Hosted Private Cloud Services – Market Update and PEAK Matrix Assessment: Protectionist Sentiments Spur Growth

Cloud & Infrastructure Services
Market Report – December 2016 – Preview Deck

Our research offerings for global services

▶ **Market Vista™**
Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

- ▶ **BFSI[1] Information Technology**
- ▶ **BFSI[1] Business Process**
- ▶ **Healthcare & Life Sciences ITS**
- ▶ **Healthcare & Life Sciences BPS**
- ▶ **Application & Digital**
- ▶ **Cloud & Infrastructure**
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- ▶ **Recruitment & Talent Acquisition**
- ▶ **Contact Center**
- ▶ **Service Optimization Technologies**
- ▶ **Transaction Intelligence**

Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

Subscription information

- The full report is included in the following subscription(s)
  – **Cloud & Infrastructure Services**
- In addition to published research, a subscription may include analyst inquiry, data cuts, and other services
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1 Banking, financial services, and insurance

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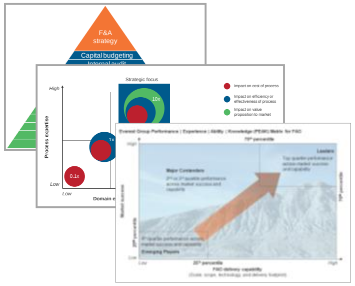
Section III: Profiles of hosted private cloud service providers (continued)

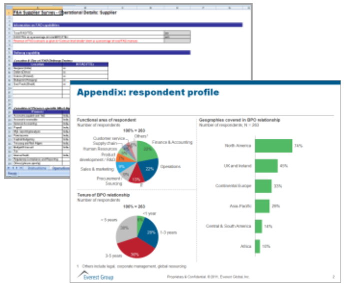
Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

- Market thought leadership
- Actionable and insightful research
- Syndicated and custom research deliverables

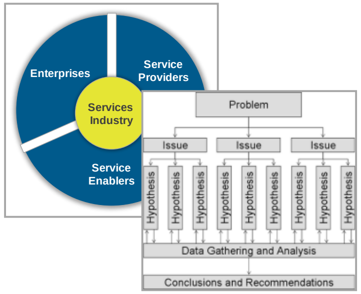
1 **Robust definitions and framework**
(PEAK Matrix, market maturity, and technology adoption/investment)



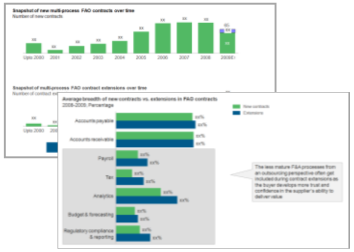
2 **Primary sources of information**
(Annual contractual and operational RFIs, service provider briefings, and market feedback)


Appendix: respondent profile

3 **Diverse set of market touchpoints**
(Ongoing interactions with key stakeholders, input from a mix of perspectives and interests, as well as support data analysis and thought leadership)



4 **Fact-based research**
(Data-driven analysis with expert perspectives, trend-analysis across market adoption, contracting, and service providers)



- Annual RFI process and interaction with leading IT infrastructure/cloud service providers
- Dedicated team for IT infrastructure/cloud services adoption trends
- Over 20 years of experience in advising clients on global services decisions
- Executive-level relationships with buyers, service providers, technology providers, and industry associations

Everest Group’s private cloud services research is based on four key sources of proprietary information

1

- Proprietary database of IT service contracts of major IT service providers and IT infrastructure hosting providers with private cloud scope of work (updated annually)
- The database tracks the following elements of each contract:
  - Buyer details including size and signing region
  - Contract details including service provider, contract type, TCV and ACV, service provider FTEs, start and end dates, duration, datacenter, and delivery locations
  - Scope details including share of individual buyer locations being served in each contract, Line of Business (LoB) served, and pricing model employed

