

ESG Brief

Multi-cloud Strategies Are on the Rise

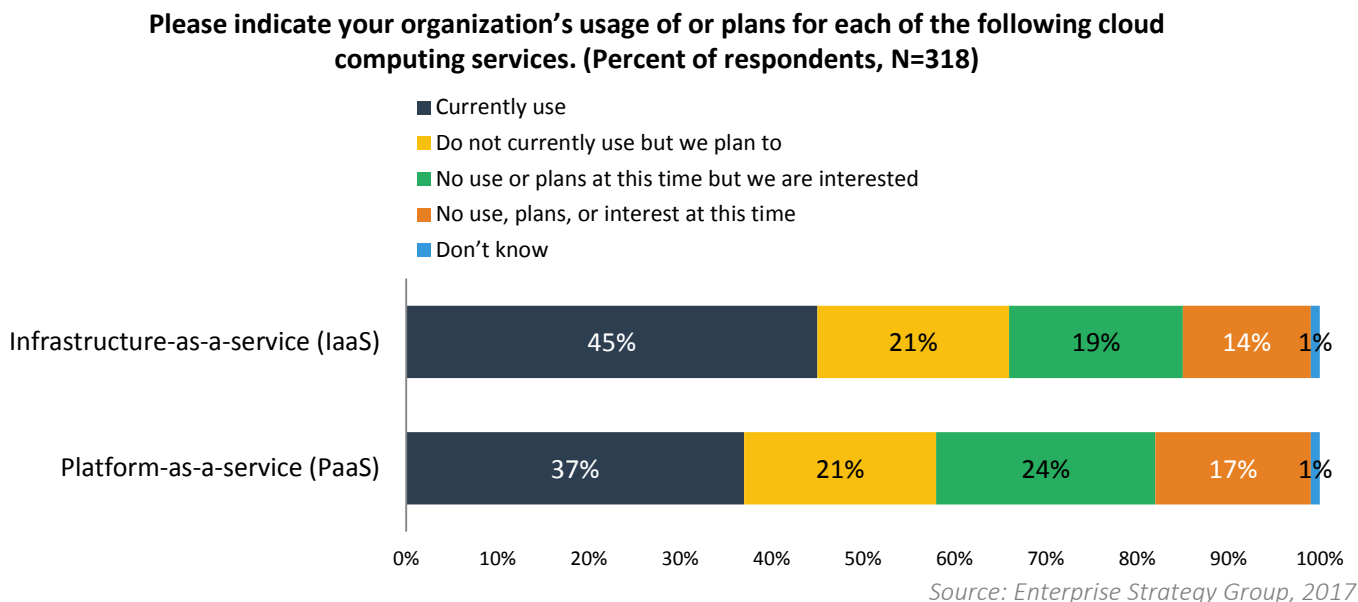
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Abstract: ESG has found that a significant number of companies are already using public cloud infrastructure services, and that a wave-like shift of workloads to public cloud is already occurring. How are organizations approaching their public cloud infrastructure strategies in terms of the number of providers with which they partner, and do they see these services simply augmenting existing on-premises environments or as a means of revolutionizing them?

Workloads Are Shifting to Public Cloud Infrastructure

ESG recently surveyed 318 IT decision makers, with knowledge of and/or responsibility for systems management or cloud infrastructure strategy, at midmarket (i.e., 100 to 999 employees) and enterprise (i.e., 1,000 or more employees) organizations in North America. According to Figure 1, a majority of organizations currently use public cloud infrastructure services in the form of infrastructure-as-a-service (IaaS) and/or platform-as-a-service (PaaS). This is not surprising given the expanding use of Amazon Web Services and Microsoft Azure, with both of those companies heavily investing in IaaS as the easiest onramp to using large scale public clouds.

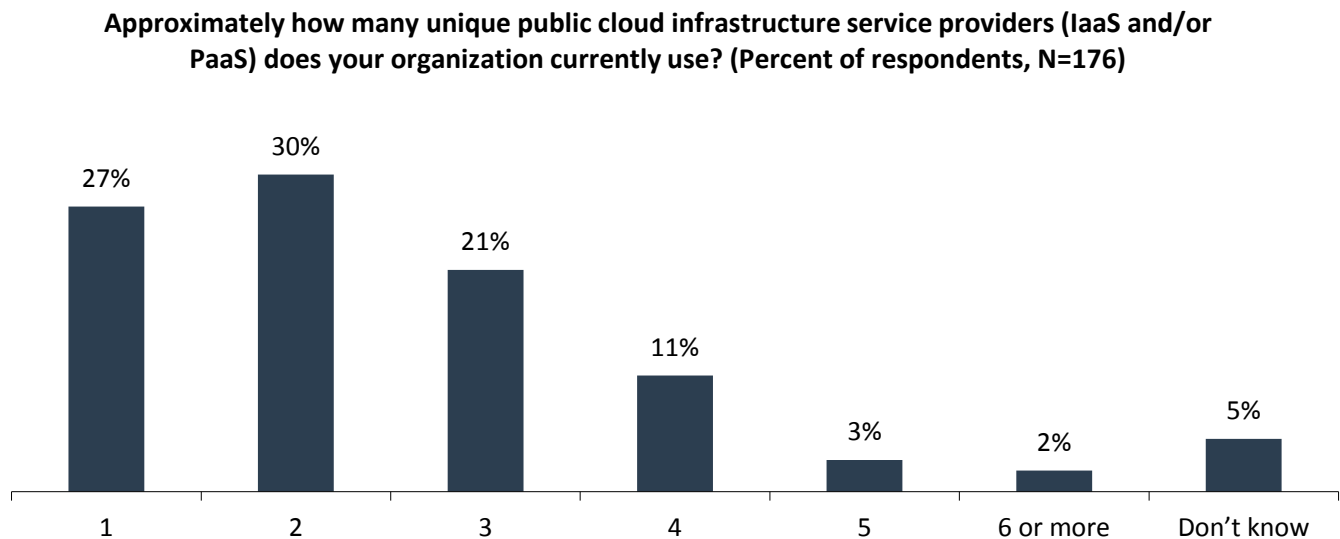
Figure 1. Public Cloud Infrastructure Services Adoption Usage/Plans



