

The Real Truth About Cloud, SaaS and Saving Money Now

**Daryl Plummer,
MVP, Chief of Research, and Chief Gartner Fellow**

Gartner Webinar

15 July 2009

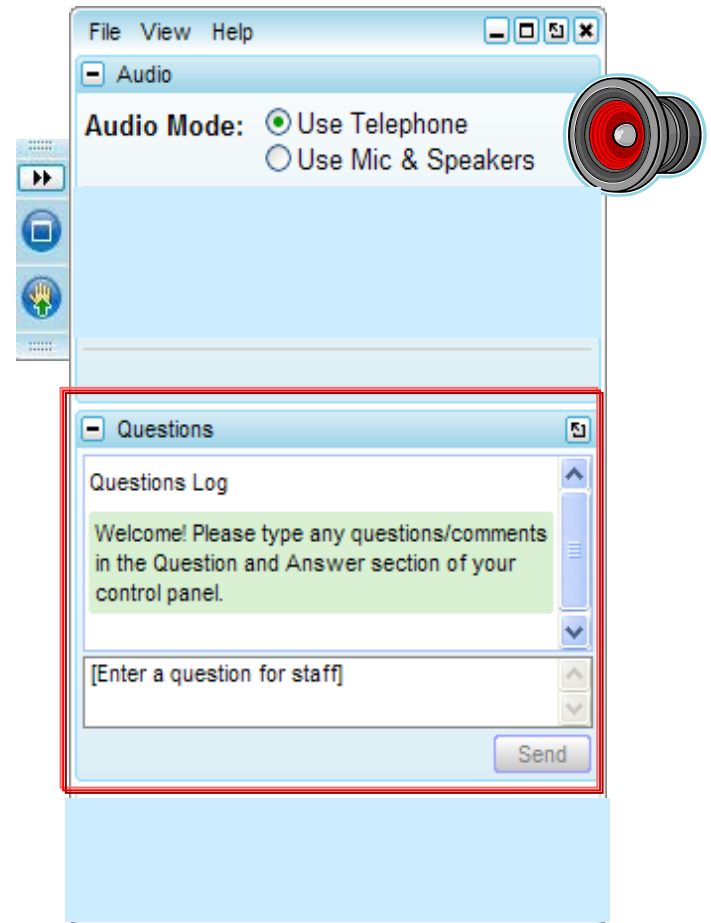
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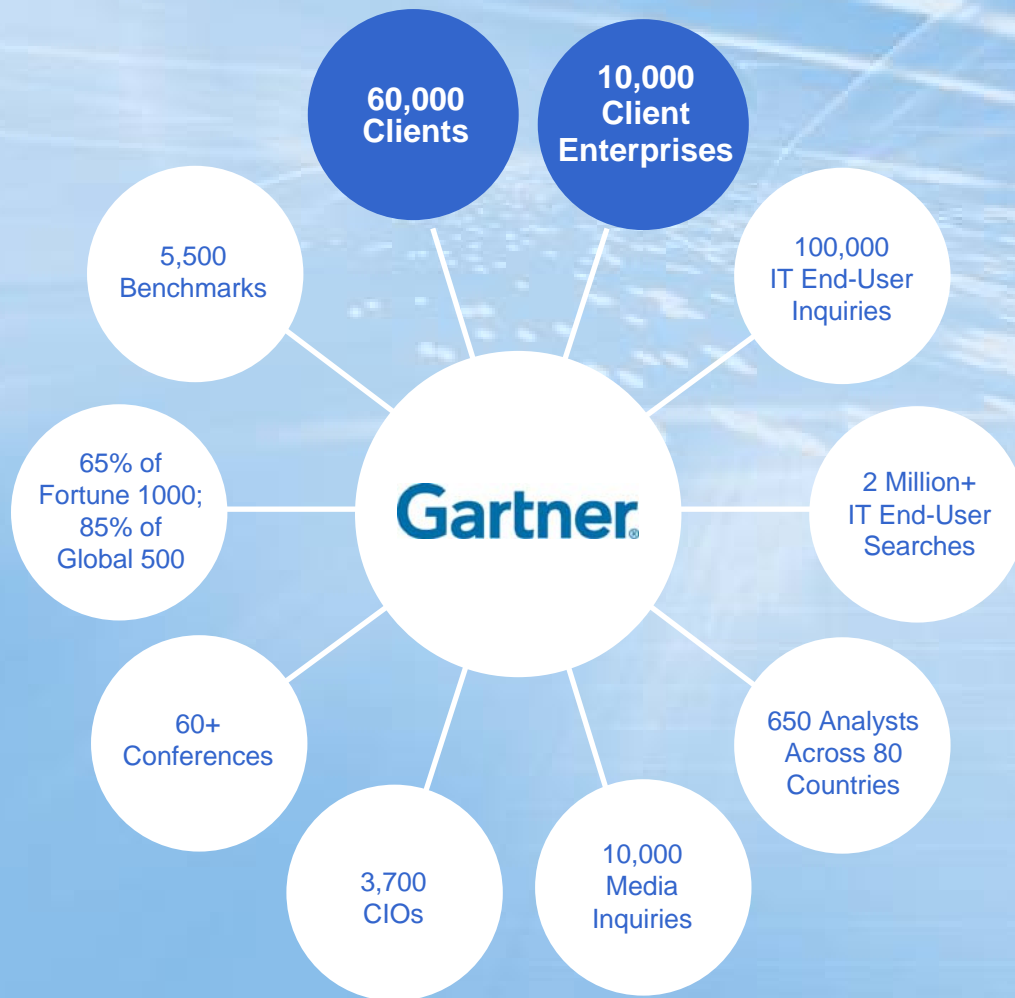
