

A 360-Degree View of the Market for IaaS: Perspectives from Resellers and SMBs



SURVEY REPORT





Contents



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01	Introduction	1
02	The SMB View of Infrastructure as a Service	2
	Cloud Is Commonplace for SMBs	
	SMBs Prefer Resellers Over Going Direct	
	SMB IaaS Spending on the Rise	
	SMB IaaS Challenges	
03	The Reseller View of Infrastructure as a Service	8
	What IaaS Resellers Are Offering	
	> Resellers Ahead of the SMB-Need Curve in Key Areas	
	Challenges and Opportunities in the SMB Market	
	> Are IaaS Resellers Leaving SMB Spend on the Table?	
	> The Value Perception Gap Between Resellers and SMBs	
	Barriers to Selling to SMBs	
04	Conclusion	15



SECTION 01

Introduction

The "as a service" cloud model has revolutionized the way businesses of all sizes use technology. For small and medium-sized businesses (SMBs), however, the impact has been particularly profound.

As a service solutions have given millions of SMBs access to enterprise-grade technology that has leveled the playing field and opened the door to disruption across almost every industry.

For years, SMBs have been eager adopters of software as a service (SaaS). Now, as their understanding of—and comfort with—the public cloud has increased, many SMBs are using infrastructure as a service (IaaS) solutions to manage critical parts of their businesses.



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Already, small businesses spend more than **\$60 billion on IaaS**, a figure that is set to reach more than **\$90 billion by 2023.¹**

SMBs are ready to spend on IaaS, but what's less clear is what IaaS solutions small businesses are buying, as well as the adoption challenges they are facing. In this report, we tackle these questions and reveal a range of insights into SMB IaaS buying preferences.

We also examine the other side of the transaction—IaaS resellers. Which IaaS providers are they selling? What are their challenges in reaching SMB buyers? We delve into these questions and more.

Taken as a whole, the results in this report give a unique 360-degree view of today's SMB market for IaaS. We hope you find the insights in this report interesting and use them to shape your own IaaS strategy. [As part of our survey, we captured verbatim interviews with both SMBs and IaaS resellers. We highlight their insights throughout this report.](#)



SECTION 02

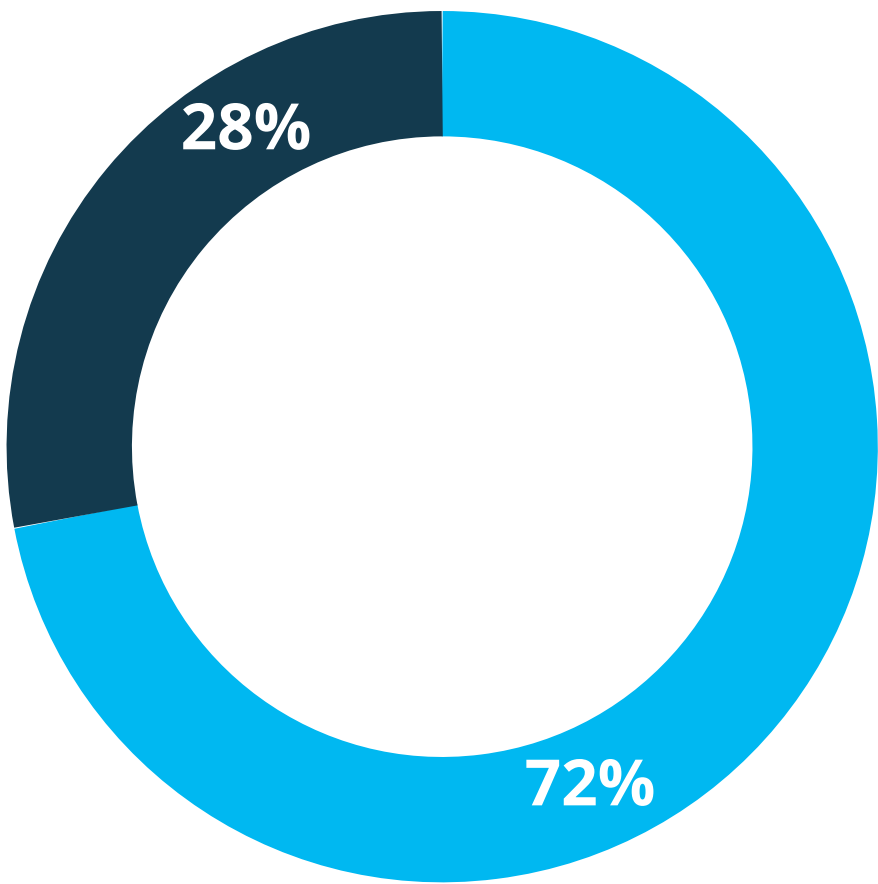
The SMB View of Infrastructure as a Service

Cloud Is Commonplace for SMBs

For some, SMBs may have a reputation of being too cautious, too unsophisticated, or too overwhelmed to use cloud-based services. However, our survey found that SMBs run a significant majority of their workloads, 72 percent, in the cloud.

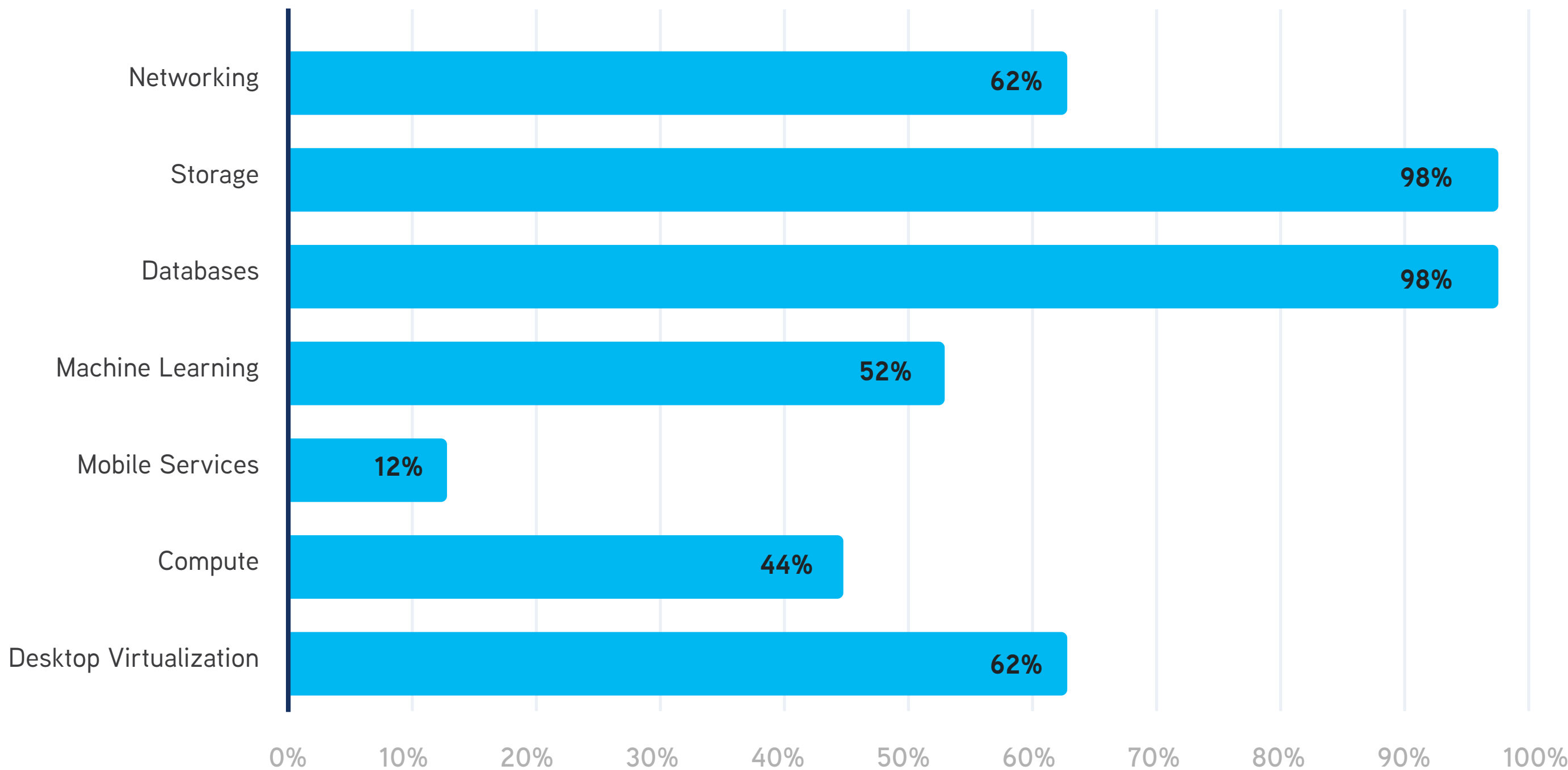
What percent of your workloads are on premises vs. in the cloud?

- **28%** ON PREMISES
- **72%** IN THE CLOUD



So what services comprise that "in the cloud" percentage? As it turns out, SMBs are using a range of IaaS solutions, with some—namely storage and databases—being nearly ubiquitous.

