

# THE NEW MSP: BUILDING PROFITS THROUGH TEAMWORK WITH MANAGED HOSTING AND CLOUD COMPUTING PROVIDERS

# THE NEW MSP

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# THE NEW MSP

## INTRODUCTION

This whitepaper is designed to be a resource for Managed Service Providers (MSPs) that want to grow revenue by providing hosting and cloud computing solutions to customers.

MSPs are at an important crossroads. For the first time, they have at their disposal a vast arsenal of tools for providing managed hosting and cloud computing solutions. They also have a ready-made market of Small and Medium Businesses (SMBs), which are looking for solutions to cut IT costs and focus on innovation and growth.

In this paper we present a wide-angle view of how MSPs are transforming themselves in response to new market opportunities, the key qualities to look for in an infrastructure team and ways to identify valuable solutions for MSP customers.

## THE MARKET: SMBs INTRIGUED BUT WANT GUIDANCE

SMBs are a key segment of a market primed for adoption of hosted and cloud computing solutions. Maintaining in-house IT resources is expensive and these new technologies offer a way to better allocate funds toward innovation and growth.

How do SMBs view managed hosting and cloud computing? Rackspace asked its Partner Network members and found that SMBs are intrigued but not necessarily taking action. About 46 percent of their clients are looking at cloud computing and are interested in hybrid hosting. Of those who are interested in cloud computing, only 58 percent have actually taken the steps toward adopting solutions. SMBs have yet to develop a strategy around cloud computing and they're looking for guidance on how to proceed.

For Michael Semon, owner of Indiana-based Spartan Technology Services, LLC and a member of the Rackspace Partner Network, his customers' inclination toward managed hosting and cloud computing is clear to see. "If you're on a tight budget and you don't have huge security concerns, cloud becomes a viable solution," he says. "Those with bigger security concerns that can afford to address them are going the way of dedicated managed hosting."

It's not that the SMB customers are changing—"They still have a business, it needs to run and it needs to run efficiently," Semon notes. "What's stocked in the service provider's 'IT tool shed' has changed. MSPs can help customers do more with less and get paid for the value they provide."

### IT Spending on the Rebound

Overall, IT growth slowed among larger SMBs during the recession but it's expected to rebound 2008 levels, growing to nearly \$629.3 billion by 2014 (Business Wire, 2010). Medium-size businesses will increase their spending more than smaller firms, predicts industry analyst IDC. They are particularly looking for innovative solutions that will provide quick benefits (IDC, 2010).

Among some smaller SMBs, Forrester Research, Inc. has found that some 20 percent actually increased their investments in internal IT staff in 2010. Companies with 100 to 499 employees and with 500 to 999 employees fit within this group. Among even smaller businesses (20 to 90 employees), some 25 percent were increasing their investments in internal IT staff (Harmon, 2010). The hunger for technology among SMBs grows as price points drop and the need for solutions increases, says Forrester (Forrester, 2010).

## The New MSP: A Change of Mind-Set

How MSPs respond to these opportunities will determine their success in the marketplace. Many are already taking action by revising their business strategies and forging new alliances.

A new kind of MSP is emerging—a more strategic MSP, focused less on engineering and more on strengthening and broadening customer relationships, on being the “trusted advisor.” They recognize that SMBs rely on MSPs to protect against potentially costly mistakes, to make sense of the kaleidoscope of choices that confronts them and to manage the complexity.

MSPs have strong incentives to outsource some of their customer applications to managed hosting and cloud computing service providers. Many have hosted applications that are less data-intensive on their own servers. But such “boutique” data centers require big capital investments and pose severe limitations.

“There’s no way I have the dollars, expertise and experience to truly build out my own data center,” says Ted Warner, president of Connecting Point, a Colorado-based MSP. “Every time I turn around, my data-center costs go up.”

Still, many MSPs are reluctant to outsource customer solutions. They fear they’ll lose control over the quality of service or even over their customers. “It’s a huge hurdle for us,” notes Warner.

