The Next MSP Evolution:
Technology Success

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THE SAND IS SHIFTING FOR MSPs

Over the past 10 years, TruMethods has worked with over 2,000 IT providers around the world, many of whom were making the transition from hourly service to the MSP model.

During that same time, we've seen the MSP market mature. There are more MSPs than ever before and more software vendors selling them new products. An IT provider can walk into the solutions pavilion at any industry event with a credit card and leave 10 minutes later as "an MSP."

Can the "10-minute MSP" offer a customer the same results as an established MSP with 10 years' experience? Probably not—but can a prospective customer tell the difference?

The reality is that core MSP services like support, patch, spy, spam, backup, and security are being commoditized. Most MSPs use the same tools and technology. Simply stating that you're proactive or that you're a trusted advisor is no longer enough.

As your customers continue to transition to cloud applications and services, some of the value you provided in the past is being diminished. What will happen when many of the applications and documents you currently back up and secure move to the cloud? Is this the beginning of the end for the current MSP model?

Here's what's interesting: While basic MSP services are commoditizing, top performing MSPs are thriving.

Today, more recurring revenue is being sold at a higher price than ever before in my 20 years as an MSP. Why are top providers thriving while average MSPs are beginning to struggle?

INTRODUCING THE TECHNOLOGY SUCCESS PROVIDER (TSP)

The MSP model is aimed at managing tickets, alerts, and projects. As our customers' technical environments change, the value of support and basic RMM is deteriorating. These changes have created new opportunities for top providers.

Customers need higher level business services. They need advice and consulting to navigate a more complex technical environment. Most of all, they need to understand how technology can impact the success of their business.

At TruMethods, we've coined the term **Technology Success Provider** or **TSP**. I like the term TSP because it paints a clear picture of what separates top providers. We can begin to separate our MSP practice—which is support, projects, and basic automation—from our TSP practice—which is focused on technology standards and alignment, business impact, and IT strategy.

You should view your technology alignment and vCIO process as the technology success practice. As you separate this in your service delivery culture, so will your prospects and customers.

A TSP understands that to command higher value (and higher seat prices), they must move from a technical relationship with customers to a relationship based on business value.

For average MSPs, this can be a difficult task because their teams and resources are mainly focused on tickets, tools, and projects. Technology Success Providers have roles and process that are 100% dedicated to helping customers understand the business impact of technology.

As MSPs, we're a relatively small cost to our customers. If a customer spends $3,000 per month with an MSP, they likely have overhead and payroll of $200,000 to $400,000 a month. This means you could charge them $4,000 per month and still be a relatively small expense.

If you can show them that the $1,000 per month difference in investment positively impacts the big costs in their business, they'll be happy to invest more. This isn't my opinion—it has been my experience.

The two MSPs I've owned over the past 20 years have sold well over $1.5 million in monthly recurring revenue (MRR), and in almost every sales situation our prices were 20 - 30% (or more) higher than what the customer was paying previously or what competitors offered.

Technology Success Providers make the delta in investment the reason a customer would buy from them. This logic is what separates top MSPs from the crowd.

THE INVISIBLE FORCE

Training MSPs for nearly a decade and owning two MSPs in my career, I've seen firsthand how difficult this business can be.

You get a new client, then lose one. Or you lose a key technical resource. You take one step forward and two steps back. You reach MRR plateaus that are hard to break through, and your profit margin is much lower than it should be.

It's like you're battling an invisible force that stands between you and your goals. That force is tickets and time. The number of tickets and alerts in your business is too high relative to revenue.

We use the term **reactive time** to quantify this force.

Let's say there are two MSPs, both with $100,000 of MRR. The first MSP has two people on their support desk, and the second MSP has four. Both companies have the same amount of revenue and manage the same number of end users.

But the second MSP has twice the support cost per seat as the first MSP.

If they're charging the same price per seat then their cost per seat should be the same as well. If your per seat support costs are double and your overall costs need to be the same, you have fewer resources available to devote to high-value items like consulting, technical alignment, and advanced tools.

