



# Managed Services: The Customer Experience

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# Background

Small to Medium Enterprises (SMEs in this context are defined as 5-500 employees) are turning to managed service providers to help them monitor, manage, and maintain their increasingly important Information and Communication Technology (ICT) environments. By offloading routine yet vital IT infrastructure duties, these businesses hope to reduce IT operational costs and deliver higher service levels to the business. Just as importantly, they need to free up IT and business personnel to focus on more strategic business issues and less on day-to-day IT infrastructure management.

But how well do managed services live up to the promise? –

Blue Saffron has conducted a survey of some of its current Managed Services customers to gain a more detailed and quantifiable view of the time, cost, and productivity benefits achieved by the adoption of managed services. The report provides some insight into typical commercial and ICT demands faced by businesses and the prime decision criteria applied during the procurement of managed services.

Prior to deploying Managed Services SME respondents are typically :

- Challenged to deploy new applications that address their business needs. c.75% of respondents said their toughest IT challenge was to “implement new solutions that the business requires” to achieve business goals.
- Lacking the internal resources to provide the service levels and IT expertise that their businesses demand. In fact, c.45% of respondents indicate that having a managed service provider that can manage their “complete IT infrastructure” is very important to them.
- Wanting to move internal IT staff to more strategic projects—not to reduce IT headcount. Only 30% turn to managed services to “reduce internal IT staff.” In contrast, c.70 % of respondents view the ability to “free up internal IT staff to focus on core business instead of break/fix activities” as an important driver for managed services.
- Expressing concern about managed services pricing. 43% indicate that their perception that managed services was “too expensive for my budget” was a very important concern.

Survey findings reveal that implementing Blue Saffron Managed Services has helped respondents reap significant benefits that aid in addressing these challenges, including:

- Realising significant reductions in downtime. On average, annual downtime decreased by more than 50% after deploying the service. This translates into 2.5%-4.9% in revenue gains and decreased loss of revenues from inability to perform critical tasks due to a system outage.
- Helping companies focus and improve core business initiatives. Companies have reduced internal IT staff costs for IT infrastructure management by more than 50%. As a result, 89% of respondents say the service is “freeing up time so that they concentrate resources on more strategic business requirements.”

- An overwhelming 92% of customers are achieving “better service” than with prior IT infrastructure management methods. 89% say the service is providing “improved service levels for key business applications.” By reducing downtime and the resulting inability to perform mission critical tasks, revenue loss from IT outages decreased by 1.8%-3.5%.
- On average, SME respondents are spending only .2-.6% of their annual revenue on Managed Services.

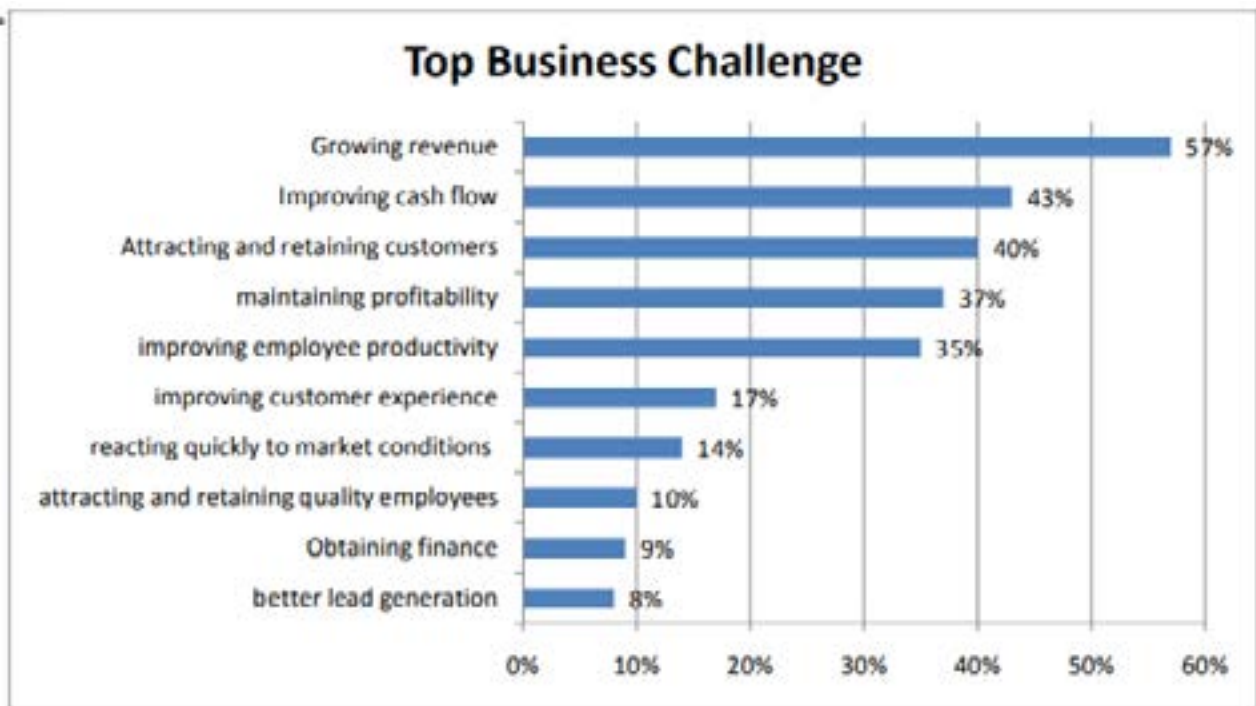
Actual managed service costs are very affordable, even for the smallest of companies.

