

The cloud needs of SMBs, start-ups, and ISVs are different than those of large enterprises. These companies put a premium on cost predictability, ease of use, and community support. This situation results in a new set of vendor selection criteria that aligns with the unique requirements of these businesses.

Cloud Vendor Selection Criteria for SMBs, Start-Ups, and ISVs

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Introduction

Cloud is now pervasive in the way organizations build, manage, and secure their applications and data. The ability to provision resources on demand, pay as you go, and scale globally has quickened the pace of innovation. Cloud makes it easier for businesses of all sizes to access new technology and create more value for both internal and external stakeholders.

IDC estimates that the aggregate worldwide cloud IaaS and PaaS markets will reach \$321.9 billion in 2024, with year-over-year growth of 25%. Even in a tough economic climate, spending on cloud remains resilient because it allows customers to conserve cash and eliminate large up-front costs. Cloud also reduces financial risk by scaling up (and down) with the needs of the business.

Challenges for SMBs

However, challenges still exist in cloud adoption, especially for small and medium-sized businesses (SMBs). When asked, SMBs often state that cloud providers are not easy to do business with. There is pressure to make significant volume commitments or agree to long-term contracts to receive discounts. Complexity, cost, and the absence of consistent support are other significant factors. SMBs need to deliver new features and functionality with a limited set of resources and constrained cloud funding. It can be overwhelming to navigate the myriad of cloud services options and to develop the skills required to be proficient in them.

AT A GLANCE

KEY STATS

- » IDC estimates that the aggregate worldwide cloud IaaS and PaaS markets will reach \$321.9 billion in 2024, with year-over-year growth of 25%.
- » IDC predicts that by 2025, 70% of enterprises will form strategic ties to cloud providers for GenAI platforms, developer tools, and infrastructure.

WHAT'S IMPORTANT

The nature of cloud is changing as organizations evolve their strategies to include multicloud architectures and support for AI applications. This creates more opportunities for customers to optimize cost and performance by taking a best-of-breed approach to cloud vendor selection.

Considerations for Start-Ups and ISVs

Start-ups and independent software vendors (ISVs) are unique in that they are building products and services on top of cloud platforms for their own customers. This drives a different set of needs than a direct consumer of cloud resources.

First, these companies require a cloud that is reliable to satisfy service-level agreements (SLAs). SaaS customers have come to expect a high level of availability, and there can be negative financial consequences to vendors that violate the terms of an SLA. It is important to consider how a cloud provider's SLA structure will map to an ISV's ability to meet customer commitments.

Second, ISVs must be able to quickly react to changes in user demand. This includes the ability to scale resources up and down as well as global deployment capabilities to address users spread across multiple regions. One of the biggest challenges that ISVs have is being able to predict their costs to deliver a cloud-based SaaS offering. If costs grow unexpectedly, it could result in negative margins for the ISV. This is why transparent pricing without hidden fees is so important.

Finally, engineering teams are looking for development tools and services that can have a positive impact on workflow efficiencies. This includes tools for automation, test, and deployment along with containerization and serverless computing services that simplify development and operations. Access to a cloud provider marketplace helps increase the visibility of new products within a community that is always on the lookout for new technology.

Since cloud infrastructure is key to delivering a product or service, start-ups and ISVs should also evaluate a cloud provider's partner program to ensure they will get the support they need to ensure their applications are architected to optimize cost and performance. Post-launch support is also critical to maintaining a positive customer experience.

The Move to Multicloud

This evolution of needs has led to a change in the way organizations think about their cloud architecture strategy. It is rare to find a business that exclusively works with a single provider. Instead, there is an increasing trend toward multicloud deployments. In the past, the use of multicloud was accidental, usually due to various departments or business units standardizing on different clouds. Today, multicloud is an intentional strategy. It is a recognition that each cloud has its own strengths and weaknesses. Organizations are increasingly taking a best-of-breed approach to cloud architecture, matching workloads to the cloud that best fits those needs. But it is not always just about technology.

The very nature of multicloud means an increase of data transfer between the providers. This can have a significant impact on cloud costs because while data ingress is typically free, data egress is not. It is important to look beyond the standard cloud service rates to understand all the elements that affect the monthly bill.

In addition to achieving greater control over costs, other advantages to the multicloud approach are improved application availability, reduced vendor lock-in, and compliance with data residency requirements.

The Impact of AI

The mainstreaming of AI is also having an impact on cloud decisions. Interest in generative AI (GenAI) has moved the conversation beyond technical circles to senior business leaders. GenAI is viewed as both a productivity tool and a way of building competitive advantage.

The infrastructure needed to train, tune, and deploy GenAI models is very different from that for traditional workloads. The processing of large volumes of data necessitates hardware accelerators like GPUs. It also requires new software stacks that can facilitate the development of applications that leverage AI capabilities.

For these reasons, IDC predicts that by 2025, 70% of enterprises will form strategic ties to cloud providers for GenAI platforms, developer tools, and infrastructure. This is especially true for SMBs that would find it cost prohibitive to build the infrastructure to support AI on premises. Cloud becomes the obvious choice as it facilitates access to the latest technology along with a consumption-based pricing model.

The New Cloud Buying Criteria

Today's cloud buyers are focused on five major value drivers:

- » **Cost savings and predictable billing:** As cloud environments grow, buyers have become keenly aware of the differences in costs between providers. This includes not just the service costs themselves but other factors that can impact overall pricing.
- » **Community support and robust technical documentation:** Developers value the ability to connect with others in the community to learn and share best practices. A robust and active community can influence cloud providers' road maps.
- » **Ease of use aligned to a range of services:** Looking beyond standard compute and storage infrastructure, cloud buyers want a range of services including managed databases, developer tools, and AI platforms that are user-friendly and easy to adopt.
- » **Scalability and consistent performance:** As more mission-critical applications move to the cloud, there is an increased emphasis on scalability, high availability, and performance.
- » **Security:** Data security, which includes data encryption and access controls, and secure transmission protocols remain paramount for companies as they require cloud solutions with robust security measures to protect their sensitive information.

Conclusion

There are more choices than ever in the types of services offered in the cloud, and savvy buyers are realizing that bigger is not always better. Organizations are exploring how to leverage multiple cloud providers in a way that optimizes cost and performance to find success in multicloud architectures.

SMBs, start-ups, and ISVs are looking for streamlined cloud services that are cost effective and easy to use with support from an active community. When making a cloud vendor selection, look for attributes that best align with the business.

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About the Analyst



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Dave McCarthy is research vice president within IDC's worldwide infrastructure research organization and global research lead for the cloud and edge services practice. Dave leads a team of analysts covering research on cloud and edge deployments, services, adoption trends, vendor strategies, and market dynamics.

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