How CSPs Can Address the Market Demand for Cloud Monitoring

A complementary paper to the 451 Research report, “Cloud monitoring services: An opportunity emerges for service providers”
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Executive Summary

As businesses run services across an increasingly hybrid mix of cloud and on-premises environments, they realize a number of benefits—but they also encounter significant challenges in monitoring. Drawing on an extensive survey, a 451 Research report offers a detailed look at these challenges—and the opportunities they can present for cloud service providers (CSPs). This white paper complements the 451 Research report and offers readers pointers to gain access to it. In addition, this paper offers additional perspectives and case scenarios, providing insights into the strategies that CSPs can employ as they look to incorporate premium cloud monitoring services into their portfolios.

Introduction: Evolving Nature of IT and Customers’ Struggles to Adapt

In the world of IT management and managed services, the cloud continues to create radically different realities. Customer adoption of the cloud continues to accelerate, and the variants of providers, models and services continue to proliferate. The upshot is that, for any enterprise, the landscape is now composed of a complex, dynamic mix of different cloud environments from multiple providers and both legacy and new technologies in the customer premises.

Together with 451 Research, we conducted a survey of enterprise IT executives in order to see how organizations were faring with IT service management (ITSM) in this new paradigm. The prognosis? “Not good” may be the most succinct answer. Consider just a few statistics:

- Forty-two percent of executives are struggling with managing cloud-based infrastructures.
- Fifty-eight percent of respondents are receiving complaints on application performance.
- Fifty-one percent only discover IT issues after they’ve occurred.

CSPs would be wise to consider these challenges and factor them into their plans and services moving forward. For many, the choice is simple: Start helping customers address these challenges or start losing market share to the service providers that do.

While many CSPs offer monitoring services today, the survey results we’re seeing make it clear that, while customers are happy with the services they’re getting, these services aren’t enough—not by a long shot.

Many CSPs are delivering very basic monitoring services. For example, an infrastructure-as-a-service (IaaS) provider may throw in monitoring for free as part of a server subscription, so customers can track how the servers they’re leasing are performing. Or a software-as-a-service (SaaS) provider may offer online dashboards revealing whether specific services are functioning properly.

If CSP leaders limit their perception of monitoring to these basic services, they’re undervaluing the monitoring discipline and ignoring a potentially very lucrative area.
Survey Introduction

To provide insights to the service provider community more generally, and specifically to CSPs, we wanted to take an objective look at what’s happening with enterprises’ ITSM in this new hybrid cloud paradigm. Through this survey, we wanted to help CSPs understand where there are unmet market requirements and where they could establish new, high-value, high-margin service offerings to address this demand.

CA worked with 451 Research to help with conducting the survey and with analysis and reporting on the results. The survey examined how enterprises are faring with ITSM. We specifically looked at 28 potential pain points, and asked respondents to tell us the degree to which these issues were being encountered. We also looked at how current gaps are affecting businesses. In addition, the survey explored the areas in which customers would be willing to pay a premium to a service provider that could help with achieving their ITSM objectives.

Demographics

In total, we had more than 200 respondents complete the survey. In terms of job responsibilities, the respondents fell into one of two categories: They either were responsible for making IT infrastructure purchases or purchase recommendations, or they handled building, supporting or architecting IT solutions. These respondents worked with organizations from across a broad range of industries, including technology, manufacturing, financial services, retail and more. Finally, it is important to state that the respondents were a cloud-centric group. Sixty-five percent use hosted IaaS for production workloads and almost half (49 percent) use fully shared public cloud services in production.

Survey value

CSPs that access the 451 Research report will be able to benefit in two key ways:

- **Identify opportunities.** The survey results underscore two key realities: First, enterprises are encountering a range of pain points in managing service levels across their hybrid mix of cloud and on-premises environments. Second, these IT executives make it clear that they’d pay a premium to those service providers that can help address these pain points. As their customers navigate the shift to multi-provider, multi-cloud IT, CSPs can deliver a number of services to help. The survey specifies the services that are in demand.
most demand. By adding premium, high-value monitoring services to their offerings, CSPs can realize a range of benefits, such as differentiating their offerings, addressing key customer challenges, boosting market share and more.

- **Learn how to capitalize on the opportunities.** The survey helps provide insights not only into what services should be delivered, but how they should be priced, packaged and positioned. The survey points to significant revenue opportunities for CSPs, but the reality is that most will have to adapt their services and businesses in order to capitalize on these opportunities. Fundamentally, they’ll need to move beyond basic monitoring offerings, which may take investments in staffing, training, technologies and more. If decision makers are considering making investments in capabilities for delivering new premium services, these results can provide critical justification for these investments internally. Further, as they go to market with new services, these results, and particularly the pain points and business implications being referenced, can help establish a compelling value proposition—and a strong justification for premium pricing.

