Frost Radar™: Global Managed Cloud Services Market, 2021

A Benchmarking System to Spark Companies to Action—Innovation that Fuels New Deal Flow and Growth Pipelines

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Strategic Imperative and Growth Environment
Strategic Imperative

• Cloud has become an essential foundation for business growth. For enterprises around the world, cloud has unlocked cost efficiencies and increased speed-to-market while providing access to new technologies such as analytics, blockchain and AI.

• During COVID, businesses accelerated their cloud strategies to gain greater flexibility and agility in digital operations. However they quickly discovered that the complexity of hybrid and multi-cloud environments outpaced their own resources. As a result, they turned to third-party expert managed services providers for help with designing, implementing, and managing their hybrid cloud environments.

• According to the 2019 Frost & Sullivan Cloud User Survey, just 37% of businesses worldwide invested managed infrastructure services. By 2020, this number had increased dramatically with nearly two-thirds of businesses engaging some sort of managed cloud service, and another 25% planning to add or expand their use of managed services in the next two years.

Source: Frost & Sullivan
Growth Environment

• According to the 2020 Frost & Sullivan Cloud User Survey, we see greater percentages of businesses engaging with MSPs than at any point in the past.

• Multi-cloud and hybrid cloud approaches are growing more commonplace, as enterprises knit together an optimal infrastructure composed of disparate IT environments (on-premises, multiple clouds, edge) into a flexible resource pool, and managed and orchestrated via a common platform. Multi-cloud adoption increased by 54% in 2020 and hybrid cloud adoption was up 14%. Despite—or maybe because of—the rush to expand their infrastructure options, organizations are still struggling to implement an effective hybrid, multi-cloud. This is driving growth in managed cloud services.

• For managed cloud service providers, it is critical to be able to support multiple IT environments (on-premises, public and private clouds) while also having the resources and tools to securely manage applications and data.

• In addition, managed cloud service providers are increasingly called on to perform specific contracted tasks related to environment assessment and design, workload migration, and application modernization.
Growth Environment (continued)

Percent of Businesses That Have Engaged With an MSP for Each Function, Global, 2020

Planning and Implementing Backup and Recovery Procedures 39%
Managing Organizational/Cultural Change 37%
Optimizing Cloud Costs 36%
Developing a Cloud Strategy and Roadmap 36%
Managing Cloud on an Ongoing Basis 35%
Performing Customized App Development/Integration 35%
Migrating Apps to Public Cloud 34%
Assessing Apps to Decide Where to Deploy Them 33%
Optimizing Legacy Apps for Cloud Deployment 33%
Creating an Edge Strategy and Roadmap 33%
Recommending the Best Public Cloud(s) for My Organization 32%

Question from the 2020 Frost & Sullivan Cloud User Survey: For which of the following did you engage support? (n=1,621)

Source: Frost & Sullivan
Definitions

• Frost & Sullivan defines **Managed Services** as subscription-based services, in which the third-party provider contributes technology, infrastructure, and expertise; and the enterprise and provider generally share control and oversight of application performance. Early managed services allowed enterprises to offload routine management tasks; but today’s complex IT landscape can require expertise that the business does not have in-house. Managed service providers bridge the expertise gap with knowledgeable professionals who work in partnership with the enterprise IT organization to meet business goals.

• Managed services are proactively monitored by the providers, and utilize rich, real-time performance and operations data, which is visible via a management portal, and supports real-time actions which drive customer-defined success parameters.

• **Managed Cloud Services** can address any layer in the cloud stack. In managed cloud infrastructure services, the cloud service provider provides a level of oversight absent from most self-service cloud offers; for example, the managed cloud service provider may monitor performance of the customer’s cloud-based workloads to determine when to launch an additional instance. Managed cloud application or SaaS services may include end-to-end performance monitoring across environments (e.g., public or private cloud, hybrid cloud).
Frost Radar™

Global Managed Cloud Services Market
Frost Radar™: Global Managed Cloud Services Market

Source: Frost & Sullivan
Companies to Action
Companies to Be Considered First for Investment, Partnerships, or Benchmarking
Kyndryl

INNOVATION

- Kyndryl, formerly part of IBM Cloud Managed Services, will be divested from IBM in 2021. A $19.4 B technology services company with 90,000 professional practitioners worldwide, Kyndryl already has an impressive lineup of services and expertise to support its managed cloud services organized around customer needs: Cloud; Core Enterprise and zCloud systems; Applications, Data and AI; Security and Resiliency; Digital Workplace; and Network and Edge.
- Kyndryl has a focus on large and complex workload migrations, with a strong foundation in applied data, automation and operational AI that supports innovation at scale and helps customers improve experience, accelerate time to value, reduce risk and increase resiliency and efficiency.
- Kyndryl has 3,000+ patents in multi-cloud management, orchestration, integrated monitoring, issue triage and resolution.

