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The Drive to Digital Native: CloudBlue's Strategy to Connect the Digital Ecosystem

Introduction

Digital transformation (DX) is having a profound impact on organizations of all types, across every segment, as they transform their businesses to remain relevant in the digital economy. Whether these organizations are in the private sector, are technology providers themselves, or even government bodies, they are looking for guidance on how to evolve their business models and technology architecture to operate more like the digital natives they are increasingly competing against. In other words, how do they become a digital-native enterprise (DNE)?

IDC believes that there are three elements to becoming a DNE: evolving their business models ("Future of Commerce"), evolving their technology architecture to the digital platform, and creating new connections and revenue streams from digital ecosystems. This paper explores these three elements.

What Does It Mean to be a Digital-Native Enterprise?

IDC describes a DNE as an organization able to scale its operations and innovate at a pace that is an order of magnitude greater than traditional businesses. A DNE is driven by a customer-centric and empowered workforce that embraces risk-taking as it seeks to continuously innovate. Technology and data are its lifeblood, fueling more efficient operations, new revenue streams, and customer loyalty. For these companies, digital disruption is business as usual.

The DNE adopts an "outside in" approach, leveraging external data feeds and an ecosystem of stakeholders to evolve its offerings and its business model. These stakeholders could include customers, partners, employees, and even external communities.

This "outside in" thinking is creating an interesting dynamic, where the traditional borders between customer, vendor, and service provider are blurring. In the digital economy, all companies become technology companies, so naturally the relationship shifts from to a much more embedded, connected, and dynamic relationship — much more of a partnership than a supplier relationship.

In fact, IDC predicts that by 2020, half of the companies listed on the Forbes Global 2000 list (in other words, the world's largest public companies) will have formed alliances with technology providers, and at least 30% of purchasing will be driven primarily through strategic innovation and industry ecosystems.

The digital-native enterprise adopts an "outside in" approach, leveraging an ecosystem of stakeholders to dynamically evolve its offerings and even its business model. These stakeholders could include customers, partners, employees, and external communities.

IDC views DNEs as those that are:

- By default, able to innovate at pace and scale their operations faster than traditional businesses

- Driven by customer-centric employees who regularly take risks in the name of innovation

- Built on a foundation of technology and data, which fuel efficiency, customer loyalty, and new revenue streams

- Embedded in a far wider ecosystem, leveraging a wider base of partners to improve customer-centric offerings
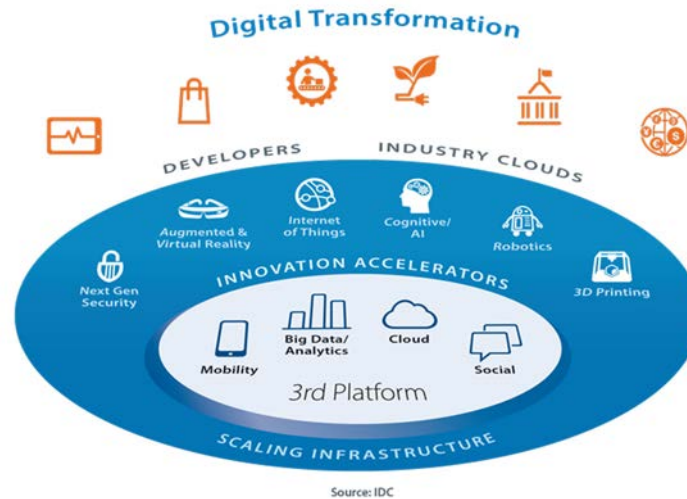
By 2027, IDC predicts that 75% of organizations will have digitally transformed to become a DNE. Therefore, this next decade is critical for businesses as they look to successfully transform and be part of that 75%.

The Second Chapter of the 3rd Platform

Since 2007, IDC has been describing the transition to the 3rd Platform — the next major shift in the IT industry. The first shift was the transition from mainframe (1st Platform) to client/server and, of course, the introduction of the internet (2nd Platform). Now, new and innovative technologies — such as cloud, mobile, social, and Big Data analytics (3rd Platform) — are rapidly being brought to market by companies with agile and highly disruptive business models. They are fundamentally changing the way customers procure, consume, and view technology.

The transition to the 3rd Platform has also led to a slew of new technological innovations, including things like artificial intelligence and cognitive computing, the Internet of Things, robotics, 3D printing, next-generation security solutions, and augmented and virtual reality. These technologies are further accelerating innovation and, as such, are described by IDC as "Innovation Accelerators."

