



Timing things right to uncover new routes to cloud.

The landscape for managed service providers is changing – it's time to find a new way forward. Find out how you can get the timing right to offer cloud services when it makes most sense for your customers and your business.



When it comes to business evolution... timing is everything.

Everywhere you look, the message seems to be the same: cloud is the way to go. As businesses look for new ways to compete, cloud offers them what they need: a way to work faster, smarter and leaner in the face of competition.

Although the movement of client services into the cloud may seem like an erosion of margin for those who make money from hosting and managing workloads, it can actually open up many new sources of revenue.

Cloud offers new ways to add to your service offering and differentiate your business. It can help you to more easily manage and govern the services you provide. And it can help you to future-proof your business model, building more sustainable sources of revenue in the face of a volatile market that is shifting more and more to cloud.



But you need to be smart about how you tackle this opportunity. Investments made in owned infrastructure can't be lightly cast away, and a client who isn't ready to migrate infrastructure or applications to cloud, simply won't. Being successful in the cloud space is about taking a step back, considering your wider business strategy and getting the timing right.

Spending on data center systems is projected to be \$188 billion in 2020, a 10% decrease from 2019.

(Gartner, 2020)

In this paper, we'll look at some of the common challenges we at Insight see managed service providers facing. We'll then cover the practical steps we can use to help you consider the ongoing needs of your customers, develop what you offer, re-think your revenue model, and find your own way forward to differentiate and build future success in the cloud.



Cloud is moving at full speed. But let's stop for a second.

“By 2024, more than 45% of IT spending on system infrastructure, infrastructure software, application software and business process outsourcing will shift from traditional solutions to cloud.”

(Gartner, 2020)

This is what analyst Gartner calls “the Cloud Shift”. It is not news to businesses. Or to service providers. But if the benefits of cloud are so well understood – its speed of delivery, flexibility, infinite scalability and its potential for innovation – why haven't businesses migrated everything into it already? There are many reasons. Business value can take a long time to materialise. Cloud technologies have complex pricing structures. Additional skills and resources are needed to roll out and manage cloud services.

These concerns can actually raise opportunities for you.

You can help your clients to optimise what they already have. To figure out what to move to cloud and when. How they can minimise disruption and see value quickly. You can help them to manage complexity once they are there. With most businesses using a hybrid cloud approach, providers of traditional infrastructure still have a strong role to play.

To take advantage of these opportunities, you need to take a step back. You need to think about where you can provide value to your clients, how you will generate revenue from it, and what the right time to pitch a new service might be.

Thinking about your clients.

- Are your customers making full use of their infrastructure? Could you help them make savings?
- Do they buy services from you that could be easily replaced or consolidated into a more beneficial cloud solution?
- Have they experienced a period of heavy disruption that cloud services might help solve?

Thinking about the way ahead.

For many of the service providers we work with, especially those who have focused on private infrastructure, focusing on cloud means finding a new path. To use your skills and knowledge you must figure out which cloud services fit most comfortably within your portfolio, or decide which ones you will specialise in. You need to identify gaps in your capabilities and fill them. And the way you engage with your clients must change, moving away from a supply-and-demand model to more strategic long-term relationships that will keep generating recurring revenue.

No customer will want to be a Guinea pig. To successfully change the business model, you must give your customers confidence in your ability to deliver.





Optimising infrastructure.

License optimisation can be a first step in understanding exactly what your clients buy from you, and where you can help them to create immediate savings.

At Insight, we use an automated solution to give you an overview of all your client's software licenses. As well as helping you to accurately report on license usage and satisfy vendor licence audits, this gives you an opportunity to spot areas where you can help your clients manage their spend, for example if they are paying for licenses they don't use; or upgrade their solution to a more cost-effective solution, perhaps a solution that also offers a level of included storage so the customer doesn't have to buy this separately.

“Many organisations can cut spending on software by as much as 30% by implementing software license optimisation best practices.”

(Gartner, 2016)

This process of **supply chain optimisation**, where you as a provider can simplify license procurement and streamline IT asset management will not only help your business to make cost savings, but also help to position you as a more strategic partner to your clients.



Need support for your licence optimisation and management efforts?

Speak to one of Insight's expert licensing professionals to see how we can help.



Changing the revenue model.

Of course. There's no benefit to your business to just switch out traditional licenses with cloud licenses. Without an element of differentiation or added value, you can fall into the trap of competing solely on price – a sure way to watch margins shrink.

