Q&A

PAC interview with Rackspace Technology Germany

Lead analyst: Karsten Leclerque
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Introduction

Organizations from all sectors are gearing up for their digital future by investing in data-centric and ecosystem-oriented solutions. This means that more than ever, organizations are faced with the challenge of striking a balance between smooth, efficient, and resilient business operations on the one hand and the imperative to invest in modernization and transformation on the other hand.

Every year, PAC surveys thousands of organizations around the globe on their IT-related investment priorities. Better use of data has been a central goal of organizations' digital strategies for years. Valid and trustable data is at the heart of any digital transformation, and an essential basis for many innovation areas, such as Internet of Things, artificial intelligence, and sustainability.
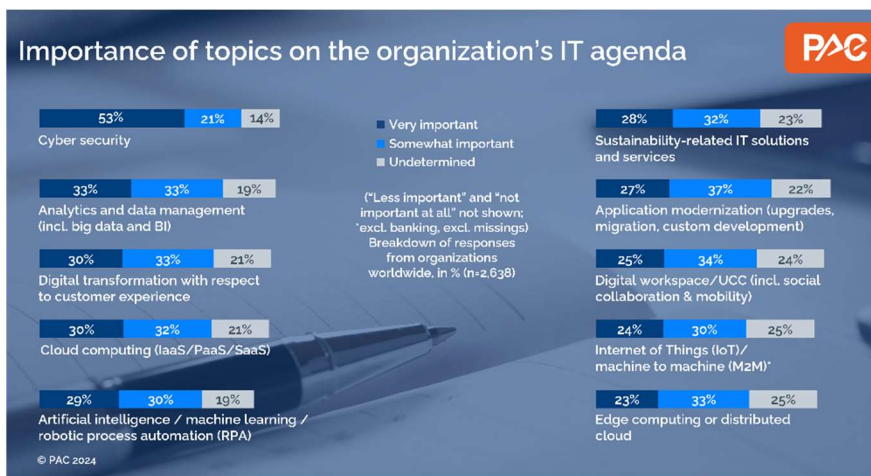
Cloud computing is considered as one of the key requirements that organizations need to have in place to advance their digital transformation agendas. Initiatives such as analytics, AI/ML, and IoT are at the heart of most future businesses; they typically go hand in hand with cloud usage. This will drive cloud consumption further – growing cloud usage will fuel demand for related security, application modernization, and new software development.

Although many organizations currently pursue optimization strategies with regard to their cloud spending and invest in FinOps approaches, 83% said they were planning to spend the same amount or more on cloud computing in the next two years.

PAC expects the global public cloud market to grow from nearly €245 billion in 2024 to about €485 billion in 2028; spending on hosted private cloud services will remain flat at about €40 billion per year.

PAC's surveys also regularly show that most organizations today use multiple cloud platforms and deployment models for different use cases and workloads. Most of these organizations confirm that managing these complex architectures smoothly and efficiently is challenging.

PAC expects the global public cloud-related consulting and services market to grow from about €146 billion in 2024 to €273 billion in 2028; services related to private clouds will only grow slightly from €95 billion in 2024 to €98 billion in 2028.

That is why PAC expects the demand for cloud-related consulting, systems integration, and managed services to increase considerably as well.

Rackspace Technology is a provider that addresses the complexities of hybrid and multi-cloud landscapes and supports international clients on their digitalization journey.

In PAC's SITSI® vendor rankings for hosted private cloud and public cloud managed services, Rackspace Technology ranks among the top players, both worldwide and in EMEA. Moreover, cloud-related consulting & systems integration services have been growing significantly.

PAC had the pleasure to speak with the VP & General Manager DACH of Rackspace Technology Germany, Jürgen Stauber, about Rackspace Technology's positioning and offerings.

Karsten Leclerque,
Head of the Infrastructure & Cloud Services Practice at PAC

Jürgen Stauber,
VP & General Manager DACH @ Rackspace Technology Germany

Interview with Rackspace Technology Germany

Mr. Stauber, Rackspace Technology looks back on a more than 25-year journey. In the early days, the company was known as a provider of hosting products and as the co-developer, together with NASA, of the popular open-source cloud computing platform OpenStack.

Today, Rackspace Technology positions itself as a "provider of expertise and managed services across all major cloud technologies". What does that mean?

Rackspace Technology is a leading end-to-end hybrid, multicloud, and AI technology services company. We design, build, and operate our customers' cloud environments across all major technology platforms, irrespective of technology stack or deployment model and with security in mind.

We complement our experience in private cloud hosting and managed services with extensive consulting and managed services for the three major public cloud platforms from Amazon Web Services (AWS), Microsoft Azure, and Google Cloud.

