



# Addressing Midmarket Transformation: IBM's Managed Service Provider Initiatives for the Midmarket

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*This is a compilation of a five-part blog series by SMB Group that examines the evolution of midmarket business technology solutions and IBM’s Managed Service Provider Channel programs. The series was originally published in September through December 2012.*

## THE TECHNOLOGY—PERFORMANCE CONNECTION FOR MIDMARKET BUSINESSES

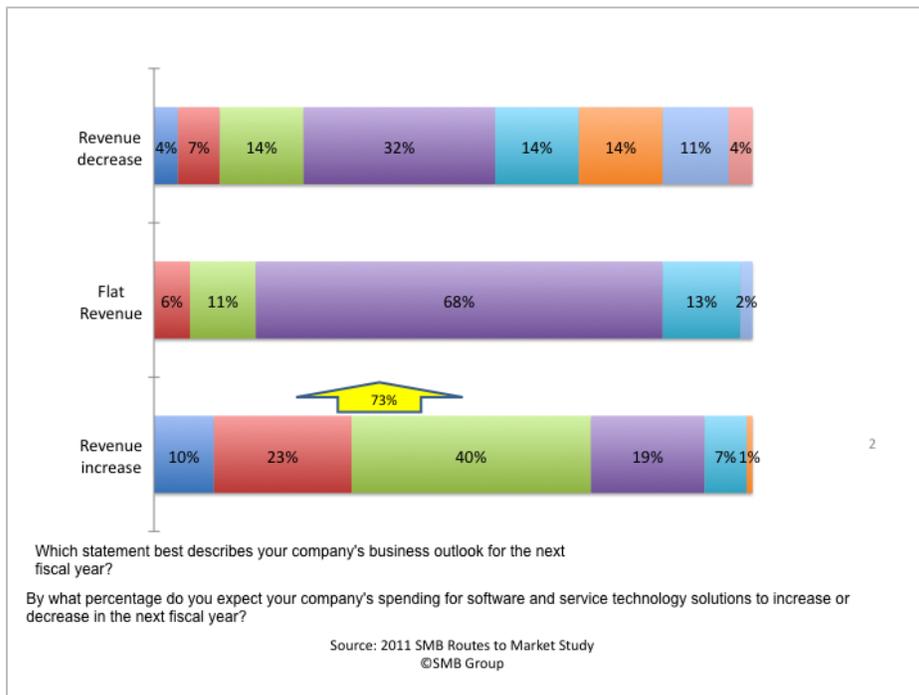
September 10th, 2012

In today's always-on, hyper-connected world, technology has become a critical lynchpin for business success. Increasingly, businesses of all sizes view technology as an essential to improving customer engagement, raising employee productivity, and creating innovation and differentiation—all vital ingredients for building economic value.

You don't need to take my word for it. For the first time since IBM began conducting its *Global CEO Study* eight years ago, study respondents identified technology as "the most important external force impacting their organization" in the most recent [2012 IBM study](#).

It looks like these respondents are right. In the SMB Group's [2011 SMB Routes to Market Study](#), we identified a distinct category of midmarket companies that we've termed "Progressive SMBs." Despite or perhaps because of economic uncertainties, Progressive SMBs invest more in technology and have higher revenue expectations than peers whose tech investments are flat or declining. For instance, 73% of midmarket companies (medium businesses with 100 – 999 employees) that plan to invest more in technology anticipate revenue increases in 2012, compared to just 17% among those planning to decrease IT spending. Progressive SMBs view technology as a vital tool for business transformation, a mechanism to create market advantage, and a way to level the playing field against bigger companies.

**Figure 1: Increased IT Investments Pay Off For Midmarket Businesses**

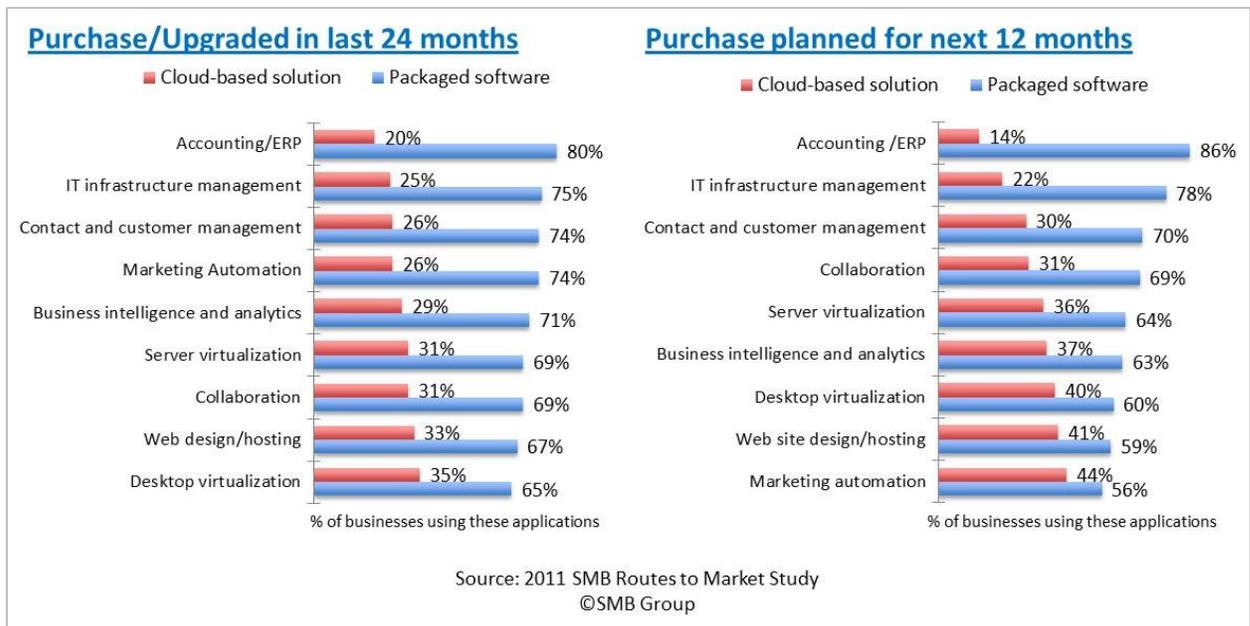


As a result, Progressive midmarket companies can leverage key technology trends to fuel better business returns. As they do, they make the case for the value of these technologies, and in turn, will spark broader adoption across the midmarket spectrum.

