

THINKstrategies



# *A Whitepaper for Channel Organization Decision-Makers*

## **How inhouseIT Delivers Successful Managed Services**

Published On Behalf of Kaseya



## Executive Overview

Increasingly, information technology (IT) service companies are recognizing that their traditional business models no longer satisfy their customers' rapidly changing needs.

User organizations of all sizes have become too dependent on technology to be able to tolerate any extended downtime. And because many small- and mid-size businesses (SMBs) cannot afford to hire or retain sufficient internal support staff, they are demanding that their suppliers assume greater responsibility for keeping their IT operations up and running.

As a result, managed services are gaining interest and adoption among user organizations of all sizes, and SMBs in particular, because managed services help them achieve greater IT/network reliability and performance while reducing their cost of operations.

Given these benefits, a significant number of IT companies, including value-added resellers (VARs), integrators, and consulting firms, are aspiring to become managed service providers (MSPs).

While the idea of adding a remote monitoring and management capability to their onsite deployment and support services may seem simple, many IT companies have found the migration process painful and often unsuccessful. Many are having trouble delivering managed services which meet their customers' expectations and create profitable, new revenue opportunities.

THINKstrategies' whitepaper entitled, "**Steps to Success for Making the Switch to Managed Services**", also sponsored by *Kaseya*, identified the common pitfalls that prevent IT companies from successfully adopting managed service strategies.

This whitepaper will summarize some of these potential problems and take a closer look at how one of the companies profiled in the previous whitepaper, **inhouseIT**, overcame these business challenges to become a successful MSP.

## The Fundamental Challenges of Migrating to Managed Services

THINKstrategies has found that MSPs who are unable to deliver high-quality, profitable managed services generally don't understand what it takes to achieve these objectives.

Most IT companies considering a move to a managed services model underestimate the additional obligations they must assume from a customer perspective, and fundamental organizational changes they must undergo to sell and deliver managed services profitably.

While selecting the right management platform is essential to success, changing the corporate culture is critical. This is because managed services change the nature of the vendor/customer relationship.

Rather than simply install new systems or software in a customer environment and react to problems as they occur as most IT companies do, MSPs assume responsibility for proactively managing the customer's IT environment in order to increase its reliability and improve its performance.

Some IT companies make the mistake of thinking they can satisfy their customers' IT management needs by just monitoring their environments and notifying the customers when problems arise. This may accelerate the problem identification process, but doesn't necessarily reduce the resolution time. And, it certainly doesn't achieve the ultimate goals

of most customers who are adopting a managed service solution—offloading day-to-day IT management responsibilities and reducing potential downtime so they can gain greater business benefits from their IT investments.

In essence, the MSP becomes the customer's virtual IT department. As a result, a MSP's success is measured by how well it prevents problems from occurring and optimizes the performance of their IT operations, rather than how quickly it resolves problems when they arise.

Even those IT companies which recognize the fundamental change managed services creates in the vendor/customer relationship can often overlook the operational challenges posed by a managed services model.

For instance, it requires a different type of technician to manage a customer's IT operations remotely than traditional onsite engineers who pride themselves on being 'firemen' who fix systems when they break.

Instead, the goal is to prevent the customer's IT operations from going down in the first place. Therefore, skilled remote operations center personnel need to interpret IT trend information to identify potential issues before they become real problems.

Successful MSPs must also perform a series of administrative tasks on an ongoing basis to prevent many problems from arising. These tasks include systematic patch management updates, virus and other forms of security scans, as well as storage and system reconfigurations based on utilization levels to avoid potential failures.

It is not cost-effective to dedicate valuable staff time to perform these tasks. Instead, a MSP should adopt management platform which carries out these tasks in a systematic fashion and is easy to administer.

A systematic approach can be manual or automated. However, if it's not automated the MSP will be using a lot of staff time to perform routine tasks over and over again, with no way to track the results. This isn't an efficient use of limited staff resources. Therefore, automating these processes is the preferable and more profitable approach.

It is also essential that the management platform is packaged in a fashion that mitigates upfront costs to match the subscription pricing model associated with managed services. The management platform should also be scalable to enable aspiring MSPs to gain greater profitability as they grow their businesses.

Successful MSPs not only stabilize their customers' IT environments, they also gain greater insight into their evolving IT needs. This gives a MSP an inside track to address these needs before customers can solicit other vendors. This creates a 'sticky' relationship and knowledge of the customer that gives the MSP a significant competitive advantage in an increasingly commodity market.

Ultimately, adopting a managed services model should enable an IT company to move from a product/technology centric, "break/fix", and undifferentiated support relationship with their customers to build a strong business-oriented bond, as summarized in Table 1.

