



managed services

Trends in the IT Industry

The information technology (IT) industry, in general, has evolved tremendously over the past fifty years. It's now to the point where, in one way or another, technology impacts our everyday lives. No longer is IT just for large organizations, businesses of all sizes have had to adopt technology in order to do their work. Interestingly there is one area of IT that has remained almost as it was fifty years ago – technology acquisition, service and support.

Smaller businesses as well as large enterprises alike have IT systems that are becoming increasingly complex, inextricably linked, and difficult to manage. Even the smallest organization now has mission-critical systems that, when they fail, negatively impact the success of their business. And all organizations have the increased burden of meeting complex compliance requirements and keeping up with constantly evolving security threats. In addition the constant changes in technology and faster and more powerful systems never seem to end. The combination for all these factors create a good deal of challenges for companies as they struggle to keep up with their technology needs, industry changes and how to budget and account for these expenditures on a more predictable basis.

A recent study by Forrester cited the SMB market at 48% of the overall US IT spending, stating that it surpassed enterprise IT spending in 2007. So as we can see it is not longer a big company versus small company issue, the amount of dollars being spent make it an industry wide issue.

Vendors

It is no secret that the large technology vendors, and their technology, have dominated the IT sector for as long as anyone can remember. Two key trends have begun to potentially re-define the business models of the manufacturers: the growth of the SMB market and SaaS (Software as a Service). Both of these trends greatly challenge the business models based on the enterprise sales models, which have been eroding over time.

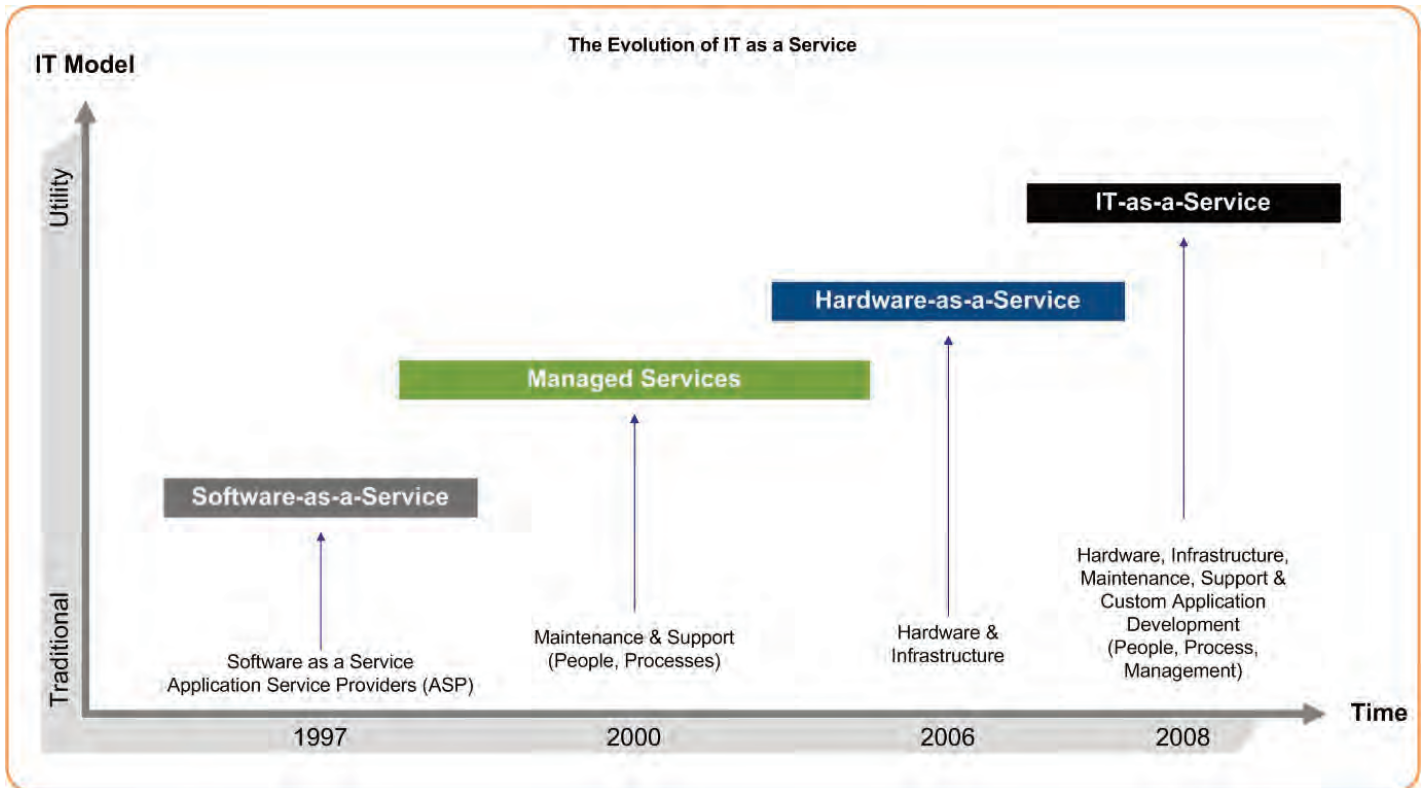
Going forward, it is clear that vendors need to pay more attention to their channel programs to ensure that they enable service providers to deliver some form of annuity-based services. As well, management software vendors will increasingly require their technology to be MSP-enabled. This point was most famously seen with the advent of Salesforce.com and their CRM usage fee model and most recently by Microsoft themselves with their recent announcement of their plans to begin marketing their own software as a service versus their traditional licensing approach.

