Platform Considerations for Hybrid Cloud Managed Service Providers

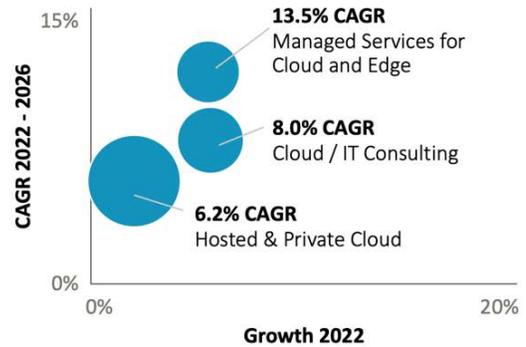How to Grow Hybrid Cloud Revenue and Differentiation

Enterprises today are struggling to streamline their IT operations, bridge skills gaps with existing IT staff, and take advantage of new technologies like containers, generative AI, and more to develop or modernize applications and ultimately improve competitiveness. All of these traditional and next gen applications are being deployed into a mix of hybrid clouds which combine public cloud services and on-premises resources to achieve a balance between security, performance, and cost.

At the same time, the macro-economic climate is resulting in less resources for internal IT which in turn means revenue opportunity for service providers willing to respond with the right offer.

In fact, according to a market analysis by the analyst team at Gartner, spending in hybrid cloud and adjacent IT services is expected to be one of the highest growth areas from through 2026.

Consider these projections: Managed services for cloud computing are expected to grow at 13.5% while general cloud and IT consulting is expected to grow at 8.0%. And hosted and private cloud is expected to grow at 6.2%.

Infra. Service End-User Spending by Segment

13.5% CAGR
Managed Services for Cloud and Edge

8.0% CAGR
Cloud / IT Consulting

6.2% CAGR
Hosted & Private Cloud

How to differentiate hybrid cloud offerings

There are many ways to think about how you approach the market. Analyst firm Gartner has proposed seven dimensions of differentiation for those building a hosted private cloud and hybrid cloud offering.

Source: Gartner "Tech CEOs Can Differentiate Hosted Private Cloud Offerings Using These 7 Dimensions. Sept 2022 – ID G00776422. Scot MacLellan, David Ackerman.

1. **Regional Specialization.** Staying hyper focused on local language, regulation, and practices
2. **Infrastructure Options.** Reviewing best-in-class technologies used in private and public cloud
3. **Supplemental Services.** Going beyond basic infrastructure and into ops management
4. **Platform Services.** Moving "up stack" and into platform-as-a-service (PaaS)
5. **Tooling and Interfaces.** Enabling user access and developer enablement via API
6. **Service Specialization.** Going deep on a specific vertical industry or horizontal use case.
7. **Pricing Models and SLAs.** Examining commercial aspects of the offer and its delivery

Getting there from here: transformation steps and planning agenda

Transitioning from providing basic IT services to offering highly differentiated hybrid cloud services requires careful planning and a thoughtful approach. Consider these key components.

- **Assessment of Current State.** Evaluate the current infrastructure, technologies, and expertise available within your organization. Identify gaps in knowledge and resources required to deliver sophisticated hybrid cloud solutions.

- **Strategic Partnerships and Vendors.** Establish partnerships with proven technology vendors, cloud providers, and data center operators to expand the range of available services. Choose vendors that align with your vision and can offer flexibility, not lock-in.

- **Service Portfolio Development.** Design a portfolio of hybrid cloud offers that span customer data centers, hosted private clouds, and brokered public cloud services. Create tiered service packages to cater to different customer segments.

- **Establishing a Governance Model.** Enhance security measures to protect customer data across multiple environments and ensure compliance. This means looking at multi-tenancy, role-based access, and disaster recovery plans to mitigate risks.

- **Automation and Orchestration.** These tools can streamline provisioning, scaling, and managing hybrid cloud resources efficiently. This in turn helps reduce manual errors and delivers consistent services in less time to speed book to bill.

- **Monitoring and Optimization.** Deploy monitoring and analytics tools to continuously track the cost, performance, and availability of hybrid cloud services. Use insights to help clients optimize resource allocation and improve performance.

- **Customer Onboarding and Support.** Develop a structured (and automated) onboarding process for new tenants. Offer comprehensive support services to ensure customers have a seamless experience and receive timely assistance when needed.

Every step of the way, it's important to foster a culture of innovation within your organization to stay ahead of the competition and adapt to evolving customer needs. Applying an agile DevOps mindset to your business means you'll regularly gather feedback from customers then evaluate and iterate the service portfolio quickly to incorporate new technologies and industry best practices.

Recognizing common technical challenges in building hybrid cloud offers

In addition to the business considerations above there are clear technology choices and challenges when developing new hybrid cloud product offers. Top challenges include:

- **Increasing Complexity.** Hybrid cloud environments are inherently more complex as you deal with various technologies, platforms, and APIs from different cloud providers. Integrating these components seamlessly hiding complexity from clients can be a daunting task.

