

TECHNOLOGY BRIEF

5 Keys to Building a Successful Cloud Services Business | March 2011

# the five keys to building a successful cloud services business



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To make the most of the cloud opportunity, service providers need to combine the winning mix of smart business decisions, partnerships, and technology.

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Introduction:

## The five keys to building a successful cloud services business

The market for cloud computing is growing. That means opportunity is high, but so is the competition. To succeed, there's little time for service providers to make mistakes—either business or technology-related. For instance, service providers first must come to terms with what kind of cloud-based services they'll provide initially. Will the focus be Software-as-a-Service (SaaS), or broad Infrastructure-as-a-Service offerings? Perhaps the goal will be to provide enterprises a rapid path to private clouds, or Virtual Private Data Center (VPDC) services.. Is the service provider better suited to target the enterprise market, or small and mid-sized businesses? Perhaps their specialty will be to serve other service providers instead.

The answers to these questions may come quickly, depending on the nature of the service provider, or they may come after some tough, painful choices. Once the business decisions are made, the biggest challenge then becomes employing the right technology to develop the scalable and cost-effective infrastructure to deliver the services to customers—and to do it skillfully enough to carve healthy, recurring margins.

Of course, this is all more easily planned than executed. Today's business dynamics are complex, and so are the technologies that provide the underpinnings and management of cloud services. That underlying technology and its ongoing management must be simplified dramatically if service providers are to be able to offer the services they envision profitably. In fact, they need to be able to focus less on the technology, and more on building the business and delivering for customers. That's certainly what the handful of successful cloud services providers we've interviewed (who have, incidentally, built their business on the CA 3Tera AppLogic® cloud platform for this paper told us. And in this paper, *The Five Keys to Building a Successful Cloud Services Business*, we've distilled their insight so that service providers looking to profit from cloud services can benefit from their lessons learned.

The service providers that will continually grab market share will have the ability to adapt to market changes. This paper will help you do just that: understand what it takes to succeed as service providers move aggressively to cloud services. The five keys are as follows.

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## Key success factor #1: Differentiate and focus

In many ways, attaining success with cloud services is similar to attaining success in other businesses: differentiating one's services from the competition is essential. "The public cloud is highly competitive. If you look at many of the largest public cloud providers the question becomes how can one compete in that market space as a small service provider," says Stephen Hurford, cloud services director for UK-based cloud services provider DNS Europe. "It's almost impossible to compete on price, so don't even try," Hurford advises.

The market certainly is competitive. One proven way to succeed is to find a business edge, or differentiation, and build from there. That edge could be technological, or it could be a comprehensive understanding of a specialized market. That edge also could be an existing customer base, or even influence within a geographic region. "My advice to service providers who are starting down this path is to begin with a niche. Pick a service or an application or a target market and become very good at offering that and very good at supporting that," adds Hurford.

In addition, a service provider could offer a specialized SaaS application to a particular vertical market, such as health care, manufacturing, or government, among many others. Another niche example could be providing a dedicated platform for SaaS or managed service providers. Once the initial cloud service infrastructure is in place, and those core competencies are mastered, it's possible to expand from there, perhaps offering additional applications, platform, and infrastructure services.

Also, providers that have been successful at building businesses with the CA 3Tera AppLogic platform advise other service providers to not be too quick to decide to offer only an exclusive public or private cloud services. Such a strategy could limit market opportunities. While some customers, especially smaller ones, may want to manage their applications within a public cloud, others may desire a choice. Some enterprises may want to run only non-mission critical applications within the public cloud, while running other workloads within a VPDC with the levels of operational transparency they need. If you provide both public and private cloud options, you will give customers the choice they need to manage their applications according to business demands and their risk appetite.

That's also another opportunity to offer a key differentiator: unlike most public cloud providers, one can enable customers to dynamically switch applications and workloads among public and private environments as well as manage hybrid environments. Having the ability to manage dynamic infrastructures will make it possible to target organizations that may want access to public clouds, with the ability to grow into a private cloud offering later; these tend to be the more profitable, and desirable enterprises to have as customers. As DNS Europe's Hurford explains, one of the initial mistakes they made was to not properly segment the market for the services they delivered. "You've got to target those who value high availability and fault tolerance. Those that don't will compare you to many of the large public cloud providers that are not automatically fault tolerant," he says.

