

# Cloud Services (Managed and Professional) Forecast Update and Trends – Global

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# Summary

# Hybrid and multi-cloud adoption is fueling the managed cloud computing services addressable market

- **Hybrid and multi-cloud deployments continue to accelerate.**

- Hybrid cloud is a connected public and private cloud to deliver essential applications, workloads, and business services. Multi-cloud is the use of several different cloud services from more than one provider by a single organization.
- Both models enable firms to leverage the agility, scale, technology innovation, and cost advantages of different clouds alongside the control, ownership, and single tenancy benefits of enterprises' private clouds and data centers. (See Figure 1)
- Acceleration in edge deployments, 5G adoption, SD-WAN, and AI adoption will drive further hybrid cloud deployments to leverage data assets and drive business process changes.

- **Hybrid cloud, combined with multi-cloud creates new IT management challenges.**

- However, as optionality grows, the challenge multiplies across the provisioning, monitoring, management, and optimization of different technologies.
  - Consider that AWS and AZURE each have over 200 unique services available through direct and indirect marketplaces.
- Moving workloads to the cloud does not remove the need for continuous monitoring and management across heterogeneous hybrid architecture, technologies, and providers, especially when efficiency, portability, security, and user experience are addressed across interwoven cloud capabilities.
- Most enterprises struggle to afford, attract, recruit, and retain the multiple specialized skillsets, accreditations, and certifications needed to maximize the value from different hyperscalers, ISV, and custom cloud/applications.



**This presents a growing opportunity for managed cloud computing services.**

B2B Service Providers play a valuable role across integration & outsourced management of hybrid and multi-cloud environments.

The cloud services market will grow at 16% CAGR over 2023-27 to reach \$US883bn.

# Market context and definition

# Omdia forecasts rapid, sustained growth in managed cloud services

- **There is a unique, addressable market available in B2B Cloud managed and professional services globally.**
  - This includes service provider revenue from consulting, professional services, management, optimization, and monitoring of workloads across various cloud deployment and application delivery methods. (See Figure 2).
  - Managed services – customers outsource the monitoring and reporting, operational management, service management, and service modeling/forecasting of public and private cloud deployments and applications to third parties.
  - Professional services and consulting–managed services are often complemented by value-added services, including business, application, and technical consulting, design, and implementation-focused professional services that address enterprises' industry and regional cloud requirements.
- **ITSPs have invested in hybrid cloud capabilities – to capitalize on the opportunity, providers have made multi-year commitments to hyperscalers that span various accreditations to meet the technical practicalities of integrating and managing multiple clouds.**
  - Key expertise areas include IT service management (often coupled with cloud management platforms), DevOps, CloudOps, cybersecurity, FinOps, AI & automation, analytics, cloud networking, digital workplace, disaster recovery & planning, application migration, and site reliability engineering (SRE).
  - Building and maintaining these capabilities across multiple hyperscalers and ISVs is expensive and a commitment of valuable resources – often culminating in cloud 'guilds,' 'centers of excellence,' and divisions.

