

CCIA Europe's views on competition in the cloud market

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Introduction

The Computer & Communications Industry Association (CCIA Europe) welcomes the opportunity to provide input to Danish Competition Authority's cloud market analysis launched in July 2024.

CCIA represents large, medium, and small companies in the high technology products and services sectors, including computer hardware and software, electronic commerce, telecommunications, and Internet products and services. Our [members](#) include cloud services providers (CSPs), as well as cloud customers.

CCIA is committed to protecting and advancing the interests of our members, the industry as a whole, as well as society's beneficial interest in open markets, open systems and open networks. In the context of cloud, we advocate for an open, adaptable and free from costly lock-ins cloud market. In this context, we have been monitoring and contributing to the cloud market studies and investigations in Europe and beyond, most recently to the Spanish cloud market study, and to the cloud market investigations in the UK.

Below you will find our views concerning:

- The state of competition in the cloud sector
- Practices which in our view distort competition in the cloud market and their implications for European customers
- Actions we recommend the Danish Competition Authority to undertake in order to address those practices

I. Competition in the cloud market generally works well

The competitiveness of the cloud sector is evidenced by the growing prevalence of multi- and hybrid cloud strategies adopted by organisations across various scales. The simultaneous usage of multiple CSPs is driven by factors such as geographic or regulatory governance requirements, the necessity for uninterrupted business operations, and/or the desire to leverage unique features offered by specific CSPs. In essence, organisations are reluctant to rely solely on a single CSP, opting instead to diversify them. This trend highlights how competition in the cloud sector continues to foster a broader range of options for both businesses and consumers.

At the same time, it is important to recognise that the adoption of multi cloud and hybrid cloud strategies by organisations is a business-driven decision, influenced by a variety of factors. Organisations should retain freedom to choose whether they prefer to utilise cloud

services from a single CSP or multiple. Therefore, the choice of a multi cloud strategy needs to remain a customer business-decision, not a regulatory requirement.

Furthermore, given the distinct characteristics of provided products relating to e.g., storage or IT integration, CSPs face competition from hybrid CSPs and those who deploy on-premise solutions. By adapting their strategies and expanding their offerings, CSPs strive to remain competitive and address the diverse needs of their customers.

It is noteworthy that the [growing expenditure](#) on cloud services, combined with the dynamic competition among CSPs, signifies the presence of opportunities for new actors to enter the cloud sector, compete for customers, and achieve significant growth.

II. Restrictive software licensing limits customers choice and leads to unjustified price increases

The [EU Data Act](#) already seeks to address perceived concerns about customers' ability to switch CSPs by addressing issues related to interoperability and data transfer fees. The remaining obstacle to the activity of CSPs and competition in the cloud sector is the presence of restrictive software licensing. These practices are employed by legacy software vendors who leverage their established positions in the productivity software market to unfairly influence customer choices. By imposing restrictive licensing terms, these vendors incentivise customers of their on-premise productivity software to use the vendor's own cloud infrastructure, making it very limited or even impossible to use third-party cloud services. What is important to stress is that there are no technical justifications to those practices.

As a result, customers face significant barriers when attempting to migrate their workloads to the cloud. Their choice of cloud providers is limited which hinders their ability to deploy multi-cloud strategies and stifles competition between various CPSs. In fact, recent [research](#) conducted by a data intelligence company Savanta, and commissioned by CCIA Europe, found that of those who considered switching, four in 10 customers (40%) say they would lose discounts on their productivity software when switching cloud provider, and 40% indicate that existing licensing terms actually prohibit them from taking their on-premise software licences to another cloud vendor. While Savanta's research did not cover the Danish market, it did look at chosen national markets, such as the Netherlands, where the figures are even more worrisome with 55% of those who considered switching but decided against stating 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 not to switch cloud infrastructure provider (50%). Lately, when looking at the public sector, Savanta found that 6 in 10 organisations that have considered switching said that a key reason why they didn't change their cloud infrastructure provider was due to existing licensing terms.

Restrictive software licensing has also big financial implications for European customers. The [2023 study](#) by Prof. Jenny estimates that these practices lead to over a 20% price surcharge and cost European customers from €500m to €1bn a year. Those unjustified price increases mean that customers are basically financially penalised if they choose to use other cloud providers.

III. Licensing software licensing should be addressed so that all companies can benefit from the cloud

To mitigate negative consequences restrictive software licensing creates in the cloud sector, we urge the Danish Competition Authority to launch an antitrust investigation into these practices.

In terms of a potential remedy, we underline the importance of customers being free to migrate their previously purchased software products (used on-premise) to their preferred cloud infrastructure without incurring additional charges or fees. Specifically, they should not be required to buy separate, duplicate licences for the same software. They should also be free from licensing restrictions and increased costs that hinder their ability to run their licensed software in the cloud and on the cloud providers of their choice.

Conclusion

CCIA Europe expresses its appreciation for the opportunity to contribute to the Danish Competition Authority's cloud market analysis. European customers should have the freedom to run their software on the cloud platform of their choice. This will empower them to select cloud solutions that best meet their needs, while allowing both established and emerging cloud service providers to compete by offering differentiated and innovative products, and Europe to fulfil its digital ambitions.

In this context, we ask the Danish Competition Authority to take action against restrictive software licensing through launching an antitrust investigation against those practices. Any remedy found should benefit the whole industry, not individual companies so that cloud can deliver on its promise: to be open, elastic and free from costly lock-ins.

About CCIA Europe

The Computer & Communications Industry Association (CCIA) is an international, not-for-profit association representing a broad cross section of computer, communications, and internet industry firms.

As an advocate for a thriving European digital economy, CCIA Europe has been actively contributing to EU policy making since 2009. CCIA's Brussels-based team seeks to improve understanding of our industry and share the tech sector's collective expertise, with a view to fostering balanced and well-informed policy making in Europe.

Visit ccianet.org/hub/europe/ or x.com/CCIAEurope to learn more.

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