

THE CLOUD, EDGE AND AI INFRASTRUCTURE ECOSYSTEM

Navigating and finding success with
infrastructure service providers

PREPARED FOR



SEPTEMBER 25-26, 2024
WYNN LAS VEGAS | LAS VEGAS, NEVADA

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EXECUTIVE SUMMARY

The infrastructure services market is at a crucial turning point and hyperscale clouds, now pushing forward with the rise of AI, continue to be the disruptive engine. There is a 'new world' emerging and a vastly different ecosystem is being built around it that is going to generate billions of dollars of value. The annual executive summit *infra / STRUCTURE*, hosted by Structure Research, was founded to provide thought leadership and pave the way through this exciting transformation. Our goal is to replace legacy events that cater to and are stuck in the old world and bring together the next wave of value-creating companies so that they can realize their full potential. The infrastructure service provider, in its many new forms, remains at the centre of this ecosystem and *infra / STRUCTURE* speaks directly to this unique and valuable audience. In 2024, we will be taking *infra / STRUCTURE* to the next level, and after four successful years in Toronto, relocating to Las Vegas, Nevada. This complimentary white paper is being made available to potential sponsors and paints a picture of what the new landscape is going to look like - providing a blueprint that service providers, investors and vendors alike can use to navigate and understand this market, and ultimately, find value and success. Thank you for taking the time to learn about *infra / STRUCTURE* and ultimately, sponsor and attend. We trust that you will find the event a valuable investment of your time and look forward to welcoming and serving you in Las Vegas.

Regards,
The Structure Research Team

DC EQUIPMENT & CONSTRUCTION

Eaton **Stulz** **Trane** **Legrand** **Commscope** **Hitachi Energy** **Panduit**

Nautilus **Schneider Electric** **ABB** **ActivePower** **Corning** **Datalec** **Excool**

K&N **Vertiv** **Rittal** **Siemens** **Telescent** **Munters** **Koehler**

REAL ESTATE

Gushman & Warkfield **CBRE** **Savills** **JLL** **Knight Frank** **Newmark**

MODULAR/EDGE DATA CENTRES

EdgePresence **Vapor** **Edge Centres** **Compass** **Vertiv** **IE** **Zella DC** **Schneider Electric**

HYPERSCALE CLOUD

Oracle Cloud **Microsoft Azure** **AWS** **Alibaba Cloud** **Google Cloud** **ByteDance**

AI

CoreWeave **RunPod** **Lambda** **Nvidia** **Crusoe** **DC DenVR** **NexGen Cloud** **Cirrascale**

SOFTWARE

Plesk **Sunbird** **Virtuozzo** **Microsoft** **Sumo Logic** **CARMA** **Ridge**

ScienceLogic **New Relic** **Onion** **Sectigo** **Zerto** **CoreIO** **Link11**

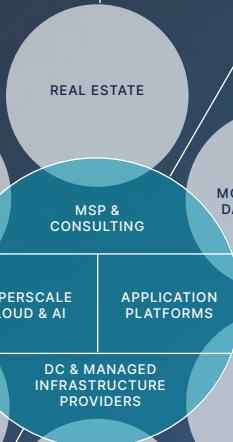
Webpro **Section** **Wasabi** **Veeam** **VMware** **Platform9** **ServiceNow**

DATA CENTRE & MANAGED INFRASTRUCTURE PROVIDERS

Akamai **Tract** **Equinix** **Digital Realty** **Qubicle** **Cloudflare**

Flexential **Zenlayer** **ColoHouse** **Edgecon** **Tierpoint** **Vultr**

CyruOne **Fastly** **OVHcloud** **Expedient** **DigitalOcean** **Databank**



MSP & CONSULTING

Atos **2nd Watch** **Accenture** **Deloitte** **Logicworks**

Effectual **Rackspace Technology** **Kyndryl** **Bespinn Global** **Cognizant**

APPLICATION PLATFORMS

WordPress **Atlassian** **SAP** **WooCommerce** **Oracle** **Microsoft**

HARDWARE

Ampere **AMD** **Intel** **Juniper** **Nokia** **Hewlett Packard Enterprise** **Nvidia**

Marvell **Supermicro** **Pure Storage** **Fortinet** **Palo Alto** **NetApp** **Dell EMC**

CONNECTIVITY

Crown Castle **PacketFabric** **Sprint** **Verizon** **Comcast** **Megaport** **SummitG** **Fibrenoir** **Epsilon**

Aviatix **SBA** **Connectbase** **VerticalBridge** **Telxius** **Aryaka** **Cox** **Eunetworks** **Ciena**

Beanfield **American Tower** **Zayo** **BCE** **1623 Farnam** **Spencer Building** **One Wilshire** **Wella Building** **Interstate Electric**

ABOUT INFRA/STRUCTURE

infra / STRUCTURE is an exclusive industry summit that will bring together executives from across the Internet infrastructure ecosystem - hyperscale, cloud, data centre, edge and managed infrastructure - for high-value networking and a frank discussion about the industry's status and future directions. The infrastructure services market lacks an industry event that is vendor-neutral and brings together under one roof all the key pieces - operators, financiers, developers, end users and suppliers - that are involved in the value chain. infra / STRUCTURE was built to create an environment where conversations happen, relationships are built and ultimately, deals are done - all against the backdrop of third party analysis and engaged discussion of the sector's most pertinent issues and challenges. Today's Internet infrastructure executive is busy. There is no better way to get multiple things done at one time and in one location.

The infrastructure services market has been around for over two decades now and it has always had a very predictable quality to it. Things have changed over the years, but it has always been fascinating how much has stayed the same. Even when AWS entered the market back in 2006, it was just a curiosity for many years and few in the sector paid much attention to it.

Things have changed to say the least. There was a wave of cloud building in the period between 2008-12. Service providers of all shapes and sizes began to roll out cloud infrastructure services and shift to utility-based billing. Differentiation was tough to come by, as is often the case with infrastructure services, but support and user experience were two areas that were legitimately seen as weak spots for AWS, and service providers decided to battle in these areas.

There was initial optimism, but fast forward to the pre-pandemic period, and it is increasingly clear that the public cloud – not just AWS, but Azure, Google and others – is winning the battle for raw compute and storage infrastructure. Service provider-operated clouds have dropped out of the game and large technology entities such as Dell, HP and Cisco, along with a number of telcos, have exited the cloud compute market altogether. Along with Amazon, only Microsoft, Google, Alibaba and Oracle have stayed on the radar. Few if any new entrants are expected.

