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Workspace services global market trends for 2019: the service provider perspective

Survey shows renewed focus on core markets,
increasing adoption of cloud infrastructure for hosting,
and big moves to deliver new cloud services

Executive summary

Citrix Service Provider partners, who deliver workspace services, saw 2018 as a year of focus and opportunities. Many providers strengthened their attention on core markets and service offerings. And for growth, many providers also pursued new offerings for cloud and collaboration services.

The 2018 survey of global Citrix Service Provider partners contains several takeaways:

- Subscription is increasing at a steady rate.
- Vertical and specialized offerings are the key to future success.
- Content collaboration services are on the rise.
- Cloud adoption is higher than before, but still has room to grow.

This report presents details for the survey findings and insights on how providers can integrate these trends with business plans.

Survey focus and methodology

Workspace service providers want to know: How do our business levels and market focus compare with those of other providers? What types of traditional and new services are helping providers grow their business? Are other service providers using their own infrastructure or the cloud to power the services they offer? Answers to these questions help current and prospective service providers make informed business decisions and effectively design their go-to-market strategies.

These questions were included in a 2018 global survey of Citrix Service Provider partners, conducted by the Citrix Service Provider Center of Excellence. The survey's goal was to gain insights into market status and evolution, and, where possible, compare the results with surveys from previous years. This year's survey generated over 400 responses from partners in the Citrix Service Provider program. Survey responses represented 34 countries, illustrating the global appeal of workspace applications delivered as a service.

The survey covered a range of topics, including:

- Levels of annual revenues and monthly subscriber billings.
- Vertical markets served and number of providers with no market specialty.
- Specific service additions planned in order to promote business growth.
- Status and plans for adopting cloud for both infrastructure and apps.
- Reasons for partnering with and using Citrix.
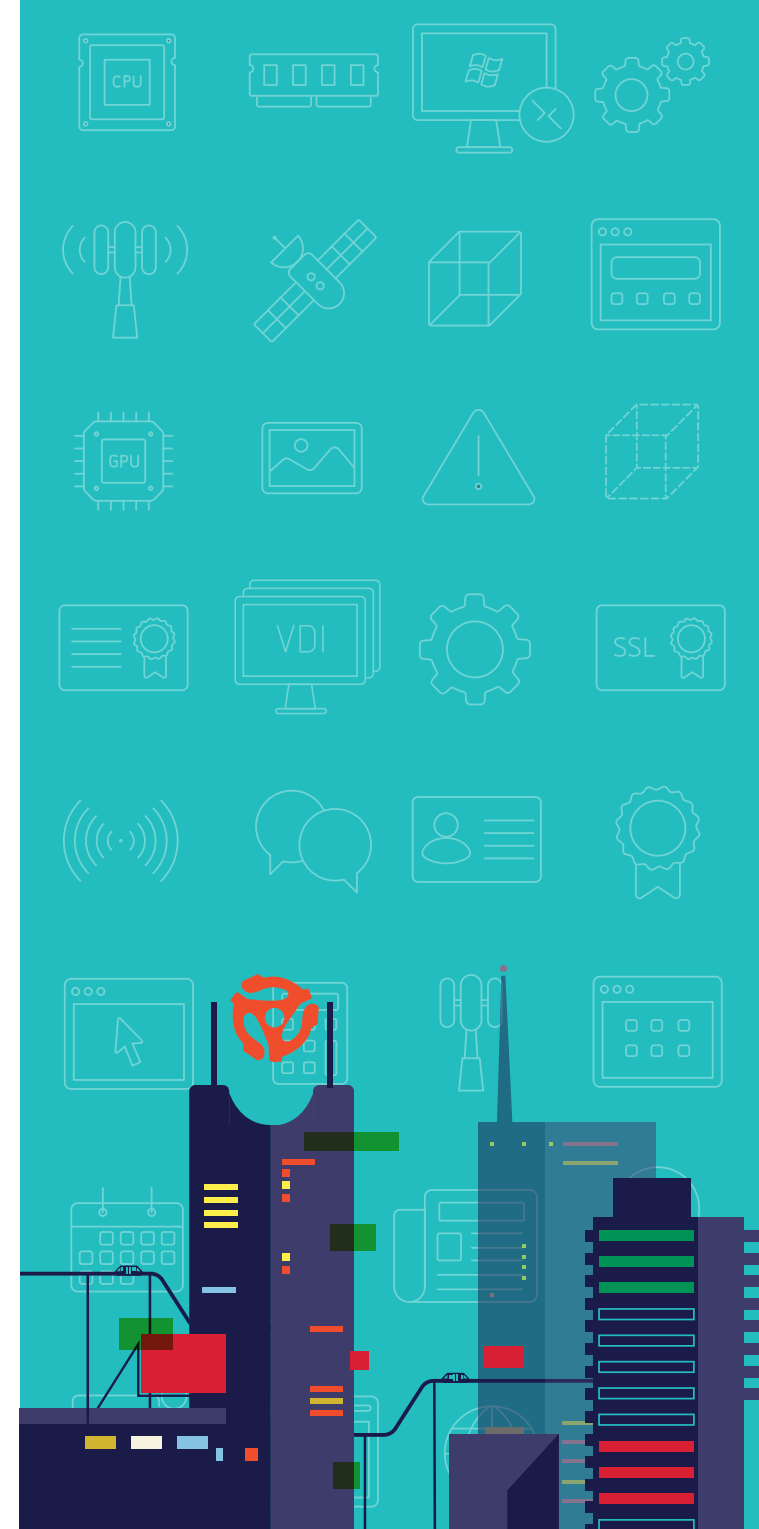
Key findings

