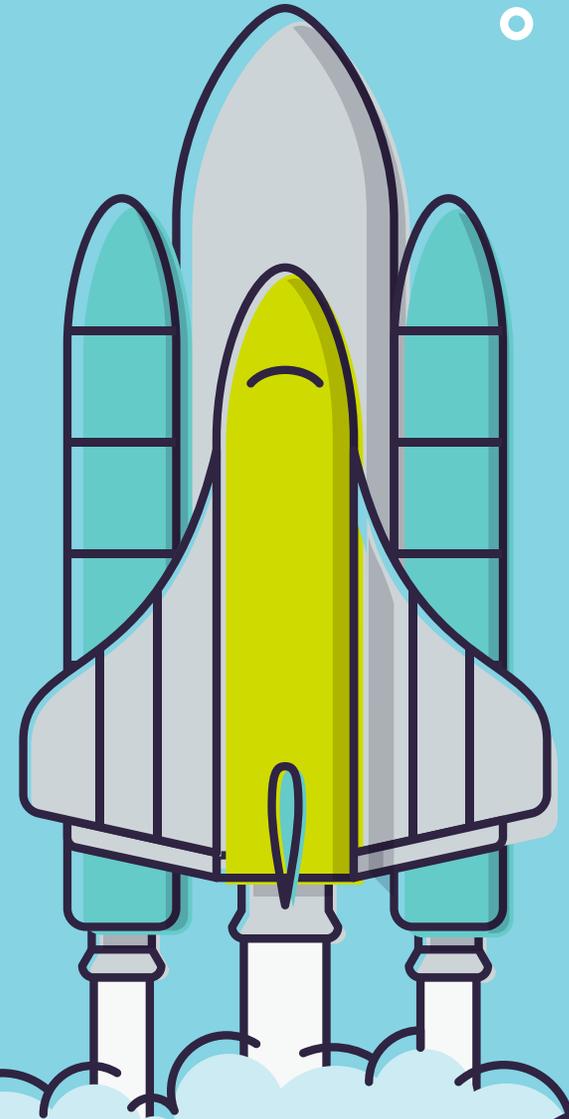


EBOOK

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7 More Habits of Highly Effective MSPs

Field-proven strategies for optimizing growth and margin

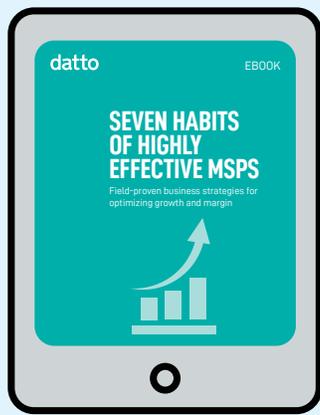




Our **7 Habits of Highly Effective MSPs** ebook was so popular that we've decided to revisit the concept once more with **7 MORE essential habits for managed service providers (from MSPs)**.

According to CompTIA research, the number of companies that have adopted managed services grew nearly 50% in 2015. In a recent survey of IT service providers conducted by RMM vendor Kaseya, 23% of respondents reported that their three-year average annual monthly recurring revenue (MRR) growth was over 20%. An additional 30% reported average annual MMR growth between 11% to 20% for the past three years. Needless to say, the IT channel market is healthy and growing.

This ebook offers seven new strategic tips from successful MSPs that will help you optimize growth and profit. Use these to make the most of the current market growth and outperform your competition!



The 7 Habits of Highly Effective MSPs

Field-proven business strategies for optimizing growth and margin

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One effective way to differentiate yourself from other IT service providers is to **develop a high level of expertise in a specific area or areas.**

Habit #1: BE THE “GO TO” GUY

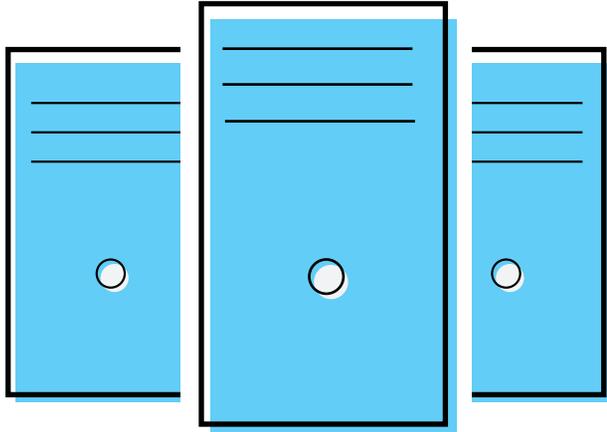
For MSPs, it is important to define exactly what your business does, the services in which you specialize, and your edge over competitors in your space. It is essential to be able to communicate your business value to potential customers. One effective way to differentiate yourself from other IT providers is to develop a high level of expertise in a specific area or areas. For example, an MSP that focuses on servicing SMBs in Healthcare and Finance or an MSP that specializes in a specific service or technology (i.e. backup and disaster recovery).

