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Orange Business Services - Managed Hybrid Cloud Services

Product Assessment Report - Managed Hybrid Cloud Services

Report Summary

Orange Business Services is repositioning itself as a network-native digital company, shifting the focus from core connectivity offerings to IT and integration services such as cloud, data/AI, and cybersecurity.

Summary



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What's New

- September 2022:** Orange Business Services (OBS) announced a partnership with Netskope, a provider of secure access service edge (SASE). The companies are partnering to deliver a new security service edge (SSE) solution embedded into the Orange Telco Cloud Platform.
- September 2022:** OBS consolidated recent acquisitions Basefarm, Login Consultants, and The unbelievable Machine Company (*um) under the OBS brand to reinforce its strategy as a network-native digital services company.
- August 2022:** OBS and Equinix announced a collaboration to expand the Orange Telco Cloud footprint using Equinix's bare metal-as-a-service capability, Equinix Metal, to speed the deployment of Orange's new-generation international network.
- June 2022:** OBS and Capgemini announced that Bleu will start engaging with customers by end-2022. The companies will start supporting clients preparing to migrate workloads by end-2022, subject to regulatory approvals. Bleu's first services, including Microsoft Azure and Microsoft 365, will be operational in 2024.
- May 2022:** OBS unveiled Service Manage-Watch to supervise the performance of enterprise IT services, leveraging AIOps to optimize network and application performance, focusing on key sites or critical business periods for both OBS-based and third-party services.

Product Overview

Product Name	Orange Business Services Global Cloud Services
Description	<p>The OBS hosting and cloud services portfolio includes cloud computing (IaaS) and other hosted IT services offered on flexible consumption models, depending on customer need, as well as complementary professional and managed services to accompany customers throughout their digital transformation journey. Usually, hybrid cloud services are delivered as part of a broader customer solution - e.g., multisourcing service integration (MSI).</p>
Components	<ul style="list-style-type: none"> • Flexible Engine - public cloud computing platform based on OpenStack and Cloud Avenue, a cloud computing solution ranging from public/shared to dedicated/private cloud based on VMware. Positioned as a fully API-driven solution that integrates smoothly in any environment, enabler of containers, allowing colocation and designed to support AI/ML workloads efficiently. • Cloud Infrastructure Solutions - public, private, hybrid, or multi-cloud solutions. • Galerie - cloud computing services over secure VPN. • Professional Services - business-oriented consulting to help in designing and optimizing hybrid and multi-cloud solutions. • Managed Applications - management and maintenance of apps, including cloud-native applications. • Virtual Desktop - desktops and apps in the cloud to simplify/solve device management challenges. • Multi-Cloud Managed Services - managed services in multi-cloud environments, including hyperscalers (Amazon Web Services [AWS], Azure, and GCP).
Key Customers	<ul style="list-style-type: none"> • Amcor • BMW • Borgward Group • European Space Agency • Géant • Haier • JTI

	<ul style="list-style-type: none"> • Lane Crawford • Mondelez International • Norauto • OceanaGold • RS Components • Siemens • Unifiedpost • Veolia Water Technologies
Key Rivals	<ul style="list-style-type: none"> • DXC • IBM • Lumen • Rackspace

Essential Analysis

Strengths	Limitations
<ul style="list-style-type: none"> • Portfolio Breadth and Depth: Through both acquisition and organic expansion, OBS has built out an extensive managed services portfolio that spans the cloud using both owned and third-party solutions complemented by adjacent services such as networking, security, and data intelligence. • Project Sylva: Orange has joined Telefónica, Telecom Italia, Vodafone, and Deutsche Telekom as well as teamed up with Ericsson and Nokia to create a new, open-source telco cloud stack whose goal is to reduce the fragmentation of the cloud infrastructure layer for telecom and edge services. Project Sylva is being hosted by Linux Foundation Europe. • Multi-Cloud Position: OBS has evolved its cloud strategy and expanded its partner roster to facilitate the effective 	<ul style="list-style-type: none"> • Beyond Europe: There is an ongoing perception that OBS is focused on the European market, but it does have a truly global delivery model/capability and needs to better convey this message. • Lock-In: In common with all carriers in this market, enterprises will fear that signing up with OBS is for life as hybrid cloud is so essential. • Cloud vs. Networks: OBS successfully looks to position itself as a "network-native digital services company" and an integrator of infrastructure and services/solutions. Some enterprises will naturally look to more traditional integrators.

management of hybrid and multi-cloud environments. Investments in areas including automation, AIOps, and professional services in support of partner clouds are paying dividends as more organizations look for support managing hybrid clouds.

