Top 10 Predictions

Asia/Pacific (Excluding Japan) Cloud 2014 Top 10 Predictions

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PREDICTIONS

As in 2013, the most important events in 2014 will cluster around what IDC defines as the "3rd Platform" for IT growth and innovation, built on cloud services, mobile devices, social technologies, and big data. We will see greater urgency and more complex applications in 2014, and bigger moves, as the cloud market shifts from the "exploration" stage to full-blown, high-stakes implementations within critical business processes and new levels of competition from new competitors. An ability to compete on the basis of the 3rd Platform will reset leadership ranks in the IT market and every industry that uses IT.

1. Customers in Emerging Markets Will Drive Growth and Shape Cloud-Based 3rd Platform Applications
2. Cloud Brokerage Will Emerge, Fragment, and Emerge Again
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Toward the end of every year, IDC analysts come together to review the current year and discuss the emerging technologies and market changes that will impact and drive the future of the ICT market. One of the outcomes of this process is a shortlist of our top 10 predictions for the coming year. This list, discussed in this study, includes factors that we believe will have the biggest commercial impact on the cloud services market across the APEJ region in 2014.

SITUATION OVERVIEW

By far, the greatest IT spending growth over the next 10 years and beyond will be driven by new, high-value solutions built on the 3rd Platform. Many of these solutions do not even exist yet. But this next generation of "killer apps" — many of which focused on "competitive advantage" offerings and business models in specific industries — will pull along a massive amount of cloud, mobile, social, and big data product and services spending. All the previous predictions around platforms, developers, ecosystems, and solution marketplaces come together around this common, strategic destination: enabling the transformation, expansion, and disruption of literally every other industry on the planet. Here are just a few predictions of what we will see in 2014 and over the next few years, at the very top of the 3rd Platform:

- The 3rd Platform will seriously disrupt market leadership ranks in all industries. IDC predicts that by 2018, one-third of the top 20 market share leaders in most industries will be significantly disrupted by new competitors (and "reinvented" incumbents) that use the 3rd Platform to create new offerings, new business models, and new cost structures to drive revenue growth and expand value. Think of this as the long-anticipated period in which virtually industry gets "Amazoned" in its own way. These disruptions will manifest themselves as cannibalization of cash cows, slowed growth, squeezed margins, and declining market share. This threat, and opportunity, makes it imperative that senior management become much well versed about the 3rd Platform and its possibilities in their own business and industry.
- The emergence of industry-focused innovation platforms and ecosystems as a new base of competitive advantage will accelerate in 2014. As we discussed in IDC Predictions in 2013, a core strategy for competing in these disrupted and reinvented industries is to create an industry-focused innovation/solution platform — one that attracts and enables large communities of innovators. Being at the center of these innovations, communities will be a very powerful place to be in every industry. Most of these industry platform players will not reinvent the cloud infrastructure as a service (IaaS)/platform as a service (PaaS) underpinnings they need; they will build on top of the major cross-industry PaaS/marketplace platforms. In 2014, it will be critically important for Amazon, HP, IBM, Microsoft, Oracle, Pivotal, Salesforce, SAP, and others to find these industry platform players, and win their business. We predict quite a few of these wins/partnerships to be announced in 2014.
- The buyer profile continues to shift to business executives. It should be no surprise at all. As more IT spending clusters around a new generation of competitive advantage solutions — many of which are at the core of major industry transformation and disruption — IT budget control will continue to shift from the CIO and IT department into the hands of the

line-of-business (LOB) executives. In 2014, and continuing through 2017, IT spending by groups outside of IT departments will grow at over 6% per year — almost 2.5 times the rate of the IT department — led by marketing, customer service, and sales groups.

- By 2018, adoption of 3rd Platform IT technologies will redefine 90% of IT roles. Effective IT talent management will be a key to realizing the full business potential of the 3rd Platform. IDC predicts the 3rd Platform will change the skills for 90% of IT roles over the next three to five years. Roles that will be most significantly impacted include application development, service management, and IT management. The 3rd Platform will also create a labor shortage for enterprise architecture, business analytics, and security. Nascent roles today such as mobile and social developers will be catapulted onto center state.
- New IT organization roles around innovation will emerge. Over the next 24 months, 80% or more of Global 2000 CIOs will task a strategic planning/competitive analysis team with a specific focus on how their enterprise can leverage at least one dimension of the 3rd Platform (e.g., mobile apps, big data analytics, and social networking) to create new opportunities and disrupt competitors within their industry. Half of those will explore the more ambitious effort to create an innovation platform and ecosystem for their customers, partners, and industry (e.g., GE Predictivity). In 2014, IDC predicts that major strategic shifts in the cloud services space in each of the three major layers of IaaS, PaaS, and SaaS will begin to alter what has been the early stage of cloud adoption. These shifts will pit key cloud suppliers against each other and will likely lead to a new leadership structure within the IT industry when the dust settles.

Escalation sets the stage for consolidation among IaaS players. IDC predicts that Amazon, Microsoft, IBM, HP, and others will dramatically escalate their cloud datacenter deployments in 2014. Amazon will continue to expand its very large footprint, particularly in Asia/Pacific, where it has gaps. We predict that cloud datacenters from several of Amazon's newly energized traditional IT competitors will nearly double. This escalation of cloud infrastructure deployments is due to cloud being a scale game and players without massive scale will be uncompetitive. IDC predicts that by 2017, there will be just six to eight major global players in IaaS, perhaps fewer, based on which companies are willing to invest massive capital in a global cloud delivery capability. Who will these players be? They will come from the three big "integrated stack" providers (Amazon Web Services (AWS), Google, and Microsoft) plus a small number of major players around two or three of the open ecosystem platforms including OpenStack, VMware, and CloudStack (each vying to become "the Android of the cloud platforms"). Therefore, we are entering a "put up or shut up" time as some players dramatically escalate their investments to scale up their capacity and global presence, while others hesitate and ultimately scale back. One important caveat is if the "National Security Agency (NSA)/Snowden effect" leads to country and regional governments legislating or regulating in favor of local cloud providers, and effectively against the global players cloud offerings, we could also see the proliferation of regional players that cater to region-specific requirements.

- A new stage of IaaS differentiation. In contrast with the "one size fits all" image of cloud compute and storage services, we will see a dizzying increase in the variety of workload-specialized cloud infrastructure services, rivaling and quickly surpassing what is available from the server and storage OEM community. We have already seen the beginnings of this from AWS, RackSpace, and SoftLayer/IBM. Over the next 12–24 months, we will see this new form of "specialized infrastructure" differentiation ratchet way up. This will be a total inversion of what most people assume about the cloud: it is not where your hardware options will be constrained; it is where you will have the widest range of options.

