

# The Next New Managed Service

by Rich Freeman

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*Looking to boost revenue and customer loyalty by adding new offerings to your managed service portfolio? Here are four possibilities that merit consideration.*

Ask many MSPs to name their strategy of choice for making more money and they're likely to reply, "Get more clients." But collecting more income from the clients you already have by providing them additional services works just as well, and has the added advantage of making you that much more indispensable to them – and therefore that much less vulnerable to competitors.

The trick, of course, is figuring out which services to add, especially if you've exhausted all of the obvious candidates. Happily, new managed service opportunities are appearing all the time. The following four are especially worth considering.

## Managed Audio/Visual

One of the more promising new services, managed audio/visual, is known by many names. Some call it managed telepresence. Others prefer managed teleconferencing or managed videoconferencing. However, most everyone agrees on these two points: It entails administering technologies that businesses use to communicate and collaborate remotely, and it's growing like gangbusters.

Indeed, analyst firm ABI Research expects global spending on managed telepresence and videoconferencing services to achieve a heady 19 percent compound annual growth rate over the next five years, reaching \$1.2 billion by 2016.

SMBs are likely to be an active part of that spending surge, according to Matt Hendrickson, vice president of marketing at ConnectSolutions Inc., a provider of cloud-based conferencing and unified communications solutions based in Burlingame, Calif. "A lot of smaller companies are looking to grow, and they're looking for ways to increase their productivity without increasing their costs," he says. Managed A/V fits the bill

perfectly, because it equips employees to interact more effectively with customers and business partners, yet can be paid for at affordable rates out of the operating budget.

Just be sure you know what you're getting into if you plan to host a telepresence solution yourself, Hendrickson cautions. "I would argue this is one of the most complex areas of technology anywhere," he says. "It just touches every aspect of your network infrastructure." And since most businesses that use conferencing solutions consider them mission critical, they typically have little tolerance for downtime. "The SLAs are relentless," Hendrickson observes. "You have to have 24-hour, round-the-clock support."

Consequently, many channel pros find reselling a hosted third-party service more palatable than building their own. Glowpoint Inc., of Murray Hill, N.J., for example, is actively recruiting VARs for its cloud-based managed video platform, and Cisco Systems Inc. introduced a similar SMB-oriented service named TelePresence Callway in October 2011. The San Jose, Calif.-based company plans to market the new offering exclusively through members of its Cisco Authorized Partner Program.

Another hot audio/video option is reselling and maintaining the Mondopad, a 55-inch touchscreen tablet computer with integrated videoconferencing. Introduced in June 2011 by InFocus Corp., of Portland, Ore., the system is available at an SMB-friendly price point just under \$6,000.

For John Cannata, at least, it was love at first site. Cannata is president of CMIT Solutions of West Metro Denver, a solution provider and MSP in Littleton, Colo. "When I first saw one I said, 'Wow, I don't know why, but I need one,'" he recalls. "It was a very quick decision for me to become a reseller."

So far, it's a choice he hasn't regretted. Every Mondopad deal Cannata closes produces one-time hardware revenue and recurring management fees. And since most of his Mondopad sales are to net-new customers with no prior relationship,

the longer-term financial impact is potentially even greater. "I'm hoping that at some point people will see that the Mondopad is the most reliable component on their network, and that might open opportunities," he says.

Of course, managed A/V solutions aren't without their risks and downsides. While reselling someone else's conferencing solution may be simpler than hosting your own, it can also take a bite out of margins. Moreover, SMB videoconferencing services are still relatively new, and it's far from clear how popular they will ultimately prove. Penny-pinching business owners may opt to use cheap, consumer-grade alternatives like Skype instead.

Cannata encourages channel pros to take a close look at the managed A/V market just the same. "If they can afford the initial time and cost to get into it, I think it's well worth it," he says.

## Desktop as a Service

If you already manage your customers' desktops, why not host them as well? Worldwide spending on hosted virtual desktop solutions – in which companies store virtualized desktops centrally and access them over a network or the Internet – will reach nearly \$5 billion by 2016, according to ABI Research. Though most of that money will be spent by large businesses on in-house deployments, demand for cloud-based desktop-as-a-service (DaaS) solutions is slowly mounting among SMBs too, according to Paul Chisholm, chairman and CEO of MindShift Technologies Inc. The Waltham, Mass.-based MSP, acquired in November 2011 by consumer electronics giant Best Buy, has had a hosted desktop offering for more than two years that's recently begun gaining momentum. "We had a lot of people kicking tires over the last 18 months," Chisholm says. Now some of those clients are finally turning interest into adoption.