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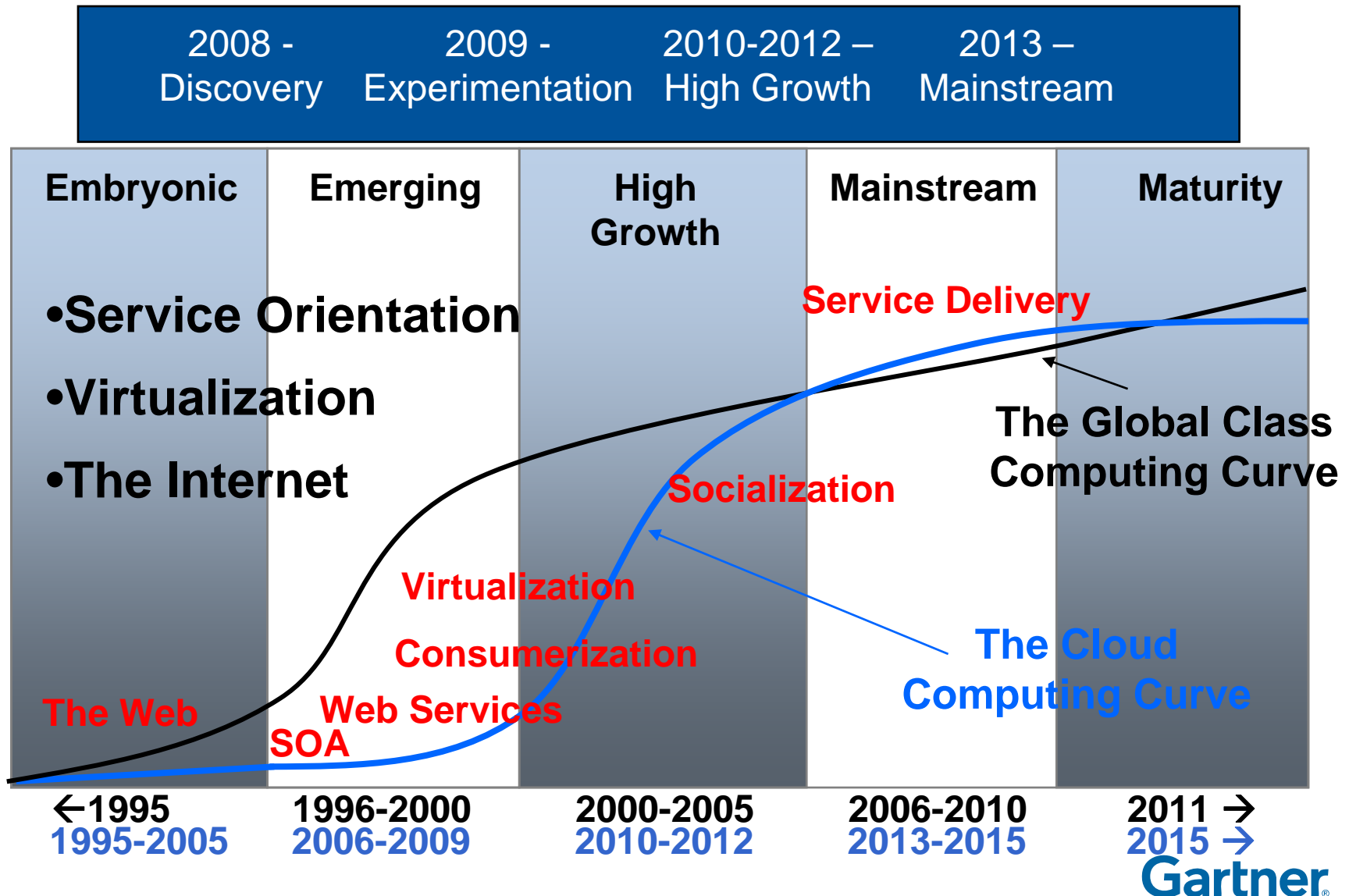
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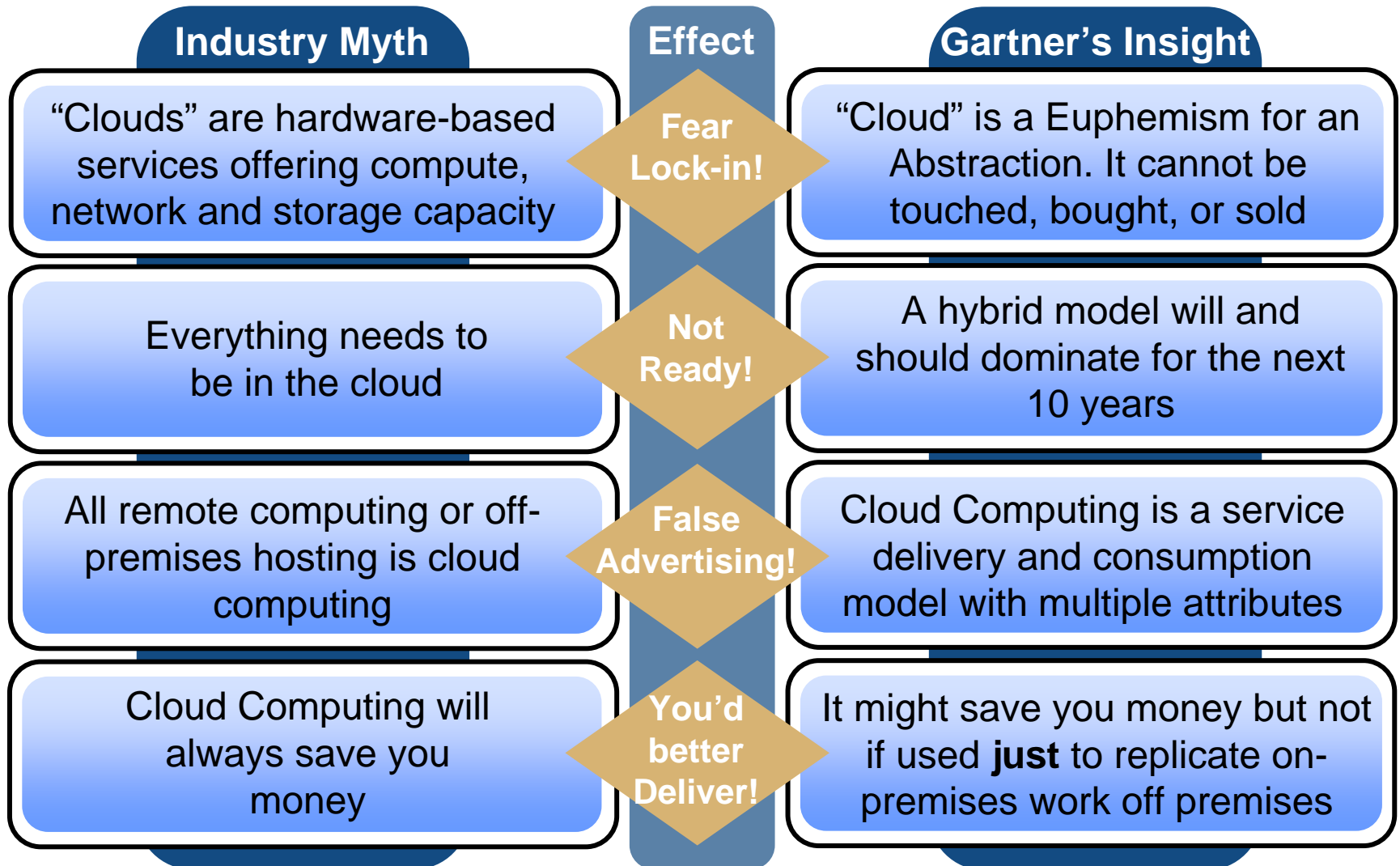
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Multiple Trends Converge: Cloud Computing is a Global Class Phenomenon



