



WHITEPAPER

HOW TO DEAL WITH A PERFECT STORM OF DISRUPTION IN THE MANAGED SERVICES BUSINESS

A personal perspective on the challenges facing the Managed Services industry and the strategies you can use now to survive and thrive transformational change

By Mike Cullen

Senior Vice President Sales - N-able technologies

Do you have strategies for dealing with the top drivers of change?

In this white paper, I will provide you with insight to the key drivers impacting Managed Services and give you concrete strategies for:

- Dealing with a new **breed of competitor**
- The way managed services **must be delivered**
- How to **attract and sell to new customers**
- **Pricing strategies** and negotiable transaction points
- Achieving new **operational efficiencies**
- And others

ARE YOU READY?

As the Vice President of Sales for N-able Technologies, I travel extensively - regularly visiting our Partners and other Managed Service Providers in major cities across the US, Canada, UK, Europe, Australia, and New Zealand.

Something I've noted recently is a **growing chorus of concern**. It's not that our Partners are filled with doom-and-gloom. Rather, there's a shared feeling that we've reached a major inflection point in the MSP industry - one characterized by an unusual number of change agents that will ensure the immediate future is unlikely to resemble the past. If you're a MSP or IT service provider, and you're not concerned you probably should be. Here's why.

Right now, we're bracing for **more change in the next two years than the industry has seen in the past 15**. Drivers that are creating a perfect storm of disruption include new competitors, converging technologies, and IT everywhere.

Change on the scale we're anticipating always brings **explosive opportunities and challenges**. Whether you emerge a winner or loser will be defined by how you respond to both. That's my purpose in writing this paper: to share **candid insights on the big trends** we're seeing.

More importantly, I want to give you **the strategies and action steps N-able Technologies is recommending** to ensure our global Partners stay on top of change - and remain the **most successful MSPs in the World**.

Everything in this paper is based on my direct experience working our base of 2,500+ global Partners and an analysis by N-able's senior management team. This paper will be invaluable if not essential reading if you're a MSP or IT service provider targeting SMBs or mid-market customers.

The insights will equip you with practical strategies for sailing with greater confidence through a perfect storm of disruption.

Are you ready? It's going to be a wild ride. So buckle-up and let's get started.

Managed Services is a logical extension for many companies with digital products.

These companies want to leverage their IT expertise and extend customer relationships to generate recurring revenue. This convergence has created a new breed of competitor:

- Copier printer companies
- Audio visual companies
- Telephony companies

Every company in these sectors has a Managed Services initiative at the Manufacturer or Reseller level.

THE BIG DRIVERS OF CHANGE

“What are the big trends driving massive change in the MSP industry?” It’s an important question.

We always expect change. When we see the following, we quickly realize that “rear view vision” will be less and less useful for predicting the road ahead. Here are the five big change agents we are actively tracking and creating strategies for:

1. **New Competitors** - and “Convergence”
2. **Commoditization** - driving price wars
3. **Mobility** - and mobile computing
4. **IT Anywhere** - and on any device
5. **The Cloud** - a new reality in Managed Services

You may think #4, 5, and 6 are one and the same. They’re certainly interrelated. In our opinion each is a separate driver that will likely have a slightly different impact on how you price your Managed Services, sell to SMB customers, and deal with new competitors.

Let’s tackle each one to create the right context for the strategies we are recommending to our global Partners - and that you may want to adopt too.

Driver #1: New Competitors & Convergence

Here’s a startling fact for many individuals outside the Managed Services industry: top tier MSPs put between 20 percent and 30 percent operating income to their bottom line. That’s a “good news - bad news” story.

The good news is that Managed Services is an incredibly lucrative, high-margin business characterized by “sticky” customer relationships.

The bad news? Not surprisingly, high-margins and profitability are attracting a lot of attention. Any company with an installed client base, a digital product line and any IT savvy is eyeing Managed Services as a logical extension of their core business.

That’s why Managed Services has experienced a **record number of mergers and acquisitions** over the past couple of years. And it has attracted a lot of **new competitors from non-traditional areas**.

Some are calling this trend “convergence”: the entry of companies with digital products in “sun set” industries that are looking to extend their relationship with customers. Managed Services is a logical extension because many have already invested in IT expertise to manage their digital products.

