

# An Overview of the Remote Infrastructure Services Market

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The externally provided, annuity-based operations and management capabilities offered by remote infrastructure management (RIM) services may increase IT availability and systems performance, and reduce IT deployment risks. However, RIM services are still maturing in terms of market offerings and provider capabilities, and CIOs and IT infrastructure managers need to be aware of the broader trends in this changing IT services delivery model.

## Key Findings

- RIM services outsource IT operations, allowing a level of oversight and control over IT strategy that is often unavailable in traditional outsourcing agreements. RIM services may be a first step in supporting more strategic initiatives regarding IT.
- Gartner sees the small and midsize business (SMB) segments as engines of growth for RIM services over traditional on-site services. Significant price pressure over the past 24 months allows smaller companies to cost-effectively adopt enterprise-grade, selective sourcing.
- Gartner expects the adoption of RIM services to be explosive. By 2012, 70% of North American companies will leverage some RIM services for their IT.
- The greatest benefit RIM services offer is the reduction of risk related to IT failure, closely followed by cost reduction.

## Recommendations

Enterprises evaluating RIM services should:

- Consider trial deployments of RIM services that focus on troublesome segments of IT, or regional locations where resources are scarce.
- Be wary of low prices, which can also mean low service levels. Carefully review competitive statements of work.
- Compare the requirements for proactive monitoring and change management, versus typical staff augmentation offerings from offshore providers. The value propositions differ tremendously.
- Establish “business liaisons” in the IT organization who can forge strong links with business units, and collaborate with IT managers in a way that allows business unit requirements to become drivers for RIM service service-level agreements (SLAs).

## WHAT YOU NEED TO KNOW

RIM services offer many advantages over traditional, in-house methods of infrastructure management. Chief among these is the reduction of risk often associated with the deployment of IT operations management (ITOM) software used to manage IT infrastructure, which requires a large initial capital outlay. RIM services can also offer savings and greater flexibility than traditional outsourcing arrangements. Gartner forecasts that the RIM service demand will continue to grow rapidly, although we have reduced previous forecasts somewhat in light of price pressures due to increased competition. Nevertheless, most enterprises can expect to deal with RIM services at some point. These services provide improved service quality by forcing management to be proactive, and they reduce IT management costs. Gartner expects to see RIM services become standard components of maintenance contracts.

## ANALYSIS

### RIM Services Defined

RIM services are externally provided operations and management capabilities, offered over a networked infrastructure, using a monthly-annuity-fee model. The vendor offers increased availability, systems performance and reduced risks by monitoring the client's infrastructure, and increased efficacy through change management processes. A provider can offer RIM services for security, network elements and appliances, databases, servers, storage and applications, and application transactions.

Gartner breaks RIM services into three functional areas: monitoring, automated operations and active administration of devices.

- **Monitoring:** Provides passive threshold monitoring and notification, usually through a combination of Web-based, telephony and Short Messaging System (SMS) e-mail. Monitoring is the most basic level of management services, the least intrusive, and requires the lightest level of customer integration.
- **Automated Operations:** Automated operations builds on monitoring services to provide active workload management. Server and application process restart, threshold-invoked event correlation and corrective automation, and load balancing are examples of automated operations.
- **Active Administration:** Active administration is a service feature that is entrenched in the day-to-day administration of a customer's environment. This component can include deliverables such as systems and database administration, problem management, and software management or change management. Active administration is a function of personnel located within the providers' central operations center. Services respond to IT events and problems using standard fault-isolation and root-cause methodologies and problem resolution procedures. This ensures consistent, reliable IT operations. Vendors generally provide clients with a detailed SLA.

## The RIM Advantage

As a part of a managed services or outsourcing strategy, RIM services allow outsourcing of IT operations, while maintaining control that is unavailable in traditional outsourcing agreements. Gartner sees RIM services as a first step in supporting more-strategic sourcing initiatives. Admittedly, IT organizations have been using RIM almost exclusively for the targeted management of IT elements. However, when used to target IT availability and performance to ensure the viability of business transactions and processes, RIM takes on a far more strategic perspective.

