

*Research Brief*

# The Demand for Hybrid Online File Sharing Solutions

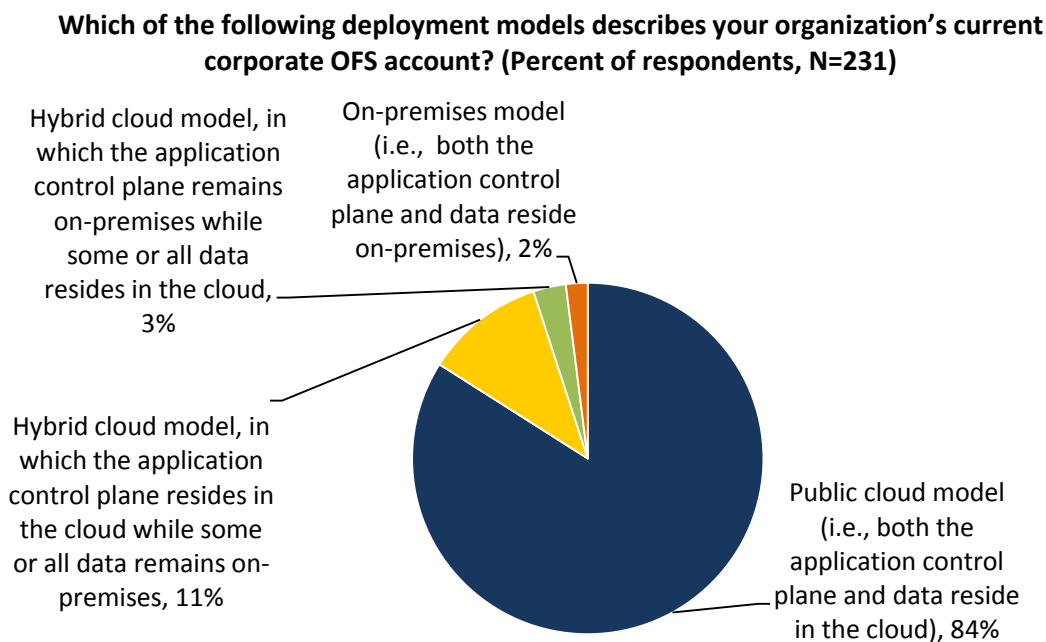
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**Abstract:** *The OFS market is rapidly maturing from file storage services for consumers to technology solutions that require features to effectively manage and secure business data. As part of this evolution, there is increasing demand for alternatives to the “one-size-fits-all,” cloud-based approach, especially among current OFS users who currently leverage that deployment model. The fact that more than two-thirds of these respondents would be extremely interested in a deployment model that allows some or all data to be stored on-premises is significant, albeit not surprising given that almost all respondent organizations have some types of data that is prohibited from being stored in a third-party data center.*

## Overview

ESG recently conducted an in-depth survey of 334 North American IT professionals representing small (fewer than 100 employees), midmarket (100 to 999 employees), and enterprise-class (1,000 employees or more) organizations to find out about their organizations’ usage of, interest in, and opinions regarding online file sharing and collaboration (OFS) services and deployment model preferences.<sup>1</sup> The findings reveal that there has been significant adoption of and interest in OFS solutions for businesses as vendors have steadily expanded functionality and evolved to meet business objectives by layering additional features on top of basic sync and share capabilities, including deployment flexibility. However, since many of the first OFS solutions offered a solely cloud-based solution in which both customer data and the administrative control plane are stored and executed in the service provider’s (cloud-based) data center, it is not surprising that surveyed organizations currently maintaining corporate OFS accounts overwhelmingly (84%) leverage the public cloud deployment model (see Figure 1).

