

Why You Should Partner With a Cloud Services Provider to Enter the Cloud

Time to take the plunge?

Many of our partners told us they decided to offer cloud services for one of the following reasons:

- Their clients were asking about cloud and they needed to provide the right answers.
- They wanted to be viewed as a services leader. Adding cloud services to their portfolio would help achieve this.
- Some of their competitors were already offering cloud services.
- They needed to:
 - Find additional revenue sources
 - Lower their costs and increase their margins
 - Improve their client responsiveness

In a nutshell, they had to proactively keep their clients from "going it alone" with one of the big cloud service providers (CSPs) or turning to a competitor for cloud services.

Once they decided to take the plunge they then had to determine if it was more prudent to align with one of the big CSPs, or go it alone and stand up a cloud on their own infrastructure.

After weighing the pros and cons of using a big CSP, some of our partners initially decided to **go it alone** for various reasons including:

- **Margins** - they didn't want to, or couldn't afford to split their margins with a big CSP.
- **Pricing control** - they worried about having to take pricing actions every time the big CSPs had a "race-to-the bottom" public price war.
- **Account control** - they feared that once a big CSP was in the picture they could lose account control, especially if the big CSP was also a SaaS vendor (e.g. x365 SaaS products).
- **Support** - they had heard that big CSPs mainly focus on supporting their mega-partners (those who can afford the top tier support subscriptions), while leaving their smaller partners to fend for themselves.
- **Simplicity** - they experimented with the big CSP platforms and determined there was just too much complexity which left them feeling they were no longer in control of their destiny.

The reality of building your own cloud:

Our partners who initially built their own cloud(s) told us that they quickly discovered providing cloud services was a lot more complex, and costlier than what they had expected. It's a whole lot more than just server virtualization.

Many of these partners compared their experiences to that of an iceberg analogy where up to 90% of the work was hidden from view.

They discovered that the "above water" parts are relatively easy. But the complexity and sheer volume of the heavy lifting items "below water" caught them by surprise.

They were amazed at the number of engineers (with varied expertise) it took just to stand up a cloud. They were also surprised that once the cloud was running it didn't get any easier. The ongoing maintenance and lifecycle management tasks were overwhelming. And to exacerbate the challenge, the sell-cycle for cloud services is lengthy and resulted in **very long ROI delays**.

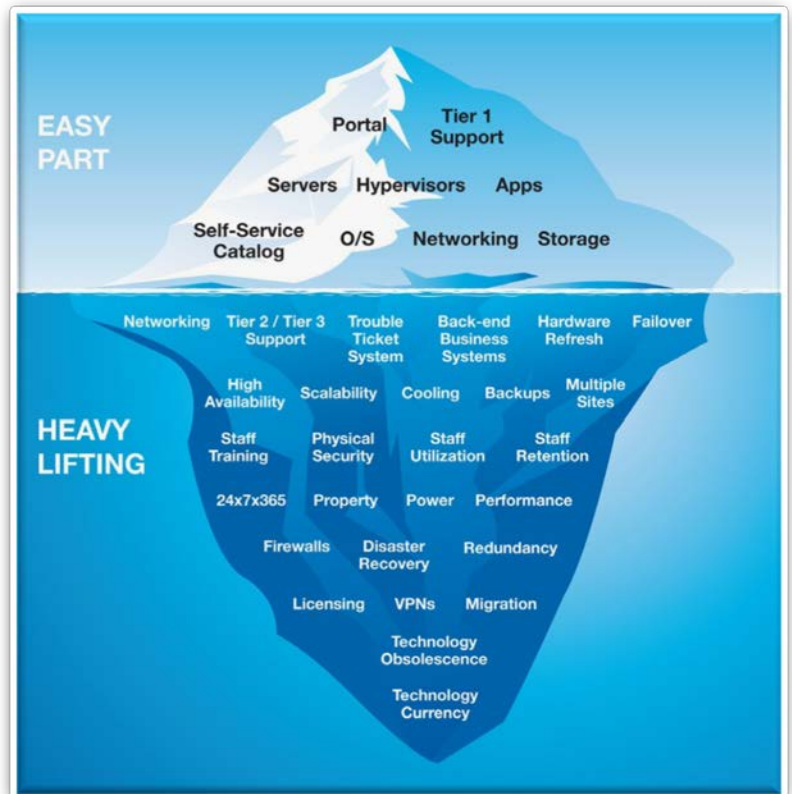
The upfront **CAPEX costs** of standing up a cloud can range from \$500K to \$1M (or more) making it critical to bring in revenue shortly after a cloud is up and running. Unfortunately, the reality is that the ROI delay can be devastating. Some of our partners did survive the initial ROI delay but when their cloud infrastructure neared capacity they couldn't afford to scale up due to the additional capital outlay required. It just wasn't worth the risk and costs to continue going it alone.

