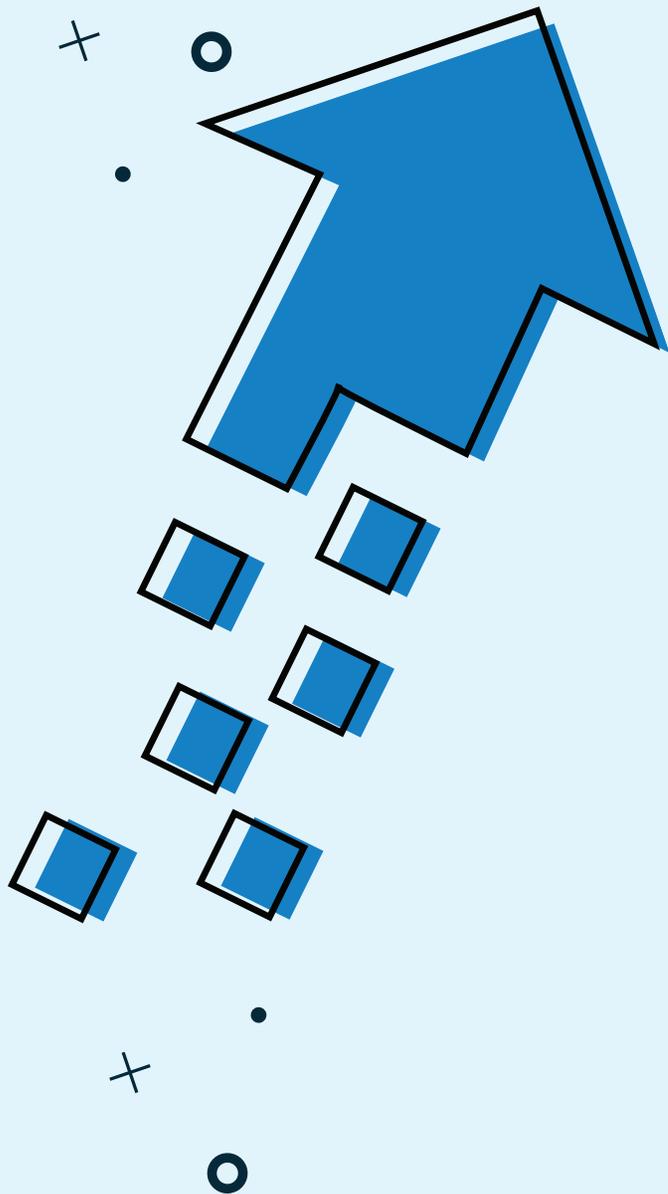datto

# From VAR to MSP
## Tips from MSPs Who've [Successfully] Transitioned Over

**The value added reseller (VAR) business isn't what it used to be. Competition on pricing is intense and profit margins have become paper thin. As a result, some VARs are looking for ways to diversify their offerings and generate new revenue. For many, that means delivering managed IT services.**

Managed service providers (MSPs) provide the ongoing monitoring of their customers' IT environment for a monthly fee or MRR (monthly recurring revenue). For VARs that are used to one-time interactions with clients, this is a very different model. As such, the transition over to the proactive business of managed services can seem like a challenge. However, as you'll learn, the benefits of moving from VAR to MSP really do speak for themselves.

