



Update

## Worldwide DDI Market Update

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### IN THIS UPDATE

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This IDC update reviews the revenue and shipments of the worldwide DDI (DNS, DHCP, and IP address management [IPAM]) solutions market from 2011 to 2013, showing year-over-year (y/y) growth. This update covers the market in terms of three dimensions: vendors, geographies, and form factors.

### Situation Overview

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.

The drivers in the DDI market vary by size of organization. In organizations with tens of thousands of IP addresses, the need for a system to control and track changes and centralize record keeping is a primary reason for investing in DDI solutions. At the very high end of the market, DDI customers are telecommunications service providers and government organizations that are required to manage and administer as many as 50 million or more IP addresses. The DDI alternatives for small to midsize enterprises, however, are spreadsheets or perhaps open source, BIND-based software, or delivered as part of the Microsoft OS such as Microsoft Server 2012. While Microsoft provides basic DNS and DHCP services, it does not offer a fully functional, integrated DDI solution. As DDI becomes more complex, ad hoc approaches like these likely will not be sufficient to meet the security, management, and control challenges facing IT. Most competitors in this market provide a method for overlaying their IP address management capability on top of Microsoft DNS and DHCP for more complete DDI functionality.

The combined service provider and enterprise DDI market segments increased 16.3% y/y to reach \$450.6 million in 2013. The increased recognition of the disruption of DNS attacks and the ability to manage the interconnected elements of DNS, DHCP, and IPAM from a single platform, along with the incremental shift from IPv4 to IPv6, has led to the market's steady growth. From 2011 to 2013, the worldwide DDI market recorded a CAGR of 14.6%. While these numbers may seem modest next to the growth rate of other types of network management tools, the DDI market has strong potential for sustained increases well into the future. IDC survey data suggests that the penetration of enterprise-grade DDI solutions is low relative to the total addressable market – out of 1,200 enterprises of 1,000+ employees surveyed, only 26.5% had implemented an enterprise-grade DDI solution. Many

enterprises continue to use homegrown and open source solutions to avoid the upfront expense of enterprise-grade DDI. Table 1 demonstrates the total size of the DDI market and breaks down revenue by the top vendors.

**TABLE 1**

**Worldwide DDI Revenue by Vendor, 2011-2013**

	2011		2012		2013		2012-2013 Growth (%)
	Revenue (\$M)	Share (%)	Revenue (\$M)	Share (%)	Revenue (\$M)	Share (%)	
Infoblox	136.7	39.9	173.2	44.7	225.4	50.0	30.1
Alcatel-Lucent	65.5	19.1	66.9	17.3	68.3	15.1	2.1
BT Diamond IP	49.6	14.5	52.9	13.7	57.5	12.8	8.7
BlueCat	48.5	14.1	52.3	13.5	54.3	12.1	3.8
EfficientIP	4.8	1.4	6.4	1.7	8.2	1.8	28.1
Nixu	7.3	2.1	7.3	1.9	7.4	1.6	0.7
Men & Mice	3.0	0.9	2.9	0.7	3.0	0.7	3.4
Other	27.7	8.1	25.6	6.6	26.6	5.9	3.9
<b>Total</b>	<b>343.1</b>	<b>100.0</b>	<b>387.4</b>	<b>100.0</b>	<b>450.6</b>	<b>100.0</b>	<b>16.3</b>

Source: IDC, 2014

**Vendor Highlights**

- **Infoblox.** The largest vendor by market share, Infoblox has also enjoyed the highest growth rates of the 2011-2013 period. In 2013, Infoblox jumped to 50.0% market share with revenue of \$225.4 million while growing 30.1% from 2012, having increased its market share from 39.9% in 2011 to 44.7% in 2012. Overall, Infoblox, with its TrinziC DDI product line, is the most dominant player in the DDI space.
- **Alcatel-Lucent (ALU).** ALU, having long had a noticeable presence in the DDI market with its VitalQIP solution, saw revenue of \$68.3 million in 2013. Often bundled with other ALU enterprise and service provider solutions, VitalQIP has seen flatter growth in recent years (2.1% in 2013), holding on to 15.1% of the market (down from 17.3% in 2012). ALU continues to see challenges from upstart DDI players.