Table 1  
Moving from Traditional IT Support to a Managed Services Model

<i>Traditional IT Support</i>	<i>Managed Services</i>
Product Centric	Business Oriented
Manual/People Intensive	Automated/Software Enabled
Onsite Service Required	Remote Management Provided
Reactive/Reduces Downtime	Proactive/Maximizes Productivity
Tactical Support Responsibilities	Strategic Management Relationship
Commodity/Project Pricing	Subscription/Long-Term Agreements

Moving to a successful managed services model also requires executive leadership and commitment. Corporate executives must not only invest in the right software platforms and staff skills, they must also sell the right value proposition to their customers, and be willing to push reluctant customers to shift to a managed service arrangement to ensure their mutual success.

The remainder of this whitepaper will examine how **inhouseIT** successfully migrated to a managed services model.

## **inhouseIT's Shift from On-Site to Managed Services**

inhouseIT, based in Newport Beach, CA, was founded in 1998 to deliver IT product sales and services to SMBs in the Orange County area.

From the beginning the company recognized the business benefits of selling a 'subscription service' to build an ongoing relationship with its customers and gain an annuity revenue stream. But, the technology didn't exist during its first years of operation to deliver cost-effective remote management services to its customers.

As a result, the company had to overcome the added operating costs and uncertainties of providing on-site support in the highly congested Southern California region. Severe traffic often made it difficult for inhouseIT's technical support staff to make routine on-site visits or respond quickly to customer problems. This frustrated inhouseIT's customers and created added costs for the company.

In response, the company's executives decided to build a remote monitoring capability to identify and respond to its customers' problems from a central location. Despite acquiring remote management software and dedicating specific staff to maintain a central network operations center (NOC), inhouseIT quickly discovered that simply monitoring clients' systems didn't enable them to fully satisfy their customers' IT requirements. Instead, they were still forced to react to problems and often still had to dispatch a technician to the customer's site. This didn't satisfy the customer or company's needs.

inhouseIT's executives decided to upgrade their remote monitoring capabilities to enable its technicians to perform proactive management tasks which could circumvent many customer problems and reduce on-site support costs.

inhouseIT selected **Kaseya's IT Services Automation Platform** which includes an IT Business Procedure Engine that enables inhouseIT's staff to set specific functional parameters and automated routines for managing its customers' IT operations.

The IT Business Procedure Engine permits inhouseIT to perform patch management tasks, spyware scans, software deployment, desktop management, computer inventory, audits and reporting activities in an automated, systematic and consistent fashion. It also enables inhouseIT to perform these tasks as a part of a portfolio of ongoing, remote management services.

Kaseya's platform has enabled inhouseIT to expand its service portfolio to now include voice and data solutions. inhouseIT now provides network planning and integration, IT project management, and consulting. It also provides email support, security and virus protection, web hosting and help desk services. It also supplies IP telephony and telephone systems, carrier-neutral broadband provisioning, T1s, DS3s, private networks, and VOIP. The company also offers server rack and server room design, and cabling certification.

Kaseya's platform is the backbone of the inhouseIT's portfolio. inhouseIT utilizes Kaseya's to go beyond 24/7/365 remote monitoring by focusing on proactive system management through automation. By leveraging Kaseya's IT Services Automation Platform, inhouseIT performs numerous maintenance tasks on each customer device that it manages on a regular basis without burdening its staff to keep the customers' systems up and running.

The Kaseya platform also enabled inhouseIT to change the nature of its relationship with its customers. Rather than simply sell and service IT and networking equipment, inhouseIT now positions itself as the customer's virtual IT department and can work with its customers to better anticipate and respond to their business needs.

When it engages a new customer, inhouseIT clearly states it is not a "one-time consultant", "fix it" shop or simply offering "pre-paid insurance". Instead, the company emphasizes how its remote management capabilities ensure that the customer's IT operations will be continuously protected, and allowing inhouseIT's technicians to address the customer's more strategic business needs.

inhouseIT works with each customer to develop a "Service Plan" that includes a maintenance, support, planning and problem resolution protocol. inhouseIT designates a dedicated technician to serve as the customer's "IT manager", who is responsible for thoroughly understanding the customer's IT and business requirements.

The company leverages a standardized onsite task list, based on its experience managing over 300 servers and 3000 end-users, and its ServiceTrack™ repository of customer information. The repository includes detailed profiles, network designs, passwords and special requirements to ensure inhouseIT's help desk managers can quickly resolve issues. After a work order is closed, ServiceTrack sends an automatic email to the customer and creates an activity report which is included in the customer's monthly bill.

In fact, leveraging the Kaseya IT Services Automation Engine inhouseIT can generate availability, notification, multi-device response, service level compliance and capacity planning reports.

Transitioning its existing customers to a managed services arrangement wasn't easy in some cases in which the customers were comfortable with the inhouseIT's existing services. The inhouseIT executives and sales team had to develop a business case for these customers to demonstrate how the new managed service capabilities powered by Kaseya's platform would increase the customers' system uptime and end-user productivity while reducing their on-site support costs. The company met with each customer to quantify the economic value of their new automated and proactive management capabilities.

One of the potential pitfalls of providing managed services is that it can deliver intangible benefits which are not necessarily obvious to the customer. Reducing system/network downtime or improving performance are managed service benefits which can go unnoticed by the customer. Therefore, it is important for a MSP to 'tangibilize' their services.

