State of the Market Report | Cloud and Infrastructure Services

Cloud Hyperscalers: A Critical – But Not the Only – Building Block of Enterprise IT

June 2021: Complementary Abstract / Table of Contents

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Benchmarking

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Market intelligence

Tracking: service providers, locations, risk, technologies

Locations: costs, skills, sustainability, portfolios

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Contents

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

01

Robust definitions and frameworks

PEAK Matrix®, market maturity, and technology adoption/investment

02

Primary sources of information

Annual contractual and operational RFIs, service provider briefings and buyer interviews, web-based surveys

03

Diverse set of market touchpoints

Ongoing interactions across key stakeholders, input from a mix of perspectives and interests, supports both data analysis and thought leadership

04

Fact-based research

Data-driven analysis with expert perspectives, trend-analysis across market adoption, contracting, and service providers

Proprietary contractual database of over 5,000+ IT infrastructure services contracts, which include cloud services (updated annually)

Year-round tracking of 30+ IT infrastructure service providers and niche cloud service providers

Large repository of existing research in cloud and infrastructure services

Over 30 years of experience in advising clients on strategic IT, business services, engineering services, and sourcing decisions

Executive-level relationships with buyers, service providers, technology providers, and industry associations

This report focuses on public cloud services and offers insights into public cloud services market trends

Cloud services definition

Consulting services

- Cloud strategy formulation (business and technical)
- Cloud adoption roadmap formulation, cloud readiness assessment and benchmarking, and cloud TCO analysis

Infrastructure design/build service

Design/build/implementation of ground-up cloud infrastructure/platform (public, hybrid, private cloud, and SDI)

Cloud modernization services

- Application/data migration (lift and shift), app/data platform modernization, app refactoring and rearchitecting
- Cloud-native app development/testing, cloud-based DevOps, API integration, etc.

Cloud operate services

- Cloud operations (cloud asset management, lights on / helpdesk, service assurance, etc.)
- Cloud application management
- Cloud orchestration, optimization, billing, etc.

Private cloud hosting

SI-owned private cloud hosting and hosted as-a-service offerings (DR, storage, private PaaS, IaaS, etc.)

Cloud security services

Cloud security strategy, assessment & audit, cloud security design and implementation, Cloud Access Security Brokerage (CASB) enablement, cloud governance and monitoring, managed services for cloud security, and container security for cloud workloads

Internal cloud platforms

System integrator-owned, industry-/function-specific, cloud solutions (SaaS / BPaaS / industry platform solutions)

Public cloud

Focus of this report: hyperscaler portfolio segments

Infrastructure focused	Platform focused	Data focused	Others and next-generation-focused (AI, ML, blockchain, IoT, robotics, edge, cloud computing etc.)
Amazon EC2, Amazon S3, AWS Auto Scaling, AWS Elastic Load Balancing, Amazon ECS, AWS Fargate, AWS, Outposts, etc. Azure Migrate, Azure virtual machines, Kubernetes Service, Azure Stack, Springcloud, etc. Google Cloud Compute Engine, Google Cloud Storage, Google Kubernetes Engine, Google Cloud Anthos, etc.	Amazon Elastic Beanstalk, industry-specific platforms/solutions/services on AWS, etc. Azure PaaS, industry-specific platforms/solutions/services on Azure, etc. Google Cloud Life Sciences, Google Cloud Healthcare, other vertical offerings, etc.	Amazon EMR, Amazon Redshift, AmazonKinesis, Amazon Lake Formation, Glue, Data Pipeline, Data Exchange, etc. Azure Databricks, Azure Data Lake Analytics, Azure Data Explorer, etc. Google Smart Analytics Solutions, Google Cloud Data warehouse modernization, etc.	Amazon QuickSight, Amazon ML, Amazon SageMaker, Àmazon Managed Blockchain, AWS Greengrass, etc. Azure Bot Service, Azure Cognitive Service, Azure ML, Azure IoT, Azure Edge, etc. Google AutoML, Google Cloud GPUs, Google AI Platform, Google Edge TPU, Google Cloud IoT Core, etc.