Differentiating a cloud business begins by targeting the right market with the right applications and services—delivered with an agile and powerful platform, a platform nimble and fast enough to deliver what customers seek on the timetable they demand. This brings us to the second key to success: keeping customers engaged so you make the most of new opportunities when they appear.

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Key success factor #2:

## Capitalize on new opportunities created by cloud services

The speed at which business moves continues to accelerate. A few years ago, it was reasonable for business units within an enterprise to expect new IT resources to be delivered within weeks. Today, they expect those same deliverables in days, if not hours. This makes it more challenging than ever for traditional IT teams to keep up with the demands business units place on them. Slow IT response also is causing business managers to bypass their IT departments and procure the applications—CRM, productivity suites, billing, etc.—with almost instantaneous fulfillment from external service providers.

This creates a substantial opportunity. Service providers can not only continue selling to their traditional IT customer base, but now that cloud computing has become an issue discussed by everyone from board-room executives to department managers, cloud service providers are increasingly finding themselves successfully selling directly to the business side of the house. However, in order to effectively engage these less technical customers, you must carefully consider and invest in ways to simplify the customer experience. That experience should be turnkey and automated whenever possible. Because the AppLogic platform abstracts the complexity of IT infrastructure, service providers can focus on managing their services and applications and not having to orchestrate the supporting infrastructure. Berlin, Germany-based ScaleUp Technologies has taken this one step further. They have developed software that integrates to its 3Tera-based cloud offerings to manage what it calls the ‘cloud point of purchase.’ The software (which the company now provides to other service providers as well) works with the AppLogic platform to handle self-service provisioning, billing, metering, and chargeback for services and makes it easier for business users to purchase and use cloud services.

“We came to the realization that the real users of cloud—the overwhelming majority and the decision-makers—are not cloud-savvy and shouldn’t have to be. Once we implemented our ‘point of purchase’ software along with 3Tera, our business changed drastically,” says Scott Sanchez, vice president, cloud business solutions, at ScaleUp. That change includes engaging customers at all levels—IT departments, business users, developers, CIO, and in some cases, even the CEO. “When we show them how we can change the way they run their business from an IT perspective, they go ‘wow, that’s great. My IT people can go back to supporting the business rather than managing what’s in the data center,’” Sanchez says.

None of that should be taken to mean that IT departments shouldn't be engaged. In fact service providers may be selling to new internal IT audiences. DNS Europe's Hurford explains why: "The right persons to market services based upon CA 3Tera AppLogic are the overworked development and service delivery teams that are constantly having to turn down the requests of colleagues because they can't provision services quickly enough for them." Additionally, Hurford explains that while the CIO and other CxOs will be motivated primarily by cost savings, they also understand that their business actually may be experiencing "virtual stall" (the tendency for server virtualization projects to 'stall' after the easy projects have been completed). "They've virtualized as much as they can and they've realized that virtualizing is not cloud; that cloud is something different," says Hurford. "When you talk to those who are responsible for deploying applications within the company, they really get AppLogic. They see how they can rapidly deploy, develop, tear down, and reassign those services and provide a much more full service for those less than core application requirements," he adds.

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Key success factor #3:

## Realize not every IT challenge is answered by cloud

Not all prospects will want to approach cloud on the same path. While other service providers may want to roll out their platforms and cloud infrastructure rapidly, not all customers—and certainly not all enterprises—will want to do the same. Some enterprises may want to move to cloud quickly, whether public or private. Those interested in moving as quickly, and cost-effectively, as possible may be interested in public cloud, whereas those concerned about control over their IT systems, or have very specific regulatory demands, will be more apt to select a private cloud offering. Many will choose to utilize a mix of public, private, and legacy infrastructures. That means service providers providing services in addition to SaaS may need to seriously consider supporting public, private, and legacy architectures. ScaleUp's Sanchez agrees: "Don't force customers into this thing called the cloud because everyone thinks it's the right decision. In some cases, people are better off on dedicated hardware or in a hybrid model, in which some is dedicated and some in the cloud. To take a look at the architectural needs and not just focus on the model, look at the architectural needs of what's being built," he says.

