451 Research

Insight

OpenStack-related business revenue to exceed $1bn by 2015 as commercial models evolve

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The three-year-old OpenStack platform announced its Havana release just in time for the next OpenStack Summit, taking place in Hong Kong. In the early days of this open source platform existence, established vendors and startup companies were mainly focused on providing services to design and build private OpenStack environments for devops, which blends development and IT operations for speed, efficiency and other advantages. With OpenStack maturing, there is an increase in enterprise adoption and a corollary rise in vendors deploying supported products and managed services.

At 451 Research, we are tracking the business models within the OpenStack ecosystem and the associated revenue growth. Among the models are: IT services and turnkey products, distributors, devops, service providers, PaaS on OpenStack, OpenStack with other clouds, and network service/equipment providers.

Our Market Monitor service expects total OpenStack-related revenue to eclipse $600m for 2013 and break the $1bn barrier by 2015. While revenue overwhelmingly comes from the service-provider space, an uptick in revenue is expected from all sectors, especially from OpenStack distributors and turnkey products serving primarily enterprises.

OpenStack business models

Service providers, companies that host private and public cloud platforms based fully or in part on the OpenStack architecture and its APIs, provide the majority of OpenStack revenue. We are targeting $486m in 2013 and $680m for this group in 2014. Rackspace alone accounts for approximately 70% of our total OpenStack 2013 market share. As competition increases and more sophisticated users embrace distributors to build their own OpenStack clouds, we are forecasting a decline in Rackspace's overall share. However, by our estimates, the decline in share will not be severe, and we expect Rackspace to represent 65% of the total market in 2014. Among the other service provider are 99Cloud, AMAX Information Technologies (CloudMax), Aptira, Blue Box, Coraid, DreamHost, eNovance, Ensim, Globe Telecom, HP, IBM, Internap, iWeb, KIO Networks, Media Temple (Go Daddy), Newvem (Datapipe), OVH, United Stack, VEXXHOST and VMUnify.

The OpenStack distributors are the next largest sector in terms of overall revenue – $82m by 2014 and $119m by 2015. As they did with Linux throughout the last decade, enterprises are increasingly engaging vendors with a supported version of OpenStack rather than opting to consume the source code directly. There is comfort in knowing a company stands behind a distribution with service-level agreements, and these providers were among the first to field an increasing number of enterprise customer inquiries on OpenStack.

The largest Linux distributors have all announced supported OpenStack distributions. Among this group are Red Hat, SUSE and Canonical, as well as Spanish startup StackOps. All claim that their OpenStack distributions are expecting significant growth. For example, Canonical says its OpenStack-related revenue is a fast-growing revenue stream. For 2014, it has aggressive growth targets, and aims to expand beyond its base of service providers and telcos into other sectors. For their part, both Red Hat and SUSE are aggressively leveraging OpenStack to encourage Linux customers to expand into being cloud computing customers with familiar support and services.

A group of vendors that we categorize as 'IT services and turnkey vendors' expects growth rates of more than 58% in 2014. Among the characteristics of this sector are companies with completely integrated products built on OpenStack, or providing design, installation and managed services. Some also provide training services, where we continue to see enterprise and service-provider demand due to the complexity of

OpenStack deployment and a general lack of experience and expertise with it. The companies we are tracking in this group are Cloudscaling, Cloudwatt, Inktank, Metacloud, Mirantis, Morphlabs, Nebula, Piston Cloud Computing, Scalr and SwiftStack. In total, this group is expected to be $50m in revenue by 2014.

Given that it is viewed as a viable platform for continuous integration, continuous deployment and devops, OpenStack is also leveraged as the IaaS for PaaS. While it is still early on for enterprise and service-provider use of PaaS, there are some OpenStack participants in PaaS worth noting: ActiveState, AppFog (CenturyLink/Savvis), CloudBees, Cloudify/GigaSpaces, dotCloud, Red Hat (OpenShift) and Pivotal (Cloud Foundry). These vendors consistently report that dollars from OpenStack deployments are minimal now, but interest is high – and use, along with revenue, is expected to grow rapidly. We are projecting 52% growth in 2014 and $38m in revenue from these vendors in aggregate for 2014.

