ISG Provider Lens™

Private/Hybrid Cloud – Data Center Services

A research report comparing provider strengths, challenges and competitive differentiators

Customized report courtesy of:

DXC TECHNOLOGY

SWEET SPOT REPORT | **JUNE 2023** | **AUSTRALIA, SINGAPORE & MALAYSIA**

Table of Contents

Report Author: Phil Hassey

As hybrid cloud accelerates, the providers' business requirements focus on measurable value

The 2023 Private/Hybrid Cloud - Data Centre Services Australia study evaluated 68 hybrid IT, colocation and managed hosting service providers that operate in Australia and provide a range of IT services. From the analysis, ISG Provider Lens™ has identified the key service providers and the prominent trends driving the markets for hybrid IT, colocation and managed hosting across the region. Each of the three quadrants in the report has central core tenants that connect them, but they operate as distinctive markets.

The Australian data centre services and solutions market is highly competitive in the regional and global context. A substantial number of local and foreign providers play significant roles in developing the local ecosystem.

Data centre location and data sovereignty haves grown in importance in the post-pandemic environment, aligned with local and global market drivers such as security, essential infrastructure requirements and competitive advantage. In 2023, providers with the most robust footprints provide offered data centre clients with multiple Sydney and Melbourne locations, alongside more national coverage. Canberra and Perth are the two strongest and most critical secondary locations, albeit for different reasons, Canberra for Australian Federal Government access, and Perth due to logistical requirements, and in some cases to align with a more Asia-friendly time zone.

As when the environment was examined for the 2022 report, local providers remain incredibly important in the Australian market. Whilst they do not have the scale for inclusion as Leaders in the managed hosting or colocation quadrants, they are still relevant. Although these local providers are yet to achieve leadership in the ISG Provider Lens™ study, they are suitable for clients requiring regional market capacity. Locations such as Newcastle, Townsville,

Continual investment in facilities is required to drive data centre service maturity.

Tasmania and the Gold Coast have local providers with the required capabilities.

Hybrid cloud services uptake is accelerating due to several factors, some specific to the Australian market, others more global. Several critical factors drive investments in dynamic data centre provision from an infrastructure service provision. The factors that influence the market evolve year by year. Some of the key considerations are summarised below.

Skills remain a significant issue: Australia's unemployment remains near record lows. Migration has not fully rebounded since the COVID-19 pandemic. Skills challenges are ongoing, despite layoffs in technology still making headlines in 2023. The local market needs to build skills, continue innovating and change the narrative around technology as a career to attract and develop new talent. Automation is not the only means to overcome this skills gap; the overall education system needs an overhaul across skill categories, not just technology but also for data centres.

Investments in AI: Whilst AI investments in the public cloud domain are overwhelming, leveraging data centres to optimise AI and ML is critical to provide scale and sustainability and fulfil the time requirements of AI solutions. Data centres must evolve as quickly as the technology for these use cases.

Edge computing: Applications for edge computing in Australia are growing, albeit slower than anticipated. Key industry sectors with asset-rich requirements, such as mining and utilities, combined with investments in IoT devices and edge computing to manage latency, can derive measurable business value from the investment and improve customer outcomes through real-time data processing.

Data centre in a box: Modular data centres are being increasingly deployed to enable capacity and immediacy of service delivery from a discrete location. While they do not scale from the delivery or cost perspectives, they provide strong business cases in particular industries with unique requirements.

Sustainability initiatives: Sustainability investments have been accelerating across industries due to the change in the Australian Federal Government in 2022. Data centres are at the front and centre of this shift to locations, energy sources and management that are even greener than were expected in 2021.

While the public cloud garners the most robust growth and attention, it is not the only approach Australian enterprises are taking to the cloud. A private cloud is still a legitimate approach to delivering technology infrastructure and digital transformation. From a private cloud perspective, there are several drivers specific to the market. It is clear is that the drivers of private versus public cloud adoption tend to be based more on emotions than facts. Security is essential in both models, as are cost savings and flexibility. Ultimately, an organisation's culture and how it measures business requirements drive the decision on its balance between public and private cloud. Hence, the ideal model for cloud delivery, now and in the future, is hybrid cloud, which draws from the best of the public and private models.

Security: Security is a misunderstood but essential business requirement. Some private data centres can provide greater control over security implementations and capabilities with internally developed protocols. In reality, the security of a private cloud can be as compromised, if not more, than a public cloud. Hence, enterprises aligning security with their investments in the private cloud need to be incredibly vigilant.

Cost savings: As with security, the cost savings benefits of public versus private cloud can be objective and will depend deeply on the individual client requirements and business case. Some private cloud data centres can offer cost savings for consistent and predictable service delivery.

