

ADOPTION OF CLOUD SERVICES IN NORTH AMERICA



2016 SURVEY

TABLE OF CONTENTS



○ Forward	→	3
○ Executive Summary	→	4
○ Cloud Beliefs	→	8
○ Services in the Cloud	→	9
○ Deploying Cloud Services	→	11
<hr/>		
○ Expectations	→	13
○ Data Security and Other Concerns	→	14
○ Departmental Adoption	→	16
○ Budgets	→	17
○ About the survey	→	18

www.EvolveIP.net

If you looked at information technology as a sports team you'd have a pretty typical cast of characters. You'd rely heavily on Microsoft Mike, the dependable veteran. You'd see David "Desktop" Dell every day in the locker room, after all he's your annual free-agent signing, and then there would be your franchise player, known only as "The Cloud." He's the kid who came up through the ranks practically out of nowhere. The front office loved him from the start, other players were jealous and talked him down but ultimately – he's delivered and he's now winning fans across the board.

In Evolve IP's 2016 survey on cloud adoption we've learned that "The Cloud" has gone from promising rookie to the face of the franchise. In fact, based on the results, he has believers in every part of the organization, he is well-liked (even loved), he integrates with virtually everyone, and he is trusted like never before. As you would expect, with this kind of universal appeal, The Cloud is in high demand.

Monday morning quarterbacks concur. According to Gartner, spending on Infrastructure as a Service (IaaS) will have a 29.1% CAGR from 2014 – 2019 with sales of \$16.5 billion in 2015. Cisco echoes the cheers for The Cloud noting that cloud apps will account for 90% of total mobile data traffic by 2019.

Evolve IP's exclusive research, which also trends statistics going back to 2013, looked at the impact of The Cloud with the following areas of concentration:

- IT and executive beliefs
- Cloud services adoption trends
- Cloud implementations
- Expectations and concerns
- Departmental implementations
- Budgets

The survey was exclusively focused on IT professionals and executives involved in approving and/or implementing cloud strategies. 1,080 companies participated in this seminal web-based survey, making it one of the most thorough examinations completed on this topic.

Did You Know?

...This survey is a followup to the "Cloud of Dreams" surveys from 2013 and 2014...

Evolve IP's 2016 North American Cloud Adoption Survey revealed that The Cloud has gained corporate alignment, increased real business benefits and has near ubiquitous adoption.

CLOUD BELIEFS

86%
of respondents
believe that
CLOUD COMPUTING
is the **FUTURE OF IT**

VITAL STAT

Respondents almost universally believe that cloud computing is the future model of IT with nearly 9 out of 10 respondents (86%) agreeing.

Virtually everyone acknowledges the tectonic shift from premise to cloud and the majority believes that the change is good. 7 in 10 consider themselves cloud believers while 2 in 10 (19%) are unconvinced. Just 11% feel they don't have enough information about the cloud to levy an opinion showing that the market generally believes it is well-educated about the technology.

SERVICES IN THE CLOUD

On average, those surveyed have 4.1 services in the cloud – a marked increase from the 2.7 services cited in 2014. Servers / data centers, Exchange/ Office and Disaster Recovery were cited as the top deployed cloud services. While we saw a continued increase in the adoption of Microsoft cloud services we anticipate a slight slowdown in adoption excepting Lync for Business over the next several years.

Interestingly, even among those that consider themselves non-Cloud believers, 82% have deployed hosted services with an average number of 2.3 services in the cloud – up from 1.4 in 2014. Of these, 23% use the cloud for co-location and back-up and 22% also have servers / data centers in the cloud.

91%
have **DEPLOYED** at least
one service in the
CLOUD

VITAL STAT

CLOUD DEPLOYMENTS

Respondents indicated that they were relatively comfortable with their team's understanding of cloud technologies with only 22% indicating that on-staff knowledge was a barrier to migrating services. In fact, when asked if their staff could "implement a cloud strategy independently", 60% said yes.

With 6 in 10 confident they could move to the cloud by themselves we asked those that had already migrated services how they got there. 53% handled the process internally, an 11 point increase from 2014, while 47% used a third party. Of those attempting to move to the cloud by themselves however, about 50% said they would outsource the deployment if they could start the process over again. This is major change from 2014 when just 1 in 4 indicated the same.

