



## WHITEPAPER

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### NEW REVENUE AND PROFIT OPPORTUNITIES FOR SERVICE PROVIDERS

How to generate new recurring revenues from higher-value,  
higher-margin Managed Services

*This White Paper explains trends that are driving global demand for Managed Services and why becoming a Managed Services Provider represents an easy and natural migration strategy for your business.*

## NEW REVENUE AND PROFIT OPPORTUNITIES FOR SERVICE PROVIDERS

The single biggest threat to service providers in an established industry is commoditization. Revenues, market share, and profitability slide as supply from an increasing number of “me too” providers outstrips demand for services.

Not surprisingly many service providers are reevaluating their core business strategy. They are asking: what would be a natural extension of my business? What else could I do of high value within my customers’ offices?

Rather than competing on price and chasing dwindling margins, many have transitioned to a managed services model and/or become a Managed Service Provider (MSP).

Managed services is a natural complement to an existing product or service offering while providing an immediate path to higher value and higher margin services. Top tier MSPs consistently put between **20 percent and 30 percent operating income to their bottom line.**

In addition to improved margins and profitability, the proven advantages of migrating to a MSP model include:

- Rapidly diversify your service offerings
- Generate new sources of recurring revenue
- Increase your value to existing and new customers
- Differentiate your core business
- Improved business valuation
- Obtain a competitive advantage
- Leverage the loyalty and equity in customer relationships

The purpose of this white paper is to provide service providers with details on how they can quickly and safely transform their businesses by making the move to managed services.

This white paper will be invaluable if you are a service provider, concerned about commoditization, and interested in learning about a proven business transformation strategy that has been successfully deployed by over 2,500 MSP partners worldwide.

## KEY TRENDS DRIVING DEMAND FOR MANAGED SERVICES

### Mobility and mobile computing

According to Cisco's **Visual Networking Index Global Mobile Data Traffic Forecast Update**<sup>1</sup>, global mobile traffic will increase 13-fold by 2017, with more than 10 billion mobile connected devices. Mobile devices now outnumber people on the planet. Wireless data traffic is expected to grow 66 percent a year for the next five years.

That growth has created a rare Greenfield opportunity for Managed Services. More and more, smart phones and tablets are included as part of an overall Managed Services Agreement. If these devices, often loaded with sensitive corporate data, are not properly managed and secured, they pose significant risks to the SMB.

### IT anywhere

It all started with Bring Your Own Device (BYOD) and the movement has been turbo charged by the adoption of one device in particular: tablets.

According to Morgan Stanley Research, tablets are the fastest ramping mobile device in history:

*"Cumulative tablet shipments in 2010 and 2011 were more than double the cumulative shipments of any other mobile device in its first two years<sup>2</sup>."*

Those impressive adoption stats underscore that tablets have entered the workplace with record breaking speed. In so doing they have helped accelerate "IT anywhere". What does it mean?

Gone are the days when the internal IT department can dictate product choice. In exchange for working long and often grueling hours - like responding to emails from dawn to the wee hours of the night - everyone is demanding lots of choice. In so doing, this need for flexibility and options coupled with massive adoption of mobile devices has fueled unprecedented demand for MSPs.

### The growth in cloud-based solutions

Cloud-based solutions are where we are headed - and fast. The cloud enables businesses to move away from dedicated hardware based systems and into web applications. Moreover, advances in cloud computing is beginning to affect the demand patterns for a wide range of on-premises hardware such as servers, storage and network and client devices including phones, netbooks, and tablets.

<sup>1</sup>The Cisco Visual Networking Index (VNI) Global Mobile Data Traffic Forecast Update, February 6, 2013

[http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white\\_paper\\_c11-520862.html](http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white_paper_c11-520862.html)

<sup>2</sup>Source: Morgan Stanley Research, Blue Paper, Tablet Landscape Evolution, May 31, 2012

**Now, more than ever, customers need help with their IT infrastructure.**

Uptake on *Microsoft Office 365* is a good example. According to some sources, the Home Premium edition of Office 365, launched in January 2013, signed-up a million customers within three and a half months – faster than many online services including Facebook.

100 percent of your customer base is probably already comfortable with the cloud. They've embraced the cloud on a personal level with applications like *iCloud, Dropbox, Ubuntu, iDrive, SugarSync, Amazon CloudDrive, ZipCloud* – to name a few.

With personal adoption so prevalent – and big companies like Microsoft, Google and Amazon trumpeting the efficiencies of cloud-based solutions, managed service providers are in a perfect position to join the chorus and follow suit with new cloud-based managed services.

### **Increasing Reliance on IT**

Whether your clients are small business owners or large enterprises, one thing is clear: their IT systems are becoming increasingly complex, inextricably linked, and difficult to manage.

Even the smallest organization now has mission-critical systems that, if they fail, will negatively impact the success of their business. In many cases, unpredictable soft costs resulting from an IT failure are more serious and damaging. These include reduced workforce productivity because employees can't email or provide services they are paid to deliver. The domino effect from this lack of communication and reduced or severed service delivery can be devastating: lost sales, lost customers, and reduced marketplace credibility.

