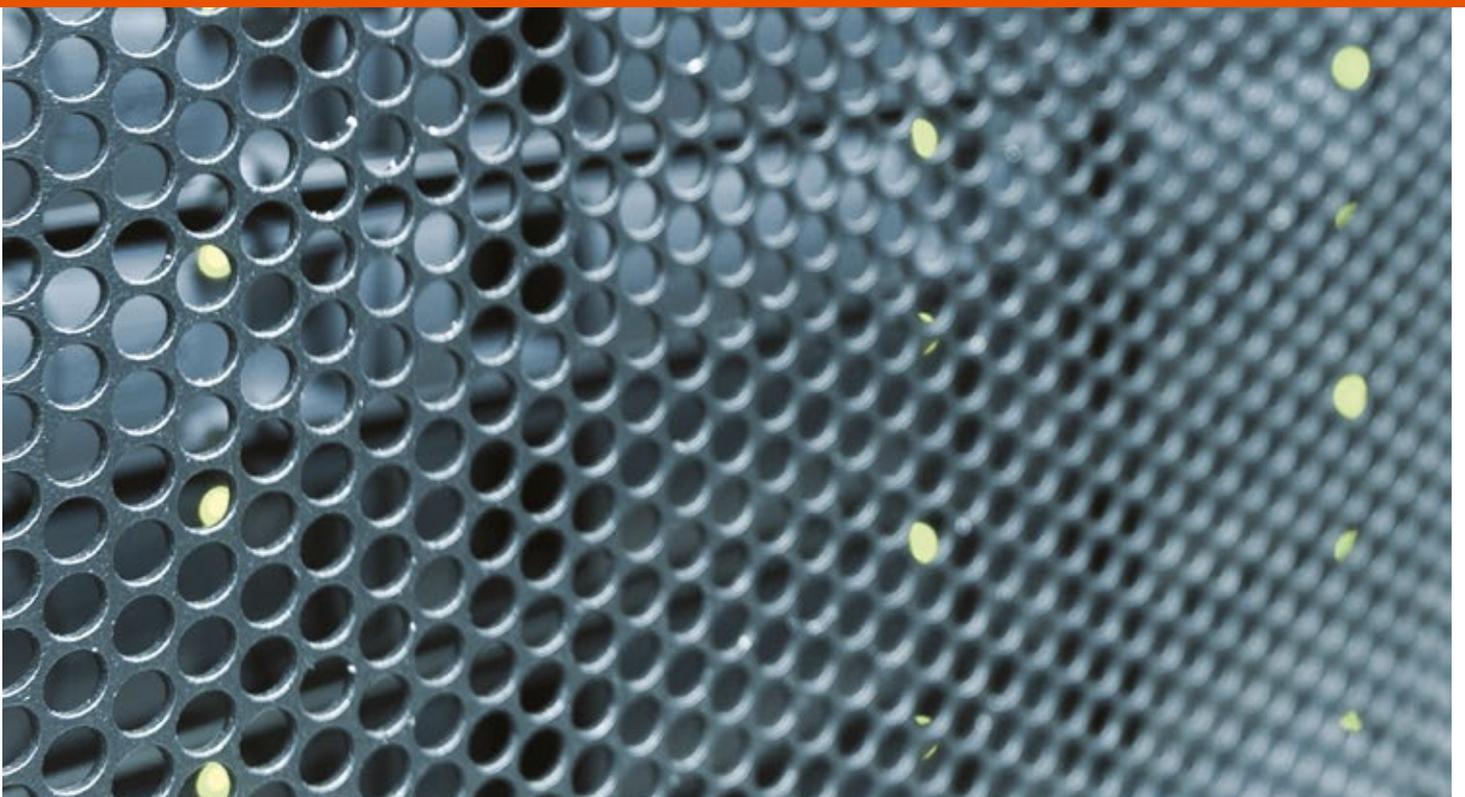# WHY ARE SMART MSPs OUTSOURCING THEIR NOC?

"

At first glance, cloud computing and mobile devices – like smartphones and tablets – will squeeze traditional managed services provider (MSP) revenues and profits. But take a closer look and you'll discover progressive MSPs thriving – not drowning – amid the cloud and mobility waves….The obvious question: How are those MSPs – and many others – thriving amid the potential commoditization of traditional managed services like PC and server monitoring?" [1]

[1] N-able by Solarwinds, MSP Profit Watch: 'Master the shift from basic monitoring to optimized end-user experiences', 2014

Why are MSPs outsourcing?

› To enable them to **compete more effectively** in a mature and increasingly crowded market.

› To allow them **to move in-house resources** away from low revenue-generating services such as NOC and service desk on to higher revenue-generating opportunities such as cloud and mobile.

› **To extend and improve** their customers' experience without having to invest in new technology and new skills.

› **To respond to demand** for 'IT anywhere' and 'always-on' service from businesses that no longer work standard office hours.

› To move up **to servicing larger clients** without having to increase head count.

