

Why You Should Partner With a CSP to Enter The Cloud

ALREADY TOOK THE PLUNGE?

If you're like many of our partners you probably made your initial decision to enter the cloud services market for one of the following reasons:

- **Clients were asking about the highly publicized cloud benefits and you needed to provide the right answers**
- **You needed to be viewed as a technology services leader and adding cloud services to your services portfolio seemed to align with your strategic goals**
- **Your competitors were offering cloud services**
- **You needed to find additional sources of recurring revenue**

Our partners told us that once they decided to take the plunge they had to determine if it was more prudent to align with one of the behemoth CSPs (aka cloudzillas), or go it alone and stand up a cloud on their own infrastructure.

After weighing the pros and cons, many of our partners decided to go it alone. Some of the reasons behind their decisions were:

- **Better margins - by going it alone they wouldn't have to split their margins with a CSP**
- **Own pricing strategy - they wouldn't have to worry about a CSP changing their public price list**
- **Account control - they feared that once a large CSP was in the picture they would end up being competitive and they could lose their clients, especially if the CSP was also in the SaaS business**
- **Better support - they had heard horror stories where cloudzilla CSPs mainly focused on supporting their mega-customers, while leaving their smaller partners to fend for themselves**
- **Experience with virtual servers - They thought it shouldn't be too difficult to parlay their server virtualization experience into delivering cloud services**

Some of our partners indicated that the "go it alone" path initially seemed like the best way to go, but they discovered that providing cloud services was a lot more complex, and more costly than what they had expected.

Many of our partners equated their experiences to that of an iceberg analogy where up to 90% of the work was hidden from view. They discovered that when it comes to cloud services, providing the "above water" parts are relatively easy but they're only a fraction of what it takes to deliver the whole solution. The complex and costly items below the water line turned out to be major challenges.



Our partners told us that the complexity and sheer volume of heavy lifting caught them by surprise. They were amazed at the number of engineers with varied expertise it took just to get a cloud stood up. They were also surprised that once the cloud was running it didn't get any easier. The ongoing maintenance and lifecycle tasks were overwhelming. And to exacerbate the challenge, our partners told us that one of the tipping points was the long sell cycle which resulted in huge ROI delay issues.

The upfront CAPEX costs of standing up a cloud can range from \$500K to \$1M (USD) or more. When you add on annual OPEX costs ranging from \$200K to \$500K+ you can see how critical it is to bring in revenue shortly after you stand up a cloud. Unfortunately the reality is that most new entrants into the cloud services market do not have a backlog of clients waiting to come into the cloud. The ROI delay can be devastating to an MSP trying to control costs and grow revenue.

Some of our partners were able to mitigate the ROI delay and came out on the other side ok, but it was uncanny how many of the "survivors" told us that it was such a challenge that when their infrastructure began nearing capacity they couldn't afford to scale their infrastructure due to the capital outlay / ROI delay cycle. It just wasn't worth the risk and costs to continue going it alone.

Whether they were faced with scaling storage, compute or networking resources, the costs vs. ROI delay was a major tipping point in their decision to partner.

Another challenge of going it alone is that staffing the right support personnel can easily outweigh the cost of the cloud hardware. This is definitely true if you do not already have a fully staffed 24x7 support desk. Trying to provide cloud services via answering service and a bunch of folks on call leads to customer satisfaction issues and can greatly limit your success.

Once the heavy lifting is offloaded to a trusted CSP, the services providers began selling higher value services to their clients, which in turn led to improved margins, and enhanced client stickiness.

And just think how much faster the time to revenue is when you don't have to deal with the heavy lifting? Just think how easy it is to replicate and support multiple customers when the heavy lifting is gone!



The "easy part" (the items shown above the water line) now become a path to business success. The inhibitors are removed from the success equation.

The bottom line is that most successful service providers have found ways to focus on delivering services that leverage the infrastructure provided by their CSP. Client stickiness increases and margins increase. The key is to be in the position to evolve or transition your services business by finding the right CSP partner.

TOO SIMPLE?

