



Making the cloud work for UK businesses

A REPORT FROM BEAMING, THE BUSINESS ISP

Beaming

Introduction: Now is the time to review your IT options

Are you a small or medium business that is struggling to get the most out of cloud computing? If so, you're not alone.

Our survey of 500 UK businesses found that only half of businesses are getting what they want from cloud services. The other half are either not seeing any benefits, or are actually seeing their businesses suffer as a result of their cloud investments.

The good news is that there is a solution. This report includes step-by-step recommendations on how to review your cloud services, identify areas where costs can be saved, and ensure that cloud services are aligned with your business goals.

Read this full report and start getting the most out of cloud computing for your business.

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Is the cloud working? IT trends in UK businesses

We surveyed small and medium-sized UK businesses to see how they run their IT today, their pain points, and their future plans.

In particular, we examined how heavily they use public cloud services, what they aimed to achieve by moving to the cloud, and whether it delivers all they hoped for.

How heavily are businesses using cloud services?

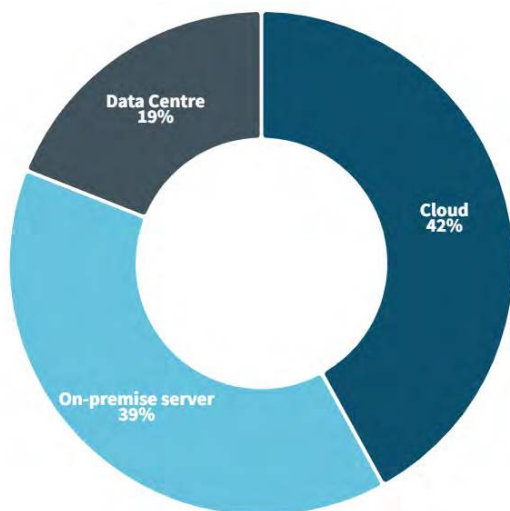
In the 15 years or so since cloud technologies started to go mainstream, they've changed the landscape of business IT.

Worldwide, the market in cloud services is set to grow from \$145bn in 2017 to almost \$600bn in 2023 (Gartner).

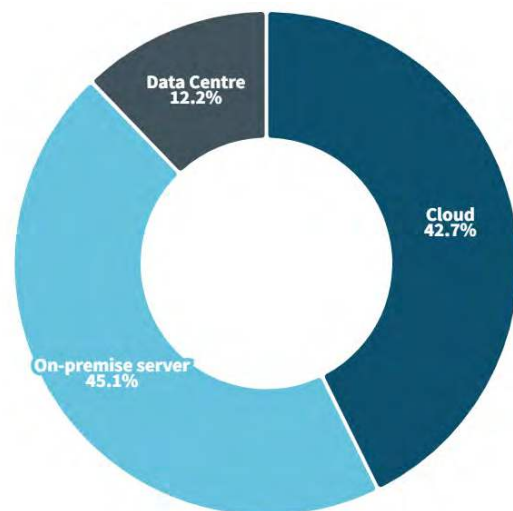
Our survey suggests that the cloud is now as popular as on-premise servers when we look at where small and medium-sized UK businesses store vital data.

The third option – storage in remote data centres – is used by fewer than one in five small and medium-sized businesses.

Small businesses: Where do you store data?



Medium businesses: Where do you store data?



What types of businesses did we look at in the survey?



In 2023, working with Opinium, we surveyed three different sizes of business:

Micro 1-9 employees

Small 10-49 employees

Medium 50-249 employees

Which sectors are moving to the cloud fastest?



Interestingly, our figures show that the **Manufacturing Industry** has taken up the cloud fastest. 44 % of manufacturing businesses surveyed now use it as their primary form of data storage. This may reflect the move to Industry 4.0 standards, in which all the assets in a factory are internet-enabled and report vast amounts of condition and efficiency data. This generates so much information that cloud storage is becoming the only feasible storage option.



