




7 Steps to Next-Gen IT Managed Services



The IT services industry continued to grow in 2012, with most businesses providing basic managed services, such as server monitoring and software updates.

However, new trends point at a next-gen IT managed services industry wherein managed service providers (MSPs) expand their services offering and adopt a more active role in the management and planning of their customers' IT departments. Next-gen IT service providers are becoming virtual CIOs to their customers, offering guidance and advice on how their customers' businesses can leverage IT to meet their evolving business needs.

An increasing number of MSPs are moving beyond monitoring and network management to business consulting, while at the same time offering data management, application management and other services that strengthen customer engagement and profitability. Recent industry surveys indicate that customers are indeed demanding CIO-type guidance, while at the same time expecting assurance that applications will remain highly dependable, whether they reside on premise, in an MSP data center or are hosted by a third party.

For new IT service providers venturing into the market, the challenge becomes blending business guidance with managed services and cloud services. Experienced MSPs have come to the same

conclusion: To remain competitive they need to continually evolve their services. Companies that began life with staples such as remote monitoring, managed security and managed storage now seek to differentiate. The new services take many forms, including:

- Managed and hosted VoIP
- Managed database services
- Mobile device management (MDM) for tablets, smartphones and more
- Video surveillance
- Cloud services ranging from SaaS-based CRM to cloud-based backup and disaster recovery

Current research on MSPs found the best-in-class companies invested twice as much in new services compared with the average MSP. Moreover, top MSPs continue to charge from \$100 to \$150 per user, per month for all-in managed services according to TruMethods, a consulting firm that works closely with MSPs. Want to achieve best-in-class status? Read on for seven tips on how to expand beyond the MSP norm.

“The best-in-class are branching out. Services that are well established tend to have restricted margins and tend not to be as profitable. But people who go out and develop new technology solutions tend to be more profitable.”¹

—JIM HAMILTON, VICE PRESIDENT OF MEMBER RELATIONS, COMPTIA

1 Ask Your Customers

Your customers may prove to be your best source of inspiration when mulling which new services to offer. Two practical pieces of advice: First, use your IT help desk to spot trends. More than fixing customer problems, your IT help desk can be your direct connection into your customers' long-term business planning—revealing their wants and needs through casual conversations with your support personnel. Next, leverage your

network operations center (NOC) to track performance, reliability and scalability trends within your customer settings. Your NOC, for instance, can reveal customers' peak network and server usage hours; perhaps it's time to recommend a cloud service that can help customers improve application performance during their peak hours of demand.

For MSPs that don't have effective

help desks and NOC services, there are numerous paths forward. Options include:

- Using off-the-shelf software to build an in-house NOC or help desk
- Evaluating SaaS options, which include numerous IT service management and help desk tools available in the cloud
- Working with a third-party NOC and help desk provider, many of which will provide white label customer support
- In addition to tapping into NOC and help desk services to gain customer intelligence, top MSPs simply meet regularly with their customers to gather new service ideas

"Our options were simple. We could dream up their needs or ask what their needs are," said Rene Theberge, National Sales Manager at EnabledSuccess, Inc., an Ottawa MSP that provides SaaS products from such vendors as NetSuite. "The origin of our offering is not from a product manager, it really comes from the customers themselves."

To strengthen the dialogue, EnabledSuccess launched a user group that meets several times a year via conference calls. Through those meetings, additional offerings can be identified and incorporated into the company's services, he said.

The key, says Theberge, is to include strategy sessions as part of the package of support services a customer is already paying for.

Other companies use periodic customer satisfaction surveys as a feedback mechanism. In addition to gauging how well the company is doing, surveys provide a forum for discovering things customers are looking for the company to do.

Another source to tap: Your peers. Gerry Skipwith, a managed services industry veteran, says he learns from talking to other IT service providers through forums and conferences. "It's a great way to learn about what kinds of things are being offered by other providers," he said. "It's a reflection of what the market is looking for."



