Magic Quadrant for Data Center Outsourcing and Hybrid Infrastructure Managed Services, Europe

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Gartner analyzes the execution and strategic vision of 20 leading DCO/HIMS providers and their cloud service offerings, worth more than $21 billion in annual revenue in Europe. Sourcing and vendor management leaders can use this analysis to select the best provider for their strategic initiatives.

Market Definition/Description

This document was revised on 19 June 2018. The document you are viewing is the corrected version. For more information, see the Corrections page on gartner.com.

This Magic Quadrant evaluates 20 leading service providers' ability to deliver data center managed services (DCMSs) across Europe. DCMSs are composed of the following (see their definitions below):

- Data center outsourcing (DCO)

- Hybrid infrastructure managed services (HIMSs)

- Private cloud managed services

- Mainframe managed services

- ERP hosting managed services

- Data center transformation services

- Cloud migration services

- Infrastructure utility services (IUS)

- Remote infrastructure management (RIM)

- Edge DCMSs

This complex set of data center capabilities and services is increasingly based on managed virtual private cloud services plus hyperscale public cloud services. It is managed via a mix of RIM services leveraging traditional tools, cloud management platforms (CMPs) and intelligent

automation. As in previous years, this Magic Quadrant excludes simple, dedicated web hosting and colocation services, public cloud-only services, and providers that entirely subcontract their services.

Future growth in DCMSs will come from the increasing demand of customers wishing to reduce their own data center footprints, while increasingly leveraging hyperscale and large providers' economies of scale, extensive capabilities, and intelligent automation effects. Business growth will be increased for providers that can:

- Provide all digital infrastructure components (hybrid IT management services, private and public cloud, Internet of Things [IoT] and edge computing).

- Quickly deliver the required digital infrastructure transformation activities (cloud migration, data center transformation and consolidation, and data center and workload optimization).

As such, these providers must be successful in supporting not only this industrialization (Mode 1) wave, but also the rapid innovation and DevOps requirements of their successful digital customers (Mode 2).

At the same time, unit prices for traditional and cloud services will continue to face strong pressure (see "Leverage Decreasing Unit Prices to Enable Digital Business Success" and "How to Leverage Industrialized 'Low-Cost' Market Prices to Optimize Your Data Center Infrastructure Service Cost"), causing accelerated market consolidation and requiring customers to learn how to contract for decreasing unit prices and variable volumes. Thus, customers must implement faster, more agile and more transformational approaches to their infrastructure sourcing strategies (see "How to Select Global Infrastructure Service Providers in 90 Minutes Instead of 90 Days Using Fit, References and Performance Metrics"). This market and providers' analyses are supported by thousands of data points and evidence on providers' capabilities, more than 340 references, and customers' evaluations during inquiries performed by Gartner analysts from June 2017 to April 2018.[1]

Starting this year, we complete the Magic Quadrant with a drill-down analysis of the most important critical capabilities required to satisfy the transformational requirements of European customers.

Definitions

Data center outsourcing (DCO): These deals are mostly a bundle of standardized managed services and customized transition and transformation services. They may include the management of client premises, as well as colocation, hosting, cloud services and edge computing (micro data centers, edge data centers).[2] Information management software and system management tools may be provided and used by the outsourcer or the enterprise client. Services may be provided at the client site or off-site. IT assets may be owned by the client, the external service provider (ESP) or a third party. Contracts may include the transfer of client employees, IT assets and facilities to the ESP.

Hybrid infrastructure managed services (HIMSs): Gartner defines these as the service provider managing the multiple infrastructures used by the organization (legacy and traditional environments, private cloud, and public cloud). Hybrid managed services include the management of traditional

data center environments, other IUS and private cloud. They also include Amazon Web Services (AWS), Google, Microsoft Azure, and other public cloud functionality by the number of server instances, applications, users or environments on the multiple clouds. Traditional and cloud functionality would be considered seamless to the organization as the provider maintains the relationship with the multiple vendors, and provides end-to-end visibility and management of the hybrid platform.

Private cloud managed services: Private cloud computing is a form of cloud computing that is used by only one organization, or that ensures an organization is completely isolated from others. Private cloud managed services are services to deliver cloud-based compute capabilities through a dedicated infrastructure — on-premises at the client location, or hosted at private cloud managed service provider data centers or third-party data centers. Private cloud managed services are restricted in access to the client organization, and can be delivered through either dedicated cloud assets (known components dedicated to the client) or software-defined assets (dedicated segments of shared assets), which form a virtual private cloud. These services also include the delivery of IUS based on private cloud.

Mainframe managed services: Mainframe services reflect dedicated virtualization platforms aimed at processing millions of instructions per second (MIPS). Mainframe services often refer to supporting legacy applications, written in languages like COBOL or FORTRAN, running on large IBM 370 or z/OS systems. Mainframe services, however, include any proprietary or other legacy mainframe solutions (for example, Unisys and Fujitsu).

ERP hosting managed services: Hosting services comprise the infrastructure components and facilities to physically or virtually host applications. Such hosting services comprise dedicated or shared assets in preagreed data centers. The services include all layers up to and including the specific OS to run the applications, and all the technology required to integrate the application with other applications at the client location, or third-party locations (B2B interfaces). In regard to ERP hosting, the services are expanded to also include public or private cloud hosting, with compute environments configured to maximize ERP application performance. ERP hosting can therefore include, for example, SAP HANA Enterprise Cloud (HEC) or Oracle Cloud propositions, or infrastructure utility for SAP (IU4SAP).

Data center transformation and cloud migration services: These services provide development, deployment or integration of computing hardware. Increasingly, these services assist clients in migrating to the public and private cloud. Services may include detailed design and implementation services with specific activities around technology assessments and platform modernization, such as rehosting, migration to a converged infrastructure system, or migration to cloud-based environments.

Infrastructure utility services (IUS): Gartner defines this as the provision of outsourced, industrialized, asset-based IT infrastructure managed services below the business application functional layer. IUS is defined by service outcomes, technical options and interfaces, and is paid for based on resource usage, allocation or number of users served.

Remote infrastructure management (RIM): This is a delivery model that providers often embed in DCO. This is an acceptable approach for DCO relationships that are based on a client-owned or third-party-owned data center, and when a single service provider delivers RIM. In this case, the client signs a single service contract with one service provider for the whole set of DCO services. In this type of contract, the main provider is responsible for end-to-end service delivery, including management and control of the hosting subcontractor. Managing data centers and other computing capabilities from remote locations (control centers) is the delivery model most often embedded in DCO. IT supports DCO relationships that are based on a client-owned or third-party-owned data center when a single service provider delivers RIM. Labor-based RIM will be replaced and augmented by intelligent automation services in the short to medium term, while also extending to IoT infrastructures and edge computing.

Edge DCMSs: These include services related to implementing, scaling up and managing IoT platforms. IoT workloads often need to be processed in a timely manner where datasets are generated by sensors and devices. Use of micro data centers,[2] aka edge data centers, is on the rise to serve these increasing workloads at remote sites. DCMSs include the services that providers offer to assist clients with operating and managing the generation and analysis of IoT data and its foundational infrastructure.

Geographies

Western Europe: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the U.K.

We divide Western Europe into the following subregions:

- Western Europe — Northwest: Ireland and the U.K.

- Western Europe — Northeast: Denmark, Finland, Norway and Sweden

- Western Europe — Central West: Belgium, France and the Netherlands

- Western Europe — Central East: Austria, Germany and Switzerland

- Western Europe — South: Greece, Italy, Portugal and Spain

Eastern Europe: Albania, Bosnia and Herzegovina, Bulgaria, Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine.

Magic Quadrant

Figure 1. Magic Quadrant for Data Center Outsourcing and Hybrid Infrastructure Managed Services, Europe

Vendor Strengths and Cautions

Accenture

Gartner estimates that Accenture's DCO/HIMS business grew to 20.3% of its total IT outsourcing business, with an estimated global revenue of roughly $3.3 billion (plus 4%). Gartner also estimates that Accenture's DCO revenue in Europe rose by 4% to $1.05 billion. With 34,000 physical servers under management, Accenture showed year-over-year server growth of 30%. Virtual machines (VMs) under management increased by 11% to 97,000, plus an additional 11,000 managed in the public cloud (plus 45%). Accenture provides ERP hosting for SAP systems with a total of 110,000 users, and ERP hosting for Oracle systems with a total of 52,000 users. DCO/HIMS deals for Accenture's data center clients in Europe averaged slightly more than $2.5 million in revenue annually, while global Accenture client deals averaged nearly $3.5 million annually. Accenture leverages its vertical industry strengths and application skills coupled with extensive leverage on partnerships. It works with both traditional vendors (Hewlett Packard Enterprise [HPE] and VMware) and aggressive providers (AWS, Microsoft and Google) to tailor clients' cloud journeys based on their maturity, application portfolio, and business and regulatory requirements.

Strengths

- Accenture's strategy pursues a cloud-first strategy for clients, leveraging their business transformation opportunities to move the clients to SaaS applications, and leveraging application modernization using AWS Lambda and serverless computing. Accenture delivers industry-specific solutions and strives to deliver end-to-end outcome-based service-level agreements (SLAs). This year, it has realized over $30 million in savings being signed off by selected clients. A dedicated Accenture AWS Business Group (AABG) and the Microsoft co-investment on Accenture Cloud Platform (ACP) for Microsoft Azure, coupled with its subsidiary Avanade's strengths, show the strategic role of partnerships in closing strategic transformational deals.

- The ACP provides an automated, intelligent platform to drive better end-to-end operations and integrate service management, analytics, and components like artificial intelligence (AI) and cyberdefense. Accenture's Cloud Migration Factory, transformation accelerators and automation show how best-in-class providers are investing to compete in an increasingly transformative and industrialized DCO/HIMS market. As an example, despite revenue growth, Accenture decreased its staff by 4% and increased its revenue per full-time equivalent (FTE) by 11% in Europe.

- Some references praise Accenture for its focus on results, stability of the environment, service quality and professional relationships. They also appreciate Accenture's focus on management style, global delivery organization, and data center centralization and consolidation projects.

Cautions

- Accenture's vision of software-defined, cloud-first, microservice-enabled cloud migration is complex and sophisticated. It will require a client that is confident in its technology choices and has sophisticated technical management capability to fully leverage the benefits and ensure

adequate management of any DCO/HIMS relationship. Low focus on mainframe and minimal MIPS scale can limit Accenture's uptake in banking infrastructure, where key competitors are growing fast due to the cost control requirements of medium and large banks in Europe.

- Automation has been successful in reducing head count and effort, confirmed by a reduction of 50% of FTEs across three years. However, Accenture remains just above average in terms of number of servers managed per member of the DCO staff (52 server equivalents per FTE versus best in class of 80) and average automation (80% versus best in class of 85%). Clients must be aware that cloud and automation internal targets are limiting Accenture's desire to transition clients' staff to less than 10% of their deals.

- Some clients report that Accenture needs to improve its resource allocation processes, and improve the balance between deal financials and customer objectives, resolution time, innovation, and agility. They would also like Accenture to enhance its continuous improvement process, leverage more on industrialized offerings, and apply industry thought leadership to increase value for money.

Atos

With estimated revenue of $4.6 billion globally (plus 4% year over year), Atos' DCO/HIMS business accounts for approximately 63.8% of its infrastructure outsourcing business. We estimate that Atos' revenue in Europe is $2.634 billion, up 2.6% year over year. Atos continues to grow in VMs (up to 111,300 or 22% year over year) while consolidating physical servers (down to 62,500 or –7%). Also, public cloud VMs under management grew by 70% to over 1,000 servers. Atos provides ERP hosting for SAP systems with over 2 million users, and ERP hosting for Oracle systems with over 200,000 users. DCO/HIMS deals for Atos' data center clients in Europe averaged slightly more than $1.394 million in revenue annually, while global Atos client deals averaged nearly $2.048 million annually. Atos' three-year plan focuses on delivering customized digital transformation to clients by leveraging modular building blocks involving traditional services, cloud, high-performance computing, data management and analytics, system and service integration, and cybersecurity.

Strengths

- Atos' strategic objective is to generate 60% of its revenue through 2020 on digital and transformational services. It's leveraging its Bull acquisition for an SAP private cloud platform proposition, as well as for big data processing, increased cloud and computing security, and supercomputing, with a focus on in-memory computing (IMC). Atos' customer-focused digital transformation design provides tailored solutions, based on standard delivery and migration capabilities, to deliver an end-to-end solution. Atos' Codex IoT strategy focuses on deploying and managing hybrid and federated digital platforms, and Atos is working with historical and new ecosystem partners like Amazon, Dell EMC, Microsoft, Google and Siemens to integrate joint solutions.

