Microsoft Azure Sales Scenario Training

Cloud Economics
Earning Money With Azure

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software architects gmbh

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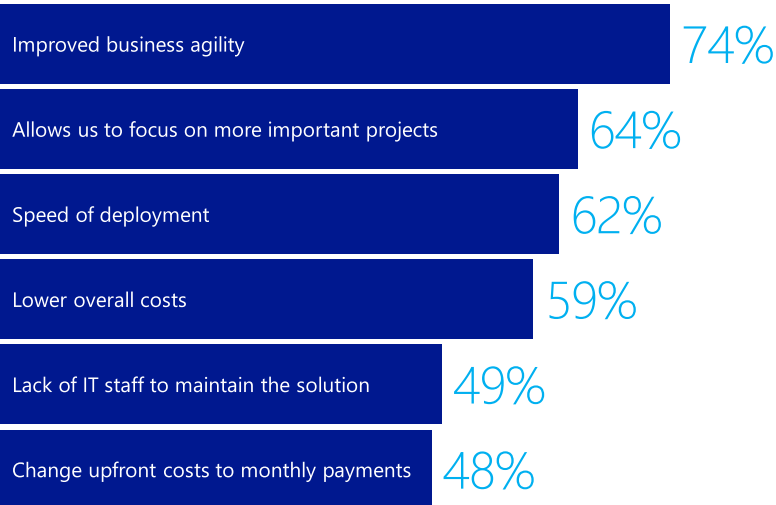Web   http://www.timecockpit.com
Twitter @rstropek

time cockpit
Saves the day.

IT industry trends

Mobility

Social

Big Data

Cloud

Primary customer drivers

Driver	
Improved business agility	**74%**
Allows us to focus on more important projects	**64%**
Speed of deployment	**62%**
Lower overall costs	**59%**
Lack of IT staff to maintain the solution	**49%**
Change upfront costs to monthly payments	**48%**

*Base: 348 North American and European software decision-makers
at companies with 100 to 999 employees that have implemented SaaS
or have plans to do so; Source: Forrsights Software Survey, Q4 2011

Opportunity

Cloud Trend:

70%

of CIOs will embrace a
cloud-first strategy in 2016
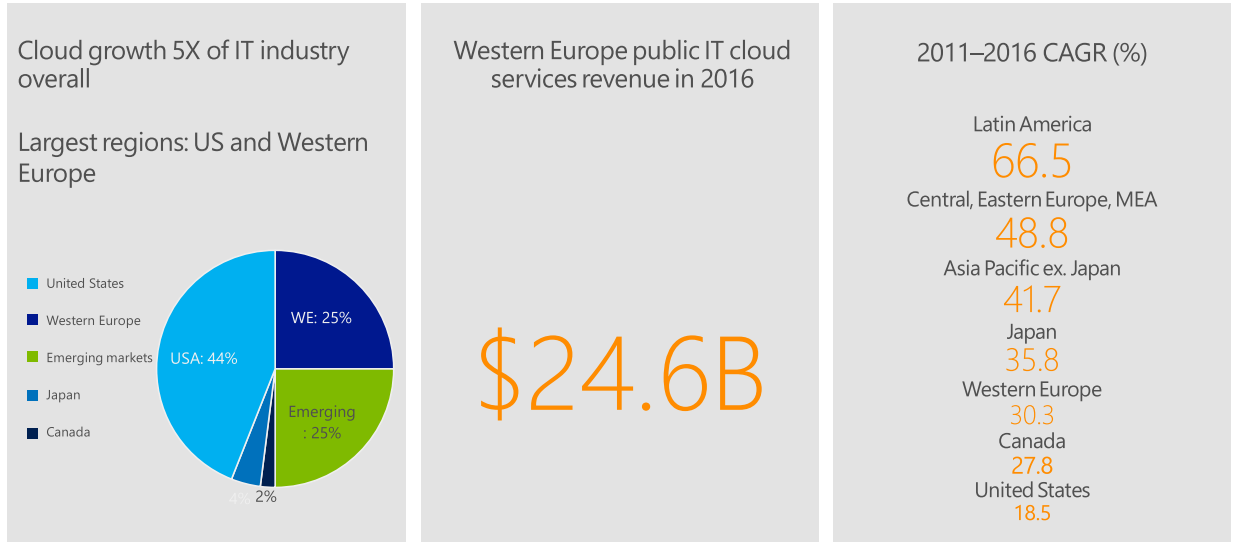
(IDC CIO Agenda webinar)

74% expect their cloud service to
be able to **move** a cloud offering
back on-premise if needed

63% expect to have a **single
major cloud service provider**

67% expect to purchase a wide
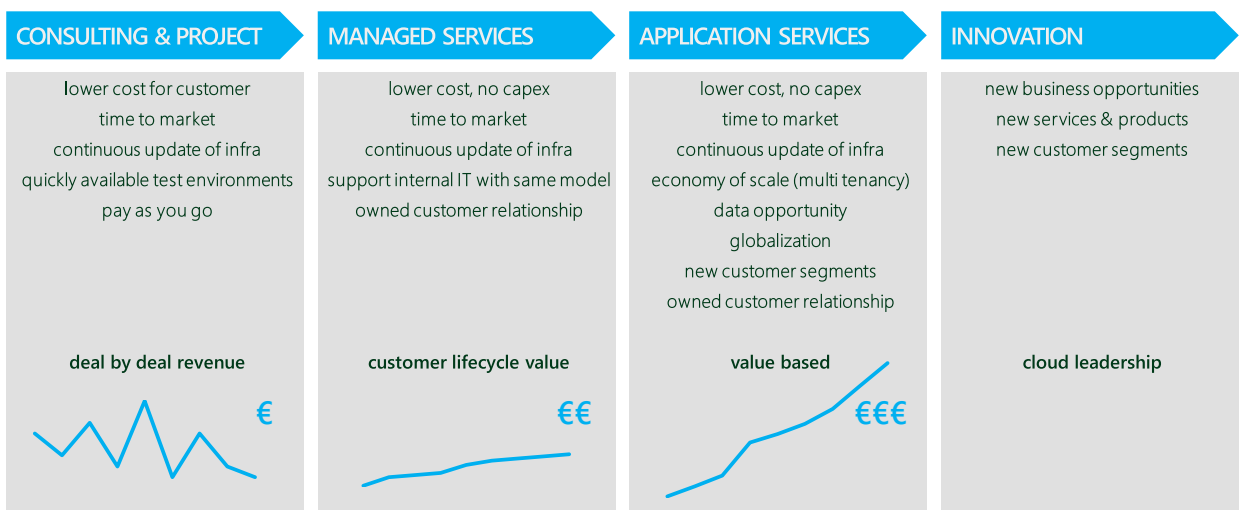variety of cloud services from
a single vendor

84% want an **established
relationship** with a vendor
to trust them as a cloud
service provider

