CLOUD INDUSTRY FORUM®

Cloud UK

Paper eight

UK Cloud adoption and trends for 2013

8

Executive summary

Over the last 18 months the UK market for Cloud Services has seen a 27 per cent increase in first time users and that rate of adoption has accelerated in the last nine months.

There is not a vertical, sector or organisational size that has not engaged in the Cloud Services opportunity, neither is there an application area that is exempt from the deployment and delivery models related to Cloud. In short, Cloud adoption in the UK is strong and growing against a backdrop of end user satisfaction with the flexibility and economics of Cloud Services.

Arguably the confusion and FUD around Cloud has not abated over this time, but the debate has moved on. People are less inclined to agree a definition of what is or isn't Cloud, and are more focused on outcomes about how IT is delivered.

The primary concerns of Security and Sovereignty remain high on the agenda, but equally the awareness of these issues is changing people's behaviour as to how they select services and Service Providers and indeed is also helping to drive service definition and commercial changes in the offerings from Cloud Service Providers (CSP's).

First time Cloud adoption has grown 27 per cent in just 18 months and the rate of growth is still accelerating

Changes are occurring in the process of adoption with the growing preference for a try-before-you-buy experience being required by users, equally there is a growing demand for services to assist in the implementation or migration to Cloud Services as well as on-going management of delivery.

Contracts and operational practices are gradually evolving toward a more universal understanding of best practice, and these somewhat tangential developments arguably offer some of the greatest stimulus to future Cloud adoption.

The market is clearly moving out of a nascent state into mainstream adoption and with it the challenges are changing from clarity and comfort that Cloud is viable into the strategic goals of integrating Cloud within the wider IT agenda and determining an effective and efficient path for more widely embracing Cloud Services without diminishing, efficiency, control or governance.

Based on this latest research, the Cloud Industry Forum (CIF) expect that by the end of 2013, over 75 per cent of UK businesses will be using at least one Cloud service formally and 80 per cent of current Cloud users will have increased their spend in this model of IT delivery.

From this paper it is hoped that the reader should be able to gauge current market readiness and satisfaction levels of Cloud service users in the UK and be able to understand some of the key issues and considerations to take into account when contemplating or reviewing plans to adopt Cloud Services as part of a wider IT strategy.

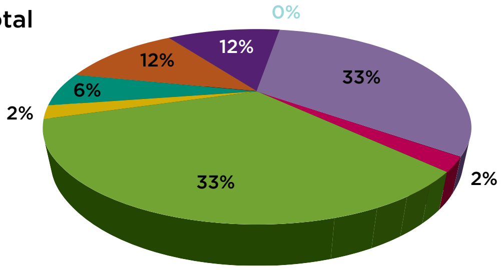
CIF predict that 75 per cent of UK companies will be using at least one Cloud service by the end of 2013

Methodology and sampling

In July 2012, Vanson Bourne conducted a third body of research on behalf of the CIF to determine the level of Cloud adoption among participants and to assess attitudes and trends about end user perception and experience.

How many employees work in your organisation?

Total



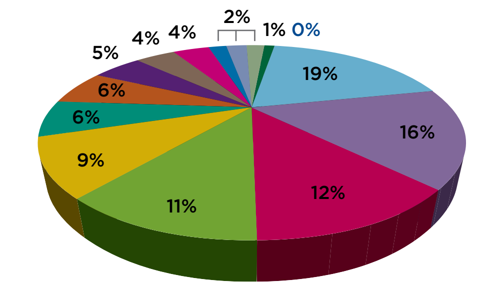
- Less than 5 employees
- 5 - 20 employees
- 21 - 50 employees
- 51 - 100 employees
- 101 - 500 employees
- 501 - 1,000 employees
- 1,001 - 5,000 employees
- More than 5,000 employees

Sample: 250

The research polled 250 senior IT and business decision-makers in enterprises, small-to-medium businesses (SMBs) and public sector organisations. The organisations participating all had UK based operations.

In which sector does your organisation primarily operate?

Total



- Business/professional services
- IT and technology
- Education
- Financial services
- Retail, distribution and transport
- Local or central government
- Manufacturing
- Public healthcare and services
- Public sector: including armed forces and emergency services
- Charity/not for profit
- Public sector: local (including councils libraries, service delivery)
- Construction and property
- Private healthcare and services
- Entertainment, media and leisure
- Hospitality/catering

Sample: 250

Of the 250 end user organisations questioned, 16 per cent came from the IT and technology sector, 19 per cent from business and professional services, 6 per cent manufacturing, 11 per cent financial services and 9 per cent from retail and logistics. A further 29 per cent comprised of public sector organisations ranging from central and local government, education and healthcare.

This White Paper summarises the results of this research and examines the drivers for adoption of Cloud Services by end user organisations; the changing business rationale for migrating to the Cloud; and the factors that impact purchasing and deployment decisions. In addition the results are compared and contrasted to the results of two similar bodies of research carried out at the beginning and end of 2011 to validate these original works and to determine emerging trends that may give some insight into what may occur in 2013.