The pressure on enterprise organizations to iterate and deploy software and services faster forces a dramatic change in approach – in both process and technology – opening the door for OpenStack. Organizations seeking continuous integration and continuous deployment processes, widely known as devops, view OpenStack as an ideal technology and ecosystem to support it. This sector is less than 4% of the overall OpenStack ecosystem revenue, at $27.6m in 2014, but among the highest growth rates in 2014 and 2015. The key devops vendors 451 Research is tracking here include AnsibleWorks, CFEngine, Opscode, Puppet Labs and Saltstack.

OpenStack with other clouds, whereby vendors support OpenStack alongside other options, such as Amazon Web Services and CloudStack, include Enstratius (Dell), Nimbula (Oracle) and Rightscale. At $17m in aggregate by our 2014 estimates, this group represents the smallest piece of the overall pie. However, as enterprises embrace hybrid clouds and leverage the 'best execution venue' for specific use cases, these vendors are well positioned to help enterprises and SMBs make those decisions. We expect 68% growth from this sector in 2014.

The final group includes AT&T, Arista, Brocade, Cisco, Huawei and Orange. This group of network service providers and equipment vendors are in the early stages of OpenStack deployments. While large global companies with significant revenue streams in general, the percentages of their revenue attributed directly to OpenStack are insignificant at this time.

Market-sizing approach

Our OpenStack market estimate and forecast was derived using a bottom-up analysis of each vendor's current revenue generation and growth prospects. Based on our research, we believe the market is still in the early stages of enterprise use and revenue generation, although we are hearing about more production deployments of OpenStack. We would also highlight that while we are tracking their OpenStack involvement and opportunities, our market-sizing does not include any revenue, at present or in the future, from large OpenStack players that are using the software internally and leveraging it for external offerings not branded as OpenStack. This includes AT&T, Cisco, Dell, Huawei, HP, IBM (outside of SoftLayer) and Intel, most of which are expected to be generating some OpenStack revenue in the near future.

Although we do consider some vendors with integrated hardware, systems and software offerings based on OpenStack, our market-sizing estimate does not include hardware-centric revenue, nor does it include revenue from indirect third-party vendors, such as those in storage or software-defined networking. Instead, we have focused on 58 vendors that provide more direct OpenStack offerings, including products, services and turnkey offerings around OpenStack deployment, different distributions of OpenStack, service providers, automation and devops vendors, and PaaS players.

While we include non-North American vendors in our market-sizing, OpenStack markets are growing significantly around the globe, with vendors in other geographies (particularly APAC) that are not included in our current market-sizing estimates, but may be added in the future.

We would also highlight that, given the relative immaturity of the OpenStack technology and ecosystem, as well as use cases and vendor inclination to report revenue from the project, our market-sizing of OpenStack represents a living study. Thus, we may break out different subsectors or add hardware in future analysis, and we plan to continue our assessment of the OpenStack market size.

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Company: No primary company

Other Companies: 99Cloud, AMAX Information Technologies, Amazon.com, AnsibleWorks, AppFog, Aptira, Arista Networks, AT&T, Amazon Web Services, Blue Box Group, Box.net, Brocade, Canonical, CenturyLink, CFEngine, Cisco, Cloud Foundry, CloudBees, Cloudscaling, CloudStack, Cloudwatt, Coraid, Datapipe, Dell, dotCloud, DreamHost, eNovance, Ensim, enstratius, GigaSpaces, Globe Telecom, The Go Daddy Group, HP, Huawei, IBM, Inktank, Intel, Internap Network Services, iWeb, KIO Networks, Media Temple, Metacloud, Mirantis, Morphlabs, Nebula , Newvem Insight, Nimbula, Opscode, Oracle, Orange, OVH, Piston Cloud Computing, Pivotal, Puppet Labs, Rackspace, Red Hat, RightScale, SaltStack, Savvis , Scalr, SoftLayer Technologies, StackOps, SUSE Linux, SwiftStack , VEXXHOST, VMUnify ,

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