



Becoming a more profitable MSP is all about data

WHITEPAPER

What was deemed a few years ago to be “big data” is today just data. That doesn’t make the flood of it any less daunting.

By early 2018, 2.5 quintillion bytes of data were being created each day and 90 per cent of all data had been created within the past two years.

A “quintillion” represents volume few people can really grasp, nor do should they worry about doing so. What’s important is understanding what data is relevant to their business and how to make the most of it.

Data, in any volume, holds little value unless it can be put to productive use. In the hybrid and multi-cloud space, data dominates just about any conversation because it is the need to collect, store, manage and analyze increasing volumes of it that has given rise to the cloud market in the first place.

Of critical importance to an MSP is the side of the cloud/data story that remains poorly addressed – not the data trusted to the cloud, but the data related to the delivery, management and billing of cloud services.

As we explore in this paper, that is the data which small- to mid-sized MSPs must master to remain relevant, profitable and competitive as the cloud market continues to evolve.

PART 1: You can't know what you haven't measured

Timely and accurate billing at month end is a struggle for small- to mid-sized MSPs.

The issue is the same whether the MSP in question specializes in on-premise and private cloud services with VMware, or a broader menu with one or more public cloud providers. A lack of transparency makes it difficult to truly understand what services were consumed, by which customer, and in what amount.

That's because most MSPs in this weight class continue to rely on manual processes with spreadsheets to manage their client accounts. This makes it challenging to:

- Collect accurate consumption and billing data for each client
- Produce and send invoices
- Accurately invoice for different product and service combinations
- Provide different billing increments on the same invoice – monthly fees, pay-per-use and/or one-time costs

The time and effort required to produce an invoice can be significant. If staff are working with inaccurate consumption metrics then revenue is being lost in two ways – through inflated operational costs, and through missed service revenue (leakage).

The fixed price trap

It can be a struggle to pull accurate usage and metering information from tools like VMware's vCloud Director and vCenter for pay-per-use billing. Smaller MSPs attempt to skirt this by adopting a fixed-pricing model. But this does not address the core issues that arise from a lack of access to accurate usage and metering data. Revenue leakage and decreased margins continue to be a very real risk. Nor does fixed pricing scale well. The MSP is left in the position of being reactionary to increases in consumption by clients, often months after the fact. This further opens the door to low margins, and even negative margins until a price adjustment can be implemented.

A fixed-pricing model ultimately makes an MSP less competitive because it can't deliver on the growing demand by its enterprise clients for more flexible service offerings.

Does this sound familiar?

When an enterprise client needs something, they will deal with an account rep, who will then confer with an engineer, who may then take hours or sometimes days to provision what's needed. At month end, someone from the MSP's finance team has to go digging to manually compile a metering report for billing purposes.



This business model is slow, time consuming and prone to error. It may be tolerable for an MSP when its team, and its number of clients, number a handful. But as a business grows, as the number of clients rise into the double digits, a lack of professional automation and enterprise-grade data management tools can cripple, even derail the business.

Why? Because the MSP can't deliver on client expectations for flexible service offerings that can scale up and scale down on short notice, deliver timely reports for chargeback and showback, or provide billing that they can trust only charges them for what they have used.

Get a handle on the data

To remain competitive today, even a small MSP must upgrade and automate service provisioning and usage metering. The goal is threefold:

- Enable clients to manage their whole order entry workflow in one place
- Gain transparency and control costs
- Provide the MSP's team with automated order entry and provisioning, and consolidate and simplify billing

None of this is possible without reliable and efficient data management and reporting. This is crucial for an MSP's existing business to survive and to lay a solid foundation for growth. Because in today's market, the only way for an MSP to remain competitive is to evolve.

PART 2: One cloud is no longer enough

Many MSPs view the growing popularity of hybrid and multi-cloud strategies by enterprises as a growing threat, as well they should. Any MSP that has built its business as, to put it bluntly, a one-trick pony, is under increasing pressure to expand and diversify to remain relevant. This need to innovate and evolve comes in two forms – vertical growth and horizontal growth.

The vertical

Many MSPs began life managing on-premise and private cloud services with VMware. And why not? It is an ecosystem thousands strong, serving enterprise clients of almost every size and stripe.

But VMware itself has evolved with the times, to provide enterprise clients with multi-cloud capabilities within its ecosystem.

Through 2018, VMware deepened its partnership with Amazon Web Services, acquired CloudHealth Technologies (to help large enterprises analyze the cost, performance, usage and security of computing environments across multiple public cloud platforms), and continued to expand the tools offered through its Cloud Provider partner program.

VMware's executive has long recognized that sticking with an increasingly outdated model of delivering only data center virtualization software and private cloud infrastructure is the road to obsolescence and obscurity. It has responded by giving MSP partners access to an expanding portfolio of services intended to work seamlessly across public clouds, such as monitoring, costing, reporting, log management, incident response and compliance tools.

But this is largely geared toward large MSPs. And many of the tools intended to provide a better understanding into public cloud costs remain rudimentary and offer only limited insight for clients and MSPs of any size.

Where does all this leave the smaller MSP?

The horizontal

VMware's push into the multi-cloud isn't limited to evolving its own eco-system, but supporting hybrid and multi-cloud environments.

As we describe in our companion white paper, ***You Built Your Business with VMware – Now what?***, the need for flexibility, choice and cost efficiency is driving more and more enterprises, large and small, to augment their private clouds with services from one or more public cloud providers.

