Making the Transition

From MSP to CSP

How to Succeed in the Age of Cloud

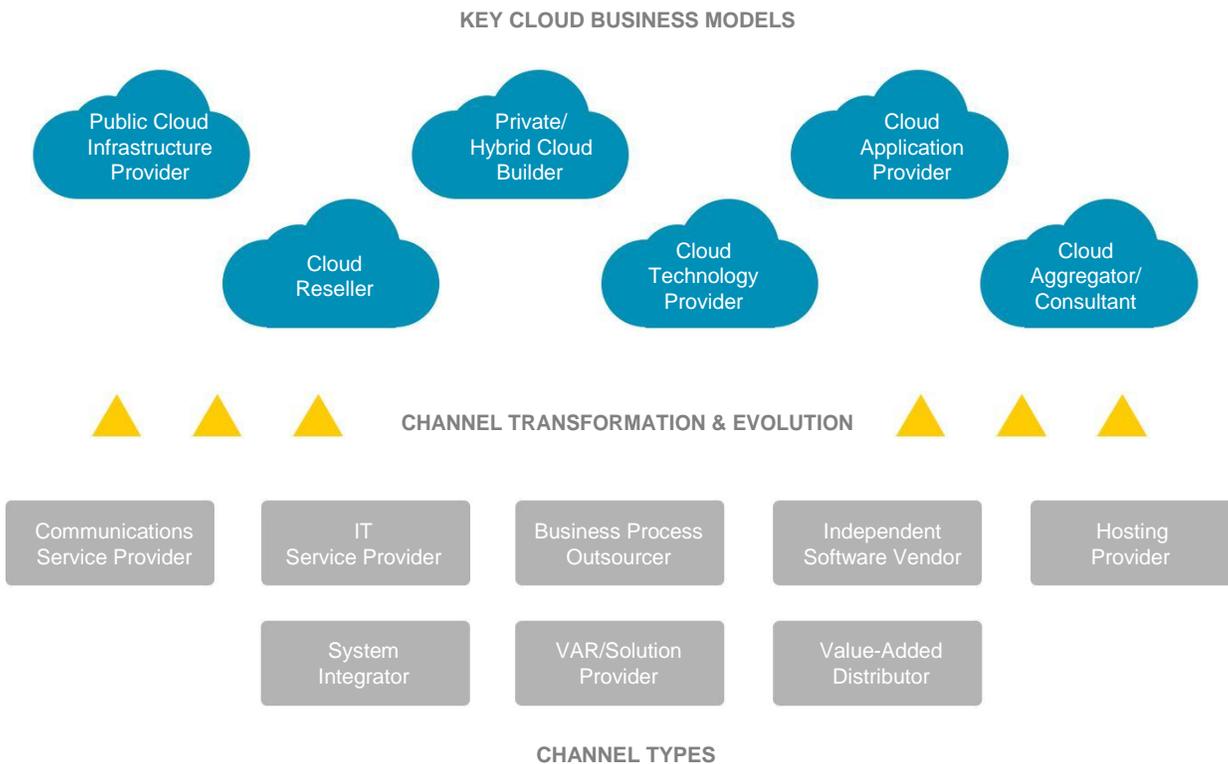# CONTENTS:

Cloud computing is impacting every segment of the technology industry. Enterprise IT organizations are implementing private clouds for their users and supporting the use of public clouds with hybrid cloud services. Independent software vendors are also reacting to the cloud by transitioning from delivering packaged software to providing their software in the cloud. US federal government agencies are being directed to a "cloud first" strategy.

The growth of the cloud is threatening to disrupt many managed service providers (MSPs) who built successful businesses implementing or hosting computing infrastructure.

KEY CLOUD BUSINESS MODELS

Public Cloud Infrastructure Provider

Private/ Hybrid Cloud Builder

Cloud Application Provider

Cloud Reseller

Cloud Technology Provider

Cloud Aggregator/ Consultant

CHANNEL TRANSFORMATION & EVOLUTION

Communications Service Provider	IT Service Provider	Business Process Outsourcer	Independent Software Vendor	Hosting Provider
	System Integrator	VAR/Solution Provider	Value-Added Distributor	

CHANNEL TYPES

A recent Gartner analysis estimated that global spending on public cloud services will almost double in size from 2012 to 2016, reaching $210B in 2016 — with Infrastructure as a Service (IaaS) projected to grow the fastest at over 40% CAGR.

