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State of Cloud Report 2025

Enabling AI and Emerging Technologies

Foreword

In a world where new advanced digital technologies like artificial intelligence are dominating the headlines, it is easy to dismiss the foundational technologies that have been around for a while. But, without laying strong digital foundations, you cannot get the most out of new technologies.

The 2025 Spark State of Cloud Report is designed to provide valuable insights into the current state of cloud adoption and usage in New Zealand. This report is informed by a comprehensive survey of IT decision-makers, conducted in partnership with Perceptive Research. Our goal is to offer a clear understanding of how businesses are leveraging cloud technologies, and to identify where the opportunities to drive growth, efficiency, and resilience lie.

Cloud technology offers numerous benefits, including scalability, cost-efficiency, and enhanced security. It enables businesses to innovate faster, deliver superior customer experiences, and better leverage new technologies. As we look to the future, the importance of cloud adoption will only continue to grow, making it a critical component of any successful business strategy.

We often tell our customers that it is much better to do cloud right, than it is to get the right cloud – and this is where Spark can help. A benefit of working with Spark is that we can provide cloud solutions across both public and private clouds, and then help customers manage the right balance of those moving forward.

We hope that the 2025 Spark State of Cloud Report serves as a valuable resource for your organisation and inspires you to explore the possibilities that the cloud has to offer.

Ngā mihi,

Mark Beder
Customer Director – Enterprise and Government

Executive summary

Capability gap widens as cloud adoption rises

While cloud adoption in New Zealand continues at pace, the ability for organisations to maximise the use of this foundational technology is often failing to keep up.

This 'State of Cloud 2025: Enabling AI and Emerging Technologies' report is based on an independent survey of 400 New Zealand IT decision-makers. The report/research found that many organisations aren't investing in the governance oversight and technical skills required to make the most of this technology. While 70% of New Zealand businesses report that cloud is critical to their future strategy and growth, only 34% have well-established cloud processes and infrastructure.

Cloud infrastructure is not just a tool for storing data or running applications – it is the engine driving the next wave of technological innovation. Without strong cloud foundations, businesses risk falling behind in their ability to leverage emerging technologies to improve efficiency, enhance customer experiences, and innovate at scale.

Businesses that fail to prioritise cloud as part of their core strategy may struggle to keep pace with competitors who are already leveraging cloud for scalability, agility, cost optimisation, and are therefore more able to respond quickly to market demands and emerging trends.

IDC reports that New Zealand public cloud spending is expected to almost double in size and grow from NZ$5 billion in 2024 to NZ$9.6 billion in 2028, with a four-year CAGR of 18%. In 2024, IDC estimates that public cloud adoption resulted in the creation of NZ$24.3 billion in revenues across the customer and supplier ecosystems, equivalent to almost 6% of New Zealand's annual GDP. By 2028, IDC expects that growing public cloud deployments will generate over NZ$22 billion in New Zealand in cumulative new revenues above the 2024 level.

Full methodology on page 19-22.

Source: IDC estimates, 2025

Executive summary

AI and emerging technologies dependent on cloud

AI and emerging technologies rely on robust cloud foundations for scalability, data storage, and processing power, yet 67% of New Zealand businesses believe their cloud infrastructure could be better leveraged. 10% report their current cloud setup is inefficient and even hinders business goals.

The leading challenges among businesses who rated their current cloud infrastructure as poor to average are; underestimating financial costs, lack of knowledge about the ability to support AI, lack of data storage capacity and issues with security.

Governance key to boosting business capability

The report found 66% of New Zealand businesses still view cloud deployment as an IT responsibility, rather than a whole-of-business priority. This highlights the need for better governance at a senior management level.

There is an opportunity for executive leadership teams to work with IT leaders to be more strategic in their approach to cloud and how it can enable AI and emerging technologies. It is crucial for businesses to move away from conversations about what public and/or private cloud providers to choose, and instead discuss how to better leverage their technology investments.

Despite most organisations adopting and planning to invest in AI, only 19% of respondents stated that their organisation places a high level of importance on cloud infrastructure when it comes to AI adoption.

Executive summary

Skills gap widens

After security concerns (43%), lack of expertise or qualified staff (36%) is the second most significant cloud challenge for IT decision makers. The talent shortage means IT departments can be hesitant to deploy AI and other emerging technologies, and as a result may be slow to introduce applications that lead to greater product innovation and more effective customer acquisition and retention initiatives.

In addition, these applications often require companies to change their processes to make the most of the technology spend. Without a confident IT function helping to drive cultural change within an organisation, it is more difficult to maximise investment in new technology.

