Don’t Get Left Behind
The Business Benefits of Achieving Greater Cloud Adoption

Japan Findings

An IDC Country InfoBrief, Sponsored by Cisco | August 2015
Executive Summary

Cloud adoption is growing, but relatively few organizations have advanced cloud strategies.

Achieving greater levels of cloud adoption allows organizations to materially improve strategic allocations of IT budgets, lower IT costs, reduce time to provision IT services, increase revenue, and improve ability to meet SLAs.

Private cloud adoption in Japan is 22%, and 22% for public cloud. Additionally, private cloud/OpenStack adopters are more likely to expect better business outcomes.

IDC sees web-scale public cloud making way for enterprise-class “provider-based cloud”.

Cloud Adoption Level

- **9%** Optimized/Managed/Repeatable
- **22%** Opportunistic/Ad hoc
- **69%** No strategy

See page 5 for definition of cloud adoption levels.

Using or Firm Plans to Implement

- **22%** Private cloud
- **22%** Public cloud

66% Want to work with their major incumbent provider to carry current operations to the cloud.
Study Methodology

IDC’s 2014 CloudView Survey interviewed director-level and above respondents from a global sample of 19,080 enterprise executives responsible for IT decisions. Of this sample the full survey was conducted on the 3,463 global respondents, including 200 Japanese respondents, actively using cloud for multiple workloads.

Survey Participant Profile – Japan

- **Job Title**
  - C-Level Executive: 49%
  - IT VP/Director: 36%
  - LOB VP/Director: 15%

- **Employee Size**
  - 1-99: 31%
  - 100-999: 25%
  - 1,000-9,999: 30%
  - 10,000+: 14%

N=200 (Japanese respondents)

Source: IDC's CloudView Survey, 2014

Note: All numbers in this document may not be exact due to rounding.
Many Japanese Organizations Are Using or Planning to Implement Private Cloud

Q: How would you best describe your organization’s current or near-term plans to use public cloud or private cloud solutions to support production workloads and services?

- Currently using
- Firm plans to implement
- Educating/evaluating
- No interest/don’t know

28% of Japanese organizations are using or planning to implement some form of cloud

N=1,823 (Overall sample universe, full survey was conducted on the 200 respondents using cloud for more than 1-2 small workloads)
Source: IDC’s CloudView Survey, 2014
IDC Categorizes Organizations Using Five Levels of Cloud Adoption

- **Ad Hoc**
  - Beginning the process to increase awareness of cloud technology options
  - Turning to cloud because of immediacy of need, often unauthorized

- **Opportunistic**
  - Experimenting with short-term improvements in access to IT resources through cloud
  - Consider cloud for new solutions or isolated computing environments

- **Repeatable**
  - Enabling more agile access to IT resources through standardization and implementation of best practices
  - Relying on self-service portals to access cloud services

- **Managed**
  - Implementing a consistent, enterprise-wide best practices approach to cloud
  - Orchestrating service delivery across an integrated set of resources

- **Optimized**
  - Delivering innovative IT-enabled products and services from internal and external providers
  - Drive business innovation through transparent access to IT capability, based on value to business, and transparent cost measures

**Percentage of Asia/Pacific respondents using**

<table>
<thead>
<tr>
<th>Cloud Type</th>
<th>Ad Hoc</th>
<th>Opportunistic</th>
<th>Repeatable</th>
<th>Managed</th>
<th>Optimized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public cloud</td>
<td>88%</td>
<td>74%</td>
<td>85%</td>
<td>90%</td>
<td>97%</td>
</tr>
<tr>
<td>Private cloud</td>
<td>58%</td>
<td>65%</td>
<td>74%</td>
<td>89%</td>
<td>93%</td>
</tr>
</tbody>
</table>

N=792 (Asia/Pacific respondents)  
Source: IDC's CloudView Survey, 2014  
*Percentage of Asia/Pacific respondents using
Most Japanese Organizations Are Still Attempting to Optimize Their Cloud Strategies

Only 9% of organizations have repeatable, managed, or optimized cloud strategies.

- 6% Repeatable
- 2% Managed
- 0% Optimized
- 17% Opportunistic
- 69% Ad hoc
- 69% No strategy

69% have no cloud strategy

N=1,823 (Overall sample universe, full survey was conducted on the 200 respondents using cloud for more than 1-2 small workloads)
Source: IDC’s CloudView Survey, 2014
Japanese Companies Expect Cloud to Drive Key Business Outcomes

**Expected Cloud Impact Over Next 2 Years**

<table>
<thead>
<tr>
<th>Category</th>
<th>Positive impact</th>
<th>No change</th>
<th>Negative impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic allocation of IT budget</td>
<td>36%</td>
<td>36%</td>
<td>28%</td>
</tr>
<tr>
<td>Increase revenue</td>
<td>43%</td>
<td>30%</td>
<td>27%</td>
</tr>
<tr>
<td>Meet service level agreements</td>
<td>13%</td>
<td>81%</td>
<td>6%</td>
</tr>
<tr>
<td>Cost of IT operations</td>
<td>22%</td>
<td>68%</td>
<td>10%</td>
</tr>
<tr>
<td>Customer experience</td>
<td>11%</td>
<td>80%</td>
<td>9%</td>
</tr>
<tr>
<td>Agility</td>
<td>12%</td>
<td>84%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Q: Which of the following best describes your belief about these key performance indicators (KPIs) within the next 2 years from your use of public, private, or hybrid cloud services?