By 2020, 50% of the Global 2000 will see the majority of their business depend on their ability to create digitally enhanced products, services, and experiences in response to evolving consumer expectations. This evolution requires businesses to invest in technology enablers to ramp up their digital transformation efforts. That's where Innovation Accelerators come in.

Figure 1
The 3rd Platform

Source: IDC, 2018

We are entering a second chapter of the 3rd Platform in which organizations are applying 3rd Platform technologies to realize the three elements that characterize DNEs: Future of Commerce business models, developing a DX Platform, and taking part in digital ecosystems.

The Future of Commerce

DNEs are inventing the future commerce: applying 3rd Platform technologies and Innovation Accelerators to help them fundamentally change the way commerce is done between individuals, organizations, and things. They deliver outcome-based products and/or services through business model innovation. These new business models include a variety of approaches, such as data monetization, turning products into services, new commercial models such as risk-reward sharing, new pricing models such as contextual pricing, new manufacturing models such as personalization, and, critically, new platform-based revenue models in which companies are looking to create new connections and new revenue streams through these connections.

Over the last decade, the technology industry has changed significantly thanks to the emergence of 3rd Platform technologies and their role in accelerating digital transformation. We are now entering the second chapter of the 3rd Platform, a period of innovation acceleration and the drive to the digital-native enterprise.

There is now growing recognition that new approaches to technology and organizational structure are needed to effectively deliver on the promise of these Future of Commerce business models.

The DX Platform

These Future of Commerce business models often require new organizational and technological approaches to support them. While most companies understand that they need to digitally transform, many have more questions than answers. What does a digital native look like? How do they align digital, business, and IT? And what do their services and technology architectures need to look like to compete in the digital economy with digital natives? In answer to these questions, IDC has developed the DX Platform — a conceptual model of the architecture that enterprises need to become a DNE.

Defining the DX Platform

The key objective of the DX Platform is to create a network, or ecosystem, of connected customers, partners, and suppliers that use (and pay for) the information and services available to them. In addition to this external focus, this platform requires an approach that aggressively modernizes legacy (or core IT) environments to redefine processes and capabilities for both internal and external purposes.

Figure 2
The DX Platform
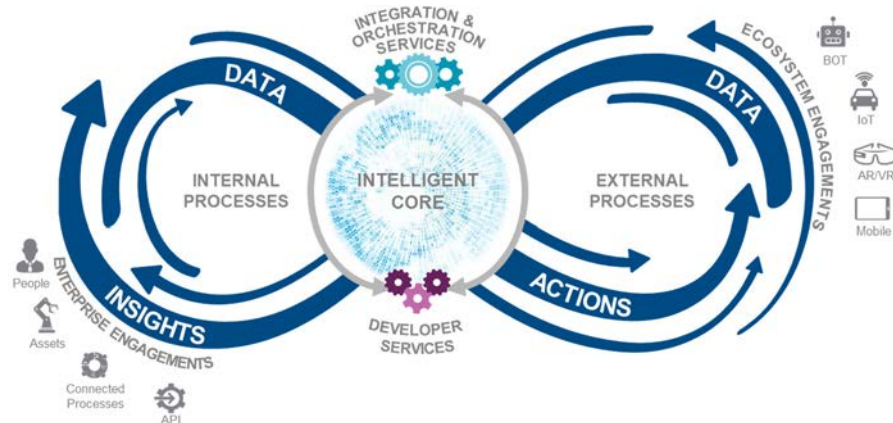
Source: IDC, 2018

In the new platform, everything is connected to everything else. Data comes into an organization through connected assets, employees, or connected processes, or as other data streams through APIs. This data circulates through the intelligent core, the heart of the platform, where the algorithms, the code, and the models live, to glean the insights and actions needed to improve the organization's internal processes. Data also comes in through ecosystem engagements and external data sources from a digital

ecosystem of partners, customers, suppliers, and communities as well as "things." This data circulates through the intelligent core, which turns the data into actions to be taken when engaging with the ecosystem.

The intelligent core is the link between internal IT and external data and, crucially, ecosystems. Partners — systems integrators, developers, ISVs, and so on — will sit on the edge of that intelligent core co-creating capabilities and digital services together with their customers.