- **Revenue Growth:** OBS has seen solid growth in cloud, with Q3 fiscal year (FY) 2022 revenue up 6.8% year-on-year (YoY) in the IT and integration services (IS) business to EUR817 million. IT and IS sales reached 43% of the total revenue mix in H1 2022.

Current Perspective

VERY STRONG

OBS is very strong in the hybrid cloud managed services market with 29,100 employees in 65 countries, including 4,000 employees dedicated to the data and AI business, 2,700 cloud experts, and 2,700 cyberdefense experts.

As part of Orange Group's five-year strategic plan, Engage 2025, OBS aims to earn more than half its revenue by 2023 through new connectivity services (i.e., SD-WAN and 5G) and IT services.

Under the stewardship of new CEO Alette Mousnier-Lompré, OBS is shifting the focus from core connectivity offerings to IT and integration services such as cloud, data/AI, and cybersecurity, which are in high-demand from business customers. Although the decline in legacy fixed services has been offset by growth in mobile, IT & integration services, Mousnier-Lompré says she does not expect OBS to return to profit growth before 2024. The company is making an emphasis on managing business performance, reshaping its go-to-market approach, and simplifying its operating model.

In 2021, OBS became a founding member of the Gaia X project, a European collaboration protected by EU laws that aims to offer an alternative to US providers in cloud computing. In addition, OBS set up, in collaboration with Capgemini, the 'Bleu' service offering, providing Microsoft Azure and O365 capabilities and innovation through a design that meets the sovereignty requirements of companies and organizations with unique privacy needs.

Regarding GaiaX, OBS developed a project with Agdatahub, which includes a blockchain-based agricultural identity system delivered and hosted on the OBS public cloud.

Regarding acquisitions, Orange Cyberdefense, the cybersecurity subsidiary of Orange, acquired the Swiss companies SCRT and Telsys in November 2022. The two sister companies employ around 100

employees who are experts in cybersecurity and associated services. Telsys has a portfolio of IT, cloud, and networking services.

In the public cloud space, OBS offers Flexible Engine, a public cloud infrastructure service in an OBS data center using OpenStack, either hosted or on-premises through Flexible Engine Stack; and Cloud Avenue, a shared cloud infrastructure hosted by OBS using VMware platforms. Advanced features include containers (e.g., Docker and Kubernetes) to facilitate the transfer of micro-services between platforms and to leverage big data technologies. Services are compatible with databases such as SQL Server, Oracle, and MySQL, as well as both the Microsoft and Linux platforms. Services can be accessed and configured via an API and deployed across data centers in Paris (France), Amsterdam (The Netherlands), and Atlanta (Georgia, US) as well as globally through Cloud Alliance partners, including Asia-Pacific and China. There are over ten regions available.

In private cloud, OBS offers dedicated infrastructure on the company's own data centers or at the customer's premises using a VMware, Nutanix, and Azure stack with infrastructure that can range from fully-customized solutions to standardized products. Data can be managed either by OBS or the customer.

For hybrid cloud, OBS offers an extension of the enterprise's private cloud to a choice of public clouds, including OBS' Flexible Engine, AWS, Microsoft, Google, and Huawei cloud platforms. OBS also offers on-site infrastructure integration and data center co-location services.

Key selling points include: data location to conform with legislation; operations/business continuity; cybersecurity; associated complementary services (e.g., networking); governance/compliance; full-solution deployment (including infrastructure, managed services, information management); and integrating cloud, connectivity, and security.

Services are supported and monitored 24x7 through six major service centers worldwide working in a 'follow-the-sun' mode and are backed by certifications, service level agreements, and data hosted in compliance with the GDPR. They receive a single point-of-contact that can also support customers with cloud provider contracts.

