



ESG WHITE PAPER

# End-to-end Visibility and Intelligence: Keys to Managed Services Success

Governing Complex Cloud Infrastructure with CloudCheckr

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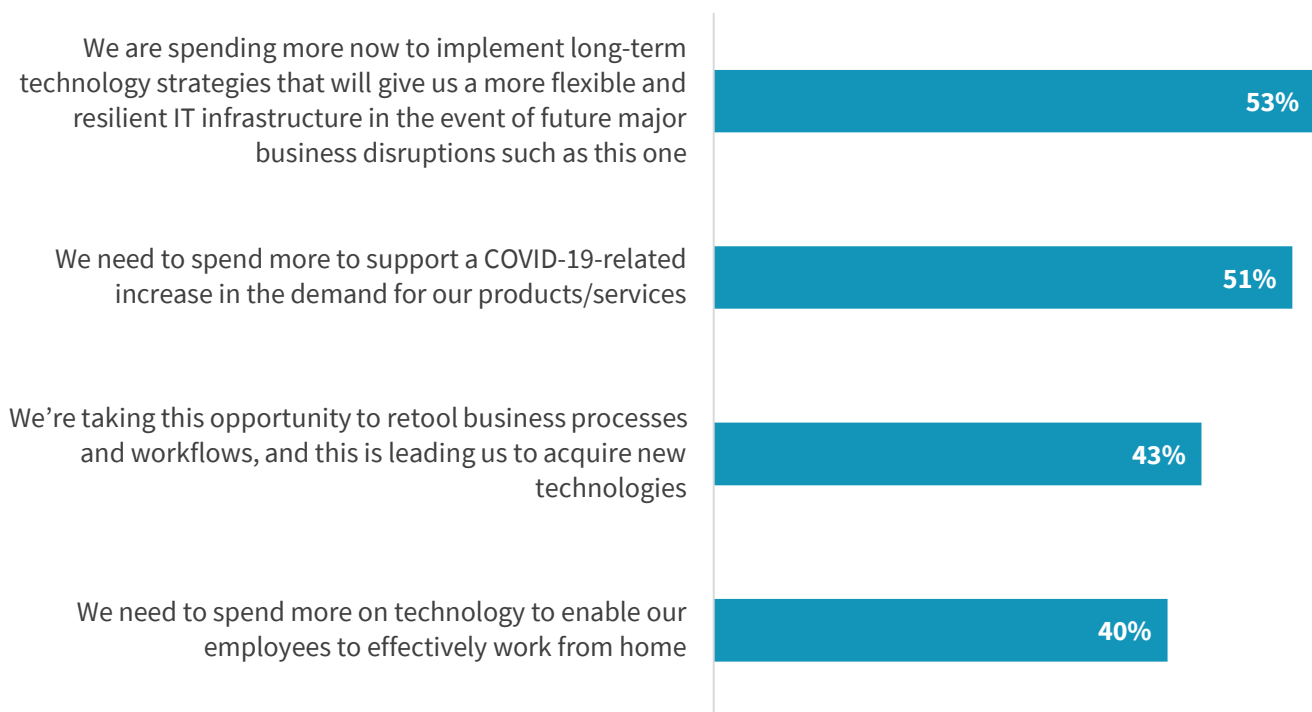
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## Cloud Computing Models Continue to Dominate and Grow

ESG recently conducted an in-depth survey of 664 senior IT and business professionals across midmarket (100 to 999 employees) and enterprise-class (1,000 employees or more) organizations in North America and Western Europe concerning their organizations’ IT spending plans and priorities. Based on the data collected from this research survey, technology spending is expected to grow from the previous year, driven by the need to retool IT capabilities and support business growth (see Figure 1).<sup>1</sup>

**Figure 1. Increased 2021 IT Spending Largely Attributed to Retooling IT Capabilities**

**Why do you think your organization’s 2021 technology spending will grow compared to its previous year spending? (Percent of respondents, N=399, multiple responses accepted)**



*Source: Enterprise Strategy Group*

Regarding the long-term impact of changing “work from anywhere” trends, two factors captured in the ESG research stand out.<sup>2</sup>

- The vast majority of organizations are OK with remote work for the foreseeable future, and 44% of respondents would prefer to keep as many employees as possible working remotely as long as possible.
- The increase in remote workers (49%), the combination of new data security and privacy regulations (38%), and higher data volumes (38%) were cited as three of the biggest reasons that IT environments have become more complex in the last two years.

