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Adapting IT sales

to the on-demand cloud era

The field of technology sales is undergoing a seismic shift. Businesses large and small are warming to the promise of services offered by cloud vendors that can suit their needs in a way that seems infinitely elastic.

Although most businesses are still in the formative stages of adopting the cloud, Australia is well ahead of Asia Pacific peers. [1] Indeed, this year, businesses are expected to spend 27% of IT budget on cloud services, [2] and 70% on legacy system maintenance. [3] It's no wonder why IT partners are being encouraged to structure offerings 'as a service' rather than 'as a sale', but the pressure is now on for IT partners to carry upfront investment to build the infrastructure needed to service customers.

Demand for IT as a service is also being driven by tech-savvy business heads who want to buy 'business outcomes' (such as an end-to-end marketing process) rather than software and servers of a particular spec. This changes the sales process significantly and puts the focus on drawing together all parts of a solution into one business service.

Learn how CFOs see the future of IT

Redefining Performance: The CFO Point of View

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Avoiding cloud turbulence

The clear benefits of cloud services mean they're here to stay. Elastic capacity, faster speed to market and potentially lower costs are unassailable drawcards. But how can you best help your customer understand the wider considerations for achieving cloud success?

Firstly, IT fundamentals certainly don't disappear with cloud. Professional services are still very much needed, whether for data migration, integration with legacy systems, staff training, or security validation. Standard cloud offerings don't usually cover these implementation costs and companies may find they face unexpectedly high costs to bring cloud into production.

According to IDC, organisations considering cloud implementations are focused on reducing IT budgets, but that cloud doesn't guarantee this – in fact, IDC says, it's essential to look at all the options in combination to achieve the benefits. Combinations of public, private and hybrid cloud platforms may deliver your customer's requirements in the most cost effective way. In instances where cost is a focus, financing, leasing and asset lifecycle management services can be powerful tools to integrate into your overall proposal.

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[1] Excluding Japan. IDC Market Analysis Perspective: Australia Cloud Services 2015-19 M

[2] IDC Worldwide Cloud Black Book, Q4 2012; April 2013, IDC #240634

[3] Cloud Investments Will Reconfigure Future IT Budgets, Forrester Research, Inc., 8 January 2013

[4] IDC Market Analysis Perspective: Australia Cloud Services 2015-19

IBM Global Financing Insight

Mastering the dynamics of a new era

The cloud era dramatically changes how solution providers address customer requirements. It opens up great opportunities but also challenges the way IT deals are structured and paid for.

IDC's latest research shows Australian organisations are equally open to both public and private cloud offerings, and increasingly, enterprises will incorporate a mix of public, private, and traditional IT, thereby implementing hybrid cloud to support their enterprise architecture.[4]

Any transition to a new model requires (sometimes substantial) upfront capital investment. If the provider introduces financing to cover these initial build and migration costs, the solution can be structured to resemble periodic payments associated with operating on the cloud.

For customers, the advantages of using financing for upfront and ongoing project costs means they can accelerate their adoption of the new technology faster, reaping the benefits sooner.

With financing, organisations turn upfront costs into affordable predictable payments and preserve their cash reserves for other core business strategic initiatives. Spreading out these costs tend to mean they are better aligned to the anticipated benefits, it can also allow them gain maximum flexibility to grow their cloud infrastructure.

How to make new technologies more affordable

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Challenges and opportunities

transacting in the cloud era

One of the attractions of cloud services is the simple pricing structure that takes the hard work out of dimensioning systems and matching boxes to business requirements. So you or your customer might have some of the following questions.

What has financing got to do with the cloud?

There are two key areas where financing can strongly support cloud deals. Firstly, the upfront professional services costs of transitioning to cloud can be significant, but can be rolled into the overall value of a project using finance.

Secondly, converting legacy system assets into cash for a customer can help bring the cost of new systems down. A skilled IT financier with global reach and experience in remarketing IT assets can easily facilitate this.

More broadly, financing lets your customer spread out costs and use their capital on other strategic projects in the immediate term while allowing you to get paid as soon as the deal successfully closes.

When reviewing or overhauling existing IT infrastructure as part of a cloud project, leasing can provide the lowest cost option as well as provide capacity additions or upgrades often at little or no increase in monthly payments.

Options for financing cloud

Click here

Isn't it cheaper to buy directly from a cloud provider?

Surprisingly, the answer is: not always! Many organisations are excited by elastic scalability and the ability to 'pay for what you need, when you need it'. However, the reality of enterprise cloud sales is they often come with year-long initial contracts.

If a customer pays for a year upfront, there may be a significant discount offered by the cloud vendor. These fees can be financed, allowing the customer to pay monthly but potentially make significant cost savings over paying the cloud vendor directly.