OBS uses a four-stage go-to-market methodology for multi-cloud solutions: planning, implementation, management, and optimization.

Competitive Recommendations

Provider

- **Multi-Cloud Play:** OBS should continue to position its experience across multiple third-party environments as giving it the expertise it needs to support clients' efforts in multi-cloud deployments. The provider needs to continue to elevate its messaging around multi-cloud service orchestration and optimization.
- **Customer Experience:** A strong reputation for enterprise customer satisfaction combined with a customer experience-centric strategy can win over prospects if proof points applicable to hybrid

cloud can be established. For the public sector, the Bleu venture looks like a winner in the French market, which could be exploited further afield.

- **Professional Services:** OBS has a deep base of certified employees for key partners as well as a long track record of managed service delivery - ongoing investment in people and promotion of these capabilities is a must.

Competitors

- **Geographic Coverage:** Various competitors can offer cloud data center locations in many more jurisdictions to win customers that have regional data sovereignty compliance issues and policies.
- **Network Focused:** Competitors with a stronger SaaS/PaaS story can position OBS as concentrated on network-related applications and services.
- **Integration Specialists:** Competitors, whose focus is on the broader systems integration/business process outsourcing markets, can promote their wider capabilities in delivering application and management solutions.

Buyers

- **Digital Transformation:** OBS is well-positioned to augment private cloud services with globally distributed public cloud services including hyperscalers, supporting application migration and the switching of legacy systems to the cloud, as well as managing the whole environment.
- **Integrated Portfolio:** OBS should be considered as an end-to-end provider; its portfolio brings depth in public, private, and hybrid cloud services across multiple technology platforms.
- **Managed Services Leadership:** OBS is a leading provider of integrated managed services for enterprises, combining multi-provider infrastructure and services on a global scale for MNCs.

Metrics

Managed/Hybrid Capabilities

Rating: Very Strong	
Private Cloud Services:	OBS' private cloud offers incorporate infrastructure, outsourced services options, and professional and managed services. The OBS private cloud services can run on the client premises and/or those of OBS facilities, or even in the data centers owned by third-party partners. Key technology partners include VMware, Nutanix, Microsoft Azure, AWS, and GCP.
Hybrid Cloud Services:	OBS offers bespoke hybrid cloud solutions to clients running on VMware vRA, Prologue's UseltCloud multi-cloud cloud management platform, or OBS' Digital Service Request Form, which can connect to either OBS' Flexible Engine public cloud or third-party clouds.

<p>Public Cloud Services:</p>	<p>Flexible Engine: OBS' public cloud offer provides a number of features and options, including auto-scaling, bare metal, cloud container services, image management services, dedicated host, and server migration services. Infrastructure is based either on OpenStack or VMware platforms, with advanced features, such as containers (e.g., Docker and Kubernetes) and compatibility with major databases (e.g., SQL Server, Oracle, MySQL, etc.), as well as compatibility with Microsoft and Linux platforms. OBS also provides public cloud and multi-cloud services on top of hyperscalers, including AWS, Azure, Google Cloud Platform, and Oracle Cloud.</p>
<p>Dedicated Hosted Services:</p>	<p>Traditional dedicated hosted services delivered from 70+ data centers globally.</p>
<p>Colocation Services:</p>	<p>Some 70 data centers globally offer colocation. Many of OBS' 1,500 PoPs worldwide are also used for colocation.</p>
<p>Disaster Recovery Services:</p>	<p>Shared cloud infrastructure (Cloud Avenue) is duplicated in two data centers (failover); a customer is hosted in one data center and backup-routed to another. A customer could also choose to deploy a Disaster Recovery Plan (DRP) service to have their solution hosted globally or partially in the two data centers in active/passive or active/active mode (bespoke solution). In addition, a cloud-native DRP running on the OBS' Flexible Engine public cloud can be set up from existing IT infrastructure so as to benefit from a cloud 'pay-as-you-use' billing model.</p>
<p>Application Re-Engineering Services:</p>	<p>OBS delivers application re-engineering services. These include application performance management solutions implementation, application re-hosting, re-platforming, re-factoring, etc. based on DevOps and cloud-native architectures (e.g., containers, microservices, etc.). OBS also partners with Accenture, Wipro, CGI, and others to provide application modernization and integration services.</p>
<p>Cloud Migration and Implementation Services:</p>	<p>Orange Business Services provides structured services to help customers define how to rationalize, consolidate, and migrate their workloads to the cloud. Services include a cloud-readiness assessment, data center network infrastructure audits, data center move and consolidation, infrastructure transformation and transition, and storage optimization, as well as vulnerability and security assessment.</p>