The organisations participating in this research had to answer 80 questions in a detailed survey to provide an in-depth perspective on Cloud adoption

1. UK Cloud adoption trends

This survey polled 250 respondents responsible for IT decision-making, from a wide range of industries. The most widely-represented sectors included IT and services; education; business professional services; manufacturing; financial services; and retail, distribution and transport. The public sector was also well represented, with a third (80) of total respondents.

The results of the survey clearly validate that not only is “Cloud” accepted in the majority of organisations across the UK, its rate of adoption is still increasing.

Does your company have any hosted or Cloud-based services in use today?

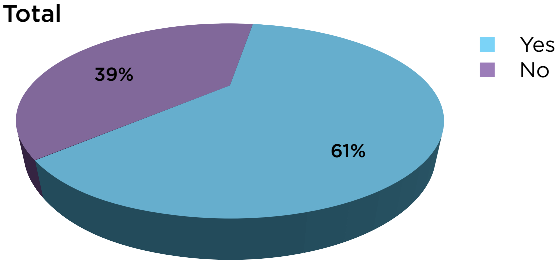
(Below are the results when the same question was asked 18 months ago)

All respondents	Total	No. employees Fewer than 20	20 - 200	More than 200	Public	Private
Yes	**61%**	52%	64%	68%	62%	61%
No	**39%**	48%	36%	32%	38%	39%
Base	**250**	83	85	82	85	165

Well over half (61 per cent) of all organisations polled already consciously use Cloud Computing formally for at least one application area within their organisation, this is an 8 point increase or 15 per cent growth in the last nine months, and a compound growth of 27 per cent since the original survey at the beginning of 2011.

Does your company have any hosted or Cloud-based services in use today?

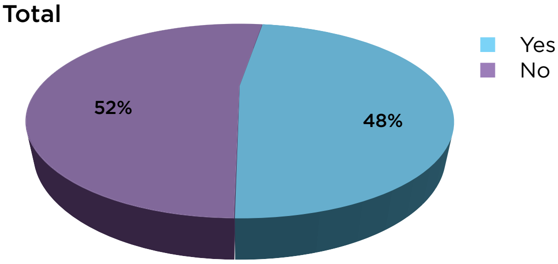
Total



Sample: 250

The same question when asked 18 months ago

Total



Sample: 450

When further analysis is undertaken it is clear from the findings of the research that it is the larger private sector firms that are leading the way at 68 per cent adoption, however, public sector has shown the more dramatic increase gaining 13 points to 62 per cent!

The rate of UK Cloud adoption is still growing

Although public sector and enterprise businesses have grown fastest over the last 9 months, it is still clear from the figures that size of organisation is far less an indicator of current adoption as it was at the beginning of 2011 as all primary groupings are now at over 50 per cent adoption levels, reinforcing the fact that Cloud Services are accessible to all and a leveller for enabling IT adoption and efficiency in organisations of every size and status.

Defining the organisational environment is critical to further understanding. The research highlighted that the majority of organisations (90 per cent) operate an on-premise server room or data centre and as such are well invested in on-premise IT when they make a Cloud service decision.

In addition to Cloud being pervasive across all organisational sizes and verticals, it is equally diverse in terms of the spread of application areas as is reflected in the table below. The table also shows the timeline associated with adoption of Cloud Services and for the majority of application areas (excluding webhosting and portal services) reflects that the rate of adoption in the last six months is higher than the preceding periods.

Do you use hosted or Cloud-based services for the following applications?

Combination grid showing the respondents who answered **"Yes".**

Only asked of respondents whose company has hosted or Cloud-based services in use	Less than 6 months	6-12 months	12-18 months	More than 18 months
Advertising and online marketing services	**25%**	**18%**	8%	**16%**
Collaboration services	**22%**	**13%**	**11%**	**11%**
Data backup/disaster recovery services	**17%**	11%	**10%**	**13%**
Data storage services	16%	11%	7%	**12%**
Email services	15%	**14%**	**11%**	**17%**
eShop services	**33%**	**13%**	**17%**	4%
Infrastructure as a service	**21%**	**14%**	**14%**	0%
IT asset management services	**17%**	7%	**10%**	1%
IT operations management	16%	**15%**	6%	3%
IT security services	13%	8%	4%	**13%**
Managed IT services	**21%**	7%	6%	**12%**
Partner relationship management	**17%**	**17%**	8%	0%
Portal services	12%	**15%**	**10%**	**15%**
Sales management	**19%**	9%	6%	3%
Test & QA services	**17%**	**17%**	**11%**	0%
Unified communications	13%	10%	**10%**	0%
VOIP	9%	5%	**13%**	4%
Webhosting	13%	**13%**	**12%**	**40%**
Niche vertical applications	0%	0%	0%	**25%**
Other	**50%**	0%	0%	0%

In the last nine months eCommerce, IT management, sales management and VOIP have seen the strongest percentage growth and even the more sizable market of collaboration, backup and storage have reported very strong adoption by participants.

