

# 2015 Desktops-as-a-Service global market trends: The service provider perspective

Survey uncovers new trends in market growth, vertical markets, and infrastructure adoption from the service providers who are delivering Desktops-as-a-Service.

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Today, organizations from small businesses to the largest enterprises are outsourcing IT services, from software to infrastructure, to the desktop environments on our PCs and mobile devices. While Software-as-a-Service (SaaS) and Infrastructure-as-a-Service (IaaS) have evolved into maturing markets worth billions, the market for Desktops-as-a-Service (DaaS) is still emerging and developing as a market.

Customers and hosted service providers want to know: Is the market for DaaS growing? Should service providers specialize in a specific vertical market, or consider introducing services with broader, but less specialized appeal that compete on price? Are others successfully delivering services from the cloud, or is it better for service providers to build their own infrastructure?

In Q2 2015, the Citrix Service Provider Center of Excellence conducted a global survey of these service providers to gain insights into the evolution of this emerging market, and where possible, compare the results with surveys from previous years. The study generated responses from more than 500 Citrix Service Providers located in 40 countries around the world.

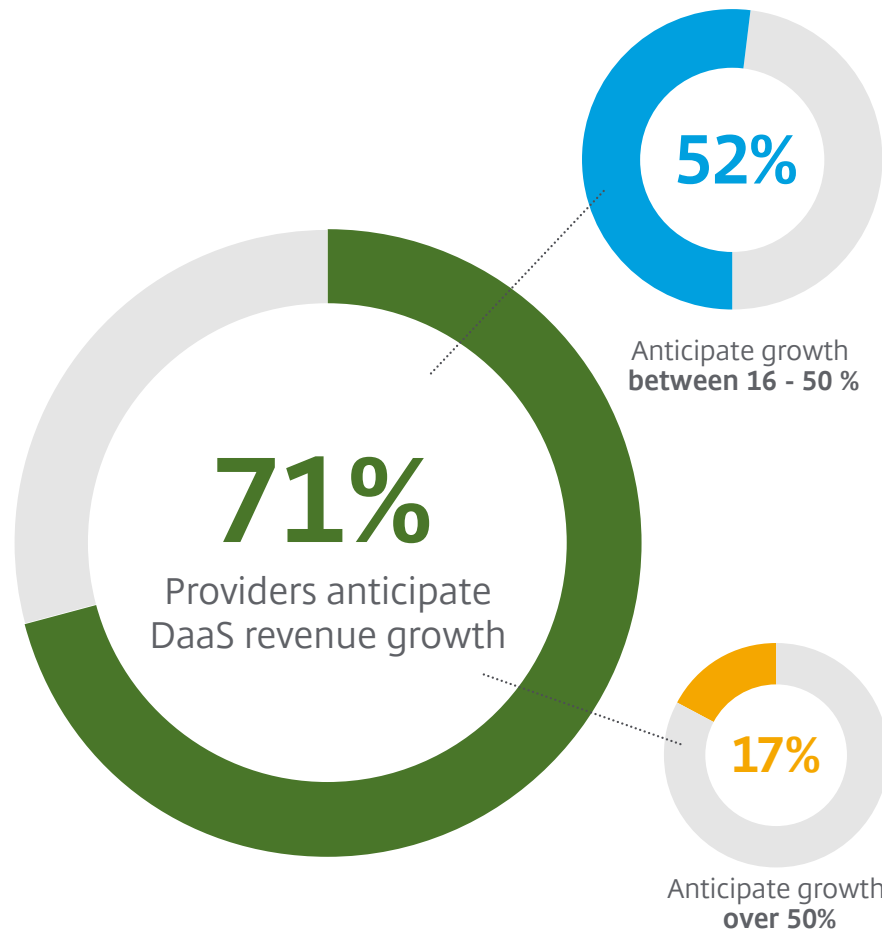
The survey covered a range of questions, including:

- What magnitude of revenue growth do service providers anticipate?
- Which vertical markets are embracing DaaS?
- Is DaaS demand strongest among small, medium or large organizations?
- Are service providers building and using their own IT infrastructure to deliver DaaS and to what degree are they using major cloud IaaS providers?
- Which hypervisor- or hypervisors - are DaaS providers using?

