ISG Provider Lens™

Private/Hybrid Cloud – Data Center Services

A research report comparing provider strengths, challenges and competitive differentiators

Customized report courtesy of:

PARK PLACE TECHNOLOGIES

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Cost optimization and GenAI have become core themes of every digital transformation engagement

Enterprises are gradually recognizing the limitations and challenges of relying solely on public cloud services. As a result, they are shifting toward adopting private and hybrid cloud infrastructure solutions. Various factors, including concerns about data security, compliance requirements, performance optimization and the need for greater control over IT resources drive this transition. By embracing private and hybrid cloud environments, enterprises can enjoy the benefits of cloud computing while addressing specific operational, regulatory and security concerns more effectively. Therefore, ISG has observed that they are increasingly relying on hybrid cloud infrastructure, as it offers the required flexibility, scalability and agility along with the needed control over data residency, security and costs.

In the last four quarters, amid the prevailing economic uncertainties, enterprises have been actively seeking ways to enhance the efficiency and cost-effectiveness of their IT investments. As a result, CTOs find it difficult to justify IT spends. Enterprises are exploring strategies to streamline their IT expenditures, rationalize budgets and maximize returns on technology investments. This entails evaluating existing IT infrastructures, identifying areas for cost optimization and reduction, and adopting innovative approaches such as hybrid cloud computing, automation and outsourcing to achieve greater operational efficiency and financial resilience. They are also maximizing their investments in cloud resources through various methods such as FinOps by placing responsibility on the IT teams for cloud resource consumption.

According to the recent ISG Index™, the Q1 2024 figures for the Americas market saw a slight decline. The combined market (managed services and XaaS) witnessed a 3 percent Y-o-Y decrease, with the ACV reaching $12.1 billion. We observed a slight uptick of 1 percent in ACV, with spending reaching $7.1 billion. However,

Enterprises carry out **comprehensive assessments** to evaluate the **costs and benefits** of **GenAI.**

managed services saw a sharp decline of 8 percent, with ACV reaching $5.1 billion, with a notable decline of 9 percent in new scope contracts and 5 percent in restructured contracts. ISG also observed a rise in contract volume of 2 percent, with 367 contracts in managed services for the quarter. Within managed services, the ACV for the ITO market marginally increased by 1 percent to $3.4 billion, while the BPO market experienced a 22 percent reduction in ACV to $1.7 billion. These market trends signify an emphasis on enterprises engaging with service providers on a short-term basis with more contracts signed with smaller ACVs, reducing the value of ACVs even further.

ISG's Star of Excellence™ program continues to gain traction and was lauded by several providers for the process and recognition. This program is based on the voice of the customer concept. The providers are rated on six parameters, namely Service Delivery; Governance and Compliance; Collaboration and Transparency; Innovation and Thought Leadership; People and Culture Fit; and Business Continuity. The scores and data come from the Star of Excellence™ study that measures CX with providers based on direct client feedback. ISG found that North America's average provider CX score for the Private Hybrid Cloud domain was 68.1 in 2023. Some of the top providers with high CX scores are Accenture, TCS, HCLTech, Zensar, NTT DATA, Kyndryl and Rackspace Technology.

Below are some of the trends observed last year:

Increased AI and ML technology usage: This year, ISG has observed more solutions leveraging AI-based cognitive capabilities and/or ML tools and services to provide high-quality outcomes, speed up service delivery, improve IT efficiency and deliver a superior UX. Providers have developed tools that take data from various sources to predict downtime and implement self-healing measures to prevent such situations. AI for IT operations (AIOps) has also become popular. It can monitor various elements of the entire hybrid environment and provide predictive analytics for incident management to aggregate events, reduce noise, and auto-correlate and identify the probable root cause using ML technology.

Shifting dynamics in data center usage: Enterprises are undergoing a significant shift in their approach to data center management, characterized by a reduction in the physical footprint of their own data centers. They are increasingly turning to alternatives such as public cloud infrastructure or colocation providers. This strategic shift is driven by various factors, including the desire to optimize costs, enhance scalability and improve operational efficiency. In parallel, colocation providers are ramping up their investments to expand their portfolio of data center facilities. This surge in investment reflects the growing demand for colocation services as enterprises seek reliable, secure and scalable infrastructure solutions to support their evolving IT needs. By leveraging the expertise and infrastructure offered by colocation providers, enterprises can achieve greater flexibility, agility and resilience in managing their IT infrastructure while focusing on core business objectives.