There are many ways to add value in the cloud. For example, you might start to become a **specialised provider**, focusing on a few select solutions, such as Windows Virtual Desktop or Microsoft365, offering additional services to support and optimise your client's technology. Or you might choose to develop your own IP.

The cloud managed service market is forecast to reach \$80 billion by 2024

(Gartner, 2020)

Many providers choose to work with specialist partners first to help them deliver on new capabilities and services, moving to fulfil more of the services themselves as their familiarity with the technology grows over time. It's best to start with what you know. Think about the services you currently offer and how you apply your expertise in this area to what's on offer in cloud.

Thinking about your new way.

- Which cloud services relate most closely to what you already offer?
- How might you add value to these cloud services using existing capabilities to generate additional recurring revenue?
- Are there any capabilities you need to acquire to offer this type of support?
- Are there partners you could work with who might help you offer a more comprehensive service?



Timing is everything.

Once you've figured out where your opportunities lie, the next step is to start thinking about when to take action. It's not just about timing it right for your client – it's also about choosing the best time for your own business.

Hardware depreciation.

If you are coming to the end of a depreciation cycle for some of your core hardware, it may be worth looking at whether you could offer services similar to those hosted on it at lower cost in the public cloud. By comparing licensing costs, capital expenditure, subscription costs and the value of the additional services you can supply to your clients (for example, storage, managed back-up), you can paint a clear picture of how you can balance or improve margins.



Need some support? Speak to Insight for further information on how we can help you migrate to the Cloud.

Service renewal.

For clients, contract renewal is an obvious time to approach upgrading to a cloud-based service. It's important to approach your clients with targeted marketing ahead of this date, but an analysis of their licensing spend can also help you to have data-led conversations around how they can optimise what they buy. It's also important to discuss their business transformation goals, and how they might be reached by **transforming the data centre** for cloud.

Every cloud subscription sale gives you an immediate opportunity to upsell related services as part of the initial contract. These might include security planning, capacity planning, user transition planning, or even ongoing service monitoring. Selling a more comprehensive solution, such as a flexible workplace package that involves both an Microsoft365 subscription and added migration support, will help to give your client confidence in their cloud ambitions – and strengthen their relationship with you.

It's important to note that there's no need to migrate all of a client's services to cloud in one go. Many clients have no intention of doing this at all, with the majority still taking a hybrid cloud approach. For most providers, a **phased approach** is the best way to get to grips with working in the cloud environment. This also lets you migrate at a time when it makes financial sense for both you and your client.

Finding your way.

Careful, methodical planning will help you to maximise the value of the cloud infrastructure you adopt, and the cloud services that you sell. The list below includes some practical considerations to help you start planning your journey.



Step 1: Start with your customer.

- **Assess your client's current licenses through a licence assessment exercise.**
Could they be optimised to create cost savings?
- **Consider transformation drivers.**
Have they been heavily disrupted?
How are they changing their business?
How could cloud help them?
- **Assess the sophistication of your client's cloud practice.** How much support will they need?



Step 2: Consider your business model.

- **Decide what you want to be known for.**
What are your areas of differentiation?
What expertise could you extend to your new cloud services?
- **Think about what you could offer to your client as part of a solution** with their purchase of a cloud subscription.
- **Think about how you could add value to cloud products.** What will your clients struggle to manage?
Could you support them?
- **Assess your capability gaps.**
How will you fill these in the short and long-term? Could you work with a partner to deliver solutions?
Could these be rectified with training?



