Why You ~~Want~~ Need Everything as a Service

An IDC InfoBrief, *Sponsored by HPE* | **March 2018**

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Overview

Speed is at the heart of digital transformation: The speed of change and disruption in most industries today are forcing businesses to become more agile to compete. These agility needs are not just raising the bar—they are changing the game for both IT and line of business leaders.

Faced with this faster pace, businesses are establishing key criteria needed to accelerate digital transformation

- **Workload placement:** Enterprises need to determine optimal workload placement that enables fast and secure access. Infrastructure that is measurable, meter-able and provides cost transparency will help drive workload placement decisions

- **Security/Compliance concerns:** Regulatory needs are driving decisions where data resides, IDC research study shows that 21.4% of US enterprise IT orgs had regulatory or compliance issues in 2017

- **FASB:** new accounting rules are impacting future IT infrastructure decisions due to changes in capex versus opex treatment

IDC Data Supports On-Premises Agile IT

IDC data reveals that customers are looking for IT consumption models that are flexible, transparent and competitively priced.

IDC Futurescape: By 2020, consumption-based procurement in datacenters will have eclipsed traditional procurement through improved "as a service" models, thus accounting for as much as 40% of enterprises' IT infrastructure spending. Customers prefer working with their Traditional IT vendors.

53%
of enterprises have repatriated or are considering moving workloads back to traditional infrastructure providers, but customers also want that cloud experience on premise!
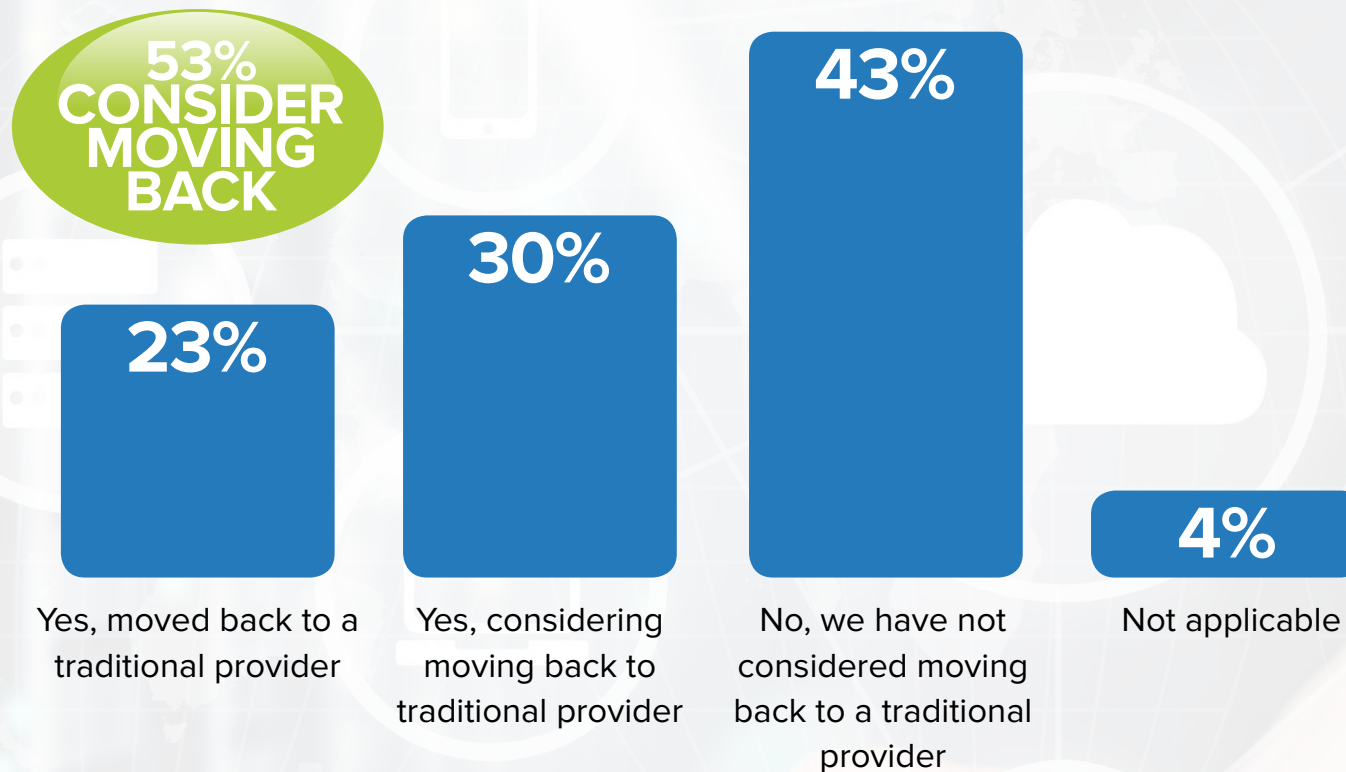
94%
of customers say its important that a traditional IT infrastructure provider has a pay per-use-model for their organization's to move or consider moving workloads back on-premise.

