

REPORT REPRINT

CenturyLink maintains commitment to its cloud strategy

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16 MARCH, 2016

While other telcos have recently altered their course, CenturyLink still sees its cloud products as a strategic priority for future growth.

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In part as an acknowledgement of Amazon Web Services' dominance with multi-tenant IaaS and Microsoft Azure's growth in the same space, many competitors have shifted strategies. Rackspace pivoted into a managed cloud provider that openly embraces AWS and repositioned its public cloud engineers to its private cloud products. Hewlett Packard Enterprise exited the public cloud by shuttering its HP Helion Public Cloud. Most recently, Verizon made news by turning off its self-service public cloud.

CenturyLink says it is different from other telcos, and that its cloud operation maintains a normal level of funding, continuing its plan to integrate network and cloud products within its user portal for automated provisioning and support workflows. Acquisitions of tuck-in products have added to its cloud product portfolio.

THE 451 TAKE

Service providers of all sizes have built or started down a path to offer multi-tenant IaaS. Telcos were among this movement, and each had an advantage by offering the ability to bundle a secure network and compute services into a seamless experience. Based on capital and resource shifts, as well as datacenter asset sales, many telcos and major service providers moved away from directly competing with the hyperscale public cloud providers. One telco that has not waived on its commitment to cloud is CenturyLink. While it is admittedly exploring the sale of its datacenters, it is still investing in cloud-based products that are available in a self-service and managed fashion. For telcos like CenturyLink, success is not just about technology, it is about evolving legacy business processes, updating support systems previously built for network circuit inventories and reorganizing sales organizations to engage clients in discussions beyond bandwidth requirements.

CONTEXT

After its main competitors changed strategy and the departure of key cloud evangelists, it would have been easy for CenturyLink to refocus on its core network business. However, it is not altering course except for a probable exit from the datacenter real estate business. CenturyLink is different than its chief rivals – AT&T and Verizon – when it comes to offering cloud services. It acquired a DevOps and agile software-development culture in addition to a platform from which to offer cloud services via its acquisitions of Savvis and Tier 3. The company also claims that it does not outsource onboarding services.

Its internal directive is to rebuild legacy product ordering, billing, and support processes using APIs and automation. One goal is to reduce the time it takes to provision services from months to days, if not hours. An example is MPLS VPN. CenturyLink claims what once took multiple weeks and multiple people can now be ordered via its portal along with cloud services. CenturyLink's cloud services portfolio is all integrated into its portal. This includes bare metal as a service, as well as virtual machines based on VMware. It also offers Cloud Foundry PaaS.

CenturyLink currently has more than 60 datacenters. Some are used predominately for colocation and managed services. It also leases space in Equinix datacenters for its cloud nodes. The company is exploring AWS Direct Connect and Microsoft Azure Smart Route interconnection services from its Equinix locations, and its clients are increasingly interested in those services.

Operating datacenters and offering colocation are capital-intensive activities, and the physical real estate is a tiny fraction of the business value of cloud services. Windstream sold off its datacenter real estate investment trust to TierPoint for \$575m, and AT&T offloaded some of its managed services to IBM SoftLayer. Other telcos (including Verizon) are exploring similar options. CenturyLink says that it is a network company at its core, and looks to cloud services to help sell network assets; being in the real estate business is not a necessity. As such, it is exploring a sale of datacenter real estate holdings in an effort to better utilize capital. The company has no plans for new datacenters after it turns up its Sydney location via a partner.

M&A SUMMARY

CenturyLink is among the most aggressive telcos with regard to amassing a cloud product portfolio. According to 451 Research's M&A KnowledgeBase, after acquiring Savvis in 2011 for \$2.5bn, CenturyLink made other purchases to build out its cloud managed services portfolio. One of the most strategic of which was Tier 3 for \$150m in 2013. CenturyLink has decided to stake its cloud product future on the software foundation from Tier 3. Other recent deals that have also influenced the telco's product portfolio include:

- **Orchestrate** – enables developers to concentrate on app functionality by delivering an API abstraction layer to multiple data models.
- **Cognilytics** – purchased to fast-track the company's big-data analytics managed services.
- **DataGardens** – a disaster-recovery-as-a-service software firm that bolsters the top use case for the CenturyLink Cloud.
- **AppFog** – a polyglot PaaS startup that expands CenturyLink's developer capabilities and the reach of its cloud.

COMPETITION

CenturyLink now has more than 60 connected global datacenters offering combinations of colocation, IaaS, PaaS and developer environments. Its competition traditionally comes from other network service providers, including AT&T and Verizon, which are similarly looking to turn themselves into ICT suppliers, increasing the competition with hosting and cloud-based service specialists such as Rackspace, AWS, Accenture, CSC, Datapipe, HPE, Internap and IBM. In Europe, it also competes with vendors such as Colt, Orange and BT.

The company says it is focused on winning global to midsize clients with its colocation, hybrid cloud and network value proposition. Admittedly, CenturyLink says it is not focusing on cloud-native companies.

SWOT ANALYSIS

STRENGTHS

CenturyLink has committed to a strategy for growth, and can outline a consistent cloud strategy to customers.

WEAKNESSES

Going after global MNCs and regional enterprises, the company could do more to deliver a consistent user experience regardless of deployment model. Its investment in the automation and orchestration stack is a first step.

OPPORTUNITIES

The company is adding more application-specific infrastructure to make the enterprise transition to cloud easier. Embracing DevOps should also create inroads with many companies.

THREATS

Hyperscale cloud providers have all but won the public IaaS battle, and some have set their sites on the private and on-premises markets.