Cloud Ecosystems: Chart Your Course

Get insight into the opportunities and challenges of working within cloud ecosystems. Learn what it takes to thrive, examples of burgeoning networks and how to target your cloud offerings at vertical industries.
Cloud Ecosystems: A Complicated Enterprise

**Extensive ecosystems are** developing around cloud platforms such as Salesforce, ServiceNow and Dropbox, to name a few. Ecosystem participants and components include the cloud platform vendors, vendor-provided add-ons to the platforms and independent software vendors providing third-party apps that work with a given cloud. It’s up to channel partners such as systems integrators and cloud consultancies to sift through the various pieces and create cloud offerings that meet the specific requirements of their customers.

That’s a collaborative task and one that the main handbook feature explores. Nicole Lewis’ feature explores how channel companies deal with cloud ecosystem challenges, which can range from vetting partnering candidates to managing liability issues. The other features in this package provide a closer look at specific ecosystems and partnering considerations. Esther Shein’s feature on the Dropbox ecosystem, for example, examines this evolving ecosystem, which encompasses more than 2,000 partners and thousands of app integrations.

Participating in a cloud ecosystem is a complex undertaking. Along the way, partners must demonstrate the technical viability of their integrated offerings, while also ironing out issues surrounding reliability, security and industry-specific applicability. This handbook aims to get you started down that path.

*John Moore*

*Senior Site Editor*

*SearchCloudProvider*
How to Thrive in a Cloud Ecosystem

**Many channel companies** view their ability to collaborate with partners to build IT offerings on cloud application platforms as a vital part of their strategy.

This action plan has three aims: to strike valuable business partnerships; strengthen customer relationships; and develop go-to-market ready, customized offerings made with the latest technology. Channel partners, however, are finding that it takes various approaches, skill sets and business acumen to best leverage a cloud computing ecosystem built on core cloud offerings and third-party apps.

To extend the core set of capabilities on cloud platforms—such as Salesforce, Google, ServiceNow and Oracle Cloud—systems integrators, consulting firms and independent software vendors (ISVs) are tasked with configuring and customizing these platforms to close the gaps in technology and provide functionality that vendor platforms often lack. Those IT solution providers and their partners collaborate on ecosystems tied to vendors’ cloud platforms in areas such as finance, fulfillment and scheduling, ERP and marketing.

To expand the reach of these platforms, cloud ecosystems are also evolving around industry-specific fields such as the telecommunications and life science industries. Another area of development is cloud ecosystems for niche business processes such as document management and business process management offerings.

In this rich technological environment, channel partners, customers, ISVs and vendors are tapping into a plethora of opportunities, observed Saideep Raj, global managing director at Accenture’s Cloud First Applications division.

“From a client’s perspective, they want to cover the entire scope of their business
processes using an ecosystem that can address any functional gaps not addressed by the main platform. As a result, the main cloud platform vendors see greater adoption and increased stickiness. Additionally, ISVs are able to use these channels to expand their reach,” Raj said.

Raj noted that channel partners’ ability to get the best results from collaborating in a cloud computing ecosystem will depend on several factors including how well they evaluate their customers’ needs, their companies’ overall cloud capabilities and their ability to stay abreast of emerging IT trends.

NAVIGATING ECOSYSTEM CHALLENGES
To address persistent challenges, channel partners need an in-depth understanding of the business process and technology issues that are impacting their clients. They also must have skilled people to support offerings in the market and agree on the commercial terms that govern how the technology will be consumed and priced, along with intellectual property protection and arrangements around liability.

“Customers don’t want to buy a solution and then find out they have to get agreements with 10 to 15 different players that built the components,” Raj said. “Furthermore, companies involved in the cloud ecosystem need clear arrangements around who is liable if something goes wrong.”

As Accenture works through its own partnerships—Accenture is a Salesforce partner, and both companies have invested in Vlocity Inc., a cloud software company with a focus on vertical applications—company executives noted that another important aspect of managing relationships in the cloud computing ecosystem is that channel partners should have a keen understanding of their ISV and cloud vendor roadmaps.

“If you are not tied into the roadmap of companies that you are partnering with in the...
ecosystems, what you could find yourself doing is building out features that ISVs end up providing in the near future, and, obviously, that’s very onerous,” Raj said.