- More than one-third of Atos' revenue is now coming from new infrastructure services driven by digital transformation services. Investments in cognitive and automated solutions have resulted in internal cost savings of over €300 million per year, helping Atos grow revenue by 4% while

shrinking its DCO staff by nearly 10%. On top of its traditional ability to drive large-scale linear operations, Atos is also addressing bimodal skills requirements by hiring from universities and reskilling internally for new digital competencies (more than 10,000 graduates and the digital certification of 16,000 internals). Atos shows early traction of edge compute expansion with the Codex IoT set of offerings, 1 million IoT endpoints and 20,000 edge gateways managed.

- Some clients praise Atos for quality and availability, its approach to relationship management, and the balance between cost and capabilities. They also appreciate Atos' focus on creating partnerships with customers, its service depth and breadth, and its data center centralization and consolidation activities.

Cautions

- Atos' recent approach of driving growth through acquisitions may mask challenges in growing its business organically. In 2017, it posted DCO/HIMS revenue growth of only 2.6% (below average market and Magic Quadrant growth), whereas four major competitors grew more in absolute terms. Despite the accelerated growth of public cloud VMs, its focus and reliance on private cloud (based on Canopy and the partnership with VMware and EMC) is still greater than on public cloud, with VMs' installed base well below average. Atos needs a more aggressive digital-transformation-service-focused stance in sales and delivery to support growth.

- Atos' application-led cloud migration strategy is core to its DCO/HIMS offerings, but does not yet resonate with all clients and generates only a small proportion of its DCO revenue. Its automation level is slightly above average, and is applied to 30% of its customers. Still, Atos has a long way to go in terms of automation of its entire end-to-end processes, as its server-to-FTE ratio is still below average.

- Multiple references report that Atos needs to raise its agility and proactivity, while some point to its lack of specific technical skills, and issues with problem and capacity management processes. They would also like Atos to leverage more on industrialized offerings, and make remote delivery, cloud migration and workload optimization stronger.

Capgemini

With estimated revenue of $2.5 billion globally and nearly $2 billion in Europe (an annual rise of 5% and 2%, respectively), Capgemini's DCO/HIMS business accounts for approximately 47% of its overall outsourcing business. Capgemini reduced its physical servers under management by 37% to 27,000, and increased VMs under management by 26% to 75,000, with an additional 7,600 in public cloud (nearly twice the previous year's figures). Capgemini provides ERP hosting for SAP systems with a total of 980,000 users, and ERP hosting for Oracle systems with a total of 5,000 users. Across Europe, Capgemini's clients had an average annual DCO/HIMS deal size of $2.1 million, while globally, such deals averaged $1.9 million annually. Capgemini's current strategy focuses on accountability, simplification and efficiency to improve key delivery factors, while reigniting sales to deliver growth.

Strengths

- Capgemini's consulting-centric business model is well-aligned to market moves toward cloud, transformation and business outcomes. Its co-creation with partners includes developing hybrid cloud with HP/Nutanix and SAP HANA hosting with Dell EMC. It is also building its own advanced offerings for HIMSs, CMP security, analytics and Oracle Database migration.

- Capgemini is investing to deliver automated cloud migrations through its Cloud Management Factory and LINKSITP tool in order to place applications correctly during migration. It claims an average savings of over 25% when moving to private cloud. In 2017, it created further savings by increasing its proportion of offshore resources from 70% to 88%. Capgemini delivers a targeted set of automation capabilities adapted to address specific customer issues. Worldwide, 170 Capgemini clients are now using these, creating an average reduction of 35% in incidents, allowing Capgemini to reduce staff while supporting current operational volumes.

- Some clients praise Capgemini for operational stability and reliability of their services, and for its focus on customer intimacy. They also appreciate Capgemini's focus on escalation management, relationship style and widespread geographic coverage.

Cautions

- Capgemini's focus remains application-based, and its strategy for hybrid infrastructure adoption driving digital transformation has yet to achieve traction with the market. It has shown limited revenue growth in Europe of 2% year over year, and no growth in client numbers or key performance indicators (KPIs), such as servers under management, mainframe hosting or ERP hosting. Almost 95% of its EU deals are less than four months in duration, with total contract value (TCV) of less than $10 million, which indicates increasing activity in cloud migration projects.

- Despite increasing investments in automation and other cost-control measures, Capgemini's profit margin in 2017 fell further behind its competitors, meaning it may struggle to make the investments it needs to achieve relevancy. Capgemini has experienced occasional service issues with several customers, and achieved lower-than-expected SLA performance in Europe.

- Some clients report that Capgemini needs to strengthen its global workforce management, its transparency in contract management and workload optimization, and its focus on automation. They would also like Capgemini to enhance its cloud migration, remote delivery methods, innovation and continuous improvement.

CenturyLink

Gartner estimates that roughly 5% of CenturyLink's overall 2017 revenue of $17.66 billion (1% growth year over year) came from DCO/HIMS. As a result of divesting its owned data centers, we estimate that CenturyLink's global DCO/HIMS business fell by 38% to an estimated $900 million in revenue. We estimate that the impact of the sale on CenturyLink's European revenue to be roughly −15% year over year or just above $120 million. Gartner estimates that CenturyLink continues to grow in both physical servers (up by 6% to an estimated 2,000) and VMs (up to an estimated 7,000

or 6%) year over year. However, managed public cloud VMs fell by an estimated 4% to just below 7,000. CenturyLink provides ERP hosting in Europe for SAP systems to an estimated 275,000 users, and ERP hosting for Oracle systems to an estimated 80,000 users. We estimate that European DCO/HIMS deals for CenturyLink clients are about $300,000 in average revenue annually, while globally, deals averaged an estimated $160,000 annually. CenturyLink sold its colocation data center facility business and is moving toward hybrid cloud offerings using its global network offerings.

Strengths

- CenturyLink has divested its data center and colocation business to Cyxtera, and acquired Level 3 Communications and ElasticBox to enhance its network footprint and multicloud management. It uses an agile approach (called CustomerLink) to drive customer-centric engagement, delivered through biweekly account sprints. This vision of rapid implementation of agile and DevOps requirements for fast-moving customers may prove to be a differentiator in the market.

- CenturyLink provides its own public cloud, various flavors of private cloud and the ability to integrate other cloud services via its hybrid IT delivery platform. It has a strong focus on midsize to large enterprises, which compose the majority of its customers, and has a vertical focus within media and entertainment, retail, financial services, travel and tourism, and legal. CenturyLink offers above-average automation within a narrowly focused cloud operational domain. Its Cloud Application Manager (CAM) provides a single view across multiple clouds in order to permit a holistic view of the application management life cycle, infrastructure service management and cloud cost optimization, and also to provide unified analytics.

- Some reference clients praise CenturyLink for reliable delivery, quality of support staff and account management. They also appreciate CenturyLink's focus on standardized methodologies and quality assurance processes.

Cautions

- DCO is a small part of CenturyLink's overall business, and its current capabilities in its new focus areas of HIMSs and managed multicloud/hyperscale services are relatively new. Its new strategy will require significant transformation to integrate and rationalize its existing service offerings with those of Level 3, and to increase its application and professional services capabilities.

- In 2017, CenturyLink's DCO/HIMS European revenue fell by a Gartner estimate of 15% as a result of its divestitures, while the effect of its acquisitions is expected to bring the provider back to growth. Without mainframe services and with little footprint in third-party public clouds, CenturyLink is primarily a provider of its own private and public cloud services, with its traditional strength in SAP managed hosting being diluted by its new strategy. CenturyLink's staff numbers increased in 2017, indicating that the benefits of automation are yet to be fully embedded in its operation, and it has few automation offerings beyond its own cloud offerings.

- Some clients report that CenturyLink needs to strengthen its problem resolution timing, billing practices, speed and responsiveness across different geographies. They would also like

CenturyLink to enhance remote delivery processes, cloud migration practices, and the flexibility and completeness of its contracts.

CGI

CGI's 2017 worldwide IT services revenue is $10.8 billion (up 1.5%), with $5.7 billion (53%) coming from all forms of outsourcing. European activities account for $5.6 billion in revenue, a fall of 1.7% from the previous year. We estimate that CGI's average DCO deal size in Europe is below $1 million. CGI delivers end-to-end services that cover digital strategy and architecture, solution design, development, integration, implementation, and operations. Since CGI did not provide a detailed update on its business, its positioning is based on public information, Gartner analysts' judgments and information available to Gartner through other sources (vendor briefings, other Magic Quadrants and inquiries with customers).

Strengths

- CGI's strategy is client-led, using insights into client priorities gained from its "Voice of Our Clients" program, and implementing a bimodal delivery model designed to be flexible and responsive to client needs. CGI seeks to deliver client business outcomes, coupled with a systematic governance framework. In Europe, it focuses on key vertical industries, including government, banking, retail, manufacturing and utilities.

- CGI has a hybrid offering that covers traditional DCO and RIM, dedicated private cloud in client or CGI data centers, and certified cloud offerings to meet U.K. government requirements and public cloud managed services. The hybrid cloud offering is supported by partnerships with AWS and Microsoft Azure. It provides application-led cloud migration services, based on a business-centric approach, and delivers unified management via CGI's Unify360 platform, enabling it to report achievement of 98% of its infrastructure SLAs.

- Some recent client references praised CGI for its transition process, indicating that it was a streamlined, well-executed process, while a few others stated that CGI performed the day-to-day operations as expected.

Cautions

- CGI's geographic structure promotes regional autonomy; however, with four separate business units responsible for service delivery in EMEA, lack of service standardization remains a risk. With business operations primarily focused in France, the U.K., the Nordic countries, Germany and the Netherlands, CGI may struggle to service Pan-European deals. This fragmentation of its investment power may challenge its ongoing ability to invest and compete in these very competitive markets, thereby compounding its current lack of visibility in the European DCO market.

- Although committed to automation, CGI is struggling to achieve staff-related cost reductions through its use. Although its global revenue increased by 1.5% over the year, it had to take on

an additional 4.4% of staff (3,000 people) to drive this growth. It has very limited visibility in the market, and a limited European footprint for ERP hosting and public cloud.

- Some clients report that CGI struggles to deliver in an agile manner and lacks technical skills. Some reference clients from which we last received feedback expect CGI to improve its data center consolidation capabilities and drive a greater focus on delivering innovation. A few others also indicate that CGI's responses to requests are suboptimal, and that day-to-day operational focus and outcomes need improvement.

Claranet

Claranet is a private company offering European centricity and proximity to clients. With staff located in 24 offices across seven European countries, it delivers hybrid services across major public cloud providers, Nutanix-based private cloud offerings, and added-value security and innovation services. In 2017, Claranet had overall revenue of $320 million, almost entirely from outsourced operations. With estimated revenue of $150 million (up 36%), the DCO/HIMS business for Claranet is roughly 47% of its overall operation. With 5,000 physical servers under management, Claranet showed year-over-year growth of over 100%. VMs under management increased by 61% to 20,400, plus a further 7,300 managed in public cloud (up 46%). Claranet provides ERP hosting for SAP systems with a total of 3,500 users, and ERP hosting for Oracle systems with a total of 3,000 users. Claranet's clients reported an average annual deal size of $38,000 in Europe and globally.

Strengths

- Claranet's use of onshore staff to deliver services is a substantial differentiator to competitors. It has created a dedicated cloud migration practice, and it migrated more than 1,000 applications to public cloud in 2017. It is a premier partner of AWS and Google Cloud Platform (GCP), a Microsoft Gold partner, and has trained more than 1,200 staff members with technical cloud skills.

- Claranet has shown revenue growth of 36% year over year, driven largely by new hybrid cloud hosting offerings. It is investing in key areas for growth. For example, enhanced security services via the acquisition of Sec-1; big data through a partnership to deliver Cloudera as a platform as a service (PaaS) solution on public cloud; and vertically in healthcare to achieve market-leading data management certifications. It continues to make investments in automation for cloud migration and self-service, utilizing Datadog to provide analytics for proactive event and incident management. Increasingly, it will seek to automate its infrastructure operations and move staff to focus on added-value application management.

