



SERVICE STANDARDS IN THE SPOTLIGHT

← Organisations are increasingly adopting services from third-parties in the region, but may fail to manage their service level agreements.

HOSTING, OUTSOURCING AND CLOUD SERVICES ARE ALL GAINING TRACTION IN THE REGION AS COMPANIES LOOK FOR CHEAPER OR EASIER SOLUTIONS THAN ON-PREMISE DEPLOYMENTS, BUT THE SERVICE LEVEL AGREEMENTS AND OTHER MECHANISMS TO GOVERN THE RELATIONSHIP BETWEEN THE CUSTOMER AND THE PROVIDER ARE STILL A WORK IN PROGRESS.

BY KERI ALLAN

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Mallouhi: SLAs are coming to the fore in eHDF's discussions and negotiations with enterprise customers in the region.

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Adams: Proper SLAs can help increase competition as providers have to be more responsive to customer needs.

It's been an interesting time for hosting in the Middle East, coming from a period of less than a handful of third-party data centres to serious investments and capacity build-out from about 2009 onwards. We've also seen new types of providers emerge - some pretty innovative - as well as new business models.

"We expect investments and capacity expansion to continue but customers are likely to become a lot more demanding in terms of both pricing as well as service level agreements (SLAs). This is likely to encourage a lot more competition in the market, which I believe is necessary as there is still a lot of work to be done locally, particularly in terms of transparency in pricing," says Margaret Adams, principal analyst, IT Services at IDC MEA. "One thing the region has lacked is the presence of wholesale or carrier neutral data centre facilities. IDC has been predicting for some time that the region is likely to see some activity in this space in the near future. The recent announcement by Du and

Equinix [they have entered into an alliance to establish the first carrier-neutral hub in the region where carriers, content providers, cloud providers, financial service and enterprise customers co-locate critical data infrastructure] has proven us right, although we had originally anticipated we would see this activity as early back as 2011.

"Ultimately, we believe this will bode well for the hosting services industry in the Middle East by providing more choice and it is likely to force more competitive and transparent pricing by providers," she adds.

IDC has noted significant growth, particularly in hosted infrastructure services, which is obviously highly dependent on the availability of data centre capacity in the country. For example, between 2009 and 2010, IDC saw a spike in adoption of hosting infrastructure services in the UAE, growing 31.43% year-on-year. This growth has since levelled off somewhat, but the market is still expected to grow 19.6% in 2012 and 20.7% in 2013. Saudi, is seeing a very similar trend, with a big spike in 2010, growing a staggering 53% — albeit from a small base — and levelling off to 22.3% growth predicted for 2012.

"CUSTOMERS SHOULD BE AWARE OF THE DANGERS OF USING TOO MANY SERVICE LEVELS, WHICH CAN CAUSE CONFUSION AND ACTUALLY BE OBSTRUCTIVE TO EFFECTIVE MONITORING, OR OF USING SERVICE LEVEL REGIMES WHICH ARE EXTREMELY ONEROUS ON THE SUPPLIER."

Virtualisation and cloud are key words currently bandied about, as Robert Flaws, legal consultant at DLA Piper Middle East highlights: "We have witnessed significant investment in virtualisation, especially in large enterprises, over the last 12 months as part of an ongoing drive by companies within the Middle East to achieve more effective utilisation and to cut the cost and time





involved in the management and procurement of IT infrastructure.

“As organisations have adapted to this development, a number are also starting to realise that virtualisation can be used as a platform to enable them to access applications and data through numerous devices using cloud-based solutions. Through the scaling up of infrastructure to provide improved services through a more agile infrastructure, as well as time and costs savings, we are also seeing a trend towards companies using virtualisation as a foundation for the build and development of cloud components.”

“The world of hosting has evolved as most companies are considering virtualisation and cloud technologies backed up by stringent SLAs,” adds Dani Mallouhi, manager, Service Delivery, eHosting DataFort. “We are seeing a greater trend of SMB’s adopting hosting services, whereas in the past it was mostly enterprises that would opt for data centre services from a third party service provider. In recent years we have noticed increased attention to SLAs from enterprises in terms of service availability and commitment. Customers are now more aware of SLAs than at any other time and this is evident as SLA discussions take precedence during the initial engagements.”

Many experts believe that SLAs are helping the region to see improvements in the quality of IT service delivery. This has been



Flaws: If an SLA regime is to be enforceable, there are a number of steps that need to be considered when drawing up the initial agreement.

driven by the maturing sector and increasing competition, but also because customers are becoming more savvy and demanding when it comes to SLAs. Used as a negotiation point for new business, it can only help raise quality.