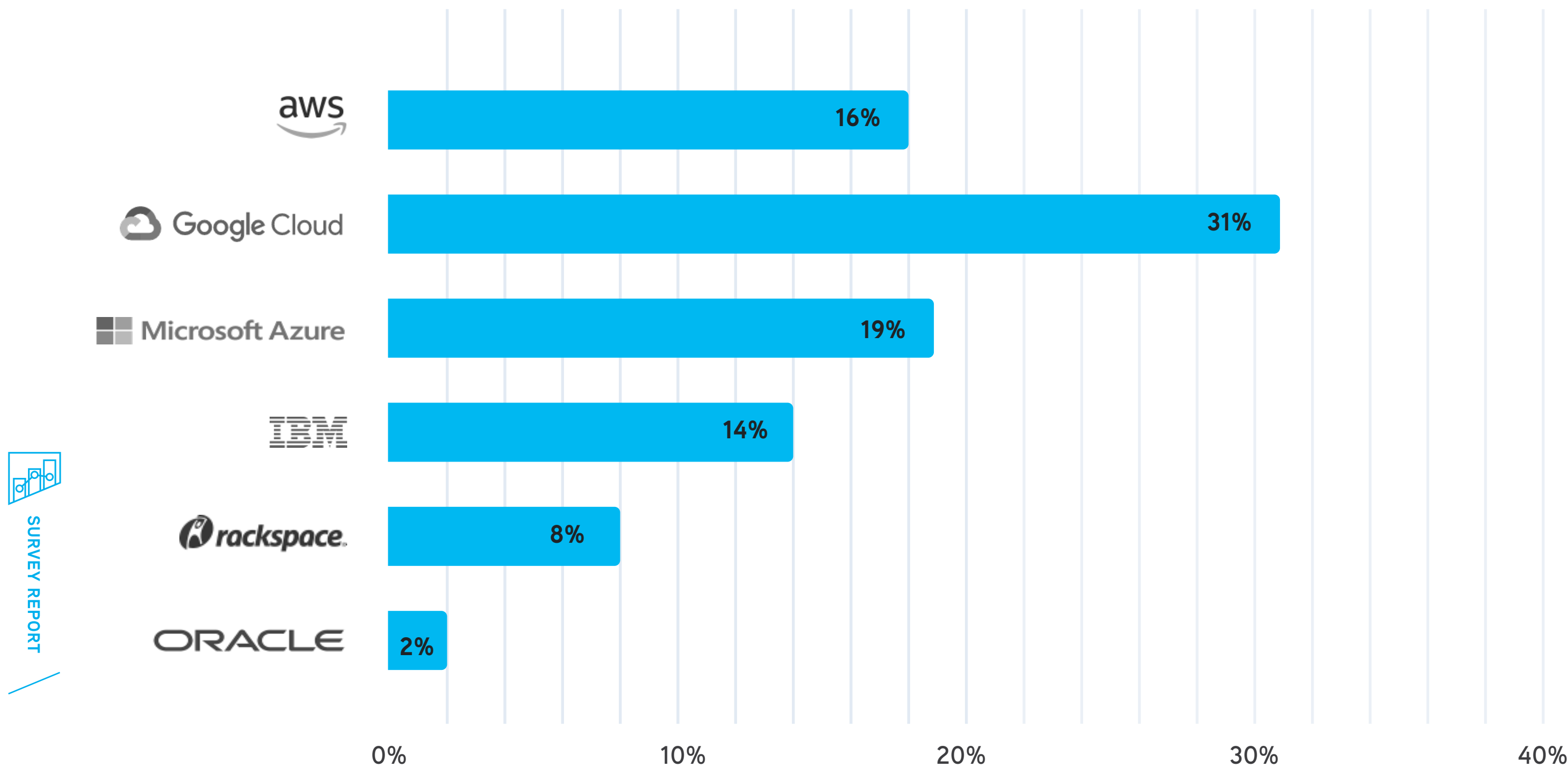
What IaaS solutions are you using?





SMBs are taking full advantage of the breadth and depth of IaaS options, and they are using solutions from a number of different providers. However, Google Cloud Platform is emerging as a favorite among the SMB customer base.

What percent of your workloads are on premises vs. in the cloud?



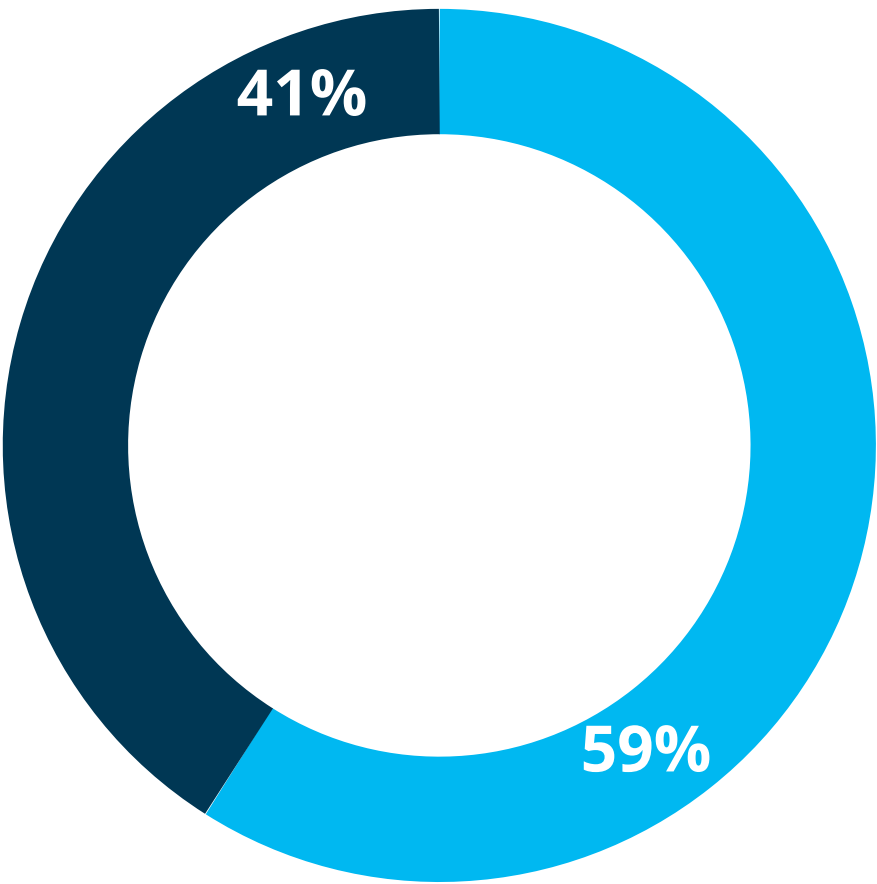


SMBs Prefer Resellers Over Going Direct

SMBs have two main options to purchase IaaS services: [They can go directly to a provider or they can work with a reseller](#). Though not universal, SMBs have a clear preference for buying IaaS through resellers.

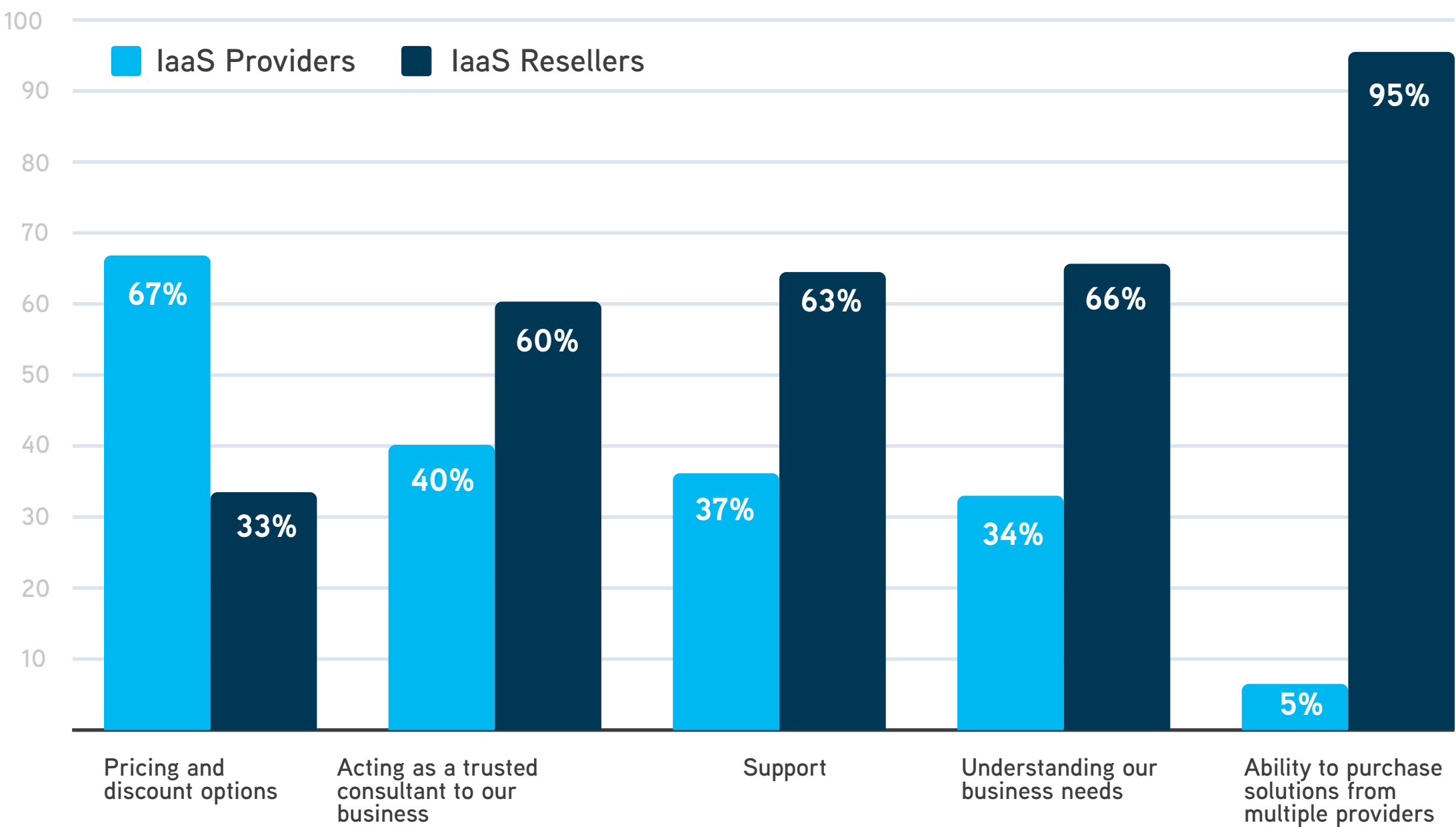
How do you purchase the IaaS solutions you use?