- Some customer references praise Claranet for its expertise, adaptability, innovation, loyalty and responsibility. They also appreciate Claranet's focus on negotiation flexibility, cloud migration and workload optimization, and value for money.

Cautions

- Claranet has a wide portfolio of hybrid services, but services such as SAP HANA and mainframe management are relatively new, and their current limited scale means they are not yet visible and proven solutions. Although Claranet's presence in Europe covers key countries of France, Germany, the Netherlands, Portugal, Spain and the U.K., its scale and reach are still limited overall. This may require Claranet to grow further by acquisition, or take on staff and assets through deals with larger clients.

- Operational automation is currently largely focused on infrastructure as a service (IaaS) and PaaS, and it is customer-led, with some customers not yet having any automation. This means that staff numbers will grow as the business expands; however, coupled with the onshore strategy for staff placement, this may limit Claranet's ability to remain price-competitive overtime.

- Some clients report that Claranet needs to reduce its time to market, organizational coordination and scalability. They would also like Claranet to enhance its data center consolidation and centralization practices, its standardized processes, and its remote delivery capabilities.

Cognizant

We estimate that the DCO/HIMS business grew to 17% of Cognizant's IT outsourcing business, and had revenue of roughly $1.1 billion globally. In Europe, we estimate that Cognizant's revenue is around $220 million, an increase of 14%. The number of physical servers that Cognizant manages is 28,000, a year over year change of 8%; also, it has around 110,000 VMs under management, a change of 21% over the year. Additionally, it has 3,000 VMs under management in the public cloud, with an estimated growth of 33%. Cognizant provides ERP hosting for SAP systems with a total of 64,000 users, and ERP hosting for Oracle systems with a total of 44,000 users. Cognizant's clients reported an average annual deal size of $3.53 million in Europe, and a global average annual deal size of $4.38 million. As a strategic focus to drive the successful digital transformation of global enterprises, Cognizant is reorganizing its three service lines (Digital Business, Digital Operations, and Digital Systems and Technology) and aligning them to the adaptive sourcing model. This enables Cognizant to deliver services aligned to relevant business and IT stakeholders.

Strengths

- Cognizant is implementing a significant restructuring to better position its capabilities to support clients' digital transformations. Cognizant's infrastructure service strategy is centered on delivering hybrid IT. It does so by leveraging its digital infrastructure framework, intelligent operations that use analytics, AI and automation, and the Constantly Ready Infrastructure (CRI) with integrated security and enterprise service management, which leverages its SIAM approach and ServiceNow partnership. Cognizant leverages its Cognizant Career Architecture in an effort to make its staff ready for the digital world, and to enable employees' continuous development in next-generation technologies.

- Cognizant continues investments in ramping up its delivery footprint in Europe and in automation capabilities, with its HiveCenter platform comprising intelligent automation and virtual assistant capabilities (based on Cortana and Alexa). This automation is proving to be effective, with a 12% to 18% reduction in Cognizant's cost base, and a 40% to 60% reduction in incidents for clients that use it. Automation has helped Cognizant grow revenue by 14%, while reducing staff by 5%.

- Some clients praise Cognizant for customer and service focus, continuous support and technical skills. They also appreciate Cognizant's focus on escalation procedures, negotiation flexibility and value for money.

Cautions

- Despite posting double-digit growth, Cognizant's DCO business in Europe is still based on around 70 customers, showing limited penetration into infrastructure services. In addition, its limited visibility in Europe cannot generate the same depth of sales pipeline that others in this Magic Quadrant are showing. Cognizant's strategy focuses primarily on technical delivery, without showing commercial innovation, and it relies on the customer to deliver the overall business outcomes. It focuses its partnerships on a small number of global IT players, and cannot rely on a network of innovative startups as some of its competitors do.

- Cognizant's cloud migration approach uses a factory model, but has not yet achieved traction with the market, accounting for only 5% to 7% of Cognizant's DCO revenue. Cognizant has only recently been focusing on AWS and cloud migrations, especially in Europe; however, it is ramping up an AWS migration factory in the U.S. and a cloud support center in the U.K. Cognizant's HIMS automation achievement is still below average, while the efficiency growth it achieved in 2017 has risen, showing an increased focus on replacing labor with automation.

- Some clients report that Cognizant needs to strengthen its resource management, modernization and innovation practices, and adaptation to local market across Europe. They would also like Cognizant to enhance the industrialization of its infrastructure services, cloud migration and workload optimization processes, and thought leadership.

DXC Technology

DXC Technology (DXC) had estimated annual revenue of $24.1 billion for 2017, of which an estimated $12.2 billion came from all types of infrastructure services, an annual revenue decrease of 6.6%. With estimated revenue of $6.053 billion (–15% year over year), DXC's DCO/HIMS business is roughly 51% of its overall infrastructure service operations. Gartner estimates that DXC's revenue in Europe decreased by 23% to $2.6022 billion. DXC continues to consolidate operations from CSC and HPE Enterprise Services (ES), and decrease in both physical servers (down to 98,793 or –3%) and VMs (down to 131,360 or –19%) year over year. Only public cloud VMs grew by 56% to 4,223. DXC provides ERP hosting for SAP systems with a total of 1,771,000 users, and ERP hosting for Oracle systems with a total of 13,800 users. Across Europe, DXC's clients had an average annual DCO/HIMS deal size of $1.505 million, while globally, such deals averaged $1.620 million annually. DXC, the second largest provider in this market, is focused on addressing digital disruption driven by scale, skills, efficiency, customer intimacy and technology. It leads with its advise and transform

offerings to drive hybrid infrastructures, and to provide embedded integration and differentiated managed services through automation, cloud-native architectures and DevSecOps.

Strengths

- DXC is advancing its restructuring and going back to its roots as an independent managed service provider. In doing so, it's recognizing that industrialization is not enough, and it must start leading the market with advisory services to help clients drive their digital transformations. It leverages a broad hybrid cloud portfolio, where it provides managed services across public cloud, private cloud and on-premises solutions with its agility platform. It benefits from a very large footprint of global data centers and service capabilities underpinned by key security certifications. It has created an innovative PaaS offering for SAP, and has strategic partnerships with major providers such as AWS, HPE, HP Inc., IBM, Microsoft, Oracle, PwC and ServiceNow.

- The combined strength of CSC and HPE ES means DXC has more than 95 data centers, more than 250 leading partners and more than 14 strategic partners. With all this, DXC has capabilities and a global footprint to offer a full spectrum of hybrid infrastructure services — legacy, private cloud and public cloud. DXC is investing in automation through its Bionics offerings (event management and run book automation). It also leverages robotic process automation (RPA) for proactive incident resolution, and, thanks to acquisitions, it is one of the biggest integrators of ServiceNow's software and solutions.

- Reference clients praise DXC for its global scale and resource pool, and for its technical capabilities and strategic vendor relationship. They also appreciate DXC's focus on service management and traditional DCMSs.

Cautions

- Although DXC is consciously moving clients from traditional services to cloud services, the digital-business-focused plan has not yet enabled revenue growth. DXC is still struggling to balance customers' requirements to move toward cloud services with the resulting revenue loss in terms of both legacy cannibalization and related unit price reduction. Restructuring of middle management and the portfolio is taking time and will continue for at least another two years. Customers must be aware of and protect key resources through the completion of the transformation.

- DXC suffered a pretty dramatic 20% drop in its DCO/HIMS revenue in Europe during 2017, and customer satisfaction suffered quite visibly along with the restructuring. Negative returns from customers — for example, in the U.K. public sector — are quite visible in the market, and this is also supported by a decline in DXC's own measure of Net Promoter Score (NPS). The cost reductions that DXC has generated during the merger have exceeded the targets it defined for the market, suggesting it has cut into the core capability of service delivery in this delicate phase of market transition.

- Some clients report that DXC needs to improve change management during its reorganization, increase its reaction time to new requests and increase commercial flexibility. They would also

like DXC to enhance its continuous improvement and innovation, as well as its cloud migration and workload optimization, and also improve its value for money.

Fujitsu

Within Fujitsu's overall 2017 revenue of $18.3 billion, an estimated $10.2 billion came from outsourcing, a decrease of 2.2% over the year. We estimate that the DCO/HIMS business grew to 18.4% of Fujitsu's IT outsourcing business, and earned revenue of roughly $1.8 billion globally (up 27%). Gartner estimates that Fujitsu's DCO/HIMS revenue in Europe rose by 22% to $1.3 billion. The number of physical servers that Fujitsu manages is 24,000, a year over year change of 8%, and it has 45,000 VMs under management, a change of 27% over the year. Additionally, it has 7,000 VMs in the public cloud, an increase of 31%. Fujitsu provides ERP hosting for SAP systems with a total of 370,000 users, and ERP hosting for Oracle systems with a total of 775,000 users. Fujitsu's clients reported an average annual deal size of $640,000 in Europe, and a global average annual deal size of $710,000. Fujitsu aims to deliver transformational services for clients in order to support their journey through digital convergence to augmented creativity, where technology enhances productivity and drives outcomes.

Strengths

- Fujitsu has achieved a significant restructuring, moving from a collection of regional businesses to become a global service provider. It has established a global-first strategy to lead services and support from global centers of excellence, with its service portfolio restructured to support key vertical industries. To drive sales, it has created a digital pursuits specialist team. Also, its new Digital Business Services unit specializes in cloud, analytics, IoT and AI to support a bimodal focus on "digital co-creation" with customers, and commercial activity with business buyers.

- Fujitsu continues to make investments in its Zinrai intelligent automation, and its customized automation capabilities have enabled it to reduce DCO staff by 15% in 12 months, while growing revenue by 22%. Its hybrid strategy sees it supporting its own private cloud and public cloud from multiple providers. Also, it is starting to offer private VMware Cloud on AWS, and to provide managed services for Oracle Cloud. It has made a substantial investment in edge computing over the past 12 months, creating a specific offering for manufacturing and aiming to deploy edge AI and analytics to create new business models for clients.

- Some clients praise Fujitsu for its stable operations, staff and skills management, and for its collaborative and flexible stance. They also appreciate Fujitsu's focus on depth and breadth of service capabilities, service management, and escalation procedures.

Cautions

- Zinrai automation and K5 private cloud are still consuming considerable investment money, and even large efficiency savings in staff may not show a strong ROI for Fujitsu. Its vertical-focused strategy is global for transport, retail, hospitality, finance and manufacturing, while it is opportunistic and country-based in the public sector and utilities. Despite Fujitsu's investments

in global delivery, the majority of its control centers remain in high-cost locations, such as the U.K., Germany and the Nordic countries.

- Despite investing in the capability to move mainframe services to cloud, Fujitsu is not yet competing for the mainframe managed service market, and has yet to show a significant level of cloud MIPS managed. Fujitsu's multicloud approach remains skewed toward VMware, K5, Azure and Oracle, with a relatively limited presence on AWS and GCP. Its cloud migration services remain a very small overall component of its service portfolio.

- Some clients report that Fujitsu needs to simplify its organization to improve response time, improve monitoring and change control, and more actively manage know-how and skills. They would also like Fujitsu to enhance thought leadership, continuous improvement and innovation, and negotiation and contractual flexibility.

HCL Technologies

With estimated revenue of $2.2403 billion (plus 13%), HCL Technologies' (HCL's) DCO/HIMS business is roughly 71% of its overall infrastructure service operation. Gartner estimates that HCL's revenue in Europe rose by 12% to $905 million. With 57,184 physical servers under management, HCL showed year-over-year growth of 25%. VMs under management increased by 10% to 389,135, plus an additional 44,512 managed in the public cloud (plus 184%). HCL provides ERP hosting for SAP systems with a total of 272,000 users, and ERP hosting for Oracle systems with a total of 221,800 users. HCL's clients reported an average annual deal size of $9.837 million in Europe, and a global average annual deal size of $7.345 million. HCL is deploying a three-mode strategy in which solutions are built across three towers: maintain and automate (legacy), sustain and migrate (current business functions), and explore (cloud-native applications). Cloud-first migrations to hybrid are underpinned by DRYiCE elastic operations to enable consumption.

Strengths

- HCL's strategy is evolving to deliver more integrated (application and infrastructure) deals to serve the more than 80% of RFPs that now include at least one cloud element, a cloud-first approach and/or a HIMS. As such, strategic focus is on the use of cloud across all operations and underpinning technologies. These include software-defined infrastructure (SDI), containerization, automation and DevOps. They also include developing an increasing portfolio of utility services (disaster recovery as a service [DRaaS], proprietary PaaS, mainframe as a service [MFaaS] and ERP on cloud offerings for SAP and Oracle).

