

Private/Hybrid Cloud – Data Center Services

A research report comparing provider strengths,
challenges and competitive differentiators

Customized report courtesy of:



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Examining affordable, adaptive and secure options for SLED hybrid cloud and data center needs

ISG research indicates that U.S. public sector organizations, including state, local and educational (SLED) agencies, are using colocation, managed hosting and hybrid cloud managed services 20 to 30 percent more than they were in 2020. This means that SLED agencies need more help than ever with private/hybrid cloud and data center environments.

Several factors drive this growth, including the following:

- Rising Need for modernization and cost-effectiveness: SLED agencies face increasing pressure to do more with less. Legacy IT systems are reaching their end-of-life, requiring updates. At the same time, tight

budgets and staff shortages make significant on-premises upgrades challenging. Private and hybrid cloud solutions offer a way to modernize infrastructure and applications, often with a pay-as-you-go model that helps manage costs.

- Increased focus on security and compliance: Cybersecurity threats are a constant concern for SLED agencies. Cloud providers can offer robust security features and expertise, along with compliance certifications that meet specific data privacy regulations. Hybrid cloud models allow these agencies to keep sensitive data on-premises while leveraging the cloud for other applications.
- Shift to remote work and digital services: The pandemic highlighted the need for flexible work arrangements and accessible online services for citizens. Cloud-based solutions enable remote work for government employees and provide a scalable platform for delivering online services, improving constituent engagement.

IT overhaul,
security and skill
needs and low
budgets **push for**
hybrid clouds
and data centers.



- Shift away from owned data centers: Key changes in service use and value include the following:
 - Hybrid rules: For several years, SLED agencies explored a broad mix of public and private cloud alternatives. Hybrid cloud models, including colocation, allow SLED agencies to leverage the benefits of both public and private cloud environments for different workloads.
 - Demand for coordinated management: The IT talent shortage among SLED agencies is a significant challenge. Managed service providers are filling the gap by offering expertise in monitoring, control and management of these complex cloud environments.

This shift toward private and hybrid cloud is not without its disruptions. SLED agencies need to navigate complex security considerations and ensure compliance with regulations specific to the public sector. In addition, the availability of significant U.S. federal grant money for the improvement of SLED IT, agency operations, infrastructure and other components has

made the sector an attractive target for service providers. The resulting influx of providers has made their identification, qualification and selection even more challenging for potential clients.

Even so, the overall trend suggests a continued rise in adoption as SLED agencies leverage the agility, scalability, and cost-effectiveness of these cloud and data center solutions.

This ISG Provider Lens™ report summarizes the key developments in three core aspects of private/hybrid cloud and data center services that SLED organizations value: managed services, managed hosting and colocation. Each is examined briefly below, with current market insights and provider evaluation in the respective quadrant sections of this report.

Managed Services for the U.S. Public Sector

As cloud use increases, so does the range and number of services and providers available. ISG market analysis predicts an average annual increase of 10–15 percent in the use of managed cloud services among SLED organizations through at least 2027.

The key areas where SLED agencies seek value through private/hybrid cloud MSPs include the following:

- Skills: Public sector IT departments yet, and increasingly, lack the in-house expertise to efficiently manage complex cloud environments, creating a demand for MSPs.
- Cost optimization: While clouds offer scalability and potential cost savings, managing them efficiently requires expertise that MSPs can provide.
- Legacy IT limitations: Modernization efforts expose the limitations of legacy systems, prompting a need for assistance to upgrade and move the applications on these systems to the cloud.
- Security concerns: Cybersecurity threats are a constant worry, and MSPs offer advanced security solutions and monitoring.

SLED-experienced MSPs are seeking to differentiate and add value for clients in this sector through service adaptation and refinement. Four areas where ISG sees the greatest potential value for SLED clients are:

- Increased specialization: MSPs are tailoring services to meet public sector-specific needs, including compliance with regulations and security.
- As-a-service models: Subscription-based models for cloud management, security and other services are gaining traction.
- Integration with new technologies: Leading MSPs are integrating services design, development, delivery and support with AI and automation for enhanced cloud management and security.
- Contracting improvements: The MSPs with experience in this sector recognize SLED-contracting challenges and are developing or expanding their expertise while partnering with SLED sourcing and procurement organizations.

Managed Hosting Services for the U.S. Public Sector

Managed hosting is often seen as a compromise between the outsourcing of infrastructure and software versus the use of colocation services (or own data center



resources), especially when the associated software or data cannot be moved to other cloud alternatives.

Managed hosting offers several advantages over colocation for public sector agencies in specific situations, including:

- **Alternative to limited IT expertise:** Managed hosting is ideal when an agency lacks IT management and support resources. The hosting provider handles server maintenance, security updates and troubleshooting, enabling the agency to focus on core functionalities.
- **Scalability management:** As with most outsourced cloud services, managed hosting offers on-demand scalability. Agencies can readily adjust server capacity based on fluctuating demands, avoiding the upfront investment required to purchase additional servers for colocation.
- **Predictable costs:** Managed hosting typically has a fixed monthly fee, making budgeting easier compared with colocation, where costs can fluctuate based on resource use and bandwidth requirements.

- **Security concerns:** Managed service providers specialize in data security. They offer features such as 24/7 monitoring and intrusion detection, which might be a burden for agencies to implement and maintain in a colocation setup.

Colocation Services for the U.S. Public Sector

As agencies shift an increasing number of applications out of legacy data centers, most find that some cannot be moved to a private or hybrid cloud or even to managed hosting platforms. A need to retain significant control over some of the existing software and data, combined with a lack of IT skills or adequate budget for significant data center resources, pushes agencies to consider colocation as an alternative.

As a result, the U.S. public sector is experiencing a surge in colocation adoption, accelerated by factors such as data growth, digital transformation and cloud integration. This trend aligns with ISG's overall colocation market growth, which projected a healthy CAGR of 6.7 percent.

Public sector agencies are increasingly finding colocation to be a compelling solution due to several key benefits:

- **Enhanced security and compliance:** Colocation providers offer robust security features in compliance with government data security standards such as the FedRAMP.
- **Cost-effectiveness:** Colocation eliminates upfront CapEx and enables economies of scale, allowing public agencies to pay only per use.
- **Scalability and flexibility:** Agencies can easily add or remove servers as their needs evolve, ensuring optimal resource utilization.
- **Disaster recovery capabilities:** Colocation facilities provide geographically dispersed locations and redundant power supplies, minimizing downtime from disruptions.
- **Focus on core competencies:** By offloading data center management, public agencies can dedicate resources to core government functions.

ISG expects the demand for colocation services in the U.S. public sector to rise

further. Colocation offers a secure and reliable foundation for government agencies to navigate increasing data volumes, evolving security concerns and cloud adoption, ultimately driving successful digital transformation initiatives.

