

HOW
**'AS A
SERVICE'**
IS CHANGING
THE CHANNEL



BNP PARIBAS
LEASING SOLUTIONS

Business is ON

The appeal of ownership is obvious to many, however as technology becomes more advanced, ownership becomes less alluring. Why maintain a costly Blu-Ray collection when pay-monthly streaming services offer access to more entertainment than you could ever fit in your living room? Why buy and store physical newspapers when an online subscription can make every issue available on publication?

With this in mind, the rise of the subscription economy shouldn't come as a surprise. According to an Economist Intelligence Unit report, some 80% of customers are already actively seeking new consumption models.

Subscription models, which offer access to tools instead of ownership, have already come to dominate the software market. The global SaaS industry is huge, and it's only expanding further: by 2024, the IDC anticipates that it will be worth around \$50 billion. Other cloud computing solutions, including Platform as a Service (PaaS), Hardware as a Service (HaaS), and Infrastructure as a Service (IaaS), are also growing in importance and popularity.

This guide explains what subscription-style 'as a service' models are, how they can benefit you and your customers, and how you can offer your customers 'as a service' payment models without disrupting your existing business model.

CLOUD COMPUTING DEFINED

For many years, data and applications were stored and accessed locally – either embedded into hard drives on the machine itself, or in nearby servers.

Cloud computing is the backbone of nearly every 'as a service' solution. It allows these solutions to be accessed remotely, negating the need for substantial storage facilities. According to the US National Institute of Standards and Technology, cloud computing has five essential characteristics.

- 1. ON-DEMAND SELF-SERVICE.** This means the end-user can access computing capabilities unilaterally, without talking to a salesperson, a service provider, or any other gatekeeper. It's just the user, the applications, and the data – no human interference.
- 2. BROAD NETWORK ACCESS.** All capabilities are accessed via the internet. Essentially, information and applications can be used via mobile phones, PCs, and tablet computers, but they cannot be stored on them.
- 3. RESOURCE POOLING.** Cloud computing technology is necessarily designed to serve multiple users. Resources will be kept securely, but they will be housed alongside other people's resources in a location that the end-user won't be able to physically access or control.
- 4. RAPID ELASTICITY.** This essentially just means scalability. Though it will obviously depend on the service provider, capabilities can theoretically be expanded or contracted at any time.
- 5. MEASURED SERVICE.** Cloud computing allows resource usage to be monitored and metered in accordance with the kind of service being provided – the aim being to provide transparency for the user and the service provider.

WHAT 'AS A SERVICE' SOLUTIONS ARE AVAILABLE?

'As a service' is a term that refers to the wide range of IT solutions available on demand. There are already a wide range of services available, but as the industry grows in importance and profitability, the options will increase in kind.

All kinds of solutions are being offered, but the four most common examples are Hardware as a Service (HaaS), Software as a Service (SaaS), Platform as a Service (PaaS), and Infrastructure as a Service (IaaS).

HARDWARE AS A SERVICE

Rather than purchasing hardware such as scanners, routers and servers outright, HaaS allows businesses to pay for access. Some hardware, such as printers, will need to be housed on-site, however the HaaS model also enables customers to connect to hardware remotely and carry out complex, performance-intensive tasks from a distance using their provider's processing power. For a monthly subscription fee all 'heavy lifting' is undertaken offsite, the business has no need to source their own expensive hardware – or find space for it.

SOFTWARE AS A SERVICE

This is the single most popular cloud computing solution, and likely the most important for resellers. Consumers use SaaS solutions regularly in their daily lives, and business customers are also typically familiar with them. Design studios pay monthly for the Adobe software suite; marketers use HubSpot for email communications; business development teams in all kinds of organisations use Salesforce.

The premise is simple: instead of purchasing perpetual software licenses, a business subscribes for access and receives services delivered over the internet.

PLATFORM AS A SERVICE

PaaS isn't all that different from SaaS – except that its services are designed to facilitate software creation. So if your customers are IT companies themselves, a PaaS solution such as ApperIQ or Google App engine will allow them to pay monthly to develop their products and applications online.

INFRASTRUCTURE AS A SERVICE

Infrastructure as a Service allows your clients to benefit from cloud computing infrastructure. That means that instead of buying their own data centre space and servers, they outsource it to an on-demand subscription service like Microsoft Azure or Amazon Web Services. This saves space and is often cheaper than managing everything in-house.

These are far from the only XaaS services available. Others include Communications as a Service, Network as a Service, Monitoring as a Service, Mobile Backend as a Service, IT Management as a Service, and many more. If an IT function is not already available as a cloud service, don't bet against it being available in the near future.

WHAT ARE THE BENEFITS FOR THE IT CHANNEL?

The IT channel benefits from subscription models in several key respects.

COST PREDICTABILITY

A customer who subscribes to a products and services is naturally more inclined to maintain the relationship with the service provider over the long-term. Retention is more profitable than acquisition: where a one-off payment might provide immediate gains, it brings no assurance that your most important consumers will return to buy again.