- For those that used a third party, 40% worked directly with a cloud services provider while 37% used a consultant / VAR and 14% worked with a data center / infrastructure provider.
- When asked further about the top criteria in selecting a cloud services provider, reliability, price and customer service were the top three considerations.

50% of those that deployed to the Cloud by themselves **WOULD OUTSOURCE** if they had to do it again

VITAL STAT

EXPECTATIONS AND BARRIERS

DID YOU KNOW?

For the first time in three years, benefits and expectations of the Cloud are finally aligned

Of those with services in the Cloud, scalability (81.5%), flexibility (75%) and lower total cost of ownership (72%) were the top three expected benefits of moving to the cloud. As more organizations have moved to the cloud and their deployments have become more mature, expectations are becoming more aligned with perceived benefits. In fact, of those with services in the cloud, the top three benefits realized match the top three expected benefits for the first time in the three years the survey has run. Scalability is being realized by 64% of respondents, flexibility was noted by 62% and about half noted lower TCO.

The top concern / barrier in moving to the cloud was security – noted by 55% of respondents. This is essentially unchanged from both the 2013 and 2014 surveys. What did change was an increase in concerns around compliance. After dipping to 31% in 2014, this concern rose 9 points, back to its 2013 level of 40%.

PUBLIC VS. PRIVATE VS. PREMISE

FIVE IN TEN
respondents believe
their data is
**SAFER IN A
PRIVATE CLOUD**
than on-premise
or in a public Cloud

VITAL STAT

In our previous surveys, security concerns were considered a major barrier when moving to the cloud and, as evidenced above, this still remains a hurdle. This year we decided to dig deeper into the question and uncovered some interesting information. The majority of respondents (just over 50%) feel that their data is safer in a private cloud over both public cloud deployments AND on-premise. This data was consistent for a variety of concerns, including malicious attacks, hardware malfunctions and environmental incidents.

Based on this data it is safe to say that data security, whether in the Cloud or on-premise, remains a top concern for organizations – regardless of its holding environment. And, perhaps not surprisingly, five out of 10 respondents are using, or planning to use, private Clouds, while 40% will have hybrid environments, and just 32% will rely on public Clouds .

GETTING THE WHOLE TEAM INVOLVED

Whether by choice or not, the Cloud is starting to play in virtually every functional area within an organization. Based on the survey, approximately three out of 10 respondents indicated that sales, marketing, operations, HR, customer support and finance all have deployed some form of Cloud services.

And while they are in the Cloud, there's a very good chance that IT wasn't involved in the process. In fact, only about half of our respondents indicated that IT was involved in another department's decision-making process regarding using the Cloud. This obviously has significant ramifications surrounding security, and we believe IT's concerns about the Cloud will in fact grow over time if controls on departmental Cloud migrations and data management aren't put in place at an organizational level.

VITAL STATS

About 1/2 of departmental Cloud applications were completed **WITHOUT** involvement from IT

BUDGET AND PRICE

As you would expect, budgets for Cloud services are increasing. 50.5% said their budget increased in 2015 and five in 10 respondents expect their budget for Cloud to increase again in 2016. The increase in budget in 2015 aligns with expectations from 2015 where 54% expected their budget to increase.

Budget concerns were not highly cited as a barrier in implementing the Cloud with only 30% noting it as a potential issue. Pricing for services however is very important in how respondents pick a provider with 76% stating it was one of their top criteria. This number increased by five points from 71% in 2014 potentially indicating that increased competition is driving pricing conversations.

OVER HALF of respondents **EXPECT TO SPEND MORE** on the Cloud in 2016

VITAL STAT

WHAT DO YOU BELIEVE?

Executives and IT professionals believe that the future model of IT is Cloud computing. Over the last several years, "The Cloud" has grown from a promising rookie to a high-performing, dependable pro that is embraced by the entire organization. With the promise of cost savings, disaster avoidance & recovery, and a flexible / scalable computing environment, "The Cloud" has turned into quite the all-star.

Based on the results, nearly nine out of 10 respondents (86%) agreed that Cloud computing is the future model of IT. In terms of believing in the value of the Cloud, 70.5% of respondents say they are Cloud 'believers.' Just 11% of those surveyed still feel they need more information to decide and about one in five (18.5%) remain unconvinced about the Cloud.



BENCHMARKS

There is finally alignment between executives, and IT managers and directors regarding belief in the Cloud. Today, about seven in 10 of both executives, and IT managers and directors, see the value of the Cloud and consider themselves believers. In 2014, just 58.5% of IT managers considered themselves Cloud believers and that number was 53% in 2013.

