

Managed Services: Why It's Good for Business

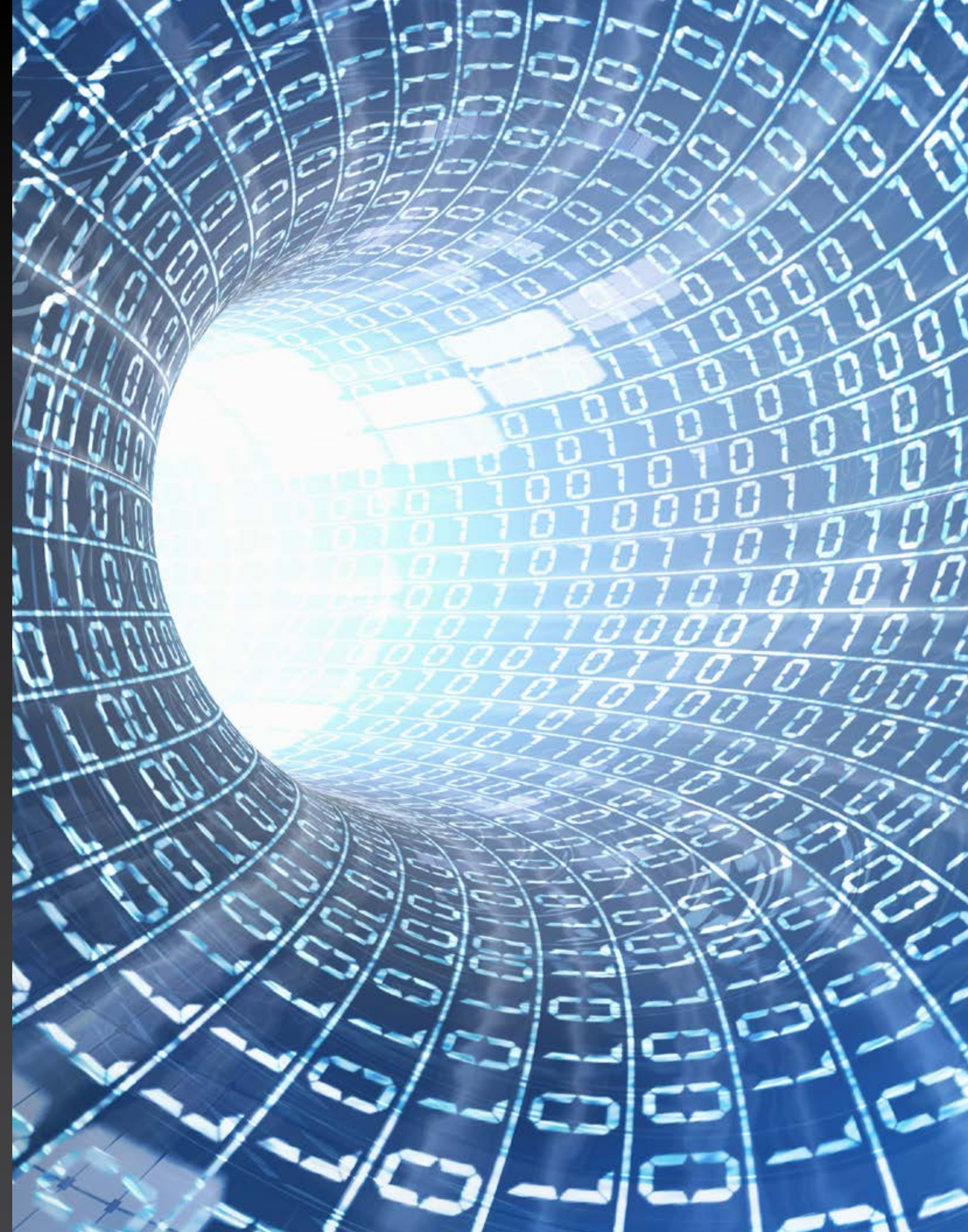
The only constant is change, and when technology is involved, change occurs at the speed of light.

