Future-Proofing Enterprise Infrastructure and Sustainably Leveraging Public Cloud Services

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IDC OPINION

- Uptake of cloud services grew significantly in 2020, spurred by the need to facilitate remote working during the COVID-19 pandemic, as well as make businesses services more accessible to customers via online and mobile channels. The pandemic also affected the digital transformation plans of many organizations, in some cases leading to such plans being fast-tracked, and others cases causing organizations to reprioritize and focus on different areas.

- The pandemic provided caused enterprises to rethink their on-premises infrastructure investments and planning, against a backdrop of responding to market disruptions that underscored once again the need to be agile, the need to scale, and the need to provision services faster. Amid the negative impact of the pandemic on the business environment, organizations needed to consider shifting capital expenditure to sustainable models that enable business objectives to be met during harsh economic conditions.

- Most current enterprise infrastructure deployments are costly and insufficiently flexible and scalable, saddling organizations with rigid systems that do not always allow for speedy setup and deployment when needed.

- Prior to the pandemic, investments in cloud services by global cloud providers helped attract the attention of organizations seeking to shift some workloads to the cloud as well as leverage server and storage capacity. According to a 2020 survey by IDC among CIOs in Sub-Saharan Africa, the availability of in-country resources is among the criteria for selecting a cloud provider.

- The other issues at play, which organizations should consider as they devise future cloud strategies, include migrating from legacy systems, managing security, developing skills to support their cloud strategies, and identifying the right partners for their cloud journey.

- Successful strategies will include both leveraging hyperscale providers and a thorough assessment of current infrastructure. A phased approach to cloud adoption will often be necessary, and organizations must form partnerships with providers that can help them devise a strategy that meets their digital transformation needs, enables them to future-proof their systems, and allows them to respond to market disruptions.

IN THIS WHITE PAPER

This IDC White Paper reviews the evolving enterprise infrastructure landscape, particularly public cloud services and datacenters, and examines shifts in strategies resulting from the COVID-19

pandemic that has compelled many businesses to rethink their digital transformation plans and consider their infrastructure agility and resilience.

SITUATION OVERVIEW

Public cloud spending in the Middle East, Turkey, and Africa (META) region will increase to $2.8 billion this year as demand increases following the spread of COVID-19. IDC expects this figure to top $6.5 billion in 2024, representing a compound annual growth rate (CAGR) of 24%, up from the 22% rate that was projected prior to the COVID-19 pandemic.

These growth rates indicate that Africa is experiencing significant shifts in the use of online tools in all aspects of life, including educational activities, business, events, entertainment, healthcare, manufacturing, shopping, government and public services, finance, telecommunications, agriculture, and real estate.

The market has seen the strong emergence of both public and private clouds – according to IDC's research, spending on public cloud IT infrastructure increased 47.8% year on year in 2Q20, reaching $14.1 billion and exceeding spending on non-cloud IT infrastructure for the first time. Spending on private cloud infrastructure increased 7% year on year in the same quarter to reach $5 billion, with on-premises private clouds accounting for 64.1% of this amount.

In its *South Africa Public Cloud Market 2020 Analysis and 2021-2025 Forecast* (IDC #META48005921), IDC reports that the COVID-19 pandemic has prompted an increase in the use of public cloud services, and that the next five years will be pivotal for public cloud services providers and customers alike. The global pandemic has disrupted business in many ways, forcing businesses to adapt to remote workforces, broken supply chains, and many other process-related continuity issues. Public cloud played a pivotal role in many CIOs' responses, enabling collaboration and remote-working capabilities to spin up at short notice, and enterprise applications to break out of legacy silos as organizations were forced to adapt to hands-off maintenance, porous network perimeters, and new classes of security threats.