Marketing and PR firms are also heavily cloud-based (40 %). Here SaaS platforms like HubSpot have become almost essential, and cloud-based collaborative working on documents is a big advantage.



The need for collaboration on documents is also true for **Legal Services**, which comes third in the list of sectors where the highest proportion of firms use the cloud (39 %).



By contrast, our research hints that fewer than one in three **IT and Computing** businesses is primarily cloud-based. This may reflect their need for more control around specialised applications and data storage, or their ability to manage their own systems more cost-effectively.



Cloud computing has gained market share fast and is now the most-used option among small businesses.

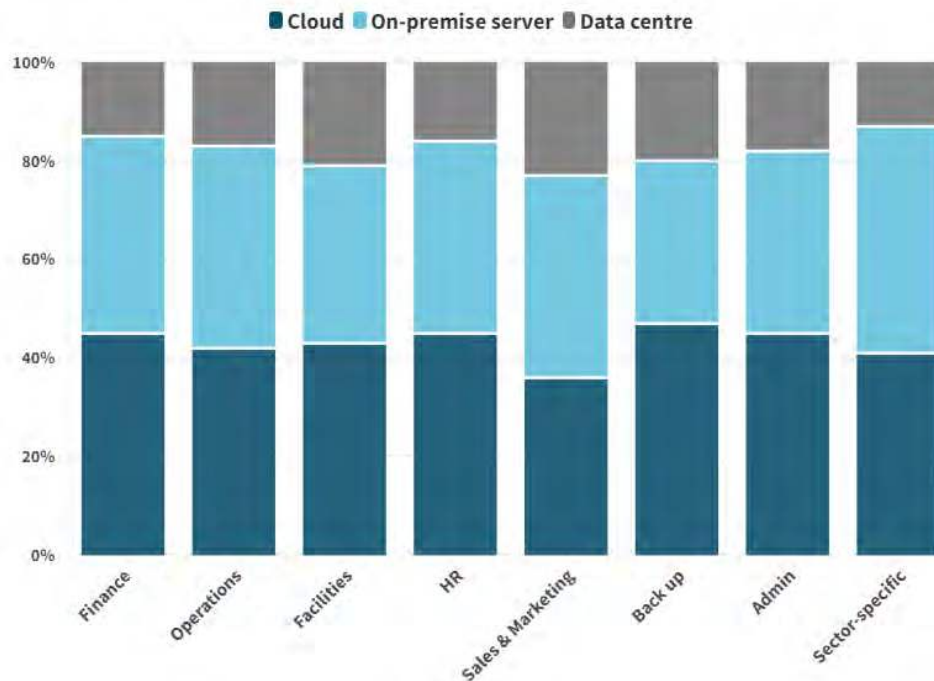
What are organisations using cloud services for?

Businesses use cloud data storage and SaaS platforms in all their key functions.

