

Corporate Hosting & Cloud Managed Services Trends

Hosting & Cloud Services Spending Strong

About This Report: A February survey of 951 members of the 451 Global Digital Infrastructure Alliance focused on hosting and cloud managed services including spending, IT pain points, and service provider attributes.

Overall IT vs. Hosting and Cloud Services Spending. Comparing overall IT 90-day spending plans versus hosting and cloud services indicates that overall IT spending is increasing at a lower rate than hosting and cloud services (13-pts lower), decreases in spending plans are 7-pts lower for hosting and cloud services.

Spending Across Hosting and Cloud Services. On average SaaS and Hosted Applications (51%) currently accounts for the majority of spending and is expected to continue to do so over the next two years. Infrastructure Services (29%) is second, followed by Managed Services (10%).

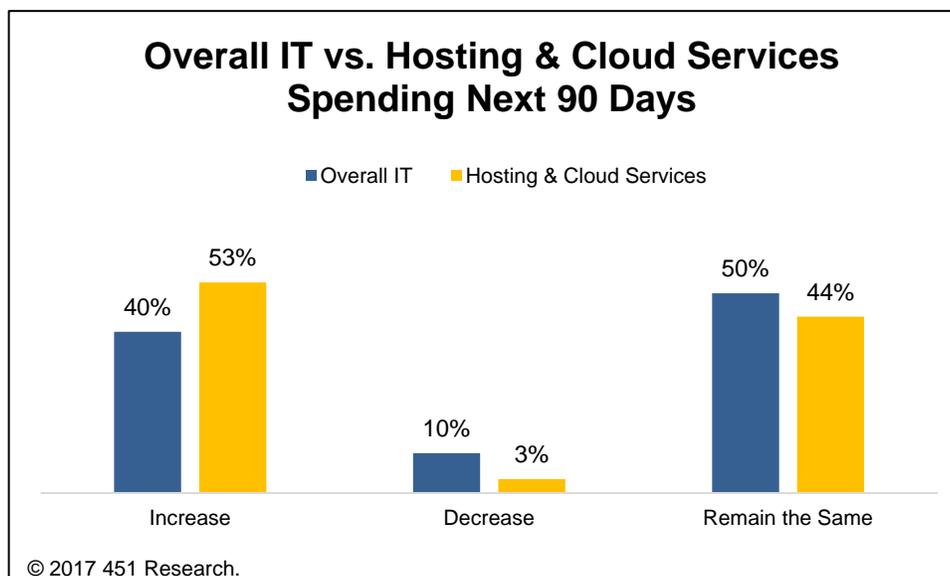
Hosting & Cloud Services In Use. SaaS and Hosted Applications (75%) are the most widely hosting and cloud services in use. Infrastructure Services (60%) is second and Managed Services (46%) is third.

Budget Increases. The top reason for budget increases includes: Moving Workloads From On-Premises to Cloud (25%) and Adding Resource Capacity Due to Business Growth (25%) are tied for first. New IT Initiatives/Project Requirements (18%) was second.

By Tracy Corbo

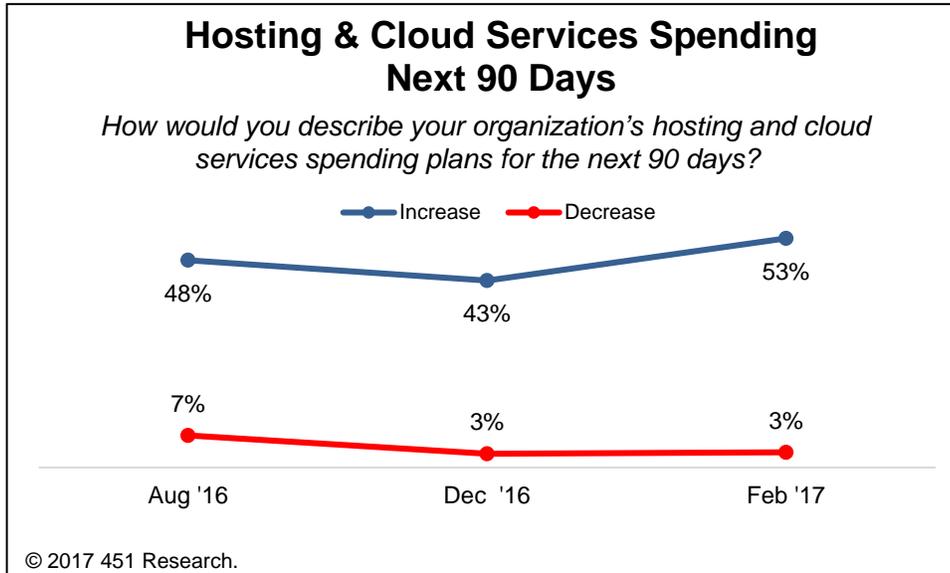
Overall IT vs. Hosting & Cloud Services Spending – Next 90 Days

