# Cloud repatriation: Why enterprises are moving away from the public cloud

Pulsant

# Why consider moving out of public cloud?

For over 10 years the public cloud providers have been the kings of the IT game. They have seen sustained growth and one-way traffic of enterprise data, systems and processes into their domain. However, there is increasing evidence of a growing trend of cloud repatriation i.e. enterprises moving their data and workloads off the public cloud, and into a private cloud environment or their own hosted environments. There are three key drivers for this trend:

### 1.Sovereignty

Enterprises increasingly are looking to host their data within their home state. Partly this is driven by regulation, with industries such as defence, financial services and healthcare being mandated to host certain workloads domestically. The EU has been particularly strong on wanting enterprises to guarantee sovereignty of critical data and applications and has made €1.2 billion in grants available to businesses across the edge-cloud value chain to develop European cloud alternatives to the American-headquartered public cloud providers. However, it is increasingly also driven by enterprises themselves who understand the risk posed by hosting workloads in markets with potentially different data protection laws to their own. In an emergency, enterprises want to be assured that their data is safe within their domain.

### 2.Security and control

Related to sovereignty is a need for greater data security and control. Enterprises want to know where their data is being stored and be absolutely confident in its security. For many enterprises public cloud offerings lack this transparency and control. Many enterprises moved to the public cloud with the promise of simplified IT services provided at scale however, as their own requirements have grown in size and complexity, they are now facing a complex mixture of products and services from different public cloud providers. This is particularly the case for large enterprises or those who have undergone mergers or acquisitions. Moving to a private cloud or back on-premise is one way that enterprises can regain more transparency and agency over their data.

### 3.Cost

As enterprises are facing a more complex set of products and services they have begun to face spiralling costs. Hosting in the public cloud was seen as a more cost-effective way to host data and run applications, and for many enterprises it still is, but for some of the biggest enterprises it is no longer the most cost-efficient way.

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# Where does AI fit in?

It is impossible to talk about data centres and cloud in 2024 without mentioning AI, and cloud repatriation is no different. AI is reinforcing the same concerns with the public cloud for enterprises and government around security, sovereignty and control. If AI lives up to the hype, then it will become foundational to the operation of advanced economics globally and governments will be vigilant about securing mission critical data and applications. The fact that AI hype has entered the mainstream has only increased awareness of data sovereignty and security at a governmental and regulatory level.

**There is no greater endorsement of the reality of cloud repatriation than the public cloud providers themselves building sovereign solutions**

# Are enterprises really turning their back on the public cloud?

Migration to the public cloud has been such an unstoppable force in recent years, are enterprises really thinking about going back? The evidence says they are:

- Barclays ran a global survey of enterprise CIOs in 2024 and found that 83% of enterprises are planning to move workloads from public clouds to on-premise or private cloud infrastructure. This is an increase from 43% in H2 2020[1].
- Citrix ran a survey of 350 IT leaders in the UK, US, France and Germany in 2024 and 94% of respondents had been involved in cloud repatriation projects in the last 3 years. In the UK specifically, 25% of organisations had already moved at least half of their cloud workloads back on-premise[2].
- A global IDC survey of enterprises in 2024 found that around 80% of respondents expect to repatriate some compute and storage resources for business apps (CRM, ERP etc.) or AI lifecycle within one year[3]. IDC has forecast global sovereign cloud spending to reach more than $250 billion in 2027[4].

The public cloud providers themselves have acknowledged the trend with AWS evidence to the UK Competition and Markets Authority noting that “its cloud business faces competition from on-premises IT and provided examples of customers moving from the cloud back to on-premises IT solutions”[5]. AWS announced plans to invest €7.8 billion into an AWS European Sovereign Cloud to 2040, with the first AWS region in Brandenburg, Germany, available by the end of 2025.

Microsoft also has its Microsoft Cloud for Sovereignty toolkit which allows businesses to store and process their data in their own country or region, which it made generally available at the end of 2023. Google Cloud is relying more heavily on its partners in Europe, such as T-Systems in Germany and Clarence (a joint venture between Proximus and LuxConnect) in Belgium and Luxembourg. There is no greater endorsement of the reality of cloud repatriation than the public cloud providers themselves building sovereign solutions.

We have also seen some examples of enterprises going it alone, perhaps most notably Lidl who built its own sovereign cloud in Germany and is now offering cloud and cybersecurity services to corporate customers, including SAP, the Port of Hamburg and Bayern Munich. With EU funding now available to enterprises to develop their own European sovereign cloud we do not expect Lidl to be the last enterprise to develop its own offering.

[1] Barclays survey (link) [2] Citrix survey (link)
[3] IDC report (link) [4] IDC report (link) [5] AWS evidence to UK Competition and Markets Authority (link)

# What is the opportunity for the data centre industry?

Despite public cloud providers moving to try and capture some of the shifting demand, there will be a significant number of enterprises who do not trust them to guarantee the sovereignty and security they need and want to take back control of their data, applications and their associated cost.

Enterprises outsourced the management of their IT to the public cloud because they did not want the burden (and cost) of managing it themselves. While some enterprises will move to on-premise, the fundamentals of why they moved to the cloud in the first place will mean that many are looking for services that can be provided by data centre operators.

Some enterprises may choose to revert to colocation services, where they can manage the IT infrastructure more closely but do not need to worry about providing the supporting infrastructure such as power and cooling. However, we expect most enterprises moving off the public cloud will instead be looking towards private cloud offerings as they wish to retain the cloud benefits that drove their initial migration:

- → Enhanced flexibility and scalability (particularly as many enterprises are encountering problems with public cloud because they have scaled since migrating)
- → Simplified IT management
- → Cost savings as there is no need for hardware CAPEX or unpredictable OPEX from energy costs
- → Improved disaster recovery and redundancy if hosted in multiple locations
- → Greater efficiency in resource allocation

Customers want their cloud provider to work closely with them and understand their needs. The challenge with the public cloud providers is that they were not able to provide the transparency and trust that enterprises (particularly in verticals like healthcare, law and finance) are looking for. If regional data centre providers can work with customers to understand their pain points and build solutions which meet these needs head-on, then they stand to benefit from cloud repatriation.

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