

# Growth Hacking for **MSPs**

Learn how to significantly cut costs, increase profits, and accelerate growth.»



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# What is growth hacking?

The future of business is technical. From a marketing perspective, this theoretical strategy, known as “growth hacking” has bounced around Silicon Valley for nearly decades, with companies such as Dropbox, and Instagram leading the way. As more tools are developed, marketing and business functions as we used to know them will be gone forever.

The ‘Don Drapers’ of the world are being replaced with coders and statisticians, and their “jingles” now have a character limit. Campaigns that were once developed by high-priced executives overlooking Madison Avenue, are now done so at the hands of Comp-Sci undergrads performing A/B testing from a coworking space in Middle America.

Nostalgia aside, this is progress. Growth hacking is opening new doors for companies that likely couldn’t have competed otherwise. The fact that some of the early adopters have gone on to hit multi-billion dollar market caps, proves that this new wave of technical darwinism works and it is just beginning.

HR, accounting, operations, and service departments are next to join marketers in their quest for competitive advantage through technology. This is why I believe **managed service providers are in a prime position to capitalize on this strategy and hack their way to exponential growth, in their local market and beyond.**

MSPs are in a **prime position** to capitalize on this strategy and hack their way to exponential growth...

## Fundamentals of growth hacking

**One of the key components of growth hacking is the use of data and analytics for constant optimization.** This is done with the goal of growing margins and reinvesting profits into high growth opportunities.

These tactics are most often used by start-ups who are looking to grow a user-base at lightning speed and beat their competition in their respective market. Some enterprise level companies have even set up internal growth hacking teams to create a “start-up culture” within their organization and recreate some of the success stories that have become legendary over the years.

**What all of these companies have in common, is that they are all looking to manufacture growth.** A “machine” if you will, where capital is injected at one end and profit spits out the other, with a seemingly endless line of customers helping the wheels turn. This type of growth machine rarely exists in the IT industry today, even though providers have all the tools necessary to make it happen.

## Why MSPs should growth hack

As a marketer who broke into the industry during the dawn of the new millennium, growth hacking has always been in my blood. It wasn't until I read Ryan Holiday's *Growth Hacker Marketing* that

I could identify it as a “thing.” When I joined an MSP later in my career, I realized that I could apply this same concept to every phase of a business, and did so successfully at a Top 500 MSP.

What I eventually realized was that IT providers are one of the few verticals who are in a unique position to adapt the growth hacking concept to every corner of their business. Having an abundance of technical talent at their disposal, as well as some very robust industry specific tools (like professional service automation platforms), are luxuries that should not be taken for granted.

The truth is, we are on the brink of a price war. It appears as though big technology players are either building a partner program for MSPs or are trying to become one themselves. The one advantage managed service providers have right now is speed. They can pivot and adapt to any market condition, unlike the goliaths that are trying to break in. **Staying lean and growth hacking their way forward is the only way to survive.**

# Automating sales and marketing

There is a glaring lack of creativity and innovation in the way MSPs market their business today. This statement is not to offend those who put out a conscious effort, but more to inspire those who do not. With all of the great integrations, analytic insights, and B2B data sources at our fingertips, **busy MSPs need to “work smarter, not harder”** as it relates to their sales and marketing strategies. Building a few basic automation workflows that are integrated with tools MSPs already use, is a great way to achieve growth without expending substantial resources.

## Automating referrals

Most small MSPs get the bulk of their new business from referrals. While the cost per customer acquisition on these deals is fantastic and the sales process is a breeze, consistency is a major issue. **Relying on referrals to grow your business can be unpredictable and a poor performing model for growth.**

A great way to take this and turn it into a controlled process is through marketing automation. **Instead of waiting for deals to roll in, MSPs should look to create campaigns to incentivize and ask customers for referrals.** You can either space the emails out over months or do short sprints, hitting them for a few consecutive weeks. Either way, be sure to keep a balance between being over aggressive and not asking frequently enough.

