83% of companies frustrated by 'fake clouds'

New research from ElasticHosts finds that businesses use less than half of their on-premise servers at any given time

LONDON, UK, October 29th, 2012: Cloud hosting provider ElasticHosts has today released the findings of a CIO survey revealing dissatisfaction in the end-user community in relation to 'fake' cloud services. The survey has also found that despite the availability of Infrastructure as a Service offerings which allow companies to pay by consumption, many are still paying for server capacity they are not using.

It shows that 83% of companies are frustrated with having to cut through marketing hype to find out which solutions are genuine cloud offerings and which are merely conventional hosting services with the word 'cloud' added to the title. This view is supported by the fact over two thirds (67%) of respondents had been offered 'cloud' services that are fixed term, 40% had been offered services that weren't elastic or scalable and 32% had found that in many cases services weren't even self-service.

The survey also highlights that many of the businesses surveyed could benefit substantially from 'real' cloud services. According to the research, on average, businesses are using less than half (49%) of their on-premise server capacity at any given time. These figures indicate that underused on-premise server capacity still seems to be an issue a wide range of organisations are struggling with.

"According to NIST's widely recognised definition of cloud, cloud is on-demand self-service, rapidly scalable/elastic and pay-as-you-go," commented Richard Davies, CEO for ElasticHosts. "However, as the research shows there are many cloud providers that are providing traditional IT services and rebadging them as 'cloud'; even though they fail to meet these criteria. Businesses are demanding the real benefits of cloud to make their organisations more agile, resilient and cost effective. The fact that in many instances they are not being offered real cloud services and are being locked into minimum contracts is quite frankly shocking. When you consider the wasted capacity that companies are paying for it really brings home how much companies stand to gain from using IT as a utility on a Pay-As-You-Go basis. It is disappointing to see providers out there that are hindering the growth of the market by frustrating end-users and offering solutions that are not meeting expectations."

The survey of end user organisations also went on to highlight some of the impact cloud has had on customer buying preferences. It showed that the channel is not doing enough to provide expertise in cloud services and help businesses realise the benefits, placing itself in increasing danger from direct competitors.

According to the research, 71% of companies have a mixed purchasing model; buying some infrastructure products through the channel and some direct from vendors or cloud service providers. However, 38% of companies intend to decrease the amount of money they spend with the channel on IT infrastructure and are looking to make use of more direct services. This trend is particularly prominent in the retail, distribution and transport sector where over half (52%) said that

they intend to decrease spending with the channel to take more direct offerings. 9% of companies said they have already cut out the channel and instead use cloud service providers.

On the other hand, the majority of companies (86%) would buy some cloud services through the channel if it provided the services they need. In fact, 31% of companies said they are frustrated that their resellers do not have cloud services available to sell to them now. This is particularly keenly felt within the manufacturing sector, where 42% of businesses are feeling frustrated by the lack of cloud services being offered by the channel.

"It is clear that there is a growing appetite for cloud services and a good opportunity for the channel to make profits," Davies concluded. "The fact that 86% of companies would buy some form of cloud services from the channel if they provided them is very telling, showing that the channel is already missing opportunities and driving business away."

"The channel can very quickly and easily benefit from the higher margins gained by offering cloud services without massive amounts of specialist knowledge or needing to invest in costly capex. There are several ways that the channel can become involved in selling cloud; from making it part of managed and value-added services, through to offering their own rebranded cloud though a white-labelled cloud provider. The one thing that is clear is that cloud cannot be ignored. Resellers that do not review their offerings and accommodate for cloud will be at risk of losing customers in both the short-term and long-term."

The survey consisted of 200 IT directors from businesses across the UK and was commissioned by ElasticHosts. The survey was conducted by independent research company Vanson Bourne.