

# Microsoft Azure Services State of the Market 2023: Catalyzing Enterprise Transformation with Azure Cloud Services

September 2023: Complimentary Abstract / Table of Contents



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# Contents

<b>1. Introduction and overview</b>	<b>4</b>
• Research methodology	5
• Background of the research	6
• Everest Group Microsoft Azure services market definition	7
<b>2. Microsoft Azure cloud services market overview</b>	<b>8</b>
• Growth of Microsoft Azure cloud	9
• Adoption of Microsoft Azure cloud services by geography	10
• Adoption of Microsoft Azure cloud services by industry	11
• Microsoft Azure portfolio segment-wise market split	12
• Enterprises struggle with Microsoft Azure	13
<b>3. Microsoft Azure cloud services engagement characteristics</b>	<b>14</b>
• Microsoft Azure cloud services engagement market split across value chain	15
• Delivery coverage of Microsoft Azure cloud services engagements	16
• Talent availability in Microsoft Azure cloud services engagements	17
• System Integration (SI) Key Performance Indicators (KPIs) for Microsoft Azure cloud services engagements	18
<b>4. Enterprises transformation with Microsoft Azure</b>	<b>19</b>
• Enterprises demand themes	20
• Microsoft Azure differentiators and enablers	21
– Deep dive into differentiators	22
– Deep dive into enablers	32
<b>5. Appendix</b>	<b>36</b>
• Glossary	37
• Research calendar	38

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## Background of the research

The adoption of Microsoft Azure has emerged as a formidable contender to Amazon Web Services (AWS), capturing the attention of enterprises across various sectors and sizes. Azure's robust and adaptable platform empowers businesses to not only develop and implement their cloud-based applications and services but also extract the maximum value from them, fostering the creation of a sustainable business framework. It offers an extensive range of services tailored to meet diverse industry-specific needs and portfolio segments. From an enterprise perspective, Microsoft Azure's focus on innovation, collaborative partnerships, and continuous investment in cutting-edge technologies, such as data engineering and Generative AI, further solidify its position. Due to its high level of preference among enterprises, System Integrators are proactively investing in an industry cloud-focused joint go-to-market approach, creating Azure-specific organizational structures, developing Azure-focused solutions and IPs, and participating in co-innovation activities to meet the increasing demands.

In this report, we present an outlook on the current state of the market of global Microsoft Azure services' market trends and growth. The analysis is based on Everest Group's annual Request for Information (RFI) process, interactions with leading cloud service providers, client reference checks, enterprise interactions, and ongoing analysis of the Microsoft Azure cloud services market. This report looks at:

- Microsoft Azure cloud services adoption trends and market dynamics
- Microsoft Azure cloud services deal characteristics
- Top differentiators driving enterprise traction for Microsoft Azure
- Enablers for transformation on Microsoft Azure

### Scope of this report



**Geography**  
Global



**Industry**  
All industries



**Services**  
Azure services

## Overview and abbreviated summary of key messages

This report provides an overview of the Microsoft Azure cloud services market, including trends, demand drivers, and key enterprise concerns. It also outlines the characteristics of Microsoft Azure services engagement and deep-dives into top enterprise demand, along with key enablers to gain most out of enterprise Microsoft Azure adoption

Some of the findings in this report, among others, are:

### Global Microsoft Azure cloud services market

- Enterprises prefer Azure for its focus on innovation, strategic partnerships, and cutting-edge technologies, such as data engineering and generative AI, enhancing its reputation as a reliable and forward-thinking cloud solution
- North America is the largest consumer of Microsoft Azure services, with Europe and the UK closely following suit
- Although Azure platform-focused services have garnered substantial interest from enterprises in the recent past, the next phase of growth is fueled by data and the next-generation-focused segments

### Microsoft Azure cloud services engagement characteristics

- Cloud operation and modernization services account for over two-third of enterprise's spend on cloud as they increasingly prioritize their journey in the cloud
- Enterprises highlight the lack of value being delivered, deficiency in domain expertise, inadequate talent management, and lack of robust account management capabilities as challenges during Microsoft Azure services engagements