What Qualities Define a Leader Among Providers?

As noted above, ISG sees an ever-increasing number and range of service providers attempting to serve the U.S. public sector client organizations. While all are likely to have substantial capabilities, not all can be considered Leaders.

ISG notes that the providers that are likely to progress and be considered as Leaders can meet the current needs of clients in the sector, as and where required. Leaders may not always have the broadest and deepest portfolio, but they have offerings that are most suitable for their current and expected needs. They may not have the largest market presence, but their own presence within markets, including that of client and partner organizations, enables the delivery of significant business value to both parties.




Executive Summary

The U.S. public sector's acceptance of hybrid and private cloud, along with the growing role of managed services, is set to continue. As organizations in the sector strive to modernize, improve service delivery and navigate the security landscape, the demand for managed services, hosting services and colocation services with sector-optimized offerings will only intensify.

The accelerating demand among SLED organizations for private/hybrid cloud and data center capabilities, combined with growing U.S. federal grant funding for IT and operational improvements of SLED organizations, has led to rapid growth in the range and number of providers offering services for these clients.




 Provider Positioning

Page 1 of 4


	Managed services	Managed Hosting	Colocation Services
11:11 Systems	Not In	Contender	Not In
Accenture / Accenture (Navisite)	Leader	Not In	Product Challenger
Atos	Product Challenger	Product Challenger	Not In
Capgemini	Product Challenger	Not In	Not In
CGI	Leader	Market Challenger	Not In
Coforge	Product Challenger	Not In	Not In
Colocation America	Not In	Contender	Contender
CyrusOne	Not In	Not In	Product Challenger
Cyxtera Technologies	Not In	Product Challenger	Not In
DXC Technology	Product Challenger	Product Challenger	Not In



 Provider Positioning


	Managed services	Managed Hosting	Colocation Services
Digital Realty	Not In	Not In	Product Challenger
Ensono	Leader	Leader	Not In
Equinix	Not In	Not In	Leader
Flexential	Not In	Not In	Product Challenger
Fujitsu	Contender	Product Challenger	Not In
Hexaware	Contender	Not In	Not In
HPE	Product Challenger	Not In	Not In
IBM	Not In	Leader	Not In
Infosys	Leader	Not In	Not In
InterVision	Not In	Contender	Not In



 Provider Positioning

	Managed services	Managed Hosting	Colocation Services
Iron Mountain	Not In	Not In	Leader
Kyndryl	Leader	Leader	Not In
Lumen Technologies	Contender	Product Challenger	Product Challenger
Microland	Contender	Contender	Not In
Mphasis	Product Challenger	Not In	Not In
NTT GDC / NTT Global Data Centers	Not In	Leader	Product Challenger
OneNeck IT	Not In	Not In	Contender
Orange Business	Contender	Not In	Not In
Rackspace Technology	Leader	Leader	Leader
TCS	Leader	Product Challenger	Not In

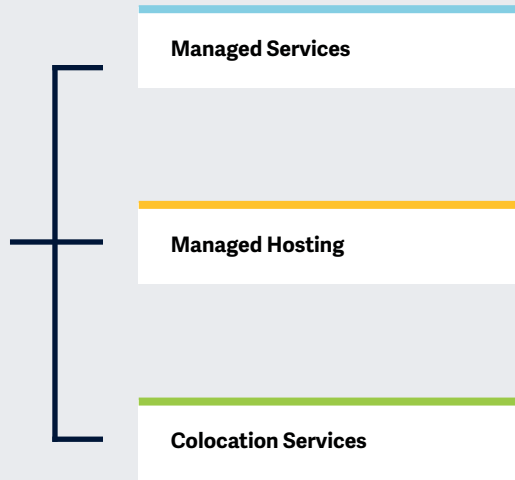


 Provider Positioning

	Managed services	Managed Hosting	Colocation Services
Tech Mahindra	Product Challenger	Not In	Not In
TierPoint	Not In	Not In	Leader
Unisys	Leader	Leader	Not In
US Signal	Not In	Not In	Contender
UST	Contender	Not In	Not In
Wipro	Leader	Not In	Not In
Zensar Technologies	Contender	Not In	Not In
Zones	Rising Star ★	Not In	Not In



This study focuses on the most critical aspects in 2024 for **private/hybrid cloud and data center** outsourcing for U.S. public sector clients.



Simplified Illustration Source: ISG 2024

Definition

This ISG U.S. Public Sector Provider Lens™ research study examines service providers that develop, enable and deliver the scope of private cloud, hybrid cloud, colocation and data center outsourcing IT capabilities needed by public sector entities and agencies in the U.S. to reduce IT and operational costs. For this study, ISG includes state and municipal government organizations and education (SLED) entities, public utility, public health, and other U.S. public sector agencies.

This study assesses services that are typically extensions of clients’ computing environments. Private clouds may be hosted at a client facility but can include third-party IT services with scalable virtual computing, networking and storage resources either in providers’ data centers or over shared infrastructure. Clients seeking strict security and governance, large data volumes and tight integration with enterprise applications and workflows often prefer private cloud environments.

Hybrid cloud environments combine on-premises infrastructure with private and/or public cloud services. They allow organizations to leverage public cloud capabilities without offloading entire systems to a third party. This offers adaptability and flexibility while keeping vital IT within the client’s firewall.

Data center outsourcing transfers the responsibility of orchestration, provisioning, monitoring and management of core IT assets and infrastructure to a third party. The client or a service provider may own the data center. Integrated monitoring and management services are usually delivered from the provider’s dedicated or shared offshore, onshore or nearshore delivery center.



Scope of the Report

This ISG Provider Lens™ quadrant report covers the following three quadrants for services/solutions: Managed Services, Managed Hosting and Colocation Services.

This ISG Provider Lens™ study offers IT decision-makers:

- Transparency on the strengths and weaknesses of relevant providers
- A differentiated positioning of providers by segments (quadrants)
- Focus on the U.S. public sector

Our study serves as the basis for important decision-making by covering providers' positioning, key relationships and go-to-market considerations. ISG advisors and enterprise clients also use information from these reports to evaluate their existing vendor relationships and potential engagements.

Provider Classifications

The provider position reflects the suitability of providers for a defined market segment (quadrant). Without further additions, the position always applies to all company sizes classes and industries. In case the service requirements from enterprise customers differ and the spectrum of providers operating in the local market is sufficiently wide, a further differentiation of the providers by performance is made according to the target group for products and services. In doing so, ISG either considers the industry requirements or the number of employees, as well as the corporate structures of customers and positions providers according to their focus area. As a result, ISG differentiates them, if necessary, into two client target groups that are defined as follows:

- **Midmarket:** Companies with 100 to 4,999 employees or revenues between \$20 million and \$999 million with central headquarters in the respective country, usually privately owned.