Jay Strickland, President of NC-based MSP WingSwept, offers services based on client size rather than a specific vertical. “We look at vertical specialization as a potential liability,” he said. “For example, what if you catered specifically to real estate firms in 2008? You’d be out of work.”

That being said, many MSPs have had success providing services to specific verticals. This decision should come down to your personal preference and the potential clients in your region. Mark Calzone, President of CT-based Ash Creek Enterprises said that while his company does not focus on a specific vertical, that approach “could be efficient from an operations standpoint, because you’re providing similar services for all or most of your clients.”

According to Dale Shulmistra, co-founder of Invenio IT, a leading New York City-based MSP, specialization is an essential part of the success of his business. “We spread ourselves too thin when we were first getting started with the company,” he said. “Then we figured out that it’s better to for us specialize on specific services.” Over time, Shulmistra narrowed their service offerings down to disaster recovery, business continuity and IT security.

While Invenio IT doesn’t intentionally service specific industries, many of their customers fall under a certain profile. “When we first started out, I was hesitant to work with clients with HIPAA needs,” Shulmistra said. “Over time, we wound up with a lot of HIPAA clients, because they have a greater need for the services in which we specialize.”



I find that the amount of work necessary to support 100 servers is not exponentially higher than supporting 10 servers. So, the **profit margin is much higher in larger environments.**

- Dale Shulmistra, co-founder of Invenio IT

Over time, serving clients with similar needs will enable you to build up an expertise, which can be applied across customers. Suddenly, you will be the “go to” guy for something. “It’s absolutely easier when you specialize,” said Shulmistra. “The first time we had to draft a HIPAA business associate agreement (BAA) was really difficult because we were learning the laws as we went. Now, it’s fairly straightforward. It definitely helps to have that previous experience.”

Takeaway: To differentiate yourself from other IT providers, select and focus on specific areas of expertise and you’ll become a “go to” guy.

Habit #2: BE CHOOSY ABOUT CLIENTS

Many new IT service providers take whatever work they can get. This makes sense when you are just starting out, but as your business grows it is important to be more selective about your customers. The first step: identify your ideal client. This will be dictated in part by your specific areas of expertise, but there are additional factors to weigh.

For example, consider the level of effort it takes to support a customer’s environment. “I prefer to work with larger customers—say 100 to 150 servers,” said Shulmistra. “I find that the amount of work necessary to support 100 servers is not exponentially higher than supporting 10 servers. So, the profit margin is much higher in larger environments.” Another factor to take into account is the level of technical expertise the client has internally. Shulmistra said that customers with in-house IT generally require less effort to support than customers that rely on Invenio IT for every aspect of their technology needs.

“We only go after clients that value technology and data,” said Shulmistra. It’s usually not worth the effort to try to educate them if they don’t value technology. You’ll never convince them if they are just looking for the cheapest price. Figure that out quickly and move on if they just don’t get it.”

When it comes to current customers, don’t be afraid to cut ties. If a customer is not a good fit it’s generally best to end your relationship with them. Shulmistra said that he’s had to end

relationships with clients in the past, but it hasn't happened in a while. He said that's likely because they are selective about the customers they choose to work with.

Takeaway: Identify your ideal customer and target them. It's important to figure out if a potential client is a good fit with your business before you enter into an agreement with them.

