

Cloudy Future Equals Sunny Forecast for Service Providers: The Enterprise Segment Is Ready for Public Cloud

IBSG Service Provider FastFacts

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Network service providers are uniquely positioned to help drive a public cloud services opportunity expected to total nearly US\$44 billion by 2013, according to a recent Cisco Internet Business Solutions Group (IBSG) research effort.

The enterprise opportunity was identified during in-depth, one-on-one interviews with more than 80 enterprise IT decision makers from 43 enterprises and public-sector organizations in the United States, the European Union, and India. Additionally, Cisco IBSG interviewed 20 subject-matter experts.

The study showed that enterprises across many sectors—including manufacturing, financial services, retail, healthcare, professional services, and public sector organizations—are seriously considering cloud computing. Companies are at different stages in the thought process, however—from strategy to planning to piloting. The study also revealed that cloud-migration decisions are being made at the application level. Most decision makers envision a staged migration to cloud services, beginning with noncritical applications. Enterprise executives believe that in the long run, however, no applications should be automatically excluded from migration to cloud.

For enterprises, the decision about moving to an internal (private) versus public cloud is not binary. It hinges on executives' perceptions around security and control, data-center overcapacity and scale, and access to skilled IT personnel. Enterprises will potentially use both the private and public cloud to manage their IT resources going forward.

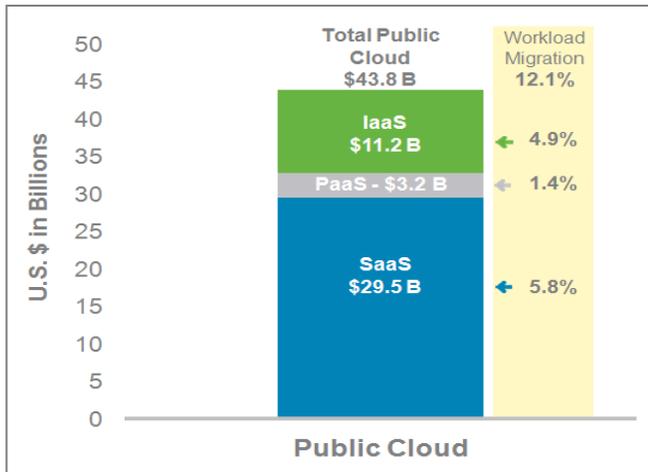
Based on direct feedback from enterprise decision makers, Cisco IBSG estimates that close to 12 percent of workloads will run in the cloud by the end of 2013. This, in turn, will yield a market for public-cloud services of approximately US\$44 billion, illustrated in Figure 1 below.

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Cisco Internet Business Solutions Group (IBSG)

Figure 1. Worldwide Service Revenues Expected to Reach US\$44 Billion by 2013.



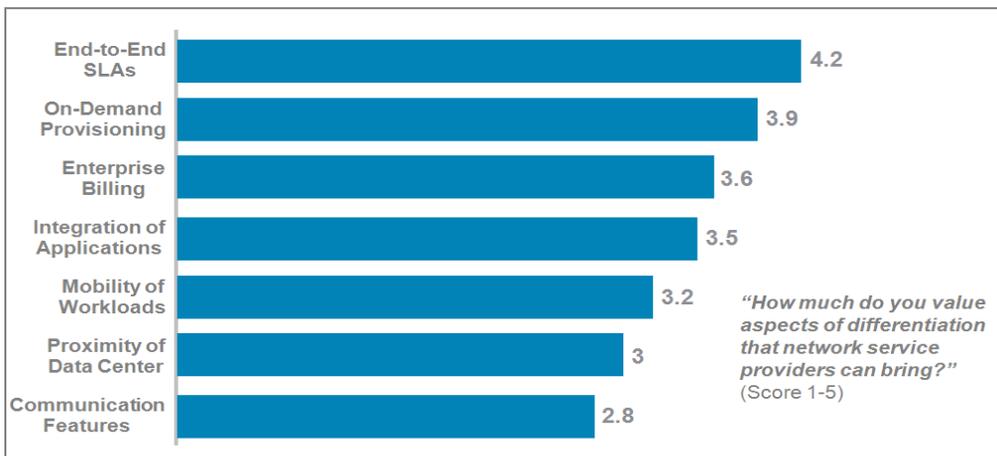
Source: Cisco IBSG, 2010

The study identified a set of target applications for cloud that spans various verticals. Targets for infrastructure as a service (IaaS) include application development and testing, disaster recovery, simulations, data warehousing, and analysis. Targets for software as a service (SaaS) are customer-relationship management (CRM), email, unified communications (UC), web applications, and desktop environments. Platform as a service (PaaS) is targeted toward those interested in doing development work in the cloud.

From a vertical perspective, manufacturing, public sector, and professional services showed the highest potential for near-term public-cloud computing; however, other verticals, including healthcare, are also showing promise.

There is a significant opportunity for NSPs to differentiate themselves by offering on-demand IT and network resources supported by end-to-end service-level agreements (SLAs). NSPs are uniquely positioned as cloud providers, due to their expertise in networking, SLAs that guarantee availability, performance, and security, and enterprise-class billing.

Figure 2. Service Providers Have Opportunity To Differentiate Through End-to-End Network and IT.



Source: Cisco IBSG, 2010

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Network service providers have an opportunity to gain share and differentiate in the cloud market with their networks. NSPs' customers are predisposed to view them as qualified to provide cloud services, although they should consider partnerships to address perceived gaps in application expertise. On-demand provisioning of IT and network resources and end-to-end SLAs are the key features that enterprises value—and NSPs are in the best position to deliver them.

Read the complete study on cloud services opportunities for network service providers: “Network Service Providers as Cloud Providers: Survey Shows Cloud is a Bright Option” http://www.cisco.com/web/about/ac79/docs/wp/sp/Service_Providers_as_Cloud_Providers_IBSG.pdf

More Information

Cisco Internet Business Solutions Group (IBSG), the company's global consultancy, helps CXOs from the world's largest public and private organizations solve critical business challenges. By connecting strategy, process, and technology, Cisco IBSG industry experts enable customers to turn visionary ideas into value.

For further information about IBSG, visit <http://www.cisco.com/go/ibsg>.



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