## Section 1: The SME Business and ICT Challenges

In today’s demanding and competitive economic environment, businesses are more focused than ever on the bottom line. Survey respondents’ top concerns center on growing revenues, improving cash flow, attracting and retaining customers, and improving employee productivity (Figure 1).

Question : What do you view as the top 3 business challenges for your organisation this year ?

Figure 1: Top Business Challenges for Businesses Adopting Managed Services

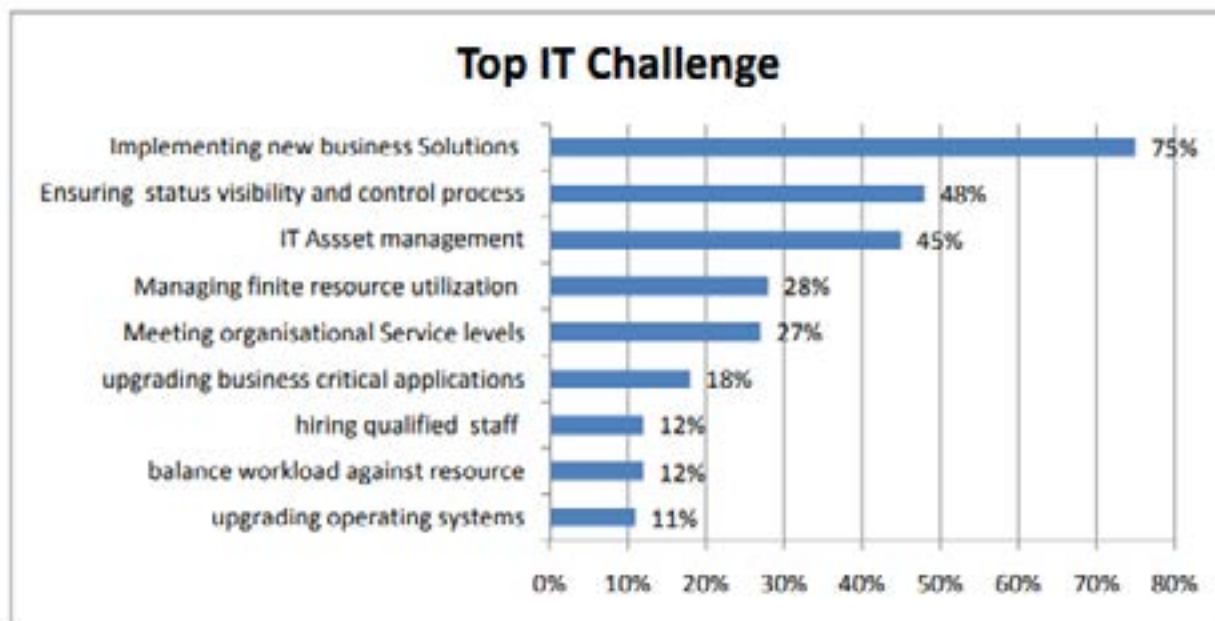


While SMEs view the right ICT solutions and efficient IT operations as essential to overcoming these business challenges, most SMEs lack the resources, time, and budget that it takes to manage the increasingly complex IT environments underpinning their businesses.

As we discuss in detail in the companion paper of this series *The Challenges of Successful ICT Management* » resource-constrained SMEs often struggle to take advantage of IT solutions that help them move the business forward. Survey results underscore this problem. As shown in Figure 2, 75% of respondents indicate that their most difficult IT management related challenge is “implementing new business solutions:”

Figure 2: Top ICT Management Challenges for Businesses Adopting Blue Saffron Managed Services

Question : What do you view as your organisations top 3 IT management related challenges this year?



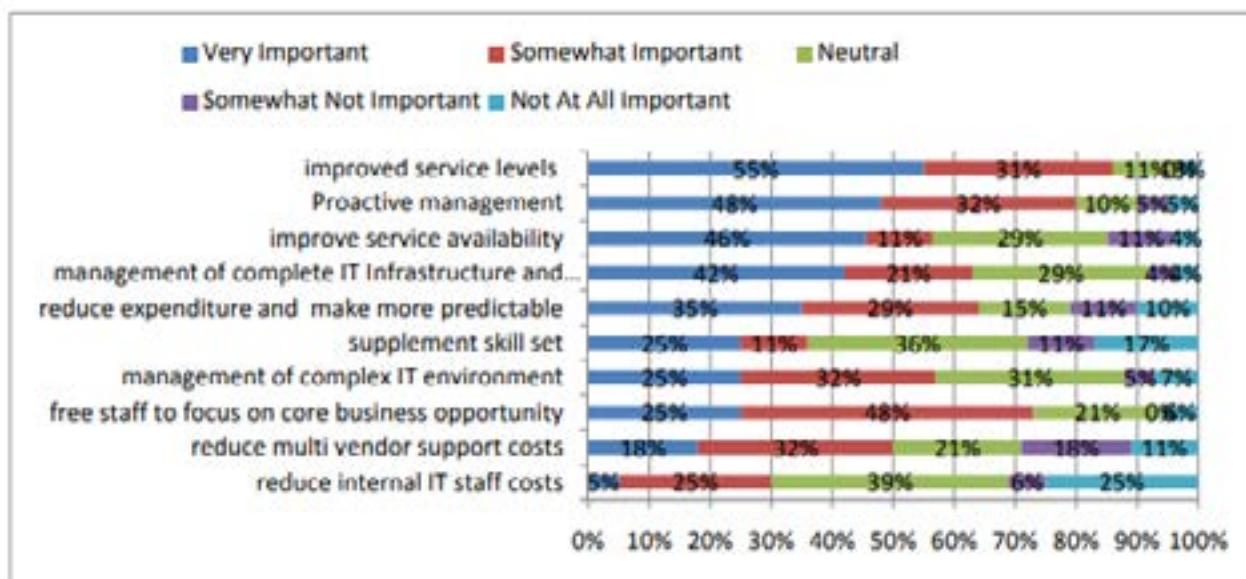
The response is not surprising considering that almost half of the respondents are also worrying about keeping their existing infrastructure running under tight budget restraint. For many SMEs, daily management activity associated with ensuring IT environment stability leave little time to address more strategic IT initiatives.

