Continuum MSP Guide

Scaling Managed Services with a Third-Party NOC Partnership

How MSPs can achieve faster returns on investment, raise overall service quality and reduce development costs

continuum

MANAGED SERVICES TRANSFORMED

Overview

Managed service providers need to keep up with the pace of change that new technology and applications deliver, as well as the dynamic nature of IT operations. In other words, no IT environment is static, and even IT systems that had no new applications or functions require a tremendous amount of upkeep and administration.

MSPs who engage with third-party NOC providers have the advantage of speed to market, low initial investment, cost containment and scalability.

Furthermore, when it comes to technology, businesses – particularly smaller and midmarket organizations – are not experts. They do not have the staffing or management resources to build, manage and maintain business-enabling IT systems. This is the rationale for businesses to opt for managed services; what they can't manage, they outsource.

The evolution of managed services from the remote "break/fix" offerings of its humble beginning to a fully functional IT outsourcing service is more than challenging to conventional MSPs. It requires steep investments in infrastructure, staffing, training, marketing, sales and customer support. While the managed services model supports the expense of this transformation – and the new services will produce profits – few solution providers have the capital reserves or the ability to fully fund such metamorphoses to create and deliver 24/7 monitoring and support.

Not every MSP, systems integrator and value-added reseller looking to enter the services market has to go it alone. Third-party network operations centers (NOCs) and back-office support companies provide interesting and viable alternatives to building and expanding a managed services practice. Instead of taking on the expense and effort associated with building a full-fledged managed services infrastructure, team and value proposition, MSPs who engage with third-party NOC providers have the advantage of speed to market, low initial investment, extensibility, cost containment and scalability. Beyond expedited development and time to market, MSPs working with a third-party NOC have the advantage of round-the-clock expert support across multiple systems, applications and hardware, as well as having an aggregation point where multitudes of applications

and systems are continually researched and monitored for the latest updates.

In this report, we will define third-party NOCs and how they work with MSPs; compare and contrast the operational and economic model of conventional and third-party-enabled managed services businesses; explain how third-party NOCs accelerate managed services growth and customer satisfaction; and review best practices for working with a third-party NOC provider.

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Defining the Third-party NOC

When people utter the acronym "NOC," images of the U.S.S. Enterprise bridge from "Star Trek" come to mind. Grand NOCs are no less than all those flashing lights and large-display monitors that fascinated Mr. Spock and provided intelligence to Captain Kirk.

These days, network operations centers are the nerve center of IT management. While end users are blissfully ignorant as to how electrons are pushed over the fiber optics and copper cables to reach their PCs and notebooks, NOC engineers and administrators are fully aware of every netflow, hop, server and endpoint attached to their network. They monitor infrastructure health, security and capacity, making decisions and adjustments that ensure optimal network performance and organization productivity.

If you think about it, NOCs and their staff really are no different than the crew of the Enterprise working the bridge computers and instruments. They provide 24-hour-a-day, 7-day-a-week operational support. They are constantly monitoring systems and researching anomalous activities to make adjustments in settings across multiple platforms. And they can marshal resources – some that would only be used periodically in a standalone managed services setting – to respond to emergency situations.

NOCs are not exclusive to managed services, although they've been well adapted by managed service providers in the delivery of remote monitoring and management (RMM) services. Enterprises have long managed NOCs to oversee their IT infrastructures – so, too, have carriers and telephony companies. NOCs are consolidation points of information, alerts and topology that enable managers to direct resources and take action to maintain connectivity. As MSPs also require centralized command and control over information and resources for the assets they manage for their customers, NOCs are synonymous with managed services.

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In the beginning of managed services, providers were little different than IT hardware and software vendors. They would spend huge sums of money developing custom tools, data centers and command/control centers for their services delivery. While these custom-built service providers were effective in the delivery of discreet managed services, they required broad sales and marketing efforts to capture accounts, recoup investment and drive down costs.

The channel, which was still primarily engaged in manual break/fix professional services, was the answer to many of these early MSPs' sales and revenue dilemmas. Through the channel resale of their services, they sought to accelerate their sales and revenue generation, expand their market presence and maintain viability. The problem for those early MSPs is that the channel was – and continues to be – made especially for the midmarket and SMB segments, while the price and appropriateness of managed services were best suited for the enterprise market. The attempt to channelize managed services, though, did lead to the mainstreaming of the concept for the broader channel.

