

Consuming IT, not purchasing it

HOW RESELLERS CAN BENEFIT FROM THE 'IT AS A SERVICE' TREND

Services such as HPE GreenLake enable customers to use IT resources in their own data centre without having to purchase them. This business model presents resellers with a number of challenges, but it entails many opportunities too.

Agility has become a key competitive factor for all businesses in recent years. Even before the coronavirus crisis, being able to respond quickly to market conditions and activate IT resources in next to no time was crucial to survival. There is also the fact that fewer and fewer companies are willing to invest in IT assets. Purchasing hardware and software ties up a lot of capital and makes acting flexibly more difficult. No wonder so many firms have opted to go in the direction of the cloud. However, not all tasks can be satisfactorily managed with cloud-based resources. Latency-sensitive workloads in particular can soon become a problem. The savings you initially make by moving over to the cloud soon become quite the opposite when usage increases sharply, the provider hikes their prices or you find yourself needing to book additional services that nobody initially thought about.

For many companies of all different sizes, a good alternative can therefore be to use IT as a service from their own data centre as offered, for example, by Hewlett Packard Enterprise (HPE) with its brand GreenLake. Not only does this model save companies from investments without their having to put up with the disadvantages of the cloud – it can even also generate additional liquidity as HPE offers the purchase of existing hardware, which can then be integrated into the GreenLake environment. This means the existing assets remain where they are, but are no longer a burden on the investment budget – an advantage which is not to be underestimated and which can even be crucial for a company's survival, especially in times of crisis when many companies' turnovers simply dry up, as is currently the case.



How organisations benefit from the 'IT as a service' model

GreenLake is predestined for use by companies and public institutions of all sizes whose IT requirements increase rapidly or fluctuate greatly. The primary target groups include service providers, banks and insurance companies and also hospitals. The health care system's requirements in the areas of data processing and storage have increased significantly in recent years with imaging processes involving ever greater resolutions, the digitalisation of patient records and the use of modern analysis and diagnostics methods based on big data and artificial intelligence. And this trend will continue. GreenLake offers these organisations fast and straightforward growth without their having to contemplate long planning periods and high investment costs.



University Hospital Bonn (UKB) is an example of the successful application of HPE GreenLake. The hospital covers a very broad spectrum ranging from patient care to research and teaching. Since 2018, the hospital has been offering doctors and nursing staff virtually paperless workflows, and this has increased the demands made of the IT systems further still. The storage solution previously used was not up to this task and there were multiple system outages – an untenable state of affairs for a maximum care hospital such as the UKB. Together with the IT partner Hansen & Gieraths (H&G), the UKB therefore went in search of a high-availability solution which could cope with the demands of modern digitalised workflows. They chose HPE's 'IT as a service' model GreenLake, which not only offered the required level of performance and reliability, but also significantly increased flexibility. When involved in research projects or when there are unexpected patient care peaks, as is the case in the current coronavirus crisis, the UKB can simply book additional storage without any time delays and without any additional investments. A positive side effect of this is that the 'IT as a service' model makes buying and providing resources superfluous and frees up capital, which can then be used for strategically more important measures. Thanks to the improved utilisation of its storage capacities, the UKB was able to significantly reduce its IT costs. What's more, the greater availability and reliability of the new systems boosted user satisfaction.

Other areas which can benefit greatly from IT as a service are bricks-and-mortar and digital wholesale and retail. This industry is used to experiencing peak loads, for example at the end of the year, while considerably less turnover is generated in the summer months. With the traditional purchasing model, this means companies have to have IT resources at the ready for peak times, which then remain largely unused for the rest of the year. If a company is operating on an overly tight budget, there is the risk that outages or delays may occur precisely when turnover is at its highest, while overcapacity leads to costs and capital tie-up without the purchased capacities ever being used.

The flexible provision of capacity, as is the case with HPE GreenLake, can remedy this situation. Ten per cent additional capacity is kept available in the customer's data centre at all times, thus minimising the risk of bottlenecks even in the event of unforeseen peak loads.

