

# Open Cloud for open business

by Dirk-Peter van Leeuwen, vice president and general manager, Red Hat, Asia-Pacific

Telcos are competing with IT giants on delivering Cloud services by leveraging their assets and trust relationships. They must provide closer fit to customers' requirements, for example, through co-locating platforms or through applying incentives to encourage adoption. One major aspect is avoiding new silos with Cloud lock-in, if public and private Clouds cannot interwork. The hybrid solution and the Open Cloud approach will play a big part in keeping enterprises in control of their technology and business roadmaps. No use having your 'head in the clouds'; better have your 'head for business' when reaching the Clouds.



*Dirk-Peter van Leeuwen is Red Hat's vice president and general manager for the Asia-Pacific region. He is responsible for expanding Red Hat's presence and oversees all sales, marketing, and services throughout the region.*

*Mr Leeuwen first joined Red Hat in 2004 with the remit of establishing Red Hat's operations in Belgium, Netherlands and Luxembourg (Benelux). By 2008, his portfolio included the Central and Eastern European (CEE) market operations and he was promoted to vice president for CEE, responsible for sales and general management of Red Hat's business in the region. Under his leadership, the Central, Eastern European and Benelux region became Red Hat's fastest growing territory in 2008, seeing a 15 per cent increase of its customer base.*

*Mr Leeuwen has over 20 years' experience in the IT industry and has a deep understanding of the enterprise software market and the channels in Europe. Prior to working for Red Hat, he held the positions of European director for PlanetWeb Inc. and the director of Northern Europe for SCO, where he built their sales operations in Benelux and the Nordic region.*

Public Clouds have been widely used by consumers and developers. Now they're set to deliver services to the enterprise. Telecom players compete for this business with web giants like Google. Carriers are hoping to leverage their trust relationship and enhanced networks to make headway in storing data and hosting applications. However, there is much to resolve in terms of compatibility, both between the software sold by various Cloud vendors and between private and public Clouds.

Telcos everywhere are looking at Cloud services as part of their strategy to improve average revenue per unit (ARPU), increase profitability and boost their bottom line. With revenues projected to hit US\$43 billion this year<sup>1</sup>, telcos are aggressively trying to

capitalise on this opportunity, especially since Cloud computing spend is expected to grow further<sup>2</sup>. A report by Ovum shows that telcos are best suited to offer enterprise-grade Cloud computing solutions as they are already carrying sensitive data on their networks and are therefore familiar with government regulatory requirements and expected service standards<sup>3</sup>. Additionally, telcos have the experience of running business and operations support systems and are well versed in the running and billing of scalable Cloud services.

Not surprisingly, Informa reported that in 2011 telcos worldwide invested nearly US\$11 billion in Cloud-related pursuits<sup>4</sup>. However, the same research found that only five per cent of their enterprise revenue came from

Cloud services. The key question faced by telcos now is how they can establish their position by leveraging their key assets to become a 'smart pipe'.

## Competing in the Cloud

In a survey conducted by Marevedis-Telecom Asia<sup>5</sup>, the key challenge in launching mobile Cloud services is establishing a dynamic business model because differentiation is essential for telcos to compete in a very crowded market. Instead of venturing into storage and computing services, which is increasingly becoming commoditised, the flexibility of telcos and their ability to orchestrate a wide range of services will be the differentiating factors. For instance, if a customer is a trading company-based in

<sup>1</sup> 'US Telecommunications Private Line Services Revenue to Reach US\$43 Billion in 2016, says Insight Research', Insight Research Corporation, January 25, 2012

<sup>2</sup> 'IDC on 2012: Prep for Cloud wars, mobile explosion, higher IT spending', IDC, December 2011

<sup>3</sup> 'Multinationals trust telcos with the Cloud' Ovum, telecoms.com, May 2011

<sup>4</sup> 'Telecom Cloud Services, Best practice from the field' Informa, October 2011

<sup>5</sup> 'The search for growth,' Marevedis-Telecom Asia, Telecoms Asia, November 2011

Hong Kong, latency may be a key issue for them and telcos may therefore need to be co-located on the trading floor to provide a winning proposition.

To explore this further, let's look at CDLAN, an Italian telecommunications operator and a provider of value-added ICT (*Information and Communication Technology*) services. The company created a virtual platform for the provisioning of Software-as-a-Service (*SaaS*) to its customers, which are medium-to-large organisations operating in a variety of sectors, including finance, professional services, broadcast media, and telecommunications. Applications available on its SaaS platform include Enterprise Resource Planning systems (*ERP*), email and e-learning systems. CDLAN's unique selling point is the ability to offer clients maximum performance, scalability and reliability at competitive prices by using open-source technology.

