PART ONE

Cloud Gathers Over The Channel

Part One in a Four Part Series:
Everything You Always Wanted to Know About Reselling
Cloud Computing But Were Afraid—or Didn't Know—to Ask

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Channel Education

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**CLOUD GATHERS
OVER THE CHANNEL**

Cloud Gathers Over The Channel

In this series of four whitepapers, we will take a look at the top 12 things you need to know to successfully sell cloud computing.

Part One will look at how cloud computing is changing the historic landscape of the channel as we know it, what to expect, what to consider and what can you do about it. This important background information will give you the knowledge required to lead your channel business into the new world where cloud solutions are a necessity to your customers.

In this first paper we shall cover

- Why the cloud is important to you as a reseller

- The evolution of cloud computing

- How cloud solutions will change the channel landscape

Parts Two, Three and Four will cover areas of cloud computing; cloud vendor partnerships; licensing; billing; sales compensation; services & support models; business metrics; transitioning to selling cloud; adding value; becoming a trusted cloud advisor; and cloud versus product delivery models.

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Why the Cloud is Important to You as a Reseller (and Why Now)

> *"We change our behaviour when the pain of staying the same becomes greater than the pain of changing. Consequences give us the pain that motivates us to change".*
> DR. HENRY CLOUD & DR. JOHN TOWNSEND

The IT industry is a fast-paced, constantly evolving beast, and yet the extraordinary speed at which cloud computing has come to dominate the landscape has caught many by surprise. None deny it is the Zeitgeist for 2010 when looking back at the past year.

Love it, hate it, reject it or embrace it, there is no doubt you have talked about it—and the debate will certainly continue to proliferate throughout 2011. With bold press statements such as *"Cloud computing[1] will boost UK economy by €30bn a year"* grabbing headlines, it's no wonder there is so much discussion and scepticism around it.

The Cloud Computing industry may actually provide more partner opportunities than the traditional IT industry ever has. In the USA alone there are estimated to be between 14 – 15 million small to medium businesses that have not been able to leverage core software applications due to their size. Cloud will enable these companies to take advantage of technologies previously unaffordable to them. This in turn will provide the opportunity for their trusted IT reseller providers to guide them and provide the consultancy required to configure and train on cloud solutions. The reseller will need to align with the new cloud vendors in order to develop a relationship that enables them to deliver the expertise in business process and cloud service functionality that the customer is going to need.

Analyst House TechMarketView has recently sounded a loud and clear warning to the channel on its website: "It's completely clear to us that every software and IT services supplier must have a cloud story—now! The cloud market is moving faster than almost any other 'next big thing' we have seen[2]".

There are many areas where the cloud, and the many subsets of delivery within it, affects the channel and poses big question marks for resellers on what and how to adapt to a variety of areas.

Late in 2010 surveys reported that 29% of resellers already believed cloud would have a significant impact on their business[3].

The questions resellers face include:

- How to position, choose, market and sell cloud services
- How to compete, co-operate or align with major cloud platforms such as Microsoft BPOS (Business Productivity Online Suite) or the forthcoming Microsoft Office 365, Google Apps, Salesforce.com, Amazon and the like
- How to work with smaller cloud-focused vendors
- How to adjust billing models, support, service delivery and sales commission as you resell both on-network and cloud offerings
- How to demonstrate value to your customers and your place in the cloud supply chain

In these papers we aim to address all of these questions, posing suggestions and recommendations to aid and support you in your decisions. We all share the changes that cloud solutions are bringing to the IT world and we in the channel have a responsibility to engage, educate and adapt to these changes.

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CLOUD GATHERS OVER THE CHANNEL

1 Computer Weekly: Cloud computing will boost UK economy by €30bn a year, 7 December 2010.

2 HotViews Editor, UK Hot Views, www.techmarketview.com, 02 December 2010.

3 Microscope: Research: Resellers show caution to cloud hype, 15 November 2010.

The Evolution of Cloud Computing (and its Channel Impact)

For many years now the Reseller and Value Added Reseller (VAR) community has been consistently reported as transforming itself from a box mover and provider to a value-based IT services model. This has been a necessary change to retain margins and create more value for the company, enabling survival and profitable success.

Along comes cloud computing, a potential game changer that could reduce margins, change delivery models and routes to market, reduce service revenues and level the playing field for smaller niche resellers.
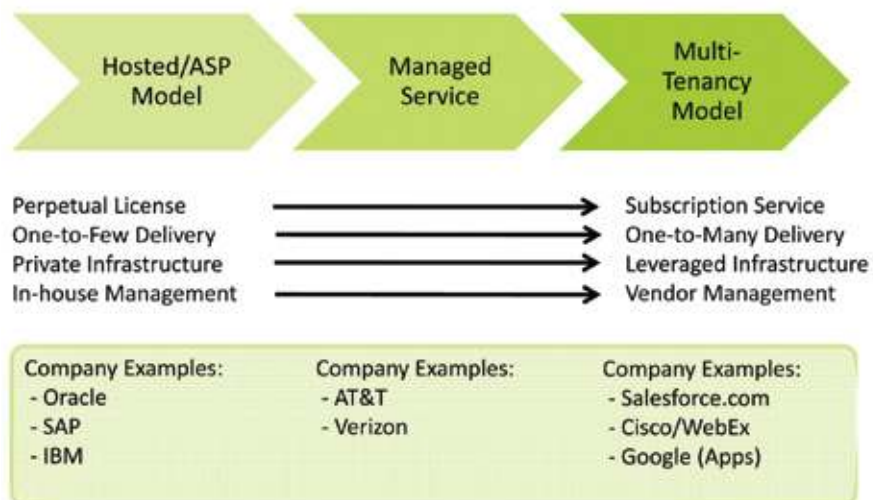
Whilst it may seem like an overnight change, much like a comedian becoming an overnight star, there have been many years of underground performances for hosted service options before they hit the mainstream.

In the late 1990s Application Service Providers (ASPs) burst onto the scene with a wave of services that rolled out at the peak of the Internet boom. These were hosted applications run by ASPs on their own remote servers with access delivered over the Internet. They promised customers delivery of higher functionality and software without the resources and cost associated with onsite installation, integration, and support.

