The Cloud is the motor of digitalization: No progress without the Cloud!
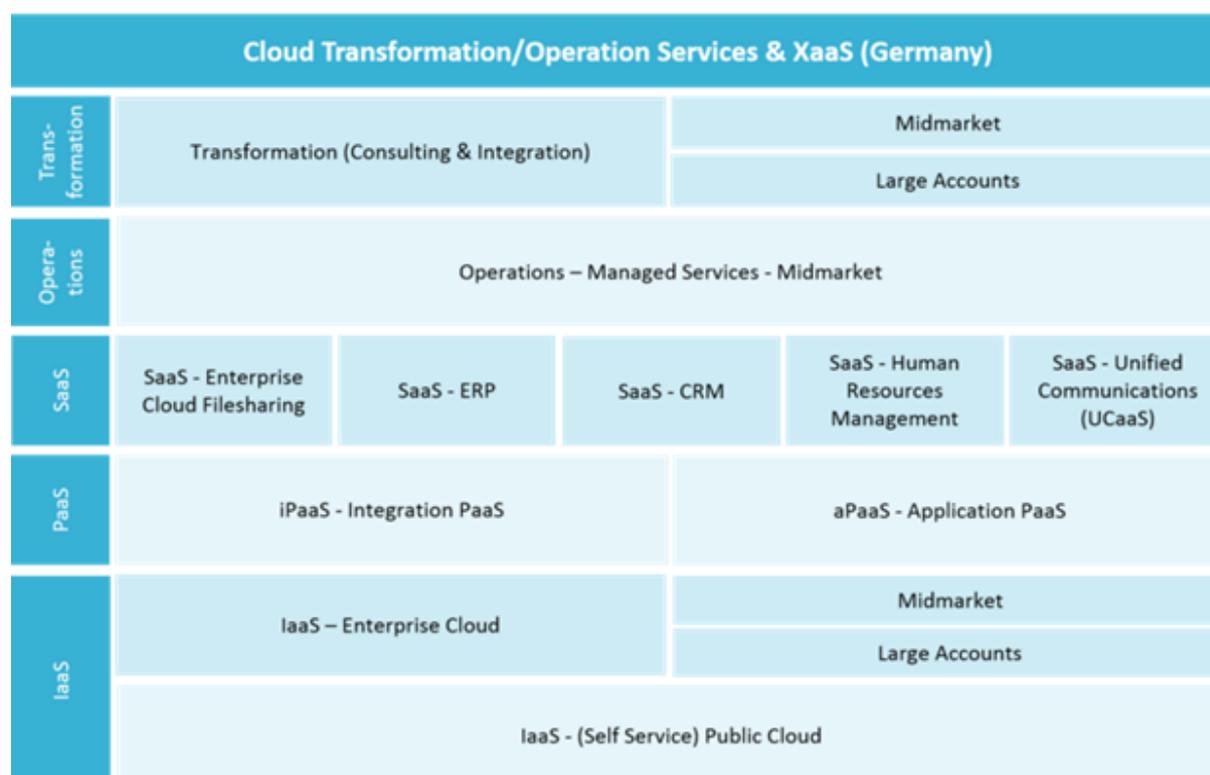
25 July 2017 Heiko Henkes
Translated into English by Philip Zuschke

In June, ISG/Experton Group released the 8ᵗʰ edition of their independent provider comparison (Part 1) with the title "ISG Provider Lens Germany 2017 – Cloud Transformation/Operation Services & XaaS". The study evaluates and assesses the most important Cloud providers in Germany. A version for Switzerland was also published (which will be reported on separately) and analyses – in comparison to the German version of the study – individual focus markets.

- The Experton Group Cloud Vendor benchmark Germany was rebranded in its eighth version to "ISG Provider Lens Germany 2017 Cloud Transformation/Operation Services & XaaS"
- Cloud consultation and integration: Increasingly, it is the combination of technical expertise and business sense of tomorrow that counts
- Newly added: Human Resource Management as a service – the Cloud as a measure against shortage of specialists
- Saas-ERP: Microsoft is finally re-entering the market and must now convince partners to join
- Enterprise Cloud Filesharing: Dropbox is speeding up in Germany and becoming the Cloud leader in the business segment
- "Stuck in the middle" doesn't always apply: Platform as a service is a hot spot over integration and development needs
- IaaS: Hosts are increasingly distributing "flyers" for HyperScale Clouds which are charging ahead of (Managed) Enterprise Clouds with their high innovation rate – Integration and multi-Cloud comprehension are essential here

