Infrastructure hosting services are evolving, both to include hyperscale cloud providers and within providers' own data centers in Europe to meet demands of data sovereignty and more agile computing. Infrastructure managers must choose vendor partners for optimal service for their requirements.

Market Definition/Description

The European marketplace consists of 28 member states of the European Union. Each member state has its own interpretation of the EU rules on data privacy, as well as separate languages and cultures. The scope of this Magic Quadrant focuses primarily on the European marketplace, incorporating the top six countries by GDP (Germany, the U.K., France, Italy, Spain and the Netherlands). In each of these countries, customers prefer — or sometimes stipulate — their languages to be supported, as well as service providers to have a data center presence in their countries to address data sovereignty concerns. Some providers in this Magic Quadrant take the approach of having data centers in each of the major hubs within Western Europe, while others prefer a more decentralized, global delivery approach; although this trend is becoming less frequent as larger providers seek to attract Pan-European and global businesses. This Magic Quadrant focuses on multinational as well as domestic service providers that have achieved a significant market share in one or more European countries.

Gartner defines managed hybrid cloud hosting as a standardized, productized hosting offering that combines a cloud-enabled system infrastructure (CESI) platform — consisting of a pool of compute, network and storage hardware — and cloud infrastructure framework software to facilitate self-service and rapid provisioning. It also includes documented and standardized management for either a hyperscale public infrastructure as a service (IaaS) platform (as described in in the "Magic Quadrant for Cloud Infrastructure as a Service, Worldwide") or for a European-country-specific large-scale IaaS platform in local language with managed services. The infrastructure platform should be located both in a service provider’s data center for the CESI platform as well as in a European country for the public IaaS platform. It also requires the use of a standardized deployment across all service provider customers and leverages a single codebase. At minimum, a service provider must supply server OS management services, including guest OS instances if virtualization is used. The provider must also supply other managed and professional services relating to the
deployment and operation of the infrastructure, such as security services, patching, backup, load balancing, and optional application management for database and middleware. All services should be available to customers, with the option to take some or all. For a more detailed overview of cloud-enabled managed hosting (CEMH), see "Technology Overview for Cloud-Enabled Managed Hosting" and "How to Determine What Good Cloud-Enabled, Managed Hosting Looks Like."

In the 2015 "Magic Quadrant for Cloud-Enabled Managed Hosting, Europe," Gartner saw more vendors offering support and management services for public clouds (either internal platforms or third parties) as part of their overall hosting solutions. Gartner also witnessed a large-scale growth, from 12% to 54%, of end-user respondents using IaaS in their infrastructure operations, as reported in the 2014 and 2015 CIO Surveys. Today, most hosting organizations provide either connectivity services or management for these vendors, demonstrating the European cloud-enabled managed hosting market's evolution.

Managed hybrid cloud hosting has limited customization and is sold on a stand-alone basis, with no requirement to bundle it with other services, such as application development, application maintenance, database administration and data center outsourcing (DCO) services.

Customers of managed hybrid cloud hosting must be able to access both a self-service interface after initial installation and the IaaS portal. A total management option from the managed hybrid cloud provider will sometimes be available, although it may be different from the platform interfaces used internally by the provider. A service provider can potentially intervene in the self-service workflow of the CESI aspect of the service to manually approve, deny or alter the customer’s requests — as long as the provisioning requested is fulfilled in a fully automated manner thereafter. Managed services (such as OS backups, patching and monitoring) must be available to the customer — preferably monthly or daily, but, at a maximum, no longer than the commitment term for the underlying compute resources.

Although this Magic Quadrant focuses on the managed hybrid cloud hosting market, offerings and revenue presented on more traditional CEMH and dedicated server infrastructures have been included. This reflects the emerging nature of the hybrid cloud approach in Europe that is some 18 months to two years behind North America (which is seen as the most advanced in hosting services) in adoption.

In addition to server OS management, optional managed and professional services related to infrastructure operations may be offered, such as:

- Management of infrastructure software at the middleware or persistence layer, such as web server software, application servers and database servers
- Management of storage, including backup and recovery
- Management of host-based and network-based security functions
- Management of network devices, such as application delivery controllers
- Professional services associated with hosting, such as architecture consultation, capacity planning, performance testing, security auditing and data center migration
Managed hybrid cloud hosting services must be available to customers with shorter-term commitments measured in months, versus traditional managed hosting measured in years. While customers may opt for longer-term contracts (one to three years) in order to secure greater overall discounts, this is solely at the customers’ discretion. Ultimately, managed hybrid cloud hosting must afford customers the ability to change the amount of capacity in use by the minute without any contract additions or modifications.

Use Cases Covered by This Evaluation

This Magic Quadrant focuses on the following common use cases, independent of the type or types of infrastructure used to serve these workloads:

- **E-business hosting** for digital marketing websites, e-commerce websites, SaaS, social websites and similar modern online properties and applications. These workloads are often complex, and are associated with a high rate of change in systems and application infrastructure.

- **Web-based business application hosting** for corporate intranets and web-based applications delivered to users primarily within the enterprise. The applications may be commercial software or in-house-developed applications; workloads are often relatively static, and do not have a high rate of change.

- **Enterprise application managed hosting** for the infrastructure underlying large commercial software applications, such as those of Oracle and SAP. These workloads are often complex, with individual requirements, and require specialized knowledge to operate optimally, but do not have a high rate of change. Managed hybrid cloud hosting providers usually offer support for single instances of these applications, most commonly associated with a web presence. Support for a fully integrated platform of multiple ERP, CRM and other enterprise applications falls out of the scope of this Magic Quadrant.

