

LOGICAL

Managed Services

Managed Services – Is It Time?

How to determine if it's right for your company

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The Need for Managed Services

- **Extending the Enterprise**
 - Linking suppliers, partners, customers
 - 24x7 Operations
- **Virtual Workplaces**
 - Telecommuters & Traveling Employees
- **Security Risks**
 - Intrusions, Virus Problems, Denial of Service
- **Rapidly Changing Technology**
 - Risk & Cost of Obsolescence
- **Infrastructure Matters**
 - People, Process and Technology

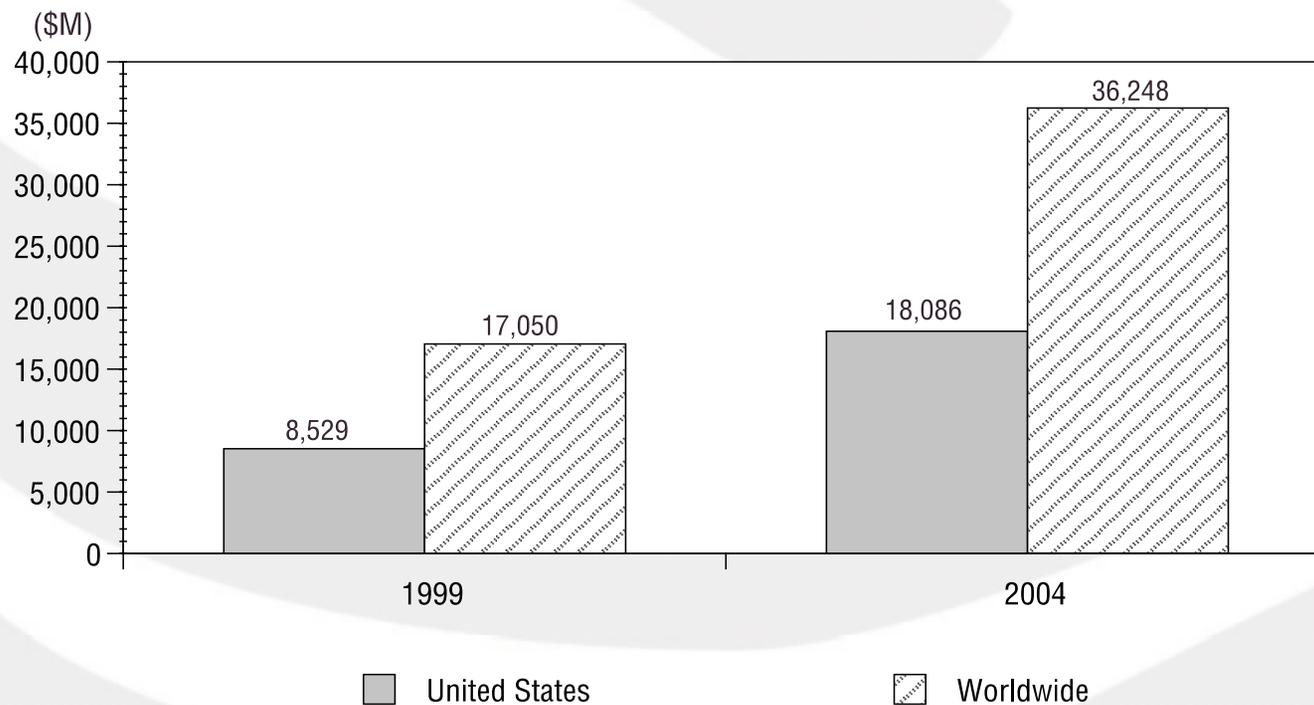


Proper Technology Management is Critical to Business Success!

Managed Infrastructure Services Market

U.S. and Worldwide Networked Infrastructure Management Services Expenditures, 1999 and 2004

Source: IDC, 2000



Why is Technology Management Difficult?

- **People** – Recruiting, Training, Retaining; additionally, Numerous Specialties Needed w/ Limited Headcount
- **Process** – Well defined processes required for problem management, tracking assets, change control, data back-up and recovery, operating procedures, security policy
- **Tools** – Each Tool is Expensive and Complex; additionally, numerous integrated tools needed for robust management.

Technology Management is Frequently Not
a Business' Core Competency!!!

Terminology

Terminology to describe all the current and emerging hosting vendors and their service offerings in this rapidly evolving space is unlikely to be universally settled for years.

