MARKET SHARE

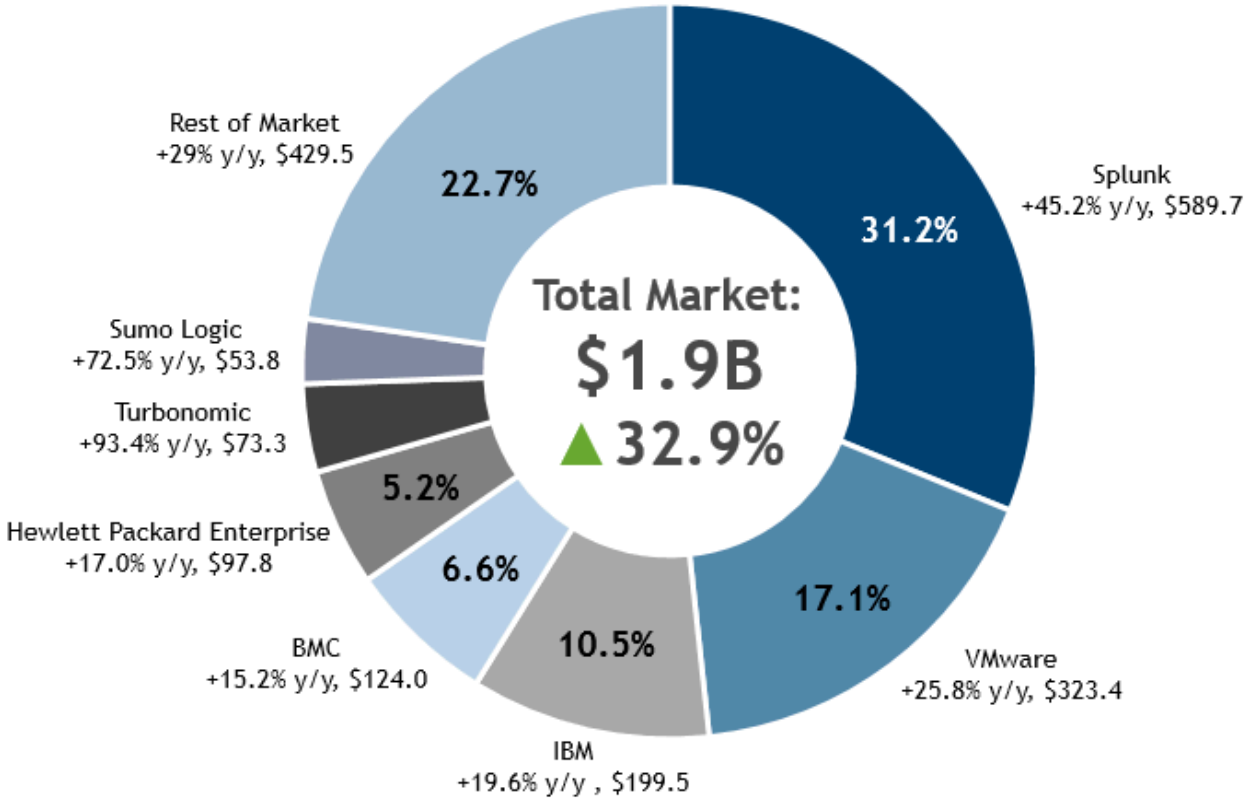
Worldwide IT Operations Analytics Market Shares, 2016: Strong Growth Continues

Tim Grieser

IDC MARKET SHARE FIGURE

FIGURE 1

Worldwide IT Operations Analytics Software 2016 Share Snapshot



Note: 2016 Share (%), Growth (%), and Revenue ($M)

Source: IDC, 2017

EXECUTIVE SUMMARY

This IDC study represents IDC's estimate of market sizes and vendor market shares in 2016 for the rapidly growing IT operations analytics (ITOA) software market. The worldwide IT operations analytics software market totaled $1.9 billion in 2016 when calculated in current U.S. dollars. IDC estimates that the worldwide market grew by 32.9% over 2015. Splunk took top market share in 2016, with a 31.2% share on $589.7 million of revenue. The Americas region, dominated by U.S. sales, represented 75.5% of the market. IDC estimates 13.1% of revenue was delivered via the software-as-a-service (SaaS) public cloud model.