As an industry productizes it commoditizes

- Price not value becomes the primary consideration when choosing a MSP

As a result, big, well-resourced companies are wading into the Managed Services space:

- **More Telcos** – like British Telecom in the UK
- **Photocopier companies** like Ricoh, Canon, OKI, Konica, Minolta – and many others.
- **Software giants** like Microsoft, CA and Dell

The bottom line: whether you think of this as convergence or a new breed of competitors, you're staring at the same thing. More big digital companies with IT expertise are entering Managed Services. Like you, they're attracted by the opportunity to generate recurring revenue and at great margins. They're all hungrily eyeing your SMB and mid-market customers. Are you ready?

Driver #2: Commoditization

The IT industry is the worst for commoditization. Managed Services is reaching that stage now – driven in large part by the entry of aggressive new companies that are productizing their services. Once IT companies start productizing they commoditize.

That means you'll see competitors who will **stop selling on value and start selling on price**. How are you going to justify a fixed fee, managed desktop service at \$60 when a bigger, aggressive competitor offers to provide the same service for \$50 per desktop?

This is the new reality: and the reality is **Managed Services is going to commoditize**. For many it already has. We have seen desktops fall from \$60 to \$30 Euros per month in some European marketplaces.

In many respects it's just like the car industry. Do you remember how every neighborhood once had a corner garage that did repairs and sold gas? Those garages would seldom tell you how much a job would cost – they would quote you an hourly rate and you took your chances with their "estimate."

Along came the dealers who saw service as an important way to extend their customer relationships and add an important new, ongoing revenue stream to their business. Sound familiar? Dealers leveraged operational efficiencies and productized their automotive services. That led to fixed price, commoditized services for standard repairs. Customers loved it. They knew exactly how much their brake job or muffler repair was going to cost.

How many corner garages do you see these days? Not too many. Most were crushed because they couldn't compete with the operational efficiencies offered by dealers. The same writing is on the wall for Managed Services.

What this means: if you are going to thrive against a new breed of competitor – and the inevitable commoditization of Managed Services – you will need a strategy for achieving new levels of operational efficiency.

Driver #3: Mobility and mobile computing

According to Cisco's **Visual Networking Index Global Mobile Data Traffic Forecast Update**, global mobile traffic will increase 13-fold by 2017, with more than 10 billion mobile connected devices. Mobile devices are expected to outnumber people on the planet by the end of the year. And Wireless data traffic is expected to grow 66 percent a year for the next five years. Those stats reinforce what you already know. Mobile adoption continues to grow globally - and rapidly.

That growth has created a rare greenfield opportunity for Managed Services. More and more, smart phones and tablets are included as part of an overall Managed Services Agreement. If these devices, often loaded with sensitive corporate data, are not properly managed and secured, they pose significant risks to the SMB.

Fortunately recent advancements in RMM technology have allowed MSPs to extend their Managed Services contracts to their SMB and mid-market customers. This could be in support of a COPE strategy - Corporate Owned, Personally Enabled - or BYOD - Bring Your Own Device approach.

Whether COPE or BYOD, explosive growth in mobile means you need to have a **competitive and efficient Mobile Device Management Strategy**. I would take this one step further.

The future of Managed Service is about "mobile computing management". Managed Services contracts must extend to include whatever devices people are using to compute on - a laptop, tablet, smart phone, whatever.

We've reached a point where the MSP has to stop thinking about "managing the device." Instead, they're managing the ability for the end user to compute on any device of their choice - with all the different points of potential failure in between.

If you think device and application management, you will be reducing your service to a point solution - a commodity trap. You have to think bigger. You have to think "mobile computing management." That means monitoring and managing the whole environment.

Today that environment likely includes Office 365, the Internet, the router, the firewall, the switches in your SMB's organization. You are monitoring and managing every single point of contact right up to the mobile device that the end customer is holding to access their email, the cloud, the Internet, and various applications.