- **Cost Management**. Top of mind is the nirvana of improving agility while also optimizing cost. This requires a deep understanding of hosting costs and those of public providers to maximize margin, support customers, and avoid unexpected expenses.

- **Data Security and Sovereignty**. Hybrid clouds introduce new concerns as data and apps transition between public and private environments. You must implement measures to protect sensitive information and ensure compliance.

- **Performance and Availability.** Hybrid clouds require constant monitoring to ensure consistent and reliable service delivery. SLA management becomes more complex due to the involvement of multiple providers and potential interconnectivity issues.

- **Vendor Lock-in.** The potential of lock-in should always be on your radar, as each provider has its own unique features. Approach the design of your architecture to maintain flexibility and avoid dependency on a single hypervisor or cloud vendor.

- **Skillset and Training**. Managing hybrid cloud demands a diverse I&O skill set. Teams need to be well-versed in multiple cloud technologies, automation, security, and more. It can be difficult, and expensive, to maintain a staff of experts in all the clouds.

- **Governance and Policy Management**. Coordinating governance policies and compliance standards across clouds and tenants is tough. Find a centralized policy engine and establish standards to ensure keep xSP Ops, tenant admins, and users in their lane.

Keep your options open to set yourself apart

When determining the most suitable hybrid cloud strategy for your business and addressing the challenges highlighted above, consider the differences between these three approaches:

1. **Hypervisor centric**. Some providers have gone "all-in" with a platform such as VMware and tools like vCloud Director. The advantages are having a single "throat to choke" and single skill set to develop. The path to hybrid is via the various VMware for [AWS/Azure/etc.] rather than native public cloud. Unfortunately, this approach can limit choice and put all your eggs in one basket. Most leading SPs are moving away from a single-source strategy.

2. **Hyperscaler centric.** On the other end of the spectrum are platinum-level services providers who embrace a single public cloud provider such as AWS or Azure. On the hybrid front, this involves leveraging platforms like AWS Outpost or AzureStack. The downside here is most clients are not using those cloud-to-ground platforms at scale to serve traditional workloads. Hypervisors like VMware or Nutanix still reign supreme in the datacenter.

3. **Unified and agnostic.** This is the most open, flexible, and customer-oriented approach. But it does bring with it the potential for added complexity – if you are not careful. Most modern SPs see that the value outweighs the risk; by blending the best of on-prem hypervisors and public hyperscalers, you can deliver better service to customers and capture more share of wallet.

   The key is adopting a unified platform which abstracts the complexity of the underlying infrastructure. Such a platform allows you to centralize provisioning, governance, cost management, and metering through a common multi-tenant portal. This way, admins and users no longer need to be experts in each individual interface, and you are not tied to a single hypervisor or public cloud vendor, providing more flexibility and adaptability.

   You could spend decades of dev work and millions of dollars building a bespoke platform, but many providers find that starting from a commercial platform framework like Morpheus Data – and then customizing as required – can lead to faster time to value and lower total cost.

As you set or reassess your hybrid cloud offerings, carefully weigh the advantages and limitations of each approach to determine which one aligns best with your requirements and goals.

Zeroing in on service provider differentiation with Morpheus

As mentioned earlier, Gartner has identified seven dimensions of differentiation for hosted private and hybrid cloud services. Here, we've highlighted four of these areas which align with the strengths Morpheus brings to service providers looking to gain traction in the hybrid cloud space.

Here's how they serve as a jumping off point for taking the next big steps with Morpheus:

1. **Go beyond VMware with Infrastructure Options**. Consider various other hosted hypervisors available for virtualization (Nutanix, Microsoft, OLVM, etc.) as well as managed Kubernetes to provide a wide range of infrastructure options. Also consider advanced multi-cloud brokering and management capabilities designed to enable seamless integration and more unified control of public cloud services. Morpheus supports more private and public cloud infrastructure options then any platform in the market.

2. **Go beyond VMs to full Platform Services.** Basic infrastructure as a service (IaaS) or VMs as a service are still huge money makers for Morpheus service providers. But Morpheus also provides on-demand provisioning of higher-value platform-as-a-service (PaaS) layers such as managed databases, application stacks, web servers, and other essential components. This enables developers to focus on building and deploying code and leveraging your as-a-service (aaS) offerings for core app services.

3. **Go beyond the basics with Supplemental Services**. Morpheus offers a comprehensive set of features that allow you to provide options ranging from built-in autoscaling to multi-cloud cost management to container orchestration. You can use these advanced features to provide supplemental services to their clients such as cloud optimization to save money. We also have a number of providers who have moved up-stack to provide a fully managed platform team including SREs and automation engineers on top of Morpheus.

4. **Go beyond existing IT with advanced Tooling and Interfaces.** Tailored experiences for specific personas offer developers, finance users, and system administrators specialized views so these individuals can interact with the platform using interfaces optimized for their unique roles. As example Morpheus can provide developers a unified API and integration with source-code repositories or artifact deployment. At the same time, a finance user can be presented with graphs, charts, and a unified data structure for billing and chargeback.