Keystone Myths for Cloud Computing: Going Against Commonly *Misunderstood* Depictions



Gartner's Definition of Cloud Computing & the Critical Attributes of Cloud Services

Gartner defines cloud computing as "*a style of computing where scalable and elastic IT-related capabilities are provided 'as a service' to external customers using Internet Technologies*".

5 Attributes that support outcomes

1

Service Based

Consumer concerns are abstracted from provider concerns through service interfaces

2

Scalable & Elastic

Services scale on-demand to add or remove resources as needed.

3

Shared

Services share a pool of resources to build economies of scale.

4

Metered By Use

Services are tracked with usage metrics to enable multiple payment models.

5

Internet Technologies

Services are delivered through use of Internet Identifiers, Formats, and Protocols.

Software as a Service: What Exactly Is It?

**Software as a service (SaaS) —
Also known as "on demand":**

- **An application owned, delivered and managed remotely by one or more providers**
- **Where the provider delivers an application based on a single set of common code and data definitions, which are consumed in a *one-to-many* model by all contracted customers at any time**
- **On a pay-for-use basis or as a subscription based on use metrics**

The Emerging Trends in SaaS

The Trends

- SaaS is moving beyond the "bleeding edge" and is fast becoming a serious consideration for enterprises of all types and sizes
- SaaS is moving beyond its early incarnations of being a "good enough" solution; many SaaS offerings are highly functionally sophisticated
- Few software vendors will not have a SaaS offering by year-end
- SaaS continues to enter the enterprise ungoverned



The Implications

SaaS has proved it is not a "fad." Thus, CIOs and IT managers must urgently involve themselves in SaaS acquisition and management.

Upsides and Downsides of SaaS

Upside

- Fits in an operational budget
- Optimized for core functionality you really need, not bells and whistles that you might need
- Limited platform "heterogeneity"
- Limited infrastructure overhead and management
- Lower TCO in the medium term, however, long term is questionable
- Faster implementations
- Potential for increased innovation

Downside

- Potential for subscriber-ware
- No asset value/cost management
- Possible governance issues of application portfolio
- Release management dictated by the provider
- Third-party application tools limited
- Vendor management (including oversight of operational management)
- Security concerns
- Longer-term TCO uncertainties
- OP2OD (on-premise to on-demand) integration

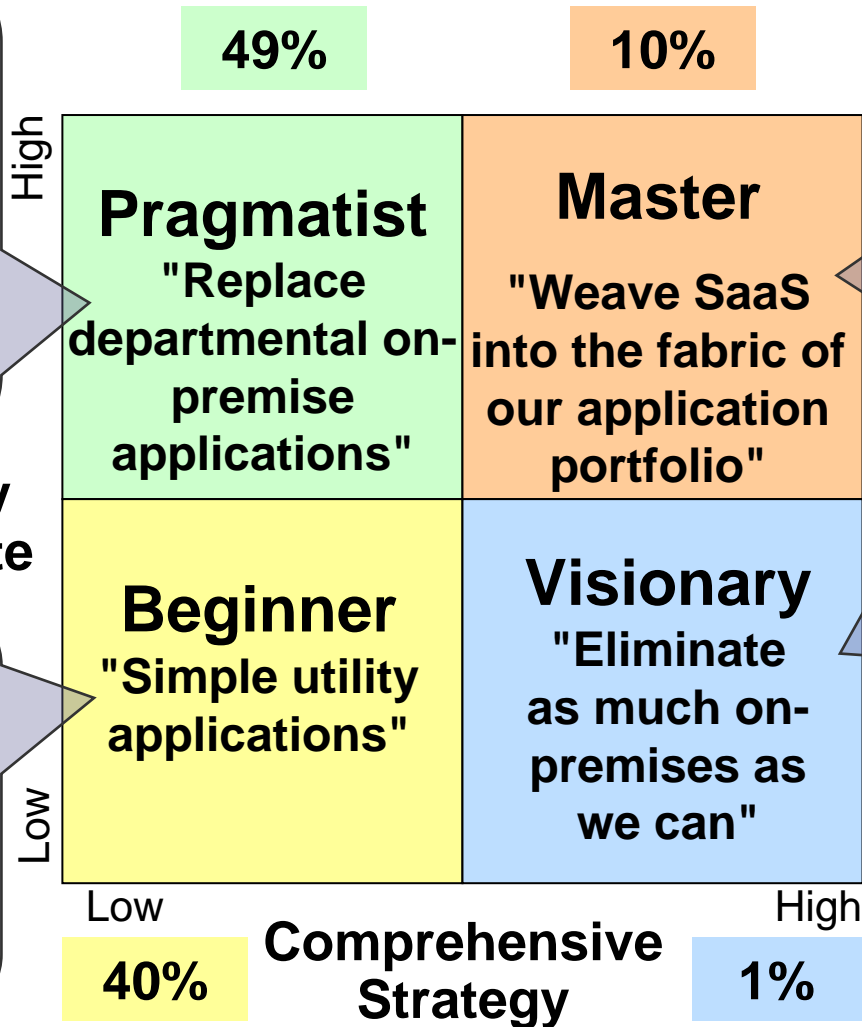
SaaS "Sweet Spot" Continues to Be Pragmatists and Beginners

Percentages are estimates for 2007

- Departmental focus
- Requirements to extend SaaS solutions through configuration
- Integration with solution add-ons, but only for departmental requirements

IT Ability to Execute

- Replace low-end software tools
- IT resource or budget constrained; most likely an SMB



- Cross-departmental focus
- Automate end-to-end processes, such as lead to order
- Mixed deployment environment

- Replace on-premise applications wherever possible
- Buy into SaaS ecosystem or suite concept
- Use SaaS development platforms

Poll Question

Question: Which phrase most accurately describes how you think of cloud computing?

- 1 – Virtualized hardware and software on demand?
- 2 – Outsourced or hosted it resources?
- 3 – A model for Service Delivery and Consumption?
- 4 – A Business transformation model for next-generation business?

Please select the one that best fits.

Changing the Relationship Between Sellers and Buyers Requires Multiple Perspectives

"All that matters is results. I don't care how it's done."

Acquisition Model
Service

"I want accessibility from anywhere, from any device."

