

## REPORT REPRINT

# Managed Mainframe Services Separate Ensono's Managed and Cloud Services

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**08 AUG 2018**

Following several acquisitions that place it among the largest providers of managed mainframe services while also extending its capabilities into a range of managed services for private and public cloud platforms, Ensono is going to market with a vision for hybrid IT that connects the dots between functions reliant on mainframe systems and the modernization of business processes via execution in service-provider-operated and cloud environments.

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With a rebrand and several key acquisitions in the last several years, Ensono has built up a broad and geographically distributed set of managed services for IT infrastructure, including public cloud and, more uniquely, mainframe. With an advanced set of capabilities for mainframe, Ensono is supporting systems its competitors in the more cloud-focused arena might consider archaic or simply outside the scope of their capabilities.

However, the company believes its managed services capabilities for mainframe set it apart from competitors in the managed infrastructure space or managed services for public cloud. Ensono considers its mainframe services a critical component of its strategy for addressing the evolving business needs of its clients, and a complement to its broader set of modern IT services. The practice is a major contributor to the company's revenue.

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## THE 451 TAKE

The managed infrastructure services market has evolved in recent years in light of the availability of cloud platforms, causing service providers to focus on becoming modern IT services providers, a role that increasingly includes a broad set of capabilities across infrastructure, managed services and professional services for cloud enablement. These services are frequently designed around the outcomes and objectives of clients rather than the underlying infrastructure building blocks. They often span multiple infrastructure environments, including public cloud, hosted private cloud and others, enabling clients to take a hybrid approach to maintaining existing systems as they adopt cloud. The flexibility in the both the infrastructure setup and contract structure of Ensono's mainframe services support the notion of invisible infrastructure, focusing the services on the customer's business objectives and taking an approach that is ultimately similar in execution to services delivered on cloud infrastructure. The fact that Ensono is capable of maintaining legacy systems while modernizing other systems has the potential to make it a uniquely appealing service provider for businesses with these requirements.

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## CONTEXT

Headquartered in Chicago, Ensono is the new brand of Acxiom IT, the IT outsourcing business spun off from business data company Acxiom in 2015, backed by Charlesbank Capital Partners and M/C Partners. While the rebrand took place in 2016, and the company's mainframe services stretch back decades, acquisition has played a significant part in how the Ensono has built out its capabilities over the last several years.

The company acquired UK-based Attenda in 2016, adding to its managed infrastructure, application and cloud enablement services, and its footprint in Europe and the UK. In 2017 it acquired another UK-based managed service provider, Inframont, gaining additional capabilities around Microsoft Azure. In 2018, it acquired the datacenter and cloud services business of Wipro for a reported \$405m, gaining eight datacenters (in the US, UK and Germany) and more than 900 employees, which would almost double Ensono's headcount.

The company estimates it will do more than \$120m in mainframe business in 2018. Mainframe made up about 40% of the company's total revenue of \$289m in 2017, and Ensono believes it will continue to grow as a percentage of the total, even as mainframe services continue to lead to follow-on business for the company's other offerings. Ensono says it expects revenue growth of between 12% and 14% from 2017 to 2018, and expects to continue double-digit growth beyond this year. The completion of the Wipro acquisition will add about \$240m in annual revenue to Ensono.

## TECHNOLOGY

Ensono's managed services for mainframe are one line of business among a set of services that includes managed services for AWS and Azure and hosted private cloud operated by Ensono. In addition to these x86-based services, Ensono also offers IBM managed mainframe services in remote or hosted configurations. The company positions and delivers these services via a 'hybrid IT' strategy that includes application-specific expertise and management services (for example, for Microsoft and SAP applications, as well as custom applications) and consulting and advisory services for designing and implementing hybrid cloud strategies (IT assessment and security management, for example).