Contents

Measuring cloud digital maturity

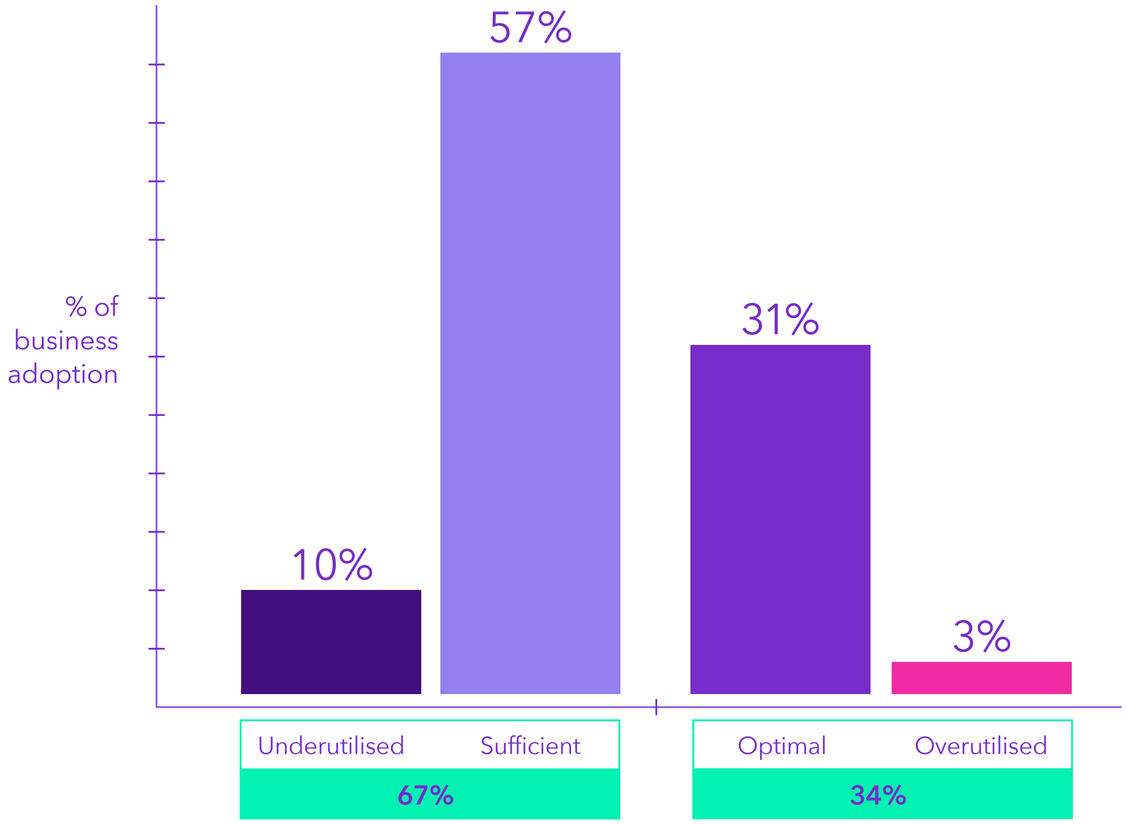
Cloud is critical but must be leveraged

In the State of Cloud survey 70% of respondents report that cloud is critical to their future strategy and growth, yet only 34% have well-established cloud processes and infrastructure.

When asked to describe their cloud infrastructure, almost two-thirds (67%) reported it was either under-utilised or sufficient. While just under a third (31%) reported optimal use, 10% stated their current cloud setup is inefficient and even hinders business outcomes.

