

The Cloud Services Opportunity

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There can be no doubt that cloud computing has arrived and will define the IT landscape for at least the next decade. According to IDC, spending on public IT cloud offerings in 2014 will be almost one-third of the net new growth in IT spending. And according to a recent survey by Gartner, 10% of IT spending on external services already comes from cloud providers, and roughly half of the respondents indicated their

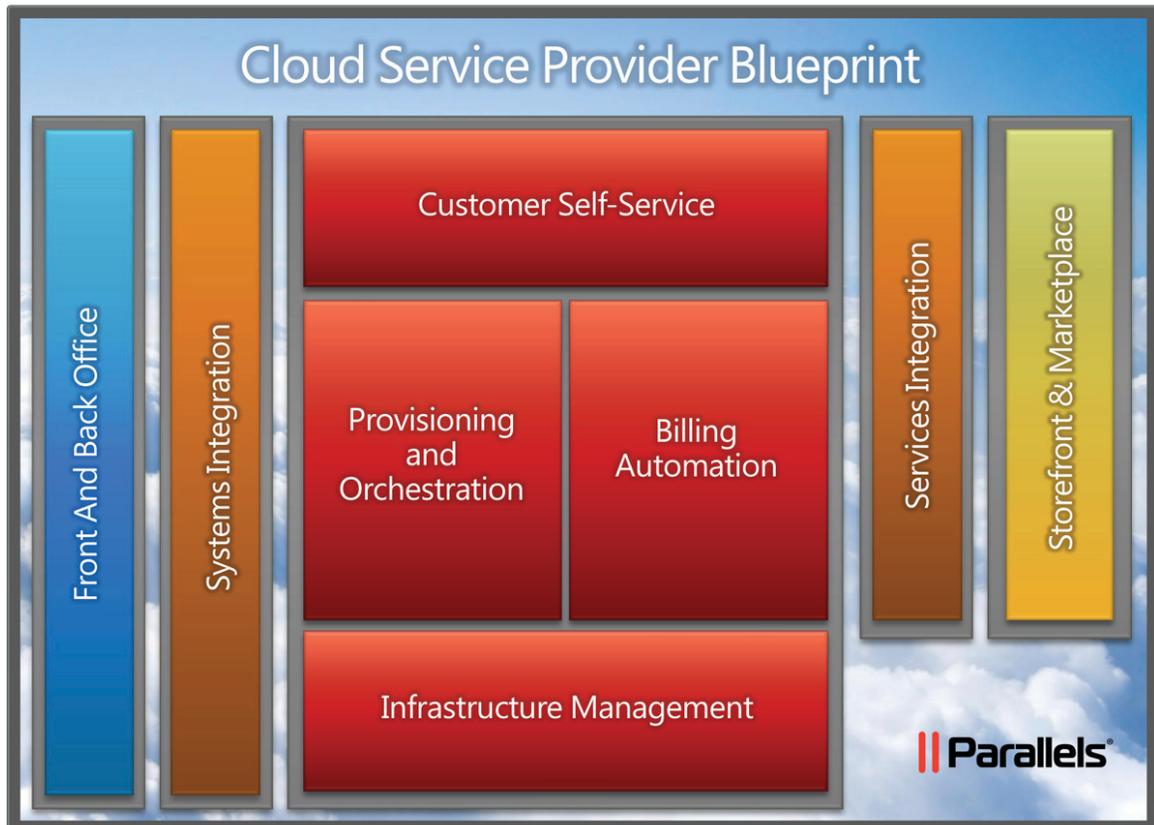
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budgets for cloud services are growing next year. The future demand for cloud services is all but ensured by exponential growth of data volume (60%-70% per year, according to recent data from research firm Telegeography3), together with an increasing appetite for computing power to process that data.

This growth in demand has led to an increase in the number and types of cloud services providers.

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Amazon is seeing significant competition emerge from the likes of Microsoft, Rackspace, and Verizon. In fact, nearly all telecommunications providers, as well as large value-added resellers and distributors, have cloud services strategies under way. Additionally, traditional software vendors are moving to cloud delivery models or Software-as-a-Service (SaaS), led by the likes of Salesforce.com and Intuit Quickbooks.

So how can current and future providers of cloud services best profit from this industry-wide shift? What are the key capabilities service providers need from their cloud service delivery platform? What does the coming of the cloud mean for traditional vertical service delivery platforms? And how can providers enhance the profitability of their cloud services offerings?

