-as-a-Service (SaaS). Cloud computing evolved from a topic of discussion into one that was under implementation at many organizations, with a sizable number using it for their test and development environments.



Several studies revealed a dramatic uptick in the acceptance of the Cloud model. For example, The Yankee Group that noted that 60% of IT influencers now consider Cloud computing services as an enabler, versus 40% who considered it to be immature—a complete reversal from what was the situation in 2009. More important than insights into its credentials though was the sound of IT wallets opening. Gartner's recent survey showed that Cloud computing services represented 10% of spending on external IT services in 2010.

According to IDC, spending on IT cloud services would grow fourfold, reaching \$4.6 billion by 2014. This would accelerate throughout the forecast period, with a CAGR of 40% forecasted across the Asia Pacific region. Gartner pegged the worldwide Cloud Services market at \$56 billion in 2009 and said that it would grow to reach \$150 billion over the next five years. A study by Zinnov last year estimated that the Indian Cloud services market would reach \$1.08 billion by 2015 up from \$110 million in 2010 and that the market momentum this year suggested that India was well on its way to reach this milestone.

From the industry perspective, major players such as Google, Microsoft, IBM and Cisco got serious about the Cloud. Leaders in the public Cloud including Salesforce and Amazon Web Services continued their growth and scaled up their services.

Cloud computing adoption 'intenders' are expected to rise to 6.8% of large and mid-sized enterprises by 2012. System integrators would need to reorient their strategies in order to play a meaningful role in taking the benefit of Cloud computing to enterprise customers.

A recent survey conducted by VMware found that India scored higher than Singapore and Malaysia when it came to understanding the Cloud. The survey also revealed that 76% of the enterprises that were surveyed in India wanted to virtualize and adopt Cloud computing in the next eighteen months, which was much higher than other countries in the region including Japan and Australia.

Factors responsible

Increasing IT spending, large number of micro, small and medium enterprises, government involvement in Cloud computing, broadband penetration, eliminating the risk of technology obsolescence and a large pool of talent for the Cloud are some of the key factors behind its growth.

Arun Velayudham, Cloud Evangelist, CSS Corp., said, “The dominating factor fueling the growth of Cloud computing is the efficiency offered by the latest infrastructure supported by Cloud service providers. The economic fear factor in building huge infrastructure has also led organizations to turn to Cloud technologies, which also help them focus more on business building initiatives rather than investing time in the management of IT infrastructure. The growing number of startups that are ready to experiment with their commercial DNA at a lower cost has also boosted the growth of Cloud services. It also provides a free hand to open source technologies, which allows users to validate many solutions and tools.”

Saving time and money remain the most common drivers of adoption. However, in 2010, many businesses started to recognize the benefits of outsourced expertise. A 2010 Aberdeen report found that companies using a Cloud-based, Software-as-a-Service e-mail security solution reported 47% fewer incidents of spam than those who managed e-mail security by themselves. This improvement in security was attributed to the 24x7 nature of SaaS solutions, as well as the domain expertise of the Cloud vendor.

Trends

Big vendors acquired innovative start-ups. Several such acquisitions happened in 2010 including that of Boomi by Dell, DocVerse by Google, Heroku by Salesforce and Stratavia by HP. This trend will continue in 2011 as well.

Organizations of all sizes took to Cloud computing to lower their IT investment and operating expenses. Ease of deployment, manageability in maintenance and the need to access data/applications worldwide are additional considerations that are driving businesses to explore this concept. Some businesses create private Clouds within their virtual/physical network premises to gain a greater sense of control before considering a hybrid mix with the public Cloud.

The other obvious trend that continues to explode is that of mobility and the growth of social networks. When we talk about mobility, it is not just the number of subscribers that are on mobile networks, it is also about access to corporate data and the applications that are available on digital devices, etc. Platforms like iOS and Android enable all of this and more.

Growth prospects

The global economy is showing some positive signs of recovery with a potential increase in IT spending and the spread of Cloud computing is inevitable. There will be a shift in CIO's priority lists with Cloud computing becoming one of the topmost priorities. With challenges around meeting budgetary requirements while delivering critical services with fewer personnel and limited IT resources and with business needs in flux, there will be an increased demand and focus around augmenting business agility while reducing cost.

According to a recent report released by Ernst & Young over 72% of India's IT infrastructure companies will adopt Cloud computing in a big way over the next two to three years. The report also said that virtualization was going to be the first step in Cloud computing strategy and that this had been observed as a trend across data centers.

Cloud computing has moved from hype to reality in the past three years and all the major software vendors are scrambling to provide solutions. In 2011, vendors and analysts are expecting significant adoption from companies large and small as Cloud computing initiatives receive commitment in the form of IT budget line-items worldwide.

Prominent verticals

SMBs and large enterprises will continue adopting Cloud computing. Government and BFSI show a higher potential while Telecom and Retail would be moving their services offerings to the Cloud model. As the healthcare and education sectors reach out to remote parts of India, there is a potential of these segments moving to the Cloud in order to reduce cost and bring about business agility.

Future directions

The global cloud computing market is expected to grow from \$37.8 billion in 2010 to \$121.1 billion in 2015 at a CAGR of 26.2% from 2010 to 2015. SaaS is the largest segment of the cloud computing services market, accounting as it did for 73% of the market's revenues in 2010. The IaaS and PaaS markets are still at a nascent stage and currently hold a small share of the Cloud computing services market. However, these are expected to witness moderate growth due to their flexibility and cost effectiveness.

The acceptance of Cloud computing will accelerate in the small business sector during 2011. Standardized procedures executed by automation software will be a fast path to the private Cloud and service providers will be ready in 2011. New data center and networking technology as well as advanced provisioning and management tools will accelerate the growth of Cloud computing and will also improve the performance of Cloud-based apps. Because of increasing competition, prices will reduce and there will be SLAs being offered by the providers.

It is up to the vendors and system integrators and service providers to convince companies to go in for the Cloud. So far, it has been mostly SaaS that has found success in India with enterprises using it for their e-mail and smaller companies going in for Cloud-based CRM. Private Clouds hold a lot of potential and as companies redo their data centers or set up new ones it would make sense for them to adopt this model. The transition is an ongoing one and as it is such a fundamental one, it will take several years. 2011 will see the early Cloud deployments happening and this will be an essential proof to the mainstream which will take its cue from the early adopters in the years ahead.

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