- **IaaS without PaaS capabilities becoming a dying breed.** In 2014, it will become even clearer that value is migrating from pure IaaS toward IaaS with PaaS capabilities. IaaS providers without PaaS services (and no ecosystem of developers and solutions) will go the way of the Dodo bird.
- **A pitched battle for developers (and apps) in the cloud.** In 2014 and 2015, we are about to see a battle among the developers playing out in the cloud, much like the one between Android, iOS, and Windows for mobile apps and developers. Amazon, Microsoft, Salesforce, Google, IBM, Oracle, SAP, EMC/VMware/Pivotal, HP, and others know that new cloud apps will fuel the growth of the industry, and these platform players want developers to host their innovative new apps and solutions on their PaaS/marketplace. In 2014, there will be great urgency in this battle for developers. IDC predicts that by 2017, 80% or more of new cloud solutions (and developers) will be hosted on (and aligned with) the top 6 of these competing platforms. Look for quite a few major rollouts in the PaaS/apps marketplace in 2014, including IBM's rollout of a new cloud app platform (codenamed "Blue Mix") aimed at the commercial app/solution developer community.
- **A tenfold explosion of new cloud (SaaS) "apps."** New apps and the data generated by and associated with those apps will fuel the growth of the 3rd Platform for the next decade and beyond. IDC predicts that over the next four years, we will see a tenfold growth in the number of apps in the cloud, driven by a tripling of the number of developers/contributors to cloud app ecosystems. Two-thirds of these new apps will have an industry-specific or role-specific focus.

The Cloud Services Market

In 2014, the market is moving from primarily viewing the cloud as a new IT service delivery model that can replace ICT capital investment to an understanding that the external sourcing of business processes is the way by which businesses can remain competitive and agile while reining in IT costs in the future.

This will have two major impacts in the next two years:

- CIOs and IT managers who have been slow to adopt cloud services will be dragged into a hybrid cloud environment, ready or not, by their LOB managers who just want access to a new, better, or cheaper business. This business process coming to their users by way of a cloud delivery model is mostly irrelevant to them. So, with the LOB managers now effectively dictating how IT budgets will be spent, enterprise buying decisions will be more influenced by what the service can do for the business than the underlying technology.
- For vendors of the cloud hardware and software infrastructure, we are now getting close to the point where the "cloud" label has very limited value as a marketing differentiator. Maybe in less developed markets, cloud still has a role as a mode of service delivery, but not as a way of proving a vendor is a leader. Providers of ICT infrastructure now must stop stating that they have the cloud and take the much bigger opportunity to guide and help their customers get to the future that they have promoted.

With the expected lack of IT-related skills, including IT business as well as pure technologists, our regional organizations will be seeking help either directly or via the providers of the business cloud solutions. This help may not be the traditional project-oriented services but the hosting of a private cloud in an off-premises datacenter to meet business requirements for cost, security, and time to market.

This new business-centric approach to cloud services will also affect the ecosystem of partners that surround the provider of the cloud service. A healthy partner ecosystem will now be adding partners that have expertise in vertical industries or have highly developed skills in a horizontal business process, and they are just as likely to be non-IT as they are to be, say, software providers.

During 2014, there will be an evolving range of preferences for cloud service deployment. Early-stage cloud deployments through 2009–2013 were low-risk applications that were suitable for sourcing from or hosting in the public cloud, and on-premises private cloud has been limited to the largest enterprises with the biggest budgets and the best staff. However, early user experience of private cloud implementation was problematic for all but these largest organizations. Projects took longer and cost more than expected, with ROI targets being missed. The lack of skilled resources and the cost of acquiring and retaining those resources are identified as the primary reasons for project delays.

Now, as the possibility of enterprise applications from and in the expanding number of cloud options becomes real in 2014, the choices for deployment model will be redirected to those models that provide higher-level service-level agreements (SLAs) and lower risk. Since 2009, the options for hosted private cloud (HPC) have been mostly limited to virtual private cloud (VPC). VPC has been a safe choice for medium-risk applications and medium-sized enterprises for the past three years; however, in 2013–2014, the truly mission-critical applications will be deployed on dedicated hosted private clouds (DPC). This category of cloud service is already being adopted by IT SPs and IT outsourcing (ITO) providers as replacements for existing managed service and outsourced infrastructure arrangements, but 2013–2014 will see accelerating use as standardized processes and cloud-ready converged infrastructure devices drive the costs down to levels competitive with VPC.

As a result, with faster-to-implement, better-managed, and cheaper private clouds now possible, the attraction and market share of VPC solutions will weaken by the end of 2013. During 2013 and 2014,

enterprise use of VPC solutions will begin to stabilize and then decline as user interest and investment are redirected to HPC.

FUTURE OUTLOOK

Prediction #1: Customers in Emerging Markets Will Drive Growth and Shape Cloud-Based 3rd Platform Applications

In the past several years, emerging markets have become much more important contributors to overall IT growth, and in 2014, we will see their impact on the IT market continue to increase.

- **Growth of emerging markets will bounce back.** Brazil, Russia, India, and China (BRIC) IT spending growth will rebound to 13% in 2014, or 8% excluding mobile phones, largely due to a recovery in China. Overall emerging markets growth consisting Asia/Pacific (excluding Japan), Latin America, Central and Eastern Europe, the Middle East, and Africa will resume double-digit growth of 10%, after dipping to 8% growth in 2013. This is over three times the growth rate of developed markets, driving nearly US$740 billion or 35% of worldwide IT spending. By 2020, IDC predicts that emerging markets will account for 40% or more of global IT spending. This is a remarkable jump from 2007 — the start of the 3rd Platform era — when IT spending of emerging markets was just more than half of 2014 levels and 26% of worldwide spending. For another year, emerging markets will have an oversized impact on IT spending growth. In 2014, IDC predicts that emerging markets will drive over 60% of worldwide IT spending growth for the first time.
- **China will drive as much IT growth as the United States will.** After relatively slow IT growth of 8% in 2013, China, which surpassed Japan in 2013 to become the second largest IT market, will bounce back with 12–14% growth in 2014, driving almost 30% of IT spending of emerging markets. Remarkably, we predict that the absolute size of IT spending growth in China in 2014 will equal that of the United States, even though the size of the China market is less than one-third of that of the United States — both markets will see over US$25 billion of net-new IT spending in the coming year.
- **A "Post-BRIC" era will mean more individualized emerging markets growth outlook**. While we expect stabilization of the global economy and continued strength in underlying demand in 2014, we do not see a return to the homogenous "supergrowth" in emerging markets, which have defined most of the past decade. Indeed, 2014 could define a new post-BRIC era in which emerging markets move in many different directions, creating a wider variety of opportunities and challenges that are increasingly unique to local market conditions. While some organizations have been burned by the bets they placed on emerging markets in 2013, any retreat in 2014 will only be to the benefit of emerging competitors from China, India, and elsewhere with global ambitions of their own. Emerging markets are thus a more complex and challenging market than they were12 months ago, but no less important for that.

- **Emerging markets will shape much of the new 3rd Platform IT marketplace.** Strategically, emerging markets will play a growing role in the growth and direction of the 3rd Platform marketplace:
  - **Cloud.** Unlike mobile devices, emerging markets' share of cloud spending lags that in developed markets, but the gap will continue to narrow. While emerging markets spending on cloud services will be just one-fifth of that in developed markets in 2014, emerging markets will reach one-fourth of the size of developed markets by 2017. IDC predicts that over the next seven years, emerging markets cloud spending will grow seven-fold, compared with three-fold in developed markets. By 2020, over US$1 in US$4 spent on cloud will be in emerging markets.
  - **Smart connected devices.** In 2014, the number of smart connected devices shipped in emerging markets will be almost double of those shipped in developed markets — a remarkable jump from just four years ago, when developed markets shipments exceeded those of emerging markets. Similarly, the number of smart connected devices shipped in China will be almost double of those shipped in the United States in 2014. This gap will accelerate — between 2012 and 2017, the installed base of smart connected devices in developed economies will grow by about 25%, while emerging markets will double. IDC predicts massive downstream ramifications of the rapid expansion of mobile devices in emerging markets; the rest of the IT market will not be far behind. In fact, IDC predicts that spending on all IT hardware (servers, storage, network equipment, etc.) in emerging markets will surpass that in developed markets by 2015 or 2016.
  - **Big data.** In 2010, emerging markets accounted for just 23% of the digital universe, including all digital information created and replicated worldwide. We predict it will exceed 40% in 2014, and exceed 60% by 2020, driven in large part, unsurprisingly, by mobile devices. The IoT will massively increase data volumes and strain even today's leading cloud infrastructures and software technologies. Our analysts are seeing some leading research efforts in China around disruptive new technologies to evolve the 3rd Platform to support this load.

