

MSP PROFIT WATCH

Master the shift from basic monitoring
to optimized end-user experiences



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At first glance, cloud computing and mobile devices – like smartphone and tablets – will squeeze traditional managed services provider (MSP) revenues and profits. But take a closer look and you'll discover progressive MSPs thriving – not drowning –amid the cloud and mobility waves.

Indeed, Elevated Technologies (<http://www.elevated-technology.com/>) has grown about 30 percent to 40 percent growth every year since becoming an SolarWinds N-able partner in 2010, according to President Jason Rorie. Similarly, Accel Computer Service's (<http://www.accel.be/>) MSP business is growing 25 percent annually, revealed Managing Director Marc De Swaef. Plus, Hogland Office Equipment (<http://www.hoglandofficeworks.com>) of Lubbock, Texas, has seen its MSP business consistently grow 5 percent to 10 percent month over month, said President DJ Hastings.

The obvious question: How are those MSPs – and many others – thriving amid the potential commoditization of traditional managed services like PC and server monitoring? The pages ahead provide extensive answers and how-to guidance for MSPs seeking to ride the cloud and mobile waves.

UNDERSTANDING THE THREATS

Over the past few years, managed services have gone mainstream and traditional price points have certainly fallen. "We've reached a maturity point in the market," said Mike Cullen, senior VP of sales at SolarWinds N-able "Generally speaking, all MSPs now offer a proactive and fixed-fee program. As those offerings got productized, we've seen commoditization of some managed services. The price for traditional monitoring is going down – not up."

Is it for MSPs to panic? Actually, that's not the case. "This is an opportunity for MSPs to re-invent themselves," added Cullen. "We will see more change in the next two years than we have seen in the past 15 years. Good MSPs will embrace the changes to dominate the future."

SolarWinds N-able sees five drivers of change that will impact MSPs. They include:

1. Cloud services, which customers can potentially buy direct.
2. Mobile computing, including BYOD (bring your own device) realities that often bypass traditional IT services.
3. IT anywhere, which gives employees the opportunity to work anywhere. That's a potential productivity boost but it also introduces new security and compliance challenges.
4. Commoditization of traditional PC and server monitoring.
5. The rise of new competitors, including born-in-the-cloud service providers that quickly deploy and manage new apps for customers.

That's an intimidating list of challenges. But each challenge also presents an opportunity for MSPs – as the following examples prove.

1. Threat and Opportunity: Cloud Computing

Scan the cloud computing market and the momentum is now undeniable.

Microsoft's commercial cloud services revenue more than doubled in its most recent quarter, while Office 365 seats and Windows Azure customer deployments enjoyed triple-digit growth, according to a January 2014 statement from the company.

Other Top 100 Cloud Services Providers – including Amazon Web Services, Google Cloud Platform and Salesforce.com – also are generating double- to triple-digit growth, according to Talkin' Cloud research (<http://www.talkincloud.com/tc100>).

"But don't forget," said Cullen. "Cloud technology is complex and brings new opportunities to the service provision model that only the best MSPs can deliver."

Indeed, the best MSPs are shifting from a device-centric mindset to a user experience mindset. In fact, the best MSPs now monitor and manage:

- Physical and virtual technologies and platforms;
- Traditional networked PCs, servers and network gear;
- Mobile infrastructure for smart phones and tablets; and
- Public, private and hybrid cloud applications.

"Regardless of where the data resides," said Cullen, "the MSPs will have to make it available to end-users across their chosen devices."

Just ask Tim Walker, managing director of Taylor Made Computer Solutions (<http://www.tmcs.co.uk>), one of the world's top MSPs, according to the annual MSPmentor 501 report (<http://www.mspmentor.net/top501>).

Taylor Made, based in the United Kingdom, has made a heavy Desktop as a Service (DaaS) push in recent months. The offering caters to multiple price points, vertical markets and line of business applications, said Walker.

The starting point is multi-tenant DaaS, which allows customers to share infrastructure in a very secure, cost-effective manner. DaaS customers can also choose dedicated infrastructure (physical or virtual), all at a fixed monthly cost per user.

The Taylor Made solution runs in a third-party data center, owned by SSE Telecoms (<http://www.ssetelecoms.com/>), one of the United Kingdom's largest cloud providers. "We monitor that service and all of our other services using SolarWinds N-able N-central," said Walker. "For us, DaaS is right at the heart of our managed services strategy and ongoing growth."

Indeed, Taylor Made continues to enjoy strong double-digit recurring revenue percentage growth, according to the February 2014 MSPmentor 501 report.

Meanwhile, SWC Technology Partners (<http://www.swc.com>) of Chicago, Ill., is having similar success with hybrid cloud services. The mid-market MSP – an SolarWinds N-able partner for roughly eight years – has extended its monitoring services from on-premises equipment to the cloud.

