IBM Cloud Service Providers Growth Initiative Playbook
Welcome to the Cloud Services Provider Growth Initiative sponsored by IBM

This initiative is designed to provide the IBM Partner Ecosystem with the market data, insights and Cloud Service Provider (CSP)/Managed Service Provider (MSP) industry best practices to help you to become a more profitable and relevant business serving your clients’ ever-changing needs in 2019 and beyond.

In order to bring this value to your business strategy and execution, we have engaged Channel Partners, a well-known IBM supplier and IT industry thought leader. Channel Partners is best known for their work in the IBM Business Transformation Initiative (BTI) where they provided one on one strategic business transformation consulting for some of IBM’s Business Partners around the world. Channel Partners has delivered over 200 CXO level business consulting sessions and is helping IBM to accelerate the transformation of our Partner Ecosystem in this digital economy. They also work with other leading IT industry brands such as AWS, Microsoft, Facebook, Red Hat and Oracle to name a few in advising them on their Go-To-Market strategy and economic business modelling.
The CSP Growth Initiative has many components:

1. **Eight short videos**
   a. The design and production of these valuable short videos will provide you with helpful process and best practices to improve your CSP/MSP business model. These informative videos are approximately 4 minutes and can be accessed on mobile devices to put the world’s most important transformational insights at your fingertips.

   Click here to watch Video Series

2. **One on One business consulting**
   a. IBM is sponsoring consulting sessions with industry experts from Channel Partners. These acceleration sessions are designed to give you direct access to professionals who can help you understand what strategies are working for other CSPs and what strategies aren’t working. Sign up for these sessions now.

   Click here to complete nomination form
The Components

3. Growth Initiative Playbook
   a. You are currently reading the CSP/MSP Growth Initiative Playbook which is designed to capture information, data and market insights you will need to accelerate your business. In this Playbook, we will provide content and tools in addition to links to larger reserves of IBM and industry information.

4. Growth Initiative Webinar
   a. The webinar was presented January 15, 2019 and we discussed the top 5 most important areas of improving your business profitability and relevance in the digital economy. The webinar was aligned to video content and had a considerable amount of time allocated to Q & A.

   Click here to view the replay

We look forward to working with you to provide exceptional value and market data to help you drive profitability and adaptability to your business strategy.
A recent IBM CSP/MSP Partner survey highlighted the following top 3 opportunities going forward:

1. **Analytics**
   Re-skilling and hiring delivery and sales teams is the biggest hurdle. Positioning new Analytics solutions need to complement existing offerings and be in demand with installed base and nearby targets.

2. **SaaS, Servers and Storage**
   Demand for Cloud Enterprise applications with a high level of support delivered by skilled business partners is rising. This requires an operations revamp to provide elastic, responsive processing and data management in a typical hybrid cloud environment.

3. **Middleware and Security**
   Workload migration, hybrid cloud integration, performance management and security are well supported by IBM technologies and requires significant business partner value add to make happen.
The contents of this Playbook will provide the tools and one on one access you will need to address “the how” of adapting your business for profitability and growth.

As active business consultants, Channel Partners has confirmed the importance of these market insights based on work conducted with IBM and competing IT vendors in this space. As a result, we have created the CSP Growth Initiative program, so you have the latest market insights to aid in the design of your business strategy. Close attention has been paid to “how” you can leverage your existing assets in customer base, datacentre and software for growth.

The contents of this Playbook are aligned to the messaging in the eight videos which Channel Partners has gone into greater depth below. These videos will allow you to address some of the most critical areas of your business strategy. We would encourage you to watch all eight videos on the link below for understanding of the topics and for easy future reference.

Click here to watch Video Chapter 1
Chapter 2:

Where am I and where do I need to be?

In the IT industry we often see IT service providers pursuing business strategy based solely on what is perceived to be “hot” or “trendy” emerging technologies without thoughtfully considering the current needs of their existing customers. Most people forget that highly effective business strategy should be built backwards and based upon the needs of the specific end users they are targeting.

In our discussions with Channel Partners, they would argue that the IT industry (as a whole...not necessarily MSP/CSPs) is now a “mature” industry where growth rates, stock appreciation rates and profitability are now “normal” compared to similar industries in the economy. After all, the IT industry is now a thirty year old industry and it is necessary that we adapt the way we plan for growth and market relevance.
As the IT industry continues to change and mature, the way you formulate your business strategy must change as well. There is a simple model called “Strategic Positioning” as a methodology for how you adapt or transform your datacentre business strategy. This will help to ensure that you are following industry best practices and improve your chances of having the right strategy at the right time for your existing customers.