Tracking the deals in a CRM will allow you to optimize your message and find out which of your customers are most likely to refer. That allows you to create a target for new customers in a similar industry or with demographically similar decision makers. You may find that even though customers in a given vertical are more costly to acquire, this type of customer is demographically proven to refer more business. Thus, there is a compounding benefit to acquiring them. Seeking out these types of deep insights on your business and acting on them is the core of the growth hacking strategy.

## Data-driven lead generation

Marketing automation is also a great tool if you want to take a more aggressive lead generation approach. Plugging in highly targeted B2B data and deploying cross-platform ads and sponsored posts, in combination with automated email campaigns, can yield great results at a fairly low acquisition cost. Creating “matched audiences” from this data and showing these ads on various networks such as LinkedIn, Google, Facebook, Instagram, and Twitter can drive brand awareness and lay a foundation for your overall message.

When you eventually attempt to **make contact with your prospects, they will have already heard of your company and be familiar with your service offerings.** This will help you convert more prospects over email. The increase in open rate and engagement of your message is well worth the cost of running the ads, as it will add more leads to your funnel and create more opportunities to set appointments. Tying in APIs from heat-mapping and analytic systems running on your landing pages can also help you build a smarter email workflow, sending more targeted content to exactly the right prospects once they show interest on your site.

## Streamlining sales processes

There are other added benefits to adopting the marketing automation strategy. Some MSPs rely on technical resources as part of their sales process that are also heavily involved on the service side of the business. This is one of the reasons that outbound sales is so challenging in managed services. Through an automated appointment setting campaign integrated with your CRM and PSA, you can better integrate your sales and service departments, ultimately avoiding miscommunication and scheduling issues.

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# Optimizing your help desk

'Help Desk' labor and staffing tends to be one of the largest expenses on the Profit & Loss statement for almost any IT Provider. This means that even small improvements can make a large impact on your bottom line. In order to make small improvements, you first need to have the right data and tools to fix it.

If you are an IT company that has committed to the MSP model, then it is highly likely you use a Professional Service Automation (PSA) platform. These tools are very powerful and become the interface from which your entire company operates. If you are not creating custom workflows in your PSA, then you should do so immediately. **This can be a great way to automate what previously were manual processes that took up valuable time.**

## Automating ticket follow up

A perfect example of this strategy is the use of automation for Level 1 & 2 ticket follow-ups. Not every ticket can be closed on

the first call. For this reason, Help Desk tickets can often be like sales leads. If contact is not made when the request is still at its "warmest" state, the request can get "cold" and making contact can be difficult. Compound this over hundreds or thousands of tickets and you end up with an overstaffed Help Desk that is eating into your profits.

**Creating automation workflows to follow-up on tickets and even schedule call-back appointments can be a great way to growth hack your service department.** Using analytics to identify trends, you can refine these workflows and ensure they are working at the precise efficiency you are looking for.

## Tracking queue balances

Measuring the productivity of your service team can be challenging, even with the help of a PSA. Level 1 tickets can spike at any moment, leaving your team scrambling, sometimes taking

weeks to restore the queue back to a normal balance. At the same time, it is also a common problem for the queue to slowly creep up over a long period of time. When this happens, it is because there are more tickets being opened than closed on a daily basis, creating a negative impact on the queue balance.

The best way to prevent this from happening is by actively tracking your queue balance in a PSA dashboard and measuring the “net productivity” of your service department at the end of every business day, week, month, quarter, and year. **The goal for every period of measurement should be simple. Your team should be able to close more tickets than were opened.**

For example, in one day your Level 1 service queue might have 250 tickets opened. Your team closed 255 tickets in that same period, thus reducing your queue balance by 5 tickets. While this may seem like an insignificant impact in the short-term, repeating this on a daily basis will ensure that queues are always maintained at a healthy level and progress is always being made. **This ensures that even if you add or remove customers who produce tickets, the overall productivity is still measured effectively.** If you are growing your company and adding customers, then your queue will likely grow as well. This metric will allow you to set goals that scale with your company, even on a daily basis.

