

Unleashing New Revenue from SMB Managed Services

Executive Summary

To deliver the ubiquitous network access their organizations need, companies are rapidly migrating to new IT models such as hosted and managed services and cloud technology. Today, even small organizations are considering these new technologies, creating a substantial opportunity for service providers. To tap the potential of this new market, service providers need to scale their people, processes, and tools to serve more customers.

Controlling costs is vital, because service providers are reluctant to risk investing large capital expenditures toward a new customer segment. In a competitive environment, providers are also focused on accelerating their time to market. Partnering with a networking vendor to utilize an outsourced, white-label network and application management solution can help service providers control costs and gain the business agility they need to compete successfully. Cisco Smart Operate Services offers everything providers need to accelerate the adoption of advanced technology and set the stage for customized managed services offerings. Cisco delivers provisioning, service orchestration, and assurance to the service provider's customers, while the provider brands the service and maintains the direct customer relationship. A shared risk model lets providers replace up-front costs with a pay-as-you-grow model. As Cisco introduces new networking solutions, the Cisco Smart Operate Services organization will continue to update its offering to help service providers to keep pace with innovation, deliver enhanced value to customers, and create new revenue opportunities.

Introduction

In a fast-paced business world, organizations are seeking new ways to control costs, collaborate, and boost workforce productivity. As more key business processes move to the network, today's organizations demand nonstop access to the people, resources, and information their employees need to be productive. To stay competitive, companies of all sizes are embracing new technologies such as hosted and managed services, as well as cloud computing. These new IT models are enabling companies to shift resources to more strategic projects, and to use new services and delivery models that fuel innovation and operational excellence.

Service providers have been offering managed services to the enterprise market for some time, and are generally well established in serving these large customers. To further tap the potential of the compelling managed services opportunity, providers are now focusing on delivering services to small and medium-sized business (SMB) and midmarket (MM) customers. A Forrester Consulting report, "Global Managed Services Forecast and Market Opportunities 2010," determined that unified communications as a service is growing, and is particularly attractive to SMB and MM business customers.

However, delivering services to a vast number of SMB and MM customers introduces a number of new complexities. Providers need to consider how they can adapt their offerings to support this new set of customers. Many of the tools, strategies, processes, and people that providers utilize for enterprise services are not always applicable to the SMB or MM.

To serve the SMB marketplace, service providers need the ability to scale and support their offerings for hundreds of thousands of customers, versus an enterprise market of hundreds or thousands. At the same time, they need the ability to control costs, in order to accommodate SMB budgets that are much smaller than those of enterprise organizations. Finally, delivering managed services to this new market requires innovative commercial models that make service offerings attractive and easy for SMB customers to consume.

The People, Tools, and Processes for Service Delivery

Several aspects are involved in preparing to go to market with a new managed service and readying it for customers.

Service providers must first invest in the people they need to sell, install, configure, and manage the service. To bring a service offering to the SMB marketplace, providers need to develop the business justification to staff additional network operation teams. They must interview candidates, approve and hire them, and train them—often with specific technology certifications.

Next, providers must develop a process to sell and deliver their service offerings to their new market. They need the ability to sign up and manage customers, using a simple, customer-friendly approach that is tailored to smaller organizations. Providers must also develop and implement network administration processes, including techniques for addressing network issues, troubleshooting, issue escalation, and change management.

Each of these processes can present significant challenges. A recent survey from Cisco's Internet Business Solutions Group (IBSG) found that more than 50 percent of service providers reported service creation, activation, and provisioning as their key challenges. Furthermore, more than 70 percent of participants reported that isolating service problems and restoring service were areas of concern.

Operations support systems (OSS) can also present substantial challenges for service providers seeking to adapt or introduce new offerings. Modifying or upgrading these systems can be a costly, risky endeavor. More than 90 percent of participants in a Cisco[®] IBSG survey reported that provisioning and activation were top OSS pain points.

As they prepare to bring their services to market, providers must also determine which tools they will use to automate service provisioning and administration. These tools must align with the people and processes they have developed. At the same time, they must scale to accommodate a potentially larger set of customers and network devices.

