CloudBolt Industry Insights Report:

Filling The Gap: Service Providers' Increasingly Important Role in Multi-Cloud/Multi-Tool Success

Setting the Stage:

Exposing The Under-Belly Of The Beast

Over the course of the previous five installments of CloudBolt Industry Insights (CII), we have examined various dimensions of 'cloud computing' as it experiences rapid evolution. What has become abundantly clear is that a New Cloud Order has emerged – and what worked to get companies to this point won't get them where they need to be going forward. In this latest research, what has become even more solidified is key driver of all the change: Multi-Cloud.

Multi-Cloud/Hybrid Cloud/Multi-Tool complexity is the underbelly of the beast; the place where the hype of cloud meets complex reality and where true chaos is exposed.

So how are companies seeking to solve this? Increasingly, organizations are turning to Cloud Service Providers (CSPs) and Managed Service Providers (MSPs) to tame larger portions of the multi-cloud/multi-tool mess for them. And as you will see through this study, respondents believe the right service provider has the potential to do amazing things to help them. But you'll also learn that an overwhelming number of service provider customers are highly frustrated and actively seeking a change from their current provider. Why?

The dirty little secret is that Enterprises are not the only ones experiencing a skills and knowledge gap when it comes to managing multi-cloud/hybrid cloud environments. The challenge isn't any easier for service providers, and in fact, is often orders of magnitude more complicated because they are also multi-client – often having hundreds or thousands of unique customers. Different currencies, different margins, different reporting, different integrations – it all adds up to massively more disarray. And more often than not, service providers try to combat the mess by hiring more bodies to throw at the challenges. In the absence of an overarching solution designed to rationalize and automate processes, they are forced to handle billing, spend analysis, reporting, governance, and integrations manually – and there simply aren't enough people with the right expertise in the whole world to keep up with the demands manual processes place on the equation at scale.

The answer is to effectively automate everything possible using new sets of capabilities that rapidly enable service providers to implement critical new offerings that their customers find most necessary and compelling – and that make the service provider more effective and valuable for their customers. This research gives a clear accounting of exactly what those services and capabilities are. Senior-level employees from 300 large enterprises around the globe have spoken. Service providers who take heed will rapidly distance themselves from competitors and delight their customers in the New Cloud Order.

7 Key Findings

A hero in a classic romantic-comedy once delivered the iconic line "You complete me." Applied to the multi-cloud/hybrid cloud/multi-tool mess so many companies find themselves in, it is clear that many companies are increasingly looking to MSPs/CSPs to "complete" their cloud capabilities. Unfortunately, most of the matches to this point have been far from "made in Heaven".

1 **The Chasm Between Us**:

Far beyond a gap, 95% of respondents overwhelmingly agree that they have a very real skills deficit for handling all the complexities associated with moving beyond on-prem or a single cloud. Companies are looking to their service providers to provide cost savings (71%), augment staff (57%), fill the skills gap (51%), and accelerate results (40%).

2 Playing The Field (But Would Prefer A Committed Relationship):

88% of respondents use two or more cloud-oriented service providers (MSP/CSP). The vast majority (64%) use two. However, 87% said they would prefer a single, strategic provider if they could get all the benefits and expertise through a single source. Currently, only 18% of respondents say they have a truly deep partnership with any service provider.

3 These Boots Were Made For Walking:

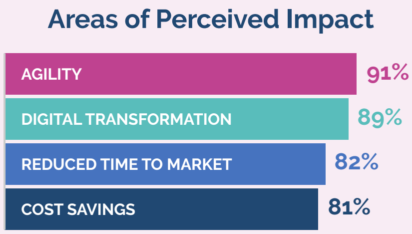
Unfortunately, respondents overwhelmingly agree that they are not getting what they need out of the relationship with their service provider. Fully 80% say they are so frustrated that they are actively looking to replace their existing provider in the next twelve months. Let that sink in: *4 out of 5 MSP/CSP customers are in play within the next year because their service provider is falling short*.

4 Broken Vows & Irreconcilable Differences:

Respondents were not at all bashful is pinpointing exactly where service providers are falling short. Frustrations center around service providers' inability to properly optimize cloud spend (60%); limited or non-existent multi-cloud options (58%); inability to better enable cloud automation (50%); inability to provide visibility across cloud spend (41%); and an inability to automatically remediate cloud spend inefficiencies (24%). Other irritants mentioned included lack of billing transparency, lack of governance controls, too much fragmentation of services, and insufficient ROI.

5 Still Not Ready To Give Up On Happiness:

Despite all the frustration with their current service provider relationships, the good news is that respondents still overwhelmingly believe that MSPs/CSPs can be game-changers in a multitude of ways that can advance their multi-cloud/hybrid cloud/multi-tool efforts and fill the gaps that enterprises have internally. Areas of perceived impact are agility (91%), digital transformation (89%), reduced time to market (82%), and cost savings (81%) just to name a few. The big takeaway here? Respondents have not given up on the promise of MSPs/CSPs…the majority simply do not believe they have found the right one yet.

