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Executive Summary: Enterprise NaaS State of the Market

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The adoption of as-a-service models for IT infrastructure continues to accelerate. In today's environment of economic uncertainty and budget scrutiny, organizations must improve IT agility. This means that the traditional procurement strategies of significant capital investment, long planning, and procurement cycles must be re-evaluated. In response, organizations are embracing as-a-service (XaaS) models to reduce the complexity of managing their IT ecosystems, align usage with budgets, and improve operational efficiencies.

In January 2023, IDC conducted a survey for HPE to understand interest levels and investment strategies for adopting as-a-service models for digital technologies, including enterprise network as a service (NaaS). The survey included 255 respondents from Australia, New Zealand, Singapore, India, Germany, France, United Kingdom, and the United States. The respondents represented a broad cross section of vertical industries and global revenue up to $10 billion. One of the key findings of this survey: 66% of respondents agreed that eliminating up-front capex and easier network budgeting was a key factor for choosing enterprise NaaS.

Top NaaS Catalysts and Benefits

Flexible Financing Dominates by Almost 4:1 Versus Paying by Usage

There are a variety of reasons an enterprise would begin using NaaS. The NaaS Survey indicates that flexible financing – or paying by subscription with limited capital resources – and keeping pace with technology/faster feature deployments are two of the top catalysts for deploying NaaS. Other reasons, such as paying based on usage metrics (flexible consumption), overall TCO, or having a new workload or project, were not as popular, indicating they were important, but less significant catalysts. Respondents to the survey made it clear that the benefits of flexible financing were voted almost four times more than the importance of paying based on usage metrics or flexible consumption.

As NaaS adoption continues to increase, enterprises are realizing the benefits of as-a-service models for networking. Market awareness and use of NaaS is expanding, which in turn drives a new appreciation for the ability of NaaS to deliver financial benefits such as predictable costs and easier budgeting. In addition, survey respondents cited technical and operational benefits including faster access to new technology and alleviating IT staff constraints, respectively.

Benefits of NaaS fall into three categories – financial, technical, and operational. Among the specific benefits cited by survey respondents are the following:

- **Financial:** While financial flexibility ranks as the number one catalyst for NaaS, it also ranks as the top benefit of NaaS for North America and APAC respondents. The financial flexibility from NaaS subscription models allows organizations to improve predictability related to the cost of the network. Adopting a flexible financing subscription model also improves deployment agility and initial acquisition cost savings across an entire footprint – including highly distributed sites – compared to a traditional capex budgeting approach with high upfront investments.

- **Technical:** One the biggest benefits of NaaS is the ability to get faster access to new technology. NaaS models are typically used for new network infrastructure deployments, such as technology like Wi-Fi 6/6E, multi-gigabit Ethernet switching, or SD-WAN/SASE deployments. Furthermore, because a NaaS offering typically uses a cloud-based management platform, NaaS users get fast access to new features and functions of the network management platform without the need for on-premises management.

- **Operational:** NaaS models ease management burdens on enterprises by allowing them to choose how much of the network management to shift to a NaaS provider. The choices range from self-management to partial or complete management by the NaaS provider. The ability to more quickly increase or decrease network resource capacity, or new features and functions of the network management platform, is another key benefit of NaaS. While cloud-based management of NaaS allows enterprises to get access to new technology, it does not have to burden IT staff to implement the new technology.

Conclusion

It's an exciting time in the enterprise NaaS market. Fundamentally, as-a-service models – and NaaS specifically – can help organizations accelerate their digital and network transformation goals. Enterprises that are already familiar with the benefits of as-a-service models, particularly as they relate to the IT agility, value the strategic aspects that flexible and opex consumption models enable. Increasingly, those benefits are being applied within the networking domain as enterprise NaaS models continue to gain traction.

IDC's NaaS survey reinforced previous research that shows enterprises gaining significant value from NaaS models, including financial, operational, and technical advantages. In today's world where enterprises are not just digitally transforming but looking to operate a digital business at scale, IT agility, financial flexibility, and being responsive to the needs of the business are paramount. As networking vendors and partners enhance their NaaS offerings, and enterprise adoption proceeds, the value of NaaS models will continue to grow.

Read the full white paper