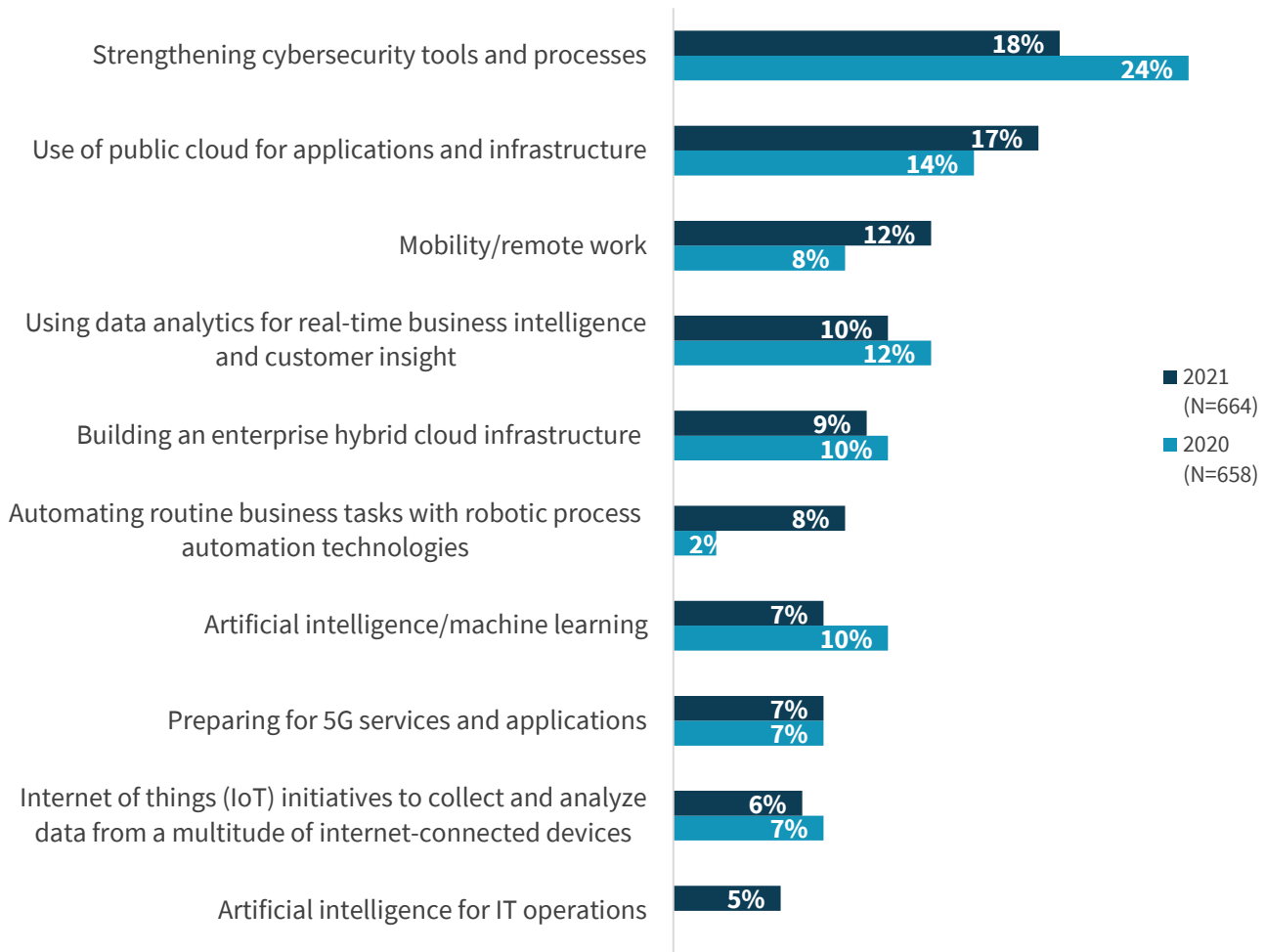
<sup>1</sup> Source: ESG Research Report, [2021 Technology Spending Intentions Survey](#), January 2021. All ESG research charts and references in this white paper have been taken from this research report, unless otherwise noted.

