



DigitalOcean

2018 North American Infrastructure as a Service  
Competitive Strategy Innovation and Leadership Award

F R O S T & S U L L I V A N

2018

BEST  
PRACTICES  
AWARD

NORTH AMERICAN INFRASTRUCTURE  
AS A SERVICE COMPETITIVE STRATEGY  
INNOVATION AND LEADERSHIP AWARD

2018

BEST PRACTICES

AWARDS

## Contents

Background and Company Performance Industry Challenges .....	3
<i>Conclusion</i> .....	6
Significance of Competitive Strategy Innovation and Leadership .....	7
Understanding Competitive Strategy Innovation and Leadership .....	7
<i>Key Benchmarking Criteria</i> .....	8
Best Practices Award Analysis .....	8
<i>Decision Support Scorecard</i> .....	8
<i>Strategy Innovation</i> .....	9
<i>Customer Impact</i> .....	9
<i>Decision Support Matrix</i> .....	10
Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices .....	11
The Intersection between 360-Degree Research and Best Practices Awards.....	12
<i>Research Methodology</i> .....	12
About Frost & Sullivan .....	12

## Background and Company Performance

### *Industry Challenges*

The cloud Infrastructure as a Service (IaaS) market is highly consolidated, with the top three providers holding nearly 85% of the US market. From the start, the market has been dominated by the company that introduced the Amazon Web Services (AWS) model, which holds nearly 70% of the US Infrastructure as a Service (IaaS) market on its own, according to Frost & Sullivan research. The heavy dominance of AWS and its two main challengers in the public cloud market, Microsoft Azure and Google, simplifies vendor choice for many enterprises - who largely regard the market leaders as "safe" vendor choices.

The market leaders have earned their dominance, with scale, product quality, and continual innovation. Frost & Sullivan observes how they have also seriously hampered competition in the market. Since 2010, when Frost & Sullivan published its first IaaS market landscape report, the number of vendors offering public cloud services has declined precipitously. A host of well-regarded technology companies have exited the cloud infrastructure market (including Verizon/Terremark, HP, VMware, and AT&T). Others have shifted their business models from hosting cloud workloads to partnering with the "big 3" cloud infrastructure providers; for example, Rackspace now focuses on managing client workloads in a growing list of clouds, including AWS, Azure, Google, and Alibaba.

Yet, Frost & Sullivan points out that the "big 3" providers are not the only successes in the market. The rapid growth of the IaaS market (30% CAGR through 2021, according to Frost & Sullivan research), and the continuing evolution of customer needs leave room for multiple IaaS providers to be successful. Also playing a role is the rise of the "multi-cloud" environment. Businesses have little incentive to choose a single cloud service provider for their workloads; instead, they are likely to subscribe to multiple services from multiple vendors as a way to ensure that each workload is in the optimal cloud.

Among smaller IaaS providers that continue to operate, most have long legacies as co-location or hosting providers — with cloud services representing just another deployment option for their customers. Others focus their efforts on a particular use case, geographic region, or customer need. Frost & Sullivan notes that among the very few companies that are playing on the same field as AWS, Azure, and Google – and admirably succeeding – is DigitalOcean.

### *Strategy Innovation and Customer Impact*

The DigitalOcean cloud was designed to make it easy for developers to create innovative software applications. A strong alternative to hyperscale cloud leaders, Frost & Sullivan applauds how DigitalOcean pursues a clear strategy of simplicity, transparency, and community support.

## Strategy Effectiveness

Founded in 2012, when the IaaS market was already starting to consolidate, privately-held DigitalOcean found immediate success as the “developer’s cloud.” DigitalOcean’s focus on startups — the creators of the next generation of cloud-native, open source-based apps — was refreshingly unique at a time when other providers were courting enterprise buyers.

In the years since its founding, DigitalOcean has evolved and broadened its target from individual developers to development teams, and more recently, to the entire enterprise.

With its strategic focus on simplicity, Frost & Sullivan recognizes how the company properly addresses three challenges faced by developers:

- Make learning accessible and easy for everyone
- Make it simple for developers to quickly take their ideas from concept to production
- Make it easy to scale applications

With these priorities at its core, DigitalOcean has built a vibrant and loyal community of open source developers who rely on the DigitalOcean cloud to run their applications.

## Strategy Execution

DigitalOcean’s on-demand, public cloud services are built for simplicity, scale, ease of use, and rapid provisioning. Developers can use a “one-click” deployment option to access pre-built applications or open source distributions, allowing them to focus on their code (rather than spending time on installation and configuration). “Droplets” — the company’s virtual machine units — are flexible and easily resizable. Developers who discovered DigitalOcean early in their careers now hold decision-making authority at businesses. Their requests for higher-value tools and features have led DigitalOcean to expand its portfolio with storage options (block and object); network firewalls; platform monitoring and other enhancements. The company’s roadmap includes enterprise-friendly services - including virtual private cloud, Kubernetes, and Database as a Service.

DigitalOcean continues to be attractive to cloud developers and start-ups, as well as colleges and universities that use its services for their computer science students. DigitalOcean says it has over a million registered customers, and internet analysis firm Netcraft places DigitalOcean second among all hosting providers worldwide (after AWS) in the number of web-facing servers.

