

SunGard to Expand Service Portfolio With VeriCenter Buy

John P Morency, Ted Chamberlin

SunGard's acquisition of VeriCenter will enable SunGard to expand its service portfolio. But these services must be well-aligned with customer needs for continuous IT service availability and improved business resiliency.

NEWS ANALYSIS

Event

On 16 July 2007, SunGard announced that it has reached an agreement to acquire VeriCenter, which specializes in providing managed hosting, colocation and infrastructure services. Under the deal, VeriCenter would become part of SunGard Availability Services. Terms of the acquisition were not disclosed.

Analysis

With this acquisition, SunGard will gain three very significant assets:

- Approximately 470,000 square feet of data center floor space across seven U.S. data centers
- An application hosting business
- A bigger managed services footprint in six key markets

Collectively, these assets provide SunGard with the means to address a disaster recovery market that is slowly morphing into a continuous IT service availability market. This new service market requires increasingly rapid recovery times, near-real-time data replication and high-speed connectivity to support the replication process.

Driven by these and related requirements, the future of disaster recovery is more about the scalable delivery of failover computing that can rapidly assume primary production operation and cost-effectively improve business resilience. At best, Gartner sees moderate growth as the norm for more traditional cold-site and shared-recovery services. SunGard needs to satisfy this nascent continuous availability market to continue to grow annuity-based revenue.

VeriCenter's contribution to help SunGard achieve this objective is currently unclear. VeriCenter's core competency has been the provisioning of standardized hosting configurations that have no unusual architectural or technology requirements that may be specific to disaster recovery.

RECOMMENDATIONS

SunGard customers:

- Expect SunGard to rationalize and communicate its hosting service offerings within three months of the deal's closing.
- Evaluate new options for shared services, dedicated services and hosting services to support varying and increasingly shortened recovery time objective and recovery point objective targets.

VeriCenter customers:

- Ensure that post-acquisition hosting service quality and pricing remain consistent. Be prepared to develop shortlist alternatives if this is not the case, or if SunGard elects to discontinue key services.

SunGard and VeriCenter prospects:

- Evaluate forthcoming SunGard service offerings against key disaster recovery competitors such as IBM, HP and Rentsys Recovery Services, and mainstream hosting competitors such as Equinix, Digital Realty Trust and Savvis Communications.

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RECOMMENDED READING

"Magic Quadrant for North American Web Hosting, 2008" — Use this research report to compare the pros and cons of key hosting suppliers. **By Lydia Leong and Ted Chamberlin**

"Take Immediate Steps to Build Colocation Into Your Disaster Recovery/Business Continuity Plans"— Enterprises must look for a highly secure colocation space that acts as an application test environment as well as a failover site. **By Ted Chamberlin**

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REGIONAL HEADQUARTERS

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters

Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters

Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

Latin America Headquarters

Gartner do Brazil
Av. das Nações Unidas, 12551
9º andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509