- In 2017, to increase head count in local markets and its closeness to clients across key regions of Europe, HCL closed nearly 60% of large deals with a focus on rebadging key personnel. This is a quite different stance, compared with what most of its competitors do. HCL is also investing in Mode 2 (experience-centric and outcome-oriented approaches) and ecosystem-driven products and platforms. HCL has automated the application assessment for migrations and is achieving productivity improvements through automation, resulting in improved per-server and per-employee revenue.

- Reference clients praise HCL for operational skills, service capability and cost-efficiency. They also appreciate HCL's focus on relationship management, depth and breadth of services, and negotiation and contractual flexibility.

Cautions

- Despite its marketing messages focused on business outcomes, as in the past, HCL's offering focus remains very technical in nature, with an increasing focus on co-innovation and digital transformation. Despite investments in agile and Mode 2 capabilities, HCL's sales operations are still focused on Mode 1 (RFP factory), incumbent deal renewals, cloud migrations and cost reduction. HCL's deal pipeline is more dependent on renewals than some of its competitors. This is raising questions about its ability to win new business competitively, and it is lowering its no-bid rate in an attempt to gather more new business.

- HCL's revenue growth (12%) is slightly lower than the average of growing players, and some of the direct competitors are rapidly closing the gap with the market leaders. HCL has increased its number of European customers by 30%, but still depends on fewer than 100 large customer deals in Europe. Its limited base of installed MIPS and growth shows that it is not addressing the requirements of mainframe-based organizations, which are fueling IBM's growth in the market.

- Some clients report that HCL needs to improve its flexibility, become more reactive to customer demand, and improve proactivity and automation. They would also like HCL to enhance cloud migration and workload optimization, continuous improvement and innovation, and geographical coverage.

IBM

In 2017, with overall revenue of $79.1 billion, IBM had estimated outsourcing revenue of $27 billion, up 2%. With estimated revenue of just under $10 billion (up 2.4% year over year), IBM's global DCO/HIMS business is roughly 37% of its overall outsourcing operation, and Europe makes up an estimated $4.3 billion of this, up 19% year over year. With 44,000 physical servers under management, IBM showed year-over-year growth of 12%, while managed VMs increased by 17% to 190,000, with an additional 9,000 managed in the public cloud (unchanged year over year). IBM provides ERP hosting for SAP systems with a total of 1 million users, and ERP hosting for Oracle systems with a total of 220,000 users. Across Europe, IBM's clients had an average annual DCO/HIMS deal size of $2.9 million, compared with its global average of $2.3 million. IBM's DCO/HIMS strategy is based on composite building blocks of infrastructure, built from standard components, enabling faster and standard delivery of solutions and business outcomes for clients.

Strengths

- In order to deliver bimodal IT and transformative deals, IBM is actively moving from custom-tailored to integrated solutions built on standard capabilities, offerings and skills. It mixes its own intellectual property (IP) and innovation with partnerships that include AWS and Microsoft Azure in its managed solutions. To deliver on its vision of being a best-in-class provider of cloud

transformation, IBM has developed its cloud migration factory — that is, a set of processes, methods and tools to accelerate "from anywhere, to anywhere" cloud migrations.

- IBM displays comprehensive automation with a strong automation tool portfolio, embedding IBM Services Platform with Watson (SPW) into its service operations. SPW uses AI to predict and self-heal potential problems, and provide transformational IT capabilities to clients, with increasing capability over time. SPW is also part of IBM's hybrid cloud management suite, providing an integrated platform for self-service, orchestration, brokerage and managed service integration. It has further enhanced its hybrid offerings with Cloud Private, which allows clients to operate IBM's public cloud infrastructure on their premises.

- Some reference clients praise IBM for reliability and technical competence, customer orientation, and business understanding. They also appreciate IBM's focus on account management, escalation procedures, and well-defined statements of work with clear roles and responsibilities.

Cautions

- The deep restructuring that will be required as IBM moves from system integration to service integration will put it in a state of major change for several more quarters. Because customer satisfaction historically falls during major restructuring, clients and prospects must carefully manage their relationships with IBM during this period.

- IBM states it has the capability to manage environments on all public clouds, but most of its public cloud services remain on IBM technology, and today it has an extremely limited footprint of AWS and Azure operations. The IBM cloud migration factory is split across multiple IBM business units; this allows greater availability of resources, but lacks the level of integration or effectiveness of some of its competitors.

- Some clients report that IBM needs to simplify its organization to increase reactivity, more rapidly adapt to new technologies and reduce provisioning time. They would also like IBM to improve its approach to cloud migration and workload optimization, global delivery resources and management, and value for money.

Infosys

With estimated revenue of $1.371 billion globally (up 18%), Infosys' DCO/HIMS business accounts for approximately 13% of its overall service business. In Europe, we estimate that Infosys' revenue is $410 million, a rise of 17%. With 24,838 physical servers under management, Infosys showed year-over-year growth of 6%. VMs under management increased by 10% to 75,026, plus an additional 2,996 managed in the public cloud (up 268%). Infosys provides ERP hosting for SAP systems with a total of 624,000 users, and ERP hosting for Oracle systems with a total of 193,000 users. Across Europe, Infosys clients had an average annual DCO/HIMS deal size of $4.881 million, while globally, such deals averaged $4.466 million annually. Infosys seeks to move clients to a new state of industrialized infrastructure delivery. It is designed to support business-aligned operations through modernization, industrialization and use of software-defined anything (SDx) by utilizing extensive automation (automation first approach) to drive service quality improvement.

Strengths

- Infosys' vision is expanding with new offerings that include ERP cloud transformation services, cybersecurity services, mainframe modernization and new vertical industry solutions (for example, predictive maintenance, service efficiency and operational efficiency), as well as business-focused control centers. Infosys has taken an aggressive automation-first approach, which includes an automation hub to support the reuse of automation artifacts based on multiple RPA and AI third parties that are integrated in the Infosys Nia initiative. It is pursuing an approach of leveraging its application management capabilities to move clients to the cloud.

- Infosys has grown its DCO revenue by 17% this year, with a combination of client wins and new revenue streams from transformation and migration. Hybrid IT and migrations are ramping up fast with several strong references for legacy modernization, ERP on cloud and MFaaS supported by a notable pipeline in the Nordic region. Infosys claims a 30% reduction in operations TCO by consolidating data centers and growing a number of automated processes (through its own IP and partnerships with Watson, Blue Prism and Cortana).

- Some clients praise Infosys for its flexibility, technical skills, large pool of resources, and willingness to deliver beyond contractual obligations. They also appreciate Infosys' negotiation flexibility, service management and value for money.

Cautions

- Although it can start to leverage an emerging network of control centers across continental Europe and the Nordic countries, Infosys' go-to-market and geographical coverage in Europe needs further investment. Infosys should be more active to be shortlisted, despite its limited size and visibility, for deals that have more than $50 million in TCV, despite its limited size and visibility. Although Infosys' growth has improved (No. 6 absolute growth in both North America and the EU), its market share is still relatively small. Because Infosys is accelerating in terms of innovation, customers should verify the fit between their own digital infrastructure transformation and Infosys' roadmap to ensure alignment.

- Despite being in an expansion phase, Infosys is gathering staff in only 3% of its deals, anticipating the effect of automation on acquired resources. Asset transition is also low at 10% to 12%, showing the anticipated effect of cloud-first strategies. The limited number of client staff transitions in deals may challenge Infosys' ability to provide fast-enough local front-end capabilities (Infosys is more focused on lateral hiring and rehiring instead of bulk transitioning), while the leveraging of automation remains limited.

- Some client references report that Infosys needs to increase its local subject matter expert capability, better manage turnover, and strengthen processes and automation. They would also like Infosys to improve its industrialized service offering, cloud migration, workflow optimization and quality assurance.

Orange Business Services

Globally, Orange Business Services' (OBS's) DCO/HIMS business grew by double digits to a Gartner estimate of roughly $100 million in revenue, roughly 2% of its overall revenue. OBS

continues to grow in both physical servers (up to roughly 3,700 or a 7% increase year over year) and VMs (up to roughly 2,700 or 18% year over year). Public cloud VMs also grew by 30% to 3,000. OBS provides ERP hosting for SAP systems to a total of 9,000 users, and, despite managing Oracle environments for its own group, OBS doesn't show significant capabilities on Oracle ERP management for external customers. DCO/HIMS data center client deals average slightly more than $528,000 in revenue annually. OBS's strategy aims to support its clients' global transformation journeys across networking and IT services, while integrating and securing data across the life cycle to support a bimodal approach to cloud adoption. Capabilities include data centers in 10 European countries, three North and South American countries, and five Asia/Pacific countries.

Strengths

- OBS is a 21,000-person organization that provides solution integration and management services focused on enabling an increased role of cloud and transformation services on IT and network experience. OBS's DCO revenue growth was mostly due to a number of hybrid developments, with cloud revenue grow of 21%. Its digital business transformation approach already supports an extensive amount of IoT-managed devices (40 million).

- Last year, OBS launched a Flexible Engine public cloud offering based on OpenStack and with Huawei as partner. It also has an extended cloud alliance with Huawei that provides access to the China market and to global capabilities in North and South America. OBS is developing intelligent automation using its own Djingo environment as well as third-party tools, such as those from Smartly AI, Watson and Microsoft. It also invests in its professional services for cloud assessments, strategy, design, transition and technical assurance, and may develop cloud-native applications for its customers. OBS offers dedicated on-premises private cloud for clients, and its Flexible Computing Advent (FCA) solution provides shared, virtual private cloud on OBS premises, but is also supporting hosting on AWS and Azure.

- Some clients praise OBS for ongoing operations, professionalism, scale and global reach. They also appreciate OBS's focus on account management, depth and breadth of service capabilities, and remote delivery methods.

Cautions

- OBS's offerings are very technology-focused, with business and vertical focus limited to transport and logistics, manufacturing, and natural resources. Its transformational offerings are mostly about data handling and management, with little added value for clients and no alignment to clients' value-added or digital business transformation needs. OBS's planned strategy to leverage partnerships and to grow by acquisition recognizes its need to broaden its portfolio of technologies and business solutions. There is still 70% of current business coming from private cloud offerings (dedicated or VPC VMware-based FCA), and clients should test and pilot OBS's capabilities to support application porting from VPC to public cloud.

- Despite claims that it can support multiple public clouds, OBS has very limited AWS and Azure footprints. OBS's automation progress is lagging against competitors, with only 10% of penetration to the customer base. Also, its staff is growing more than servers and revenue, and

is expected to grow by another 20% over two years. OBS's cloud migration revenue is low compared with the same revenue for all competitors, and its capabilities are still not organized with a cloud migration farm concept, nor is it leveraging low-cost nearshore/offshore capabilities.

- Some client references report that OBS needs to improve its speed and proactivity in sales and operations, its innovation, and its organizational agility. They would also like OBS to enhance its value for money, cloud migration, workload optimization, operational tools and negotiation flexibility.

Sopra Steria

Sopra Steria had revenue of $4.6 billion for fiscal year 2017, of which an estimated $2.1 billion came from all types of recurrent revenue, an increase of 2%. After the merger of Sopra and Steria, consolidation and rationalization activities reduced its DCO/HIMS revenue in 2017 to an estimated $320 million, all of which is from Europe and represents roughly 15% of its recurring revenue. Sopra Steria's servers under management increased, with physical servers down 5% to roughly 11,000 and VMs up 9% to roughly 18,000, while public cloud VMs doubled to 4,800. Sopra Steria provides ERP hosting for SAP systems with a total of 17,000 users, and ERP hosting for Oracle systems with a total of 2,000 users. DCO/HIMS deals for Sopra Steria averaged slightly less than $4.5 million in annual revenue. Sopra Steria's focus is on delivering an end-to-end approach to IT through innovative and robust services that enable the client's business strategy, using hybrid solutions, automation, virtualization and consolidation to drive competitiveness.

Strengths

- Sopra Steria is transforming to address clients' needs for bimodal delivery, faster speed of services, and greater reliability by moving to automation and dynamic co-management of digital solutions. It has a strong vertical focus, and has started to consolidate infrastructure management teams into regional control centers in France, the U.K., the Nordic countries, India and Poland.