Prediction #2: Cloud Brokerage Will Emerge, Fragment, and Emerge Again

Organizations continue to adopt cloud services at a prolific rate. IDC's *2013 Asia/Pacific (Excluding Japan) Cloud End-User Survey* revealed that 100% of organizations have adopted or intend to adopt cloud services in the next 12 months. The areas of adoption vary across the size and vertical orientation of customers.

The opportunity for cloud technology to enable a business to abstract functional value quickly, as well as derive strong reference able insight, is highly compelling.

SPs are recognizing that this cloud adoption is both an opportunity and a threat. It is an opportunity to provide the service as a distribution vehicle and enable the service to be interoperable with the other technology being leveraged within the organizations. It is a threat in that the customers can source cloud via a more direct route and as such disintermediate the SPs locally.

IDC predicts that this challenge will give rise to the global emergence of a new platform loosely called "cloud brokerage." Cloud brokerage is a platform that enables the distribution, integration, and delivery of cloud to customers either at a horizontal (all segments and verticals [e.g., Office 365]), vertical (a

specific set of solutions relative to a business type [e.g., government]), or niche (a specific solution of cloud and or noncloud proposition [e.g., trading an organisation's compute requirements]). Cloud brokerage offers the opportunity to drive cloud rather than be driven by cloud by enabling the rapid adoption, delivery, and integration of cloud solutions with security.

A recent IDC Asia/Pacific study identified the cloud brokerage opportunity to be US$18.5 billion (IDC's *Cloud Services Brokerage: A US$18.5B Opportunity to Asia/Pacific* [IDC #NZ2578510V, October 2013]). Australia adopted cloud brokerage early across a number of providers and, from a global perspective, is somewhat mature in its understanding of the value that it can bring to an organization. Organizations such as Telstra, iiNet, and Cloud Sherpas have been through the pain of developing the go-to-market (GTM) IP and are now evolving strategies on how to upsell and cross-sell with effectiveness.

Cloud brokerage will be seen as being too broad a term for the market, as the types of brokerage can span across various levels of financial, information, and technical elements, as well as volume-based propositions spanning horizontal, vertical, niche, and custom solutions. IDC predicts that the cloud brokerage proposition will fragment into a number of key areas:

- **CIO brokerage.** Platforms for either an individual business or representative of a vertical market (e.g., central government procurement) will enable an accelerated adoption and integration of cloud and noncloud-based services across an organization through a set of defined policies.
- **Compute brokerage.** These are platforms designed to provide integration and arbitrage across IaaS providers. It is early to call it "data trading;" however, in the short term, this platform will enable SPs to offer customers choice across a hybrid environment. The demands of process, storage, and network-intensive workloads differ over time, and there is value in optimizing how this is consumed. AWS will offer support to this new model as a mechanism for indexing the choice of the different solutions.
- **Vertical brokerage.** These are platforms that create turnkey solutions for market models (e.g., retail). These solutions simplify and standardize the technology-based functional requirements of the business to enable a greater focus on brand and customer engagement. Using the retail as an example, this can include point of sale (POS), accountancy software, staff management, logistics, and a web platform.
- **Volume brokerage.** These solutions will be based on the distribution and integration of cloud and noncloud solutions to a volume or market (create once and deliver many). These solutions have a strong fit with network providers as a mechanism for augmenting the network products.

Better clarity on these different models will allow SPs to focus on the various opportunities, evolve the GTM IP, and educate the customers to drive interest in the new models. The opportunity for SPs lies across all of the propositions, including the professional services involved in the integration on the on-premises and cloud-based technology. CIOs should ultimately drive the business policy over the platform, but anything outside of that can be provided as a managed service. The vision then is to focus on the platform-to-platform integration. For vendors, the recommendation is to create cloud-based solutions that integrate to brokerage platforms and evolve partner programs to reflect the new models of engagement.

Prediction #3: Cloud Services: Platforms Will Consolidate, Innovation Will Explode

In 2014, IDC predicts cloud spending, including cloud services and the technology to enable cloud services, will grow a remarkable 25%, reaching over US$100 billion. Over 75% of that spending will skew toward public (multienterprise) clouds rather than private clouds for one simple reason: where the next generation of enterprise applications and solutions are being developed.

In 2014, IDC predicts a slew of strategic shifts in the cloud services space, in each of the three major layers of IaaS, PaaS, and SaaS. These shifts will pit key cloud suppliers against each other and likely lead to a new leadership structure within the IT industry when the dust settles.

- **Escalation setting the stage for consolidation among IaaS players.** IDC predicts that Amazon, Microsoft, IBM, HP, and others will dramatically escalate their cloud datacenter deployments in 2014. Amazon will continue to expand its very large footprint, particularly where it has gaps in Latin America and Asia. We predict a near doubling of cloud datacenters from several of Amazon's newly energized traditional IT competitors. Why this escalation of cloud infrastructure deployments? Because cloud is a scale game and players without massive scale will be uncompetitive. IDC predicts that by 2017, there will be just six to eight major global players in IaaS, perhaps fewer, based on which companies are willing to invest massive capital into a global cloud delivery capability. Who will these players be? They will come from the three big "integrated stack" providers (AWS, Google, and Microsoft) plus a small number of major players around two or three of the open ecosystem platforms, which include OpenStack, VMware, and CloudStack (each vying to become the "Android of the cloud platforms"). So, we are entering a "put up or shut up" time as some players dramatically escalate their investments to scale up their capacity and global presence, while others hesitate and ultimately scale back. One important caveat is if the "NSA/Snowden effect" leads to country and regional governments legislating/regulating in favor of local cloud providers, and effectively against the global players cloud offerings, we could also see the proliferation of regional players that cater to region-specific requirements.
- **A new stage of IaaS differentiation.** In contrast with the "one size fits all" image of cloud compute and storage services, we will see a dizzying increase in the variety of workload-specialized cloud infrastructure services, rivaling and quickly surpassing what is available from the server and storage OEM community. We have already seen the beginnings of this from AWS, RackSpace, and SoftLayer/IBM. Over the next 12–24 months, we will see this new form of specialized infrastructure differentiation ratchet way up. This will be a total inversion of what most people assume about the cloud: it is not where your hardware options will be constrained; it is where you will have the widest range of options.
- **IaaS without PaaS capabilities becoming a dying breed**. In 2014, it will become even clearer that value is migrating from pure IaaS toward IaaS with PaaS capabilities. IaaS providers without PaaS services (and no ecosystem of developers and solutions) will go the way of the Dodo bird.
- **A pitched battle for developers (and apps) in the cloud**. In 2014 and 2015, we are about to see a battle among the developers playing out in the cloud, much like the one between Android, iOS, and Windows for mobile apps and developers. Amazon, Microsoft, Salesforce.com, Google, IBM, Oracle, SAP, EMC/VMware/Pivotal, HP, and others know that new cloud apps will fuel the growth of the industry, and these platform players want developers to host their innovative new apps and solutions on their PaaS/marketplace. In 2014, there will be great

urgency in this battle for developers. IDC predicts that by 2017, 80% or more of new cloud solutions (and developers) will be hosted on (and aligned with) the top 6 of these competing platforms. Look for quite a few major rollouts in the PaaS/apps marketplace in 2014, including IBM's rollout of a new cloud app platform (codenamed "Blue Mix") aimed at the commercial app/solution developer community.