So you might be thinking ... this seems too simple. What's the catch? The "catch" is that you need to be sure you partner with a CSP that is focused on making you successful, a CSP that realizes their success is 100% dependent on your success. It's not rocket science.

Initially you might not see the margins you were hoping for in the "go it alone" model and depending on the CSP you choose (e.g. cloudzillas) the margins could be in the single digits which makes it very difficult for you to sustain your business. But, by partnering with a wholesale CSP you can realize better margins. With a wholesale CSP there is no public list price for your clients to compare against. This lets you price by the deal. Also, some wholesale providers make it easy for you to offer additional as-a-service services like disaster recovery, backup, migration etc. These higher value services cost less to deliver in the controlled cloud environment and still demand a premium which we have seen produce margins of over 60% for some of our partners.

FINDING THE RIGHT PARTNER!

When looking for a CSP, choose one who does it for a living. CSPs that do it for a living have invested their time and money into building a highly reliable, scalable cloud infrastructure so you don't have to. These CSPs prove that they're in it for the long haul by using components from tier 1 hardware/software vendors. They don't cut corners to reduce costs. In addition, if it's what they do for a living they won't have multiple business units which could cause them to lose focus on being the best CSP for you. Also, be especially wary of CSPs that have SaaS businesses. They've been known to leverage cloud and/or SaaS offerings to infiltrate client accounts. Once they're in the door, it's easy for them to access other aspects of the client's business.

As you assess CSPs, the key takeaway is that you need to remember that above all, the CSP you choose is an extension of your business. It's critical to ensure that the CSP you select is aligned with your long term strategy and is capable of providing a level of business and technical support that you and your clients expect. Whether you're new to cloud services or are already "going it alone" you need to ensure that your CSP is the right one for you.

We hear two consistent trends when talking to partners that have performed detailed CSP evaluations. Flexibility is a real key and our partners assessed whether or not a CSP offered the packages, pricing, and services that they needed and under the brand they want. A lot of the smaller CSPs in particular have limitations here because of the tools they built their services on. To cut costs some CSPs use free hypervisors with limited support and user interfaces developed quickly for end user self service. Some CSPs even go as far as using consumer grade hardware just to save on costs. All of this limits flexibility.

The other common trend is customer service. This tends to surface with the behemoth CSPs where reaching an engineer, especially one that really knows what is going on, can be very difficult. Getting them fast, or heaven forbid on the phone, is almost impossible. It is hard to convince your customers you are delivering a high value specialized cloud service when the answer you get from customer support is "we are aware that you and a few hundred other customers are having problems with availability. In accordance with our support policy if this continues consistently through the month you will be credited. We will update you when we fix the problem."

PARTNER CRITERIA - STRATEGIC

- **Channel only:**
 - You don't want a partner that you could end up competing against
 - You want a trusted partner that works with you and won't leave you hanging in a "you're on your own" scenario
- **White label:**
 - You want a partner that provides you the marketing tools you need to be successful. This includes white label collateral, presentations, portal branding etc.
 - You want a partner that realizes their success is directly tied to your success, and as such, they'll focus on making it easier for you to be successful
- **Costs:**
 - You want a partner that helps you understand and even helps you avoid excess costs
 - You don't want a partner that has one of those "Hotel California" data movement plans ... where you can check out any time you want, but you can never afford to leave
- **Configuration support:**
 - You want a partner that enables you to build configurations that meet your client's exact needs, whether the workload requires physical isolation or can be run in a multi-tenant environment, or even in a bare metal configuration for those workloads not suited for running in a virtualized environment. The point is that you don't want to give your clients cause to look elsewhere by not supporting a particular workload

