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Magic Quadrant for Data Center Outsourcing and Infrastructure Utility Services, Europe

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Collectively, 17 leading providers deliver DCO/IUS services worth $18 billion in annual revenue in Europe. Gartner assesses the providers and their offerings for their execution and strategic vision. Sourcing executives can use this analysis to select a strategic provider from this market.

Market Definition/Description

This Magic Quadrant focuses on management services for mainframe and centralized server environments, along with their services around hybrid infrastructure management. It evaluates the abilities of 17 service providers to deliver data center managed services across Europe — including data center outsourcing (DCO) and infrastructure utility services (IUS), which are often enabled by remote infrastructure management services and increasingly based on managed virtual private cloud services and include public cloud with hybrid infrastructure managed capabilities and services.

Future growth in data center services will come from new industrialized infrastructure offerings such as IUS and infrastructure as a service (IaaS), while growth and margins for traditional services will face further pressure (for more details, see "Top Global Megatrends Impacting Data Center Strategies"). Therefore, our evaluation includes cloud IaaS and platform as a service (PaaS) virtual private offerings, hybrid IT infrastructure managed services (see Note 1) that are part of IUS offerings, and data center managed services.

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

Definitions

Data Center

Gartner defines a data center as a centralized environment that provides support for computer equipment in a secure facility. This includes the underlying network infrastructure, and the processes and organization that support the environment. These generally include the following:

- System operations

- Tape operations
- Print operations
- Second-level data center support
- Production control
- Backup and recovery processes
- Technical support (operating systems and subsystems)
- Performance analysis and capacity planning
- Storage management
- System security and contingency planning
- Asset procurement and third-party management
- Relevant data center facilities management

Data Center Outsourcing

DCO deals are mostly a bundle of standardized managed services and customized transition and transformation services. They may include the management of client premises and colocation, hosting, IUS and managed cloud service components. 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.

Infrastructure Utility Services

Gartner defines "IUS" as the provision of outsourced, industrialized, asset-based IT infrastructure managed services below the business application functional layer. IUS are defined by service outcomes, technical options and interfaces, and are paid for based on resource usage, allocation or number of users served. Increasingly, IUS are based on managed virtual private cloud services.

Remote Infrastructure Management (RIM)-Based Service Delivery

RIM 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.

Hybrid Infrastructure Managed Services

Gartner defines "hybrid infrastructure managed services" as the service provider managing the multiple infrastructures used by the organization (legacy and traditional environments, private cloud,

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and public cloud). Hybrid managed services include the management of traditional data center environments, other infrastructure utility services and private cloud, as well as 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 cloud vendors and provides end-to-end visibility and management of the hybrid platform.

Geographies

In this Magic Quadrant, Gartner defines the various geographies as:

- Europe — The combination of Eastern Europe and Western Europe
- Western Europe — Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the U.K.
  - We further 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, the Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine

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Magic Quadrant

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

Source: Gartner (June 2016)

Vendor Strengths and Cautions

For each provider, Gartner received up to 10 formal vendor-provided references. In addition, during 2015, Gartner analysts took nearly 600 inquiries from European clients who were looking to buy data center and infrastructure outsourcing services. A "formal" reference is, therefore, one that was provided by the vendor as part of the Magic Quadrant process; an "informal" reference is one that was not provided by the vendor as part of the Magic Quadrant process.

The analysis below provides strengths and cautions for each provider in this Magic Quadrant. In each of the Strengths and Cautions sections, the last bullet provides insight into the client reference feedback received — either through 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 our estimates. This is intended to be a rough indication of where the vendor excels in its customer portfolio.

Accenture

For fiscal year 2015, Accenture's total revenue of $31 billion includes outsourcing revenue of $14.8 billion (up 4%) from its application, business process and infrastructure services. We estimate that the DCO/IUS business comprises approximately 17% of Accenture's IT outsourcing business and roughly $2.6 billion globally. Gartner estimates that Accenture's DCO/IUS revenue in Europe is approximately $953 million, having grown by approximately 19%. The company is aligning its infrastructure outsourcing business with its Accenture Cloud Platform, key partnership with hyperscale cloud providers, workforce of roughly 10,000 professionals worldwide focused on DCO services and another 17,000+ involved in various cloud initiatives. Although Accenture is aggressively pursuing a public-cloud-first strategy, it is leveraging client- or partner-owned infrastructures in the U.K., France and Spain, and one data center, based in Germany, to provide legacy and private cloud capabilities. Gartner estimates that Accenture's average revenue per customer for DCO/IUS services in Europe is around $8 million to $9 million, with blue-chip organizations in a wide range of verticals like automotive, consumer goods, fast-moving consumer goods (FMCG), energy and utilities, and the public sector.

Strengths

- Market trends such as public cloud, infrastructure modernization, cost optimization, digital innovation, verticalization and business outcome orientation are playing to Accenture's strengths in terms of transformation and complex program and service management. Accenture's focus on crafting and leveraging its hybrid cloud platform to migrate client applications quickly and accurately is sound and fits with Accenture's wider service portfolio, while addressing a critical requirement of many of its key accounts.
- Following its automation strategy, a readjustment to market price, and its cloud and data center transformation projects, Accenture has posted an impressive 25% revenue growth of the DCO/IUS business globally during 2015, outperforming the market and most of its competitors. The acquisitions of Cloud Sherpas, Solium and Enkitec; the evolving role of Avanade to deliver Microsoft, SFA and ServiceNow skills; plus the dedicated Amazon group to support migrations are strengthening Accenture's capability in supporting clients' cloud-first strategies. Accenture now appears more focused, aggressive and eager to disrupt the market on scale to achieve a leadership status.

- Some reference clients appreciate Accenture's strong capabilities around data center centralization and consolidation, along with engagement of senior leadership in account management activities.

Cautions

- Organizations with infrastructure outsourcing engagements that do not have transformational components or are purely focused on cost reduction through labor arbitrage will find that Accenture tends to refrain from competing for that work.
- Accenture's sweet-spot engagements may expose customers to substantial lock-in due to inclusion of transformational elements (across client-owned and third-party infrastructures), in which it will handle the integration layers and its architectural choices.
- A few reference clients believe Accenture needs to strengthen its ability to provide end-to-end cybersecurity further across its hybrid infrastructure. A few reference clients stated that Accenture needs to focus more on continuous improvement and become more proactive in engaging with customers.

Atos

Atos DCO/IUS worldwide revenue surpassed $3.9 billion (40% growth) due to inorganic and organic growth, and in Europe, it grew by nearly 23% and crossed $2.3 billion. The number of data centers in Europe increased by around 15% to 71 during 2015. Its current strategic focus is on pushing aggressively its automation agenda to improve operational effectiveness in service delivery. At the same time, Atos plans to exploit its "system integration DNA" to help customers along their transformation journey toward hybrid IT to access industrialized offerings while managing the resulting complex IT environment. Atos' sweet-spot deal size per customer for DCO/IUS in Europe is between $40 million and $50 million, with a focus on key verticals like public sector, retail, manufacturing, insurance and transportation.

Strengths

- Atos' acquisition of Bull and Xerox shows a clear market strategy to increase reach and provide greater global coverage of both facilities and services. The growth of Atos in Europe is consistent with its approach toward these acquisitions and its optimization of data centers between 2011 and 2015.
- Atos is showing significant focus on automation (underpinned by IPsoft technology and services) to continue to increase operational improvement. Atos also relies on strong cloud management capabilities and is well-positioned to help clients manage hybrid environments. As part of its ATF 2.0 (Atos Technology Framework) the company is leveraging the Apache Brooklyn project framework to create application blueprints that enable portability across various cloud infrastructure offerings.
- Some reference clients appreciate Atos' cloud assessment and migration capabilities, and its commitment to managing risk and compliance.

Cautions

- Current Atos partnership with AWS and Microsoft/Azure seems weaker than some of the direct competitors with no significant evidence of large workloads on hyperscale public cloud yet. Atos IoT investment deserves higher visibility in order to gather traction, as this is a key area of digital disruption.
- Atos has grown inorganically. Although this may ultimately work in its favor, in the near future, it will need to make sure that its focus on successfully integrating and fully stabilizing the acquired organizations while driving a strong service delivery effectiveness program does not hinder customers' satisfaction and the provider's chances to enhance its mind share in the market and pursue opportunities and growth.
- Some reference clients expect Atos to improve its processes from a standardization and escalation management perspective, and drive more proactive innovation and automation.

Capgemini

Gartner estimates Capgemini's worldwide DCO/IUS revenue grew by approximately 9.6% to $2.3 billion during 2015, with European revenue remaining almost flat. Capgemini continues to focus on underpinning service delivery effectiveness through the deployment of a positive automation agenda. Capgemini's data center outsourcing and IUS objectives for 2016 center on cloud, especially around leveraging its capabilities to effectively perform the cloud brokerage role by leveraging its Gravitant cloudMatrix decision engine. Capgemini's average revenue per customer for DCO/IUS services in Europe is between $7 million and $8 million, and focuses on key vertical sectors such as FMCG, transportation and manufacturing.