Invest in People, Process

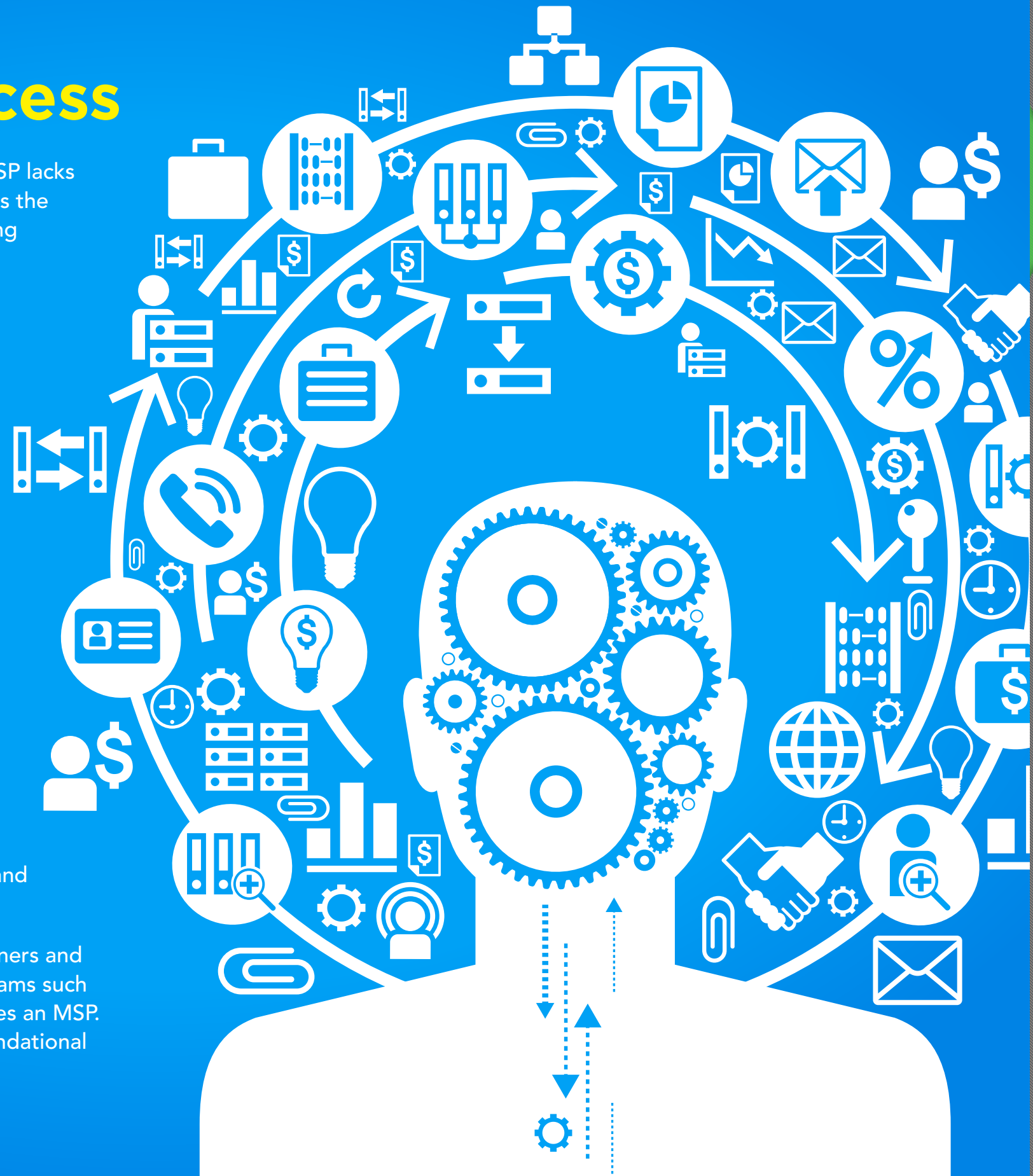
A broader service portfolio is typically a good thing, but not if the MSP lacks the resources to deliver. An expanding MSP needs to make sure it has the required expertise to support a new service. Bench strength, or having more than one person with expertise in each service offering, is also a key to success because each managed service represents a 24/7 commitment.²

A culture of continuous learning is critical for both new and expanding service providers, adds Frank Picarello, COO of CMIT Solutions, Inc., a managed service provider that utilizes locally owned and operated locations to meet the IT needs of small and mid-size companies nationwide. CMIT's extensive training programs cover business strategies for owners and managers, as well as technical training for service delivery personnel.

