

Cloud Services GTM for SMEs

Preparing for GTM Excellence

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A short discussion document on the elements required for Go-to-Market excellence for cloud services in the SME segment.

A view of the Cloud

Opportunities

Whichever market figures you subscribe to, the cloud services and SaaS markets are growing opportunities. According to research firm Gartner, cloud computing¹ services revenue should total \$56.3 billion for 2009, representing a 21.3% increase compared to 2008. The market is expected to explode to \$150.1 billion in 2013. Gartner expects SaaS² revenue to have reached \$7.5 billion in 2009, which represents a 17.7% increase over 2008 revenue of \$6.4 billion. SaaS demand is expected to continue to surge to a total of more than \$14 billion by 2013.

Some of the factors fuelling that growth are macroeconomic and some are IT and communications specific. For example, the worldwide economic crisis and the loss of confidence that has accompanied it are driving companies to reduce costs and restrict investment. This has a ripple effect that means that revenues are reduced too so there is pressure on profit margins. Using cloud services can reduce costs and smooth spending profiles.

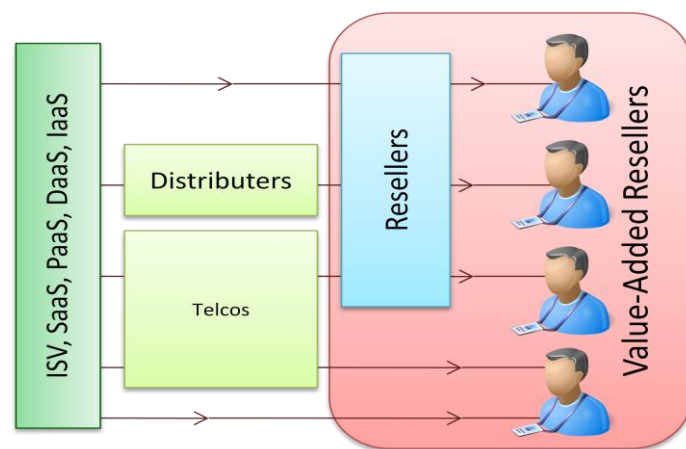
Social and legislative pressures are now being felt by enterprises to reduce their energy consumption and their carbon footprints. For example, in the UK, legislation will come into force in April 2010 that will force the top twenty thousand enterprises there to hit carbon reduction targets year-on-year or face stiff penalties.

Outsourcing the provision of certain IT services can help to reduce server counts and energy requirements.

IT and Communication (ICT) industry trends are also having an effect. In Western Europe in particular, business broadband penetration is high (the EU-15 average is 88%) and fibre optic networks are beginning to roll out in many countries such as Sweden, Norway and the Netherlands. In addition, the entry of competitors with disruptive business models such as Amazon, Salesforce.com and Google are driving the pace of change and adoption at faster rates.

Value Chains

As with all market opportunities, a value chain has formed to address it that takes a number of different forms. In all cases the chain begins with the producers of services such as Independent Software Vendors (ISV) and infrastructure as a Service (IaaS) providers. They sell directly to users but also sell through distributors and resellers and latterly, through other service providers such as telecommunication providers (Telcos). In turn, Telcos also sell through Value Added Resellers (VAR) as well as their own direct sales forces.



Cloud Services Value Chain

In each of these value chains, our contention is that the VAR is the key component for the long term success of the cloud services market. That is because the VAR is the point at which services are evaluated, sold, delivered and consumed. Even in the case where a producer sells directly to a user, it is very likely that a local VAR will provide implementation and support services. In market research conducted in Germany, Spain, the UK and the Netherlands, user feedback was consistent in that although they prefer big-brand services, they prefer to buy them from a local VAR. They are often used as aggregators of purchases by corporate clients. This aggregation means that they can use a single vendor for their technology purchases, greatly simplifying their purchasing process. They can also use the VAR as an evaluator of new products and technologies. This makes them a very important part of the value chain for many technology customers.

¹ See the [definition](#) of Cloud Computing.

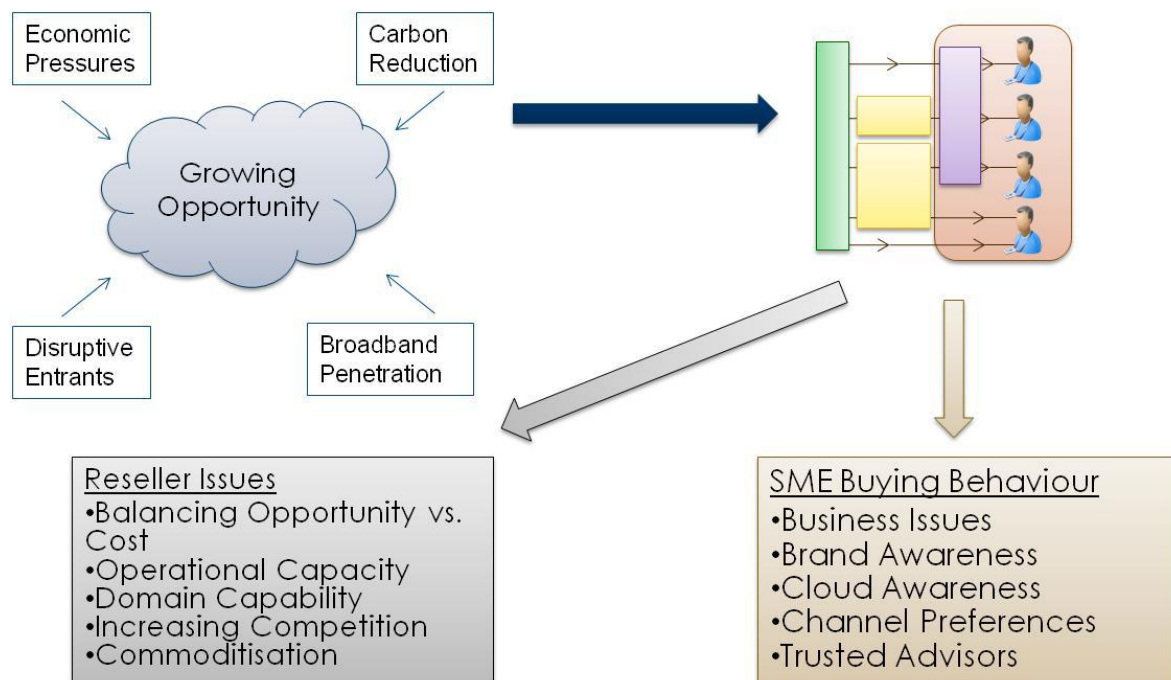
² See the [definition](#) of SaaS.

