MSP Guide: Generating Service Revenue from IT Monitoring

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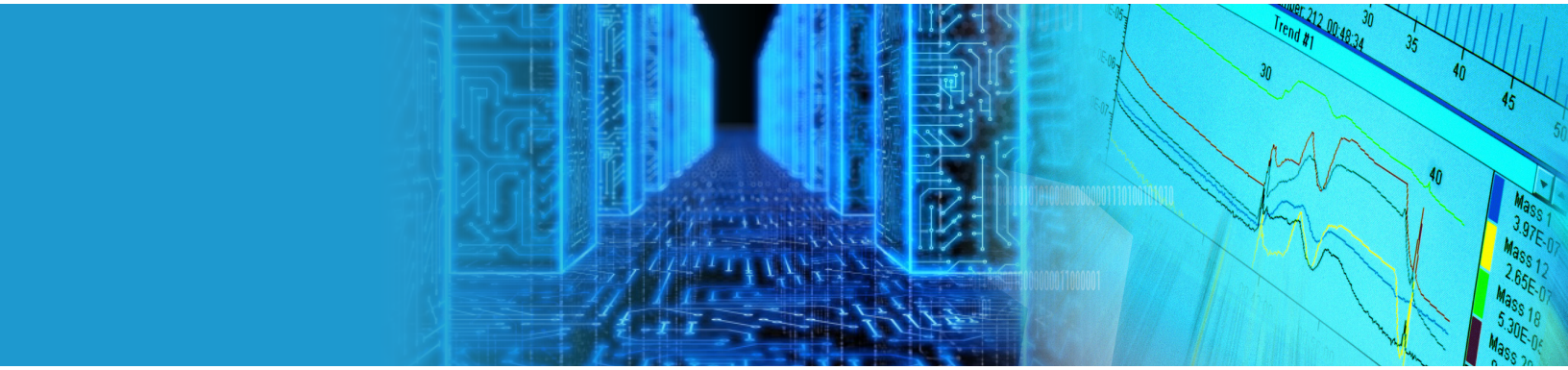

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Managed Service Providers can monetize their investment in monitoring to enhance their services and increase profitability. Next-generation integrated monitoring platform designed for MSPs is the key to reducing costs, increasing operational efficiency and generating incremental revenue with expanded service offerings.

Executive Summary

Demand for managed services is robust, with market estimates for 2013 running in excess of $40 billion. As organizations grapple with the complexity of IT, a shortage of qualified staff and continued economic pressure, the appeal of managed services is clear.

Even as demand for managed services is increasing, competitiveness amongst Managed Service Providers (MSPs) is becoming more intense. MSPs are struggling to differentiate themselves and their offerings in an effort to build a loyal customer base and preserve margins.

MSPs have to overcome customer concerns relating to trust, transparency, security and predictability. They have to scale and manage their operations at lower costs and greater efficiencies than their customers can achieve in-house. How is this possible when service providers rely on the same devices, tools and talents that are available to their customers?

MSPs have to take a fundamentally different view of their IT operations than their customers. For customers, infrastructure elements and tools are overhead. MSPs have to view them as opportunities to add service value. What can they do to align how they use and deploy their tools to create efficient services that customers actually value? In this paper, we examine how MSPs can monetize their investment in IT monitoring.

The paper examines how MSPs can cut costs and improve their overall effectiveness by monitoring all aspects of their IT infrastructure, including servers, storage, network, security and applications, in a unified manner that aligns with customer business services. This eliminates the blind spots and operational overlaps that reduce service levels and increase costs when operations are managed as independent silos.

Armed with an integrated monitoring capability that is faster, more efficient and that allows for deeper contextual understanding, the paper outlines a range of service opportunities that MSPs can build or augment based on their integrated monitoring capabilities. By adding or refining services based on the model presented, MSPs can develop a meaningful plan to generate service revenues that best align with their business capabilities and the needs of their target customers.