If you're a VAR ready to move into the IT managed service space, this ebook can help. You'll get advice from successful VAR turned MSPs, tips on how to develop (or hire) the right skillset, practical information about the tools you need to deliver managed services, and more.
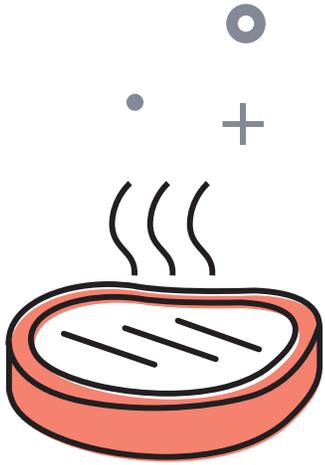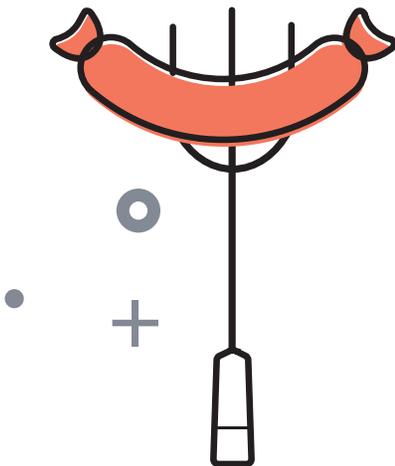
## THE MSP MINDSET

According to CompTIA's Trends in Managed Services Report, increasing sales revenues, protecting customer base, and minimizing financial risk are driving many IT professionals from VAR to managed services. Additionally, MSPs maintain long-term client relationships and frequently acquire new customers through referrals.

"We switched from VAR-type work to managed services about eight years ago," said Patrick Murphy of Results Technology, an MSP and Datto partner. "Basically, we got tired of the ups and downs. With the VAR model you'll have three months basking in the sun eating steak, then two months eating franks and beans."

Delivering managed services is all about being proactive about monitoring the IT environments of a variety of customers. If you're a VAR, once you've installed technology, you are on to the next sale and implementation. "The VAR business model is all about selling," said John Marshall of Quest-Logix, a Houston-based MSP and Datto partner. "MSPs have to be about customer service. If you want to be successful as an MSP, shower your customers with service."

"We like to help people. It's not just about making money." Murphy said. "So, helping customers became the focus of our business." That mindset is essential to make it in the MSP game. Successful MSPs know that it's not just about technology, you really need to build trust with your customers. Offering customers impartial advice about technology is a great way to do so. Obviously, you need to generate revenue and make profits, but it's more important to recommend technology that helps them succeed. "With managed services, you can build long lasting business relationships," said Marshall. Jordi Tejero of CRS Technology Consultants, a Florida-based Datto partner, agreed. "Your engineers need to develop relationships with customers," he said. "Having the right attitude is everything."

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*- Patrick Murphy*
*Results Technology*

"The biggest challenge was getting our customers heads around the concept. One approach that worked particularly well was to find customers that were spending a lot of money with us, show them what they spent in the previous year, and explain how much they would save with the subscription model."

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  *Results Technology*

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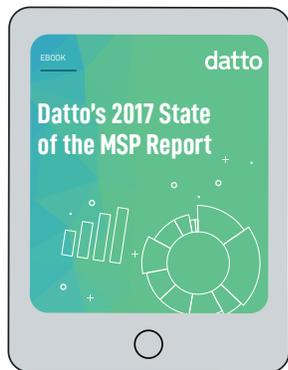


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For many VARs, this customer-service focus is a challenge that requires considerable employee training. It may even require hiring new service-minded employees. Delivering ongoing, consistent customer service may not come naturally to the typical engineers that work in the VAR world. Many fall into the trap of providing excellent service to new customers, while neglecting older ones. "That's probably the biggest downfall I see with a lot of VARs moving into managed services. They start out delivering great customer service, but then they fall off and pay more attention to new customers," said Marshall. "It's all about consistency and meeting expectations. You need to live up to however you sold the service."

To overcome these issues, many VARs make a slow, gradual transition into the managed service space. According to Murphy, Results Technology's transition to an MSP shop didn't happen overnight. "It definitely took a while," said Murphy. This "easy does it" approach allows your staff to adjust to the realities of delivering managed services. It allows value added resellers to start acquiring new managed services customers while continuing their legacy business as well. Or, they might convert some existing break-fix type customers to managed services while keeping some VAR customers.