All three use cases are typically tactical sourcing decisions that center around one application or a single group of closely related applications (such as everything associated with an enterprise’s video portal). They are typically best-served by a best-of-breed provider that has strong operational expertise with similar solutions. However, many customers expand their use of hosting over time, and the choice of provider may become a strategic decision for a customer.

In the managed hybrid cloud hosting market, it is difficult to find a provider that excels in all the areas mentioned above, as well as in certain countries within the EU; providers may be leaders in some delivery areas, but may lag behind in others. Additionally, smaller providers may do one thing extraordinarily well, but may not have a comprehensive set of services or the geographic reach that enables them to address a broad array of use cases. As a result, it is important to match your use case with a vendor that excels in meeting your particular functional and geographic needs.

It is also crucial to note that this Magic Quadrant shows the overall position of a vendor in the managed hybrid cloud hosting, cloud-enabled managed hosting and traditional managed hosting markets specifically, which can impact potential revenue figures for inclusion, and does not consider a provider’s strength in other adjacent delivery areas in IT services (although this may be referenced
in the vendor profiles). Therefore, it is crucial to look beyond just the placement of the vendors in this Magic Quadrant during your evaluation and selection, as your individual needs may be best-serviced by vendors in the Leaders quadrant, as well as by the Niche Players, especially if you have an unusual need.

Note: The European Data Center Presence field lists only those data centers that provide cloud-enabled managed hosting services within the European Union. Some vendors will have other data centers set aside for data center outsourcing, network services and colocation, as well as CEMH data centers outside the EU, which are not included.
Magic Quadrant

Figure 1. Magic Quadrant for Managed Hybrid Cloud Hosting, Europe

Source: Gartner (June 2016)
Vendor Strengths and Cautions

Attenda

Attenda is a U.K.-based managed hosting and cloud service provider that focuses on running critical business applications. Focusing predominantly on the U.K. midsize market, Attenda provides customized, outcome-based hosting services that are a mix of managed hosting, CESI and managed IaaS from Amazon Web Services (AWS) and Microsoft Azure. Attenda offers support for both infrastructure and applications such as Oracle and SAP.

European Cloud Data Center Presence: Germany, the U.K.

Public Cloud IaaS Providers Supported: Amazon Web Services (AWS), Microsoft Azure

Strengths

- Attenda’s outcome-based service offering provides clients with a more customized service than a standard product available from other suppliers.
- Attenda’s offering goes beyond the business-critical web applications to the back-office application and hosting management for SAP and Oracle, providing an end-to-end service for clients.

Cautions

- Attenda’s customized approach will be less attractive to those customers looking for a fully standardized service.
- Attenda’s main focus on the U.K. market with a small German presence limits its appeal to larger multinational organizations with multiple geography data-sovereignty requirements.
- Attenda has struggled to gain greater market share in an otherwise increasing market, with very few Gartner customers aware of its capabilities. Attenda needs to invest in its sales and marketing activities in order to avoid marginalization.

BT

During 2015, BT continued to position its hosting offering under the groupwide "cloud of clouds" messaging. The company is a global provider with a strong European presence of managed network, communications and IT services. It competes by leveraging its cloud management platform to offer customers more than pure IaaS, but more than just a managed platform as a service (PaaS). The company offers its existing networking, communications, security and contact center customers access to its cloud services at no incremental BT network cost. BT also targets European multinational corporations (MNCs) with service requirements stretching beyond Europe.

European Cloud Data Center Presence: France, Germany, Ireland, Italy, the Netherlands, Spain, the U.K.
Public Cloud IaaS Providers Supported: Microsoft Azure, BT Cloud Compute

Strengths

- On the back of its "cloud of clouds" strategy, of which BT’s hybrid Compute Management System (CMS) is an important enabler, the company significantly accelerated the growth of its cloud offerings during 2015 and 2016.
- BT has continued to revamp its sales skills, initiated and expanded partnerships with BearingPoint (around CMS), Microsoft and Cisco, and launched a channel program using its "personalized CMS" capabilities, which all led to improvements in terms of pipeline and reach.
- Customers indicate they like the seamless integration between public and private cloud instances, and the option for disaster recovery between BT’s cloud locations.

Cautions

- Although BT’s Compute Management System offers capabilities that go beyond the management capabilities of most of its competitors, it is largely built on commercial (non-open-source or in-house-developed) software and is therefore reliant on influencing those vendors’ roadmaps to remain competitive with exclusive or first-to-market features.
- The company has a stronger Pan-European presence than most of its competitors in the European market, but BT’s home market continues to be a major factor in terms of growth and size.
- Some customers indicate they would like BT to have a faster sales response to expansion opportunities and to accelerate the roadmap for expansion of its public cloud offering in areas outside Europe to be a truly global player.

CenturyLink

CenturyLink is a large global telecommunications provider, operating five data centers in Europe and over 55 in North America and the Asia/Pacific region. The vendor offers hybrid cloud-enabled managed hosting on a VMware-based platform using its own public and private cloud, in addition to traditional managed services, data center colocation and network services. CenturyLink supports its customers in English and has established a local product marketing function in the U.K. for its European market approach.

European Cloud Data Center Presence: Germany, the U.K.

