

CONTACTS:

Janessa Rivera
Gartner
+ 1 408 468 8312
janessa.rivera@gartner.com

Robert van der Meulen
Gartner
+ 44 (0) 1784 267 892
rob.vandermeulen@gartner.com

Gartner Says Public Cloud Services Are Simultaneously Cannibalising and Stimulating Demand for External IT Services Spending

Key Issues Around Cloud Services to Be Examined at Gartner Data Center Summit 2012, 27-28 November in London and Gartner Data Center Conference 2012, 3-6 December in Las Vegas

STAMFORD, Conn., 1 November, 2012 — Public cloud services are simultaneously cannibalising and stimulating demand for external IT services spending, according to Gartner, Inc. Infrastructure as a service (IaaS) adoption — the most basic and fundamental form of cloud computing service — has expanded beyond development and test use cases.

"Public cloud adoption is accelerating and public cloud services do, and will, cannibalise IT services spending in the coming years, most notably in the data centre," said Bryan Britz, research director at Gartner. "At the same time, public cloud adoption offers service providers the opportunity to accelerate externalisation of spending for the non-public cloud workloads and IT operations and service management responsibilities in tandem with clients pursuing a public cloud initiative."

A recent Gartner survey found that 19 per cent of organisations are using cloud computing for most of production computing, and 20 per cent of organisations are using storage as a service for all, or most, storage requirements. Gartner surveyed 556 organisations, from June 2012 through July 2012, across nine countries and multiple industries where cloud planning is a critical issue.

The survey found that public cloud adoption varies by service. IaaS is moving from lower-risk pilot programmes and into production environments. Organisations' stated plans to adopt IaaS in the near future reinforce the importance of IaaS in an overall portfolio of infrastructure service offerings.

Similarly, platform as a service (PaaS) adoption clearly indicates the growing strategic importance of public cloud services for organisations that are adopting cloud infrastructure to support their business needs. Current and anticipated adoption rates of PaaS are leading indicators of a more substantive move to cloud environments and represent an opportunity for service providers to deliver PaaS-oriented solutions to help their clients make this move.

Software as a service (SaaS) adoption, particularly in large enterprise application suites, will continue to reduce the total potential market available for application outsourcing. At the same time, SaaS adoption in the near term offers consulting and implementation services opportunities for IT services providers, as well as ongoing integration and configuration. The move to SaaS will help drive additional revenue to the application outsourcing market by drawing applications to external, cloud-based implementations where they would otherwise be considered only for internal deployment.

"Public cloud services are being adopted in markets that were previously not the target market for most IT services providers. Adoption in these emerging markets and small and midsize business/smaller

enterprise clients also creates consideration for increased use of established IT services to assist with the non-public cloud workloads," said Mr Britz. "Public cloud services are also growing within the traditional target market for market-share-leading IT services providers. It is within this group of large clients, with large IT budgets, that the cannibalisation of traditional IT services by public cloud services is most significantly felt."

Many organisations plan to increase external spending as a result of public cloud adoption through a combination of accelerated externalisation of responsibilities and net new adoption of external services. Seventy-one per cent of leading cloud adopters expect to increase external spending on end-user computing infrastructure management, and 70 per cent of leading adopters plan to increase external spending on application development. Many of these organisations will be first-time buyers of these established IT services. Fewer organisations plan to reduce spending during the next three years for established external IT services as a result of public cloud strategies. Reduced spending is most noticeable in the data centre, where 14 per cent of respondents plan to decrease external spending.

When it comes to data centre services, the number of organisations indicating planned spending increases in hosting, and the number of organisations planning spending increases related to data centre infrastructure management, point to continued client consideration of various delivery models and options that are available from the data centre services marketplace. This competitive dynamic does not, however, inherently favour "one-stop shop" providers.

"Opportunity exists for providers able to address, directly or through an ecosystem of partnerships, the broad spectrum of hybrid delivery environments that will permeate most organisations in the coming years," said Mr Britz. "Threats abound for providers that are too narrowly focused on legacy systems and legacy approaches."

Additional information is available in the special report "User Survey Analysis: How Public Cloud Strategies Impact Established IT Services Spending." The report is available on Gartner's web site at <http://www.gartner.com/resId=2174917>.

Additional analysis on cloud services will be discussed at the Gartner Data Center Summit 2012 taking place 27-28 November in London and at the Gartner Data Center Conference 2012, 3-6 December in Las Vegas. These events deliver a wealth of strategic guidance and tactical recommendations on the hottest issues, including servers, next-stage virtualisation, the impact of cloud computing, mobility, storage, facilities, business continuity and disaster recovery.

For information on the Las Vegas conference, please visit www.gartner.com/us/datacenter. Members of the media can register to attend the event by contacting christy.pettey@gartner.com.

For information on the London Summit, visit <http://www.gartner.com/eu/datacenter>. Alternatively, to register for the Summit, the media can contact Rob van der Meulen on + 44 1784 26 7738 or at rob.vandermeulen@gartner.com.

Information from the events will be shared on Twitter at http://twitter.com/Gartner_inc using the hashtag #GartnerDC.

About Gartner Data Center Summit 2012

At the Gartner Data Center Summit 2012 Gartner analysts will explore the full spectrum of issues that impact the data centre, including servers, operating systems, storage, mobility, business continuity and disaster recovery. The aim of the Summit is to help data centre professionals deliver cost-effective

services that generate clear business benefits, by capitalising on disruptive trends such as virtualisation and cloud computing.

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