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Industry clouds
How industry leaders are seizing the benefits and sizing up the challenges

Introduction

Industry clouds—digital transformation accelerators that offer cloud-based solutions with industry-specific functionality—are rapidly gaining adoption across all industry sectors. To understand why industry clouds are on an upward trajectory, Deloitte surveyed 500 cloud leaders across industries[1]—consumer; energy, resources, and industrials; financial services; life sciences and health care; and technology, media, and telecommunications.

The data confirms that most organizations view industry clouds as a powerful force multiplier for digital and business transformation. However, the way organizations adopt and implement industry clouds will vary by sector—making it important for leaders to better understand the distinct benefits and challenges competitors and ecosystem partners are looking to gain from their industry cloud strategies.

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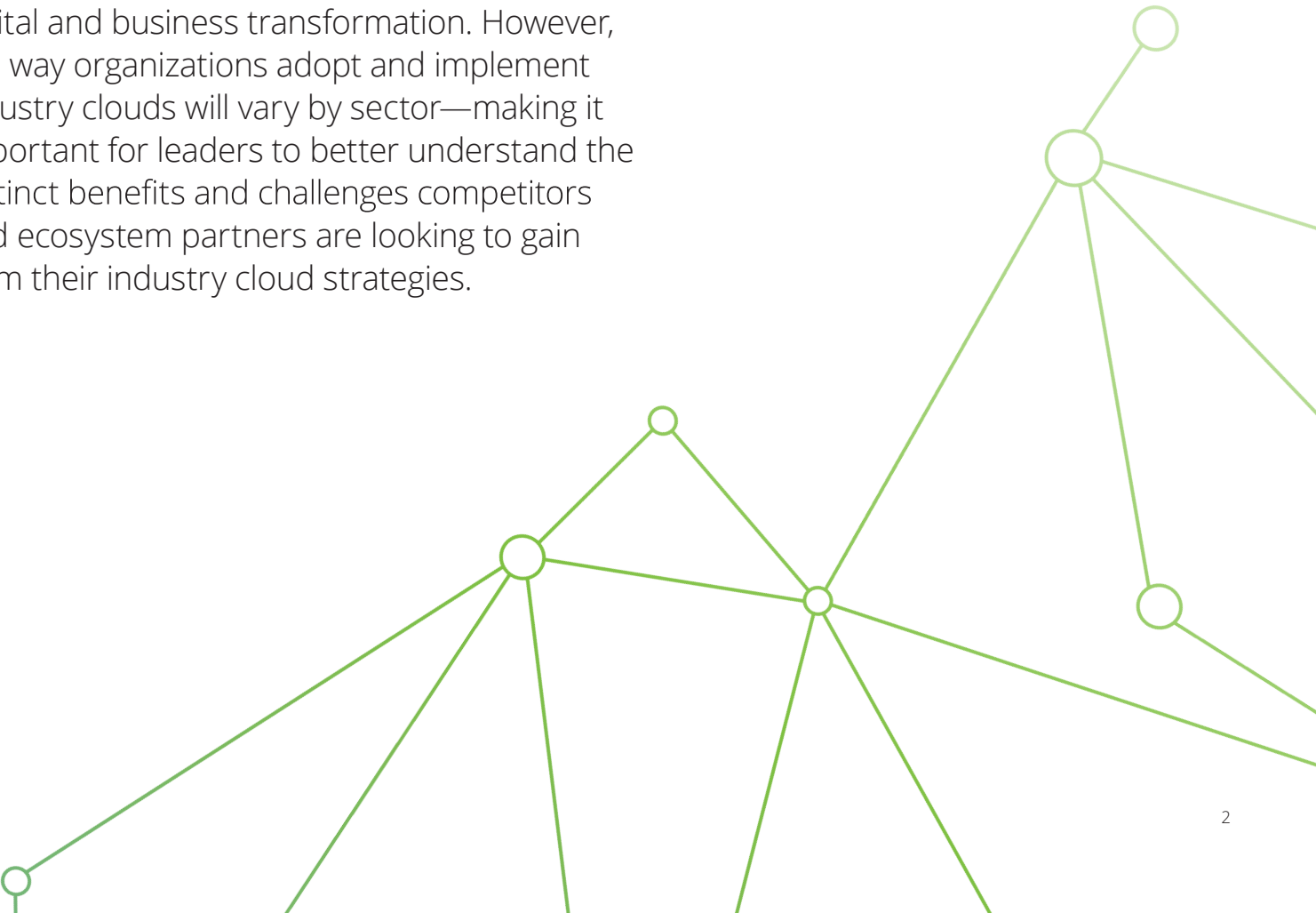
A closer look: Industry-specific benefits and challenges with industry clouds

It's evident that most companies understand that industry clouds provide a great opportunity to accelerate their digital future. Across all industry respondents, 95% agreed or completely agreed.[2]

For each industry surveyed, the top anticipated benefits were remarkably consistent. First was "faster innovation/ time to market" (56%), and "accelerating the capacity to change (agility)" was second (49%). See figure 1. That means, regardless of an organization's industry or sector, most respondents see opportunities to benefit from an industry cloud strategy. To uncover those opportunities, organizations need a clear strategy on what they're trying to achieve from digital transformation and industry clouds; what differentiates that strategy; what they should build internally; and where they can benefit from accelerators, high-tech services, and ecosystem partners. Reciprocally, respondents cared least about "enabling more modular solution designs" (25%), which is appropriate given that architecture should not drive business decisions. However, when combined with the top benefits, industry clouds provide tangible value for business innovation and agility.

Industry clouds are composable building blocks—cloud services, applications, and other tools—that are built for strategic use cases in specific industries. They create a new model to help organizations reimagine their future and accelerate digital and business transformation to engineer advantage and achieve competitive differentiation.

**Figure 1. Expected benefits of industry clouds—total respondents**
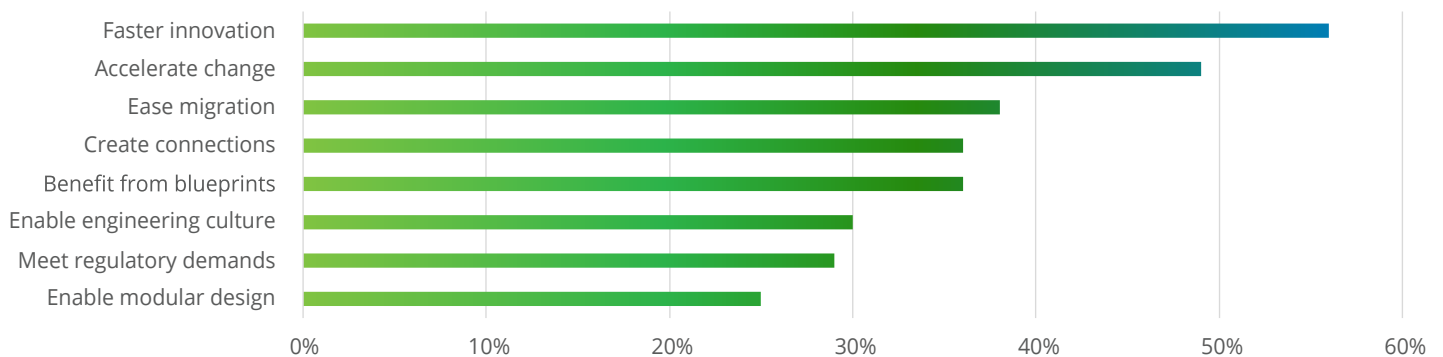
Source: Deloitte US Future of Cloud Survey from the Center for Integrated Research