56%
of customers would remove an IT infrastructure provider or IT cloud services provider from their provider list if they did not have flexible IT consumption options.
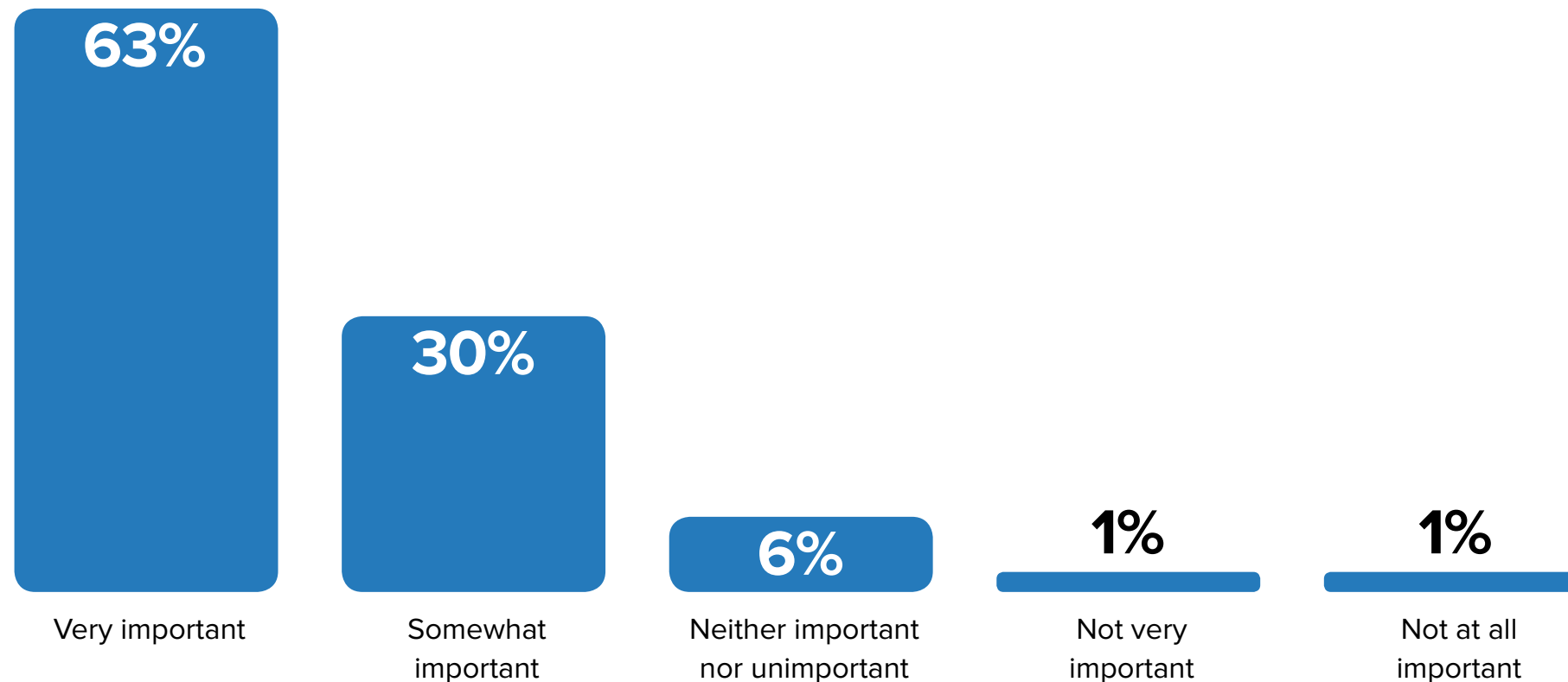
Traditional Vendors Still Trusted Partners

53% CONSIDER MOVING BACK

23%

30%

43%

4%

Yes, moved back to a traditional provider

Yes, considering moving back to traditional provider

No, we have not considered moving back to a traditional provider

Not applicable

Q. Has your organization moved back or considered moving back to a traditional infrastructure provider after deploying a cloud project?