Touch and feel of the data centre: Public data centres are hands-off in every aspect. It may be impossible for a client to even know where data is stored, let alone enable someone to access the data centre. Many organisations understand and embrace this feature, but for others, having the data centre on-site and under the organisation's control is an essential business requirement.

Compliance requirements: For highly regulated industries, in particular, compliance is an essential driver for private data centre investments.

Executive Summary

Legacy systems creating unique economics:
Many enterprises leverage legacy systems for financial, cultural and skills access reasons. Enterprises may not have the skills to migrate to the cloud, their economics may be skewed and for some, especially those untouched by significant competitive pressures coming from digital transformation, there is a lack of impetus and compelling business case to make the shift.

As the Australian economy continues to embrace digital transformation, investments in every form of cloud will continue to be the centrepiece of meeting business requirements for improved scale, flexibility and customer experience.

This study focuses on what ISG perceives as most critical in 2023 for **Private/Hybrid Cloud and Data Centre** outsourcing.

Simplified Illustration; Source: ISG 2023

Managed Services

Managed Hosting

Colocation Services
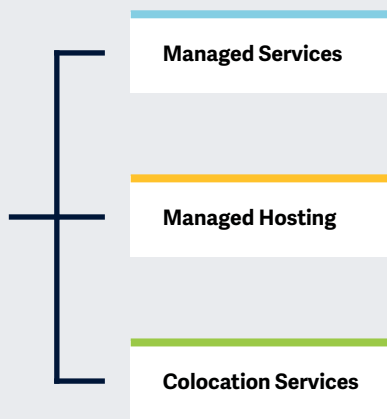
Definition

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

Data centre outsourcing is the practice of transferring the responsibility of managing data centre 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 centre 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 centre located offshore, onshore, nearshore or via a dedicated delivery centre 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 centre 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 centre, 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 organisation; 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 centre. 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 centres, 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.

ISG reports consistent demand for infrastructure services as enterprises are becoming more vigilant toward spending on large and complex cloud implementations. The demand for managed services, especially infrastructure and workloads management services, also is growing slowly. According to the ISG 1Q 2023 ISG Index™ figures, the global market grew by 1 percent in combined market ACV to reach its current value of $24.1 billion for the first three months. Managed services ACV increased by 1 percent year-over-year and reached $9.8 billion, while the XaaS ACV decreased by 13 percent to reach $14.3 billion. IaaS spending declined 16 percent to reach $10.4 billion, while the SaaS market declined by 4 percent to reach $3.9 billion during the same period.

Sweet Spot

DXC Technology

Overview

DXC Technology is a Fortune 500 global IT services provider. It has more than 130,000 employees operating in over 70 countries. The company has a long history in managing complex technology environments that focus on providing exceptional performance in private and hybrid cloud environments. DXC is uniquely placed in the market because of its deep relationships with key providers, including Intel and the hyperscalers.

Key Provider Capabilities

DXC's private cloud, hybrid cloud and multicloud solutions enable enterprises and government agencies to maximize their cloud investments, focusing on providing substantial outcomes for stakeholders and delivering a substantial financial return on the significant investment involved.

DXC provides comprehensive cloud professional services spanning the entire lifecycle, encompassing consulting, advisory, transformation, integration and operational management. The suite of services is fortified by robust partnerships with key industry leaders, such as Intel, ensuring a holistic and robust cloud solution for clients.

DXC offers integrated offerings to match clients' unique business environments. The portfolio of solutions includes:

- Support services — service desk and site support
- Intelligent collaboration
- Workplace asset management
- Tooled by DXC's UPtime suite of enhanced tools
- Modern device management

The relationship between Intel and DXC is a long-term, client-centric partnership. Intel plays a pivotal role in supporting DXC's private cloud, hybrid cloud and multicloud client needs, with an emphasis on private cloud architecture. This includes:

- Performance optimisation for compute density efficiency
- Reference architecture for specific use cases such as containerization, ERP workloads and edge services

- Hyperconverged infrastructure deployment

Further, this collaboration facilitates:

- Enhanced platform security
- Accelerated migration capability
- The ability to develop a *build-your-own* hybrid cloud platform
- Openness and interoperability

Focus on compliance for regulated industries:

- Payment card industry (PCI)
- Service organization control (SOC 1, 2)
- General Data Protection Regulation (GDPR)

DXC has recognized that organizations are increasingly concerned about the cost of their cloud investments and that there is a real need to optimize this. As a result, it has developed a capability in cloud financial operations (FinOps) to deliver Cloud Right™.

