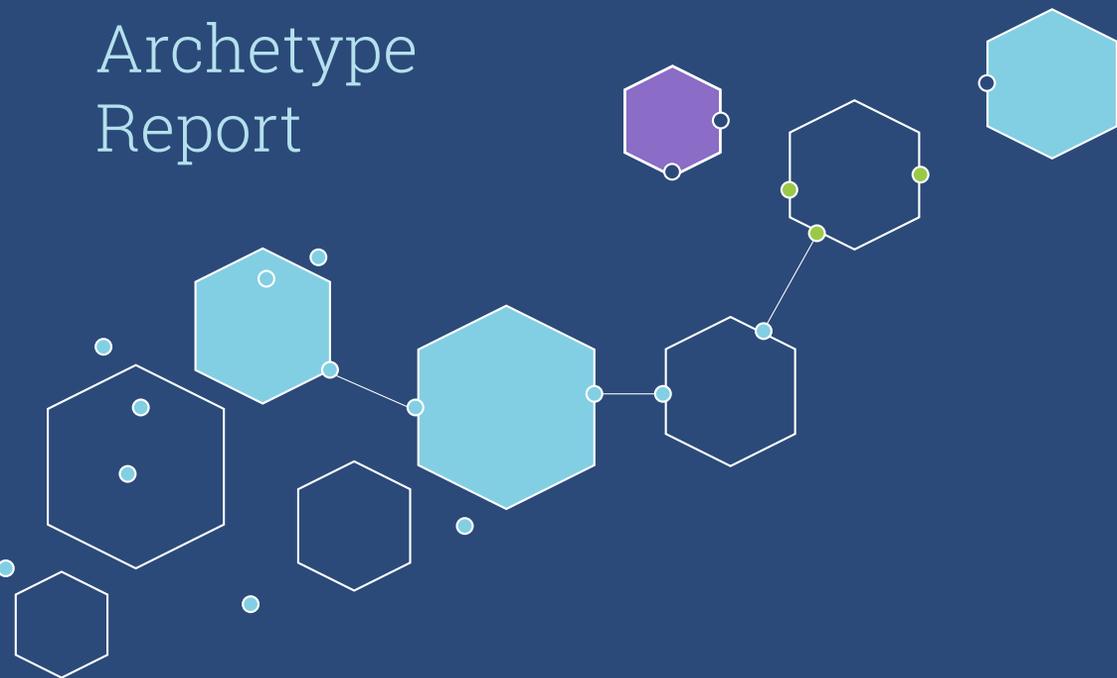


***ISG** Provider Lens™

Cloud Services

Archetype
Report



A research report
aligning enterprise
requirements and
provider capabilities

December 2017

About this Report

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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 was current as of September 30, 2017. 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 lead author for this report is Ravi Shankar. The editor is Jan Erik Aase and Dave Goodman.



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EXECUTIVE SUMMARY

This ISG Provider Lens™ report summarizes the relative capabilities of 21 cloud services providers and their abilities to address the requirements of five typical, frequently encountered categories of enterprise users (“archetypes”). Each archetype represents a distinctive set of business and technological needs and challenges.

In our research, we found no shortage of providers with capabilities adequate to satisfy the cloud transformation requirements of most user enterprises. It is rare to find one cloud services provider that can address all cloud transformation needs across most user archetypes. That is due in large part to four core realities regarding the archetypes:

- The characteristics of each archetype are a moving target over time, because, while the core requirements rarely change, the relative importance of different requirements can vary based on business and/or technological environment changes. Clients are not innovators and not inclined towards digital technologies.



- Multiple archetypes tend to be present in most enterprises, especially in larger firms. As the requirements of each archetype evolve and adapt based on business and technological change, so too does the presence and value of each archetype.
- A good number of providers (especially large ones) come from traditional sourcing backgrounds and their operational scope is focused on “traditional” data centers. The transformation to public cloud comes in phases/steps. As such, from a provider perspective, the archetypes offer a continuum of service opportunities for the entire enterprise as well as in individual business units within the enterprise. It should be noted that the service providers are leveraging their install bases to generate additional revenue through transformation services.
- The “born-in-the-cloud” and “cloud native” clients, as represented by the Next-Gen archetype, present exciting new revenue generating opportunities for service providers. In terms of revenue, this market segment has not reached the scale of the traditional IT sourcing business. The sourcing providers are working with CIOs not only to support the traditional workload base but also to support “cloud native” applications. As such, the leadership of many traditional sourcing companies is involved in a broad scope of activities that extends all the way from transforming traditional IT to serving Next-Gen clients.

