
OFFER PREMIUM SERVICES WITH A HIGHER RETURN ON INVESTMENT

**A Computone Corporation
Discussion Paper**

THE NEED FOR PREMIUM SERVICES

In today's critical business environment, change is the only constant. Businesses have learned to cope with change by concentrating upon their core competencies and outsourcing those activities that are not core to the business. This allows business to remain light and able to quickly adjust to current needs. During the first execution of this outsourcing philosophy, Information Technology was not viewed as a strategic component of business. With this view, all IT was outsourced to companies that specialized in outsourcing large operations.

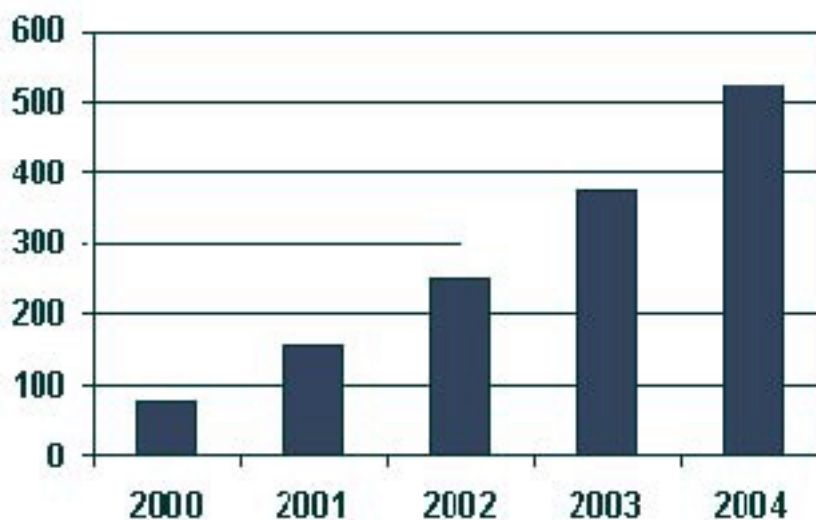
With the application of the Internet and virtually unlimited bandwidth to business processes, it soon became apparent that indeed information availability is a core competency of businesses regardless of size. A small London bakery whose business is dependent upon selling pastries to Japanese businessmen to be used as business gifts survives on information availability. The large brokerage firm flourishes and competes on its ability to trade online. Information availability through network management is a required skill set. Control of the network infrastructure is a core competency in large businesses that thrive and survive using the Internet.

Organizations of all sizes require exceptional network management to survive especially given the need for 24/365 uptime driven by the Internet. Small to mid-size companies seldom have the needed skilled technical resources in-house to approach 24/365 coverage. While this should be an internal skill set, with small to medium sized business it must be outsourced. These businesses are turning to service companies that are participating in a newly evolving concept: the Management Service Provider (MSP). "MSPs are all about availability. Availability means that applications, networks, storage, back-end systems, and the web site are up and running and proactive at all times," said Stephen Elliot, a former Gartner Group analyst credited with coining the term, Management Service Provider.

Information and its timely access are corporate assets. "If systems and web sites are not available, companies are not doing business," said Caryn Gillooly, a senior analyst with the Hurwitz Group. If the information resources are not available, too often customers go elsewhere. Management of the network infrastructure and its crucial components has become a business critical necessity. Dial tone expectations or in terms of Scott McNealy, CEO of Sun Microsystems, "Web Tone", is the requirement that governs network management services. To meet these requirements, small to mid-sized companies are buying network infrastructure management as a service, rather than purchasing enterprise frameworks or developing in-house management systems.

In the past, network systems and storage management were viewed as black boxes that companies knew they needed; however companies did not understand the real business implications. Now that information availability is a corporate asset, companies understand the impact of downtime on their bottom line. Management of network infrastructure is not a question of if, but when and how much. Many companies are searching for the answer. According to IDC, MSP revenue will grow from 90 million in 2000 to 500 million in 2004 (refer to diagram 1). According to Elliot, the growth will be steeper at a rate of 133% annually reaching 4 billion dollars in 2005.

DIAGRAM 1 - WORLDWIDE MSP REVENUE, 2000–2004



Source: IDC

Management Service Provider capabilities differ considerably. Most monitor the applications or systems for problems, informing the customer company, which then does the troubleshooting and correction with its own resources. Few of today's MSPs actually fix the problems they uncover. According to Gillooly, MSPs are therefore missing a key component. If customers have neither the time nor the money to monitor their business critical network infrastructure, they probably do not have the means to find and fix the problems. MSPs need to eliminate this gap and customers need to demand this service level. MSPs need to provide a premier services offering based upon console management servers with remote and out-of-band functionality.