- **41%** THROUGH PROVIDERS
- **59%** THROUGH RESELLERS



A 20-point difference is substantial, and the reason for the gap comes down to the more personalized attention that SMBs receive from resellers. In fact, resellers have the edge in almost every area we measured, including [trust, support, understanding business needs, and flexibility](#). Providers came out ahead only on pricing and discounting options.

For the following statements, please select whether you believe cloud service providers or resellers are superior.



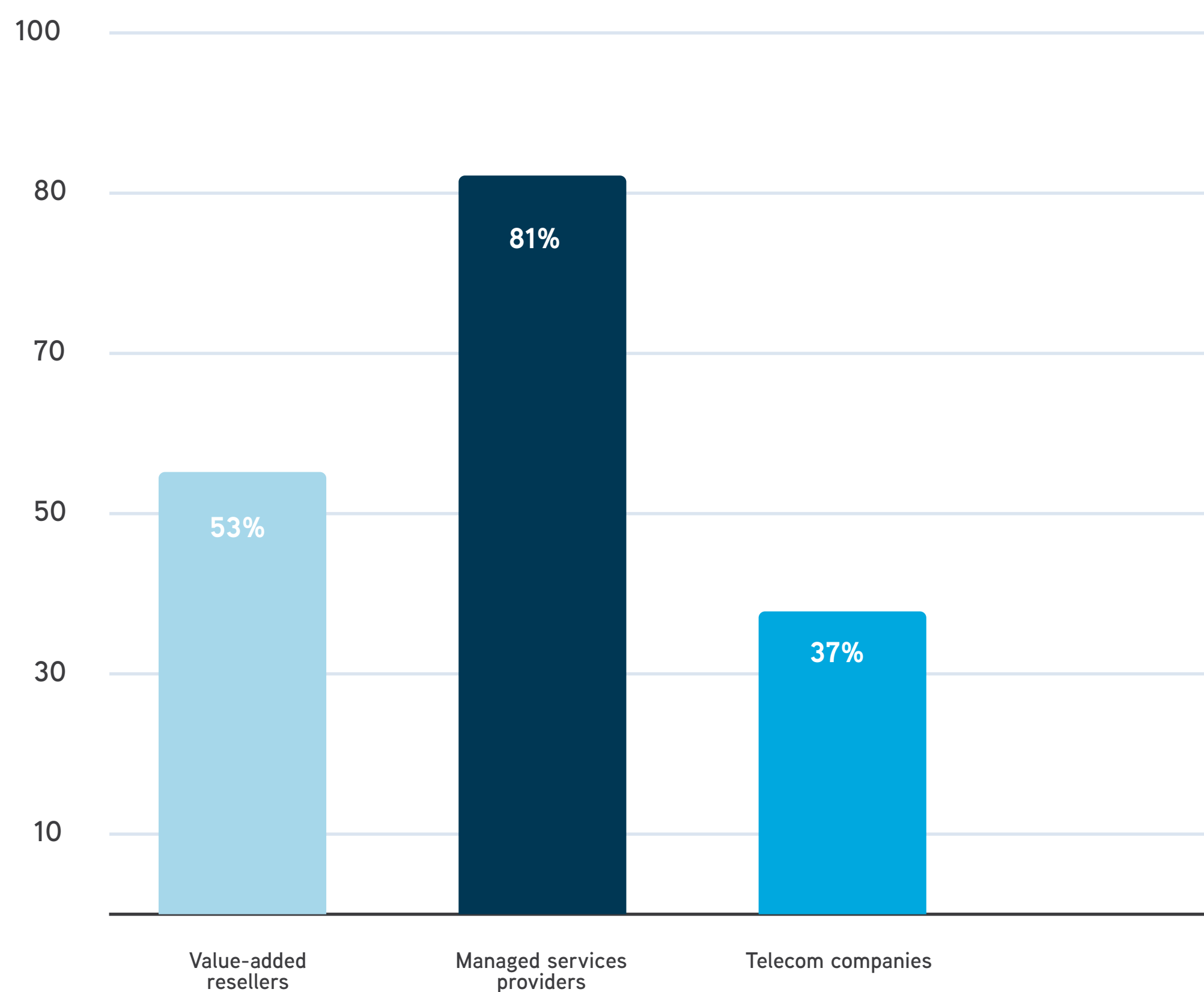


“We're focused on supply chain and logistics, and we're doing a fleet management solution. I've seen some very good work from resellers on Azure and AWS where they can actually come up with very good solutions. They've developed creative ways of leveraging the building blocks to actually meet our needs, so I've seen value there.”

—Chief Technical Officer at an SMB on the value of resellers

Digging deeper into the data, SMBs also have clear preferences for which types of resellers they purchase from. While most prefer to buy from managed services providers, a significant number also buy from value-added resellers and telecom providers.

What types of resellers are you typically more likely to purchase through?





SMB IaaS Spending on the Rise

For IaaS providers and resellers alike, one of the most positive findings from our survey is that most SMBs—eight out of 10, in fact—plan on increasing their IaaS spend over the next three years. A much smaller number, 20 percent, will spend the same amount, and none plan on decreasing their IaaS spend.

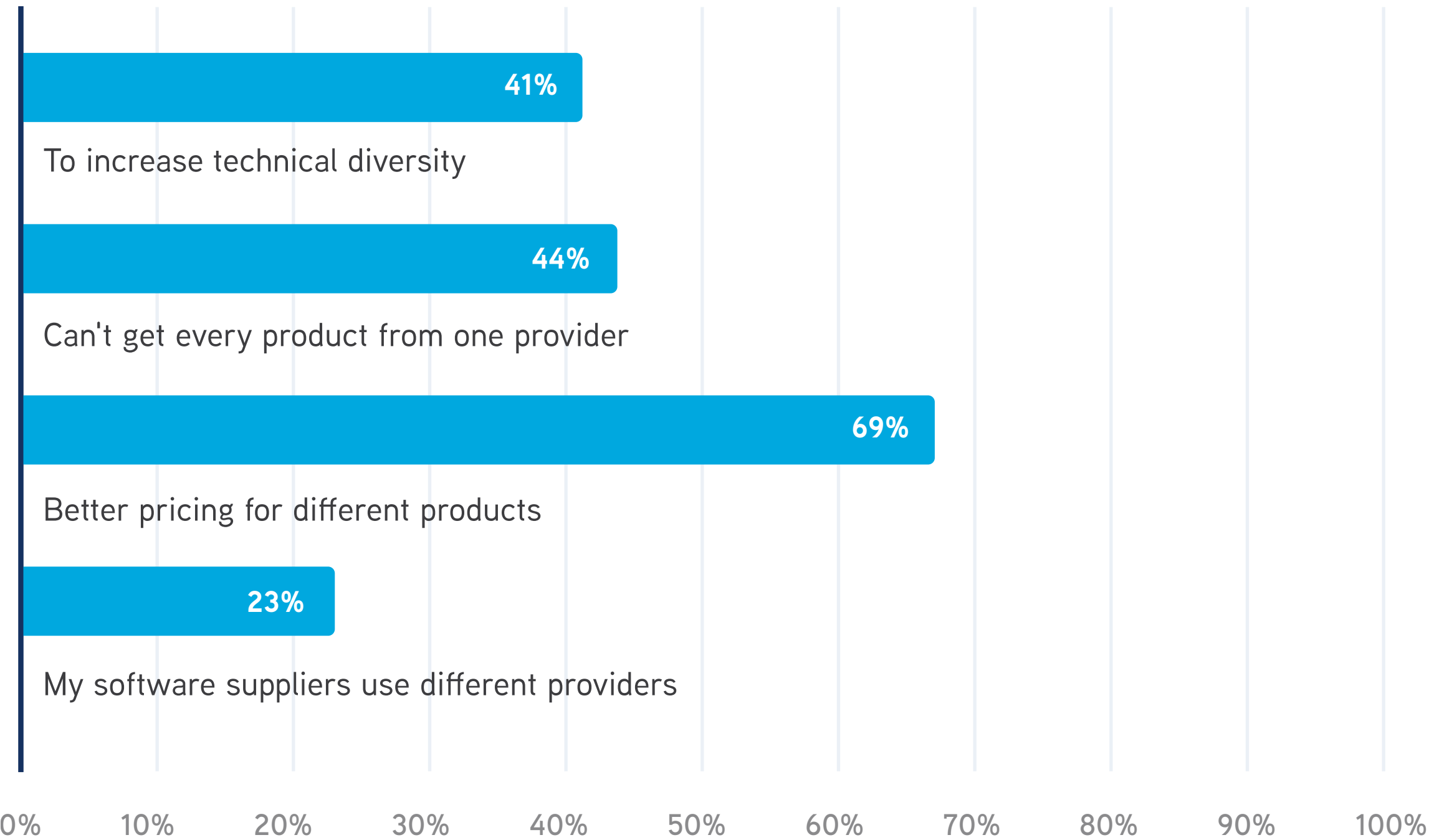
Over the next three years, how do you expect your IaaS spending to change?



