



6 WAYS MSPs CAN CUT COSTS WITH INFRASTRUCTURE PERFORMANCE MANAGEMENT.

Battling the Economic Realities

Managed Service Providers (MSPs) and IT Outsourcers (ITOs) face a myriad of challenges in delivering cost-effective, revenue-generating solutions to their customers.

At the top of this list of challenges is margin pressure from a market flooded with new, lower cost providers. According to a 2014 report by Gartner, 70% of CIOs will change their technology and sourcing relationships in the next two to three years. Part of the reason for this is likely cost reduction.

While some competitors may offer less expensive services, they may also lack the strategic consultation afforded by more mature MSPs. And with about 70 percent of total customer expense tied to labor, it's imperative that MSPs find other ways to reduce cost in order to capture shifting market share and maintain existing accounts.

SLA penalties, high operator to device ratios, slow deployments, poor capacity forecasts and lack of automation and cost predictability all eat away at the bottom line. It's especially hard for those that don't provide transport, since this area has a high margin and can help MSPs recover from lost deals and poor margins.

To remain competitive, MSPs must reduce the cost to serve each customer. After all, if the services they provide aren't significantly cheaper than a customer could achieve on their own, there's no reason for them to seek out the services. In fact, most providers and outsourcers aim for a 6 to 10 percent cost reduction throughout the duration of a customer contract.

Performance Management may provide the most effective means of addressing cost control. And, improved monitoring, reporting, troubleshooting and capacity forecasting is just the beginning. This paper outlines six ways the right performance management platform can significantly reduce both CapEx and OpEx for a MSPs and ITOs.



EFFECTIVE WAYS TO REDUCE COSTS.

The right performance management platform gives MSPs an opportunity to reduce both capital and operational expenses. The solution can help organizations adopt a "lean" mentality in order to remain a viable option for current and potential customers.

MSPs have some basic requirements. The monitoring platform must be multi-tenant. It must also scale intuitively and with limited investment to monitor constantly expanding infrastructure.

That being said, the right monitoring platform can help reduce costs in the following ways:

1

DELIVER COST PREDICTABILITY

When bidding on new contracts, MSPs must know exactly what they will need to spend to provide monitoring services for that account. Costs include staffing, hardware and software licensing. One of the reasons companies turn to MSPs in the first place is because they have a better ability to predict costs, which helps the customer budget more efficiently.

Bid pursuit teams get frustrated when they can't accurately project the costs associated with monitoring a customer's complete environment. In order to prevent this problem, you must not only know what it costs to monitor 500 routers, 500 switches and 1,000 boxes, you must also ascertain how much it costs to monitor those devices at an annual growth rate of 12%. Furthermore, with multiple vendors and operating systems, it's imperative to have a solid grasp on your "unit rate" and how that correlates to the cost of monitoring each device and its metrics.

To achieve reliable cost predictability you need a simple licensing structure from your performance management vendor. Expect a flat fee per monitored device or indicator. This ensures you won't get blindsided by additional hardware needs, extra server or database licensing, or agent-based deployment costs. Furthermore, these types of all-in-one licensing structures shouldn't require licensing of software modules for individual capabilities like monitoring VoIP services or support for WMI or JMX metrics.

Without cost predictability, you can't reliably estimate how much it will cost to deliver on your contract. This puts your customer relationships and margins at risk.



2

IMPROVE TIME TO MARKET

As an MSP, your first 90 days are the most cost-intensive. During this time, you need to purchase monitoring tools, train staff, finish discovery, complete the inventory process and meet the contracted terms for the “turn up.”

The quicker you can deploy and activate services, the sooner you can start billing and receiving revenue. Many MSP contracts have a 90-days-or-less window to bill for services. By deploying, discovering and expanding quickly, you’ll be less likely to miss that window or face financial penalties.

In order to shorten the window from initial contract to live deployment of monitoring services, you should expect a performance management platform to deliver the following:

- **All-in-one appliance** – By installing a single appliance that functions as the poller or data collector, the database and the alerting, reporting and analytics engine, you can drastically improve turn up times and reduce your hardware footprint. Deploying a new performance management appliance – or expanding an existing deployment – should be as easy as plugging in the power cord and an Ethernet cable and starting discovery.
- **Automated discovery** – A performance monitoring solution that allows you to be more agile in discovering and monitoring devices in the customer’s network will aid in getting the client online faster. You should be able to access a seed list of devices and pre-load them on your performance monitoring solution to accelerate the discovery process.
- **Agentless deployment** – While vendor agents may provide more in-depth performance data in the limited situations in which they’re required, they also cost more and slow down the initial deployment process. Not to mention the ongoing administration required to manage and upgrade the agents.
- **Rapid SNMP Device Certification** – When it comes time to gain access to the MIB of new devices for SNMP polling, you’ll need to look to your performance management vendor to assist. But be warned – some vendors take months to turn around device certifications, while others guarantee service in mere days, at no additional cost.

Having an agentless, all-in-one appliance for monitoring your customers’ infrastructures also impacts your ratio of administrators to customer accounts. There’s no need for a DBA or additional IT staff to manage agents or complex sever deployments.