Is it any wonder that businesses look outside for IT help and expertise?

As security threats grow and technology becomes more complex, more companies are outsourcing their IT management and maintenance functions. IT service providers are responding to this growing need by introducing a new business model, managed services, that can take the burden of IT management off their clients' backs.

Managed service providers (MSPs) typically form an ongoing contractual relationship with a client by remotely monitoring, managing and updating their clients' technology infrastructure, systems and services. This includes email, network and security software, and more complex pieces of technology, such as line of business applications.

The idea of outsourcing IT has become so appealing that worldwide spending for IT outsourcing is increasing. Over the next five years, global spending on managed services is expected to grow at an annual compounded rate of 11.3%. U.S. revenues associated with the managed services market are predicted to grow from \$34 billion in 2013 to \$51 billion in 2017.





Managed Services Offers Security in an Uncertain Market

IT service providers are faced with numerous uncertainties – cloud computing, an unpredictable economy and even fickle clients. To survive, many IT companies are transforming themselves into something more sustainable for the long haul.

Managed services has become a long-term lifeline for many IT service providers because it generates a constant stream of recurring revenue. Managed services is a shift from the more traditional business model of selling products and providing break-fix services, which often generate inconsistent revenue.

In 2012, half of the IT solution providers surveyed by CompTIA provided managed services in whole or part, which is up from 4 in 10 in 2011. Many companies are switching to managed services to fight margin erosion and commoditization across many of their long-standing offerings.

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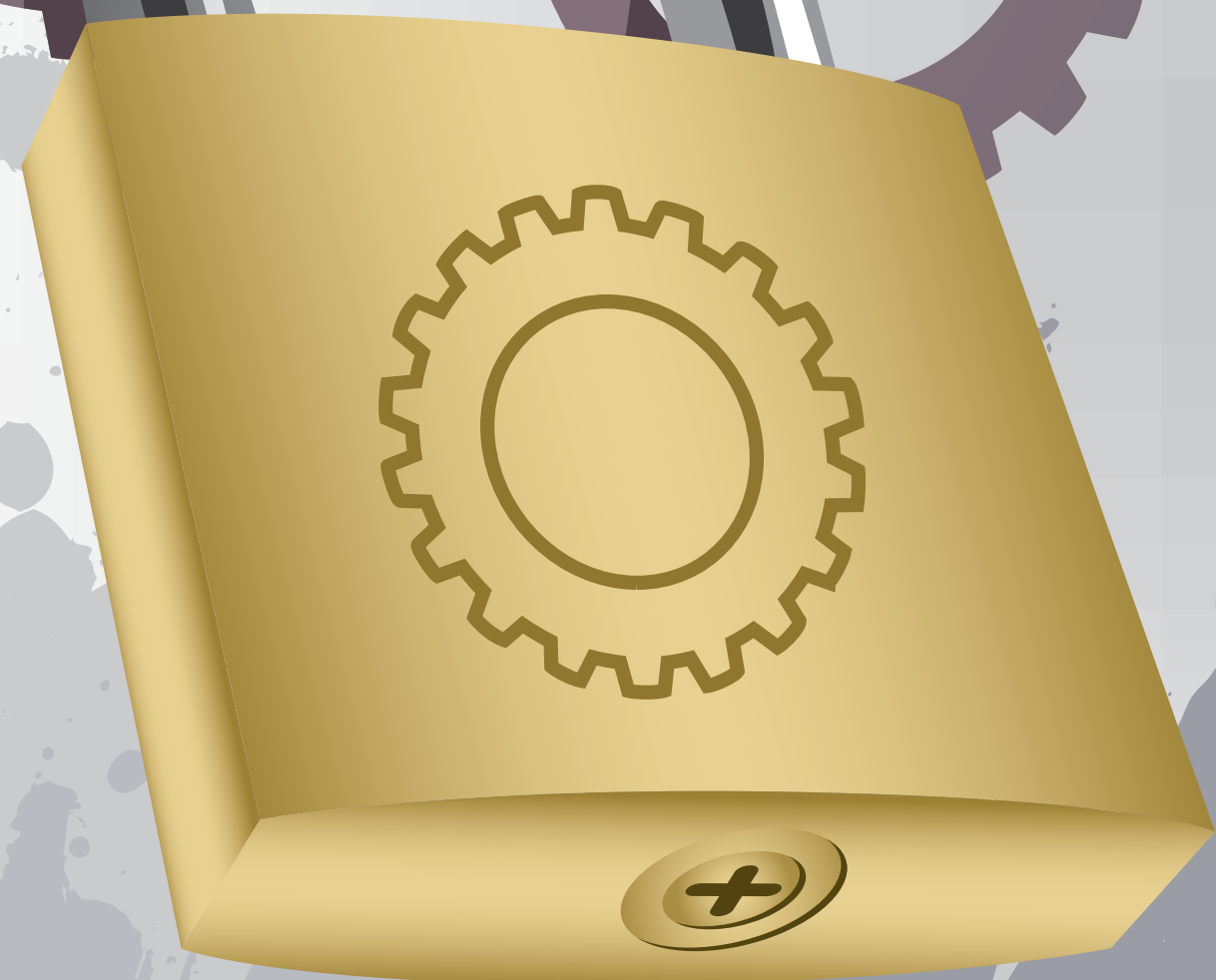
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IT professionals see the MSP model as a way to protect their client base (61%) and increase sales revenues (57%), according to a CompTIA survey. Other reasons to offer managed services include minimizing financial risk, building recurring revenue streams, improving service utilization rates and gaining new accounts with value-added services.