Over three quarters of current Cloud service users expect to increase use over next 12 months. 92 per cent of Cloud users are satisfied with their experience to date

When looking at the adoption of Cloud Services it is noteworthy that they are selected both for new workloads previously not available to the organisation as well as upgrading or replacing existing on-premise solutions. Whilst there are some logical trends such as collaboration services and video conferencing being primarily adopted as new services the chart equally reflects users are comfortable with replacing established on-premise capabilities with Cloud Services across the board.

Cloud is relevant for both new work loads and replacing on-premise solutions

Was the Cloud service implementation a new service or a service that existed on-premise that had to be migrated?

Combination grid showing the respondents who answered
"A new service / An existing service that had to be migrated"

Only asked of respondents whose organisation uses hosted or Cloud-based services for one of the following applications	Total	No. employees Fewer than 20	20 - 200	More than 200	Public	Private
Accounting and finance applications	**29% / 71%**	29% / 71%	30% / 70%	29% / 71%	43% / 57%	24% / 76%
Advertising and online marketing services	**74% / 26%**	88% / 13%	79% / 21%	58% / 42%	67% / 33%	75% / 25%
Collaboration services	**68% / 32%**	89% / 11%	55% / 45%	64% / 36%	56% / 44%	73% / 27%
CRM	**44% / 56%**	20% / 80%	83% / 17%	29% / 71%	50% / 50%	44% / 56%
Data backup/disaster recovery services	**47% / 53%**	47% / 53%	55% / 45%	38% / 62%	37% / 63%	51% / 49%
Data storage services	**30% / 70%**	42% / 58%	31% / 69%	24% / 76%	29% / 71%	31% / 69%
Document management	**53% / 47%**	100% / 0%	57% / 43%	40% / 60%	50% / 50%	55% / 45%
Email services	**32% / 68%**	48% / 52%	35% / 65%	18% / 82%	23% / 77%	37% / 63%
eShop services	**56% / 44%**	60% / 40%	40% / 60%	67% / 33%	0% / 100%	69% / 31%
Infrastructure as a service	**71% / 29%**	50% / 50%	0% / 100%	100% / 0%	0% / 100%	83% / 17%
IT asset management services	**62% / 38%**	67% / 33%	50% / 50%	71% / 29%	50% / 50%	68% / 32%
IT operations management	**51% / 49%**	80% / 20%	45% / 55%	47% / 53%	38% / 63%	63% / 37%
IT security services	**52% / 48%**	71% / 29%	42% / 58%	50% / 50%	57% / 43%	50% / 50%
Managed IT services	**68% / 32%**	67% / 33%	80% / 20%	60% / 40%	57% / 43%	76% / 24%
Office automation/productivity	**47% / 53%**	50% / 50%	33% / 67%	57% / 43%	50% / 50%	44% / 56%
Partner relationship management	**60% / 40%**	0% / 0%	0% / 100%	75% / 25%	0% / 100%	75% / 25%
Personnel and payroll	**40% / 60%**	33% / 67%	50% / 50%	36% / 64%	64% / 36%	21% / 79%
Portal services	**48% / 52%**	60% / 40%	45% / 55%	47% / 53%	40% / 60%	52% / 48%
Sales management	**75% / 25%**	50% / 50%	75% / 25%	83% / 17%	100% / 0%	73% / 27%
Service management/help desk services	**60% / 40%**	50% / 50%	40% / 60%	75% / 25%	56% / 44%	67% / 33%
Test & QA services	**38% / 63%**	100% / 0%	25% / 75%	33% / 67%	50% / 50%	25% / 75%
Unified communications	**31% / 69%**	50% / 50%	0% / 100%	40% / 60%	0% / 100%	40% / 60%
Video conferencing	**82% / 18%**	0% / 0%	67% / 33%	100% / 0%	71% / 29%	90% / 10%
VOIP	**71% / 29%**	71% / 29%	57% / 43%	80% / 20%	70% / 30%	71% / 29%
Webhosting	**43% / 57%**	39% / 61%	50% / 50%	41% / 59%	31% / 69%	48% / 53%
Workflow systems	**67% / 33%**	33% / 67%	80% / 20%	71% / 29%	33% / 67%	75% / 25%
Niche vertical applications	**100% / 0%**	0% / 0%	0% / 0%	100% / 0%	100% / 0%	0% / 0%
Other	**100% / 0%**	0% / 0%	100% / 0%	0% / 0%	100% / 0%	0% / 0%

In a departure from previous research, for the first time the primary' reason cited by users for Cloud adoption is cost savings. Over the last two research projects operational flexibility was the primary driver. However, when looking at the overall justification for Cloud investment (i.e. the weighting of all reasons for Cloud adoption), flexibility is measured as a driver by 71 per cent of organisations (making it the highest ranked) whereas cost savings register slightly less at 66 per cent. These two factors continue to dominate the agenda and expectation of end users in moving to the Cloud.

