ISG Provider Lens™

Private/Hybrid Cloud - Data Center Services

A research report comparing provider strengths, challenges and competitive differentiators

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Introduction

This study assesses service providers of data center outsourcing, including the providers of managed hosting, colocation facilities and managed services. Typical participants use automation tools on highly secure data centers, providing security, operations management and client dashboards.

Data center outsourcing is the practice of transferring the responsibility of managing data center assets to a third party provider. It includes orchestration; provisioning; integrated monitoring; and managing infrastructure components including computing, storage, database, middleware and others. The data center may be owned by the enterprise client, service provider or a third-party colocation provider. Integrated monitoring and operations can be delivered from a provider's shared service center located offshore, onshore, nearshore or via a dedicated delivery center such as a remote infrastructure management (RIM) model.

A private cloud is an extension of a client's computing environment that leverages the investments made in virtual infrastructure and applications. Enterprises with stringent security and governance requirements, large data volumes and close integration of enterprise applications and workflows needs may prefer an on-premises or a private cloud environment, and may choose to host in their facility. As businesses are becoming software and data-driven, they need an infrastructure base that can adapt to the changing market conditions, be managed based on a hybrid model, and be always accessible. Currently, most data center outsourcing engagements have elements of private/hybrid cloud and intuitive cloud management cognitive platform enablement.

A hybrid cloud connects the existing on-premises infrastructure services with a private cloud, a public cloud, or many multi-cloud arrangements. An enterprise can also leverage colocation and hosting providers, and not necessarily own a data center, to have a hybrid cloud setup. Globally, there is a massive surge in demand for a multi-cloud environment from the enterprise community as enterprises adopt hybrid and multi-cloud strategies to migrate and manage their workloads with improved agility, reduced operating costs and high application performance and availability.

There has been a rapid increase in the use of proprietary platforms and tools by service providers and enterprises for automating cloud operations, thereby increasing the adoption of AI and machine learning (ML) technologies. One of the fundamental advantages of a hybrid cloud deployment is the high degree of control offered to the organization; hybrid clouds allow enterprises to leverage the capabilities of public cloud platforms without the need to offload their entire data to a third-party data center. Although still evolving, edge computing is another technology that enterprises of all sizes are adopting for various existing and new use cases, such as software-defined solutions, IoT processing, hybrid cloud connectivity, firewall and network security, branch and micro data centers, internet-enabled devices and asset tracking. Edge is also being used to address the latency challenges in the present, highly distributed environments by removing network barriers and bringing processing to the edge.

Introduction

ISG reports constant demand for infrastructure services as enterprises are becoming more vigilant toward spending on large and complex cloud implementations. The demand for managed services, especially application development and maintenance services, also is growing. According to the ISG 3Q 2022 ISG Index™ figures, the global market has grown 11.5 percent in combined-market ACV to reach its current value of $71.8 billion for the first nine months. Managed services ACV increased by 6 percent year-over-year and reached $27.7 billion, while the XaaS ACV increased by 15 percent to reach $44.1 billion. Also, IaaS spending witnessed flat growth to reach $10.5 billion, while the SaaS market declined by 12 percent to reach $3.6 billion during the same period.

This study focuses on what ISG perceives as most critical in 2023 for **private/ hybrid cloud and data center outsourcing**.

- Managed Services
- Managed Hosting
- Colocation Services

Simplified Illustration Source: ISG 2023

The ISG Provider Lens™ Private/ Hybrid Cloud – Data Center Services offers the following to businesses and IT decision-makers:

- Transparency on the strengths and weaknesses of relevant providers.
- A differentiated positioning of providers by segments on their competitive strengths and portfolio attractiveness.
- Focus on different markets, including the U.S., U.S. public sector, Australia, Singapore and Malaysia, U.K., Nordics, Switzerland, France, Brazil, Netherlands and Germany.

ISG Provider Lens™ studies serve as an important decision-making tool for positioning service providers, growing key relationships and go-to-market considerations. ISG advisors and enterprise clients also use information from these reports to evaluate their current vendor relationships and potential engagements.

Definition

This quadrant assesses a provider's ability to offer ongoing management services for private and hybrid clouds and traditional data center infrastructures and platforms to midmarket and large enterprise clients. The infrastructures and platforms comprise physical and virtual servers, middleware, storage, databases and networking components. The infrastructure may reside at a client's data center, in a multi-cloud environment, in the service provider's facilities or even be co-located in a third-party facility.

Such providers typically offer transition services, guiding clients to optimize their existing IT landscapes. Common projects include large-scale data center consolidation, virtualization, cloud enablement and configuration and implementation of a software-defined data center (SDDC). Transition services can also include expanding existing facilities, transferring new workloads or creating new private/hybrid clouds.

Managed services are characterized by the transfer of responsibilities to a service provider and are governed by service level agreements (SLAs) with penalties for any deviation. At a broad level, these services include provisioning; enabling real-time and predictive analysis; and monitoring and managing operations of a customer's on-premises, private and hybrid cloud environments. These activities are aimed at maximizing workload performance in the cloud, reducing costs and ensuring compliance and security. Providers should have the capability to manage traditional and cloud-native application releases, including continuous integration and delivery processes.

