

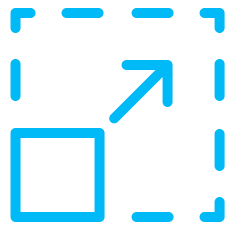


Industry clouds

Hyperscaling your
business advantage



The shift to the cloud has been one of the foundations of today's digital transformation. It has enabled new business models, novel possibilities, and exponential efficiencies. Today, companies can run their business on the cloud, enhance their business through it, and focus IT resources on delivering business value.



Very large, complex, distributed computing environments (think Amazon, Google, Microsoft, and Oracle, for example) have deployed scaling at massive levels in support of their own business operations. And they are making that “hyperscaling” capability available to other organizations. To date, the real success of such service offerings has been in handling generic operational applications—“common core” business processes, functionality, and services—freeing businesses to focus on their “secret sauce” capabilities.

Now these large hyperscale service providers are joining forces with software vendors and systems integrators to move into vertical market applications. For instance, Microsoft Azure and electronic medical record company EPIC are making access to healthcare records, clinical supply management, and automated patient scheduling services available to the healthcare sector. Such a foray into vertical markets makes sense for hyperscale service providers, given their success with first-generation horizontal business applications.

But how about for you? While it may appear that cloud-based vertical applications are available “off the shelf” and ready to go, the reality is a bit more complicated. Their success depends on true industry-specific governance, process, and expertise. Sure, you can climb aboard a hyperscale service provider’s infrastructure and you can buy and integrate industry-specific software. Will that be enough to deliver requisite functionality, ensure necessary compliance, protect data security, and drive business efficiencies? Will it accommodate differentiation and secure competitive advantage? At KPMG, we think it takes more.

Why industry clouds?

The concept of industry clouds stems from a simple realization: technology infrastructure needs are industry specific! Technologies that a healthcare provider (HCP) needs to manage patient records are fundamentally different from what a financial services (FS) firm needs to handle its clients' complex financial transactions. For the HCP, HIPAA compliance is essential. For the FS firm, it's ISO 20022. In fact, you can go right down a list of every industry vertical and find standards and tools that are essential for that vertical but not so much for any other. And therein lies the opportunity for vertical cloud services: providing customized and optimized components and services, with adherence to relevant standards and processes "baked in," to meet the common needs of businesses within those industries.

The major cloud infrastructure providers have recognized this opportunity and most have now entered the game to varying extents. In addition to optimizing their own infrastructure, most have partnered with leading software-as-a-service (SaaS) providers to offer more of a complete "stack." Microsoft has partnered with SAP, for example, to offer industry-specific versions of SAP "as-a-service" on its Azure industry clouds.

The promise? Now you can focus on outcomes and differentiators instead of the technology "plumbing" that enables them—and save time and money in the bargain. Given the promise of these industry clouds, you may be wondering just how to engage.

Some things to consider:

1 It's a complex ecosystem



Moving to an industry cloud can offer the opportunity to drive business advantage by capturing the best of two worlds: exploiting economies of scale deriving from outsourced commodity functionality while preserving the system, services, and processes that make your business unique. The interplay between the generic and the differentiated resides in a complex ecosystem. Within it, software, hardware, and APIs must meet governance and regulatory requirements. They must satisfy unique business perspectives and strategy considerations. And they must accommodate proprietary processes and data models.

Getting a vertical cloud implementation right, and deploying it efficiently and cost-effectively, requires more than business acumen and sector-specific savvy. It demands process expertise, knowledge of available technology solutions, as well as application development and integration skills. Wherever you find them—inside your organization or in collaboration with outside partners—with these capabilities in place and working in concert, your industry cloud implementation can drive business value. Without them, it's far less likely to deliver on the promise of vertical clouds.

2 How much vertical expertise is enough?



Calibrating just how much vertical expertise is enough is the critical challenge for industry clouds. What level of sector-specific knowledge is required to really make them effective? How “vertical” does each industry cloud really need to be? Is “verticality” itself even enough to produce solutions that truly address individual business need?

A hyperscale service provider’s core expertise is infrastructure, availability, and scalability. They aren’t—and likely never will be—industry experts. The vertical solutions they offer may often be too generic to meet the unique needs and aspirations of any one company within that industry.

The key is finding the “sweet spot” between exploiting the advantages of “lifting and shifting” your technical infrastructure to the cloud while accommodating your own unique and proprietary needs. Beyond hardware and software, and even vertical industry tailoring, there are regulatory considerations, strategy considerations, processes, and data models unique to your business that must be incorporated to make your industry cloud solution work for you. Even on a leading industry cloud, you will almost surely require customizations, optimizations, and integrations specific to you and you alone. And that’s as it should be. Your business is not a commodity.

3 Which legacy systems to keep; which to outsource?



There is really no need to make a wholesale jump into vertical clouds; you can take your time. Pick and choose your bespoke configuration of systems and services and migrate on a timetable that makes sense for your business need, in concert with the availability of current and emerging offerings. Likely you will have spent time, energy, and money developing legacy systems and applications, built to meet your own very

specific business requirements. These may better answer your unique needs than anything you can purchase from vertical cloud solution vendors. If so, then keep them. Conversely, off-load and upload functionality that constrains your resources while offering no differentiation or competitive advantage in return. The trick is knowing what should stay and what should go.

How KPMG can help

Yes, it's complicated, but you're not on your own; we've been there. Our KPMG Powered Enterprise solution, for example, includes over 240 prebuilt cloud integrations and accelerators, more than 40 prebuilt legacy-to-cloud data conversion scripts, over 80 prebuilt dashboards, and more than 250 prebuilt reports—all optimized for your industry based on our extensive experience with thousands of transformations and the latest cloud technologies. We can help you sort through all the trade-offs and decisions and get you to an industry cloud solution that's right for your business.

If you'd like to discuss the pros and cons specific to you, get in touch. At KPMG, we have a wealth of the talented and experienced technology professionals armed with some of the most advanced digital transformation tools and accelerators you'll find anywhere. But just as important, we have professionals with business and sector experience who can help you select the right path for you and your business.



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