To address such concerns, MSPs are closely scrutinizing the service levels and partner programs of infrastructure providers. They’re also recognizing that their core competency is something that infrastructure providers don’t have: the valuable role of trusted advisor.

As explained by Michael Semon, owner of Indiana-based Spartan Technology Services, LLC, “People expect my technical skill but what they appreciate and value is my guidance in the industry.”

Rackspace Strategic Alliance Manager Doug Burgess describes the MSP/provider alliance as a winning team: “MSPs have a relationship with customers that we’ll never have. And we have a global infrastructure that they don’t have. We’re stronger walking in the door together.”

## Same Channel, Different Space

As a new MSP that has already taken the leap toward managed hosting and cloud computing, Warner is not so concerned about losing customers to a large provider. He sought a provider that communicates clearly about its channel program, one that provides direct service to larger enterprises while reaching the SMB market through partnerships with MSPs.

“I don’t care if a provider is working with a Proctor and Gamble — that’s not my space,” says Warner. “If they have real solid deal-registration programs and prove that they’re not going to take clients direct, the concern over losing customers can get pushed aside.”

According to Rackspace National Strategic Alliances Manager Carlos Bendrell, a solid deal-registration process is key to allaying MSP fears about losing customers. “We have a very sophisticated deal-registration process that allows us to look at the opportunities and inform a member of our Partner Network if we are in a direct engagement with that opportunity or not,” he says.

Doug Burgess, a Rackspace strategic alliance manager, notes that MSPs control client relationships and make the choices. “Our deal-registration process gives MSPs the option to register the exact amount of information they want to about a given customer,” he explains. If a customer happens to make direct contact with Rackspace, the qualification team would identify the relationship within the system and route the customer right over to the same project team or sales team that’s working to build that solution with the MSP channel partner.

“This keeps the continuity of the solution,” says Burgess. “Our intent is definitely not to take those opportunities direct. Our intent is to grow our partnership with the MSP while providing the best solution and service for the end user.”

## TEAMING FOR PROFITS: CHOOSING THE RIGHT PROVIDERS

By joining forces with an infrastructure provider, the MSP can focus on building relationships and ensuring a great customer experience. This, in turn, strengthens the MSP's brand, giving customers the confidence to rely on the MSP to direct and manage more and more aspects of their IT operations.

With the right service provider, says Robert Fuller, vice president of worldwide channel sales at Rackspace, "MSPs can actually enhance their trusted advisor status with the end customer—because they recommend a great provider and it's an excellent experience."

In the old days, companies had to outsource everything to one provider. But today's environment allows for myriad plug-and-pay options from many different providers. The New MSP might put together a portfolio of hosting companies, not just one, explains Bendrell: "Mr. Joe legal service provider may need a hosted email offering or hosted legal application or off-premise storage—it's the MSPs responsibility to pick the solutions that best fit him." They may not all be Rackspace solutions, "but the breadth of our offerings gives them the power to single shop on a lot of solutions they may want to introduce to that end user."

On the other hand, as larger infrastructure providers like Rackspace expand their range of services, MSPs will be able to do more one-stop shopping. "The advantage to MSPs is they only have to deal with one company, notes Fuller, who is responsible for all of Rackspace's indirect sales and channel partner programs, including those for MSPs. "All of those services they sell will roll up into a single program that they get credit for."

### Excellent Service

Most MSPs would agree that the top priority in choosing a provider is excellent service. Service should be as good or better, than what MSPs would provide to their own clients. "The MSP needs to feel confident that their client is being looked after," says Fuller. "Excellent service levels or what we call Fanatical Support, are the key to that trust."

Excellent service may start with having the right equipment. But that's the straightforward part, according to Semon of Spartan Technology Services. "It's the professional service, the level of support, the level of channel access you have, that really makes the difference."

Semon adds that all providers say they provide great service. Good providers will prove it. They will demonstrate their exceptional service levels by providing customer stories, testimonials from customers and a verified track record with measured results.