The rise of public cloud is undeniable, but it has not become a one-size-fits-all platform. And while it is difficult to project too far out, there are many reasons to believe that we may never get there. The reality of the competitive landscape is that end users will use multiple infrastructure deployment models and likely through more than one service provider. They will deploy in multiple locations and have a varied set of security, compliance, data location and performance requirements. The world will be hybrid and federated, and increasingly decentralized, with distinct characteristics between the core and edge. It will be increasingly

complex and require significant levels of refinement, optimization and management. The service provider remains in a prominent position within this new world. It provides the underlying infrastructure, the networks and connective tissue (interconnection). While many service providers are increasingly asset-light, they are still very much involved with the end user and it is that interaction that drives the service provider value proposition.

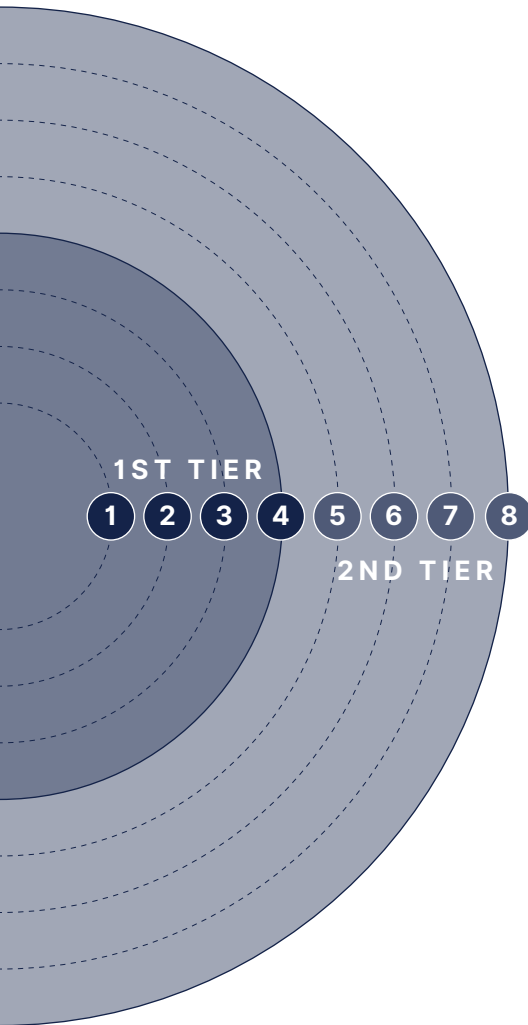
MSPs and managed infrastructure providers are helping organizations migrate to cloud and optimize and manage the deployments once they are there. They are providing managed services and consulting and taking on a more strategic role overall. At the same time, they are still housing infrastructure when the situation and requirements dictate. Meanwhile, service providers remain agnostic and heavy users of third party technology. They rely on technology to enable the services they provide and stay on top of the cutting edge. Things are changing faster than ever before and working with partners has become increasingly critical. The cloud infrastructure world is complex and has more pieces than ever before. And as it takes over at the centre of the infrastructure world, everything will flow from and connect to it.

The COVID-19 pandemic accelerated a lot of these trends as the world shifted all aspects of life and work online. Growth continued steadily through the pandemic years despite a challenging environment, and in many areas, trends accelerated. Enterprise uptake pushed forward steadily and end-to-end cloud transformation projects jumped into the pipeline as organizations faced a real sense of urgency. But the acceleration was interrupted as the world began to fully open up and the chaos and disruption caused by the pandemic started to take a toll on macroeconomic conditions. Inflation, rising interest rates and disjointed supply chains had far-reaching consequences and the sector, somewhat unexpectedly, entered a period of decelerating growth.

But just as soon as things began to slow, AI emerged seemingly out of nowhere. Organizations began to use and deploy AI technologies and moved more IT infrastructure to public clouds to take advantage of these capabilities. Meanwhile, new GPU-oriented cloud providers suddenly gained notoriety amid accelerating adoption. As a result, demand for colocation began to surge and the typical requirements are a significant step up from where data centres have been operating in the hyperscale growth wave. While it is very early, there are signs that AI is set to kick off another wave of growth that will have a cascading positive impact up and down the sector's value chain.

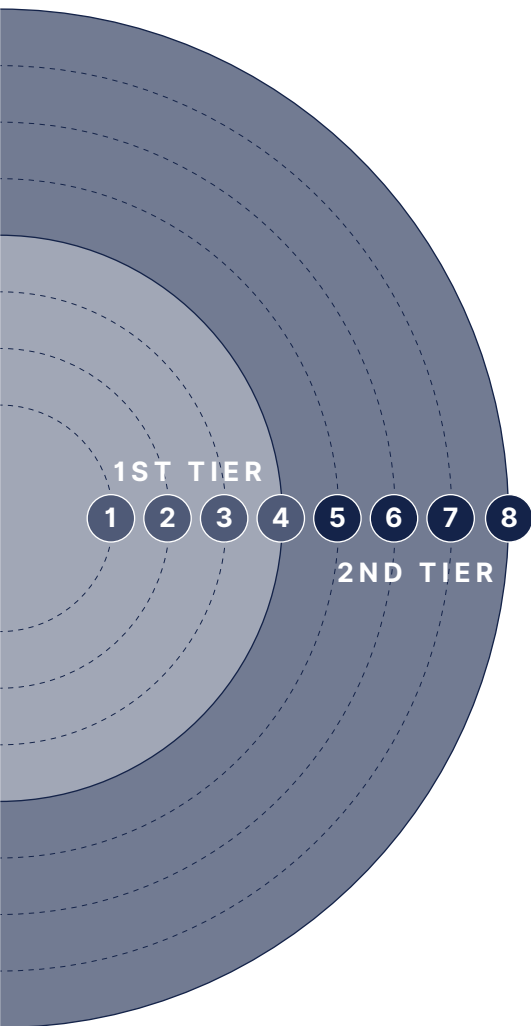
The current market conditions are expected to persist longer, but they are short-term in nature. The sector has always demonstrated a high level of resilience and will emerge from this period in a stronger position than before. Cloud will still be the dominant infrastructure deployment model and third party service providers will be heavily involved in supporting and providing value on top of it. Navigating this ecosystem will remain critical for any vendor looking for a viable path to reach end users.

Hyperscale public clouds continues to be the disruptive force of the day and the impact is being felt in all corners of the market. What are some of the ripple effects?



