Convergence is the new normal

Switzerland has changed direction - accelerated and rapid transition to new operation models

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During the pandemic, some companies put digital transformation plans on hold while others took the opportunity to take their cloud capabilities to new heights to meet changing demand, accelerating their timeline to become fully transformed enterprises.

To take the pulse of the challenges and opportunities ahead, Thought Leader and SwissCognitive Co-Founder Andy Fitze led a series of think tanks in collaboration with Oracle's Country Leader Hanspeter Kipfer and some of the Swiss industry leaders.
In this report they will share some key findings.

What has been the biggest change for companies in Switzerland?

Andy Fitze (AF): The pandemic has revealed our systemic vulnerability. We realised that there is much less set in stone than we had long assumed. Today, empty trains are desirable, a face cover is compulsory, cashless payments are a lifesaver, a doctor's diagnosis by phone is standard, deliveries instead of collections, home office is compulsory even in banks and suddenly digital teaching is also possible.

The pandemic has not changed directions but accelerated transition to new operating models, more rapidly and more aggressively. Technology plays an important role, but the biggest misconception is seeing home office as a kind of digitalization, when in reality it's much more than making employees ready to work from home. Today, digitalization has become an essential component in every industry transformation plan. And the pandemic has given us the courage to more aggressively question what has come before.

So how does technology support businesses in Switzerland?

AF: Switzerland is a high-price, high-quality and, therefore, a high-cost country. It is in our Swiss DNA to use technology to increase our labour input in order to compensate for the high labour costs through the most effective performance. For the sake of Swiss welfare, we are obligated to supplement our skills with technology. Convergence is the word of this new normal.

We see technology on one side and humans on the other, striving together to invent the way we do business. It's about becoming more contactless, about security, speed and transparency. As people's expectations change, technology needs to not only meet the new demands, but very often anticipate these.

SITA improves experience and increases stability of its systems with the Oracle Cloud Infrastructure

SITA is the world's leading specialist in air transport communications and information technology. They develop and manage solutions over the world's most extensive network of the global air transport industry. As business continuity and resilience are top of mind in the industry, SITA partners with Oracle and will now be operating its Global Finance, Enterprise Management and Business Intelligence Systems out of their own Data Centers on the Oracle Cloud Infrastructure.

"This will allow us to continuously improve our user experience, whilst increasing stability of our systems."

Vanya Sharma
IT Director, SITA

Do you see an impact of automation on human support?

AF: More and more services, offerings and data are in the cloud. This business network capability is by many still only associated with large one-time and recurring expenses on site.

In other words, if one continues to develop and operate locally, he will not be able to take advantage of such business network capabilities and may suffer a significant competitive disadvantage in the medium-term. Requirements of SaaS solutions are often easier and faster to complete than open proprietary solutions. In addition, however, the lower internal resistance to market-accepted and standardized solutions and the

associated lower coordination effort is essential.

The management of servers, security, data centers and the like, is definitely not one of the core competencies of end-user companies. At the same time, due to automation, the team size of such specialists is getting smaller and smaller while the degree of specialization is increasing. When the critical sizes of such teams are not met, not only do the quality and costs suffer, but the career ambitions of employees suffer as well. Consistent outsourcing of technical levels is a first step, later this can be followed by a consistent cloud strategy.

Why do companies move to the cloud?

AF: Because it enables new business models and again the pandemic assisted in regards to the speed. Today, construction machines are controlled remotely. Why should a crane operator sit up there when he can do a better job at home with the best cameras and microphones? Moreover, one crane operator can now control not only one but several cranes, not only in Switzerland but everywhere. By the way, the difference between reality and a game console is no longer great. There are several more reasons to move to the cloud, including the need to improve a company's cyber security (global ransomware damage costs are projected to increase to €18 billion by 2021), changing customer and mobility demands, but also the need to increase speed to market and innovation.

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How does the cloud really help some of the main Swiss industries?

Hanspeter Kipfer (HPK): The promise of the cloud has always been that you get what you pay for. The reality is that just like on premises, customers must over-provision and over-pay for what they need. Today Oracle is changing the game with truly flexible infrastructure.

Challenges across industries are diverse but supporting them in powering their innovation whilst tackling complex issues like HPC and security is key.

The retail industry requires support on how to engage with customers, and transparency and flexibility to move from in-store to online interactions. In the financial services industry, the pandemic has accelerated online transaction services which means more data and more security along with more regulations to navigate.

