



Finding Success in the Cloud

When planning for future growth in your IT business, one service deserves a very close look – cloud computing. If you're not looking at cloud computing services, you may want to reconsider ... or risk being left behind.

Cloud computing is a great way for businesses of all sizes to create collaborative environments with little investment, and it's a profitable way for IT service providers to expand their services. Over the past

few years, the cloud market has grown by leaps and bounds while becoming an integral part of IT operations.

What is Cloud Computing?

Cloud computing is the delivery of infrastructure – including but not limited to servers, platforms and software – via the Internet on demand.^{iv}

The numbers tell the story:

- The public cloud services market is expected to grow 18.5% in 2013 to a total \$131 billion worldwide, up from \$111 billion in 2012.ⁱ

- IaaS continued as the fastest-growing segment of the market, growing 42.4% in 2012 to \$6.1 billion and is expected to grow 47.3% in 2013 to \$9 billion.ⁱⁱ

Much of that growth is coming from small and medium-size enterprises (SME), an important revenue stream for many managed service providers (MSPs). MSPs can benefit most from the cloud, especially now that providers of high-end cloud solutions, such as IBM, are introducing initiatives that will make it easier and more efficient for its partners to provide cloud solutions.ⁱⁱⁱ

Cloud Service Models:

- **SaaS** – Software as a service, where software and data are hosted on the cloud.
- **PaaS** – Platform as a service, which lets the user rent virtualized servers and services to run applications or develop and test new ones.
- **IaaS** - Infrastructure as a service, the hardware and software that powers everything.
- **BPaaS** – Business process as a service, which makes business processes available in the cloud.



1 Fuel Innovation, Increase Profits in the Cloud

Cloud computing offers a number of benefits to clients and IT service providers.

For your clients, cloud computing can fuel innovation. Cloud services can help businesses of all sizes save money and increase profits, allowing them to reinvest in other areas of their business. Of companies using the cloud, 66% have reduced their IT costs and 85% increased their profits by up to 50%, according to a study commissioned by Rackspace.^v

IT service providers who deliver cloud services benefit financially because it creates another source of recurring revenue.

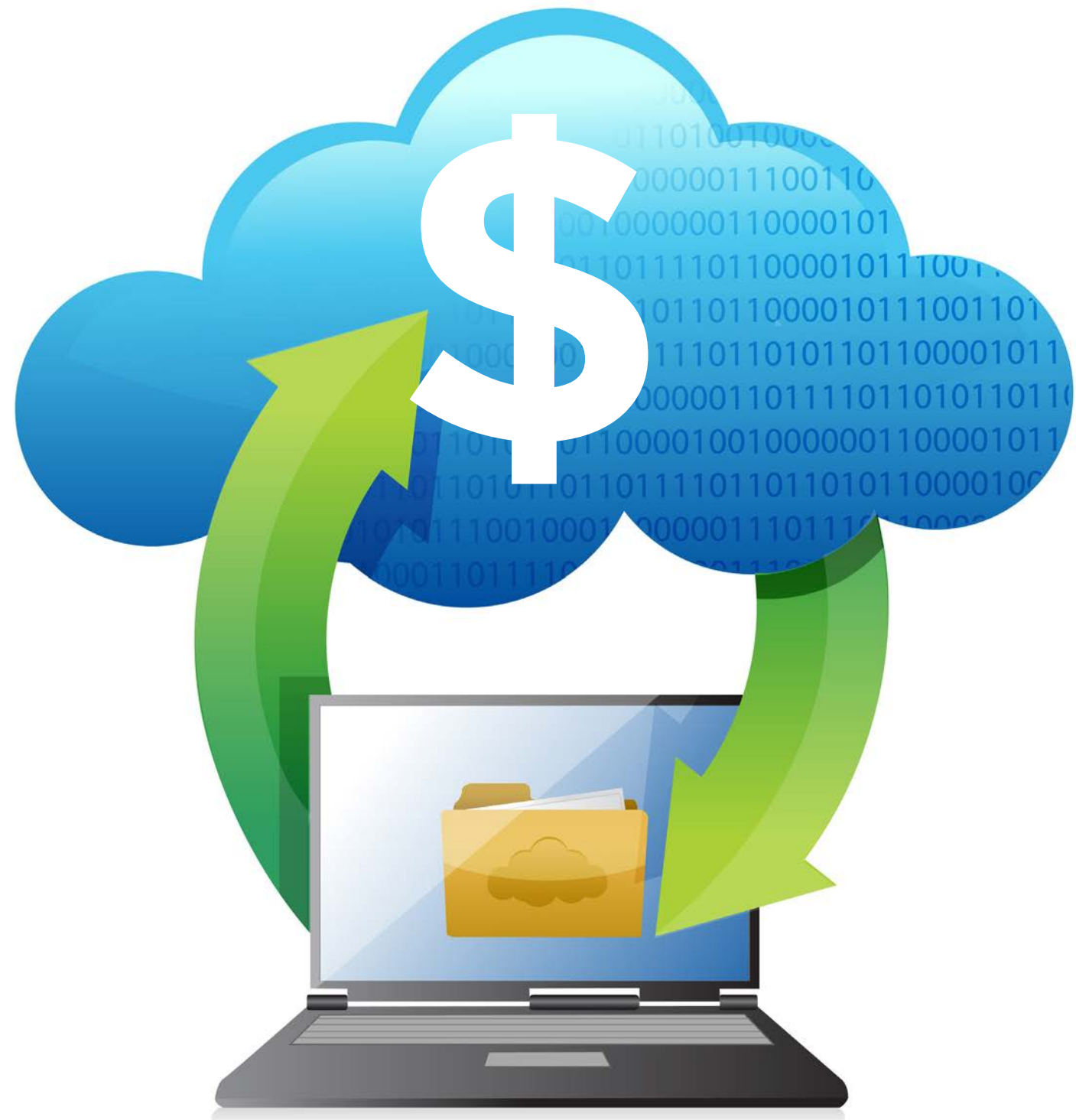
Other benefits include:

Scalability: Cloud services can easily handle workload increases and unexpected growth without immediate investment in capital. Users access IT infrastructure and software as they need it and typically pay only for the services they use.^{vi}

Speed: 62% of large enterprises and 51% of small to medium-size enterprises could accelerate IT projects as a result of cloud computing.^{vii}

New capabilities: Cloud computing offers a flexible infrastructure, which creates more opportunities for rapid application deployment.

Increased mobility: Because data and applications are stored in the cloud, users can access them from a variety of devices wherever there is a reliable Internet connection.



1

2

3

4

5

Why You Should Enter the Cloud Now

Cloud-based services can be a sure-fire way to increase revenues. Of IT firms that offer cloud solutions or services, 51% have cloud generating over half their revenue, and 42% of those companies expected the cloud portion of their business to grow significantly in 2012.^{xi}
– CompTIA

IT service providers who ignore the opportunities in cloud computing will be left behind as the demand for cloud services increases. If a customer can significantly reduce costs by implementing a new technology from another provider, he will. That is what is happening in the cloud – and the only option for value-added resellers and MSPs is to provide their own offerings to set themselves apart.^{viii}

Compared with noncloud-oriented partners, cloud-oriented partners (those that generate more than 50% of their revenue from the cloud) grow at double the rate, accrue new customers more than two times faster and generate 30% more revenue per employee, according to an IDC study sponsored by Microsoft.^{ix}

Staying ahead of the competition and fueling the growth of your company are important reasons to offer cloud services. Here are some other great reasons:

New services: The main reason IT service providers entered the cloud services arena is to give existing and potential clients new opportunities and capabilities.^x

Recurring Revenue: Providing cloud services creates recurring revenue.

New opportunities: Offering cloud solutions opens new doors. While talking about cloud services, you have the chance to discuss your other services and close new deals.

Cut internal costs: By using a virtual infrastructure, you can reduce infrastructure costs.

Client demand: You're giving clients what they want. Cloud-themed marketing and advertising have fueled the demand for cloud services.



3 Boost Revenue With These Solutions

SaaS revenues will reach \$92.8 billion by 2016, accounting for 26% of the total packaged software market.^{xii}

– Forrester

As your clients' trusted IT advisor, you're in a great position to add cloud solutions to your portfolio of services. You've already successfully addressed many of your clients' main concerns, such as security, cost, reliability and scalability, through your other lines of business. You'll just have to widen your net to provide the same support to your cloud clients.

Many of your clients are probably familiar with cloud services such as e-mail, storage, backup and disaster recovery, but you can make your relationship stick even more by offering these cloud-related services:

Education: How to use the cloud is still a new concept for many businesses, and the more complex it gets, the more you can help clients understand it.

Consulting: Moving to the cloud is less about single projects and more about full integration, giving you the chance to move from a specialist for a single project to a trusted advisor for ongoing projects.

Procurement: As an IT expert, you're in the best position to select a cloud service that has a reputation for data integrity, security and recovery.

Business applications: SaaS lets you generate additional revenue while offering software solutions on a subscription basis. SaaS offerings include customer relationship management (CRM) software, email, content management, and business operations software, such as Microsoft Office 365.

Monitoring and management: Expand your current monitoring and management activities to include upgrades, troubleshooting and security for cloud solutions.

Aggregation/brokering: By providing services from a variety of sources, you can become a one-stop shop for your clients.

1

2

3

4

5

4 Challenges in the Cloud

As with any new technology, cloud computing provides opportunities – and challenges. You can prepare your company if you know what these challenges are and how to address them.

Integration tops the list, but the challenge of integrating cloud and legacy solutions has a silver lining – revenue. By providing services related to integration, you have another opportunity to boost revenue. Among large solution providers, 60% cited integration as their main after-sale cloud opportunity.^{xiii}

Other challenges include:

Cost: Many IT service providers have looked for other sources of financing as they introduce cloud services to their business model.