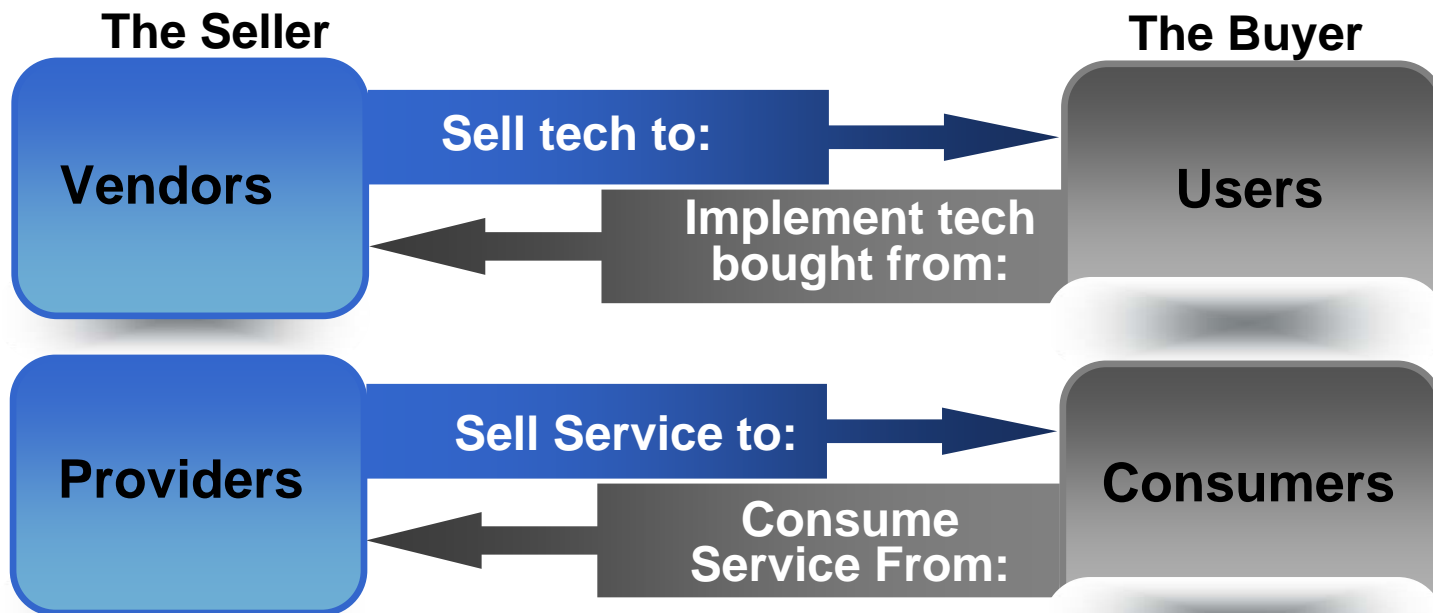
Access Model
Internet

"I don't want to own assets; I want to pay for elastic use, like a utility."

Business Model
Pay for use

"It's about economies of scale with effective and dynamic sharing."

Technical Model
Scalable, elastic, sharable



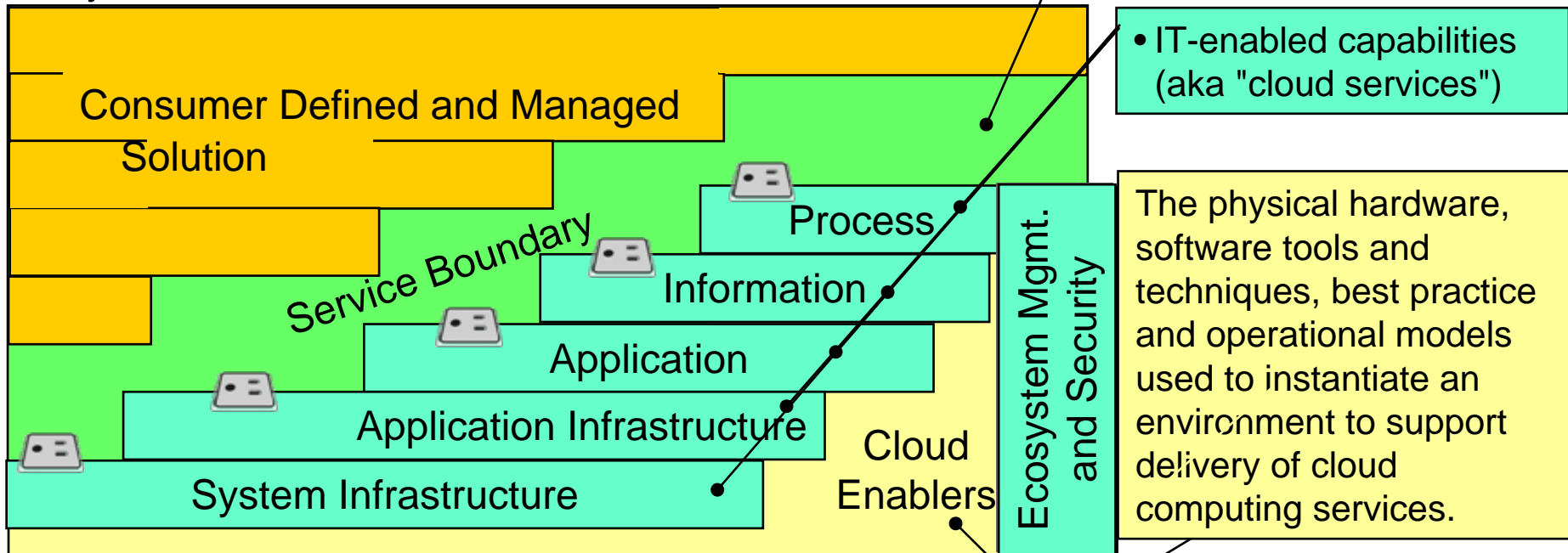
Cloud Computing promotes a provider-consumer relationship over a vendor-user relationship.

Gartner

On What Side of a Cloud Service Will You Stand?

The provider optimizes everything below the service boundary, and hides complexity from the consumer.

The consumer accesses, configures and/or programmatically extends the service, and builds everything needed above the service boundary – or, just uses the service.



Cloud Computing: “Consumer” Versus “Enterprise” Viewpoints

Consumer’s Perspective

Enterprise’s Perspective

- Casual use
- Work with who you want
- Low to no prices

Choice

- Tools, not Tech.
- Others do the work
- Collaborate
- Access Anywhere

Capabilities

- Socialize
- Do It Yourself
- Leverage others’ experiences

Creativity

Enterprises are just waking to what consumers have benefited from for a while – A viable Cloud Computing option

Agility

- IT- Automated Change
- Users – Bypass IT
- Standardize resources
- Unpredictability

Economics

- CapEx to OpEx
- Rationalization, consolidation, elimination
- Economies of scale
- Pay for Use

Simplicity

- Buy only what you need
- Global Reach
- Lower Barriers

Risks of a Cloud Model: What Scares An Enterprise About Cloud Computing?

