

Taming the Cloud: Insights into cost and operating benefits with managed cloud services

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03 :: SURVEY HIGHLIGHTS

Cloud computing has proven itself to be a viable alternative to on-premise infrastructure with scalability and time-to-market benefits which is enabling a new era of innovation. Cloud IaaS is most commonly delivered as a transactional engagement with the server and storage resources controlled by the customer. In recent years the emergence of managed cloud services is providing customers with an alternative for better support and value-added services.

To discover the business opportunity and benefits of managed cloud computing, IDG conducted an online survey of 100 senior IT professionals in Australia and New Zealand (76 in Australia and 24 in New Zealand). The research findings indicate unmanaged clouds present CIOs with a number of challenges relating to skills, support and dealing with multiple platforms. The highest rated benefits of having a managed cloud service by the CIOs surveyed, was value for money and greater operational simplicity. While the subscription cost of a managed cloud service is likely to be higher than a self-managed equivalent, CIOs are seeing

an immediate return to the business and other benefits including compliance and security risk reduction. Managed cloud services now open up a path to lower total cost of ownership and better business outcomes for organisations across Australia and New Zealand and provide a platform for innovation and more flexible service delivery.

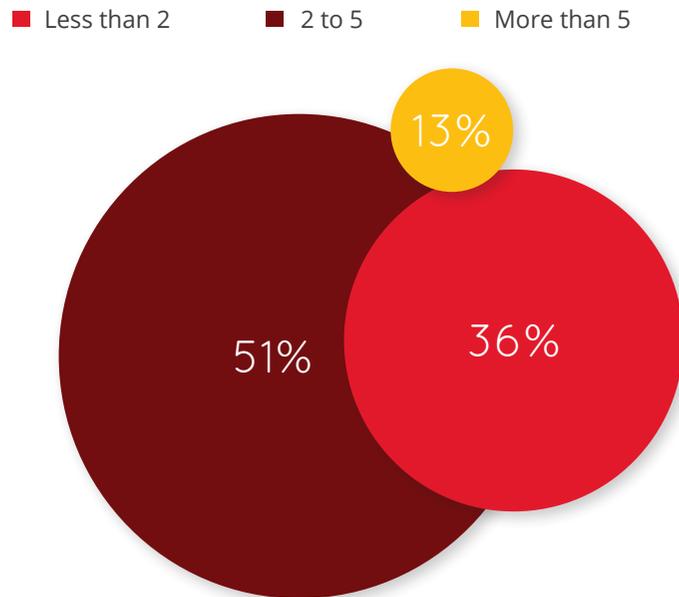
Cloud service usage is set to grow

The uptake of cloud in Australia and New Zealand is set to grow with some two-thirds of organisations surveyed now running two or more distinct cloud services. There is also a number of organisations using more than five cloud services.

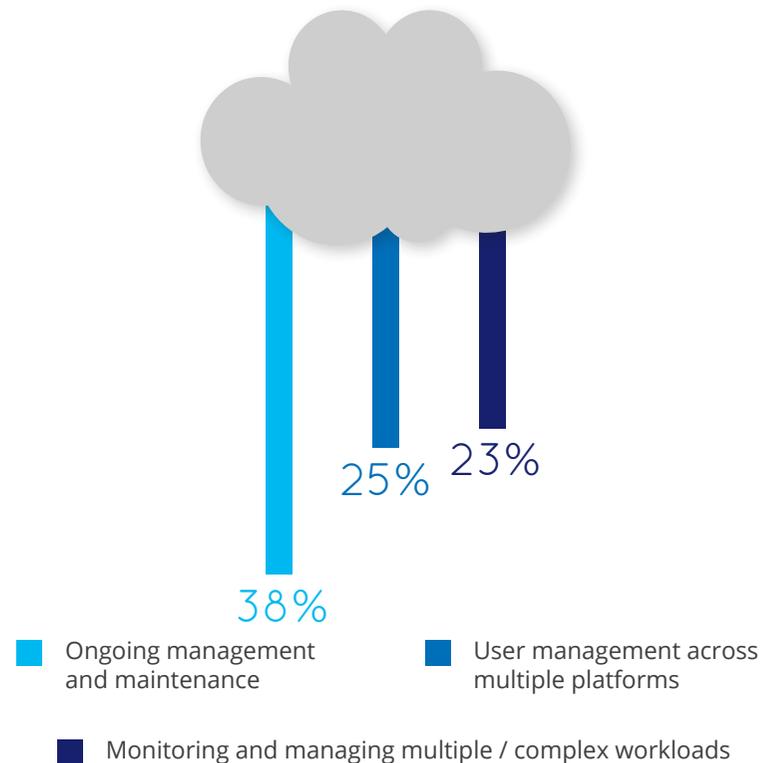
The challenges of using multiple cloud providers

Managing multiple cloud services presents many challenges for organisations in Australia and New Zealand. Ongoing management and maintenance is the biggest problem.

