Market Share


Nolan Greene  Petr Jirovsky

FIGURE 1

Worldwide DDI Software and Appliance 2015 Share Snapshot

- Men & Mice: +20.0% y/y, $4.0
- FusionLayer/Netxu: +11.2% y/y, $9.9
- EfficientIP: +50.0% y/y, $15.0
- Nokia (ALU)-VitaiQIP: -6.7% y/y, $60.3
- BlueCat Networks: +27.6% y/y, $77.5
- BT Diamond IP: +14.0% y/y, $80.6
- Rest of Market: -10.8% y/y, $19.8
- Infoblox: +26.6% y/y, $266.3

Total Market: $533.4M

△ 18.3%

Note: 2015 Share (%), Growth (%), and Revenue ($M)

Source: IDC, 2016
EXECUTIVE SUMMARY

The worldwide DDI market sustained steady growth in 2015, as the rise of the 3rd Platform and the impending digital transformation of the enterprise continue to illuminate the value of integrated DNS and DHCP management with IPAM functionality. While there were no dramatic shifts in which vendors dominate this market, there have been some changes in momentum. With the increased attention to DDI and its individual components, vendors have taken the opportunity to highlight their platforms' nuances. This approach yielded great success as the majority of vendors recorded growth in 2015.

On the heels of growing market awareness, 3rd Platform demands, and renewed vendor energy, the worldwide DDI market recorded 18.3% year-over-year growth for the full year 2015. This represented a substantial improvement from the flatter 1.2% market growth recorded in 2014.

This IDC study discusses how the worldwide DDI market performed in 2015 and by vendor on a regional basis.

"The imperatives of the 3rd Platform are leading to a faster growing and more dynamic DDI software and appliance solution market," Nolan Greene, senior research analyst, Network Infrastructure. "For many enterprises, the network is the backbone of the business with an always growing number of network endpoints requiring ubiquitous access to myriad applications. A modern, fully integrated DDI solution ensures network availability and fast provisioning for new network services."

ADVICE FOR TECHNOLOGY SUPPLIERS

- **Focus will be on business outcomes.** While the need for basic DNS/DHCP, and IP address management, is fairly well understood, the benefits of integrated DDI are less ingrained in many IT organizations. Many DDI purchases are made after a DNS-related network outage that could have been either prevented or remediated more quickly with a full-scale DDI solution. However, with the network being a core pillar of the 3rd Platform enterprise, DDI solution vendors must get the message across that DDI's benefits (more efficient and dynamic IP resource allocation and management along with greater visibility to IP resources on the network lead to less network downtime, less manual troubleshooting, and faster provisioning of new network locations and services) directly support the day-to-day functioning of the business.

- **Internet of Things (IoT) functionality will differentiate.** IoT is a major trend that is generating interest in DDI – IDC estimates that by 2020, there will be approximately 30 billion connected IoT devices worldwide. The majority of these devices will be connected to enterprise networks, resulting in a flood of new requests for IP addresses. DDI solutions must be ready to meet the challenge. Moreover, the coming onslaught of new network endpoints necessitates the implementation of IPv6, which many organizations have been avoiding.

- **IPv6 will become top of mind.** Although the transition from IPv4 to IPv6 has happened more slowly than some anticipated, it is absolutely a shift for which network infrastructures must prepare. The depletion of nearly all IPv4 addresses from regional Internet registries and the onslaught of IoT endpoint necessitate that DDI providers supply robust IPv6 functionality and the services to facilitate the transition.

- **Ecosystem partnerships will matter.** When selecting any network infrastructure solution, customers give heed to seamless interoperability with other elements of the infrastructure along with any channel and support partnerships that can simplify procurement and ongoing
support services. To this end, technology and go-to-market partnerships with leading network infrastructure vendors is a signal of strength for DDI vendors.

- **Pay attention to market bifurcation.** Even though the market once appeared to be shifting heavily in favor of physical, on-premise appliances, there now appears to be a divergence depending on the enterprise segment. Vendors report that larger enterprises still often prefer appliances, whereas small and midsize enterprises feel more comfortable with software-based solutions. Thus despite the slight share growth of appliance-based solutions in 2015 (refer to Table 3), a strong market remains for software-based and virtualized solutions.

