CLOUD USE BLOSSOMED IN 2014

Bottom Line

- Use of public cloud for development and testing became mainstream
- Hybrid cloud adoption grew to support strategic and complex initiatives
- Enterprises look for multi-party systems integration to counteract shadow IT
- Data security and user experience will become two big hurdles of cloud adoption

Cloud use sprang from IaaS and public cloud adoption to the delivery of strategic and complex initiatives

By Carol Ko

In the past 12 months, the infrastructure-as-a-service (IaaS) model has gained maturity and wider recognition. For small and medium businesses, even the traditional sectors like manufacturing, logistics and transportation saw increased cloud adoption, said Daniel Kwong, SVP of IT and Security Service, CITIC Telecom CPC.

"Enterprise use of public cloud for development and testing has become mainstream," said Brian Groen, cloud business executive, IBM China/Hong Kong. Examples of public cloud usage for development and testing included application directed load scaling and offshore/ onshore load balancing.

Hybrid cloud adoption continued to grow in 2014, as cloud usage went beyond the traditional purposes of delivering more strategic and complex initiatives. "Companies also used hybrid cloud to tailor the architecture to fit their unique set of applications and workloads," said Ajit Melarkode

CITIC Telecom CPC's Kwong:
Incidents like Occupy Central and Ebola outbreak forced enterprises to consider desktop-as-a-service

managing director, Rackspace Asia Pacific.

According to CITIC Telecom CPC, cloud computing started to extend from "server side" to "client side". "In 2014, the emerging needs of 'desktop-as-a-service' (DaaS) showed that more enterprises were either considering to put desktops to the cloud, or were looking for service providers to deliver virtual desktop solutions," Kwong said. "Incidents like 'Occupy Central' and Ebola outbreak also forced enterprises to consider DaaS to ensure business continuity in unforeseeable circumstances."

Cross-border e-commerce also gained stronger foothold in Hong Kong. Rather

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Enterprise use of public cloud for development and testing has moved mainstream

— Brian Groen, IBM
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than seeing "Western companies" setting businesses in Hong Kong to support their ventures into China, more China-based companies expanded into the West this year—a prime example being Alibaba, Melarkode said.

For leading edge companies, the drivers of cloud adoption were no longer confined to IT costs and capex reduction and to increase efficiencies. Instead, companies have leveraged cloud as a platform for innovation. Michael Chue, general manager, SAP South China, Hong Kong and Macau, said: "Using cloud computing, companies can gain insights, engage customers, employees, suppliers and partners in new ways. They can also try out new operating models to drive profitability and competitive advantage."

Hong Kong enterprises have started to embrace the concepts of "openness" and "freedom of choice" of cloud computing, said Red Hat's Hong Kong and South China Regional Director Peter Man. "Instead of relying on just a few IT vendors to handle strategies, organizations had gradually opened up to take on new vendors and providers, in a way to avoid vendor lock-in, and also because CIOs faced increased pressure to realize the cost benefits of cloud adoption."

Integrated management gets priority

In 2014, enterprise cloud adopters gave priorities to integrated cloud solutions, proof-of-concept programs, systems integration and network and

platform security.

Enterprises that were migrating part of their business to the cloud were looking for a complete solution,—instead of simply a "canned solution," said Kwong. As such, enterprises found professional consultation important to help them identify their needs. They also found flexible and scalable cloud infrastructure with a wide variety of cloud solutions crucial for business development.

"After moving to the cloud, customers need to make sure their applications and business are 100% workable, so they seek proof-of-concept (POC) programs," Kwong added. POC refers to the provisioning of resources and environment that simulate the actual environment. Through POC, enterprises can get a real touch of how the business might operate and make any necessary fine-tuning adjustments.

For SAP, the most common issues for their Hong Kong customers have been the complex management structure in their organizations, years of accumulated legacy, and minor fixes over time to the existing systems. "Against the backdrop of staggering data growth, most IT systems were outdated and IT shops lacked modern functionalities to support new business models and growth," said SAP's Chue.

"No matter how tight IT wishes to maintain control over its IT resources, line of business leaders are increasingly carving islands of function out to third-party as-a-service solutions providers," said IBM's Groen. Examples of outsourced IT functions were CRM, payroll, hosting and analytics.

"This expansion of new component solutions will fragment enterprise IT strategies and create a strong demand for multi-party systems integration," he added. "The fracturing corporate IT

landscape is also leading to an increase in cross-enterprise security requests for tools, skills and solutions."

Network and platform security have always been the biggest concerns when enterprises consider cloud adoption, Kwong said. "As such, enterprises tend to look for cloud service providers that are well-developed, abide by international standard workflow, staffed with security expertise with related certifications, and have sophisticated security technologies in place to stay them away from security issues."

Hot tech: infosec, DR, DB

"Enterprises had raised their awareness of information security following a series of widely publicized security incidents occurred in 2014. These included the iCloud data breach, DDoS attack on Hong Kong pro-democracy website PopVote and a couple of security vulnerability

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discoveries, namely Heartbleed and Shellshock," said Kwong. What immediately followed was the growth of security services such as managed firewall, web application protection and security assessment.