Commoditizing specialized hardware: AI and ML applications demand substantial processing power and robust servers. It requires specialized hardware solutions, which were historically scarce and costly. However, the landscape is evolving as efficient infrastructures equipped with specialized high-performance computing (HPC) equipment emerge. Chip companies such as NVIDIA, Intel and AMD are developing highly efficient hardware. These advancements enable the deployment of AI-based cognitive capabilities and ML tools at scale, empowering organizations to harness the potential of these technologies more effectively. By leveraging these, businesses can overcome previous limitations and drive innovation in AI and ML, unlocking new opportunities for data-driven insights and transformative applications across various industries.

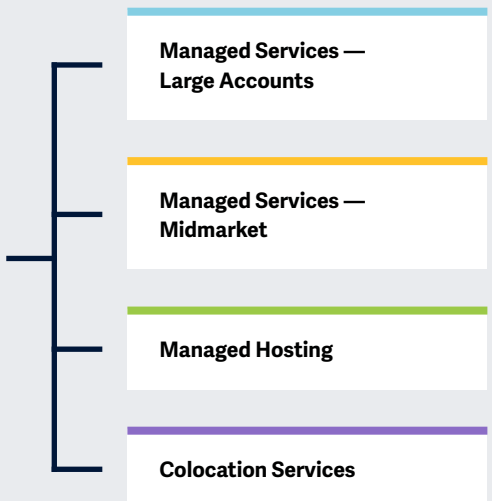
Cautious approach toward investing in (generative AI) GenAI capabilities: Many enterprises are eager to comprehend the transformative impact of GenAI on business operations. Assessing the costs and benefits of GenAI entails thorough analysis to differentiate between inflated expectations and tangible outcomes. While cost remains a significant consideration, substantial reductions may take time to materialize due to high demand. This surge in demand for GenAI necessitates

increased data center capacity, while GenAI is readily accessible via cloud platforms, with all major hyperscalers offering extensive language models. Over time, GenAI is expected to become more commonplace, but currently, organizations grapple with budget allocation for GenAI initiatives, often falling under IT's purview. The focus of these investments in GenAI was on empowering enterprises with actionable insights, predictive analytics and intelligent automation capabilities. From ML models to analytics solutions and AI-powered operational tools, service providers sought to equip enterprises with the tools and capabilities needed to drive significant business outcomes and foster innovation. Moreover, these efforts aimed to pave the way for creating new revenue models, enabling enterprises to capitalize on the transformative potential of AI technologies.

The VMware Dilemma: Following Broadcom's acquisition of VMware in 2023, the company made alterations to VMware's licensing terms and pricing structure, emphasizing a subscription-based model. These changes have had a major impact on nearly all enterprises and service providers that leverage VMware solutions. Some providers are considering transitioning to Red Hat OpenStack technology, as the associated support costs are lower compared to VMware licensing fees, while some are planning for Hyper-V offerings to cater to Microsoft-related solutions or altogether move to hyperconverged infrastructure (HCI) and look at solutions offered from Nutanix and other HCI vendors. ISG will continue to monitor the impact of the VMware market to report the changes in 2024.

Enterprises maintained a cautious approach to outsourcing and implementing GenAI capabilities last year. Service providers seized this opportunity to enhance their offerings and strengthen their partnerships with technology vendors to develop robust infrastructure offerings. They invested in GenAI capabilities and positioned themselves as strategic partners to deliver innovative solutions that drive business growth and unlock new opportunities for enterprises.

This study focuses on what ISG perceives as the most critical aspects of **private/ hybrid cloud and data center** outsourcing services in 2024.



Simplified Illustration Source: ISG 2024

Definition

This study assesses global and regional providers offering data center outsourcing, including the service providers of managed hosting, colocation facilities and managed services.

Data center outsourcing is the practice of transferring the responsibility of managing data center assets to a third-party provider. It encompasses orchestration, provisioning, integrated monitoring and managing infrastructure components, including computing, storage, database and middleware. The data center may be owned by the enterprise client, service provider or a third-party colocation provider. A private cloud is an extension of a client's computing environment that leverages investments in virtual infrastructure and applications. A hybrid cloud connects the existing on-premises infrastructure services with a private cloud, a public cloud or multicloud arrangements. An enterprise may also leverage colocation and hosting providers, and not necessarily own a data center, to have a hybrid cloud setup.

Enterprises with stringent security and governance requirements, large data volumes and close integration of enterprise applications and workflow needs may prefer an on-premises or a private cloud environment and choose to host in their own facility. Enterprises are also increasingly opting for hybrid cloud setups as they offer a high degree of control and leverage the capabilities of public cloud platforms without the need to offload all their data to a third-party data center. ISG has also observed enterprises demanding the implementation of ESG initiatives by infrastructure services providers. The rapid increase in digital transformation engagements is accompanied by a rise in energy demands, contributing to climate changes, while government regulations are mandating a faster transition to carbon neutrality.