Enterprise IT leaders, service owners, procurement managers and others involved in cloud transformation initiatives have an ongoing series of choices for cloud services provider selection. Those making the transformation must strike a balance between optimal business value and relative cost of the provider engagement, integration and management. Market changes, new business models, fluctuating economic factors and other factors will continually conspire to add to and subtract from user needs. Any client enterprise that fits solely within a single archetype will receive limited value over time from cloud transformation services. For service providers, slotting customers into a single archetype and not anticipating that their needs will change can prevent effective value from being delivered, leading to customer frustration and dissatisfaction.

Please note: This report presents services providers' known capabilities in the context of user enterprises' typical project needs (i.e., archetypes). This report is not meant to rank providers or to assert that there is one top provider whose abilities can meet the requirements of all clients who identify themselves with an archetype.



Introduction

CLOUD COMPUTING ECOSYSTEM

The internet is changing the way we conduct business and interact as a society. Traditionally, hardware and software were fully contained in a user's computing environment. The computing environment was considered to be the data and applications residing on a personal computer, on various servers, within the company network and in its data centers where access is restricted to authorized personnel. Cloud computing allows the user to access the data and programs outside of the user's physical environment. Rather than storing their data and software on their personal computer or server, it is stored in the cloud. Cloud hosting also can include applications, Databases and email and file services.

A common analogy to describe cloud computing is renting versus buying. Essentially, the users rent capacity (server space or access to the software) from a cloud service provider and connect over the internet. Instead of buying their own IT resources, they are renting from a service provider, paying for only the resources that they use.

Cloud computing has many models with different access and security options. Before users move their data into the cloud, they need to consider which model works best for their business and data needs. The general model types are summarized as follows:

Private Cloud

A private cloud is where the services and infrastructure are maintained and managed by the user or a third party. This option reduces the potential security and control risks, and will suit clients whose data and applications are a core part of their business and need more security or have sensitive data requirements.

Community Cloud

A community cloud exists where several organizations with similar security considerations share access to a private cloud. For example, a series of franchises have their own private clouds, but they are hosted remotely in a private environment.

Public Cloud

A public cloud is where the services are stored off site and accessed over the internet. Storage is managed by an external organization such as AWS, Google, IBM or Microsoft. This service offers a greater level of flexibility in resource deployment and pricing; however, the client has less flexibility with the terms and conditions dictated by the cloud provider.

Hybrid Cloud

A hybrid cloud model takes advantages from both public and private cloud services. Users gain the benefits of each model by spreading their options across different cloud types.

The definitions of these various cloud types are basic. In the real world, the decision to migrate to cloud is complex and involves many steps. It starts with creating a digital strategy for the company, of which cloud is just one key component. The application portfolio needs to be analyzed to decide which applications are ready to be migrated to the cloud. This analysis should consider the benefits the business will derive from migrating to cloud and the technical, regulatory, financial and security considerations associated with each application. The manner in which these decisions are made varies from customer to customer depending on what stage of digital transformation they are in.

Some organizations may not have any interest or need to migrate to cloud, and some may be so far along the journey that they need very little handholding. In this report, we attempt to identify common customer types (archetypes) and the services for which they are looking. We also identify the service providers that are best suited for each of the archetypes.

This report focuses on public cloud services. Other cloud types will be addressed in follow-up reports.

About the Report

This report uses research and analysis from ISG's long-running work with enterprise clients and IT services providers alike to identify and examine key changes in, approaches for, and buyers of cloud services. We then map what we see as frequent user-side requirements to provider-side offerings and capabilities.

Obviously, not every user enterprise has the same requirements for cloud transformation. In this report we use five "buyer archetypes" – which are detailed in the following sections – to identify and assess buy-side requirements for business value. We compare these requirements to provider-side offerings and capabilities.

This assessment methodology has been developed and refined over several years of working with buyers to understand and articulate their services requirements and by working with providers to understand how those buyer requirements influence the development of, and go-to-market strategies for, suitable solutions.