Another unforeseen challenge they faced was the cost of **staffing the right support personnel**. This cost can outweigh the cost of the cloud infrastructure. This is especially true if there isn't already a fully staffed 24x7x365 support staff in place. To save money some of our partners said they tried providing support by using an outsourced answering service with support personnel on-call. They even tried cutting back their support hour coverage to 9-5 (M-F). The cost cutting exercises resulted in customer satisfaction issues which gave their customers reasons to look elsewhere. Not good!

The answer: offload the heavy lifting to a trusted CSP

With the **heavy lifting offloaded** to a trusted CSP, service providers are liberated to deliver higher value services to their clients, which in turn leads to improved margins, and enhanced client stickiness.

And just think how much faster the time to revenue is when service providers don't have to deal with the heavy lifting! With drag-and-drop ease, cloud management platforms make it easy for service providers to replicate and support multiple customers in a timely fashion.



The “easy part” (the items shown above the water line) are opportunities for growth. The inhibitors are pushed down to the CSP where they are easily managed because this is what CSPs do.

Successful service providers have discovered they can grow their businesses without additional capital by leveraging a reliable CSP partner.

Does this sound too simple?

You might be thinking ... this sounds too simple. What’s the catch? The “catch” is that you need to **partner with the right CSP**, a CSP that’s focused on making you successful because they realize that their success depends on your success.

By partnering with a wholesale CSP you can begin realizing better margins. With a wholesale CSP there’s no public price list for your clients to compare against. This lets you price by the deal. Verify that the CSP makes it easy for you to offer additional value add services like disaster recovery, backup, migration etc. These higher value services cost less to deliver in the cloud and are great cloud entry points.



Finding the right cloud partner - your reputation is worth the effort!

When looking for a CSP, choose one who does it for a living. These CSPs have invested their time and money into building a highly resilient, scalable cloud infrastructure that you can rely on. This is their whole business and they don’t have competing business units. They’re focused on being the best CSP they can for their partners. These CSPs use components from tier 1 hardware/software vendors (just like the big CSPs) and they don’t cut corners.

But, be wary of CSPs that have SaaS business units which can easily be used to infiltrate your accounts.

As you assess CSPs, a key point to remember is that the CSP you choose is an extension of your business. It’s critical to ensure that the CSP you select is aligned with your business strategy and can provide a level of business and technical support that you and your clients expect.

Flexibility is a real key to success. Our partners tell us that a lot of the smaller CSPs they looked at have limitations in this area because of the tools they built their services on. To cut costs some smaller CSPs use free hypervisors with limited support. Some even go as far as using consumer grade hardware to save on their costs. Another common issue we heard was bad support. This issue surfaced most frequently with big CSPs where reaching an engineer, especially one who knew what was going on, was very difficult. We heard that getting a helpful support person on the phone was almost impossible.

These issues (alone) can be very costly to your reputation because if cloud issues do occur your clients look to you as the service provider, not the CSP. If you don't have the appropriate tools to use and you don't receive adequate support, how can you successfully support your clients?

Partner selection criteria: STRATEGIC REQUIREMENTS

- **Channel only:**
 - You don't want to end up competing with your CSP for clients (it happens).
 - You want a trusted (channel only) partner who works with you to **grow your business**.
- **White label:**
 - You want a partner who provides you the sales and marketing tools you need to be successful. This includes white label collateral, presentations, portal branding etc.
- **Costs:**
 - You want a partner who is transparent with all costs and helps you avoid excess costs.
 - You don't want a partner who has storage/networking policies where you're caught off-guard by the high cost of moving data out of their cloud.
- **Configuration support:**
 - You want a partner who enables you to seamlessly build or modify configurations to meet your client's exact needs whether the workload requires physical isolation or can be run in a multi-tenant environment, or even in a bare metal configuration for those workloads not suited for running in a virtualized environment.
 - You don't want a partner who limits configuration flexibility, giving your clients cause to look elsewhere for support of a specific workload or configuration they need.

