

Cloud VPN Survey Report

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A place in the clouds

Cloud computing is a term which is widely recognized in the business and consumer world, though few appreciate the impact it is having on how businesses fundamentally operate. The democratization of high compute power and the opportunity to scale an organization on minimized funds has given small businesses and entrepreneurs around the world to opportunity to compete with large-scale enterprise organizations.

And while there has been a significant impact on SMEs and entrepreneurs, the same can be said for big business. No longer able to rely on a weighty wallet to crush innovation in smaller competitors, these organizations have had to adapt their own attitudes towards IT and technology to ensure they remain in the game. The concept of 'too big to fail' no longer exists, and the result is a redefinition in the way every type of business, irrelevant of size, approaches and incorporates new technologies.

As the shift towards cloud infrastructure continues the availability of cloud-based VPNs has grown. The service itself provides a much needed boost for service providers as profits continue to erode through the

trends of consumer becoming less reliant on voice and SMS services. Using a service provider's platform gives enterprise customers the opportunity to remove the challenge of managing their own remote access.

Alongside the shift towards cloud computing, trends leaning towards enterprise mobility are also fuelling the growth. Organizations are now becoming more mobile, with employees demanding access to internal, and sometimes sensitive, data wherever in the world they happen to be and at whatever time they deem appropriate.

As the variety of devices using an increased number of connection mediums, such as Wi-Fi, hotspots and mobile broadband, continues to grow, so do the challenges, costs and time involved for enterprise in hosting their own VPN gateways. Many customers are taking the opportunity offered by service providers to remove this complication from their own operations, by bringing in cloud based solutions. Businesses can then utilise high-quality, pay-per-use, and elastic IT services without needing to build their own IT infrastructure.

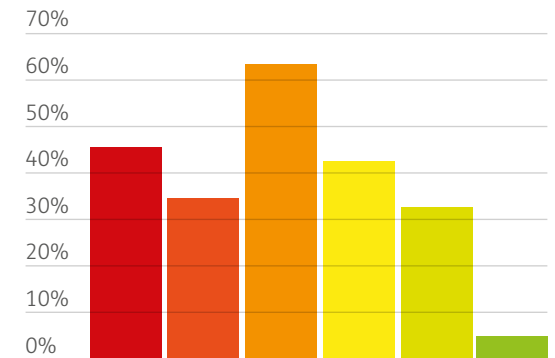
What does the industry think?

In fact, this report will focus on research conducted by Telecoms.com Intelligence with nearly 200 industry professionals on the future of VPN – with a particular focus on the role of cloud computing. The survey showed the primary reason for considering a cloud-based VPN service was down to difficulties in the multi-vendor proposition. 64% of respondents believed this to be the case in fact. 46% indicated high construction cost and complicated networking, demonstrating the shift towards cloud is making organizations more efficient, allowing funds to be allocated elsewhere. [See Fig. 1](#)

Enterprise customers typically pay the vendor a monthly-fee which is most likely to be lower than the investments in hardware and software, as well as the need to hire specialists. As with every other aspect of outsourcing, the potential for service providers to utilize the economies of scale could make for a useful profit centre if managed and marketed correctly. >

Figure 1

What do you consider to be the three biggest challenges associated with traditional VPN services?



- High construction cost and complicated networking 46%
- Slow service online time 35%
- Difficulties in multi-vendor devices/solutions integration/deployment 64%
- Lack of value added services to create new income 43%
- High maintenance cost 33%
- Other (please list) 5%



Lack of value added services to create new income was another area which proved popular (45%) further consolidating the point money is one of the primary drivers behind the adoption. As with other areas of cloud computing, money saved is not always the primary concern, but the ability to move quickly and scale up new offerings, products and services is a key driver in the digital economy. Slow service online time and high maintenance costs were two other major challenges associated with traditional VPNs, accounting for 35% and 33% of the respondents.

When looking more specifically at the value added services which would be of interest to the respondents, firewalls were the most popular add on attracting interest from 76%. Load balancing and WAS acceleration are other area which have proved popular, accounting for 58% and 53%, while DDI only accounted for 26%.

Show me the money

In terms of the pay-off, 38% of the respondents believe ARPU increase of 10% would be considered to be a realistic business improvement expectation as a result of implementing value added services, while 26% and 32% would be targeting a respective 10% and 20% reduction in CAPEX. On the OPEX side of things 36% of the respondents would expect a 10% decrease and 26% listed a 20% drop, indicating expectations for the technology are high.

	5%	10%	20%	>30%
ARPU increase	26	38	23	13
CAPEX decrease	24	26	32	18
OPEX decrease	22	36	26	16

However, while this is an area which has potential for growth in the industry, it is one in its infancy. Almost half of the respondents (49%) said VPN accounts for less than 20% of fixed networking service portfolio profit, with only 13% stating more than 50%. 27% stated it was between 20-30% and 11% said 30-40%.

From a cloud perspective, only 32% currently have Cloud VPN deployed as part of the wider VPN strategy, though 76% state they are investing in and constructing cloud-based services currently. Almost a quarter (24%) claim more than 30% of VPN investment budget would be allocated to it, clearly indicating there is momentum in the field.

Despite the long-term potential the reality is that the cloud proposition is bottom of the pile for the moment. 56% of the survey's respondents have IP VPN deployed, 41% MPLS Layer 3 VPN, 36% MPLS Layer 2 VPN and 52% Internet VPN.