Respondents across industries acknowledged challenges including "fear of control over data and insights" (35%); "concerns about vendor lock-in, more unified solutions with the hyperscaler" (33%); and "confidence in our ability to protect data in the cloud" (31%). See figure 2. The concerns related to vendor lock-in may be founded, as we are seeing organizations employ industry clouds offered by their existing cloud service provider. In essence, this has them double down on a single provider rather than explore multi-cloud alternatives, forcing deeper lock-in at a faster rate for those not exploring multiple vendor options.

Figure 2. Expected challenges of industry clouds—total respondents
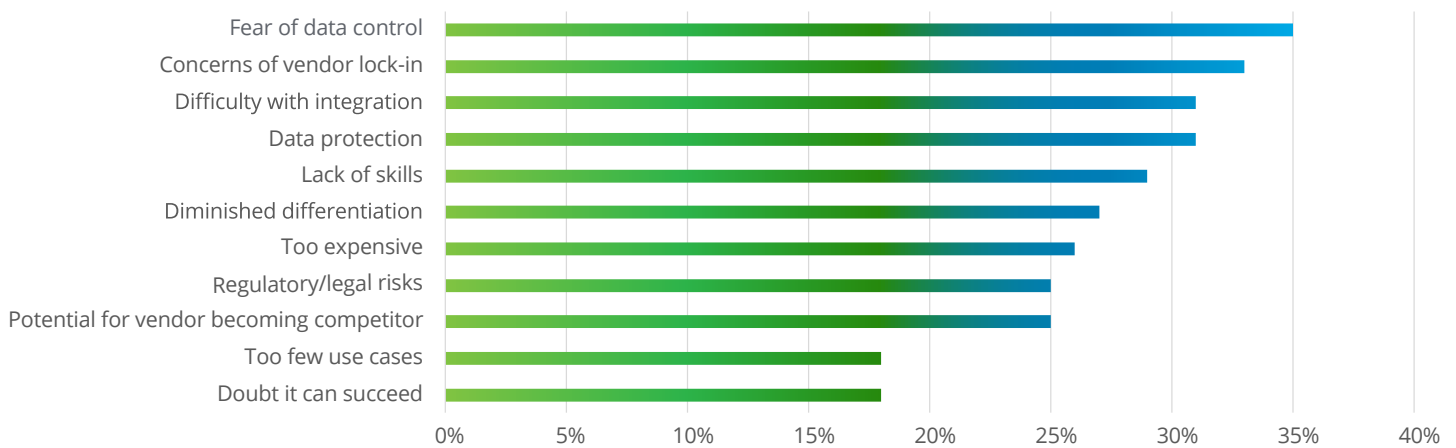
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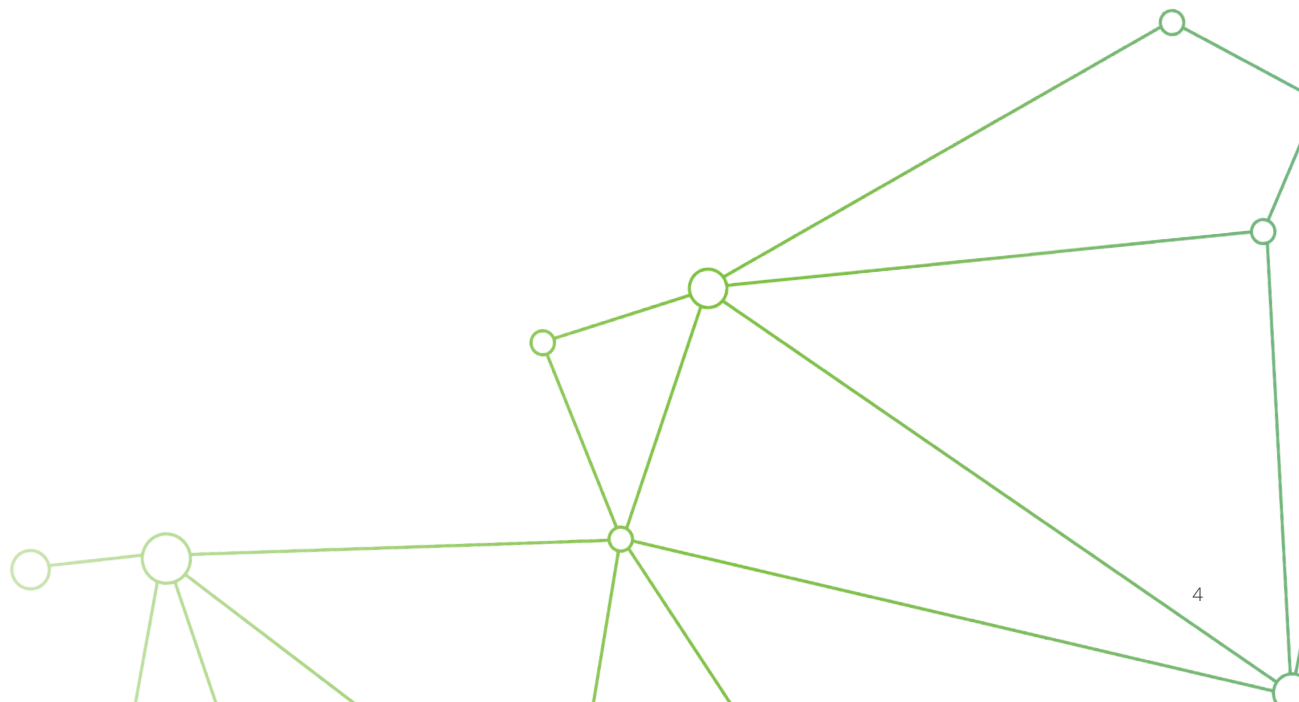
Interestingly, responses to expected challenges varied significantly more by industry. On the other hand, everyone agreed in ranking the following challenges lowest: "too few use cases to estimate value" and "doubt that industry clouds can be successful given that our industry is so specialized." Therefore, understanding which hurdles peers face—and which ones they don't—when implementing their own industry cloud strategies can help cloud leaders develop and implement more effective programs, minimizing common or perceived challenges identified by their peers. See figure 3.

A deeper look at the data by industry reveals compelling differences in how organizations across sectors view industry clouds. Keep reading for more industry-specific insights and actions.

