Market Share

Worldwide Cloud Systems Management Software Market Shares, 2015: Year of Continued Expansion

Mary Johnston Turner

IDC MARKET SHARE FIGURE

FIGURE 1

Worldwide Cloud Systems Management Software 2015 Share Snapshot

Note: 2015 Share (%), Growth (%), and Revenue ($M)

Source: IDC, 2016
EXECUTIVE SUMMARY

In 2015, the cloud systems management software market continued to mature and expand as enterprises embraced multicloud strategies to optimize workload performance and cost across on-premise and hosted private clouds and a range of software-as-a-service (SaaS), platform-as-a-service (PaaS), and infrastructure-as-a-service (IaaS) public cloud services. Cloud service providers continued to enhance and mature their offerings. Many customers and service providers mixed SaaS and on-premise-based management tools to monitor, configuration, provision, and manage cloud infrastructure and applications across the life cycle.

The fastest-growing cloud systems management software vendors, such as market leader VMware and fast-growing Microsoft, succeeded by offering customers more integrated and comprehensive management suites and unified licenses that made it easier to try and buy the full range of available cloud systems management offerings. Application performance management (APM) and IT operations analytics providers saw growth as increasing numbers of cloud-based applications included monitoring and analytics.

This IDC study discusses 2015 vendor shares and market activity across the worldwide cloud systems management software market.

"IDC estimates that worldwide spending on commercial cloud systems management software and SaaS solutions grew 24.6% and totaled $2.9 billion in 2015," states Mary Johnston Turner, IDC research vice president, Enterprise Systems Management Software. "Market demand continues to be strongest among enterprise customers and in the Americas where large-scale multicloud architectures supporting a range of mission-critical workloads are becoming the norm. Currency headwinds in EMEA and Asia/Pacific depressed growth rates, expressed in current US dollars, although interest continues to build."

ADVICE FOR TECHNOLOGY SUPPLIERS

The worldwide cloud systems management software market continues to expand rapidly as increasing numbers of enterprise and service provider customers embrace cloud-based architectures for a wide range of production and DevOps workloads. Customers are gaining confidence with their ability to optimize multicloud environments that match workloads to a mix of on-premise and/or public cloud infrastructure, development platforms, and software-as-a-service options. IDC expects that by the end of 2017, over 80% of enterprise IT organizations will commit to hybrid cloud architectures encompassing multiple public cloud services, as well as private cloud and/or noncloud infrastructure resources.

Customers are using this transition to reevaluate and streamline their in-house management software solutions. Many organizations find they need to deploy new, modern monitoring, analytics, automation, orchestration, and configuration management tools to create an effective cloud operations environment. More and more, these organizations are adopting API-based integrations to link public cloud management services with on-premise tools, dashboards, and portals. Open source management technologies are becoming more mainstream, particularly with regard to configuration automation and cloud orchestration offerings. SaaS-based offerings, particularly in the areas of APM and IT operations analytics, are gaining ground as well.
To take full advantage of this rapidly rising market, technology vendors need to:

- Offer enterprise customers cost-effective, simplified cloud systems management software solutions and licensing options. IDC believes customer purchasing preferences are shifting toward multifunction management software and SaaS suites and unified licenses in an effort to reduce complexity and better manage budgets as they transition from traditional tools to next-generation cloud-enabled management solutions — whether SaaS or on-prem. Vendors such as VMware, Microsoft, IBM, and Oracle are making it easier for customers to transition from traditional product-specific licensing to more unified and integrated management solutions. Subscription usage-based pricing models and try-and-buy options are also important to many customers.

- Engage with MSPs and other midtier and niche cloud service providers. IDC expects that hyperscale cloud service providers will continue to largely rely on internally developed and open source management software solutions, but smaller service providers are expected to become increasingly important channels and partners for cloud management software and SaaS intellectual property owners. It will be important for software and SaaS providers to engage with this emerging set of public cloud providers in the coming years.

- Provide open API integrations between on-premise and public cloud-based management solutions that will allow customers to create the mix of services and tools needed to monitor, manage, and optimize the full range of resources included in today’s multicloud environments.

Growing deployments of both mainstream and emerging workloads on public and private clouds are increasing demand for a new generation of cloud-centric management solutions.

