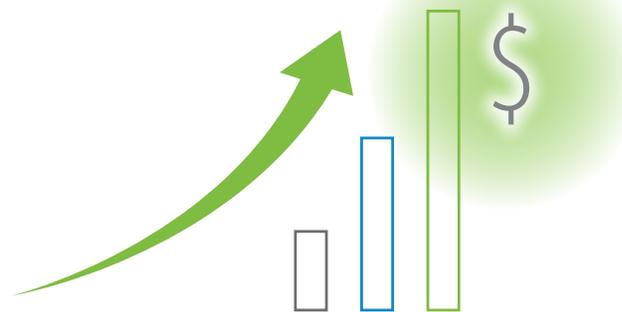# The **TruMethods** MSP Improvement Plan:

# 4 Areas You Need to Fix to Find **MSP Success**

# Introduction

Do you feel like you're exerting tons of effort to grow your MSP, yet seeing few results? MSP business owners share one goal: generate new monthly recurring revenue. While nearly every owner agrees on this goal, few achieve it. **Improving your MSP and reaching your growth goals in today's competitive environment requires discipline and additional focus on the right priorities.**

To help you take action and improve your MSP, I want to share four key areas that have helped me personally build two top MSPs. These key areas are planning, service offering pricing and packaging, lead generation, and sales.

Through my MSP software and training company, TruMethods, I've worked with MSPs all over the world to help them improve in these areas, and they have reached goals they never thought possible. Many of the MSPs I've talked to that are struggling or feel like they've hit a road block haven't been giving enough attention to at least one of these key areas. For example, if you try to improve your sales numbers but aren't actively working to improve your lead generation efforts, you aren't going to see the kind of results you're looking for anytime soon.

Let's take a closer look at how you can put your time, money, and energy into these four areas in order to change your business and change your life.

# 1. Planning

I have coached more than 1,000 MSPs on how to increase recurring revenue and profitability. In every case, the business owner wanted their future results to be dramatically different than their current situation. This means that something (usually a long list of things) will need to change. It may be a change in people, process, or focus. I have found, though, that discipline around the business planning process is the leading indicator of success.

## The keys to business planning success

There are a few simple business planning concepts that will change your business forever. The first is obvious: you need to complete a business plan!

The top excuses I hear from business owners are that they are too busy, or too small, or don't have the resources to implement a plan. These excuses are exactly why you need a plan. EVERY business needs an actionable business plan. Here are a few keys to success:

1. **Vision:** The changes you make in your business today need to be in the context of your vision for your life and business. Where do you see yourself and your company in 10 years? Change is difficult, and a strong vision gives meaning and purpose to your goals. Be sure your vision includes your entire team.

2. **Targets:** Three-year targets are a critical component of your plan. This is a timeframe that is far enough in the future to allow for setbacks and short enough for you to set accurate goals. Your targets should get you in a position to reach your 10-year vision.

3. **Plan:** A one-year plan is the first step to achieving your three-year targets. Now that you have a strong vision and three-year targets, you can decide what your priorities need to be over the next year.

4. **Action:** You are ready to complete your quarterly action plan. Your action plan considers your current business environment and allows you to make progress now rather than waiting for things to change first. I have lived by my quarterly action plan for many years, and when you accomplish a few of the most important priorities each quarter, the results are truly amazing.

> *"Discipline around the business planning process is the leading indicator of success."*

# 2. Service offering Pricing and Packaging

If you're an average MSP, you probably have a pricing problem.

The majority of MSPs have great employees, sell to quite a few clients, and have the expertise to back up their services. But, somehow, none of those positive attributes are adding up to higher profit margins.

**MSP Pricing Guidelines**

When developing your MSP pricing model, it's important to follow these four guidelines.

- **Keep it simple.** Before you offer clients a price for your services, are you basically doing an entire network evaluation? You don't need to dissect every detail to charge the right price for your services.

- **Use AISP as your guide.** How do you keep your pricing model simple when the systems you're supporting are complex? Determine total cost by AISP (All-In Seat Price). Ask as few questions and do as little calculation as possible to arrive at the price. Be able to give a potential client a quick price calculation in the first five minutes of your sales conversation.