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Figure 3. Spot the outliers: Expected challenges of industry clouds by industry
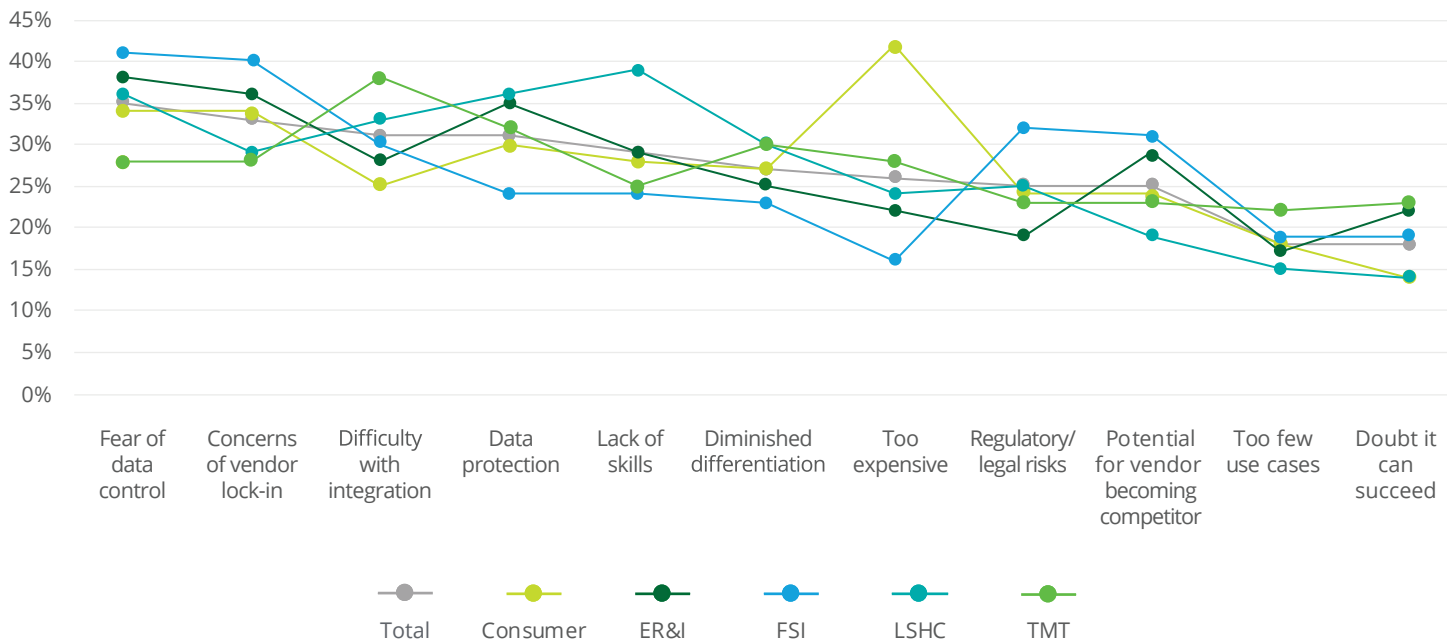
Source: Deloitte US Future of Cloud Survey from the Center for Integrated Research

Consumer: An emphasis on value

Automotive; consumer products; retail, wholesale, and distribution; transportation, hospitality, and services

Consumer organizations were most optimistic about industry clouds' ability to help drive competitive strategy, emphasizing that they will "ease the way for migration of industry-specific legacy solutions to the cloud" (46%) more than any other industry and organizations overall (38%). Respondents in these sectors, however, did not expect industry clouds to be able to help them with "meeting the regulatory demands specific to an industry" (23%)— six percentage points lower than organizations overall. **Therefore, consumer organizations might be well served to focus internal digital strategy development on addressing perceived regulatory gaps.**

Additionally, the most cited industry cloud adoption challenge for consumer companies was that "it will be too expensive; cost prohibitive" at 42%. In this case, consumer organizations might consider expanding their value lens to ensure they're assessing the full return on investment (ROI) potential across their enterprise digital transformation programs, including industry clouds. Our research shows that organizations often over-index on measuring operational optimizations but fail to connect the dots on how strategic technology investments additionally allow them to preserve and protect existing value and create new value. Given that consumer organizations were least concerned with integration difficulties (25%) and being too specialized (14%), they can be successful with industry cloud implementations that don't require significant customization as long as they have a solid strategy.

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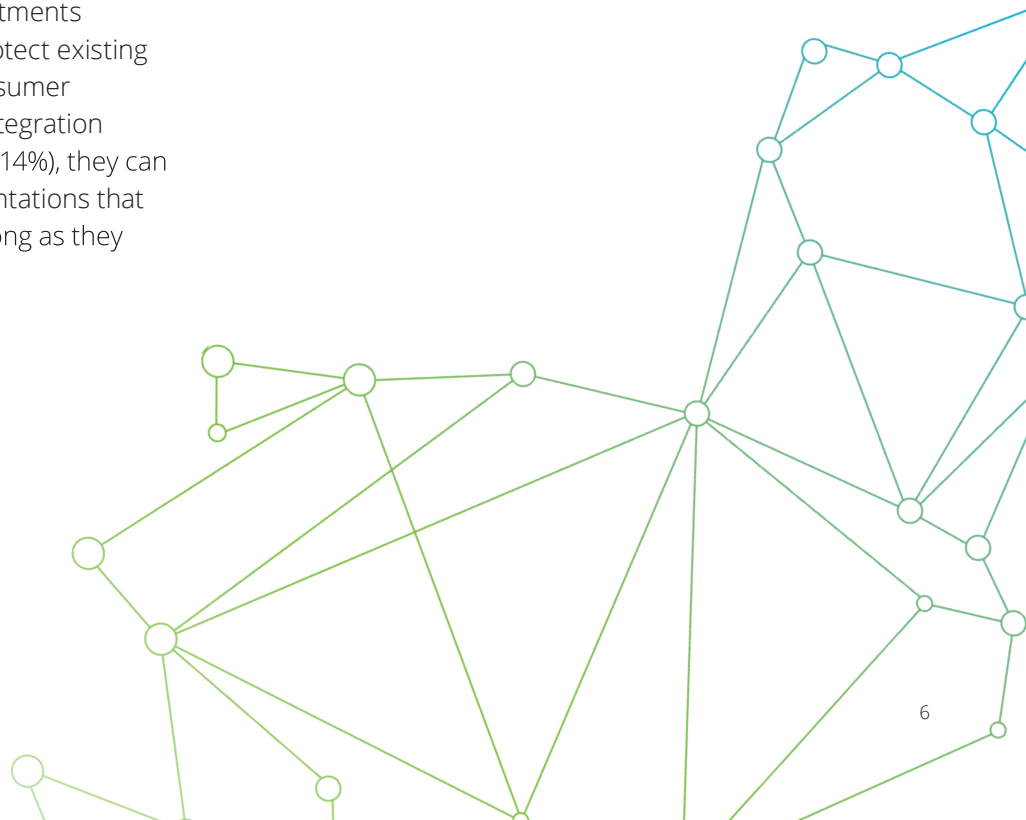
Energy, resources, and industrials:
# Focus on managing the organizational impact

