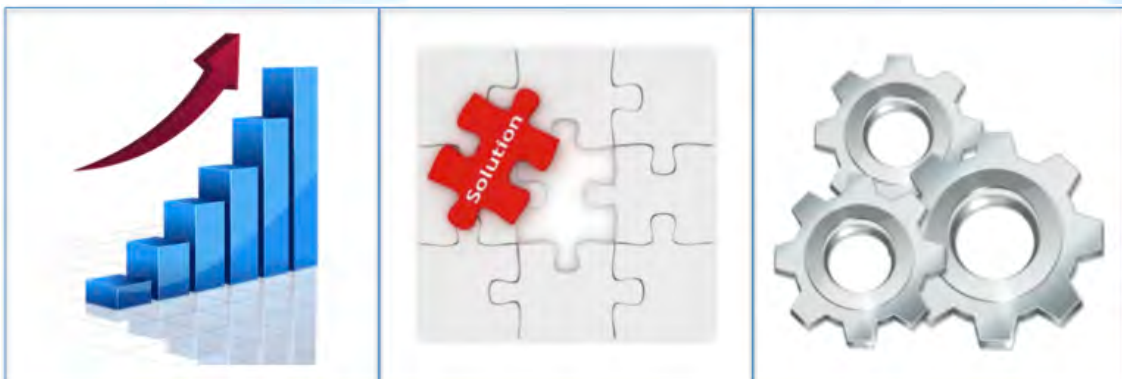


# 3 CRITICAL SUCCESS FACTORS TO PROFIT FROM THE CLOUD



Growth Plan

Solution Bundling

Sales Engine

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A Publication of



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- ❖ Why become a Cloud Solutions Provider?
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*Executive Summary: This eBook presents the reasons why IT Service Providers should begin their transition to becoming Cloud Solutions Providers and the Critical Success Factors (CSFs) for building a profitable and scalable business. The principle goals behind each CSF are described along with recommended practices for achieving them. The eBook also describes an advisory service to help CSPs accelerate the process and concludes with a cloud business readiness self-assessment.*

## WHY BECOME A CLOUD SOLUTIONS PROVIDER?

### Remain Relevant

It's happening everywhere, everyday.

Organizations are consuming IT in a new and different way. Cloud services are driving down the cost of infrastructure, application delivery and communications while enabling greater business agility and efficiency. It's an incoming tide that cannot be stopped or avoided.

A *Cloud Solutions Provider* (CSP), also known as a *Cloud Services Brokerage* (CSB) by Gartner, fills the void of confusion and complexity between cloud consumers and the hundreds of IaaS, PaaS and SaaS (collectively XaaS) providers of hosted services in the marketplace today.

A CSP adds value to, and profits from, the delivery of hosted services. It's a major market opportunity for every *IT Service Provider* to exploit. If you are an ITSP, you must embrace this undeniable trend and create high-value cloud solutions for your customers before your competitors do.

*"The shift toward cloud services will force channel partners to reinvent themselves, even while they continue to find success in the old model..."*

*Innovation by the channel is a must. If you don't innovate, you probably won't survive, not because you did anything wrong, but because the market doesn't need you anymore."*

*Gartner analyst Tiffani Bova*

## Build Valuation

If one important reason to become a CSP is to remain relevant (i.e., competitive), an equally important reason is to build valuation for your business. For many owners and principles of ITSP firms, their business is their retirement plan and maximizing the M&A value of their business during the next 5 years is a primary goal. Embracing the cloud is the best way to build valuation for your company. Here's why:

### ***Cloud Services Drive Recurring Revenue***

This is the business model preferred by most investors and acquirers. Why, because you start every month with guaranteed service revenues resulting in predictable cash flow.

### ***Cloud Solutions Mean Loyal Customers***

By adding business value to the cloud, you become an essential part of your customers' success. That translates to low customer churn.

### ***Professional Services Add Value***

When you invest in professional services to integrate, customize and manage the cloud you are adding a valuable form of intellectual property to your business that also differentiates you from your competition.

