

CHANNELLING THE CLOUD FOR PROFIT

Cloud Opportunities Uncovered



AN
ITPRO
PUBLICATION

In association with

 **TechData**

Advice, guidance and insight
designed to maximise cloud value

Tech Data Cloud Solutions

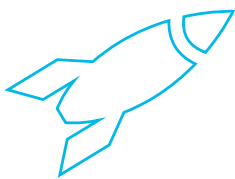


Wherever you are on the journey to Cloud, Tech Data will help you to Access, Power and Master the cloud. We have the cloud portfolio, marketplace, enablement, support and advanced services to make you a successful CSP.



Access

Access to the most extensive Hybrid cloud solutions, converged infrastructure, Third Platform technologies and services portfolio, including specialised services and assessment tools to help partners identify solution gaps and address the diverse needs of vertical markets.



Power

Comprehensive Cloud Marketplace that provides greater exposure for partners' cloud offerings to help increase sales productivity, flexible billing models supported by a powerful toolset to ease transitions to subscription and consumption models as well as enables efficient management of end-users' cloud lifecycle.



Master

Training and education services for continual improvement as well as access to solution specialists in sales support, marketing or business development to help nurture a cloud practice at any maturity level.

Welcome



Are you ready for the cloud success era?

Times are changing for the channel, and the single biggest propagator of the change is cloud computing.

It's having a dramatic effect on how the channel does business, prompting many traditional resellers to re-evaluate and redesign their business models to accommodate the shift in how their customers want to consume IT.

Research by the Cloud Industry Forum (CIF) shows roughly two-thirds (65%) of the UK IT channel currently offers cloud services as a part of their portfolio, which is helping their services-led transition.

This isn't without challenges; overhauling business models in such a way is a major leap for many channel partners, raising many organisational, commercial, cultural and skills-related issues.

However, the pay-off can be great. In this special report, brought to you by the experts behind *Channel Pro*, *Cloud Pro* and *IT Pro*, in association with Tech Data, we examine how market forces are making resellers re-evaluate their business models and seek new opportunities in a changing world.

We consider the different ways that cloud is affecting the traditional channel model and examine how resellers, MSPs, CSPs and VARs can leverage cloud to grow even more profitable.

Cloud is here to stay. Any channel organisation recognising the opportunities available is well-placed for success.

We hope you find the report engaging, insightful and informative. Thanks for reading.

Christine Horton



About our Sponsor

Tech Data empowers channel partners looking to build or scale their cloud practice by providing a continuum of public, private and hybrid cloud offerings and services. Through access to innovative cloud technology, comprehensive cloud marketplace features, and enablement support resources, we help our partners develop new capabilities to profit from cloud subscription and consumption models spanning from the enterprise datacentre to the consumer.

For more information, visit: <http://www.techdatacloud.eu>

EDITORIAL

Editor

Christine Horton

Production editor

Maggie Holland

Design and layout

Sarah Readman

Contributors

Eric Doyle, Rene Millman
Adam Shepherd

Publisher

Paul Franklin

ADVERTISING & REPRINTS

Advertising Manager

Gary Rayneau

LICENSING & SYNDICATION

International Licensing

Dharmesh Mistry

MANAGEMENT

Head of technology

Paul Hood

Managing Director

John Garewal

MD of Advertising

Julian Lloyd-Evans

Chief Operating Officer

Brett Reynolds

Group Finance Director

Ian Leggett

Chief Executive

James Tye

Company founder

Felix Dennis

All material © Dennis Publishing Ltd, licensed by Felden 2017, and may not be reproduced in whole or part without the consent of the publishers.

Liability

While every care has been taken in the preparation of this magazine, the publishers cannot be held responsible for the accuracy of the information herein, or any consequence arising from it.



Dennis Publishing Ltd

Contents

What challenges does the public cloud bring to the channel? P4

Falling sales in the server and storage markets plus keen pricing wars on the internet are forcing resellers to re-evaluate their business models

Multi-cloud co-opetition? P6

Why is a multi-cloud future better for customers, vendors and channel partners alike?

Case study P8

We detail how OmniCX partnered with Tech Data to drive business value and results through the cloud

How is the consumerisation of technology affecting organisations' purchasing behaviour? P11

Is the way your users buy technology affecting your business?

What cloud skills will the channel need in the future? P13

Businesses look upon channel partners as trusted advisors and cloud will play a key role here



Cloud marketplaces P15

There is a growing trend of companies spinning up services via a cloud marketplace. What value do they bring?

Analyst Q&A P18

Canalys' chief analyst Alastair Edwards shares his thoughts on how the channel can profit from cloud

Tech Data Q&A P21

Reza Honarmand, Vice President, Tech Data Cloud Europe, discusses the vital role that distribution plays in the cloud ecosystem



Channelling resources for a cloudy future

Falling sales in the server and storage markets plus pricing wars are forcing resellers to re-evaluate their business models as they seek new opportunities in a changing world...

The days when lucrative server and storage orders provided a reliable revenue stream for the channel have disappeared. The growth of Infrastructure-as-a-Service (IaaS) and the use of public cloud has vastly reduced the hardware opportunities and the main market is primarily reduced to departmental file and print servers at best.

Finding a substitute for this potential loss of income generally means a move away from selling hardware because servers and storage arrays have become commoditised. The game has switched from hardware to software, primarily related to virtualisation and software-defined infrastructures.

A changing landscape

Channel dealers were at one time split between the tin-shifting, software-hawking vendors and the value-added resellers

(VARs). The cloud is now turning most traditional resellers into VARs and the remainder now only really prosper online or in the volume space. The knock-on effect is that channel operatives are now accepted as “trusted partners” and are more closely aligned with their customers’ businesses.

According to analyst firm IDC’s Worldwide Quarterly Server Tracker for Q4 2016, volume and midrange system revenue decreased by 3.3% and 6.1% respectively, while high-end systems suffered a year on year fall of 10.7%. This still represents a

\$14.6 billion worldwide market, but a large proportion of that came from cloud and corporate datacentres.

It is not all doom and gloom for the channel as long as the players realise there is a need to embrace selling solutions and services, with the potential of moving beyond this by offering managed services for their customers.

In the SMB space, there is growing demand for local providers that can offer more tailored solutions for on-premise installations, SaaS integrations and packaged, or containerised, offerings that

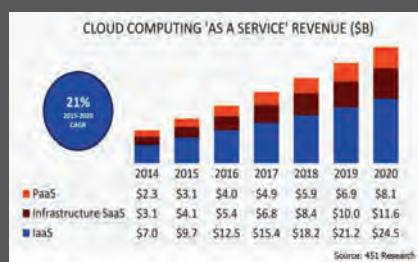
“Cloud deployments and software services have simplified the reseller market because there is less need for an army of technology experts.”