**CLOUD COMPUTING AND VIRTUALIZATION BECOME THE NEW NORMAL**

The pace of technological change is in overdrive, and the requirement to harness technology-based solutions to gain market advantage is rising. As a result, demand for cloud-based solutions is accelerating (**Figure 2**). The business application areas that show the strongest near-term potential for midmarket cloud growth are marketing automation, business intelligence/analytics, and collaboration.

**Figure 2: Applications Moving to the Cloud**



The promises of cloud computing—reduced capital costs, speed to deploy, real-time collaboration and data visibility—tap into key midmarket business needs and constraints. By offloading deployment, management and support to a cloud service provider, midmarket businesses can free up internal resources to focus on core business requirements. Users can reap the benefits of anytime, anywhere, any device access to applications. And, companies can achieve solution benefits more quickly than if they had to vet, buy, install and deploy a new solution in-house.

But that doesn't mean everything will go to the public cloud; it will continue to be a hybrid world for a very long time. Many midmarket businesses will continue to choose on-premises apps as security, regulatory, customization or other needs dictate, but will turn to desktop and server virtualization solutions to gain benefits similar to the public cloud. With IT staffs stretched thin, midmarket

businesses will turn to managed service providers (MSPs) to offload IT infrastructure planning, implementation and management more frequently.

### **MOBILE MANIA ACCELERATES**

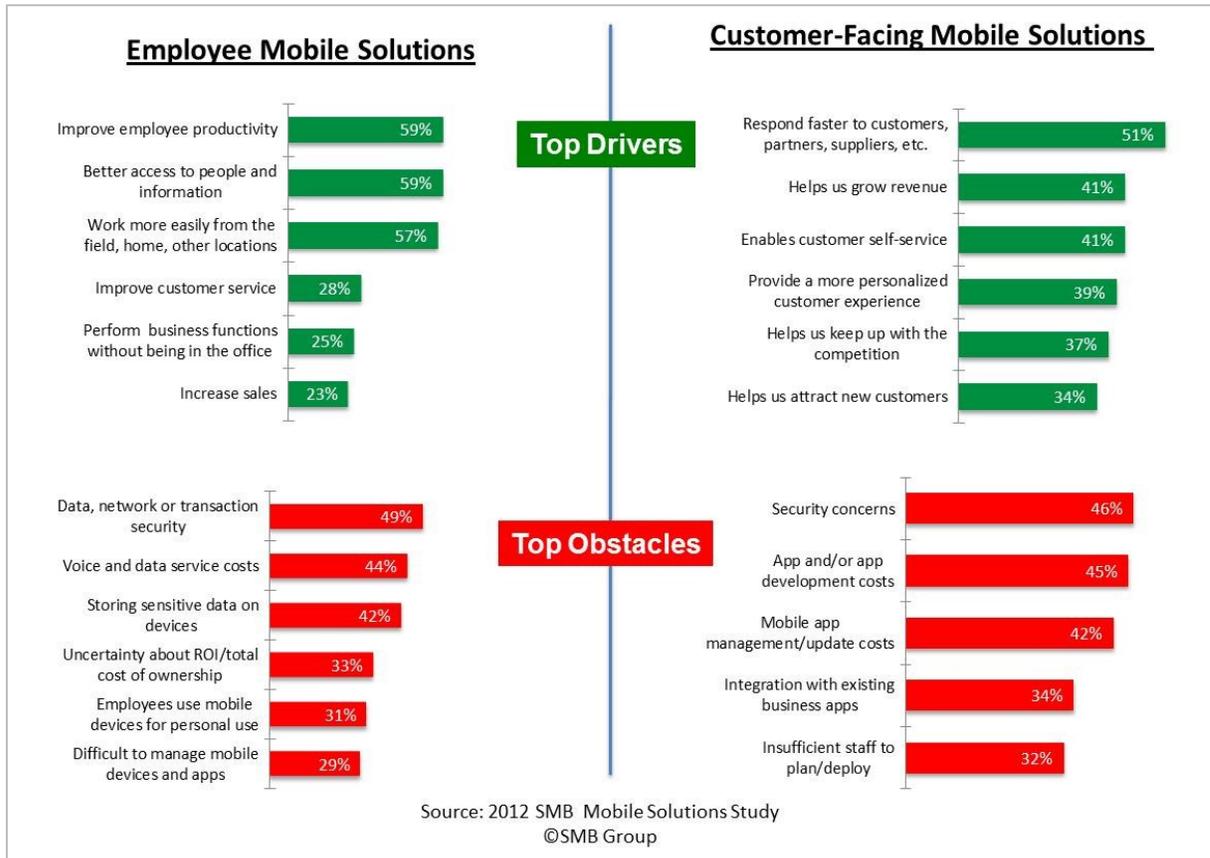
The growth of smart mobile devices and applications has been nothing short of spectacular. The SMB Group's [\*2012 SMB Mobile Solutions Study\*](#) shows that 81% of midmarket businesses already equip their employees with mobile devices and solutions—and the other 19% plan to do so within the next 12 months.

Midmarket businesses want to give employees more and better mobile solutions to boost productivity, streamline information access and improve customer service (**Figure 3**). With use of mobile collaboration apps (email, calendar, etc.) is already mainstream, these companies are now deploying customer relationship management, social media marketing, time management, and field service apps.

