

## PARTNER'S GUIDE TO The Datacenter Opportunity



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Emerging trends like convergence, software-driven infrastructure and hybrid cloud are driving the channel to look at the datacenter in a new way. **By Scott Bekker**

**I**n the broad partner channel this year and over the last several years, the big theme has been all about cloud. Vendors, analysts, advisers and others regularly exhort Microsoft partners and channel companies across the industry to jump on board with cloud solutions and get their customers to the cloud. And yet, cloud isn't the right destination for every customer, or even for all new applications.

Substantial opportunities exist for partner companies of all sizes serving many sizes and categories of customers to deploy solutions in on-premises datacenters, particularly if those partners have expertise in converged, hyper-converged, software-defined or hybrid datacenter technologies.

Datacenter-related configuration, deployment and support services still represent a huge greenfield for the channel, yet it's a refined opportunity. Gone are the days when all organizations believed they needed several racks of blinking servers in their headquarter buildings. Here now are the days when the business case for a datacenter has to make sense, versus relying on Software-as-a-Service (SaaS), Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS), hosting or colocation solutions.

At a macro level, the datacenter industry is in extreme flux. As a 451 Research LLC team led by analyst Rhonda Ascierio put it in its "2016 Trends in Datacenter Technologies" report, "Widespread change across the datacenter sector is disrupting suppliers of equipment, software and services on a number of levels. While executives and investors are buoyed by the secure knowledge that demand for datacenter capacity and datacenter services will continue to grow steadily and globally, their optimism is coupled with uncertainty."

Ascierto predicts fewer, but larger, datacenters in the near future, with more capacity outsourced to public cloud datacenters, yet also a boomlet in prefabricated, standardized datacenters that will serve smaller customers.

Affirming that growth view is the worldwide IT spending forecast from analysts at Gartner Inc. for this year. In the mid-year update released in July, Gartner called for flat spending for 2016 across the board. But getting into the details, datacenter systems are one area expected to show growth throughout this year.

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Business opportunities aren't ripe for just any type of datacenter project, 451 Research contends. Among the vendors it expects to be losers are "suppliers wedded to the enterprise datacenter market, and whose growth is predicated on physical infrastructure redundancy and over-provisioning for availability."

The advice in the enterprise space mirrors what *Redmond Channel Partner* found earlier this year when interviewing industry experts about whether managed services providers (MSPs) serving smaller customers should be building new datacenters of their

move, and several approaches have emerged over the last few years as best practices for next-generation datacenters.

### CONVERGED SYSTEMS

Perhaps stemming from a recognition that the big public clouds can handle most traditional datacenter functions better given their scale, there's been a push toward simple implementation and seamless end-to-end experiences when organizations do choose to upgrade or install the parts of the datacenter they do want to keep in-house.

"End users within the mid-market and even in the outer edge of the enterprise datacenter continue to prioritize simplicity in all aspects of the user experience. This is at the heart of the rapid growth rate within hyper-converged systems," Kevin Permenter, senior research analyst for computing platforms at IDC, said in a statement about sales of converged systems worldwide for the first quarter of 2016.

The research, released in June, found 11 percent year-over-year growth in converged systems revenues to \$2.5 billion for the quarter, the most recent for which data is available. Measured another way, converged systems included 1,367PB of new storage capacity shipments—a 36 percent increase over the prior year quarter.

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*Dave Russell, Vice President and Distinguished Analyst, Gartner Inc.*

own to handle backup, recovery, business continuity and related functions. The overwhelming advice was to wave those MSPs away from building their own datacenters and to look to hosters, colocation facilities, cloud services or other options.

Moreover, internally maintained datacenters often aren't the best call, even for enterprise customers with top-notch IT operations. As Gartner analysts reported in a strategic roadmap for datacenter infrastructure published in June, one key trend is that: "In most cases, enterprise-private clouds will not keep pace with the innovation of hyperscale public IaaS and PaaS providers."

Yet there are times when an internal datacenter is the right



IDC divides the converged systems market into three useful segments. Integrated systems is IDC's category describing pre-integrated and vendor-certified systems that include server hardware, disk storage systems, networking equipment and basic element/systems management software. A similar category, certified reference systems, contain the same parts but all of them come from different vendors and are certified to work together. The category most different from traditional enterprise datacenter technology is hyper-converged systems, which, IDC explains, "collapse core storage and compute functionality into a single, highly virtualized solution."

Of the three, integrated systems does the most business, accounting for \$1.6 billion, or more than 60 percent, of converged systems revenue in the first quarter. Certified reference systems had about \$568 million in sales over the same period. Both of those categories saw fairly flat growth. Gaining rapidly from a distant third place are the hyper-converged systems. Their sales increased nearly 150 percent year-over-year to \$372 million.

