451 Research: 75% of organizations willing to pay a premium for enhanced hosting and cloud services

Customers willing to pay an average 30% premium for security, uptime and performance; survey finds shortcomings with many providers failing to meet customers’ expectations

New York – September 25, 2017 – 75% of respondents to 451 Research’s latest Voice of the Enterprise: Hosting and Cloud Managed Services – Organizational Dynamics study indicate they are willing to pay a premium for enhancements to their hosting and cloud services. The most desired improvements are guarantees of security (48.7% of respondents) and service performance (43.3%) with less interest in paying service providers to take on the operational management burden (27.9%).

Despite customers citing cost savings as a driver of cloud adoption and using value for money as a metric for evaluating cloud services, 451 Research finds customers are willing to pay extra for cloud and hosting service enhancements. The average premium businesses are willing to pay is around 30%. The highest premium is for enhanced customer service and support (33.3%) and the lowest is for the service provider handling operational management (27.9%).

### Premiums Paid for Service Enhancements

<table>
<thead>
<tr>
<th>Willingness to pay for enhancements to infrastructure or application services</th>
<th>Level of premium prepared to pay</th>
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</thead>
<tbody>
<tr>
<td>Security guarantees</td>
<td>48.7%</td>
</tr>
<tr>
<td>Enhanced guarantee of uptime/performance</td>
<td>43.3%</td>
</tr>
<tr>
<td>Enhanced level of customer service/support</td>
<td>33.6%</td>
</tr>
<tr>
<td>Service provider handling operational management burden</td>
<td>26.4%</td>
</tr>
<tr>
<td>None</td>
<td>24.1%</td>
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</tbody>
</table>

Q. For which of the following enhancements to your hosted infrastructure or application services is your organization willing to pay a premium?

Q. What level of premium, expressed as a percentage, is your organization prepared to pay for that guarantee, compared to an environment with no guarantee?

Source: Voice of the Enterprise, Hosting and Cloud Managed Services, Organizational Dynamics, 2017

Although 451 Research believes higher levels of service will attract those customers willing to pay higher rates, organizations surveyed say that their providers are failing to meet their expectations for service levels in several categories. 58.1% of respondents say that managed services or security services bundled with the infrastructure or application service is an important capability for them. However only 38.8% of these respondents say their current vendors meet this expectation.
The largest such gap is the ability to migrate workloads and data from the customer’s datacenter to the provider’s or another datacenter, including public cloud. 42.9% indicate this is important, but only 19.5% of these respondents say their current vendors meet this expectation.

“We frequently talk about pricing competition in cloud infrastructure and applications, which leaves many service providers wondering how they can differentiate themselves,” says Liam Eagle, Research Manager at 451 Research and author of the Voice of the Enterprise: Hosting and Cloud Managed Services study. “The good news is that many customers tell us they’re evaluating vendors on value, rather than cost. That value can reside in services like guaranteed levels of performance, security and support.

“We have found that customers still see shortcomings when it comes to service providers helping them strategize and execute around hosting and cloud,” added Eagle. “Service providers focused on adding value should regard these gaps as opportunities they can capture by improving the quality of their own service in specific areas.”

The Voice of the Enterprise: Hosting and Cloud Managed Services – Organizational Dynamics study focuses on enterprise end-user adoption of hosting and cloud services, including infrastructure services, SaaS and hosted application services, managed services, security services and professional services for cloud enablement. Based on research conducted in June and July 2017 with approximately 600 IT professionals worldwide, the quarterly study combines 451 Research’s analysis with survey responses and in-depth interviews from a panel of more than 60,000 senior IT buyers and enterprise technology executives.

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