Tapping the Business Opportunities Related to Cloud through Strategic Partnerships

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Comments by the Faculty

Against the backdrop of new economic realities, one of the technological developments that is affecting businesses worldwide is cloud computing. Cloud's "IT as a Service" model is transforming the way business software and hardware are designed and purchased. With benefits like agility, reduced cost and scalability, cloud technology has begun to become mainstream in organizations of all sizes.

With more and more business functions being deployed on cloud platform, the demand for cloud infrastructure and service providers has increased multifold. The demand is enticing both big and small players to enter the fray of cloud business. While large organizations are setting up cloud infrastructure for offerring it as a service to its clients, small and medium scale organizations are scrambling to get their share of pie by focusing on niche services related to cloud. Among various approaches adopted by small and medium scale companies to enter into the cloud business, strategic partnership with bigger cloud players has been prevalent.

With new technologies like cloud regularly wriggling into the market, it is increasingly difficult for small IT service providers to endure the market pressure and they fail to satisfy the needs of each of their clients in a timely and cost effective manner. Also, when a small IT service provider tries to be all things to all people, it often ends up delivering only average results to its clients at best. Therefore, many IT solution providers are extending their reach through strategic partnerships. Each company can do what they do best and seamlessly provide the right technical resources to the client. This allows smaller, "boutique" firms to provide value on projects for which they may not have been previously considered.

This paper presents the work carried out by Bharath Kumar at StarNel Consulting and Engineering Private Limited. After establishing its roots into general IT solutions market, StarNel is now on the verge of embarking upon the contemporary IT services like cloud. Bharath has endeavoured to identify the business opportunities that exists in the cloud domain and factoring the strengths and weaknesses of StarNel, has proposed strategic partnership with experienced cloud players to further fortify the company with more revenue. Strategic partnership with bigger and experinced cloud vendors would help small players like StarNel to access the crucial expertise in cloud and catalyse new upstream work dovetailing with its future IT offerings.

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"Ultimately, the cloud is the latest example of creative destruction: creating wealth for those who exploit it; and leading to the demise of those that don't." - Joe Weinman, Senior VP at Telx

Introduction

The recent paradigm shift in information technology and computing resource utilization is leading CIOs and IT managers towards the cloud, as enterprizes are starting to embrace many benefits of such IT advancements.

Nearly 90 percent of businesses have adopted the cloud in some capacity. A 2014 Cloud Computing Study found that cloud investment spendings have increased by 19% in large-scale enterprizes. It also found that in 2015, 24% of IT budgets will be allocated to cloud solutions and companies who move to the cloud save on average 21% per year.

Cloud computing is a game changer for Small-Medium enterprizes by offering scalable infrastructure and capabilities available as services. It is a paradigm where computing resources are available when needed, and you pay only for what you have used. Small companies need not worry about any upfront investment or internally building IT Solutions, because now cloud computing offers them as ready to use packages.

About the Company

StarNel Consulting and Engineering Private Limited is a Private Company incorporated in 2013, based in Bangalore and has its operations center in Mysore.

StarNel is a firm providing services like Consulting, Building applications across various platforms, Testing, Web and Mobile App development. The strengths of StarNel are experienced founders, growing client base in Europe and USA but the company lacks expertize in cloud technology.

Organizational Context

To increase the business with their existing clients, StarNel wants to move into cloud computing business. StarNel wants to provide cloud computing services along with their existing IT services to their clients.

Focus of study

The focus is two fold, namely:

- To study about the opportunities existing in cloud technology.

- Gather first hand information about vendors in cloud computing, integration models and recommend StarNel which best aligns with them.

Methodology

The exploratory study involved collection of both secondary and primary data.

- Secondary data involved collecting information from established market research firms like Gartner and Forrester pertaining to opportunities in cloud technology.

- Primary data involved gathering information regarding current products, offerings, schemes, benefits from vendors and how they could become strategic partners to StarNel.

Findings

Cloud computing is a growing rapidly, ranked second in top five tech spending and is disrupting traditional IT. Spending on cloud computing infrastructure and platforms is expected to grow at a 30% CAGR from 2013 through 2018 compared with 5% growth for the overall enterprize IT. Also Cisco predicts that cloud industry will grow on an average CAGR of 24% for 2013-2018.

There is a sharp rise in cloud computing and some interesting trends forecasted are:

- By 2016, there will be an 11% shift of IT budget away from traditional in-house IT delivery, toward various versions of cloud computing as a new delivery model. (Theis, 2015)

- By 2016 over 80% of enterprizes globally will use IaaS, with investments in private cloud computing showing the greater growth. (Illsley, 2014)

- By 2018, more than 60% of enterprizes will have at least half of their infrastructure on cloud-based platforms. (McNee, 2014)

- $78.43B in SaaS revenue will be generated i[...] a compound annual growth rate (CAGR) o[...] Cloud Computing Forecasts And Market Es[...]