Comparing overall IT 90-day spending plans versus hosting and cloud services indicates that overall IT spending is increasing at a lower rate than hosting and cloud services (13-pts lower), decreases in spending plans are 7-pts lower for hosting and cloud services.



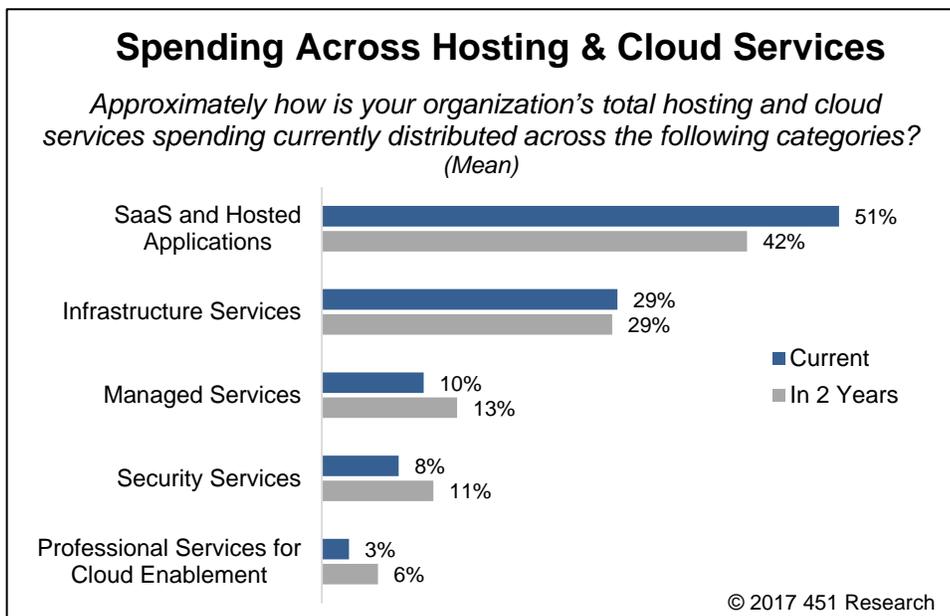
Hosting & Cloud Services Spending – Next 90 Days

Of the respondents using hosting and cloud services, 53% expect to see spending increase over the next 90 days, up 10- pts from the December 2016 survey. Only 3% expect spending to decrease (unchanged from previous).