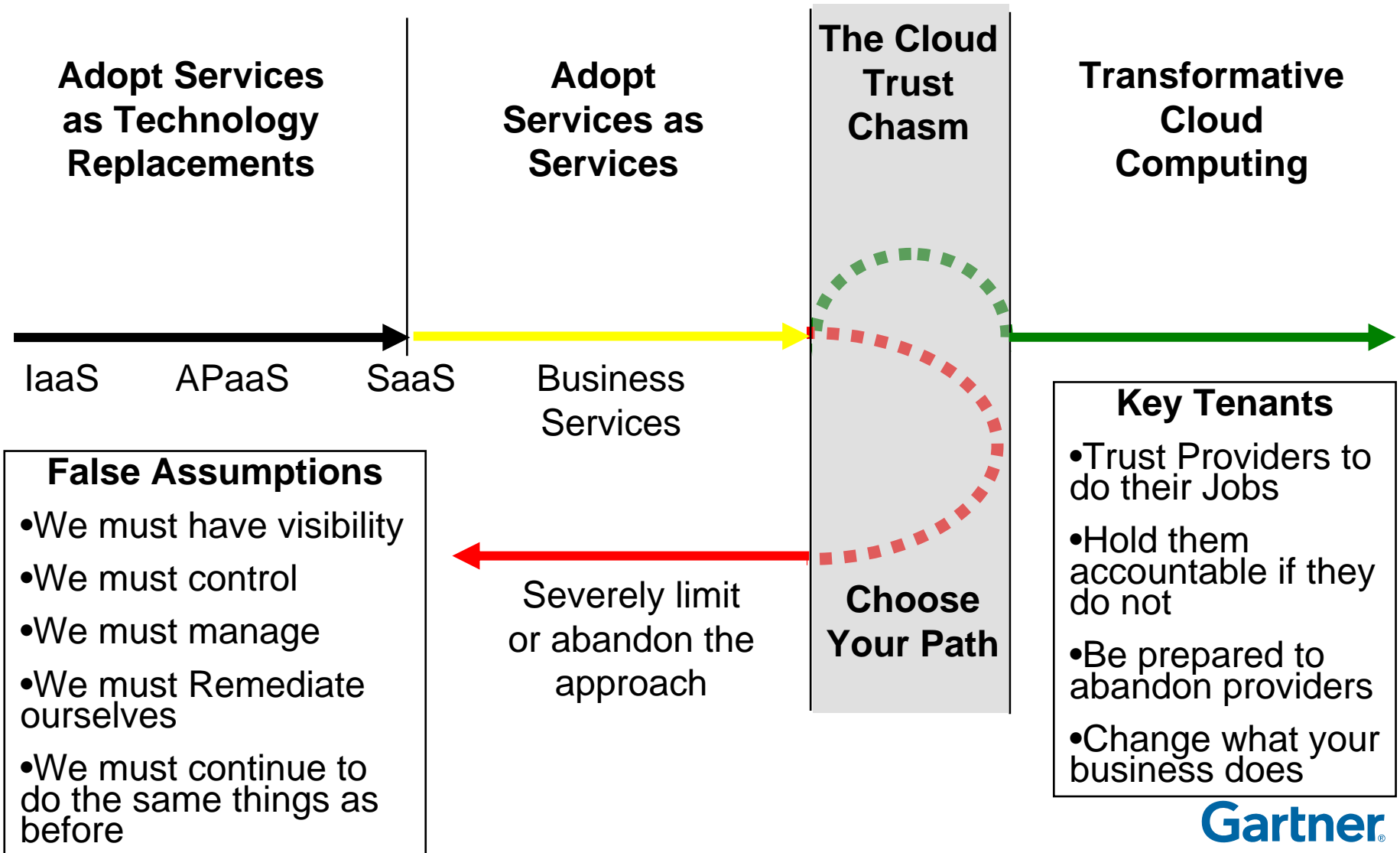
General Off-Premise Concerns

- ❖ Service availability, capacity and performance guarantees
- ❖ Provider security, privacy and disaster recovery policies and procedures (e.g., privileged user access)
- ❖ Service metrics, reporting and analysis
- ❖ Support e-discovery & investigations
- ❖ data ownership, recovery and migration
- ❖ Integration with on-premise systems
- ❖ Commitment requirements
 - ❖ Terms, minimum use
- ❖ Setup, training and integration fees
- ❖ Difficult to customization
- ❖ Difficulty changing providers
- ❖ Governance of sourcing process

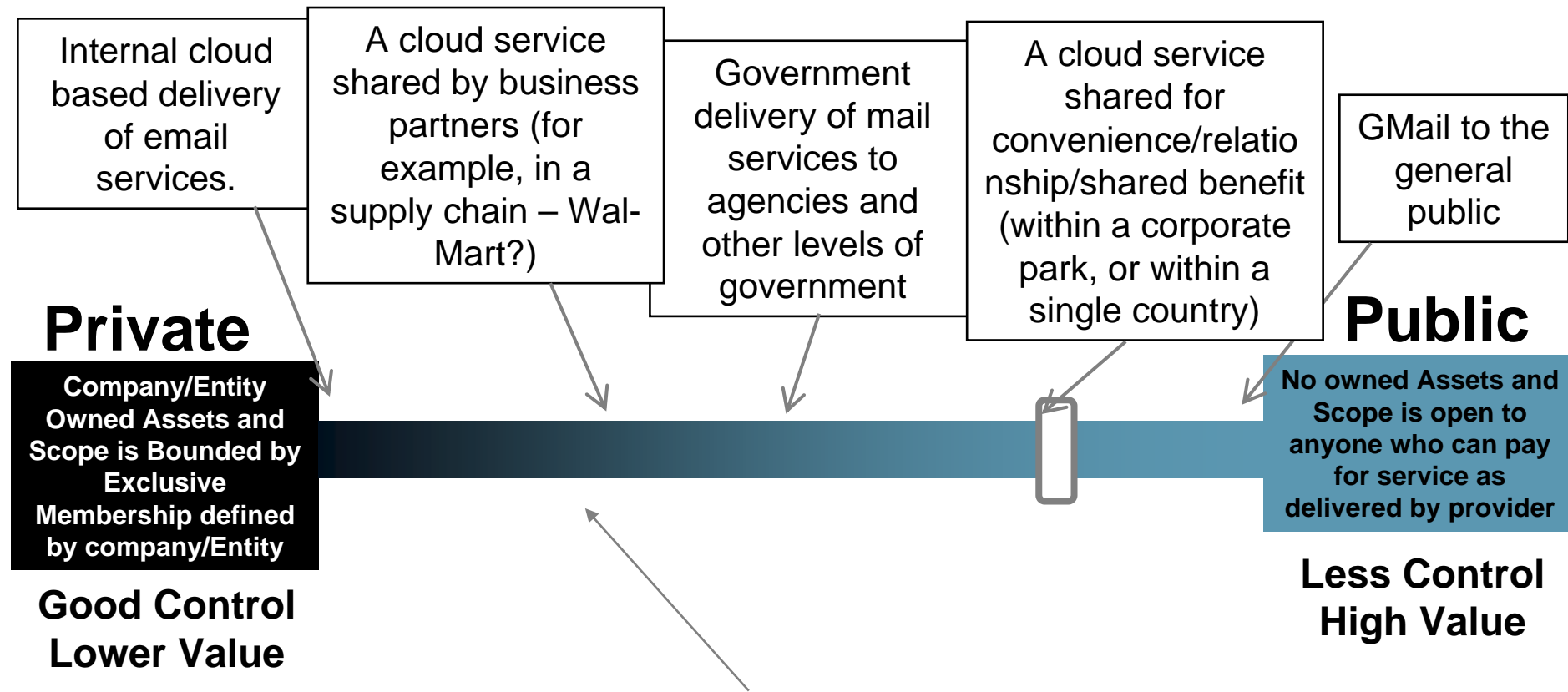
Additional Cloud Computing Concerns

- ❖ Data/Process location and isolation
- ❖ Regulatory Requirements
- ❖ Data ownership & portability
- ❖ No transparency to provider operations
- ❖ No Redundancy
- ❖ Uncertain Remediation of Failures
- ❖ Integration and process integrity across the cloud
- ❖ Hidden supply chain impact (subcontracting by provider)
- ❖ Immaturity of vendors & standards
- ❖ App. Dev. Skills & models
- ❖ Licensing issues
- ❖ Unproven financial model
- ❖ Use vs. asset ownership

