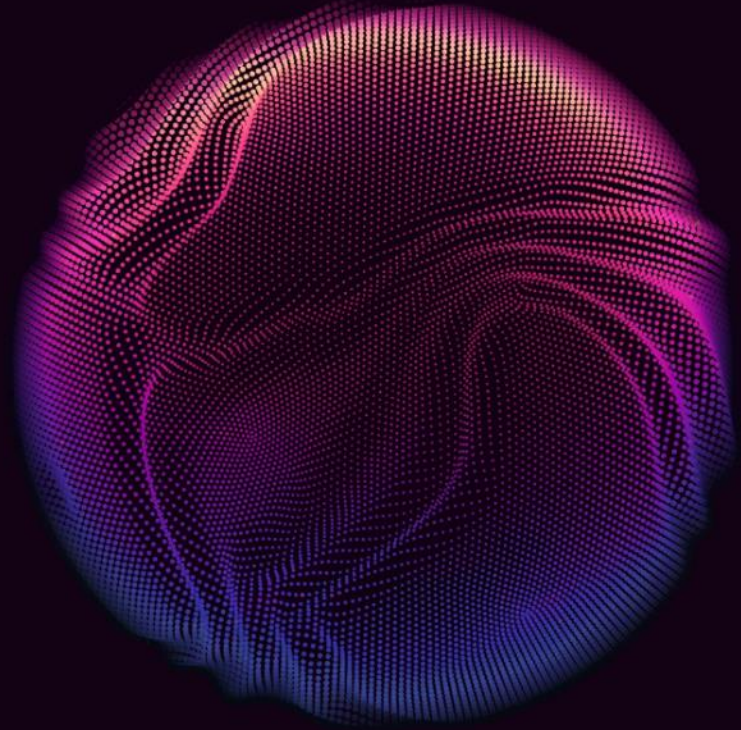


**Baker  
McKenzie.**

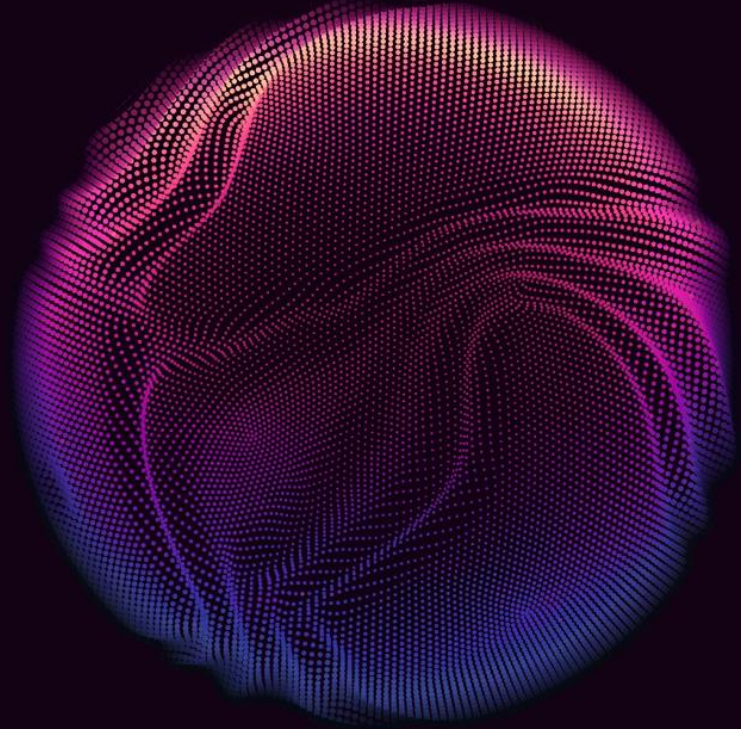
# Digital Transformation and Cloud Survey



 2020

# Agenda

- 1 SURVEY BACKGROUND
- 2 KEY TRENDS
- 3 DIGITAL TRANSFORMATION
- 4 CLOUD
- 5 SECTOR TRENDS

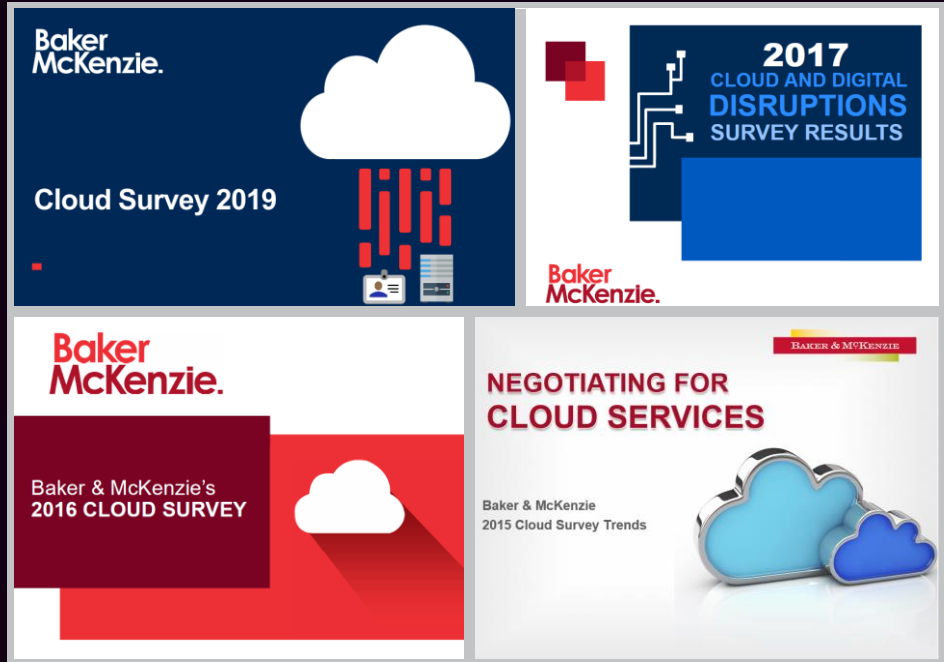


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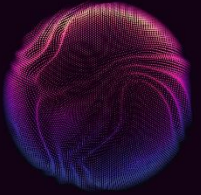
# Survey Background



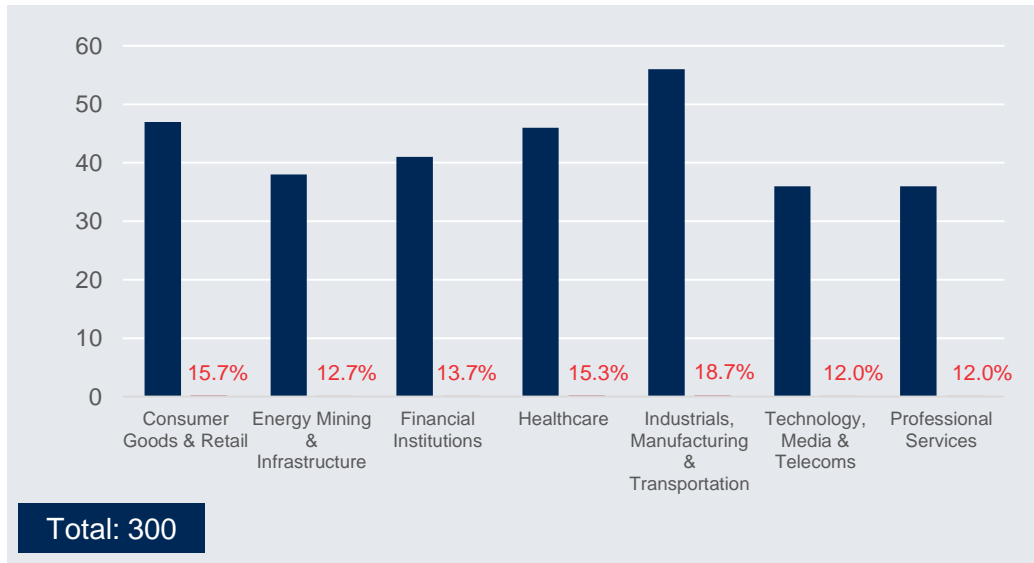
# This is our sixth survey and second refresh of digital transformation.



# Our Respondents



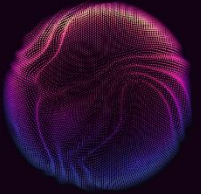
## What is your company's primary industry?



