



The Guide to the Next-Generation MSP

An eGuide for Service Providers looking to differentiate themselves, now and in the future

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Introduction

Cloud computing, like the Internet before it, is changing business models and bringing new capabilities to organizations with unprecedented speed. The shift to mobile computing and the so-called “post-PC era” (brought about in no small part by cloud computing as well as the proliferation of compelling, cost-effective smartphones and tablets) is creating new opportunities for businesses, while also introducing new challenges around BYOD (Bring Your Own Device). And as organizations rely increasingly on the cloud for mission-critical internal and customer-facing applications, infrastructure simply can’t be allowed to lag behind business needs.

As a result, companies are looking to managed service providers (MSPs) not just for hosted applications like email or even for systems integration but for actual thought leadership. Successful MSPs in the years to come will not be those that can provide cost-effective hosting, but the greatest domain expertise and the most flexible solutions to meet the heterogeneous needs of their clients. In fact, a new breed of MSP is emerging from the rapid growth and increasing commoditization of the IT services industry. This next-generation MSP is able to identify and serve specific vertical and niche markets and provide services that are differentiated on the basis of maturity, flexibility, speed of deployment and rock-solid reliability rather than merely cost.

In fact, managed IT services are exploding as organizations look to shift large capital expenditures to ongoing operating expenses and outsource information technology to better focus on their core businesses. CompTIA, a non-profit association for the IT industry, predicts that cloud and mobility will increasingly become the domain of MSPs while big data will force companies to turn to the channel for expertise and infrastructure. (Arlotta, 2013)

The Modern MSP and the Race to the Bottom

This leaves the managed IT service industry at a critical inflection point, where significant opportunities to provide lasting value to clients and build highly profitable businesses exists for the MSP that can embrace these trends and capitalize on powerful new technologies. In particular, the next-generation MSP will be able to bring agile cloud tools (public, private and hybrid), mobile device management and highly available Infrastructure-as-a-Service to clients hungry (and willing to pay a premium) for better ways of doing business.

As early as the mid-1990s, businesses began outsourcing their IT needs, from custom application development to server management. “Co-location” became commonplace and SMBs turned to the growing number of VARs (many of whom would gradually begin offering managed services) and contractors to meet their needs without having to invest in in-house IT staff. It wasn’t until cloud technologies exploded at the turn of this decade, though, that MSPs became the go-to companies for services that ranged from hosted HR applications to virtual desktops.

Unfortunately, the rapid maturation of cloud tools and applications left many MSPs racing for the bottom, building businesses and capturing clients on low-cost services and watching their profit margins erode. In fact, the mainstream services being offered by many MSPs have become so commoditized that the industry is now often compared to the PC business, where high volume, low price and low margins are the order of the day.

This is not to say that there isn’t a place for MSPs that can provide low-cost, straightforward cloud services like backup, email, storage, web hosting and hosted CRM, among many other services. However, the most successful MSPs will be able to wrap these commodity services in domain expertise, sophisticated and flexible solution offerings, and robust ecosystems that directly promote the growth and success of their clients.

More importantly, MSPs that can provide services that haven’t reached commodity status, such as mobile device management and Infrastructure-as-a-Service, are poised to tap into a diverse and burgeoning market.

Evolving Client Needs

Email. Backup. Storage. Web hosting. CRM. ERP.

These are services that every business needs, at least at a basic level, and are all examples of services that, while essential, can often be sourced à la carte at relatively low cost from any number of providers. Oftentimes, businesses can simply provision these services online, with service providers able to provide support and training efficiently, remotely and transparently.