	2015	2016	2017	2018	201...
■ BPaaS ($)	2.93	4.28	6	7.66	9.0...
■ SaaS ($)	78.43	92.75	105.49	116.39	125....
■ PaaS ($)	9.8	11.26	11.94	12.15	12....
■ IaaS ($)	5.82	5.65	5.45	5.23	5.0...

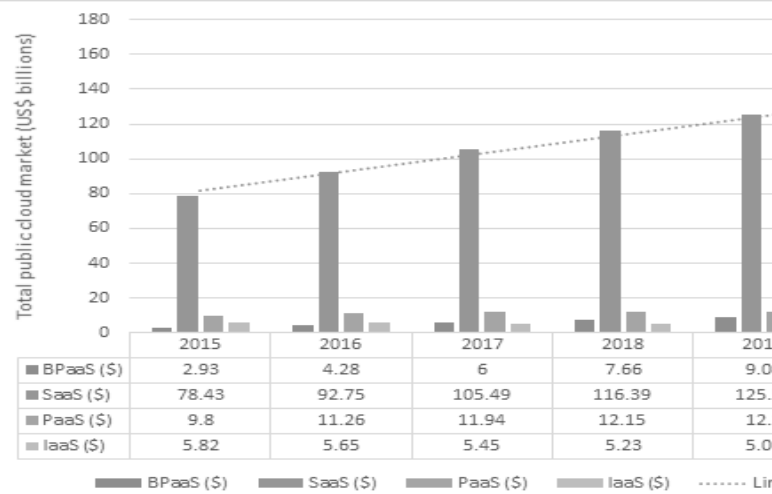BPaaS ($)　　SaaS ($)　　PaaS ($)　　IaaS ($)　　······ Lin...

Figure 1: Global public cloud market size (Source: Forrester Research)

Factors Influencing the Adoption of Cloud Computing

Improved Business Agility

"Business agility is the ability of a business to adapt rapidly and cost efficiently in response to changes in the business environment." With its relatively small initial cost, Cloud computing can give organizations the ability to respond to business demands quicker, allowing them to deploy solutions quickly. It can also help businesses ensure their employees have instant access to critical business information, using any device anywhere.

Reduced Capital Expenditure

Most Cloud computing offerings have adopted the pay as you go billing model, while others bill on a subscription basis. This allows customers to benefit from a reduced capital expenditure because they consume resources as a service by just paying for what they use. By sharing computing resources between several users, utilization rates are significantly improved, which means reduced infrastructure costs.

Increased End-User Productivity And Collaboration

More than ever before workers and consumers have access to Internet and various interconnected devices, thereby increasing their ability to access software when it is available as a service. With a cloud solution, users can access services regardless of location or device and they can easily share information with colleagues or partners. Web-based interfaces have enabled applications to become more standardized and easier to understand and use, so the user base of software applications has become more confident and willing to use them.

Improved Reliability and Continuity

Business reliability and continuity is critical to all organizations as any downtime may lead to a loss of revenue or customer dissatisfaction, making a negative impact on the brand image. It is suggested that Cloud can improve disaster recovery time and reliability by rapidly recovering applications on available hardware when a failure occurs. This could minimize or eliminate the impact of an outage. Any planned server downtime for common maintenance operations could be eliminated, ensuring no service disruptions to the business (VMware, 2013).

Services Deployed on Cloud

Cloud computing offers three services: Software as a Service (SaaS), Platform as a Service (PaaS) and Infrastructure as a Service (IaaS). SaaS has changed the concept of software as a product to that of a service instead. The software runs in the cloud and the user can access it via the Internet to work on an application. PaaS enables powerful tools for developers to create the applications, without having to deal with concerns about the infrastructure. IaaS provides complete infrastructure resources (e.g. servers, software, network equipment and storage). With IaaS, consumers do not have to purchase the latest technology, perform maintenance, upgrade software or buy software licenses.

Cloud computing deployment can be divided into three types: private clouds, public clouds and hybrid clouds. Public clouds have open access,private clouds run within organizations and hybrid clouds encompass both private and public cloud models.

Major Vendors in Cloud Computing

The major vendors operating in the cloud business are mentioned in the table.