It's all about seamless mobile computing - on a laptop, a smart-phone, a tablet - with zero distinction between these devices. Forget "device management". Think mobile computing to differentiate your services

The Cisco Visual Networking Index (VNI) Global Mobile Data Traffic Forecast Update, February 6, 2013

Gone are the days that the Internal IT Department or Service Provider can dictate product choice

- Executives and employees expect - or demand - choice

Driver #4: IT anywhere

It all started with BYOD and the movement has been turbo charged by the adoption of one device in particular: tablets.

In fact, according to Morgan Stanley Research, tablets are the fastest ramping mobile device in history:

"Cumulative tablet shipments in 2010 and 2011 were more than double the cumulative shipments of any other mobile device in its first two years."

That's an impressive feat when you consider the tablet category was only just created by Apple in early 2010. By December 2011, Apple had shipped more iPads than any single PC vendor.

Those impressive adoption stats underscore that tablets have entered the workplace with record breaking speed. In so doing they have helped accelerate "IT anywhere" effectively transforming the Managed Services business.

What does that mean? Gone are the days when the internal IT department or Service Provider can dictate product choice. In exchange for working long and often grueling hours - like responding to emails from dawn to the wee hours of the night - everyone is demanding lots of choice.

Executives and employees alike expect to move seamlessly from one device to the next - from PC to laptop to smartphone to tablet. MSPs are now confronted with greater device complexity, more applications, AND an increasingly empowered workforce that expects - or demands - choice: the option to work on any device, where and when they want.

The new reality is "IT anywhere." While this is a direct extension of mobility, it means Managed Services contracts need to be more flexible and include more devices and applications than ever before - while delivering 24/7 Help Desk Support to ensure their customer's end users have the professional assistance they need, when they need it.

Driver #5: Cloud


The big players are driving everything to the Cloud - with Microsoft leading the charge. Google and Amazon are right alongside.

The first step by Microsoft was termination of Windows Small Business Server. With that news, we saw some MSPs pre-buying Small Business Server or they started looking for alternatives.

In our view, a locally hosted solution is a dead-end strategy - unless:

- A customer can't get a high-speed connection at their location (cloud based applications demand a fast connection)
- Business critical application software doesn't have a cloud based option
- If you need to maintain ultra-strict control over the customer's data files or adhere to stringent compliance requirements that a cloud-based solution won't support

Otherwise, cloud-based solutions are where we are headed - and fast.



Uptake on *Microsoft Office 365* is massive. According to some sources, the Home Premium edition of Office 365, launched in January 2013, signed-up a million customers within three and a half months - faster than many online services including Facebook.

This is how Microsoft is taking the industry to the Cloud. They want all customers adopting cloud computing. And they've done a very good end run by educating your SMB and mid-market customers directly about the price savings and efficiencies they can realize by adopting a cloud solution that will cost \$5 per employee every month. Those efficiencies cannot be denied or hidden.

The new reality we face as MSPs is this: cloud-based solutions are already being aggressively marketed to end customers. And, every single end user - 100 percent of your customer base - is probably already comfortable with the cloud. They've embraced the cloud on a personal level with applications like *iCloud, Dropbox, Ubuntu, iDrive, SugarSync, Amazon CloudDrive, ZipCloud* - to name a few.

With personal adoption so prevalent - and big companies like Microsoft, Google and Amazon trumpeting the efficiencies of cloud-based solutions, MSPs need to quickly follow suit and join the chorus.

STRATEGIES FOR CHANGE

Collectively the five drivers of change are creating a **perfect storm of disruption for MSPs**. If you are thinking it's going to be "business as usual"; you are likely in for a big surprise. .

Implications for your MSP business

We think there are many implications for MSPs including the following:

- MSPs must adapt AND adopt to stay relevant with these changes
- MSPs need a cloud and mobile practice to meet new technologies and platforms
- MSPs will need to automate to establish leverage - and scale their business to meet the challenge of commoditization
- MSPs will need leverage these efficiencies to combat their new competitors

Automation - the #1 Key Success Factor

The biggest recommendation we make to our Partners is **automate everything they can** - as quickly as they can.

Automation is the use of control systems and information technologies to reduce operational costs and increase staff efficiencies in the delivery of IT services.