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Payment Options Matter

Flexible payment options/pay per use important in selection process

63%	30%	6%	1%	1%
Very important	Somewhat important	Neither important nor unimportant	Not very important	Not at all important

Q. When selecting an IT infrastructure provider, how important is the availability of flexible payment options or pay-per-use?

Agility Is Changing the Game

Organizations are challenged to be flexible and agile

- Support new business initiatives

- Provide IT service and data aggregation in new locations

- Deal with surges in compute needs and support new customer-facing workloads

  » It's impossible to plan for capacity needs; better to focus on how to shift to an IT utility-like model

  » Internal procurement, chargeback methods are in flux

  » Agility needs are not just raising the bar—they are changing the game

FASB Is Major Driver

Financial Standards Accounting Board (FASB) practices change service model rules

In 2016, the FASB board finalized new regulations for lease accounting, and now all operating leases must be listed on company balance sheets. IDC expects the new FASB rule will change revenue recognition and influence payment models such as capex and opex. In 2017, preparation for FASB has provided CFOs with new insights into current lease and IT infrastructure obligations.
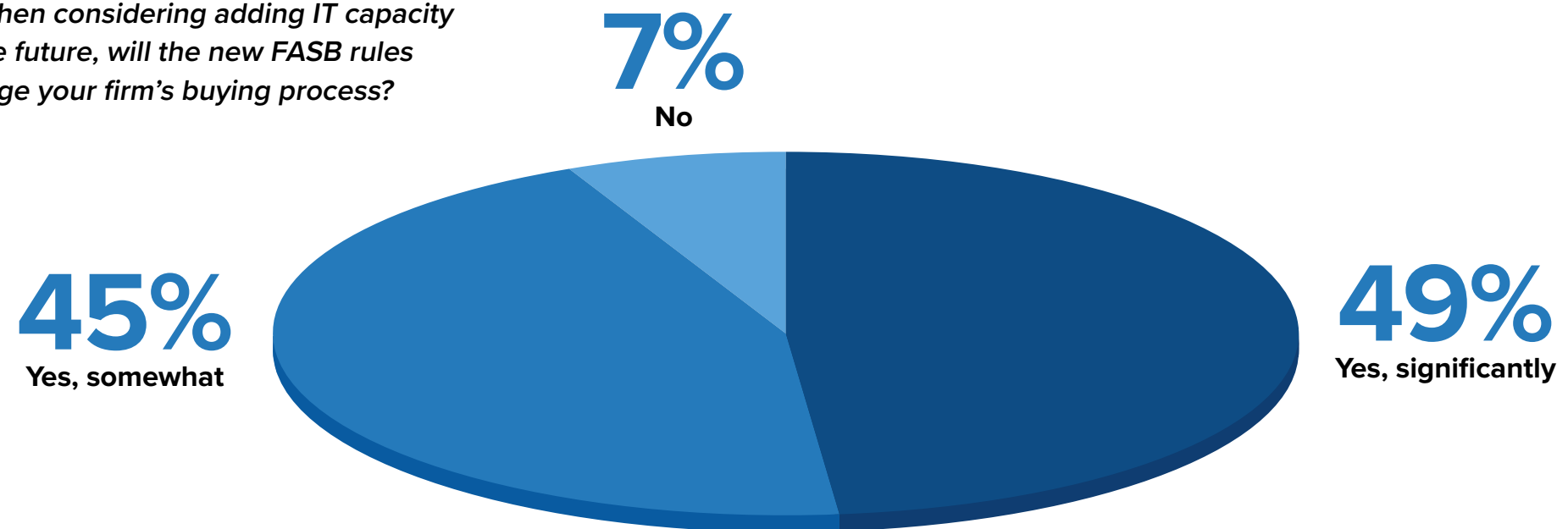
These insights are shaping future IT procurement decisions about on-premises, off-premises and IT assets to own, lease, or opt for an as-a-service model. They are looking for more bundled solutions (hardware, software and services) and there's a need for flexible solutions that will be billed monthly or quarterly and provide metrics about usage and costs. These attributes will streamline chargeback, asset allocations, and deepen insights about future IT costs.