2

- Proprietary database of IT and cloud service providers (updated annually)
- The database tracks the following for each service provider:
  - Revenue and number/split of FTEs
  - Number of clients
  - Datacenter locations
  - Revenue split by region
  - Location and size of delivery centers
  - Cloud platforms and other solutions developed

3

- **Service provider briefings**
  - Vision and strategy
  - Annual performance and future outlook
  - Key strengths and improvement areas
  - Emerging areas of investment

4

- **Ongoing buyer surveys and interactions**
  - Drivers and challenges for adopting hosted private cloud services
  - Assessment of service provider performance
  - Emerging priorities
  - Lessons learnt and best practices

Service providers assessed

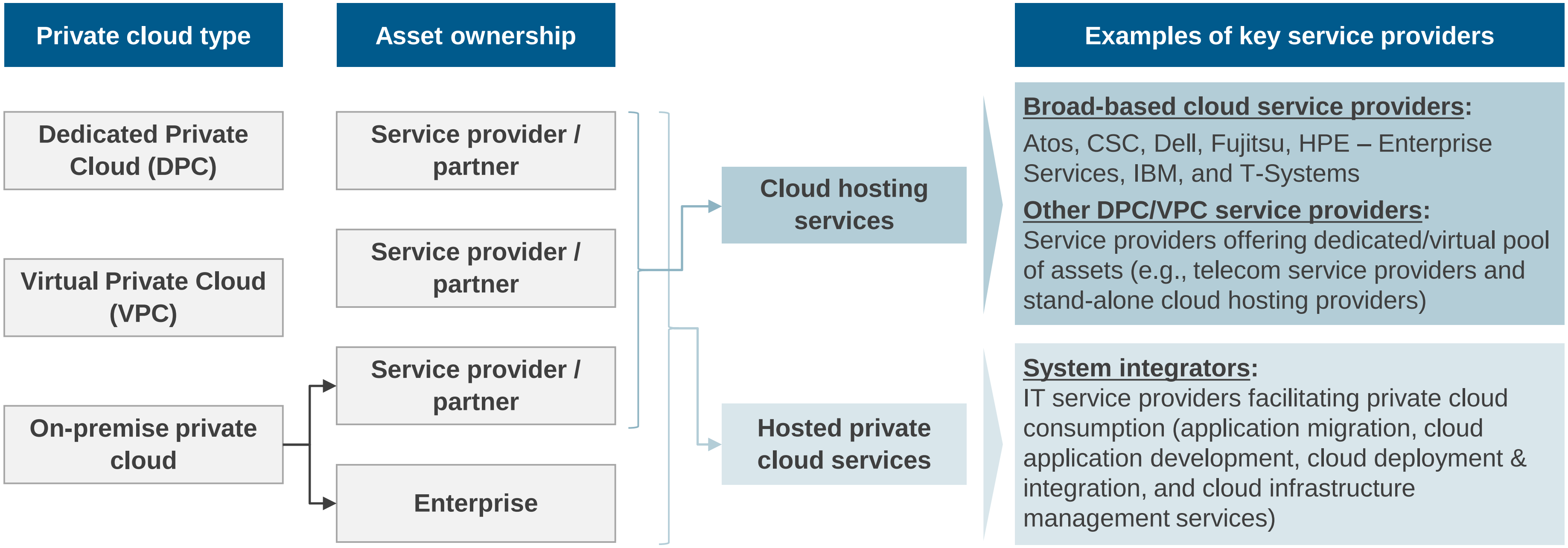
at&t
AtoS
BT
CenturyLink
CSC
DATAPIPE
dimension data
FUJITSU
NTT DaTa
DELL Services
Hewlett Packard Enterprise
IBM
NEC
orange
rackspace the #1 managed cloud company
T··Systems·
verizon

Note: Assessment for AT&T, CenturyLink, IBM, Fujitsu, Rackspace, T-Systems, and Verizon excludes service provider inputs on this particular study, and is based on Everest Group’s estimates that leverage its proprietary Transaction Intelligence (TI) database, ongoing coverage of service providers, service provider public disclosures, and interaction with buyers. Further, we continuously monitor market developments and track additional service providers beyond those included in the analysis (e.g., Dimension Data and Telstra could either not be reached or did not respond to our RFI requests)

Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any information, that is contract-specific, will be presented back to the industry only in an aggregated fashion

This report focuses on hosted private cloud services and offers insights into prominent service providers operating in this space

NOT EXHAUSTIVE



Private cloud type

Dedicated Private Cloud (DPC)

Virtual Private Cloud (VPC)

On-premise private cloud

Asset ownership

Service provider / partner

Service provider / partner

Service provider / partner

Enterprise

Cloud hosting services

Hosted private cloud services

Examples of key service providers

Broad-based cloud service providers:
Atos, CSC, Dell, Fujitsu, HPE – Enterprise Services, IBM, and T-Systems

Other DPC/VPC service providers:
Service providers offering dedicated/virtual pool of assets (e.g., telecom service providers and stand-alone cloud hosting providers)

System integrators:
IT service providers facilitating private cloud consumption (application migration, cloud application development, cloud deployment & integration, and cloud infrastructure management services)

Hosted private cloud services coverage

- **Hosting services:** Based on standard/customized HPC offering
- **Management services:** Typically offered up to the OS layer by default; additional services include security, monitoring, storage management (backup and disaster recovery), and middleware management services (covering web server software, application servers, and database servers, etc.)
- **Professional services:** Cloud readiness assessment and planning, security and compliance assessment, cost analysis, etc.

Focus of this research

Background of the research

Background of the research

- Protectionist sentiments across regions are on a high with recent events such as Brexit, election of Donald Trump as the U.S. president, and strengthening of the Russian protectionist policy adding further fervor. Against this backdrop, hosted private cloud deployment continues to witness increasing acceptance/traction as enterprises look to make their IT setups more secure, compliant, and flexible, while offloading the cumbersome setup and management of cloud infrastructure to service providers
- Service providers realize that having strong credentials and capabilities to offer hosted private cloud services on a global scale is a critical component of their overall hybrid cloud services story. Service providers are beefing up their hosted private cloud services capabilities through investments in expanding their cloud datacenter footprint across regions, incorporating advanced features in their hosted private cloud platforms (e.g., automation, self-service, extensibility to multiple public cloud platforms, and security features), and providing a wide suite of management services options
- In this research, we present the assessment and detailed profiles of 16 IT service providers featured on the hosted private cloud services PEAK Matrix. Each service provider profile gives an overview of their hosted private cloud services scale of operations, relative focus, and domain investments
- The assessment is based on Everest Group's annual Request for Information (RFI) process conducted in Q3 2016, interactions with leading private cloud service providers, and analysis of the broader cloud services marketplace

Scope of this report

- **Services:** Hosted private cloud services
- **Geography:** Global
- **Service providers:** 16 leading hosted private cloud service providers

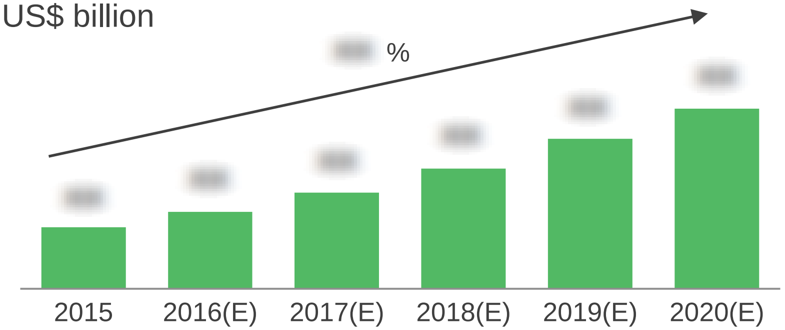
This report includes profiles of the following 16 service providers on the hosted private cloud services PEAK Matrix:

- **Leaders:** HPE – Enterprise Services, IBM, Rackspace, and CSC
- **Major Contenders:** AT&T, Atos, CenturyLink, Datapipe, Dimension Data, Fujitsu, NTT DATA Services (formerly Dell Services), NEC Corporation, Verizon, and T-Systems
- **Aspirants:** BT and Orange Business Services

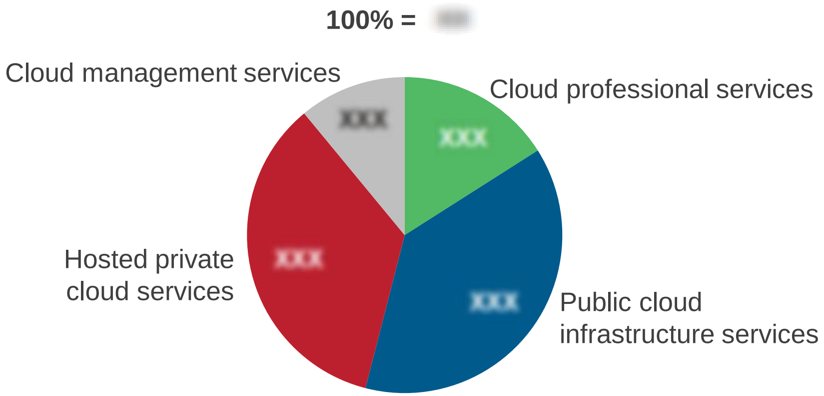
In addition to establishing public cloud partnerships to address clients' hybrid cloud strategies, hosting providers are strengthening their management services capabilities to remain competitive

More than 77% of the enterprises believe that "hybrid cloud" strategy is the best way forward…

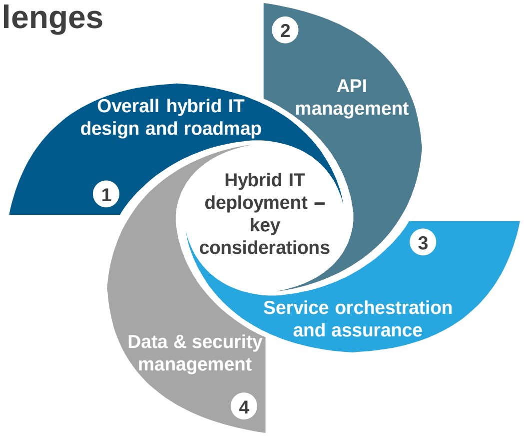
Global cloud services market[1]
US$ billion



Global cloud services market by service type
2015; US$ billion

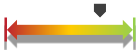
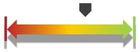


…however, hybrid cloud adoption comes with its own set of challenges



Private cloud adoption has multiple triggers

Low *High*

Theme	Relevance	Details
Security and regulatory compliances		- Industry- and geography-specific security and compliance constraints requiring data to reside within specific locations - Private cloud allows enterprises to define privacy and security controls of their choice, and is the deployment model of choice for core business systems
Driver 2		[illegible]
Driver 3		[illegible]
Driver 4		[illegible]
Driver 5		[illegible]

This hosted private cloud services provider compendium report has 16 IT service provider profiles, focusing on their hosted private cloud services solutions, scale of operations, and domain investments

Strengths

- [redacted]

Areas of improvement

- [redacted]

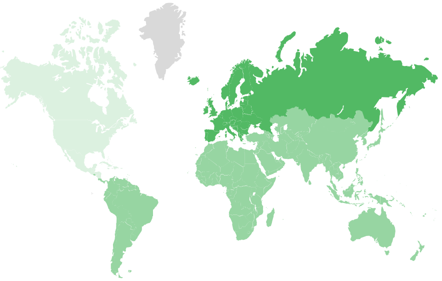
Adoption by buyer groups 🟩 High (>50%) 🟨 Medium (20-50%) ⬜ Low (<20%)

Small (annual revenue < US$1 billion)	⬜
Medium (annual revenue = US$1-5 billion)	🟨
Large (annual revenue > US$5 billion)	🟨