*Only 5% of organizations currently consume more than 20% of their IT needs through the cloud, but that constituency is expected to climb to 28% in less than two years according to Current Analysis.*

*More than 30 percent of the growth in IT spend is in the services arena, which IDC predicts will represent \$295 billion in the United States alone in 2013.*

## 3 CRITICAL SUCCESS FACTORS YOU MUST EMBRACE

In order to build a highly scalable and profitable CSP business, you must embrace *3 Critical Success Factors* (CSFs) to maximize and align the financial results, customer value and sales efficiency of your business. Be sure to fully address these areas:

### BUILD A CLOUD BUSINESS GROWTH PLAN



A good cloud business growth plan starts with a baseline of your current business and then shows the impact of growing recurring revenue from cloud solutions over time. It provides the performance targets you will measure each month to ensure that you meet your goals.

### CREATE HIGH VALUE SOLUTION BUNDLES



The next step is to price and package your cloud services as solutions that create business outcomes for your customers. You will do this by wrapping high margin professional services around your cloud offerings.

### BUILD A CLOUD SOLUTIONS SALES ENGINE



To scale the business, you must have an efficient sales and marketing engine to drive new customer acquisition in a consistent, measurable and cost-effective manner.

*Gartner insights about cloud:*

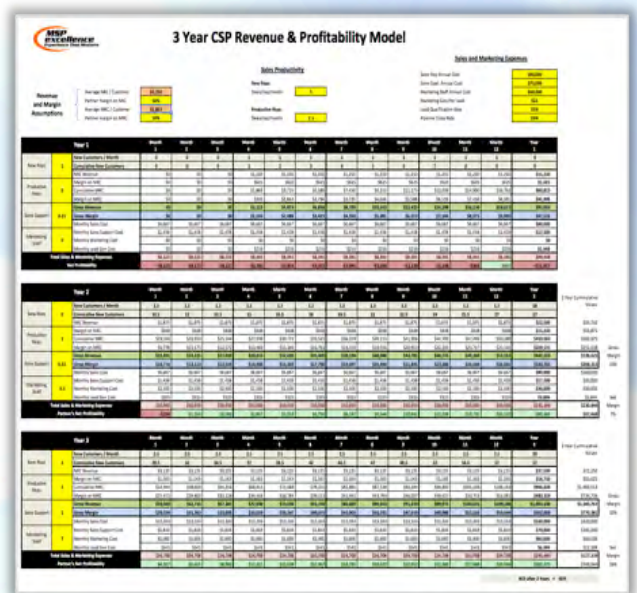
- *The new personal PC is actually "personal cloud."*
- *The opportunity is the hybrid cloud.*
- *Reselling the cloud isn't the opportunity.*
- *It doesn't matter who bills. What matters is how you'll customize for the end-user.*
- *In the midmarket, the top IT priority is increasing the use of cloud services.*
- *Once customers move up to four cloud services they need channel partners in a big way.*
- *Strongest and most intelligent don't matter.*
- *Be the most adaptable to change to win in the cloud.*

# CSF #1: BUILD A CLOUD BUSINESS GROWTH PLAN

What will your Cloud Solutions Provider business look like in 3-5 years? Will it be a million dollar business...or more? What level of customer acquisition will it take to get there and based on what average deal value? What kind of investment in sales and marketing will be required? How quickly can you recapture that investment with the gross margin dollars you generate on each new deal?