Hold on, let's keep this deal simple

Customers may assume that financing means loads of paperwork and lengthy approvals. The reality is that integrating it into technology deals can be very simple. Your financier can help you, but make sure you've got the right one.

Choose a financier that is geared up to engage quickly on your deals.

- Does your financier specialise in IT?
- Is the application process quick and straightforward?
- How does a customer get credit approval?
- Do they finance smaller sized deals?
- Have they a range of automated and self-service tools to allow you and your customers access to information quickly?
- Is there a local team to assist as needed?

Reluctant to deal with financing?

As an IT solutions provider, you've got the skills to sell technology but maybe you're hesitant to delve into the world of finance. Bear in mind that financing can enable you to make larger sales and increases the probability of successfully closing more often[5].

If your customers are able to expand the scope of the project because they have more funding options available to them, then you'll earn more sales commission. If you're paid based on profitability, financing can help reduce pressure to provide discounts. And if you're paid based on when invoices are settled, you'll find that financing pays those invoices at the start of a deal.

[5] IBM MDI Causality Study, 2013

You can improve revenue, gross profit, net income and margins with financing

here's a handy tool to help you quantify these

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IBM Global Financing Insight

The difference with technology finance

Technology financing is not like a traditional loan. Unlike traditional loans, you can package both tangible and intangible costs together – hardware, software, cloud subscription fees, professional services and maintenance fees– and then calculate one consolidated payment that can be tailored according to a business' cash flow and the return on investment they'll get from their new technology system.

Structuring a deal with financing may actually allow costs to be reduced. For example, if your customer is leasing a system, the value of that system at the end of the lease can bring the cost down. And if there's an old legacy system being replaced, the value recovered from selling that can bring overall deal cost down too.

Put simply, financing allows a price to be put on achieving a business outcome, rather than focusing on a technology purchase. This allows a business to clearly articulate a return on investment from a purchase, where technology is simply an enabler to help them to achieve this.

In an era of on-demand services, it allows technology partners to compete with, and integrate cloud services, into your own simple, use-based pricing structure.

See how easy it is to get started with financing

IBM's Easy Calculator Tool

30 second financing estimates

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24x7 IBM Rapid Financing™

Registered partners can get quotes, credit approvals and generate contracts within minutes

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New IT infrastructure in four months

A major Australian food processing company needed to modernise its IT infrastructure in just four months. This was part of a broader plan to allow it to continue providing high levels of customer satisfaction while also rapidly growing the business. IBM Global Financing supported the company to deploy its new infrastructure on schedule, including costs involved with migrating existing workloads and integrating hybrid cloud infrastructure. Further investment in IBM Power and Storage hardware was needed to bring application performance up to optimal levels and IBM Global Financing was also able to offer interest-free payment terms for this purchase, ensuring the company's IT transformation could be achieved without significant upfront cash expenditure.

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Top 3 things

to consider in closing the deal

Here's ARN's top three tips for using finance to close more deals.

1. Have you got advice from your IT financier early enough?

So, you've now come to the pointy end of the sales process – you have invested considerable time and effort into understanding your customer's needs, working out the deal's financials, and negotiating the overall price with the customer... and then at the 11th hour, pricing or budget becomes the obstacle to completing the sale.

An early conversation with your financier will allow you to avoid this situation, and even help you use financing to grow the size of the deal by spreading payments across multiple years, fitting into the customer's budget.

There may even be other possibilities you would never have considered. For example, if you're selling a migration-to-cloud project, there may be a temporary need for extra storage or data warehousing capacity to facilitate the transition. You could bundle short-term facility rental to meet this need into a finance proposal. Or your financier could buy your customer's obsolete legacy infrastructure and lease it back to them for the migration period. All of this can be structured into a financing contract and a skilled IT financier makes it easy.

Benefits

For your customer: Bundle *all* the project costs into a customised financing plan and realise the value of obsolete infrastructure

For you: Get expert advice on meeting your customer's needs without cost becoming a barrier

2. Understand your customer's cashflow dynamics

Want to offer a compelling deal? It goes without saying that you need to understand your customer's budget limitations.

However, understanding a customer's cash flow profile is equally important. Many businesses experience seasonal peaks and troughs – for example, retailers who make the bulk of their sales during mid-year sales and Christmas, or educational institutions that receive student fees each semester.

Working with a financier can help you match the timing of repayments to your customers' seasonal cash flow variations.

Another benefit of financing is that you could defer the first repayments until your customer starts receiving the value of the system in their business – for example, for a targeted marketing system, repayments could begin some months after the system has been implemented and the customer is receiving revenue from sales achieved through the system.

Benefits

For your customer: Pay for the technology when their business has the cash to do so

For you: Receive full upfront payment from your financier, while making the deal easier for your customer to agree to.