Strengths

- Capgemini continues to make significant investments in support of its strategic direction, most obviously, the $4 billion acquisition of Igate to expand its reach into North America, but also with a cash investment of $55.5 million over three years in strategic technology and service developments. In fact, Capgemini has developed IP-led solutions for cloud adoption in the form of a Capgemini Cloud Assessment (CCA) and a Capgemini Cloud Migration Factory (CCMF), while increasing its technology partnerships (with companies such as AWS, Microsoft, Virtustream, EMC and VMware) to take a more ecosystem-based approach to delivering hybrid cloud.
- To remain competitive in a tough market, Capgemini is implementing a 15% total cost of ownership (TCO) reduction policy for customers on service delivery, while accelerating its data center consolidation initiative. Its drive to achieve sustainable growth is underpinned by Cloud Choice, a three-tower framework consisting of cloud advice (consulting), cloud align (migration and projects) and cloud animate (infrastructure services), which aims to launch cloud provider-specific offerings (such as Cloud Choice with AWS or Microsoft), in addition to a cloud service brokerage (CSB) portal.

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- Some reference clients appreciate Capgemini's leadership engagement. A few reference clients also appreciate Capgemini's contractual commitment and flexibility.

Cautions

- Although automation is now a key item on Capgemini's agenda, the company's automation activities need to be more visible to the customers. Customers need to ensure that automation is part of the service offering that Capgemini will bring to their operations. In addition, Capgemini is executing a portfolio roadmap to support transformation sourcing initiatives with a focus on value-added service underpinned by self-service delivery, but the peak of the related cloud developments will take place in 2016 and early 2017.
- Capgemini's European DCO/IUS revenue remained flat over the last year, which may have an impact on positioning, especially in the U.K. market due to a large public-sector contract reduction. Capgemini is implementing a large number of strategic and change initiatives in parallel, which — despite its capability in handling change management and complex projects — may limit its ability to raise customer satisfaction up to a real differentiating factor in the market. Hybrid IT integration represents a major opportunity, but Capgemini must position its solutions (like architecture/platforms) more aggressively to gain traction.
- Some reference clients say Capgemini needs to improve its methodologies to manage cloud-first application transition, build innovation capabilities and improve the quality of deliverables.

CGI

CGI's worldwide DCO/IUS revenue is nearly $1.2 billion, which experienced a marginal decline of nearly 2% but European DCO/IUS revenue improved by 7.5%. With 26 data centers across Europe, CGI has a strong EMEA offering. While it struggled to grow overall revenue in 2015, it has continued to make investments in its strategic direction, working to broaden its offerings and create efficiencies. Although it does not have offerings across as many countries as some of its competitors, it is extending its data center offerings, and its strategy positions it well for future growth. CGI's average revenue per customer for DCO/IUS services in Europe is between $2 million and $3 million, with a focus on key verticals like government, manufacturing, retail, financial services, telecom and healthcare.

Strengths

- With the rollout of its new "hybrid IT autonomics platform," Unify360, CGI has signaled that it is responding to customer demand by adding hybrid IT infrastructure management capabilities to its existing BMC-based multiple cloud management capability and its service integration and management (SIAM) solution.
- CGI continues to leverage its application domain and industry expertise to integrate its data center outsourcing proposition and leverage its wider portfolio of services. After its acquisitive phase, it is now moving toward a more partnership-based approach to its service delivery and go-to-market strategy. It has already announced partnerships with Dell, for cloud-based managed virtual desktop services and hyper-converged systems; with Hitachi, for storage as a

service, disaster recovery and archiving for private and hybrid cloud services; and with Microsoft, for email, Skype, SharePoint and Azure.

- Some reference clients appreciate the stability of operations CGI is able to provide. A few of them also observed that CGI is improving customer resilience and availability.

Cautions

- CGI's geographically oriented structure enables a focused go-to-market approach, but its regional autonomy increases the risk of inconsistent service definition and delivery. This also inhibits service industrialization and operational consolidation, hindering CGI's long-term potential to withstand price pressure and protect its margins and competitiveness. With a smaller public cloud footprint than its competition, CGI is yet to successfully tap into the public cloud business, and this may impact its future strategy in migrating workloads to cloud. While it is now starting to see returns from its third-party automation investments with IPsoft, CGI remains behind the leaders in this area and is now looking to correct this by bringing future automation initiatives in-house.
- Most of CGI's coverage in Europe is limited to the U.K., France and the Nordics, with minor presence in central Europe and Iberia. Outside its core geographies, CGI may struggle to address the complexity of Pan-European or global deals, limiting its visibility in the largest deals in the market and inhibiting its potential to reverse the erosion of its revenue. Against a market trend of reduction in prices, CGI has reported an increase in unit price, which, coupled with its static revenue, could mean that CGI's services could be more expensive compared to its competition.
- Some reference clients would like CGI to improve its services around centralization and consolidation capabilities, and be more innovative and flexible in the execution of contracts.

Cognizant

Gartner estimates Cognizant's worldwide DCO/IUS business grew by nearly 30% during 2015 to around $827 million, while its European DCO/IUS business grew by 15% to around $163 million. Cognizant's value proposition revolves around driving outcome. Cognizant's Horizon 1, 2 and 3 business strategy is in line with Gartner's adaptive sourcing model. Cognizant remains primarily focused on more outcome-driven and "manage the complexity" kind of opportunities. This is likely the major engine behind the company's positive growth in 2015. Gartner estimates Cognizant's average revenue per customer for DCO/IUS services in Europe is between $12 million and $13 million, with a strong focus in finance, retail, life science and healthcare verticals.

Strengths

- Cognizant's description of a "constantly ready infrastructure (CRI) framework" shows an understanding and response to the market dynamics of a digital world. This has helped Cognizant to commit to year-over-year efficiency gains in the majority of its recent contracts, showing that it is confident in its ability to deliver efficiency and prepared to contract on this basis. Cognizant is able to combine its vertical experience with its horizontal capabilities to deliver business outcomes.

- During the last year, Cognizant has made sound evolution toward software-defined data centers (infrastructure as a code) to support the new customer demand patterns in association with IT modernization or process innovation and transformation efforts, supported by a factory-based migration capability. Cognizant's automation approach is based on OnTarget (ITIL-based) and Cloud360 (automation-based, orchestration and governance), and has quite aggressive growth targets to be realized by using third-party tools and services like IPsoft, Ayehu Software Technologies and Arago.
- Clients appreciate Cognizant's flexible attitude toward managing relationships and active engagement of senior leadership in account management activities.

Cautions

- Cognizant appears to be highly focused toward outcome-based transformational deals. Although this matches Cognizant's services' DNA, it may be too radical and does not entirely match the crowded expectation of the European market, where there are some clients who still view improving efficiency as their key priority to run the business.
- Cognizant's global footprint remains very limited with very few data centers in Europe and North America. This is likely to hinder the level of confidence in terms of long-term investment/ commitment that clients may have in the provider. Europe remains a region in which Cognizant has a limited footprint, especially outside of the U.K. and the Nordic countries.
- Some clients report that Cognizant pricing is not very competitive compared to its peers in the market, and that Cognizant needs to bring more innovation to its customers and strengthen its hybrid infrastructure management capabilities.

CSC

Gartner estimates CSC's worldwide DCO/IUS revenue was close to $2.5 billion during 2015, having declined by almost 17%. European DCO/IUS revenue was around $1 billion during 2015. According to CSC, this is partially because the company is driving more "as a service" models and partially because of intense pricing competition. During 2015, CSC completed the split into two companies, CSRA for U.S. public sector and CSC for global commercial enterprises and public-sector organizations outside of the U.S. CSC's hybrid cloud services take a bimodal approach — supported by the management capabilities of its Agility Platform — with integrated and automated delivery across CSC private clouds and market-leading public clouds. CSC's average contract value per customer in Europe for DCO/IUS has been between $14 million to $15 million, with a focus on key verticals such as insurance, banking, manufacturing, healthcare and the public sector in Europe.

On 24 May 2016, Hewlett Packard Enterprise (HPE) announced that it will spin off its $18 billion enterprise services business and combine it with CSC's $8 billion business. While the merge will not materially affect the two organizations until early 2017, organizations should be early and diligent in

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addressing changes as the two vendors figure out redundancies and organizational requirements to fill critical skills gaps in a timely manner.