This is a model that generally works quite well for so-called commodity services, especially for the businesses able to access low-cost, self-service applications in the cloud. This was the original point of managed services, and remains an important way for organizations to provide basic tools of the trade to their employees while managing costs and focusing on their core competencies. In and of itself, it's an effective model and the economies of scale that these MSPs are able to create can have a significant and positive impact on clients' bottom lines. And for the MSPs that can grow fast enough to profit from high-volume, low-margin commodity services, it also can be an effective means of generating ongoing substantial revenue. Many analysts refer to this increasingly rarified group of large providers as CSPs (Cloud Service Providers) instead of MSPs, although the line between CSP, MSP and even value-added resellers (VARs) is fairly gray.

However, such arrangements don't tend to promote the building of strong relationships between MSPs and the organizations they support. Those relationships ensure that MSPs can deliver the best, most appropriate, integrated solutions to their clients and provide important opportunities for business development. It isn't just about the proverbial upsell but rather about the MSP as a partner.

The successful next-generation MSP must find ways to efficiently address a growing set of needs around key pain points outlined below. At the same time, MSPs

must also provide a sufficiently robust product portfolio so that they can be a single source of IT management for their clients and avoid losing business to CSPs.

Private and Hybrid Clouds, Big Data and the Applications They Support

The big data explosion with which tech pundits fill blog posts is very real, and even large enterprises are struggling to manage and leverage the volume of data in which they find themselves immersed. This data needs to be:

- Collected somewhere
- Stored somewhere
- Managed somewhere
- Analyzed somewhere
- Backed up somewhere

That "somewhere" is most likely going to be a private or hybrid cloud-hosting virtualized storage, hosted business intelligence and analytics tools, and hosted applications for collecting the data. The ability to effectively, securely and appropriately offload data and compute power from on-premises or hosted private clouds to public cloud infrastructures is something that few companies can handle themselves. Similarly, the design and management of flexible private and hybrid cloud solutions is not something that most cloud service providers are

"Two-thirds of executives in the recent CompTIA Big Data Insights and Opportunities study agree or strongly agree with the statement "If we could harness all of our data, we would be a much stronger business."

(CompTIA)

equipped to do. Instead, businesses are turning to trusted partners for authentic thought leadership and expertise in cloud deployments to provide customized, compliant systems to allow them to leverage their massive data stores, driving business growth rather than devoting internal resources to complex cloud initiatives.

Finally, because many regulated industries cannot use public cloud infrastructures, costs for private cloud development can be prohibitive, especially for small and midsize organizations. MSPs can play a critical role in not only helping control costs by hosting compliant private clouds, but also acting as an intermediary in creating community clouds for the vertical and niche markets they serve. Community clouds are private clouds shared by organizations with similar interests and regulatory requirements; because the cost of the cloud services are shared by, for example, several medical practices or multiple schools, cloud initiatives can become financially viable while still complying with regulatory statutes in ways not possible in public clouds

Mobile Device Management for BYOD and a Highly Mobile Workforce

Fully 89 percent of businesses allow some form of BYOD (Bring Your Own Device) for their employees. (Cisco, 2013) This can be as casual as the use of personal computers on corporate wireless networks or as complex as full integration of personal smartphones and employee-purchased laptops with a company's directory services. Regardless of the degree to which an organization supports BYOD, it is clear that the presence of personal devices on corporate networks is not a passing fad. Gartner predicts that half of all employers will not just support but will actually require BYOD by 2017. (Kanaracus, 2013)

This move to user-centered computing and BYOD has the potential to:

- **Save businesses money**
- **Improve employee satisfaction and retention**

- **Increase productivity**
- **Simplify deployment and procurement**

However, BYOD, as well as the development of an anytime-anywhere mobile workforce brings with it a host of new management and access issues. Organizations have an obligation first and foremost to protect data and intellectual property, and must ensure the security and integrity of their networks. Even companies that provide a minimum level of direct support and management for personal devices still need to address infrastructural and security challenges.

In addition, outside the context of BYOD, businesses need to ensure that corporate resources are seamlessly available to employees regardless of the devices they use or the physical locations in which they work. Telecommuters, road warriors, contractors and partners all need secure access.

