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XaaS Simplified.

A relentless race toward recurring revenue

WHITEPAPER

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The B2B as-a-service model is transforming the IT supply chain

A FEW YEARS AGO COMPANIES BOUGHT HARDWARE FROM A TECH SUPPLIER, SOFTWARE FROM A VENDOR OR A SYSTEMS INTEGRATOR, AND THEIR HELPDESK SERVICE FROM A SPECIALIZED THIRD PARTY. IN TODAY'S LEAN ECONOMY, THIS COMPLEXITY OF DEALING WITH MULTIPLE VENDORS IS NO LONGER ACCEPTABLE.

With operational efficiency at the center of any process design, modern organizations demand predictability and simplicity: complete solutions bundled and delivered as a service, to be paid in fixed monthly installments and ideally engaging only with a single supplier.

MSPs have benefited enormously from this phenomenon. They remove that complexity from their customers by delivering complete business solutions, combining hardware, services and software. Since they own the relationship with end customers, they are capturing the biggest portion of the margin in the supply chain. Furthermore, they grow the most important business KPI in today's rapidly-changing, uncertain world: predictable, annual recurring revenue (ARR).

ARR is now the most sought after KPI, the core metric in any modern business dashboard and the center of any board conversation today. ARR brings easier access to financing and it is the more applicable metric in SaaS-based valuations instead of n-times-EBITDA. Financial institutions, investors and shareholders value predictability over any historical KPI from the times of certainty.

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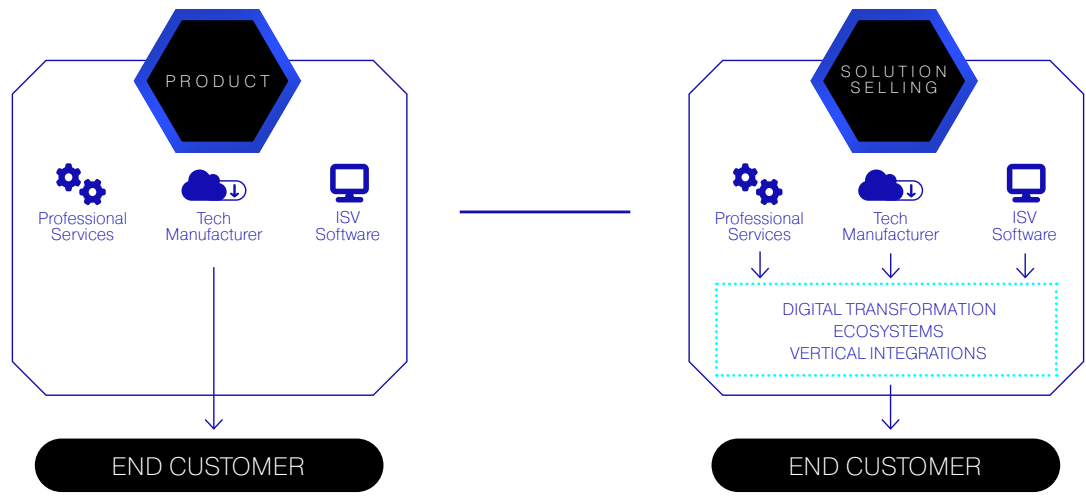
Every company is becoming a services company

The combination of these 3 key elements: an increasing demand for as-a-service solutions, the need to capture higher margins, and growing ARR is making industry-vertical segment boundaries blur and is transforming the supply chain. Big tech manufacturers and ISVs are transforming themselves into MSPs or vertically integrating with them:

- **HP acquired Apogee, a Managed Printing Services company, for $444, in August 2018. At that time, HP considered that the Managed Printing Services market was worth 55 billion worldwide.**

- **ACER, ASUS and Lenovo are successfully commercializing AI-ready, cloud enterprise solutions for smart transportation, smart health, and smart manufacturing as true Managed Services Providers.**

- **Xerox successfully transformed over the last few years from a hardware manufacturer into a services and software business. Now they are building on their leadership in the Managed Print Services (MPS) market to deliver "intelligent workplace solutions". 77% of Xerox's revenue today is after-sale, recurring revenue.**

- **LENOVO created 3 strategic groups for their ISV initiatives in 2019: the Data Intelligence Business Group (DIBG), the Converged Network Business Unit (CNBU) and the Commercial Internet of Things (CIoT) group.**

Every big technology vendor is becoming an as-a-Service company to a different degree, depending on their digital transformation maturity stage. Philip Kotler's quote "every business is a service business" is today more valid than ever before.

