



IMPACT REPORT

NEOS takes stock of its strategy as cloud services opportunities beckon

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BY RORY DUNCAN (/BIOGRAPHY?EID=636)

Technology services firm NEOS celebrated its 10th birthday in July. Founded in 2005, NEOS operates globally from its headquarters in Munich. With datacenters in Munich and Singapore, the firm also runs a Centre of Excellence in VMware in Bratislava, Slovakia. Outside Europe, NEOS has a presence in Asia, including an operations center in Bangkok, as well as a branch office in Sydney.

NEOS is a small and relatively specialized firm. It has about 100 employees, and some large, well-known customers and partners. Partnering with a number of ISVs, it runs high-performance, high-availability platforms – such as the middleware platforms for a major European airline (and the data warehouse for another), as well as others in the banking and logistics sectors.

NEOS specializes in managing high-transactional platforms, from automating managed hosting tasks to continuous deployment of production applications. In 2012, NEOS became VMware's first Enterprise Solutions Partner in Germany with expertise in vRealize Hyperic OS – the monitoring component of the vRealize Operations product. In addition, the firm has strategic partnerships with HP, IBM, Oracle, Veeam and other technology vendors.

NEOS's approach to service provisioning emphasizes the potential for IT departments to take on the role of internal service providers via automation. And while this is not a new concept, it can be one that is difficult to achieve in practice – a good reason to take a further look at NEOS's approach.

The 451 Take

Having the opportunity to take stock and consider future strategy is a rare thing for many companies these days, but it is a necessary step nonetheless. NEOS could choose to move into a variety of new markets and/or sectors, leveraging its reputation in the travel industry. However, it will need to tread carefully. The cross-industry cloud- and hosting-services markets in Europe are highly competitive, with many barriers to entry in certain countries. NEOS would do well to consider one or two other adjacent industries – perhaps the transportation, hospitality or related entertainment sectors – to limit competitive risk while leveraging its current reputation. It should also consider establishing additional partner relationships with platform

providers in its target countries, offering its automation expertise to regional specialists.

Products

NEOS offers a broad range of technology services, from infrastructure and application hosting, through cloud enablement and other professional services. The firm's cloud services are based on VMware's vCloud stack, and range from VM provisioning and migration, to multitier automation, reporting, disaster recovery, etc. It also offers cloud-migration services, as well as intra-datacenter workload transfer.

NEOS says it can offer the above via most current cloud-delivery models, including hybrid, on-premises managed private cloud, managed virtual or dedicated-cloud models and community cloud. It does not offer – or plan to offer – public-cloud services, saying it lacks the scale to effectively compete with the larger players in this sector. NEOS's strength is in the automation segment, where it has shown it can develop for a variety of deployment requirements, using preconfigured building blocks and components.

In the case of a US-based airline, NEOS says it was able to improve configuration management, and create an automated test and release capability (in effect, a complete copy of the airline's middleware environment) on-demand – thereby increasing the level of operational control. NEOS says that changes can be implemented via 'layers' in real time: deployments can be implemented without impacting the service that is running. This has the additional advantage, the company believes, of improving application security due to the ability to implement patches and updates more quickly.

Strategy

NEOS's ability to take a step back and consider its future strategy is possible, in part, because of the solidity of its current business. It has established a strong relationship with Amadeus, a travel-reservations-system owner, and says its can account for almost all of its sales from leveraging the history of delivery to such partners (and others). Looking to the future, the question for NEOS is how to position itself in the market: does it target a broader range of industries with a narrow range of offerings, or focus on a few sectors and deep-dive with a wide portfolio?

The capabilities that NEOS has in automation and DevOps point to a potential future direction, depending on how this branch of IT develops. The company acknowledges that it is difficult to determine how innovation in other areas – such as containerization technology or cloud security – will affect NEOS's potential next move. Given the firm's current go-to-market strategy, it would need to be happy that such technologies are mature enough to be offered to its partner channel. And while innovation is important to its partners' customers, there is a huge business in supporting legacy systems and implementing hybrid IT infrastructures for the foreseeable future.

Although NEOS has been developing these partnerships in Germany and elsewhere, it has also been looking at how to increase its business abroad. The firm says it is investigating opportunities in Africa and the Nordic region; while further afield, it is assessing potential new business in Vietnam and the APAC region, where the

company might consider starting off with a lower-end offering for some of the emerging markets.

Competition

Defining NEOS's competition is difficult. For its core hosting offerings, it potentially has many competitors in Europe – from global, super-scale providers such as AWS to regional managed hosting providers such as Intergenica – but its focus on the travel sector reduces this number somewhat. Strategically, NEOS could go in a number of directions, but it understands that it potentially faces many established providers.

If its big data and DevOps capabilities are further developed, it risks going head-on with many of the systems integrators, SaaS providers and outsourcers. NEOS has the capability to compete with some of these firms, but it acknowledges that in Western Europe it is something of a niche player, and can't radically change its go-to-market or core market in the immediate future.

SWOT Analysis

Strengths

In the travel market in Germany, NEOS is well known for its competencies, and has some of the largest global-technology vendors and integrators as partners.

Weaknesses

Outside of Germany and the travel industry, NEOS is relatively unknown: its industry strength is also its weakness as it considers looking at other vertical markets in other countries.

Opportunities

Replicating its success with European firms in the travel industry will enable NEOS to capitalize on the growing opportunity for this sector in other markets in APAC, where its potential is relatively untapped.

Threats

Moving into adjacent markets is a risk for a company of NEOS's size, unless it is able to quickly secure a large reference customer and/or a strong partner to quickly gain market share from incumbent service providers.

Rory Duncan (/biography?eid=636)

Research Director, European Services

M&A ACTIVITY BY SECTOR

Hosted services (1596) (https://makb.the451group.com/results?basic_selected_sectors=271)

M&A ACTIVITY BY ACQUIRER

Amazon Web Services Inc. [aka AWS] [Amazon.com Inc.] (2) ([https://makb.the451group.com/results?basic_acquirers=Amazon+Web Services Inc. \[aka AWS\] \[Amazon.com Inc.\]](https://makb.the451group.com/results?basic_acquirers=Amazon+Web+Services+Inc.+[aka+AWS]+[Amazon.com+Inc.]))

Hewlett-Packard Company [aka HP] (71) ([https://makb.the451group.com/results?basic_acquirers=Hewlett-Packard+Company \[aka HP\]](https://makb.the451group.com/results?basic_acquirers=Hewlett-Packard+Company+[aka+HP]))

IBM Corporation (156) (https://makb.the451group.com/results?basic_acquirers=IBM+Corporation)

Oracle Corporation (114) (https://makb.the451group.com/results?basic_acquirers=Oracle+Corporation)

SpringSource Inc [fka Interface21] [VMware] (40) ([https://makb.the451group.com/results?basic_acquirers=SpringSource+Inc \[fka Interface21\] \[VMware\]](https://makb.the451group.com/results?basic_acquirers=SpringSource+Inc+[fka+Interface21]+[VMware]))

Veeam Software (1) (https://makb.the451group.com/results?basic_acquirers=Veeam+Software)

Figures shown indicate number of transactions

COMPANY MENTIONS (PRIMARY)

NEOS (</search?company=NEOS>)

COMPANY MENTIONS (OTHER)

Amadeus, Amazon Web Services, HP Inc, Hyperic, IBM, intergenia, Oracle, Veeam, VMware (</search?company=VMware>)

CHANNELS

European Services, Service Providers (</dashboard?view=channel&channel=9>)

SECTORS

All / Hosted services (</search?sector=271>)

All / Services / Europe (</search?sector=1073>)