Coverage Initiation: Otava releases third generation of VMware-based Otava Cloud platform

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The company sees its focus on security and compliance as a key differentiator in crowded cloud market. Specialized managed and cloud service providers like Otava should be well positioned to help enterprises close the cloud security and compliance gap.

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Introduction

Cloud services provider Otava sees its expertise in security and compliance as its key differentiator, and it plans to aggressively acquire and aggregate smaller CSPs on its path to growth.

451 TAKE

The demand for secure cloud services has grown and the circumstances surrounding COVID-19 have put security concerns in clearer focus for many organizations embracing remote work. 451 Research's Voice of the Enterprise: Digital Pulse, Coronavirus Flash Survey June 2020 shows that implementing new information tools and practices (29%) is the top technology initiative respondents have accelerated due to the circumstances surrounding the coronavirus pandemic.

Although hyperscalers have mostly moved on from branding public cloud as secure or enterprise-ready, there is still a benefit for service providers like Otava in being explicit around how security and compliance capabilities are differentiators as customer demand for security services in the cloud grows. Cloud security is a top information security pain point, and respondents to 451 Research's VoTE: Cloud, Hosting & Managed Services, Workloads and Key Projects 2020 say improved security (39%) is among the most critical factors in supporting the business case for managed services. However, the lack of cloud and security expertise still dominate skill shortages for most enterprises. These challenges have enterprises looking to service providers for help as they aggressively transform their organization and rapidly move to the cloud. Specialized managed and cloud service providers like Otava should be well positioned to help enterprises close the cloud security and compliance gap.

Context

Launched in 1994 as Online Technologies Corporation, a dial-up internet company, Otava has evolved into a cloud services provider delivering secure and compliant cloud solutions for service providers, channel partners and enterprise clients. Following the acquisition of the IaaS and data protection assets and products of IT provider Neverfail, the company was renamed Otava in 2019.

Otava offers a portfolio of cloud and colocation services, including security, data protection, professional services, private and public cloud, and cloud storage. Headquartered in Ann Arbor, Michigan, the company is owned by Schurz Communications, a broadband provider based in Indiana. Otava has a distributed workforce of 100 employees, including operation resources in Romania. The company's datacenter and cloud node locations include facilities in Michigan, Indiana, Missouri, Nevada, Texas, Virginia, Sydney, Melbourne and Manchester, UK. The company is a Premier Cloud Provider in the VMware Partner Network, and its cloud platform is VMware Cloud Foundation certified.

As a private company, Otava does not disclose financials but reports that most of its revenue comes from hybrid cloud. Its cloud portfolio customers are split 50/50 between service providers and enterprises. Service provider customers can white-label its wholesale cloud services, which gives smaller service providers the opportunity to resell under their own brand.

Strategy

The company sees its expertise in security and compliance as its key differentiator. Positioning itself as the market's secure and compliant cloud, the company has two go-to-market channels. Through its direct sales channel, Otava sells to enterprise clients. The company reports its customer base spans every size and industry; however, it primarily targets midsized to large enterprises in compliance-sensitive verticals such as IT, healthcare, finance and manufacturing.

About half of Otava's cloud portfolio customers originate from its indirect sales channel that includes OEMs and service providers. The company lets its channel partners white-label its wholesale cloud services, allowing service providers the opportunity to resell Otava's cloud services under their own brand.

Otava offers customers the ability to choose the degree of control, support and purchasing method that meets their business model. For example, for service providers or enterprises with large IT teams can choose a self-managed offering while enterprises with lean IT teams may opt for Otava to provide more management services.

The company believes the cloud services market is fragmented, with many small cloud service providers (CSP) that provide nuanced quality and value, making it a prime target for consolidation and aggregation. With the backing of its parent company, Otava plans to aggressively acquire and aggregate smaller CSPs on its path to growth.

Services

Otava has released the third generation of its cloud infrastructure based on VMware Cloud Director 10.1, called Otava Gen3 Cloud. The platform is available in shared cloud, reserved cloud and fully private cloud instances depending on the type of workload. Customers can select either usage- or contract-based billing and choose from managed or self-managed. Otava says it is important for its customers to have control over each aspect, from security and compliance to the level of support they desire, which varies depending on whether the customer is an enterprise, an SMB or a service provider. While most of its clients already use VMware, they are looking for a consistent level of usability and experience regardless of where a workload lives. Customers can manage or monitor services from its customer portal and connect the Otava Gen3 Cloud to other public clouds or on-premises environments from a single pane of glass.

The company sees its security and compliance portfolio as a key differentiator for its offering and its roadmap includes investments in these areas. It wants to make it easy for customers to meet compliance and security requirements as remote work and multi-cloud environments increase complexity. Otava partners with Veeam for data protection services and Zerto and VMware for its disaster recovery-as-a-service offering. It also offers backup services for Microsoft 365.

Otava offers a range of security service offerings tailored to help customers secure their cloud infrastructure and comply with compliance obligations and guidelines, including those from PCI DSS, HIPAA, SOC 2 and Privacy Shield. Taking a defense-in-depth approach, the company's security services include two-factor authentication (2FA) services, hypervisor-level anti-virus, web application firewalls, VPN, DDoS protection, vulnerability scanning, micro-segmentation and fire integrity monitoring, to name a few. Plans include extending application security and compliance reporting capabilities and introducing container-based network security.

While the company offers migration services, it does not see professional services as a substantial part of its business. However, it has observed growing demand in remote workplace consultations as customers support employees that now work from home in response to the coronavirus pandemic. To that end, Otava plans to build a desktop-as-a-service product based on VMware Horizon.

Competition

The company may not consider hyperscalers to be direct competition, but does come up against service providers including Expedient, iland, US Signal and Green Cloud in deals. Other rivals that offer cloud infrastructure along with data protection and disaster recovery include OffsiteDataSync, OVHcloud US, PhoenixNAP, Navisite, Storagepipe, Sungard Availability Services, Tierpoint, ThinkOn and Virtustream (Dell).

SWOT Analysis

STRENGTHS

Security is foremost for IT decision-makers across 451 Research's Voice of the Enterprise (VoTE) surveys and is a top pain point enterprise security teams are looking to service providers to help them solve. Otava's focus on secure and compliant cloud services should resonate well with compliance-sensitive enterprises.

WEAKNESSES

While Online Tech and Neverfail have existing brand recognition in the market, Otava will need additional marketing outreach to familiarize customers and service providers with its mission.

OPPORTUNITIES

While the company offers an array of security services, it may find that broadening its portfolio of security and compliance services will help it target customers and service providers in additional verticals, driving revenue.

THREATS

VMware Cloud Director aims to make it easy for service providers to launch a cloud platform, and some service providers may opt to partner with VMware directly rather than use a cloud provider like Otava.