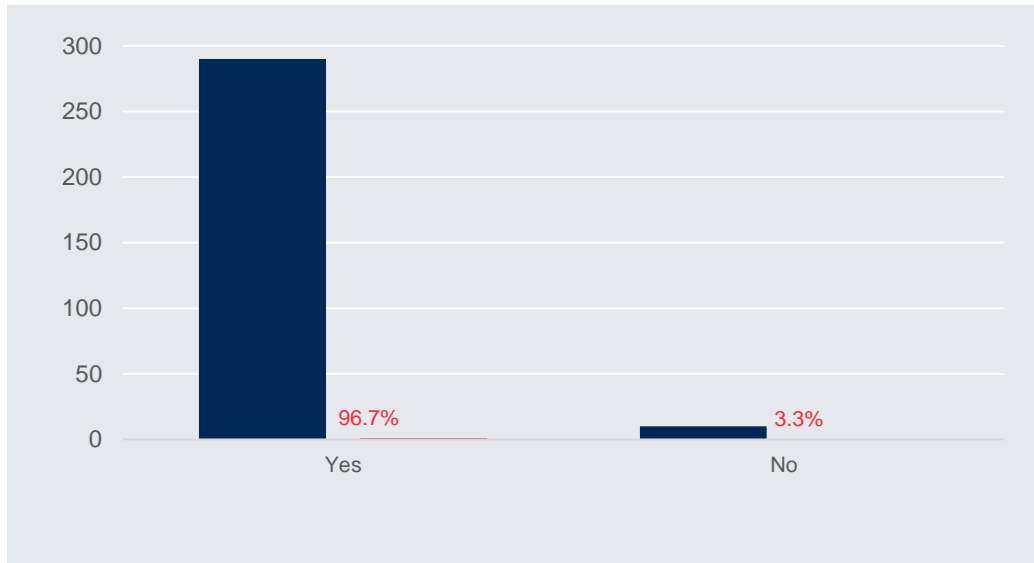
- Our respondents represented a normal distribution across various industry groups.
- Our respondents also represented a mix of company sizes and regions.



# Our Respondents



## Are you a user of cloud or digital services at your company?



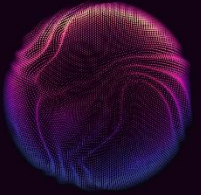
- The vast majority of our respondents are users of cloud or digital services within their enterprise.
- This reflects an increasing trend of all of our respondents being directly familiar with cloud and digital tools.

2

# Key Trends



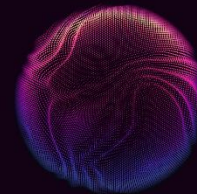
# Digital Transformation Trends



-  Digital transformation is ongoing and accelerating, but at different rates by industry segment
-  Cloud adoption is strong across all industries, but data privacy and security are headwinds
-  COVID is accelerating the pace of digital transformation (not uniform across industries)



# Data Trends



Continued Focus on Data Security

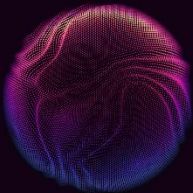


Respondents Indicate Increasing Regulation



Specifically Notable is Continued Impact of Data Residency Laws and Regulations

# Cloud Trends



Cloud Continues to be Widely Adopted, especially Private and Hybrid Cloud



Cloud is a Leading Driver of Digital Transformation



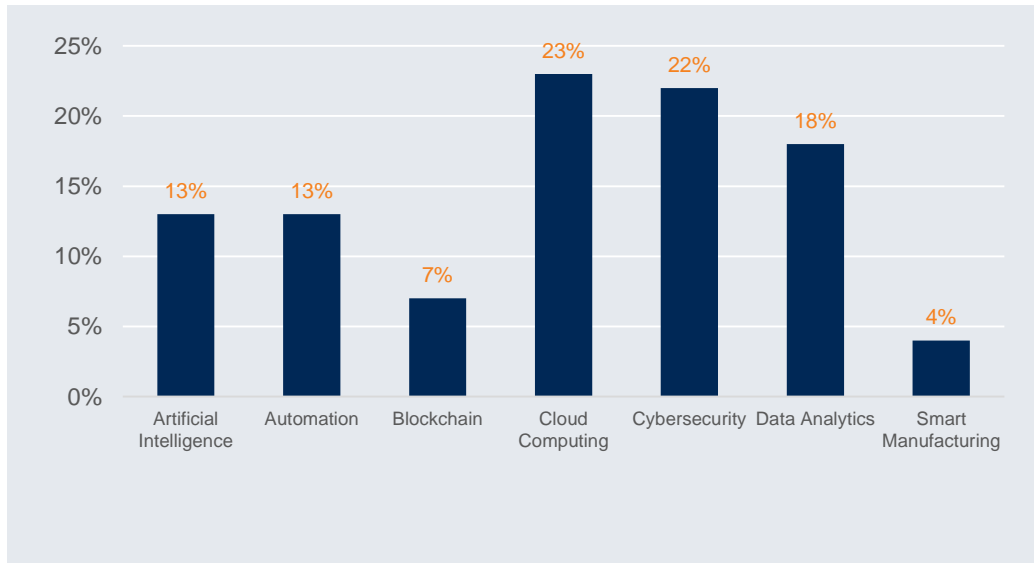
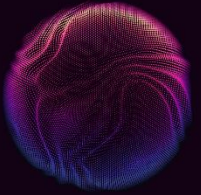
Cloud Contracting Approach Remains Consistent with Past Surveys

3

# Digital Transformation

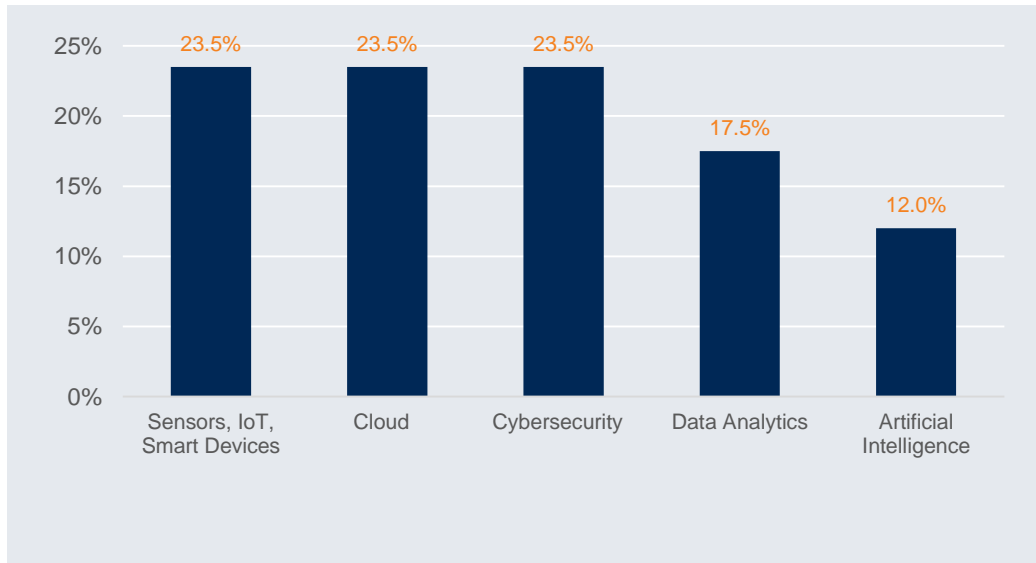
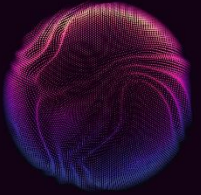


# Technology Driving Digital Transformation



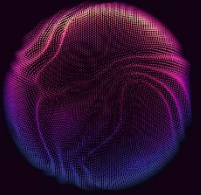
- We asked our respondents to list the top 3 drivers most important to their digital transformation.
- Our respondents identified the following drivers as within the top 3 most important technologies.

