Adapting Your Business to the CLOUD

INTRODUCTION
Like it or not, cloud computing is here to stay. Indeed, for most channel partners these days, the big question isn’t whether to offer cloud computing services, but how. This white paper provides practical, step-by-step answers to that critical question.

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GETTING STARTED
There are lots of good reasons to become a cloud service provider, but ultimately the two most important are these:

• **The momentum behind cloud computing is unstoppable.** In fact, spending by SMBs worldwide on cloud services will grow 22 percent in 2013 and reach $65 billion by 2016, according to analyst firm Techaisle LLC.

• **Channel partners who don’t offer cloud services will soon be left behind.** Purchases of cloud-based server capacity will rise 40 percent in 2013, Techaisle predicts, versus just 5 percent for on-premises servers. SMBs are clearly shifting their IT investments from on-site infrastructure to cloud-based solutions, and partners unprepared to shift with them will increasingly be at a competitive disadvantage.

The good news, however, is that you’re probably better prepared to provide cloud services than you realize. For one thing, if you’re like most channel pros, you already deliver cloud solutions. That online spam filtering service you use, for example, is as much a cloud-based offering as Microsoft Office 365 or Amazon Web Services. Same goes for both backup and disaster recovery solutions that include online storage and website hosting services.

Furthermore, managed service providers in particular already have many of the skills they’ll need to prosper in the cloud, including experience with SLAs, remote support, and recurring fees.

**Bottom line:** You have everything to gain by getting into cloud computing, a lot to lose by not doing so, and little to fear about the transition process.

**STEP 1 CHOOSING SERVICES TO OFFER**
Sorting through the wide range of options available to them is one of the biggest reasons some channel pros have yet to introduce cloud services. If the difficulty of determining where to begin has you stymied, try following these basic principles:

• **Keep it simple.** Offering a small number of solutions that you can easily support and sell is typically a better way to enter the cloud than introducing a large number of complex and unfamiliar services all at once.

• **Start with what you already know.** Along those same lines, the simplest services to begin with are cloud-based versions of technologies you already know well in on-premises form. For instance, if on-site server and storage infrastructure is one of your strengths, then an infrastructure-as-a-service offering is usually a good first cloud service.

• **Offer packaged solutions.** You can further ease your entry into the cloud by selling services only in predefined bundles. That will streamline the sales process and free up more time for developing and refining deployment and management processes.

**EXAMPLE: THE CLOUD COMPUTING “FIVE-PACK”**
America’s Tech Support, an MSP based in Sacramento, Calif., offers its clients a starter set of five core cloud services:

• Cloud storage
• Hosted email
• Hosted spam filtering
• Cloud-based anti-virus
• Remote monitoring and management

Those are services most customers know they need and are also fairly simple to deploy and administer. America’s Tech Support makes things easy for its salespeople too by offering the solution exclusively in five-seat bundles that come with all five services at standard, nonnegotiable rates.

**PREPARING FOR COMMON DEPLOYMENT SCENARIOS**
Eventually, of course, you’ll have to accommodate some variation in which cloud solutions your customers use and how you deliver those solutions. Generally speaking, cloud service providers should ultimately have ready-made solutions for these three common deployment scenarios:

• **100 percent cloud.** These are solutions for customers ready and able to replace all of their on-site servers and applications with cloud-based equivalents.

• **Some locally hosted data.** Architecture and engineering firms routinely deal with enormous files that are hard to edit over the Internet. Clients in other industries face regulatory requirements that make storing certain kinds of information online risky. Solutions that combine on-premises storage with off-premises cloud services allow such businesses to tap into the benefits of cloud computing without sacrificing performance or security.

• **Some locally hosted applications.** Customers that rely on line-of-business software that isn’t available in software-as-a-service form or that can’t be run efficiently on hosted servers need solutions that include both
Cloud-based and locally installed components. Microsoft’s Windows Server 2012 Essentials suite can be a good foundation for such offerings, as it combines hosted email with an on-site server capable of running many legacy applications.