**Do service providers expect DaaS revenue to grow?**

While Citrix in FY2014 earnings reported 50 percent year-over-year growth in the number of DaaS seats delivered by Citrix Service Providers\*, how many of those providers anticipate growth in the coming year? The survey asked the following question:

What do you anticipate for DaaS revenue growth over the next 12 months?



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The vast majority of respondents – 71 percent – anticipated DaaS revenue growth. In fact, 52 percent projecting growth to range between 16 and 50 percent, with 17 percent of the respondents projecting revenue growth to exceed 50 percent.

*“The Citrix Service Provider program is one of the fastest growing businesses within our cloud portfolio for service providers. We see an expanding growth rate of actually 55% YoY in 2015. Based on the economic advantages, the acceptance of providing XenApp and XenDesktop as a service at the customers’ side is increasing as well. Right now there are hundreds of Citrix Service Providers in the DACH region working with ADN to grow their business.”*

**Udo Schillings**, CMO, Advanced Digital Network Distribution GmbH (ADN), Bochum, Germany

*“We are seeing growing demand from companies wanting their full suite of applications available to them from any place and from any device, not just their email and a browser. Clients need a great choice of next generation services to help their employees be productive and mobile, while keeping their data secure. We are providing a wide range of outsourced IT Services to thousands of customers and we leverage Citrix technology at the heart of our cloud portfolio. Citrix provides great tools for us to deliver these kinds of services.”*

**Nick Pegley**, VP of Marketing, All Covered, IT Services from Konica Minolta, Ramsey, New Jersey, USA

*“The customer demand for the always on, always available, always secure working environment is steadily growing. And when an end user experiences the ease of taking her desktop and apps wherever she goes, executive leadership takes notice especially as it relates to productivity increases and competitive advantages. In 2016, mindSHIFT expects to see more opportunities for bundling with our mobility offerings.”*

**Archie Seale**, VP of Product and Marketing, mindSHIFT, Sterling, Virginia, USA

### **Which vertical markets use DaaS?**

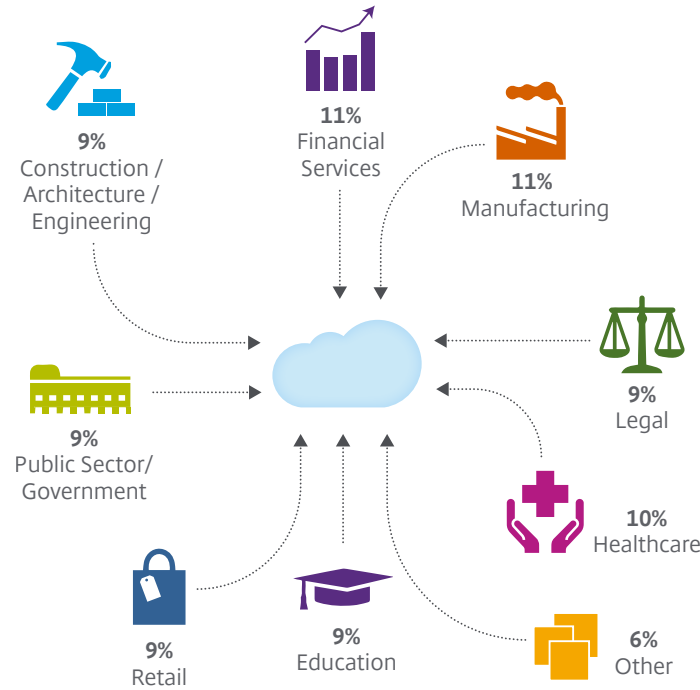
As the 2014 DaaS Market Report indicated, many service providers are avoiding offering commodity desktops, in favor of offering business-ready services which are optimized for specific vertical markets. This specialization allows them to provide higher-value services to their customers, increase customer loyalty, and increase their margins.