How many cloud services do you use enterprise-wide?

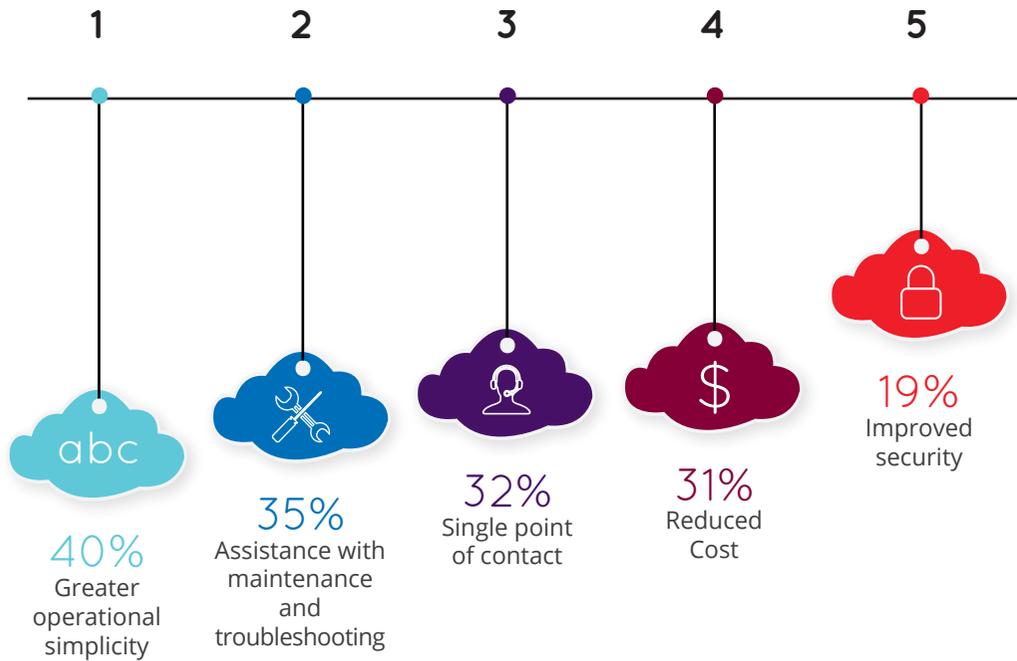


What are the biggest challenges of managing cloud platforms?



