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# Europe and the SME Cloud Opportunity

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Can Win with Cloud Services



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### Introduction

In Finland, more than half of all businesses (51 percent) use cloud services today. Not far behind is Italy, which sees 40 percent of its businesses using cloud services. Meanwhile, in the United Kingdom, 24 percent of companies have adopted cloud services. Overall, one out of every five companies in the EU28 is now using these cloud-based applications.<sup>1</sup>

These numbers are substantial, but even they may be greatly underestimated. The “shadow IT” phenomenon—where employees use software without the knowledge or approval of their organizations’ IT departments—is just as common in Europe as it is in other parts of the world. One recent survey looking at cloud adoption in Europe and North America found that an average of 86 percent of cloud applications were not sanctioned.<sup>2</sup>

No matter which figures you believe, businesses in Europe are clearly eager to adopt cloud-based services. In fact, of the businesses that currently use cloud services, 56 percent find the technology to be highly effective and are apt to transition even more of their business-critical operations to the cloud.<sup>3</sup>

Given this, the timing has never been better to take advantage of this rapidly growing, \$130 billion market opportunity.<sup>4</sup> But which companies are best positioned to succeed in selling cloud services, specifically cloud-based applications or Software-as-a-Service (SaaS)? It’s European service providers, particularly telecommunications companies.

### DISCUSSION AREAS

- › European SMEs Searching for Trusted Advice
- › Roadblocks to Selling Cloud Services In Europe
- › The Need for Open Standards-Based, Cloud Service Commerce Platforms
- › The Importance of Choosing the Right Platform and Partner for Success
- › Customer Support: The Secret Weapon for Success

<sup>1</sup> “Cloud Computing Services Used by One Out of Every Five Enterprises in the EU28,” Eurostat, December 9, 2014.

<sup>2</sup> “Cloud Adoption and Risk Report: 2014 North American and European Trends,” CipherCloud, 2014.

<sup>3</sup> “Future of Cloud Computing Technologies in Enterprises in the United States and Europe,” Frost & Sullivan, 2014.

<sup>4</sup> “Four Reasons CIOs Should Still Hedge Their SaaS Bets,” Andrew Bartels and Liz Herbert, Forrester, January 30, 2015.



Telecom companies already have trusted relationships with their customers in small and medium-sized enterprises—and it's exactly these businesses that stand to gain the greatest benefits from cloud-based applications. In Europe, far more so than the United States, people still prefer personal, face-to-face relationships when it comes to sales. That's why offering cloud-based applications as part of the sales process should be a natural fit—and a lucrative additional revenue stream for telecoms providers.

#### CLOUD ADOPTION IN EUROPE

According to a Eurostat study, Finland leads the rest of Europe with 51% of Finnish companies using cloud services, compared to a European Union average of 19%. Italy averaged a 40% adoption rate.

So what's stopping service providers from capturing this market opportunity? Until recently, the barriers for entry were too high for many providers. Integrating and onboarding cloud services were too costly and time consuming. Lack of self-service capabilities after the sale meant that the cost of sales remained too high.

Today, the availability of open standards-based, flexible, cloud service commerce solutions has changed the equation. With the right platform, service providers can easily, efficiently, and cost-effectively onboard and sell relevant, leading cloud services to their customers.



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## European SMEs Searching for Trusted Advice

While the market for cloud services in Europe is growing quickly, small and medium-sized enterprises (SMEs) need help taking the next step. Small businesses want to adopt cloud apps—such as backup, security, and collaboration tools—but need advice on which ones suit their needs. Telecommunications providers are ideally situated to serve as trusted advisors to recommend relevant applications that SMEs can depend on. Telecom companies already deliver voice, internet, mobile, and other essential business services; adding business applications to this mix enables service providers to become one-stop shops for a wide range of business technology needs.

Imagine this scenario: Your salespeople are talking with customers about devices, data, and voice service. What if they took it a step further and started asking customers about their mobility and productivity needs? Your salespeople could then offer customers backup, security, and productivity services such as Microsoft Office 365. Now, your salespeople have a much stronger, more robust business story to tell when speaking with customers.

Selling cloud services as part of the core information and communications technology (ICT) offering can help companies in a number of ways. Specifically, these applications can help companies:



- > **Differentiate offerings:** In a crowded and increasingly commoditized communications marketplace, selling cloud services as part of a value-added sale can be an important differentiator.
- > **Grow loyalty:** Providers create stickiness when they offer business-critical applications to their business customers. This also provides greater value and increases customer loyalty.
- > **Attract new customers:** A more comprehensive offering than just voice and data alone can help service providers gain new customers.
- > **Increase revenue:** Increase average revenue per user (ARPU) as customers purchase additional SaaS applications to support their businesses. In addition, as businesses use more data bandwidth from the provider to consume more cloud services using, they are more likely to upgrade to higher data plans.