Containers vs virtual machines

Containers and virtual machines (VM) are distinctly different. A VM contains everything you need, including the operating system. The container sits on top of the operating system, which can be shared with other containers. This does pose the problem of security because a VM is self-contained and can be considered as a kind of sandbox, an isolated space which can be easily defended. Containers on the other hand, are more like applications and may need

protecting. A lot has been done to address container vulnerabilities, but they can always be installed inside a VM to gain the best of both worlds.

Another difference is that applications within a container cannot be patched while the container is running. This means that the patch must be applied to an off-line container and then the old container is replaced with the patched one. This may be viewed as a bit of a nuisance but, in actual fact, the patched container can be tested before it is deployed, which is actually better than applying a fix to an operational application. The time taken to swap in a new container is minimal and, properly planned, should not cause disruption.



can easily be rolled out into the cloud.

The benefit is that cloud technology is constantly changing and this means resellers not only become closer to their customers, but also form a deeper relationship with their suppliers. This takes the form of a chained education channel where the manufacturers keep the resellers up to speed and the knowledge gained is refined to keep the end customer informed about the benefits and drawbacks of these changes.

New technologies and trends emerge

One of the new development areas in cloud technologies is the growing power of containerisation, the ability to package all the elements of a virtualised application suite so it can be preconfigured, tested and then simply dropped into the hardware with a high degree of confidence that everything will work well.

Containers mean that upgrades or other changes in configurations can

be engineered at the resellers' premises and deployed remotely without the need for costly site visits.

The move from hardware provision to software and services management also smooths cash flow. Unpredictable spikes of income are replaced by regular monthly



“Hardware sales are increasingly tough deals to win but the new opportunities provided through the cloud are now evident.”

income from licensing and ongoing service provision. Cloud deployments and software services have simplified the reseller market because there is less need for an army of technology experts and this means that the number of customers that can be served increases to compensate for the loss of hardware sales – and the reduced need for highly qualified staff brings down the monthly wage bill, allowing an even larger increase in the customer-facing salesforce.

Switching customers onto managed services makes them less likely to readily move to a new supplier, making business planning easier and eliminating the quarterly rush for contracts and revenue to meet targets.

Enter the Internet of Things (IoT)

The flexibility and scalability the cloud offers allows customers to expand the ways in which IT can benefit their businesses, with minimal financial risk, as new technologies such as big data and IoT applications appear.

The channel also benefits from risk reduction because investment in stock is dramatically reduced. Training and education programmes may be an additional cost, but this could be recouped through consultancy and service fees.

Many of the larger resellers have already made the transition to become managed service providers (MSPs) but cloud services provision is becoming simpler and opening up the option to a broader range of businesses. Hardware sales are increasingly tough deals to win but the opportunities provided through the cloud are now evident.



Multi-cloud co-opetition: a brighter future, together

Is a multi-cloud future better for customers, vendors and channel partners alike?

Business in general, and business IT in particular, has long operated on a winner-takes-all, survival-of-the-fittest model. Vendors will duke it out for high-value contracts, competing to earn a place as the main supplier for a company's tech needs. The winners sign lucrative, long-term deals, while the vanquished are left to slink off in search of other customers.

Rigid vs flexible

As part of this model, a company's technology stack was often rigid, homogeneous and unyielding; some were Microsoft shops, some used Linux, and never the twain shall meet. This was partly due to the rich seam of animosity techies have for anything other than their one chosen platform, but it's also partly to do with compatibility issues that frequently arose between competing platforms.

Now, however, all that is changing. The

rise of the cloud, and cloud-based services, has opened up a new world of freedom and choice for CIOs. The marketplace is filled with more competition than ever before, and the comparatively low cost of spinning an app up in the cloud means that the big enterprise software players are no longer safe from having their market eaten by smaller disruptors.

While there are more options than ever for customers to choose from when allocating their IT budget, an increasing number of them are demanding not to have

to make a choice in the first place. When faced with a multitude of vendors and technologies, customers are instead insisting that they be allowed to mix and match, or even to use two competing solutions at once.

In fact, tech giant Dell Technologies believes that the future for every business is going to lie in embracing a combined solution. "We believe it's going to be a multi-cloud world," founder and CEO Michael Dell said at the 2017 Dell EMC World conference.

“When faced with a multitude of vendors and technologies, customers are insisting they be allowed to mix and match, or even to use two competing solutions at once.”



“We all consume IT in a variety of forms – public cloud, private cloud, hybrid, software as a service, managed services – and it’ll all come down to optimising workloads and securing and managing that efficiently.”

There are many reasons companies use two competing vendors’ products at the same time. The finance and accounting department may rely on a number of Excel spreadsheets, with complex macros and formulae that don’t quite translate to Google Sheets. The sales team, meanwhile, may have adopted Chromebooks, and so need a document suite that’s lightweight and cloud-based in order to maximise mobile productivity.

The M&A factor

Acquisitions are another common reason why companies may operate a mixed estate; if a company you’ve snapped up uses a different vendor’s products, it doesn’t always make sense to refresh that company’s entire IT setup just to bring it into alignment with your existing technology.

This provides an ideal opportunity for the channel, as customers demand greater choice and flexibility from their IT. After all, one the primary benefits for a customer of buying IT through the channel rather than going to companies direct is the fact

that resellers and channel partners can help customers to craft a tailor-made IT package that fits all their business needs. This means happier, more satisfied customers, which in turn leads to a better working relationship and more repeat business.

It also avoids the nasty situation of customers finding themselves locked into one vendor’s IT stack. This can throw up problems later down the road, should the company discontinue a critical product or service you rely on, forcing you to update your entire estate for the sake of one element.

Almost 70% of European organisations are actively working with more than one cloud provider, according to a study by 451 research and Microsoft. By enabling customers to purchase all their services from the same place – ideally along with the rest of their IT – the channel can make things more convenient for customers whilst at the same time scaling the size of their offering.

According to the same study, the top reason for companies to ditch their primary cloud or hosting provider is a lack of competitive pricing – if channel vendors don’t offer disgruntled customers an alternative to a vendor they think is too expensive, that customer is more likely to walk out the door. This customer-centric approach is one of the hallmarks of the

multi-cloud boom; using multiple different cloud vendors puts customers in a much stronger position to negotiate compute and storage fees, as they aren’t reliant on one firm to host their mission-critical apps.

Offering multiple different cloud services can be a key differentiator when trying to land a contract with large, global companies. Data protection regulations like the EU’s GDPR often mean that customers have to strictly control where their data is hosted the ability to offer cloud services in multiple separate geographies could be a key advantage in contract bids.

The fact is, IT is no longer a zero-sum game. Companies aren’t looking for homogeneity in their IT, but are instead opting to engage multiple vendors in the configuration that best suits them. It is the channel’s responsibility to help foster and enable this trend, providing not just as much choice as possible, but also the expert advice and guidance that businesses rely on in order to make informed decisions about the technology that powers their business.