Public Cloud IaaS Providers Supported: CenturyLink Cloud

Strengths

- CenturyLink continues to invest in verticalization of its offerings, and for new business sales engagements it focuses on five key verticals: finance, legal, retail, media and technology.
The company has been rolling out its "CustomerLink" initiative around customer intimacy, satisfaction and engagement in Europe and, in addition, is pursuing U.S.- and APAC-based multinational customers looking for managed services coverage in Europe.

Besides managed services, the CenturyLink cloud offering successfully blends the self-service and managed cloud service models across a hybrid solution portfolio, delivered using a unified self-service portal spanning infrastructure, hosting, colocation and network services.

**Cautions**

- The company has not yet succeeded in increasing its brand recognition to the level that its former brand, Savvis, enjoyed. In addition, it has a limited presence across Europe, largely focusing on the U.K., where it operates six data centers, and Germany, where it currently operates from three data centers.
- CenturyLink offers hybrid hosting by combining public and private cloud services with dedicated and traditional hosting, but currently only supports its own public cloud platform for the hybrid scenario. Support of Microsoft Azure and Amazon Web Services is planned for its "anywhere services" offering, although Gartner has not observed any successes as yet.
- Some customers report that they still feel they are in a traditional vendor/client relationship, rather than a true partnership.

**Claranet**

Claranet is a privately owned Pan-European network and managed hosting provider with a presence in multiple countries. Focusing mainly on midtier businesses, Claranet operates each country as semiautonomous businesses, allowing them to focus on the local market. Recently Claranet has begun an acquisition program to enhance capability for their hosting and managed services.

**European Cloud Data Center Presence:** France, Germany, Portugal, Spain, the Netherlands, the U.K.

**Public Cloud IaaS Providers Supported:** Amazon Web Services, Microsoft Azure

**Strengths**

- The vendor offers fully regionalized business units comprising sales, marketing and technical support. This is especially attractive to markets that are sensitive to local sales, data sovereignty and technical support.
- Claranet is one of the few providers to offer loss-of-business clauses on top of the standard SLAs, bringing it more in line with the IT outsourcers that sit at the periphery of this market area.
- In the past year, Claranet has acquired six companies, strengthening its capabilities in managed AWS, backup and disaster recovery (DR), security, and Linux management.
Cautions

- With each country’s autonomous operation comes the added challenge to coordinate product and technology sets to offer Pan-European solutions for multinational customers.
- With the exception of healthcare, Claranet does not have a strong focus on vertical industries, which is often seen as a differentiator from more standard hosting providers.
- Claranet acquired six companies in the past year, which should help bring new skills into the business. However, customers should not expect those skills to transfer to all regions in the near term, as the acquisitions were mostly highly localized businesses.

Fujitsu

Fujitsu deploys services in the infrastructure equipment and services market, the data center outsourcing market and the managed hosting market; and it has a significant footprint in Western Europe, from its presence in the U.K., Spain, Italy, Portugal, Ireland Germany and the Nordics. In the past 12 months, Fujitsu has continued to invest to reinforce its capabilities and expertise necessary to manage complex cloud environments. It has also invested in K5, a new OpenStack-based platform. Its managed service activities address both Mode 1 and Mode 2 activities of customers, and are not limited only to its own technology platforms.

European Cloud Data Center Presence: Finland, Germany, Ireland, Italy, Portugal, Spain, Sweden, the U.K.

Public Cloud IaaS Providers Supported: Amazon Web Services, Microsoft Azure, IBM SoftLayer, Google Compute Engine, VMware vCloud Air, Fujitsu Cloud IaaS Trusted Public S5

Strengths

- Fujitsu has demonstrated a strong focus on cloud orchestration and overall multiple third-party cloud management. Its Cloud Services Management portal offers hybrid management capabilities, and Fujitsu’s success in demonstrating significant value from this management proposition is driving the company to explore innovative ways to monetize these services.
- Emphasis on leveraging its system integration competencies, coupled with a renowned focus on relationship management, is helping Fujitsu to grow in this market sector. In fact, its Hybrid IT Transformation Blueprint approach is starting to resonate with Fujitsu’s base of large and complex customers, leading to a significant number of wins and renewals.
- Experience in provision of migration and systems and in process integration gives Fujitsu an edge over the traditional hosting companies when competing for IT transformation deals.

Cautions

- As a leading outsourcing player, Fujitsu in Europe is facing the reality of decreasing deal sizes in its traditional business, which is causing a need to close a much larger number of smaller deals.
to maintain its revenue position. While the decision to add more standardization and automation to create platforms with a lower cost base, including open-source-based solutions, is sound, it will require time and constant focus on internal change management to prove fruitful.

- Fujitsu’s decision to move to a single virtual cloud offering underpinned by K5 is sensible, but late. The addition of the K5 platform to the existing S5 implementation in July 2016 can present support coordination challenges.
- Outside the Finnish and German marketplaces, Fujitsu does not have a large volume of small-to midsize-business customer wins, suggesting its emphasis is on the larger, more complex hosting requirements.

**IBM**

IBM is a highly diversified global technology company that operates data centers in North America, Europe, the Asia/Pacific region and Latin America. The vendor offers cloud-enabled managed hosting on VMware-based and OpenStack-based platforms, and can provide sales support in English, Spanish, French, Italian, German, Dutch and Portuguese — although the platform is offered only in English and French in Europe. IBM can provide managed services for Linux, Windows, AIX and managed SAP/Oracle environments.