<sup>2</sup> Source: ESG Master Survey Results, [2021 Technology Spending Intentions Survey](#), December 2020.

- Contributing to complexity, the use of public cloud for applications and infrastructure and improved mobility and remote work capabilities gained ground in importance from the previous year, likely due to the pandemic-fueled change in working conditions, and now approach strengthening cybersecurity tools and processes in terms of prioritization (see Figure 2).

**Figure 2. Public Cloud and Mobility Gained the Most Ground YoY in Terms of IT Initiative Prioritization**

The IT initiatives listed below are among some of the most widely publicized and discussed technology meta-trends today. Which of these initiatives will be the most important for your organization over the course of 2021? (Percent of respondents, percent ranked #1 displayed)



Source: Enterprise Strategy Group

The trends driving IT complexity have accelerated the demand for flexible, resilient IT Infrastructure and supporting services, including managed services. This is amplified by ESG research:<sup>3</sup>

- 59% of IT decision makers surveyed identified data as their core business or part of it.

<sup>3</sup> Source: ESG Master Survey Results, [2021 Data Infrastructure Trends](#), September 2021.

- 64% agreed or strongly agreed that the complexity of their IT infrastructure environment slows IT operations and digital initiatives.
- 76% agreed that they have taken on new responsibilities to support digital transformation goals or are under pressure to do so.

The combination of all these factors illustrates the key areas in which IT partners who deliver a broad range of services and managed services can differentiate their offerings and develop long-term, sustainable customer relationships.

### Managed Services Growth – Customer Demand Drives Changes to IT Partner Business Models

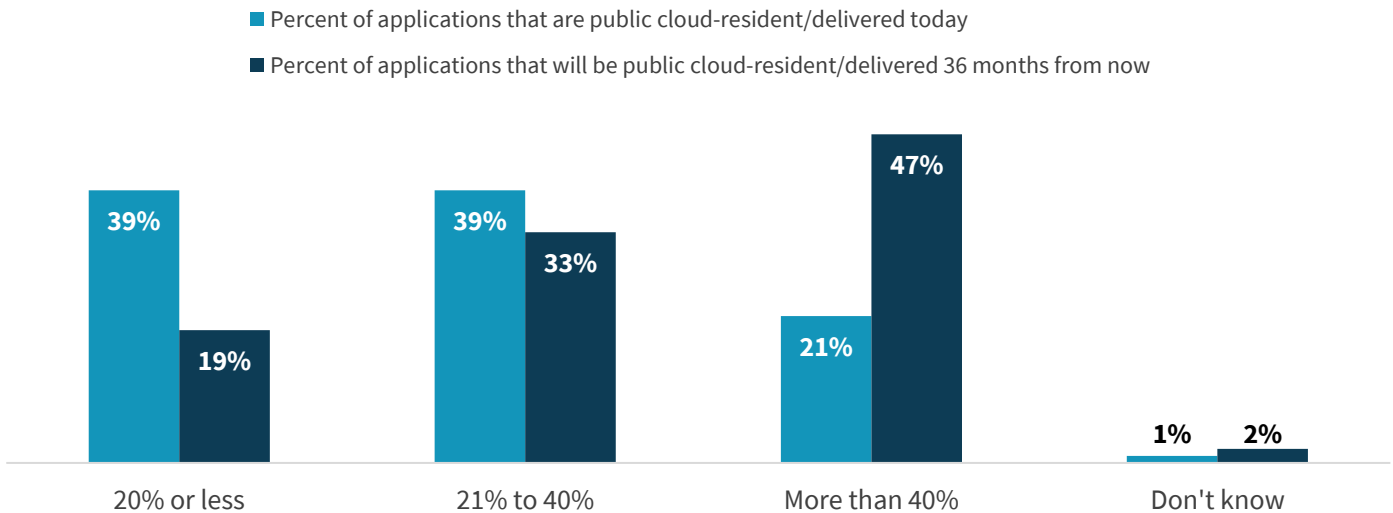
Digital transformation initiatives continue to gain momentum, with digitally mature companies pursuing more aggressive public cloud spending plans and strategies. Nearly three-quarters (72%) of organizations report either having mature digital transformation initiatives or say that they are currently implementing and executing various digital transformation initiatives.