The current study "ISG Provider Lens Germany 2017 Cloud Transformation/Operation Services & XaaS for Germany" focuses on the following Cloud categories for provider assessment:

| **Cloud Transformation/Operation Services & XaaS (Germany)**				
Trans-formation	Transformation (Consulting & Integration)		Midmarket	
			Large Accounts	
Opera-tions	Operations – Managed Services - Midmarket			
SaaS	SaaS - Enterprise Cloud Filesharing	SaaS - ERP	SaaS - CRM	SaaS - Human Resources Management	SaaS - Unified Communications (UCaaS)
PaaS	iPaaS - Integration PaaS		aPaaS - Application PaaS	
IaaS	IaaS – Enterprise Cloud		Midmarket	
			Large Accounts	
	IaaS - (Self Service) Public Cloud			

Source: ISG 2017

Figure 1: Segments of ISG Provider Lens Germany 2017 Cloud Transformation/Operation Services & XaaS. Source: ISG / Experton Group AG, 2017.

For the study at hand, over 350 providers that offer Cloud services in the German market were identified between the beginning of January and the middle of March 2017. From this complete unit, 140 providers were assessed as relevant to the German market and chosen for a detailed analysis and positioning within the benchmark.

A list of all assessed providers can be accessed here.

The entire market of conventional hardware, software, and services – with a total volume of over 100 billion Euros – is increasingly shifting to the service area. With the exception of these services which are currently still primarily performed by humans, this area is increasingly turning into a Cloud market.
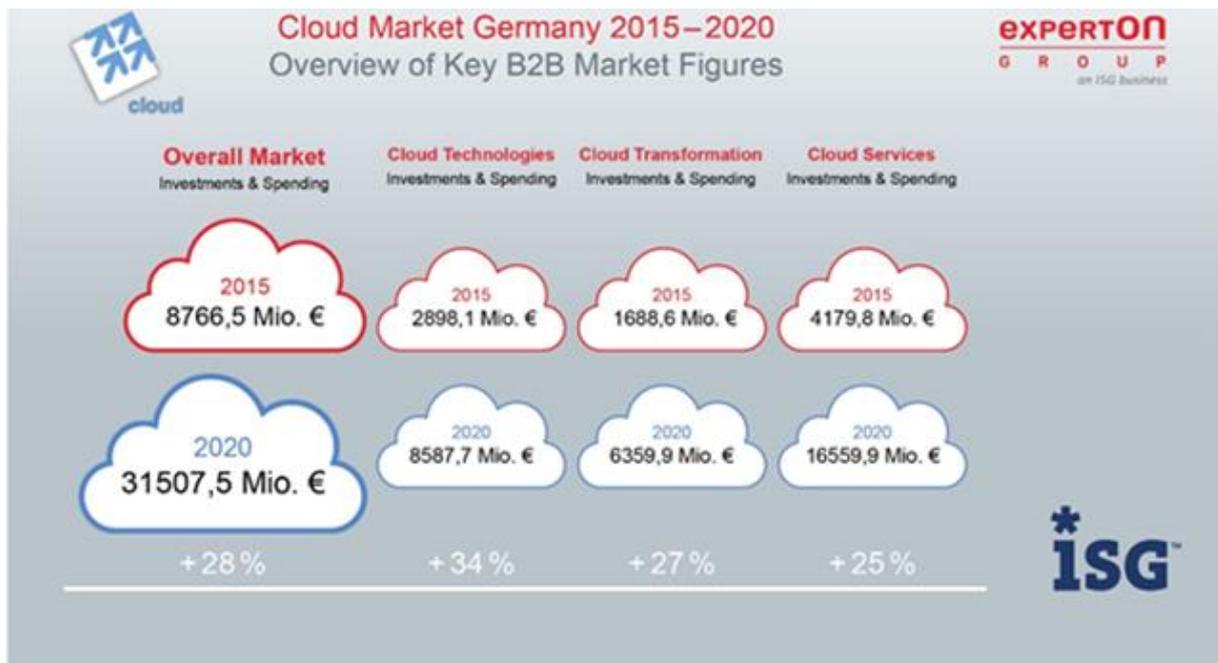
Figure 2: Cloud B2B expenses in Germany 2015 and 2020. Source: ISG / Experton Group AG, 2017.

The Cloud is the motor of digitalization and brings progress

Digitalization can no longer be imagined without the Cloud. If the Cloud dominates the market and becomes a fundamental structure and is not only understood as infrastructure, but also as a platform (open ecosystem) and an on-demand service process with high-grade standardization and modularization, as well as an access to artificial intelligence, the time will have come to view the existing market from a completely new perspective: Everything outside of the Cloud structure and philosophy must be particularly examined and characterized, since it hinders progress and no longer conforms to modern corporate governance and tender preparation.

