



PARTNER CONNECTION

How T-Systems Partners with Red Hat to Deliver Vertical-Ready Cloud Services

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T-Systems is a pan-European integration and managed service provider with headquarters in Bonn, Germany, and a global network of datacenters and connectivity options for public sector, midmarket, and large enterprise customers. The company is part of the broader Deutsche Telekom Group, and it generated €2.1 billion in revenue in FY3Q14 ended on September 30, 2014.

Red Hat posed the following questions to Giorgio Nebuloni, research manager with IDC's European Infrastructure Group. Giorgio had the opportunity to interview Stefan Zosel, Sales Director AppAgile at T-Systems, in January 2015, to ask him about strategic and tactical aspects of the partnership between the two companies.

Q. Who is T-Systems, and what does it offer?

T-Systems is a subsidiary of Deutsche Telekom (DT), responsible for hundreds of large customers and the health and public services industries, and its offering focuses on enterprise ICT services. The provider typically works within a framework of hosted managed services/outsourcing, migrating clients' IT to its datacenters and infrastructure and managing the whole IT and (potentially) application life cycle. A very relevant part of that is related to managed services around SAP environments.

T-Systems' delivers IT services to the parent company DT, as well as – more importantly – to external clients. T-Systems generated €6.3 billion in revenue over the first three quarters of 2014. A growing portion of that revenue is coming from external cloud services, both in pure Infrastructure-as-a-Service (IaaS), as well as in areas related to mobility and Big Data analytics.

The company operates a very large number of datacenters globally, of which around twenty are enabled to deliver cloud services. Most of those datacenters are "twin-core"; that is, set up in redundant couplets. The majority of T-System's presence is in Europe, though the company has cloud datacenters in North and South America, Asia/Pacific (Singapore), and South Africa. In mid-2014, T-Systems proved its strong commitment to cloud services by opening one of the largest facilities in the continent in Biere, Germany, with a total capacity for over 30,000 physical servers.

Q. What was the strategic reason T-Systems selected Red Hat as a partner? What was the "trigger"?

T-Systems comes from a heritage of infrastructure outsourcing as well as telecom services and systems integration. The approach it typically took over the past decade was that of adding custom IT infrastructure services and managed services on top of the longest standing core business of connectivity. However, based on changing customer demands, high price pressure within the ICT market as well as acting within a highly competitive environment, it needed to pivot and change strategy. Therefore, in 2014 T-Systems started a transformation program named T-Systems 2015+, which was directed at three key areas: identification of growth opportunities (Grow), transformation to increase profitability (Transform), and a critical approach to the services provided, including discontinuing or moving some to partners (Stop).

The main goal of the process was to significantly expand the T-Systems business model to promote scalable platforms and cloud products in addition to the established businesses as well as to strengthen the profitability of T-Systems. In this context, the company will remain a full-service provider, especially in IT outsourcing, while at the same time adapting the strategy to meet current and future market needs. The Digital Division of T-Systems was set up with the explicit goal of capturing these new growth areas, focusing on platform-based products, "productized" services, and a cloud ecosystem involving major technology partners. The aim is to connect and digitalize companies, the public sector, customers, and assets across industry value chains and to enable new business models through secure cloud-based products and platforms.

One goal of the Digital Division was to set up a standardized service offering at the bottom of the solution stack for IaaS, platform-as-a-service (PaaS), and business application software-as-a-service (SaaS), and then add only a thin layer of customization for customers, while keeping the ad hoc work to a minimum. This way, T-Systems could also attract smaller customers, start-ups and vertical-specific independent software vendors (ISVs), with very limited entry point in terms of size of infrastructure contracted, but the potential to grow very big, very fast. All of these standardization initiatives across IaaS, PaaS, and SaaS were consolidated under the Digital Division.

At the beginning of 2014, the service provider had started looking at ways to set up a standardized, easy to replicate PaaS offering, to complement its existing IaaS and managed hosting. The company had had a commercial relationship in place with Red Hat for a long time, as Red Hat Enterprise Linux (RHEL) was used for hosting environments, but that was not a strategic partnership. During the first half of 2014, the service provider evaluated various options, both open source and not, to select the engine for its PaaS offering. After excluding closed source options – due to the lack of control and visibility on the code and related costs, T-Systems selected Red Hat OpenShift as the cornerstone of its offering, which is branded AppAgile. The reasons were both strategic and product-related. Strategically, Red Hat stood as the most visible provider of open source software for cloud, but also it offered a support backing that T-Systems could not see in other platforms. From a product perspective, deciding elements were the strength in the management layers as well as the linkage of PaaS with a widely distributed middleware environment such as Red Hat JBoss.

Q. Which specific solutions did T-Systems develop based on Red Hat technology?

The Digital Division of T-Systems uses Red Hat OpenShift, RHEL, and in some customer cases Red Hat JBoss as the key elements for its AppAgile PaaS service. The PaaS layer sits on top of T-Systems' existing IaaS infrastructure. Such cloud services entered proof of concept (POC) status in September 2014, with beta customers already in usage in 1Q15 and general availability in March 2015. The relationship between T-Systems and Red Hat has deepened constantly over the past six months, as the former worked to add customer-facing layers to OpenShift (billing, documentation, graphical user interface, processes to manage audits) and Red Hat provided the support, update and patching flow for the core software elements.