In its partner search, Safe Banking Systems, a provider of anti-money-laundering and compliance solutions to banks, looked closely at both the equipment and service levels. The service levels tipped the choice in favor of Rackspace. Safe Banking Systems mines data bases for criminal activity. It decided to use a large, managed hosting provider to make room for growth. "We were expanding too much to continue with the status quo and we didn't have a dedicated IT person in-house," says the president, David Schiffer. "We decided it was time to look at hosted solutions for what we call our production work."

Schiffer didn't just conduct research online. He personally visited Rackspace headquarters in San Antonio and its data center. "I like to do a source inspection—to see not only the office but the data center," says Schiffer. He was impressed by the data-center equipment and the network management center, with 15 to 20 seats for employees monitoring the network on giant screens. It was the support that won Schiffer over: "I have tough tech guys who are quite demanding when it comes to production," he notes. "They have been very happy over the years with the Fanatical Support we receive from Rackspace."

Fuller explains how excellent service sets one infrastructure provider apart from another: "Our differentiator in the marketplace is the quality of service we provide—to help our customers when there is an issue, to do that proactively, to have the skills and experience to rapidly respond, to do a one-hour swap-out if their hardware has a problem," he says. "Fanatical Support is our 'secret sauce' for differentiation."

Even if an infrastructure provider does not make service its main sales point, it should be very specific about its service-level guarantees. For instance, Rackspace guarantees 100 percent network uptime, one-hour hardware replacement and two-hour commencement of on-site data restores for its managed hosting solutions. In late 2010 Rackspace introduced the 24x7x365 managed service level for its highly scalable, on-demand cloud computing servers as well. “We have very aggressive response times in our Service Level Agreements (SLAs),” notes Bendrell. “For solving issues, Rackspace contractually commits to specific levels of response times, based on severity of response.”

Integral to excellent service is good communication. At Rackspace each MSP channel partner is assigned an account manager as a single point of contact and gets round the clock support, 365 days per year. The account manager is a technical person, not a call-center Level 1 responder. Employees are empowered to make decisions. A live escalation contact and subject-matter specialists are available to the MSP at all times. Large numbers of highly qualified technical people with in-depth knowledge of Linux, Microsoft and middleware, are at the MSP’s disposal.

“This is a core component of Fanatical Support,” notes Bendrell. “You have someone 24/7, you have a cell phone, you have an escalation process, you have multiple teams supporting that team and there’s intimate knowledge of the environment.”

Such support can make all the difference to an MSP when things go wrong. When Matt Service, of Service Internet Solutions, had a catastrophic hard-drive failure, the support he got was so effective that his customer was spared the knowledge that the server had gone off line. Explains Service: “The Rackspace Platinum Watch solution was monitoring the server, saw that there was a problem—that it wasn’t responding—took the server down, replaced the hard drive, did a restore and the server was back up and online before the customer even realized that there was an issue.” (Service, 2011)

Bendrell notes that an effective escalation process can be a good indicator of a provider’s excellent service levels: “The escalation process that we use within our account teams reflects how the channel partners want it—whether they want us to respond directly and take an action or notify someone before we take an action. It’s all customized to the channel partner’s requirements.” Such differentiators “give channel partners the confidence and peace of mind that the service provider is going to react just as well or better, than their internal IT could for their end user.”

Semon decided to work with a provider that is large enough to have a critical mass of in-depth knowledge. “You need to work with skilled professionals with concrete case studies and examples—and the only place you’re going to find that is through a high-volume, high-quality provider,” says Semon. Fast access to a rare resource makes using a large service provider “a no-brainer,” he adds. “Typically, Linux administration has been difficult to come by but every time I’ve called Rackspace, I’ve gotten a Linux administrator within three minutes, maybe less.”

Similarly, AppRiver, one of the largest e-mail security MSPs worldwide, needed a managed hosting solution to take care of the infrastructure part of the business and chose Rackspace because of its service combined with size. Rackspace could handle the volume AppRiver is doing, notes Joel Smith, AppRiver’s CTO. On a given week, AppRiver is adding six or seven servers. “We chose Rackspace because of industry reports that showed them consistently on the top of reliability and because of its business model of Fanatical Support,” says Smith (Smith, 2011).