- **Large Accounts:** Multinational companies with more than 5,000 employees or revenue above \$1 billion, with activities worldwide and globally distributed decision-making structures.

The ISG Provider Lens™ quadrants are created using an evaluation matrix containing four segments (Leader, Product & Market Challenger and Contender), and the providers are positioned accordingly. Each ISG Provider Lens™ quadrant may include a service provider(s) which ISG believes has strong potential to move into the Leader quadrant. This type of provider can be classified as a Rising Star.

- **Number of providers in each quadrant:** ISG rates and positions the most relevant providers according to the scope of the report for each quadrant and limits the maximum of providers per quadrant to 25 (exceptions are possible).





Provider Classifications: Quadrant Key

Product Challengers offer a product and service portfolio that reflect excellent service and technology stacks. These providers and vendors deliver an unmatched broad and deep range of capabilities. They show evidence of investing to enhance their market presence and competitive strengths.

Leaders have a comprehensive product and service offering, a strong market presence and established competitive position. The product portfolios and competitive strategies of Leaders are strongly positioned to win business in the markets covered by the study. The Leaders also represent innovative strength and competitive stability.

Contenders offer services and products meeting the evaluation criteria that qualifies them to be included in the IPL quadrant. These promising service providers or vendors show evidence of rapidly investing in products/ services and a follow sensible market approach with a goal of becoming a Product or Market Challenger within 12 to 18 months.

Market Challengers have a strong presence in the market and offer a significant edge over other vendors and providers based on competitive strength. Often, Market Challengers are the established and well-known vendors in the regions or vertical markets covered in the study.

★ **Rising Stars** have promising portfolios or the market experience to become a Leader, including the required roadmap and adequate focus on key market trends and customer requirements. Rising Stars also have excellent management and understanding of the local market in the studied region. These vendors and service providers give evidence of significant progress toward their goals in the last 12 months. ISG expects Rising Stars to reach the Leader quadrant within the next 12 to 24 months if they continue their delivery of above-average market impact and strength of innovation.

Not in means the service provider or vendor was not included in this quadrant. Among the possible reasons for this designation: ISG could not obtain enough information to position the company; the company does not provide the relevant service or solution as defined for each quadrant of a study; or the company did not meet the eligibility criteria for the study quadrant. Omission from the quadrant does not imply that the service provider or vendor does not offer or plan to offer this service or solution.





Managed Services

Who Should Read This Section

This report is relevant to U.S. public sector organizations evaluating hybrid cloud managed service providers.

In this quadrant report, ISG highlights the current market positioning of hybrid cloud managed service providers in the U.S. public sector and how they address key market challenges. These providers are adept at managing data center infrastructures for state, federal and local government agencies, enabling them to focus on core tasks.

As U.S. public sector agencies increasingly embrace hybrid cloud and data center environments, they face challenges in managing IT budgets and resources. Service providers are expected to ensure improved efficiencies in sector-specific requirements pertaining to procurement, contracting and spending. Also, agencies are seeking providers capable of accelerating time to market and ensuring cost savings in diverse edge computing environments.

State, Local and Education (SLED) agencies are expecting service providers to integrate the design, development, delivery and support of services with AI and automation for better cloud management and security. U.S. public sector organizations are evaluating providers' unique toolsets that will support them in migrating applications to appropriate architectures, whether for maintaining legacy systems or porting them to cloud-native structures.

Service providers should be equipped to meet governance, compliance and security standards, including FISMA and FedRAMP certifications. Furthermore, service providers are intensifying their efforts to strengthen strategic partnerships with technology vendors and hyperscalers to help U.S. public sector agencies advance their digital transformation initiatives.



IT and infrastructure leaders should read this report to analyze MSPs' modernization and service capabilities and the market developments impacting hybrid cloud strategies.



Software development and technology leaders should read this report to understand providers' positioning, offerings and impact on ongoing infrastructure transformation initiatives.

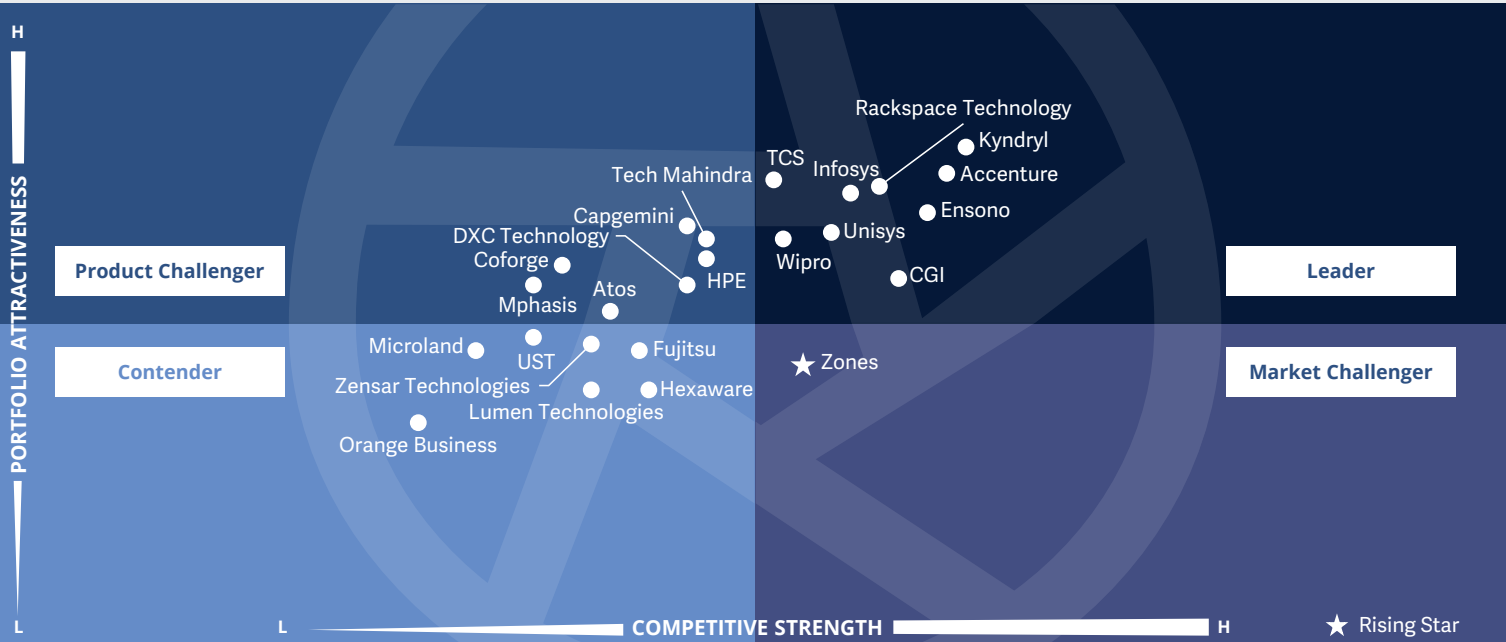


Sourcing, procurement and vendor management professionals should read this report to better understand the current landscape and partner ecosystem of MSPs in the U.S. public sector.