As SMBs grow more sophisticated in their use of IaaS, many are starting to shop around for the best products, not to mention the best deals. In fact, most SMBs buy from multiple IaaS providers to get better pricing, but others also pursue a multi-vendor strategy to diversify their technology or find the products that best suit their needs.

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If your organization purchases IaaS solutions from more than one provider, please select the reasons why.

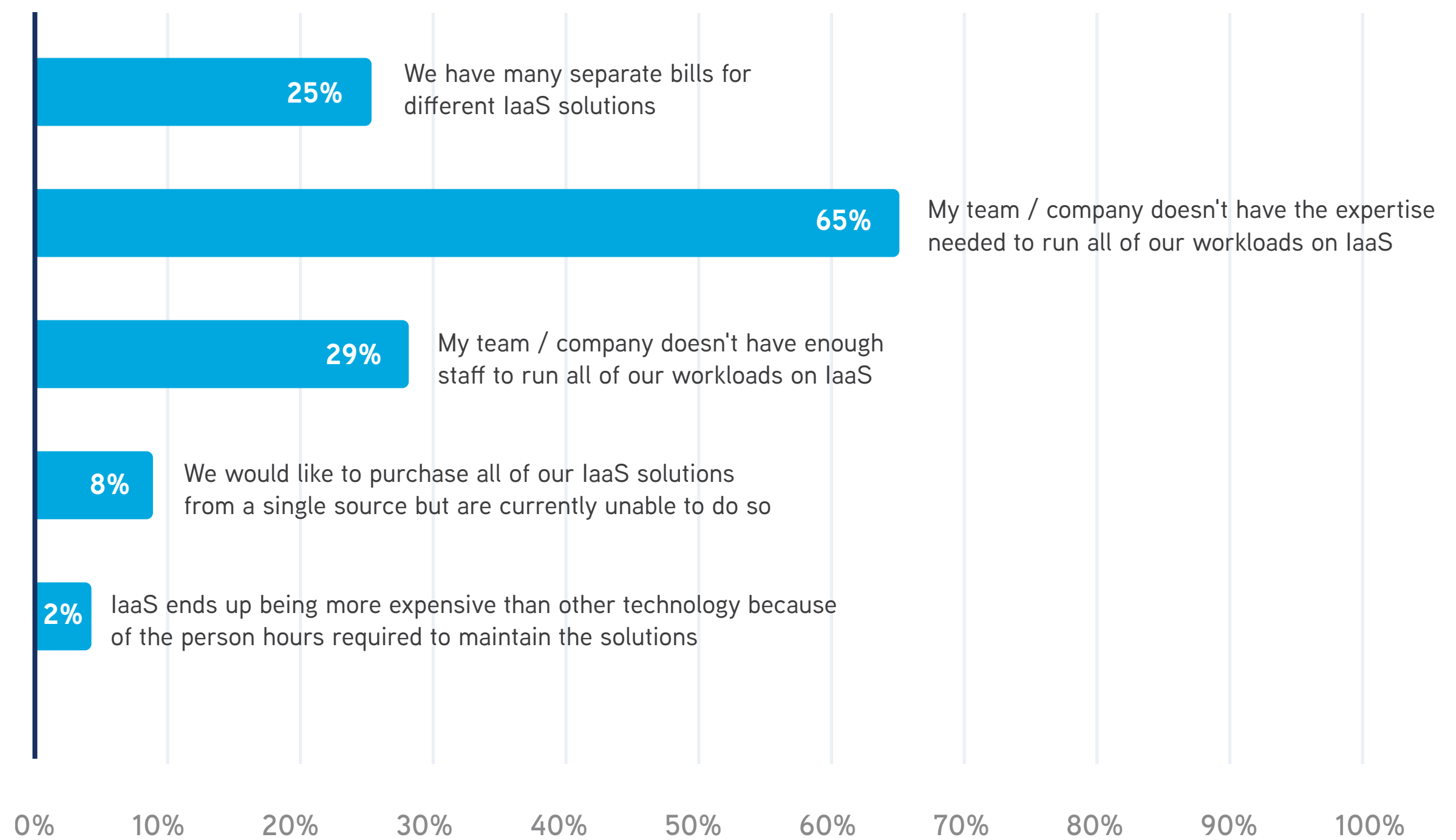




SMB IaaS Challenges

No matter what the reasons SMBs adopt IaaS, or from whom they buy their solutions, most run into challenges when implementing and using IaaS. The biggest issues are a lack of staff and expertise, but other obstacles, such as having to manage too many invoices, are also problematic.

What obstacles do you have in using IaaS?



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The resellers that can help their customers overcome these challenges—whether through technology, professional services, education, or a combination of all three—are in the best position to help them to succeed and to maximize the SMB IaaS opportunity.

"I don't want to have to worry or have to care about infrastructure. I want a partner to do it all for me."
—Owner of financial services SMB



SECTION 03

The Reseller View of Infrastructure as a Service

Examining SMB IaaS preferences is one part of the story. To complete the picture and get a more well-rounded view of the state of the IaaS market, we also surveyed IaaS resellers.

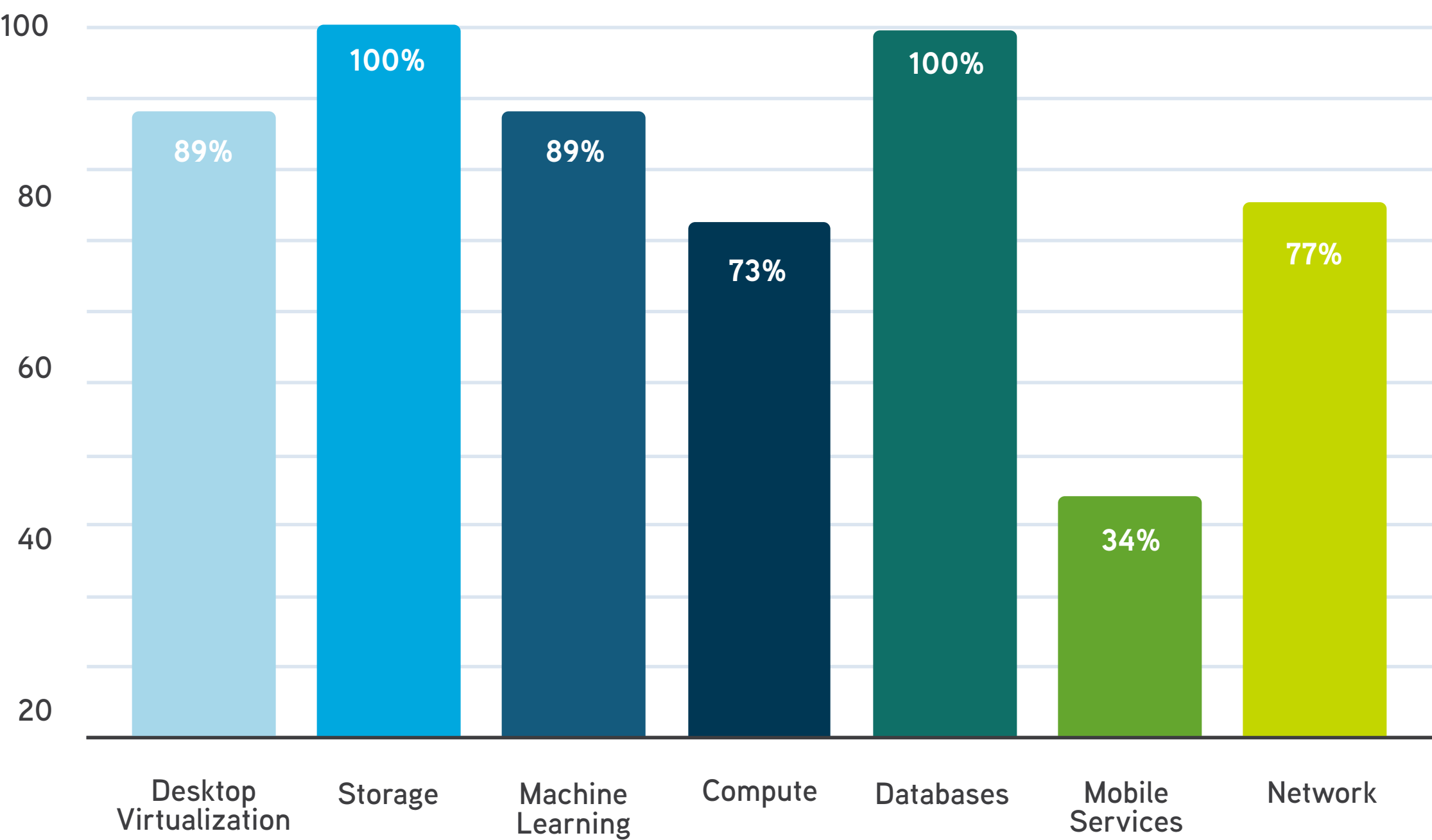
In some areas, such as types of IaaS offerings, reseller strategy seems well aligned with SMB needs. In others, such as pricing, there are gaps that reveal some friction between resellers and their SMB customers.



