A Little About Me

- First CloudStack deployments in ~2010/2011
- Previous VP of Apache CloudStack
- CTO @ United Data Technologies (UDT)
  - Technology Solutions Provider and Service Provider
  - 500 employees, Privately Owned
  - Started in 1995
  - Headquartered in Miramar, FL, USA (Miami area)

Key Drivers of IaaS Price Compression

- Intense Competition
  - Market Domination
  - Pricing (poaching) as a lever to attract new customers

- Economies of Scale
  - Operational costs at scale
  - Automation

- Hardware and Efficiency Gains

- Customer Expectations
  - Need to fit the narrative of cost savings

The Great Contradiction

- **Pure IaaS margins have been a state of constant compression, while overall cloud margins have increased**

- IaaS is a Low-Margin "Gravity" Product
- It's all about the "upsell"
  - PaaS
  - AI and ML
  - SaaS
- Extremely sticky (Who is left to repatriate?)

Provider	Margin Trend (last 10 years)	Takeaway
IaaS (Market)	Strongly Decreasing	Price compression from competition has eroded the "pure" margin on commodity compute, network and storage.
AWS (Segment)	Consistently High	The "first mover". Proved out the model of using IaaS to sell a massive ecosystem of other services.
Microsoft/Azure (Segment)	Strongly Increasing	The "bundling expert". Successfully leveraged its enterprise software dominance to build a highly profitable cloud.
GCP (Segment)	Negative to Positive	The "investment story". Sacrifice margins for a decade to gain market share, and it now turning profitable.

IaaS Market Share

Table 1: Data Snapshot: Worldwide IaaS Public Cloud Services Market Share, 2023-2024 (Millions of U.S. Dollars)

Company	2024 Revenue	2024 Market Share (%)	2023 Revenue	2023 Market Share (%)	2023-2024 Growth (%)
Amazon	64,804.9	37.7	54,664.0	39.0	18.6
Microsoft	41,099.3	23.9	32,205.7	23.0	27.6
Google	15,519.5	9.0	11,458.2	8.2	35.4
Alibaba Group	12,444.9	7.2	11,129.1	7.9	11.8
Huawei	7,082.2	4.1	5,979.7	4.3	18.4
Others	30,803.7	17.9	24,767.5	17.7	24.4
Total	171,754.6	100	140,204.2	100	22.5

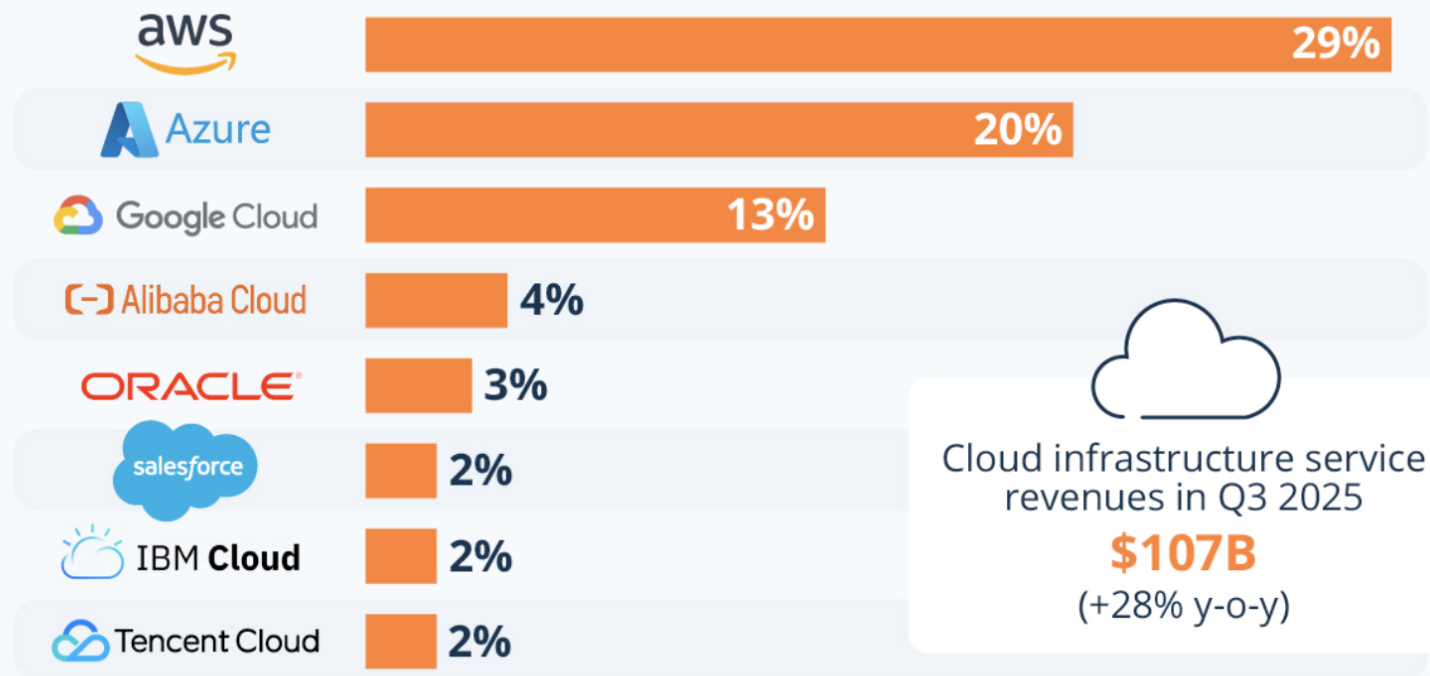Source: Gartner (August 2025)