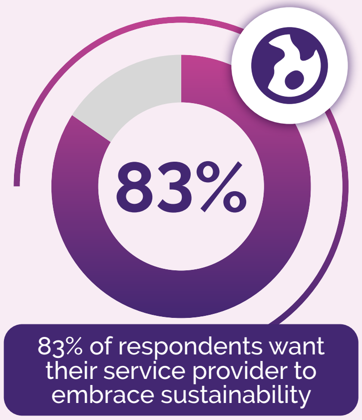


6 Love At Any Price…Or At Least A Premium:

The big take-away for MSPs/CSPs is that if they aren't adding the new capabilities and services identified in this report, not only are they highly susceptible to churn, they're leaving money on the table – lots of it. A whopping 97% said they would be willing to pay a premium to a service provider who delivered on the current short-comings they identified with their current vendor; 79% said they would pay 5% OR MORE (refer back to Key Finding #4 for the list of capabilities that service providers need to improve upon/add).

7 Doing The Right Thing Is Highly Attractive:

IT's role in sustainability to be good stewards of the Earth's resources is no longer a fringe consideration. The reality is that enterprises are on the hook with their Boards, shareholders, and stakeholders to reduce carbon footprints and become more energy efficient. Companies see MSPs/CSPs as key partners in the sustainability equation, too, and that is driving business decisions as a result. 83% of respondents agree that it is important that the service provider they do business with embraces sustainability. The is yet another data point in our on-going Sustainability research proving that "going green begets green".



Level-Setting

For the purposes of this study and to be as inclusive as possible, CloudBolt used the term cloud-oriented service provider to refer to any service provider focused on cloud-related activities. While we know that there are Hyperscalers (AWS, Azure, and GCP), other Cloud Service Providers (CSPs) and Managed Service Providers (MSPs), for this study we were most interested in respondents who utilized service providers that offer additional capabilities beyond just the standard cloud-delivered compute resources. Such services could be billing and reporting or more value-added services like visibility, optimization, automation, governance, etc. The important thing was to find respondents who were relying on service providers to do more than they could (or wanted) to do internally – especially as it relates to multi-cloud/hybrid cloud/multi-tool environments.

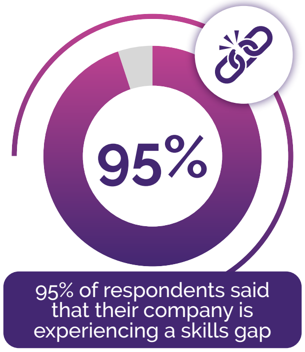
Seeking Order In The New Cloud Order

Managing a single cloud strategy is straight-forward and many native tools are offered by hyperscalers/cloud providers to make managing, optimizing, automating, and governing single-cloud utilization easier. But when companies add another one or more cloud providers into the mix, that's when chaos truly begins and complexity multiplies exponentially.

Suddenly, it requires organizations to be experts in all of the clouds and this creates a massive skills gap. It requires manual assignment, rationalization, and analysis of costs. It necessitates deep understandings of multiple tools requiring multiple integrations across their environments. It creates new challenges at every turn – and no single solution or platform on its own was previously designed to address the mess.

There are two answers to the problem – companies can try to go it alone and attempt to figure out the complexity by seeking to make all their people experts in everything or they can engage cloud-oriented service providers to try to take the complexity away. Furthermore, whether talking about the enterprise or the services provider, both have the option of manually trying to "hire their way" out of the conundrum or they can "automate" using new capabilities that provide overarching solutions to the challenges.

Multi-Cloud Is Easier With A Service Provider (Or So The Story Goes)



As companies scale their cloud efforts and expand to multi-cloud/hybrid cloud, many are seeking an alternative approach and are turning to service providers as the answer. **95% of respondents said their company is experiencing a skills gap related to multi-cloud/hybrid cloud strategies** so it is not surprising that 85% said they believe a service provider can pull together all aspects of their digital transformation better than they could.

Companies utilizing service providers are most often engaged with two or more (88%), but the most common number is two (64%). That is most likely a function of different services providers having different specialties (e.g. an AWS shop versus an Azure shop) or specific capabilities. In reality, the vast majority of respondents would prefer to have a single service provider if they could get all the expertise and capabilities from one (87%).

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This represents a massive opportunity for services providers who wish to gain share of wallet by adding the right expertise and capabilities.