3

CONSOLIDATE EXISTING MONITORING TOOLS

With technology silos and vendor-specific tools available for each part of the data center, MSPs often struggle to get a comprehensive and uniform view of their data. They typically purchase numerous software tools to monitor and troubleshoot for customers. But logging into five or 10 systems is a huge hassle and leaves MSPs without a single source of truth when it comes to performance metrics.

Choosing the right performance management platform allows you to consolidate existing tools that have redundant functionality and result in overlapping maintenance contracts. It also saves you the expense of training staff on multiple tools.

When evaluating a go-forward platform, most MSPs emphasize performance over fault. A fault management system focuses on identifying faults with specific customer equipment, while a performance monitoring platform focuses on what your customer cares most about – degradation of service. Many times an application, system or device might be available, but performing at less than acceptable levels. With a performance monitoring platform, you can identify problems that wouldn't be obvious or visible with a fault management system and better protect your SLAs.

4

AVOID SLA PENALTIES

In order to control costs, MSPs need to have a proactive mindset. They typically provide notification to customers if they find a service interruption or hiccup. But a reactive alert doesn't truly help the customer, as it simply alerts them that something bad has happened.

Providing a proactive heads-up when a problem presents itself is a much better way of servicing the customer. Plus, you'll have to swallow costs if you don't meet SLA conditions. You'll pay hefty penalties if you can't resolve an issue within the timeline of your agreement, whether it's two hours, five hours or more. But with proactive alerting, you'll likely be able to fix the problem before it reaches critical impact.



There are two factors that often result in missed SLAs:

- **Lack of understanding of “normal” infrastructure behavior** – Many MSPs don’t baseline performance metrics to know what’s normal and what’s not for any given time of day and day of week. If they did, they could better alert customers when something deviates from the norm, which is often the first sign of a performance disruption.
- **Lack of a scalable monitoring solution** – As your monitored domain expands across a growing customer base, many legacy solutions won’t keep up. The flood of new performance metrics creates a load that they can’t process efficiently. Sometimes entire polling cycles will be missed. This slow-down increases your risk of missing SLA commitments. Be sure to deploy a performance management platform with real evidence of massive-scale customer deployments that deliver reports in near real-time — not minutes or hours.

5

IMPROVE CAPACITY FORECASTS

Planning for future capacity needs helps MSPs understand the resources required to avoid bottlenecks and allows sufficient time to provision more bandwidth or deploy more virtual hosts.

The key to accurate capacity forecasts is having a performance management platform that bases its calculations on raw historical data, not performance metrics that are averaged over time for the sake of database storage efficiency. In other words, if your historical data is rolled up into hourly or daily views after a few weeks, how can you accurately forecast actual capacity needs 90 or 120 days from now?

Another reason to have granular historical data occurs when you need to address a billing dispute over past usage. Without actual raw data, you won’t be able to defend your position and you could sacrifice revenue.



6

AUTOMATE MONITORING FUNCTIONS

Automation may provide the greatest opportunity for IT organizations to reduce costs, especially MSPs. With approximately 70 percent of MSP costs tied to labor needed to administer and service customers, automation can significantly reduce the ratio of operators to devices.

Automation can come in many forms, from integrations with your ticketing or help desk system, to a self-service portal for customers.

At the very least, you should have a way to automate groups, policies and data import and export functions. Monitoring should be automatically provisioned along with the services offered to customers. And getting data in and out of the system requires an open and consistent API that won't require you to re-code every time you need to make a call.

One way for MSPs to reduce costs is to allow customers to access secure portals with user-defined performance reports. Giving clients portals through which they can manage their own network services further entrenches your business within your customer's business. You can also enable customers to integrate the portal with other, premises-based management platforms. Solutions like this not only improve the bottom line, but also create top line revenue opportunity.

Top Line vs. Bottom Line

For MSPs, increasing revenue is equally as important as reducing costs. Fortunately, the right performance management platform can help you expand your services catalog with value-add monitoring solutions. For more information on how to structure new tiers of monitoring services, please read our related whitepaper on "How MSPs Can Use Performance Monitoring to Create New Revenue Streams."



CONCLUSION.

All MSPs share the common vision of being able to deliver effective services while simultaneously driving costs out of the business. An effective strategy for cutting expense is to leverage infrastructure performance management.

However, reducing costs requires the right performance management platform. Focusing on infrastructure performance rather than simply fault allows you to better ensure SLAs with your customers.

An all-in-one, appliance-based platform quickens deployment and allows you to invoice sooner. It reduces your operator-to-device ratio and lessens your hardware footprint in your datacenter. And a fixed pricing model based on number of objects monitored provides greater cost predictability.



About SevOne.

SevOne provides the world's most scalable infrastructure performance monitoring platform to the world's most connected companies. The patented SevOne Cluster™ architecture leverages distributed computing to scale infinitely and collect millions of objects. It provides real-time reporting down to the second and provides the insight needed to prevent outages. SevOne customers include seven of today's 13 largest banks, enterprises, CSPs, MSPs and MSOs. SevOne is backed by Bain Capital Ventures. More information can be found at www.sevone.com. Follow SevOne on Twitter at @SevOneInc.