N=122 (Japanese respondents)

Source: Sponsored Business Value Extension to IDC’s CloudView Survey, 2014
Increasing Cloud Adoption Can Yield Significant Benefits

KPI Benefit of Moving Up Levels of Cloud Adoption (Global Data)

<table>
<thead>
<tr>
<th>KPI</th>
<th>Ad Hoc to Opportunistic</th>
<th>Ad Hoc to Repeatable</th>
<th>Ad Hoc to Managed</th>
<th>Ad Hoc to Optimized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue growth</td>
<td>0.1%</td>
<td>1%</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td>IT cost reduction</td>
<td>13%</td>
<td>29%</td>
<td>48%</td>
<td>77%</td>
</tr>
<tr>
<td>Strategic allocation of IT budget</td>
<td>16%</td>
<td>56%</td>
<td>100%</td>
<td>200%</td>
</tr>
<tr>
<td>Time to provision</td>
<td>27%</td>
<td>47%</td>
<td>76%</td>
<td>99%</td>
</tr>
<tr>
<td>Meeting SLAs</td>
<td>43%</td>
<td>63%</td>
<td>69%</td>
<td>72%</td>
</tr>
</tbody>
</table>

Even moving from ad hoc to opportunistic yields immediate benefits; however the benefits accelerate and accrue the higher you move up the cloud adoption curve.
Don’t Get Left Behind
The Business Benefits of Achieving Greater Cloud Adoption

Greater Cloud Adoption Leads to Millions of Yen in Benefits

Annual Benefit per Cloud-Based Application (Global Data)

Additional revenues

- 7% Enablement of Internet of Things
- 93% Improved innovation

Reduced costs

- 5% Open source benefits
- 8% Infrastructure cost savings
- 9% Risk mitigation
- 28% Increased employee productivity
- 49% Improved agility

¥194.2 million

Source: 370 responses from 15 IDC Business Value Research studies from 2012 to 2015 covering cloud maturity levels, adoption of private cloud, implementation of private cloud, and converged infrastructures in support of cloud, as well as 15 respondents from a specialized study of optimized/managed cloud maturity organizations for Cisco in December 2014. Currency exchange rate based on July 2015.
55% of Cloud Adopters Are Using Some Form of Hybrid Cloud

Percentage of Japanese Cloud Adopters Saying Their Strategy Includes

- **36%** Workload portability across public/private cloud resources
- **51%** A mix of public cloud, private cloud, and dedicated/traditional IT resources

Q: Under which of the following definitions of “hybrid cloud” has your organization adopted a hybrid cloud strategy? (Multiple responses allowed)

Source: IDC’s CloudView Survey, 2014

N=200 (Japanese respondents)
Regionally, Private Cloud Adopters Expect Better Business Outcomes

Expect Cloud Improves KPIs for

<table>
<thead>
<tr>
<th>% of Asia/Pacific respondents</th>
<th>Strategic allocation of IT budget</th>
<th>Revenue growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>54%</td>
<td>Not using private cloud</td>
<td>47%</td>
</tr>
<tr>
<td>60%</td>
<td>Using private cloud</td>
<td>57%</td>
</tr>
</tbody>
</table>

Q: Which of the following best describes your belief about these key performance indicators (KPIs) within the next 2 years from your use of public, private, or hybrid cloud services?

Private cloud users are more likely to expect their cloud investments to have a positive impact on revenue and IT budget allocation than non-private cloud users.

N=792 (Asia/Pacific respondents)
Source: Sponsored Business Value Extension to IDC’s CloudView Survey, 2014
OpenStack Is Important and Correlates with Better Expected Outcomes

29% of Japanese respondents say OpenStack is important to their cloud strategy (via open source and/or commercial distributions)

Respondents for whom OpenStack is a more important part of their cloud strategy had higher expectations for cloud to improve key KPIs than those for whom OpenStack was less important

OpenStack is “important”
- OpenStack is “not important”

Q (IDC’s Business Value Custom Survey): Which of the following best describes your belief about these key performance indicators (KPIs) within the next 2 years from your use of public, private, or hybrid cloud services?
Q (IDC’s CloudView Survey): How important are the following open source and standards projects to your organization’s cloud strategy? [OpenStack] (Top 2 box and bottom 2 box scores shown)
Hybrid Cloud Requires Workload Portability, Security, and Policy Automation

