What is Cloud, and Why Should I Care?

Cloud technology is changing the way business is done. Cloud-based storage is reducing the costs spent on IT. Cloud-based applications are making the workforce more mobile, moving people out from behind their desks and turning any place into office space.

Cloud technology is changing communications too. IP-based phone systems can make things like presence and chat a reality for companies that couldn't have afforded them before.

The technology behind cloud-based phone systems isn't intimidating to IT managers, and, increasingly, that's who is making voice decisions at many companies. And with lower up-front costs and no large capital outlay to purchase, these services are an appealing option.

That's why resellers need to have a cloud-based system as an offering. If they don't, a competitor will. But before they try to go out and sell a new technology, there are a few things they need to understand.

The State of Voice

Voice is changing. The money is moving from big-margin installations to recurring revenue streams.

The fact of the matter is those big margins didn't always pan out. If a job took a couple extra truck rolls or more technician time, those margins disappeared. That's why it's critical that suppliers begin to look toward solutions like the cloud. While margins are smaller, sales cycles are shorter; so resellers can make revenue numbers that are similar or more over time.

The industry is at a tipping point. Even larger businesses, if they have an IT manager, are likely to ask for a cloud-based solution, because that's where the IT manager is comfortable. It's familiar technology. Resellers must include cloud as an option or risk losing that business. It may be to a local competitor or a large national player, but somebody is selling a cloud-based service. Resellers need to be prepared to compete.
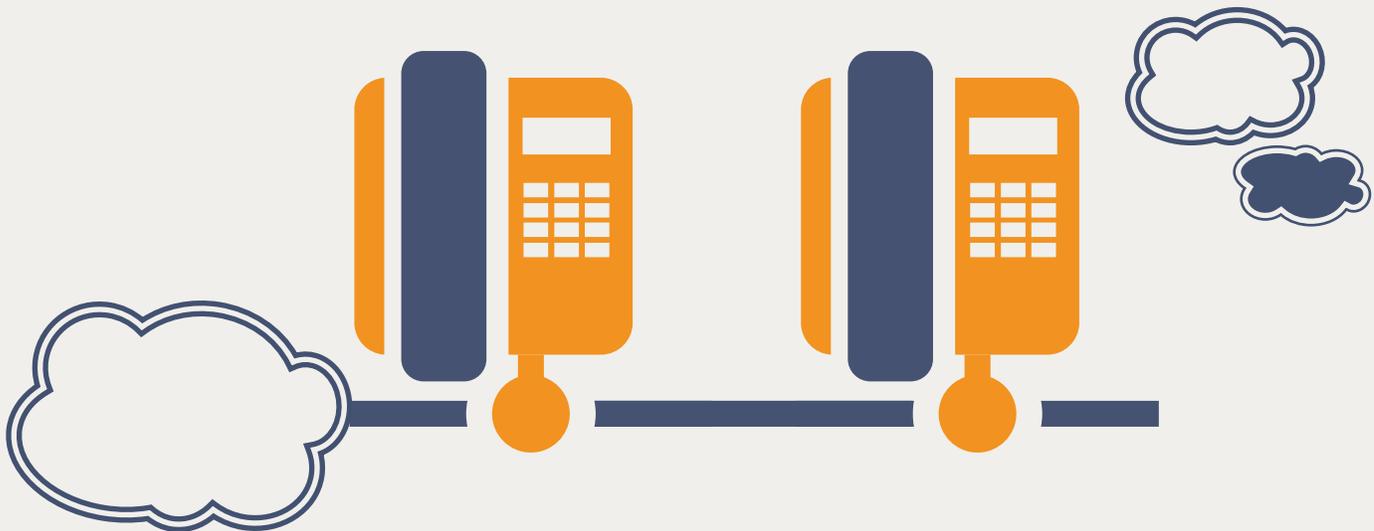
Opportunities in Cloud Services

Increasingly, the services resellers provide are about more than dial tone. They are providing solutions to real business problems. The question now is, "Can they provide a solution that is differentiated?" There are three areas where cloud services will allow them to do just that.