Unfortunately, they failed. There were a number of reasons, including a lack of multi-tenancy (each customer required their own separate hosted installation) and not having the high speed, cost effective Internet connectivity we have today.

So with too much hype, too little customer traction, weak business models and weak balance sheets, this model rapidly gained bad press and there were more horror stories than successes. The ASP badge that started as the "must have" fast faded away. The ASPs going out of business left scepticism in the market and drove a slow adoption and acceptance for hosted (cloud) offerings.

Slowly but surely the cloud option has grown, without the brash and rapid entrance that ASP made, enabling a more comforted and appraised adoption to take place. There is still concern over security and reliability, but as more powerful positive stories continue to be published and more vendor brands endorse the cloud as a critical element of their future, so customers are adopting the new offerings.

Hosted/ASP Model	Managed Service	Multi-Tenancy Model
Perpetual License	→	Subscription Service
One-to-Few Delivery	→	One-to-Many Delivery
Private Infrastructure	→	Leveraged Infrastructure
In-house Management	→	Vendor Management
Company Examples: - Oracle - SAP - IBM	Company Examples: - AT&T - Verizon	Company Examples: - Salesforce.com - Cisco/WebEx - Google (Apps)

SaaS Model Evolution

HOW CLOUD COMPUTING IS BECOMING MAINSTREAM

Cloud computing is simply a new form factor, a new way of delivering a solution to a customer. We have seen new form factors disrupting and changing many market sectors already. Think of Blockbuster Video, once the darling of the entertainment world and now struggling to survive in the USA against the new delivery factors of Netflix and LOVEFiLM.com. Tower Records, once a worldwide brand, has been put out of business and other similar players struggle on against the ability for users to now purchase music faster and cheaper via iTunes and online music. The same trends are occurring in computing.

Users now have the choice of a new way to consume computing power, applications and data. No longer is it necessary to buy software on the legacy 5 $\frac{1}{4}$" floppy disk or a CD; instead, you can have immediacy of delivery through the Internet for an application you want now. Users are educated with iTunes and app stores, and they've come to expect a seamless link between the locally run application and data and information from the Internet.

The average user is likely using cloud computing in the form of webmail, Flickr, YouTube, Facebook and a plethora of other services, storing what they would consider private information in the cloud without knowing where it is in reality or even caring. These services are bringing comfort to the masses that are now more adept and acceptable to embrace cloud in their business lives.

However, despite the term "cloud" being rolled out in almost every conversation between vendors, resellers and customers, there is still a huge amount of confusion as to what it actually means. Questions arise, especially around what it means for a traditional reseller who, until now, has quite happily sold product licences and an increasing amount of services without thinking that something would come along to burst the bubble.

After all, many have only just made the move from shifting tin to a combined services and product sell. Change is not always welcome in the channel or easy to take on board, with the added challenge of identifying which are real shifts and which are hyped fads. The channel also has concerns about the impact of online service delivery to a reseller's business, driving reticence to support the model.
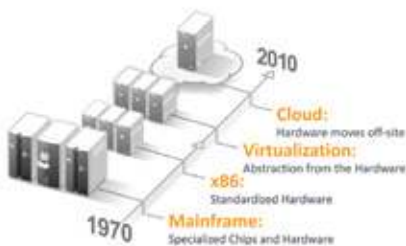
When the delivery model changes from an onsite implementation to a cloud service, a lot of the traditional wraparounds associated with installation, integration, and infrastructure upgrades disappear. The billing models may also change with the move to a cloud-based solution. In combination this can put stresses on a traditional reseller's financial model since the apparent structure of receiving less revenue over a longer period of time doesn't sound like an attractive proposition.

Another common fear of the channel is that vendors will go directly to the end user customer, taking control of the customer relationship. Other concerns are the lack of services revenue associated licensing, billing and financial models. On the upside, however, there are ways to address these concerns and to bring new advantages to the business such as strong annuity streams, rapid customer attraction, strong upsells and cross sells, and more predictable control over payments and renewals. *These benefits will all be discussed further in this series of four papers.*

SO WHAT EXACTLY *IS* CLOUD COMPUTING, AND HOW DO YOU SELL IT?

Cloud has become a very simple and trendy way of describing all things that occur outside the firewall. According to the most common definition, cloud computing is Internet-based computing where shared resources, software and information are supplied to users on demand, rather like a utility company would supply electricity, water or gas. The term is not new; vendors such as

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Change is not always welcome in the channel or easy to take on board, with the added challenge of identifying which are real shifts and which are hyped fads.

Salesforce.com have provided cloud services in different guises for many years. Other players have been swift to get on board including Microsoft, HP, IBM, Amazon and Google, to name but a few.

Cloud computing differs from traditional computing and outsourcing in that it virtualises the IT environment by locating it 'in the cloud' (out on the Internet) as opposed to running the technology inside your own network. These cloud services carry a lot of benefits to the end user. They not only eliminate the need to pay upfront for infrastructure and to perform your own maintenance, but they also offer easy scalability, rapid deployment, and ease on the financial burdens associated with installation costs, and simpler, more flexible licensing and billing models. With such benefits it is not hard to see why market analysts and industry pundits are excited. And with cloud providers offering a depth of channel programs, the opportunities for channel partners are buoyant.
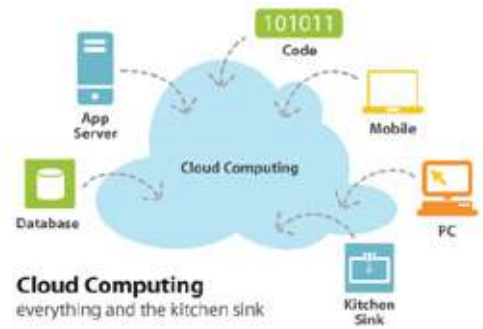
Most companies pay good IT money for little return. Their servers are usually running at 15% to 25% of capacity at most, not exactly gaining them a cost efficient return on the investment. Shifting the computing workload to a cloud provider is more efficient. Cloud providers typically run their cloud server farm at 75% to 90% of utilisation enabling cost efficiencies to be passed to the customer (as well as other benefits such as higher availability, resilience and performance). Thus you can achieve both cheaper and greener computing power. Not all cloud farms are created equal, however, and many are not the same. Asking for a cloud solution is comparable to asking for a particular vehicle, rather than a particular make of car.