The capabilities of 21 providers are assessed in this report. Some service providers that are typically included in our work are not included in this report. Some of those service providers were not able to participate, and some declined to participate. They may be included in future versions of this report, based on merit and on the service providers' willingness to provide current and relevant materials. Readers should not make any inferences based upon a service provider's absence from this report.

How to Use This Report

This report is intended to provide advice that is founded on ISG's experienced-based, proprietary assessment of service providers' relative suitability to the typical cloud services client's needs. This advice is then applied across each of the five archetypes as profiled. No recommendation or endorsement is indicated, suggested or implied. Clients must make the decision to engage with any provider based not only on their specific, current cloud needs, but also on other factors such as cost, culture and timing.

This report is organized as follows:

- **Client Archetype Descriptions:** This section identifies and describes each of the five most common user-side archetypes that we have identified in our ongoing cloud research and analysis.
- **Assessments by Archetype:** These sections first detail each of the five client archetypes, along with the types of service offerings that each buyer typically requires in order to realize the most business value.

Next, these sections present our assessment of the relevant capabilities and positioning of the 21 providers surveyed and interviewed. Providers are assessed separately for their relative suitability for each archetype based on the information that they have provided to ISG. These assessments are developed using the data, analysis, and comparative methodology described in the methodology section.

- **Methodology:** In this section, we outline and explain how the data, analysis and insights provided in this report were developed and applied.



CLIENT ARCHETYPE DESCRIPTIONS

The client archetypes used in this report (and in our ongoing advisory and consulting engagements) represent the various types of clients ISG has observed and how we classify them according to their relative outsourcing maturity and objectives. Each client archetype encapsulates the typical characteristics of a specific type of buyer that is looking to outsource one or more processes or functions. The use of archetypes enables us to develop sets of characteristics and needs that can be applied uniformly and repeatedly across multiple environments, industries, provider types and other variables within one service line.

The archetypes are not meant to be comprehensive examinations of all potential or likely client situations and requirements. They are meant to provide a simple, relevant and repeatable set of user-side requirements against which a similarly simple, relevant set of provider capabilities can be assessed.

The archetypes included in our reports are based on the most current marketplace knowledge regarding prevalent buy-side goals, resources, initiatives and requirements. Archetype characteristics are also developed (and refined over time) based on our advisory and consulting work with enterprise clients and IT service providers, and on our global business IT market research and advisory programs.

THE TRADITIONAL ARCHETYPE

The Traditional buyer hasn't accepted cloud as material to its computing needs. Their IT environment is mainly mainframe and legacy applications. Either due to regulations, security issues or pure disdain for new technology, they have not embraced cloud computing. However, this archetype is open to learning more about cloud computing benefits and is seeking assistance to assess its computing environment and strategy formulation. These clients are generally risk averse.

A large, stylized graphic of the letter 'A' with a smaller '1' to its right, set against a dark blue background.

THE DELIBERATE ARCHETYPE

The Deliberate buyer is cautious and deliberate about moving to the cloud. They are like Traditional buyers except they will embrace cloud if there is a proven cost savings for shifting IT operations to the cloud. Deliberate clients also want to be able to demonstrate to their management and clients that they are being proactive in pursuing cloud solutions.

A large, stylized graphic of the letter 'A' with a smaller '2' to its right, set against a dark blue background.

A3

THE PRAGMATIC ARCHETYPE

The Pragmatic buyer advocates prudent use of cloud resources where value can be realized. Value is a combination of agility, flexibility and cost optimization – with emphasis on short time-to-value opportunities, especially for cost savings.

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THE TRANSFORMATIVE ARCHETYPE

The Transformative buyer takes a strategic (long term) view of the environment. Plans are in place to transform the current IT environment to cloud, and there are usually project milestones attached. However, Transformative clients will not force fit legacy infrastructure and applications to the cloud if the strategic value is not realized. They are willing to take risks to realize strategic value.

THE NEXT-GEN ARCHETYPE

The Next-Gen buyer is an early adopter of cloud, they take a “Cloud First” approach. Focus is on using “born-in-the-cloud” applications to leverage cloud-native capabilities. Next-Gen clients are not encumbered by the requirements of legacy operations. These clients consider IT as a change agent, and in many cases IT is an enabler of revenue and profit growth.

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ISG Provider Lens™ Archetype Report

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