IT MANAGERS AND DIRECTORS CONSIDERING THEMSELVES CLOUD BELIEVERS

2013



2014



2015



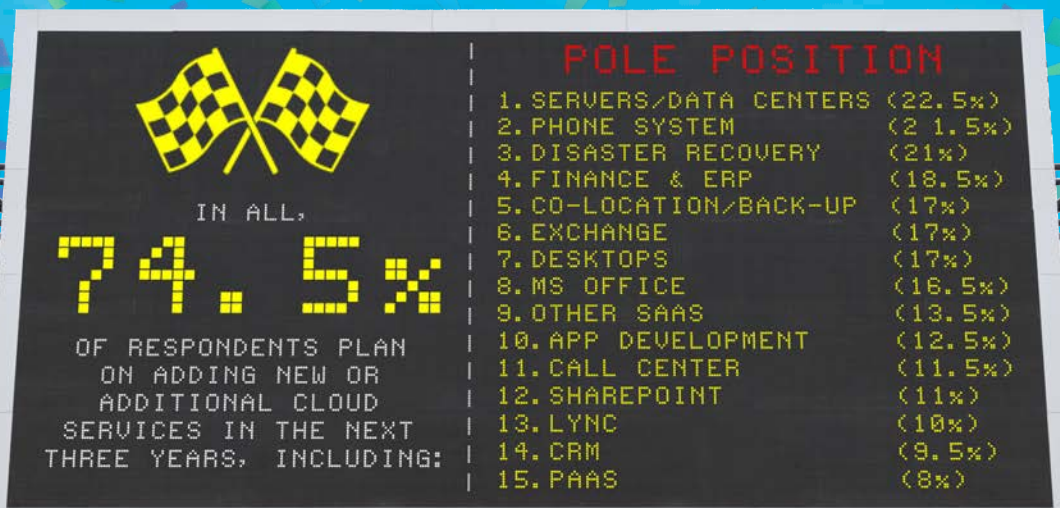
"You were born to be a player. You were meant to be here. This moment is yours."

HERB BROOKS

1980 USA OLYMPIC HOCKEY COACH

Deployment in the Cloud sped up significantly in 2015 with the businesses surveyed reporting they had 4.1 services hosted. Adoption was even faster for those that considered themselves believers with an average of 4.9 hosted services. Even those that stated they were unconvinced about the Cloud were on the Cloud track, however, averaging 2.3 services.

Perhaps most interestingly, of those without any Cloud services today, almost half expect to migrate some Cloud services in the next three years. The services most attractive to this group are disaster recovery, servers / data centers and Microsoft products such as Exchange and Office.

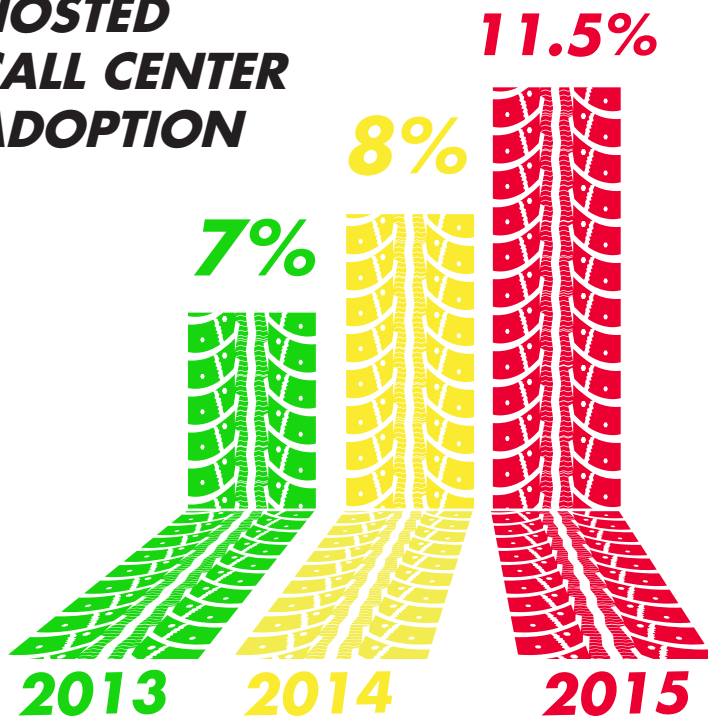


BENCHMARKS

Notable changes from last year's survey include a fairly significant deceleration (-11.5 points) in the number of respondents indicating they will move servers / data centers to the Cloud. This is likely due to the fact that it is the service that has the highest current adoption rate at nearly 50%. Back in 2013 just 39% of respondents indicated they had servers or a data center in the Cloud.

