



Market Insight Report Reprint

Cloud MSP 2nd Watch sees momentum in media sector as data and app modernization practices grow

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by **Nicole Henderson**

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Introduction

Over a year since adding its Google Cloud practice, 2nd Watch has seen momentum in this area and others, including its data analytics and application modernization business. By targeting a smaller subset of verticals with a broader range of public cloud capabilities, the service provider aims to be a key partner for its customers as they plan for business transformation that relies on new approaches to data, DevOps and security.

THE 451 TAKE

There are various reasons an organization may opt to enable a multicloud environment, including vendor lock-in fears or line-of-business preferences, but we also see enterprises use more than one IaaS/PaaS vendor to take advantage of specific attributes or capabilities that are perceived to be unique to a particular vendor. In 451 Research's Voice of the Enterprise: Cloud, Hosting & Managed Services, Vendor Evaluations 2020, we asked organizations which IaaS/PaaS vendor they think is best suited to certain use cases, and there were clear leaders in some categories – for instance, AWS was selected as the best vendor for edge/IoT initiatives (48%), while Microsoft Azure stood out as the best vendor by the same portion of respondents for core back-end business applications. Although enterprises may have a proclivity for a certain cloud vendor, managed and professional services providers can play a key role in guiding customers toward the right cloud environment for their application. The service providers who have multicloud expertise may appear to be more neutral, which is important for some customers as they map out cloud migrations and consider which applications to refactor.

Context

Launched in 2011, cloud services provider 2nd Watch has grown to 275 employees, working fully remotely during the pandemic until the company re-opens its offices. Based in Seattle, Washington, the company offers professional and cloud managed services focused on AWS, Azure and Google Cloud Platform (GCP), providing services that encompass business transformation and cloud advisory, cloud migration, application modernization and DevOps, data and analytics, optimization, compliance, security and business continuity.

While 2nd Watch broadly supports companies in the Fortune 500 across seven major industries, the company has decided to narrow its focus on building more capabilities around targeted industries. These four industries of focus include healthcare and life sciences, retail, financial services and media & entertainment, where strong demand has led the company to break out the vertical, which represents one-quarter of its revenue. Being a private company, 2nd Watch does not disclose its revenue.

The company is majority owned by Singapore-based ST Telemedia (STT), which acquired a controlling stake in 2nd Watch in 2019. The investment will continue to support 2nd Watch as it deepens its expertise in GCP and Azure and will help fuel M&A transactions to further its application modernization capabilities. The company's previous private equity investors have held on to their minority shares.

Partners

When 2nd Watch started a decade ago, its core focus was in providing managed services that support AWS. Since then, the company has expanded to include support for Azure and GCP. 2nd Watch is an AWS Premier Consulting Partner and MSP, Gold Microsoft Azure Partner and Google Cloud Partner. Most enterprises we surveyed as part of 451 Research's Voice of the Enterprise: Cloud, Hosting & Managed Services, Vendor Evaluations 2020 use Microsoft Azure (81%) and Amazon Web Services (75%), and one-third of respondents say their organization has GCP in use (29%), ahead of other IaaS vendors on the list, which include IBM Cloud, Rackspace and Oracle Cloud. Survey results show that 76% of organizations that use IaaS/PaaS currently have more than one vendor in place, with most respondents (37%) indicating they use two IaaS/PaaS vendors. With most respondents operating within multicloud environments, partners like 2nd Watch can help support organizations in selecting the right cloud for the job, and help customers determine which environment – whether IaaS or containers/microservices – will be the best fit for the application.

Since it launched its Google Cloud practice in 2020, 2nd Watch has worked closely with the hyperscaler to co-sell with its field team in North America along the eastern seaboard. The company brings its combined vertical and horizontal expertise in Google Cloud services to support customers in the upper midmarket and enterprise. With Google Cloud's sales team primarily organized by regions, 2nd Watch says it brings its industry playbooks to those territories in sectors such as food and retail and connects existing clients with GCP. In some cases, the company has learned that its customers have an existing multicloud strategy, and now it is able to support their progress.

In addition, 2nd Watch tells us that half of its net new customers are coming through its data analytics and app modernization practices, including some customers in media and entertainment and healthcare and life sciences it has won over competing global systems integrators (GSIs).

Strategy

2nd Watch is a born-in-the-cloud service provider, which it believes helps differentiate its business from other managed service providers and systems integrators that come from on-premises or hosting backgrounds. The company says that since it is built for public cloud, it has a greater understanding of the operating model, cost optimization and security issues that customers face when leveraging public cloud services. Its strategy aligns with STT's plan to build a large pure-play systems integrator with a global reach, with cloud capabilities from its existing investments in Singapore-based CloudCover, CloudComrade and Quantum, which bring together GCP, cloud-native, application modernization and cybersecurity expertise. 2nd Watch plans to extend its own cybersecurity offerings with a compliance product developed via a partnership with HITRUST, set to launch in Q3.

Competition

As its focus on clients in media & entertainment increases, 2nd Watch is seeing more competition from GSIs such as Accenture and Deloitte. It also sees Wipro and Cognizant in financial services-focused deals. In healthcare, it competes with specialist providers including Optum and Leidos, as well as the GSIs. Other providers in the cloud managed services market include Onica/Rackspace, Cloudreach, Slalom, Logicworks and SADA.

SWOT Analysis

<p>STRENGTHS</p> <p>With a significant (and growing) portion of revenue coming from the media & entertainment industry, 2nd Watch is well positioned to serve this market, which faces increasing pressure from consumers and competitors to improve digital experience.</p>	<p>WEAKNESSES</p> <p>Its origins as an AWS-only cloud managed service provider may be a challenge. As it brings a wider range of cloud expertise and professional services to the market, 2nd Watch will have to take care to communicate that expertise to prospects.</p>
<p>OPPORTUNITIES</p> <p>Focusing on a smaller subset of industries should help position 2nd Watch in high-growth sectors as a go-to partner for cloud and business transformation.</p>	<p>THREATS</p> <p>Competing with GSIs is a challenge, particularly since they benefit from a larger, global workforce.</p>

CONTACTS

The Americas

+1 877 863 1306

market.intelligence@spglobal.com

Europe, Middle East & Africa

+44 20 7176 1234

market.intelligence@spglobal.com

Asia-Pacific

+852 2533 3565

market.intelligence@spglobal.com

www.spglobal.com/marketintelligence

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