## Secion 2: Key Drivers and Considerations for Managed Services

Faced with challenges and constraints, SMEs often seek external providers to help them manage and run their IT infrastructure. As indicated in Figure 3, the top reason respondents turn to managed services is to both provide “more proactive services and improved service levels:” In fact almost 90% listed this as either a very or somewhat important reason for their interest in managed services. This dovetails with a majority of respondents citing the “inability of internal staff to manage an increasingly complex and/or heterogeneous IT infrastructure environment” and the desire to “reduce downtime” as key drivers for managed services as very or somewhat important.

Figure 3: Key Drivers for SME Consideration of Managed Services

Question : Please Rate the importance of the following attributes in your company's decision to adopt managed services Figure 1: Managed Services Provide Remote and On-site IT Management Services



Notably, while some respondents turn to managed service providers to augment internal IT infrastructure management resources, a significant percentage has a keen interest in a service provider taking all IT infrastructure management and monitoring activity off their plates. 42% of respondents indicate that having a managed services provider manage their “complete IT infrastructure—servers, storage, desktops/laptops, network and security” is very important. This isn’t surprising given the fact that the majority of survey respondents have to augment internal IT resources with external and part time internal service providers (Figure 4).

Post the decision to outsource these activities, SMEs intend to refocus internal IT personnel on more strategic projects. 73 % of respondents are “very interested” or “somewhat interested” in contracting with a managed services provider to “free up IT staff to focus on core business instead of break/fix activities. With mundane IT chores under control, internal IT staff can focus on helping the business deploy the new applications that it needs to grow.

Perhaps contrary to popular opinion, most are not looking to reduce internal IT headcount. Only 5% of respondents cite the “need to reduce internal IT staff to cut costs” as very important in their company’s decision to adopt managed services

Figure 4: Resources for IT Infrastructure Management

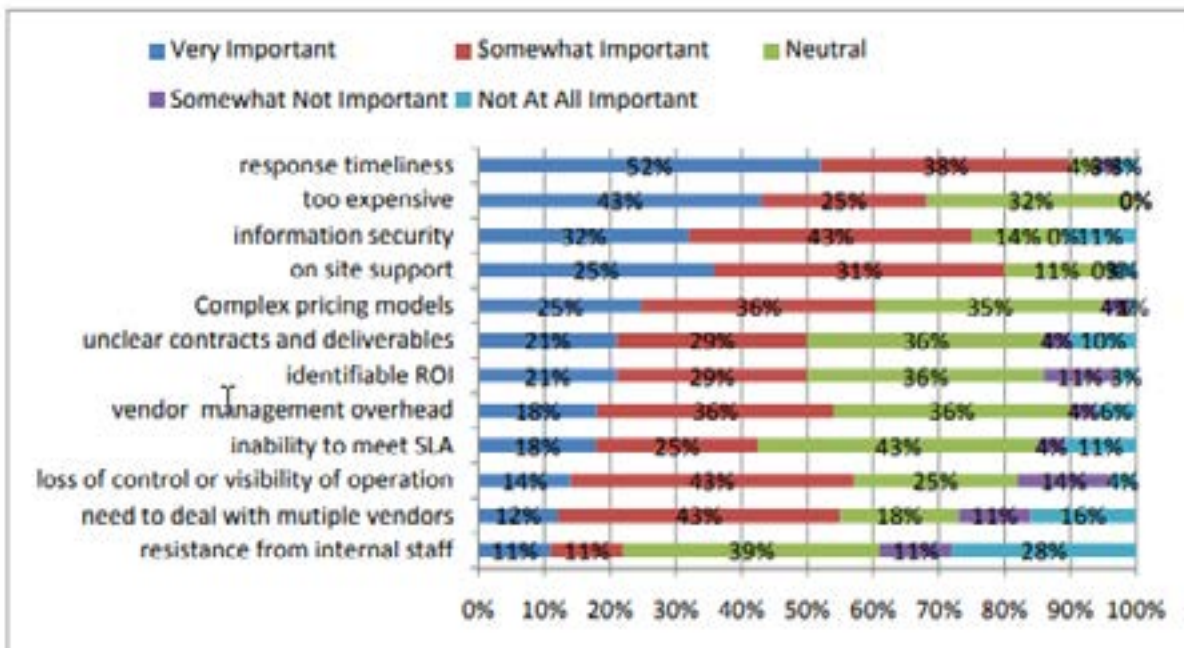
Question : Prior to the adoption of Managed Services who was fulfilling this role, an external or internal resource