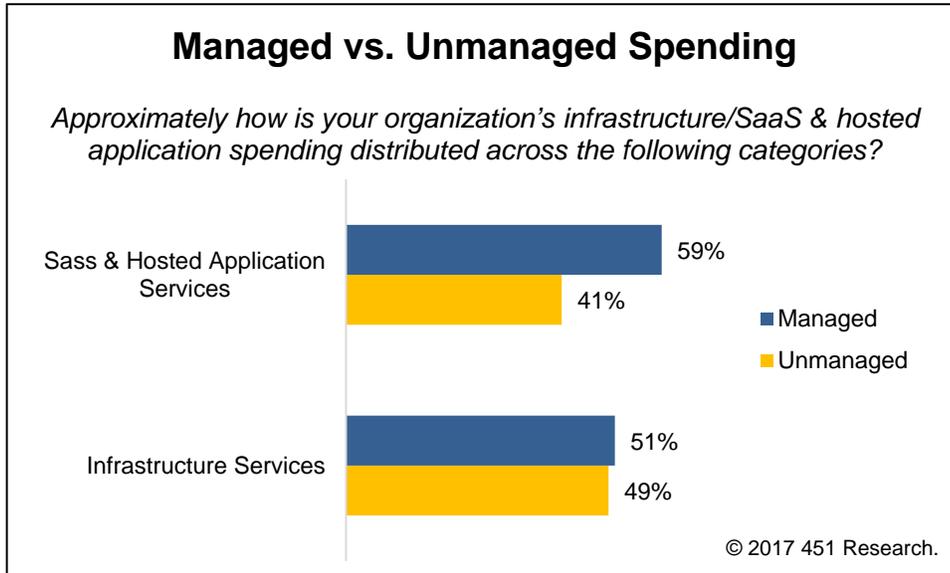
Spending Across Hosting & Cloud Services. Respondents were asked how spending is distributed across the various types of hosting and cloud services now and in two years.

On average *SaaS and Hosted Applications* (51%) currently accounts for the majority of spending and is expected to continue to do so over the next two years. *Infrastructure Services* (29%) is second, followed by *Managed Services* (10%) which is expected to grow to 13% over the next two years.



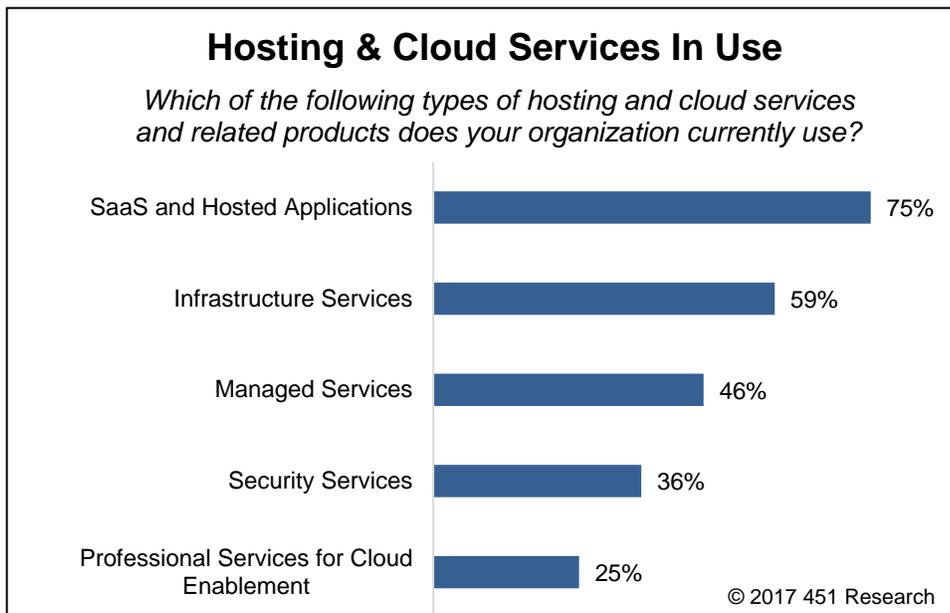
Managed vs. Unmanaged Infrastructure. Respondents using infrastructure services and/or SaaS and hosted application services were asked how much of their outlay is spent on managed versus unmanaged services.

For respondents using SaaS and hosted application services on average 59% is spent on managed and 41% on unmanaged. Spending on managed infrastructure services is slightly less (51%) and is higher for unmanaged (49%).