Introduction

The advent of cloud computing, the complexity and costs of managing IT and challenges in hiring and retaining skilled staff are all helping fuel growth in managed services. The estimated global market for managed services is in excess of $40 billion for 2013. On the one hand, this is excellent news for Managed Service Providers. However, the lure of a growth market, coupled with robust margins is attracting more and more players into the space. Traditional service providers cannot sustain their businesses on 10 percent hardware margins and 20 percent software margins, so many are entering the managed services arena. As the market becomes increasingly competitive, MSPs have to differentiate themselves with greater efficiency and expanded service offerings to ensure a profitable growth path for their business.

Regardless of industry served, geographic location, staff skill sets, or customer base, all MSPs rely on the ability to monitor and manage IT infrastructure and deliver on Service-Level Agreements (SLAs) for their customers. Many MSPs make sizable investments in a variety of tools to monitor servers, storage, networks, security and applications. In this paper, we will examine how MSPs can monetize their investment in monitoring to enhance their services and increase profitability.

Challenges

Costs and Operational Efficiency

Fundamentally, MSPs need to deliver services that are competitive with their target customer's own IT department. In addition to hiring, training and managing staff well, MSPs need to equip themselves with the right IT monitoring and management tools so that they can remain cost-competitive and optimize operational efficiency. Traditionally, IT professionals have relied on multiple, specialist tools that were designed to monitor specific infrastructure elements, such as networks, applications or security. In the event of a problem, for instance, poor network performance, data had to be extracted from multiple sources and correlated to assess the scope of the problem, troubleshoot and resolve it. There are a number of problems with this piecemeal approach.

Purchasing, maintaining and managing multiple tools are expensive from a capital expense as well as an operational expense perspective. The tools all operate independently and differently, although several may have overlapping capabilities. Each tool has to be up-to-date in terms of licensing, patch management and overall compatibility with the infrastructure. Staff must be proficient in using the tools, customizing reports and dashboards and interpreting the data. The costs and resource requirements can be substantial. However, the greatest downside to this siloed approach is that it leads to blind spots and potentially lethal delays.

Consider, for example, an application performance degradation incident. There may be a number of causes, either isolated or related. Network device failure, a security breach, storage device data access contention during backup, or rogue applications are common causes. The operator who receives the alert needs to access multiple tools to get a full picture of what is going on across the infrastructure and may have to involve application, security, network and storage experts to help correlate the data and troubleshoot the incident. This takes time,

ultimately delays response and time to resolution. The impact on availability and service levels could be costly both to the customer and to the service provider.

To contain costs and operate more efficiently, MSPs need the ability to fully monitor all aspects of the services they offer. They need real-time alerts and correlation data that allow operators to act quickly and effectively to avert and resolve problems without involving multiple functional experts.

Generating Service Revenue

Although things are improving, many customers still have to overcome concerns about trust and transparency when they engage with MSPs. According to research from UBM, service providers are increasingly reporting that the key decision-makers are more likely to be line of business rather than IT executives in medium to large businesses, while the key decision-maker is still IT for smaller organizations. As MSPs expand their services, they need to be mindful of the needs of their decision-makers. How should they present results to business managers and executives? How can they empower IT customers with the information they need to develop an overall corporate IT strategy?

Unlike the majority of IT departments in business and government organizations, MSPs need to leverage their investment in a monitoring platform and staff into services, and not treat it as a cost center. How can they define services that will appeal to customers? How can they differentiate their services to build a loyal and profitable customer base? What kind of services can be built out of a monitoring solution anyway?

Aligning Tools with MSP Business Model

For an MSP to be successful in monetizing its investment in a monitoring solution, it is important to work with a vendor that has a product offering, go-to-market strategy and licensing structure that is designed for MSPs. Too often, vendors offer solutions that were designed for a few set sizes of enterprise customers: small, medium and large. Initially this may work, but over time, in the agile MSP model, serious problems arise that can be costly for the MSP in terms of money, time and lost opportunity.