IDC
Analyze the Future

Worldwide public cloud services revenue

Cloud growth 5X of IT industry overall

Largest regions: US and Western Europe

- United States
- Western Europe
- Emerging markets
- Japan
- Canada

WE: 25%

USA: 44%

Emerging: 25%

4% 2%

Western Europe public IT cloud services revenue in 2016

$24.6B

2011–2016 CAGR (%)

Latin America
66.5
Central, Eastern Europe, MEA
48.8
Asia Pacific ex. Japan
41.7
Japan
35.8
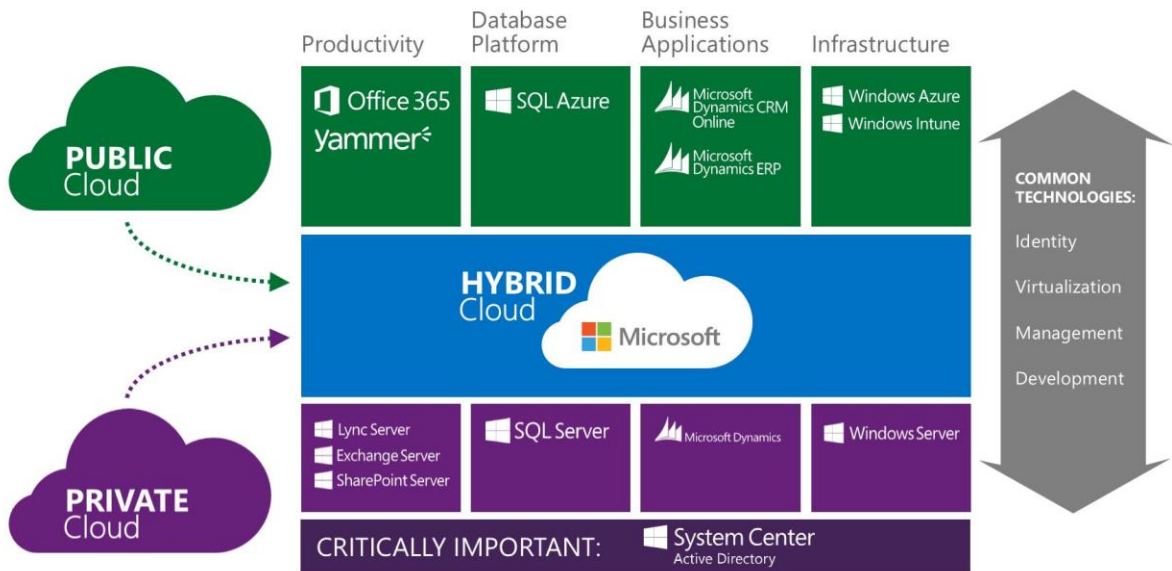Western Europe
30.3
Canada
27.8
United States
18.5

IDC
Analyze the Future

Cloud partners are evolving their business model
Shifting sources of revenue while balancing the traditional model with new models

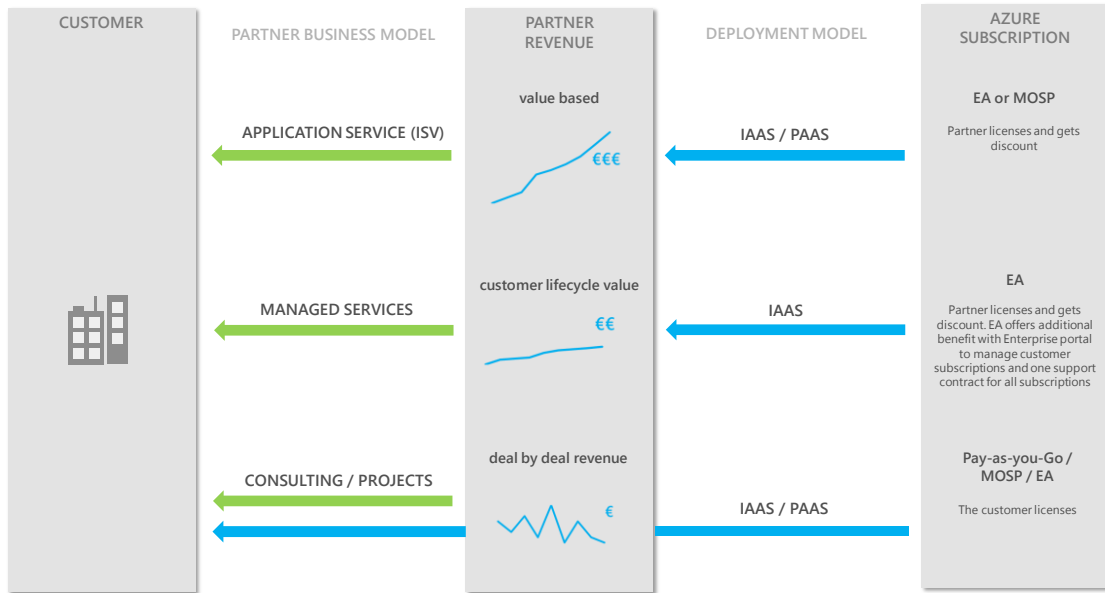| CONSULTING & PROJECT	MANAGED SERVICES	APPLICATION SERVICES	INNOVATION
lower cost for customer	lower cost, no capex	lower cost, no capex	new business opportunities
time to market	time to market	time to market	new services & products
continuous update of infra	continuous update of infra	continuous update of infra	new customer segments
quickly available test environments	support internal IT with same model	economy of scale (multi tenancy)	
pay as you go	owned customer relationship	data opportunity	
		globalization	
		new customer segments	
		owned customer relationship	
deal by deal revenue	**customer lifecycle value**	**value based**	**cloud leadership**
€	€€	€€€	

IDC
Analyze the Future

We can help our customers build a cloud on their terms.

	Productivity	Database Platform	Business Applications	Infrastructure	
PUBLIC Cloud	Office 365 Yammer	SQL Azure	Microsoft Dynamics CRM Online / Microsoft Dynamics ERP	Windows Azure / Windows Intune	**COMMON TECHNOLOGIES:** Identity, Virtualization, Management, Development
	HYBRID Cloud Microsoft				
PRIVATE Cloud	Lync Server / Exchange Server / SharePoint Server	SQL Server	Microsoft Dynamics	Windows Server	
	CRITICALLY IMPORTANT:	System Center Active Directory			

Primary drivers for Azure adoption

Speed	Scale	Economics	On customers terms
2 weeks to deliver new services vs. 6-12 months with traditional solution (Case Study: HarperCollins Publishers)	**30,000 to 250,000** site visitors instantly (Case Study: Autocosmos)	**$25,000** in the cloud would cost $100,000 on premises (Microsoft Azure BI Team, STMG Proof Points Central)	**hybrid strategy**

Business Models

CUSTOMER	PARTNER BUSINESS MODEL	PARTNER REVENUE	DEPLOYMENT MODEL	AZURE SUBSCRIPTION
		value based		**EA or MOSP**
	APPLICATION SERVICE (ISV)	€€€	IAAS / PAAS	Partner licenses and gets discount
		customer lifecycle value		**EA**
	MANAGED SERVICES	€€	IAAS	Partner licenses and gets discount. EA offers additional benefit with Enterprise portal to manage customer subscriptions and one support contract for all subscriptions
		deal by deal revenue		**Pay-as-you-Go / MOSP / EA**
	CONSULTING / PROJECTS	€	IAAS / PAAS	The customer licenses

Sales Approach
Potential revenue vs. difficulty of sale

Revenue
- **for SI's**

Move existing applications to Windows Azure

Deploy new packaged applications On Windows Azure

Use Windows Azure for Blobstorage

Use Windows Azure for development and testing of applications

Typical difficulty of Sale

When is a good time to discuss Azure?