The arrival of commercial, off-the-shelf RMM tools made it possible for small, traditional VARs to build their own managed services infrastructure and practice, creating the managed services segment that exists in the channel today. RMM applications made it possible for VARs to deliver their traditional maintenance and emergency repair work on servers, storage devices and PCs over the Internet. The

ability to sell this service on a periodic subscription basis provided the predictable revenue and profitability that was increasingly elusive in the rapidly commoditizing world of hardware and software product sales.

While managed services driven by RMM tools proved profitable for transitioning VARs, the managed services model did have a substantial barrier-to-entry: cost. Many MSPs spent small fortunes building modest service delivery platforms to support their fledgling businesses. Some early MSPs reported spending as much as $1 million developing their infrastructure and NOCs. And this cost doesn't include the expense of hiring, training and supporting expert staff.

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The availability today of third-party NOC services gives MSPs the ability to offload labor and budget-intensive infrastructure and tasking to a trusted, reliable and scalable third party. Rather than bearing the total cost of ownership associated with building a NOC, MSPs can partner with a third-party NOC provider that not just maintains the infrastructure and provides support, but also independently advances technology capabilities.

Third-party NOCs: A Catalyst for Innovation

Information technology represents less than 10 percent of the global economy. Think of it this way: Restaurants are food services companies. Airlines are transportation companies. Retailers are consumer goods distributors. Banks are financial services institutions. Hospitals are health care providers. And the list goes on. Each of these "verticals" leverage IT systems to facilitate their business operations and gain greater efficiency, but none actually earn their value from technology. IT technology, to them, is a means to an end.

However, IT technology delivery is the business of managed service providers. The value delivered by managed services is essentially "peace of mind," as they relieve their customers of the burden of maintaining their IT infrastructure. Through services such as the remote monitoring and management of servers, networking devices, storage systems, email servers, PC endpoints and security appliances, managed service providers are freeing their customers to redirect

precious resources to other revenue-producing activities.

A third-party NOC is like a managed service provider for the managed service provider. Whereas businesses contract with MSPs to provide technology services on their behalf, third-party NOC companies provide monitoring, management, infrastructure and support services on behalf of managed services companies. A difference is in the outcome: MSPs help their customers focus on their core competencies that produce revenue, while third-party NOC providers free MSPs from cost and labor challenges so they can develop more accounts, bring more devices under management, and increase utilization and revenue potential through expanded and advanced service offerings. In short the benefits of a third-party NOC helps MSPs grow their business without growing expenses.

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Third-party NOCs that support managed services work similarly to the way MSPs support their customers, only with much greater scale and effective use of consolidated resources. A third-party NOC provider aggregates monitoring and response capacity across multiple MSPs, collecting all of the network flows, event IDs, performance metrics and device statuses at its centralized location. Consolidated technical support teams are responsible for monitoring these various activities for anomalies, responding to support requests, changing management tickets, and providing reports on service level agreements.

MSPs can engage a third-party NOC for a variety of tasks – routine and complex – including the following:

- Network monitoring and management
- Endpoint monitoring and maintenance
- Email management services
- Backup and storage management
- Network discovery and assessments
- Policy enforcement

- Firewall and intrusion prevention system (IPS) monitoring and management
- Antivirus scanning
- Patch management
- Shared threat analysis
- Optimization and quality of service reporting
- Voice and video traffic management
- Performance reporting and improvement recommendations

The advantages of flexible, expert NOC support free MSPs from supporting mundane tasks, developing and maintaining staff, and paying the high expense of technology innovations and increasing capacity needs.

The best third-party NOC services will represent the partner brand, ensuring customers feel as though they're receiving services from their local provider rather than the contract having been passed off to a third-party outsourcing provider.

The MSP's relationship with the third-party NOC can be seamless and measured, meaning MSPs can subscribe to some or all of the services offered – from performing administrative tasks to resolving tough problems. The advantages of flexible, expert NOC support frees MSPs from supporting mundane tasks, developing and maintaining staff, and paying the high expense of technology innovations and increasing capacity needs. It also frees resources for sales, marketing and business development.

An often overlooked part of the managed services equation is the need to research and stay current with existing technologies. MSPs support multiple platforms and applications, which require them to constantly watch for software patches, configuration updates and security alerts.

Expertise and creation of value is critically important in the SMB segment, where end users are more resource constrained. SMBs turn to MSPs to provide the expertise, capabilities and support that they cannot afford to support on their own. In turn, MSPs can lean on the extended resources and expertise of a third-party NOC provider, which can afford to provide support across multiple platforms and

applications through the economies of scale. An MSP may only call upon a particular skill set a few times per quarter, but the third-party NOC can keep an expert busy by making him or her available to all subscribers. Many MSPs that have partnered with a third-party NOC report the collaborative relationship enables them to have deeper interactions and more responsive service. Others say the liberation from supporting routine operations enables them to develop new, higher margin services for their clients, which then increases profitability.

