Executive Summary

This whitepaper provides an overview of the Cloud model from a marketing perspective. We begin by briefly contextualizing cloud computing models and the overall landscape. We describe why some enterprises may be reluctant to disrupt their IT systems with the Cloud model, and the challenges that marketers face to address those concerns. Finally we offer advice on how marketers can communicate Cloud offerings to prospects and outline some pitfalls to avoid when marketing the Cloud.

Main Recommendations

• When marketing Cloud solutions, focus on the values that the solution provides its users, versus simply “Cloud labeling” your offering.

• Tailor your communications in terms of the overall target’s awareness of the Cloud model.

• Avoid over-sensationalizing that a solution operates within a Cloud computing framework.
Understanding The Cloud On The Horizon

Cloud Computing is an evolving technology that is changing the way IT is managed and delivered. Despite this disruption, companies are beginning to see the benefits. The fast growth of Cloud Computing, Storage and Services means organizations are starting to seriously consider what it means to their business. Many are finding it difficult to wrap their heads around the Cloud model and understand how it will affect their company, customers, vendors and service providers. Successfully marketing the Cloud requires understanding the nature of this new technology and communicating the specific value propositions the cloud offers to the prospect.

Cloud Computing: What’s The Big Deal?

Everyone loves the idea of the Cloud. We can imagine a utility model where you only pay for what you use; where data, platforms and IT systems situated offsite; and where system management is handled by someone else, ready to be tapped into as needed. This environment's ability to liberate companies so that they may focus on their core business strengths and differentiation is extremely seductive. In addition, a recent study found that the cost savings of Cloud infrastructure relative to mid-sized companies is better than a factor of seven across hardware, facilities and personnel. The clear financial incentives mean that everyone has to reconcile themselves to the Cloud future and figure out how to best harness the capability.

At its most basic, Cloud Computing is about efficiency. In the Cloud model, the physical resources are centralized and operated to deliver abstracted resources on-demand and at-scale. Though businesses may clearly see the benefits of this paradigm, Cloud Computing still has years to mature before we fully absorb the transformation it will drive. But even at this early stage of Cloud adoption, the enterprise will change as the business, revenue and service models of almost every player in the IT delivery chain adjusts. As the Cloud rolls toward mainstream use, IT marketers need to adapt to this new landscape.

The Disruptive Cloud

The Cloud is not a new technology, but a new operational model. The enabling technologies are myriad, but the practicality of the Cloud hinges on Hypervisors and Virtual Machines that abstract the user from the actual hardware, as well as the access layer that manages the security, availability, administration and workflows of Cloud resources. In this post client-server environment, the hybrid, elastic and tenant operational model of Cloud Computing is changing the way IT organizations deliver services to every tier of their business and their supply value chains.

The primary response to this kind of disruptive model is, in a word, fear. A recent survey from IDC has shown that 81.1% out of 244 respondents said that a solid performance-level assurance or SLA was very significant in their considering of adopting a cloud solution. As IT marketers, we need to ensure that we confront and transform the fears of the stakeholders. Everyone player in the market has a standard operating procedure that allows their business and career to thrive; if you are going to change that, you have to communicate how the Cloud will enhance their career paths and pocketbooks.

The most recent example of this level of disruption was the internet. It changed everything, and organizations had to learn to adapt their business models or disappear. The Cloud requires the same fundamental reevaluation. As Cloud marketers, we must explain the landscape of change and the opportunities presented so customers can clearly see the benefits and move beyond the fear of the unknown.
The Challenges Of Marketing The Cloud

It’s worth repeating: the overriding challenge of marketing the Cloud is allaying the fear of new business disruptions. This affects everyone up and down the management ladder. Executives have to worry about the strategic balance between taking advantage of cost benefits versus control, service and security. Personnel within the organization, especially IT, can feel threatened by the paradigm shift that may remove their raison d’être within their companies. And that’s not to say anything about how the Cloud operational model affects the relationships with partners, vendors and customers.

The number one concern for businesses, however, is security. Owners and IT managers worry about ceding their data and transactions to an outside service. In a recent survey of in-house IT professionals, about 45% said that the security risks of a cloud scenario exceed the operational benefits. It’s an obvious human reaction to be concerned when you’re not physically in control of your most valuable, differentiable and competitive assets—your data. In this context, understand your product. In marketing mission-critical products, be hypersensitive to security concerns.

Another important concern is how business models will be required to adapt to the operational changes of using the Cloud. The truth is that the Cloud doesn’t necessarily change how end users perform their work. What makes the Cloud different is its potential to deliver products and services in a more efficient, cost effective way. It is at the back end where the game really changes and organizations have to adapt.

