Market Share

Worldwide DDI Market Shares, 2017: A Maturing Market Continues Growing
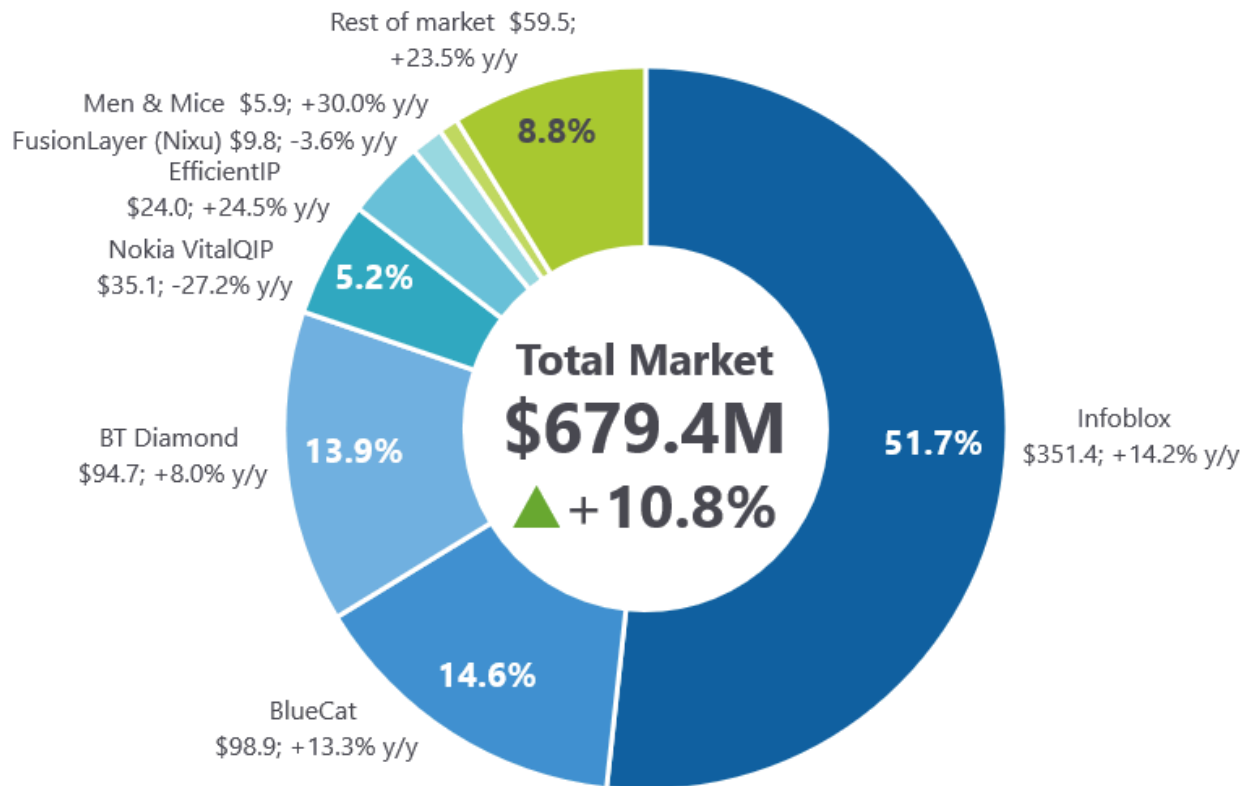
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IDC MARKET SHARE FIGURE

FIGURE 1

Worldwide DDI 2017 Share Snapshot

Note: 2017 Share (%), Revenue ($M), and Growth (%)

Source: IDC, 2018

EXECUTIVE SUMMARY

The worldwide DDI market sustained steady growth in 2017 as the rise of 3rd Platform technologies continues and enterprise digital transformation (DX) efforts accelerate. This drives the need for integrated domain name services (DNS) and Dynamic Host Configuration Protocol (DHCP) management along with IP address management (IPAM) functionality. While many of the market leaders remain strong players in DDI, there are a wave of smaller vendors that are gaining market share from vendors that have pivoted away from focusing on DDI. Meanwhile, technologies such as cloud computing and network virtualization are not only driving end-user demand for modern DDI platforms but also creating opportunities for DDI vendors to offer choice to customers in how DDI platforms are delivered and managed.