Eligibility Criteria

1. Ability to offer **services for private and hybrid clouds and data center infrastructure** (servers, middleware, storage and databases) **on their own** without depending on partners
2. Ability to provide services within a client's premises or remotely and preferably through its **shared service centers** (RIM)
3. Demonstrate experience in **large transition** projects that include **automation, consolidation, virtualization and containerization** of data centers and cloud enablement
4. Ability to act as an **extension of clients' IT organization** and get involved in creating blueprints, architecture frameworks and management processes at the client's location
5. Ability to provide services for a **centralized orchestration/** management of hybrid IT infrastructure
6. Showcase appropriate **certifications** to ensure security and compliance at the local level

Definition

This quadrant assesses service providers that offer standalone enterprise-grade hosting solutions using their own or third-party facilities and infrastructure to midmarket and large enterprise clients. The providers assessed here are responsible for the regular management and maintenance of data center components such as servers, storage, operating systems and connectivity to the external network. Ideally, clients state their application and operating requirements, and the managed hosting provider takes the responsibility of provisioning the infrastructure to keep applications running with the desired performance and security.

A provider may monitor various IT assets such as legacy systems and private and public clouds via a hybrid cloud management platform. However, the ones offering hybrid cloud management tools- or platforms have not been evaluated for this quadrant. The service levels typically considered to assess managed hosting services are the various tiers of data centers, multilayered security, service availability and network (LAN) I/O at peak time.

Eligibility Criteria

1. Ability to offer **enterprise-grade hosting** solutions using the provider's infrastructure
2. Capability to offer active-active and active-passive **disaster recovery and backup services**
3. **Technical** and **financial capacity** to upgrade the infrastructure and maintain capacity plans to ensure hosting performance in advance if there is an increase in demand
4. **Capability to scale** and **maintain dedicated servers** and storage and shared cloud resources on the same network and management platform
5. Ability to provide at least **five layers** of **data center security**

Definition

This quadrant assesses providers that offer standardized data center operations as colocation services for midmarket and large enterprise clients. The participating companies offer community access points for various hosting providers, system houses, carriers or telecommunication providers, and end users. Enterprise clients that opt for colocation services expect a standardized and sophisticated data center setup, many carrier options, low latency and high bandwidth at affordable prices to deliver rich content or critical, latency-sensitive information to users within and outside major metropolitan areas.

Eligibility Criteria

1. Owns facilities that offer **standardized data center** architecture design for colocation
2. Offers **secure** and high-quality **network** equipment, appliances and connectivity systems
3. Guarantees **power density** to support current and future technologies
4. Ability to provide at least **five layers** of **data center security**
5. Possesses **appropriate certifications** such as SSAE 16, HIPAA, ISO 14001, ISO 22301, ISO 27001, ISO 50001, EN 50600, PCI DSS, NIST, FISMA and SOC Type I and II
6. Amenable to SLAs related to **hands-and-feet support** and hardware replacement
7. Ability to offer **facilities with traffic exchange points** in proximity to users and hyperscalers
8. Ability to offer **disaster recovery and backup solutions**
9. Ability to leverage **clean energy sources** and solutions to **reduce energy consumption**, including zero carbon emission and **green data center** initiatives

Quadrants By Region

As part of this ISG Provider Lens™ quadrant study, we are introducing the following three quadrants on Private/Hybrid Cloud – Data Center Services 2023 :

Quadrants	Brazil	Germany	Nordics	Switzerland	U.K.	U.S.	U.S. Public Sector	Australia	Netherlands	France	Malaysia & Singapore
Managed Services	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Managed Hosting	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
Colocation Services	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓

In this report, we identify and classify the typical buyers of data center outsourcing services (managed and transformation services) that look for transformational capabilities.

We have identified the following four major categories of buyers:

- **Traditional outsourcers:** Buyers that focus primarily on cost reduction and seek outsourcing/staff augmentation assistance for basic monitoring activities
- **Managed service outsourcers:** Buyers that look for a broader suite of managed services with some elements of transformation
- **Transformation focused:** Buyers that have already achieved a high level of virtualization/standardization and are looking to further transform their infrastructure
- **Pioneers:** Buyers that aspire to achieve high levels of automation, orchestration and implementation of a software-defined infrastructure to boost developer productivity

The research phase falls in the period between January and March 2023, during which survey, evaluation, analysis and validation will take place. The results will be presented to the media in June 2023.

Milestones	Beginning	End
Survey Launch	January 13th 2023	
Survey Phase	January 13th 2023	February 10th, 2023
Sneak Previews	May 2023	
Press Release & Publication	June 2023	

Please refer to the link to view/download the ISG Provider Lens™ 2023 research agenda

Access to Online Portal

You can view/download the questionnaire from here using the credentials you have already created or refer to instructions provided in the invitation email to generate a new password. We look forward to your participation!