Kaseya's platform permits inhouseIT to 'private label' its remote management services by having inhouseIT's logo appear on every end-user's computer screen when it notifies them of daily updates, software enhancements or other activities aimed at protecting their equipment and improving their performance.

The IT Services Automation Platform also enables inhouseIT to provide a one-page 'health report' to each customer that summarizes the status of their systems based on five key criteria. This capability enables inhouseIT to work with its customers to proactively address any issues which could cause future problems. It also allows inhouseIT to win larger customer projects without costly competitive bids.

Kaseya's platform has enabled inhouseIT to accelerate the deployment and improve the quality of its services, expand its service capabilities and portfolio, reduce the cost of service delivery, and increase its market reach.

inhouseIT is now one of Kaseya's largest partners, **servicing over 130 customers remotely**, and is experiencing **50% a year growth**. By leveraging Kaseya's IT Service Automation Platform, inhouseIT has expanded its geographic footprint to Colorado Springs and Denver, Colorado. The company has also been able to gain greater utilization from its staff. Since implementing the Kaseya platform **inhouseIT has reduced the amount of staff time it needs to dedicate to each managed device from 45 minutes down to 20 minutes**. As a result, **each inhouseIT tech person can now support a greater number of customers**.

**inhouseIT has also been able to generate more revenues and profits from each account**. For instance, prior to implementing Kaseya's platform inhouseIT was serving a single office of a property management company with only ten users. Kaseya's platform permitted inhouseIT to quickly assume responsibility for the property management firm's seventeen sites consisting of approximately forty devices, and more than doubling the revenue stream from the account. And, because it served the additional offices primarily via remote services the additional business has been very profitable.

Although it is fast and easy to implement Kaseya's platform, the company's success didn't come overnight. Properly packaging, pricing and positioning the new managed services to satisfy the needs of its customers and meet its own business requirements took time. The inhouseIT executives estimate that it took approximately eighteen months to transition its customer base to its new managed services portfolio.

The Kaseya platform even permitted inhouseIT to 'fire' those customers who insisted on continuing to rely on per-instance, on-site support arrangements rather than adopting a managed services agreement.

Most importantly, inhouseIT can now sell to a higher level buyer within target organizations. Rather than compete on a commodity level with a myriad of other IT companies, inhouseIT can now focus on the business issues facing its prospective customers while assuring them that it has the skills and automated software platform to manage their day-to-day IT needs.

## Summary and Conclusions

With customer expectations rapidly changing and the competitive landscape becoming more intense, traditional IT companies must make fundamental changes to their operating models in order to survive.

They can no longer depend on simply selling and servicing IT products to satisfy their customers escalating needs and safeguard their accounts.

Instead, IT companies must assume greater responsibility for helping their customers maximize the value of their IT investments by improving the reliability and performance of their systems.

Managed services represent a timely method for meeting this added responsibility and creating a tighter bond with customers that can fend off intensifying competitive pressures.

But as the inhouseIT story clearly demonstrates, migrating to a successful managed services model means more than simply monitoring customers' IT operations remotely. It requires executive-level commitment, proactive management skills, business-oriented salespeople, and an automated management platform.

Building a successful managed services business doesn't happen overnight. Company executives have to invest in the right management platform, build the right sales/support teams, create the right corporate cultures and set the right customer expectations to produce a profitable managed services business.

IT companies that want to become successful MSPs must put all of these pieces in place. They need the right senior leadership, staff skills and management systems, such as Kaseya's IT Services Automation Platform, to succeed in the managed services business.

***This whitepaper was sponsored by Kaseya.***

### **About Kaseya**

Kaseya is a privately held software firm specializing in information technology software to support the rapidly emerging IT Managed Services providers and, especially, to support organizations that provide IT Outsourcing services on a local and/or global scale. Kaseya has customers in the IT Services sector offering outsourced and IT managed services business to small and medium-sized businesses in most areas of the world. Kaseya brings a whole new set of revenue generating opportunities to the IT Managed Service Provider and IT Outsourcer.

For additional information, please visit [www.kaseya.com](http://www.kaseya.com) or contact Kaseya at [sales@kaseya.com](mailto:sales@kaseya.com) or 415-694-5700.

### **About THINKstrategies, Inc.**

*THINKstrategies is a strategic consulting services company formed specifically to address the unprecedented business challenges facing IT managers, solutions providers, and investors today as the technology industry shifts toward a services orientation. The company's mission is to help our clients re-THINK their corporate strategies, and refocus their limited resources to achieve their business objectives. THINKstrategies has also founded the **Managed Services Showplace** ([www.msp-showplace.com](http://www.msp-showplace.com)), an easy-to-use, online directory and resource center of over 150 company listings divided into over 30 service and industry categories, and insights and information regarding industry best practices. For more information regarding our unique services, visit [www.thinkstrategies.com](http://www.thinkstrategies.com), or contact us at [info@thinkstrategies.com](mailto:info@thinkstrategies.com).*