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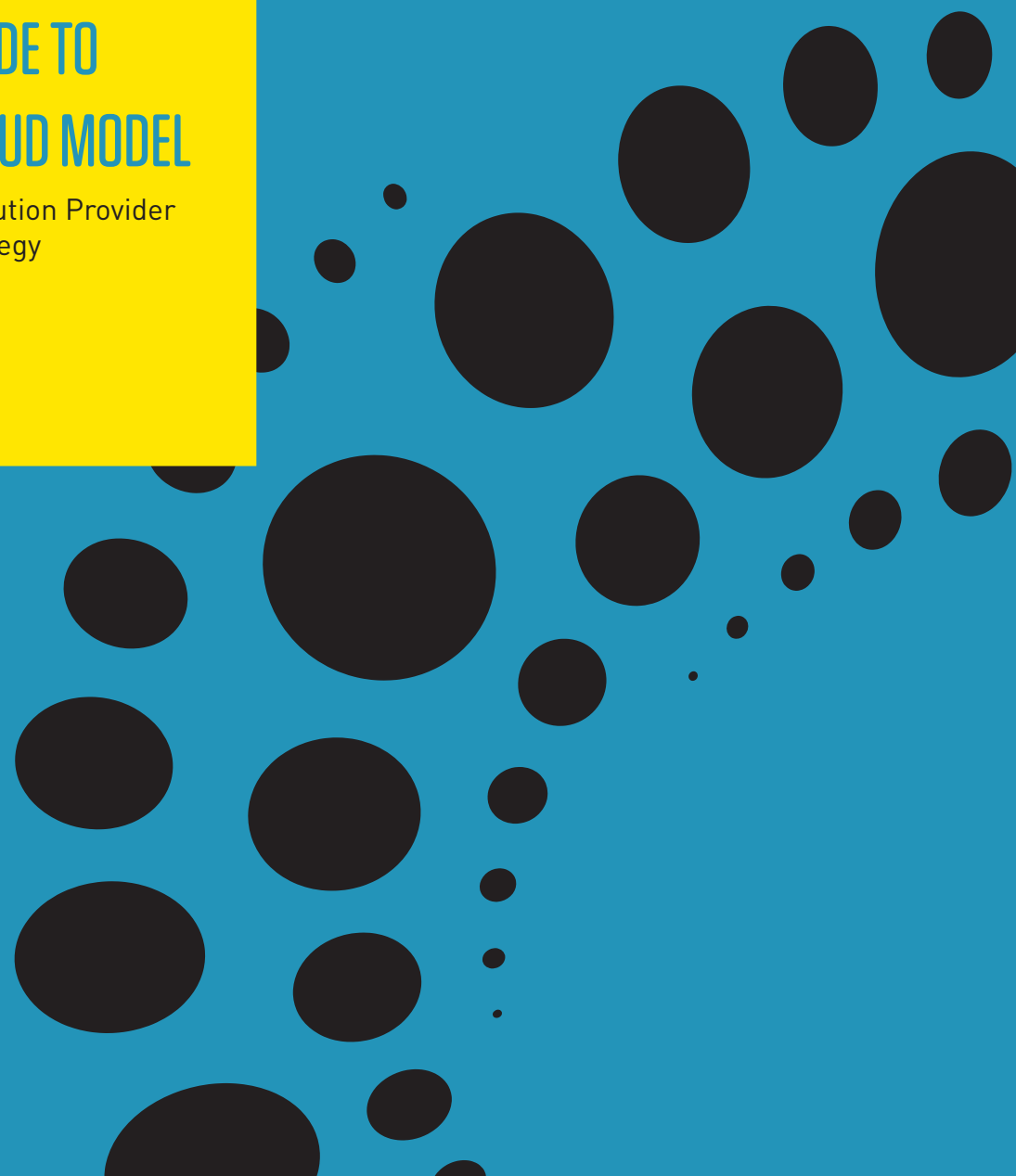
THE ESSENTIAL GUIDE TO