What IaaS Resellers Are Offering

IaaS customers have evolved far beyond the need to simply add server space, and IaaS resellers have responded with a diverse portfolio of IaaS products. While storage and database solutions are ubiquitous, most resellers also provide virtualization, machine learning, and network services.

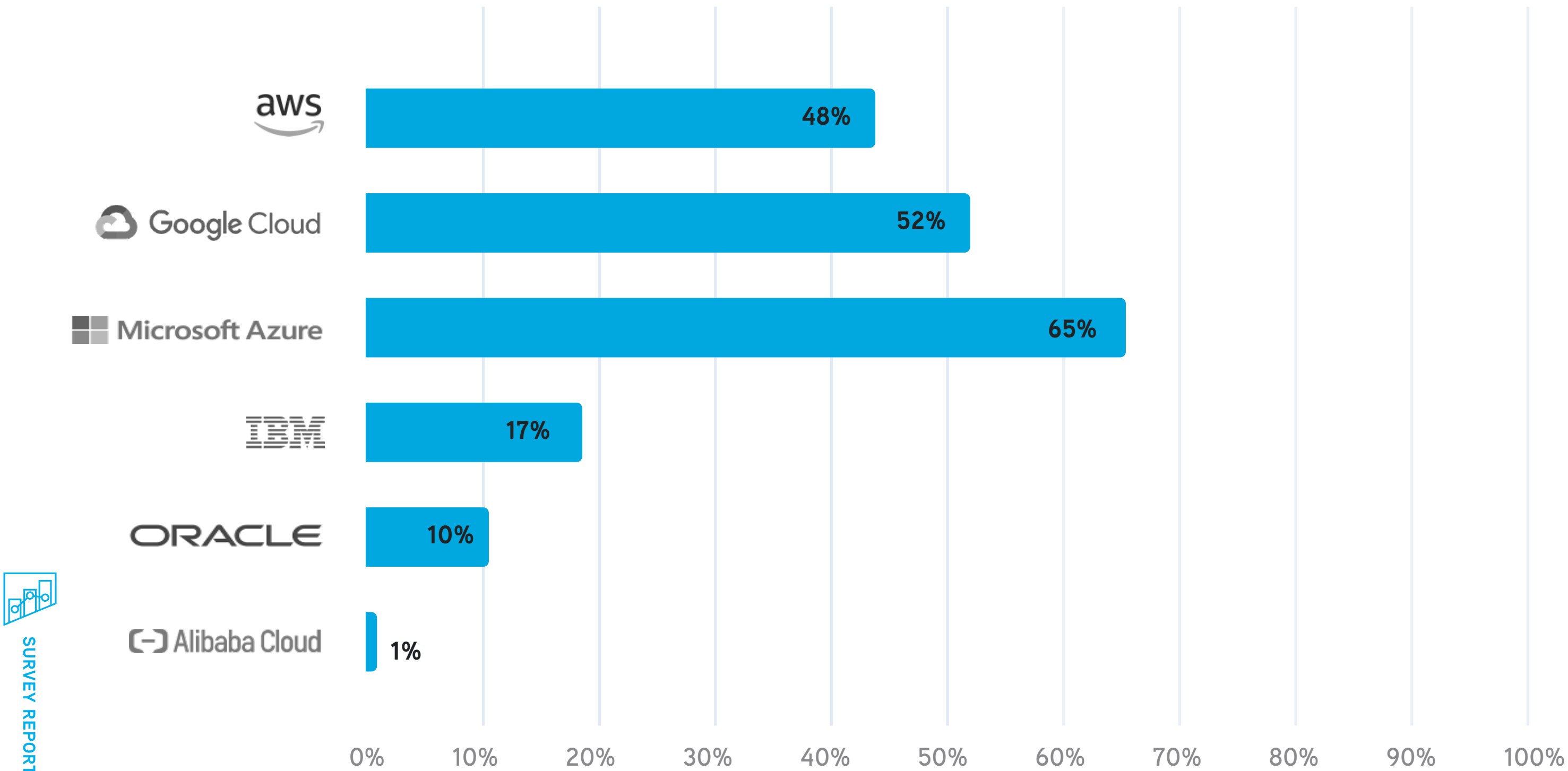
What types of IaaS solutions do you offer?





Not surprisingly, resellers are offering these services from across a selection of in-demand market leaders.

Which of the following cloud providers do you resell IaaS solutions from?

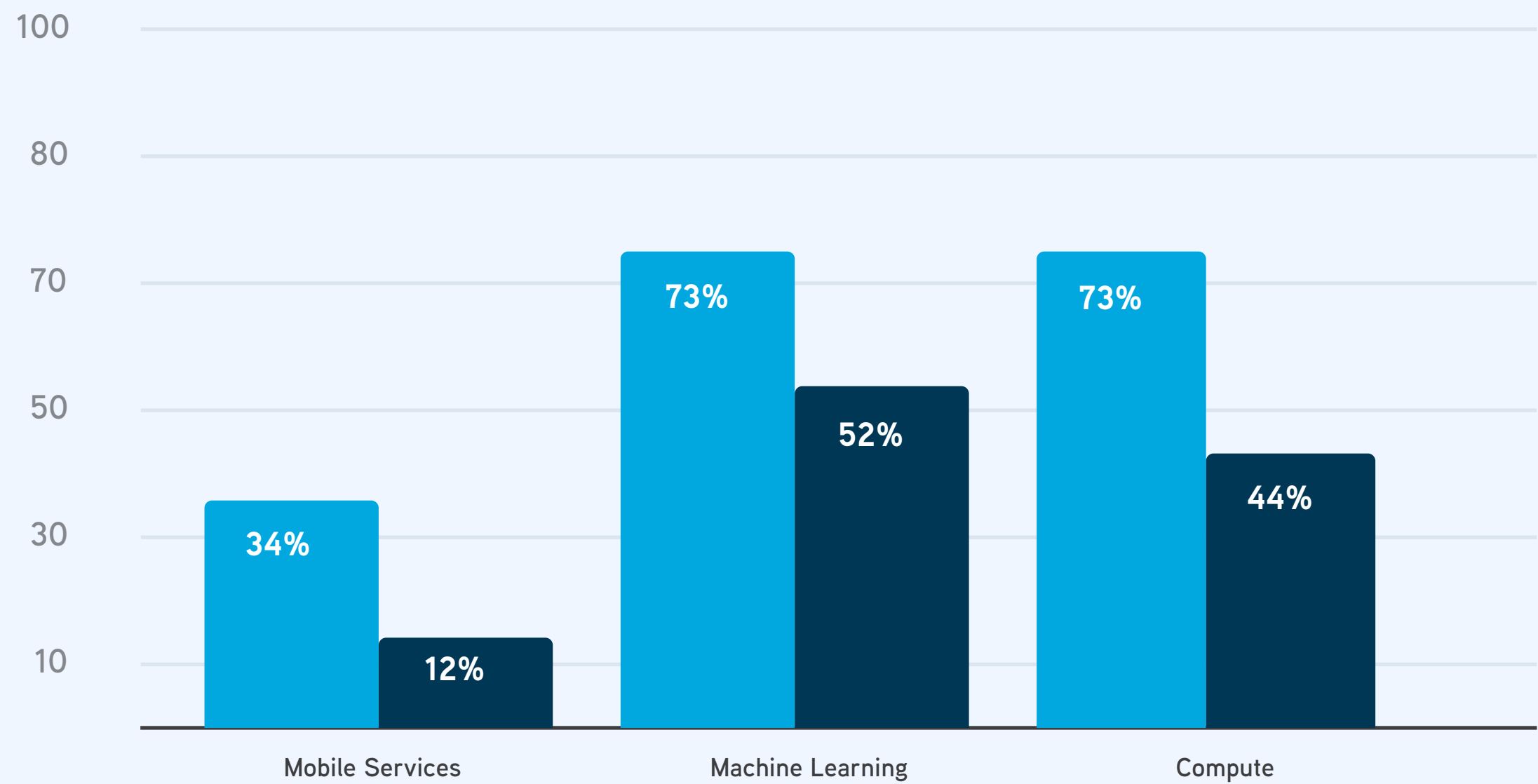


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Resellers Ahead of the SMB-Need Curve in Key Areas

