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Building an IT-as-a-Service Strategy as an SMB IT Service Provider

The Market, and the Basics

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White Paper



Executive Summary

The popularity of cloud computing services is growing, and the trend is having an impact on seemingly every industry. The delivery model has the potential to radically change the way organizations think about IT, and how they deliver computing capacity and applications to employees, business partners and customers.

For solution providers, cloud computing and the IT-as-a-Service delivery model represent a huge potential growth opportunity. Businesses of all sizes are exploring their options in the cloud, and in addition to procuring the services themselves, they'll need considerable guidance in creating and maintaining a cloud environment that can support their needs for years to come. That's where technology solution providers come in.

By developing a strong cloud strategy, solution providers can meet the growing demand for cloud-based IT services, and create for themselves new opportunities for revenue growth. A challenge for solution providers will be how to deliver the right mixture of cloud and on-premise solutions to customers so scalability, security and customer loyalty can be better ensured. But these and other challenges can be easily overcome with the right IT-as-a-Service strategy, and this white paper and the video resources available on-demand at MSPtv are designed to show you how.

The Bad News Leads to the Good News

The past year or two have seen a lot of solution providers get bludgeoned as demand for technology products and services declined in the midst of the global economic downturn. Organizations in virtually every sector have had to tighten their belts and be more discriminating about IT spending. Solution providers reported a 49 percent decline in revenue in 2009. Interestingly enough, partner performance and sustainability last year was not a function of the products offered, whether they be complex or commoditized offerings. Instead, performance and sustainability were primarily a function of services offered by solution providers. Specifically, recurring revenue helped see many resellers through one of the most difficult economic times they've ever experienced.

The latest research data from IPED shows that most solution providers are optimistic about their prospects for 2010. Nearly 70 percent expect revenue to increase this year compared with 2009.

The IPED data also shows that the result of the last two years or so of difficult economic times is causing many companies to think differently about IT. They're beginning to look at

IT not so much as a performance advantage, but as a way to increase efficiencies, decrease costs and ultimately improve business processes in significant ways.

One of the most talked about trends in IT is cloud computing, which many business customers see as a way to transform their technology infrastructure into a far more efficient and agile operation that consolidates IT resources while reducing energy costs.

What exactly is cloud computing? Cloud computing encompasses such emerging IT service delivery models as Software-as-a-Service (SaaS), where companies procure applications such as customer relationship management (CRM) via the Web on a subscription basis.

Examples of these services include Salesforce.com, Microsoft's Business Productivity Online Standard Suite (BPOS) and Google Apps.

Another iteration of cloud computing is Platform-as-a-Service (PaaS), which is the delivery of a computing platform and solution stack as a service. PaaS offerings are designed to make it easier to deploy applications without the cost and complexity of purchasing and managing the underlying hardware and software. They can include facilities for application design and development, testing, deployment and hosting.

And yet another type of offering is Infrastructure-as-a-Service (IaaS), which provides computing infrastructure, typically in a virtualization environment, as a service. Companies can use these services rather than buying their own servers, data center space, network equipment and other IT components.

Clouds can be private, public or a hybrid of the two. Private clouds (also called internal clouds or corporate clouds) provide hosted services to a limited number of customers behind a firewall. With the advent of virtualization and distributed computing, companies can create their own private clouds to provide computing services within the organization.

All of these different models really speak to the concept of IT-as-a-Service.

When you leverage the on-site, off-site, SaaS, cloud and other various IT models, an all-encompassing IT-as-a-Service model appears, which fully releases the potential of all the different services in an optimal fashion.

Businesses of all sizes are exploring their options in the cloud.

The advantage of an overarching IT-as-a-Service model vs., say, a pure cloud model, is that solution providers get an upsell opportunity for traditional on-premise technology add-ons and upgrades, as well as the customer retention that on-premise hardware delivers. All this while still getting the benefits and flexibility of cloud computing.

The good news for solution providers looking to offer IT-as-a-Service is that business customers are becoming more aware of cloud computing and are quickly understanding the value of these services.

Research by IPED indicates that more than half of the 306 companies (55 percent) surveyed about their 2009 and 2012 IT budget planning say they will adopt a pure cloud model by 2012. That compares with 35 percent who say they adopted a pure cloud model in 2009.

The same survey showed that 72 percent of the companies plan to deploy an off-premise hosted service by 2012, and 72 percent will adopt an on-premise hosted service by that year. The timing of cloud services adoption will be tied to company size. Larger companies will be more likely to move to the cloud more quickly than smaller organizations, although exceptions will abound.

Solution providers expect a number of factors to lead customers to deploy cloud environments. According to an IPED survey of 220 solution providers who sell or influence cloud computing now or will do so by 2012, the No. 1 expected driver of cloud deployment is providing business continuity and disaster recovery, cited by 57 percent of the respondents.

Other key cloud deployment criteria, as perceived by the solution providers, include providing a competitive business advantage (cited by 52 percent); increased computing capacity and business performance (51 percent); reduced IT capital expense in favor of operational expense (51 percent); better control or improvement in profit margins (51 percent); the fact that the solution can be accessed from anywhere (50 percent); limited requirement for internal IT support (48 percent); reduced implementation time (47 percent); off-loading maintenance and administration of applications (41 percent); greater flexibility and scalability of IT resources (36 percent); and added redundancy (36 percent).