Rogue IT: It's bound to happen. Because it's so easy, someone will bypass the IT

department to procure their own cloud resources, creating additional challenges.

Security: Data breaches, data loss and account hijacking are the top three threats to cloud security, according to Cloud Security Alliance.^{xiv} However, 94% of small and midsize businesses in the United States that use cloud services gained security benefits they didn't have with their former on-premise technology, and 62% saw increased levels of privacy protection.^{xv}

Lack of skills: Training your staff in the new technical skills can overcome the transition to cloud services.

Once you decide to offer cloud services, review your operations from top to bottom and prepare your team to face new challenges. While you're at it, review your pricing to make sure it fits your customers' needs and change your sales strategies to fit your new business model.



1

2

3

4

5

5 How to Transition to the Cloud

If you're not ready to make the total switch from the traditional solution provider model (largely on-premise and transactional) to the cloud, you're not alone. That switch was one of the most difficult tasks cited by IT service providers.^{xvi}

To ease the transition, consider a hybrid model, where you provide some cloud-based services while keeping your legacy revenue streams. You can add more cloud services over time. Once you understand your customer's needs and goals, you'll be better prepared to offer additional cloud-based solutions.

Here are some ways to begin offering cloud-based services, from simple to complex:

Provide a single, entry-level cloud solution, such as data backup and storage: Many providers use cloud storage and backup as a way to introduce other cloud-related offerings.

Resell a vendor's cloud applications, such as Google Apps or Microsoft 365: Reselling has its advantages, such as lowering risk and leveraging a visible brand.

Build a private cloud: A private cloud can exist on or off site, but only one organization uses it.

Use a public cloud: If you don't want to build the cloud yourself, put the workload on a public cloud, an infrastructure made available to the general public. You can then use the public cloud to offer IaaS and PaaS.

Cloud migration: Migrating to the cloud is complex. Your integration and advisory services can minimize risk and make sure it is done correctly.

Summary

While it may be difficult to beat the prices offered by large public cloud providers, IT service providers and MSPs can set themselves apart by focusing on reliability, ease of use, service levels and responsive support. Even if a customer isn't ready to bail on his on-premise IT investments until he has to, he'll likely move some IT to the cloud. When that happens, IT service providers will play a key role in making that transition as painless as possible.

In reality, a business will never be 100% in the cloud. Some form of IT infrastructure will remain on-premise, and an IT service provider can make sure that structure co-exists with the cloud. Each situation will require an IT assessment, pre-deployment strategy, virtualization of servers and applications, data migration and integration between systems.

IT service professionals can make sure the project flies smoothly through the cloud without complications. In the process, they'll position themselves to take on the ongoing role of managing and monitoring the cloud solutions.

About LabTech Software

LabTech is the only managed services platform for remote monitoring and management with automation developed by a managed service provider (MSP) for MSPs. The affordable, agent-based platform so closely emulates what technicians do in the field that the techs can provide the same support remotely. Because LabTech Software understands how to manage a growing MSP business, they make it easier to procure their software and allow partners to add agents as they grow. For more information, please visit labtechsoftware.com or call 877.522.8323.



4110 George Road, Suite 200 | Tampa, Florida 33634
877.522.8323 | labtechsoftware.com

i	"Forecast Overview: Public Cloud Services Worldwide, 2011-2016, 4Q12 Update," Gartner, Feb. 8, 2013.	viii	Humphreys, John, "Threatening Skies: Cloud Computing and the Managed Service Provider," CloudTweaks, http://www.cloudtweaks.com/2013/06/threatening-skies-cloud-computing-and-the-managed-service-provider/ , June 25, 2013.
ii	ibid.	ix	"Successful Cloud Partners, Higher, Faster, Stronger," an IDC InfoDoc Sponsored by Microsoft, 2013.
iii	Omwamba, John, "Managed Service Providers Poised to Benefit Most from the Booming Cloud," CloudTweaks, http://www.cloudtweaks.com/2012/09/managed-service-providers-poised-to-benefit-most-from-the-booming-cloud/ , Sept. 26, 2012.	x	"3rd Annual Trends in Cloud Computing," CompTIA, July 2012.
iv	"Cloud Computing: State of Play Research," Manchester Business School/Rackspace, May 2013.	xi	ibid.
v	ibid.	xii	"Sizing the Cloud," Forrester, April 2011.
vi	"A Shift to Cloud Computing and its Impact on Revenue Recognition," PricewaterhouseCoopers LLP, 2010.	xiii	ibid.
vii	"Cloud Computing, State of Play Research," Manchester Business School/Rackspace, May 2013.	xiv	"The Notorious Nine: Cloud Computing Top Threats in 2013," Cloud Security Alliance, February 2013.
		xv	"Small and midsize companies in the cloud reap security, privacy and reliability benefits," Microsoft News Center, http://www.microsoft.com/en-us/news/Press/2013/Jun13/06-11CloudStudyPR.aspx , June 11, 2013.
		xvi	"3rd Annual Trends in Cloud Computing," CompTIA, July 2012.



CLOUD