**European Cloud Data Center Presence:** France, Germany, the Netherlands, Portugal, Spain, the U.K.

**Public Cloud IaaS Providers Supported:** IBM SoftLayer

**Strengths**

- IBM can rely on a solid and experienced solution design and build bench. Its strong footprint in the European market is ideally suited to address data sovereignty issues, while its overall geographic footprint is ideal for large multinational enterprises that require a global partner.
- IBM offers an a la carte model — spanning from the hypervisor, operating system, middleware up to the application layer itself — with regard to what customers want to manage themselves and what IBM will manage (that is, from which layer). This is aligned to a choice of SLAs (at different price levels) for services based on the same platform (with various resilience options).
- IBM can offer a choice between multisite (often in multiple countries) and multiroom (in same data center) disaster recovery. The provisioning is now completely automated with no manual intervention needed. IBM also maintains firm experience and capability in AIX, which is fairly unique in the marketplace.

**Cautions**

- The current market evolution has motivated IBM to drive a considerable amount of internal change affecting multiple key areas, from portfolio management to delivery and marketing. This is raising concern within the CEMH customers' base, as many Gartner clients report a confused product roadmap and direction.
In a highly competitive market, where ability to withstand price pressure often drives or inhibits sustainable growth, IBM is often perceived as a premium provider for those customers interested in deploying their applications on top of its Cloud Managed Services (CMS) offering.

Although IBM prefers to offer an application-level SLA, the offered availability rates are lower than what most of its peers offer. Gartner has received some anecdotal reports of outages extending even beyond these SLA levels.

Interoute

Interoute operates one of Europe's larger Pan-European fiber-based networks, which continues to form the backbone of its Virtual Data Centre (VDC) cloud platform and service offerings. The company caters to both consumer-oriented next-generation digital service providers and to traditional enterprises pursuing a bimodal strategy with a full portfolio of networking colocation, hosting and cloud services. Interoute expanded its European footprint with added presence in Stockholm and Istanbul and continues to further build out its European coverage, and to expand its reach into Asia and the Americas.

**European Cloud Data Center Presence:** Belgium, France, Germany, Italy, the Netherlands, Spain, Sweden, the U.K.

**Public Cloud IaaS Providers Supported:** Amazon Web Services, Microsoft Azure

**Strengths**

- Interoute's platform-based delivery and go-to-market approach are sound and directed toward two main areas: digital services infrastructure and application-specific platforms.

- As part of its effort to support customers pursuing a bimodal strategy, Interoute has updated its service model to be able to offer flexible service boundaries, with the company supporting either only the VDC platform or everything up to the customer application.

- Customers praise the ease of doing business with Interoute, and indicate a willingness to further expand their use of the company's services and close down their own remaining in-house facilities.

**Cautions**

- The company's hybrid offerings currently support mainly its own public cloud capabilities and those of its long-term partner/customer Microsoft, but so far it has had limited momentum and engagement around Amazon Web Services.

- The new model with flexible service boundaries enables the company to gain ground with a variety of clients, as it is open and flexible, but may challenge Interoute's ability to industrialize service delivery and drive efficiency over time.
KPN

Dutch communications service provider KPN continues to streamline its business offerings in the areas of cloud, IT, data center and hosting services. Its unified go-to-market unit focuses on the Dutch market, with an integrated portfolio addressing three domains — improving (mobile) worker productivity, enabling digital business and enhancing end-customer experience — that makes doing business with the historically complex organization easier. Following the streamlining of its consumer business, the company is now focusing on the enterprise and business market with its IT, hosting and cloud offerings as strategic growth areas for the company.

European Cloud Data Center Presence: The Netherlands

Public Cloud IaaS Providers Supported: Amazon Web Services, Microsoft Azure, IBM SoftLayer

Strengths

- KPN offers a broad portfolio of cloud-enabled hosting services, leveraging both internal and third-party cloud platforms. Its services span from pure infrastructure to professional services for cloud assessment, cloud control, app factory, cloud design and planning, implementation, and optimization.

- KPN's vision to position hybrid cloud at the heart of enabling digital business is sound. Its application-centric approach based on industry standards, interconnection and partnerships is realistic (with the ecosystem forming a crucial component) and will appeal to clients as it aligns to the evolution of both market and client demand.

- Customers praise the company's flexible proactive approach, the impact of its solution architects on the overall solution design and its novel ways to market third-party cloud offerings such as Microsoft Azure.

Cautions

- While KPN is already one of the largest hosting and data center service players in its local national market, it continues to have hosting operations only in the Netherlands, which limits its attraction to customers from other European countries and its growth possibilities.

- The company's sales transformation and integration with its sizable consulting team will need time to be further implemented, which can lead to pressure on new service launches if the planned growth does not materialize quickly enough.

- Customers indicate they would welcome more "face time" with KPN solution architects, something the recent acquisition of managed hosting provider IS Group could help.

NTT Communications

NTT Communications (NTT Com) is a large global telecommunications provider with global data centers in the U.S., and APAC and European regions. As well as providing managed hybrid cloud hosting and cloud-enabled managed hosting services, NTT Com has embarked on an acquisition
strategy for further colocation capabilities in the U.K. and Germany, Austria and Switzerland (DACH). NTT Com also offers further application management services for SAP Hana and Oracle.