- **A tenfold explosion of new cloud (SaaS) apps**. New apps and the data generated by and associated with those apps will fuel the growth of the 3rd Platform for the next decade and beyond. IDC predicts that over the next four years, we will see a tenfold growth in the number of apps in the cloud, driven by a tripling of the number of developers/contributors to cloud app ecosystems. Two-thirds of these new apps will have an industry-specific or role-specific focus (see our predictions on innovative industry solutions [#10]).

Prediction #4: Big Data Will Explode, Integrate with Cloud Platforms, and Give Birth to New Services

IDC predicts that in 2014, the size of the digital universe — all digitized information created, replicated and consumed in a year — will continue to explode, almost doubling to about 6EB (6 trillion gigabytes), driven by the explosion in mobile devices, apps, social media, and the IoT. The quest to drive valuable insights from this data avalanche will drive massive investments, shape the future of cloud, and create new data-centered analytics and content services.

- **Big data spending will explode and shift toward analytic tools and solutions**. IDC predicts worldwide spending on big data technologies and services will grow by 30% in 2014, exceeding US$14 billion. Given the focus on the apps buildout on the 3rd Platform in 2014, it should be no surprise that growth will shift from the infrastructure and data management layers to the analytic tools and application layers.
- **Data-optimized cloud platforms will be table stakes for attracting developers and apps**. Over the next three years, IDC predicts that 80% or more of the new "killer apps" emerging on the 3rd Platform will be data intensive — they will leverage huge volumes of data and/or real-time data streams. The implication is that the cloud platform providers battling for developers/innovators (see Prediction #3) should offer an increasingly rich variety of big data services. 2013 saw increasing activity, with major moves from AWS, Microsoft, Salesforce, SAP, and Oracle. In 2014, look for an upshift in the race among these players and others to deliver the best data-optimized cloud platform.
- **There will be an explosive growth in big data analytics services**. Demand for big data analytics skills will continue to significantly outstrip supply in 2014, creating big opportunities for vendors to provide an increasing variety of analytics services (many of them cloud based). We predict 2014 spending on big data analytics services to exceed US$4.5 billion, growing at an impressive 21% annual rate through 2016. We already see such players emerging, including Accenture, IBM, Genpact, TCS, HP, Deloitte, PwC, and Capgemini, as well as relative newcomer pure-plays such as Fractal Analytics and MuSigma. IDC expects these providers to aggressively acquire scarce big data talent as well as niche industry and process-specific IP to differentiate their offerings. IDC predicts that over the next three years, there will be at least a threefold increase in the number of these players and services, many of which will have an industry-specific focus.
- **Value-added content (VAC) providers will proliferate.** VAC is an emerging market of strategic importance on the 3rd Platform. Social media, blog posts, web transactions, industrial data,

and many other types of data are being aggregated, curated, enhanced, and sold to organizations hungry to understand their customers, products, and the markets in which they exist. There are a number of start-ups such as Gnip, DataSift, and ZoomInfo grabbing open source data from the web and other places, using automation to curate and aggregate and then make it available for sale to private and public organizations for analytics purposes. Interestingly, many companies, including cable operators, telcos, and others, that have not been traditional information vendors are exploring how to monetize their data as an additional revenue stream. In addition, companies such as Twitter have been buying VAC vendors such as Bluefin Labs to expand their reach in social media aggregation and analysis. We predict this market will expand dramatically over the next few years, and that these data-oriented VACs will become an increasingly large part of the partner ecosystem around cloud solution platforms/marketplaces. Enterprises (and developers) coming to solution platforms/marketplaces will browse for interesting data sources, as well as apps, to subscribe to.

- **Shift from an app-centric to data-centric IT marketplace will lead to an era of "disposable" enterprise applications**. The 3rd Platform is creating an environment wherein data sits apart from any one app, can be accessed/analyzed by many apps, and dictates where apps should be hosted and run. IDC predicts that over the next five years, we will see the emergence of an enterprise app world in which many new applications are more disposable — with replacement cycles of months and years rather than decades.

Prediction #5: 2014 Will See the Perfect Storm for Project Failure: The Combination of Mobility, Analytics, Social, and the Cloud

While the potential for the four pillar technologies to enable new business value continues to receive attention, IDC predicts that by 2015, the increasingly frequent application of these technologies to meet business demands will increase the risks of project failure to unacceptable levels, forcing CIOs to adopt new risk mitigation strategies.

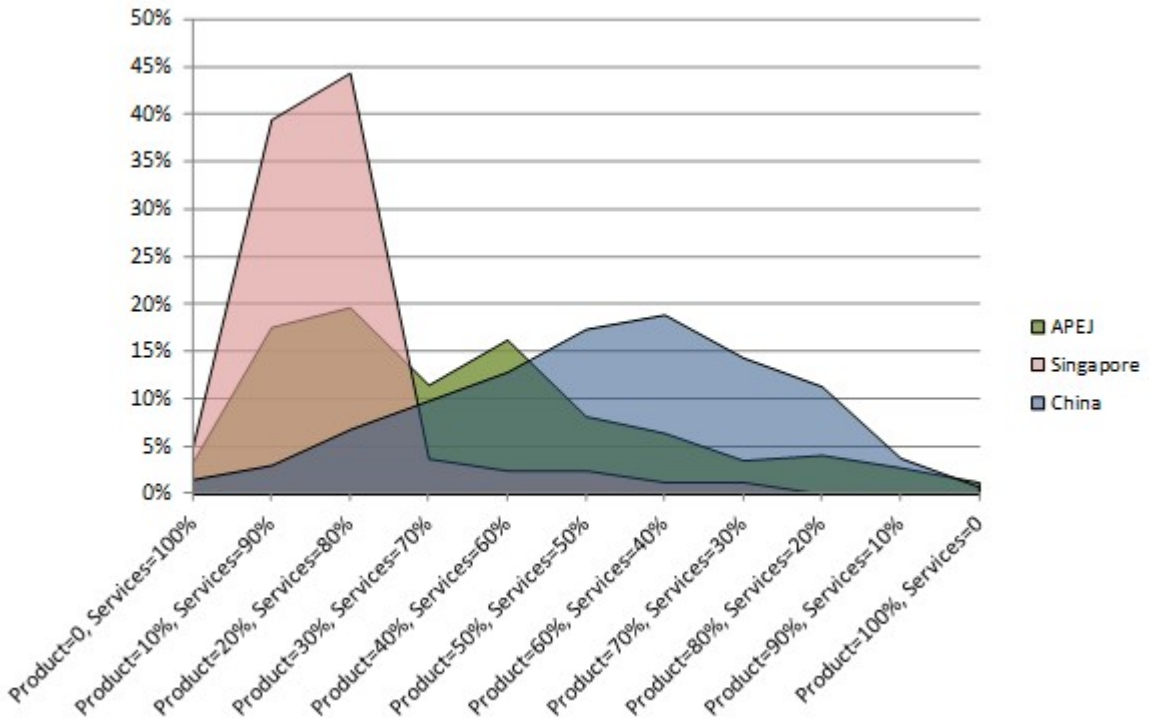
The ready availability of new business solutions based on mobile technologies designed for social consumption and large-scale analytics and delivered by cloud infrastructure is creating complex applications that are often dependent on relatively untried technology and immature vendors. Once the new application is ready for user consumption, there remains the challenge of ongoing management of a service delivery chain that is often provisioned across multiple providers. While a project may successfully reach production-ready status, ROI targets will be missed from inadequate planning for service management. When combined with the impact of cloud speed and a regionwide drought of IT skills, then the potential for serious project failure is large.