*“Providing technology solutions to CPA firms is challenging. Public accounting has a complicated workflow and is subject to tax laws that are constantly changing. A typical company might use 60 different applications that require specialized backends and database servers. A commoditized approach isn’t the answer.”*

**Roy Keely**, VP of Market Strategy, Xcentric, Atlanta, Georgia, USA

To determine which vertical markets are embracing DaaS and hosted workspaces, the survey asked respondents to:

Please select your primary vertical specialty and any other vertical specialties.



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*“Focusing on a specific vertical market allows us to become the experts in our vertical and therefore bring greater value to our clients than a non-specialized alternative provider. Being valued higher creates better customer loyalty and better value also relates to higher revenue.”*

**Byron Patrick**, CEO, Simplified Innovations, Baltimore, Maryland, USA

The largest number of service providers who responded listed manufacturing, financial services, retail, healthcare, legal and government as the vertical markets they served. While no one vertical market dominated, one sector that stood out compared to previous surveys was manufacturing, which was positioned fifth in the 2011 survey, was ranked third in the 2014 survey and rose to the top in the 2015 responses. The growth of manufacturing as a DaaS vertical is a keen indicator of new trends in the vertical market ranking, which is usually dominated by healthcare and financial services.

Yet along with manufacturing, additional verticals gained ground relative to the strong DaaS vertical markets in previous surveys. The sectors showing the strongest relative growth included retail, construction, and agriculture. Considering the relatively early stages of the DaaS market overall, this broadening of target vertical markets may indicate that providers are maturing in their ability to specialize in new markets, where they may face minimal competition.

### **Driving growth with diverse hosted workspace offerings**

Service providers are looking to expand beyond the services they offered just one or two years ago. The 2015 survey saw continued trends toward growth in hosted mobility, hosted multi-tenant file share and sync and an interest in offering networking as part of a hosted service. Consulting and professional services around hosted offerings is also a strong trend.

More and more, service providers are reporting demand for a complete Desktops-as-a-Service approach- a workspace that includes apps, desktops, file sharing and mobility.

*“In a world where our office is increasingly the one square meter around our body, a shift in language and mindset from Desktop to Workspace is a critical factor in delivering differentiated services. Successful partners are taking a whole of business approach that addresses both the technology and wider business outcomes. It is conversations about ‘Business Continuity versus backup’, ‘IP protection versus end point security’ or ‘Enterprise device management versus PC support’. They are also focused on the needs of the individual role within the context of an industry vertical.*”

**Stephen Parker**, VP Market Research, rhipc, Melbourne, Victoria, Australia

A notable response was the continued success of hosting applications. Some service providers host apps delivered to diverse devices. Other service providers align with ISVs to provide as-a-Service capabilities through Citrix hosted offerings. In other cases, ISVs like Carestream Dental function as the service provider working with Citrix hosting technologies to provide the as-as-Service opportunity to their subscribers.

*“At Carestream Dental, we provide industry-leading practice management software and imaging equipment that help oral health professionals achieve the best possible patient outcomes. We use the Citrix platform to offer a suite of hosted practice management software. Knowing that many of our customers are dental practices with fewer than 20 total staff members, offering a service that alleviates much of the IT infrastructure worry from the practice is extremely valuable. Over the course of the year, a dental practice could save days’ worth of time normally spent managing their own IT; that saved time can instead be spent with their patients providing better care.*

*Using Citrix as the backbone of our cloud software solution provides us with a rock solid infrastructure and deployment method, making it easy to manage thousands of users at any given time. The service integrates well within our tier four datacenter and provides us multiple tools to easily spin up servers for new customers and run updates to existing customers as needed.”*

**Matt Ackerman**, Senior Product Line Manager, Carestream Dental, Atlanta, Georgia, USA

Some Citrix Service Providers see opportunity in hosting apps that can be delivered to a variety of mobile devices , so people can access their apps on their preferred smartphone or tablet.

