ALL ABOUT VALUE

LEVERAGING REPORTING TOOLS TO PROVE MANAGED SERVICES VALUE

N-able®

Introduction

Repeat customers are key to business success. For managed services providers, this translates to retaining clients at contract-renewal time. However, according to trade industry group CompTIA, three out of 10 MSPs report that as many as 40% of their customers walk away rather than renew. Only 35% of MSPs polled for CompTIA's *"Trends in Managed Services Operations 2012"* report say they have reached optimal retention.

Such findings come as MSPs fight commoditization in an increasingly competitive field. MSPs have to contend with competition not only from other providers, but also from VOIP (Voice Over IP) vendors, printer companies, ISPs (Internet Service Providers) and assorted software vendors.

MSPs urgently need a strategy for long-term client retention. Key to that strategy is to continually remind customers of the value of managed services, which requires ongoing communication. Without communication, customers quickly forget that MSPs work day in day out to keep their networks healthy, secure, and running without productivity-hindering outages.

The most effective way to communicate value is to leverage reporting tools that automatically collect and store data about MSPs' daily activities on behalf on clients. When clients understand how much goes into keeping their systems running, they are much less likely to walk away when their contracts are up. They become more inclined to view the MSP as a trusted IT advisor.

Persistent Trend

Customer retention has been a problem for MSPs since the inception of the managed services model. Only 20% of MSPs claim customer retention at 80% or higher, according to CompTIA. Thirty-six percent claim optimal retention, while 57% say they are close.

Customer retention is critical because onboarding new clients is expensive. The U.S. Small Business Administration estimates adding a new customer costs five to seven times more than keeping an existing one. While customer acquisition is always desirable, profitability from existing clients tends to increase the longer you keep them. MSPs know that customers typically prefer to deal with a single IT services provider, so even if they sign a contract for limited services, in time they will ask the MSP to do more – so long as they are happy with the service.

Not surprisingly, keeping the customer happy is key. The SBA says 68% of customers leave because they don't like the service, while only 9% leave to go to a competitor. Clearly this shows that customers would rather stay with their provider but leave because they are unhappy.

Why Customers Don't Get It

As managed services gained traction in the mid 2000s, MSPs noticed an eye-opening client trend. After enjoying the benefits of the managed services model for a while, some clients would question invoices, wondering what they were paying for.

Customers, historically accustomed to paying for service only when something breaks, have trouble adjusting their perception of "IT services" when tasks are performed remotely and automatically. When an MSP first onboards a customer, typically there is a lot of firefighting to bring systems up to speed. Early on, upgrades, updates and replacements are needed, so the MSP stays very visible at that stage, in much the same way as in the old break/fix IT services model.

Eventually, once the initial work is completed, the MSP becomes largely invisible; handling IT monitoring and management functions remotely. The model shifts from reactive to proactive: Instead of responding to trouble tickets, MSPs work behind the scenes to prevent downtime.

Customers at this point start questioning the value of their managed services contracts and service level agreements (SLA), unless their MSP keeps them abreast of the work. When servers aren't overloading, applications aren't refusing to open and computers aren't crashing, the need for service isn't always obvious. Downtime is minimal, if not eliminated. Depending on the contract, MSPs even replace hardware before it breaks or becomes obsolescent.

Competitive Threats

MSPs have to protect their business, but not by underpricing competitors. Competing on price exacerbates customer misperceptions of managed services by turning them into a commodity. Avoiding commoditization is critical, despite increasing competition from ISPs and VOIP, software and printer vendors – all of which promise low-price services that typically address a specific need.

MSPs are set up to address all IT needs, a benefit they need to impress on customers. If they instead lock themselves into three-year contracts with razor-thin margins, they devalue their services and the managed services market in general. Commoditization is a downward spiral with no return. Once customers become accustomed to low prices, they will continue to demand them.

Fortunately, consumers of managed services tend not to view price as a priority, even though they want a good deal. The challenge for MSPs is to retain clients not with basement prices and discounts, but with high-value services that customers view as indispensable to their business success.