When monitoring solutions are hardware appliances, scaling up and down in response to customer demand can be a challenge for MSPs. What appliance size makes sense? Is it possible to migrate and add appliances? In addition to delays, overhead and committed capital costs, MSPs using hardware-dependent monitoring solutions also have to allow for continual upgrades and management of additional devices. These are all resources that would otherwise be available for servicing customers and generating additional revenue, so the opportunity cost can be significant.

At the core of a successful MSP business is agility and customer responsiveness. Mergers, acquisitions, organic growth and seasonal demand fluctuations can all drive the need for customers to seek additional services from trusted MSPs to support their business needs. MSPs need to have a monitoring solution in place that can easily be expanded and with a licensing structure that will flex as customer demands ebb and flow. Tying up capital in advance with hardware purchases and perpetual software licenses does not align with the subscription model of the MSP business.

Too often, traditional monitoring tools that are adapted for MSPs are complex and time-consuming to configure. The MSP has to build processes and procedures to work around the limitations of enterprise-focused products that were not designed with native multi-tenant capabilities. Configurations, groupings, dashboards and reports can be difficult to align with individual customers, business services and user roles and may require custom scripting by the MSP. This adds cost and a delay in setting up customers that restricts revenue generation and may reduce customer satisfaction.

Solutions

Reducing Costs and Increasing Operational Efficiency

MSPs that opt for an integrated monitoring solution that provides visibility across all infrastructure elements, including network, servers, storage, security and applications, can reap significant savings in capital savings and annual maintenance fees. Given the fluid and fast-moving evolution of IT, choosing a product that has been fundamentally designed for virtualized and cloud environments is a must. MSPs should look for a monitoring solution that is quick to set up and provides complete 360-degree visibility without any blind spots for all of the components on which their service delivery relies.

Sometimes, it is necessary to look beneath the covers of the solutions offered by vendors. Integrations at the dashboard level for legacy applications will not deliver the integrated functionality, performance, resiliency and agility that an MSP needs to provide superior service levels. The underlying legacy applications are frequently optimized for the specific data sources and views for which they were originally designed. Because of the disparate data sources of these applications, translations and processing are required to correlate results. The resulting fragmented data architecture frequently suffers from limitations due to source data restrictions, data synchronization problems and uniform analytics support that data source agnostic platforms do not. The resulting limitations of these dashboard integrations make it difficult for MSPs and their customers to reliably gain access to the source data they need and present it visually in a way that makes sense to the user.

Ideally, an MSP-grade monitoring solution will automatically and completely discover all infrastructure elements associated with the business service. As new devices are added, configurations change, as is typical in an agile MSP environment, it is important that all changes are sensed and captured in an integrated Configuration Management Database (CMDB). This is important from control, audit, security and operational management perspectives. As MSPs add servers, routers and other devices, upgrade and patch applications, and customers change users and add access devices, it is incumbent on the MSP to capture these changes dynamically. Consider the challenges of migrating a customer's growing application to a higher performing infrastructure if you did not have accurate and complete topography and version data readily available.

To save time and operate at peak efficiency, MSPs require real-time visibility into virtualized data centers that may span multiple locations. It is becoming increasingly necessary for MSPs to have visibility into customer sites, their own sites and public clouds, such as Amazon's EC2. To ensure that a given business

MSP Services

The following is a summarized list of services that an MSP can offer, which leverage the capabilities of an integrated monitoring solution. The list is not intended to be exhaustive, but illustrates how an individual MSP might offer a range of services that align with its target markets and skills.