Regional CIOs are aware of project risks, and in some cases, the potential for failure will slow down the adoption of new technologies dramatically. However, demands for new services from business managers will force the CIOs to find a way of risk mitigation. An increased reliance on external skills sources and managed services is the most likely outcome, with increased spending on professional services and business services sourced from and managed by an external provider. From IDC's *2013 Asia/Pacific (Excluding Japan) Cloud End-User Survey,* we have observed that the proportion of initial, upfront costs for cloud projects has increased in step with the complexity of the cloud-based solution, whether for mobility, enterprise applications, or analytics (see Figure 1).

FIGURE 1

Upfront Cloud Project Costs

Q. For your most recent cloud project, what was the approximate split between upfront and ongoing costs?



Source: IDC, 2014

The differences apparent within the Asia/Pacific (excluding Japan) or APEJ region highlight the varying maturity; complex solutions in mature markets require high spending on services (Singapore) and early stage cloud projects require heavy investment in infrastructure products (China). The end result is that as the cloud market matures across the region and these more complex workloads become commonplace deployments on cloud platforms, the CIO role of technology management becomes less important than the role of services broker and manager, and the profile of the IT team transforms from technology facing to customer facing.

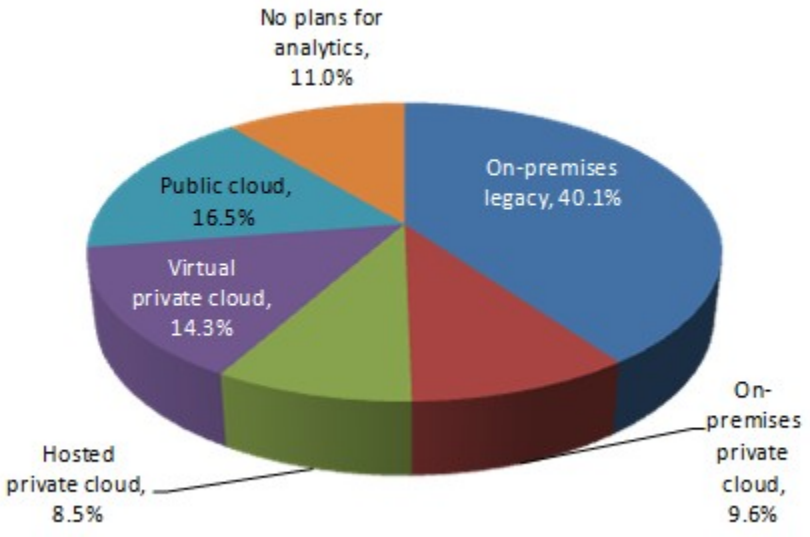
IDC expects that project failure will be manifested in a number of ways, often unrelated to the technologies themselves, but will have more to do with the availability of talent and the expectations of non-IT stakeholders. For example, mobility applications on their own could easily increase the already high rate of IT project failures. A mobilized application has so many elements of the service delivery chain outside the control of the CIO and reliant on individual SLAs from various vendors that successful completion of the project — not even putting it successfully into production — will be a challenge for most organizations. Should the ROI of a project require the use of analytics to derive

business value from that mobile application's use, and it is delivered through a public cloud service, then the risk factors become multidimensional.

For analytics projects, across APEJ, the enterprise preference for deployment model is skewed toward off-premises models (see Figure 2). Off-premises deployment, while meeting the business goals for faster delivery of the service and opex-based costs, adds service management challenges that most APEJ enterprises do not have yet. These become one of the risk factors that a CIO must evaluate when combining cloud and analytics.

FIGURE 2

Asia/Pacific (Excluding Japan) Enterprise Plans for Deployment of Analytics Workloads



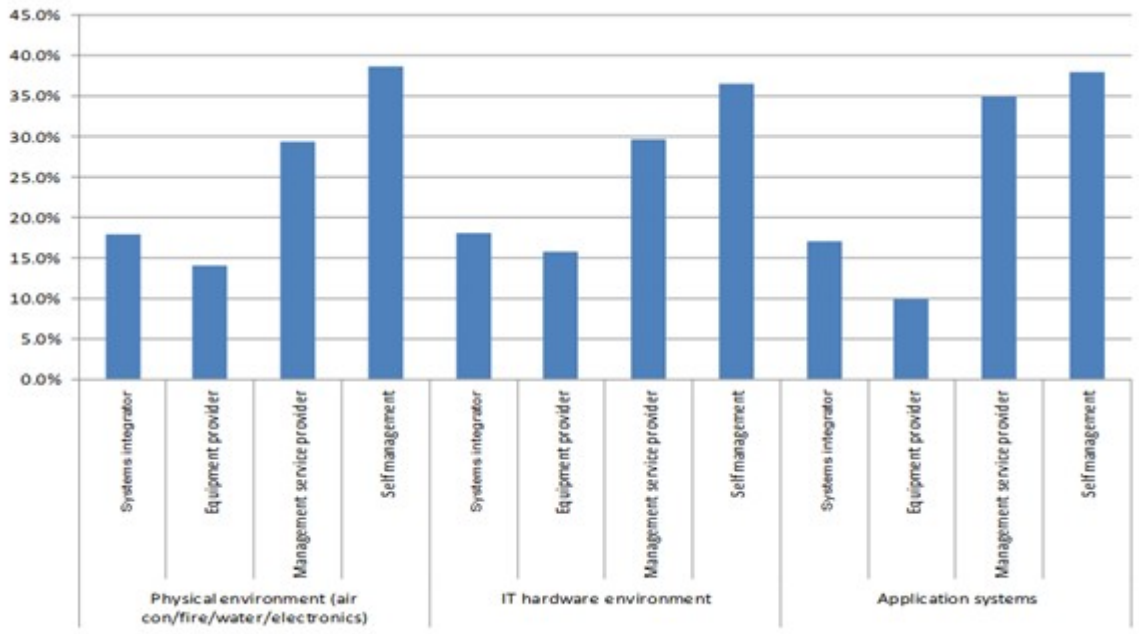
Source: IDC, 2014

This lack of service management skills in the region is symptomatic of a larger project risk. Regional organizations' lack of IT technology skills, especially the advanced skills needed to support these types of projects, is another facet of the problems facing CIOs and project managers of analytics projects. But when the IT organization moves to being a service manager and not a technology manager, service management is the most apparent as an area where Asia/Pacific organizations have not adequately invested. While a project may be delivered on time, poor service management, once in production, results in low customer satisfaction and the business value target not being achieved.