Cloud Transformation: Consulting & Integration

The integrated approach of consulting as well as integration respective implementation are important now more than ever in the segment of Cloud transformation. Even though many integrators still rely heavily on the technology and the interplay of components, the consultation and solution design of IT architects as an upstream element is gaining importance and is getting increasingly complex due to an increasing amount of connected systems and partners: Good, independent advice in this area is invaluable!

On the supply side, we can observe that some providers such as *Avanade* service the mid-size sector particularly well, as close allies of *Microsoft* and *Accenture* – both brilliant players for corporate clients. The local mid-size sector is increasingly well-serviced by *Axians*, the IT factory of the *Vinci* corporation formerly known as *FRITZ & MACZIOL*. In contrast, *Acentrix* is more unstable now and has lost some competitiveness in comparison with the previous year. *CANCOM/PIRONET*, however, is still very successful and knows how to cater with branch-specific characteristics in retail and manufacturing. For a long time, *Telekom Deutschland* was lagging behind with its *T-Systems* and remained hidden, but is now

increasingly demonstrating its ability to service mid-size customers. In other words: The *Telekom* unit responsible for business clients has self-transformed and has started thinking in a solution-oriented instead of only product-oriented way. *Freudenberg IT* (*FIT*) is an excellent IT provider with great competence, but has to remain committed in all things Cloud transformation.

Corporate clients are receiving excellent services from providers such as *Accenture* that not only act on a very high level concerning technology, but also place the important business perspective in the foreground. In addition to *Accenture*, there are of course local and global partners on a similar level, such as *IBM*, *T-Systems* of the *Deutsche Telekom* corporation, *Capgemini*, as well as *Atos*. As an "old" newcomer, *DXC* is engaging just here with all its might and in a new look in an attempt to position its brand in the market.

SaaS – Software is becoming SaaS, and there's no turning back

It is becoming increasingly difficult for traditional software providers to sell on-premise software to their clients. By now, clients are aware of the advantages of the Cloud – flexibility, scalability, security – and therefore increasingly demand a Cloud solution. These requests oftentimes don't stop short of business-critical content such as ERP and HRM – in fact, outsourcing software to a professionally managed data center can potentially improve a company's IT security.

Like Microsoft, traditionalists such as *SAP*, *Oracle*, and *Sage* are transforming into real Cloud players and are increasingly looking for modularity in order to realize hybrid Cloud scenarios with their solutions. *SAP* and *Oracle* are also offering PaaS (*Oracle* additionally offers IaaS) in a Public Cloud model and are therefore attempting to enter new ground. However, outside of existing clients, their success is limited.

In total, this study analyzes the following five fields in the area of SaaS that are currently the most relevant in the German market.

Enterprise Resource Planning as a service: In Germany, the market for Cloud ERP solutions is not yet particularly well developed. Still, the demand and the general interest for Cloud ERP solutions is rising due to cost savings, the trend towards flexibility, as well as modernization processes. This is particularly true for small and mid-size companies. On the supply side, these solutions are in parts being strongly developed. Privacy concerns are addressed to convince clients of a company's solutions. In the market, established players (*SAP*, *Oracle*) are present alongside younger, more innovative companies (*Exact*, *weclapp*, *myfactory*). These younger firms are responsible for a strong competitiveness in the market and are causing trouble for their long-established competitors. The results of this are acquisitions, as was seen recently with *Oracle*. This year, *Microsoft* is the most interesting newcomer to the field of SaaS ERP. After a long waiting period, *Microsoft* is connecting the CRM Dynamics world and the former on-premise ERP world. *Dynamics 365* (for operations) has great potential if partners will participate in the numerous branch refinements.

Human Resource Management as a service: In this market, providers with various alignments have been able to position themselves as leading providers, according to the synthesis of traditional personnel management and traditional personnel development with

talent management. Examples of this are *SAP* and *Oracle*, both of which have a strong ERP background and are accordingly situated in traditional personnel management. Both companies were also able to strongly position themselves in the area of talent management through purchases of *SuccessFactors* and *Taleo*, respectively. With *Kenexa*, *IBM* also completed an acquisition in the market for talent management. Sage, the specialist for mid-size companies, has its strengths in traditional personnel management. Areas such as e-recruiting will become increasingly relevant, also due to skills shortage. This environment is very dynamic and carries several technological challenges. For example, new talents must be addressed and found in social networks such as LinkedIn and Xing. Additionally, onboarding, performance, and goal processes are becoming more important to successfully keep young talent. The Cloud is ideal in this case as a flexible vehicle.