Taking the right tempo toward cloud computing also is vital. Launching into a "we're going to convert everything" to the cloud attitude is an approach that almost always is doomed. There is a relatively steep learning curve with it all," explains Hurford. "Experienced service providers can place themselves in a unique position to help enterprises avoid the pitfalls. Enterprises are starting to look much more to service providers—not necessarily to host their stuff for them, but to teach them about hosting—because their internal IT departments are becoming hosting companies," he says.

“We work with our customers to analyze the types of applications they want to move to the cloud and figure out where they are best suited. We’re finding that for most mission-critical applications, customers are opting for the private cloud option today,” says Mike Michalik, CEO of systems integration firm Cirrhus9, which specializes in cloud-based systems.

For service providers that build their offerings on the AppLogic platform, it doesn’t matter what architecture customers have in place or desire to build. Whether SaaS, PaaS, or IaaS, the platform makes it easier to deliver. Plus, CA Technologies is in an enviable position as a solution provider in the cloud space. “CA Technologies is heavily involved in traditional enterprise mainframes, and it’s on the leading edge with cloud. No other major vendor has that,” Hurford says.

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Key success factor #4:

## Leverage the right platform to deliver services customers demand

We’ve focused on many of the key aspects associated with building a successful cloud business. That’s not meant to understate the importance of choosing the right cloud technologies. For instance, service providers could try to build their own cloud infrastructure and management system. But building such a platform requires more than managing a fleet of virtual machines. It requires the ability to architect, build, and orchestrate the infrastructure for hundreds to thousands of clients. To do so with the sustainability and security that customers expect is more challenging than many at first suspect. “Trying to build-it-yourself involves a lot of scripting and trial and error,” says Sanchez. “You need system consistency to run an effective business. If we had to do this separately for every client, we’d end up with an unmanageable environment,” he adds.

Ideally, the cloud platform should be designed for service providers—so that services can be quickly and cost effectively launched—with virtualized, or encapsulated, application workloads that run within a highly-available and secure infrastructure. More specifically, when it comes to your cloud infrastructure, there are a number of characteristics that are essential:

- **A virtualized application layer.** By embedding hardware, infrastructure definition, software configurations, application code, and data into self-contained, portable entities, applications are freed from the shackles of proprietary hardware. Such encapsulation makes services easier to provision, start, stop, copy, scale, back-up, and move geographically.
- **Short, and long-term cost efficiency.** By building a platform on open source and commodity hardware, service providers can reduce costs associated with managing proprietary hardware and make it possible to reuse resources, templates and scripts so that new applications can be brought online with little modification.

- **Rapid time-to-market, scalable.** New production services need to be running within weeks, while new cloud installations need to be deployed within hours. The ability to run on standard x86 servers is essential.
- **Fault-tolerance, high availability.** High availability is expected throughout a cloud infrastructure and the applications that run on it, including storage. So is the ability to run across separate data centers, for fail-over, should something go awry with the primary instances.
- **Inherently secure.** System architects need to be able to define the network connections between all application components for each service, including the ability to enforce complete network traffic inspection, packet by packet on every connection. This enables appropriate action to be taken if a network connection is not identified in the service definition.
- **Experienced partners.** There are many providers appearing to have experience in cloud services, but how deep is their technical bench? How much experience do they have in traditional architectures, distributed networks, mainframes, security, and network and systems management? Yes, experience in cloud architectures is important. But the more diverse and deep the experience of your partners: the greater the number of opportunities there will be to seize.

