

Cloud market share Q4 2019 and full-year 2019

Shanghai (China), Bengaluru (India), Singapore, Reading (UK) and Portland (US) – Tuesday, 4 February 2020

Cloud infrastructure services spend up 37% in Q4 2019 to top US\$107 billion for the full year

The worldwide cloud infrastructure services market reached a record high in Q4 2019, as spending grew 37% to over US\$30 billion. Amazon Web Services (AWS) remained the dominant cloud service provider in Q4 2019, accounting for 32% of total spend. Microsoft Azure increased its share to 18% from 15% in the same period in 2018. Google Cloud was the third largest cloud service provider with an 6% share, followed by Alibaba Cloud with 5%.

Worldwide cloud infrastructure spending and annual growth
Canalys estimates, Q4 2019

Cloud service provider	Q4 2019 (US\$ billion)	Q4 2019 market share	Q4 2018 (US\$ billion)	Q4 2018 market share	Annual growth
AWS	9.8	32.4%	7.3	33.4%	33.2%
Microsoft Azure	5.3	17.6%	3.3	14.9%	62.3%
Google Cloud	1.8	6.0%	1.1	4.9%	67.6%
Alibaba Cloud	1.6	5.4%	1.0	4.4%	71.1%
Others	11.6	38.5%	9.3	42.4%	24.4%
Total	30.2	100.0%	22.0	100.0%	37.2%

Note: percentages may not add up to 100% due to rounding
Source: Canalys Cloud Channels Analysis, January 2019

Total expenditure in 2019 exceeded US\$107 billion, up from US\$78 billion in 2018 according to Canalys data. This highlights the unrelenting expansion of the IT industry, driven by digital transformation initiatives across all industries. Organizations are increasing their spend on compute, storage and other on-demand cloud-based services to analyze and interpret growing datasets and to meet internal DevOps needs as they build new applications and services.

Worldwide cloud infrastructure spending and annual growth Canalys estimates, full-year 2019

Cloud service provider	Full-year 2019 (US\$ billion)	Full-year 2019 market share	Full-year 2018 (US\$ billion)	Full-year 2018 market share	Annual growth
AWS	34.6	32.3%	25.4	32.7%	36.0%
Microsoft Azure	18.1	16.9%	11.0	14.2%	63.9%
Google Cloud	6.2	5.8%	3.3	4.2%	87.8%
Alibaba Cloud	5.2	4.9%	3.2	4.1%	63.8%
Others	43.0	40.1%	34.9	44.8%	23.3%
Total	107.1	100.0%	77.8	100.0%	37.6%

Note: percentages may not add up to 100% due to rounding
Source: Canalys Cloud Channels Analysis, January 2019

Competition among the leading cloud service providers continued to intensify. AWS still outpaced its competitors in real US dollar terms. Its business was US\$2.4 billion bigger in Q4 than in the same period in 2018. Its investment in new enterprise sales and marketing resources combined with the general availability of AWS Outposts and the launch of AWS Local Zones will drive further growth. Microsoft Azure's growth rate was higher in the quarter, as it gained traction in enterprise accounts and benefited from its extensive channel reach. Microsoft stepped up its messaging to partners to drive Windows Server 2008 workloads to Azure as support comes to an end. Google Cloud continued to make progress in penetrating new enterprise customers and developing its network of channel partners. It has substantially grown its internal enterprise salesforce over the last year and brought partners under its field organization for closer alignment. Alibaba Cloud

remained the leader in China as its growth re-accelerated. It aims to expand its enterprise customer base across the rest of Asia Pacific and Europe, where it is using two-tier distribution.

“Organizations across all industries, from financial services to healthcare, are transitioning to being technology providers,” said Canalys Chief Analyst Alastair Edwards. “Many are using a combination of multi-clouds and hybrid IT models, recognizing the strengths of each cloud service provider and the different compute operating environments needed for specific types of workloads.” Customer engagement is starting to mature, with more organizations committing to longer-term multi-year agreements with cloud service providers, as they move from ad-hoc and uncontrolled use to a more managed and predictable approach. “The role of channel partners will become more important, as cloud use increases, in terms of defining application strategies, integration into business processes, optimizing user experiences, governance and compliance, as well as securing data and workloads.”

The trend toward operating more applications, both new and existing, in public cloud environments, will continue over the next five years. Organizations will look to take advantage of the unlimited access to capacity, more advanced services, such as AI and analytics, as well as APIs and other tools to accelerate their digital development. Cloud infrastructure services spending will grow 32% in 2020 to US\$141 billion. Momentum will continue, with total outlay reaching US\$284 billion in 2024.

The growing demand for cloud services is placing more pressure on the underlying data center infrastructure. “Cloud service providers are having to carefully manage capital expenditure to balance rising costs with the need to add more capacity, expand geographically and refresh existing assets,” said Canalys Principal Analyst Matthew Ball. The “super seven cloud builders” – Alibaba, Amazon, Baidu, Facebook, Google, Microsoft and Tencent – collectively spent more than US\$60 billion in 2019 on data center infrastructure. This was up 8% from 2018 and represented a moderation in capital expenditure after the surge in 2018, when the super seven increased their outlay by 46%. “Increasing cost pressures combined with performance advances are extending the average life of servers in cloud service provider environments beyond the typical three-year period. But cloud service providers will remain the largest buyers of servers and related components over the next five years.”

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