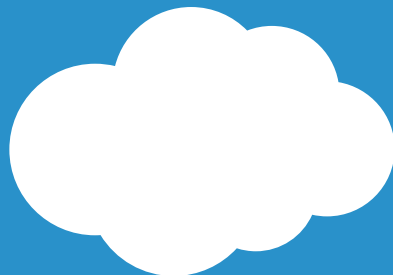
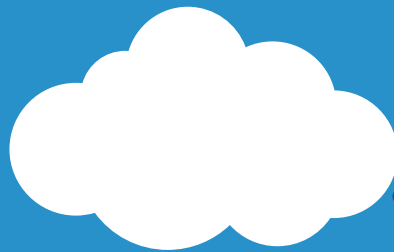
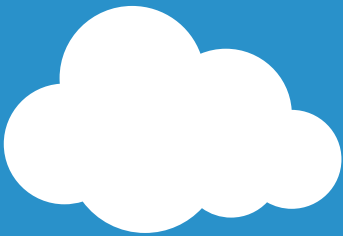




ConnectWise®

5 Steps to
**Cloud Service
Provider Success**





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INTRODUCTION



To see that the cloud is profoundly transforming the business world, you need only scan the headlines of leading business and technology journals. 12% of small and medium enterprises (SMEs) (less than 500 employees) have already moved completely to the cloud, and by 2020, half of SMEs will have moved all of their business systems to the cloud.¹

The cloud-based services shift may be even bigger than the transition to managed services years ago. The opportunity is huge because demand for cloud services is exceptionally strong among SMEs. Embrace this change, build your customer relationships and deliver extra value, and you'll be able to ensure future success.



In this eBook, we'll provide 28 tips to help you incorporate a cloud services practice area into your business model.

¹ David Politis, "Trends in Cloud IT: Dissecting Adoption Across Thousands of Organizations," Better Cloud Blog, June 11, 2015.

WHY EMBRACE A CLOUD SERVICES MODEL?

From your perspective, the cloud offers less control over customer IT environments. There are no servers to support, and margins on licences are slim.

But from your customers' perspective, the cloud can help avoid costly downtime and provides more flexibility. Business customers want information and services in real time, accessible from anywhere and on the devices they choose—just like they already enjoy in their personal lives. Nearly all of your customers probably utilise at least one cloud-based application already.

TIP 1

'Business as usual' is not an option

SMEs are adopting cloud solutions rapidly. The old support model, with its carefully controlled, on-premise environment, isn't dead yet, but it's clear the cloud will dominate the future of IT. Customers need guidance during their transition to the cloud, and as your customers' established technology adviser, your company is the natural fit. There are already cloud service providers in the marketplace, so if you don't support cloud applications, you'll risk losing established customers.

Cloud Service Providers move from a prior business valuation of 2-4x PBITDA up to 5-14x PBITDA²

²Microsoft, 'Successful Cloud Partners 2.0,' ebook, May 2014.

PBITDA: Profit before interest, taxes, depreciation and amortisation

WHY EMBRACE A CLOUD SERVICES MODEL? **CONTINUED**

OPPORTUNITY SPOTLIGHT

Microsoft® Office 365™

Microsoft Office is a solution that most SMEs use, so let's use it as an example of the cloud opportunity. Nearly all of your customers use Office, yet only about 17% of SMEs have adopted Office 365.³ And according to Microsoft, three out of four customers engage with service providers to deploy Office 365.⁴

This translates to a huge growth opportunity for you.

According to Gartner, the cloud infrastructure (IaaS) market is expected to double by 2018. With more than 120,000 new Microsoft Azure customer subscriptions per month, movement to Infrastructure as a Service (IaaS) and Platform as a Service (PaaS) is a growing trend that you need to be focused on.

³Craig Fulton and Jon Strausburg, Microsoft, CloudConsole Breakout Session at Q1 ConnectWise User Group, January 2016.

⁴Arnie Bellini, Keynote speech at IT Nation, November 2015.

PLAN FOR SUCCESS IN THE CLOUD



Becoming a CSP is a strategic transition, and it needs to be carefully considered. The first and most critical step to your company's success as a CSP is to spend time planning up front.

TIP 2 **Think of cloud services as an extension of your current services**

If you're already offering managed services, you're in a position to create a CSP practice area very quickly. It might be a new, separate team or your existing managed services team might dedicate a certain percentage of their time to cloud services.