Hosting & Cloud Services In Use

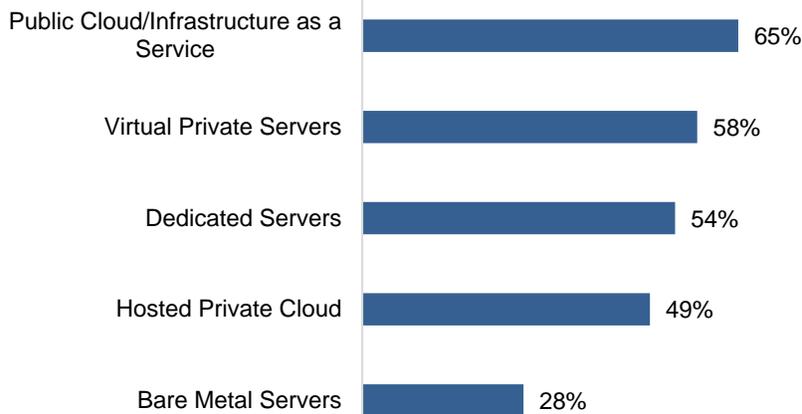
Respondents were asked about the various types of hosting and cloud services they are currently using. *SaaS and Hosted Applications* (75%) are the most widely deployed hosted and cloud services. *Infrastructure Services* (59%) is second and *Managed Services* (46%) is third.



Infrastructure Services. Taking a closer look at infrastructure services currently in use, *Public Cloud/Infrastructure as a Service* (65%) tops the list followed by *Virtual Private Servers* (58%) and *Dedicated Servers* (54%).

Infrastructure Services In Use

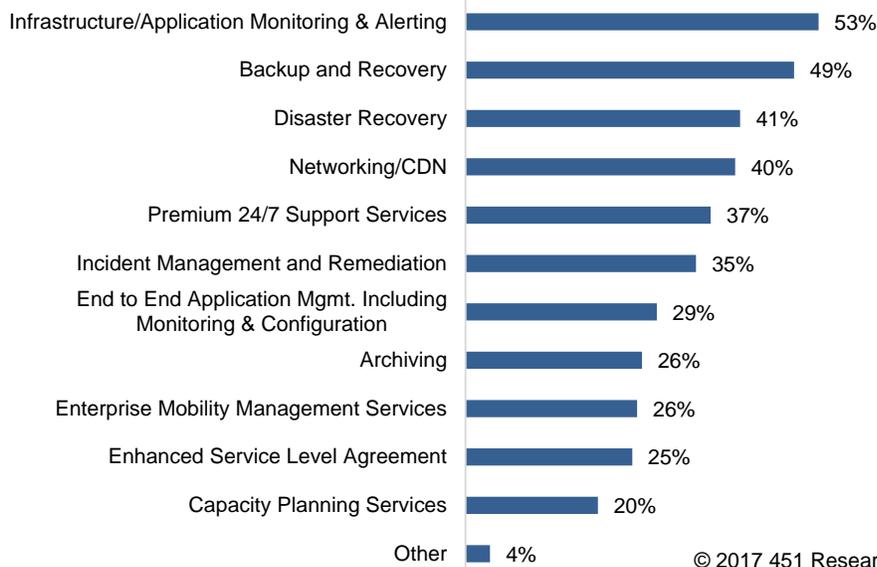
Which of the following types of infrastructure services does your organization currently use?



Managed Services. *Infrastructure/Application Monitoring & Alerting* (53%) is the most popular managed service followed by *Backup and Recover* (49%) and *Disaster Recovery* (41%).

Managed Services In Use

Which of the following types of managed services does your organization currently use?

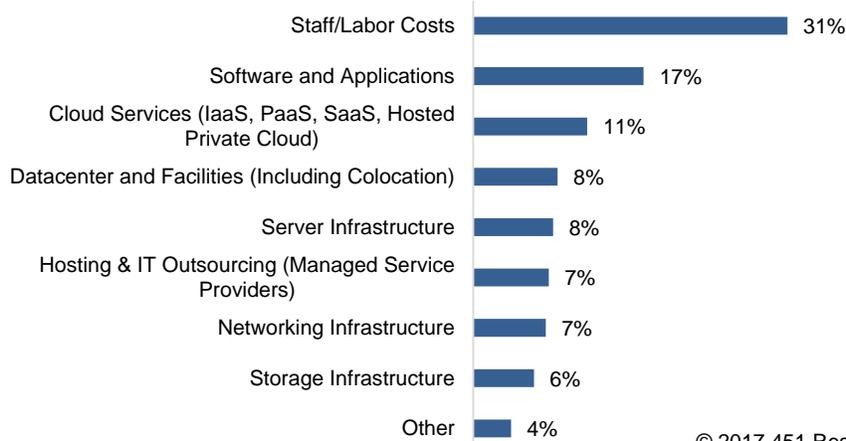


Budgets

Total IT budgets are expected to change 12% on average from 2016 to 2017. Nearly a third of the total IT budgets in 2016 were allocated to *Staff/Labor Costs* (31%). *Software and Applications* (17%) and *Cloud Services (IaaS, PaaS, SaaS, Hosted Private Cloud)* (11%) are a more distant second and third.