Now more than ever, enterprise applications are distributed across multiple different sites, from customer datacenters to software-as-a-service (SaaS) and infrastructure-as-a-service (IaaS) clouds. DDI platforms provide foundational connectivity functions to these myriad endpoints; they are used to secure connections to both internal and external sources and are increasingly being used to ensure high quality of service to any user on the network. These are among the trends that led the DDI market to continue its modest growth in 2017 when the market rose 10.8% compared with 2016; the year prior, the market grew at 11.3%.

This IDC study discusses how the worldwide DDI market performed in 2017 by vendor on a regional basis.

"Reliance on 3rd Platform technologies such as cloud computing, mobile workforces, and increased analytics places tremendous strain on enterprise networks," says Brandon Butler, senior research analyst, Network Infrastructure. "DDI platforms are essential technologies that enable organizations to ensure their networks are reliable and secure. A modern, fully functional DDI solution ensures that the network is able to keep up with the speed of the business."

ADVICE FOR TECHNOLOGY SUPPLIERS

- **Focus on business outcomes.** The benefits of DNS, DHCP, and IPAM functionality packaged together as DDI are well understood by many networking professionals. There are opportunities for DDI vendors to continue to prove the value of this integrated approach specifically as it relates to business outcomes, however. Too often, organizations are pushed into DNS upgrades after a catastrophic event – such as a security breach, which could have been either prevented or remediated with full-scale DDI equipment. DDI vendors have an opportunity to position this technology as supporting and securing day-to-day functions of the business.

- **Cloud is a driver and an opportunity.** The rise of cloud computing has been a major driver of the DDI market's growth in recent years and has created opportunities for DDI vendors to offer customers new management delivery methods of DDI platforms. Enterprise network architectures must support the business organization's use of multiple cloud platforms. DDI components provide essential connectivity for enabling secure enterprise usage of these SaaS and IaaS cloud platforms. Meanwhile, increased comfort in organizations using cloud-managed networking has created opportunities for vendors to offer customers choice in how DDI platforms are delivered to customers: Customers can deploy DDI on their own infrastructure or consume it as a hosted solution. Cloud will continue to be an important driver for this market into the foreseeable future.

- ▪ **DDI has substantial opportunity in security.** Another macro driving trend in the DDI market in recent years has been the increased focus on DNS security services. After a handful of high-profile security events in recent years, there has been increased interest among organizations of all sizes – from enterprises to service provider and even into the midmarket – to explore the ways DDI platforms can aid in securing their networks. DDI vendors should seize this opportunity and be adept at highlighting the security features and benefits of their platforms.

- ▪ **Position DDI as an enabler of network transformation.** Cloud computing platforms have created a new paradigm for hosting and accessing applications, and they have also driven IT organizations to modernize their internal datacenter operations to provide a cloudlike agility on their own premises. These network transformation efforts increasingly incorporate software-defined networking tools, advanced network management platforms, and private cloud services. DDI platforms are essential components to building a modern datacenter that relies heavily on automation and programmability.

MARKET SHARE

Table 1 shows worldwide DDI revenue and market share by vendor for 2015-2017.

Table 2 shows worldwide DDI revenue by region for 2015-2017.

Table 3 shows worldwide DDI revenue by form factor for 2015-2017.

TABLE 1

Worldwide DDI Revenue by Vendor, 2015-2017

	2015		2016		2017		
	Revenue ($M)	Share (%)	Revenue ($M)	Share (%)	Revenue ($M)	Share (%)	2016–2017 Growth (%)
Infoblox	266.3	48.3	307.6	50.2	351.4	51.7	14.2
BlueCat	77.5	14.1	87.3	14.2	98.9	14.6	13.3
BT Diamond	80.6	14.6	87.8	14.3	94.7	13.9	8.0
Nokia VitalQIP	60.3	10.9	48.2	7.9	35.1	5.2	-27.2
EfficientIP	15.0	2.7	19.3	3.1	24.0	3.5	24.5
FusionLayer (Nixu)	9.9	1.8	10.1	1.7	9.8	1.4	-3.6
Men & Mice	4.0	0.7	4.6	0.7	5.9	0.9	30.0
Other	37.3	6.8	48.2	7.9	59.5	8.8	23.5
Total	551.0	100.0	613.1	100.0	679.4	100.0	10.8