They are also ramping up external mobile application development to interact with customers, partners and suppliers. External-facing mobile apps in areas such as mobile marketing, payments, scheduling and customer service apps help businesses improve customer responsiveness, grow revenue and streamline service.

However, mobile apps also create several challenges. With limited IT resources and mobile expertise, many midmarket businesses need outside help to ensure security, manage mobile applications and devices, and integrate new mobile apps with their existing business solutions.

Figure 3: Top Drivers and Obstacles For Mobile Solutions



### THE SOCIAL IMPERATIVE GROWS

Social network-based technology has grown from curiosity to niche to new paradigm in a very short time, and is becoming indispensable to many midmarket businesses. According to our [2012 SMB Social Business Study](#), social media use among midmarket businesses increased to 63% in 2012—up from 52% in our 2011 study.

Use of social tools is already exceeding that of purpose-built software for functions such as to “connect with people who aren’t customers” “generate more web site traffic” “generate more/better interaction with customers/prospects” and “new employee recruitment,” as shown in **Figure 4**.

**Figure 4: Social Media Use Gaining Ground for Accomplishing Many Business Functions**

<b>Tools Medium Businesses Use to Accomplish Business Functions</b>	<b>Email, web online chat, web conferencing, phone</b>	<b>Social media (blogs, Twitter, LinkedIn, Facebook, etc.)</b>	<b>Traditional print and/or broadcast advertising, direct mail</b>	<b>Software solution designed for this purpose</b>	<b>Search engine marketing (i.e. Google AdWords)</b>
Generate new leads and/or sales	23%	19%	20%	11%	12%
Improve market awareness/reputation for the company	22%	17%	15%	5%	9%
Service/support and customer retention	20%	14%	12%	10%	5%
Connect with people who aren't customers	15%	18%	10%	5%	8%
Generate more web site traffic	17%	18%	6%	5%	9%
New employee recruitment	19%	13%	12%	4%	5%
Create more/better interaction with customers/prospects	16%	17%	9%	5%	3%
Market/competitive intelligence	13%	9%	6%	9%	7%
Improve internal collaboration	17%	6%	4%	9%	1%
Bring voice of the customer into the company	15%	11%	4%	3%	1%
Improve procurement and purchasing process	9%	5%	2%	8%	3%
Input for product development	7%	8%	3%	3%	2%

Source: 2012 SMB Social Business Study  
©SMB Group

But, while social media use is up, the percentage of midmarket businesses taking a planned, strategic approach has pretty much remain stuck. 51% of midmarket social media users still pretty much throwing the proverbial spaghetti on the Facebook wall—or into the Twitter stream. This is a critical distinction because strategic users are significantly more satisfied with the outcomes they get from their social efforts than counterparts with an ad hoc approach.

For instance:

- 62% of strategic users, compared to 42% of informal users are very satisfied with social to “improve market awareness/reputation.”
- 55% of strategic users, compared to 45% of informal users are very satisfied with social to help them “connect with people who aren’t customers.
- 58% of strategic users, compared to 28% of informal users are very satisfied with social to help “generate more leads.”

As midmarket businesses invest more time and money into social efforts, the need to incorporate social into corporate planning in a more strategic way will increase. Midmarket businesses will need guidance to select the best tools for their requirements, train employees, integrate social with business solutions, monitoring social interaction, and measuring return on social initiatives.

### **TURNING THE INFORMATION EXPLOSION INTO A FOUNTAIN OF WISDOM**

Many SMBs have plenty of data, but find it challenging to get the insights they need from it. The social-mobile-cloud triumvirate adds more fuel to the data explosion. In our *2011 SMB Routes to Market Study*, respondents cited “getting better insights from the data we already have” as a top technology challenge.

To plow through the growing data avalanche, businesses are beefing up their intelligence investments. 29% of midmarket businesses purchased/upgraded a BI solution within the past 24 months, and 28% plan to do so in the next 12 months. The need will only grow as midmarket companies integrate new customer and prospect data from social media into the information flow of existing business solutions to bring market and individual customer trends, requirements and behavioral patterns into sharper focus.

### **GETTING THE JOB DONE**

The ability to strategically apply cloud, mobile, social and business intelligence solutions to their businesses will increasingly distinguish high-performance midmarket businesses from lesser performing counterparts. But with an average full-time IT staff of eight, most midmarket businesses simply don't have the staff, expertise or budget for do-it-yourself IT in these areas. These IT shops have their hands full simply grappling with the day-to-day problems of their current IT environment.

However, these midmarket challenges offer managed service providers (MSPs) and other solution providers with ample opportunity to provide these businesses with a broader portfolio of automated, integrated managed services for both infrastructure and business application requirements, along with professional services guidance and training. In our next post, I'll explore some of these opportunities in more detail.

## IBM'S MANAGED SERVICE PROVIDER INITIATIVES FOR MIDMARKET: AN INTERVIEW WITH MIKE MCCLURG

September 20th, 2012

*Here's an edited transcript of my interview with **Mike McClurg**, VP of Global Midmarket Sales for IBM. [If you'd like to listen to the recorded podcast, click on the orange circle below].*

**Laurie:** Mike, thanks so much for joining us today. Before we dive into our conversation about IBM's strategy and programs for managed service providers (MSPs), can you give us a big picture view of [IBM's midmarket](#) strategy?

**Mike:** Sure. In IBM, we typically classify midmarket accounts as firms with 1000 or fewer employees. Our midmarket initiative is global, and midmarket is one of our fastest growing segments, including growth markets, such as Brazil, Russia, India, China and Eastern Europe. We're seeing real expansion of the midmarket and SMB client base in those geographies as they build out their infrastructure. We're also seeing nice growth in traditional major markets.

Our products and services range from servers and storage that SMBs use to build their infrastructure, to business analytics tools such as [IBM SPSS](#) software and [IBM Cognos](#) software which are very popular to help create smarter approaches to manage data and knowledge. We also provide cloud capabilities and management and administrative services, to name a couple of the services we offer.