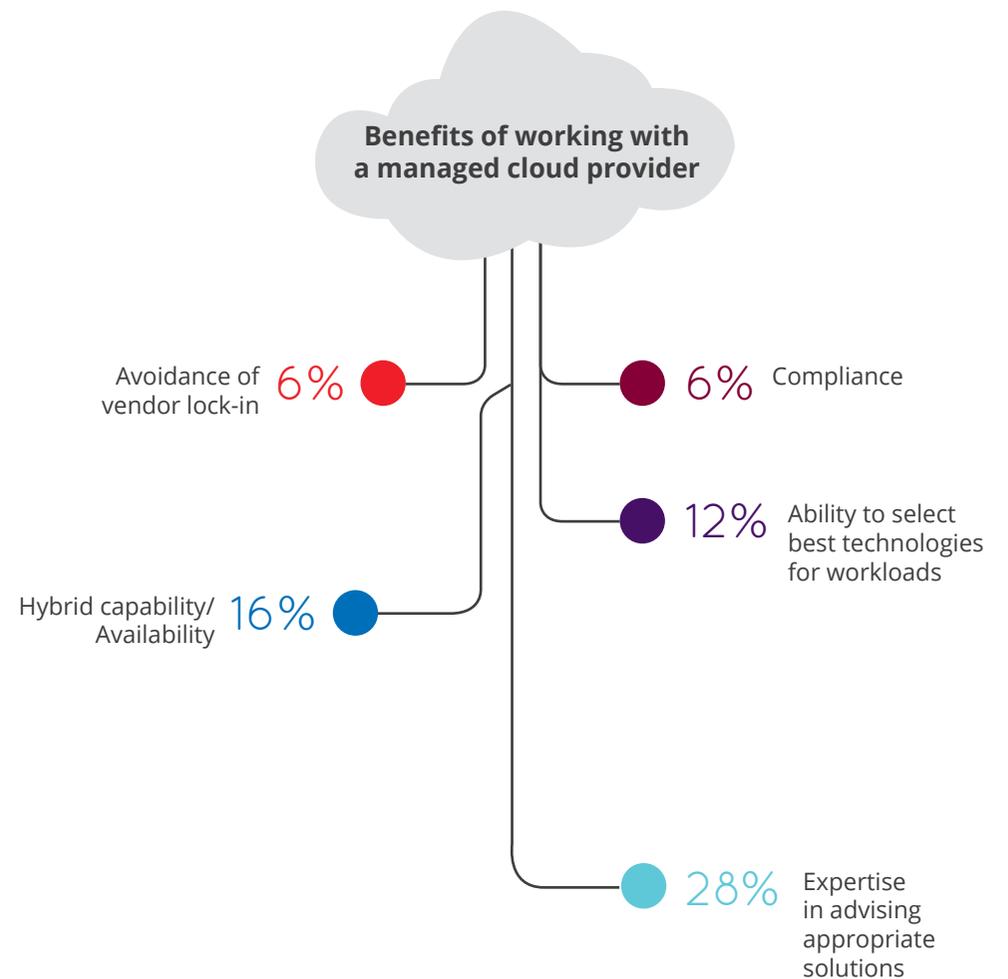
The benefits of a managed cloud service

The research found many organisations are benefiting from engaging with a managed cloud provider. Greater operational simplicity, better support, reduced costs and improved security are key benefits.



Opportunities from managed cloud provider engagements

Working with a managed cloud provider can also bring opportunities for IT and the wider organisation through more expertise and hybrid cloud capability.



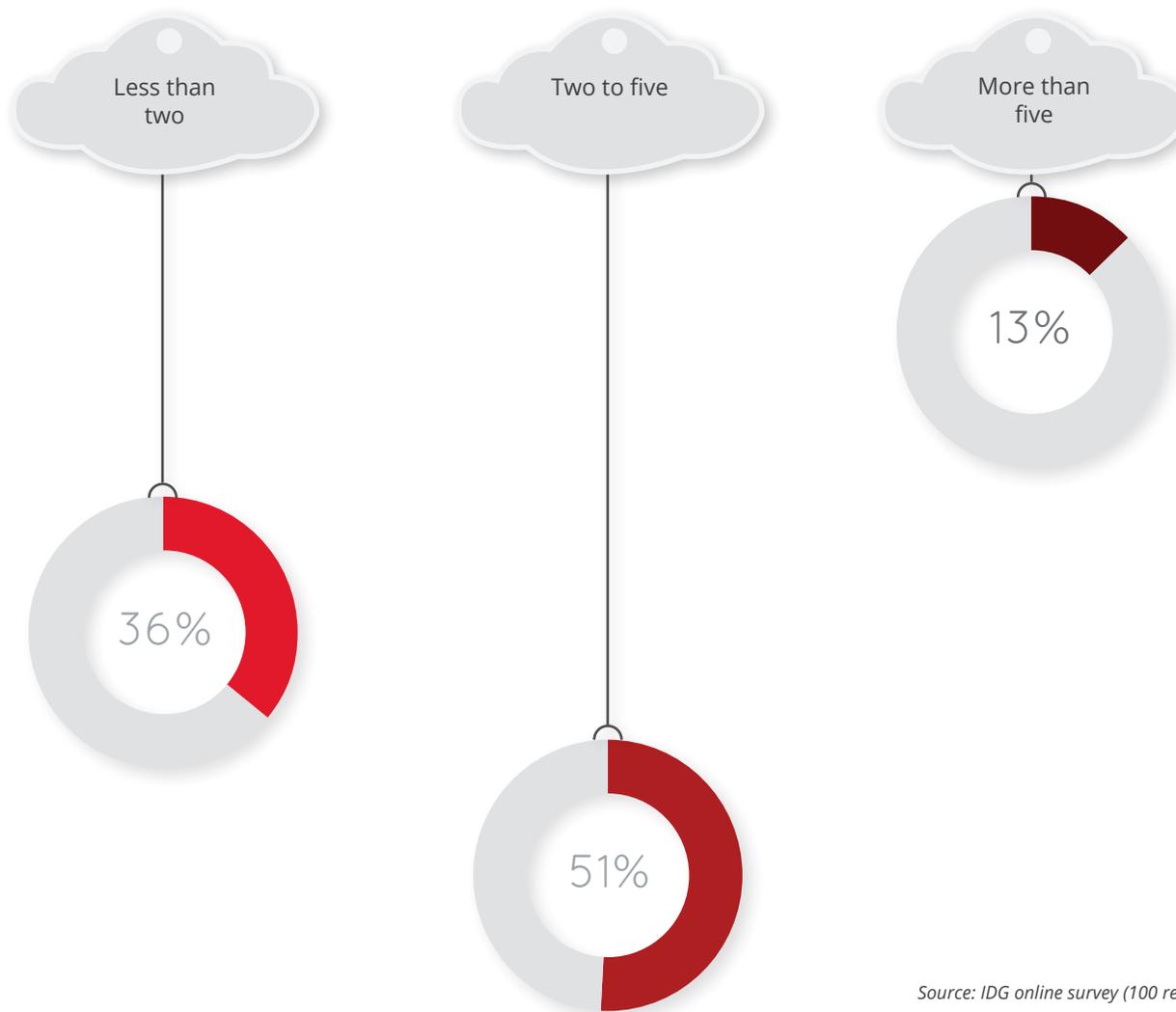
05 :: NUMBER OF CLOUD SERVICES USED

As customers demand a more digital experience, businesses in Australia and New Zealand have to rapidly respond to this growth with more computing and storage capacity than ever before. IT managers can procure equipment to manage data storage and processing requirements in-house or engage with a cloud provider.