Getting your head around each of these terms and understanding what they mean for both your business and your customers is a massive task in itself. For example, when is SaaS truly SaaS and not ASP? As a customer, if the application is not truly multi-tenant, you're not getting SaaS; you are getting the ASP delivery model. The provider is simply running a copy of their application for you on a box at their end instead of at your site. Even when it is virtualised, it is not necessarily multi-tenant and you may not be getting the true benefits of SaaS (Software as a Service), which is a truly multi-tenancy application.

Explaining terminology and making it easy and meaningful are all areas for you to become your customers' trusted cloud advisor, bringing reseller value to the cloud supply chain. *These areas and more will be discussed in the fourth of these whitepapers.*

GROWTH AND REVENUE PREDICTIONS:
WHY YOU NEED TO ADAPT OR BE LEFT BEHIND

Analysts have been falling over themselves to predict the size of the cloud market and the opportunities it brings to the various players. Indeed, research from IDC claimed that companies spend £10.7bn a year on cloud IT services globally, and that the [cloud services] market will grow to £27bn by 2013[4]. The cloud will generate half of the anticipated growth in the European software market this year, according to research by IDC. The market watcher estimates that on-premise software will rise by just 2%, but applications sold as a service will jump 48%[5].

The Global cloud computing market is expected to be worth $30bn in 4 years according to Gartner. Some of this revenue will come from new sales and innovation of new solutions, however much will come from the transition and cannibalization of existing spend moving to cloud solutions.

The analysts also predict that the SaaS market is set to grow more than 25 per cent annually for the next four years, eventually coming to represent more than a third of new business software purchases. On top of that, the rise of on-demand models is expected to contribute to a $7bn decline in global software licensing revenue in 2010 and by 2013.

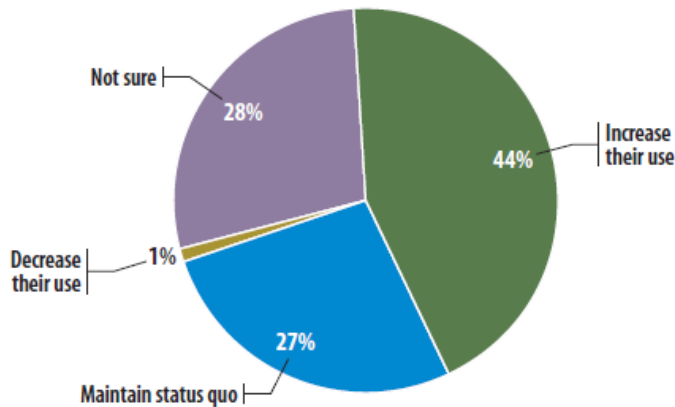**4** Computing: How mature is the cloud computing market, 21 September 2010.

5 Microscope, IDC forecasts cloud growth to equal on-premise in 2011, 16 March 2011.

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Cloud And SaaS Services Gaining Ground

What are your plans for using cloud and SaaS services over the next 12 months?

Not sure 28%

Increase their use 44%

Decrease their use 1%

Maintain status quo 27%

Data: *InformationWeek Analytics* Business of Outsourcing Survey of 251 business technology professionals at companies using cloud or SaaS services, February 2010

> **Cloud** solutions that allow large volumes of data to be stored and processed and easily and securely accessed from any device offer up the promise of **cheaper and more efficient corporate IT.**

Gartner estimated that worldwide cloud services revenue would pass $56.3bn last year and by 2013 the market will reach $150.1bn[6]. Localised studies bear out the impact that cloud will have on our lives with Tech MarketView 2010's survey reporting that "15% of the UK's entire software market will be delivered via the cloud by 2012[7]".

Powerful vendors in the IT Sector have also validated the change we are seeing with their commitment and public validation. SharePoint, for example, is the fastest growing software application in Microsoft's history. Statements from Microsoft recently include:

- "If you're not in the cloud, you're not our folks." STEVE BALMER[8]

- Resellers relying on traditional software delivery methods risk becoming marginalised as customers begin transitioning to the cloud.[9]

- So, the real thing to do today is to capture what are the dimensions of the thing <cloud> that literally I will tell you we're betting our company on, and pretty much everybody in the technology industry is betting their companies on, US$3.3 trillion dollars, or whatever it might be globally, industry all bet on this incredible transformation around the cloud." STEVE BALMER[8]

The majority of its (Microsoft's) efforts were being targeted at developing cloud technologies with some 90% of its engineers building online services[9].

This change in revenue spending can be viewed as an opportunity or a threat to traditional software vendors, the distribution channel, resellers and VARs alike.
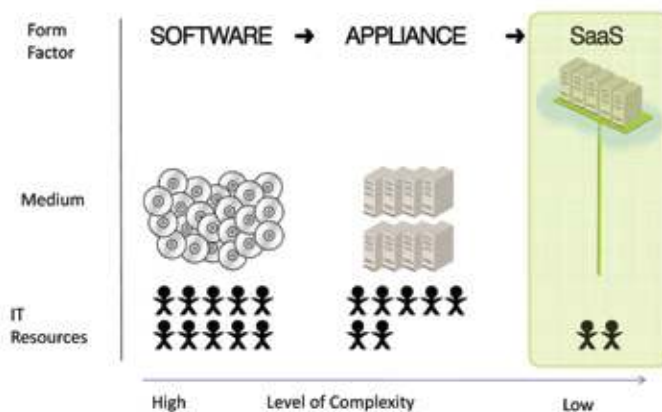
Software Delivery Model Evolution

6 The Telegraph, Cloud computing: will Microsoft and its rivals find a silver lining?

7 Richard Holway, UK Hot News, www.techmarketview.com, 05 April 2009.

8 Microsoft, Steve Ballmer: Cloud Computing, 4 March 2010.

9 Microscope, Microsoft dishes out tough message for cloud sceptics, 30 June 2010.

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CLOUD GATHERS OVER THE CHANNEL

Whether the statistics bear out to be accurate or not, one thing is for sure: the IT world we have all grown up in is rapidly shifting into a brave new world. This new form factor is changing the way we view IT solutions to problems and, like it or not, it will have a big impact on our consumer and business lives in the coming 3 – 4 years.