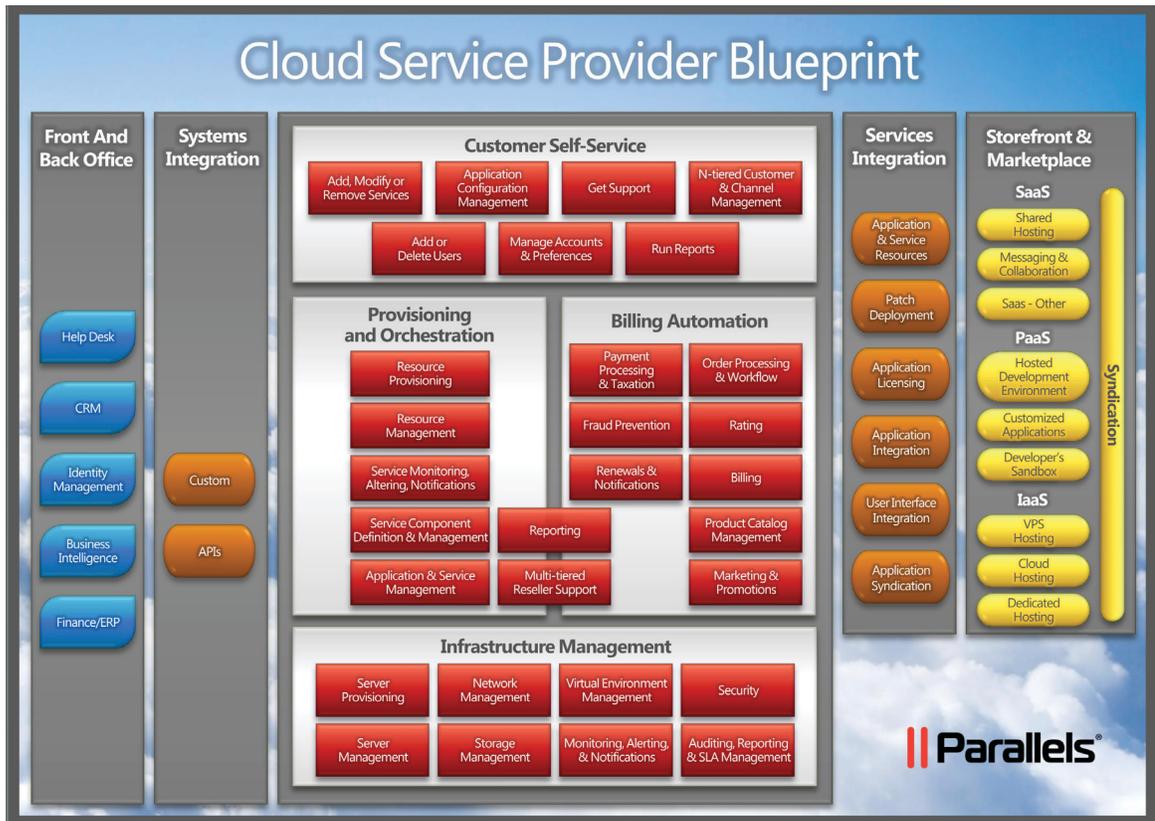
The Unique Requirements of Delivering Cloud Services

Traditional vertical service delivery platforms are typically built to deliver one or a few types of service only, such as TV, phone, or Internet access. Adding another service might require deployment and integration of yet another service delivery

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platform, leading to long wait times from inception to implementation and complicating provisioning and de-provisioning—especially when mixing and matching platforms with different architectures, from different vendors.

Even relatively simple, highly available services from the cloud, such as shared Web hosting or business-class e-mail, have to be much more flexible to provide the complete experience users now expect. When users order Web hosting for example, they expect a myriad of additional services such as DNS service, Web access statistics, backup, and so forth, will be included. A business-class e-mail service requires anti-spam, anti-virus, archiving, and Web-access functionality—and the flexibility and completeness



“Service providers need to have a cloud service delivery platform of interdependent, cross-platform components.”

of such service offerings often determine their profitability, as well as helping service providers to differentiate themselves from the competition.

A complete cloud service delivery system that satisfies users’ requirements and helps service providers make money must be able to provision, manage, and support thousands—or even tens of thousands—of different components.

Relationships Between Components

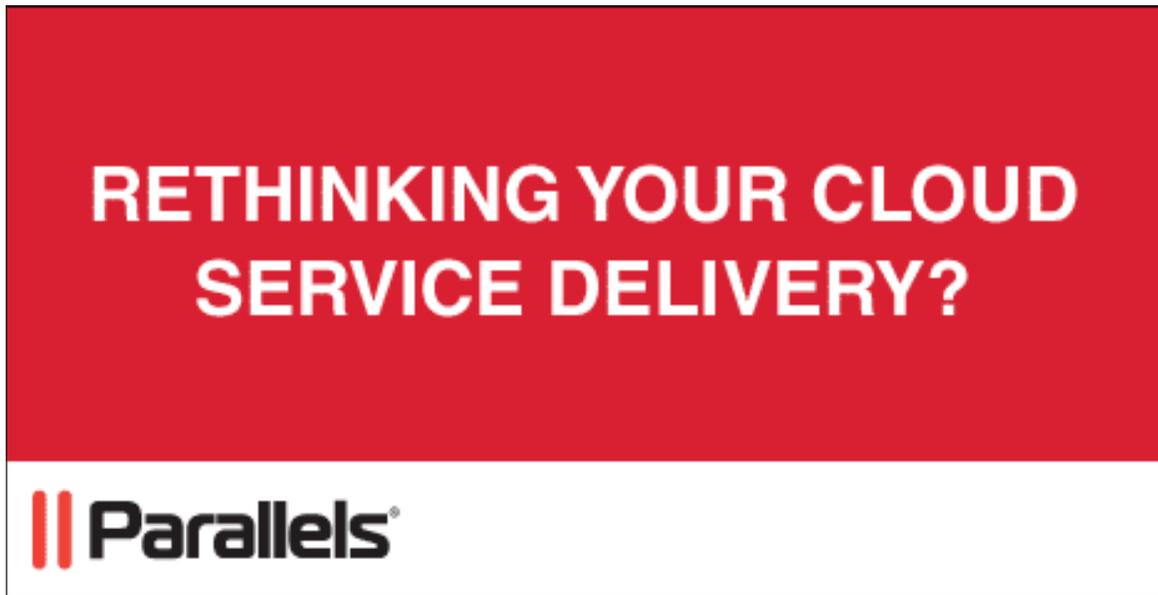
A cloud service delivery platform must be able to design relationships between the tens of thousands of components involved in delivering cloud services in order to create multiple options within service plans, as well as critical dependencies, commercial terms, and billing options—including over-usage policies. The complexity of the relationships possible between components is significantly greater than what is presently found among traditional telecommunication services.