Chisholm and other observers credit multiple factors for rising SMB interest in DaaS. For starters, centralized desktops are easier to secure and administer than

conventional ones, and they're compatible with a wider range of form factors, including thin clients, tablets, and home computers. "If your physical building is out of service for any reason, you can have employees work out of their home," Chisholm notes. Moreover, since hardware requirements for hosted desktops tend to be modest, many businesses planning a move to Microsoft's Windows 7 operating system view them as a cost-effective alternative to upgrading their PCs.

Of course, creating or leasing a DaaS server farm isn't cheap, nor is it easy operating a mission-critical, multitenant environment. "You need both the technical capabilities and the financial capability to build out core infrastructure and continue to scale that as your business grows," Chisholm observes. "Smaller MSPs probably can't do that all on their own."

Not surprisingly, then, many such firms are partnering with DaaS vendors like DeskTone Inc. The Chelmsford, Mass.-based company provides a ready-made DaaS infrastructure that resellers can attach their brand to and pay for via monthly per-desktop fees. "It's really a no-brainer for MSPs, because there's very little risk," says David Grant, DeskTone's vice president of marketing.

Grant advises newcomers to DaaS to focus initially on businesses with branch offices or lots of mobile workers, as they tend to see hosted virtual desktops as a smart route to lower remote support costs. Channel pros who offer hosted email services should also approach those customers, he adds, as they're likely to appreciate the logic of having you host their entire desktop instead of just the inbox. "This is an ideal add-on," Grant notes.

Best of all, since DaaS is still in its infancy, MSPs can afford to take their time about rolling it out. "Go slow. Make sure your processes are in place and [that] you have tools in place to really deliver the service," MindShift's Chisholm advises. When hosted virtual desktops become mainstream, you'll be poised to profit.

### Managed Firewall

Compared with leading-edge services like DaaS, the managed firewall market is practically graying at the temples. "Firewall management started pretty soon after there were firewalls," says Kelly Kavanagh, a principal research analyst and security expert at Gartner Inc. "It's been around for over 10 years."

Even among MSPs that offer services like managed anti-virus, however, managed firewall remains a relatively underexploited

opportunity. "People are very willing to pay for these services, especially SMBs," notes Rene Bonvanie, vice president of worldwide marketing at Palo Alto Networks, a maker of managed firewall solutions with headquarters in Santa Clara, Calif.

That's certainly been Rick Albert's experience. Albert is executive vice president of MicroServe Consulting Inc., an MSP, integrator, and cloud computing service provider in Gaithersburg, Md. His company has been delivering managed firewall solutions since roughly 1998, when he first noticed that many clients who needed firewalls couldn't afford them. "It was a fairly large capital expense," Albert says. MicroServe's solution turns that cash outlay into an operational expense by enabling SMBs to pay for both firewall hardware and remote management in monthly installments.

According to Kavanagh, the need for such services has never been greater. Many regulatory bodies now require businesses large and small to provide tangible evidence of their compliance with privacy directives, and large companies are increasingly imposing stringent security mandates on their suppliers. Deploying a sophisticated firewall helps satisfy both sets of demands, Kavanagh observes, but many SMBs lack the technical expertise to do so on their own. "Outsourcing is one of the few sources they can turn to," he says.

Managed firewall can be an expensive service to deliver, though, Albert warns. Buying the firewall alone can cost thousands of dollars, and paying employees to install, configure, and support it tacks on additional overhead. To amortize those expenses while holding down rates, Albert typically asks for a three-year commitment from his managed firewall customers. Even so, pricing for a 25-user deployment typically runs in the neighborhood of \$200 to \$250 a month plus installation, he says, more than many cash-strapped business owners are willing to pay.