**STEP 2 CHOOSING VENDORS AND PRODUCTS**

Selecting vendors to partner with is one of your most important steps on the road to the cloud. Choose the right ones and you’re on your way to satisfied clients, low administrative overhead, and high profits. Choose the wrong ones and you’ll pay for your mistake—literally, figuratively, and painfully—every day.

Sadly, there’s no simple shortcut when it comes to picking cloud vendors. You must collect as much information as possible about as many companies as possible from as many sources as possible. Vendor websites, IT trade shows, and publications like *ChannelPro-SMB* are all good places to conduct your research.

Be sure to consult with peers in the tech industry too, as their real-world experiences will help you separate hype from reality. If you don’t know anyone who uses or has tried a solution you’re interested in, ask the vendor to connect you with someone. Any vendor that can’t or won’t provide references should be regarded with suspicion.

**WHAT TO LOOK FOR**

When evaluating cloud vendors, pay particularly close attention to these issues:

- **Quality and availability of support.** Is their support online, phone-based, or both? How responsive is it? Are there limits to how much or what type of support you can get? What kind of escalation procedures do they use?
- **Reliability and SLA.** How many “nines” of uptime have they historically provided, and how many do they guarantee in their SLA? What remediation is available to you and your clients if they fail to meet their commitments?
- **Security.** What kind of security procedures do they use? Do they have a SAS 70 or ISO/IEC 27000 series security certification?
- **Scalability.** Does the service scale up and down on demand? Are there any upper or lower usage limits?
- **Quality of reseller onboarding resources.** How much sales and technical training does the vendor provide to its channel partners, and how good is it? Are those resources free?

- **Financial viability.** How fast is the vendor growing? How many customers does it have? Does the company guarantee that it will return your customers’ data if it goes out of business?

**STEP 3 PREPARING FOR ROLLOUT**

As the saying goes, you never get a second chance to make a first impression, so preparing your entire company to sell, deploy, and manage new cloud services before rolling them out is essential. Here are some key steps in that process:

1. **Get your technicians and salespeople trained.** Remember those training resources you checked out when evaluating vendors? Now is the time to take advantage of them.
2. **Deploy it in-house.** Before testing a new service on a customer, try it out on your own business first. That will not only help acquaint you with the system, but provide a helpful selling point later as well. Businesses like knowing that you have enough faith in a cloud-based solution to use it yourself.
3. **Identify a test client or two.** Most channel pros have at least a few clients willing or even eager to use leading-edge technologies. Using them as test sites for a new cloud service will get you additional real-world experience before rolling the solution out broadly, and will also gain you a few customer success stories to tell during sales pitches.
4. **Develop standard deployment and support processes.** Establishing and refining standard installation and administrative processes for your new cloud service should be a top priority when testing it in-house and with clients. The best and most profitable cloud service providers are thorough and consistent in everything they do.

**A NOTE ABOUT STAFFING CHANGES**

While being a cloud service provider is similar to being a managed service provider, it’s not identical, and the differences may eventually impact your technical and sales staffs:

- **Technical staff.** Cloud vendors handle most of the hardware and software administration for the services they offer, so cloud resellers often find they no longer need as many technicians as before. They can also typically get by with fewer skilled technicians too. America’s Tech Support, for example, eventually replaced all but one of its “rock star” administrators with entry-level personnel.
Sales staff. Many cloud services are high-volume, low-margin businesses. Salespeople more used to a longer, slower sales cycle may have trouble adjusting. The same applies to account managers who insist on collecting commissions in one big lump sum immediately after a deal closes. Most cloud service providers prefer paying commissions in monthly increments that mirror their recurring fee structure.

**STEP 4 SELLING YOUR SERVICES**

Who should you sell a new cloud service to first, existing clients or new ones? Unfortunately, there’s no one correct answer. Some cloud veterans believe current customers are low-hanging fruit that can provide valuable early momentum and references for your new offering. Others recommend focusing on new clients initially, because switching present ones from on-site to off-site services too abruptly can lower revenues during your transition into the cloud. Each channel pro must decide for him- or herself which argument is more persuasive.

When the time does come to add net new clients, though, be certain to look for companies that may be outside your usual customer base, including these:

- **Mom-and-pop businesses.** Companies too small or cash poor to invest in an on-site network often find cloud-based services an affordable alternative, so be sure to give sales prospects that were too little to bother with before a second look.