For more than half of respondents (56%), one of the most important objectives for their organization’s digital transformation initiatives is to become more operationally efficient, while 49% cited the need to adopt digital tools and processes to allow users to interact and collaborate in new ways as one of their organization’s most important objectives. More digitally transformed organizations were also significantly more likely than those merely at planning stages of these initiatives to be increasing both IaaS (76% versus 54%) and SaaS (72% versus 41%) spending in 2021.

In addition, nearly a quarter (21%) of respondents report that more than 40% of the total applications their organizations rely on are currently public cloud-resident (i.e., SaaS and/or custom applications that run on public cloud infrastructure), and importantly, the percentage of these organizations will more than double (47%) over the next 36 months (see Figure 3).

**Figure 3. More Applications Expected to Be Cloud-based within Three Years**

**Of all the business applications used by your organization, approximately what percentage is currently public cloud-resident? How do you expect this to change—if at all—over the next 36 months? (Percent of respondents, N=664)**

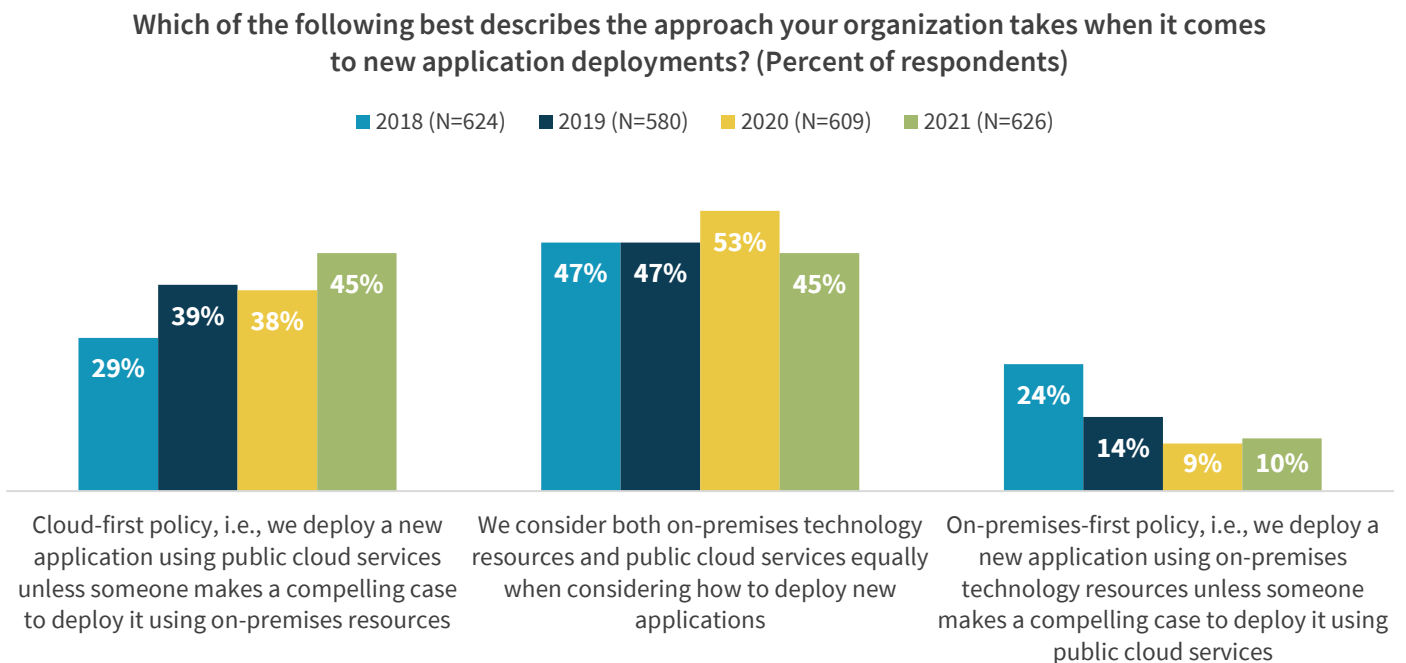


Source: Enterprise Strategy Group

Nearly half of organizations now have a cloud-first strategy, with greater prevalence among younger and remote-ready companies. As a gauge of the role of public cloud services as part of an overall IT strategy, respondents were asked to consider the