Sweet Spot

Park Place Technologies

Overview

Based in Cleveland, Ohio, U.S., Park Place Technologies is a global data center and networking optimization firm supporting more than 21,000 customers in over 180 countries. It helps optimize infrastructure productivity, budget, performance and sustainability via its fully integrated offerings, including data center hardware maintenance, infrastructure managed services, professional services, infrastructure monitoring software and hardware sales.

Key Provider Capabilities

First-Time Fix™ Guarantee: Park Place Technologies' First-Time Fix™ Guarantee is a critical market differentiator. It enables clients to resolve any hardware issue on their first visit. The ParkView Hardware Monitoring™ offering supports this guarantee by providing 24/7 proactive fault detection, automated ticketing and triage. This service has helped several enterprises significantly reduce the touchpoints required for issue resolution.

Comprehensive managed services: Park Place Technologies offers a comprehensive, vendor-agnostic managed services suite that covers storage, server and network management. Supported by a follow-the-sun support team located in Enterprise Operations Centers (EOCs) worldwide and powered by its monitoring tool, Entuity Software™, the company enables NetOps teams to effectively and efficiently monitor, visualize and manage networks.

Most extensive inventory of data center assets: Park Place Technologies has the largest inventory of parts and assets for third-party maintenance (TPM) operation, supporting various OEM models. This extensive inventory helps clients achieve compatibility and quick turnaround for maintenance and repairs. It enables the company to support over 4,000 customers in storage and server monitoring, collectively overseeing 70,000 assets worldwide. This ability to quickly source and replace parts guarantees high service availability and reduced downtime for customers.

Enhanced customer experience: Park Place Technologies offers enhanced CX through its Central Park portal by providing real-time ticket resolution and comprehensive management of IT assets. Central Park provides clients with a single pane of glass for managing data center maintenance and monitoring. This portal and the PPTechMobile app allow clients to perform these tasks from anywhere.

Benefits Delivered

- **24/7/365 infrastructure monitoring**
- **Reduced alert noise**
- **Increased compliance to reduce risks**
- **Reduced mean time to repair**
- **Increased audit readiness**
- **Complemented internal skills**
- **Maximized uptime**
- **Stabilized budgets**
- **Over 30 percent savings compared to OEM maintenance costs**
- **Single lifecycle management partner from procurement to decommissioning**

Park Place Technologies

Sweet Spot

Park Place Technologies excels in delivering robust IT infrastructure management through innovative solutions and exceptional service quality. The company's First-Time Fix™ Guarantee showcases its proactive maintenance approach, facilitating issue resolution on the first visit. This guarantee is complemented by ParkView First Call™, which handles OEM-covered equipment. Park Place Technologies serves as the point of contact for such equipment, streamlining the process for customers.

A key differentiator for the company is its comprehensive, vendor-agnostic managed services that encompass storage, server and network management. Its global, badged field service team uniquely monitors, manages and maintains clients' physical and virtual environments in-house, without relying on other partners or backline assistance. Whether addressing an OS issue remotely or dispatching a field engineer to replace a drive, the company handles it all.

Another critical strength of the company is its substantial inventory of data center parts and assets. Maintaining a vast supply of components compatible with various OEM models can quickly address hardware issues, reduce repair times and support high service availability.

The company also integrates sustainability into its operations, particularly through IT Asset Disposition (ITAD) services. These services include secure data destruction, equipment recycling and hardware resale, which help clients reduce their environmental footprint and comply with stringent environmental, social and governance (ESG) standards.

It demonstrates its commitment to client satisfaction through enhanced CX provided through the Central Park portal and PPTechMobile app. These tools offer real-time ticket resolution and comprehensive IT asset management, allowing clients to monitor and manage infrastructure from anywhere. This accessibility and transparency in service management significantly improve operational efficiency and client trust.

Future roadmap

Park Place Technologies aims to grow its business through the following:

- Turnkey solutions for immersion and direct-to-chip cooling
- Integrating AI and ML to enhance service delivery and security
- Offering new support to products across service, storage and hyperconverged infrastructure
- Focusing on ITAD services to support environmental sustainability through secure data destruction and equipment recycling
- Aiming to increase global presence with more acquisitions and expanding service offerings

Appendix

Methodology & Team

The ISG Provider Lens 2024 – Private/Hybrid Cloud – Data Center Services study analyzes the relevant software vendors/service providers in the U.S. market, based on a multiphased research and analysis process and positions these providers based on the ISG Research methodology.

