



How CSPs Can Win in the Cloud

John Zanni of Parallels talks to InterComms about what CSPs need to do to profit from the Cloud



John Zanni is Vice President of Service Provider Marketing and Alliances at Parallels. He oversees the company's global service provider marketing and business development departments. He leads integrated marketing communications through partner marketing, advertising, public relations, events, and relationship marketing. This includes developing partnerships with leading technology companies to enable hosting service providers using Parallels solutions to quickly create profitable Cloud services that meet the diverse needs of their end customers.

Q: Let's be candid: how much of "Cloud" is hype versus reality?

A: While there is no doubt that virtually every marketing organization is jumping onto a Cloud-related campaign, there is also no doubt that IT spending is shifting from on-premise to hosted or "Cloud-based" and this represents a tremendous opportunity for service providers now and over the next decade.

Q: OK, so then how should CSPs be thinking about Cloud services?

A: CSPs are in a fantastic position to capitalize on Cloud services for three main reasons: 1) they own the underlying network infrastructure, 2) they have existing commercial relationships with tens of millions of small and medium business (SMB) customers, and 3) they have a culture of support that will give them a competitive advantage over pure-play Cloud providers. This makes them a natural choice for SMBs that are looking for Cloud services. Further, some CSPs are already offering certain Cloud services like web hosting and email, however very few have invested enough in the infrastructure or marketing to make them successful.

Q: More specifically, what will a CSP need to do to capitalize on the Cloud?

A: Specifically, a CSP will need to do three things. First, because SMBs are not one-size-fits-all, CSPs need to offer a full set of Cloud services so that they can cover the IT needs of all potential SMB customers. Second, make sure customers are activated and using more than one service, as our research shows that when more than one service is actively being used, churn rates drop by over 50%. Third, to maintain profitability CSPs will need to enable online self-service so customers can easily add, remove, and update their Cloud services without having to call into support.

Q: How does a CSP offer a wide range of Cloud services? Do these all need to be managed in-house?

A: This is a critically important question. If a CSP has the right Cloud service delivery automation in place, they will be able to aggregate and syndicate multiple Cloud services, from multiple vendors. They can then choose to either manage these services in-house or let a third party service provider manage the actual infrastructure while orchestrating the provisioning and billing of the service. This way they can use partnerships to get to market faster and keep up to date with customer demand while optimizing their costs.

► **Q: Is that what you mean by Cloud syndication?**

A: Yes, there will be many independent Cloud service providers with a spot solution, whether it is an infrastructure-as-a-service or software-as-a-service solution. The CSP may want to directly manage some Cloud services, for example those that directly relate to messaging and communication. However for others, they'd be better off if a range of third party services was available to their customers and they could control the bundling and pricing while not being burdened with the additional infrastructure and application management. Just as a TV show might be syndicated across different networks, a Cloud service solution can be syndicated among providers. This is a critical way that CSPs will be able to offer the full set of services we noted earlier without building everything themselves.

Q: What customer segments should CSPs target and with what offerings?