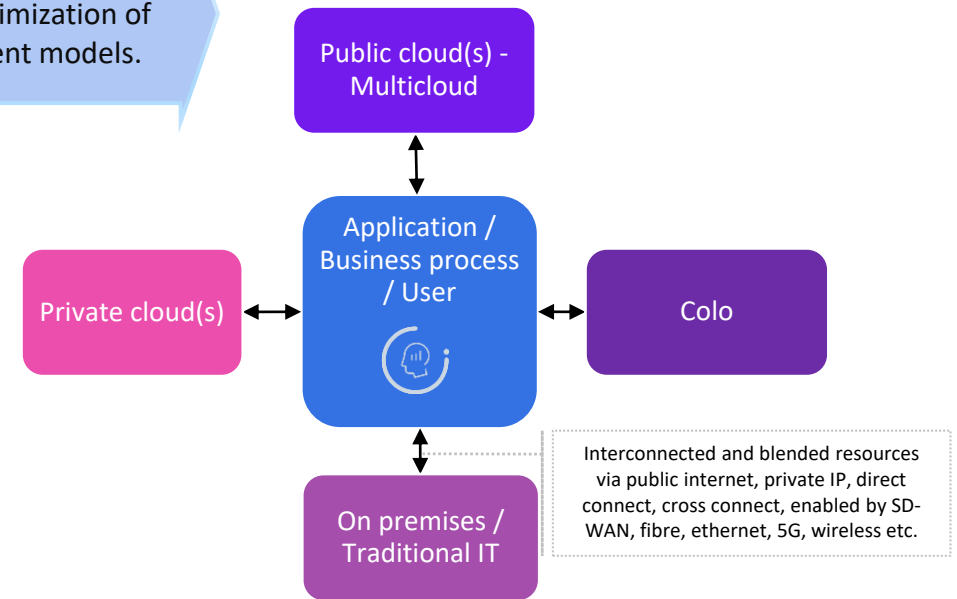
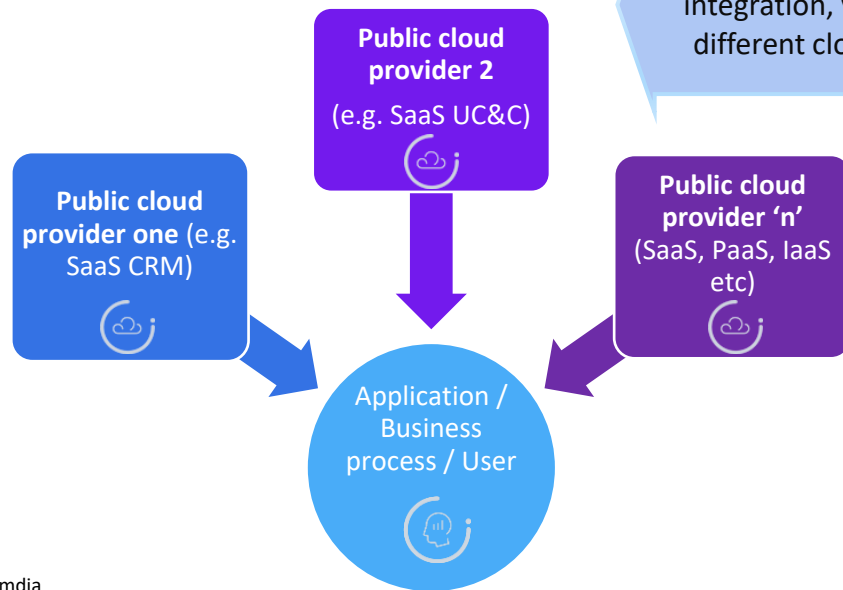
# Multi and hybrid cloud are solution models, not products

**Figure 1: Multicloud vs hybrid cloud**

**Multi-cloud** is a procurement-led model, often-user centric, where multiple public cloud products from different hyperscalers & ISVs each deliver independent, multitenant, virtualized services to support a business application, function, or user.

**Hybrid cloud** is a federated deployment model that leverages the best available combination of interconnected internal (private) and external (public) cloud services from one or more providers in the delivery of an organization's business applications, workloads, or functions.

**B2B cloud managed and professional services** – Design, integration, visibility, management, and optimization of different cloud procurement and deployment models.