Strengths

- CSC continues to focus on automation and vertically focused growth across various sectors. CSC has a deep understanding of public-sector, healthcare and insurance industries, and is able to apply innovations in digital business and IoT to some of these verticals. CSC also provides capabilities coupled with a consultancy-led approach to help clients move to hybrid cloud and develop agile, bimodal capabilities.
- CSC's alliance with AWS, Azure, AT&T and IBM for cloud — although not exclusive — signals a focus on establishing a pragmatic strategy where the focus eventually can be moved to the application portfolio management layer with hybrid IT management for specific verticals.
- Some reference clients have indicated that CSC has been able to drive down costs significantly through its automation initiatives and the stability of its operations.

Cautions

- CSC's public cloud footprint is relatively small. CSC has built a number of partnerships with cloud providers, but the workload migration is still in its infancy. CSC claims 20 customers are now on hybrid and 1,000 virtual machines are on public cloud. This seems to be a slow start, although CSC states this is by design. At 0.5% of its managed estate, it is the fastest-growing segment.
- CSC has lost significant revenue over the last year in the DCO and IUS space. Although this is partly due to the erosion of revenue by cloud contracts and competitive pressure, the growth in cloud services and declining IUS revenue are also contributing to this decline, although to a lesser extent. With this reduction in revenue, clients should evaluate CSC carefully to check its strategic execution capability and long-term focus in this service area.
- Some reference clients expect CSC to improve upon its delivery and account management. A reference survey of CSC's clients further revealed that overall satisfaction levels from delivery and operations in DCO/IUS have been a significant challenge.

Fujitsu

Fujitsu's European DCO business was virtually flat across the world in 2015, with revenue of $1.2 billion in Europe and $1.7 billion globally, excluding Japan. Fujitsu currently has close to 2,000 clients, mostly in the U.K., Spain, Finland and Germany. The cloud evolution of its portfolio roadmap is currently centered on its MetaArc platform for cloud migration and hybrid IT management. Fujitsu's average revenue per customer for DCO/IUS services in Europe is between $2 million and $3 million, with a focus on key verticals like healthcare, retail, agriculture and government.

Strengths

- Fujitsu is finally evolving toward a more standardized and global delivery-based approach to the market and a more structured set of offerings, thus enabling a positive and global drive on automation. Fujitsu is also investing in its MetaArc platform — for cloud migration, hybrid IT management and various IaaS capabilities — and in EMEA Mirai, a program aiming to accelerate the creation of a Pan-EMEA service line, with improved customer experience, speed and flexibility.
- Fujitsu's public cloud IaaS has grown globally by 38% and at a significantly faster rate for some EMEA countries, demonstrating their credentials in the IaaS space where they have also started to build partnerships with Azure and AWS. Fujitsu has a defined cloud roadmap converging toward two cloud technologies, OpenStack for public trusted cloud and VMware for private hosted cloud services, while the new Fujitsu K5 cloud platform will support both public and private deployments globally, leveraging OpenStack, VMware and bare metal by mid-2016. Like many other providers, it is consolidating the service support tool of ServiceNow.
- Some reference clients appreciate appropriate staffing numbers and skill sets of resources provided by Fujitsu. Some reference clients have appreciated the flexibility Fujitsu has demonstrated.

Cautions

- While actively globalizing, Fujitsu's operations remain more heavily skewed toward Asia/Pacific and Europe, which could limit its ability to exploit some of the global opportunities emerging from North America or those originating from Europe or Asia/Pacific encompassing that region.
- Despite 3% growth in the number of clients, Fujitsu's EMEA revenue is virtually flat year over year — a signal of more intense competition on price from cloud and offshore providers — with a pipeline visibility that maintains room for improvement as it is lower than some of leading competitors, especially on large deals.
- Some reference clients have indicated that Fujitsu needs to improve upon its hybrid infrastructure management capabilities along with its industrialized services, and especially when managing hyperscale providers.

HCL Technologies

HCL Technologies' data center outsourcing business grew in Europe by 18% to $719 million. Similar worldwide growth resulted in total HCL revenue close to $1.8 billion, which is healthy growth for a business of its size. In addition to focusing on large deals and concentrating on fewer customers, HCL has been enhancing its portfolio and productizing a number of offerings around cloud and hybrid infrastructure management. HCL is spread throughout the Nordics, continental Europe, the U.K. and Ireland, and has reorganized and strengthened itself during the past year in some of these markets. HCL's average revenue per customer for DCO/IUS services in Europe is around $46 million to $47 million, with a focus on key verticals like manufacturing, banking and financial services, telecom, and the public sector.

Strengths

- HCL's growth in Europe (also supported by mega deals like that with the Volvo Group) has positioned its European business on the same scale as its business in North America. This confirms the maturity of HCL as a Pan-European DCO/IUS player, where HCL is exploiting the largest customer deals and a slightly higher revenue per server than North America.
- HCL has a strong portfolio of wide-ranging products and services around hybrid infrastructure management capabilities such as MyCloud, Cloud Assessment and Readiness Tool (CART), HCL Gold Blue Print and Management Tools as a Service (MTaaS), as well as other intellectual property rights (IPRs) around PaaS, data analytics, enterprise applications and disaster recovery. An automation-led approach toward the next generation of transformation is helping HCL to expand into the European market as part of its 21st Century Enterprise (21CE) strategy.
- Some reference clients appreciate the flexibility and agility demonstrated by HCL, which is in line with the current market.

Cautions

- HCL's movement away from focusing solely on technology capability delivery, toward catalog/ portfolio-based outcomes, is a logical development of its blueprinting approach to IUS. Nevertheless, HCL still has limited credibility in business and IT consulting and verticalization, which may limit its ability to position itself as a digital innovator.
- HCL is increasingly focusing on large deals, being very selective and not answering up to 75% of RFPs it receives. HCL's current leverage of hyperscale public cloud is average (or low) compared to other providers in the market, showing that the company is still focused on exploiting its growth trajectory more than innovating the service initiatives.
- Some reference clients would like HCL to improve resources to meet widespread geographical coverage, drive more innovative ideas and make automation more impactful, especially in terms of cost savings. Slightly below-average customer satisfaction scores require an increase in focus as well.

HPE

During 2015, Hewlett Packard Enterprise (HPE) completed the split from its parent company, HP, and saw a significant reduction in revenue size (~11%), partly resulting from the spinoff and partly because HPE has experienced the ongoing erosion of traditional revenue and the final close of some large deals. Its overall operation within Europe remains huge, with more than 60 managed data centers and European revenue that Gartner estimates to be $2.7 billion. HPE has a very strong EMEA capability, with almost 750 customers and over 200,000 servers under management. Its vision for customers is based around the opportunities hybrid cloud creates, and it continues to evolve its hybrid infrastructure and cloud management capabilities. HPE focuses on a wide range of small to mega deals, with a focus also on enterprise clients who have significant challenges with enterprise systems, cloud migration and cost reduction, particularly in its favored sectors of oil and gas, manufacturing, financial services, life sciences, and transportation. On 24 May 2016, HPE

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announced that it will spin off its $18 billion enterprise service business and combine it with CSC's $8 billion business. Although the merge will not materially affect the two organizations until early 2017, organizations should be early and diligent in addressing changes as the two vendors figure out redundancies and organizational requirements to fill critical skills gaps in a timely manner.

Strengths

- HPE leads its proposition from an advisory perspective, focusing primarily on IT operations executives and offering hybrid infrastructure management underpinned by managed security services, workplace enablement and data-driven analytics, aiming to deliver cost-efficiency, productivity and agility. At the same time, HPE has invested in the more traditional end of its business by increasing its data center coverage in Europe, spreading geographically throughout the continent, and building the capability to serve more customers.
- As its existing customers increasingly move on to Mode 2 deployments on hyperscale public clouds, HPE — as the incumbent hardware and service provider — is a preferred choice for outsourcing the existing estate and for large-scale and truly global DCO deals. HPE is making transformational investments to support these types of deals with tools such as its Application Transformation to Cloud (AT2C), which supports workload transformation across hybrid environments, and early deployment of autonomics tools as part of its roadmap to automation.
- Some reference clients appreciate HPE's industry thought leadership and benefits derived from HPE's industry experience and vertical expertise.

Cautions

- HPE's strategy and messaging seem to center on developing cloud industrialized platforms as a product, and then potentially leveraging these as a service offering. This appears to be partially out of step with the market, and it is not clear how HPE's services translate into business outcomes and customer value, which has resulted in very limited uptake as a consequence. HPE's cloud vision is still catching up with competitors, rather than leaping ahead of them.
- HPE continues to suffer a loss of clients and revenue in the European market. Reduced revenue and an estimated below-average operating margin may limit HPE's ability to invest in hybrid and public cloud capabilities. While HPE has a small number of customers trialing its Helion OpenStack hybrid cloud platform, it has yet to deliver any significant use of its AWS-compatible private cloud offering, Eucalyptus.
- Some reference clients expect HPE to simplify its internal processes to become easier to engage with and drive more flexibility and agility in its approach, especially toward smaller customers.

