

The VAR Guy's Guide: 90 Days to Mastering Managed Services

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The transformation from VAR to managed service provider is no small task. It typically requires an extreme business makeover that impacts every department (sales, consulting, customer service) within a VAR's organization. Moreover, the transition requires VARs to overhaul how they compensate sales and IT professionals.

Still, the most successful managed service providers (MSPs) grew their revenue more than 200 percent in 2007 compared to 2006, according to the MSPmentor 100 survey results (www.mspmentor.net).

Success requires careful planning and a laser-like focus and execution. Many solutions providers say the transition to managed services can require as little as 90 days. "It's like going on a diet," says Ed Golod,

a technology consultant in New York. "You can see results in three months. But if you don't stay focused, you can slip back to your old habits and sabotage your transformation."

Ready to begin your 90-day transformation? The VAR Guy interviewed more than dozen MSP experts to help formulate your makeover.

They recommend spending at least 30 days researching the MSP market. During month two, you'll formulate your plan, assess your staff and roll out an internal strategy to your team. By month three, you'll be ready to beta test one managed service with a handful of customers—with the goal of converting them into paying MSP customers. Here's a deeper look at each step in your journey.



Month One

There are dozens of ways to define the managed services market. But the safest way to get started is to understand customer demand for managed services.

The top five managed services in terms of customer interest, according to the Computing Technology Industry Association (CompTIA), are:

(1) Security, (2) Storage, backup and disaster recovery, (3) Web and e-mail hosting (4) Network monitoring and ad-

ministration; and (5) Software as a service.

Not sure where to start? The first logical choice is to reach out to your existing partners. Channel-friendly companies such as Cisco Systems Inc., Ingram Micro Corp., Seagate LLC, Symantec Corp., Tech Data Corp. (and dozens more) are launching or evaluating managed services programs for their VARs.

Distributors have been particularly active in the MSP market. Ingram, for instance, offers VARs an online managed services platform called the

Seismic Virtual Services Warehouse. The system includes:

>Seismic Managed NOC, which gives VARs an outsourcing platform for network monitoring and desktop maintenance.

>Seismic Managed Help Desk for 24x7 remote support.

>Seismic Professional Services Automation Software, which is powered by Autotask's managed services platform.

>Seismic E-mail and Web Defense Services, which are powered by MX Logic.

Meanwhile, Tech Data has agreed to offer Trend Micro Inc.'s security solutions on a pay-as-you-go subscription model to VARs. Tech Data has also partnered with N-able Technologies Inc. to help VARs offer managed services to small and midsize customers.

As you seek to educate yourself, remember that MSP solutions can be organized into three categories:

FIND MORE INFORMATION

There are plenty of Web resources to assist you with your transition to managed services. Here's a sampling of ideas:

1. The VAR Guy's Resource Center: Visit www.thevarguy.com and look for the "Resource Center" on his site menu. There, you'll find free white papers and case studies related to managed services.

2. The MSPmentor 100: Visit www.mspmentor.net and look for "Top 100 MSPs" on the site menu. You'll be able to read about the world's most successful managed service providers.

3. MSP Alliance (www.mspalliance.com) and **MSP Partners** (www.msppartners.com) also offer in-depth guidance for VARs.



1. Monitoring, desktop and server management. This is the domain of platform providers such as Kaseya, N-able and Level Platforms.

2. Business process management: Here, companies like Autotask and ConnectWise design hosted software that allow VARs to automate their internal business processes.

3. Vendor-driven solutions: Here, traditional software companies such as Symantec and Trend Micro are transforming their solutions into managed services for VARs to offer to customers.

Fortunately, many of these solutions are designed to work with one another. Autotask's platform, for instance, includes APIs (application programming interfaces) that connect with monitoring solutions from Kaseya, N-able and others.

To see these and other MSP platform capabilities first-hand, attend a few conferences or trade shows focused on managed services. Popular options include the MSP Alli-

ance conferences or CompTIA Breakaway.

Again, the options can be overwhelming. Instead of beta testing numerous services, start with the basics. For instance, offer server-side monitoring and maintenance before pushing into desktop services.

Month Two

Once you get a feel for your MSP platform options, the hard work really begins: It's time to zero in on your current staff and determine if they can transition from a VAR to an MSP mindset. Many employees can surely make the transition. But some won't.

"I ran into a situation where my break-fix heroes couldn't get their arms around managed services," says the CEO of a 15-person VAR in Dallas. "A break-fix hero is someone who loves to go onsite and receive praise from customers for fixing a downed server or for repairing an executive's laptop."

But the entire point of managed services, the CEO notes, is to avoid such technical set-

backs in the first place.

Even if your staff embraces managed services, you may have to sell them on a new compensation program. Instead of measuring staff utilization rates and basing compensation on that, you really need to focus on the big picture going forward – which is revenue per employee and net profit, according to Kaseya.

For many VARs, net profit is the key measure of success in the MSP world. During the jump to managed services, you can adjust the rules of the game by implementing a quarterly bonus plan. Each person's bonus, representing a portion of the company's quarterly net profit, can be based on four equally weighted measurements:

(1) The person's utilization rate; (2) Compliance with company business processes (for example, filing time sheets on time); (3) Customer satisfaction ratings; (4) Value as a team player.

If the bonus plan is based on net profits, your company will



only be obligated to pay bonuses if the company is in the black -- which would suggest that customers are re-upping for managed services.

When prepping staff for managed services, you'll also have to help them adjust their daily schedules. Transitioning to managed services will very likely mean less face time with each customer, so communication and pre-defined meetings becomes critical.

Month Three

Your first 60 days are done. You've investigated MSP platforms. You've sold your staff on the concept. You've started to weed out staff members who can't make the transition; you've begun the search for additional pros who truly understand the MSP mindset; and you've begun to investigate potential compensation plans for team members who excel in the MSP world.

Now, it's time to sell your customers on the MSP model. That means practicing the MSP pitch before visiting customers. Be sure to refine and sim-

plify your message. Also, craft a letter to all clients informing them of the new managed services you plan to introduce.

Also, develop a comparison chart that shows the value of proactive managed services vs. reactive break-fix services.

Naturally, some customers may become skeptical of managed services because they're paying for certain services -- such as security -- that they never really see. To address such skepticism, develop monthly reports that show customers how many worms, viruses and pieces of spam that his managed services block each month.

Another way to get customers onboard: Evangelize a managed service from a familiar brand.

For example, customers that use Symantec's desktop and server software are natural candidates for Symantec's new Protection Network -- a managed services platform that will ultimately offer backup, security and other information management capabilities. The service debuts in early 2008.

The Beta Test

Somewhere in the third month of your makeover, you've got to bite the bullet and begin a customer beta test. Assuming you've carefully researched your platform and prepped your staff, the actual beta test should go smoothly.

Since managed services platforms are hosted on the web, they're often easy to deploy. Still, some solutions required new hardware deployments at each customer site. Other platforms rely on proprietary code. Try to stick with solutions that are mostly Web-based, and require minimal client-side work.

Choose the wrong platform, and you could fail to make a successful transition to managed services. You could also face cultural or staff issues or customer pushback.

But VARs that have completed the transition say the journey is worth pursuing.

The VAR Guy blogs daily at www.thevarguy.com, where he delivers the unVARnished truth about the IT channel.