**Private/Hybrid Cloud – Data Center Services
Managed Services**

U.S. Public Sector 2024



This quadrant assesses service providers that offer **managed services** that foster the efficient use of **private/hybrid cloud and data center infrastructure** for clients in the U.S. public sector.

Bruce Guptill



Managed Services

Definition

This quadrant assesses a provider's ability to offer ongoing management services for private and hybrid clouds and traditional data center infrastructure and platforms that consist of physical and virtual servers, middleware, storage, databases and networking components. The infrastructure may reside at a client's data center, in the service provider's facility or be co-located in a third-party facility.

Managed services are characterized by the transfer of cloud IT service responsibilities to the service provider. They are governed by service level agreements (SLAs) with penalties for deviation from agreed performance goals. At a broad level, these services include provisioning; real-time and predictive analysis; and monitoring and managing operations of a customer's on-premises, private and hybrid cloud environments. These are aimed at maximizing the performance of workloads in the cloud, reducing costs, and ensuring compliance and security.

This quadrant evaluates providers that have the capabilities to manage traditional and cloud-native application releases, which also involve continuous integration and delivery processes, for U.S. public sector organizations.

One of the primary differences between managed service providers and managed hosting providers is that managed service providers have stronger integration practices that break up monolithic and traditional applications into individual services or microservices.

Eligibility Criteria

1. Demonstrate **existing** business contracting with **significant** U.S. public sector entities [especially state, local and education (SLED) organizations]
2. Ability to **offer services for private and hybrid clouds and data center infrastructure** (servers, middleware, storage and databases) by themselves and through partners
3. Ability to provide services within a client's premises or remotely and preferably through **shared service centers**
4. Established, or emerging, **basic and standard relationships** with one or more **major public cloud hyperscalers** such as AWS, Microsoft, Google or IBM
5. **Experience in large transition projects** that include automation, consolidation, virtualization and containerization of data centers and cloud enablement
6. Ability to act as an **extension of clients' IT organization** and get involved in creating blueprints, architecture frameworks and management processes at the client's location
7. Ability to provide **centralized orchestration/management** of hybrid IT infrastructure
8. Experience in transforming **business continuity planning** while managing a client's hybrid infrastructure remotely during unforeseen events
9. **Appropriate certifications** to ensure compliance at local levels



Managed Services

Observations

All cloud-centric environments require an increasing variety of managed services to enable, deliver and sustain the most efficient IT environment possible, even in terms of cost. As the U.S. public sector increasingly embraces hybrid cloud and data center environments, and as its own IT budgets and resources tighten, the most valuable service providers will be the ones that provide this efficiency in keeping with sector-specific requirements for procurement, contracting, spending, security and compliance.

While no significant new MSP entries were noted in this quadrant for 2024, a significant shift of providers can be seen. Market Challenger Lumen moved to the Contender position as it was outpaced by competitors. Similarly, Product Challengers, UST and Zensar, moved to the Contender position as their portfolio attractiveness was outflanked by advances among their competitors and changes in client needs. On the other hand, Market Challenger CGI improved its position to become a Leader because of portfolio improvements and a growing presence in the sector. Zones improved its Market Challenger

positioning to become a Rising Star through portfolio and market strength advances, while Tech Mahindra's investments in sector presence shifted it closer to a Leader position status.

As the demand for hybrid cloud capabilities grows and becomes increasingly complex in this sector, ISG expects 2024 and 2025 to bring substantial changes in portfolio requirements and capabilities, as well as changes in provider expectations from the partner ecosystems. At the same time, as the number of new entrants recognizing opportunities in this sector increases, an increasingly competitive marketplace can be expected in 2025.

From the 38 companies assessed for this study, 24 qualified for this quadrant, with nine being Leaders and one a Rising Star.

accenture

Accenture continues to innovate at a pace that belies its size. Advancements in AI include greater use of ML as well as examination, testing and deployment of GenAI to improve service delivery and support.

CGI

CGI helps sector clients overcome hybrid cloud challenges caused by past missteps, offering expertise to improve strategy, operations, and technology.

ensono

Ensono offers proven sector expertise in optimizing legacy infrastructure, modernizing and managing mainframes for cloud environments, and delivering robust cloud governance with automation and AI.

Infosys

Infosys leads in Managed Services using its innovative Polycloud orchestration and hybrid IT automation platform with its expanding Topaz AI portfolio of over 12,000 assets and more than 150 pre-trained AI models.

kyndryl

Kyndryl leverages exceptional sector experience in assessing, transforming, optimizing and managing legacy infrastructure with expertise in current cloud and mainframe environments.

rackspace technology.

Rackspace Technology continues to excel with dedicated support, broadening AI development and integration, and flexible staffing/expertise options within its managed services portfolio for sector clients.

tcs TATA CONSULTANCY SERVICES

TCS continues to invest heavily in engineering and technology expertise in DevSecOps, SRE, resiliency, and automation, as well as in a robust partner ecosystem that includes key hyperscalers and sector-familiar cloud-critical vendors like EMC, IBM, Microsoft and VMware.

unisys

Unisys takes a multi-phased approach to hybrid cloud transformation with assessment, migration and application modernization. It also specializes in modernizing public sector clients' mainframe systems through migration, integration or a hosted service.



Managed Services



Wipro leverages its advanced DigiExpert.AI platform to help clients manage IT assets using GenAI capabilities to improve users' experience. Its strong mainframe capabilities help sector clients improve their *big iron* utilization and security.

ZONES

Zones (Rising Star) services a rapidly growing number of sector clients throughout the U.S. with an expanding range of offerings and expertise in data center services, managed cloud services, and ITIL-based support for SLED agencies and educational institutions.



Unisys



“Unisys has a leading position in this sector through managed hosting with AI-powered cloud solutions, expertise in hybrid cloud/multicloud environments and on-premises application modernization for cost reduction, and citizen service improvements.”

Bruce Guptill

Overview

Unisys is headquartered in Pennsylvania, U.S. It has more than 16,200 employees across 57 offices in 27 countries. In FY23 the company generated \$2 billion in revenue, with Enterprise Computing Solutions as its largest segment. One of the longest-established IT hardware, software and services providers in the U.S, Unisys has been hosting sector Itenvironments, applications and data for decades, beginning with mainframe and similar large systems in the 1960s. Unisys emphasizes client-optimized services and solutions.

