

# MSP Playbook



## What is a Managed Service Provider?

A managed service provider (MSP) is an IT solutions partner that provides and remotely manages technological infrastructure for their customers. MSP services may also extend to managing the end-user systems on a proactive basis (or under a subscription model). In this case, the organization allows the MSP to monitor servers, firewalls, exchange servers, routers and switches, and active directory servers from a centralized console.

**80% OF MSPS INCORPORATE  
RECURRING REVENUE INTO  
THEIR BUSINESS MODEL**

### The modern MSP:

- Drives a portion of their revenue from recurring services. Over 80% of MSPs incorporate recurring revenue into their business model. Recurring revenue is the portion of a company's revenue that is expected to continue in the future.
- 56% of MSPs cater to a specific vertical. The most common verticals are healthcare, finance, legal, non-profit, and manufacturing.
- 44% of MSPs report marketing/sales as their biggest pain point, followed by work life balance.
- Has a top-of-the-line business continuity and disaster recovery solution as the cornerstone of their solution set, because for SMBs cybersecurity threats are top of mind.
- MSPs business models focus on learning their customers processes, goals, and challenges, while translating that into a solution to simplify their business.
- Focuses on data. This includes data creation, flow, analysis, and use. The modern MSP will differentiate themselves by offering privacy practices.



***It's all about increasing the end customer's productivity***

# What’s the Difference?

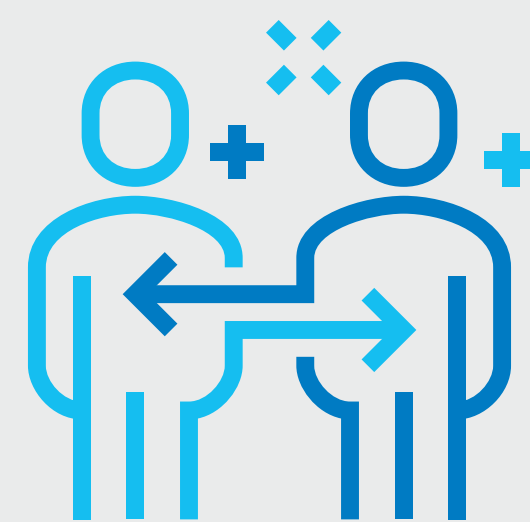
Not sure how the managed service provider (MSP) model differs from the traditional model? Here are a few key differences.

	MSPs	Traditional
Management	Proactively manages customer’s IT business, reducing downtime and inefficiencies	Operates on a break-fix model
Areas of Support	Supports the full business	Typically specializes in one area
Revenue	Earns recurring revenue that’s easy to forecast and plan around	Earns unpredictable income as customers buy what they need in the moment
Packages	Offers customizable, affordable packages	Provides a specific service
Set Up	Operates from low to no-touch once they set up a customer	Configures and sets up services and devices after each purchase
Product Configuration	Remotely sets up easy-to-deploy products	Configures products and service on-sites
Hours of Support	Provides 24/7 support	Provides support during normal business hours
Ability to Free Up Employees	Frees up customer’s in-house IT employees to focus on more lucrative/vital activities	Unable to free up customer’s in-house IT employees who are often tied up handling issues
Overhead Expenses	Better manages overhead expenses by having employees work remotely and proxy into customer’s systems	Performs on site visits and typically has onsite servers for customers
Staff Needs	Farms out business to service groups as needed, keeping staff to necessary personnel	Keeps employees on staff for two to three projects a year while still paying them a salary

## How does the end customer benefit from an MSP model?



MSPs constantly manage and monitor their network



Single point of contact for issues



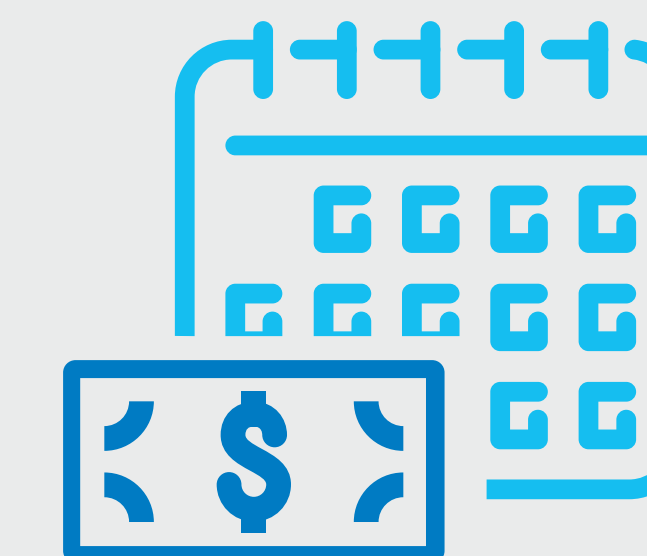
MSPs can remote into their systems and fix issues on the spot