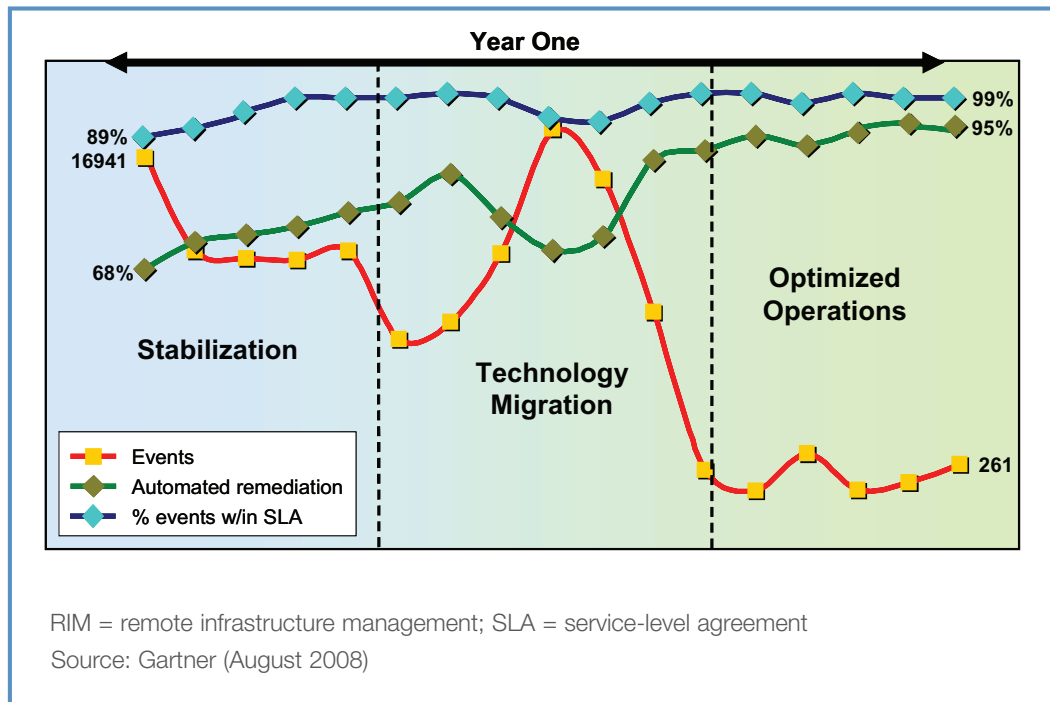
RIM services also offer improved flexibility to create support structures for IT operations. Enterprises can secure service contracts that segment and target opportunities by company, site, application instance, server/operating system (OS), node, firewall, PBX line, port, or individual user. Given this flexibility and the rapid commoditization of pricing worldwide, RIM services can save companies significant amounts of money. Gartner sees the SMB segments of the market as a substantial engine of growth as RIM allows smaller companies to adopt enterprise-grade, selective sourcing solutions at increasingly affordable prices. However, the flexibility of RIM services make it potentially useful to companies of all sizes. This means most companies will eventually enlist RIM services.

Although IT environments differ by size and vertical sector, some RIM services vendors have been able to provide informative data regarding the advantages of RIM services. Figure 1 illustrates the potential benefits of remote operations services.

The company depicted in Figure 1 is a midsize banking organization with more than 75 locations in North America. It enlisted a vendor to provide RIM services to support its communications infrastructure and premises-based servers. Additionally, the company implemented Internet Protocol (IP) telephony in its corporate and branch locations during the first year of RIM services. The red plot in Figure 1 represents the number of monthly events the user company experienced. The green plot represents those events that were remediated without human intervention. The blue plot shows that, despite the waxing and waning of events throughout the year, there was a very stable environment in terms of events being remediated within the specified SLAs.

This study shows a phased transformation of the IT environment. Gartner labeled the first phase "stabilization," as the vendor learned the user's environment events. Phase 2 was "technology migration." By reviewing the trend lines, we see that implementation of the new IP telephony hardware and software increased the number of events in the network, as well as the number of events requiring manual intervention. However, as the vendor and systems learned how to support the new IP telephony infrastructure and the management of the new technology improved, events decreased and automation increased. Ultimately, operations were "optimized": IT events were reduced, and automation and SLA compliance increased.