SELF REPORTED

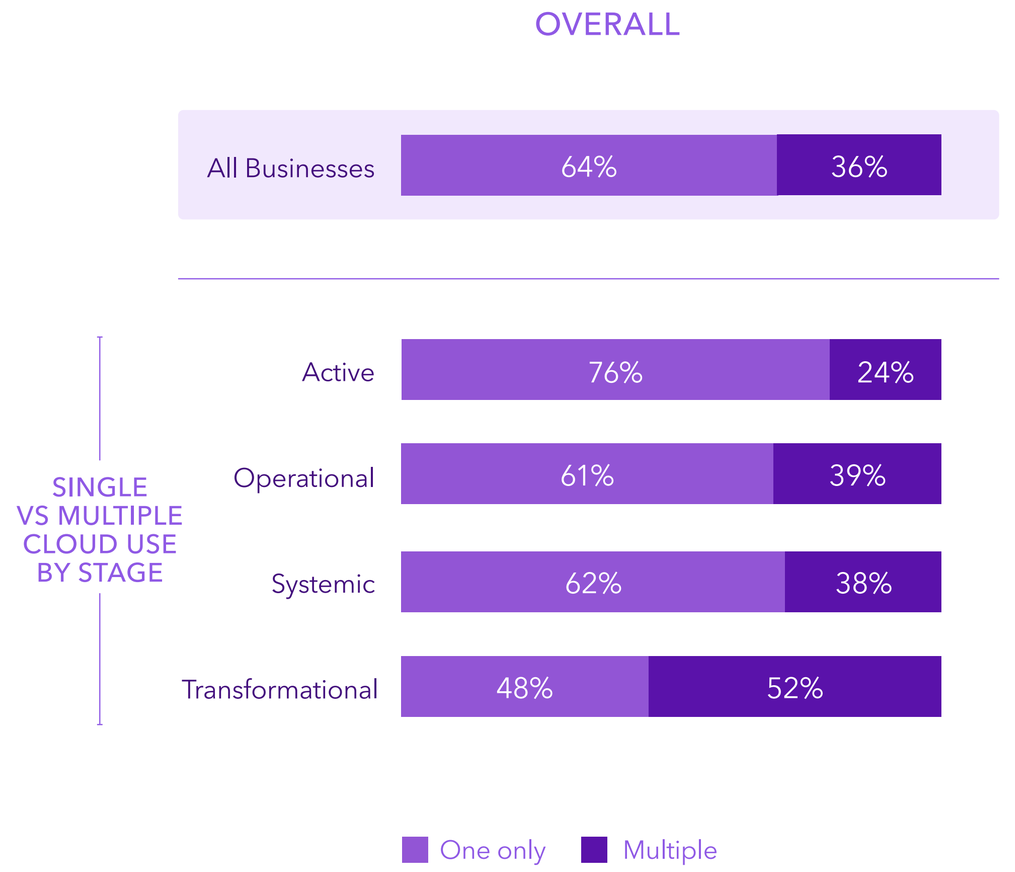
CLOUD ADOPTION AMONG NZ BUSINESSES

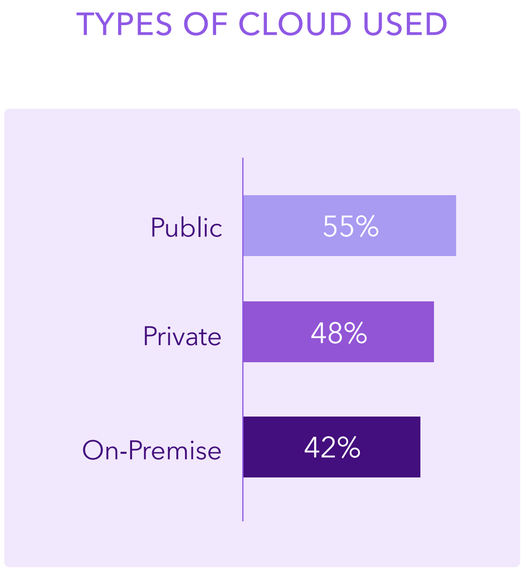


Cloud is critical but must be leveraged

Approximately 64% of businesses report using only one type of cloud. However, as businesses continue in their cloud journey, the use of multiple clouds, particularly hybrid solutions, becomes more prevalent.

Public cloud has become the most common cloud type for New Zealand businesses (55%), edging out use of private cloud (48%). On-premise technology is still prevalent, with 42% reporting this remains part of the technology mix. The use of on-premise, particularly among SMEs, may reflect concerns over security and control, as well as legacy IT issues.





This represents businesses that use more than one type of cloud

Many stuck in early stages of cloud maturity

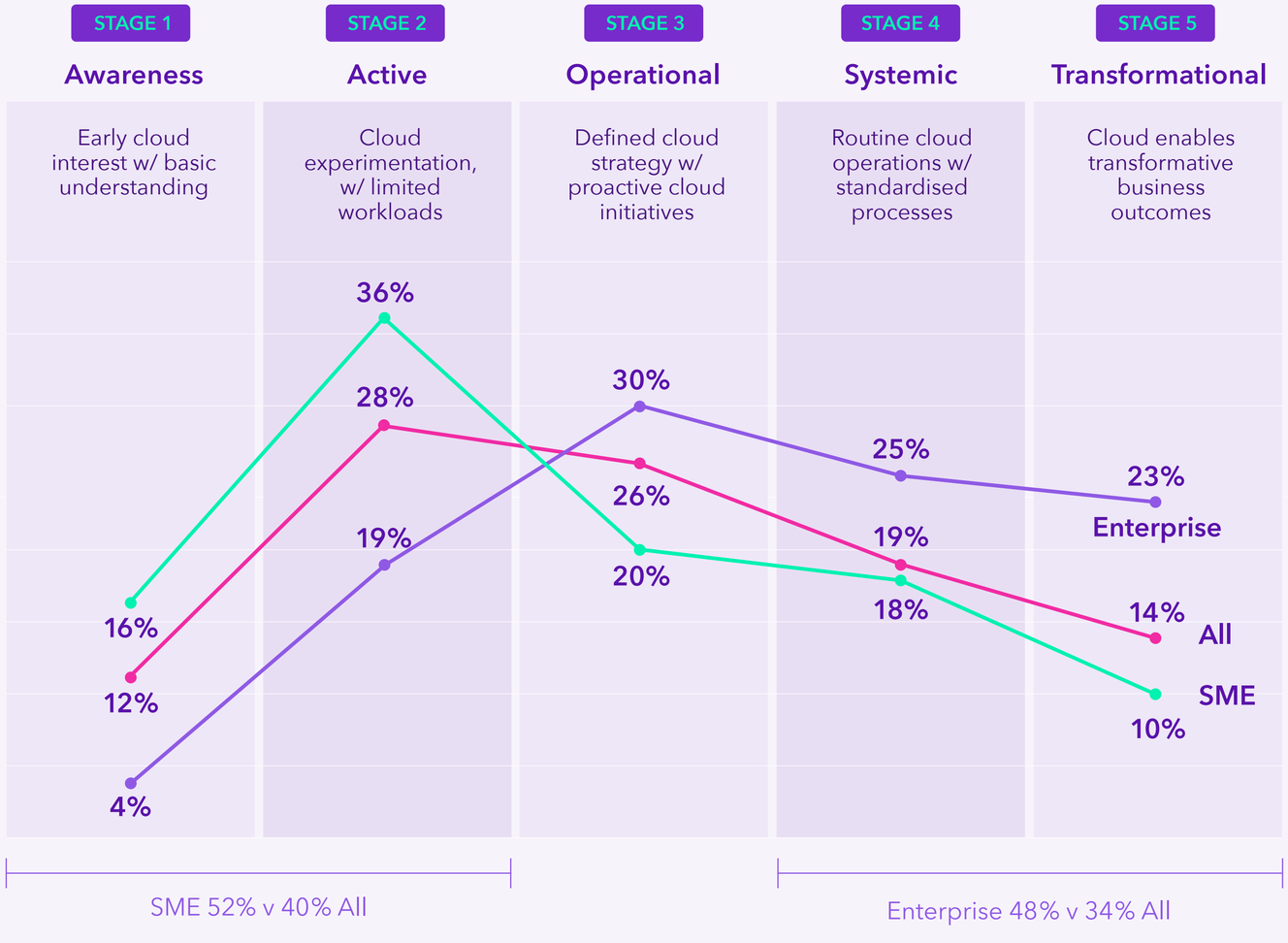
The Spark Cloud Maturity Framework for New Zealand businesses is a way of assessing the cloud capability of organisations.

Stage 1: Awareness, describes businesses that have a basic understanding of cloud technologies, Stages 2-4 describe businesses with an increasing capability, while Stage 5: Transformational, is defined as the most capable use of cloud.

According to survey data, most New Zealand businesses remain at the lower end of the spectrum, with almost a third (28%) in Stage 2: Active, where they are experimenting with cloud but are not yet optimising its benefits. Just 14% of all organisations have reached Stage 5: Transformational.