*“As users have become more comfortable navigating to the apps they want on their various mobile devices, they are looking for that same type of user experience in their hosted environment. TekLinks is seeing that customers are now wanting us to host their app and stream that to their device of choice. Hosting applications allows us to utilize our resources more efficiently, license software more accurately, and drive the experience the customer needs. None of this would be possible without our relationship with Citrix and the robust tools they provide us to deliver solutions that meet the customer’s requests.”*

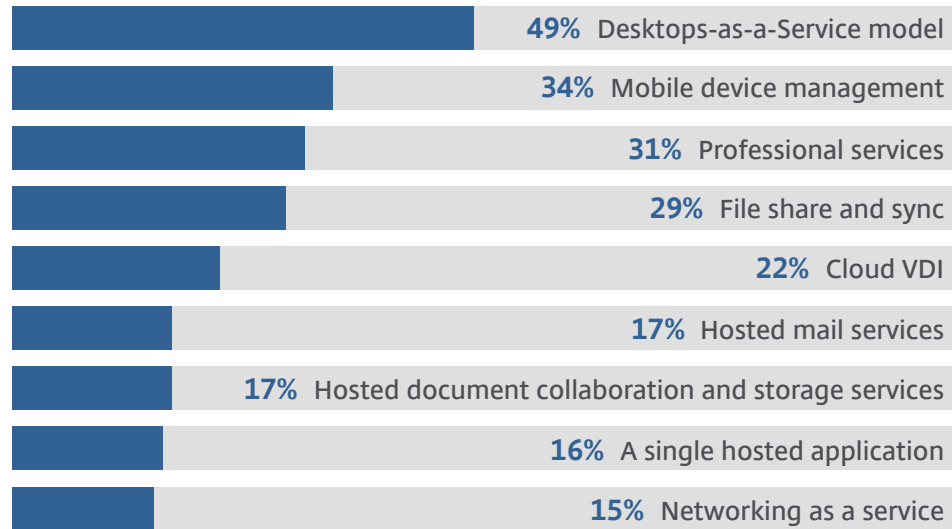
**David Powell**, Vice President of Managed and Cloud Services, TekLinks, Birmingham, Alabama, USA

A secure, consistent and high-quality experience was reported as a benefit for service providers, whether delivering hosted applications or a complete workspace.

*“Building designers and engineers are under pressure to reduce costs and make their workers more efficient. As such the workers are demanding a more flexible approach to how, where and when they work. Desktops-as-a-Service now enables their 3D design and building management applications to be accessible in real-time in any worldwide location. At the same time, it addresses issues such as version control, IP leakage, time lost due to transfer of large files and team scaling including external resources.”*

**Dan Wright**, Managing Director, Regional IT, Newcastle, New South Wales, Australia

In the next 12 months, what service(s) are you planning to add in order to grow your business?



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Also notable is the addition of networking as a service – an area that service providers are rapidly exploring today and a number that may grow in future surveys.

*“Our success in hosted apps and desktops continues to out-pace our former lines of business. A key differentiator to success is the addition of networking solutions to our expanded offering – giving customers the flexibility and security required in today’s cloud solutions market.”*