What is driving cloud adoption? In the Future of Cloud Computing survey from North Bridge Venture Partners and GigaOM, the **drivers for cloud computing continue to be cost, agility and scalability**. Applications are being "reimagined in the cloud" and how we access them has changed as well.

DRIVERS FOR CLOUD COMPUTING ADOPTION IN 2013

SPEED		COST	INNOVATION	
Business Agility 52%	Scalability 52%	Cost 48%	Mobility 25%	Innovation 22%
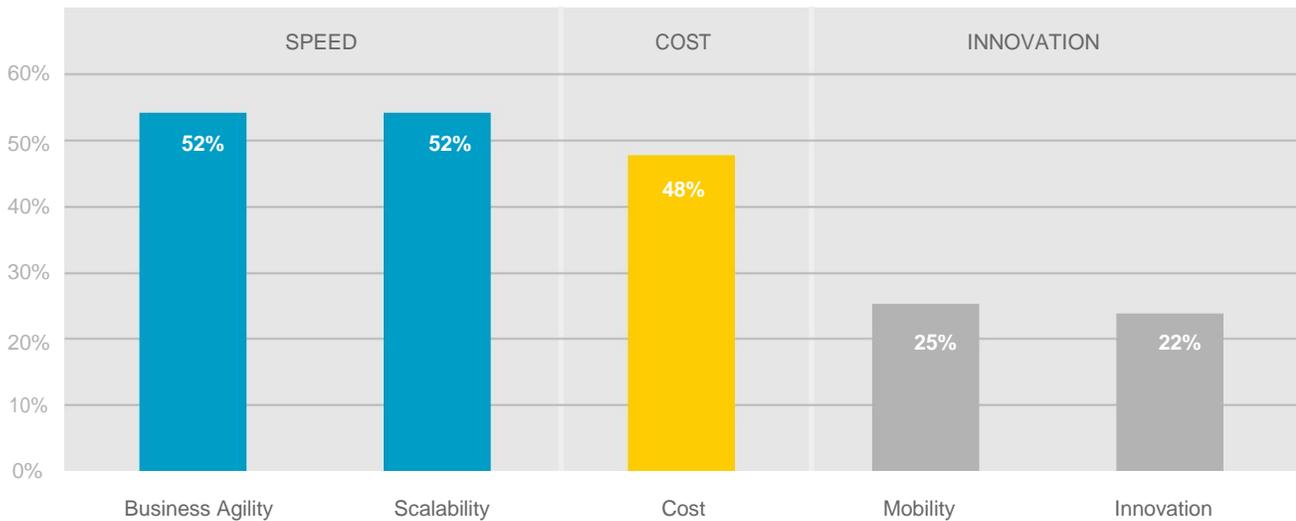
Source: Future of Cloud Survey, 2013 North Bridge Venture Partners

Cloud adoption is being driven by business organizations:

• 52% use applications that advance business priorities

• 36% use applications that advance IT priorities.

Business cloud applications (file sharing, business productivity, CRM/ marketing and social business/collaboration) are in use by more than half of all organizations, yet not a single IT cloud application is in use by more than half of all organizations.