Which of these were reasons for adopting hosted or Cloud-based services?

Combination grid showing the respondents who answered **"This was the primary reason"**

Only asked of respondents whose company has hosted or Cloud-based services in use	Total	No. employees Fewer than 20	20 - 200	More than 200	Public	Private
Operational cost savings	**17%**	9%	22%	18%	15%	18%
Flexibility of delivery	**16%**	12%	22%	13%	23%	12%
Scalability	**12%**	9%	15%	13%	9%	14%
24/7 service dependence	**10%**	12%	6%	13%	13%	8%
Low cost of adoption	**5%**	5%	2%	7%	9%	2%
Lack of in house skills	**5%**	2%	6%	5%	4%	5%
New service – no experience	**3%**	7%	2%	2%	0%	5%
Limited internal resource priorities	**3%**	7%	4%	0%	2%	4%
RoI vs on-premise	**3%**	2%	0%	7%	2%	4%
Temporary project	**0%**	0%	0%	0%	0%	0%
Other	**6%**	12%	4%	4%	4%	7%
Base	**153**	43	54	56	53	100

Conversely, in terms of initial targets sought for improvement through the adoption of Cloud Services that were subsequently not achieved by the organisations participating in the research, the highest correlations (although all minority positions) centred on increased speed of access to technology (16 per cent), reduced capital expenditure (15 per cent) and improved IT Service Levels.

Looking ahead to future Cloud adoption and assessing the 39 per cent of companies not yet making use of Cloud Services, a quarter of them (10 per cent of the whole base) stated they expected to make use within the next year. In fact only 8 per cent of companies in the total research project did not expect to make use of Cloud-based services in the delivery of their IT strategy.

76 per cent of companies using Cloud Services will expand their use within 12 months

Do you anticipate Cloud Services being adopted by your organisation within 12 months?

Only asked of respondents whose company does not have hosted or Cloud-based services in use	Total	No. employees Fewer than 20	20 - 200	More than 200	Public	Private
Yes	**26%**	30%	23%	23%	34%	22%
No	**41%**	38%	48%	38%	28%	48%
Don't know	**33%**	33%	29%	38%	38%	31%
Base	**97**	40	31	26	32	65

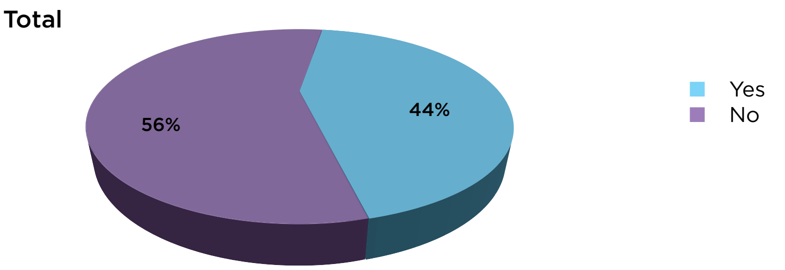
For those that had already used Cloud Services, satisfaction with the results of that use remained very healthy at 92 per cent. Although this represents a decline of 4 per cent since the last survey, this is considered a ringing endorsement of the choice to access IT as a service by those that have and is tempered only by having a broader base of adoption over prior reviews. This is further reinforced by the fact that 76 per cent of organisations already using Cloud Services expect to increase their use of Cloud Services over the coming year, and that again is an increase of 3 per cent over the last research.

2. The FUD factor: perceptions of regulation and security

The pace of adoption of Cloud is clearly evidenced as growing in both terms of first time adoption and subsequent phases of expansion. Satisfaction levels remain high and both new and existing workloads are being implemented in a Cloud environment regardless of organisational size or vertical. However, the background debates that consume the most time and attention are not related to technology per sa but rather relate back to the more commercial and governance issues of data security, protection, sovereignty and portability. The lack of clarity and transparency of what is permissible or acceptable vs what is possible continues at a pace and is arguably compounded by recent high profile debates over subjects like the evolution of the European Data Protection legislation.

When testing understanding and expectations of the organisations participating in this research, almost half (44 per cent) believed that their organisation was subject to specific regulations around IT services and data. Bearing in mind that perception drives actions it is important to qualify and quantify what requirements are perceived to be imposed.

Is your business/industry subject to specific regulations around IT services and data?



Sample: 250

When asked if any application areas required data to be stored in a specific location, a wide range of solutions scored highly including personnel and payroll (64 per cent) eShop services (65 per cent), data storage (65 per cent) and niche applications 88 per cent. The table on the next page identifies those application areas that over 50 per cent of organisations scored as being subject to specific data storage requirements.

Operational complexity can obscure clarity of the Cloud opportunity

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Is your organisation required to store data for the following applications in a specific location?