While SMEs recognize the benefits that managed services can provide, concerns linger regarding the ability of providers to meet their expectations and requirements. As shown on Figure 5, when asked to rate the importance of several issues that they have when considering managed services, respondents put “timeliness of response” at the top of the list, with almost all rating this as very or somewhat important. 75% rank “information security concerns” as very or somewhat important, and 64% of respondents indicate that a service provider’s ability to “provide on-site support if needed” is very or somewhat important. As discussed in “Solving the SME IT Infrastructure and Management Dilemma;” these concerns may stem from past experiences with managed service providers who failed to deliver on the SMEs’ service expectations.

Figure 5: Key Concerns About Managed Services

Question :: Please rate the importance of the following concerns that you had when considering managed services



Respondents also expressed a high degree of concern about managed services pricing. 43% indicate “too expensive for my budget” as a very important concern, and 61 % say that concerns about “complex pricing models” were very or somewhat important factors impacting managed services decisions. These concerns mirror the reality that managed services providers have too frequently not provided the services that SMEs need at prices they can afford - pricing schemes may be too convoluted for time stretched SMEs to decipher.

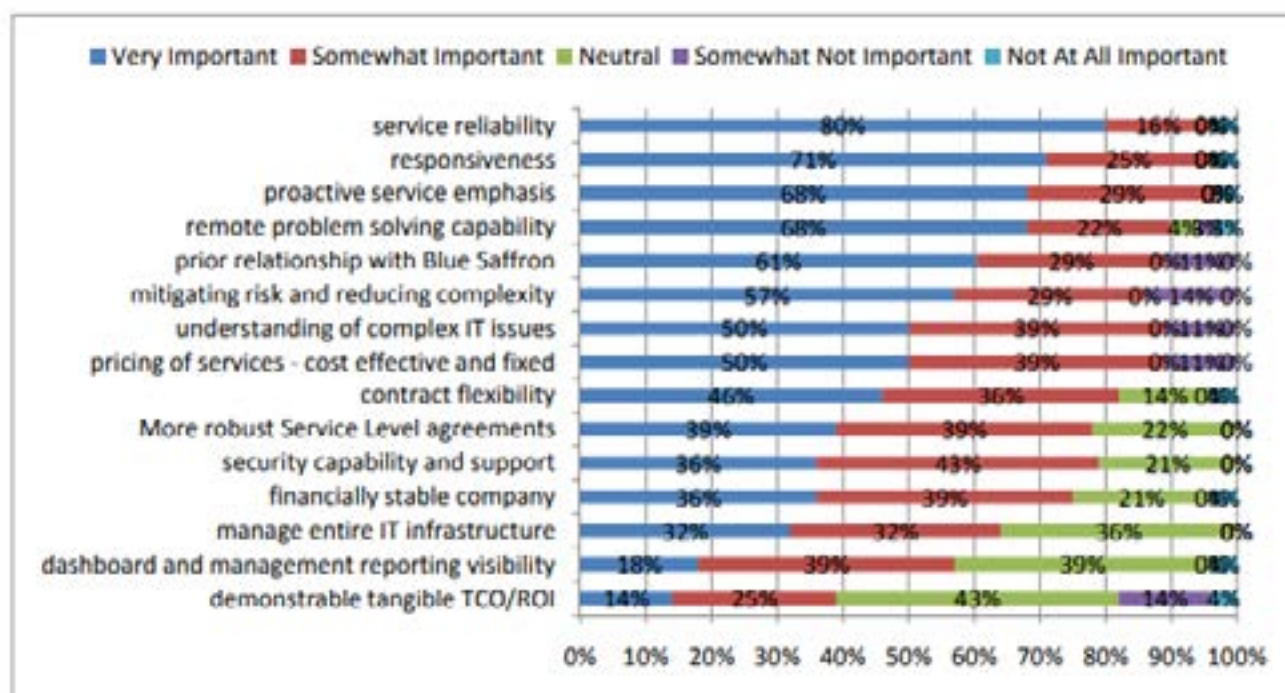
“Loss of control and visibility into IT operations” and “resistance from internal IT staff” appear to be non-issues for most respondents. Only 14% and 11 % of respondents respectively rate these issues as very important. Develop a more responsive and proactive service.

### Section 3: Factors Leading SME Customers to Select Blue Saffron Managed Services

Drivers and considerations for managed services map quite closely to the reasons that respondents selected Blue Saffron Managed Services, as illustrated on Figure 6. A substantial majority chose Blue Saffron because of their belief that Blue Saffron can provide reliable, responsive and proactive service:

Figure 6: Top Factors Driving Adoption of Blue Saffron Managed Services

Question : Rate how important the following factors were in choosing Managed Services



- 68 % felt it was very important that Blue Saffron could provide most of its services remotely, but provide onsite support when necessary.
- 80% indicated that Blue Saffron’s ability to provide “service reliability” was very important.