Industrial products and construction; power, utilities, and renewables;
energy and chemicals; mining and metals

Energy, resources, and industrials (ER&I) respondents cited "enabling a culture of engineering and innovation" (36%) as an important industry cloud benefit at a significantly higher rate than respondents overall (30%). This industry's focus on and prioritization of operations, process, and culture improvements that can come with industry cloud is indicative of ER&I's strong operational technology focus. However, as with companies in the consumer sector, ER&I respondents saw the least benefit from industry clouds in "meeting the regulatory demands specific to an industry" (23%) and in "enabling more modular solution designs" (21%). **ER&I organizations, therefore, should watch out for industry cloud solutions that have architectures that are too rigid at the expense of continuous innovation and adaptation.**

Among ER&I companies' top concerns were the "potential for hyperscaler/industry cloud vendors to become a competitor in the future" (29%) and "concerns about vendor lock-in" (36%). Their outlook on competitive positioning and vendor flexibility in combination could suggest that ER&I organizations would benefit from considering more open architecture designs to allow for interoperability and integration across a multi-cloud, industry cloud ecosystem. Additionally, ER&I organizations concerned about their competitive position within the ecosystem may also explore ecosystem co-creation as part of their industry cloud strategy to protect their intellectual property, data, and competitive position. This could also address another of their concerns: "confidence in our ability to protect data in the cloud" (35%).

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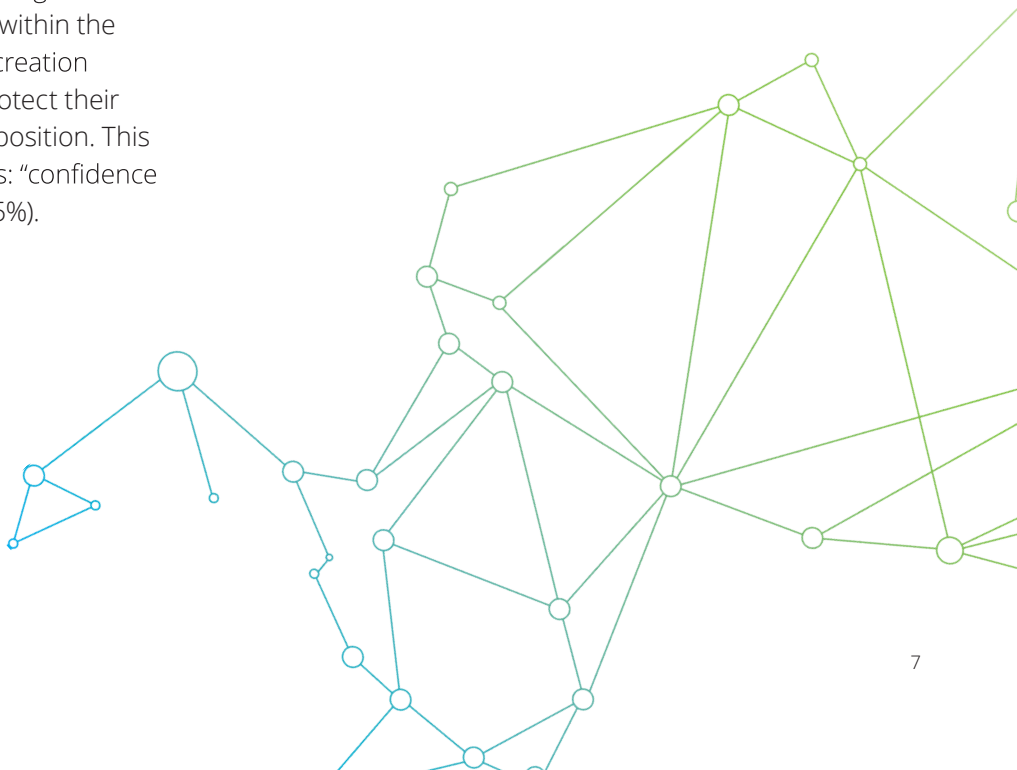
# Financial services: Regulatory demands challenge mature ecosystems

Banking and capital markets, insurance, investment management

Financial services institutions (FSIs) more highly anticipate "benefiting from the most current digital business process blueprints" (43%) and "meeting the regulatory demands specific to an industry" (39%) than respondents overall (36% and 29%, respectively). This data suggests that **FSIs may have more standardized and commoditized digital processes—perhaps given the mature fintech ecosystem—and that their point of competitive differentiation lies elsewhere**. As a group, though, FSIs are less confident than respondents overall in viewing industry clouds as "accelerating the capacity to change (agility)" (39% versus 49%, respectively). Perhaps this lack of expectation for acceleration is due to the extent of FSIs' legacy infrastructures and those same regulatory demands with the change happening over time.

Not surprisingly, FSI organizations are most concerned about "fear of control over data and insights" (41%); "vendor lock-in" (40%); and "lack of visibility into regulatory/legal risks" (32%). If industry cloud providers can demonstrate how their database, analytics, and machine learning capabilities enhance data security and address regulatory requirements, the adoption may be easier. FSI organizations, perhaps surprisingly, are the least concerned (versus other sectors) that implementing industry clouds "will be too expensive; cost prohibitive," with only 16% citing this as a potential challenge. Therefore, the money and opportunity are there for ecosystem providers if they can demonstrate strong, compliant data and regulatory control processes as part of the digital blueprint.

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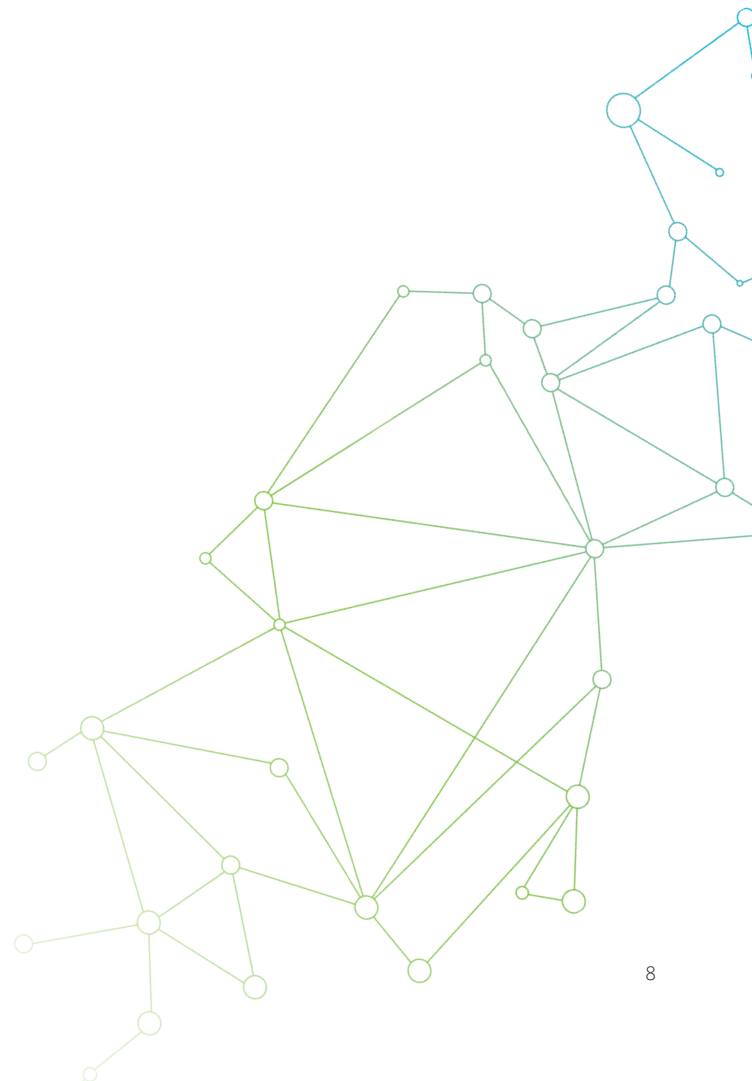
Life sciences and health care: Driving legacy transformation amid data concerns