## CRAFT A CLEAR PITCH

Transitioning your existing VAR customers over to MSP with you is not always easy. Start by identifying customers that you do a lot of business with and pitch them on the idea of managed services. For guidance on this, check out this great free eBook, Should Your Company Outsource IT.  "The biggest challenge was getting our customers heads around the concept," said Murphy. "One approach that worked particularly well was to find customers that were spending a lot of money with us,

"Explain the managed services concept in straightforward terms. We sit down with them and say: 'Look, right now we make money when you are broken. With managed services, we make money when you are up and running.' Then, you're on the same side of the table."

*– Patrick Murphy*
 *Results Technology*

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show them what they spent in the previous year, and explain how much they would save with the subscription model."

Education is essential when it comes to selling managed services. Businesses with in-house IT staff, or those that rely on break-fix type support, may be completely unaware of the IT managed services model. It's essential to explain the managed services concept in very straightforward terms. "We sit down with them, and say, 'Look, right now we make money when you are broken. With managed services we make money when you are up and running.' Then, you're on the same side of the table," said Murphy.

Unfortunately, with some customers, you'll have to convince them that you are not trying to rip them off. For this, Tejero suggested offering a 90-day trial period. "Prove to them that it works and they tend to buy-in," he said.

Marshall did not convert existing customers when moving to managed services because they were starting a new business from scratch. "We built the company on Datto," he said. Quest-Logix provides backup and disaster recovery services exclusively." This approach might not make sense for every business, but specialization can be an effective route into managed services. Consider offering a single managed service to get started and then expand into additional areas.

Regardless of the approach you take, you need to commit on some level to delivering managed services. While this may sound obvious, many VARs only devote a small fraction of their resources to managed services when they get started, don't generate a lot of revenue from it right away, and quickly decide that it's not going to work. That, of course, creates a self-fulfilling prophecy.
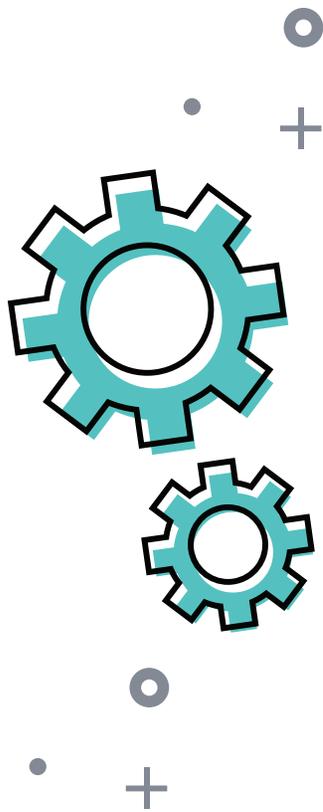
Remote monitoring and management (RMM) and professional services automation (PSA) tools are considered essential to properly deliver managed IT services.

## CHOOSE YOUR TOOLS WISELY

Beyond developing the right mindset to deliver managed services, you'll also need some new technologies. Remote monitoring and management (RMM) and professional services automation (PSA) tools are considered essential to properly deliver managed IT services. RMM tools are designed to monitor your clients' IT systems and report on performance. RMM software also allows you to remotely trigger management tasks—such as patching or other software updates. PSA software is designed to keep track of client projects. These tools are essential for delivering IT as a service.

RMM and PSA tools integrate with a variety of technologies including desktop and server management software, backup and disaster recovery technologies, storage management tools, and antivirus software. So, it is important to consider whether the RMM and PSA tools you choose will integrate well with your customers' environments. You may need to have a conversation with them about upgrading older or inferior technologies. If clients balk at the cost of new technologies, make it clear that upgrading will allow you to better serve their needs and ensure the health

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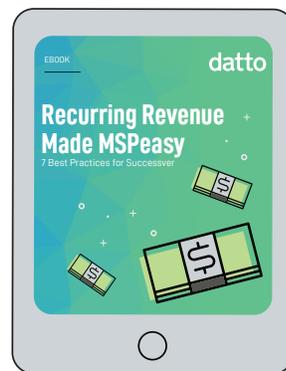>
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of their IT environment. "End-to-end integration and automation are essential for delivering managed services," Tejero said.

