Essentials for CSPs to Succeed with Cloud-based Services

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ESSENTIALS FOR CSPs TO SUCCED WITH CLOUD-BASED SERVICES

INTRODUCTION

For many, cloud-based services represent a new way to do the same old things more efficiently and at lower cost. What this means is that enterprises offload data center operations to a hosted Infrastructure as a Service provider. Independent Software Vendors offer scalable, pay-per-use subscriptions as an alternative to traditional packaged software licenses. From this limited perspective, cloud services could be characterized as something similar to a high volume retailer’s business model: efficient operations yield cost savings that are passed on to consumers. In other words, for many in the industry, cloud services are a means for providing essentially the same old user experience but at a better price. Can such a point of view really have merit? Stratecast believes there is an inherent problem with this perspective as we believe it minimizes the capabilities and opportunities represented by cloud computing, each of which involves innovation for services, business models, and technology delivery methods.

In today’s world, business users, enterprises and entire industries demand technology solutions that improve productivity. Cloud computing introduces evolving service options created by the interaction among several partners and across multiple industries. In essence, cloud computing delivers common ground among application developers, enterprises, suppliers and customers, to create a new set of service offers that were never envisioned, or possible, in the past. This translates into a significant set of business requirements including: robust, high-performance networks; strong customer relationships; application delivery expertise; the continual infusion of innovation; customer-enabled self-service functionality; predictability of future customer needs; and flexible, integrated Operations Support Systems (OSS) and Business Support Systems (BSS).

For Communications Service Providers (CSPs) that are launching new cloud-based services or considering entry into the cloud services marketplace, there is good news. Of all the players in the nascent cloud services market including hosting providers, IT service and equipment suppliers, over-the-top service providers and application providers, CSPs are best positioned to successfully deliver on the cloud computing vision. However, success will require most CSPs to initiate change in their services strategy, marketing approach, and their underlying service delivery (network and IT) architectures. It also sparks an evaluation of the way business is conducted and IT systems are used to address the concept-to-cash business processes. Partners must be embraced; technology must be integrated; and above all, customers must be given the flexibility to define the way services will best meet their needs.

In this paper, Stratecast identifies the essentials a CSP must consider, to ensure a successful presence in the high-opportunity cloud-based services marketplace.
THE NEW BUSINESS WORLD

As businesses turn to technology to solve their strategic issues, they increasingly make cloud computing a part of the solution. Industries that have embraced this concept include consumer electronics, media and entertainment, healthcare, textbook publishing, education as “distance learning”, government services, manufacturing, utilities and more. Through their cloud service offerings, CSPs have the power to help their enterprise customers evolve their businesses to take advantage of the changing communications marketplace, as they work to deliver a better experience for their own customers. In fact, CSPs can play a central role in serving the marketplace with cloud services.

As shown in Figure 1, a common thread that runs within several industries is the need to enhance the goods and services each can produce with capabilities from the communications marketplace, especially the mobile sector, to create new or improved customer-focused solutions. A second point is the dependence of these industries on CSPs to deliver a repeatable and cost-effective means to combine the communications-enabled products and services from one enterprise with those of another, where it makes business sense to do so. This is why a well designed cloud services strategy can place a CSP squarely in the middle of every business need of every enterprise customer within its addressable market.

Figure 1
CSPs Have the Opportunity to Address Multi-Industry Business Models

Source: Stratecast
ESSENTIALS FOR SUCCESS WITH CLOUD

Cloud computing provides attractive alternatives with respect to what services can be delivered and how they are delivered, but cloud computing isn’t a “do it yourself” opportunity. Whether you have already launched a cloud portfolio, or whether you are still weighing options to determine the best approach, the following list of essentials will help ensure best positioning for future success.