When you're the customers' XaaS provider of choice, it's much easier to retain customers, predict your revenues, and widen your profit margins over a longer period.

VALUE ADDED SERVICES

Resellers are in a unique position to benefit from XaaS. Being able to package several products and services together gives you a distinct advantage. If your customer requires help with setup and implementation, you can roll these costs into the monthly fee; if they require applications from a different software suite, you can include it in the overall cost; if they need to scale up their solution,

their package can be revised to accommodate this need. When you can tailor your offering to the precise long and short term needs of your customers, it becomes much easier for you to forge meaningful, long-term relationships with them.

GIVING THE PEOPLE WHAT THEY WANT

Resellers should think of new payment models as an asset and a vital part of their evolving business models. Customers who cannot get the financial flexibility they desire from your company may well look to competitors who can provide it.

A reseller who is unwilling to adopt new payment models may well risk being left behind by their more adaptable rivals.



WHAT ARE THE BENEFITS FOR CUSTOMERS?

COST-EFFECTIVE

Conventional payment models tend to conflict with the end-user's capital expenditure restrictions. The latest edition of a certain software product might be appealing to them, but if it's also likely to cause a significant hole in their annual budget, they're likely to defer the purchase until they have no alternative.

XaaS products offer immediate access to the best products available, with little upfront investment, and with tremendous value for money. Cloud based solutions can also automate updates and upgrades – saving them time as well as cash.

LESS HASSLE

Though there will always be exceptions, most customers are less concerned with control than convenience. XaaS models are very convenient: the heavy IT lifting is done by the reseller and the vendor. No wasting space on server rooms; no wasting time and manpower on maintenance; no building an on-site enterprise infrastructure.

All data is stored and backed up offsite. All the customer has to do is pay their subscription fee and stay connected to the internet.

FLEXIBILITY

XaaS models offer unparalleled flexibility. They make it possible to scale upwards at the customer's convenience, so if an enterprise or SME needs additional capacity or licenses, their request can be accommodated easily. If they need training or assistance with setup and support, it can be rolled into the final agreement in one convenient monthly, quarterly, or annual payment.

Customers love choice. Give it to them, and they'll have every incentive to choose your company.

HOW CAN CHANNEL PARTNERS TAKE **ADVANTAGE?**

Hesitance about subscription-based payment models is understandable – but it should never become complacency. Selling IT as a product may be second nature to you by now, but today's upfront revenue may well be tomorrow's commercial dead end. Embracing subscription payment models is the best way to survive and thrive in the near future.

Partnering with a leasing provider will make the transition easier. By acquiring smart funding support, you can supply XaaS products to your customers – while benefitting from expedited invoice payment so that your cashflow is not affected. This helps you manage your finances more effectively, and puts you in a better position to offer further value-add services and payment flexibility.



WHAT DOES THE FUTURE HOLD?

These options may well expand in future. While cloud services have come a long way, in many respects, they've just gotten started.

It's anticipated that SaaS will stay dominant, and that it will account for more than two-thirds of public cloud spending by 2019. However, spending on other forms of cloud computing such as IaaS and PaaS is expected to grow at a faster rate – with compound annual growth rates (CAGRs) of 27.0% and 30.6% respectively.

The next few years will be characterised by accelerating demand for XaaS solutions. It's estimated that overall spending on public cloud services will grow at a 19.4% CAGR to \$141bn in 2019 – a considerable increase on the \$70bn spent in 2015.

Customers want the low-cost, low-commitment, on-demand experience, and they want it sooner rather than later.

Microsoft's cloud products will account for around

30%

of its revenue by 2018.

(source: Morgan Stanley 2016)

+47%

\$3.53 billion

Q4 2015

Amazon web services

Q4 2016

Amazon web services

In Q4 2016 Amazon Web Services reported \$3.53 billion in revenue – an improvement of \$300 million on the preceding quarter, and an improvement of 47% on Q4 2015.

(source: Amazon Web Services, 2017)

THE BNP PARIBAS LEASING SOLUTIONS IT FINANCE OFFER

Of course, it won't always be that simple. IT solution providers can't always offer fully cloud-based services from day one. That's why smart technology financing solutions from leasing providers can be so helpful. It allows you to adjust to new payment models while keeping your existing operations running smoothly.

At BNP Paribas Leasing Solutions, we provide technology providers with finance solutions they need to plan their business transition towards a cloud model. We let you adapt your customer payment schemes to the new era of subscriptions, accommodating both pay-as-you-go and bulk purchase options. By working with us, we will expedite your invoice payment and fully manage the credit risk that comes with collecting rental from the end-user. We ensure the best deal for all parties, and help you maintain the integrity and stability of your cashflow.

Offering cloud services to your customers doesn't have to be daunting. To find out how we can help your business keep up with consumer demand, contact one of our leasing specialists today.

