IDC MarketScape

# IDC MarketScape: Asia/Pacific (Excluding Japan) Managed Cloud Services 2019 Vendor Assessment

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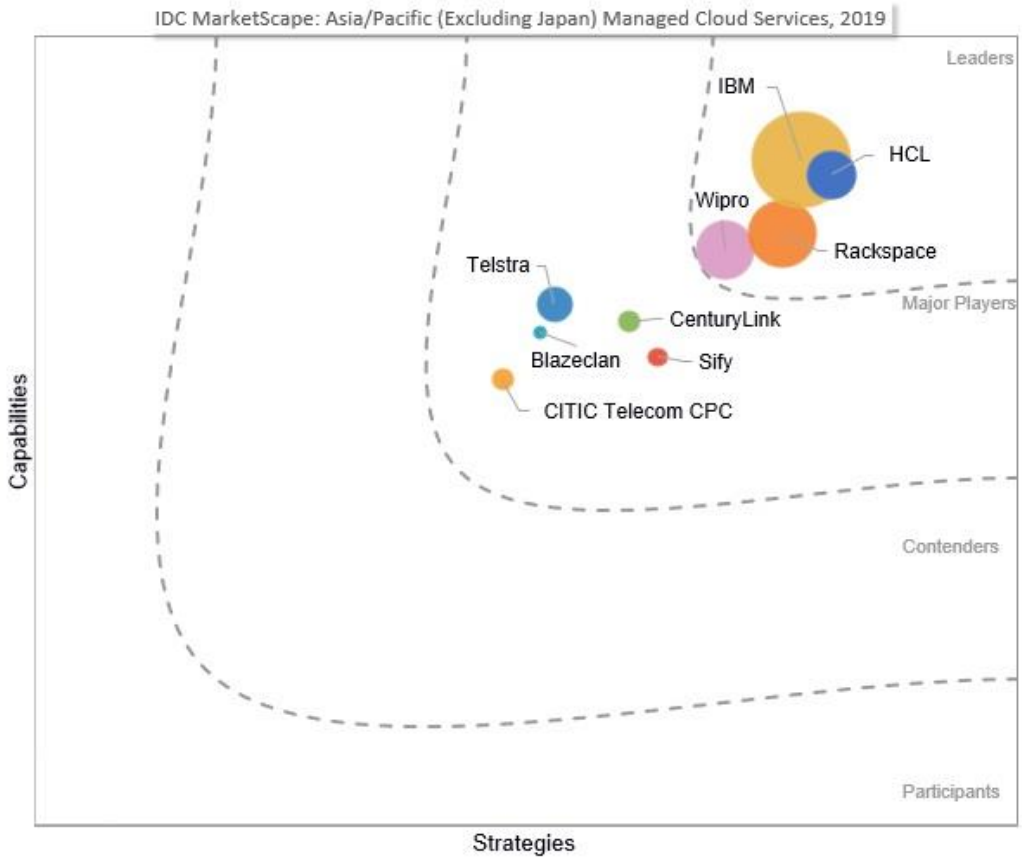
**THIS IDC MARKETSCAPE EXCERPT FEATURES: Rackspace**

## IDC MARKETSCAPE FIGURE

## FIGURE 1

**IDC MarketScape: Asia/Pacific (Excluding Japan) Managed Cloud Services Vendor Assessment**




Source: IDC, 2019

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## IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Asia/Pacific (Excluding Japan) Managed Cloud Services 2019 Vendor Assessment (Doc # AP44706419). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Buyer Guidance, Vendor Summary Profile, Appendix and Learn More. Also included are Figures 1, 2 and 3.

## IDC OPINION

The growing popularity and usage of managed cloud services reflect not just the increasing market demand for the principles that cloud embodies as a delivery model (e.g., elasticity, scalability, auto-provisioning, pay-by-use consumption) but is also an acknowledgement of cloud as the new center of gravity for very innovative and transformational technology advances. This has resulted in more and more customers moving workloads, often even mission-critical ones, to cloud. Demand is growing for service providers that can help customers migrate and then continue to manage those customer environments on an ongoing basis. The key objectives of engaging this type of cloud managed services providers, or "managed cloud" providers, are, first, to help clients realize the benefits of their cloud investment both in terms of cost and performance optimization, and second, to reduce the risk of moving to and residing in the cloud.