To make sure channel partners get the most out of their cloud ecosystem experience, Raj identified the following actions as important for companies seeking to differentiate:

- Providing technical viability;
- Positioning the offering for the clients in particular markets; and
- Making sure issues around reliability, security and performance are addressed.

Jeffrey Kaplan, managing director of THINKstrategies Inc., an IT consulting firm based in Wellesley, Mass., said companies involved in cloud computing ecosystem projects need to be focused on the same target markets and key buyers, and must be clear about the value-add their product or service delivers.

He noted that IT solution providers should be confident they have the right APIs and other integration capabilities to interoperate with offerings from, for example, Salesforce and ServiceNow. Another approach to take is being able to build a close working relationship with the partner managers at the corporate level and sales managers in the field to ensure successful co-marketing or sales efforts.

“Success in the cloud market depends on a strong partner ecosystem, as long you have a clearly defined value-add,” Kaplan said.

**PARTNERING WITH CLOUD PLATFORM ISVs**

One company that has expanded its reach through partnerships with ISVs that collaborate on offerings around Salesforce platforms is Appirio, a cloud solution provider based in Indianapolis.

Explaining how these partners help the company build offerings for customers around worker and customer experiences, Appirio’s client partner, Mike Martin, said the company has solution partner agreements with companies that integrate with Salesforce and enhance functionality. Those companies include DocuSign (electronic signature), Conga (document generation and mail merge) and Callidus-Cloud (configure, price and quote processes).
Appirio also works closely with cloud integration providers such as Dell Boomi, Jitterbit or Informatica to help customers implement middleware offerings.

“Our relationships with other partners in the ecosystem broaden the work that we are able to do for our customers,” Martin said.

He added that when looking for partners to work with, Appirio typically scouts for companies listed on Salesforce’s AppExchange, a business app store that features thousands of enterprise and small business applications.

Company executives charged with selecting companies in the AppExchange take three factors into account, Martin said. The first is cost. Appirio looks at the cost of building and maintaining custom functionality versus buying an app that is already built and maintained by the ISV. The second is scalability. Appirio helps the customers’ IT team determine if they have the capacity to build and support a custom app. If not, a managed paid app may be the way to go. For the app, Appirio determines if it is built to scale with the business, especially paid apps that have regular updates coming from the vendor. The third factor is functionality. Martin said Appirio wants to make sure the app or partner’s functionality meets the core requirement or has enough flexibility within the app to meet the use case.

**ESTABLISHING A VETTING PROCESS**

Not every company depends on Salesforce’s AppExchange. Executives at Bluewolf, a global consulting agency and Salesforce partner based in New York, said their practice is to search for companies outside the AppExchange and vet their offerings.

Bluewolf, which was acquired by IBM in May, conducts a thorough vetting process of companies and their technology explained Corinne Sklar, global chief marketing officer. The evaluation includes looking at the viability and financial stability of the potential partner as well as assessing their client roster, client success stories and an evaluation of the company’s technology.

“There are so many IT partners out there today, which is a great thing, but our clients are depending on Bluewolf to bring vetted solutions that can scale to a midmarket or an
enterprise client,” Sklar said. “We know this ecosystem inside and out and can help our clients make that decision around which is the best ecosystem partner to leverage.”

“Organizations need to focus on defining and aligning around business outcomes,”
—CORINNE SKLAR, Bluewolf

As Bluewolf continues to create IT offerings in the areas of building its clients entire customer lifecycle management systems and embarks on new areas of growth in the telecommunications and healthcare life sciences markets, Sklar said the cloud ecosystem’s focus on technology isn’t the only factor that can drive innovation and yield business value.

“Technology is just technology; it’s a tool. The reality is that, for organizations to get value out of this constant innovation, they have to have a culture and processes to drive speed and agility in their own businesses,” Sklar said.

She noted that leveraging the power of the cloud starts with people, process and a culture of innovation. And while there’s a lot of work involved in building cloud offerings on cloud platforms, a majority of the work that Bluewolf does is focused on preparing organizations for that change by building executive sponsorship, governance and that pace of innovation to leverage those offerings.