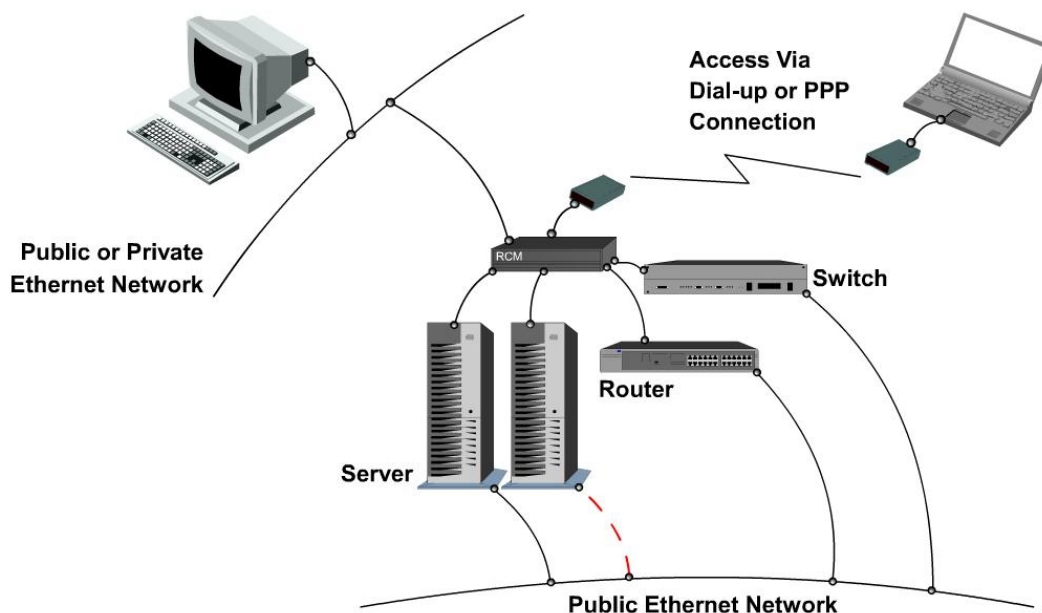
A Management Service Provider can be an entire business model, but it is not required. Every technology firm that specializes in service and integration as business components can have a business segment that offers premier management services. These firms can then outsource the management of the network infrastructure from their clients and include storage and servers if their skill set dictates. Firms that are totally dedicated to the MSP business model do exist and are growing in number.

ADVANTAGES OF ADDITIONAL SERVICE OFFERINGS

Firms that offer other services have advantages. A consulting firm that specializes in infrastructure and uptime as a practice can add continuity to their fees by continuing to be engaged after the infrastructure has been implemented. A firm that specializes in construction and integration of SANs can add a premium service offering to their clients by managing the SAN or the entire network infrastructure. Service level agreements can be offered and honored to earn the premium fees associated with these business terms. Previously, the barrier to entry into managed services was the lack of access to network infrastructure and bandwidth when the network infrastructure was not operational. Valuable resources had to be dispatched to remote sites often just to reboot a device. In addition to disasters, health checks need to be run periodically without significant impact to bandwidth. Remote access and troubleshooting is a key ingredient to being profitable while offering service.

By employing the technology associated with Console Management Servers with remote and out-of-band capabilities, every device in the network infrastructure can be accessed through its console port from any location by either using the network if it is available or via dial-in technology if it is not available (refer to diagram 2). Every device in the network infrastructure has a serial I/O port that serves as the console to the device. Whenever a skilled technician wants to troubleshoot, administer, configure or maintain one of the devices in the network infrastructure, they want to be at the device plugged into the console port. From this posture without the aid or interference of agent software, the technician can engage the device using best of breed tools or just superior knowledge. The devices in the network infrastructure can even have their power recycled or they can be rebooted remotely. Firms that have skilled technicians can maximize the revenue received from the use of these skills without unnecessary travel or other nonproductive time.

DIAGRAM 2 – CONSOLE MANAGEMENT WITH REMOTE AND OUT-OF-BAND CAPABILITIES



THE RETURN ON INVESTMENT

The management of network infrastructure has been available to Fortune 1000 firms for sometime in a paradigm called managed service or internally through network systems management software or network operation centers. These are expensive methods and the return on investment is still questionable. The options opened to these firms are expansive. Furthermore, these firms are often guided through the choices by an army of sales and marketing people from the solution firms. These large firms are identifiable to everyone. If a firm is not on a list and is among the unfortunate millions of firms who still require the network infrastructure uptime to prosper, they are forced to compete for hard to find technical resources on their own. Rarely are these firms even covered by the marketing programs of the major service providers. They are not on a list so they are difficult to locate. They have few technical resources so the ones they have do not attend trade events or conferences. Large computer firms and software firms relegate these businesses to their channel to locate and service. If they are lucky, these unfortunate million firms may be included in special programs for emerging businesses, but this is rare.

The channel partners that service these companies on a regular basis need to be the Management Service Providers or offer a premium management service. They know the firms and currently provide product and support. They can do as much of the offering as they want and engage a firm dedicated to providing backend services to resellers for the other portions of the service. Why should these firms broaden their scope of offering? The answer is simple. They can make more profit. They can expand their market. They can maximize the return on the investment they have made in technical resources. They can achieve a better level of customer satisfaction, which is vital to firms that operate in a defined geography. This can be a real win-win for both the small to medium sized business and the services firm.

If the channel partner feels uncomfortable with some of the levels of service required, there are firms that provide back-end support to cover the gaps. These firms offer a myriad of services from on-site support with guaranteed response time, help desk, depot repair and post warranty service. Businesses do not need to be handicapped in this competitive world by not having access to the highest level of service for managing their infrastructure. The need is there. The service paradigm has been defined and competitive solutions are available.

For more information on Computone's premium services featuring the console management solution with remote and out-of-band capabilities, visit our web site at <http://www.computone.com/>.

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