

Targeting SaaS Opportunities in Europe

The 451 Take

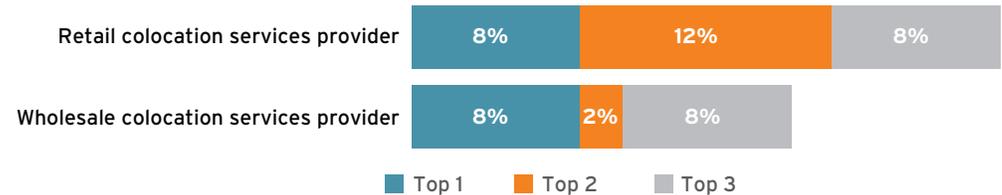
US-based software-as-a-service (SaaS) providers already have a strong presence across Western Europe, and many are expanding their reach, mostly in response to high demand for locally delivered services – an appetite that has increased with the introduction of the European Union’s General Data Protection Regulation (GDPR). Some US SaaS providers are still waiting to make their European debut, and can learn valuable lessons on the challenges ahead from those already courting the market. For example, in order to enable timely and reliable delivery of services, a number of SaaS providers are turning to retail and wholesale colocation partners in Europe.

451 Research, commissioned by Interxion, carried out a study of SaaS providers with an appetite for growth across Europe. Of those we spoke with, 92% are expanding their existing European estates and 8% are entering Europe for the first time. Some are using Europe as a gateway to other markets such as Asia, the Middle East and Africa, although the lion’s share still count London as their number one destination, followed by Frankfurt, Paris, Amsterdam and Dublin. This signifies the advantage SaaS providers have when operating in important connectivity hubs. For most, the goal is to operate out of local data-centers that can meet the strict data security or sovereignty requirements of customers.

SaaS Providers’ Need for European Colocation Partners

Source: 451 Research (n = 50)

Q. Do you use or expect a need for any of the following third-party partners in support of your European expansion?



GDPR increases the requirement for cloud and other services that leverage various types of data pertaining to individuals in the EU to be delivered from and stored within the EU’s borders. We already see a requirement by some companies to have that data stored and processed locally and in-country. Among our survey respondents, 24% said GDPR drove their requirement for new datacenter supply in Europe, although 34% of respondents operating in or planning to operate in the EU said they have not yet assessed the impact of GDPR. Savvy SaaS providers have deployed local resources to ensure they are meeting GDPR requirements, with a focus on the migration of workloads and controls required to ensure data sovereignty.

Other benefits are being realized by those operating in Europe beyond access to new demand. Many US providers already deliver services into Europe, but 34% of survey respondents found proximity to customers for reasons of support and performance to be increasingly important (“Making it seamless for the users of platforms regardless of where data resides” was the goal of one SaaS provider). Many also needed to access locally based cloud services – 28% of respondents said they leveraged colocation to gain direct access to the cloud, and most require high availability and bulletproof redundancy of the net-

451 Research is a preeminent information technology research and advisory company. With a core focus on technology innovation and market disruption, we provide essential insight for leaders of the digital economy. More than 120 analysts and consultants deliver that insight via syndicated research, advisory services and live events to over 1,000 client organizations in North America, Europe and around the world. Founded in 2000 and headquartered in New York, 451 Research is a division of The 451 Group.

Business Impact Brief

The 451 Take (continued)

work and service operations to meet customer standards. Negotiating or even understanding the cost of a European rollout can be a challenge, as can meeting requirements such as GDPR where adherence to other US-based standards such as HIPAA and other US regulations must be maintained as well.

To address these complexities, many SaaS providers are partnering with colocation providers that offer on-ramps to new markets, access to multiple carriers and connectivity options that can help them to innovate in the datacenter to overcome some of their challenges. The right provider can help organizations connect directly to the cloud, provide insight on their datacenter costs and pricing, and offer control over uptime and reliability. They should also offer migration services, show a strategic ability to innovate to address new technology trends, and provide access to remote-hands and on-site support. Many SaaS providers are choosing to locate a primary datacenter facility with a colocation provider offering access to Tier 1 network providers, then seek a backup location in the market before rolling out across Europe or into other locations. This signifies the importance Europe will play in many SaaS providers' global aspirations.

Business Impact

SAAS PROVIDERS ARE IN HIGH DEMAND ACROSS EUROPE. US-based SaaS providers are filling a gap for software services in Europe today, especially in less mature markets where enterprises are consuming SaaS prior to taking on cloud strategies.

SAAS PROVIDERS MUST BECOME FAMILIAR WITH EUROPEAN OPERATING ENVIRONMENTS. The enterprise and datacenter markets are different in Europe than in the US. SaaS providers need to find partners that can help them understand the local landscape and provide local support.

THE EUROPEAN SERVICES LANDSCAPE WILL CONTINUE TO BE HEAVILY REGULATED. Service providers are held accountable for the management of data processed and delivered across Europe. SaaS providers serious about entering the market need to understand what will be expected from them and enlist help from local partners or experts in the field as they plan their European rollout or expansion.

Looking Ahead

Entry into Europe was difficult enough without the newly introduced data regulations. Many SaaS providers will find that their concerns around the residency of data and the protection of that data will be addressed with the right governance in place, and through careful selection of the right colocation providers. Colocation increasingly offers direct, private connectivity to services, and in many cases provides a stamp of control over the security and protection of environments and data, as well as insight into processes and data transportation. Furthermore, the right colocation partners will enable SaaS providers to quickly on-board production environments in new markets where required, future-proofing investments and enabling the SaaS providers to remain compliant with government and customer requirements.

interxionTM

Whether expanding to Europe for the first time, moving from a public cloud or looking to expand datacenter setup, it's most likely unknown territory. It requires the ability to navigate the complexities of the local market, comply with various data regulations like GDPR, and manage infrastructure – often remotely. This requires working with a trusted partner that understands your business, is easy to work with, and can help skyrocket growth. Visit: <https://www.interxion.com/why-interxion/gateway-to-europe/> to learn more about how the right colocation partner can help you win in Europe.