**European Cloud Data Center Presence:** Austria, Germany, France, Spain, the U.K.

**Public Cloud IaaS Providers Supported:** Amazon Web Services, Microsoft Azure

**Strengths**

- NTT Communications has a significant customer base in the APAC region that can also leverage its European presence, making it one of the strongest providers for global APAC organizations.
- NTT Com is one of the currently very small group of SAP-certified global outsourcing operation providers for hosting SAP on cloud infrastructure, demonstrating capabilities beyond simple web infrastructure management.
- NTT Com’s 2013 Virtela acquisition has given the company one of the leading network function virtualization capabilities that enables flexible setup of hybrid cloud combinations.

**Cautions**

- NTT Group has made many acquisitions of organizations to bolster its portfolio capabilities (for example, e-shelter in DACH), although to date there is little integration work done to present a unified proposition to the customer. The establishment of a working group within NTT holdings has yet to produce solid, productized offerings across the group.
- Customers looking for a gateway into APAC may find NTT Com’s presence in the region an advantage; but for companies more focused on Europe or North America, this may be less of a differentiator.

**Rackspace**

Rackspace is a large, publicly traded managed hosting and cloud IaaS company that operates data centers in North America, Europe (the U.K.) and APAC. The vendor offers cloud-enabled managed hosting on a XenServer platform based on OpenStack, and can also offer traditional managed hosting. At the end of 2015, Rackspace launched a range of services for Microsoft Azure and Amazon Web Services in the U.S., which it brought across to the U.K. in the beginning of 2016.

**European Cloud Data Center Presence:** The U.K.

**Public Cloud IaaS Providers Supported:** Amazon Web Services, Microsoft Azure, Rackspace

**Strengths**

- Rackspace has a deeply rooted cultural focus on providing superior, high-touch customer service. Gartner clients consistently report high levels of customer satisfaction in day-to-day operations, and customer loyalty is high.
Rackspace has been a leader in the European small or midsize business (SMB) market for many years due to its high-touch focus, which has been further enhanced by its recent significantly sized revenue wins with larger corporate clients.

Rackspace’s publicly available SLA and hosting terms are seen as the highest non-negotiated standard in the European marketplace, with some of the highest service breach penalty schemes.

Cautions

- Rackspace currently only has data center presence in the U.K. market (although announcements have been made about a new German operation), this may make it less attractive to organizations with perceived data sovereignty issues.
- Rackspace still lacks a significant verticalization strategy in Europe, instead relying on support for web applications such as MongoDB and Magento. Gartner is witnessing an emerging trend to support individual verticals with specific products and services, putting Rackspace behind as a more generic hosting organization.
- Rackspace’s lack of Pan-European network is putting it further behind those vendors that can offer integrated software-defined networking services across the region.

Sungard Availability Services

Sungard Availability Services (Sungard AS) is a large IT availability and business continuity provider with data centers in multiple locations in Northern Europe and in the U.S. Beyond recovery and business continuity, the vendor offers a wide portfolio of data center services, including colocation and network services, and hosting, managed application cloud and cloud-enabled managed hosting, primarily on a VMware-based platform. In the past 12 months, Sungard AS has focused on customer management and segmentation while further increasing its focus on customer retention. In terms of technology and portfolio, its focus has instead centered on areas such as OpenStack/Cisco Application Centric Infrastructure (ACI), Oracle, SAP and AWS.

European Cloud Data Center Presence: France, Ireland, Sweden, the U.K.

Public Cloud IaaS Providers Supported: Amazon Web Services

Strengths

- Sungard AS has been able to compensate the market decline in traditional services with increased sales of what it calls strategic services — including cloud — in which it is showing significant growth. In addition, Sungard’s investment in consulting competencies around business continuity, security and cloud are key to drive client retention and increased wallet share.
- Sungard AS is continuing to expand its portfolio toward broader cloud, managed hosting and application management services, to an extent that these are now the bigger segment of
Sungard’s offering in Europe. Sungard is also increasingly supporting third-party cloud infrastructure, such as AWS, in terms of both availability and managed hosting services.

- Sungard AS can exploit a large customer base from its Cloud Recovery service, which, unlike some telecom providers, are symbiotic to managed hybrid cloud hosting services.

**Cautions**

- Sungard AS has a strong historic position in recovery services, but its managed service business is becoming a more important part of its overall portfolio. However, market awareness needs to change in order to offer more visibility of its widened portfolio of services, as the percentage of cloud-based offerings in its pipeline has not grown as aggressively as some of its competitors.

- Even if Sungard AS is investing to reinforce its geographical footprint (its OpenStack cloud-based offering is now available in Sweden and Ireland), its European presence is still limited to Northern Europe, with no CEMH data center presence for Germany — Europe’s second largest market for hosting — and limited support in France. This puts the vendor at a disadvantage compared with other Pan-European hosting providers.

- Sungard AS’s sales teams will still need to make the transition from selling customized DR solutions to a more productized managed hybrid cloud hosting service, which can be a difficult process causing some customer expectation management challenges.

**Verizon**

Verizon is a large global telecommunications service provider that operates data centers across Europe, APAC and the Americas. The vendor offers cloud-enabled managed hosting on a VMware-based platform, and can also provide data center colocation services and traditional managed hosting. Its current focus and strategy are on delivering, scaling and managing highly connected infrastructure and applications for enterprise clients. Verizon can support customers in English, and can provide managed services for Linux, Windows and Solaris OSs.

**European Cloud Data Center Presence:** Belgium, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Spain, Sweden, the U.K.

