

**Parallels Software: A Growing Ecosystem**

March 05, 2013 - IDC Link

By: [Darren Bibby](#)

[Parallels](#) is not the name of a software company that everybody knows. In fact, a few people around the office didn't know about the company when they heard I was attending their conference. Others knew them for their Parallels Desktop software for Macs that allows you to run Windows. Others have heard of the company lately as Cisco has acquired a small equity stake.

After attending Parallels Summit 2013 in February, it seems to me that people in the IT industry will know about Parallels soon, if they don't already.

Parallels' aim is to help the ISV and service provider ecosystem to serve Internet applications to the SMB market. And this is a market that's growing fast. Birger Steen, CEO, summed the opportunity up well by stating that the IT industry is growing at 6%, but the market for cloud services for SMBs is growing at 30% (Parallels' numbers). He stated that, on average, SMBs used one cloud service in 2009, they used four in 2012, and they will use seven by 2015. Parallels wants to be the company to fuel this trend.

Event

This was the seventh Parallels Summit event, and a big change from the first one held in a small hotel meeting room near its offices in Virginia. The latest edition was held at Caesars Palace in Las Vegas on February 5–6 and boasted more than 1,200 attendees. Over half the crowd consisted of a mix of hosters, managed service providers, and cloud service providers, though the terms are getting somewhat murky. Let's just call them service providers. Roughly one-quarter of the attendees came from independent software vendors. The remainder included global systems integrators, investors, members of the press and analyst communities, and company staff.

Product Announcements

Beyond the successful desktop virtualization offerings (e.g., Windows on the Mac) that makes up a third of its revenue, Parallels focuses on providing software solutions to service providers. Parallels is also getting other ISVs to tie into the same service provider community. More on that in a minute.

For its main audience, Parallels provides the tools to run an efficient service provider business. Key software functionality includes provisioning, virtualization, billing, dashboards, and other control panel features. Parallels boasts some strong clients too, including many top telcos, hosters, and software companies such as Sprint, CenturyLink, KPN, America Movil, Telenor, Go Daddy, and Rackspace.

But the most interesting thing to IDC is what the company is doing with ISVs. Parallels has created something they call the [Application Packaging Standard](#) (APS). It's a framework, including a little bit of code, that ISVs can use to prepare their applications to be integrated into a cloud delivery system with service providers, such as Parallels Automation. The APS effort has been led by one of the cofounders of Microsoft's .NET initiative. (In fact, you will find many ex-Microsoft employees at Parallels, including CEO Birger Steen.)

Though Birger is Norwegian, let me try out a Swedish analogy here. APS feels like the IKEA Allen key. The ISVs know that all service providers own one, so they make sure to make all the interfaces with their applications "hexagonal." I'm sure there are better analogies, but it works for me.

Ecosystem

The coordinated ecosystem play brought forward by Parallels is an interesting one. Parallels sees great opportunities for all hosters and service providers, despite the growth of mega players like Amazon, Google, and Microsoft Azure. Parallels feels there is room in the industry for the thousands of smaller providers that add value through better service, customization, or offerings by solution or vertical. The key is for the smaller players not to be too vanilla — they cannot compete on price or scale with the big players.

As said above, Parallels' goal is to take advantage of the growth in SMB cloud services. And the company is helping to match up the ISVs who create the valuable applications and the service providers that can deliver them to market. It sounds like APS is pretty easy to work with for ISVs, so why wouldn't they use it and make themselves more attractive to service providers? For service providers, if they are evaluating two cloud apps that do a similar thing, wouldn't they take the one that's easier to deploy and run?

And while APS is free to use for ISVs, having those applications ready to be delivered means that Parallels engrains itself more and more with service providers. Birger Steen commented that he expected to see more business being done between ISVs and service providers at the event than with Parallels. The company is becoming a hub, which is a nice place to be.

In terms of large alliances, Parallels has some major wins. APS is a key technology in the syndication and provisioning of Microsoft Office 365, one of the leaders right now in terms of paid for cloud business services. Microsoft uses the APS standard to syndicate its Office 365 cloud service to companies like KPN, Sprint, and Telenor. Parallels also talked about key interactions with Cisco and EMC and provided many details about its partnership around MSPs with IBM.

Going Forward

Parallels is growing and succeeding in selling its software for desktop virtualization and service provider automation. But the elements around the growing and succeeding ecosystem are far more interesting and have broader impact. IDC will continue to watch the APS story play out. The key metrics will be the number of ISVs adopting the standard and Parallels' ever-increasing number of service provider customers/partners.

Subscriptions Covered:

[Software Channels and Ecosystems](#)

Please contact the IDC Hotline at 800.343.4952, ext.7988 (or +1.508.988.7988) or sales@idc.com for information on applying the price of this document toward the purchase of an IDC or Industry Insights service or for information on additional copies or Web rights. Visit us on the Web at www.idc.com. To view a list of IDC offices worldwide, visit www.idc.com/offices. Copyright 2011 IDC. Reproduction is forbidden unless authorized. All rights reserved.