The CA 3Tera AppLogic cloud platform enables service providers to quickly compose and deploy cloud applications and build the new service offerings that will attract customers. The AppLogic platform includes an IP SAN, intuitive user interface, full application stacks, and catalogs of infrastructure components. That means the days of buying and managing additional SANs, firewalls, load balancers, and other costly IT infrastructure gear to expand or support new customers are gone. “One of the big advantages of AppLogic is that it has reduced our hardware stock levels by 75% because all cloud server nodes are more or less the same product,” says Hurford. “We can easily reuse a server from a cancelled customer to a new customer, simply by re-provisioning it in a new cloud,” he says.

That’s one of the main reasons the AppLogic platform offers service providers a way to deliver services that can be deployed in as little as four hours. The platform takes care of the technological changes associated with high availability, network security, virtual storage, service libraries, and other technologies so that service providers can focus on building a profitable business and not on the details of managing data centers. “One of the primary reasons we selected 3Tera is that it enables us to look at an application in its entirety, and to visualize what we’ve built. It’s not just a collection of virtual machines (hardware, disk)—you have a canvas where you can draw what it is you want. You can connect things—they can work across geographies and across data centers. Trying to do that yourself involves a lot of scripting and trial and error,” says ScaleUp’s Sanchez.

A flexible cloud platform has enabled hosting provider Bird Hosting to tailor its business to its exact customer needs. “Using a private cloud platform has transformed the economics of how we deliver services and also opened up the opportunity to offer higher-value services,” says Michael Wallace, CEO Bird Hosting. “We used to offer web hosting services on dedicated and virtualized servers. But, even in virtualized environments, I would need separate machines for each individual task and for different operating systems. 3Tera gives me a lot more flexibility. I can build a 3Tera grid on top of a cluster of commodity servers and segment that grid however I need to,” Wallace says. “I can provide some customers with a Windows environment, others with a Linux environment, and others with a Solaris environment, all off the same grid,” he adds.

Mike Michalik, CEO of Cirrus9, a systems integrator that specializes in cloud-based systems integration, has found the AppLogic platform to enable flexible services as well. “We use 3Tera to build a grid for our customers that can scale up and down as quickly and easily as if you were drawing your infrastructure on a canvas,” he says. “Traditionally, if a customer were going to requisition a new physical server, it’s a process that takes them 8–16 weeks just to get the hardware, never mind configuring it and dealing with the software and licensing that’s required. If a customer has a grid with us, and they need a new server, we can have it set up for them in as little as 15 minutes.”

That may sound like an ideal selling point to enterprises—and it is—but it’s also ideal for service providers. “We have some MSP clients who want to offer cloud-based services, but they don’t want to learn the intricate details of how to manage cloud technology. We work with these MSPs to not only set up and maintain their grid, but also to set up templates for virtual data centers that they can sell to their clients,” says Michalik. Those AppLogic templates include administrative gateways and the necessary server configurations that the MSP customers require. “We can set up as many servers as the clients need on a single canvas and the MSP’s customer can use that as its regular data center. If the customer needs more capacity, it’s available right away,” says Michalik.

A significant benefit to choosing CA Technologies, says Hurford, is its expertise in service assurance, systems management, disaster recovery, and security. “CA Technologies is heavily involved in technology from traditional enterprise mainframes to leading-edge cloud services. No other major vendor has that experience,” he says.

Which brings us to Key to Success Number 5, and the importance of having a strong, experienced partner to help support your efforts.

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## Key success factor #5:

# Utilize every resource available to succeed

With competition tight, and changes rapid in technological adoption, picking the best partners is crucial to success. The MSP Program from CA Technologies provides what service providers need to get their cloud services business up and running quickly. That's made possible through special installation and training packages, preferred pricing on licenses, and live support to help service providers get their offerings to market as quickly and profitably as possible. CA Technologies also helps partners establish themselves through co-marketing initiatives, press opportunities, and sales support.