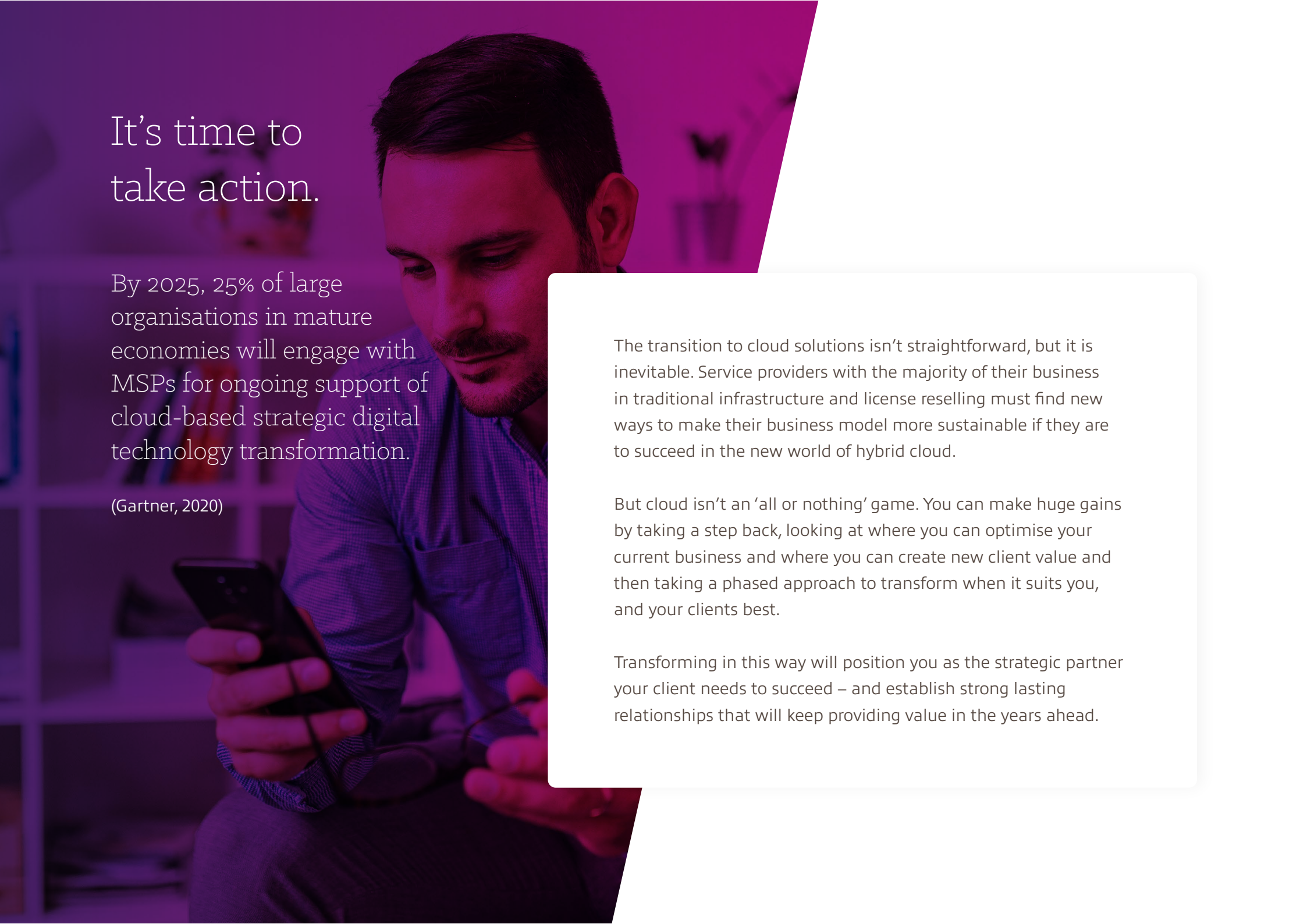
Step 3: Consider timing.

- **Consider your hardware depreciation cycle.** How will you assess and optimise replacement cloud infrastructure costs.
- **Consider the link between your customers and hardware investments.** Could migrating a customer ahead of depreciation save on capital expenditure?
- **Consider the client's contract renewal cycle.** When do you need to talk to them? When should you open migration or transformation conversations? What marketing support will you need?
- **Plan phased migration.** What workloads should your client move first? Where will they make the biggest savings and the best gains? Where will you?



Step 4: Plan your roadmap.

- **Assess training needs.** How prepared are you to offer cloud services? Do you need additional training? Who will supply this?
- **Prepare the stage.** Set up your cloud environment. Apply appropriate governance, controls and security arrangements.



It's time to take action.

By 2025, 25% of large organisations in mature economies will engage with MSPs for ongoing support of cloud-based strategic digital technology transformation.

(Gartner, 2020)

The transition to cloud solutions isn't straightforward, but it is inevitable. Service providers with the majority of their business in traditional infrastructure and license reselling must find new ways to make their business model more sustainable if they are to succeed in the new world of hybrid cloud.

But cloud isn't an 'all or nothing' game. You can make huge gains by taking a step back, looking at where you can optimise your current business and where you can create new client value and then taking a phased approach to transform when it suits you, and your clients best.

Transforming in this way will position you as the strategic partner your client needs to succeed – and establish strong lasting relationships that will keep providing value in the years ahead.

Insight can help you to find your way.

As a **software licensing, workload** and **platform specialist**, Insight has the strategic knowledge and industry expertise to help you find new ways forward. We offer a range of services to help you get started on your cloud transformation – helping you to plan, build and support new cloud solutions that will support the needs of both your business and your customer's.