IT as a service – a challenge and an opportunity for resellers

Consumption-based billing fundamentally changes the sales process for systems suppliers and IT integrators. At three to six months, the sales process generally lasts longer than with straightforward hardware businesses. Additionally, IT as a service cannot only be sold on the basis of the technical features. Instead, the focus has to be placed on the economic benefit. In addition to technical matters, resellers therefore have to also have a basic understanding of financial management in order



to be able to credibly present the advantages of an opex model over a capex model. Business relations change too – the primary customer contact for the reseller is no longer the head of IT, but the CFO, who needs to be won over with an attractive business case. It is not easy for the sales team to forge the right links here. In many cases, the managing director or CEO making use of their industry contacts can help here, paving the way for contact to be established with a customer’s business decision makers.

This fundamentally different sales cycle means resellers not only have a greater need for training, but also and above all have to undergo a fundamental change in their mindset. Resellers need to not only understand but also themselves practise the principles of IT service management and agility. It is worth the effort as selling ‘IT as a service’ models such as HPE GreenLake offers a crucial advantage – customer retention is significantly higher than with the conventional sales cycle, with customers concluding a service contract for an average of four years. As these are rolling contracts, the contract period is extended for a further four years with every expansion of the IT infrastructure. Contract durations of eight to nine years are therefore entirely realistic.

Tesedi and Annuity Management – assistance and support with GreenLake sales

The service-only distributor Tesedi, a subsidiary of the Annuity Management Group (AMAG), has many years of experience with long-term maintenance and service agreements and their structured management and targeted extension. Just like the GreenLake ‘IT as a service’ model, this renewal management offers an opportunity for long-term customer retention and recurring turnover. Based on its expertise, Tesedi is far more familiar with the challenges in the service sales cycle than any other hardware distributor and is therefore able to offer precisely the kind of support that resellers need for successful growth in this market.

Tesedi is currently the leading HPE-certified distributor of the GreenLake services. Twelve projects have already been realised, in which the distributor was able to support the partners with realisation and administration. Tesedi will significantly ramp up its support in the future and will also offer sales support.

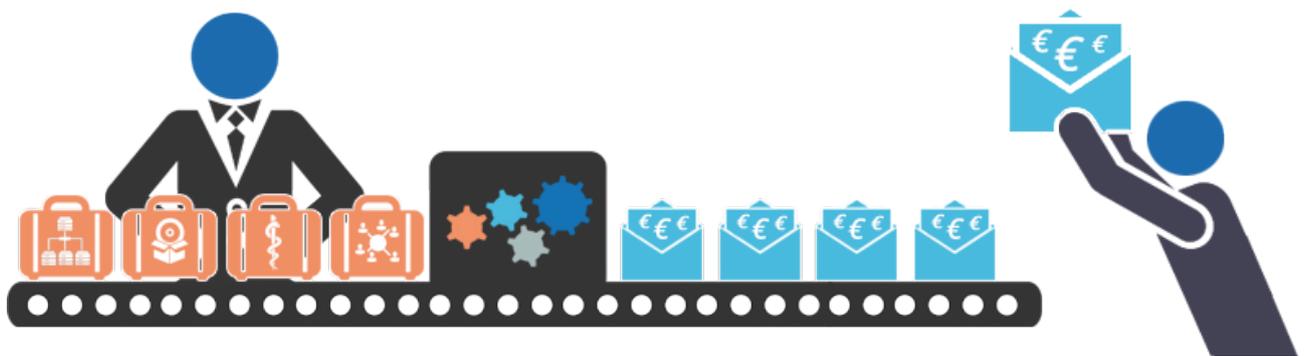
Conclusion

‘IT as a service’ models offer customers flexibility and agility, conserve the capital base and improve IT resource capacity utilisation. In an increasingly complex, digitalised world, companies and organisations of virtually any discipline and size can benefit from these advantages and generate competitive advantages. For resellers, switching from hardware sales to a usage-based model initially entails additional costs and a fundamental change in the sales cycle. In the long run, however, they will benefit from long-term customer retention and recurring opportunities for additional business – as long as they have a strong partner such as Tesedi at their side that has a fundamental understanding of business with recurring contracts and turnover and has been executing such business successfully for years.



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