- Sopra Steria's hybrid portfolio spans application operations, cloud services, infrastructure consulting and legacy services. It is investing in the use of automation tools, including IBM Watson, open-source KNIME and Google Machine Learning. Its hybrid managed services provide support for a wide range of public cloud providers (AWS, Azure, GCP, IBM Cloud and Oracle), and it utilizes CloudOptim to provide financial optimization for both public and private cloud. It operates a cloud factory migration approach, with 3,000 dedicated staff in its cloud impulse initiative.

- Some clients praise Sopra Steria for service quality and competence, customer intimacy, and risk management. They also appreciate Sopra Steria's focus on promptness of outage resolution, negotiation and contractual flexibility, and continuous improvement and innovation.

Cautions

- Three regions — the U.K., France and the Nordic countries — account for 95% of its hybrid services capability, and clients that want a panregional deal may find that Sopra Steria will struggle to deliver this. Many of its offerings are still of a small scale: The number of cloud migrations it has carried out to date is limited; it has SAP hosting capability in France and Switzerland only; and it has limited mainframe capability.

- Sopra Steria's level of automation and standardization is behind its competitors. It has automated only 20% of tasks to date, and just 30 clients use automation currently. It has a lower-than-average number of servers managed per staff member, and its ratio of customers to data centers is very low, showing significant dedicated legacy hosting operations. As a result, as it expands, Sopra Steria is still likely to see staff growing faster than its revenue.

- Some clients report that Sopra Steria needs to strengthen its program and project management, speed, innovation, and long-term value propositions. They would also like Sopra Steria to enhance depth and breadth of services, thought leadership, cloud migration, and workload optimization.

Sungard AS

Gartner estimates that Sungard AS's annual revenue was approximately $1.1 billion in the 2017 financial year, roughly flat year over year. Sungard AS's DCO/HIMS business is more than 80% of its IT outsourcing business, with estimated global revenue of $920 million (down 3%). In Europe, we estimate that Sungard AS's revenue is around $200 million, which is almost stable. Sungard AS continues to grow in both physical servers (up to 1,863 or 8%) and VMs (up to 3,886 or 19%) year over year, although there are none yet in the public cloud. Sungard AS provides ERP hosting for SAP systems with a total of 5,000 users, and ERP hosting for Oracle systems with a total of 1,400 users. DCO/HIMS deals for Sungard AS's Europe and global clients averaged nearly $540,000 annually. Sungard AS uses a combination of managed public and private cloud to enhance its recovery and resilience services with hybrid hosting capability, IT transformation and cloud consultancy services.

Strengths

- Sungard AS's strategy is to partner with customers to provide fully resilient production solutions tailored to unique business needs. Increasingly, this requires consulting-led transformation and hybrid IT management. Sungard AS positions its offerings to address enterprises with between $500 million and $7 billion in revenue that have complex service needs and can find value from these services.

- Sungard AS launched several new offerings in 2017, including Managed Cloud AWS (allowing recovery workloads to be moved to and from AWS), Managed Cloud HPC, Cloud Recovery AWS and Cloud Recovery virtual servers. With high levels of inbuilt automation, Sungard AS delivered these without requiring additional staff, and the traction of these products alongside transformational offerings has seen Sungard AS's European DCO revenue rise by 11% this year to $333 million.

- Some clients praise Sungard AS for availability, performance, team knowledge and professional engagement. They also appreciate Sungard AS's focus on methodologies and quality assurance, data center centralization, and consolidation and industrialized services.

Cautions

- Despite a coordinated move to hybrid services, Sungard AS's recovery and colocation services still contribute to approximately 66% of its European revenue. Sungard AS's vision of hybrid cloud services is limited to the use of AWS, and with no partnership or presence with providers such as Alibaba, Azure, GCP or IBM.

- Sungard AS's geographical penetration is still limited mainly to France, Ireland, Sweden and the U.K., requiring Sungard AS to invest to cover more of the complex European marketplace. The majority of Sungard AS's clients have less than $1 billion in terms of revenue; thus, its growth may be limited to the attractive but challenging midsize enterprise (MSE) market. Sungard AS seeks transformation as part of its deals, and may not be the most cost-effective choice for taking over existing services without transformation. Its automation efforts are primarily limited to disaster recovery (DR), IaaS and PaaS, with very limited SAP, Oracle and mainframe automation.

- Some clients report that Sungard AS needs to strengthen its relationship management and local teams' ability to make decisions, and also needs to increase its change management speed. In addition, they would like Sungard AS to enhance global delivery processes and resources to meet geographical requirements, and increase value for money.

Tata Consultancy Services

We estimate that the DCO/HIMS business grew to 15% of Tata Consultancy Services' (TCS's) overall business, and it had revenue of roughly $2.759 billion globally. We estimate that TCS's revenue in Europe is $909 million, up 43% year over year. The number of physical servers that TCS manages is 69,283, a year-over-year change of –15%, while it has 536,379 VMs under management, a change of 58% over the year. Additionally, it has 18,323 VMs in the public cloud, with an estimated growth of 42%. TCS provides ERP hosting for SAP systems with a total of 1,032,000 users, and ERP hosting for Oracle systems with a total of 463,000 users. Across Europe, TCS's clients had an average annual DCO/HIMS deal size of $4.208 million, while globally, such deals averaged $3.515 million annually. To reflect the board-level priorities of its clients and move from full service to full stakeholder play, TCS has restructured into three core service organizations, Cognitive Business Operations (CBO), Digital Transformation Services (DTS), and Consulting and Services Integration (C&SI).

Strengths

- CBO includes two organizational units: IT Infrastructure Services and Business Process Services. It delivers to the digital transformation and operations requirements of customers, helping them to improve end-to-end business operations performances. TCS's strategy is clearly bimodal, with DTS organized in nine profit and loss (P&L) units focused on various facets of customers' digital enablement. As such, TCS is implementing shorter contracts with clients

to drive greater flexibility and transparency of unit usage, resourcing on account, and transparency into infrastructure usage.

- TCS grew revenue by 43% across the year in Europe. Its significant investment in automation showed clear benefits with this revenue growth, only requiring an additional 14% of staff to deliver, with a best-in-class volume-to-staff growth index of roughly 30%. TCS is growing its capacity to sell and serve the various local markets in key European countries. This is thanks to new investment in service delivery capabilities (the U.K., France, Spain, Germany, Denmark, Sweden and Hungary) and the ramping up of sales capabilities and cloud delivery data centers (the U.K., Germany and Sweden). TCS is also evaluating and pitching the value of its services to different IT and business stakeholders, setting the scene for more deals with business outcomes and SLAs.

- Some clients praise TCS for operational stability and processes, customer centricity, and flexibility. They also appreciate TCS's focus on service management, promptness of outage resolution, management and contract flexibility.

Cautions

- TCS provides mainframe services in collaboration with several hosting vendors (typically, TCS directly delivers system administration, operations control, performance and capacity management, and consolidation and cost optimization). Also, it is considering partnering with IBM and other vendors for MFaaS. In addition, TCS is reorganizing from a technology/dedicated staff base to a business-driven, industrialized and automation approach, and transforming the skills pyramid to increase Mode 2 high-level design capacity. Clients must actively collaborate with TCS to ensure they have the right combination of skills, industrialization, customization, key partners and performances they need, and to protect the key roles for their deals.

- TCS CBO is starting to implement business-outcome-based SLAs with its customers (metrics like time to market for new initiatives, stock replenishment in stores or car production line delays). However, these business SLAs are not yet standardized or "benchmarkable" enough due to lack of market maturity. Therefore, customers must analyze their business metrics, collaboratively develop and implement these new SLAs with TCS, and actively manage their continuous improvement. Also, vendor management practices must be mature, because end-to-end business SLAs require either a single provider (full outsourcing) or an effective multisourcing service integrator (MSI) role (and a relevant operational-level agreement [OLA] across multiple providers).

- Some clients report that TCS needs to increase its proactivity and communication, increase service standardization and leverage, and provide more innovation. They would also like TCS to enhance service industrialization, operational and tool expertise, and continuous improvement.

Tech Mahindra

During 2017, Tech Mahindra's revenue grew by 7.8% to almost $4.4 billion. Gartner estimates that its 2017 DCO revenue was less than $500 million globally, with roughly $100 million in Europe. Gartner estimates that Tech Mahindra's average revenue per customer in Europe for DCO/HIMS is

between $2 million and $3 million TCV per year, with a key focus on banking, financial services, insurance, retail and telecom. During 2017, Tech Mahindra focused significantly on digital reskilling, strategizing, and improving its footprints in Asia/Pacific and Africa, with several key wins. Because Tech Mahindra did not provide a detailed update on its business, its positioning is based on public information, Gartner analysts' judgments and information available to Gartner through other sources (vendor briefings, other Magic Quadrants and inquiries with customers).

Strengths

- Tech Mahindra continues to drive internal transformation through its new digital, automation, verticalization, innovation and disruption (DAVID) strategy, supported with targeted acquisitions, partnerships and retraining. It has acquired CJS Solutions Group (trading as the HCI Group) to build its capabilities in healthcare and life sciences, and also entered a strategic partnership with Toshiba Digital Solutions to create smart factory solutions. It is reskilling staff through multiple digital and IoT training programs.

- Tech Mahindra leverages automation platforms, such as FixStream Meridian and mPAC, solutions to drive productivity benefits and streamline its market-focused competitive pricing. During the first two quarters of FY18, the company generated productivity savings of more than 3,200 FTEs in different projects.

- Clients consider Tech Mahindra to be customer-centric and "value for the money," and those interested in cost optimization like Tech Mahindra's willingness to deliver competitive pricing.

Cautions

- Tech Mahindra's messaging and market recognition remain marginal in the DCO space, and it has little visibility with European clients, especially in Continental Europe. With extensive transformations underway in Tech Mahindra, clients should seek commitments that these transformational changes will not impact them in terms of delivery and service. Clients should evaluate new digital offerings against those of competitors to determine how well these fit their objectives, and how well these compare with more mature market offerings.

- Tech Mahindra needs to strengthen its cloud portfolio to drive more digital revenue directly, and in support of delivering other offerings as well (for example, business process outsourcing [BPO] and business process as a service [BPaaS]). Gartner estimates that digital revenue accounts for less than 20% of the company's overall IT revenue, placing Tech Mahindra significantly behind its competition. Across its server-managed estate, penetration into the public cloud is marginal and lower than many of its competitors, which have achieved a much higher level of cloud usage.

- Tech Mahindra needs to improve its cost transparency, quality of service and account management. Although clients realize value for money, the cost may not remain a key differentiator for those whose focus is on doing better, rather than doing cheaper.

Tieto

Tieto's annual revenue was €1.562 billion in the 2017 financial year, and Gartner estimates that outsourcing of all types composed €797 million of this. With estimated revenue of $508 million globally (unchanged year over year), Tieto's DCO/HIMS business accounts for approximately 64% of its overall outsourcing business. With 12,654 physical servers under management, Tieto didn't show significant growth from the previous year. VMs under management have been flat at 34,426, plus an additional 340 VMs managed in the public cloud (plus 25%). Tieto provides ERP hosting for SAP systems with a total of 360,000 users, and it lacks a notable Oracle ERP user base. Across Europe, Tieto's clients had an average annual DCO/HIMS deal size of $725 million. Tieto aims to improve the experience of clients, as they transition from legacy operations to hybrid cloud, by supporting the journey with advisory, consultancy and automated services. It goes to market through three main vertical industry segments — FS (financial services), PHCW (public, HC and welfare) and ICS (industrial and consumer sectors) — supported by horizontal delivery units: Technology Services and Modernization, and Product Development Services.

Strengths

- Tieto's Technology Services and Modernization strategy is based on the implementation of OneCloud — started in 2017 — as a multicloud environment to seamlessly provide hybrid capacity to its Nordic customers. A strong installed base in Sweden and Finland and its close relationship with Nordic clients, for which it delivers services to more than 85 countries globally, are Tieto's main strengths. Strategic focus is on customer experience through digital consulting, relentless infrastructure service industrialization, and the development of end-to-end IoT capabilities, underpinned by analytics and service management.

- Tieto's focus is on large Nordic organizations and local government bodies, with MSEs supporting only 5% of revenue. Traditional implementations have been focused mostly on custom implementations and dedicated servers. Tieto has built out its industry-specific private clouds with full-stack PaaS, and hybrid infrastructure management is based on ServiceNow for ITSM, BMC TrueSight for monitoring, ELK Stack for predictive analytics, and Blue Prism and UiPath for automation.