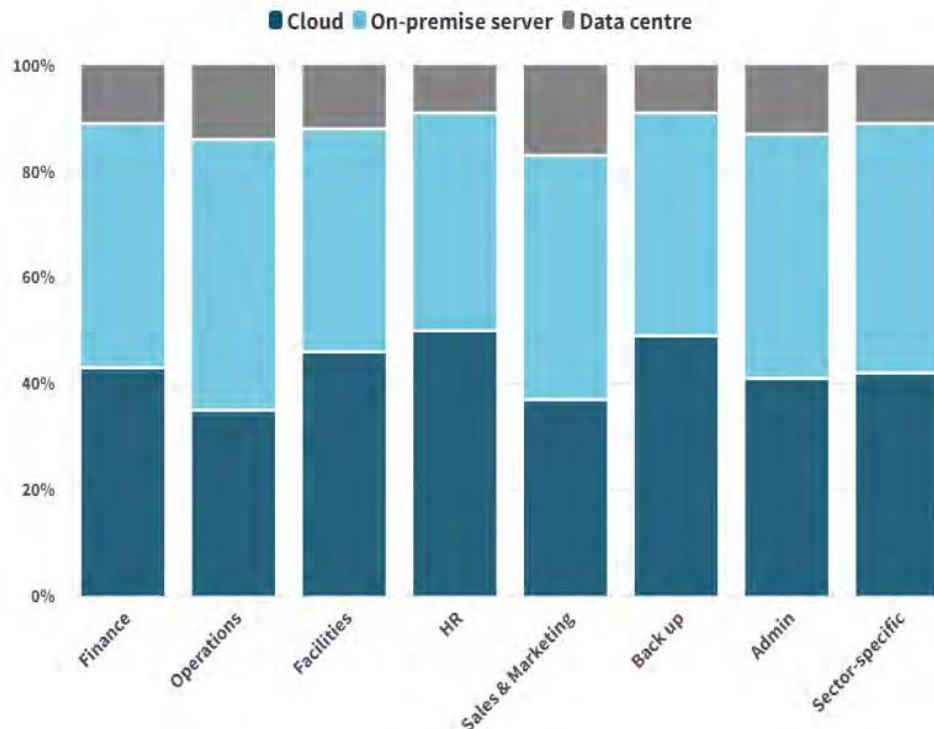
Whichever business function we look at, between a third and a half of businesses run it using cloud storage and SaaS platforms. They use the cloud to store their essential data and the SaaS packages that power vital business functions.

Our survey showed the most popular usage for the cloud is for data backup. Half of small and medium-sized businesses (48 %) trust backup to the cloud.

What are small businesses using cloud services for?



What are medium-sized businesses using cloud services for?



The difference between back-up and replication



When talking about back-up, businesses should be aware of an important distinction between back-up and replication.

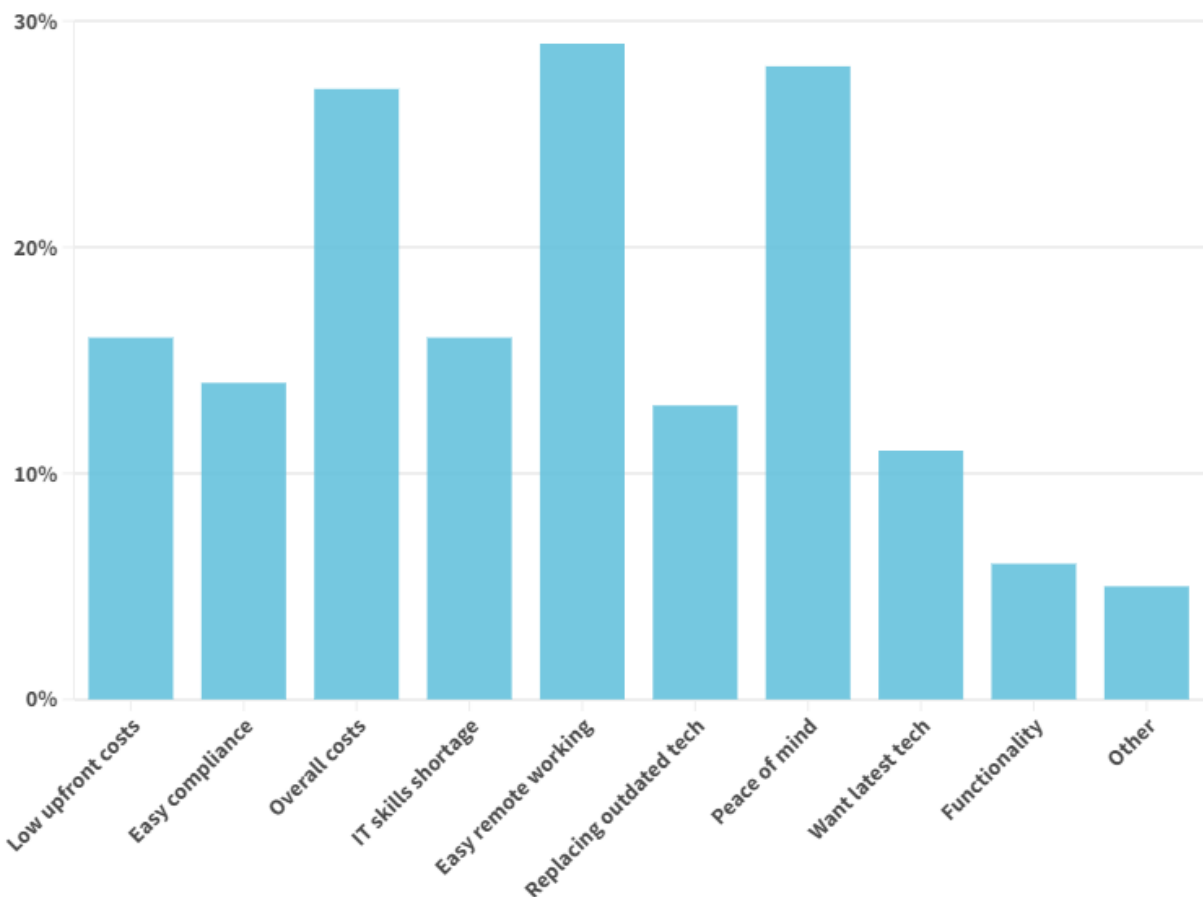
Back-up is about making a copy, or copies, of data at specific points in time. It focuses on compliance and fine-grained recovery. It does not ensure immediate continuity of operations.