## Competitive Differentiation

Today’s businesses rate “innovation” as key to competitive success, with 62% of IT leaders surveyed by Frost & Sullivan saying it is important to free up IT staff to focus on

innovative solutions. In addition, 64% say they need to deliver service and applications faster, and 58% want to improve business agility and market responsiveness.

More than its competitors, DigitalOcean provides the optimal cloud to support innovation, in the form of rapid development, integration, and testing of new ideas. The DigitalOcean platform makes it simple for smaller teams within an organization to prototype new concepts. The open source foundation easily fits into companies' Dev/Ops frameworks, to support continuous development and integration processes. It also is easy for software companies to provide proof-of-concept for their customers. High levels of support and ease of platform use allow businesses to use DigitalOcean to help fill the expertise gap within their own firms, bringing less experienced developers rapidly up to speed.

### **Price/Performance Value**

According to the 2018 Frost & Sullivan user survey, 49% of IT decision-makers struggle to manage costs to run cloud workloads. In contrast to the complex pricing schemes of most IaaS providers, DigitalOcean offers flat pricing (without charges for each feature) and a monthly cap (at the equivalent of 28 days). This keeps budgets predictable. Also unique among cloud leaders, DigitalOcean includes technical support at no charge for all customers, not just those who meet spending or product thresholds.

### **Customer Purchase Experience**

Subscribing to the DigitalOcean cloud services is fast and simple; users can create an account online and deploy an app in a matter of minutes. Yet the DigitalOcean experience is not just restricted to paying customers. Because supporting the development community is a critical mission, the company offers an extensive range of tutorials, guides, and other programming resources at no charge for developers and system administrators.

### **Customer Ownership Experience**

Many developers get their start with Development & Test workloads on the DigitalOcean cloud. However, the simple scalability of the DigitalOcean cloud and the company's 12 data centers in eight regions worldwide mean that customers can choose to keep their Dev/Test workloads on the platform once they move into production, a good idea for workloads that are highly dynamic. In fact, businesses may find that their developers and architects resist the move from the user-friendly DigitalOcean cloud to comparatively unwieldy competitive services.

With the DigitalOcean, users have access to a range of integration and development tools, including Chef, Ansible, Puppet, and others. Developers can deploy their code directly to a pre-built application image, thus avoiding tedious installation and configuration tasks. Via the DigitalOcean API, developers have access to apps, wrappers, and integrations created by members of the development community and shared on the DigitalOcean website.

## Conclusion

*Frost & Sullivan believes that DigitalOcean's success is evidence that the IaaS market – while highly consolidated – is still evolving. Compared with the current IaaS market leaders, DigitalOcean offers a simpler, more powerful cloud for developing and deploying applications, which has gained loyal adherents. Frost & Sullivan applauds how the company's innovative approach to products, pricing, and support has led to steady gains in revenue, servers, users, and community members.*

*With its strong overall performance, DigitalOcean has earned the 2018 Frost & Sullivan Competitive Strategy Innovation and Leadership Award.*

## *Significance of Competitive Strategy Innovation and Leadership*

Any successful approach to achieving top-line growth must (1) take into account what competitors are, and are not, doing; (2) meet customer demand with a comprehensive, value-driven product or service portfolio; and (3) establish a brand that resonates deeply with customers and stands apart from other providers. Companies must succeed in these three areas—brand, demand, and positioning—to achieve best-practice levels in competitive strategy.



## *Understanding Competitive Strategy Innovation and Leadership*

Demand, brand strength, and competitive differentiation all play a critical role in delivering unique value to customers. This three-fold focus, however, must ideally be complemented by an equally rigorous focus on Strategy Innovation and Customer Impact.

## Key Benchmarking Criteria

For the Competitive Strategy Innovation and Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Strategy Innovation and Customer Impact—according to the criteria identified below.

### Strategy Innovation

- Criterion 1: Strategy Effectiveness
- Criterion 2: Strategy Execution
- Criterion 3: Competitive Differentiation
- Criterion 4: Executive Team Alignment
- Criterion 5: Stakeholder Integration

### Customer Impact

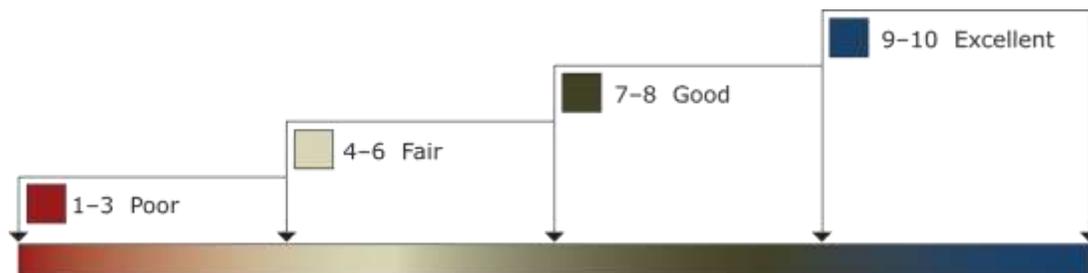
- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

## Best Practices Award Analysis for DigitalOcean

### Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation. Ratings guidelines are illustrated below.

