



## Research Agenda, Q2 2017

# Managed Services & Hosting

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*Covering the services, providers and trends of the global managed services and hosting market.*

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*The Managed Services & Hosting Channel focuses on the global managed services and hosting market. It tracks IT managed services providers, web and applications hosting firms, and content delivery networks. This includes coverage of services, market sizing, M&A activity, and factors that affect the strategies for these competitors. The Managed Services & Hosting Channel is designed to provide ecosystem and trends analysis for technology vendors, market development insight for global and regional service providers, and competitive dynamics analysis for financial investors.*

### ABOUT 451 RESEARCH

451 Research is a preeminent information technology research and advisory company. With a core focus on technology innovation and market disruption, we provide essential insight for leaders of the digital economy. More than 100 analysts and consultants deliver that insight via syndicated research, advisory services and live events to over 1,000 client organizations in North America, Europe and around the world. Founded in 2000 and headquartered in New York, 451 Research is a division of The 451 Group.

### Analysts



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## Overview

The managed services market is in rapid flux as enterprise adoption of external, managed and unmanaged infrastructure services goes mainstream. There is a very large, wide-open opportunity to stake ground in a number of key enterprise verticals driven by overall economic pressures to adopt cloud-style IT service delivery. The market is becoming increasingly diverse and multi-layered, with providers offering managed hosting, managed security, managed backup/disaster recovery and other services. There are plenty of service types, but the market faces disruption from privacy and data protection legislation, as well as from the pace of service adoption.

Advanced services, such as hosted private and hybrid clouds, managed security, managed applications and compliance, are rapidly emerging as key differentiators for service providers, along with an increasingly complex landscape of partners, channels and technologies. The best positioned service providers are those that can meet the desire for high automation, rapid provisioning and services to address complex enterprise needs while retaining high-touch delivery and/or serve strategic regional and vertical markets.

The type of provider offering managed services and hosting capability is also changing. While companies focusing on domain, SSL and basic web hosting have made acquisitions or developed in-house capabilities since the mid-'90s to include network services, VPN server management, monitoring and support, others have taken a different route. International specialists have focused on super-scale utility and price; telecom carriers have leveraged network ownership domestically to provide packaged offerings; technology companies have diversified into higher-margin service offerings and partnered with other providers to offer managed service bundles; systems integrators and outsourcers are providing hosted infrastructure and managed services for their partner base to sell into SMBs.

Although there is an extensive range of international companies offering hosting and an array of managed services, there is still demand for local specialists. This is mainly historical: Service providers have been serving local markets ever since the IT industry started, providing local language support, facilities and account management that international companies are unable (or unwilling) to provide. In regional markets, language support is a key differentiator for these local providers, especially those supplying the SMB and midmarket.

Service providers are subject to the work of lawmakers worldwide, and to the ways in which those laws interact across borders (especially service providers operating internationally). 451 Research's coverage of internet governance, data protection and compliance looks at emerging issues likely to impact the service provider market, the constituencies involved in those discussions, and the potential impact of those decisions on the internet infrastructure market.

## Managed Services Providers

The market for managed services is getting bigger as demand for complex application and infrastructure management services increases. In response to this demand, new types of providers have started to offer a variety of infrastructure services, blurring the lines between service types while providing bundles of offerings. While many established international and domestic firms have simply added services to their existing portfolios, new players have entered the market, addressing local language and data storage requirements while offering management of multiple environments and legacy infrastructures:

- Traditional telecommunications companies with carrier network ownership and transit capabilities are diversifying their ICT offerings, providing managed hosting, storage, desktop and other collaborative services to existing customers.
- Systems integrators and outsourcing firms that have experience in deploying and managing IT environments have introduced complex application hosting and integrated infrastructure services, providing regional enterprises with fully managed ICT, as well as SMBs with packaged offerings via networks of value-added resellers.
- Cloud services are becoming a differentiator for many managed hosting providers, particularly those looking to help develop their customers' infrastructure on a step-by-step basis – maintaining legacy systems while also scaling some applications off-premises at a more efficient price point.