Source: IDC, 2018

TABLE 2

Worldwide DDI Revenue by Region, 2015-2017

	2015		2016		2017		
	Revenue ($M)	Share (%)	Revenue ($M)	Share (%)	Revenue ($M)	Share (%)	2016–2017 Growth (%)
North America	313.8	57.0	333.4	54.4	348.9	51.3	4.6
EMEA	149.2	27.1	172.0	28.1	197.9	29.1	15.1
APJ	65.8	12.0	82.0	13.4	102.3	15.1	24.8
Latin America	22.1	4.0	25.6	4.2	30.3	4.5	18.3
Total	551.0	100.0	613.1	100.0	679.4	100.0	10.8

Source: IDC, 2018

TABLE 3

Worldwide DDI Revenue by Form Factor, 2015-2017

	2015		2016		2017		
	Revenue ($M)	Share (%)	Revenue ($M)	Share (%)	Revenue ($M)	Share (%)	2016–2017 Growth (%)
Physical appliance	387.2	70.3	386.0	63.0	349.2	51.4	-9.5
Software and virtual appliance	163.7	29.7	227.0	37.0	330.3	48.6	45.5
Total	551.0	100.0	613.1	100.0	679.4	100.0	10.8

Source: IDC, 2018

WHO SHAPED THE YEAR

The DDI market's growth has moderated in recent years compared with other network infrastructure technologies mainly because of continuing market maturation. Even so, end users are increasingly realizing the value DDI platforms provide in helping enable and accelerate digital and network

transformation efforts. Infoblox remains the dominant player in the DDI market, but several smaller players have impacted the dynamics of the market in recent years. Vendors were very active in refining their value propositions in 2017 to highlight the security benefits of their platforms and pitch modern DDI platforms as an integral enabling component of network transformation efforts:

- **Infoblox.** Infoblox continued to be the dominant player in the DDI market in 2017, finishing with more than half of the total market. The company's market share has increased in each of the past three years, rising to 51.7 last year, up from 50.2% in 2016. The company, which had been publicly traded, was acquired by private equity firm Vista Equity Partners in September 2016. Historically having played in large enterprises, Infoblox also has strong offerings in the datacenter and cloud provider markets and in both physical and virtual form factors. The breadth of the company's platform extends from on-premises to cloud hosted (through partnerships with Amazon Web Services and Microsoft Azure) and through certifications with VMware and OpenStack. In 2017, Infoblox launched ActiveTrust Cloud, a subscription-based service that includes Threat Insight, which uses behavioral analytics along with traffic reputation and signatures to prevent DNS-based data exfiltration. It also includes a DNS Firewall to block and redirect traffic based on policy. Infoblox has a range of traffic visibility tools such as the Threat Intelligence Data Exchange, which aggregates traffic intelligence from a range of infrastructure platforms, and the Dossier product that provides contextualized traffic analysis. The company has built its market share leadership through its broad reach into Fortune 500 enterprises and thousands of medium-sized organizations running sophisticated private networks.

- **BlueCat.** BlueCat Networks has performed strongly in recent years, with revenue growing 13.3% in 2017, bringing the company's market share to 14.6%. The company has focused on the Fortune 2000 as its primary customer base. BlueCat continues to transition from an appliance-focused company to becoming a software-focused company with its share of virtual and cloud-managed DDI tools growing each of the past three years. The company has two main products: DNS Integrity is the core DDI platform that includes the Gateway automation platform that gives network professionals access to APIs and other scripts for automating workflows, managing whitelists, and implementing role-based access controls. DNS Edge, launched last year, gives cybersecurity and network teams visibility and control over internal and external DNS traffic, which helps block cybersecurity threats, simplifies DNS operations, and improves network performance. BlueCat touts a DevOps orientation including automation through open APIs to create a robust network management framework.