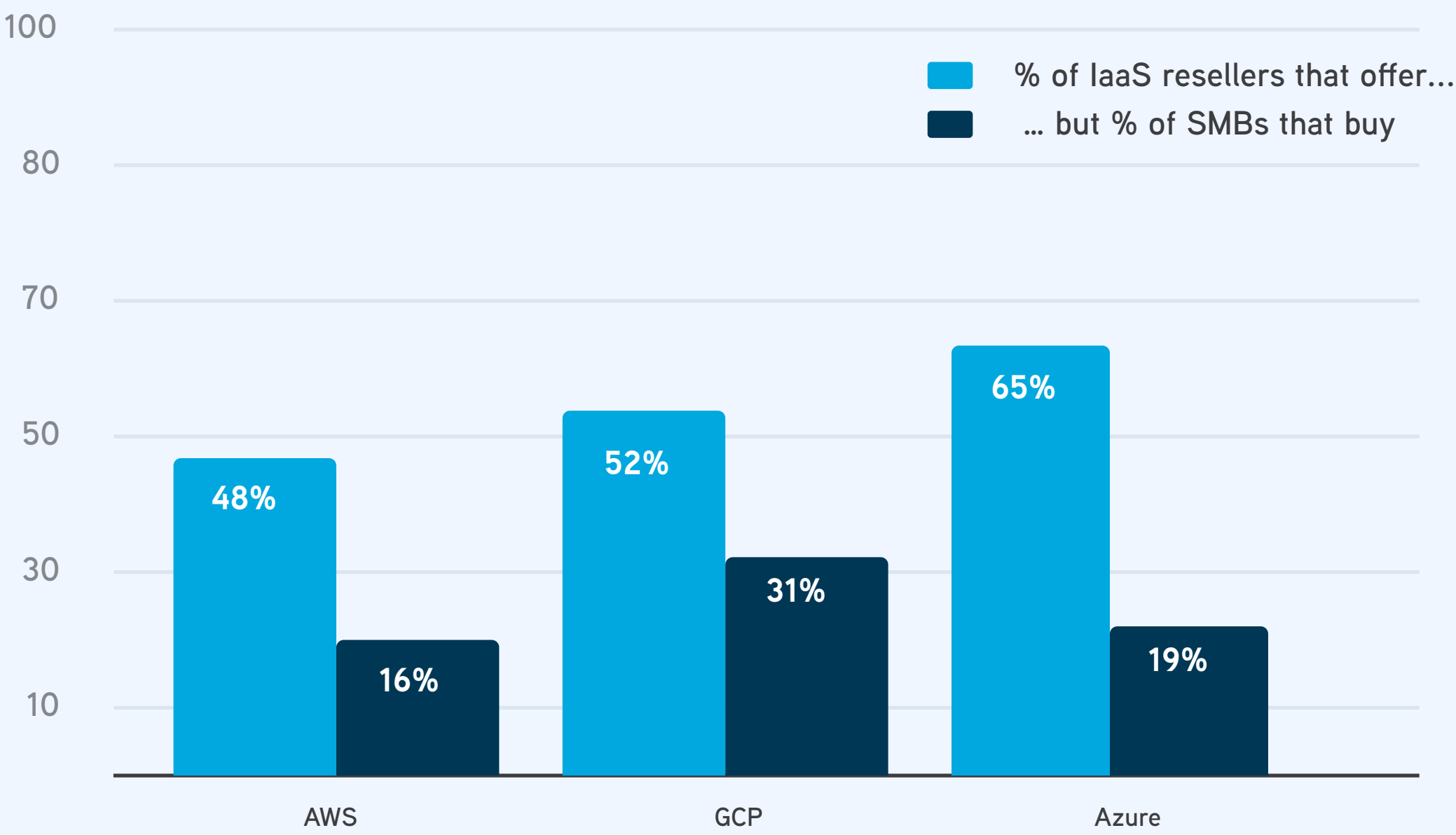
While resellers have worked to add capabilities to their product portfolio, some SMBs may not yet be ready to buy. Here are the biggest gaps revealed by our survey:

% of IaaS resellers that offer...
... but % of SMBs that buy





Similar gaps exist between the IaaS providers that SMBs are using and those that resellers are offering.



For IaaS resellers, these areas are prime targets for SMB customer outreach and education campaigns.



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Challenges and Opportunities in the SMB Market

Given that SMBs prefer to buy IaaS solutions from a range of providers (as shown in the SMB View section above), it makes sense that resellers are looking to expand the number of IaaS providers they sell. However, as our survey reveals, adding new providers presents its own set of obstacles. Lack of staff is the biggest challenge, followed by provider exclusives and lack of a suitable reseller platform.



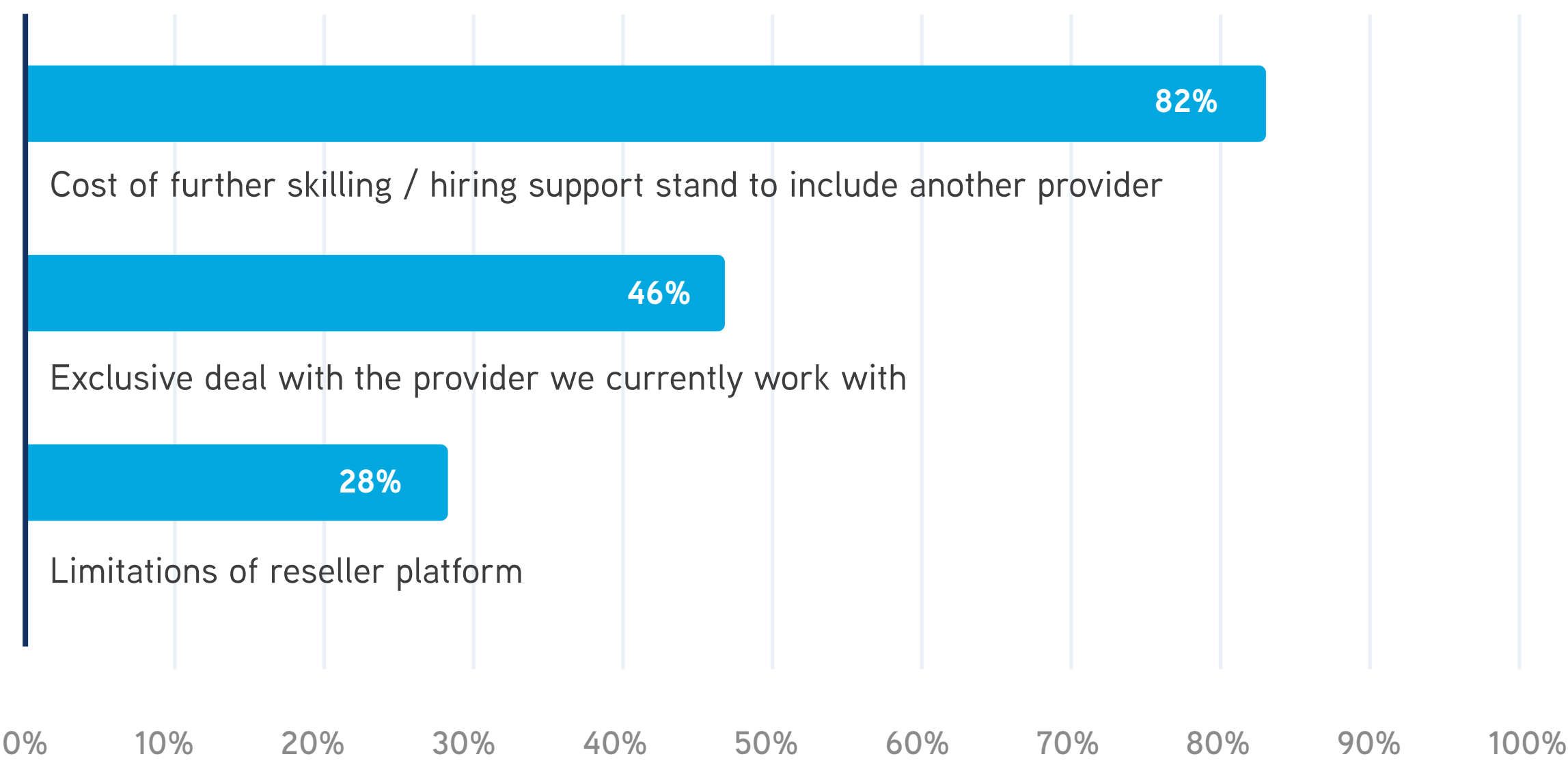
RESELLER INSIGHT

“Integration with our billing platform is probably our biggest pain point. It takes the most time on a month-to-month basis to manually run reports and throw numbers into our billing system.”