To set themselves apart, many MSPs specialize in specific industries or client segments, such as small to medium-size businesses. More than a third of IT service providers operate in a specialty, while half are exploring this route.

Because of the time and effort it takes to transition to the MSP model, some IT companies have chosen a hybrid model, which combines managed services with their legacy streams of revenue. Those MSPs continue to sell hardware and other devices, implement the systems, and then take over the management of the systems under a managed services contract.



2 Making the Transition to Managed Services

Once you commit to offering managed services, it takes careful planning and an investment in time, employees and tools to launch your new business model. Fortunately, you don't have to start from scratch. Numerous tried and true resources are available to help you make the transition. Here are some steps to help you prepare:

Retool your sales force. Whether you retrain your existing sales force, hire new employees or do a combination of both, preparing them to successfully market managed services is key.

Train your technical staff. Technicians will need to learn new software and procedures. Once you've documented your procedures and trained your staff, you should strive to provide the same level of consistent service to all your clients. Many vendors provide online and instructor-led training and can provide certification.

Establish a NOC/data center. You'll need access to a Network Operations Center (NOC), whether you build one yourself or contract with a third-party. A NOC is staffed by technicians who supervise, monitor and maintain one or more networks. A NOC contains visual representations of the networks being monitored and workstations where detailed network statuses are monitored.

Get funded. You've got all these great ideas, now you just need to fund your new endeavor. Banks, venture capitalists, private equity firms, friends and family members are options. Just remember that no matter what the source, you'll need to reinvest in your company to achieve sustainable growth.

Software. The right software tools can manage your clients' IT systems remotely and efficiently. Software is so important we've devoted the next chapter to the subject.

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3 The Software Tools You'll Need

Software companies are making it easier than ever to become an MSP by designing software that supports the managed services business model. Better yet, they also provide training and support that is dedicated to your success.

A key tool is remote monitoring and management (RMM) software. RMM software can perform any IT support and management task or process remotely, efficiently and non-intrusively. RMM software is the most common element in an MSP's toolkit, with 63% of MSPs using an RMM tool.

It isn't cost effective for MSPs to make onsite visits to monitor and maintain their clients' equipment. RMM software puts monitoring, management and problem-solving on autopilot, allowing MSPs to deliver services profitably and consistently across multiple clients and their devices. Providing services remotely makes the MSP model work.

The best part of RMM software is that it can identify potential problems before they occur and automatically fix the problems. RMM software can also manage IT assets, deploy software, manage mobile devices, install antivirus software, patches and hotfixes, and monitor networks.