3. Can obsolete legacy systems really be turned into cash?

What do you do with legacy systems left in the building that are no longer needed? Simple! If you work with an IT financier that has global scale, it's highly likely that legacy systems can be remarketed and you can return the value of them to your customer. If you package this into your overall deal structure, it can help bring down the cost of the new technology you're selling.

Benefits

For your customer: It solves the problem of disposing of obsolete infrastructure, including legal and environmental responsibilities – and can put cash into the bank for them.

For you: Takes the problem of obsolete systems off your customer's hands and turns it into monetary value for them, allowing you to differentiate yourself from competitors.

IBM Global Financing Insight

Draw on deal experience

Choose a financier that specialises in IT and can do total solution financing – not just hardware, and not just a subset of vendors and partners. Their experience and insight into putting together deals day in and day out will give you an immediate head-start in shaping the most compelling deals for your customers.

An IT financier can cover the cost of intangibles such as professional services or the IT asset rentals needed to implement a system, and can recover the value from obsolete IT systems for your customers.

Make sure you choose a financier that is equipped to hit the ground running with you from the outset. You'll need simple, automated processes to maintain speed, and if necessary, people to work with you on the ground.

Finally, you need a financier with a substantial asset base who can offer you competitive finance rates.

As with closing all deals, timing is crucial. If you make financing a fundamental part of your planning, it doesn't need to come up as a major conversation point– it can just support the smooth price structure of the deal.

It certainly can be added in the last stages of a deal to close a sale, with fast, easy finance approval. However, don't make it an after thought. That would waste the strategic advantages financing can provide in modelling the deal upfront.

University sells legacy equipment to help fund cloud innovation

The University of Western Australia (UWA) wanted to move the technology underpinning its research development program to the cloud. But had a problem: a huge investment in a proprietary, on-premises supercomputer.

IBM Global Financing purchased the supercomputer from UWA, providing a cash inflow that allowed the university to establish a fund for "High Performance Computing in the Cloud". UWA teaching and research staff were then invited to apply to this fund to run proofs of concept using cloud technology. Successful concepts were then funded for further development through UWA and other research funding bodies. IBM Global Financing enabled a zero cost trial to help the technology supporting UWA's research efforts shift to the cloud.

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Constructing

perfect cloud deals

There's nothing clearer about the future of IT – the cloud is here to stay, and Australia is at the forefront of the region in cloud adoption. Now is the time to position yourself to take advantage of this once-in-a-decade opportunity. This checklist could be your recipe for success.

- Add maximum value for customers by helping identify the optimal combination of private, public and hybrid cloud services. This can provide a much more cost-efficient solution than simply buying one or the other.
- Work with an experienced IT financier who can convert the end-to-end project costs (including professional services, software, hardware and migration costs) into one set of smooth periodical payments for the customer. The payment schedule can even be matched to your customer's seasonal cash flow variations.
- Don't forget that fees for cloud services can be financed too, potentially delivering lower costs for customers than buying from the cloud vendor directly.
- Talk to customers about whether a cloud system or on-demand service you're proposing will be replacing another system. Your financier may be able to recover the market value of that obsolete system to offset the cost of buying the new system.
- Get advice from your financier early. Financiers specialising in IT advise on putting together deals every day of the week, so they're a wealth of free information about how to make your proposals as compelling as possible.
- Work with your financier to frame your conversation with the customer from the beginning to meet their needs while fitting their budget. This potentially allows you to sell a bigger deal and offer more value than you might otherwise be able to do.
- Remember when dealing with businesses division heads, focus the conversation on the deal about the return on investment and business outcome. You might also consider working with your financier to structure the deal so the first payments are deferred until the new system starts providing value to the business.

There are so many ways financing can help your business – call us to talk through options with no obligation.

Learn more

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IBM Global Financing Insight

Finance offers your business flexibility

Finance isn't just for your customers. If you underpin your business' IT infrastructure with commercial finance, you can acquire the hardware, software and services you need to scale-up to meet your customers' needs without incurring the full capital cost upfront. It can help your organisation take full advantage of the cloud era.

For example, IBM Global Financing could help you lease baseline infrastructure for minimal cost. If additional capacity is required by a client, your financing could be structured so you can quickly activate more capacity on the infrastructure and then charge your client for this usage as a service.

Alternatively, your client could directly finance a baseline infrastructure and then you could sell extra capacity to them over time as a service.

Both models minimise up-front financial commitment whilst still allowing elastic scaling for the overall solution with longer term billing upside for your organisation.

If you price your overall offering as a service, and then your client then takes finance separately to cover subscription fees to you to use your system, you'll receive full payment for the subscription period upfront, but they'll benefit from smooth periodical payments. That means you won't be trying to recoup costs over time from the customer over the duration of the contract, with the challenges in cash flow and exhausted lines of credit with upstream distributors that entails.

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