You need to be a **leaner meaner machine** to stay in the Managed Services business. Automation is hands down the fastest and easiest way to achieve that - and indeed **embrace the changes** that are transforming the Managed Services industry.

Big benefits of automation

- Scale your business and establish leverage
- Increase productivity/employee
- Standardize service delivery across the NOC and Help Desk
- Reduce the human factor
- Deliver higher and more consistent level of service to customers
- Align support with sales programs
- Ensures mundane preventative maintenance occurs

Fight commoditization

Commoditization is the biggest threat and challenge faced by traditional, pure-play MSPs. This is the change driver that is keeping our Partners up at night.

In an ultra-competitive marketplace that's rapidly being productized by new, bigger, well-resourced competitors, **automation is your secret weapon** for guaranteeing the efficiencies you need to **maintain your profitability**.

This is particularly true as **prices get driven down**, as we fully expect in an increasingly commoditized marketplace. The only way to compete when **your customers demand lower prices** is the ability to deliver your services more quickly and efficiently.

When you are more efficient, you also gain a significant other benefit from automation: scalability. You are able to ramp up the number of devices supported by a Support Desk employee. Your business may grow - but your headcount stays. Automation drives-up the productivity and efficiency of each of your technicians and Help Desk employees; which also drives-up your revenue per employee.

Demonstrate value to all types of customers

Automation is also the key to profitably addressing the needs of SMB customers who are operating reactively at the break-fix, chaotic stage of the market. Automation allows you to demonstrate value and transition these customers into proactive, fixed fee contracts. Automation equips you with a commodity fighting, "fixed-fee at a lower price" value proposition.

Automation extends to management of the cloud

Automation also enables you to deal with the threat of cloud. Here's why.


Your customers are being told that migrating to cloud-based solutions is easy. It's not. Interfacing with the cloud requires complex technologies like PowerShell, Citrix VMWare, HyperV and others. What you need is a strategy for inoculating your business from these complex cloud interfaces - while delivering to your end customers the management capability of the cloud. Again, automation can help.

An automation solution that provides you with pre-automated policies based on best IT practices is the ultimate answer and solution for dealing efficiently with the complex cloud technologies. Policies are basically pre-written scripts that perform tasks seamlessly in the background.

So you don't need to know PowerShell or VMWare or how to write complicated and usually expensive custom scripts. All you need to know is the workflow for your customers - then you select a policy and let it run.

Another important consideration when dealing with the challenge of the cloud is this: your customer will actually have **more points of failure** that need to be monitored and managed in the cloud. In this respect, **cloud adds complexity and drives demand for a trusted MSP**.

For example, at the top of the stack you have Office 365, which needs to be managed or administered: adding, deleting, changing



users. This is complex to do; and no end user is going to do it on their own. You also have all the points of failure that sit below this: the Internet, the firewall, the router, the desktop, etc.

All of that complexity still needs to be managed. But you are not delivering the capability of interfacing with the cloud - you are delivering the management capability of the cloud. And with that management comes a much bigger opportunity to **leverage the relationship** you have with your customers and become a Trusted Advisor.

The N-able Automation Solution

N-able Technologies is delivering the critical automation features and functionality needed most by MSPs today with **Automation Manager**. This is a true efficiency and productivity enabling breakthrough that **automates over 95 percent of standard IT tasks**. Automation Manager:

- Is **the industry's first and only codeless and completely customizable** automation engine
- Ships with a library of over **300 ready to use, pre-built automation objects and policies** that are uniquely based on **best IT practices**
- Provides a **visual drag and drop GUI interface** to create automated workflows that map to your IT processes - **without any prior scripting knowledge**
- **Reduces technical complexity**, enabling you to leapfrog technical challenges and easily **extend your managed services to the cloud and mobile users quickly and efficiently**
 - » No need to know granular details about Virtualization technologies and Cloud services platforms

Automation Manager is a proven solution for enabling you to rapidly scale without adding to your IT infrastructure - and profitably grow your business. Pre-written, best-in-industry policies guarantee that your IT services are delivered to a consistent service standard and in the most cost-efficient way possible.