To achieve these twin objectives, two groups of managed cloud services providers are approaching the market with distinct value propositions. One group of vendors, which includes the likes of CenturyLink, CITIC Telecom CPC, Rackspace, Telstra, and Sify, has its own hosting and connectivity resources and even cloud assets, in addition to supporting other cloud platforms to ensure seamless and secure connectivity between IT environments.

The other group of providers includes HCL, IBM, and Wipro – vendors that have a strong background and expertise in application modernization and management. This background and its associated expertise have helped them distinguish themselves when it comes to assisting enterprises with more complex cloud usage scenarios, such as re-architecting or re-platforming applications for cloud and developing cloud-native apps. With more organizations maturing in their cloud migration journey, there is a growing need for re-platforming and developing cloud-native applications, in addition to re-hosting and the usual "lift and shift."

Large and even midsize enterprises, especially those in highly regulated industries, often demand a wide range of options across private, public, and multi-/hybrid cloud environments to cater to the specific needs of individual workloads. It is therefore safe to assume that the identified leaders and most participating firms in this study can support the full array of managed cloud services across multiple technology stack options, and more importantly, can provide a customer-centric approach when it comes to their clients' cloud journey. This is certainly not a one-size-fits-all market.

Security is often cited as a key concern or consideration when moving to the cloud; almost all the managed cloud services providers in the study have managed security services capabilities and security operation centers (SOCs). In fact, according to our latest *2019 Asia/Pacific IT and Business Services Sourcing Survey*, "providing advanced security capabilities" is among the top 3 considerations for enterprises in the region when choosing their managed cloud services providers, surpassed only by "providing value-added cloud professional services like technology assessment, migration, application development" (top 1, 26.5% of respondents) and "supporting migration from

legacy technology environments to cloud environments" (top 2, 17.6% of respondents). The security capability, particularly cloud security, is going to be a key differentiator among managed cloud services providers.

Using the IDC MarketScape model, IDC studied nine organizations in 2019 that offer managed cloud services in Asia/Pacific excluding Japan (APEJ). Although many of the participating vendors deliver services globally, there are a few whose focus is on specific markets within Asia/Pacific. The assessment reviews participants against a large set of parameters, such as the breadth of service offerings; portfolio benefits; number of centers of excellence (COEs), SOCs, and partners; technology resources; innovation budget; customer base; evolution of managed cloud services deals; revenue growth; market execution; geographic presence; cost competitiveness; key SLAs; customer retention; and customer satisfaction, all of which define the current market demands and expected buyer needs. Through in-depth interviews with the managed cloud services providers and their customers, IDC evaluated the vendors in the study and found that each provider possesses certain strengths and weaknesses.

## IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

IDC collected and analyzed data on nine managed cloud services providers for the 2019 IDC MarketScape assessment. IDC narrowed down the field of players based on the following criteria:

- **Geographic presence**. Each vendor was required to have in-country services delivery capabilities in at least one Asia/Pacific subregion: North Asia (Korea), Greater China (China, Hong Kong, and Taiwan), Southeast Asia (Singapore, Malaysia, Thailand, Indonesia, Vietnam, and the Philippines), South Asia (India), and ANZ (Australia and New Zealand).
- **Revenue**. Each participating company was required to have a total revenue in excess of US$1 million that was attained in Asia/Pacific in 2018.
- **Partnership.** Each service provider was required to be in partnership with at least two hyperscale cloud providers, such as AWS, Azure, GCP, and Ali Cloud.
- **RFI questionnaire completion.** Each service provider was required to complete a request for information (RFI) questionnaire covering more than 42 capabilities and strategy criteria.