As-a-service models will become required for all OEMs and partners—customers expect all providers to have these options.
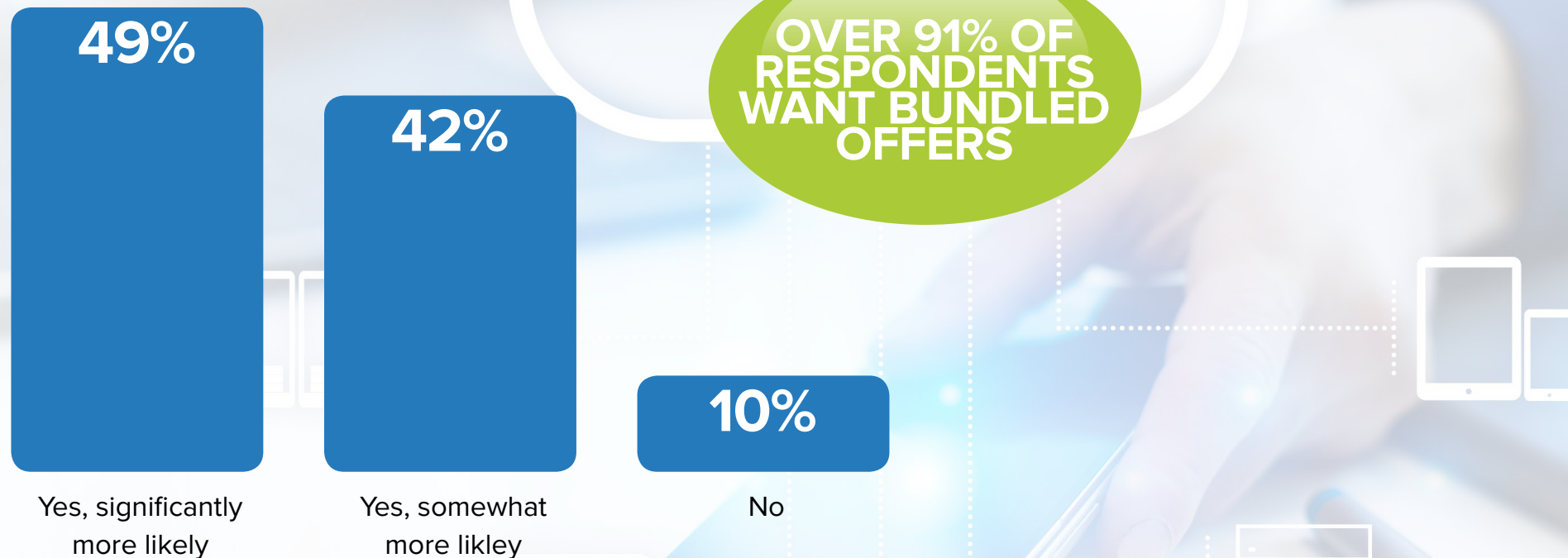
FASB Compliance Leads to Review of IT Buying Processes

