

Cloud Sales Are Booming: So Why Are Adoption Rates Down?

Corporate IT managers are more savvy about what is – and what is not – cloud computing

By

Angus Loten - CIO Journal

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As businesses shift more workloads to the cloud, a strange thing is happening to enterprise cloud adoption rates: They're going down.

That may be because chief information officers, and other corporate IT managers, are becoming more savvy about what is – and what is not – cloud computing, according to IT industry trade group CompTIA.

In a recent online survey of 500 business and IT executives, it found an across-the-board decline over the past two years in the reported use of cloud-based applications, from business productivity, email and analytics tools, to collaboration, customer relationship management, enterprise resource planning and expense management apps.

The number of companies running productivity tools in the cloud this year dropped to 45%, from 63% in 2014, the survey found. Those with cloud-based email apps also declined, to 51% from 59%, while analytics apps fell to 35% from 53%, and collaboration tools fell to 39% from 52%.

The declines appear to run counter to cloud market forecasts.

Research firm Gartner, for instance, expects the public cloud services market this year to grow 16.5% from 2015, hitting \$204 billion in global worldwide revenue. Beyond that, Gartner expects the market to grow 17.3% next year, before easing in 2018.

So what explains the lower adoption rates?

"Users are showing a tendency towards refinement of cloud concepts," CompTIA said in a research note. "In the early days of the cloud, employees likely assumed that any off-premise application was cloud-based," it said.

The difference today, researchers said, is that most companies are "demonstrating an appreciation for the characteristics of true cloud systems."

It doesn't help that cloud vendors themselves muddy the waters. To stand out in a hot market, many technology firms use the term "cloud" to include a range of online tools, such as managed hosting services, that are not technically cloud services, senior technology executives and industry analysts told CIO Journal earlier this year.

Known as "cloudwashing," the tactic of mixing cloud with other services raises the risk for CIOs and other corporate IT buyers of getting locked into unwanted computing-services contracts.

True cloud-computing providers sell shared use of software, or the processing power of their servers, which companies access over the internet via a pay-as-you go subscription model that lets them adjust capacity as demand changes.

By contrast, managed hosting, and other off-premise computing services, don't necessarily provide the same flexible or scalable benefits.

"There's still an awful lot of vendor cloud washing that obscures these differences and confuses customers," said John Rymer, vice president and principal analyst for application development and delivery at Forrester Research

That said, he added, "we see growing awareness that managed hosting and some 'bare metal' services aren't clouds."

Likewise, R "Ray" Wang, principal analyst and founder of Constellation Research Inc., said cloud adoption rates in the past often reflected many applications that were labeled cloud, though as much as one third were merely hosted solutions or other non-cloud tools.

"We're not seeing lower cloud adoption," Mr. Wang said.

Still, the shifting of market data as "companies refine their perception and understanding of cloud systems" can be a headache for industry analysts, CompTIA said.

As a result, it said, "there is little opportunity to analyze the rate of change among different cloud trends."