If new security threats come up, easy to implement new features to keep data safe



Easy to budget for IT services, especially if they are recurring revenue customers



MSPs offer flexible billing models on a monthly or annual basis

## What Technologies do MSPs Typically Build Around?

### 1 Cloud:

Cloud services continue to be a top priority for MSPs as more and more businesses orient their technology around it. Cloud technologies help businesses streamline their efforts, collaborate effectively, and protect valuable information in an efficient, secure manner.

- 94% of companies are using cloud technologies for their business.
- The cloud managed services market is expected to reach \$82.5 billion by 2025.
- 65% of SMBs say that cloud and SaaS applications are important technology trends for their business. As more clients shift to cloud-based productivity software, like Office 365 and Google Workspace, there is a major opportunity for SaaS backup to protect those services. Cloud and SaaS protection are one of MSP's fastest growing offerings.



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### 2 Security:

In a world where malware, ransomware, and malvertising are an everyday concern, it's best to leave no stone unturned. Because these attacks happen daily, the best way to ensure your customers stay protected is to provide them with the best cloud technologies in the market. These technologies are producing more sensitive data than ever to help businesses keep their information secure and their security solutions ahead of the malware curve. These impending threats make security a top priority for MSPs.



- 82% of MSPs consider anti-virus the most critical security solution for SMBs, followed by advanced firewall and remote monitoring and management.
- On average, there is a hacker attack every 39 seconds.
- 60% of small businesses go out of business after each breach.
- 44% of businesses estimate they could lose \$10,000 or more during just one hour of downtime.
- One in 323 emails sent to small businesses are malicious.
- 95% of cybersecurity breaches can be tracked back to human error.

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### 3 Networking:

Selling networking on a subscription basis is a relatively new concept. The growth of networking as a service is attributed to the rapid usage of cloud technology as more and more customers move their workloads to the cloud.

- By 2025, network vendor subscription revenue will be at least 30% of total revenue and could be as high as 50%.
- Offering networking as a service can allow end customers to have more flexibility and performance gains in their network infrastructure. The monthly fee covers the cost of the products, installation, and wireless network design.
  - Customers get a lifetime warranty on products and can upgrade whenever necessary. Plus, customers can avoid investing capital upfront on hardware.
- WiFi-based products allow businesses to gather valuable information and data about their customers. Bundling these types of features with WiFi give MSPs an opportunity to pitch networking as a revenue driver instead of an operating expense.

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### 4 Services:

Offering services is one of the most popular trends on the market. Services for helpdesks, network operation centers, security operation centers, and mobile device management can help your customers elevate their business experience while giving you more opportunities to grow. Services can be outsourced to save you money and provide more opportunities for growth. SYNNEX has a specific division dedicated to the service offerings listed below. Contact your MSP solution specialist for more information.

- **Helpdesk:** The top functions that MSPs look for in a helpdesk are ticket logging solutions, question and answer solutions, and an easy way to track customer satisfaction. A helpdesk solution is instrumental in ensuring your MSP practice stays organized and running smoothly. In fact, 87% of MSPs report help desk services as their biggest offering.
- **NOC (Network operations center):** Responsible for monitoring and maintaining the overall network infrastructure. The primary function is to ensure uninterrupted network service.
- **SOC (Security operations center):** Centralized function within an organization employing people, processes, and technology to continuously monitor and improve an organization's security posture while preventing, detecting, analyzing, and responding to cybersecurity incidents.
- **MDM (Mobile device management):** The process of monitoring, managing, and securing mobile devices such as laptops, smartphones, and tablets that enterprises use to access business-critical data.