Getting Started

- **Invest Time in Developing a Cloud Services Business Strategy** – The cloud services concept burst into the industry’s consciousness very quickly, and offers were speedily brought to market to capitalize on the hype. Unfortunately, many of the initial service offerings were delivered without the proper type of automation required for a sustained and consistent means to profitable monetization. Instead, these service offers relied on largely customized, labor-intensive ordering, installation, and billing processes that defy the precepts of cloud computing (i.e., low cost of delivery based on automation and standardization). Successful CSPs must adapt cloud service offers rapidly and seamlessly to address change in the market and in business practices. To achieve the highest level of success, take time to develop a cloud services strategy that supports your corporate strategy; addresses priority market segments where upside revenue potential may currently be dormant; and includes a solid foundation from which to launch and support such services. This foundation should include attention to people, processes, and technology, since the introduction of cloud services requires changes in each of these fundamental areas of the business to address dynamic market needs.

- **Leverage Your Corporate Strengths** – Cloud computing presents many opportunities to save and make money. In setting a cloud services strategy, you should determine which approach and business direction provides the best means to reach your target market. In general, your network and established OSS/BSS environment better positions you to deliver and manage end-to-end cloud services when weighed against other competitors such as data center-centric cloud providers. Your organization brings additional strengths including a recognized market brand, established customer relationships, skilled professional services teams, existing managed security, WAN optimization, application delivery services, and customer self-service portals. By building a strategy that leverages your corporate strengths, provides other service-specific differentiators, and simultaneously begins to address any known operational deficiencies that will get stressed upon launch of new cloud services, you will ultimately be more confident in your ability to meet your target customer’s business objectives and have a better chance of achieving the commercial success your organization seeks.

- **Align Your Cloud and Traditional Services Offers** – Cloud services should not be considered an entirely new line of business per se; instead they should complement your existing service offering lines. By adopting this approach, you can...
leverage your market knowledge and in-house expertise as you launch your cloud portfolio. For example, a CSP that focuses on the consumer market should resist targeting business customers with its cloud offers. CSPs that already have a hosting or co-lo business should consider expanding with complementary cloud Infrastructure as a Service offers. A CSP that differentiates with its end-to-end application delivery capabilities should provide a managed cloud solution that includes application delivery, security, and performance guarantees — but only if the supporting OSS and BSS can address such needs.

- **Choose Partners That Can Help You Grow** – Launch of and support for cloud services isn’t a “go-it-alone” model. If you build your own proprietary solution you will likely find yourself at a competitive disadvantage as market conditions change or as customer needs become more complex. Instead, involve IT industry leaders that can introduce you to a relevant set of innovative application and services partners that can also deliver an evolving supply of new services and applications for your customers. Select business oriented technology partners that have extensive and long-standing IT knowledge, particularly in the data center area, in addition to OSS BSS industry domain knowledge so they can work with you to establish a robust, and highly scalable cloud services environment. They should also be charged with ensuring such new business functions are integrated with existing processes and systems. Finally, they must have the insight to help you capture the innovation from application partners to bring diversity to your service portfolio and to enable your sales force, care representatives, and Web portal to sell, manage and support new services once put into play. Harnessing the power of the ecosystem is paramount in the cloud services world so don’t underestimate the importance and impact to the business of selecting the best partners most able to enrich your service portfolio.

**Automation is Essential for Success**

- **Invest In an Integrated Cloud Services Management Platform** – Cloud computing is about automation and standardization. In many cases, your organization is only part of the end-to-end service offering. As the network connectivity supplier, among other things, you are best equipped to manage the complex services encompassing the means from multiple suppliers brought together under a cloud service offer. This is why you can be at the heart of every business need of every one of your customers with the help of a centralized management control platform.