Cloud services can also help companies expand more successfully into new geographies, a serious concern in a region like Europe where many countries share a relatively compact space and markets may overlap. Today, if your company entered a new market with standard voice and data services, it would be forced to compete on price alone with incumbent providers. However, by launching with cloud-based services in addition to your standard offerings, your business could differentiate from the current providers with an offer such as mobility for small businesses, which combines devices, data, voice, and cloud-based applications.

For many telecommunications companies, it's not a question of why sell cloud services—the market opportunity and synergies with current selling strategies are clear—but more of a question of how?

## Roadblocks to Selling Cloud Services In Europe

Revenue from European telecommunications operators has been declining every year since 2009, according to the European Telecommunications Network Operators' Association, a policy group based in Belgium.<sup>5</sup> Moreover, despite recent mergers and acquisitions, Europe still has one of the world's most fragmented telecommunications markets, with more than 150 telecom operators.<sup>6</sup>

New laws will harmonize pricing and essentially eliminate roaming charges within the EU in 2017<sup>7</sup>, but the sheer number of telecom providers still creates complexity for customers and exacerbates the commoditization pressures that already impact providers.

### THE BACKBONE OF EUROPE'S ECONOMY

According to the European Commission, in the European Union there are more than 20 million small and medium-sized enterprises (SMEs), defined as companies with 250 employees or fewer.

<sup>5</sup> "Annual Economic Report 2014," European Telecommunications Network Operators' Association, 2014.

<sup>6</sup> "European Telecom Companies Race to Merge," Ruth Bender and Shayndi Raice, The Wall Street Journal, June 1, 2015.

<sup>7</sup> "Commission welcomes agreement to end roaming charges and to guarantee an open Internet," European Commission Press Release, June 30, 2015.



Falling revenues, intense competition, commoditization—with a business climate like this, why aren't more European service providers moving faster and more aggressively to sell cloud-based services and applications to their customers?

It's not for lack of interest. In fact, European SMEs are some of the fastest cloud adopters, beating United States small businesses across several categories of cloud applications, including online backup and cloud-based file storage and management.<sup>8</sup>

The problem has been that, in the past, the barriers to entry for selling cloud-based services in Europe have simply been too high. These obstacles have included:

- › **Large investment and slow time-to-market:** Aggregating and integrating cloud services into a cohesive offering with marketplace capabilities such as billing, single sign-on, and centralized management can be time-consuming and prohibitively expensive.
- › **Maintenance of custom integrations:** With a do-it-yourself approach, each integration between a marketplace and a cloud service offering needs to be maintained by the service provider and updated potentially every time a cloud service developer issues a new application release (which, in the case of SaaS, can happen on a weekly or even daily basis).
- › **Contractual overhead:** Reviewing and executing individual contracts with each SaaS application provider, and then onboarding those new products and services can also be time- and cost-intensive, severely delaying time-to-market.

Given the risk, effort, and cost of taking an in-house, custom approach to introducing and growing a cloud services marketplace or deploying a first-generation, inflexible marketplace platform, it's no wonder that many service providers either tried and failed, or have delayed their entry into the market.

## The Need for Open Standards-Based, Cloud Service Commerce Platforms

Today, there's a better alternative for service providers that lets them avoid expensive and risky in-house development or reliance on inflexible platforms while speeding time-to-market. An open standards-based, flexible cloud service commerce platform eliminates one-off integration and enables fast rollout of new SaaS offerings to your sales team and your customers.

### WHAT ARE CLOUD SERVICES?

A cloud service is any resource that is provided, managed, and used via the cloud (Internet), with the most common cloud services being Software-as-a-Service (SaaS), as well as Platform-as-a-Service (PaaS), and Infrastructure-as-a-Service (IaaS).





With a flexible, open standards-based cloud service commerce platform, service providers can:

### Start selling new cloud services quickly and efficiently

There's no integration effort for the service provider when the marketplace platform is based on open standards, such as industry-standard API protocols, which make it easy for SaaS vendors to integrate their applications. Because it's easy and fast to add or change cloud service offerings, providers can create multiple marketplaces based on geographies or regional preferences.

### Use self-service to reduce the cost of sales and help continue to grow ARPU

In many cases, an initial cloud service purchase is driven by a salesperson.

Despite their growing sophistication, small businesses in Europe and around the globe still require expert advice and guidance. A self-service marketplace is critical to have in place for after the sale of the first cloud service. Self-service lets customers easily and quickly learn about and purchase additional services, enabling them to self-serve and self-administer applications for their business. This includes activities such as adding new licenses as their team grows, and allowing managers to reassign licenses between employees. These abilities can greatly reduce costs over the long term, since sales teams don't have to engage for each additional SaaS offering or management change.