The Importance of the Digital-Native Ecosystem

Another crucial element of the journey to becoming digital native is the digital ecosystem. If the digital enterprise were an island and not connected to a wider ecosystem, the amount of data which would be able to feed into its intelligent core would be negligible. Because the intelligent core brings in data and insights from the wider ecosystem, it is crucial that DNEs are connected to an ecosystem.

Figure 3
From Channels to Ecosystems
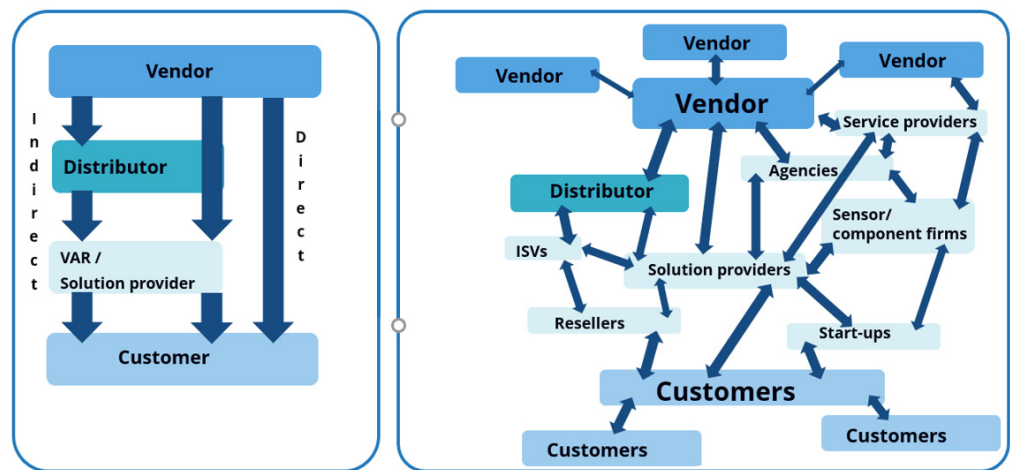
Source: IDC, 2018

CloudBlue — Connecting the Digital Ecosystem

Ecosystem thinking, as outlined above, is becoming increasingly important, meaning the roles of all the constituent parts (as shown in Figure 2) change, to become more open and collaborative. The role of service provider ecosystem partners has evolved significantly. CloudBlue recognizes this shift and has positioned ecosystems as one of three key pillars in its strategy as it aims to help its partners take part in this wider ecosystem.
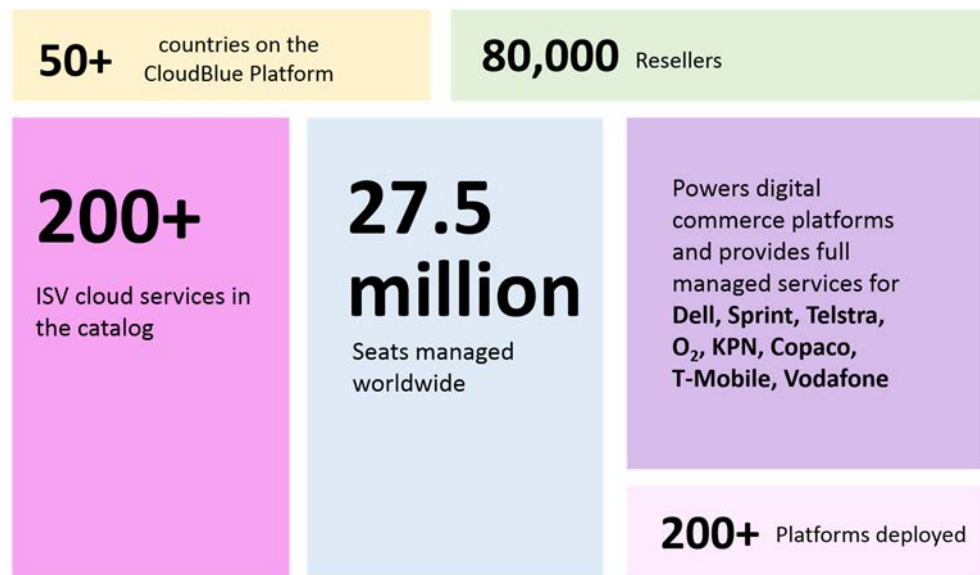
CloudBlue's strategy revolves around three key pillars: hybrid and scalable technology, go-to-market services, and its infinite ecosystem. This strategy aims to enable CloudBlue customers to understand digital transformation in a tangible context and in its end state.

