

NETEVENTS

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*Draft*

*Debate VI:  
Making the Hookup  
Pitching for the Best Way to Connect to the Cloud*

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Panellists:

Matt Allcoat	Chief Architect, Asia Pacific, Middle East, Africa & Turkey, BT Global Services
Hisham Muhammad	Director, Global Solutions Architect, AP, Equinix
Chris Rezentes	Regional Manager, Partner & Product Strategy - Asia Pacific, Verizon

Right, Camille and the panel just spoke about the service provider offerings, what they are doing around the sovereign enterprise space. Again, we look at it more from an enterprise perspective, what is the best way for enterprises to connect to a cloud. So, we'll start by looking at the cloud adoption in Asia Pacific.

Asia Pacific region can be thought of as a combination of two very different markets. One is the emerging markets, which includes countries like Malaysia, Indonesia, China and India, where the focus is very much on private cloud, which includes primarily on premise and hosted. On the other hand, there are mature markets like Singapore, Australia and South Korea, where organisations and enterprises have grown in confidence. They're more confident of moving workloads, critical workloads, to cloud. And that can be somehow seen in the cloud spending. If you can see, the blue one represents the cloud spending in emerging markets. So the cloud spending in emerging markets is about one-fourth of the cloud spending in the mature markets today.

However, the growth rates are very different. The growth -- the emerging markets cloud spend is expected to grow sevenfold by 2020, whereas the mature market spend will grow about threefold. That's how we see the market. And as a result, up from 20% today the emerging markets is going to make around 30% of the entire cloud spending in the Asia Pacific region.

So, the cloud maturity model here that you see sounds like a complex one, but it essentially helps CIOs and IT directors to incorporate cloud into their IT strategy, so it's like a ladder of five stages. It starts from ad hoc, in which will - development and LOBs are using cloud for the experimental purposes, and it goes all the way up to optimised stage, where the organisations are moving mission critical workloads and applications organisation wide into the cloud infrastructure.

And as we go along this journey there are different kind of benefits that we observe. So, right from observing efficiency, increased idea efficiency, and going forward to having a flexible, scalable architecture, and at the end, using cloud as a platform for digital transformation, as the panel just spoke about, and to innovate their businesses into the new area.

Now, the cloud enterprise survey here, it highlights two interesting points. If you see the first and second stage, 27% and 26%, that's 53% of the organisations across Asia Pacific that are still in a very nascent stage in their cloud journey, and that represents a good market for the service providers to go after.

If you look down at the countries below, Singapore, New Zealand and Australia are the mature markets that we just spoke about, so they have already enterprises there, are very confident in moving mission critical workloads to the cloud. But the opportunity, the big opportunity, lies behind, in countries like Thailand, Philippines, Malaysia, Hong Kong, where the infrastructure is still very legacy based and there are a lot more opportunities for the service providers and cloud exchanges to play for.

Now, when we talk to the enterprises, these are the most anticipated benefits that enterprises expect out of the cloud services. So they expect that their IT operations will be helped a lot. They expect that their other operations, like data centre management, data centre facility management kinds of operations will be helped once they move to cloud. And also their financial and accounting, because a large part of it will be taken care by the cloud providers.

However, it's not an easy journey down the road, so what we see here is between stage two and three, till stage two it's all about developing a strategy, going about how to get on to a cloud, making the whole organisation -- getting that management buy in for those services. And then you go on to moving those critical workloads to cloud; you go about a journey where you are actually implementing what we just spoke about.

So that's the chasm of complexity that we talk about because most investment and time and resources is needed from the point of time of conception to when you're actually implementing it. And that's the reason the service providers and organisation

enterprises both need to work together to come up with the strategy, because this not a one size fits all solution for them.

And of course this we have already heard that when you can get it right it can be very, very good for you. Your infrastructure costs can go down. Your LOB managers will increase the spending with IT. The project failure rates can be reduced. However, if you go wrong and then it becomes a problem because the cloud costs become immeasurable. The cloud ROI targets are not met. And these are probably some of the things that are inhibiting enterprises across Asia Pacific, especially in emerging markets, from going on their cloud journey.

So, before ending, I'd just like to end with this Dilbert now, because this is where a lot of organisations are. So you talk to them about what hybrid cloud is and they are not sure. They just say that it's one complex technology coupled with another.