Figure 1. The RIM Promise: Efficiency, Efficacy and Execution



## The RIM Services Market

Companies are eager to reduce the cost of IT operations, and even more eager to shift the burden of operating IT environments to third parties while still maintaining control. Thus, Gartner expects the growth of RIM services to be explosive. By 2012, 70% of all North American companies will have RIM service contracts.

Although the RIM services market is showing strong signs of growth (as shown in Figure 2), Gartner is reducing its original forecast by nearly 20%. This is mostly due to severe price pressure related to competition and domination by larger providers, such as carriers and integrators. In some IT segments, these pressures have reduced prices by 50% or more over the past three years. This has caused the further problem of vendors not reinvesting in their management platforms, which has sometimes led to poor service execution. We expect additional price pressures to come with a second wave of competition at the end of 2008; however, pricing should be relatively stable through 2008.

The revenue numbers in Figure 2 look impressive; however, they must be taken in context. Most RIM services are integrated into IT or business process outsourcing deals, and are not stand-alone RIM deals. Additionally, a good part of the revenue can be attributed to managed WAN services and the RIM services integrated in hosting deals. This is changing, as some niche and offshore RIM companies compete with large global IT outsourcers for the leadership mantle of RIM.

## Drivers for RIM Services Adoption

The greatest benefit RIM services offer is the reduction of risk, closely followed by cost reduction. As resources to build and

manage IT become scarcer, risks grow. The deployment of ITOM software to stabilize the IT infrastructure, for example, is full of risks. It takes a large capital outlay simply to purchase the software rights. With the RIM model, in most cases, there also are no hardware purchase costs. In terms of purchasing alone, when compared with pure software costs, service providers significantly reduce the risk.

RIM services also mitigate the costliest risk of a software-based approach – deployment. Software vendors often fail to point out deployment costs, which can significantly exceed the software purchase price. There is also the possibility that the software implementation may fail.

## Typical RIM Bundling Services

Because of different service levels, management platforms and value-added services, there are no standardized RIM offerings. However, three broad portfolio types now characterize the RIM market. Vendors offer them across technology environments, and they are consistent across network and systems infrastructure. Figure 3 shows a market composite based on a review of 115 vendor portfolios.

Vendors generally offer tiered service levels based on additive value. Level 1, the most basic, is usually simple reactive monitoring. This offers notification by pager, e-mail or cell phone. Level 2 adds threshold monitoring, performance reporting and analysis, and inventory and configuration archiving. Level 3 includes attributes found in Level 2, and may include some configuration or software changes for network equipment; however, most packages