## Market Demand

While there can be significant variance in terms of the approaches enterprises have been taking, there’s broad consensus on one thing: these approaches are lacking.

The majority of respondents are relying on a mix of tools, including services from service providers and internally sourced products. Employing these approaches, 42 percent of decision makers indicate they struggle with managing new, cloud-based environments. In addition, 47 percent say they have limited human capacity to monitor the full IT estate.

These shortcomings in capabilities are having broad-based implications for respondents, with a significant percentage wrestling with many pain points. The survey inquired about 28 pain points, and all of them were being felt by at least 34 percent of respondents. Following are some key themes that emerged from these responses.

### Service levels suffering

Perhaps the most significant area of pain for respondents relates to suboptimal service levels. The top-rated response across all pain points was “Complaints on application performance,” which was selected by 58 percent. “Only see IT issues after they occurred” was the fourth highest rated. Several other pain points also relate to service level issues, with the following all receiving significant responses: “Perception of poor service quality,” “Maintaining service levels when migrating workloads to the cloud,” “Managing SLAs” and “Difficult to identify impact of IT incidents.”

In today’s environment, these obstacles pose significant business challenges. Businesses are operating in an application economy, an environment in which customer perceptions and interactions are increasingly shaped by applications. When poor application performance has a direct impact on business performance, these are issues that are vital for teams to address.
Slow, labor-intensive effort

Another theme that has a clear business impact relates to the laborious, slow processes associated with supporting internal tools, particularly home-grown code and multiple point solutions. The following areas all received significant percentages of responses: “Slow IT deployment times,” “Slow time to market for new services,” “Heavy administrative labor supporting home-grown tools,” “Too much time spent in monitoring and managing tools,” “Too long to fix problems” and “Limited human capacity to monitor full IT estate.”

Lack of unified visibility

Another common area of trouble had to do with the limited visibility and insights associated with having multiple, isolated tools. Many indicated they were struggling with these issues: “False alarms resulting from having multiple monitoring tools,” “No single view of virtual/physical and on-premises/cloud environments,” “Too many disparate monitoring tools,” “Optimizing capacity across cloud and hybrid environments” and “Can’t correlate data across network, applications and infrastructure.”
Respondents were also polled on their current tools’ limitations, and at least 30 percent of respondents rated their tools as lacking in 14 categories. A key theme was the inability to gain unified, correlated visibility. Here are few of the top-10 rated categories in which respondents indicated their capabilities for gaining unified visibility failed to be rated as “somewhat comprehensive” or “comprehensive”:

- Can’t unite management of cloud and on-premises: 36 percent
- Can’t establish unified view to manage more effectively: 32 percent
- Can’t work from integrated dashboards: 34 percent
- Can’t correlate analytics across infrastructure: 34 percent
- Can’t unify monitoring of increasingly complex and hybrid environments: 33 percent

Respondents who indicated their tools rate 1, 2 or 3, on a scale of 1 to 5, with 1 being “very limited” and 5 being “comprehensive.”
The Opportunity

With the right services, tools and expertise, CSPs can help customers address all these challenges cited by survey respondents. Perhaps even more important, respondents indicate that they’re inclined to getting help in these areas from their CSPs. More than three-quarters (77 percent) state that they want the provider monitoring their cloud environment to also monitor their on-premises infrastructure and services. The same percentage of respondents want the primary CSP that is monitoring applications in their cloud to also monitor applications in a secondary cloud venue.

Not only were respondents eager to get help from their service providers, but they were willing to pay a premium to fix the issues they’re confronting. In fact, more than 50 percent are willing to pay a premium to get help in 14 different areas.

Strategies for Capitalizing on the Market Demand

Opportunities exist for CSPs with a range of backgrounds, offerings and business models. As the survey responses to the 28 pain points attest, there are a broad range of services that customers need today—representing a range of opportunities and approaches for service providers looking to address these requirements. Many CSPs are already delivering highly managed cloud services. With their expertise, staff, systems and processes, these CSPs can be in an optimal position to deliver new services that address the pain points outlined in the survey. At a high level, premium monitoring services can fall into several categories:

- **Multi-cloud monitoring.** Enterprises are willing to pay CSPs to deliver monitoring services for their broader environment. The survey shows they are willing have a CSP monitor not only what’s in their own cloud but what’s running in customers’ premises and in other providers’ environments.
Deep monitoring of specific environments. Both in customers’ premises and in externally sourced environments, increasingly sophisticated, dynamic technologies continue to be employed. This can include hyper-converged infrastructures like Nutanix, Docker containers, OpenStack software and more—and each of these technologies can present unique monitoring requirements and challenges. CSPs can establish capabilities for providing extensive visibility into these environments, which can be the foundation of a differentiated, high-value service.