Trends show that midmarket customers are moving into some of IBM's core strength areas—for instance, outsourcing through MSPs, business analytics and big data in the services area. So it's an exciting time for us with the midmarket business.

**Laurie:** Can you tell us a bit about your background, Mike?

**Mike:** I have been with IBM for four years. I came from XIV, a storage company that IBM acquired in 2008. Prior to that, I ran channel and SMB businesses for EMC and Sun Microsystems. I'm fairly new in terms of my IBM tenure, but have long experience with the channel and SMBs.

**Laurie:** Thanks. So, turning to IBM's MSP initiative, how do MSPs fit into the picture for IBM?

**Mike:** We look at it from a customer demand perspective. We see more interest from midmarket customers to leverage outsourced solutions. It is very appealing for them to roll out a new application and leverage standard solutions without expanding their IT organizations or building a lot of infrastructure. MSPs can help them do it quicker and with less upfront investment and risk. So outsourcing and MSPs are key trends.

**Laurie:** There are so many areas in which technology is evolving so quickly—cloud, and mobile, social, and analytics. Even if SMBs want to do some of this in-house, the pace of change is so rapid that they can't get new solutions in place quickly enough with only in-house resources.

**Mike:** That is exactly right. Their IT organizations are working 9 to 6 five days a week, so it's great to have a business partner that can provide a mission-critical applications such as email with a 24/7 service level. And they can leverage cloud capabilities for security monitoring.

Another benefit is that an MSP sees millions of intrusion detections a day, and can do statistical analysis to understand where the next one is likely to come from. That's a level of sophistication that a midsized firm probably doesn't have. But they can leverage that from an MSP partner.

**Laurie:** So MSPs can provide not only economies of scale, but economies of skill because of experience. But the MSP area can be very blurry, with a lot of definitions and overlap between MSPs and other partners like VARs or solution providers. How does IBM define MSP, and what type provides the best synergy with IBM?

**Mike:** We look at it from a few different perspectives. First, there is the traditional non-cloud MSP, which is what folks typically think of when they talk about an MSP: They provide network system management outsourced infrastructure management.

But we're seeing real growth among cloud service providers, who fit into three categories: infrastructure as a service, platform as a service and software as a service. The best way to think of it is how much does that service provider provide as an outsource service to the end-user customer?

- Infrastructure as a service (IaaS) providers are traditional MSPs that provide servers, storage and management capabilities such as security and backup.
- Platform as a service (PaaS) providers provide infrastructure plus a development runtime environment.
- Software as a service (SaaS) providers manage everything, including your application and data, for you.

IBM has programs for each type. IaaS MSPs are great partners for our Tivoli management tools, servers, storage and endpoint management tools for mobile applications. PaaS providers also use solutions such as Cognos, an analytics tool, SPSS and Rational development tools. SaaS providers may work with IBM partners who have built on IBM infrastructure or the IBM SmartCloud Enterprise.

**Laurie:** Several major IT vendors are courting MSPs. What differentiates IBM?

**Mike:** When we talk to MSPs, their needs focus on two areas. One is they're looking for a full offering. Can I buy a platform, management tools, platform development tools and services? IBM has a really strong story to tell up and down the whole continuum of offerings—not only the products, but also the services.

We tune our offerings so that an MSP can plug-in anywhere. If they need a platform, we've got that. If they're developing a vertical service that they're rolling out and they would like to offer a managed backup or a managed security service as part of that, we have it and it's available, priced and configured so that they can integrate it into their solution and sell it to their end-user customers. We've got a lot of flexible offerings and capabilities to address their needs.

**Laurie:** It sounds almost like they can get as many of the LEGO pieces as they want.

**Mike:** That's the way we like to think of it. You define what your business is, and IBM will plug-in the areas that are not core to you or where you could use some help. If it's another service that augments the business that you're in, then that's the way we'd like to work with you.

The other thing that's really exciting is that IBM is very focused on how do we build a business relationship with an MSP? What do we do for joint marketing to drive demand for their services? We both have an interest in them being successful because the more they sell, the more they consume the technology we provide to them.

We focus on their people and capabilities, leveraging our background and business partner experience. We've done a lot in the last three years to assist with marketing support for our business partners to help them go to market as opposed to us just handing them a lead. We're much more efficient if we put more money and investment and skills in their hands, supported with marketing investments and some other services that we can provide to them.

Sure, we're a technology provider, we'll hit all of your needs there, but we're really focused on the business relationship and how we provide you the marketing support to drive demand, and how you can leverage the IBM brand and logo in the marketplace.

**Laurie:** What is the traction like with IBM for MSPs so far?

**Mike:** Explosive growth. We've gone from a couple hundred of MSPs to 1400 globally in just a few months since we've focused on bringing our message to them. We've kept it kind of a quiet secret; but since we've been starting to drive the discussion with partners, it's starting to expand very rapidly.

**Laurie:** What are the best opportunities for MSPs in the midmarket to work with IBM on, if you had to pick a couple of sweet spots?

**Mike:** Most of our business today comes from the IaaS providers—the traditional hosters that are building out infrastructure. In major markets, they're looking at systems like [IBM PureSystems](#), which is an advanced fully functional platform. In growth markets, they're saying come in and help us with our data center strategy and how we should build out these data centers.

But the other two areas, PaaS and SaaS, are ones that we're really seeing explosive growth in. In PaaS, we've got partners developing environments based on [IBM Rational](#) software and IBM Cognos software, and some SaaS partners are using [IBM SmartCloud Enterprise](#) and Cognos tools. All three are great areas, and we've got a good story to tell for all of them.

