

REPORT REPRINT

IBM legitimizes cloud brokering with Gravitant buy

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IBM has acquired cloud services broker Gravitant for an undisclosed amount. Big Blue has been saying for some time that a 'cloud broker' function is key to providing hybrid, multi-cloud capabilities to customers. The company obviously has its own as-a-service offerings – IaaS (SoftLayer), PaaS (Bluemix), SaaS (IBM Software) and BPaaS (IBM Global Technology Services, or GTS) – but customers increasingly want to choose among multi-vendor services.

Gravitant's cloudMatrix software will now be made available via IBM GTS, but will still also be provided as an as-a-service offering and an on-premises software appliance. IBM will continue to supply cloudMatrix to Capgemini and other Gravitant service-provider partners, which in turn white-label it to their customers. The target offers multi-tenant and private cloud implementations and also sells to enterprises through these channels.

THE 451 TAKE

This is not simply a case of the 'buy another cloud function' narrative that has characterized IBM's M&A in recent months. The acquisition of Gravitant has the potential to change the nascent hybrid (or multi-) cloud market. Big Blue's entry into the arena will be a rising tide that could float other boats and legitimize the activity for many wary enterprises. IBM hopes this can be transformational, especially as it transitions its GTS group to cloud. This deal is all about GTS using Gravitant's 'decision engine' to broker right across cloud supply chains - plan, buy and manage. At a functional level, it's about matching workloads to resources and enabling enterprises to take advantage of multiple cloud services to meet the particular needs of a workload or service request in 'best execution venue' strategies (see below).

DEAL DETAILS

Gravitant had raised \$40m in venture backing, including a \$25m series B round led by Cielo Private Equity and existing investor S3. While terms of the transaction weren't disclosed, we believe the company was approaching \$20m in 2014 revenue. About half of that revenue came from a partnership with Capgemini and half from direct sales. Guggenheim Securities advised Gravitant on the deal.

TARGET PROFILE

Founded in 2004, Gravitant is based in Austin, Texas, and has development operations in Pune and Bangalore, India. Some 70 employees will transition to IBM.

The company's cloudMatrix offering enables users to plan, buy and manage – or 'broker' – software and computing services from multiple suppliers across hybrid clouds. It supports different roles so that IT managers and authorized employees can review and purchase compute and software services from different suppliers, as well as compare capabilities and pricing via a single central console. Once purchased, the technology can be offered as a service and managed from the same console. Gravitant provides workload planning and placement, self-service IT and a marketplace, cloud cost comparison services, and shadow IT management.

It makes money by selling its software plus services. Design, implementation and integration are high-ticket items that are IBM GTS's bread and butter. Gravitant operates a subscription license model for the whole platform on one- or three-year terms. The company is also testing whether to use asset- or spend-based pricing.

Gravitant reports that early-adopter customers are in the financial service and oil and gas verticals; however, its only reference customer is the State of Texas (with Capgemini and General Dynamics), where there is \$1.6bn of spending being managed. In some deals the company has also taken a percentage (9% in Texas' case) of what a client spends on the cloud services that cloudMatrix brokers – the greater the revenue through it, the smaller the percentage taken.

ACQUIRER PROFILE

How Gravitant will be positioned alongside the existing IBM Cloud Orchestrator (ICO) tool remains to be seen. ICO provides configuration, provisioning and deployment of cloud services, software and infrastructure via 'patterns' (design blueprints) and content packs, and includes tools such as metering, usage, accounting, monitoring and capacity management. It supports IBM SoftLayer, System z and PowerVM; OpenStack; VMware; and Amazon EC2.

IBM claims there is not that much overlap between ICO and cloudMatrix. It will offer a separate module that can be used for governance across both ICO and cloudMatrix. ICO also features support for go-live tasks and a BPM engine. However, there's clearly some work to do to reconcile the different approaches to service definition and creation, also known as blueprinting (and referred to by some vendors as maps or forms).