Figure 2. RIM Services Market, 2006-2012

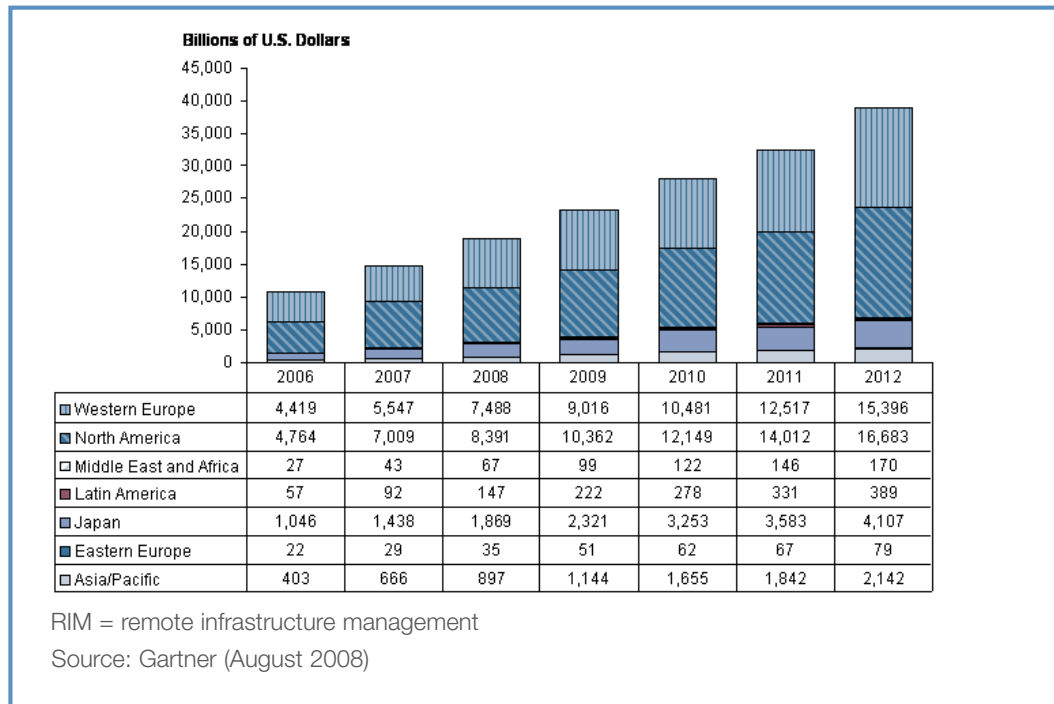
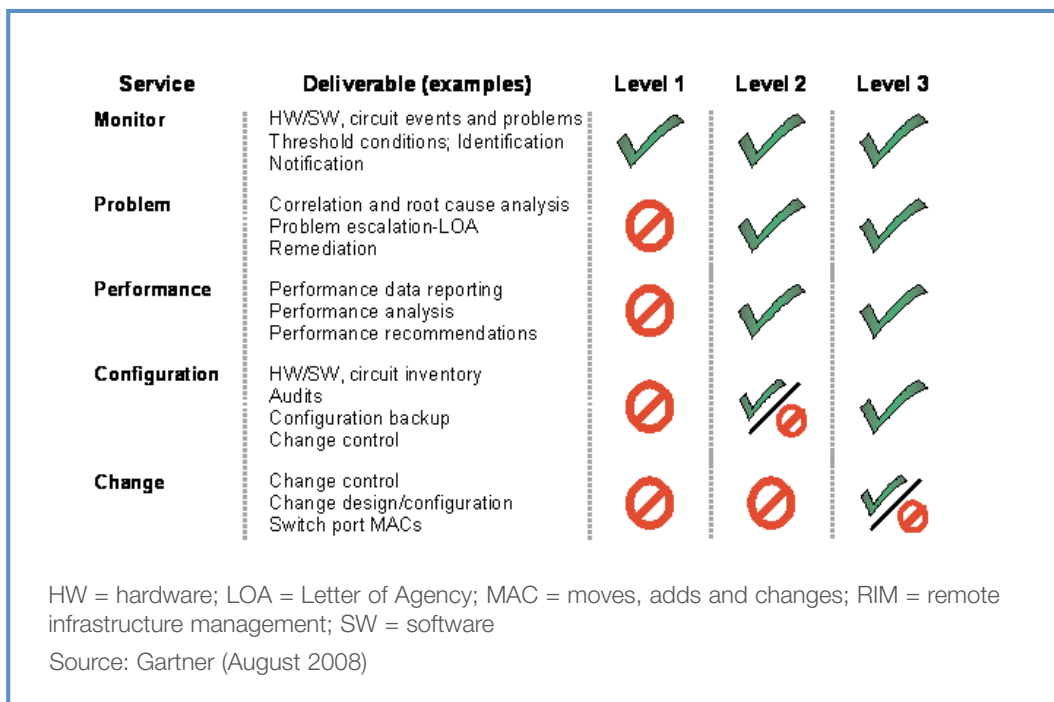
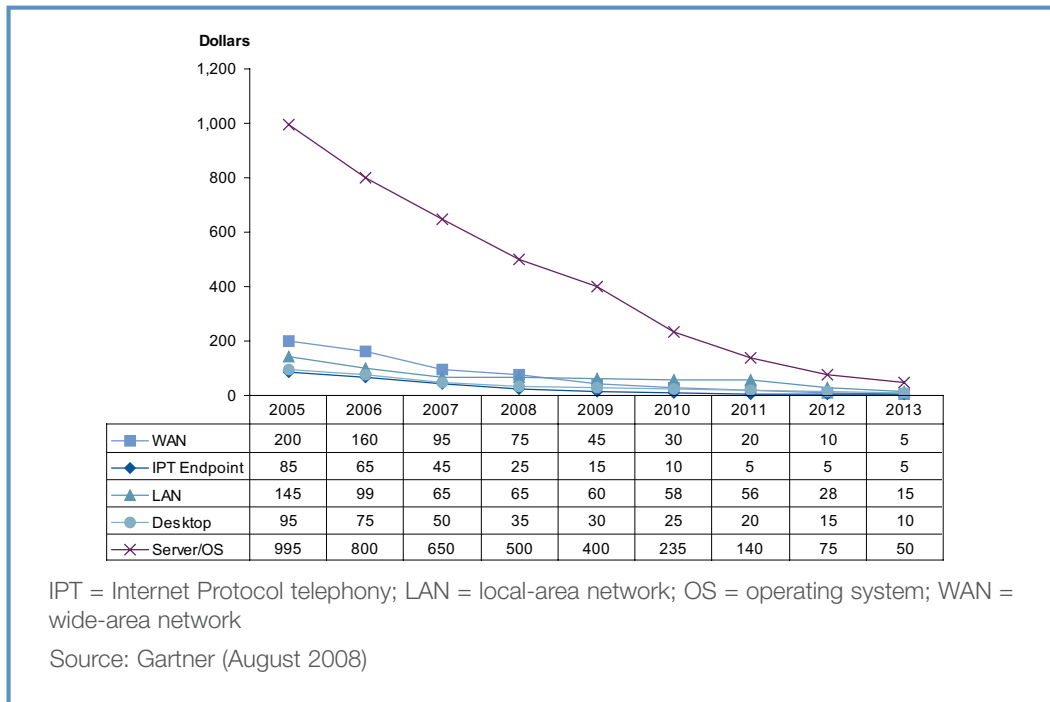