**Laurie:** Can you give me an example of a specific MSP that's really taken the bull by the horns and done a great job?

**Mike:** Yes. I'll talk about one from Austria, a company called [Pitagora](#). They developed a CFO dashboard around SmartCloud Enterprise in Cognos, which they host in our environment. They had been a traditional IBM Business Partner, so this was a great way for them to add significant value and launch a whole new services arm based on Cognos and their expertise in business analytics.

**Laurie:** What should an MSP know about the programmatic aspects of working with IBM?

**Mike:** Where to get information. Go to [IBM PartnerWorld – Managed Service Providers](#), which is part of IBM's global partner program. We've got information about the top offerings, depending on the type of business partner or service provider you are, and what would be the right way to engage with us from an offering perspective and from a business development perspective.

There's a form you can fill out there, and we've got a business development team to understand your business and help you map IBM's resources to your business. We've got folks that are really smart about this business. All they do is work with service providers to understand their needs and how to bring the full force of IBM to help them.

**Laurie:** How is the business model structured?

**Mike:** We've made it a lot easier to register, and the business development executive we assign will stay on and work with the MSP partner. Our business motto is that the partner will have an assigned person not just for the sign-up phase, but also once we've both decided this is the right partnership, getting those first few customers and starting to scale the business.

**Laurie:** Mike, I just have one more question to ask. What would be the most important takeaway you would want an MSP to have in terms of how they view IBM?

**Mike:** You know, it's funny. I think when we have that conversation with MSPs, generally we're not the first name that they think of in this space. But our team is focused on being an active participant in this marketplace. We've been listening, and what we're hearing is that MSPs need a full set of offerings and somebody that really views this as a partnership and is willing to invest upfront in developing the business jointly.

Our key message to MSPs is that we are very interested in this business and in working with you. We've got a lot of very exciting things to offer, and there is a lot of leverage and benefit from being affiliated with IBM—so we would absolutely love to talk to them. The next step would be to take a look at [IBM PartnerWorld – Managed Service Providers](#) and get the ball rolling, and we'll follow back up with them. We're very committed to this business, and we would love to talk to them.

## A VIEW FROM THE MSP TRENCHES: CLOUD OPPORTUNITIES IN THE MIDMARKET

October 10th, 2012



As discussed in my blog, [IBM's Managed Service Provider Initiatives for Midmarket: An Interview with Mike McClurg](#), IBM views MSPs as an increasingly critical channel for delivering cloud-based technology solutions to midmarket companies. Just a few days after I posted this interview, IBM announced that it would further [strengthen its initiatives to help MSPs](#) meet the growing midmarket demand for cloud services.

Now, all research (including SMB Group studies) points to a rise in midmarket adoption of cloud solutions. But, what do MSPs see as the key midmarket hotspots, how are they turning these into opportunities for their businesses, and how is IBM helping them? To help answer these questions, I spoke with three very different IBM MSP partners to find out their views on the cloud opportunity:

- [Oxford Networks](#) characterizes itself as “a 112 year-old start-up,” which began as a phone company and has since reinvented itself a couple of times over to become a high-end carrier’s carrier transport network. Oxford recently acquired an MSP and is building on this to offer a spectrum of IT and telecom services SMBs.
- [Perimeter E-Security](#) delivers highly secure infrastructure protection and compliance solutions via its security-as-a-software platform, including: firewall management and monitoring, vulnerability scanning, intrusion detection and prevention, hosted email, hosted collaboration, email security, message archiving and mobile device management. Perimeter offers its on demand in the cloud, and on customer premises. About two-thirds of its customers are small and midsize businesses (SMBs).
- [Velocity Technology Solutions](#) provides virtual private cloud managed application and hosting services for its customers’ ERP solutions. It also hosts and manages connected applications, such as analytics and workforce automation; and complementary technical solutions, such as imaging. In addition, Velocity offers remote managed services for customers’ on premises applications, including a full replication service for disaster recovery. Velocity’s customers range from businesses with about \$50M in annual revenues to the Fortune 500.

Despite different technology and market footprints, these MSPs share a similar view of the compelling opportunities to provide cloud services in the midmarket. They are zeroing in to meet customers’ requirements in several key areas:

**1. Offload infrastructure management.** More midmarket companies want to outsource management of the “IT plumbing” that their businesses require—from infrastructure and telecom to middleware and applications. Demand for IaaS services is spiking as customers seek to move resources from IT to other, more strategic areas of the business. Often, the need for application upgrades triggers a move to an MSP. “Businesses have been there, done that and have little

appetite to go through the headaches again”, according to Tom Bruno, President & CEO, Velocity Technology Solutions, “Our opportunity is to take software and turn it into a utility or dial tone for our customers. ”But, says Bruno, “the most important thing we can have is our customers’ trust— trust translates into availability. Partnering with IBM gives us the peace of mind that we can deliver.”

Many companies aren’t ready to put all of their applications into the cloud, but still want to offload management. Offering remote managed services for customers’ on-premises applications gives MSPs with another healthy revenue opportunity in the near term. And, as Bruno puts it, remote managed services also provide these customers with “an on ramp to the cloud.” Bruno envisions that [IBM PureSystems](#) will give Velocity even more flexibility to tailor offerings for either an on-premise or private cloud environment.

**2. Implement the leading edge technology solutions necessary to grow their businesses.**

Midmarket businesses increasingly recognize that they need leading edge IT solutions to be competitive. But in most cases, they lack the IT skills and expertise to keep up with these technology changes. According to Craig Gunderson, President & CEO of Oxford Networks, “Our customers know that technology is moving very fast and disrupting the status quo. Moving to the cloud and outsourcing is often the only way that they can maintain a competitive position.” By providing customers with a fully managed data center, PaaS and IaaS solutions, Oxford can “give them far more capabilities than they could have on their own, with fewer limits, and at a lower cost.”

Mobile is a prime example of an area in which SMBs need to innovate, but struggle to keep pace. Perimeter recently rolled out a new mobile security offering that provides best practice guidance and services to help SMBs comply with privacy statutes in world in which “bring your own device” is becoming the norm.