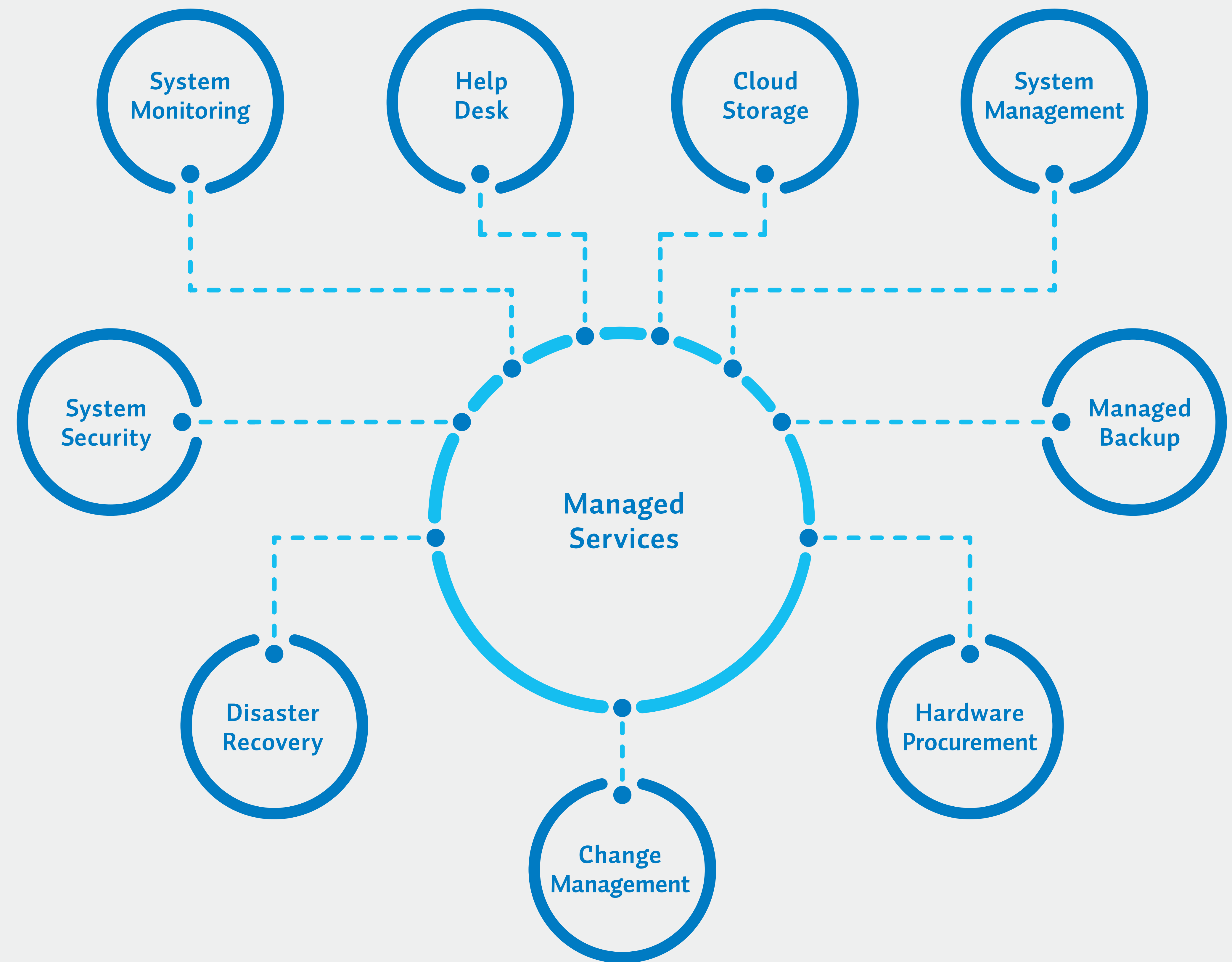


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## How to Become an MSP

Becoming a successful managed service provider (MSP) isn't just offering your customers managed services. Anyone can do that. Follow these four steps to succeed as an MSP.

- 1 Develop MSP offerings** – Define which specific technical services you'll offer and how you'll bundle them together. Although you may be able to perform a range of technical services, it's important to determine which ones will bring you the most business at the most profitable rates. In order to narrow down your offerings consider these questions:
  - Which technical areas do you know best?
  - Which types of services are easiest to train your current employees and find new ones for?
  - Will offering some services require you to make investments in specialized hardware or software tools that you don't already own?
  - What types of businesses thrive in your area? To stand out from the competition, industry-leading MSPs select markets for specialization.