IBM

Despite the recent decrease in its market share — its Global Technology Services (GTS) business saw a drop in revenue during 2015 — IBM remains the largest player in this market, with the largest volume of data centers in Europe (more than 100) and a millions of instructions per second (MIPS) installed base that is larger than the sum of all competitors. This makes IBM a mainframe

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management powerhouse. As such, it enjoys significant proprietary advantages and a Gartner-estimated revenue of roughly $9.5 billion worldwide in the DCO/IUS space. IBM's plans to increase revenue from its current strategic imperative (data, cloud and systems of engagement) from $25 billion in 2014 to more than $40 billion in 2018 appear to be on target, with $28.9 billion achieved in 2015. IBM prefers very large end-to-end deals, and the key focus is around verticals like manufacturing, financial, communication services, retail and distribution.

Strengths

- IBM continues to make multibillion-dollar investments in cognitive computing, automation and analytics tools to enable clients' digital transformation agendas and support IBM's evolution from a system integrator to a "service integrator" based on hybrid cloud. As part of this journey, IBM is rationalizing its service portfolio and has shortened its time to market to leverage the opportunities offered by cloud and by clients seeking more agile deals.
- IBM's huge geographical reach and maturity in outsourcing make it a preferred provider for multinational clients with wide geographic coverage and legacy requirements. Further, strategic acquisitions such as the integration of the Gravitant business are strengthening its hybrid cloud capabilities. IBM's execution on its "Strategic Imperatives" is clearly progressing, with this strategic imperative revenue growing last year at 17%. However, this is still not enough to counteract the price cannibalization effect on the installed base.
- Some reference clients praise IBM's security methodologies, processes and geographical penetration. A few of them also appreciate the capabilities around hybrid cloud platforms.

Cautions

- IBM is developing a hybrid future, but customers must make sure they understand how IBM is defining "hybrid," as IBM has a multitude of internal cloud services, such as Cloud Managed Services (CMS), SoftLayer, Bluemix and now Gravitant, as well as external cloud offerings, which can make selecting the appropriate platform a challenge for some customers. Moreover, in an effort to rationalize its offerings, IBM has reduced its service portfolio from 255 to 95 distinct services during 2015. Customers who work with IBM should determine whether they may be impacted by this rationalization and standardization.
- Despite its strategic investments and confidence in the hybrid cloud, IBM has not yet solved its installed revenue cannibalization issue, in a market where unit price and average revenue per managed server have been dropping for several years in a row. Although a major restructuring in IBM (including the merge of Strategic Outsourcing into GTS) has been largely completed, aligning workforce to customer demand, financials and changing service and technology offerings is nowadays a continuous effort. This, along with still-decreasing DCO/IUS revenue in Europe, will stress IBM's ability to increase customer satisfaction. Some customers have already experienced changes in the way accounts are managed and nonstandardized environments are priced.
- Some reference clients would like IBM to be more agile and flexible, demonstrate more value for money, and leverage more globalized, low-cost remote delivery methods to drive down costs.

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Infosys

Infosys now has global DCO/IUS revenue close to $1 billion. During 2015, this revenue grew at a moderate rate of 9.5% globally, whereas in Europe, it grew at slower pace of 5% to $264 million. Infosys has adopted design-led thinking and changed its approach to optimizing customer experience by redesigning customer engagement processes around "run," "modernize," "migrate" and "secure." It confirmed a strong willingness to acquire skills and assets through deals, which is quite unique in the European market. Infosys' average contract value in DCO/IUS per customer in Europe is around $14 million to $15 million, with a focus on key verticals such as retail, banking and financial services, and healthcare.

Strengths

- Current Infosys investment in design thinking (70,000 resources trained), automation and reuse (ongoing project productivity performances reported quarterly), zero distance (innovation and idea generation), and partner's orchestration are sound investments that will pay out over time. This is expected to make Infosys stronger over a period of time.
- Infosys has invested in three solution suites to increase the automation level of its operations: Infrastructure Management Suite (IMS), Infosys Automation Platform (IAP), and startup CloudEndure (which provides cloud migration and cloud-based disaster recovery [DR] software, which is a necessary step to keep in viewing current trends). For hosting the core of its customer's applications, Infosys has partnered with Virtustream and is leveraging its xStream platform for hosting mission-critical business applications on cloud-based infrastructure. These investments, along with the willingness to acquire skills and assets through deals, can look very lucrative in the European market.
- Some reference clients consider Infosys to be good value for the money, and report that Infosys has been able to provide competent people on the ground.

Cautions

- Infosys will have to make a deeper penetration of its industrialized services in its DCO/IUS business. Most of the revenue is coming from traditional services, which will lead to revenue pressure over the next few years as these services move to cloud. Infosys currently has a limited footprint in cloud and industrialized technologies.
- Visibility into Infosys' pipeline data is low compared to its competition, and points to very limited activity until 2017, compared to previous years. This could be a consequence of the misalignment between the professional service deals in Infosys' pipeline and its core capabilities — which seem to be around application support and services.
- Some reference clients expect Infosys to be more proactive in its dealings, which can improve the customer experience further, and improve centralization and consolidation of data center and hybrid infrastructure management capabilities.

Sopra Steria

Sopra Steria's data center outsourcing revenue remained almost flat in Europe at $590 million during 2015. Sopra Steria does not have any business outside Europe from data center outsourcing. 2015 has been a year of consolidation for Sopra Steria, as it seeks to complete the 2014 merger of the Sopra and Steria businesses by rationalizing data centers and aligning service portfolios. Sopra Steria has been developing its vision as an aggregator of services and delivering against this by aggressively extending its data center services into public-cloud-supported hosting propositions through its multicloud approach, where it has increased the leverage of its Sopra solution in areas such as HR and banking. Sopra Steria has 22 data centers across Europe and close to 1,000 professionals who are providing DCO/IUS services. Sopra Steria's average contract value per customer for DCO/IUS services in Europe is around $6 million to $7 million, with key focus on financial services, transportation and the public sector.

Strengths

- Sopra Steria's strategy is built on an understanding of both the bimodal challenges facing its clients and the role it has to play in supporting their digital transformation. It sees IT as a platform, playing an aggregator role, with data center services at the core of systems of record and engagement.
- Sopra Steria focuses strongly on the EMEA market, from which it derives most of its business. This makes it an attractive option for midsize to large organizations with operations in its key regions and a need to renovate data center strategy while deploying a "cloud exploratory journey" in support of application portfolio management. Sopra Steria already has a good level of cloud-first advancement compared to other players in this market, with 4% of its managed server estate in the public cloud (mostly AWS and Microsoft Azure, but also local partners such as Skyscape).
- Some reference clients appreciate the level of engagement from Sopra Steria's senior leadership and account management team, along with the partnership model it applies to managing relationships.

Cautions

- Further business expansion may require significant investments that may not be supported by a very price-sensitive market, since Sopra Steria currently has a revenue per server that is in the higher part of the provider spectrum (although it is committed to reducing this). Sopra Steria embraced public cloud early and migrated a relatively large percentage of its production to third-party public cloud services compared with most other providers. However, it will need to continue to do so going forward to prevent the other providers from catching up and passing it. Although Sopra Steria is now focusing on offering infrastructure utility services, it does not yet have a significant track record in this area, and has very little installed base.
- In order to improve both its deal pipeline and its win rate, Sopra Steria still needs to market itself to expand beyond its core geographies of France, the Nordics and the U.K., especially around its ability to integrate and deliver transformational infrastructure and end-to-end

application services. An ongoing strategy of the merged company is to accelerate the consolidation of its offerings and derive synergies from the strengths of the merged businesses. However, both entities, Sopra and Steria, have yet to fully leverage the merger. Clients should examine service offerings carefully to make sure these are fully industrialized at the point of delivery and across the end-to-end service.

- Some reference clients have indicated that Sopra Steria is challenged in its ability to assess application portfolios for cloud-first migrations, and needs to improve industry and vertical expertise to become a thought leader and strengthen its portfolio around industrialized services.

Tata Consultancy Services

During 2015, Tata Consultancy Services' (TCS's) DCO/IUS revenue in Europe had a significant growth of 42% to $443 million, while its worldwide revenue grew to approximately $1.5 billion — one of the highest levels of growth among all the providers participating in this Magic Quadrant. TCS has demonstrated capabilities not only in managing the legacy DCO, but in making the gradual shift toward industrialized services and hybrid infrastructure management. During 2015, Gartner observed that TCS is becoming keener to drive transformation and cloud migration. TCS's sweet-spot deal size for its customer is around $25 million, with focus on verticals like FMCG, banking, retail and transportation.