6 out of the top 7 fastest areas of growth in cloud applications will be in IT areas

Big Data

Mobile

Systems Management

Backup/DR/BC

Help Desk

Security
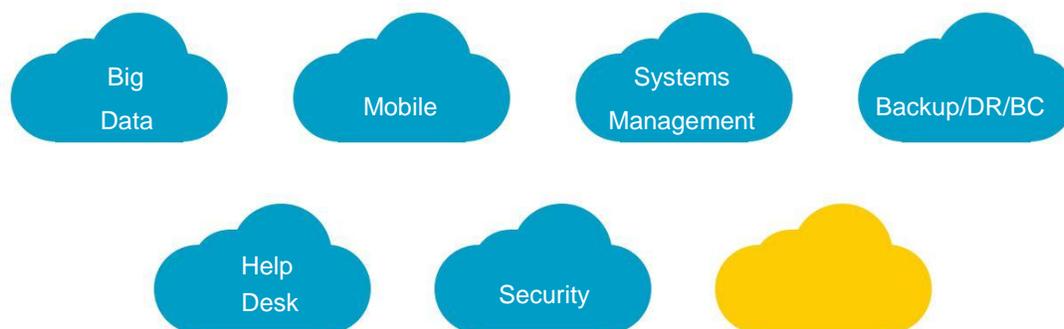
This is the area that MSPs can best take advantage of, adding these types of cloud services to their offerings, differentiating based on reliability, ease of use, service levels, support services and customer responsiveness.

Much of that growth is coming from small and medium enterprises (SMEs) that most MSPs consider their most important customers. **To keep their customers, develop new revenue streams and lower costs, many MSPs are adding cloud services to their offerings** to offset the decline in product-based transactions and project-based fees.

However, while the market for cloud services is growing rapidly many providers are struggling to make it a profitable business. New cloud providers may have large upfront costs. They have to invest in sales and marketing to acquire customers and hold onto them. Pay-as-you-go cloud pricing models offer service providers limited security, making it difficult to predict revenue.

Many new providers start with Infrastructure as a Service (IaaS) in hopes of profiting from their own unused infrastructure, but the low, market-based pricing model established by cloud computing giant Amazon Web Services (AWS) leaves providers with little room for margins. The providers having success are differentiating their services in many ways.

Differentiating Your Service

Over the past few years Amazon has cut prices of their cloud instances about 25 times. With Amazon's economies of scale, it is nearly impossible for an MSP to compete on price, and trying to do so makes it a race to the bottom.

Instead, to compete in today's cloud world, **MSPs needs to differentiate their services.** Providing value added services or specialized cloud offerings could make the difference. As the cloud services market has matured it has evolved from a one-size-fits-all to specialty clouds like Disaster Recovery as a Service, Desktop as a Service, Backup as a Service and more. Consider offering such specialized services to your customers, or focusing on partic-ular vertical markets or customer segments that match your expertise and experience. Moving up the food chain to application services also means you can charge more and drive more revenue.
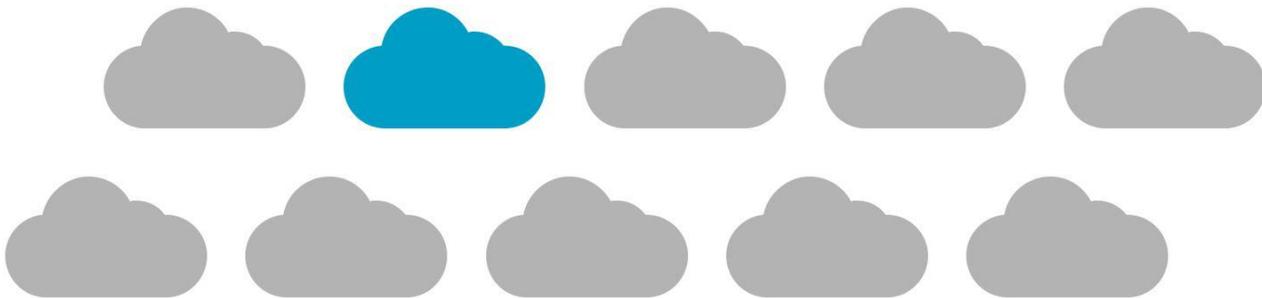
Most cloud offerings also provide only virtual instances, which may limit their ability to host databases, performance-intensive applications and applications that are not easily virtualized. **Providing cloud services that can support physical and virtual resources can differentiate your service.** Similarly, giving customers the ability to include both private and public cloud resources in their resource pool can expand their use of your services.