approach their organization typically takes when it comes to new application deployments. Nearly half (45%) of organizations consider both on-premises and public cloud services equally. But that is changing, as 45% of organizations have shifted to a cloud-first policy using public cloud services compared to 38% last year and only 29% in 2018 (see Figure 4).

A cloud-first approach is particularly prevalent among younger organizations that were likely founded during the years that cloud services were gaining traction as a legitimate alternative to traditional on-premises IT, as well as those with a higher percentage of remote workers. The latter is significant because of the connection between an organization’s cloud strategy and its “remote readiness,” meaning its ability to support employees’ work requirements regardless of location.

**Figure 4. Cloud-first Application Deployment Strategies Continue to Gain Ground**



Source: Enterprise Strategy Group

Hybrid or multi-cloud environments supported by managed services are becoming the preferred consumption mode for modern IT, and there is rapid expansion of the number of partners becoming MSPs at some level.

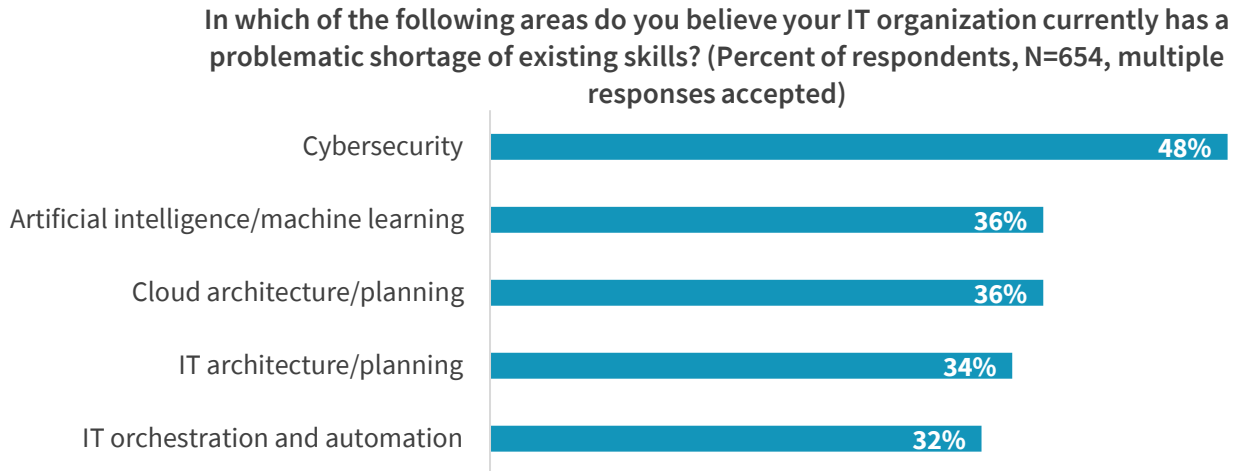
- 48% of IT leaders say they would prefer to buy infrastructure via a consumption-based model such as a variable monthly subscription based on resource utilization, up from 42% last year.
- Current IaaS users (that have experience with these services) are significantly more likely to convey a preference for a consumption-based model for their data center infrastructure.