Strengths

- TCS has a strong vision underpinning its delivery, with support for bimodal IT, contractual commitments to reduce TCO and the delivery of multisourcing integration (MSI) capabilities all being a key part of its sales proposition. Moreover, TCS's extensive investment in its ignio advanced automation capabilities is clear, and is becoming part of its market differentiation.
- TCS has been expanding its service portfolio with vertical-specific cloud solutions in addition to predefined horizontal cloud infrastructure propositions, resulting in over a quarter of its DCO revenue coming from cloud solutions. Metrics associated with TCS's cloud and automation strategy indicate that TCS is able to make significant productivity and efficiency gains from its strategy, which TCS can pass back to its customers.
- TCS has one of the highest customer satisfaction ratings for DCO/IUS services. Some reference clients appreciate TCS's depth and breadth of service capabilities and consider TCS to be a good value for the money.

Cautions

- While TCS continues to grow, its average deal size and length are dropping due to the nature of new transformational deals. This may create some uncertainty over long-term revenue, which may make it difficult for TCS to generate the investments it envisages in cloud, IoT and automation. Moreover, Gartner expects automation, digital business and cloud to cannibalize TCS's traditional revenue stream, which revolved around support services. Since this shift is new, clients should monitor it closely.

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- TCS expects to generate 60% of its growth from projects enabling digital capability for the business growth, as opposed to efficiency-driven and service-value-oriented projects. However, these growth projects are more prone to competition from smaller boutique players, which may pose challenges in future revenue growth.
- Some reference clients expect TCS to be more proactive in terms of communication and management to drive better customer experience. These clients also report that TCS needs to address staffing challenges like skill levels, staff turnover and dependency on key individuals.

Tech Mahindra

Tech Mahindra increased its European client base by over 29% in the last year, with revenue growth to match. Despite being a relatively small European player, Tech Mahindra's European revenue grew by 27% during 2015. Tech Mahindra also saw worldwide DCO/IUS revenue growth of 18%. Data center outsourcing is the provider's fastest-growing service line, against a background of a contracting market. Tech Mahindra continues to make investments in tools, platforms and facilities, and now has a sounder base to deliver on its hybrid cloud service vision. Gartner estimates Tech Mahindra's average contract value per customer in Europe for DCOI/IUS is $11 million to $12 million, with key focus on banking, financial services, insurance, retail and telecom.

Strengths

- Tech Mahindra's key drivers are analytics, mobility and the Internet of Things. Tech Mahindra has developed a network of regional partnerships with telecom hosting and IaaS providers such as AT&T, BT, NTT Communications and Vodafone, as well as leading cloud providers, to support centralization and automation in managing and integrating cloud solutions. It is investing heavily in offerings such as the analytics platform from FixStream Meridian (in which it has taken a 75% stake) and its mPAC hybrid cloud management platform, and using these to support its growth in the private and hybrid cloud market.
- Tech Mahindra has won several large deals in Europe during 2015, which demonstrate its capability to deliver both asset takeover and hybrid infrastructure management. Moreover, Tech Mahindra is prepared to demonstrate its commitment to long-term innovation in analytics and automation by contractually committing savings upfront, which has helped it set up a strong pipeline of large deals.
- Some reference clients appreciate the competency levels of Tech Mahindra's resources and appreciate its flexibility and senior management engagement in account management activities.

Cautions

- Although Tech Mahindra's own cloud offerings are based on generally available platforms such as Cisco, Microsoft and OpenStack, customers should be aware that the use of a small cloud IaaS provider's owned and operated cloud comes with a certain amount of risks when compared to other larger public cloud providers. Within its data center managed services offering, Tech Mahindra still has a substantial focus on RIM for client-owned assets, and its public cloud capability shows limited traction, with less than 1% of its managed servers being in this space.

- Tech Mahindra acknowledges that it focuses its sales efforts on larger customers with $5 million or more of annual spend, and small or midsize business (SMB) clients should evaluate carefully where they fit within the provider's portfolio. Despite strong growth, Tech Mahindra still has one of the smallest market shares within Europe, and its lack of visibility will require investment in sales and marketing to continue growth. Customers working with Tech Mahindra need to examine its commitment to maintaining in-house-developed toolsets and seek visibility of its transformational DCO and IUS capabilities.
- Some reference clients expect Tech Mahindra to improve service optimization of the hybrid infrastructure, improve communication and drive deeper engagement with clients.

T-Systems

Gartner estimates T-Systems' DCO/IUS revenue registered a marginal increase during 2015. T-Systems has been maintaining a solid focus on cloud and other centralized IT services. As digitalization efforts and the German "Industrie 4.0" are closely connected with Deutsche Telekom's and T-Systems' core markets, the ability to build IoT platforms and integration with different industrial providers and customers should create further sales momentum. T-Systems and its clients can benefit significantly from a tight integration with Deutsche Telekom's new Digital Business unit and, therefore, should aim for more seamless governance between the digital business unit and T-Systems portfolio, marketing and solution teams. Gartner estimates T-Systems' average contract value per customer for DCO/IUS services in Europe is $6 million to $7 million, with focus on key verticals like financial services, public sector, telecom, automotive and manufacturing, energy and utilities, and travel and logistics.

Strengths

- T-Systems' vision of highly industrialized utility services by a European provider offering European-focused data protection is gaining traction, as evidenced by growing revenue. The recently announced Microsoft partnership for an emerging public cloud offering that meets German compliance and security regulations, the just launched Open Telekom Cloud in cooperation with Huawei, and the existing partnership with Cisco for DSI Intercloud are expected to accelerate T-Systems' growth further going forward.
- T-Systems is managing some of the largest SAP and SharePoint installations globally, together with a number of smaller cloud deals that are growing due to European clients' cloud-first approach. With over 3 million productive SAP users under management, T-Systems has achieved consistently high, market-leading uptime, which is reflected in the high level of customer satisfaction index the company reports, and confirmed by the high level of reference satisfaction. T-Systems continues to innovate by allowing clients to cancel contracts with zero notice if they are dissatisfied, which is disruptive to entrenched long-term service models.
- Some reference clients appreciate the flexible account management and reliable operations that T-Systems delivers. T-Systems drives very high overall customer satisfaction.

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Cautions

- The backing by its parent company Deutsche Telekom enables T-Systems to offer strong public-cloud-based services in Germany and adjacent European (primarily Germany, Austria and Switzerland [DACH]) countries where it owns and operates communication networks. This backing is of limited use to support T-Systems globally and results in an international strategy centered on following and supporting customers headquartered in its home territory internationally with private cloud services, instead of targeting new international logos with new offerings, which may impact future growth.
- T-Systems sees its cloud integrated capability as a unique selling point, but the rest of the market is catching up rapidly in this space. Although the company's financials remain strong, and cloud business is on the increase, the industry average deal size is smaller than traditional data center outsourcing deals, which, given the acceleration of cloud investments, may reduce the focus on other new areas such as smart machines and autonomics, which may reduce the company's competitiveness over time.
- Some reference clients expect T-Systems to improve its speed of execution to implement various changes faster by working on internal processes, along with its pricing.

Unisys

Unisys had a soft year for DCO/IUS in 2015, with total global revenue declining 10%, and Gartner estimates DCO/IUS revenue declined by approximately 10% to 15% in Europe. As part of Unisys' plan, this cannibalization of data center outsourcing revenue is expected to continue as Azure continues to gain more traction and move more on-premises services off-premises. Initially, this provides an opportunity for Unisys, whose high-end skills tied to availability and recovery will help differentiate its service offering. However, as those skills sediment down-market, the volume alternative may tactically displace Unisys in some accounts. Technology development around software-defined enterprise, bimodal IT, cloud and security helps Unisys deliver a strong message to its customers on its readiness for future challenges. Unisys' average contract value per client in Europe for DCO/IUS is approximately $7 million to $8 million, with a focus on commercial industries, financial services and government.

Strengths

- Unisys has a strong infrastructure and technology base, and partnerships with Microsoft. Unisys has established project leadership and related infrastructure and architectural skills. This helps bridge the growing Azure opportunity with the established AWS with the Unisys Stealth Services. Unisys is also able to integrate cloud and infrastructure services with its Secure Digital Enterprise from the security standpoint.
- Unisys has a strong foundation to return to growth with services designed to take clients to a "business as a service" and hybrid IT environment, along with its digital infrastructure services solution underpinned by value-based offerings and transformational program services.

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- Some reference clients praise governance procedures laid down by Unisys for handling escalation, as well as its strong account management and leadership engagement capabilities.