Background of the research

- Enterprise consumption of cloud has seen a dramatic shift, from a skeptical outlook toward public cloud to going all-in on public cloud, in the last few years. More than 90% of enterprises already leverage one or more public clouds in their enterprise environment
- COVID-19 has further accelerated enterprise migration to public cloud as most enterprises could see clear business continuity benefits during the pandemic. Contrary to an expected slowdown due to COVID-19, most enterprises have accelerated their digital transformation efforts, with migration to public cloud being a key transformation lever
- Cloud adoption has experienced a spike for products across compute, storage, applications, data & analytics, IoT, and blockchain. Leading hyperscalers have also undertaken several COVID-19 initiatives to help customers in ensuring business continuity in the areas of remote work & learning, research, and other initiatives. This has led to a proliferation of hyperscaler offerings in the market, which coupled with management complexities and talent crunch, are pushing enterprises to seek third-party support

Scope of this report:

Geography
Global

Industry
All industries experiencing cloud-native implementation are covered in this report

Services
Cloud-native services

Overview and abbreviated summary of key messages

As enterprises aim to recover from the pandemic, there is an increased demand for cloud to support business continuity & resiliency through location-independent cloud services. COVID-19 has further accelerated enterprise migration to public cloud as most enterprises could see clear business continuity benefits during the pandemic. Hyperscalers are acting as key enablers for cloud led digital transformations and have made significant investment in developing tools & solutions, enhancing existing offerings, engaging best teams, and providing support on financial, technical, and talent needs.

Some of the findings in this report, among others, are:

Major highlights and key trends

- Cloud services market is growing rapidly as businesses have begun to move beyond “lift and shift” to adopt PaaS, containers, and serverless
- The cloud services demand from industries is driven by requirements of next-generation cloud technologies, which include IoT, edge computing, AI/ML, robotics, and blockchain

Overview

- Hyperscalers have moved beyond providing infrastructure services and now cater to the entire IT stack of enterprises with next-generation service offerings across data, IoT, and blockchain to further serve emerging enterprise adoption needs
- Investments by hyperscalers in tools and solutions have greatly changed the way enterprises think about cloud adoption and has helped reduce transformation timelines

Evolution of cloud hyperscalers

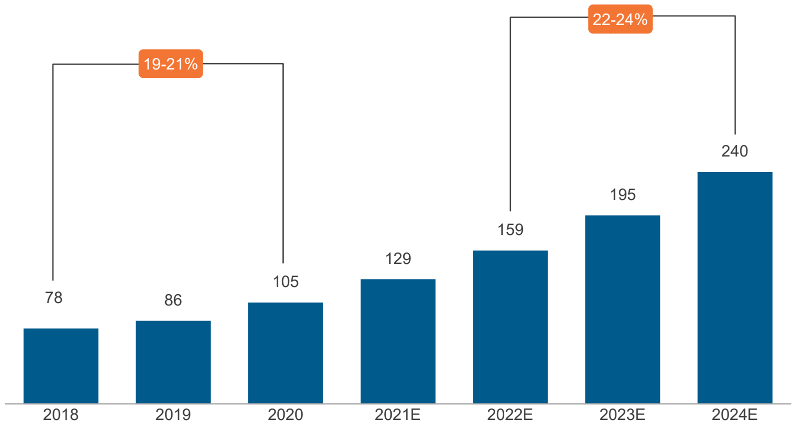
- Hyperscalers offering portfolio and approach to the market has evolved significantly in the last decade; Cloud hyperscalers have moved beyond infrastructure services to next-generation service offerings across data, IoT, and blockchain will further serve emerging enterprise adoption needs
- To help enterprises adopt their offerings, hyperscaler are moving beyond technology and scaling their own professional services arm
- Each hyperscalers cloud provider has its own strengths to serve enterprise priorities across different workloads and offers limited differentiation

Hyperscaler engagement model with enterprises

- Enterprise customers are at the center stage for hyperscalers, and they have single point agenda to alleviate customer pain points – especially around the challenges faced by legacy tech vendors’ strategy
- It is not uncommon for cloud hyperscalers to invest US$50 million and more into an enterprises’ cloud migration journey. These hyperscalers have deep pockets and plan to exploit it strategically