The uptake of cloud in Australia and New Zealand has been bullish with some two-thirds of organisations surveyed now running more than one distinct cloud service, according to IDG's research. This approach of choosing the right cloud for the right workload has its advantages, however CIOs must be prudent in how their applications are managed to "cloud sprawl" and other challenges like security and integration.

More concerning is the number (13%) of organisations that now has more than five cloud services in operation. The proliferation of cloud services can easily become unmanageable for CIOs and their IT teams and presents a good opportunity for the adoption of managed cloud services where the provider can recommend and architect a more economical and optimal use of different services, computing and storage resources.

How many cloud services do you use enterprise-wide?



Source: IDG online survey (100 respondents).

06 :: MODEL TYPES AND GROWTH OF CLOUD PROVIDERS

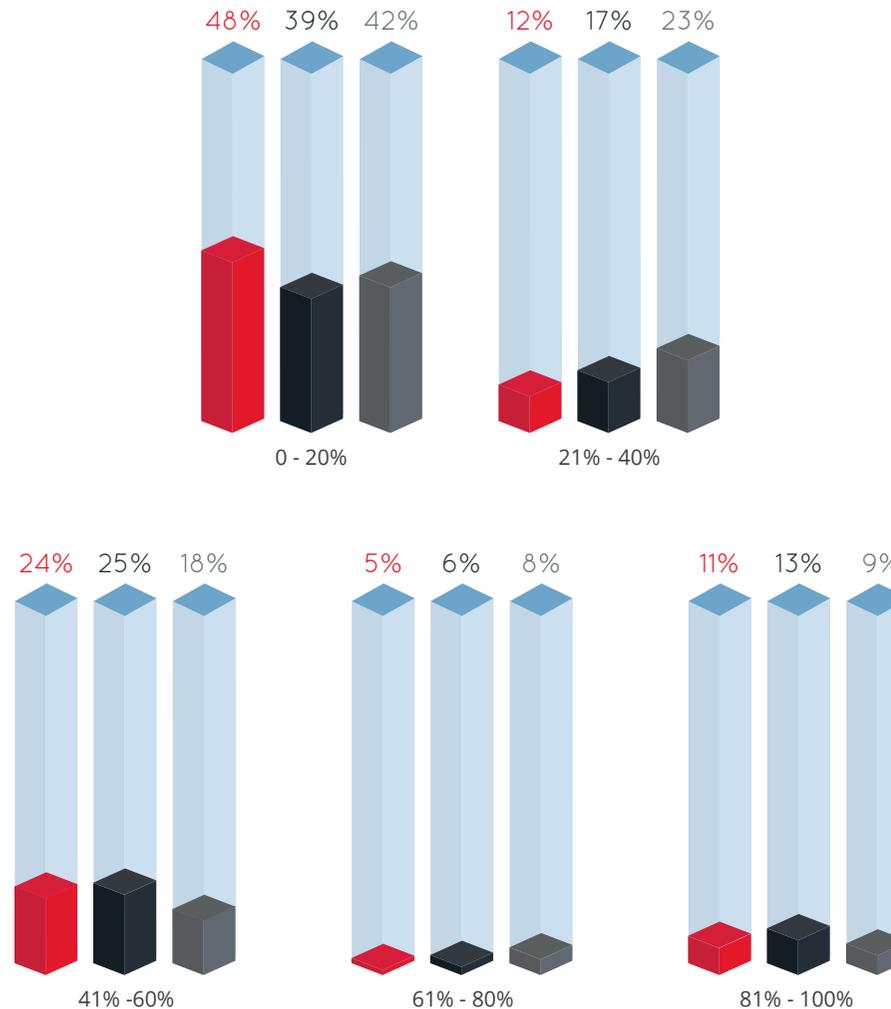
The research investigated how organisations in Australia and New Zealand are using different types of cloud service models and how these models are likely to grow during the next two years.

Most organisations have less than 20 per cent of their application hosting requirements in a cloud architecture, including on-premise private clouds, public clouds and hosted private clouds. The graphs on the right show fewer than 20 per cent of organisations surveyed are using public cloud services for more than 60 per cent of their application hosting requirements. This indicates there is still a lot of potential for growth in public cloud, potential which can be delivered through a managed cloud provider.