Strengths

Optimized hybrid modernization and management: Unisys’ multi-phased hybrid modernization and migration approach focuses on client objectives, where it combines assessment, cloud migration, application modernization and intelligent automation. The company leverages FinOps and DevSecOps with core tools and custom service portfolios to optimize costs and drive continuous business value.

Robust public cloud consulting and solutions: Unisys’ Cloud, Applications & Infrastructure solutions for public sector clients include systems and software migration (including to hosted servers, private and hybrid cloud), applications and data modernization, cloud use optimization, industry cloud(s) and BPO and

cybersecurity services. Unisys also continues to offer comprehensive data center management services.

Modernizing and managing mainframe landscapes: Unisys helps public sector clients modernize their mainframe systems (ClearPath and IBM z/Series) through several methods. They can leverage Unisys’ expertise and tools to evolve COBOL applications with Python and integrate with modern technologies. Alternatively, clients can migrate mainframe workloads to private or public cloud environments (Azure or AWS) with Unisys managing the process. Unisys also offers a hosted mainframe service (mainframe as a service [MFaaS]) for clients that prefer a shared infrastructure model.

Caution

As noted in other ISG public sector reports, over the years, ISG has noted relatively few significant releases or announcements aimed at SLED clients since 2021. That trend, combined with fewer outcome-based pricing options compared with its peers, could reduce Unisys’ appeal among SLED clients.





Managed Hosting

Who Should Read This Section

This report is relevant to U.S. public sector organizations evaluating providers offering managed hosting services.

In this quadrant report, ISG highlights the current market positioning of managed hosting providers in the U.S. public sector and how they address the key challenges faced by government agencies.

Government agencies are facing challenges related to changing compliance requirements and security while incorporating hosted resources into their hybrid cloud setups. This is due to large data volumes and the requirement for tight integration with organizational workflows and critical applications.

Government entities expect providers to monitor and manage the hosted computing resources effectively to avoid overspending or underutilization. Additionally, they look for providers that can tailor their offerings for seamless integration with frameworks, tools and platforms, ensuring smooth data exchange and regulatory compliance.

The U.S. public sector is increasingly focusing on hosted platforms that offer a flexible and cost-effective solution for resource use according to fluctuating workloads while combining the benefits of on-premises infrastructure and cloud for different needs.

Government entities are expediting modernization through next-generation technologies and tools, including advanced computing, AI and automation to upgrade their traditional infrastructures. Concurrently, they are partnering with a trusted and experienced hosting provider that can offer a comprehensive solution that covers all aspects of their hybrid cloud strategy.



IT and infrastructure leaders should read this report to analyze managed hosting providers' modernization and service capabilities and the market developments impacting hybrid cloud strategies.



Software development and technology leaders should read this report to understand providers' positioning, offerings and impact on ongoing infrastructure transformation initiatives.

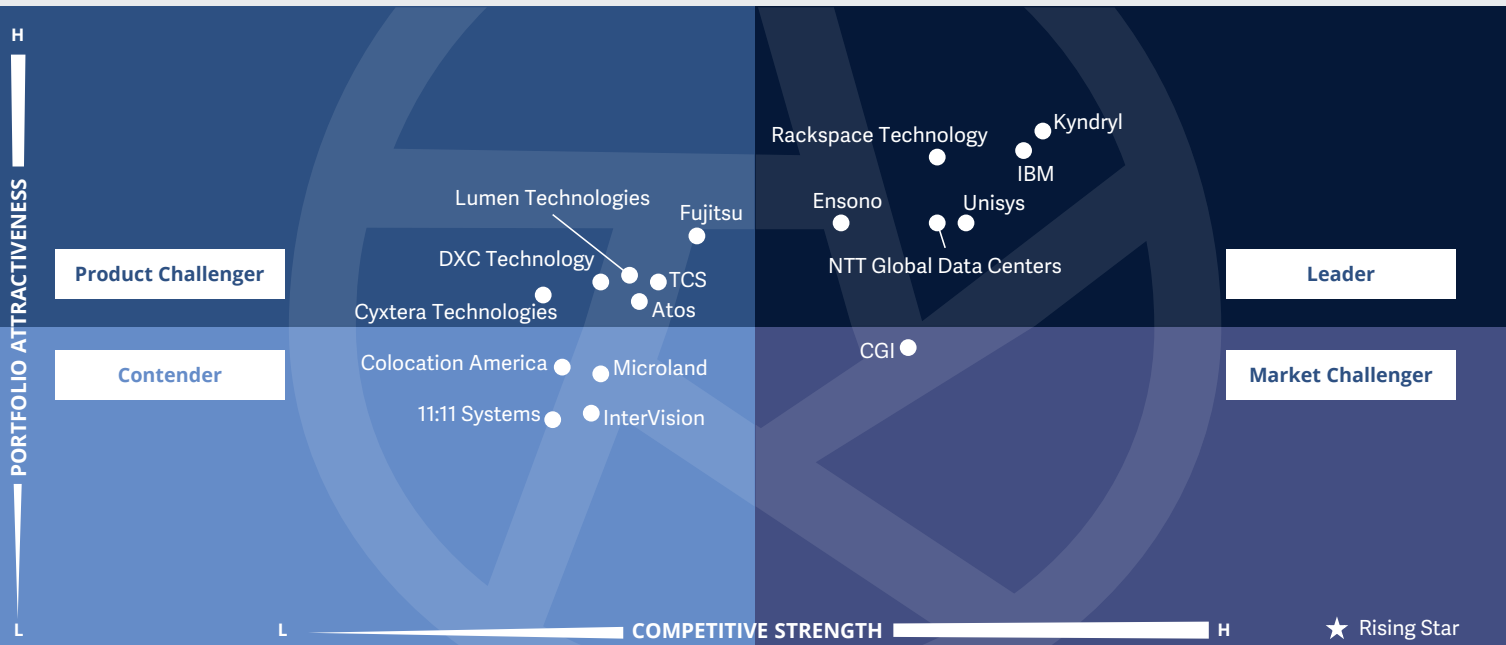


Sourcing, procurement and vendor management professionals should read this report to better understand the current landscape and partner ecosystem of managed hosting providers in the U.S. public sector.



Private/Hybrid Cloud – Data Center Services
Managed Hosting

U.S. Public Sector 2024



This section assesses **managed hosting service providers** for their offerings that have become attractive **and increasingly valuable** for U.S. public sector organizations learning to **balance and optimize** hybrid cloud and on-premises environments.

Bruce Guptill



Managed Hosting

Definition

This quadrant assesses service providers that offer standalone, enterprise-grade hosting solutions to U.S. public sector organizations using their own or third-party facilities.