- Remote monitoring and alerting
- IT event correlation and analysis
- Private and hybrid cloud monitoring
- Uptime and availability monitoring
- Critical business services monitoring (e.g. financial trading operations)
- Managed network services
- Managed hosting services
- Virtual Desktop Infrastructure (VDI) and desktop management
- Security monitoring
- Cloud security management
- Compliance reporting
- User activity management
- Digital asset protection
- Security risk assessment and consulting

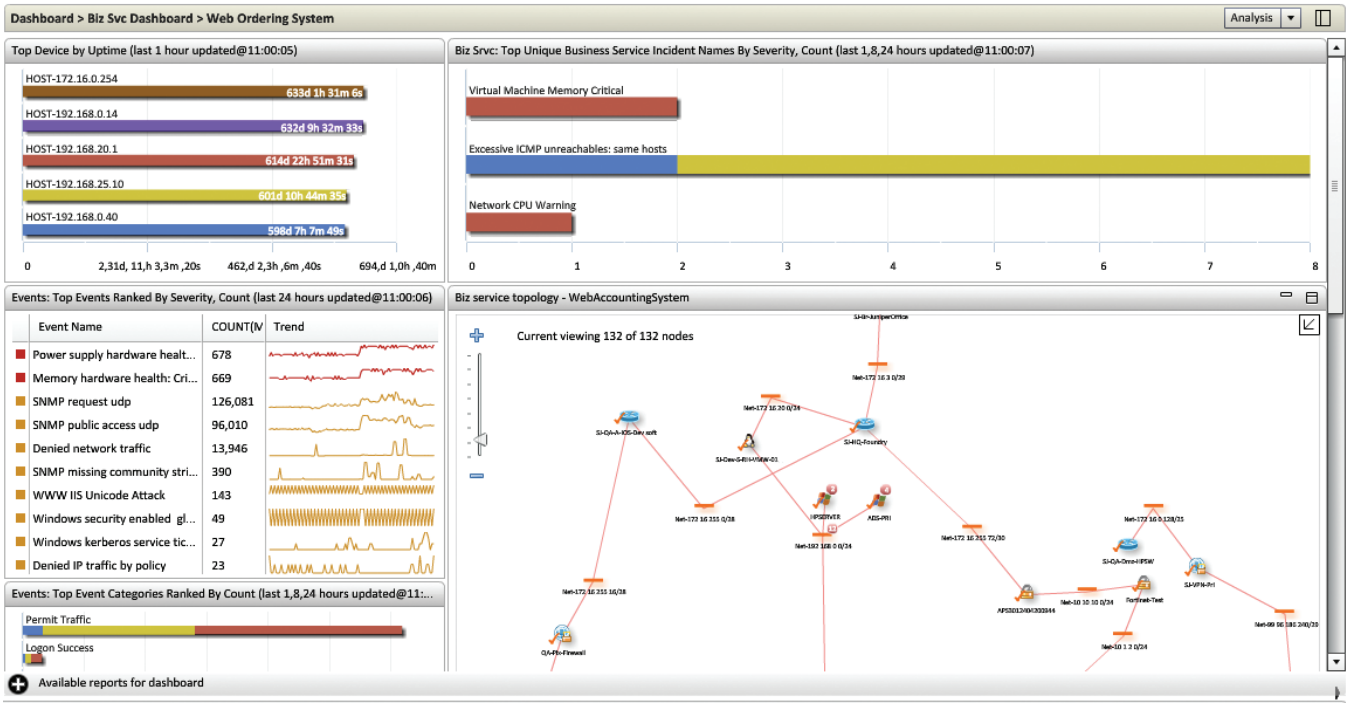
service is operating at the required performance and availability levels and is not subject to security or compliance breaches, deep functional integration is imperative. The event data from all sources has to be digestible by the monitoring application. Further, the monitoring solution must be able to capture and analyze the data immediately so that it can correlate related events and issue warnings and alerts for anomalous activities, and trigger responses in real-time. Unless the monitoring solution was designed using a unified code base with a real-time correlation engine, the ability to intelligently analyze data and identify meaningful anomalies is likely to be lacking. Event data translation algorithms needed to make disparate functions interoperate will cause performance to drop. Too often this is a hidden weakness when vendors offer an amalgam of tools that were originally developed or acquired from multiple sources and try to wrap them together. This is why MSPs need a truly integrated, high-performance solution built on a unified code base to ensure real-time alerts that can trigger immediate intelligent responses. Such a solution is vital in minimizing time to resolution so that MSPs can fulfill their SLAs and optimize their operational efficiency.