CIOs should act as multi-cloud brokers

Gartner estimates that by 2025, 55% of large enterprises will successfully implement an all-in cloud SaaS strategy.

However, the analyst warns “independent and uncoordinated journeys into cloud SaaS” could lead to fragmented or siloed cloud service implementations. It calls for a “coordinated, service-centric approach” by chief information officers.

It says CIOs should focus on cloud brokerage, offering value-added capabilities, including help desk/support for multi-cloud SaaS solutions, integration skills, and procurement and contract management skills for cloud usage. It adds that they should focus on the services that will make an immediate difference to business users adopting SaaS.

“A primary benefit of buying IT through the channel that resellers and channel partners can help customers craft a tailor-made IT package.”

CASESTUDY



Tech Data and OmniCX

An Indirect Hit – Why Azure CSP Works for ISVs

When you're an ISV, independence counts for a lot: independence of thought, independence of platform and the independence to create what you want without boundaries.

This is precisely what drives Vikram Saxena and his team at OmniCX; their specialist digital commerce platform built on Azure helps mid market retailers serve their customers across channels without compromise and grow their income by developing new revenue streams. OmniCX's platform reduces implementation times from months to days as retailers no longer have to wait for a gap in the development calendar before provisioning innovative new customer experiences.



Vikram
Saxena

"We're particularly interested in helping mid market retailers."

Vikram Saxena – OmniCX

A No-Cost Approach = No Business Growth

"We're particularly interested in helping mid-market retailers", explains OmniCX's founder, Vikram Saxena. "Many of them start out by building a digital commerce platform using open source software, but it doesn't take long before they begin to experience the limitations or hidden costs of a low-cost or no-cost approach. It's fine if you're dealing with a few hundred transactions a month, but the minute you need to scale you get stuck. This inability to meet spikes in demand harms the customer experience and directly impacts the ability of retailers to grow profitably."

The Power of The Platform

Having developed the platform, OmniCX had an early win with The Fragrance Shop. Vikram's eCommerce solution took The Fragrance Shop's network architecture from resource-intensive and temperamental to a robust, scalable, demand-driven operation. The benefits were immediate – 2,000 orders were successfully processed in an hour on Black Friday and web conversion rates grew by 60%.

"The OmniCX platform is the technology that enables our business to put the customer's experience at the heart of everything we do - mobile, web and in-store."

Julian Holt, CTO, The Fragrance Shop

CASESTUDY



A Conversation Leads to Improved Cash Flow

With Azure + OmniCX delivering incredible results for The Fragrance Shop, it would have been easy for Vikram to focus on searching for more customers, but a conversation with Dwayne Earl, Software Business Unit Manager at Tech Data, brought about a change that delivered significant benefits for Vikram and his team.

"I was explaining to Dwayne what we had achieved for The Fragrance Shop," explains Vikram, "and he told me that Tech Data had recently become an Indirect Azure CSP provider. This was of immediate interest to me because it made commercial sense: Tech Data could extend credit terms to me which improved my cash flow."

"As in all businesses, cash flow is critical", says Dwayne, "and our credit line facility via the Azure CSP programme gives partners like OmniCX up to 30 days between consumption and payment. This is a huge difference when you compare it to having to pay up front for direct Azure."

Working with Dwayne and the Tech Data team, Vikram created a plan to migrate the Azure component of OmniCX to Azure CSP so that he could realise the commercial benefits as soon as possible.

The Direct Route is not always the Fastest

With the Microsoft Partner ecosystem in the UK containing tens of thousands of organisations, it's easy to understand why not every company can enjoy a direct vendor relationship. What struck Vikram was the ease with which Tech Data connected OmniCX to the Microsoft UK team.

"I had been running around trying to bring our solution to Microsoft's attention without success – we were just one among thousands of ISVs trying to get support," says Vikram, "but within a couple of weeks Tech Data had been able to showcase what we do to key people in the Microsoft UK team."

As a result, OmniCX are working with Microsoft on a case study of their achievements with The Fragrance Shop and are in conversations about leading an Azure / IoT hackathon in partnership with Tech Data at Microsoft's Inspire.

Credit Where It's Due

Tech Data offers credit terms to ISV partners who consume Azure via CSP. This flexibility enables you to:

Control how you manage the commercials with your customers with no up-front payment required.

Protect the billing relationship with your customer – the invoice comes straight from you.

Enjoy up to 30 days of credit between consumption and payment.

Singing Your Praises

Tech Data enjoys a strategic relationship with Microsoft; commercially and operationally. Here's what it means for you:

Gain access to relevant resource, funding and support across sales, marketing, technical and support.

Benefit from our experience and connections.

No guesswork or wasted time – we know what's on Microsoft's agenda.

CASESTUDY



"Tech Data is a strategically important partner to Microsoft. With initiatives including an Azure Centre of Excellence, Tech Data is investing ahead of the curve and ready to support the innovation that comes from the ISV community."

Alison Wright, Partner Sales Executive, Microsoft

Scalability, Regardless of Size

Far from merely facilitating a supply-chain for technology sales, Tech Data provides a range of services that are designed to help ISV partners scale successfully whether they need support in designing, marketing or selling their solutions. Dwayne Earl explains:

"For me it breaks down into two areas: commercial and technical. Commercially, we help with everything from digital marketing audits and demand generation right through to the credit line facility once you make a sale. Technically, we have solution architects within our local dedicated CSP team and are building an Azure Centre of Excellence operating across EMEA. We're also able to offer ISVs a free 30-day Azure Proof of Concept service before they commit to using the platform.

The scale opportunity comes from putting ISVs in touch with our reseller community. By using our online portal, StreamONE, ISVs can not only provision their solution, they can also make it available for sale via our 8,000 active resellers – the potential is enormous."

Stronger and Smarter

By working with Tech Data, ISVs can focus their efforts in the right place: developing smart platforms and applications that break new ground in solving problems. For OmniCX, this means taking on the challenge of personalisation and customer-led experiences in retail. We'll leave the last word to Vikram:

"Working with Tech Data gives us confidence. With Azure, we have a platform that's scalable, reliable, and suited to the modern world. With Tech Data, we have a partnership that gives us strong commercial terms, a strong relationship with Microsoft and much broader support than we've ever had before. It was definitely a smart move."

Scale Your Sales

The StreamONE portal from Tech Data offers the following ISV benefits:

Offer your solution to a community of over 8,000 resellers

Provision Cloud Services directly to your customers

Access software from multiple vendors via a single source and all on one invoice.



What effect is the consumerisation of IT having on the channel?

Is the way your customers are buying tech affecting your business?

The consumerisation of tech goes across all technology types. The recent boom in smart home devices is fuelling growth in IoT, but how is this driving buying decisions in businesses? If anything, the IT department is still playing catch-up with consumer trends.

Other departments buying IT

According to consulting firm Intrinsic Technology's head of Innovation and Technology, Simon Langton, the consumerisation of IT has led to more business departments (whether HR, marketing or finance) making purchasing decisions on cloud solutions.