In addition, program participants gain access to best practice architectures and applications that can be offered rapidly as offerings to customers. Business success is enhanced further through the ability to tap into lessons learned from dozens of proven implementations around the globe with years of combined continuous operation. And, CA Technologies offers introductory pricing on product and services to get customers up to speed quickly. "CA has provided us with the support and expertise we need, from technological support through marketing," says ScaleUp's Sanchez.

These resources are available, but that only matters to those service providers that put them to use.

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## Success: DNS Europe

# Early lead advantage

DNS Europe knows when it's time to embrace a new sales model, and how to pick a winning technology. Having launched its cloud services platform in 2008, based entirely on the CA 3Tera AppLogic platform, DNS Europe today is one of the most experienced providers in Europe. DNS Europe's expertise includes public and private cloud deployments, cloud application development, networking, system administration, maintenance, training, and consultancy for cloud services.

With 50 employees, DNS Europe is a lean business. Based in the UK, the firm has no physical data centers of its own, choosing instead to outsource all hosting services. "We're focused not on our own private cloud infrastructure, but on growing the number of our customer private cloud deployments," says Stephen Hurford, cloud services director for DNS Europe. Furthermore, DNS Europe doesn't consider other independent software vendors as competitors, but potential partners. "We see them as an essential part of growing the community of AppLogic service providers," he says.

For customers that are looking to move onto the cloud, including application wrapping and development, DNS Europe will build a managed VPDC outside of their own facilities. "If they need it hosted at another ISP or behind a corporate firewall, then we will help those customers to deploy it on-site," says Hurford. "We were lucky enough to choose the right platform three years ago, and our business still is based 100 percent on 3Tera. It still is central to our success.

For more information on DNS Europe, visit [DNSEurope.net](http://DNSEurope.net)

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## Success: ScaleUp Technologies

### Self-service clouds

ScaleUp Technologies prides itself on its ability to bridge the gap between business users and the technology on which they rely. To accomplish this goal, ScaleUp has two sides to its business. One is as a cloud provider that offers public and private cloud services, the other is as a cloud software company.

The ScaleUp Cloud Management Platform, available to enterprises and MSPs, provides a powerful self-service solution to user management, provisioning, automation, metering, billing and more. ScaleUp is focused on what it calls the “point of purchase”—the engagement points between providers and consumers of cloud services. Sitting on top of cloud operating stacks such as the AppLogic platform, ScaleUp takes the cutting-edge cloud technology and business applications running inside a data center and delivers them to end users. The result is reduced time and cost spent building a cloud and increased user adoption rates.

“Whether you’re a developer or a typical business-IT user, you are not concerned with virtual machines or memory or disk,” says Sanchez. “You are concerned that multi-tier applications, database, storage, CPU cycles, multiple servers, firewalls, business logic, corporate governance, and regulatory governance are baked in and properly orchestrated,” Sanchez says.

“Between CA3Tera AppLogic’s templates that enable the creation of precise architectures and its ability to monitor and control cloud services, it provides everything needed,” he says. “There’s no other platform out there today that can put all those things together.”

For more information on ScaleUp Technologies, visit [ScaleUpCloud.com](https://ScaleUpCloud.com)

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## Conclusion

The market for cloud computing is growing, and yet so is the competition. That means there is little time for missteps if you are a service provider. To win, you must select the right technology and business partners, choose the right cloud offerings, and execute as flawlessly as possible. The CA 3Tera AppLogic platform makes it possible for service providers to quickly offer public clouds or private cloud offerings, as well as any combination of SaaS, PaaS, and IaaS architectures.

The AppLogic platform can reduce the time it takes to deploy these new services from months to hours. Service providers gain the flexibility to make the right business decisions and respond to new market opportunities, while increasing the efficiency of their resources and operations. All this is made possible through the AppLogic platform's ability to create, manage, move, and scale compute resources. Just as important as the power of the technology, you are backed by CA Technologies with expertise across all IT environments—from mainframe and distributed, to virtual and cloud. A majority of the Global Fortune 500 rely on CA Technologies to manage their evolving IT ecosystems. For additional information on the CA 3Tera AppLogic cloud platform and our MSP program, go to [3tera.com](http://3tera.com).