

Gartner: IaaS Public Cloud Market Continues to Consolidate

Written by Alice Marshall
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The global infrastructure-as-a-service (IaaS) market is up by 31.3% in 2018 to reach \$32.4 billion, Gartner reports, with Amazon remaining the top vendor followed by fellow industry giants Microsoft, Alibaba, Google and IBM.

"Despite strong growth across the board, the cloud market's consolidation favors the large and dominant providers, with smaller and niche providers losing share," the analyst says. "This is an indication that scalability matters when it comes to the public cloud IaaS business. Only those providers who invest capital expenditure in building out data centers at scale across multiple regions will succeed and continue to capture market share. Offering rich feature functionality across the cloud technology stack will be the ticket to success, as well."

Table 1.

Worldwide IaaS Public Cloud Services Market Share, 2017-2018 (Millions of U.S. Dollars)

Company	2018 Revenue	2018 Market Share (%)	2017 Revenue	2017 Market Share (%)	2018-2017 Growth (%)
Amazon	15,495	47.8	12,221	49.4	26.8
Microsoft	5,038	15.5	3,130	12.7	60.9
Alibaba	2,499	7.7	1,298	5.3	92.6
Google	1,314	4.0	820	3.3	60.2
IBM	577	1.8	463	1.9	24.7
Others	7,519	23.2	6,768	27.4	11.1
Total	32,441	100.0	24,699	100.0	31.3

Source: Gartner (July 2019)

The top 5 providers account for 77% of the 2018 global IaaS market, up from 73% in 2017. Market consolidation is only to continue further in 2019, the result of the high growth rate for the top providers bringing aggregate growth of 39% from 2017 to 2018. In comparison, all other providers bring far more modest 11% growth for the same period.

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Amazon leads the 2018 global IaaS market with \$15.5bn in revenues, up 27% from 2017. The online bookseller turned cloud giant accounts for nearly 50% of the total IaaS market, and will only continue to further expand into new markets via new services and acquisitions, growing its core cloud business.

Microsoft secures 2nd place with 2018 revenues reaching \$5bn, up from \$3.1bn in 2017. Microsoft delivers IaaS capabilities through the open Azure offering, and continues to solidify its position as an IaaS leader. Alibaba is the dominant IaaS provider in China, and sees the strongest growth in 2018 at 92.6%. The company has an ecosystem of MSPs and ISVs, and has the capital to invest in global expansion while continuing a strategy of aggressive R&D investment. Google comes 4th with 2018 revenues growing by 60.2%. Gartner points out the Google cloud offering as something to keep an eye on, as the search giant has new leadership with plans to shift towards a more enterprise-gearred offering.

“As the cloud business continues to gather momentum and hyperscale cloud providers consolidate the market, product managers at cloud MSPs must look at other ways to differentiate, such as focusing on vertical industries and getting certified in the hyperscale cloud provider partner programs in order to drive revenue,” Gartner concludes.

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