"The IT operations analytics market continued rapid expansion in 2016," according to Tim Grieser, program VP, Enterprise System Management Software. "Leading vendors gained market share on the strength of their offerings in log management and analysis for troubleshooting complex problems across applications and infrastructure as well as support for machine learning of operational characteristics and predictive solutions for preventing problems in the future."

ADVICE FOR TECHNOLOGY SUPPLIERS

The worldwide IT operations analytics market is evolving quickly as big data and analytics technologies mature and reporting and query tools become more accessible to general-purpose IT and business analysts, without the need to customized programing by data scientists. As the same time, the range of IT management data sources that can be analyzed is expanding.

While the first generation of modern IT operations analytics software focused on log analytics and search, predictive analytics, anomaly detection, and business impact analysis based on end-user, infrastructure, and application performance data is increasingly being paired with machine-generated logs to enable comprehensive root cause analysis and proactive capacity optimization.

ITOA distribution models are also being transformed. Although the majority of the market is currently enabled via on-premise, dedicated software licenses, and subscriptions, public cloud SaaS-delivered options are becoming more widely available. ITOA solutions are also being bundled with APM and configuration management solutions to create robust software and SaaS solutions that can support business impact assessments, compliance management, and predictive resource allocation.

ITOA software and SaaS suppliers need to continually adapt their product road maps and go-to-market strategies to keep up with changing market dynamics. At the present time, IDC recommends vendor pay particular attention to the following:

- Although SaaS currently represents only a small segment of the ITOA market, major vendors such as Microsoft and Oracle are introducing SaaS-based solutions that will allow both enterprise and midtier customers to access sophisticated ITOA services rapidly, without having to master the big data tools or dedicate internal resources to deploying and supporting enabling infrastructure hardware and software. Agent-based SaaS architectures coupled with REST APIs allow most organizations to rapidly integrate critical data sources into cloud-based solutions, while browser-based query tools and dashboards enable broad access by IT operations, DevOps, and business analysts. Vendors that have succeeded with on-premise solutions need to monitor the evolving market dynamics closely.
- Persona-based sales and marketing strategies are important. ITOA solutions appeal to different types of buyers for different reasons. IT operations teams may focus on ITOA to help

search, dedupe, and filter thousands of events and alerts to find the handful that really matter to day-to-day operations and performance. DevOps teams may look for solutions that can identify root cause of complex web and mobile app code stacks and integrations and predict the impact that new features and functions will have on performance, capacity, and end-user experience. Infrastructure teams may be looking for ways to better anticipate and justify new hardware and infrastructure software investments by predicting capacity requirements. Successful vendors will avoid one-size-fits-all marketing strategies and focus on providing offerings that can add value to individual roles while expanding as needed over time.

- Buyer preferences are shifting from standalone to integrated ITOA solutions. Pure-play ITOA solutions add value by providing sophisticated analytics functionality that can be applied to any number of IT operations questions and use cases. However, data integration and customization of reports can be time consuming and require more skills that are available to many IT operations and DevOps teams. By bundling ITOA as part of suites or solutions that also address APM, configuration, and capacity management, more and more vendors are able to improve their customers' access to advanced analytics by predefining integrations and reports. ITOA solutions that can be easily included into day-to-day operational workflows and tools have a better chance of being more broadly adopted.
- Ongoing geopolitical upheaval and economic uncertainties may impact demand in certain industries and geographies. Countries with strong existing investments in APM, virtualization, and cloud are likely to see stronger growth in demand for ITOA, while emerging economies may not see the immediate value of these types of solutions.