MARKET SHARE

The worldwide cloud systems management software market totaled $2.9 billion in 2015, which represented an increase of 24.6% over 2014 (see Table 1). The top vendors by share were VMware, IBM, and Microsoft. APM and IT operations analytics vendors such as New Relic, Dynatrace, and AppDynamics were some of the fastest-growing vendors. This market total was consistent with prior forecasts.
TABLE 1


<table>
<thead>
<tr>
<th>Vendor</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2015 Share (%)</th>
<th>2014–2015 Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VMware</td>
<td>371.5</td>
<td>505.0</td>
<td>646.0</td>
<td>22.6</td>
<td>27.9</td>
</tr>
<tr>
<td>IBM</td>
<td>301.0</td>
<td>340.0</td>
<td>367.4</td>
<td>12.9</td>
<td>8.1</td>
</tr>
<tr>
<td>Microsoft</td>
<td>184.0</td>
<td>268.0</td>
<td>360.8</td>
<td>12.6</td>
<td>34.6</td>
</tr>
<tr>
<td>Hewlett Packard Enterprise</td>
<td>172.0</td>
<td>199.0</td>
<td>210.2</td>
<td>7.4</td>
<td>5.6</td>
</tr>
<tr>
<td>BMC</td>
<td>162.0</td>
<td>195.0</td>
<td>209.7</td>
<td>7.3</td>
<td>7.5</td>
</tr>
<tr>
<td>Cisco</td>
<td>78.0</td>
<td>118.4</td>
<td>154.0</td>
<td>5.4</td>
<td>30.1</td>
</tr>
<tr>
<td>CA Technologies</td>
<td>125.0</td>
<td>94.0</td>
<td>74.0</td>
<td>2.6</td>
<td>-21.3</td>
</tr>
<tr>
<td>New Relic</td>
<td>8.5</td>
<td>21.6</td>
<td>64.9</td>
<td>2.3</td>
<td>200.5</td>
</tr>
<tr>
<td>Splunk</td>
<td>10.0</td>
<td>18.4</td>
<td>60.1</td>
<td>2.1</td>
<td>226.6</td>
</tr>
<tr>
<td>Oracle</td>
<td>20.0</td>
<td>30.0</td>
<td>55.7</td>
<td>1.9</td>
<td>85.5</td>
</tr>
<tr>
<td>ServiceNow</td>
<td>17.0</td>
<td>28.4</td>
<td>51.9</td>
<td>1.8</td>
<td>82.7</td>
</tr>
<tr>
<td>Red Hat</td>
<td>13.0</td>
<td>19.4</td>
<td>48.4</td>
<td>1.7</td>
<td>149.5</td>
</tr>
<tr>
<td>Dynatrace</td>
<td>3.5</td>
<td>9.4</td>
<td>35.9</td>
<td>1.3</td>
<td>281.9</td>
</tr>
<tr>
<td>AppDynamics</td>
<td>3.0</td>
<td>8.6</td>
<td>28.4</td>
<td>1.0</td>
<td>230.2</td>
</tr>
<tr>
<td>Other</td>
<td>327.6</td>
<td>435.8</td>
<td>487.4</td>
<td>17.1</td>
<td>11.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,796.1</td>
<td>2,291.0</td>
<td>2,854.7</td>
<td>100.0</td>
<td>24.6</td>
</tr>
</tbody>
</table>

Source: IDC, June 2016

While each of the top 14 vendors garnered revenue in excess of $25 million, it is important to acknowledge the fact that dozens of other cloud systems management software vendors are active in the market and collectively represent approximately a half billion dollars of revenue. Most modern application performance management vendors now offer plug-ins and/or API integrations with public cloud services, and public cloud service providers such as Amazon and Google Cloud Platform.
continue to ramp up support for monitoring and performance analytics. Microsoft and IBM continue to expand management solutions for Azure and Bluemix, respectively.

WHO SHAPED THE YEAR

The major vendors shaping the year for the worldwide cloud systems software market include VMware, Microsoft, Cisco, and New Relic. Specifically:

- VMware's strong growth in the market reflected the company's continued focus and cloud management monitoring, analytics, and automation. Since the 2012 introduction of vCloud Suite and the 2013 launch of vSphere with Operations Management, VMware has used its management software portfolio to differentiate vSphere and help maintain overall corporate revenue growth even as its core hypervisor market has matured and standalone hypervisor sales have flattened. As many enterprises have opted to build private clouds using VMware technology, the company's management offerings have been increasingly deployed into cloud environments. VMware's shift to selling systems management software and vSphere licenses via unified suites and bundles has had a significant impact on IDC's estimates for the company's rate of revenue growth across several functional software markets as reported by IDC's Software Tracker. While IDC estimates that total vSphere unit sales continued to increase slowly in 2015, the success of VMware's suite- and bundle-based sales strategy has caused IDC to shift its allocation of estimated revenue across several functional markets in 2015. As a result, IDC's estimates for VMware revenue in 2015 show accelerated growth in several systems management software markets, while revenue allocated to the virtual machine and cloud system software functional market decreased (for additional details, see VMware's Shift to Suites Drives IDC's Tracker and Market Share Updates, IDC #US41218716, May 2016).

