SUSE Acquires Rancher Labs to Accelerate Its Push into Kubernetes

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IDC's Quick Take
The acquisition of Rancher Labs will significantly boost SUSE's portfolio and mindshare in the crowded container and Kubernetes platform space that is increasingly being dominated by large platform players. SUSE's acquisition is a positive sign that SUSE is making bold moves to transform beyond an operating system provider and into a larger computing platform across hybrid and multicloud environments.

M&A Announcement Highlights
SUSE, known for its enterprise Linux OS, has entered into an agreement to acquire Rancher Labs, a startup that specialized in container infrastructure and Kubernetes management. Rancher Labs had raised a total of $95 million since its inception and had over 250 employees. Rancher had more than 350 customers and was growing revenue at 169% year over year. SUSE recently was acquired by investment firm EQT in July 2018 and operates as an independent business.

SUSE already has an in-house-built Kubernetes platform, named SUSE Container-as-a-Service (CaaS) Platform, that, going forward, will be based on Rancher's software. Rancher's Kubernetes platform ran on multiple Linux OSs and was also able to manage multiple Kubernetes distros and cloud services, both of which SUSE pledges to continue to support.

IDC's Point of View
SUSE's acquisition of Rancher Labs will reinvigorate SUSE as a player in the container platform market that has rapidly consolidated and become dominated by a handful of large software vendors and cloud operators.

Culturally and technology-wise, there is a high level of synergy between the two companies. Rancher was a pure open source company, a distinction that has become muddled recently with the many vendors that have jumped onto the open source bandwagon with highly varying business models. All of Rancher's technology is open source and publicly downloadable, with no parts being proprietary or held back for premium or paid versions. Revenue from customers was purely for enterprise support, and Rancher supported deployments across on-premises and the public cloud. Thus Rancher created a lot of viral buzz and downloads during its run and converted a respectable number to paying customers. Rancher was well respected in the open source container community and will boost SUSE's influence in the community. While this may not be as visible to enterprise customers, it is key to product quality and a road map as an open source vendor.

While SUSE already had a Kubernetes distribution with the SUSE CaaS Platform, Rancher adds key features to expand SUSE’s capabilities, primarily a multicluster control plane that can manage Rancher’s RKE Kubernetes distribution and hosted Kubernetes services such as AWS EKS, Azure AKS, and Google GKE. Rancher also can manage any certified Kubernetes distribution, though it should be noted that the
feature set is limited compared with managing RKE. Thus most current Rancher customers lean heavily toward using the RKE distro for maximum functionality, in combination with the major public cloud Kubernetes services for a hybrid scenario. IDC expects that, going forward, the focus will be primarily on supporting SUSE's CaaS Platform distribution, which will become RKE based and the major public cloud Kubernetes services. Most of the major Kubernetes vendors are rapidly building advanced multicluster Kubernetes management, and IDC expects SUSE to retain support for competing Kubernetes distributions to stay competitive within this emerging space. As containers grow in scale, having a unified platform and management across hybrid and multicloud deployments will be key to success for any container platform.

While SUSE has pledged to continue the multi-OS and multi-Kubernetes distro support, there are obviously going to be value-added integrations specific to SUSE. Both SUSE and Rancher have micro OS versions of Linux that are container optimized and used to power the Kubernetes nodes. IDC expects that SUSE Linux will be the default Linux and will be integrated to create a more turnkey, fully integrated and supported stack, though other OSs will continue to be supported.

One aspect of Rancher that may turn into a hidden gem for SUSE is a hosted version of Rancher that offers a cloud-based control plane. It is critical for SUSE to expand beyond software into as-a-service offerings, something that has been very limited so far at SUSE.

Rancher also had a number of more emerging products that will help SUSE expand the platform. The first is Longhorn, a distributed cloud-native storage system for containers that will help SUSE address the growing need for persistent storage to support stateful apps in containers. The second is K3s, a lighter weight version of Kubernetes that is tailored for edge and IoT deployments, a fast-growing use case for containers. K3s is packaged as a single 40MB binary with support for ARM64 and ARMv7, addressing resource-constrained environments not served by datacenter Kubernetes distributions.