## ESSENTIAL BUYER GUIDANCE

Managed cloud services are becoming a critical mechanism for enterprises to ensure the optimization of their technology usage across traditional, on-premise, and cloud (public, private, hybrid, and multicloud) environments. For tech buyers that have existing managed services contracts (usually long-term, multiyear contracts in which the service provider takes ownership of and responsibility for managing all or part of a client's information systems), it is important to consider a reconstruction of the contract to include cloud components, whether it is movement to cloud for use as a technology and service delivery platform, or to leverage advanced cloud capabilities to achieve better business outcomes. Therefore, it is logical for customers to demand that their existing managed services providers propose possible options and scope of work to "cloudify" their technology consumption. If the vendor is not amenable or capable of proposing cloud-based options, it would be beneficial to begin considering alternative vendors.

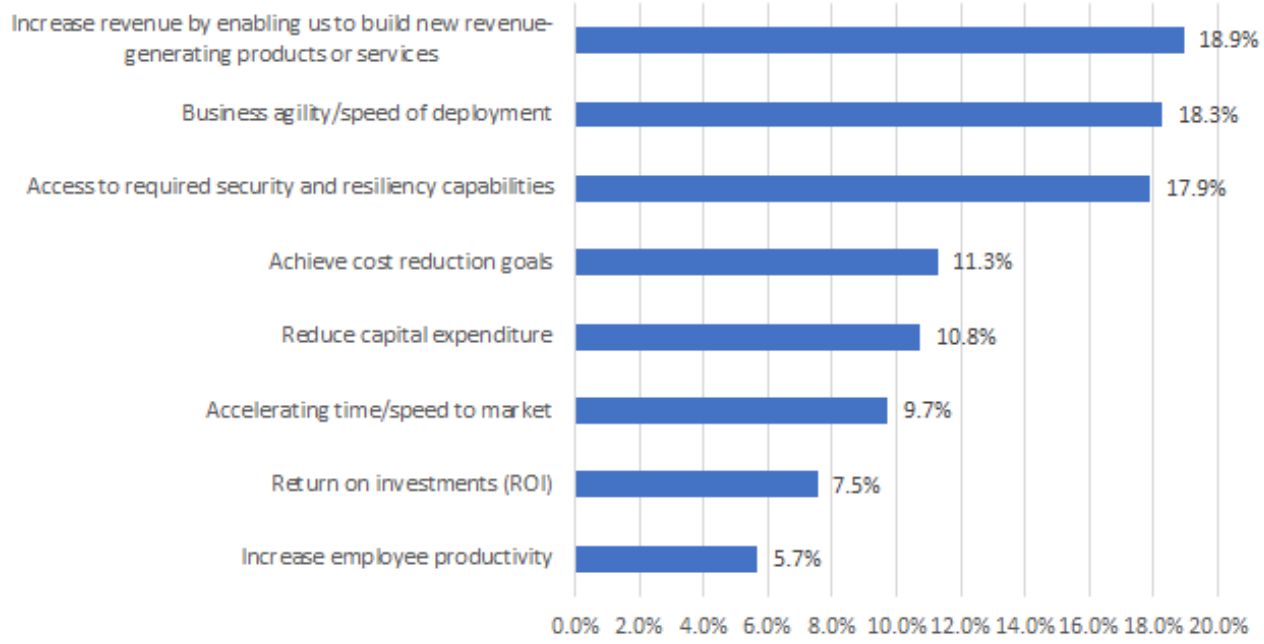
IDC has observed that managed cloud services are rapidly gaining traction. Increased buyer adoption of managed cloud services and the maturing of enterprise usage of these services translate to a substitution of traditional outsourced managed services with managed cloud services.

For managed cloud services vendor consideration, this IDC MarketScape study, along with *IDC MarketScape: Worldwide Managed Cloud Services 2019 Vendor Assessment* (IDC #US43251618), reviews both the quantitative and qualitative characteristics that define current market demands and expected buyer needs for managed cloud services. The evaluation is based on a comprehensive and rigorous framework that assesses how each vendor stacks up.