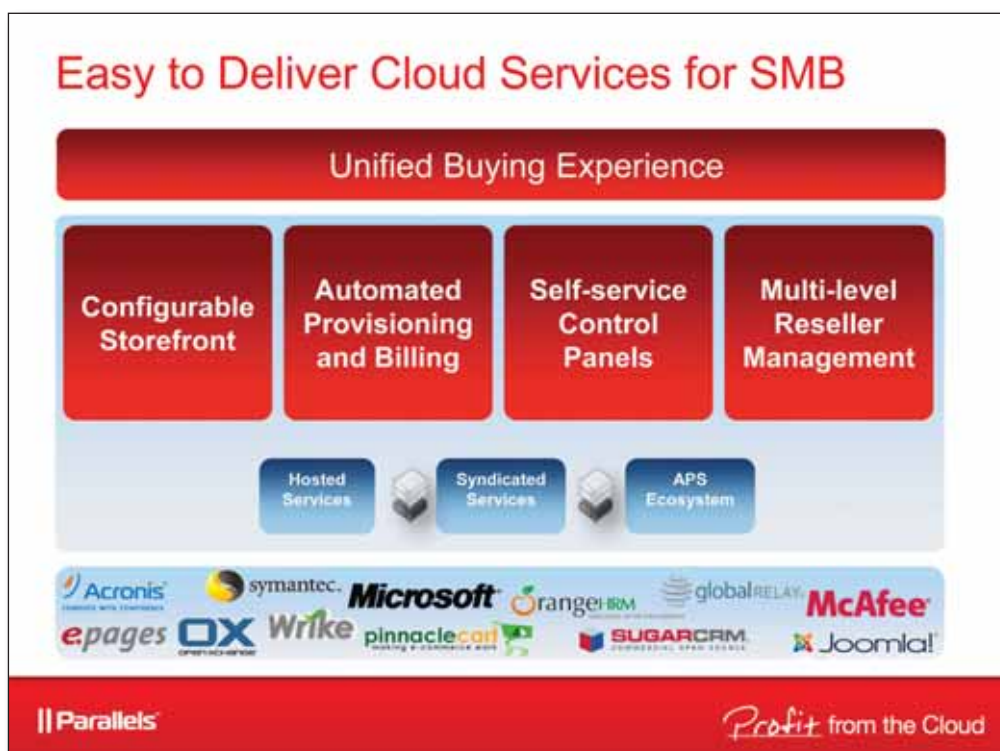
A: To date, CSPs have been focusing their Cloud energies on the enterprise and public sector segments. This has been delivered largely through a direct sales model and the product consists of core network and data center services with some branching into virtualized infrastructure and storage.

While this opportunity will continue to grow and is heavily skewed towards infrastructure-as-a-service models, we expect the SMB market will become rapid adopters considering they have limited IT resources today and so can benefit the most from

the Cloud services and applications. There are over 73.5 million small businesses and easily another 100 million home or small offices worldwide. Virtually all need a "web presence" and simple email. However, the majority of them will also greatly benefit from a range of hosted applications, or software-as-a-service, some of which were traditionally available only to bigger organizations such as messaging and collaboration, customer relationship management, and hosted PBX, especially as their business and marketing needs evolve. This will be of paramount importance moving forward if in a Cloud-enabled world SMBs want to be able to stay competitive.

Q: What about mobility? How does this intersect with Cloud services?

A: For consumers, mobility and Cloud are inextricably intertwined with smart phones and app stores. For businesses, however, the opportunities are more unique. We see two specific mobile Cloud opportunities for CSPs when targeting businesses. The first is around business class email and scheduling services (for example, Blackberry) and making sure this is available as a service in communication and collaboration bundles. The second is around helping businesses create a mobile web presence that can be found by mobile search, which is often geo-targeted. Helping to transform an existing web presence into a mobile-optimized web presence is a service CSPs can and should offer their business class customers.



Q: What is the best way for a CSP to rapidly get to market with Cloud services?

A: Developing a Cloud solution from the ground up and integrating into existing OSS/BSS systems is a multi-year project. Building and managing a shared environment for applications (multi-tenancy) along with authentication, security, billing, and payment system integration are all very extensive and expensive projects.

Implementing commercial off the shelf automation software designed for Cloud services that integrate with existing OSS/BSS systems is the fastest way to go to market. Given how rapidly customer requirements are evolving, time-to-market is THE critical decision making factor. This approach is also the most flexible, as a CSP will be able to adjust pricing and margins with the market, along with adding new Cloud services.

Therefore, CSPs can rapidly and profitably get to market offering Cloud services by deploying an open solution built on open multi-tenant standards, security, authentication and license tracking in order to accommodate a broad catalogue of applications and services, both in-house and syndicated.

Q: It also sounds like automation is important?

A: The key to success for a CSP is managing a Cloud delivery platform that is flexible, extensible and rapidly enables the

roll-out of new Cloud services. Just as automation is critical to profitability for traditional voice and data services, every possible aspect of purchasing, provisioning, billing and self-service management for Cloud services should be automated. This is critical to keeping “book to bill” days low, support costs down and being able to rapidly introduce new Cloud services. Further, automation ensures operational efficiency thereby creating the opportunity for higher margins.

Q: What will happen to CSPs that ignore the Cloud?

A: The answer is simple: churn will increase. In a recent AMI study, 48% of SMB respondents indicated they were likely to switch providers in the absence of Cloud offerings. We are seeing disrupters coming into the market with full service offerings and growing.

For more information visit:

www.parallels.com/csp