So, with that, I'd like to welcome the panel here, and I'd like to start with Matt about, we just spoke about a lot of complexities in cloud adoption, so, for a typical organisation, running a few complex workloads, what would be a natural starting point to the cloud journey?

### **Matt Allcoat**

Yes, thanks, Nikhil. So I think it's very interesting, the comments we saw there about the mature and the emerging markets, and I certainly agree with that statement. I think the interesting stat to read alongside it is the 27% and 26%, so over half the organisations still at the ad hoc of opportunistic areas. And in fact, in the last month I've met with three CIOs in very large corporations in what were -- you would describe as mature markets, who are facing this chasm of complexity. And so what are they doing? Everybody is trying to unify the cloud and bring that together.

We're seeing we're really seeing two different approaches to this. In one of them people are trying to extend their network and so they're using connectivity as a means of creating a hybrid cloud, and typically what's happened is during the ad hoc stage people have gone out, line managers in the business. They bought cloud services, and they've created a series of unconnected clouds. And people are trying to hybridise them, like the Dilbert cartoon, and they're doing that by plugging them in. So, we have a bunch of cloud connect products. All of our competitors do as well. This is a very popular way of doing it.

The second method we're seeing is people that are building a common security layer. So they're actually accepting that traffic will flow over public networks and they're using security, for example cryptography and identity management as a means of unifying the cloud. This is something that we've seen come along in the last few months.

Again it's something where we can help. We have, for example, cloud identity products that have adaptors for all of the big players, Salesforce, SAP HANA, Oracle, Amazon and so on, and I think both approaches are good.

**Nikhil Batra**

Chris, is that about the same think that you are also seeing across the region?

**Chris Rezendes**

Yes, I would agree with everything that Matt just said. In fact, you could take it one step further. If you're a customer ready to adopt the cloud, understanding your requirements is key, but also understanding which cloud service provider you're going to use is key.

I think we see instances of customers saying, okay, I want Office 365 or something like that, and they're saying, I'll use Verizon to connect to it and I'll figure it out as I go, and they don't realise that it's a lot more challenging. There's impacts on their networks and servers and their applications that you need to be aware of in advance, so I would suggest actually making sure that you spend on the proper resource, if you will, to understand and recognise those cloud requirements properly, before proceeding. And I think that might be a reason why there is somewhat of a slower adoption rate than what people initially thought. I mean, because there are large companies out there with data that, okay, a little bit here in the public cloud, a little bit in the private and you're seeing them reluctant to put all the data out there on the public cloud, just because the security and other issues like that, so, yes.

**Nikhil Batra**

you spoke about the issues of security and performance issues, and you also talked about the cloud interconnect. Now, when you're providing a third party service provider connect or third party cloud connect, then performance becomes a different ball game, because it goes out of your network. So, Hisham, being a cloud exchange, how do you manage some of these things?

**Hisham Muhammad**

Well, it's a steep learning curve because what we've realised was, as we introduce cloud exchange, you're at the, almost the forefront of where all the cloud providers congregate. So they put their hosting or [Edge] network nodes in your facility. What we soon realised was you inherit their challenges.

What the thing about cloud exchange is that the story behind the scenes is actually, Microsoft told us, think of an innovative way, think of SDN, instead of your traditional switching fabric.

Then, based on what Matt and Chris mentioned, the performance, security and so on, were the first few areas we would like to tackle, but then we realise, when you talk to the enterprises, they get the advice from Microsoft, the AWS and so on, so you've got some conflicting views. You've got -- or an information overload. And we're at the centre of everything, so you can't simply say, here's what I think. You've got to go one more round to get a better view and then understand. And what it somehow boils down to was that most of the initial early adopters were already consuming multi-

clouds. So in that it's sometimes not sufficient when you just have got one and not the other.

And then the next area comes complexity, or it's a capability that -- it's a big gap, basically. And you have capability gaps for security, and so on, over the private interconnect, and this is where we realise it's sometimes best to collaborate. It's interesting; you compete, and yet you have to collaborate, because the capabilities reside in different specialists. And ultimately, it comes down to who owns whatever relationship with the customer.

**Nikhil Batra**

Right, okay, so it can be very complex and challenging at times, right?