While technology remains the MSP's core focus, the third-party NOC enables them to concentrate on strategic operations and objectives, thus achieving even faster and greater levels of profitability and relevancy.

Ultimately, a third-party NOC collaboration is about "time to value." By working with a third-party NOC, MSPs are free from having to develop and maintain infrastructure and applications. While technology remains the MSP's core focus, the third-party NOC enables them to concentrate on strategic operations and objectives, thus achieving even faster and greater levels of profitability and relevancy.

Comparative Economic Model: Third-Party, Self-Managed

In the conventional self-built and maintained managed services model, the development structure is one in which costs are front-loaded and the business operates at a loss for as long as one year. In other words, all assets and infrastructure are in place before $1 is generated. It's a tremendous expense that most MSPs can hardly afford. The continuing evolution of services and capabilities only increasingly burdens an MSP's limited fiscal capacity.

In the conventional MSP development model, the average MSP will operate at a loss. Eventually, MSPs – under optimal execution and performance – will recoup their initial investments, become profitable and generate enough revenue to support expansions in capacity, new services and support resources. However, the cost of maintaining physical infrastructure and service capacity does dampen an MSP's profitability by keeping operating expenses high.

Conventional Managed Services Business Development Curve

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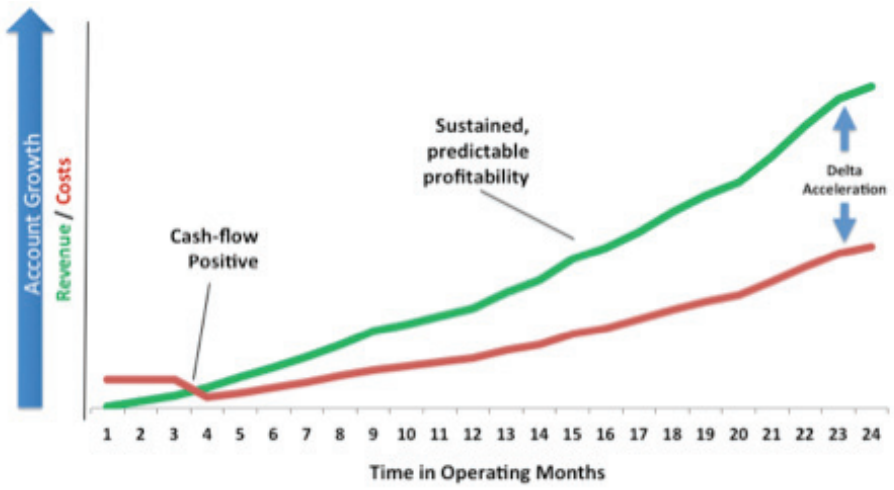
Comparatively, the third-party NOC economic model is quite different. A third-party NOC provides services for variable levels of capacity at fixed prices and usually on a consumption model. Basically, the MSP only pays for what it uses, when it uses it. The cost of maintaining and improving infrastructure, adding new services, maintaining staff and ensuring quality of service is born by the third-party NOC provider. For the subscribing MSP, this predictable, low-risk exposure model provides a faster path to profitability than the self-administered model.

By engaging a third-party service provider, MSPs have a greater probability of achieving a cash-flow positive run-rate.

Third-party NOC Managed Services Expense/Revenue Model



Managed service providers who engage with a third-party NOC service have a more advantageous economic, consumption-based model. Since there is little development and startup costs, the MSP has a greater probability of achieving a cash-flow positive run-rate and, ultimately sustained profitability than a MSP that must invest in building service-delivery infrastructure and staff.

The sustainability and profitability of a managed services business is contingent on more than offloading tasks to a third-party NOC, though. Both models require a focus on sales: customer acquisition, account expansion and customer retention. The advantage is that a third-party NOC service enables an MSP to focus on business development, sales and customer service rather than splitting attention with technical resources and product development.

The third-party NOC model is not an “all or nothing” proposition. An MSP can operate a hybrid model in which some services are provided through the third-party NOC and others through organic resources. Regardless, the services model requires a higher focus on sales, and the third-party NOC model provides a better opportunity to direct resources to revenue-generating activities.

