

# The Economics of Cloud: Modernizing Your Business Model

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Cloud technology has been a game changer, altering the way businesses big and small store data, provision software, and run their computer networks. Now it's changing the way companies communicate.

More and more businesses are considering cloud PBX options. Many are in search of advanced features like chat and presence — features previously available only to larger businesses. Others want to avoid a large capital outlay. The subscription-model pricing of cloud services make a more advanced phone system an affordable option for just about anyone.

Customers are becoming increasingly comfortable with cloud.

That same pricing model is changing the reseller's business. As the industry shifts from traditional phone systems and toward hosted solutions, resellers will increasingly rely on recurring revenue from subscription models. The resellers that are best prepared and positioned to help customers make the shift to cloud technology have a real opportunity to transform their own businesses.

It's a different way of doing things, so in the next few pages, we are going to show you what you need to start transitioning your business model to include selling cloud solutions, and why this is such a great time to be a business phone reseller.



## Concerns about Cloud

Three chief concerns have held resellers back from adopting cloud and adding it to their portfolio of offerings.

### **The technology isn't fully understood.**

Cloud is admittedly different. It's going to require new knowledge and new skills to sell and install. That knowledge is available through online or vendor training, but training still requires a commitment on the part of the reseller.



### **The quality isn't completely trusted.**

Many resellers can tell a story of being called to replace a cloud solution for someone who was dissatisfied with the quality of early cloud services. That was then. Today, if the proper infrastructure is in place then a cloud system can sound no different than a traditional phone line.

### **Management of the revenue stream is unfamiliar.**

Many resellers have built their businesses around the large, upfront payments that came with installing new phone-system hardware.

Cloud is built on a subscription-pricing model under which the user pays by the month for a service. This gives the reseller an opportunity to bring in steady and predictable monthly income instead of relying on lump-sum license revenues. However, making the transition from the old business model to the new one can be a challenge. Fortunately, it's one that's easily handled.



## Training Can Demystify the Technology

Training can help bring clarity to the new technologies behind a cloud phone system. There are several third-party vendors offering courses that can explain the basics of how a cloud infrastructure is built. They are a great foundation for the reseller who wants to start learning.

Once they understand the basics of infrastructure, resellers need to find a vendor partner they can team with to build on what they've learned. Resellers should look for a partner that will offer them certification and then the reassurance that, even after training, they are not alone. Resellers deserve to feel confident that the vendor will be there for support when needed.

A reseller should look for a partner offering training, certification and ongoing support.