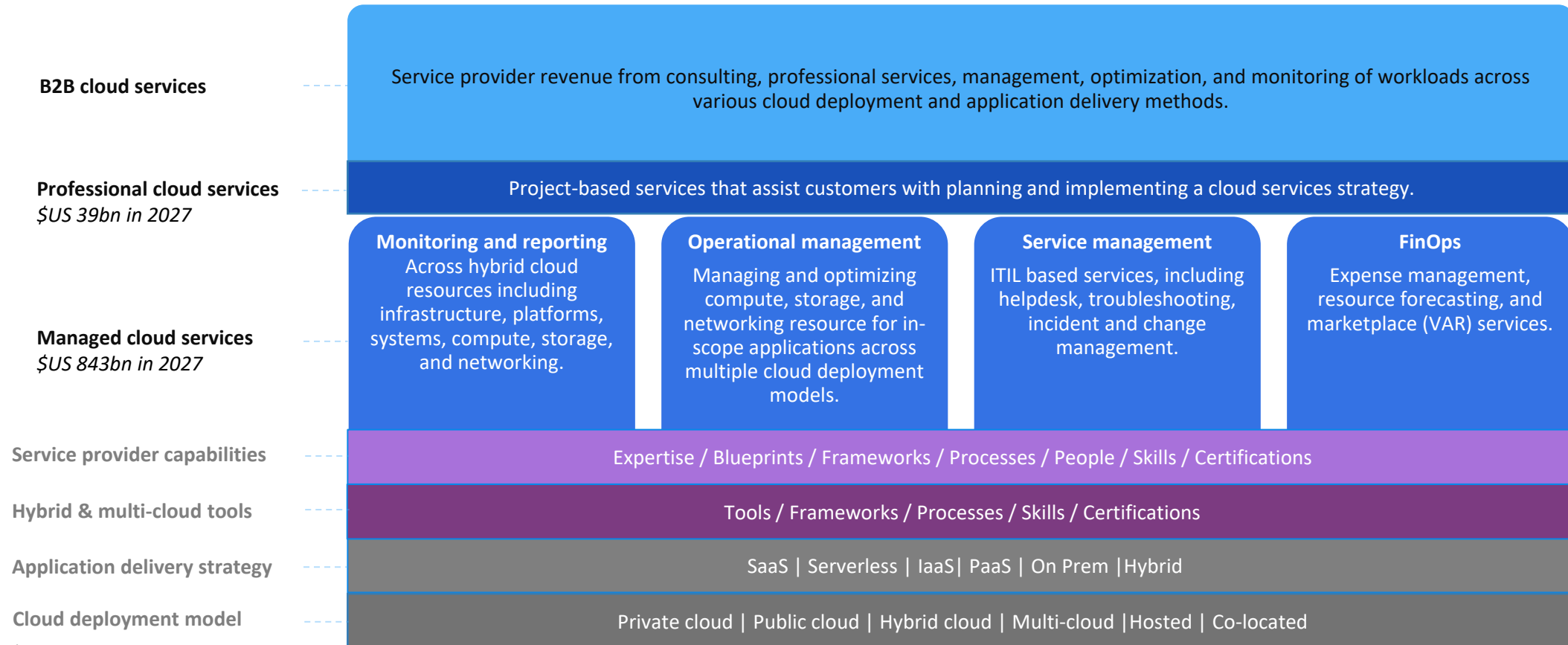


Source: Omdia

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# B2B service providers play a valuable role across integration & outsourced management of hybrid and multi-cloud environments

Figure 2: Cloud managed and professional services TAM



Source: Omdia

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# Cloud management drivers

# Market drivers for B2B cloud managed and professional services

While there are many factors driving demand for managed cloud services & consulting, key considerations include:

- **Hybrid cloud adoption accelerates** – Enterprises increasingly leverage multiple hyperscaler and ISV platforms to deliver critical applications and services. Amazon, Microsoft, and Google are the largest by relative share (See Figure 3). However, there is a long tail of workloads and applications in most modern organizations.
- **Application migration and cloud-native push** – Legacy application migration and development of brand-new services from cloud-native deployments are continuing. Hybrid and multi-cloud enable firms to cherry-pick platforms and systems to enable this change. Underlying application deployment methods continue to shift (see Figure 4).
- **Cloud FinOps challenge:**
  - *Cost consolidation and cloud sprawl* – The relative ease of subscribing to new cloud services, fueled by microservices architecture and the popularity of agile and DevOps, means most large organizations now struggle to efficiently manage the usage and cost attributions of hybrid and multi-clouds.
  - *Economic headwinds* – The rising cost of capital and fluctuating demand will exacerbate cost pressures.
  - *Time to value* – Demands are increasing by stakeholders to maximize RoI and accelerate the speed of return from cloud or application deployments.



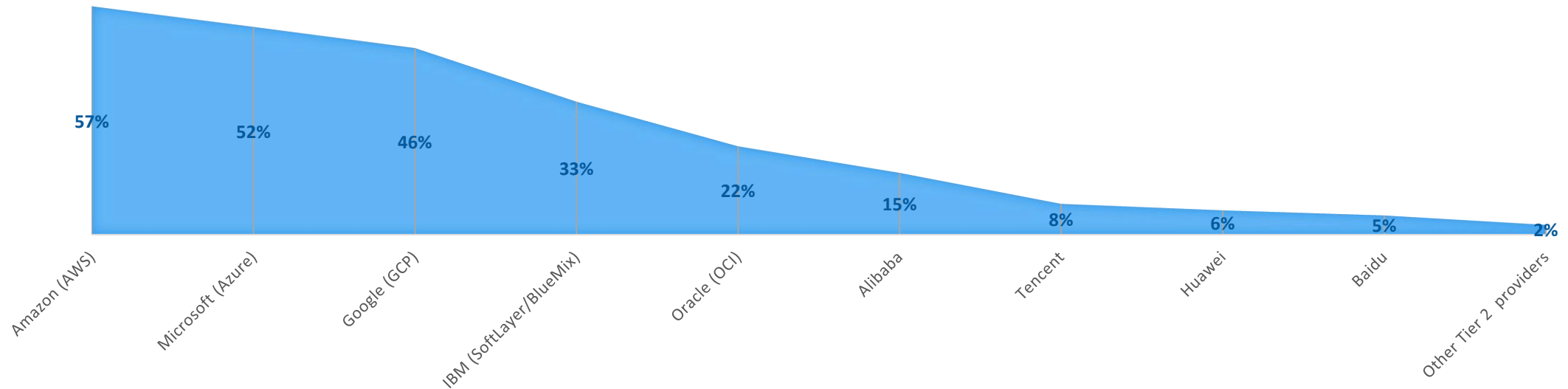
## How outsourced cloud services address fundamental challenge areas:

Market drivers generate services provider opportunities across platforms and tools, skilled people and expertise, security and service management, and strategy & governance advice (see Figure 5).