MARKET SHARE

IDC's view of the ITOA software market recognizes that rapid expansion of functionality enabled by big data technologies and highly scalable cloud-based computing architectures. In just a few years, ITOA has evolved from primarily focusing on applying big data concepts to IT log analytics and search to encompassing predictive performance forecasting and anomaly detection, capacity and infrastructure optimization, and the business impact of APM and IT infrastructure performance.

As a result, IDC has included a broad range of vendors and products in this ITOA market share analysis.

As shown in Table 1, Splunk took top share in 2016 with a 31.2% share on $589.7 million in revenue. VMware took second place, with a 17.1% share on $323.4 million in revenue, and IBM took third place, with a 10.5% share on $199.5 million in revenue.

TABLE 1

Worldwide IT Operations Analytics Software Revenue by Vendor, 2014–2016 ($M)

	2014	2015	2016	2016 Share (%)	2015–2016 Growth (%)
Splunk	297.0	406.3	589.7	31.2	45.2
VMware	191.9	257.1	323.4	17.1	25.8
IBM	109.7	166.8	199.5	10.5	19.6
BMC	77.0	107.6	124.0	6.6	15.2
Hewlett Packard Enterprise	65.7	83.6	97.8	5.2	17.0
Turbonomic	29.4	37.9	73.3	3.9	93.4
Sumo Logic	13.0	31.2	53.8	2.8	72.5
CA Technologies	21.5	43.3	51.6	2.7	19.2
TeamQuest	46.5	40.9	40.3	2.1	-1.5
Densify (formerly Cirba)	18.7	23.5	34.9	1.8	48.7
Zenoss	16.9	25.3	32.7	1.7	29.5
Microsoft	12.1	16.7	24.9	1.3	49.4
Amazon Web Services	0.0	5.1	22.5	1.2	341.2
SolarWinds	17.0	16.6	18.7	1.0	12.7
ServiceNow	8.0	10.8	17.3	0.9	59.3
Oracle	–	–	11.4	0.6	NA
Other	82.1	150.8	175.3	9.3	16.2
Total	1,006.6	1,423.3	1,891.1	100.0	32.9

Source: IDC, July 2017

WHO SHAPED THE YEAR

The use of big data technologies continued to expand in 2016, and enterprise IT operations and DevOps teams began to adopt more broad-based use of machine learning, predictive analytics, anomaly detection, log analytics, and dynamic capacity forecasting. An ever-widening range of systems management software and SaaS vendors added and/or expanded partnerships with pure-play ITOA vendors and/or extended core ITOA functionality embedded in APM, capacity planning, configuration management, and cloud management solutions. Simultaneously, start-ups continued to gain traction as they refined their business and go-to-market strategies.

Vendors that shaped the ITOA market in 2016 included:

- **Splunk** was the ITOA market share leader in 2016 for the third year in a row. The company achieved rapid growth driven by expansion in log management and analysis capabilities. The number of data sources, data volumes, and use cases continued to expand driving increased customer adoption. Splunk has invested in solutions for Hadoop, mobile, real-time wire, and security. Capabilities for big data capture, indexing, management, and search across a wide variety of machine-generated data are increasingly being augmented by dashboards that combine data query, analysis, and graphical displays into panel-based packages. Splunk supports prepackaged content and visualization for a variety of use cases including IT operations and APM. This is making Splunk-based analytics available to an increasing variety of IT and business users. IDC expects to see further expansion in supported data sources and use cases in the future.
- **VMware** continued the multiyear expansion and evolution of its ITOA solutions, including enhancements to strengthen support for hybrid cloud and DevOps management. Updates to VMware's go-to-market strategy encouraged more customers to take advantage of the analytics capabilities as part of the company's vCloud and vRealize suites and the vSphere with Operations Management bundle. In 2016, suites and bundles became the primary licensing model for the majority of vSphere customers. The availability of suites and bundles means that VMware's vSphere customers can gain access to the company's monitoring, log analysis, and other management software offerings at the same time they implement the hypervisor via a single purchase and license. As a result, while IDC estimates that total vSphere unit sales have continued to increase slowly, the revenue for VMware virtual machine software has dipped, whereas VMware's management software revenue saw double-digit growth in 2016. IDC expects to see the company continue to invest in ITOA capabilities to benefit both VMware and heterogeneous hybrid cloud environments.
- **IBM's** ITOA portfolio experienced significant transitions in 2016 as the company continued to pivot to cloud-based service delivery models and doubled down on applying its Watson cognitive computing technology to a broad range of market and use cases. The company's core ITOM offerings include IBM Operations Analytics – Predictive Insights, IBM Operations Analytics – Log Analysis, and the recently introduced IBM Operations Analytics for z Systems. IBM supports an ITOA-as-a-service offering on both its IBM Marketplace SaaS platform and the Bluemix platform-as-a-service developer's toolkit. By providing Bluemix-based developers with drag-and-drop access to IBM's ITOA APIs, IBM underscored the importance that nontraditional cloud-based distribution models will have in the future growth of the ITOA market. Integrations with leading service desk solutions including IBM Control Desk, BMC Remedy, and ServiceNow have also been introduced to provide analytics on incidents and trouble tickets.

The range of vendors playing in the ITOA market will continue to expand. Emerging ITOA vendors such as Microsoft and Oracle made noise with major SaaS-based ITOA announcements. Similarly, BMC made important additions to its ITOA portfolio with TrueSight Pulse and the announcement of TrueSight Intelligence, while Dynatrace introduced new capabilities following its merger with Keynote. CA Technologies significantly bolstered the analytics capabilities embedded in its APM offerings, while AppDynamics (acquired by Cisco) and New Relic continued to extend APM analytics offered to their customers.

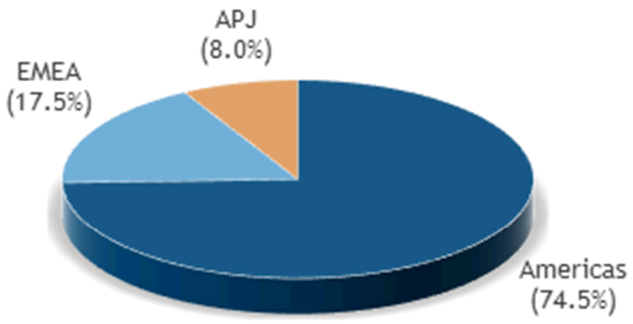
MARKET CONTEXT

The worldwide ITOA software market exhibited strong growth in 2016, fueled by demand in the Americas. Figure 2 illustrates the allocation of revenue on a regional basis. The Americas region represents 75.5% of the total market revenue, up from 71.4% last year.

Public cloud (SaaS)-based delivery of ITOA software represented 13.1% of total revenue in 2016, up from 8.8% revenue in 2015 as SaaS-based adoption for both established players and start-ups grew rapidly (see Figure 3).

FIGURE 2

Worldwide IT Operations Analytics Software Revenue Share by Region, 2016

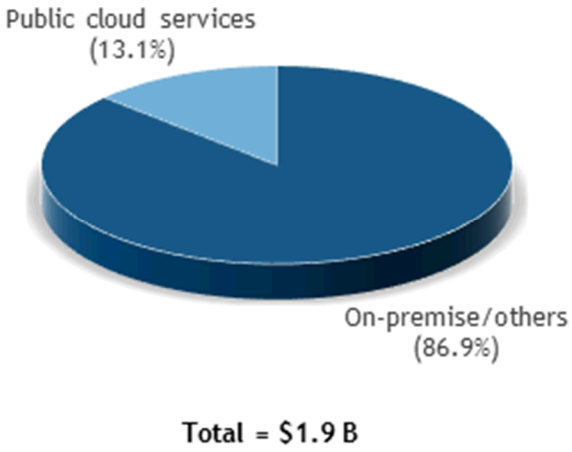


Total = $1.9 B

Source: IDC, July 2017

FIGURE 3

Worldwide IT Operations Analytics Software Revenue Share by Deployment Type, 2016