First Tier

- 1 RESELLING, MANAGING PUBLIC CLOUDS**
Service providers are reselling, managing and building value on top of hyperscale public clouds. They are helping end users get to the cloud and managing their infrastructure once they are there. They are also increasingly driving value above the infrastructure layer.
- 2 SHUTTERING XSP-OPERATED CLOUDS, LEGACY SERVICES**
Hyperscale public clouds have replaced most multi-tenant public clouds built and operated by infrastructure service providers, with some exceptions due to specialization or verticalization. Economies of scale have kicked in and innovation has reached another level. Providers are no longer competing in raw cloud compute and storage and are exiting traditional services to focus on the public cloud value chain.
- 3 COLOCATION SHIFTING FROM RETAIL TO HYPERSCALE AND INTERCONNECTION**
With compute and storage real estate moving to the public cloud, there is less remaining for independent service providers to house manage in traditional environments. For colocation providers, going after where the compute and storage has ended up means bypassing the end users and directly housing the public clouds. Hence, the shift to hyperscale colocation. Direct and performant connectivity to public clouds has also driven value for colocation providers that have a strong interconnection story. It is not just about moving to cloud, but conveniently connecting to it.
- 4 MOVING TO ASSET-LIGHT MODEL**
The shift to reselling and managing public cloud means providers will consume less gear and procure less data centre capacity. Infrastructure requirements will move from a CapEx to an OpEx-based model. Being asset-light has ramifications for the balance sheet and will funnel resources to the new battlefronts: features, services and innovation.



Second Tier

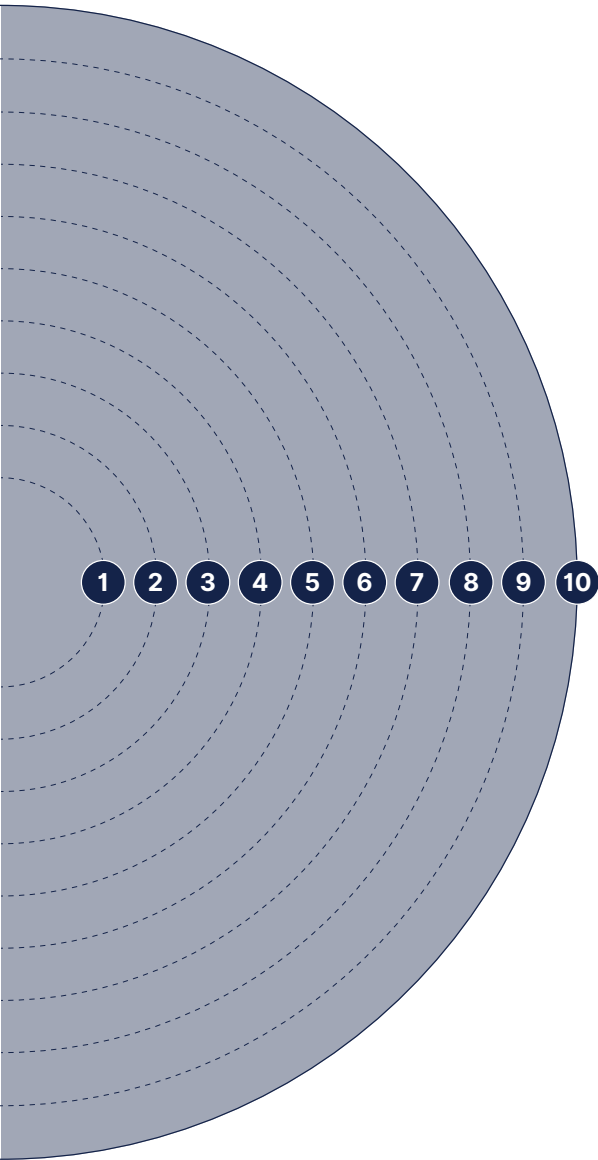
- 5 INCREASED SPECIALIZATION, VERTICALIZATION**

With workloads moving, and more of them fitting, on cloud, the pie left for service providers will be smaller. That means services like bare metal and private cloud will be increasingly focused and specialized. Value-add will be found in security and compliance layers and resonate in certain industries where this is valued like healthcare and financial services. Application management is another area of specialization that service providers can drive value from.
- 6 INCREASED VALUE OF INTERCONNECTION, ON-RAMPS**

The value of interconnection will rise as connecting to the cloud and in a performant manner, from anywhere – whether on-premise, in a colocation facility or another cloud or managed infrastructure service – will become more crucial.
- 7 BLURRING LINE BETWEEN MSP/MANAGED INFRASTRUCTURE PROVIDERS**

The lines between MSPs and managed infrastructure providers (or hosters) was clearer back in the day. MSPs were largely focused on the on-premise world and managed infrastructure providers were busy building data centres and leasing servers. The public cloud changed all that as the real estate that needs to be managed is headed to a third party platform. MSPs and managed infrastructure providers now look more alike and definitely have more of their interests aligned these days.
- 8 ENABLING THE EDGE**

The public clouds remain centred around primary locations, but decentralization is inevitable. Getting out to the edge is a challenge that service providers have taken on and new infrastructure concepts are being tested as we speak. The edge is the next frontier and it will inevitably involve many parts of the ecosystem.