Your Relationships Matter

In 2013 TechTarget surveyed over 1,000 IT professionals about their priorities. In terms of cloud services, responses indicated that while only 25 percent of companies were considering securing cloud services from pure-play cloud providers, 55 percent preferred working with an MSP.

Looking to an MSP for cloud service — 55% — 25% — Considering pure-play cloud providers
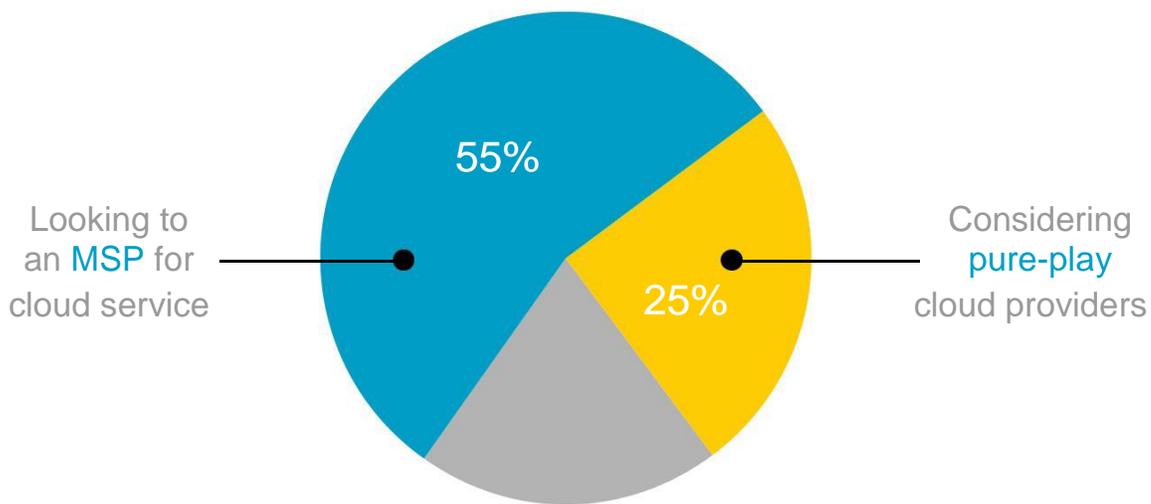
Source: TechTarget's 2013 IT Priorities Survey

Why is this and what is the important message to MSPs?

MSPs know their customers. They have sat down with them. Their customers trust them. What's more, an MSP usually has advantages that a pure play cloud provider doesn't. You can create customized services that perfectly dovetail with your customer's requirements — and doesn't include things your customers don't want.

You can deliver in-person services to help a customer migrate a set of applications to the cloud or integrate with other services like disaster recovery or backup. You can help educate your customers on the benefits — and potential drawbacks —of moving particular applications to the cloud.

Focus on the value you can provide to customers who already trust you.
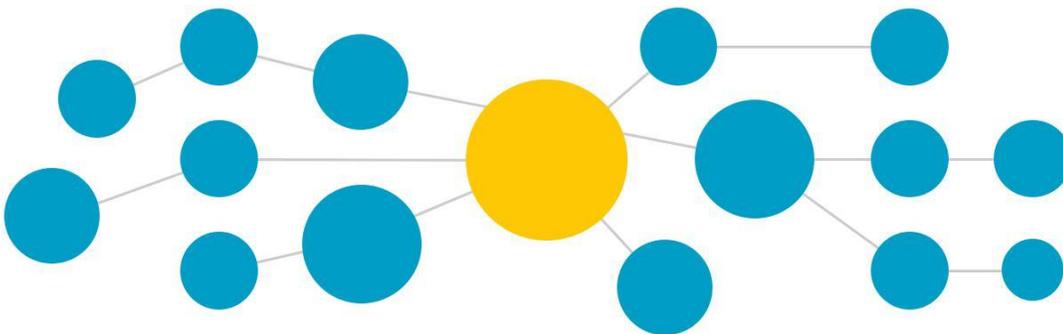
What this means is that often MSPs will get the first shot at a customer's cloud business. This is a great advantage as long as you have the products and services your customers want at a reasonable price. This doesn't mean your services will be cheaper than a generic instance from Amazon.