Table 1: Vendors in cloud business

Public Cloud Platform	Private Cloud Platform	Cloud based Integration
Amazon Web Services	HP	Informatica
CenturyLink	IBM	Dell Boomi
Google	Microsoft	IBM
IBM	Cisco	Microsoft
Microsoft	VMware	Mulesoft
Rackspace	CA Technologies	Tibco Software
Salesforce	BMC Software	WSO2

Public Cloud Vendors

According to Forrester Wave, Amazon Web Services (AWS) scores high for all segments. However, AWS is best known for its IaaS offerings and has large collection of platform and application services that meet the needs of development operations and coders. It excels in high security, reliability and pricing is also competitive when compared to other vendors. Others such as Microsoft, IBM and Google are also good performers but AWS has a large market share, pricing, scaling SLA's, pay only for what you use makes it a leader in public cloud platform.

Private Cloud Vendors

According to Forrester Wave, HP scored highest in the evaluation for its current offering and second for its strategy. CloudSystem Enterprize is one of the first OpenStack-based private cloud solutions and, more importantly, HP has effectively used this head start to develop additional capabilities while presenting a clean and navigable user interface (UI). End users access the portal through an intuitive, simplified UI that requires less technical background and minimal training. HP stands out in the evaluation not only in terms of its nicely designed UI but also in terms of hybrid cloud enablement, automation capabilities, template creation, and market presence.

Cisco, Microsoft, IBM are not far behind and are as good as HP's offerings. For example, Microsoft is preferred when it come to contract terms, costs, automation capabilities and Cisco is known for its role-based access controls, control options, and automation capabilities.

Cloud Services Platform

AWS has the largest market share in cloud IaaS for government and commercial customers. AWS has richest IaaS portfolio and has over 10 times more cloud IaaS compute capacity in use than the aggregate total of the other 14 providers. Combined with pricing, SLA, Security levels adopted makes AWS best in IaaS.

In SaaS and PaaS, Salesforce.com and Microsoft are leaders. Salesforce.com is a CRM SaaS leader and has strong professional service partner network, multitenant application execution container, strong social interface elements, increased focus on mobile. Microsoft has broad and ambitious strategy. It offers web based services like Skype, Bing, Hotmail and does private offerings.

Table 2: Cloud Services Platform (Source: Gartner)

Vendors	Build Private Services	Deliver Services	Services Delivered		
			IaaS	PaaS	SaaS
Amazon	None	Excellent	Excellent	Need to improve	None
Salesforce.com	None	Excellent	None	Excellent	Excellent
Google	None	Excellent	Need to improve	Good	Excellent
Microsoft	Excellent	Excellent	Fair	Excellent	Excellent
IBM	Excellent	Fair	Good	Fair	Fair
VMware	Excellent	Need to improve	None	Good	Need to improve
Oracle	Excellent	Need to improve	Need to improve	Fair	Fair
SAP	None	Fair	None	Need to improve	Fair
HP	Excellent	Fair	Good	Need to improve	Fair

Cloud Integration Platform

According to Forrester Wave, Informatica, IBM, Dell Boomi, Mulesoft lead in current offering and strategy. These vendors have sophisticated cloud based integration available as a cloud service and they also address well on premises-to-on- premises integration scenarios.

Dell Boomi uses a concept known as lightweight agent, which starts with basic data loader and synchronization tasks around SaaS applications. It does innovation in crowdsourced metadata management and issue resolution.

IBM is one of the biggest and most function rich application and data integration vendors. But high efforts and skill investments required to integrate different IBM integration products is its weakness.

Mulesoft focused on ESB space with its MuleESB open source product connects to large enterprize applications such as SAP. MuleSoft's CloudHub was the first ESB, which was available as a multitenant cloud service in early 2013. Combined with a managed Tomcat environment, MuleSoft's cloud service qualifies as an iPaaS offering and represents a compelling option for on premises and in the cloud — running the same service or other metadata.

Recommendations

StarNel should colloborate with a cloud vendor that aligns with StarNel's strengths. Like in public cloud platform, they could look into AWS and Microsoft. Both are ideal for mid-level software firm, best for their pricing, scalability and have their data centers in Europe and USA. Also AWS is known for its IaaS platform and Microsoft for its PaaS, SaaS platforms. When it comes to private cloud platform, StarNel should look into HP, Microsoft and Cisco. Similarly in cloud based integration, StarNel should look into Dell Boomi, IBM Cast Iron, Mulesoft, Tibco.

The company should also look into vendors who continuously innovate with their products, which becomes a value addition when it is offered to the clients. It should also look at vendors who are well known in the market, so that the clients feel secure about their projects.

Conclusion

Since the company is new to cloud business, it should acquire necessary expertize through strategic partnerships with established cloud vendors and look for new clients and offer them niche services like migration to cloud platform, host companies data and perform maintenance checks, look at cloud automation and virtualization etc.

There is a lot of competition that StarNel faces in this competitive IT market, but offering niche cloud services may perhaps give impetus to their business, increase customer base and revenues.

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