### **A Well-Developed Channel Program**

Another key attribute to look for in an infrastructure provider is a channel program that gives MSPs both pre- and post-sales support and guidance, helping them develop solutions, sell those solutions and deliver on their promises to customers. Skilled professionals should be available to help MSPs decide what’s best for the customer’s unique situation or business problem. This enables the MSP to provide stellar consulting services to customers without having to learn everything.

“The infrastructure provider should show a complete understanding of the MSPs business,” says Fuller. “If you can’t understand those issues, how can you expect to respond to them with the right capabilities, experience, communications, messaging, tools and customer experience?”

Semon agrees: “The provider should inquire, ‘Tell me more about the business, what you’re trying to accomplish. Here are some options. Here are the advantages and the disadvantages. Let’s work together and figure out what’s going to be most sensible.’”

At Rackspace, MSPs have flexible access to solution engineers, cloud computing engineers and security specialists, notes Burgess: “We’ll help them develop a solution. We can be as involved or uninvolved in the tech calls as the MSP desires. We’ll either arm them with the information to go sell it or—if they’d like us to—we’ll join them to help them go sell it. It’s very much an enable-the-MSP-to-deliver-the-solution approach.”

The provider should have a clearly mapped go-to-market plan that is favorable to MSPs. For example, Rackspace’s strategy explicitly relies on MSPs to provide guidance to clients and to build and maintain closer relationships on the local level, while Rackspace focuses on hosting and cloud computing services. “In building out and investing in the channels area,” explains Bendrell, “our key focus is that we’ll not have a level of investment to cover a broad range of SMB initiatives. We are looking to the channel for that.”

Infrastructure providers are motivated to provide the best possible tools and resources for MSPs. “We will not make the investments down to a level where we are going to be targeting the health care industry in Minnesota,” explains Bendrell. “It’s not economically feasible for us. So we want to rely on a good network of channel partners to be able to bring that market to us—and that’s why we’re investing heavily in a program that benefits that group of channel partners.”

Rackspace’s Channel Partner Program focuses on dedicated hosting, cloud computing, email and online storage, according to Fuller, who also oversees Rackspace’s global Partner Network selling across the channels, with some 4,500 channel partners and growing. MSPs tend to congregate in the managed hosting channel, the largest, with about 2,500 channel partners—although as Rackspace’s offerings expand so will the breadth of MSP participation across channels.

Smaller MSPs in the Rackspace Partner Program have in the range of five to 20 employees and midsize MSPs have about 20-50 employees. They are among a diversity of channel partners in the managed-hosting channel, which gives MSPs an idea of the breadth of experience an infrastructure provider can bring to the table. Other channel partners include single-proprietorship IT consultants, web developers and bloggers selling email solutions, cloud computing or hosting to complement their businesses; advertising agencies selling reliable hosting for the online components of their clients’ campaigns; e-commerce platform providers using Rackspace as their preferred hosting provider; companies delivering an SaaS model; and even multinational system integrators providing hosting solutions to customers in government and business.

“We have a program that consistently accommodates all these types of channel partners globally,” says Fuller, noting that multinational channel partners get the same structure and value here in the U.S. as in the U.K., Australia or Hong Kong. “And each one of them feels like they are the only member in the program. That’s how well we look after them.”

### **Do a Test Run**

To help make the right choices, the new MSP need not operate on blind faith. It’s entirely possible to conduct tests of hosting and cloud computing service providers before committing completely.

That’s what Warner did for one of his clients at Connecting Point. For him, the only way to get over the hump of placing part of his client’s services into the hands of a hosting and cloud computing provider was “through direct experience.” He decided to work with Rackspace running a trial for a couple of clients.