To take advantage of cloud ecosystems and the offerings partners develop, Sklar said, clients need to do their homework before they embark on a transformational project with cloud technologies like Salesforce.

“Organizations need to focus on defining and aligning around business outcomes,” Sklar said. “They need to know that if they say they want a Salesforce solution that gives them a 360-degree view of all their customers, Bluewolf needs to know what business value that information will bring to them.”

Sklar added that cloud ecosystems work better when partners know the metrics that companies are looking to drive in their business. She noted that if channel partners can help their clients prioritize and define these metrics and align that with ISV or cloud partner roadmaps then customers will see more value more
quickly in their business and be on their way to seeing more return on their investments.

**ASSESSING SOFTWARE VENDORS**

As companies sort through the best ways to navigate cloud ecosystems, assessing software vendors and their approach to partners and customers is a good place to start, said Marc Talluto, CEO and global ServiceNow practice leader at Fruition Partners, a CSC company that provides cloud integration offerings.

“If they have a captive market or massive lead with limited competition, the ecosystem may revolve too much around the vendor, with minimal flexibility for customers and partners,” Talluto said.

Headquartered in Chicago, Fruition Partners is actively engaged with ServiceNow and numerous third-party software vendors that sell both complimentary products (e.g., Bomgar for remote control) and some that directly compete (e.g. Numerify for reporting).

He added that if the software vendor sees partners as valuable solutions providers, then you’ll see mutual joint investment with robust commitments, but if partners are seen as resellers and essentially a sales channel, then there will be limited investment or innovation in the ecosystem.

Another way IT solution providers can navigate cloud ecosystems, Talluto said, is to ask customers what it’s like to work with software vendors on commitments, product issues or contract negotiations. Answers to these questions will give channel partners a true sense of how things really work. Customers can share their experiences using IT offerings and provide insights on companies that are part of the cloud computing ecosystem.

In an IT environment where innovation moves at a fast pace and clients can quickly change their cloud options, channel partners can play a critical role in guiding their clients through the complex process of selecting the

“Our relationships with other partners in the ecosystem broaden the work that we are able to do.” —MIKE MARTIN, Appirio
right technology and IT team to drive business process improvements.

“There’s an enormous growth opportunity in cloud application platforms around industry verticals and the expansion of cloud ecosystems across larger and more complex business processes,” Raj said. “As cloud ecosystems are driving that change, channel partners can help customers ignite innovation, adapt to their changing business environment and take advantage of the latest cloud solutions.”

—Nicole Lewis
Dropbox Cultivates a Partner Network

The popularity of the Dropbox file storage service is creating more opportunity for partners since the expansion of its Dropbox Partner Network last November as well as the addition of Dropbox Enterprise to its product arsenal, which includes Dropbox Business.

There are now some 2,200 partners worldwide, and the partner ecosystem has been segmented in terms of size and reach, according to Hank Humphreys, head of global channel sales at Dropbox. “Our strategy has been around multi-tier distribution [with] the objective of getting more scale. ... We want tens of thousands of people representing Dropbox globally.”

That means getting “the right set of partners,” Humphreys added. Dropbox brought on board distributors Ingram Micro and Synnex to help make it possible for resellers to access their technology, he said.

Hilltop Consultants, a managed service provider (MSP) focused on small and medium-sized businesses, has been a Dropbox partner for about four years—something the company pursued after noticing that the free personal edition was showing up at client sites, said Jim Turner, president and CEO.

“I’m big on partner relationships and having them in the channel,” he said. “I reached out to Dropbox and said, ‘Hey, do you have a Dropbox partner program? We should get on board with you since we have so many relationships with other channel partners.’”

A GOOD FIT FOR AN MSP

Turner, who believes Hilltop is Dropbox’s ninth MSP, said it has 45 Dropbox deployments. One of the challenges he finds is that “rogue employees” would install their own versions of Dropbox at work, making it a challenge for Hilltop’s customers to manage files.
“We work with a lot of lobbyists, and we don’t want someone in a 10-person firm syncing files with his or her own Dropbox account; I want them on Dropbox for Business so I have the ability to make sure the lobbying firm retains ownership of their data should that lobbyist ever leave,” Turner said. “We need to have controls.”