Our global reach spans 40 interconnected data centers worldwide, broad IP related to the automation of solution management and support, as well as two security operations centers.

We provide comprehensive plan-build-operate services for the three major cloud hyperscalers.

Our "workload-aware cloud modernization" approach focuses on understanding the specifics of application and data workloads as well as customers' desired business outcomes to find the right "home" for a workload in the cloud – whether it is a public or private cloud, or at the enterprise edge. We can draw on thousands of technical certifications and our comprehensive experience in running hybrid and multi-cloud workloads globally, 24/7, in a secure and sustainable way.

With Foundry for AI by Rackspace Technology (FAIR™), we accelerate the symbiotic, secure and sustainable adoption of responsible AI for our customers' outcome-driven demand. We have developed use cases for nearly every industry and can help them reach new levels of performance through a combination of deep expertise, standardized deployment practices, and partnerships with other industry leaders.

Who are your typical clients?

In total, almost 6,000 Rackspace Technology employees support 100,000 customers in 120 countries in a mix of SMB/Commercial and Enterprise/Large accounts, which are managed on an industry-oriented basis.

As a rule, the bigger an organization, the more heterogeneous and complex are the IT deployment models in use; they are often a mix of various internal and external cloud and legacy IT infrastructures.

This is why our typical DACH clients are large and upper mid-market companies, mostly from sectors like manufacturing, automotive, retail, and financial services, with revenues starting from €700 million and an international

footprint. But we also work with "digital scaleups" that are faced with high demands on their IT landscapes.

Can you share some engagements with German customers?

Let me give you one example for each of the three hyperscalers:

IFCO / Microsoft Azure: IFCO, the leading supplier of reusable packaging containers, had to move from costly local legacy hardware to modern and flexible cloud services. Already during the tender process, Rackspace Technology supported IFCO with insight and alternative approaches to the proposed plan. After winning the bid, Rackspace Technology embarked on a multifaceted project with IFCO involving foundational work in Microsoft Azure and application modernization. Rackspace Technology significantly improved IFCO's IT operations through faster and more robust infrastructure deployments using infrastructure as code, developed a disaster recovery strategy, and incorporated FinOps-based services to optimize financial and operational efficiency.

BMG / Google Cloud: Music company BMG was faced with an explosion in data volumes generated by digital music platforms. Processing billions of lines of information from various sources was increasingly time-consuming. After migrating 95% of BMG's applications and services into Google Cloud, Rackspace Technology Elastic Engineering teams provided additional project delivery and 24x7x365 support expertise in a Managed Service.

TOI TOI & DIXI / AWS: Rackspace Technology helped TOI TOI & DIXI with migrating a huge and highly complex post-merger IT landscape to a mixed AWS environment. In just nine months as a turnkey project, we helped them not only transition all their workloads to the AWS Cloud in a mix of Cloud Native and VMS on AWS, but also get rid of their data centers including network separation and optimization. The result is a more flexible, more efficient, stable, and better documented, future-ready platform that better supports growth and further M&A activities.

What are the main lessons learned from your customers' cloud migration projects? And how can Rackspace Technology help make them a success?

Having no clear cloud strategy, architecture framework (technology and security), compliance and governance model, aligned CMO to FMO operation model with DevOps and SysOps, and active change management represents a major risk for businesses. Companies that have not defined clear KPIs or targets and that think a cloud strategy is an IT-only-strategy and missing business alignment will fail to leverage the full potential of the public cloud for digital transformation. Also, it has always been true for all variants of IT sourcing: defining an exit strategy is essential to avoid vendor lock-in.

Rackspace Technology helps customers set out their cloud strategy along clearly defined KPIs and targets, which should be derived from the requirements of business processes and applications. We then support them in establishing the necessary cloud competencies to drive their cloud strategy secured and inside well-defined business cases.

In addition, companies often have insufficient information about their current IT landscapes. Also, it is a common misconception that hosting an application in a

public cloud is the same as hosting it in a private data center; far too often, cloud migration is still limited to mere lift-and-shift approaches.

Rackspace Technology supports customers in assessing the current mode of operation (CMO) and defining the future mode of operation (FMO). Operating and modernizing workloads in a cloud is in many ways different from traditional IT outsourcing, for example regarding KPIs, SLAs, pricing models, consumption-based model and the tendering process. A thorough assessment of the status quo forms the basis for designing the best application transformation strategy aligned with the customer's cloud strategy and making the right sourcing decisions based on business case and TCO analysis. Beside the well-defined FMO it is essential to have a well-connected cost optimization and automation strategy led by a structured FinOps - Cloud Financial Model.