A SUCCESSFUL CLOUD MODEL

Five Keys for Building a Solution Provider
or ISV Cloud Business Strategy

Contents

Introduction

More and more customers are attracted to the cloud for its intuitive, easy-to-adopt design. CIOs are more eager than ever to adopt such solutions, with 70 percent mapping out a cloud-centric IT strategy for 2016. And in turn, solution providers, VARs and ISVs are evolving their solutions that have traditionally been deployed on-premise. It's no surprise that prioritizing the cloud adds to a brand's value proposition - those that have taken the leap have cited a 10 percent growth in revenue over competitors sticking with legacy methods.

However, the transformation process isn't an easy one, and solution providers must do their homework before migrating their offerings into a cloud delivery model. And end customers should expect transparency about "what's under the hood" of their cloud solution.

The shift to the cloud has created new opportunities for solution providers and is enticing many to invest in cloud platforms and data centers in order to support their customers' cloud vision. Now is the time to embrace the cloud, or lose market share. But what must change to keep up with the pace?

"From a delivery perspective, the move to a cloud model changes the business requirements," said Greg Pierce, Chief Cloud Officer, Concerto Cloud Services. "The good news is – not every provider will have to go through a massive business model transformation, but to what extent will depend on the type of cloud solution being adopted and whether the cloud-based system introduces a new capability or replaces an existing one in the customer's organization."

This document will guide solution providers through the five main principles necessary to develop a practical, customized cloud transformation strategy designed to support a cloud-first customer offering.

These principles include:
• Financial Considerations to Building a Cloud Model
• Marketing Approach
• How To "Sell" the Cloud
• Technical Strategy
• Operational Readiness

Financial Considerations – Funding a cloud transition and shift in business model

If you've looked into offering more cloud solutions to your customers, you've likely discovered that the working capital required for a cloud business model is much higher up-front. The traditional on-premise model, selling software licenses for example, helps pay for the day-to-day business operations at the beginning of a new project. But in a cloud model, selling subscriptions creates a longer ramp up time for working capital. During this shift, it is critical to establish short and medium term cash flow requirements and understand the business's key performance indicators.

To appreciate total costs and benefits, solution providers must look at the bigger picture and the benefits to their customers. End customers will continue to gravitate toward cloud. The long-term cost savings related to an on-demand, pay-as-you-go service model is often one of the primary drivers for customers to first consider a cloud model.

"Providing customers what they need when they need it allows costs to remain directly proportional to that customer's specific requirements," said Pierce. "Subscription licensing enables companies to shift from paying a large up front capital expenditure for for IT, to less costly operational expenditures – allowing customers to budget more strategically."

With on-premise solutions, software, maintenance, hardware and the people and processes that are in place to manage IT operations can be costly. The platform must be designed to handle a maximum number of users and provide remote access to data 24/7, and that can drain internal resources and and is difficult for a customer to manage effectively.

Businesses are realizing huge gains with choosing a cloud deployment over an on-premise deployment. Given the additional benefits of regular and tested back-ups, redundancy for disaster recovery, and the time savings of a more strategically aligned IT team, cloud deployments can net to be a lower total cost. Other factors driving the move to a cloud model:

- Solutions deployed in days instead of the typical weeks or months
- Shorter provisioning timeframe enables companies to launch new divisions, new product lines, and scale for peak seasons quickly and easily
- Internal IT resources can focus on strategic initiatives that often take a back seat to daily maintenance and platform risk mitigation

It is important to start now analyzing the financial implications on the business of moving to a recurring revenue model, and with proper deployment, which will be addressed throughout the whitepaper, a solution provider can offer its customers significant savings, better IT services and a higher level of reliability all the while adapting its business model to capitalize on new offerings.

Developing A "Cloud-First" Sales Model

IDC predicts that 70 percent of CIOs will embrace a "cloud first" strategy in 2016. It is more important now than ever to align the sales organization with cloud at the core.