Cautions

- Traction and momentum with the number of accounts as well as in existing accounts remain the biggest weaknesses. A continued revenue decline and increased head count is a difficult model to sustain. Unisys' system integration/consultancy practices and infrastructure services lead to tactical opportunity around Azure and AWS, but as these services become mainstream and several alternate providers begin to offer them, Unisys will find it difficult to return to overall growth in service revenue.
- Clients should monitor the European revenue decline of Unisys more closely, as it will place constraints on Unisys' ability to invest more in its business and expand capabilities. Unisys is trying to address this globally with partner's data center investments but has a relatively small cloud/IUS footprint with respect to other providers.
- Some reference clients would like Unisys to improve on lead time for making changes, and work on driving more speed and agility for the various changes, as well as more impactful automation and digital business-related changes.

Wipro

Wipro's DCO/IUS business reached $1.4 billion in 2015, growing 18% worldwide during 2015 and around 20% in Europe, where the DCO/IUS business is around $379 million. During the past year, Wipro launched new services such as its Cloud Command Center, cloud brokerage services, a mainframe as a service offering and a number of open-source-based data center solutions. The company also expanded its presence in multiple European regions, including DACH, the Nordics, Benelux, in addition to starting operations in Latin America and South Africa. Gartner estimates Wipro's average contract value per client for DCO/IUS in Europe is around $17 million to $18 million, with a focus on verticals like finance, manufacturing, healthcare and retail.

Strengths

- Wipro is gathering a significant number of hybrid transformation deals in the U.K. and Europe (10+ in 2015, including three in excess of $300 million), and it has experienced 63% growth in IUS (including mainframe as a service and Wipro's private cloud) and 200% growth in public cloud (still 1% of total). Wipro is positioned across top integrators and management for AWS and Microsoft. It leverages digital innovation to drive hybrid IT and a boundaryless data center, and focuses on competitive automation as a market differentiator — a sound strategy that is in line with the current market direction.
- Wipro has demonstrated significant client and revenue growth in Europe, coupled with a strong pipeline of future deals across global clients. Moreover, despite significant investment in the European region, Wipro has managed this growth with only a small increase in operational staff, showing that the company is delivering on the promise of hyperscale efficiencies and

automation, further demonstrated by its Holmes advanced automation tool starting to add value to key clients.

- Some reference clients appreciate Wipro's hybrid infrastructure management and workload transition planning and execution using a well-defined statement of work. Client satisfaction has improved for Wipro's DCO/IUS services in the past year.

Cautions

- To prepare for the new delivery models that a bimodal world requires, Wipro has implemented significant transformation programs. The program called Drive aims to realign its delivery machinery in order to increase focus, visibility and accountability toward delivery quality, SLA commitments and customer satisfaction. While initial results of this transformation show signs of positive improvement, clients may wish to confirm Wipro's service vision and its ability to service that vision.
- Wipro's current siloed approach constrains its ability to address bimodal opportunities, but the steps the company is taking to change this, if executed well, may help address bimodal in the future.
- Some reference clients expect Wipro to control attrition rates and become more proactive in its approach to dealing with various delivery challenges.

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

No new vendors were added in this report.

Dropped

Orange Business Services was part of this Magic Quadrant published in 2015, but dropped out in 2016 because it could not fulfill one of the criteria. Orange's revenue is skewed toward France, where it is generating more than 70% revenue.

Inclusion and Exclusion Criteria

This Magic Quadrant focuses on management services for mainframe and centralized server environments. It evaluates each service provider's capabilities, across Europe, to deliver data center managed services and IUS. Included in this evaluation are hybrid infrastructure managed services, where cloud IaaS, PaaS and storage as a service (for example, workload instances in AWS, Azure, Google and others) are combined with legacy, traditional and IU managed services. Pure cloud service brokerage is not included. As in previous years, this Magic Quadrant excludes simple, dedicated web hosting and colocation services.

Included are service providers that:

- Demonstrate that they provide DCO services 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 that they manage nonmarginal data center delivery capabilities in at least three European regions.
- Generate no more than 70% of their total European DCO and utility services revenue in any one country in Europe, because this Magic Quadrant evaluates Pan-European capabilities.
- Generate a minimum of 10% of their European DCO and utility services revenue in at least three European countries (not all part of the same subregion).
- Generate at least $50 million in annual DCO and IUS revenue in Europe. Note that this is an indicative limit and should not include pure or unmanaged cloud revenue. The actual limit for 2015 in the formal participation package will be tuned to allow no more than 24 providers to be positioned in the Magic Quadrant as per Gartner methodology.

Excluded 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, and 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 that are not bundled — for example, when a client has one contract with a hosting provider and a second contract with a RIM provider.

Evaluation Criteria

Ability to Execute

Gartner evaluates the providers based on the quality and efficacy of the processes, systems, methods and procedures that enable each provider's 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 Western European footholds in terms of resources, coverage, seamless delivery within different countries, and ability to meet clients' requirements.

Ability to Execute is judged by seven main criteria. Each criterion is described below, and their 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 service capabilities in Europe, service definition, effective "resourcing" and transition management. The categories of service for our study are as follows:

- Practice area profile and service capabilities, with a focus on:
  - Overall European DCO revenue, client numbers and staff allocated
  - 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 and servers supported
  - Percentage of revenue earned from public cloud services against AWS, Azure and others
- 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 and consulting on consolidation
- SLA 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
  - Practices in place to recruit, train and retain qualified staff, and the key skill sets and competencies of those resources and methodologies specific to public cloud transition and workload migration across hybrid clouds
- Also, in relation to transition management and staff, with a view to the next two years, we inquire into service providers':

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- Ability to integrate staff coming from client organizations through competitive job offers achieved by addressing, in different countries, areas such as salary and benefits packages, retraining, career progression opportunities and minimized disruption to employees due to job relocation
- Typical process and project plan for transition, as well as procedures for shifting workload to the service provider's facility
- Feedback from clients on their experiences with transition projects and day-to-day service

Overall Viability

This category includes an assessment of the overall financial health of the organization, 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 three years
- Outlook for this outsourcing segment of the business, including expectations for growth, decline or stability of revenue, margins, units and unit prices
- Replacement of own resources with public cloud resources, additional revenue from migration and hybrid infrastructure management services

Sales Execution/Pricing

For this category, we assess each provider's capabilities in all presales activities and the structure that supports them. We consider teams in charge of deal management, pricing and clarity of scope.

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 with particular focus on cloud first strategy implementation, rapid migration capabilities/methodologies, hybrid infrastructure management services architecture, tools, processes and resources.

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

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Marketing Execution

For this category, we assess the clarity, quality, creativity and efficacy of programs designed to deliver an organization's message to influence the market, promote its brand and business, increase awareness of its services, and establish a positive association in the minds of buyers between it 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 five to 10 European references for DCO services. We require that these references observe the geographic distribution needed to participate in the study and the different industries addressed. We also 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 will also access, at a high level, processes, procedures and resources for hybrid infrastructure management services — how integration of ITIL and self-service is managed from a role-and-responsibility-matrix perspective, SLA, exclusion clauses and tooling, for example.

We speak to the ESPs about their main procedures (operational, transitional and relating to program management, relationship management and change management), and ask reference customers for feedback about those procedures.

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

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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 2016)

Completeness of Vision

Gartner evaluates service providers on their ability to articulate logical statements convincingly 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 their 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 Europe. We evaluate how each provider is trying to address the main requirements of European clients. 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 midterm.

In particular, we consider each provider's:

- Vision for DCO and utility services, including IaaS- and PaaS-enabled offerings
- Plans to differentiate itself from its major competitors
- System for segmenting and analyzing the target market to drive marketing and sales
- Plans to position these services within a broader offering

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Marketing Strategy

For this criterion, we assess each provider's main marketing messages relating to DCO services in Europe.

In particular, we consider:

- Current and future value propositions for DCO, IUS and cloud infrastructure services in Europe
- The importance of DCO services within the broader portfolio of IT services
- Channels for internal and external communications
- The differentiation of a provider's message from those of its competitors

Sales Strategy

For this category, we require each provider to illustrate its overall sales strategy for DCO (for example, direct selling versus indirect selling via partners, allies and channels), its reactive answers to RFPs as compared with its proactive activities, its stand-alone offerings as compared with offerings bundled with other services, and its dedicated sales force as 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 Europe
- 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 partners 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 criterion, 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 Europe
- Ability to transfer data center staff from client to provider in each European country
- Approach to combining standard service elements into 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 application

Business Model

For this criterion, we asked each provider for a high-level description of its business model for DCO services, and how this fits within its overall business model. In particular, we consider each provider's ability to address and satisfy two competing requirements: client-specific requirements (which drive client satisfaction) and industrialized, centralized delivery of DCO services (which drives low costs and protects margins).

To evaluate how well each provider's business model addresses account management, we asked 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
- The average experience, knowledge and skill level of executive managers and key customer-facing managers
- Processes to address customer issues locally, as 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 asked each to describe its strategy for centralized delivery of standardized data center services. We focused on how much of the service is based on virtualized and automated platforms and how much uses cloud IaaS and PaaS platforms. We also asked for information about the provider's approach to global delivery of DCO services, as well as established and planned RIM premises.