For tech buyers that have just started their cloud journey or even digital transformation (DX) journey (cloud is a key enabler of DX), it is critical to identify and prioritize technology that can be most effectively leveraged to realize business objectives and potentially adopt a "cloud-first" or "cloud-native" approach to draw on the full power of cloud as a platform for transformation. This journey is best made with a services partner that can both help plan and execute their movement to the cloud and provide continued support to manage and optimize their cloud usage on an ongoing basis. The experience of some early cloud adopters has shown that a simple "lift and shift" strategy targeting "low-hanging fruits" might be better suited for a short-term goal only. For longer-term benefits, it is important to have a holistic enterprise-wide cloud strategy that includes options such as re-architecting and building cloud-native architecture/applications to enjoy better business benefits. Figure 2 below shows key business metrics for 710 APEJ organizations' managed cloud services usage based on the *2019 Asia/Pacific IT and Business Services Sourcing Survey*.

## FIGURE 2

### Top Business Metrics for a Managed Cloud Services Provider in APEJ




Source: IDC, 2019

## VENDOR SUMMARY PROFILE

IDC evaluated nine providers of managed cloud services across 42 distinct evaluation criteria as part of this study. IDC also interacted with over a dozen customers of these vendors to understand how the vendors were able to bring unique value to their managed cloud services offerings and where they fell short. The information from these customer interactions was captured both as part of the evaluation exercise and in the qualitative commentary in the vendor profile below.

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. Every vendor is evaluated against each of the criteria outlined in the Appendix, and the description here provides a summary of a vendor's strengths and challenges. Additionally, we invite readers to refer to the *IDC MarketScape: Worldwide Managed Cloud Services 2019 Vendor Assessment* (July 2019, IDC #US43251618) report for commentary on some other managed cloud services vendors not profiled in this study.

### Rackspace

Rackspace is positioned as a Leader in the 2019 Asia/Pacific (excluding Japan) Managed Cloud Services IDC MarketScape study.

Rackspace has a long tradition and strong focus in hosting and managed infrastructure services, from where it has successfully pivoted to providing managed cloud services, underpinned by its famed "fanatical support" construct. This is reflected in its revenue model — more than 90% of the revenue is on a recurring basis, and almost 100% of its customers qualify as managed cloud services customers. In contrast, the vendor has a relatively limited footprint in the space of cloud advisory and upstream application services, although these have been identified as strategic focus areas that Rackspace is now growing.

Currently, Rackspace uses its professional services business as an important means to engage customers in long-term relationships. Rackspace's typical customer stays with it for 6 years, gives it a growing share of its IT spending, and introduces new clients to it as it grows. More than 80% of Rackspace's new revenue comes from current customers buying more services because existing customers look to Rackspace to manage more than their infrastructure. These customer needs drive Rackspace's portfolio strategy, shaping its growth both organically and inorganically. For instance, its recent acquisition of RelationEdge in May 2018 enables Rackspace to provide full-service Salesforce, SaaS management, and digital agency capabilities.

With Rackspace's expansive portfolio, it has successfully moved up the market to serve more upper to mid market organizations and enterprises. More importantly, the vendor has experienced healthy growth from its large installed base because of the expanded service offerings.

Rackspace leverages its 14 global COEs to deliver its managed cloud services, six of which are in Asia/Pacific, mainly focusing on AWS, Microsoft Azure, Google Cloud Platform, ecommerce and digital marketing, VMware, and Salesforce. Together with its two hosting centers in the region, it can support delivery of managed cloud services across 30 locations/countries in the region.

Given its background, Rackspace has comparatively less experience in dealing with complex enterprise customers, although it is positioning itself as a newer type of IT service provider, delivering the most customer value with flexible offerings and strong technical expertise. It has partnerships with four major public cloud providers, including AWS, Azure, Alibaba Cloud, and Google Cloud. The

credibility Rackspace has with these public cloud providers is very strong and includes thousands of certified professionals for AWS and Microsoft. Its status as a highly certified partner in Asia/Pacific for Alibaba Cloud (with 20+ certifications), and the first Google Cloud Platform premier partner, makes Rackspace a formidable managed cloud services partner in the Asia/Pacific region. A high level of availability (up to 100% uptime) with very quick response time (5 minutes) are earning Rackspace high customer satisfaction.