Cloud computing has made the transition from hype to mainstream, with customers now believing security and reliability issues with the technology can be conquered. Pressures of recession and reduced IT budgets have driven the phrase "Do more with less" into the hearts of most IT decision makers, and cloud computing has rapidly become a viable choice on their agendas.

Why the rapid growth and adoption? Simply put, the end consumer is looking for more flexibility, more power and more mobility with more reduced costs than we have ever seen before.

HOW TO CONVEY THE CLOUD'S BENEFITS TO YOUR CUSTOMERS

Today's generation of users are driving business consumerisation, expecting to be able to access their applications from their iPhone, iPad, BlackBerry or Android, and they expect web-based applications and resources to be readily available to them. The pressure is on IT to deliver this within the constraints of a secure environment for the business and to reduced budgets.

For IT, these demands and pressures make the cloud an attractive option. Sample surveys consistently show that consideration of cloud or SaaS solutions is driven by ease of change, flexibility to the business and reduced costs.

Cloud solutions that allow large volumes of data to be stored and processed and easily and securely accessed from any device offer up the promise of cheaper and more efficient corporate IT in a time when it is highly sought after by increased budget pressures on IT departments.

Cloud solutions can deliver not only technically, but also financially. Revenue spent can shift to the Operating Expenditure (OPEX) financial line as opposed to hardware and software licensed solutions, which sit on the Capital Expenditure (CAPEX). Combined with reduced costs, rapid deployments, low or no setup costs, vendor guaranteed support and service level commitments, these financial benefits have led to an increasing number of firms switching one or more of their solutions to the cloud.
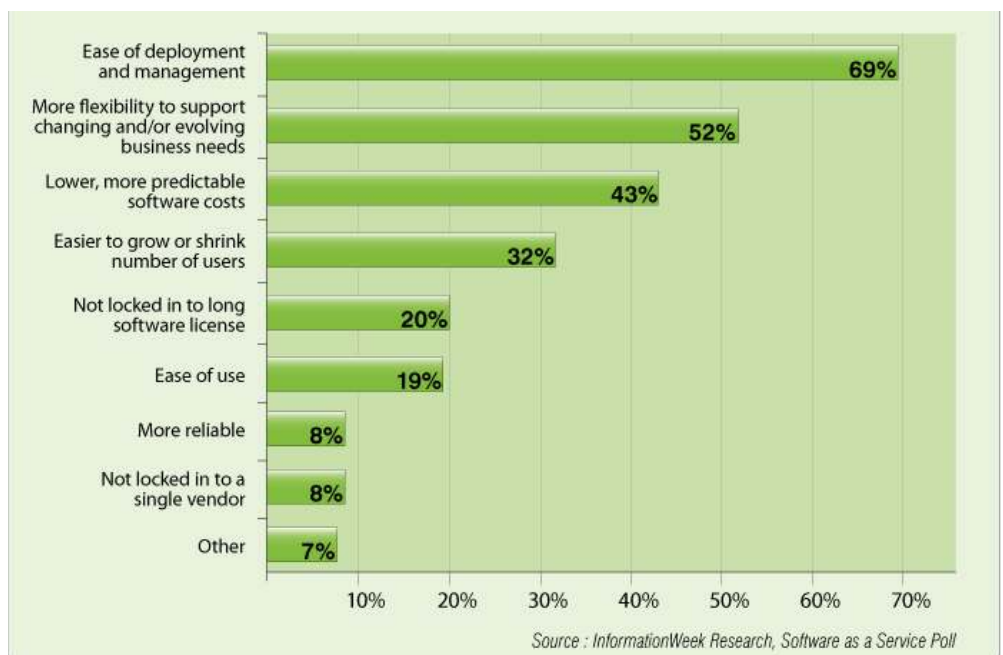
Example Adoption Drivers for SaaS

For your end customers, the advantages of cloud solutions are clear:

- **Reduced costs** Whether through an actual reduction of costs compared to an on network solution, the benefits of OPEX, or flexibility in licensing and billing, the cloud (Private or Public) offers the strongest proposition of "more for less" that a customer can get in today's climate.

- **Speed** The ability to rapidly change the solution and to quickly trial and implement brings benefits that no on-network solution can offer.

- **Mobility** With increased demand for access across multiple device platforms, the cloud offers the easiest way for IT to deliver on mobile user needs.

- **IT flexibility** The cloud gives IT departments the ability to focus on delivering business value instead of fixing what's broken, eliminating the need to perform mundane and costly installs, patches, and updates.

It will be a brave reseller that believes their customers will not be attracted by these benefits and ignores the opportunity of selling such services to their customers. Overlooking the benefits of the cloud only allows a competing reseller or vendor to capture the customer's mind, money and trust.

As cloud providers become more competitive, we shall see cloud technologies become even more cost effective, with more flexible billing and licensing models that make true utility based pricing a reality. This will accelerate the adoption and make cloud computing a more attractive proposition than we have ever seen before.

(Licensing and billing models and their impact on the channel will be covered in the third of this series of whitepapers.)

How Cloud Solutions Will Change the Channel Landscape

> *"Change is hard because people overestimate the value of what they have—*
> *and underestimate the value of what they may gain by giving that up".*
> FLIGHT OF THE BUFFALO: JAMES BELASCO & RALPH STAYER

If some claims are to be believed, those in the channel not transitioning to a model that encompasses cloud-based solutions now are less likely to be around in five years time than those that have made the switch to expand their offerings. Burying your head in the sand and hoping the storm clouds will blow over is not an option. Holding back to 'see how it pans out' is also not an option—it is time to act now and start to embrace the cloud revolution.

According to a 2010 Forrester survey of channel execs from 39 countries, some vendors had overlooked historic loyalties in the rush to build a cloud business, although 60 per cent of IT industry revenues are transacted by partners[10]. "Many tech vendors have forgotten that ever-critical customer relationship vehicle, the channel. Or, if they haven't forgotten it, they have coaxed channel partners with the pat mantra, 'do more consulting'," said Forrester analyst Tim Harmon.

Traditional dealers and distributors will likely be hardest hit by the adoption of cloud technologies. As many vendors have built cloud models, many are realising that this enables a closer and scalable relationship between vendor and actual customer.