Healthy revenues and subscriptions

The 2018 survey asked providers to indicate their annual revenues, customer size and average monthly subscriber billing for Citrix services, as well as their forecast for 2019 revenues. All of these numbers show healthy levels of success.

2018 REVENUES

$250K–$1M	$1M–$3M	$3M–$50M	$50M+
28%	22%	28%	4%

2017 REVENUES: 17% · 16% · 23% · 5%

2019 FORECAST

ANTICIPATING 5%–15% GROWTH	ANTICIPATING 16%–50% GROWTH	ANTICIPATING 50%+ GROWTH
33%	47%	9%

2017 FORECAST FOR 2018: 28% · 37% · 6%

Revenues. Half of Citrix Service Providers report revenues between US $250,000 and $3 million per year for their cloud hosting and managed services business. Within that range, **28 percent reported revenues between $250,000 and $1 million** and 22 percent indicated revenues were between $1 million and $3 million. As a sign of potential opportunity for growth, **28 percent report revenues between $3 million and $50 million**, and 4 percent have revenues above $50 million.
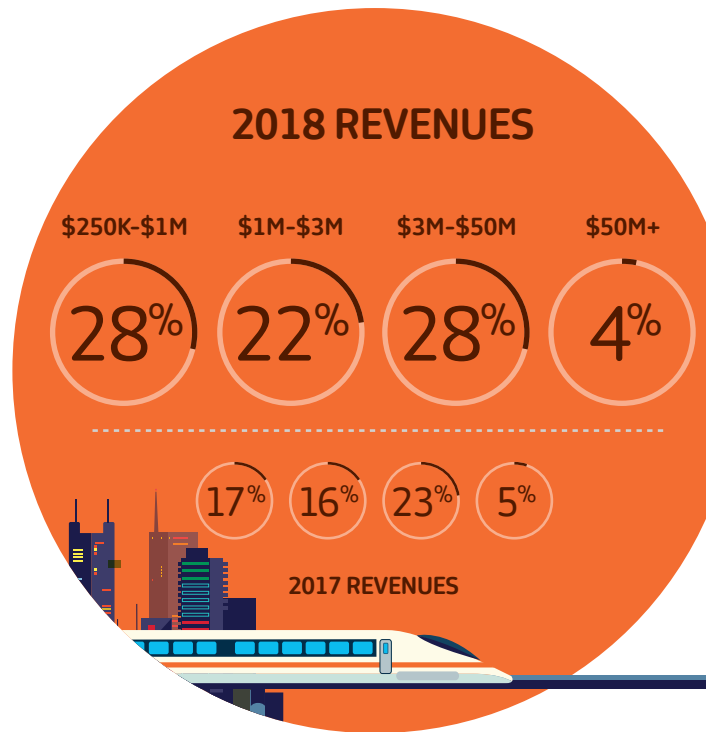
Future revenues. Providers are optimistic about continued revenue growth, with higher expectations across all levels compared to 2017. **Nearly half expect revenues to grow between 16 percent and 50 percent**, while another one-third expect 15 percent growth. Only a small portion of providers (10 percent) expect flat or declining revenue in the coming year.