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The research and analysis presented in this report includes research from the ISG Provider Lens program, ongoing ISG Research programs, interviews with ISG advisors, briefings with services providers and analysis of publicly available market information from multiple sources. The data collected for this report represents information that ISG believes to be current as of May 2024, for providers who actively participated as well as for providers who did not. ISG recognizes that many mergers and acquisitions have taken place since that time, but those changes are not reflected in this report.

All revenue references are in U.S. dollars ($US) unless noted.

The study was divided into the following steps:

1. Definition of Private/Hybrid Cloud – Data Center Services market
2. Use of questionnaire-based surveys of service providers/ vendor across all trend topics
3. Interactive discussions with service providers/vendors on capabilities & use cases
4. Leverage ISG's internal databases & advisor knowledge & experience (wherever applicable)
5. Use of Star of Excellence CX-Data
6. Detailed analysis & evaluation of services & service documentation based on the facts & figures received from providers & other sources.
7. Use of the following key evaluation criteria:
   * Strategy & vision
   * Tech Innovation
   * Brand awareness and presence in the market
   * Sales and partner landscape
   * Breadth and depth of portfolio of services offered
   * CX and Recommendation

Author

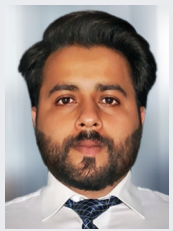
Shashank Rajmane

Manager and Principal Analyst

Shashank Rajmane has more than a decade of extensive experience in research and works as a Principal Analyst at ISG. He leads the efforts for ISG Provider Lens™ studies — Public Cloud Services & Solutions and Private/Hybrid Cloud & Data Center Outsourcing Services. He also authors the U.S. and Global reports. Apart from these, Shashank has been part of many consulting engagements and helping ISG's enterprise clients with their cloud strategy, along with selecting the right service providers/ vendors based on their IT-related buying requirements.

He has authored several white papers, thought leadership articles, briefing notes, blogs and service provider intelligence reports, especially in the next-generation hybrid cloud and infrastructure services domain. Shashank has also delivered several workshops, webinars and podcasts and has been quoted in IT journals.

Enterprise Context and Overview Analyst



Yatharth Bharti

Senior Research Analyst

Yatharth is a Senior Research Analyst at ISG. He is responsible for supporting and co-authoring Provider LensTM studies on Public Cloud and Private Hybrid Cloud Data Centre Solutions and Services. Yatharth supports the Lead Analysts in the research process on multiple regions and authors the global summary report, and focal points. He also collaborates with the Lead Analysts in the process of rating the providers and building insights around the market trends and drivers.

Yatharth has over 5 years of experience with a strong background in research, data analysis, and business analysis.

In his previous role, Yatharth oversaw custom research and analysis projects to support businesses in better decision-making. Specializing across various industries with Everest Group, Yatharth provided valuable insights and recommendations and led in-depth analyses of enterprises and their operations to provide tailored insights to the clients.

Study Sponsor

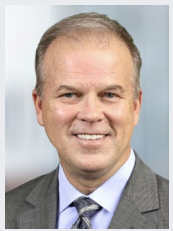
Heiko Henkes

Managing Director, ISG Provider Lens™

Heiko Henkes serves as Director and Principal Analyst at ISG, overseeing the Global ISG Provider Lens™ (IPL) Program for all IT Outsourcing (ITO) studies alongside his pivotal role in the global IPL division as a strategic program manager and thought leader for IPL lead analysts.

Henkes heads Star of Excellence, ISG's global customer experience initiative, steering program design and its integration with IPL and ISG's sourcing practice. His expertise lies in guiding companies through IT-based business model transformations, leveraging his deep understanding of continuous transformation, IT competencies, sustainable business strategies and change management in a cloud-AI-driven business landscape. Henkes is known for his contributions as a keynote speaker on digital innovation, sharing insights on using technology for business growth and transformation.

IPL Product Owner



Jan Erik Aase

Partner and Global Head – ISG Provider Lens™

Mr. Aase brings extensive experience in the implementation and research of service integration and management of both IT and business processes. With over 35 years of experience, he is highly skilled at analyzing vendor governance trends and methodologies, identifying inefficiencies in current processes, and advising the industry. Jan Erik has experience on all four sides of the sourcing and vendor governance lifecycle - as a client, an industry analyst, a service provider and an advisor. Now as a research director, principal analyst and global head of ISG Provider Lens™, he is very well positioned to assess and report on the state of the industry and make recommendations for both enterprises and service provider clients.

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 1,600 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 isg-one.com.

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JUNE, 2024

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