“Typically, the main features [of an SLA] include setting out the metrics by which that service is measured and the remedies and/or penalties should the agreed-upon levels not be achieved. They therefore enhance the level of acceptance [of hosting], and we therefore encourage our clients to enter into SLAs where possible,” says Nick O’Connell, senior associate, Technology, Media and Telecommunications, Al Tamimi & Company.

“We also recommend that clients consider whether ‘service level credits’ might be appropriate if the service provider fails to meet the agreed service levels. In some instances, we see parties agree to ‘service level benefits’, whereby a service provider is rewarded for always exceeding agreed service levels — although this approach is not always appropriate,” he adds.

But there are several issues concerning SLAs currently, particularly with regard to a lack of maturity among providers in establishing SLAs, and the lack of several other parts of the mix that are simply not available in the region.

“Many CIOs we speak to complain about SLAs in the region. In many cases, comprehensive SLAs are not even provided, let alone adhered to. This is compounded by the fact that many of the communications providers do not offer SLAs. This makes it extremely difficult for any data centre owner or service provider to offer their own SLA as they do not have end-to-end agreements in place. This is a big sticking point for many IT heads in the region, particularly those in high-availability sectors like banking where they often have stringent uptime demands and internal SLAs,” Adam notes.

There is also a lot of confusion as to whether SLAs are proven in commercial courts. The main consensus appears to be that a well-drafted SLA will set out a dispute resolution mechanism that will reduce the need for any disputes to go as far as court.

Flaws notes that in order to maximise the chances of having an enforceable service level regime there are a number of steps a customer should consider before anything is finalised.

“Firstly care should be taken to ensure that the SLA very clearly sets out the details of each of the required service levels, addressing each element of the services for which service levels are required,” he says.

“In addition careful consideration should also be given to the structuring of a set of service credits to address the possible

TIPS FOR NEGOTIATING AN SLA

Don't have unrealistic demands of your supplier.

Make sure agreements are clear to understand without jargon or too much technical detail.

Make sure both parties value the agreement as a positive framework.

Ensure you are able to monitor the service level before establishing the SLA, and make sure that measurement of SLAs won't be an excessive requirement on the business.

SLAs should include not just uptime parameters, but also service quality parameters in terms of transaction time and details of support capabilities and reaction times.

Where appropriate, include a clause that the provider must notify of any security breaches or near misses.



SLAs can include a systems of credits or benefits as incentives to perform well, says O'Connell.

failure on the part of the supplier to achieve the required service levels. This structure needs to ensure that the required standard offers value for money for the customer but is also fair and equitable on the supplier. Finally the service levels should make clear the period over which they are to be measured (for example, weekly, monthly or annually) and the SLA should also contain a service level monitoring and reporting regime.

"Difficulties can arise regarding the enforceability of SLAs where the setting of service levels is poorly managed," he continues. "Customers should be aware of the dangers of using too many service levels, which can cause confusion and actually be obstructive to effective monitoring, or of using service level regimes which are extremely onerous on the supplier.

"Customers should consider that although they feel they have a good deal, a court in the UAE may take a decision nullify or amend a service level provision if they find that it is too onerous on one party, the service credit or compensation for breaching the provision is worded in such a way so as to penalise the defaulting party, (i.e. it imposes a penalty in excess of the value of the unrendered service) or the drafting of the service level provision is not clear enough."

So what could all this mean for cloud service providers as the industry continues to move in this direction?

"Just as with hosting, I can't see cloud providers ever accepting liability but we may see sophistication in terms of financial

penalties for downtime as adoption of cloud services move to the enterprise," says Adam.

"On the whole, I think it's a fairly natural progression for hosters to start offering cloud services — whilst I'm not saying it's easy, I think hosting providers have an advantage in terms of understanding utility based computing and billing, remote service delivery, and of course, data centre infrastructure so it seems like a natural progression from hosting to cloud," she explains.

Clearly there are still issues around SLAs, but the overall feeling towards them is positive. There is considerable room for improvement — and indeed clarification on their enforceability — however the quality of service delivery is improving, so they must be playing their part in encouraging better service. As Malouhi highlights, both the customers and the service providers are benefiting from SLAs.

"Customers can reduce their IT cost and increase efficiency through hosting services backed up with commitments to higher service availability clearly stated in a defined SLA, while service providers take advantage of their shared infrastructure to service multiple customers. Offering SLAs with penalty clauses is not only good for customers but it also drives the service providers to improve and deliver higher standards of service," he concludes. ■