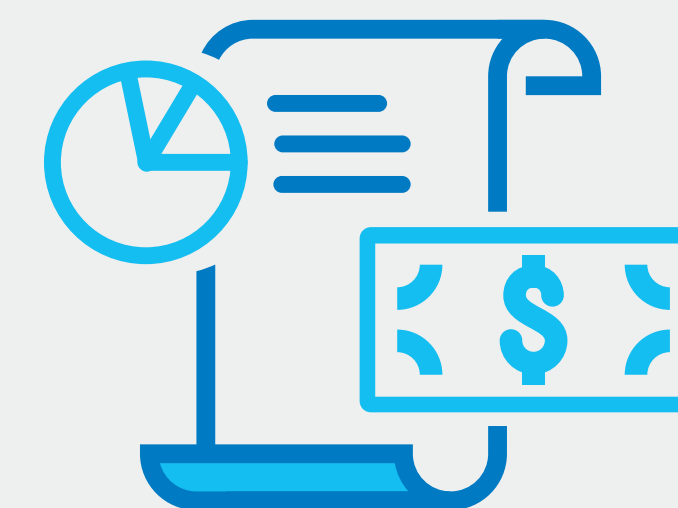


## 2 **Decide on business management solutions** – You will need tools to power and automate your business. Two tools that a majority of MSPs utilize today are:



### **Remote Monitoring and Management (RMM)**

These tools help automate essential tasks on the client side, while also allowing you to fix many of your clients' issues without spending time on-site. SYNNEX offers these tools and can assist in making suggestions.



### **Professional Services Automation (PSA)**

These tools allow you to improve your business productivity through better client handling, fewer errors, and automated billing and reports. Typically, good PSA tools are integrated with some sort of ticketing system, another crucial tool. SYNNEX' marketplace integrates with both ConnectWise and Autotask, two very well-known PSA tools in the market.

### 3 **Determine price** – Managed service providers (MSPs) can follow several different pricing models and strategies. Here are some of the more popular and useful models.

#### **All You Can Eat**

A lot of MSPs have moved away from a break- fix model and have embraced “All You Can Eat,” a flat monthly-fee based model that covers all remote and on-site support. The simplicity of this model is attractive to customers looking to avoid complex pricing structures. It also helps those who want to understand what they’re getting for their money. You can set “All You Can Eat” pricing as follows:



#### **Per Device**

A flat monthly fee per supported device. This model is beneficial to both you and the customer as it reflects the amount of work performed over time. Some MSPs charge one rate for endpoints and another rate for servers.



#### **Per User**

A flat monthly fee per user. This pricing would include servicing both endpoints and servers since individual users often access both.

To determine which pricing model to use, consider the type of company you are working with.

For tech-focused companies, both models are viable options. Per-device and per-user pricing often result in similar revenue. However, for companies in other industries (like manufacturing), it often makes sense to charge for all services on a per-device basis. Some employees at those companies may not use a computer for daily tasks, so if you charge per user, you’ll end up with less revenue.

This is based on your cost of service, your desired profit margins, and your current market influences. One popular pricing strategy for MSPs is to bundle solutions and services into tiers.

## Selling as a Managed Service Provider- All Together Best Practices

### Billing:

- Have a cost model that supports business model.
- Build recurring revenue.
- Require pre-paid billing
- Account for the service aspect.
  - This is the most profitable area; you are selling services not products.
- Break “IT terms” down simply.
  - Your customers will most likely not understand technical jargon, explain products and services.
- Price offerings fairly
  - Make sure that your cost helps you deliver the quality of service you want to give.
- Offer pricing based on customer’s needs. There is no obligation to offer everyone the same price.
  - As your customer’s headcount grows so should your fee.
- Give yourself a cushion by shooting for higher margins (Aim for 60-70% margin).
  - Customers are looking for someone they trust. Not a race to the bottom.
- Have a minimum fee.
  - If you price too low, you cannot deliver your services properly.
- Offer pricing for total solution instead of a la carte pricing.
- Change pricing as needed.

## 4 Find your first customers – There are several ways to find MSP customers. Here are a few ideas.

- Referrals are your friend! 68% of SMB end customers report that referrals have the greatest impact when it comes to choosing an IT provider.
- Promote your business on the Internet or through social media.
- Reorient your prospective customers.
- Partner with the best in the game.
  - Stellr Community
  - DemandSo/v
  - Capture the Cloud
  - SYNNEX Go
  - Mobility Program
- Find your niche vertical and stick to it.
- Build a business network by joining the local Chamber of Commerce, networking groups, and volunteer organizations.