The CloudBlue Commerce Platform

CloudBlue is an independent division of Ingram Micro and is the result of more than $500 million of investments over seven years to build Ingram Micro's cloud platform. Ingram Micro acquired six different software companies, including Odin Service Automation Platform in 2015, followed by Ensim Automation Suite a year later. Ingram Micro combined all of these investments and intellectual property into a new division, CloudBlue, dedicated to providing direct to telecommunications companies, managed services providers, technology distributors and value-added resellers a cloud commerce platform to accelerate their digital transformation.

CloudBlue powers not only Ingram Micro's Cloud Marketplace, but also the CloudBlue marketplace of many of the world's most innovative service providers, which collectively represents more than 27 million seats globally. CloudBlue has followed its own three-pillar strategy to reach these figures to date.

Figure 4
CloudBlue — Key Stats

| 50+ | countries on the CloudBlue Platform | 80,000 Resellers |

| 200+ ISV cloud services in the catalog | 27.5 million Seats managed worldwide | Powers digital commerce platforms and provides full managed services for **Dell, Sprint, Telstra, O$_2$, KPN, Copaco, T-Mobile, Vodafone** |

200+ Platforms deployed

Source: IDC, 2018

CloudBlue: Three-Pillar Strategy

CloudBlue's strategy revolves around three key pillars: the "infinite partner" ecosystem, hybrid and scalable technology, and go-to-market services. This strategy aims to enable CloudBlue customers to understand digital transformation in a tangible context and in its end state. Rather than focus on the transformation itself, and what is required to make this move, the three-pillar strategy was designed to demonstrate to customers what can be achieved once this change is complete, and how they can thrive in this new value chain.

1. **Infinite Partner Ecosystem**

The first pillar — the infinite partner ecosystem — is a key differentiator and lies at the heart of Ingram Micro's digital transformation strategy.

The DX Platform — a core element of becoming a DNE — revolves heavily around leveraging data from the wider ecosystem. This dynamic can be quite difficult for partners to embrace themselves. Many partners understand they need to tap into a wider ecosystem of partners, but do not know the best way to do this or which resources they will need to forge and nurture these relationships. Further, from a vendor point of view, they understand they need to reach a wider group of partner types — including ISVs, service providers, solution providers, and even customers — but they may find it difficult to identify these partners and to effectively attract, recruit, and enable this diverse group of partners. CloudBlue believes it has the largest cloud ISV ecosystem in the industry, thanks to its Ingram Micro heritage as a global software distributor and its infinite ecosystem approach that acts as a bridge between the many thousands of vendors, partners, and end users. This is fundamental to the CloudBlue strategy in that this wide base of partners in the ecosystem underpins the other two pillars.

2. **Hybrid and Scalable Technology**

This second pillar revolves around the technology itself, which is essential for the infinite ecosystem to tap into to achieve its aims. This pillar manifests itself in the form of a cloud-based, digital, and anything-as-a-service commerce platform, which is either fully hosted or managed by CloudBlue. When describing this platform, it draws analogies to the likes of iTunes, in that it offers a large-scale automated platform that provides common access to those who wish to buy or sell digital offerings as a service. However, in addition to serving the B2B space, the offerings on the Ingram Micro Cloud Platform differ from iTunes because they may include physical or human support, such as technician callouts. Also, service providers are able to combine their own core services such as broadband with other business-focused ISV offerings on the platform. The scalable element of this pillar is important. The as-a-service model can be difficult for partners to understand in terms of how and when these services will be used by their customers. Therefore, having a platform that offers automated and scalable technology is essential to follow the ebbs and flows of customer demand.

3. **Go-to-Market Services**

The as-a-service model has a profound impact on the way partners go to market. In the traditional sales model, distribution partners largely supplied the demand created by their partners. However, the move to subscriptions means that partners now require more enablement and support from their suppliers. In a subscription selling motion, there is a much higher number of touch points between partner and customer. In the traditional model, a partner would sell once to a customer and typically move on. Now, however, partners are required to help customers manage subscriptions in several ways: adding and removing users, and upgrading and downgrading subscriptions, for

example. In the as-a-service world, closing the sale is only one part of the equation, and it becomes vital to ensure active use of the service and to monitor customer satisfaction to ensure that all-important renewal. If they really want to transform into an expert digital native, they need to not only do some of the basic seat management mentioned above, they also need to have the capacity to enable their customers to deliver more complex cloud services such as multicloud orchestration or premium end-customer support. They basically need to completely activate their customers' usage of services in an ongoing manner. Through its go-to-market services, CloudBlue automates the high number of processes required on subscriptions, enabling partners to service their customers' more complex subscription needs in a much simpler way. It also offers several related services, such as brand awareness and launch events, evangelism and communications, digital and social media content, webinars, roadshows, training sessions, and dedicated account teams.