Choose from over 300 pre-built - pre-scripted - MSP automation objects

All objects are based on documented best practices and can be used to define an automation policy using a simplified, visual drag-and-drop graphical interface. Each of these objects takes seconds to select - as opposed to the hours required to write a script for each task. Imagine how much time your technicians will save - and how much more scalable and profitable your business will become with this kind of powerful, standards based Automation Engine.

MSP Automation Object Library - Technicians can choose from 100s of pre-written, ready to use Objects to automate tasks that support IT services - in this example, Systems Management.



Systems Management

- Run program
- Stop program
- Restart System
- Shutdown System
- Disk Defragmentation
- Software Inventory
- Get Environment Variable
- Set Environment Variable
- Remove Environment Variable
- Rename Computer
- Flush DNS
- Start Windows Service
- Stop Windows Service
- Restart Windows Service
- Delete Software
- Renew DHCP Lease

Ships with N-central - the #1 Rated RMM & MSP Service Automation Platform

Automation Manager is fully integrated with N-central, the industry's most flexible and customizable RMM & MSP Service Automation Platform for delivering profitable, standards-based Managed Services.

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 managed services to SMBs in the most scalable and cost effective way possible. N-central is distinguished by:

- **A centralized management console** - "single pane of glass" - for quick command and control of any device - on premise, mobile or in the cloud
- Backed by **N-able's industry leading business support services**, including a dedicated Partner Development Specialist, for enabling an MSP to ramp-up and go-to-market in the fastest time possible with new revenue generating services
- 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 achieving 100% market coverage:
 - » Patch Manager (NEW), Mobile Manager, Report Manager, Remote Control Manager - Attended, Audit Manager, NetFlow Manager, Security Manager, and Back-Up Manager

Take action now

In this paper I've highlighted five big drivers of global change in the Managed Services space:

1. **New Competitors** and "Convergence"
2. **Commoditization** - driving price wars
3. **Mobility** - and mobile computing
4. **IT Anywhere**
5. **The Cloud** - a new reality in Managed Services

Individually, each of these drivers poses serious challenges - and opportunities to any MSP. Collectively, they are a "perfect storm" of disruption. Of these, commoditization is arguably the most serious.

See What You Can Automate and the Savings You Can Expect with Automation Manager

See what savings you can expect from Desktop Automation, Server Automation and Windows Server Active Directory Maintenance using Automation Manager.

Download a FREE sample ROI report now. Visit

www.n-able.com/automation

Commoditization is the net result of new, larger competitors who are looking to Managed Services as a way to extend their customer relationships, take advantage of the meteoric growth in mobile and the cloud. To do this, these larger well-resourced competitors are beginning to productize their services - for all channels of delivery and devices - and in so doing rapidly commoditizing Managed Services.

We can see that in near future, if not right now, Managed Services contracts will be won and lost on the basis of price, not value.

This is why Automation Manager is a major breakthrough for the Managed Services industry. For the first time, MSPs can ensure all technicians deliver scalable, repeatable IT services to a consistent standard. Specifically, Automation Manager provides MSPs with "out-of-the-box" expertise that enables them to:

- Easily automate routine and repetitive IT tasks
- Eliminate error prone manual tasks
- Free-up technicians for higher value tasks
- Use standardized and documented best processes
- Deliver industry compliant and consistent results
- Achieve faster service delivery across physical and virtual environments

More than anything, Automation Manager is your secret weapon in a fight against commoditization. It is a proven strategy for delivering Managed Services in the most cost optimized and profitable way possible.

Automation Manager comes standard with N-central, an award-winning RMM Automation solution from N-able. N-central is available as an on-premise software solution or as a hosted subscription based service from N-able Certified Resellers.

To learn more about N-able Technologies and the game changing, breakthrough productivity gains that are being realized by N-able Partners around the world, visit www.n-able.com.

ABOUT N-ABLE TECHNOLOGIES

N-able Technologies is the global leader in remote monitoring and management automation software for managed service providers and IT departments. N-able's award-winning N-central platform and complementary toolsets, backed by best-in-class business and technical services, are proven to reduce IT support costs, improve network performance and increase productivity through the proactive monitoring, management and optimization of IP-enabled devices and IT infrastructure. N-able is 100% channel-friendly and maintains operations in North America, the U.K., the Netherlands and Australia

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