The company's managed services for mainframe can be delivered in a variety of infrastructure environments. Ensono offers three varieties of hosted mainframe infrastructure offering, including cloud, an entry-level service in which a customer shares mainframe resources; shared is a step up, providing a customer with its own logical partition on shared hardware; dedicated is the highest tier, in which one or more mainframe systems are dedicated to a single customer. The company also offers a remote-managed service, in which it manages mainframe hardware on-premises for the customer. In the latter case, Ensono can buy the customer's hardware and software and manage it in place, charging monthly for the resources, allowing the customer to transition from a capex to opex model (and potential TCO improvement).

The managed services associated with mainframe focus on optimizing performance, infrastructure-level management and support, deep engagement with technical teams and consultative planning around hybrid IT.

The company has a service management platform (called Ensono MO) that includes about 30% commercial tools and 70% applications custom-developed by the company (Ensono says it has invested more than 150 person-years in their development and refinement).

## STRATEGY

Although mainframe systems are legacy technology, Ensono says they are essential to how the company approaches IT transformation, hybrid IT and managed services.

Reliance on mainframe as a core technology platform has been declining for decades. That decline has occurred slowly enough that use of mainframe systems persists in a large number of enterprises. However, while they continue to rely on mainframe systems, those businesses are struggling to retain expertise in their operation, as the staff associated with the systems age out. Many of these businesses are seeking to shift the role of operating these systems (and in many cases the infrastructure itself) to a third party.

Ensono indicates its expertise in mainframe systems is an entry point for the company in providing the broader set of hybrid IT services to these businesses, or a beginning to the IT modernization discussion. Mainframe services are also simply a source of new business for the company – it indicates it has added 16 large customers in the roughly two years since it launched the Ensono brand.

Ensono says specialization in dealing with mainframe systems does not mean it pushes customers to commit to those systems. Indeed, the company has designed flexibility into its contract terms specifically to enable that kind of transformation within the scope of its relationship. If a customer wants to re-platform services that are running on mainframe, but keep the managed services, it can do so within the scope of Ensono's contract terms without retaining a minimum commitment that is based on the mainframe.

## CUSTOMERS

Because the company has built up its business over the last several years via acquisitions, Ensono now serves a range of customer requirements – it has businesses that are purely interested in its services for public cloud (this tends to be the case among its European customers) as well as those that are purely interested in its mainframe services (primarily in the US), as well as an increasing portion of clients interested in a broader set of the company's services.

However, Ensono indicates all its customers are typically larger businesses. The company targets enterprise organizations with revenue ranging from \$200m to \$10bn, whether or not they have mainframe requirements. It is not interested in being a volume business.

## COMPETITION

With its mainframe services, Ensono competes with some of the large integrators and outsourcers, such as Infosys and Tata, although it does not offer the same degree of application development as some of those companies. It also competes with the likes of Blue Hill, DXC and IBM Global Services on mainframe management. Ensono says prior to acquiring Wipro's datacenter and cloud services business, it considered the company its most direct competitor.

In the delivery of managed services for AWS and Azure, the company competes with some other businesses with a legacy in managed infrastructure, such as Rackspace, CenturyLink and NaviSite, including asset-light providers such as 2nd Watch or Cloudreach.

## SWOT ANALYSIS

### STRENGTHS

The depth of Ensono's mainframe capabilities, the breadth of its other IT services and its ability to craft approaches that incorporate all of these give it a fairly unique value proposition for the market it serves, and a set of services with a roadmap for transformation.

### WEAKNESSES

Ensono faces an uphill battle as a comparatively new and little-known brand in competition with some of the biggest brands in the IT services market.

### OPPORTUNITIES

The company's hybrid approach to hybrid IT services emphasizing managed mainframe services puts it in a position to appeal to the market of businesses seeking to modernize IT systems while maintaining legacy mainframe infrastructure.

### THREATS

Ensono's focus on a segment of IT infrastructure in a state of decline is strategic; however, if the company is wrong about the continued reliance on infrastructure, it could find the appeal of its services diminishing.