



## **Service Providers Account for Growing Share of ICT Spending, Led by Surge of Cloud Infrastructure Spending, According to New IDC Black Book Service Provider Edition**

**FRAMINGHAM, Mass., February 11, 2019** – Information and communications technology (ICT) spending by service providers will reach \$426 billion by 2022, representing average growth of 6% per year, as the ongoing shift from on-premise IT management to the "as-a-service" model continues to gather pace in many regions around the world. Cloud and digital service providers will represent the strongest market opportunities for ICT vendors with overall growth of 9% over the forecast period (\$105 billion in annual spend by 2022), but communications service providers will still represent the largest share of service provider spending (\$254 billion in 2022). Colocation and managed services providers will increase spending by an average of 7% per year, reaching \$67 billion in annual ICT spend by 2022. The ICT spending forecast was published in the first [Worldwide Black Book Service Provider Edition](#) from International Data Corporation (IDC).

Service providers already account for 44% of worldwide spending on core infrastructure technologies (server and storage hardware, enterprise network equipment, and storage/network software). The pace of investments by cloud infrastructure providers is expected to slow in the next few years as supply/demand and supply chains normalize, but service providers will continue to account for a growing share of overall spending as the ICT market shifts to the "as-a-service" model and new digital ecosystems emerge in which digital service providers will play a key role.

"The shift from end-users to service providers in core infrastructure technology markets is a profound shift with deep implications for tech vendors," said [Stephen Minton](#), vice president in IDC's [Customer Insights & Analysis](#) group. "Cloud infrastructure providers, in particular, have led a surge of spending on servers, storage, and system infrastructure software in the past few years. While this will slow over the long term, we expect new digital service providers to pick up the slack in terms of overall ICT spending as new digital ecosystems are created to serve an increasingly digital global economy. For IT vendors, this has major implications in terms of a major shift of spending from end-users to middlemen."

Last year saw a major spending cycle by cloud and digital providers, who increased their share of worldwide spending on core infrastructure technologies from 24% to 28% (from \$39 billion to \$51 billion). Spending on core infrastructure by cloud and digital service providers will

increase at an average rate of 10% per year over the next five years, compared to growth of 3% by commercial end-users.

This shift has been particularly rapid in the United States, where cloud and digital providers already account for 43% of core infrastructure spending and will make up 47% by 2022, with an average growth rate of 8.5% compared to meagre growth of 1% by commercial end-users. Cloud and digital providers account for a smaller share in China (around 25% in 2018) but will increase spending on core infrastructure by 22% over the forecast period. In Western Europe, cloud and digital providers make up only 12% of core infrastructure spend and this will barely change over the forecast period despite growth of around 6% per year on average. This is largely because a major capital spending cycle in 2018 will be followed by much weaker increases over the next few years as service providers in Western Europe take stock and balance their capital spending needs with end-user demand for services in a more scalable manner amidst a cautious economic outlook.

"There is significant variation by region in service provider spending and growth," said Minton. "For example, cloud and digital providers still represent a relatively small share of spending in the Europe, Middle East and Africa (EMEA) region, where they will account for just 11% of core infrastructure spending by 2022; or Canada, where they will make up just 9%. In the U.S., by contrast, cloud and digital providers will represent almost half of all spending on core infrastructure technology by the same year as a result of the phenomenal growth of cloud providers in the U.S. market, which are serving aggressive early adopters of cloud infrastructure and software as a service."

"The implications for ICT vendors are profound," said Minton. "Not only are their traditional customers moving away to a new model for ICT resource procurement, but they are faced with an increasing share of revenue concentrated in a relatively small number of customers. Of course, many ICT vendors are chasing the service provider trend by transforming their own business models accordingly, positioning themselves as service providers with offerings in the cloud space in particular. However, for many of these firms, revenue from these new business opportunities still represents a relatively small share of overall sales, leading to a bumpy transition. Meanwhile, we expect new digital service providers to add significant disruption to the overall market in the next ten years as the global economy shifts into an 'as-a-service' model for B2C transactions in particular."

IDC's [Worldwide Black Book: Service Provider Edition](#) provides a view of ICT spending by Service Providers (Cloud and Digital, Colocation and Managed Services, Communications Services) in comparison with end-user customers (Commercial and Consumer). It covers market sizing and forecasts for all traditional ICT spending, including infrastructure, devices, software, IT services, business services and telecom services. The forecast period covers 2017-2022, and all data is presented in constant currency at average annual exchange rate (Value Constant Annual).

## **About IDC**

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. With more than 1,100 analysts worldwide, IDC offers global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives. Founded in 1964, IDC is a wholly-owned subsidiary of International Data Group (IDG), the world's leading media, data and marketing services company that activates and engages the most influential technology buyers. To learn more about IDC, please visit [www.idc.com](http://www.idc.com). Follow IDC on Twitter at [@IDC](https://twitter.com/IDC) and [LinkedIn](https://www.linkedin.com/company/idc).

## **About IDC**

IDC is the premier global provider of market intelligence, advisory services, and events for the information technology and telecommunications industries. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. Over 775 IDC analysts in 50 countries provide global, regional, and local expertise on technology and industry opportunities and trends. For more than 40 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company. You can learn more about IDC by visiting <http://www.idc.com/>.

IDC is a subsidiary of IDG, the world's leading technology media, research, and events company. Additional information can be found at [www.idc.com](http://www.idc.com).

All product and company names may be trademarks or registered trademarks of their respective holders.

## **For more information contact:**

Michael Shirer  
press@idc.com  
508-935-4200  
Stephen Minton  
sminton@idc.com  
+44 7435 753922