



Market Insight Report Reprint

Orange hopes to carve out a niche within Asia's multicloud scene

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The company has reset its priorities and worked collaboratively with customers and partners. In addition to bringing more than 24 new cloud deals to its practice in Asia, it claims to have experienced 274% growth in cloud revenue in 2020. Orange hopes to carve out a niche by optimizing and enforcing compliance-ready multicloud deployments in APAC.

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Introduction

A year ago, the COVID-19 pandemic cast a dark cloud over the global economy, characterized by a broken global supply chain and an uncertain economic prospect. Arguably, the same health crisis has led technology providers to witness an accelerated digital transformation as business organizations rush into both defense and offense. Scale, agility, complexity and immediacy have pressurized the IT infrastructure in a way that was not previously the case. To address some of the most demanding IT environments, global and regional players have largely redefined their priorities and worked collaboratively with customers and partners. The strategy seems to have paid off for Orange Business Services (Orange). In addition to bringing more than two dozen new cloud deals to its practice in Asia, it claims to have experienced a whopping 274% growth in cloud revenue in 2020. Looking ahead, Orange hopes to carve out a niche by optimizing and enforcing compliance-ready – e.g., the EU's General Data Protection Regulation (GDPR) and China's Personal Information Protection Law (PIPL) – multicloud deployments in Asia-Pacific.

THE TAKE

Orange deserves praise for maintaining a steady growth trajectory amid the precarious global economic recovery. In Asia-Pacific, the business requirements for cloud and digitally enabled services differ considerably from those of several years ago. We like the idea of taking an outcome-based approach to different transformation initiatives while standardizing processes and management using a mix of in-house tools and commercial platforms. However, the skills shortage issue is looming on a global scale. To achieve its long-term business viability, Orange may need to prioritize its talent-development efforts. The company, while growing its presence in Asia-Pacific, must continue to push outside Europe in order to balance its revenue sources.

Context

Combining several strategic acquisitions (Business & Decision, Basefarm, The Unbelievable Machine, SecureData, SecureLink) with its homegrown talent, Orange now has roughly 3,900 AI, data and digital experts, 2,400 cloud experts and 2,400 cyberdefense experts, including more than 3,100 net new cloud and data experts through acquisitions. Orange's cloud business unit recorded a 15% growth in revenue for managed cloud and professional services. France remains an important market for the company, accounting for 45% of revenue, followed by 37% in the rest of Europe and 18% in Asia-Pacific. Globally, the company has six major service centers and 10 security operations centers. It also has more than 70 datacenters worldwide, 16 of which are located in Asia-Pacific (three in Australia, seven in China, one in India, five in Singapore). To address the end-to-end continuum of the customer cloud journey, Orange has established a local professional services team with roughly 100 specialists operating in 10 Asia-Pacific countries. The company asserts that acquiring new talent is an ongoing exercise, particularly in the areas of application transformation and cloud-native development.

Orange remains committed to six strategic initiatives: improving its visibility in Asia-Pacific; building a base of 200+ certified professionals for multicloud deployments; prioritizing multicloud, Orange Cloud and infrastructure services businesses; fostering co-innovation in areas of edge computing, AI and IoT; enabling outcome-based and service-oriented offerings; and extending market reach via co-selling, partnerships and M&A.

Regional update

Orange says it continues to maintain a strong growth momentum in APAC, adding more than two dozen cloud deals from both existing customers and new clients. Despite its European heritage, Asian customers are well represented, with an 85:15 split between regional/local companies and European companies. Demand for public clouds, including Orange's public cloud named Flexible Engine and third-party public clouds, rose by 90%, and there is a trend reversal whereby cloud partners proactively work with managed multicloud providers and consulting firms like Orange on transformation deals, the company notes. With more than 70% of customers requiring operations and support in at least two countries, the company has extended its client base in both developed (e.g., Japan and Australia) and developing (e.g., Vietnam and Malaysia) economies. Nonetheless, China, Australia, Japan and Singapore are viewed as growth engines.

While the financial services and insurance industry remains the driving force behind technological innovation, businesses in the mining and construction, retail and e-commerce, manufacturing, shipping, air transport, and the public sector are catching up fast. Based on the cloud deals concluded in 2020, Orange identifies three main categories of operational requirements in the region. First, the shift to public cloud and managed services. This group is primarily driven by the availability of functional platforms such as data analytics, AI and IoT in the cloud and is backed by a managed service support model. Another group involves companies seeking new ways to modernize their datacenter operations while undergoing some level of transformation. Their goal is to achieve datacenter optimization using cloud services as a technology foundation – for instance, deploying a SD-WAN private cloud on-premises. Finally, the third group mainly consists of non-cloud users but adopts the outsourcing model by delegating IT infrastructure support and management to third-party providers.

Although local businesses have shown interest in taking a leap forward in their application modernization strategy, in reality, most see the cloud as a destination using the 'lift and shift' model. Companies that see the cloud as a business platform are inclined to develop cloud-native applications as part of their broader app modernization strategy, Orange notes.