- **Project the model.** If you had 10, 20, or 100 clients for whom you were charging this amount for services, what would your gross margins look like? Don't just assess how your average AISP impacts a single client. Project how your pricing levels impact your business across all clients.

- **Focus on value.** Don't worry that you're charging too much for your IT services. The price is not the issue – value is. Clients are willing to pay a much higher price for your services as long as you deliver on the value.

> "*If you're an average MSP,* **you probably have a pricing problem.**"

| Example | Avg. Seats | Avg. AISP | Avg. MRR | MRR with 50 clients | Seats |
|---|---|---|---|---|---|
| Right Customers-Right Price | 20 | $140 | $2,800 | $140,000 | 1000 |
| Right Customers-Wrong Price | 20 | $95 | $1,900 | $95,000 | 1000 |

Compare the two companies in the graph below. They're charging a difference of $45 for their AISP. When that difference is applied to one client with 20 seats to support, it may not seem that important. But, when you apply those numbers to 50 clients for a total of 1,000 seats to support, there's a huge contrast in revenue – a $45,000 difference!

## Differentiating Your MSP

As an MSP, how you package and price your service offering is critical to your success. Your packaging and pricing should define your company way and demonstrate to clients how you are different than your competitors.

Take a step back for a moment and ask yourself: What is it that you actually deliver to your clients? I'll give you a hint; the answer is not your great tools, top-of-the-line technology, awesome employees, and quick response time.

While all of these are undoubtedly important, they are not what will set you apart as a unique service provider. Every MSP can say they deliver those things as well. Put simply, what will make you unique is the vision that you have for your clients' IT and the process by which you deliver the best possible results.

## Your Chocolate Cake

At TruMethods, the concept of packaging your offering is explained in terms everyone can understand: chocolate cake. Most MSPs sell ingredients—patch, spy, spam, virus protection, backup, help desk. World-class MSPs sell chocolate cake—your unique product that includes everything a prospect needs to run a better business.

Prospects don't care about what kind of butter you use. They care about the finished product, your unique process that will make them more efficient, more profitable, and decrease their noise. They want your chocolate cake.

> "What will make you unique is the **vision you have for your clients' IT** and the process by which you **deliver the best possible results.**"

# 3. Lead Generation

Lead generation is an area where many MSPs struggle. You need a repeatable process for building a lead generation engine that will drive your company's sales and profits. Here's where to start:

## Assess your current lead generation situation

When assessing your current situation, you should first look at your sales prospect database. How many prospects do you have, and what is the quality of the prospects? The quality of the lead can be determined by looking at how much contact you've had and what information you have about them.

Now look at your current results. If you're not generating a predictable flow of FTAs (first-time appointments), then your goal may be to set seven to 10 FTAs a month.  If you're currently scheduling 10 FTAs per month, then your goal might be to move that number to 20. This will set the framework for putting your lead generation plan in place.

## I'm ready to create a plan. Where do I start?

Every plan starts with a goal. On a business level, start by setting an annual MRR (monthly recurring revenue) goal. Your monthly recurring revenue goal equals the number of FTAs you go on, times your close ratio, times your average deal size (average MRR):

### MRR= FTAs x Close Ratio x Average MRR

If you go on 10 appointments and you have a 20-percent close ratio, this will equate to two sales. Then, if your average deal size is $2,000/month, this would mean overall MRR is $4,000.

Key impactors of this formula are the quantity and the quality of your FTAs. You'll want a consistent flow of appointments while at the same time getting them from a variety lead sources.

> *What will You need a* ***repeatable process*** *for building a lead generation engine that will* ***drive your company's sales and profits.***

## Not all leads are created equal

You won't have the same close ratio with all leads. For example, your close ratio will be lower on appointments from cold calls. Warm lead sources like referrals will have a higher close rate, and returning prospects (prospects that you have met with in the past and qualified) will have the highest close ratio. You need to focus on warm lead sources while building a stream of returning prospects over time.