Replication is the act of copying and then moving data between data centres. Replication is usually built into cloud platforms. It focuses on quick and easy resumption of operations after an outage or software corruption. It is often used for mission-critical activities. It helps ensure that business applications and processes are always available, even after an outage. But it is not back-up.

Why are businesses choosing cloud services?

Up to half of small and medium-sized organisations trust the cloud for the data storage and software that keep them running. We asked what they hoped to achieve when they moved to the cloud.

Why did you choose cloud services?



Source: Beaming & Opinium 2023

The three drivers for choosing cloud that stand out



Ease of remote working became a must-have during the pandemic lockdowns of 2020–21. This is an area where cloud services like Microsoft 365 excel. With cloud services, staff can work anywhere that they can get a good, secure internet connection.

It is not, however, the only option. Private cloud also offers easy remote working and may be a better fit for firms concerned about cost, security and having complete control over how and where their data is stored.



Peace of mind is another area where cloud and SaaS services excel. Many smaller businesses take the view that they would rather trust large global brand with the vital task of keeping their data safe and their key IT services running.

There can be outages in service; while these are rare, it can be a key consideration for businesses where 24/7/365 IT uptime is crucial.



Moving to the cloud can also lead to **reduced costs**. Upfront costs are low and the OpEx model opposed to CapEx can help with cash flow and future budgeting. However, the cost of storing data on the cloud is rising. So too are the costs of SaaS licences.

