Movers and Shakers: CloudFX

Damian Crotty - President and CEO

Chris Kelly - Vice President and COO

RIS has, over recent months, been asked by several clients to investigate "cloud channels". 'Who's selling "cloud", and who are the largest "cloud" providers per country?'*

This is a fantastic question, indeed, who are these cloud channels? Being an IT channel research company we'd know, right? Well a quick look at Apollo – the RIS database of the top 8,000 Channel Partners profiles, reveals that the vast majority of Channel Partners in Asia "claim" to offer some kind of cloud service, or represent Vendors of cloud solutions.

This makes answering the question to Vendors seeking answers to the earlier question somewhat difficult. So RIS looked to drill down and address the question a little more specifically – 'who are the providers of cloud products, services, consulting, PaaS, SaaS, and IaaS (as defined by The National Institute of Standards and Technology NIST in the USA), in Asia-Pacific?' Having then defined what constitutes a "cloud service"- now makes it much easier to determine: who are the Channel Partners offering some or all of these services – which ones are proactive seeing the opportunity, which ones are reactive – jumping on the latest jargon, and which ones might miss the boat altogether. Furthermore, some of the largest cloud infrastructures are being provided by companies who are not actually marketing themselves as cloud providers at all.

With the exception of SaaS, which is a fashionable, and a "relatively" new concept in the model used for charging for on-line business process application software; PaaS, IaaS, and many of the Marketing Department created "#aaS's", (such as storage, security, etc.) are simply repackaged Managed and Outsourced services previously sold by traditional Channel Partners and Service Providers.** However, three macro technical innovations have now led

to these "cloud" concepts being considerably more appealing to Enterprises. Firstly, virtualization; secondly, sophisticated management tools; and thirdly, credible SLA's (Service Level Agreements) on the back of a well-defined/documented ITIL (Information Technology Infrastructure Library) frameworks, now made viable by very high-speed, pervasive (and "secure") access networks – largely associated with mobile devices (BYOD). These different technologies, with their corresponding changes in cost models are now making the outsourcing of some Infrastructure, Platforms and Software processes economically compelling. These concepts are reshaping the industry, and are generically being marketed as "cloud services".

The one overwhelming thought is that, given this sequence of loosely connected, but never-the-less profound changes in several aspects of the IT industry – "cloud" is likely to prove to be the biggest shake-up in the IT industry since the invention of the PC; supporting Roy Amara's observation - *We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run."*

To investigate this further, RIS caught-up with Singapore based "cloud gurus" CloudFX, who provide consulting to Enterprises', Service Providers' and the wider Channel Partner community, looking to migrate to, or at least investigate the opportunities the cloud environment may bring. RIS spoke to Chris Kelly and Damian Crotty, Vice President and COO, and President and CEO respectively.

RIS Q1: Please give us the high-level view of CloudFX service's and business model?

'CloudFX provide consulting in all aspects of virtualization and cloud services to Enterprises, Service Providers, and to Channel Partners. For Enterprises, and Service Providers we specialize in mapping the value chain - helping companies achieving cost reductions through virtualization where SLA's are not well defined, and applying innovation and new services,' says Damian.

Chris goes on, 'Virtualization and Cloud are the most transformative technologies of the last 20 years and represent the only way to drive capital and operating expense savings, whilst reducing IT complexity and promoting business agility. However, objectivity can only be

achieved by operating independently from vendors, and this ensures we make recommendations that are always in our customers' best interests. Our integrity and operating principles will never be compromised by selling any vendors' hardware.'

CIO's are increasingly becoming more ROI savvy, and appreciate external consultancy to validate vendors such as Cisco, EMC, and HP's cloud claims. CloudFX holds intellectual property for cloud architecture and design; and can apply this to independently "check" the claims of the vendors, providing independent validation of value gains. CloudFX consults on the proactive application of technology, while considering the orchestration, management, and automation of cloud environments using tools such as Microsoft HyperV and Citrix Zen server. This is the application of technology suitability in the evolving world of mobile users and BYOD. Lastly, CloudFX consults with traditional Channel Partners to assist and consult in the evolution of their cloud services to their clients, as part of the CloudFX partner ecosystem.

RIS Q2: What are the major dynamics having such an impact on the concept of cloud services?

There are a number of fundamental changes which have occurred in recent years that have conspired to create the cloud story as we know it today. There are many ways to group these, but simply they can be categorized as follows:

Technological:

- Development tools for fast, simple interfaces on mobile devices are now providing for workable business applications, and access to business data. Mobile devices are available with huge memory and processing power, but also the web-based applications enable easy porting of applications. 2013 shows – 80% of apps development is now happening for the cloud mobile environment, only 20% for legacy desktop platforms.
- Virtualization for servers (also for clients:- mobile or desktop) now means datacenters can be massively scaled for a proportionally lower price point. This is achieved by both more efficient server utilization, and also the cost benefits of PUE (Power Usage Effectiveness). Couple this with infrastructure advantages (covered below), means

hosted datacenters can ensure fast response times, with an all-round easier user experience (for example no waiting for application upgrades).