The advantages of cloud solutions, namely, reduced capital expenses, increased responsiveness, and subscription-based pricing are definitely compelling for many organizations. Solution providers should be seeing something too – the opportunity to upgrade the organization's offerings and bring new solutions to existing customers, as well as customers that couldn't previously be reached.

As reported by IDC, each year, providers with cloud offerings generate 43.1 percent of revenue from new clients (and receive 56.9 percent of revenue from existing customers) while traditional providers only bring in 33.1 percent from new clients (66.9 percent of revenue from existing).

Yet, despite the many benefits, and growing popularity of cloud solutions, providers shouldn't think that the cloud is an "easy sell." To deliver cloud services, the sales and revenue planning is fundamentally different. Organizations may only need to make a few business changes, or they may need to consider completely revamping their previous models to include cloud-specific selling skills.

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There is a simple but very important difference between the two sales models. Traditional sales would take you to the actual moment of the sale, close, and then move on to the next deal. However, the actual moment of a cloud sale is only the beginning of the relationship. Solution providers should think of cloud and managed services deals as long term in nature.

Keep in mind that despite the huge growth that cloud solutions have seen, and will continue to see, many customers will want to take it a bit slow at first. Find out how cloud savvy the prospect is and match the sales approach to the level of their understanding.

High-performance with cloud at the core

A cloud-first sales approach requires a different way of thinking and the proper incentives, training and ongoing performance management is critical to the success of the sales organization. This approach isn't always easy as sales executives who are successful at the "old" way of selling, may not easily translate their methods to the "new" way.

Typically there is an initial drop in sales revenue in the first year and the solution provider will need to take a close look at its commission model. Compensate too little and the best producers will leave, on the other hand, compensate too much and blow the budget. Revenue from cloud sales will typically iron out in three to five years. The right mix of base pay, stock, bonus and special incentives make financial sense and will motivate sales people.

Top organizations place the emphasis on team-based compensation as well as individual incentive compensation, driving behaviors that motivate over the long term.

"It is important to put a compensation plan together that incentivizes growth in the areas you want to grow," says Pierce. "We advise our channel partners to create compensation models that are specific to their cloud growth objectives, cross-selling of new solutions, and build a team component to that as well."

Trusted advisors generate ongoing revenue

Renewals in a cloud environment are key to long-term success. Solution providers must also focus on the internal sales team or customer liaison that is tasked with building long-term relationships with the customers and ensuring renewal income. It is important to make sure compensation is incentivizing for this team and continued cross-selling is encouraged.

Training and enablement of the sales team is essential for generating ongoing revenue and maintaining a culture of excellence that positions the organization as a trusted advisor. Training has been proven to increase the overall value of the company, creates many long-term impacts on the bottom line, including, a reduced reliance on internal resources, fewer costly mistakes and better use of applications.

A properly-compensated and highly trained sales team will become a customer's trusted advisor, which opens opportunities for up-selling other cloud offerings, deeper customer engagement, and continued renewals.

"To sell cloud solutions, our partners need to take a services-based approach – a strategy that requires a more consultative relationship with the customers' problems first and then suggest the appropriate solutions that solve those specific challenges," said Pierce.

Re-defining your Marketing Approach

What has changed and why won't the current marketing strategy work for a cloud-first model? It's simple. Marketers today distribute more content through more channels than ever before. A good marketer has to make sure its products and solutions stand out in a sea of clutter. To do that, it is important to establish a brand through thought leadership and a strategy that can reach potential customers with targeted messaging that relate specifically to their business need. But most of all, the marketing department needs to understand the larger role it plays in the sales process.

With all the research available on the Internet – reviews, comments, and yes, complaints crisscrossing the social media channels, buyers are more educated and clearly in a position of power. No longer can sales shape the prospect's mind on technology purchases – the customer has already done its homework and might know as much as the sales manager sitting across the table from them.

