

Considerations for building a successful cloud offering

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Mark Williams, Managing Director at Pensar, pinpoints the areas resellers should focus on when building cloud services

There is no doubting that cloud computing is an impassioned topic within the channel. While resellers that have embraced the model are absolutely convinced it is the way the business of IT will be done, others are naturally concerned that the cloud could destroy the long-term prosperity of the channel.

Whatever camp you are in, one thing is for sure: sitting on the fence will get you nowhere. My company opted for the optimistic view of the cloud, and two years in, I am pleased to say that we are finding even the sky is not the limit.

We first assessed the potential of cloud services in 2008 when we looked at implementing hosted exchange solutions for our SME customers. With the majority of users in these businesses constantly out of the office, having a physical exchange server on site was not practical, making the hosted route a logical choice.

After evaluating a couple of providers which offered a hosted exchange service, we quickly determined they could not provide the level of reliability we needed.

The right partner

We pride ourselves on being an engineering-focused business delivering a high quality of service, so when convincing customers to adopt a new technology we have to be sure it cuts the mustard, otherwise our reputation could be shattered.

Around the same time we were seeing declining interest from our customers for Microsoft Small Business Server. Our concern with this product was that, aside from not getting much change from £4,000, customers with more than 20 employees would not get a really scalable system.

Shortly afterwards we met with ThinkGrid, which talked a lot sense around cloud computing. In particular, we both agreed that while there was a lot of cloud excitement, the critical thing was to ensure that it could actively improve a customer's IT on an everyday basis.

Following extensive testing, we found ThinkGrid's approach to hosted exchange much more successful than our previous experiences. Having met the team and visited its cloud data centres, it was clear the company knew its stuff, particularly when it came to migration of services and setting strong service level agreements (SLAs). Another key benefit was that ThinkGrid offered a much wider portfolio of services than just a hosted exchange.

As our confidence grew, we expanded our cloud offerings to include hosted virtual servers and virtual desktops (individual machines with applications including MS Office installed). While in

some ways this was a big leap for many of our customers, it made sense because a lot of these businesses had physical servers and desktop PCs that were due for a refresh, whereas hosted virtual desktops could be delivered from the cloud to offer a viable alternative to traditional desktop infrastructure upgrades.

With the recession looming, and limited cash available, the opex-oriented cloud model, with IT resources purchased on an 'as used' basis, was also highly attractive for our customers. Being able to offer ThinkGrid's hosted exchange, hosted virtual desktops, dynamic virtual servers and hosted VoIP meant we could offer customers a proposition that removed significant capex investment in IT.

While traditional desktop infrastructure contributes to around 20% of our revenue, margins on this equipment and boxed software are continually declining. For us that has not been a major value-add, just something we offer as part of the service. But using ThinkGrid we can now deliver this entire infrastructure as a service, which we package alongside the higher-margin support services which make up the remaining 80% of our income.

When customers need new desktops or exchange seats, we basically click a few buttons and they have as many as or as few as they need. The margins are very attractive, so it has quickly become a highly profitable and recurring revenue stream. In fact, because we no longer need to do much of the infrastructure maintenance, a big portion of our overall costs have also come down and we have not had to invest hundreds of thousands of pounds in building our own highly available infrastructure.

An issue of trust

A natural question for any reseller is 'what is stopping the likes of ThinkGrid from taking over and owning my customer relationship?' It is a valid question, but one that comes down to trust - not just trust between a reseller and its cloud partner, but also the years of trust resellers have built with customers. The direct model neglects the one thing that experienced VARs know - customers value the personal touch that comes from dealing with a partner which acts in their interest and not that of any single vendor.

I stress the word 'partner' here. If a cloud services vendor is serious about working with the channel, you should expect this to be a two-way relationship. Businesses sometimes go directly to ThinkGrid, which in turn passes these opportunities on to us because its model does not include the full range of services a customer needs to successfully deploy the cloud platform.

For resellers thinking of implementing this model, first and foremost it is critical to work with a cloud provider that recognises the unique reseller-customer relationship. It is this relationship that has allowed businesses to benefit from the past three decades of IT innovation and will ensure success long into the future.