Habit #3: BUILD CUSTOMER TRUST

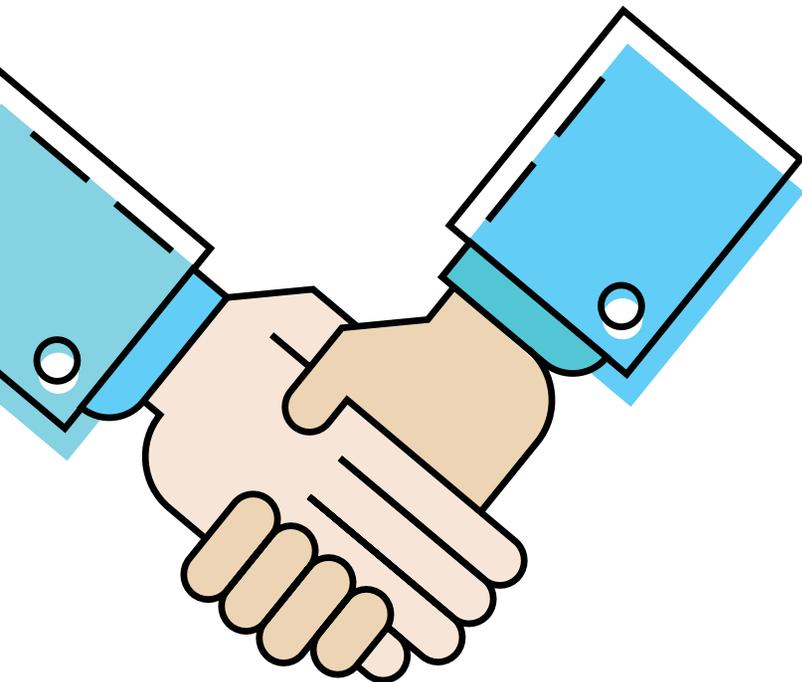
For IT service providers, building customer trust is essential because you are accessing and protecting their private technology and data in which their livelihood relies. "Trust starts with the very first conversation," said Shulmistra. "If you say you are going to call a potential client at 10 AM, make sure you call them at 10 AM. Always follow through—otherwise, there's no trust and no relationship."

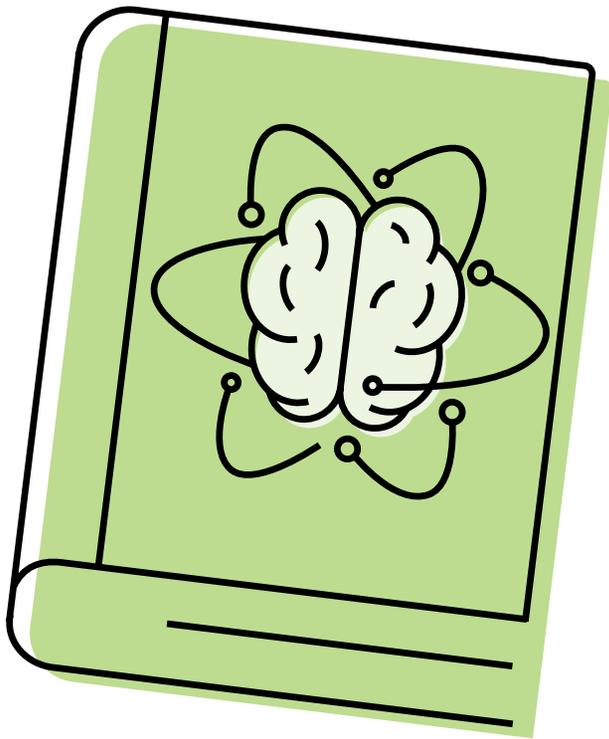
Always offering customers impartial advice about technology will help you become a trusted advisor to customers. Yes, you need to generate revenue and make profits, but that doesn't mean selling clients the most expensive products you can. It's more important to recommend technology that helps them succeed regardless of its cost. Giving customers the right tools along with top-notch tech support, builds trust and ensures a long-lasting business relationship.

Depending on the nature of your clients, you may want to take additional measures. For example, Shulmistra said that with healthcare customers, Invenio IT encrypts patient data but gives the client the encryption key. "This gives customers control over their data and gives them confidence, but it protects our interests as well," he said. "It's actually impossible for us to decrypt their data without that key, so there's no way we can be accused of inappropriately accessing it."

Takeaway: For IT service providers, trust is everything. Build a relationship based on trust by being reliable, honest and available.

Over time, serving clients with similar needs will enable you to build up an expertise, which can be applied across customers. **Suddenly, you will be the "go to" guy for something.**





Standardization allows you to develop expertise on technologies that you use—reducing the time and effort necessary to deploy and manage them.