Again, unlike a SaaS ERP or collaboration application, mobile device management (MDM), software-defined networks, and the other services that support mobility and BYOD, are not easily commoditized. They also are not easily managed in-house as the technology is evolving rapidly and successful implementations rely on significant domain expertise. Mobility lends itself to collaboration with a trusted partner who can provide clear guidance to organizations looking to enable and empower their employees and provide users with the right tools to maximize productivity.

Secure, Highly Available, Scalable Infrastructure on a Budget

Infrastructure-as-a-Service (IaaS) and Platform-as-a-Service (PaaS) are the final

“...no mobile worker is free...More employees and more devices mean more security and management tool costs, more application licenses, more potential problems for an overtaxed help desk to deal with, and more confusion.”

- David Willis, Gartner Analyst

growth areas considered here that represent solutions to significant pain points for many businesses. IT decision-makers and analysts alike recognize that virtualization, a key underpinning of IaaS and PaaS, can deliver incredible value at many levels for companies attempting to control costs and prepare for growth:

- **Maximum resource utilization**
- **Flexibility and rapid scalability**
- **Rapid allocation and reallocation of resources**
- **Consolidation and centralization**
- **High availability and rapid failover**

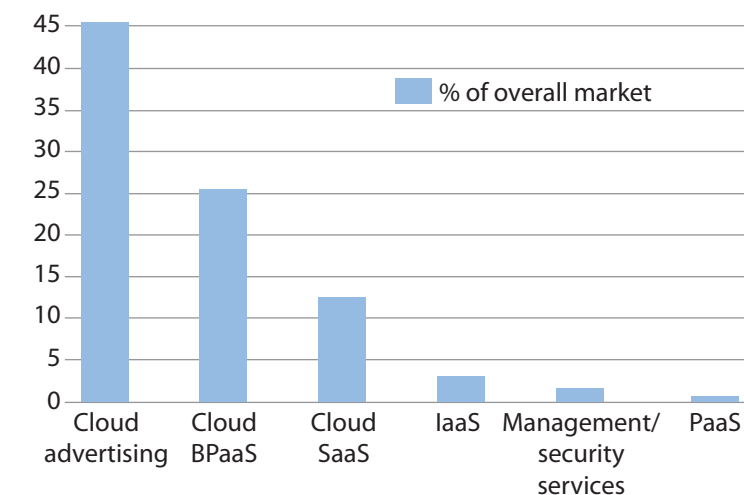
Virtualization can support flexible application deployment, data deduplication and other means of controlling storage costs, and powerful desktop virtualization solutions. When deployed as managed services, IaaS and PaaS have the added benefit of allowing businesses to pay for storage and compute units that they use and need at any given time, rather than incurring large capital expenses to build out hardware that can handle anticipated peak capacities.

IaaS also can support improved collaboration and further reduce traditional infrastructure costs through cloud-based unified communications. As businesses clamor for ways to “do more with less,” communications and collaboration tools delivered as part of a comprehensive infrastructure service can be a vital component of their IT portfolios. As with each of these areas of evolving business need, organizations will increasingly rely on trusted partners to design and manage systems that scale fast, experience minimal downtime and remain cost-effective. In most cases, it will be the savvy MSP with the tools and expertise that delivers.

Defining the Next-Generation MSP

This eGuide, with its substantial focus on the evolving needs of customers, reflects the focus of the next-generation MSP. As many service providers have moved to providing high-volume commodity services (see the chart below) from which customers can choose nearly à la carte, the next-generation MSP instead provides flexible, customized solutions that address the specific needs of its clients.

Dominant segments vs. major opportunities in the cloud services market (2013)



(Presti/Gartner, 2013)

As the chart above indicates, (based on a 2013 Gartner study of the cloud services market), there are significant untapped opportunities to leverage the power of the cloud. While highly commoditized services like cloud advertising (e.g., Google AdWords and Microsoft’s Ad Network) and BPaaS (like hosted CRM, ERP, or internal social collaboration platforms) dominate the current cloud services market, specialized infrastructure, platform, and security ser-

vices make up only a small portion of the current landscape.