- **BT Diamond IP.** BT Diamond IP has continued its steady growth in recent years, increasing 8.0% in 2017 over 2016 to finish with $94.7 million in revenue and 13.9% market share. The company has a long history in the DDI market, dating back to the original company named Diamond IP being founded in 2002, which was acquired by British Telecom (BT) in 2007. BT Diamond has a range of DDI software (named IPControl), appliances (named Saphire), managed services, and DNS security services. In June 2017, the company launched a new DNS Firewall service, which includes a dashboard for users to gain visibility into the DNS security platform, track malware, and centrally manage various regional DNS deployments around the globe. In June 2018, the company launched a Cloud Automation Appliance that allows organizations to coordinate cloud IP assignments with their IPAM services, creating a multicloud enterprise DDI platform.

- **EfficientIP.** EfficientIP started in 2004 in Europe but has since expanded into the North American and Asian markets. The company has had some of the strongest growth rates in the industry in recent years, albeit from a smaller base compared with competitors. The company's core platform is named SOLIDServer DDI, which integrates with VMware, Hyper-V, Nutanix, and OpenStack as well as public cloud platforms Amazon Web Services, Microsoft Azure, and Google Cloud Platform; it also integrates with vRealize and Microsoft Systems

Center as well as management platforms Ansible, Chef, and Puppet. Other key products include DNS Guardian, a real-time traffic analytics engine, and NetChange, a device and configuration manager. The company also integrates with Cisco Umbrella for DNS security. Having grown at above-market rates in recent years, EfficientIP appeals to medium-sized and large enterprises across verticals such as finance, higher education, retail, and service providers. The company has an Extension Pack for managing registration and provisioning of SP IP addresses.

MARKET CONTEXT

Significant Market Developments

- **Steady growth continues.** The worldwide DDI market continues to steadily grow, driven by myriad factors. Datacenter modernization brings with it a need to upgrade DDI platforms to ensure they're able to support dynamic and agile infrastructure environments. Meanwhile, as more organizations use cloud-based resources, DDI platforms need to support workloads running in those public cloud environments. The DDI market grew from $551.0 million in 2015 to $613.1 in 2016 and grew another 10.8% to $679.4 million in 2017. The importance of DDI technology will continue to make the market an important area of investment by end users in the coming years.

- **Merger and acquisition (M&A).** There has been a flurry of merger and acquisition activity in the DDI market in recent years. In September 2016, Infoblox, which at the time was a publicly traded company, was purchased by Vista Equity Partners, a private equity firm. Later in November 2016, Nokia purchased Alcatel-Lucent and in doing so Nokia gained the rights to the VitalQIP DDI platform. In February 2017, BlueCat was purchased by private equity firm Madison Dearborn. Nominum, a smaller DDI vendor, was acquired by Akamia in November 2017, showcasing how DDI platforms are being positioned as part of broader network management platforms. Expect future M&A to continue as these private equity firms look for potential exits and smaller DDI vendors grow and become acquisition targets or potentially begin to engage in M&A themselves.

- **A wave of new vendors.** The DDI market has always had some bifurcation between enterprise and service provider-focused products, but there have been a wave of new vendors that have gained market position in recent years that have a completely service provider focus, such as Incognito. There have also been a wave of smaller vendors that have gained share by tackling the enterprise market in recent years, such as EfficientIP and TCP Wave. Finally, there are a cadre of vendors that have gained prominence in the Asian markets in recent years, including ZDNS.

- **DNS security.** After a rash of high-profile breaches and exposed issues inside enterprise and service provider networks, DDI vendors have seized upon the opportunity to highlight the security benefits of their platforms. DNS-based security services provide a foundational level of visibility and security. Policies can be enacted that monitor connection made into or out of an organization and automatically thwart any nefarious actions occurring in the network. Securing enterprise and service provider networks from a DDI standpoint remains a significant opportunity for any member of the DDI market.

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

- *IDC FutureScape: Worldwide Enterprise Infrastructure 2019 Predictions* (IDC #US44383918, October 2018)
- *Market Analysis Perspective: Worldwide Enterprise Communication Infrastructure, 2018* (IDC #US44290618, September 2018)
- *Market Analysis Perspective: Worldwide Datacenter Networking, 2018* (IDC #US44283018, September 2018)
- *Worldwide DDoS Prevention Products and Services Forecast, 2018-2022* (IDC #US43994318, July 2018)
- *Intent-Based Networking: Evolution of the Enterprise Campus Network* (IDC #US43524718, June 2018)
- *Worldwide Datacenter Software-Defined Networking Forecast, 2018-2022* (IDC #US43862418, June 2018)

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