PARTNER CRITERIA - BUSINESS

- **Wholesale pricing:**
 - It's all about revenue, margins and client satisfaction, which are intertwined. Working with a wholesale cloud provider enables you to realize the best margins possible
- **Back end business functions:**
 - You want a partner that provides integrated back-end business system support, such as custom invoicing, real-time pricing/margin analysis etc. This saves you time from spending cycles on financial admin tasks
- **Pay-as-you go:**
 - You don't want to be forced to pay for overprovisioned resources that you were forced to buy because the CSP sold you one of "their configurations." The most efficient pricing model is where you pay only for resources consumed
- **Business Continuity:**
 - Many of our partners told us that in their rush to market they made the mistake of not having complete data path services available to provide their clients peace of mind
 - Be sure your CSP offers services such as backup, disaster recovery, migration etc. and ask for a demo or evaluation so you can make sure the services work as advertised
- **Training:**
 - Your employees are still the contact point for your clients and they will still be performing various functions on behalf of your clients. The CSP needs to provide training and skills transfer so that your employees are comfortable with the cloud environment and can be as self sufficient as possible - but you want your CSP to be available 24x7x365 if you need help

PARTNER CRITERIA - TECHNICAL

- **Cloud Migration:** This topic is often simplified. Most CSPs have cloud upload or import capabilities. However, these come in all shapes and sizes. The most common is where you send the CSP a compatible virtual disk (e.g. a VMDK) and it is attached to your client's environment. This is simple, however, the use case it does not cover is the one that your clients probably care the most about - and is high production. When the simple import process is used there is downtime and lag time from when the copy is taken and when the copy is available on the cloud. For small servers that might be a few hours but for bigger, more complex servers like the ones often found in high production scenarios, this can take days. For this reason you want to make sure the CSP offers a true migration service where the servers can be replicated from either on premise or another cloud into the CSPs cloud. A true migration service enables migration testing, configuration and synchronization again right before you cut over to the cloud. The time lapse is reduced to just minutes. In the best cases the migration service also makes allowances for failback should something unexpected happen
- **Self Service:** The CSPs portal needs to be simple and intuitive for your employees to use as well as your clients if they are to have access to it. Ideally the portal has different views and roles based on login credentials or some other user identification mechanism
- **Physical and Virtual servers:** It is critical to be able to support your client workloads that are suited for running both in virtualized and non-virtualized environments. Our partners tell us time and time again they've seen migration projects halted because of a single server that couldn't be supported in a virtualized environment
- **Facilities:** The datacenters that host the cloud infrastructure must be at least Tier 3 so they have the reliability and security facilities that people are expecting from cloud. It is really important to know that there are a number of organizations that classify datacenters, but some CSPs classify themselves. It is important to understand who performed the rating and you also need to know what specific certifications are and are not addressed
- **Support:** 24x7x365 support availability and access are extremely important. Although you may not provide 24x7x365 support to your clients, you can't have IT peace of mind unless the CSP's engineers are monitoring and managing the infrastructure 24x7x365. This provides pro-active trouble shooting and problem resolution should an issue be encountered. You don't want a CSP that outsources support to a 3rd party vendor "after hours." Or worse yet, you don't want to call support and talk to an answering service that takes notes and forwards your problem to a 3rd party somewhere in a far-off place
- **Service Level Agreements (SLA):** This is the most common reason we see service providers asking for help with competitive situations. The problem is that there are marketing SLAs, contractual SLAs, and technical SLAs and they seldom match. They also vary in how close they are to real world experiences. If a CSP advertises an SLA that sounds too good to be true, you should analyze the agreement and the cloud architecture. At Egenera, our SLA is four 9s and the amount of investment and planning required to make that work is significant. The products, connectivity, and facilities needed to deliver four 9s are expensive. Almost every cloudzilla CSP offers SLAs around three 9s and very few contractually commit to do better than that, and even fewer have the architecture capable of delivering anything better than three 9s. As you analyze SLAs be sure to not overlook planned outages (maintenance). Having great uptime may not be enough if there are planned outages of 4 hours every month. Always ask yourself who does it appear that the SLA was written to protect?

CSP CHECKLIST - WHAT TO LOOK FOR AND WHAT TO ASK

The table shown below provides a summary of some of the criteria covered on the previous pages. Use this as you assess CSPs.