Source: IDC, July 2017

Significant Market Developments

Overall, the worldwide ITOA software market saw strong growth in 2016 as a number of vendors took steps to make solutions more user friendly and accessible to nondata scientists. Pure-play products and ITOA solutions offered as part of APM, capacity and configuration management solutions demonstrated the benefits, and log analysis and predictive analytics can have in terms of improved mission-critical application performance and infrastructure utilization.

Market growth was led by demand in the Americas region where a strong dollar and broad-based interest in big data helped fuel demand. Public cloud SaaS-based ITOA solutions showed their appeal to fast-moving DevOps teams and cloud-native developers but were still working to develop a following among more traditional enterprise-class IT operations teams that have traditionally relied on on-premise solutions.

METHODOLOGY

The IDC software market sizing and forecasts are presented in terms of commercial software revenue. IDC uses the term *commercial software* to distinguish commercially available software from custom software. Commercial software is programs or codesets of any type commercially available through sale, lease, rental, or as a service. Commercial software revenue typically includes fees for initial and continued right-to-use commercial software licenses. These fees may include, as part of the license contract, access to product support and/or other services that are inseparable from the right-to-use license fee structure, or this support may be priced separately. Upgrades may be included in the continuing right of use or may be priced separately. All of these are counted by IDC as commercial software revenue.

Commercial software revenue excludes service revenue derived from training, consulting, and systems integration that is separate (or unbundled) from the right-to-use license but does include the implicit value of software included in a service that offers software functionality by a different pricing scheme. It is the total commercial software revenue that is further allocated to markets, geographic areas, and operating environments. The worldwide software market includes all commercial software revenue across all functional markets or market aggregations. For further details, see *IDC's Worldwide Software Taxonomy, 2016* (IDC #US41572216, July 2016).

Bottom-up/company-level data collection for calendar year 2016 began in January 2017, with in-depth vendor surveys and analysis to develop detailed 2016 company models by market, geographic region, and operating environment.

Note: All numbers in this document may not be exact due to rounding.

MARKET DEFINITION

IT operations analytics is a competitive market derived from portions of IDC's event management, performance management, and change and configuration management software functional markets. IT operations analytics builds on big data processing capabilities to provide IT log management, log search and analysis, and related historical and predictive performance and capacity and root cause analytics. The key objective is to optimize IT operational service levels in near real time for production application and infrastructure computing environments. The emerging area of online application and business impact analytics based on APM and related IT operations analytics data is also included.

Principal benefits of IT operations analytics include:

- Avoidance of service interruptions, slowdowns, and outages
- Faster root cause analysis and problem recovery times
- Enhanced system and application performance
- Improved end-user experience
- Increased operational efficiency
- Improved compute resource utilization

Production compute environments include infrastructure, middleware, and applications running in traditional datacenters and fully virtualized infrastructures, as well as public, private, and hybrid cloud environments. IT operations analytics capabilities can be delivered as licensed or subscription software products deployed on-premise or as SaaS public cloud solutions.

For a more detailed discussion of the taxonomy used to develop the market shares shown in this study, refer to *IDC's Worldwide IT Operations Analytics Taxonomy Special Study, 2015* (IDC #259878, October 2015).

RELATED RESEARCH

- *Worldwide IT Operations Analytics Software Forecast, 2016-2020: Special Report* (IDC #US41882716, November 2016)
- *IDC's IT Operations Analytics Customer Survey Results, 2016: Special Report* (IDC #US41799916, September 2016)

- *IDC's Worldwide Software Taxonomy, 2016* (IDC #US41572216, July 2016)
- *IDC's Worldwide IT Operations Analytics Taxonomy Special Study, 2015* (IDC #259878, October 2015)

About IDC

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