Public Cloud Growth Trends and the Future Outlook

Accelerating cloud adoption will drive growth in the public cloud services market to $186.4 billion in 2018, a 21.4 percent increase from 2017 when the market reached the $153.5 billion mark, according to research firm Gartner. The market is expected to double in revenue by the year 2021, reaching $302 billion as more companies embrace the cloud movement. The overall cloud adoption rates are projected to increase from 58 percent in 2016 to 85 percent in the year 2019.

These numbers relate to cloud computing as scalable and elastic IT capabilities delivered as a service, and takes into consideration the IT consumer, provider and broker perspective of the cloud services market.

Investments in the cloud services segment involve pressing decisions around ROI, security and innovation potential to transform businesses. Various cloud service models including
public, private and hybrid cloud offer unique tradeoffs and value propositions for different use case applications. Public cloud offers cost advantages through sharing of cloud infrastructure resources between multiple tenants at an acceptable security and availability Service Level Agreement (SLA). Private cloud offers strong security and availability as the infrastructure is isolated between the users and the resources are dedicated to individual organizations. Hybrid cloud offers a mix of public and private cloud deployments optimized for cost, security and performance based on organizational requirements.

**Get the IT Buyer’s Guide for Service & Operations**

This IT Buyer’s Guide helps you understand what to look for and how to choose the right tools for IT service and operations.

[Get the Buyer’s Guide](#)

The hybrid cloud market will experience rapid growth, with 90 percent of the organizations investing in the technology by 2020. The private cloud infrastructure market will grow at a slower rate than the public cloud services market according to IDC, but will continue to gain importance in IT investment decisions as organizations pursue secure and reliable alternatives to on-site datacenter deployments. The recent Gartner research forecasts four key types of cloud services as described in the table below:
- Infrastructure as a Service (IaaS)
- Platform as a Service (PaaS)
- Software as a Service (SaaS)
- Business Process as a Service (BPaaS)

<table>
<thead>
<tr>
<th>Service Type</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cloud Business Process Services (BPaaS)</td>
<td>42.6</td>
<td>46.4</td>
<td>50.1</td>
<td>54.1</td>
<td>58.4</td>
</tr>
<tr>
<td>Cloud Application Infrastructure Services (PaaS)</td>
<td>11.9</td>
<td>15.0</td>
<td>16.6</td>
<td>22.7</td>
<td>27.3</td>
</tr>
<tr>
<td>Cloud Application Services (SaaS)</td>
<td>60.2</td>
<td>73.6</td>
<td>87.2</td>
<td>101.9</td>
<td>117.1</td>
</tr>
<tr>
<td>Cloud Management and Security Services</td>
<td>8.7</td>
<td>10.5</td>
<td>12.3</td>
<td>14.1</td>
<td>16.1</td>
</tr>
<tr>
<td>Cloud System Infrastructure Services (IaaS)</td>
<td>30.0</td>
<td>40.8</td>
<td>52.9</td>
<td>67.4</td>
<td>83.5</td>
</tr>
<tr>
<td><strong>Total Market</strong></td>
<td>153.5</td>
<td>186.4</td>
<td>221.1</td>
<td>260.2</td>
<td>302.5</td>
</tr>
</tbody>
</table>

Source: [Gartner](https://www.gartner.com)

**Analyzing Cloud SaaS, IaaS, PaaS and BPaaS**

The numbers suggest that the BPaaS market segment will grow at a low rate as compared to other service types in terms of yearly revenue share. This is because a significant proportion of BPaaS customers include SMB organizations with lower requirements on cloud business process services. The cloud application and infrastructure market services will grow two-fold between 2018 and 2021 as more organizations migrate their IT workloads to the cloud.

On the other hand, the public cloud services market will continue to dominate the IT services industry owing to the proliferation of low cost Software as a Service (SaaS) solutions. Gartner predicts that the SaaS cloud application services market will consistently constitute one-third of the total public cloud revenue share for the next four years.
When it comes to security, Gartner’s forecast highlights the shifting focus toward cloud solutions to run mission-critical security and performance sensitive IT workloads. The cloud industry is proving that on-premise datacenter deployments don’t automatically translate into strong security and that cloud computing is a secure alternative. Similarly, foregoing some proportion of visibility and control into the third-part cloud infrastructure doesn’t compromise the security posture considering the stringent compliance regulations and sophisticated security capabilities designed to protect customer data in the cloud. For IaaS and PaaS use cases where organizations are ultimately responsible to manage and secure their own IT workloads, the growth in cloud management and security services market suggests that the industry is responding with effective solutions that help organizations maximize the value potential of their public cloud investments. The combined market share of IaaS and PaaS revenue will still remain lower than the SaaS market revenue considering the sheer volume of solutions and vendors exposed to the growing cloud services market.

What’s Driving these Trends?

The hyperscale cloud market segment has largely been dominated by the duopolies of Amazon Web Services and Microsoft Azure. Google Cloud has solidified its position as a strongest competition to the duopoly of AWS and Azure, while traditional enterprise IT vendors including IBM and Oracle are catching up fast to demonstrate their competitive strength in the public cloud market segment. Telecommunication companies are also refocusing their efforts to capture the IaaS market share based on their dominance in the networking and information communication industry. Open source and containerization technologies are empowering organizations to operate their workloads on public cloud infrastructure at an unprecedented scale by eliminating infrastructure dependencies and application logic.
From a business perspective, organizations are focusing on agility and automation as means to facilitate faster time to value. Organizations are migrating mission critical IT workloads to the cloud to address the business demands of faster compute performance and scalable resources. Unlike traditional datacenter infrastructure that is limited in these capabilities, the public cloud model offers the flexibility to scale infrastructure resources on-demand. As a result, public cloud continues to grow in value for SMBs pursuing cloud solutions at an affordable OpEx instead of investing significant CapEx into on-premise infrastructure deployments.

A Positive Future Outlook for Public Cloud

The proliferation of public cloud solutions is driving business transformation toward agility in the world of growing uncertainties, hyper growth and rapidly changing market trends. Businesses need to analyze, understand and proactively adapt business services faster than ever before. The prevalence of public cloud solutions represents opportunities for organizations of all sizes and industry verticals to disrupt their respective industries. The technology allows more startups and SMB firms to compete against their larger counterparts on grounds of innovation, allowing them to focus on their core business offerings, without having to invest significant resources or time to scale the underlying technology infrastructure.

Businesses are recognizing the value of public cloud solutions as they accelerate their digital transformation and follow evolving customer roadmaps. The need for elastic, scalable and low-cost cloud options will continue to increase as along with security and performance requirements. With the changing landscape of application and data platforms, distributed app workloads and DevOps-driven SDLC practices, future public
cloud offerings will be more secure, reliable and vertical-specific to facilitate profitable and agile digital transformation. Consequently, the growth trajectory of public cloud services market revenue will remain consistent as organizations continue to embrace SaaS and IaaS solutions to power their businesses.