"For the CIO, this often spells chaos, as there are lots of different systems running in siloes. This is counter-intuitive for the CIO, who effectively takes on a supply management role as they fight to augment disparate systems to ensure interoperability and business agility," he says.

Langton adds that with processes such as Shadow IT taking a grip in the industry, business teams are now making decisions

without the CIO, which can contingently cause them to lose control and end up with issues such as information sprawl. "We're seeing more and more business leaders making decisions rather than the CIO," he adds.

In a recent survey of 850 software decision makers, Forrester found that on average, enterprises buy 50% of their software without direct IT involvement.

According to Duncan Jones, vice president and principal analyst at Forrester, this creates several risks for enterprises. "We find that managers outside IT perform too little due diligence on software suppliers' security, and fail to negotiate vital protection into SaaS contracts," he says.

"For instance, we've seen several organisations facing 30% price hikes from SaaS providers because the manager who placed the order didn't secure a price commitment beyond the initial contract term. We've seen others who faced a ransom to get their data back if they did not renew their contracts, because the manager hadn't considered that eventuality."

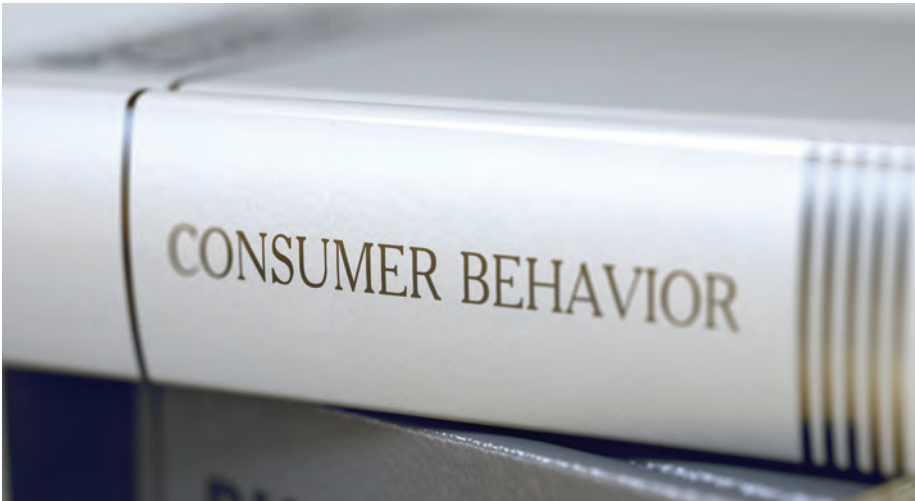
Jones adds that some technology management groups try vainly to stem this tide, while others put their heads in the sand and hope that they won't get blamed for subsequent problems.

"Our advice is to embrace the consumerisation trend, but put some guard rails around it. For instance, you can create a balance between autonomy and anarchy by establishing a panel of approved suppliers and framework contracts for software categories that are mainly business-driven," says Jones.

Shashi Nirale, senior vice president & SBU head at Servion Global Solutions says that businesses are now looking at purchasing through the customer lens to determine how technology will ultimately help to deliver a better end-user experience.

"This is why we are seeing greater investment in areas such as omnichannel, cloud and other customer-facing tools and services, as these are the areas that allow organisations to better differentiate themselves," he says.

“Enterprises buy 50% of their software without direct IT involvement.”



Selling direct

Jones says that many technology providers have had success selling direct to enterprise employees, including AWS, LinkedIn and Slack.

“This land-and-expand model avoids expensive enterprise software sales processes, but it does require good, automated processes for user engagement,” says Jones. “However, at some point the spend level goes above the radar, and attracts the attention of central departments such as cyber security and procurement.”

He advises vendors adopting this model to have customer-friendly contracts that enterprises can accept without having to negotiate loads of concessions.

“This reduces friction in the sales process, and avoids corporate groups vetoing the business manager’s choice of product,” he says. “This concept of customer-friendly contracts is a challenge for the giant software providers who are coming from the enterprise sales side. Many still retain unacceptable boilerplate contracts full of hidden traps for the unwary. Consumerisation of the software buying process – maybe ‘businessisation’ would be more accurate – is making this caveat emptor approach obsolete.”

Pitfalls

Nirale says that one of the biggest pitfalls businesses face is jumping in feet-first,

without doing the groundwork to create a clear strategy and understand how the implementation of new technology will impact the wider IT estate.

“We often see businesses that have invested in technology, only to find out that it does not integrate with their current IT stack – meaning they either have to completely switch out their infrastructure or live with the wasted cost,” he says.

He adds that businesses must invest the time to plan and work with experts who can design projects that will achieve business objectives.

“This is where the channel can be really useful in providing that trusted expertise and advice to end-user organisations,” says Nirale.

Evolution and disruption

The evolution of subscription and consumption-based IT service models is disrupting traditional technology models by shifting the purchasing of hardware further upstream to bigger wholesale providers, according to Jon Wrennall, CTO at Advanced.

“Ultimately, there are still servers, storage and networks but big buyers are consolidating the purchasing and are driving changes in market dynamics (and therefore the hardware manufactured in the first place). They, in turn, are reselling services both directly and via intermediaries (like

The IT purchasing shift

Research from IT industry association CompTIA into technology purchasing amongst businesses confirms the shift towards non-IT line of business executives making far more IT decisions.

- 45% of those surveyed said that ideas about technology come from different areas of the organisation; and 36% said more executives are involved in the decision making
 - More than half of respondents (52%) used business unit budget to pay for technology purchases in the last year
 - 27% of final decisions are now made by a different group or person than the IT department.
- As a result, CompTIA advises the IT channel to adapt their business models and sales strategies to the new buying audience.

value added resellers) who will likely go through some disintermediation,” he says.

“But those skills are best deployed when working alongside an in-house technology team that have the entrepreneurial skills to: understand what the business needs; know how to use its applications to create value; and use the specific knowledge to resolve the inherent integration complexities of supporting the organisation they know.”

With the consumerisation of IT causing more employees to cater for their own needs, the CIO needs to open up communication channels.

“They must be clear with the business on the power of information, and be clear on the ability to interrelate information,” says Langton. “Individual departments may work perfectly but, overall, they need the CIO to provide mechanisms to move disparate solutions to interface with each other and ensure compatibility. This reiterates the difference between the CIO and the CTO.”

“The consumerisation of IT has led to more business departments making purchasing decisions on cloud solutions.”



What cloud skills will the channel need in the future?

Businesses look upon channel partners as trusted advisors, so having cloud expertise will play a key role in the future...

The days when the channel could make lots of money from selling hardware and software are fading away as the cloud engulfs businesses. According to analyst firm Gartner, the public cloud services market alone will increase by 18% to \$246.8 billion in 2017.

The cloud has been the catalyst for this change. The cloud is creating a 'shared services' model that produces efficiencies by using common resources across multiple locations.