Focus on the value you can provide to customers who already trust you.
If you are reselling infrastructure from a larger service provider, it is incum-bent on you to make sure it provides the high level of security, availability and flexibility your customers demand. You have worked hard to secure your customers trust, so be sure to keep it as you move to the cloud.

MSPs typically fall into one of two categories in terms of their "internal business DNA." The first group, when you really boil it down, are software developers. The vast majority however are operations service providers, with expertise in monitoring, supporting and troubleshooting infrastructure.

Depending on what services an MSP already offers, adding cloud services to the mix may require expertise and resources they don't have, especially in terms of building a cloud offering and integrating it with business systems. In order for a cloud offering to be successful from a profitability standpoint, it must have a high degree of automation and process efficiency. It must enable their customers to self-provision services, automatically track usage and bill, and must be a very repeatable process.

For MSPs who now provide services that require a high degree of engi-neering, **automated cloud services can also drive down labor costs and enhance profitability**.

If you find that you don't have the right hardware or employee resources to match up with what's needed, there is an emerging model that might fit the bill. Some of the larger datacenter operators are looking to partner with MSPs who can leverage their strong customer relationships to promote cloud services. **Finding the right partner** with complemen-tary skills is a great way to put your foot in the water with cloud services.

Honor Your Genetics
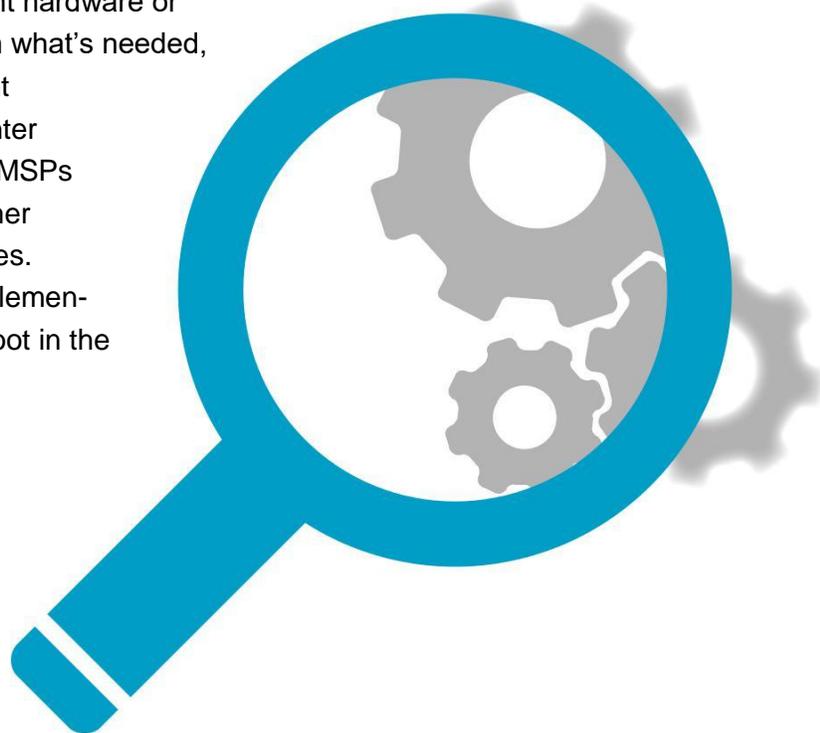
Often the MSPs whose DNA is skewed toward software development want to build their own cloud platform, while those whose expertise is managing operations are usually better off using a turn key solution.