TIP 3 **Keep existing practice areas (except one)**

Hang onto your existing practice areas, even if they're not yet cloud based, but be prepared for break/fix to become a thing of the past. As applications move to the cloud, your role will evolve to consulting on technology, more than fixing it. But transitions take time, and a diversified services portfolio empowers you to be more agile in an ever-shifting economy.

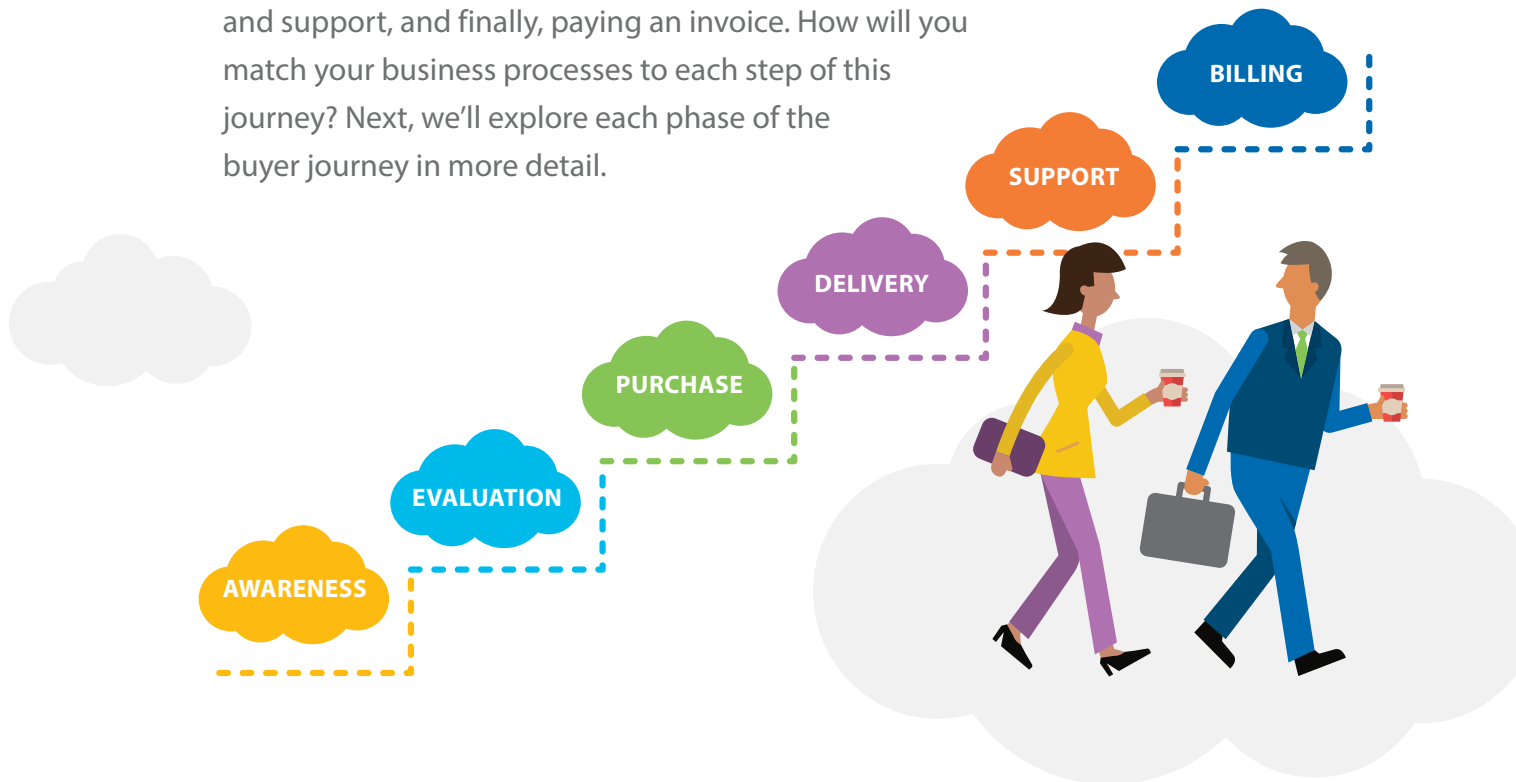
*IDC found IT providers who have been in the cloud the longest enjoyed **nearly 15% revenue growth**, while laggards gained 5% less revenue.*

Successful Cloud Partners eBook, IDC 2014

PLAN FOR SUCCESS IN THE CLOUD CONTINUED

TIP 4 Map your customer journeys

It's important to think about cloud services from your customer's perspective. Map every stage of the buyer journey—from first becoming aware of cloud benefits to purchasing cloud services, receiving services and support, and finally, paying an invoice. How will you match your business processes to each step of this journey? Next, we'll explore each phase of the buyer journey in more detail.