#### RATINGS GUIDELINES



The Decision Support Scorecard is organized by Strategy Innovation and Customer Impact (i.e., these are the overarching categories for all 10 benchmarking criteria; the definitions for each criterion are provided beneath the scorecard.). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, we have chosen to refer to the other key participants as Competitor 1 and Competitor 2.

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>			
<b>Competitive Strategy Innovation and Leadership</b>	Strategy Innovation	Customer Impact	<b>Average Rating</b>
<b>DigitalOcean</b>	<b>10.0</b>	<b>9.0</b>	<b>9.5</b>
Competitor 2	9.0	9.0	9.0
Competitor 3	6.0	8.0	7.0

### *Strategy Innovation*

#### **Criterion 1: Strategy Effectiveness**

Requirement: Strategy effectively balances short-term performance needs with long-term aspirations and vision for the company.

#### **Criterion 2: Strategy Execution**

Requirement: Adoption of best-in-class processes supports the efficient and consistent implementation of business strategy.

#### **Criterion 3: Competitive Differentiation**

Requirement: Unique competitive advantages with regard to solution or product are clearly articulated and well accepted within the industry.

#### **Criterion 4: Executive Team Alignment**

Requirement: The executive team is aligned along the organization’s mission, vision, strategy, and execution.

#### **Criterion 5: Stakeholder Integration**

Requirement: Strategy reflects the needs or circumstances of all industry stakeholders, including competitors, customers, investors, and employees.

### *Customer Impact*

#### **Criterion 1: Price/Performance Value**

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market.

#### **Criterion 2: Customer Purchase Experience**

Requirement: Customers feel they are buying the most optimal solution that addresses both their unique needs and their unique constraints.

#### **Criterion 3: Customer Ownership Experience**

Requirement: Customers are proud to own the company’s product or service and have a positive experience throughout the life of the product or service.



## Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate Award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 <b>Monitor, target, and screen</b>	Identify Award recipient candidates from around the globe	<ul style="list-style-type: none"> <li>• Conduct in-depth industry research</li> <li>• Identify emerging sectors</li> <li>• Scan multiple geographies</li> </ul>	Pipeline of candidates who potentially meet all best-practice criteria
2 <b>Perform 360-degree research</b>	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> <li>• Interview thought leaders and industry practitioners</li> <li>• Assess candidates' fit with best-practice criteria</li> <li>• Rank all candidates</li> </ul>	Matrix positioning all candidates' performance relative to one another
3 <b>Invite thought leadership in best practices</b>	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> <li>• Confirm best-practice criteria</li> <li>• Examine eligibility of all candidates</li> <li>• Identify any information gaps</li> </ul>	Detailed profiles of all ranked candidates
4 <b>Initiate research director review</b>	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> <li>• Brainstorm ranking options</li> <li>• Invite multiple perspectives on candidates' performance</li> <li>• Update candidate profiles</li> </ul>	Final prioritization of all eligible candidates and companion best-practice positioning paper
5 <b>Assemble panel of industry experts</b>	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> <li>• Share findings</li> <li>• Strengthen cases for candidate eligibility</li> <li>• Prioritize candidates</li> </ul>	Refined list of prioritized Award candidates
6 <b>Conduct global industry review</b>	Build consensus on Award candidates' eligibility	<ul style="list-style-type: none"> <li>• Hold global team meeting to review all candidates</li> <li>• Pressure-test fit with criteria</li> <li>• Confirm inclusion of all eligible candidates</li> </ul>	Final list of eligible Award candidates, representing success stories worldwide
7 <b>Perform quality check</b>	Develop official Award consideration materials	<ul style="list-style-type: none"> <li>• Perform final performance benchmarking activities</li> <li>• Write nominations</li> <li>• Perform quality review</li> </ul>	High-quality, accurate, and creative presentation of nominees' successes
8 <b>Reconnect with panel of industry experts</b>	Finalize the selection of the best-practice Award recipient	<ul style="list-style-type: none"> <li>• Review analysis with panel</li> <li>• Build consensus</li> <li>• Select recipient</li> </ul>	Decision on which company performs best against all best-practice criteria
9 <b>Communicate recognition</b>	Inform Award recipient of Award recognition	<ul style="list-style-type: none"> <li>• Present Award to the CEO</li> <li>• Inspire the organization for continued success</li> <li>• Celebrate the recipient's performance</li> </ul>	Announcement of Award and plan for how recipient can use the Award to enhance the brand
10 <b>Take strategic action</b>	Upon licensing, company may share Award news with stakeholders and customers	<ul style="list-style-type: none"> <li>• Coordinate media outreach</li> <li>• Design a marketing plan</li> <li>• Assess Award's role in future strategic planning</li> </ul>	Widespread awareness of recipient's Award status among investors, media personnel, and employees

## The Intersection between 360-Degree Research and Best Practices Awards

### Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often, companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.

### 360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS



## About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages more than 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 45 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.