- In May 2015, Microsoft made a number of important new announcements that collectively represented a major step in the evolution of the company's server and application management strategy toward being a "cloud first" solution. Specifically, Microsoft announced the launch of the Microsoft Operations Management Suite (OMS), a public cloud-based solution that extends System Center capabilities for management across heterogeneous hybrid clouds, including physical and virtual servers, Azure public cloud, and third-party public clouds such as Amazon Web Services, and supports both cloud and on-premise Windows Server, Linux, VMware, and OpenStack environments. The company also introduced Azure Stack, an on-premises solution for enterprises and hosters that provides an application creation and management experience that is unified with the one found in Microsoft Azure. Microsoft emphasized it will continue to support on-premises System Center upgrades and deployments for many years. As Azure gains traction with enterprise customers, more and more Microsoft systems management software including portions of System Center, Window InTune, and OMS are being deployed to support cloud.

- Cisco reinforced its commitment to cloud systems management with the March 2016 acquisition of CliQr, a privately held start-up provider of one-click cloud application deployment and management technology that will be used to streamline Cisco's broader datacenter portfolio by making the portfolio simpler for customers to automate and manage application policies across the entire datacenter stack. CliQr integrates with Cisco ACI to enable application portability for on-premise datacenters, private clouds, and many major public clouds. The CliQr technology will be primarily offered as part of the Cisco ONE Enterprise Cloud Suite, which bundles together a set of Cisco technologies and products to provide customers with a unified platform for datacenter and cloud automation.
New Relic found success enabling a wide range of customer benchmark workloads before and after migration to the cloud as well as support workloads running on public clouds, particularly AWS. In 2015, New Relic invested in gaining AWS certifications and establishing relationships with channel partners that specialize in helping organizations to migrate and host workloads on AWS. New Relic's SaaS delivery model has proven particularly attractive to these types of partners. Along with several other APM vendors, New Relic benefited from the increasing maturity of larger cloud users that value accurate performance insight and analytics about cloud-based applications and are willing to invest in services to provide that visibility.

MARKET CONTEXT

In 2015, the worldwide cloud systems management software market saw continued strong growth. As shown in Figure 2, the Americas continued to be the largest region with 59.3% share because of the relative majority and larger scale of many enterprise and service provider clouds. Currency headwinds held down growth as measured in current U.S. currency in some markets across Asia/Pacific (including Japan) (APJ) and EMEA.

FIGURE 2

Worldwide Cloud Systems Management Software Revenue Share by Region, 2015

![Pie chart showing revenue shares by region: Americas 59.3%, EMEA 30.2%, Asia/Pacific (including Japan) 10.5%. Total revenue is $2.9B.](source: IDC, June 2016)

Significant Market Developments

In 2015, a number of large public cloud service providers changed strategies and exited or reduced investment in the market as the very large IaaS and PaaS public cloud service providers grew share and SaaS vendors accelerated their attacks on traditional on-premise software solutions. Enterprise spending on configuration and automation tools for cloud continued to be focused heavily on private and hybrid cloud implementations while monitoring and analytics tools are increasingly being used to keep an eye on workloads running in both private and public clouds.

The largest cloud service providers continue to resist purchasing third-party cloud systems management software solutions and instead rely on homegrown or open source management technologies. As a result, even as increasing amount of workloads are shifting to public cloud platforms, spending on cloud systems management software for infrastructure configuration,
operations, and provisioning continues to be concentrated in on-premise implementations. APM and IT operations analytics solutions are beginning to gain traction for use with workloads running in public clouds as well as on private clouds. Overall, IDC estimates that 62.3% of worldwide spending was targeted at managing private clouds including on-premise-based management of hybrid or multicloud environments (see Figure 3).

FIGURE 3


![Pie chart showing revenue share by private/hybrid multicloud (62.3%) and public cloud (37.7%) with total revenue of $2.9B]

Source: IDC, June 2016

METHODOLOGY

The IDC software market sizing and forecasts are presented in terms of commercial software revenue. IDC uses the term commercial software to distinguish commercially available software from custom software. Commercial software is programs or codesets of any type commercially available through sale, lease, rental, or as a service. Commercial software revenue typically includes fees for initial and continued right-to-use commercial software licenses. These fees may include, as part of the license contract, access to product support and/or other services that are inseparable from the right-to-use license fee structure, or this support may be priced separately. Upgrades may be included in the continuing right of use or may be priced separately. All of these are counted by IDC as commercial software revenue.