-Reseller on challenges with their reseller platform



If you would like to resell more IaaS cloud providers, what is currently stopping you?

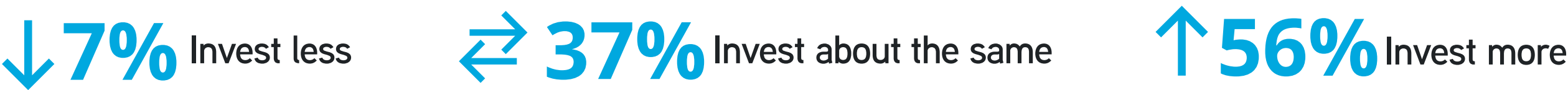



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Given that a large majority of SMBs are looking to spend more on IaaS over the next three years (see SMB View above), resellers who balance investing in additional personnel, as well as platform technology that can streamline IaaS provider onboarding and management, are likely to see a return on their efforts to reach SMBs.

According to our survey, many IaaS resellers seem to recognize this fact: Only seven percent of resellers plan on investing less in selling to SMBs over the next three years. More than half will increase their investment, and about a third will invest the same amount.

Over the next three years, how do you expect your IaaS spending to change?

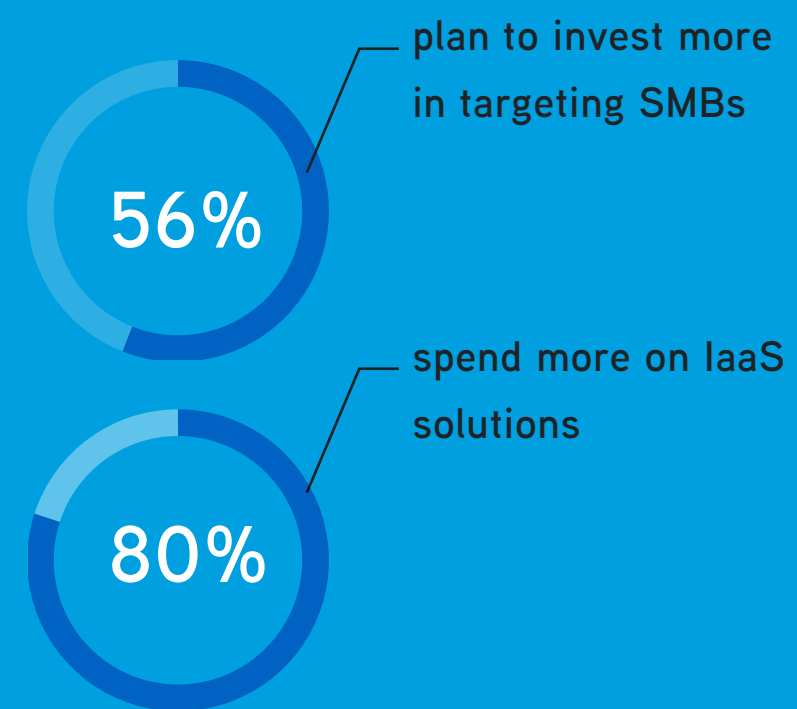




Are IaaS Resellers Leaving SMB Spend on the Table?

Our survey found a significant gap between the number of resellers who plan to invest more in targeting SMBs, **56 percent**, and the number of SMBs who say they are going to spend more on IaaS solutions, **80 percent**.

By making a greater effort to target SMBs, resellers could likely capture a sizeable portion of the spend that is sitting in that gap.



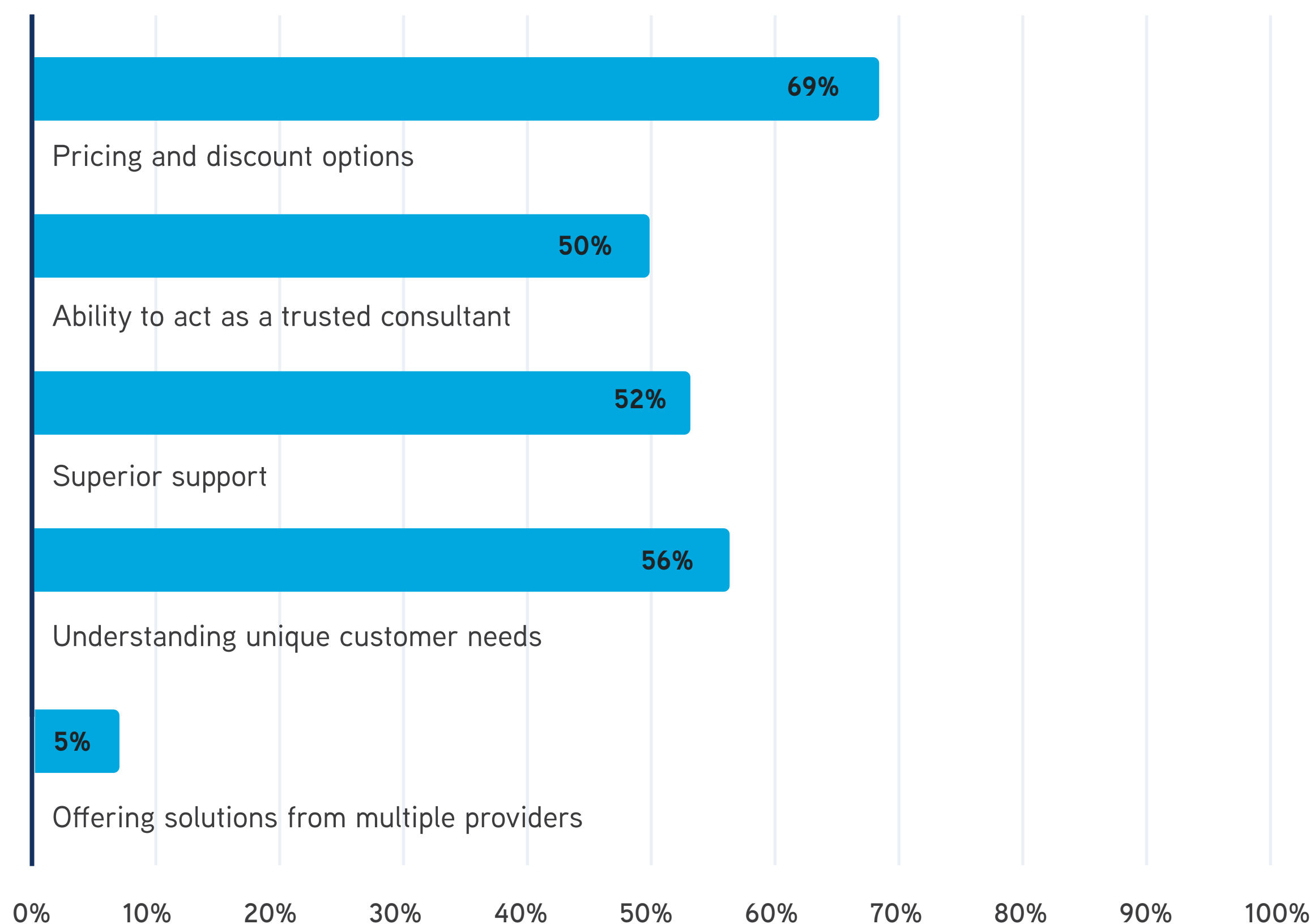
Reseller Beliefs About Why SMBs Turn to Them

SMBs clearly have a lot of choices when it comes to where they purchase their IaaS solutions. IaaS resellers are banking on a few key attributes to put themselves ahead of the direct-to-provider option.



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What are the primary drivers for customers to buy IaaS through you instead of directly?

