

TAKE YOUR MSP BUSINESS TO THE NEXT LEVEL

HOW TO BEAT THE COMPETITION
IN A CLOUD-FIRST WORLD





CONTENTS

The cloud migration imperative	02
Between a rock and a hard place	03
The VMware seismic shift	04
6 steps to providing differentiated cloud services	05
Anatomy of a great cloud partner	10
Reinvention, powered by people and partnerships	10
Discover the 11:11 difference	11

For modern managed service providers (MSPs), the shift from traditional on-premises to cloud-based computing represents both a challenge and an opportunity.

Cloud introduces a fundamental paradigm shift to MSPs that disrupts everything from standard operating procedures to ensuring customer loyalty to hiring great talent. It also, however, frees MSPs from low-margin investments like hardware to focus on delivering real, differentiated value.

Taking your MSP business to the next level in today's cloud-first world requires a strategic approach that aligns your core competencies with your customers' needs and the best tools for the job.

Let's take a closer look.

THE CLOUD MIGRATION IMPERATIVE

Managed service providers have always adapted to customer needs. Early MSPs helped organizations set up their technology infrastructure. When their customers also needed help running that infrastructure, MSPs began to provide those services as well—and discovered that it was more profitable to maintain and manage those systems than simply get them up and running.

Today's MSPs must make a similar transition. Many customers no longer want the expense and hassle of on-premises infrastructure. They may not fully understand what it means to move to the cloud, but they know it will save them money. Plus, when you consider recent Broadcom VMware licensing and partner program changes, MSPs are facing a complete evolution in the way they do business.

As earlier generations matured from setting up hardware and running it for clients, modern MSPs must help clients successfully migrate from traditional on-premises approaches to cloud services. And they have to do this while they're making the same migrations for their own businesses.



BETWEEN A ROCK AND A HARD PLACE: CHALLENGES WITH THE SHIFT TO CLOUD

Embracing the cloud is critical for managed service providers who want to retain their relevance and grow their profit margins.

Until approximately twenty years ago, MSPs mostly conducted their work in their clients' offices. They served as the on-call IT guys who showed up to install new systems, run upgrades, solve problems, and fix things that were broken. Starting around the year 2000 and continuing today, MSPs largely perform their work remotely. Remote infrastructure management saves time and increases efficiency for MSPs and their clients alike, but also drastically reduces face time and the loyalty that it inspires. When IT runs in the background with no problems, it becomes a commodity and rarely warrants new investment. This can be a roadblock for MSP businesses that want to demonstrate their value so they can serve as their clients' concierge to the cloud.

Similarly, because of clients' lack of visibility into the services that MSPs actually provide, many assume that they can move to a cloud infrastructure virtually instantly. They may have dipped their toes into cloud computing via lightweight SaaS products, and expect that other cloud services will be just as simple to stand up. MSPs have often responded to this urgency by building their own cloud infrastructure. They invest in their own data center—buying storage, servers, and more—to provide cloud services to their clients in a controlled way.

Ironically, this situation puts MSPs in the exact position from which their clients are trying to escape. MSPs are now managing expensive physical infrastructure that continues to grow in scale and complexity instead of focusing on their core competencies: delivering great services to their clients. They are increasingly bogged down on the backend instead of focusing further up the stack, where their clients can see and feel the value that they provide.

Finally, MSPs must price their services aggressively in such a competitive market. This translates to slim margins that must be put towards meeting existing customer commitments.

For many MSPs, it feels like being stuck between a rock and a hard place: they know that they must evolve to survive, but their time, budget, and human resources must be dedicated to keeping the lights on.

Successfully mitigating these challenges requires a fresh approach that enables MSPs to innovate, compete, and grow by providing differentiated cloud services to their clients.

THE VMWARE SEISMIC SHIFT

Recent changes to VMware licensing and Broadcom's partner program have further complicated this challenge, forcing many MSPs to reevaluate how they sustain and scale their cloud businesses.