Multi-Cloud Chaos - Multiplied

While it's easy for companies to imagine or assume that service providers have everything figured out, the reality is that MSPs are experiencing the very same issues in trying to keep up with multi-cloud/hybrid cloud/multi-tool challenges that their customers are. All the personnel issues caused by the pandemic with the resulting Great Resignation and tremendous decrease in employee loyalty have caused severe issues in hiring and retaining employees with the specialized skill sets that help organizations keep up with The New Cloud Order. Furthermore, given all the demand for skills out in the marketplace there simply are not enough qualified people on the entire planet to satisfy the needs and to address all the issues manually; better capabilities for automation and improved efficiency are needed.

Respondents indicate they most often engage with service providers to gain cost savings (71%) with the presumption that a service provider can negotiate better rates at larger scale and pass those savings on to customers. Additionally, 57% said a service provider enables an enterprise to augment staffing/bandwidth without having to directly add FTEs. 51% of respondents indicated they specifically engaged with a provider to fill the skills gap for them. And 40% believe a service provider can accelerate their efforts/results.

71% of respondents believe their service provider is delivering cost savings.

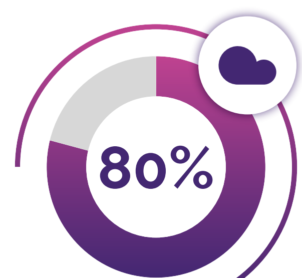
But are the MSPs delivering as promised on the tasks at hand today? Will they be able to for increasingly complex cloud strategies and requirements?

The leading indicators are not promising. Cracks in customer/vendor relationships are starting to show.

Hanging By A Thread

The majority of relationships between customers and providers is nether strategic nor deep – only 18% of respondents call their service provider relationship a deep partnership. 74% call it consultative but not a true or deep partnership. In many cases, the relationships may be considered tenuous and tactical at best.

Worse yet, **80% of respondents are so frustrated with their service provider's performance that they are ACTIVELY seeking a new provider to switch to over the next twelve months**.



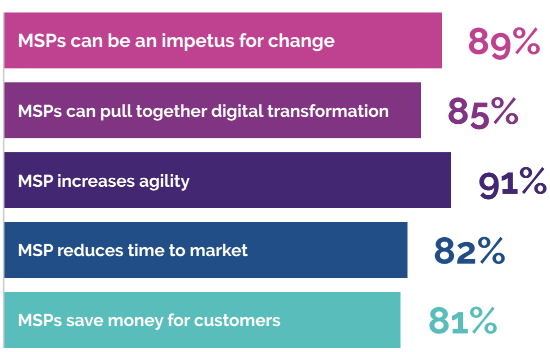
80% of respondents are actively seeking a new cloud provider

By not creating a true, deep partnership and frustrating their customers by not delivering on expectations, near-term churn for an exceptionally large percentage of service providers seems possible if not likely.

Unswayed:

MSP Customers Still Believe in Service Providers

The good news, though, is that despite all of the frustrations with current service providers, an overwhelming majority of respondents still believe in the potential of what the right cloud-oriented service provider can deliver. Taking into consideration that 80% actively thinking about switching in the next 12 months, this would indicate that while customers are currently unhappy, the majority believe it is simply because they haven't found the right provider yet. They still believe in what service providers can do and are not jaded. Specifically:

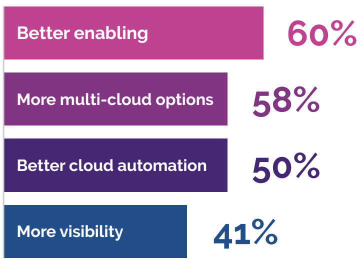


- 89% believe MSPs can be an impetus for change for digital transformation initiatives
- 85% believe an MSP can more easily pull together all aspects of my digital transformation than the customer can alone
- 91% believe the MSP increases agility so the customer can better capitalize on cloud-related initiatives
- 82% believe an MSP reduces time to market for their customers
- 81% believe they save money for their customers

It is obvious from the list of positive attributes that service providers have not all been painted with the same broad brush. It might also be an indication of the desperation enterprises are feeling in trying to solve multi-cloud/hybrid cloud complexities – the belief that "there has to a provider out there who knows how to do this well" could be a very real contributing factor.

The Roadmap to Redemption

Lucky for service providers, respondents to our study gave a clear pathway out of perdition by clearly identifying where they need to improve. The most popular responses included –

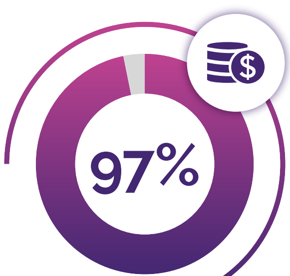


- 60% want service providers to better enable cloud spend optimization
- 58% want more multi-cloud options
- 50% are asking for better cloud automation to enable them to do more with less
- 41% want more want more visibility across their entire cloud spend

Other billing-related areas specifically mentioned include automated remediation of cloud spend inefficiencies (24%) and more billing transparency (22%). Additionally, 83% of respondents indicate that an MSP embracing Sustainability is an important factor in choosing who they do business with, which reflects similar trends seen in the market writ large (see our previous research on that topic here).

