xterity
cloud services

Making the Transition

From MSP / VAR to CSP, with Wholesale Clouds
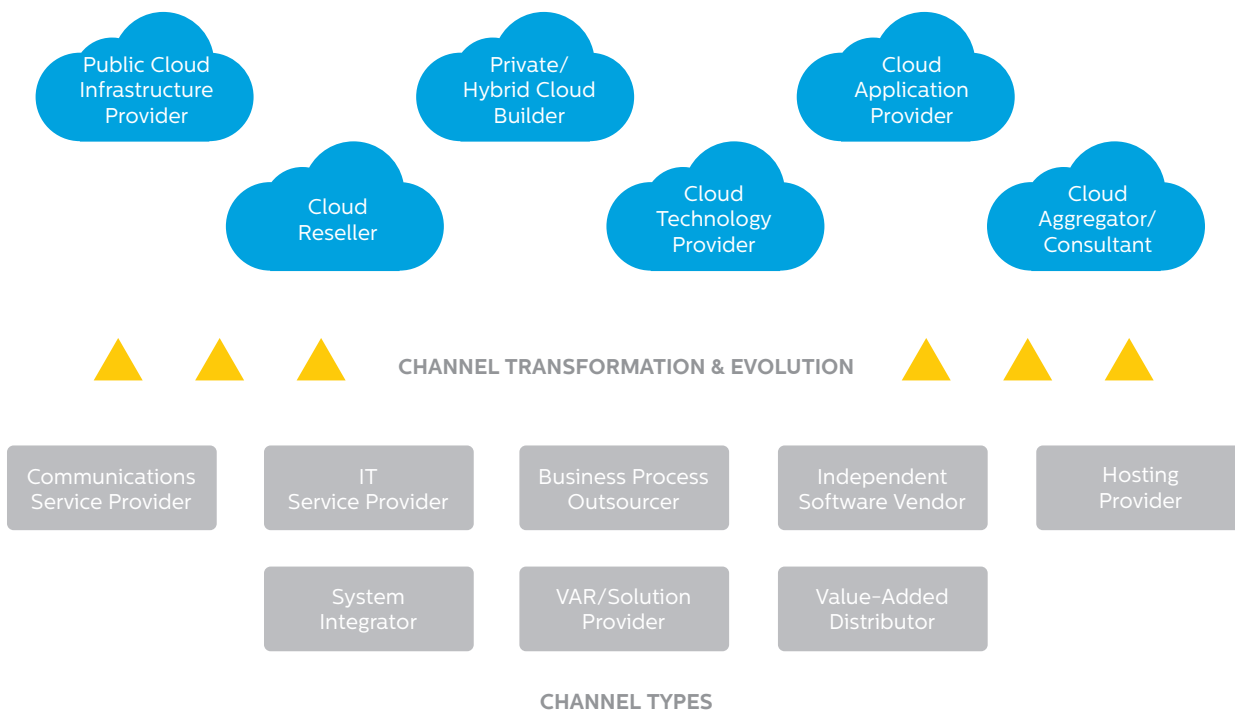
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The New Business Model

The IT industry has undergone massive changes over the past decade. Virtualization, cloud computing, the growth of mobile and Big Data have reshaped user expectations and how computing is delivered.

Cloud computing is making applications and infrastructure more affordable and accessible to businesses, while eliminating the implementation cost, time and complexity for many, especially small and medium businesses. There is no question that it is also providing great benefits to consumers in terms of easy access to applications.

For many of the IT organizations who have been in the delivery chain, like VARS and MSPs, cloud computing may be a mixed bag. It may threaten some of the traditional product sales and hands on services they deliver, but it also presents new opportunities to drive revenue and profit. In all cases, the cloud is forcing IT service companies to reexamine their business models and rethink how they deliver IT services.

KEY CLOUD BUSINESS MODELS

- Public Cloud Infrastructure Provider
- Private/ Hybrid Cloud Builder
- Cloud Application Provider
- Cloud Reseller
- Cloud Technology Provider
- Cloud Aggregator/ Consultant

CHANNEL TRANSFORMATION & EVOLUTION

Communications Service Provider	IT Service Provider	Business Process Outsourcer	Independent Software Vendor	Hosting Provider
	System Integrator	VAR/Solution Provider	Value-Added Distributor	

CHANNEL TYPES

Cloud computing has caused many of these companies to re-evaluate the services they offer, and some to jump into the Cloud with both feet by adding cloud services to their portfolio. The good news is that in terms of cloud services, responses to a large Tech-Target survey conducted in 2013 indicated that while only 25 percent of companies were considering securing cloud services from pure-play cloud providers, 55 percent preferred working with an MSP.