Such a platform will likely overlay your existing OSS BSS environment but will be enabled to handle the business relationship needs between applications, services, content suppliers, your business processes, and end customers. It will have enough flexibility to support multiple customer environments (private data center, private cloud, public cloud). It will be highly automated so as to be a very low/no touch operation for achieving the attractive and sustainable profit margins that cloud services can deliver. It must integrate with your existing business and operations environment as seamlessly as possible, with a readiness for operation within weeks of project launch.
Consider a single supplier’s cloud service management platform as long as it is designed to meet key cloud-based business functions including: rapid partner enablement; automated resource provisioning; high transaction throughput performance and scalability; service lifecycle support; customer self-service especially for business customers who typically demand high levels of visibility and control; application and service search, review, selection, purchase, and delivery; integrated trouble management between your processes and other suppliers; wholesale and retail convergent charging; and service quality monitoring and management.

Finally, be sure your installed OSS and BSS environment can address current network connectivity service requests in a flow-through manner. Doing so will enable you to meet the pay-as-you-grow expectations that most enterprise customers now have for cloud-based services, while minimizing your upfront investment and accelerating your time to revenue.

- **Build Appropriate Security and Performance Specifications Into Your Service Offers** – In any shared environment, customers have major concerns about application security, availability, and performance. If you plan to offer mission critical business applications, select a cloud service management platform with built-in security. Adjunct security offerings may not be capable enough to meet the stringent requirements that are likely to come from your largest and most important customers. For example, your platform should enable you to create service offers that are fortified with security components and strong Service Level Agreement (SLA) monitoring and enforcement mechanisms. Because customer needs vary, a flexible suite of cloud service selections will then allow customers to pick different security options (including data encryption, safeguards against unauthorized access, and protection from data loss or leakage) and performance SLAs (including availability, latency, and packet loss) according to need.

- **Establish Automated Partner Processes** – To help differentiate your brand, and for cloud services to remain competitively strong, application, service, and content partners require an easy means to interface between their software development environment and your cloud services management platform. As evidenced by the growth of App Stores for the mobile communications market, a rich and steady influx of new applications is the easiest way to demonstrate value to users, to keep them engaged, and to prevent churn. A developer-friendly way to add partner-provided content to an always available, always on network connection can shorten time-to-market; minimize re-coding through standard APIs and templates; and support conversion of certain applications for mobile access. Such actions will bring solid value to customers, and deliver profitable margins to all involved.

- **Support On-Demand Customer Self-Care** – A critical aspect of cloud services is flexibility, through automation, in delivering a meaningful service experience from the end customer’s perspective. Compared to the way things were just a few years ago, customers who have experienced interactive video, mobile TV, mobile banking, and distance learning have already gained an appreciation for automated and easy-to-use
self-service functionality. Your web portal should provide the end user with a similar way to find, buy and manage the service offers they desire. In essence, through integration with the cloud management platform, the search functionality should be optimized such that customers can find what they need and more of what they need, including access to applications, storage, and computing capacity. It also must provide users with self-service tools such as policy-defined usability or financial controls for managing their subscribed services.

Your customer self-service portal should allow your organization to capitalize on cross-sell or up-sell opportunities by automatically offering targeted, personalized recommendations for logical companion apps and services that the user is likely to buy based on analysis of service adoption and usage patterns captured about other users. It means offering customers spontaneously created service bundles that fit their unique needs, by bringing to bear the entire service portfolio and allowing a certain amount of user involvement in combining multiple service options into packages based on pre-established pricing policies.

Most importantly, the “behind-the-scenes” functions to enable this customer-facing simplicity are not likely to come from existing systems and business processes for any of the standard operations functions including ordering, fulfillment, assurance and billing, since they were never designed to address most of the on-demand needs cloud services require. Success will come from flexible systems that can interface with existing business functions and that will deliver the functionality to address all of the requirements from this new breed of services.