During this uncertain economic climate, many telcos have come to realise that it is even more important to listen to their customers' needs. In most cases, what companies require is a reduction in investment capital and maintenance costs while allowing them to provide reliable, high-quality services at all times.

For other telcos, entering the Cloud space independently may not be the best approach and they can look at forming a partnership instead. One successful example in Asia saw a Japanese telco giant acquiring an IT services and solutions provider. The acquisition complemented both companies' business objectives and provided the telco with the resources and skills to further deepen its positioning among companies moving towards the managed infrastructure services and Cloud computing space.

This differentiation should also be internalised within the company before it markets its new service offerings. The adage of 'build it and they will come' is not true anymore. There needs to be a concerted effort to ensure that the company is marketing its services well too. A leading telco in Australia did just that by devoting a substantial amount of resources to train its sales force and partners with the right skills and knowledge to push out its Cloud offerings. By offering incentives to all involved in the process, the telco managed to implement the right rewards system to spur on the adoption of Cloud services.

Apart from focusing on enterprise Cloud services, another possible strategy is to address the consumer segment as well. Telcos such as AT&T are currently focused on the enterprise and small to medium-sized business (*SMB*) markets, but recognise that mobile consumer applications represent a huge opportunity. Providing consumers with the ability to back up data to a public Cloud for a small monthly fee is an example of a possible service offering. Doing so would allow users to recover their personal data, should a mobile device get stolen or is misplaced.

### The right Cloud implementation strategy

The next step is choosing which approach to take in order to implement a Cloud. When the term 'Cloud computing' first appeared on the scene, it referred to computing utility, with electricity providing the clearest analogy: Generated by large service providers? Check. Delivered over a grid? Check. Paid per usage? Check. However, Cloud computing has evolved into a broader way of thinking about IT that has an impact on existing investments. Choosing the right kind of Cloud (private or public) is perhaps the most strategic decision IT leaders will make in this decade. It's a choice that will determine the organisation's competitiveness, flexibility, and IT economics for the next ten years.

One major factor when adopting Cloud is the fear of vendor lock-in. This occurs when there is a lack of interoperability between Clouds, often caused by a lack of common interfaces, standard data formats or services that could guarantee application, data and service portability. As a result, companies are unable to operate using a variety of Cloud service providers, which forces them to be 'locked-in' to a single vendor's Cloud stack. This and the issue of combining private and public Clouds is resolved by a hybrid Cloud solution, which is more flexible. When done right, it can deliver strategic advantages to the business by redirecting resources from 'lights-on' to innovation. An Open Cloud can deliver the full strategic business value and fulfil the promise of Cloud computing. By embracing Clouds that are open across a full gamut of characteristics, telcos can have confidence that their Cloud strategy is consistent with the following objectives:

- enabling portability of applications and data across Clouds;
- leveraging on existing IT investments, infrastructure and avoids creating new silos;

- Making it possible to build a hybrid Cloud that spans physical servers, multiple virtualisation platforms, and public Clouds, running a variety of technology stacks;
- and, putting the customer in charge of his or her own technology strategy.

### Why an Open Cloud

An open Cloud can deliver on the full value and promise of Cloud computing by bringing efficiency, agility, and the cost benefits of Cloud to existing IT infrastructure, applications, and users. This is done by allowing organisations to build a Cloud out of heterogeneous systems including physical servers, multiple virtualisation platforms, and public options, independently from the underlying technology stack.

An Open Cloud can also leverage existing IT investments in hardware, software, and training, allowing organisations to build a Cloud in an evolutionary way, thereby reducing costs and risks. Down the road, it allows organisations to select the best technologies for users without concerns that a single vendor can control access to the greatest innovation, the lowest costs, and the best economic model.

Lastly, an Open Cloud provides application portability across Clouds, permitting applications to be deployed on optimised platforms during any stage in their lifecycle, minimising the need for costly and time-consuming rewriting or re-certification.

### Conclusion

While telcos are defining the right strategy for their market, choosing the right kind of Cloud is just as important. The best way is to adopt the mind-set of a customer choosing a mobile phone provider - they want to be in charge of choosing the plan for themselves, they want the subscription process to be painless, and they want to be able to choose from different service providers. The same should be true in the business world. Telcos should go about choosing a Cloud solution because they truly believe in the value of the service - not because they are locked-in. ●