There is also the very real threat that as customers get more cloud savvy, they will turn to the vendors themselves if you are not willing to provide the services they are looking for. Many resellers have shown attempts to build their own cloud solutions, but with the upfront costs being high, it is prohibitive and risky to invest heavily to own your own cloud footprint. Few will succeed in this area. In fact, many of the smaller cloud vendors themselves are now entering a time of challenge as the larger vendors enter the cloud market with strong funds behind them and the drive to protect their legacy software revenues in the switch to cloud versions.

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CLOUD GATHERS OVER THE CHANNEL

10 Microscope, Channel conflict set to intensify in the cloud, warns Forrester, 4 November 2010.

Forrester anticipates a 12 to 15 per cent washout rate in the number of channel partner companies through the industry change we are experiencing. For the channel, this is a time to decide if you are focused on a "survive or thrive" strategy.

The most positive impact on a reseller's profitability and growth is choosing the right technology at the right time—not too early to be bleeding edge and not too late that it is commoditised and a catalogue sale.

Cloud solutions are at a pinnacle point of adoption, offering a strong opportunity for channel growth and success for the next four to five years and beyond.

Do not ignore the opportunity to take this new form factor to your customers. Simply doing the same thing you've always done will not bring the same results and success as you have achieved in the past. Change is never easy or comfortable to embrace, but embrace it we must.

The whole concept of cloud computing is still shrouded in mystery for many channel players. Many ask questions such as: Will I lose control of my customer? How do I actually make money from the cloud and what does it mean for my existing company structure? Where does distribution fit in? What if my customers don't want cloud-based services? How secure is this cloud anyway? Why should we trust it?

The following are a few key areas of consideration that will be discussed in this series of papers.

- **Cloud solutions may cannibalize revenues from other product lines.** When a customer chooses a cloud solution, they may replace some hardware or software you previously sold to them and had annually renewed. Where you are introducing cloud to replace technology someone else resold to the client, you have everything to gain. This is where many new pure play cloud resellers are making a lucrative living already. Cloud options will force the channel to adapt to the needs of the customer and their financial drivers, or face the potential of losing customer transactions and relationships.

- **Supplier relationships may change.** You may find yourself licensing cloud services directly from a vendor, whereas product sales historically went through distribution or direct billing accompanied by referral fees. You may find yourself winning customers whom you have not even met, as many cloud demonstrations and discussions happen online and over the phone. You may also have customers referred to you from cloud providers so that you can assist with portal customisations or customer configurations, advice and support.

- **Customer relationships may change both in terms of communication and financial engagement.** In the cloud the customer will often have more awareness of the vendor, with options to buy direct or to source the same service from more channels (perhaps through their telecoms or ISP provider or other providers who already bill them). Financial models will depend on the technology and vendors you partner with, ranging from straight resale and billing of the cloud license (much like you resold software products) to the vendor billing direct and the reseller taking a commission. These commissions may be on the sale and renewal, only

on the initial sale as a finder's fee, or differ on the initial sale and the renewal transactions. Also, billing may not all be up-front; it may be annually, quarterly, monthly or even on actual usage billed in arrears (utility-based).

- **Sales revenues and compensation are likely to change.** With so many variants and capabilities brought about by cloud operations you will find a need to review your revenue streams, billing models, capabilities and sales commission plans. You may find you no longer simply bill a customer upfront on shipment of goods, but end up billing a customer on monthly 'actual' usage in arrears. This flattens your cash flow model and moves you from a fixed upfront revenue recognition to a variable ongoing transactional value. Paying salespeople and motivating them in this new world therefore has to recognise both the needs of the reseller business as well as those of the salesperson. Sales behaviours are driven by compensation and you will need to figure out how to incentivise sales staff when shifting from a "get paid now" offering to an "over the contract" lifecycle.

STEPPING INTO THE CLOUD: REAL-WORLD EFFECTS

The cloud model is attractive to customers for a number of reasons—particularly because it reduces costs. With the economic climate as it is, firms are always looking to do more with less and are looking towards resellers as their trusted advisers to help them do this. But never forget that customers like innovation as well—it is not all about saving money. It is also able to strengthen a mobile computing strategy, providing easy access anyplace, anytime with always on, always accessible computing. And it liberates IT, cutting down deployment time and allowing more focus on delivering business value.

Many resellers are unaware of just how little money they make selling on-premise technology and how much more they could make selling cloud solutions. In some cases resellers are looking at a 50+ per cent profit increase, just by switching their model to a cloud service one. Cloud requires fewer resources than on-premise selling and also frees up more time to go after new customers.
We will discuss this more in the fourth in the series of these whitepapers.

The cloud also eliminates the tired cycle of updates. Gone would be the 12 – 18 month cycles waiting for the next version of shrink-wrapped software; in its place, automated updates will be delivered, ensuring a constant stream of cutting-edge, innovative solutions. Fans of the environment can also be convinced on the benefits of the cloud by the fact that it helps reduce carbon footprints and promotes sustainability by preventing duplicated efforts and using computing power more efficiently.

That said, the cloud should not be forced upon customers, as a range of options must be considered. One size does not fit all, but the beauty of the cloud is that it can be altered to suit both yours and your customers' needs.

For every cloud convert, there will be many more who believe it is a fad and who will not even consider it as an option. A barrage of regular concerns will continue to raise their heads as CIOs ponder the barriers to the cloud—security, reliability, network latency, integration and management. Add to that issues of trust, sustainability and migration fears and there are some serious therapy sessions to be played out between resellers and their customers.