Infrastructure:

- Wireless everywhere via cellular, Wi-Fi, and private networks means business applications access is pervasive. This was originally email, etc., but corporate services and applications are now usable remotely for a massive number of business critical applications.
- Cheap, secure, outsourced storage removes the cost constraints of Enterprises' building infrastructure to store data.
- Security, while a constantly evolving challenge, is a fact of life we all live with; and ultimately user demands and business requirements will ensure the evolution of security solutions will keep pace with business behavior.

Work practices and social changes:

- BYOD (Bring Your Own Device) – 'The BYOD environment is being driven by the cloud' says Damian. Employees are seeing sophisticated social applications being used on smart devices, and expect business applications to be as easily usable in the same environment.
- Mobility/time utilization is also interrelated. 'Staff can be as productive having a meeting in a coffee-shop as sat at their desks. The change is that "coffee-shop" conversations can now be assisted with online mobile devices connected to the business applications so actions can be executed upon real-time.'
- 'Cloud analytics are increasingly sophisticated providing preemptive analytics, and highly automated adaptive services. Meaning the end-user experience can be adjusted as required by the service usage. Moreover, data derived from user behavior can be used to predict computing capacity requirements, such as payment systems spikes for on-line or traditional media advertising campaigns; or staffing requirements for food delivery services linked to televising of major sporting events (sending out for pizza during the big game),' says Chris.

RIS Q3: What do customers want?

'Ultimately, our customers want a price advantage with more agility for business processes.' Claims Damian. Cloud is getting a lot of press at the moment, and many of our clients are simply looking for impartial, expert advise on how to apply the cloud concept to core business necessities like maximizing cost efficiencies and gaining competitive advantage.' Two recent examples were with Indosat and Softbank. 'In both cases we were able to assist a reduction in Opex and Capex while providing improved mobile data services and applications to consumers. Revenues from Telco's cellular services have plateaued, while fixed line revenue are reducing. In this case, the solution CloudFX have provided for a framework to push data services to mobile devices (and so charging for the service) in-order to accelerated ROI on sunk-cost infrastructure, while providing a differentiated service delivery model creating incremental revenue streams.'

CloudFX suggest it's important to delineate between Infrastructure and Applications as clients consider cloud services. 'The value savings are far greater on the Application side, and it's important to establish which platform is right for each customer' says Chris, an example is SAP's Hana, - usage is fast growing and a Hana incident can be as low as 99 cents per day.

RIS Q4: What does CloudFX see as the biggest obstacle to cloud evolution?

Damian says 'we see several challenges for Enterprises wishing to move to cloud environments. A willingness to embrace change is one factor. CloudFX sees the American market is probably 3-5 years more advanced in the process of virtualization, the first steps in evolving a cloud model, than the majority of Enterprises in Asia. There is also an element of the 'tail wagging the dog' as customers may put too much weight on listening to vendors. There needs to be transparency in the agenda.'

'We frequently see clients where the IT department is the impediment to business innovation. This is particularly evident as business process cost centers are moved from the IT departments to the line-of-business functions. The trick is to map the value-chain; if not, cloud services are costly and out of sync' with the business requirement' says Damian.

'Security is a valid concern, but regardless of Public, Private or Hybrid cloud environments, the security policy is as critical in the cloud as for data not in the cloud. ISO 2701 sets security standards and it's important for Enterprises' to engage Channel Partners (including consultants) who understand this.'

'In Asia we think of the virtualization market as being the "on-ramp" to public cloud.' CloudFX believes 70% of storage will be procured through the public cloud by 2015, so lax security comes with heavy penalties. Government regulation also needs to be informed. Singapore sees itself as 86% 'virtualized', but 8.6% is probably nearer the mark for 2013 on account of Government regulation regarding sovereign data security (keeping data on-shore) and inherent concerns from users regarding data protection.

A compelling shift forcing Enterprises to address security is BYOD management. Management of user's devices is being driven by cloud services. There is a rapidly evolving community of MDM (Mobile Device Management) vendors, and the choice for MDM products from both the Service Providers, and directly from vendors is improving exponentially. This greatly assists in supporting Corporate and Government security policies with 'user evolving' work practices.

Skills are another concern. Human Recourses consultancies estimate there will be in the order of 2.7m job vacancies in the cloud space by 2015. The exciting news is the opportunity this presents for IT professionals, but this can also be an inhibitor to market growth.