Q: Under which of the following definitions of “hybrid cloud” has your organization adopted a hybrid cloud strategy?
Q: Which of the following best describe your organization's main concerns about cloud and are IMPORTANT INHIBITORS for your organization in considering services or technologies?
Q: Please note the extent to which you agree with the following statements about your organization's use of external cloud vendors (5-point scale, strongly agree to strongly disagree, top 2 box shown)

N=200 (Japanese respondents)
Source: IDC's CloudView Survey, 2014
Many Japanese Organizations Expect to Act as IT Service Brokers

Percentage of Respondents that Expect

48%
The ability to migrate applications and data from our data center to a public cloud and among multiple cloud providers

50%
To have 2 or more major cloud providers (Infrastructure, Platform, and Applications) to meet our needs

45%
To act as brokers of IT services and dynamically aggregate, customize, and integrate public and private cloud services

Q: Please note the extent to which you agree with the following statements about your organization’s use of external cloud vendors (5-point scale, strongly agree to strongly disagree, top 2 box shown)

N=200 (Japanese respondents)
Source: IDC’s CloudView Survey, 2014
Japanese Companies Trust Their IT Incumbents as Cloud Providers

IDC foresees the emergence of “provider-based cloud,” in which trusted IT infrastructure vendors emerge as cloud providers of choice.

66% of organizations think it is important to work with their major incumbent provider to carry current operations into the cloud.

Q: Please note the extent to which you agree with the following statements about your organization's use of external cloud vendors: “It is important for my organization to work with our major incumbent provider to carry forward our current operations into the cloud” (5-point scale, strongly agree to strongly disagree, top 2 box shown)

N=200 (Japanese respondents)
Source: IDC’s CloudView Survey, 2014
Key Takeaways

Cloud adoption is growing, but few companies have advanced cloud strategies in place

- Twenty-eight percent of Japanese respondents are using or are planning to implement some form of cloud, but only 9% have repeatable, managed, or optimized cloud adoption strategies. There is significant room for improvement.

Cloud adoption is driving significant benefits

- Achieving greater levels of cloud adoption yields dramatically improved revenue growth, more strategic allocation of IT budgets, lower IT costs, reduced time to provision IT services, and increased ability to meet SLAs. The benefits begin immediately but accelerate as you move up the adoption curve.

- Respondents believe cloud will allow them to more strategically allocate IT budgets and improve revenues.

Globally, organizations studied are realizing ¥194.2 million in revenues and ¥145.6 million in reduced costs per cloud application.
Key Takeaways (continued)

**Private and hybrid cloud are a critical part of the mix**

- Twenty-two percent of Japanese organizations are using or planning to use public cloud, and 22% are also using or planning to use private cloud. Twenty-nine percent of Japanese cloud adopters say that OpenStack is an important part of their strategy.

- Private cloud and OpenStack users are more likely to believe their use of cloud improves revenue growth, strategic allocation of IT budget, and ability to meet SLAs.

**Hybrid cloud requires workload portability, security, and policy-based control**

- Forty-two percent of Japanese organizations expect to migrate data between public and private clouds, and respondents have high security and policy requirements. They expect to act as IT service brokers and need solutions that support these requirements.

**Web-scale public cloud is making way for enterprise-class “provider-based cloud”**

- Sixty-six percent of Japanese respondents trust incumbent IT providers with their cloud services. IDC sees a growing potential for IT incumbents to deliver feature-rich cloud services fully managed by the enterprise with features such as mobile asset management, directory integration, and customer-managed encryption keys.
## Comparison Table

<table>
<thead>
<tr>
<th>Cloud adoption level</th>
<th>Japan</th>
<th>Asia/Pacific</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimized/Managed/Repeatable</td>
<td>9%</td>
<td>21%</td>
<td>25%</td>
</tr>
<tr>
<td>Opportunistic/Ad hoc</td>
<td>22%</td>
<td>40%</td>
<td>44%</td>
</tr>
<tr>
<td>No strategy</td>
<td>69%</td>
<td>38%</td>
<td>32%</td>
</tr>
<tr>
<td>Using or firm plans to implement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private cloud</td>
<td>22%</td>
<td>39%</td>
<td>44%</td>
</tr>
<tr>
<td>Public cloud</td>
<td>22%</td>
<td>35%</td>
<td>37%</td>
</tr>
<tr>
<td>Any cloud</td>
<td>28%</td>
<td>51%</td>
<td>57%</td>
</tr>
<tr>
<td>Wants to work with major incumbent provider for cloud operations</td>
<td>66%</td>
<td>81%</td>
<td>83%</td>
</tr>
</tbody>
</table>