### Skills Shortages Present Challenges and Create Partner Opportunities

Finding qualified talent is a major issue for end-users. ESG data identifies the most common areas of skills shortages reported by respondents, with cybersecurity atop the list. Importantly, other areas in which respondents reported that their organizations have a problematic shortage of IT skills include key functions where end-users often rely on partners to guide

and support them. These include planning and operational support for cloud architecture (36%), IT architecture (34%), and IT orchestration and automation (32%), which are the top five most-cited responses (see Figure 5).

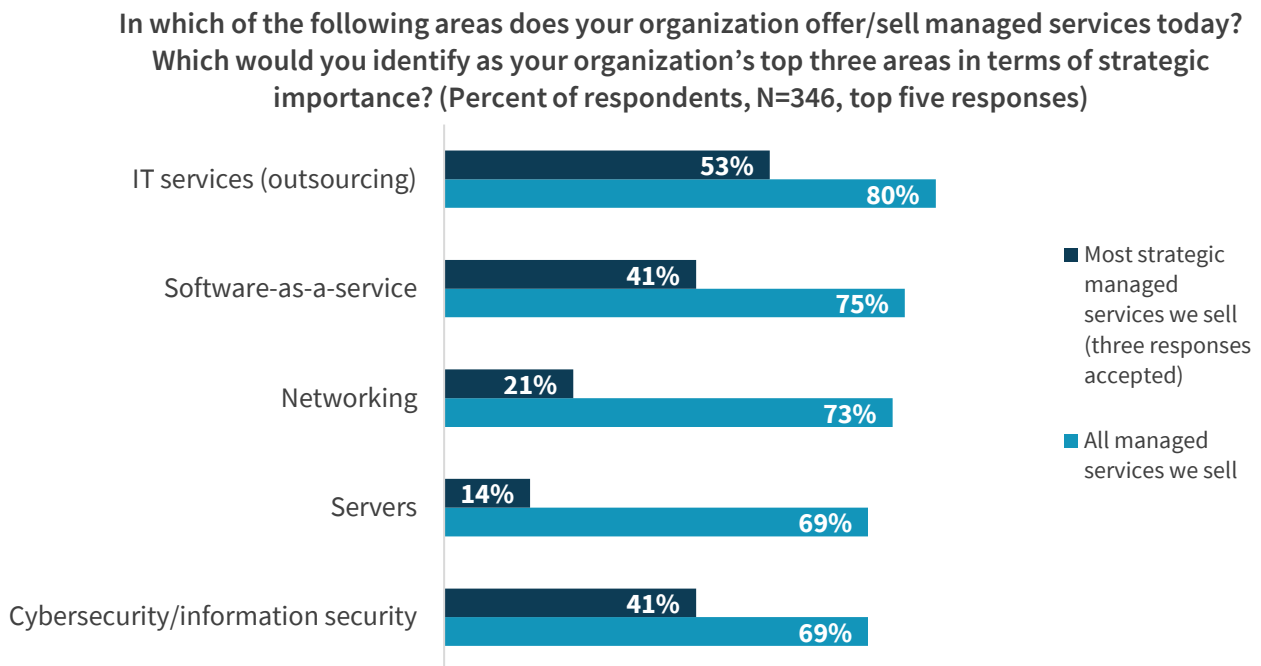
**Figure 5. Top 5 Most Common Areas of IT Skills Shortages**



Source: Enterprise Strategy Group

As a result, partners are placing their own bets for the future of their business on three managed services that jump to the top of their list as the most strategic they sell: IT services (53%), software-as-a-service (41%), and cybersecurity (41%) combine to illustrate how partners plan to support their customers moving to the cloud (see Figure 6).<sup>4</sup>

**Figure 6. Partners are Placing Strategic Bets on Services and Software Moving to the Cloud**



Source: Enterprise Strategy Group

<sup>4</sup>Source: ESG Master Survey Results, [MSP Partner Landscape 2020](#), January 2021.