Operations-focused MSPs can quickly get mired in the complexity involved with software development projects when using build-it-yourself cloud tools like Openstack.
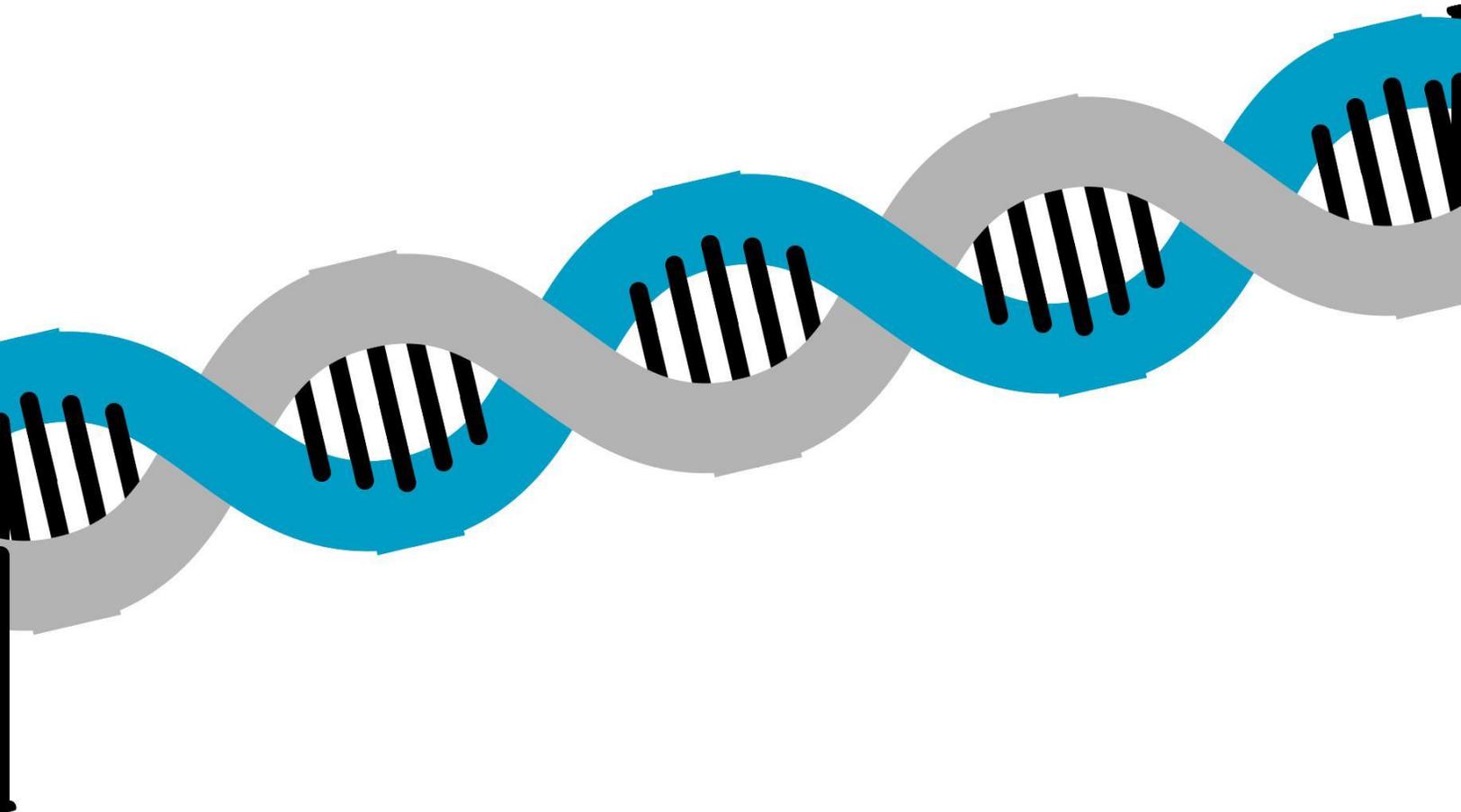
Achieving the necessary level of automation requires a comprehensive cloud provisioning and management platform. It should include a lot more functionality than just letting users self-provision IT infrastructure.

Here's a checklist of some of the most important features that should be included:

Hybrid clouds	Physical, virtual and public cloud infrastructure all available from a service catalog
Beyond IaaS	Specialized services are growing in popularity and coupled with professional services and MSP expertise can be the basis of a profitable business
Self-provisioning	With modern visualization techniques that make it easy for users to self-provision their required resources or for MSPs to quickly provision what their customers need
Different types of resources	Ability to provision physical, virtual and public cloud resources, as well as full application stacks
Real time pricing	Displayed to users as they build environments
Quoting/Billing	Automated quoting and contracting with flexible usage-based billing options
Billing approval	Built in workflows that accommodate users' corporate approval processes.
Deployment	Automated
Management	A unified central management interface

Where to Turn?

