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Bundled Services Made MSPeasy

Pricing and Packaging Guidance for MSPs

Pricing and packaging managed services is a well known pain point for IT service providers. One approach managed service providers (MSPs) take is to package their offerings into "bundles" as opposed to simply allowing customers to choose services à la carte. Some prefer this approach because it makes pricing services simple and straightforward. Others say that it helps them differentiate their business from competition.

Bundling services gives MSPs an opportunity to demonstrate the value of their services in a straightforward way. An MSP might have tiers of services at different price points. Others might offer a single all inclusive bundle sold as "premium" service. However, some say an à la carte strategy is preferable, because it gives them more flexibility when serving customers. Many use some combination of both.

The approach you take will depend on your own specific business goals. In this eBook, you'll learn the the pros and cons of bundling services, look at different approaches to bundling, and get practical advice from successful MSPs.

According to Kaseya's recent Global Pricing Survey, **70%** of MSPs offer one or more service bundles. Meanwhile, **33%** offer three or more bundles of service.

WHAT'S IN A BUNDLE?

Well, a bundle is kind of whatever you want it to be. For example, the industry an MSP targets - such as Finance or Legal - could dictate the services within his/her bundle. Or an MSP could bundle services based on related IT functions, such as storage, backup, and disaster recovery. An MSP focused on smaller businesses or startups might include the installation, monitoring, and management of all technology in their bundled offerings.

One popular approach for successful MSPs today: offering various tiers of service. For example, an MSP might offer Gold, Silver, and Bronze tiers designed to meet a variety of customers' budgets and technology needs. Bundling continues to be popular among MSPs today. According to Kaseya's recent Global Pricing Survey, 70% of MSPs offer one or more service bundles. Meanwhile, 33% offer three or more bundles of service (up from 27% last year).

Additionally, "high-growth" MSPs tend to offer complete suites of strategic managed services that help their customers meet their business goals. Across the board, they also offer more services than lower growth MSPs.

Michael Patrick, a Solutions Architect with Kentucky-based MSP Mirazon, said that his company offers a single bundle of managed services to their clients and also standardize the technologies they use to deliver services. "I think that's pretty much the sweet spot for the customer base we have," Patrick said. "We like the way that it works, and our customers are happy with it as well."

Bundling services can help **customers quickly understand how they'll benefit from your service**, without needing to evaluate each piece.
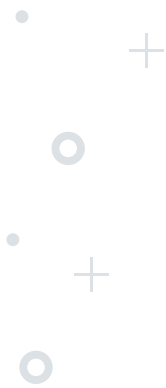
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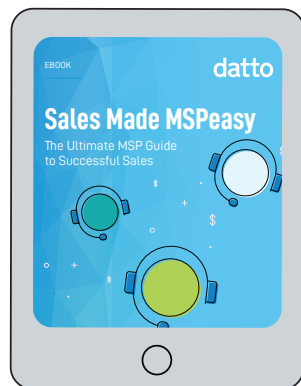
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BUNDLING BENEFITS

With à la carte pricing, customers frequently look for ways to cut costs by evaluating each service separately rather than looking at the big picture. Bundling services can help customers quickly understand how they'll benefit from your service, without needing to evaluate each piece.

Think of it like a car wash. Let's say a "Basic Wash" costs $5 and additional services are priced at $1.25 each (wax, wheels, rust inhibitor, polish, towel dry, etc.). The "Super Wash" bundle includes the Basic Wash, wheels, and towel dry for $7. Finally, "The Works" includes the Basic Wash, wax, wheels, rust inhibitor, polish, and towel dry for $10. Many customers are will choose one of the bundled options because it represents a better value—even though a "Basic Wash" alone is less expensive.

Efficiency is another important benefit of bundling. Offering a distinct set of services allows you streamline processes that apply to all customers. Standardizing on specific technologies as much as possible is another common practice among many MSPs. Standardization allows technicians to develop expertise and efficiency on a specific set of tools, reducing the amount the amount of time they spend troubleshooting customer issues.

Patrick said that Mirazon primarily serves small businesses with no in-house IT staff and a technology refresh is required for new customers. "It costs us considerably more to manage technologies that businesses have in place," he said. "We know our products, that cuts down on the amount of time that it takes to support each customer," said Patrick. "That allows us to take on more customers. It's all about doing more with less."

"With more standardization of services and solutions, you'll have less problems, and be more efficient," said Todd Bollenbach, President and CEO of GNT Solutions. "It impacts the bottom line as well. We standardized on Datto two years ago and it made a huge positive impact on business." GNT requires new customers to install a Datto device, but unlike Mirazon, does not require customers to update technology across the board.