## Quality Concerns that Shouldn't Be: Bandwidth

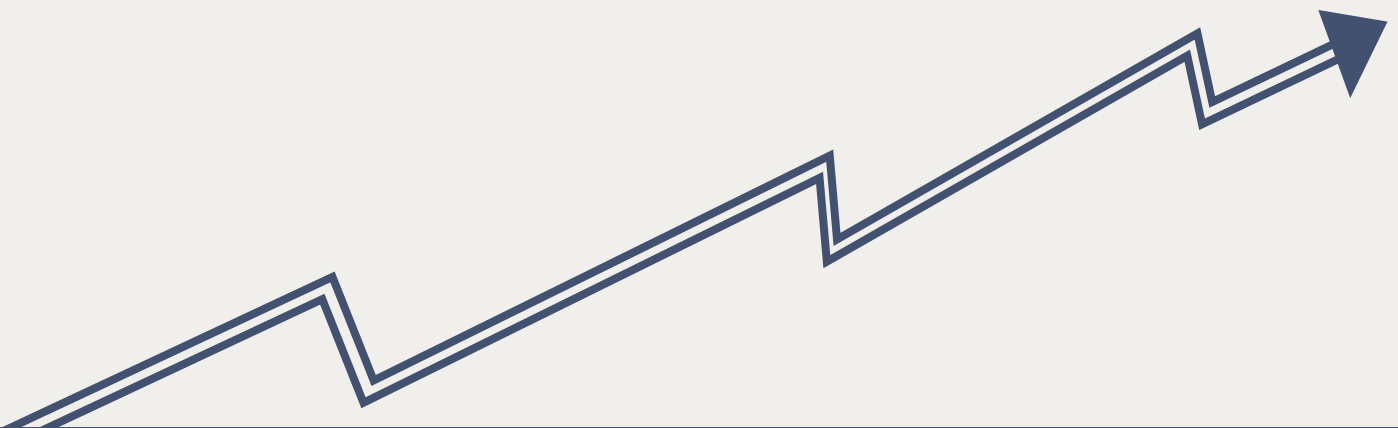


In the early days of cloud systems, bandwidth was a legitimate concern. Most locations lacked the bandwidth needed to guarantee the level of service that customers demanded. It's why many wound up switching away from cloud systems.

All that's changing. Bandwidth across much of the country is now at a level that call quality should not be a concern.

Resellers who remain skeptical can install cloud systems in their own offices and see for themselves just how good voice can sound over the network.

Global IP traffic in 2016 is projected to be nearly double that of levels seen just three years earlier.

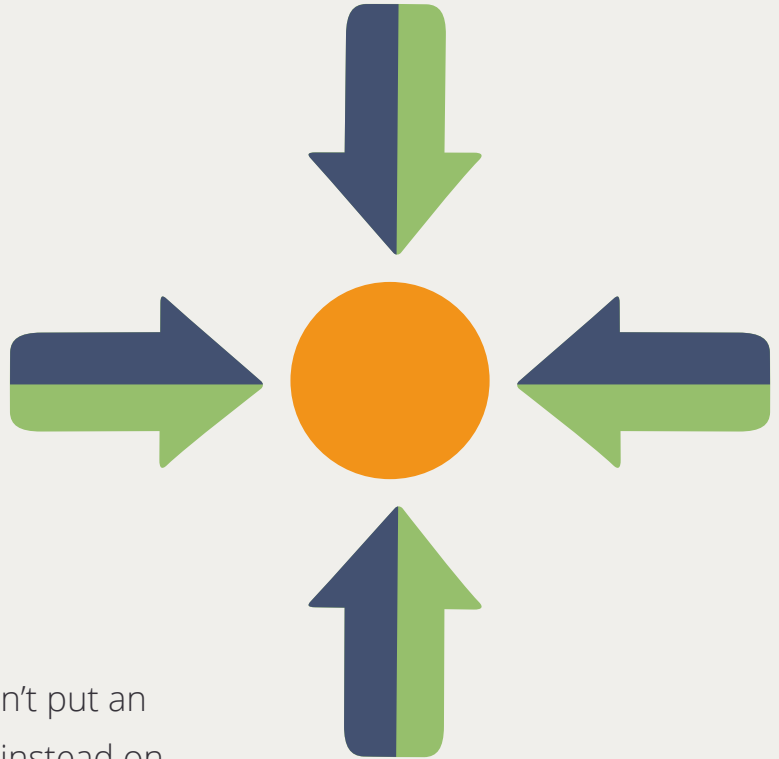


## Quality Concerns that Shouldn't Be: Product

When cloud was new, there was a rush of companies hoping to be among the first to the market with a solution. Oftentimes that resulted in products that were buggy and performed poorly. It's something that not only turned off customers, but it made resellers more hesitant to embrace the technology.

There are companies, though, that didn't put an emphasis on being first to market but instead on delivering the right mix of features and services.

These companies have taken the time to quality-test their products to ensure that they come to market as close to perfect as possible, even if that means they enter the cloud market a little later than some other vendors.



## Cloud Offers a Different Business Model

Traditionally, a reseller's business model relied on the upfront payment from the sale of a CPE phone system. With cloud, that large influx of cash — and the large margin that typically came with it — is replaced by the monthly payments of cloud's subscription-pricing model. Going forward, those big deals with their large influxes of cash will be fewer and farther between. They aren't going to disappear completely, but resellers won't be able to count on them like they have in the past.