If you decide that cloud services could benefit your business, the next question is how to start. Before you spend hundreds of thousands of dollars - or more - on infrastructure and cloud provisioning solutions, consider the following:

- What is your best opportunity for adding value to cloud services? What do your customers really need?

- Where does your expertise lie?

- What business models can provide the margins you need to sustain and grow your business?
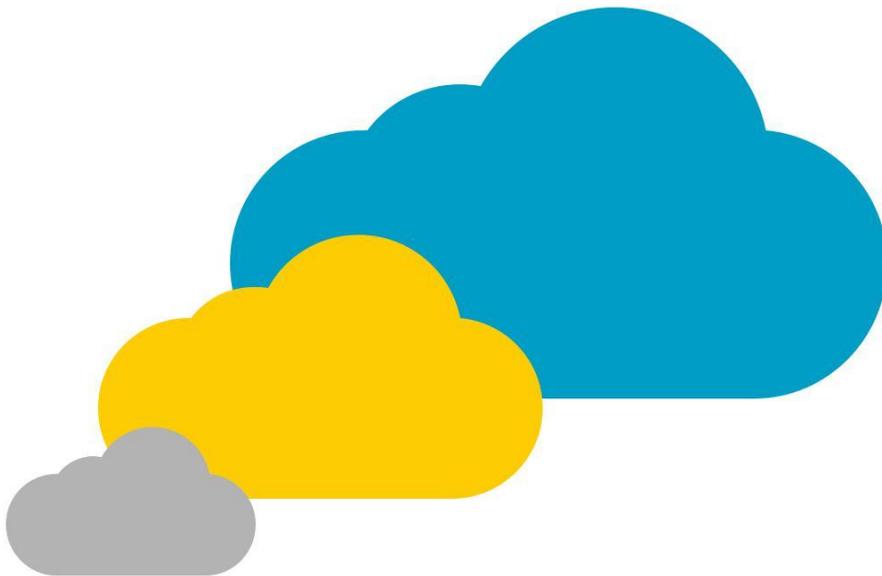
Our Cloud.

Your Brand.

The Cloud Platform Built for the Channel.

CloudRivo's Xterity enables service providers to easily add profitable cloud services to their service portfolio and quickly provision, deploy and bill for cloud services. CloudRivo's Xterity provides the secure, highly available environment your customers need for all their applications – including complex, multi-tier applications.

The CloudRivo's Xterity infrastructure has been designed using the same philosophy that drives the rest of our business: Combine **best in class technologies** with people who are highly motivated and dedicated to providing **superior customer service**, and deliver a set of cloud services that exceed the expec-tations of the most demanding customer…at a price that is affordable by all.

CloudRivo's Xterity's comprehensive functionality lets service providers design, price, deliver, license, bill, manage and upsell cloud solutions to their client base. Our intuitive drag and drop self-service portal makes it easy to design
and build new cloud services, and the integrated billing, invoicing, pricing, ticketing, monitoring and tracking capabilities manage and charge for resources as they are consumed. It also has unique features to support a multi-tier channel business model such as white labeling, account management, contracting, margin analysis, ticketing and more.

For CloudRivo's Xterity resellers, this means the ability to focus on core competencies: maintaining customer relationships, creating solutions and supporting customer needs, **all without the risk of having to buy, build and manage
a cloud of their own.**

WE CAN HELP

CloudRivo's Xterity Cloud Services deliver a full range of dedicated, managed, private and hybrid cloud infrastructure as a wholesale cloud service to the IT reseller ecosystem.

Contact us today.

To learn more about adding CloudRivo's Xterity Cloud Services please contact us at:

Email: Sales@CloudRivo.com

Web: www.CloudRivo.com

Phone: +1 905.910.0094