Money on the Table; Margin in the Pocket

Certainly churn reduction achieved by adding the most in-demand capabilities is a primary benefit of adapting and expanding offerings. But beyond that, service providers who move in these directions are able to command a premium.



97% of respondents are willing to pay a premium to better control the chaos

When asked "What premium would you be willing to spend, versus your existing MSP, for a cloud-oriented managed service provider (MSP) that could demonstrably deliver clarity into cloud spending, optimize cloud savings, handle multi-cloud options, increase cloud automation, and effectively offer governance guardrails to better control the chaos?", **97% of respondents indicated that they would be willing to pay a premium**. 80% said they would pay an extra 5% or more.

So in addition to helping thwart churn, consolidate business to a fewer providers, and offering the services enterprises need most, adding the right set of new capabilities ensures maximum revenues for an MSP. Any service provider not considering adding the new offerings identified in this report not only leave themselves open for displacement by another provider, they are leaving significant money on the table in the process.

The Bottom Line

Companies are increasingly moving to multi-cloud to accelerate innovation, increase developer productivity, and improve overall efficiency. But in the process, they expose the complexity and chaos found in the under-belly of the beast. Because of the exponential challenges inherent in a multi-cloud paradigm, enterprises are turning to service providers to overcome skills gap, leverage new capabilities, and gain cost efficiencies.

For both enterprises and services providers, the answer is to effectively automate everything possible using frameworks of capabilities that rapidly enable utilization of critical new capabilities. For service providers, these are ones that their customers find most necessary and compelling – and that make the service provider more effective and valuable. Providers who best understand customer needs and are able to add new capabilities and services that customers most desire stand poised to become stickier, more comprehensive, and more profitable providers. MSPs/CSPs who refuse to listen to the data do so at their own peril.

CloudBolt® software

CloudBolt helps companies automate easily, optimize continuously, and govern at scale in hybrid and multi-cloud, multi-tool environments. Pulling together islands of automation, our framework helps unify disparate capabilities for DevOps, ITOps, FinOps, and SecOps. Backed by Insight Partners, CloudBolt has won numerous awards and has repeatedly been recognized as one of the fastest-growing private companies on the Deloitte Fast 500 and the Inc. 5000 lists. For more information, visit www.cloudbolt.io.

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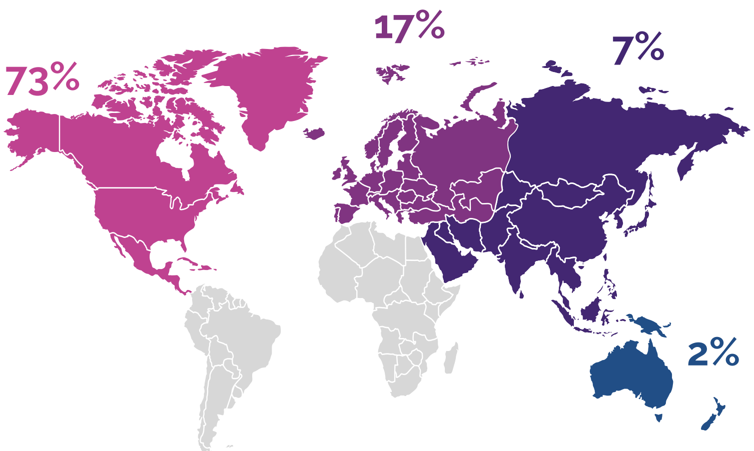
JOIN THE CONVERSATION

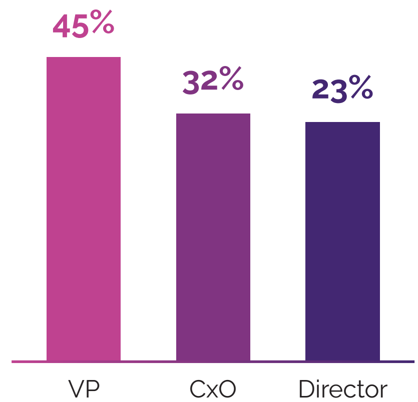
Appendix:

Methodology

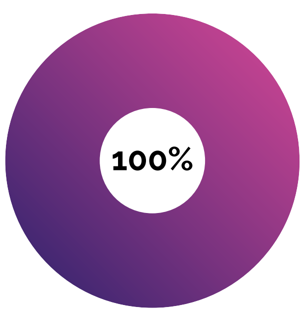
REGION



ROLE IN ORGANIZATION



COMPANY SIZE



100% large enterprises

Company Size 1,001 – 10,000 = 147 Respondents

Company Size 10,000+ = 153 Respondents

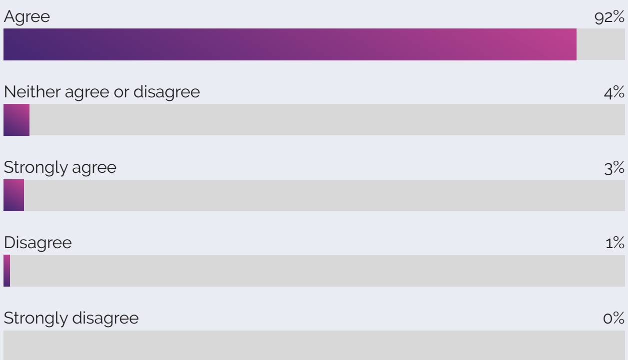
RESPONDENT BREAKDOWN

300 Respondents

Survey Data:

1

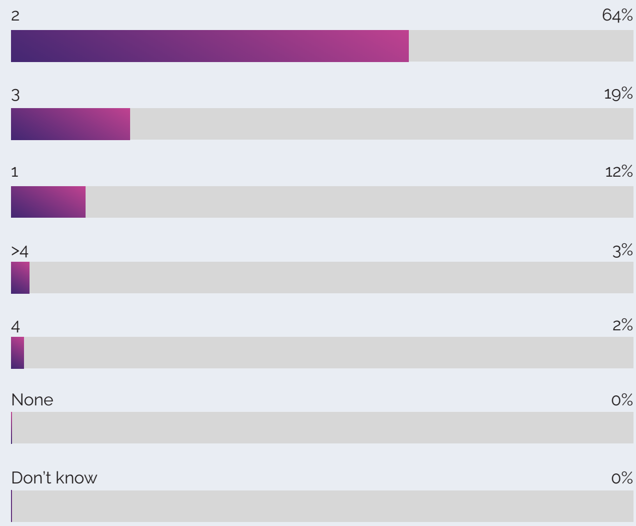
To what degree do you agree with the following statement: "My company has a skills gap when it comes to multi-cloud/hybrid cloud strategy and execution."



N = 300 technology leaders

2

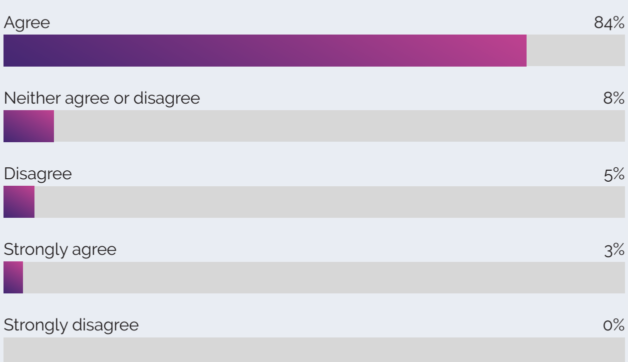
How many cloud-oriented managed service providers (MSPs) are used by your enterprise?



N = 300 technology leaders

3

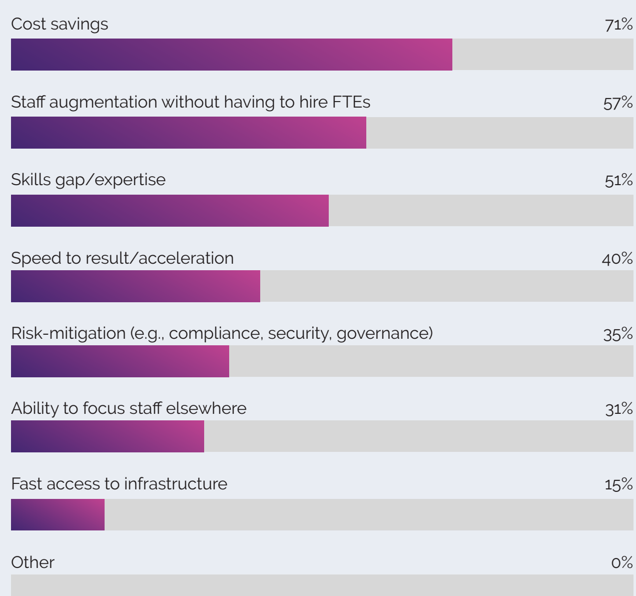
To what degree do you agree with the following statement: "Rather than engaging with multiple cloud-oriented managed service providers (MSPs) with specific expertise, I would prefer to use a single MSP to manage everything"



N = 300 technology leaders

4

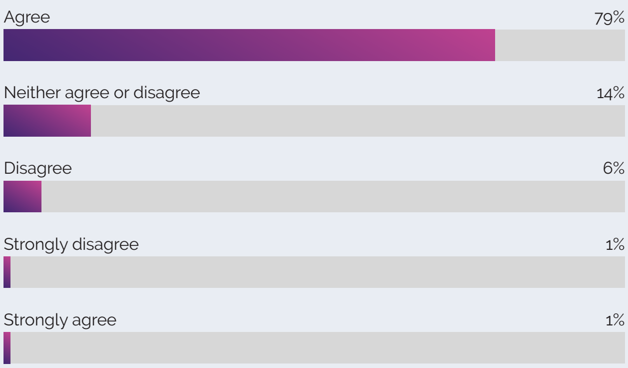
What are your top 3 reasons for using a cloud-oriented managed service provider (MSP)? (Select 3)



N = 300 technology leaders

5

To what degree do you agree with the following statement: "I am frustrated with my current cloud-oriented managed service provider (MSP) and am actively considering switching to another in the next 12 months."