In order to survive this latest technological change, the channel will have to pick up a few cloud skills to ensure a

smooth transition. For many, this means providing a value-add service to customers as well as professional consulting.

StorPool CEO Boyan Ivanov says that the channel is in a unique position to tap into the public cloud market, but it needs the right skills and understanding to be able to offer its customers the best-suited solution for their needs.

"To make the most of the public, private and hybrid cloud markets, the channel needs to make education a priority. That way, resellers, distributors and managed service providers will be ready to compete with a new type of channel partner that's already beginning to emerge: one that services cloud providers, rather than hardware and software vendors," he says.

He adds that in short term, channel partners that strengthen skills and nurture a good understanding of the cloud will protect revenue and margins. In the long run, an increased depth of knowledge will allow them to stay in business.

What skills are needed?

The channel already has the skills required to make the most of cloud: they know how to work with their customers to find out what they need from a technology and to understand how their businesses are evolving, according to Ivanov. Many channel partners are already incredibly skilled at learning about new solutions very quickly, he says.

"However, there are some areas that I'd recommend focusing on. Understanding the difference between public, private and hybrid cloud is a must," he says.

Ivanov also recommends branching out. "Getting to know the supporting technologies that will help customers to get the most from their cloud will position a partner above the competition," he says, pointing out as an example software-defined storage as a high-performance alternative to traditional storage arrays that works incredibly well in the cloud. "It's cost-efficient and easy to manage. Building up knowledge of wider technologies is essential in my book," he says.

Data-handling competencies are key

Alex Raistrick, director WEUR at Rubrik, says that the ability to manage data in the cloud, orchestrate that data and help customers to protect that data, is needed by channel professionals. "When an enterprise entrusts its data to a third party, they need

“Now, more than ever, partners need to understand their customers inside and out.”

“The ability to manage data in the cloud, orchestrate that data and help customers to protect that data, is needed by channel professionals.”

to pay special attention to how they protect it,” he says.

Gary Gould, marketing director, ShoreTel, EMEA, says that selling cloud is different from traditional reselling. Digital marketing is critical as is establishing a new type of consultative relationship that provides guidance and advice on how to leverage different types of cloud tech and services including UC.

“You may need to change your internal mindset as the shift from selling products to offering cloud-based services - and the subscription model that comes with it - has been shaky for many partners,” he says.

More than a trusted advisor

Gould says that the channel can bring new value to your customers by becoming not only a trusted adviser, but a true business partner in an increasingly complex cloud landscape. He adds that channel partners should find prospects while they are still in the technology consideration phase.

“This requires partners to define their niches, where their expertise is most pronounced. The end user wants to know

why considering cloud technologies through the channel is the best option for them, and partners are using new sales and marketing engines to tell that story while differentiating their services,” he says.

The channel must be able to engage with customers on their journey to the cloud - adoption rates will vary and some customers will migrate slowly over time whilst others may jump right in, according to Reza Honarmand, vice president of Cloud, EMEA at Tech Data.

“Full appreciation of the technical and business aspects which can drive great advantages will be highly valuable, as well as having a clear understanding of the pitfalls. Now, more than ever, partners need to understand their customers inside and out,” he says.

Don't get left behind

One of the key pitfalls resellers need to look out for is being left behind in the marketplace, with cloud providers being able to sell direct to the customer without the reseller being involved, says Honarmand.

“It's really important that resellers offer added-value to ensure that they don't lose a piece of the action.”

It's important to note that all the best practices learnt over the years can still apply.

“Just because those within the channel now require cloud skills, it does not mean all others should be forgotten,” says Chris Hill, director of business development, EMEA at Barracuda Networks. “Within the channel, there is a healthy foundation of knowledge some of which can be transferred to the cloud, it just needs to be adapted to a new environment.”

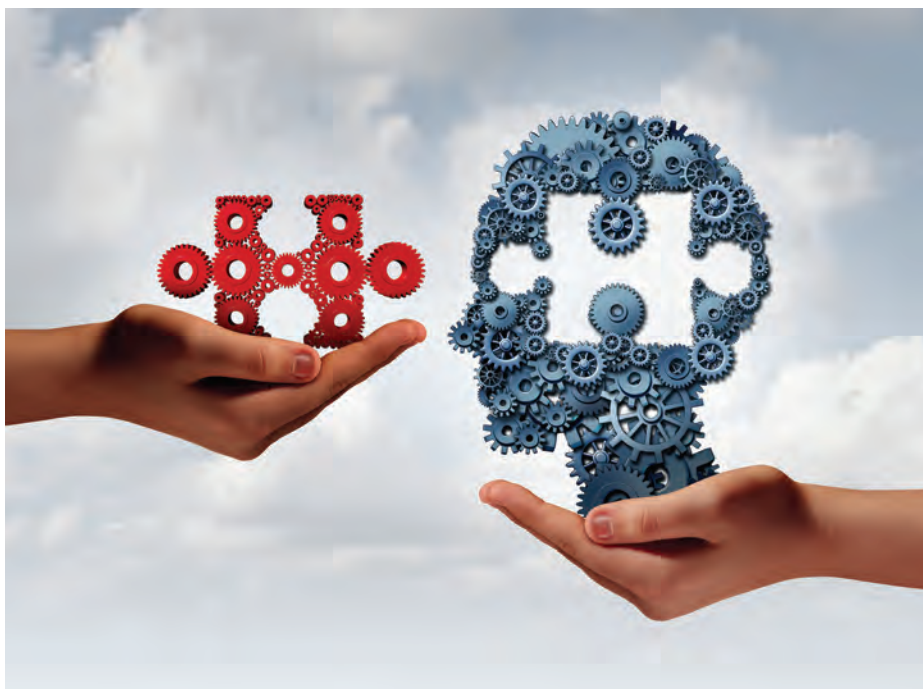
Cloud – the new normal for future business

IDC predicts that by 2020 clouds will stop being referred to as “public” and “private” and will simply be the new way business is done and IT is provisioned.

“With such a huge shift towards cloud computing, there is an enormous opportunity for the channel to future proof and upgrade their business models,” says Honarmand.

Cloud will also become an enabler for new security solutions, especially data security, as its perceived disadvantages transform into advantages. The European General Data Protection Regulation to be adopted in May 2018 will put pressure on companies to ensure the security of data collected.

“Companies wishing to move to the cloud quicker in order to outsource these responsibilities will benefit from a better quality of IT infrastructure, provided by companies with a clear focus and mandate around data security in the cloud,” adds Honarmand.





Cloud marketplaces – what value do they bring?

There's a growing trend of companies spinning up services via a cloud marketplace in different parts of the supply chain

With more and more companies becoming aggregators of cloud services, there is a variety of new entrants – like telcos – offering cloud services on top of their existing traditional businesses. But what does this mean for the future of the channel?

