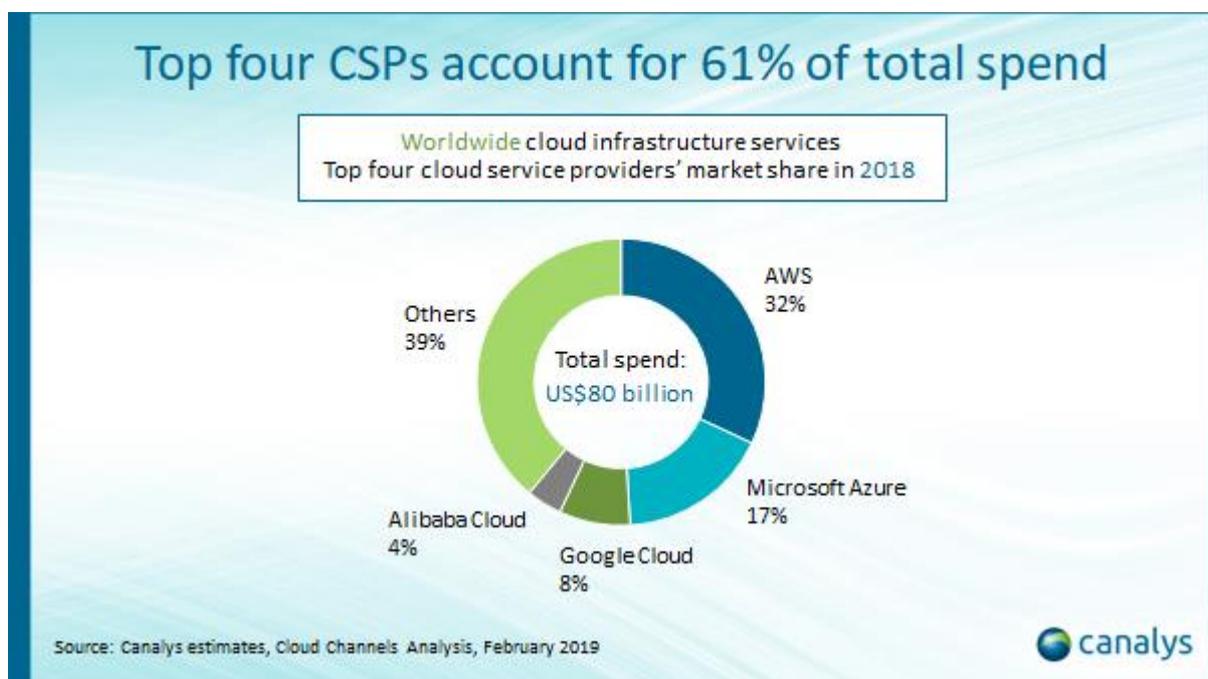


Canalys: Cloud spend to surpass US\$143 billion in 2020, driven by IT channel

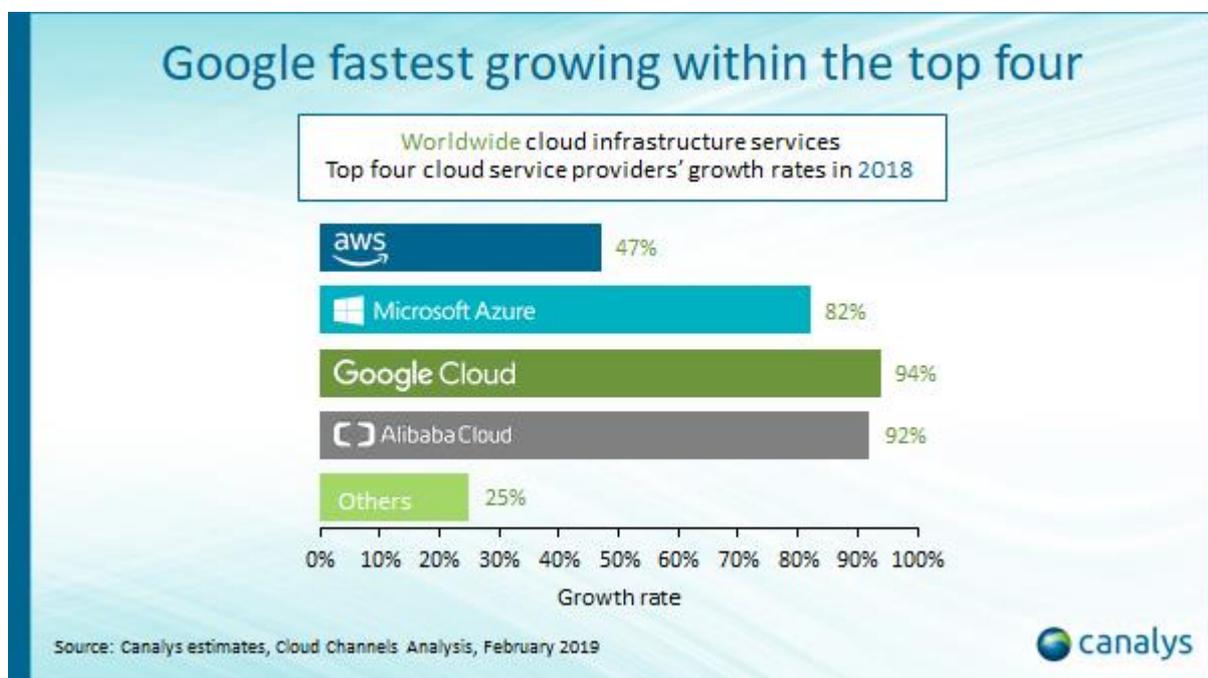
Palo Alto, Shanghai, Singapore and Reading (UK) – Tuesday, 9 April 2019