- **BT Diamond IP.** Similar to ALU, BT Diamond is an established vendor in the DDI market, building off of a rich IP ecosystem. In 2013, BT Diamond claimed 12.8% of the DDI market, with \$57.5 million in revenue, down slightly from 13.7% in 2012 despite seeing 8.7% growth y/y.
- **BlueCat Networks.** BlueCat Networks employs more of a pure-play DDI strategy, similar to Infoblox. In 2013, BlueCat Networks had revenue of \$54.3 million and market share of 12.1%, down from 13.5% in 2012, with growth of 3.8% y/y.
- **EfficientIP.** EfficientIP is one of the younger and smaller players in the DDI market. With its SOLIDserver offering, EfficientIP is seeing some of the highest growth rates among all vendors, growing from revenue of \$6.4 million in 2012 to \$8.2 million in 2013 – a growth rate of 28.1% y/y.

Table 2 shows DDI revenue data by region.

**TABLE 2**

**Worldwide DDI Revenue by Region, 2011-2013**

	2011		2012		2013		2012–2013 Growth (%)
	Revenue (\$M)	Share (%)	Revenue (\$M)	Share (%)	Revenue (\$M)	Share (%)	
North America	189.1	55.1	213.7	55.1	251.0	55.7	17.5
EMEA	107.7	31.4	121.7	31.4	134.6	29.9	10.6
APJ	34.5	10.1	36.8	9.5	45.7	10.1	23.9
Latin America	11.8	3.4	15.2	3.9	19.3	4.3	26.7
Total	343.1	100.0	387.4	100.0	450.6	100.0	16.3

Source: IDC, 2014

From a geographic perspective, more than half of worldwide DDI revenue comes from North America (55.7%, slightly up from 55.1% in 2012). Europe, the Middle East, and Africa (EMEA) is the next largest theatre for DDI, with 29.9% of the worldwide market in 2013 – down from 31.4% in 2012. EMEA's growth rate of 10.6% is the lowest of all the regions, reflecting the region's continued economic tightness. Asia/Pacific and Japan (APJ) and Latin America are currently the fastest-growing theatres for DDI. APJ claims 10.1% of 2013's worldwide revenue, showing 23.9% growth y/y. Latin America, while a small piece of the overall market in 2013 at 4.3%, exhibited the highest growth rate, at 26.7% y/y, belying greater tech market growth trends in that region.

As DDI becomes more common across a variety of enterprises, the delivery mechanisms for DDI have become more diverse. Whereas many of the early DDI products were software based, the 2000s saw the advent of the dedicated DDI hardware appliance, followed by the more recent introduction of a VM appliance. As shown in Table 3, physical appliances continue to be favored. However, as with other network management tools, there will likely never be a one-size-fits-all approach, and software-based form factors will continue to see a place in the market – as evidenced by certain vendors (e.g., Infoblox, Nixu, and Alcatel-Lucent, among others) continuing to support many software-based DDI clients.

Table 3 shows the breakdown of DDI revenue by hardware and software and virtual form factors.

**TABLE 3**

**Worldwide DDI Revenue by Form Factor, 2011-2013**

	2011		2012		2013		2012–2013 Growth (%)
	Revenue (\$M)	Share (%)	Revenue (\$M)	Share (%)	Revenue (\$M)	Share (%)	
Physical appliance	224.1	65.3	264.5	68.3	319.5	70.9	20.8
Software and virtual appliance	119.0	34.7	123.0	31.7	131.0	29.1	6.6
<b>Total</b>	<b>343.1</b>	<b>100.0</b>	<b>387.4</b>	<b>100.0</b>	<b>450.6</b>	<b>100.0</b>	<b>16.3</b>

Source: IDC, 2014

### *Future Outlook*

The factors driving enterprise-grade DDI adoption will continue to influence growth in the worldwide DDI market for the foreseeable future. Greater awareness of security risks, impending implementations of IPv6, and the desire for more streamlined IP address management will help DDI vendors reach more of the total addressable market. A mix of physical, software-based, and virtual form factors will remain on the market as the growing market should see a variety of deployment scenarios.

### **LEARN MORE**

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#### **Related Research**

- *IT Security: Defending Against Internet Intrusions* (IDC #247598, March 2014)
- *Market Analysis Perspective: Worldwide Enterprise Communications Infrastructure, 2014* (IDC #245053, December 2013)

## Methodology

The information in this update stems from custom 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.*

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