

# NEW REVENUE AND PROFIT OPPORTUNITIES FOR VOIP PROVIDERS



**How to generate new recurring revenue from higher-value,  
higher-margin managed services in about 45 days**

# INTRODUCTION AND EXECUTIVE SUMMARY

Commoditization is the bane of any successful product or service category. Once customers see options, providers are forced to compete on price or risk going out of business. This is exactly what is happening in the VoIP market.

“There’s a lot of competition out there, and since many Unified Communication (UC) platforms are similar, price becomes the best way to close deals,” said Jon Arnold, principal at J. Arnold & Associates, an independent IP communication analyst and consulting agency.<sup>1</sup>

Rather than competing on price and chasing dwindling margins with “me too” offerings, many VoIP providers are adopting a radically different business strategy. They are evolving, differentiating, and diversifying. With a flash of innovation, they are zigging while others are sagging. What’s their secret?

They have transitioned to a managed services model and/or become a Managed Service Provider (MSP). Managed Services provides an immediate path to higher-value, higher-margin services that are a natural complement to your core equipment based product offering. Telcos and copier companies are also making the leap. And for good reasons: top tier MSPs consistently put between 20 percent and 30 percent operating income to their bottom line.

What’s required to add managed services? How can you make the leap? A successful MSP transformation solution should be based on three key pillars:

1. **Technology** for remotely monitoring, managing, and automating the broadest range of IT tasks – for any type of device – and delivering managed services to customers in the most scalable and cost effective way possible
2. **Best practice programs** that provide a standardized approach for every aspect of running a successful managed services business – from acquiring new customers, assessing and optimizing a network, onboarding, and performance reporting to quickly demonstrate your value.
3. **Business Support Services** including a dedicated coach and support team to provide expert, one-on-one help and craft a competitive go-to-market managed services strategy in the shortest time possible.

This paper gives you details on this important Greenfield opportunity and shows how you can quickly and safely transform your VoIP businesses by making the move to managed services. This white paper will be invaluable if you are concerned by commoditization and interested in learning about a proven MSP business model that has been successfully deployed by over 3,000 MSP partners worldwide.



<sup>1</sup><http://getvoip.com/blog/2014/02/10/voip-in-2014-experts-weigh-in>

# THE MOVE FROM CAPEX TO AN OPEX MODEL

According to market research firm Infonetics Research the global service provider VoIP and IP Multimedia Subsystems (IMS) equipment market grew by 30 percent sequentially, to \$936 million in Q2 of 2013. Their conclusion: it is still a good time to be in the VoIP business.<sup>2</sup>

While the future of VoIP looks bright, there are problems. Commoditization is a big one. Dave Michels reported at a recent VoIP industry roundtable hosted by GetVoIP<sup>3</sup> that “Voice itself is a commodity. There’s no loyalty to it. There’s no profit in it.” He added, “Providers need to deliver more if they want to keep their customers.”

**Relying on hardware sales, including servers and phone systems, ensures a relentless march to obsolescence. Survival hinges on finding new revenue sources beyond traditional hardware and equipment offerings.**

## Evolve or face further margin erosion & commoditization

Recognizing that traditional hardware sales of servers and phone systems are threatened, many VoIP and phone system providers are asking themselves: what would be a natural extension of my business? What else could I do of high value within my customers’ offices that has deployed VoIP equipment?

Ironically the very trends that have threatened traditional hardware sales have now created a Greenfield opportunity for the innovative VoIP and phone system provider: the rise of cloud computing, the trend to outsourcing, and hosted VoIP services all rely on an increasingly complex, networked office environment.

## 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.

**The bottom line: your 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: a perfect solution and transition opportunity

To fight commoditization and deliver new, breakthrough value to clients, many VoIP equipment and phone system providers are making the move to managed services.

By itself, Managed Services is not a technology: it is a **business model** for generating recurring revenue from a profitable mix of IT services. Efficiencies are realized by delivering services remotely in an automated fashion using **RMM technology**. Standard RMM features include remote automation, remote control, remote monitoring, remote management, and reporting.

Adding managed services enables you to provide clients with predictable, business-focused IT services that optimize operations, manage risk and deliver measurable business value. Higher business valuation from a new recurring revenue stream, improved margins from higher technician utilization rates, and stronger customer relationships are just some of the compelling benefits of becoming a MSP.

**Offering managed services enables you to assume responsibility for the customer entire network – from the phone system to the server.**

<sup>2</sup>Reported by TMCnet.com, <http://fax-ata.tmcnet.com/articles/350309-report-voip-market-growing-stronger.htm>

<sup>3</sup><http://getvoip.com/blog/2014/02/10/voip-in-2014-experts-weigh-in>

## You have important assets to leverage

More importantly, managed services leverage 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 business can make the leap to managed services.

## WHAT TO LOOK FOR IN A MSP PROGRAM

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 with a dedicated Sales Engineer and coach 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

### RMM AUTOMATION PLATFORM

An RMM Automation platform equips you with the technology foundation needed to cost effectively monitor, manage, and protect hundreds of thousands of IP-enabled devices.

#### “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, back-ups, end point security, updating patches, resetting passwords, application deployments, performing asset management and updating software on employees’ systems, and many other tasks.
- **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 of your VoIP 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 VoIP 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.

## HELP DESK & NETWORK OPERATIONS CENTER (NOC)

Help Desk and 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 industry's most comprehensive MSP transformation solution with a proven track record for helping VoIP providers quickly add profitable new managed services to their core business. Many make the transition and are generating new revenue from high value, high margin managed services in as little as 45 days.

The complete and revolutionary N-able MSP transformation program is based on three pillars: Technology, Best Practice Programs, and Business Support.

## TECHNOLOGY FOUNDATION

**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 percent of your total addressable market. Optional, industry leading modules for meeting your specific customer needs while taking advantage of market opportunities include:
  - » Patch Manager, Report Manger, Mobile Manager, Remote Control Manager, Audit Manager, Net-flow Manager, Security Manager – AV Defender, and Back-Up Manager, and Help Desk Manager

## BEST PRACTICE PROGRAMS

Best practice programs mean you don't have to reinvent the wheel and discover processes for efficiently delivering managed services. N-able has documented all process to provide a standardized approach for every aspect of running a successful managed services business – from acquiring new customers, assessing and optimizing a network, onboarding, and performance reporting to quickly demonstrate your value.

N-able's key best practice programs include:

- The N-able MSP Playbook – the industry's most comprehensive and cost effective solution for setting up and running a streamlined, operationally excellent and profitable NOC and Help Desk.
- Technician Runbook – the only library of best technical practices drawn from N-able most successful and profitable Partners around the globe.
- Digital Binder – a compilation of proven, pre-

packaged, ready to use sales and marketing materials for rapidly acquiring new customers and generating new recurring revenue immediately.

## BUSINESS SUPPORT SERVICES

Validated by over 3,000 global partners, the N-able's Business Support 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 sell managed services in the fastest time possible. Our business support includes:

- One-on-one coaching from a dedicated MSP Channel Specialist
- Self-guided technical training
- Sales and marketing training
- Knowledge Management Portal

## MSP Supplemental Services offering

Until recently, VoIP dealers and phone system businesses would incur a significant front-loaded investment to transition to a managed services model. The considerable investment included licenses for RMM technology, costs to set-up a NOC and help desk, and extensive re-training. These costs were a substantial barrier to entry and discouraged many hardware based companies from making the leap to managed services. In response to this need, N-able Technologies 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

## 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 VoIP 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 3,500 global partners servicing more than 25,000 customers, and has been used to generate millions of dollars in Managed Services revenue.

For VoIP 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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