# Enterprises increasingly leverage multiple cloud platforms to deliver critical applications and services

Most large enterprises mix and match cloud service product lines across multiple cloud providers to pursue digital transformation, application migration, and operational efficiency goals. Several hyperscalers dominate the market.

**Figure 3: Cloud provider share of workloads global 2022**

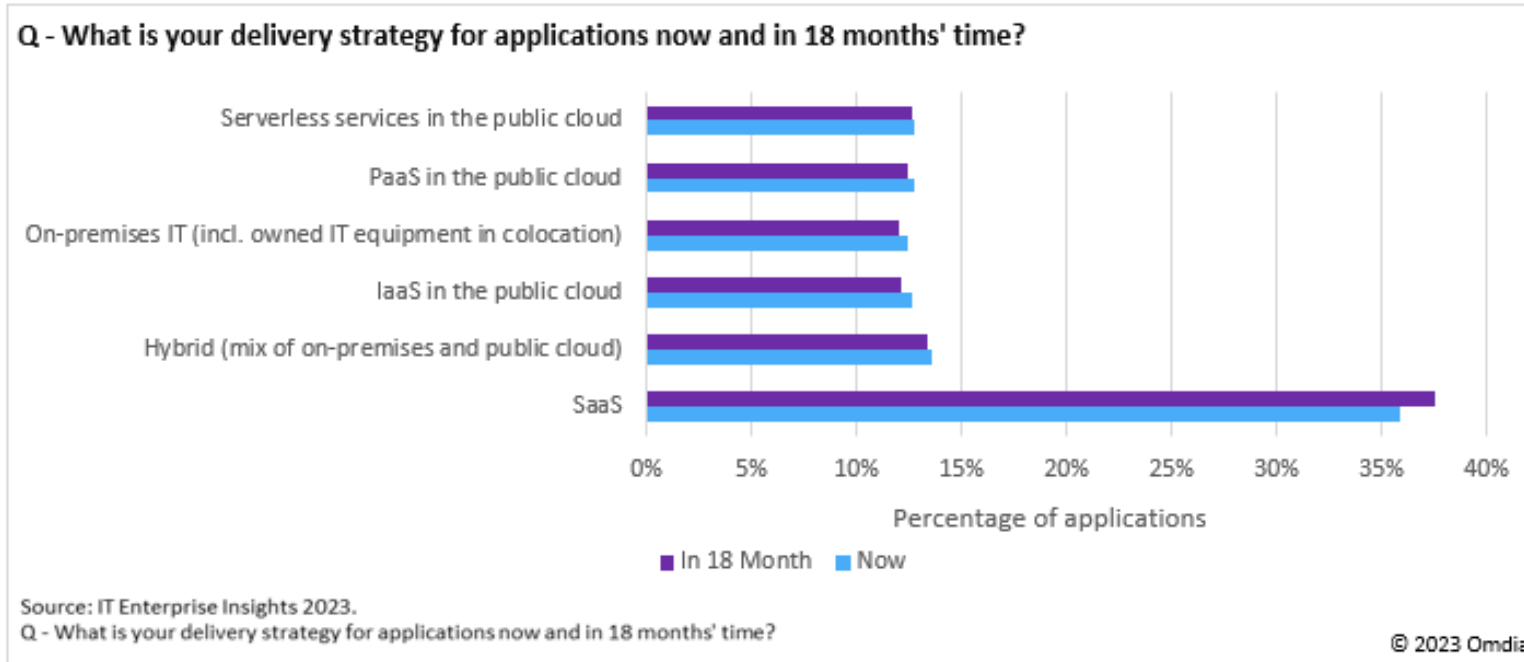


Source: Omdia IT Enterprise Insights 2023.  
 Q 'Which of the above strategic cloud service providers account for at least 10% of your cloud workloads?'