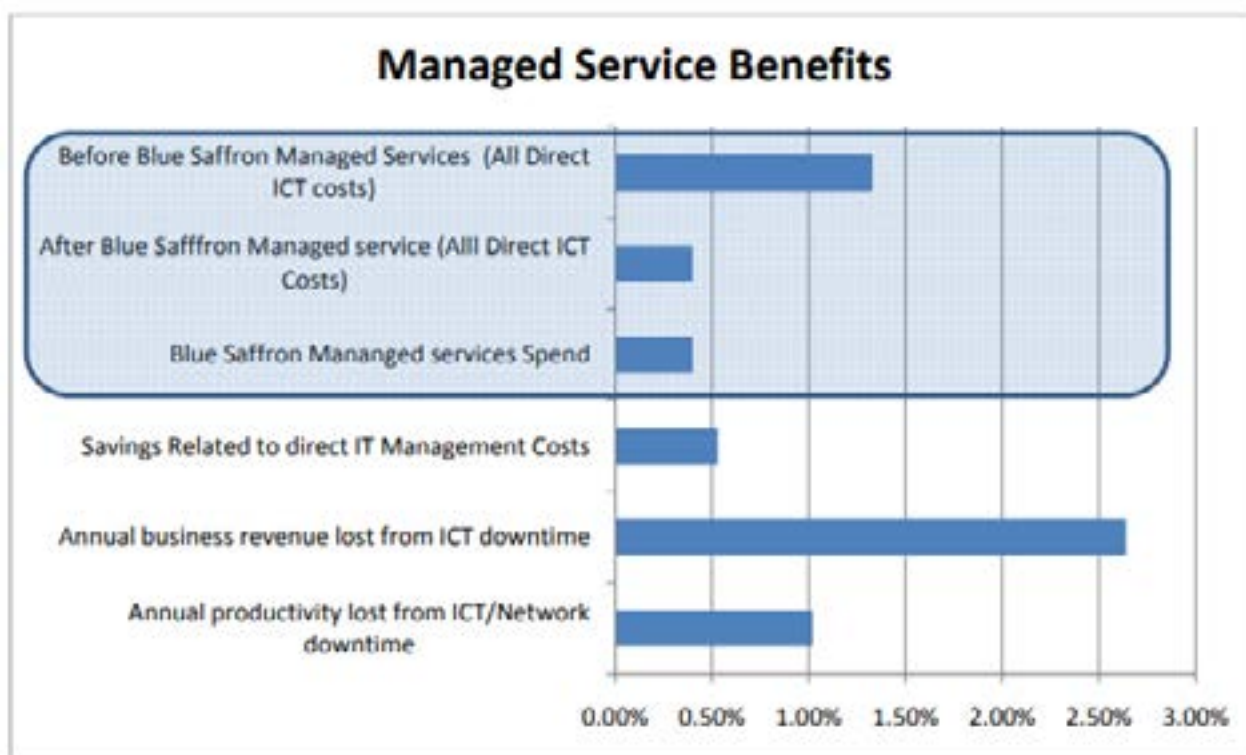


Pricing and ease of doing business also played a positive role in respondents' decisions to choose Blue Saffron. 89% of respondents rated "pricing of services-cost effective at a fixed monthly price" as very or somewhat important, while 82% ranked contract flexibility as very or somewhat important.

## Section 4: ICT Management Costs Comparison, Resource Requirements, and Productivity

Costs for Blue Saffron Managed Services tend to correlate with company size and the number of IT assets being managed. 96% of respondents surveyed chose Blue Saffron's most comprehensive service which includes alerts, monitoring, and management. As indicated on Figure 7, companies are spending approximately .2% to .6% of their annual revenues on Blue Saffron Managed Services, putting it in a very affordable price range for even the smallest of companies.

