



# Gartner Says Worldwide Cloud Infrastructure-as-a-Service Spending to Grow 32.8 Percent in 2015

Buyers Urged to Be Cautious When Choosing Providers as Competitive Landscape Shifts

SYDNEY, Australia, 19 May 2015 — The market for cloud infrastructure as a service (IaaS) is in a state of upheaval, as many service providers are shifting their strategies after failing to gain enough market traction, according to Gartner, Inc.

Global spending on IaaS is expected to reach almost US\$16.5 billion in 2015, an increase of 32.8 percent from 2014, with a compound annual growth rate (CAGR) from 2014 to 2019 forecast at 29.1 percent, according to Gartner's latest forecast.

Speaking at the Gartner Infrastructure, Operations and Data Centre Summit in Sydney today, Gartner vice president and distinguished analyst Lydia Leong said the IaaS solution ecosystem is rapidly consolidating around a small number of market leaders.

"The sky is not falling — customers are getting great value out of cloud IaaS — but the competitive landscape is shifting," Ms. Leong said. "Few providers have the financial resources to invest in being broadly competitive in the cloud IaaS market."

## Brutal Competitive Dynamics

According to Gartner, 2014 was a year of reckoning for many cloud IaaS providers, and many believe that their current strategy is failing them. Some providers intend to launch an entirely new cloud IaaS platform, make substantial changes to their current platform or move to providing managed services on leading cloud IaaS platforms. Many providers have indicated that they intend to discontinue or significantly reduce their investment in their cloud IaaS offerings, and others intend to eliminate or replace them.

"We urge buyers to be extremely cautious when selecting providers; ask specific and detailed questions about the provider's roadmap for the service, and seek contractual commitments that do not permit the provider to modify substantially or to discontinue the offering without at least 12 months' notice," said Ms. Leong.

Market share has continued to become more heavily concentrated, even while the market has grown dramatically. Although 15 providers featured in Gartner's new "Magic Quadrant for Cloud Infrastructure as a Service, Worldwide," the market is dominated by only a few global providers — most notably Amazon Web Services, but increasingly also Microsoft Azure and Google Compute Engine. Between them, these three providers comprise the majority of workloads running in public cloud IaaS in 2015.

## IaaS Workloads Expand

In 2014, the absolute growth of public cloud IaaS workloads surpassed the growth of on-premises workloads (of any type) for the first time. Gartner's 2015 CIO survey indicates that 83 percent of CIOs consider cloud IaaS as an infrastructure option, and 10 percent are already cloud-first with cloud IaaS as their default infrastructure choice.

Cloud IaaS is now used for virtually all use cases that can be reasonably hosted on virtualised x86-based servers. The most common use cases for cloud IaaS are development and testing environments; high-performance computing and batch processing; Internet-facing websites and Web-based applications; and non-mission-critical internal business applications. An increasing number of organisations now also run mission-critical business applications on cloud IaaS.

"Cloud IaaS can now be used to run most workloads, although not every provider can run every type of workload well," said Ms. Leong. "Cloud IaaS is not a commodity. Providers vary significantly in their features, performance, cost and business terms. Although in theory, cloud IaaS has very little lock-in, in truth, cloud IaaS is not merely a matter of hardware rental, but an entire data centre ecosystem as a service. The more you use its management capabilities, the more value you will receive from the offering, but the more you will be tied to that particular service offering."

## Adopt a Bimodal Strategy for Cloud IaaS

According to Gartner, organisations must learn to operate in two essential modes, known as bimodal IT, because they can't lose sight of the need to maintain IT operations while they innovate with new digital possibilities.

Initially, most businesses adopt cloud IaaS for Mode 2, agile IT projects that may be peripheral to the organisation's IT needs, but may have a high business impact. This affects sourcing: Mode 2 adoption is often business-led, driven by business managers who hold the budget, need greater agility and have shorter time frames than IT operations are able to accommodate.

Over time, as a business becomes more comfortable with the use of cloud IaaS, it will be used in Mode 1, traditional IT projects as well, usually mirroring the past decade's adoption pattern of virtualisation in the data centre. Many businesses, especially in the midmarket, will eventually migrate away from running their own data centres in favor of relying primarily on infrastructure in the cloud.

Ms. Leong presented on "The Future of Cloud IaaS" at the Gartner Infrastructure, Operations & Data Centre Summit in Sydney this week. Upcoming events include the Gartner IT Infrastructure & Data Centre Summit, May 26-28 in Tokyo, Japan; the Gartner IT Infrastructure & Operations Management Summit, June 1-2 in Berlin and the IT Operations Strategies & Solutions Summit, June 15-17 in Orlando.

Further information is available to Gartner clients in the reports "Magic Quadrant for Cloud Infrastructure as a Service, Worldwide" and "Forecast: Public Cloud Services, Worldwide, 2013-2019, 1Q15 Update."

### About Gartner

Gartner, Inc. (NYSE: IT) is the world's leading information technology research and advisory company. The company delivers the technology-related insight necessary for its clients to make the right decisions, every day. From CIOs and senior IT leaders in corporations and government agencies, to business leaders in high-tech and telecom enterprises and professional services firms, to technology investors, Gartner is the valuable partner to clients in approximately 10,000 distinct enterprises worldwide. Through the resources of Gartner Research, Gartner Executive Programs, Gartner Consulting and Gartner Events, Gartner works with every client to research, analyze and interpret the business of IT within the context of their individual role. Founded in 1979, Gartner is headquartered in Stamford, Connecticut, USA, and has 6,800 associates, including more than 1,500 research analysts and consultants, and clients in 90 countries. For more information, visit [www.gartner.com](http://www.gartner.com).

### Contacts

Emma Keen

+61 2 9459 4755

mailto:emma.keen@gartner.com