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Cloud Computing – Germany has fallen behind

Commentary by Jens Meyer and Tim Schlenzig, 17th December 2009

„Cloud computing“ has been popular for two years. In Germany, however, this has only been a point of discussion so far. Although business profits have increased significantly around the world and increasing numbers of large companies are taking advantage of virtual IT infrastructures, Germany appears to have fallen behind. This could put them at a serious disadvantage.

Using cloud computing processing power, memory space and software can be rented over the Internet. Companies share their own IT infrastructure which is stored in a „virtual cloud“. This means that they do not need to invest as much – the company’s own employees do not need anything other than a low-performance PC and an internet browser. Furthermore, because most IT related costs are often dependant on the actual consumption, cloud computing enables businesses to be much more flexible in terms of variable business costs and profitability.

The market is considered to have huge potential and great significance. Companies will invest 44 billion Dollars into cloud computing by 2013, according to market researchers at IDC. So far, companies have invested over 14 billion Dollars. This is particularly good news for the big three in the sector: Google, Microsoft and Amazon.

Google’s two million networked servers include the cloud computing service „Google App Engine“ which, together with the office software „Google Apps“, brings in several hundred million Dollars a year and is therefore one of the information giant’s fastest-growing areas. Microsoft plans to follow their lead with „Windows Azure“ and will also launch an internet-based office package in 2010. And Amazon is currently the market leader in the provision of processing power and memory space for business customers. The future ambitions of the number one online trader are also great: the CTO recently announced that in the near future, the use of cloud computing could overtake sales in retail outlets.

Previously, the majority of customers came from the USA, where demand came from cities, research institutes and in particular companies. In three years, it is estimated that four out of five Fortune 100 companies will be using clouds.

This is not the case in Germany. Although everyone is talking about cloud technology here too, most German companies admit that they have not yet given the topic serious consideration. Only seven percent are currently users and only another seven percent plan on introducing the system. Taking action is another matter.

It would be a wonderful vision if it were not for the major investment. And what about data protection – where is our data actually stored? – These are the kind of questions the decision-makers are asking. Maybe it is better to just wait until the integration and practicality of the system have been tried and tested. But this is where the risk lies.

Where no costs are incurred for investments and licences and there is usually no minimum contract duration, and where a complete IT infrastructure can be set up in a matter of days or even hours, there are huge opportunities for young companies to compete with established companies in the blink of an eye. Ideas can be implemented much more quickly. And the company is freed from the burdens of having its own IT system, which generates high costs even if it is not used. German companies that do not want to become involved with cloud computing could fall behind new innovators and forward-looking companies around the world even more quickly than anticipated.

A paradigm shift is painful. Particularly in this country, where individual business processes are regarded as a decided and possible advantage against the competition. And, of course, there are still plenty of questions about data protection which have not yet been answered. For these reasons, the first major companies are looking for a compromise in the form of a private, internal company cloud, where administrative expenses can, at the very least, be reduced, because each department can construct its own IT package. However, IT itself needs to be continued, even if there are fewer servers and improved performance in some cases.

However, most German companies have found it difficult to take even such comparatively „small“ steps. In a business world which will spin even faster as a result of cloud computing, the risk that companies will get left far behind in a short space of time is also higher. Those who misjudge the clouds in the sky may soon find themselves standing in the rain.