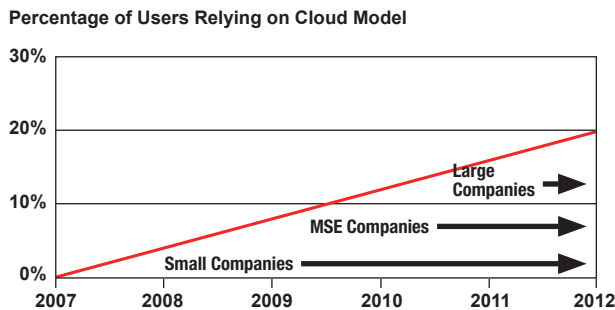
Clearly, cloud computing can eliminate pain points and deliver lots of benefits to customers, many of which are indicated in the survey findings. For one thing, there's the potential for huge cost reductions in IT infrastructure. Customers can eliminate a large number of servers, storage systems, related networking equipment and software licenses, and they can reduce IT capital expenses by a significant margin. At a time when many businesses are looking to cut costs, this is an attractive selling point. However, here is where the balance between on-site infrastructure and pure cloud computing need to take place for solution providers. The benefits of deploying server and IT network technology on-site at a customer location should not be sacrificed by a premature move to a pure cloud model, and hybrid on-premise/cloud delivery models represent the majority of solution provider cloud deployments in the channel today, according to 2009 Everything Channel State of Technology research.

One example of a private cloud solution that helps optimize a

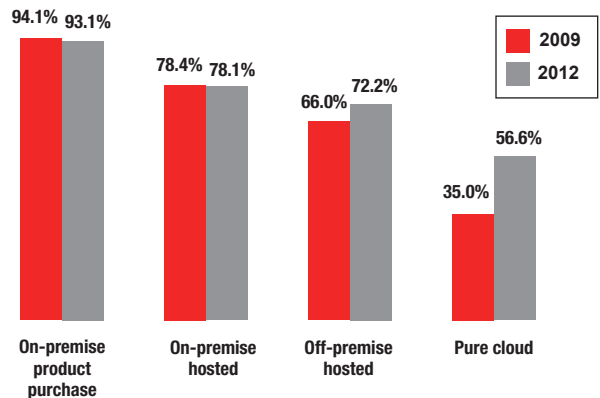
Incidence of Cloud adoption exceeds 50% of customers in 2012

Accounts for 12.5% (up to 30%) of IT budget
30% of IT budget off-premise in 2010

Cloud Adoption: Rapid Growth Predicted



End-Customer IT Solution Model Adoption, (% of respondents) 2009 vs. 2012



* Respondents who indicated some percentage of spending n=306; Base = all respondents. Q. What percentage of your organization's 2009 and anticipated 2012 IT budget was or will be spent on the following delivery models? THIS IS AN INCIDENCE RATHER THAN BUDGET METRIC.

hybrid on-premise/cloud model is the SmartStyle computing solution from vendor Zenith Infotech. This hybrid cloud solution can complement conventional hardware and infrastructure with virtual desktops, servers and networks that solution providers pay a monthly subscription fee to have maintained. SmartStyle enables solution providers to deliver IT-as-a-Service by shrinking the delivery stack into a single, highly available, scalable solution. It offers an integrated hardware with built-in business continuity, high availability and monitoring, all in a low-power, pay-as-you-go utility computing model.

In this competitive business environment where businesses are looking for more agility and flexibility, being able to add and decrease computing capacity without making a big investment is a big plus. Customers can easily increase capacity during peak times and reduce it during slow periods, eliminating the problem of unused or underused server and desktop workloads. It also centralizes maintenance and upgrades.

In addition, the cloud fits nicely into green IT efforts. By consolidating their IT infrastructures through the use of cloud services and reducing their reliance on in-house servers and storage systems, customers can greatly reduce their data center energy consumption. Many companies are looking for ways to be more energy-efficient, now and in the future.

Case in Point – David Carlos Managed Information Architects

The data that supports the IT-as-a-Service proposition and cloud computing, in general, all bodes well for solution providers looking to add these types of services.

And those in the channel already doing business in IT-as-a-Service and cloud computing can tell you that the data represents real profit opportunities that play out successfully in the real world.

David Carlos, CEO of Managed Information Architects in New York, runs a profitable IT services business that relies on cloud computing services not just being delivered to his customers, but to his own business as well.

“Customers really do respond to cloud computing and IT-as-a-Service,” says Carlos. “The terms may sound exotic sometimes, but business customers understand technology enough to know that something that saves you having to buy extra servers and hardware while offering the same SLA is a good deal.”

Managed Information Architects not only runs a mixture of

remote monitoring and cloud-based backup and recovery services from its New York headquarters, but also can reach and manage customer environments anywhere in the world where Internet service is available.

His recommendation to others interested in adding cloud-based IT-as-a-Service solutions: “Keep the message simple. Keep it all about the customer’s business and what they do – their challenges. The way you deliver the service follows the problem you’re solving and the ROI to the customer,” says Carlos.

The Right Tools

Solution providers looking to enter the cloud computing market need to first consider which cloud offerings make the most sense given their level of expertise and staff, existing solutions portfolios, customer base and overall business goals.

Study the market and get up to speed on the different offerings. Since this is a relatively new market, it’s important to scrutinize vendors to determine whether their services have been well-received in the market, how effective their security is, and how viable a player they are in the cloud market. As is the case with any key business partner, evaluate cloud vendors to ensure they have a solid business model and a sound cloud strategy.

Once cloud vendors and services have been selected, it’s vital to regularly monitor performance to ensure that performance levels are where they should be. Is the cloud service reliable and secure? Does the vendor have adequate processes in place for problem solving and change management?

Once solution providers have the right expertise in place, there’s a huge opportunity to help customers build their own cloud computing strategy.

“Customers really do respond to cloud computing and IT-as-a-Service.”

— David Carlos,
CEO of Managed
Information
Architects

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