

Savanta:

European cloud customers
affected by restrictive
licensing terms for existing
on-premise software,
new research finds

2024



New research supports the basis of EU and national competition authorities' investigations into the impact of legacy software vendors' licensing practices that could harm competition in the cloud infrastructure market.

Research conducted by data intelligence company [Savanta](#) highlights the challenges that European businesses face in changing their cloud infrastructure providers, often due to restrictive licensing practices or other activities that inhibit market competition. The study comes in the wake of the UK Competition and Markets Authority saying it would examine the impact of software licensing practices on competition in the cloud market, along with the French Competition Authority highlighting the issue in its cloud market study last year. The European Commission and the US Federal Trade Commission are currently considering whether to investigate restrictive software licensing further.

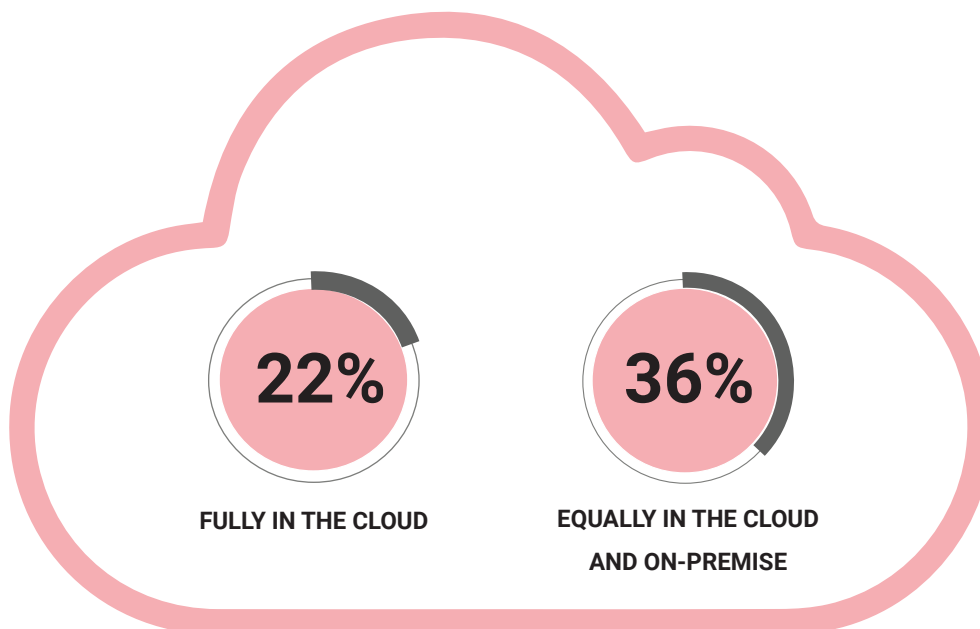
The research surveyed 1,241 IT decision-makers across five countries (UK, France, Germany, Netherlands, Spain), and included both small and medium-sized businesses and large corporations with 250+ employees. Organisations across the public and private sectors were part of the survey sample.¹

¹ This Research conducted by Savanta was funded by the Computer and Communications Industry Association (CCIA Europe). The opinions included herein are purely those of the author. They do not necessarily represent the views of CCIA Europe.



Market growth will be driven by switching to cloud

Mirroring **other studies** that suggest the cloud market still has huge potential for **future growth**, the research found that less than one quarter (22%) of those surveyed by Savanta reported being “fully in the cloud,” with a larger proportion (36%) stating they were equally in the cloud and on-premise.



Market performance of players in the IaaS sector are therefore going to continue to be significantly driven by those moving from on-premise solutions to cloud-based ones. [Previous research](#) has highlighted that when taking this decision to migrate legacy footprints onto the public cloud, the freedom to select an infrastructure of choice is called out as key as they look to diversify their cloud strategies and reduce dependencies on a single vendor.

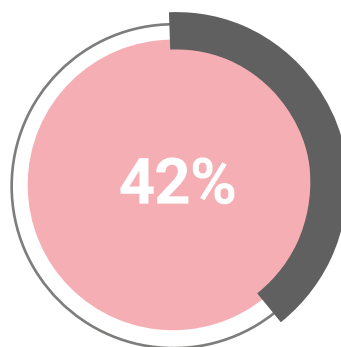


Licensing terms hold back switching

Despite this desire for choice, of those surveyed who have considered switching cloud infrastructure (IaaS) providers, 40% claimed that existing licensing terms prohibit their companies from taking on-premise licences to another vendor, and a further 40% worried about losing discounts – another potential cause of cloud “lock in.”