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

Vertical/Industry Strategy

For this criterion, 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) that may drive different public cloud platforms in different regions/verticals
- Ability to demonstrate expertise in the vertical markets and business processes underpinned by DCO services

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Innovation

For this criterion, we evaluate each provider's position in the market as a thought leader and an innovator. We also evaluate each provider's leadership and investment activities to achieve its vision and develop innovative strategies in the DCO market.

In particular, we asked 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 during the past 12 months?
- What global alliances do you have with other leading suppliers, and what investments support these alliances?

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

- Highly standardized services, processes and SLAs
- Virtualized and automated computing platforms
- Hybrid infrastructure management services
- Utility pricing units
- Reduced baselines, increased flexibility, cloud enablement and application/workload/data portability

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

Geographic Strategy

For this criterion, we examine each vendor's regional capabilities, global consolidation processes, local alliances and partnerships, including:

- Highly standardized services, processes and SLAs
- Virtualized and automated computing platforms
- Hybrid infrastructure management services
- Utility pricing units
- Reduced baselines, and increased flexibility, cloud enablement and application/workload/data portability

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

Additionally, we asked each service provider to reveal its vision of the market. We asked each to provide details of the following:

- DCO strategy, service-line financials, investments and other main indexes
- Global delivery, RIM and low-cost locations
- IUS offerings, clients, servers, examples of SLAs and pricing (including those for cloud IaaS and PaaS offerings that are part of DCO/IUS services)
- New-generation data centers, "green" IT and physical consolidation plans
- Deal pipeline, deal structure and sales performance
- Value proposition, key differentiators and win/loss elements

Providers also had to identify at least five reference clients that represent the geographic area and specific services under analysis.

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 2016)

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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 Atos, Fujitsu, HCL Technologies, HPE, IBM and T-Systems.

Challengers

Challengers execute well today, but they 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 Accenture, CSC, 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 CGI, Cognizant, Infosys, Sopra Steria, Tech Mahindra and Unisys.

Context

According to the 2016 Gartner CIO Survey, the requirements for digital business are driving smarter choices for customers. Infrastructure and data center spending continues to be very high on the list, confirming the large amount of expenditure it continues to represent. We notice that enterprise approaches to digital are more varied and unique than approaches to traditional IT.[1]

The 2016 Gartner CIO Survey further reveals that IT leaders are now concentrating more in security, legacy modernization initiatives and digitalization/digital marketing initiatives. This also corroborates with the fact that many service providers are earning a substantial amount of revenue from data center modernization initiatives, which was well-represented during our vendor briefings and seen as an important part of the portfolio of services.

Cloud is an important enabler for digital business initiatives. As per the 2016 Gartner CIO Survey, 16% of revenue is digital (22% as per Gartner's CEO Survey), which is expected to grow up to 37% in next five years. This will mean increased dependence of cloud and hybrid infrastructure

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management initiatives. For this reason, we have extended the scope of our traditional DCO/IUS Magic Quadrant to hybrid infrastructure services management capabilities from this year.

In addition to this, the data center service market, when cloud-enabled, can offer price points as much as 50% lower than clients' internal or traditionally outsourced costs.[2] Since infrastructure costs make up about 55% of the average IT budget,[3] and most of this comes from data center services, Gartner's Magic Quadrant analysis offers must-have support for informed decisions on how to spend a large portion of the IT budget.

This Magic Quadrant assesses the Ability to Execute and Completeness of Vision of 17 DCO and IUS and managed virtual private cloud providers. This information and analysis can help CIOs, infrastructure and operations managers, and sourcing managers select a provider for midrange to long-term DCO and IUS contracts that support critical functions and business objectives with a Pan-European set of capabilities.

Sourcing executives and CIOs looking for truly worldwide service provision can leverage Gartner's three regional Magic Quadrants, which together cover almost the entire globe. These documents are produced with a single methodology by joined-up research teams. Therefore, for a true global view, refer also to the most recent versions of our "Magic Quadrant for Data Center Outsourcing and Infrastructure Utility Services, North America" and "Magic Quadrant for Data Center Outsourcing and Infrastructure Utility Services, Asia/Pacific."

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

Gartner's positioning of the 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 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.[4] 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 organization.

Clients should not disqualify a provider simply because it is not in this Magic Quadrant. Gartner's inclusion criteria results in our analyzing the most established providers in the infrastructure services market, but other IT service providers may present better alternatives for your business requirements. A Gartner analyst can help shortlist the most suitable candidates for specific client requirements and assist with a sweet-spot analysis of candidates.

Market Overview

During 2015, the collective revenue of the providers in this Magic Quadrant reported a decrease in the estimated European DCO/IUS revenue by 3%. Our analysis shows a healthy double-digit growth rate among one-third of the providers in Europe. For nearly one-third of the providers, it remained an either flat or modest growth rate of less than 10%. The remaining, as per our estimates, lost their revenue share in the market. Providers have shown marked improvement in managing the revenue with respect to the previous year, as the number of loss-making providers came down, and we see, despite cannibalization due to industrialized services and automation, overall improvement in revenue.[5]

Nevertheless, the worldwide market for data center services — including DCO, IUS and cloud IaaS — remains the largest segment of the ITO market.[6] The European market is dominated by DCO at 65%, and, as the economy remains flat, more businesses are migrating to IUS and cloud services to increase their international competitiveness and lower their IT costs. As per our analysis on the data supplied by providers, more than half of the providers (65%) reported the decline in revenue per server during 2015. This is on account of the increased level of automation, price cannibalization and market focused pricing due to increased competition from niche players. We are also seeing a gradual decline in traditional DCO services, and the share of industrialized services continues to increase. As per our IT services forecast data, cloud IaaS, colocation and hosting now covers 67% of data center outsourcing revenue in North America, 35% in Europe and 38% in APAC. Globally, for the first time, we see the share of traditional revenue from DCO and IUS (at 49%) is lesser than other industrialized options. This shift is gradually increasing. Many CIOs are reconsidering data center build-out and expansion projects in favor of cloud computing, and some are looking to become "data center free" (or as close as is reasonably possible) by the end of the decade.[7]

The global data center services market (including DCO, hosting, colocation, IaaS and IUS) is worth $154.2 billion in 2016, including $22 billion from cloud IaaS services. Of that total, Europe contributed around $46.5 billion, of which $4.6 billion was for cloud IaaS. In 2016, the DCO/IUS market came to $75.8 billion worldwide and $30.06 billion in Europe. (It is important to note that the rapid fluctuations in the exchange rate between the U.S. dollar and the euro have altered our 2014 to 2015 market forecast.)

Collectively, the providers represented in this Magic Quadrant generated European revenue estimated at around $18 billion, which is approximately 39% of the entire European data center services and cloud IaaS market and 60% of European DCO/IUS market. For more detail about the geographical distribution of the data center managed services market and a detailed country-by-country and service category analysis, see "Forecast: IT Services, Worldwide, 2013-2019, 4Q15 Update."

Gartner predicts that the key business indicators of data center service providers will further 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, reflecting a shift in competitive delivery models and the rapid increase in automation to replace labor for the more repetitive tasks, which in some cases, is managing more than 60% of issues in a totally automated fashion. Automation is 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.

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Growing Demand and Supply-Side Pressures Are Shaping the ITO Market

In response to a still-challenging economic environment in Europe[8] and increasing service industrialization and automation, clients are looking for ways to optimize their IT run cost so that they can do more with less. During this year's Magic Quadrant, the client reference survey revealed that IUS and virtual private cloud are the most preferred among clients.[9] Service providers are under pressure to fulfill clients' infrastructure needs — by creating and deploying preconfigured, standardized offerings that use new delivery models and support economies of scale — and are increasingly required to also reduce the cost of application operations and, in some cases, application maintenance.[10]

During this year's Magic Quadrant, we saw increased desire from providers to articulate outcome and value from their services and ability to make outcome-based commitments.

These pressures are challenging providers' ability to scale and grow.[11] They face extreme competition, but lack pricing power due to weak articulation of value and differentiation, so clients tend to buy DCO services as if buying a commodity. Almost all providers offer a type of virtualized and shared infrastructure, utility hosting service, storage as a service, and IUS for specific applications (for example, SAP, collaboration and CRM), as well as various types of private, hybrid and public cloud services. In this scenario, DCO providers' survival and prosperity in the coming years depend on their ability to:

- Create and deliver high-volume, lower-priced industrialized services such as IUS and industrialized low-cost services.[12]
- Become highly specialized in delivering low-volume, high-margin infrastructure services, which may become de facto standards for specific sectors over time.
- Embed infrastructure services into specialized intellectual-property-based industry solutions that look beyond pure IT value and IT performance (such as SaaS and business process as a service).
- Bundle all of these services into the hybrid cloud brokerage and aggregation as well as multisourcing service integration and management value proposition that is pursued by nearly all providers in the market.