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MSPs round out their business with other tools, such as antivirus software, asset management software, backup and storage, mobile device management and patch management. Another key tool is professional services automation (PSA) software, which dramatically streamlines their business.

PSA software integrates with business-critical software for customer relationship management (CRM), sales, help desk ticketing and tracking, project tracking, IT service management, service level agreements (SLAs), dispatch scheduling, time and expenses. Your RMM solution should integrate seamlessly with your PSA solution to make your job even easier.

When choosing software, keep in mind that reputable providers stay ahead of the competition by using the best tools available. Look for providers who have formed strategic relationships and alliances with key players in the industry – they’ve already hand-picked companies committed to making sure their clients have the latest innovative technology.

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4 How to Sell Your Managed Services

A key to your success is to let your existing and potential clients know about your new model, what services you're offering and why it benefits them. The right sales force can help you achieve this goal.

Selling managed services is quite different from selling products and projects. The sales cycle is longer, and IT service providers are selling an intangible product under a long-term contract.

Building your sales staff may mean retraining existing employees or hiring new employees. Nearly 51% of IT firms retrained existing sales representatives while 39% of IT firms hired new sales representatives with experience selling managed services during their initial transition to the managed services model. As part of your transition, relook at your sales compensation structure so you can effectively manage your cash flow and keep your sales staff happy. MSPs have developed numerous compensation plans, but no best-practice standard exists.



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Stabilize Revenue While Building Value

A steady income is one of the most obvious benefits of offering managed services. Once you're established, you can rely on recurring monthly revenue to manage your business. Although revenue is a major driving force behind the transition, there are other great reasons to become an MSP:

Client value.

By providing more services, your company adds more value that can help you land new accounts. Bundling additional services and products also gives you the ability to extend the contract.



Client retention.

Once you become a trusted advisor, your clients will be reluctant to operate without you, and they'll rely on you for more solutions.



Build your client base.

Once you've shown your clients how you can help them become more efficient and profitable, they'll tell their colleagues, who will come to you for IT services. Your clients' success stories will become an important part of your performance history.



Better positioning for long-term growth.

More and more companies are using cloud services and third-party vendors to handle the non-core parts of their business. It makes sense that the trend of using third-party managed services will continue, making the MSP market attractive to IT service providers.