Habit #4: STANDARDIZE TECHNOLOGY OFFERINGS

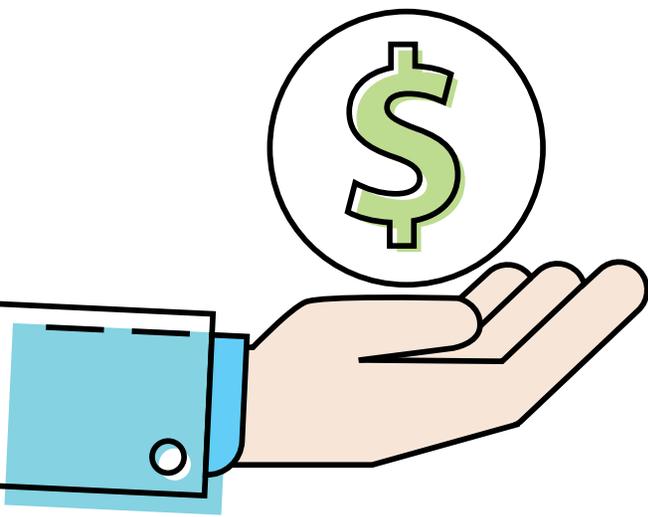
Standardization allows you to develop expertise on technologies that you use—reducing the time and effort necessary to deploy and manage them. This will mean different things to different IT providers. For example, some might opt to only use technology from a single vendor to deliver a service.

According to Calzone, standardizing on specific vendors has been a successful route for his MSP. "You want to offer the same technologies to all of your clients—one security product, one DR, etc.," he said. "This is beneficial in two ways. First, it's easier to manage relationships with a finite set of vendors. Second, your staff will develop expertise working with the specific products you choose." However you approach it, build in enough flexibility that you can support a wide variety of clients. It's important to choose technologies that can support a variety of IT environments.

Many successful MSPs publish a service catalog to ensure potential and current customers understand the options available. It should be detailed enough that there is no ambiguity in what each service offers but not so technical that you lose them altogether. Since this document defines exactly what is provided in each offering, it is also an opportunity for you to explain exactly how your services differ from others in the market.

Invenio IT takes a narrow approach to standardization by offering only business continuity and security services. They've standardized on a small number of technologies to provide these services. According to Shulmistra, this narrow focus is by design. "There are a number of benefits to standardizing on specific technologies," he said. "Focusing on one thing allows you to be the best at it. Plus, you get efficiencies of scale as you grow your business and it's easier to train new tech support staff."

Takeaway: Standardization of products allows you to develop an expertise on specific technologies you exclusively offer, which greatly reduces the time and effort necessary to deploy and manage them.



Pricing Made MSPeasy

IT service providers price and package their services in a variety of ways. Most choose some combination of the following options:

Pricing Models

Per user: Pricing is based on the number of employees

Per device: The number of devices managed dictates pricing

Value-based: Pricing is based on cost of in-house IT staff

SLA-based: Pricing is mapped to various tiers of service (e.g. gold, silver, bronze)

Service Delivery Options

À la carte: The customer chooses the services they need from a menu and pricing is calculated accordingly.

Bundled Services: are grouped into packages and customer choose the bundle that best suits their needs.

Habit #5: PRICE FOR PROFIT

Developing a pricing strategy is all about making the margins you want and/or need on the services you deliver. Start by evaluating your own business' costs, such as the recurring costs for the technologies you use to deliver services to your customers. Then, look at the rest of your expenses on a monthly basis. Your fees should be based on those numbers.

"Understanding your own costs is essential," said Jordi Tejero, President of Cape Coral, FL-based CRS Technology Consultants. "Start with technology and staffing costs." Added Shulmistra, "Understanding your costs is so important. We start with our costs, look at what we need to make for a margin and then price in some profit."

Many MSPs, especially those new to the business, make the mistake of pricing their services too low in an attempt to beat their competitors on price. "Some cowboys out here think that loss leader pricing is acceptable," Shulmistra said, and suggested an alternate approach. "Consider how you differentiate your services from what they offer and be ready to communicate why your service commands a premium price."

Make a plan for lost deals as well. "If we lose a deal based on price, we have follow up strategy to keep the conversation going," Shulmistra said. "After six months, we reach out to find out if they are happy with the service they are getting from whoever won the bid. If they aren't, they are usually willing to pay a little more for good service."

IT service providers use a variety of pricing models today, and yours will ultimately be dictated by your business needs. Many IT providers price per user or per device, while others opt for a fixed-price model or a hybrid of the two.

Takeaway: When it comes to pricing services, it is all about making the margins you want on the services you deliver. Start by evaluating your own business' costs, your fees should be based on those numbers.