- Some clients praise Tieto for customer business understanding, flexibility and reliable operations. They also appreciate Tieto's focus on relationship management, data center consolidation practices, and depth and breadth of service capabilities.

Cautions

- Tieto has been investing in its own cloud services in the past few years, but is not yet significantly growing its IT outsourcing business or expanding geographically. Its public cloud installed based is still very limited. Its data center's geographical coverage is mostly around the Nordic countries (Finland and Sweden). It has additional data center capabilities in Norway and Russia, and colocation capabilities in Atlanta and Singapore to support the North America and Asia/Pacific presence of its Nordic customers. Tieto experiences relatively limited home competition in the Nordic markets, where it frequently wins deals, but pressure from

international competitors is rising. Although it is seeking to expand its partnerships, it has fewer partner deals with other global IT and cloud vendors than its competitors do.

- Tieto had no revenue growth in 2017, and volume growth was also limited to 1%, which is at the lower end of all Magic Quadrant providers. This lack of growth (compared with a server growth of 30% across all players) and its declining margin show that Tieto, a midsize regional provider, is facing a challenge in the hyperscale and decreasing unit-price marketplaces. Tieto's mix of 40% local Nordic and 60% globally delivered resources, and relatively little impact of automation (except throughout its operations), make it a fairly expensive, yet culturally aligned, provider to work with. Tieto offers a limited consulting capability to support its clients' migration to cloud.

- Some clients report that Tieto needs to improve its global sourcing capabilities and processes, speed of migration to hybrid environments, and project and security management. They would also like Tieto to enhance quality assurance processes, remote infrastructure service quality, and cloud migration and workload optimization.

T-Systems

In 2017, T-Systems' overall revenue was $8.3 billion, of which outsourcing revenue was an estimated $3.5 billion, down 3.7%. With estimated revenue of $2.3 billion globally (unchanged year over year), DCO/HIMS accounts for roughly 66% of its outsourcing, and estimated European revenue of $1.9 billion is up 2% year over year. Its managed physical servers fell to 18,000 (a year over year drop of 10%), while its managed VMs fell to 48,000 (down 3%), but an additional 36,000 VMs managed in public cloud represent an increase by a factor of 12. T-Systems provides ERP hosting for SAP systems with a total of 4.9 million users, and it remains without an Oracle ERP offering. In Europe, T-Systems had an average annual DCO/HIMS deal size of $1.3 million, compared with a global average of $1.6 million. T-Systems' service portfolio strategy includes legacy and growth areas, and aligns to the digital data value chain of clients, with data collected through IoT, transported via its network, and stored and analyzed securely to provide insight and process redesign.

Strengths

- Under its new CEO, T-Systems' strategy is to move toward being a portfolio-centric organization with an end-to-end focus on resilient delivery for clients. It will offer cloud services only if it can guarantee operational excellence and data trust, and it supports this with its Zero Failure transition approach and its Zero Outage management approach. T-Systems supports not only its traditional base of large customers, but also MSEs both directly (outside Germany) and indirectly (through the Deutsche Telekom unit TDG in Germany).

- Despite strong utilization in 2017 of its Open Telekom Cloud (based on Huawei technology, up by over 35,000 VMs), T-Systems is also developing its offerings to support both a hybrid infrastructure environment and multicloud managed services. It reports above-average automation capabilities, with over 60% of the tasks automated for use by over 85% of the clients, and it plans to increase automation levels to 85% to 90% of all tasks by 2020.

- Some client references praise T-Systems for reliability and operational excellence, competence and stability, and flexibility. They also appreciate T-Systems' focus on quality assurance, consolidation of data center, and operational and tool expertise.

Cautions

- T-Systems is implementing multiple new offerings: a private Azure cloud stack, a private OpenStack cloud and a new VMware-based stack. Clients should be aware of both potential benefits and transition issues as these new services come online. With this technology focus on establishing its new portfolio offerings, T-Systems risks hindering its focus on implementing enough digital co-innovation with customers, and being overtaken by more innovative providers.

- Despite strong automation levels leading to the ongoing need for fewer staff and the consolidation of 40% of its data centers in 2017, T-Systems still has one of the lowest numbers of servers managed per staff member in this research. Ongoing drops in its margins suggest it still has underlying cost issues in its operations, despite its increasing leverage of global delivery. The numbers of servers it manages on AWS and Azure are roughly one-tenth the average number managed by providers in this research, and it is not yet a global partner of AWS.

- Some clients report that T-Systems needs to increase its speed and innovation, international presence, and proactivity. They would also like T-Systems to enhance its industry thought leadership, depth and breadth of service capabilities, and global delivery capabilities and practices.

Wipro

Globally, Wipro's DCO/HIMS business grew 16% to an estimated $1.835 billion in revenue, roughly 24% of its overall revenue. Gartner estimates that Wipro's revenue in Europe increased by 13% to $498 million. The number of physical servers that Wipro manages is 50,634, a year-over-year change of –3%, while it has 301,848 VMs under management, a growth of 12% over the year. Additionally, it has 11,925 VMs in the public cloud, with an estimated growth of 78%. Wipro provides ERP hosting for SAP systems with a total of 560,000 users, and ERP hosting for Oracle systems with a total of 862,000 users. Across Europe, Wipro's clients had an average annual DCO/HIMS deal size of $3.86 million, while globally, such deals averaged $2.13 million annually. Wipro's differentiating strategy is based on bimodal implementation, a partner's ecosystem, and its own Topcoder crowdsourcing platform to support digital transformation, Wipro's API-led approach, its BoundaryLess DataCenter and its enterprise digital command center. Wipro has just announced the divestiture of its IBM mainframe hosting business, which moved to a partner firm, Ensono; this should take place during 2Q18 and 3Q18.

Strengths

- Wipro has adjusted its strategy to recognize that two approaches are necessary: an *agile strategy* to enable clients' digital transformations, coupled with an *operational strategy* to help

clients with mission-critical workloads and legacies. Its hybrid IT management strategy is now supported by an integrated cloud business unit aligned to three hyperscale providers: AWS, Microsoft and GCP. Wipro is also embedding the application capabilities and the Topcoder crowdsourcing platform to deliver on full-stack cloud requirements (1,400 challenges per quarter and $80 million paid to the members of the Topcoder community in 2017). An extended ecosystem of tool partners is leveraged to implement the intelligent automation of the hybrid IT management strategy, implemented with more than 50 customers and raising ecosystem-driven deals from 5% to 20%.

- Wipro's execution of its bimodal approach is scaling up, with claims of 90% automated cloud migrations and 60% of its deals involving digital, DevOps and cloud-native development. Wipro has created a Data Discovery Platform for analytics, a migration platform to move "any app to any cloud" by working with AWS and Azure, and its Looking Glass capability for analytics on top of IoT. Its European staffing is now more than 50% localized. It is investing heavily in next-generation skills, and training resources through its digital academy, with more than 800 staff members skilled in AWS, 850 in Azure and 50 in GCP, supported by 2,500 DevOps specialists. Wipro's focus on automation is working; while client numbers grew by 24%, revenue was up 13% and DCO staff numbers went down 15%.

- Some clients praise Wipro for process and quality focus, customer understanding, and responsiveness. They also appreciate Wipro's depth and breadth of service capabilities, cloud migration and workload optimization capabilities, and industrialized services.

Cautions

- Despite its growth, Wipro's revenue size, number of served customers and some of its local capabilities remain below the average levels in the Magic Quadrant. From a geographic perspective, it lacks coverage in Southern Europe and has limited penetration in France. Wipro's announced divestiture of its mainframe hosting business to Ensono offers key competitors the opportunity to grow their businesses in mainframe-based accounts. New and existing mainframe customers must work closely with Wipro to avoid any delivery, integration and flexibility issues during the 2018 ramp-up of this new relationship.

- Wipro's rapid deployment of new services, its new architectural blueprint for hybrid IT infrastructure and its implementation of bimodal and consulting-led cloud sales may create stress on European front-end resources, which are only 2% of its DCO/HIMS staff. Despite having reduced its workforce by 16% in 2017, Wipro made staff acquisitions in 20% of its 2017 deals. Wipro still targets mainly large clients, so its installed base in Europe remains about 130 customers, with only 14% of revenue coming from MSE clients' cloud and digital transformations.

- Some clients report that Wipro needs to strengthen its internal coordination, resource management and proactive improvements. They would also like Wipro to enhance continuous improvement and innovation, escalation procedures, and thought leadership.

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

CenturyLink, Claranet, Orange Business Services, Sungard AS and Tieto were added in 2018 because they now meet this Magic Quadrant's criteria.

Dropped

No vendors were dropped from last year's Magic Quadrant. HPE ES and CSC were represented then as stand-alone capabilities, and are now represented in their current form as DXC Technology.

Inclusion and Exclusion Criteria

This Magic Quadrant evaluates service providers' ability to deliver DCMSs — including DCO, HIMSs, private cloud services, mainframe services, ERP hosting, data center transformation, cloud migration services, edge DCMSs and other IUS. Services are enabled by RIM services, intelligent automation services and SDIs.

Included are service providers that:

- Demonstrate they provide DCO/HIMS as a sole-source direct provider (although direct ownership of a data center is not required for inclusion). This excludes data center services delivered entirely by partners or subcontractors.

- Show they manage nonmarginal data center delivery capabilities in:

    - Either Canada, the U.S. or both (admission to North America Magic Quadrant)

    - At least three European regions (admission to Europe Magic Quadrant)

    - At least two regions in Asia/Pacific (admission to Asia/Pacific Magic Quadrant)

- Show they generate at least the following amount of DCO and IUS annual revenue (note: this should not include pure hosting/colocation or unmanaged cloud revenue):

    - $100 million in North America (admission to North America Magic Quadrant)

    - $50 million in Europe (admission to Europe Magic Quadrant)

    - $50 million in Asia/Pacific (admission to Asia/Pacific Magic Quadrant)

- Generate no more than 80% of their total European DCO and utility service revenue in any one country in Europe (admission to Europe Magic Quadrant).

- Generate a minimum of 10% of their total Asia/Pacific DCO service and IUS revenue in at least two Asia/Pacific countries (admission to Asia/Pacific Magic Quadrant).

Excluded from this analysis are service providers that:

- Deliver data center services entirely through partners or subcontractors.

- Focus exclusively on pure hosting services, such as colocation or simple/dedicated hosting. Also those that take a purely rental approach to data center capabilities.

- Engage in DCO service relationships that only manage clients' data center resources remotely, or those that are not bundled — for example, when a client has one contract with a hosting provider and a second contract with a RIM provider.

Note: Each bullet point above constitutes a separate and distinct criterion. All criteria must be met to qualify for participation in each Magic Quadrant and Critical Capabilities analysis. In order to be included in this project, you will need to provide detailed, written information that satisfies each of the listed criteria. Gartner reserves the right to include participants in the Magic Quadrant analysis that meet the criteria, but have elected to not formally participate to the study. Based on Gartner methodology, the maximum number of providers positioned in each Magic Quadrant is limited to 24.

Honorable Mentions

Providers like NTT DATA, Dell EMC Services and Virtustream, PlusServer, and Rackspace were quite near to participation, but failed on some of the qualification criteria. However, they may be included in further analysis.

Evaluation Criteria

Ability to Execute

Gartner evaluates providers based on the quality and efficacy of the processes, systems, methods and procedures that enable their performance to be competitive and effective, while positively affecting revenue, retention and reputation. We judge providers on their ability to capitalize on their vision, their success in doing so, and their regional footholds in terms of resources, coverage, seamless delivery and ability to meet clients' requirements.

Ability to Execute is judged by seven main criteria. Each criterion is described below, and the respective weightings are shown in Table 1.