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# Application migration path drives demand for B2B cloud services

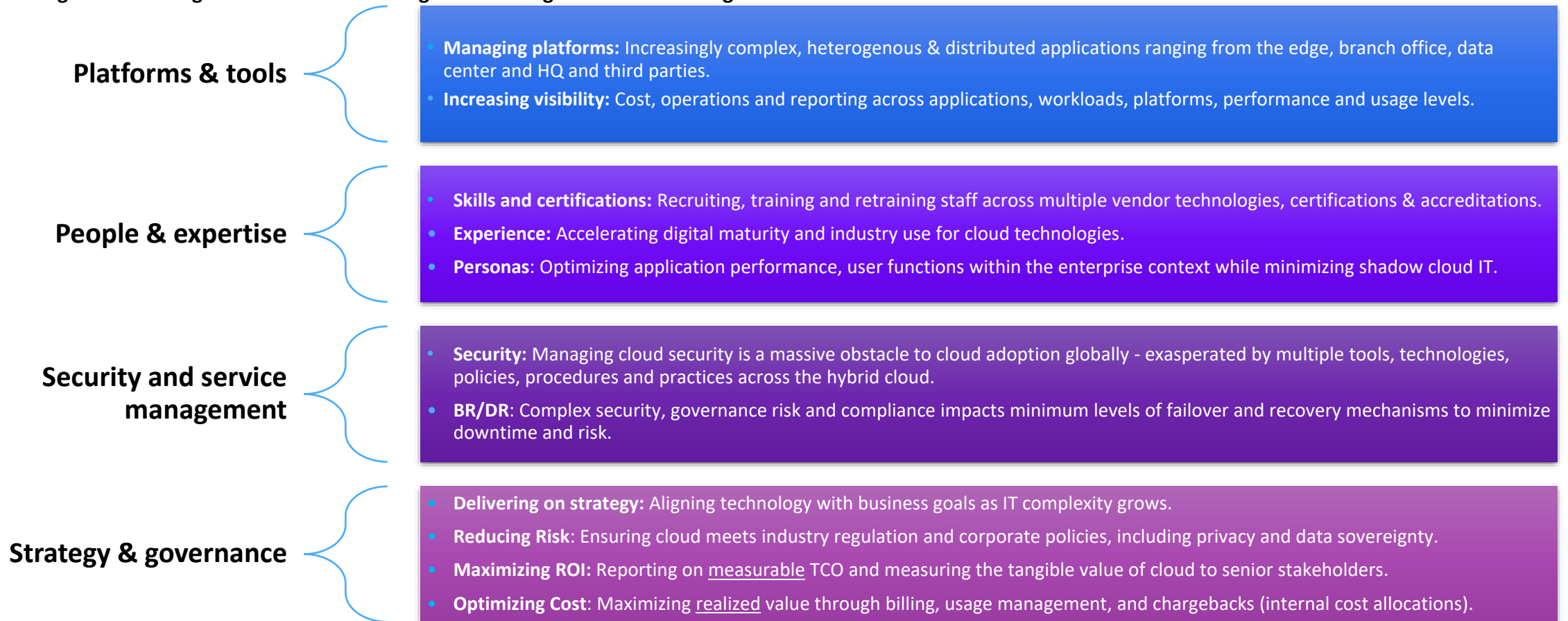
Figure 4: Application delivery strategy trends



- SaaS remains the leading, fastest growing delivery strategy for enterprise applications globally.
- Applications are nearly evenly delivered across serverless, PaaS, On prem, IaaS and hybrid.
- However, the challenge of managing consistent security, user experience and cost across multiple delivery paths trombones outside SaaS.
- B2B managed cloud services alleviate migration, modernization, optimization and management challenges across different delivery mechanisms.

# Outsourced cloud services address four common enterprise challenge areas

Figure 5: Challenge areas driving demand for outsourcing cloud management & consulting



Source: Digital Enterprise Services Insights: Hybrid and Multi-Cloud Services – Global 2022