Check List Item:	Why it Matters:
Successful track record >10 years	Cloud providers with 10+ years of experience probably cut their teeth on cloud technologies and they know what they're doing. You don't want a cloud partner "learning the ropes" at your expense.
Datacenter facilities	Make sure you ask your cloud partner for a list of the international and regional standards their facilities comply with. Are their North America datacenter(s) compliant with standards such as: ISO 27001, ISO 9001, SSAE16, SOC1-Type II, and SOC2-Type II? Do their non-USA facilities meet SOC1-Type II standards? When was the most recent audit? Is the cloud partner willing to provide you access to applicable certification documents and audit reports? Is the CSP transparent and forthcoming with all audit reports? Do the facilities meet your standards?
Cloud infrastructure	You want a cloud partner that has invested their money and time in state-of-art cloud infrastructure. Ask for storage, networking and compute component level details. Follow the datapath to ensure reliability is provided via enterprise-class redundancy and high availability technologies. Does the CSP use enterprise class, tier-1 vendor components and are they refreshed to stay current?
Service Level Agreement (SLA)	SLAs are not always what they appear to be. You need to perform a reality check on advertised SLAs. Thoroughly read and understand what is covered. What is the provider's penalty if they fail to meet the SLA? Was the CSPs SLA written to protect you or them?
Configuration flexibility	You need a partner that lets you build custom configurations to match your client's needs. You don't want to be forced into costly over-provisioned configurations where you end up paying for resources that your clients don't require. You also don't want to be forced into provisioning under-sized configurations that fall short of your client's performance expectations. Does the CSP allow you to easily build custom configurations or are you locked into the configurations they want to sell you?
Partner sales model	Partnering with a wholesale cloud partner enables your business to realize higher margins; the lifeblood of business growth. Buyer beware of advertised (non-wholesale) "low cost" infomercial tactics.
Friend or Foe	You probably don't want a cloud "partner" that sells direct to end users because they could end up competing with you. Be suspect of cloud providers with SaaS business units. They've been known to leverage their SaaS products to infiltrate client accounts. You want a cloud partner that facilitates your success and does not compete with any facet of your business.
Contracts / Commitments	A true partner doesn't lock you into long term contracts or volume commitments. You want a partner that works hard to earn your business and works even harder to keep your business. The only commitment should be the cloud partner's commitment to your success.
Focus	Your cloud partner needs to focus on being the best cloud partner they can be for you. You should steer away from cloud vendors that are focused on their mega customers, shareholders or other business units.
White label marketing support	Your brand is important to you. Your cloud partner needs to provide white label marketing and sales support to help you start selling cloud services as rapidly as possible under your own brand if you choose to.
Partner Portal	Your cloud partner needs to provide a self-service, intuitive portal that can be branded with your logo and text. The portal must provide all the operational "tools" you require to effectively and efficiently support your clients.
Account Team	Your cloud provider needs to assign a full-time account team to you to help you onboard as soon, and as smoothly as possible. Your account manager needs to be your technical and business evangelist, not just your sales rep. Does the CSP provide transparency to the "small details" behind the services? (e.g. outbound data transfer costs, on-shore / off-shore support costs, support costs outside of "regular business hours")



SUMMARY

This paper was written with the goal of equipping you with the information you need to make a wise, prudent, and informed decision on who you should partner with for your journey into the cloud. The cloud services adoption rate is exploding as businesses look for ways to reduce costs, while increasing reliability, scalability and customer value with cloud IT services. Selecting the right cloud partner enables you to evolve your business model to include higher value, higher margin services on top of the reliable “heavy lifting” cloud services provided by your CSP. With higher value services comes stronger client loyalty (stickiness) which in the end, gives them pause when it comes to looking elsewhere.

The cloud is here and now is the time to start the journey.

To find out how Egenera’s time-tested Xterity Cloud Services can rapidly get your business on-board selling reliable cloud services please reach out to us using whatever method works best for you:

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- Direct phone: 1.508.207.9437
- Internet: <http://www.egenera.com/xterity-cloud-services/>

About Egenera

Egenera has been providing advanced server virtualization and converged infrastructure solutions since 2000. In early 2015 Egenera launched its cloud services business with the introduction of Xterity Cloud Services. This intuitive cloud services business management platform greatly simplifies cloud service provider workflow processes including design, deployment, management, pricing, margin analysis, and billing enabling you to rapidly add lucrative cloud services to your portfolio.

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