**MARKET SHARE**

Table 1 shows worldwide DDI revenue and market share by vendor for 2013-2015.

**TABLE 1**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>2013</td>
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<tr>
<td>Revenue ($M)</td>
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<tr>
<td>----------</td>
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<tr>
<td>Infoblox</td>
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<tr>
<td>BT Diamond</td>
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<tr>
<td>BlueCat</td>
</tr>
<tr>
<td>Alcatel-Lucent</td>
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<tr>
<td>EfficientIP</td>
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<tr>
<td>FusionLayer/Nixu</td>
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<tr>
<td>Men &amp; Mice</td>
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<tr>
<td>Other</td>
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<tr>
<td>Total</td>
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</table>

Source: IDC, 2016

**WHO SHAPED THE YEAR**

Although the DDI market is not nascent, it is perhaps traveling a slower maturity path than other network infrastructure markets. Infoblox has emerged as the dominant player, but each of the smaller players can impact the dynamics of the entire market in any given year. As DDI technology is gradually
Vendors were very active in refining their value propositions in 2015. Some highlights are:

- **Infoblox.** Infoblox continued to be the dominant player in the space, finishing with just under half of the total market in 2015, reversing a moderate downturn in 2014. Historically having played in large enterprises, Infoblox added a datacenter and cloud provider focus in 2015, with the introduction of Infoblox Cloud Network Automation, which simplifies DDI management of virtual machines (VMs) sitting in private clouds. In addition, Infoblox brought to market integration with Amazon Web Services (AWS) for hybrid cloud deployments as well as improved interoperability between its core DDI solution and Microsoft Active Directory. Another important part of Infoblox's 2015 strategy was evolving the company's value proposition through increasing the focus on supporting network security through the company's DNS security features, including DNS firewall, Threat Insight, and a roster of other related tools. While offering deployment flexibility with virtual machines, Infoblox's ongoing form factor focus stayed centered upon physical appliances in 2015.

- **BT Diamond IP.** BT Diamond IP performed exceptionally well, growing 14% over 2014, finishing at $80.6 million in revenue, and also growing to become the second-largest DDI vendor by share. BT Diamond leveraged many years of IP resource management innovation while also being attuned to 3rd Platform trends in 2015. To this end, BT Diamond IP, improved its VM integration, enhanced its API capabilities, created a more user-friendly management interface, and made better use of its platform analytics for troubleshooting. In addition, BT Diamond continues to make good use of parent company BT's global presence as well strongly leverage ecosystem partnerships. In fact, BT Diamond partnered with Fujitsu in February 2015 to become one of the first vendors to offer a cloud-based DDI-as-a-service solution.

- **BlueCat Networks.** BlueCat recorded strong performance in 2015, growing above the market rate at 27.6% year over year. BlueCat has honed in on the Fortune 2000 as its primary customer base, and it is less common in SP deployments. In 2015, BlueCat saw a greater portion of its business shift to the Americas, perhaps as a result of strategic targeting. Unlike many of its competitors, BlueCat's recent strategy does not include much in the way of acquisitions and ecosystem partnerships, although BlueCat is a founding member of HPE's SDN App Store, announced in September 2014 and partners with Dell for x86 servers. These alliances align with a moderate uptick in the percentage of new BlueCat deployments on virtual machines. BlueCat touts a DevOps orientation including automation through open APIs and was a strong evangelist for IPv6 in 2015, offering a robust migration framework.

- **Nokia (formerly ALU)-VitalQIP.** After the splitting of Alcatel-Lucent and Alcatel-Lucent Enterprise and the acquisition of the former by Nokia, VitalQIP seems to have found a stable home at Nokia. VitalQIP, one of the more established DDI players, has long-held strength in the service provider segment of the market. In recent years, however, VitalQIP had lost some of its traction during the transitions at ALU. Since landing in Nokia's Application and Analytics Unit in 2015, VitalQIP has made several positive innovation steps, such as improving its integration capabilities with different cloud and virtualization platforms, in addition to establishing full IPv6 support. Nokia also established that the VitalQIP solution will focus on the software/virtual appliance form factor, which is popular among smaller enterprises, many of which are in the early stages of using fully baked and integrated DDI solutions.