LEVELLING THE PLAYING FIELD

Not only is the cloud attractive to customers that want to save money and have overcome all their fears, but it can also turn the whole supplier market on its head, with smaller providers winning deals that they could only have dreamt of in the past. In traditional larger customer tenders, larger resellers will lean heavily on their accreditation levels and the amount of resources on hand to fulfil said contract—something a smaller reseller just cannot afford to offer. This has led larger customers to see the small reseller as less value because they do not have the necessary scale and the contract has gone to the larger supplier.
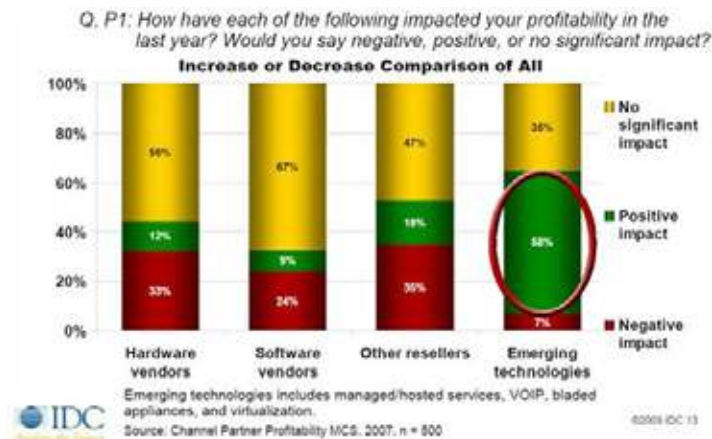
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But the cloud is an enabler, and the SaaS/cloud model is no longer all about the installation, but more the capacity to sell and become that trusted adviser. It will allow you to demonstrate true value to your customer and beat the big boys at their own game.

No customer really sees the value in paying for installation, but it has been a necessary evil in the past. Take a customer that has ten sites. With product solutions, this would often involve trips to each site, installing and testing, with even more site visits just to get the new system up and running. And that is before you even start setting up your own rules, processes or configurations. Cloud solutions let you quickly switch on, give access and start setting up specific access rights with the focus on configuration not the installation.

We are already seeing "cloud-only" resellers who are achieving rapid growth, and with less business cost overheads, they are operating profitably and winning a raft of customers and opportunities that normally would have been outside their reach. The cloud is an enabler that allows them to open the door to new, larger accounts and to win deals normally beyond the scale of an average reseller.

Cloud solutions are breeding and enabling a new type of reseller to exist: one with fewer overheads, the ability to react more quickly to market changes, with stronger annuity streams feeding their business, and the ability to address the needs of larger customers than were typically possible before.

Timing is everything. Picking the right technology at the right time and acting upon it is key. In a channel IDC study it was clearly identified that the most positive impact on profitability for resellers was emerging technology—which means that adopting the resale of technology as they hit the bottom of the fast upturn curve is essential. Cloud represents an opportunity for growth of revenue, new customers and profitability.

Q. P1: How have each of the following impacted your profitability in the last year? Would you say negative, positive, or no significant impact?

Increase or Decrease Comparison of All

Emerging technologies includes managed/hosted services, VOIP, bladed appliances, and virtualization.
Source: Channel Partner Profitability MCS. 2007. n = 800

TIPS FOR SUCCESS IN THE CHANGING CHANNEL LANDSCAPE

Even if all the hurdles outlined above have been overcome, there is still the problem that many cloud vendors themselves are still unsure about where the channel fits into their cloud offering.

The number of vendors claiming to be offering a cloud solution is growing by the day and consultancy firm BTC Logic has attempted to get the vendors in some sort of order to help end user customers cut through the haze and confusion surrounding the cloud. It has ranked the top cloud players, grouping them into seven categories: cloud foundations, infrastructure, network services, platforms, applications, security and management.

The firm claims Amazon and IBM are the 'cloud champions' because they rank in the top five in four of the seven categories. One level below—'cloud heavyweight' level—sees Microsoft, Google, Red Hat, Salesforce.com, Symantec, Vmware, Citrix, EMC, Oracle, Level 3 and Cisco make the cut. The third-level—'cloud contenders'—includes AT&T, Aylus Networks, Rackspace and SAP's Business Objects division[11].

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**CLOUD GATHERS
OVER THE CHANNEL**

11 BTC Logic, BTC Logic Ranks: Top Ten Cloud Companies, Q2 2010.

With all these vendors vying for a slice of the cloud pie, it is little wonder that resellers are left feeling even more confused as to their place in the pecking order.

Are these vendors going direct to end users and cutting the channel out? Or do resellers play a vital role in delivery?

In reality, it is better to be proactive and ensure you remain one step ahead. Make yourself invaluable to your vendors and ensure their cloud products are at the heart of your offering. Keep your customers close at hand and make it impossible for them to even think about adopting a cloud strategy without your help. Vendors may like the appeal of dealing directly with customers, but should anything go wrong, are they equipped to handle the demands of thousands of end users all wanting some help? The answer is no. They still need the channel, despite their best intentions. They cannot provide the local and personalised service that a channel partner can.

As a reseller you are going to find an evolving competitive landscape where new business and billing models, new licensing and new competitors come into play with your customers. We will see xSP's (whether it be Internet Service Providers, Managed Service Providers, etc.) pure-play cloud resellers, hosting companies (such as those selling hosted exchange, hosted desktop, etc.) and potentially vendors themselves offering and selling cloud solutions to the end customer. There has never been a more critical time to get on board and understand your value. Start playing in the lucrative space of cloud computing to ensure you are the one providing the solutions to your customers.

WHERE DOES DISTRIBUTION FIT IN?

One of the biggest elephants in the channel room when it comes to cloud computing is where distribution fits in. If there is nothing physical to actually distribute—how can a distributor possibly survive in the cloud?

Where a distribution player's role is in a cloud world is a question that has repeatedly reared its head in the channel over the last few years, and with the change in software and solution delivery changing rapidly, the question is at the forefront again.

First, it is important to understand that cloud will NOT replace everything; we are simply going through a balancing period. For example, DVDs and CDs have not ceased to exist because of iTunes and Netflix/LOVEFiLM; the new delivery models simply changed the available options for the customer. Thus, those delivering in the old formats with costly business models could not sustain the previous high market share and revenue/profits. We still have CDs and DVDs in retail outlets; they are just not as dominant as previous and have found themselves one of many media options rather than being the definitive solution.

In IT we shall see the same. Much that was delivered in the product form factor, physically shipped as component items (hardware and software) to be installed and configured together at the other end (installation service) will be replaced with over-the-wire cloud solutions that enable users to simply 'switch it on', circumventing the need to warehouse, stock, ship, deliver, install and configure. In these instances you can argue the historic value of the distribution channel model is lost as immediacy and credit line value has diminished. However there remains to be a large number of solutions that will still need to be delivered physically, such as in-site firewall devices, printers, PCs, and the hardware peripherals required to connect to the cloud.