And while this is still a sub-sector in its infancy, results may not be that far away. 10% consider cloud integration to the VPN offering realistic by the end of 2016, while 35% by the end of 2017

and 44% at some point between 2018 and 2020. [See Fig. 2](#)

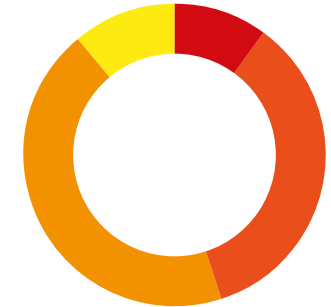
Perhaps unsurprisingly the public sector was one of the more popular choices as a target industry, considering high investment commitments in IT and potentially long-term contracts to be earned through the procurement process, though medium-sized hotel businesses were also a popular choice, earning 42% of the vote. The financial sector was also another which would appear to be competitive, with 41% of the respondents stating large financial organizations would be a top target for their business.

In terms of the most important factor when considering cloud-based VPNs, respondents highlighted the ability to tailor business strategies for individual industries and interoperability were the top responses, with 64% and 57% respectively. While this does indicate the mind-set of the decision makers, it shouldn't come as any major surprise.

Although for different reasons, both reasons can be linked to the ability of an organization to operate efficiently and competitively. From a tailoring perspective, this is one of the main drivers behind cloud adoption on the whole; organization can develop custom solutions in a much quicker period of time and at a significantly reduced cost through cloud computing. This is transferrable to the Cloud VPN proposition also, and it offers the flexibility needed to compete in the internet age. >

Figure 2

When would you consider cloud integration to your VPN offering realistic? (please select one)



- By the end of 2016..... 10%
- 2017 35%
- 2018 - 2020..... 4%
- 2020 11%



Bring in the new

Looking at interoperability, more specifically with existing VPNs, there are few organizations in the world who can operate from a greenfield perspective. Decision makers are looking to stretch previous investments as far as possible to generate as much ROI as possible, which means a gradual shift through to new technologies. For this to work, next generation and legacy technologies must be able to co-exist and work effectively alongside. Interoperability is therefore a key factor in the commercial feasibility of any new Cloud VPN proposition.

Interdepartmental cooperation was one of the least important factors utilising cloud as part of a B2B VPN service proposition, accounting for only 18% of the vote, while difficulty of cloud-based VPN deployment was 24% and the variety of value added services was 44%. As mentioned before, the importance of creating a product which enables customers to become more agile, and increase the speed in which new offerings can be launched to the market has become a primary concern of decision makers throughout the industry.

While the Cloud VPN segment does look like one which could be potentially lucrative, the potential for integration partners is a mixed bag. 39% stated they wouldn't use an integration partner, and would complete the integration in-house, while 48% were open to bringing in a third party integrator. 13% of the respondents would effectively choose to steer clear of the commercial relationship and work with a non-vendor as part of the integration.

See Fig. 3

With regards to the specific features of an integration vendor, our audience again deferred to the necessity for an open and interoperable multi-vendor environment – identified by two thirds of respondents. An additional 55% (respondents were asked to choose all answers that apply) believe that open programmability through the use of advanced API capabilities is a key factor in determining their integration partners. Elsewhere, 42% of the audience said network estimation, optimization and design abilities are imperative; 41% said they want the availability of rich value added services to continually generate new revenue streams; and 33% targeted professional lab services to develop solutions and conduct pre-integration validation tests.

The introduction of cloud computing will and is penetrating every aspect of an organization technology structure, though the research does indicate this is a slow burning trend in the Cloud VPN space. There is significant potential for the technology in the digital economy, due to the fact businesses want to remove IT specialists. By focusing resources on the organizations primary business as opposed to internal technology upgrades, big businesses can look forward to tackling the rising challenges of SMEs and entrepreneurs inspired by the cloud computing revolution.

Conclusion

As the shift towards cloud infrastructure continues, focus on doing the same for a cloud-based virtual private network will follow in tow. Service providers will benefit from shifting traditionally rigid network services to

the flexible and agile nature of cloud, with an added splash of simplicity and affordability. This is particularly relevant as a potential solution to traditional networking challenges, such as multi-vendor interoperability, capex/opex and overtly complicated network infrastructures.

We also highlighted that money isn't the only motivator to move towards cloud-based VPN services, with a significant proportion of the audience suggesting that scaling out new offerings for products and services is an admirable quality.

Inevitably, though, money is a sizable – and understandable – factor in the decision making process for operators looking to develop and deploy cloud VPNs. Nearly half of respondents said that ARPU will go up by at least 10%; while capex and opex reduction is in sight also.

Perhaps most excitingly for the cloud VPN industry, more three quarters of respondents say they're in the process of devising the strategy for, or the actual development of, a cloud-based VPN service.

Not only does the audience seem keen to develop a commercial proposition, but they plan on doing so soon, with nearly half the audience saying it will be a reality before the end of 2017. It looks like the future for cloud-based VPN is bright. ■

Figure 3

Which of the following statements most accurately reflects your view on outsourcing the integration of a cloud-based VPN service? (Please select one)



- We won't use an integration partner, and will complete the integration in-house..... 39%
- We would look to choose a third-party integration specialist vendor 48%
- We would look at working with a non-vendor integration partner..... 13%



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