451 Research: Enterprise IT executives expect to spend 34% of their IT budgets on hosting and cloud services in 2017

Survey finds that resources bundled with management and security services make up nearly half of infrastructure and application services spending

NEW YORK – November 15, 2016 – According to 451 Research’s Voice of the Enterprise: Hosting and Cloud Managed Services study, enterprises currently spend 28% of their total enterprise IT budgets on hosting and cloud services. Next year, that number is expected to climb to 34%, indicating a growing reliance on external sources of infrastructure, application, management and security services.

Although hosting and cloud providers frequently position themselves as primarily providers of infrastructure, 451 Research finds that just 31% of spending goes towards infrastructure services while nearly 70% of enterprise budgets for hosting and cloud is being spent on other services, specifically:

- 42% on Application Services;
- 14% on Managed Services;
- 9% on Security Services; and
- 5% on Professional Services for cloud enablement.

The research reveals that a significant portion of hosting and cloud services spending is on unmanaged or self-managed infrastructure or application services. Nearly half—44% of infrastructure services spending and 49% of application services spending—is for products that are bundled with additional managed or security services.

“The markets for unmanaged IaaS and SaaS are dominated by large, hyper-scale vendors. However, this spending trend indicates there is an appetite for the type of bundled services a broader market of managed service providers are well positioned to deliver. A strong opportunity exists for service providers offering a diversified set of hosting and cloud services that includes infrastructure and application hosting, as well as managed services and security services delivered around them,” says Liam Eagle, Research Manager at 451 Research and lead author of the Voice of the Enterprise: Hosting and Cloud Managed Services study.
The survey indicates that enterprises use hosting and cloud services supplied by a broad range of provider types. Public cloud infrastructure providers, which are used by 69% of respondents, are the most common, followed by managed hosting providers, used by 26% of enterprises.

IaaS and SaaS usage is strong and these markets are dominated by small numbers of established leaders. “The market for managed infrastructure and application services is a longer tail market, with greater opportunities for providers who emphasize expertise in operating, optimizing and securing the infrastructure and application products they deliver,” says Eagle. “This includes opportunities to deliver services based on reselling infrastructure and application services from the largest IaaS and SaaS vendors.”

The Voice of the Enterprise: Hosting and Cloud Managed Services study marks the first results for this new survey line within 451 Research’s Voice of the Enterprise service. It tracks the services enterprises buy as they move on-premises workloads into hosted and cloud infrastructure and application environments.

The Voice of the Enterprise: Hosting and Cloud Managed Services – Organizational Dynamics study focuses on enterprise end-user adoption of hosting and cloud services, including infrastructure services, application services, managed services, security services and professional services for cloud enablement. Based on research conducted in August and September 2016 with more than 580 IT professionals worldwide, the quarterly study combines 451 Research’s analysis with survey responses and in-depth interviews from a panel of more than 45,000 senior IT buyers and enterprise technology executives.

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