One of the promises of the cloud is universal access.

End users expect to be able to use a desktop, laptop, tablet, or mobile device to access the services they need. The ability to provide service, regardless of the underlying platform, is critical for end-user satisfaction. Therefore, a complete cloud service delivery platform must be able to work with a multitude of operating systems, databases, and application servers that power provisioned services and their individual components; be able to mix and match them efficiently to provide best-of-breed service offerings; and be able to easily replace one component with another if the need arises. (For example, service providers must be able to easily switch between third-party independent software vendors who supply one of their enabled services.) This complexity requires cloud service delivery platforms to be able to handle the widest range of diverse components.

Traditional vertical service delivery solutions are typically designed to solely provision services located on a provider’s premises. However, many services today are hosted on third-party vendors’ sites or in the cloud. Consequently, a complete cloud service delivery platform must be able to provision, configure, and manage such remote or syndicated services in conjunction with their on-premise services. For example, a service provider may want to combine an onsite Hosted Exchange deployment with offsite e-mail archiving from a third party.

Because of increased complexity and the need to



RETHINKING YOUR CLOUD SERVICE DELIVERY?

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rapidly develop and roll out new services, traditional vertical service delivery platforms will have a hard time adapting to cloud requirements. But even if they can deploy enough side-by-side vertical platforms to be able to provision the full spectrum of services, a seamless user experience requires good integration between services, which is extremely hard to achieve with multiple vertical stacks not designed to work together.

Self Service, Storefronts and Business Models

Cloud services require a higher degree of end-user self-service capabilities than traditional telecommunication or IT services, and cloud service delivery platforms need to take this need into account. Self service is an integral part of the overall delivery system—especially in view of the high volume of new cloud services that are rapidly being made available to end users.

The online storefront and underlying shopping cart and product catalog for cloud services need to be able to handle the tens of thousands of components defined above. This makes such a storefront and shopping cart much more complicated than traditional interfaces used by companies selling widgets, as they need to be able to handle the relationships and dependencies between all the components. Much like self service, this requirement is another integral part of the overall cloud service delivery platform.

Traditional service delivery platforms have one product catalog in the ordering system, another in the provisioning system, and another in the billing system—plus a stand-alone shopping cart application. Because of the large number of components involved in delivering cloud services, service providers either need a mechanism for tight integration across catalogs or, preferably, a single catalog across all systems. Having multiple product catalogs has always been difficult for telecommunication service

providers, who must maintain up to a dozen catalogs in different systems. Without a well-designed cloud service delivery platform, cloud services will simply take this mess to the next level.

Because of the scale of any reasonably sized cloud service provider, the back end of its underlying service delivery platform has to be highly automated, eliminating the need for manual intervention in processing, provisioning, and managing the cloud services. Automation is needed not only to support the need for an extremely high degree of self service, as described above, but also to maintain margins and profitability. For example, a \$10 per month service simply cannot afford any manual operations—or even a single support ticket.

The Way Forward

To succeed at delivering profitable public cloud services, service providers need to have a complete Cloud service delivery platform, managing a large number of interdependent cross-platform components in perfect order. Traditional vertical service delivery platforms cannot manage such complexity, nor do they typically have enough internal integration points to provide a seamless experience to both user and service provider.

Attempts to integrate multiple vertical platforms typically end up as partially connected stacks of parallel functionality. For example, even if integrated systems can provision multiple service components at once, de-provisioning usually must be performed manually in each system. While such an approach might be acceptable for traditional services (e.g., voice and data services that people keep for extended periods of time), cloud services are often consumed on-demand, and with the addition of each new service component typically requiring reintegration of existing systems, the resulting service levels would be unacceptable in today's competitive marketplace. In short, a complete cloud service delivery platform must be purpose-built for the cloud, with the goal of providing the full set of services and a seamless user experience for the entire service lifecycle, from ordering to consuming to de-provisioning. Given the innate complexity of cloud services, this is the only way to ensure profitability.

About Parallels:

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