Canalys estimates show that Google Cloud was the fastest-growing cloud infrastructure vendor of the top four last year, up more than 90% year on year, and increasing its share of the total market from 6% in 2017 to 8% in 2018. The top four cloud service providers accounted for 61% of the total market in 2018. Amazon Web Services (AWS) remained the leader on 32%, followed by Microsoft Azure with 17%, Google Cloud in third place with 8% and Alibaba Cloud with 4%. Cloud infrastructure services are in a period of sustained growth, with spending up 46% in 2018 to more than US\$80 billion. Expenditure is forecast to surpass US\$143 billion in 2020.



Canalys research shows that the importance of the channel is growing for the cloud titans: AWS, Microsoft and Google. This comes as businesses are increasing use of cloud infrastructure services and integrating multiple providers with their existing on-premises IT infrastructure. Canalys estimates 30% of cloud infrastructure services spend, just over US\$24 billion, went through the IT

channel of distributors, resellers, service providers and systems integrators in 2018. “Amazon Web Services, Microsoft Azure, Google Cloud and Alibaba Cloud are all increasing channel investment to raise their profiles, as competition for enterprise customers increases and workload cloud migration diversifies,” said Alastair Edwards, Chief Analyst at Canalys. “The channel will play a vital role for the cloud service providers, in terms of boosting their customer reach, from both a sales and technical perspective. But each of the cloud service provider titans’ current partner reach, engagement and program maturity differs, with Google Cloud trailing both AWS and Microsoft Azure in all areas. Alibaba Cloud is further back, though it too is investing in the channel as part of its international push.”



Canalys estimates the top three providers represented 65% (US\$16 billion) of the channel’s total cloud infrastructure services business in 2018, with Microsoft currently the most important. “Microsoft manages one of the largest channel ecosystems in the technology sector and its Cloud Solution Provider (CSP) program is the most mature among the cloud titans,” said Edwards. “Approximately 74% of revenue from Azure is estimated to come via its partners, which is by far the highest percentage in the sector. In contrast, AWS’ channel business accounts for around 15%, though its reach is growing rapidly, AWS having recruited over 35,000 partners to date, with hundreds a month wanting to join its partner program.”

Canalys estimates that Google Cloud’s channel business accounts for just over 25% of its US\$7 billion cloud infrastructure revenue. “In spite of Google Cloud’s rapid growth, its channel reach is

relatively small, though it is trying a differentiated approach by being more focused on specific applications and verticals,” said Canalys Senior Director, Channels, Alex Smith. “An estimated 13,000 partners have joined its partner program, of which just over 100 have achieved the highest-tier Premier Partner status, while less than a third of those have achieved a Specialization Partner designation.”

In a recent Candefero channel survey, 20% of respondents think there is huge potential to working with Google Cloud, while 22% said they will work with other cloud service providers instead. But 44% of partners were intrigued to know more about what partnering with Google would be like. “Google has a consumer culture, while Google Cloud’s new leadership brings experience of working with the largest enterprise customers. But it has not captured the broader channel where AWS and Microsoft are being more proactive,” Smith added.

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About Canalys

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