N = 300 technology leaders

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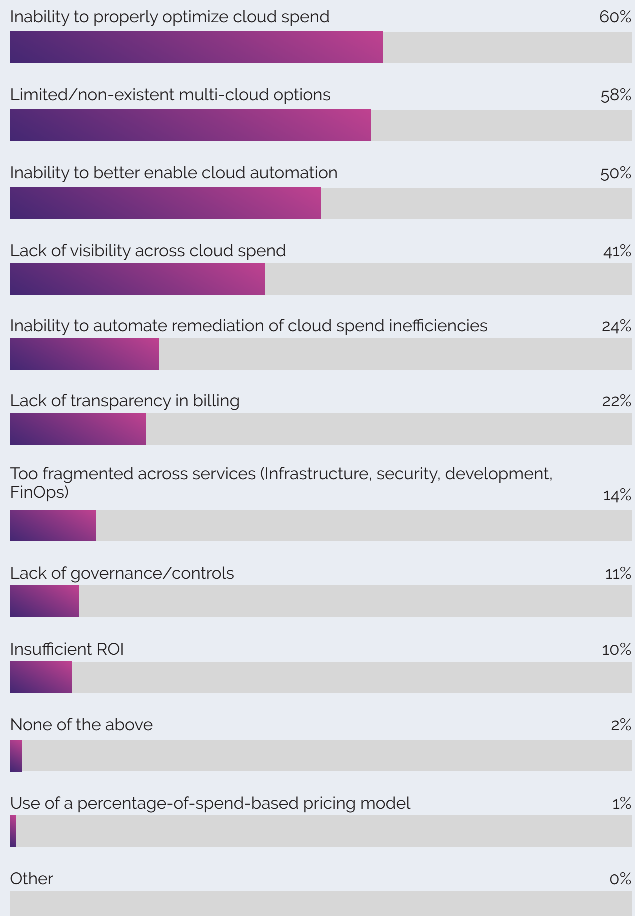
6

What are the top 3 areas for improvement for your cloud-oriented managed service provide (MSP)? (Select 3)



N = 300 technology leaders

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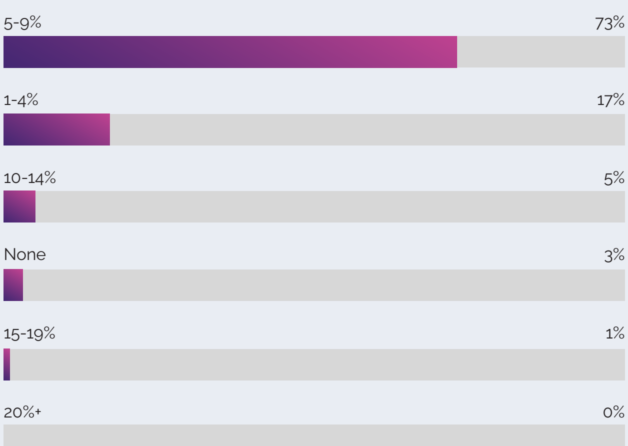
7

What premium would you be willing to spend, versus your existing MSP, for a cloud-oriented managed service provider (MSP) that could demonstrably deliver clarity into cloud spending, optimize cloud savings, handle multi-cloud options, increase cloud automation, and effectively offer governance guardrails to better control the chaos?



N = 300 technology leaders

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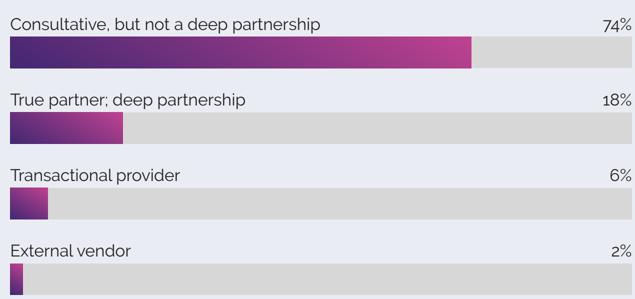
8

Please describe the relationship you have with your current cloud-oriented managed service provider (MSP)