PaaS – the sharp divide between aPaaS and iPaaS is increasingly softening

iPaaS: The market for integration PaaS is increasingly gaining momentum, driven by the necessity of rapid change and business adapting, as well as by an enhanced attention of IT leaders and specialist department users for the possibilities of an iPaaS solution. Scalability is a topic, as well as the number of adapters and connectors needed to integrate existing systems. *Informatica*, *Deutsche Telekom*, and *TIBCO* are extremely present this year. *Dell* (*Boomi*) has leapt forward, thanks to strong investors that will continue to be important in future topics such as IoT. *Mulesoft* was also able to keep its position and is now stronger technologically and increasingly invests in this environment.

aPaaS: In this market, developers either knows exactly what they want or expect a solution that offers consulting and organizational assistance. Experienced developers can fall back on a broad and professional set of development frameworks by AWS, Microsoft, or IBM, to name a few.

Especially companies that increasingly focus on DevOps will not be able to manage this transition in connection with aPaaS by themselves. They will need appropriate consultation to choose the proper platform and to master their organizational transition. This will involve service providers that operate hosted or managed versions of, for example, Cloud Foundry or Red at OpenShift, or that can assist in the configuration of relevant public aPaaS solutions.

IaaS – "the new normal is completely shaking up the German hosting/data center market"

The current ISG Provider Lens Cloud Study analyzes the Self-Service Public Cloud market as well as (managed) enterprise solutions of professional IT service providers from the IaaS segment.

To put it briefly: The Enterprise Cloud is more differentiated, slower, and guides customers with its Legacy IT. The Public Cloud in turn is more complex when closer examined, but extremely rapid and therefore – in the case of mid-size companies – difficult to use without professional assistance of a Managed Service Provider specialized for the Public Cloud.

While the (HyperScale/Self-Service) Public Cloud is standardized and in the best case implementable as a directly bookable infrastructure service, the Enterprise Cloud provides access to resources from professional service providers, often in the form of individual

contracts. On-demand and pay-as-you-go (PAYG) is increasingly popular, although not yet an inherent part of established contracts. Private Cloud resources from managed hosting also play a role here and often result in hybrid contract and system constellations. This fact itself is thwarting the market. Additionally, this market can be classified as traditional due to its lacking innovation rate as well as features such as "event trigger services" (*AWS Lambda*, *Microsoft Functions*, *IBM OpenWhisk*) for setting up serverless computing. However, the number of applications (apps) native to the Cloud that can act autonomously as micro services and can "dictate" infrastructure based on its environment or load is still insignificant. The sustainable value of Public Cloud infrastructure only becomes relevant with increasing application intelligence and ISV transformation.

IaaS as a starting point for Multi Cloud integration in the managed enterprise segment

It can be said that the managed Enterprise IaaS market from a hosted environment – and therefore from a non-HyperScale environment – has become more attractive, regardless of whether it addresses mid-size companies or corporate clients which are different in terms of pricing, contractual forms, bundles, sales approach, and revenue. At the same time, the Enterprise IaaS market is developing an integrational role of hybrid or Multi Cloud sectors. Taking Public Cloud-based object storage into consideration is the lowest common denominator in this case and has almost become a standard.

This is possible due to an increase in automation of sophisticated technical platforms concerning efficient orchestration and Configuration Management as well as Identity and Access Management (IAM). Carrier cooperation results in higher security and lower latency in End2End services which are increasingly in demand. Furthermore, the hosting market is successively retracting its assets in form of data center performance and is instead distributing "flyers for HyperSale in the Public Cloud business". The vertical integration regarding data center and hardware resources is also being retracted. Instead, services with potential for high margins are offered all-around and further developed.

IaaS as an impulse generator of digitalization in the self-service Public Cloud segment

The (self-service) Public Cloud is a guiding factor regarding innovation, as well as for elasticity and pricing. Public Clouds such as those of *AWS*, *Google*, or *IBM Softlayer* (now *Bluemix*) are generally a black box based on individual or proprietary development that can be addressed by APIs. An exception to this is the Microsoft Cloud, the source code of which is increasingly disclosed by *Azure*. There are additional exceptions such as the OTC platform of the *Deutsche Telekom* which is based on Openstack.

The trend towards artificial intelligence must be particularly emphasized. At the moment, this trend is primarily reserved for Public Clouds and not only continues to automate the operation, but also contributes the necessary component in the area of Predictive Security. Furthermore, *IBM* is counting on Bare-Metal servers and cost-free network traffic in addition to tight-knit VMware cooperation which is the market leader and standard of the On-Premise Private Cloud.

