

360° PERSPECTIVE



**STRUCTURE
RESEARCH**

HOT TOPIC REPORT - TEASER
**MANAGING THIRD PARTY
CLOUDS (2015 UPDATE)**

Is this market for real and where are we headed?

July 12, 2015

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Executive Summary

The rise of massive-scale cloud infrastructure is perhaps the biggest challenge the hosting and managed services sector has ever seen. By exploiting economies of scale and driving innovation, the likes of Amazon, and now Microsoft and Google, have been able to build infrastructure platforms that are cost-effective and an excellent fit with at least a certain population of IT workloads.

The growth of this outsourced infrastructure footprint has not necessarily come at the expense of hosters and service providers. But the impact is increasingly being felt as the footprint massive-scale clouds have accumulated carves into the total addressable market that hosters and service providers have enjoyed as growth runway.

In the early days of this market, hosters and service providers tried to respond by competing head-to-head in public cloud. But the results were modest at best and over time, have become less encouraging. Hosters have quickly pivoted into adjacent markets and focused on things like performance or end user experience for differentiation. They have taken advantage of managed services and the single-tenancy of private clouds. The results have been better, but as massive-scale continues to grow and further exploit scale, the market continues to tighten.

In the last few years, hosters have charted a new course: managing and building on top of massive-scale clouds rather than trying to compete against them. And while it is early in the game, there is momentum. Hosters and service providers recognize that the world is changing and they are trying to adapt by being a part of the value chain. There are pros and cons but as the market evolves it is becoming apparent that there is considerable benefit in making massive-scale clouds a friend rather than foe.

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Philbert Shih is the Founder and Managing Director of Structure Research, an independent research and consulting firm devoted to the hosting and cloud infrastructure services market. Mr. Shih has covered the hosting infrastructure space for over a decade. Prior to founding Structure Research, Mr. Shih was the first hosting analyst hired after Tier1 Research was sold to The 451 Group (2005) and spent six years as Senior Analyst for Hosting. In this role, Mr. Shih helped launch Tier1's coverage of hosting in international markets and was the lead and contributing author to all of the company's quarterly and bi-annual hosting infrastructure sector reports.

Prior to joining Tier1 Research, Mr. Shih spent more than four years covering the web hosting industry – three of them as Senior Staff Writer for The Web Host Industry Review's online and print publications. At theWHIR, Mr. Shih covered companies in the consumer, SMB and enterprise hosting, cloud and colocation segments.

Mr. Shih's coverage in the sector is global in scope and extends across the broader Internet infrastructure value chain – including companies in the SaaS and automation software markets. Mr. Shih is a regular speaker at industry events and has been quoted in various publications such as the-WHIR.com, The Globe and Mail, Computerworld, InfoWorld, Bizjournals, eWeek, The Houston Chronicle, The Deal and The E-commerce Times. Mr. Shih holds an MA in Political Science from the University of British Columbia with a specialization in political-economic development.

COMPANIES
MENTIONED

- Amazon
- Anchor
- Attenda
- Basefarm
- Bulletproof
- Carpathia
- Claranet Group
- Connectria
- Cosentry
- Databarracks
- Datapipe
- Facebook
- Geminare
- GoDaddy
- Google
- HOSTING
- IBM-SoftLayer
- INetU
- iomart Group
- Logicworks
- Media Temple
- MelbourneIT
- Microsoft
- New Relic
- QTS Realty
- Trust
- Rackspace
- ScienceLogic
- VMware
- WP Engine

Disclosures

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About Structure Research

Structure Research is an independent research and consulting firm with a special focus on the hosting and cloud segments within the Internet infrastructure market. We are devoted to understanding, tracking and projecting the future of hosting and cloud 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 revenue model includes regular opinion and analysis, company, trend and topic reports, financial models, online databases containing market analytics and consulting services. The company has three associates and is based in Toronto, Canada, with offices in San Francisco, CA, Miami, FLA, and Cologne, Germany.

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