Subscriber billings. The highest number of providers (56 percent) indicate subscriber billings between $300 and $10,000 monthly. These amounts are significantly higher for some providers, with an additional **18 percent billing up to $50,000 or more monthly**. Consistent with long-term trends, this customer base comes primarily from small businesses, with **72 percent of subscriptions covering fewer than 100 seats**.

Service provider focus on vertical markets

A large majority of service providers say they **specialize in at least one vertical market**. In 2018, the top three markets—**financial services, healthcare, and legal**—all saw a big jump in provider focus from previous years. For example, the percentage of providers specializing in the legal market more than doubled in 2018, while the percentage focusing on financial services and healthcare grew by half.

Citrix Service Providers are maintaining a consistent focus on serving vertical markets with **specialized offerings** and **value-added intellectual property**. This perspective might be eye-opening for the 22 percent of service providers that don't specialize in any vertical market.

Legal
10%

Financial Services
16%

Construction/Architecture
8%

Healthcare
13%

Manufacturing
9%

Service offerings to grow the business

Sustained success as a service provider requires a willingness to regularly review service offerings in light of new technologies and customer trends. The 2018 survey found that the top service offerings planned by providers remained largely consistent with previous years, including:

- **Desktop as a Service (DaaS)** (24 percent of partners). This offering is the **traditional service** of Citrix Service Providers and typically encompasses a **hosted desktop** and Windows-based productivity and line-of-business applications.

- **Complete workspace as a service** (11 percent). This solution combines DaaS with a bundle of applications (Windows, Web, and SaaS) plus mobile device support and file sync and sharing. By delivering much more than just a desktop, providers can **attract customers with a higher value offering**.

- **Enterprise File Share and Sync** (9 percent). This Citrix solution offers an appealing first choice for customers because it has high user demand and a **low barrier to adoption and implementation**. These advantages are also made easier by Citrix Cloud.

- **Networking as a Service** (7 percent). As customers consume more cloud services (e.g., partner services, SaaS apps, moving workloads to the cloud), they will have a growing need for **cloud-based networking** solutions. Citrix networking services provide **security**, improve **performance, and ensure maximum uptime** and reliability.