N = 300 technology leaders

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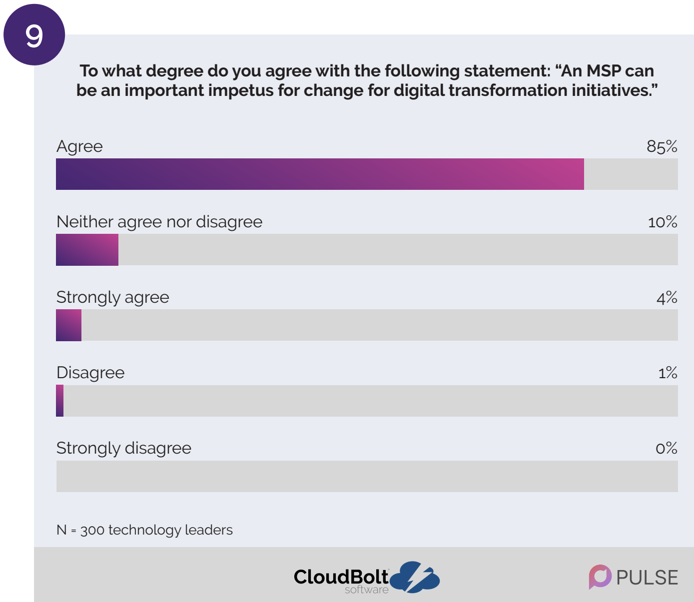
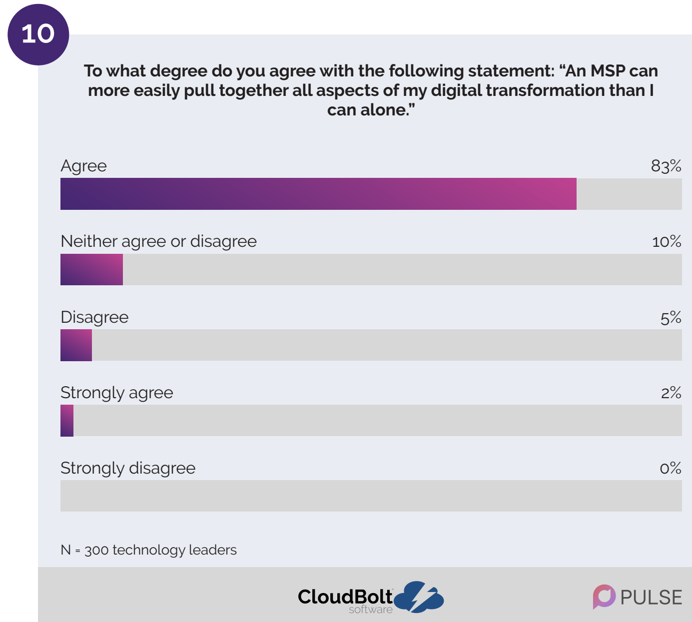
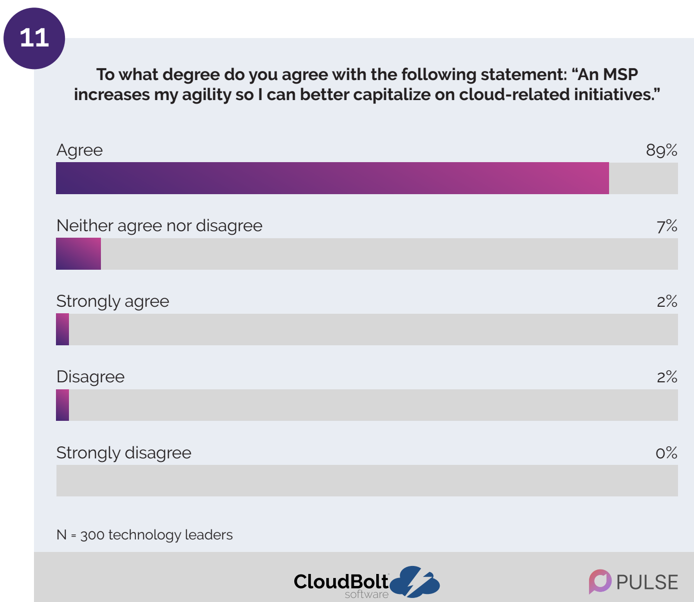
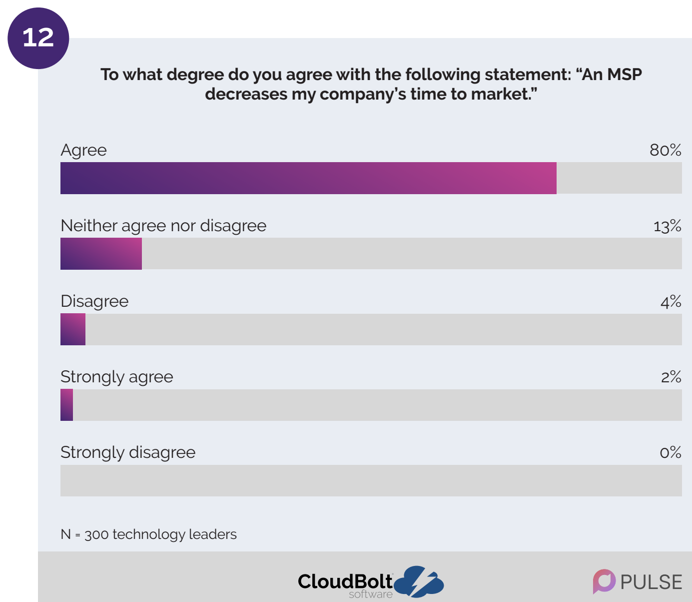
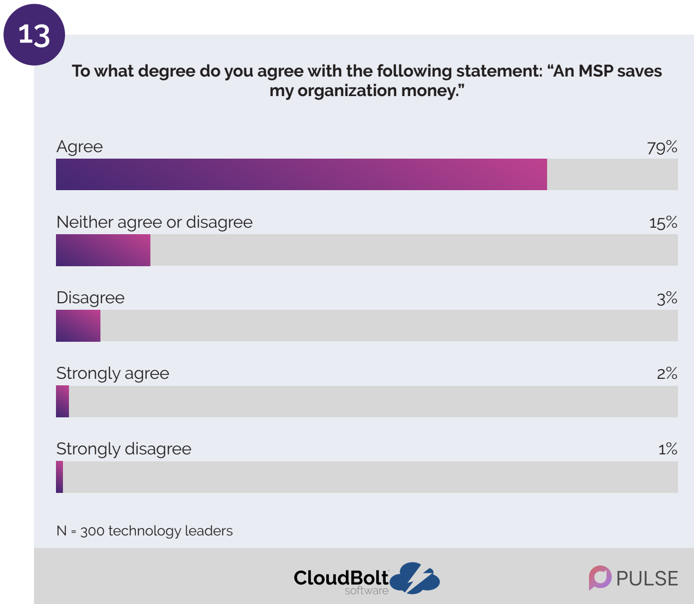
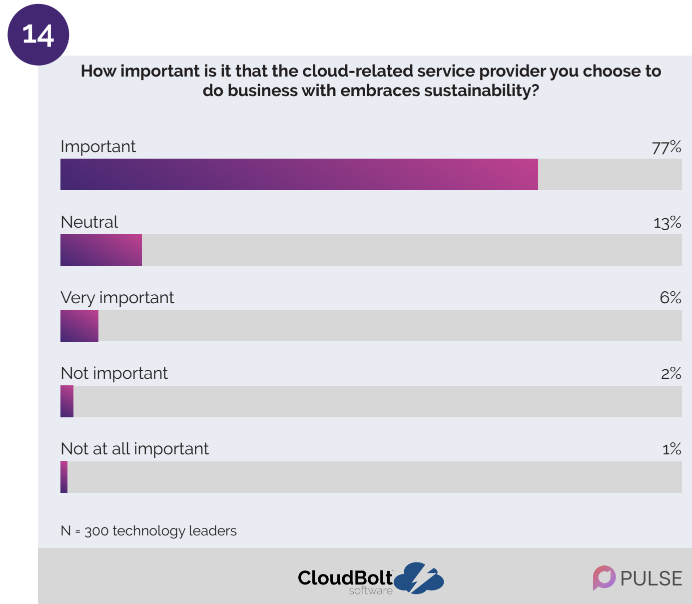