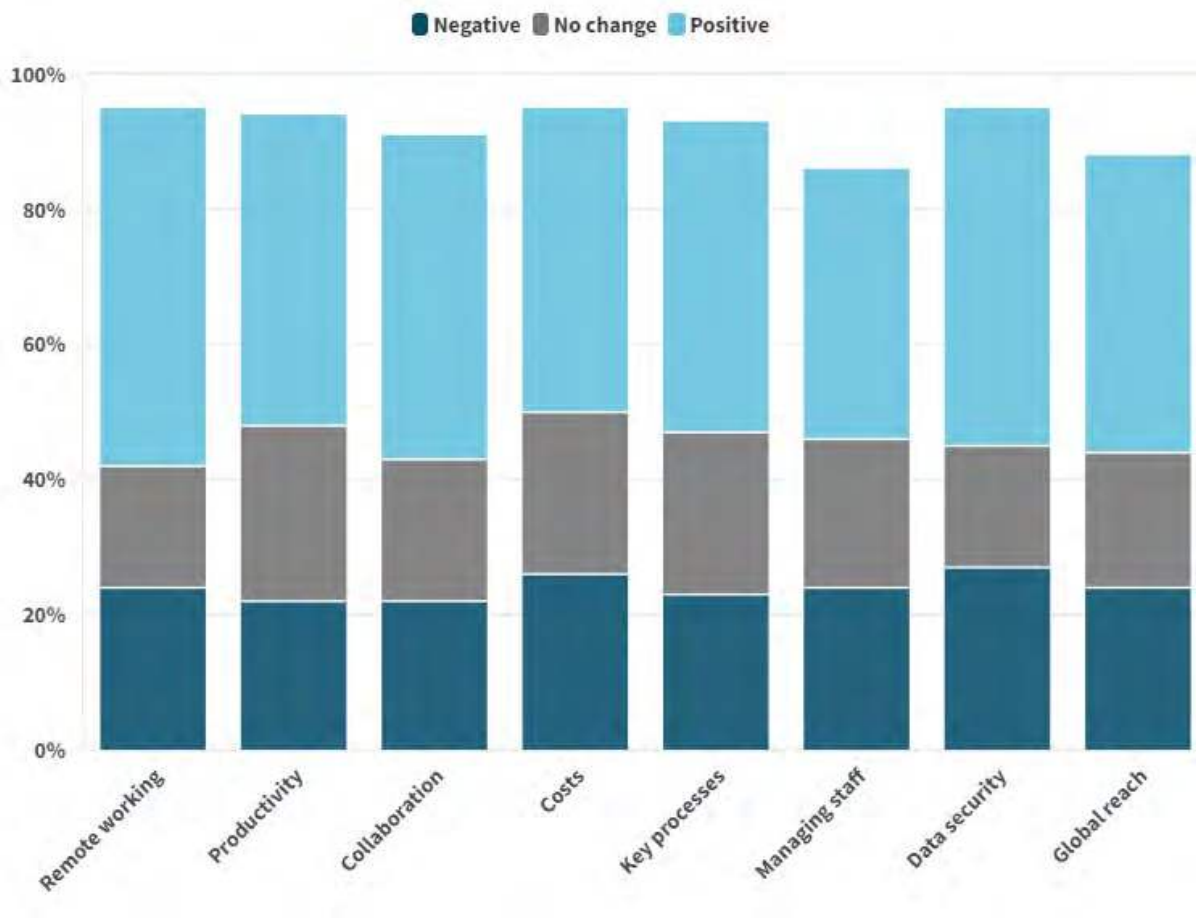
Has the cloud delivered for small and medium-sized organisations?

There is no doubt that the cloud offers real benefits when its functionality is carefully aligned with a firm's needs.

But it's also clear that the data storage costs can mount up, which has led some companies reviewing where and how best to store their data. Some firms are paying for bells and whistles in SaaS products that they do not need. And they're adding complexity to systems that could be simpler.

Our research suggests that the move to the cloud has been a mixed experience for the UK's small and medium-sized organisations.

Has moving to the cloud helped your business?



The chart shows that whatever business function we examine, SMEs are almost equally split between those who have seen business improvement from moving to the cloud, and those who have not.

These figures include results for micro businesses. Interestingly, when we look only at small and medium-sized businesses, a third (34% and 32%, respectively) feel that moving to the cloud has hurt them. This may reflect the fact that it is wrapped up with a move to remote working, which some firms privately express reservations about.

A slightly smaller proportion feel that moving to the cloud has had an 'very positive' impact on their business. It has allowed them to strip out IT capital costs and simplify ways of working.



The message here is that moving entirely to the cloud has been the right choice for certain businesses doing certain activities. There have been fewer benefits for others, perhaps those who had to move in a hurry during the pandemic.

Has the impact of the cloud been more positive in certain sectors?

Yes, it looks that way. Moving to the cloud has benefited organisations in some sectors more than those doing other types of work.