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24%

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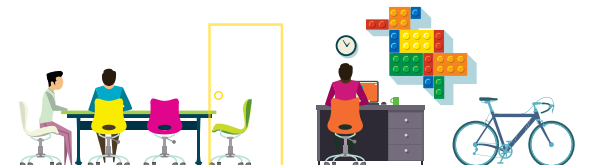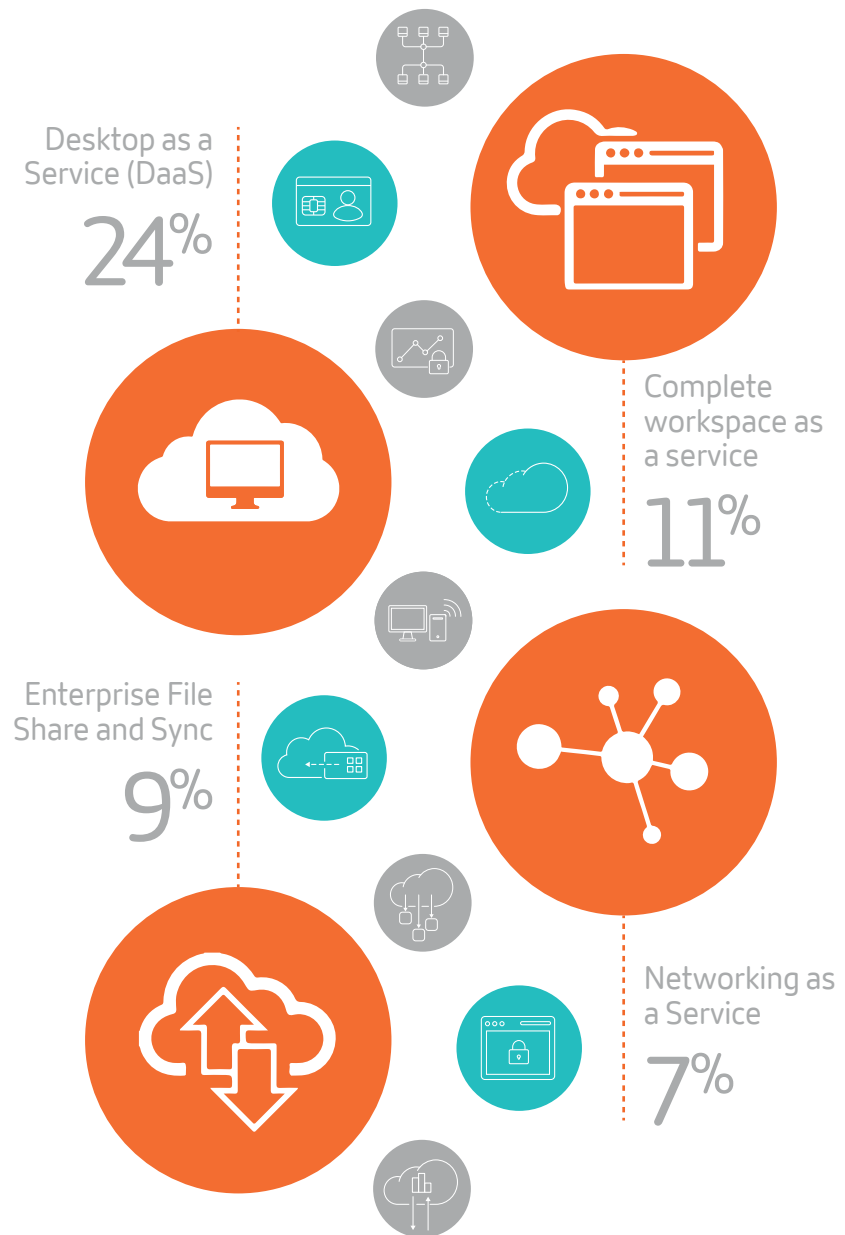
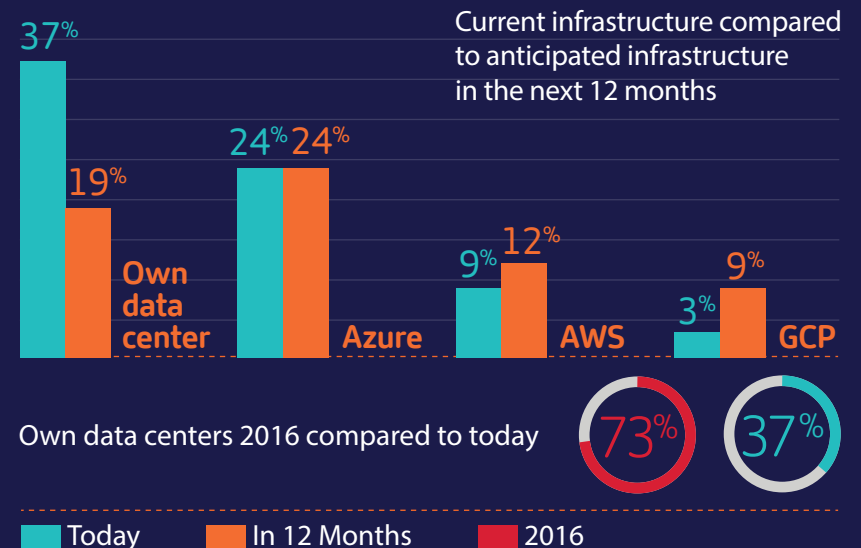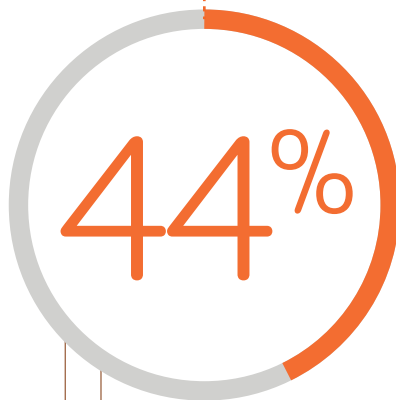## Providers are interested in collaboration services

Customers are looking for solutions to support work done in remote offices and by mobile employees. Two Citrix solutions address these needs: **Citrix SD-WAN and Citrix Content Collaboration**.

Adoption of the Citrix SD-WAN solution was covered for the first time in the 2018 survey. Among providers, 44 percent are interested in SD-WAN, indicating they are still becoming familiar with these virtual WAN services and the benefits they deliver for customers with branch offices and remote work locations.

The Citrix Content Collaboration solution (previously called Citrix ShareFile) is receiving substantially increased interest. The number of providers planning to offer this service grew to 57 percent in 2018, compared to 11 percent in previous years.