These value-added services could reduce pressure on pricing and margins by driving a higher potential price premium.[13] Buyers should expect providers to articulate the value and demonstrate how the providers will pass back the same to customers. We are seeing increasing eagerness from providers to articulate the outcome and benefits in dollar terms and bake them into contracts. However, this is still evolving, and providers are at different levels of maturity in terms of their ability to articulate this value.

The forces affecting the market also affect organizations' data center requirements and the way ESPs design, offer and deliver data center solutions and services. The effects of increased storage capacity requirements and the prevalence of high-density computing technologies, plus the pressure to cope with rising energy costs, respond to environmental concerns, and consolidate for

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greater efficiency and security, can all quickly reveal the limitations of previous generations' physical data centers.

At the same time, many organizations must improve their internal IT management to meet heightened service requirements. As a result, increasing consolidation, global delivery, the continued rise of industrialization and the need to act as "IT as a broker" characterize Europe's data center infrastructure outsourcing market in 2015. These factors will lead to progressive acceleration of change in this market and improved capabilities of the winning service providers.[14]

Gartner forecasts that the whole DCO/IUS market will remain flat on a global basis (–1.2% to 1.5% between 2016 and 2019), with ongoing pressure on DCO (down by 3% to 4% between 2016-2019) and growth for IUS (up by 9% to 12% between 2016 and 2019) as demand grows for external management of clients' dedicated, on-premises private cloud environment as well as for external asset-light delivery of highly automated managed services. Managed units are increasing rapidly (growth in the number of managed servers was around 24% compared with the previous year), while strong price pressure is reducing the revenue per managed server — mostly due to the transition of client workloads to IaaS and IUS delivery models, increased automation and public cloud competitive effect.

How the European DCO/IUS Market Is Different

Hosting represents approximately 47% of the managed data center services market in North America, but only about 25% of the same market in Europe.[15] The different countries and languages across Europe have so far inhibited the growth of hosting companies and internet providers, resulting in a DCO-dominated market. Europe's country-based nature and the limited public cloud computing successes of Pan-European customers are limiting the uptake of public cloud services.

Europeans still mostly use cloud solutions from North American providers that largely follow a U.S.-centric strategy. When these providers are setting up or expanding local cloud facilities in Europe, they tend to focus on locations such as Amsterdam (in the Netherlands), Frankfurt (in Germany), London (in the U.K.) and Dublin (in Ireland). The potential rise of modern, cloud-based service offerings in local markets in Europe is likely to challenge them. Some of these hosting companies are increasing their focus on managed services, IUS and DCO, and are approaching the inclusion criteria for this Magic Quadrant.

Faced with new offerings and sourcing options,[16] European clients are starting to show increased willingness to accept the provision of consolidated European data centers, which are not necessarily located in a specific country. We have, therefore, based the selection criteria for this Magic Quadrant on a country-by-country analysis that is structured around regions and subregions in Western and Eastern Europe.

The rise of Indian providers in this market signals another delivery model for data center managed services. This model is more asset-light and based on remote managed services. To factor in this model, we have clarified our inclusion criteria (see the Market Definition/Description section that discusses RIM-based services) to include providers that engage in bundled DCO relationships while

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managing third-party-owned and client-owned data centers, and have therefore removed the requirement for ownership of a data center estate.

The 17 providers represented in this Magic Quadrant have a combined revenue of roughly $18 billion from DCO services and manage more than 593 data centers across Europe. Roughly 30% of data centers are at the providers' own sites, and the rest are at client sites or are leased from third parties. Together, these providers manage nearly 1 million mainframe MIPS and more than 2 million servers, of which more than 70% are virtual servers.

The "average service provider" in this Magic Quadrant generates about $1.05 billion from this line of business, manages nearly 130,000 servers and manages nearly 34 data centers in Europe. The providers vary significantly in size, number of staff and clients, number of data centers managed, and geographical coverage. Their approaches to this service area also differ: Some are aggressive about industrialization and some are more conservative. Some view DCO as a strategic business and others consider data centers a necessary base capability for delivering end-to-end services that extend to network services, unified communications and collaboration (telecom companies), or to application and business process services (outsourcers and system integrators).

Finally, the rise of autonomics, software-defined data centers, asset-light service models (such as RIM from Indian offshore providers), asset-intensive IUS and cloud IaaS services has further complicated the data center services market during the past few years. We see that hybrid infrastructure services will dominate the market for the foreseeable future. This market now includes several types of providers, including traditional vendors, outsourcers, system integrators, offshore players, telecom companies, hosting players and cloud specialists. Legacy modernization and managed security services will continue to gain traction from both the demand side and the supply side. Workload transition from traditional to cloud-based environments will continue to drive the bulk of the requirements.

We recommend that customers evaluate their requirements for their data center services strategy and their application modernization and digital innovation needs, and factor this into a bimodal adaptive sourcing strategy (see "Business Outcomes, Differentiation and Performance Drive Bimodal Adaptive Sourcing Decisions").[17] Leverage our "Toolkit: Decision-Making Model for Data Center Service Sourcing Strategy" to determine the best scenario for your data center services, and finally, use "Toolkit: How to Document Your IT Services Sourcing Strategy for Success, Consensus and Compliance" to document your sourcing decisions.

In a very large, complex and fast-moving data center services marketplace, best practice is actually to evaluate more scenarios than providers, avoid "big bang" deals and adopt a test-and-pilot approach on a shortlist of providers. Contact Gartner analysts to get additional information and identify the shortlist of providers that can provide the required fit for your data center requirements.

Gartner Recommended Reading

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

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

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

"Riding the Wave of Industrialized Low-Cost IT Services"

Evidence

[1] "Building the Digital Platform: The 2016 CIO Agenda."

[2] "Toolkit: Price Dynamics on the Data Center Services Market Map; The 3D View."

[3] See Figure 15. Cross Industry: Distribution of IT Cost and Staffing by IT Functional Area in "IT Key Metrics Data 2016: Key Industry Measures: Cross Industry Analysis: Current Year."

[4] "Deal 'Sweet Spot' Analysis Accelerates Service Provider Evaluation and Selection."

[5] Gartner analysts collect a relevant amount of quantitative information about each provider for this Magic Quadrant: directly (more than a thousand data points per provider), through providers' references (137 references, roughly 700 data points for each provider), 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 its own research information to make appropriate estimates. During this study, a total of 137 references were interviewed or surveyed for a total of 700 data points per average provider. Gartner analysts also regularly interact with these providers' customers during inquiries, most often focused on problems that need to be solved.

[6] " Forecast Alert: IT Spending, Worldwide, 4Q15 Update."

[7] A multicloud strategy will become the common strategy for 70% of enterprises by 2019, up from less than 10% today (see "The Future of the Data Center in the Cloud Era").

[8] J. Taylor. "New Financial Meltdown Set to Sink EU as German Banks Lose £14,292,610,000.00 in 90 Days." Express. 3 February 2016.

[9] The Magic Quadrant client reference survey's 137 references noted their preferred means of delivery as follows: IUS and virtual private cloud (35.4%), in-house (30.6%), hosting and colocation (25.1%), and public cloud (IaaS/PaaS; 8.9%).

[10] "Adaptive Sourcing Run IT Layer: Focus on Both Operate and Modernize to Bring Operational Flexibility" and "Optimizing Application Development and Maintenance Can Cut Costs by 50% or More."

[11] "Market Trends: Data Center Management Services Value Proposition Requires Reinvention."

[12] The rise of low-cost, cloud computing-based services presents significant opportunities and risks for clients and providers (see "Riding the Wave of Industrialized Low-Cost IT Services").

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[13] "Performance Roadmap: Best Practices for Shaping Service Provider Business Strategy for IaaS."

[14] "How Key Trends in the Data Center Infrastructure Outsourcing Market Will Affect Your Business."

[15] "Forecast: IT Services, Worldwide, 2013-2019, 1Q15 Update."

[16] To understand the structure, dynamics and decision-making factors for your sourcing strategy, see "Data Center Outsourcing, Hosting or Cloud? Use Gartner's Market Map and Compass to Decide," as well as its three-dimensional version, "Toolkit: Price Dynamics on the Data Center Services Market Map; The 3D View."

[17] "Why Bimodal Matters to IT Services Providers' Strategies."

Note 1 Hybrid IT Services

Hybrid IT services are professional services that provide cloud service brokerage (CSB), multisourcing, and service integration and management capabilities to customers building and managing an integrated hybrid IT operational model.

Hybrid IT is the operational model for an IT organization that is a trusted broker for a broad range of IT services (including services from external cloud providers and from their own enterprise), using both cloud computing styles (private, public and hybrid) and traditional styles of computing.

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.

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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.

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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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