All organizations have the increased burden of meeting complex compliance requirements and keeping up with constantly evolving security threats.

**The bottom line:** customers are looking for service providers **they trust** to deliver an integrated suite of services, more efficiently, at a lower cost and help mitigate their compliance and security risks.

*Managed Services enables you to leverage your existing client relationships and add a new recurring revenue stream*

## THE MANAGED SERVICES OPPORTUNITY

Managed Services is an **innovative business and service delivery model** for generating recurring revenue from a profitable mix of IT services. Services can range from “break-fix” and reactive to proactive and fixed-fee. Efficiencies are realized by delivering IT services remotely in an automated fashion using Remote Monitoring and Management (RMM) technology.

Managed Services enables you to provide existing and new clients with predictable, business-focused IT services that optimize their operations, manage risk and deliver measurable business value.

Higher business valuation from a new recurring revenue stream, improved margins from higher value services, and stronger customer relationships are just some of the compelling benefits of becoming a MSP.

Most importantly, Managed Services leverages your most strategically important assets:

- A strong, **established sales force** and,
- **Trusted relationships** with small and mid-sized business (SMB) clients.

These two assets are critically important to the success of any Managed Services business – **and why with the right MSP support**, your service provider businesses can make the leap to managed services.

## WHAT YOU NEED TO ADD OR TRANSITION TO MANAGED SERVICES

While RMM technology is a key requirement, you will need more than technology to add a well-defined and profitable set of Managed Services to your core business. A complete MSP transformation solution includes the following four necessary elements:

- An interoperable **RMM Automation platform** with automation tools that can replace manual IT tasks
- **Flexible licensing and “a-la-carte”** products to meet the needs of all types of SMB customers
- **Business transformation services** to ensure you are offering the right mix of Managed Services and use best practice sales and marketing programs for rapid customer acquisition
- **Helpdesk and network operations center (NOC)** services



*Collectively, remote control, remote monitoring, remote management, automation and reporting define a complete, end-to-end solution that enables you to efficiently optimize the entire IT infrastructure of your SMB customers.*

## RMM AUTOMATION PLATFORM

An RMM Automation platform equips an MSP with the technology foundation they need to cost effectively monitor, manage, and protect hundreds of thousands of IP-enabled devices. Critical requirements for a complete RMM Automation platform include:

- Remote control
- Remote management
- Remote monitoring
- Remote automation
- Reporting performance metrics

### “Must Have” Features of a winning RMM Automation Solution

- **Managed Mobile and Cloud Offering**

Today, remote management and control must extend any Managed Service relationship to mobile devices including smart phones, tablet computers, and personal digital assistants (PDAs). Essentially any device that is now part of the network or work environment and considered an “enterprise asset” must be a device that you can manage. This is one of the fastest growing and most important opportunities for your Managed Services business.

- **Fully integrated, single pane-of-glass**

A key requirement for achieving optimal efficiency is an RMM Automation solution with a **centralized management console** that provides a single pane-of-glass with point-and-click functionality for all monitoring, management, and reporting tasks. A centralized console gives the ability to customize views, schedule all tasks, and perform all functions from one dashboard without having to toggle or move to different screens.

- **Remote Automation based on best IT practices**

The key to reducing IT support costs and delivering services in a cost optimized way is automation **based on proven best IT practices**. Specifically the ability to easily automate the majority of routine, manual IT tasks such as defragging, auto restart, backups, end point security, updating patches, resetting passwords, application deployments, performing asset management and updating software on employees’ systems, and many other tasks. The more you can automate, the **less time you spend reinventing the wheel**, the more efficient you become, the fewer scripts you will need to write, and the more consistent your service delivery standards will be.

- **Professional, standardized reports**

A key success factor for any MSP is the ability to quickly generate professional, standardized reports that show the value for IT services provided for any period. Reports also enable you to highlight important IT infrastructure, upgrade, and performance issues that warrant discussion. All reports should be presented in easy-to-read, scorecard style executive summaries and branded with your company’s look and feel.



## **FLEXIBLE LICENSING MODEL WITH OPTIONAL "A-LA-CARTE" PRODUCTS**

While the goal is to sell a fully managed service contract to all customers, the market reality is different. 80% of the addressable SMB marketplace is dominated by customers who fall into the "break-fix" and "responsive" category. These customers want to buy specific IT services, such as Antivirus, Anti-spam, and Back-up. A winning RMM Automation solution gives you the option to sell profitably to these types of customer using a flexible licensing model and the ability to sell a single solution – such as Antivirus – that is delivered as a Managed Service. In other words, you can sell exactly what your customers want to buy right now – as a Managed Service. In so doing you demonstrate the value of Managed Services, and build the relationship.

## **BUSINESS TRANSFORMATION SERVICES**

To integrate or add Managed Services to your existing, core business you're going to need more than RMM technology. You're going to need expert professional help – Business Transformation Services – to hammer out a go-to-market strategy while ramping-up and marketing a profitable suite of Managed Services in the fastest time possible. Business transformation services should include guidance for architecting targeted sales and marketing programs based on best practices, identifying priority customers, pricing and identifying the right mix of profitable managed services.