You Also Might Be Interested In:



Pricing Made MSPeasy

Find the Best Model for Your Needs

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Marketing Made MSPeasy

Effective Tips for MSPs from MSPs

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Habit #6: DEVELOP A SALES AND MARKETING PROCESS

Many IT service providers struggle with sales and marketing because they come from a technical background rather than a business one. Others, particularly small shops, may simply not have the time (or think they have the time) to devote to sales and marketing. However, if you are looking to grow your business, developing a repeatable sales process is essential. A typical sales process might look something like this:

- **Marketing/Prospecting:** This is the process of generating leads and may involve researching potential clients, cold calling, attending industry events, outbound marketing (local ads, Google AdWords campaigns, etc), and inbound marketing (blogging, social media, etc).
- **Initial contact:** The goal of initial contact is to gather information about the company's specific needs and qualify the lead's potential to become a customer.
- **Technical presentation:** This stage is a formal presentation or demonstration and might feature a number of technologies depending on the customer's specific needs. This step is reserved for well qualified leads.
- **Close:** This includes getting buy-in from decision makers, negotiating price, etc.

According to Shulmistra, sales and marketing are a major focus at Invenio IT. "You are providing a service. For us, that's technology," he said. "But, the business side is a bigger focus for me. I come from a business background, I have finance degree and I've worked for Fortune 500 companies."

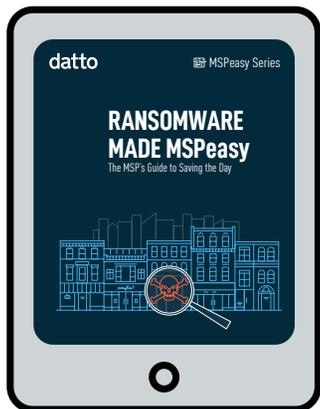
This, of course, isn't the case for most IT providers. So, Shulmistra suggested starting with your strengths. "For example, I'm a lot better in person than over the phone," he said. "So, I tend to try to do a lot of prospecting at industry events. Someone else might be a really strong writer and use that to generate leads."

Takeaway: For MSPs looking to grow their business, taking the time to develop a repeatable and traceable sales and marketing process is essential to growth.

Peer groups, such as HTG, are a popular option for IT service providers looking to further their education.

These groups meet locally or online and allow members to learn from each other, in both formal and informal settings.

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Ransomware Made MSPeasy

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Habit #7: GO TO SCHOOL

It goes without saying, but you won't stay ahead of your competition by resting on your laurels. One piece of that is understanding your business and the constantly changing market in which you play. That's why ongoing education is essential.

Peer groups, such as [HTG](#), are a popular option for IT service providers looking to further their education. These groups meet locally or online and allow members to learn from each other, in both formal and informal settings. Peer groups offer sessions led by industry veterans on topics such as management, sales and marketing, employee relations, vendor engagement and new technologies. Members are encouraged to network and bounce ideas off each other as well.

Another option is to seek certification on specific technologies you use to deliver services. Many tech vendors offer product-specific education and certification programs. And, there are a number of organizations that offer more general IT training opportunities. For example, [CompTIA](#) offers four IT certification series that test different knowledge standards—from entry-level to expert.

Shulmistra has a less formal, but still structured, method for staying in the know. "I start every day reading tech, marketing, and business articles to keep up on everything. I pass important articles on to my staff to keep them informed as well."

Takeaway: To remain competitive in an industry of constant change, ongoing education and certification is essential.

CONCLUSION

Successful MSPs “work smart” as the expression goes. It's all about being selective—with the clients you take on, the vendors you partner with, how you present yourself to the public, and the services you decide to deliver. Highly effective MSPs play to their strengths and build on them, but they aren't afraid to evolve and adapt either. They refuse to sell themselves short. If you are delivering superior service, your clients will pay a premium price. “The price you charge definitely affects the perception of your worth,” said Shulmistra. “But if you charge a higher price, you need to have the skills to back it up.”

FINAL TAKEAWAYS

- **To differentiate yourself from other IT providers, select and focus on specific areas of expertise and you'll become a “go to” guy.**
- **Identify your ideal customer. It's important to figure out if a potential client is a good fit with your business before you enter into an agreement with them.**
- **For IT service providers, trust is everything. Build a relationship based on trust by being reliable, honest and available.**
- **Standardization of products allows you to develop an expertise on specific technologies you exclusively offer, which greatly reduces the time and effort necessary to deploy and manage them.**
- **When it comes to pricing services, it is all about making the margins you want on the services you deliver. Start by evaluating your own business' costs, your fees should be based on those numbers.**
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