Terminology



- Hosting
- Co-Location
- Managed Services
- Application Service Providers
- Enterprise Application Outsourcers

Hosting - Definition



- **Compute Utility**
 - Which is the provisioning of network access to compute, storage and bandwidth capacity.
- **A subset of Operational Services**
- **Can involve many layers of Service Providers**
- **Clients are responsible for applications management**

Hosting and Co-location



- **Outsourced Hardware Hosting**
- **Robust Facility**
 - Redundant Power and Network Connectivity
 - Controlled Access
- **High Speed Network Access**
 - Flexible Service Plans
 - Average and Burstable Billing Plans
- **Fundamental Monitoring**
 - Up/Down (usually via ping)
- **Customer Owned Assets**
- **Charges for Rack/Cage Space, Network Bandwidth and Power**

PING, PIPE and POWER...

Managed Services



Managed Services Includes:

- Operational services
- Application management services
- Managed help desk services
- Business continuation services
- Asset management services
- Transaction processing services

Managed Service Providers



- **Over the Wire**
 - Customer Location –or–
 - Hosting Partner
- **Customer Ownership of Infrastructure**
- **Enterprise Wide Service View (end-to-end)**
- **Process Oriented**
- **Highly Instrumented via Intelligent Management Agents**
 - More than PING and Power...
- **Multiple Disciplines**
 - Operating System
 - Database
 - Network
 - Storage
 - Applications
 - Security
- **Aggregation of Services**

Managed Service Provider Definition



Providing the people, process, and toolsets necessary to manage complex technology on a subscription basis.

People

- On Watch 24x7
- Vast Experience
- Local Resources

Process

- Operating Procedures
- Fault Management
- Performance Analysis

Tools

- Alarming
- Reporting
- Trending
- Ticketing

Technology Management is the Core Competency of an MSP

Application Service Providers (ASP)



“The delivery of standardized application software via a network through an outsourcing contract predicated on usage-based transaction pricing.”

Gartner Nov 2000

Application Service Provider



- Specific Applications
 - E-mail (MS Exchange)
 - ERP Applications
 - Sales Force Automation
 - E-Commerce Business Sites
- Hosted at provider's facilities
- SLA Based Agreements
- ASP Manages All Aspects of the Service
 - User Accounts, Licensing
 - Computing Resources
- Typically Transaction or User Based Fees

Pay as you go, Software as a service...

Enterprise Application Outsourcers (EAO)



- Management of ERP applications
 - The major value proposition is that it reduces maintenance costs and the need for specialized staff

Who is buying these Services?

Large Companies:

- Samsung Semiconductor
- Hershey Foods

Mid-Size Companies:

- United Signature Foods
- Dayton Reliable Tools
- Robert Mondavi

Small Companies:

- Dot coms
- IPO companies

Charges for the Services



- By the Service
- By the User or Seat
- By the Hour

Business Changes Drive Innovation...

By the User or Seat



A flat implementation fee on top of a monthly per-user rate that depends on the type of service. Active users with daily access to an application via a LAN, WAN, or dedicated line are charged between \$595 and \$895 per month.

This is an example of Corio's pricing schema

By the Service



Typically the Customer will still pay per user/per month but the charges will depend on what type of services are used by the Customer. This is a more customized approach to Application Hosting.

This is an example of Logical's pricing schema

By the Hour



This is the standard Time and Materials approach to pricing.

Example of large integrators pricing schema

Step-by-Step Process



How Does Your Business Want to Utilize Limited Resources – Both Money and People?

Step-by-Step Process



Build Capability or Buy Service ...

Build Internal Capability

High Upfront Costs
Customer Assumes Operational Risks
Longer Time to Value
Extensive Training Required
Implementation Self-Managed

Leverage Service Providers

Low Entry Cost
Provider Assumes Operational Risk
Faster Time to Value
Less Internal Skill Required
Provider Handles Implementation

CIO Perspective



The issue isn't whether using service providers works, because we know it does for a great number of enterprises...

