

# How to Differentiate and Scale as a Service Provider

5 Things You Can Do Now

## CONTENTS

Market growth.....	2
The cloud stack.....	2
Infrastructure as a Service.....	2
Platform as a Service.....	3
Software as a Service.....	3
5 things you can do now to differentiate and grow your business.....	3
Technology for the taking.....	4
Partner with Insight .....	4

---

Big data, social, mobile and cloud technologies — also known as the “third platform” — have changed the way we work, interact and live. Today, people want everything online and on demand, from goods and services to entertainment and education. And soon, with the Internet of Everything (IoE), much of what we do and the things we use will be connected.

In response, companies are becoming data-driven, cloud-centric and mobile, and expectations on corporate IT departments are mounting. IT is being asked to focus more on business and user experience than on infrastructure, and answer to lines of business more than ever before. This puts a strain on IT resources and creates a need for new and evolving skill sets.

Unable to keep up with the fast pace of technology, many companies are outsourcing noncore workloads and IT infrastructure to service providers. And, increasingly, outsourcing customers are expecting service providers to do more than just cut costs or improve process efficiency. They are expecting business results too.

The technology of the third platform and IoE, the fast pace of change in the technology industry and the proliferation of new competitors in the market have caused a need for change in the service provider business model.

For service providers that are bold enough to adapt, opportunities for growth and a solid place in the market are there for the taking.

## Market growth

The global managed services market is expected to grow from \$107 billion in 2014 to \$193 billion by 2019.<sup>1</sup>

On average, 55% of organizations using the cloud will leverage service providers to consume cloud services.<sup>2</sup> And, in a recent global study, 54% of companies said the use of service providers is very important to extremely important in meeting the goals of their businesses in the next two years.<sup>3</sup>

Along with continued growth, consolidation in the market among service providers is a common theme that will likely continue. Particularly now, many Value-Added Resellers (VARs) don't have the skills or back-end systems to support third platform or IoE technologies, so acquisitions make sense. But as the market shifts, you'll have to make some big decisions about your company, your portfolio of services and what you'll be doing down the road.

Are you a niche player? You might want to start building valuable cloud relationships (if you haven't already) and add hosting capabilities to your roster. You'll need tool sets and services to enhance the applications you support.

## The cloud stack

You may continue with your portfolio of services, reduce it, or choose to add on and diversify. The cloud computing stack — Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Software as a Service (SaaS) — consists of a broad range of services. Here is some information on each and where they stand in the market.

### Infrastructure as a Service

Gartner defines IaaS as a standardized, highly automated offering in which compute resources, complemented by storage and networking capabilities, are owned by a service provider and offered to the customer on demand. The resources are scalable and elastic, operate in near real time and are metered by use.<sup>4</sup>

A new report predicts that the global IaaS market will post a compound annual growth rate (CAGR) of 42.91% from 2015–2019.<sup>5</sup> IaaS will be a key component for small and midsize service providers going forward.

To compete and win in the fastchanging, high-growth IaaS market, providers must constantly refine their offerings, optimize their marketing and sales processes, aggressively build and manage their sales pipeline, and vigilantly watch for changes in buyer behaviors.<sup>3</sup> — Gartner

According to the report, the expected growth in IaaS is partly due to more organizations using the cloud for disaster recovery because it enables immediate recovery at low costs. Companies are also conducting cross-cloud activities, building solutions that connect one cloud service to another to form new, efficient and secure services.

### Platform as a Service

PaaS is the set of tools and services that make deploying applications fast and efficient. It enables applications without the complexity of buying and maintaining software and infrastructure.

The PaaS market is expected to reach \$7.5 billion by 2016.<sup>6</sup> This number is lower than the other two pieces of the cloud stack, mostly because of crossover with IaaS. The largest PaaS players — including Amazon Web Services (AWS), Microsoft and Google — have IaaS services, and it's difficult to draw the line between the two. According to Gigaom Research, there are many reasons PaaS technology is slower to take off than SaaS and IaaS, such as the fact that enterprises simply don't understand it, so they are slow to adopt it. Another is that applications built on PaaS clouds are difficult to move from cloud to cloud, so lock-in is an issue.

### Software as a Service

Your customers will likely continue to offload noncore business applications and functions to you. In fact, IDC estimates that by 2018, 27.8% of the worldwide enterprise applications market will be SaaS-based, generating \$50.8 billion in revenue.<sup>7</sup> Demand for SaaS enterprise applications is exceeding demand for on-premise offerings.