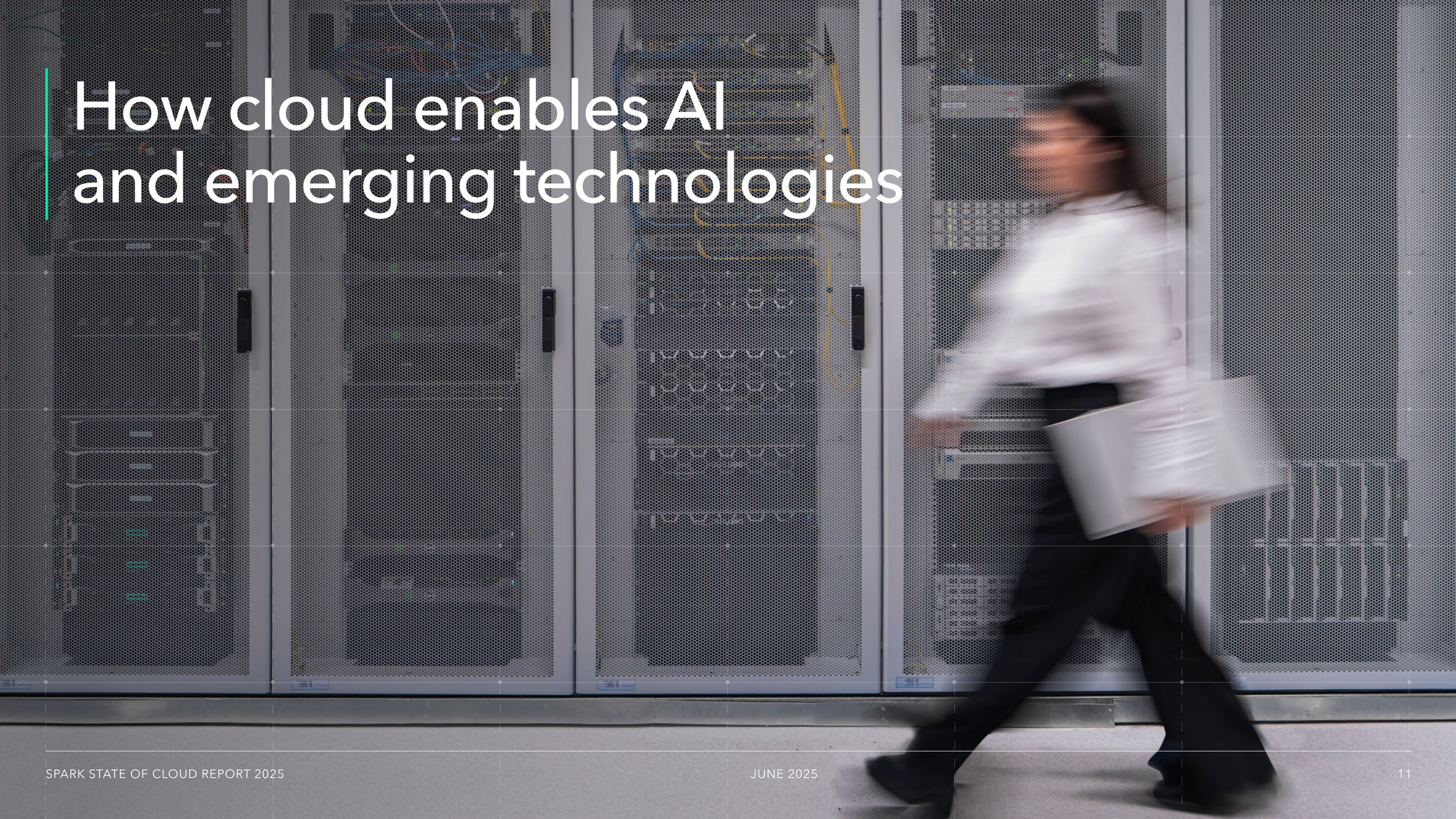
Splitting the data between SMEs and Enterprise shows that around half of SMEs (52%) have not reached beyond Stage 2, while only a quarter (23%) of Enterprise Businesses are in Stage 5.

PROPORTION OF NEW ZEALAND BUSINESSES AT DIFFERENT STAGES OF MATURITY



Q. Firstly, how far along the cloud (public and private cloud) journey would you say your organisation is? Base: Total (n=401)

How cloud enables AI and emerging technologies



The role of cloud in enabling emerging technologies

There is significant excitement and discussion about the enormous potential of Generative AI and Agentic AI to drive product innovation, improve customer acquisition and retention and boost productivity.

Clearly there is appetite for, and interest in, learning more about the impact of AI and how it can be used as a tool to transform businesses and organisations.

But it seems that amidst all this excitement, the very necessary role of cloud can be missed or forgotten.

52% of IT decision-makers feel that wider business decision-makers do not appreciate the importance of cloud infrastructure for enabling other emerging technologies, such as AI and machine learning.

This is most pronounced among businesses who are at the Stage 2: Active (58%), of the Spark Cloud Maturity Framework. This is when businesses are experimenting with cloud, but have yet to realise its true potential.

Ensuring your cloud foundations are AI-ready is critical

While most NZ organisations have adopted or are planning to adopt AI, only 19% state their organisation places a high level of importance on cloud infrastructure when it comes to their AI adoption strategy.

Among those businesses who rated their current cloud infrastructure as poor to average, the leading challenges are - underestimating financial costs, lack of knowledge about ability to support AI, lack of data storage capacity and issues with security.

Advanced digital technologies:

- Artificial Intelligence (AI)
- Internet of Things (IoT)
- Data analytics
- Advanced robotics
- 3D printing

Foundational digital technologies*:

- 5G connectivity
- Fibre connectivity
- Cloud computing

*These technologies underpin and supercharge advanced digital technologies – enabling new capabilities, such as private networks, network slicing and multi-access edge computing.