Automation and remote provisioning tools are critical because, for a service provider supporting from tens to hundreds of thousands of customers, it is inefficient to send highly skilled employees to each customer site to perform manual configuration tasks. Even a simple truck roll can cost up to US \$1000 per visit. The ability to send someone with less experience or, preferably, configure the hardware remotely makes the process much more efficient.

These automated tools will need to be able to support not only current networking services and technologies, but also more advanced technologies such as unified communications, security, and WAN acceleration services with robust policy management. Even the most sophisticated technologies can quickly gain traction with customers of all sizes, and providers need the ability to rapidly deploy the latest services to meet changing demands and high customer expectations.

Controlling Costs and Speeding Time to Market

All of these service delivery elements require a significant capital expenditure and a substantial up-front investment. Many service providers struggle to be cost-effective as they prepare to enter the SMB and MM managed services market, because they have not yet optimized their processes and tool sets for the markets. And they are understandably reluctant to invest significant amounts of money, because large capital expenditures in a new customer segment entail a significant amount of risk with a long horizon for a return on their investment.

In a competitive environment, providers are especially concerned with accelerating their time to market. Traditionally, the development process for new service offerings has been cumbersome, often taking service providers 18 to 24 months to launch a new offering. Current processes do not offer the business agility that providers need to take advantage of new and fast-growing market opportunities.

In contrast, network hardware vendors regularly develop and launch new products and technologies. Today, even small business-grade customer premises equipment (CPE) can include the latest features and capabilities, such as high-speed wireless connectivity, support for high-quality voice and video, robust security, and other advanced technologies, such as application acceleration and WAN optimization. Until now, it has been difficult for service providers to adjust their services to keep pace with the latest products and technologies.

Partnering with a networking vendor to utilize an outsourced, white-label network and application management solution can help service providers overcome these agility issues and address cost concerns as well. Outsourced management services use a model based on operating expenses that maps more closely to the service provider's cash flow. They can eliminate much of the up-front investment involved with bringing a service to market, enabling providers to get to market more quickly and efficiently while enjoying faster time to revenue.

By partnering with a hardware vendor, service providers can also reduce complexity. Providers no longer need to staff new operating teams, put certifications in place, and understand how to package a service offering. Instead, they can rapidly proceed to market to give customers the solution they need and unlock new revenue streams with minimal initial investment. With an outsourced management solution, service providers can focus on marketing and selling to customers, and can potentially compress their service launch times to a 6-month timeframe.

An outsourced management solution can also give service providers the ability to make changes and activate new services, so they can better anticipate and react quickly to changing customer needs or a market shift. As new business needs arise, customers often need to modify or upgrade their service. For example, they may have purchased a service but want to add a video service or new security options. The provider must have the flexibility to react to customer demand quickly, and to package and bundle services to allow rapid service creation. An outsourced solution from a leading network vendor will support new features and capabilities as soon as it becomes available on the CPE. By using provisioning, remote management, monitoring, and application performance management through a white-label service from a trusted vendor, providers can also minimize truck roll costs and simplify their supply chain, enabling them to streamline operations and boost efficiency.

Discovering New Opportunities with Cisco Smart Operate Services

Cisco Smart Operate Services is a leading example of a white-label service that enables service providers to provide network and application management services for the SMB and MM markets. Under the Smart Operate Services service arrangement, Cisco delivers provisioning, service orchestration, and assurance to the service provider's customers, while the provider brands the service and interacts with the customers. This shared risk model enables providers to replace up-front costs for a pay-as-you-grow model.

A simple packaged pricing model makes the Cisco Smart Operate Services service easy to purchase and offer to customers. Customers enjoy visibility into the health of their network through a web-based portal that enables them to request and view moves, adds, changes, detailed reports, and other network information.

Cisco works closely with service providers to help ensure that Cisco Smart Operate Services operates smoothly with their OSS and their existing processes and tools. This smooth integration helps eliminate the need for risky OSS investments involving licensing, integration, and management. It offers proven processes and established ownership boundaries for both Cisco and the service provider, creating a reliable service that accelerates time to market.