End-to-end service monitoring. Today, a given business service may rely on a complex mix on different environments and technologies. CSPs can provide complete visibility into all the environments and components that underpin a specific service, and track the quality of the experience from the end user’s perspective.

Sample CSP Scenarios
In addition to conducting a survey of more than 200 enterprises, 451 Research also interviewed several cloud service providers to examine their businesses and how they’re capitalizing on premium cloud monitoring services. (These interviews were conducted with the understanding that companies would remain anonymous, so we’ve eliminated any specific identifiers of the CSPs interviewed.) Following are brief summaries of these CSPs’ approaches and how they’re addressing customers’ requirements.

CSP #1
This CSP’s customers needed help. The internal IT teams at these companies were accustomed to dealing with static, on-premises environments, and had very little experience with managing dynamic cloud environments and associated management tools. Further, these new environments and tools were completely isolated from legacy help desks and other ITSM tools and processes.
To serve its customers, the CSP built a cloud-based management platform that includes capabilities for asset management, monitoring, billing, alarms and ITSM. Most importantly, customers can use this platform to gain unified visibility of all their environments, whether they reside on premises, in the CSP's cloud or in the cloud of another provider. This unified console means customers don't have to log in and out of multiple providers' consoles, and, more importantly, they can track performance from a single place, which enables more effective management and faster troubleshooting.

CSP #2

Among this provider’s customer base, many organizations had dabbled in running workloads in IaaS environments, but they were encountering a number of obstacles. For some, egress and ingress costs were too high. For others, these environments meant they had to give up too much control, which presented compliance and security concerns. Many also struggled with a lack of visibility into “black boxes,” the converged, virtualized environments running in the cloud. Finally, customers were quickly overwhelmed with the massive amounts of time it would take to isolate the cause of issues.

As customers move away from the comfort of their known, established on-premises environments, this CSP helps ensure they always have the visibility and control they’ve been accustomed to. This CSP provides unified visibility of all the customer’s cloud and on-premises environments, including deep visibility into converged infrastructures. Through these services, customers can significantly streamline operations and speed mean time to resolution. By delivering sophisticated correlation, analysis and reporting, they have been able to deliver high-value services—and capitalize on new business opportunities.

CSP #3

This CSP’s customers were wrestling with complexity that seemed to grow on a daily basis. Internal teams were tasked with managing more types of components, more specialized components, more advanced virtualization and more cloud vendors and environments. While customers were growing increasingly reliant on IaaS providers to run servers, the internal teams were still being tasked with managing all their applications. When issues arose, they struggled to determine which environment and which specific element was the cause.

This CSP responded by giving customers capabilities for consolidating management of their environments. They provide platforms for managing not just a certain brand of servers, but all the servers and systems they’re running. They’ve consolidated management of the entire data center—including network, power/cooling, operating system and applications—and across their provider environments.

CSP #4

In working with customers, this CSP was hearing that executives were feeling like they had a lot of monitoring in place, but they weren’t getting any value. Further, as new systems and services came online, they had to keep adding monitoring tools, which led to spiraling costs, without any increase in the value being gained.

The CSP began taking a service-centric approach to its monitoring offerings. For example, for a manufacturing client, the CSP provides monitoring of the procurement service, including all the underlying systems and environments that support the service. The CSP provides visibility from three key perspectives: the customer or end user, the development environment and the infrastructure. Through these service-level approaches, the CSP provides truly business-level insights, fueling enhancements in operational efficiencies, business performance and risk mitigation.
Conclusion

If your CSP business has only been offering basic device or component-level monitoring, the 451 Research survey shows there's a compelling case to be made for adding higher-level monitoring services to your portfolio.

To learn more, be sure to download the new report from 451 Research, entitled “Cloud monitoring services: An opportunity emerges for service providers.” The report offers key insights from an extensive survey conducted with enterprise executives. The report reveals the pain points that enterprise IT teams are confronting—and the specific services they’d be willing to pay a premium for.