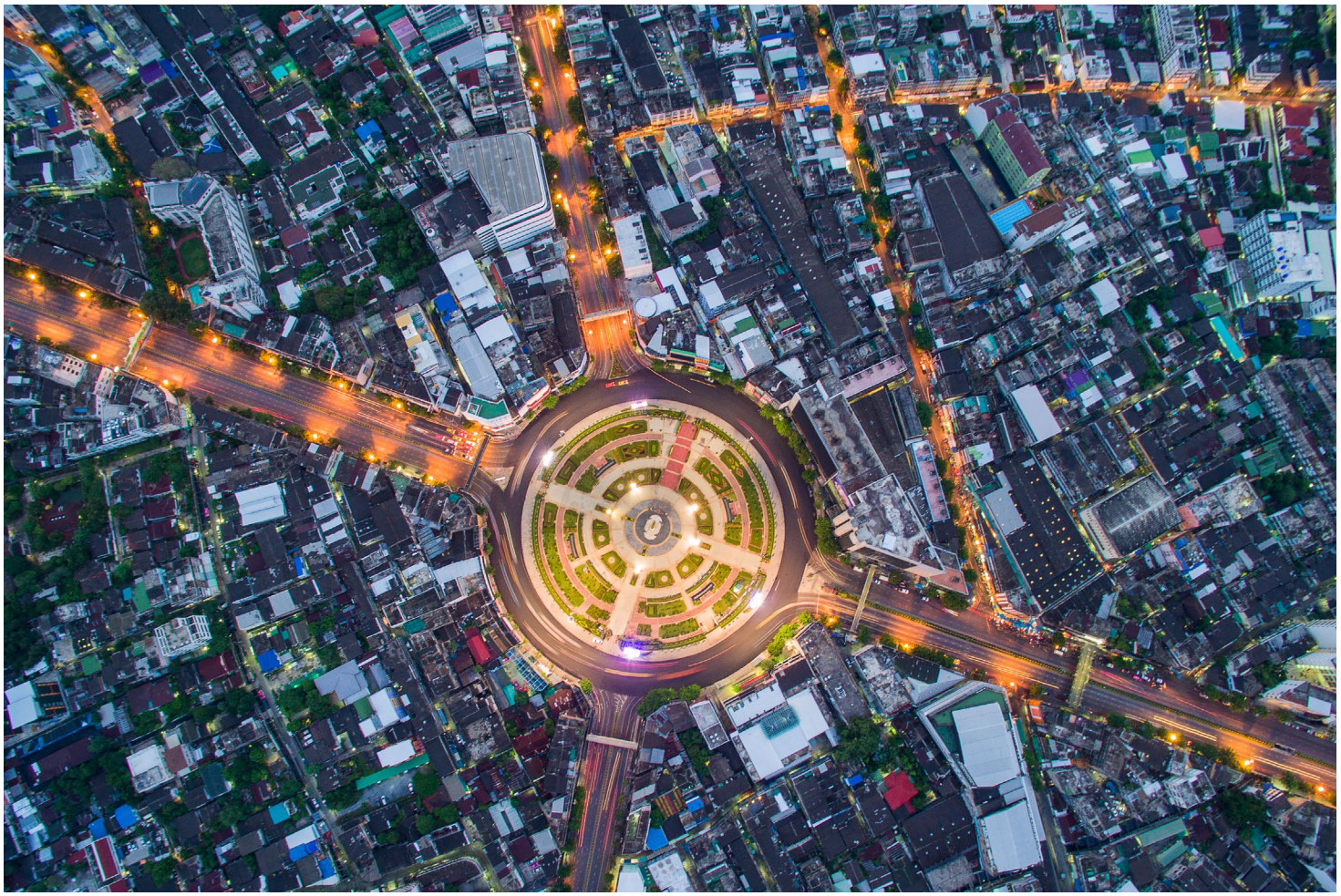


Six ways MSPs cut costs with modern network observability

IBM

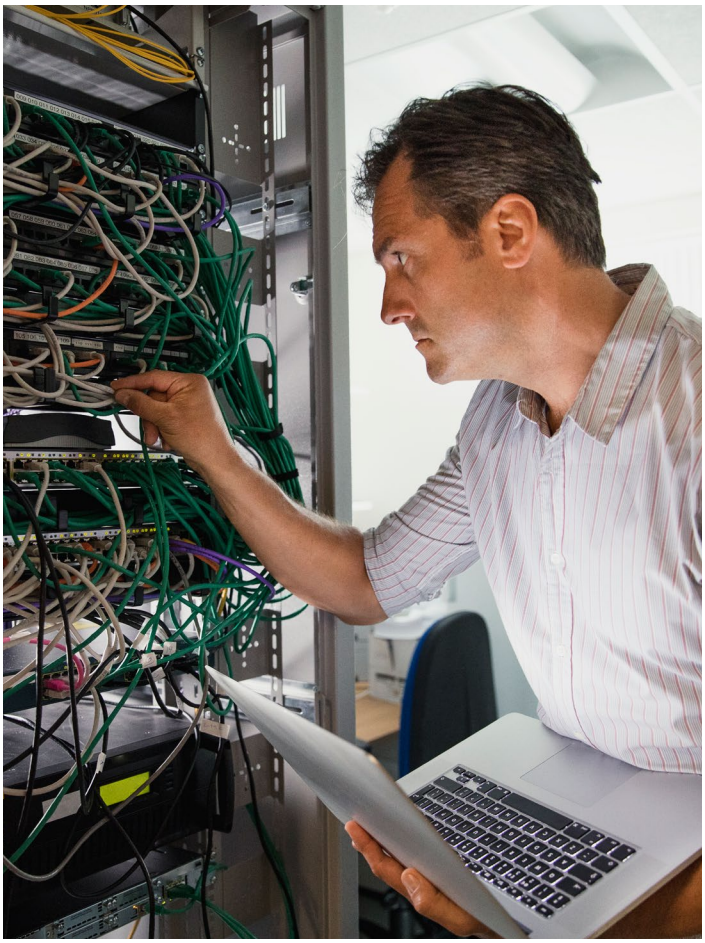
Battling the economic realities

Managed service providers (MSPs) and IT outsourcers face myriad challenges in delivering cost-effective, revenue-generating solutions to their customers.

At the top of your list of challenges is margin pressure from a market flooded with new, lower-cost providers. Although some competitors may offer less expensive services, they may also lack the strategic consultation afforded by more mature MSPs. And with a large percentage 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. Service level agreement (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 because 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 you provide aren't significantly cheaper than customers could achieve on their own, there's no reason for them to seek out the services.

Modern network observability systems may provide the most effective means of addressing cost control. And improved monitoring, reporting, troubleshooting and capacity forecasting are just the beginning. This paper outlines six ways the right network observability system can significantly reduce both capital expenditures (CapEx) and operating expenses (OpEx) for MSPs.



Effective ways to reduce costs

The right network observability system gives MSPs an opportunity to reduce both CapEx and OpEx. The solution can help organizations adopt a “lean” mentality to remain a viable option for current and potential customers.

MSPs have some basic requirements. The monitoring solution must be multi-tenant. It must also scale intuitively and with limited investment to monitor constantly expanding networks. That being said, the right solution can help reduce costs in the following six way:

1. Deliver cost predictability

When bidding on new contracts, MSPs must know exactly what they’ll need to spend to provide monitoring and management services for that account. Costs include staffing and 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. To prevent this problem, you not only must know what it costs to monitor 500 routers, 500 switches and 1,000 boxes, but also 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.

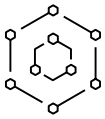
To achieve reliable cost predictability, you need a simple licensing structure from your network observability vendor. Expect a flat fee per monitored device. This ensures you won’t get blindsided by extra server or database licensing, or agent-based deployment costs. Furthermore, these types of all-in-one licensing structures shouldn’t require licensing of software modules for individual capabilities such as monitoring next-generation networks, including software-defined wide area networks (SD-WANs) and wifi networks.

