



Hybrid is driving cloud and the overall IT opportunity

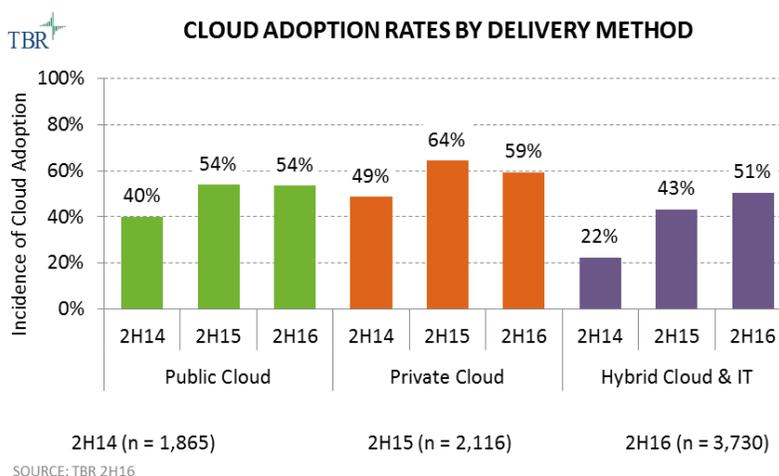
Excerpts from Technology Business Research, Inc.'s hybrid cloud customer research*
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51% of enterprises have adopted at least 1 hybrid workload

After years of vendors investing in acquisitions, development and alliances to enable hybrid environments, customers are finally starting to see real adoption momentum. The use of hybrid cloud (a combination of cloud services) and hybrid IT (a combination of cloud services and on-premises assets) is now a reality for most enterprises, with 51% reporting at least one workload is leveraging a hybrid cloud or IT deployment method. While it took time for these enterprises to understand the market, build the skills and develop the use cases, more customers are demonstrating real maturity meeting the IT and business challenges inherent in hybrid deployments. Growing hybrid adoption is a reflection of increased customer readiness and wider availability of technology from vendors for managing and integrating assets across cloud and on-premises environments. With no signs of customers or vendors slowing their investments in hybrid, TBR anticipates companies' initial adoption will grow and deepen as the flexibility, cost savings and quality of delivery of hybrid are further demonstrated in the next year.

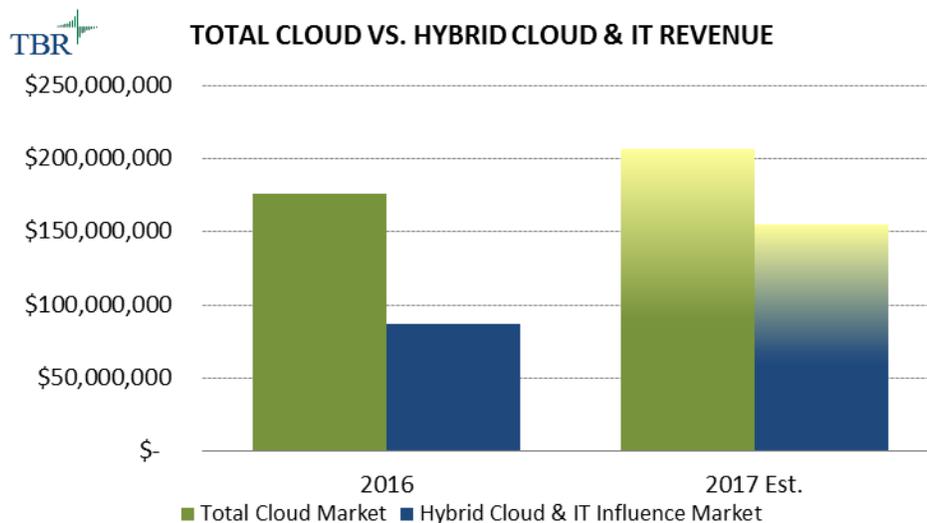
Figure 1



The hybrid influence market size will grow 78% year-to-year in 2017, to \$155 billion