The Oracle Cloud provides the foundation for these industries to innovate with speed and agility whilst protecting highly sensitive data. In manufacturing, the Oracle Cloud is used for HPC workloads as well as sensitive engineering simulations. Another example is the healthcare sector where milliseconds matter as well as security. The pandemic has pushed the industry to look for faster digital services and to find ways to collect and analyse ever increasing amounts of data. HPC is also of essence here.

The pandemic disruption made finance leaders realize they need to act (and react) faster than they have in the past. Those using on-premises applications struggled to help their businesses be nimble, but companies using Oracle Fusion Cloud ERP and EPM were able to

adjust faster using machine learning-driven process automation, cross-function collaborative planning, predictive analysis, and scenario modeling.
Our customers have told us that during the pandemic, they saw the true value of these technologies for more effective forecasting despite volatility and for efficient, touchless period closing.

CFOs already in the cloud feel relief that they've been able to close the books virtually and collaborate across time zones to rapidly model and adjust scenarios in real time. Those who haven't moved to the cloud may be feeling some regret at not acting on plans to modernize, especially in areas critical to crisis management, such as strategic planning and scenario modeling.

In 2020, it was more important than ever for organizations to have full visibility across their supply network. This allowed them to get ahead of supply disruptions and demand swings with quick decisions. For many, the pandemic was a catalyst, accelerating cloud transformation.

Customer expectations for quality service were already evolving before COVID-19. Suddenly, their needs shifted dramatically across the globe, in all industries, and spanning across business-to-business and business-to-consumer sales channels. In order to keep up, Oracle customers relied on technology to help deliver on the increased demand for a memorable and immersive customer experience (CX).

The lesson for all companies is that the time to modernize is now – it has never been more important to be agile and in the cloud.

For **retailers** and the consumer-packaged goods industry, it can feel like everything they knew before Covid-19 has shifted. And in many ways, that's true. Supply chains and consumer demand feels unpredictable. Baselines have been transformed into high peaks and low valleys, and all predictive models that retailers once relied upon have been shown to be weak at best and useless at worst. Fashion and retail have seen declines of up to 30 percent, per Gartner;

grocers on the other hand, have seen their foot traffic transform into a stampede. And they should feel that way: We're living through the greatest economic disruption in more than half a century.

Just a quick look at the numbers exposes how far things have shifted: **a study from Accenture** shows that 56 percent of consumers are shopping locally now, and 84 percent plan to continue this behavior long-term. Long before the first case of COVID-19, retailers were **bogged down by data silos**, a low adoption of AI, a download-to-desktop phenomenon that ate up productivity, exposed security risks and denied companies the multiple benefits available to them by transitioning to the cloud.

But catalysts come in all shapes, sizes and events, and there's no doubt that COVID-19 is a catalyst. In many ways, it will accelerate much-needed growth, change and adaptation, and for many retailers, those changes are long overdue.

What is the decisive factor when moving to the cloud?

AF: Companies are transforming, dematerialising, separating their business models, expanding globally or fundamentally changing their revenue structures. Today, people google, tweet, chat, deepl, twint and zoom. In other words, the data density is increasing exponentially from the product-oriented, service-oriented, global-oriented, data-driven to the cognitive-driven business model.

And it is precisely this data that is forcing us into the cloud. Intelligent models for our sales promotions, route optimisers, virus monitoring, seeding assistants and MRI image recognition are not based on business data but mostly on public data.

This is exactly why there are global rankings for best public digital infrastructures, such as highest bandwidth and lowest response time. Because this is the basic prerequisite for this development.

Everyone agrees that the decisive factor is the added value for the customer, the operation and the employees. Exactly in this order of priority.

How do companies organize their priorities using data?

AF: The focus areas that are most important include the working capital. Secure your supply chain to make sure shelves stay stocked in the face of fresh lockdown and create more dynamic inventory controls; gaining better consumer insights. Demand changes rapidly in a time of crisis, from proactive (this is our deep hunter-gatherer behavior that saw us stockpiling food and paper goods) to preparing our pantries to living in a new normal. Anticipate where your consumers are living and meet them there; and health & safety. Protecting your staff and your customers is vital to survival. Predicting employee risks on every level will allow you to maintain the quality of service your customers expect. Increase your sanitation metrics and data collection efforts to build confidence with consumers.

"We are increasing our use of cloud services, not primarily because of cost considerations but because it gives us access to the latest software innovations (e.g. Artificial Intelligence)."

CIO of a Swiss retailer

So what trends do we see in the cloud?