## Delivering Flexibility through Managed Services

In order to support this change, leading IT partners invest in talent and resources to deliver “white glove” managed IT operations. These can be consumed as needed to support the operational requirements of their customers’ digital initiatives, and enable IT operational outcomes that include agile deployment, simplified management, infrastructure resilience, and potentially a reduced infrastructure footprint, resulting in lower overall costs.

### Scalable, Cost-effective IT Managed Operations

- Migration and data management
- Monitoring, reports, and alerts
- Backup and restore
- Security and compliance
- Flexible subscription models

## MSP Challenges - Efficient Managed Services Delivery

When starting and ramping their managed services business, IT partners report the following challenges, which combine to reduce partner efficiency, increase cost of delivery, and yield low margins on cloud services and resale:

- Customers are asking partners to move workloads across clouds while protecting their data and providing access to all the services that multi-cloud offers, all while providing the security and simplicity of a single point of support.
- The explosion of use cases across vertical markets drives complexity of multi-cloud deployments and data interconnection.
- High rates of customer churn may be impacted by several factors:
  - Inefficient, manual processes for billing and support that affect partner response and service levels.
  - Perception and understanding of their cost/benefit of cloud-based managed services versus on-premises IT.
  - Undifferentiated services offerings by partners.

## Cloud Visibility and Intelligence – Keys to Efficient, Profitable Managed Services Delivery

In order to organize for efficient delivery of services in the complex, multi-cloud world, MSPs are increasingly looking to invest in strategic relationships, partnering with vendors that provide innovative, cloud-native products and applications and tools for operational productivity in all areas of their business.

Increasingly, partners are dealing with these challenges by investing in technology. Recent ESG research covering managed service providers that also provide managed security services shows that almost three-quarters of the partners surveyed (74%) have started down this road by adopting a combination of remote monitoring/management and professional services automation tools.<sup>5</sup>

Additionally, progressive partners are investing in tools that impact their services’ operational efficiency and allow them to deliver customer value in a fully transparent manner by utilizing CloudCheckr CMx for total cloud visibility management.

ESG has reviewed CloudCheckr CMx and found several key attributes that create value for MSPs. CloudCheckr CMx design pillars, all based on a single, configurable code base with central ownership of visibility and intelligence, include:

<sup>5</sup> Source: ESG Research Survey commissioned by Pax8, *2021 IT Managed Services Research: MSP Security Services Trends*, September 2021.



- Reducing MSP overhead to deliver services as a primary goal.
- Providing transparency with controlled access of data and information to end-users.
- Adding security as a Center of Excellence, with a single portal to view KPIs.
- Enabling margin improvement and long-term customer value.

Many partners that are still figuring out how to go all in on cloud service delivery rely on CloudCheckr to help them package their own differentiated service offerings. These design pillars give MSPs the ability to create a set of new, unique service offerings they hadn’t envisioned before; understand and track their costs; and better define their markup for those services.

By providing one true bill for the managed and professional services they deliver, customers can visualize the benefits more easily. MSPs can increase customer confidence in their services and more easily justify spending tied to documented savings. Improving how they share information and translating that into value they are providing, MSPs improve customer loyalty and renewal/retention rates.

### Cloud Partners Speak – CloudCheckr Helps Drive Profits and Customer Loyalty

ESG conducted deep-dive interviews with several MSPs that utilize CloudCheckr CMx and rely on it as an enabling technology to support their managed cloud services practices. During these discussions, we uncovered a comprehensive value proposition for those partners, which checks the boxes on every one of ESG’s Partner Value Proposition elements (see Table 1).

