

Picking a winner in the expanding market for cloud services is the savvy reseller's best path to prosperity. Cloud columnist **Sholto Macpherson** cuts through to your best bets in this exciting market

Telco support kills off channel

Crucial business elements have been moved to the cloud, prompting concerns for some

The launch of Microsoft's cloud productivity suite on June 28 was a watershed for the IT channel. It forced every Microsoft reseller to ask themselves the same question – where do I fit in now?

"It's something that has been a hot topic internally and a lot of other partners I've been speaking to," says Eddie Mahdi, owner of Centrix, an IT support company in Sydney.

The impact for resellers of cloud productivity suites such as Microsoft Office 365 and Google Apps is twofold. The first is hardware sales.

The suites move two crucial components of business IT to the cloud – the email server and the file server. In larger businesses with redundant or supporting machines that could mean as many as five or more servers struck off the purchase order.

The second, higher margin loss is maintenance services. Installation, migration, monitoring, upgrading – the number of times a technician will be required on site will be reduced dramatically for businesses using cloud suites.

However there was a saving grace for Microsoft resellers at the lower end of the scale. The version of Office 365 for small businesses and professionals, sold only through Telstra for firms of up to 50 seats, only came with "community support" rather than the 24/7 phone support supplied to the enterprise-

licence holders. Businesses relying on community support would have to trawl through Microsoft blogs and forums to troubleshoot issues with the components of Office 365 including Exchange Online and SharePoint Online.

The latter in particular can be complicated to install and integrate with business processes.

This was a window of opportunity for Microsoft resellers to climb through and reestablish themselves as the trusted adviser – no longer of hardware, but software.

Except for one thing – unlike in other markets, Telstra had decided to offer the same 24x7 support from its call centres for the small business plan (called a P1) as the enterprise. This was an overlooked detail mentioned during Telstra's launch of Office 365 which the telco claimed justified the 30 percent increase over the US price for the P1 plan.

This means Microsoft resellers could be facing a tough fight.

"Although this is good for resellers who support customers on P SKU's (the small business plan ID) I feel it may mean that such customers will seek out Telstra's assistance first before contacting their reseller," wrote Robert Crane, a technology consultant from Sydney-based Computer Information Agency, on his blog. "The clients typically on the P SKU's are going to be looking for the cheapest method of support

and if Telstra is providing it free with P SKU's where does that leave the reseller?"

Crane points out that Telstra is not likely to give support beyond Office 365, such as for setting up PCs and laptops, networking, migrations and so on. However, the size of the pie for Microsoft resellers is shrinking so quickly and to such an extent that, without a radical overhaul of business plans, they could find themselves going out of business very quickly.

There is a growing feeling among resellers that they have been shafted by Microsoft, first with Office 365 and then by the exclusive deal through Telstra. A former Microsoft executive told me that when the vendor began discussing its cloud strategy with partners last year many were angry at what they saw as an attack on their businesses.

The response from Microsoft was, "It's not us, it's the industry that's moving to the cloud," the former Microsoft executive says.

Still, Telstra's provision of support to small businesses on the Office 365 plan is seen as another signal that the traditional Microsoft channel is being cut loose.

"Telstra also hasn't thought through the impact of this provision of support for its resellers as it certainly appears they are cutting the resellers out of the loop and that is not going to do anything for that relationship (which they say they

are trying to build)," Crane says.

Crane adds that if Telstra is giving these low-end customers full support, it better be prepared for a flood of phone calls that will eat into Office 365's sub-\$10 per user per month revenue pretty quickly.

"This is a real can of worms from Telstra's point of view and I don't think they have thought through how demanding the lower end of the SMB market will be," Crane says.

The view: Centrix and E-Nerds

CRN spoke to two resellers about Microsoft Office 365 and the possibility of Telstra support on the small business plans, and found both were surprisingly optimistic, if a little guarded.

There's a hint of bitterness as Centrix's Mahdi laughs about his company's decision to move to a cloud-based business model. "The sleepless nights ever since Office 365 launched has forced us to look into it."

Mahdi sees the biggest change is less technological and more related to how the business operates.

"It's the fact that the relationship is owned directly by the vendor, who used to be the channel partner. That's the shift in the market that's caught it by storm because then they have the power to make decisions for the client that (resellers) no longer have a play in."

The reseller has a strong business providing technical support and

advice to SMBs. Centrix is shifting its focus to be less technical and more consultative, Mahdi says. "Clients need someone to consult and fit the pieces of the puzzle together. There are so many options for the cloud," he says.

Centrix is rebranding as cloudintegrator.com.au and has enlisted staff in training programs for cloud services.

It has developed a cloud readiness assessment program for migrating customers to Office 365. Mahdi says the assessment and implementation of cloud services is little different to the service provided for an internal solution.

However, the ongoing relationship will be centred on consulting rather than ongoing systems support.

Even if Telstra does provide 24/7 phone support to businesses, Mahdi is sceptical at its take-up.

"I don't think any business of any decent size is going to be calling on a Telstra support line and be willing to take their support levels. Small and medium businesses still need a quality of service provided, they still need management of servers in the cloud."

A new business focus requires new skills. Mahdi believes the type of technicians will need to change, too.

The ideal staff would be better at giving advice rather than "nuts-and-bolts Exchange gurus".

Mahdi admits that while revenue will take something of a hit with less hardware sales and ongoing maintenance, he hopes for more opportunities pitching to larger prospective clients.

The cloud "does open up new things for resellers and partners. They will be able to look at new markets they couldn't deliver to before, purely because of the limitations of the infrastructure. Partners like us couldn't pitch larger clients but now we can because of the SaaS model or the IaaS model without having to deploy your own infrastructure."

The shift in model has also meant current customers that weren't interested in spending more on their on-premise setup are looking at upgrades to cloud systems.

E-Nerds' Jamie Warner, another Sydney reseller, says he sat down

with his management team earlier in the year to discuss the implications of Google Apps and Microsoft Office 365.

He reached the same conclusion as Centrix's Mahdi – that an SMB business still requires an IT partner.

"On the basis that there is more to the equation than just Office, SharePoint and Exchange. There are also the specific apps used by the SMB, more around CRM and accounting, and those products are not being offered by Telstra or Microsoft as part of Office 365. And so it still becomes a complex decision for a customer to set up their infrastructure," Warner says.

Likewise Warner is unfazed by the prospect of Telstra support which he doubts will extend to the desktop. "So the customer isn't getting a full service solution from that option. I think (Office 365 support) suits a business that has their own IT department or are so small that they can get away with using Telstra."

E-Nerds has signed up to resell Google Apps and is combating Office 365 with a virtual-desktop solution that includes Exchange and SharePoint, and has the ability to include custom applications that are so popular among SMBs.

"We can go to the customer with a holistic solution which encompasses all their requirements.

"We can tick the box for desktop support, for a cloud-based Office-SharePoint solution and for hosting MYOB or other apps in the cloud as part of our platform-as-a-service," Warner says.

The threat of Office 365 is hard to measure and won't be fully known until at least a year after launch. It looks like the IT channel won't be handing over its hard-won customers to Microsoft or Telstra without a fight, however.

"I haven't come across any situation where customers are saying we're going for Office 365 and we don't need your services. [Office 365] is not providing a complete solution for the entire IT requirements for SMB and on that basis alone it's not going to be a major concern, I shouldn't think. That's how we're interpreting it," Warner says.



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Robert Crane, tech consultant