This is why the next-gen MSP often specializes in a single vertical, niche or related set of markets. The power of Infrastructure-, Platform- and Software-as-a-Service lies in its ability to break the one-size-fits-all mold and continuously adapt to the heterogeneous needs of many users. For an MSP to bring sufficient domain expertise to its clients and leverage the inherent flexibility of the cloud and IT services model, MSPs must increasingly develop a portfolio of services that can be rapidly deployed while still delivering a degree of customization that CSPs can't match.

The next-gen MSP, in fact, often may host and/or manage commodity cloud services among other tools and platforms for its clients, but will do so in the context of a larger, industry-specific portfolio of services. For example, an MSP serving the healthcare vertical could bundle commodity-hosted ERP applications with private or community cloud infrastructures delivering secure, HIPAA-compliant VDI, medical records, MDM and email hosted in its own data center. The flexibility of next-gen service providers further blurs the line between MSP, VAR and CSP with the potential for deployment and management of physical infrastructures, on-premises data center resources and proprietary-hosted software (e.g., health information systems).

The next-generation MSP, then, bears the hallmarks of

- **Flexibility, delivering customized solutions to clients**
- **Comprehensive portfolios and ecosystems with all of the tools to meet the needs of a particular industry while fending off competition from commodity cloud service providers**
- **Specialization and domain expertise, allowing it to build a solid customer base in niche or vertical markets with specific needs and regulatory requirements**

- **Abandonment of the one-size-fits-all mentality and a commitment to delivering lasting value to clients, while ensuring ongoing revenue streams**

Ultimately, the next-generation MSP can leave commodity services to CSPs (and leverage these services with CSPs as partners). MSPs can then promote a laser focus on the unique value they provide for their customers and the ways in which they can help customers build their own businesses. The savvy MSP

- **Cultivates strong relationships with clients**
- **Intimately understands the people, processes and holistic business needs of its customers**
- **Designs, recommends, deploys and manages long-term solutions to meet those needs**
- **Doesn't seek to shoehorn clients into a narrow set of solutions and tools**

Building “MSP 2.0” With 3 Core Technologies from IBM

IBM is uniquely poised to supply the tools and technologies that MSPs will need to reinvent themselves as next-generation service providers. For those MSPs already deeply engaged with their clients, IBM has a tech ecosystem that promotes smart growth and can cost-effectively expand the portfolio of services that MSPs provide to customers. From special financing to accommodate rapid buildout of hosting infrastructure to world-class tools that address the client needs outlined in this eGuide, IBM brings both the expertise and the technology to the table that next-generation MSPs require.

Cloud Agility

A Robust Cloud Portfolio Will Be Essential For the Successful Next-Gen MSP

Heterogeneous customers have fundamentally different needs in terms of their cloud solutions. Whether they need to leverage public, private or community clouds (or some hybrid of the three) for forward-facing, high-availability web applications, on-demand, self-service business intelligence, or global access to virtual desktops, MSPs need to be able to deliver customized platforms in the cloud. Some clients may be best served by economical public clouds while others may need on-premises solutions. IBM’s “Cloud Agile” approach is designed from the start to deliver this type of flexibility.

Cloud agility ensures that storage needs can be decoupled from particular storage systems with data and applications available across cloud platforms. The agile cloud is adaptive, easy to deploy and easy to manage, with high ROI and the ability to make use of IBM’s storage virtualization technologies. Storage virtualization ensures that data and applications can leverage IBM’s public cloud as well as private cloud running on the company’s deep storage and processing

hardware portfolio. MSPs can use [IBM’s Tivoli® Storage Productivity Center](#), [SmartCloud® Virtual Storage Center](#), and other state-of-the-art software to transparently manage storage regardless of its physical location and hosting environment.

