



White Paper

Breaking Free From the Flat-Rate Managed Services Model

More customers are shifting to the IT-as-a-Service support model to reduce costs, increase transparency and gain the flexibility they need.



With expanding service options and a need for greater flexibility, more organizations are rejecting the flat-rate Managed Services model in exchange for elastic, IT-as-a-Service support solutions.

Since the advent of the model in the late twentieth century, the growth of Managed Services providers (MSP) has been exponential. With the ability to leverage the provider's expertise and economy of scale, companies of all size have flocked to hand over support and management of one or more components of their IT environments in exchange for signatures on multi-year contracts. But as technology has advanced and the disruption of the 'cloud economy' is making access to a variety of services more cost effective and competitive, these bulky, flat-rate agreements have begun to lose their appeal.

In today's rapidly changing digital age, companies need their IT resources to be more agile and responsiveness — not only in their ability to roll out new strategic initiatives, but also in their ability to adapt to changing business conditions, including those brought about by new technologies. As an intended outcome for most digital initiatives is to improve process and enable greater efficiency, the IT organization's ability to adjust and reflect these new improvements is of growing importance.

AS TECHNOLOGY CONTINUES ITS DIGITAL DISRUPTION COMPANIES NEED THEIR IT RESOURCES TO BECOME MORE AGILE & RESPONSIVE.

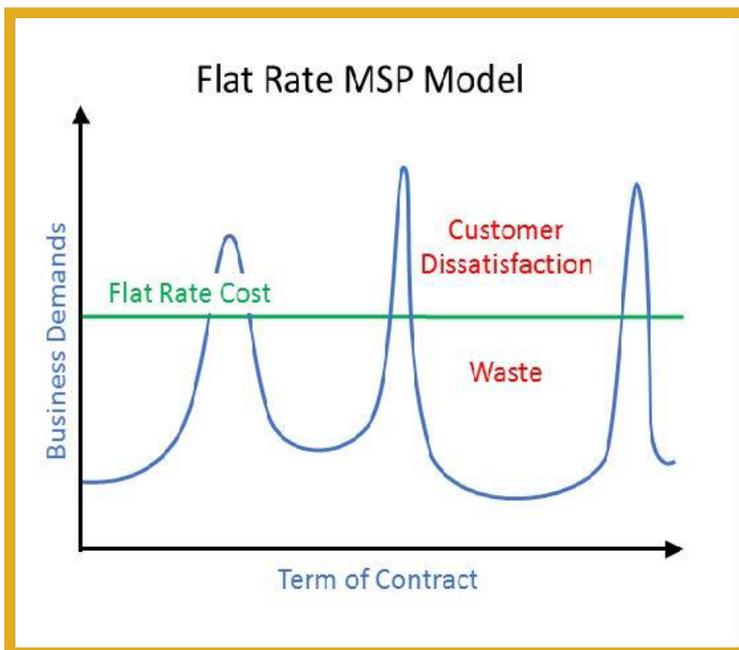
Moreover, it's understood that the successful completion of many new technology initiatives results in the demand for a particular service, function or duty to become diminished or no longer needed at all. If an MSP was fulfilling that need under contract, the change or termination of the agreement often exposes the customer to financial penalties ranging from early-termination fees to an obligation of paying off the remaining balance. Whether factored into the budget or not, this contractual lock-in has the potential to offset much of the gain the business had hoped to achieve from a new project.

Due to these factors, business leaders are looking for less restrictive solutions for their IT support services. Engagements which provide the efficiencies of outsourcing to an MSP, without the financial liability of contractual ownership that goes along with it. An approach which provides greater adaptability and control over changing conditions, both internal and external, forecasted or unplanned.

They're finding these sort of hybrid support engagements from the IT-as-a-Service (ITaaS) model. The differences between these two models are the key factors leading Enterprise buyers to increasingly prefer flexible, ITaaS solution engagements over their traditional, flat-rate MSP counterparts.

Flat Rate Frustration

Upon entering into the typical flat-rate MSP engagement, the customer must commit in advance to the amount of services they intend to consume from the provider. This is how the provider determines the pricing of the contract. Much like speculating the eventual capacity needs during the purchase of a mainframe or server, the customer must select a scope of support services on scale to meet or exceed the projected peak demands of the business throughout the term of the commitment. While this determination should ensure systems remain running and support continues to be available during the highest spike of demands, it also means the customer is paying that higher-scaled cost when demands return to normal levels. Research firm Gartner estimates this 'over capacity buying' results in the average customer overpaying 20 percent across the course of an MSP engagement.



Example 1

Unlike flat-rate MSP commitments, ITaaS engagements have no contract review windows to wait for or penalties if the customer needs to change the scope of services or cancel altogether. These flexible solutions encourage improvement within the organization, allowing the customer to immediately realize cost savings resulting from the streamlining of processes or the implementation of more efficient technology. The further the customer can reduce their needs, the more the ITaaS support services scale down, continuously aligning to current consumption levels. Instead of locking into a rigid MSP contract which reflects the needs of the customer at the time it was drawn up, an ITaaS support engagement dynamically adjusts to the changing requirements of the customer.

DRIVING PROPER DIGITAL TRANSFORMATION REQUIRES THE MOVE TO CONSUMPTIONBASED PRICING.

Transparency

The other primary factor which separates the two models involves transparency and the customer's ability to account for the actual cost of their supported operations. Under the traditional MSP model, correlating the flat-rate charges of a provider's monthly invoice to the specific efforts which had been received by the customer can be difficult. Even if detailed reporting is made available, there is no clear way to account for cost as applied to an individual activity, function or task. As long as systems remain running and support continues to be available, it must be assumed the service is worth its price. This ambiguity builds a distance between the customer and processes which they are paying to be supported, eventually leading to planning issues along with a loss of control over future costs. Instead of an engagement which generates detailed metrics driving insightful action from the customer, the support services of a flat-rate MSP often becomes another line item on the organization's ledger.

On the other hand, the consumption-based nature of an ITaaS support solution is designed to apply cost at the individual task level, meaning each activity performed becomes quantifiable. Much like a utility, a clear correlation can be drawn between the increase and decrease of cost to usage. Ongoing categorical reporting into this usage not only provides the customer with a transparent cost basis for the support of a specific activity, function or task, but also data-driven analytics that can highlight certain processes which may be in need of improvement. The ability to directly impact the cost of support services in real time empowers a deeper sense of process ownership among the customer, leading to innovative thinking and beneficial change for the organization.

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Breaking Free From Your Flat-Rate MSP

The traditional, flat-rate MSP model can work well for services that are finite and static, but as the digital disruption continues to reshape the technology landscape, customers need greater flexibility in their support solutions which adjust to reflect the current consumption needs of the business. Elastic, IT-as-aService engagements offer the same support quality as flat-rate MSP options, but enable the customer with greater control and a higher level of insight and accountability of costs. With no contractual lock-in or charges unless services are consumed, leveraging an ITaaS support solution to supplement the efforts of in-house IT teams is an effective way to reduce bottlenecks occurring during large scale projects or high demand cycles. This pricing framework also makes it a risk free way to transition away from the flat-rate Managed Services model.

Let's discuss how you can win with your technology. Call us: **866-937-2224**