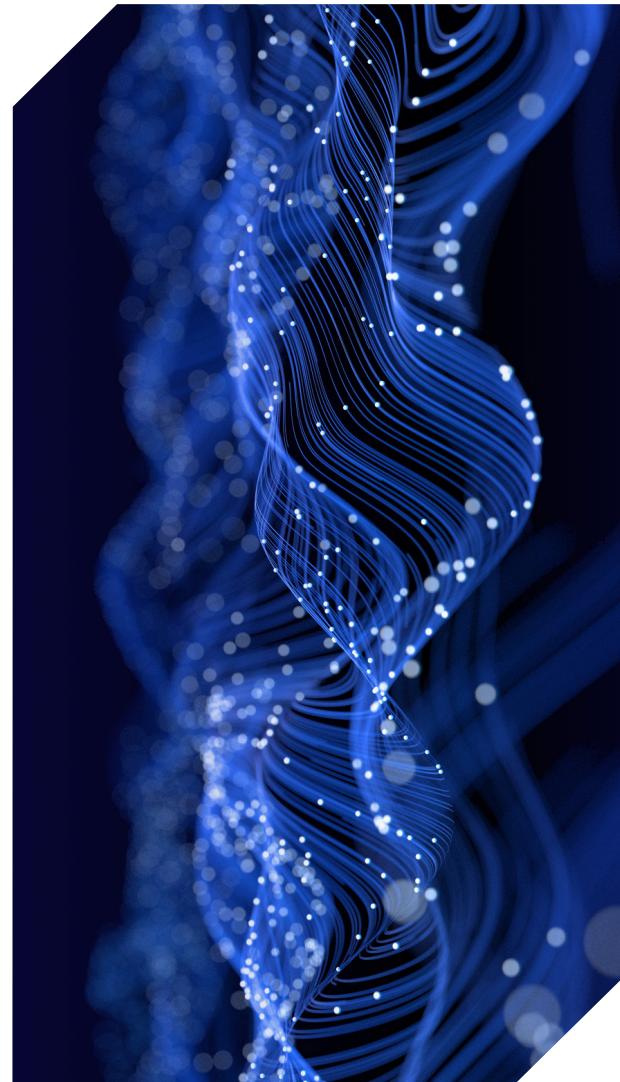
While the initial price increases were met with dismay by many end customers, MSPs now face a limited set of choices. How can you grow your business while developing a long-term Broadcom strategy?

Key areas to focus on include:

- Maintaining compliance with the new VMware licensing and partner models.
- Ensuring you deliver high-level customer support within the evolving partner framework.
- Safeguarding your existing infrastructure investments.
- Protecting profitability as licensing, platform, and cost models shift.

In addition, many customers are realizing that migrating from VMware to a new hypervisor presents a whole new set of problems. The cost and effort required to re-platform is enormous. With Broadcom's renewed product innovation agenda which is focused on AI and automation, many customers have renewed confidence in VMware's long-term value and stability.

It's important to take all of this into consideration as you evaluate your cloud practice, particularly for MSPs that are not part of Broadcom's new Cloud Service Provider (CSP) program.



6 STEPS TO PROVIDING DIFFERENTIATED CLOUD SERVICES

MSPs must first embrace the idea of becoming lean and efficient. That means getting rid of low-value investments like hardware, getting out of the data center game, and focusing on the true value that the business contributes: knowledgeable, experienced people who provide meaningful, quantifiable services.