According to the Africa Data Centre Association, Africa had 100 datacenter facilities in 2019, and by the end of 2020, 20 new facilities will have come online. Most of these investments are found in the continent's regional hubs in South Africa, Kenya, Nigeria, Egypt, and Morocco, with uptake being driven by multiple factors including businesses' need to shift from CAPEX to OPEX models, the entry of global hyperscale providers that need to host local instances of their services, and data regulations in some markets that compel organizations to maintain information within a given country.

Key characteristics of the public cloud market include:

- **Dominance of Global Leaders in the Local Market:** The rapid expansion of hyperscale providers and their ability to help customers address data regulations and resolve privacy, latency, and security concerns has led to heightened competition for local providers.

- **Industry Regulation:** Data sovereignty and data protection laws are driving datacenter investments across the region. Cybersecurity threats, latency concerns in relation to international hosting, and a desire to protect local investments in ICT have driven governments to mandate data residency requirements, particularly for government data.

- **Collaboration Between Industry Players:** Various tech industry players have begun to collaborate and form partnerships based on their areas of expertise. This enables them to share costs and bring efficient and cost-effective cloud computing or datacenter products to market.

- **Cloud Migration Difficulties**: Organizations' cloud migrations can run into difficulties as a result of failure to develop disaster recovery plans, lack of caution in relation to security, and unrealistic estimations of the costs involved (such as the cost of computing network traffic and elastic IP addresses).

FUTURE OUTLOOK

Looking ahead, several issues will need to be borne in mind that will shape the future of the public cloud market.

- **Digital Transformation:** The COVID-19 pandemic compelled organizations to reprioritize projects to ensure business continuity. Alongside public cloud strategies, advanced analytics and artificial intelligence (AI) are frequently cited as part of organizations' digital transformation plans.

- **Customization:** In the current evolving environment, businesses are actively seeking to partner with providers that understand their specific business priorities and can help them achieve their strategic goals. There is no one-size-fits-all approach to offering cloud services, as the readiness and needs of each business differ. Thus, solid support through each phase of the journey is essential.

- **Next-Generation Infrastructure:** With datacenter investments in the region expected to grow to meet the increasing demand, and with competition between third-party datacenter providers expected to intensify, businesses will seek infrastructure that resiliently accommodates new applications and processes (e.g., datacenter services that support intelligent operations, foster a DevOps culture, and enable payment flexibility).

- **Effective Partnerships:** Businesses often demand industry-specific expertise, and therefore need to establish partnerships with providers that can demonstrate this alongside a solid understanding of public cloud, systems integration, consulting, and infrastructure.

- **Skills Shortages:** A limited pool of available skills and talent in the region means businesses either need to invest in training and retaining talent that understands this space or partner with firms that have a proven track record in helping organizations with their cloud strategies.

- **Security and Compliance:** As the region's organizations continue to strive for digital transformation, data security has emerged as major issue delaying the migration of businesses to cloud. To ensure the safety and security of their data, businesses need to identify partners that are transparent about reported vulnerabilities and the remediation of those vulnerabilities in order to limit their exposure. In addition, it is imperative that providers establish clear expectations and inform their potential cloud customers about the necessary security measures and associated costs.

CONCLUSION

CIOs should consider the following factors as part of their digital transformation plans, responding to market disruptions, or reviewing expenditure:

- Digital transformation initiatives will be driven by the need to achieve operational efficiencies, enable Future of Work experiences for employees, and respond to ever-changing customer requirements.

- Most organizations will already have a cloud strategy that envisages a hybrid environment (public and private clouds as well as on-premises workloads), while others will consider a multi-cloud environment.

- Growing adoption of emerging technologies such as robotic process automation, AI, and Internet of Things to automate and simplify business systems and processes will underscore the need for cloud computing, especially where the implementation of such systems is dependent on ease and speed of deployment.

- Security and risk should be high priorities in assessing cloud solutions and partners.

- A key determinant of successful cloud journeys will be partnerships that can address evolving cloud requirements and supply the skillsets needed to migrate and support enterprise cloud workloads and infrastructure.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

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