Figure 7: Assessing Your Need for Managed Services

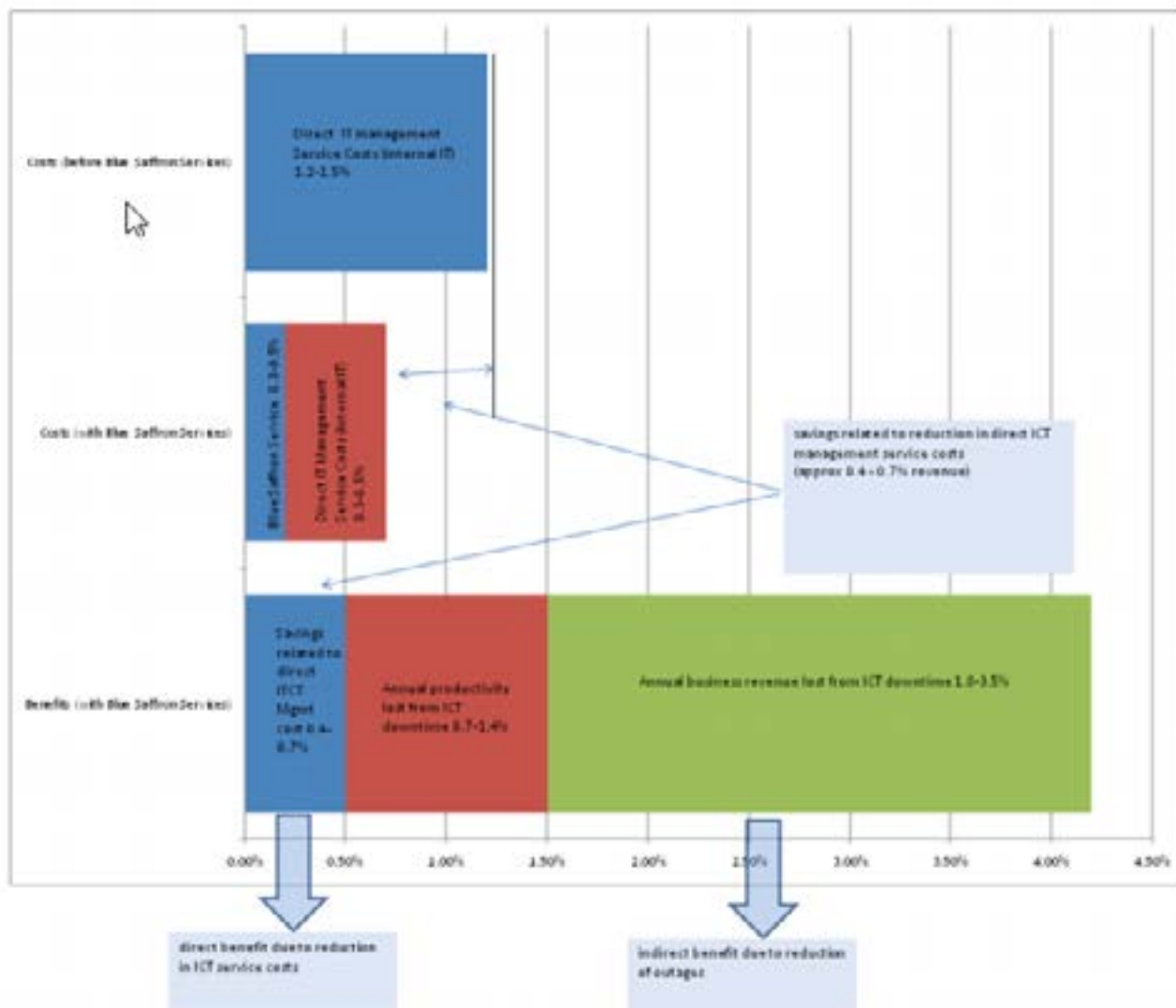


We asked respondents to provide spending, resource, and IT infrastructure outage related metrics for their IT environment before and after deploying Blue Saffron Managed Services. As illustrated in Figure 8, we found that on average, Blue Saffron Managed Services customers realized significant advantages in terms of direct cost savings and indirect business benefits from deploying Blue Saffron Managed Services. These benefits were consistent even though company size (number of employees and revenues), IT infrastructure, complexity, and staffing varied across respondents.

The key direct benefits that companies realized after implementing Blue Saffron Managed Services include reducing internal IT staff-related costs for IT infrastructure management by more than 50%. Respondents were able to reduce this cost from approximately 1.2-1.5% of annual revenues (before Blue Saffron Managed Services) to about 0.5% to 1.1% of revenues (after implementing Blue Saffron Managed Services). Blue Saffron Managed Services has enabled companies to reallocate both

internal IT staff and VAR resources from routine maintenance to higher value-add areas for their businesses.

Figure 8: Direct and Indirect Benefits of Implementing Blue Saffron Managed Services



Companies also achieved important indirect benefits after implementing Blue Saffron Managed Services, principal amongst which

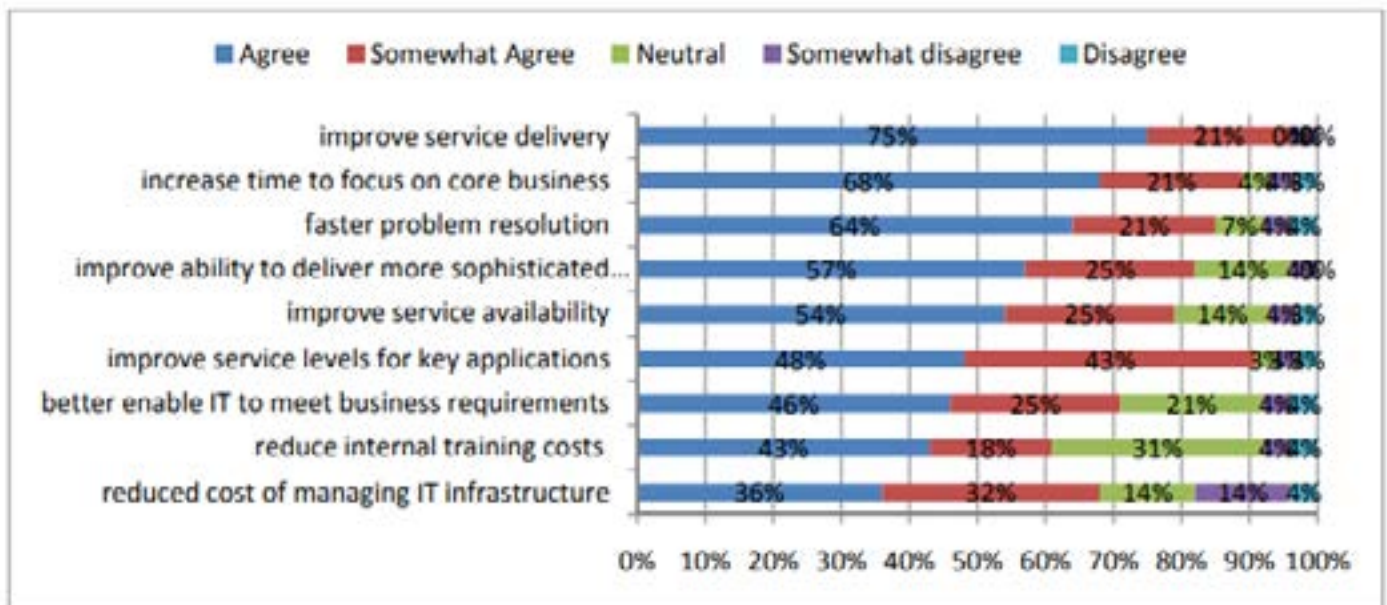
- Reducing lost productivity related to planned and unplanned IT infrastructure downtime from approximately 20% per year, per employee. The proactive service focus of Blue Saffron Managed Services significantly reduced both planned and unplanned IT infrastructure outages. As a result, Blue Saffron Managed Services customers reduced annual productivity loss from unplanned IT downtime by approximately 0.7% to 1.4% of revenue after implementing the service.
- Reducing the impact on company revenues due to downtime and resulting inability to perform mission critical tasks, such as access to business applications and ecommerce systems. After implementing Blue Saffron Managed Services, respondents realized a significant reduction in IT related outages. In turn, revenue loss from IT downtime decreased by 1.8%-3.5% of revenue.