[IBM Storwize® storage virtualization appliances](#) handle compression and deduplication on the fly, reducing storage costs and dramatically increasing flexibility, whether MSPs are building in-house data centers or designing on-premises systems for clients.

With the acquisition of SofLayer® Technologies, together SoftLayer and IBM expand SoftLayer’s innovative IaaS platform to SMBs globally and further extend this capability to enterprise clients, driving new opportunities for innovation and growth.

Furthermore, IBM and SoftLayer will expand the IBM portfolio and build a converged offering built on open standards that reduce the complexity of cloud across private, public and hybrid IaaS deployment models, freeing customers to focus on business goals based on industry and workload instead of technical implementation. SmartCloud infrastructure services, built on open standards, will offer great breadth, depth and portability factored on open technology, delivering value and flexibility to customers and partners.

Thus, IBM’s own managed cloud infrastructure allows MSPs to cost-effectively offer public cloud services to their clients without needing to invest in their own data centers or work with partners that can’t deliver 99.9 percent uptime and deep cloud expertise. At the same time, MSPs can grow their own more specialized offerings and deploy managed private and hybrid cloud solutions around a suite of mature IBM hardware and software. A remarkably deep cloud product portfolio, supporting on-premises, hosted, remotely managed and/or

client-managed solutions means that MSPs are limited only by their creativity, expertise, and areas of specialization in the potential services they can offer to clients. The next-gen MSP, with IBM as a partner, is free to differentiate itself from competitors and develop customized niche offerings that resonate with clients and enable them to focus on business development.

Mobile Device Management

BYOD and Mobile Trends Equal Huge Challenges for Businesses and Massive Opportunities for MSPs

For businesses to truly take advantage of advances in mobility and ensure that BYOD enables productivity rather than simply creating a new cost center, a strong, flexible management platform needs to be in place from Day 1. As with its cloud offerings, IBM provides a complete ecosystem of powerful tools with which MSPs can deliver end-to-end mobile solutions to their clients. Not limited merely to endpoint security or mobile content management, [IBM's MobileFirst](#) portfolio actually unifies management of both traditional and mobile endpoints.

MobileFirst includes both [Worklight](#) software and [IBM Endpoint Manager](#), among several other utilities. IBM has made 10 strategic acquisitions in the mobile space over the last four years and has brought all of this technology together under the MobileFirst brand.

Worklight is not just security software necessary to protect corporate assets in a highly mobile environment where BYOD is becoming the norm instead of the exception. Although integrated security is a cornerstone of Worklight, so is a full-blown application development environment, including a mobile software development kit (SDK). At the same time, Worklight provides a private app store environment for deploying these applications, while respecting the privacy of personal devices used in BYOD settings. In addition to Worklight's development environment, MobileFirst now has cloud-based development features, creating further opportunities for the savvy MSP to deliver mobility-related services.

Regardless of the development and deployment environments, the app store model works as well on the corporate side as it does on the consumer side with the added benefit of being able to revoke permissions and prevent data access in the event of loss, theft or employee turnover. While many MSPs looking to manage BYOD and mobility efforts for their clients must integrate multiple services from different vendors to achieve complete management solutions, MobileFirst includes everything necessary for MSPs to develop and manage customized solutions.

Endpoint Manager, for example, broadens the definitions of mobile and allows users to manage everything from desktops to tablets to specialized point-of-sale hardware. Enterprise data can be locked down, and powerful reporting features give MSPs and their clients total visibility into mobile hardware in the enterprise, and provide a single, unified interface, streamlining processes for MSPs managing mobile and remote devices.

MobileFirst also includes advanced analytics capabilities, threat assessment tools, single sign-on, wireless infrastructure development, and much more. Going far beyond utilities for managing BYOD, MobileFirst acknowledges that it isn't just enterprise users who are increasingly mobile. Rather, customers are now highly mobile, and the MSP can play an important role in helping clients adapt to customer mobility and develop engaging mobile experiences across both internal and forward-facing applications.