Benefits Delivered

- **At the heart of the offering, the benefits for the client include an accelerated capability for successful IT modernization across the enterprise infrastructure and cloud deployments.**

- **These benefits apply across a range of technology issues, from improved security to faster deployment of applications and stronger FinOps visibility.**

DXC Technology

Sweet Spot

DXC's sweet spot is the sum of the parts it offers clients. It combines an unparalleled legacy of experience and in-depth capabilities to address the problems enterprises face in managing their technology and business outcomes.

Focus on solving real client issues

The solution is designed to enable clients to solve real everyday issues for their infrastructure requirements. These include:

- Is comprehensive cloud management via a portal possible?
- How do I move the right workloads to the public cloud?
- How can I accelerate the change?
- How do I control cost?

- How do I make sure security and policies are used?

Intel and DXC have a deep relationship that enables clients to optimize their operations with Intel's capabilities, including:

- Manufacturing at scale (IDM 2.0)
- Access to Intel software
- Predictive performance levels
- Cost-effectiveness
- Access to edge computing for the distributed enterprise

Enterprises are increasingly demanding managed services solutions for their cloud infrastructure from clients. This ensures that continual improvement is a centerpiece alongside the cloud portfolio's security, cost optimization and usability. DXC has a legacy across many client requirements,

focusing on ensuring long-term security compliance and investment.

DXC understands that a strong cybersecurity posture is paramount for clients. It provides a range of capabilities that include:

- 24x7 managed detection and response services, with global threat hunting and intelligence
- Highly scalable multilingual service delivery team, certified across market-leading vendor solutions
- Cyber-resilient architectures and solution blueprints developed using its global Cyber Reference Architecture model
- The largest cybersecurity center in ASEAN countries, operating for more than 15 years with industry recognition awards for the past three consecutive years

Future roadmap

The future of these solutions for DXC and its partner Intel is full of robust outcomes for clients and prospects. Deeper industry solutions will be available for clients.

DXC is expected to increase the number of cloud providers it supports, including local Asia Pacific cloud provider Alibaba and Oracle Cloud Infrastructure (OCI).

DXC will continue with consumption-based solutions for the private cloud through DXC downstream partners.

On the data and AI front, Intel has an established road map of innovation to optimize investments in AI for clients (that is, AI workloads at the edge). It is anticipated that DXC will invest in enhanced capabilities in data platform architecture and development, including data integration and medallion architecture, alongside data modernization use cases from edge to the cloud for specific industries, including extract, transform and load (ETL) architecture and data governance.

Appendix

Methodology & Team

The ISG Provider Lens™ 2023 – Private/Hybrid Cloud – Data Centre Services report analyses the relevant software vendors/service providers in the Australian market, based on a multi-phased research and analysis process, and positions these providers based on the ISG Research™ methodology.

Lead Author:
Phil Hassey

Editors:
Upasana Hembram and John Burnell

Data Analysts:
Sachitha Kamath and Lakshmi Kavya Bandaru

Consultant Advisor:
Ben Rossiter

Project Manager:
Manikanta Shankaran

Information Services Group Inc. is solely responsible for the content of this report. Unless otherwise cited, all content, including illustrations, research, conclusions, assertions and positions contained in this report were developed by, and are the sole property of Information Services Group Inc.

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 April 2023, 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 Centre 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 & Editor Biographies

Author

Phil Hassey
Lead Analyst

Phil has an enviable reputation for understanding, assessing and communicating insight into the increasingly diverse and complex technology sector as it attempts to tightly integrate to business requirements. He is constantly "tilting the world view" with unique but grounded perspectives for clients.

He has worked for some of the largest, and smallest enterprises in the world to help them understand the role of the intersection of technology and business. At the same time, he has also worked with technology and business providers to help ensure they place the customer requirements at the centre of their business.

He has undertaken research and strategy projects on every continent, and for every possible application of technology and business.

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.

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™

ISG Research™ provides subscription research, advisory consulting and executive event services focused on market trends and disruptive technologies driving change in business computing. ISG Research™ delivers guidance that helps businesses accelerate growth and create more value.

ISG offers research specifically about providers to state and local governments (including counties, cities) as well as higher education institutions. Visit: Public Sector.

For more information about ISG Research™ subscriptions, please email contact@isg-one.com, call +1.203.454.3900, or visit research.isg-one.com.

ISG

ISG (Information Services Group) (Nasdaq: III) is a leading global technology research and advisory firm. A trusted business partner to more than 900 clients, including more than 75 of the world's top 100 enterprises, ISG is committed to helping corporations, public sector organizations, and service and technology providers achieve operational excellence and faster growth. The firm specializes in digital transformation services, including automation, cloud and data analytics; sourcing advisory; managed governance and risk services; network carrier services; strategy and operations design; change management; market intelligence and technology research and analysis.

Founded in 2006, and based in Stamford, Conn., ISG employs more than 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.

ISG Provider Lens™