MICROSOFT CLOUD
PRICING STRATEGIES FOR AN INFRASTRUCTURE-AS-A-SERVICE CLOUD MARKET

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Microsoft started in 1975 with the initial goal of putting "a computer on every desktop in every home" and grew into a global company providing software products and services to businesses and consumers through offices in over 100 countries. With the initial task largely accomplished, Microsoft now aims to "empower every person and every organization on the planet to achieve more." Central to this new mission is the growth of cloud-based solutions that can bring services and content over the Internet to users throughout the world. In addition to Microsoft Azure, examples of cloud-based services include Bing, Microsoft Dynamics CRM Online, Microsoft Office 365, OneDrive, Skype, Xbox Live, and Yammer. The cloud industry overall is experiencing explosive annual growth of 45% as more businesses and organizations decide to migrate from locally managed solutions to cloud providers, and the industry is expected to reach revenues of $127B by 2018. This growth has also made cloud computing an increasingly competitive industry, with the rewards going to the providers that experiment, learn, and improve their products faster and better than the competition.

One facet of this industry is the Infrastructure-as-a-Service (IaaS) category, where customers rent virtual machines to run applications and databases. The top three cloud providers (Amazon Web Services, Microsoft Azure, and Google) offer six different payment structures for these IaaS solutions, and the Tauber team was tasked with evaluating the impacts of expanding Microsoft's payment options to include different structures. The group used a DMAIC (Define, Measure, Analyze, Improve, Control) framework to approach the client history data set and created a new methodology to measure customer usage behavior to more easily identify patterns and differentiate customer segments. The subsequent analysis quantified expected customer attraction to different pricing models and identified the opportunity to decrease the time to create a new offer by 46%. Additionally, the team constructed a pricing experiment that will allow the Business Intelligence team to learn from and improve on the new concept. The experiment will test the underlying economic psychology of consumer purchasing behavior and provide senior managers within the Cloud + Enterprise division with clear feedback to support a data-driven decision on a new pricing offer.