Call center, Finance & ERP services showed continued increases in future adoption. Planned hosted call center adoption has increased to 11.5% from 8% in 2014 and 7% in 2013. Planned finance and ERP deployments are indicated by 18.5% of respondents up from 15.5% in 2014 and 12.5% in 2013. Actual deployments have also grown rapidly from 10% to 15.5% to 18.5% in the last three years

PLANNED HOSTED CALL CENTER ADOPTION



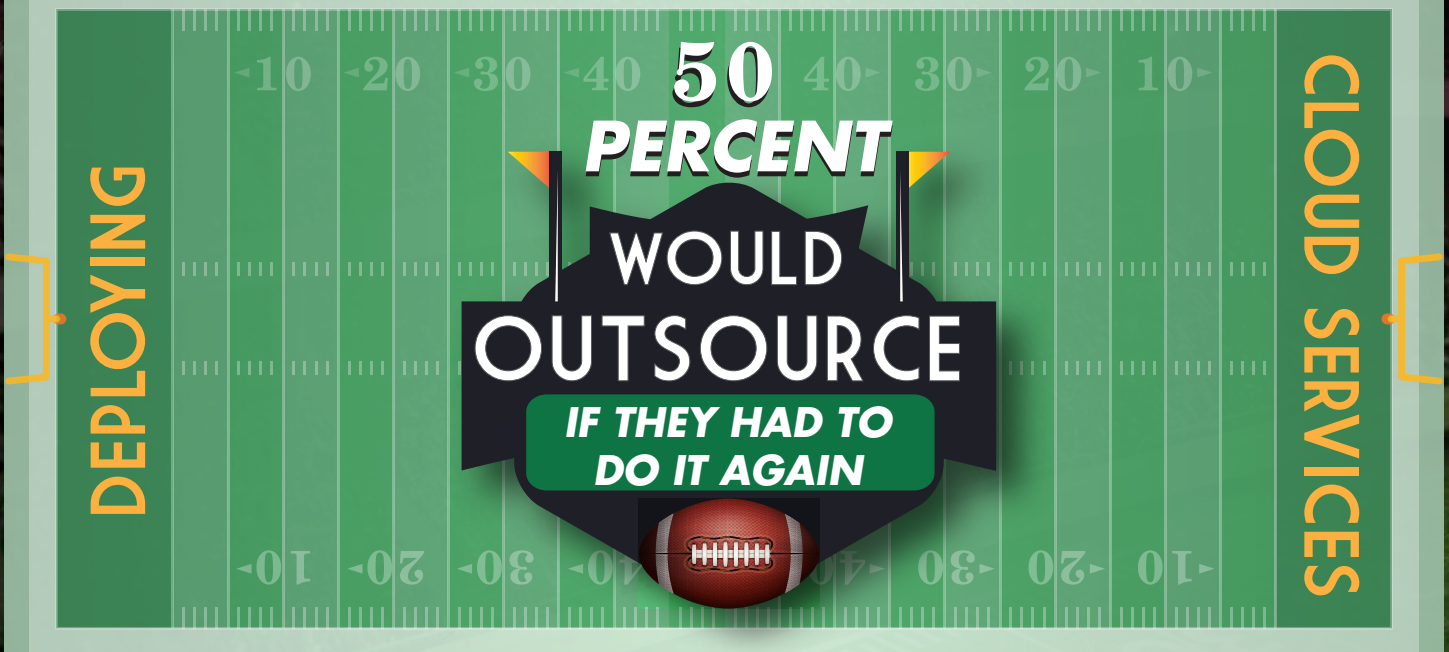
While Microsoft products are a leading deployed Cloud service there is some indication that adoption is gradually slowing over the next three years. In 2014, 21.5% of respondents indicated they would be moving Office to the Cloud. That number fell to 16.5% in 2015. Exchange and Sharepoint also saw small decreases. Lync / Skype for Business, however, looks to see a slight uptick.