Figure 1. Type of Corporate OFS Account Leveraged by Current Users

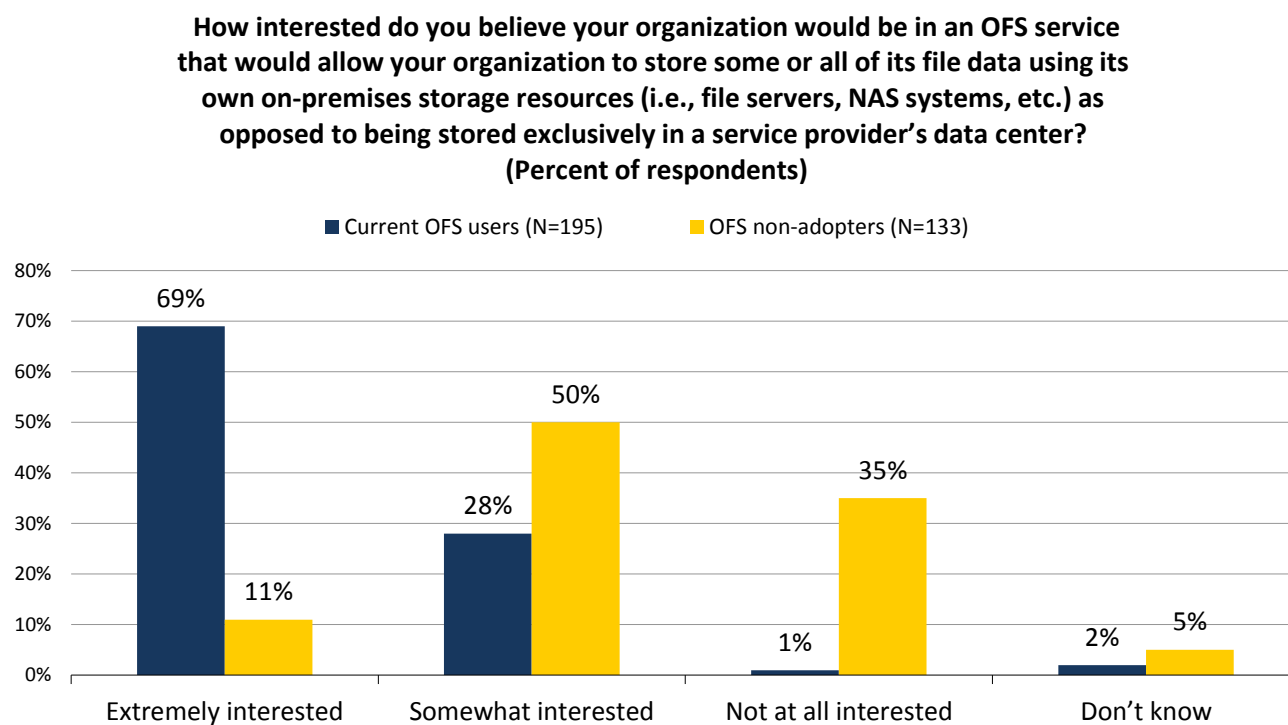


Source: Enterprise Strategy Group, 2014.

<sup>1</sup> Source: ESG Research Report, *Online File Sharing and Collaboration: Deployment Model Trends*, to be published February 2014.

In addition to being easy to set up, the public cloud model also allows customers to offload some storage and infrastructure costs (some OFS providers offer unlimited storage for business accounts), yet it leaves businesses at the mercy of how the service provider handles data protection and security. Given the limited control over company data and potential risks associated with public cloud offerings, ESG asked the respondents leveraging this model about their views regarding the potential ability to store some or all of their data on-premises. As Figure 2 illustrates, more than two-thirds (69%) of these respondents said they were *extremely* interested in this ability. It is also worth noting that more than half of OFS non-adopters—i.e., those organizations with *no current plans for or interest in OFS services*—said that they would be interested to some extent in an OFS service that would enable them to store some or all of their file data on their own on-premises storage resources.

Figure 2. Level of Interest in OFS Services with On-premises Storage Resources



Source: Enterprise Strategy Group, 2014.