Oxford’s Gunderson and Andrew Jaquith, Chief Technology Officer, Perimeter E-Security, both view new access to IBM’s four new Global Centers of Excellence as key to helping them keep up swiftly evolving market demands. By leveraging IBM’s technical and best practice expertise, they can develop the scalable and reliable new solutions that their clients will require.

**3. Provide stronger security, availability and performance levels.** Companies know that an IT outage or security breach can seriously compromised or even destroy their businesses. Jaquith asserts that as industries become more regulated, they are increasingly held to higher security standards, similar to what banks have become accustomed to. As a result, “Demand is rising for end-to-end security solutions for messaging—including mailboxes, archiving, encryption, control and reporting, content filtering and more. But the technology needed for this is getting very complicated.”

Jaquith sees IBM as “a technology leader that gets the cloud, and a partner to help us achieve our goal to provide instant-on, scalable and elastic cloud services.” IBM storage and security solutions underpin Perimeter’s current offerings. With IBM’s new MSP initiatives, Jaquith sees opportunities to develop new services built on [IBM SmartCloud](#), which provides enterprise-class cloud computing technologies and services for securely building and using private, public and hybrid clouds.

The demand for higher availability solutions is also rising. Velocity's Bruno notes that "Midmarket businesses may have 5 to 20 applications in the back office alone. They want providers to get the formula down for higher availability." Velocity does this by providing standardized virtualization solutions and a single source of support across applications—from break/fix to functional, "how do I do this" support.

One of the common threads I heard was that midmarket companies are looking for comprehensive services. Although they may want to tap into discrete services in an incremental way, they want them to integrate with each other in a Lego-like fashion. Since few MSPs can provide everything, those I spoke with emphasized the importance of being part of a strong ecosystem. For example, at Oxford Networks, the focus is IaaS and PaaS services. But Gunderson and team work with IBM and its ecosystem partners to also provide SaaS solutions to customers when they are a good fit. Meanwhile, as Velocity's Bruno explained, "Everything is advancing so fast in the ERP world. There's a rush of analytics, industry apps, mobile apps, collaboration requirements and more. This creates more complexity in the infrastructure. We can tap into IBM and its expertise to provide new services more efficiently."

Clearly, the rapid rate and pace of change in technology—and what it means for business—creates an enormous opportunity. MSPs can leverage economies of scale and skill to provide better-performing and more cost-effective IT solutions than midmarket companies can attain relying only on internal IT resources.

But capitalizing on this opportunity also presents challenges for MSPs, who need to keep ahead of the technology learning curve, improve their marketing skills and programs, and identify and enter new markets. In my next post in this series, I'll discuss these challenges, and how these three MSPs work with IBM's MSP program to help address them.

## MSP CLOUD CHALLENGES IN THE MIDMARKET—AND HOW IBM HELPS MEET THEM

November 1st, 2012



In my recent post, [\*A View From the MSP Trenches: Cloud Opportunities in the Midmarket\*](#), I examined how MSPs see the midmarket opportunity shaping up, and why they are partnering with IBM to capitalize on these opportunities. I discussed how MSPs are taking advantage of cloud-based technology solutions and IBM's offerings to help their midmarket companies offload infrastructure management, deploy the leading-edge solutions, and achieve the performance, availability and security required for mission-critical applications.

I also wanted to learn more about the challenges that MSPs face, and how they work with IBM to surmount these hurdles. This post focuses on that side of my conversation with the same three MSPs, who I'll reintroduce here:

- [\*Oxford Networks\*](#) characterizes itself as “a 112 year-old start-up,” which began as a phone company and has since reinvented itself a couple of times over to become a high-end carrier’s carrier transport network. Oxford recently acquired an MSP and a data center, and is building on this to offer a spectrum of IT and telecom services to SMBs.
- [\*Perimeter E-Security\*](#) delivers highly secure infrastructure protection and compliance solutions via its security-as-a-software platform, including: firewall management and monitoring, vulnerability scanning, intrusion detection and prevention, hosted email, hosted collaboration, email security, message archiving and mobile device management. Perimeter offers its services in the cloud, and on customer premises. About two-thirds of its customers are small and midsize businesses (SMBs).
- [\*Velocity Technology Solutions\*](#) provides virtual private cloud managed application and hosting services for its customers’ ERP solutions. It also hosts and manages connected applications, such as analytics and workforce automation; and complementary technical solutions, such as imaging. Velocity offers remote managed services for customers’ on premises applications, including a full replication service for disaster recovery. Velocity’s customers range from businesses with about \$50M in annual revenues to the Fortune 500.

MSPs must keep pace with a rapidly changing technology landscape and provide consistent, high performance cloud services. After all, that’s precisely why their customers are outsourcing infrastructure and application management to them in the first place. In their view, IBM provides them with the proven solutions and expertise that they need to deliver superior quality of service. As Tom Bruno, President & CEO, Velocity Technology Solutions, noted, “IBM has the most stable infrastructure. We can tap into the strength and girth of IBM to get the peace of mind that we need to deliver high-availability service.”