"If you have everything under control, you're not moving fast enough."

MARIO ANDRETTI

WORLD CHAMPION RACE CAR DRIVER

A major change in this year's study was an over 100% increase (from 24% to 50%) in those indicating that if they could "replay the down" on their last cloud deployment (meaning do it over), they would use a third party instead of attempting it themselves. Not so coincidentally, more cloud deployments were handled internally than last year by a large margin; 53% kept it in the locker room, an 11 point increase from 2014, while 47% outsourced to a third party.



Despite the assumed issues with a DIY approach, respondents are still comfortable with their team's knowledge of the Cloud. In fact, only two in 10 (22%) indicated a "lack of staff knowledge" about the Cloud as a concern in implementation; a decrease of seven points from last year. Further, when asked if their staff could "implement a Cloud strategy independently," 60% said yes. However, that number dropped to four in 10 by those who would outsource if they had to start again.

FOR THOSE THAT ELECTED TO USE A THIRD PARTY TO BEGIN WITH:

- * **40%** used a consultant / VAR
- * **36%** worked directly with a Cloud services provider
- * **14%** utilized a data center / infrastructure provider
- * **The balance** leveraged a variety of vendors such as MSPs, network providers and security vendors.



When asked further about the top criteria in selecting a cloud provider, reliability (91%), price (79.5%), and customer service (62%) were the three most frequently cited elements.

TOP CRITERIA WHEN SELECTING A CLOUD PROVIDER

RELIABILITY - 91%

PRICING - 79.5%

CUSTOMER SERVICE - 62%

EXPERIENCE - 51%

TECHNOLOGY PLATFORM - 49%

REPUTATION/BRAND - 41.5%



One of the challenges facing IT departments today is choice. Choice in the types of Clouds, choice of underlying technology and the choice of providers / hosts. From private to virtual private, and public to hybrid, finding the right solution for services is complex.

Accordingly, 50% of those surveyed would prefer to rely on a single Cloud provider to handle their various services like: servers / data centers, disaster recovery, Exchange, phone systems, call centers, desktops etc.

*"Your talent determines what you can do ...
your attitude determines how well you do it."*