Figure 3. Typical RIM Bundling Services



**Figure 4. Pricing Trends, 2005-2013**



reserve these services as add-on services. Generally, the only distinction between Levels 2 and 3 may be adding some consulting hours.

Gartner believes these service packages are not good enough. Configuration and software management often provide the real value. Potential buyers should therefore determine their necessary service elements before engaging RIM service providers. Don't settle for standard offerings if they don't meet your needs. Enterprises that purchase contracts with RIM services that do not include software and configuration management will fail to recognize any significant return on investment.

### Pricing for RIM Services Is Under Pressure

Because the sourcing of IT management is often based on cost savings, price is a critical consideration. Gartner has worked with many providers to determine market prices (as shown in Figure 4). The prices below are average, per-device monthly recurring charges for Level 3 RIM services.

Prices depend on service levels and value-added functionality. Enterprises must understand the differences in packaging. Each platform can have different service and price levels. Buyers must also consider the ongoing costs of configuration and software changes.

Potential buyers need to exercise caution. Low prices can also mean low service levels. Work with providers to match service attributes, service levels and prices. Frame your discussions based on list price first, and engage in discounting models after all service variations have been created.

### Navigating the New Competitive Landscape

RIM services have emerged as the result of a transition from a technology-based approach, to a business-centric approach to IT management. Increasingly, midsize and large enterprises are considering new sourcing models to ensure IT performance and availability, while also hoping to cut costs associated with the management of the corporate networks.

The most dramatic change in the market has been in providers' business models. Traditional outsourcers were large and used an on-site model. Their size ensured capital to assume personnel and assets. Other characteristics were resource intensiveness, high customization and proprietary systems. Clients gave up control, and SLAs lacked teeth.

The network-centricity of RIM services, however, has removed the need to maintain legions of personnel, since operations and management can be done remotely. This allows operation with fewer people using customized solutions, integrated off-the-shelf solutions and standard processes. Automation has also allowed smaller companies to compete with larger companies. SLAs have become a pronounced component of RIM services competition.

### Recommendations

Enterprises considering RIM services should:

- Determine current costs and levels of support to best determine which SLAs to negotiate before shopping for RIM services.
- Contract for RIM services for no longer than 24 months until the wave of rapid commoditization abates, or until clear leaders are visible.

- Move beyond fault and performance management. Place as strong a focus on configuration and software management for ongoing value to the company.
- Consider trial deployments of RIM services that focus on troublesome segments or regional locations.
- Identify what pressures are leading you to consider the use of a third party to manage your IT.
- Be wary of low prices, which can also mean low service levels.
- Work with providers to match service attributes, service levels and prices. Frame your discussions based on list price first, and engage in discounting models after all service variations have been created.
- Establish “business liaisons” in the IT organization who can forge strong links with business units and collaborate with IT managers, so that the business unit requirements become the drivers for RIM service SLAs.