## Recurring Revenue for MSPs

### Incentivizing Sales Teams for Recurring Revenue

Recurring revenue is the portion of a company's revenue that continues on a regular basis, typically monthly. Unlike one-off sales, recurring revenue is predictable and steady. Recurring revenue models are especially popular in subscription-based "as-a-service" models, like Software-as-a-Service (SaaS) and Device-as-a-Service (DaaS).

As a managed service provider, you may charge a monthly fee when fully managing a customer's IT environment. You may also provide these customers with access to productivity suites, like Office 365 or Google Workspace, for which you also charge a monthly fee. Both are examples of recurring revenue from subscription-based products and services.

- Office 365- monthly fee charged for the use of business productivity suites
- Azure- monthly fee charged for cloud computing
- Flat rate IT fee- one monthly fee to charge customers when fully managing their IT environment (Network monitoring, providing business productivity suites, break-fix, SOC, helpdesk, etc)

The subscription economy allows companies to offer more comprehensive customer solution, rather than a "one and done", drive-by sales pitch. As you could imagine, this also changes the way sales representatives sell solutions has changed, calling for a new incentive model that ensures the entire value of the customer relationship is tracked and measured.



The subscription economy allows companies to offer more comprehensive customer solutions, rather than a “one and done” drive-by sales pitch. Not surprisingly, this also changes the way sales representatives sell solutions, calling for a new incentive model. Here are the answers to a few frequently asked questions.

**Q:** How do you compensate the sales reps who sell these contracts? And what about the rest of the team tasked with fulfilling and supporting contracts over the life of the customer relationship? It’s not like selling a physical product or even a perpetual software license where you can simply pay the sales rep a commission on the price paid.

**A:** With contracts based on a subscription model, revenue is often received and recognized over time, so most of the value of the contract will come. What used to be a one-million-dollar license sale now might be a one-year contract with annual recurring revenue of \$200,000. So, do you commission the sales rep on the \$200,000 you get the first year? Or the total contract value of one million dollars?

**Q:** What’s the best way to incentivize your sales team?

**A:** First, there is no one-size-fits-all solution. The way you incentivize your sales reps (or channel partners or system integrators) will need to fit your company’s unique sales coverage, channel, and engagement models. Also, your incentive plan will shape behavior—for good or bad—so it’s important to give careful thought to what behavior you want to elicit from everyone who encounters the customer.

**Q:** What are the most common sales rep incentive plans for a subscription model?

**A:** **Pay early and pay often.** Though it is tempting to pay sales teams on cash collected over the period of the customer relationship, this type of payment cycle can discourage sales teams from closing new deals. With a constant annuity stream coming in over time, sales representatives won’t need to rely as heavily on commission from adding new clients.

**Track the contract length.** A one-year deal is great, but a three-year deal is even better. This is where measuring the total contract value comes into play. Develop a model where the value of the deal is understood at signing, and pay your sales team based on that number. However, you should make sure you have an element of breakage in your incentive plan, so you don’t reward reps for closing business deals that never go live.

**Separate your hunters from your farmers.** Once the deal is active, you want your “hunter” reps to go out, bring in new business, and close new deals. Your “farmer” reps can then take over to manage customer relationships. “Farmers” will be measured on growth, renewal, and churn rates.

**Split up selling opportunities.** Depending on your business model, you should split selling opportunities between hunters and farmers. Hunter reps may come back in to push new opportunities, or farmers may handle it as they may have a more personal relationship with the customer. Identifying these responsibilities early on and forming clear rules of engagement for your teams will help you avoid conflict.

## 5 Tips for Top-Performing MSPs

- 1 Focus on Relationships-** 68% of MSPs report increased renewal rates attributed to strong client relationships.
  - Be actively involved
  - Schedule meetings to go over satisfaction rates and emerging needs
  - Consider adding services and products as their needs evolve
- 2 Deliver as promised-** 45% of MSPs report an increase in renewal rates as a result of delivering on promised service-level agreements (SLAs).
  - Clients want to know they can depend on you to deliver as they expect.
- 3 Provide Managed Service-** 32% of MSPs report renewal rate growth driven by client adoption of managed services.
- 4 Always be Improving-** 32% of MSPs report improving service desk processes, efficiency, and automation led to increased year-over-year renewal rates. 29% of MSPs report improving service tech performance closed more renewals.
  - Scour your operations for opportunities to deliver better service.
- 5 Add New Service Options-** When your customers express that they need a certain service from you, work on making those needs part of your core offerings.
  - 20% of MSPs report meeting client demand for cloud services driving renewal rates.
  - 16% of MSPs report demand for project-based and professional services work driving renewal rates.
  - 15% of MSPs report diversification of product offerings driving renewal rate.