# Technology Driving Digital Transformation

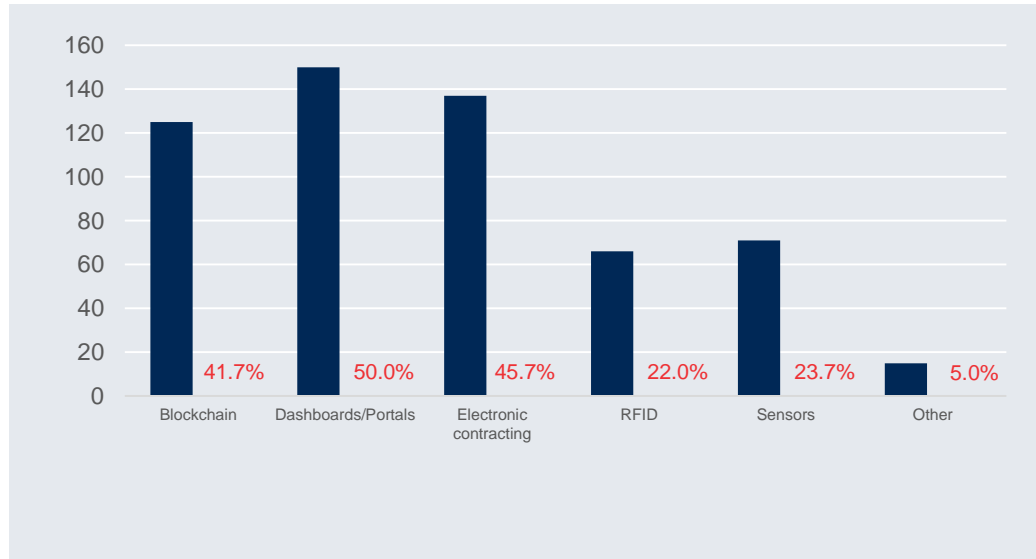


- We also asked where our respondents are most heavily investing in digital transformation.

# Use of Specific Technologies – Supply Chain



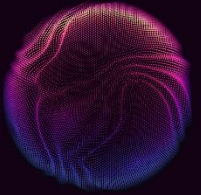
Which of the following digital tools has your company used to identify and track its supply chain?



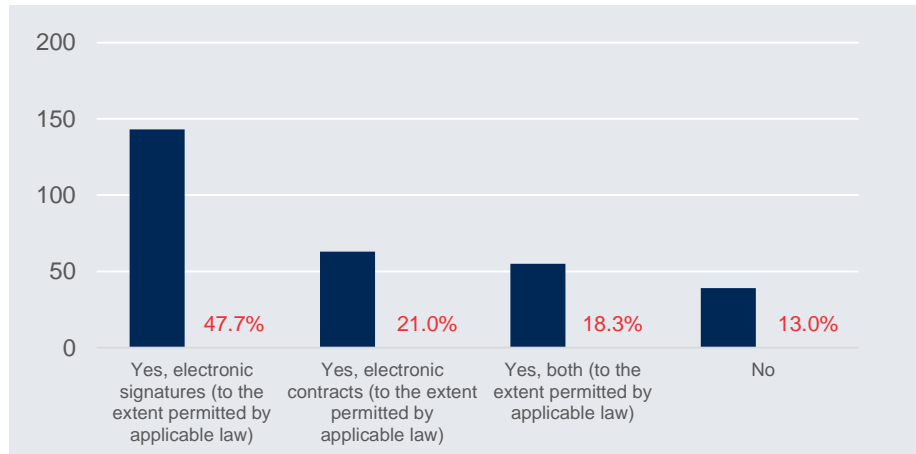
- Respondents identified use of specific technologies in tracking their supply chain



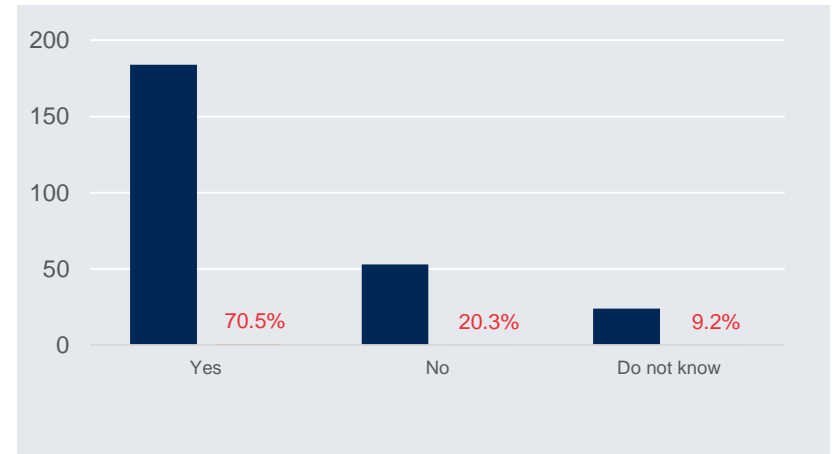
# Use of Specific Technologies – Electronic Signatures



Does your company permit the use of electronic signatures (e.g., with DocuSign) or electronic contracts (i.e., contracts concluded electronically via the internet by checking a box)?

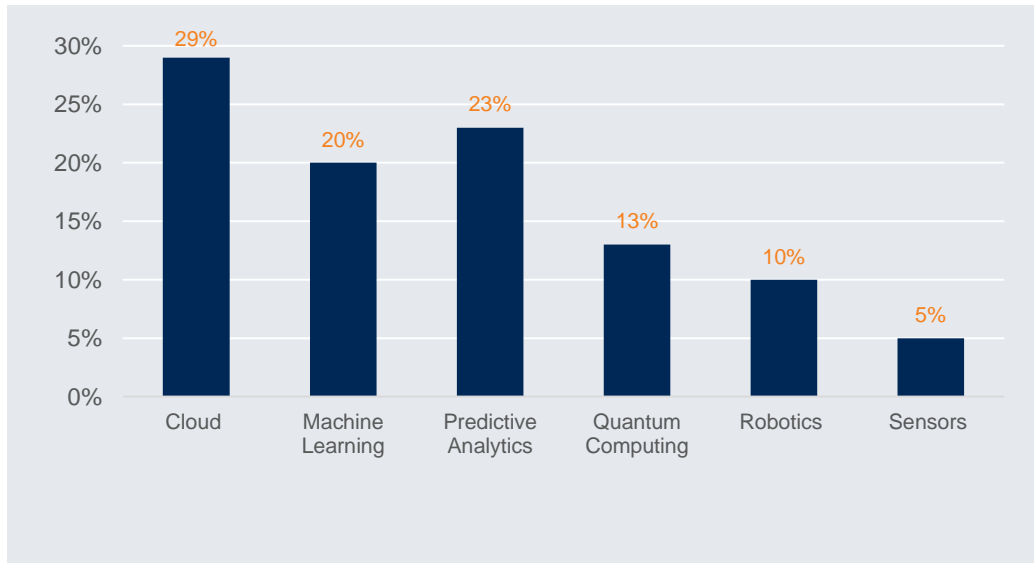
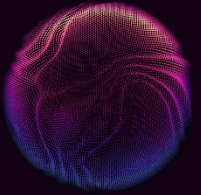


Are the results integrated with your company's ERP or other record keeping systems?



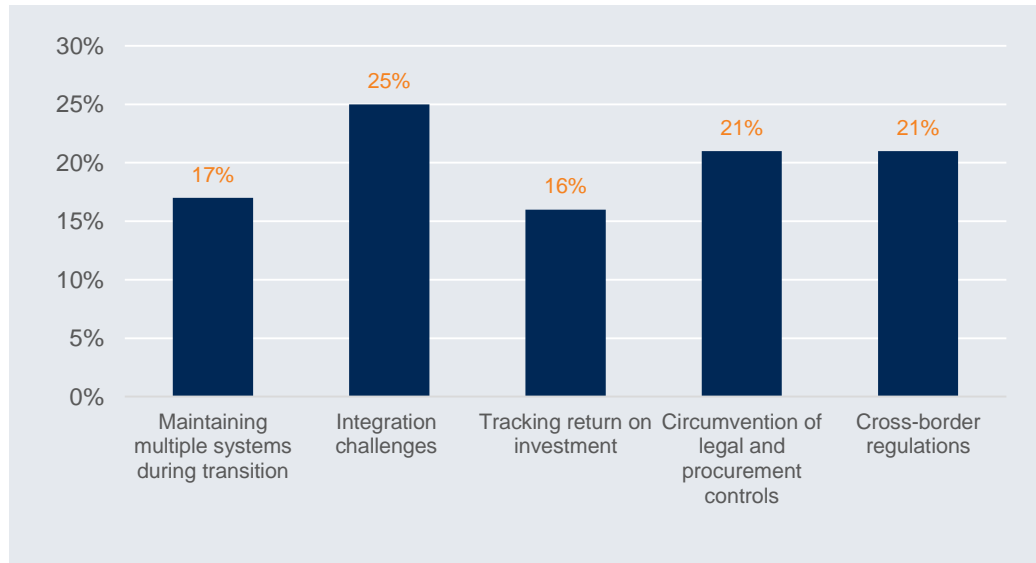
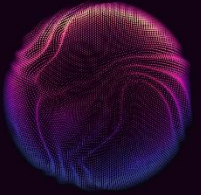
- The use of electronic signatures has increased since our last survey, where 40% of respondents indicated full use of electronic signatures where permitted. That number has increased to 48%.