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# Market outlook

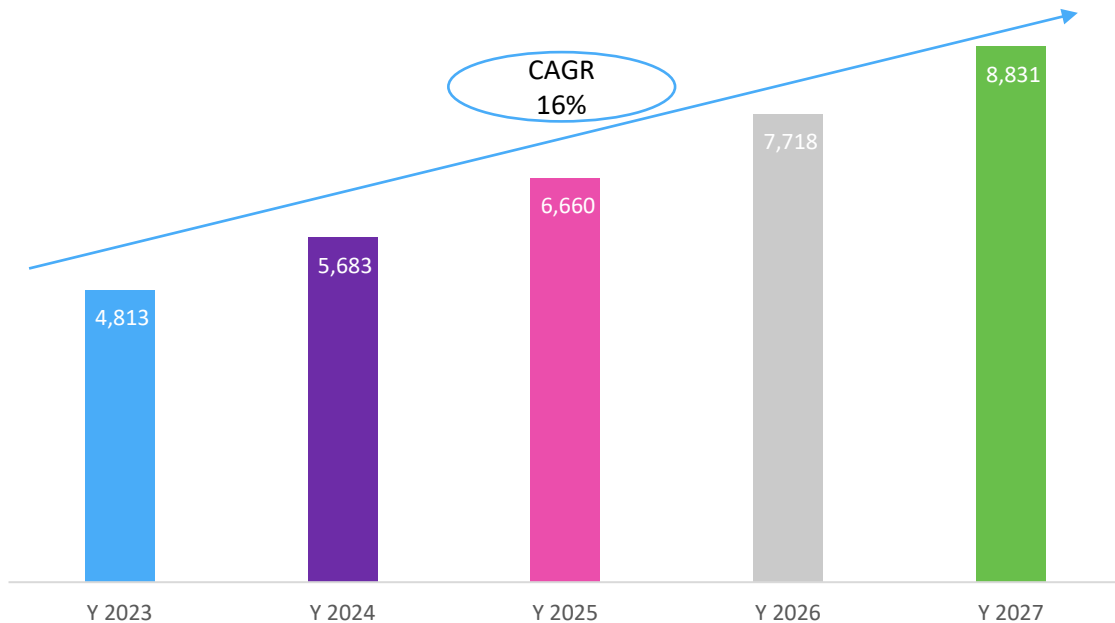
# Addressable growth in total market and cloud service categories

- **The total global B2B cloud services market is large and fast-growing.**
  - The total B2B cloud services market will reach \$US883bn in 2027, increasing at 16% CAGR between 2023 and 2027.
  - By growth, managed and professional cloud services growth will outstrip several other enterprise service categories in the next few years, including; workspace & collaboration (5% CAGR 2023-27), infrastructure services (6% CAGR 2023-27), application services (8% CAGR 2023-27), business process outsourcing (9% CAGR 2023-27), even security (11% CAGR 2023-27) (see Figure 6).
- **Growth rates vary significantly by region.**
  - The spread of hyperscaler regions, in geography ISV and VAR support, expanding cloud networking options, combined with different industry and geographic maturity levels in using ICT, will see the emerging markets grow faster, albeit off a smaller base (see Figure 7).
- **The available value pools and addressable market by service continue to fragment.**
  - The largest cloud B2B services markets include managed IaaS, PaaS, CRM, and managed private cloud.
  - The fastest growing B2B service markets to 2027 will be business analytics as a service, enterprise resource planning as a service, and dedicated clouds (see Figure 8).
- **Service providers that are riding on the coattails.**
  - Cloud-centric consulting & managed services opportunities will follow enterprise application migrations over time. Providers need to continue investing in and maintain reseller, integrator, and MSP accreditations and requisite certifications to capitalize on the opportunity.

# The B2B cloud services market will reach \$US883bn in 2027

Growth in managed cloud services will continue as hybrid and multi-cloud underpins enterprise digital value chains.

**Figure 6: Total B2B cloud services addressable market, global \$USm**

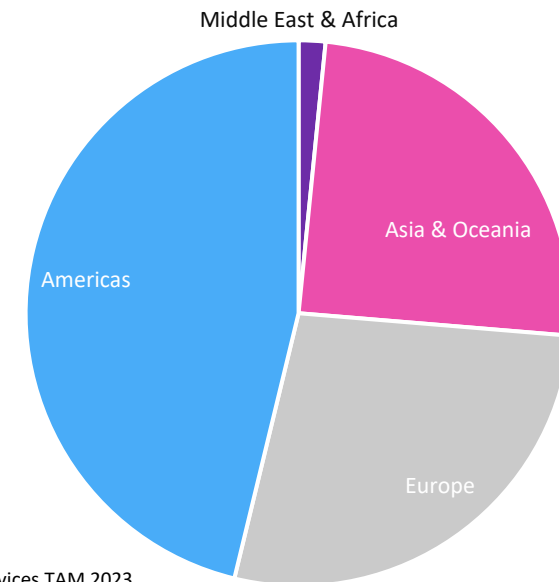


Source. Digital Enterprise Services TAM 2023

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The MEA market is fastest growing at 20% CAGR to 2027 (off a small base), followed by the Americas at 17% and Asia & Oceania and Europe at 16%, respectively.