Always	*Remember the IDC survey?*
Customer faces hardware refresh	*Discuss with Finance the flexibility of Azure*
Customer expects change	*Growth, merges, de-mergers, projects, spikey/seasonal usage*
Customer wants lower cost	*Most applications and certainly are cheaper when on Azure*
Customer has "shadow IT", because of slow/rigid IT department	*Shadow IT is non-managed and not secure. Data is also often not in back-up process*
Upgrade of a major application	*Azure offers immediate start, dev &test platform and scalable implementation*

How do I create opportunities for cloud?

Do you sell what you've built, or are you going build what you've sold?	
Research what developments/trends are happening the customers' market	Discuss new possibilities and impact. (What if...?)g
Talk with (new) business owners as they drive innovation	IT department is not always the budget owner... (less and less so)
Think about how the major trends (Social, Mobility, Big Data) can have an impact in the customers' business	Inspire Business Owners with examples/ideas. Run creation workshops

Objections

Security: *"Can Microsoft really keep my data safe?"*

"Microsoft's datacenter are compliant with
- **ISO/IEC 27001:2005 Audit and Certification**
- **SOC 1 and SOC 2 SSAE 16/ISAE 3402 Attestations**
- **Cloud Security Alliance Cloud Controls Matrix (CSA)**
- **Federal Risk and Authorization Management Program (FedRAMP)**
- **Payment Card Industry (PCI) Data Security Standards (DSS) Level 1**
- **HIPAA Business Associate Agreement (BAA)**
- **United Kingdom G-Cloud Impact Level 2 Accreditation**
- **Family Educational Rights and Privacy Act (FERPA)**

and to this day, Microsoft has not shared ANY enterprise data with any government"

Compliancy: *"I cannot put my data outside the country/EU"*

"The EU recently stated that Europe's privacy regulators have said, in effect, that personal data stored in Microsoft's enterprise cloud is subject to Europe's rigorous privacy standards no matter where that data is located. "

Availability: *"If Azure breaks down, I cannot work anymore"*

"Azure SLA's, which systems require absolute uptime and which ones not, disaster recovery scenario's and convenient back-up and archiving"

Investment: *"I just invested heavily in new hardware"*

"Let me explain how the CloudOS vision enables you to go to Azure in the future and how we can help you with defining and designing the transition strategy"

Objections

Insecurity: *"The cloud will make me lose my job"*

"It may change your job, yes. You may go from managing systems to managing information"

Compatibility: *"Will my applications run on Azure?"*

"It depends on the application and the way you implement it in Azure. Applications usually need to be adapted to make full use of the capabilities of Azure

"Costs: *"Is it really cheaper?"*

"Almost always yes, if you calculate ALL the costs of running your IT on-premise"

Control: *"I will lose control of my IT"*

"You will lose control of some aspects of IT, but that may be actually a good thing"

Azure related services opportunities

Azure Workloads

- Storage
- Hybrid IT
- New workloads / applications
- Migrations & Adaptions of applications

Implementation services

- DC re-design
- Consolidation
- Virtualization
- AD services
- Identity Mgt Solutions

Consulting services

- Cloud strategy development
- Data governance modelling
- Content Management services

Don't Build a Cloud Practice,

Build Cloud into all of your Practices...

Microsoft

Microsoft Azure Sales Scenario Training

Business Model Evolution
Why the journey to SaaS makes sense

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Twitter @rstropek

time cockpit
Saves the day.

Business Model Evolution

Customer Segments

CRM   Channels

Value Proposition

Revenue Stream
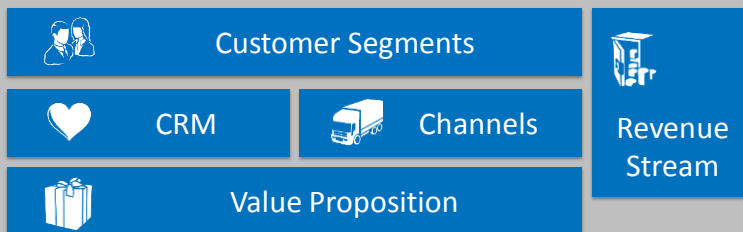
Building Blocks of a Business Model
What is a business model?

Business Model

Which customers do you serve?

What is the value that you deliver to your customers?

Which communication, distribution, and sales channels do you use?

How do you establish and maintain the relationship with your customer?

How does your value proposition result in revenue?

Business Model Evolution

Customer Segments		Revenue Stream
CRM	Channels	
Value Proposition		Cost Structure
Resources	Activities	
Partners		
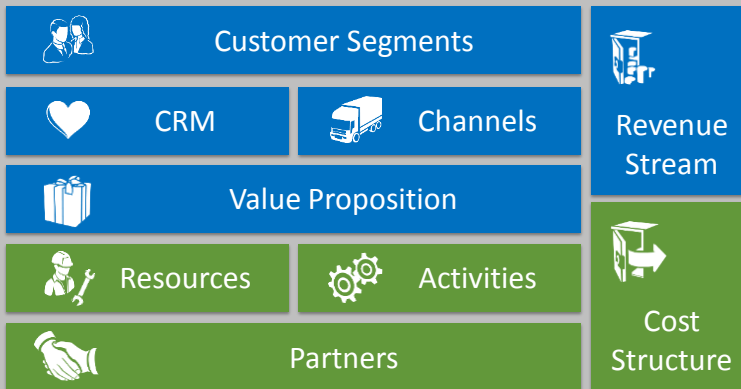
Building Blocks of a Business Model
What is a business model?

Business Model

What are the key resources that you need?

What are the key activities you have to perform?

Which activities do you acquire from outside?

How does your cost structure look like?

Business Model Evolution

Customer Segments		Revenue Stream
CRM	Channels	
Value Proposition		Cost Structure
Resources	Activities	
Partners		
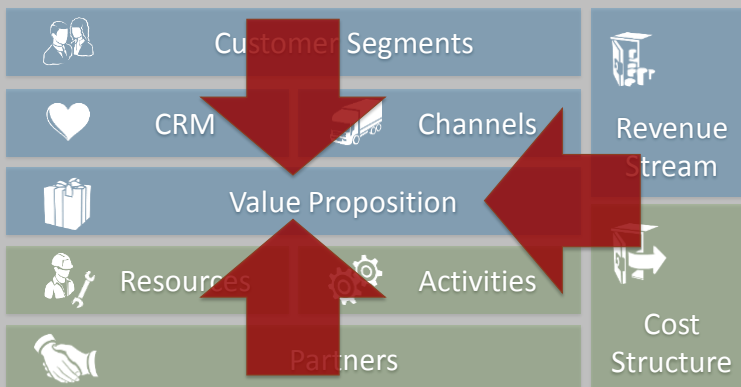
Innovation
Where does innovation come from?