A key emerging service for managed infrastructure providers is highly automated, highly complex, bespoke and offers self-service compliance. Typically, compliant hosting is a premium service that requires high levels of staffing and organizational work to help users meet audits and remain compliant for a variety of industry and regulatory regimes. Some providers are applying the same techniques of software-driven, highly automated and transparent management to allow customers to meet compliance needs with minimal additional support, via automated portals and reporting that can drastically reduce this otherwise high-cost (and high-value) aspect of service delivery.

## Web and Application Hosting

The web and application hosting market covers an extensive range of services, from basic domain registration and management through website creation, hosting and dedicated server/VPS management. Price pressure remains high, in particular as a result of the pressure from off-premises/multi-tenant services. The market overall in North America and Europe is quite mature, but in other areas such as Eastern Europe and Asia, a volume market has only existed for a few years. Despite this, outside of the enterprise sector, a large proportion of SMB firms still have little more than a basic web presence and are seeking to benefit more from e-commerce capabilities.

E-commerce is one of the most significant specialized use cases for hosting infrastructure. It represents a growth area for infrastructure providers and a higher-value tier of users, and e-commerce workloads tend to have exacting requirements for performance, uptime and specific supporting technologies (SSL certificates, a means of accepting payment). 451 Research coverage of the e-commerce hosting space will focus on the development of new technologies and their adoption by hosting providers, strategies for product bundling and pricing trends.

Another class of managed infrastructure providers is demonstrating a viable way to stay competitive and grow at market pace in the face of stiff competition from hyperscale cloud providers and newly reenergized IT outsourcers. Providers that can realize increasingly highly automated service portfolios as well as premium support and customer relationships are able to retain high margins on hardware and charge a premium, but they must also continue to innovate new ways to improve their customers' operations and experience:

- Many web and application firms are moving further up the stack, offering e-commerce, storage, security, backup, disaster recovery and other 'sticky' services to retain existing customers as a result of company acquisitions and organic development.
- International hosting providers continue to be challenged by their customers on data sovereignty and datacenter location as the fear, uncertainty and doubt surrounding privacy and data protection remains in customers' minds. This is bringing commercial advantage to regional suppliers while creating additional barriers to entry for multinational providers.
- The increasing commoditization of the dedicated server market and the increasing demand for virtual private cloud hosting is resulting in further interest in bare-metal servers, initially introduced by US providers, but now being offered in the portfolios of regional firms as well.

In addition to tracking specific individual market trends, 451 Research's coverage of the web and application hosting market tracks market size and overall growth via our Market Monitor service, along with the strategic positioning of leading providers in the space. We also cover broad industry trends influencing all businesses in the space include consolidation, which is often driven by the largest players.

## Content Delivery and Web Performance

Growing dependence on web-based applications is highlighting the need to ensure application performance and availability. The CDN market has been targeting R&D and VC money for further improvements in performance and delivery of dynamic content. One area of particular momentum is mobile networks. A variety of startups are targeting mobile content delivery specifically, and 451 Research will cover these companies and their potential impact on the CDN market – and on the services wireless carriers provide – in the coming months. Other areas of research focus include the use of CDN infrastructure through APIs – an area that hasn't always been a strong suit for vendors in the market – and a closer examination of vendors in the DNS infrastructure services space and how they fit into the application performance landscape.

The increasing use of hybrid and public cloud services for enterprise applications will help pave the way for use of other hybrid on-premises and cloud-based services. The market for distributed denial of service (DDoS) protection services, in particular, is an example of an area with growing interest in a hybrid of on-premises and cloud-based security. 451 Research coverage will focus on cloud-based DDoS protection services, and areas of both partnership and competition with security vendors that are moving into the cloud.

### Note

In addition to the market dynamics listed above, the European Services Channel will continue to collaborate with fellow 451 Research analysts across other channels as we assess the wider implications of the increased industry focus on European Services. Numerous vendors overlap areas of our research, and some have multiple products in different technology domains.