Partner selection criteria: BUSINESS REQUIREMENTS

- **Wholesale pricing:**
 - Working with a wholesale CSP enables you to realize the best margins possible.
- **Back end business functions:**
 - The CSP's platform should include integrated back-end business system support, such as custom invoicing, real-time pricing/margin analysis etc. This saves you from spending cycles (time) on standard financial administrative tasks so you can focus on strategic goals.
- **Pay-as-you go:**
 - You don't want to pay for overprovisioned resources that you were forced to buy because the CSP sold you one of "their configurations." The most efficient pricing model (utility computing) is where you pay only for resources consumed.
- **Business Continuity:**
 - Be sure the CSP offers high value services such as backup, disaster recovery, migration etc. and ask for a demo or evaluation so you can make sure the services work as advertised.
- **Training:**
 - The CSP needs to provide training and skills transfer so that your employees are comfortable with the cloud environment and are as self-sufficient as possible. But, you want a CSP that's available 24x7x365 (without added costs) when you need help.

Partner selection criteria: TECHNICAL REQUIREMENTS

- **Cloud Migration:** Most CSPs have cloud upload or import functions. However, these come in all shapes, sizes and capabilities. The most common scenario is where a compatible virtual disk (e.g. a VMDK) is sent to the CSP and it's attached to the client's environment. This scenario is simple; however, it does not cover the use case that your clients probably care about the most – how to migrate a heavily utilized server. When the simple import process is used, there is downtime and lag time from when the copy is taken to when it's available on the cloud. For small, lightly used servers this process might be a few hours but for more complex, heavily utilized servers, this can take days. For this reason, make sure the CSP offers a true (purpose-built) migration service where the servers can be replicated from on premise or another cloud into the CSPs cloud. A true migration service enables migration testing, configuration and synchronization right before cut-over to the cloud. The time lapse is reduced to just minutes. In addition, the migration service should support failback should something unexpected happen.
- **Self Service:** The CSPs portal needs to be simple and intuitive to use with different views and roles based on login credentials or some other user identification mechanism.
- **Physical and Virtual servers:** It is critical to be able to support your client workloads that are suited for running both in virtualized and non-virtualized environments. You don't want to halt a migration project because of a single server that couldn't be supported in a virtualized environment. Your CSP needs to support physical, virtual and bare metal configurations.
- **Facilities:** The cloud infrastructure must be hosted in highly reliable, highly secure, Tier 3 (+) datacenters. It's important to know that there are several organizations that classify datacenters, but some CSPs self-classify. It's imperative to understand who performed the datacenter ratings and what specific certifications are and are not addressed.
- **Support:** 24x7x365 support is extremely important. Although you may not provide around the clock support to your clients, it's crucial that your CSP's cloud engineers monitor and manage the infrastructure 24x7x365. You don't want a CSP that outsources support to a 3rd party for "after hours" coverage. Or worse yet, you don't want to talk to an answering service that takes notes and forwards them to a 3rd party support person located in a distant place.
- **Service Level Agreements (SLA):** This is the most common reason we see service providers asking for help with competitive situations. The problem with SLAs is that there are marketing SLAs, contractual SLAs, and technical SLAs and they seldom match. SLAs also vary in how applicable they are to real world experiences. If a CSP advertises an SLA that sounds too good to be true, you should analyze the agreement and the cloud architecture. At Egenera, our SLA is four 9s and the investment needed to deliver this SLA is significant. Almost every big CSP offers SLAs around three 9s and very few contractually commit to do better than that. As you analyze SLAs be sure not to overlook planned outages. Having great uptime may not be enough if there are multiple planned outages every month. Always ask who does it appear the SLA was written to protect?

Simplify your CSP selection process and get it right!

Hopefully this paper provided much food for your thought. To ease your CSP selection process and to help ensure you choose the right CSP you can download our [CSP assessment checklist](http://www.egenera.com/csp-assessment-checklist/).¹

¹ <http://www.egenera.com/csp-assessment-checklist/>

Summary:

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

It's time to start the journey.

Make sure you have a highly qualified co-pilot partner on your side!

About Egenera

Egenera was founded in 2000 to deliver “tomorrow’s datacenter – today.” Since then we’ve been providing highly reliable, advanced server virtualization/converged infrastructure solutions. Building on this experience, we developed Xterity Cloud Services specifically for the channel. Xterity Cloud Services provide an intuitive, drag-and-drop cloud management solution that simplifies all cloud workflow processes including customized design, deployment, scalability, management, pricing, margin analysis, and billing.

Without the inherent complexities found in other cloud services, Xterity partners are liberated to focus on providing higher value, higher margin services to their clients. Xterity Cloud Services combine the security and reliability of Tier 3 datacenters with enterprise-class hardware and software to deliver wholesale managed private and public cloud IaaS services including bare metal, disaster recovery, backup, and migration. 24x7x365 partner support and assigned account management is included at no additional cost to help ensure success for our partners and their clients.

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