ENTER MANAGED SERVICES

The potential for managed services is somewhat untapped in the Middle East region, but more and more organisations are looking to improve on their IT infrastructure management, and are turning to managed services to achieve this, reports Piers Ford.

Managed services are enjoying a surge across the Middle East as enterprises look to a combination of the cloud and outsourced service providers to sidestep the need for investment in ICT infrastructure and skills

that are an expensive distraction from their core business.

From network and data centre management services to disaster recovery, storage and backup, server management, security and IT support, it is possible to

offload the day-to-day provision of significant chunks of the IT function, liberating financial and human resources to focus on productivity and efficiency.

"Adopting a managed service provider is preferred over retaining IT infrastructure

> *Resellers are the influencers for creating change in the existing delivery model. They act as consultants for the existing clients. They can be the level-one support for the clients and deal with the managed services vendor to get the services delivered to the end-clients.*
>
> **RANJAN TAYAL, SENIOR VICE PRESIDENT, BUSINESS CONSULTING GROUP, RAMCO SYSTEMS**

management in-house, as it eliminates the high CAPEX costs for IT, substituting them with far more manageable operational expenses," said Sarwan Singh, director business development at managed services specialist Prologix.

"Today, upgrade and refresh cycles are far more frequent compared with a decade earlier, which means that deploying solutions on premises requires not only a substantial upfront expense but also additional

expenditure in terms of maintenance and upgrade costs. Choosing managed services instead allows the enterprise to focus on core business offerings."

Singh credited the rise of cloud services as one of the main drivers of this managed services trend. Gartner expects the Middle Eastern and Northern African (MENA) public cloud services market to reach $462.3m by the end of 2013, and with many of the benefits associated with the cloud model also being offered by managed service providers, CIOs across the region are giving it serious attention.

According to Marius Mignis, research analyst at Frost and Sullivan's Information and Communication Technologies Practice, managed services adoption is "huge" with

THE HOTTEST MANAGED SERVICES

From niche market segments such as managed print services up to support for the entire IT infrastructure, enterprises are exploring the benefits of every aspect of managed services, creating a major opportunity for resellers and channel players to move in.

"Managed Exchange, managed backup and restore, managed storage and managed security services are some of the most popular areas," said Sachin Bhardwaj, director – marketing and business development at managed services specialist eHosting DataFort.

"With the constantly changing threat landscape, security is becoming critical so we are seeing a lot of demand for managed security services. Email has become one of the most critical business applications forming the backbone of the day-today business operations. Anytime, anywhere access to email, contacts, calendar and resources has become imperative to ensure effective communication with customers, vendors and partners. Managed Exchange is therefore becoming very popular."

Managed print services are also growing at a rapid rate across the region according to Dan Smith, head of integrated marketing for the Middle East and Africa region of Xerox's developing markets operation. Green initiatives and the sheer cost of print and documents – 6-10% of a company's revenue, said Smith - will only serve to increase demand.

"This is a true winning scenario for all players," said Smith. "Xerox is helping the channel to be strategically relevant and lock in their relationships with customers. We are also helping resellers to improve profitability and cash flow by contracting for recurring revenues. For customers, we are helping them control costs, improve budgeting and deploy better document processes that support their businesses."

At Prologix, director of business development Sarwan Singh added video conferencing, cloud services, VoIP and general IT infrastructure into the mix with their ability to help customers save money.

"Every IT service provider has to adopt managed services in their service portfolio to be successful in the longer run, and they can expect around 20-25% margin in this category," he said.

the GCC countries leading the way – and this is creating a major opportunity for the managed services channel. Frost and Sullivan expects the global market to be worth $1.25bn this year, with compound annual growth of 19% taking it to $3.2bn by 2018.

region is another factor that is driving organisations towards managed services. Competition for skilled staff is intense.

"Some Middle East organisations are now adopting a hybrid cloud IT services approach, and as a result, part of the IT infrastructure need to run applications will no longer be hosted in the organisations' data centres," said Cesare Ottaviani, regional business manager, Alliance Service Provider, Turkey, Eastern Europe, Africa and Middle East region at EMC.

However, this is having an unexpected impact on the traditional managed services market as new players and incumbents from different sectors muscle in on the territory.

"This trend is becoming significant and service providers (telco operators and others) are increasingly providing application hosting and application-as-a-service capabilities, reducing the overall opportunity for traditional managed service providers," said Ottaviani.

