

# BUSINESS IN DEPTH

► Data storage at lower cost means the Mena market is growing fast. **Alkesh Sharma** discovers why

Cloud computing is a buzzword in the Middle East and North Africa, as a growing number of enterprises – ranging from start-ups to government entities to family owned conglomerates – embrace it to plan their strategies.

For example, Bahrain's Information and eGovernment Authority has reduced its technology operational costs by up to 60 per cent using the cloud. Jordan's start-up Mawdoo3, a comprehensive online Arabic content publisher, has moved its artificial intelligence projects entirely to the cloud.

Cloud computing is the practice of using a network of remote servers hosted on the internet to store, manage and process data, rather than a local server or a personal computer network.

Seeing the lucrative opportunities in the Mena market, global tech giants such as Oracle, Amazon Web Services and Microsoft have – or have announced they will – set up their own data centres in the region this year.

"In the Mena region, we don't have challenges on 'why?' cloud – it's only about 'when'," Arun Khehar, senior vice president of business applications for eastern central Europe, the Middle East and Africa at Oracle, tells *The National*.

For regional enterprises, moving their operations to a cloud hosted by a professional company, such as Oracle or Microsoft, is proving cheaper than creating their own servers, hardware and security networks, bringing down the overall cost of ownership.

Oracle, whose regional clients include First Abu Dhabi Bank and DP World, wants to capitalise on the emerging regional market with plans to double its global cloud application revenues in the coming months.

The potential in the regional cloud industry is immense, with the UAE as one of the fastest-growing markets for Oracle, says Mr Khehar.

"We are working to shift our current on-premises business – which is globally worth \$6.5



# CLOUD COVERAGE HELPS MENA ENTERPRISES TO GROW AT A FASTER RATE

billion (Dh23.87bn) – to the cloud," he adds.

In fiscal 2018, Oracle's global revenue from cloud applications business was more than \$11bn.

Using Oracle services, Dubai retail, hospitality and health-care conglomerate Landmark Group started moving its operations – beginning with its human resources database – to the cloud last year. DP World and Apparel Group are already running their operations using the Oracle cloud.

A recent Microsoft survey of 1,300 Middle East decision-makers revealed that regional organisations are

accelerating their cloud engagement. Seventy five per cent of those who have yet to migrate their IT environments to the cloud plan to do so this year. This market acceleration is also being driven by security concerns.

Nearly 63 per cent of respondents in the Microsoft survey reported losses in either productivity or data due to a cyber incident last year, and 46 per cent of victims were affected more than once.

"These findings tell us that the region's need for a trusted, secure and intelligent cloud has never been greater," says Necip Ozyucel, cloud

and enterprise group lead at Microsoft Gulf. "Many regional organisations have already placed their trust in the cloud." Surging demand for cloud services has led Microsoft to the Middle East. Its UAE data centres, one each in Dubai and Abu Dhabi, are expected to go live this year.

"These facilities will deliver intelligent solutions to customers across the region, empowering them to avail enterprise-grade reliability and performance," says Mr Ozyucel.

Emirates airline, Emaar Properties, Dubai Airports, Majid Al Futtaim, Daman Insurance

and Gulf Air are among the organisations that have chosen Microsoft as their digital transformation partner in the cloud. Microsoft's Azure cloud has a 16 per cent share of the global market, making Microsoft the second-biggest provider of cloud services after AWS, according to April 2018 estimates by researcher Canalys.

Like Microsoft, Oracle has announced it will set up its own data centre in the UAE this year.

"Sixty per cent of our regional clients have already moved to cloud," says Mr Khehar. "Now our goal is to shift the remaining 40 per cent ... the

upcoming data centre will enhance our capacity manifold."

The public cloud services market in the Mena region is projected to grow to \$1.9bn by 2020, up from \$956 million in 2016, according to Hamburg business intelligence portal Statista.

AWS will open at least three centres in Bahrain to serve customers across the Middle East and Africa.

"We are already seeing dramatic change as businesses and governments across the region have started to migrate to cloud, using the existing AWS infrastructure around the world," says Vinod Krishnan,

Migrating to cloud services can accelerate company processes while reducing expenses  
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## Mena public cloud services yearly spend (\$m)

	2016	2017	2018	2019*	2020*
Business process services	261.3	280.1	300.7	323.0	340.2
Application services	210.4	265.6	332.7	411.7	509.8
Application infrastructure	77.8	93.9	121.3	142.0	182.8
System infrastructure services	96.5	115.2	138.1	164.7	197.3
Management and security services	90.2	113.2	138.8	163.4	195.6
Advertising	143.1	193.0	225.4	267.7	319.4
<b>Total</b>	<b>879.3</b>	<b>1,062.0</b>	<b>1,258.1</b>	<b>1,478.8</b>	<b>1,725.1</b>

\*forecast Sources: Gartner (June 2018)

city initiatives that require a robust cloud back-end," says Mr Krishnan.

By migrating to the AWS cloud, the Bahraini Information and eGovernment Authority has reduced the procurement process for new technology from months to less than two weeks. It has also reduced information and communications technology operational costs by 60 to 90 per cent, he adds.

Start-ups are also taking advantage of the cloud to introduce technologies such as AI that would have previously been cost-prohibitive. Mawdoo3, which provides the largest Arabic-language content platform in the world, is running its AI initiatives on AWS to develop Arabic voice-to-text services.

Cloud technology is also a key enabler for the digital transformation of large enterprises and family owned businesses.

"Adoption of the AWS cloud allowed Al Tayer Group, one of the largest luxury retailers in the Middle East, to launch digital and e-commerce initiatives at large scale and low cost," says Mr Krishnan.

While some industry experts maintain that the cloud market is still in its early stages regionally, with recent investments and announcements by global cloud service providers, the industry is approaching a tipping point.

"Over the past year, demand for cloud services has been very strong but the lack of in-region cloud platform has been a barrier to [wider] adoption ... we need more data centres physically present here to cater to local companies," says Jeroen Schlosser, managing director of American company Equinix Mena, which operates a global network of data centres.

He says this "will be the first year when both governments and enterprises have choice in building hybrid cloud structures."

"Its growth is driven by the strong focus on transforming

the oil economy into a more diversified one."

Hybrid cloud uses a mix of on-premises, private and third-party, public cloud services.

Equinix opened its data centre in Dubai in early 2013. Last year, it agreed to a joint venture with Omani telco Omantel to develop a data centre in Muscat, where carriers, content and cloud providers can house their critical data.

They can also take advantage of services such as data backup, recovery, processing, management and distribution.

By 2022, nearly 70 per cent of all regional enterprises will have multi-cloud environments, according to researcher International Data Corporation.

It also predicts an increase in investments by public cloud service providers in the Middle East, Turkey and Africa.

Spending will grow at a compound annual growth rate of 29.8 per cent – reaching \$4.1bn by 2022 – up from \$1.1bn in 2017.

"The assurance of lower IT costs and scalability has drawn technology decision-makers to move their business-critical data and applications to the cloud," says Yasser Zeineldin, chief executive of the UAE's home-grown IT company DataFort, which hosts two data centres in Dubai.

Besides allowing easy extension of business capabilities, the cloud is also providing enterprises with a competitive edge, says Mr Zeineldin. The popularity of the pay-as-you-go model is another driver towards cloud adoption in the UAE, he adds.

Using this model, there is no capital expenditure. The client company will incur this only for selective services it makes use of at the data centre such as for storage or backup or processing of data in the cloud.