A cloud vendor & distributor walk into a pub...

A LOOK AT U.S. & EUROPEAN CLOUD ADOPTION TRENDS & FORMING LASTING PARTNERSHIPS

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The End of the Story First:

**Distributors and cloud vendors** have a large revenue opportunity in the European marketplace, best captured by working in a collaborative manner. We need to help each other help each other.

**Cloud adoption is rising** in US and EU markets, however, there are important differences which must be understood and addressed.

**Data security is the top reseller and end user concern** preventing European cloud business revenue acceleration, with some regional exceptions (thank you, Mr. Snowden).

**Channel partner and end user education & training** is crucial to increased cloud solution adoption.
US and EU Cloud Adoption Rates

At first glance, cloud adoption rates between North American and European markets are relatively similar:
Cloud-based CRM & Operating System solutions are enjoying strong global growth

**Salesforce**: Annual Rev = $4B+

**Office 365**: Annual Rev = $1.5B+ (est.)

4.4 million subscribers since launch in 2011

Cloud solution adoption rate variances

Not all cloud-based services have enjoyed the same market receptivity as CRM and OS solutions. There are regional and business size adoption rate differences unique to specific solutions. Examples include:

- **Data protection**
  *(backup)*

- **Business continuity**
  *(replication, disaster recovery)*

- **Archiving**

- **File services and office enablement**
  *(sharing, synchronization, collaboration)*
Data Protection

Large businesses are far more likely to adopt cloud based data protection solutions than their smaller counterparts.
Business Continuity

Large companies show a similarly higher degree of comfort with cloud based replication and data recovery solutions.

Source: IDC “Regional 2014 SMB Cloud Storage Adoption Survey: From Point Solution to Platform” by Christopher Chute
Archiving

European SME’s are adopting cloud-based archiving solutions at a faster rate than US small businesses. Regulatory requirements are a material driver of archiving market demand.

Source: IDC “Regional 2014 SMB Cloud Storage Adoption Survey: From Point Solution to Platform” by Christopher Chute
Overall, European businesses show higher rates of cloud file service adoption.

Source: IDC “Regional 2014 SMB Cloud Storage Adoption Survey: From Point Solution to Platform” by Christopher Chute
Key takeaways:

Cloud efficiency and office enablement services, such as archiving, CRM, file services and operating systems, are seeing strong adoption in European markets.

However, due to data privacy concerns, cloud data protection services (like data backup and business continuity solutions) are taking longer to gain traction in European markets, particularly in the small to mid-sized market segments.
Cloud Adoption Drivers and Inhibitors

US and European cloud adoption drivers and inhibitors are consistent.

CLOUD ADOPTION RATE DRIVERS:

- **Low overhead**: Variable cost vs. Fixed cost
- **Solution easily scales** with business growth
- **Ease of integration** into existing IT environment

CLOUD ADOPTION RATE INHIBITORS:

- **Data privacy** and protection concerns
- **“Born in the cloud”**: vendor stability and longevity
- **Lack** of software “ownership”
- **Displacement** of legacy solutions
ADOPTION INHIBITOR: Data privacy and protection concerns

How can distributors and vendors mitigate data privacy concerns?

- Local data centers – European based: Preferably in the DACH region
- Effectively market cloud solution security and reliability
- Address how cloud solutions help businesses meet regulatory compliance requirements
- Provide education and training for channel partners and end customers
- Promote product functionality specifically designed to address privacy concerns:
  - Hybrid “on prem and in the cloud” solutions
  - Private Encryption Keys

“50% of companies that decide against using a SaaS solution, do so because of data security concerns”.

Source: Symlified. CIO Guide to Using SaaS to Cut IT Costs
ADOPTION INHIBITOR: “Born-in-the-Cloud” Vendor Stability & Longevity

Emerging growth cloud vendors face questions from distributors concerning the ongoing viability of their business models and the possibility of acquisition.

With established companies looking to tap into the growing prominence of the cloud, acquisition is also a possibility, which can be tough for a distributor who may have recent on boarded the acquired vendor.

Fortunately, assuming the risk of a nascent company is no longer necessary. All major cloud verticals now have credible competitors.
ADOPTION INHIBITOR: Lack of “software ownership”

Desire to host software on site
Recurring cost of ownership
Not “owning the software”

**Benefits to highlight:**
- No expensive upfront costs
- More cost effective
- Remote access to data
- Hybrid solutions available
OK, that’s helpful. Where do we go from here?

Cloud vendors and distributors need each other to maximize the European revenue opportunity
Distributors drive partner recruitment & yield

Distributors have a strong recruitment and retention model to support vendors:

**Wide Reach**
- Large reseller partner base
- Constantly recruiting new reseller partners: trade shows, webinars, regional events, etc.

**Segmentation of Partners**
- Technology Resellers
- MSPs
- Small IT Resellers

**Strong Partner Relationship**
- Reseller Partners have been vetted and meet certain criteria
- Distribution reps have frequent interaction with their partners
Distributors are making strides to establish programs and internal teams dedicated to the cloud by:

**Investing in training** on Solution Selling vs Product Fulfillment

**Educating channel partners** on how drive accretive margins with cloud products

**Building technical support teams** that can better support newer cloud channel partners

**Offering scalable solutions** like flexible invoicing and billing for monthly subscriptions
How vendors and distributors can share success

... but we will only be successful if we act as a team

What Vendors Can Do for Distributors

- Provide sales and marketing enablement tools
- Bundle cloud solutions together with proven complementary products
- Host regular on-site sales and technical training
- Integrate into distributor’s operational processes
- Dedicated vendor account management and funded heads

What Distributors Can Do for Vendors

- Offer support from their expansive marketing efforts
- Drive well-developed training sessions
- Advocate cloud solutions to existing partners
- Collaborate on recruitment strategies
- Sell, baby, sell!
We asked, you answered

How much do you expect your channel cloud business to grow in 2014 in %YOY?

- LESS THAN 10%
- 10% - 20%
- 20% - 50%
- GREATER THAN 50%
- GREATER THAN 100%

Source: http://www.gtdc.org/Redefining_Distributor_ValueStudy.pdf
About Carbonite

- Founded in 2005
- FY 2013 Revenue = $107M USD, 100% cloud
- Over 1.5 million customers, including 50,000+ small businesses
- Currently back up more than 300 billion files
- Headquartered in Boston, Mass. USA
- 400 employees
Carbonite business continuity solutions

Carbonite Server Backup
• Local & Cloud hybrid cloud backup solution
• Industry leading upload speeds
• Each subscription includes backup of an unlimited number of databases, servers, live applications and Hyper-V
• US customer data retained in the US. European customer data retained in the EU
• Launch: October, 2014

Carbonite Appliance
• On premise backup solution (hardware)
• US Launch: June 18
• DACH Region Launch: Q1 2015

Channel Partner Program
• Channel-only solutions provider
• Munich-based team
• Dedicated market development staff and funding