## Lowering queue balances

When your service team sits down at their desk each morning with a common goal, it has a great effect on the culture of your department. If you can reward and celebrate them for achieving that goal, the cultural impact is even greater. **Structuring team bonuses around lowering the service queues is an excellent way to get your team to buy-in.** The additional expense of bonuses is far less than the constant hiring and firing that occurs when service queues become bloated and team morale is at an all-time low.

Using your PSA dashboards as their guide, your team should always know their productivity against the balance on each queue and how close they are to achieving their goals. This will keep the team engaged and aware of where they stand. Having deployed this exact model in our own managed services company, I can speak to the impact that it had on our team. In walking past our Help Desk, I often popped in and asked “Where do we stand on our queue balances.” Someone in the room always knew exactly where we were and how many tickets we needed to accomplish our next goal.



# Measuring resource utilization

A trend that I have noticed in managed services is that companies that struggle to earn a consistent profit, and/or have cash flow issues, often appear to be over-staffed on their front-line. **There are times when your team is completely in the weeds with tickets and the work seems to pile up to the ceiling. This pressure often prompts decision makers to go out and hire help, in what appears to be a time of need.**

Unfortunately, if this was more of a “surge” and less a result of intentional growth, the volume is likely to level out, leaving the company overstaffed if they do not readjust to the current volume. A comparison to this would be if Walmart hired thousands of workers for Black Friday and then kept them on the payroll for months after the sales dropped. **The best way to prevent and manage this occurrence is through tracking and analyzing your resource utilization.**

## Tracking resource time and activity

**Time and activity tracking can lead to incredible insights into your business that can be analyzed and optimized to drive more profit.** The challenge with this type of system is getting your people to “buy in” and understand that the intent is less about micro-management, and more about deep insights into the company as a whole.

When your employees are accustomed to working freely without clock management, the shift toward documenting time spent will yield significant pushback. Some may argue that the quality of the result (resolving service tickets for example) is far more important than the time it takes to get there. However, the consistency of quality results is incredibly important and the best way to achieve this is through collecting data, spotting trends that produce bad results, and making changes to offset them.

## Calculating resource utilization

While the formula for calculating resource utilization is fairly straight-forward ( $\text{time worked} / \text{time available} = \text{utilization}$ ), there are numerous asterisks that can be applied, that would warrant modifications to suit your business and policies. If your company pays your employee a salary, then you would probably use 40 hours per week as the time available. Adjusting this a few hours to account for scheduled internal meetings and breaks would give you a more accurate reading. If this were the case, a member of your Help Desk that logged 22 hours on service tickets out of an available 35 hours would have resource utilization of roughly 63 percent. **Calculating each employee will allow for you to understand who your most productive employees generally are and what the averages are for your company.** You can also identify employees that are under-utilized, and shift responsibility to even things out.

## Rewarding high resource utilization

**Hardworking employees should be rewarded and incentive plans are the perfect way to give them the recognition they deserve.** The amount you reward your employees should be based entirely around what you can afford, since all MSPs charge different rates for their service.

Structuring the bonus should be simple and easily tracked. Start with a small bonus for employees over a 50% utilization and create larger bonus thresholds for 60%, 70% , 80%, etc. You want to make sure that these plans are achievable and that the reward suits the accomplishment. In the era of “work-life balance,” you do not want to create an environment where everyone is intentionally overworked just to earn a decent wage.

## Benefits of time tracking culture

Once employees begin to see the benefits of tracking their work and are rewarded for doing so, they will willingly commit to this type of culture. **The more they embrace it, the more data you can gather and use to shuffle resources and responsibility around to create a more efficient and happy team.** You will also know exactly when to hire and when to fire based on actual data, not when your team is pressuring you to do so.