# Technology Driving Digital Transformation on the Horizon



- Our respondents identified the top 3 technologies most likely to be disruptive over the next 5 years.

# Challenges in Digital Transformation

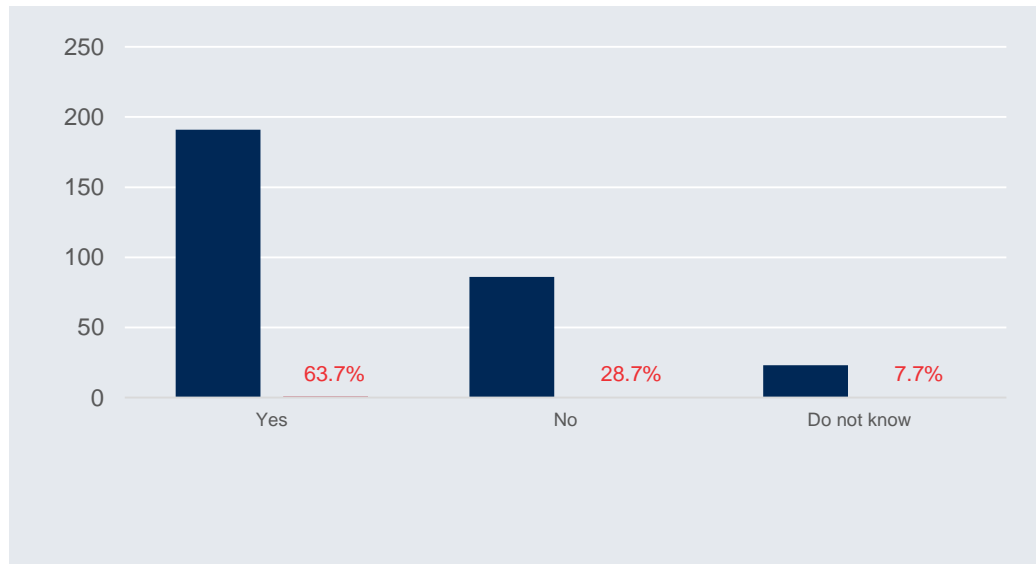


- We asked our respondents to indicate the challenges they are facing in digital transformation.

# Digital Transformation Challenges Mitigation

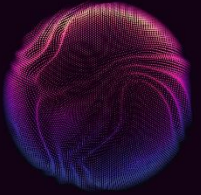


## Does your company carry cyber liability insurance?

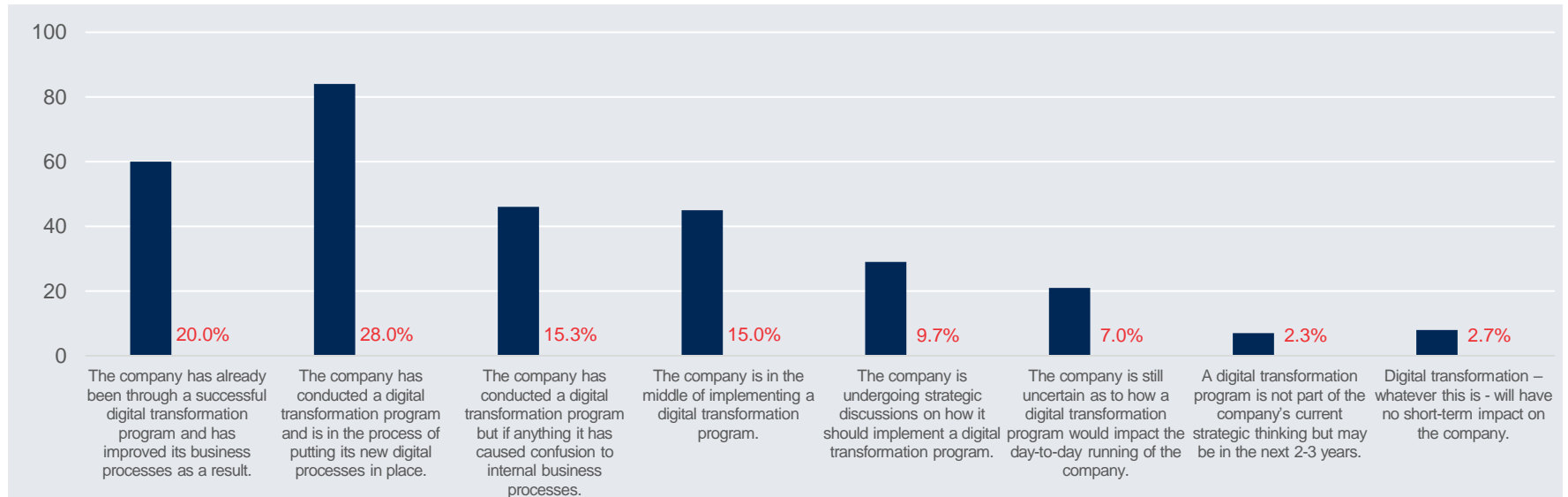


- We continue to see an increasing trend in cyber insurance coverage

# Digital Transformation Journey

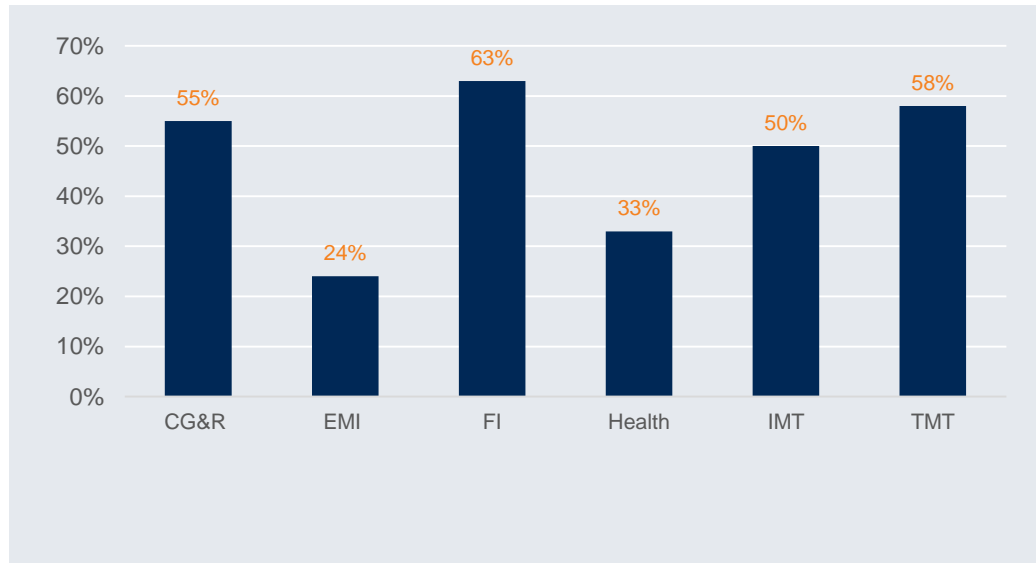
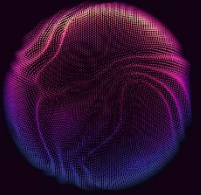


## How ready is your company to benefit from digital transformation?



- Our respondents continue the digital transformation journey and reported being at different places along that journey.