AF: A growing adoption of the public cloud

Clearly, as explained in the introduction, the trend is not a slowdown in investment in the cloud and particularly in the public cloud. The big hyperscalers have experienced a year of strong growth in 2020. Even if the rhetoric around European data sovereignty has slowed down some initiatives, it has had little effect on the massive migration of workloads to the cloud. All observers agree that native cloud development projects will accelerate further in 2021.

AF: A need for a cloud culture

The Lift & Shift is over. Likewise, the time for the cautious and hesitant adoption of the cloud by "quick win" without a real long-term transformation roadmap is over. The time

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has come for "native cloud" development, the adoption of PaaS, the generalisation of containers and microservices, and the popularisation of serverless. Companies need to shift their culture to a cloud first approach and adopt cloud-centric project governance. Forrester estimates that by 2021, 60% of companies will be running containers in the public cloud. A cloud culture also means rethinking the economic equation of its information system and better monitoring and control of cloud usage.

HPK: The take-off of PaaS

A leader in serverless trends, Function as a Service (FaaS) is one of the top five cloud services in 2020, according to the latest Flexera "State of the Cloud" report. And its adoption is accelerating. Forrester estimates that 25% of developers will be

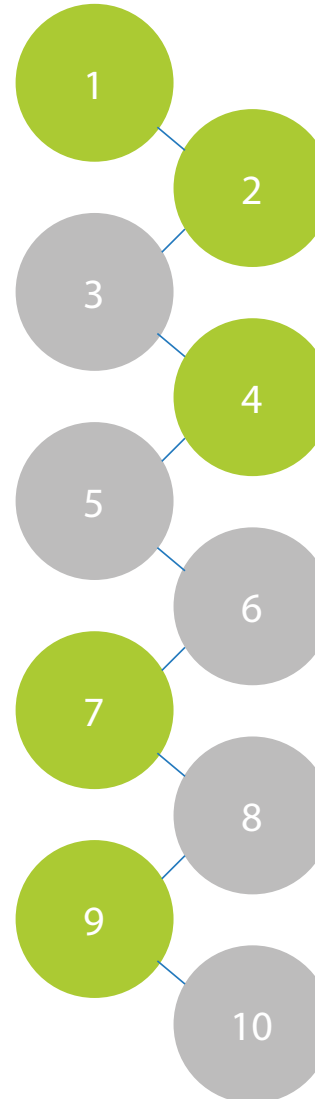intensively exploiting serverless and FaaS by 2021.

HPK: Towards native cloud security

Cybersecurity of the private/hybrid/public cloud is obviously a key issue. And the trend is clearly towards the buzzword of 2020: SASE. Based on the principle that security must come from the cloud to ensure its universality, SASE combines SD-WAN, Zero Trust, Web Gateways, CASB (Cloud Access Security Broker) and a central console in the cloud, so that traffic is secured from user to application, regardless of where the first and second is located.

What are the 2021 predictions of IDC?

Through 2023, all enterprises will struggle with app modernization and data integration across cloud silos; 20% will adopt connected cloud architectures to overcome these concerns

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Major Themes of 2021 Predictions

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By end of 2021, over 90% of enterprises evaluating cloud services for privacy-sensitive workloads will mandate maintenance of data sovereignty and data control capabilities across geographies

To gain business agility, enterprises will commit to modernizing up to half of their existing applications by 2023, through the use of turnkey cloud-native development and deployment services

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Through 2021, the belief that they are wasting at least 15% of their public cloud spending will drive enterprises to invest in public cloud cost management, with the goal of cutting cloud waste in half

By 2021, enterprises will allocate 20% of new cloud services spending to cloud solutions that meet specific industry and ecosystem data-sharing requirements for their vertical segment

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By 2024, over a quarter of new workloads being deployed on public clouds will use purpose-built silicon and infrastructure components from providers, to optimize for use case –specific requirements

By 2023, enterprise demand for portable, feature-rich SaaS solutions, consumable on their choice of cloud, will drive over 60% of ISVs to re-architect or build new portable cloud-native applications

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By 2023, over 40% of enterprises will replace outdated operational models with cloud-centric models that facilitate rather than inhibit organizational collaboration, resulting in better business outcomes

By 2024, over 25% of organizations will improve business agility by integrating edge data with applications built on cloud platforms, enabled by partnerships across cloud and communications service providers

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By 2025, over a quarter of new cloud applications will use data-centric event-driven architectures rather than traditional code-centric ones, enabling better automation and business agility