**Public Cloud IaaS Providers Supported:** Verizon Cloud

**Strengths**

- With 11 data centers across Europe, Verizon has broader geographic coverage than most providers. In addition, Verizon’s mission to deliver a highly integrated and scalable infrastructure ecosystem, while focusing on promoting its services aimed at managing the integration of cloud and legacy systems, is a strategy that will match the objectives of many organizations.

- Verizon has directed its cloud offerings more toward traditional enterprise engagement customers, and enriched its portfolio with a key governance focus in its managed service
portfolio. In addition, its strong portfolio of network and security services is ideally suited to address these leading client concerns.

Cautions

■ Verizon’s recent focus toward vertical-oriented offerings is not going to derive full benefits until it becomes underpinned by a renewed sales structure. In fact, Verizon’s current sales model is still largely based on direct selling to enterprise accounts, with several account teams often dedicated to an individual customer account and operating on distinct portfolio elements.

■ To rely on a more efficient cloud architecture, Verizon has added to its portfolio a number of enterprise-grade management solutions from a variety of technology partners. However, customers need to have a clear view of the impact that these new deployments will have (today and in the future) in terms of pricing and application operations.

■ In 2015, Verizon announced the end of life for its direct consumer credit card cloud services to focus its strategy on the contract enterprise space. Potential customers should be aware of the platforms currently undergoing changes and plan accordingly.

Vodafone

Vodafone is a global telecom company providing a wide range of mobile, managed voice, data, cloud and hosting, Internet of Things (IoT), and Internet Protocol (IP)-based network services and applications. It is currently enhancing its cloud and hosting portfolio with organic growth into new geographies, and strategic partnerships into others, building its Pan-European capabilities.

European Cloud Data Center Presence: Germany, Greece, Ireland, Italy, Spain, the U.K.

Public Cloud IaaS Providers Supported: Amazon Web Services, Microsoft Azure, IBM SoftLayer, VMware vCloud Air

Strengths

■ Vodafone is beginning to bring a truly differentiated hybrid cloud proposition with the inclusion of IoT and mobility features in its portfolio.

■ As part of its hybrid offering, Vodafone has been adding a wide array of third-party cloud services to its existing portfolio of dedicated private hosting services. These hybrid services include AWS and Microsoft Azure, as well as VMware-based cloud services on top of IBM SoftLayer bare-metal, OpenStack-based services from delivery partner Hewlett Packard Enterprise (HPE) and Virtustream-delivered hosted enterprise application services launching initially in Germany.

■ Vodafone has increased the internal priority of its enterprise cloud services. Its Vodafone Ready Business enterprise cloud campaign now carries the same level of weight and priority as its mobile and fixed communication services.
Cautions

- Vodafone’s portfolio, although delivered in an aggressive manner, is a little behind the marketplace with support for the IaaS market leaders, such as AWS and Azure. Customers should be vigilant to ensure the service capabilities are delivered as promised.

- The sheer volume of supported third-party cloud services (VMware, IBM, HPE, AWS and Azure) will stretch the capabilities of Vodafone’s sales and support staff. Customers should make sure that the platform they choose is one of the more popular ones.

- By aggressively expanding its sales force and marketing efforts, the company has been increasing the momentum and the international reach of its cloud and hosting services portfolio, far beyond the level of the original Cable & Wireless Worldwide acquisition. There still remain gaps in the Pan-European coverage for hosting (despite the presence of the Vodafone operating companies), which may be significant for those enterprises looking for a true Pan-European provider.

Vendors Added and Dropped

We review and adjust our inclusion criteria for Magic Quadrants as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant may change over time. A vendor’s appearance in a Magic Quadrant one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that vendor.

**Added**

None.

**Dropped**

- Colt — In July 2015, Colt announced it was to sell its managed hosting business to Getronics, and therefore no longer qualifies.

- Atos — Atos doesn't support public cloud IaaS, which is now part of the inclusion criteria for this Magic Quadrant.

- Telefonica — Telefonica doesn’t support public cloud IaaS, which is now part of the inclusion criteria for this Magic Quadrant.

Inclusion and Exclusion Criteria

The inclusion criteria are used to determine which vendors will be covered in this research. Included vendors must meet the following criteria:
The provider must sell managed hosting as a stand-alone service with no requirements to bundle with application development, application maintenance, or other IT outsourcing and/or data center outsourcing. In addition to offering this service from infrastructure located in its own data center (either wholly owned or long-term leased), the provider must offer a choice of using a hyperscale public IaaS provider (as referenced in "Magic Quadrant for Cloud Infrastructure as a Service, Worldwide") or a leading national IaaS provider. The provider must offer local language support for all of these platforms, technical and account management, and fully automated provisioning.

The provider’s qualifying offering must allow customers direct or mediated self-service for OS instance provisioning on a CESI platform, with usage-based billing and resource-metering increments, as well as OS management services that are co-terminus with the underlying compute resources.

The service evaluated must be enterprise-class, offering 24/7 customer support (including phone support), and must all have infrastructure availability SLAs.

The provider must have a geographic footprint within Western Europe with enterprise-class data centers suitable for large-scale managed hosting.

The provider must be an EU-domiciled business.

The provider must be among the larger providers in the cloud-enabled managed hosting market based on Gartner-estimated market share, either in a Pan-European presence or in the larger EU markets of Germany, the U.K., France, Spain, Italy and the Netherlands.

