

BUILDING A BUSINESS through MSPs

IN A CHANNEL OVERLOADING WITH CONSOLIDATION AND COMPETITION IN EQUAL MEASURE — BLUECHIP INFOTECH MANAGING DIRECTOR JOHNSON HSIUNG EXPLAINS TO **JAMES HENDERSON** HOW THE LOCAL DISTRIBUTOR IS DIFFERENTIATING THROUGH MANAGED SERVICE PROVIDERS.

Photo by Maria Stefina

Forever asked by aspiring entrepreneurs and business owners, searching for that fabled secret sauce, the common channel question remains — *what's the secret to your success?*

In running a local distributor for over 16 years, Johnson Hsiung has a simple answer.

"Either you go big, go niche or go home."

Operating in a channel ripe for disruption and crammed with competition, the managing director of Bluechip Infotech is building a new go-to-market strategy, with managed service providers (MSPs) as the

foundation.

"We have found our niche and our specialist play," Hsiung said. "While we continue to have a core group of traditional resellers, which is not going away, our current and future growth will come purely from MSPs."

"We're focusing on this area of the channel because over 3,000 MSPs currently operate in Australia and currently, we cover around a third of that market. So, there's huge room to grow and expand our business."

As traditional box-shifting models erode over time, resellers are finding motivation in building out MSP capabilities, in a bid to respond to

Johnson Hsiung
Managing director,
Bluechip Infotech

changing customer demands.

Coupled with the rise of new technologies and changing customer demands, partners are turning toward providing services to stay profitable, yet challenges remain along the way.

"We're here to offer solutions and guidance for our resellers as they transition towards a managed services type business model," Hsiung added. "If we can address the common challenges they face in the market and make it easier for them to grow as businesses, that we will be providing new levels of value."

"To recognise our shift, we even

changed our company slogan to — we help your business grow. That's our position in the channel and we will be providing combined solutions across hardware, software and as-a-service models."

Established in 2001, Bluechip Infotech specialises in delivering IT products to a wide and expansive channel base, with offices in Sydney, Melbourne, Brisbane, Perth and Adelaide.

According to Hsiung, the distributor has built a business on strategically implementing the latest technologies across Australia, spanning networking, security and storage, alongside back-up, disaster recovery and service management.

BUILDING EXPERTISE

With a comprehensive portfolio, Bluechip operates across small and medium business sectors, leveraging deep expertise across education at a

are in or whether you're a vendor, distributor or partner, you need to find a position to grow.

"Because if you don't, there's a real danger that someone will come in and have your business for lunch. And it's not necessarily because customers no longer buy from you, it's because your type of business no longer exists, which means your competitor won't be your traditional competitor."

Across the industry, the growth of the IT services market is proliferating, creating a desire for traditional resellers to make the transition towards a more lucrative future.

But despite an awareness that change is a must, for partners seeking to make the transition, migrating from point A to point B is fraught with complexities.

"It's challenging for the channel but everyone is moving to an as-a-service model, whether it be storage,

"EITHER YOU GO BIG, GO NICHE OR GO HOME... THERE'S HUGE ROOM TO GROW AND EXPAND OUR BUSINESS"

national level.

Today however, Hsiung accepts that the technology landscape is shifting, creating the need to readjust and realign channel priorities.

"Consolidation is happening across all areas of the channel and competition is becoming fierce," Hsiung observed. "For partners that haven't experienced any growth during the past 2-3 years, it's time to be alert and unfortunately, it's also time to worry.

"The industry is not going to stay still and we all need to move forward to remain relevant. It doesn't matter which part of the channel you

disaster recovery or networking," Hsiung observed. "As an aggregator, we combine our offerings to add value to help our partners.

"As an MSP, there's always a need to become unique in the market. They all try different service offerings but at the end of the day, it comes down to who can provide the best services and deliver the best value to the customer.

"There's a gap in the market and because we also supply hardware and software, we cover all of their needs. We have found our sweet spot in the market because our strengths are servicing MSPs and adding value."

CREATING VALUE

Bluechip's specialised approach has been endorsed by the recent signing of Continuum in the Australian market, following a distribution agreement designed to bring the vendor's platform and services to the local channel.

Specifically, the deal sees the distributor market Continuum's remote monitoring and management (RMM) platform, powered by the vendor's network operations centre (NOC), to MSPs.

The platform allows MSPs to efficiently manage thousands of customer end-points, giving them back the resources to focus on higher-end, more profitable tasks at a time when skilled IT workers are highly sought-after.