Cloud Management and Operations Services:	Provides management support for public (e.g., AWS, Azure, GCP, Oracle, and OBS' Flexible Engine), private, hybrid, and multi-cloud environments for the full stack from connectivity to applications. Customers are able to manage services using the OBS My Service Space portal.
Security and Compliance Services:	All data centers are SAS70 compliant, and operational organizations are ISO9K/20K compliant. Virtual private clouds have six security zones and dedicated firewalling and physical server options. Orange Cyberdefense, the provider's security services unit, offers a full complement of managed and consultative services. OBS is also a co-founder of the GAIA-X European initiative, a secure, federated system that meets the highest standards of digital sovereignty.
Supplemental Cloud Services:	Assess, design, implement, manage, and optimize consultancy and integration services to plan and support clients' projects in a multi-cloud environment. Cloud Coach services support ongoing need for advice from existing customers.
Pricing Model:	Monthly charges are based on the total processing power, storage, and network bandwidth resources used.

Services Infrastructure and Resources

Rating: Very Strong	
Data Center Infrastructure:	Cloud and IT services are currently delivered from data centers in Paris, Rueil, and Chevilly, plus a state-of-the-art facility in Normandy for shared cloud solutions; they are also being delivered from France, the Netherlands, the US, South America, Singapore, and China for the Flexible Engine public cloud solution as part of Huawei Cloud Alliance. Outside of France, cloud-ready data centers are established in Germany, Russia, Hong Kong, Singapore, Sydney, and the US, with partner locations and planned OBS locations in Poland, Brazil, Romania, and the UK. All of these 70 data centers are Tier 3 or Tier 3+.
Professional Services Resources:	2,700 cloud experts and 4,000 AI, data analytics, and digital experts. Trained/certified staff: over 1,000 certifications in 2021, and a 2023 target of AWS - 3,000; Azure - 3,000; Google - 1,000 trained engineers.

Global Cloud Partnerships/Certifications:	Strategic partnerships with Google and AWS. Provides multi-cloud management support for AWS, Google Cloud Platform, Microsoft Azure, and O365.
Key Technology Partners:	Azure, AWS, GCP, Huawei, Microsoft, Citrix, NetApp, Cisco, Nutanix, VMware and Dell EMC, SITA, NTT Communications, HPE, Accenture, IBM, Atos, Equinix, and Unisys.

Advanced Cloud Services

Rating: Very Strong	
Container Services:	Container Cloud Services: Running on the Kubernetes orchestrator, the Container Cloud Services deploys and manages Docker applications and also provides a graphical orchestration tool for easily building and deploying applications.
Analytics:	Offers supporting services to clients who want to build a data lake on OBS cloud and hyperscalers (e.g., AWS, Azure, and GCP). Provides data analytics and data science expertise on top of big data infrastructure.
Blockchain:	Hosts crypto providers' ledgers on its cloud; works on co-innovation projects to build solutions.
Edge Compute:	Partnering with Google Cloud and AWS to develop edge compute solutions for IoT and other use cases.
Industry-Specific Solutions/Practices:	OBS' 'Vertical Cloud' concept provides cloud computing solutions that address specific applications and domains, via vertical PaaS environments tailored to specific industries. OBS also runs a co-innovation program with customers so as to define and deliver business-oriented solutions based on innovative technologies, such as computer vision, drone, IoT sensors, etc.

Market Traction

Rating: **Very Strong**

Cloud Services Revenue:	OBS does not disclose cloud services revenues, but contract wins/extensions point to strong growth. OBS saw IT and Integration Services revenue of EUR3 billion in FY2021, a YoY growth of 5%.
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