The providers assessed here are typically responsible for regularly managing and maintaining data center components such as servers, storage, operating systems and connectivity to the external network.

Managed hosting providers are responsible for provisioning clients' infrastructure to keep applications running effectively, with optimal performance and security.

This quadrant assesses providers delivering comprehensive managed hosting services that ensure high performance, security and reliability for public sector clients. Clients in this sector also expect managed hosting providers to offer automated backup and recovery services using advanced techniques and hosting applications near the workload to achieve ultra-low latency.

This quadrant also includes providers that have the capabilities to monitor IT assets, such as legacy systems and private and public clouds, through hybrid cloud management platforms. However, this quadrant excludes providers solely offering hybrid cloud management tools or platforms. Key service levels considered include data center tiers, multilayered security, service availability and network (LAN) I/O performance during peak times.

Eligibility Criteria

1. Demonstrate **existing business** contracting with **significant** U.S. public sector entities [especially state, local and education (SLED) organizations]
2. Ability to offer government-grade **hosting** solutions using the provider's infrastructure
3. Capability to offer active-active and active-passive **disaster recovery and backup services**
4. **Technical and financial capacity** to upgrade the infrastructure and maintain capacity plans to ensure hosting performance in advance if the demand increases in the future
5. **Capability to scale and maintain** dedicated servers and storage and shared cloud resources on the same network and management platform
6. Ability to provide **compliant physical and virtual security** in the data center based on clients' requirements



Managed Hosting

Observations

As public sector clients learn that all-cloud and cloud-first IT strategies can limit IT value, ISG notes increasing interest in managed hosting services. While this has not yet found the momentum seen in other areas of cloud-related IT, it is expected to accelerate spending and result in increased competition by the end of 2025 as agencies learn more about the value of such services in hybrid IT environments.

Key developments helping to drive sector adoption and use of managed hosting services include the following:

- Hosting services now typically encompass server management, network security, application management and disaster recovery.
- Providers are offering enhanced encryption, intrusion detection/prevention systems and compliance certifications such as the Federal Risk and Management Program (FedRAMP) to ensure data security and meet stringent regulations.
- Hosted platforms allow cost-effective adaptation of resource use to fluctuating

workloads while combining the benefits of on-premises and cloud infrastructure for different needs.

- Providers offer solutions in compliance with data sovereignty guidelines, addressing concerns about data location, privacy and control.
- Leading providers tailor offerings to integrate seamlessly with government frameworks, tools and platforms, ensuring smooth data exchange and regulatory compliance.
- Providers are increasingly offering sector-specific solutions, covering healthcare, education and law enforcement, among others, with unique security, compliance and data management requirements.

Key provider shifts in this market include a strong movement by Kyndryl as it expands capabilities and relationships, while Lumen shifts left as others become aggressively competitive. ISG expects more competitive movements through 2024.

From the 38 companies assessed for this study, 17 qualified for this quadrant, with six being Leaders.

ensonio

Ensono offers its services in the public sector with standard hosting as well as custom high-performance infrastructure for critical applications, private cloud options for secure cloud migration and legacy mainframe expertise for modernization.

IBM

IBM maintains its leadership position in the public sector managed hosting space with extensive experience, SLED-compliance expertise and dedicated server options optimized for sector workloads (for example, SAP HANA) across a global network.

kyndryl

Kyndryl leverages decades of public sector experience, with its IBM legacy, to design, build, and manage secure hybrid cloud/multicloud environments. It excels at optimizing mainframe workloads and offers large-scale data center management with proven SLED contracting expertise.

NTT Global Data Centers

NTT Global Data Centers excels in public sector managed hosting with proven expertise in core SLED areas and a vast presence in the U.S. Its services include comprehensive, secure hosting with AI-integrated automation and software-defined networks for efficient deployments.

rackspace technology.

Rackspace Technology supports clients in this sector via Rackspace Government Solutions that include secure, compliant cloud services and expertise. Flexible hosting models, from single-tenant high-performance to bare metal management, enable it to support diverse public sector needs.

unisys

Unisys offers public sector clients a compelling managed hosting mix. Its CloudForte® solutions combine cloud migration, management (security, compliance and performance) and AI-powered operations for agile deployments.



Unisys



“Unisys has a leading position in public sector managed hosting with its AI-powered cloud solutions, expertise in hybrid cloud/multicloud, and on-premises application modernization capabilities for cost reduction and citizen service improvements.”

Bruce Guptill

Overview

Unisys is headquartered in Pennsylvania, U.S. It has more than 16,200 employees across 57 offices in 27 countries. In FY23 the company generated \$2 billion in revenue, with Enterprise Computing Solutions as its largest segment. One of the longest-established IT providers in the U.S., serving public sector organizations, Unisys has been managing and hosting sector IT environments for decades, beginning with mainframe and similar large systems in the 1960s. Unisys emphasizes client-optimized services and solutions.

Strengths

Robust public cloud consulting and solutions: Unisys’ Cloud, Applications & Infrastructure offerings for sector clients include systems and software migration (including hosted servers, private cloud and hybrid cloud), applications and data modernization, cloud use optimization, industry cloud(s), and BPO and cybersecurity services. Unisys also offers complete client data center management services.

Modernization and digitalization for public services and organizations: Unisys focuses its public sector IT and consulting services on modernizing operations to reduce costs, improve and advance operational efficiency and citizen services access, and enhance user and constituent satisfaction. Unisys’ Digital Service Management offering

enhances and modernizes significant on-premises application workloads in situ to improve service management or reduce costs. This form of managed hosting is particularly useful for clients with sensitive workloads or data.

Improved AI-integrated portfolio: Unisys emphasizes cloud transformation via its CloudForte® solutions that encompass security, compliance and performance enhancement as a part of cloud management and operations. It has expanded the use of AI in solutions such as CloudForte®, Stealth™, and Navigator™, improving agile cloud deployment and governance for clients.

Caution

Despite its substantial presence in the public sector, ISG notes few significant releases or announcements aimed at SLED clients. This factor, combined with fewer outcome-based pricing options compared with its peers, could reduce Unisys’ appeal among SLED clients.





Colocation Services

Who Should Read This Section

This report is relevant to U.S. public sector organizations evaluating colocation service providers.

In this quadrant report, ISG highlights the current market positioning of colocation service providers in the U.S. public sector and how they address the key challenges faced by government agencies.

Public sector organizations face challenges related to maintaining control over existing software and data, paucity of IT skills and inadequate budgets for managing significant data center resources.

ISG notes the surge in colocation adoption in the U.S public sectors, accelerated by factors such as data growth, digital transformation and cloud integration. Public sector agencies are seeking providers that can implement comprehensive security and compliance measures with government data security standards.