Product or Service

For this category, we evaluate each provider's service delivery capabilities and the services offered. We give special consideration to practice area profile and defined critical capabilities, service definition, effective "resourcing," and transition management. The categories of service for our study are as follows:

- Practice area profile and critical service capabilities, with a focus on:

    - Overall DCO revenue, client numbers and staff allocated in the region

    - Data center location, ownership (provider, client or third party), and size; control center location and size

    - Management team and position in the corporate structure

    - Amount of MIPS, servers and users supported, and relevant metrics for each critical capability

    - Percentage of capabilities managed in the public cloud, like AWS, Azure and others

    - Effect of automation on process performance and customer satisfaction

- Core services and SLAs, with a focus on:

    - The management of SLAs, which includes the provision of core and ancillary data center services, such as full facilities management, remote management, customer on-site support, capacity/configuration planning, cloud migration, and data center consolidation and transformation

    - SLAs provided on public cloud environments

    - Typical SLAs offered to market for services and procedures for defining, reviewing, measuring and reporting SLAs

    - Penalties or incentives that are tied to SLAs, including measurement of customer satisfaction

- Resourcing and transition management, which measures:

    - Effective provision of relevant resources to customers

    - Effective tools and procedures to assist with resource allocation

    - Specific transition tools and methodologies for IUS and cloud transitions, and for data center consolidation and transformation

    - Practices in place to recruit, train and retain qualified staff, and the key skill sets and competencies of those resources, methodologies specific to public cloud transition, and workload migration across hybrid clouds

- Also, in relation to transition management and staff, with a view toward the next two years, we inquire about service providers':

  - Ability to integrate staff coming from client organizations through competitive job offers, achieved by addressing (in different countries) such things as salary and benefits packages, retraining, career progression opportunities, and minimized disruptions to employees due to job relocation

  - Typical processes and project plans for transition, as well as procedures for shifting workloads to their facilities or to hyperscale public cloud providers

  - Feedback from clients on their experiences with cloud transition projects and day-to-day service of hybrid environments

Overall Viability

An assessment of the organization's overall financial health, the financial success of the provider's data center operations, and the likelihood that the individual data center business unit will continue investing to support state-of-the-art delivery of the organization's portfolio of services.

In particular, we consider:

- Growth in the volume per unit (MIPS and/or servers) and revenue in the outsourcing data center segment during the past years

- The outlook for this outsourcing segment of the business, including expectations for growth, decline or stability of revenue, margins, units and unit prices

- Replacement of the organization's resources with public cloud resources, additional revenue from migration and HIMSs, and accrued competitiveness due to intelligent automation

Sales Execution/Pricing

For this category, we assess each provider's capabilities in all presales activities and the structure that supports them. We also consider teams in charge of deal management, pricing and clarity of scope. In addition, we investigate flexibility in negotiating key terms (like unlimited liability, security, confidentiality and data privacy, and exit terms).

We also interview clients to gather feedback about their experiences with the ESP in the areas of negotiation and pricing.

Market Responsiveness/Record

For this category, we assess each provider's ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customers' needs evolve and market dynamics change. Our particular focus is on cloud-first strategy implementation, rapid migration capabilities/methodologies/factories, HIMSs architecture, intelligent automation tools, processes and resources.

We also ask clients for feedback on their service provider's flexibility, continuous improvement and innovation.

Marketing Execution

For this category, we assess the clarity, quality, creativity and efficacy of programs designed to deliver an organization's message. Such a message serves to influence the market, promote the organization's brand and business, increase awareness of its services, and establish a positive association in the minds of buyers between the organization and its services and brands.

Customer Experience

For this category, we evaluate reference customers' overall satisfaction with the service and the relationship, taking into account other Gartner-client interactions. We obtain access to reference customers by asking each provider for at least 10 references for DCO services in each macroregion (North America, European Union, Asia/Pacific). We require these references to observe the geographic distribution needed to participate in the study and the different industries addressed. We also require them to provide enough evidence of each 2018 critical capability (mainframe managed services, ERP hosting managed services, private cloud managed services, HIMSs, data center transformation services and cloud migration services). In addition, we ask for samples of global reports on SLAs, customer satisfaction and other relevant measures during the past 12 months.

In particular, we consider important elements of a successful DCO customer experience. These include client satisfaction, incentive plans for account teams, and continuous improvement processes in place both centrally and within the account management team.

Operations

For this category, we assess each provider's ability to meet its goals and commitments, including contractual service delivery obligations to clients. Factors include the quality of the organizational structure, skills, experiences, programs, systems and other vehicles that enable the service provider to operate effectively and efficiently on an ongoing basis.

In particular, we consider communication processes, quality control and assurance processes, relationships, contract and service delivery management, continuous improvement plans, methodologies — especially relating to ITIL processes — and other certifications available for all sites and specific data centers or clients.

We also assess processes, procedures and resources for HIMSs at a high level. We ask for how integration of ITIL and self-service is managed from a roles and responsibility matrix perspective, SLAs, exclusion clauses, tooling and others. We focus on architecture and tools for hybrid infrastructure management and operation. We measure the specific achievements in terms of labor activities replaced by automation (percent of automation achieved).

In addition, we speak to the ESP about its main procedures (operational and transitional, and those relating to program management, relationship management and change management), and ask reference customers for feedback about those procedures.

Also, we ask providers to supply information about the facilities and services they provide, the principal system platform they manage, locations, capabilities and resources, DR plans, physical and IT security, and backup procedures.

Table 1. Ability to Execute Evaluation Criteria

Evaluation Criteria	Weighting
Product or Service	High
Overall Viability	High
Sales Execution/Pricing	Medium
Market Responsiveness/Record	Medium
Marketing Execution	Low
Customer Experience	High
Operations	Medium

Source: Gartner (June 2018)

Completeness of Vision

Gartner evaluates service providers on their ability to convincingly articulate logical statements about current and future market directions, innovations, customer needs and competitive forces, and on how well these map to Gartner's position. Ultimately, we rate providers on their understanding of how they can exploit market forces to create opportunities for their organizations.

Completeness of Vision is judged using eight main criteria. Each criterion is described below, and the respective weightings are shown in Table 2.

Market Understanding

For this category, we assess each provider's corporate view of the data center services and outsourcing market in the relevant geography. We evaluate how each provider is trying to address its clients' main requirements. We also look at the main effect that new technologies, delivery models and services are likely to have on each provider's business and delivery models in the short term and the medium term.

In particular, we consider each provider's:

- Vision for DCO and utility services, including IaaS-enabled and PaaS-enabled offerings and HIMSs

- Plans to differentiate itself from major competitors and leverage cloud-first strategies, while mitigating the price/margin cannibalization effect

- System for segmenting and analyzing the target market to drive marketing and sales, inclusive of addressing the midsize market (MSEs — for example, organizations with less than $1 billion in revenue)

- Plans to position its infrastructure services within a broader offering, particularly bimodal and digital innovation, as a service (aaS), and DevOps

Marketing Strategy

For this category, we assess each provider's main marketing messages relating to DCO services in the relevant geography.

In particular, we consider:

- Current and future value propositions for DCO, IUS, cloud and HIMSs

- The importance of DCO services within the broader portfolio of IT services

- Channels for internal and external communication

- Establishment of partnerships for secure, regional/national and privacy-compliant public clouds

- The differentiation of a provider's message from its competitors' messages

Sales Strategy

For this category, we require each provider to illustrate its:

- Overall sales strategy for DCO/HIMS (for example, direct selling versus indirect selling via partners, allies and channels)

- Reactive answers to RFPs compared with its proactive activities (for example, bimodal approach, vertical bundles, industry-specific solutions)

- Stand-alone offerings compared with offerings bundled with other services

- Dedicated sales force compared with its general sales force

In particular, we consider:

- A high-level sales organization chart to illustrate the provider's go-to-market strategy

- The number of dedicated personnel in the relevant geography

- The number of offers issued during the past 12 months, as well as the number in the pipeline

- Countries covered by direct local teams, as opposed to centralized teams

- Direct sales versus partner sales versus self-service (public cloud) commercial approaches

- Client retention rate (driven by the ease of doing business with the provider and its focus on relationship management)

Offering (Product) Strategy

For this category, we require each provider to specify the most important aspects of the service offering that differentiate it in the market and deliver value to its clients.

In particular, we consider each provider's:

- Ability to integrate client assets, including data centers in the relevant geography

- Ability to transfer data center staff from client to provider

- Approach to combining standard service elements with customized service delivery to provide flexibility, low-cost and cloud-enabled service offerings

- Ability to provide end-to-end business process management of hybrid infrastructure and applications

- Ability to automate labor-based tasks by leveraging RPA tools and intelligent process automation solutions (for example, AI, smart machines, cognitive services)

Business Model

For this category, we ask each provider for a high-level description of its business model for DCO services, and how it fits within the overall business model. In particular, we consider the ability to address and satisfy two competing requirements: client-specific requirements (driving client satisfaction) and industrialized, centralized delivery of DCO services (driving low costs and protecting margins).

To evaluate how well the provider's business model addresses account management, we ask for information about:

- The structure of the management teams used to support and manage customers

- The structure of the teams managing the relationship with public cloud providers and other third parties and partners

- The average experience, knowledge and skills level of executive managers and key customer-facing managers

- Processes to address customer issues locally, compared with centrally, including customer access to the appropriate level of management within the service provider and to escalation procedures both internally and toward public cloud providers

To evaluate how well the providers' business models address delivery, we ask each provider to describe the strategy for centralized delivery of standardized data center services. We focus on how much of the service is based on virtualized and automated platforms, and how much uses cloud IaaS and PaaS platforms. We also ask for information about the provider's approach to the global delivery model for DCO services, as well as established and planned remote premises and the progressive effect of intelligent automation on service quality, time to market and cost.

We ask each provider's reference customers for their judgment about the provider's business model, including account management and service delivery, and factor the answers into our evaluation.

Vertical/Industry Strategy

For this category, we assess each provider's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

In particular, we consider each service provider's:

- Penetration of different industries for DCO services

- Penetration of public cloud (especially IaaS), which may drive different public cloud platforms in different regions/vertical industries

- Ability to demonstrate expertise in the vertical markets and business processes underpinned by DCO services

Innovation

For this category, we evaluate each provider's position in the market as a thought leader and innovator. We also evaluate each provider on its leadership and investments to both achieve its vision and develop innovative strategies in the DCO market.

In particular, we ask providers to answer the following questions:

- What investments is your company making to sustain and enhance its vision for innovative DCO services?

- How do you offer innovation to your established and new customers?

- What innovative solutions have you provided to customers in the past 12 months?

- What global alliances do you have with other leading suppliers, and what investments support those alliances?

We also ask for details about each service provider's utility-based offerings, including:

- Highly standardized services, processes and SLAs

- Virtualized and automated computing platforms

- HIMSs

- Utility pricing units

- Reduced baselines, increased flexibility, cloud enablement and application/workload/data portability

- Intelligent process automation

- Support of IoT platforms and development of IoT managed services

- Management of edge computing and edge data centers

We ask reference customers for their judgment about their provider's ability to innovate. This includes the technical aspects of innovation, the provider's ability to lower costs and improve the service by delivering innovative utility-based services, and the provider's degree of proactiveness, adaptability and service flexibility.

Geographic Strategy

For this category, we look at regional capabilities, global consolidation processes, local alliances and partnerships, including:

- Each provider's strategy to target the specific geography with resources, skills and offerings appropriate for specific client needs

- How infrastructure consolidation processes are affecting the practice area landscape

- Relationships with product and service providers to add value, provide full-service solutions or bring innovation closer to clients

- Relationships with public cloud providers for the establishment of regional/national/compliant public cloud platforms

- How each provider takes responsibility for managing the service delivered, even when using subcontractors or partners

We also ask reference customers for their feedback on local capabilities, and the current or potential effects of consolidation and global delivery processes.

Table 2. Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	Medium
Marketing Strategy	Low
Sales Strategy	Medium
Offering (Product) Strategy	High
Business Model	High
Vertical/Industry Strategy	Low
Innovation	High
Geographic Strategy	Medium

Source: Gartner (June 2018)

Quadrant Descriptions

Leaders

Leaders perform skillfully. They have a clear vision of the market's direction and develop competencies to maintain their leadership. They shape the market, rather than follow it. This year, the Leaders quadrant includes Accenture, Atos, DXC Technology, HCL Technologies, IBM, Fujitsu and T-Systems.

Challengers

Challengers execute well today, but have a less well-defined view of the market's direction. They need to be more aggressive in outlining and communicating their strategy for the future. This year, the Challengers quadrant includes Capgemini.

Visionaries

Visionaries have a clear vision of the market's direction and focus on providing services to meet future market needs. They need to improve their ability to deliver, and to penetrate the European market. This year, the Visionaries quadrant includes Tata Consultancy Services and Wipro.

Niche Players

Niche Players focus successfully on a particular service, a limited number of European markets or both. This narrow focus may affect their ability to outperform or innovate. This year, the Niche

Players quadrant includes CenturyLink, CGI, Claranet, Cognizant, Infosys, Orange Business Services, Sopra Steria, Sungard AS, Tech Mahindra and Tieto.