Changing the dialogue

"To be successful, first and foremost, marketers have to present a cloud first message. The message must convey that we can do this faster, we can do this better, and we have everything ready to go because the cloud is our focus," said Pierce. "Cloud marketing is about long term relationship building, rather than short-term engagement to drive prospects into a sales cycle. The organization should be promoting the promise of a service going forward, rather than a piece of software delivered where the support stops there."

Successful solution providers are changing their dialogue; they are demonstrating their cloud solutions experience with educational content and thought leadership positioning. They have revamped their value proposition, tactics and the execution of those tactics to reflect a more modern and digital marketing strategy. To accomplish this, marketing needs to have a better understanding of the sales

and delivery cycle than ever before. Targeted and educationally-focused messaging reinforces the trust factor necessary for relationship building. In order to accomplish this, the marketing team will need to work closely together with sales and will ultimately play a more comprehensive role than just lead generation.

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Pierce added, "Really understanding who your customers and prospects are and positioning your organization as the expert provider is critical and supports the growth of those long-term relationships. It demonstrates that you not only know your cloud business, but more importantly, you know specifically what is important and how it impacts your customer."

The key is to provide something valuable and not just a blanket sales offer. Crafting the right message to the right audience ensures prospects coming into your organization well informed with accurate messaging and the "new" marketing team will be able to hand off higher quality leads more than ever before.

A Cloud Technical Strategy

Choosing a public versus private cloud platform depends on the type of workload required. A public cloud is a third party cloud service built and managed on an external platform and is based on a shared, "multi-tenant" infrastructure. Public clouds are a cost effective option for many solutions, but one must understand the limitations as a generalized offering.

• Engineered for the masses

• Uses commodity servers and infrastructure

• Highly standardized offering with limited customization

• Recommended for low-impact business solutions where data confidentiality is not a concern

A private cloud can be built and managed on an external platform similar to the public cloud, but offers more flexibility and customization to meet the business needs of each individual organization. With a "single-tenant" private cloud model, companies benefit from common resources and data centers, but have their own computing pod, servers, and settings. Customers benefit from system and data isolation, and the freedom to design their solutions as they choose to meet specific requirements, including business continuity, security and regulatory compliance. In addition, a private cloud is easy to integrate with on-premise or other cloud offerings. Other benefits include:

• Engineered to meet unique needs

• No shared servers or log-in instances

• Customizable to meet even the most aggressive security and compliance requirements

Choosing the right cloud model goes back to choosing what's right for the application and the end customer's situation. A platform decision should be based on metrics such as:

• Performance needs

• Availability Requirements (and SLAs)

• Disaster Recovery and/or Prevention

• Business Continuity

• Ease of integration, personalized support, It's our cloud we make the rules, etc...

Robust technology and strict adherence to protocol ensures customer satisfaction

Solution providers should be looking to offer customers more agility and flexibility with their own business model offering. Through working with a cloud partner like Concerto Cloud Services, who can rapidly offer prebuilt packaged industry capabilities or newly architected solutions, a solution provider also has the ability to meet their customers' requirements by deploying solutions quicker, with greater horse-power, performance and customization, delivering results right away.

"A single instance and private model delivers a stronger ability to handle complex integrations and workloads, sensitive and financial data, governance and regulatory compliances," said Pete Schmied, Senior Director of Operations, Concerto Cloud Services. "And when you compare that against a public cloud offering, your customers will see that the transition to the cloud in a private model is far less painful because it's easier to make the environment adhere to specific business needs as well as its processes and practices."

Many businesses have strict protocols or regulatory requirements that must be managed and maintained. Data storage and how it is secured is also a consideration. How many layers of security are offered and how will it be monitored? Understanding and upholding those elements as they relate to the company's current processes and practices are a lot more transparent in a private environment than public. When a business chooses a public cloud model, it is limited to a standardized offering intended for many customers. On the private side, it can be customized to fit each customer's specific business goals and IT requirements.