The required adaptation delivers tremendous benefits beyond the near-term disruption it causes. Cloud Computing allows organizations to offload IT challenges away from their business. Without the worry of maintaining hardware investments, upgrading software releases, and storing large amounts of data on site, organizations that adopt Cloud can focus on their core competencies, aiding the differentiation of their businesses.

The Market

The Cloud Model is like the entire IT industry rolled into one. As the Cloud evolves and adoption becomes more prevalent in the enterprise, software providers, equipment manufacturers, resellers and vendors, platform developers and system integrators of all colors all have a stake in the Cloud. Everyone is trying to figure out their place in this new environment, where compute power is always available, IT departments are freed from much of the day-to-day system
administration, and costs are determined on a per-use basis. The overall market is strong with revenue reaching $58.6 billion at the end of 2009 and is expected to reach $148.8 billion by 2014—a 117.9% increase in 5 years. Since the clear financial benefits of the Cloud mean that it’s here to stay, every company and their value chains carry the responsibility to understand how to incorporate the technology into their operating models. In many cases (non-IT or Tech based industries) the Cloud can slipstream with existing process. But for technology companies and their partners, it has the potential to be extremely disruptive.

The current Cloud environment features these categories:

- **Infrastructure as a Service**—IaaS provides grids or clusters or virtualized servers, networks, storage and systems software designed to augment or replace the functions of an entire data center. The highest-profile example is Amazon’s Elastic Compute Cloud (EC2) and Simple Storage Service, but IBM and other traditional IT vendors are also offering services, as is telecom-and-more provider Verizon Business.

- **Platform as a Service**—PaaS provides virtualized servers on which users can run existing applications or develop new ones without having to worry about maintaining the operating systems, server hardware, load balancing or computing capacity. Highest-profile examples include Microsoft’s Azure and Salesforce’s Force.com.

- **Software as a Service**—The most widely known and widely used form of cloud computing, SaaS provides all the functions of a sophisticated traditional application, but through a Web browser, not a locally-installed application. SaaS eliminates worries about app servers, storage, application development and related, common concerns of IT. Highest-profile examples are Salesforce.com, Google’s Gmail and Apps, instant messaging from AOL, Yahoo and Google, and VoIP from Vonage and Skype.

- **IT as a Service**—ITaaS is the transformation of IT to a more business-centric approach, focusing on outcomes such as operational efficiency, competitiveness and rapid response. This means IT shifts from producing IT services to optimizing production and consumption of those services in ways consistent with business requirements. This changes the role of IT from a cost center to a center of strategic value.

**Articulating The Value**

The value marketers can bring to the Cloud is being clear and concise about the benefits provided to each business role in the model, from end user to CIO.

The benefits of efficiency, flexibility and affordability can potentially outweigh the concerns over security and control, yet the disruption breeds a high level of uncertainty. While security concerns remain prevalent among end users, uneasiness as a result of the disruption of long-standing business models plague each level of the channel, including OEMs, SIs, VARs and ISVs. Every player in the IT world, from manufacturers, through vendors and administrators, to users should be asking themselves: What am I doing to adapt to this new system delivery model?

These are a few of the most important values of Cloud Computing:

**Lower Total Cost Of Ownership**

As service providers typically charge on a per-use basis (much like an energy utility), customers only pay for what they use. In addition, with maintenance, user support and administration managed by the vendor, implementation costs are greatly reduced at scale.
Elasticity and Scalability
The compute resources of vendors provide access to a level of scalability previously unavailable to many end users. Especially for businesses that have significant spikes during traditional retail surges (Thanksgiving, etc.), this elasticity, combined with utility pricing, gives the small guy opportunities to play where they couldn’t even enter the game before because they couldn’t afford the ante of infrastructure.

Easy Access
Access to the cloud is available wherever users can get online. This offers great flexibility in how they access and use their mission-critical resources.

Offloading IT
Service providers maintain responsibility for managing and maintaining hardware and software, freeing customers to focus on their business.