Table 1. Foundation for a Strong Partner Value Proposition: ESG’s Partner Economic Validation

Category	The Questions Partners Ask, or “What does it do for my business?”
Sales	<ul style="list-style-type: none"> <li>✓ How big is the opportunity?</li> <li>✓ Do my customers want it?</li> <li>✓ Is it easy to understand and sell?</li> </ul>
Synergy	<ul style="list-style-type: none"> <li>✓ Does it fit with my business?</li> <li>✓ Does it align with my competencies?</li> <li>✓ Does the vendor support me?</li> </ul>
Financial Return	<ul style="list-style-type: none"> <li>✓ How hard/costly is it to ramp up and support?</li> <li>✓ What are the discounts/incentives?</li> <li>✓ How does it impact my top and bottom lines?</li> </ul>
Differentiation	<ul style="list-style-type: none"> <li>✓ Can I offer unique solutions?</li> <li>✓ Will it set me apart?</li> <li>✓ Can I beat my competitors?</li> </ul>
Customer Relationships	<ul style="list-style-type: none"> <li>✓ Does it make me a trusted advisor?</li> <li>✓ Does it promote ongoing business?</li> <li>✓ Does it strengthen my position?</li> </ul>

Source: Enterprise Strategy Group

Some of the insights we took away from our discussions with the MSPs included the following:

One partner stressed that CloudCheckr helps them address what they consider a “confidence problem” with clients. Clients are often concerned with a lack of clarity on the size and growth of their cloud costs, confidentiality of data and information, and general compliance with regulations such as HIPAA. This partner defined the value proposition CloudCheckr brings to their business simply but elegantly as: “Supporting Tools, Enabling Talent, and Providing Coverage.”

**“Value to us is not just cost savings—it is much more about expanding and operationalizing the business to enable scale.”**

-Cloud Consulting Partner/MSP

**“We look to layer even more security on our offerings over the next 12-24 months.”**

-Cloud Security/Managed Services Partner

Another partner stressed the value to the business that was derived from being “heavily integrated with CloudCheckr.” Combining the CloudCheckr brand with their family of in-house branded tools allowed them to:

- Build and create a complete lifecycle approach to support their customer’s cloud transformation.
- Add security services and tech best practices that they didn’t have (i.e., compliance).

Additionally, this partner summarized the value proposition of their partnership with CloudCheckr by stating that providing their CMS (cloud management services) gives them high-value visibility and insight into customer environments. With this, CloudCheckr helps them enjoy the following benefits:

- Advance customer relationships (penetration).
- Provision new logos, plus enable their land and expand strategy.
- Tie into and support high-margin services packages.
- Drive strong services profitability at a good buy rate.

**“We close 80% of our ‘other services’ line items—it’s kind of a layup.”**

-Cloud Consulting Partner/MSP

## The Bigger Truth

Although IT spending is on the rise as organizations invest in innovative solutions, priorities are shifting. Success starts with providing superb customer experiences, driving operational efficiencies, and increasing employee productivity.

New mandates are now emerging as organizations look to support remote workers and offset the long-term impact of the changing work environment. Increasingly, these mandates include responding to changing client preferences and needs for supporting complex hybrid and multi-cloud environments.

Challenges for MSPs abound, requiring greater investment in robust cybersecurity solutions to thwart today's sophisticated malware and ransomware attacks, and requiring them to manage data and workloads moving between on-premises and multiple cloud sites.

At the same time, opportunities for MSPs may never have been this strong. MSP customers rely on them to find new ways to address a shortfall of qualified technology talent in order to capitalize on innovative technologies such as artificial intelligence/machine learning. Moving forward, it's clear that organizations must continue to leverage cloud solutions to provide remote workers with the online communication and collaboration platforms they require to stay productive while safeguarding critical systems and minimizing IT complexity.


Fortunately, CloudCheckr helped define the Cloud Management Platform (CMP) category and its software was built from the ground up to support complex and differing partner use cases. In 2019, the company made a pivot to a partner-first strategy, which, per the partners ESG interviewed, has been proven by stellar customer experience ratings.

Supported by our research findings, partners should take advantage of the opportunity presented to MSPs through automating their end-to-end operations using CloudCheckr CMx. ESG recommends that partners looking to take their cloud-managed services practice to the next level should closely consider the benefits of partnering with CloudCheckr.


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