**Definition:** Strategic positioning is concerned with the way in which a business as a whole distinguishes itself in a valuable way from its competitors and delivers value to specific customer segments (Wickham, 2001: 230).

It is important that you consider the current and future state of your existing customers first because they are the people paying your bills. By pursuing the next “hot” or “trendy” emerging technologies as a basis for your business strategy, you will run the risk of overlooking the immediate needs of your current customers and thereby losing their business in the future.
The application of the strategic position model begins with your current market focus.

Defining your market focus can be achieved by having a CXO self-assessment and sometimes debate on the following points. Based on Channel Partners research, IT service providers typically sell to the same customers 82% of the time so the self-assessment must start from this point.

1. Who are the customers that you serve disproportionately today? What market segments and customers do they serve?
2. What IT/Services do they need today (that you are selling to them now)?
3. What IT/services will they need tomorrow?

Establishing a clear definition and profile of the customers you are currently serving is a critical first step in ensuring your future. Adapting your business and serving the needs of your existing customers must not be overshadowed by the glare of new, hot emerging technologies. Your current customers might not need new, emerging technologies and solely focusing your business on such technology might cause you to lose your existing customer base revenue.
Once you have defined your internal market focus, you must begin to define the value proposition you can bring to your existing customers based on their future IT/Services needs. Below are some of the points your CXO self-assessment discussion should include:

1. Based on the business model of your existing customers, what added value would be important for them to address?
2. How will you provide that value to your customers’ profitably?
3. What is the scope of the portfolio of value you need to deliver?
4. How are you positioned today to achieve this?

The final aspect of the strategic position model are the core competencies required to deliver the agreed value to the markets/customers you focus on. Below are some of the points your CXO self-assessment discussion should include:

1. What core competencies do you have available internally today?
2. What core competencies will be required to serve your existing customers in the future?
3. What are the current competency gaps in your ability to provide the required value to deliver the new solution?
4. How will you acquire the new competencies to address the future needs of your existing customers?
5. Who will own it?

By following these simple steps, our intent is that you will be able to design and construct a CSP business strategy that is smart, relevant and risk mitigated. Check out the replay of the 2019 best practices webinar Video 2 where we discuss each step in greater detail.

Click here to watch Video Chapter 2
Chapter 3: Location, Location, Location

Carefully positioning your company in the new Cloud Services oriented market is a case of long-term survival and prosperity.

Ownership of your company’s Cloud Services business strategy sits with your senior leadership, advisors and stakeholders – it does not sit solely in the office of the CTO.

A solid, well understood growth strategy that takes advantage of new cloud opportunities to transform the way you offer, deliver existing and new high value solutions to customers is critical.
Based on hundreds of partner planning sessions IBM has conducted over the last 3 years, best practice Cloud Services strategies have included:

1. If you have a significant legacy business, you need a strategy that addresses the margin decline in existing businesses with process improvement and automation. New IBM technologies and services can help you reduce your delivery and marketing costs and drive profitability in your installed base.

2. Are you connected to the target customers already or are you able to leverage your existing customer list into new adjacent market segments? You would be wise to leverage Digital Marketing support from IBM to support this effort.

3. New solutions must be high growth and high value add. For example, research of IBM partner trends indicates that the top new cloud opportunities include Analytics, SaaS, Servers/Storage & Security – all areas in which IBM has a rich portfolio. What are the right choices for you?
4. Selecting the right initiatives that weigh the following factors influencing risk and reward:

- Margin contribution – will this choice improve my company’s profit performance?
- Revenue growth – can this choice be a significant portion, greater than 5-10% of my business within 2-3 years?
- Can you develop or acquire the skills and capabilities to deliver this solution? Partner feedback indicates that IBM leads in access to technical support and education versus other cloud vendors.
- What is the minimum necessary investment to make this happen? Then, look at the return-on-investment (ROI) of this initiative versus your other options. Timing is everything, picking the right initiatives in the right sequence is key!

In summary, take the time to carefully craft your cloud growth strategy. Like anything new, consulting widely with IBM, your suppliers, customers, colleagues and friends is wise and should start today!
In the previous section, we discussed picking the right cloud initiatives to drive improved profitability and growth. But without setting the correct business goals and committing to the required investments, these initiatives will not happen. This is where things get real!

**BUSINESS GOAL SETTING** – The experience from working with hundreds of partners on a one on one basis is that successful cloud growth initiatives have the right short-term and long-term metrics.

Smart short-term goals must measure success the right way. For example, short term goals (6-9 months) can have metrics around funnel development, number of net new deals, development capacity, recruitment, workload migration & data centre transformation.