# COVID Impact



- We asked respondents whether COVID is accelerating their digital transformation plans. FI and TMT responded overwhelmingly yes. Here is the breakdown by industry:

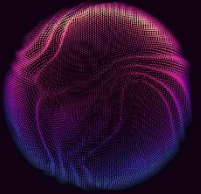


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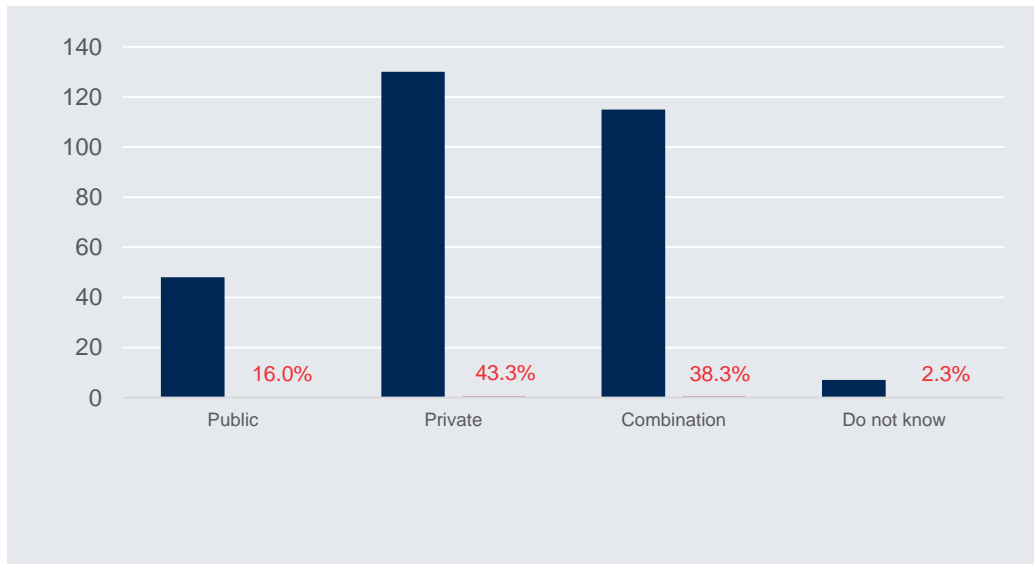
# Cloud



# Type of Cloud

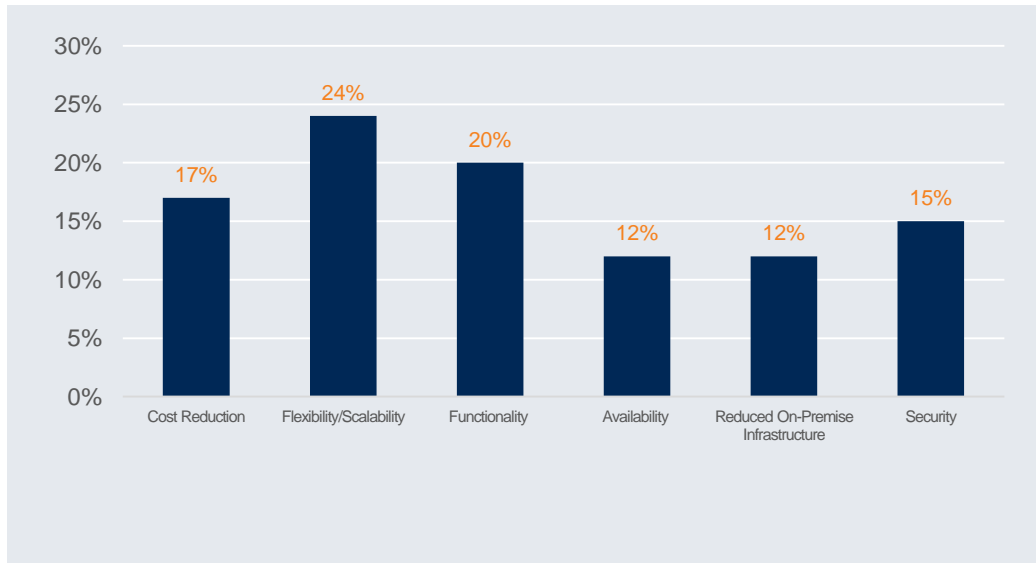
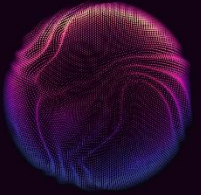


## Does your company use public cloud, private cloud, or a combination?



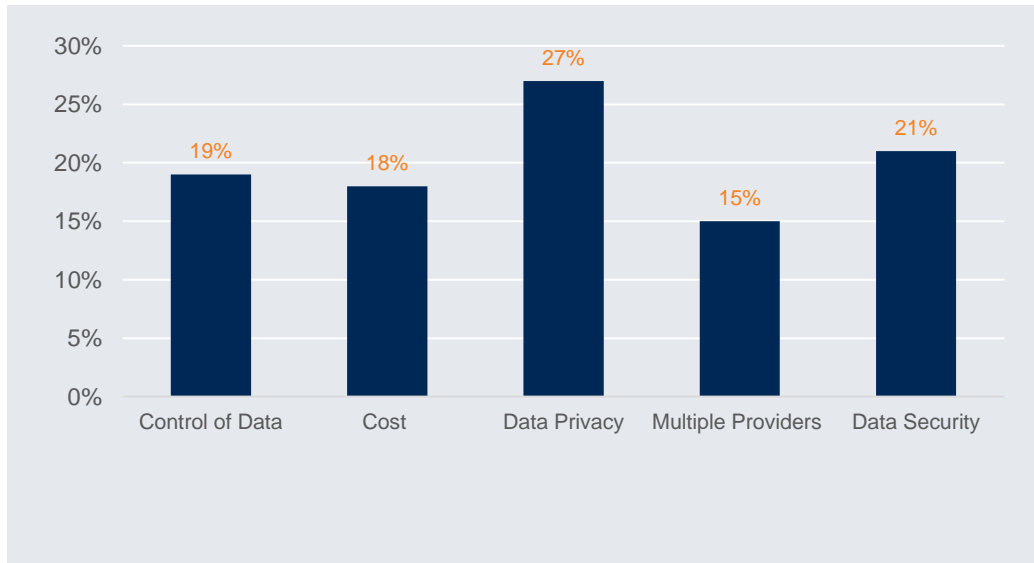
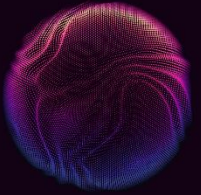
- As cloud usage continues to grow, we sought to be more specific in identifying our respondents' specific cloud usage.

# Benefits of Cloud



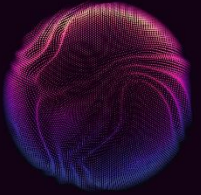
- Our respondents indicated the main benefits of cloud to their enterprise.

# Challenges of Cloud

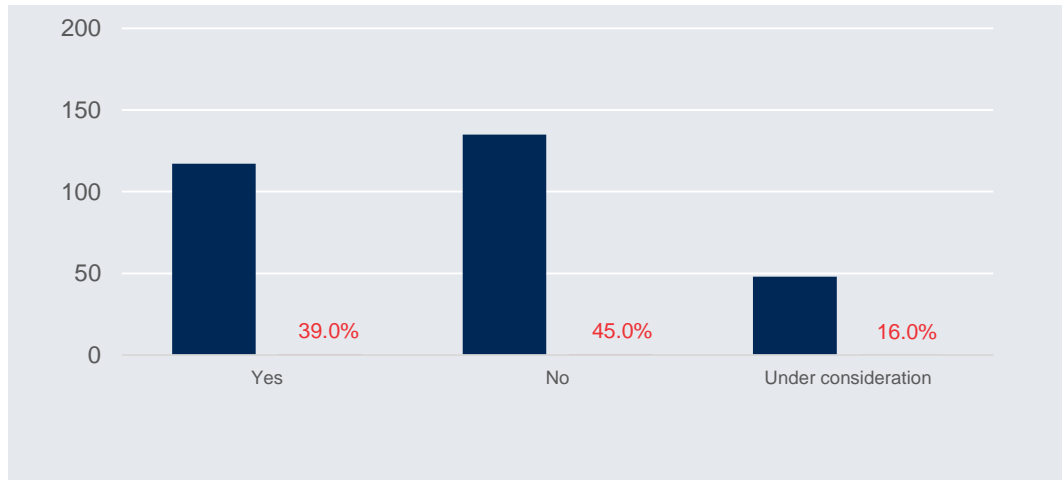


- Our respondents indicated the main challenges of cloud usage and adoption in their enterprise.