Health care, life sciences

The opinions of life sciences and health care (LSHC) organizations most closely aligned to the average benefits expected from respondents overall. However, "creating connections across an organization with their suppliers and customers" (39%) was seen as a top benefit and was higher than the average overall (36%). LSHC organizations' dual focus on suppliers and customers indicates a strong, mature digital ecosystem strategy opportunity for co-creation, R&D, innovation, and potentially even the development of new industry cloud blueprints or data capabilities to further advance sectors.

The top concern for LSHC organizations we surveyed was that "we may lack required skill sets for industry cloud" (39%). Other top concerns were related to both the control and protection of data (36%), pointing to greater ease in transforming legacy systems and resources than others. Given that a strong software engineering culture is paramount for a successful industry cloud implementation, **LSHC organizations can focus on digital product and app development; software platform engineering and software engineering; and tech talent to build greater discipline in these areas.**

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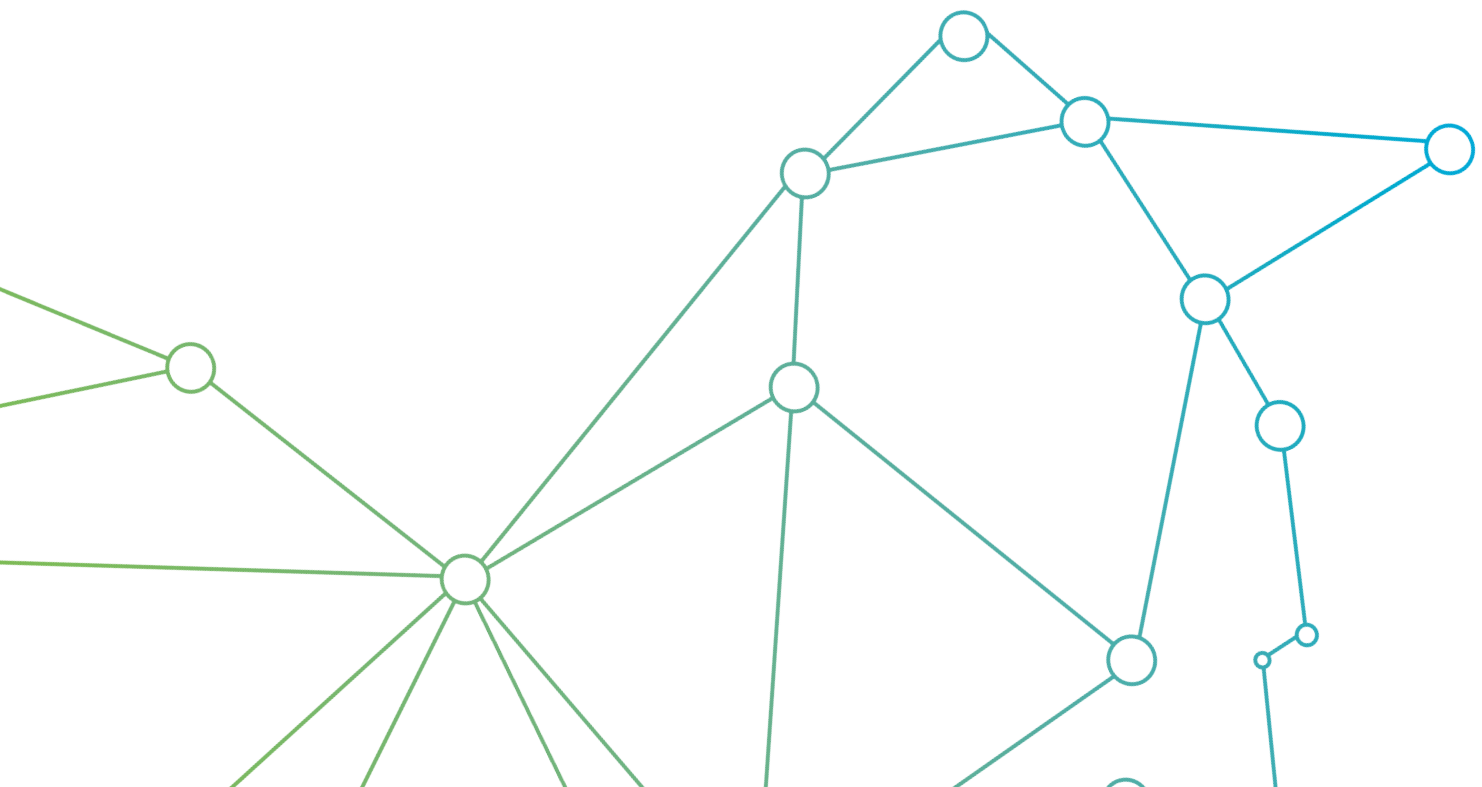
Technology, media, and telecommunications: Expected benefits but adoption anxiety

Technology; telecommunications, media, and entertainment

As with LSHC companies, "creating connections across an organization with their suppliers and customers" (38%) was a top benefit for technology, media, and telecommunications (TMT) companies. This expected benefit speaks to TMT organizations' role in the ecosystem as a product and platform provider of technology. Interestingly, TMT organizations were less clear about "benefiting from the most current digital business process blueprints" (30% versus 36% overall) and "enabling a culture of engineering and innovation" (26% versus 30% overall). Given the large number of technology companies, one possible explanation might be that they already have a strong engineering culture and don't require industry clouds to drive it.

