

Making the managed services move



It seems anyone who's anyone is setting up a managed services business. Touted as a way to lock in customers and secure annuity revenue streams, the managed IT approach is also becoming more attractive to cost-conscious customers looking to control IT spend and use existing assets in a tighter economic climate. At the same time, new methods of delivering applications and infrastructure, such as software-as-a-service (SaaS) and cloud computing, are coming to the fore.

Regional manager for service automation platform vendor Kaseya, Tim Dickinson, caught up with NADIA CAMERON to talk about why the managed services space has become such an opportunity, the increasing popularity of SaaS, and other market trends.

SMEs have been a target market for Kaseya's managed services offering to date. Do you see the market broadening out this year?

Tim Dickinson (TD): The key thing companies are looking for in a tougher economic climate is cost savings. It's clear managed services and IT automation is going to provide some of those cost efficiencies. There's not much difference between what's called outsourcing in the enterprise, and managed services in the SMB space. People are going to want to do more with less, save money, and work out ways to defer CapEx. It's a great time for managed services providers because they can deliver all these things. It doesn't look like the economy is going to get any better anytime soon. Our partners are able to go out and proactively assist customers. They can provide certainty, a fixed price contract, SLAs, the opportunity to save some cost internally. They can also enable customers to defer or extend the lifecycle of existing hardware. We embrace a downturn. If you're a break/fix operator in an economic downturn, people stop calling because there's no agreement between you and that customer. But as a managed services provider [MSP], you have a fixed income every month, even in a tougher market.

Do you see more resellers exiting the market?

TD: Most definitely. In any downturn, bankruptcies go up. And it's the people that don't have successful business models that exit. One of the things we are seeing in the local market is more consolidation. You see it in the financial markets – the stronger players get bigger and pick up the smaller players who are struggling. We are going to see more of this happening in 2009 as the bigger MSPs start to push forward on their expansion plans.

How many partners has Kaseya signed up?

TD: We have about 250, so it's cranking along, but it's still a chip off the iceberg. We also more than doubled staff numbers during 2008. When we kicked things off, it was definitely the smaller companies who signed up, but now we're seeing tier-two providers come on-board as people become more aware of the product.

What's on the agenda for 2009?

TD: One key thing we're focused on is increasing the profitability of our partners and the way we do this is by helping them to transition using our core managed services tools. We have things like the backup and disaster recovery module so they can sell additional services, and we just released a new version of our endpoint security product. The next stage for us is moving into 24x7 service delivery. We are providing additional services such as monitoring and server remediation so that mid-tier companies can offer an enterprise-class service.

Do you have other modules in the works?

TD: There are definitely other areas we could move into and we will extend those [automated] services again. We also see the maturity of the managed services provider – once they see how much efficiency is delivered by a platform, they start to look at other areas where they could drive better efficiencies for customers. For example, around CRM or billing. We have developed a relationship with Happen Business for its Jim2 offering so you can control workflow, create invoices and so on. We have also partnered with ConnectWise, which offers a professional services automation tool that helps you better manage your technical resources. [Kaseya's 2009 product roadmap includes capabilities in business continuity, security, monitoring and availability, and virtualisation.]

What challenges do you still face getting resellers to adopt the managed services model?

TD: It's probably education and explaining the benefits of moving to that model. People have this impression that it costs a fortune in terms of time and effort. Our partners just need a mid-range server and our low-entry product, which costs less than \$10,000.

Several vendors have come out with their own pre-packaged services and remote management tools – for example, Cisco SmartCare. Has that forced Kaseya to change its go-to-market strategy?

TD: No, our core focus is the same. In the smaller market, it's the smaller players providing the services. We tend to work with several vendors when it's complementary.

Why are managed services becoming so acceptable now?

TD: It's not just a fad, managed services is a solid model that's proven. And it's a huge change in service delivery to SMBs. The tools have improved that make it possible as well and you can pay-as-you-go. There used to be expensive platforms out there before that required on-site installation, whereas we can set-up remotely.

All we've seen in the last 10 years is profits declining, hardware margins shrinking, customers wanting services for free, and charges per hour staying fairly flat. The cost of getting qualified employees is also going through the roof. It's all worked against smaller service providers. You add in an economic downturn, and you've got a major problem.

There will be the ones that don't make the transition to managed services, and ones that do. Those guys will become more profitable. ■