System and Handset Integration

The market is filled with full-featured phones and applications, but it can be complicated to personalize or easily program them. Properly integrated, the web portal and phone are in constant synch. Changes made to the portal are instantly reflected on the phone. Call Forwarding and Do Not Disturb settings can be updated from the user control panel or the phone and the changes instantly reflected across all devices simultaneously. Program feature keys on the desktop phone are integrated with preferences in the user control panel, making customization of the phone simple.

TWEET THIS: Learn the three ways cloud services allow resellers to provide a differentiated solution.

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Opportunities in Cloud Services

Integrated Presence Management

Presence typically enables customers to view the availability of their co-workers who are online. Additionally, presence management can also be integrated into your phone system as more of an access management tool. Imagine simply enabling customers to use their key fob to turn on and off their phone depending on if they are in the office or not. Integrating business applications with the phone system enables customers to get a true 360-degree view of their business.

SIP Trunk delivery

Some customers aren't ready for a cloud PBX. Others aren't ready to upgrade what may be a new phone system. Customers can still implement SIP trunks, whether they are connecting to a new IP-based phone system or an existing phone system.

Challenges in Offering Cloud Solutions

1. Infrastructure requirements

For all of its benefits, one of the things that needs to be weighed when selling a cloud-based solution is infrastructure. The customer's internal IP network has to be ready for VoIP traffic. For these systems to run optimally and to guarantee a high quality of service, the infrastructure needs to be architected for QoS from the phone to the ISP's connection as the local LAN is the most common point of voice quality issues. The VoIP traffic must be given higher priority over the general data traffic or voice quality will suffer. One additional thing to keep in mind is that using bandwidth provided by some types of internet connections, like cable internet providers, could be shared. That reduces voice quality during peak usage times, like after school.

2. Lower initial margins

The model for cloud services is centered around recurring revenue. Resellers need to be prepared for that new financial reality. They aren't going to see a big influx of cash up front. The one-time license sale now evolves into a monthly relationship with the customer and offers the opportunity to quickly upsell customers on new features and services. This new business model enables resellers to predict revenue and shorten the sales cycle for added services, adding to the value of their company.

3. Learning curve

How challenging the learning curve is depends on the angle from which you're coming. If your background is IT then you'll need to learn the phone systems. If you're coming from the phone side then it'll be learning the infrastructure and servicing customers remotely.

Benefits to Resellers in Offering Cloud Services

In today's marketplace, companies are stockpiling cash. They are reluctant to spend large amounts of capital. That may sound like bad news for resellers, but it's not. It makes a subscription-based model much more attractive. It's a model with a low barrier to entry and low up-front costs for the customer and delivers predictable, long-term revenues for the reseller.

Selling the cloud may have been difficult a couple of years ago, but people get more and more comfortable with the cloud every day. Cloud communication is just another application of the cloud that businesses are already utilizing. People are putting their email in the cloud and their storage in the cloud. As this trend continues, it's going to become easier to sell cloud communications for small and medium-size businesses, allowing resellers to make their margins with increased volume.

Benefits to Customers of Cloud Services

Two of the biggest benefits of using cloud-based communications services are flexibility and scalability.

Customers aren't locked into buying the maximum number of phones they might need. Instead, they can scale up and and down depending on demand. For instance, a company may have a seasonal need for 50 phones during one part of the year. But for the rest of the year, they only need 30. With a cloud-based system they can scale up and down quickly without any need for onsite installation. The ease of adding lines also makes it simpler for a company to add remote workers and open new locations.

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Steps to Getting Started

Step 1: Understand the revenue model

It's already been said, but the big-margin sale may be harder to achieve. The initial transaction is only the beginning of the relationship now.

If your business relies on cash flow, and you need that next deal to make the payroll, you have to understand that cloud changes that model. It's now about making margins from recurring revenues. In this scenario, the revenues are predictable, and so are the costs.

A soft way into that stream could be selling a customer an on-premise system but adding SIP trunking. Some of our partners are doing that, and within three months they are earning commission checks of $3,000 or $4,000 a month from the SIP trunks alone.