- 1 HYPERSCALE DATA CENTRE CAPACITY REQUIREMENTS TO RISE**

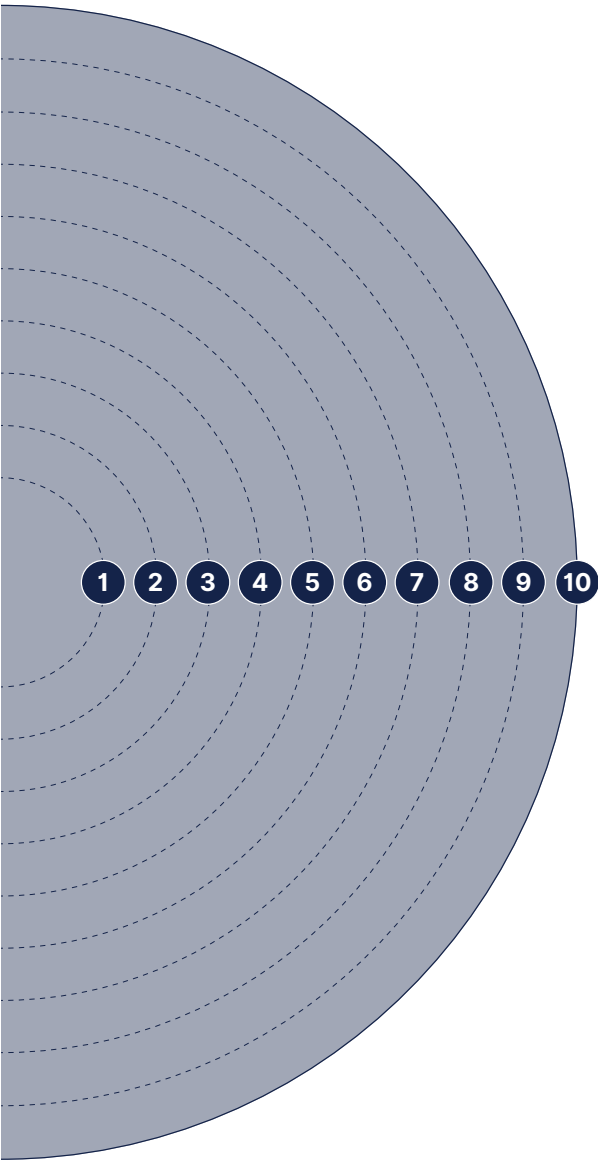
The growth in AI will result in data centre capacity requirements reaching a level not seen in the sector's relatively short history. Densities are expected to increase by orders of magnitude and take total power requirements to yet another level. The volume of demand that AI will create is hard to fully grasp and accurately predict at the moment, but it is clear in what direction this is headed. And it is headed there fast.
- 2 TIME-TO-MARKET, SCALABILITY KEY FOR DATA CENTRE OPERATORS**

AI is going to make time-to-market and scalability two crucial factors for data centre colocation success. AI is going to move at such a rapid pace that operators with inventory that is ready and available are going to have a huge advantage in the market. This will be especially true for locations and sites that have the runway to expand aggressively.
- 3 RISING IMPORTANCE OF SECONDARY LOCATIONS**

The large language models that are the foundation of AI applications can be run in core infrastructure locations that are further away from mass clusters of end users. Latency and performance is not as critical for LLMs and it is entirely feasible to put them in second tier markets. Furthermore, affordable land and power is more plentiful in some of these locations. This has already started to take place as GPU cloud providers are setting up in a number of second tier locations.
- 4 MORE DATA CENTRE COLOCATION DEMAND**

There is little question that AI is going to create more demand for data centre colocation. Capacity requirements are on the rise and secondary locations are going to play a big role in AI's expansion. Self-builds from the hyperscalers are still going to happen, but colocation providers will have a lot more TAM to work with and there are going to be various types of gaps looking to be filled.
- 5 DATA CENTRE RETHINK IS COMING**

AI workloads are going to be running at extremely high densities and there will have to be new and innovative ways to cool data centre infrastructure. Liquid cooling solutions, for example, have traditionally been on the periphery, but are likely to creep into the mainstream sooner than later. The power densities and cooling required for AI are already leading operators to fundamentally rethink how they will build and deploy data centre colocation infrastructure. There will be corresponding ramifications for lenders and investors.



- 6 THE CORE AND EDGE FOR AI WILL EMERGE**

Decentralization of public cloud infrastructure is well underway and AI has the potential to accelerate things further. There is emerging separation between training LLMs, which will reside in the core, and inference, which will be located closer to the end user. A core-edge topology forms the basis of most architectures and this will have a corresponding impact on how data centre infrastructure is deployed, which will further define the overall market opportunity.
- 7 SHIFT FROM CPU TO GPU WILL BE STRATEGIC**

AI is going to make GPU-oriented infrastructure increasingly strategic. Cloud infrastructure providers will have to get involved in this supply chain and integrate GPUs into their portfolios in order to be able to address this market. Data centre operators will have to be able to accommodate the unique hosting requirements for these respective types of infrastructure.
- 8 AI WILL SPAWN A NEW GENERATION OF CLOUD PROVIDERS**

New company formation has been the hallmark of an industry that has a fragmented competitive landscape, created by the difficulty in finding differentiation and the challenges of accumulating massive levels of scale. AI is new and specialized enough that scale is not yet an advantage and new AI-focused cloud providers are starting to pop up and enter the market.
- 9 MANAGED PUBLIC CLOUD WILL GAIN MOMENTUM**

The rise of AI will ignite more momentum around managed public cloud services due to the increased complexity of the architectures and the need for specialized knowledge and expertise. AI will drive both raw infrastructure consumption and uptake in value-add services.
- 10 PUBLIC CLOUD GROWTH WILL ACCELERATE**

The growth of AI will inevitably be a positive contributor to public cloud growth. AI workloads are going to run across the spectrum of infrastructure scenarios, but public clouds will get their fair share of the market over the long-term. The interest in deploying AI technologies is already pushing organizations to accelerate migrations to cloud and this is bringing along adjacent data and workloads. It all adds up to more compute and storage capacity on the cloud.

WHY IS IT IMPORTANT TO SELL TO SERVICE PROVIDERS?

THE GLOBAL IT FOOTPRINT IS MOVING TO OUTSOURCED ENVIRONMENTS

The IT infrastructure landscape is in the midst of a sea change. Technology vendors have traditionally sold directly to the enterprise. The end user buys the gear and software and runs everything on-premise (or in a colocation data centre). Sometimes they work with resellers, consultancies and integrators that help them with these tasks. Vendors typically work with the end user or the infrastructure distributor (or both). They have been able to serve almost the entire addressable market working in this manner. But times have changed and this is no longer the only or even best way of doing things. Organizations now increasingly use outsourced infrastructure services to run certain applications and store critical data. In the outsourced infrastructure model, the service provider buys equipment and software directly from the vendor and stands it up in managed third party facilities. It basically does this on behalf of the end user and then turns around and rents it to them as a service. The result is that the end user no longer directly procures and manages infrastructure in-house (for these specific workloads) and relies