5 providers own 80% of the market

Regional growth has legs
Private Cloud

Regulatory influences –
Data sovereignty
"Gov" requirements
Security

0.1% Capture - US$30M ARR

IaaS+PaaS Market Share

Worldwide market share of leading cloud infrastructure service providers in Q3 2025*

- aws — 29%
- Azure — 20%
- Google Cloud — 13%
- Alibaba Cloud — 4%
- ORACLE — 3%
- salesforce — 2%
- IBM Cloud — 2%
- Tencent Cloud — 2%

Cloud infrastructure service revenues in Q3 2025
$107B
(+28% y-o-y)

* Includes platform as a service (PaaS) and infrastructure as a service (IaaS) as well as hosted private cloud services

Source: Synergy Research Group

Mostly the same story
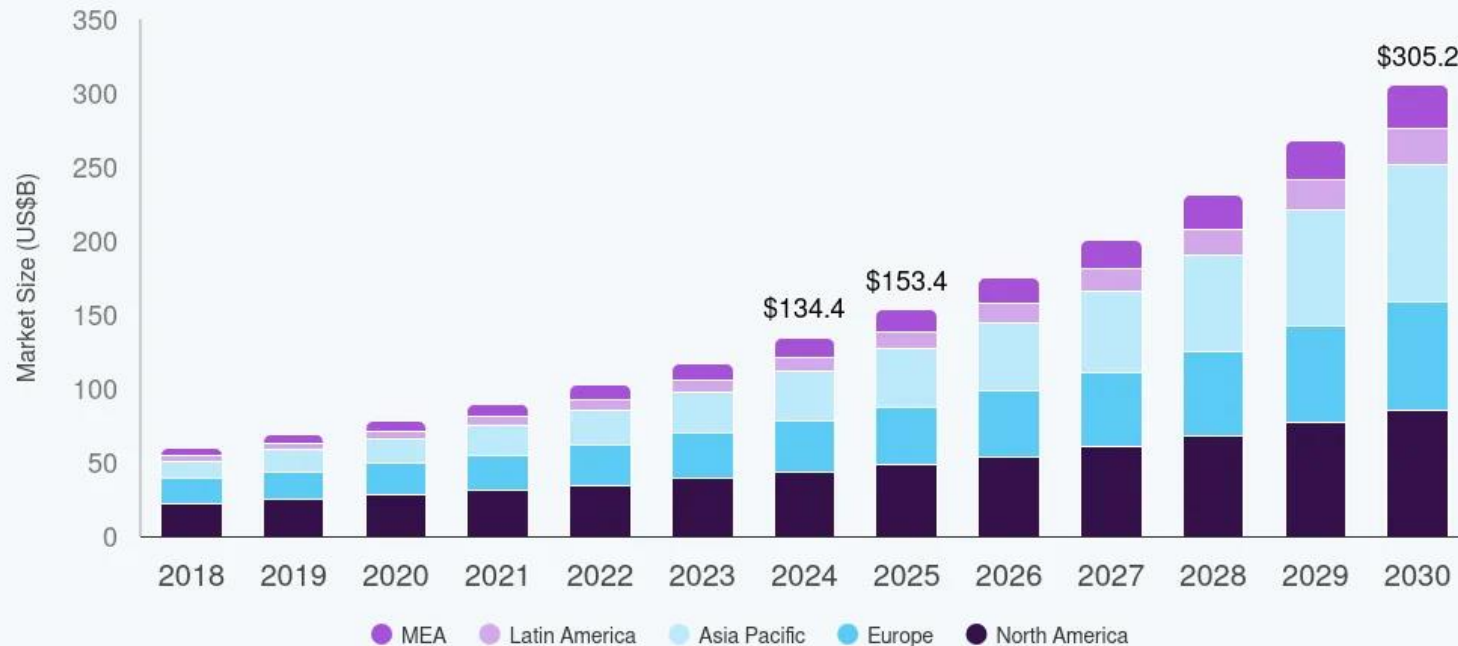
Azure benefits from 365 services

