# Digital Lipstick?

by Cary Dym | Dec 20, 2019

Having had a few days to clear my head from a full week at my first AWS re:Invent in Las Vegas, I got to thinking about how to make sense of the announcements, customer testimonials, conversations and sheer magnitude of the event. Was there some common thread tying together the 100's of sessions spread across multiple casinos, 65,000 visitors from around the world and a fantastic exhibitors hall (including a really cool analytics demo from TIBCO via a stationary bike time trial)? Everyone is trying to capture and define the elusive concept of Digital Transformation to be able to RE-INVENT their business, their technology and/or themselves. This then begs the questions, what does REAL DIGITAL TRANSFORMATION look like, who will be the ultimate winners, and who will go the way of the Dodo bird?

Despite noise of Microsoft Azure nipping at their heels, AWS is still the undisputed King of the Cloud. Attendance at re:Invent was up around 10-15% YoY, a 10x increase since the first show 7 years ago! Amazon announced 77 new products and services – 20 alone just around Machine Learning (no surprise here since this has been a steady drumbeat from AWS over the past year). We also heard compelling stories from their Enterprise clients, and I was glad to see Amazon moving to make AWS a more enterprise-friendly platform with new products like Control Tower.

A high point of the week was a dinner hosted by Tim Horan from Oppenheimer, where we discussed Cloud, Digital Transformation and the impacts of politics with industry experts. A key topic of conversation was what to make of Microsoft Azure's gain in cloud market share over the past few years. AWS cloud market share has dropped from ~80% in 2016 to an estimated 63% in 2019, while Azure's share has climbed from 16% to 28% over that same time period. When looking at Enterprise workloads the race is much tighter; a RightScale 2018 survey shows Azure adoption grew 35% YoY while AWS adoption in this group increased by 15%. But the Azure numbers are worth a closer look.

Microsoft buries its Azure revenues in a much larger pile of "Commercial Cloud" revenues that include Office 365. So, while Microsoft announced a 73% growth in Azure cloud revenue, it's impossible to put a hard dollar to that number. Industry experts are in agreement that the lion's share of Microsoft's commercial cloud growth comes from Office 365. Therefore, it's safe to assume that the majority of Enterprise workloads running on Azure are O365 which begs the question, "is this real digital transformation?"

In Roxane Googin's article on July 25, 2019 in the High Technology Observer entitled "Reality v. MSFT: Real versus Fake Digital Transformations", she concludes that "a true digital transformation is about more than replatforming existing operations. In fact, it does not happen by making 'personal productivity' better. Rather, it is about rethinking operations from the ground up from the customer

point of view, typically using real-time 'AI infused' algorithms to replace annoying, time-consuming and unpredictable manual efforts."

I'd argue that the shift from PC windows + office to O365 is merely a replatforming exercise to improve productivity. While this move can certainly help businesses reduce expenses by 20 to 30% and drive new revenues, it does not fundamentally alter the way a business operates or interacts with clients. Therefore, perhaps this change should be viewed as Digital Transformation "lipstick". We do, however, have great examples of Real Digital Transformations; AWS re:Invent was full of transformational testimonials and, at Risk Focus, we are fortunate to be partnering with a number of firms that are also embarking on Real Digital Transformations. I'd like to highlight a couple below.

The first story is about a NY-based genomics company looking to re-invent healthcare. They understand that current healthcare providers use just a tiny portion of information from the human body and little or no environmental data to categorize a patient as either sick or well. They are building predictive patient health solutions leveraging a much richer, deeper and broader set of information. To deliver on this mission they must unleash the power of the cloud; that is the only way they can meet the challenges presented by the scale, sensitivity and complexity of the data and sophistication of their probabilistic testing algorithms. They are not leveraging the cloud to run traditional health-care solutions, but re-inventing what healthcare looks like.

The second use case is an institutional, agency-model broker known for their technology-first approach. They were a FinTech company before the term existed. Sitting on years of institutional data consisting of 100s of petabytes of tick trade data, they are looking to harness the power of this information as a vehicle for changing how they do business. Leveraging a highly performant data lake and building sophisticated AI algorithms, the firm wants to crunch billions of records in seconds to deliver recommendations on trade completion strategies both for their internal consumers and ultimately in an "as a Service" offer. Once again, this is a mission that can only be tackled leveraging the scale and flexibility of the cloud.

Who wins? Do large, multi-national organizations have enough size and staying power that they can afford to take a "lift and shift" approach to the Cloud, replatforming their existing enterprise workloads and then taking a slow methodical approach to transformation? Or is the pressure from upstarts across every industry – the new HealthTechs and FinTechs – going to be so disruptive that the incumbents need to rethink their transformation strategy and partners?

The race is just beginning as, by most estimates, only 10-20% of workloads have moved to public cloud. Over the next two years we will reach a tipping point with more than half of all workloads predicted to be running in public cloud. Microsoft is well-positioned with Enterprises over this timeframe. However, if Amazon continues their pace of delivering innovative, disruptive services and couples that with their increased focus on Enterprise marketing and sales, expect them to retain the throne. One thing is certain, the rate of change will only continue to accelerate, and the winners won't win by sitting still.