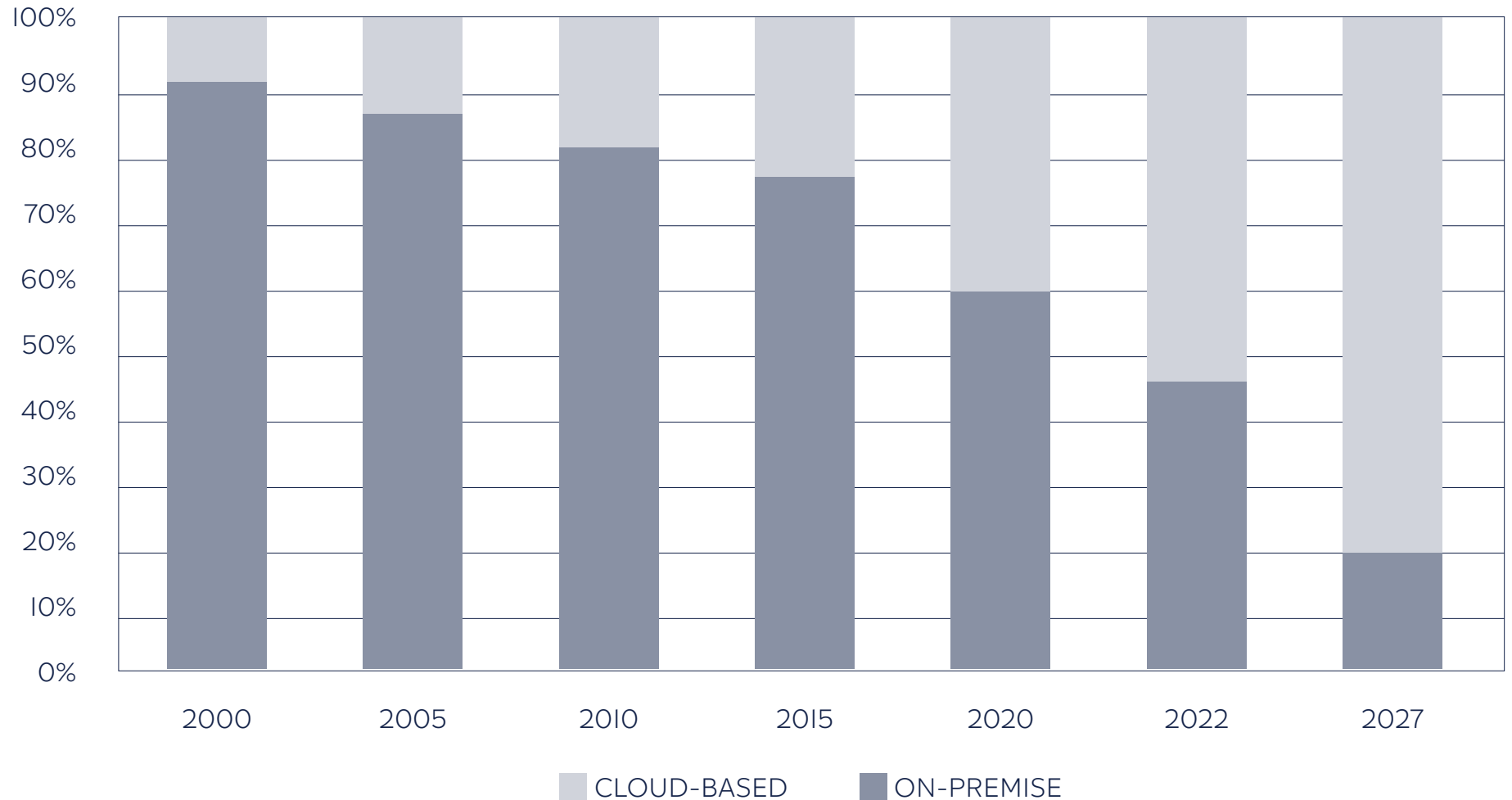
on the distributor to a lesser extent. They have turned capital expenditure into an operating expense on the balance sheet and removed the need to depreciate, retire and refresh.

The rise of cloud and managed infrastructure fundamentally threatens the predominance of the on-premise model and this is only picking up speed in today's market (see data points below). Why is this important to technology vendors? This is crucial because outsourced infrastructure has dramatically altered the make-up of the addressable market. It is simple math. The more workloads that are housed and run on cloud or outsourced infrastructure environments, the more gear and software are going to be purchased by service providers and the less by end users. And it is a zero-sum game. The simple fact is that if a vendor wants to maintain its addressable market, it must sell to infrastructure service providers or the parts of the ecosystem that support it. Not doing so narrows its field of opportunity.

THE ONGOING SHIFT TO OUTSOURCED INFRASTRUCTURE



SERVERS: WHERE THEY ARE GOING



Server shipment data, and other data points, we have seen shows that a growing percentage of servers end up in outsourced infrastructure environments. The implication is clear: a growing footprint of IT infrastructure is being housed and managed by infrastructure service providers. The rise of public cloud and the ongoing growth in outsourced infrastructure services speaks clearly to this trend.

WHERE IS THE MARKET HEADING?

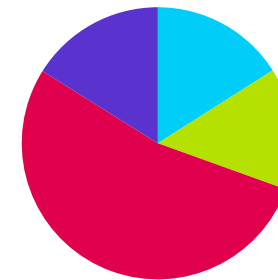
IN US\$ MILLIONS

2023



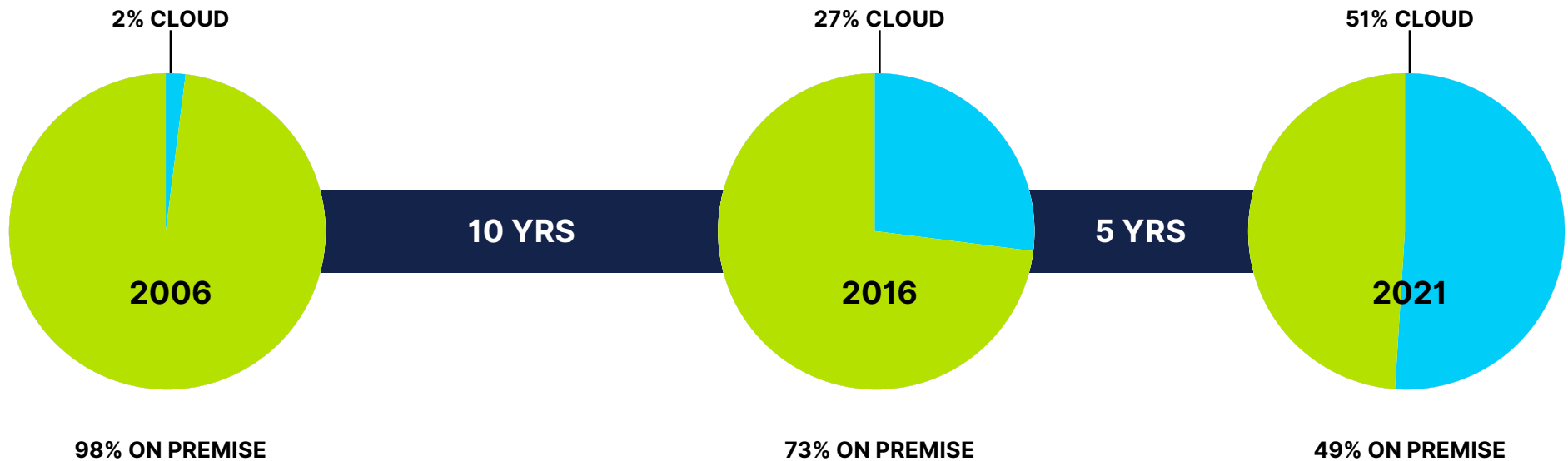
■ 14.4%	Managed Infrastructure	\$88,968.8
■ 12.3%	Colocation	\$76,300.0
■ 29.7%	Hyperscale Cloud	\$183,400.0
■ 43.6%	On Premise	\$269,423.7

