



Seven Habits of Highly Successful MSPs

How the best managed services providers profit from Software as a Service.

First the good news: The market for managed services continues to grow, as more businesses entrust non-core operations to external specialists.

AMI-Partners says small and medium businesses will triple their spending on remote managed IT services over the next five years. And nearly 70% of the best MSPs now offer software as a service (SaaS) solutions involving email, collaboration and recurring revenue opportunities, according to the annual MSPmentor 100 survey results.

The potential for growth, however, attracts more and more players to the market. Numerous resellers are recasting themselves as managed services providers (MSPs). The competitive landscape ranges from one-person shops to \$1 billion-plus companies.

And therein lies the bad news: an aspiring MSP has quite a crowd to rise above.

To succeed, an MSP must establish a brand, differentiate its services, woo skeptical customers, evaluate business partners, and manage profitable deals. Sound overwhelming?

Here are seven tips that allow newcomers to get started. Plus, advice to help more advanced MSPs to leap from good to great.

1. Don't compete on price alone

Many MSPs make a critical mistake from the start: When launching their managed services practice they focus on low-ball pricing – rather than customer value — to win initial deals.

Admittedly, MSPs may feel the need to compete on price, when economic times are tough.

“You need to set yourself apart from the competition in ways other than price,” said Curt Mark, manager of partner development at Intermedia, which offers hosted Exchange and other on-demand applications. “There’s always going to be somebody cheaper.”

Instead, top MSPs emphasize their expertise in key areas – on demand applications, security as a service, unified communications and so on. Also,

top MSPs build long-term business relationships with their customers, rather than one-time sales engagements.

First Steps for Aspiring MSPs: Develop branded managed services that emphasize your company’s unique value proposition. Emphasize your company’s ability to eliminate customer pain – rather than reduce IT prices.

Next Steps for Experienced MSPs: Much like cable companies and telecommunications companies, you need to keep introducing more and more services over your established pipelines to customers. Sure, start with solutions like Hosted Exchange, but branch off in additional directions.

Consider the situation at Intellitech Solutions (www.247tech.com). The Philadelphia, Pa.-based MSP has grown to offer seven managed services — ranging from client support center services to assist management to network operations management.

Many MSPs are making the leap from Hosted Exchange to unified communications. Along the way, they are expanding to support a range of non-PC devices, such as Google’s Nexus One smartphone and the Motorola Droid.

2. Network to generate leads

To keep the sales pipeline flowing you need leads – good, qualified leads. Networking can make that task easier.

“A lot of the sales we get are through word of mouth referrals and networking,” said Ben Brimhall, founder of Azul Services, an MSP in the Las Vegas area. He estimates 50 to 60 percent of his business stems from those channels.

Brimhall said his company gets referrals through non-competing firms — communications companies, ISPs and consultants, for example. In addition, Azul Services participates in local groups such as the Technology Business Alliance of Nevada.

Doug Ramirez, director of data services at Blue Ridge InternetWorks (BRIworks), an MSP and ISP in Charlottesville, Va., also gets involved with local



INTERMEDIA

AT A GLANCE

Company:
Intermedia

Web: www.intermedia.net

Specialty: The world's leading provider of hosted Exchange, plus a range of hosted unified communication services

Fast Facts: Founded in 1995, the privately held company is profitable, debt-free and manages more than 225,000 premium Exchange mailboxes. Also, Intermedia was first to market with hosted Exchange 2010 -- back in 2009. And Intermedia has Tier-4 data centers on the U.S.'s East and West coasts.

MSP Opportunities: MSPs can rebrand Intermedia's hosted Exchange services as their own. Plus, Intermedia offers a five-nines (99.999%) service level guarantee and 100% Data Protection Guarantee, providing MSPs and their end-customers peace of mind.

More info: www.intermedia.net or resellers@intermedia.net

business and technology groups. The company also chats up landlords and property management companies to generate leads for its multiple-dwelling Internet access business. This approach helps the company gain "first access" to offer tenants Internet access.

For Aspiring MSPs: Look for local/regional business groups in your area; form ad-hoc referral networks with companies in your market space; cultivate relationships with specialized constituencies.

Also, check out industry associations like CompTIA (www.CompTIA.org) and the organization's MSP Partners (www.msppartners.com) community. The annual CompTIA Breakaway event increasingly helps MSPs to master SaaS. And MSP Partners helps members to understand the lead generation sales process.

For Experienced MSPs: Launch targeted Pay Per Click (PPC) marketing campaigns using options like Google Adwords' Keyword tool, Yahoo Search Marketing and Microsoft adCenter. Clickable.com allows you to manage your marketing campaigns from a central console.

3. Sell to the business side of the house

Intermedia's Mark advises MSPs to focus their initial sales calls on business executives rather than IT managers. Starting with the IT team could prove a deal breaker, as the in-house technologists may view managed services as a threat.

"Selling managed services to a technology audience seems to be more hit and miss, but the business sale of managed services is a solid sale," added Azul Services' Brimhall. "Every time we have gotten in front of the business side of the house we have won the business."