## SOFTWARE-DEFINED DATACENTER

Slightly further out is the software-defined datacenter (SDDC) approach. In an extended statement late last year, Dave Russell, vice president and distinguished analyst at Gartner, described SDDC as a datacenter in which all the infrastructure is virtualized and delivered as a service. The automation and flexibility allowed by the approach will provide a foundation for DevOps, but only for organizations with forward-thinking infrastructure leaders and operations leaders who work together.

"A broken process is still a broken process no matter how well it is automated," Russell warned. Most organizations aren't ready to begin SDDC approaches yet, but Gartner believes they'll be mainstream in the Global 2000 by 2020.

Russell's list of the steps organizations currently need to take to get ready for SDDC practically cries out for partner involvement. "[Infrastructure and operations] leaders can't just buy a ready-made SDDC from a vendor," he said. "First, they need to understand why they need it for the business. Second, they need to deploy, orchestrate and integrate numerous parts probably from different vendors."

Further expanding the case for trusted advisors is this tidbit from Russell: "Recognize that adopting an SDDC means trading a hardware lock-in for a software lock-in. Choose the most appropriate kind of lock-in consciously and with all the facts at hand."

## THE MICROSOFT PARTNER ANGLE

For partners steeped in the Microsoft ecosystem, converged systems are a near-term opportunity, while SDDC might be a little further out. The largest set of near-term opportunities lies in the hybrid cloud approach, which involves setting up, upgrading or just integrating an on-premises datacenter with Microsoft cloud products, especially Azure, but also the SaaS offerings, such as Office 365 and Dynamics CRM Online.

Microsoft hints constantly that it needs partner capacity to handle those integration jobs, which require architectural guidance, implementation expertise and customer support. Microsoft's cloud strategy is to win by making its server software interchangeable with its Azure cloud infrastructure and allowing customers to go to the cloud at their own pace and move workloads back and forth as their requirements change. In fact, partner support is the grease Microsoft needs to make that strategy work.

Hybrid cloud work pays well for the partners who are engaged in it, and it's not just for global partners like Avanade and Dimension Data. Earlier this year, Charles Weaver, CEO of the International Association of Cloud & Managed Service Providers (MSPAlliance), told *RCP* that MSPs with fewer than 20 employees are managing private clouds for customers. "It's completely within the wheelhouse of technical expertise. These certainly are MSPs that are highly mature in their processes," Weaver said.

Those with hybrid cloud or private cloud practices are seeing good profits, Weaver said. "You've got a ton of people out there slinging Office 365 and Google Apps and they're doing quite well. [They're] making a living for themselves with some limitations on the margins that they can earn. Then you see the other MSPs who are blending those public cloud offerings with other services where they have far greater margin potential," Weaver said.

Within the Microsoft Partner Network and the Microsoft Partner Portal, programs and materials for hybrid cloud partners aren't nearly as commonplace as those for Office 365, Dynamics CRM Online or Intune, but there are some resources available.

One is the Hybrid Cloud Best Practices blog, a TechNet blog mainly for Cloud Solution Provider (CSP) and hosting partners run by Kirill Kotlyarenko, a Microsoft partner technology strategist. Recent topics at [bit.ly/2cq4qNz](https://bit.ly/2cq4qNz) include a series on building a hybrid cloud, identity and rights management in the CSP model, building a hybrid LAN and migrating Azure subscriptions to CSP.

Another resource is extra support for a class of competencies known as the "hybrid competencies." The hybrid competencies include Application Development, Collaboration and Content, Communications, Customer Relationship Management, Data Analytics, Data Platform, Datacenter, Devices and Deployment, Messaging, Midmarket Solution Provider, and Project and Portfolio Management. Partners in those competencies are eligible for a benefit called Signature Cloud Support, which includes design, project, planning and architecture guides; competitive sales support; and one-on-one advisory sessions. Partners with a hybrid competency at a silver level get five incidents of Signature Cloud Support, while partners at a gold level get 10 incidents. Microsoft also offers unlimited pre-sales technical assistance for hybrid-related deals worth \$3,000 or more.

The datacenter opportunity isn't what it once was when everyone and his brother wanted a few racks of servers on-premises. Now it's a fast-moving market with rapid technological innovation and complex integration to cloud services. In other words, it's a market where customers need strong adviser partners to help them make good choices about whether and how to select, install and run a datacenter. \*

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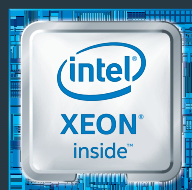
*Scott Bekker is editor in chief of RCP magazine.*

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