"We're giving customers a holistic, comprehensive view of their environments – whether it's on-premises or in the cloud," said Susie Cummings, VP of managed services for SWC. "Many of those customers don't want to be in the server purchasing business anymore -- but they won't turn off their own hardware infrastructure for years to come. So we'll keep monitoring that on-premises hardware while activating and managing new services in the cloud."

The result: SWC was ranked among the top 20 percent of MSPs in the 2014 MSPmentor 501 survey results.

2. Threat and Opportunity: Mobile Computing

As customer and user spending shifts from PCs to tablets and smartphones, MSPs may worry about slowing growth for traditional device monitoring services.

But that concern is somewhat misplaced. Indeed, the vast majority of PCs within SMB customer settings remain unmanaged – leaving ample recurring revenue opportunity for MSPs. Plus, smart devices like tablets and smartphones introduce new revenue opportunities.

True believers include Sean Vojtasko, executive VP of operations at BlueWave Computing (<http://www.bluewave-computing.com/>), an MSP in Atlanta, Ga. The company, which launched in 1997, has spent recent years promoting strategic IT planning, application development, virtual CIO, managed IT, cloud and help desk services.

Over the past year or so, BlueWave "reached a point where we knew we had to figure out the mobile market," said Vojtasko, "particularly when it came to end-user devices. Smart mobile devices now outnumber PCs in our customer environments."

Further complicating matters, BlueWave supports the health care vertical – where doctors and employees are concerned about HIPAA regulations that trigger patient privacy and data protection requirements. "We really had to think about protecting our customers even as we empowered them," said Vojtasko.

Once the end-user signs a BYOD agreement, BlueWave installs SolarWinds N-ables' mobile device management (MDM) agent on the device to control and segregate data. "We really like having a single pane of glass [from SolarWinds N-able] to manage that type of customer," said Vojtasko.

3. Threat and Opportunity: IT Anywhere

Blend cloud computing with mobile computing, and the result is IT anywhere – the ability for employees, contractors and partners to conduct business and fetch data from any Internet-enabled location.

Here again, SolarWinds N-able has extended its N-central management platform to support the IT Anywhere wave. For instance, SolarWinds N-able's MDM Policy Enforcement capabilities allow MSPs to manage mobile email, WiFi connections, VPN (virtual private networks), user provisioning and more.

"Before we allow users to connect a device to a corporate network containing corporate data, we've set up all the appropriate IT policies," said BlueWave's Vojtasko. "We're helping customers to balance mobility, productivity and security."

4. Threat and Opportunity: Commoditization of Traditional PC and Server Monitoring

Cloud computing is squeezing the traditional server market, where sales fell about 3.7 percent in Q3 2013, according to International Data Corp. (Q4 2013 and year-end results were still forthcoming as of this writing.)

More recently, IBM Corp. has agreed to sell its x86 server business to Lenovo Group Ltd., and IBM plans to focus more heavily on its higher-end hardware and SoftLayer cloud services.

What's the lesson here for MSPs? SolarWinds N-able's Cullen predicts MSPs will see their highest-margin engagements shift from server management to delivering great end-user experiences.

The best MSPs are adapting accordingly – much in the way that resellers and VARs previously evolved from product sales to solutions and then recurring revenue services.

One key example involves Knight Office Solutions (www.knightoffice.com), an MSP that supports customers in San Antonio and Austin, Texas.

Knight Office launched in 1989 as a provider of laser printer services. By 1999, the company launched an IT division before rolling out managed print services (2004), document management services (2011), managed IT services (2012) and hybrid cloud services (now).

Jarret Benedict, director of managed services at Knight Office, expects his customers to retain on-site servers for years to come. "But I'm a big proponent of hybrid cloud services and we offer management there, too."

To build profitable hybrid cloud services and other add-on offerings, Knight Office leverages several business tools from SolarWinds N-able, including an MSP Playbook that offers a blueprint for success.

5. Threat and Opportunity: The Rise of New Competitors

Check the cloud market, and you might spot a new type of channel partner called a cloud services brokerage (CSB – see <http://www.talkincloud.com/csb> for a guide). Generally speaking, a CSB helps customers to find, select and activate a range of cloud services. In some ways, that means new CSBs will compete with established MSPs.

Key CSB names to know include Cloud Sherpas (www.cloudsherpas.com) – a Google Apps partner that has raised more than \$60 million in venture funding. Cloud Sherpas has acquired nearly a dozen companies while building out additional cloud consulting and migration practices.

In many cases, CSBs have no legacy businesses to protect. Instead, they focus on pure cloud opportunities – migrating on-premises platforms like Exchange Server to Google Apps or Office 365.

But born-in-the-cloud CSBs also face big challenges. For starters, they need to find and build customer relationships – fast. Moreover, many CSBs will need to answer to their venture capital investors and other types of financial backers.

