



## I D C   V E N D O R   S P O T L I G H T

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# Leveraging Next-Generation Service Delivery: The Move to Cloud Services

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*Perhaps there is no greater change in today's market than that of the user and buyer experience. Users have at their fingertips capabilities that are enabling them to localize and personalize specific needs, whether for personal or professional purposes; collaborate using real-time communications involving blogs and instant messaging; as well as integrate many sources of information and services to achieve specific goals, and do so in real time and globally. These capabilities range from social media and mobility to a new generation of service delivery referred to as cloud services.*

*These changes in the customer experience, coupled with a challenging economic climate, are impacting enterprises across a broad set of business areas and technological capabilities. From a business perspective, enterprises are looking to manage business risks and performance more effectively with particular attention to generating revenue, ensuring customer and employee satisfaction, accelerating speed to market, enhancing worker productivity, optimizing supply chain efficiencies, and driving product/service innovation. To support these business objectives, companies are looking to leverage the right set of technological and service delivery capabilities that can help ensure that they have visibility and transparency across all relevant data and information to drive their businesses; have a means of cutting (and controlling) costs in more rapid fashion; and have access to capabilities that can support making changes in business and IT more readily, all with the goal of aligning supply with demand. This Vendor Spotlight explores the move to cloud-based service delivery and discusses the role that CSC plays in this important market.*

### **Service Delivery Options: From Traditional to Cloud**

Today's customers have a variety of options when outsourcing. For example, customers can select between outsourcing using "traditional" methods of delivery or "cloud-based" methods of delivery. Figure 1 highlights the fundamental differences between these two methods. Examples of differences include tenancy (single with traditional and single and multi with cloud); speed of provisioning (weeks with traditional and potentially less than a day in cloud); and contract term (3+ years in traditional and monthly for cloud). Another difference between these two delivery methods is the use of a more labor-oriented support structure for traditional service delivery versus a more automated provisioning of services via cloud options.

Enterprises are increasingly adopting cloud services to support a broad range of needs, whether in developing and testing applications or in managing and running IT infrastructure and business applications (e.g., ERP, SCM, CRM, payroll, messaging). On the development and testing side, these services are referred to as platform as a service (PaaS) and testing as a service (TaaS), respectively. In contrast, cloud-based services involving the 24 x 7 ongoing management of IT include infrastructure as a service (IaaS) and software as a service (SaaS), as well as business process as a service (BPaaS). This range of cloud-based capabilities is complemented by the ability of enterprises to procure these services from a third-party provider as a set of either private (dedicated to a single enterprise) or public (shared among "unrelated" customers) utilities, similar to power and telephone types of services.



**Figure 1**

Portfolio of Service Delivery Options: From Traditional to Cloud

	"Traditional"	"Cloud"
Tenancy	Single	Single and multi
Architecture	Custom	Standard
Scalability	Limited	Highly scalable
Speed of Provisioning	Weeks	Days or less (self-service)
Consumption	Primarily fixed	Variable
Contract Term	Longer (e.g., 3+ years)	Shorter (e.g., monthly)

Note: Traditional refers to service delivery involving use of significant labor-oriented resources, while cloud-based service delivery involves more automated service delivery.

Source: IDC, 2011

## Key Benefits of Using Cloud Services

Cloud services afford enterprises a broad range of benefits, particularly as related to the business value of cloud. Some of the key benefits are as follows:

- **Enabling time to market.** Enterprises view cloud services as a means of faster deployment of capabilities to end users. The impact for enterprises is their ability to keep pace with faster time-to-market requirements and customer needs; get access to the latest functionality needed for enterprises to ensure market competitiveness; and drive new, innovative products and services into the market.
- **Optimizing ROI while reducing costs.** Cloud services support the need of enterprises to optimize their investments in IT by having access to services that enable them to pay for just what they consume. This feature of cloud services can help enterprises streamline their overall ROI, which can impact their financial performance in areas such as lower capex and operational costs while enabling them to pursue new markets and ensure customer satisfaction, with the goal of lifting revenue.
- **Aligning business demand with services usage.** The ability of cloud services to scale up and down while aligning with "elasticity" of demand helps enterprises to become more agile in responding to changes in the market. In addition, cloud services provide the flexibility to adjust the types of services needed based on demand, whether that involves IaaS for storage requirements to capture customer demand during peak seasonal business cycles (e.g., holidays) or processing power to support greater volume of transactions (e.g., tax season).

- **Supporting self-service requirements.** Another added feature of using cloud-based services is that it supports the increased need among users to set up specific services that meet specific business or user requirements. They can range from an IT department establishing the appropriate configuration to develop or test an application to an end user, such as sales, configuring a service to link key business processes together (e.g., customer purchase order with inventory management and distribution) and do so for a particular region of the world.
- **Providing metering and usage.** Firms are looking to ensure that when they use outsourced cloud services that they can monitor both their usage and the performance of their services. This is needed to ensure not only that their business operations remain always-on and services are used most effectively but also that they can maintain control over these services, particularly as related to budgets and costs.