Modern MSPs are cashing in on that transformation by digitizing their operations. They have traditionally been very hard- to-scale businesses, heavily relying on human labor to perform the business operations their clients outsourced to them.

Now technology is bringing them [MSPs] unprecedented operational efficiencies, allowing them to grow at scale.

Their own digital transformation is based on two main axes: expanding their recurring-revenue offerings to increase ARR, and automating all their cloud and services operations to increase operational efficiency and scalability.

WHAT ARE XaaS AND SaaS BUNDLES?   **FIND OUT MORE**

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Growing recurring -revenue offerings and challenges

The following are the most common ARR offerings around cloud services, each one bringing significant growth opportunitiesbut also complexities and challenges.

SaaS – handling fragmentation

According to ISVWorld, the number of ISVs grew from 92,000 in 2013 to 175,000 in 2018. Forrester's Jay McBain gave the following bold prediction:

"I wouldn't be surprised, with the level of hyper-specialization new buyers are demanding, to see (the number of software companies) grow to 1 million by 2027."

As the average number of solutions adopted by companies grows, so does the complexity for an MSP to procure, deliver and manage them. According to Deloitte, cloud investments are expected to double as a percentage of information technology (IT) budgets over the next three years.

The complexity of onboarding different vendors, offering different billing models - users-based, usage-based, tiered, on-the-fly upgrades and downgrades - becomes unbearable.

Thus, an automated expansion and provisioning of their cloud catalog is not just an option for MSPs. It's a necessity that will collapse their cloud operations workforce if it's not automated in the short term.

IaaS - scarcity of qualified talent

Global public-cloud-services revenue is forecasted to reach $308.5 billion in 2021 and $354.6 billion by 2022. Forrester predicts that the 4 top cloud-native platforms AWS, Azure, Google Cloud, and Alibaba are expected to continue growing in 2021. Their report also predicts that at the end of 2021, 60% of companies will leverage containers on public cloud platforms combined with private clouds.

In this scenario, the biggest challenge for MSPs today is hiring enough talent to be able to manage that IaaS diversification for their customers.

Finding good technical profiles with expertise in one public cloud vendor is difficult. Finding them for 3 or more is a utopia.

Multi-Cloud Orchestrators have emerged as a key solution to that challenge in the last few years. They act as a public-cloud-vendor agnostic user interface allowing to provision, manage and deploy IaaS-based instances and automate the deployment of operating systems and software applications within them. No vendor-specific skillset or certification is required, so any average IT professional should be able to provision and deploy virtual machines with a pre-installed set of applications on any public cloud platform.

DaaS - financial and operational complexity

Traditional financing models for equipment, even leasing or renting with commitments for 12 or 24 months, are not flexible enough for uncertain times. Many organizations need to grow and decrease their workforce fast, adapting to market fluctuations. They can't afford to capitalize all the equipment they need, depreciate it and manage their inventories at the necessary speed.

The next stage in providing maximum flexibility to businesses is allowing them to consume productivity devices for shorter time periods. Modern MSPs are able today to bundle their laptops, PC's and peripherals with insurance and software licenses and offer them for as little time as one month. Fast logistics processes allow them to deliver and return these devices in record times, recycle, repair them if needed and rent them again. And these DaaS offerings allow them not only to work with higher margins on the hardware, but also boost their insurances and software revenue streams.

WHAT IS XAAS?

WaaS, Wi-FiaaS, XaaS - the future

But productivity devices are just one piece of the puzzle when it comes to getting a new hire up to speed. MSPs need to schedule and provision professional services (IT onboarding, data transfers), procure peripherals such as headsets and monitors, and maybe even furniture.

That's the concept of Workplace as a Service. Everything needed to enable a workplace, a combination of physical goods, digital goods and services, is bundled and orchestrated to be delivered on time, eliminating the hassle and complexity for the customer.

This capacity of orchestrating physical and digital goods and services is what we call omni- product management. State-of-the-art companies like our customer Advania are able today to automate 90% of their WaaS offering, providing them with unparalleled operational efficiency and scalability.