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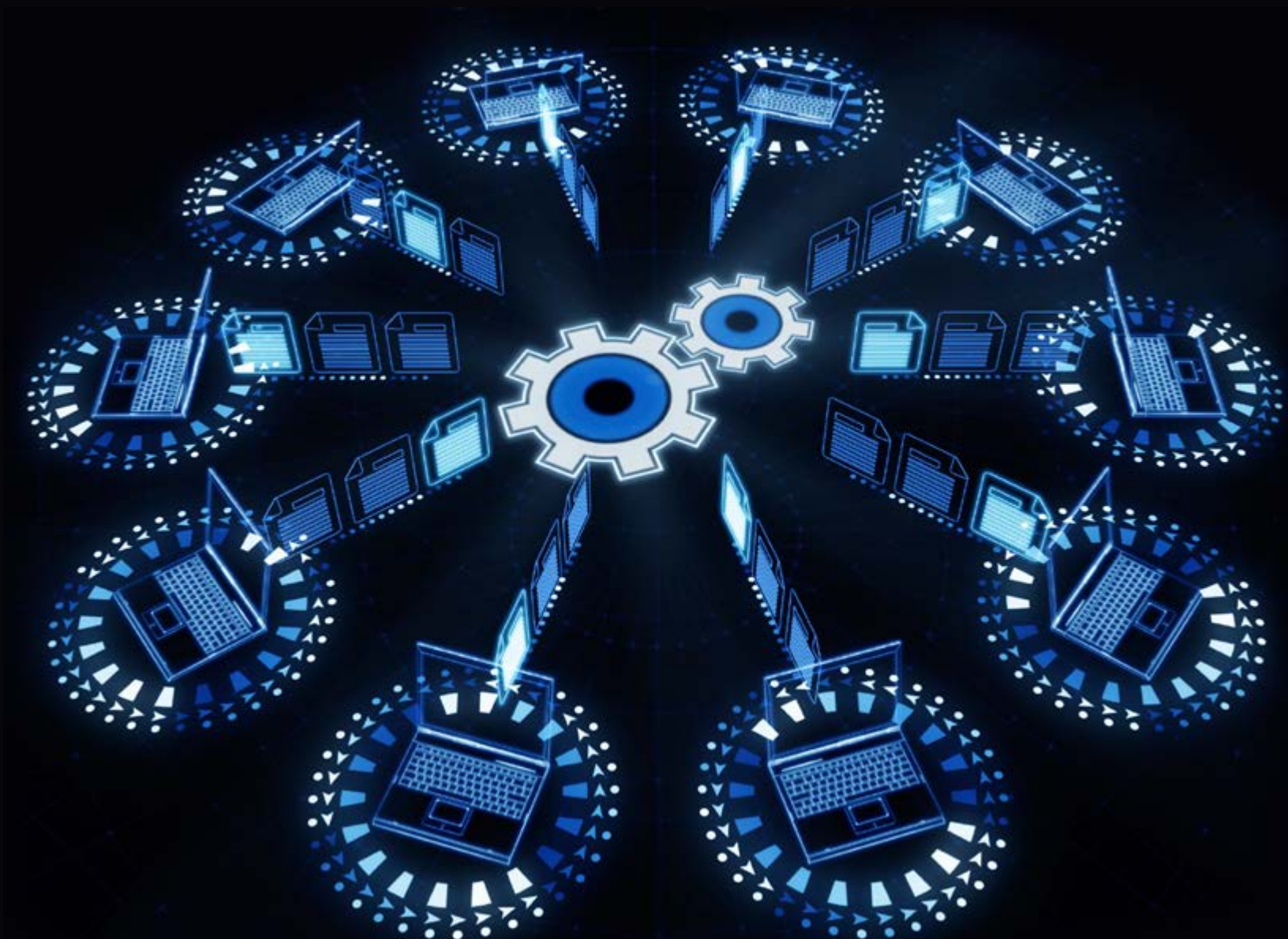
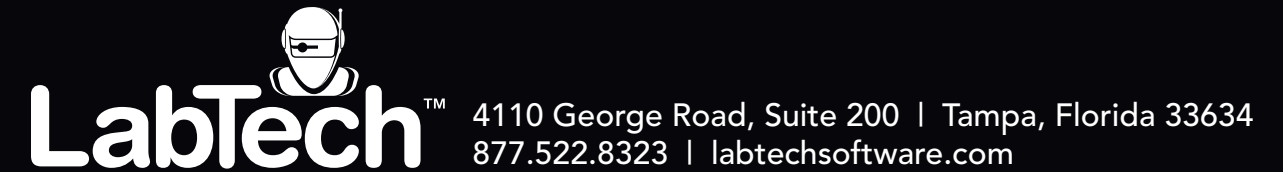
Summary

By offering managed services, you can provide a multitude of benefits to your company and your clients. Managed services can give your company a new way to generate revenue, attract and retain clients and compete in the quickly changing IT landscape. Your company can also benefit from a consistent revenue stream with relatively high margins.

At the same time, your clients can experience less downtime and have their IT problems solved quickly and professionally. Outsourcing IT support is also a cost-effective way for companies to manage and maintain their computer systems. Organizations are always looking for ways to run their business more efficiently and cost effectively, and by providing managed services, you'll have the solutions.

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.



ⁱ "Managed Services in an IP World: Global Opportunities for Wireless and Wired Networks, 2013-2017", The Insight Research Corporation, April 24, 2013.

ⁱⁱ "Trends in Managed Services Operations," CompTIA, December 2012.

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^{viii} Weaver, Charles, "Funding Managed Services Growth," MSP Alliance, <http://www.mspalliance.com/2013/04/funding-managed-services-growth/>, April 29, 2013.

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