

TOP 3 PREDICTIONS FOR DATA CENTER IN 2022

Vendors respond to customers' accelerated IT transformations

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HARDWARE VENDORS WILL RACE TO FURTHER ENTRENCH THEMSELVES IN CUSTOMERS' ECOSYSTEMS




While storage, hyperconverged infrastructure (HCI) and servers are the main products being sold by data center vendors, they are hardly noticeable in the go-to-market messaging that is being pushed out to customers. These vendors are more focused than ever on selling the outcome over the hardware itself, whether that outcome is building a hybrid cloud environment to serve remote workers or deploying an edge solution on a factory floor. Data center vendors are looking to capture more of their customers' environment, from managed services to hybrid cloud enablement, to diversify their revenue beyond hardware and create more reliable revenue streams.

Building ecosystems is at the forefront of data center vendors' go-to-market strategies to add value and create stickier offerings. This ranges from building management consoles and expanding software capabilities to refining "as a Service" offerings rolled out over the past 18 months. For leading vendors, this is done with an eye toward helping customers reap the same benefits they seek in public cloud alternatives — agility and simplicity — while also providing flexibility and cost control.

The road to a more diversified revenue stream is not without hurdles. Customers have already developed preferences for management tools and development platforms from cloud providers and ISVs. Markets like edge compute are complex with customization and industry nuance. Selling subscription models requires sales and delivery transformation for not only vendors but also partners, and a sales strategy that delivers on values that resonate with customers. In 2022 TBR expects to see further proliferation of the journey vendors embarked on in 2021, building out solution portfolios one use case at a time by identifying areas ripe for transformation that also benefit from on-premises hardware.

▼ PREDICTIONS




INFRASTRUCTURE VENDORS' 'AS A SERVICE' OFFERINGS WILL GAIN TRACTION AS THE OFFERINGS ARE REFINED FOR SPECIFIC USE CASES

-  **Trend:** Data center vendors are refining “as a Service” portfolios to address specific customer use cases and to attempt to build differentiating value as a means to protect market share and increase profitability through attached services.
-  **Driver:** Customers are seeking infrastructure solutions that are easy to operate and can provide their organizations with flexibility and agility while also being able to control costs.
-  **Result:** Infrastructure vendors with compelling offerings have evolved past a financing-oriented value proposition to focus on business objectives and compelling capabilities that fit into modern multicloud strategies.

Hardware subscription services, originally pioneered by HPE GreenLake but since rolled out by all major infrastructure vendors, will be at the forefront of corporate strategies going into 2022. While some speculated the pandemic would cause a surge in demand for these pay-for-what-you-use offerings, TBR research suggests that adoption of hardware subscription services moved slower than expected in 2020 and early 2021. This was caused by numerous factors, including delays in new projects due to the high number of IT employees working remotely and the rapid adoption of SaaS and public cloud resources mid-pandemic. Perhaps one of the largest contributors to the slow uptake of subscription offerings was the need to develop customer awareness and onboard reseller partners to achieve meaningful scale, both of which require significant investment in education by infrastructure vendors.

Moving into 2022, the opportunity for hardware subscription services will grow, thanks to increasing customer awareness and significant investments in portfolio and partner programs. Vendors are making these once complex offerings easier to sell with packaged offerings that align to customer use cases, with simplified tiers of performance and services options. Key examples are Storage as a Service (STaaS) and data protection offerings that were rolled out in the second half of 2021 from the likes of Dell Technologies APEX, Lenovo TruScale, IBM STaaS and NetApp Keystone. As momentum builds, vendors will continue to roll out targeted solutions that help build a sticky customer base.

HARDWARE VENDORS EMBRACE THE ECOSYSTEM




-  **Trend:** Data center vendors are building, acquiring and partnering to create fuller ecosystems surrounding their hardware.
-  **Driver:** Infrastructure vendors have acknowledged that enabling hybrid environments and coexisting with public cloud is the only path forward.
-  **Result:** New solution announcements have focused minimally on hardware, instead promoting capabilities around hybrid cloud and app modernization.

Data center vendors will accelerate the rollout of software-centric capabilities in 2022. In 2021 many of these software announcements were focused on hybrid cloud capabilities. Examples range from Hewlett Packard Enterprise (HPE) expanding its Ezmeral software portfolio to Pure Storage integrating its acquisition of Portworx to Dell Technologies and Lenovo doubling down on partnerships with VMware. A key feature of these initiatives is enabling customers to connect their on-premises apps and data to other sources, including edge environments, colocation facilities and public cloud. This trend will continue into 2022 as vendors have only begun to scratch the surface of building, acquiring and partnering to enable hybrid cloud.

As part of the broader hybrid-cloud-enablement trend, TBR expects data center vendors to make more announcements surrounding application modernization, particularly Kubernetes-based platforms for deploying and managing applications. This is particularly relevant as infrastructure vendors begin to realize they cannot keep workloads on premises and that embracing an approach that supports applications and data moving between on-premises environments and public cloud is more likely to win customers' favor. Ultimately, providing capabilities that enable customers to connect and manage their data and applications across different environments — or at least partnering to enable these capabilities — will be essential to increasing a vendor's importance within the customer ecosystem.

While software capabilities will proliferate as vendors look to support more of customers' IT ecosystem, it will be difficult for any single vendor to gain dominance. Customer preferences for technologies and tools used vary broadly, making partnerships a valuable strategy in the hybrid space.

VENDORS WILL CARVE OUT NICHE SPECIALTIES UNDER THE BROAD BANNER OF EDGE COMPUTE

-  **Trend:** Edge compute has replaced Industrial Internet of Things (IIoT) in vendor go-to-market efforts as a broader catchall term for data generation and analysis outside of the traditional data center.
-  **Driver:** Infrastructure vendors are seeking inroads to support organizations' business transformations outside the data center, increasing their relevance in the broader hybrid environment and reinforcing their value compared to public cloud alternatives.
-  **Result:** With broad definitions of the term “edge compute” and an even broader number of potential use cases, vendors will continue to roll out purpose-built hardware and industry-specific partnerships with ISVs and systems integrators to stake a claim in the market.

While edge is not a new concept — computing has always been happening outside of data centers — the volume of data being produced at the edge does present the need for more powerful compute resources and ultimately creates opportunity for greater business transformation through AI and machine learning. Infrastructure vendors are jumping on the opportunity to roll out new products and solution sets to capture opportunities ranging from manufacturing automation to healthcare data management to transportation safety. Edge computing also happens to be a market where infrastructure vendors' value proposition can shine. Computing resources close to data generation points can cut down on public cloud costs by reducing the amount of data transferred and stored. The result of these trends will be a proliferation of edge-specific offerings, including gateways, servers, HCI nodes and data management platforms.

Enterprises are assessing opportunities to make use of edge compute, with about a third of respondents in TBR's *1H21 Cloud Infrastructure & Platforms Customer Research* indicating they are planning edge deployments. The challenge with capturing the edge computing opportunity, much like with IoT, is that customers often require significant customization and the need for industry-specific expertise is essential to make a project successful. Vendors that are successful in striking a balance between quick-to-deploy blueprints for edge solutions while maintaining room for customization in choice of ISVs and hybrid cloud connections will have an advantage over peers. Systems integration partners with industry expertise will be an additional asset. Infrastructure vendors will still need to contend with competition from public cloud vendors — solutions like AWS Outposts will attempt to appeal to customers through the convenience and simplicity of managing applications and data, plus the ability to take advantage of public cloud vendors' various analytics capabilities.

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