Some of the specific areas in which MSPs find strong value in the IBM partnership include:

- **Resources to scale and grow.** By standardizing on IBM hardware and middleware, they are able to efficiently create and manage a high-availability environment. For instance, Velocity Technology Solutions works closely with IBM to identify and standardize the server, storage, and middleware stack to support “just about any application the customer wants,” according to Bruno. “One of the biggest challenges is that ERP is advancing so fast—with a rush of analytics, mobile apps, collaboration and process flow. Customers want to upgrade, and with IBM, we can get these upgrades down to a science, and offer customers freedom of choice.” Or, as Craig Gunderson, President & CEO of Oxford Networks told me, “When we acquired the data center, it wasn’t up to snuff. IBM technologists helped us to reconfigure it and build for the future.”
- **Speed and agility.** The bar to stay ahead of the technology curve is rising quickly, and MSPs must move at warp speed to stay ahead of it. While MSPs are often small or midmarket companies themselves, their IBM partnerships help give them the agility they need to take advantage of leading-edge technologies. “The [IBM SmartCloud](#), DataFlex, V Systems and other IBM solutions are core to our PaaS and IaaS offerings. This means we can make more capabilities available more quickly to customers,” notes Gunderson. MSPs need a stable but flexible technology foundation, says Perimeter E-Security’s Andrew Jacquith. “We add a terabyte of data per day to our cloud email and archiving platforms. IBM helps provide a secure, scalable cloud fabric to support our growth.”
- **End-to-end services.** MSPs don’t want to or can’t provide everything a customer may need across the entire technology spectrum. But they are taking advantage of IBM’s ecosystem to broaden their service portfolios and give their customers a one-stop shopping experience. At Oxford Networks, for example, “Customers are asking us to be more of a business solutions provider. This wasn’t our core competency, but we can provide end-to-end solutions via IBM SaaS partners’ says Gunderson. “Partnering with other partners in the IBM ecosystem gives us the ability to meet the converging needs of our customers.”

In late September, IBM launched [new global initiatives for MSPs](#), which provide additional resources to help them meet core technology challenges, including:

- Access to four new Global Centers of Excellence (in addition to 40 existing IBM Innovation Centers). These centers provide MSPs with hands-on technical skills in technologies such as IBM SmartCloud, PureSystems, storage, security and collaboration.
- A new virtual briefing center for MSPs to share ideas and knowledge about industry trends, customer requirements and best practices with their peers and with IBM experts.
- [PureSystems](#), which provides a new, integrated, by-design platform to tune hardware and software resources for data intensive workloads, and gain more flexibility to configure applications for either an on-premise or hosted environment.
- More options for IBM [SmartCloud](#), giving MSPs the choice to either integrate SmartCloud as an IBM-backed solution, or provide SmartCloud under their own brand.

Profitable business growth is another key challenge for all companies, and MSPs are no exception. The MSPs I spoke with believe that IBM sets itself apart with the quality of business planning and marketing support that it provides. “IBM partners with us to help us plan and capture more midmarket business,” states E-Perimeter’s Jacquith. “The level of partnering is very deep.”

In the case of Oxford Networks, IBM and its advertising firm, Ogilvy and Mather, helped Oxford to determine which markets to focus on and how to grow intelligently. IBM also brings in Avnet personnel to help Oxford educate customers and prospects. “IBM is very hands-on. We have never seen another company provide this level of support,” says Gunderson.

IBM new global initiatives for MSPs also offer more marketing and operational support. These included dedicated marketing and sales support, and a new program to help MSPs build a complete marketing plan. Other assistance includes a four-part education seminar to help MSPs use social media to grow their businesses, and IBM analytic capabilities to identify new customers and drive more repeat business.

IBM Global [Financing](#) (IGF) is stepping in with flexible, affordable financing options to help MSPs acquire the solutions and services they need to grow. Plans include 12-month, 0% loans for IBM Systems, Storage and Software. MSPs that select PureSystems platforms can also defer their first payment for 90 days.

All told, IBM’s focus on MSPs adds up to a tremendous value not only for MSPs, but for their customers. Instead of just throwing resources at them, IBM has put together an integrated program to address their technology and business challenges. In addition, IBM’s dedicated marketing and sales support provides MSPs with real people who get to know them and understand their individual goals and challenges. With this coordinated and personalized approach, IBM can get the right resources to MSPs when and how they need it. In turn, these MSPs will be able to acquire the skills and resources they need to help their midmarket customers achieve their goals.

## IBM GLOBAL FINANCING ANTES UP ANOTHER \$4 BILLION TO FUEL SMB AND BUSINESS PARTNER GROWTH

December 7th, 2012

IBM Global Financing (IGF) recently announced that it would make an additional \$4 billion available to help SMBs finance technology purchases through IBM's partner channel. While this sounds like a very large amount of money (and it is), consider that in less than one year, 7,000 SMBs took advantage of the \$1 billion in financing that [IGF offered up in late 2011](#). In fact, IBM had underestimated pent-up demand—IBM had expected the \$1 billion to last 18 months.

IGF is quadrupling its initial commitment to help SMBs finance new cloud, analytics, mobile and infrastructure technologies to help grow their businesses. The program also makes it easier for IBM business partners—including managed service providers (MSPs), who are often SMBs themselves—finance the infrastructure investment they need to build the hosting environments they need to serve customers.

Some of the details include:

- Deal minimums start at \$5,000 U.S., and the maximum tops out at \$500,000, with a 0% payment plan for 12 months, making the program relevant for both small and medium businesses.
- Typical financing contracts last 3 years, but no specific time frame is mandated.
- IBM business partners sell the financing. These business partners can size the solution and financing required to individual customer requirements, and execute the contract via IBM's Rapid Online Financing widget, which is designed for non-financing experts.
- Credit-qualified SMBs can get an approval in just a few minutes.
- Financing options range from simple loans to tailored leases to total solutions including hardware, software and services (both IBM and non-IBM) in one contract with one predictable monthly payment.
- IBM is rolling out the program on a worldwide basis.