- **Midsize businesses.** Similarly, the best cloud solutions are so easy to manage that resellers often find they can effectively support larger organizations than usual. If you’ve traditionally limited yourself to small businesses only, easing your way up the ladder to midsize ones is worth considering.

- **More remote businesses.** Companies that rely chiefly on cloud-based solutions usually require on-site maintenance less frequently than firms with on-premises infrastructure. As a result, cloud service providers can safely do business with clients located further away than they’re used to.

**MAXIMIZING MARGINS**

While margins on cloud services tend to be smaller than in the on-premises world, channel pros can at least partially compensate with the help of these techniques:

- **Wrap additional value around the service.** Instead of selling low-margin cloud services alone, bundle them together with more profitable one-time services such as needs assessment, installation, integration, and training, as well as ongoing monitoring and management.

- **Add industry-specific customization or intellectual property.** Another good way to improve margins on commodity cloud services like hosted email and productivity suites is to “decommoditize” them by tacking on customized or industry-specific functionality. For example, law firms are likely to pay higher rates for a version of Google Apps to which you’ve added legal-specific capabilities.

- **Look for more project work.** The billing and management interfaces for systems like Microsoft Office 365 can be a great source of sales intelligence. For instance, a customer that has added 10 users to its Office 365 account in recent months is obviously in the midst of significant growth. That’s a great opening to call that customer about any new IT needs it may have.

**CONCLUSION**

Becoming a cloud service provider is not without challenges, but the rewards of making the effort and the risks of not doing so are too substantial to ignore. Moreover, nothing about transitioning into the cloud need be an insurmountable problem if you divide the process into steps and complete them one at a time. Channel pros who follow the advice in this white paper, and supplement it with recommendations from their peers and vendors, are likely to find the process much less difficult than they expected.

This white paper is based on input from:

- **Ro Kolakowski**, founder, 6th Street Consulting (www.6sc.com)
- **Dave Seibert**, CIO, IT Innovators Inc. (www.itinnovators.com)
ADAPTING YOUR BUSINESS TO THE CLOUD

GAME PLAN

Ready to become a cloud computing service provider? Here are your next steps. Details about all of them are available in our “Adapting Your Business to the Cloud” white paper on the preceding pages.

IN THE NEXT 30 DAYS …

1. Decide what your initial cloud-based solution offerings will be. Use this list of suggestions as a starting point:
   - Cloud storage
   - Hosted mailboxes
   - Spam filtering
   - A/V
   - Remote monitoring and management
2. Begin researching cloud solution vendors:
   - Read widely.
   - Talk to peers.
   - Talk to existing resellers. Vendor should be willing to make introductions.
3. Select cloud solution vendors.
4. Start developing recommended solutions for three deployment scenarios:
   - Clients who will do everything in the cloud
   - Clients who need all or some data on-site
   - Clients who will run some business applications on-premises

IN THE NEXT 60 DAYS …

1. Get your technicians and salespeople trained on the cloud solutions you’ll be reselling.
2. Familiarize yourself with the cloud solutions you’ll be reselling by using them in your own business.
3. Start developing sales materials for your cloud offerings:
   - Sales presentations
   - Brochures
   - Data sheets
4. Establish initial prices for your cloud solutions.

IN THE NEXT 90 DAYS …

1. Identify one or two clients willing to be test sites for new cloud offerings.
2. Develop standard processes for your cloud solutions:
   - Needs assessment
   - Deployment and integration
   - Training
   - Monitoring and management
3. Revisit and refine cloud solution pricing, based on what you learned about support costs during test deployments.
4. Begin marketing and selling your cloud offerings more broadly.

IN THE NEXT 6 MONTHS …

1. Evaluate if your staffing needs have changed:
   - Do you require fewer technicians? More? People with different skills?
   - Are your current account managers a good fit for selling cloud solutions?
2. Assess opportunities to customize or add IP to your cloud solutions for specific vertical industries.
3. Evaluate new market opportunities for your cloud solutions:
   - Mom-and-pop businesses
   - Midsize businesses
   - More remote businesses