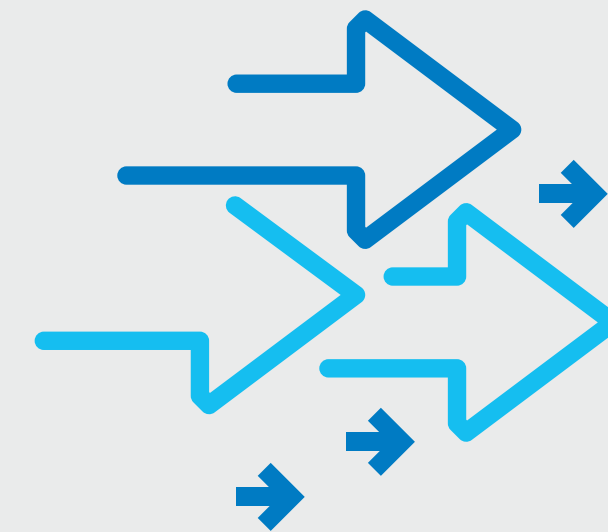
## Be The Expert MSP Your Customer Needs

Expand your offerings with SYNNEX, as the first in the channel to form a team dedicated to the growth and development of managed service providers (MSPs), better enabling our partners to expand their offerings and better serve customers.

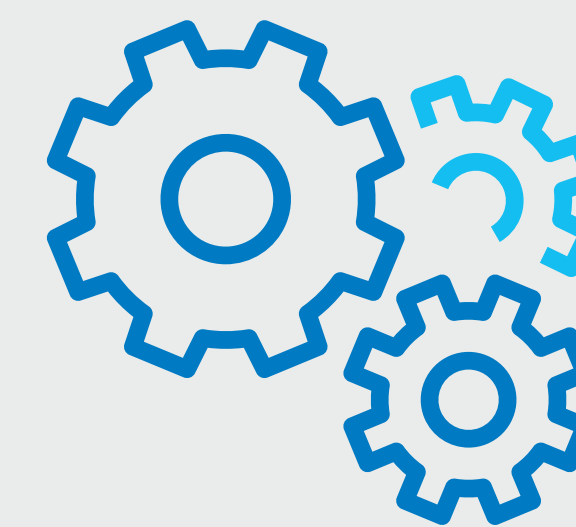
### Why SYNNEX Stellr?



15+ dedicated field and inside sales reps



Key vendors aligned to MSP offerings



Field services available to augment current partner capabilities



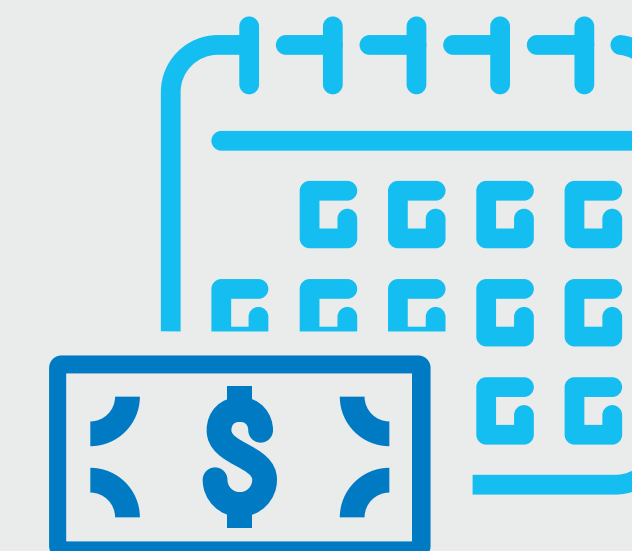
Opportunity to earn recurring revenue



Business-led workshops and 1:1 strategy sessions



Cross sell/upsell key MSP technologies



Automate and scale transactions with the Stellr Marketplace

Ready to get started? We're to help!

Contact the SYNNEX Stellr MSP team at [MSPFAETeam@synnex.com](mailto:MSPFAETeam@synnex.com).

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