Long-term goals, are more quantitative and include topics such as margin contribution, revenue, market coverage and ROI.

**INVESTMENT** – it’s complicated and requires a systematic approach.

Investments in each growth initiative must be tracked. This is a challenge for partners with predominantly project oriented business models. You must be able to determine the net contribution of new Cloud Services offerings to your business. Your finance function may need to create processes to track these costs in the mix of subscription, transactional & hybrid business models.
Re-deployment of infrastructure and staff supporting legacy business needs to be tracked

This should lead to an improvement in the profitability in your existing lines of business and free up cash and staff for your new Cloud Services Initiatives.

Typically, net new investments in infrastructure and talent will be required. To minimize the additional capital required, a transformation approach of existing production, development and software assets is the first step. Partners are well supported in leveraging their existing IBM infrastructure and software investments using IBM tech support, reference architectures and Playbooks such as ICP. Please use them as they have valuable information and insights! This will protect your legacy investment in both your in-house developed software and existing datacentre capacity.

Talent is the biggest challenge. Like any new IT “gold rush”, specialized cloud skills in development, operations and data are in high demand. The good news is that your own delivery team will thrive in an environment where they can learn new, relevant and valued skills. Please seek out the relevant support at IBM in developing your own talent.
Hiring new talent requires significant attention and investment. New specialized skills come at a high price, so budget realistically. Some of these new people may come from a different work culture. For instance, a data scientist entering a work environment that is predominantly finance and IT oriented will feel the difference so don’t underestimate the cultural change required to achieve this objective.

In summary, setting smart short-term and long-term business goals, tracking investments and the returns of your Cloud Growth Initiatives will help you maintain momentum throughout your transformation journey.
Chapter 5:

Transforming your delivery capability

In the previous section, we looked at business goal setting and investment management. Now we will discuss making the necessary changes in what you can offer the market and how you deliver them.

1. The new solutions you introduce via the cloud must be compelling. Compelling means that customers see them as easy to integrate, consumption based and have an immediate impact on their business. These solutions will often be an extension of your existing offerings. For example, Predictive Analytics applied to pricing for an existing finance system customer. Security-as-a-Service for an existing customer moving to hybrid cloud. Start acquiring these new software platforms, expertise and plan to ramp up capacity as demand grows.

2. Production systems transformation. Delivering against client Service Level Agreement (SLA) in a complex Hybrid, Private, Multi-Cloud environment is a unique challenge. Managing performance, availability and security for workloads spanning multiple clouds and datacentres is what your customers’ need. You need to architect the locations of processing and storage that support your Cloud Growth Initiatives. IBM experts, training, technology and reference architectures can be of great help.
Production systems must support the requirements of your customers’ workload roadmap. How will you make legacy applications more cloud oriented? Are they portable, adaptable and elastic? What are the requirements of new solutions for processing and storage such as Big Data and AI?

IBM as a leading solution-oriented Cloud Services company can be of great help to you!

3. Marketing and Sales – New solutions and new customers require new skills and capabilities in sales and marketing. In a Cloud Services world, we move the needle from transactional or fixed terms of service relationships to more dynamic commercial relationships where customer and Service Provider success are linked in real time. Re-training your sales team and acquiring new sales talent will be key.

4. Marketing transformation – Your installed base needs to understand that your company is amongst the leaders in Cloud Services and the best choice for their own digital transformation journey. For established partners this may require some re-branding to change long held perceptions of who you are and what you can do.

To acquire new customers, you need to understand how prospects find Cloud Service offerings. Similar to consumers, enterprise customers increasingly do their research online. You will need to ask yourself “how good is your digital marketing strategy?” How can prospects be guided to your solution via any channel such as traditional web, social networks and mobile? IBM partners have access to significant digital marketing resources and expertise so please use it. We will be discussing this in detail later.

In summary, transforming your delivery capability has impacts across the board. Build the right solution portfolio, supporting infrastructure, delivery team, digital demand creation and sales capability to close those deals.

[Click here to watch Video Chapter 5]
In the last section, we discussed ‘Transforming your Delivery Capability’. The next step is understanding how digital transformation and Cloud Services have dramatic impacts on how cash flows in your business. It also forces you to re-assess how you manage existing and secure additional sources of capital.

Now that you have identified the gaps between your current and required capabilities and have roadmaps to bridge them – they need to be funded!

The saying ‘Revenue is vanity, profit is sanity, but cash is reality’ is very relevant to this discussion. To transform your business and thrive in this new Cloud Services era you need the following mind set:

1. **Revenue is vanity:** The quality of your revenue streams has a direct impact on the valuation of your company and its ability to secure additional sources of capital. Your Cloud Services strategy must be focused at improving the quality of your overall revenue by including new areas of growth and margin improvement.

