

***Channel* Transitions**

Successful MSP Product Design

David Wilkeson, CEO

dave@mspadvisor.com

330-286-9070

www.mspadvisor.com

www.linkedin.com/in/davewilkeson/

MSP  Advisor

About David Wilkeson

- CEO of MSP Advisor
 - One-on-one consulting and business coaching for MSPs of every size throughout North America
- Serial technology entrepreneur
- Technical and sales background
- COO and Partner in DRS (recently purchased by Involta) from 2005 – 2013
 - Went from a 9-person break-fix shop in Youngstown, OH to an 85+ person MSP and Cloud Provider with offices throughout Northern Ohio and Western PA, \$20M+ in sales
 - Participated in many industry benchmarking groups – True Profit Groups, TruMethods, Service Leadership, Ingram Micro VentureTech Network

What do many MSPs sell?

- Better technology
- Best practices
- Better IT solutions
- Cost effective IT
- Monitoring
- Proactive support

What are MSP customers buying?

- Security (safer feeling)
- Fewer problems
- Less headaches
- Less downtime
- One throat to choke

MSP Core Benefit to Customers

- PREDICTABILITY
 - Predictable IT costs
 - Predictable uptime
 - Predictable support responses
 - Predictable communications
 - Predictable quality of service

VAR Sales are...

- A client driven *solution* to a specific problem – each sale is tailored to the specific needs of the Client
- Very flexible (although hopefully changes come with a price tag!)
- Very gray

MSP Sales are...

- Black and White, defined in writing
- True *product sale* as opposed to a configurable solution or service sale
- Requires a different sales mentality
- May not be a fit for every opportunity
- Good MSP product design makes it a fit for the maximum number of opportunities

Common MSP Product Design Mistakes

- Bundling a white label Cloud service with labor and calling it by a snazzy name
- Selling device or service monitoring by itself
- Selling or bundling labor strictly tied to hours (that's just staff augmentation or block time)
 - Managed services is about leveraging your hourly costs to a multiple you control, not just a markup

Common MSP Product Design Mistakes

- Not setting hard service limits in writing
- Modifying the product for each client
 - Modifications deemed worthwhile should be a new product or apply to everyone with that product
- Not identifying (and tracking) your costs and cost drivers
- Identifying all the software and Cloud components of a bundled service

Good MSP Product Design

- Avoid commoditization at all costs
 - Make your products hard to compare
 - Make your products about outcomes
- Identify your uniqueness
 - What are you best at technically?
 - What can you do that others can't?
 - Is there a particular vertical that you service?
- Establish your “secret sauce”

MSP Products Should Be Like Aspirin

- The easiest MSP sale is pain based
- Identify your clients pain
 - How can you fix or mitigate it?
 - Is it pain for you too?
- Potential pains you can alleviate
 - Employee management
 - Unpredictability of service/uptime/costs
 - Runaway costs
 - Employee instability
 - Don't understand this part of their business
 - Clients time is better spent elsewhere
 - Complicated logistics

Know Your Costs

- Delineate all direct hard costs
 - Dependent licensing costs
 - RMM licenses
 - Bundled per user/device/client Cloud Services
 - Percentage of shared hard costs
 - Remote access software
 - PSA licensing
 - Shared Cloud Services
- Establish a formula for calculating variable labor costs and check it regularly!

Know Your Risks

- Liability is much higher in MSP than VAR
- Identify your risks and exposures
 - #1 Risk – Backups
 - Virus infections
 - How do you handle them, what is covered, etc
 - Loss or data theft by your employees, process failures
 - HIPAA violations related to access to client data
 - PCI-related liabilities
 - Other regulatory requirements
 - Hardware failure when bundling hardware
 - Outages when bundling Cloud services or connectivity
 - Upgrade labor costs

Mitigate Whenever Possible

- Have solid, fair contracts
- Set your limits in writing
- Understand regulatory requirements before selling into a vertical
- Background check your employees
- Be sure you have a good E&O insurance policy
- You **MUST** have good processes around services

Bundle to Differentiate

- Advantages to bundling
 - Resists commoditization
 - Tougher to price shop
 - Allows for greater margins
 - Makes you stickier
 - Makes your product easier to buy
 - Easier to tailor to fix a particular pain
 - Helps you find budget dollars for your product
 - Shift capital expenses to operational expenses
 - Decrease/replace an existing operational expense

Bundling Ideas

- Cloud Services
 - Email, Hosted Exchange
 - Office 365
 - Cloud-based Backup Services
 - Cloud based Anti-Virus
 - Cloud Based Security Services
 - Web Hosting
- Connectivity
 - Internet Connectivity
 - Office to Office Connectivity (WAN Services)
- Back Office Services
 - Payment Solutions
 - After hours client calls
 - Scanning/document management services

Bundling Ideas

- Marketing Services
 - Web content management
 - SEO (Search Engine Optimization)
 - Social Media marketing services
- Training
 - Security training
 - Line of Business software training
 - General computer use training

Bundling Ideas

- Software Licensing
 - Anti-Virus Licensing
 - Accounting Software Licenses
 - Line of Business software for a vertical market
- Hardware as a Service
 - Workstations
 - Point of sale hardware
 - Networking gear
 - Servers
 - Copiers
 - Multifunction Printer/Copier
 - Phone Systems

Bundle Cost Financing

- Monthly Per User/Device/Customer on backend
- Software or Hardware Vendor Financing
- Traditional Lease
- Bank note secured by the MSP contract
- Managed dedicated line of credit

Tools Every MSP Must Have

- PSA (Professional Service Automation)
 - CRM by itself is not enough
 - Ticketing by itself is not enough
 - Most (all?) accounting packages cannot cost and bill MSP contracts properly by themselves
 - Other pieces of a PSA
 - Reporting
 - Resource management
 - SLA management
 - Commissions payment
 - Opportunity management

Tools Every MSP Must Have

- RMM (Remote Monitoring and Management)
 - Know when things go down and how they are performing
 - Fast, efficient access to performance statistics and devices
 - Monitoring of Cloud services, not just physical devices
 - Reporting
 - Automation of remediation
 - Automation of actions

Tools Every MSP Must Have

- Metric Monitoring Tool
 - Gives you “single pane of glass” view of how your services are performing
 - Helps your organization be process driven and predictable
 - Helps identify issues with service quickly

Metric Tools in Action



Questions?

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