## **ROADMAP TO VALUE**

To take full advantage of a primed SMB market and the powerful tools of managed hosting and cloud computing, the new MSP will benefit from a well thought-out strategy. As Joe Panettieri, editorial director of MSPMentor, puts it, “We don’t believe the managed services trend will ‘lift all boats,’ since MSP success frequently is determined by business savvy and executive leadership, rather than technical tools,” (Panettieri, 2009).

## Learn from Experience

A first step toward embracing managed hosting and cloud computing is to broadly educate oneself about the options. Michael Semon accomplishes this “person to person,” he says, by looking at case studies, rather than relying on trade press articles about trends. “Every IT magazine you pick up has the word ‘cloud’ somewhere on each page,” he notes.

Semon talks about case studies with other MSPs, sales engineers of solution providers at conferences and the people at Rackspace. He appreciates having access to the experience of a large infrastructure provider to help develop client solutions: “I can call up Rackspace and say, ‘I have a financial institution. Tell me what you’re doing with other people in this situation.’ They can share that story with me and help me come up with a solution.”

MSPs also can mine case studies and white papers on infrastructure provider websites and online media sites like MSPmentor.net, MSPartners.com and Channel Focus.

## Understand the Client’s business

A first step in gaining a bigger share of wallet among SMBs is to thoroughly understand the customer’s business. The issues clients face drive the technology—not the other way around.

“You don’t want to come in and blindly tell people, ‘Here’s something I’ve got,’” says Semon. “You need to understand the customer’s business first—what’s not working, what is—and then you can put together a solution that solves an issue.”

Solutions may complement existing ones or may be entirely new. Many SMB customers are drawn to hybrid solutions, such as a mix of dedicated- and public-cloud hosting. For example, an e-commerce company might put its catalog in the cloud-computing environment and its credit card processing in the dedicated or managed hosting environment, following the Payment Card Industry (PCI) security standards.

Other SMBs might stick to traditional, managed hosting. Spartan Technology Services put together such a solution for a software company that needed secure, dedicated servers for web application development. They put in firewalls, virtual private networks and servers and are teaming up with Rackspace as the hosting provider.

## Find Anchor Points

With the wide range of services offered by infrastructure providers, MSPs can engage with customers on many different levels, including selling cloud computing, email services and off-premise storage of solutions.

The more solutions in the MSP’s toolkit, the better. “When MSPs engage across a wide range of solutions, they have a greater share of wallet of a particular client,” says Fuller. “MSPs also have a reason to re-engage with a client that they might not be active with because now they’ve got a broad range of services that may apply to every one of their clients.”

To sort through the many options, Arnie Bellini, CEO of ConnectWise, a Florida-based MSP solution partner specializing in IT service management, suggests that MSPs actively look for what he calls “anchor points” within each customers’ environment. Anchor points help an MSP become indispensable to a client’s business. ConnectWise publishes a downloadable poster illustrating “The Modern Office,” with some 20 anchor points MSPs can pursue. “If you have four anchor points, you are sticky with the client,” says Bellini. The free poster is available at [connectwise.com/modernoffice](http://connectwise.com/modernoffice).

MSPs are significantly improving documentation of their clients’ total environment, notes Bellini. They are bringing SLAs to a greater level of greater professionalism with formalized guarantees. And clients are starting to demand such improvements in SLAs. According to IT industry association CompTIA, 52 percent of end users request SLAs from IT service providers (CompTIA, 2010).

Many of the solutions in the ConnectWise Modern Office are listed among popular solutions in the 2010 survey of 1,200 MSPs by MSPMentor.net. In order of popularity they are: help desk (93.8%), remote administration (93.1%), disaster recovery/business continuity (91.5%), managed security (78.5%), virtual servers (74.4%), hosted/SaaS email (67.7%), managed storage (64%), hardware as a service (47.1%), virtual desktops (46%), unified communications (38.6%), hosted/SaaS SharePoint (36%), managed print services (28.9%), hosted VoIP (25.9%), hosted/SaaS CRM (18.9%), video surveillance (17.1%) and telepresence (10.6%). Note: the survey attracted a larger group of MSPs with SaaS focus, which may have slightly skewed the results for SaaS upward while decreasing results for more traditionally managed services such as security and remote administration (MSPMentor, 2010).