**Figure 7: By region - Total B2B cloud services addressable market, 2027 \$USm**



Source. Digital Enterprise Services TAM 2023

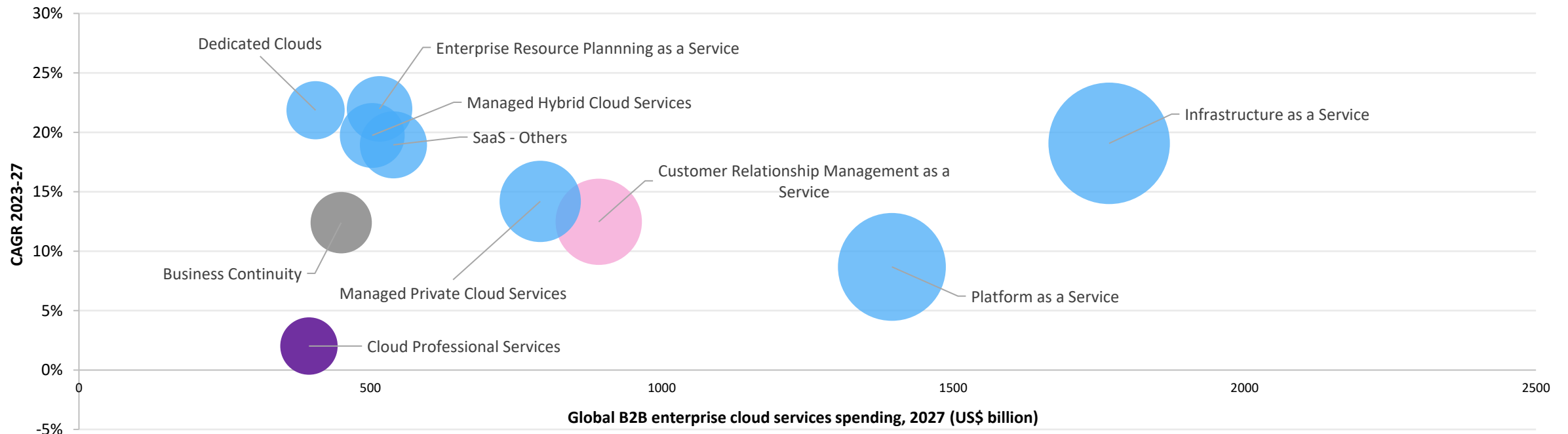
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# Managed IaaS, PaaS, CRM and private cloud are the largest addressable value pools

- This chart shows the relative size and growth of the top 10 by total B2B addressable revenue in 2027. Continued investment in dedicated clouds, managed private cloud will drive the largest value pools addressable by service providers in managed hybrid cloud and adjacent services.

**Global B2B cloud services spending Omdia total addressable market forecast - Top 10 categories**

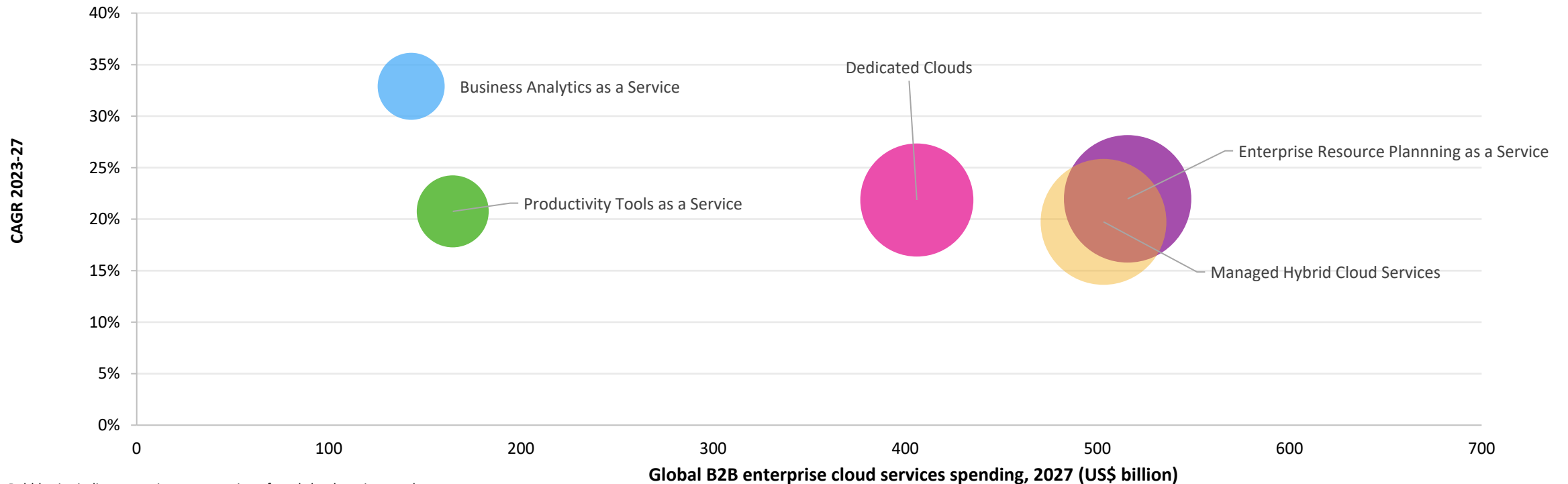


Note: Bubble size indicates service as proportion of total cloud services market.  
 Chart shows top ten by addressable market in 2027 only.  
 Source: Omdia TAM

# The fastest growing cloud services markets reflect heterogenous and interchangeable underlying platforms

- The Service Provider opportunity continues to expand as hybrid cloud and multi-cloud deployments extend across different hyperscalers and ISV's. Managed Hybrid cloud and cloud-enabled business services are a major growth engine as platform & SaaS interoperability improves.