The sectors most positive about the cloud at the current time are:



Business services

where **55%** saw a positive impact from the cloud



Marketing, PR and advertising

where **55%** saw a positive impact from the cloud



Media

where **52%** saw a positive impact from the cloud

By contrast, the sectors with the fewest organisations seeing a positive impact were:



Education

where **18%** saw a positive impact from the cloud



Wholesale, retail and franchising

where **30%** saw a positive impact from the cloud

The education sector has been particularly targeted by mass-market SaaS products that may not meet local needs, which may explain this level of dissatisfaction.



So, the picture is not uniform. Cloud-based IT seems to work very well for certain organisations in certain sectors, and less so for others. Not all cloud solutions are compatible with every business scenario, so it is important to consider what is right for your specific circumstances and objectives.

4-Step guide: How can businesses reap the full benefits of cloud working?

Beaming works with many different businesses to review how they can use cloud to deliver the business benefits it promises. In doing so we have encountered recurring issues that we help businesses overcome so they can get the most out of cloud working.

1 Products don't work for the business as it is right now

Problem:

For many organisations, the allure of migrating to the cloud meant they may have moved without enough planning. For others, the pandemic forced their hand to move. The switch did help businesses at the time, allowing them to continue operating when they might not have been able to otherwise. But in many cases it was not a long-term strategic decision that works now.

Solution:

Review your business strategy and consider which IT solution best meets these goals. Does this align with the licences you currently pay for, or do you need to make changes?

2 Redundant functionality

Problem:

Many smaller businesses are now growing concerned about the costs of their cloud platforms. They know that in their desire to keep the show on the road over the pandemic, they may have paid for functionality they don't need or doesn't best meet their needs.

Solution:

Undertake a strategic review of all licences you are paying for within each product. Are they used and adding value to the business? Can they be cut, or changed to another version of licence to save costs or improve functionality?

3 Productivity concerns

Problem:

The cloud has made remote work easier than ever, but not every business leader sees this as good. Privately, some are concerned that their people are less productive when working at home.

Solution:

Make sure all staff working remotely have the right tools and a secure, quality internet connection. That way there is a level playing field for all staff, and managers can manage productivity and performance fairly.

4

Cost

Problem:

With the price of cloud storage and SaaS platforms rising, it's no longer the case that cloud solutions are usually cheaper. With cloud platforms often harder to leave than to join, some business leaders are growing concerned that they are hostages to more and more price increases.

Solution:

Stay in control of costs by knowing exactly what you are paying for and how long you are under contract. Unlike key spending categories like payroll, decisions about spending on SaaS licences are often decentralised and in some cases it has been hard for business leaders to know exactly what they are paying for.



Migrating your business IT infrastructure to the cloud is not a 'set it and forget it' decision, but something that should be regularly monitored and reviewed.

The review process should cover:

- » value for money
- » reliability
- » productivity
- » security
- » compliance
- » disaster recovery
- » customer experience.

A managed service provider, like Beaming, can work with you to complete this and find solutions that line up with your specific business goals.

The cost of cloud: facts and figures



£75,000 a year - average cloud spending by a medium-sized business.



10% - increase in cloud costs businesses expect in 2023.



£1,500 a year - average cost of cloud for each employee in a medium-sized business.

Our research indicates that smaller UK organisations (micro to medium-sized) spent £4.42 billion on cloud services in 2022 – and are braced for a 10 % increase in the cost of cloud computing this year.

The smallest businesses will feel the effect most, with micro businesses predicting the steepest increases in cloud prices.

Businesses typically spend just under 2 % of their turnover on this area of IT.

Cloud spending ranged from less than £250 a year by sole traders to around £75k for medium-sized companies. Two per cent of SMEs surveyed said they spent more than £1m with cloud vendors in 2022.

Businesses employing between 10 and 250 people expect only a 5 % increase in cloud costs.

But this may be a significant underestimate.