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.

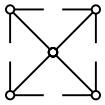
2. Improve time to market

As an MSP, your first 90 days are the most cost-intensive. During this time, you need to deploy 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 window of 90 days or less to bill for services. By deploying, discovering and expanding quickly, you'll be less likely to miss that window or face financial penalties.

To shorten the window from initial contract to live deployment of monitoring services, you should expect a network observability system to deliver the following:



Automated discovery. A network observability system that allows you to be more agile in discovering and monitoring devices in the customer's network will aid in getting the customer online faster. You should be able to access a seed list of devices and preload them on your network observability system to accelerate the discovery process.



Agentless deployment. Although 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. Also, they require ongoing administration to manage and upgrade the agents.

Rapid SNMP device certification. When it comes time to gain access to the management information database (MIB) of new devices for Simple Network Management Protocol (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 network observability system for monitoring your customers' networks also impacts your ratio of administrators to customer accounts. There's no need for a database administrator (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 license numerous software tools to monitor and troubleshoot for customers. But logging in to 5 or 10 systems can be a huge hassle and leaves MSPs without a single source of truth when it comes to performance metrics.

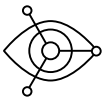
Choosing the right network observability system allows you to consolidate existing tools that have redundant functionality and result in overlapping maintenance contracts. It also saves you the expense of training staff on multiple tools. When evaluating a go-forward platform, most MSPs emphasize performance over fault. A fault management system focuses on identifying faults with specific customer equipment, while a network observability system focuses on what your customer cares most about — degradation of service. Often, an application, system or device might be available but performing at less than acceptable levels. With the right network observability system, you can identify problems that wouldn't be obvious or visible with a fault management system and better protect your SLAs.

4. Use machine learning to avoid SLA penalties

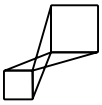
To control costs, MSPs need to have a proactive mindset powered by machine learning (ML) intelligence. They typically provide notification to customers if they find a service interruption or hiccup. But a reactive alert doesn't truly help customers because it simply sends them a flood of alerts that something bad has happened. Providing a proactive and ML-based heads-up when a problem presents itself is a much better way of servicing the customer and highlighting exactly what to focus on.

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 and ML-based alerting, you'll likely be able to fix the problem before it reaches the user and critical impact.

Two factors often result in missed SLAs:



Lack of understanding of "normal" infrastructure behavior. Many MSPs don't use ML to 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 network observability system. As your monitored domain expands across a growing customer base, many existing network observability systems won't keep up. The flood of new performance metrics can create a load that they can't process efficiently. Sometimes entire polling cycles will be missed. This slowdown increases your risk of missing SLA commitments. Be sure to deploy an network observability system 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 could sacrifice revenue.

6. Automate monitoring functions

Automation may provide the greatest opportunity for IT organizations to reduce costs, especially MSPs. With a large percentage of MSP costs tied to the 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 application programming interface (API) that won't require you to recode 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 them portals where 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.

For MSPs, increasing revenue is as important as reducing costs. Fortunately, the right network observability system can help you expand your services catalog with monitoring solutions with added value.

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 use a system.

However, reducing costs requires the right network observability system. Focusing on network performance rather than simply faults allows you to better ensure SLAs with your customers.

Implementing the right network observability system quickens deployment and allows you to invoice sooner. It reduces your operator-to-device ratio and lessens your hardware footprint in your data center. Combining the solution with a fixed pricing model based on number of devices monitored provides greater cost predictability to drive an MSP business.

Why IBM?

IBM SevOne delivers a comprehensive view of what's happening in the hybrid cloud network and how that performance affects the applications driving modern businesses. IBM SevOne can automate tool integrations and network actions based on ML observations, reduce repetitive tasks, and ensure coverage and compliance.

Learn more about SevOne NPM and how it can help your organization monitor and manage the performance of both your existing and next-gen network and infrastructure resources more effectively.

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