Innovation

Customers might tell us about areas where they need innovation

New capabilities might enable new value propositions

Different revenue or cost structures might open new markets

How can SaaS and Cloud Computing influence your business model?

Business Model Evolution
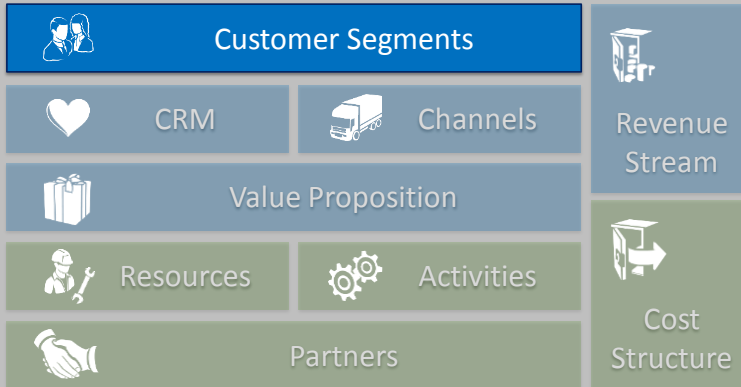
Customer

Building Blocks of a Business Model
What is a business model?

Business Model Evolution
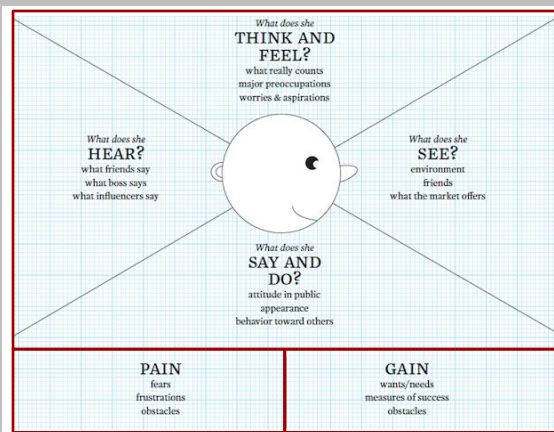
Customer-Centric

What job does our customer needs to get done?

Is it her job to run our software?

What does our customer hear, feel, and think about SaaS and cloud computing?

Customer Empathy Map
Tool developed by the company XPLANE

Source: http://innovatus.org.uk/2012/01/empathy-maps/

Customers

▶ **Pain, fears, frustration,...**
„I want to concentrate on my core competencies"
„I have to be able to rely on that system"

We will take care of that for you!

▶ **Wants/needs**
„Buying this expensive system is too risky for me"
„I don't know our exact needs in the future"

SaaS reduces risk because you pay for what you really need

▶ **Environment**
„Cloud is unsecure"
„Our data must be under our control"

Does your customer trust you and/or your partners enough?

Customers

▶ **Address new markets**
Customer size
New customer segments

Make sure your entire organization is ready for that change

Revenue Per Customer
Cost of Providing Software Per Customer
Addressable Market
Non-Addressable Market
# of Customers

Revenue Per Customer
New Market
Addressable Market
Lowered Cost of Providing Software Per Customer
# of Customers
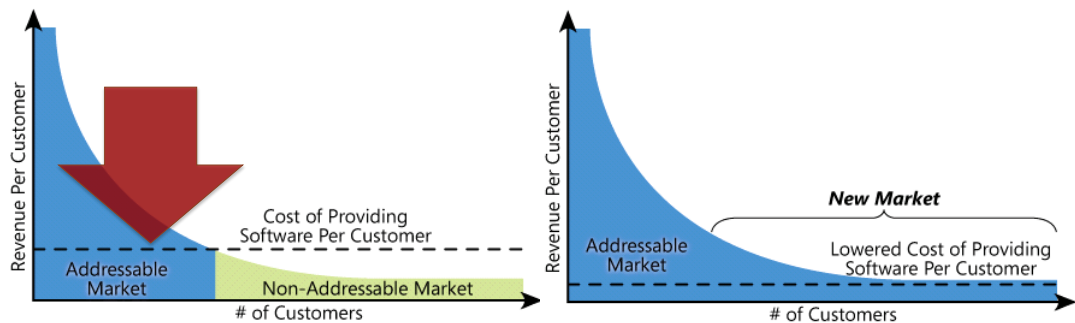
Design to Cost

▶ Your product is not ready for the mass market just because you make it cheaper

▶ Different customer segments might have different functional needs

Source: http://www.flickr.com/photos/mava/2445734571/

Business Model Evolution

Customer Segments	Revenue Stream
CRM / Channels	
Value Proposition	
Resources / Activities	Cost Structure
Partners	
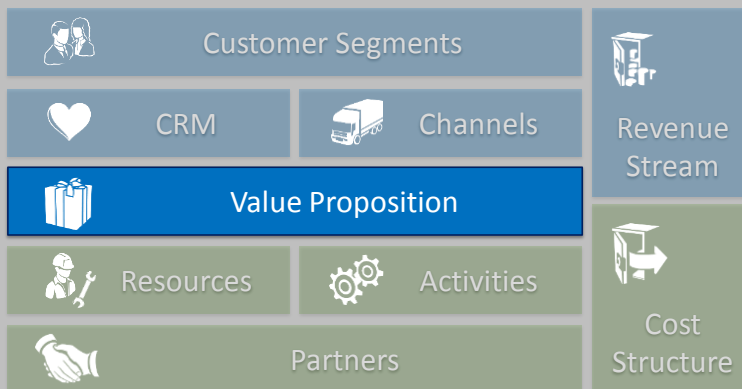
Value Proposition

Building Blocks of a Business Model
What is a business model?

Value Proposition

- ▶ Value proposition = Bundle of products and services

- ▶ How can SaaS help to solve customers problems or satisfy customer needs?