Steps to Getting Started

Step 2: Understand the infrastructure

One of the challenges facing resellers offering cloud-based services as a solution is infrastructure.

When you get into cloud or IP or VoIP, it's about that phone system sharing the network with all other data traffic. Resellers must make sure the customer's internal network is set up to support all of that traffic as well as their external networks.

Unlike web content, voice requires equal bandwidth in both directions. However, your customer's connection to the internet likely provides limited upload bandwidth. That limited upload bandwidth is shared with all the other applications they are running, like cloud file storage or file sharing applications and others that consume large upload bandwidth. Voice traffic must be prioritized over all other traffic, and you need an IT person on staff who knows how to configure and manage critical QoS settings in the customer's network infrastructure to ensure your end customer has a quality experience.

TWEET THIS: Interested in reselling cloud services? Here are five steps to getting started.

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Steps to Getting Started

Step 3: Be prepared for new questions

As a data provider entering the voice space, resellers have to be ready to support the phone system in addition to the infrastructure.

They're used to taking the calls about forgotten passwords, computers that won't reboot and software that's out of date. What won't be familiar are questions about setting up conferences calls or troubleshooting poor voice quality.

Often, the key to answering those questions is finding the right partner, a company with a phone solution that is easy to use. Today's user requires intuitive solutions that have access to a self-service knowledge base or simple help menus. These types of user tools and information can help prevent a user from calling and asking how-to questions that can be easily answered in a short video or online description.

Steps to Getting Started

Step 4: Recognize levels of quality

As resellers move into a cloud PBX model, they have to understand that they've now sold a customer on everything from the phones to the dial tone, so they have to be prepared to be in that business.

They need to recognize the customer's tolerance for quality then tailor their offerings accordingly. There are two options. The more expensive, an MPLS network or a dedicated network, involves a dedicated circuit all the way into a customer's facility from their cloud PBX provider. The second and more affordable option involves the local Internet provider.

Either way works. You have a more guaranteed call quality with a dedicated network. With the Internet-based system, calls work perfectly 97% of the time, maybe more. The quality is comparable to a mobile phone.

Not every call will go through perfectly every time, and they have to understand their customer might call them for that, but it's important to set performance expectations and ensure that their type of business can handle issues of downtime if they should arise.   For instance, if you are an emergency hotline, your phones must be up 100% of the time with no option for downtime. In this case, a cloud-based solution may not be the best option for a phone solution and may require you to look at a different on-premise approach. Resellers need a vendor that can offer both options, giving them other choices.

Steps to Getting Started

Step 5: Take responsibility for the whole system

Selling cloud communications is not always about selling the cheapest solution, it's about meeting the needs of the end customer and making sure you are providing that company the right solution.

A lot of people have entered this space, some of them just to sell on price. A customer gets a basic telephone that connects over the Internet to basic service. It's low cost and down and dirty, but it doesn't do much for the customer.

If features, functions, and being able to really use a phone system for more than just voice are important to a customer, then it's about more than selling on price. There is a tremendous value sale to be had.

Most people who get into the cloud, it's all about eliminating that up front cost. They know that over a three- or four-year time period, they'll end up paying the same amount, maybe more.

Now instead of spending $20,000 up front, they're spending $400 a month for that four- or five-year period. At some point it will cross over, they'll spend more money on the cloud, but they didn't have to spend that money up front.

About ESI

At ESI, we understand the desktop and we understand the end user. As a manufacturer, we have the ability to make sure that the systems work with the endpoint device, whether that device is a telephone on a desk or a mobile device in a pocket or bag. Controlling both sides of the purchase, the infrastructure, application and the hardware, we're going to ensure that it is the easiest-to-use, most intuitive product available.

We rely exclusively on our channel. We aren't like those big, national providers that tout their hundreds of reseller partners but make over 50% of their revenue from direct sales.

We also understand the importance of a fair contract, one that allows our partners to make a good margin on what they sell. Take a look at what cloud solutions can do for your business and expand your opportunities to win.