For Continuum — which opened a Sydney office in early 2017 — the agreement is part of an international growth strategy to power MSP profitability in the Asia Pacific region.

By partnering with Bluechip, the provider gains access to the sizeable Australian MSP market through the distribution company's network of over 1,000 partners, expanding brand awareness and market presence across the region.

"Continuum's IT management solutions are some of the best in the North American market, and we're glad to be bringing those solutions to businesses in Australia and New Zealand," Hsiung added.

"Our MSP partners are continually seeking out solutions that not only help them complete day-to-day tasks, but that enable their businesses to grow into more profitable, efficient operations.

"Continuum has both the track record and the data, to show its platform can meet those needs, and we're looking forward to expanding its market presence in the region."

Through targeting MSPs, Continuum offers a technology platform, services and processes designed to simplified IT

management, focusing across small and medium-sized business sectors.

"It's vital for us to work from a single pane of glass, in every sense of the word, so to be able to leverage Continuum's RMM solutions through the same relationship as our technology distribution is vital," Evolve IT Australia managing director Nick Moran added.

"Using Continuum's solutions has allowed us to receive more accurate and consistent alerting, while spending less time managing our tools.

"This has allowed us to spend more time strategically with our clients, delivering projects and solutions that deliver real business outcomes."

Monitoring more than one million endpoints for over 5,800 partners,

Continuum's global channel includes MSPs servicing over 60,000 SMB customers and web hosting providers protecting over 250,000 servers.

"Continuum's MSP partners have proven to be more profitable as a result of our transformational business model," Continuum chief revenue officer Bob Kocis added.

"Our agreement with Bluechip allows us to expand the capabilities of that business model to MSPs in Australia and New Zealand, and is part of our wider strategy to deliver IT management solutions across the Asia Pacific region."

MARKET DIFFERENTIATION

Continuing the vendor trend, Bluechip was also recognised as a

leading Sophos award winner, shining as Distributor of the Year (A/NZ) during the 2017 APJ Sophos Discover Partner Conference in Bangkok.

The award followed a strong 12 months servicing small to medium businesses in Australia, having taken over the wider Sophos portfolio following its acquisition of Cyberoam in 2014.

"We have really enjoyed partnering with Sophos over the last year, enabling our channel partners to succeed and sharing in those amazing successes along the way," Hsiung added. "And a big thanks to the local Sophos team, the management team, the sales teams and the engineers, for their support."

Since acquiring Track It Online & MPA Systems in 2014, Hsiung said the distributor has developed new solutions across the wider business, focusing on SMB, MSP and mid-market plays specifically.

"This award is fantastic recognition for the whole team at Bluechip, and the hard work that the Sophos product team has put in this year," he added. "It's delivered exceptional growth to the business, and we look forward to continuing to grow our Sophos business."

Having operated within the IT industry for more than 25 years, Hsiung is well versed in assessing and evaluating the recent market trends.

But in an era where classifications are changing rapidly, the channel veteran remains tied to his roots.

"We're still a distributor because we still distribute," Hsiung added. "We have to make changes because we can see that the market is changing fast, but that core part of our business still remains."

And such an approach is paying off, with the Bluechip business on track to hit \$100 million revenue for 2017.

"We are right on track during 2017," Hsiung said. "Last year we did over \$90 million and we're aiming for \$100 million this time around, and we're on target." ■

Inside a maturing MSP market

Companies that provide managed technology services to customers have expectations of high revenue growth over the next two years.

But optimism is countered by continuing worries about their role in a market increasingly dominated by cloud computing solutions and by problems with employee retention.

"The level of confidence among MSPs in how they are running their businesses is quite high," CompTIA senior director of industry analysis Carolyn April said.

"Two-thirds of the companies we surveyed consider themselves to be skilled experts at managed services."

In surveying 400 US-based MSPs, April said some of this confidence is due to market maturity, with nearly 90 per cent of companies offering technology services for two years or more.

Revenue growth is also a

contributing factor — three in 10 companies say their services business was their leading revenue generator over the past year.

Furthermore, half of all MSPs surveyed expect high revenue growth over the next two years, with services accounting for 75 per cent or more of total revenue.

But bullishness on future business is tempered by worries about margin erosion, cloud computing and employee churn.

"They still haven't figured out whether the cloud is a good thing or a bad thing," April added. "They fear that customers will simply bypass them and look to cloud providers for their basic needs.

"Employees who leave are usually seeking more stable hours, better pay or a job that's better than simply monitoring and waiting for an alarm bell to go off. It's a problem that MSPs will have to address."

Research based on CompTIA's Fifth Annual Trends in Managed Services report.