2028



■ 16.0%	Managed Infrastructure	\$157,116.1
■ 14.5%	Colocation	\$142,500.0
■ 53.4%	Hyperscale Cloud	\$524,200.0
■ 16.1%	On Premise	\$158,292.6

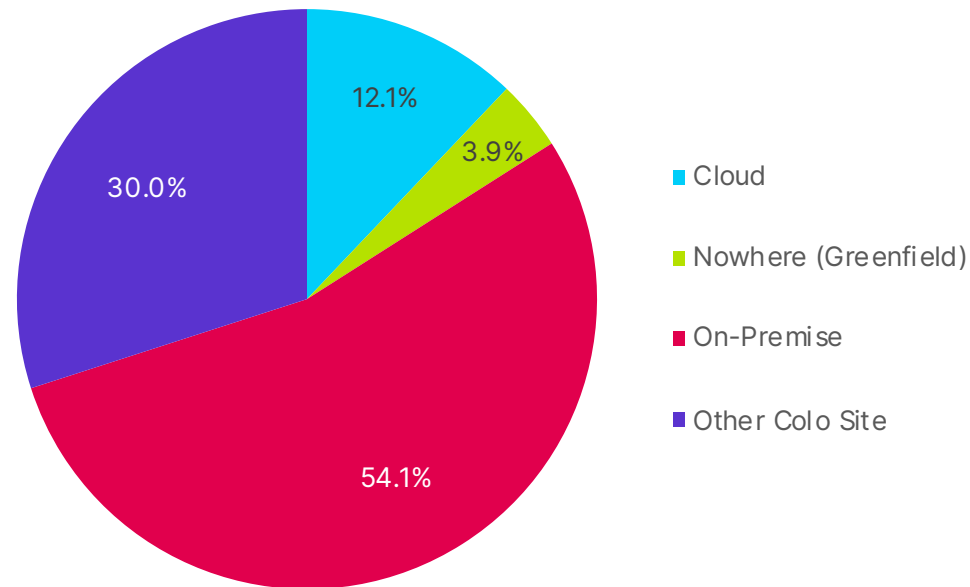
Our marketshare data shows that well less than half the infrastructure market, on a total value basis (defined in terms of dollars), is deployed in traditional on-premise environments. And if present trends continue, that percentage will shrink quite drastically as public cloud and managed infrastructure continues to grow. The key takeaway: infrastructure is increasingly deployed in outsourced infrastructure environments (with the pace arguably accelerating) and the installed on-premise base will continue to decline with no plausible scenario that would allow for it to rebound. This is a paradigm shift that will transpire on a global basis.



It is useful to reference third party data points to add further validation. VMware disclosed data about its software licenses, which is a good proxy for where infrastructure is being deployed. Back in 2006, before public cloud even existed, only 2% of licenses were running with third party service providers. Most of it was in traditional on-premise environments. Fast-forward ten years and over a quarter of VMware licenses were running in cloud-based environments. Progress was being made at a steady pace. Then this number nearly doubled in half the time in a clear sign that the shift from on-premise to cloud has started to accelerate. Today, VMware's software is mostly deployed in cloud-based environments and this now includes public clouds, which have rolled out services oriented to supporting VMware-based infrastructure.

WHERE IS YOUR IT INFRASTRUCTURE LOCATED TODAY?

(average of five years)



It is useful to reference third party data to add further validation. Avant Communications has regularly, and over several years, surveyed the end users of its communications and infrastructure services. It has shared some of that data with Structure Research, focusing in on the five-year period between 2018-22 for its retail data centre colocation users (mostly US-based customers). The Avant data shows that roughly 54.1% of IT infrastructure is housed on-premise. Avant's data is not a perfect apples to apples comparison with VMware or Structure Research's data. But it points to a similar dynamic in the market and provides a good sense for where the Internet infrastructure world is currently. The fact is that there is still a good portion of IT infrastructure sitting in traditional on-premise environments and it can still be moved to outsourced infrastructure.

- 1 SERVICE PROVIDERS CAN SERVE AS A CHANNEL TO MARKET:** Service providers have customer counts well into the thousands and can get up to tens if not hundreds of thousands of customers. If a vendor can convince a provider to buy their technology and productize it they are looking at gaining access to a large number of customers almost immediately.
- 2 BUILDING A CHANNEL CAN LOWER SUBSCRIBER ACQUISITION COSTS:** The cost of acquiring a single customer can be substantial. Working with service providers leads to multiple customer acquisitions at cost structures that scale very nicely. This is further reinforced through automation. Many software technologies, for example, are conducive to highly automated upsells. The efficiency and margins driven can be significant.
- 3 A SERVICE PROVIDER PARTNER HAS SIGNIFICANTLY MORE UPSIDE:** A single enterprise customer has nowhere near the upside that a service provider partner presents. Service providers can grow aggressively. Few if any enterprises can match that potential.
- 4 SERVICE PROVIDERS ARE MUCH MORE INCLINED TO COPYCAT:** Service providers watch their competition and often emulate success stories. If customers are buying a certain technology, competing providers will want to as well. This is built-in marketing and the dynamic is largely absent when selling direct to the enterprise. Enterprises do not closely monitor each other's moves when it comes to IT infrastructure.

- 5 SELLING TO SERVICE PROVIDERS CAN GET IMMEDIATE SCALE FOR YOUNG AND STARTUP VENDORS:** The service provider channel can drive scale quickly and this can be of immediate value to younger technology vendors looking to gain a foothold. A service provider partner can rapidly lead to multiple customers and use cases.
- 6 REPEATABILITY OF THE PROCESS MEANS OPERATING EFFICIENCY AND LESS MARGIN FOR ERROR:** Selling through service providers requires repeatable processes at various levels that drive efficiency. For hardware vendors, gear is shipped to the same locations and configurations and specifications are defined and repeatable. The same idea applies to software. Once enabled on a service provider's infrastructure, the technology is sold in the same way and often in a highly automated fashion. The benefits for operational efficiency are obvious but often overlooked is the fact repeatability also reduces margin for error. This positively impacts user experience.
- 7 SERVICE PROVIDER PARTNERS ARE EASIER TO BILL, SUPPORT AND MANAGE:** The service provider partner presents the convenience of one billing relationship and a single point of support for many customers. This helps technology vendors stay lean and efficient.