Email, Customer Relationship Management (CRM), financial management, customer service and expense management are popular SaaS application categories.

## 5 things you can do now to differentiate and grow your business

Changing your business model to suit technology is like shooting at a moving target. There are things you can do to position your business for what's happening now, and secure your place for tomorrow.

### 1. Create a strategy.

If you don't have a strategy that fits a new and transformative business model, it's time to create one. You should conduct an analysis of your current infrastructure and business, and develop a technology path that will help you prepare for tomorrow. Bringing in a consultant who specializes in service provider growth may be a good first step.

### 2. Make tough decisions.

You know what your company is good at, and what it is not. To move forward, to be bold, and to adapt to current and future technology, you need to let go of services that may not be working and create innovative new services to grow your business.

- Determine which services to provide — hosted email, desktop as a service, hosted backups, etc.
- For each new product, choose whether to host it or have it hosted elsewhere.
- Decide how to host — Rackspace, SoftLayer or another provider.

Hosting your own data center, if you decide to compete with AWS and others, will cost major dollars in infrastructure, along with maintenance and refresh costs. If you don't want to take on that kind of risk, there are other options.

### 3. Use a model for automation and orchestration.

Having a model for automation and orchestration capabilities that accelerates the setup and teardown of services is not only smart — it will save valuable time and resources, enable you to create new, innovative services and deliver them faster.

### 4. Change from device- to cloud-centric.

You can go to market faster and improve time to revenue with an agile, cloud-based infrastructure. Automating your own business model will reduce your capital expenses (capex) and operational expenses (opex) — and make it easier to deploy, manage and sell your services. In addition, moving toward an open architecture will fuel your business innovations and untether you from proprietary hardware and vendor lock-in.

### 5. Align your solutions to targeted customer segments.

In your newly created strategy, you should have outlined your target customer. This is the customer you should model your business for. What services is he or she buying and from whom? Do you offer those services? How can you improve what you are doing to be attractive to this market?

You may also need to change some of your most ingrained business habits. Your new business model of innovation and growth may drive you to services that will increase future business, and away from old services that use valuable resources and are no longer profitable. You may face the challenge of creating balance — enhancing your portfolio without overprovisioning or over-engineering. You'll have to find the sweet spot for new product introductions.

## Technology for the taking

Large manufacturers are creating and enhancing solutions specifically for service providers to enhance business outcomes. For example, you can add a virtual managed services solution that enables faster introduction to new services. You can leverage public cloud services or use your own cloud infrastructure and enable a self-service web portal, so your customers can easily order services from you.

The possibilities are endless, but choosing the right partners and using them in a way that is good for your customers and good for your business will be essential in the months and years to come.

## Partner with Insight

Insight knows service providers. We can help you find the best, most profitable way to differentiate your business in the market while helping you set the stage for long-term growth.

For example, you can start hosting capabilities right away without the large initial infrastructure costs. Insight can provide the hardware via lease, deploy at your data center and add its own infrastructure to it. Insight handles all the integration, loads the software and gets your service up and running, and you manage it for your clients. You can become a single source for all of your customers' managed services.

What differentiates Insight in this space is the partnerships it has built over many years, in addition to its experience with integration and infrastructure in the cloud. As an example, Insight is the largest aggregator of Microsoft® products and the VMware vCloud® network.



Let Insight help you transform your business. Stand out among service providers in the new world of technology, and do what you do best: Provide the services that make your customers successful, and you'll achieve long-term success.

Contact us today.

1.800.INSIGHT

[www.insight.com/serviceprovider](http://www.insight.com/serviceprovider)

---

<sup>1</sup>Research and Markets, "Managed Services Market — Global Forecast to 2019," 19 February 2015.

<sup>2</sup>Survey Analysis: As the Cloud Services Market Grows for Segments of Buyers, Opportunities Await, HP, 2013.

<sup>3</sup>451 Research, Hosting and Cloud Study 2014.

<sup>4</sup>Gartner, "Performance Road Map: Best Practices for Shaping Service Provider Business Strategy for IaaS," Gianluca Tramacere, Ed Anderson, 24 April 2014.

<sup>5</sup>ReportsnReports, "Global IaaS Market 2015–2019," December 2014.

<sup>6</sup>Gigaom Research, "Why PaaS growth is disproportional to other sectors," David Linthicum, 30 October 2014.

<sup>7</sup>IDC, Worldwide SaaS Enterprise Applications 2014–2018 Forecast.