All this is putting pressure on small to mid-sized MSPs to expand their service offerings, horizontally and vertically, to maximize the value they currently provide, and become a "one throat to choke" multi-cloud MSP that can serve as a one-stop shop to address all of an individual client's needs.

"You're seeing a huge shift in the market," Jonathan LaCour, chief technology officer at multi-cloud MSP Reliam (an MSP that works with a variety of cloud providers) told [Channel Futures in July 2018](#). "There's plenty of value to create on top of AWS, Azure and Google Cloud for our customers."

Rising to the data challenge

The more an MSP offers its clients, the more complex its business becomes to manage. This drives the need for a business model that is data-driven, transparent, accessible and automated. The challenge is to effectively monitor and meter a client's service usage.

Let's be frank – enterprises are often sold a bill of goods when they procure cloud services. They expect the provider has the tools in place to adequately manage the data part of the equation. This is often not true.

Take these examples:

An infrastructure support program that started out costing a few hundred dollars a month ends up a year later costing thousands a month, even tens of thousands, dogged by server outages, latency issues and no dedicated support person.

Or this one:

An IT manager is trying to track and monitor usage of a cloud vendor's services by each department within his organization but finds the shortcomings of the vendor's available metering tools make it all but impossible.

According to Forrester Research's 2018 findings:

62 per cent of public cloud adopters are using two or more unique cloud environments/platforms. Meanwhile, 74 per cent of enterprises today describe their strategy as hybrid/multi-cloud.

And yet, only 42 per cent of these enterprises regularly optimize their cloud spend, just 41 per cent maintain an approved service catalogue and a mere 37 per cent enforce capacity limits or expirations.

There is often a gap between expectation and reality that creates a perfect opportunity for an MSP to step up.

Enterprises need business partners and advisors they can trust to navigate the treacherous waters of multi-cloud adoption and ensure their blend of private and public cloud services are aligned, optimized and as cost-effective as possible.

An MSP that already has its foot in the door is well-positioned to be that resource. But it must have a firm handle on all the relevant data, with the analytics tools to obtain timely and actionable insight.

PART 3: A new win-win paradigm driven by data

The need is clear for small- to mid-sized MSPs to automate their processes and employ the necessary data management and analytics capabilities. On one hand, it makes their operations more efficient and capable of delivering a richer range of services to a broader mix of enterprise clients. On the other, it provides those clients with the flexibility and convenience to customize the ideal package of services and only pay for what they use.

At the core of this is reliable usage metering, with the reporting tools that make it easy to bill, accurately, at month end. Both private and public cloud vendors understand this and have trotted out a parade of tools and services that have come, gone, and come again over the years.

In a multi-cloud world, vendor-specific options, even if they claim compatibility and cross-functionality with the clouds of their rivals, will never provide the small- to mid-sized MSP with the functionality they need, in the footprint and cost point that makes sense for their business.

This segment of the market needs a vendor-agnostic, automated platform, purposely designed to scale as needed for a multi-cloud environment.

A 'single point of data'

Such a platform at its heart provides consolidated and correlated data analysis, accessible through a single convenient web portal. This gives enterprise clients the ease and convenience to pull, at any time, current reports on their usage and resulting costs, across all their cloud investments.

To be truly multi-cloud capable, this platform must feature fully automated provisioning of IaaS, PaaS, SaaS and XaaS products and services. Regardless of how an order is placed (sales, channel partners, customer self-serve) the order is provisioned, configured and online within minutes.



This allows the cloud service provider to deliver quickly without taxing current staff or changing an existing process. In fact, involvement from the provider becomes minimal, which can substantially improve operating margins.

As a consequence, both MSP and client gain unprecedented transparency and detail into how cloud resources are being consumed. Services can be easily scaled up and down.

From on-demand resource, to strategic advisor

Delivering this kind of data-driven insight allows the MSP to up its game and become that trusted, strategic, advisor:

MSP

as advisor for cost rationalization

The MSP ensures clients can quickly and easily trace the cause of any big shift in usage patterns that create volatility in billing month to month, to rationalize and reduce costs while optimizing usage. This is not easily done through the conventional dashboards of individual cloud service providers.

MSP

as cloud broker

The MSP can serve as an objective third-party to help clients decide which cloud service, or combination of services, to use.

MSP

as master of its domain

The MSP's business model, from soup to nuts, is driven by having the right data, at the right time. This ensures appropriate billing rates for clients and continuously feeds a larger finance system with timely and accurate data for a general ledger, accounts receivable and payable, etc.

CONCLUSION

MSPs are under increasing pressure to innovate and expand what they can offer existing customers, and to grow their customer base to avoid being pushed out or assimilated by competitors.

MSPs can view the rise of the hybrid and multi-cloud as a threat, or a business growth accelerator. They can take advantage of the fact that enterprise clients often mistakenly assume that cloud service providers will provide a robust and comprehensive suite of data management tools that will ensure services are aligned, optimized and cost-effective.

To capitalize on all this and truly monetize the cloud to its own benefit, an MSP must make the right investments to ensure its own data house is in order.

Maintaining and sharpening its competitive edge depends on adopting professional automation and enterprise-grade data management tools to more efficiently and accurately govern the delivery, management and billing of services.

It's all about using data to give clients timely insight and control through a single point of data, as simple and straight forward to understand and act on as the customer service portal used to manage an individual cell phone account. With the right monetization partner, an MSP can evolve from an on-demand resource at risk of becoming commodity service forced to compete on price, to a strategic advisor that delivers true business value.



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