Securing digital transformation

A post-pandemic outlook
for Europe

OMDIA

Summary

Introduction

Before the pandemic hit, only 1% of European enterprises believed that their digital transformation journey was complete, according to Omdia research. The ability to do business online fluently, to develop and protect digital assets, and to run agile, adaptive organizations were a work in progress for the remaining 99%.

Today, enterprises still want to achieve these goals - and their dependency on a modern networking foundation to do this has only escalated. While the crisis may have reshaped the expected course of 2020, it has also sharpened focus on where it is most urgent for enterprises to act.

Among enterprise priorities, migrating to an SD-WAN has become a necessity, not a nice to have. Connecting, securing and optimizing fluid working environments on the fly is the new normal for enterprise IT departments already under extreme pressure. But European enterprises don't expect to face this task alone: 98% are seeking partners to help them.
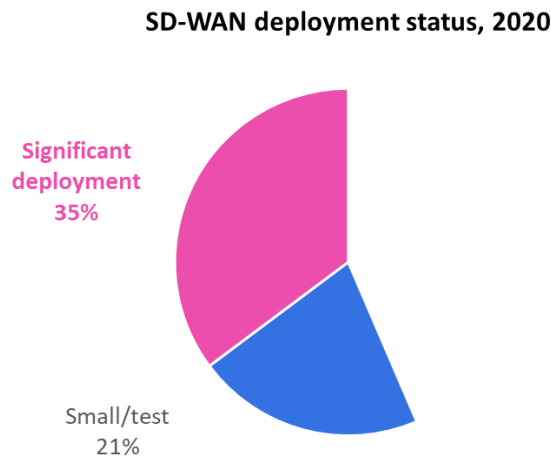
The status quo
Early in 2020, Omdia spoke to a cross-section of European mid-market and large enterprises about their networking investments, plans and experiences. The results make clear that a massive shift was already underway - and delivering tangible results:

- **SD-WANs were entering the mainstream:** Nine out of 10 enterprises expected to use an SD-WAN service within the next 24 months; six out of 10 already were.

- **SD-WANs were delivering profound benefits:** European SD-WAN users reported an average 40% boost in the value of their network operations since implementation.

- **Cost was not a key motivator:** Among the most valued benefits, SD-WAN users cited security and performance above all, and they valued cost savings least.

These results are impressive on their own, but even more so when considered in context. According to Omdia interviews, enterprise IT departments are still typically spending 70% of their time on routine moves, adds and changes, troubleshooting and maintenance tasks. SD-WAN platforms can help free these valued expert employees from much routine administrative drudgery. Given the fast reaction and adaptability that COVID-19 has demanded - and will continue to demand - enterprise IT must be able to focus on more strategic activities and be empowered to execute on initiatives fast.

Figure 1: SD-WAN usage in early 2020

SD-WAN deployment status, 2020

Significant deployment 35%

Small/test 21%

Note: "Significant deployment" is more than 10% of sites connected to SD-WAN . "Small deployment" is a pilot or <=10% of sites connected to SD-WAN

Source: Omdia 2020 Enterprise Network Insights Survey. n=480
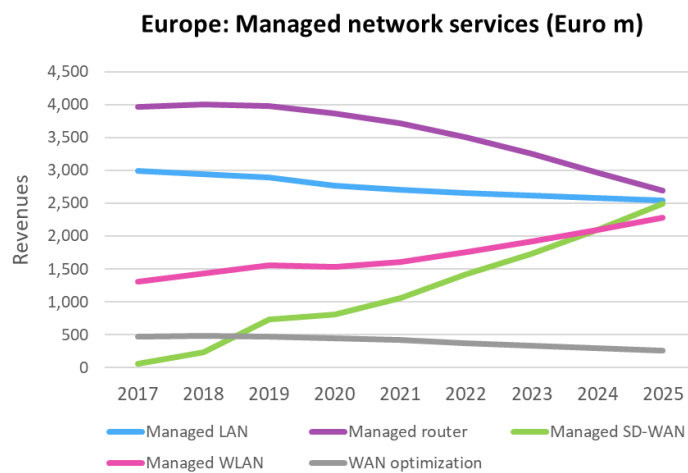
Investment patterns

Shifts in investment priorities, coupled with delayed and cancelled projects, are fundamental to market momentum. The €33.5 billion European enterprise networking services market will lose just over 5% of its value in 2020. Recovery will take time and is variable by industry. Deep impacts in retail, transportation and insurance industries are one aspect of the market, compared to resilience in healthcare, media and IT industries.