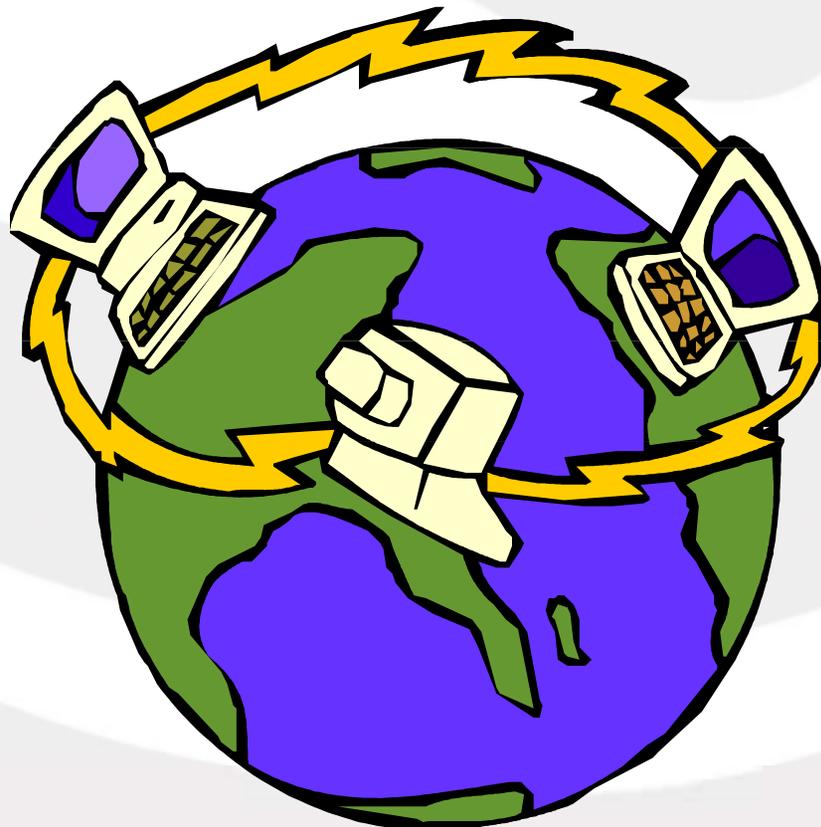
“The challenge comes in finding a capable and reliable partner who can meet the full range of requirements, performance, scalability, reliability and affordability.”