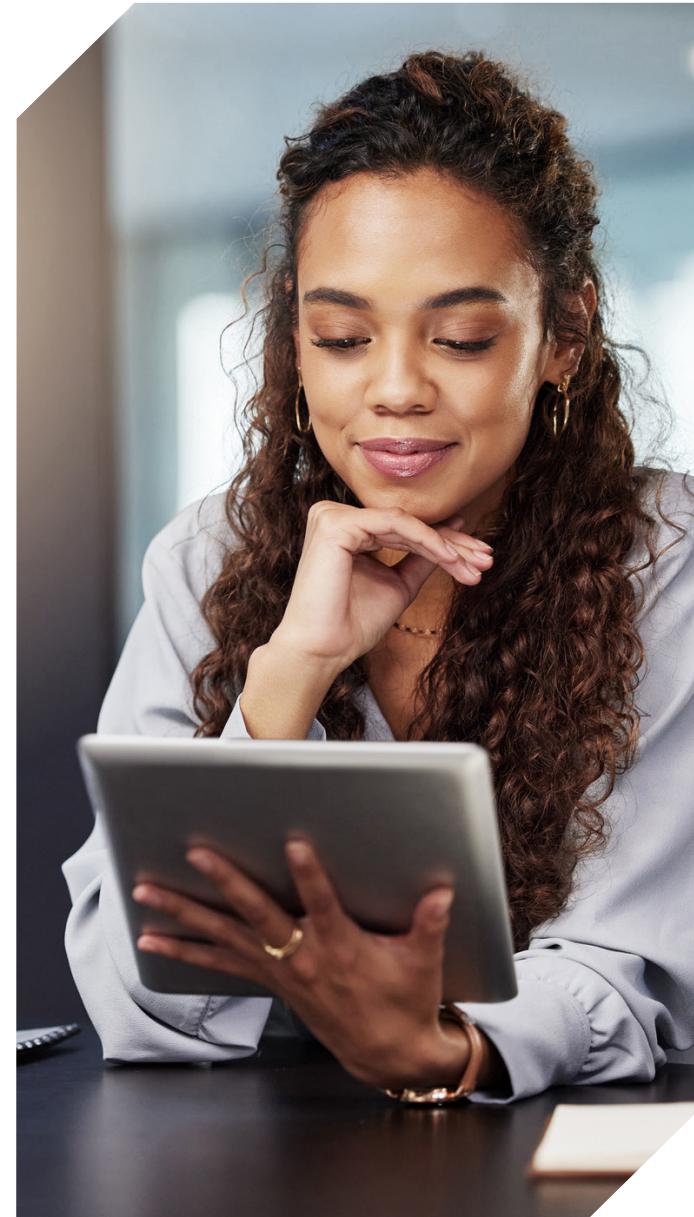
What does that process look like in practice? It involves six steps that transform core competencies into differentiated business.

Understand your strengths.

To begin reinventing your MSP organization, look inward. Evaluate what you do—and do not—do well. Ask questions like:

- What are our core competencies? Where are we strongest?
- Where would we like to be stronger?
- What services do we struggle to provide at the same level as our top offerings?
- Do we have the right talent to support our core services?
- Can we get the talent we need to support our desired services?
- Do we have too much or too little of a certain skill set?

The answers to these questions will help clarify where you can and should focus your business. They may reveal the need to reduce resources in a certain area or build out another offering. This is where you become lean, cutting the things you have too much of and adding the things that you need to move forward strategically.