  Performance – make your solution available faster

  Customization – customized product while taking benefit from economy of scale/scope

  Price – we will get back to this later

  Cost – lower TCO of your solution because of specialization

  Risk reduction – trials, availability, security

  Accessibility – let more customers benefit from your solution

  Convenience – Make your solution easier to use

Business Model Evolution
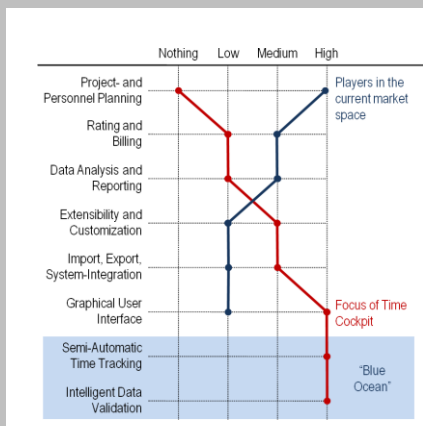
Massive consequences on SaaS architecture

Blue Ocean Strategy
Method for developing the value proposition strategy

Example

SaaS has always been a „no brainer"
On-premise technically possible but not wanted (strategic decision)

How our „blue ocean" has changed/evolved:
Extensibility and customization is in our blue ocean
We did not implement the „data validation" feature yet
Added support for online and offline work

Slide 1

Business Model Evolution
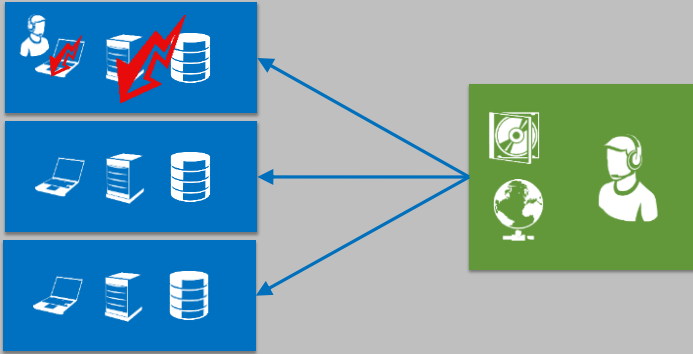
Classical Model

Customer owns infrastructure
  Control over code and data

Deployment is hard

Deployment Models
Different options for implementing SaaS

Slide 2

Business Model Evolution

Outsourcing

Software consumed as a
  service

Customer still owns
  infrastructure
  Private Cloud

Deployment Models
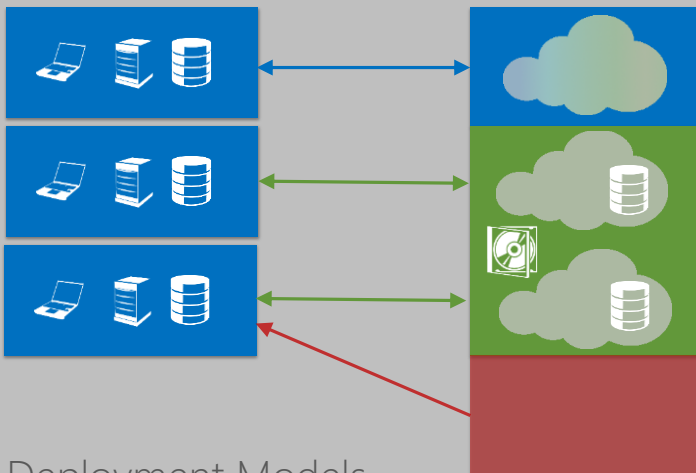Different options for implementing SaaS

Enriched Model

Software is enriched by (optional) cloud services
- Public services
- Backup
- Message Bus

SaaS Single Tenancy

Infrastructure as a Service
- Server virtualization

Escrow Service
- Code
- Data

Business Model Evolution
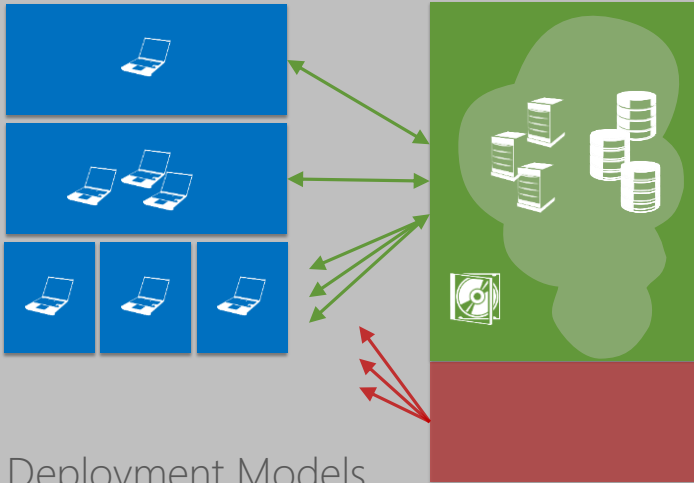
SaaS Multi Tenancy

Dynamically scaling infrastructure
   PaaS

Economy of scale

Deployment Models
Different options for implementing SaaS

Business Model Evolution

Channel

Customer Segments

CRM | Channels | Revenue Stream

Value Proposition

Resources | Activities

Partners

Cost Structure
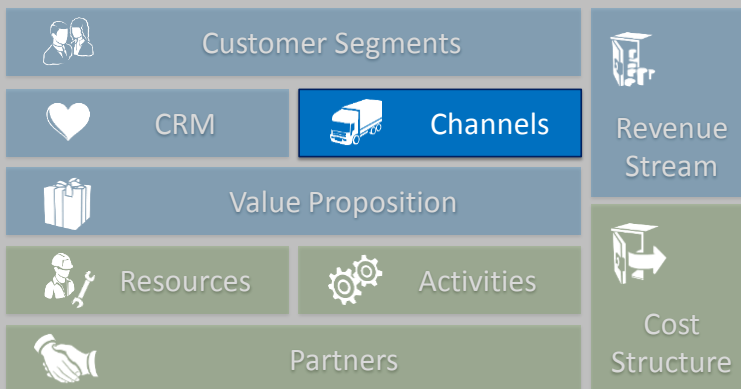
Building Blocks of a Business Model
What is a business model?

SaaS Channel Opportunities

▶ **Make it super-simple to evaluate our services**
Self-service via web
Time-based freemium models
Direct communication with operating departments

▶ **Web (=self-service) might be an important (new) channel**
Make use of existing market places of cloud vendors

▶ **The power of trust!**

SaaS Channel Threats

▶ **Different pricing model necessary**
Fair dual licensing model is hard to find
What to do with existing customers („bring your license" model)?

▶ **Don't forget existing channels**
Cannibalization effects for existing partner network
New sales compensation rules necessary

▶ **Different revenue stream**
New revenue sharing model necessary
New KPIs (*Customer Lifetime Value* instead of one-time revenue)

Business Model Evolution
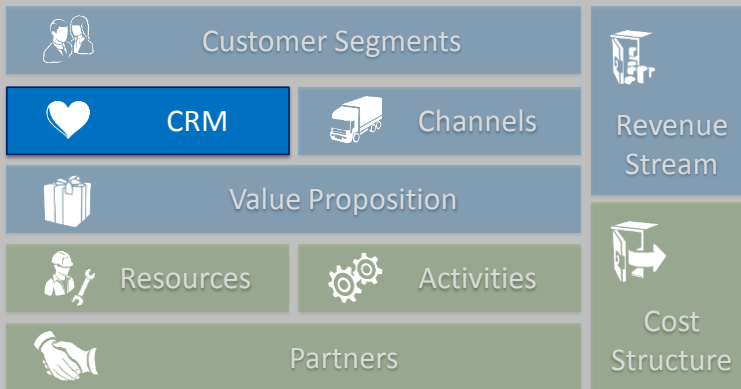
👥 Customer Segments		📦 Revenue Stream
❤️ CRM	🚚 Channels	
🎁 Value Proposition		📦 Cost Structure
🛠️ Resources	⚙️ Activities	
🤝 Partners		

CRM

Building Blocks of a Business Model
What is a business model?