Organizations in the public sector are seeking colocation facilities that offer disaster recovery, geographical diversity and redundant power supplies to minimize downtime during disruptions. By offloading data center management, these organizations can better allocate resources to essential government operations, thus improving service delivery and efficiency.

Colocation providers are expected to offer a robust and secure infrastructure to help government agencies effectively handle growing data volumes, evolving security challenges and the integration of cloud technologies. These are key components for driving the public sector's digital transformation initiatives.



IT and infrastructure leaders should read this report to analyze colocation providers' modernization and service capabilities and the market developments impacting hybrid cloud strategies.



Software development and technology leaders should read this report to understand providers' positioning, offerings and impact on ongoing infrastructure transformation initiatives.

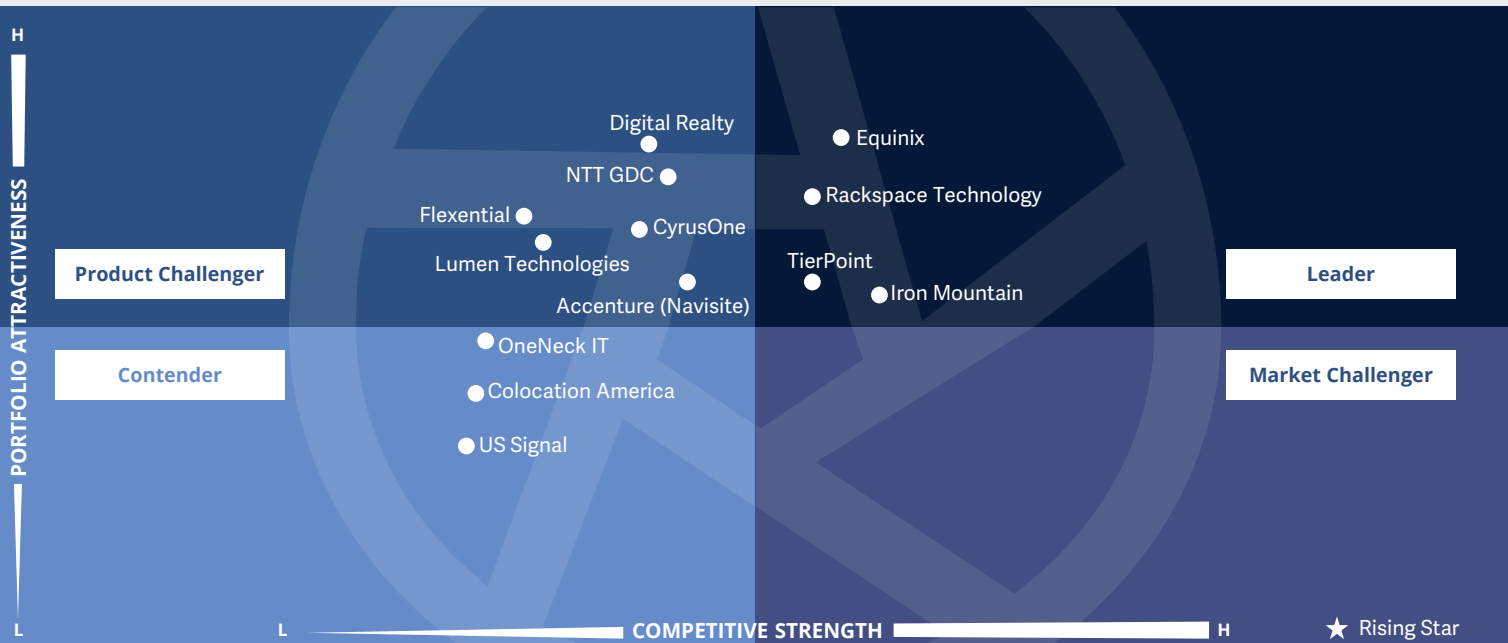


Sourcing, procurement and vendor management professionals should read this report to better understand the current landscape and partner ecosystem of colocation service providers in the U.S. public sector.



Private/Hybrid Cloud – Data Center Services
Colocation Services

U.S. Public Sector 2024



This section assesses **data center colocation service providers for the services they offer to SLED clients seeking cost- and resource-efficient and adaptive data center capabilities to avoid the overhead of owned data centers.**

Bruce Guptill



Colocation Services

Definition

This quadrant assesses colocation providers offering standardized data center operations for U.S. public sector clients, including state, local, and educational (SLED) agencies. Providers assessed in this quadrant focus on renting space for servers and computing hardware from a third-party infrastructure space. They typically offer real-estate facilities, cooling systems, power distribution and security services, while clients manage their own hardware.

Clients usually leverage colocation services to obtain secure facilities with professional support, facilities management, system monitoring and maintenance. Clients expect standardized and sophisticated data center setups, multiple carrier options, low latency and high bandwidth at affordable prices to deliver rich content or critical, latency-sensitive information to their users, including citizens and other constituents.

This quadrant assesses providers that can offer high-quality data center setups and onboarding services, diverse connectivity with various carriers and telecommunication providers, low latency, high bandwidth for content delivery, scalability, and flexibility in services. Security and compliance are paramount to ensure data and infrastructure protection. The data centers also often serve as service access points for SLED agencies that contract with larger (typically state-level) government entities for IT services.

Eligibility Criteria

1. Demonstrate existing **business contracting with significant U.S. public sector** entities [especially state, local and education (SLED) organizations]
2. Own facilities that offer **standardized data center** architecture designed for colocation
3. Offer **secure** and **high-quality network** equipment, appliances and connectivity systems
4. Guarantee **power density** to support current and future technologies
5. Ability to provide at least **five layers** of **data center security**
6. Possess **appropriate certifications** such as SSAE 16, HIPAA, ISO 14001, ISO 22301, ISO 27001, ISO 50001, EN 50600, PCI DSS, NIST, FISMA and SOC Type I and II
7. Amenable to SLAs related to **hands-and-feet support** and hardware replacement



Observations

While the colocation of IT resources has been an integral part of SLED IT for decades, the *cloud-first* trend among SLED IT organizations has minimized its perceived value among many organizations. As an increasing number of SLED organizations experience the complexity of hybrid cloud architectures and gradually reduce their own data center responsibilities, ISG sees the increased inclusion of colocation as a key part of flexible hybrid cloud and on-premises IT architectures and operating models.

The areas in the U.S. public sector organizations where ISG notes an increasing adoption of colocation include:

- Citizen data storage: Social Security numbers, tax information and other sensitive citizen data can be securely housed in colocation facilities.
- Emergency response systems: Colocation helps ensure reliable data storage and access for critical emergency response systems.

- Data analytics for public health: Public health agencies utilize colocation for data analysis related to disease outbreaks and resource allocation.