# Data Residency

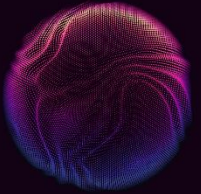


Have laws requiring data residency (e.g., Russia's data residency law, China's cybersecurity law, Indonesia's personal data regulation) required your company to change its cloud usage?

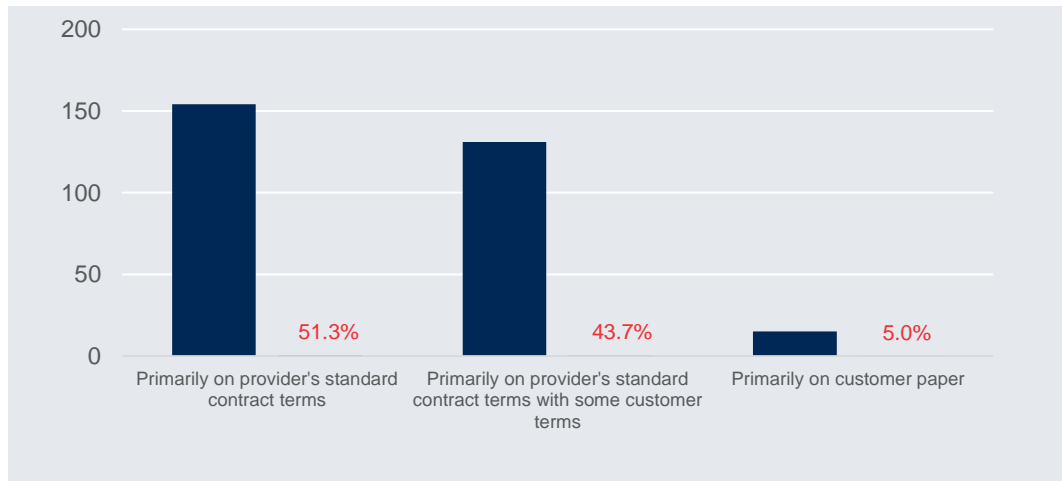


- Data residency laws continue to have an impact on our respondents, but the need to **change** usage of cloud based on data residency laws is trending down from our past surveys, potentially indicating further adaptation in the market to these laws.

# Form of Cloud Agreement



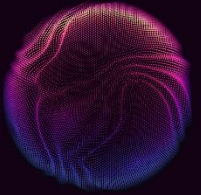
Are your company's cloud agreements primarily on provider's standard contract terms, primarily on provider's standard contract terms with some customer terms, or primarily on customer paper?



- We continue to see cloud contracting done on provider paper, with a mix of some customer terms.



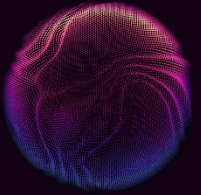
# Most Negotiated Cloud Terms



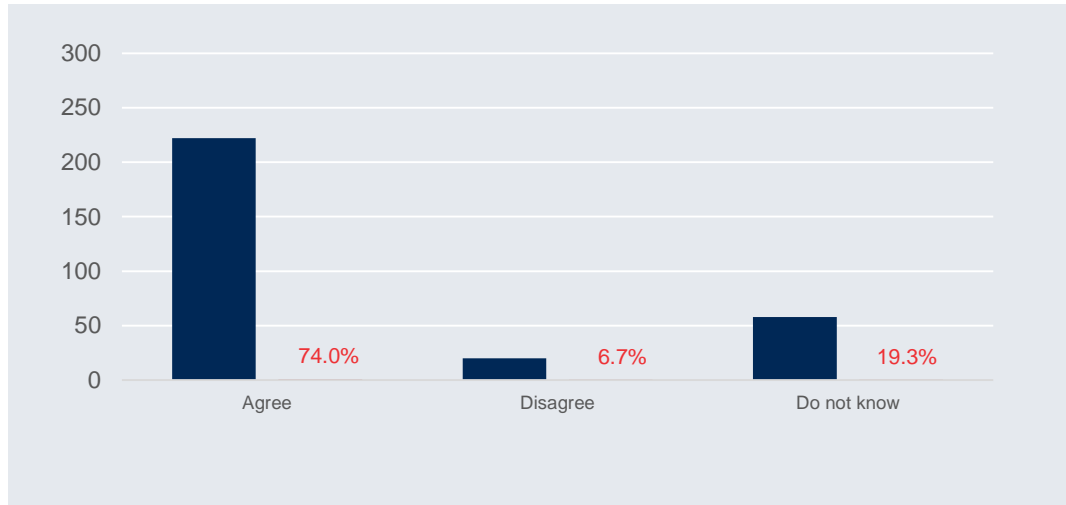
We asked respondents to identify which cloud contract terms are most negotiated. The results were ranked across the following key terms, from most to least negotiated:

- 1. Fees**
- 2. Confidentiality Provisions**
- 3. Data Security Protections**
- 4. Data Use Rights**
- 5. Audit Rights**
- 6. Term and Termination**
- 7. Service Levels**
- 8. Governing Law**
- 9. Intellectual Property**
- 10. Insurance**
- 11. Indemnification**
- 12. Limitation of Liability**

# Limitations on Liability

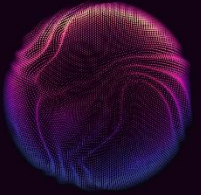


Our prior surveys have indicated that liability caps tend to be the preceding 12 months of service fees, with higher caps for data security incidents.

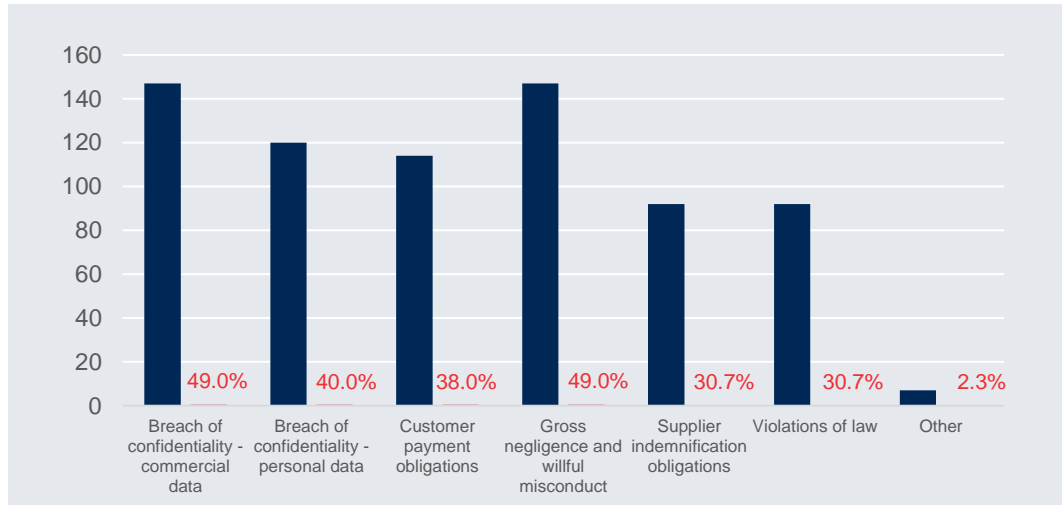


- Our prior surveys have indicated that liability caps tend to be the preceding 12 months of service fees, with higher caps for data security incidents.
- Respondents indicated they also see specific dollar amounts (e.g., \$1M-\$10M), caps tied to specific categories of damages, or other ranges of preceding months fees (e.g., 12-18 months).

# Limitations on Liability

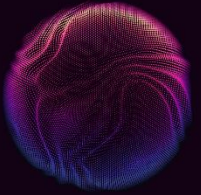


What exclusions are typically excepted from limitations on liability (dollar caps and consequential losses disclaimers) in your company's cloud agreements



- We asked what exclusions are typically excepted from limitations on liability (dollar caps and consequential loss disclaimers) in our respondents' company's cloud agreements.

