Introduction

Thank you for taking part in IDC's cloud readiness assessment. This study enables you to measure cloud readiness in your business, and provides you with some essential guidance in the development of your cloud business.

The following report provides you with both context, in terms of positioning your organization against your peers, and recommendations on how to progress your organization toward a profitable and successful future in cloud.

Based on IDC's assessment, your organization is at **Stage 3: Committed** in terms of its overall cloud readiness.

For further insight and detailed recommendations, the report takes you through the components of cloud strategy, delivering an assessment of your stage of maturity as well as individual recommendations on how to improve these areas.

Stage 3: Committed

Service providers at this stage of their cloud maturity have tipped the scale in favor of cloud models. Many have invested heavily in cloud technologies as part of a longer-term strategy and are beginning to convert project-based opportunities into recurring revenue contracts. This has resulted in the creation of a dedicated P&L structure for cloud, measured through cloud-specific key performance indicators (KPIs) and with sales personnel carrying fixed top-line cloud targets.

Service providers at this stage have begun to integrate cloud into all sales team portfolios and as a result they have launched their business down a path of which they must be certain. Despite this, the majority of the revenue is still generated by traditional offerings, with cloud offerings bringing the additional boost.

They must push on and not turn back.

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Stage 2: Tentative

- You are in the process of building a cloud strategy
- Your focus is typically on private cloud and on-premise solutions
- You are yet to define a longer-term cloud strategy
- Focus is on recurring revenue growth
- Cloud business is run as a separate product line

Cloud service providers at this stage in their maturity are in the process of building a defined cloud strategy. For many, however, this remains focused on private cloud solutions, predominantly on-premise. Typically, service providers at this stage are yet to define a longer-term investment plan for cloud, but have focused the business on recurring revenue growth goals, even if this is without separate targets for cloud. Structurally, the cloud business runs as a separate product line and is managed as such. Cloud revenue targets do exist, but these tend to be "soft."

Recommendations: Set up clear numerical targets for both core cloud services and adjacent services. Make sure that these are recognized within the organization. If you have not done so yet, celebrate early wins in your core expertise areas for cloud, and set a business plan for expanding those. You should also at this stage build a detailed investment plan which factors in growth, revenue, and, critically, profitability. It is recommended at this stage to seek guidance and create financial models exploring the potential impact of recurring revenue on your profitability.

Stage 3: Committed

- You are reusing implementation procedures and methodologies
- Established managed services offerings
- Ability to deliver analytics and optimization to customers
- Delivering hybrid cloud, based on a range of vendor solutions
- Customer support is now proactive and partner driven

Cloud service providers at this stage in their process and skill-set maturity have established their cloud business enough to reuse cloud implementation procedures and methodologies. As part of a managed service offering, they are also able to deliver analytics and advice on cloud optimization. For many, the sophistication of their systems integration capability enables them to deploy cloud and hybrid cloud, based on a range of vendor partner solutions. Rather than reacting to faults and customer demand, support is proactive and partner driven, alerting customers through a communication platform.

Recommendations: To progress, you need to invest in skills for hybrid cloud management software and scripting expertise. This means filling in all of the remaining gaps in certifications, both at quality assurance level as well as datacenter facility level. You must also enhance your customer support efforts by setting up proactive monitoring and alerting capabilities.

Automation and measurement metrics should be introduced across the organization and externally to the customer site. This includes understanding how customers utilize cloud solutions, which solutions are optimized, and assessing trends and patterns which could potentially be replicated to other customers. You should also start trialing and testing analytics tools across core business functions (sales, delivery, operations, and marketing). These will become a key differentiator as your cloud business matures.

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Stage 2: Tentative

- You have addressed and deployed virtualization technology
- You typically offer hosted private cloud solutions
- You also offer SAN and NAS storage environments
- PaaS offerings are still a few steps away
- Orchestration tools are being explored
- The ability to bill monthly, based on consumption, is also offered

At this stage of maturity organizations have made some investments in cloud infrastructure, tools, and management technologies. Virtualization is under their belt and they are preparing a roadmap for both the technology and skills requirements necessary to build a cloud business. Typically, organizations at this stage are able to offer hosted private cloud solutions, as well as hosted services such as email, backup, and file sharing.

In some cases, managed services around traditional SQL database environments are offered. However, proper PaaS offerings are still typically a few steps away. The maturity of their storage capability enables organizations at this stage to offer SAN and NAS environments, as well as traditional external storage. Cloud orchestration tools that pull together storage, network, and compute resources are being explored, but rarely in production environments. Billing is mainly delivered annually, but many organizations are starting to develop the capability to bill monthly, based on consumption.

Recommendations: Organizations at this stage must focus on investments that enable scalable cloud infrastructure, as well as tools to support efficient delivery of services. These include proactive managed services, orchestration, and hybrid management capabilities. Building joint solutions should be a key topic of discussion with strategic vendors. Now is the time to create a long-term plan for co-location sourcing, as well as the commitment to invest in your own facilities.

Specialization in cloud orchestration tools such as OpenStack is also a logical next step. You should look to analyze past projects and identify technology solutions and services which have the potential to be productized. This will form your own IP. You should also look to your existing account base to identify industries which present specialization opportunities.

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Stage 4: Accelerating

- Cloud is now prominent in all sales team portfolios
- Typically, still a mixture of upfront and ongoing commission structures
- Cloud architecture is being sold across multiple delivery options
- Fully utilizing automation of digital marketing
- Marketing delivers prospects that have been guided through much of the sales cycle

Cloud service providers at this stage have integrated cloud into all of their sales team portfolios. They are utilizing sophisticated presales support activities and delivering well qualified and progressed sales leads. Cloud architecture best practice is being sold to customers across multiple delivery options, with a mixture of upfront and ongoing commission structures. Sales teams are far more likely to sell based on business outcomes than on solution features, and typically demo and proof-of-concept facilities are actively used as part of the presales process. Sales tools and collateral are constantly updated and sales staff attend regular training.

Organizations have developed sophisticated segmentation of their target base, enabling them to fully utilize automation software and deliver appropriate content to specific individuals. Marketing delivers prospects that have been guided through a large element of the sales cycle, using digital content they have discovered themselves or been actively targeted with. Service providers at this stage are also active participants in thought leadership content and campaigns and providing material which educates the target market on cloud. Customer satisfaction is actively measured through customer support and delivery scores.

Recommendations: As you continue to mature, sales incentives need to be consistent and increasingly geared toward delivering customer value. This is regardless of the cloud delivery model. As your structure evolves, you should explore hiring ex-industry and business process focused sales and marketing professionals, enabling you to build even closer relationships with key clients and drive specialisms in key markets. Sales teams and presales must be able to work with vendors to co-innovate solutions, as well as incentivize teams, based on specific KPIs such as customer satisfaction, growth, and renewal rates.

By actively measuring all aspects of your marketing, you will be in a far superior position to know what works well and what does not. More to the point, you will understand what can be improved and what needs to evolve as the business changes. It is critical here to drive the business toward a lower cost per close target, utilizing deep analysis of campaign results to drive greater levels of efficiency. Work with your vendor to understand best practice and learn from wider activities in the market. Identify potential thought leaders and trusted advisors from within different business units. Again, thought leaders from your vendor partners can also be layered into this approach.

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