Challenges

The Transition to As-a-Service

While customers like the flexibility of subscription-based offerings and being able to buy "best of breed," ultimately these services need to be integrated into a broader solution that addresses their desired outcomes. Identifying the right services and technologies and integrating them into a customer solution is a challenge for many partners. Having a single aggregated source, like a marketplace, which provides a choice of different offerings can help partners navigate this complexity. Ingram Micro, with its broad portfolio, has a real opportunity to help address this challenge and needs to continue to focus on doing it in a way that makes it intuitive and easy for its customers and partners to navigate. Subscription selling motions also require many more sales touch points throughout the customer life cycle. This puts pressure on suppliers to do this in an efficient manner while maintaining customer satisfaction and ultimately maintaining good business. Success will depend on having the right partners that are equipped — technically, operationally, and even culturally — to do this.

Connecting the Ecosystem

"Ecosystem thinking" is becoming prevalent across the whole IT landscape, with many companies acknowledging and accepting the role other firms — perhaps even traditional competitors — can play in their future and ongoing success. As all companies become technology companies, the lines between partner, customer, and competitor are blurring significantly. Ingram Micro's own transformation is shifting its role from one of a large distributor, to one where it is much more of a software provider and aggregator. This may not always be fully understood by the companies that have worked with the distributor for many years in a more traditional way. Articulating how it fits within the ecosystem, how that is evolving, and what this means for its partners will be vital. It also has an essential role to play in bringing the channel along with it on this transformational journey and plays an essential role in connecting this increasingly complex ecosystem.

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Addressing Resistors

By 2027, three-quarters of all organizations will be classed as digital native but at least a quarter will not have transformed at all. This is as true of customers as it is of technology companies. Many more traditional companies struggle to transform, and this could be due to cultural resistance, an inability to invest, and a lack of executive buy-in and leadership. It becomes critical to prioritize partners that are willing to transform and to de-emphasize the resistors. Ensuring that the benefits of digital transformation, on both the company itself and its customers, are articulated across all levels and functions within a business is important. Wider buy-in from employees is as important as that from senior management. Through formal training as well as more informal approaches such as sharing success stories, CloudBlue, with its many touch points, can be a vehicle to encourage this behavior within all levels of its partner base. To do this, it will be critical to demonstrate the tangible ways that customers can benefit from digital transformation. Ensuring that all lines of business and groups within the business are aware of the benefits of becoming a digital-native enterprise will be essential.

Conclusion

Over the last decade, the technology industry has changed significantly thanks to the emergence of 3rd Platform technologies and their role in accelerating digital transformation. We are now entering the second chapter of the 3rd Platform, a period of innovation acceleration and the drive to the digital-native enterprise. We will see a slew of new business approaches — including the Future of Commerce models — which revolve around delivering outcome-based products and services through approaches such as data monetization and platform-based revenue models. But the road to digital transformation is not an easy one. Many challenges exist, not least of which is earning buy-in from the whole company, from the C-suite down.

Technology underpins digital transformation, and CloudBlue's three-pillar strategy puts technology in the center and looks to help its customers leverage its considerable cloud assets to accelerate this transformation.

To be successful in the digital economy, all organizations need to connect to a wider ecosystem, creating new connections and revenue streams from these digital ecosystems. This itself entails significant cultural change, requiring a much more externally leaning focus and a DX platform to connect this ecosystem. Ingram Micro Cloud can help address these challenges by creating the connections in what it terms its infinite ecosystem and providing the tools to help companies make this business model transition. CloudBlue is aiming to answer these challenges and opportunities through its three-pillar strategy: offering hybrid and scalable technology through its as-a-service platform, enabling its customers to take advantage of this through automated go-to-market services, and connecting these partners with the wider ecosystem to accelerate their transformation.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.