

LEVERAGING PARTNERSHIPS TO RIDE THE IAAS GROWTH WAVE

THE STATE OF THE MARKET

UK SMBs are investing big in their IT infrastructure, driven by the desire to support modern software, shift their businesses to the cloud, support data growth and make the most of IOT opportunities.

Infrastructure accounted for 23% of the total \$56.6bn UK SME IT market spend in 2024, representing a \$12.6bn opportunity growing at an 8.1% compound annual growth rate (CAGR) until 2028, according to research by Analysys Mason. Within this segment, Infrastructure-as-a-service (IaaS) was the number one growth hotspot with a remarkable CAGR of 16.7%.

However, many MSPs have been reluctant to fully engage with this opportunity due to the monopolisation of the market, which has led to anti-competitive practices and sometimes challenging vendor relationships. For context, within the IaaS segment Gartner estimates that Amazon Web Services (AWS) currently has 45% market share while Microsoft, Google and Alibaba share 32%.

Furthermore, SMBs are reevaluating the value of their cloud investments due to high costs and certain missteps made during the cloud goldrush during the 2010s.

At a recent roundtable in London, hosted by IONOS in collaboration with ITEuropa, 12 MSP thought leaders discussed the IaaS and cloud market landscape to identify key challenges and opportunities, whilst building a framework for mutually beneficial partnerships between SMBs, MSPs and vendors in the space.



IT Europa Leaders in Discussion sponsored by IONOS, London, November 2024

THE GREAT CLOUD RE-EVALUATION

Attendees highlighted that UK SMBs are re-evaluating their existing cloud investments at scale, with some considering full migrations back to on-premises solutions. One participant shared that a large retail customer had recently decided to move back to on-premise from an Azure solution as the monthly cost's impact on cash flow was not something the company could handle.

Roundtable participants noted that these untenable costs are likely symptomatic of improper cloud migrations that occurred earlier in the company's cloud journey, either driven by the MSP or SMB overeagerness. For example, post-covid and during the 2010's cloud goldrush, MSP salespeople were racing to get their customers in the cloud before their competitors. "Cloud migrations that don't take great time and care often leave ambiguity over the bill and this will, in time, lead to a reversal of the steps taken," said one participant.

SMBs must also share guilt in rushing

to the cloud, with business leaders often adopting technology for reactive reasons as opposed to conscious choice, for example, acting upon the fear of competitors moving off-premise before them. "When demand is high, this doesn't always translate to maturity and readiness for adoption," added one participant. "Make sure a company has the right reasons for migrating or this could affect your businesses reputation down the line."

"It is the exact same process that is happening with AI now," added another. "They hear that their rival has implemented AI in some form and has created cost-saving efficiencies, and demand from their technology partner that they also adopt AI, without really thinking about what this means and what it will cost in the short term."

One attendee concluded: "The process of SMBs re-evaluating what they've done in the last 10 years is going to be what dictates how the cloud landscape evolves over the next decade. This is a pivotal time to be engaging in the market."

WHAT SMBS WANT

As SMBs re-thinking their cloud strategy, they do so in a far more competitive landscape compared to when they first migrated. A wider choice of potential partners, as well as an increased complexity of technologies can be daunting and may cause a similar rush to cut corners. To avoid this, our roundtable attendees assessed how MSPs can best support SMBs and illuminated the best practices for cloud migration.

To understand the best steps forward, an MSP needs to understand a company's reason for migrating. Attendees gave reasons that were either technical, such as the completion of legacy lifecycles, previous failures with on-premises technology, and desires to be compliant, as well as human drivers, such as new CTOs with broadened scope and budget or increased training in technical teams.

"Decisions have to be made on a case-by-case basis," said one attendee. "You can't go in with a migration plan before talking to the client as they may favour certain platforms based on the



Kim Bishop, UK Partner Manager, IONOS

certifications of their technical team, or they may want to keep a hybrid solution based on a tactile feeling of security and ownership."

Therefore, following low and affordable costs as an SME's priority, customer service and communication are the key drivers of a successful cloud migration.

HUMAN TOUCH AT THE HEART OF PARTNERSHIP SUCCESS

MSPs value the same communication from their upstream partners to create a top-down chain of positive customer experience. A lack of human touch at

vendor level is a criticism that attendees levied against many of the traditional cloud vendors and cited as a reason for not fully engaging with IaaS.

One delegate said: "It is difficult to build a relationship with the major hyperscalers unless you are spending hundreds of thousands with them on a regular basis. A good vendor needs to treat you the same regardless of your size and spend and nurture a relationship.

This is particularly evident when things go wrong. One attendee said: "We understand that not everything works 100% of the time. But we have historically struggled to get resolutions from vendors who ignore that anything has gone wrong.

Another noted: "If or when things go wrong, I can talk to a knowledgeable and helpful person who can resolve the issue and provide an explanation of what happened that I could pass onto my SMB client, that vendor will have me as a partner for life."

One delegate summarised: "A vendor should make it easy for us to do our job, which is making it easy for an SMB to do theirs. At every stage of this chain, we should see a mutual return on investment and communal growth."

In agreement, one attendee from an existing IONOS partner highlighted the vendor's commitment to being an active and responsive partner as a key reason why their relationship has moved from strength to strength.

IONOS AND THE CHANNEL

IONOS currently has around 40 UK channel partners and is looking to grow this community with MSPs who value meaningful and mutually beneficial relationships. IONOS's Partner Manager Kim Bishop explained: "IONOS is not asking you to change providers, we are encouraging you to add an alternative to your portfolio."

Concluding the roundtable, Georgina Dallas, Head of Partnerships U.K., explained how IONOS is setting itself apart from other IaaS providers by prioritising cost and customer service benefits. She

said: "Partners are initially drawn to the significant cost savings—IONOS is typically 30% more affordable than the U.S. hyperscalers, even before applying partner discounts. What keeps partners engaged, however, is the trusted relationships they form with their dedicated account manager and team of Solution Architects who provide tailored advice and guidance for cloud projects.

The incentives Dallas mentioned include marketing development funds and migration incentives.



Georgina Dallas, Head of Partnerships UK, IONOS

She elaborated: "A standout advantage of partnering with IONOS is access to MDFs. Starting at the Gold Tier, partners can access funds for collaborative campaigns and events. For instance, if you plan to exhibit at an industry expo, IONOS can contribute up to 50% of the costs. Unlike other providers that require millions in annual spend, our lower threshold champions the SMB market, ensuring you can grow your business effectively.

"As an additional benefit, IONOS offers up to £10K in funding to onboard your clients and simplify migrations. We also provide a complimentary 30-day Proof of Concept for each subcontract, allowing you to test workloads and client architectures with confidence."

She concluded: "Our partner strategy is not about signing up as many MSPs as possible, it is about forming trusted relationships and delivering exceptional value to a smaller, more tightknit base."

To learn more about IONOS and discuss partnership opportunities, please email:

partner@cloud.IONOS.co.uk