Specialist players have already established separate cloud units covering their particular area of expertise, whereas this is security, networking or storage. But it is the larger players such as Ingram Micro, Avnet, Tech Data and Arrow that everybody is watching with interest.

The distributor's role may well be to act as a cloud solution aggregator—housing all the different solutions and doling them out to resellers to suit their needs—and maybe even mixing a few up to create their own white-label offering. This is something the big distribution players are furiously examining as they work out how it will fit in with their strategy.

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To what extent will the advent of new models, such as cloud computing, change the role of distribution?
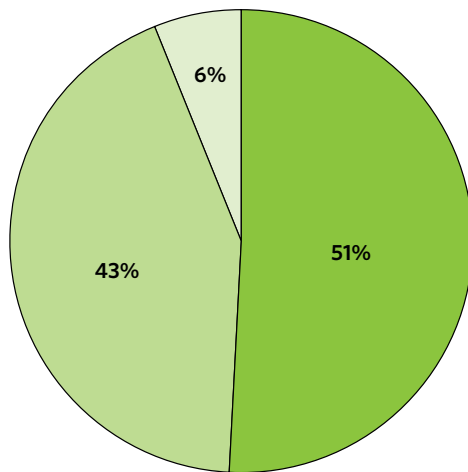
- ☐ Greatly, distributors will need to overhaul their business models
- ☐ Somewhat, but they only need to tweak their approach
- ☐ Not at all

CRN Channel Survey 2010

By acting more as aggregators of services and educators for resellers, legacy distribution brands and new 'cloud only' distribution partners are springing up and entering this space.

Distributors are building their own portals to house and integrate the provisioning of cloud services from a variety of vendor sources, sometimes combining some of their own to deliver differentiating value. Sometimes a limitation imposed is that the solutions being offered represent only the services from the vendors the distributor already carries, not always representing the leaders or best positioned cloud solutions to enable the reseller to achieve the greatest growth and win rates.

Many are positioning their portfolio as a low cost entry to selling cloud. With many vendors offering their key resellers or those in the higher channel program levels a direct vendor relationship on cloud solutions; distributors may find a niche servicing the smaller mass reseller market.

"50% of SMB customers are expected to adopt cloud solutions in the next five years—which provides a huge opportunity for our channel to capitalise on. Microsoft recognises the important role that distributors play in supporting the channel transition to the cloud, for example it provides business transformational workshops, value-added services, and training and support in delivering Microsoft Online Services to customers," says Clare Barclay, SMB director at Microsoft[12].

The challenge for the distribution channel is to find and deliver value to the reseller in bringing together multiple vendor cloud solutions in one place, a unique value proposition that vendors themselves cannot offer separately. With cloud vendors delivering progressively smarter and more efficient provisioning and enablement through their own online portals, distributors will need to step up and provide differentiators that bring scale and value to the channel. This will enable them to demonstrate to both vendors and resellers the value they can bring in the new cloud world. Educating and training the mass reseller market and providing them added value and support (marketing tools and support, for example) is just one area where distribution can look to deliver some incremental values over and above individual cloud vendors.

Distribution can evolve to assist the cloud world if it delivers and builds value to both the reseller and the cloud vendors. Aggregating cloud offerings, providing support and education, and extending reseller reach will be vital to this evolution. As billing types change and we move increasingly to monthly, possibly utility and aggregated billing, customers and resellers will likely want one bill for their cloud services and not to deal with 5 – 10 different providers each month (this is another value distribution can bring to the channel). Of course distribution still enables credit lines to be open to resellers and for the channel to balance credit between multiple distribution partners. If a cloud vendor would be a single source of supply and a single credit line for said reseller, that might in fact hinder rather than help. All of this of course won't be easy, integrating together different vendors portals perhaps and certainly their billing systems and provisioning of clients is no mean feat.

Distribution can continue to bring value to reseller out-reach, training, marketing, support and aggregation as well as financial support. Remember also that cloud encompasses private cloud as well as public and this may involve technology provision, shipping and even consultancy and installation services. We are also likely to see new offerings evolve, such as perhaps a distributor offering an aggregated portal with cloud alternatives, and both the provisioning, marketing and

12 Microscope, In-depth: Distributors find a role in the cloud, 25 February 2011.

billing could be automated and integrated in a brandable format. Imagine a reseller being offered an on-demand "start reselling cloud today" option by simply embedding the distributor's branded portal onto their own reseller web site. Utilising cloud to sell cloud, with the value of this being driven by the distribution partners own investment and IP.

Traditional distributors, however, will undoubtedly be negatively affected as the market evolves. With far less product being shipped, the long-time historic values of warehousing, stockholding and credit lines will be lessened. With fewer products actually moving through distribution, there are questions of whether the revenues and profits available will sustain the variety of distributors we see today, or if consolidation will be driven by a balancing of cloud and product delivery methods.

Will legacy distributors with a vested interest in shipping product be able to adapt and embrace cloud quickly enough to compete with the new cloud/SaaS distributors who are leaner, nimbler and focused on cloud alone? The cloud distribution story is only in its first chapter. Thus far the focus has been on private clouds as opposed to public, delivering the more traditional pitch around servers and virtualization.

Every major player is talking about the cloud, and every customer is going to eventually hear about it. Where you fit in as a reseller is in educating your customers so they understand what the cloud evolution means for them. But before you can educate your customers, you have to first get your own house in order.

The next of these whitepapers will take you through the major decisions you need to make now you have decided to become a part of the cloud revolution.

End of Part One

Glossary of Terms

PRIVATE CLOUD

Sometimes referred to as internal or corporate cloud, private cloud uses a cloud-like infrastructure to enable hosting of applications and virtualised machines behind the corporate firewall and under the control of the IT department, creating a cloud infrastructure accessible by only one organisation.

Private cloud brings the values of cloud in terms of virtualised servers, up and down scaling of computing power, utility computing and shared hardware costs to the users within the corporation. With virtualisation and distributed computing becoming commonplace, it has enabled internal IT staff to become service providers who can emulate cloud computing on the private network. It removes common cloud objections and worries such as the loss of control over enterprise and customer data, worries about security and issues connected to regulatory compliance.

