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By Heather Clancy, Contributor

If you're a solution provider that relies heavily on server hardware product margin, the trend toward cloud computing doesn't bode well for your revenue several years down the road. But value-added resellers (VARs) and systems integrators can prepare for and profit from the cloud movement by shifting their value proposition to emphasize software integration services and better support of business processes through technology. They can also leverage the so-called cloud to cut their own infrastructure and operations costs, according to VARs and analysts.

"I see this as a natural evolution of what has been happening for the past 20 years," said Benson Yeung, senior partner for [Triware Network Systems](#), a systems integrator in Santa Clara, Calif., that counts Hewlett-Packard, IBM, Microsoft and VMware among its technology partners. "The cloud is nothing more than an environment that encompasses the LAN, the WAN, the extranet, the intranet."

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The definition of "cloud computing" is still a rather subjective one -- which could be a good thing for solution providers experienced at finding margin in mystery. For the purposes of this article, a cloud infrastructure describes a technology platform made up of distributed servers,

hosted either as part of the public Internet or privately as part of a corporate data center, that can deliver all manner of computing functionality on demand -- from storage to processing power to applications. [Software as a Service \(SaaS\)](#) and managed services play supporting roles in the cloud movement, as do concepts like utility computing and grid computing.

Many analysts believe noncritical applications such as customer relationship management (CRM), Web hosting, content filtering and email will be the first to inspire broader adoption of cloud computing. Gartner predicts that approximately 40% of all technology will be sold as a service by the year 2011, meaning companies will pay to use hardware or software features as appropriate with little concern for where the technology is actually located.

Likewise, IDC forecasts that spending for cloud computing services will triple between now and 2012, reaching \$42 billion worldwide, or roughly 25% of all IT spending. By 2013, IDC predicts, cloud services will account for one-third of all IT spending. Forrester Research, which relates interest in cloud computing services to the adoption of SaaS, points out that as of the fourth quarter of 2007, roughly 15% of North American companies were using applications delivered via the SaaS model. Another 10% were either piloting SaaS implementations or planning to adopt SaaS.

The point is, there is plenty of experimentation going on, which makes for confusion and hesitation. "I don't think the cloud will take off exceptionally fast," said Drue Reeves, research director for data center strategy with [Burton Group](#), a market research firm in Midvale, Utah.

Still, Reeves believes virtually every hosting service provider will be forced to adapt their software systems and management approach to model the pioneering work being done by the likes of Amazon, Google, Intuit and Salesforce.com.

Amazon's [S3 Storage](#) and [Elastic Compute Cloud \(EC2\)](#) offerings are often cited as the catalysts for the explosion of interest in cloud computing. These services, along with several others, have enabled developers and systems integrators to experiment with new services without having to invest a whole lot in their own server hardware. Amazon adopted some changes to the S3 pricing effective Nov. 1, effectively cutting the cost of its storage; it is also adding support for Windows Server and SQL Server this fall.

[Dream Factory](#), a developer in Mountain View, Calif., publishes applications that work with the Amazon infrastructure as well as three other platforms that chief technology officer Bill Appleton feels will be critical for the development of cloud computing services: Cisco WebEx Connect, Intuit Partner Platform and Salesforce.com AppExchange. "At this early stage, customers are concerned about migration and lock-in. This lets us leverage our investments," he said.

The Amazon platform offers a great way for businesses to test out cloud computing without making a huge investment, Appleton said. Another new platform that's getting some buzz is [Skytap](#), which recently launched a program to distribute commercial applications via its cloud platform. Initial independent software vendors (ISVs) include Appistry, AutomatedQA, Borland, iTKO LISA, SmarteSoft and SOASTE. The focus of this platform is supporting environments for application testing or training.

One of the most obvious benefits of cloud computing from a business standpoint is the ability to provision applications quickly, without taking on the management headache, said Jon Kindervag, a senior analyst with Forrester in Dallas. Another factor that will resonate, especially in these tough economic times, is that companies can pay for cloud services out of their operations budgets instead of coughing up a capital expense.

Over time more technology-centric integration work will be handled in the cloud itself, said Shane Aubel, business technology officer for systems integrator [Accent Global System Architects](#) in Silver Spring, Md. "It will be hard to compete with an end-to-end solution," he said. A VAR's value will lie instead in its ability to build business value on top of a specific infrastructure in order to address each customer's very specific needs. "The cloud requires specialization," Aubel said.

There is also an obvious role for VARs who can evaluate and recommend the most cost-effective or feature-rich cloud services as well as integrate applications hosted in the public cloud with those hosted privately.

"For the first time, we're really talking about information and the processes, rather than the technology. Companies really respond to the ability to innovate, and [to create] a user experience that is in line with their business experience," said Len Couture, managing director of [Bluewolf](#), a New York-based SaaS consulting company.

Thus the motivation for Bluewolf's new service called Integrator, launched in late October, which underscores the company's desire to make technology a nonissue in solutions discussions. The "Integration as a Service" offering automates support for integration between SaaS offerings such as those from Salesforce.com, Big Machines, eAutomate and OpenAir with back-office systems such as Oracle, SAP, Great Plains, SQL Server and MySQL. Pricing will start at \$30,000 for Complete Integrator and \$20,000 for Classic Integration.

[Exigent Technologies](#), a Mount Arlington, N.J., VAR serving small and medium-

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sized businesses (SMBs), likewise envisions an opportunity to bring order to the management storm clouds that loom over cloud computing adoption.

"Our strategy and belief is predicated on the notion that, as applications and services move into the cloud, the SMB customer will frown on having many different points of contact and several IT support mechanisms," said Daniel Haurey, president and CEO of Exigent. "Our answer is to create a more accessible and friendly 'lower' cloud for our customers, giving them a one-stop shop for all of their IT needs. I'm talking about a combination of application hosting, help-desk services, SaaS brokering and even sophisticated single-sign-on mechanisms."

Although the cloud computing movement is an evolution, not a revolution, it is a paradigm shift nonetheless, said Harold Mann, co-founder and president of [Mann Consulting](#), a San Francisco-based VAR. "It's easy," Mann said. "What would you do for your business if you were running a small company and had no IT budget in place? Whatever choices you would make for yourself are what you should be recommending to your clients now. They'll fight it at first, then wonder why you were gouging them for so many years prior to the cloud solution."

About the author

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