Omni-product automation platforms are also equipping MSPs like them to seamlessly deliver new, fast-growing recurring-revenue streams like Wi-Fi-aaS. And that's just the beginning. XaaS (Anything-as-a-Service) is becoming a reality.

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Achieving operational efficiency

THE ABILITY TO HANDLE ALL THAT COMPLEXITY, AUTOMATE THE PROVISIONING AND FULFILLMENT OF PHYSICAL AND DIGITAL GOODS FROM 3RD-PARTY VENDORS AND THEIR OWN SERVICES, IS THE KEY TO SUCCEEDING IN THE AS-A- SERVICE ECONOMY. THE KEY ELEMENTS TO ACHIEVE OPERATIONAL EFFICIENCY AND SCALABILITY ARE:

● Multi-vendor, omni-product procurement and fulfillment

The ability to onboard and manage their own and third-party (vendors or partners), white-labeled services, physical and digital products, as well as managing consumption and billing models (one- time, recurring, pay-as-you-go).

● Multi-cloud orchestration

Being able to develop, orchestrate and deploy their systems and application templates and offer application-centric management services across their public, private and hybrid clouds from one single platform.

● Multi-country, multi-subsidiary unification of operations

As MSPs grow and expand into new countries and regions, traditionally they have just created an independent subsidiary. And every subsidiary has worked independently, finding and partnering with their own suppliers and distributors as they needed. They've also deployed their own IT systems and procurement processes.

By doing so, they have lost the capacity of standardizing procurement flows, but more importantly, they have lost the negotiation power they could have as a group in front of vendors. In today's lean economy, central management for the procurement of cloud solutions and IT products across subsidiaries in different countries is a strategic need.

Modern platforms today offer MSPs the ability to handle multiple marketplaces in different countries and currencies. Catalogs can be shared or separate, listings and offerings can be different in each marketplace, but procurement and fulfilment flows can be unified, providing MSPs with both the flexibility to work independently by territory and the power to procure and negotiate as a group, all while automating and standardizing processes.

WANT TO LEARN MORE ABOUT HOW CLOUDBLUE CAN HELP YOUR OPERATIONAL EFFICIENCY?　　**READ OUR BLOGPOST**
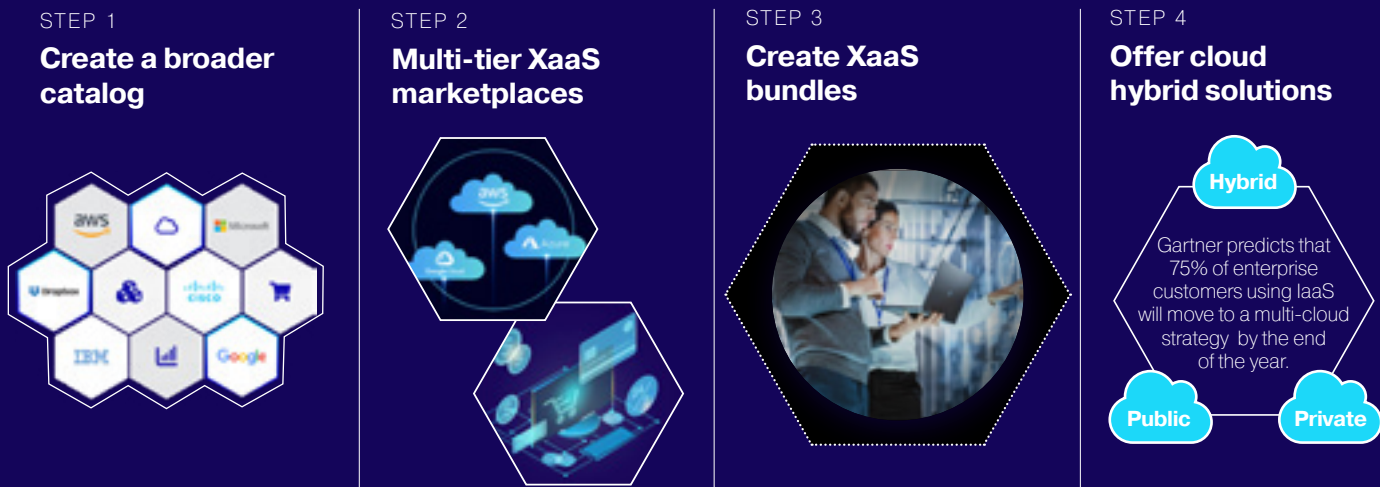
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Our role in the ecosystem

CloudBlue enables MSPs to become better complexity-handlers for their customers, eliminate hassles and proactively offer creative solutions. The company's end-to-end cloud software and services platform helps MSPs bundle, scale and monetize XaaS offerings for an ever-more servitized decade.