9
To what degree do you agree with the following statement: "An MSP can be an important impetus for change for digital transformation initiatives."
Agree 85%
Neither agree nor disagree 10%
Strongly agree 4%
Disagree 1%
Strongly disagree 0%
N = 300 technology leaders
CloudBolt software
PULSE


10
To what degree do you agree with the following statement: "An MSP can more easily pull together all aspects of my digital transformation than I can alone."
Agree 83%
Neither agree or disagree 10%
Disagree 5%
Strongly agree 2%
Strongly disagree 0%
N = 300 technology leaders
CloudBolt software
PULSE


11
To what degree do you agree with the following statement: "An MSP increases my agility so I can better capitalize on cloud-related initiatives."
Agree 89%
Neither agree nor disagree 7%
Strongly agree 2%
Disagree 2%
Strongly disagree 0%
N = 300 technology leaders
CloudBolt software
PULSE


12
To what degree do you agree with the following statement: "An MSP decreases my company's time to market."
Agree 80%
Neither agree nor disagree 13%
Disagree 4%
Strongly agree 2%
Strongly disagree 0%
N = 300 technology leaders
CloudBolt software
PULSE


13
To what degree do you agree with the following statement: "An MSP saves my organization money."
Agree
79%
Neither agree or disagree
15%
Disagree
3%
Strongly agree
2%
Strongly disagree
1%
N = 300 technology leaders
CloudBolt software
PULSE


14
How important is it that the cloud-related service provider you choose to do business with embraces sustainability?
Important
77%
Neutral
13%
Very important
6%
Not important
2%
Not at all important
1%
N = 300 technology leaders
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