› **To focus on building** client relationships safe in the knowledge that client networks are being expertly managed 24/7.

› **To reduce capital costs** and control operating expense.

A CHANGING, DISRUPTED MARKET

The global managed services market is outperforming other parts of the IT business sector. Estimated to be worth almost $143bn. in 2013, its value is projected to reach $256bn. by 2018, based on an anticipated 12.4% CAGR[2]. It is a major contributor to the revenues and profits of value added resellers (VARs) and technology companies.

Managed services provide at least 20% of overall services revenue for VARs

with more than one in four claiming that managed services account for at least 40% of sales

› The same survey found that 28% (VARs surveyed) expect to make gross profit margins of 20% to 30% on managed services.

BUT this is a mature market. It is fiercely competitive. And it is attracting newer, bigger players who are forcing commoditisation; as well as a new breed of channel partner – the cloud services broker (CSB).

THE NEW DISRUPTORS

Quite apart from having to decide where they fit in the great cloud debate, managed services providers (MSPs) must also work out how to support mobile computing, including bring-your-own-device (BYOD), and the 'IT anywhere' revolution.

As a result, many are taking a critical look at their operations. Driven by the increasing commoditisation of traditional PC and server monitoring, they are motivated to free up resources to concentrate on higher value areas such as cloud, Infrastructure as a service (IaaS), and on improving the client experience.

An increasing number are looking to specialist partners to deliver the crucial day-to-day commitments of services that do not fall into these categories; network operations centre (NOC) services, for example.

[2] MarketsandMarkets: Managed Services Market - Global Advancements, Market Forecasts and Analysis (2013 – 2018), August 2013

THE IMPORTANCE OF NOC SERVICES

NOC services involve the continuous monitoring and management of an organisation's IT infrastructure to keep it running smoothly and efficiently, 24/7. The NOC provides round-the-clock proactive monitoring and management to enable issues to be caught and resolved before they become potential show-stoppers. The effective NOC relies heavily on automation; in particular, the use of sophisticated remote monitoring and management (RMM) tools.

The NOC's main purpose is to maximise uptime; to ensure IT runs optimally without any negative impact on productivity; and to proactively address any potential emergencies.

INVESTMENT

Many MSPs have built their own NOC to enable them to deliver the high levels of response required by their clients. But the investment required to do this is significant. Costly to set up, run and staff this option is now out of reach for many MSPs; while a lot of those who still follow this route are seeing a negative impact on operating costs and profits. When it comes to the high levels of automation needed, MSPs often lack the time, knowledge and internal skill sets to fully automate their NOC using RMM tools. It therefore makes sense to hand this over to experts who can tick all of the appropriate boxes.

It may sound strange for an outsourcing company to outsource its own NOC, but it is a model that has been shown to work – provided, of course, that you select the right partner.

WHITE LABEL NOC SERVICES

An extension of your business
There is another way. An increasing number of MSPs have recognised the benefits of outsourcing NOC to a specialist partner who will provide services under a white label.

The operation may be integrated with the MSP's business and customers to whatever extent they (the MSP) chooses. The NOC partner will monitor and manage MSP client networks round-the-clock using their infrastructure and expert staff.

For the MSP, this avoids the need to finance the creation, running and staffing of the NOC; instead there are predictable, fixed monthly payments that help them to control and reduce operational expenditure (OPEX).

Top 3
Technologies changing demand

Cloud

Mobile Connectivity

24/7 **Always-on** Environment

Scope

NOC services can include:

› Remote monitoring and management of servers, workstations and other connected devices (like tablets and smartphones)

› Incident triage, resolution and escalation

› Patch management and OS service updates, applied as they become available

› Up to date security protection to keep viruses, malware and other network threats at bay

› Keeping installed applications up to date and consistent across the network

› Capacity monitoring to ensure sufficient capability is available, ahead of need

› Monitoring and management of network traffic, back-up and business disaster recovery

"One of the big drivers of change is the entry of large, well-resourced competitors into the managed services space. We're seeing companies like Microsoft, Dell and other non-traditional players including telcos and photocopier companies adding managed services with unprecedented speed to their core business."[3]

[3] N-able - SPECIAL EXECUTIVE REPORT: Critical Success Factors for In-House NOC and Help Desk Operations, 2013

10 Benefits from white label NOC services

1 Access to leading RMM automation tools.

2 Access to an expert team, with the skill-sets needed to fully automate the NOC.

3 Ability to provide clients with 24/7 support, 365 days a year.

4 Ability to focus on building client relationships in value-add areas rather than being distracted by day-to-day 'noise'.

5 A scalable solution offering resources on-demand.

6 A pay-as-you-grow approach for a cost-effective business model.

7 An increased competitive edge from the ability to deliver 24/7 support to clients without high risks and overheads.

8 Minimal capital outlay.

9 Reduced maintenance and training cost.

10 Predictable, controlled OPEX.

NOC services are like the bridge of a ship. Today's technology means this bridge can be both virtual and distributed to ensure it can run independent of local conditions such as power outage or internet disruption.