PAC currently observes great momentum in the SAP-related services market, with customers being gently pushed towards cloud deployment models. Does Rackspace Technology have a special offer in this area?

We see our strength in being able to support our clients with both SAP and non-SAP workloads.

In addition to our excellence in migrating and optimizing workloads from on-prem to the public cloud via the Rackspace Technology Migration Journey & Migration Factory Model, we support SAP-related cloud migrations by using our strong partnerships like SNP Schneider-Neureither & Partner and their tools. The partnership comprises the deployment of SNP's Crystal Bridge Software for Rackspace Technology customers who want to move their SAP landscape to the cloud quickly and with minimal risk, using automated data migration. The software provides a comprehensive analysis of the existing system landscape, allowing users to plan and control data migration and restructure and modernize their SAP landscape after the move to the cloud.

Another omnipresent topic is (generative) AI. What is Rackspace Technology's position on this?

We have been using artificial intelligence internally in our service delivery for quite a while. In addition, all Rackspace Technology employees have received training in how to help our clients identify suitable use cases.

In 2023, we launched "Foundry for AI by Rackspace Technology (FAIR)", a global practice dedicated to helping organizations accelerate the responsible, secure, and sustainable adoption of AI. FAIR includes three distinct service offerings - Ideate, Incubate, and Industrialize - designed to meet the needs of every industry and organization to help the customer to translate their business demands in technical solutions delivering the expected business outcomes .Secure distributed cloud platforms form the basis of the FAIR AI stack, supported by the technology stacks of all three hyperscalers.

Our main focus is always on supporting our clients with becoming data-driven companies and generating maximum business value. We engage with our clients in a structured way using various IP-based accelerators, from understanding their AI readiness and goals to the identification and qualification of business cases to the setup of a platform for AI, the selection of the best fitting technologies, and the preparation of data and adaptation of the model, to the establishment of automated DataOps, MLOps, and LLMOps, governance, and continuous optimization – all in a secure, sustainable, and compliant way.

Helping customers transform their organization, for example by establishing data governance and creating data literacy within their workforce, can also be part of the services we provide.

In March 2024, we obtained the AWS Generative AI Competency in the categories of Consulting Services, Generative AI Applications, and Infrastructure and Data. The FAIR Ideate and Incubate offerings are also available in the AWS marketplace.

You mentioned sustainability as an important topic; to conclude the interview, could you briefly explain Rackspace Technology's view on this topic?

Rackspace Technology considers its data-related competencies as a major differentiator for most of its offerings, whether it is workload modernization, cloud migration, AI solutions, or security. This also applies to sustainability services.

Our "workload-aware cloud modernization" approach explicitly includes understanding the non-functional requirements of applications and data workloads that have to be modernized, including sustainability targets.

Our sustainable IT approach has three main targets: make IT green, viable, and equitable. To reach these targets, Rackspace Technology invests in internal and external workforce development programs. Other measures include the increasing use of digital channels, green data centers, optimized consumption, eliminating bias in AI models, algorithms, and data, and making technology solutions more accessible.

Rackspace Technology was a founding board member of SustainableIT.org, "a non-profit organization led by technology executives that aim at advancing sustainability through technology leadership," and has developed a reference architecture for carbon accounting to accelerate carbon reporting.

Mr. Stauber, thank you for your time.

About Rackspace Technology

Rackspace Technology Technology is a leading end-to-end hybrid, multicloud, and AI technology services company. We can design, build, and operate our customers' cloud environments across all major technology platforms, irrespective of technology stack or deployment model. We partner with our customers at every stage of their cloud journey, enabling them to modernize applications, build new products, and adopt innovative technologies.

About Foundry for AI by Rackspace Technology (FAIR)

FAIR is a groundbreaking global practice dedicated to advancing business transformation, improving customer experience, increasing the quality of service, and accelerating value creation through the secure and responsible use of AI technologies. FAIR has identified over 500 use cases across multiple industries and is working on several industry-leading implementations for our customers across the globe.

About PAC

We are a content-based company with a consulting DNA. PAC is the leading European consulting and analyst firm supporting software & IT service vendors worldwide. Since 1976, we have helped our clients to understand market dynamics, grow their revenue and raise their profile. Our unrivalled understanding of European markets, and deep research coverage help key market players to define their strategy, optimize their go-to-market and increase market share. PAC is an analyst-led consultancy with a team of over 100 experts across Europe. We provide market research and analysis on more than 30 countries worldwide, delivered through our portfolio pillars, Guidance, Insights, and Visibility, and our renowned SITSI® research platform.

More on www.pacanalyst.com.