

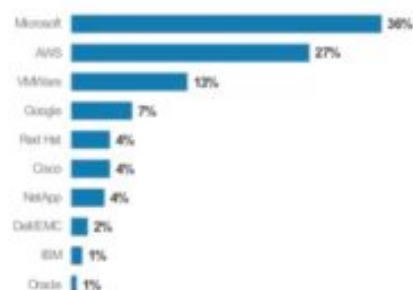
Microsoft and AWS Outpacing the Competition

With industrial-strength cloud platforms and hybrid cloud architectures fast becoming a reality, enterprises are now beginning to put plans in place to shut down their data centers, and migrate the vast majority of their legacy application workloads to the cloud. While the market for infrastructure-as-a-service offerings has long been crowded with a bevy of options to choose from, it is becoming clear that Amazon Web Services (AWS) and Microsoft Azure are becoming the dominant choice for the vast majority of CIOs and enterprise leaders.

Research just published by Morgan Stanley shows just how strong this momentum is. Data from their most recent quarterly CIO survey indicates that Microsoft and AWS remain at the top of the heap as it concerns vendor preference for managing hybrid cloud environments (see Exhibit 1).

Exhibit 1: Microsoft Maintains Lead as Best Positioned in Hybrid Cloud

Vendors Preferred for Managing Hybrid Cloud Environment

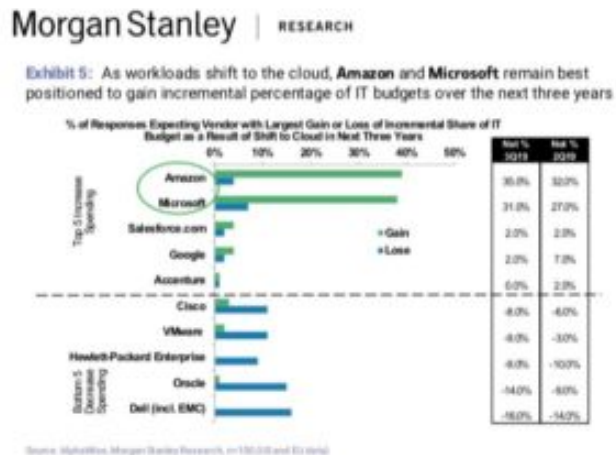


Source: AlphaWise, Morgan Stanley Research, n=190 (US and EU data)

In yet another chart, the research shows just how

dominant these two providers are becoming in regards to IT spend going forward. Exhibit 5 focuses on which vendors will gain or lose IT Budget share as a result of the shift to the cloud over the next three years.

As you can see, both AWS and Microsoft Azure are blowing the field away as providers who will gain share over this time period, while providers such as Cisco, VMware, HPE, Oracle and Dell will no doubt experience significant share loss. This is especially relevant given the fact that many enterprise leaders are now hoping to get out of the data center business, and quickly migrate production / mission critical workloads to the cloud.



Other key insights from the research include:

- CIOs anticipate IT Budget growth to decline from 4.4% in 2019 to 3.4% in 2020, as the economy softens up a bit.
- With the shift to the cloud, Software will continue to grow the fastest among the major categories of IT spend (over Services, Comms and Hardware), although similar to overall IT Budget growth, Software growth will slow to 3.7% in

2020 from 4.7% in 2019.

- The leading spending priorities / investment themes continue to be cloud computing, AI / ML, analytics and digital transformation – all of which are heavily Software-focused.

This research very much supports recent field checks that I have been conducting at various industry events this year. One of my favorite things to do at vendor conferences I am invited to is to sit down wherever lunch is being served, and innocently chat-up senior IT and business leaders sitting nearby. Most are eager to share their experience with the vendor in question, as well as their key priorities and investment plans going forward at a high level.

Many of my most recent discussions have focused on the rapid migration of traditional production workloads to the cloud, in addition to the deployment of new apps and workloads built around next-gen analytics, and AI / ML capabilities. Next week, I head to Workday Rising in Orlando and hope to do just that.