A Cloud Barrier: The Trust Chasm



The Enterprise Response: The Private to Public Cloud Services Spectrum

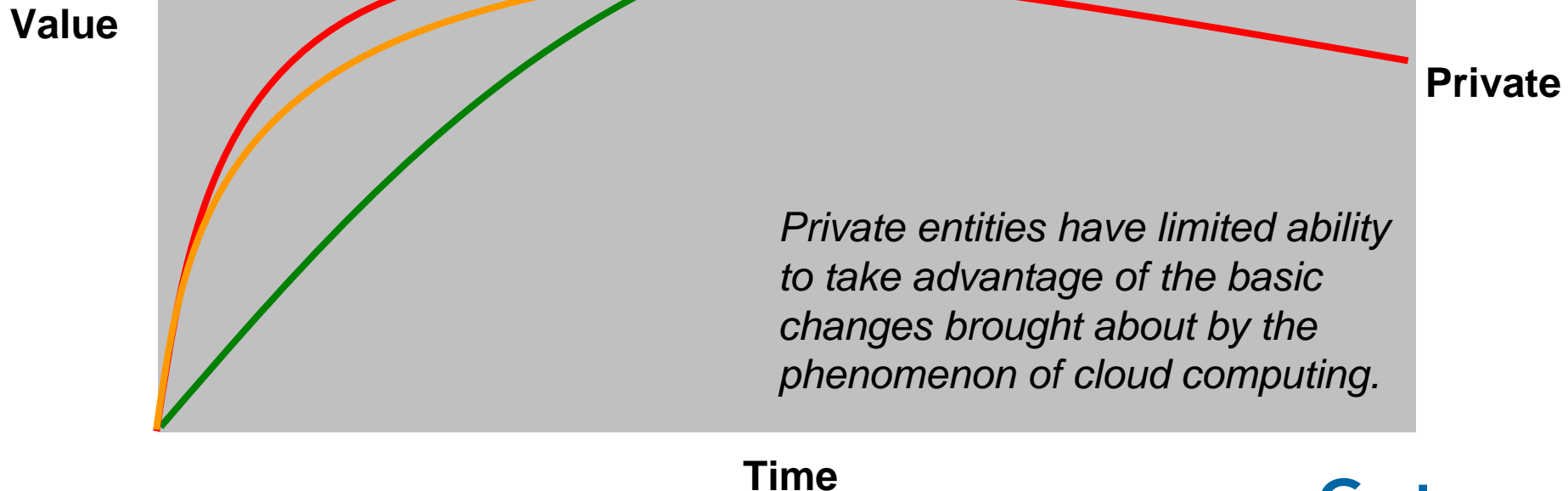


Distinctions are made at the extremes but many examples exist somewhere between.

The real question is, how do I deliver cloud services in my private scope to gain as many cloud computing benefits as I can while maintaining a degree of control, not whether or not I have a private cloud.

From Private to Public, Value Evolves

Value is measured in outcomes. Outcomes are tied to the attributes of cloud computing. Specifically, share-ability, scale and elasticity, and service delivery (including economics).



Private entities have limited ability to take advantage of the basic changes brought about by the phenomenon of cloud computing.

Poll Question

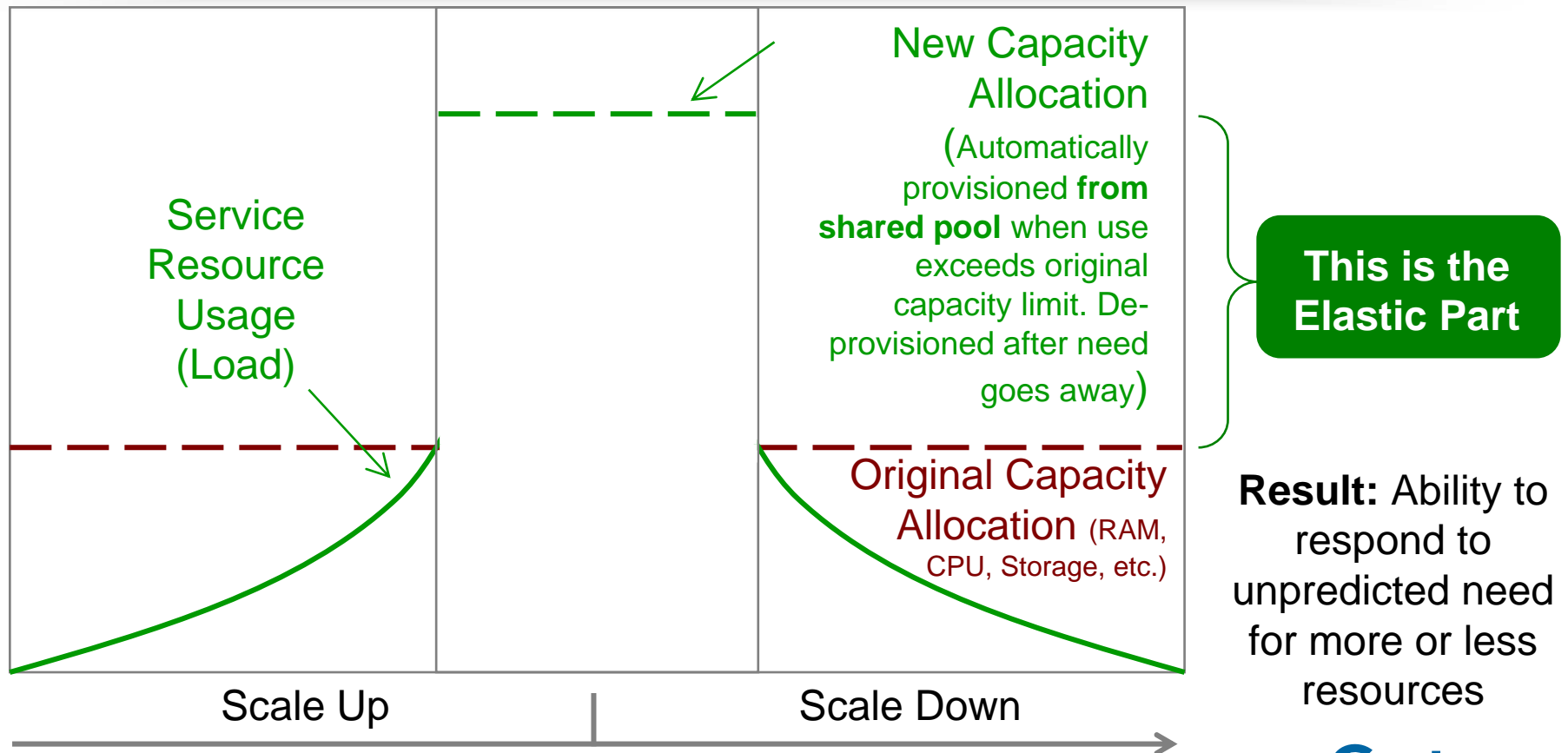
Question: What type of cloud computing will you initiate in the next two years?