According to research carried out by CIF, some 80% of businesses are using cloud services to some extent and almost two-thirds (63%) of businesses can foresee a time when they move all their IT to the cloud. The research also found that roughly 65% of the UK IT channel

offers cloud services as a part of their portfolio to their clients.

But what value does an online shopfront for cloud services offer to end user organisations and what role can the channel play in this? And can they do business in a cloud marketplace?

There are many cloud marketplaces available, many are specific to a particular vendor, such as Oracle Cloud Marketplace and Salesforce AppExchange. There are also distributors like Tech Data that operate marketplaces offering cloud services from several vendors.

There are two important points to acknowledge about cloud marketplaces. First, there are many different types of cloud marketplace and second, they enable channel partners to sell a comprehensive range of services.

What is a cloud marketplace?

As previously mentioned, a cloud marketplace is an online shopfront where customers can procure cloud services that span SaaS, PaaS, and IaaS. There may also be other associated services on offer too, such as professional consulting, migration services etc.

The cloud introduces market pressures, selling the cloud can mean smaller margins than what partners are used to, or indeed can make a viable business from. This in turn means that partners cannot solely rely on selling through a marketplace as margins

“Cloud account sprawl can be reduced and billing simplified through services bought through one marketplace.”

are too small; it can only be one part of their overall strategy.

Value from the channel

So where does the channel fit, more specifically partners, within a cloud marketplace ecosystem? A partner may consider numerous roles, such as an aggregator, an integrator, a broker or manager. Where channel partners can be of most assistance is to SMEs to help guide them through the cloud to meet a particular business need.

But it is not just about the channel adding value to a cloud marketplace, the reverse is also true, the marketplace can bring value to a partner's offerings.

Some IT distributors enable partners to white-label a cloud marketplace so that it can be customised to add the partner's cloud services to what the distributor offers. Such services can decrease the time it takes to provision new services for the channel's customers. They also allow channel partners to quickly become a single source cloud service provider and a trusted advisor to the business. Another advantage to using a distributor's cloud marketplace is that these allow partners to concentrate on adding value and providing solutions rather than spending time on administration.

Building up a cloud business with a marketplace

As touched upon earlier, having a cloud marketplace is only part of a partner's business. But it can be a crucial part. A partner needs to put together cloud deals that work, not just for them, but also the end customer. The marketplace is a business management platform where partners administer their cloud services portfolio that's delivered to the customer.

With thought, a marketplace increases the range of services a partner offers its customers. Having all services in one place increases the value of this marketplace to both the partner and the customer.

A successful marketplace, and therefore a successful cloud business, is all about being the first port of call for the customer. If they

What criteria should be taken into account in a cloud marketplace?

When considering using or setting up a cloud marketplace, it is important to consider the following:

The range of offerings – Are there enough services on offer to customers? Does it match their needs?

Automatic purchasing – Can multiple cloud services be integrated into a single offering when a customer purchases a subscription? Bundling multiple services from multiple vendors via a single transaction can make life easier for customers.

Automatic provisioning – When a customer buys a subscription, how long before the service is provisioned. The quicker this is done the happier the customer.

Subscription and invoice management – Can a partner change a customer's service easily? Can they invoice for services rendered in an easy fashion?

Support – What support does the marketplace allow a partner to provide? Does the marketplace white-label support or is this down to the partner?

“Cloud marketplaces allow channel partners to quickly become a single source cloud service provider and a trusted advisor to the business.”

reflexively turn to the marketplace to provision services, the business achieves customer loyalty

Offering end customer value

Having a marketplace can help end customers in their the journey in the cloud. Resellers can set up demos where customers can try out various products and services risk-free. Such marketplaces solve common problems for end user

organisations when transitioning to the cloud.

These common issues are in areas such as spending visibility, billing, optimisation and governance.

Cloud account sprawl can be reduced and billing simplified through services bought through one marketplace. It

can also allow customers to track usage and costs and deploy analytics to optimise those costs.

A marketplace can also be divided up into sections so that the end customer can quickly find the service they want and quickly provision it, rather than having to spend time hunting out the same thing via the internet.

In addition, it can help simplify the often complex billing process for partners.

Increasing margins and value

The cloud marketplace is a great way for the channel to transform their business. If done right, they can move from single-digit margins made from shifting products to as much as 50% when cloud services are wrapped up with professional managed services.

In addition, partners have an expanded range of offerings and can own the complete customer lifecycle.



Tech Data Cloud Solutions Overview

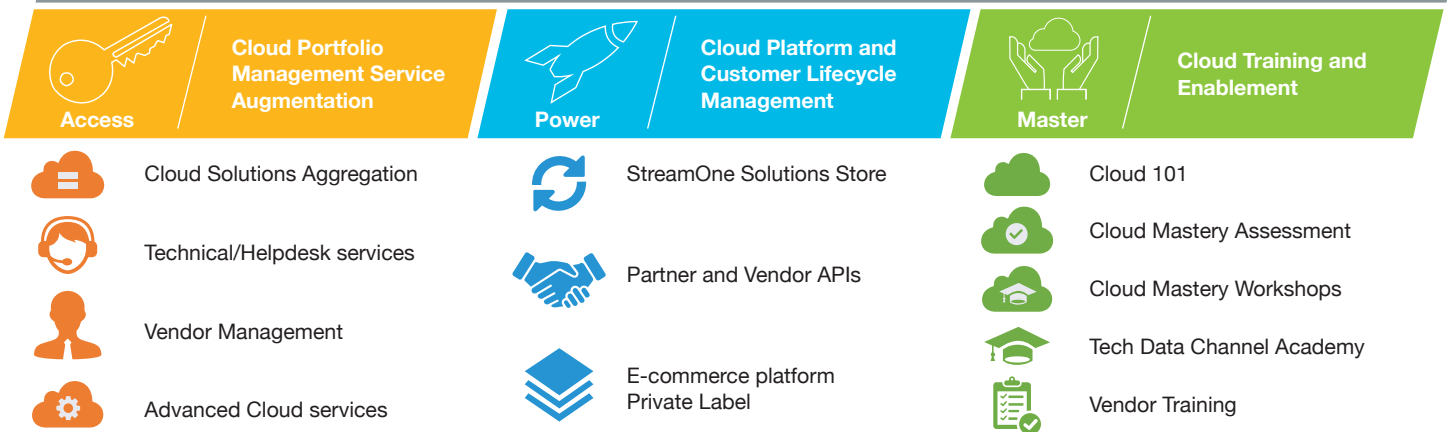
What's Driving Cloud Adoption?

End-customers are challenged to increase business agility and their relevance in the marketplace. Subscription and consumption based IT service models are evolving at a rapid pace and disrupting traditional technology consumption. Channel partners must embrace the new business models requiring them to transform as well as scale their products and services.