Infrastructure and Platform-as-a-Service

Businesses Need It. MSPs Can Deliver It. Faster. Better. Cheaper.

MSPs face unrelenting expectations of uptime from their clients while also addressing the complexity of maintaining today's IT systems lifecycle. The result is distraction from focusing on new revenue opportunities. A simpler approach is needed, one that is more streamlined and refocuses resources and critical insights on creating business value. [Expert integrated systems](#) from IBM fundamentally change the

Conclusion

IT lifecycle by helping to reduce costs, save time and resources, and speed innovation across the organization.

IBM introduces the new [IBM PureFlex™ System MSP Edition](#) and [IBM Flex System™ MSP Edition](#), pre-integrated infrastructures specifically designed for the needs of MSPs with such benefits as:

- Accelerated, tailored cloud deployment solutions for MSPs to speed time to value and simplify new infrastructure or application services deployment – ranging from managed IT and Infrastructure-as-a-Service (IAAS), to foundations for delivering Platform, Software, and Business Processes-as-a-Service
- Reduced technical and financial risks caused by inconsistencies and complexity in building your own stack
- Reduced operational expenses – decreased power consumption, setup, and admin time
- Speed to revenue – features like provisioning a server across multiple architectures in minutes, not days
- Increased service delivery fulfillment, leading to more customer loyalty and satisfaction
- Scales to meet future needs with financing options designed for MSPs

With expert integrated systems from IBM, MSPs can differentiate themselves by focusing on business, not the complexity of building out the IT infrastructure. Accelerated cloud services deployment enable MSPs to offer a wider range of managed services, quickly. Expert integrated systems lay the foundation for reliable service delivery and up-time.

As few as two to three years ago, businesses were adopting public cloud services and focused on SaaS as a means for reducing capital expenditures and IT complexity. Now, however, many SaaS applications, as well as cloud storage tools, have become not only consumerized but commoditized. Many fundamental business needs can be met on-demand with little in the way of direct, personal interaction between provider and client, often to the benefit of companies that can save money leveraging the public cloud and the cloud service providers that can generate sufficient customer volume to stay ahead.

However, this has left a substantial gap in the managed services market with organizations of all sizes looking for trusted partners to help them navigate increasingly complex business problems. While many realize that the industry buzz words of “cloud,” “mobility” and “virtualization” most likely relate to the solutions they need, few have the expertise and wherewithal to actually find the right mix of infrastructure, service and software to resolve real-world challenges around big data, BYOD and application deployment.

Enter the next-generation MSP, a smart, dedicated, entrepreneurial organization that brings the latest technologies together with a deep understanding of business processes to help businesses return to the original premise of managed services: Trusted experts who can take advantage of economies of scale and extensive experience to manage costs and help a business grow within its core competencies without the distraction and large capital expenses associated with IT.

“MSP 2.0,” through partnerships with IBM, can scale out to whatever level they need, whether bringing IBM public cloud solutions into play for their clients with minimal investments, managing mobility with successful IBM software offerings or building out their own highly scalable data centers with IBM hardware. MSP-specific financing and channel programs complete the IBM ecosystem that can enable MSP success and, in turn, drive smarter business for MSPs’ diverse, rapidly expanding client bases.

Resources

Cloud Agility

- *Taneja Group paper: Build a powerful storage cloud service – without complexity*
- *Silverton Consulting, Inc. Report: IBM Easy Tier Automated Storage Tiering*

Mobility

- *White Paper: IBM Worklight technology overview*
- *Video: Introducing IBM MobileFirst*

Infrastructure

- *Protect your IT Systems with Next Generation Security*
- *The Future of Datacenter Management*
- *Take the next step in reducing IT expenses*

Other Links

- *IBM PartnerWorld*
- *IBM MSP Web site*
- *SoftLayer*

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