Context

According to the 2018 Gartner CIO Survey (see "The 2018 CIO Agenda: Mastering the New Job of the CIO"), the requirements for digital business are driving faster choices for customers, and accelerated transformation toward implementing a digital ecosystem in a marketplace where unit prices are necessarily continuing to fall (see "Leverage Decreasing Unit Prices to Enable Digital Business Success"). Transformation toward cloud services and solutions continues to be a high priority for respondents (BI/analytics, cloud services/solutions and digitalization/digital marketing are the top three areas of investment increase). The effect of commoditization and low prices is causing ERP, infrastructure and data center, and legacy systems to be the areas of investment decrease in most organizations.[3]

The 2018 Gartner CIO Survey further reveals that IT leaders are also focusing on a long list of disruptive innovation initiatives involving competencies and services in new areas like advanced analytics, IoT, cybersecurity, business algorithms and machine learning. This confirms that many service providers are earning a substantial amount of revenue from data center modernization initiatives, which were well-represented during our vendor briefings (they reported 60% to 90% of deals involving cloud transformation and HIMSs). Data center modernization initiatives are also seen as an important part of the portfolio of services as organizations move from legacy data centers into hybrid digital business platforms.[4]

Cloud is now an essential enabler for digital business initiatives. Providers' references report that 43.1% of their workload is now in the hybrid cloud: 29.7% in the private cloud and 13.4% in the public cloud. This will mean increased dependence on cloud and hybrid infrastructure management initiatives. For this reason, we have extended the scope of our traditional DCO/HIMS Magic Quadrant to focus mostly on hybrid infrastructure service management capabilities. This Magic Quadrant coverage will be further expanded in upcoming years to include edge computing, IoT support, intelligent services and relevant critical capabilities.

In addition, the data center services market, when cloud-enabled, can offer price points as much as 50% lower than clients' internal or traditionally outsourced costs. The data center services market is reducing the unit price of outsourced and cloud data center infrastructure services by more than 10% per year.[5] Infrastructure costs compose about 50% of the average IT budget,[6] with most of this coming from data center services (20% of the whole IT budget). Therefore, this year's Magic Quadrant analysis offers must-have support for informed decisions on how to spend a large portion of the IT budget, and transform from legacy data centers into the required hybrid IT infrastructure.

This Magic Quadrant assesses the Ability to Execute and Completeness of Vision of 20 DCO and HIMS providers in Europe. This information and analysis, coupled with the relevant Critical Capabilities analysis and a lot of derived research (see "How to Select Global Infrastructure Service Providers in 90 Minutes Instead of 90 Days Using Fit, References and Performance Metrics"), will help sourcing and vendor management managers involved in procuring infrastructure services, as

well as CIOs and infrastructure and operations managers. They will be able to select a provider for medium-term and long-term DCO and IUS contracts that support critical functions and business objectives with a Pan-European set of capabilities.

Sourcing and vendor management leaders and CIOs looking for truly worldwide service provisioning can leverage Gartner's three regional Magic Quadrants, which together cover almost the entire globe. These documents are produced with a single methodology by combined research teams. Therefore, for a truly global view, see the most recent versions of the "Magic Quadrant for Data Center Outsourcing and Hybrid Infrastructure Managed Services, North America" and the "Magic Quadrant for Data Center Outsourcing and Hybrid Infrastructure Managed Services, Asia/Pacific."

Evaluate Gartner's Vendor Positioning to Find Candidates That Meet Your Specific Requirements

Gartner's positioning of vendors does not imply that clients should simply select service providers in the Leaders quadrant. Selection requirements are enterprise-specific, and vendors in the Challengers, Visionaries or Niche Players quadrants may prove to be more appropriate for a particular engagement. Each provider will have a different sweet spot that reflects the types of deals in which it excels, its culture and industry coverage, and the maturity of its service provision. In addition, the online features of this Magic Quadrant enable users to tailor evaluation weights for further analysis, based on the aspects that are most important to their organizations.

To support the requirement for faster selection of global infrastructure providers, and to reduce the risk of transformational deals, we are leveraging the extensive amount of information gathered to provide a fast and fact-based approach to the shortlisting of providers. The method is based on leveraging the following data to downselect the most credible providers:

1. Geographical fit (the international coverage)

2. Service capability fit (the critical capabilities)

3. Reference scores fit (the voice of the customers)

4. Industrial performances (the performance of service industrialization)

The fact base and the process are available in "How to Select Global Infrastructure Service Providers in 90 Minutes Instead of 90 Days Using Fit, References and Performance Metrics."

Clients should not disqualify a provider simply because it is not in this Magic Quadrant. Gartner's inclusion criteria result in our analyzing the most established providers in the infrastructure service market, but other IT services providers may prove to be valid alternatives for your business requirements. Additional providers (agile, niche, regional) can be added to those selected with the described method, and the comparison of their capabilities, references and performances can be done using the same framework used for the Magic Quadrant providers.

Market Overview

During 2017, the collective estimated revenue of the providers in this Magic Quadrant reported an increase of almost $1 billion compared with 2016. This average revenue growth of 4.4% brought the revenue covered by this Magic Quadrant to roughly $21 billion. This revenue is 57% of the Gartner forecast of $36.909 billion for DCO, cloud IaaS and IUS for Europe (see "Forecast: IT Services, Worldwide, 2016-2022, 1Q18 Update").

Our analysis shows a healthy double-digit growth rate for more than half of the providers, and single-digit growth for another fourth of them. Only five providers lost their revenue share in the market. In the past, traditional and large providers lost market share due to the effect of cloud cannibalization and price decreases. Starting this year, the large providers are back to growth, and those losing market share are some of the midsize providers, which are starting to struggle in competing with hyperscale and large providers.

The worldwide market for data center services — including DCO, IUS, hosting colocation and cloud IaaS — remains the largest segment of the ITO market.[7] The European market is dominated by DCO/HIMS at 61%, and more businesses are migrating to private and public cloud services to increase their international competitiveness and lower their IT costs. As per our analysis on the data supplied by providers, more than three-quarters of the providers (78%) reported a decline in revenue per server during 2017. This was caused by the increased level of automation, price cannibalization and market-focused pricing due to increased competition from fast-growing players, like the offshore outsourcers and cloud-based providers. Only a few providers (mostly "offshorers") have been able to slightly increase the revenue per-server equivalent as they transition from pure RIM to HIMSs that embed compute assets.

We are also seeing a gradual decline in traditional DCO services, and the share of industrialized services continues to increase. As per our latest IT service forecast data, DCO and infrastructure utility cover 48% of the global data center services market, while hosting, colocation and cloud IaaS cover 52%. Nevertheless, the split between DCO/HIMS and hosting/colocation/IaaS is unevenly distributed: DCO/HIMS represents 61% of the European market, 35% of the North American market and 56% in the rest of the world. While the shift is gradually increasing, many CIOs are reconsidering data center build-out and expansion projects in favor of cloud computing and hybrid infrastructures. Some are looking to become "data center free" (or as close as reasonably possible) by the end of the decade, while some hyperscale players are redefining the data center services market, and clients are massively moving into cloud-first sourcing strategies.

The global data center services market (including DCO, hosting, colocation, IaaS and IUS) was $174.7 billion in 2017, including $30 billion from cloud IaaS services. Of that total, Europe contributed around $49.4 billion, of which $6.6 billion was for cloud IaaS. In 2017, the DCO/HIMS market came to $83 billion worldwide and $30.2 billion in Europe.

Collectively, the providers represented in this Magic Quadrant generated European revenue estimated at $21.2 billion, which is approximately 43% of the combined European data center services and cloud IaaS markets, and 57% of the European DCO/HIMS market. (See "Forecast: IT Services, Worldwide, 2016-2022, 1Q18 Update" for more details about the geographical distribution

of the data center services market, and for a detailed country-by-country and service category analysis.)

Gartner predicts that the key business indicators of data center services providers will continue to improve during the next five years, making them a more competitive outsourcing choice. Growth in data center services has shifted from traditional to new models. This reflects a shift in competitive delivery models, and the rapid increase in automation to replace labor for the more repetitive tasks. In some cases, automation is managing more than 60% of issues. It is also enabling providers to be more competitive, and to commit to improved operational efficiency parameters. Providers are taking advantage of this by creating and delivering low-cost, industrialized IUS, and by producing higher numbers of new offerings (such as cloud IaaS and PaaS). Additionally, they are managing the hybrid platform from an end-to-end perspective, thanks to their investments in tools, processes and automation.

Increasingly, Gartner analysts are providing critical information about providers' performance to enable faster and more precise selection of providers for global infrastructure management. See "Critical Capabilities for Data Center Outsourcing and Hybrid Infrastructure Managed Services, Europe" and "How to Select Global Infrastructure Service Providers in 90 Minutes Instead of 90 Days Using Fit, References and Performance Metrics."

Gartner Recommended Reading

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

"How to Select Global Infrastructure Service Providers in 90 Minutes Instead of 90 Days Using Fit, References and Performance Metrics"

"How to Leverage Industrialized 'Low-Cost' Market Prices to Optimize Your Data Center Infrastructure Service Cost"

"Toolkit: Decision-Making Model for Data Center Service Sourcing Strategy"

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

Evidence

When evaluating service providers, Gartner considers the feedback received by informal and formal references. We define a "formal reference" as one provided by each service provider as part of the Magic Quadrant project. We consider an "informal reference" to be the result of our daily interactions with customers through inquiries, meetings, Gartner Peer Insights returns and webinar polls. For each provider, Gartner asks for at least 10 formal vendor-provided references per major region.

However, for this Magic Quadrant some of the providers (CGI and Tech Mahindra) declined to provide references and other information and data points this year. In addition, we obtained a total of 152 references from European customers that directly influenced the results of this analysis. On a

global level, our analysis was informed by an additional 143 formal references from North America and 56 in Asia/Pacific, for a total of more than 351 formal references. In addition, during 2017 (the assessed period for this Magic Quadrant), Gartner analysts took hundreds of inquiries from European clients that were engaged in outsourcing relationships, or were looking to buy data center and infrastructure outsourcing services.

In each Strengths and Cautions section, the last bullet provides insight into the client reference feedback received — through either formal client reference responses to our survey or client feedback received during our inquiries (informal references).

In addition, Gartner provides a "sweet spot" range of average revenue per customer, derived from the data provided by the vendors as well as from our own estimates. This is intended to be a rough indication of where the vendor excels in its customer portfolio.[8] Most of this revenue comes from managed services, but it also encompasses a variable amount of compute and data center assets as well as a rising component due to transformation and required professional services (for example, consulting, assessments, migrations).

[1] Gartner analysts collect a relevant amount of quantitative information about each provider for this Magic Quadrant. They do this directly (more than 1,000 data points per provider), through providers' references (more than 340 references globally, with more than 500 data points for each reference) and via Gartner client inquiries. Providers are asked factual information about managed data centers, assets, revenue, and other business and technical measures. When a provider will not disclose information or references, Gartner analysts rely on public, customer and our own research information to make appropriate estimates. During this study, a total of 149 European references were surveyed or interviewed for more than 500 data points per average provider. Gartner analysts also regularly interact with these providers' customers during inquiries, in conversations that most often focus on problems that need to be solved.

[2] See "Market Trends: Take Advantage of Opportunities IoT Creates for Micro Data Centers at the Edge."

[3] See Figure 29, "Relentlessly Rebalance Your Technology Portfolio," in "The 2018 CIO Agenda: Mastering the New Job of the CIO."

[4] See Figure 31, "Anticipate the Next Wave of Tech," in "The 2018 CIO Agenda: Mastering the New Job of the CIO."

[5] See "How to Leverage Industrialized 'Low-Cost' Market Prices to Optimize Your Data Center Infrastructure Service Cost."

[6] See "IT Key Metrics Data 2018: Executive Summary."

[7] The worldwide IT services market is forecast to grow (in U.S. dollars) at a 4.7% compound annual growth rate (CAGR) through 2022. This ranges from a 33.4% CAGR for public cloud compute services to a –5.5% decline for service desk and –3.5% for DCO (see "Forecast: IT Services, Worldwide, 2016-2022, 1Q18 Update").

[8] See the concept of using a deal "sweet spot" analysis in "Deal 'Sweet Spot' Analysis Accelerates Service Provider Evaluation and Selection." Then see process and data to execute it on a global scale in "How to Select Global Infrastructure Service Providers in 90 Minutes Instead of 90 Days Using Fit, References and Performance Metrics."

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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