Commercial software revenue excludes service revenue derived from training, consulting, and systems integration that is separate (or unbundled) from the right-to-use license but does include the implicit value of software included in a service that offers software functionality by a different pricing scheme. It is the total commercial software revenue that is further allocated to markets, geographic areas, and operating environments. The worldwide software market includes all commercial software revenue across all functional markets or market aggregations. For further details, see IDC’s Software Taxonomy, 2015 (IDC #256767, June 2015).

Bottom-up/company-level data collection for calendar year 2015 began in January 2016, with in-depth vendor surveys and analysis to develop detailed 2015 company models by market, geographic region, and operating environment.
MARKET DEFINITION

The worldwide cloud systems management software market is an IDC competitive market that reflects portions of revenue reported in the following functional markets as described in *IDC's Software Taxonomy, 2015* (IDC #256767, June 2015):

- Workload scheduling and automation
- Change and configuration management
- Performance management
- Event management
- Problem management

Revenue estimates for this competitive market include license, maintenance, and subscription revenue for packaged software and SaaS solutions used to actively manage on-premise solutions and hosted private and hybrid clouds, as well as public cloud services environments, including virtual private clouds, which IDC considers to be public cloud services.

It is important to note that in cases where cloud systems management software functionality is bundled as part of converged or integrated hardware platforms or free features of public cloud services, software value is not recognized as revenue unless it is tracked and reported by the hardware or cloud services vendor using separate SKU(s) or similar revenue recognition methods. Professional services, training, and implementation support services are excluded as well.

IDC's revenue estimates include flagship cloud management software solutions and associated systems management software, management packs, and SaaS to the extent they are sold and deployed specifically to enable the operation of private, public, and/or hybrid cloud environments.

In general, cloud environments will have many of the following cloud systems management software capabilities actively in use:

- Self-service cloud infrastructure, middleware, and application provisioning automation, including a service catalog and policy-based life-cycle management capabilities
- Automated infrastructure and virtualization configuration automation and workload migration to enable elastic infrastructure resource pooling and sharing across multiple workloads and user groups
- Orchestration solutions to enable integrated provisioning, migration, and control of complex cloud workloads and enabling cloud infrastructure and services on a coordinated basis
- The ability to track cloud resource consumption to support life-cycle management, capacity planning, and (optionally) chargeback/showback

In addition, as cloud environments become more mature, many organizations will include additional, more sophisticated capabilities including:

- Performance monitoring and analytics for workloads and infrastructure used to enable and deliver public and private cloud services and optimize resource capacity
- Cloud service brokering, governance, and service-level management
- Root cause analysis and problem remediation software to optimize ongoing SLAs and end-user experiences
- Automated workload management to support complex data and process flows across cloud infrastructure
- API-based integrations

IT environments that are highly virtualized but do not include the ability to dynamically scale and share resources and provision resources on a self-serve, consumption-aware basis do not qualify for this study since the availability of end-user self-service and consumption-based metering are critical elements of any cloud environment.

Systems management software capabilities delivered via the SaaS model are only included to the extent they are used to enable management of cloud environments, as described previously. The fact that systems management software is sold via a SaaS public cloud service model does not necessarily mean it is included in the estimates for this market since many systems management SaaS solutions are used to manage and monitor resources that operate in noncloud environments and architectures.

**RELATED RESEARCH**

- *VMware’s Shift to Suites Drives IDC’s Tracker and Market Share Updates* (IDC #US41218716, May 2016)
- *IDC MaturityScape: Cloud* (IDC #259534, October 2015)
About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

Global Headquarters

5 Speen Street
Framingham, MA 01701
USA
508.872.8200
Twitter: @IDC
idc-community.com
www.idc.com

Copyright Notice

This IDC research document was published as part of an IDC continuous intelligence service, providing written research, analyst interactions, telebriefings, and conferences. Visit www.idc.com to learn more about IDC subscription and consulting services. To view a list of IDC offices worldwide, visit www.idc.com/offices. Please contact the IDC Hotline at 800.343.4952, ext. 7988 (or +1.508.988.7988) or sales@idc.com for information on applying the price of this document toward the purchase of an IDC service or for information on additional copies or Web rights.

Copyright 2016 IDC. Reproduction is forbidden unless authorized. All rights reserved.