Watching the clouds

An old proverb says that whoever watches the wind will never sow and whoever watches the clouds will never harvest. Nevertheless, as Cloud Computing gains momentum, should we not take some time out to watch the winds of change and the clouds that are building before we start sowing the seeds of a future profitable business model?

Some recent research that required a dive into the -very short- history of our ICT business reminded me of how recent certain "cloud-enabling" technologies are, and how we already take them for granted, only a few years later: for instance, the modem appeared on the market in 1960, that's only fifty years ago and DSL technology only took off ten years ago. Before then, if you wanted to access a computer, you had to be more or less in the same room or at least in the same building. Thanks to the modem, it suddenly became possible to connect to a mainframe from the other side of the world (provided you actually had a phone connection...). To use more recent terminology, the modem enabled a technology convergence -data plus phone- that brought with it...the first cloud. Since then, computers have become several million times more powerful and DSL modem connections are ten thousand times faster than a direct terminal connection was in the sixties.

At the time, mainframes sat in massive computer centres and their processing power was initially rented out by the vendors themselves. They could be used by millions of users thanks to time-sharing. Technology improvements resulted in affordable minicomputers starting to sell into small and medium businesses, the need for market coverage triggered the requirement for computer resellers and the ICT industry built its distribution channels. Later on, personal computers became professional thanks to IBM and moved into businesses until they lost their increasingly powerful storage peripherals and became "thin clients" connected to microcomputers-on-amphetamines called "servers" sitting in...massive computer centres. Time-sharing became virtualisation. In just about fifty years, we have re-invented the wheel, putting new names on old concepts.

So how far can one push the comparison? In the sixties, vendors did most of the selling, admittedly to a small number of large accounts, and Consultants and System Integrators did the rest:, advising the customer, writing, adapting and supporting applications without ever having to worry about moving any product. Today, vendors are gearing up to run massively powerful virtualised servers in secure, sustainable computer centres, that will offer a new fluid -let's call it Cloudget- that will be measured in petaflops-per-year and paid for on a periodical basis; like your phone, water, electricity or gas. As in the mobile phone business with MVNOs, many channel partners could become VCOs (virtual computing operators) or simply commercial agents.

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The issue with the Cloudget is that the concept of gross margin is unclear -to say the least- since you would not necessarily be buying or selling anything: if you convince your customer that the best solution for him is Saas (Something as a Service) and that he should therefore buy it directly from a major vendor on an On-Demand basis, you might find that you have facilitated a transaction for a vendor who will in return, pay you -let's call it an agent commission. In this case, because your cost structure is fundamentally different, contribution margin is the real metric . You don't buy or store anything but you do incur selling and marketing costs. It suddenly becomes important for you to have a coherent metric across your business and once again, gross margin is certainly not that metric.

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