## **NETWORK OPERATIONS CENTER (NOC)**

NOCs are the focal point for network trouble shooting and are critical to any MSP's success. They provide a structured environment for efficiently coordinating operational activities related to the function of the network. This includes responsibility for monitoring the network for alarms or certain conditions that may require immediate attention to avoid any impact on the network's security or performance. When necessary, NOCs escalate problems and immediately engage technicians to resolve the problem.

## THE N-ABLE MANAGED SERVICES SOLUTION

N-able offers the most comprehensive MSP transformation solution with a proven track record for helping service providers quickly adding profitable new managed services to their core business. This complete and revolutionary system includes the following:

- **N-central™: the industry's #1 RMM Automation platform**  
N-central provides MSPs with an award-winning RMM automation platform for remotely monitoring, managing and automating the broadest range of IT tasks - for any type of device - and delivering standards based managed services to SMBs in the most scalable and cost effective way possible. N-central is distinguished by:
  - » **Automation Manager** - the industry's first codeless and completely customizable automation engine that automates 95% of standard IT task without any scripting knowledge required
  - » **A centralized management console** - *"single pane of glass"* - for quick command and control of any device - on premise, mobile or in the cloud
  - » Includes the industry's **only hybrid licensing model** with FREE Essential licenses for demonstrating quick value to customers and fuelling rapid growth
  - » Includes optional **a-la-carte modules** for maximum flexibility to meet the needs of all types of SMB customers and selling to *100% of the addressable market*
- **Industry leading business transformation services** - validated by over 2,500 global partners, the N-able MSP Business Transformation Services provide you with ready-to-use marketing collateral, sales and marketing training for efficient knowledge transfer, and dedicated experts to help you plan, develop, and implement your marketing programs, and sell managed services in the fastest time possible. Includes:
  - » **MSP Supplemental Services offering**  
These services enable a service provider to jump into Managed Services and begin building recurring revenue with very low risk - and without needing the deep pockets required to hire, train and maintain technical staff to deliver very specialized desktop, server and network services.
- **N-able offers three types of MSP Supplemental Services:**
  - » Network operations center (NOC) support, which involves remotely monitoring and managing devices on a customers' network
  - » Help desk support, which involves remotely fixing issues on customers' desktops, laptops and servers
  - » Post-hours support, which provides NOC support and help desk support outside of regular business hours



*Benefits include higher business valuations from new recurring revenue streams and stronger, stickier customer relationships.*

## How the program works

MSP Supplemental Services involve a service provider contracting a Master MSP to provide outsourced managed IT services to their clients. These services can be fully branded as your service offering, but are delivered behind the scenes by our Master MSP.

With this option, the Master MSP does all the heavy lifting in terms of service delivery and frees you up to focus on selling and managing the customer relationship. N-able has found that even our established MSPs have an interest in Master MSP services because they offer increased cost savings, greater efficiencies and a number of resource-related advantages.


## IN CONCLUSION

The N-able MSP Program is a proven strategy that will facilitate your quick transition to Managed Services. The many benefits of adding Managed Services to your core business include:

- **Lower service delivery costs:** the N-able MSP Program is designed from the ground up to ensure you can maximize the utilization rates of your technicians and staff. The result is a low service delivery cost that improves your bottom line and keeps you competitive.
- **Increased revenue:** new, higher value services combined with high technician utilization rates and improved sales and marketing capabilities translates into higher margin business.
- **Highly-differentiated service offering:** get a leg-up on your competition - without any software development experience.
- **Faster, less costly time to market:** N-able delivers an unprecedented level of business transformation support to help you quickly provide profitable managed service to the SMB market.
- **Increased business valuation:** one of the key benefits of managed services is an annuity-based revenue stream. Steady, guaranteed monthly revenue instead of ad-hoc projects and product sales not only increases the value of your business but also improves your profitability by helping you attract new customers and retain existing ones.

The comprehensive N-able MSP program has been tested by over 2,500 global partners servicing more than 25,000 customers, and has been used to generate millions of dollars in Managed Services revenue.

For service providers that are not ready to make the investment in personnel to provide NOC and help desk support, N-able offers MSP Supplemental Services. These services are based on a cost plus model and eliminate the need for an investment in data technicians. All fixes and support are provided seamlessly by a Master MSP who provides services under your brand.



Find out more about this important breakthrough opportunity by visiting [www.n-able.com](http://www.n-able.com).

## ABOUT N-ABLE TECHNOLOGIES

N-able Technologies by SolarWinds is the global leading provider of complete IT management, Automation, and MSP business transformation solutions. N-able's award-winning N-central® is the industry's #1 RMM and MSP Service Automation Platform. N-able has a proven track record of helping MSPs standardize and automate the setup and delivery of IT services in order to achieve true scalability. N-central is backed by the most comprehensive business enablement support services available today and the industry's only Freemium licensing model. Thousands of MSPs use N-able solutions to deliver scalable, flexible, profitable managed services to over 100,000 SMBs worldwide. With offices in North America, the Netherlands and Australia, N-able is 100% channel-friendly and maintains strategic partnerships with Microsoft, Intel, IBM, CA, and Cisco among others.

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