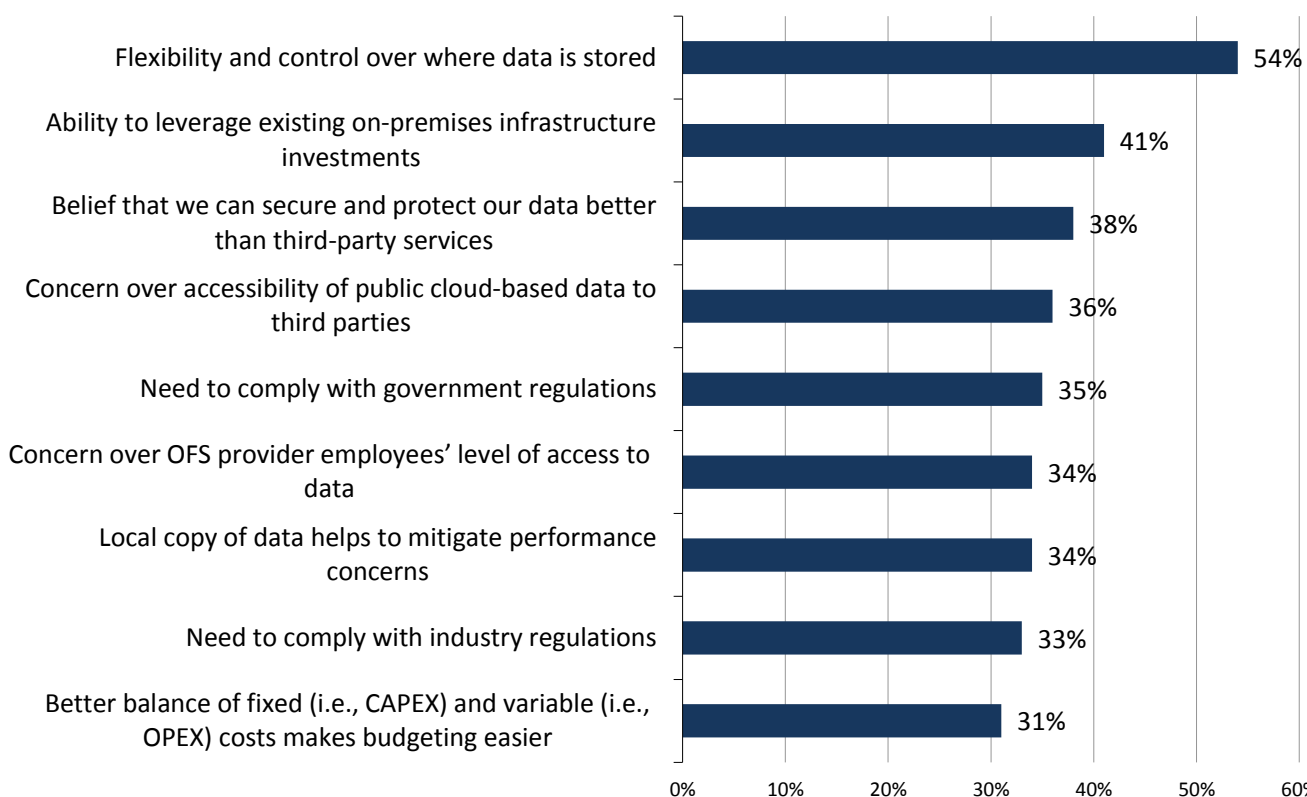
When asked about factors driving interest in the ability to retain file data on-premises, more than half (54%) of current public cloud model OFS users indicated they wanted flexibility and control over where data is stored (see Figure 3). Along the same lines, 38% of these organizations believe that they are better equipped than third-party services to secure and protect their own data. Again, in a public cloud model, the service provider is responsible for storing and providing access to company data. If, for example, the service provider experiences outage or security breach, customers may not be able to access their data until service is restored, or may find sensitive data has been compromised. There have been numerous high-profile breaches in the OFS space in the last year, including the arguably most well-known public cloud solution, Dropbox. The ability to retain some or all data on-premises likely puts IT at ease knowing they can manage more sensitive or mission-critical files in the company’s own data centers, where security and availability policies have already been established.

Additionally, many organizations, particularly large enterprises, have made significant investments building out on-premises data storage and infrastructure, so it follows that 41% would point to the ability to leverage these existing resources as a reason to pursue alternate OFS deployment options. Even though storage can be relatively inexpensive in public cloud offerings, if organizations wanted to put all their data in an OFS solution, they would need to find a way to migrate their existing data, which is often times consuming and expensive. This seems to be especially true among current OFS users, who have actual experience with these services and may be better positioned to complement public cloud offerings with on-premises resources. Finally, it is worth calling attention to the fact that more than one-third

(36%) of organizations currently using a cloud-based OFS service have concerns over the accessibility of public cloud-resident data to third parties. This is likely due to the “Snowden effect.” If the cloud provider has both the data and the keys to the data, as many cloud-based OFS providers do, they must turn data over to law enforcement agency in the event of a subpoena. And, in the cases of recent Snowden revelations, the government may forbid the service provider from telling a company that their data was even requested.

*Figure 3. Factors Driving Interest in On-premises Storage among Current Users of Cloud-based OFS Solutions*

**You indicated that your organization would be interested in the ability to store some or all of its data on-premises. What is driving your organization’s interest in keeping its data on-premises? (Percent of respondents, N=190, multiple responses accepted)**