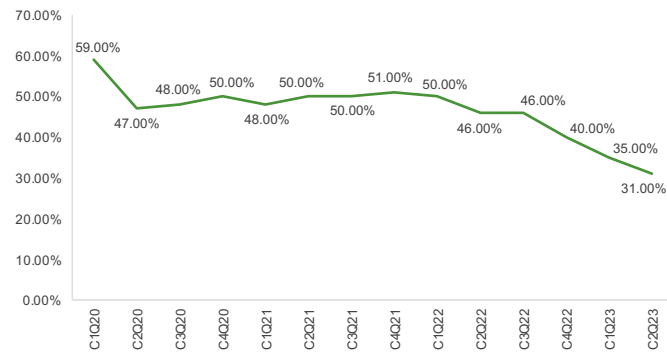
### Gaining the most out of your Microsoft Azure cloud adoption

- The top demands on Microsoft Azure from enterprises are services and products that have a substantial market impact and contribute to value creation
- Enterprises' differentiated demand themes require focused enablers for effective adoption of Microsoft Azure

# This study offers three distinct chapters providing a deep dive into key aspects of cloud and infrastructure services market; below are four charts to illustrate the depth of the report

## Global Microsoft Azure cloud services market size, growth rate, and adoption drivers

Overall revenue growth in % (YoY): Azure



- The downward trend in Azure cloud revenue does not rightly reflect the decline in demand for Azure cloud services or cloud services in general. Instead, it demonstrates the impact of macroeconomic conditions on the decision-making processes of enterprises
- Despite the cooling market, Microsoft thrives by fostering long-term loyalty with clients and delivering satisfactory value from their tech investments
- Earlier, enterprises' digital transformation funding was rampant. However, from mid-2022, they have begun making conscious efforts to optimize their investments by focusing on extracting the maximum value from existing cloud services
- Azure has still maintained its position as the second most-preferred cloud provider for enterprises as the fundamental reason for shifting to the cloud continues to be cost optimization
- Digital transformation at scale for sustainable resilience is now at the center of enterprise investments

## Microsoft Azure cloud services market size – by geography

Microsoft Azure cloud services market size – by geography 2022; US\$ billion; 100% = US\$37.05 billion

EVEREST GROUP ESTIMATES

51%	27%	10%	8%	4%
North America	Continental Europe	United Kingdom and Ireland (UKI)	Asia Pacific	Rest of the World (RoW)
Enterprises in this region focus on innovation and modernization; Azure's investment in AI and data analytics helps in driving growth by empowering businesses with advanced insights, intelligent decision-making capabilities, and optimized processes.	Azure's commitment to adhering to the EU Cloud Code of Conduct (CoC) provides its customers with a high level of assurance through rigorous controls, tangible evidence, and thorough verification processes. This ensures that Azure maintains a trusted position in the European market where there are strong sentiments for data sovereignty and data protection.	Azure invested in data centers, certification programs, and in data sovereignty plans to keep up with the upsurge in cloud transformation and modernization for business continuity and disaster protection while meeting in-country data residency requirements.	The surge in cloud demand is fueled by a flourishing start-up scene and forward-thinking regulators. The Asian market has long been a powerhouse for public cloud services, and Azure is actively bolstering this demand by making significant investments in cloud infrastructure across the region.	Azure meets surging cloud demand in LATAM, the Middle East, and select African countries, enhancing global competitiveness and local market strength with strategic moves, infrastructure investments, and government support.