Traditional MSPs can successfully compete against pure CSBs in a range of ways. For starters, MSPs can blend on-premises services – which aren't going away – with pure cloud services. (Many CSBs lack on-premises expertise.) Plus, MSPs can continue to offer their own unique NOC (network operations center) and help desk services – capabilities that many CSBs defer to big cloud providers like Google and Microsoft.

In many ways, MSPs may become CSBs in their own right – introducing customers to a range of third-party cloud services, while remaining the gatekeeper and trusted advisor for each new customer service that comes online, said SolarWinds N-able's Cullen.

Next Logical Moves

Admittedly, the opportunities and challenges above aren't easy for MSPs to navigate. To move forward and keep profit margins high, SolarWinds N-able's Cullen offers this advice:

- Automate everything: Use tools like N-central and capabilities like Automation Manager.
- Get into and in front of the cloud: Monitor commodity SaaS services like Google Apps and Office 365 using SolarWinds N-able's tools. And focus heavily on Infrastructure as a Service (IaaS), building public, private or hybrid cloud services on third-party IaaS infrastructure.
- Remain your customers' trusted advisor, offering price quotes that include both physical and cloud approaches.
- Don't turn over your customers to cloud providers – many of which sell direct, or gather partners' sales data for future direct initiatives.

Manage and monitor every key piece of infrastructure or application for your customers.

Cullen's closing thought: "Choose your cloud providers carefully. Today's partners could become tomorrow's competitors."

With that thought in mind, MSPs are confident that SolarWinds N-able will remain on their side. "SolarWinds N-able provides more than tools and software for customer support," said Knight Office's Benedict. "They are providing a Blueprint for Success. And we're following it."

FIVE MSP CHALLENGES, OPPORTUNITIES

1. Cloud Services

- Challenge: Low SaaS partner margins; cloud providers selling direct to end-customers
- Opportunity: MSPs must extend monitoring services to blanketed on-premises, hybrid and public cloud
- Thriving MSP: Taylor Made Computer Solutions, offering Desktop as a Service (DaaS) with managed services, <http://www.tmcs.co.uk>

2. Mobile Computing

- Challenge: Reduced emphasis on PC monitoring as tablets, smartphones proliferate
- Opportunity: Focus on end-user experience across all devices
- Thriving MSP: BlueWave Computing (<http://www.bluewave-computing.com/>), offering BYOD policy assistance and Mobile Device Management (MDM).

3. IT Anywhere

- Challenge: Customers want anywhere, anytime access to applications from any device
- Opportunity: Focus on secure access, corporate compliance and data protection
- Thriving MSP: BlueWave Computing, focusing on mobile policy enforcement

4. Commoditization of Services

- Challenge: Most MSPs now offer basic PC and server monitoring, while more workloads shift to the cloud
- Opportunity: Develop price quotes that include traditional IT purchases and cloud alternatives
- Thriving MSP: Knight Office Solutions (www.knightoffice.com), which has pushed far beyond copier solutions to offer network and cloud services.

5. Rise of New Rivals

- Challenge: Competing with born-in-the-cloud IT consultants and service providers that have no legacy costs.
- Opportunity: Blending cloud services with traditional on-premises services, many of which cloud providers don't know how to match.
- Thriving MSP: SWC Technology Partners (<http://www.swc.com>), which offers hybrid cloud monitoring.

ABOUT SOLARWINDS N-ABLE

Focus: Leading provider of IT management and automation solutions for MSPs.

- **Installed base:** SolarWinds N-able's MSPs support more than 160,000 SMB customers worldwide.
- **Key Products:**
 - **N-central platform** – complete IT management (on premises or in the cloud) for customers
 - **Report Manager** – complete reporting to show your value to customers
 - **Remote Control Manager** – remote assistance software
 - **Audit Manager** -- eases corporate compliance, mitigation and protection
 - **Automation Manager** -- the fastest way to automate repeatable processes
 - **Mobile Manager** – a single pane of glass for tablets, smartphones and more
 - **Security Manager/AV Defender** – Anti-virus and anti-malware capabilities
 - **Backup Manager** – from bare metal restore to traditional backup capabilities
 - **Patch Manager** – for Windows and third-party applications
 - **Help Desk Manager** – leverages Web Help Desk technology from SolarWinds

HELPFUL LINKS:

Home Page: www.n-able.com

YouTube: <http://www.youtube.com/nableit>

Facebook: [https://www.facebook.com/](https://www.facebook.com/NableTechnologies)

NableTechnologies

Twitter: <https://twitter.com/nablemsp>

LinkedIn: [http://www.linkedin.com/](http://www.linkedin.com/company/n-able-technologies)

company/n-able-technologies

Top MSPs: <http://www.mspmentor.net/top501>

Top CSPs: <http://www.talkincloud.com/tc100>

ABOUT SOLARWINDS N-ABLE

SolarWinds N-able 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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