Distributors

Traditionally the distribution industry was built on the premise of connecting vendor technology and programs to companies in a more cost effective and expedient fashion. Over time, these attributes or “value-add” have become increasingly more difficult to measure in terms of the ultimate value distribution actually delivers. The fact a large percentage of today’s software is available via the Web creates further challenges for distributors.

IT Services Evolution

Figure below is what Lumen21 believes is the migration that we have seen in the services side of the business in relationship to IT. Lumen21 sees 3 major offerings that the general market has embraced and a fourth which is the one that Lumen21 believes is where this industry is heading.



Software-as-a-Service (SaaS)

SaaS has been mainly used by software vendors most prominently by Salesforce.com and most recently by Microsoft. This model has basically put the implementation of the software product into the hands of others, mainly the software manufactures and it has allowed the client to not have to deal with the issues of licensing and implementation. It is estimated that by 2010 the digital software delivery market will represent in the neighborhood of \$6.4 billion which would match today's "boxed software market" This model was mainly seen in the mid to late 90's

Managed Services (MS)

These services are typically delivered in a monthly, subscription-based model, and leverage Web-based remote monitoring and management tools that operate across distributed, multi-customer infrastructures. Managed Service engagements generally include SaaS elements for remote IT and security monitoring and management as well as some sort of services that mostly include break fix and help desk type support. This model was mainly seen in the start of the millennium and it was a vehicle that many small break fix companies have used to move themselves up the revenue food chain. This model afforded the providers a better way to manage their engineering resources as they could plan for visits and look into problems before they actually became larger issues.

Hardware-as-a-Service (HaaS)

This model basically takes the concept of SaaS for software and extends it to the hardware side of the business. In other words since most of the capital expenditures in IT are for hardware and infrastructure then certainly it can be appealing to have a monthly fee based solution for these types of expenditure given the company's' need. This type of model became more visible in and around 2005 and 2006.



IT-as-a-Service (ITaaS)

Lumen21 believes that the above mentioned models have not gone far enough for many clients as they face greater challenges than just running an application like CRM from Salesforce.com, or having their equipment monitored or ran by another organization. Lumen21 believes that businesses need a complete solution that addresses their applications needs, networking needs, associated back ups both of servers and end user systems, the use and implementation of other utility software such as E-Mail as well as the operational aspects of running the systems to include not the least of which database support. In other words, putting a company in position to know that they have the right computing environment that is needed to run the business, software, hardware, networking, security along with support and all at a budgeted price per month that the company can plan for. Surrounding all of this is set and defined level of service that the client can and will receive. In other words "I want something that works for what I need at a known price and I don't have to concern myself with what that is and better yet if I don't own any of the pieces I can concentrate on my business."

For this reason Lumen21 has taken a leadership position and has brought to market (ITaaS). Lumen21 begins with a thorough review of the clients' environment in order to understand all that is needed from software, hardware and services standpoint. The review not only identifies the products aspects of the needs but it also encompasses the business drivers, benchmarks the client against similar size businesses and equally as important develops a cost model that helps the company understand their IT expenditures and options with their own financial data.

With the above data in hand Lumen21 develops the following deliverables for a client:

- ◆ Hardware Solution: Specific hardware that will be providing to the client for their operation, includes servers, network equipment, workstations and storage products.
- ◆ Software Solution: Specific software that will be provided as a service and hosted as needed.
- ◆ Service Level Agreement: Establishes the metrics of success to be measured by all involved.
- ◆ Management-monitoring of the network and its devices, tracking and reporting levels and commitments and change management.
- ◆ Pricing-Monthly one cost for all services required to run and benefit from your computing operation.
- ◆ Financing: Vehicle to provide the needed funding to allow the above mentioned services to be performed thus enabling a one lump monthly payment that is measurable, and can be budgeted for as a course of conducting your business.
- ◆ Technology Refresh: A service like this does not mean that the client needs to give up the benefits afforded by future technology solutions. As such in the agreement Lumen21 commits to a set refresh schedule for hardware products needed as part of the hardware solution being delivered for the client service.
- ◆ Buy Back: Lumen21 can take from the client the existing hardware equipment it currently has at book value and write a check for such equipment back to the client for their use.



Lumen21's goal is not to piecemeal a solution by providing pieces of what a client really needs. At the end of the day, our focus is to provide the complete solution that will allow clients to realize the possibility of ***"I want something that works for what I need at a known price and I don't have to concern myself with what that is and better yet if I don't own any of the pieces I can concentrate on my business."***

Lumen21 is a leading provider of business consulting, innovative IT solutions, system integration and managed services serving Global 2000 companies, mid-size businesses and developing organizations. We provide technology strategy, system design, architecture, application implementation, network infrastructure, systems integration and managed services. Partnered with the top-tier technology providers, our unique business focused and solution based methodology combined with our experience has enabled industry-leading organizations; to effectively address their business needs, optimize the returns on their IT investments, mitigate risk, and focus on growth and profitability. For more information, please contact sales@Lumen21.com