

# Making money from the cloud

A Risc Group white paper  
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## Summary

Organisations are increasingly becoming aware of the technical, commercial and economical benefits of hosting their data and applications in the Cloud.

But how do ICT resellers take advantage of this emerging demand?

The purpose of this paper is to discuss the commercial benefits of traditional ICT resellers offering 'Cloud services'. For more help in entering this market please contact RISC Group – the perfect partner for the cloud.

**Your perfect partner  
for the cloud**

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## Executive Summary

### Meeting Demand for Cloud services

According to recent research carried out by The Centre for Economic and Business Research (CEBR) Cloud computing could represent a total market value of €763bn to the 5 leading European nations. This trend is, in part, driven by a commercial need to reserve capital expenditure traditionally associated with IT infrastructure and application investment; as operational experience is a current preferred route to buying required software and infrastructure. Additionally organisations are increasingly becoming aware of the operational benefits that Cloud computing can offer such as increased security, availability and access.

### Increasing your growth by offering Cloud Services

'Cloud Services' offers a unique opportunity for traditional ICT resellers to enter a high growth, high margin business. Business benefits include low sales barriers, recurring revenues and low churn customers.

### Increasing your value through Cloud Services

Traditional ICT resellers are already experiencing the significant benefits of adding Cloud services to their current portfolios. These benefits include:

- Recurring revenue based on secure and sometimes lengthy contracts
- Increased customer loyalty by offering business critical infrastructure services
- Easy to deploy through instant provisioning tools
- Increase in customer size and sectors by offering enhanced security and remote worker access



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## Introduction

This paper has been written for ICT reseller owners to discuss the benefits of offering 'Cloud Services' as an extension to traditional IT, data and voice services. There has been considerable research into the emergence of Cloud services conducted by leading industry analysis including Gartner, Forrester and Aberdeen Group. Many of the topics discussed in this paper are based on the research that can be found by these commentators.

Cloud services are commonly divided into two key categories:

- Platform as a Service (PaaS)
- Software as a Service (SaaS)

Gartner predicts that 80% of fortune 1000 enterprises will pay for SaaS by 2012 while 30% of them will pay for PaaS.

The predicted growth of Cloud services is allowing traditional IT, data and voice resellers to offer increased services to their customer base through partnerships with cloud services providers like RISC Group.

## Overview of Cloud Services

### Platform as a Service

Sometimes called Infrastructure as a Service, Platform as a Service provides organisations with the ability to outsource traditional server hardware into secure and environmentally controlled data centres. The benefits of utilising Platform as a Service include 100% scalability, access and security guarantees and availability guarantees. Additionally, by outsourcing an infrastructure, organisations enjoy the ability to remote monitor usage and set up significant disaster recovery plans that would otherwise be cost prohibitive.

### Software as a Service

In addition to outsourcing their infrastructures many organisations are seeking to outsource the availability and management of their software applications, known as Software as a Service or SaaS. The benefits of utilising SaaS include: pay as you use licensing, real time version upgrades and remote support from application VAR's. Additionally, outsourcing software licensing enables organisations to scale licensing in line with user numbers and avoid the upfront capital costs of buying individual licences as most SaaS providers charge a monthly fee, typically based on a contract term.



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## Why do organisations want cloud services?

'Cloud service' or 'Cloud computing' offers significant benefits to organisations. These benefits include:

### Economies of scale

The ability to grow and manage an IT infrastructure and related software applications without the upfront capital expenditure normally associated with running an IT environment.

### Greater security

By outsourcing an IT infrastructure and related software applications to an ISO accredited data centre, smaller organisations enjoy significant benefits of increased security and availability. Many providers offer Service Level Agreements that guarantee availability and security. For many smaller organisations this level of security would be cost prohibitive if deployed and managed on premise.

### Remote worker access

Many organisations choose to outsource their IT infrastructure and related software applications based on the demands of a remote or out of office workforce who still require access to the organisations infrastructure and applications.

### Quality of service

Many PaaS providers can offer service levels that internal IT resources would struggle to compete with. Many data centre environments have dual power and back up assurances to enable their customers to enjoy 24/7/365 availability.



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## What are the business benefits of offering Cloud Services as an ICT reseller?

### Recurring revenue

By offering Cloud services ICT resellers enjoy regular monthly income from a contracted customer, typically based on 12 monthly payments. These regular payments help ICT resellers with cash flow and give a more predictable forecast of business income for up to 12 months ahead.

### Reduced cost of sale

Sales teams offering Cloud services typically enjoy a reduced sales cycle compared with offering traditional infrastructure and software services. Cloud services have significantly less barriers to a sales closure due to the following points.

### Fewer barriers to closing a sale

Cloud services are typically offered on a per month per user basis, this reduces any large upfront investment that sometimes stall traditional IT services from closing.

### No set up costs

Cloud services can typically be automatically provisioned.

### OPex not CAPex

Cloud services are typically charged as an operational cost rather than a capital expense making it easier for prospective customers to build a business case for its deployment.

### Increase business value

Many ICT resellers experience increased business value by offering Cloud services. The reasons can include:

### Longer contract terms

Cloud services typically represent business critical applications and environments; therefore it is not unusual for a customer to extend contract periods beyond 12 months if they experience good levels of service.

### Increase demand for professional services

Many ICT resellers experience additional income by offering associated professional support services such as training and configuration.

### Increased status

By offering Cloud services many ICT resellers experience an increase in perception by their customer base. Many ICT reseller customers speak of a deeper trust being forged by outsourcing traditional IT services to a 3<sup>rd</sup> party.



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## What can an ICT reseller expect to earn by offering Cloud Services?

Many ICT resellers enjoy significant margins compared to offering traditional vendor based IT, data, hardware and voice services. To give you an example we have taken an average sale opportunity based on 40 users to illustrate the profits that can be achieved.

### Cloud Back Up Services?

Number of users	Monthly Profit	Typical contract value
40	£860.00	£10,340.00

### Cloud Exchange Services? Needs to be in Myriad pro font and bold

Number of Mailboxes	Monthly Profit	Typical contract value
40	£180.00	£2,160.00

### Cloud Security Services? Needs to be in Myriad pro font and bold

Number of users	Monthly Profit	Typical contract value
40	£180	££2,160.00



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## Conclusions

Evidence suggests that the demand for Cloud services will increase throughout 2011 – 2012 in the UK market. All sectors and organisations look set to take advantage of the commercial and operational benefits that Cloud services have to offer.

Early Cloud services providers look set to benefit most from the emerging market as customer loyalty appears to be a key benefit of Cloud service; making the chance of obtaining new customer, who is already inside a contract, commitment hard.

There are significant commercial benefits for ICT resellers with an existing customer base to 'cross sell cloud' services with minimal marketing and sales investment.

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### About RISC Group

RISC Group IT Solutions is a division of RISC Group, one of the Europe's leading IT managed services organisations operating in over 8 countries and with 6 data centres across Europe.

In June 2008 RISC Group acquired leading UK data backup provider Clunk Click Ltd. Clunk Click Ltd had been focused on delivering best of breed backup and storage solutions since 1999. Recognised as an industry leader, Clunk Click was at the forefront of the drive to encourage businesses across all sectors to make data security a priority. This acquisition brought greater resources which allowed Clunk Click to increase their IT managed services provision to include – SaaS, Hosted Exchange Mail Services and Security as a managed service.