Challenges Adopting AI

Underestimating the financial cost of having a cloud infrastructure that can support the adoption of AI is a key challenge for Adopters (40%) and Intenders (36%).

Even though they have already adopted AI into the organisation to some extent, 30% are now realising their cloud infrastructure may not be adequate for the task nor have adequate storage capacity.

Intenders are much more likely to struggle with potential security issues (36%) and a quarter mention concerns over data sovereignty.

It's clear that without the right cloud foundations, the potential benefits of AI are compromised.

Adopters are businesses who are already on their cloud journey.

Intenders are businesses who are just starting out.

CHALLENGES FOR THOSE WITH UNDERPERFORMING INFRASTRUCTURE (RATED POOR-AVERAGE)

	Adopter	Intender
Underestimated financial cost required	40%	36%
Don't know if cloud infrastructure can support our AI goals	30%	22%
Insufficient data storage capacity	30%	24%
Higher-speed networking required	28%	23%
Current data management tools not fit for purpose	28%	25%
Difficult to identify and address potential security risks when handling sensitive data in the cloud for AI purposes	28%	36%
Poor compute power scalability	25%	15%
Key decision makers not knowledgeable enough to choose the right cloud services	20%	25%
Had issues with or concerns about data sovereignty	18%	26%
Avg. no. of challenges	2.5	2.3

LOW HIGH

Actions Supporting AI Adoption

Those with current cloud infrastructures that can support AI are more likely to have taken steps to ensure their infrastructure is fit for purpose and that decision makers are able to make the right decisions when it comes to cloud services.

Intenders are much less likely to have security measures in place to identify and address risks (28%). Among those adopting in 12 months, this increases to 32% but overall remains fairly low.

By contrast, businesses with good-to-excellent cloud infrastructure reported they were ready for AI adoption.

Adopters are businesses who are already on their cloud journey.

Intenders are businesses who are just starting out

SUPPORTING ACTIONS FOR THOSE WITH HIGH PERFORMING INFRASTRUCTURE (RATED GOOD-EXCELLENT)

	Adopter	Intender
Sufficient data storage capacity	46%	51%
Stringent security measures let us identify & address potential security risks	46%	28%
Key decision makers were knowledgeable enough to choose the right cloud services	44%	39%
Current data management tools are robust and fit for use	42%	43%
Scalable compute power	36%	34%
Can use high-speed networking	36%	33%
Adequate financial resource was invested	32%	26%
Cloud infrastructure's ability to support AI goals was assessed before adopting	30%	43%
A clear data sovereignty policy is in place	26%	30%
Avg. no. of actions	3.5	3.3