## Section 5: Customer Perceived Advantages and Satisfaction with Blue Saffron Managed Services

In addition to the quantifiable benefits discussed in Section 4, customers using Blue Saffron Managed Services highlight other more qualitative yet important advantages they have gained. Among the top four benefits cited, three relate directly to having better, more reliable, more responsive service, and problem resolution. As shown on Figure 9, nearly 90% agree or somewhat agree that Blue Saffron’s “better service experienced staff, quick resolution, responsiveness, and reporting” are the top advantage, while 85% said that Blue Saffron “provides faster problem resolution than I had in the past;’ and 79% agree or somewhat agree that Blue Saffron has “reduced unplanned IT downtime

Figure 9: Key Customer Stated Advantages with Blue Saffron Managed Services

Question : Rate your level of Agreement with the Statements



Furthermore, a vast majority of Blue Saffron Managed Services customers are using the service to realize the critically important goal of refocusing internal IT staff on core, strategic business requirements and utilize those resources more effectively for the benefit of the organization:

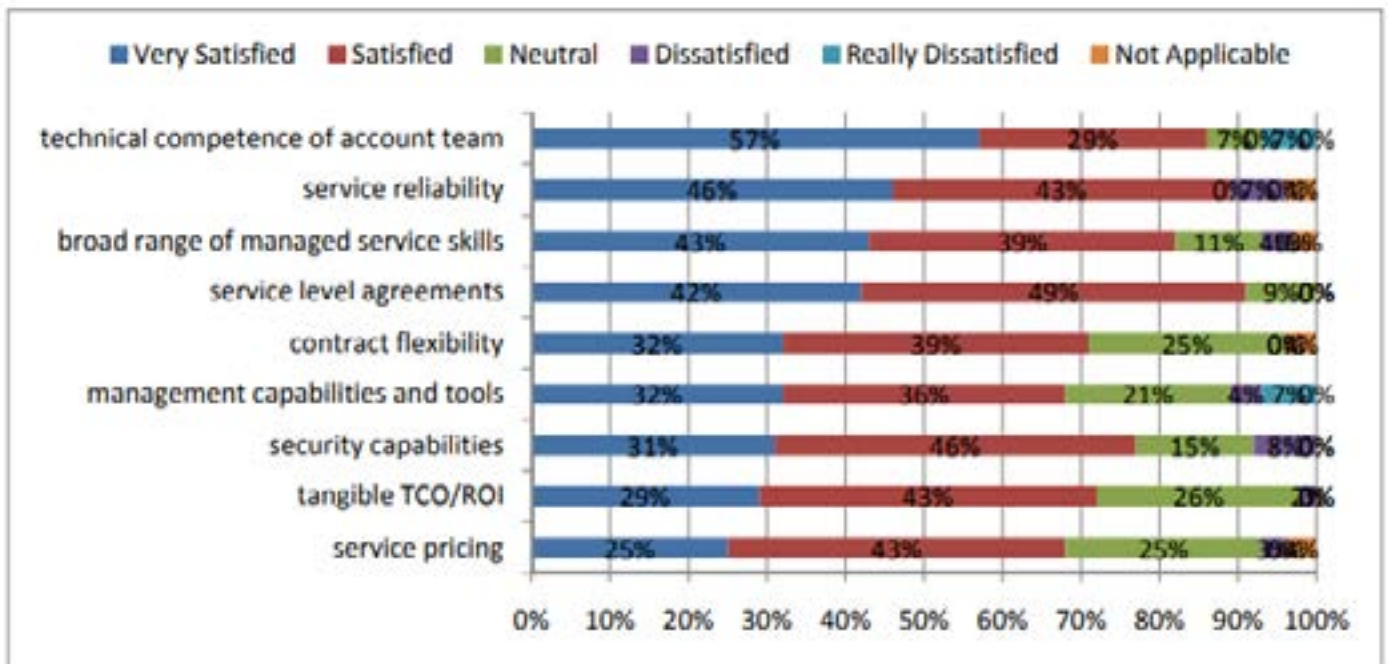
- over 70 % agree or somewhat agree that the service has “enabled IT to better meet business requirements
- 89% agree or somewhat agree that the service “enables my organization to focus more time and resources on its core business.”
- 89% agree or somewhat agree that the service “provides improved service levels for key business applications.”
- 82% agree or somewhat agree that Blue Saffron Managed Services has “enabled their

organization to deal with more sophisticated IT requirements.”