TIP 5 Take advantage of business-planning resources from your vendors

Cloud vendors are a good source of information for establishing your CSP business plan. Check with Microsoft, ConnectWise, and other cloud vendors for valuable resources, such as the [Cloud Adoption Profitability Playbook](#).

STEP 1: AWARENESS

The first step to selling any new product is to build awareness for it among your customers and prospects. The great news for CSPs is that vendors are doing a lot to raise awareness about cloud offerings.

FACT:

Cloud-oriented partners generate more than 50% recurring revenue and ***produce 1.5x the profit of their peers.***

FACT:

CSPs realise a 1.4x faster growth rate.⁵

TIP 6

Use the momentum established by cloud vendors

Cloud vendors have invested their future in the cloud—and they're spending millions to make the case to SMEs for transitioning to the cloud. Proactively talk to your clients about the cloud services you can offer before your clients buy direct or are pitched by your competitors. Consider using cloud services as the topic of your next email campaign.

TIP 7

Concentrate first on 'anchor' solutions

About 45% of SMEs that adopt cloud services select either a communication/collaboration service (email) or a content management service as their first cloud-based solution.⁶ Think of this initial service as the anchor around which additional cloud services will be added later.

⁵Microsoft, 'Successful Cloud Partners 2.0,' ebook, May 2014.

⁶McKinsey & Co

STEP 1: AWARENESS **CONTINUED**

TIP **8** **Be prepared for your customers to express fear, uncertainty, & doubt about the cloud**

As you build awareness about the key drivers of cloud services for SMEs (accessibility, reduced IT infrastructure costs, faster IT delivery times, etc.), also consider SMEs' most commonly held concerns about the cloud. They may question the security of cloud applications or the reliability and performance of services. They also may fear losing control over their IT environment or their business data.

TIP **9** **Arm yourself with FAQs to answer customer objections**

Some service providers have found a FAQ responding to typical cloud questions to be a helpful sales tool. You can also turn to some of your cloud vendors, such as Microsoft, for information you can share with customers during the sales process.

DID YOU KNOW?

Moving email to the cloud is a driving factor for many businesses to adopt Office 365, making it an excellent anchor solution to begin your cloud service offerings. Most of your customers use Office every day, so it's one of the most logical places to begin considering the benefits of the cloud.

STEP 2: EVALUATION

After you've built awareness of your new cloud service offerings, it's time to start closing your first cloud deals. This requires getting your sales processes in place to have customer conversations, quote cloud services, and build cloud services into agreements.

TIP 10 **Expand your sales territory by moving to the cloud**

You can only support very local customers with break/fix. When you added managed services, it allowed you support a larger region, thanks to remote monitoring and management (RMM) tools. With cloud services, there are no physical servers to maintain. That potentially expands your sales territory to the whole world!



TIP 11 **Approach existing customers at renewal times**

Use software licence renewals and maintenance contract expirations as a good touch point to check in with existing customers about the cloud. If they want to move to the cloud, that's a good time to make the change.



STEP 2: EVALUATION **CONTINUED****TIP 12 Offer customers options**

Most SMEs won't move to the cloud all at once, but rather one or several applications at a time, so give your customers the choices they desire. Consider delivering your customers a proposal that clearly offers two to three different options—on-premises, cloud, and hybrid. You may even find that when you present the small variance in price of on-premises vs. cloud, the cloud offering is an easy decision to make.

TIP 13 Sell your value as a trusted expert

Cloud vendors selling directly to SMEs do not have established relationships with your customers. Only YOU have unique insight into your customers' real-world business challenges. Working closely with your clients helps nurture the relationship as you remain their first phone call, so they don't have to try to obtain technical answers directly from big vendors or distributors.








