Photograph by Getty Images

OPENSTACK

HPE and Cisco Moves Hurt OpenStack's Public Cloud Story

Barb Darrow
Dec 19, 2016

With Hewlett Packard Enterprise and Cisco Systems downsizing their respective OpenStack-based public cloud efforts recently, the OpenStack open-source cloud framework, already struggling in that arena, lost two of its key corporate backers.

OpenStack launched in 2011 to give business customers an alternative to Amazon Web Services in public cloud and VMware (VMW, −0.12%) in private data centers. But now with two major public cloud adherents backing away, skeptics wonder if the technology has a future in the realm of shared data center infrastructure.

Meanwhile, AWS (AMZN, −0.08%) and Microsoft Azure claim huge growth rates—AWS is on track to hit nearly $13 billion in annual revenue soon, and the Microsoft business unit including Azure is also growing fast, so with Cisco and HPE apparently tossing in the towel, OpenStack's biggest public cloud adherents are now Rackspace—which now also partners

with AWS and Microsoft (MSFT, −0.15%) Azure—and various telephone companies around the world.

To be clear, HPE sold off its OpenStack assets to SUSE last month naming SUSE its preferred partner for OpenStack going forward. Cisco confirmed to VentureBeat last week that it will stop selling its Intercloud public cloud, based on OpenStack, next March.

"Cisco was the last large vendor left banking on OpenStack for public cloud," said Constellation Research analyst Holger Mueller.

Get Data Sheet, Fortune's technology newsletter.

A public cloud provider aggregates massive numbers of connected computer servers and storage in data centers around the world. Those resources are then shared by many customers that typically pay for what they use and are able to turn servers on and off as needed. Because of their sheer size, AWS, Azure, and Google (GOOGL, −1.19%) Cloud Platform are often called "hyperscale" cloud providers.

While conceding that none of the OpenStack public cloud providers are as big as the aforementioned "Big Three,"OpenStack Foundation leaders take exception to any notion that OpenStack is dead in public cloud. "There are more than 20 public cloud providers running OpenStack in 60 data centers around the world," Mark Collier, chief operating officer of the OpenStack Foundation tells *Fortune.*

For more on cloud, watch

Overall, OpenStack public cloud providers have wider worldwide geographical coverage in aggregate than AWS, says Jonathan Bryce, executive director of the Foundation, but he does not argue that they offer greater capacity overall. For instance, China Mobile and China Telecom based their public clouds on OpenStack and China is a growing market. Deutsche Telekom, Atlanta-based Internap (INAP, +0.55%), and French hosting provider OVH— also turned to OpenStack to power their public cloud offerings.

But Bryce acknowledges that the big three cloud players are a breed apart. "Most people do think of the hyperscale public clouds like AWS, Microsoft, and Google, but outside the U.S.

there are different providers serving different regions and different vertical markets," Bryce says.

It is hard for a company like HPE (HPE, +1.33%) or Cisco (CSCO, −0.41%) to go head to head against AWS or Google, Bryce acknowledged. But for specific application types or regions, a focused public cloud provider can do very well, he added.

Still, given the worldwide data center expansion from AWS, IBM (IBM, −0.07%), and Microsoft (MSFT, −0.15%) in particular, it's hard to see public clouds offered by telephone companies being able to compete long term.

But there other tech suppliers behind OpenStack. They include Red Hat (RHT, +0.25%), which just shipped its latest version of OpenStack, as well as big end-user companies like Walmart (WMT, −0.56%), that are still banking on OpenStack as the foundation for their own private clouds.

Many companies view a private cloud as a flexible, cost-effective data center model compared to the static data centers they've run before. A private cloud can let a big company offer its own employees or departments things like on-demand applications and pay-as-you-go billing. Walmart has said its use of OpenStack and other open-source technologies give it capabilities on par with what it could get from AWS, which is part of Amazon Inc., Walmart's nemesis in retail sales.