2016 IT Budget Allocations

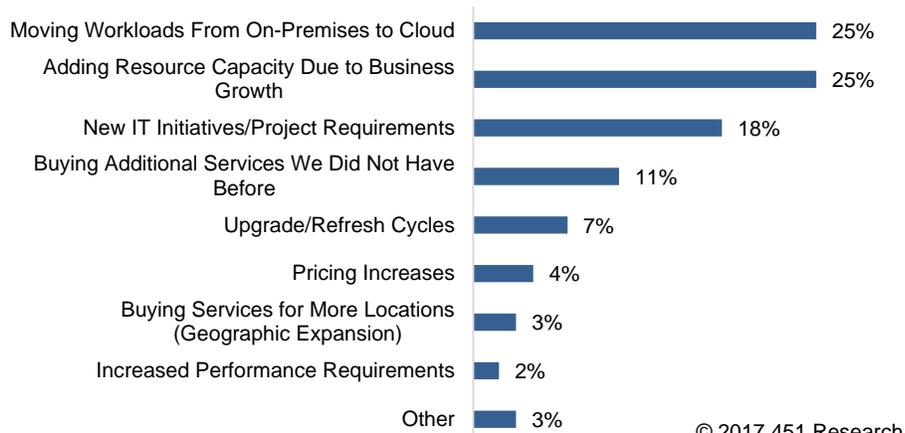
Approximately, how was your organization's overall 2016 IT budget distributed across the following categories?



Hosting & Cloud Services Budget Changes. On average, hosting and cloud services budgets are expected to change 26% from 2016 to 2017. A closer look at the top reasons for budget increases shows *Moving Workloads From On-Premises to Cloud* (25%) and *Adding Resource Capacity Due to Business Growth* (25%) are tied for first. *New IT Initiatives/Project Requirements* (18%) is second.

Reason for Budget Increases

What is the top reason for the increase in your organization's hosting and cloud services budget from 2016 to 2017?

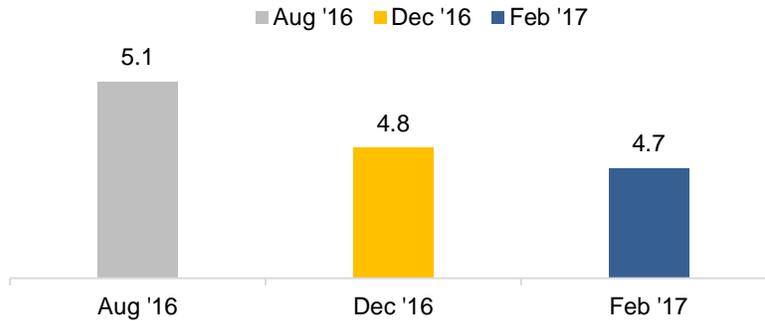


Hosting & Cloud Service Providers

Number of Providers. The average number of hosting and cloud service providers in use is 4.7, which is down slightly from 4.8 in the December survey.

Number of Hosting & Cloud Services Providers Currently In Use

Approximately how many hosting and cloud providers does your organization currently work with? (Mean)