LOU HOLTZ

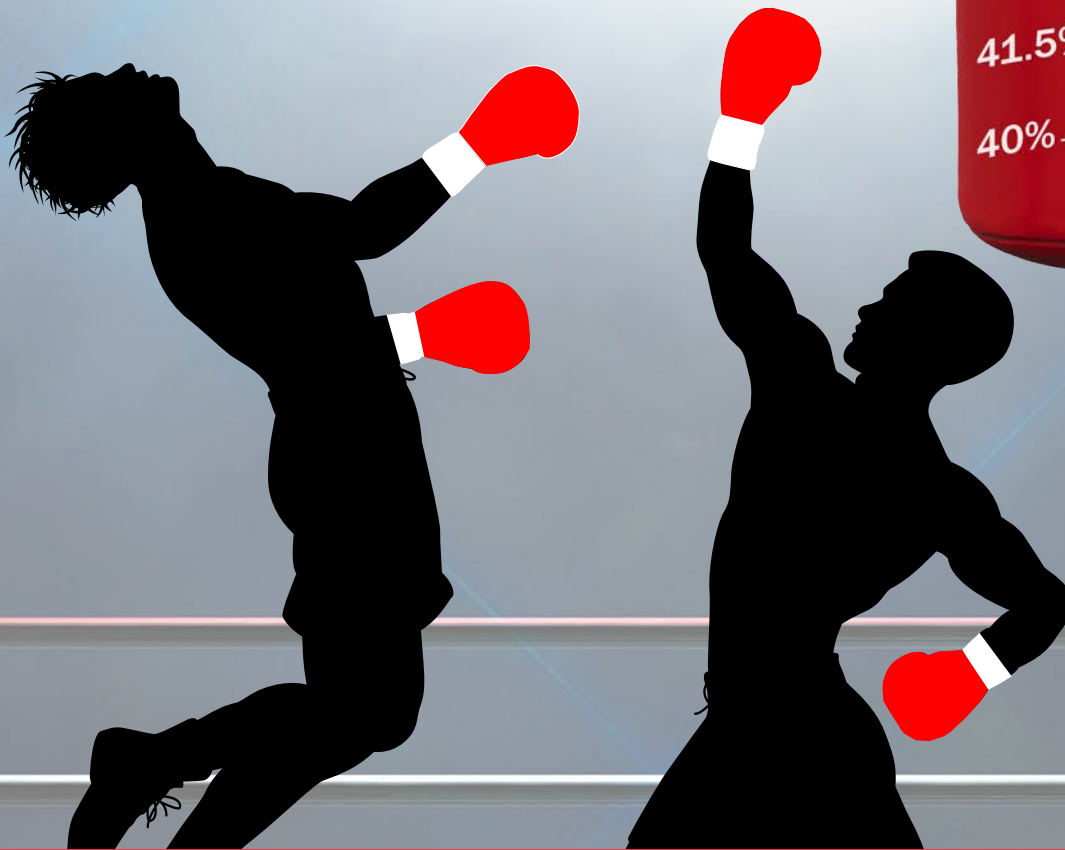
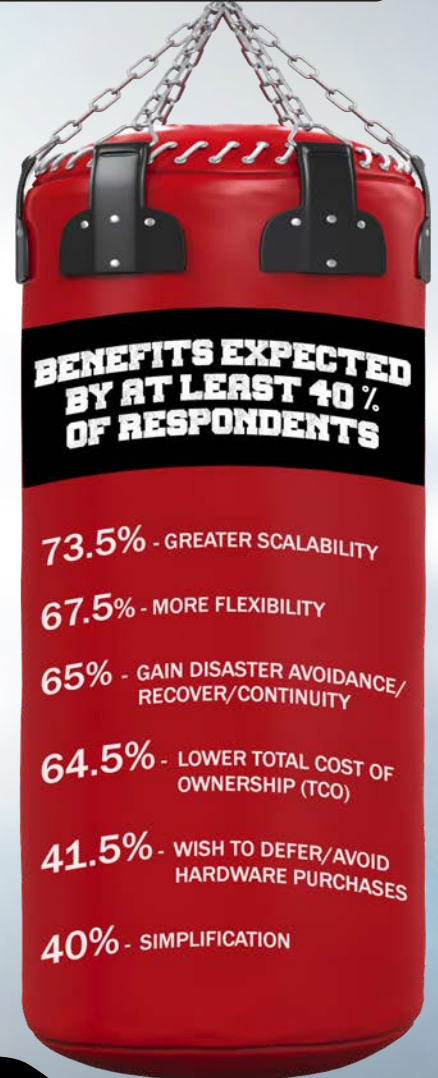
RETIRED FOOTBALL PLAYER AND COACH

EXPECTATIONS FOR CLOUD BENEFITS

While the top five expected benefits of moving to the cloud have remained the same year over year, there were some striking changes. Scalability is now noted as the top expected benefit, cited by almost three quarters of respondents. Other notable increases include an 11 point improvement in those expecting better security and a 5 point increase in those expecting to defer / avoid hardware purchases.

One minor blow is a decreased expectation for disaster avoidance / recovery / continuity which fell 8 points from 73% to 65%. While it is still in the top four, last year it held the title as top expected benefit.

Rounding out the top five expected benefits are: flexibility (67.5%), disaster recovery (65%), lower TCO (64.5%) and defer / avoid hardware purchases (41.5%). The current ranking of top expected Cloud benefits is in the chart to the right.



"I AM GONNA SHOW YOU HOW GREAT I AM"

MUHAMMAD ALI

HEAVYWEIGHT CHAMPION BOXER

EVOLVE IP - OUR TAKE ON TCO

Evolve IP has over 1,300 commercial business accounts using cloud services, so we've become experts in helping companies determine the total cost of ownership (TCO) of both premise and hosted services. The challenge of measuring the shift from a CAPEX to an OPEX model typically comes in attempting to identify all of the comparable and unique cost centers in each scenario.

At Evolve IP we have grouped the costs into 7 "vaults" and put together a process that helps organizations better predict and account for their true expenses. The vaults are:

- Physical data center/hardware
- Software & licensing
- Power and environmental
- Hardware maintenance and software assurance
- Support personnel and training
- Disaster recovery and business continuity
- Intangibles

We have created a comprehensive TCO calculator and guide that covers these 7 vaults to assist organizations in evaluating whether a move to the Cloud is right for their business.