The ratio of on-premise hosting to public cloud is set to change with more IT leaders looking to shift workloads off premise. The IDG research revealed 25 per cent of CIOs surveyed believe their organisation will be hosting more than 60 per cent of workloads in public clouds in two years' time.

What percentage of your current cloud environments align with the following models?

■ On premises private cloud ■ Public cloud ■ Private cloud

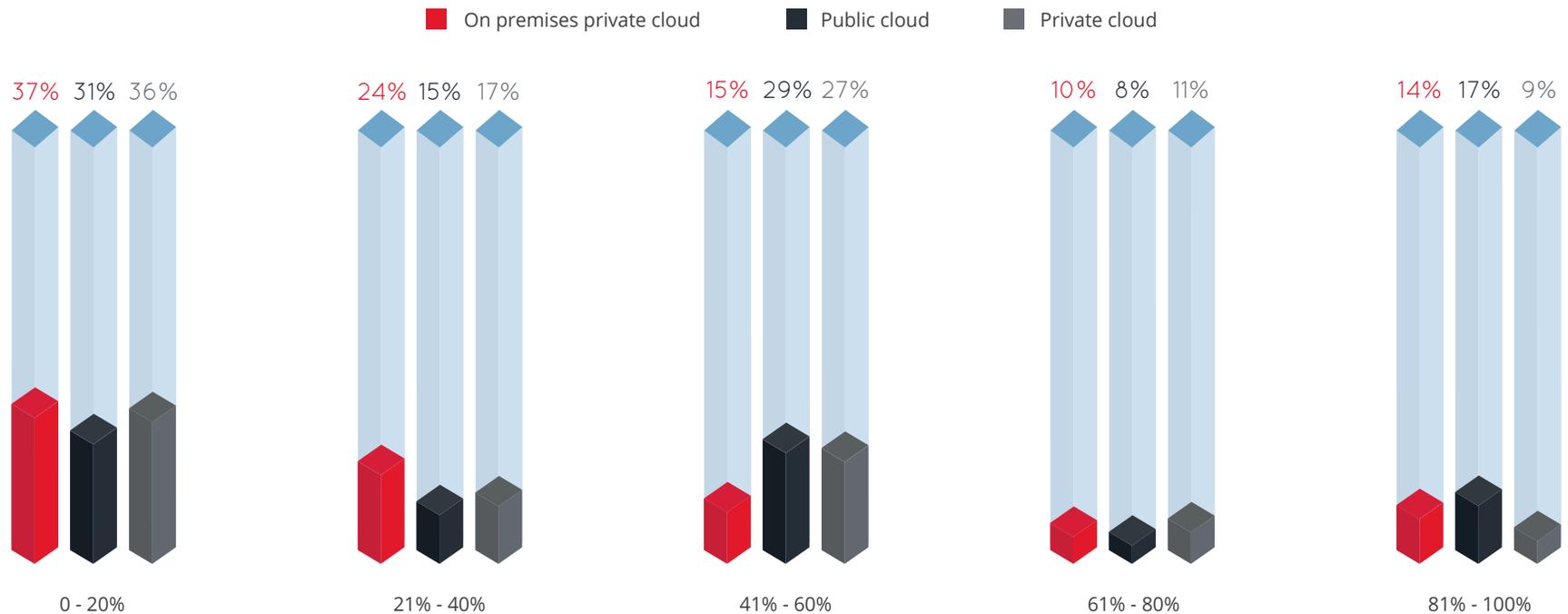


Source: IDG online survey (100 respondents).

With enterprises across Australia and New Zealand undergoing a significant shift in their IT operating models, CIOs will need to assess whether they want to manage these environments themselves or engage with a managed cloud provider to determine the most appropriate outcome for the organisation.

Cloud was initially seen by many as a way to access simple, pay-as-you-go offerings where parameters like capacity management, virtual machines, operating system updates, application configuration and security patches could be managed by the customer. As the number of cloud technologies grows, so does the complexity and therefore the time and resources required to manage them, thereby bolstering the business case for managed cloud services.

What do you think it will be in 2 years?

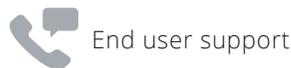
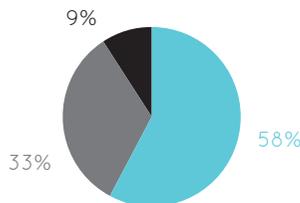
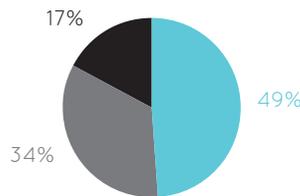
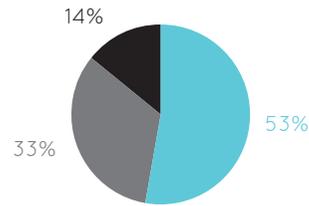


08 :: COST AND TYPES OF CLOUD SERVICES MANAGEMENT

To better understand how IT teams across Australia and New Zealand spend their time managing cloud services, the research looked at the significant factors involved in supporting cloud infrastructure.