Blue Saffron is proud that Customer satisfaction ratings are positive, As shown in Figure 10, customers give Blue Saffron Managed Services the highest grades in the areas of responsiveness, technical competence, service reliability, and portfolio of IT infrastructure services. In almost every area, a majority of respondents are either very satisfied or satisfied with the service.

Figure 10: Customer Satisfaction Ratings for Blue Saffron Managed Services

Question : Please rate your organisation’s satisfaction with Blue Saffron Managed Services for each of the factors



## Section 6: Conclusions and Recommendations

As detailed in the companion paper, “The Challenges of Successful ICT Management » each company must evaluate their need for managed IT services by assessing their own requirements and capabilities. After completing this assessment, it is likely that many SMEs will identify IT infrastructure inefficiencies, gaps, and points of pain that result in productivity and revenue losses, opening the door to increased business risk.

Given these circumstances, more SMEs will turn to managed services providers for help. In doing so, SMEs should thoroughly evaluate the abundant managed service provider offerings to find solutions that are a proper fit for their needs and budgets, while being backed up with experienced, proactive around-the-clock service teams.

Judging from the results of this survey, we believe Blue Saffron is providing a very strong mix of these capabilities with Blue Saffron Managed Services. Blue Saffron's proactive managed services offering and comprehensive focus on the SME market (including hardware, solutions and services) differentiate Blue Saffron in the market. In addition, Blue Saffron has the capability to provide consistent support to companies that have multiple locations. While no one vendor can be a best fit for all SME needs, based upon these respondents' high level of satisfaction, it is clear that Blue Saffron Managed Services should be on the short list for serious consideration.

We recommend using the guidelines in Figure 11 when evaluating and selecting managed services provider.

Figure 11: Guidelines for Evaluating Managed Services Providers and Offerings

<b>Key Criteria</b>	<b>Questions for Vendors</b>
Initial assessment and implementation	<p>What is the process to assess and correct the existing environment?</p> <p>Does the vendor have tools and methodology to streamline this?</p> <p>What is done remotely, and what (if anything) is done on-site?</p> <p>How long will the assessment take?</p>
Experience with hardware and software environment	<p>What type of expertise and depth of experience does the vendor have to identify and resolve problems on the critical systems in my environment?</p> <p>Does the vendor have experience managing heterogeneous systems environments?</p> <p>Do they have any experience with business applications?</p>
Flexibility and scalability	<p>Can you buy just the services you want, and add additional ones as needed?</p> <p>Does the vendor have the personnel and infrastructure to easily absorb increased service requirements?</p>
Pricing	<p>What does the pricing cover? What doesn't it cover?</p> <p>Are there different types of subscription plans (for example monthly/annual contracts, premium services)?</p> <p>Do I need to plan for cost overruns if the vendor needs to spend additional time to identify and/or fix a problem?</p>
Reporting and visibility	<p>What kind of visibility do I have into the services provided?</p> <p>What types of reports does the vendor provide? How often?</p> <p>Can the vendor customize the information or frequency of these reports for my needs?</p>
Account resources and responsiveness	<p>Can the vendor provide me with a consistent team, or is service disjointed?</p> <p>Does the vendor have the personnel and infrastructure to respond to my concerns and keep me informed?</p> <p>Does the vendor provide 4/7 service, 365 days/year?</p> <p>What service and response levels does the vendor guarantee?</p>

## Appendix: Methodology and Demographics

The research was conducted in February 2010 across 35 business and information technology decisionmakers at small and medium sized businesses (firms with 10-500 employees). The survey was conducted in the United Kingdom, and respondents represented a cross-section of industries.

The quantitative benefits methodology used in this study is based on respondents' answers to questions asking them to compare their IT experiences "before and after" deploying Blue Saffron Managed Services. We examined this comparison in areas including IT budgets, internal and external IT resources, number of outages, length of outages, and number of people affected by outages.

"Before and after" calculations were determined by asking respondents for details about the total number of internal and external IT resources deployed to manage their IT infrastructure and the average monthly and/or hourly costs of these resources. This data provided a direct comparison of IT infrastructure management costs before and after deploying Blue Saffron Managed Services.

Indirect benefits were determined by asking respondents to provide information about IT related outages that they experienced on a weekly basis, and the number of people affected by these outages. In addition, respondents were asked to provide data points on their annual revenues and number of employees. From this data, we calculated average annual revenue per employee, lost productivity due to outages, and the average cost of annual downtime to the business.

Due to the variety of respondents in terms of company size, industry and technical sophistication, we established a range to more accurately reflect the cost, productivity and impact on annual revenues before and after deploying Blue Saffron Managed Services.