The solution to the service management issue is the more frequent use of external resources. This is already apparent. For example, Figure 3 shows that APEJ CIOs and IT managers expect that more than 50% of infrastructure management resources will be delivered from outside of the enterprise. While this solves a resource problem in one way, it widens an existing gap. The regional slowness in shifting capabilities to management of services and vendors instead of the current focus on technology management will become one of the largest risk factors for multipillar projects.

FIGURE 3

Use of External Resources for Infrastructure Management



Source: IDC, 2014

Any vendor proposing multipillar solutions to regional clients must ensure that it also realistically appraises the customers' ability to implement the project themselves. If they do not have the capability, then the solution must include professional services capabilities to ensure successful delivery. It is also important to recognize that the inclusion of LOB stakeholders alters the conversation; those solutions positioned to fulfill a business need will likely require the addition of a business consulting partner as well. This last element will continue to force expansion of the partner ecosystems as the influence of the non-IT executive strengthens through the 2014–2015 period.

Prediction #6: 2014 Will Bring Ongoing Change and Resultant Mergers and Acquisitions Activities to the Asia/Pacific (Excluding Japan) ISV Market

For the past five years, regional ISVs have begun their migration from license-based business models to subscription-based ones, and now, for most, the technical aspects of the transition to the cloud are often fairly well understood despite some initially ambitious road maps.

ISVs now must shift their efforts to less well-understood areas. More difficulties are expected in completion of transitions to cloud-oriented business models as changes are required in every area of the ISV business — changes that are typically more fundamental and more challenging to execute and often entail much more risks to the ISV as a company. Those that cannot make this transition will be acquired if the technical migration has been adequately funded and executed. Those that linger in the legacy world will lose relevance and customers.

The changes IDC expects to see in ISVs include:

- **Business process changes and enhancements.** Cloud ISVs require a different business model — a service-versus-product model of operations. A cloud service is an easy-to-use solution that must deliver superior functionality in predictable and responsive way to a customer. It is not just about being secure, robust, and dependable. Cloud solutions must deliver service excellence in all aspects that touch the customers — from service levels and service-level transparency, the availability of operational metrics, to a billing capability that provides the customer with data and inquiry capability. These are new requirements for many ISVs and they must be acquired, either through organic development, partnering, or acquisitions. Within this set of changes are sales and marketing changes. Transitioning to a cloud or hybrid-cloud business model requires that the entire sales and marketing skill set, process, and compensation plan change as ISVs move from selling and supporting a software product to a service.
- **Business changes.** Unlike native cloud-based, start-up software providers, existing ISVs must continue to manage and maintain legacy, on-premises software businesses — the revenue from licenses and support contracts is critical to their financial health. Retaining customers and cash flow while launching a new cloud business will require a shifting balance in managing disparate resources. This brings change from the executive level to the shop floor, presenting change management challenges for the duration of the transition period.
- **Organization and culture changes.** During the transition of an ISV to a cloud model, early examples have shown that the organization and its culture are significantly affected. Creating a separate organization may be necessary. This will involve not just direct sales, but also channel management, customer support, partner management, and research and development (R&D) and IT that reports up to the CEO, separate from the legacy organization.
- **Technology changes.** A cloud ISV will also need to have a plan for managing the transition between legacy on-premises platforms and their customers to the evolving cloud platform. Key to this is a robust internal professional services business and/or a strong partner ecosystem of accredited and industry-specialized business partners that can not only perform the technical migration but also apply industry IP to extract maximum value from the service. Other key challenges include the ease of integration with other cloud and on-premises solutions, and notably the ongoing challenges of security and regulatory compliance.

- **Partnering and alliance changes.** Central to cloud service profitability will be the leverage gained through partnering with more efficient providers of noncore capabilities and extending market coverage through alliances with already established distributors. With IaaS offerings already commoditized, differentiation through industry partners through the partner ecosystem is now a must. With around 50% of cloud spending being controlled by business managers, the ability of any cloud ISV to have relevant conversations with its buyers is essential. This is not an optional activity; even global market leaders bring in partners to help with their transitions. Focus on core value, partner for the rest.

These changes, initial and ongoing, are not merely a move to the cloud, but rather a transition to entirely new ways of doing business.

Prediction #7: 3rd Platform Datacenter Transformation Will Be Vital For Cloud Service Delivery

Cloud services, solutions, and technologies are fundamental to IDC's 3rd Platform model. Cloud, mobile, social, and big data solutions are, of course, dependent on the invisible but real, physical datacenters that deliver the cloud services reliably and securely. There are massive changes underway in this datacenter foundation for all of the services and solutions that make up the 3rd Platform, including a battle of visions about how one should build and run a modern cloud datacenter.

- **There will be rapid growth in converged systems in enterprise datacenters**. Converged systems, which preintegrate system components and software to simplify buying, implementing, and running IT, will continue to grab bigger chunks of enterprise datacenter real estate in 2014. Nearly 10% of general purpose enterprise server, storage, networking, and management software spending will funnel through these systems in 2014, up from 6–7% in 2013. By 2020, converged systems will account for 15–20% of this spending.
- **Cloud service providers will skew industry growth toward componentized/commoditized systems**. A countervision of datacenter infrastructure comes from the world of cloud service providers that favor highly componentized and commoditized systems and have largely eschewed the converged systems of major systems OEMs. In 2013, an astounding 23% of server shipments (including shipments from original device manufacturer [ODMs]) went to datacenters of cloud service providers. This will grow to 43% by 2017. Consequently, in spite of the rapid growth of converged systems in enterprise datacenters, IDC predicts the commoditized/componentized vision will gain the greater share over the next three years, as an increasing amount of compute capacity in the market funnels through cloud SPs' datacenters.
- Redeveloping/Adapting software for OpenStack and other open infrastructure platforms will be a top priority for datacenter software players. The growth of both converged systems for enterprises and cloud SPs' hyperscale component infrastructures means that infrastructure/management software vendors, including those aimed at the strategic hybrid cloud opportunity, need to have an architecture-neutral software strategy — offerings that can run, for example, both in a tightly integrated/converged model and on componentized environments. Using converged systems packaging as a way to lock in customers to bundled software offerings is an utterly losing strategy. In 2014, we predict virtually all infrastructure/management software vendors will continue to race toward the new model; a key step will be redeveloping/adapting offerings to run in an OpenStack, CloudStack, or other vendor- and architecture-neutral environment.

- **Datacenters of cloud SPs will become the most important channel for infrastructure vendors**. The shift of "where computing happens" in the marketplace from enterprise datacenters to SPs' datacenters obviously makes it critically important that IT hardware and software providers find a way to sell more offerings into the SP community. Most of the server OEM vendors have thus far had mixed success here — their traditional focus has been on enterprise datacenters. In 2014, we predict HP, IBM, Dell, EMC, Oracle, Fujitsu, Cisco, Juniper, and others will sharply increase their focus on offerings that align with unique architecture, scale, and pricing demands of SPs. As we noted in our earlier IaaS differentiation prediction, because of the market reach and scale economics of cloud SPs, they will become the primary channels for new hardware/system architecture innovations.
- **Deployment of solid state datacenter will have a rapid growth**. The need for greater speed and density in the increasingly data-intensive 3rd Platform datacenter will drive a very rapid growth in the deployment of solid state (flash-based) storage over the next several years. IDC predicts that most of the major converged/integrated system players will be selling all-flash configurations as standardized offerings (i.e., not custom builds). We also predict that by 2018, a majority of converged/integrated systems sold will be all-flash. Any cold data will be flying out of the rack into bulk storage appliances and the cloud.