Key challenges for which SLED organizations need managing support from providers:

- Data residency requirements: A few governments mandate data storage within specific geographical boundaries. Colocation enables compliance with this requirement.
- Security concerns: While colocation offers enhanced security, organizations must carefully evaluate providers' security protocols.
- Vendor lock-in issue: Dependence on a single colocation provider can limit flexibility. Public sector entities should consider multivendor strategies.

Given current hybrid IT trends, including the increasing business value of rapidly growing volumes of data, ISG expects SLED use of colocation services to grow between 7–10 percent annually at least through 2026, thus increasing competition in this space.

From the 38 companies assessed for this study, 13 qualified for this quadrant, with four being Leaders.

Equinix

Equinix leads in public sector colocation with its interconnected fabric for low-latency cloud access and AI workloads, as well as green data centers aligned with SLED sustainability goals such as the use of renewable energy and efficient cooling.

Iron Mountain

Iron Mountain stands out among its peers for public sector colocation with secure, customizable data centers, expert migration assistance and a strong focus on sustainability with carbon-free energy and green-building certifications.


rackspace technology.

Rackspace Technology is recognized in the public sector colocation space for its secure, multicloud connections (RackConnect Global) and hybrid approach. It offers expert migration and self-service tools and is committed to sustainability (reduced emissions and green facilities, among other initiatives).

TierPoint

TierPoint's SOC-compliant data centers, backed by strong uptime guarantee 24/7 onsite security, thereby meeting the strict requirements of public sector clients. Its remote hands and user-friendly portal further streamline colocation management for public sector agencies.





Star of Excellence

A program, designed by ISG, to collect client feedback about providers' success in demonstrating the highest standards of client service excellence and customer centricity.



Appendix

The ISG Provider Lens 2024 – Private/Hybrid Cloud – Data Center Services research study analyzes the relevant software vendors/service providers in the U.S. Public Sector market, based on a multi-phased research and analysis process, and positions these providers based on the ISG Research methodology.

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The research and analysis presented in this report includes research from the ISG Provider Lens program, ongoing ISG Research programs, interviews with ISG advisors, briefings with services providers and analysis of publicly available market information from multiple sources. The data collected for this report represents information that ISG believes to be current as of May 2024, for providers who actively participated as well as for providers who did not. ISG recognizes that many mergers and acquisitions have taken place since that time, but those changes are not reflected in this report.

All revenue references are in U.S. dollars (\$US) unless noted.

The study was divided into the following steps:

1. Definition of Private/Hybrid Cloud – Data Center Services market
2. Use of questionnaire-based surveys of service providers/ vendor across all trend topics
3. Interactive discussions with service providers/vendors on capabilities & use cases
4. Leverage ISG’s internal databases & advisor knowledge & experience (wherever applicable)
5. Use of Star of Excellence CX-Data
6. Detailed analysis & evaluation of services & service documentation based on the facts & figures received from providers & other sources.
7. Use of the following key evaluation criteria:
 - * Strategy & vision
 - * Tech Innovation
 - * Brand awareness and presence in the market
 - * Sales and partner landscape
 - * Breadth and depth of portfolio of services offered
 - * CX and Recommendation



Author & Editor Biographies

Author



Bruce Guptill
Lead Analyst

Bruce Guptill brings more than 30 years of technology business and markets experience and expertise to ISG clients.

Bruce has helped develop and lead ISG's enterprise research development and delivery, global ISG Research operations, and Research client support. His primary research and analysis for ISG clients has focused on IT services market development, disruption, adaptation and change. He currently leads U.S. Public Sector research for ISG's Provider Lens global research studies, and also leads IPL studies in procurement and software vendor partner ecosystems.

Bruce holds a Masters' degree in Marketing and Finance, and a B.A. combining business and mass media communication psychology. He also holds certifications in a wide range of software, hardware, and networking technologies, as well as in mechanical and electrical engineering disciplines.

Enterprise Context and Overview Analyst



Manoj M
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Manoj is a research analyst at ISG and supports ISG Provider Lens™ studies on Private/Hybrid Cloud – Data Center Services, Mainframes, Cloud Native Services & Solutions and Public Cloud Solution and Services. He also supports the lead analysts of multiple regions in the research process. Prior to this role, he supported the ROI process in sales intelligence platform and was an individual contributor in handling research requirements for advanced technologies in different sectors.

He has considerable expertise in predicting the automation impact by considering certain parameters such as productivity, efficiency and time reduction. During his tenure, he has supported research authors and authored Enterprise Context and Global Summary reports with market trends and insights.



Author & Editor Biographies



Study Sponsor

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Heiko Henkes serves as Director and Principal Analyst at ISG, overseeing the Global ISG Provider Lens™ (IPL) Program for all IT Outsourcing (ITO) studies alongside his pivotal role in the global IPL division as a strategic program manager and thought leader for IPL lead analysts.

Henkes heads Star of Excellence, ISG's global customer experience initiative, steering program design and its integration with IPL and ISG's sourcing practice. His expertise lies in guiding companies through IT-based business model transformations, leveraging his deep understanding of continuous transformation,

IT competencies, sustainable business strategies and change management in a cloud-AI-driven business landscape. Henkes is known for his contributions as a keynote speaker on digital innovation, sharing insights on using technology for business growth and transformation.



IPL Product Owner

Jan Erik Aase
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Mr. Aase brings extensive experience in the implementation and research of service integration and management of both IT and business processes. With over 35 years of experience, he is highly skilled at analyzing vendor governance trends and methodologies, identifying inefficiencies in current processes, and advising the industry. Jan Erik has experience on all four sides of the sourcing and vendor governance lifecycle - as a client, an industry analyst, a service provider and an advisor.

Now as a research director, principal analyst and global head of ISG Provider Lens™, he is very well positioned to assess and report on the state of the industry and make recommendations for both enterprises and service provider clients.



iSG Provider Lens™

The ISG Provider Lens™ Quadrant research series is the only service provider evaluation of its kind to combine empirical, data-driven research and market analysis with the real-world experience and observations of ISG's global advisory team. Enterprises will find a wealth of detailed data and market analysis to help guide their selection of appropriate sourcing partners, while ISG advisors use the reports to validate their own market knowledge and make recommendations to ISG's enterprise clients. The research currently covers providers offering their services across multiple geographies globally.

For more information about ISG Provider Lens™ research, please visit this [webpage](#).

iSG Research™

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iSG

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Founded in 2006, and based in Stamford, Conn., ISG employs 1,600 digital-ready professionals operating in more than 20 countries—a global team known for its innovative thinking, market influence, deep industry and technology expertise, and world-class research and analytical capabilities based on the industry's most comprehensive marketplace data.

For more information, visit isg-one.com.



JUNE, 2024

REPORT: PRIVATE/HYBRID CLOUD – DATA CENTER SERVICES