2. **Profit is sanity:** Ensure that all your investments in new Cloud Services have sound business cases that support growth and improved profitability. We see many ‘pet projects’ that partners pursue with passion that are not necessarily supported by logic. Better you postpone these ‘pet projects’ and prioritize other more immediate opportunities. Timing is everything!
3. **Cash is Reality**: To address this, established partners should look at reducing costs in your legacy ‘cash cow’ businesses through process improvement, cost reductions, staff redeployment and automation.

With solid business cases for your Cloud Service initiatives, your ability to source additional capital from investors, financing and marketing support from your suppliers like IBM are greatly enhanced.

In summary, the Cloud Services market, while relatively new should still follow sound planning practices that support the building of high growth and profitable lines of business (LOB) that secure your company’s prosperity.

[IBM Global Financing link](#)

Click here to watch Video *Chapter 6*
Chapter 7: Does anyone know about you?

The re-invention of your company’s Cloud Services business strategy (or launching a new service) is only as effective as your ability to market this message in a modern, digital manner. There is a lot of marketing “noise” around the cloud which you will need to find a way through. End users are inundated with digital marketing messages which are overwhelming and sometimes factually incorrect.

So, what are the building blocks for designing and executing an effective strategy? It is important to go back to your strategic position definition and define precisely who your target customers will be and build your digital marketing strategy backwards from this definition. You will need to ensure that your marketing database of contacts is relevant, updated and has a high probability to need the Cloud Services you are intending to offer to the market.
To get your messaging right, we would propose a strategy where you create marketing “hypotheses” to test your campaigns against and use analytics to determine which strategies are delivering the metrics you intend to achieve. This is an iterative process where you can use “neutral” sites to run influencing campaigns and promote content which supports your position in the market.

Choose the marketing metrics (click-through, site visits, etc.) you will measure based on the overall objectives of your digital marketing strategy. Finally, align your marketing compensation to these metrics to drive the behaviour, messaging and outcomes you want to achieve with your target markets.

Don’t forget to leverage IBM marketing assets and social selling techniques to drive better results. IBM has an excellent channel marketing support ecosystem in place. Marketing strategy is changing fast and this piece will be an essential element of your Cloud Services success, profitability and relevance going forward.
Chapter 8: Learn, Adapt, Repeat

The market is changing rapidly and it is likely that you will need to be in a continuous review and adaptation of your business strategy. The digital economy of the future is still evolving and embracing constant change will become an important aspect of your company culture. Celebrate it and create a culture that is open to questioning the status quo and making tweaks on a regular basis.

Learn, adapt and repeat is a model we find to be effective in helping CSPs improve profitability and relevance in today’s ever changing IT world.

“Learn” is the process of constantly reviewing your results against the targets you have set and analyzing what is working and what is not working. “Learn” is the discipline to actively search out industry peers and discover best practices and insights which can provide a breakthrough in your strategy. “Learn” is the habit of leveraging IBM personnel to get information, data or resources to address any gaps you might have in your execution strategy.
“Adapt” is the process you employ to make the changes to your business.

We provided the Strategic Position model as a simple process you can leverage to make decisions about your business strategy. Below is a review of this simple and effective model:

1. **Market Focus** – Who do you serve disproportionately? What are their needs today and what will be their needs tomorrow?

2. **Value Proposition** – What differentiated value do you bring to your customers today and what kind of differentiated value will you need to provide to them tomorrow?

3. **Core Competencies** – What core competencies are required to deliver our unique value proposition to the customers we serve? What are the core competencies I need today and what are the core competencies I will need tomorrow?
Use a simple, repeatable process as a part of the evolution of your business strategy. By building a strategy backwards from the needs of your existing customers you reduce your business risk and ensure the practice of focusing on your customers first when making adaptations to your business.

“Repeat” is the cadence of a business culture which is open to constant change. Our experience is that you will need to conduct senior level business reviews twice a year to objectively look at the new market trends, opportunities and performance against your current business metrics.

Refer to this Playbook and short video series as a business strategy tool going forward. The contents will be refreshed from time to time to reflect the state of the market.

1. Who are our most important customers?
2. What do they need tomorrow?
3. What value addition will we provide and do we have the core competencies?
4. REPEAT!

Additional resources available which can be leveraged going forward:

Click here to explore the CSP web page

Thank you for your support of this important program. If you have any questions or need clarification, please feel free to contact Markesha Hill Clausell – markesh1@us.ibm.com.