Challenges

As a reseller of cloud services there are a number of challenges that need to be met in order to be successful. These range from balancing the benefit of new business opportunities against the cost of the transformation required to seize them, having to rapidly increase operational capacity and domain capability to service customers for a recurring service and coping with the increase in large scale competitors that drive commoditisation and produce an eroding effect on margin expectations.

Customer Buying Behaviours

In addition, VARs selling cloud services, particularly to the SME segment, need to take into account specific customer buying behaviour in order to get ahead of the pack and then extract maximum lifetime value from those customers. Customers are focused on their own business issues, not on the specifics of the services that they might consume. There is a general lack of user awareness³ about what cloud services really are and what they could mean to their business. They have strong brand affinity for global and national brands such as global software companies and incumbent telecommunications providers but their preference is to consume those services via local channels with direction from trusted advisors.



Opportunities and Challenges for Cloud Services Resellers

³ A recent survey of European IT Heads by Portio Research found that 56% were not familiar with cloud computing.

GTM Excellence for Cloud Services

So knowing and understanding the opportunities and challenges of the cloud services market, what should you do to ensure that you are the most successful company in the most important position in the cloud services value chain? Here are six areas on which you should focus your attention:

1) Understand the Opportunity

What is the size of the addressable market?
Where are the sweet spots? Which Segments? Which industries? Which types of user?
What are the factors that are driving change for your customers?

4) Connect with Your Customers

Think about how your prospects will find you, especially using the web. Use your marketing campaigns and communications to create awareness and preference for your company and your offerings.
Speak the language of your customers not the language of your services.
Take time to understand customers' buying cycles.

2) Know Your Portfolio

Start with services that form the core building blocks.
Then add the services that complete the offering such as migration, customisation and managed services.
Establish your differentiating factors such as industry focus, complementary services or a particular bundling strategy.

5) Solve Your Customers' Problems

Focus on your customers' business and not on your own.
Concentrate your sales approach and marketing on their explicit needs rather than on what you want to sell them.
Make sure to work to their time scales and don't be tempted to try to drive them to your own sales schedules.

3) Know Your Customers

Understand industry factors and legal requirements for example. Establish business pain points and the impacts that they will have and the needs that they will create. Know who their customers are and the needs that you can help them to address. Familiarise yourself with their competitors and establish how your offerings enable them to compete effectively.

6) Use Your Local Advantage

Your customers know you and trust you and you know them and their businesses. You know who their customers are and you know their competition. You are much more adaptable to customer requirements and market conditions than your large, corporate competitors.

Conclusions

If you are beginning or even part way into your company's journey towards the selling and provisioning of cloud services, we encourage you to set some time in your change programme to build a go-to-market strategy to achieve your sales and marketing objectives. It is important to understand who your target customers are and how your bundled offerings can help them to solve their explicit business needs. Only then will you be sure to find the correct messaging and the best marketing channels and be able to maximise the effectiveness of your sales channels and resources for rapid and profitable results. Many service providers have, in the past, had the best of intentions and plenty of resources at their disposal and yet have failed to gain market traction due to a lack of GTM planning and focused sales and marketing execution.

Your GTM strategy will set realistic expectations for your service offerings based on the level of market maturity and the state of preparation of your sales and service support teams. A phased rollout approach is recommended for companies who are relatively new to selling hosted IT services and may require careful planning and timely upfront investment to optimise results.

Grow Go-to-Market

At Grow we have defined a GTM process for cloud services that can be executed along three main axes; Planning, Marketing and Selling. Here is a brief explanation of each:

Plan	Set the integrated strategy and build the plan to reduce time-to-revenue and maximise the return on use of your resources.
Market	End-customer and channel partner marketing to drive awareness and generate mind share and marketing qualified sales leads.
Sell	Build sales assets with sufficient capabilities and equip them with the right tools to be successful in selling the offerings to customers.

To help you establish how ready you are to meet these challenges and opportunities we have designed a [GTM readiness assessment](#) that you can take online at our web site. It is free and should take no more than five minutes to complete. Once you submit your assessment responses we will send you a one page analysis report with recommendations that you can act upon immediately. This is a simple and effective way to make sure that you are on the right path.

About Grow

Grow is based in Reading, UK and specialises in the process of taking products or services to market with a particular focus on cloud based services. Grow's expertise is focused along the three main axes of the Go-to-Market (GTM) process; Planning, Marketing and Selling so that it is easier to ascertain where we can help to achieve the maximum positive result. Grow's simplified approach, coupled with its light engagement model enables businesses to benefit through a collaboration that best suits their requirements whilst allowing them to maintain control of external costs.

To find out more about how Grow Communications could help you address Go-to-Market challenges, go to www.growcomms.com, email us at info@growcomms.com or speak to us by calling +44 20 3239 2298.