Top concerns for TMT companies were cited as "difficulty around integrating niche/differentiating solutions" (38%); "confidence in our ability to protect data in the cloud" (32%); and "it will be too expensive; cost prohibitive" (28%). Another challenge, "doubt that industry cloud can be successful given that our industry is so specialized," was cited by 23% of TMT organizations, five percentage points above the 18% average overall. What does that mean for TMT organizations? **They may be slow to invest in industry cloud solutions beyond those that the tech sector is creating for clients.**

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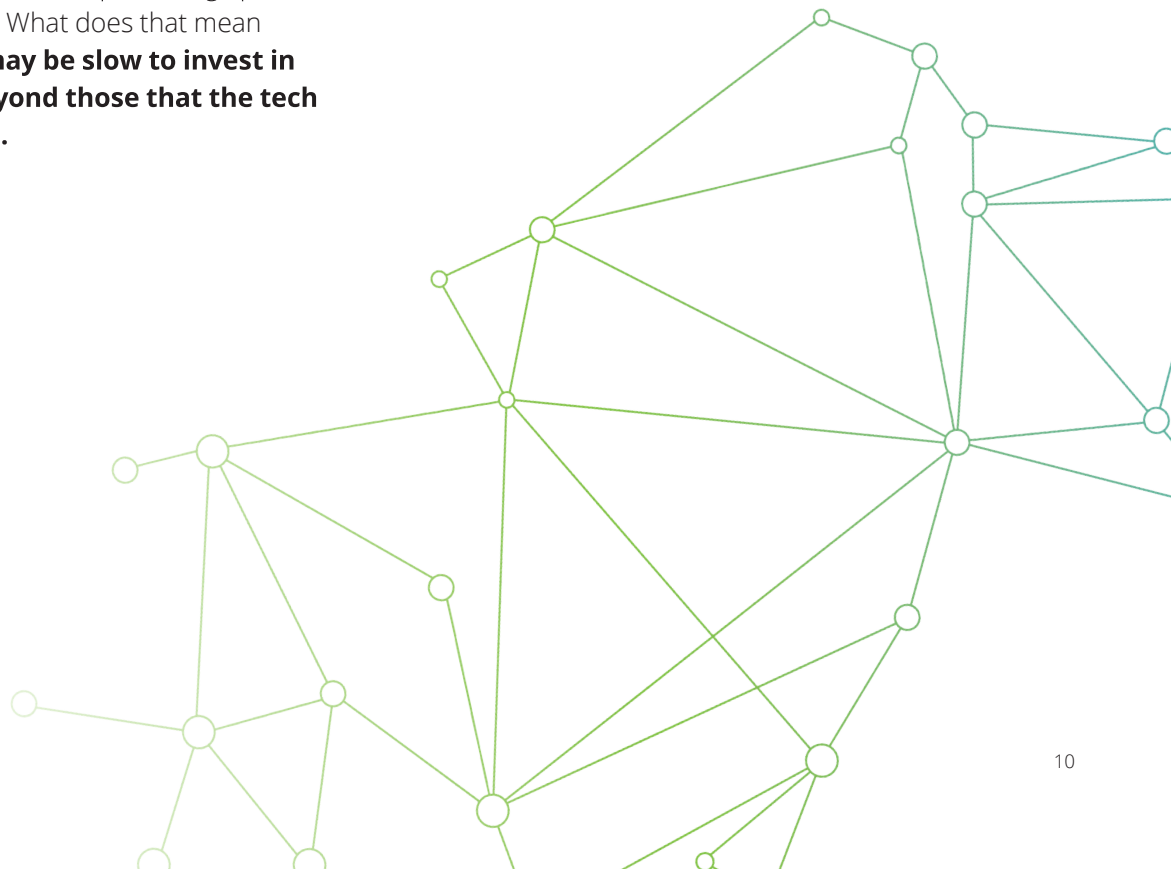
Reimagine the future with industry clouds

The pressure to digitally transform is mounting for every industry. Integral to that transformation will be the digitization of data, the creation of new platforms, the development of new product capabilities, sound software engineering, and much more. Industry clouds join the business and technical capabilities organizations need to be successful with transformation in the modern age. And, given the range of benefits they bring and the differences across industries and sectors in their transformation strategies and priorities, this data can guide organizations to seize the benefits and size up the challenges.

To learn more about industry clouds—and their benefits and challenges—access our latest research: *Closing the cloud strategy, technology, and innovation gap: Deloitte US Future of Cloud Survey Report* and explore the research in depth with the report's *interactive dashboard*. For an industry-specific view, read our perspectives on industry clouds in the *banking* and *life sciences/health care* sectors. For more information about industry clouds and how they can help your organization, visit our *industry clouds website*.
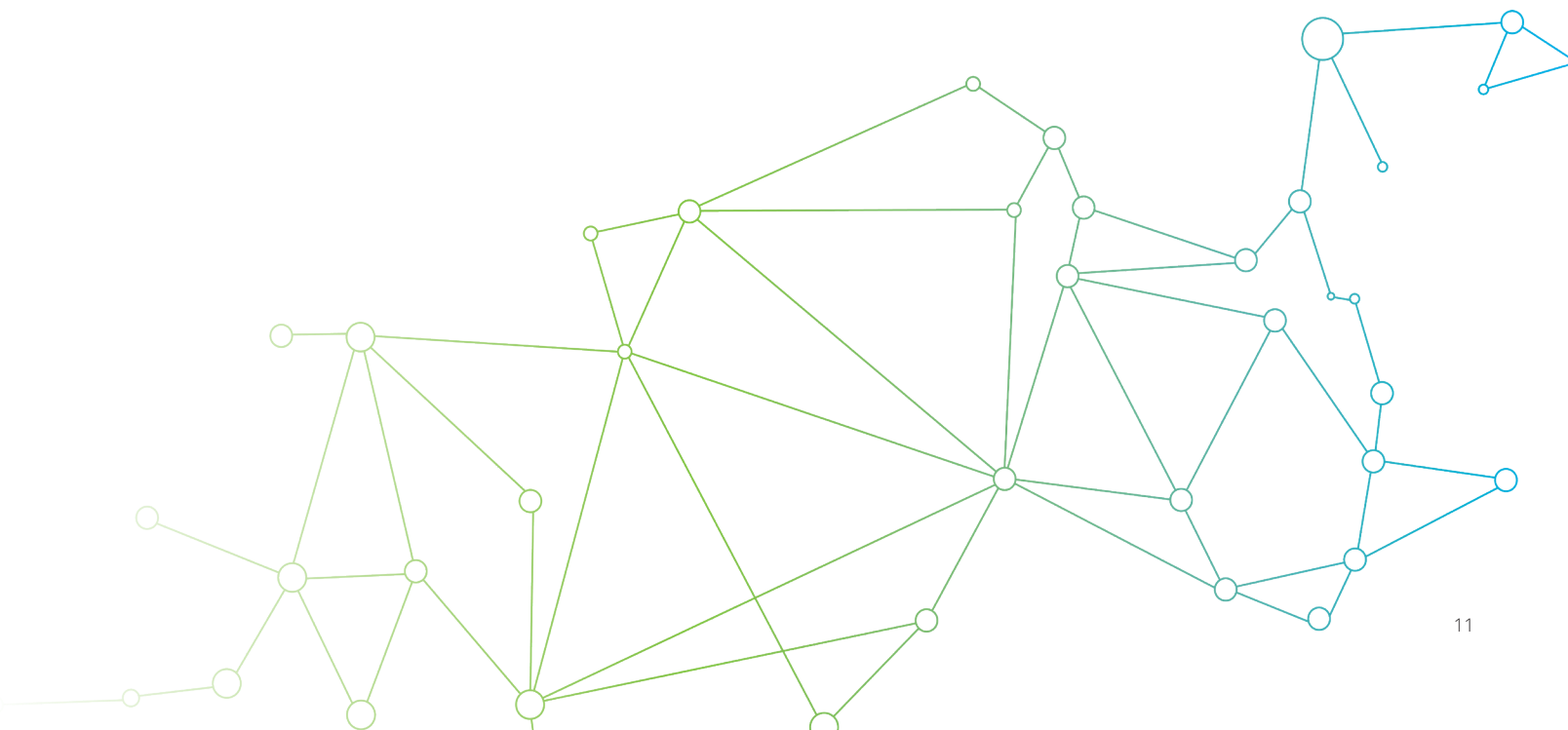
Appendix