**Global B2B cloud services spending Omdia total addressable market forecast - Top five fastest growing markets**



Note: Bubble size indicates service as proportion of total cloud services market.  
 Chart shows top ten by addressable market in 2027 only.  
 Source: Omdia TAM

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# Recommendations

# Key recommendations for security service providers



## Service providers

- **Re-evaluate the full addressable cloud services market.** The B2B cloud services market is large, fast-growing, and furcated. Providers should evaluate their ability to address customer needs across private and public clouds by growing application delivery methods (e.g., SaaS vs. Server). These are feeder markets to managed cloud services.
- **Bolster the time to value proposition.** The decision-makers for cloud and application deployments continue to shift from IT to the lines of business. Mounting financial pressures from economic uncertainty continue. Consequently, providers must demonstrate accelerated time to value (TTV) through fast onboarding, agile deployments, and in-built cloud FinOps value propositions.
- **Continue to expand the cloud ecosystem.** The continuing dominance of multiple hyperscalers, the ongoing success of ISVs, and evolving industry need across interoperable cloud combinations will drive continued demand for certified, experienced cloud capabilities to offer enterprises choices. However, the expense of partnering and retaining skills to effectively manage multiple cloud and application delivery strategies will mean service providers need to tier and prioritize.
- **Develop modular product constructs.** To drive profitability, and as with outsourcing in past decades, the ability to prime and sub-contract managed cloud services as part of larger-scale, digital transformation deals will be critical. Capitalizing on this demand profitably requires careful product (service) design.
- **Don't overlook the importance of networking and security.** Managing complex physical and virtual networks is the essential pipework of modern digital value chains. All service providers need to harness customer awareness and consideration in networking and increasingly the risks of sub-standard security in modern cloud deployments and ongoing management.

# Key recommendations for enterprise decision makers



## Enterprise and government decision makers

- **Lean on your provider for innovation.** Enterprise software licensing in the cloud, product revisions, and innovations multiplied by combinations of different cloud providers are not core businesses for most. Lean on a third-party provider to help assess, design, implement, or manage hybrid/multi-cloud concomitant to your digital transformation agenda.
- **Balance financial and non-financial cloud metrics.** Hybrid cloud is a means to an end, not the end itself. Consequently, keep pushing the limits on service providers to articulate the business value of managed cloud. i.e., linkages between critical business processes and business outcomes enabled by applications hosted in the cloud and financial benefits from shifting to Opex models aligned with business demand.
- **If you don't have a delineated multi and hybrid cloud strategy, build one.** Hybrid cloud and multi-cloud are the dominant architectures of successful digital transformation strategies. However, managing a productive tension between choice and flexibility of hybrid against governance, control, and efficiency of holistic IT governance hinges on a defined cloud strategy.
- **Consider how to address the remaining critical enterprise applications.** A mature hybrid cloud strategy will address the current and emerging needs of both software development and IT operations teams. Carefully weigh up public versus private for the remaining critical applications and workloads. To future-proof the plan, address currently deployed applications, greenfield developments, and your cloud-native aspirations.
- **Extend to the edge with SDN & cloud connectivity.** Advancements in dedicated clouds, networks (fixed, mobile, SD-WAN, and cloud connectivity), and edge create ways to improve the flexibility, efficiency, and user experience of cloud-delivered critical applications. Edge can also provide cost savings through network efficiency and provide stronger compliance controls. However, capitalizing on these often requires redesigning network and security topologies.

# Appendix

# Appendix

## Methodology

This report leverages multiple primary research surveys, Omdia analysis, vendor briefings and executive discussions to make recommendations.

## Further reading

*Telco Global Services Outlook 2023: Taking Care of Business* (March 2023)

*Global Enterprise Services Forecast, 2022–27: Double-Digit Annual Growth Despite Macroeconomic Challenges* (November 2022)

*Digital Enterprise Services: Global CxO Tech Services Agenda – 2022/23* (May 2022)

*Digital Enterprise Services Insights: Global Professional Cloud Service Provider Satisfaction 2022* (Jan 2022)

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