Combination grid showing the respondents who answered **"Yes"**

All respondents (respondents only saw the applications that they currently use)	Total	No. employees Fewer than 20	20 - 200	More than 200	Public	Private
Accounting and finance applications	**58%**	46%	58%	67%	65%	54%
Collaboration services	**51%**	44%	43%	58%	48%	52%
Data backup/disaster recovery services	**62%**	55%	68%	63%	63%	62%
Data storage services	**65%**	65%	57%	72%	68%	64%
Document management	**59%**	48%	48%	74%	65%	56%
Email services	**54%**	49%	52%	61%	55%	54%
eShop services	**65%**	67%	73%	59%	50%	74%
Infrastructure as a service	**52%**	50%	60%	50%	44%	58%
IT asset management services	**50%**	32%	47%	59%	63%	42%
Partner relationship management	**56%**	100%	50%	50%	67%	54%
Personnel and payroll	**64%**	60%	64%	66%	70%	60%
Test & QA services	**56%**	60%	60%	50%	63%	53%
Niche vertical applications	**88%**	100%	100%	75%	83%	100%

The reasons cited for specific storage locations were not all about regulation when probed in further detail and indeed concerns over security actually scored higher and covers a broad spectrum from the likes of PCI DSS compliance through to internal standards. In addition practical operational perspectives were also taken into account in regard to location of data such as the size of a database or workload, or the levels of integration between applications.

Why are you required to store this data in a specific location?

Respondents who are required to store data for at least one of their applications in a specific location	Total	No. employees Fewer than 20	20 - 200	More than 200	Public	Private
Concerns over security	**76%**	73%	71%	84%	78%	75%
Regulation	**57%**	52%	51%	68%	55%	58%
Size of database	**38%**	37%	44%	32%	39%	37%
Integration to related application	**36%**	30%	32%	46%	51%	28%
Other	**4%**	3%	3%	5%	4%	3%
Base	191	60	68	63	67	124

In regard to the interpretation of where the data was required to be stored almost 90 per cent of respondents who believed they had a restriction or obligation required the data to be stored in the UK with 50 per cent in whole terms being preferred to be kept on-premise and the balance of 40 per cent (39 per cent) being hosted in the UK. Only 7 per cent of organisations believed they would or should store their data elsewhere in the EEA despite being under the same umbrella legislations and only 4 per cent saw that regions outside of the EEA were acceptable.

Security concerns rank higer than commpliance in regard to data storage decisions

In regard to the data that you are required to store in a specific location, where are you required to store it?

Respondents who are required to store data for at least one of their applications in a specific location	Total	No. employees Fewer than 20	20 - 200	More than 200	Public	Private
On-premise	**50%**	55%	47%	48%	54%	48%
Hosted within the United Kingdom	**39%**	37%	40%	41%	37%	40%
Hosted within the EEA	**7%**	8%	7%	6%	3%	10%
Other	**4%**	0%	6%	5%	6%	2%
Base	191	60	68	63	67	124

Other constraints end users typically identify in regard to the workloads they are prepared to move to the Cloud and impact the service or deployment models they are willing to use relate to:

- The levels of Integration between applications
- The degree of flexibility in scale of use that is required over time
- The perception of risk associated with the sensitivity of the data

The table below sets out by Application area the responses of the participants to the issues above.

All respondents (respondents only saw the applications that they currently use)	Application Integration	Flexible scale	Higher Security risk
Accounting and finance applications	**73%**	37%	**56%**
Collaboration services	**73%**	**59%**	25%
CRM	**75%**	48%	34%
Data backup/disaster recovery services	49%	55%	**53%**
Data storage services	57%	**60%**	**50%**
Document management	**76%**	**57%**	36%
Email services	**70%**	**63%**	**46%**
eShop services	65%	54%	**41%**
Infrastructure as a service	**71%**	**90%**	**43%**
IT security services	56%	42%	**40%**
Partner relationship management	56%	**63%**	19%
Personnel and payroll	57%	34%	**58%**
Portal services	64%	**59%**	25%
Sales management	**70%**	48%	11%
Test & QA services	52%	**56%**	11%
Unified communications	**78%**	**58%**	17%
Webhosting	39%	**56%**	33%
Workflow systems	**69%**	47%	14%
Niche vertical applications	**88%**	**75%**	**38%**
Other	50%	50%	**50%**

As a result of the perceptions and basis of filtering the fitness for purpose of application deploy, there are still areas of content and process that some organisations are more resistant to moving off-premise as is documented below with employee data continuing to top the chart for the third time.

For which IT services would your business not consider using Cloud Services?