Moreover, we provide our customers with access to a continuously-growing catalog of 300+ solutions, eliminating the hassle for individual integrations with them.

As the demands of digital transformation are passed on from customers to the go-to experts they depend on, CloudBlue equips these trusted advisors—the MSPs of the future—to transform today's limitations into tomorrow's opportunities.

The race to recurring revenue starts here

STEP 1
Create a broader catalog

STEP 2
Multi-tier XaaS marketplaces

STEP 3
Create XaaS bundles

STEP 4
Offer cloud hybrid solutions

Hybrid

Gartner predicts that 75% of enterprise customers using IaaS will move to a multi-cloud strategy by the end of the year.

Public   **Private**

Cut through complexity with CloudBlue SaaS

**Extensible**   **Managed**   **Flexible and agile**

CloudBlue SaaS is a marketplace-as-a-service platform, which offers out-of-the-box or customizable functionality to build and scale your subscription business, fast. It's built on CloudBlue's enterprise grade managed marketplace technology and everything-as-a-service platform.

FIND OUT MORE

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CloudBlue is a SaaS company helping businesses transform, whatever their position in the supply chain. Our managed marketplace platform takes the complexity out of distributing subscription-based solutions in the everything-as-a-service world. CloudBlue technology does heavy lifting for all processes that make everything-as-a-service commerce a reality, so our customers' businesses become more efficient and more profitable.

DISCOVER MORE
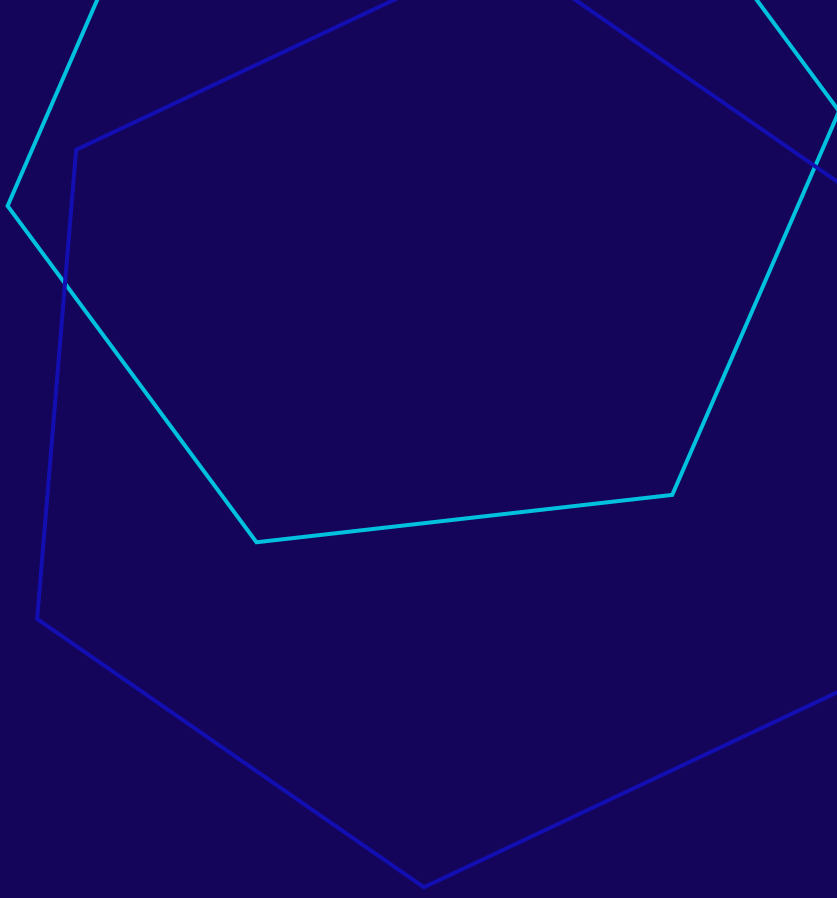
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Learn more
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