



THE RISE OF MSPs

As the managed service provider model begins to gain wider market acceptance in the Middle East, managed service providers (MSPs) are also beginning to see their businesses gain much appeal from SMB, midmarket and enterprise customers. But what is driving the market wide acceptance?

By Piers Ford

Managed service provision is proving an increasingly popular way for enterprises of every size and type to source business-critical elements of their IT strategy, keeping their infrastructure secure and flexible without needing to invest heavily in hardware, networks and systems.

Across the Middle East, a core of managed service providers (MSPs) is emerging

to serve a market that is hungry for innovative and cost-effective ways to meet the complex demands of today's business computing environments.

Analyst Frost & Sullivan anticipates strong growth for the MSP market within the GCC states, from \$1,073m in 2012 to \$3,112m by 2018. And while early interest in the MSP model has been limited to large enterprises, much of that is likely to be

fuelled in the near future by strong interest in cloud-based infrastructure services among SMBs.

"Traditionally, large businesses have been relying on the expertise and services of managed hosting providers to offer secure, flexible and scalable solutions," said Sachin Bhardwaj, director marketing and business development at hosting and cloud infrastructure specialist eHosting DataFort.

“However, over the last few years we are seeing a growing trend amongst SMBs to work with service providers for their data centre and infrastructure requirements. Many more customers from a number of industry verticals are adopting managed services: banking and finance, aviation, retail, media, government, IT and telecoms in particular.”

To date, according to Kartik Shankar, technology consultant at pure-play MSP HASZone, the market in the Middle East has been largely limited to software selling, services and consulting, rather than addressing risk mitigation.

“However, organisations are increasingly weighing the benefits of using management of certain IT functions such as network monitoring, email hosting, enterprise applications such as ERP and CRM, storage, backup and recovery,” he said. “We also see an increased in managed services for infrastructure and data centres.”

Finesse, an MSP with a strong focus on application management as well as support and maintenance services for the financial sector, is experiencing rising demand for a full range of outsourced banking process services, back office systems, and data cleansing and data integrity management services.

COO Sunil Paul said this trend is driven by businesses’ efforts to eliminate the high CAPEX and OPEX costs that are required for retaining IT infrastructure management in-house.

“Organisations prefer substituting them with far more manageable operational expenses by turning to MSPs,” he said. “Increased flexibility, access to knowledge and co-innovation are added advantages, allowing [them] a greater focus on core activities.”

According to Paul, the region’s IT skills shortage, and the intense competition for top-quality staff, combined with the significant up-front and ongoing expenses of deploying and refreshing in-house solutions, are also key influences on the shift towards managed service models.

Abou Moustafa, vice president, enterprise managed services and solutions at du, one of the region’s leading mobile providers, said it is important to distinguish between IT managed services and more traditional types of outsourcing, which often involve



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the transfer of assets to the third party. This is not the case with managed service contracts – a vital consideration for MSPs, who can focus on maximising the efficiency and quality of their offering in niche areas, and developing them iteratively.

“Thanks to the economies that can be derived from operating on a large scale, managed services should be available at a lower cost than the customer organisations could achieve itself, thereby increasing the value for the customer,” he said.

As enterprise transform themselves into digital business, the accompanying need for cloud hosting and security, connectivity and collaboration will make the Middle East a prime market for MSPs capable of delivering network-based services and applications.

“With the steady decline in broadband network costs and the creeping commoditisation of ICT come the increased realisation by businesses that cost-economies are to be had in using service providers to remotely manage and deliver a number of IT services,” said Moustafa. “The adoption of managed ICT services leads to cost savings, frees up a company’s IT staff (or avoids the need to recruit specialists), and makes the best use of available resources.”



“While too many prospective players are jumping on the bandwagon without any real understanding of what service delivery means, a strong focus on SLAs and regular reporting, helping clients to verify service delivery, will be a key differentiator.”

FAISAL M. ALI, CEO, BITMINIONS CONSULTING

Where regional organisations lead the way, SMBs are more likely to follow – and this is where vendors and distributors should be looking for key MSP trends. “The UAE is the business hub for the region and an increasing number of global organisations’ regional headquarters are located in Dubai,” said Moustafa.

“We see strong and continuing growth as organisations focus on global collaboration, and ICT service providers will play an ever increasing role [in supporting this].”