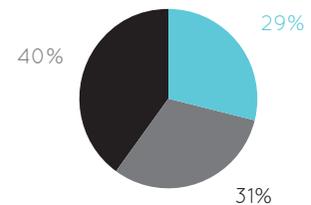
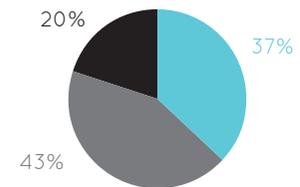
Far from being an “effortless” way to procure IT infrastructure, the research uncovered a high 40 per cent of organisations using cloud services spend at least 20 per cent of their IT team’s time on ongoing maintenance and management of cloud services. This is a significant finding as one of the promises of cloud services is a reduction in time spent on managing infrastructure. CIOs are saying this is not always the case, there is a level of complexity in managing your own cloud environments and resources still need to be spent on maintaining cloud services. The management overhead paves the way for a business case to engage with a managed cloud provider which can perform many, if not all, of these ongoing maintenance tasks.

What percentage of your IT teams’ time is spent on the following cloud-related activities?



KEY: Percentage of Time

- 0 - 10%
- 11% - 20%
- 21% +



Other areas IT leaders need to be wary of when using an unmanaged cloud is the overhead for implementation, architectural and integration work. These areas are constant regardless of the type of IT architecture – on-premise or hosted – and, along with end-user support, are ideal for investigating how a managed cloud provider can reduce the burden for in-house IT teams potentially enabling them to work on more innovative programs for the business.



Expertise

Staff with expertise in managing server, storage and network infrastructure freeing up internal IT talent for more business critical tasks.



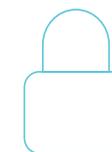
Architecture

Better architecture that enables network services, databases and storage to work together more efficiently.



Software maintenance

Operating system and infrastructure software updates applied with proper testing procedures.



Security

Security patches applied and software configured properly to reduce risk.



Monitoring

Cloud services can be monitored for performance and issues resolved proactively.



Cloud sprawl

More economical use of services to prevent redundant, hence costly, services



Support

Dedicated support resources for technical staff and end-users.



Infrastructure management

Routine tasks like integration work and data backups can be offloaded to save in-house IT team resources.

10 :: CHALLENGES

In addition to time spent by the IT team on management tasks, unmanaged clouds present CIOs with a number of challenges relating to skills, support and dealing with multiple platforms. IDG's research asked the IT leaders to nominate the biggest challenges relating to the management of cloud platforms and providers. As

other results indicated, technical staff administration time is a perennial bugbear with 44 per cent of CIOs saying this is the biggest challenge. The second biggest challenge, and one not easily overcome, is lack of internal expertise. In today's competitive hiring environment – and the pace at which technology changes – it is

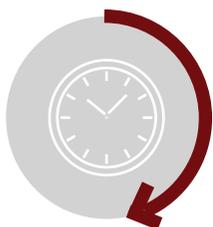
not easy for organisations to acquire the necessary amount of resources required to manage cloud service effectively, which is another case for working with a managed cloud provider.

Other top challenges include ongoing management and maintenance,

insufficient support from the cloud provider, user management across multiple platforms and dealing with complex workloads. Managed cloud services can assist CIOs to overcome these common challenges and focus on delivering more value to the business.

The biggest challenges with managing cloud platforms is time and in-house expertise.

Source: IDG online survey (100 respondents).