Expected benefits from industry clouds across five industries vs. organizations overall

|	Total	Consumer	ER&I	FSI	LSHC	TMT	
Faster innovation/time to market for business capabilities and use cases	56%	52%	59%	56%	56%	57%	Universally regarded as highest
Accelerating the capacity to change (agility)	49%	50%	53%	39%	49%	52%	
Ease the way for migration of industry-specific legacy solutions to the cloud	38%	46%	40%	35%	35%	36%	
Creating connections across an organization with their suppliers and customers	36%	35%	34%	35%	39%	38%	
Benefiting from the most current digital business process blueprints	36%	36%	36%	43%	36%	30%	
Enabling a culture of engineering and innovation	30%	30%	36%	25%	31%	26%	
Meeting the regulatory demands specific to an industry	29%	23%	20%	39%	31%	34%	
Enabling more modular solution designs	25%	28%	21%	27%	23%	26%	Universally regarded as lowest
Total respondents	**500**	**100**	**100**	**100**	**100**	**100**	

Source: Deloitte US Future of Cloud Survey from the Center for Integrated Research

Expected challenges from industry clouds across five industries vs. organizations overall

|	Total	Consumer	ER&I	FSI	LSHC	TMT	
Fear of control over data and insights	35%	34%	38%	41%	36%	28%	
Concerns about vendor lock-in, more unified solutions with the hyperscaler	33%	34%	36%	40%	29%	28%	
Difficulty around integrating niche/differentiating solutions	31%	25%	28%	30%	33%	38%	
Confidence in our ability to protect data in the cloud	31%	30%	35%	24%	36%	32%	
We may lack required skill sets for industry cloud	29%	28%	29%	24%	39%	25%	
Diminishes our ability to differentiate because our industry competitors will have access to the same cloud tools and capabilities	27%	27%	25%	23%	30%	30%	
It will be too expensive; cost prohibitive	26%	42%	22%	16%	24%	28%	
Lack of visibility into regulatory/legal risks	25%	24%	19%	32%	25%	23%	
Potential for hyperscaler/industry cloud vendor to become a competitor in the future	25%	24%	29%	31%	19%	23%	
There are too few use cases to estimate its value	18%	18%	17%	19%	15%	22%	Universally regarded as lowest
Doubt that industry cloud can be successful given that our industry is so specialized	18%	14%	22%	19%	14%	23%	Universally regarded as lowest
Total respondents	**500**	**100**	**100**	**100**	**100**	**100**	

Source: Deloitte US Future of Cloud Survey from the Center for Integrated Research

Spot the outliers - Expected benefits of industry clouds by industry
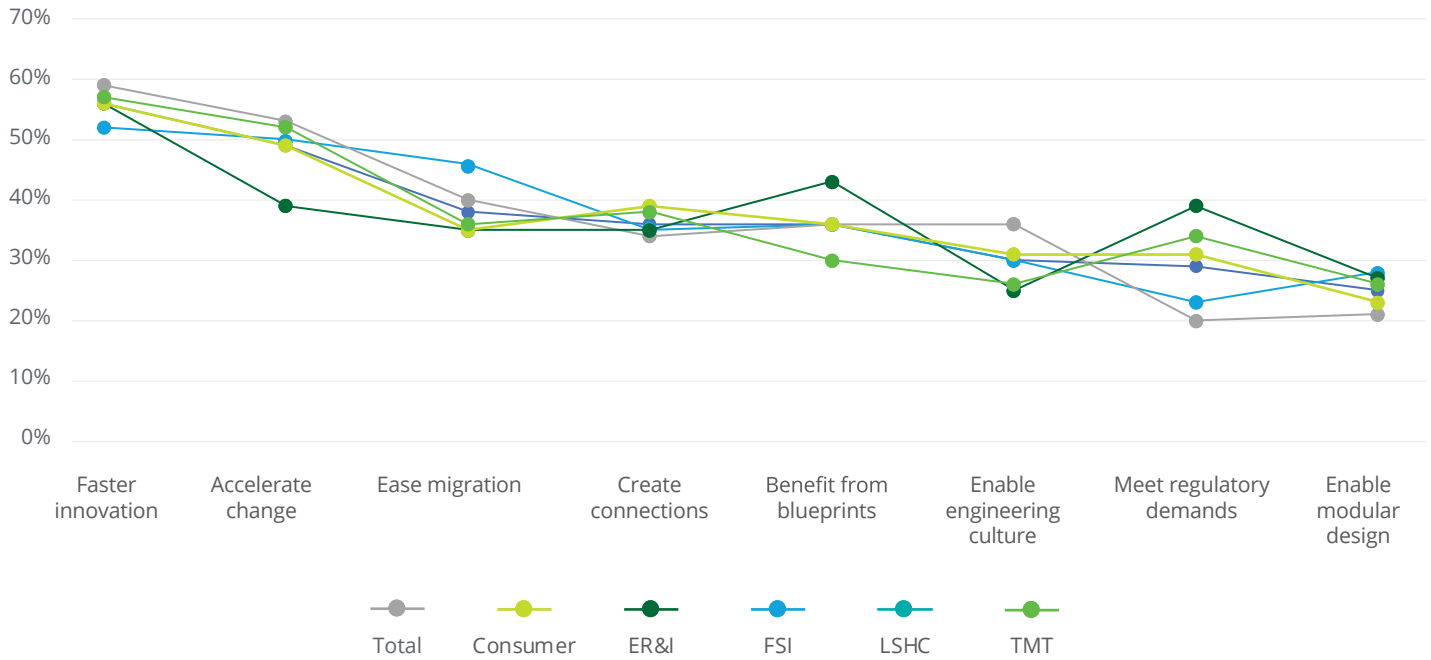
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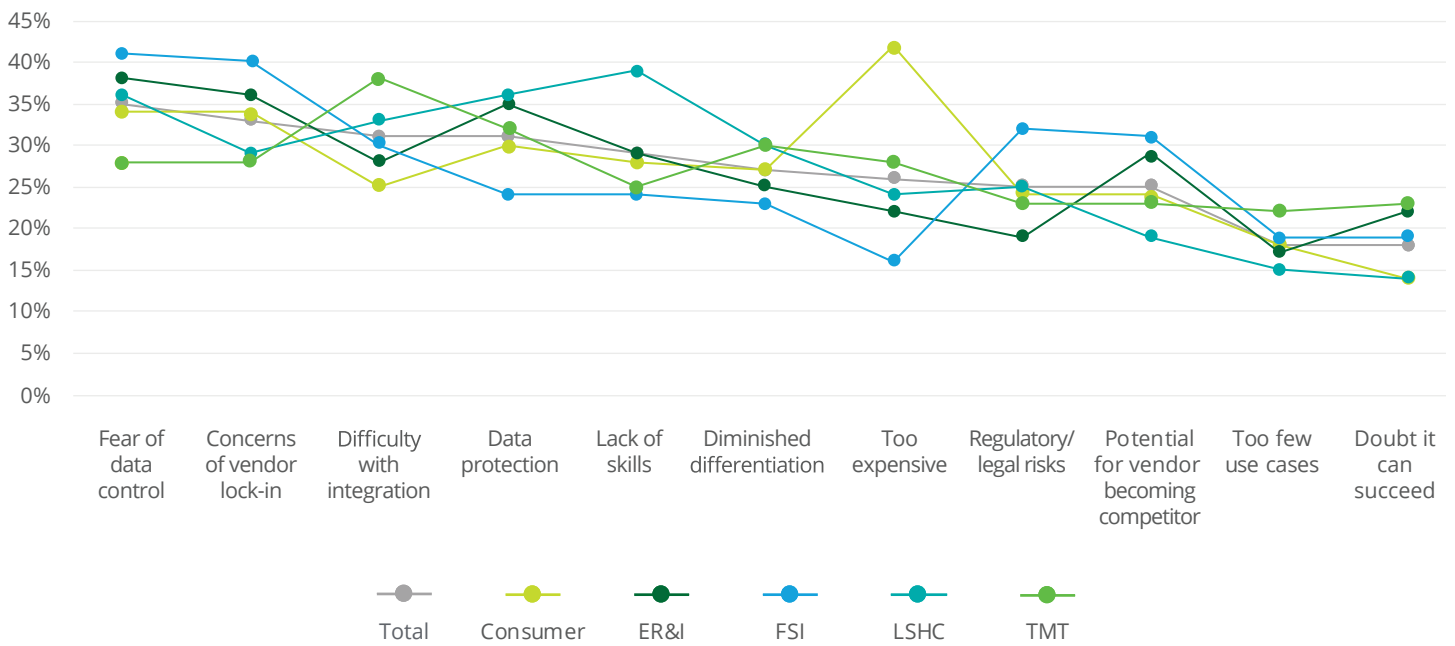
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Endnotes