For instance, cloudMatrix uses OASIS TOSCA (a topology and orchestration specification for cloud applications) in its Solution Blueprints while ICO employs the OpenStack-based Heat and legacy vSys in its provisioning 'patterns' approach. Big Blue suggests the two approaches address somewhat different aspects, with its patterns approach being a means of capturing customer and industry best practices, and to extend the benefits of infrastructure-level features and functions higher up the stack. IBM says it will enable customers to deploy either approach against the two offerings, but will examine the use of Heat across both going forward.

The goal with Heat, Tosca and other blueprinting initiatives is to make cloud applications and associated IT services portable across complex cloud software and hardware infrastructures. This is primarily done by separating the interoperable description of application and infrastructure cloud services, the relationships between different parts of each service, and the operational behavior of the services. The result should be portable deployments to any compliant cloud, easier migration of existing applications, and support for dynamic multi-cloud apps. It is our belief that as cloud builder and fabric infrastructures are disaggregated into micro-services encapsulated in containers, cloud brokering will become easier, taking advantage of another layer of abstraction.

IBM has some other related products, including a Cloud Security Enforcer that looks at how many as-a-service clouds are in use and what are they being used for, plus a Security Web Gateway. A future opportunity will be to integrate cloudMatrix with Big Blue's Emptoris strategic supply, category spend and contract management software.

BEST EXECUTION VENUE

A cloud broker provides access to multiple cloud suppliers, giving users entry to more venues and services than they would ordinarily be able to take advantage of. It can also manage tasks such as delivery, fulfillment, API handling, configuration management and resource behavior differences. If cloud is the on-demand version of computing, then brokering is the on-demand version of IT procurement. A cloud broker is the 'decision engine' powering best execution venues.

Users expect to be able to make decisions about how and where to run applications and tasks based on workload profile, policies and SLA requirements. As the worlds of outsourcing, hosting, managed services and cloud converge, the options are growing exponentially. BEV strategies enable users to determine which hybrid IT services are right for their needs. The most sophisticated IT users may operate these supplier relationships independently, but even those with contract negotiation expertise will likely struggle with the complexity of available mechanisms, especially in relation to cloud service pricing and delivery. The reality is that most organizations don't have access to more than a handful of cloud services – the same kind of access as they probably have to other utilities.

Indeed, where they do exist they are mostly bilateral sourcing relationships between the end user and service provider. We expect third-party tools – including technical and financial cloud service brokers such as cloudMatrix, business application marketplaces and other integrators – to therefore have an important role to play in providing access to other venues. Some applications, workloads or service requests may be best suited to running on-premises, for others a public multi-tenant cloud may be sufficient, while a dedicated hosted venue may be necessary to meet some requirements.

Every app has a best execution venue – some are more mature than others, but all are heading toward cloud as CIOs mandate cloud responses to RFPs. Enterprises will use more than one cloud (if only for fiduciary responsibility), and they are seeking multi-cloud strategies. In any case, no single vendor is offering end-to-end deployments that can satisfy all of a customer's IaaS, PaaS, SaaS and BPaaS needs.

COMPETITION

The challenge for Gravitant and other ISVs targeting the broker space is that they typically need buy-in from multiple groups at the customer level and require organizational change management to be driven through the customer, both of which lead to long sales cycles. This is why Gravitant recently pivoted from a cloud broker positioning toward hybrid and multi-cloud operation. It's the same reason why Dell bought enstratus, CSC snagged ServiceMesh and Ostrato rebranded as ParkMyCloud.

The key competition for IBM comes from Accenture (with the Accenture Cloud Platform) and Dell (with its acquired EMC, VMware, Virtustream and other properties), plus Capgemini, HP, Oracle (which has a former Gravitant executive leading its cloud brokering activities) Atos, CSC and Fujitsu.

OUTLOOK

While broker operators may be able to enjoy some real-time arbitrage opportunities as they aggregate services on behalf of customers (or offer this service for clients to arbitrage across their suppliers), real-time, financial arbitrage is not the organizing principal here. It's about matching workloads and resources, as well as service selection and optimization. Arbitrage use could come later, IBM notes.

ACQUIRER

IBM

TARGET

Gravitant

SUBSECTOR

Cloud enablement, automation and management

DEAL VALUE

Not disclosed

DATE ANNOUNCED

November 3, 2015

CLOSING DATE

November 3, 2015

ADVISERS

Guggenheim Securities (Gravitant)