A recent **Vertice report** on worldwide SaaS inflation says spending on SaaS has increased by 14 % a year since 2018. While 5 % of this was caused by businesses adopting additional licences as they grew, a much more significant 9 % was driven by vendors simply charging more, year-on-year.

The same report analysed 10,000 SaaS contracts and found that 88 % have clauses allowing vendors to change their pricing whenever they want to – “in some cases without the need to notify customers”.

Our research suggests that almost half (47 %) of medium-sized businesses spend over £100,000 a year on cloud services. On average, medium-sized companies spend more than £1,500 per employee every year on cloud subscriptions.

Cloud subscriptions are becoming a significant business cost. IT budgets that may have once been spent on hardware and facilities are now being spent on cloud licences and subscriptions.

What are SMEs doing about the creeping cost of cloud?

Almost half of small businesses (47 %) want to reduce their cloud data storage to cut costs. And a third of medium-sized companies (33 %) are looking to downgrade their SaaS services to try to put the brakes on the increases in the cost of cloud. The figures below show the most-cited ways small and medium-sized firms plan to cut their cloud costs.

Small businesses

Reduce data in the cloud

36 

Reduce cloud-based services

47 

Medium businesses

Reduce data in the cloud

31 

Downgrade services

33 

So, millions of smaller businesses in the UK are looking to cut the cost of their cloud usage, and need to do so without causing any problems.

How can businesses get their cloud spending under control and review their IT infrastructure?

Our survey suggests that small and medium firms want to make changes regarding their IT and cloud spending.

SMALL BUSINESSES are putting the brakes on when it comes to cloud spending. Nine out of ten (89 %) will be taking action this year to cut the cost of their cloud services.

Some are also keen to get people back in the office. A significant minority of these firms have a negative view of remote working, with 28 % saying it has harmed staff productivity.

MEDIUM-SIZED BUSINESSES are looking for cost-effective solutions crafted to their needs. One-third plan to downgrade cloud subscriptions (33 %) or reduce their dependence on cloud data storage (31 %). A quarter (24 %) want to return to on-premise IT solutions. Achieving these things in ways that ensure you still get what you need is something a trusted IT partner can help with.

For many, the move to the cloud was a reaction to the unique needs of the pandemic. Now firms are looking at their costs and are uneasy about being committed to cloud services where they have no control or certainty over their future costs.

5-Step guide to reviewing your cloud costs

1 Ensure complete visibility

License audit

- Understand exactly which cloud data storage platforms and SaaS licences all departments are using. SaaS spending, in particular, has often been decentralised. Start by working out what you have today.
- Understand the intended purpose of using that platform or application. Are people using multiple applications to complete similar tasks?
- Are you using more resources than required, continuing to license applications and features that are little used or redundant?
- Are there solutions implemented during the pandemic to support remote working that all staff may not now require.
- Look out for apps and SaaS platforms that may have originally been free but are now paid for, or which will charge once you reach a particular threshold, and which may not now be the most cost-effective.

Provider comparison

- Remember, not all data storage applications are created equal. Applications can vary significantly in terms of security and functionality. Consider this when deciding where to save your data.
- Are different departments completing similar tasks on different software? Is there an opportunity to standardise across the business?
- If you have a fluctuating seasonal workload, it may be better to look for a provider that offers a pay-as-you-go model rather than having unused capacity for most of the year.

Data evaluation

- Evaluate if you need to keep all data? Does it all need to be saved in the cloud? How long do you need to store it?
- By having visibility of how you are using the cloud, it will enable you to:
 - » Identify unused or duplicate resources you can cut. Ensure you are using the best provider for each function.
 - » Understand what data you keep, allowing you to cut anything unnecessary. This not only reduces costs, but is good practice when complying with GDPR.