Many MSPs are developing—or already have developed—vertical specialties. This will also have a bearing on the approach MSPs take to adopting hosted and cloud-computing solutions for customers. A large percentage of MSPs are targeting health care (45.5%), legal (40.6%), banking and financial services (38.1%) and manufacturing (33.9%). Smaller numbers are targeting insurance (25.6%), real estate (21.5%), technology (22.2%) and other verticals (24.9%). (MSPMentor, 2010).

### **The “M” in SMB: Where the Rubber Meets the Road**

Part of The New MSP’s strategy will involve targeting different segments of the SMB market. Technology vendors tend to look at SMBs as a uniform market, according to Forester Research. But while small office and home office (SOHO) businesses (1-5 employees) and small companies (5 to 99 employees) may invest less than medium-size businesses in IT, they actually use Web 2.0 technologies more. Smaller mid-size companies (100 to 499 employees) and the larger ones (500 to 999) have variable characteristics as well.

Start-ups in the SMB space often comprise tech-savvy Millennial workers—many of whom have lost jobs and are astute users of the Internet, mobile phones and social networking. These workers have been downsized by tech-saturated industries including financial services, architecture and engineering, transportation and retail. As a result, “new small businesses will be much more tech-savvy than the ones they replace,” writes Forrester, “and they will represent a robust petri dish in which vendors should test new SMB go-to-market models”(Harmon et. al. 2009).

Within the “S” of SMB (20-50 employees), businesses aren’t as concerned about the level of redundancy and security. They have a greater level of trust with their current provider. But in the “M” of SMB (50+ employees), clients are becoming more discerning. “They need and want the redundancy, the resiliency and the security that a large hosting and cloud provider can deliver,” says Warner. “That’s where the rubber hits the road.”

Medium businesses are looking for fast ways to cut costs, more efficiently use capital and differentiate their offerings. Systems Engineering, an 80-employee company with \$17 million in revenue, has a decidedly aggressive growth strategy that targets medium-size clients. CFO Craig Tribuno approaches those customers that have internal IT staffs and discusses outsourced IT services. (Biggs, 2010) He employs a tool similar to ConnectWise’s “Modern Office” poster—a generic pie chart illustrating the areas that IT impacts business and then asks, “Which area can we help you with?” He finds the approach to be very effective.

Once in the door, Systems Engineering develops a three-year technology plan for the client which organically grows the relationship: “You jointly develop the technology plan and then you aren’t selling anything; you are just executing on the plan,” says Tribuno (Biggs, 2010).

### **Hybrid and Traditional managed hosting Solutions**

SMB customers are particularly interested in hybrid solutions that make partial, sometimes experimental, use of managed hosting or cloud computing. Most of Warner’s SMB customer solutions, for instance, involve infrastructure as a service with part of the solution hosted and part on-premise.

For applications that are not very data intensive, Warner’s customers use managed hosting. For high intensity, disc intensive and graphic-heavy applications, he builds the solution on premise. For example, a company may benefit from a hybrid of on-premise and off-premise hosting, such as in the case of an architectural firm that has an AutoCAD application that it uses on-site. The application requires a lot of

graphical data that needs to be pushed back and forth. Such applications are hosted locally on the client's site. But applications like Microsoft office, Exchange and Outlook are easily hosted off-site.

Another hybrid solution might be a combination of dedicated hosting and public cloud hosting. For example, smart e-commerce companies are putting their catalogs in the cloud-computing environment while putting credit card processing in the dedicated or managed hosting environment, following the Payment Card Industry (PCI) security standards.

