

Convincing Your Customers: Selling the Managed Services Delivery Model

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Every IT professional knows that the managed services business model is superior to the break-fix model. You don't need me to tell you that a proactive, preventative approach to IT service is more efficient than running around putting out fires. It leads to higher margins, scalability and recurring revenue while improving customer service. However, convincing your customers is a different story. Generally, they are happy with the service you provide at the prices you charge. They simply don't know any better.

Preventative care seems good on paper but convincing customers to embrace the managed services delivery model is a challenge for even the best salesman.

The following white paper outlines some best practices that managed service providers (MSPs) can follow to sell their customers on a better way of delivering IT services. I spent 12 years transforming a small break-fix company into a top MSP, scaling to more than 7,000 end points before eventually being acquired in 2005. Use these tips to learn from my success and failures and put yourself on the path to increased sales and profitability.

Early Efforts Led to Crash and Burn

Shortly after deciding that I was ready to migrate to a managed services business model, I ran out and purchased IT automation tools from Kaseya, trained my employees, packaged a support offering and took a stab at pricing. I couldn't wait to visit my customers and educate them about this new support model that was going to revolutionize my business—and possibly theirs.

My sales pitch was awesome! I told them about this "cool new way" of doing IT support. I gave them sample reports and reviewed our service level agreements (SLAs). I explained how we would be proactive, identifying and remediating problems before they happened. I explained how we could automate and streamline , patch management, spyware control, virus protection, security and monitoring. It was a great meeting and the customer loved what they were hearing until I got to my new pricing structure. Suddenly, they were content with the old way we delivered service. They didn't see why they should spend more if the old way worked fine for them.

Maybe they didn't hear me correctly; we were going to be proactive!

The Power of Automation

It occurred to me that we needed to implement our new support offering at several customer sites for no additional fee as a pilot program in an effort to show results to other prospective managed services customers. This is when I began to understand the power of IT automation. My administrators were able to complete tasks faster. They could perform support and maintenance, such as patch management, that the customers would not normally pay for when we were billing them by the hour. The idea of a complete service offering for a consistent fee started to take shape.

Over time, the pilot networks began to perform better. We were able to introduce a level of standardization, documentation and reporting that we couldn't in the past. In addition to standard automation like patch management, virus protection and pest control we were able to automate things like desktop optimization. Kaseya enabled my team to make a measurable impact on user productivity instead of simply responding when something was broken, creating a whole new level of IT systems management. Our new proactive approach made sense to me;

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I would buy it and I would pay for it. The question was: why wouldn't my customers make the additional investment? How could something that made so much sense to me not be valuable in my customer's eyes. What was I missing?

Given the efficiency, performance and service delivery benefits we recorded in the pilot program, I viewed our transition to managed services as the most important initiative the company had ever undertaken. Yet I could only hear my customers' words ringing in my ears, "Gary, why would we spend more?" That was the question I would need to answer if we were going to succeed as an MSP.

After my first few meetings with customers ended in failure, I spent hours trying to understand what had happened. What did I miss? The knowledge and perspective I had gained from managing technology for many years allowed me to easily see how our managed services offering would increase our customer's productivity and lower their costs. It was then that I realized my customers were not able to relate the features of our new support offering to cost savings in their business. They were not able to see the added value of our service through all the techno mumbo jumbo I was throwing at them. My conversation with customers needed to be about their business and not technology features. This was the first of several revelations that would dramatically impact the success of our managed services practice.

Selling the Managed Service Delivery Model

1 Don't sell technology Typically, customers don't care as much about individual features such as patch management, anti-spyware, anti-spam, backup, endpoint security, monitoring, cloud computing or and Software as a Service (SaaS) as we do. What they care about is how IT systems management impacts user productivity, decreases risk and keeps costs under control. In order to effectively sell the idea of managed services to your customers, it is important to focus on the end result of your support offering rather than the bits and bytes of how you deliver it. Show them that being proactive and using automation to deliver a higher level of performance, functionality and stability is cost effective. Their biggest expense is human resources. If you can explain how your technology solution translates into better utilization and productivity of their employees you can show them in tangible benefits why managed services are so critical.

2 Sell "your company way" If a customer told you that they wanted the best possible IT support available and that money was no object what would you do? What people, process and technology would you deploy to achieve the best possible results? The answer to this question should be the basis for your managed services support offering. Your support offering should deliver "your company way". This is the unique approach and perspective you have developed based on your years of experience. Build a process that delivers "your company way" to every client. That is your unique selling proposition.

3 Raise your price You can't deliver quality support by pricing your managed service offering too low. You are not saving your customers any money by charging them less and then delivering a watered-down product. If you truly believe that your approach to managed services is the best investment for your customers then you should deliver a complete solution and charge accordingly. In fact, why would you even offer a lower-cost, lower-quality solution at all? Your customers are not qualified to tell you how you should deliver quality support. It is your job to tell them what technology support looks like, what it should cost and how the investment pays for itself.

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4 Sales focus I speak in front of IT providers at many live events each year. I always poll the audience to see how many people have a goal of increasing their managed services revenue. Over 90 percent of the hands in the audience go up. Then I ask how many people have a dedicated resource focused only on adding new managed services agreements. Very few hands are raised. Think of other areas of your business that you improved; did any of them improve without focused resources? This dawned on me one day after I had announced to my employees that building our managed services practice was our most important initiative. I was sitting on the phone getting a price for a firewall project and I asked myself what I was doing. How were we going to reach our goals if I was not focused on our top priority? Managed services agreements are not something you add as just another thing you offer next to servers, firewalls, PCs and block time agreements. If you want to be a successful MSP you need to dedicate resources focused only on increasing managed services revenue.

5 Believe in change Achieving dramatically different results requires taking dramatically different actions. More of the same won't get it done. The answer is not as easy as adding some new technical feature or as simple as hiring the right sales person. You need to focus on changing how you package your support offering and relate its business value to your customers and prospects. If you feel you don't have the knowledge or skills you need to achieve your goals then seek out coaches or peers that do. Partner with another vendor who does have the resources to deliver on your managed services promise. Just be sure that the people you take advice from have done what you would like to do!

Conclusion

The managed services opportunity for IT providers remains strong. Start by making a firm commitment to the managed services delivery model and building a consistent and robust product. Seek out like-minded partners who can help you achieve your goals. The IT solution provider landscape continues to evolve with the influence of SaaS and cloud services but the principles for success remain the same. Now is the time to establish your new value proposition.

About the Author

Gary Pica spent 12 years building a TOP MSP. He is regarded as one of the foremost experts on building a thriving, profitable managed services practice. Today Gary is the president of TruMethods, a coaching and mentoring company aimed at helping IT providers and MSPs grow sales and profits.

For more information about Gary and TruMethods visit www.trumethods.com

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