When an MSP deploys an integrated, full-spectrum monitoring capability that delivers real-time analytics and event correlation, they effectively automate and eliminate operations that are repetitive and uninteresting for staff. By presenting staff with the full situational analysis for a threshold or anomalous activity, they can instead focus on solving the problem at hand. That type of work is more interesting, and sharpens valuable skill sets. For an MSP, this can help to establish a staff that is more accomplished, more motivated, and more efficient, with a growth path for their skills. This in turn helps with staff retention, development and even recruitment so that the MSP can improve competitiveness in staffing.

Generating Incremental Revenue with Expanded Service Offerings

The most profitable and desirable customers for any business are those who are loyal and who value their supplier as a trusted business partner. Extrapolating this to the MSP seeking to leverage monitoring capabilities, it is important to offer valued services that are targeted to a defined customer profile and to provide the visibility and metrics that build trust and empower the customer with management data.

To provide visibility and data to customers, the MSP needs to have a monitoring solution that can securely segregate data, dashboards and reports by customer, by role, and by business service. This should be easy to do and not require ongoing skilled intervention and custom programming by the MSP. For the MSP with a flexible, integrated monitoring solution that can natively associate resources with specific customers, building customer trust is straightforward and timely. Such a tool should allow the MSP to provide securely accessible, customer-specific dashboards that show how the service and its components are performing, what their availability levels are, and how thresholds are being managed. Within a customer organization, different views and data will be appropriate for different professionals. For instance, a business unit director will want summary information about specific lines of business, while the security analysts will have very specific and detailed information needs. Providing customers with this level of visibility at all levels builds trust and transparency. It also enables a transformation of the MSP from a supplier to an extension of the customer's business and IT ecosystem. Just as virtualization and cloud are



AccelOps' business service dashboards link application and infrastructure resources, track SLAs and monitor service delivery

breaking down barriers and transforming the definition of IT boundaries, unified and integrated monitoring is expanding the definition of the IT department to include MSPs. Corporate IT has to look at the entire infrastructure and have visibility into all of the metrics and controls relating to its data, including those managed by MSPs.

Definitions and barriers within organizations, too, are undergoing transformation as IT is increasingly becoming a strategic component of business services, not merely an enabler. MSPs that are servicing medium to large organizations are dealing more frequently with line of business executives rather than CIOs. That is not to say that the CIO or the CISO is not involved, or does not enforce requirements and service levels, but rather that the services of the MSP are funded primarily by the business unit and that the value of the services has to be clear at a business level, not just at a technical level. MSPs need to offer and present services that appeal to a variety of roles, yet do this on a business service level. The monitoring solution must enable this.

We have talked about the benefits to an MSP from deploying an integrated monitoring solution with real-time analytics and correlation for performance, availability and security. Such a solution offers the MSP the ability to deliver a wide range of services, ranging from basic to deeply consultative. Working from a rich monitoring pallet, the MSP can offer a selection of services that will help differentiate and grow its business. Below is a list of sample service offerings that leverage an MSP's monitoring capabilities. By choosing which ones best align with the individual MSP's target market and expertise, the MSP can expand services revenue most effectively.

There are divergent opinions on how best MSPs should present service offerings. One school of thought is that services should be presented discretely and laddered in terms of value so that the MSP can deliver a service that is valued at the right price to meet available budget for customers. Essentially, the MSP

would offer good, better and best options. For example, security service offerings could be laddered as follows:

1. **SIEM and log management monitoring and alerting:**

   MSP sets up SIEM with thresholds for alert conditions, monitors for these conditions and sends an email alert to the customer in the event that a threshold condition occurs.

2. **SIEM monitoring, management and reporting:**

   MSP sets up SIEM with thresholds for alert conditions, monitors, investigates and takes pre-determined corrective actions when threshold conditions trigger alerts. The MSP provides incident and ongoing SIEM reports.