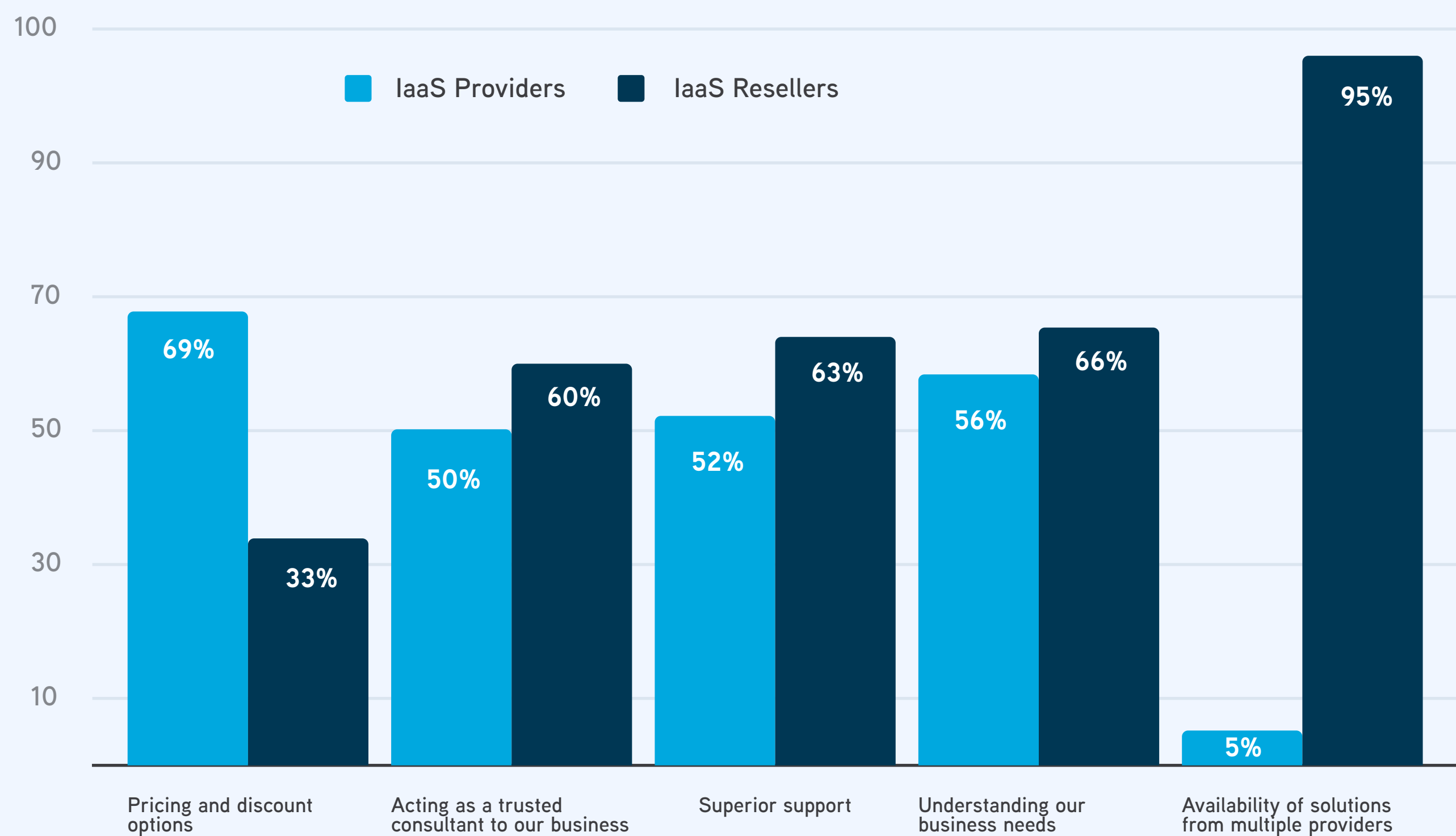




The Value Perception Gap Between Resellers and SMBs

IaaS resellers undoubtedly provide value to SMBs, but there are gaps in how both parties understand that value. Resellers and SMBs mostly have the same perceptions when it comes to resellers' ability to be trusted consultants and understanding SMB business needs. However, resellers far overestimate their value when it comes to pricing and discounts, as well as their ability to provide better support.

For the following statements, please select whether you believe cloud service providers or resellers are superior.



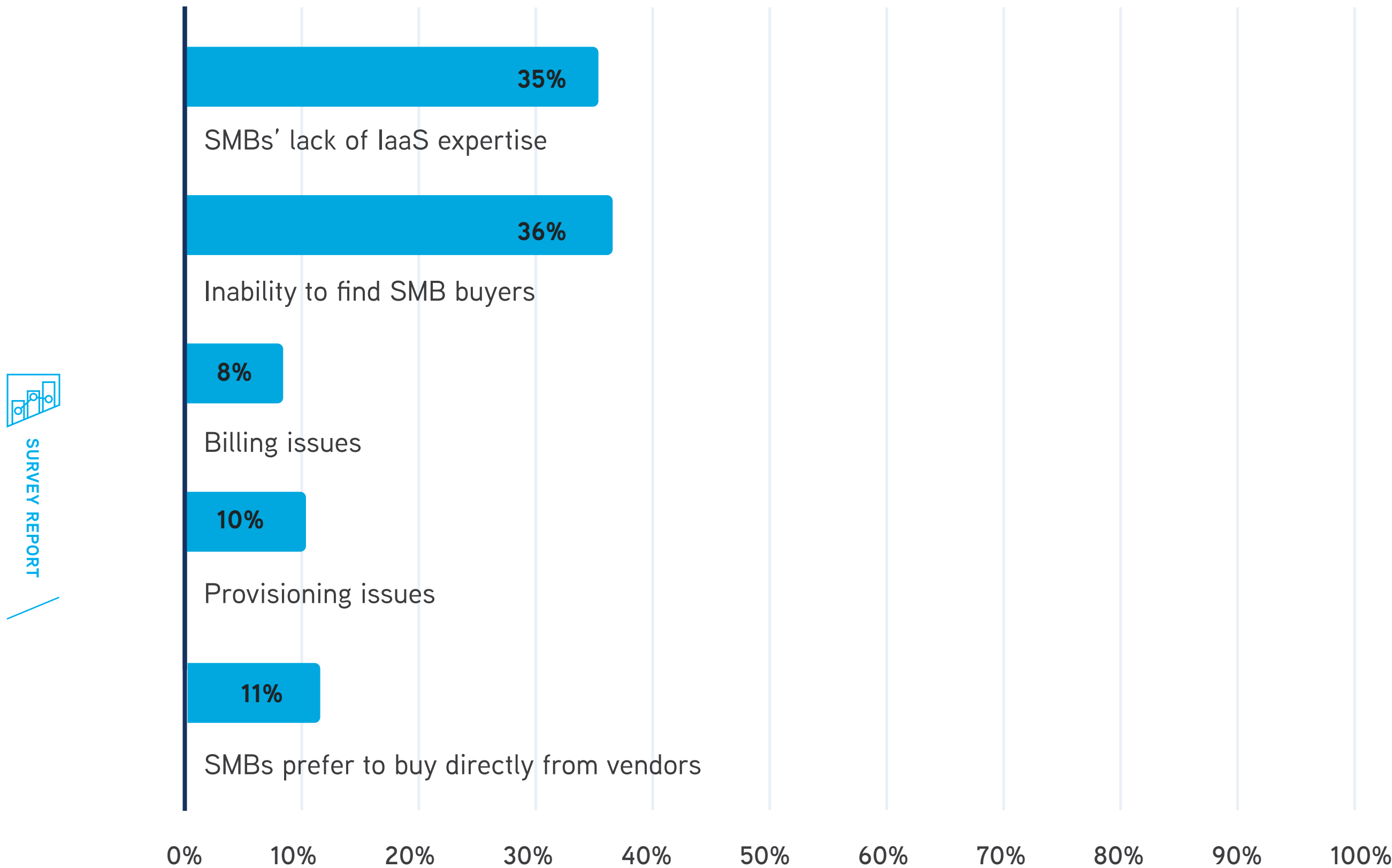
One more huge gap to note: **The number of IaaS resellers who say SMBs choose them because they offer solutions from multiple providers is only five percent, while 95 percent of SMBs look for this in an IaaS reseller.** Given this fact, resellers would be wise to offer more services from a greater number of IaaS providers.



Barriers to Selling to SMBs

Even with growing SMB enthusiasm for IaaS, resellers don't necessarily have an easy time selling into the SMB segment. The fact remains that the SMB market for IaaS is relatively young, and much education is left to do on both sides of the equation. In fact, when surveyed about challenges associated with selling to SMBs, lack of awareness and expertise emerged as the biggest problem areas.

What are the biggest challenges you face selling to SMB IaaS buyers?



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RESELLER INSIGHT

"Most customers say 'I'm just buying some infrastructure, that means I get a server and I'm ready to go.' But with all of the ancillary components that get added on, there's either the technical complication that they're not ready for, or it's the fact that all of a sudden there's 18 additional costs that they had no idea existed. So that's one of the areas where they stop and say, 'well, this is way more expensive than I thought it was going to be.'"

- Reseller on the need for SMB education



SECTION 04

Conclusion

As SMB cloud use continues to mature and more small businesses turn to IaaS solutions, resellers stand to be among the biggest winners. Indeed, many IaaS resellers are already positioned to meet the emerging needs of SMBs, with provider and product portfolios that are well-suited to capture an increasing share of the SMB market.

However, our survey found some significant discrepancies between what IaaS resellers offer and what SMBs need. The biggest gap we discovered bears repeating:

Almost every SMB is looking to resellers to provide multiple cloud providers, but only five percent believe it's important to do so.

This gap, as well as the others we discovered, reveal the challenges that resellers and SMBs face as IaaS becomes more popular. But, these differences also show the path forward and provide a blueprint that resellers can use to create better alignment with SMBs. When everyone is on the same page about the challenges and opportunities that IaaS presents, both resellers and SMBs stand to benefit.



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More Information

AppDirect helps companies enter, grow, and thrive in the digital economy. Our platform is purpose-built to sell, manage, and bill for IaaS from the industry's leading providers—AWS, Azure, and GCP—with just a few clicks. To learn more, visit:

www.appdirect.com/solutions/resell-iaas

Methodology

This research was conducted via a survey of 150 qualified IaaS resellers, 325 qualified SMB IaaS decision makers, as well as five in-depth-interviews with IaaS resellers and SMB IaaS decision makers. The research was conducted in June – August of 2020 by Cascade Insights.

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