## Upcoming Research on Managed Services & Hosting

### Voice of the Enterprise (VotE)

Combining 451 Research’s industry-leading analysis with an extensive network of more than 50,000 senior IT professionals, Voice of the Enterprise tracks adoption across thousands of organizations and exposes the major opportunities for enterprises, IT vendors, suppliers and investors. Each quarter’s survey has a focused theme, as indicated in the table below.

	Workloads and Key Projects	Organizational Dynamics	Vendor Evaluations	Budgets & Outlook
Datacenter Transformation	Q1	Q2	Q3	Q4
Hosting & Cloud Managed Services	Q1	Q2	Q3	Q4

### Supply-Side Research

Understanding the pace of growth and identifying the segments and industries driving value in the market is the focus of 451 Research’s market tracking and forecasting methodologies. Through quarterly updates, 451 Research delivers its tracking and forecasting of the supply of key business application market indicators by region and country.

		Updates
Datacenter Market Monitor & Forecast	Datacenter Market Monitor	Q2, Q4

### Datacenter KnowledgeBase

451 Research’s Datacenter KnowledgeBase is a global database of more than 4,700 retail and wholesale colocation datacenter facilities. This KnowledgeBase is established as the industry’s most authoritative and comprehensive set of intelligence on the multi-tenant datacenter (colocation) market, bringing together data from on-site visits, quarterly provider outreach and financial analysis. We track more than 30 regional markets and more than 100 individual metrics per facility. The KnowledgeBase is available in four geographic market levels:

- Worldwide (Global) – All metro areas plus market sizing and forecast
- Global Region(s) – All metro areas within a single region, plus market sizing and forecast for that region
- Large Metro Area(s) – Sites within a single large metro area
- Emerging Metro Area(s) – Sites within a single emerging metro area

The Datacenter KnowledgeBase is delivered on a quarterly basis directly to clients in a user-friendly Excel Pivot table based file.

## Technology & Business Insight Reports

### Managed Security Services Global Market Overview 2017

Analyst: Aaron Sherrill, Rory Duncan

Publication Date: Q2 2017

This report will look at the managed security services market, including key trends, new technologies and threats, and top vendors. It will provide revenue estimates for managed security areas covered by 451 Research.

### Web & Application Hosting Global Market Overview 2017

Analyst: Rory Duncan

Publication Date: Q3 2017

The global web and application hosting market is undergoing a transition as new types of services provide transformational capabilities for customers' infrastructure. This report takes a look at how managed services and niche offerings can provide value-add and client loyalty, but may require new operating models as cloud delivery and point-of-sale consumption become the new norm.

### Managed Application Services Global Market Overview 2017

Analyst: Rory Duncan, Aaron Sherrill

Publication Date: Q3 2017

The managed applications market is emerging as a key component of the global managed services opportunity for vendors and service providers. This report takes a look at key trends and new service offerings, including portfolio optimization, application acceleration/deployment and prioritization management. It will also provide revenue estimates for managed application service areas covered by 451 Research.

### OpenStack Pulse 2017

Analysts: Al Sadowski, Jay Lyman

Publication Date: Q3 2017

This report offers an annual 'pulse check' on the OpenStack business models that have evolved over the past four years, including quantitative market-sizing data, regional perspectives, use cases and customer-survey feedback. It covers a variety of software vendors and service providers that are leveraging OpenStack both internally and for commercial offerings, and provides up-to-date insight into the developing OpenStack distribution battles and ongoing debates about functionality and overall project governance.

### Preview: 2018 Trends in Managed Services and Hosting

Analyst: Rory Duncan, Aaron Sherrill, Penny Jones, Carl Brooks

Publication Date: Q4 2017

This report provides a view of key trends that will affect the market in 2018. It details the top trends, likely impact and recommendations for each.

### CDN Global Market Overview 2018

Analyst: Rory Duncan

Publication Date: Q1 2018

2018 update to the CDN Global Market Overview, covering key providers, growth markets and disruptive factors.