In fact one of the biggest reasons IaaS customers originally chose their technology providers was because of discounts due to existing software licences (42%).

**PERCENTAGE OF IaaS CUSTOMERS WHO ORIGINALLY
CHOSE THEIR TECHNOLOGY PROVIDERS BECAUSE OF
DISCOUNTS DUE TO EXISTING SOFTWARE LICENSES**



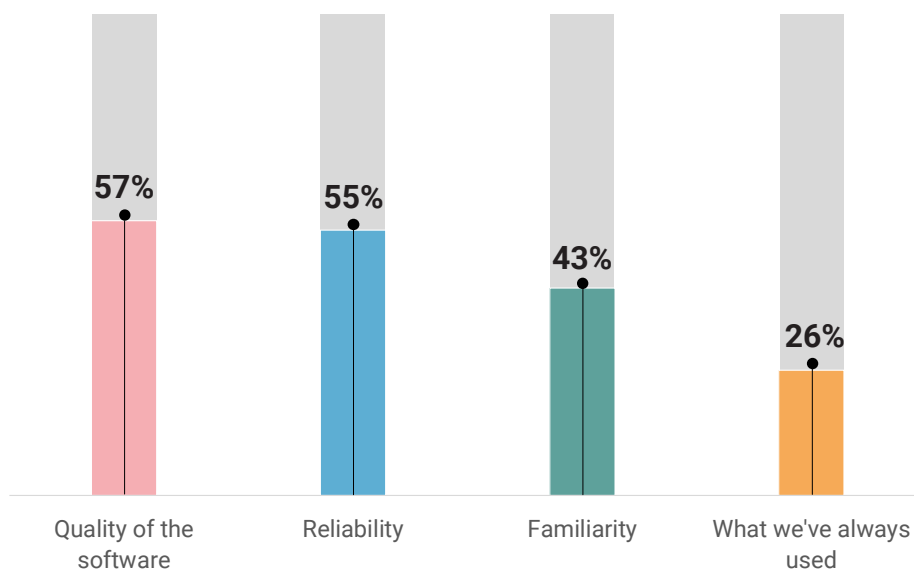


Inertia plays a role in cloud decisions

While “quality of the software” (57%) and “reliability” (55%) ranked highly among those surveyed as reasons for choosing their cloud providers, more than 43% of respondents cited that they made their decisions simply based on “familiarity.”

Additionally, more than a quarter (26%) cited “it’s what we’ve always used” as a key reason to buy.

REASON FOR CHOOSING SOFTWARE



More importantly, four in ten of those surveyed cited “discounts being offered on other services with the same provider” (39%) as a reason they selected their productivity software of choice.

These practices could potentially be used by providers with a dominant position in the productivity software market to force customers to their IaaS/PaaS cloud solutions from their on-premise offerings. For example, a quarter of decision makers (25%) using productivity software cited that they were offered their cloud infrastructure for free.



The public sector view

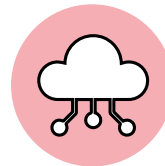
The issues we have explored are not confined to the private sector either. According to a recent [Paessler study](#), 92% of government-related data is still being stored in on-prem environments, and our research suggests that only 15% of public organisations are fully in the cloud. Potentially due to its position in the on-prem space, Microsoft is equally dominant in the public sector, with 65% of organisations primarily using its productivity software, compared to 58% of non-public organisations.

92%



GOVERNMENT-RELATED DATA
STORED ON-PREMISES

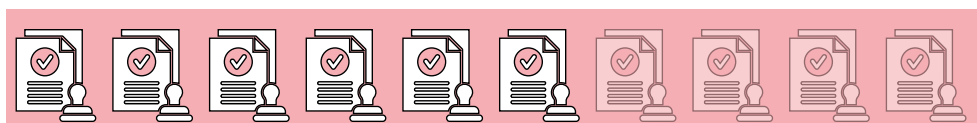
15%



PUBLIC ORGANISATIONS
FULLY IN THE CLOUD

Licensing issues in the public sector are also rife, with 6 in 10 organisations that have considered switching saying that a key reason why they didn't change IaaS providers was due to existing licensing terms – an even greater proportion than amongst private companies.