While AWS and Microsoft are two of the more recognizable CSPs, a key topic of discussion for public cloud is the race for vendor dominance. Much of the current discussion involves what vendor is leading or “winning the hearts and minds” of customers. In contrast to that discussion, however, what is emerging from the data is that most companies are using multiple public cloud infrastructure vendors, or what is termed a “multi-cloud” strategy. Indeed, when current IaaS/PaaS users were asked how many unique public cloud infrastructure providers they leverage, two-thirds report procuring services from more than one provider, with nearly 15% spread across at least four unique CSPs (see Figure 2). It is clear that the majority of current cloud infrastructure users are truly multi-cloud and it’s not simply the top two providers, but a wide variety of vendors that companies are leveraging for their public cloud infrastructure.

Clearly any vendor that is focused on systems management for public cloud infrastructure needs to be compatible with more than any single cloud provider. However, this is not as simple as checking a box because this diversity of cloud service providers does impact the feature set of any cloud management tool. Specifically, while management vendors must support standard management functions that are common across all cloud providers, they must also be aware and supportive of the unique management features needed for specific public cloud platforms.

Figure 2. Number of Unique IaaS/PaaS Providers in Use



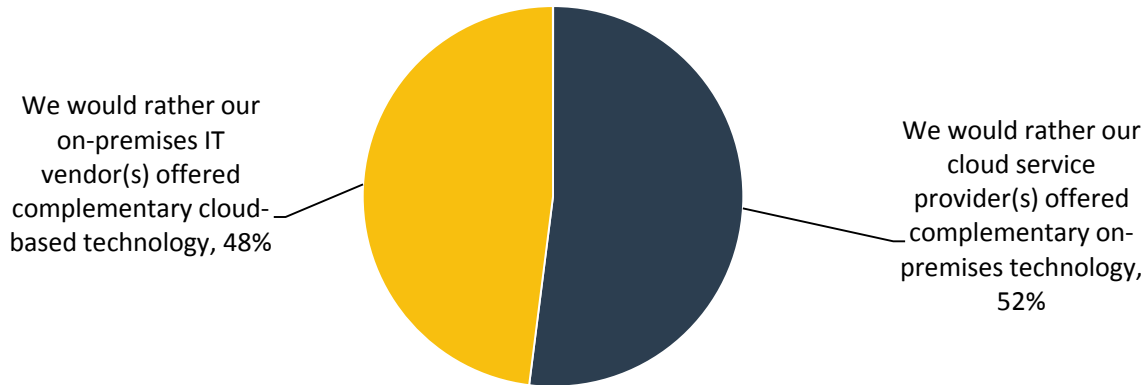
Source: Enterprise Strategy Group, 2017

Another popular theory pertaining to cloud computing is that the public cloud vendors will become the dominant players in providing and integrating cloud services for companies and that the existing on-premises IT vendors will be forced out of the picture. Survey respondents were asked about their organization’s *preferred* cloud service consumption strategy, with one option involving existing on-premises vendor(s) offering complementary cloud technologies (also known as an “infrastructure up” strategy) and the other choice centering on cloud service provider(s) delivering complementary on-premises technology (also known as a “cloud down” strategy). What ESG’s data shows is that the market—at least as of 2017—is still wide open (see Figure 3).

Specifically, the data revealed that companies are evenly split on their organization’s preferred cloud consumption strategy. A slight majority (52%) currently prefer a cloud down approach, but overall, the results show that companies today are open to how they will consume cloud services going forward and that the market opportunity is there both for on-premises IT vendors striving to remake themselves as cloud providers and for cloud service providers looking to extend into on-premises environments. With either choice, a hybrid cloud environment is the likely end state for most companies over the long term.

Figure 3. Preferred Cloud Service Consumption Strategy

Which of the following statements is more reflective of your organization’s preferred cloud service consumption strategy? (Percent of respondents, N=280)



Source: Enterprise Strategy Group, 2017

The Bigger Truth

It is clear from this data that the impact of growing public cloud infrastructure adoption is more complex than many in the industry believe it is. The current usage data for these services, as well as the shift of workloads from on-premises to off-premises, shows that the IT industry, as well as systems management vendors specifically, need to be thinking about hybrid cloud and the integration of on- and off-premises workloads. Companies will be looking for vendors that will support their workload migration and management in the future. Cloud usage is happening today; it’s not a future state, but it is also not a massive rush to move all workloads into the public cloud. The migration process will take time and may not be a complete migration, with a common end state likely involving a mix of both on- and off-premises workloads.

Contrary to some expectations, public cloud infrastructure services are not a single, be-all and end-all solution, but part of a larger set of technologies that companies are leveraging as they navigate their IT transformation journey. The reality of companies today is that they are inherently multi-cloud, often choosing three or more public cloud service providers. Companies are also still open to deciding their cloud consumption strategy, balanced between infrastructure up and cloud down strategies. The actual situation is more complex than that and the vendors that work in the cloud space, both on-premises IT vendors and cloud service providers, need to factor those preferences into their offerings if they are to be successful in today’s marketplace.

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