# Key Learning from Cloud Survey



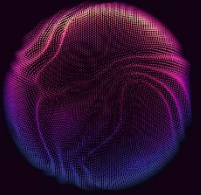
- Digital transformation is ongoing and accelerating, but at different rates by industry segment
- Cloud adoption is strong across all industries, but data privacy and security are headwinds
- Compliance is increasingly being factored into cloud solutions, based on response data
- While there is continued convergence on cloud contract terms, much is negotiable
- Control over data continues to be a key factor in cloud solutions




5

# Sector Trends

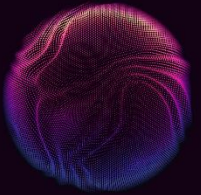


# Consumer Goods & Retail Trends



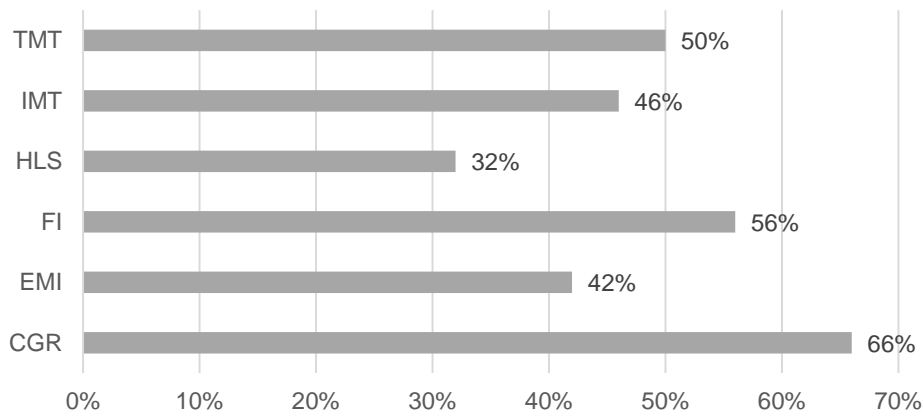
-  CGR companies most likely to have completed a Digital Transformation program
-  Data management is a major concern for CGRs: investing heavily in cybersecurity and view potential loss of data control as a major concern to cloud adoption
-  CGRs view use of predictive analytics as an enabler to differentiate from competition and disrupt the market

# CGR & Digital Transformation



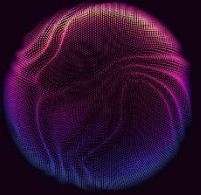
## How ready is your company to benefit from digital transformation?

% of companies that have been through DT program that has been successful or are in middle of putting new digital processes in place



- CGRs see Digital Transformation as a means to improve internal processes including data analytics
- CGRs more likely to invest heavily in cybersecurity
- Covid-19 has played an accelerating factor for Digital Transformation for CGRs

# Energy, Mining & Infrastructure Trends



EMI businesses more likely to adopt hybrid cloud model rather than private network – they tend to require more scalable architecture for a more immediate global reach



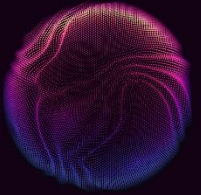
EMIs are less likely to have gone through a Digital Transformation – lack of available funds has been a barrier for many



Covid-19 is least likely to have accelerated Digital Transformation for EMIs

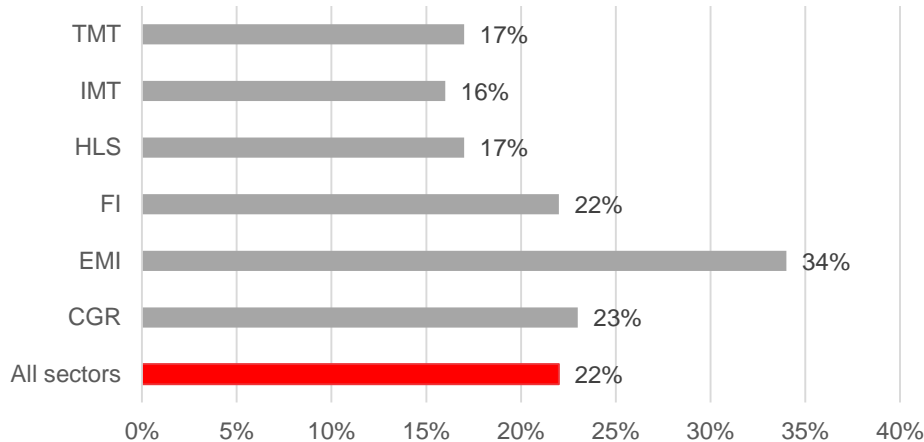


# EMI & Data Security



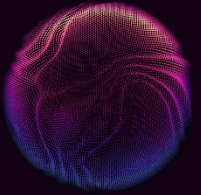
## How important is cybersecurity to your technology strategy?

% of companies most likely to place cybersecurity at the front of its technology strategy



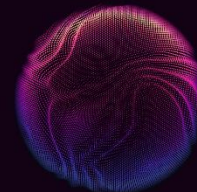
- EMIs are investing most heavily in cybersecurity. This may be because they have been slower to invest in it than other sectors.
- Use of predictive analytics as a disruptive enabler noted by EMIs to improve efficiency
- EMIs less likely to carry cyber liability insurance than other sectors

# Financial Institutions Trends

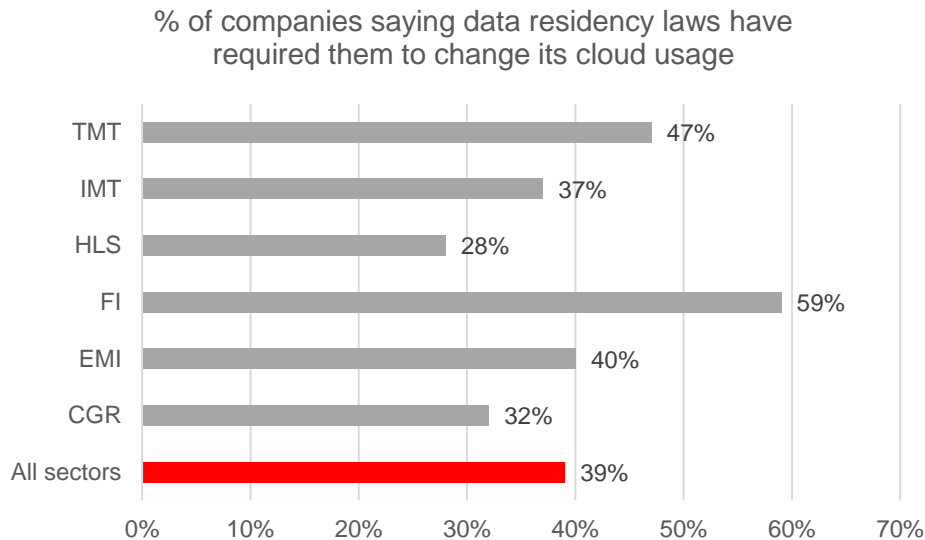


-  FI firms are more likely to adopt private cloud model based on concerns around control of data and data privacy
-  FIs are most concerned of all sectors about data residency legislation and how it has impacted cloud usage
-  Covid-19 has played its part in accelerating Digital Transformation programs even though FIs are one of the most advanced sectors when it comes to DT

# FI & Data Residency

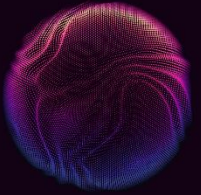





## Have data residency laws required a change in your cloud usage?



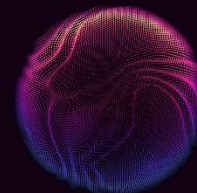
- FIs are most likely to negotiate terms on choice of law or venue in a cloud agreement
- FIs are progressive on technology strategy with a third putting AI at the heart of strategy and over 20% recognizing the importance of NFV as a disruptive enabler
- FIs are advanced in Digital Transformation with over 40% saying they have invested very heavily in DT