Schmied added, "Making sure you choose a cloud partner with the right expertise is key – there are a

lot of differences in a provider's operational practices, security posture, platform architecture and how they go about managing those requirements. Our Concerto team is driven by quality and protocol. As an example, we maintain a minimum of five plus layers of security that is monitored 24x7x365 by a committee that follows the ITIL, a strict industry methodology of best practice for IT Service Management. Our experience in delivering complex business critical cloud solutions has given us the knowledge to implement the right protocols, which in turn enables us to deliver what is right for solution providers and ultimately, their customers."

No IT department wants to launch a cloud migration project without feeling confident that it can deliver a smooth transition. The complexity of onboarding is part of why businesses are hesitant to deploy cloud projects. Experienced cloud solution providers know just what resources they have at their disposal that can be leveraged to support solution providers and their customers. This includes other management considerations such as incident escalation and resolution and overall ongoing customer support – all things that should be top-of-mind when designing a cloud roadmap.

"A lot is riding on getting the migration right and successful onboarding is all about careful planning and preparation up front," said Pete. "It is so important to stand up the required infrastructure. It's not just 'flipping a switch' and everything runs smoothly, which is why we invest a lot of time on the onboarding process. We want to ensure that our partners' customers have a successful transformation and are happy with not only their cloud environment but also the experience."

Being prepared for the unexpected and being able to react to your customer in an agile manner is key to a successful cloud model. Solution providers should include these steps to ensure onboarding success:

- Define workload
- Provision cloud resources
- Establish a connectivity bridge
- Deploy workload
- Ensure two-way access
- Test and validate
- Discontinue old service

The ability to focus on the core business

Employing internal resources to manage a customer's technical environment can be tricky. Many solution providers have one environment/data center that they rely on for their customers – and if something goes wrong, service to customers is disrupted. With 90 percent of all disruptions linked to human error, it is important to partner with an experienced service delivery team that can manage the process and ensure the guaranteed uptime.

With a multiple data center environment, the primary center is duplicated, minimizing risk of downtime and loss of critical data. Concerto's standard recovery time (RTO) and recovery point objective (RPO) is eight hours and four hours respectively – meaning, if a customer's environment is down, it will be back up and running within eight hours with the maximum data lost being one second, to at most, four hours. However, for customers who require more aggressive RTO and RPO operatives, Concerto offers multiple options for these operatives – as low as a 2 hour RTO and 15 minute RPO.

Schmied added, "We know it can be expensive to recover from a failure and that is why Concerto focuses on preventative measures. When IT operations are managed in house, those internal resources are under a lot of pressure with limited time to test procedures end-to-end. With an outside team in place whose primary focus is security, highly available business critical operations, we do the work and minimize disruption." Migrating to a cloud environment requires experience and a significant investment in technology. The chosen cloud partner should have deep cloud computing expertise in creating the right IT solutions designed specifically for the solution provider's end customers. The cloud partner should also have established processes and procedures that simplify and virtually eliminate risks associated with the migration. Choosing a well-established partner will also offer the solution provider access to ongoing resources across the organization, sharpening decision-making and streamlining processes – key to a successful cloud transformation.

Ensuring Operational Readiness

Research shows that the biggest barrier to successful cloud computing is not technology, it is people and processes. The speed and demand placed on today's businesses require better communication and finely tuned automated operations. Even for an organization accustomed to standardization, with well-documented processes, and centralized IT governance and access, a cloud environment poses new challenges that solution providers will need to address.

Giving the many objectives of cloud computing, managing operational readiness can be a daunting task. What is the best path forward for operational cost savings and greater agility? Solution providers will need to move away from a linear organization to one that is more customer-centric. Meaning, all parts of the organization will need to work together to support the cloud business model.

Why is this important? Because today's transactions are much smaller and will be more frequent, placing a greater importance on streamlined processes and automation.