Designed specifically for service providers, Cisco Smart Operate Services meshes smoothly with the provider's existing processes and environment. The service provider retains its close relationships with customers and is responsible for Level 1 issues, along with marketing, selling, and customer billing. If a network issue arises, customers continue to call their trusted provider, who will perform an initial diagnosis.

If a CPE issue is the source of a network problem, Cisco will process Level 2 through 4 issues, including troubleshooting, diagnosis, network device repairs and changes, and any other tasks related to Cisco equipment. By making Cisco Smart Operate Services a part of their solution portfolio, service providers can position themselves to make the most of the managed services opportunity for SMB customers.

A Complete Offer

Cisco Smart Operate Services provides everything that service providers need to accelerate the adoption of advanced technology and set the stage for customized managed services offerings.

At the heart of the solution is a Cisco data center, which will provision, manage, and monitor feature-rich products to support a wide range of technologies through managed services. With Cisco Smart Operate Services, service providers can achieve a recurring revenue stream by packaging advanced technologies into bundles of service options for SMB or MM customers. Cisco Smart Operate Services lets providers offer customers the latest technologies and capabilities, such as security, unified communications, managed WAN, WAN application acceleration, application performance management, and more.

Advanced delivery and operations tools make it easy for service providers to take their services to market in simple-to-understand service offerings for small business owners. Created for providers serving the SMB and MM customers, Cisco Smart Operate Services provides a variety of [go-to-market resources](#), including joint marketing and sales enablement tools backed by Cisco, to facilitate partnership and unlock new opportunities faster. Since Cisco Smart Operate Services is a cloud-based solution, service providers can also take advantage of cost-effective fulfillment and assurance capabilities, to minimize up-front expenses.

Real Benefits for Service Providers and Customers Alike

Cisco Smart Operate Services makes it easy for service providers to deliver high-value services to customers, and it sets the stage for a wide range of business benefits.

With Cisco Smart Operate Services, providers can dramatically accelerate their time to market, offering the latest technologies and services to customers while minimizing their own operational, technology and financial risk. At the same time, they can enjoy recurring revenue streams associated with advanced technologies that are attractive to today's customers. And they can implement a roadmap to launch additional revenue streams as new technologies with associated features and capabilities become available.

Cisco Smart Operate Services is fully backed by Cisco's technical support organization, 24 hours a day, 365 days a year. This robust support helps ensure trouble-free operation, enabling providers to meet service-level agreements (SLAs) and deliver consistently superior services to their end customers.

For customers, Cisco Smart Operate Services delivers all the benefits they expect from a managed service, and frees them to focus on their core business operations instead of the network.

Proactive monitoring and management services enhance network health and give customers peace of mind in knowing that their most important business processes remain up and running at their best. Using a self-service portal, customers can easily interact with their service provider to request service activation, make changes, and perform other management tasks. In most cases, service providers will be able to address any changes and enable new services remotely – without a visit to the customer site.

Perhaps best of all, customers can immediately enjoy advanced network services with no up-front investment. An easy monthly service contract lets them enjoy all the benefits of today's advanced network services, without the risk and headaches of maintaining their own network infrastructure.

Enhanced Revenue, Now and in the Future

Cisco is continually enhancing and adding new features to Smart Operate Services, to drive market adoption of advanced technologies and new managed services. As new Cisco networking solutions are introduced, the Cisco Smart Operate Services organization will continue to provide robust support from a remote management and monitoring perspective, to enable service providers to keep pace with new technology innovation while increasing value, and creating additional revenue streams. Cisco Smart Operate Services gives providers the ability to offer the latest managed services offerings for SMB and MM customers without the time and expense involved in developing a new service on their own.

It is clear that the potential market for managed services for businesses of all sizes is massive. With the right outsourced application and management services, service providers can prepare themselves to quickly seize this new opportunity, forging strong, lasting relationships with customers and building a foundation for future revenue.

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