CRM

▶ End user support
You run the solution for the customer

▶ Importance of self-service
Manual processes will make your operational costs explode

▶ Co-creation and Community
Customization and extensibility
You „know" the end user
Establish a network of specialists

▶ Remember: Users can use your system less or turn away every single month
Billing is an important part of your service offering

Business Model Evolution
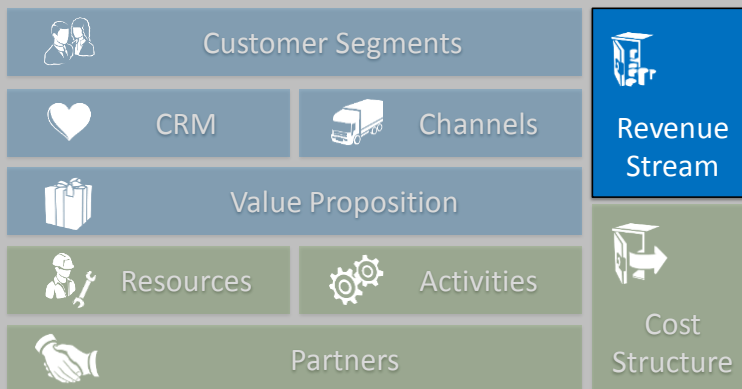
		Revenue Stream
Customer Segments		
CRM	Channels	
Value Proposition		
Resources	Activities	Cost Structure
Partners		

Building Blocks of a Business Model
What is a business model?

Revenue Stream

Business Model Evolution

Classical Model

Licensing-based

Maintenance fee

Revenue Stream
How does SaaS influence the revenue stream?

Business Model Evolution
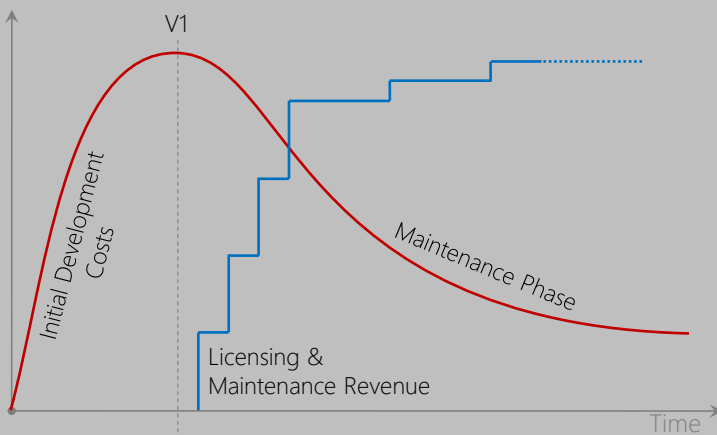
Classical Model

Licensing-based

Maintenance fee

Revenue Stream
How does SaaS influence the revenue stream?

Business Model Evolution

Revenue Stream
How does SaaS influence the revenue stream?
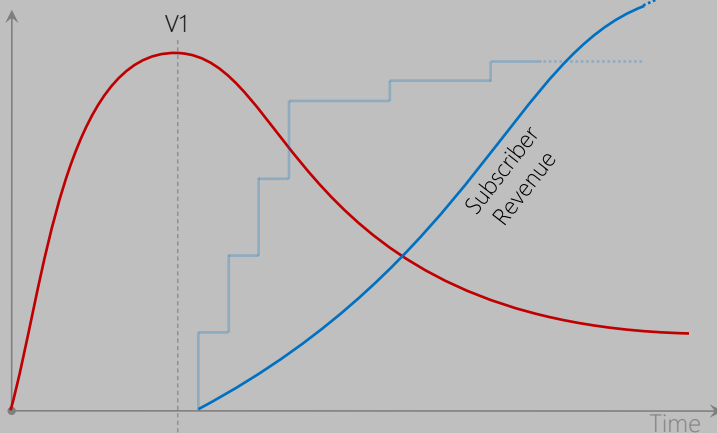
SaaS Model

Subscription fee or usage fee

Revenue stream can be
  different month by month

Entirely new billing process
  is needed
  Micro- or mini-payments
  Handle defaulting customers

Existing market places and
  services might help

Business Model Evolution

Revenue Stream
How does SaaS influence the revenue stream?

SaaS Model

Subscription fee or usage fee
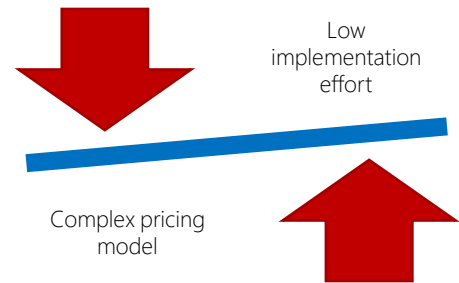
Revenue Streams

► **Pricing model**
  Subscription-based and/or usage-based
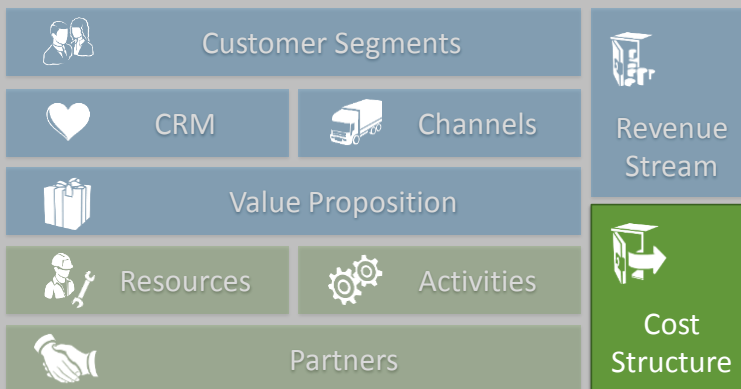 Minimum fee/usage
  Rebates, flat fees