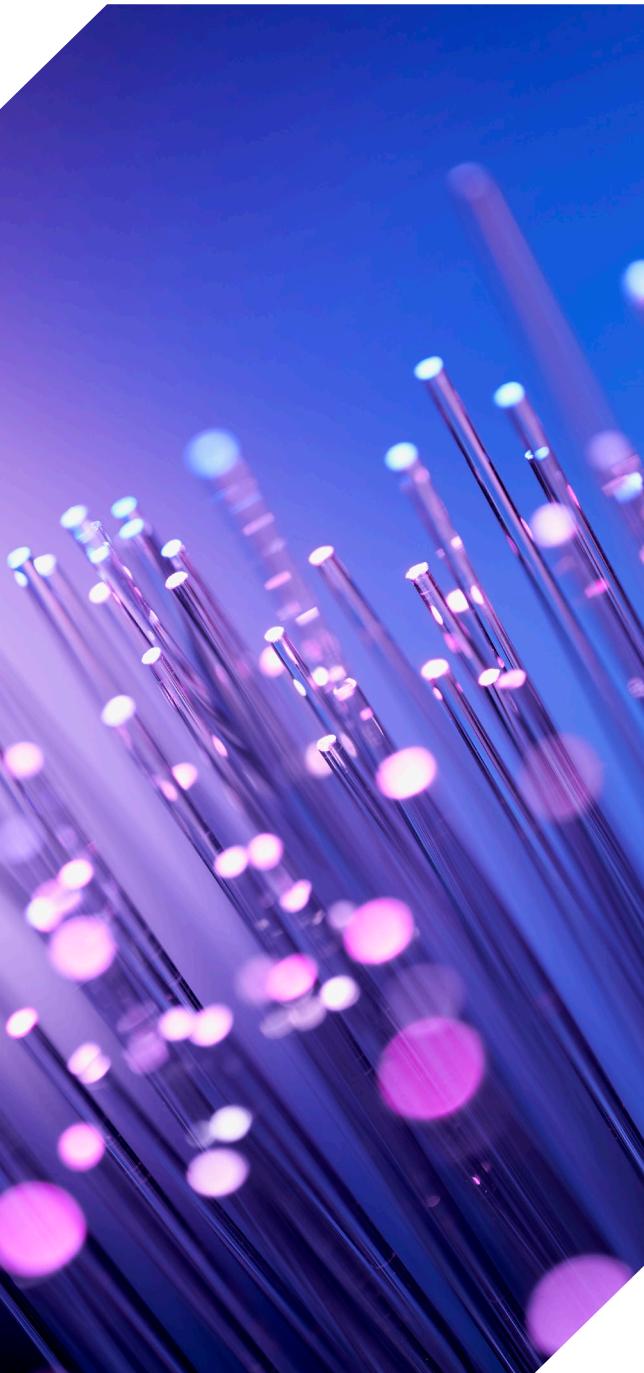


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Choose 3-5 service towers.

Next, compare your core competencies against what the market needs to determine which services to take to market. Expertise is only as good as the demand for it. Evaluate where you can add the most value while increasing your margins. Experts recommend defining three clear service towers, with no more than five, so you can fully support each pillar with strong human and technology resources.

Take care to leave any commoditized services behind. Trying to sell compute, for example, in a space where clients can go to Microsoft or Google doesn't make sense. Offerings like hardware and data center floor space will drag down your margins. Each of your service pillars should serve to differentiate your business by giving clients seamless access to the offerings they need most—and that you can provide with better quality and reliability than the competition.



3

Pick your technology providers.

One of the biggest shifts between the traditional MSP business model and the new cloud-centric approach is the emphasis on outsourcing. Instead of maintaining your own cloud infrastructure, you now rely on cloud providers to do the heavy lifting for you.

As such, the quality of the cloud providers is obviously paramount. Make sure to:

- Look for technology platforms that align with your go-to-market strategy and service towers.
- Evaluate which provider gives you the most of what you want to get rid of, whether that's managing a data center, owning hardware, or dealing with licensing contracts.
- Weigh and score each of your requirements to separate nice-to-haves from must-haves.
- Consider how to deliver on fundamentals like data protection, production hosting, and compliance.
- Assess how the vendors that will support each of your 3-5 service towers work together.

4

Run the numbers.

With your service pillars and technology platforms defined, test your strategy. This starts with detailed ROI and TCO analyses to determine the impact of the plan on your bottom line.

Spreadsheets will be your friend here. Try to capture every detail of every contract, including the end date, associated notice period, and the implications of cancellation. It's important to factor in hardware depreciation cycles, hardware support contracts, software support contracts, software subscriptions—what happens if we stop reporting usage of software XYZ at the end of the month—and more. Aggregating these insights can help you understand where value remains within existing CapEx assets and what, if any, of your technology stack needs to be retained to support your new service towers.

The data that results from this exercise should present a useful financial analysis of where your business is today and where it can go within your target time frame, which could be as little as three months or up to two years. It will hopefully reveal when you would start to realize the perceived value, so your organization can confidently commit the time and resources to the initiative.

Incorporate your vendor selections into your short- and long-term financial plans to prove viability as well. Next, run a customer pilot. Choose a customer with whom you have a strong, proven relationship to see how your new model operates in the wild.



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Get customer buy-in.