- **EfficientIP.** The youngest company highlighted in this study continued its impressive growth, improving at a market-leading 50.0% year over year in 2015. EfficientIP continues to perform especially well in its home market of Western Europe, while successfully establishing inroads to North America and making substantial progress in other markets. EfficientIP is proving itself
as a viable solution across most common verticals, offering its SOLIDserver DDI suite as a
dedicated appliance or on a virtual machine. EfficientIP also saw substantial service provider
business in 2015. Similar to several other vendors, EfficientIP has recently focused on the
relationship of DDI and DNS security, where it can provide synergies in its product portfolio as
well as leverage the intelligence and visibility capabilities of SOLIDserver to offer foundational
security that protects against zero-day attacks. EfficientIP has also focused on the value that
streamlined DDI provides in shortening the provisioning cycle for new network services and
locations.

▪ **FusionLayer (formerly Nixu).** FusionLayer represents the evolution of the former Nixu Software
  DDI suite into an architecture that is designed for the SDN and cloud era, maintaining Nixu’s
  software overlay form factor. FusionLayer started 2015 with a focus squarely on the
datacenter. Allowing for dynamic automation and orchestration of DDI functions through a
DevOps orientation, FusionLayer is positioning itself to become a more relevant competitor for
large datacenter and cloud service provider deployments. In 2015, FusionLayer announced
FusionLayer Infinity automation platform that offers seamless integration with a number of
industry standard SDN, NFV, and orchestration solutions. Nixu Software’s transition to
FusionLayer has also coincided with improved growth for the portfolio, which had been flatter
in 2010-2013.

▪ **Men & Mice.** Men & Mice, whose revenue had been relatively flat in 2011-2014, saw 20.0%
growth in 2015. The Men & Mice suite functions as a software overlay solution that can
support Microsoft DNS, BIND, Azure DNS, Amazon Web Services, and OpenStack
environments, among others. Men & Mice also integrates seamlessly with Active Directory.
Since 2014, the Men & Mice suite has enhanced its high availability, DNS firewall, subnet
discovery, and client health reporting. Men & Mice drew on the resurgence of software-based
solutions in the small and midmarket enterprise to reinvigorate its growth in 2014 and 2015.
While commonly thought of as a midmarket solution, Men & Mice can also tout a number of
high-profile large enterprise customers. In 2015, Men & Mice saw declines in the SP side of its
business, suggesting a sharper focus on enterprise customers.

MARKET CONTEXT

This study serves as an update to *Worldwide DDI Market Update* (IDC #248128, April 2014).

**Worldwide DDI Software and Appliance Revenue by Region Snapshot, 2015**

Vendor revenue in this market was impacted by regional conditions and varied according to operating
environment. Figure 2 provides a snapshot of the market in 2015 by geographic region. The North
America region had the largest share, with 59.0% of worldwide DDI software and appliance revenue.
EMEA had 28.2%, Asia/Pacific (including Japan) had 8.7%, and Latin America had 4.1% of worldwide
DDI software and appliance revenue (see Figure 2). Table 2 shows DDI software and appliance
vendor revenue by region for 2013-2015.
FIGURE 2

Worldwide DDI Revenue Share by Region, 2015

![Pie chart showing revenue share by region, with North America at 59.0%, EMEA at 28.2%, APJ at 8.7%, and Latin America at 4.1%. Total revenue is $533.4M.](image)

Source: IDC, 2016

TABLE 2

Worldwide DDI Revenue by Region, 2013-2015

<table>
<thead>
<tr>
<th>Region</th>
<th>2013</th>
<th>Share (%)</th>
<th>2014</th>
<th>Share (%)</th>
<th>2015</th>
<th>Share (%)</th>
<th>2014–2015 Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>246.2 55.3</td>
<td>250.8 55.6</td>
<td>314.8 59.0</td>
<td>25.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMEA</td>
<td>133.8 30.0</td>
<td>134.7 29.9</td>
<td>150.6 28.2</td>
<td>11.9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>APJ</td>
<td>46.4 10.4</td>
<td>46.1 10.2</td>
<td>46.4 8.7</td>
<td>0.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td>19.1 4.3</td>
<td>19.2 4.3</td>
<td>21.6 4.1</td>
<td>12.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>445.5 100.0</td>
<td>450.8 100.0</td>
<td>533.4 100.0</td>
<td>18.3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: IDC, 2016