With a private cloud, however, the customer may have to buy, install and manage the hardware unlike with the public cloud; therefore, they would not gain all the benefits of a cloud solution: the lower up-front capital costs and the removal of infrastructure management responsibility. Private cloud may be managed by the organization or a third party and may exist on premise or off premise, but is dedicated to the organisations own private user base. It can also be seen as delivery of IaaS to a restricted set of customers, usually within a single organization.

PUBLIC CLOUD

Also sometimes called the external cloud, represents the traditional meaning most people take of the 'cloud'. The services provided in this cloud infrastructure are available to all & any subscribing members. Meaning services/resources are provisioned over the public Internet via web applications from third party companies who share their data centre resources and power across a wide range of customers, billing for services used or licensing users for their remote login capabilities. Many Public cloud services are freely provided to the consumer home user and examples of what can be considered cloud applications are Facebook, Hotmail and Flickr.

HYBRID CLOUD

This can be used to have several meanings. One is meaning the joining of separate clouds together such as a private and public cloud joined implementation where both communicate and link to each other. Another use is of where a locally based and installed application connects and utilises a cloud backend host for its power or intelligence (examples here include Apps such as iTunes where the application runs locally but its data and intelligence such as track names and content is provided from the cloud).

The most common meaning by vendors today combines a locally installed physical hardware and software with a cloud service to provide a common installation and management platform of both form factors.

SaaS SOFTWARE AS A SERVICE

The delivery of a software application over the Internet medium. It represents a provider licensing an application to customers, with access being given through a web browser, replacing the need for the customer to purchase, install and maintain the application locally. Generally SaaS is a term associated with business software (such as Salesforce.com) although many consumer applications can also be considered SaaS in their format such as Facebook and Hotmail.

While commonly associated with CRM, ERP and Email Management systems, SaaS is vast and is continually being applied to a vast array of other applications for the business and consumer. Independent Software Vendors are seeing the need to diversify to maintain strength in this

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consistently evolving market. SaaS is not just a buzz word, it is a reality and many are now offering SaaS versions of their solutions available today, or considering for the future.

PaaS PLATFORM AS A SERVICE

The delivery of a computing platform and solution stack as a service and provides all the facilities necessary to support the complete process of building and delivering web applications and services, for availability over the Internet.

These offer full software development and operation capabilities as well as providing for the integration of OS, API's, middleware and applications. They often include facilities for application design, application development, testing, deployment and hosting as well as application services. Platform as a Service is most viable for organsations who prefer a chosen application, but see the benefit of a more managed service deployment platform. PaaS starts to move beyond SaaS to encompass the entire operating environment.

- **aPaaS** the platform for hosting and managing individual application services and data Integration PaaS
- **iPaaS** the platform for intermediation and integration of the application services hosted and point-managed by aPaaS
- **Knowledge PaaS (kPaaS)** the platform for access and analysis of broad data resources in context
- **User experience PaaS (uxPaaS)** the platform for multichannel, multidevice user-facing applications
- **Data PaaS (dPaaS)** the platform for hosting and serving data.

IaaS INFRASTRUCTURE AS A SERVICE / HaaS HARDWARE AS A SERVICE

Also called Hardware as a Service, Infrastructure as a Service delivers a basic set of storage and computing capabilities remotely as a service. It concerns the delivery of servers, network equipment, CPU, memory, storage and data centre facilities, combining automated load balancing and scaling of resources.

Infrastructure software is irrelevant in the delivery as this is part of the virtual applications internally. This is a benefit for businesses who wish to take advantage of utility storage or capacities from the cloud and allows them to capitalise on virtualised equipment and avoid the capital expenditure costs (the investment still comes as an operating expensive despite it being licensed hardware).

CaaS COMMUNICATIONS AS A SERVICE

An outsourced enterprise communications solution that can be leased from a single vendor. CaaS can include voice over IP (VoIP), instant messaging (IM) and videoconference services.

It allows small and medium-sized business businesses to afford levels of communication technology and sophistication that could prove cost prohibitive otherwise. It enables them to selectively deploy devices and modes on a pay-as-you-go, as needed basis. CaaS eliminates the large capital investment and ongoing overhead for a system whose capacity may often exceed or fall short of current demands.

SECaaS SECURITY AS A SERVICE

This is a subset area of SaaS and delivers security products and services in an on-demand model. The leading areas in this space are anti-virus, anti-spam and anti-spyware, with email and web security the strongest areas of delivery today. Security as a Service brings the advantages of keeping the vast amount of malware sourced from the Internet at the Internet level, with scanning happening in the cloud and removing the need for customers to perform the volume of constant security updates that the industry demands today (as these are done by the vendor).

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SecaaS can also be extended to traditional in-house security products such as firewalls, IDS and IPS, which can normally require specialized expertise to configure and manage.

Other terms you may hear include:

EAAS EVERYTHING AS A SERVICE

DAAS DESKTOP AS A SERVICE

MAAS MONITORING AS A SERVICE

BCAAS BUSINESS CONTINUITY AS A SERVICE

STORAGE AS A SERVICE

DATABASE AS A SERVICE

SLA SERVICE LEVEL AGREEMENT

QOS QUALITY OF SERVICE

Author Biography

IAN MOYSE, EMEA CHANNEL DIRECTOR, WEBROOT

Ian Moyse has over 25 years of experience in the IT Sector, with nine of these specialising in security. With over 23 years of channel experience, Moyse currently heads up the channel partner programme for Webroot in EMEA.

Starting as a Systems Programmer at IBM in the mainframe environment, he has held senior positions in both large and smaller organisations including Senior Vice President for EMEA at CA and Managing Director of several UK companies.

Moyse has been keynote speaker at many events and runs one of the largest Channel Discussion Groups worldwide on LinkedIn. He sits on the board of Eurocloud UK and the Governance Board of the Cloud Industry Forum (CIF). Moyse was recently awarded global 'AllBusiness Sales AllStar Award for 2010' and The 'European Channel Personality of the Year Award for 2011'.

Further Information

For more information, please visit http://www.webroot.co.uk or call 0870 141 7070.

Read the Webroot Threat Blog: http://blog.webroot.com and follow Webroot on Twitter: http://twitter.com/webroot.

To help facilitate further discussion around the content of these papers, there is also a LinkedIn group. We encourage you to join the 'Cloud Resellers Network' available through the search groups function on LinkedIn, or directly at http://www.linkedin.com/groupRegistration?gid=3722225