"Change management is the cause of more than 60 percent of downtime created by good intentioned people who make modifications to the platform," said Eric Carson, Director of Service Delivery for Concerto Cloud. "To prevent these errors, proper processes and procedures should be formalized and put in place by an assigned change committee. These automated processes will cut down and even eliminate the risk of human error."

To accomplish this, many providers like Concerto Cloud Services follow the Information Technology Infrastructure Library (ITIL) methodology – a set of practices for IT service management that focuses on aligning IT services with the needs of businesses. Specifically, ITIL is the ability to manage a business' infrastructure in a systematized way to ensure a steady state of operation and ultimately ensure uptime.

Solution partners should view ITIL as a vertical with many different horizontal layers – each having its own level of automation and responsibility.

• Layer 1 - Request Management: Something is needed such as a password reset, or adding a new user. It's new, it's a request, and that is how it gets into the system.

• Layer 2 - Incident Advancement: Something is broken. Can it be fixed? Information is entered as a request incident into the system. Incidents and requests both get actioned by a change. Typically a request or an incident drives a change in the operational infrastructure. The technician or engineer that is on the operations side of the change will facilitate that action into production. So why is that so important? When running a production organization, the solution provider needs to be able to know what happens each step of the way, so if something goes wrong, it can be identified and rolled back. Visibility into who makes changes and what time those changes were made, are operationally critical.

• Layer 3 - Problem Management: Having more than one incident with similar issues. If these are related in some way, it is important to be able to link them together and form a problem record so tracking can begin and a resolution can be made quickly. The key is to resolve not at the incident level, but more at a higher level – solving the "bigger picture."

"Everything fits into the ITIL methodology – if you make a change, you apply that change to a specific item within the CMED and every team member knows exactly which change is being made, reducing errors and enhancing project communications," said Eric. "Concerto makes sure you have those enterprise level capabilities, and makes sure those practices are being followed."

Beyond technology – optimize available expertise

A cloud partner who has "been there, done that" is necessary to ensure a smooth transition to the cloud from both a service delivery standpoint as well as understanding and navigating the necessary compliance regulations.

Operational readiness is more than just servers and applications; there is a very important factor that can further ensure the success of the business's operations. Service delivery provides a standard framework for building and delivering reliable services and solutions quickly, and collaboratively to ensure high performance.

The increasing need for compliance and reporting to governmental or industry working groups – especially if the organization works with highly sensitive data – is especially important. Any cloud system must not only be secure, but it must also comply with even the most stringent of industry standards and governmental regulations.

Organizations will continue to grow and standardize their information technology and business processes to maximize productivity, and as they do, they will need service providers that follow proven approaches that will lead to consistent and predictable delivery models.

Eric added, "The key is to make sure your cloud partner can manage infrastructure at the operating level from soup to nuts. A good provider is not just a hosting company, but also a partner who can manage all of the pieces of your business, driving results that meet your set goals and customers' expectations."

Cloud computing is quickly becoming the technology of choice enabling businesses to be more focused on providing strategic value rather than spending time on IT resources and infrastructure needs. By choosing the right cloud partner that invests in security, and utilizes the most recent technology advances solution providers can realize significant opportunities to save time, resources and money – all while keeping that trusted advisor status current with their customers.

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The Cloud That's Up to Your Challenge

If the cloud you choose isn't ready to manage your most complex mission-critical demands, it's not ready for your business. Concerto Cloud Services combines application expertise with superior service and technical support to offer you a private cloud developed for the highest levels of performance, security and speed. Our team specializes in the rapid deployment of enterprise applications with seamless integrations across on-premise, third party and public cloud solutions to deliver a customizable, hybrid cloud platform.

We built Concerto Cloud for your toughest challenges and your most complicated applications. Concerto transcends public clouds designed for the masses by helping you leverage a platform that can tackle your unique business needs. We take a holistic approach to ensure your infrastructure supports your strategic objectives, from streamlining daily operations to scaling global growth.