

Gartner Says Worldwide Platform as a Service Revenue Is on Pace to Reach \$1.2 Billion in 2012

PaaS Is Where the Battle Between Cloud Vendors and Products Is Set to Intensify the Most

STAMFORD, Conn., November 19, 2012 — Worldwide platform as a service (PaaS) revenue is on pace to reach \$1.2 billion in 2012, up from \$900 million in 2011, according to Gartner, Inc. The market will experience consistent growth with worldwide PaaS revenue totalling 1.5 billion in 2013, and growing to \$2.9 billion in 2016.

The category of PaaS includes suites of application infrastructure services, such as application platforms as a service (aPaaS) and integration platforms as a service (iPaaS); as well as specialist application infrastructure services, such as database platform as a service, business process management platform as a service, messaging as a service and other functional types of middleware offered as a cloud service. Users may subscribe to a cloud provider's PaaS or may buy a cloud-enabled application infrastructure product and build their own PaaS for private cloud (private PaaS) or public cloud consumption.

"Of all the cloud technological aspects, infrastructure as a service (IaaS) and software as a service (SaaS) are the most mature and established from a competitive landscape perspective, while PaaS is the least evolved," said Fabrizio Biscotti, research director at Gartner. "For this reason, PaaS is where the battle between vendors and products is set to intensify the most. It comes as no surprise that the PaaS competitive landscape is still in flux, with traditional application infrastructure vendors facing competition from new large players moving into the market, and myriad specialised PaaS pure players cutting into their slice of profits."

The largest segments within the PaaS market are cloud application platform services (aPaaS), accounting for 34.4 per cent of total PaaS spending in 2012; cloud application life cycle management (ALM) services (almPaaS) at 12 per cent; cloud BPM platform services (bpmPaaS) at 11.6 per cent; and cloud integration services (iPaaS) at 11.4 per cent. Gartner predicts that the potential spending in PaaS technologies is an average of \$360 million per year from 2011 through 2016.

More than 70 per cent of PaaS functionality today can be referenced to an application infrastructure and middleware (AIM) capability, calling for AIM vendors to consider PaaS in their offerings or to have a strategy to address the needs of those clients looking at cloud for future deployments. Today, the largest AIM vendors have only marginal share of the PaaS market (lead by Microsoft and some IBM acquisitions), and this leaves the door open for more competitive landscape disruption over the next three years since many of the largest enterprise software vendors are on the cusp of entering the PaaS market with their own offerings.

"The fundamental appeal of PaaS is the opportunity for ISVs (independent software vendors) and IT organizations to create new software solutions with minimal capital expense and without the hassle of provisioning and configuring the underlying infrastructure," said Yefim Natis, distinguished analyst at Gartner. "Too many SMBs (small or midsize businesses), in addition, PaaS offers the chance to take advantage of some state of the art enabling technologies, they otherwise could not afford. Finally, the popularity of SaaS also drives adoption of PaaS for customisation, extension and integration of the cloud-based applications."

Despite ongoing economic uncertainties, mature economies, which are also the most mature IT markets, such as the US, Western Europe and Japan, are on the forefront of PaaS adoption. PaaS spending globally is relatively small, and it is almost entirely generated by the US, with 42 per cent of the market, followed by Western Europe and Mature Asia/Pacific. All mature economies combined, account for almost 90 per cent of worldwide PaaS spending.

Emerging markets are currently only marginally investing in PaaS, but this trend is expected to change as PaaS matures as a technology and the vendor landscape consolidates around fewer mainstream players that have the capability to service wider geographies.

"All software mega-vendors are strategically investing in the PaaS market despite the relatively modest projected market revenue," said Mr Natis. "Application infrastructure, and in this case application infrastructure as a service (PaaS), has always played a central role in establishing the standards, architectures and best practices in enterprise software markets. The vendors expect their leadership in the PaaS market to translate to large and effective ecosystems of partners, developers and solutions. PaaS technologies are embedded in many other types of cloud services — all major opportunity channels. The direct revenue in the PaaS market grossly underestimates the importance of this part of the cloud architecture."

Additional information is available in the report "Market Trends: Platform as a Service, Worldwide, 2012-2016, 2H12 Update." The report is available on Gartner's web site at <http://www.gartner.com/resId=2188816>.

Mr Natis will deliver additional analysis on PaaS at the Gartner Application Architecture, Development & Integration Summit 2012 taking place November 27-29 in Las Vegas. The Summit will focus on the rapidly evolving trends that have profound implications for application executives. Amongst other trends, cloud computing, the explosion in mobile apps and service-oriented architecture are causing application leaders to re-examine their strategies. For more information, visit www.gartner.com/us/aadi. Members of the media can register for the event by contacting janessa.rivera@gartner.com.

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