T-Systems reports that it provides regular feedback to Red Hat, discovering at times new requirements that it feeds back to Red Hat, such as in the workings of application programming interface (API) and in aspects related to using OpenShift as an engine for third-party customers (e.g., resource measurement for billing purposes). The service provider understandably sees itself as something different from a technology reseller, and the relationship develops in a mutual learning process, with Red Hat bringing the core software expertise to the table and T-Systems complementing it with experience and requirements from real life scenarios (e.g., how to avoid service level agreement [SLA] breaches, how to develop business cases, ISV involvement). This peer-to-peer, open dialogue is something that T-Systems was very pleased with.

Q. What are the most common use cases for deployment of such solutions?

T-Systems commonly delivers Red Hat-based solutions including RHEL, RHEV, or Jboss in the hosting and managed infrastructure space, areas where cost of ownership and simplification of the administration process are the key targets.

As far as AppAgile and the underlying Red Hat PaaS software is concerned, there are two main usage scenarios. On one hand, classic large enterprise customers with legacy, on-premises applications running on Java middleware can use the platform to externalize those applications and achieve savings by changing the run-time from legacy middleware to the most cost effective, open source options.

On the other hand, the PaaS environment opens up a brand-new opportunity for T-Systems to capture next-generation applications that sit on what IDC defines as the 3rd Platform; i.e., a modern IT landscape in which information generated from mobile devices and social media gets processed with Big Data and analytics tools. In some environments, this also includes Internet of Things type set-ups, with data generated by a variety of sources and locations.

Such applications usually start small but, if successful, can explode into hyper-growth environments, requiring rapid scalability of the underlying infrastructure. T-Systems sees consumer-facing sectors such as media, retail, energy, and healthcare in particular adopting these applications quickly. Usage cases span from end-to-end marketing (including in-store advertisement, frequency analysis, and coupon/campaign management) to smart healthcare to smart grid analysis and management. T-Systems believes the advantage of using an open-source PaaS back-end is noticeable, as it allows it to connect blue chip enterprises (e.g., a large retailer) with small ISVs that have already developed software modules compatible with the PaaS to handle those usage cases. According to T-Systems, the benefits for the enterprise customer are speed of deployment for proof of concepts and reduction in the initial investment required to test cutting edge technologies.

Q. From a T-Systems perspective, what were the key benefits of working with Red Hat?

T-Systems greatly appreciates the opportunity to have direct contacts and a dedicated sales technology partner with Red Hat in Germany. This helps not only from a language and mindset perspective, but also to ensure that discussions can be raised with relevant EMEA representatives, as T-Systems looks to leverage Red Hat technology in its cloud efforts across the region.

The relationship between T-Systems' staff and the Red Hat counterparts in Germany, as well as in the U.S., has continued to deepen since 2014. Overall, having a service provider rather than a reseller approach, T-Systems values most the opportunity to have resources in the Red Hat team that can provide both technical support for the core platform, as well as pre-sales support for the growing number of occasions when the end customers are interested in engaging, for example, in middleware migrations. Last but not least, the ability to have good discussions in shaping the commercial relationship that enables the service provider was also well prized.

Q. How does T-Systems leverage the Red Hat Partner Program?

T-Systems has been involved actively in the Red Hat ecosystem in the past year, and initial interactions with other partners and ISVs have been positive. Most of the relationship so far has been linked to leveraging the marketing capabilities and the technology expertise of Red Hat's staff. The system integrator entered 2015 with high expectations in terms of engaging ever more deeply in partner events and technical seminars, as well as learning and sharing in the growing service provider space.

Q. What are the key lessons learnt so far by T-Systems in its partnership with Red Hat?

As one of Red Hat's rising service provider partners in EMEA, T-Systems went through a substantial learning curve over the past two years. Both companies were effectively charting new territory and lessons learnt in the process were abundant. The most relevant lessons relate to the business model and the unique selling point. The service provider advises other partners looking to build cloud services to start off the process with a clear business model and a solid analysis of the financials related to the offering. This helps in evaluating the correct technology in the software provider portfolio, and it provides a clear direction in the discussions with Red Hat. In terms of unique selling points, T-Systems found that to be most successful, service providers have to combine Red Hat's high levels of support around the software platform itself with a marketing and sales motion directed at solving the business problem. Making sure the lingo spoken to the end-customer is that of business outcome, innovation, and applications linked to usage cases is the best way to gain traction, especially in the 3rd Platform workloads discussed above.

Q. How does T-Systems plan to leverage the Red Hat ecosystem in the future?

Having been more exposed to the ecosystem recently, T-Systems plans to ramp up its engineering investments in the space, and it plans to make use of the ample opportunities for technical training and certifications provided by Red Hat. From a portfolio perspective, the ever expanding set of features and capabilities on the platform-as-a-service and developer support side (e.g., FeedHenry for mobile app development, new automation tools for OpenShift), but also on the IaaS layer with OpenStack, is a great opportunity for T-Systems. Another area of exciting development is the container and micro-virtualization space, where Red Hat is investing at both management and operating system layers. IDC can confirm that the high levels of interest for containers detected by T-Systems from the developer community are present in the wider industry, and the fact that the service provider is keeping an eye open for those is a savvy move.

A B O U T T H I S A N A L Y S T

Giorgio Nebuloni is associate research director for the IDC European Datacenter Group, with seven years of experience in market analysis for the infrastructure area. Giorgio is responsible for shaping IDC's research agenda in Europe around enterprise computing and datacenter topics, from facility elements to server hardware, to OS, virtualization and system management software. He also leads a team of analysts producing IDC Trackers on several segments of the server, storage and integrated systems markets. Finally, Giorgio is actively involved as a co-lead in the European Cloud Practice, a group provides customers with a holistic view on the impact that cloud is having on traditional market and IT buying patterns.

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