One example: In talking to the general manager of a local TV station, Brimhall's company discovered a key technical problem: the manager's mobile sales people, equipped with BlackBerries, regularly lost connectivity with an in-house Exchange email system. Azul Services won the station's business with an Intermedia-hosted Exchange service that supports BlackBerry Enterprise Server.

Mark recommends approaching the IT team — after the business leaders are on board. The idea here is to present managed services as making their lives easier. With hosted Exchange, for example, the message for IT management is fairly straightforward: Drop the administrative burden of email and redeploy personnel elsewhere.

"Let email be outsourced and your staff can focus on core applications that actually make your com-

pany money," Mark said.

For Aspiring MSPs: Get in front of business owners, general managers and C-level executives whenever possible. Your links to local business groups could help in this regard.

For Experienced MSPs: Host "lunch and learn" sessions once per quarter. Invite executives to a two-hour luncheon, and organize the luncheon to include a customer case study, open Q&A and plenty of networking time.

4. Leverage hosted Exchange sales

As we've hinted, services like such as hosted Exchange and hosted SharePoint address specific customer pain points and can help MSPs get the proverbial foot in the door.

Nearly 70% of the world's top MSPs offer hosted/SaaS email solutions. And 36% offer hosted SharePoint, according to the MSPmentor 100 survey results.

Opportunities in both areas continue to grow. Plus, promoting hosted Exchange typically opens up additional recurring revenue opportunities. "The customer may have a particular need to solve a messaging and collaboration problem," Brimhall said. "Once you fix that for them you can position yourself as the trusted advisor."

Similarly, Mark said a successful hosting engagement enables MSPs to build brand awareness with customers.

"They will know your brand and when they look for other services, they are going to come to you," he added.

When that happens, an MSP can begin to wrap additional services around the initial sale. Just ask Intellitech Solutions. In addition to offering hosted Exchange, the Philadelphia-based solutions provider promotes asset management services and WAN management services.

Moreover, Intellitech is organized into three groups: Managed services, infrastructure and cabling solutions and creative solutions. When the managed services team scores a customer win, there's a natural opportunity to up-sell the customer to infrastructure and/or creative solutions like web site design or e-commerce integration.

Similarly, Azul Services followed that cross-selling approach with a construction company customer. The customer had just captured a large contract and was setting up a temporary office to manage the project.

Not by coincidence, the construction firm needed to quickly assemble the infrastructure for messaging and collaboration. Brimhall said Azul Services got the customer set up with hosted Exchange and



GETTING STARTED

✓ TIP 1: Resist the Temptation to Compete on Price

Getting Started: Develop your own branded managed services; deemphasize third-party brands.

From Good to Great: Think like a cable company and/or telecommunications company

by introducing more and more managed services over your digital pipeline into customers.

✓ TIP 2: Network to generate leads

Getting Started: Join organizations like CompTIA.

From Good to Great: Explore and master pay-per-click (PPC) advertising tools like Google Adwords.

✓ TIP 3: Sell to the Business Side of the House

Getting Started: Book meetings with C-level executives.

From Good to Great: Host “lunch and learn” meetings at restaurants; limit attendance to 30 C-level customers to start.

✓ TIP 4: Leverage Hosted Exchange Opportunities

Getting Started: Only work with a hosted Exchange partner that offers 99.999% service level guarantees and 100% data protection guarantees. And make sure you can rebrand the service as your own.

From Good to Great: Branch out into managed SharePoint and unified communications opportunities.

✓ TIP 5: Assemble a Strong Management Tool Set

Getting Started: Choose PSA (professional services automation) and RMM (remote monitoring and management) tools that integrate with one another.

From Good to Great: Leverage a single dashboard for managing your customers’ on-premise and cloud applications.

✓ TIP 6: Carefully Choose Business Partners

Getting Started: Make sure SaaS partners are profitable, growing, and in good financial standing.

From Good to Great: Explore opportunities to leverage open APIs that integrate additional applications with hosted services.

✓ TIP 7: Always Re-engage Established and Potential Customers

Getting Started: Leverage email marketing and telemarketing campaigns.

From Good to Great: Schedule monthly C-level customer visits to review the services you’ve already delivered and to gather information about where your customers would like to head next.

SharePoint via Intermedia.

The hosting gig helped Azul Services to provide related offerings such as SharePoint training and development. The deal also enabled Azul Services to move into areas beyond the immediate hosting assignment.

For Aspiring MSPs: Treat hosted Exchange as a beginning, not an end. Offer professional services applicable to Exchange and keep an ear to the ground for follow-on projects. Make sure the hosted Exchange offering you choose allows you to rebrand the service as your own.

For Advanced MSPs: Explore customers’ compliance and security issues. Then, connect the dots between hosted Exchange and secure archiving solutions that comply with corporate and government mandates.

Also, promote unified communication opportunities to organizations that want to step beyond legacy phone systems.

5. Assemble a strong monitoring and management toolset

MSPs need the right tools to maintain quality and deliver services profitably. The service provider business model depends on automation when it comes to managing scores of customer devices.

Typical options include so-called Remote Monitoring and Management (RMM) software and Professional Services Automation (PSA) applications. Numerous software companies offer RMM and PSA solutions in on-premise and SaaS (software as a service) configurations.