Managing and Monetizing the Investment

- **Rely on Business Analytics** – A successful cloud strategy will anticipate the future while addressing current customer needs. Tools are now available to optimize business insight about key market segments and to gain an understanding about which services provide high customer value and high margin for your organization. Tailoring up-sell and cross-sell offers based on customer usage trends, service adoption patterns, social networking analysis and insight from other data sources, both historical and real-time, are available today from leading vendors with business intelligence and analytics applications. Such focus is essential in a cloud-enabled future where you will, over time, offer potentially hundreds of thousands of new services. In this environment, business involves cross-industry and closer partner/supplier collaboration, machine-to-machine communications, and a deeper level of customer defined service and account management. Analytics tools enable you to stay on top of changing customer needs, dynamic applications and the evolving services marketplace. This is important for anticipating new business opportunities and to shape marketing or sales strategies according to actual or anticipated customer demand.

- **Enable Your Sales Force** – A cloud service management platform will enable new services and hence sales opportunities in a myriad of ways. Part of the equation for
success involves breathing new life into existing service packages through real-time on-demand pricing options. Cloud services can expand your organization into new markets by combining services from two or more content suppliers, through a broadband connection, to create service options that previously were not possible. They can even enable partners or resellers to deliver your branded end-to-end solutions involving network connectivity, application availability and customer equipment as a simple package targeted to meet specific Small or Medium Enterprise (SME) business needs across multiple sectors as well as within such sectors as education, retail, hospitality, and the professional services domain. Addressing these opportunities requires enhanced business processes, flexible systems and, comprehensive training of all sales and support personnel in how to provide customers and prospects with the cloud services information they need to recognize the business value supplied from such flexible service options.

In selecting a partner for executing your platform strategy, be mindful that a technology-only partner will deliver the right technology components to place cloud services into the competitive marketplace, but it will not necessarily provide help in ensuring commercial success once these services are in play. The larger IT vendors not only deal with the critical technology needs for implementing a cloud services strategy, but typically have sales training arms that will devise a program for you to equip your sellers and channels with the right knowledge to help ensure success with your targeted enterprise segments.

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The communications industry is undergoing change at a monumental pace when compared with how business was conducted even just 10 years ago. Technology evolution and customer demand are driving new ways to satisfy wanting more for less and doing things faster, better and cheaper than ever before. Cloud services are an integral part of this process as they have enticed customers in all segments to embrace the new self-service procurement and management model within a world of ever-increasing information, entertainment, and communications-enhanced IT applications and services.

Cloud computing is both a new service offer and a new way to provide services to a rising tide of customers – business enterprise and consumers. For the CSP community, cloud computing represents a new era for real-time service offers and real-time accountability for how customers use and pay for services, which often extends beyond the traditional walls of network connectivity. It also means embracing new business models to stay synchronized with changing market conditions. The largest business challenge to the global CSP community is in support for these new business needs because existing systems and processes were never designed to address real-time business operations or pay-as-you-grow business models. However, this challenge can be met by seeking cost-effective ways to augment existing systems and processes with flexible technology and business solutions that will drive the service creation and delivery environment to a lower cost structure while providing the opportunity to infuse innovation into the new services environment.

Gaining customer attention in a crowded marketplace requires CSPs to seek a competitive advantage if they want to succeed in this evolving, dynamic, and increasingly competitive environment. For example, it requires a dedicated focus on directing your organization toward a new business and operating model while, at the same time continuing current operations to meet today’s business needs. Defining the right cloud services strategy is not the same for every CSP. Your strategy, and especially your business focus for supporting your customer base, must be different from other cloud operators. What is common is a solid realization that cloud services are different from anything delivered in the past because they intensify the dependence on all types of partners (business, application, technology). As such, they will illuminate the weaknesses that current systems and processes display. Customer demand for more innovative services with increasing complexity will only intensify over time.

The cloud services evolution is here to stay. Are you competitively tuned to your customer’s needs? In this new world, working with a trusted partner for both IT and business management issues may seem like age-old advice. However, when it comes to changing business models, real-time processes, and deepened external partner interactions, you need to count on the proven capabilities of an organization that can help bring all of the important elements of service creation, management and monetization together for gaining the competitive advantage you need to succeed. Cloud computing is quickly becoming the new business reality. The real question is: will you be ready when customers ask for help?
ABOUT STRATECAST

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