With a majority of enterprise customers having adopted hybrid, the ability to deploy and manage hybrid environments will influence an increasingly significant pool of customer investment and vendor opportunity. Cloud in general has been a steady supplemental growth driver for most vendors but has not represented a majority of their revenue. Cloud markets maintain growth rates that range into mid-double digits in an environment where most IT markets are either declining or flat. However, even in the broadest terms, cloud investment across public, private, hybrid, components and professional services represents less than 10% of the total IT market. The interconnection of cloud and traditional IT resources is changing the control points for a much larger pool of revenue than just cloud, shifting opportunity. As shown in Figure 2, the overall hybrid IT influence pool of revenue, which includes cloud and non-cloud software and services, will begin to rival the pure-cloud market size in 2017. For vendors providing cloud services, it is critical to deliver services that will integrate with customers' on-premises infrastructures and data centers. One of the biggest shortfalls of the pure-cloud model is the difficulty aligning to this mixed mode in which most customers find themselves, as experienced by Amazon Web Services (AWS). Business model shifts that began in 2016 to address hybrid IT, including partnerships across IBM, VMware, AWS and Microsoft, will accelerate in 2017.

Figure 2



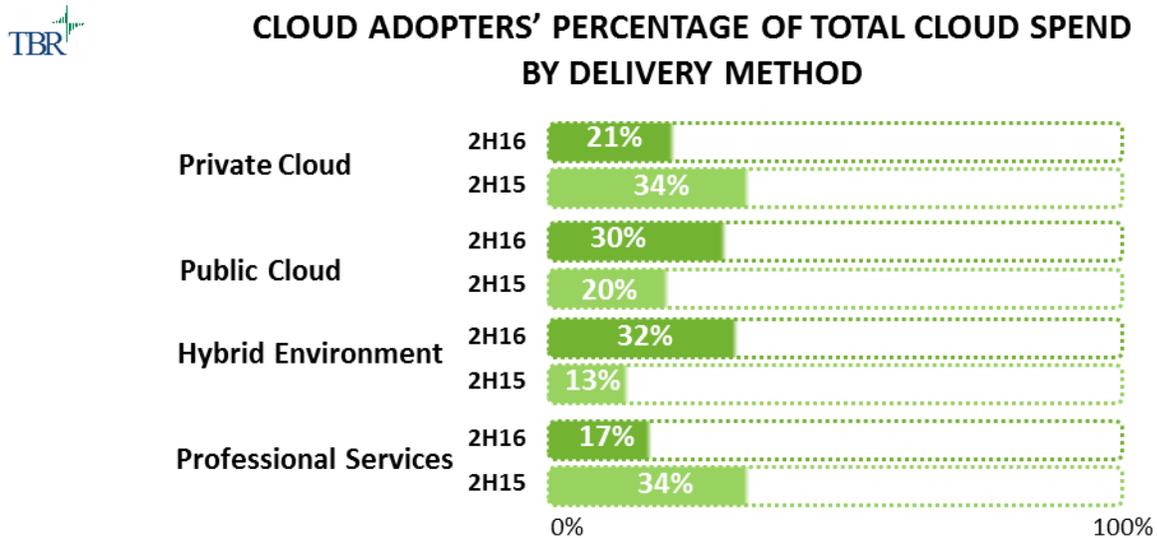
SOURCE: TBR ESTIMATES

32% of enterprises' cloud spend is allocated to hybrid, more than any other cloud delivery model

Not only has the number of hybrid adopters grown, but TBR research shows spending on hybrid begins to expand quite rapidly after the first implementation. This development has accelerated quickly, as hybrid adopters devoted 13% of their total cloud investment to hybrid during 2H15 and 32% of their total cloud investment during 2H16. The shift points to workloads moving to hybrid being larger, more complex and integrated with traditional IT infrastructure, all of which significantly increased the level of investment associated with hybrid versus independent cloud deployments. The other influencing factor on the rapid growth in hybrid investment is that the technical and organizational changes adopters make position them to not only use hybrid for one workload or use case but also to leverage that framework for multiple workloads. While the independent pools of cloud services

through public or private delivery methods remain important, enabling initial hybrid implementations positions vendors to capitalize on the tendency for customers to rapidly increase their investments.

Figure 3



2H16 n = 704; 2H15 n = 578
SOURCE: TBR 2H16

Note: Percentages may not total 100% due to rounding.

*TBR’s hybrid cloud customer research provides semiannual analysis of the current market and future market opportunity, customer behavior and competitive landscape around hybrid cloud and IT solutions. It enables subscribers to understand the size of the hybrid market and the types of use cases driving hybrid investments as well as identify decision makers in adopting organizations, align with offering expectations and differentiate versus the competitive landscape.

For more information on this research or to subscribe to TBR’s hybrid cloud report, please contact Allan Krans at allan.krans@tbri.com.

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