Prediction #8: Cloud Security Will Provide the Security Guarantee for Internet of Things 3rd Platform Growth

While a whole new crop of 3rd Platform solutions will drive the next decade of IT industry growth, there will be another very important growth accelerator for the 3rd Platform IT industry: the radical expansion of the 3rd Platform's edge over smartphones, tablets, and PCs to the so-called "Internet of Things." Thirty billion autonomously connected end points and US$8.9 trillion in revenues by 2020 promise to be a game changer for almost every major IT vendor. However, this growth is limited by the dependence of IoT on the cloud and the popular myth that the cloud is less secure than an on-premises solution.

Media reports regularly highlight increased worries regarding the security of data and devices, as enterprises and end users have come to rely heavily on mobile devices and applications and on the associated enabling abilities of cloud-based services. The plethora of devices, apps, OSs, application programming interfaces (APIs), and user interfaces (UIs) that have introduced a substantial number of access and failure points to enterprise computing and to business data, systems, and operations is not disputable.

Since IDC's first cloud survey years ago, data security/privacy has remained the top concern again this year. We have said since the beginning that security and privacy should always be the top concern for any IT acquisition.

The great misconception about cloud services, especially public cloud-based IT services, is that they are always less secure than other IT delivery models. This perception is widespread in APEJ and we find it typically wrong. The datacenters and networks built for cloud platforms and service delivery tend to be architected with much greater reliability and security than most on-premises datacenters, partially because the entire datacenter is architected and built with uniform technologies and implementations of those technologies. But beyond the (usually) inherently better security of most cloud datacenters, the very nature of how cloud-based services work is what enables them to not only be secure, but also

to improve and ensure security throughout widespread, disparate computing, communication, and transaction environments.

In theory, when connected systems and devices are not secured properly, cloud can act as an access conduit to a vast range and number of devices and systems. But when cloud services are architected, delivered, and accessed properly, they are in fact much more robust than alternatives — not only in their abilities to repel attacks at or from any layer, but even more so in their ability to respond instantly, uniformly, and globally to attacks or other challenges.

Our interviews with IT and business leaders and users indicate that some of the most cited benefits they see in cloud-based business software (SaaS) are a part of the "everywhere" nature of both access and updates. Changes/Improvements/Updates are delivered and/or installed, automatically or on demand, everywhere as soon as they are available. This enables big savings in support, engineering, and security, especially by organizations that are geographically dispersed or that have high amounts of remote and mobile use. This benefit is especially important to support the growth of IoT.

With cloud services, enterprises and individuals can already monitor and manage the availability, apps, and use of practically any device connected to that cloud, public or private. Security becomes more uniform in more ways than ever before, and security responses become practically instantaneous, everywhere and anywhere a device is connected to that cloud service. Devices can be automatically or dynamically shut down; access can be denied or controlled. Corporate-controlled and provider-controlled marketplace and app store models for applications, OSs, and APIs ensure conformity and uniformity of design, interfaces, exposures, linkages, and other security-related aspects of software and associated services.

There will always be means and people to attack, hack, spoof, and otherwise pose security risks and challenges to IT in any form. Cloud is no different in that regard and can be seen as presenting some much larger and potentially more attractive targets. But when properly architected and managed, cloud tends to be less vulnerable to hacks and attacks and is more able to prevent and respond to attacks upon itself and upon any device, application, or system relying on its services. Cloud can be considered to improve security, reduce risk, and reduce the costs of security implementation, management, and response.

There is still some way to go and a lot of room for improvement before typical public and private clouds and providers reach the global levels of security that will be required. The number and types of attacks on mobile devices, enterprise systems, public and private clouds, and so on will continue to increase as the number and range of clouds, systems, devices, and software increase globally. We expect that this activity will drive a rapid and global increase in cloud-based security services, including not only those managing resource access, identity management, monitoring and response, but also expanded use of corporate and provider app and API stores/markets that promote and require uniformly developed and delivered software.

Prediction #9: Technology Companies Will Become Cloud and Services Companies

Preplay cloud SPs such as AWS or Google are being affected by the market swing to 3rd Platform solutions as much as the traditional vertically integrated vendors such as IBM or HP. Their delivery model of "any color so long as its black" services and reliance on a partner ecosystem to build the increasingly complex 3rd Platform mash-up applications assume that all the traditional IT skills required for planning, developing, testing, deploying, and managing these solutions will be provided by the partners. But now, these 3rd Platform applications are necessarily forcing change upon the business model of these traditional cloud SPs.

Over the past five years, cloud SPs have had two facts forced upon them by the rapid growth in demand from business buyers:

- They cannot address the entire market on their own.
- They cannot just depend on channels.

Combined, these create a catch-22 situation.

As a result, cloud services companies are challenged to build a sustainable customer base, which, if not achieved will make business models unviable in their current form. With the exception of the likes of Google and Amazon, which have been able to gain substantial customer base in the region, other cloud SPs and especially telecom SPs are struggling to reach broad-based adoption for their cloud services.

On the demand side, there is a level of expectation from CIOs that their cloud providers can communicate and deliver on IT metrics. This is important because the CIOs are increasingly accepting public cloud (across different variants) as a viable alternative to traditional IT services delivery. As such, IDC predicts that by 2017, 70% of IT departments in Asia will embrace a cloud-first strategy over any investment in IT infrastructure and services. In addition, IDC forecasts that 55–60% of the cloud services market will transition from traditional IT services to cloud-delivered models.

Importantly, this also implies that while CIOs and LOB managers will move existing workloads to cloud-delivered models, their expectations for availability, compliance, performance, resilience, and service ability will be the same as those which they receive from on-premises deployment or traditional ITO delivery.

Given the aforementioned situation, cloud SPs, especially the leaders, are investing in hiring resources across a wide mix of roles that include cloud architects, IT consultants, compliance and risk specialists, post-sales support, and delivery specialists, as well as industry experts. These are roles that have been largely associated with traditional IT companies and not with cloud players. It is evident that to stay relevant in today's business environment, cloud SPs will move to address the migration of a large proportion of traditional IT into their respective versions of cloud-delivered models. To make this transition happen, they will need technical and industry resources that have previous experience in delivery of complex IT solutions. This will enhance the capability of cloud SPs to go direct into accounts.

However, for telecom SPs in Asia, this transition will be difficult to execute for the following reasons:

- Telcos have made the mistake of treating cloud as a colocation or hosted solution and, while they are getting back on track, they are not gaining clients any faster. Furthermore, most telcos are very weak on application services. This combination is limiting their portfolios to lower margin services in the IaaS category, and with partner ecosystems still not capable of selling
  cloud-based business solutions, their market is limited.
- The cloud architecture deployed by most telcos is based on a locked-in proprietary stack that provides them with integrated tools to provide reliable and efficiently managed network infrastructure. However, this can also substantially increase their cost of operations compared with the commodity hardware–based infrastructure of AWS, making them uncompetitive in the broader market if they are unable to leverage this network service quality into high-value application management deals. The speed of change in cloud technology is difficult for them to keep up with.
- The sales structure in telcos is aligned with selling annuity-based services and not transactional services on IT. Therefore, their direct sales channel is not trained for selling cloud, and while their partners (mainly SI firms) are, arriving at an agreeable contract on pricing is next to impossible.