To best leverage their workforce, CMIT maintains a skills database to track the training and experience of each staffer. The database is shared by all CMIT business owners and searched when specific talents are needed by an office location that doesn't currently have someone with those skills available.

In introducing new offerings, CMIT employs a rigorous roll-out strategy to ensure consistent quality across their network of companies. They offer extensive technical and sales training on the specific offering; marketing collateral that can be customized to the needs of the local market; and "locked-in" agreements with vendor and distributor partners.

In addition to the specific preparation CMIT offers to its business owners and their staff, CMIT also encourages participation in credentialing programs such as the CompTIA MSP Partners Trustmark. "Anyone can call themselves an MSP. What I like about the Trustmark is that it ensures an MSP has the foundational requirements for supporting service offerings," says Picarello.



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3 Partner to Extend Services

MSPs don't necessarily need to build their own services to stretch beyond their core offerings. Partnering lets companies expand without incurring hiring and training expenses.

Still, MSPs need to carefully consider their partnering options—especially when it comes to leveraging third-party cloud services and managed services. Among the key questions to ask:

- Can the third-party service be rebranded (or “white labeled”) as the MSP’s own service?
- Can the MSP set pricing and margins for the third-party service?
- Who handles end-customer billing?
- What type of service level agreement (SLA) does the cloud provider offer to MSPs and end-customers?

Techling’s core business focuses on such areas as servers, local-area networks, wide-area networks and virtual private networks. The company works with other companies or contract employees to extend its services.

Techling President and COO, Anton Ruighaver, said the company teams up with partners to provide customers with web design and hosting, off-site backup, Mac support and Linux services, among its other offerings.

Ruighaver said Techling acts as the billing agent on behalf of its partners, noting that the goal is to give customers a one-stop-shopping experience. He said the company requires its partners to nominally reduce their regular fees, which eliminates the possibility that the customer will want to take its business directly to the partner to get a better deal. The partner will make less than its usual fee, but may still find the partnership attractive if the link-up brings in enough work.

ZSL, Inc., a solutions and services provider based in Edison, New Jersey, decided to tap a partner, Net Access, for data center services instead of building its own facility. “Our core expertise is more about making server applications run 24/7,” says Shiv Kumar, Executive Vice President at ZSL. “We felt it was better to invest our time and effort in building experience and expertise in services rather than in building the data center.”



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Rethink Pricing

When managed services first gained momentum, most MSPs charged on a per-device basis. The monthly recurring cost was based on how many PCs, notebooks and servers the MSP managed. More recently, a large number of MSPs have shifted to flat fee per user pricing—with the best MSPs generating \$100 to \$150 or more per month per user, according to TruMethods CEO Gary Pica. What's driving some MSPs to shift from per-device to per-user pricing? Factors include:

- Per device desktop pricing can often lead to price wars with rival MSPs
- Emerging devices like tablets and smartphones require management, but it's sometimes difficult for MSPs to quantify the value of such services
- Cloud computing, which has forced MSPs to think less about "physical" devices and more about virtual services and end-user consumption rates

As cloud services and managed services blend with one another, TruMethods recommends a so-called "cake" approach to pricing. Instead of selling customers itemized ingredients (patch management, remote monitoring, storage, etc.), Pica recommends selling customers the entire cake (total IT management) for a single, higher-margin price.

Still, there are cases where it doesn't make sense for MSPs to abandon per-device pricing. For instance, many MSPs monitor thousands of devices across multiple data centers, in which case, per-user pricing may not make sense. Some MSPs, meanwhile, offer tiered pricing. ZSL, for instance, offers a foundation stack and advanced monitoring and management.

The foundation stack covers the server operating systems, database servers and application servers. That level of service includes patches and security updates. The advanced level, meanwhile, monitors processes running on Windows and SQL server instances and provides log monitoring.

According to Kumar, the two levels help ZSL clearly define what customers are getting for their money. This pricing approach makes it easier for ZSL to justify the cost of services to a client's chief financial officer, who might hesitate initially to sign an annual contract. With flat-fee pricing and a single service level, customers "didn't have any clue on how deep we manage servers and the applications running on top of them," Kumar said.



