

## EXECUTIVE SUMMARY

The market for data-center-based services is growing rapidly as businesses of various sizes outsource more of their IT operations to service providers. Advances in virtualization and cloud computing make the economics of outsourcing IT infrastructure more compelling than ever. And the economic pressures of a long recession further encourage businesses to hand over more IT and data communication functions to experts who can distribute the cost of maintaining these functions while optimizing performance and security. Another major factor promoting the rise in data center services is difficulty in recruiting internal personnel who can keep up with the rapid pace of change in IT and networking.

Telecom service providers have the potential to capitalize on these trends, penetrating the market for data center services and expanding their position along the value chain by offering an array of hosted and managed services including cloud computing. They also have the potential to leverage unique advantages -- including their networks and existing customer relationships -- to take market share from more pure-play IT service providers. To do so they are investing heavily in data center infrastructure and evolving their service portfolios from simple, low-touch services like colocation to more sophisticated offerings including managed IT services and cloud computing.

This report examines how a variety of telecom service providers are capitalizing on this growing opportunity; transforming their infrastructure and service portfolios to win a greater share of their business customers' IT wallet-share.

### **The report examines:**

- Strategies for data center service portfolio evolution, from relatively basic services such as hosting and colocation to increasingly sophisticated services such as next-generation cloud computing offerings.
- Strategies for winning greater IT services wallet-share among various customer types, including demand drivers and hurdles for IT outsourcing respective to each customer type.
- Specific providers' market positioning and service evolution strategies, including infrastructure development.
- Dynamics impacting build, buy and partner decisions facing service providers in this space, including analysis of recent M&A and partnerships.
- How telecom companies compete with non-telecom companies in this market.