*"Cloud services enable us to protect our core business, which is still generating revenue and profit, by reducing churn, having additional services, differentiating, and also putting Swisscom on a path of growth towards new areas."*

**JONAS KRENSLER,**  
HEAD OF MESSAGING AND COLLABORATION, SWISSCOM

### Reduce the burden on your sales and marketing team

Cloud service vendors upload marketing materials directly into the marketplace to support your sales force and to help educate your customers. Your marketing teams don't have to create new materials and update websites every time a new cloud service is added. Moreover, you can easily create bundles—either bundling software together, or bundling software with your core services—as well as create discounts to support your campaigns, all within minutes.

## The Importance of Choosing the Right Platform and Partner for Success

European providers such as Deutsche Telekom, Swisscom, Elisa, and TeliaSonera have all launched successful cloud service marketplaces within the past few years. They understand that having the right cloud services commerce platform is imperative for success, but what does the right platform look like?





Achieving flexibility, easy onboarding and management, and speed to market for your cloud service marketplace requires a platform that is:

- > Built expressly for cloud using open standards to enable easy integration with software vendors
- > Able to provide a large and growing ecosystem of cloud services
- > Agnostic and accessible, enabling providers to sell any cloud service across any channel to any business on all devices
- > From a vendor that is committed to enhancing the platform and expanding the ecosystem



To understand whether the platform you're evaluating can deliver on all the above criteria, here are some questions your company can ask a provider before you decide to work together:

- > What is the process for adding new applications to the platform?
- > How easy is it to integrate and customize the platform?
- > How fast does the platform evolve? How often is it enhanced?
- > How large is your ecosystem of services?
- > What are the best practices you would recommend before, during, and after marketplace launch?

All of these points are important, but the last is critical: Any technology partner should have the experience and expertise to advise on both technology and business-related aspects of cloud services strategy. Where and how to host a platform, how to manage digital identities across applications and web properties, how to curate applications that are relevant to your customer segments, approaches to bundling with core services—answers to all of these questions and more should be a top priority for both you and your marketplace partner.

Finally, because Europe is not one single, monolithic market, you need a partner with deep experience in crafting solutions that enable you to meet the needs of the businesses in the markets you choose to pursue. Insist on a provider with experience in delivering multi-marketplace strategies and building global ecosystems complemented by local offerings.

**BEST PRACTICE: STAY CLOSE TO CORE COMPETENCIES**

European service providers can best move into the cloud services market by starting with applications that are very close to the provider's core offering, so that it doesn't require major changes from the sales team.

For instance, a mobile provider could begin offering complementary services such as device security, backup and email, calendaring, and more. Then, once cloud service sales volume starts to grow, the provider could expand by focusing on services for specific verticals or business areas, such as accounting.



## Customer Support: The Secret Weapon for Success

Many cloud-based business applications are powerful and complex. For this reason, SMEs often need help setting up and managing these services, a reality that offers another opportunity for service providers to step in and provide value. When offered as a complement or wrapper to a core product, such as Microsoft Office 365, premium customer support can help drive differentiation and premium pricing. (In the world of cloud service commerce—where there can be heavy pressure on margins—providers should consider any factor that can allow them to charge a premium.)

Overall, strong customer support can increase a solution's perceived value, boost customer loyalty, and drive sales and revenue all while lowering future support utilization. However, in the highly fragmented European market, support needs to be tailored to local languages and other preferences. To anticipate these needs, customer support should be top of mind in the earliest planning stages of every cloud services go-to-market strategy.



## Conclusion

As more businesses in Europe adopt cloud-based software, service providers have a unique opportunity to become the ICT provider of choice for their customers. A cloud service commerce platform lets your company launch and manage a robust cloud services offering without needing to invest time and resources in building, operating, and maintaining a solution and individually integrating cloud services from multiple vendors.

As the leader in cloud service commerce, AppDirect not only accelerates your time to market, but also provides a fully managed platform for cloud service commerce, from sales and management, to billing and distribution, to reseller enablement, and customer support. With AppDirect, partners can access the world's leading portfolio of business applications, cloud services that they can instantly package and sell. AppDirect already works with Europe's leading telecom companies, such as Deutsche Telekom, Elisa, Swisscom, and TeliaSonera, to help them grow revenues, boost customer loyalty, and outmaneuver the competition.

## ABOUT APPDIRECT

AppDirect is the leader in cloud service commerce making software accessible globally. The AppDirect Cloud Service Commerce Platform unites providers, developers and consumers of cloud services into a single ecosystem. This makes it easy for businesses to find, buy, and manage cloud services from a central location and delivers new opportunities to distribute, sell, and market cloud services.

AppDirect-powered marketplaces, billing and distribution, and reselling services help providers—including Telstra, ADP, Vodafone, Deutsche Telekom, Cloud Foundry, Rackspace, and others—connect millions of businesses to solutions from Google, Box, DocuSign, Intel Security, and more.

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