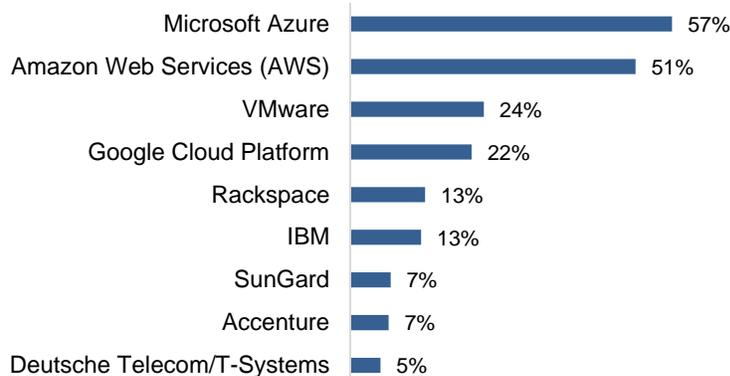


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Service Providers. Respondents were asked which service providers are in their hosted and cloud services portfolio. *Microsoft Azure* (57%) along with *Amazon Web Services (AWS)* (51%) were the most common. *VMware* (24%) and *Google Cloud Platform* (22%) are also popular.

Top 10 Most Popular Hosting & Cloud Services Providers

Which service providers are in your Hosted & Cloud Services portfolio?



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Appendix: Hosting & Cloud Services Definitions

Infrastructure Services	Infrastructure services are compute and storage resources, accessed online by the customer and delivered from a hosted environment by the service provider on a subscription basis. These may be both single- and multi-tenant environments. Examples include dedicated servers, hosted private cloud, public cloud/laaS and other products.
SaaS and Hosted Applications	SaaS refers to finished business or consumer applications accessed online that are built, hosted and maintained by the independent software vendor (ISV) and sold on a subscription basis (typically multi-tenant). Hosted applications are commercial or custom applications that are hosted by a service provider distinct from the ISV and delivered to customers on a subscription basis (frequently single tenant). Examples include email, collaboration and productivity, customer relationship management, website hosting and web presence, file storage and other applications.
Security Services	Security services managed and delivered by a service provider in connection with hosted infrastructure or applications. The infrastructure or applications may be operated by the provider of security services or hosted by a third party. Examples of security services include antivirus/endpoint security, vulnerability assessment, application security, web application firewall, data encryption and other services.
Managed Services	Managed services delivered by a service provider in connection with the operation of hosted infrastructure and application services, including those operated by the provider of managed services, as well as sourced from third parties. Examples of managed services include end-to-end application management, infrastructure/application monitoring and alerting, premium 24/7 support services, disaster recovery, backup and recovery and other services.
Hosted Private Cloud	A dedicated cloud-based server and storage infrastructure environment operated by a hosting provider but NOT shared among customers. Is configured for resource pooling, automation and orchestration. May also included self-service catalogs, metering, chargeback and on-demand pricing.
Professional Services for Cloud Enablement	Consultative services designed to assist customers in their adoption of hosting and cloud services at an organizational level, across both strategic and functional aspects of adoption. Examples include cloud assessment, readiness and enablement services, cloud migration services and cloud transformation services.
Dedicated Servers	The lease or rental of a server dedicated to a single customer who has full administrative control over the server; physical maintenance is performed by the service provider.
Virtual Private Servers	Virtual private servers use virtualization tools to simulate the single-tenancy and resource allocation of dedicated server offerings in a multi-tenant environment.
Bare Metal Servers	Lease or rental of a dedicated server to a single customer with full administrative control. Provisioned and deployed using cloud-like automation tools that do not require a virtualized or cloud platform environment.

Hosted Private Cloud	A dedicated cloud-based server and storage infrastructure environment operated by a hosting provider but NOT shared among customers. Is configured for resource pooling, automation and orchestration. May also included self-service catalogs, metering, chargeback and on-demand pricing.
Archiving	A service that provides a purpose-built environment for storing data that is not actively in use for the customer, but is important to retain for later reference or regulatory compliance. Typically uses lower-cost, lower-performance storage modes.
Backup and Recovery	Services providing automated periodic backup for production application data, or for data located on a computer or mobile device. Recovery points may be created manually, and customers may initiate partial or full restore.
Disaster Recovery	Disaster recovery services re-create critical infrastructure in a hosted or cloud environment, governed by policies and procedures, for the purpose of failover in the case of an outage. Includes guarantees for recovery point and recovery time.
Managed Infrastructure Services	Hosted infrastructure services (including IaaS, hosted private cloud, dedicated servers, VPS and bare metal) bundled with one or more management or security services.