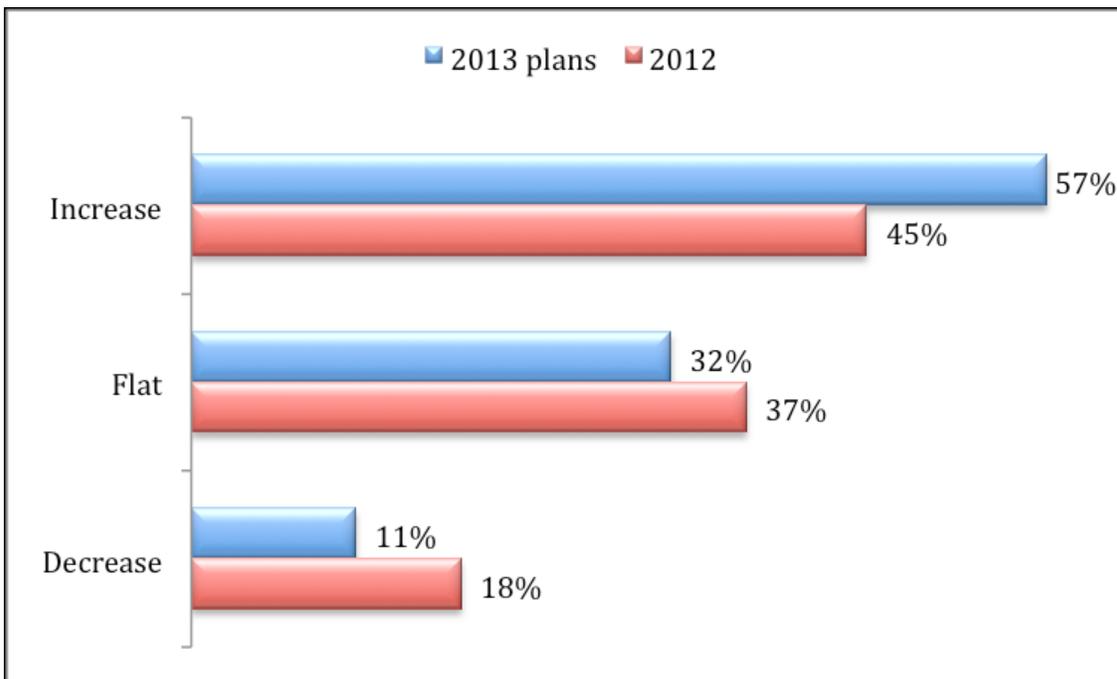
In addition, IBM has created a new mobile app to further streamline the process. Business partners can quickly provide their clients with price proposals and generate credit approvals using an iPad, iPhone or Android mobile device.

**ACCESS TO CAPITAL—THE FUEL FOR PROGRESSIVE SMBs**

As discussed in [The Technology—Performance Connection for Midmarket Businesses](#), technology has become a critical lynchpin for business success. Businesses of all sizes increasingly view technology as an essential to improving customer engagement, raising employee productivity, and creating innovation and differentiation—all necessary to building economic value.

SMB Group research reveals a distinct correlation between SMB investments in technology and their business performance. “Progressive SMBs,” who invest more in technology much more likely to anticipate revenue gains than peers whose tech investments are flat or declining. For instance, our recently completed [2012 SMB Routes to Market Study](#) shows that while 85% of SMBs that plan to invest more in technology anticipate revenue increases in 2013, only 42% of those planning to decrease IT spending expect revenues to rise, and 38% that planning for flat IT investments are anticipating growth.

**Figure 1: IT Spending Current and Planned**



**Source:** 2012 and 2011 Small and Medium Business Routes to Market Study, SMB Group

Meanwhile, as more SMBs come to view technology as key enabler to create market advantage, level the playing field against bigger companies, and adapt to new business and market requirements, the percentage of SMBs that are planning to increase IT spending is growing, as shown in trending analysis of 2011 and 2012 SMB Routes to Market Studies (Figure 1).

However, access to capital remains tight, and many SMBs find it challenging to get the capital required for the technology investments they need to grow their businesses. A [July 2012 survey](#) by the National Small Business Association (NSBA) found that 43 percent that needed funds for their businesses over the past four years were unable to find a lender. As important, 53 percent said they'd been unable to grow their business or expand operations due to a lack of capital—and almost one-third had to lay off workers.

### **A VIRTUOUS CYCLE FOR IBM, SMBS AND MSPS**

IBM isn't a charity or governmental agency. As a for-profit organization, one of IBM's key goals for the program is to fuel sales of IBM products, including [PureSystems](#), which offers a new, integrated platform to tune hardware and software resources for data intensive workloads, and gain more flexibility to configure applications for either an on-premise or hosted environments, and a multitude of infrastructure, cloud, mobile and business intelligence solutions. If past success is an indicator of future performance, IBM will certainly achieve this goal with its new round of financing.

Furthermore, this fresh pool of financing should help MSPs to build scalable infrastructure and hosting environments, and provide more innovative and differentiated offerings to SMB customers. As I discussed in [MSP Cloud Challenges in the Midmarket—and How IBM Helps Meet Them](#), top MSP challenges are to: procure and deploy the resources they need to scale and grow; stay ahead of the technology curve, and to provide the end-to-end services their customers want. Since IBM financing will cover both IBM and non-IBM content in one contract, it will make it easier for MSPs to build out a more comprehensive, end-to-end infrastructure.

The result? IBM can attract new MSP and other partners, and get them outfitted with the solutions they need more quickly. The net-net is that MSPs and other IBM business partners will be able to speed up and scale their ability provide new solutions that SMBs need for business growth and agility, and help SMBs finance this investment.

Finally, IBM isn't just throwing money (albeit a large amount) at the situation. The new round of financing is additive to several [new global initiatives for MSPs](#), which IBM launched in September. IBM has put together an integrated program that provides the money, expertise and solutions that both MSPs and their Progressive SMB customers require.



### [SMB GROUP, INC.](#)

The SMB Group focuses exclusively on researching and analyzing the highly fragmented “SMB market”—which is comprised of many smaller, more discrete markets. Within the SMB market, SMB Group areas of focus include: Emerging Technologies, Cloud Computing, Managed Services, Business and Marketing Applications, Collaboration and Social Media Solutions, IT Infrastructure Management and Services and Green IT. Read our [2013 Top Ten SMB Predictions](#) for our views on game-changers in these and other areas of the SMB market.