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White Paper

Cloud Service Brokerage of major providers

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Cloud Service Brokerage of major providers.

A cloud service brokerage business is much like any other trading business. You get discounts on bulk buying which add to your margins. You still need to strike a balance how much stock you should carry so as not to be overstocked and not to run out of stock as well.

An account with BillByte hosted service enables any service provider to act as a broker between end customers and major cloud service providers like Amazon AWS and Microsoft Azure.

This white paper outlines typical margins and avenues to profit that are available to cloud service brokers.

Amazon AWS margins

To begin your CSB (Cloud Service Brokerage) business reselling Amazon AWS, the service provider needs to get a 'Master Account' with AWS and turn on consolidated billing on it. Any 'customers' you get, will be given their own 'Linked Account' in AWS and will be added under your master account.

Track 1: AWS Volume Discounts

As you build your practice, the combined usage of all your customers ('Linked Accounts') is consolidated to get you 'volume discounts'. Summary of how volume discounts work can be found at:

<https://docs.aws.amazon.com/awsaccountbilling/latest/aboutv2/useconsolidatedbilling-discounts.html>

Volume Discount Example

Volume discounts are based on current AWS pricing. Not every service offers tiered pricing. Volume discounts are only available where AWS offers tiered pricing.

<https://aws.amazon.com/s3/pricing/>

S3 standard storage:

First 50 TB per month	0.023 per GB	Reference price
Next 450 TB per month	0.022 per GB	Margin 4.5%
Over 500 TB per month	0.021 per GB	Margin 9.5%

Data Transfer

First 9.999TB per month	0.09 per GB	Reference Price
Next 40 TB per month	0.085 per GB	Margin 5%
Next 100 TB per month	0.07 per GB	Margin 28%
Greater than 150 TB per month	0.05 per GB	Margin 80%

First 9.999 TB / Month \$0.09 per GB

Next 40 TB / Month \$0.085 per GB Discount 4% Margin: 5%

Next 100 TB / Month \$0.07 per GB Discount 22% Margin: 28%

Greater than 150 TB / Month \$0.05 per GB Discount 44% Margin: 80%

Track 2. Reserved Instances:

Amazon enables making 'Reserved Instances' at the level of master account or linked accounts. Master account can setup 'Reserved Instance' sharing in which AWS automatically gives the benefit of a reduced price when an instance is available. For some of the services, billing examples can be found at:

<https://docs.aws.amazon.com/awsaccountbilling/latest/aboutv2/consolidatedbilling-other.html>

In CSB business, the analogy of Reserved Instances is like carrying stock in a normal trading business. You need to strike a balance between carrying too much stock in which case you risk losing money on falling prices or carrying too little stock in which case you risk losing profits.

Services where instances can be reserved include:

- EC2
- RDS
- Elastic Search
- Elastic Cache

CSB saves money as the master account holder where reduced prices are applied to instances of all of its Linked Accounts when they provision instances which are already reserved by the Master Account holder. As bigger and bigger consolidation is achieved, the statistical precision in being able to predict and optimize the highest saving reserved instances increase.

Reserved Instances Best Practices

Amazon mentions some best practices for reserved instances at:

<https://docs.aws.amazon.com/aws-technical-content/latest/cost-optimization-reservation-models/maximizing-utilization-with-size-flexibility-in-regional-reserved-instances.html>

Managing reserved instances may require modifying them as per customer needs. If you find yourself with the wrong configuration, you can ask for modifications.

Modify Reserved Instances

<https://docs.aws.amazon.com/AWSEC2/latest/UserGuide/ri-modifying.html>

Overstock Marketplace

If you find yourself with Reserved Instances that you do not expect to be utilized, they can be sold at the marketplace for which the link is at:

<https://aws.amazon.com/ec2/purchasing-options/reserved-instances/marketplace/>

Track 3: Channel Partner Discounts

If you become an AWS channel partner directly through Amazon or through its distributors like IngramMicro or TechData etc. you can expect to get partner discounts.

To begin with, AWS offers a 3% discount on all purchases for all qualifying partners.

Discounts for new business

Any 'new business' you get to AWS currently entitles you to an extra 5% discount.

Discounts for certifications

As channel partners complete different certifications, they qualify to become advanced and premier and other tiers. This can earn a CSB an extra 4% in margins.

In summary this is what a CSB can expect in discounts:

Beginning discount: 3%

New Business Discount (first 24 months): 5%

Advanced Partnership (requires Certifications): 4%

In theory: Total 12%

Microsoft Azure Discounts

Microsoft offers Cloud Solution Provider (CSP) partner status and offers discounts from 5% to 20% or more depending on services and its relationships with its partners.

It offers two types of CSP accounts:

1-Tier

Cloud Solution Provider:- For partners with MSP or solutions business that are able to bill and support their customers at scale.

2-Tier Reseller

For partners looking to resell Microsoft cloud services by leveraging a 2-tier Cloud Distribution Partner's billing, support, and value-added services

Details can be found at <https://azure.microsoft.com/en-ca/offers/ms-azr-0145p/> or in a presentation at <https://azurecsp.blob.core.windows.net/files/azure-in-csp101.pptx>

Closing Remarks

This white paper outlines different avenues of margins and discounts available to CSB (Cloud Service Brokers). This is in context with BillByte.com; a hosted service that enables service providers to become 'Cloud Service Brokers'.

While this white paper only mentions discounts and margins available, there is no substitute to added value from CSB to their customers. CSBs add value through professional services of integration, monitoring, customizations, aggregation etc.