RIS Q5: CloudFX consults for traditional Channel Partners who already are, or want to offer a cloud service, what aspect of cloud do you see as having the largest impact on the traditional Channel Partners?

Cloud creates stress on the Channel Partners both in terms of cash-flow pressure and profit. Virtualization ultimately means IT infrastructure can be used more efficient. This naturally means a slowing of infrastructure sales. Fewer or more consolidated servers, and more efficient networks, means traditional Channel Partners who built business selling predominantly hardware will find their markets shrinking due to more applications being hosted in the cloud, and more data stored in the cloud.

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Likewise, software vendors traditionally selling licenses through the channel can now simply offer these applications as SaaS directly. The Channel Partners are then largely cut-out of this revenue opportunity too. Other aspects of integration and services such as OSS (Operations Support Services) and BSS (Business Support Services) integration, a service formerly provided by traditional channels will likely transition from legacy System Integrators and Solution Providers to the Cloud Service Providers.

CloudFX has experienced phenomenal growth-rates for their service. This shows the hunger in the market for cloud specialists. Traditional Channel Partners capable of providing this either by building the skills themselves or engaging companies like CloudFX will benefit.

Channel Partners who embrace these changes will succeed. Reselling other datacenter hosting vendor's services as a sell-through can replace the shortfall in direct server sales. Selling services around consulting, implementation and training are where money can be made in the SaaS environment. Large SaaS vendors can charge users directly for their applications usage on-line; however, they still struggle to deliver implementation and maintenance services directly, so this is where they need a Channel Partner ecosystem.

Damian claims, 'there is not enough expertise and specialization in the channel which is why many come to CloudFX, who, with 45 consultants are able to build a 1,000 line statement of work within one week, rapidly simplify the "how to" vs. the "what and the why". This helps remove risk for Channel Partners and Enterprise customers alike. CEO's of Channel Partners are faced with several decision points. Public cloud is transformative, whereas Private cloud is consultative and the vendors price points are not always clear, meaning the non-specialized Channel Partners are not well equipped to provide services around a cloud value proposition.'

RIS Q6: Looking forwards, what cloud predictions would you dare make?

'The term cloud may evolve or dissipate over time, but the concepts are solid and the business model is here to stay. Service Providers just aren't evolving fast enough – and given that so many Service Providers are selling tablets and smart-phones, and access, it's logical they become cloud channel also providing richer services' Claims Damian.

'Likewise, many Cloud Service Providers are building or offering datacenters services (sometimes white labeled from other suppliers). But just datacenters and hosted storage in their own rights are not a compelling business based on ROI but more of a means to an end. As applications are increasingly being charged per user, or per user instance, and by storage capacity; offering the processing and storage service enables the upsell of other, more lucrative, services. Key processes like Service Asset and Configuration Management (SACM), Financial Management, etc. will evolve across workflows, and can be charged for accordingly. SACM will become of utmost importance, along with IT security and demand management processes - now charging is based on consumption, one of the key benefits of Cloud Computing.'

'Legacy Channel Partners will aggressively scale to build cloud services, or specializations in cloud competencies, those which don't will struggle to survive in the long-run' predicts Chris.

To assist here CloudFX has an ecosystem of partners including a sister company: App-FX, focused on the helping customers with the "modernization" of their applications leveraging tools such as Tomcat "Ruby-on-Rails", and Spring. This enables CloudFX clients to take the consulting advice and then tangibly evolve their business applications. Moreover, CloudFX partner with 6Fusion for a cloud billing, metering, and Charge-back service, and Gravitant, a cloud service broker. Damian goes on: 'there's a market place to now broker RSS feeds at volume and price scale, and so we expect to see the market emerge on the back of cloud services.

Lastly, undoubtedly, cloud technology will see waves of new players and acquisitions. SoftLayer were recently bought by IBM, Dell acquired Enstratius, and HP, Google and Amazon are also being acquisitive. We expect to see considerably more infrastructure management and application services being developed with the corresponding expansion and acquisitions of the best technology by the established cloud providers, in order to consolidate their positions.

For more information, please contact: **Damian and Chris from CloudFX can be contacted via** **www.cloudFX.com**

* This has led to the creation of a "RIS-Report" where the RIS investigates and profiles the major Cloud Channel Partners across Asia-Pacific. To buy this report from RIS please go to www.rishk.net or mail us on marketing@rishk.net.

** RIS uses the term "Service Provider" to define a particular Channel Partner classification. These are business such as Telecommunications companies (Telco's), Service Providers and Carriers, who's traditional and major revenue source is the provision of telecom's services such as voice and data communications; and own/lease the associated infrastructure needed for the provision of such services.

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