Providers interested in SD-WAN

44%

Current infrastructure compared to anticipated infrastructure in the next 12 months

37%
19%
Own data center

24% 24%
Azure

9% 12%
AWS

3% 9%
GCP

Own data centers 2016 compared to today 73% 37%
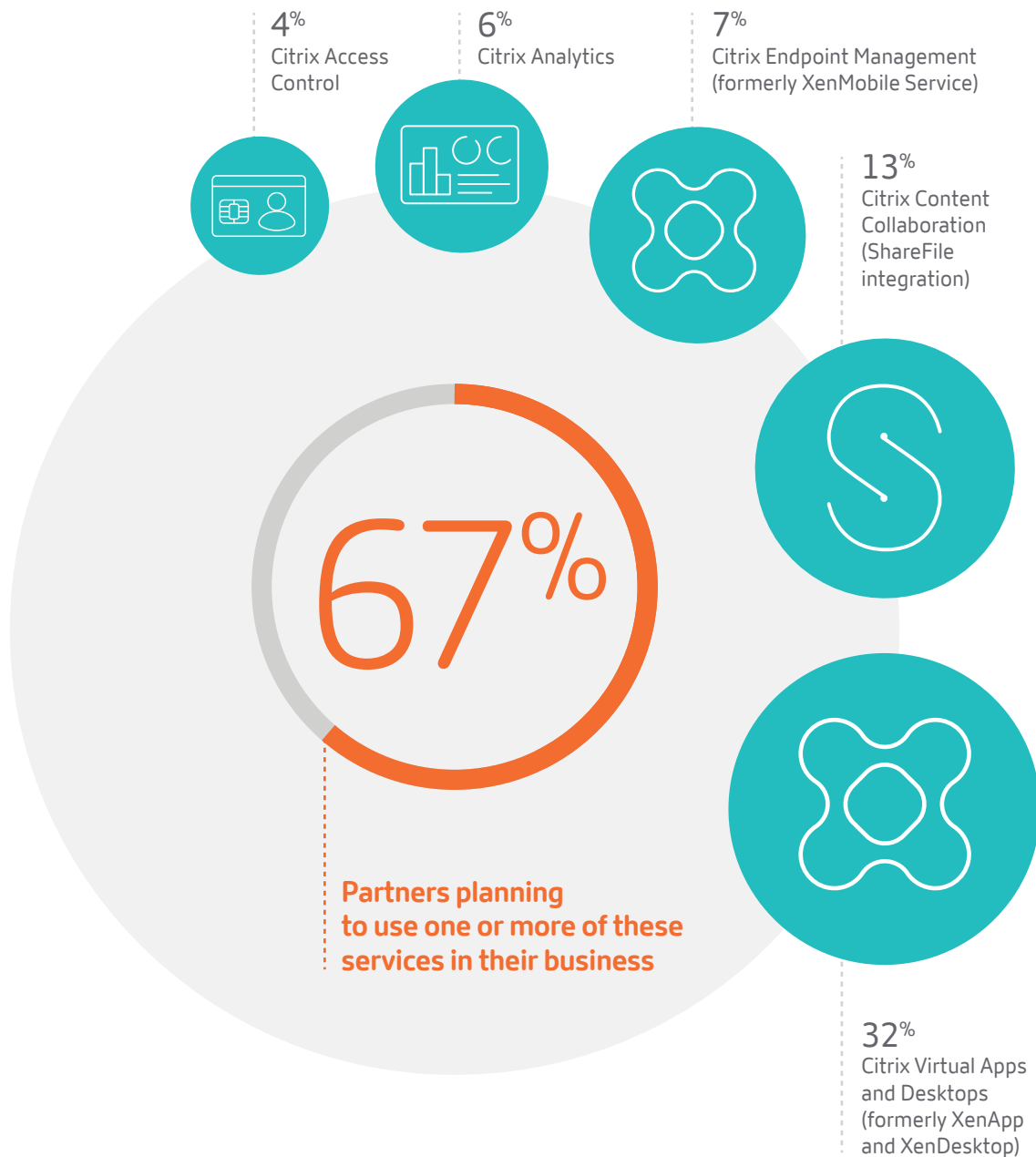
■ Today ■ In 12 Months ■ 2016

Cloud becomes the infrastructure of choice

The shift to using public clouds as the underlying infrastructure for delivering Citrix-powered cloud services gained noticeable momentum in 2018. The Citrix survey responses point to a key sign: Only about one-half of service providers that delivered services from their own data center in 2016 still do so in 2018.