Communicating The Cloud To Your Prospects
Importance of Cloud Computing Consideration Factors
How important are the following factors when considering a move to cloud computing?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Very important</th>
<th>Somewhat important</th>
<th>Not at all important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to meet user demands quickly and achieve scale</td>
<td>73%</td>
<td>26%</td>
<td>1%</td>
</tr>
<tr>
<td>Perceived ability to save money</td>
<td>60%</td>
<td>37%</td>
<td>3%</td>
</tr>
<tr>
<td>Not having to purchase assets for one-time or infrequent intensive computing tasks</td>
<td>55%</td>
<td>41%</td>
<td>4%</td>
</tr>
<tr>
<td>Ability to use external assets to handle peak loads (capacity management)</td>
<td>48%</td>
<td>45%</td>
<td>7%</td>
</tr>
<tr>
<td>Availability of financial services-specific applications</td>
<td>41%</td>
<td>42%</td>
<td>17%</td>
</tr>
<tr>
<td>Leveraging best practices of a cloud service provider</td>
<td>36%</td>
<td>51%</td>
<td>13%</td>
</tr>
<tr>
<td>Separation of application code from physical infrastructure</td>
<td>24%</td>
<td>53%</td>
<td>23%</td>
</tr>
<tr>
<td>Going green; sharing capacity across servers and users</td>
<td>19%</td>
<td>54%</td>
<td>27%</td>
</tr>
</tbody>
</table>

As with every business oriented technological advancement, the leading responses to the disruptive operations model of the Cloud are:

1. I don’t get it.
2. I get the idea but don’t know what to do next.
3. I get it and have a plan to move ahead. This is the competitive environment where the value and differentiation of your Cloud offerings are the most important.

The challenge in facing the first answer is in educating prospects from square one. Helping prospects “get” Cloud Computing is a necessary first step. As the Cloud moves into the mainstream, overall understanding of the structure and benefits of Cloud Computing will become more prevalent, and as vendor it is in your interest to provide educational information to aid in their enlightenment.

The second response is popular with many companies today. For those marketing the cloud, these can be low-hanging fruit, ready to learn what the Cloud can do for them. This is where the competitive opportunity sits.

The third answer is where we find the forward-thinking companies who have been looking into...
the Cloud for some time, and are ready to move forward with adoption. This is a very competitive environment, and reaching your prospects in this space requires you to clearly demonstrate the value and differentiation of your Cloud offerings.

The Hype Surrounding The Cloud

When communicating the Cloud to your prospects, be careful of sensationalizing the offering as a Cloud service. “Cloud” has become a buzz word that has been used to mean so many different things in the past couple of years, that most of its value as a term has now been diluted. “Cloud” may be used successfully as a top level brand attribute, but this reserved more for a consumer audience rather than a B2B audience, as in the case of Microsoft’s recent national cloud campaign.

Here are a few good examples:

**NVIDIA® Reality Server®**

This technology allows, as one example of its use, for designers and customers to see how furniture and remodels will appear in their homes with the highest end “reality” rendering the industry can provide. With this technology customers can visualize how a new sofa would look in their home when the sun is low on the horizon in November. Customers are not aware that the work needed to create the high end rendering is actually hosted off-location—thus making Reality Server a Cloud application.

**Microsoft Business Productivity Online Standard Suite**

This suite is basically Microsoft’s “Office in the Cloud” technology for the Enterprise, but they chose to call it “Online Services.” Business users experience it like they do Google Docs or other online capabilities, except BPOS is a high-powered, integrated system that business users will recognize.

**Amazon EC2**

Amazon’s virtual computing environment offers businesses a suite of services and storage space. With a massive infrastructure and elastic, scalable services, EC2 delivers on the promise of lower costs and quick start times.

Cloud Services That Existed Before The Cloud

- Gmail by Google
- NVIDIA Reality Server
- Microsoft Business Productivity Online Standard Suite
- Amazon EC2
Cloud has a lot of buzz because these large aggregations of infrastructure are vastly cheaper than what the average Fortune 500 company manages—up to seven times cheaper according to Amazon. These efficiencies are passed down through the value chain to the customers. This is why Cloud gets so much attention, not merely the fact that a product or service operates in the Cloud.

Conclusion

Unfortunately, there is no cookie-cutter model to solve the algorithm of marketing Cloud solutions. At this adolescent phase of the Cloud, we need to address the uneasiness and uncertainty. In an industry that is still maturing, the rules are still being written for all the players. But no matter what the game will look like one, five or ten years out, marketers need to be able to describe the value of the Cloud to every level of industry and transform their customers’ fear of the Cloud into the peace of mind that they are making the best possible strategic decisions for their business.

And the truth is that the cloud doesn’t change how end users perform their work. Like a PC or a server, it is simply the conduit through which computation, data and information systems live and move. What makes the cloud different is its potential to deliver products and services in a more efficient, cost effective way. It is at the back end where the game really changes and organizations have to adapt.

We need to be clear and crisp about the value these services provide and avoid just relabeling products as “Cloud Computing” because it’s the current trendy word.

Reference

2. IDC Enterprise Panel, August 2008 n=244