44%

Technical staff administration time



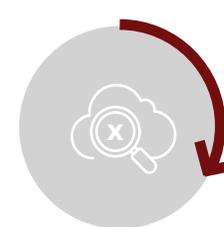
42%

Lack of internal expertise



38%

Ongoing management and maintenance



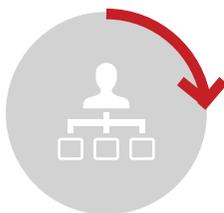
30%

Insufficient support from cloud providers



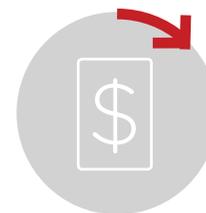
25%

User management across multiple platforms



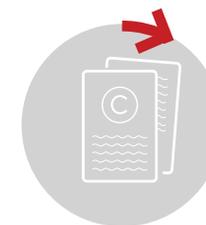
23%

Monitoring and managing multiple / complex workloads



11%

Billing issues



8%

Licensing complexity

11 :: IMPROVEMENT FACTORS

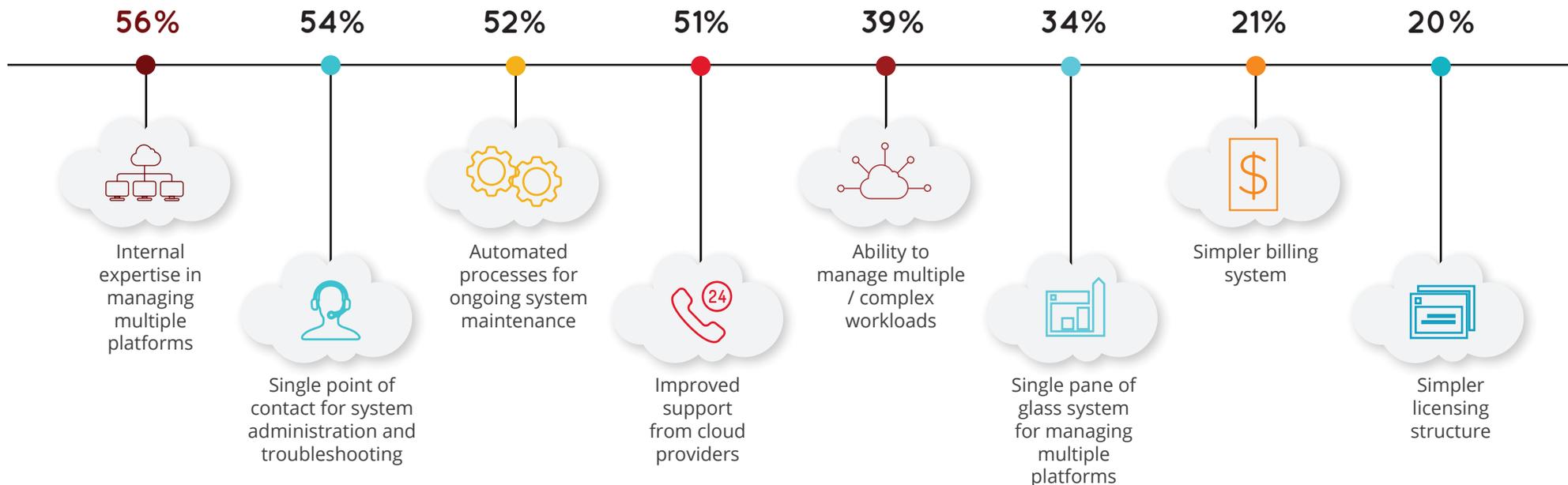
A common misconception about cloud services in general is that they are “automatic” and do not require any intervention from the customer. As the IDG research shows, IT leaders in Australia and New Zealand face numerous challenges performing common cloud management duties. CIOs are also aware of the factors which can help them better manage cloud-based systems.

At the top of the list is the internal expertise, which is particularly relevant amid the growing number of multiple cloud platforms organisations are subscribing to. If CIOs had more cloud skills in their teams, management can be simplified and business outcomes improved. There is a tight race for second spot with a single point of contact for system administration and troubleshooting, automated processes for system maintenance and improved

support from cloud providers all on the wish list for IT managers. In addition to a single point of contact, CIOs see value in having a single “pane of glass” for managing multiple platforms, which ties in with a lack of expertise in this area.

These operational challenges and factors for cloud success can be addressed by a managed cloud provider that is actively acquiring technical skills and operates structured support and helpdesk services.

More expertise and better support are important factors for cloud success.