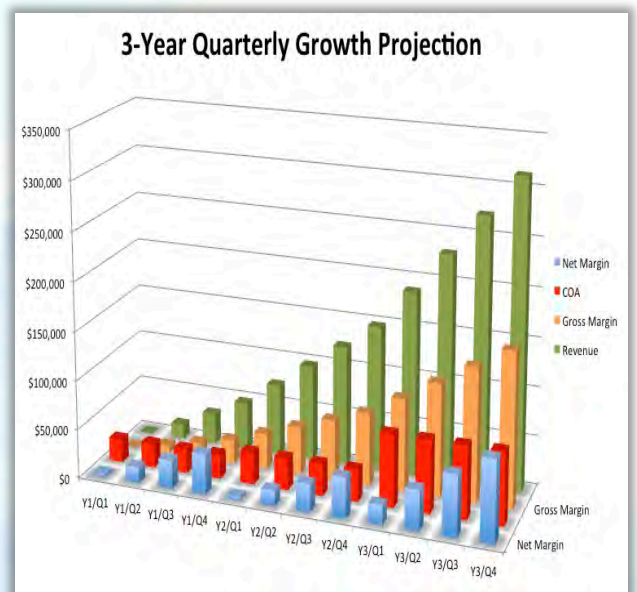
## PROJECT YOUR REVENUE TRAJECTORY

You can answer all of these questions with a solid cloud business growth plan. You will need a model to project the growth in cumulative recurring revenue over time. This model should also help you to manage your transition from one-time revenue to recurring revenue. And it should measure the impact of your customer acquisition cost on net profitability as well.



## IMPLEMENT BEST PRACTICES

Before you can project your revenue trajectory, you must understand the unit economics of an average customer engagement. They include the average contract value, service mix, blended margin and acquisition cost. These assumptions will then become your performance targets.



## CSF #2: CREATE HIGH VALUE SOLUTION BUNDLES

How can you add value to the cloud? What are the professional services you can wrap around commodity cloud offerings and how should you charge for them? How much margin can you drive? What cloud solutions are customers buying today?

### CREATE BUNDLED SOLUTIONS

Successful CSPs create and sell bundled solutions that deliver business value to their customers. They don't provide a generic Mobile Device Management (MDM) service. Instead, they help law firms to mobilize their attorneys allowing them to securely access client data, relevant case law and the firm's time management system all from the customer's place of business using a personal iPad or Android device.

They don't provide online storage using a public cloud service. Instead, they will design a HIPAA compliant solution for healthcare providers to archive their electronic medical records while providing online backup and recovery for real-time transaction data.

They have rejected the idea of reselling low margin commodity cloud services in favor of high-margin bundled IT solutions that enable business outcomes. It's a pretty clear distinction.

*“At the end of the day, channel partners need to be consultative and focus on providing knowledge to their customers...”*

*Take a few cues from the McKinseys and Bains of the world. Look at how they position their practices and their services. They don't sell technology solutions; they sell business outcomes.”*

*Tiffani Bova*

## PRICE & PACKAGE for PROFITABILITY

Creating bundled solutions that enable business outcomes is critical to your success. To meet this challenge, you must examine the major trends in cloud service adoption and adapt them to the business needs of your target markets. What are the major trends?

We think there are six categories:

- ❖ Unified Communication and Collaboration
- ❖ Mobility Solutions (including BYOD)
- ❖ Hosted Business Applications (SaaS and VDI)
- ❖ Virtual IT Infrastructure (IaaS and PaaS)
- ❖ Security and Business Continuity (BDR)
- ❖ Total Service Management (Hybrid IT environments)

You must add value in each of these areas by wrapping professional services around cloud services. What professional services? Here are some categories:

- ❖ Planning/Design Services
- ❖ Customization/Integration Services
- ❖ Deployment/Migration Services
- ❖ Technical Support Services
- ❖ Administrative/Operational Services
- ❖ Strategic/Advisory Services

Determine the cost of service delivery for each solution and set prices to meet your target margins. This is a major undertaking, so take your time and get it right.

*A recent study by Microsoft and 451 Research found that enterprise applications, email and database applications are the three largest SaaS applications by use.*

*Other application areas will drive more SaaS growth in the next two years including business support applications, unified communications, e-commerce and media streaming.*



## CSF #3: BUILD A CLOUD SOLUTIONS SALES ENGINE

“You want to get into the cloud? Fire all of your sales force!” Gartner’s Tiffani Bova made that proclamation at a recent industry conference during a session on cloud computing and the channel. While the advice may sound a bit drastic, the sentiment is right on target. Building an efficient sales engine proficient in selling the business outcomes enabled by the cloud is critical to your success. And this philosophy must be carried through your entire sales and marketing operation from messaging to lead-generation to selling and closing new deals.