Successful MSPs agree that delivering exceptional customer service is essential to grow your managed services business. Happy customers become long-term customers that are likely to refer your services to their peers. The more you can streamline your service delivery, the better customer service you will deliver. Using reliable, complementary technologies to deliver bundled services can help accurately set and meet service level agreements (SLAs).

The process and procedures you develop along the way can also help when training new employees. "It makes training 100% easier," said Chad Kempt, IT Consultant with Fast Computers. "Its great if they have previous experience, but I don't necessarily care. We train each employee to be an expert on specific technologies."

Finally, bundling services can improve customer retention. Obviously, smaller businesses have limited budgets. So, cost is primary focus, and, as a result, they are more likely to investigate less expensive options—especially if they only rely on you for a single service. As such, bundled services can be "stickier" than single services. When delivering a set of services, you'll have more frequent interaction with customers and build stronger business relationships.

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THE CASE FOR À LA CARTE

While service bundles clearly have many benefits, there are also plenty of reasons to offer services à la carte as well. MSPs who choose to offer services à la carte say that it allows them to pursue customers that they would not be able to with a bundle of services.

For example, some customers might have already made large investments in technologies that they are not willing to rip and replace. Others may have in-house IT staff that are only looking for assistance with single IT service. Bundled services, especially all-inclusive bundles with little flexibility, can exclude these customers. Some MSPs might simply say 'well, then that customer isn't a good match,' and move on. Others are inclined to meet somewhere in the middle.

"We'll support whatever they have until it's time for a tech refresh," said Bollenbach. "Then, we'll push them towards preferred products. But, we never require them to do anything other than install a Datto device."

Kempt said that Fast Computers takes a similar approach. "We prefer to work with larger companies," he said. "Almost all of our customers have experienced IT people on staff. It wouldn't really be possible to go in with a rigid set of services. We form a partnership and learn from each other."

Bollenbach said that it's all about building trust with your clients. "The term 'trusted IT advisor' gets tossed around a lot," said Bollenbach. "It's true, building that trust makes it easier to do business."

Customer service and technical expertise are at the core of the MSP value proposition. So, it's essential to present your business in this light.

That being said, it's really important to take a hard look at the technology the customer has in place. If an organization is running on a pile of tin cans and string, it's going to take more effort to support them. "Performing a network assessment can help you determine the cost [to support them]," said Jeff Cohn, President of Sage Computer Associates. "It also presents an opportunity to recommend more appropriate technology."

Jordi Tejero, Owner of CRS Technology, a Florida-based MSP, uses a similar strategy. "I'll perform a network audit and come back to them and say: 'Here are the five things you need to update before we can take you on as a client,'" he said.

VALUE PERCEPTION

Regardless of the approach you take, you need to be able to quickly and effectively communicate the value of your services. For some, bundling and standardization is key to delivering excellent service. For others, giving their customers a greater level of flexibility and working with the technology already have in place delivers value. As with most choices, it depends on what you are trying to accomplish as a business.

According to Patrick, value perception is one of the reasons why they offer a single bundle of services with standardized technologies. "We have four guys on staff that are Tier 2 Datto-certified; we have close relationships with Datto and Fortinet support and development," he said. "So, we can say with confidence that we can offer them a better experience. We know the stuff inside and out."

Many new MSPs make the mistake of trying to beat competitors on price or struggle with customers that refuse to upgrade dated technology. However, this can be counterproductive. Customer service and technical expertise are at the core of the MSP value proposition. So, it's essential to present your business in this light. CRS, which also offers a single bundle of services, is one of the higher priced shops in the region it serves, according to Tejero. "But our customers understand that they are getting premium service," he said. Remember: in general, people get what they pay for.

Bundled services are not the only way to deliver premium service. As noted above, contracting with larger clients requires Fast Computers to work with whatever technologies they already have in place. "We'll sell the hardware up-front, charge a separate fee for management, and work with them to the extent they want to be worked with," he said. "It's probably less sticky, but we are confident in our ability to deliver great service," said Kempt.

CONCLUSION

Ultimately, the decision to bundle services isn't black and white. Bundled, À la carte—why not offer some combination of both? Using the car wash analogy again, what's stopping you from scooping up a $5 customer and converting them to a $10 customer over time? Whatever approach you take, it's all about communicating the value of your services. Finally, remember to present your services in a way that is easy for customers and prospects to understand. If you choose to bundle services, be certain to clearly define what is and what is *not* included in each packaged offering.