LOW HIGH

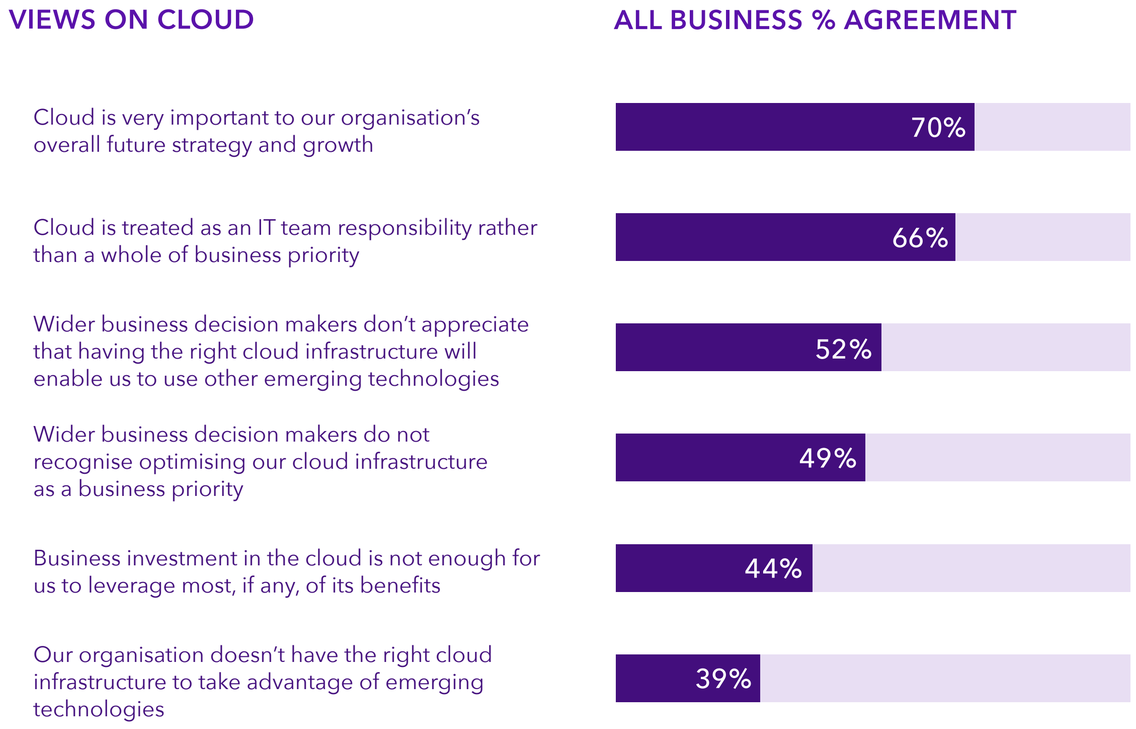
Key cloud challenges

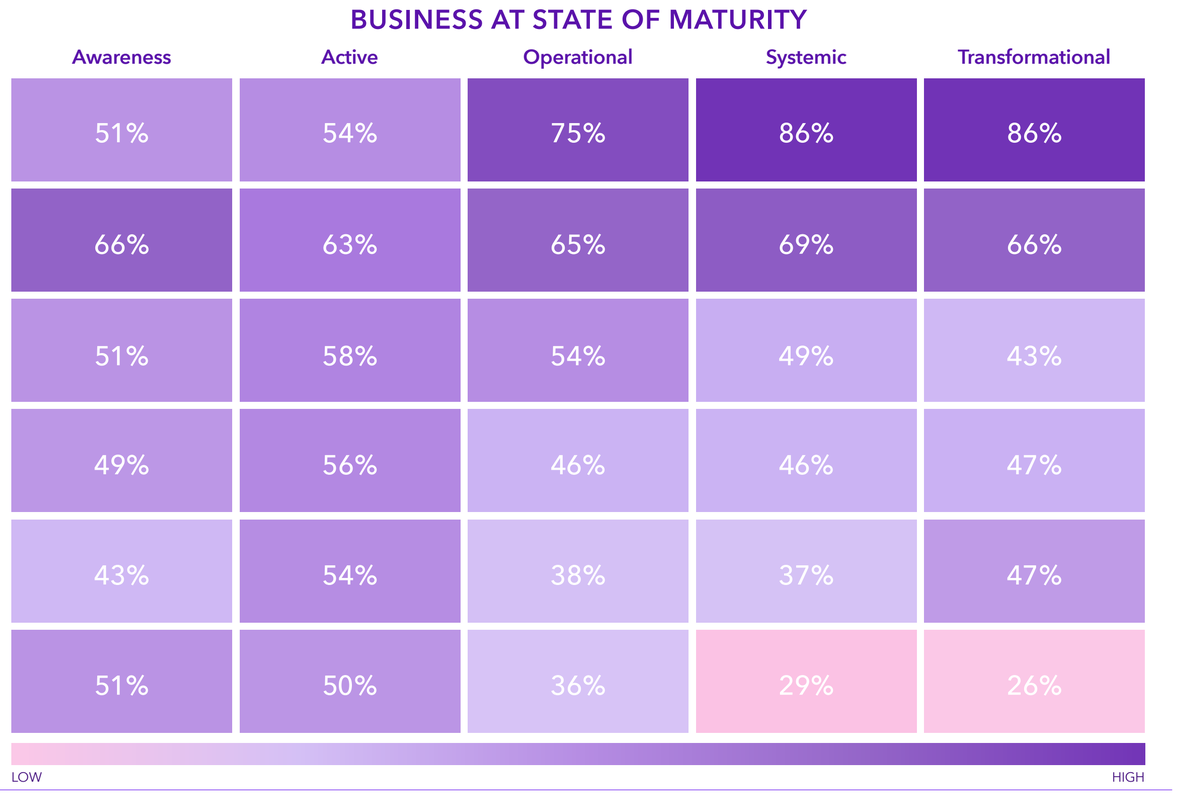
Cloud not yet a priority for all business leaders

A significant portion of New Zealand businesses recognise the importance of cloud infrastructure to their future success. **70%** of businesses say cloud is critical to their overall strategy and growth.

However, despite this recognition, many businesses struggle to align their cloud strategies with broader business objectives. **49%** of businesses report that their leadership does not view cloud infrastructure optimisation as a business priority.

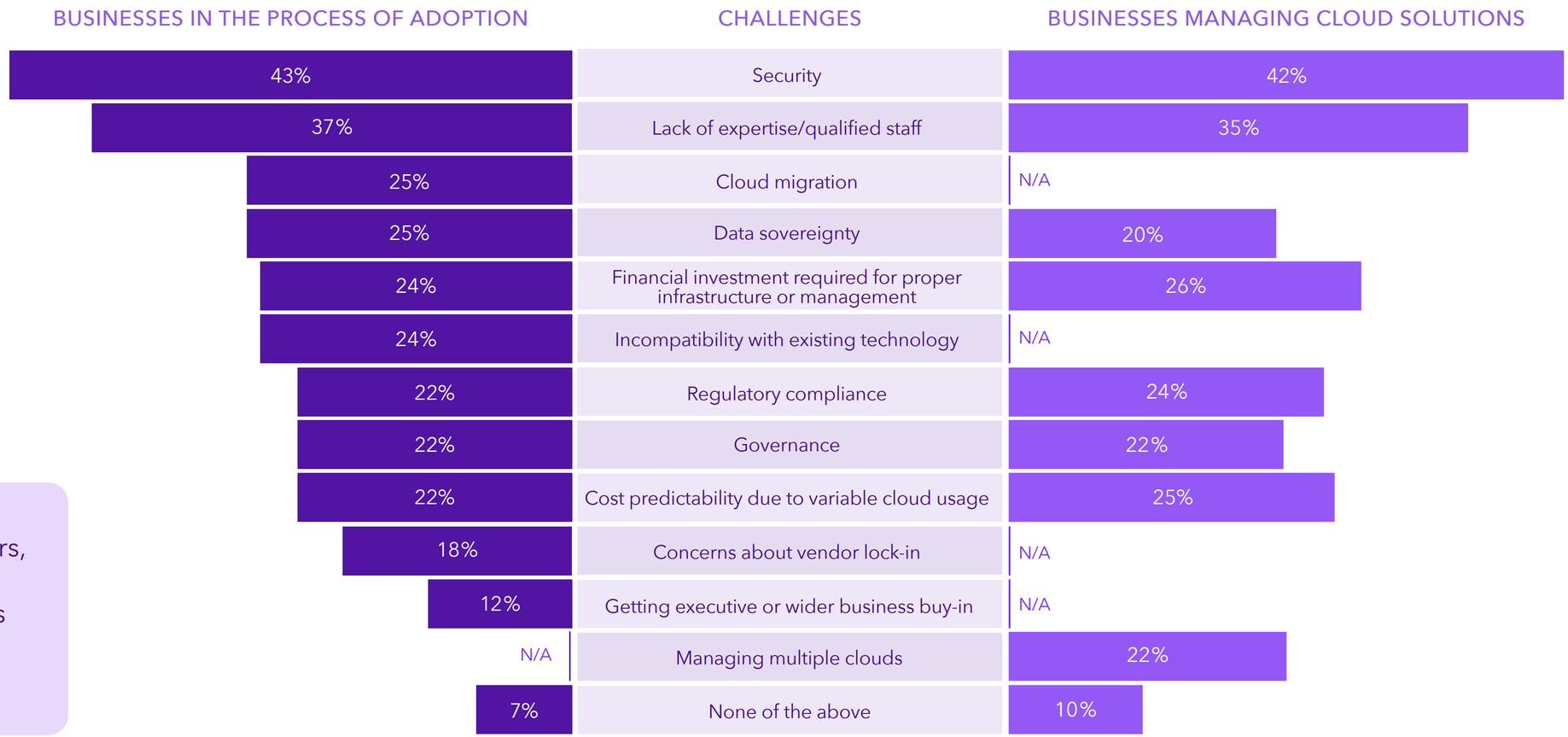
66% of New Zealand businesses still view cloud as primarily an IT responsibility, rather than a whole-of-business initiative. This perception is a significant barrier to cloud maturity, as businesses that treat cloud as a strategic asset across all departments are more likely to move up the cloud maturity scale.