Product and capability

With a team of 6,300 experts in cloud computing, AI, data and digital services from around the world, Orange zeros in on four service domains – cloud computing, cybersecurity, digital and data, and smart mobility services – for accelerated growth. Using what it refers to as Go2Cloud practices, it provides services and tools that help smooth out customers' digital transformation journey. Services like assessment will use some of its tools such as Cloud Adviser to perform multiple tasks.

Building on its multicloud management capability from Basefarm, Cloud Adviser not only provides visibility on resource consumption, inventory, costs, security and compliance checks, but also makes different levels of recommendations with built-in analytics. Positioning itself as a next-generation cloud management platform, Orange says Cloud Adviser has over 600 best practice checklists for benchmarking and performance management. Meanwhile, it also leverages commercial tools such as Ansible, Terraform and Concourse that are widely accepted by developers and IT staff for DevOps automation and transformation. The bottom line is to provide the right mix of services and tools to maximize its value, whether it's running SAP on public clouds or Orange cloud, deploying Cloud VDI, or building cloud-native applications.

Investing in growing its cloud and digital capabilities is critical, but what really plays into Orange's strengths is its ability to address data compliance and data sovereignty issues. This is particularly the case for customers that have already invested or plan to invest in complying with the GDPR. As evidenced by its cloud activity, demand for Orange's own public cloud – Flexible Engine – has been on the rise. The company claims to have quadrupled its revenue for Flexible Engine in 2020.

To meet growing demand for distributed cloud, Orange last year unveiled Flexible Engine Stack, a private version of its own public cloud. Accordingly, Flexible Engine Stack can be deployed on customers' premises or hosted in Orange datacenters and is managed via the Flexible Engine Console as a new dedicated region. For unified operations and maintenance, it is connected to Orange operations center. Depending on customer usage, there are four major configurations (small, medium, large and extra large). Starting at a minimum of two racks (can scale up to 3,936GB of RAM and 866 physical cores), customers can have up to 33 racks, with a maximum capacity of 164,000GB of RAM and 37,000 physical cores.

Customers and partners

Many of its customers migrate their workloads to the cloud to improve agility and performance. Customers working with Orange for cloud (both public and private cloud) deployments include a mix of regional and global technology companies, as well as global and Asian multinational corporations (MNCs). For the most part, they were looking for a partner to deliver end-to-end IT infrastructure management with bundled service offerings.

As part of its strategic initiatives, the company has deepened its strategic partnerships with major cloud players and added close to a dozen new solution partners. Orange is a Gold Partner for Microsoft Azure's cloud services and has achieved the Gold competency in areas of data platform, cloud platform, cloud productivity (Office 365), application development, security, and datacenter, and it has earned the Silver competency for DevOps. For Google Cloud Platform, Orange signed a strategic partnership at the Group Level and provides support for G Suite, SAP HANA on GCP, multicloud and edge (Anthos), networking (VPN Gallery), and data and AI services. As one of the very few Re:Stack Programme Partners for AWS, the company is also co-innovating with the AWS team to meet vertical-specific requirements. In Australia, for example, there are joint projects specifically designed for the mining industry. Additionally, the company has achieved the Advanced Consulting Partner status and become a certified MSP (via Basefarm). Huawei continues to be an important partner for Orange, helping Chinese companies expand their presence in Europe.

Competition

Orange's primary competition comes from providers eager to be global digital partners for global MNCs. Companies such as BT, NTT Ltd, Lumen Technology, Tata Communications, Telstra, Rackspace, IBM, Hewlett Packard Enterprise, Capgemini, Accenture, TCS, HCL Technologies and Wipro are in this group. Oracle and SAP are ramping up their offerings to entice digital enterprises, although they can be partners for Orange. Internet heavyweights including AWS, Microsoft Azure, Google and Alibaba Cloud are not far behind when it comes to pursuing global opportunities. Nevertheless, they serve as an ecosystem of cloud partners for multicloud support. Being a global alliance partner of Huawei Cloud, Orange is likely to compete and partner at the same time with other global alliance partners such as Telefónica and T-Systems.

SWOT Analysis

<p>STRENGTHS</p> <p>Orange has a wealth of experience in cloud migration and a growing consulting practice for large-scale digital transformation. Having a track record in meeting data compliance (e.g., GDPR and PIPL) may help it differentiate while it pursues multicloud opportunities.</p>	<p>WEAKNESSES</p> <p>The company, while growing its presence in Asia-Pacific, must continue to push outside Europe to balance its revenue sources, which remain Eurocentric today.</p>
<p>OPPORTUNITIES</p> <p>As local businesses transition from epidemic prevention to digital acceleration in a number of Asian economies, opportunities abound for providers that can make the shift as seamless as possible.</p>	<p>THREATS</p> <p>The market for hybrid and multicloud deployments is all the rage, and there is no barrier to market entry. Positioned as a managed IT partner, Orange will be in direct competition with global SIs and consulting firms.</p>

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