- 1 – Public – All Services are delivered in a public context.
- 2 – Hybrid – Some services are delivered privately while others are delivered publicly.
- 3 – Private – All services are delivered only to those who are within your firewall.

Please select all that are appropriate

Provider Response: Elasticity in Cloud Computing is about Use and Capacity UNDER the Application

- Elasticity is a trait of shared pools of resources represents adding an removing capacity on demand.



What Kind of Scenarios are Being Used For Cloud Computing?

•Prototyping/Proof of Concept

A

-Try before you buy

•Web Application Serving

B

-Unpredictable workloads

•E-Mail

C

-Peripheral Processing

•Collaboration

D

-Avoid Cost

•Application Appliances

E

-Large interactive customer base

-Avoid Redesign

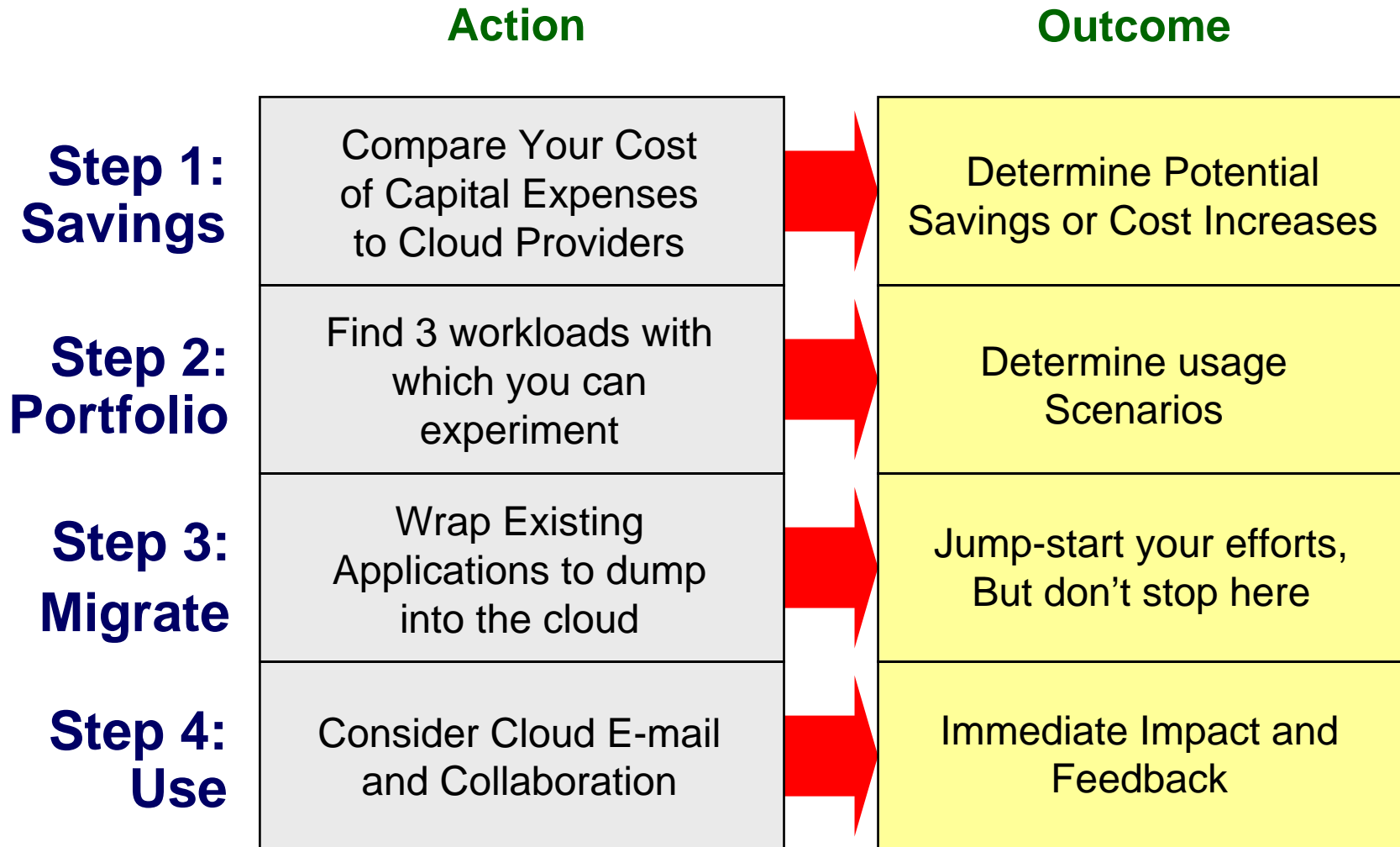
•SaaS

F

-Rapid Provisioning

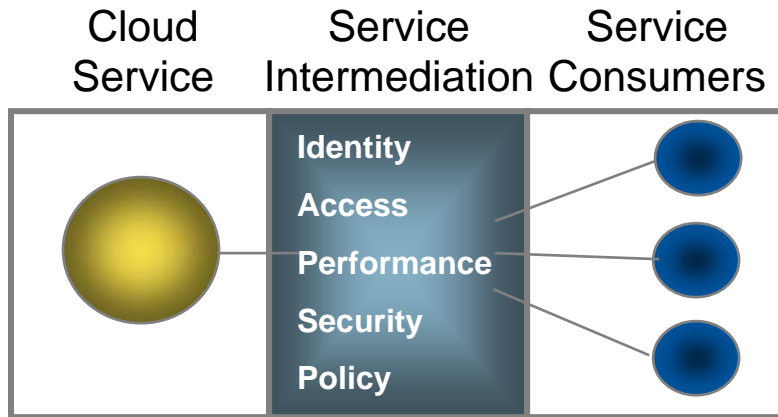
-Huge Economies of Scale

4 Things You can do about Cloud Computing Today



Cloud Service Brokerages: A Huge Opportunity

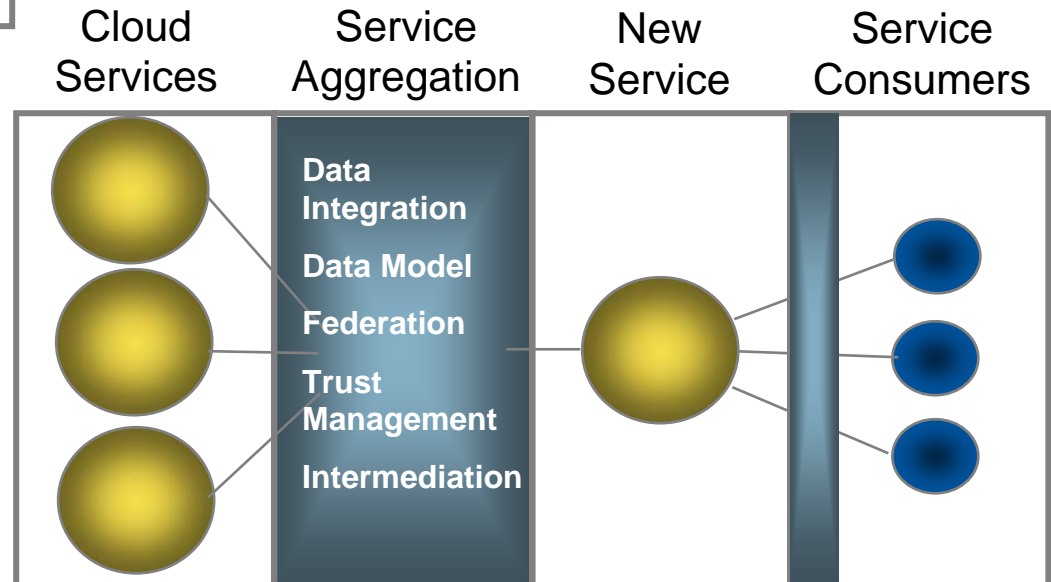
Type 1: Cloud Service Intermediation (e.g. – Sonoa Software)



Brokerages will have the opportunity to consolidate services and become a new generation of value-added resellers and packaged service providers.

A brokerage is a service business that adds value to other services on behalf of service consumers.

Type 2: Cloud Service Aggregation (e.g. Grand Central)



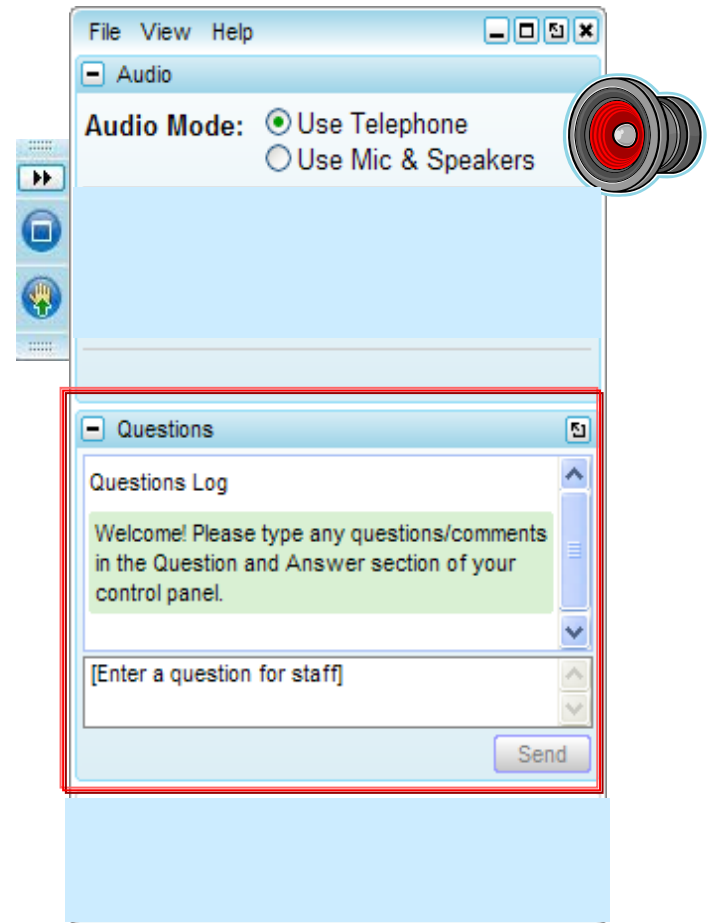
Recommended Reading

- ✓ **Cloud Computing: Defining and Describing an Emerging Phenomenon – D. Plummer**
- ✓ **Five Refining Attributes of Public and Private Cloud Computing – D. Plummer**
- ✓ **After the Next Big Thing: The Consequences of a Cloud Computing Scenario – J. Fenn**
- ✓ **Using the Right Words Will Ease Cloud Computing Confusion – D. Plummer**
- ✓ **Three Types of Cloud Brokerages Will Enhance Cloud Services – D. Plummer**
- ✓ **Three Levels of Elasticity for Cloud Computing Expand Provider Options – D. Plummer**

Thanks for participating!

Do you have any questions?

- If you haven't done so already, please type your questions into the Questions pane.
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Looking to reduce your IT costs? Gartner can take the cost out of IT in four ways

