

REPORT REPRINT

Orbitera's Cloud Commerce Platform targeted at 'ProOps'

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The company's cloud commerce software targets ISVs, resellers and enterprises. Orbitera's aim is helping customers move from traditional per-user per-seat software licensing to SaaS.

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Orbitera is aimed at helping customers with the business problem of moving from traditional per-user per-seat software licensing to SaaS, from allocated models to consumption-based and managing usage-based billing for cloud services. Orbitera positions itself as a cloud commerce company – not cloud operations or ITSM. Its IP is around the process technology it uses and the company claims that some 60,000 enterprise stacks have been launched using it.

THE 451 TAKE

Riffing on 'DevOps,' Orbitera is defining 'ProOps' as a market category, by which it means the transformation of procurement and operations from manual to automated processes. Orbitera's software is aimed at creating networks of buyers and sellers of cloud services, specifically taking care of billing, packaging and cost optimization. While its current focus is billing and cost optimization, Orbitera could be positioned as a platform for broader digital ecosystem management, thereby expanding its overall opportunity. On the other hand, there will be increased competition as cloud consumption management and optimization firms are seeking to deepen their penetration of service-provider markets, while traditional billing and subscription management firms are sharpening their approaches to cloud.

CONTEXT

The billing changes required to support cloud and digital transformation is a big problem for IT producers and ISVs because they aren't architected to handle it. Consider the need for flexible pricing and delivery, the volume of data and the need to run on third-party platforms. On the demand side, traditional financial and procurement tools simply aren't set up for this.

Amazon Web Services is Orbitera's role model. It believes a large part of AWS's success has been achieved because it has reduced the friction in commerce. With the near total automation of IT resource and service delivery, AWS brought the consumer retail experience to IT and the rest is history. Of course, doing something useful with the usage and billing data provided by AWS via its APIs is not for the technology fainthearted. Simply assessing the range of instance sizes and memory options available (which we have done for 451 Research's Cloud Price Index) throws out thousands of permutations. Enterprise end users report receiving AWS bills with millions of lines of entries and assets. Processing AWS billing data is a key use case for Orbitera.

Orbitera is targeting its Cloud Commerce Platform at software vendors and resellers (including AWS resellers) that provide consumption billing to their customers and tools for packaging services together (such as a package of software, RDS, EC2, MySQL and managed services that a provider might put together for customers). The idea is to deliver an AWS experience with a single package of services and a single bill. Orbitera also targets enterprises, enabling them to look like ISPs, which is how employees are now using software and services.

For ISVs, Orbitera drives recurring revenue through consumption billing and control of cloud e-commerce. For the IT channel, the company manages n-tier billing of high-volume usage-based services and packages services from multiple vendors. For enterprises, it governs usage of consumption software and services and optimizes spending.

TECHNOLOGY

Everything Orbitera does is based on its billing engine, its pricing engine and marketplace. The ISV gets the marketplace and presents this to the customer – the ISV's ecosystem can also use the marketplace to sell their products as well. Orbitera bills for cloud subscriptions and automates invoicing – integrating with existing systems. Crucially, Orbitera's model is n-tier. It is able to expose the relevant mechanisms to different participants in the channel and manage billing and contracts across them. It is a multi-tenant SaaS application and also available as a managed, single-tenant hosted implementation. There is no on-premises version.

Orbitera's price book and pricing engine (a metering service) enables ISVs and providers to get non-consumption-based service into a package of services. Orbitera collects data via an agent (some customers build an Orbitera library into their products) or grabs usage data from accounts and rates it against a price book via an API. It offers

a customer portal and reporting. Where appropriate, it uses the native cloud deployment package itself to present the data. Users think they are seeing an AWS or Azure tool. Channel customers can wrap the data in a branded AWS Cloudwatch package – powered by Orbitera. Orbitera provides input for enterprise chargeback. In its experience, enterprise RFPs for showback/chargeback services are usually won by internal IT groups and then outsourced.

BUSINESS MODEL

Founded in 2011, Los Angeles-based Orbitera raised \$2m from Resolute Ventures in May 2015 in order to expand its operations and grow the business, although it was already cash-flow positive at the time. The company, which expects revenue of \$10m in 2016, is trying to figure out how much and when it should raise a next round. Most of its business is in the US – Orbitera claims it already has more than it can handle. It has Fortune 100 customers (including Avnet) and claims hundreds of ISV and channel partners onboard to sell in the cloud. It charges an annual subscription plus a percentage of billing. The company deals with complex pricing, contract and service packages. Most of Orbitera's channel customers are reselling multiple service packages to their customers. It says they are willing to spend significantly on billing in order to capture and grow these relationships.

Avnet runs a multi-tier cloud marketplace and uses Orbitera to connect hundreds of cloud vendors and services to end customers through its 5,000-strong reseller network. Orbitera claims Avnet was able to grow its cloud revenue by 1,000% and is arguably one reason Avnet has been able to create a leadership position in cloud among the major distributors and is driving disruption and M&A among other vendors in the sector. Other customers include F5, CorpInfo, Oracle, Adobe and Sophos. Partners include Cloudyn, Evident.io and Sumo Logic.

AWS's TestDrive sandbox uses Orbitera and it also works with AWS on its MSP and reseller programs.

Orbitera has data for consumption management and optimization but isn't forensic about instance usage, nor does it make recommendations. These are functions that are closer to the IT organization. It deals with IT procurement organization and functions and increasingly sees VP cloud and VP strategy roles involved in Orbitera purchase decisions. Operations and procurement functions are always part of the decision-making.

COMPETITION

The company's key competition is Aria Systems, Zuora, HNA Group-owned Ingram Micro's Odin (formerly Parallels), Jamcracker, AppDirect, ComputeNext and CloudGenera. Its differentiation is around billing and specifically cost optimization, enabling customers to reduce the overhead of billing for cloud software and services.

SWOT ANALYSIS

STRENGTHS

Orbitera believes it is helping its reseller customers achieve margins of better than 50% on cloud services packaging and is a springboard for accelerated growth among providers (external or internal) seeking to build value-added cloud service businesses.

WEAKNESSES

Funding and then managing the operational growth required to scale a business without being distracted to disruption is a challenge for businesses positioned for top-line growth.

OPPORTUNITIES

While its current focus is billing and cost optimization, it's not a stretch to see how Orbitera could be positioned as a platform for broader digital ecosystem management given its ability to work with all kinds of assets, owned or third party.

THREATS

Cloud consumption management and optimization firms are seeking to deepen their penetration of service provider markets while traditional billing and subscription management firms are sharpening their approaches to cloud. Will Avnet need to secure Orbitera more directly to ensure continued cloud growth in the wake of Ingram Micro's pick-up of Odin? We believe other distributors now waking up to cloud are eyeing these firms for acquisition.