Strength from Chinese Companies

TAM for Cloud Managed Services

Cloud Managed Services Market

Size, by Region, 2018 - 2030

GRAND VIEW RESEARCH

- $305.2
- $153.4
- $134.4

Market Size (US$B) — 350, 300, 250, 200, 150, 100, 50, 0

2018 · 2019 · 2020 · 2021 · 2022 · 2023 · 2024 · 2025 · 2026 · 2027 · 2028 · 2029 · 2030

● MEA ● Latin America ● Asia Pacific ● Europe ● North America

USD$153 billion in 2025

USD$304 billion by 2030

Significant growth in MEA and the APAC regions

US market growing, but at a slower pace

Potential revenue capture by more targeted offerings

Large Growth in Private Cloud

GLOBAL PRIVATE CLOUD SERVICES MARKET 2025-2029

Market growth will **ACCELERATE** at a **CAGR** of
19.6%

Growth Contributed by **NORTH AMERICA**
51%

Incremental growth ($B)
385.7
2024 2029

Growth for **2025**
16.4%

The market is **FRAGMENTED** with several players occupying the market

21000+ Reports covering niche topics. Read them at technavio

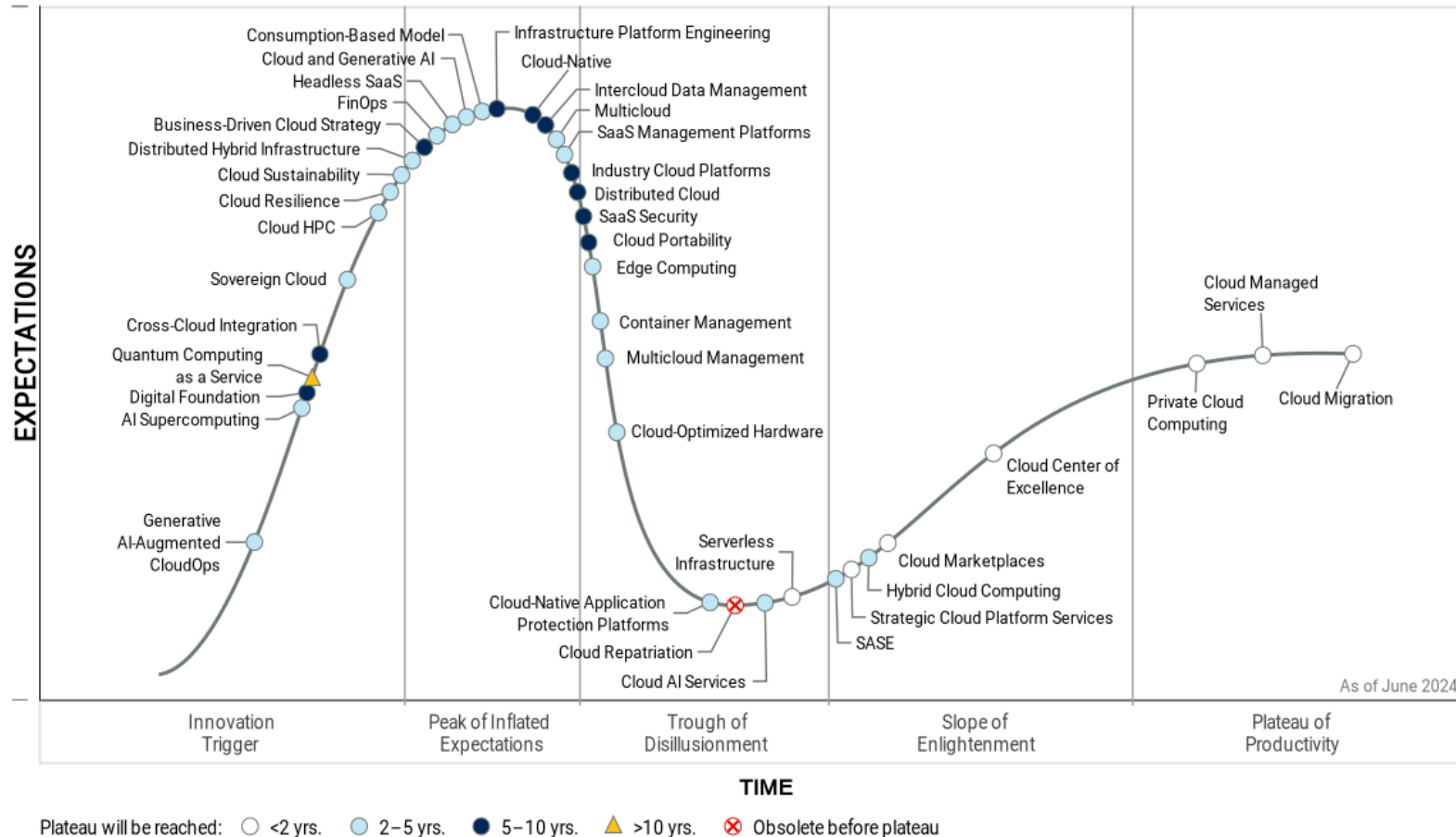Rapid growth

and BIG opportunities

Influencers

Industry Influencers

Hype Cycle for Cloud Computing, 2024

Some accurate points –
Private Cloud
Cloud Managed Services
Cloud Migration

Off base?
Cloud Repatriation
Edge Computing
Sovereign Cloud

Wide Reaching Impact on Enterprise Decision Making

Pain Can Drive Decision Making

- Billing Complexity
  - In 2024, helping manage cloud cost was a USD$2.4 billion business
- Hard to determine a true cost basis
- Proprietary services (e.g. Lambda, DynamoDB, Cloud Spanner)
- Impersonal and "Pay-to-Play" support
  - Expensive contracts (and commits) required for engineering level support