Proactive Communication

Failure to communicate with clients is self-defeating. MSPs shouldn't assume the customer understands what goes on behind the scenes as they tend to their clients' IT environments. Just as MSPs deliver proactive services, they must communicate proactively. That means meeting with clients not only for joint planning and long-term projects, but also to discuss ongoing activities.

Providers should deliver weekly or monthly reports itemizing all of their work, including patches, updates and deployments, and listing all the alerts to which they responded to prevent downtime. Such reports are fundamental to educating the customer on the value of managed services.

For instance, if a server overload was prevented, the MSP should explain how much an outage would have cost in remediation, lost productivity and missed sales. Clients don't always see the whole equation, so it's important to translate managed services value into dollars and cents. When clients grasp that value, they realize that their pre-set MSP monthly fees ultimately cost less than downtime, lost productivity and reduced profits.

N-able Report Manager

MSPs rely on tools to deliver services. An especially valuable tool consists of automated reporting capabilities, which enhance MSPs' services by letting them collect and organize data on their daily activities. When delivered to clients, that data goes a long way to prove MSP value and establish trust.

N-able Technologies' Report Manager leverages the vendor's N-central RMM platform to deliver comprehensive reports on business-critical aspects of customer environments. Fully integrated with N-central, Report Manager delivers detailed, customizable information that can be organized in ways that are relevant to client needs and preferences.

Report Manager allows MSPs to provide detailed analyses of key performance indicators (KPI) to stakeholders in client organizations; this includes C-level executives, managers and IT staff. Report Manager translates monitoring data into IT performance assessments to show SLA compliance. To ensure efficiency and consistency, Report Manager automates report scheduling and delivery, which reduces the time needed to manage your customer reporting needs.

Improving Customer Retention

Report Manager is an extremely effective customer retention tool, letting MSPs compile customizable "Executive Summary Reports." Depending on the audience, the report can provide exhaustive technical details to show SLA compliance, or deliver a more generalized view with key performance indicators for non-technical executives. How detailed and technical the reports are depends on the MSP's assessment of customer needs.

Executive Summary Reports contain an overall score on the health of the IT environment and deliver performance statistics on 13 areas relevant to network health. MSPs can include as many of those areas as required for each customer. Data is available about system warranties, antivirus, Windows patching, hardware firewalls, data protection, network reliability, and overall performance. Executive Summary Reports also show the number of trouble tickets that were created, resolved and remained open during the reporting period.

Report Manager integrates with an MSP's Professional Services Automation (PSA) software, providing a single report containing both technical and business data.

Winning New Business

Report Manager also helps win new customers by letting MSPs prepare a "Network Assessment Report." These assessments show customers how their IT environments are performing and how they can improve. Leveraging N-able's Essentials strategy, which provides free licenses with the purchase of professional licenses, MSPs can scan a prospect's network with N-able's Probe and Agent technology. Detailed data is collected on network assets (including workstations, servers, and infrastructure), Windows and third-party patch status, antivirus status, and hardware capacity.

MSPs deliver network assessments through detailed reports with easy-to-digest charts and graphs. Based on the findings, MSPs can tailor their recommendations to show customers how their services can improve day-to-day IT operations and help prepare for the future. Report Manager helps MSPs win new business by helping them show value early in the customer recruitment process.

Report Manager Benefits

Report Manager helps MSPs remind customers why they hired them in the first place. It also functions as a sales tool by helping to prove value and quantify downtime. Report Manager is fundamental in helping MSPs establish and reinforce their role as IT trusted advisors. Other Report Manager benefits include:

- Differentiation from the competition
- Performance against SLA metrics
- Service-level enhancements
- Better IT investment planning

Conclusion

Retaining customers is a big challenge for MSPs, but it's not insurmountable. By leveraging N-able's Report Manager, which is integrated with the vendor's N-central platform, MSPs can prove their value in concrete terms. With Report Manager, MSPs stand out from the crowd, which helps them fend off competitors and retain their customers for the long term.

For more information on N-able's Mobile Device Manager please contact us at
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