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Business demands for agility and innovation prompt rise of cloud native applications: adoption is set to double by 2020

Paris, May 31, 2017 – New research from Capgemini, a global leader in consulting, technology and outsourcing services, indicates a significant step change in enterprise cloud adoption through the increased use of cloud native applications - applications and services built to perform optimally in the cloud, leveraging Platform as a Service (PaaS). Driven by recognition that cloud-native applications can enable IT to better contribute to business agility and innovation, 15 percent of new enterprise applications are cloud native today with adoption set to increase rapidly in the next three years, jumping to 32 percent by 2020.

"This is an exciting shift in our industry. We predict that cloud-native architectures will become the default option for customer-facing applications by 2020, driven by a need to continuously deploy innovations at an accelerated pace and enhance the customer experience. Businesses that delay adopting this approach will struggle to make up the gap with cloud-native competitors," said Franck Greverie, Cloud and Cybersecurity Group Leader at Capgemini. *"Organizations need to listen to their CIOs and understand the huge potential of cloud-native technology to deliver business benefits and innovation. CIOs must also address culture and skills gaps within their own organizations on the road to being cloud-native leaders."*

The study of more than 900 senior professionals working in both IT and the wider business, from 11 countries across Europe, the Americas and Australia, attributes this shift in cloud adoption to a desire to improve business agility (74%), increase collaboration with external partners (70%) and deliver better customer experiences (67%).

It identifies a small group of 'leader' organizations that are already committing to cloud-native applications – those with more than 20 percent of their new enterprise applications developed in this way – with these leaders almost twice as likely to report increases in organizational revenues attributable to cloud-native applications than slower adopters (84% vs 44%). Compared with the laggards[1], cloud-native leaders also:

- Are more likely to describe their approach to software development as agile (69% to 37%), deployment as automated (78% to 46%), and DevOps teams as integrated (69% to 38%)

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[1] Laggards refer to organizations where less than 10% (and as low as 0%) of new applications are built using a cloud-native approach.

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- Display a more growth-focused attitude towards IT functions, with improving the customer experience (90%), business agility (87%) and scalability (85%) viewed as higher priorities than reducing costs (79%)

As adoption increases, CIOs at organizations leveraging or planning to leverage cloud-native applications expect IT to become even more central to supporting business ambitions, including the development of new business models (67%), rapid scaling of the business (72%), quicker updating of products/services (71%) and adopting new routes to market (68%).

However, many CIOs are facing challenges in building business cases to invest in cloud-native apps from business leaders that see cost reduction as the priority for IT teams. These challenges range from the organizational, including battling an ingrained culture that is opposed to the nature of cloud-native working (65%) and a skills shortage when developing cloud-native apps (70%), to the technical, such as difficulties integrating with legacy infrastructure (62%) and being locked in to vendor contracts (58%).

Digital Challengers Drive Sector Disruption

Just over a quarter of high-tech firms (26%) and almost a third of manufacturing firms (29%) are cloud-native leaders, compared with just 11% of banking providers, 18% of insurers and 22% of CPRD firms. Priorities are changing as a result of the digital challengers: banks now build 10%[2] of their new applications using a cloud-native approach, while almost half of insurers (47%) and almost one-third of consumer products, retail and distribution (CPRD) firms (27%) say that cloud native forms a core part of their technology strategies. All three groups – banks, insurers and CPRD firms – plan to spend considerably more on PaaS in three years than they do today (41%, 44% and 41% respectively).

Building a Cloud-Native Business

A clear roadmap to cloud—including the move to cloud-native application development—can dramatically improve the reputation across the business of IT, and therefore the CIO by extension. The new report offers six recommendations to help CIOs turn their organizations into cloud-native leaders:

1. Assess the application portfolio and identify priorities for cloud-native development
2. Build credibility by demonstrating a cloud roadmap and ability to deliver growth
3. Start small, and then scale up to develop a skilled team
4. Adapt the IT operating model to support both business agility and stability
5. Be pragmatic in selecting technologies
6. Incubate a culture of innovation, collaboration, testing and learning

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[2] 10% is the average across all banks surveyed, including leaders, late adopters and laggards.
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Cloud Native Apps Report Research Methodology

On behalf of Capgemini, Longitude Research conducted a survey of 902 professionals about their views on cloud-native software development, and the progress their organization has made in adopting this approach. Respondents were evenly split between IT and non-IT and were based in 11 countries in Europe and the Americas plus Australia. Respondents came from a range of sectors, with the largest numbers working in banking, insurance, consumer products, and retail and distribution companies. A copy of the report can be downloaded here.

About Capgemini
With more than 190,000 people, Capgemini is present in over 40 countries and celebrates its 50th Anniversary year in 2017. A global leader in consulting, technology and outsourcing services, the Group reported 2016 global revenues of EUR 12.5 billion. Together with its clients, Capgemini creates and delivers business, technology and digital solutions that fit their needs, enabling them to achieve innovation and competitiveness. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience[TM], and draws on Rightshore[®], its worldwide delivery model.

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