3. **SIEM and security management:**

   In this case, the MSP combines a full spectrum of SIEM monitoring, management and reporting with its security expertise to provide the customer with deep security expertise and proactive risk assessment and security management.

AccelOps' customized security dashboards provide MSPs with business-relevant IT infrastructure insight.

Alternatively, some MSPs prefer to create and offer high-value service bundles only. In their view, providing discrete options and price points encourages customers to drive down prices by pressuring their providers for essentially a la carte components. Here is an example of a bundled service offering:

Remote Network Monitoring and Alerting

MSP uses VPN to identify, monitor and manage all devices at customer site from MSP NOC 24 hours a day, 7 days a week, 365 days a year. Monitoring and management includes:

- Device Availability Monitoring and Alerting
- Device Health Monitoring and Alerting
- Network Health Monitoring and Alerting
- Network Performance Monitoring and Alerting
- Service Availability Monitoring and Alerting
- Trend Reporting
- Response to Alerted Incidents
- Move, Adds, Changes
- Configuration Management and weekly backup of configuration files
- OS and Patch Management
- Response to Report Requests

Custom Fit MSP Monitoring Accelerates Revenue

MSPs will be most successful with their monitoring services when they choose a vendor that looks upon them as customers rather than a low-cost channel extension. The product, its licensing and pricing must all align with the flexible nature of the MSP business model and the vendor should respect that it is the MSP that has the primary business relationship with the end-user organization. The theory is simple enough, but there are a number of practical requirements that the monitoring vendor needs to deliver to enable account control for the MSP's benefit.

A vendor that offers a hardware-based or appliance model limits the flexibility and agility of the MSP. Customer organizations look to MSPs to deliver solutions quickly and without undue commitment, in response to changing business conditions. This means that a vendor that offers a software solution that the MSP can run on a virtual appliance and for which licensing can be flexed as required in response to customer demand will be the preferred choice. There is no need for the MSP to commit to additional hardware, waste time and resources migrating to a larger appliance as business grows, nor tie up capital in an oversized appliance or perpetual software agreement before new customers are brought on board and generating revenue. MSPs do well to work with a vendor who offers a subscription model so that they can retain flexibility and align costs with revenue.

The ideal monitoring solution will provide native multi-tenancy capabilities that enable the MSP to bring customers on board quickly. When a monitoring solution is designed and built for MSPs, it should be a simple matter to provide customers with role-based and business service dashboards and reports

that make it easy for the customer to have visibility into their environment, and theirs alone. Because it is the MSP, not the vendor, who is contracted to deliver services to the customer and who acts as the trusted partner, the dashboards and reports that the customer sees should be able to present the MSP's identity. When a CISO is examining compliance reports, for instance, he should see the MSP's logo and contact details. That way, he can quickly identify whom to call with questions or to make additional service requests.

The AccelOps Solution

AccelOps, the leader in integrated security, performance and availability monitoring, monitors servers, storage, networks, security devices, applications and users across the entire IT infrastructure - on premise, in the cloud or a hybrid of both.

The AccelOps virtual appliance software solution offers MSPs an intelligent and cost-effective way to meet service levels, and offer new lines of service delivery opportunities. The AccelOps virtualized collector architecture allows MSPs to remotely monitor customer environments across their data centers, private or public clouds, such as those offered by Amazon. The patent-pending Elastic Monitoring Capability of the product allows MSPs to scale to customer environments as their business needs change by simply adding or removing virtual appliances to the cluster.

Native multi-tenancy provides flexibility and security for MSPs and cloud service providers, allowing appropriate views for individual customers and business groups through role-based access controls; operators can switch from a particular customer or business line view to a global view with a single click.

AccelOps combines security, performance, configuration and change information on a single unified platform, ensuring that critical information necessary to solve problems is just a click away. AccelOps also provides an industry-first technology that enables MSPs to extend monitoring to new or custom environments while maintaining speeds of natively compiled code. This allows MSPs to quickly react to changing customer environments and offer highest service levels without disruptions.