### YOUR CLOUD SOLUTIONS SALES AND MARKETING CHECKLISTS

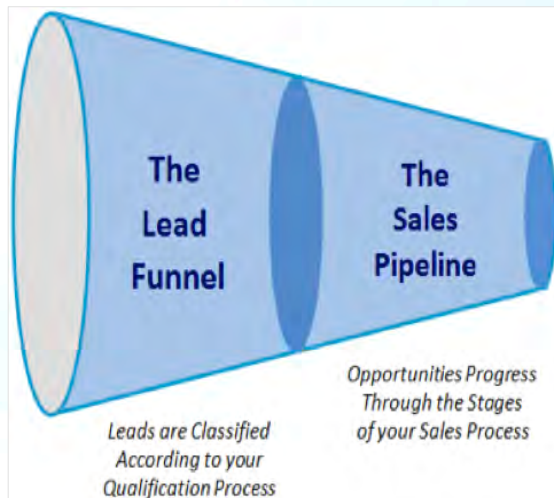
Building a cloud solutions sales engine requires an integrated approach for managing your people, resources and processes. How many can you check?

#### Top 10 Cloud Solutions Sales Engine Essentials:

- A well-defined sales model (direct/indirect, inside/outside, FTE/agents)
- A formal program for hiring, onboarding and training new staff
- Cloud solution-selling sales tools and customer-facing materials
- A solutions-based lead qualification process that is used by everyone
- A formal process to manage deals through stages in the sales cycle
- Performance metrics that provide early indicators of success or failure
- Alignment of lead volume, conversion rates, pipeline value and bookings
- A total cost of customer acquisition that is recaptured in 9-12 months
- Ongoing solutions sales training to ensure continuous improvement
- CRM integration and reporting of marketing ROI and sales productivity

## Your Sales Engine Must Be Marketing-Driven

A high performance engine requires the right fuel to operate efficiently. Your cloud solutions sales engine is no different. While many ITSPs lack a full time marketing staff to create content and execute programs, there is still a need to



maintain a lead funnel to generate a consistent flow of leads that convert to opportunities in your sales pipeline.

Marketing can be an all-encompassing area of investment. So focus on the essential ingredients that maximize your marketing ROI in terms of lead generation and sales process acceleration. Here is a checklist:

### Top 10 Marketing Essentials for Selling Cloud Solutions:

- A well-defined value proposition, target market and customer profile
- Quantifiable customer evidence of your cloud solution business outcomes
- Cloud solutions content across your website and your marketing materials
- A website that generates consistent traffic volume and sales inquiries
- Effective use of blogging and social media to create consistent lead flow
- Effective use of webinars and face-to-face events for consistent lead flow
- Industry standard conversion rates for qualifying leads to opportunities
- Industry standard conversion rates for closing opportunities as customers
- A lead nurturing program that cultivates non-sales-ready leads into buyers
- An integrated marketing plan to define all programs, targets and budget

## HOW TO GET EXPERT COST-EFFECTIVE ASSISTANCE

Done properly, developing and executing your own CSP business-building strategies for the 3 Critical Success Factors will take a significant amount of your time, focus, energy and expertise. That's a big problem for many ITSPs. Most lack the time, many lack the skills and some lack the motivation because business is good – why change?

Motivation to effect change is a personal decision that only you can make. However, you can address the lack of time and expertise with the right kind of advisory services to either jumpstart the process or to provide ongoing virtual sales and marketing resources for your firm.



MSPexcellence has developed just such a service and it's called CSPadvisor™. This service is specifically designed to address the *3 Critical Success Factors* with a modular business-coaching program that lets the ITSP select areas where they need help and then only pay for what they need in a manner that fits their budget. In addition, CSPadvisor provides a *virtual sales manager* and *virtual marketing manager* service that lets you add experienced management resources to your team for as little as 20% of the cost of a full-time, on-staff employee.

Here is how the CSPadvisor program works:

1. The ITSP fills out a *cloud business assessment* to determine their needs
2. The gaps for building a successful and scalable CSP business are identified
3. CSPadvisor provides a scope of work and a time budget to fill the gaps
4. A timeline is developed based on the client's desired budget allocation
5. Then MSPexcellence brings comprehensive CSP modeling tools, business-building best practices and sales and marketing know-how to your team

## BEGIN YOUR JOURNEY WITH A SELF-ASSESSMENT

This 9-question cloud business assessment will tell you how ready you are to become a Cloud Solutions Provider and where you need to focus to fill the gaps.