Products and Services Excluded From This Evaluation

This Magic Quadrant is for managed hybrid cloud hosting only. That means the following adjacent services are explicitly excluded from evaluation:

- **Colocation:** Although many managed hybrid cloud hosting providers also offer colocation, the quality of colocation offerings is not evaluated in this Magic Quadrant. This Magic Quadrant should not be used to select colocation vendors.

- **Self-managed cloud IaaS:** Many businesses want a self-provisioned, self-managed dynamically provisioned infrastructure; they want to take advantage of the cost-efficiencies of a provider’s scale and automation tools, but do not want to relinquish control. If your interest is primarily in self-managed cloud infrastructure, see "Magic Quadrant for Cloud Infrastructure as a Service, Worldwide."

- **DCO and remote infrastructure management (RIM):** Although many DCO providers may manage the infrastructure for web applications as part of a DCO contract, this Magic Quadrant evaluates only managed hosting that is sold as a stand-alone service within provider-owned data center facilities and through an IaaS provider data center. It explicitly excludes hosting that may be part of a more general DCO or RIM contract. DCO providers are covered by "Magic Quadrant for Data Center Outsourcing and Infrastructure Utility Services, North America," "Magic Quadrant for Data Center Outsourcing and Infrastructure Utility Services, Europe," and "Magic Quadrant for Data Center Outsourcing and Infrastructure Utility Services, Asia/Pacific."
**Application management services:** While some managed hosting providers may have some expertise in understanding how best to run the infrastructure underlying specific applications, we consider managed hosting services to stop below the application layer. Application-layer services are part of the application management market; see "Magic Quadrant for Oracle Application Management Service Providers, Worldwide" and "Magic Quadrant for SAP Application Management Service Providers, Worldwide."

**Cloud management platforms:** Cloud-building hardware and software — software such as BMC Cloud Lifecycle Management (CLM), Citrix CloudPlatform and OpenStack, and integrated solutions such as HP CloudSystem Matrix — are not evaluated in this Magic Quadrant, which is restricted solely to services. Instead, see "Market Guide for Cloud Management Platforms: Large, Emerging and Open-Source Software Vendors."

### Evaluation Criteria

**Ability to Execute**

The most heavily weighted criteria for a managed hybrid cloud hosting provider’s Ability to Execute are its service offerings and service excellence, as reflected in customers’ experiences with sales, support and operations. Overall business viability, as reflected in the provider’s ability to serve a customer successfully over a three-year period without significant disruption, and the provider’s track record, also contribute to this rating. Here, Gartner emphasizes immediate capabilities for the use cases we see most often.

#### Table 1. Ability to Execute Evaluation Criteria

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product or Service</td>
<td>High</td>
</tr>
<tr>
<td>Overall Viability</td>
<td>Medium</td>
</tr>
<tr>
<td>Sales Execution/Pricing</td>
<td>High</td>
</tr>
<tr>
<td>Market Responsiveness/Record</td>
<td>Medium</td>
</tr>
<tr>
<td>Marketing Execution</td>
<td>High</td>
</tr>
<tr>
<td>Customer Experience</td>
<td>High</td>
</tr>
<tr>
<td>Operations</td>
<td>Medium</td>
</tr>
</tbody>
</table>

Source: Gartner (June 2016)
Completeness of Vision

The market for managed hybrid cloud hosting is evolving rapidly, so it is vital that service providers have a vision for the future needs of customers and for how they will adapt their offerings to meet those needs. The full context of a provider’s vision is important, as cloud computing continues to alter the market dramatically. We also evaluate a provider’s approach to growing its business, including its strategy for marketing and sales, international expansion, and vertically focused market solutions.

Table 2. Completeness of Vision Evaluation Criteria

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Understanding</td>
<td>High</td>
</tr>
<tr>
<td>Marketing Strategy</td>
<td>High</td>
</tr>
<tr>
<td>Sales Strategy</td>
<td>High</td>
</tr>
<tr>
<td>Offering (Product) Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>Business Model</td>
<td>Low</td>
</tr>
<tr>
<td>Vertical/Industry Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>Innovation</td>
<td>Medium</td>
</tr>
<tr>
<td>Geographic Strategy</td>
<td>High</td>
</tr>
</tbody>
</table>

Source: Gartner (June 2016)

Quadrant Descriptions

Leaders

Leaders have proved they have staying power in this market, can frequently innovate on their existing products and can be relied on for enterprise-class needs. They have proved their technical competence and ability to deliver services to a wide range of customers. They address multiple use cases with stand-alone or integrated solutions.

New managed hybrid cloud hosting customers should sign two-year contracts with these companies, whereas larger enterprise application hosting customers should aim for longer contracts of three to five years. Satisfied customers renewing a contract with one of these firms should sign a three-year deal.
**Challengers**

Challengers have a track record of delivering good service capabilities, but are trailing the market's evolution. They are typically companies that have solid traditional managed hosting services, but have not exploited technology and market demand to build cloud services at the same speed as the Leaders in this Magic Quadrant.

New managed hybrid cloud hosting customers should sign two-year contracts with these companies, whereas larger enterprise application hosting customers should aim for longer contracts of three to five years. Satisfied customers renewing a contract with one of these firms should sign a three-year deal.

**Visionaries**

Visionaries have an innovative and disruptive approach to the market, but their services may be new and unproven, and they frequently have limited service portfolios. Visionaries have an "early mover" advantage in providing cloud services, as well as roadmaps that may turn them into Leaders in the future.

