



STRATEGIC SERVICES

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 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 taking new approaches to communicating its benefits to prospects.

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 multi-tenant operational model of Cloud Computing is changing the way IT organizations deliver services to every tier of their business and their supply and value chains.

The primary response to this kind of disruptive model is, in a word, fear. As IT marketers, we need to ensure that we confront and transform the fears of the stakeholders. Everyone 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.

Cloud Computing For Businesses

- Utility Model For Data, Platforms And IT Systems
- Offsite Management
- Delivers Abstracted Resources On-demand And At-scale
- Cost Savings For IT Management

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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. 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 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.

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

Cloud Computing 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.

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 looks something like this:

- **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.

The Cloud Computing Environment:

- Infrastructure as a Service (IaaS)
- Platform as a Service (PaaS)
- Software as a Service (SaaS)
- IT as a Service (ITaaS)

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- **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.

The Value Of Cloud Computing

- Lower Total Cost Of Ownership
- Elasticity
- Easy Access
- Offloading IT

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

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, Christmas, 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 - Vendor Responsibility

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

Communicating The Cloud To Your Prospects

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.

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.

Learn More About Marketing The Cloud:

www.viewstream.com
info@viewstream.com

*Source: Amazon Web Services, James Hamilton, VP & Distinguished Engineer, Cloud Computing Economies of Scale, March 15, 2010, PowerPoint Presentation from Mix 2010. Accessed via <http://live.visitmix.com/MIX10/Sessions/EX01>.