Best Practices for Working with a Third-party Provider

Not all third-party NOC providers are alike. Managed service providers need to exercise due diligence in selecting third-party NOC providers to ensure the type and quality of service is adequate to the individual business operating needs and future growth requirements. Three things an MSP is essentially looking to avoid: poor quality, stagnant technology and escalating prices.

In evaluating third-party NOCs, an MSP should keep these essentials in mind:

MSPs need assurances that their third-party NOC partner has the capacity to expand services to meet future needs in terms of infrastructure and support staff.

1. **Quality of Service**
   First and foremost, a third-party NOC should deliver a consistent quality of service across all its clients. The NOC provider should detail its level of service and incident response times, and provide details about its service capacity. While the NOC provider is responsible for the delivery of contracted services, the MSP remains the party that interacts with the customer. Any lapses or shortcomings in quality of service are a reflection on the MSP first.

2. **Types of Services**
   MSPs should look for third-party NOC partners that offer the services they need or potentially need. MSPs looking to shed tasks and costs by contracting with a third-party NOC will do themselves a disservice if they tie-up with a company that can't meet their operational needs. MSPs must look beyond the service descriptions to understand the technical requirements of the NOC's offered services, including any standardization requirements or equipment needs. The types of services and how they are implemented should weigh heavily in a MSP's decision to go with a third-party NOC.

3. **Scalability**
   Scalability is a reflection of capacity in the physical and support infrastructure. MSPs need assurances that their third-party NOC partner has the capacity to expand services to meet future needs in terms of infrastructure and support staff. Third-party NOC

providers that do not have capacity – or a plan for expanding capacity over time – will undoubtedly suffer deteriorations in service delivery, which will reflect poorly on the subscribing MSPs.

4. **RMM and PSA Integration**
   Most third-party NOC providers have their own remote monitoring and management tools included as part of their service offerings. Tight integration and mature RMM are an absolute must in a third-party NOC relationship, as these tools facilitate the monitoring, response, remediation and reporting process. MSPs are able to create a homegrown version of a NOC with disparate tools from multiple providers, but bounded integration between the NOC service and the RMM platform ensure reliable and quality service delivery. The opposite is true of professional services automation tools and the reporting and operational management platform of a managed service. MSPs should engage with third-party NOC services that are agnostic to the leading PSA providers, have mature and stable APIs for integration and maintain a development relationship with major PSA vendors.

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5. **Operational Cycles**
   Not every MSP needs 24/7 monitoring and support, but that doesn't mean you should partner with a third-party NOC provider that doesn't offer round-the-clock operations. MSPs support customers with variable needs, in which some may only need business day and business hours support. Chances are, though, you eventually will have customers that require 24/7 support. Working with third-party NOCs that do not provide this level of support will limit your ability to accept new clients and expand business.

6. **Flexible Service Consumption**
   A good third-party NOC service will provide an MSP with up to 80 percent of the expertise, support and resources they require to operate as a fully functional managed service. That doesn't mean an MSP must consume all the services provided by the third-party NOC. MSPs should weigh the value of providers that require an

"all-or-nothing" approach to the use of their services verses those that allow you to consume just the services you want, allowing you the ability to retain some services for in-house delivery and administration. A good third-party NOC will offer multiple service levels so you can go with a support option that best meets your needs.

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7. **Expertise & Resources**
   The days of managed service providers delivering remote monitoring and support for just servers or endpoints are over. MSPs are being called upon to deliver server, desktop, mobile device and printer management, as well as security, backup, and business application support. Your third-party NOC provider should have staff and resources for supporting all – if not, most – of your needs for current and future customers.

8. **SLA Track Record**
   The instrument for establishing and measuring quality of service is typically called a "service-level agreement," or SLA. This document prescribes the manner and time in which a third-party NOC will provide certain levels and types of services on behalf of the subscribing MSP. MSPs should not just assess a third-party NOC's SLA for alignment with their operating needs, but also check with other subscribers to understand the level of consistency the provider has had with meeting SLA expectations.

9. **Financial Stability/Viability**
   Financial solvency and funding are major considerations for MSPs when evaluating third-party NOC services. The services industry is replete with examples of customers left strained by providers who suddenly cease operations. Given an MSP is placing much of its business value and operations in the third-party NOC service, it should understand the how well a third-party NOC service is funded, the background of its investors or funding sources, and the fiscal health of the company.