### *Strengths*

Rackspace's roots in serving small and medium-sized businesses (SMBs) are a competitive advantage because a big chunk of its growth comes from the expanded services from its large installed base. Rackspace has proven customer success: its customer retention rate is as high as 97%. Customers often praise the vendor's proactive, customer-centric attitude, deep technical expertise, and high level of flexibility, which result in high customer value.

The guiding principle for Rackspace's Managed Cloud Services engagement is, "Process first. Technology second." Rackspace's consultants delve deeply into a customer's business goals. About 38% of its full-time resources are invested in helping clients define business requirements, evaluate current IT processes, and identify gaps before defining a solution to achieve those business goals.

These solutions invariably include managed services for public or hosted private clouds. The vendor's service-block approach offers a high level of flexibility and optimization to its customers, so they get exactly the services they need without having to pay for services they do not want.

### *Challenges*

Although Rackspace has a plan to build an SOC in Asia/Pacific and has identified multicloud security as one of the key focus areas to grow its expertise, its current capabilities and the adoption of its managed security services remain limited. In addition, the vendor has limited experience in cloud-native application development and app refactoring in the region. Finally, Rackspace trails some of its competitors in providing services around heavyweight enterprise application workloads such as SAP and Oracle.

## APPENDIX

## Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is with customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis or strategies axis indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represent the relative market share of each individual vendor within the specific market segment being assessed.

## IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately, vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

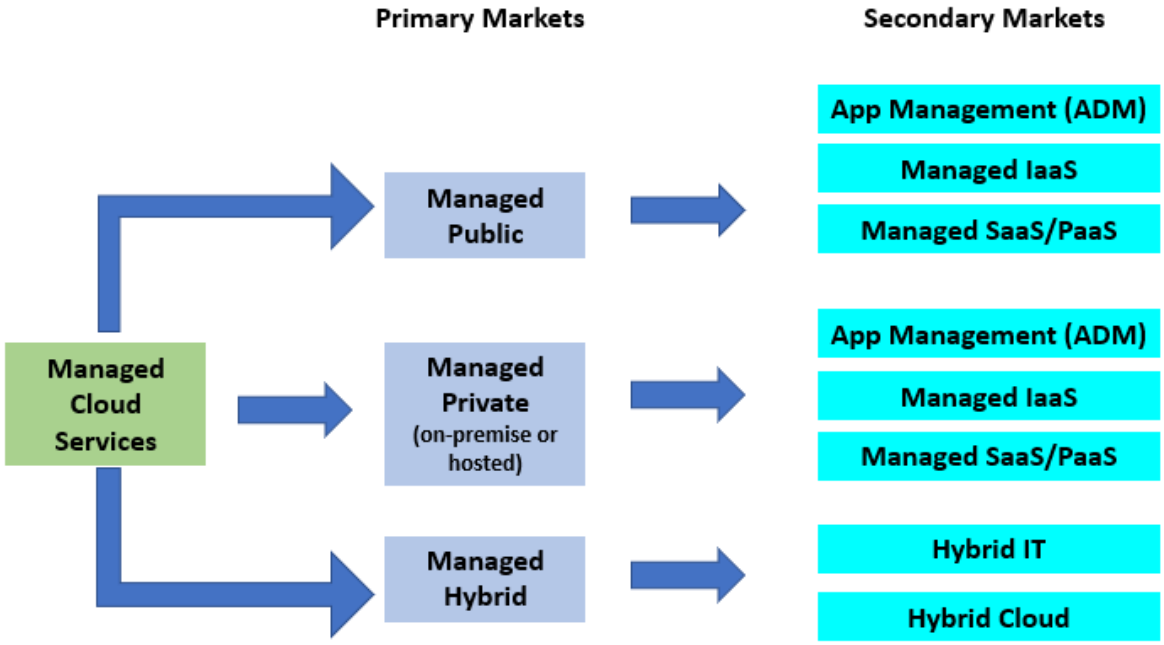
## Market Definition

### *Managed Cloud Services*

Figure 3 highlights three primary managed cloud services markets involving technology environments, where each primary market also includes more than one secondary market.