1. Cathleen Domes et al., *Closing the cloud strategy, technology, and innovation gap: Deloitte US Future of Cloud Survey Report*, Deloitte, 2022.
2. Ibid.
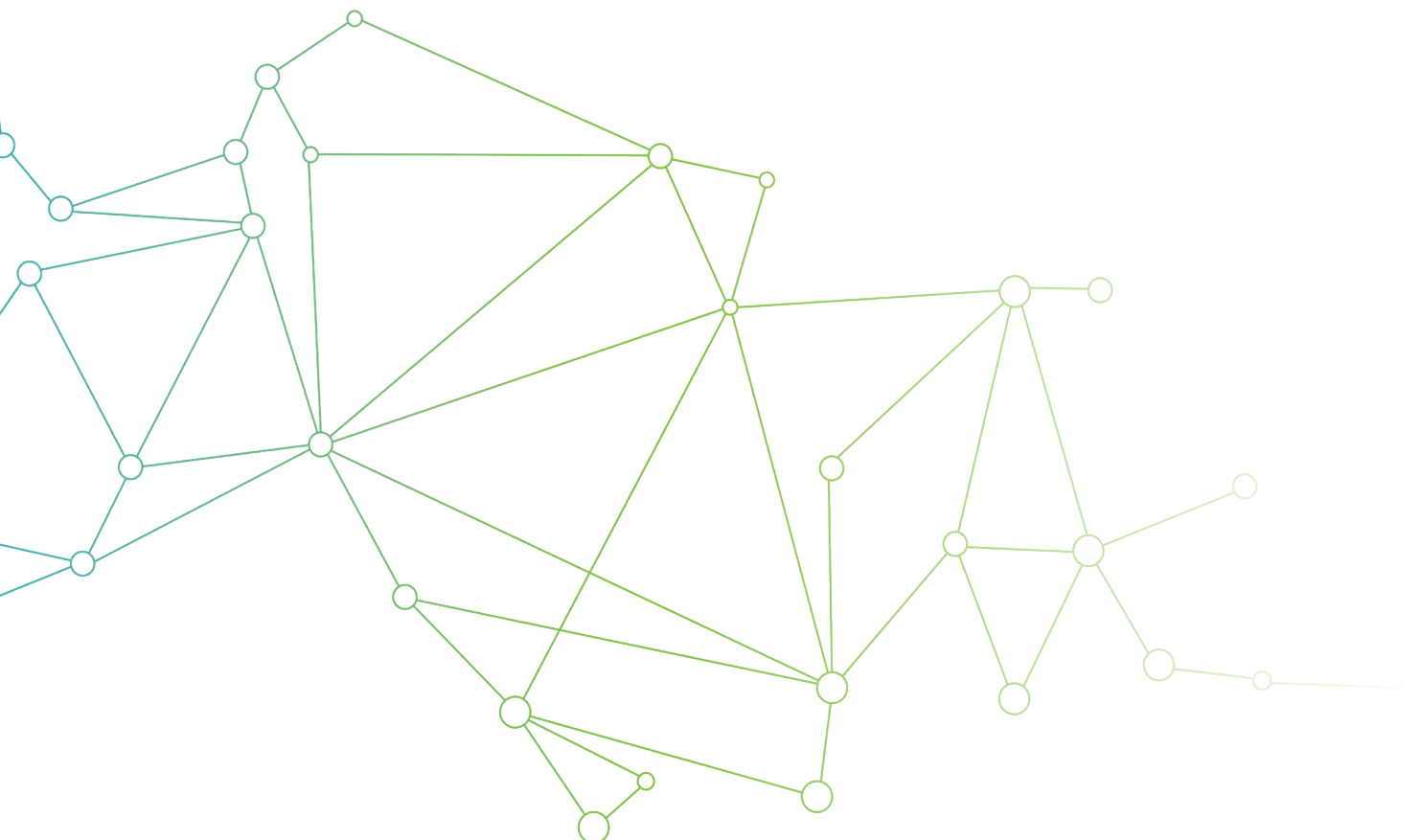
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