GROWTH

- The Kyndryl growth prospects are strong, based on its ability as an independent company to work with a broad range of ecosystem partners and the feedback and satisfaction of customers and prospects. Kyndryl partners with leading cloud ERP providers globally, providing customers a high-quality cloud experience that garners high satisfaction in independent surveys.
- Among current customers, 97% are highly satisfied with their IBM/Kyndryl services. This strong satisfaction rating is expected to lead to a strong growth pattern for the company in the next 1-3 years.
- Kyndryl customers cite improved security of their workloads, the ability to refocus staff on higher-value work, and improved workload performance as key benefits of using the company to manage their complex cloud ERP migrations, key to business’ digital transformation, the ability to deliver these benefits will enhance growth.

FROST PERSPECTIVE

- With its foundation as a division of IBM, Kyndryl comes from a rich heritage and deep base of expertise; educating its prospects about its new brand identity quickly will be critical to sustaining the growth that the company has enjoyed under the IBM brand.
- With the IBM brand came a stigma of being large, old, and somewhat inflexible. Branding Kyndryl as quick, agile, and adept at delivering on promises will help the company be more competitive in a cloud-based market.
- Already operating as an independent company, Kyndryl has empowered teams, close to their customers. It also has the freedom of action to expand its broad partnership ecosystem to anticipate and agilely respond to customer needs.

Source: Frost & Sullivan
Strategic Insights
For enterprises looking for an MSP partner, differentiating between the various providers in this market, comparing and contrasting their services, SLAs and pricing, and eventually finding the MSP partner that is the right fit for their organization can be a tedious process. Service providers must focus on educating their target market and properly articulating their value proposition and competitive differentiation.

As companies increasingly rely on data-driven insights for their decision making, stitching together disparate data sources and formats will become critical. Managed cloud services providers have an opportunity to grow revenues and provide value to clients by focusing on the data pipeline, from collection to utilization.

Organizations are increasingly relying on a hybrid/multi-cloud environment to meet their disparate compute and storage needs. But they are daunted by the complexity involved in integrating, securing, and managing workloads across vendors and locations. Managed cloud services providers that can simplify ongoing management, and deliver business results, are well-poised for success.

Source: Frost & Sullivan
Next Steps: Leveraging the Frost Radar™ to Empower Key Stakeholders
Significance of Being on the Frost Radar™

Companies plotted on the Frost Radar™ are the leaders in the industry for growth, innovation, or both. They are instrumental in advancing the industry into the future.

**GROWTH POTENTIAL**

Your organization has significant future growth potential, which makes it a Company to Action.

**BEST PRACTICES**

Your organization is well positioned to shape Growth Pipeline™ best practices in your industry.

**COMPETITIVE INTENSITY**

Your organization is one of the key drivers of competitive intensity in the growth environment.

**CUSTOMER VALUE**

Your organization has demonstrated the ability to significantly enhance its customer value proposition.

**PARTNER POTENTIAL**

Your organization is top of mind for customers, investors, value chain partners, and future talent as a significant value provider.

Source: Frost & Sullivan
Frost Radar™ Empowers the CEO’s Growth Team

**STRATEGIC IMPERATIVE**
- Growth is increasingly difficult to achieve.
- Competitive intensity is high.
- More collaboration, teamwork, and focus are needed.
- The growth environment is complex.

**LEVERAGING THE FROST RADAR™**
- The Growth Team has the tools needed to foster a collaborative environment among the entire management team to drive best practices.
- The Growth Team has a measurement platform to assess future growth potential.
- The Growth Team has the ability to support the CEO with a powerful Growth Pipeline™.

**NEXT STEPS**
- Growth Pipeline Audit™
- Growth Pipeline as a Service™
- Growth Pipeline™ Dialogue with Team Frost

Source: Frost & Sullivan
Frost Radar™ Empowers Investors

**STRATEGIC IMPERATIVE**

- Deal flow is low and competition is high.
- Due diligence is hampered by industry complexity.
- Portfolio management is not effective.

**LEVERAGING THE FROST RADAR™**

- Investors can focus on future growth potential by creating a powerful pipeline of Companies to Action for high-potential investments.
- Investors can perform due diligence that improves accuracy and accelerates the deal process.
- Investors can realize the maximum internal rate of return and ensure long-term success for shareholders.
- Investors can continually benchmark performance with best practices for optimal portfolio management.