► **Fair use policies, limits**

► **Rating, billing, payment**
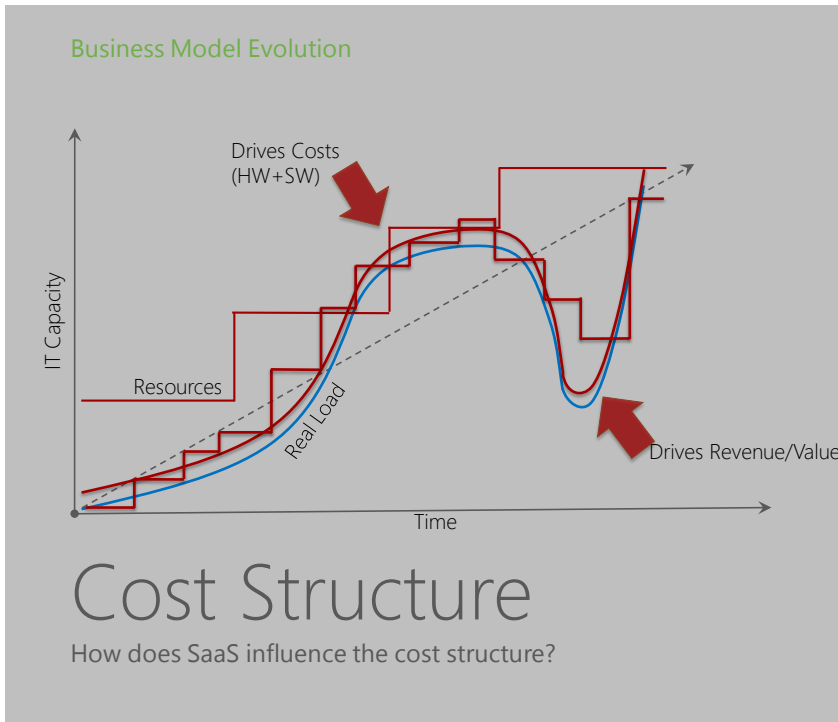 Organization has to be ready for small invoices/payments

Low implementation effort

Complex pricing model

Business Model Evolution

Customer Segments	Revenue Stream
CRM / Channels	
Value Proposition	
Resources / Activities	Cost Structure
Partners	

Cost Structure

Building Blocks of a Business Model
What is a business model?

Business Model Evolution

Drives Costs (HW+SW)

IT Capacity

Resources

Real Load

Drives Revenue/Value

Time

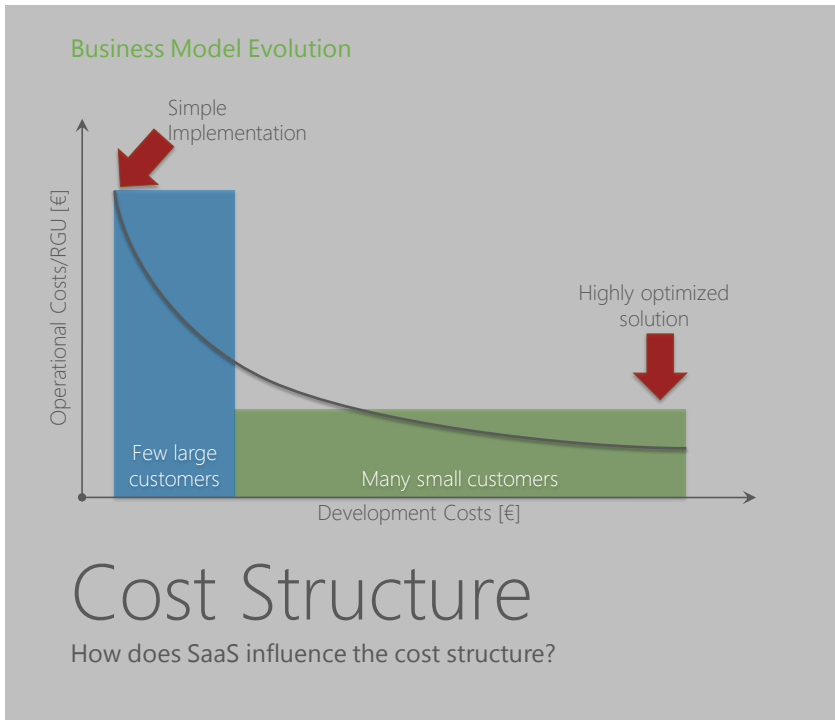# Cost Structure

How does SaaS influence the cost structure?

Costs

Fluctuating load

Costs of data center resources
TCO for customer

Dynamic resource allocation
Compute
Storage
Bandwidth
...

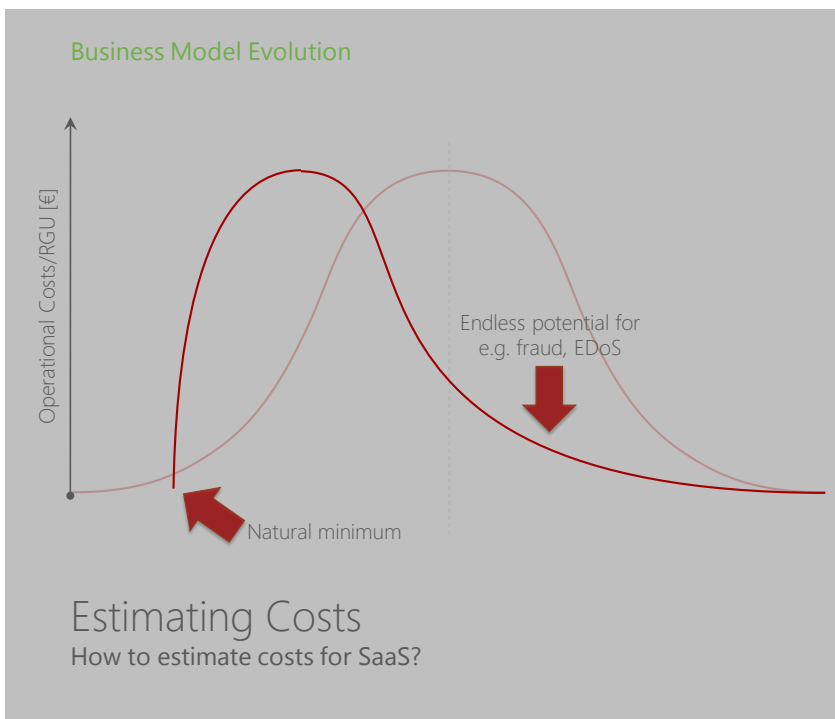*"We design the price tag first"*

Business Model Evolution

Design to Costs

Strategic decision, not a technical decision

Windows Azure Calculator

Cost Structure
How does SaaS influence the cost structure?

Business Model Evolution

Statistics

Statistics can be dangerous!

Estimating Costs
How to estimate costs for SaaS?

Business Model Evolution

Black Swan
http://www.flickr.com/photos/essjay/224318029/
Under Creative Commons License

Black Swan

You cannot predict the future exactly

We do not live in the asymptote, we live in the real life

Extremistan

Mediokristan

Business Model Evolution

Customer Segments

CRM   Channels

Revenue Stream

Value Proposition

Resources   Activities

Partners

Cost Structure
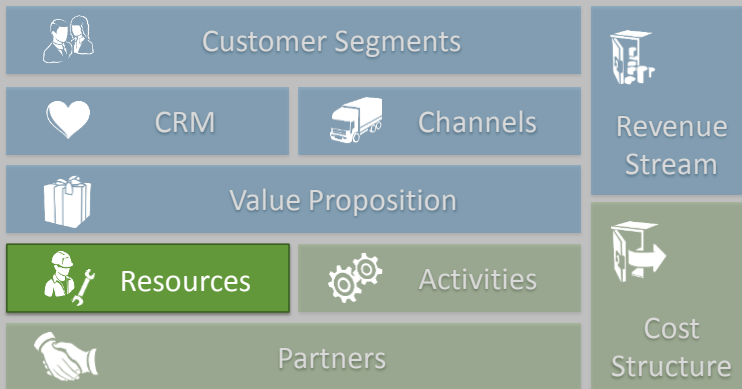
Building Blocks of a Business Model
What is a business model?