Dropbox is very intuitive, he added, so the software doesn’t require a lot of training on the company’s part, but Hilltop offers an implementation service and has developed a project plan of best practices for deploying the software. When companies are looking to replace servers, “we propose Dropbox as a solution and come in and migrate them away from a server infrastructure and implement Dropbox and organize their data and configure their mobile devices for remote access.”

With the personal edition, Turner said the company was seeing some clients’ employees not adhering to appropriate security controls. “You’d find some people sharing accounts ... with the same credentials,” which gives them all the same level of access. “There’s no reason why every person ... should have access to HR documents. With the business edition we make sure we properly set up folders and security.”

Hilltop also uses Dropbox for Business as a network attached storage (NAS) archival offering for customers. “What’s really cool is that now ... there are some manufacturers of NAS devices that allow you to use your Dropbox credentials to replicate data stored on an NAS to Dropbox,” as a backup service, Turner said.

Hilltop manages a lot of mobile devices, so he said it’s particularly helpful for employees working remotely to have Dropbox installed when they find themselves in places with no internet access. For example, one of their clients is a company that builds water pumps for large buildings, and “Dropbox got us past a problem where field engineers didn’t have access to forms and data that they need while

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—HANK HUMPHREYS, Dropbox
they’re on service calls,” he said. For this particular company, “we’ve replaced clipboards with Dropbox for Business by giving employees access to documents on their iPads, so when they go to a client five levels below a street working on a pump system, they have all the data they need regardless of whether they have internet access.”

**EXPLORING THE OPTIONS**

Services provider Softchoice decided to partner with Dropbox and will explore the option of providing services around the software said Shervin Chua, former senior manager at Softchoice.

“As part of our value proposition with Dropbox, Softchoice offers our own proprietary SaaS [software-as-a-service] assessment services that help organizations discover, analyze and understand their internal SaaS usage,” which addresses shadow IT and “offers discussions around opportunities for consolidation,” Chua explained.

For example, Softchoice finds that many employees in a client organization use different storage products like Google and Box, in addition to Dropbox. “Through our SaaS assessment services, we’re able to advise our clients about the risks in having different solutions for one function” like storage, and will suggest they instead consolidate on one product.

Like Turner, Chua said many of their clients’ employees bring their own versions of Dropbox to work to give them the ability to collaborate across different office locations and to share, consolidate, and maintain documents and files that people need access to.

Right now, Chua sees stronger usage and demand for Dropbox in the SMB space and among media, entertainment and consumer-facing organizations. —*Esther Shein*
Finding Your Feet in a Vertical Market

As the cloud matures, some partners find it advantageous to verticalize their offerings to specific industries.

The verticalization trend is also being driven by cloud companies like Salesforce and ServiceNow, which seek out specialized partners that can drive their generic capabilities into vertical markets, said Jeffrey Kaplan, managing director at THINKstrategies.

“Value-added resellers of software platforms first focused on horizontal capabilities. ... Then they realized there was more money to be made by delving into specific industries and adding expertise to solve specific industry problems,” Kaplan said. Industry problems include “automating byzantine processes that required several manual processes that now need to be digitalized so they can be done more efficiently.”

When a cloud provider specializes in a vertical, “you can convey that to prospects and charge a premium because of the perceived value that you understand their business model and regulatory requirements,” added Terry Hedden, CEO of Cloud Guru and its sister company, Marketopia.

The vast majority of cloud providers are industry-agnostic because most cloud offerings are viable for all industries, Hedden said. However, he noted there are providers that specialize in industries that have to meet regulatory requirements such as keeping data in a particular country or maintaining different redundancy and resiliency conditions. Verticalization has grown in the banking and legal industries, in which companies have to retain records for a certain amount of time, he said. Cloud providers are also specializing in the government services and military verticals.

While Hedden said that most cloud providers don’t specialize in a particular industry, a study from IDC and Microsoft suggests...
partners are aware of the value of verticalization. The study, which was published as part of the e-book, *Differentiate to Stand Out*, pointed to verticalization as a prevalent growth strategy. According to their survey data, 82% of channel partners indicated that a vertical focus was either important or very important for their overall growth strategies.