## Key Market Trends

The combination of shifts in customer behavior and the expanding adoption of cloud-based services is driving significant changes in the market, including the following:

- **Move to mass customizing and personalizing services.** Enterprises are looking to align individual roles within their organization with the type of capabilities they need to ensure worker productivity. The move toward component applications and cloud-based services, whether private (internal IT) or public (a shared service with "unrelated" customers), is enabling such an alignment by allowing users to define their specific needs by business function or personal usage.
- **Impact of millennials on IT usage.** The millennial generation (loosely defined as people born between the early 1980s and the late 1990s) increasingly makes up a larger share of the population. This generation's approach to IT is fundamentally different; millennials expect not only that the technology will work when they need it but also that they will have access to a myriad of cloud-based capabilities, whether provisioned from within their organizations (private) or from outside their organizations (public). The result is a generation that is elevating the requirements for services involving uptime (e.g., 99.999% availability), access from anywhere (e.g., mobility), and access to any type of capability (e.g., messaging, social media, sales, product development) at any time.
- **Rapidly expanding use of mobile devices.** The shift to mobility is happening rapidly and involves a wide range of technologies. Most notable is the expanding use of smartphones and tablets by both enterprise and consumer users. The impact of this is the increasing need for organizations to provision enterprise-class business capabilities and services that not only are accessible by any type of mobile device but also, increasingly, can be provisioned via cloud services.
- **Utilizing multiple cloud services.** Enterprises are evolving their internal IT environments to their own internal (private) cloud capabilities that involve implementing virtualization, provisioning systems, services catalogs, and metering and billing systems, as well as an IP-based network. Additionally, organizations are also procuring cloud services from third-party providers as either private clouds or public clouds, with many combining both private and public clouds as part of a hybrid cloud strategy. Cloud services that enterprises are procuring from third parties include the full range of options from PaaS and TaaS to IaaS, SaaS, and BPaaS. Fundamental factors driving enterprises to create or procure cloud services include the need to lower costs by optimizing utilization of their infrastructures, improve linkages between IT and business processes, and support greater flexibility in driving products and services to market more quickly.

- **Leveraging multiple suppliers for cloud services.** Enterprises are utilizing a broad array of providers for their cloud services needs, ranging from functionally specific providers of cloud services (e.g., salesforce automation, HR, ERP) to telecommunications providers, pure-play hosting providers, and large, global outsourcers. The challenge for customers is in integrating and managing across multiple cloud services and multiple providers and ensuring that they can optimize the value of these services while maintaining business operations and minimizing any disruptions.

## **CSC's Cloud Services Business and Portfolio of Capabilities**

CSC provides a full life cycle of cloud offerings as part of its portfolio of extensive professional and outsourced services. These offerings are designed to help enterprises transform and migrate traditional application environments to work in cloud-based environments as well as enable provisioning of cloud services as a set of "on-demand" capabilities. These services can support a full range of application environments from database to Web, mobile, and enterprise applications. Further, CSC offers cloud delivery options including both off-premises and on-premises utilizing the same cloud fabric and rate card methodology; accelerated implementation of hybrid clouds; self-service or full application management options; and service-level tiers that can be aligned with workload requirements supported by an extended set of cybersecurity capabilities. To complement the cloud delivery models, CSC provides a full range of application services called FuturEdge and features the ACE Factory designed to quickly refactor enterprise applications for the cloud.

CSC's value proposition for using its cloud services includes the following:

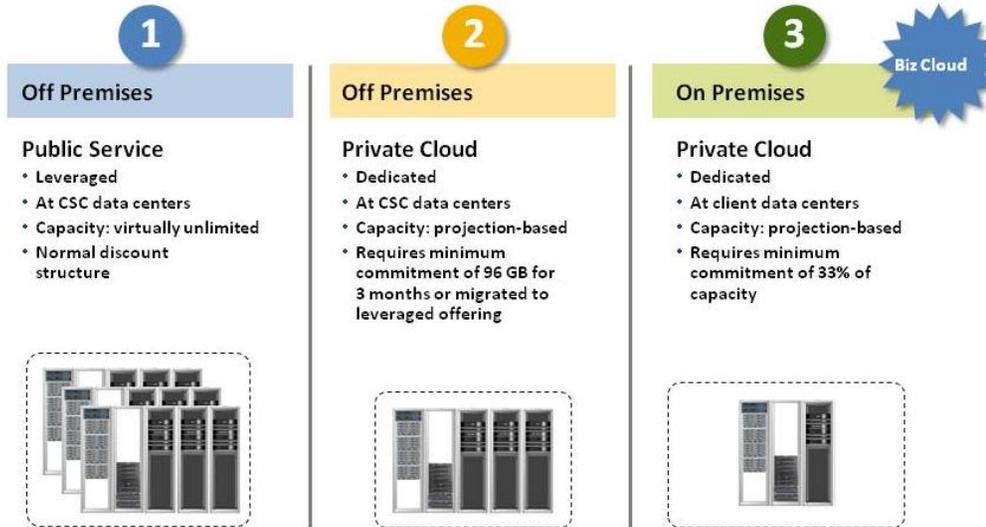
- **Business-first approach.** CSC supports cloud-enabled business workloads from the top down while transforming business processes using agile, innovative, and cost-efficient workloads.
- **Security and compliance leader.** CSC is recognized for its enterprise security services and frameworks and its ability to adapt to dynamic regulatory climates.
- **Service-driven business model.** CSC provides service delivery excellence backed by customer-centric service-level agreements (SLAs) and proven integrity and accountability.
- **Innovation and technology excellence.** CSC offers future-proof implementations built to scale with orchestrated and integrated solutions.