“If we don’t have the specific proficiency required in-house, we take the next step and determine whether or not a partner can suit (the customer’s) needs.”

- ANTON RUIGHAVER, PRESIDENT AND COO, TECHLING

Minimize Surprises

Unexpected costs upset customers and their budgets. On the flip side, unexpected costs can also trim an MSP’s profit margins. To minimize the risk of costly surprises, MSPs must have well-defined onboarding processes in place. The onboarding process often includes “minimum configuration requirements” for all PCs and mobile devices attached to the customer network.

During the onboarding stage, MSPs typically refresh outdated customer PCs, perform memory and storage upgrades, apply software patches, update all operating systems and apply proper security to all systems.

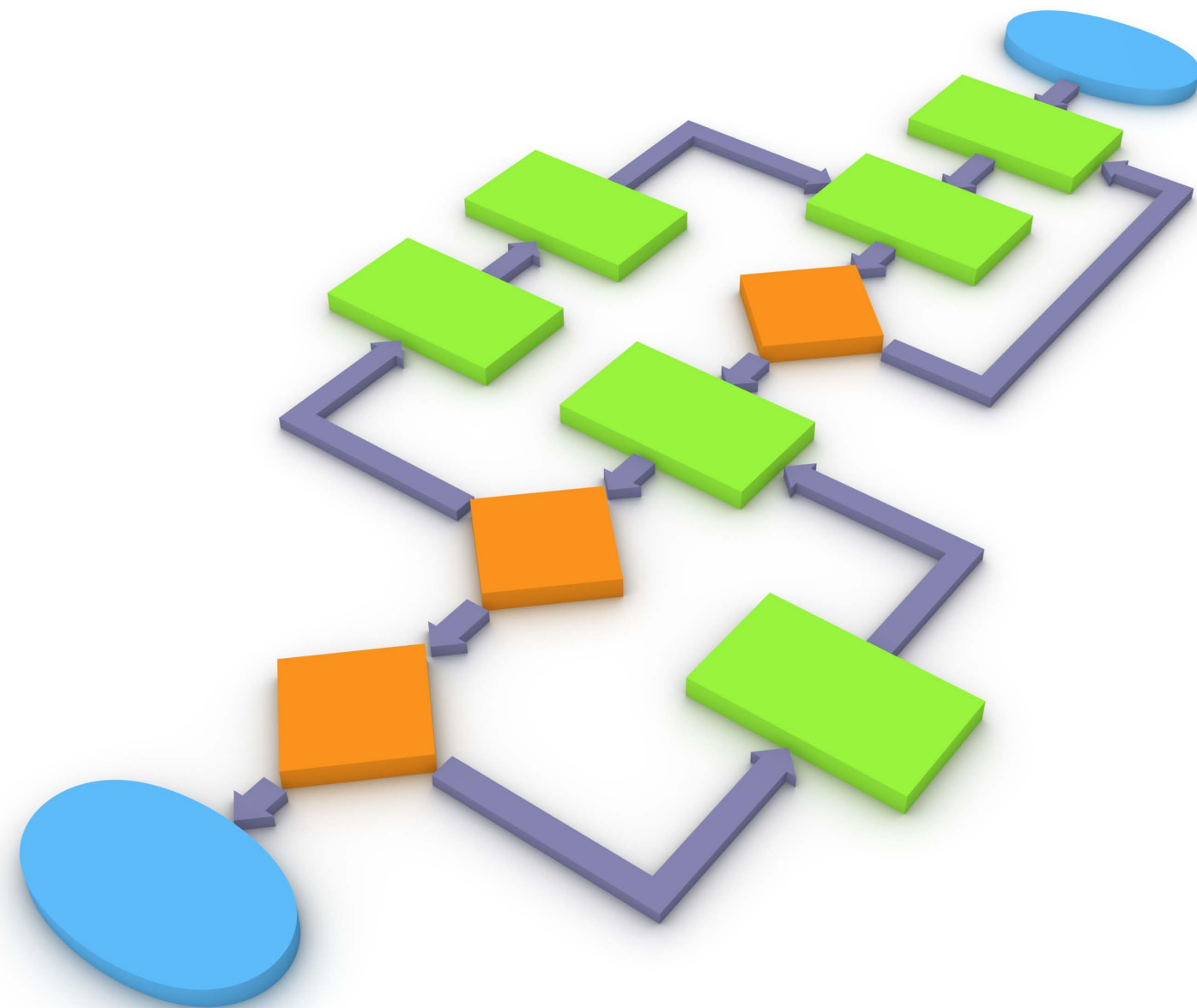
Ideally, this onboarding step involves a separate charge from the monthly managed services fee. The onboarding fee covers the MSP’s cost to bring the customer’s network into compliance with modern IT best practices. The onboarding process also ensures that the customer’s network is in a healthy state the very day managed services are applied to the network.