Service desk integration
While NOC services are preventative, working in the background to ensure that the network, workstations and servers run smoothly, the service desk is reactive, initiated by users when problems arise.

By integrating the technical helpdesk with NOC services the MSP's clients will benefit from a seamless 24/7 technical resource to respond to end-user requests and any alerts raised by the RMM software.

The result can be a much-improved client experience and a further reduction in operating costs for the MSP.

IT'S GOOD TO PARTNER

In a recent CRN Intelligence survey[4] into the managed services market, more than nine in ten respondents reported that they work with at least one partner for managed services. "While much of this is developing a services practice around one of the traditional enterprise vendors, with Microsoft, Cisco, HP, and IBM the most frequently cited, yet almost half of those offering managed services work with at least one specialist on delivery, with many also reselling white label or branded packages," according to CRN.

By partnering with the right company, MSPs can outsource projects and source on-demand skills that they would not want to employ on a permanent basis. Increasingly, they need access to these skills to keep them ahead of the competition and deliver ever more complex IT projects, to ever more demanding clients.
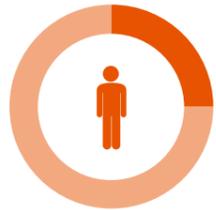
With MSPs focussed on ensuring the best possible end-user experience, a good partner can help them to deliver this by taking the strain off their internal teams.

But as in all things, choosing the right NOC partner is key to success.

MSP Projections for 2014:
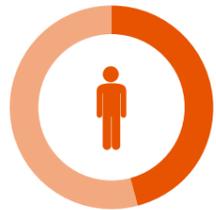
Hiring will be up 46% over 2013

Outsourcing will increase by 25%

Source: Autotask - 2014 Metrics that Matter, Results from the 2014 IT service provider benchmarking survey

[4] CRN Intelligence, The Managed Services Market 2014

10 Essential characteristics of a NOC partner

1 Channel focused; the partner must be working with you not competing.

2 Offering a breadth of service; all you need now plus further options for moving forward.

3 Using industry-leading RMM tools for NOC services delivery – including integration with your in-house Professional Services Automation (PSA) platform.

4 Able to provide agreed reports from the RMM tool, which can be combined with your own PSA-generated reports and presented to your client.

5 High levels of expertise shown by the appropriate technical certifications and ongoing skills update programme.

6 A strong SLA track record, evidenced by client testimonial.

7 Offering flexible service levels as opposed to an 'all or nothing' approach.

8 Able to scale to cope with future growth.

9 Having robust security procedures in place.

10 Offering the opportunity for seamless service through service desk integration.

> "We were in a tight spot, we had to find a company who could provide the services we needed and we didn't have a wide range of staff to provide that service internally. Inbay provided everything we needed. When we went out to market there just wasn't another company who could really compete on the same level."

Toby Sillett
Managing Director, Onsite Technologies

ITSPs that are outsourcing more:

65% New client requests

49% Need for new skills

32% Geographical expansion

MAKING THE TRANSITION

In the face of a maturing market and increased competition from all sides, today's MSPs must re-invent themselves.

Client expectations are growing; and it's not just a question of what is expected, but when and where and how it is delivered. Effective 24/7 NOC and service desk support is required as standard, particularly for businesses operating across multiple geographic locations and in different time zones.

The technology needed to underpin NOC support has become increasingly sophisticated; it can be costly to acquire and resource and for many MSPs, it is simply not cost effective to offer in-house.

For many MSPs too, the continual expansion of expensive sales and marketing required to bolster recurring revenue from NOC sales and marketing services is difficult to sustain.

To be in a position to seize the new opportunities offered by cloud, mobile and 'IT Anywhere', the smarter MSPs have come to the conclusion that outsourcing their NOC and service desk makes sound financial sense. An increasing number have taken this route, often starting with out-of-hours cover and quickly graduating to full 24/7 service.

The results of the Autotask[5] 2014 IT service provider (ITSP) benchmarking survey show that outsourcing remains a widely popular strategy to serve current and new clients.[Among] ITSPs that are outsourcing more, new client requests (65%), the need for new skills (49%) and geographic expansion (32%) are the top three drivers.

While the market is tough, expectations for 2014 and beyond are bullish. Outsourcing NOC and service desk are significant enablers, allowing MSPs to focus on revenue-generating value-add relationships and technologies.

[5] Autotask - 2014 Metrics that Matter, Results from the 2014 IT service provider benchmarking survey

ABOUT INBAY

Providing exceptional service to our partners' clients is our number one priority. Inbay has been providing specialist IT support since 2003, first as an MSP and now as a trusted partner to MSPs on an international basis.

We have built a reputation for helping our partners grow their managed services businesses by providing the highest quality service desk, NOC and project services at a fair price.

Operating from our headquarters in London, we offer MSPs 24/7 support to complement and extend their own resources, enabling them to scale cost effectively and drive profitable growth.

For more information, please visit:

www.inbay.co.uk

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