2 Have a strategy

- Now that you know your needs and have complete visibility of your current setup, the time is right to draw up a strategy and bring in expert support to discuss your options for meeting those needs.
- You should look at all options available –cloud, on-premise servers, and hybrid options. An IT partner can identify the best match for your needs and budget.
- Don't assume scaling back cloud storage and SaaS platform usage always saves costs or suits your cash flow. Remember, on-premise data centres require capital expenditure as well as ongoing running costs and IT support. With cloud, these costs are covered in the licences and operational expenditure. Once you have chosen a route, get advice on what technology and applications will best meet your needs.

3 Issue guidelines

- If you decide on a cloud route, you next need to evaluate cost against functionality.
- With regard to data storage, issue guidelines for data storage so that there is consistent best practice across the organisation. That way, you are not paying for data that is not needed, or using applications unnecessarily.
- If you are paying for a cloud application, ensure all employees are trained to use it as well as possible to get the most value.

4 Create accountability

- One person in the business should take ownership of these costs on an ongoing basis. Each department head should be aware of their own spend and ensure standardisation where appropriate.
- Cost centre billing for IT can create a cost-conscious culture and prevent costs from increasing without clear visibility.

5 Monitor and report

- Your managed service provider or expert IT partner should be able to support you with accessing cloud management reports regularly. These will give you oversight of what you're storing.
- Look out for unused capacity that you are paying for and trends towards increasing data storage which may need managing to control costs better.
- Use regular reports to support future planning so you have the capacity for growth or operational changes. Preparing in advance can help you use your IT resources in a more considered way.

Conclusion

There are no one-size-fits-all solutions. Develop an IT strategy that works for your needs, with expert support

Our survey makes it clear that the shift to cloud computing among the UK's small and medium-sized businesses prioritised pace over perfection. While some firms have made big gains from the migration, others are seeing fewer benefits.

Each business has unique needs and the move to the cloud requires a tailored approach.

To maximise benefits, it's important to have a strategy and to get expert support from a partner who will get to know your business. IT infrastructure is constantly changing and a partner can help you ensure you have the best match between your evolving needs and evolving capabilities.

Reviewing your needs is not all about costs.

Value for money matters but so do reliability, productivity, security, compliance, disaster recovery, customer experience and many other factors. An expert partner can help small and medium businesses balance these factors in a way that meets your needs.

Methodology

The research findings shared in this report come from an online survey of 500 senior decision makers at UK-based companies employing fewer than 250 people, conducted between 22 February and 1 March 2023. The survey was undertaken on Beaming's behalf by market research company Opinium.

Cloud Glossary

Cloud Storage

This is the data storage model in which data is maintained by a cloud provider that is responsible for storing, maintaining, and serving information at a remote location.

Data Migration

This is the process of moving data from one storage system or computing environment to another. It will be done for a variety of reasons, such as to consolidate data, improve performance, or comply with regulations. Though seemingly straightforward, data migrations require careful planning and preparation to be successful.

Hybrid Cloud

A mixed solution, where some data or software remains on on-premise or colocation-hosted servers, and some are located in the cloud.

On-premise

Your servers are completely controlled by a single organisation and not shared with others.

Private Cloud

Your servers may be located away from your premises and hosted in a data centre but they are dedicated to your organisation only.

Public Cloud

Referred to in this report as simply 'cloud'. Your company data and applications are hosted by the provider on their own servers, and accessed via a secure connection. Data storage, data transfer and software are paid for as a subscription.

SaaS

Software as a service (SaaS) allows users to connect to, and use cloud-based products and services over the internet.



The home of rock solid connectivity

We're Beaming, a specialist internet service provider (ISP) for businesses. We've been supplying organisations across the UK with fast, reliable, and secure voice and data connectivity, as well as managed services, since 2004.

We know that your business is unique, so we take the time to get to know you and your specific needs. We'll work with you to create a custom solution that will help you store data safely, run applications smoothly, and keep your business online.

Our aim is to become a trusted advisor to you and your team. We're here to answer your questions and help you troubleshoot any problems.

If you're looking for a reliable ISP for your business, we'd love to chat. Just give us a call or send us an email. We're serious about service!

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