Looking to an **MSP** for cloud service

55%

25%

Considering **pure-play** cloud providers
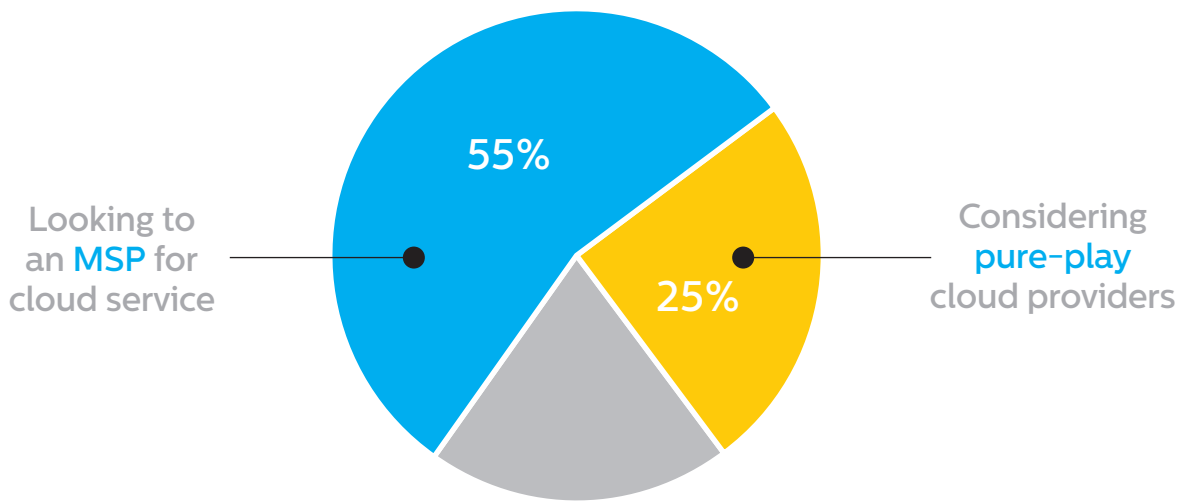
Source: TechTarget's 2013 IT Priorities Survey

So, how are these new Cloud Service Providers (CSPs) faring?
Not well unfortunately.

In a TechTarget survey of nearly 300 cloud providers, 44.8% listed 'profitability of cloud services' as their main business challenge.

Up until recently, the two main options for MSPs and VARs to add cloud services delivery have been to (1) build their own or (2) resell standard services from a large incumbent. Both of these choices come with financial pitfalls.

Those who decided to build their own clouds believed they would be able to reap a greater profit margin by doing everything in-house instead of reselling infrastructure built by a third-party vendor. However, they are instead coming to the realization that the opposite is true:

• The up-front cost required to build a cloud service in-house could be upwards of $1M.

• Many new providers start with Infrastructure as a Service (IaaS) in hopes of profiting from their own unused infrastructure, but the low, market-based pricing model established by cloud computing giant Amazon Web Services (AWS) leaves providers with little room for margins.

• Beyond capital costs, time and resources must be allocated towards training staff to build and manage the infrastructure. This is problematic because these are resources that MSPs and VARs could put towards providing the consulting and managed services their customers require.

• New cloud providers also have to invest in sales and marketing to acquire new customers and hold onto them.

• Pay-as-you-go cloud pricing models offer service providers limited security, making it difficult to predict revenue as well.

Wholesale vs. Retail

So, is reselling third party infrastructure from the large providers a more profitable option? The short answer is no. Over the past few years Amazon has cut prices of their cloud instances about 25 times. With a direct to end user or "retail" model, these prices are public information, and with no or minimal discounts available to resellers, there is little margin left for MSPs and resellers.

Margins from offering the same services as many other providers also does not provide a sustainable business model, and the lack of differentiation makes it unattractive to businesses that can directly contract with larger providers.