In 2014, the two hottest cloud services for CITIC Telecom CPC were disaster recovery (for both physical and virtualized environments) and virtual desktops. "In December 2014, CITIC will further enrich its SmartCLOUD family. "And in Q1 2015, we will launch the first desktop-as-a-service in Hong Kong powered by VMware Horizon Air."

The need for IT support has been the biggest pain point for Rackspace's customers. In 2014, Rackspace recorded "dramatic growth" of its managed cloud offering, said Melarkode. With managed cloud, Rackspace manages and monitors their clients' cloud operations, scaling their clouds to meet business needs, or identifying potential vulnerabilities before they surface. "With Rackspace's Managed Cloud, our customer SmartBuyGlasses.com experienced two-fold business growth, while their IT team could focus on growing its core business, as opposed to handling IT issues."

Other than managed cloud, Rackspace also saw huge growth in its ObjectRocket, a MongoDB database-as-a-service provider that Rackspace acquired in 2013. "Given the growth of big data initiatives by our Hong Kong

customers this year, we also saw high demand for ObjectRocket," Melarkode added.

"Specifically, we saw high demand from companies such as online retailers, consumer good companies, market research and social media firms, and financial houses that run complex data models, as these companies need to rapidly and effectively process and analyze large volumes of data to make critical business decisions."

As for SAP, the company saw significant growth in its cloud and in-memory database and analytics solutions. "In Q3 FY14, SAP Greater China recorded double-digit growth in its software and software-related service revenue, and solid triple-digit growth in SAP Business Suite powered by SAP HANA," said Chue. SAP's cloud business also achieved triple-digit growth in the third quarter.

In August 2014, SAP and its partners commenced the commercial operations of a new data center operated by China Datacom Corporation Limited, a joint venture between SAP and the China Communications Service, a subsidiary of China Telecom Group. Through this Shanghai-based data center, SAP made its first public cloud product, SuccessFactors Human Capital Management software, available in China.

"We expect Hong Kong companies, especially those with operations in China, will be able to leverage the new

SAP's Chue: Companies are leveraging cloud as a platform for innovation

cloud-based HR solutions to develop their people strategy and better manage their talents across the border," Chue said.

Hurdles to cross: security, user experience

The journey to cloud has yet to clear obstacles in 2015. Besides data security concerns, enterprises that are more ready to embrace cloud will also need to sort out issues of user experience.

"Corporate security has never been more important. Unfortunately, compromised passwords, stolen identities and network intrusion are the facts of life. Companies need new, intelligent solutions to help them adapt and defend themselves inside the network, not just at its edge," said Flora Yu, data insights product marketing manager, Microsoft Hong Kong.

In November 2014, Microsoft announced the acquisition of Aorato, a specialist in enterprise security. "Key to Aorato's approach is the Organizational Security Graph, a living, continuously-updated view of all of the people and machines accessing an organization's Windows Server Active Directory," Yu added. "Aorato will give customers a new level of protection against threats through better visibility into their identity infrastructure."

"Many cloud service providers claim that their services can provide customers with best fit solutions for their business needs. But customers may feel unsure as they lack the means to fully test or try the solutions before subscribing them," Kwong said. To resolve this, he suggested that vendors provide tailor-made proof-of-concept offering to customers, so customers can better visualize the future cloud IT environment they are about to subscribe, and understanding how it will run before committing the deal.

New tech spend

Enterprise customers of CITIC Telecom CPC have been spending on cloud and security services. "We are satisfied with the growth of our cloud and security businesses in 2014," said Kwong. "Over the past 12 months, enterprises increasingly realized that IT (especially cloud and security services) is crucial to sustain their competeiveness in the rapidly changing market. They are willing to spend more on IT, as compared to 2013."

As for IBM's customers, much new IT spending in 2014 was directed to create new systems of engagement. "These are the systems to engage clients, staff, suppliers, and partners via applications on smart devices," said Groen. "These smart devices are working with cloud hosting and scaling apps to integrate into the legacy systems of engagement."

In 2014, SAP noticed increased customer traction around omni-channel eCommerce. "Many B2B and B2C companies gradually recognize the value of building an omni-channel platform to provide customers with contextual, consistent and relevant experiences," Chue said. "Moving forward, we expect to see more customer adoption from various sectors beyond the retail and consumer goods industry, as well as more focus on customer engagement and technology leverage to create customer insights."

With big data, hybrid cloud and mobile commerce (m-commerce) on the rise, Rackspace noted an increase in customer spend in 2014. "E-commerce companies have sharpened their focus and increased their spending on building premium mobile experiences for their customers," said Melarkode. "To do this, e-commerce companies are partnering with IT hosting providers that can manage, scale and support their mobile site at all times, ensuring zero downtime and fast page loads."

Hong Kong companies will focus on DevOps next year, according to Rackspace. While "DevOps adoption is currently minimal in Hong Kong, it will become critical for development and operations to work together to deliver solid business outcomes in the next 12 months," Melarkode concluded. ◄

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