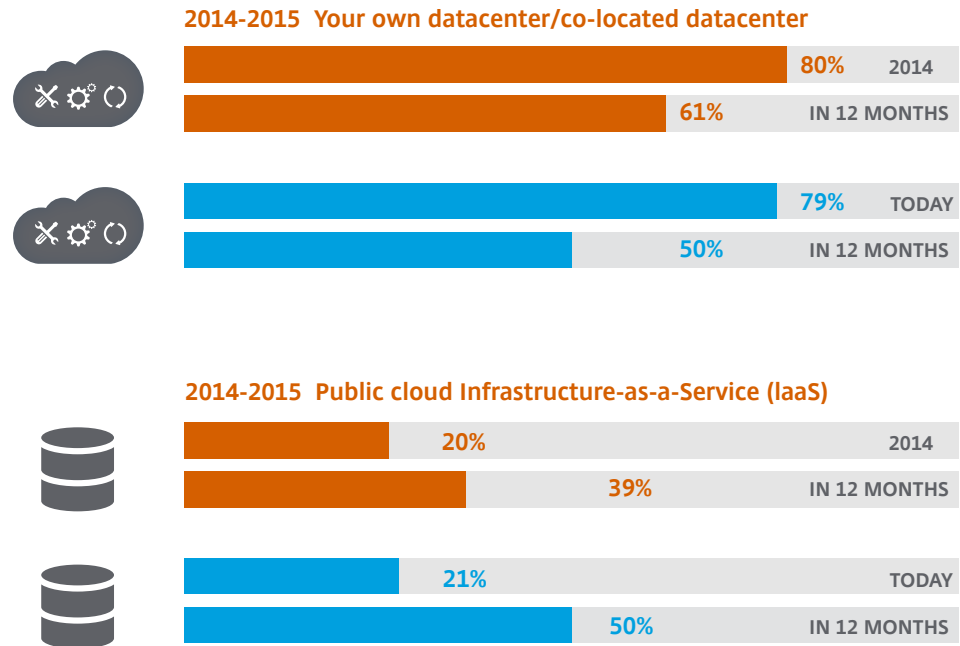
**Paul Kunze**, Vice President, Sales and Marketing, IntraSystems, Braintree, Massachusetts, USA

### Which infrastructure model and hypervisors and infrastructure vendors are preferred by DaaS providers?

Clearly DaaS subscribers are embracing the concept of outsourcing applications and desktop management and delivery rather than managing it in-house. But are DaaS service providers outsourcing IT infrastructure, or are they building and maintaining their own on-premises? Based on the continued growth of public cloud Infrastructure-as-a-Service (IaaS), are service providers embracing (IaaS) as an infrastructure?

To clarify current infrastructure trends among service providers, the survey asked:

What infrastructure model do you use or plan to use to deliver services?



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When comparing the current deployments between 2014 and 2015, the overwhelming majority currently use either their own datacenters or co-located datacenter facilities to deliver DaaS and other services, though some providers either use or plan to use public cloud IaaS. Yet the responses for what service providers plan in 12 months show a definite trend toward shifting to a cloud-based infrastructure. In 2014, respondents indicated plans to begin a shift to cloud IaaS, and the 2015 results demonstrate even more optimism toward a move to cloud-based resources.

At the same time, it is clear that the anticipated move to the cloud has been delayed at best, and those findings speak to caution on the part of service providers, and the potential that cloud migrations are not moving as quickly as anticipated. Yet the trend clearly indicates a shift in the service provider mindset toward embracing IaaS.

*“The flexibility offered by public cloud services is legitimately unparalleled: businesses large, small, and growing can now scale their IT to their precise operational needs – and if these change at a moment’s notice, they can scale it upwards or downwards accordingly at minimal cost. That’s why at iFollowOffice, we are able to offer the most cost effective cloud desktops on the market.*