Developing COIs (centers of influence) is a key strategy to generating warm leads. COIs are referral partners that have the same target market as you do. It could be a software vendor in a vertical market you specialize in or a communications company. One great way to find quality COIs is to ask your best clients who they deal with that they love as much as you. Your goal should be to meet with one new potential COI each week.

Next consider adding inside sales. Inside sales combines two important roles: lead generation (setting appointments) and prospect database management. The inside sales person dials the phone each day gathering information about prospects and setting three to five appointments per week. I know some people say that cold calling is dead, but in the IT services business we need to talk with prospects before they are in pain. I've successfully used this process in my MSPs for 20 years, and today I coach more than 100 inside sales folks around the world.

Marketing is another important process. Be aware that some marketing such as email marketing or event marketing require a quality prospect list, so if you don't have a good list today you need to focus on warm lead sources and building your list first. Over time you can also add an inbound or content marketing approach to attract new prospect to your website.

## Accountability

Accountability is the key to success. You need to have a weekly sales meeting (even if you are the only one there) and review your activity versus the goals for the week. You don't need to do a lot of things to generate leads; you just need to do a few of the right things each week. Build a playbook to track your daily, weekly, and monthly sales activity goals and results.

# 4. Sales

Recurring revenue is the Holy Grail for managed service providers. Unfortunately, it is the area of the business that most MSPs struggle with. They either can't sell enough new clients, don't attract the right types of clients, or can't command the right price.

Here are four simple actions that you can take immediately in your business to help you build more recurring revenue.

## 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, 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.

Their biggest expense is human resources. If you can explain how your technology solution translates into better utilization of their employees and greater productivity, you can show them through 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, processes, 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 or offerings should deliver "Your Company Way." This is the unique approach and perspective you've developed based on your years of experience.

Selling "Your Company Way," your process, and your unique approach resonates more with business owners because it achieves the end result they're looking for: lower IT costs, predictable results, and a partner they can turn to for advice.

> "Recurring revenue is the **Holy Grail for managed service** providers. Unfortunately, it is the area of **the business that most MSPs struggle with.**"

## 3. Raise your price

I hear all the time about how managed services is becoming or has become a commodity and other companies are pricing their service so low that you can't compete with them. But, if you survey the top MSPs around the world, you will find one thing in common—their prices are going up, not down. The hundreds of MSPs that are members of my coaching program will tell you their prices have gone up along with their ability to close new deals. Why is that?

It's simple; you can't deliver quality support by pricing your managed service offering too low. You're not saving your customers any money by undercharging and then delivering a watered-down product. If you truly believe your approach to managed services is the best investment for your customers, then you should deliver a complete solution and charge accordingly.

## 4. Have a sales focus

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 to focusing on increasing managed services revenue.

1.  Dedicate part of each day to adding new monthly recurring revenue.

2.  Start a process of reviewing activity each week toward adding new monthly recurring revenue.

3.  Move low value activities off your plate (i.e. getting a quote for new hardware) and find other resources to handle those tasks.

4.  Set goals and hold yourself accountable.

> *If you survey the **top MSPs around the world,** you will find one thing in common— their **prices are going up, not down.***

# Conclusion

**If you want to see measurable improvement in your MSP, you need to make business planning, service offering pricing and packaging, lead generation, and sales all a top priority for your MSP.**

Put in the effort to create an actionable business plan, and then follow up on it regularly to make sure you're progressing toward the goals you set. Take a hard look at how you're pricing and packaging your service offering and determine what adjustments you need to make. Once you have a solid business plan and the right pricing and packaging in place, you can work on improving your lead generation and sales efforts and then hold your teams accountable.

Improving in all four of these areas takes time and effort, and you may need to say no to other great ideas. But focus and discipline are the trademarks of high achievers, so **if you zero in on the right areas you'll start to see the improvement you've been looking for**.

## About the Author

Gary Pica is the President of TruMethods. Gary is a pioneer in the managed services field. He built a top MSP with over 7,000 endpoints under management. His results in sales and profitability redefined what is possible for MSP's. Gary has shared the process that revolutionized his business through the FormulaWon program and myITprocess software application. His passion is helping MSP's reach their full potential. For more information about Gary and TruMethods visit www.trumethods.com