A recurring payment model does provide something that resellers have lacked: a steady stream of predictable income. This allows resellers to make longer-term plans. It means no more scrambling to make payroll if the economy turns and businesses have to tighten their belts and cut capital expenses.

With this new model, the business phone system becomes a much more affordable operating expense for businesses as well as predictable, recurring income for resellers.



A recurring payment model provides something resellers have lacked: a steady stream of predictable income.

## Cloud and Your Bottom Line

There are two ways that cloud can immediately add to the reseller's bottom line.

### Cloud cuts expenses by reducing

**truck rolls.** After installation and training, resellers shouldn't have to go back out to see a cloud customer other than to maintain the relationship. Troubleshooting and maintenance can all be done quickly from the resellers' offices and their client dashboards.



**Cloud opens up a whole new market for resellers.** In the past, small businesses that needed only two or three seats couldn't afford a complete on-premises system. They can, however, afford a cloud system. Resellers now have a new market to serve and a new source of revenue to tap, and it's one that is easier to sell.



The cloud, with its advanced features, can give these small businesses enterprise-level communications at a very affordable cost. Installing a few of these systems early will let resellers see how cloud works and how easy it is to install, even as it starts providing new monthly revenue.



## Bridging the Revenue Gap

The transition to a new business model takes time — an estimated six months to a year — but, with the right planning, resellers can make the switch. Cloud PBX doesn't replace anything that's already part of a reseller's product portfolio, it's only an addition. More customers will be asking for it, if they aren't already.



For a reseller to begin to transition its business model to one built on monthly subscriptions, two things need to happen:

- The reseller needs to begin selling cloud services as soon as possible. Maybe it's to those smaller companies that it could never sell to in the past because it didn't have a solution that would fit. Perhaps it's to a current client that is using outdated equipment. The best time for a reseller to start building a base of recurring revenue is right now.
- The reseller needs to determine what kind of revenue it needs to bring in each month to keep the business healthy. This will provide a target to shoot for and help in planning the transition.

## Conclusion

The business phone industry has always been somewhat unpredictable. With profits tied to large upfront payments, it was never easy to know what business would be like month to month. Sales cycles were long; and to maintain consistent revenue numbers, resellers had to always have business in the pipeline.



A cloud solution — and the right vendor partner — can provide resellers a stability that hasn't been available before. While margins are smaller, sales cycles are shorter, so resellers can bring in revenues that are similar or even greater over time. This is stable revenue that makes long-term planning easier.

Cloud is here. New skills are needed to sell it as are new approaches to make it profitable. But help is available. With training and the right partner, resellers can take full advantage of this clear opportunity.



## About ESI

At ESI, we rely exclusively on our channel. We aren't like those big, national providers that tout their hundreds of reseller partners but bring in more than half of their revenue from direct sales.

We understand the importance of a fair contract, one that allows our partners to make a good margin on what they sell. Take a look at what cloud solutions can do for your business and expand your opportunities to win.

ESI also understands the desktop, and we understand the end user. As a manufacturer, we have the ability to make sure that the systems work with the endpoint device, whether that device is a telephone on a desk or a mobile device in a pocket or bag.

Controlling both sides of the purchase, the infrastructure, application and the hardware, we're going to ensure that it is the easiest-to-use, most intuitive product available.



Estech Systems, Inc. (ESI) delivers high-performance phone systems and cloud services designed for businesses and organizations. A premier provider of cloud- and premises-based unified communications solutions, ESI offers uniquely innovative and integrated systems that enable its channel partners to deliver differentiated, intuitive, and affordable VoIP communications. Founded in 1987, ESI has sold more than 300,000 business communications systems through hundreds of certified Resellers. ESI is a privately held corporation with headquarters in Plano, Texas. For more information about ESI and its products, visit [www.esi-estech.com](http://www.esi-estech.com).