Only asked of respondents whose organisation would not consider using Cloud Services for all aspects of their business	Total	No. employees Fewer than 20	20 - 200	More than 200	Public	Private
Employee information	**56%**	62%	59%	48%	56%	56%
Accounts/financial data services	**50%**	54%	53%	45%	51%	50%
Internal file sharing	**40%**	41%	29%	48%	37%	41%
File/print services	**26%**	30%	26%	23%	29%	24%
Email	**21%**	30%	15%	18%	17%	23%
Data storage/backup	**19%**	11%	26%	20%	32%	11%
IP/patent data	**19%**	5%	21%	30%	29%	13%
IT support	**18%**	14%	29%	13%	24%	14%
Client/third-party data	**15%**	16%	18%	13%	5%	21%
Core applications	**18%**	22%	21%	13%	22%	16%
Core/mission-critical data	**11%**	5%	24%	5%	10%	11%
Other	**5%**	5%	3%	5%	5%	4%
Base	**111**	37	34	40	41	70

CIF are committed to driving transparency of regulatory and legal constraints and education of the market on best practice in order to ensure end user perceptions are based on factual information and proportionate to the issues at hand so that rational decisions can be made.

89 per cent of Cloud users prefer to keep their data in the UK

3. Experiences in the adoption of Cloud Services

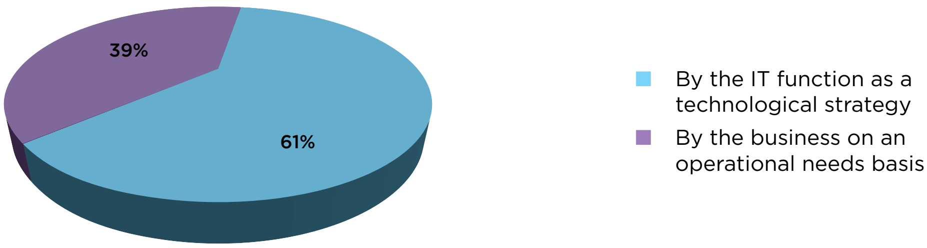
Arguably the research in terms of attitude toward adoption of Cloud Services is moving on from mere understanding and acceptance of the delivery model to the practicalities of making the actual transition. A key point of evidence for this stems from the response gained when asked if Cloud Services were now formally considered as an option for deployment of a new or replacement solution. Those already engaged in Cloud Services had largely moved beyond the notion of a proof of concept to one of weighing up the options on a project by project basis, and one of those options is now Cloud for 77 per cent of the CxO's involved. It is also noted that the majority of decision are technically led (61 per cent) versus business led (39 per cent).

Does your company include consideration for Cloud Services within its wider IT strategy?

Respondents whose company has hosted or Cloud-based services in use, anticipate Cloud service adoption within 12 months or foresee using Cloud Services in the future	Total	No. employees Fewer than 20	20 - 200	More than 200	Public	Private
Yes	**77%**	68%	75%	86%	78%	77%
No	**23%**	32%	25%	14%	22%	23%
Base	**187**	57	65	65	67	120

Is Cloud adoption driven within your business principally by the IT function as a technological strategy, or by the business on an operational needs basis?

Total



Sample: 187

When embarking on the use of a Cloud service for the first time, organisations favour an approach of try-before-you-buy to get confidence that the solution and the solution provider meet their operational needs. 59 per cent of users claimed to have conducted a pilot/trial before contracting formally for the service. Cloud Service Providers should ensure that such capabilities are made available within their go-to-market strategy in order to demonstrate transparency of practice and capability which in turn assists the establishment of trust between the parties.

Did you trial Cloud Services before committing to purchase?

Only asked of respondents whose company has hosted or Cloud-based services in use	Total	No. employees Fewer than 20	20 - 200	More than 200	Public	Private
Yes	**59%**	53%	61%	63%	64%	57%
No	**41%**	47%	39%	38%	36%	43%
Base	**153**	43	54	56	53	100

In establishing the benchmarks for desired outcomes to be achieved through utilising Cloud Services, end users focus tends to aggregate around flexibility and speed of access to technology, improving service performance and reducing capital expenditure as summarised in the table below. It was also noted that where organisations did not achieve their desired outcomes the missed expectations (although all minority positions) also centred on increased speed of access to technology (16 per cent), reduced capital expenditure (15 per cent) and improved IT Service Levels.

Which of the following were the desired business objectives of migrating to the Cloud? And if so, which have you achieved?

Combination grid showing the respondents who answered
"This was an objective, and one we have achieved without difficulty"

Only asked of respondents whose company has hosted or Cloud-based services in use	Total	No. employees Fewer than 20	20 - 200	More than 200	Public	Private
Improving cash flow	**12%**	12%	19%	7%	6%	16%
Reducing the requirement for number of skilled personnel in-house	**29%**	35%	26%	27%	28%	29%
Reducing capital expenditure	**33%**	40%	30%	30%	19%	40%
Reducing the risk of lost data	**37%**	44%	44%	25%	30%	41%
Improving uptime/reliability of IT	**37%**	40%	41%	32%	26%	43%
Reducing the pressure on IT staff within the company	**33%**	35%	35%	29%	28%	35%
Improving service levels of IT	**40%**	37%	44%	38%	26%	47%
Increasing speed of access to technology	**40%**	33%	46%	39%	38%	41%
Increasing flexibility of access to technology (i.e. ability to increase or decrease use)	**43%**	37%	52%	39%	38%	46%
Base	**153**	43	54	56	53	100