CIO Magazine November 2000

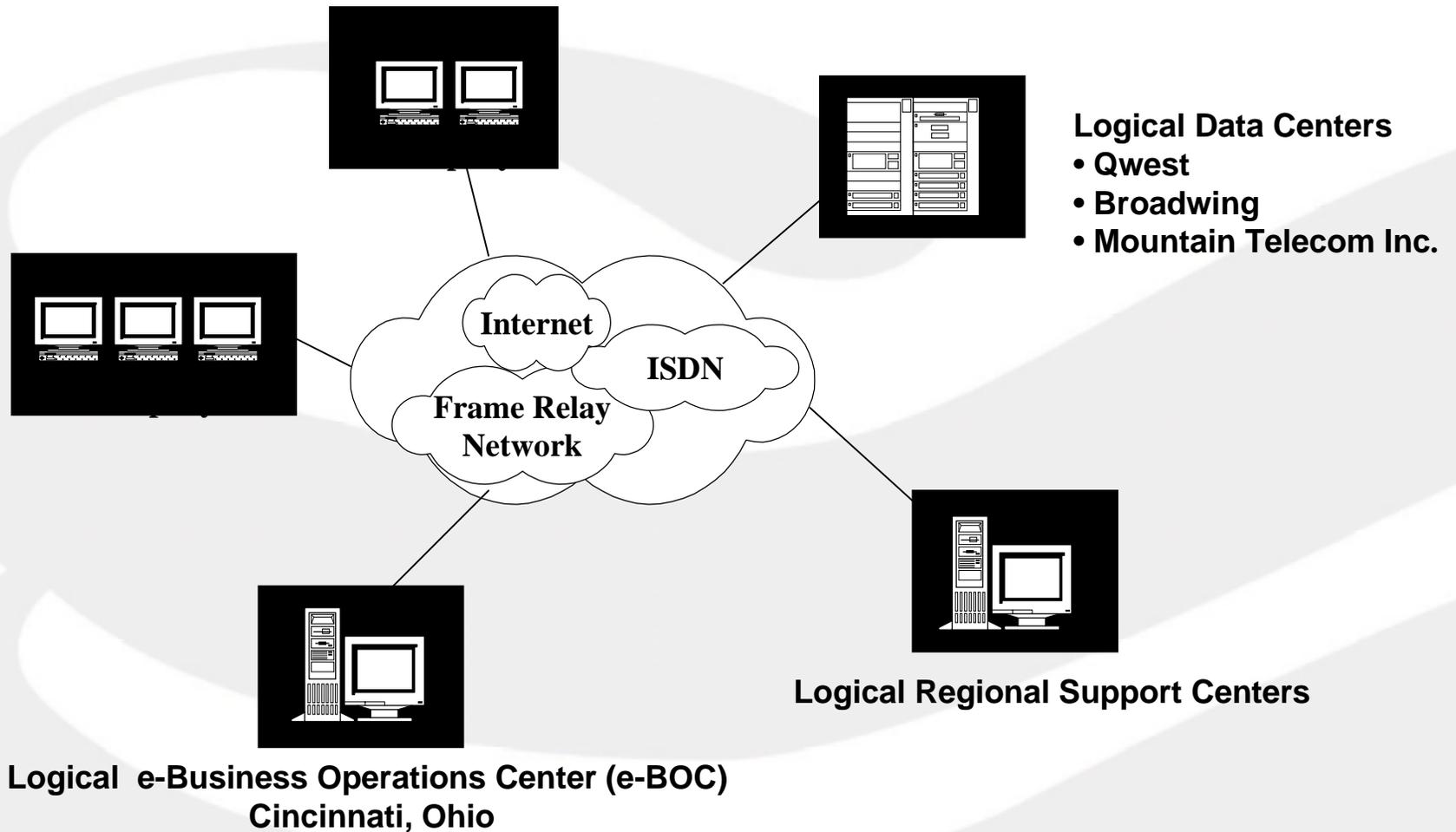
STEP 1



Evaluate your As-Is configuration of Hardware, Software, and Communications



Delivery Model – Over the Wire



Operations Center in Cincinnati – Local Support From 35 Offices

STEP 2



Determine your TO-BE requirements:

Consider Strategic Business assumptions

- 24x7, e-Business
- Technology Upgrades
- Technology Sunset
- Consolidation
- Business Expansion and Acquisition
- Faster Implementation
- Higher SLAs

A seismic facility

- Diesel generator backup
- Battery backup
- Seismically qualified

Communications

- VPN, Frame Relay, ISDN, Internet, etc.

STEP 2-cont.



- **Application Support requirements**
 - In House
 - Rental
 - Provider
- **Types of Support Needed**
 - Desktop Support
 - Asset Management Support
 - Communications Support
 - Applications Support
 - ✓ERP
 - ✓CRM
 - ✓DSS
 - ✓EDI
 - ✓ADP
 - ✓APS

STEP 2-cont.



- **Type of Monitoring Needed**
 - **Hours of Support**
 - 7x24
 - 5x12
 - 5x8
- **Do you need Call Center Support**
 - **Who will be calling the call center?**
 - All employees
 - Application users only
 - Super users only
 - IT only

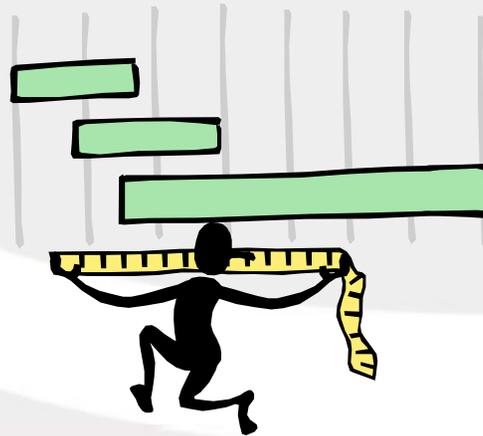


STEP 3



Weigh and Prioritize your Requirements

- Determine your immediate priorities
- If needed break into a Phased approach



STEP 4



Determine your Budget

- Staffing Requirements
- Evaluate On Site Staff vs. Managed Services
 - Pros
 - Cons



IS Support Resources

Resources to provide 24x7 network monitoring and 10x6 help desk support (excluding Plant NT and desktop support)

In House Support:

- Unix Administrators (2)
- ERP administrator (2)
- NT administrator (2)
- EDI/APM administrator (2)

Total full-time equivalents 8

Managed Services Support:

- Unix Administrator (.5)
- ERP administrator (.5)
- NT administrator (.5)
- EDI/APM administrator (1)

Total full-time equivalents 2.5

STEP 5



Determine Contractual Requirements

- Length of Agreement
 - 3 years vs. Year to year
 - Fixed Price vs. Time and Materials
- Determine Service Level Agreements (SLA's)