**PURSUING A VERTICAL MARKET STRATEGY**

It is critical for partners to ensure that the vertical market they pursue is going to have longevity and that there are real opportunities there, observed Jen Sieger, senior business strategy analyst, Worldwide Partner Group, at Microsoft. “One recommendation I make to partners is: deeply research that target and learn about the customer, talk to them, [and] understand what their true needs are and how you can digitally transform their business,” she said. The research should include an understanding of industry trends and the competition.

As partners build offerings, Sieger said she always encourages them to think about what portion of that offering they can provide and whether there are other solution providers they could partner with to bolster their organization’s go-to-market strategy.

Once they identify a particular vertical, Kaplan said, a cloud partner may need to add expertise to their staff so they better understand the problems facing the specific industry and the language of that industry. The terminology, technologies, business processes and regulatory issues need to be clearly understood so the partner can refine or add software skills and offerings, applying specific technical and regulatory requirements.

The partner’s internal sales and marketing groups are typically impacted by verticalization. Salespeople need to “speak the language” of a vertical market, since there are different concerns when focusing on healthcare versus manufacturing or retail industries, Kaplan said. Customer-support teams must be in place that can assist customers proactively, help deploy offerings and reactively respond to questions.

Partners need to revamp their websites to convey their capabilities in a particular
industry, Hedden stressed. Echoing Kaplan, he said they also need to have “talking points” on that industry’s unique requirements that they can convey to customers. “The reality is solutions are very similar [in] different industries, but being able to talk cloud-based backup is critically important in banking, so you want to be able to talk about how your solutions address the compliance issues they have. So talk the talk.”

Sieger agreed that it is critical for partners to optimize their websites to pull in traffic. Offering up content is also important, and it is common for partners to create blogs focused on that vertical speaking to how they address the unique needs of those customers, she said. “Even if it’s a controversial topic within an industry, they may share opinions and publicly participate in the dialogue,” she said. “Being relevant in that industry is a very common practice we’ve seen.”

Kaplan also suggested a cloud provider have someone in product development “who understands how to design products and solutions that are probably geared toward those vertical market requirements and the nature of the end user in a specific industry that may be different than elsewhere.”

**VERTICALIZATION: A FOUR-STEP PROCESS**

Cloud service provider Appirio develops its vertical market strategies methodically, starting with a “baseline purpose” and applying an industry lens to home in on unique problems and a particular customer, said Latane Conant, senior vice president of marketing. Some of the core industries that Appirio has targeted are retail, education, media, financial services and human resources. Appirio uses the following verticalization process:

1. **Identify past experience:** The first step is to look at previous work done in a particular industry and, more importantly, subindustry. “We invest heavily in our methodology around delivery to ensure that we have rich analytics during and after projects,” Conant said. “For example, this allows us to look at a collection of projects for an industry to understand what unique capabilities a financial services firm
might need versus a retailer when it comes to CRM [customer relationship management] for customer service.”

2. **Study the market trends and needs:** Appirio has a few channels it draws from to bring its people to the conversation around an industry, Conant said. “We have an industry focus in our product management team, industry-focused sales leaders and a robust database to manage all of our consultants’ project and career experience.” This lets the company filter industry research and customer experiences to help determine trends and offerings.

3. **Pinpoint relevancy:** Conant calls this area “the Appirio secret sauce” and said the company is not limited by the traditional industry-based practices. The company has industry focuses, but doesn’t limit certain critical roles like its strategy team and architects to a particular industry.

4. **Be a cloud broker:** Understand the key technologies for an industry so customers can evaluate the best products to solve their unique challenges. For example, she said, there are thousands of independent software vendor partners in the Salesforce ecosystem alone. Some are highly verticalized and can add significant value. Understanding when and who to bring into a customer experience transformation is key, she said.

As partners consider verticalization, Sieger cautioned against trying to become all things to all people. “There is a tendency for partners to not want to walk away from business,” she said. “It will be difficult for them to keep that target in mind and not just go after any piece of business that comes their way, so it’s important that partners establish almost the rules of engagement going in.”

She suggested they form a “task force” to conduct the research, vet the industry and build content. “We’ve seen partners have success with that and still keep the lights on with their regular business,” Sieger said. Taking the time to do this can be rewarding. “Success in one vertical often leads to success in another,” she said. —*Esther Shein*
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