This study offers two distinct chapters providing a deep dive into key aspects of IT infrastructure services market; below are four charts to illustrate the depth of the report

Global cloud services market size (US$ billion)



Global cloud services market size (US$ billion) - vertical

Enterprise cloud services market size – by industries
2020; Annual revenue in US$ billion
100% = 105

BFSI	Telecom, media, & entertainment	Manufacturing	Retail, distribution, & CPG	Electronics and hitech	Healthcare & life sciences	Public sector	Energy and utility	Others
35%	13%	10%	9%	9%	8%	4%	4%	8%

Evolution of hyperscaler offering portfolio

	Generation I	Generation II	Generation III
IT stack focus	IaaS-centric	IaaS- & PaaS-centric	Full stack capabilities
Go-to-market	• Partner with large SIs • Direct sales from own sales team	• Partner with large SIs • Direct sales from own sales team • Leverage niche SI network to sell	• Engage via niche SIs, GSIs, and PSO • Verticalization
Customer engagement	Cost differentiation	• Differentiated through features • Support customer migration programs	Bring best of teams & incentive build talent

Cloud hyperscalers building newer operating model to serve enterprises

Financial and technical support

- It is not uncommon for cloud hyperscalers to invest US$50 million and more into an enterprises' cloud migration journey. These hyperscalers have deep pockets and plan to exploit it strategically
- Hyperscalers cater to enterprise demands of providing reference architectures and frameworks that cater to specific use cases, identifying emerging uses cases across different industries, and providing need-based technical support

A-team to play

- Hyperscalers now bring the right experts for solving complex enterprise challenges. Be it engaging with niche SIs for agility or GSIs for their scale, and professional services to compliment partner teams; hyperscalers want to ensure the right resource mix, defined best practices, and hands-on experience for customers
- Hyperscalers also bring in the best tools and practices, and ensure the development and execution are along the lines of well-architected framework and cloud adoption framework

Customer obsession

- Enterprise customers are at the center stage for hyperscalers, and they have single point agenda to alleviate customer pain points – especially around the challenges faced by legacy tech vendors' strategy
- Further, hyperscalers' product and services innovation, migration programs, and new tools & offerings have simplified enterprise cloud journey

Training and talent development

- Established training content with differentiated learning paths allows hyperscalers to rapidly train people and keep pace with the offerings and solutions launched. Ease of consuming these trainings allows reskilling and upskilling of employees

Research calendar

Cloud and Infrastructure Services (CIS)

Published | Planned | Current release

Flagship CIS reports	Release date
System Integrator (SI) Capabilities on Google Cloud Platform (GCP) Services PEAK Matrix® Assessment 2021	December 2020
Service Integrator (SI) Capabilities on Microsoft Azure Compendium 2021	December 2020
System Integrator (SI) Capabilities on Google Cloud Platform (GCP) Services Compendium 2021	December 2020
IT Managed Security Services (MSS) PEAK Matrix® Assessment 2021	June 2021
Cloud Hyperscalers: A Critical – But Not the Only – Building Block of Enterprise IT	**June 2021**
State of the Market: IT Infrastructure Automation Services	Q3 2021
Network Transformation and Managed Services PEAK Matrix® Assessment 2021	Q3 2021
SD-WAN Services PEAK Matrix® Assessment 2021	Q3 2021
State of the Market: IT Infrastructure Services (Private & Hybrid Clouds)	Q3 2021

Thematic CIS reports	Release date
Future-proofing Enterprise Transformation with Cloud-agnostic Managed Services	February 2021
Upcoming Contract Renewals – Infrastructure Services 2021	March 2021
Enterprise Pulse Report : From Dissatisfaction to Delight: Sustaining Client Satisfaction in a Post-pandemic World	March 2021
Future of SecOps: Security Operations for the Digital World	Q3 2021
Contracting for the cloud	Q3 2021

Note: For a list of all of our published CIS reports, please refer to our website page

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