Customer Sentiment: The "Frenemy" Problem

- Is Amazon going to sell against you?
- If you're a software company (SaaS)-
  - is Microsoft, Oracle or Google going to compete?
- Are they going to make decisions…
  - …in your best interest?
  - …or in theirs?
- Wouldn't your customers prefer a "real and committed" partner?

How Do You Compete with the Hyperscalers?

- Avoid it if as all possible!
- Build something unique that creates a new market opportunity
  - Vertical focus
  - Differentiate and Innovate
  - World-Class Service (Delight your customers!)
  - Simple billing and packaging that helps your customers grow
    - How do your customers package their products or services?
   - Does the way you package your service help or hurt them?

Don't be Another Want-to-be Hyperscaler

- You're going to lose if you don't dominate your market
  - **White space -** a broad, untapped market area with unmet or unarticulated customer needs that no existing competitor is adequately addressing.
  - **Creating a niche** - capitalize on a defined, smaller, and often underserved segment within a market.
- There's lots of margin rich revenue in the mid-market
  - The big boys are interested in billions, not millions
    - Carve your own niche that is profitable and sustainable
    - Build your OWN market segment
    - Create value for your customers, and they'll create value for you

The Power of the Ethnographic Study

- Visit your customers
    - Not to sell, but to learn
    - What are they trying to solve for?
    - What are their problems?
    - How are they going to grow (and how can you help them)?
    - How can YOU become a part of the solution