**NEXT STEPS**

- Growth Pipeline™ Dialogue
- Opportunity Universe Workshop
- Growth Pipeline Audit™ as Mandated Due Diligence

Source: Frost & Sullivan
Frost Radar™ Empowers Customers

**STRATEGIC IMPERATIVE**

- Solutions are increasingly complex and have long-term implications.
- Vendor solutions can be confusing.
- Vendor volatility adds to the uncertainty.

**LEVERAGING THE FROST RADAR™**

- Customers have an analytical framework to benchmark potential vendors and identify partners that will provide powerful, long-term solutions.
- Customers can evaluate the most innovative solutions and understand how different solutions would meet their needs.
- Customers gain a long-term perspective on vendor partnerships.

**NEXT STEPS**

- Growth Pipeline™ Dialogue
- Growth Pipeline™ Diagnostic
- Frost Radar™ Benchmarking System

Source: Frost & Sullivan
Frost Radar™ Empowers the Board of Directors

- Growth is increasingly difficult; CEOs require guidance.
- The Growth Environment requires complex navigational skills.
- The customer value chain is changing.

STRATEGIC IMPERATIVE

LEVERAGING THE FROST RADAR™

- The Board of Directors has a unique measurement system to ensure oversight of the company’s long-term success.
- The Board of Directors has a discussion platform that centers on the driving issues, benchmarks, and best practices that will protect shareholder investment.
- The Board of Directors can ensure skillful mentoring, support, and governance of the CEO to maximize future growth potential.

NEXT STEPS

- Growth Pipeline Audit™
- Growth Pipeline as a Service™

Source: Frost & Sullivan
Frost Radar™
Analytics
Frost Radar™: Benchmarking Future Growth Potential
2 Major Indices, 10 Analytical Ingredients, 1 Platform

**VERTICAL AXIS**

**Growth Index (GI)** is a measure of a company’s growth performance and track record, along with its ability to develop and execute a fully aligned growth strategy and vision; a robust growth pipeline™ system; and effective market, competitor, and end-user focused sales and marketing strategies.

<table>
<thead>
<tr>
<th><strong>GROWTH INDEX ELEMENTS</strong></th>
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<tbody>
<tr>
<td><strong>GI1: MARKET SHARE (PREVIOUS 3 YEARS)</strong></td>
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<td>This is a comparison of a company’s market share relative to its competitors in a given market space for the previous 3 years.</td>
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<tr>
<td><strong>GI2: REVENUE GROWTH (PREVIOUS 3 YEARS)</strong></td>
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<tr>
<td>This is a look at a company’s revenue growth rate for the previous 3 years in the market/industry/category that forms the context for the given Frost Radar™.</td>
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<tr>
<td><strong>GI3: GROWTH PIPELINE™</strong></td>
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<td>This is an evaluation of the strength and leverage of a company’s growth pipeline™ system to continuously capture, analyze, and prioritize its universe of growth opportunities.</td>
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<tr>
<td><strong>GI4: VISION AND STRATEGY</strong></td>
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<tr>
<td>This is an assessment of how well a company’s growth strategy is aligned with its vision. Are the investments that a company is making in new products and markets consistent with the stated vision?</td>
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<tr>
<td><strong>GI5: SALES AND MARKETING</strong></td>
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<tr>
<td>This is a measure of the effectiveness of a company’s sales and marketing efforts in helping it drive demand and achieve its growth objectives.</td>
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INNOVATION INDEX ELEMENTS

HORIZONTAL AXIS

Innovation Index (II) is a measure of a company’s ability to develop products/services/solutions (with a clear understanding of disruptive Mega Trends) that are globally applicable, are able to evolve and expand to serve multiple markets, and are aligned to customers’ changing needs.

• II1: INNOVATION SCALABILITY
  This determines whether an organization’s innovations are globally scalable and applicable in both developing and mature markets, and also in adjacent and non-adjacent industry verticals.

• II2: RESEARCH AND DEVELOPMENT
  This is a measure of the efficacy of a company’s R&D strategy, as determined by the size of its R&D investment and how it feeds the innovation pipeline.

• II3: PRODUCT PORTFOLIO
  This is a measure of a company’s product portfolio, focusing on the relative contribution of new products to its annual revenue.

• II4: MEGA TRENDS LEVERAGE
  This is an assessment of a company’s proactive leverage of evolving, long-term opportunities and new business models, as the foundation of its innovation pipeline. An explanation of Mega Trends can be found here.

• II5: CUSTOMER ALIGNMENT
  This evaluates the applicability of a company’s products/services/solutions to current and potential customers, as well as how its innovation strategy is influenced by evolving customer needs.
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