Instead, Citrix partners are delivering services from a public cloud provider's platform—with Microsoft Azure and Amazon Web Services (AWS) still in the lead. For the first time, Google Cloud Platform emerged as a contender for cloud services delivery.

It's interesting to note that cloud usage still has room to grow—most respondents use cloud for less than 25 percent of their infrastructure today.

4%
Citrix Access
Control

6%
Citrix Analytics

7%
Citrix Endpoint Management
(formerly XenMobile Service)

13%
Citrix Content
Collaboration
(ShareFile
integration)

67%

**Partners planning
to use one or more of these
services in their business**

32%
Citrix Virtual Apps
and Desktops
(formerly XenApp
and XenDesktop)

Growing adoption of Citrix Cloud services

Citrix Cloud is being embraced by partners, with 67 percent planning to use one or more of these services in their business. The Citrix Virtual Apps and Desktops service (formerly Citrix XenApp and XenDesktop) shows the highest usage levels, indicating Citrix Service Providers are adopting cloud services for their core business of hosted workspaces.

More providers are also using Citrix Cloud to deliver Citrix Content Collaboration, reflecting the interest of their customers in this cloud-based solution. Content Collaboration is one example of how using Citrix Cloud helps providers take attractive new services to market faster, easier, and with less management complexity.

And for their own business activity, providers see significant value in the ease and time-savings of the free, cloud-based Citrix License Insights (LUI) Service tracking tool. LUI gives providers real-time analytics on their customers' usage of Citrix services in a more accurate and efficient way to report monthly utilization, eliminating the effort and error of manual data-gathering and reporting.

Top reasons for using Citrix technology

Success as a partner is dependent in part on the strengths and offerings of the vendor. In response to the survey question **"Why Citrix?"**, providers listed performance, trust in the brand, subscriber experience, the alignment with Microsoft products, and solution attributes as top reasons. These reasons reflect the value and reputation delivered by Citrix, which also reflect positively on Citrix Service Provider partners.

BEST PERFORMANCE

WELL-TRUSTED BRAND

END USER (SUBSCRIBER) EXPERIENCE

MOST COST EFFECTIVE WAY TO DELIVER SOLUTION

MICROSOFT ALIGNMENT

Implications and trends for service providers

The 2018 Citrix survey points to several interesting trends and implications for service providers to consider.

An attractive market. The workspace services market is global, robust, and offers the potential to grow a provider's subscriber base and overall revenue.

Content Collaboration offers strong opportunities. As work becomes more mobile and remote, providers will find new opportunities to serve customers with Citrix Content Collaboration for secure file sharing and managing document workflows.

Cloud infrastructure and services are here to stay. Growth in cloud utilization will continue. Service providers will increasingly adopt cloud infrastructure as the platform for delivering services and customers will look to cloud as the source of workspace applications.

Serving vertical markets is a beneficial business strategy. Virtual workspaces and related services have a consistent appeal across a broad range of vertical markets. Providers specialize in selected markets in order to limit competition and preserve their unique value and margins.

About the Citrix Service Provider program

Why partner with Citrix?

Customer appetite for workspace services is growing, but the market is still wide open. Citrix helps hosted service providers capture this opportunity with cloud-based subscription services and turnkey sales and marketing resources. Customers want the trusted, award-winning Citrix solutions for workspace and mobile productivity, Content Collaboration, and networking solutions—all capable of being delivered from the Citrix cloud or the partner's choice of platform or infrastructure.

Providers also value their partnership with Citrix—9 out of 10 would recommend the Citrix Service Provider program to their peers. Learn more about becoming a Citrix Service Provider Partner at www.citrix.com/csp.

About Citrix

Citrix (NASDAQ:CTXS) is powering a better way to work with unified workspace, networking, and analytics solutions that help organizations unlock innovation, engage customers, and boost productivity, without sacrificing security. With Citrix, users get a seamless work experience and IT has a unified platform to secure, manage, and monitor diverse technologies in complex cloud environments. Citrix solutions are in use by more than 400,000 organizations including 99 percent of the Fortune 100 and 98 percent of the Fortune 500.

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Learn more at www.citrix.com/csp