### Cloud Business Assessment

(Rate 1 to 5,  
5 is highest)

(Rate 1 to 5,  
5 is highest)

<b>Building a Cloud Solutions Business Financial Plan</b>		<b>How Complete Is This Item?</b>	<b>How Important Is This Item?</b>
<b>1</b>	To what extent have you baselined the current financial model of your business to be able to take the next steps of overlaying a cloud-based recurring-revenue financial model and seeing any potential GAPS that need to be addressed?		
<b>2</b>	To what extent have you created a business financial model for your future cloud solutions business including all assumptions required to start and scale the business and the long-term value that recurring revenue can provide?		
<b>3</b>	To what extent have you performed a GAP analysis identifying any potential revenue chasms you may incur while adding cloud-based recurring revenue solutions and what adjustments may help to address them?		
<b>Building a Cloud Solutions Portfolio</b>		<b>How Complete Is This Item?</b>	<b>How Important Is This Item?</b>
<b>4</b>	To what extent have you done a thorough analysis of your current expertise and offerings and investigated or selected cloud services that are combined with your own wrap-around services? Do they align with your expertise, complement your current offerings, help achieve your business goals and meet your customer's needs?		
<b>5</b>	To what extent have you bundled your individual cloud services and your own differentiated wrap-around services into high-margin solutions that deliver customer value and represent true "business-outcome" results for your customers?		
<b>6</b>	To what extent have you modeled and priced your cloud solutions to produce high-margin recurring and non-recurring revenue and then created a standardized master price list for everyone to use?		
<b>Building a Cloud Solutions Sales &amp; Marketing Machine</b>		<b>How Complete Is This Item?</b>	<b>How Important Is This Item?</b>
<b>7</b>	To what extent have you defined cost-effective lead generation programs with compelling content that communicates "business-outcome" value to your prospects? Are they ready to execute and do they generate sufficient lead volume and with the necessary conversion rates to deliver enough quality leads to meet revenue goals?		
<b>8</b>	To what extent do you have a repeatable process and the required tools in place to recruit, on-board and train a new sales rep or reseller and then manage them to success on a daily basis?		
<b>9</b>	To what extent do you have a lead-to-close sales process that all reps are required to follow that communicates the value "business-outcome" solutions to customers and provides you with accurate metrics on deal volume, stage-by-stage conversion rates and forecasting data all resulting in low cost of customer acquisition?		

Just put your ratings in the yellow boxes and email this document to [info@mspexcellence.com](mailto:info@mspexcellence.com) for a free consultative business assessment.

## ABOUT MSPexcellence



Todd Hussey

Todd Hussey and Dave Zwicker are high tech sales and marketing veterans with experience that spans three decades of technology evolution and changing business cycles. They have worked for companies of all sizes performing a number of leadership roles:



Dave Zwicker

- Building and managing MSP/CSP sales organizations and channel programs
- Defining and launching new products and services for MSPs and CSPs
- Building brand awareness and generating sales leads for MSPs and CSPs
- Defining critical MSP/CSP business processes and measurement systems

Over the years, Dave and Todd have worked together and apart creating a unique partnership where synergy is the result of their diverse company backgrounds and industry perspectives. Their complementary skills and compatible styles have enabled them to bring a unified and integrated approach to sales and marketing. As a result, MSPexcellence represents a unique and unmatched resource for MSPs and CSPs who wish to implement successful go-to-market programs that are grounded in deep industry experience and demonstrated success.

*My responsibilities at Softchoice, a \$1B IT Solutions Provider, was to lead the development and launch of a new business called Softchoice Cloud, a Cloud Services Brokerage. To help me accomplish this mission I turned to MSPexcellence. The team at MSPexcellence applied their unparalleled experience, tools, methodologies and industry contacts to help me successfully launch Softchoice Cloud on-time and on-budget. I highly recommend MSPexcellence without hesitation.”*

*Ferhan Bulca  
Senior Consultant, Softchoice*

*“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.”*

*Charles Darwin*

**Contact MSPexcellence today:**



**MSPexcellence**

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