TIP 14 Be solution oriented & solve their pain

Don't sell cloud services for the cloud's sake. Instead, train (and incentivise) your sales team and engineers to provide a consultative sales approach, listening for the types of problems that might be solved by moving to the cloud, including the need for better uptime and reliability, anywhere/anytime access to business information, better use of mobile devices, lower total cost of ownership, and so on.

STEP 2: EVALUATION **CONTINUED**

TIP **15** **Position on value, not price**

Customers have the option to purchase cloud services directly from the vendors. Assume they may obtain a direct quote, and position your services on value instead of price. Your job is to lay out the case for the higher value you deliver to your customers, including:

-  Help migrating from on-premises to cloud service offerings
-  Constant monitoring for disruptions and usage patterns
-  Proactive support
-  Reduction in downtime and a single point of contact for local, onshore support
-  Access to your solutions expertise to find the right cloud services for business needs
-  Added security over them managing cloud services themselves
-  Convenience of a single vendor and a single invoice

DID YOU KNOW?

Microsoft Azure has more than 350 million Azure Active Directory users, making it a great opportunity for you to manage their infrastructure whether on-premises or in the cloud.

<https://www.forbes.com/sites/louiscolumbus/2015/04/15/sizing-microsoft-azure-and-amazon-aws-revenue/>

STEP 3: PURCHASE & DELIVERY

Purchasing cloud licences and delivering them fast is key to a good customer experience. Having a repeatable implementation plan in place will help you consistently get your customers up and running on their new solutions in an efficient and thorough manner. Efficiency of service delivery will help determine the profitability of your cloud services practice.

TIP 16 **Quickly provision licences for your customers**

Your customers will appreciate the fact that you can provision their cloud subscriptions directly. This puts control over new cloud services in your hands, so you can help your clients get started much more quickly. It's also good for your bottom-line; you can leverage your relationships with distributors like Tech Data or Ingram Micro to purchase licences in bulk and possibly receive them at a lower cost.

DID YOU KNOW?

Microsoft gives all of their distributors (provisioning partners) an identical margin. So the variation you see in Office 365 licence pricing between distributors is driven by the different Office 365 value-added services they're providing to you.

STEP 3: PURCHASE & DELIVERY CONTINUED

TIP 17

Explore the value proposition offered by each distributor

There are a number of large distributors that serve CSPs through cloud marketplaces. So how should you determine who to purchase licences from for your customers? Distributors differentiate themselves based on the types of services they deliver to you, as well as the maturity and richness of the cloud service marketplaces they've built for you.

Carefully consider the entire package of services. What are you offering your customers? How does each distributor's added service stack up against areas where your capabilities may have some gaps?

Also, consider your relationship with each distributor. Do you have a trusted, long-term relationship with one over the others? Remember, if you transact cloud services through a distributor, your support escalation goes through the distributor, not the cloud vendor(s).

In the end, after considering pricing, margins, established relationships, and the support experience you desire, you may prefer to buy some SKUs from one distributor and some from another.





STEP 4: SUPPORT

Becoming a CSP enables you to own the complete customer lifecycle, including managing cloud licences, monitoring and reporting on usage patterns and serving as the primary support contact.

TIP 18 **Capitalise on being the first point of contact for customer support**

Many cloud solution vendors offer little in the way of live support, preferring to drive customers to online help. Your customers are used to being supported by your team, so use this as a selling tool. You offer a more personal experience, complete with real-time, local telephone and chat support. You serve all of your customers' IT needs and can centralise all issues in your business management platform, giving you better support visibility than cloud vendors could ever achieve.

TIP 19 **Evolve your solutions to support cloud services efficiently**

Adding a cloud management and monitoring solution to your current systems will enable you to support cloud services just as effectively and efficiently as you perform managed services. It will keep you connected to customer data in real time and help you centralise your management of all cloud licences and users. For greatest efficiency (and by extension, profitability), you'll want to choose a cloud management solution that's integrated with the tools you use to support your clients, such as a business management platform.

STEP 4: SUPPORT CONTINUED



TIP 20

Establish universal cloud management policies

Create efficiency by managing cloud services in the same way across all customers. Establish your own global policies about passwords, email message retention, etc., and then apply these policies to all of your customers.



