

THE PERFECT STORM

5 Transition Tips for VARs
Headed for the Cloud



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5 Transition Tips for VARs Headed for the Cloud

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Remember the movie “The Perfect Storm”? Just 3 elements came together at the same time in the same place. Well, in the IT industry, VARs and IT Solutions Providers have their own Perfect Storm. Pardon the pun, but the storm comes in the form of Cloud applications, offerings, and services.

Since I don't want your company suffering the fate of the Andrea Gail, let's talk about how you can navigate the rough seas of transitioning from selling IT equipment and providing support and some services to being wildly successful in a recurring revenue model.

Avoid This Fate!



1. Understand Your Rate of Change

Some networking industry experts are saying if you currently have more than 50% of your revenue coming from hardware, it's quite possible you won't make it to 2017. Take. Action. NOW.

Are you mid-stream in the transition? The business model transition and all it requires can be challenging. Stay focused on the goal to grow your recurring revenue. Many vendors offer resale models of their Cloud offerings which can provide revenue while you're making the transition.

Each company has its own rate of change, that is, the speed at which it can adopt new processes, financial models, deliverables and skills. Knowing how fast your company adopts change will help you determine your priorities for incorporating a recurring revenue model into your business.

2. Start with a Hybrid Model

In another [related blog on the 1NService IT Biz Tips, George Mellor, CEO of KloudReadiness](#), the Hybrid model provides for both an equipment resale model and a cloud recurring revenue model.

Build your internal skills and infrastructure while reselling Cloud offerings. The key is to understand what services you can provide in addition to reselling cloud offerings. Services that are in high demand include Integration (the proverbial “glue” between all the Cloud applications) and Software Services ([listen to how to get into the profitable Software Services businesses](#)).

3. Get Your Sales People Compensated and Skilled

This means leading the Sales team down a different path than they’re used to. Everyone is familiar with Cloud offerings (think Microsoft, Cisco, Amazon, etc.) but they may not feel comfortable selling them versus a tangible piece of equipment.

The first step to sales success is compensation, then training, followed by reinforcement of the training. We know that the path of least resistance is the most common choice. To change behavior, we humans need to know the investment in change is worth it. Use SPIFFs, accelerators, whatever it takes, to get your sales people motivated to make this change.

Sales people will tell you that “budget concerns” are one of the Top 3 obstacles to overcome during any IT sale. Your sales people must understand that Cloud offerings remove (or at least significantly decrease) this obstacle to the sale. In addition, as you build your integration and software services capabilities, they’ll be able to offer customers a single point of contact for all their IT needs, building loyalty and retention.

4. Increase Adoption

The challenge Cloud offerings present to vendors is the ease with which end users can terminate their monthly subscription. Retention of users is critical to the model.

Here’s where you come in.

If you can maintain a high license retention rate, you’re more valuable to both the vendor and the company who purchased the Cloud offering.

Not this kind of adoption



How do you increase the success rate of end user retention? People don't use what they don't understand. Help those using the application or device to learn how to use all of the features and capabilities so they can do their jobs better.

Fivel (www.fivel.ca) is a company dedicated to accelerating the rate of change for companies, focusing on the science of how the brain learns. They've used the concept of "micro-learning" to develop 5 minute learning videos that drive and accelerate user adoption.

What's the end result of user adoption? Your customer accelerates their rate of change. The faster the adoption of a technology, application or device, the faster the realization of the benefit or outcome (aka the reason they bought in the first place).

Here's an example. A company, who formerly used Blackberry smartphones, changes over to the iPhone. How long do you think it takes for the setup, administration, and feature use to return to the level it was at with the Blackberry smartphone? Months. Sometimes 6-9 months.

If a quick, science-based learning process can accelerate that assimilation and reduce 6-9 months down to 1 month, the company realizes the outcome (be it cost-savings, compatibility, or something else) much faster. Now there's an easy-to-sell value proposition!

5. If Nothing Else, Increase Your Company's Value

Let's say you've decided it's time to consider your exit strategy. What's the best way to increase your company's value? Show that you have a strong recurring revenue stream of committed customers.

When a company is looking to acquire another company, they're looking at the customer base, the revenue and profit it generates, and the future revenue and profit it makes. If customers are migrating to Cloud offerings and your company doesn't provide those offerings, your company is worth less. Selling hardware, support and services is not enough these days. It's time to invest in Integration Services, Software Services and the infrastructure to support Cloud offerings.

Summary – Navigating the Change through Some Rough Waters



We've all read the market research that points the direction IT is headed for the next 5-7 years. This train is leaving the station and you want to be on it. Start the transition now. Follow these steps to get started.

Yes, there will be competition but there are plenty of opportunities through integration and software services to differentiate your company to your prospects and customers.

If you decide to move into the managing of the Cloud offerings and become a Managed Service Provider, you'll need to look at the financial viability and infrastructure requirements to determine any overlap with your Cloud offerings and services.

Want to talk with others taking this journey? Then joining 1NService is the right next step. Your peers can warn you of pitfalls and share their best practices. Go to www.1nservice.com to learn more and get signed up.