Resources

Skills

▶ Developers
Software development tools might not change
Knowledge about new patterns and standard necessary
(e.g. federated identity, programming for clusters, dynamic infrastructure, messaging, etc.)

▶ Architects and designers
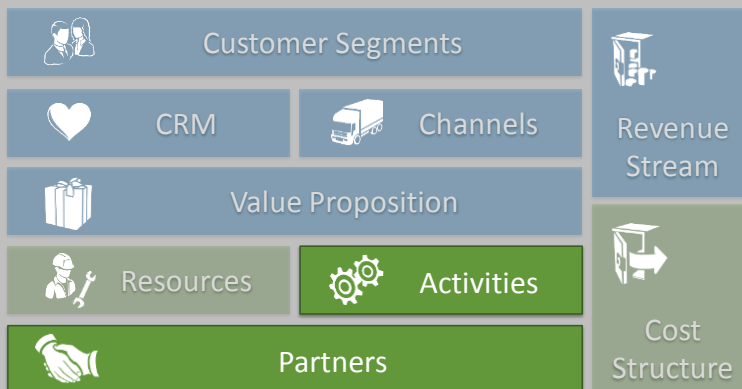Understanding of SaaS and especially multi-tenancy
Design to cost
Designs that make use of PaaS offerings

▶ Tools
From software vendor to service operator
(e.g. monitoring, scaling, operations dashboard, etc.)

Business Model Evolution

Customer Segments

CRM | Channels

Value Proposition

Resources | Activities

Partners

Revenue Stream

Cost Structure

Activities and Partners

Building Blocks of a Business Model
What is a business model?

Activities

▶ Move to Platform as a Service if possible
    Reduces operational costs and enables you to catch the long tail

▶ Standardization and automation rules
    Reduces the effort for upgrades and drives continuous innovation

▶ Develop and IT operations practice
    Operating a multi-tenant SaaS solution needs specific IT operation skills

▶ Offer a level of operational excellence that exceeds your customers' expectations

Monitoring and Scaling

▶ Relatively easy to monitor overall load/health of compute servers
    Example: Azure Diagnostics gathers data
    System Center Operation Manager or 3rd party tools for monitoring

▶ Harder to monitor end-to-end performance for a certain user/tenant
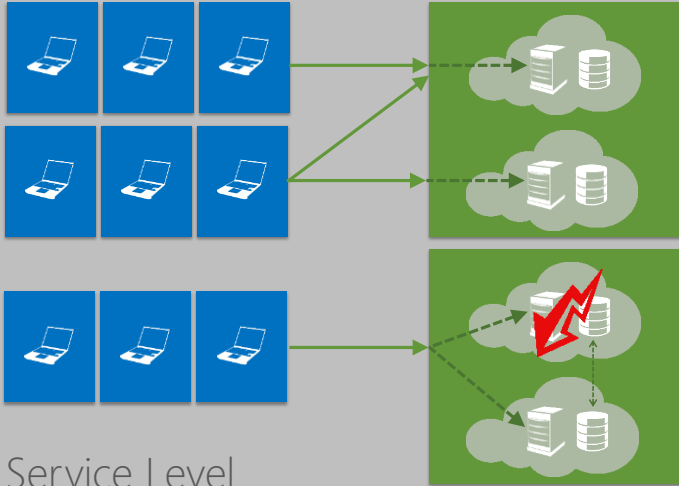   Application-level logging
    3rd party APM tools like DynaTrace

Monitoring and Scaling...

▶ ...directly influence your company's margin by dynamically right-sizing the infrastructure

▶ ...cares for great user experience by scaling up/out whenever necessary

▶ ...gathers the base data to enable usage-based billing

▶ ...is used to enforce usage limits

▶ ...helps monitoring fair use policies

▶ etc.

Disaster Recovery

▶ Backup/Recovery
  Done by Microsoft
  Protect your customers from unwanted deletions and modifications

▶ Service Level
  Azure's SLA is not silver bullet
  Take extra precautions if necessary
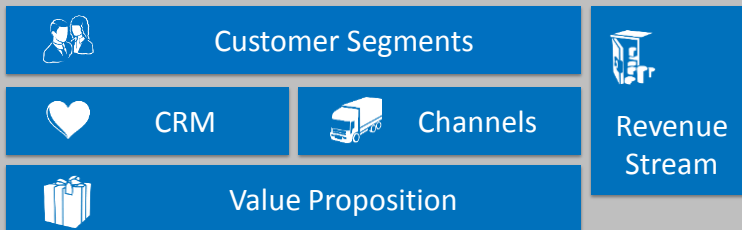
Business Model Evolution

Service Level

Secure by default

Cluster by default

Bring your application and data to your customers

Load balancing/failover across data centers

Service Level
How to raise the service level of your SaaS application

Business Model Evolution

Customer Segments

CRM

Channels

Revenue Stream

Value Proposition

Summary

With SaaS you might reach new customer segments
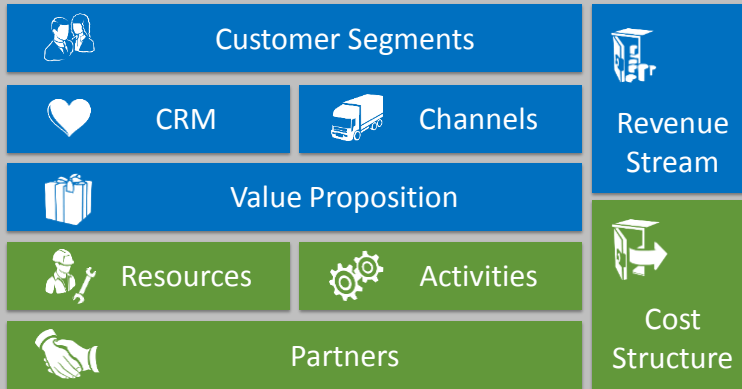
Value proposition = Products + Service

SaaS helps you to establish new sales channels

Your customers become subscribers

Prepare for changes in your revenue stream

Summary
What did we cover?

Business Model Evolution

Customer Segments		Revenue Stream
CRM	Channels	
Value Proposition		Cost Structure
Resources	Activities	
Partners		

Summary
What did we cover?

Summary

Development tools stay the same but your architecture will be different

You have to develop new skills regarding operating your SaaS solution

Build on a PaaS infrastructure whenever possible

Optimization is sexy again!

Microsoft Azure Sales Scenario Training

Q&A
Thank You For Coming.

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Twitter	@rstropek

time cockpit
Saves the day.