Still, healthy networks can suffer setbacks as new variables enter the picture. Increasingly popular services such as SaaS can prove problematic in that respect. Without clearly defined service level agreements, customers may be confused about what’s included in a SaaS deal and what’s considered an extra item that involves an additional fee.

“The problem with SaaS is you are not always sure what you are getting into,” Theberge said. “It’s more difficult to plan expenses.”

EnabledSuccess, however, aims to take the surprise element out of SaaS. The company works with its customers to build a support package that takes into account training and consulting needs. If a customer knows they will hire two new employees, then the cost of training two employees is reflected in the package. Consulting time is also anticipated: a half-day per quarter, for example.

The bundling of ancillary services—and cost—into the SaaS package lets customers budget their expenses ahead of time. Strategic consulting will be required, but customers don’t have to go through a budget exercise of getting money for it every quarter and are not caught off guard.



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Make Your Services Stick

MSPs should cultivate “stickiness” with clients, especially in a challenging economic environment. Essentially, service providers should aim to intertwine themselves in the customer’s business as much as possible. And that stickiness factor goes beyond an MSP’s own technology or service.

In some cases, MSPs are offering vendor management services—emerging as the central clearing house for the customer’s entire portfolio of IT relationships. The MSP, working on behalf of the customer, negotiates all IT-related contracts—covering everything from telecom services to mobile broadband services.

Hamilton advises MSPs to develop a relationship with the whole business, not just the IT portion. Oftentimes, discussions will start with a customer’s business challenge, such as complying with emerging government mandates, regulations and privacy laws.

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Make the Commitment

Overall, MSPs need to step up to the investment necessary to build and maintain new services. Hamilton said losses rather than profits are typically associated with an investment in a new line of business. But the opposite is true in the MSP space.

“The most profitable MSPs are the ones who are targeting growth, the people who are investing to take advantage of that opportunity,” Hamilton said. MSPs are advised to structure themselves for growth. That involves several dimensions: Developing a sales and marketing plan that targets growth, building out infrastructure to boost capacity and creating an onboarding process to accommodate new customers.

MSPs hoping to grow face a significant commitment in time and money, industry executives contend. “It’s not for the faint of heart,” Skipwith said. “It’s kind of like we’re renovating a house—it will cost twice as much as you think, but you need to go in and make that necessary investment.”

“You need to go upstream and talk to the C-level and line-of-business folks and establish yourself as a trusted business advisor and be able to sell services from a business perspective, not just an IT perspective.”