STEP 5



SLA

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- 32.0 Hardware and Software Location
- 33.0 Disaster Recovery Plan
- 34.0 Identify any continuing Third Party Service Contracts
- 35.0 Document Hardware Maintenance Agreements

STEP 6



Interview Potential Vendors

- Single point of accountability
- Ready-made solution or customized?
- Scalability
- Pricing: Menu Options or Lump Sum
- Consider who are their current customers
- References
- Tour Facilities
- Consider Partnerships



Managed Services Benefits

- Ability to leverage best of breed solutions
- Access to full range of expert technical support
 - Daily operations
 - Strategic planning
- Predictable (lower) monthly costs
- Ease of assimilation or divestiture of plants
- Reduced impact of employee turnover
- Guaranteed service levels

Managed Service Categories

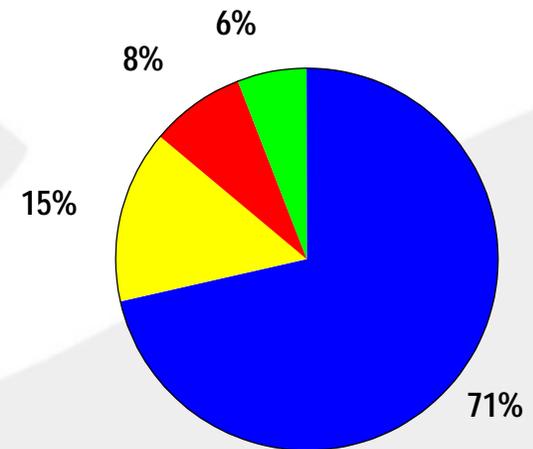
US Forecasts for 2004 – All Companies

CAGR – 1999-2004 (%)

Security Management	44%
Application Management	34%
Backup/recovery	23%
Network Mgmt.	16%
System Management	18%
Helpdesk	13%
Other	12%
Overall	19%

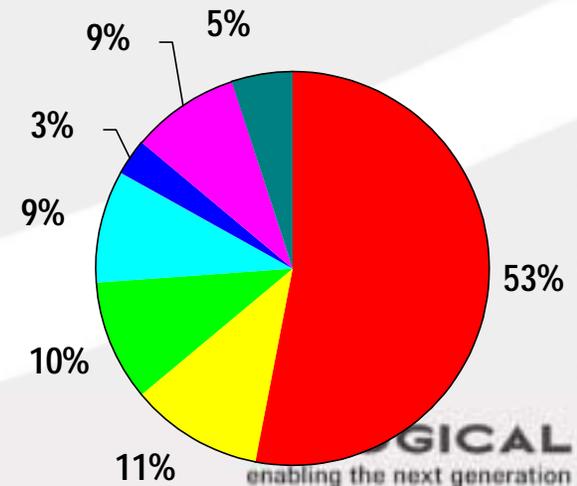
Total Service

- Operational Services
- Support Services
- Installation Services
- Consulting Services



Operational Services

- Network Management
- Back-up Recovery
- Help Desk
- Systems Management
- Application Management
- Security Management
- Other



Source: IDC Report May 2000

Overall Benefits

Delivering Customer Value In The Following Ways ...

Productivity

Internal resources focused on strategic initiatives vs. tactical tasks.

Reliability

SLA's provide the guarantee to ensure rapid response.

Security

Proactive management/tools to ensure safeguards in place to protect.

Customer Satisfaction

Optimal system performance - seamless communication - no excuses.

**Helping Transform Businesses From Old Economy Models
To Internet Based e-Business Models**

Frequently Asked Questions

- What is the typical size environment you manage?
- How does you price managed services?
- How do you measure performance – SLA?
- How do you support companies who have already made investments in toolsets? (ie. Tivoli, HP Openview)
- How do you ensure high levels of service to all customers?
- Does the connection between you and a customer create any security risks?
- What type of security managed services do you offer?
- Explain the difference between ASP & MSP?

The Need For Managed Services

- Lack of Staff Resources (Demand exceeds Supply)
- Lack of Expertise to Compete in Business World
- High Staff Turn-over (low pay, no career path)
- Cost of Technology (resources are expensive)
- Unpredictable Technology Costs
- Technology is Not a Core Competency
- Poor System Performance (user dissatisfaction)
- Multiple Technologies Needing Support (complex environments)
- High Requirements for Systems Availability and Security
- Rapid Growth and Expansion

Helping Companies Manage Complex Technology