Matt, you mentioned about LOBs having an increased say in cloud adoption. They're going out on their own and getting or subscribing to these cloud services, without involving the IT or the CIO ladder per se. So do you think that's a good approach to take, for an enterprise?

**Matt Allcoat**

Ultimately, yes. I acknowledge the challenges that you put up there and I liked the snakes and ladders analogy. I think when -- we've seen companies where the CEO has gone to president level, C-level managers within his organisation and said, look, this is a really hard time for us. Just get out there and make it work. Do what you have to. There is a time and a place for following rules, and particularly if you're -- say you're in a challenging industry, mining, oil, gas, these guys are up against it right now. You need to do what you have to do.

And I think the challenge that CIOs are having is how do you do something that embraces and enhances that, as a way of getting on to the cloud, rather than standing there, and it's like being the compliance guy, or, sorry, the security guy and saying, no, you can't do that; it's insecure. CIOs and obviously us, serving these guys, we've got to be an enabler and we've got to say, yes, actually, we see what you want to do, and there is a business necessity for that, and we'll make it work.

**Nikhil Batra**

Okay. Chris you see that happening a lot? I mean, you get a lot of such engagements?

**Chris Rezendes**

Yes, based on what both Hisham and Matt have mentioned, we -- I think the expectation of CIOs and many of our customers that are looking for the best service is one service that has your end-to-end SLA that incorporates your network piece, your cloud piece and for that to happen, you'd have to have so many companies that know everything, and what our cloud service providers are going to specialise is in their cloud. They'll probably have very little experience, if any, on network, or so what we're seeing, and vice versa. Same within Verizon and many of these other

companies, where we are network professionals and experts, we're finding that we have to become more understanding of the cloud, and --

But, I mean, these are two different worlds, really, and what the customer's expecting is -- and I would bet that the customer's expecting most of the network providers out there to be knowing it all, like providing the end-to-end SLA, because we get a lot of that, and I think, since we bring it to their office or their home, the service, they're saying, okay, if there's something wrong with that service then Verizon, it's you. You need to fix this. And we're like, well, we've tested your network end-to-end, up to the cloud. It's fine. So it's a cloud problem. But that's not the answer that the customer wants to hear. They want to hear, this is -- that you're going to fix it. And then they want to see the SLA that encompasses everything, which, how can we possibly promote an SLA for a cloud service that we don't even own, right?

So I mean, these are challenges that we see and maybe in the future will provide some sort of change. What we may see is these companies, whether you're a cloud provider or a network provider, starting to adopt more experience and professionals and resources on the inside, to be able to support both so your customers can get end-to-end SLAs.

**Nikhil Batra**

Right, so you spoke about end-to-end SLAs for a third party provider, but what if it's your own network and your own service or your own private cloud? Do you have end-to-end SLAs?

**Chris Rezendes**

Yes.

**Nikhil Batra**

And have they evolved from the generic up time kind of SLAs to business oriented and performance oriented SLAs?

**Chris Rezendes**

Yes. In fact, when you talk about your own cloud, with the Verizon cloud itself, we provide end-to-end SLAs, which include the network and the cloud storage piece for our customers. That's a lot easier to manage that, because our -- if there's an issue anywhere our internal management network centres can review and look at the problem together and fix it very quickly, whereas if it's an outside third party cloud provider then we have to check our network piece, do the testing and then call up the cloud provider, hey, can you check this out? And give them the customer information.

**Nikhil Batra**

Okay. Matt, how about you?

**Matt Allcoat**

Yes, on the end-to-end SLA piece, I think people are asking for even more now. I'll give you a real work example. So, we can provide you a contact centre in the cloud. You can get Cisco, Genesis, Avaya. We have BT Radianz, which is a market data feed so you can your Bloomberg, stock prices, this kind of thing, and also perhaps you've got somebody else. Maybe you've got Salesforce.

Now, it's an entirely reasonable hybrid cloud application to say, well, I'm a financial services institution. What I want to see is I want data coming in from my Radianz cloud. I'm going to process that using my own fin tech software. I'm then going to hit up some contacts I have in Salesforce and run an outbound dialler from my contact centre. This is a completely reasonable thing to want to do if you're a financial services company, particularly if you're offering advice.