Next best moves? Four ways to build your Morpheus business case

Once your strategy is set and you have a plan to address technical challenges, you may still face a delicate balancing act as you strive to rapidly deliver multi-tenant managed cloud services to customers while skillfully evading the pitfalls of the DIY portal nightmare and your own organizational politics. Here are our recommendations on how we can help you more effectively navigate this terrain with Morpheus.

Morpheus can help:

1. **Accelerate book-to-bill by fully automating server builds.** Legacy service providers utilize ITSM platforms like ServiceNow to initiate tickets which are in turn routed through a series of manual processes. This results in delays as new clients sign up and request new services. With Morpheus, you can orchestrate end-to-end workflows for everything from tenant onboarding to service provisioning to phase-based automation. As a result, new orders and clients can get up and running quickly, start consuming your infrastructure on-demand, and get your business more revenue in less time.

2. **Enable consistent self-servicing provisioning for clients.** Morpheus supports white-label GUI portal, API/CLI, CI/CD pipeline integration, ITSM catalog, and infrastructure as code (IaC) interfaces so end users can easily provision IaaS, VMs, PaaS, database as a service (DBaaS), bare metal as a service (BMaaS), application stacks and other billable services seamlessly across private, hosted, and public clouds. Enabling self-servicing provisioning not only improves customer satisfaction but also reduces the risk inherent with manual processes.

3. **Close the hybrid cloud skills gaps and reduce delivery cost.** Embrace automation for back-end operations and stop trying to throw more people at the problem. There are simply not enough skilled cloud engineers to go around. Morpheus abstracts downstream cloud and automation tools so your team can scale more efficiently and automate lifecycle activities which otherwise would add cost to your offering. Reduce the need for expertise in every hypervisor and public cloud portal.

4. **Boost your revenue with innovative new services.**
   One way to achieve this is by offering comprehensive managed cloud services that include cost optimization strategies, distributed cloud solutions (including edge computing), and platform services which go well beyond basic VMware hosting. Morpheus service providers are able to provide managed databases, managed Kubernetes, and other application services which truly can provide a public cloud experience within your datacenter or hosting facility.

You are not the first: 35% of Morpheus customers are service providers.

Transforming service delivery at Ficolo
European MSP Ficolo manages multiple innovative datacenters and embarked on a six-month evaluation process of multiple cloud management and automation platforms finding that Morpheus quickly proved to be the right fit. They appreciated that Morpheus is truly agnostic and did not require changes to underlying hypervisors and hardware. This meant that with Morpheus, unlike with some of the other platforms investigated, there was no need to start each implementation from scratch.

Ficolo can now set up cloud capacity for new customers extremely quickly. That includes spinning up Morpheus as well as virtual servers on the front and back end, hardening, monitoring, backup, and all the other components in the full technology stack. In addition to speed, Morpheus has improved the operational efficiency of both Ficolo and its customers. The service catalog and automation provided by Morpheus and Ficolo enables a true hybrid cloud experience, including an elastic approach to scaling. This means that customers don't need to acquire and setup capacity in advance. They get what they need when they need it.

Read the complete Ficolo case study.

Accelerating transformation and expanding service offerings at Expedient
Cloud-service provider Expedient supports thousands of clients in healthcare, insurance, finance, manufacturing, and even other technology providers. Its cloud infrastructure is deployed worldwide across 18+ datacenters that they own and operate. Most recently, the company needed to support a multi-tenant infrastructure where each client had a unique mix of on-prem workloads, Expedient-hosted workloads, and public cloud workloads. The team at Expedient also was conscious of the cost and complexity of their tool stack. Building an enterprise cloud to compete with pure hyperscale

providers meant being able to rapidly deploy new services, scale to meet new requirements, and minimize delivery expense.

Expedient was drawn the Morpheus unified approach that stretched across different environments and took the complexity out of workload provisioning. It was exactly the foundation needed to support Expedient's next-generation offerings. Morpheus features are surfaced to clients as part of the Expedient CTRL suite which includes Automation CTRL for self-service and Cost CTRL for workload optimization. In addition, Expedient effectively uses the Morpheus platform internally to positively impact how they manage and monitor client workloads, reduce the cost of service delivery, and act as an automation hub to streamline day-to-day operations.

Read the complete Experience case study.

A final word

In this competitive landscape, as a service provider, we know you continue to vie for market share – and standing out from the crowd is crucial. Merely competing on price is not a sustainable strategy.

A successful approach involves accelerating differentiation through a carefully crafted roadmap. Instead of attempting to cover a broad range of capabilities, you should concentrate on a select subset that aligns with your differentiation strategy.

Selecting the right hybrid cloud management platform and automation tooling to support this strategy is a pivotal step for service providers looking to build a new hybrid cloud revenue stream. By thoroughly evaluating these solutions based on technical capabilities and ease of integration, you can provide more options for customers, extend into new platform services, provide supplemental professional services, and customize the interfaces used by clients.

Morpheus can help enable your hybrid cloud strategy through a unified and agnostic framework built from the ground up with all of the features modern service providers are looking for. Start a conversation and request a demo at www.morpheusdata.com/demo.