PSA applications allow MSPs to manage customer trouble tickets and speed problem resolution. Many PSA systems also manage marketing, sales, CRM and financial systems. In contrast, RMM tools empower MSPs to proactively manage customers’ IT infrastructure from afar – everything from notebooks and PCs to servers, switches, routers and even network-centric applications.

Blue Ridge InternetWorks uses a combination of commercial, open source and in-house-developed tools. Ramirez said the company’s preference is to use what’s available on the market, but will custom build when it can’t find a tool that meets a particular requirement.

For Aspiring MSPs: Evaluate monitoring and management tools, keeping customer preferences in mind. Try to avoid heavy custom development as that practice could eat into profits.

Embrace PSA (professional services automation) software platforms to help speed and track your lead generation efforts. PSA software is similar to CRM (customer relationship management), but in many cases the PSA platforms are designed specifically for VARs and MSPs that want to track and manage customer engagements.

For Experienced MSPs: Plug your PSA and RMM (remote management and monitoring) tools into a single dashboard. Also, explore web and SaaS monitoring tools that allow you to proactively manage customers’ on-premise and cloud-based applications. The ultimate goal is to gain a single dashboard that allows you to see and maintain all of your customers’ applications.


INTERMEDIA

We like that Intermedia focuses on the channel—they are a partner-driven company.

—Ben Brimhall, founder of Azul Services, an MSP in the Las Vegas



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6. Carefully evaluate business partners

As with automated tools, service providers should take care when selecting a business partner.

In Exchange hosting, the key characteristics include channel orientation, support infrastructure and reliability. Brimhall, whose company has been working with Intermedia since mid-2009, listed those factors as critical to the relationship.

"We like that they focus entirely on the reseller channel — they are very much a partner driven company," Brimhall said.

Brimhall also cited Intermedia's "well-rounded" Exchange 2010 offering, competitive pricing, and support capability. As for reliability, he noted that Intermedia's 99.999% uptime guarantee has borne out to be true.

Blue Ridge InternetWorks' experience with a previous hosted Exchange provider underscore the importance of reliability.

"We had a lot of problems with the service level and we were spending a lot of money internally managing customer complaints and downtime," Ramirez said. "It wasn't good for the customer and it wasn't good for us."

Ramirez said his company moved all of its hosted Exchange customers from the other vendor to Intermedia. Blue Ridge InternetWorks also migrated its internally-hosted Exchange customers to Intermedia. He said the company has come through with a very high level up uptime and availability.

For Aspiring MSPs: Do your homework when selecting a hosted Exchange vendor. Do the experiences of other MSPs ring true with the glowing guarantees on the vendor's web site?

Also: Does the hosted Exchange vendor offer service level guarantees? Intermedia, for instance, offers a 100% data protection guarantee and a five-nines (99.999%) reliability guarantee — that's about five minutes and 15 seconds of downtime per year.

Intermedia was first to market with hosted Exchange 2010 (in November 2009). Plus, Intermedia allows solutions providers to rebrand Intermedia's services as their own — a key requirement for MSPs that want to promote their own brand to end-customers. Partners can also set their own pricing.

For Experienced MSPs: Take the next step with your SaaS partners. Help to influence future software R&D by providing constant feedback to your hosted application providers. Also, see if there are opportunities for your company to leverage open APIs (application programming interfaces) that can help your company tighten the integration between hosted applications and third-party software.

7. Revisit your past

Your existing customers offer a rich vein of potential new business, but some MSPs don't bother mining the customer database.

"More of them need to look to do that," said Intermedia's Mark. "It's easier to get back ... to customers you already know and show them new services you can offer."

Mark recommends segmenting the customer base according to customer type and then develop service offerings accordingly. For small business customers, an MSP could create a hosted Exchange service package based on the specific functionality they need, he said. An enterprise offering could be devised for large customers.

A focused approach also pays off in marketing. Mark said the trick is to key in on specific types of prospects, rather than "just anybody and everyone."

Mark divides likely hosted Exchange customers into three groups: Start-up companies, legacy users with aging email platforms, and small companies that possess enterprise functionality needs but lack the capital for an upfront hardware purchase.

For Aspiring MSPs: Keep past customers in the loop: send out an email brochure or notification when rolling out new services. As for prospecting, develop a targeted approach that makes the best use of your marketing time and money.

For Advanced MSPs: Schedule monthly, C-level visits to your customer base. Arrive armed with custom reports highlighting the services the customer currently leverages, the key pain points your company has addressed for the customer, and additional services that may further benefit the customer.

Long Term Opportunities

Some skeptics worry the MSP market will eventually suffer from commodity pricing.

Remember, managed services are similar to the cable industry. Initially, cable's big appeal was a clear picture that airwave broadcasts couldn't match. Over time, cable companies used their pipelines to deliver Hollywood movie networks, phone and now broadband Internet service.

The same trend is repeating itself in the managed services market, where successfully MSPs deliver more and more proactive services over their customer connections.

Follow the seven habits of highly successful MSPs, and you'll be more apt to spot the next emerging managed services and SaaS applications opportunity. □