# Healthcare & Life Sciences Trends

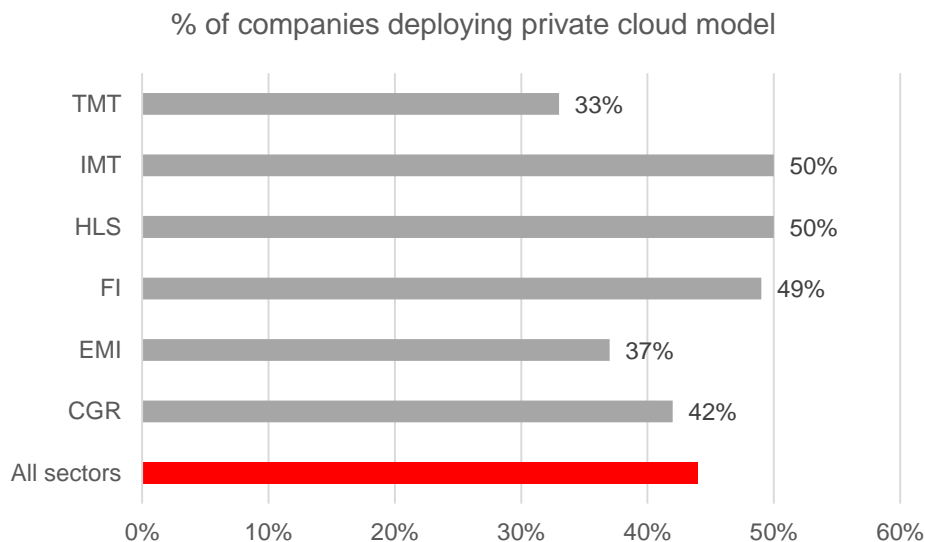


-  Concerned about data privacy and control of data, HLS firms are more likely to deploy cloud on a private network
-  HLS firms are the most likely to express dissatisfaction with a Digital Transformation program with over a quarter saying it has actually caused further confusion
-  Integration of new and legacy systems has caused many HLS businesses to hold off on a DT

# HLS & Private Cloud



## Does your company use private cloud?



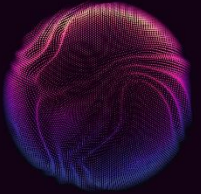
- HLS firms are most likely to negotiate on confidentiality terms in cloud agreements
- HLS firms are likely to invest very heavily in cybersecurity
- HLS companies concerned at data management and especially how patient data is used and poor treatment of data

# Industrial Manufacturing & Transport Trends

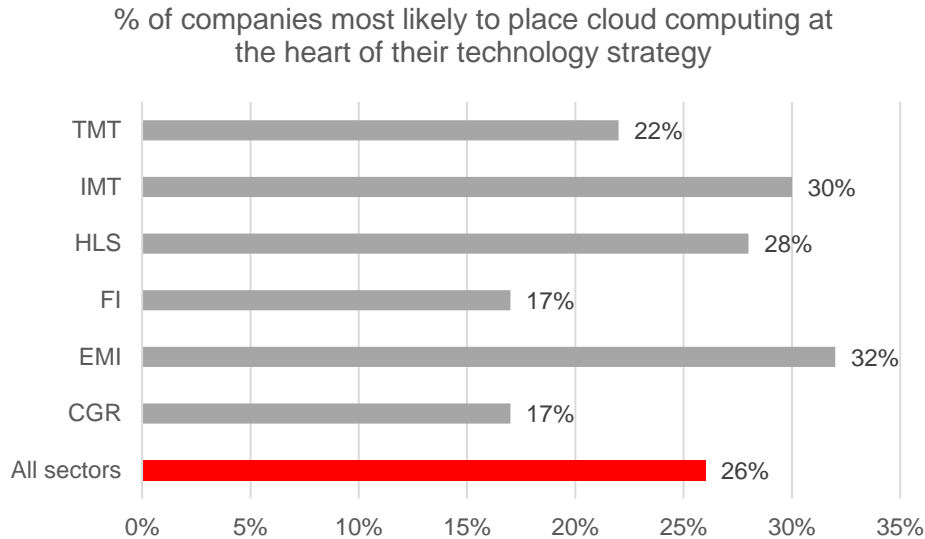


-  IMT businesses are more likely than most other sectors to adopt private cloud model
-  IMTs are most likely to negotiate terms around data security issues in cloud agreements
-  IMTs more likely to have adopted Blockchain and sensors to identify and track their complex supply chains

# IMT & Cloud Computing

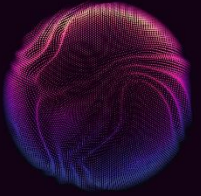





## How important is cloud computing to your technology strategy?



- Cloud computing at the heart of technology strategy for IMTs as analysis of time-sensitive data drives development of remote computing
- IMTs most likely to say a lack of clarity on how digital transformation can improve processes is holding them back from investment
- IMTs more likely to see machine learning as a future disruptive enabler

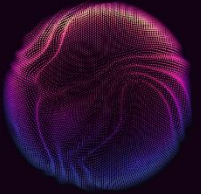
# Telecoms, Media & Technology Trends



-  TMT firms are more likely to adopt either a hybrid cloud or public cloud model than other sectors
-  Covid-19 has played a part in acceleration of Digital Transformation for TMTs
-  Artificial intelligence is at the heart of as many as 1 in 3 TMT firms' technology strategies

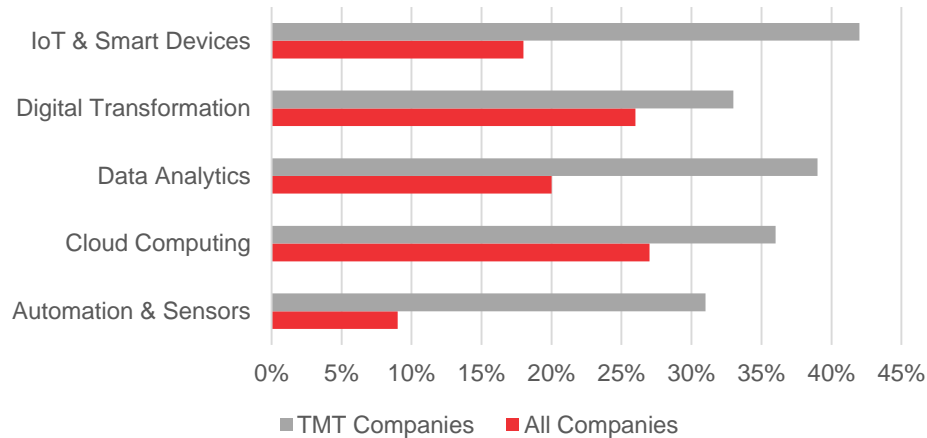


# TMT & Technology Investment



## In which of these areas is your company investing most heavily?

% of companies investing very heavily in these technology areas



- TMT firms more likely to be investing in more progressive technology areas such as IoT, data analytics and automation
- TMTs recognize main risks around data management to be protecting data, using consumer data and understanding latest data regulations
- TMTs are more likely than most other sectors to carry cyber liability insurance

# Contact Details



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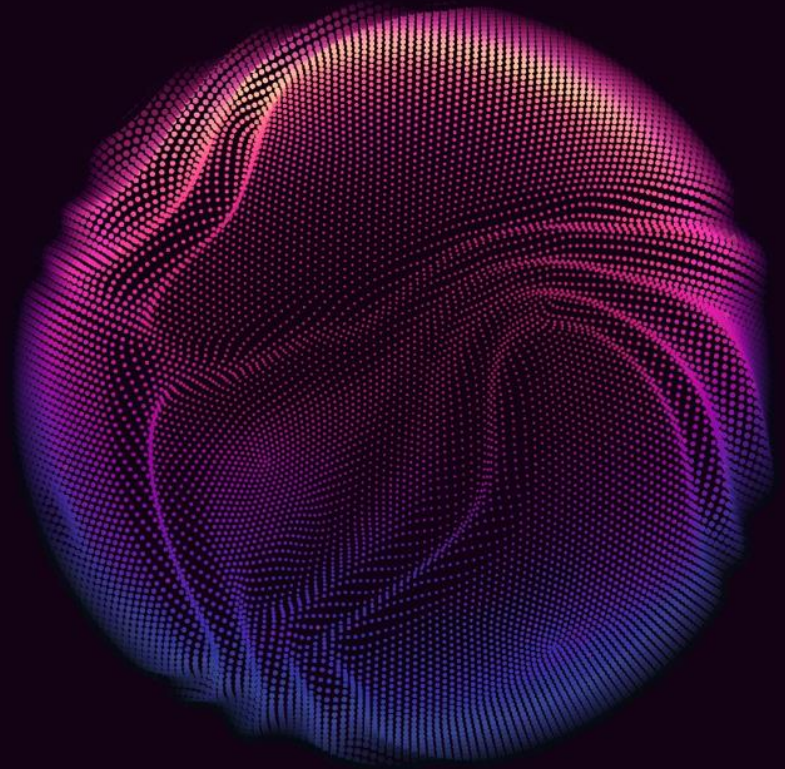
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