Other solutions will involve only traditional, managed hosting. Spartan Technology Services put together a managed hosting solution for a software company that needed secure, dedicated servers to do web application development. Spartan evaluated whether cloud computing was an option but the customer needed to dial in on certain performance metrics that cloud computing wasn't able to provide. The winning option was arrived at through teamwork with Rackspace: "Working with the Rackspace engineers, we were able to collaborate and come up with a solution together, one that made sense and that we could resell to the customer," says owner Semon.

Companies like Spartan are showing that through teamwork with providers and the creative use of technology, the new MSPs can forge a path to value. They can strengthen their role as trusted advisors, increase monthly recurring revenue and position themselves—and their customers—for greater agility, innovation and growth.

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Executive Summary

# THE NEW MSP

Managed Service Providers (MSPs) are at an important crossroads. For the first time, they have at their disposal a vast arsenal of tools for providing managed hosting and cloud computing solutions. They also have a ready-made market of small and medium businesses (SMBs), which are looking for solutions to cut IT costs and focus on innovation and growth.

How MSPs respond to these opportunities will determine their success in the marketplace.

Many are already taking action. A new kind of MSP is emerging—a more strategic MSP, focused less on engineering and more on strengthening and broadening customer relationships, on being the “trusted advisor.”

The New MSPs are forging alliances to adopt managed hosting and cloud computing solutions whenever they make sense for customers. Part of this process involves choosing an infrastructure provider. By choosing the right provider, MSPs can deliver excellent service, ensure a great experience for their customers, elevate their brand and win a bigger share of wallet among customers.

## Strengthening Customer Relationships

MSPs have strong incentives to outsource some of their customer applications to managed hosting and cloud computing service providers. Traditionally, many MSPs have hosted applications that are less data-intensive on their own servers. But such “boutique” data centers require big capital investments and pose severe limitations.

“There’s no way I have the dollars, expertise and experience to truly build out my own data center,” says Ted Warner, president of Connecting Point, a Colorado-based MSP. “Every time I turn around, my data-center costs go up.”

Still, many MSPs are reluctant to outsource customer solutions. They fear they’ll lose control over the quality of service or even over their customers. “It’s a huge hurdle for us,” says Warner.

To address such concerns, MSPs are closely scrutinizing the service levels and partner programs of infrastructure providers. They’re also recognizing that their core competency is something that infrastructure providers don’t have: the valuable role of trusted advisor.

As explained by Michael Semon, owner of Indiana-based Spartan Technology Services, LLC, “People expect my technical skill but what they appreciate and value is my guidance in the industry.”

Rackspace Strategic Alliance Manager Doug Burgess describes the MSP/provider alliance as a winning team: “MSPs have a relationship with customers that we’ll never have. And we have a global infrastructure that they don’t have. We’re stronger walking in the door together.”

## Teaming for Profits: Choosing the Right Provider

By joining forces with an infrastructure provider, the MSP can focus on building relationships and ensuring a great customer experience. This, in turn, strengthens the MSP’s brand, giving customers the confidence to rely on the MSP to direct and manage more and more aspects of their IT operations.

Most MSPs would agree that the top priority in choosing a provider is excellent service. Service should be as good, or better, than what MSPs would provide to their own clients. “The MSP needs to feel confident that their client is being looked after,” says Fuller of Rackspace. “Excellent service levels, or what we call Fanatical Support, are the key to that trust.”

Fuller advises MSPs to team up with a provider that builds its business strategy on the premise that a high level of service provides the best competitive edge. Rackspace is an example. For solving issues, Rackspace contractually commits to specific levels of response times, based on severity of response. It has very aggressive response times in its Service Level Agreements (SLAs), guarantees 100 percent network uptime, one-hour hardware replacement and two-hour commencement of on-site data restores for its managed hosting solutions.

An essential component of excellent service is good communication. At Rackspace, each MSP channel partner is assigned an account manager as a single point of contact and gets round-the-clock support, 365 days per year. The account manager is a technical person, not a call-center Level 1 responder. Employees are empowered to make decisions. A live escalation contact and subject-matter specialists are available to the MSP at all times. Large numbers of highly qualified technical people, with in-depth knowledge of Linux, Microsoft and middleware, are at the MSP's disposal. Such support can make all the difference to an MSP, not only in the best of times, but when things go wrong.

