

## Communication Service Providers (CSPs) Can't Afford to Miss the Cloud

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It could be argued that Communication Service Providers (CSPs) missed some opportunities in the last 10 years. They certainly didn't lead the market in the mobile application revolution. The next big opportunity is with Cloud services. And, simply put, CSPs cannot afford to miss the Cloud.

### The Good News

The good news is CSPs are in a fantastic position to capitalize on Cloud services for two main reasons: they own the underlying network infrastructure and they have existing commercial relationships with millions of customers. Further, some CSPs are already offering certain Cloud services like web hosting. However, very few have invested enough in the infrastructure or marketing to make them successful or bringing them meaningful revenues relative to their traditional network and voice services.

In general, all customer segments will adopt, or



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already use, some Cloud services, whether its enterprise, small business, consumer, education or government, and CSPs must provide Cloud offerings that align with the specific market being addressed. To date, CSPs have been focusing their Cloud energies on their Enterprise and public segments. This is delivered largely through a direct

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sales model and the product centers around their core network and data center services with some branching into virtualized infrastructure and storage.

**The key to success is managing a platform that is flexible, extensible, and rapidly enables the roll-out of new services.**

### The Small Business Opportunity

While the Cloud opportunity in the enterprise and government sectors is exciting in terms of potential deal size, in this article I'd like to draw attention to another market - Small Businesses. These are the businesses that typically have very little in terms of their IT resources and they can benefit the most from the Cloud services and applications. There are over 73.5 million small business and easily another 100 million home or small offices worldwide. Virtually all need a "web presence" and simple email. However, the majority of them would also greatly benefit from a range of applications, including some which were traditionally available only to bigger organizations, such as messaging and collaboration, backup and archiving, customer relationship management, and hosted PBX, especially as their business and marketing needs evolve.

Small Businesses are and will be adopting these Cloud services very quickly, partly because it

improves productivity and efficiency, and partly out of necessity, since they do not have an internal IT department. This becomes the easiest and best way for them to consume technology. Cloud services also make sense financially for small businesses, as there are no large capital outlays required and they can pay for just the services and applications they need, easily adjusting for both good and bad markets.

### Cloud Services Reduce Churn

Another reason CSPs cannot afford to miss the Cloud is that Cloud services fundamentally increase the average lifetime value of a customer. Let's look at some internal data that shows the impact in churn rates among Small Business who use one service (web hosting) versus two services (web-hosting and email hosting):

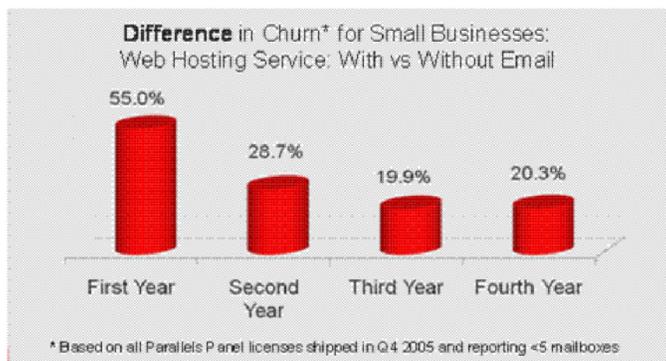
In short, Small Businesses that subscribe to web hosting services and use the hosted email services as well remain a customer almost three times longer than if web hosting without email is consumed! Furthermore, this positive impact to churn scales, as additional Cloud services are added and bundled together.

### How to Rapidly Offer Cloud Services to Small Businesses

What is the best way for a CSP to rapidly get to market with Cloud services for Small Business? Developing a Cloud solution from the ground up and integrating into existing OSS/BSS systems is a multi-year project. Building and managing a shared

environment for applications (multi-tenancy) along with authentication, security, billing, and payment system integration are all very extensive and expensive projects.

Implementing commercial off the shelf automation software designed for Cloud services that integrate with existing OSS/BSS systems is the fastest way to go to market. Given how rapidly things are evolving, time-to-market is THE critical decision making factor. This approach is



also the most flexible, as a CSP will be able to adjust pricing and margins with the market, along with adding new cloud services.

Therefore, CSPs can rapidly and profitably get to market offering cloud services by deploying an open solution built on open multi-tenant standards, security, authentication and license tracking. Such a solution must:

- 1) Offer a catalogue of SaaS applications
- 2) Provide a flexible framework for easily adding new services and applications
- 3) Enable the syndication or sell-through of external third party cloud services (eg, Microsoft BPOS).

The key to success for a CSP is managing a Cloud platform that is flexible, extensible, and rapidly enables the roll-out of new Cloud services. Just as automation is critical to profitability for traditional voice and data services, every possible aspect of purchasing, provisioning, billing, and self-service management for Cloud services should be automated. This is critical to keeping “book to bill” days low, support costs down, and being able to rapidly introduce new cloud services. Further automation ensures operational efficiency thereby creating the opportunity for higher margins.

#### **Cloud Services must be easy to consume for Small Businesses**

The way Small Businesses consume technology in general, and particularly Cloud services, is very unique. Most of them do not care how it works so long as it works. To be successful, CSPs must make it incredibly simple for small businesses not just to subscribe to Cloud services but also modify and manage their services and applications at any time. Modifications could be to the existing Cloud services being subscribed to such as adding or deleting users or increasing storage capacity or this could mean adding new Cloud services to their subscription bundle.

The last thing a CSP wants to do is introduce

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existing support costs from small businesses that cause confusion or frustration with their Cloud services. This will destroy margins. The answer is providing an intuitive, self-service portal, or control panel, for small businesses to be able to easily manage the overwhelming majority of their needs.

#### **The Future of Cloud Services for CSPs**

Over the past few decades, communications have become ubiquitous. We no longer call a place, we call people. Cloud services take this trend to the next level. Documents, contacts, calendars, applications and other IT services are moving into the Cloud. CSPs that will be able to leverage their network assets, put the right Cloud automation systems in place, and aggressively target small businesses will be positioned for success in the years to come. After all, close to 40% of overall IT spend is coming from small businesses and this spend is moving the Cloud very quickly.