The internal concerns that had to be investigated and allayed as part of the transition to use Cloud Services were in line with previous research undertaken by CIF and are set out in the following table with the issues of Data Security and Privacy topping the concerns followed by the practicalities of access to, and bandwidth of, internet connections. After these more generic issues the focus really turns to establishing trust with CSP's in order to have confidence, control, reliability, and to avoid commercial issues like lock in. It is worth noting that these concerns are cited not as barriers to adoption but as issues requiring clear answers in order to contract.

Flexibility and cost efficiency still top the bill of desired outcomes from adoption of Cloud Services

CLOUD INDUSTRY FORUM®

What concerns were expressed during the decision-making process to migrate to the Cloud?

Only asked of respondents whose company has hosted or Cloud-based services in use

	Total	No. employees Fewer than 20	20 - 200	More than 200	Public	Private
Data security	**82%**	77%	85%	82%	89%	78%
Data privacy	**69%**	79%	63%	68%	70%	69%
Dependency upon internet access (availability and bandwidth)	**51%**	53%	52%	48%	49%	52%
Fear of loss of control/manageability	**46%**	35%	48%	54%	53%	43%
Confidence in the reliability of the vendors	**36%**	35%	33%	39%	25%	42%
Data sovereignty/jurisdiction	**33%**	37%	31%	30%	30%	34%
Cost of change/migration	**31%**	33%	33%	29%	26%	34%
Contract lock-in	**29%**	33%	26%	30%	32%	28%
Lack of clarity of impact of Cloud Services on business processes	**27%**	16%	28%	34%	32%	24%
Regulatory constraints	**26%**	16%	30%	30%	28%	25%
Contractual liability for services if Sal's are missed	**20%**	12%	17%	29%	9%	25%
Confidence in the vendors business capability	**19%**	19%	19%	20%	17%	20%
Confidence in knowing who to choose to supply service	**18%**	26%	20%	11%	19%	18%
Confidence in the clarity of charges (i.e. will they be cheaper than on-premise)	**18%**	16%	13%	23%	19%	17%
Lack of confidence in the business case to need Cloud Services	**11%**	9%	11%	13%	11%	11%
Lack of clarity in most appropriate Cloud deployment model	**10%**	7%	13%	9%	8%	11%
Lack of any advice from within the company to adopt	**8%**	9%	7%	9%	13%	6%
Lack of clarity in most effective service delivery model	**7%**	5%	7%	9%	8%	7%
Lack of any promotion or awareness by the people we buy IT from	**2%**	0%	0%	5%	4%	1%
Other	**1%**	2%	2%	0%	2%	1%
Base	**153**	43	54	56	53	100

Data security and privacy still rank as the number one concern for end users

It was encouraging to note that in seeking credible CSP's end users expressed by a substantial majority (78 per cent) that they would prefer to work with vendors who are publicly certified against an industry Code of Practice (CoP). Today CIF operate the only certified CoP and it exists as an independent benchmark of best practice and key credentials that credible CSP's should be able to measure up to and provide sufficient assurance of transparency, capability and accountability to the market. For full details of the CoP please refer to www.cloudindustryforum.org.

Do you see value in working with CSP's who sign up publicly to an industry CoP that is independently audited over those that have no public accountability?

Respondents whose company has hosted or Cloud-based services in use, anticipate Cloud service adoption within 12 months or foresee using Cloud Services in the future	Total	No. employees Fewer than 20	20 - 200	More than 200	Public	Private
Yes	**78%**	75%	83%	75%	79%	78%
No	**22%**	25%	17%	25%	21%	22%
Base	**187**	57	65	65	67	120

Please also refer to White Paper 10 which is titled 'Practical steps in the transition to Cloud Services'. This paper focuses in greater depth on the experiences of businesses that have embarked upon the implementation of Cloud Services and looks in detail at the issues faced, decisions taken and lessons learned in order to develop practical advice to assist those about to implement or seeking to assess current best practice borne out of experience.

The majority of organisations seeking to use Cloud Services would prefer to work with certified CSP's

4. Future trends: an outlook to 2013

We have now conducted three research projects over 18 months looking at Cloud adoption in the UK, and as such have a sound basis for assessment and evaluation of trends. The following statements are put forward as market forecasts from CIF based on the extrapolation of empirical trends seen to date and reflecting on current and emerging attitudes toward Cloud Services and innovation. Clearly, we have no crystal ball, but these statements reflect a pragmatic assessment of likely outcomes.

I First time adoption of Cloud Services will increase by 15 points (25 per cent in real terms) by the end of 2013, meaning that 76 per cent of all businesses in the UK will be formally using at least one Cloud service by that time.