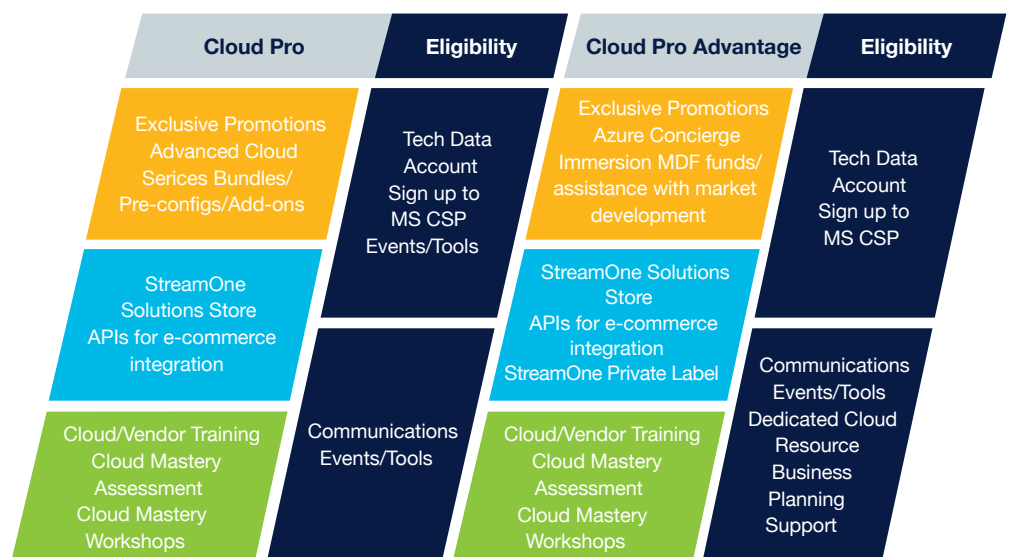
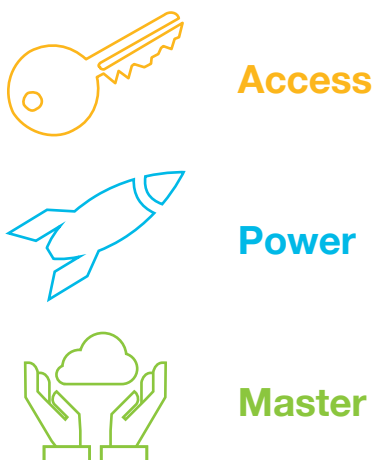
How can Tech Data help you to win with Cloud?

Tech Data empowers channel partners looking to build or scale their cloud practice by providing a continuum of public, private and hybrid cloud offerings and services. Through access to innovative cloud technology, comprehensive cloud marketplace features, and enablement support resources, we help our partners develop new capabilities to profit from cloud subscription and consumption models spanning from the enterprise data center to the consumer.

Tech Data – How we help you become a Cloud Service Provider



Sign Up for our Cloud Pro Program! And we will create you a personalised journey to success with Cloud.





Alastair Edwards, chief analyst at Canalys

Alastair Edwards looks at both the challenges and opportunities that cloud brings to the channel...

What effect has the continued adoption of public cloud services by organisations had on the channel?

It's becoming clear that as most organisations adopt public cloud as part of a hybrid environment, and on a multi-cloud basis, the channel will play a critical role in helping customers define the right cloud environments, to deliver, integrate, manage and secure these customer environments.

Organisations are deploying different public clouds for different workloads, applications, use cases and lines of business, which could include a combination of any number of public clouds including AWS, Microsoft Azure, Google, Salesforce, Microsoft Office 365, Adobe, SAP etc.

Many mission critical applications will continue to be run in private, dedicated datacentre environments (on or off

premise), while the public cloud is used for non-core functions such as back up, recovery, archiving, flexing compute resources and so on.

At the same time, a growing number of organisations that started down the cloud-first route are discovering the real costs of public cloud, and reversing some of that strategy. This creates huge complexity for customers, and they will look to their trusted IT partners for help.

Profile



Alastair Edwards is a chief analyst at Canalys and heads the company's Channels Analysis service, providing clients with expert advice on channel trends and strategies. His expertise spans all areas of the channel, and most recently his research has focused on the changing role of partners in new 'as-a-service' models. He leads many of Canalys' strategic consulting projects and is a regular presenter at industry events around the world.

For more information, visit: www.canalys.com

Cloud vendors like AWS and Google are now recognising that the indirect channel will be key to supporting their next phase of growth, and are starting to engage more with partners.

How can channel players adapt their business models to deliver value to their customers around both private and public cloud?

In a multi-cloud world, the opportunity for partners is to deliver cloud services as part of wider managed service, supported by SLAs.

Providing customers with a single monthly bill for all cloud usage will be a key function, for example.

This requires a very different business model, more akin to a mobile operator, and some companies, such as MSPs or telco service provider have something of an advantage.

We expect to see telcos taking a

“ Looking further ahead, there is a real risk of commoditisation for partners offering cloud services. ”





growing share in this channel, challenging legacy IT resellers. Distributors building cloud aggregation portals will help smaller resellers to develop this capability – either by billing directly on behalf of the reseller, or allowing the reseller to white label the distributor's platform – but larger partners – Axians, Cancom, SCC and others – are building their own digital marketplaces.

At the same time, channel partners must build relationships with cloud providers and new vendors, while also adapting sales skills for annuity revenue models.

The sales emphasis must move from upfront selling to looking at the total

customer lifecycle and rewarding sales staff for increasing total customer value through cross-selling, upselling and renewing cloud services.

Another critical, but lucrative, element is the development of professional services/consulting around cloud. This is from both a technical point of view – advising customers on appropriate cloud services and platforms, mix of private/public clouds, migrating workloads between clouds and private datacentres – but also from a business consulting perspective, addressing vertical or line of business [concerns] within customers.

Looking further ahead, there is a real risk of commoditisation for partners

offering cloud services: it will be increasingly important for partners reselling AWS, Microsoft Office 365 etc. to find ways to differentiate.

This will include, for example, developing customised applications, or specialising in specific technologies like analytics, IoT or security delivered on top of these cloud platforms.

What role can vendors play in supporting the channel's transition to cloud?

Creating programme competencies and certifications which recognise partners' abilities to support hybrid IT environments, incentive schemes based on annuity revenues, and co-marketing programmes.

Is the channel still faced with customer concerns regarding cloud?

Yes, absolutely. Security, complexity, compliance, integration with legacy infrastructure, lack of control over costs [and so on], but these all represent opportunities for the channel.

“ The sales emphasis must move from upfront selling to looking at the total customer lifecycle and rewarding sales staff for increasing total customer value through cross-selling, upselling and renewing cloud services. ”

Become a Cloud Pro with Tech Data



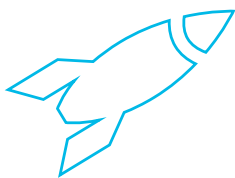
Everyone's journey to the cloud is different.
That's why Tech Data has created the Tech Data Cloud Pro program.