Implications for SUSE's Developer Mindshare Strategy

SUSE's acquisition of Rancher Labs intensifies questions about the kind of technology company that SUSE intends to become as a result of its investments in CaaS platforms. If SUSE intends to position itself as a leader in cloud-native development, it will need to attract developers who work at the intersection of microservices, containers, Kubernetes, and DevOps to its platform. The acquisition of Rancher Labs helps SUSE cultivate developer mindshare by giving it access to the community of developers that used Rancher's container platform. In addition, the acquisition bolsters SUSE's existing CaaS Platform and provides developers with a best-in-class platform for modern, cloud-native application development.

By giving developers access to an improved platform for modern, cloud-native application development, the acquisition strengthens SUSE's ability to provide developers with an integrated, self-service platform that contains both infrastructure and developer tools for modern, cloud-native application development. As noted in The Path Toward a Cloud-Native Enterprise: PaaS, Cloud-Native Technologies, DevOps, and Developer Centricity (IDC #US46538720, June 2020), the availability of an integrated development platform marks one of the key enablers of cloud-native development, in conjunction with proficiency in cloud-native technologies such as containers and microservices. SUSE had also developed a Cloud Foundry–based PaaS product that was modernized to work on top of a Kubernetes infrastructure and is built with SUSE CaaS Platform.
SUSE’s acquisition of Rancher enhances its ability to rebrand itself as a leader in modern and cloud-native application development. The question now is how exactly SUSE intends to attract developer mindshare by complementing its acquisition of Rancher and its existing CaaS platform with products and services that are targeted toward modern, cloud-native application development. Moreover, the acquisition represents another moment for SUSE to consider to what extent it plans to abstract away the complexity of containers and Kubernetes or otherwise contribute toward initiatives to upskill developers and DevOps professionals regarding Kubernetes.

According to *PaaSView and the Developer 2019: Worldwide Banner Tables* (IDC #US45567619, October 2019), a worldwide survey of 2,500 developers, roughly 20% of developers claimed advanced proficiency in container orchestration frameworks such as Kubernetes. SUSE will need to decide how it intends to target this population of developers by providing them with a community and tools that invite participation and collaboration from cloud-native developers as this segment of developers evolves and grows. Given how COVID-19 has shifted the focus of application development toward rapid application development, streamlined collaboration and enhanced developer agility, the acquisition of Rancher marks an opportunity for SUSE to think about the positioning of its container-based platforms within the larger landscape of net-new application development and legacy application modernization.

**Guidance for Technology Buyers**

The Rancher Labs acquisition is yet another sign of the ongoing consolidation in the container and Kubernetes platform market. For DevOps decision makers who have committed to Kubernetes as their container orchestration platform, the deal is a reminder that maintaining compatibility with standard open source APIs is the best way to ensure resiliency in a market where vendor-specific distributions continue to evolve rapidly.

IDC expects the majority of enterprises will continue to rely on mixed infrastructure environments that include VMs and containers deployed across dedicated on-premises infrastructure as well as one or more public cloud platforms. With budgets and staffing under pressure, it will be critical for enterprises to focus on scalable solutions that support multicloud portability and consistent cross-cloud management.

Technology buyers should prioritize offerings that can integrate consistently across these connected cloud resources while providing developers with a stable set of configuration automation and monitoring APIs. SUSE’s ability to provide more consistent and robust multicloud, multicluster management for multiple Kubernetes distros and services will be an important factor in determining how much traction this new, combined solution will gain. Additional acquisitions, partnerships, or organic development may be needed to enable SUSE to provide highly differentiated multicloud and multicluster operations and automation.

This acquisition is a major inflection point for SUSE in its transition to adapt to a hybrid and multicloud world built on containers. While it was already on that path, it was facing stiff competition from well-funded rivals, and this elevates SUSE’s position significantly by filling several gaps around:

- Multicluster, hybrid cloud, and multicloud Kubernetes management
- Building SUSE’s as-a-service portfolio via hosted and managed cloud services
- Persistent storage capabilities for stateful apps
- Edge and IoT use cases
More importantly, it brings in an organization known for innovation and technology leadership within the container market and this will help elevate SUSE from being just another enterprise Kubernetes distribution to an innovator in the market.

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