

Amazon's New Blockchain Service Could Hurt IBM

AWS expands into private and public blockchain services.



Leo Sun ([TMFSunLion](#))
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Amazon ([NASDAQ:AMZN](#)) recently introduced Blockchain Templates, a "blockchain as a service" for AWS (Amazon Web Services) that makes it easier for developers to create blockchain-powered projects. The service provides users with preset blockchain frameworks that support two popular versions of the technology.

The first, Ethereum, was used to create the Ether cryptocurrency and other blockchain applications. The second, the Linux Foundation's Hyperledger Fabric, is mainly used for enterprise blockchain applications. The key difference is that Ethereum is designed for public applications, while Fabric targets private clouds.



IMAGE SOURCE: GETTY IMAGES.

AWS is already the largest cloud infrastructure platform in the world, so the addition of blockchain templates could attract a lot of developers. Blockchain is commonly associated with cryptocurrencies, but the distributed ledger technology can [also be used](#) to verify financial transactions, streamline logistics networks, and track supply chains.

Amazon's entry into the blockchain market could hurt **IBM** ([NYSE:IBM](#)), often considered the market leader in enterprise blockchain services. Last year, Juniper Research found that 60% of tech executives and leaders ranked IBM as the blockchain market leader. **Microsoft** came in second with 20%. If Amazon leverages AWS against IBM, Big Blue could lose ground in the blockchain market.

Why Amazon's blockchain efforts should scare IBM

Amazon's AWS revenues rose 43% to \$17.5 billion last year and accounted for 10% of its top line. Last quarter, IBM's trailing 12-month cloud revenues rose 22% to \$17.7 billion. However, a large portion of those revenues come from private cloud platforms -- not public ones like AWS, which is considered a hybrid IaaS (infrastructure as a service) and PaaS (platform as a service).

IBM's cloud "as a service" revenues, on a trailing 12-month basis, grew 25% annually to \$10.7 billion last quarter. However, only a small, undisclosed percentage of that total comes

from its PaaS platform, Bluemix, which directly competes against AWS.

IBM integrates many of its next-gen technologies, like its Watson AI platform and its IBM Blockchain service, into Bluemix. Last March IBM launched a Hyperledger Fabric service for IBM Blockchain. IBM hasn't released an Ethereum service yet, but it recently dabbled with cryptocurrencies via a payment partnership with blockchain start-up Stellar.



IMAGE SOURCE: GETTY IMAGES.

Amazon's decision to launch both the Ethereum and Hyperledger Fabric services means that it wants to straddle the public and private cloud markets with its blockchain services. IBM has a firm grasp of the private on-premise cloud market, but AWS has been gaining ground with Virtual Private Cloud (VPC) services, which isolate sections of AWS' public cloud for private use. The CIA, for example, already uses a "secret region" of AWS to host its classified data. Therefore, deploying Fabric on AWS' VPCs could counter IBM's deployment of Fabric on its on-premise private clouds.

Should IBM investors worry about AWS?

Amazon constantly launches new services on top of AWS to keep up with the latest technologies like Internet of Things (IoT) and AI services. Therefore it wasn't surprising that AWS also launched a blockchain platform.

IBM investors shouldn't panic, since Big Blue already secured major blockchain deals with enterprise giants like shipping giant **Maersk**, consumer goods maker **Unilever**, and seven of Europe's top banks. The blockchain business also remains a tiny part of Big Blue's five "strategic imperatives" -- its higher-growth cloud, analytics, mobile, security, and social businesses -- which offset the [softer growth](#) of its legacy businesses.

However, Amazon made it clear that it plans to compete against IBM in nearly all of its next-gen ventures -- including machine learning, artificial intelligence, quantum computing, and now blockchain -- via new services for AWS. This trend is troubling, and indicates that IBM needs to widen its moat against Amazon.

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Leo is a Tech and Consumer Goods Specialist who has covered the crossroads of Wall Street and Silicon Valley since 2012. His wheelhouse includes cloud, IoT, analytics, telecom, and gaming related businesses. Follow him on Twitter for more updates!

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STOCKS



IBM

NYSE:IBM

\$146.64 \$0.16 (0.11%)



Amazon

NASDAQ:AMZN

\$1,578.10 \$5.48 (0.35%)

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