Overall, the market will move through three phases between 2020 through to late 2021: protection, stabilization and reconstruction.

- **Protection (April to September 2020):** The main activity is service partner triage and validation. Focus areas are hosted gateways / remote VPNs, managed security as well as unified communication and collaboration tools.

- **Stabilization (October 2020 to March 2021):** The main activity is executing on plans with selected partners. Focus areas include the expansion of hybrid networks, exiting from MPLS, moving to cloud services and reviewing managed services.

- **Reconstruction (March to October 2021):** Digital investment accelerates in this phase. Focus areas may include more complex network migration and IT projects and newer areas such as Internet of Things application deployments.

Accordingly, enterprise investment priorities will also evolve (see fig. 3). In this snapshot of managed network services, the steady rise of SD-WAN services is clear. Some services will decline, and functions will merge into others such as WAN optimization.

Figure 3: Enterprise investment priorities evolve

Europe: Managed network services (Euro m)

Source: Omdia

Future prospects

SD-WANs are demonstrably proving successful for many European enterprises. In functionality, however, the SD-WAN market will need to move on to keep enterprises satisfied. Not only are there different SD-WAN solutions on the market, but enterprises must be sure that the solution they choose is properly aligned with their actual needs. The next stage of networking investment will demand more nuanced decision making.

Enterprises prospecting for networking services partners are already stating areas of rising concern:

- **Management complexity:** Enterprises don't want siloed network management. In real life, demarcation points don't exist for enterprise IT teams or their end users: they are accountable for all digital experiences across all networking infrastructure whether public or private, fixed or wireless, LAN or WAN.

- **Escalation of security breaches:** The changing roster of connected devices and people inevitably expands the threat landscape, beyond the rational ability of a human being to handle it all. Lack of true end-to-end visibility in near real time – of data streams, application performance, device activity – is a serious risk that enterprises must address. However, grafting on additional security solutions to an existing SD-WAN could mean separate management interfaces, performance issues and potential security gaps.

- **SD-WAN 'clutter':** Indeed, as SD-WAN services go mainstream, so enterprises may bring in a new SD-WAN platform, then buy from a WLAN partner, then inherit router

and firewall upgrades. Enterprises may find themselves managing multiple SD-WAN platforms and controllers - exactly the problem they wanted to avoid.

Recommendations for enterprises

- **Beware of one-trick ponies:** Best-of-breed partners can deliver value, but ultimately an interlocking view of the digital world and its respective domains is increasingly necessary to maximize positive outcomes - and avoid missteps. Enterprises must be assured that their network service providers are also competent beyond SD-WANs, given increased demand for the consolidation of networking and security capabilities delivered through the cloud, and better application-awareness.

- **Get edgy:** The network edge is undergoing as deep a transformation as the WAN, and they are related developments. Enterprises should explore their partner's definition of end-to-end networking, and the degree to which they can provide integrated, cohesive management of the WAN edge across data centers, branches, clouds, campuses and other contexts.

- **Value men, but also machines:** Personal accountability still matters in business relationships, but the complexity of enterprise networks - notably as the IoT grows - demands additional assistance. The use of automation, artificial intelligence and analytics tools must be increasingly important capabilities in partner selection.

Appendix

Methodology

Between January and February 2020, Ovum conducted an online survey of 480 enterprises. Surveyed companies ranged in size from 250+ employees to 10,000+ employees, The survey was conducted in the US, the UK, France, Germany, Australia, Singapore, Malaysia, Brazil, Italy, the Nordics (Sweden, Finland, Norway, and Denmark). The survey covered companies across a range of vertical industries. The survey treated the location of the respondent as the source country. Respondents had executive IT and network/WAN specialist roles and were involved in ICT purchase decisions for their companies (i.e., recommend, specify, and/or approve).

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Omdia consulting

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