As a result, IDC predicts that major telcos that have a substantial IT services arm or subsidiary (such as NCS for SingTel and Dimension Data for NTT Communications) will gain market share for cloud and IT services. However, those that have relied on government legislation and pure channel efforts will undergo logical decay in revenues.

The only viable alternative for telcos that do not have an SI arm is to either become a broker and aggregator of cloud services or look to building out a new channel ecosystem. This should include both VARs and SI firms with incentives to the telco sales personnel to influence the deals in favor of their channel partners.

Prediction #10: Vertically Integrated Vendors Will Claw Back Margin and Relevance with Workload-Optimized Solutions

During 2014–2015, IDC predicts a rapidly accelerating trend that will permanently alter enterprise IT buying patterns, IT SPs and cloud SPs' business strategies and offerings — servers and software fully capable of general purpose workloads, but also including accelerators and optimizations for specific current and future workload types.

IDC observes that vertically integrated vendors (those with hardware, software, and applications), in pursuit of market share and improved margins, will introduce and heavily promote an increasing number and range of such workload-optimized offerings for enterprise in-house infrastructures and for cloud-based solutions.

Optimizing performance based on specific workload requirements is certainly not a new phenomenon, but for the past few years, fundamental characteristics of workloads and how they are managed have remained relatively stagnant. Meanwhile, similar to the focus in mainframes in the early days of virtual machines, there has been intense design focus for x86 servers in optimizing for virtualization (i.e.,

some instructions have been accelerated, other instructions and hardware functions have been created, etc.)

However, the 3rd Platform of cloud-enabled analytics, social IT, and mobility applications is causing rapid acceleration in both the evolution and the scope of enterprise IT workloads. Traditional workloads are growing in number and scale, while new types of workloads (often characterized by rapidly expanding use of analytics, social IT, and mobility) are emerging and growing even more rapidly.

This accelerating cycle of growth and complexity both enables and drives increasing demand for solutions that are cost effective and efficient. Increasingly, this means solutions that are optimized for specific workloads or workload types/categories.

The most significant impact of this accelerating trend toward workload-optimized server solutions is that vendors of servers, storage, and middleware (such as Cisco, Dell, HP, and IBM) either have been or soon will be emphasizing offerings that go beyond the customary server hardware improvements in reliability and general performance. These offerings will be targeted at two broad groups of buyers with tailored value propositions, as follows:

- **In-house enterprise datacenters.** As enterprise workloads evolve, their underlying characteristics also evolve, which in turn change the demands placed on the infrastructure. At a time when cloud skills, especially virtualization skills, are in short supply in APEJ and business managers demand solutions in shorter timeframes, the workload-optimized solutions provide an effective answer to these challenges. IT buyers expect to get performance improvements for specific workloads, security, and direct control of assets and avoidance of latency resulting from remote/cloud-based processing.
- **Cloud providers.** Cloud infrastructures (IaaS) and platforms (PaaS) provide additional facets to workload-optimized offerings. Cloud providers have been selling offerings that are mostly workload agnostic. These offerings consist of general purpose servers and disk storage. However, vendors will introduce infrastructures and platforms that are tailored and targeted for specific industries and specific workloads. We project those workloads will include major database systems such as Oracle, DB2, and SQL, and workloads such as analytics of big data, and widely used offerings such as SAP.

ESSENTIAL GUIDANCE

In 2014, IDC predicts that cloud market focus will expand to include "business as a service" rather than only the enabling cloud IT services. In 2012–2013, the market recognized that the era of cloud hype was over, and demand had expanded to include other roles outside of traditional audiences of hardware/software marketing managers, CIOs, and IT managers.

In 2014, more of what has been seen as cloud will now be seen as services (managed services, ITO, and BPO) as these traditional delivery models migrate their delivery infrastructure to a virtualized and automated delivery model.

For infrastructure vendors, the next big things are:

- **Storage virtualization.** As the data explosion continues and storage TCO begins to bloat, storage as a service delivered by storage specialists with well-developed management processes will provide compelling alternatives to on-premises, self-managed solutions.
- **Software-defined networking (SDN).** Cloud software infrastructure vendors such as VMware and Oracle aggressively move into the network hardware space at the datacenter switching level, squeezing hardware vendors such as Juniper, Brocade and, to a lesser extent, Cisco.
- **IT and telco SPs**. They become primary customers of products, consuming hardware and software and IT services, translating them into services for resale to end customers. However, demand is constrained by the telcos' own ability to generate service demand through higher value deals.
- **Alliances with non-IT vendors of business-specific IP**. This expands the partner ecosystem to meet the demand for business-as-a-service solutions. This requires major readjustment of the channel partner models and GTM approaches. This time, channel partners really have to adapt to selling services rather than just boxes.

For IT and telco SPs:

- Excellence at service delivery management becomes the differentiator; and for those without experience gained from ITO outsourcing, the need for new partners will be most apparent.
- Relationships with the IT hardware/software vendors will evolve so that commercial arrangements between supplier and buyer better reflect the as-a-service nature of the consumption of products.

For CFOs and CIOs:

- The procurement of more services over shorter contract periods will challenge existing procurement processes, and any inability to adapt will limit that enterprise's ability to maximize business benefit from as-a-service offerings.
- IT staff profiles must change from technology managers to services managers, requiring retraining and/or rehiring.
- New vendors that have no track record with that enterprise will be engaged; vendor risk management is an area where new focus is needed.
- Services spending, both project and long term, will outstrip capital spending on products.

LEARN MORE

Related Research

- *Cloud Professional Services* (Forthcoming)
- *Cloud Services Brokerage: A US$18.5B Opportunity to Asia/Pacific* (IDC #NZ2578510V, October 2013)
- *IDC Maturity Model: Cloud – A Guide to Success in Asia/Pacific* (IDC #AP6684423V, May 2013)

Synopsis

This IDC study discusses the factors that will have the biggest commercial impact on the cloud services market across Asia/Pacific (excluding Japan) or APEJ in 2014. The APEJ region continues its pattern of steady growth, albeit at a slower pace than the double-digit growth seen before the 2008 crisis and in the rebound year of 2011. IDC expects overall ICT growth in 2014 to be similar to 2013 at 7.6%. We also expect the revenue split between hardware, software, services, and telecom services to remain quite stable through 2016.

"In 2013, the APEJ cloud services market has moved from primarily viewing the cloud as a new IT service delivery model that can replace ICT capital investment to an understanding that the external sourcing of business processes is the way in which businesses can remain competitive and agile while also reining in IT costs in the future," says Chris Morris, associate vice president for Cloud Services, IDC Asia/Pacific. "CIOs and IT managers who have been slow to adopt cloud services will be dragged into a hybrid cloud environment, ready or not, by their line-of-business (LOB) managers who just want access to a new, better, or cheaper business process than that they already have. This business process coming to their users through a cloud delivery model is mostly irrelevant to them. So, with the LOB managers now effectively dictating how IT budgets will be spent, enterprise buying decisions will be more influenced on what the service can do for the business than the underlying technology."

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1000 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For more than 48 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world'"'s leading technology media, research, and events company.

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