



Cloud Services: Venture Biography



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Disclaimer

The document presents a story of an existing startup prepared through desk research and a narrative interview with the founder. For reasons of data protection, the names of people, cities, support programmes and companies are exchanged with pseudonyms. The biography has been approved for publication by the startup and can be used for further research by citing it accordingly (see below).

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1 ID Card

Name of the startup	Cloud Services Ltd
Which ecosystem?	Varna
Founding date	idea 2012, founding 2013, April 1
Sector	IT/cloud services and software development
No of employees	15
(Expected) Turnover in 2023	480 000 €
Male/female founder	Male founder/female manager
Timeslots of startup phases	
idea generation	2012-2013
incubation	2013-2015
consolidation	2015-onwards
Funding / financial support	Own sources, American and Bulgarian investors

2 Founder(s)' Background and Motivation

Diliyan studied and lived in the US for more than 10 years and worked in the financial field as an investment and credit consultant in European and American banks and financial institutions. However, he felt that he must do something by himself and be his own boss, so he decided to move back to Bulgaria with his family in 2008. He started his own company in telecommunications – Phonecom, and then started another company dealing with online marketing: NextLevelMarketing. And in 2012, he came together with a few partner companies in the IT sector and friends in Varna, with whom he decided to create a kind of data centre and provide cloud solutions – an opportunity that did not exist in the Bulgarian market yet.

That is how Cloud Services came to life. The founder oversees Cloud Services day-to-day operations and leads sales and marketing. He holds an MBA from Babson College and a master's in finance from the University of National and World Economy, Sofia, Bulgaria.

3 Business Modell

Cloud Services provides universal and adaptive cloud services that aim to address the specific needs of customers. Cloud Services has built its cloud using the latest advancements in multi-tenant cloud architecture, relying on cutting-edge server hardware, networking, security, virtualization, and management technology. They host their infrastructure in an independent class Tier 3 data centre in Sofia, Bulgaria.

They provide 24-hours phone and email customer support as professional cloud administration services for customers who need help transitioning to the cloud or require ongoing administration of their cloud resources. Cloud Services' cloud uses Linux KVM as its virtualization hypervisor technology.

They provide cloud services like visualization, VPNaaS, DNSaaS, LBaaS, FireWallaas, object storage and block storage, and cloud solutions like private cloud, managed cloud, public cloud, self-hosted cloud, distributed storage back-up solutions, web hosting, private Git-repository manager, QRScale, OCR, ticket-tracking system, private communication system, e-learning, training and consulting.

Customers have the choice between paying per hour cloud services or monthly subscriptions. Most customers start with a month subscription to try it out, before deciding if it is a convenient model for them. Some use the hour service.

The expected turnover for 2023 is 460 000 €. The company currently employs 16 people and rents a space as an office.

The company now is run mostly by the founder who oversees customer relations. The manager is the one that is keeping the day-to-day running of the office. There are also all together 15 team leaders, programmers, and developers.

4 Startup development

4.1 Idea-Generation

In 2012, Diliyan and a couple of friends in the IT sector came together since they had some capital and talked about different opportunities that do not exist in Bulgaria. It appeared that all of them faced the need for servers to offer working services, so the question that appeared was where to host them and where to keep them. They decided it is wise to have a kind of data centre, and then started discussing cloud opportunities. "The cloud was not very popular at that time, but there was a theoretical opportunity, and we knew that Amazon had something similar", the founder shared during the interview.

They also contacted some American partners, who were working for Amazon and their cloud, so they have revealed what they are doing to the founder and his partners started to look for their own cheaper solutions and develop their own software. It turned out that there are different solutions already existing as open-source solutions. They reviewed the existing ones and found one that was quite successful: it was developed by NASA for their computers, and was supported by all major players like DELL, HP, CISCO, and Microsoft, without Google and Amazon. It was an open-source solution for the digitalization of machines called Open Data.

They also found another solution - again open source, for storage, and they started to develop it further. However, being in an open-source environment, you have no manual – so they learned by developing it.

4.2 Incubation / Founding

The company was registered on April 1, 2013, and first they bought the machines and the equipment. They also attracted some funding from business angels in the US.