Excerpts of the assessment

According to the new assessment metrics as well as to the combination of the Private and Enterprise Cloud, the service providers *Atos*, *IBM*, and *Deutsche Telekom* (*T-Systems*), as well as *BT* and *HPE*, are worth highlighting regarding the IaaS segment for corporate clients and multinationals with at least 5.000 employees.

In the market for mid-size companies, *Bechtle* is growing considerably due to significant changes in its course of enterprise-conform IaaS which is offered to many small system houses as a central portfolio component. This is an area in which a lot of work is being done. Notable providers are *Deutsche Telekom* (*Telekom Deutschland*), *CANCOM/PIRONET*, and *Dimension* Data (NTT). However, *QSC*, *Claranet*, and *Fujitsu* are also excellently positioned and form a safe bet for clients with industry requirements. The standardized and efficient provisioning of IaaS components is part of the basis of higher-order services in nearly all cases. *Ratiokontakt* is newly included due to its know-how in the area of innovative and efficient Cloud platforms. *Plusserver* continues to record great competence and client projects, yet must assert itself due to a new basic order in the market – *Host Europe* has retracted its backing since the *GoDaddy* takeover.

Result excerpt: SaaS – Enterprise Cloud file sharing

It can be observed – globally as well as in Germany – that there is an increasing demand for solutions for a secure, enterprise-conform Cloud File Sharing, all the way up to Enterprise Content Management. The providers for corresponding solutions are attempting to convince through local data storage and various security aspects (e.g. concerning encryption). Dropbox, which was still a rising star last year, is currently one of the most eager providers in this market segment – with success. For the first time, Dropbox is positioned in the leader quadrant since it is dedicatedly addressing the German market and has established facilities and local data centers. Numerous large reference customers from Germany are demonstrably proving this success. *DRACOON* – formerly *SSP Europe* – remains highly attractive as a German provider with its Secure Data Space. Many OEM clients that started using *DRACOON's* service this year (e.g. *Bechtle*) are continuing to bring success to the provider and vouch for this exceedingly attractive and functional solution. In total, 19 relevant providers were located in the market that dispose of appropriate revenue and a local market presence.
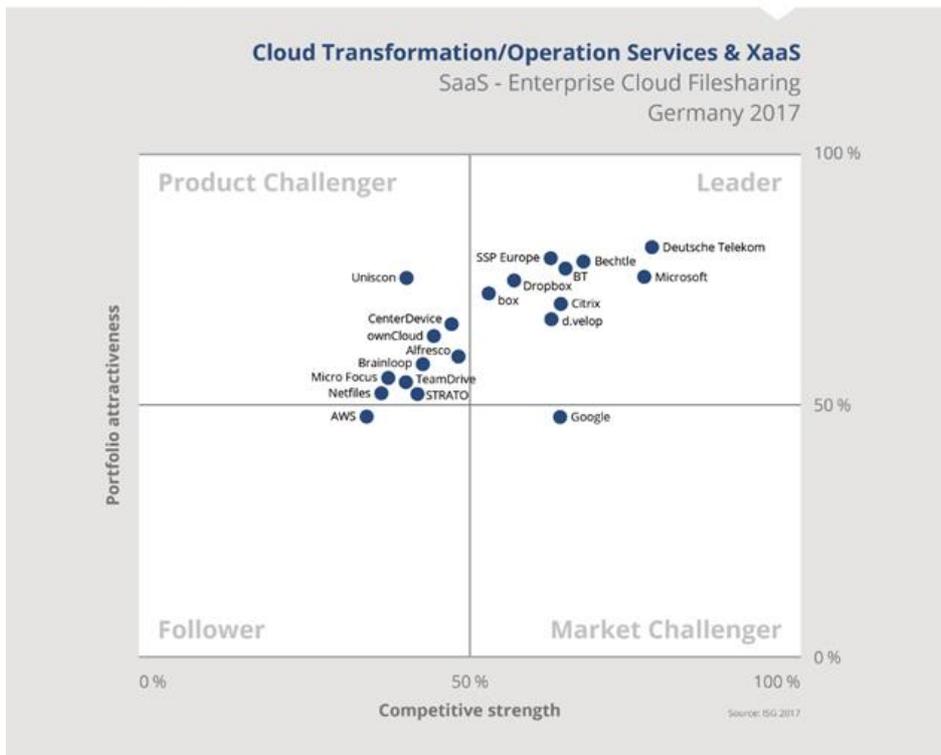
Figure 3: Positioning of Enterprise Cloud File Sharing providers in Germany. Source: ISG / Experton Group AG, 2017.