The Tech Data Cloud program offers you a range of educational and support resources that will be tailored to your business aspirations, whether you are just getting started or already selling cloud.



Get access to our partner ecosystem

- Regular cloud updates
- Exclusive access to programs and promotions
- Consideration to become a part of Cloud Pro Advantage



Harness the power of our cloud marketplace

- Access to StreamOne
- Option to connect via APIs
- Ability to launch your own branded cloud marketplace



Your Cloud Mastery Journey starts today!

- Free Cloud Mastery Assessment tool
- Access to Tech Data Channel Academy e-learning platform
- Engage in our Cloud Mastery Workshops



Reza Honarmand, Vice President, Tech Data Cloud EMEA

Reza Honarmand explains how distribution is helping the channel make the transition to cloud

What are some of the challenges that your channel customers tell you they are facing in today's cloud-centric environment?

The main challenge is getting their people skilled up. They already have people who understand how to operate their clients' setup, or put a rack into a datacentre, or provision a virtual machine, but they need to get cloud skills in-house.

But it's easier said than done – if a service provider is operating with 12 guys and offers a 24/7 operation, how do you pull these guys out to train them? Then, once you have trained them, how do they convince the customer of the benefits of moving to cloud? First, they need to understand what the technology does, how much it's going to cost them and how to sell the value proposition to the customer. This is the real challenge. Then, when they do move across to the cloud, there is a period where half of their environment is sitting in the cloud, and half on-premise, and they need to manage both.

They are also going up against larger or more agile outfits that are operating at lower costs, so they need to add more services.

How is Tech Data helping its customers make the transition to the cloud? E.g. services, education, financing, etc.?

We are helping them in several ways in terms of training and operational support to enable them to make that first move. If



Profile

Reza heads up Tech Data's Cloud business across Europe. As one of the group's strategic focus areas, Tech Data's Cloud business is seeing exceptional growth rates, delivering \$500+ million annual run rate of services to over 9,000 IT partners. Reza is focused on developing strategic relationships that deliver growth and partner value through collaboration and high-performance teams. He joined Tech Data in May 1999 and has a track record of developing and converting strategies into consistent market beating performance across the European region. www.techdatacloud.eu

a customer is looking to migrate, we can come in and explain the technology.

We are also working hard with large cloud providers who are compensating and supporting the cost of that upgrade. They also need to have access to the cloud technology so we help them with the cost of training and with the migration costs. We can even provide them with Proof of Concept (PoC) funding to prove that when they do move across it's going to work. We also have our Business Solutions Centre that's available to end customers to help them make the right decision and get them across the line. It needs people with that depth of expertise,

and we have an army of those guys in presales and engineering teams.

We offer a broad range of advanced services, such as assessment services that help with deployment and migration and future operations like capacity planning.

Changing their business model can be a complex process for channel partners. Can you provide an idea of what they should expect when they move to cloud?

In terms of the transactional part of buying and selling cloud, the more subscriptions partners have to manage,



THRIVE IN THE CLOUD MARKETPLACE

Wherever you are on your journey to Cloud Mastery, Tech Data can help.

[Learn More](#)
[Get Started](#)

Tech Data Cloud empowers information technology solution providers by offering access to our portfolio of cloud technologies with best-in-class vendors.

the more complex their transactions are. This year, consumption of cloud neared nearly \$500+ million annual run rate. In a year, we will do three times more transactions within our cloud business than in our entire software business. That means Tech Data's customers will have to do three times more transactional work than they have ever done before. This introduces massive complexity, so the job of Tech Data and our peers is to help partners cut through that complexity.

We're investing in our platform so we can really simplify the billing and provisioning process and help partners correctly charge customers and manage their business better.

Do you believe for many customers it will be a straight jump to cloud, or will they adopt a hybrid or multi-cloud model?

With SaaS, it's possible to move certain applications – collaboration and email, for example, can move straight to the cloud. When you're talking about mission-critical operations, it will be

“We offer a broad range of advanced services, such as assessment services that help with deployment and migration and future operations like capacity planning.”

multi-cloud, it will be hybrid, it will be partly on-premise private cloud. That will be the reality for years to come. As such, there is a real need to help partners manage that move, and then help them manage that hybrid setup.

Are there any other market trends that you see driving cloud adoption?

Cloud is the fastest growing business we've got. We're talking about something that's worth hundreds of millions of dollars in annual run rate business and we're still measuring the growth rate on a month-on-month basis. When you've got a business that is worth hundreds of millions of dollars and it is growing in double digits on a monthly

basis, it is a clear trend. People are talking about growth rates of around 18% when it comes to the cloud. However, the growth rate we see is a lot more than that right now. The growth is particularly strong around SaaS and Microsoft Office 365. Azure is strong, but IaaS projects tend to be longer project cycles. However, when they ramp up, the values are significant.

How is take-up among your traditional customer base?

We're adding hundreds per month. There aren't many customers who have never done cloud, but we're finding they're now starting to really sell it, they're really starting to transact. I think we're well and truly past the tipping point.



“ Vendors have a critical role to play in helping the channel to overcome these challenges and assisting partners through the complete sales cycle, from product/solution education and lead generation, through to migration, account administration and technical support. ”

“As with products, distributors are the engines enabling business to happen in the channel,” says Alastair Edwards, chief analyst at Canalys. “In a multi-cloud world, they provide a single source of products and vendors, they train the channel, they help vendors scale their indirect businesses, by providing reach into and order management of hundreds of thousands of channel partners.”

Ultimately, the channel can't afford to ignore the threat, or the opportunity that cloud brings. Every VAR will be aware of the flatlining sales figures for traditional storage and networking products, the ever-eroding margins on hardware deals, and the increasing demand from customers for a choice in how they consume their IT.

The channel must embrace cloud – whether that's developing a full cloud service business, or choosing to resell another provider's offerings – there are many profitable options available to the solution provider that is willing to step into the cloud.

Where next?

Christine Horton wonders what lies in store for the channel when it comes to cloud...

For the many traditional channel partners, the transition from selling Capex based, on-premise technology to developing a services-led, pay-as-you-go business won't be easy. It requires an overhaul of their entire business model, affecting everything from sales compensation to re-training employees with the right skills for a cloud world.

Vendors and distributors must be on hand to assist them on their cloud journeys, to provide the expertise and skills they need to transform their businesses.

The latest Cloud Industry Forum (CIF)

research shows that while many channel partners feel their vendors do provide them with competitive advantage, and support them on their journey to the cloud, more than a quarter do not. It stresses that vendors have a critical role to play in helping the channel to overcome these challenges and assisting partners through the complete sales cycle, from product/solution education and lead generation, through to migration, account administration and technical support.

Distributors will play a critical role in their channel customers' development, too.



Christine Horton

Christine has covered the IT channel in-depth for the past 12 years, launching the industry's first website-only resource, Channel Pro, in 2009.