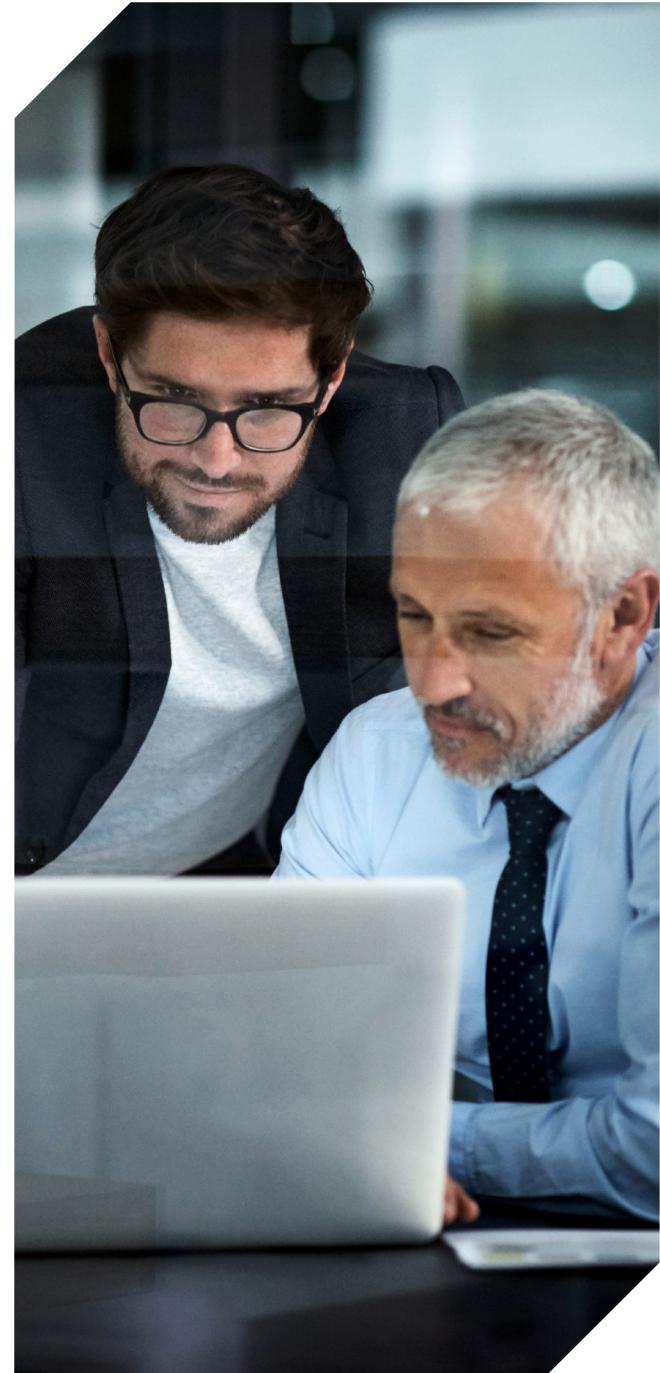
Not all customers are good customers. Similar to how you appraised which services to keep and which were not ultimately beneficial to the business, decide which customers make sense to retain. The margins on some clients may be too low, or perhaps their needs don't align with your new service towers. That's okay.

Expect some clients to push back on the change. Clients don't want to accept downtime or unexpected costs if they can't see the eventual benefits. Educate your customers on why you're evolving the business and how it will work to their advantage. Share your vision, ask for their feedback, and use it to further shape your strategy.

6

Measure your progress.

Your customer pilot was successful and your other customers are on board. Once you have successfully moved over to your new cloud providers, begin measuring your KPIs. These metrics may include customer win rate, retention, and satisfaction as well as improved margins and top- and bottom-line growth. The KPIs will show you how the new model compares against previous operations and help identify places for improvement.



Anatomy of a Great Cloud Partner

The right cloud partner can remove significant technology burdens while contributing unique value. What should you look for in a cloud services provider?

 Inherent Compliance	 Powerful Networking Capabilities
 Integrated Security Technologies	 Flexibility to Bring in Your Own Offerings
 Built-In Data Protection	 Variety of Service Offerings

REINVENTION POWERED BY PEOPLE AND PARTNERSHIPS

For MSPs, the shift to providing cloud services isn't as easy as flipping a switch. However, when accompanied with a strategic approach to remake the organization from the ground up, MSPs can rebuild—delivering more compelling offerings, differentiating their businesses, and achieving better margins. When it comes to addressing your customers' evolving infrastructure needs, the key is to take a strategic approach. With regard to Broadcom VMware changes, there are several options:

- Form a reseller partnership with an authorized VMware partner, such as 11:11 Systems to maintain service and reduce operational overhead.
- Migrate workloads to 11:11 or another Broadcom CSP's platform.
- Sell or transition your VMware-based assets to an authorized VMware partner.

To learn more about ways 11:11 Systems can help you with your VMware or cloud strategies or to broaden your portfolio, visit 111systems.com/partners.

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THANK YOU.

About 11:11 Systems

11:11 Systems is a managed infrastructure solutions provider that empowers customers to modernize, protect, and manage mission-critical applications and data, leveraging 11:11's resilient cloud platform.

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