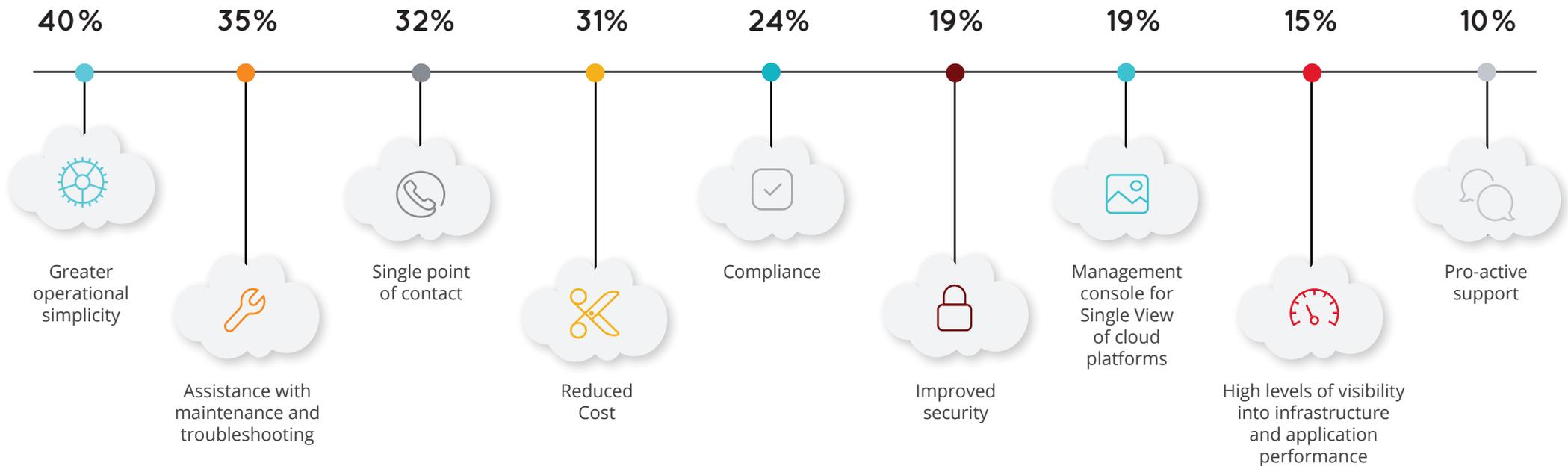


Source: IDG online survey (100 respondents).

12 :: BENEFITS OF MANAGED CLOUD SERVICES

With the most significant difference between what transactional and managed cloud providers offer customers being support, the research investigated what CIOs feel they stand to benefit from by engaging with a managed cloud provider. Support for operations, including both technical and end-user staff, has the immediate impact of reducing operational complexity. With 40 per cent of CIOs surveyed nominating greater operational simplicity as the most valuable benefit of having a managed cloud service, it is now imperative for IT leaders to compare the overall benefit to the organisation between unmanaged and managed public or private clouds.

Managed cloud services simplify operations and help with maintenance.



Other support factors like maintenance and troubleshooting and a single point of contact are also rated highly by CIOs when considering the benefits of managed cloud services.

Interestingly, reduced cost ranked fourth on the list of most value managed cloud benefits. This indicates CIOs are less concerned about the higher cost of a managed cloud service compared with

unmanaged offerings and see it as an opportunity to reduce costs through consolidation of redundant services and less in-house staff time and resources spent on managing cloud operations. This makes the TCO of managed cloud less than the combined cost of general cloud services and staff time.

IDG's research also investigated the benefits of managed cloud services

among CIOs who have experience with this engagement model. When asked what benefits they have seen from working with a managed cloud provider the number one response (28%) was value for money.

This makes the decision to go for a managed cloud provider easier if the business case presents a lower TCO and the IT organisation

is realising better value for money. Equally, CIOs view the expertise in advising the most appropriate solution as a benefit of working with a managed cloud provider. Other significant benefits cited by CIOs include hybrid capability – which is important for an increasingly hybrid cloud IT architecture – the ability to select the best technologies for different workloads and compliance.

CIOs see value in managed cloud services.



Value for money



Expertise in advising appropriate solutions



Hybrid capability/availability



Ability to select best technologies for workloads



Compliance



Avoidance of vendor lock-in



Was already in place



Multiple data locations

14 :: CONCLUSIONS

With 51% of ANZ organisations using between 2-5 cloud services and 13% using 6 or more, IT Leaders in Australia and New Zealand are embracing cloud with fervour and all the perceived benefits that cloud delivers.

Experienced CIOs using managed cloud services are reporting better value for money, more expertise in advising appropriate solutions and a path to hybrid cloud capability, those organisations lacking the in-house skills to manage these cloud technologies, are not realising any significant gains in IT deliverability. With expertise in short supply, talent difficult to keep and the explosion of choice in cloud services, IT leaders in Australia and New Zealand must assess the benefits of engaging with a managed cloud provider as an alternative to unmanaged clouds.

Managed cloud service providers can remove a number of common challenges with in-house transactional clouds, including a high amount of administration staff time, lack of internal expertise and ongoing maintenance and management. In addition to the day to day deliverables, managed cloud service providers can offer organisations an opportunity to not just simplify operations, reduce costs and improve compliance and security but work alongside organisations to architect, build and deploy innovative ways to scale for future growth across multiple platforms and complex workloads. In effect, this can deliver a platform for long-term innovation, leading to a significant improvement in organisational and customer outcomes and ultimately IT's alignment to strategic business objectives.



Rackspace (NYSE: RAX), the #1 managed cloud company, helps businesses tap the power of cloud computing without the challenge and expense of managing complex IT infrastructure and application platforms on their own. Rackspace engineers deliver specialized expertise on top of leading technologies developed by OpenStack, Microsoft, VMware and others, through a results-obsessed service known as Fanatical Support®. The company has more than 300,000 customers worldwide, including two-thirds of the FORTUNE 100. Rackspace was named a leader in the 2015 Gartner Magic Quadrant for Cloud-Enabled Managed Hosting, and has been honored as one of Fortune's Best Companies to Work For in six of the past eight years. Learn more at www.rackspace.com.au