But MSPs also face some key challenges when it comes to these organisations’ willingness to outsource critical data management and business applications to third parties – often because of legacy strategies or compliance issues - even when this would be an ideal solution.

Nehul Goradia, VP – channel and alliances at VAD Optimus, which offers a range of managed infrastructure, business application and network services, said that emerging trends such as SaaS simply heighten the questions surrounding loss of control, company data privacy, corporate information security and operational risk.

“However, enterprises here are also on a steep curve of embracing technology like mobility and cloud to enhance business



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KARTIK SHANKAR, TECHNOLOGY CONSULTANT, HASZONE

functions and results,” he said. “This leads to a greater appetite for taking calculated operational risks. And if MSPs can educate customers on the business potential of technology, and allay security fears, they can significantly grow their market share.”

Goradia said working on a transitional basis could help MSPs to gain customer trust. Once results speak for themselves without compromising security, it becomes easier for an enterprise to move to a fully outsourced model. SLAs that define protections and provide financial penalties for non-conformance build trust further.

But MSPs should not under-estimate the importance of C-suite access in order to influence adoption of new IT delivery models that often means overcoming resistance from CIOs and IT leaders who might see the MSP as a threat to their traditional IT setup within their organisation.

Vendors and distributors can help MSPs gain wider acceptance by educating, training and certifying, and authorising their channel partners.

“They should have a tight baseline and selection criteria for Authorised MSPs, that can provide [customers with] an assurance for the delivery of services,” said Goradia. “Another important role is providing visible back-end support to MSPs, which will also give end-users confi-

MSP FUTURES

BitMinions Consulting CEO Faisal M. Ali said 2016 will be the year in which most organisations start the evolution to the MSP model – but it will initially be about education and realisation rather than immediate conversion. And the MSPs who can steer clients through these formative stages will be in a strong position when the market goes mainstream.

“The ability to offer customised solutions, address security concerns, enhance operational efficiencies and keep costs under control can translate into high growth opportunities for regional MSPs,” said Kartik Shankar, technology consultant at HASZone.

“There will be an increase in SaaS models to provide database, application and data management services, managed security services and managed communications – to name a few. Cloud solutions will define the growth path for MSPs.”

But MSPs will have to adjust their strategies to embrace the cloud rather than rushing to offload traditional services in its favour, warned Sachin Bhardwaj, director marketing and business development at eHosting DataFort.

“MSPs in the region are definitely not ditching managed services to turn into pure cloud providers any time soon, despite customers deploying more and more applications on various types of cloud infrastructure,” he said.

“However, the managed services portions of their portfolio will have to evolve to reflect the new reality of cloud computing.

“While it would be easier and potentially less expensive for a provider to operate solely as a cloud services provider, getting rid of traditional managed services is not recommended. The sweet spot is to have a hybrid option, as customers will increasingly prefer to mix and match in the future.”

dence for increased adoption.”

As a microcosm of the MSP market, security is one of the best gauges of potential growth in the region. Stephan Berner, managing director at security specialist Help AG, said security event management, incident response and remediation services will drive the first wave of managed security services adoption in the region.

“While providing 24x7 security monitoring, providers like us elevate the required visibility and transparency to take informed decisions related to any kind of incident,” he said. “Whereas within remediation management, we can deliver remote and/or onsite services to fix the problem on behalf of the customer at any point of time.



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SAEED AGHA, GENERAL MANAGER, PALO ALTO NETWORKS MIDDLE EAST

“This addresses one of the major challenges most enterprise and government organisations are facing today, which is the lack of resources and skillsets to combat the fast-changing security threat landscape seven days a week, 24 hours a day.”

Berner also identified the ability to deliver services locally as a key challenge for MSPs in the Middle East – something which requires serious investment in infrastructure and manpower. Even with this in place, as managed services are still relatively new in the region, it would take at least a couple of years before MSPs see a full return on investment, he said.

Saeed Agha, general manager at Palo Alto Networks Middle East, said a successful MSP will be the one that finds a perfect balance between managing client expectations and a robust business model that sustains their services – an approach which will determine a viable MSP model whether a player is focused on security or any other element of today’s enterprise IT infrastructure.

“The increasing complexity of effectively dealing with cyber security risks and complex regulations is causing many organisations to consider managed security services,” he said. “Effectively addressing this opportunity depends on selecting a security platform that enables a profitable business model.” ■