In other words, you're less competitive. In fact, your higher reactive noise levels make your support offering less valuable to clients.

On a regular basis I hear business owners say, "We can't get higher prices in our market." My reply is that the problem is not the market. The problem is that your current value doesn't command the right price. In every market, we see MSPs charging $150 to $165 per seat or more, while others feel they could never command those prices.

Think about our example where one MSP has twice the per seat cost for support because they have twice as many support resources. The inefficient MSP not only has higher cost, they also have lower value.

Higher costs and lower prices are not a recipe for success. This is why MSPs that sell the most monthly recurring revenue are also selling at the highest price. Lower support costs and higher value drive their sales performance.

BUILDING A VALUE-BASED TSP

Understanding the principles of lowering reactive noise and support cost to increase the value of your MSP support offering is the path to becoming a top performing MSP.

The first step is to measure your support cost relative to top MSPs. Top providers have one support desk resource for every 500 users under management. This includes all tickets and alerts that are included in your monthly fee.

Once you benchmark yourself, you can begin to measure and set goals for things like tickets and alerts per month per end user, and average resolution time. After you establish a baseline, focus on

developing roles and process aimed at reducing reactive time.

TruMethods has developed a framework to reduce reactive noise levels and increase the value of your support offering. At the center of the framework are two roles dedicated to technology success.

The first is a **technology alignment role** that's focused on reviewing a customer's technical environment relative to your standards each month. A lot of the tickets and alerts that providers deal with are a result of technology and configuration misalignments over time.

Once the alignment reviews are complete, the next step is to review the business impact of misalignments with the customer. This is the role of the **technology consultant**, also known as the vCIO.

The technology consultant develops an IT strategy and roadmap for each client that includes an IT budget. Together, technology alignment and IT strategy are the basis for your support relationship with the customer. This value is built on top of traditional MSP services like support, centralized services, and professional services.

TruMethods' software, myITprocess, is the industry's first technology success platform that manages your IT standards library, helps you easily perform alignment reviews, and builds an IT roadmap and strategy for every customer.

CONCLUSION

It's once again time for IT providers to innovate. It's the early adopters of a new business model that reach the top of the industry.

As the MSP market continues to mature, commoditization is inevitable—but top performers will continue to thrive. The same forces that create market challenges also present great opportunity for those that understand the changing needs of customers.

I've watched IT providers grow and plateau for 20 years. It's time to get growing! Raise your expectations about what's possible in terms of sales, practicality, pricing, and scalability.

ABOUT THE AUTHOR

Gary Pica is a pioneer in the managed services field. His first company was "early to market" in the MSP arena. It quickly became one of the fastest-growing MSPs in the country, with over 7,000 endpoints under management. Today he's the president of TruMethods, a training and software company aimed at helping MSPs reach their full potential. Gary shares the key ingredients that transformed his business and life. In addition, he is back in the MSP game as an investor in another fast-growing MSP.

ABOUT TRUMETHODS

TruMethods is a business transformation organization launched nearly 10 years ago by industry leader Gary Pica. Gary started TruMethods with the purpose of sharing a proven framework to help MSPs achieve more recurring revenue sales and industry leading profitability. The FormulaWon training program along with their software, myITprocess, have changed the way MSPs operate. The TruMethods fship product is myITprocess, a software platform that allows MSPs to build a technical standards library, perform technical alignment reviews, and build a strategic IT roadmap for every client. Nearly 20% of the MSPMentor 501 are powered by the TruMethods framework.

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ABOUT AUVIK

Auvik is network infrastructure RMM. We help you manage network infrastructure like you manage endpoints and servers today, giving you instant insight into client networks, and automating complex and time-consuming network tasks.

Made for an MSP environment, Auvik lets you see and manage all your clients from a single dashboard. Simply install an Auvik collector on any network that needs to be managed. Auvik does the rest, from automated mapping, inventory, and configuration backup to alerting and statistics. Within 15 minutes, you can start making smart recommendations for improvements to your client's network.

To see how Auvik can boost your MSP's efficiency, productivity, and profitability, visit www.auvik.com