You may also find that when your time-tracking behavior changes, your Time & Materials billing will go up significantly. You will also have a better idea of how profitable your managed services contracts actually are, by tracking time worked on the account and calculating the hourly rate ( $\text{total billed} / \text{hours worked}$ ). This allows you to better renegotiate contracts as they come up for renewal, as you can prove exactly how much service is being provided.

# Increasing cash flow

When you operate any type of B2B company, it is difficult to keep your customers consistently paying on-time. **You might be inclined to think that tightening up your payment terms will make a significant difference, but businesses typically wait to pay vendors when they have sufficient cash to do so.** This means that if your due date falls the day before your customer's payroll is due, you are probably going to get your payment a few days late.

## Integrating a payment portal

One key moment in our MSP business's growth was when we focused on automating the collections process. Giving our customers access to a payment portal and then driving consistent awareness to it had an incredible effect on incoming cash.

If you are looking to automate and optimize your account receivable process as we did, you don't necessarily have to develop your own software. There are a few white-labeled

solutions available, built specifically for MSPs that allow you to sync data directly from your PSA tool.

**The goal is to offer your customers a simple way to pay invoices whenever is convenient for them.** Offering a wide variety of payment options (ACH & Credit Cards) ensures that you can accept payments however customers prefer to make them. This puts the responsibility on them when invoices or emails "aren't received" because everything is right there for them to access.

## Converting customers to autopay

When our company made a hard push to get customers using a payment portal, our ultimate hope was for them to enroll in autopay. This meant that we could guarantee the receipt of their payment as soon as their invoice was dispatched. As more customers adopted autopay, we were able to develop a "cash-flow calendar," depicting how much we expect to receive on any

given business day, based on scheduled portal payments and an aggregate of the customer's average time-to-pay.

As convenient as it might seem, getting customers to embrace autopay is no easy feat. By using email automation and offering small discounts, we were able to get some early adopters fairly quickly. The remaining 80 percent of customers adopted the service at a much slower pace. In fact, most of the conversions occurred on collection attempts for past due invoices.

## Automating collection attempts

**One of the most valuable features is the ability to schedule automated collection attempts on invoices when they become past due by a specific amount of days.** We chose to send alerts every 5 business days until an invoice was paid. This feature had the most positive impact to our cash flow.

Insights into these email notifications allowed us to find out who the most responsive contacts were to get our bills paid. This constant optimization gradually reduced the time in between payments for each customer not on autopay and decreased our time spent following up. **It also removed any excuse for a customer “not knowing” that an overdue invoice existed,** since we had proof of receipt of all of our past due notices.

## Auto-generating late fee invoices

If you have a large percentage of customers that still won't comply with your payment terms, it is best to enforce it through late fees. It is recommended that you charge late fees on a separate invoice instead of adding it as a line item on an existing one. This ensures that customers do not hold payments on the original invoice to dispute the fee or pay the wrong amount.

Calculating the fee percentage and creating these invoices in your accounting software can be a tedious task. Instead of doing this manually, look to automate the process using a third-party integration or native feature within your account software.

Using all of these inexpensive, easy-to-deploy integrations can have a significant impact on cash flow for any size MSP. **Once your systems are operational and your customers have adapted to the processes, the benefits can be long-lasting.** It also establishes clear expectations for new customers as you bring them on, making them more likely to comply in the long term.

# Develop a growth hacking culture

If you want to achieve accelerated growth, you can't do it alone. Not only does it take a team, but it also requires a certain type of culture. While a "startup culture" is most known for ping pong tables, t-shirts, and open floor plans, there is far more below the surface that we can learn from.

## Brand everything

One of the most impactful decisions our company made was to move out of our shared office building and into our own standalone space. While tripling our square feet was expensive, it gave us the freedom to do what we wanted and be who we wanted to be. In outfitting our new space, we branded everything we could. From lime green walls, to logo centric wall hangings, and light up signs. You couldn't go anywhere in the building without knowing where you were and what you were a part of.