SECURITY 7 NETWORKS

"The combination of SIEM and performance and availability monitoring capabilities under a common platform simply does not exist in other products in the marketplace today."

Jay Smith, President of Sales and Founding Partner, Security7 Networks

Integrity
SECURITY | RISK | COMPLIANCE

"AccelOps has almost every conceivable bell and whistle. We believe the way AccelOps has implemented their multi-tenant functionality is the most progressive in the market."

Dave Nelson, President, Integrity Technology Systems

Conclusion

Monitoring and security are critical capabilities that MSPs need to have in place to offer managed services and address customer concerns relating to trust, transparency, security and predictability. Adopting a traditional set of single function tools to monitor functions such as networks, servers, storage, security and applications and attempting to cross-correlate these to ensure high performance, highly available and secure IT management is difficult, expensive and does not enable MSPs to build additional revenue-generating services. Traditional tools have not been designed to monitor virtualized and hybrid cloud environments, nor to support multi-tenancy and MSP business models.

Alternatively, MSPs can deploy a next-generation integrated monitoring tool that provides full 360-degree visibility across all infrastructure elements, that is easy to install and manage and that has been designed around the needs of MSPs. AccelOps, the leader in integrated security, performance and availability monitoring, is such a solution and has helped MSPs worldwide expand their revenue-generating services and reduce operational overhead, while improving overall operational efficiency.

By choosing a highly functional integrated monitoring solution that has the ability to automatically discover every infrastructure element associated with a business service, MSPs can minimize costs and deliver superior service levels. Savings result from reduced capital expenditure, maintenance costs and time efficiencies. By deploying a software solution that can scale in a virtualized environment, MSPs can flex their solution to their needs without hardware dependencies or the need to migrate to a larger appliance when new customers come on board.

As MSPs increasingly become an extension of organizations' IT departments, they need to provide segregated infrastructure and data visibility to their customers' business managers, CIOs and CSOs through role-based and customized dashboards and reports. In order to bring customers on board quickly, the ideal MSP monitoring solution should provide native multi-tenancy capabilities. By choosing a vendor that is SaaS-enabled, MSPs can alleviate cash flow problems since the licensing structure aligns with the MSP subscription revenue model.

Being MSP-ready extends to empowering the MSP to build value-added services around the integrated monitoring solution. Armed with an integrated monitoring solution with real-time analytics and correlation for performance, availability and security, MSPs can create services for customers. For example, MSPs can extend back into the customer's own infrastructure and to public clouds by offering private and hybrid cloud monitoring on a 24 x 7 / 365 basis. Alternatively, an MSP with security consulting expertise could target healthcare organizations with security monitoring, risk assessment and compliance reporting. It behooves a progressive MSP to partner with a monitoring vendor who is committed to MSP enablement and who offers an integrated monitoring platform with advanced discovery, analytics and alert capabilities. The MSP can differentiate their business and deliver high-value services to targeted customers using the monitoring solution as a core building block.

About AccelOps

AccelOps designed its software platform from the ground up to address the needs of MSPs. AccelOps provides a new generation of integrated security, performance and availability monitoring software for today's dynamic, virtualized data centers.

Based on patented distributed real-time analytics technology, AccelOps automatically analyzes and makes sense of behavior patterns spanning server, storage, network, security, users, and applications to rapidly detect and resolve problems. AccelOps works across traditional data centers, as well as private and hybrid clouds.

The software-only application runs on a VMware ESX or ESXi virtual appliance and scales seamlessly by adding additional VMs to a cluster. Its unmatched delivery of real-time, proactive security and operational intelligence allows organizations to be more responsive and competitive as they expand the IT capabilities that underpin their business.

AccelOps has helped MSPs worldwide expand their service delivery capabilities and generate additional service revenue.

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AccelOps, Inc.
2901 Tasman Drive, Suite 100
Santa Clara, CA 95054
USA

Web: www.accelops.com
Tel: 1 (408) 490-0903
Email: sales@accelops.com