Worldwide DDI Software and Appliances by Form Factor, 2015

On-premise, physical DDI appliances made up 69.8% of DDI revenue in 2015, with software and virtual appliance solutions making up the remainder of the DDI revenue. This split has been fairly consistent throughout the 2013-2015 period. As mentioned previously, IDC expects this split to remain relatively stable as physical appliances are often preferred in large enterprises, with software-based and virtualized solutions figuring more prominently in small and midsize deployments. VM solutions
also are widely deployed for the DDI needs of cloud service providers. Table 3 provides a split of the DDI market by physical appliance and software and virtual appliance form factors from 2013 to 2015.

### TABLE 3

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2014–2015 Growth (%)</th>
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</thead>
<tbody>
<tr>
<td><strong>Revenue ($M)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical appliance</td>
<td>314.8</td>
<td>306.0</td>
<td>372.2</td>
<td>21.6</td>
</tr>
<tr>
<td>Software and virtual appliance</td>
<td>130.7</td>
<td>144.8</td>
<td>161.2</td>
<td>11.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>445.5</td>
<td>450.8</td>
<td>533.4</td>
<td>18.3</td>
</tr>
</tbody>
</table>

Source: IDC, 2016

### Significant Market Developments

- **Above-average growth in 2015.** The worldwide DDI market grew at a torrid pace in 2015, increasing 18.3% over 2014. This followed a less remarkable growth rate of 1.2% in 2014. IDC believes that the increased dependence of the business on network applications is one of the core reasons for this growth, in addition to greater general awareness of DDI's benefits and a general improvement of DDI vendors' ability to reach target customers and establish relevant value propositions.

- **Mergers and acquisitions (M&A).** M&A activity has been a major factor shaping the network infrastructure market of the past several years. As previously noted in the Who Shaped the Year section, this has been felt in the DDI market, with Nokia's acquisition of Alcatel-Lucent, potentially leading to new opportunities for VitalQIP. IDC expects that M&A will continue to be a force in the overall network infrastructure market, as well as the DDI submarket moving forward. An early sign of this is Infoblox building out its capabilities through its February 2016 acquisition of IID, a firm specializing in network security analytics tools.

- **DNS security.** Some DDI vendors have identified the opportunity to extend their offerings in the realm of DNS security to provide a more complete and compelling offering. Integrated DNS firewalls can block devices from accessing malicious domains. Moreover, some DDI solutions can collect valuable data on DNS request patterns, which can be fed into intelligent security management platforms to proactively prevent attacks. As DNS-related attacks are top of mind for many network security managers, this will be an important selling point for DDI vendors and may attract new buyers to the DDI market that have not been compelled by DDI's historic value proposition.
**METHODOLOGY**

The information in this document stems from primary research IDC conducted in the worldwide DDI market, consisting of interviews with leading DDI vendors and analysis of publicly available information. Revenue numbers were generated using generally accepted IDC forecasting methodologies. All revenue is manufacturing revenue. For comparison of revenue in which currencies other than the U.S. dollar were involved, average quarterly or yearly exchange rates are used in converting foreign currency to the U.S. dollar (if calculations are done at the worldwide level). Regions such as Asia/Pacific and Western Europe already supply data converted to U.S. currency. Data presented in this document represents IDC’s latest view of the enterprise networking markets and may differ from previously reported estimates.

*Note: All numbers in this document may not be exact due to rounding.*

**MARKET DEFINITION**

DDI — shorthand for DNS, DHCP, and IPAM — is a critical networking technology for every IT organization. DNS servers deliver the association between host names and IP addresses that keeps HTTP Web traffic and network traffic flowing, whereas DHCP provides a dynamic address assignment capability for nodes logging on to the network. IPAM supports these technologies by allowing efficient tracking and management of the IP addresses within a network. An effective DDI solution helps simplify and automate the management of the relationship between DNS, DHCP, and IPAM. DDI solutions can be delivered through a dedicated hardware or software/virtual appliance form factor.

**RELATED RESEARCH**

- *Infoblox Moves into the Threat Intelligence Space with the Acquisition of IID* (IDC #lcCEMA41040216, March 2016)
- *IT's 3rd Platform Drives Need for Network Innovation* (IDC #259317, September 2015)
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