—JIM HAMILTON, VICE PRESIDENT OF MEMBER RELATIONS, COMPTIA



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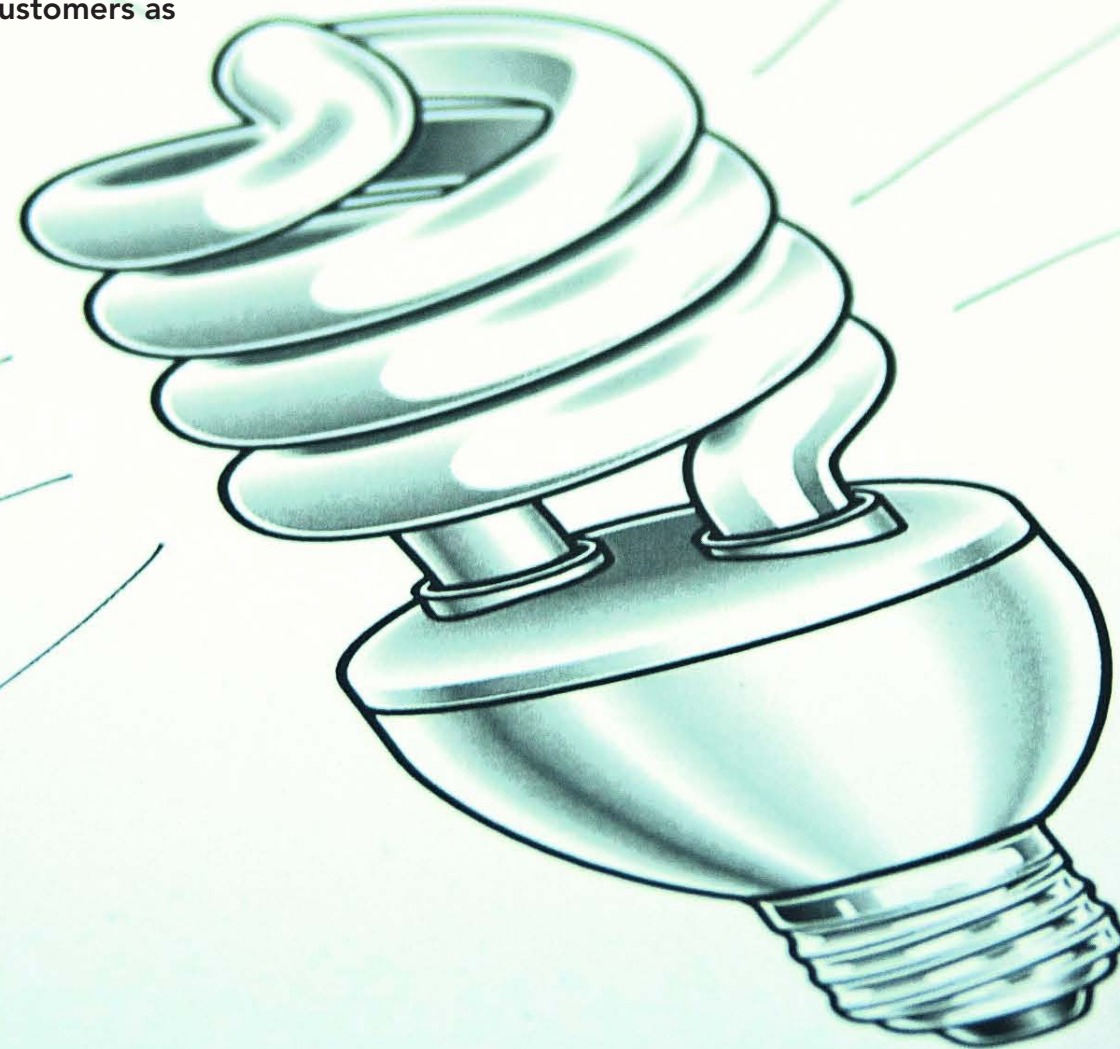
Summary

In order to remain competitive, established and up-and-coming managed service providers and IT solution providers in general will be required to expand their service offerings and become a more integral and indispensable aspect of their customers' businesses. There are many ways to accomplish this, but these measures require a commitment to improved communication with customers, additional training and knowledge acquisition and perhaps even new alliances.

Next-gen managed IT services will require an intelligent mix of offering traditional managed services with new and innovative services, identified through closer communication with customers as they work on their growing businesses.

About LabTech Software

LabTech is the only managed services platform for remote monitoring and management with automation developed by a managed service provider (MSP) for MSPs. The affordable, agent-based platform so closely emulates what technicians do in the field that the techs can provide the same support remotely. Because LabTech Software understands how to manage a growing MSP business, they make it easier to procure their software and allow partners to add agents as they grow. For more information, please visit labtechsoftware.com or call 877.522.8323.



1 "Seven Steps to Next-Gen Managed IT Services Success," CompTIA, January 2012, http://www.comptia.org/documents/MDOC_STORAGE/QSG_Managed_IT_Svcs.pdf

2 Ibid.

3 Ibid.