94% of respondents plan to change buying behaviors

Q. When considering adding IT capacity in the future, will the new FASB rules change your firm's buying process?
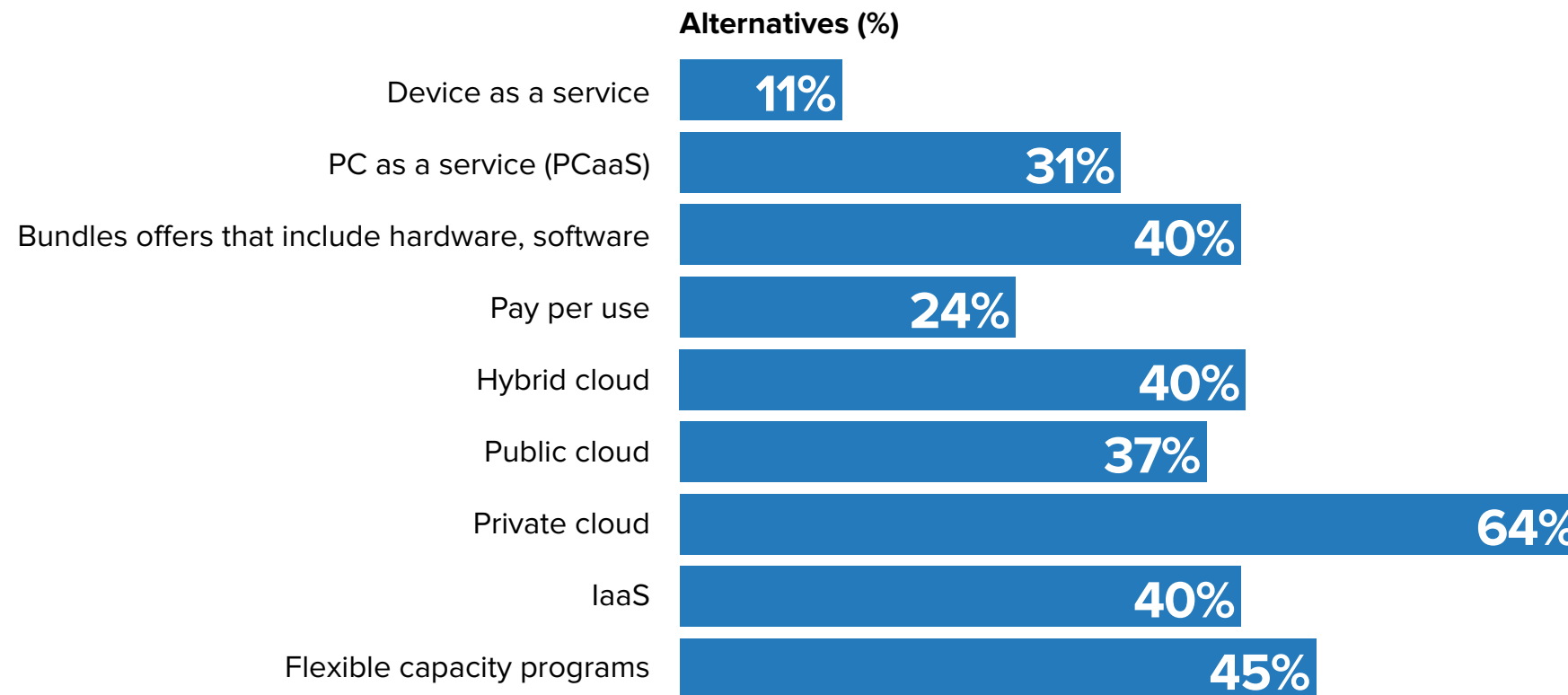
7%
No

45%
Yes, somewhat

49%
Yes, significantly

FASB Changes Drive Demand for Bundled Offers

49%

42%

10%

Yes, significantly more likely

Yes, somewhat more likley

No

OVER 91% OF RESPONDENTS WANT BUNDLED OFFERS

Q. Is your firm more likely to look for bundled offers that include hardware, software, and services (including maintenance and support) as a results of pending FASB changes?

Private Cloud Is Top Consideration—Hosted and On-site

Alternatives (%)

Device as a service	**11%**
PC as a service (PCaaS)	**31%**
Bundles offers that include hardware, software	**40%**
Pay per use	**24%**
Hybrid cloud	**40%**
Public cloud	**37%**
Private cloud	**64%**
IaaS	**40%**
Flexible capacity programs	**45%**

Q. Which of the following IT infrastructure alternatives will your team consider as a result of FASB changes?

Challenges and Barriers

Deploying, supporting, managing, and retiring infrastructure increasingly complex and time-consuming

- Cost constraints, increased pressure to determine what services IT customers are consuming and how much they cost

- Preparing IT org to work as a broker across all IT service resources, knowing costs and value across all datacenter options

- Gaining credibility for on-premises resources—45.8% of organizations say that a cloud-first strategy is limiting investment in on-premises facilities

Overcoming Barriers—Creating the Cloud-Like Experience

63% of enterprise customers believe flexible payment options/pay-per-use is very important when selecting an IT infrastructure provider

- Outcome-based chargeback model

- Remove obstacles to managing equipment, updates, and adding capacity and cost

- Technology that can streamline the processes for cost allocation

- Greater reliance on automation

Outcomes

BETTER ALIGNMENT OF IT ORGANIZATION WITH NEEDS OF THE BUSINESS

INCREASED EFFICIENCY AND NO WASTED SPENDING

IDC Essential Guidance

Establish on-premises IT resources that are measurable, attributable, and provide cost transparency to drive workload placement decisions

- Enable shift from capex to opex with consumption-based, as-a-service infrastructure

- Establish cloud environments on-premises or within enterprises control