Carefully choosing technology vendors will save IT service professionals a lot of trouble in the long run. There a lot of factors that should play into the decision making process, the most obvious being whether the product serves your clients needs. It's also essential to evaluate products' reliability, ease of use, performance, and maturity.

User forums and channel networking events are a great place to start searching for product information—speaking with people who use the product regularly is a great way to get unbiased information about it. They will be able to tell you how the product performs in the real world. Also, when evaluating new products for your clients, consider whether the vendor has a legit partner program. Finally, when delivering IT services to clients, you need to be sure that you'll have adequate, 365/24/7 vendor tech support, such as Datto. Working with vendors that understand the managed services model can save you a lot of headaches. Again, speak with customers of the vendor you are evaluating. If they are unhappy with tech support, they won't hesitate to tell you.

MSP peer groups, such as HTG, meet locally or online and allow members to learn from each other, in formal and informal settings. Peer groups offer sessions lead by industry veterans on topics such as management, sales and marketing, employee relations, vendor engagement and new technologies. Members are encouraged to network and bounce ideas off each other as well. These meetings can be an excellent source of unbiased opinions about technology.

## STANDARDIZE YOUR SOLUTIONS

Standardization allows you to develop expertise on technologies that you use—reducing the time and effort necessary to deploy and manage them. Many tech vendors offer product-specific education and certification programs. These programs have a twofold benefit. First, obviously, is developing a strong understanding of the products. Second, certification can help build trust with your customers by illustrating your IT expertise.

According to Murphy, standardizing on specific vendors has been a successful tactic for his business. "You want to offer the same technologies to all of your clients—one Backup and Disaster Recovery (BDR) product, one networking product, etc.," he said. "Focus on what you are good at. This is what we sell, this is what we provide, this is what you can expect. Make those things very clear."

Many successful MSPs publish a service catalog to ensure that potential and current customers understand exactly what is available to them. It should be detailed enough that there is no ambiguity in what each service offers but not so technical that you lose them altogether. Since this document defines exactly what is provided in each offering, it is also an opportunity for you to explain exactly how your services differ from others in the market.

"Make it simple, said Murphy. "When we first started, we were struggling to sell services. We realized we were making things too complicated with different tiers of service and confusing customers. Today, we offer same services and technologies across the board." However you approach it, you need to build in enough flexibility that you can support a wide variety of clients. So, it's important to choose technologies can support lots of different of IT environments.

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> *- John Marshall*
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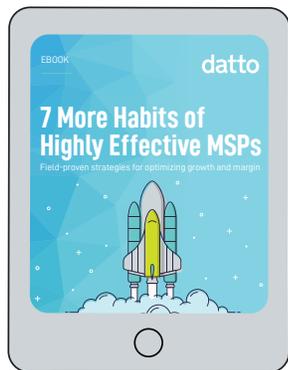


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## CONCLUSION

Making the move from a value added reseller to a managed service provider can be highly beneficial for anyone looking for more stability. Monthly recurring revenue ensures that there's money coming in at a predictable rate and reduces the uncertainty that comes along with delivering reactive services. It makes budgeting easier, and allows you to better plan for the future. "Recurring revenue is the holy grail," said Marshall.

Managed services adoption continues to grow. Half of the respondents to CompTia's report expect the managed services portion of their business to undergo high growth and comprise three quarters or more of total annual revenue. Another 45% predicted that managed services dollars are increasing and will make up half or more of their total revenue within the next two years.

So, while VARs face challenges when moving into the managed services market, the business opportunity is worth the effort in the end. "It's all about the stickiness," said Marshall. "Get them hooked on great service and your customers will stay loyal even if you are facing competition on price."