### FIGURE 3

**Managed Cloud Services Family of Primary and Secondary Markets**




Source: IDC, 2019

These primary markets of managed services focus on areas that include the following:

- **Managed public cloud services**. This involves "value-added" managed services utilizing public IaaS platforms (e.g., Amazon AWS, Google GCP, Microsoft Azure, IBM Cloud), SaaS platforms (e.g., Salesforce.com, Workday, NetSuite), and PaaS platforms (e.g.,

Salesforce.com/Force.com, IBM Cloud/Bluemix, AWS, Azure). In these engagements, the managed service is dedicated to a single client (private), while the underlying infrastructure operations (IaaS) or SaaS/PaaS environments are shared between unrelated customers (public).

- **Managed private cloud services**. This involves managing private clouds that are either on-premise (located at the client site) or hosted (located at the service provider's datacenter) in which the engagement is a dedicated (private) relationship between a client and service provider.
- **Managed hybrid cloud services**. Managed hybrid cloud services support a combination of cloud environments (private and public) or cloud and non-cloud environments (e.g., legacy mainframes, custom-coded legacy applications, packaged applications) that are integrated into a single engagement referred to as a hybrid engagement.

## Exceptions and Exclusions

- Managed cloud services involve the full life cycle of services that include "embedded" professional services such as strategy, assessment, migration, modernization, and implementation services. However, for professional services that are procured as a set of discrete capabilities not included as part of the managed services engagement, IDC excludes these "discrete" engagements.

## Strategies and Capabilities Criteria

The 'Strategies' and 'Capabilities' criteria presented in this section were used in evaluating the participating providers in this study. The weights reflect the determined relative importance of each criterion to the buyer of managed cloud services. Table 1 focuses on strategies (e.g., the building of future capabilities), whereas Table 2 focuses on present capabilities. Strategies and capabilities, in turn, make up the two axes of the IDC MarketScape diagram (refer back to Figure 1).

## LEARN MORE

## Related Research

- *Worldwide Managed Cloud Services Forecast, 2019-2023: An Extraction View of Technology Outsourcing Services Markets* (IDC #US44653019, September 2019)
- *What Role Do Managed Service Providers Play in an Enterprise's Hybrid and Multicloud Journey?* (IDC #AP45396020, August 2019)
- *IDC MarketScape: Worldwide Managed Cloud Services 2019 Vendor Assessment* (IDC #US43251618, July 2019)
- *What Is the State of Enterprise Readiness for AIOps Adoption in Asia/Pacific (Excluding Japan)?* (IDC #AP44706619, June 2019)
- *Amazon Web Services Doubles Down on Growth Plans in Southeast Asia* (IDC #AP44705819, May 2019)

## Synopsis

Using the IDC MarketScape model, IDC studied nine organizations in 2019 that offer managed cloud services in APEJ. The assessment is performed against a large set of parameters, such as breadth of service offerings; portfolio benefits; number of COEs, SOCs, and partners; technology resources; innovation budget; customer base; evolution of MCS deals; revenue growth; market execution;

geographic presence; cost competitiveness; key SLAs; customer retention; and customer satisfaction that define the current market demands and expected buyer needs. Through in-depth interviews with the managed cloud service providers and their customers, IDC evaluated the vendors in the study and found that each provider possesses certain strengths and weaknesses.

“A key objective to engage managed cloud providers is to help clients better realize the business benefits of their cloud investment and decrease the risk,” says Cathy Huang, program lead, IDC Asia/Pacific Services & Security. “Security capabilities, particularly cloud security, are growing to be a key differentiator among the managed cloud services providers,” Huang concludes.

“As the primary role of cloud evolves from that of an infrastructure utility to serving as a platform for the next generation of organizational innovation and evolution, managed cloud services providers need to ensure they are geared to provide upstream services and tooling around cloud migration assessment and advisory, road map creation, migration, and cloud-native application development utilizing the latest platform innovations and capabilities,” states Pushkaraksh Shanbhag, senior research manager, IDC Asia/Pacific Cloud and Services. “Managed cloud services vendors that are able to orchestrate these capabilities across a diversity of cloud consumption models and cloud platforms will be the ones that will distinguish themselves in a cloud-first future.”

## About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

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