10. **Investment and Expansion**
    The benefit of a third-party NOC service isn't just in its ability to

take on an MSP's subscribers and back-office tasks; it's about having access to new technologies and services. MSPs should consider the third-party NOC's development vision and plans for product development and expansion. A good point of comparison is how the NOC service will maintain pace with new technologies that improve the effectiveness of existing services, as well as the addition of new services.

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Every MSP will have a unique set of evaluation requirements for their third-party NOC services based on individual operations, customer needs and future development plans. These evaluation points are a good starting point, as they provide the essential elements that cut across all service delivery models.

Why Continuum

While Continuum is a relatively new company, having formed through the sale of assets acquired from Zenith Infotech, it's rapidly leveraging its proven RMM platform and third-party NOC infrastructure with investments in new services, products and support capabilities to provide an integrated RMM/NOC platform that delivers complete endpoint management and full problem resolution.

Continuum is a highly stable and well-funded company with backing from Summit Partners, one of the leading private equity firms in the world, and continues to expand its fiscal foundation with the addition of new partners and customers. Its U.S.-based help desk operation, as well as back-office teams in India, provide managed services partners with round-the-clock automated and live service delivery.

Since spinning off and becoming its own entity, Continuum has embarked on a program of steady investment and expansion into its platform and service delivery. It has developed relationships in data backup and disaster recovery with a Datto partnership, remote access technology through an exclusive partnership with LogMein and recently added network discovery tools through a RapidFire Tools partnership and anti-malware capabilities through a collaborative relationship with MalwareBytes. These technology relationships follow

the expanded capabilities of the Continuum platform, which includes a new Mac agent extending support to Apple products; expanded support for VMware and Hyper-V virtualization environments; third-party patching services for applications such as Adobe Shockwave and Air, Oracle Java and more; and enhanced SNMP monitoring.

Beyond its technical infrastructure, Continuum is one of the few third-party NOC providers that has the experience and body of knowledge required to provide optimal managed services support. Continuum has spent years accumulating information and building expertise in providing support to a broad variety of business types, IT platforms and leading applications. Few in the managed service industry can match the breadth of capabilities and experience of Continuum.

Third-party NOC services are the means by which MSPs can deliver a foundation of services to their customers at fixed, known and predictable costs.

With each passing month, Continuum adds more services and capabilities to its already market-leading portfolio of network assessment, monitoring, management and incident response services. Continuum's goal isn't simply to deliver a third-party NOC service, but rather to advance the state of service delivery and enhance the value of MSP partners to their customers.

Conclusion

Cloud computing is disrupting the conventional IT paradigm and converging with managed services on many levels. Consequently, words like "disruption" and "transformation" are often used to describe the current state of the IT market. The truth is, as one technology and business model commoditizes, another rises to replace it.

Change is constant and, in many cases, expensive. While new technologies and services have the potential to replenish profitability for managed service providers, they are also expensive to develop while maintaining legacy offerings. MSPs often find themselves in a trap in which they are profitable enough to maintain their business, but not so profitable as to grow their business.

Third-party NOC services are the means by which MSPs can deliver a foundation of services to their customers at fixed, known and predictable costs; gain access to new technologies and support

resources; and grow business without tremendous capital investment. Through third-party NOC partnerships, MSPs achieve an accelerated time to value, lower development costs, access to extensive research and operational experience, access to scalable infrastructure and expert resources, and faster returns on investment.

Through third-party NOC partnerships, MSPs achieve an accelerated time to value.

As managed services and cloud computing continue to converge, and market demand for more advanced infrastructure and managed services increases, MSPs will be called on to deliver more diverse IT products. Market demands have the potential of straining managed services beyond their growth ability – or rendering them irrelevant compared to evolving competitors. MSPs need scale, capacity, financial stability and new technologies. For many, third-party NOC services are not just the path to greater profitability, but also to a sustained and vibrant future.

About Continuum

Continuum provides a leading SaaS-based managed services platform that Managed Services Providers (MSPs) use to efficiently backup, monitor, troubleshoot, and maintain desktops, servers and other endpoints for small and medium-sized businesses. The comprehensive platform provides an intelligent Remote Monitoring and Management (RMM) solution, comprehensive 24 x 7 Service Desk and an advanced backup and disaster recovery (BDR) offering branded Continuum Vault – all integrated with an industry-leading Network Operations Center (NOC), delivering a single, unified managed services experience. The company currently employs more than 650 professionals worldwide, supports over 3,300 MSPs, and monitors more than a half a million endpoints. The principal owner of Continuum is Summit Partners, a Boston based growth equity firm that has raised more than $15 billion in assets. For more information, please visit www.continuum.net.