After they received the financing, they selected the distributor of the new equipment – servers, switches, etc. and started installing the two open-source software solutions. They hired two administrators with Linux, because the equipment was Linux-based. They selected the data centre and prepared for the actual work. An integrator was selected who promised that he would write the code and it will integrate the whole software. For six months, they have been trying to work with this integrator and they have not been able to make it operational. The two people they hired tried 3 to 4

times daily to install the cloud, but the installation was not working. So, finally, they realized that this software was not working, and decided to do the integration by themselves. Only after three weeks, they were able to make everything operational. The next step was to start the website and sign with their first clients.

They have started with the marketing campaign to attract clients. They held a press conference in Varna as well. During that time, the cloud was already becoming very popular, and they organized some conferences together with other companies operating in Sofia to popularize it. In 2013-2014, they had no competitors in Varna.

The challenges they faced were the following: Bulgarian company managers didn't believe the use of a cloud for security reasons. Many potential clients told them that they didn't want to use the cloud, and it was so because they were not familiar with the process.

During that time, there was only Amazon and two years after the founder started the company in Bulgaria, it was Google and Microsoft. Of course, the clients began to hear about the possibilities offered by the cloud, but they said, "It is in the US, not here". "When the product was widely adopted, it was five/six years after that, and there was no more challenge after that." So, instead of focusing on the B2B model in the beginning, they have focused on B2C.

They had difficulties explaining the difference between hosting and cloud, and why the prices vary so much. So, when they started to look at prices, they were not competitive, but when people became more educated, the attitude changed.

4.3 Scaling-up / Consolidation

After 2015, Cloud Services went through different developments and added many services to their portfolio. "In 2015, we already had the big ones entering the market. There was Amazon, but it was just a cloud." So, they decided to invest in the second level of development – platform, and they started to sell platforms as a service.

The founder and one of his partners, realized that they had to start developing their own solutions to be more competitive. Meanwhile, his partner has decided to restart his "old" IT company and exited Cloud Services. Then, Dilyan outsourced some of his programmers to American partners to attract some finance and develop his own platform solutions. During the next years, he reconstructed the company's website a couple of times. There were some challenging times: a couple of his colleagues left, but some of them also came back.

The founder also had challenges not with the market, but with competitors – when Microsoft and Google entered the market, they monopolized it, providing server production. When the others had to buy equipment, they had to wait, and it was hard to be competitive with the prices of the "big" companies. Furthermore, of course, a lot of companies offering cloud infrastructure stepped on the market and many clients chose what was cheaper, more secure, and reliable.

Then Cloud Services tried to attract startups that knew them and preferred custom-made solutions. They also offered web hosting, and during the Covid-19 pandemics, they offered Moodle to some of the universities based in Varna and platform support. Recently, they also developed AI solutions integrated into their open-source platform.

"We are unique in that we have already been on the market for 10 years. There is no manual, but we know all the problems that can appear. Our competitive advantage is that we use open source, and we can work with any kind of machine, so we can use any hardware. We are not dependent on a particular

producer, to make a cloud for the client. In many custom solutions, we provide better prices, and are flexible."

The focus of Cloud Services for the last couple of years was Bulgarian clients that would like to have locally based clouds, not use the American clouds and "since the demand in Europe and the Middle East for non-American companies providing cloud infrastructure and solutions is growing, we believe we have a potential market there as well" – says the founder.

Right now, Cloud Services is trying to exit – they have separated the business – the programmers and the developers. The programmers were sold to an American company, and Cloud Services bought back the investors' shares, offering them 2,5 times return on investment. Now the company has the infrastructure and some developers to focus their attention on one thing – the development and support of a private cloud.

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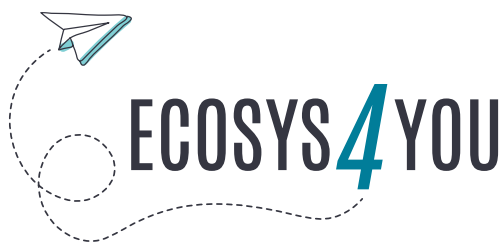
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Ecosys4you – Engaging Entrepreneurial Ecosystems for the Youth (2023-2026) strives to bridge the entrepreneurial ecosystems of the Ruhr, Germany, Varna, Bulgaria and Slovenia by connecting young founders, start-ups, HEIs and other ecosystem actors.

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