This proved to be most beneficial in building our team for growth. **When potential employees walked in the door they felt an excitement.** Even more, they knew that "the logo" meant something to us and if they joined the team, they would become stewards of it as well. **Building a brand is not about generating an endless amount of impressions on social media.** It is about creating a badge that reflects your authentic self and then wearing it with honor in everything you do.

## Stay lean

One way to lose the valuable culture you have built is by understaffing and over-working your team. Some people think that this is what it means to be "lean." However, this is not necessarily the case. **Staying lean is more about building a multi-talented team that can willingly wear many hats and trusting them to do so.** While each individual may not be an expert in everything, they should have an eagerness to learn and willingness to try.

Part of building this type of team is about knowing that perfection has a price. If you micro-manage and demand perfection, your productivity is sure to slow down. **Demanding effort, not perfection, will ensure that your team is working hard in whatever they do and providing the best work they can at an accelerated pace.** Being able to accept when something is simply “good enough” is not easy, but it is necessary to keep pace if you want to grow quickly.

## Fail fast and often

I recently had a conversation with an MSP who pointed out that most mature IT companies were 10 years old. To him, this meant that fast growth was nearly impossible. Personally, I disagreed. I believe it takes companies 10 years simply to make all the wrong decisions, so they can learn the right ones. Without recognizing your mistakes and pivoting, it can be challenging to grow.

One way to accelerate this process is to fail intentionally. Taking calculated risks, knowing you have a high rate of failure can sometimes put you on a growth shortcut you would have never found otherwise. This type of experimentation and innovative thinking will also differentiate you from competitors. As long as you are listening to your customers and adapting toward demand, you can never take too many risks or pivot too many times.

## Trust the numbers

One of the key elements of growth in today’s business technology landscape is data. **Using data and analytics as a compass, you can find your way to the heart of your customer and discover what they need and why they need it.** Having blind trust in your numbers is not always easy. There are times when your gut and decades of experience tell you one thing and the statistics may say otherwise. The numbers never lie, but occasionally their truth can be misinterpreted. As with anything, reading analytics and interpreting them requires practice.

Creating a culture around the use of data and analytics to make business decisions is entirely necessary to achieve fast growth in today’s market. Reading the signals accurately and making fast decisions will give you a significant advantage against your competitors. To maximize this advantage, look to surround yourself with team members that speak the language of analytics and trust their judgement to react accordingly.



## About the author

**Kevin Clune, co-founder and editor of MSPGrowthHacks.com**

Kevin is a former operations director of a Top 500 MSP and current co-founder/editor of MSP Growth Hacks, a content platform that helps managed IT providers grow their businesses through technology. His past experiences also include digital marketing and B2B lead generation.



## About MSP Growth Hacks

MSP Growth Hacks was founded in 2019 by two managed services alumni. Prior to getting acquired, they spent the final 18 months of their IT company's 10 year history fine-tuning operations and pouring over profitability. Now they look to share everything they learned with their readers on MSPgrowthhacks.com. The site provides high level insight into operations, marketing, sales, and finance to help MSPs cut costs, increase profits, and accelerate growth.



### About Barracuda MSP

As the MSP-dedicated business unit of Barracuda Networks, Barracuda MSP enables IT managed service providers to offer multi-layered security and data protection services to their customers through our award-winning products and purpose-built MSP management platforms. Barracuda MSP's partners-first approach focuses on providing enablement resources, channel expertise, and robust, scalable MSP solutions designed around the way managed service providers create solutions and do business. Visit [barracudamsp.com](https://barracudamsp.com) for additional information. [@BarracudaMSP](https://twitter.com/BarracudaMSP) | [LinkedIn: BarracudaMSP](https://www.linkedin.com/company/BarracudaMSP) | [blog.barracudamsp.com](https://blog.barracudamsp.com)

617.948.5300 | 800.569.0155 | [sales@barracudamsp.com](mailto:sales@barracudamsp.com)