- 1 THE MARKET IS HIGHLY FRAGMENTED:** The service provider market is highly fragmented. There are literally tens of thousands of providers out there on a global basis. These providers serve various different geographies, multiple vertical industries and a vast range of end users from the small business up to the large enterprise. This fragmentation is not in danger of changing. Contrary to some opinions, the population of service providers is steady and growing on a global basis.
- 2 FINDING THEM IS HARD:** The infrastructure services business is fragmented and that means it is also scattered. Furthermore, the business is under the radar, highly automated and often run by technologists that are not as experienced on the business side of things. In general, there is a shortage of personal connections, recognizable names and high-profile brands. It is hard for vendors to generate leads.
- 3 DECISION-MAKING IS DISPERSED AND HARD TO IDENTIFY:** Especially among smaller service providers, there is not a lot of clarity as to how technology is procured. There may not even be a formal procurement process or even a CIO or CTO. In smaller entrepreneurial firms, the CEO is at the centre of most of the decision-making processes.
- 4 DECISION-MAKING IS REACTIVE AND INFORMAL:** Service providers do not typically have an established or scheduled way of going about evaluating new technologies. It tends to be done in reaction to certain problems or even by chance. Many service providers do not actively go out there and source new technology beyond what they feel they need to run their existing operations.
- 5 THIRD PARTY SOFTWARE USE HAS NOT BEEN PREVALENT AND THERE IS A STRONG 'IF IT AIN'T BROKE DON'T FIX IT' MENTALITY:** Many of the managed infrastructure and data centre operators out there have used a combination of open source tools and proprietary technology. The systems are then literally almost stitched together in a relatively messy fashion. Many of these systems need to be updated and are not properly maintained. But precisely because of the relative 'messiness' of these back ends, service providers tend not to rock the boat. There is a prevailing conservative tendency. They don't want to risk disturbing what might not be ideal but is still working and keeping the revenue coming in. It should not be surprising they have been hesitant to explore third party technologies and outside vendors.
- 6 OPEN SOURCE IS POPULAR:** Related to the above point: many segments of the service provider market lean heavily on open source. These businesses are built on margin and efficiency. Open source goes a long way to helping service providers save money.
- 7 SERVICE PROVIDERS USE RELATIVELY SMALL RANGES OF THIRD PARTY TECHNOLOGY:** Service providers have traditionally been very focused. They do a few things (provide and manage servers) and they try to do it well. As a result, they do not use a lot of third party technology. The scope of what they do is very narrow. That is starting to change as the business evolves and matures, particularly around managed services and consulting.
- 8 SERVICE PROVIDERS OFTEN FEEL THEY CAN BUILD IT:** Many of those that founded service providers came from technology backgrounds. They exert significant control over all the decision-making and are inclined to build rather than look for 'help' when faced with a need. This mentality puts up a roadblock that challenges many vendors trying to sell to service providers.

YOUR TECHNOLOGY HAS TO HELP THE PROVIDER MAKE MONEY:

The biggest difference between selling to the enterprise and selling to the service provider is clear and straightforward: your product or service must enable the service provider to make money. That can be done in two ways: 1) through sales of value-added products and services on top of core infrastructure services; and 2) contributing to better margins by driving operational efficiency and lowering TCO. This is a huge change in mindset. Selling directly to the end user certainly had an efficiency and optimization angle (though enterprises are not nearly as obsessed with it as service providers clearly have to be) but technology vendors never had to think about revenue generation. In the service provider world, revenue is going to be at the centre of any discussion. A service provider is going to be more likely to buy technology by degrees of magnitude if the vendor can demonstrate the ability to drive revenue and profit. The final decision will likely be based primarily on that factor alone.

YOUR TECHNOLOGY SHOULD BE EASILY PRODUCTIZED:

If you can turn your technology into a product or service offering you have moved well ahead in the game. Service providers and their technology procurement decisions are driven by revenue and revenue is driven by having things to sell. Technology should be productized and easy to sell with a clear value proposition.

THERE IS A TWO-STEP SELLING PROCESS:

Achieving a successful partnership with a service provider is a two-step process. Once the vendor has convinced the provider to deploy, that is only half the battle. The really hard work has only just begun. There are countless stories of service providers deploying technology and then having no idea how to sell or market their service. Enabling the service provider to be successful involves a lot of groundwork and is key to actually selling the technology. Sales teams need to be trained, support systems need to be created and marketing campaigns and strategies built. It is not a case of 'build it and they will come'. Far from it. Vendors must invest in helping the provider succeed.

MODULAR TECHNOLOGIES THAT PROVIDE FLEXIBILITY HAVE AN ADVANTAGE:

Technology vendors that have modular products can serve an important need of service providers: to provide various combinations of features and capabilities that can be used to up-sell piece by piece and create varied packages and offerings. The benefit of flexibility is the ability to cater and customize to a wide range of customer needs.

SUBSCRIPTION-BASED BILLING IS CRUCIAL:

Selling to service providers involves working with various different subscription-based billing models. Cloud and managed infrastructure providers have traditionally billed on a monthly recurring basis and have now moved to hourly and even per-second billing. Vendors hoping to sell into this demographic need to consider billing within this context or risk creating a lot of unnecessary barriers.

HAVING AN API IS VERY HELPFUL:

This may seem obvious but is worth repeating. Service providers have complex and highly customized back ends. Few if any look even remotely similar. An API allows the service provider to easily integrate.

THINKING ABOUT WHAT TO BILL IS JUST AS CRUCIAL:

Traditionally, for various technologies consumed by service providers, billing has been on a per-server or per-device basis. With the advent of virtualization that model is no longer viable in some situations. There is no easy way to go about this. Vendors just need to be sure they have a method for billing in virtualized multi-tenant environments.

THE ABILITY TO START SMALL AND SCALE IS HELPFUL:

Service providers are happy to jump on a situation where they can start out small with little upfront investment. Large outlays of capital are a much tougher sell. Technology vendors should look to deploy incrementally and scale when demand requires it. Software-as-a-Service models have worked well in the service provider industry for this reason.