Businesses face multiple challenges

Challenges in cloud adoption and management of cloud solutions



Despite the advantages cloud offers, many New Zealand businesses report facing significant challenges during both cloud adoption and management phases.

What challenges, if any, are you currently facing when it comes to cloud adoption/management? Base: Adoption (n=401), Management (n=354)

Security, skills and costs are top concerns

The most common issues reported are:

Security concerns

At **43%**, security is the highest-ranking challenge across all businesses surveyed. However, this concern was especially prevalent among businesses in the Spark Cloud Maturity Framework that are in the active stage (still experimenting with cloud) and the operational stage (have a strategy, but it is yet to be fully optimised).

This indicates that those with an embedded cloud strategy feel more comfortable with security risks.

Implication:
A robust cyber security and back-up plan must go together with cloud adoption and implementation to alleviate these risks and build confidence among wider business decision-makers.

Lack of expertise or qualified staff

Many businesses report difficulty in finding or upskilling staff with the necessary cloud management skills. **37%** of businesses adopting cloud cite a lack of expertise as a key challenge.

Implication:
This skills shortage contributes to a business' hesitancy to move forward with cloud planning, resulting in slower rates of adoption.

They may appreciate the benefits of cloud but do not want to risk progressing their efforts without having specialist skills in-house. Even if this means lower levels of collaboration and slower product and service innovation.

Financial investment and ongoing costs

31% of large enterprise businesses reported that the cost of migrating was holding back their cloud progression.

24% of businesses at the adoption stage report that the financial investment required for proper infrastructure or management is a challenge.

26% of businesses at the management stage report the same challenge.

As businesses progress in their cloud journeys, the focus shifts from initial migration challenges to optimising cloud costs and performance. **39%** of businesses in the transformational (most advanced) stage of the Spark Cloud Maturity Framework cite cost optimisation as a significant challenge.

Implication:
In the current economic environment, businesses need greater line of sight on 'whole-of-life' cloud costs along with practical ways to forecast, identify, and streamline those costs if they are to fully realise the benefits cloud can unlock.

Methodology and Further Reading

Report methodology

This is the third State of New Zealand Cloud Transformation report conducted by Spark subsidiary CCL and the first since CCL integrated into Spark. It focuses on New Zealand IT decision makers attitudes and behaviours around cloud adoption, management and optimisation.

To better serve the purpose of this study, the survey has been edited considerably and thus comparability to previous years is limited. However, where possible, comparisons to 2023 and 2021 have been made.

A 15-minute online survey was conducted by Perceptive, targeting New Zealand IT decision makers. Qualification criteria for respondents were:

- Decision maker or have input in decision making for IT software, services and/or infrastructure.
- Work for an organisation with more than 6 people.

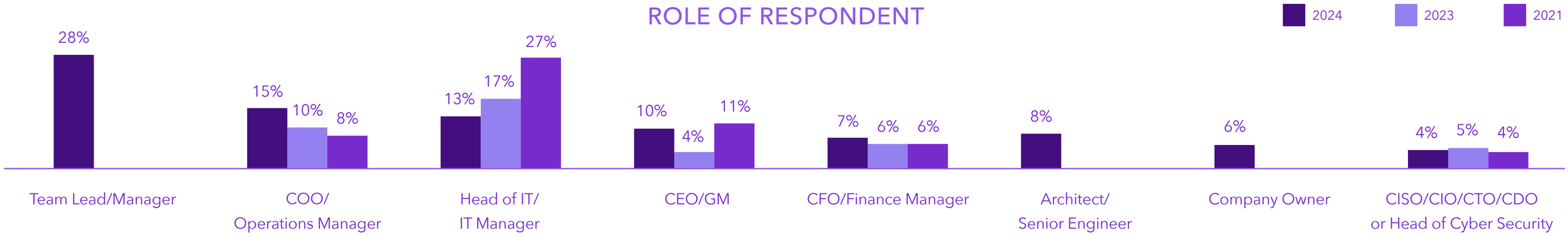
N=401 responses were collected in total. Fieldwork was conducted from the 9th of August to the 25th of August 2024.