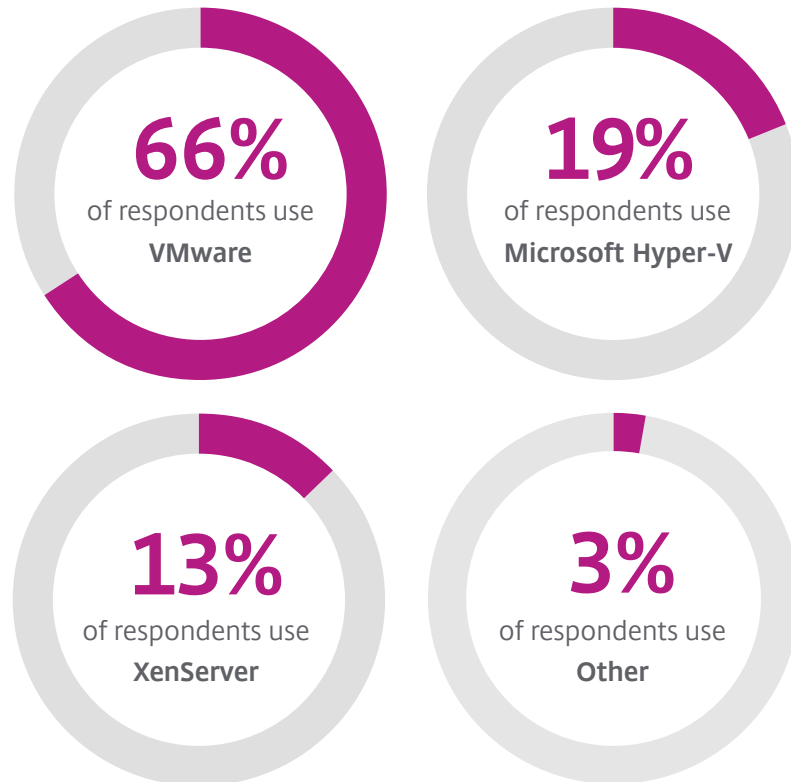
*In the last few years, public cloud has over delivered on its early promise; public perception needs to catch up with it because it is revolutionising the way we work.”*

**Chris Coupe**, Business Development Director, iFollowOffice, London, UK



Because previous surveys had indicated that service providers used more than one hypervisor, as well as other IT infrastructure hardware and software, the 2015 questionnaire asked respondents which hypervisor they used, along with their preferred vendor for other core elements related to delivering Desktops-as-a-Service, leading to the following question that had appeared in the 2014 survey.

### Which hypervisor do you primarily use?



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More than half of respondents – 66 percent - use VMware ESX, while 19 percent use Microsoft Hyper-V and 13 percent use XenServer as their hypervisor. In addition, a few respondents mentioned other hypervisors, including Red Hat Enterprise Hypervisor and Open Source Xen. While the VMware hypervisor remains popular, it is noteworthy that service providers are exploring other hypervisor options, elevating the importance of allowing service providers to choose the infrastructure and hypervisor that best suits the needs of their customized, business-ready DaaS offerings.

Service providers who use their own datacenter or co-located IT infrastructure also used a range of technology vendors for network hardware, computing and storage. Respondents highlighted networking infrastructure from Cisco, HP and Dell, along with servers from Cisco, Dell, HP and IBM. Storage infrastructure vendors mentioned included EMC, HP, NetApp, IBM, Dell and Cisco.

### A look ahead at the worldwide DaaS market

Looking at the service provider ecosystem, a number of trends can be concluded and implied:

- **Global appeal:** The fact that survey respondents hailed from 40 countries illustrates how DaaS has become a global market.
- **Healthy optimism for the growth potential of the DaaS market:** The survey showed a strong majority of service providers anticipate strong DaaS market growth over the next 12 months.
- **Vertical market appeal:** DaaS has ever-growing appeal to a broad range of vertical markets. Compared to the previous year, service providers expanded the list of vertical market specialties. While the survey respondents specialize in markets ranging from healthcare to manufacturing to financial services to construction, most specialize in their respective vertical markets to limit competition and preserve their unique value and margins.
- **Importance of infrastructure choice:** From an infrastructure perspective, DaaS providers currently prefer delivering DaaS from their own datacenters or co-location facilities, where they have the greatest control over the infrastructure. Yet a significant percentage of providers were clearly planning to shift to cloud-based infrastructure in the next 12 months, indicating a strong trend towards the cloud that is in the early stages. At the same time, DaaS service providers prefer to choose their hypervisor, with no single brand dominating.

Based on the survey responses, the news regarding growth in the Desktops-as-a-Service market is backed by service providers who see potential revenues rising. As the year continues, new projections will emerge. Continued measurement of the Desktops-as-a-Service industry – and the services provided in the hosting arena – will show which predictions are most on the mark.

<sup>1</sup> Citrix FY 2014 Earnings: 50 percent year over year growth in the subscription business.

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