Longevity is another desirable characteristic in an infrastructure provider. One way to tell if a provider is in it for the long haul, is to look at its track record for growth so far. Burgess points out that Rackspace has grown to over 3,000 employees, "...and we're still providing that level of support." He notes that the continuity of service derives from strategic planning: "We spend a lot of time trying to figure out how to grow the company and the support teams to continue to provide that level of support."

Another attribute of an ideal infrastructure provider is a channel program that gives MSPs both pre-sales and post-sales support, helping them develop solutions, sell those solutions and deliver on their promises to customers. At Rackspace, MSPs have flexible access to solution engineers, technical support, cloud computing engineers and security specialists.

"We'll help them develop a solution," explains Burgess. "We can be as involved or uninvolved in the tech calls as the MSP desires. We'll either arm them with the information to go sell it or—if they'd like us to—we'll join them to help them go sell it. It's very much an enable-the-MSP-to-deliver-the-solution approach."

### **Roadmap to Value: Gaining a Bigger Share of Wallet**

To tap the SMB market's demand for hosting and cloud computing solutions, the New MSP will benefit from a well thought-out strategy.

How do SMBs view managed hosting and cloud computing? Rackspace asked its Partner Network members and found that SMBs are intrigued but not necessarily taking action. About 46 percent of their clients are looking at cloud computing and are interested in hybrid hosting. Of those interested in cloud computing, only 58 percent has actually taken the steps toward adopting solutions.

SMBs have yet to develop a strategy around cloud computing and they're looking for guidance on how to proceed. They rely on MSPs, their trusted advisors, to make sense of the choices that confront them, to protect them against costly mistakes and to manage the complexity.

A first step in gaining a bigger share of wallet among SMBs is to thoroughly understand the customer's business. The issues clients face drive the technology—not the other way around. "You don't want to come in and blindly tell people, 'Here's something I've got,'" says Semon. "You need to understand the customer's business first—what's not working, what is—and then you can put together a solution that solves an issue."

Solutions may complement existing ones or may be entirely new. Many SMB customers are drawn to hybrid solutions, such as a mix of dedicated- and public-cloud hosting. An example would be an e-commerce company that puts its catalog in the cloud-computing environment and its credit card processing in the dedicated or managed hosting environment, following the Payment Card Industry (PCI) security standards.

Other SMBs might stick to traditional, managed hosting. Spartan Technology Services put together such a solution for a software company that needed secure, dedicated servers for web application development. They put in firewalls, virtual private networks and servers and are teaming up with Rackspace as the hosting provider.

With the wide range of services offered by infrastructure providers, MSPs have new opportunities to engage with customers on many different levels—selling cloud computing, email services, off-premise storage and a wide range of solutions.

To sort through these options, Arnie Bellini, CEO of ConnectWise, a Florida-based MSP solution partner specializing in IT service management, suggests that MSPs actively look for what he calls "anchor points" or "sticky points." Anchor points help an MSP become indispensable to a client's business. ConnectWise publishes a downloadable poster illustrating "The Modern Office," with some 20 anchor points MSPs can pursue. "If you have four anchor points, you are sticky with the client," says Bellini. The free poster is available at [connectwise.com/modernoffice](http://connectwise.com/modernoffice).

The more solutions in the MSP's toolkit, the better. "When MSPs engage across a wide range of solutions, they have a greater share of wallet of a particular client," says Fuller. "MSPs also have a reason to re-engage with a client that they might not be active with because now they've got a broad range of services that may apply to every one of their clients."

Through teamwork with providers and the creative use of technology, MSPs can forge a path to value, strengthening their role as trusted advisors, increasing monthly recurring revenue and positioning their customers and themselves, for greater agility, innovation and growth.

To learn more, download the full white paper, "The New MSP: Building Profits through Teamwork with Managed Hosting and Cloud Computing Providers."