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AWS Holds the Line on Cloud Bills as Customers Ask for Relief

By Kevin McLaughlin and Amir Efrati   April 17, 2020 10:54 AM PDT

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Public cloud providers like Amazon Web Services, Microsoft Azure and Google Cloud have had to cope with a surge in demand in recent weeks as huge numbers of people work from home. But the cloud providers are also facing requests from many customers for financial relief, while others are cutting their cloud spending.

So far, AWS has been the least willing to offer flexible terms on customer bills, according to numerous customers. That stands in contrast to Microsoft and Google which have shown some flexibility, partners say. How each of the cloud providers responds to customers asking for help has big implications, for both their near-term revenue and their long-term relationships with customers. They could lose business in the long run if they aren't flexible with customers that are struggling and have already obtained price concessions or payment deferrals from other suppliers, such as landlords and software or networking providers.

> **THE TAKEAWAY**
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> **All three of the major public cloud providers are under pressure from customers for financial relief as a result of the pandemic. Amazon Web Services so far flexible, unlike Microsoft and Google. How each one deals with the crisi its dealings with customers long term.**

AWS has a higher proportion of startups and smaller companies among its customers than its rivals do, which means it may be more exposed to the ravages of the pandemic. And while some companies have deals with fixed payments, others can cut cloud use and spending more easily. For example, Carta, a fast-growing equity management software company that laid off 16% of its staff this week, said it had reduced its use of AWS to lower its cloud bill.

Inside AWS, salespeople have been asking managers how they should best respond to requests for a break on payment from customers in travel, retail, real estate and ride hailing. A person who works at one of AWS' largest customers said the company recently asked AWS for a financial break on its agreement, but AWS declined. An executive at an online real estate company said AWS pushed back on his company's request for a break while another executive at a different company told The Information that his firm planned to ask AWS for a price reduction. The latter executive isn't hopeful that AWS will grant the request, however, as it isn't known for making pricing concessions, he said.

In some cases, AWS representatives have considered ways to help its customers sell services to other AWS customers instead of giving them a break directly. That option is potentially available for AWS customers that sell cloud computing–related services.

To be sure, some AWS customers asking for a break are publicly traded, meaning AWS reps can see whether the customers appear to have enough cash in the bank to pay their cloud bills, even if those customers are hurting at the moment.

An AWS spokesperson told The Information: "This is a very difficult time for some of our customers, and we are actively working across a number of dimensions to help them manage costs." AWS is handling the issues as they come up with customers on a case-by-case basis, said a person close to the company.

More Flexible

Microsoft has indicated to customers that it is willing to be flexible on pricing and contract terms if the Covid-19 crisis continues to keep the economy on hold, according Mansfield, director of services at UpperEdge, a firm that helps large companie contracts with cloud providers.

Customers in a wide range of industry segments have asked Microsoft for financial help since the beginning of March, including companies in consumer packaged goods, oil and gas, and retail, said Mansfield. Some have asked to defer payments for software they've already used; others are asking for annual price reductions for software they're planning to use in the future; and still others are asking to reduce the volume of users in agreements without a corresponding rise in per-person pricing.

Microsoft hasn't given a definitive answer yet, but the software giant is making it clear that it is willing to be flexible. For example, Mansfield said, Microsoft has offered to extend renewal dates for a few months to give companies more time to assess their software spending plans.

"They are taking the approach of 'Let's cross that bridge when we get there,'" Mansfield said.

Even before Covid-19, Google was aggressively trying to poach customers from Microsoft by offering to let them use its G Suite applications for free. Google has stepped up these tactics in the past six weeks. Some Microsoft customers have agreed to shift part of their cloud computing jobs, such as data analytics, to Google Cloud, said Mansfield. Others have contacted Google as a hedge in case their negotiations for new software agreements with Microsoft don't go well, he added. Microsoft is more of a target for Google because both companies have widely used productivity apps, which AWS doesn't offer.

Google Cloud hasn't announced anything formal about its plans to help customers in need. But a person who does business with the unit said it is not turning off service to customers that need extra time to pay their bill.

A Microsoft spokesperson declined to comment. Google Cloud spokespeople didn't have a comment.

The requests for help partly reflect the nature of the contracts many companies sign with public cloud providers. While some companies have agreements that allow them to reduce their cloud use to cut their bills, others sign long-term agreements based on u amount of cloud services for a fixed payment. Such deals can result in discou than 70%, making them a smart move when times are good. In this environm

when many companies are seeing their business go into freefall, those long-term agreements can be a burden.

Right now, this is a particular challenge for AWS, which started out by selling computing capacity to startups. That means it will be particularly at risk as startups fail or lose so much revenue that they need to cut back their computing use. In internal meetings, AWS salespeople have voiced concerns about possibly losing business from smaller customers that may go out of business, said a person close to AWS.

Gavin Baker, chief information officer and managing partner at Atreides Management, a Boston-based hedge fund, said many companies are asking for extended payment terms and straight-out price reductions.

"In an environment where people aren't paying their rent or mortgages, and landlords are saying 'We will work with you but you need to cut all other expenses,' it's difficult to believe that software and infrastructure providers will not feel the same pressure and give in to it," said Baker.

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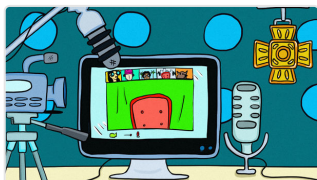
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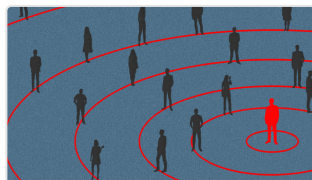
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