## Microsoft Azure cloud services market split across value chain

Microsoft Azure Cloud services market split across value chain Revenue %, 2022, 100% = US\$37.05 billion

### Cloud consumption themes

#### Cloud modernization

- Framing roadmap for accelerated modernization of workloads
- Implementing application migration, containerization, optimized data storage, and serverless computing
- Leveraging cloud-based products/services for the next-generation technology adoption

34% of the spend value

#### Managed services

- Azure cloud environment monitoring and management covering configuration, performance, cost optimization, security, compliance, capacity, financials, and governance
- Upgrades, security patching, and product enhancements

33% of the spend value

#### Infrastructure design/build

- Strategizing framework for allocating Virtual Machines (VMs), networks, security guidelines, and embedding automation
- Technical, functional, and configuration design
- Building automation scripts to enhance continuity and productivity

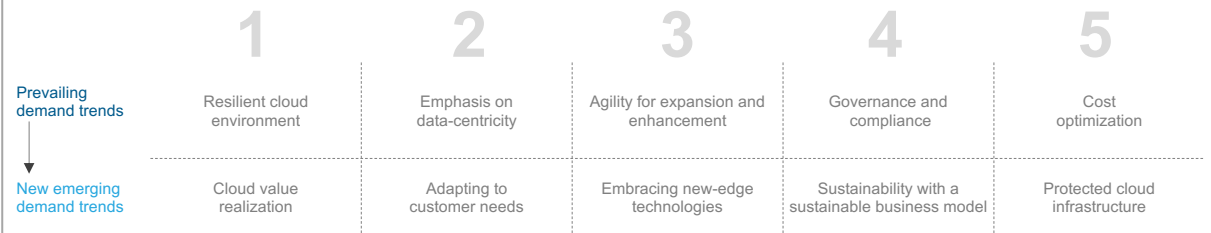
19% of the spend value

#### Cloud advisory/consulting

- Analyzing and prioritizing modernization opportunities with increasing IT and cloud complexity
- Strategizing on maximizing cloud value with existing cloud investment
- Managing sustainability and data sovereignty demands across regions

14% of the spend value

## Top enterprise demands on Microsoft Azure cloud



- Azure has emerged as the preferred choice for enterprises relying on data and applications. However, during migration to the cloud, the business value may be compromised, particularly if companies solely prioritize operational efficiency and cost reduction goals. Nowadays, enterprises are keenly aware of the value that cloud adoption can generate. Consequently, Azure is making investments to enhance its operational efficiency and prioritize the overall business growth and expansion of enterprises, thereby impacting both the top and bottom lines
- Microsoft has a significant footprint in large enterprises across operating systems, databases, exchange, virtualization, cloud data center, and integration. Azure's robust hybrid cloud capabilities make it convenient for enterprises to embark on their cloud journeys, facilitating smooth migrations of incremental and new workloads with minimal disruption

# Research calendar

## Cloud and Infrastructure Services

■ Published
 ■ Planned
 ■ Current release

Reports title	Release date
Cloud Services State of the Market: Maximizing Value from Cloud – North America	December 2022
Cloud Services State of the Market: Maximizing Value from Cloud – Europe	December 2022
Network Transformation Services PEAK Matrix® Assessment - Communication Services Providers (CSPs) 2023	December 2022
Network Transformation Services Provider Compendium – Communication Service Providers (CSPs) 2023	January 2023
Cloud Adoption in Banking: Imperative Role of Hyperscalers	July 2023
Navigating the Cloudscape: Unveiling Enterprise Adoption of Google Cloud Services	July 2023
Cloud Services PEAK Matrix® Assessment 2023 – North America	July 2023
Navigating the Cloudscape: Unveiling Enterprise Adoption of Google Cloud Services	July 2023
AWS Services State of the Market 2023: Enabling Enterprise Transformation with AWS	August 2023
Network Transformation and Managed Services PEAK Matrix® Assessment – System Integrators 2023	August 2023
<b>Microsoft Azure Services State of the Market 2023: Catalyzing Enterprise Transformation with Azure Cloud Services</b>	<b>September 2023</b>
Cloud Services PEAK Matrix® Assessment 2023 – Europe	Q3 2023
Cloud Services – Provider Compendium 2023 – Europe	Q4 2023
FinOps: a Critical Element of Enabling Cloud for Value (CfV)	Q4 2023
Cloud Security Services PEAK Matrix® Assessment 2023	Q4 2023

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