Plan

Assess migration opportunities, benefits and any potential risks.



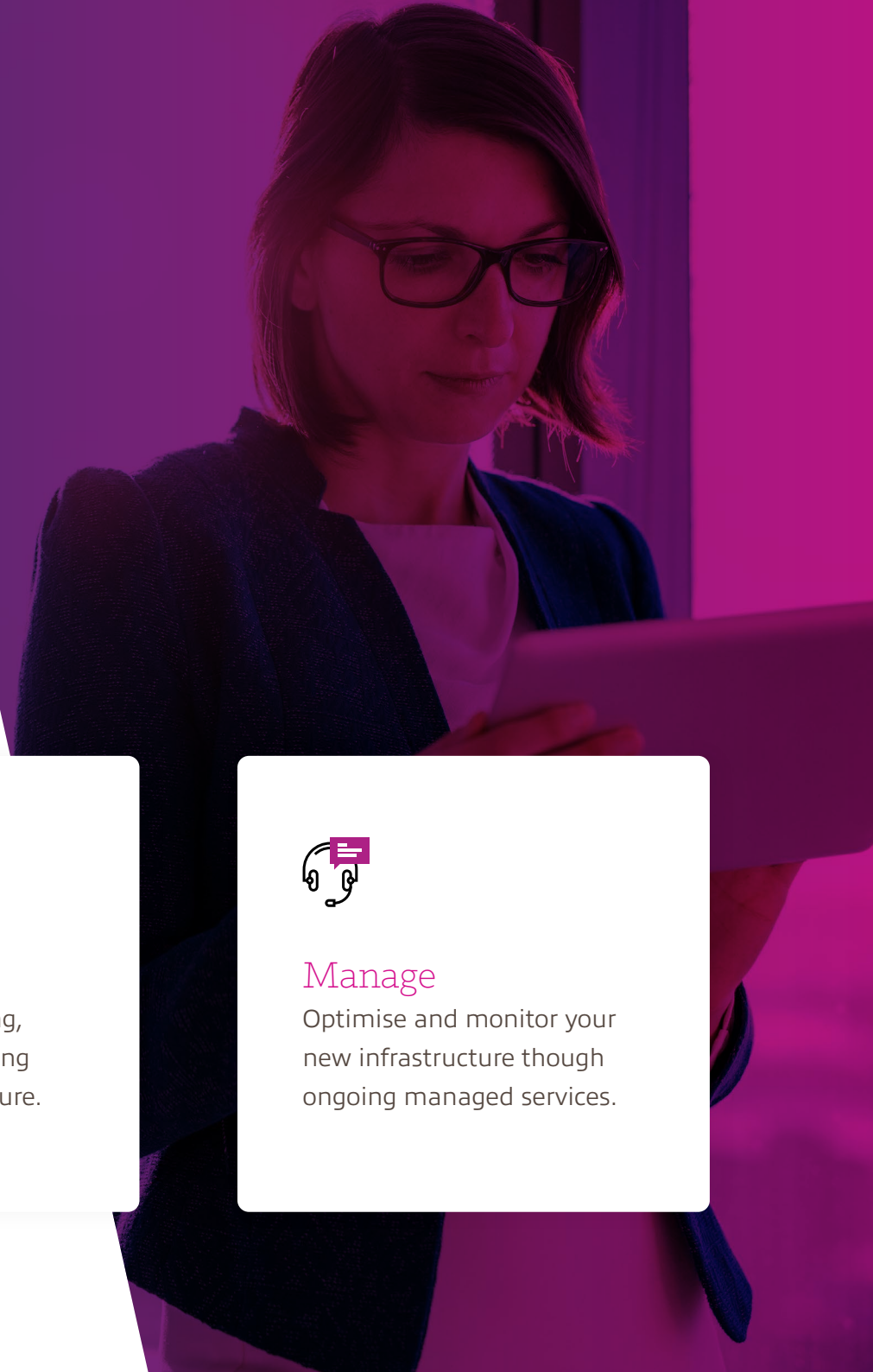
Build

Get support in migrating, setting up and optimising your chosen infrastructure.



Manage

Optimise and monitor your new infrastructure through ongoing managed services.



We go the extra mile to keep your business moving forward.

Unlike traditional players in software licensing, we focus on helping your organisation accelerate by optimising your existing setup and transforming your core workloads to take advantage of new opportunities.

**Start identifying cloud opportunities across your entire client base –
book an assessment session with Insight.**

