

Global cloud services market Q3 2020

Shanghai (China), Bengaluru (India), Singapore, Reading (UK) and Portland (US) – Thursday, 29 October 2020

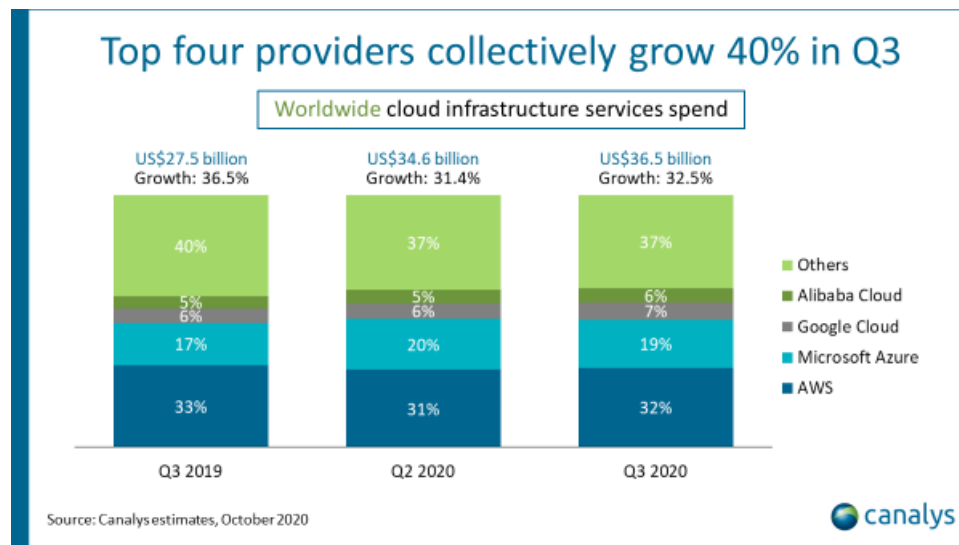
Canalys: Pandemic boosts cloud consumption by a third in Q3 2020

Cloud infrastructure services spend in Q3 2020 continued to benefit from the fallout of the COVID-19 pandemic. The worldwide cloud market grew 33% to US\$36.5 billion, which was US\$2.0 billion higher than the previous quarter and US\$9.0 billion up on Q3 2019 according to Canalys data. The dependence on cloud-based tools and services remained high across all sectors of the economy, including governments, businesses and consumers, as social-distancing measures persisted. The return of stricter lockdown measures in certain regions over the coming months means cloud will remain vital for sustaining business operations, remote working and learning, as well as customer engagement.

Amazon Web Services (AWS) was the leading cloud service provider in Q3 2020, increasing its share of total spend from last quarter to 32%. It grew its business by US\$2.6 billion in Q3 compared with the same period last year, continuing its rapid expansion. Overall, AWS generated more revenue than the next three largest cloud service providers combined.

Microsoft started its new fiscal year with another strong performance in its Azure business, growing 48% on an annual basis to reach a 19% market share. This is up from a 17% share in Q3 2019. It reported an increase in long-term contracts, highlighting growing commitment among its larger customers as they migrate mission-critical workloads to Azure.

Google Cloud maintained its momentum, particularly around its six targeted industries. Its enterprise business accelerated, as it focuses on increasing channel involvement in deals as well as partner enablement. Google Cloud retained its position as the third largest cloud service provider with a 7% share. Alibaba Cloud continued to lead the Chinese market, where cloud computing is a key part of the government's development plans. It is also the overall leader in the Asia Pacific region. Alibaba Cloud accounted for 6% of the worldwide market.



Technology spending remains robust despite the global economic downturn, primarily for products and services enabling business continuity, including notebook PCs and peripherals, cloud-based services and cybersecurity. Experiences gained by organizations during the first lockdown highlighted the need to increase business resiliency and agility. “Increased consumption has driven cloud infrastructure services spend this year, though some larger and more complex deals were delayed due to uncertainty caused by the pandemic,” said Canalys Chief Analyst Matthew Ball. “But as organizations adjust to the new normal, these longer-term projects are accelerating again. Some organizations are taking a cost-driven approach by reducing capital expenditure on their own data centers and cutting management costs from outsourcing contracts. Others are taking a transformational approach, developing new cloud-native applications and business models. But they will all have to be more measured and cost-conscious, requiring greater control and visibility of spend, while also deciding not to migrate every workload.”

Multi-cloud and hybrid IT will continue to gain momentum as organizations assess the optimal deployment and operating model for each workload, based on cost and performance. This will include mobile edge incorporating 5G for existing and new applications requiring ultra-low latency. These include autonomous vehicles, industrial robotics, and augmented and virtual reality solutions. “The convergence of cloud and 5G at the mobile edge will form the next wave of growth for the leading cloud service providers,” said Canalys Research Analyst Blake Murray. “It also represents a new front for infrastructure buildout and competition between AWS with Wavelength, Microsoft Azure with Edge Zones, and Google Cloud with Mobile Edge Cloud. All three are collaborating with mobile operators to deploy their cloud stacks at the edge in the operators’ data centers. These are part of holistic initiatives to profit from 5G services among business customers, as well as transform the mobile operators’ IT infrastructure.”

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