It is available at no cost at www.evolveip.net/tco



DATA SECURITY AND OTHER CONCERNS

55%
noted
SECURITY
as a concern

As in our previous surveys in 2013 and 2014, this year just over 5 in 10 respondents noted security as a concern about moving to the cloud. In fact, since the percentages have remained virtually identical through the period we evaluated security in more detail and uncovered some interesting information.



When looking at a malicious attack, 52% of respondents felt that their data would be best protected in a private Cloud as compared to an on premise data center (38%) or public Cloud (10%). Further, when asked where their data would be safest during a hardware malfunction or environmental disaster 55% note a private Cloud over 27.5% for public Cloud and 17.5% on premise.

This clearly demonstrates that security in general is a concern and that the storage location has become less of an issue. With that said there is still a core group of 'server huggers' who are just more comfortable with on premise solutions. When we looked at organizations that had no services in the Cloud we found that 70% cited security as a top barrier in deploying.

We also identified two trends over the past three years:

- 1. Vendor Lock-in** - Respondents are less concerned than ever with vendor lock in. In 2013 31% indicated this as a concern and it has fallen to 20% in the latest results. A combination of current vendor performance as well as the proliferation of reliable Cloud options is likely changing this perception.
- 2. Immature Technology** - Today just over 1 in 10 feel that that the Cloud is an immature technology. In 2013 approximately one quarter of all respondents felt the Cloud was immature.

WHERE IS YOUR DATA...



...SAFEST FROM MALICIOUS ATTACKS?

BENCHMARKS FOR BARRIERS AND CONCERNS

	2015	2014	2013
SECURITY	55%	53%	55%
LEGAL/COMPLIANCE	40.5%	29.5%	38.5%
PRIVACY	38%	36%	37%
RELIABILITY/AVAILABILITY	32.5%	30.5%	33%
PERFORMANCE	35.5%	29%	33%
VENDOR LOCK-IN	20%	25.5%	31%
INTEGRATION	33.5%	23.5%	27.5%
NO ON-STAFF KNOWLEDGE	22.5%	29.5%	26%
IMMATURE TECHNOLOGY	12%	19.5%	25%
BUDGET	30%	30%	23%
ROI	18%	18%	18.5%
FUNCTIONALITY	17%	14%	13.5%



"You have to fight harder, dig deeper and prove all the doubters wrong"

CARLI LLOYD

OLYMPIC GOLD MEDAL WOMEN'S SOCCER PLAYER

DEPARTMENTAL ADOPTION OF THE CLOUD

If you think of your organization as a team you're not alone. Today's workplace has a plethora of euphemisms for the company and its departments. And whether it's a team, division or functional area, there's a good chance that "The Cloud" is playing ball there. In fact, based on the survey approximately three out of 10 respondents indicated that sales, marketing, operations, HR, customer support and finance all have deployed some form of Cloud services. Here are the groups that IT pros told us were using their own Cloud service:

HR – 38%

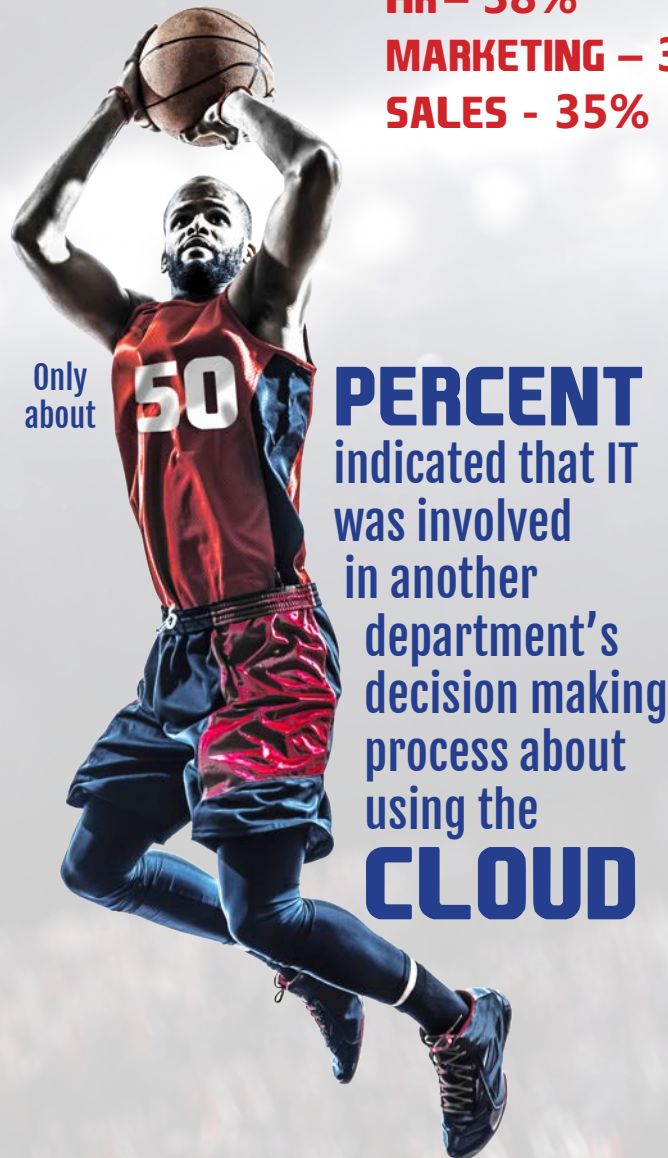
MARKETING – 36.5%

SALES – 35%

OPERATIONS – 34.5%

CUSTOMER SERVICE – 28.5%

ACCOUNTING/FINANCE – 28%



And while they are playing with The Cloud, there's a very good chance that IT wasn't involved in the game plan. In fact, only about half of our respondents indicated that IT was involved in another department's decision making processes about using the Cloud. This obviously has significant ramifications surrounding security and we believe IT's concerns about the Cloud will in fact grow over time if controls on departmental Cloud migrations and data management aren't put in place.

Departments involving IT in their Cloud decision making process:

ACCOUNTING/FINANCE – 57.5% of the time

OPERATIONS – 55% of the time

CUSTOMER SERVICE – 52% of the time

MARKETING – 49% of the time

SALES – 47% of the time

HR – 47% of the time

"One individual can be a crucial ingredient on a team, but one individual cannot make a team."

KAREEM ABDUL-JABBAR

PROFESSIONAL BASKETBALL PLAYER

BUDGET

Only 3 in 10 respondents feel that a lack of budget is a barrier to continue their move to the Cloud and just 7.5% expect to see a decrease in their cloud budget. Budgets for Cloud services continue to increase with 50.5% reporting that their budget increased in 2014 and 50% expect their budget to increase in 2016. The following benchmarks were noted:

2015: 50.5% had an increase in their Cloud budget
50% expect an increase in 2016

2014: 42% had an increase in their Cloud budget
54% expected an increase in 2015

2013: 43% had an increase in their Cloud budget
61.5% expected an increase in 2014

50.5%
**HAD A BUDGET
INCREASE
FOR CLOUD
SERVICES IN
2015**

"BUT IF WE WIN, ON OUR BUDGET, WITH THIS TEAM...WE'LL HAVE CHANGED THE GAME"

BILLY BEANE

GENERAL MANAGER / MONEYBALL AUTHOR

ABOUT THE SURVEY

50%
IT MANAGERS OR DIRECTORS

18%
CTOs, CIOs OR IT VICE PRESIDENTS

16%
CEOs, CFOs OR COO EXECUTIVES

11%
OPERATIONS OR FINANCE DIRECTORS

5%
VPs OF FINANCE OR OPERATIONS

VITAL STAT

The survey is part of ongoing research into Cloud adoption trends by Evolve IP. For more information about Evolve IP visit www.evolveip.net

This blind, web-based survey was conducted by Evolve IP during December of 2015, featuring 1,080 respondents in North America.

73 percent of the respondents came from companies with between 50 and 5,000 employees, 11% with more than 5,000 employees, 10.5% were businesses with 11-49 associates and 5.5% were small businesses with 10 employees or less.

79 percent of respondents work in for-profit industries, 16.5% came from education and 4.5% were Government employees. Evolve IP customers were excluded.

ABOUT EVOLVE IP

Evolve IP is The Cloud Services Company™. Designed from the beginning to provide organizations with a unified option for cloud services, Evolve IP enables decision-makers to migrate all or select IT technologies to its award-winning cloud platform. Evolve IP's combination of security, stability, scalability and lower total cost of ownership is fundamentally superior to outdated legacy systems and other cloud offerings. Today, over 100,000 users across the globe depend daily on Evolve IP for cloud services like [virtual servers](#), [desktop services](#), [disaster recovery](#), [unified communications](#), [contact centers](#) and more.

Visit www.EvolveIP.net

