

Turbulence ahead for cloud computing

Cloud computing to be key technology track at Canalys Channels Forum, 5-7 October 2010, in Barcelona

Palo Alto, Singapore and Reading (UK) - Tuesday, 27 April 2010

READING, UK, 27 April 2010 - Cloud computing took a serious hit with Google's exit from search business, and its subsequent service issues, in mainland China, announced Canalys. While cloud solutions will remain appealing for certain customers with limited international ambitions, the platform's inherent security and access issues will herald a shift back to traditional software models, said the industry analyst group in a recently issued report.

'The two biggest trends in the IT industry - the rise of cloud computing and China's emergence as a global growth engine - have just collided with a bang,' said Steve Brazier, President and CEO of Canalys. 'The hacking of Google's systems in China has demonstrated that security weaknesses in the cloud have moved from a possibility to an actuality.'

Canalys maintains that legacy software companies that reposition themselves for local services, or at least a mixed model, stand to benefit the most from cloud computing flaws, as customers demand increased security and access controls: 'Customers will want global solutions that help them decide what information is stored where, coupled with systems that function competently, even when Internet access is down or restricted,' said Brazier.

As companies have sensitive information across many domains - finance, HR, legal, R&D and marketing, among others - a security breach anywhere could have devastating and far-reaching effects. Likewise, the regulatory threat posed by the local political landscape in emerging countries will influence multinationals' choice of software platform moving forward.

'It would be extraordinarily naïve for a company to believe Google's situation with China is unique,' said Brazier. 'All the US giants have struggled, while local Internet brands have snagged top positions across major areas, such as search, auctions and video sharing.'

Late entry, language and cultural issues, such as failure to adapt to local market trading conditions, combined with site performance, have encouraged customers to stick with local solutions in China. Similarly, other emerging regions, such as the Middle East, Russia and Indonesia, are capable of making unilateral business decisions to the detriment of foreign companies, while the situation in India and Brazil - more stable for now - could change due to the influence of neighboring countries.

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According to Canalys, cloud computing will not disappear for some time, due to the continued support of US-based proponents, which have yet to see the model's challenges in emerging markets. Smaller companies, more willing to live with risks, and public bodies, mainly restricted to national borders, will be less concerned about international access issues and local hacking threats.

The future of cloud computing will be a key technology track at EMEA's largest and most influential annual channel event, the Canalys Channels Forum, being held from 5-7 October at the Hotel Arts in Barcelona. This two-day, invitation-only event will feature senior one-to-one meetings, business-savvy keynotes, research into industry and channel trends, and expert-led debates among an audience of more than 500 executives from top vendors, distribution management, leading SMB resellers and Canalys analysts. More information about the event can be found at www.canalyschannelsforum.com.

About Canalys

Canalys specializes in delivering high-quality market data, analysis and advice to the world's leading technology vendors. It is recognized as a key provider of continuous advisory services and confidential custom projects for marketing managers and strategists within blue-chip IT, telecoms, navigation and consumer electronics companies. It has unrivalled expertise in routes to market for all kinds of high-technology products and services and provides worldwide market data and trends analysis.

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