Adoption by industry 🟩 High (>20%) 🟨 Medium (10-20%) ⬜ Low (<10%)

BFSI	Energy and utilities	Retail, distribution, and CPG	Telecom, media, and entertainment
🟨	⬜	🟨	⬜
Public	Technology	Manufacturing	Healthcare and life sciences
🟨	🟨	🟨	🟨

Adoption by geography 🟩 High (>25%) 🟩 Moderate (10-25%) ⬜ Low (<10%)



Proprietary solutions (representative list)

Solution	Details
XX Cloud Compute	A cloud infrastructure pre-provisioned to more than 20 XX datacenters in 19 countries globally, that helps an enterprise to create, deploy, monitor, and manage locally delivered cloud services centrally, with self-service features.
Compute Management System (CMS)	A management solution that provides enterprises with a single point of control for XX's global assets, select third-party cloud services, and customers' own assets. Customers can use support services such as billing, metering, and identity management, leveraging the solution.

Partnerships

XX's key partnerships in the cloud services space include AWS, Cisco, Equinix, HP, Interxion, and Microsoft. Other technology partners include BearingPoint, Infonova, Caringo, Dynatrace, Riverbed, and Ipanema.

Recent activities (representative list)

Activity	Details
Partnership with Oracle	The partnership is aimed at enabling customers to use the features of XX Cloud Connect to gain direct connectivity to Oracle cloud.
Integration with MS Azure (2016)	XX announced XX Compute for Microsoft Azure, which allows XX customers to order MS Azure alongside XX cloud services.

Source: Everest Group (2016)

Cloud and Infrastructure Services research calendar

🟦 Published 🟩 Current

Topic	Release date
Private Cloud Enablement Services– PEAK Matrix™ Assessment and Profiles Compendium	September 2015
Hosted Private Cloud Services – PEAK Matrix™ Assessment and Profiles Compendium	December 2015
IT Security Services: Market Update and PEAK Matrix Assessment	January 2016
Upcoming Contract Renewals – Infrastructure Services	March 2016
Enterprise Cloud Services – Annual Report 2016: “Cloud the Bedrock of Digital Business”	March 2016
Workplace Services – Market Update and PEAK Matrix Assessment and Profiles Compendium	June 2016
Infrastructure Services – Annual Report 2016: “Infrastructure As Code – Move Beyond Automation!”	July 2016
IT Infrastructure Services Automation: “Codified Consciousness is the Future”	September 2016
Private Cloud Services – Market Update and PEAK Matrix Assessment and Profiles Compendium	September 2016
Internet of Things Services – PEAK Matrix™ Assessment and Market Trends – IoT: Bigger than the Hype	December 2016
Hosted Private Cloud Services – Market Update and PEAK Matrix Assessment: Protectionist Sentiments Spur Growth	December 2016
IT Infrastructure Services Automation – FIT Matrix (focus on IT service providers) and Market Update	Q1 2017
IT Operations Automation – FIT Matrix (focus on product vendors) and Market Update	Q1 2017

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RESEARCH

Additional Cloud and Infrastructure Services research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents provide either additional details on the topic or complementary content that may be of interest:

1. **IT Infrastructure Services Automation - Codified Consciousness is the Future** (EGR-2016-4-R-1885); 2016. The lack of a "coherent and business context-centered" IT infrastructure service automation strategy is one of the key reasons that enterprises fail to realize desired benefits from IT infrastructure investments. This market update report investigates this trend and provides an in-depth analysis of the IT infrastructure services automation market. The research covers the current state of the market, enterprise adoption drivers, challenges, and best practices, imperatives for IT service providers, technology provider landscape, and outlook for 2016-2017

2. **Enterprise Cloud Services – Annual Report 2016: "Cloud the Bedrock of Digital Business"** (EGR-2016-4-R-1728); 2016. This Everest Group research analyses the key trends in cloud services market, how cloud fits into the broader digital agenda of enterprises, which industries lead cloud adoption, and what are the major cloud services deal trends

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Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empowers clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com.

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