II There will be little or no block to organisations by either size or sector to participate in the use of Cloud Services. Clarity over the impact of industry regulation and sovereign law will become more transparent and evidential to ease confusion and reduce misinformation.

III Secondary adoption (i.e. existing users expanding their Cloud Services) will exceed 80 per cent by the end of 2013, meaning 4 out of 5 Cloud users will have increased their expenditure on Cloud Services.

IV Growth by IT discipline will likely be higher for application areas covering collaboration solutions, IaaS/storage, data backup/disaster recovery, data security, IT management and online services (social media, eCommerce and web).

V Continued rapid convergence of fixed and mobile voice/data communications with IT will be a core enabler of effective Cloud adoption.

VI Key technology innovation around hosted desktop, management and governance of distributed IT estates, BYOD, Big Data and Apps will be the drivers of step change in the workplace and business process.

VII The vast majority of organisations will follow a 'hybrid' strategy of both on-premise and hosted/Cloud Services. This will continue a trend of a new spin on the concept of distributed IT. Less than 3 per cent of companies will use an entirely Cloud Services approach to the delivery of IT by the end of 2013.

VIII The maturity of process in the selection of Cloud-based solutions within wider IT strategy will be based on the broader considerations of interoperability and governance rather than point process benefits.

IX PAYG options will continue to stimulate interest and initial adoption of Cloud Services, however, organisational attitudes will still favour predictability of cost over PAYG metering from a pragmatic planning perspective.

X Cloud service contracts will become more standardised as model clauses become more prevalent. Key topics covered in agreements will include data sovereignty, data protection, service levels and business continuity options, liability and the data recovery process at contract end.

XI The ability to try-before-you-buy will become the expectation/norm. Service led consultancies and resellers will establish trust with companies moving to the Cloud through on-boarding and management services.

XII Standards relating to interoperability between platforms and providers will still be immature with competing perspectives. Commercial transparency and adoption of best practice will be the primary test of credibility for CSP's within this timescale.

5. Conclusions

Cloud Services are moving out of the realm of novelty, proof of concept and a segregated platform into mainstream acceptance and adoption. Yes, the hype is subsiding; yes, the phrase Cloud is still vague in the minds of many, and yes, the commercial, legal and regulatory frameworks are still immature. But these factors cannot set aside the realities of the pure economic and organisational agility benefits that arise when organisations embrace Cloud as a deployment model to overcome the constraints of time-to-market, scalability, competitive advantage and market adaption. The case for Cloud, either as a primary base for delivery of IT or as a complimentary model within a wider IT strategy is increasingly compelling as evidenced by the rate of adoption seen in the UK, the high degree of satisfaction reported and the expectation of future growth:

At its heart, the concept of Cloud is all about organisational transformation though the agile on-demand delivery of IT solutions; it is not so much about the technology itself. Therefore, over the coming year we will see significant advances in the wider areas that have to date impacted Cloud adoption, not least in the relevance and simplicity of commercial agreements, the basis of pricing and licensing, the emergence of more services led resellers to implement and manage solutions, the consistency of best practice, and, the clarity of legal and regulatory principles.

The challenge facing those people whose role it is to set out and implement IT strategy is not whether to embrace Cloud as an effective deployment model, but where, when and how. There is a new era in the distribution of IT across deployment models that are owned, hosted and/or based in the Cloud. Achieving clarity of focus in an IT strategy that leverages the economies and flexibilities that the new deployment models afford with the efficiency and integration necessary to drive automation in workflows is essential. Embracing the medium of managing diverse communities online whilst sustaining governance and control through effective and holistic reporting and management solutions is the new paradigm.

What we currently call Cloud is here to stay, its influence on innovation is only just beginning to emerge.

APM Group
ChannelCloud
Citrix
claranet
concorde
Databarracks
Dell
FAST
fasthosts
firehost
FrontRange Solutions
Ingram Micro
Insight
interxion
inty
Microsoft
NASSTAR
nominet
OUTSOURCERY
phoenix
rackspace
rise.co
ScienceLogic
Star
TELEHOUSE
Trustmarque Solutions
UKFast
ukplc
UNIT4
vmware
webroot

The Cloud Industry Forum (CIF) was established in direct response to the evolving supply models for the delivery of software and IT services. Our aim is to provide much needed clarity for end users when assessing and selecting Cloud service providers based upon the clear, consistent and relevant provision of key information about the organisation/s, their capabilities and operational commitments.

We achieve this through a process of self-certification of vendors to a Cloud Service Provider Code of Practice requiring executive commitment and operational actions to ensure the provision of critical information through the contracting process. This Code of Practice, and the use of the related Certification Mark on participant's websites, is intended to provide comfort and promote trust to businesses and individuals wishing to leverage the commercial, financial and agile operations capabilities that the Cloud based and hosted solutions can cover.

Cloud Industry Forum®

The Cloud Industry Forum

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