- Your customers need PARTNERS who are committed to THEIR success

Service Margin Evolution
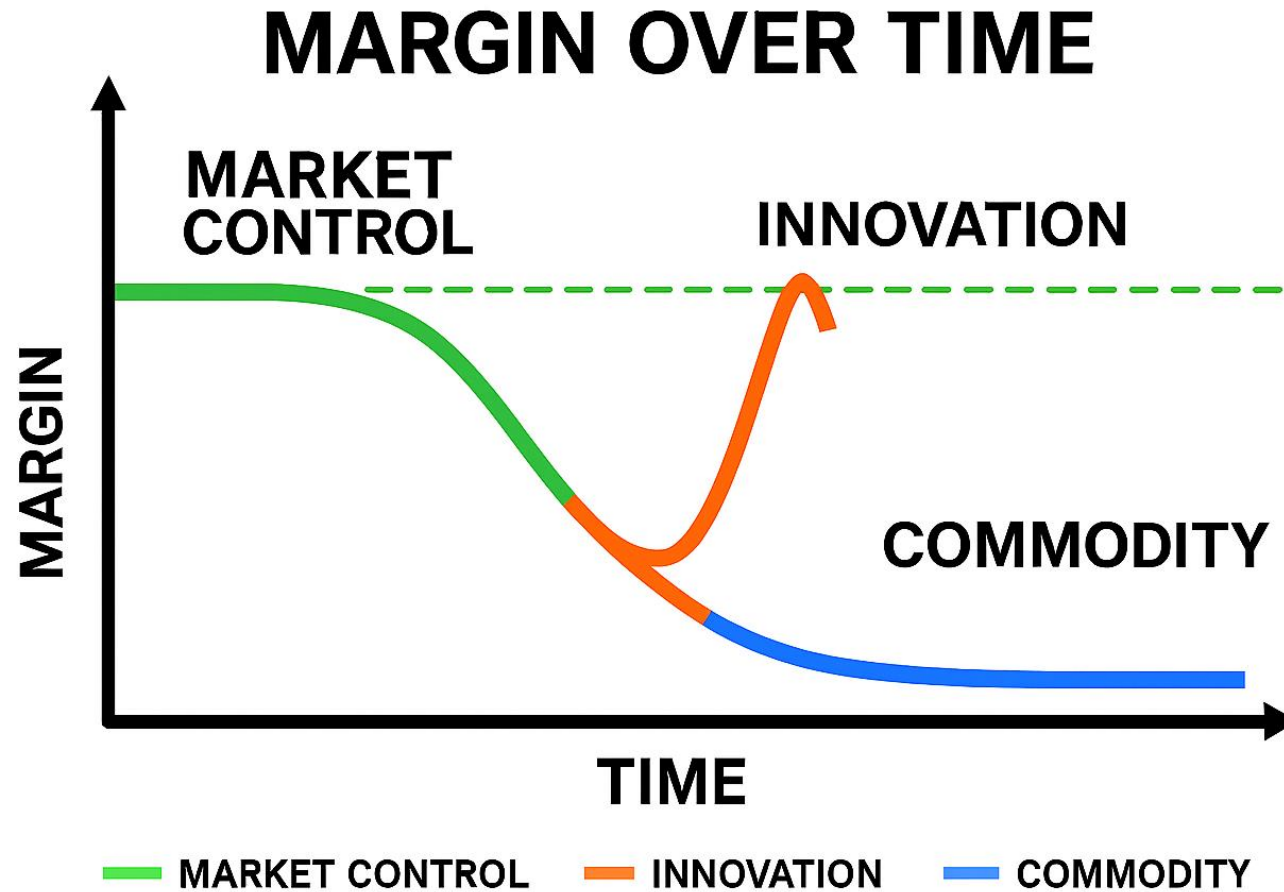
How Does Apache CloudStack Help?

- Frees you up to innovate
  - No vendor lock in
  - Eliminates pure "cloud" licensing costs
  - A wealth of expertise at your finger-tips
    - Drives feature collaboration
    - Benefit from a huge ecosystem of talent

  - Puts you in control of your OWN destiny