SUCCESS IS ABOUT FINDING THE DECISION-MAKER:

It may seem obvious but is worth repeating. Understanding how technology is procured internally and identifying the decision-maker is paramount. Different sized firms have different procurement processes. With small providers, it is often about going directly to the CEO. In mid-sized firms there might be a CTO that takes care of this or a department head does the evaluation with decision-making coming from someone higher up. In larger telcos or consultancies, it is crucial to navigate the internal structure. Many larger telcos have acquired service providers to build an infrastructure services strategy. Procurement goes through this arm rather than the legacy telco corporate structure. Or it is in the process of being folded under that structure. Finding out what the situation is must be the top priority.

ENGAGE IN CO-MARKETING STRATEGIES:

Vendors are dependent on the service provider's success for their own success. Both are heavily invested in achieving the same outcomes. It is highly advisable to marshal resources and join forces to co-market. This is not only a way to optimize marketing and go-to-market spend, but a way to expand reach and widen the total addressable market.

IF POSSIBLE, AVOID CHANNEL CONFLICT:

Avoiding competition with service provider channel partners is desirable. Competition can impact pricing consistency and make it difficult to engage in co-marketing strategies.

UNDERSTAND THE TARGET MARKET AND PRODUCT LINE OF THE SERVICE PROVIDER:

If a provider is selling primarily to SMBs, for example, they are not going to need enterprise-class gear. The customer base and product set will dictate whether it is a reasonable lead or just simply not a good fit. Make this assessment early and move on if necessary.

SPEAK SERVICE PROVIDER:

Infrastructure service providers are smaller outfits that face unique challenges. They have specific concerns and challenges. If you can 'speak their language' you will open the lines of communication and instantly gain credibility. Show that you understand their problems, do your homework and have a solution.

POSITION TO SOLVE A PROBLEM:

At the end of the day, service providers are there to solve problems for an organization's IT department. This could be about saving money, improving internal processes or helping an organization with something they are not proficient in. Any technology vendor that hopes to sell to service providers must approach every potential partner with this in mind.

SUMMARY

Technology vendors face a shifting addressable market. IT infrastructure is increasingly consumed as a cloud-based service through third party service providers and this trend will only accelerate. The shift in how IT is consumed and delivered means that the universe of technology buyers will both change in profile and decrease in quantity. More specifically, that means we will see less enterprises and more service providers buying technology. And by extension, that means there will ultimately be a smaller numbers of total buyers since service providers will handle multiple customers by procuring and deploying infrastructure on their behalf (with end users and distributors decreasing their level of participation in the IT procurement value chain correspondingly). All this makes selling to service providers exceedingly crucial. If a vendor does not sell to service providers, it is effectively cutting itself off from a growing part of the total IT footprint universe and will inevitably face a shrinking addressable market over time. And that is exactly why we see more technology vendors building service provider go-to-market strategies. The only question is will your organization be next? The new world of cloud-based infrastructure and hyperscale is raw and unexplored. But it can be navigated and understood with the right data and insight. Structure Research can help.

STRUCTURE RESEARCH: OUR OFFERINGS



RESEARCH SUBSCRIPTIONS:

A regular flow of information, analysis and insight about the Internet infrastructure sector delivered straight to your inbox. Our publications are mobile-friendly and easy to consume. Stay on top of the sector's developments and get breaking information first-hand. This is both a competitive intelligence, and lead identification and generation tool.



STRATEGIC CONSULTING:

Tap into our analyst team and network for competitive insights, advice and strategic consulting. Take advantage of our extensive expertise and experience. Get useful insight on-demand.



EVENTS:

Independent third party research content is the backdrop for highly informative events that also provide unique networking and business development opportunities.



MARQUEE EVENTS:

Our annual infra / STRUCTURE executive summit is the main venue for reaching and connecting with the infrastructure services ecosystem. This is a prime opportunity to network and engage with decision-makers.

VALUE PROPOSITION

LASER FOCUS:

We are focused exclusively on the Internet infrastructure value chain. We are all about understanding and navigating the infrastructure service provider market. We live and breathe it every day.

UNPARALLELED ANALYST DEPTH INTO SERVICE PROVIDERS:

Few if any of the big research firms focus so extensively on service providers. Even fewer have analysts that have tracked anywhere near as many service providers as Structure Research has and will continue to track.

UNMATCHED DATA AND ANALYTICS:

None of the big research firms have service provider directories or databases. They do a poor job of aggregating data points about this sector.

MID-MARKET EXPERTISE:

Our research spends meaningful time in the middle of the market in a sweet spot that is generating significant value for vendors and investors. Big research firms are top-heavy and focus on the enterprise market and largely ignore the rest of the landscape.

RARE AND UNCOMMON ACCESSIBILITY:

We work quickly and efficiently. No waiting lists and no bureaucracy. Call the analyst directly or even send a text message. We are a boutique shop that cuts through the red tape to serve our clients.

AVOID THE DIRTY WORK:

We publish information from attendance at company briefings, analyst meetings, management briefings, trade shows, reading SEC filings and scouring news and media sources so you don't have to do the dirty work.

ENHANCED PRODUCTIVITY:

Free up internal resources by outsourcing research and competitive intelligence to a highly qualified team. Send data and analysis to as many employees as you wish so everyone is on the same page and time wasting is limited from each person researching on their own. Let your staff focus on selling.

UNIQUE AND IN-DEPTH INSIGHT:

New and grounded insights into sector developments. Our history includes periodic first- to-market disclosures. We also cover developments nobody else is tracking.

GLOBAL SCOPE:

We are uniquely global in scope, with strong reach and market coverage in markets across Europe, APAC and now LatAm. We are spending time in markets where most research firms have limited visibility. The global perspective shapes our insights and provides grounded context.

EFFICIENCY:

We deliver content frequently and in consumable chunks that are mobile-friendly and designed specifically for the busy executive.

ABOUT US

Structure Research is an independent research and consulting firm with a focus on the cloud and data centre segments within the Internet infrastructure market and unique expertise in the hyperscale value chain. We are devoted to understanding, tracking and projecting the future of infrastructure service providers. Managing Director Philbert Shih founded Structure Research in September 2011. Structure Research works with service providers, vendors, institutional investors, venture capital firms and IT users as a research and advisory partner. Our subscription-based model includes regular opinion and analysis, company, trend and insight reports, financial models, databases containing market analytics and consulting services. The company has 10 associates and is based in Toronto, Canada, with a subsidiary registered in Singapore and presence in Los Angeles, CA, Miami, FL, London, UK and Houston, Texas.

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