"On the other hand, the service providers [themselves] are becoming hungry for traditional managed services to address the increasing requirements to provide new services and to balance the immediate need for specialised skills."

Vodafone is typical of the kind of service provider seizing the managed services opportunity. In Qatar, the mobile giant is advancing on the strength of its ability to deliver "high quality, 99.999% available" networks for both fixed and mobile services.

"The main influences are where the cost and complexity of delivering a service are sufficiently high that a single company chooses a specialist to supply it rather than investing in all of the skills required to do it themselves," said Niraj Singh, business services director at Vodafone Qatar.

"This has been a significant trend in other parts of the world and the Middle East has historically not been very involved in managed services operations. However, as companies in the region increasingly do business on a global scale, the need for high service availability 24 x 7 x 365 means we are seeing more and more companies start to explore the managed services approach."

But there are still reservations. Security concerns and the concept of handing control for any aspect of accessing and managing the business's key asset – its data – to a third

> *Any organisation looking to outsource vital functionality to a third-party provider will first assess the risk. Their concerns primarily lie in the reliability of the managed services provider and the ability to adhere to SLAs.*
>
> **SARWAN SINGH, DIRECTOR BUSINESS DEVELOPMENT, PROLOGIX DISTRIBUTION.**

"The biggest demand for managed services is in the KSA, the UAE and Qatar," said Mignis. "In the KSA, there is an increasing need for data hosting facilities and the market is the largest in the region. The UAE market is most mature and has the best infrastructure in the region, which has allowed it to become the regional IT hub with the most competition. Qatar is experiencing the highest growth rate due to infrastructural developments."

Overall, Mignis said, infrastructure support such as desktop and router management is the biggest revenue generating segment, but the highest growth is expected in data centre hosting and network security – reflecting the main concerns and preoccupations of today's CIO.

The shortage of specialist IT skills in the

> *With the constantly changing threat landscape, security is becoming critical so we are seeing a lot of demand for managed security services. Email has become one of the most critical business applications forming the backbone of the day-today business operations.*
>
> **SACHIN BHARDWAJ, DIRECTOR – MARKETING AND BUSINESS DEVELOPMENT,**
>
> **EHOSTING DATAFORT**

party continue to be major issues for even the most forward-looking CIO. Other concerns include the trickle-down effect of outsourcing, with key employees seeing it as a threat to their jobs.

"The biggest challenge is the mind set of clients in terms of data confidentiality and not owning an application," said Ranjan Tayal, senior vice president, business consulting group, at HR managed services specialist Ramco Systems.

"The other major resistance is due to job loss as the existing team which manages non-core activities fears losing its role in the organisation."

> *We are helping the channel to be strategically relevant and lock in their relationships with customers. We are also helping resellers to improve profitability and cash flow by contracting for recurring revenues. For customers, we are helping them control costs, improve budgeting and deploy better document processes that support their businesses.*
>
> **DAN SMITH, HEAD OF INTEGRATED MARKETING, MIDDLE EAST & AFRICA, XEROX'S DEVELOPING MARKETS OPERATION**

At Prologix Distribution, Singh agreed that trust is the biggest hurdle for managed service providers to overcome in the region.

"Any organisation looking to outsource vital functionality to a third-party provider will first assess the risk," he said. "Their concerns primarily lie in the reliability of the managed services provider and the ability to adhere to SLAs.

"For vendors, the key to overcoming this is to establish a local presence. In the Middle East in particular, unless there are resources readily available for the client to interact with, it is difficult to form a trust-based relationship.

"Equally important to the success of the endeavour is a contract that is beneficial to both parties. In order to scale up, for any managed service vendor, they need to understand the present and future requirements and design a proposal that shows how the technology can support the business process in the longer run. The vendor has to connect and partner with the enterprise, working together as an entity and always keeping it in mind to deliver the best."

At Ramco, Tayal stressed the important role that resellers and channel players have to play in selling managed services.

"They are the influencers for creating change in the existing delivery model," he said. "They act as consultants for the existing clients. They can be the level-one support for the clients and deal with the managed services vendor to get the services delivered to the end-clients.

But he recommended due diligence on the reseller's part before signing any agreement with a managed services partner.

De-risking the financial liabilities is essential. So is assurance of service quality – something that can still be difficult to guarantee in some areas of the Middle East, according to Frost & Sullivan's Mignis, where connectivity issues remain, bandwidth is expensive, and there is no SLA between managed service providers and ISPs. ∎