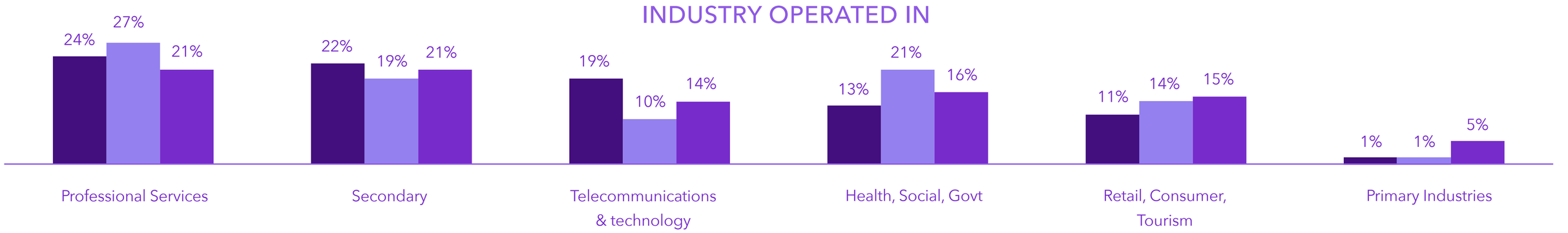
Report methodology

Our sample role & industry

Team leads/managers make up 28% of the sample in 2024. COO's continue to increase while Head of IT responses continue to drop. Given the change in question structure, we comment on the reason for changes year on year.

Professional services, secondary industries and telcos/tech make up the bulk of respondent industries.





Q. What is your job title/position? Q. What industry does your organisation operate in? Base: Total (2024 n=401), (2023 n=476), (2021 n=411)

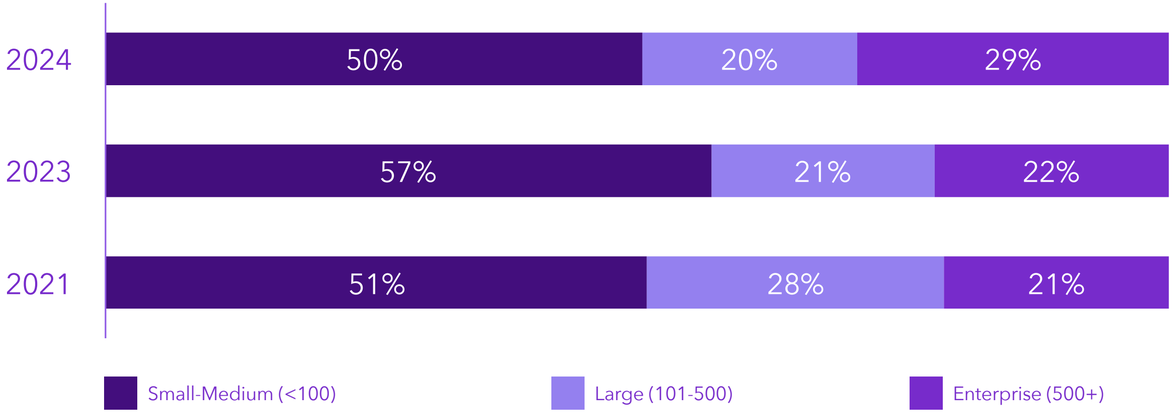
Report methodology

Our sample size & revenue

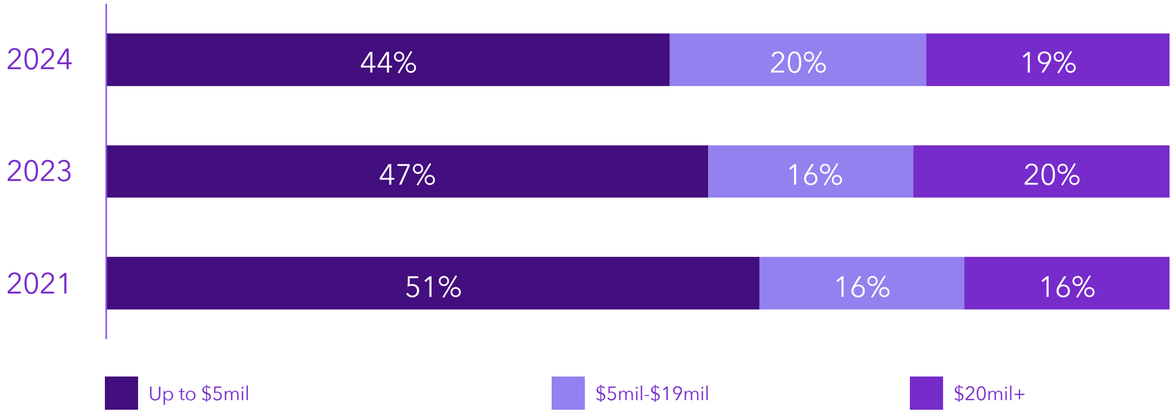
Business size sees a 7% increase in respondents year on year, while SMEs still make up the bulk of the sample.

Businesses earning less than $5M in yearly revenue continue to decrease, taken up by those earning $5-$19M yearly.

BUSINESS SIZE
(By employee number)



ANNUAL REVENUE
(By employee number)



Q. What is the approximate size of your organisation?
Q. Roughly what is the annual revenue (income) of your business (in NZD)? Base: Base: Total (2024 n=401), (2023 n=476), (2021 n=411)

Further reading

Further reading is available at spark.co.nz
To learn more about how digital services and converged technology can support your business goals, you can:

- Read the 2024 Spark report Accelerating Aotearoa businesses one technology generation ahead for insights on how advanced tech can transform business productivity.
- Check out Insight Engine for guidance and solutions to today's most pressing business challenges.
- Read our previous State of Cloud reports from 2023 and 2021 to understand how cloud adoption is evolving in New Zealand.

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