## **CSC's Cloud Services Offerings**

CSC's portfolio of cloud services offerings and capabilities involves a set of professional services focused on helping customers transform and cloud enable traditional/legacy application environments to be provisioned in a cloud environment. These services also incorporate cloud-based development and test options using PaaS and TaaS. In addition to migrating applications to cloud, CSC has built a set of outsourced options in the form of IaaS that can enable delivery of these applications (see Figure 2).

**Figure 2**

Overview of CSC CloudCompute Services Offerings and Capabilities



Source: CSC, 2011

Table 1 highlights the different packages and options available across CSC's three IaaS offerings shown in Figure 2. Key elements of these offerings involve ownership and management of different technology elements (e.g. OS, application stack) as well as services for optional support needs.

**Table 1**

CloudCompute Packages and Options

	Standard	Enterprise	Enterprise Plus
<b>IaaS</b>	Fully managed	Fully managed	Fully managed
<b>Hardware</b>	CSC owned	CSC owned	CSC owned
<b>OS License</b>	Client provided	CSC provided	CSC provided
<b>Middleware and Platform License</b>	Client provided	Client provided	CSC provided
<b>Management Responsibilities</b>	Client manages OS and application stack	CSC manages OS, and client manages application stack	CSC manages OS and application stack
<b>Optional Support</b>	<ul style="list-style-type: none"> <li>• Provisioning: Fixed virtual datacenter; designed for specific applications</li> <li>• Backup: Offsite backups with choice of retention policy</li> <li>• OS: License-only or fully managed instances of Microsoft Windows, Red Hat Linux, etc.</li> <li>• Database: License-only or fully managed instances of MySQL, Microsoft SQL Server, etc.</li> <li>• PaaS: SpringSource from VMware and software stacks for LAMP and .NET</li> </ul>		

Source: CSC, 2011

## Challenges

Some of the challenges that CSC and other outsourcers and service providers are facing in supporting customers looking to utilize cloud services are as follows:

- **Understanding customer business, industry, and regulatory requirements.** Ensuring that organizations can meet strategic business requirements that involve the use of cloud services requires that service providers understand not only an enterprise's business objectives but also a client's specific business, industry, and regulatory requirements, which can vary widely by customer, by industry, and by geography.
- **Ensuring that costs can be controlled.** With the ability to procure cloud services on a pay-as-you-go payment system, enterprises will be concerned about runaway costs. Outsourcers need to alleviate these concerns by putting into place the proper governance and control structures that include key services capabilities such as metering, usage, invoicing, and billing systems.
- **Meeting strategic outcome-based requirements.** Increasingly, customers are looking to utilize services to support more outcome-based objectives such as lowering DSO, improving cash flow, increasing customer satisfaction, and driving greater sales, to name a few. Achieving these objectives using cloud services is of particular significance given the inherent nature of cloud-based services to support such goals. As always, services firms should provide proof of their ability to achieve these goals when expected.
- **Demonstrating the ability to provision cloud services that meet stringent delivery requirements.** Service providers need to understand how to design and architect cloud environments and business applications that meet strict security and high-availability needs as well as stringent SLAs, such as 99.95% uptime. These requirements will be critical in aligning with key customer outcome-based objectives, as previously noted.
- **Having deep security and business continuity expertise to ensure stringent operational requirements.** Ensuring that IT environments will meet the business resiliency needs of an "always-on" enterprise requires that services firms provide the deep security and business continuity expertise necessary to design, build, and operate such environments.
- **Supporting effective governance to enable customer management of cloud services.** With increased adoption of cloud services, customers are becoming more concerned about having the appropriate governance structures to manage all their cloud providers and ensure effective service delivery. To mitigate these concerns, providers of cloud services need to offer clients effective program and project management that includes clear and open communication as well as well-defined rules of accountability.

## Conclusion

Rapid changes in the market are pressuring organizations to develop capabilities that enable them to adapt their businesses much more quickly across key business processes, supply chains, and a much broader set of stakeholders, to name a few factors. Further, firms are under tremendous pressure to ensure optimal financial performance while managing the many financial risks facing them. Enterprises need to consider the type of services firm that can provide them with the right set of capabilities, road map, and experience in leveraging the portfolio of cloud services to help achieve the level of flexibility required for their business. CSC's ability to engage customers effectively will be dependent on meeting these needs and at the same time helping customers mitigate a broad range of challenges and risks.

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