Because the business of Visionaries can change radically in a short period, we recommend that customers buy these services from them on demand, or in contracts lasting one year or less.

**Niche Players**

Niche Players are typically specialists with more focused product portfolios and geographies, or are emerging vendors. They may serve one use case particularly well — better than a more generalized vendor.

New and renewing customers of stable, narrowly focused Niche Players should sign two- or three-year contracts. New and renewing customers of emerging Niche Players with businesses that are still rapidly evolving should buy services on demand, or in contracts lasting one year or less. If you are using managed services, be wary of making short-term tactical choices, as it can be inconvenient and expensive to change providers.

**Context**

Due to the continued pervasive march of IaaS in the traditional managed hosting marketplace, successful vendors have recognized the cloud's strong capabilities in offering truly agile services alongside their own customizable Mode 1 capabilities. Customers continue to want an overall management wrapper for their hosting services, whether they are delivered on a traditional hosting platform or a more agile IaaS one.
Market Overview
Managed hybrid cloud hosting represents the continuing evolution of the traditional and cloud-enabled managed hosting market, as the influences of cloud IaaS continue to alter buyer behaviors and expectations. The hosting market has shifted from the use of hardware dedicated to each customer and sold on multiyear contracts to the use of an underlying CESI and public IaaS platform.

All Infrastructure Requires Management
The term "managed services" has traditionally referred to services that are performed by humans, although those capabilities are being augmented to some degree by automation. Within the managed hybrid cloud hosting market, these services have typically encompassed functions such as:

- Infrastructure monitoring, alerting and incident response
- Management of server OS instances both through the CESI and IaaS platform, and (optionally) software at the middleware and persistence layer, if in use — such as web server software, application servers and database servers
- Application of hardware and software patches supplied by vendors for the CESI, in order to maintain systems in a preferred operational state
- Management of storage services of the CESI and IaaS platform, including data backup and restore operations
- Management of any network devices in use both in the CESI and IaaS platform, such as firewalls, intrusion detection/prevention systems, load balancers and WAN optimizers

These services, coupled with dedicated computing hardware sold on multiyear service contracts, have defined the managed hosting market for over 15 years.

During the past seven years, the cloud IaaS market has substantively altered the market for outsourced computing capabilities by automating the traditional infrastructure provisioning process and providing customers with self-service interfaces. Computing capacity can be brought online in minutes in an IaaS environment; whereas in traditional managed hosting, provisioning infrastructure is often a process that can take days or even weeks.

Managed hybrid cloud hosting brings two markets together, with automated CESI provisioning systems that can quickly provide computing capacity to customers — typically within 24 hours, but with the best systems having near-real-time provisioning along with an interface that uses the IaaS provider’s API for automated provisioning. Some customers have the requirement for either ongoing management of the IaaS platform without the provisioning aspect, or private circuit connectivity across a WAN to these providers. Therefore, managed hybrid cloud providers can offer the provision, network and management for the IaaS platform alongside their CESI services or elements therein.
Gartner is observing service automation from both the traditional managed hosting and IaaS providers, with tasks — supported by humans using monitoring, management and deployment tools — being fully automated where possible. This continuous automation will encourage hosting providers to offer more value-added services in order to differentiate themselves from the global IaaS providers, with either geographic, migration or application support services.

The Vendor Landscape Continues to Evolve

The market for managed hybrid hosting is still in its early stages. CEMH providers are moving into the support of IaaS platforms, as well as enhancing their own management services with application management, infrastructure migration and network services. In the meantime, cloud service brokers that provide management and support for workloads purely on IaaS can be seen as an alternative to the traditional service providers.

The European market is fundamentally different from the U.S. since real and perceived concerns around data sovereignty, non-English language support and national preference requirements often are factored above price and capability when comparing providers in certain countries.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Evaluation Criteria for Cloud Infrastructure as a Service"

"Magic Quadrant for Cloud Infrastructure as a Service, Worldwide"

"How to Determine What Good Cloud-Enabled Managed Hosting Looks Like"

"Technology Overview for Cloud-Enabled Managed Hosting"

"How Markets and Vendors Are Evaluated in Gartner Magic Quadrants"

Evidence

- Gartner client inquiries in 2015 and 2016 (currently more than 1,000 cloud IaaS and hosting-related inquiries per quarter)
- Service provider interviews and product demonstrations in 2015 and 2016
- Surveys of managed hybrid cloud hosting providers in 2015 and 2016
- Customer references from managed hybrid cloud hosting providers in 2015 and 2016
- Public information from sources such as U.S. Securities and Exchange Commission filings, press releases, vendor websites and community support forums
Evaluation Criteria Definitions

Ability to Execute

**Product/Service:** Core goods and services offered by the vendor for the defined market. This includes current product/service capabilities, quality, feature sets, skills and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

**Overall Viability:** Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

**Sales Execution/Pricing:** The vendor's capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

**Market Responsiveness/Record:** Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

**Marketing Execution:** The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word of mouth and sales activities.

**Customer Experience:** Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

**Operations:** The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision

**Market Understanding:** Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers' wants and needs, and can shape or enhance those with their added vision.
**Marketing Strategy:** A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

**Sales Strategy:** The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

**Offering (Product) Strategy:** The vendor’s approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

**Business Model:** The soundness and logic of the vendor’s underlying business proposition.

**Vertical/Industry Strategy:** The vendor’s strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

**Innovation:** Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

**Geographic Strategy:** The vendor’s strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the “home” or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.
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