TIP 21


Use real-time monitoring to proactively support customers

Tools exist to give you the same level of control over cloud services you've enjoyed with remote monitoring and management (RMM) in managed services. Real-time cloud monitoring will allow you to contact your customers proactively if you see any disruption of service and make them aware of any scheduled maintenance downtime.

TIP 22

Monitor & report on customer usage

Add value by monitoring your customers' cloud usage and costs. Present customers with in-depth usage reports during your quarterly business technology meetings, just as you do with managed services. Show them the ROI of your cloud service offering and how often you provided services.



STEP 4: SUPPORT CONTINUED

TIP 23

Create more sales opportunities through monitoring

If a customer often runs out of storage or capacity in a cloud application, it's a great opportunity to upsell to them. This generates more revenue and makes your customer feel good because you're looking out for them.

DID YOU KNOW?

If you have a tool for real-time cloud monitoring, you can deliver a higher level of service by:

Setting monitors for cloud solutions like Office 365, so that any time there's a disruption or downtime, you're notified immediately

Monitoring and reporting to customers on the amount of usage different services like Word and Outlook within Office 365 receive from their employees

Setting alerts on Outlook mailbox usage, so customers don't exceed capacity

*Providing this level of service to your customers is a win-win-win: **for you, your customers, and your vendors.***

STEP 5: BILLING

Many cloud vendors, including Microsoft, are pushing billing for cloud services downstream to CSPs. Administrative time spent on billing eats away at profits, so it's important to automate billing for cloud services.

Margins for cloud services are tight—often as low as four to five per cent. We've highlighted some aspects of profitability already. Let's talk about some ways to find greater efficiencies in the billing process.

TIP **24** Tie cloud licences to existing user agreements

When you sell new cloud services, revise the existing agreement to bundle all costs. This allows you to reset the price with your desired margins included, while making the transition simple for your customers.

TIP **25** Embrace a user-based billing model

It gets confusing for clients if you try to bill for some services by the device, then bill for cloud services by the user. Create packages that support people rather than devices, since user and usage are the billing models of the cloud.

TIP **26** Capture all pro rata revenue

If new users come onto a cloud service mid-month, make sure you have an easy, automated system to pro rata the partial month of billing. We've done the maths: If you miss the first two weeks of pro rata licencing, it takes nearly five months to recover from missed revenue and begin to turn a profit on that user.⁷

⁷IT Nation Keynote, November 2015

STEP 5: BILLING CONTINUED

TIP 27

Deliver a single, unified invoice to customers

Customers may not know it yet, but as they move to more and more cloud-based applications, receiving multiple bills from different vendors becomes complex and tedious. It's much better that they receive an easy-to-understand, unified invoice from you.

ConnectWise puts you in the driver's seat to capture all of your cloud services revenue in your unified customer billing. ConnectWise counts licences, including pro rata licences, and automates accurate billing to help you avoid administration hassles.

CONCLUSION

Now that you've launched your cloud practice, it's time to measure its success.

TIP **28** KPIs to Consider

Set goals for the growth of your CSP practice and measure your success against them. Good goals should be attainable, but a stretch to achieve. Consider measuring these KPIs:

1. **Monthly Recurring Revenue (MRR)** – How much MRR should you obtain from your cloud practice?
2. **Recurring Revenue % / Profit pools** – What amount of your overall revenue do you want to be recurring? How much of your profit do you want to come from cloud services vs managed services?
3. **Churn %** – What percentage of existing cloud customers will you lose each year?
4. **Lifetime value of a customer** – The length of time your average customer uses your service, or basically, the amount paid per agreement.
5. **Existing client transition** – What percentage of existing customers do you want to transition to your cloud services this year?
6. **New client acquisition** – How many (or what percentage of) new clients do you want to acquire through cloud services?

CONCLUSION **CONTINUED**

Let's get moving together toward your cloud services success!

You have a big part to play in the success of SMEs transitioning to the cloud. You'll have new opportunities to deliver value and strengthen your customer relationships and they'll appreciate being able to turn to you as their single point of contact for support and billing across all of their cloud services.

As you plan for cloud services and begin to build a cloud services practice within your business, turn to ConnectWise for additional resources and best practices. We're here ready to assist you on your journey toward the next paradigm of IT services.



Take back control in the cloud

This new solution in ConnectWise will help CSPs broker cloud services to customers in an efficient, cost-effective manner to preserve your profits:

Manage the cloud | Monitor the cloud | Bill the cloud