Research Production Disclaimer:

ISG collects data for the purposes of writing research and crea ting provider/vendor profiles. The profiles and supporting data are used by ISG advisors to make recommendations and inform their clients of the experience and qualifications of any applicable provider/vendor for outsourcing the work identified by clients. This data is collected as part of the ISG FutureSource process and the Candidate Provider Qualification (CPQ) process. ISG may choose to only utilize this collected data pertaining to certain countries or regions for the education and purposes of its advisors and not produce ISG Provider Lens™ reports. These decisions will be made based on the level and completeness of the information rec eived directly from providers/vendors and the availability of experienced analysts for those countries or regions. Submitted information may also be used for individual research projects or for briefing notes that will be written by the lead analysts.

ISG Star of Excellence™ – Call for nominations

The Star of Excellence is an independent recognition of excellent service delivery based on the concept of "Voice of the Customer." The Star of Excellence is a program, designed by ISG, to collect client feedback about service providers' success in demonstrating the highest standards of client service excellence and customer centricity.

The global survey is all about services that are associated with IPL studies. In consequence, all ISG Analysts will be continuously provided with information on the customer experience of all relevant service providers. This information comes on top of existing first-hand advisor feedback that IPL leverages in context of its practitioner-led consulting approach.

Providers are invited to nominate their clients to participate. Once the nomination has been submitted, ISG sends out a mail confirmation to both sides. It is self-evident that ISG anonymizes all customer data and does not share it with third parties.

It is our vision that the Star of Excellence will be recognized as the leading industry recognition for client service excellence and serve as the benchmark for measuring client sentiments.

To ensure your selected clients complete the feedback for your nominated engagement please use the Client nomination section on the Star of Excellence website.

We have set up an email where you can direct any questions or provide comments. This email will be checked daily, please allow up to 24 hours for a reply. Here is the email address: ISG.star@isg-one.com

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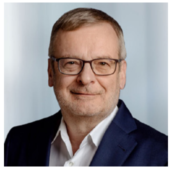

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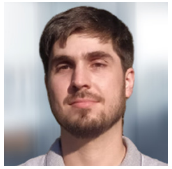

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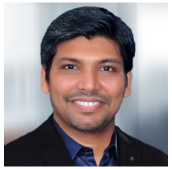

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ISG Provider Lens Advisors Involvement Program

ISG Provider Lens offers market assessments incorporating practitioner insights, reflecting regional focus and independent research. ISG ensures advisor involvement in each study to cover the appropriate market details aligned to the respective service lines/technology trends, service provider presence and enterprise context.

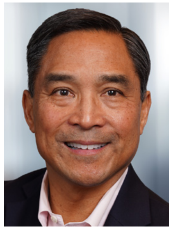
In each region, ISG has expert thought leaders and respected advisors who know the provider portfolios and offerings as well as enterprise requirements and market trends. On average, three advisors participate as part of each study's quality and consistency review team (QCRT).

The QCRT ensures each study reflects ISG advisors' experience in the field, which complements the primary and secondary research the analysts conduct. ISG advisors participate in each study as part of the QCRT group and contribute at different levels depending on their availability and expertise.

The QCRT advisors:

- Help define and validate quadrants and questionnaires,
- Advise on service provider inclusion, participate in briefing calls,
- Give their perspectives on service provider ratings and review report drafts.

ISG Advisors to this study



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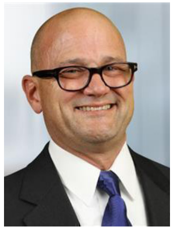

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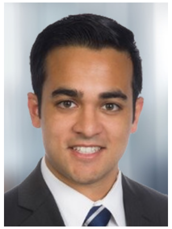

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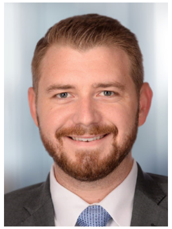

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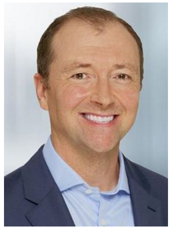
Director



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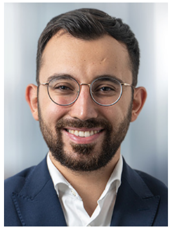

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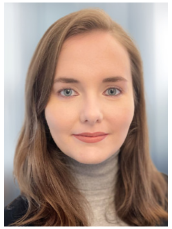

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23 Media
3 U
365 Data Centers
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ACP
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About Our Company & Research

ISG Provider Lens™

The ISG Provider Lens™ Quadrant research series is the only service provider evaluation of its kind to combine empirical, data-driven research and market analysis with the real-world experience and observations of ISG's global advisory team. Enterprises will find a wealth of detailed data and market analysis to help guide their selection of appropriate sourcing partners, while ISG advisors use the reports to validate their own market knowledge and make recommendations to ISG's enterprise clients. The research currently covers providers offering their services across multiple geographies globally.

For more information about ISG Provider Lens research, please visit this webpage.

ISG Research™

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ISG

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Founded in 2006, and based in Stamford, Conn., ISG employs more than 1,300 digital-ready professionals operating in more than 20 countries—a global team known for its innovative thinking, market influence, deep industry and technology expertise, and world-class research and analytical capabilities based on the industry's most comprehensive marketplace data. For more information, visit www.isg-one.com.

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