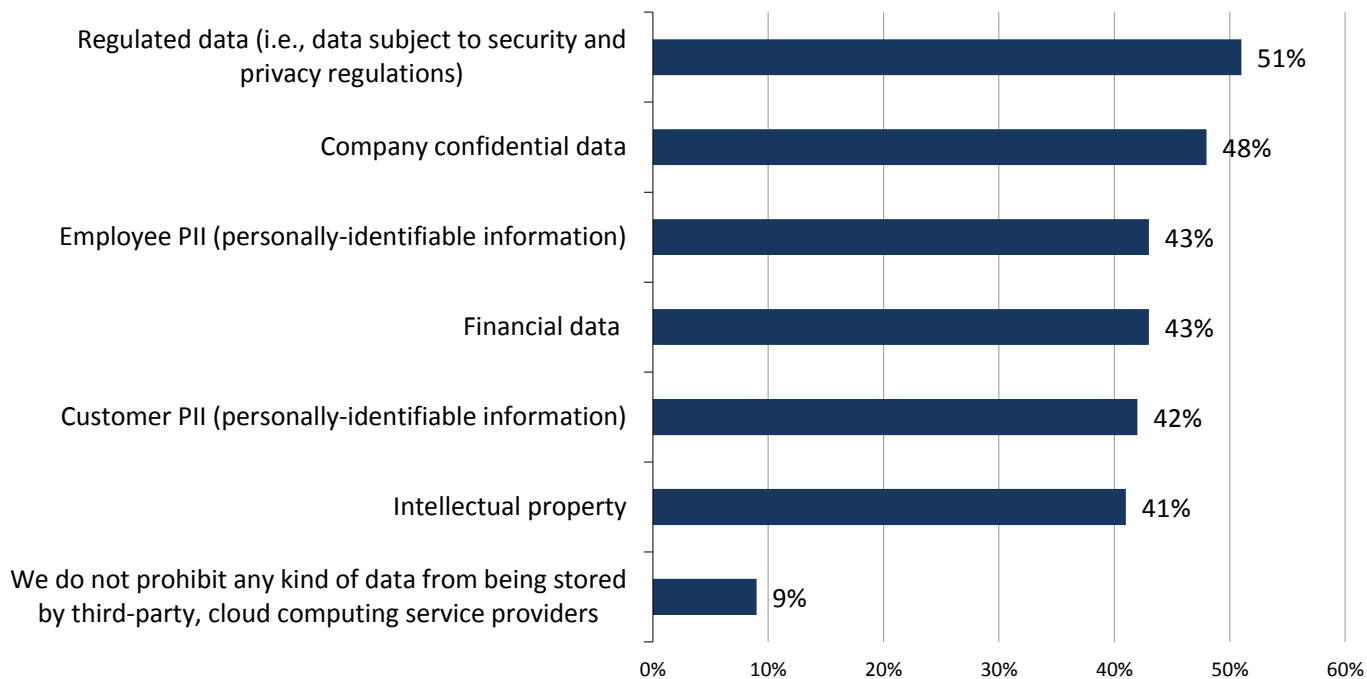
Source: Enterprise Strategy Group, 2014.

Clearly control, security, and regulatory compliance are all top concerns among current OFS users and are also reasons for considering services with on-premises storage capabilities.<sup>2</sup> To garner additional insight into these objections to the public cloud-based OFS model, ESG also looked at types of data current OFS users prohibit from being stored with the cloud service providers. Responses ranged from regulated data to intellectual property, but the bigger takeaway is that more than 90% of these users of cloud-based OFS services impose restrictions on at least one type of potentially sensitive information (see Figure 4). This seems to suggest that the vast majority of these organizations have some reservations around how service providers handle sensitive company data. In light of these misgivings, it is not surprising that customer interest in other deployment model offerings has burgeoned.

<sup>2</sup> Source: Ibid.

Figure 4. Types of Data Prohibited from Cloud Service Providers by Current Users of Cloud-based OFS Solutions

**Which of the following data types – if any – does your organization prohibit from being stored by third-party, cloud computing service providers, including OFS services? (Percent of respondents, N=195, multiple responses accepted)**



Source: Enterprise Strategy Group, 2014.

## The Bigger Truth

As the OFS market continues to develop and mature from a “one-size-fits-all,” cloud-based approach to one that demands features to manage and secure business data, there is increasing demand for alternative deployment models. Deployment models will likely be the first consideration IT needs to sort out, even before diving into specific features and functions, especially given that most respondent organizations have restrictions on what data is suitable for cloud-based services.

Interest in alternative deployment models is especially high among current OFS users who subscribe to cloud services. The fact that more than two-thirds of these respondent organizations would be interested in a deployment model that allows some or all data to be stored on-premises is significant—these users have experience with cloud-based deployments, yet do not appear to be completely satisfied with this approach. That should set off alarm bells for cloud-only providers that need to understand and address the drivers behind the desire to retain data on-premises. While IT organizations may feel more in control with some or all data on-premises, OFS vendors have strengthened their capabilities in the areas of security, administration, control, and reporting and it is likely that their customers—both current and potential—don’t appreciate the sophistication of today’s solutions. Meanwhile, OFS providers that offer a hybrid cloud option should work to better educate current and potential customers about these offerings, specifically placing emphasis on how hybrid solutions can not only help address IT’s security and control concerns, but can also enable existing on-premises storage infrastructure investments to be leveraged.

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