Didn't change due to licensing terms:



60%



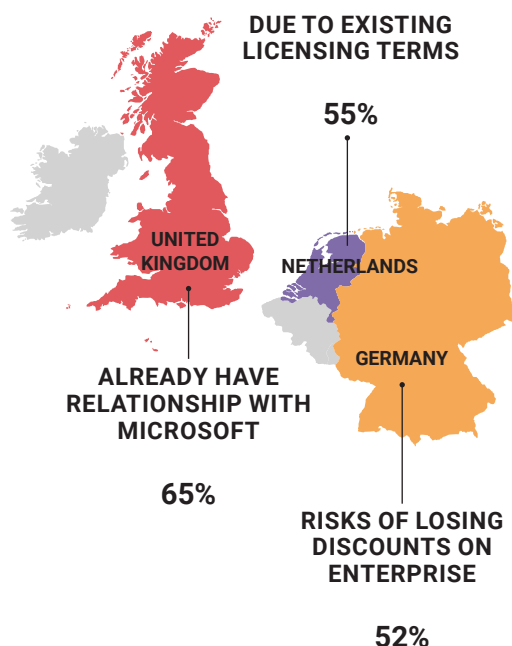
Country insights

Germany, UK and Netherlands

In the survey, German respondents who had decided against switching cloud providers highlighted that the main reasons for their inability to move were risks of losing discounts on enterprise and/or productivity software licences (52%); and licensing terms on existing software prohibiting them from taking existing on-premise licences to another IaaS provider (48%).

In the UK, there is heightened dominance from Microsoft in the ecosystem of productivity and infrastructure. 65% of Microsoft non-cloud users who would expect to choose Azure in future, say that a factor in their decision would be that they already had a relationship with Microsoft. In addition, a third of UK decision makers using productivity software said they were offered their cloud infrastructure for free (32%).

Main reasons for not switching:



In the Netherlands, 55% of those who considered but decided against switching their cloud productivity providers stated that part of the reason they didn't switch was due to existing licensing terms. In addition, half said that being offered discounts on cloud infrastructure due to their existing software estate influenced their decision (50%).



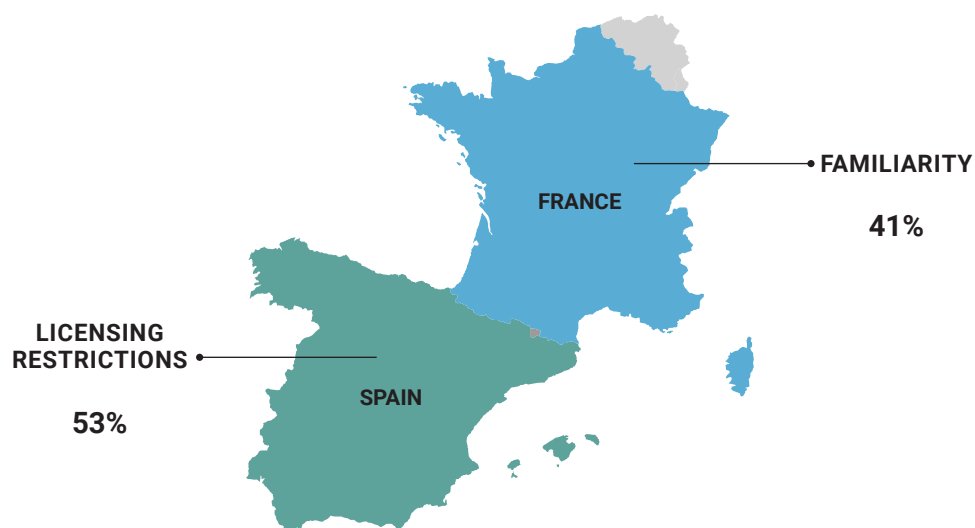
Country insights

France and Spain

In France, “familiarity” is a particularly strong driver when it comes to productivity software, with 48% saying this guided their brand choice. On top of that, 41% of those who considered but decided against switching platforms say that restrictions on licensing terms had an impact on their decision not to switch, and more than 1 in 5 (21%) organisations who have not considered switching say this is specifically because existing licensing terms would make it hard to choose another provider.

In Spain, the survey found significant impact of licensing restrictions when it comes to changing productivity software. More than half (53%) who had considered switching had said this factored in their decision not to do so. This works to entrench market leaders, as Spanish decision makers were particularly likely to say that they initially chose their productivity software due to user familiarity (49%).

Main reasons for not switching:



Savanta:



Chris Woolcott
DIRECTOR

Chris has worked in a B2B specialist research role for the past 10 years. He has significant experience in reaching and researching senior audiences in both a quantitative and qualitative setting.

Chris has developed a particular specialism for thought leadership projects, working with clients including Vodafone, EY, Allianz Trade, IATA, Funding Circle and SITA.



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