Today, however, a third option is coming into play – to resell wholesale cloud services that MSPs and VARs can brand as their own.

Unlike reselling clouds that come from the big name cloud providers, "white-label" clouds provide better branding capabilities, more control and a higher level of customer service. Additionally, vendors focused on white-label offerings must ensure there are sufficient margins for resellers to sustain their business.

With more wholesale cloud service providers entering the market there are also an increasing number of cloud service options beyond the traditional Infrastructure as a Service. Recent trends in the public cloud space include the move from one of generalization to one of specialization as the competition heats up and new companies look for ways to add new higher value services and climb the value chain.

Service Differentiation

Since reselling services from Amazon and other retail service providers is an unprofitable venture for resellers, what else should MSPs and VARs consider when evaluating wholesale cloud services?

Beyond just margins and white labeling, the ability to offer differentiated services is key.

As the cloud services market has matured it has evolved from a one-size-fits-all to specialty clouds like Disaster Recovery as a Service, Desktop as a Service, Backup as a Service and more. Consider offering such specialized services to your customers, or focusing on particular vertical markets or customer segments that match your expertise and experience. Moving up the food chain to application services also means you can charge more and drive more revenue.

Another growing opportunity is to provide an environment better suited to the needs of the enterprise. Recent studies have shown the growing acceptance of the cloud to run mission critical applications. Many of these apps, like databases and performance-intensive applications, are not well suited to running in virtual machines. Most cloud services don't offer full physical servers as an option, so an MSP who can support both virtual and physical servers and very high SLAs has an opportunity for a differentiated service.

Similarly, giving customers the ability to include both private and public cloud resources in their resource pool can expand their use of your services.

Another way to differentiate is with higher levels of support and professional services. Most MSPs and VARs already have relationships with their customers that aren't like the arms length relationship a user has with Amazon for example. This provides the opportunity to offer these as value added services those customers can pick and choose from depending on the particular need or application. It also means the end user has a cloud with a personal face on it. They know the people supporting them, they know whom to call if there is a problem and most importantly – there is trust – which makes the transition to the cloud so much easier.

So what do you need from a wholesale cloud provider?

Hybrid clouds	Ability to provision physical, virtual and public cloud infrastructure all available from a single service catalog
Beyond IaaS	Specialized services are growing in popularity and coupled with professional services your expertise can be the basis of a profitable business
Self-provisioning	With modern visualization techniques that make it easy for your customers to self-provision their required resources or for you to quickly provision what your customers need
Different types of resources	Ability to provision physical, virtual and public cloud resources, as well as full application stacks
Real time pricing	Displayed to users as they build environments
Quoting/Billing	Automated quoting and contracting with flexible usage-based billing options
Billing approval	Built in workflows that accommodate users' corporate approval processes.
Deployment	Automated
Management	A unified central management interface

Xterity Wholesale Cloud

Our Cloud.

Your Brand.

The Cloud Platform Built for the Channel.

Xterity enables MSPs and VARs to easily add profitable cloud services to their service portfolio and quickly provision, deploy and bill for cloud services. Xterity provides the secure, highly available environment your customers need for all their applications – including complex, multi-tier applications.

The Xterity infrastructure has been designed using the same philosophy that drives the rest of our business: Combine best in class technologies with people who are highly motivated and dedicated to providing superior customer service, and deliver a set of cloud services that exceed the expectations of the most demanding customer…at a price that is affordable by all.

Xterity's comprehensive functionality lets you design, price, deliver, license, bill, manage and upsell cloud solutions to your client base. Our intuitive drag and drop self-service portal makes it easy to design and build new cloud services, and the integrated billing, invoicing, pricing, ticketing, monitoring and tracking capabilities manage and charge for resources as they are consumed. It also has unique features to support a multi-tier channel business model such as white labeling, account management, contracting, margin analysis, ticketing and more.

For Xterity resellers, this means the ability to focus on core competencies: maintaining customer relationships, creating solutions and supporting customer needs, all without the risk of having to buy, build and manage a cloud of their own.

WE CAN HELP

Xterity was founded with the vision of delivering a full range of dedicated, managed, private and hybrid cloud infrastructure as a wholesale cloud service to the IT reseller ecosystem.

Contact us today.

To learn more about adding cloud services with Xterity please contact the Xterity Team at:

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