In addition, implementing and managing firewalls requires specialized skills and resources. "It's not something that you go into lightly, because you're messing around with a company's security," Albert says. Wise MSPs make sure to have at least one technician on staff with both deep, product-specific training and a more general security credential, such as the Certified Information Systems Security Professional accreditation. You may also need to shell out for extra management software. MicroServe, for example, uses a solution from security hardware maker SonicWall Inc., of San Jose, Calif., that

offers centralized monitoring and reporting features the company's RMM application can't match.

On the plus side, companies willing to make the necessary investments are likely to have no shortage of potential customers, provided they know where to look. "You definitely don't want to be going after the small clients," Albert counsels. In his experience, companies with fewer than 15 employees are usually scared away by a managed firewall offering's steep price tag. Kavanagh, for his part, advises MSPs to target businesses with especially stiff security-related legal requirements, such as those in the healthcare, financial services, and retail verticals. "The low-hanging fruit is regulatory compliance customers," he observes, adding that providers with the proper tools and know-how are sure to find plenty of other buyers for their services too. "It's a fairly strong opportunity in that SMB space."

### Managed e-Discovery

Thanks to the federal government, the same is true of managed e-discovery. Under revisions to the Federal Rules of Civil Procedure implemented in 2006, companies involved in lawsuits must now include email, texts, and other "electronically stored information" (ESI) when responding to discovery requests. Locating, assembling, and processing that data requires technical skills few businesses or law firms possess.

As a result, sales of e-discovery services are skyrocketing. In fact, 35 percent of businesses use or are deploying e-discovery solutions already, and another 26 percent are investigating them, according to research from analyst firm The Radicati Group Inc. "There's no doubt that electronic discovery is a hot and emerging market," says Dean Gonsowski, e-discovery counsel and director of the information management group at Clearwell Systems, the e-discovery division of Mountain View, Calif.-based Symantec Corp.

Managed e-discovery services, in which MSPs charge recurring fees to conduct e-discovery chores on an outsourced basis, are capturing an expanding share of that market. "It's certainly the way the industry is trending," says Bill Rioux, president of Flex Discovery, a managed e-discovery provider headquartered in Austin, Texas. Historically, businesses and legal practices have paid for e-discovery assistance on a one-off basis. "That's the most expensive way to purchase these services," Rioux notes. Looking to control costs, more and more companies are

switching to fixed-fee plans that make e-discovery spending more predictable.

And not just large companies either. “Even small and midsized ones can be in desperate need of this type of solution,” Gonsowski says. SMBs are as vulnerable to litigation and regulatory filings as enterprises, and are often comparably inundated with ESI. “The volume of data just continues to grow and grow and grow,” Rioux observes. Small and midsize law firms with limited technical knowledge and regular demand for e-discovery services are also a ripe market, he adds.

Broadly speaking, managed e-discovery providers come in two varieties. Some simply provide infrastructure. “You’re really just providing the data center, the hardware configurations, and the software,” Rioux says. “Clients run and manage their own projects.” Other firms offer more sophisticated assistance with tasks such as separating relevant files and messages from irrelevant ones. “That’s pretty lucrative work because it’s high value and pretty mission critical,” Gonsowski notes.

Either approach requires adding at least a little legal expertise to your payroll. Partnering with third-party legal specialists is an option, but most managed e-discovery providers have paralegals, lawyers, or both on staff. “You really need folks who understand the litigation process and can act as consultants,” says Christian Lawrence, CEO of SFL Data Inc., an e-discovery MSP based in San Francisco. You’ll also need to invest time and money in e-discovery software and the development of rigorous, repeatable e-discovery processes, he continues.

There are other challenges as well. “Litigation is a very fast-moving, intense process,” Lawrence observes. Clients typically expect immediate, all-hours support and nonstop availability. In addition, litigants that fail to include pertinent documents in discovery searches face the prospect of costly judicial sanctions, while lawyers who accidentally turn over privileged materials that should have been kept private can expect to be sued by their clients. Either way, the end result for e-discovery MSPs is likely to be costly legal action.

Not that channel pros should let dangers like that frighten them out of at least evaluating the managed e-discovery space, Rioux contends. The future for such offerings is bright and only getting brighter. “It’s a real exciting time for us,” he says. For MSPs willing to take a chance on something new, managed audio/visual, managed firewall, and DaaS could present similarly exciting opportunities in the months ahead.

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