And I think the kind of SLAs that people are looking for now is, I want you to initiate my outbound contact within X many seconds of a certain data event happening that I'm getting from my market data cloud. These are the things people are asking us for. Are they there today as an off the shelf item? No. Do you have to hand roll every one, and are they bespoke? Yes, absolutely. But this is the thing that we're starting to do now, and I think that's what a real cloud service level looks like, because people are buying services, not infrastructure.

**Nikhil Batra**

Right. Hisham, how about you? You have seen these SLAs evolve along your journey at Equinix?

**Hisham Muhammad**

Yes, we do. I mean, sometimes -- or usually, we are part of the whole supply chain. We may be very prominent or we're transparent. That means an NSP or a systems integrator may white label our services.

And again, in terms of SLAs, as Matt mentioned, they are expecting the whole enterprise solution stack, so there is no way you could simply say, my SLA stops here, because once you talk about SDN, it's got an implication all the way up, as well as horizontal.

**Nikhil Batra**

That's interesting. Let's pause here for a moment to see if we have any questions from the audience here. Not really, so, let's go on.

One of the things that we have seen as the SPs have been talking, service providers have been talking a lot about SDN/NFV and it was spoken today earlier also. SDN/NFV for connectivity to provide an end-to-end, on-demand, flexible cloud compute service. So there is some demand around this, but there are very limited offerings today, and I'm sure this is going -- has to do a lot with some of the

commercial and technical challenges that you guys are facing. Can -- do you want to share something about this?

**Matt Allcoat**

Sure, yes. I think an SDN is very easy to build in a walled garden. If you own -- if you have a wholly-owned data centre infrastructure, for example, it's pretty straightforward to pick a brand of equipment, pick the controller software, go out and build it. And I think guys like Hisham, and we saw in this morning's keynote, people that are setting up global networks of data centres, which is effectively a very big walled garden, but they're bringing something really new and really solid to the market there.

I think the real challenge is when you start to do it in a carrier-to-carrier environment. We -- of course, we all love each other very much, but we need to adopt some standards and we need to have the commercial arrangements that mean that if one of my customers starts something that requires me to build an SDN that terminates within Chris' and Hisham's network, we've all got to get together in terms of technically how that works, and also how it works on a cross-charging model, because I'm going to be consuming his resources and charging my customer.

So I think as soon as you step outside of the walled garden, we need to do it, but the complexity magnifies really substantially.

**Nikhil Batra**

Chris?

**Chris Rezentes**

To elaborate on what Matt was saying there, that first step of being able to do that sort of orchestration, let's call it, between the network providers, will probably start at the vendor level, right? I mean, there can't be this closed off, proprietary system any more, when you talk about SDN and open flow, because many vendors, or carriers like ourselves, will be looking at a multi-vendor approach.

And as SDN, SD-WAN grows, like our strategy would be incorporating a lot of the virtualisation you see in NFV with some of the SD-WAN services or SDN services out there. And so we have to be able to have vendors that can integrate and by using that same sort of software, if you will, for the SDN, and be able to communicate, as Matt indicated, between different service providers. Because we're not all going to be using the same vendors and SDN networks.

**Nikhil Batra**

Yes, okay. There's an interesting thing that I heard from one of the Tier One telcos in Malaysia. They're talking about the fact that all of the enterprises that they talk to, they want some sort of professional services whenever they are coming on to -- or whenever they're engaging the service providers for cloud services, but yet they don't want to pay for it. They feel that that's something that should just be free, or as a

value add service, whereas service providers have been investing a lot to build their professional services capabilities. How do you see that panning out?

### **Hisham Muhammad**

There's obviously no clear-cut way. There's no holy grail to [pro serve] in, especially in this region, which is sometimes accustomed to value added or free services.

I think the key thing that we normally need to understand is if you're late to the game then yes, you may face these pricing challenges, or about getting people to understand the value. But if you're in early into the decision making, typically pre RFP, well, everything is still convoluted. That's where you generate the most value from your pro serve, or professional services.

Coming from my own background, working with some of the big five consulting, you realise that unless you get at a strategic level, which then changes the mind-set top down, you're going to have a very tough fight going back up against the whole flow of the investments and so on.