The screenshot shows a Gartner website page with a blue header. The main title is 'IT and The Economy' with a subtitle 'Cost Optimization'. A featured video section shows Kurt Potter, Research Director, discussing the 'Four Levels of Cost Optimization' framework. Below this, there are several article snippets under 'Cost Optimization Spotlight' and 'Actions You Can Take Now'. The 'Actions You Can Take Now' section lists four key actions: 1. Get the best pricing and terms, 2. Identify opportunities to reduce IT costs, 3. Implement cost-saving technologies, and 4. Restructure, improve processes, innovate. On the right side, there are sections for 'Join the Dialogue', 'Stay Connected', 'Stay Up To Date', and 'Set up Email Alerts'.

Gartner SEARCH RESEARCH

IT and The Economy

Cost Optimization

FEATURED VIDEO
Four Levels of Cost Optimization
Kurt Potter, Research Director

Research Director Kurt Potter discusses the use of Gartner's Four Levels of Cost Optimization framework as a planning and communication structure.

Kurt Potter
Research Director
Gartner

Cost Optimization Spotlight

Method to the Madness: Applying a Methodological Approach to Cost Optimization
Cost optimization typically proceeds without methodological guidance. Our research develops a methodologically sound set of guidelines, frameworks, and intervention strategies to redefine and recharge the critical art of cost optimization.

Cost Optimization Fundamentals

Cost Cutting in IT: When to Use Zero-Based Budgeting
Ken McGee

It's Time to Prepare for a Return to Business Growth
Ken McGee | Mark Raskino

Key Issues for Cost Optimization, 2009
Kurt Potter

Proceeding from BewaretoWorries: Why Your IT Vendor is in Financial Difficulty
Debra Logan

CEO Concerns 2009: Dealing With the Downturn
Jorge Lopez | Mark Raskino

Actions You Can Take Now

- 1 Get the best pricing and terms**
Gartner ensures you get the best value from your IT purchases. Gartner analysts and consultants review thousands of vendor contracts and proposals each year.
[Read More](#)
- 2 Identify opportunities to reduce IT costs**
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- 3 Implement cost-saving technologies**
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How to Modernize IT While on a Budget
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Gartner: Org's must monitor IT service providers' actions to increase their flexibility and avoid bankruptcy [http://blogs.gartner.com/](#) | [View All](#)

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London - UK

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- Identify major cost-saving opportunities
- Implement cost-saving technologies
- Implement cost-saving process improvement

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