So, within the organisation, I think the way I tend to look at it is whichever level you come in, or whatever stage you're in, the perspectives of the different stakeholders, regardless of which angle you are in, you've got to go back out and start to understand what the real expectations are. Because the real gap in pro serve is usually you get a myopic view of one pro serve and -- or, sorry, one stakeholder, and you think that encompasses the whole vision of the company and then you realise that's not the case. And after that you start bringing in partners, possibly, for execution, and that's where you start, yes.

### **Nikhil Batra**

Chris do you see a lot of these requests?

### **Chris Rezentes**

I don't think we see a lot of requests, actually, but there should be, right? I mean, my advice to customers would be unless you have the resource internally that understands the cloud world, and not just the applications or the cloud service providers that you're using today, but additional ones that you may be onboarding, I don't -- I think in the future you're going to see many customers that just don't have a lot of -- just have one cloud service provider. It's going to be multiple cloud. Whether it's Salesforce or Google or whatever, but then incorporate that with a network. So if you --

You need people that know these things, and if they don't, then my advice would be go for the professional services, because you're going to need it. It'll save you a lot of headaches in the end, and today, it will save us a lot of headaches, because those are the types of calls we're getting from customers when they start to turn up their Microsoft service on our interconnect, and they run into problems or they don't know what they're doing, and it's like -- So if you don't know there are professional services you could be hiring for this.

**Nikhil Batra**

Matt, BT has spent a lot on the Assure part of building the Assure competency, so --

**Matt Allcoat**

Yes, exactly. I think, actually, both Hisham and Chris made very good points there, especially around being myopic in PS engagements. It is very easy to be in the room with a guy and -- we'll take the professional services as a cost of sale if we think at the end of the day there's a deal there. But then I think all too often people focus on the perceived deal maker and they ignore the rest of the company.

We did a large PS engagement for a global Australian company. It's an ASX 50. And this actually involved us travelling from a base in Australia across Australia, to Singapore, Hong Kong, Frankfurt, London, Toronto, New York and San Francisco, in order to meet the right stakeholders, because these guys wanted to go to Azure. They were worried about whether or not their network, which has 390 sites globally, is actually going to do it.

And the real task was, in the end, producing five different consultancy reports for five different lines of business, that all were essentially saying, look, there's an underlying change you could make and this is going to work for you. Here is why. But you've got to see that from five different points of view. I think that's the success case.

To come back to your original point, yes, people do expect it for free. Really, there's no such thing as a free lunch, and everyone's always going to recover it somehow, so I guess you pay your money, you take your choice one way or the other.

**Nikhil Batra**

Yes, probably. Are there any other questions? Any questions? No. Okay, any last words, gentlemen? Anything on how should enterprises go about it? It's not a one size fits all strategy, but --

**Matt Allcoat**

Yes. I think we have to avoid the Dilbert moment. There I loved that cartoon. I thought it was great.

I had to explain -- I was given the task the other week of explaining to our Asia Pacific leadership team, in words that would be understood by salespeople, accountants and HR, what actually is hybrid cloud. It's harder than you think. So this is the first thing. Once people understand - if the spend is going to transfer to the business, once the businesspeople understand the model they should be shooting for, life gets a lot easier. So I would say do that first.

**Nikhil Batra**

Okay, Chris?

**Chris Rezentes**

I would just say I think the slides that you had there with the markets and the emerging markets, I think it's key to continue to look at those areas. I think you don't see the cloud providers, that they're going to be setting up their data centres and cloud storage facilities in every country, so there will be a need and a demand in some of these emerging markets, to be bringing that data back to whether it's from Indonesia, Singapore or Philippines to Hong Kong, or something like that, so which would open up opportunities for your network providers to be servicing that. So I think that's one area that you -- we would likely see some uptake in terms of business.

**Nikhil Batra**

Right. That would also fund a lot of debate around data, so NAD, and all those kinds of things.

**Chris Rezentes**

Absolutely, yes.

**Hisham Muhammad**

I guess the thing that comes to my mind, through experience, is it's all about understanding the business drivers, because sometimes when you're early in the adoption curve, it's very easy to go off the technology track and lose sight of the business. Once you've done that do what Matt does and like they say, almost on a daily basis, explain to me in simple terms what this means. And then once you get the vocabulary and the whole understanding in place, they'll know that changes will happen, but at least everyone comes in with the clear expectations, of risk and so on.

**Nikhil Batra**

Okay, clear expectations. Okay, guys, thanks a lot for the discussion.

[End]