



FRAMEWORK

FOUNDATIONS

STEP 10
Packaging &
Pricing Workshop

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INTRODUCTION

In today's competitive market, packaging and pricing determine the success or failure of an MSP. How your company bundles and presents its services can significantly impact customer satisfaction, loyalty and the bottom line — which is why it is essential to have a solid understanding of packaging and pricing strategies that work.

This guide provides an in-depth exploration of essential concepts related to packaging and pricing. It will help you understand the importance of bundling your service offering and limiting the choices and options you present to your customers. Additionally, we cover risk management, eliminating entrance barriers and determining whether you are off track or getting back on the right path. Whether you are a seasoned business owner or just starting, this guide will equip you with the knowledge and tools to create an adequate packaging and pricing strategy for your business.



GUIDELINES

Although pricing and packaging your service offering is complex, there are several guidelines that can help ensure success. Here are some fundamental principles to keep in mind:

LIMIT CHOICES AND OPTIONS

When pricing and packaging an MSP service offering, limiting choices and options is critical to drive success. Here are some key points to consider:

STANDARDIZATION DRIVES DOWN COSTS

Standardizing your services reduces complexity and streamlines your operations, helping you drive down costs and increase efficiency, ultimately making a more profitable service offering.

SAME SERVICE TO ALL CLIENTS

Consistency is critical when it comes to MSP service offerings. By delivering the same service to all clients, everyone gets the same level of quality and support, and you build a reputation for excellence and gain client loyalty.

“ANY COLOR YOU WANT, SO LONG AS IT IS BLACK”

This quote from Henry Ford exemplifies the power of standardization. Limiting options and offering a standardized service lowers complexity and drives down costs, creating a more profitable service offering.

BUNDLING VERSUS A LA CARTE

Bundling allows you to offer more value to clients while simplifying billing and delivery. When you offer services a la carte (e.g., monitoring, backup, endpoint detection & response), customers can become confused when you focus heavily on showing the differences between offerings rather than showing them your unique recipe.

ELIMINATE ENTRANCE BARRIERS

The goal of eliminating entrance barriers is to make it easier for potential clients to say yes to your services. By reducing complexity, increasing transparency, and offering flexible pricing and payment options, you can create a more accessible and profitable MSP service offering. Here are some key points to consider:

COMPLEX CONTRACTS

Complex contracts are a significant barrier for potential clients. Simplifying and making your contracts easy to understand helps you win more business and build client trust. It can also reduce the time and cost of negotiating and drafting contracts.

EXTENSIVE MINIMUM SPECIFICATIONS

Minimum specifications can be necessary for MSP service offerings but can create barriers for potential clients. By reducing your minimum specifications, you can make your services more accessible to a broader range of clients. However, ensuring you can still deliver a high-quality service that meets your client's needs is essential.

HIGH UPFRONT COSTS

High upfront costs can be a significant barrier for prospects, especially small and medium-sized businesses. Offering flexible payment options, such as monthly billing or payment plans, can help you make your services more accessible and attractive to clients. It can also help you increase cash flow and reduce the risk of non-payment.

UNDERSTAND RISK

Understanding risk is about taking a proactive approach to managing your business. You can create a more sustainable and profitable MSP service offering by identifying and mitigating potential risk factors. Here are some key points to consider:

SCALING WILL REDUCE RISK

As your MSP service offering grows, you can spread risk across a more extensive client base, which can help reduce the impact of individual client losses. Scaling your business is an essential factor in reducing risk.

COMPLICATING THE TERMS AND CONDITIONS INCREASE RISK BY REDUCING SALES

Complex terms and conditions are a significant barrier, lowering sales and increasing risk. Simplifying your terms and conditions and making them easy to understand can help you win more business and reduce risk.

REDUCING SALES INCREASES PRICING RISK

You can increase your risk if you are not bringing on enough clients or not pricing your services correctly. It would be ideal to strike the right balance between attracting enough clients to generate revenue and profitability and managing your risk. That's why your pricing and packaging strategies should be regularly reviewed and adjusted.

IT IS ALL ABOUT AVERAGES

Understanding averages is important in pricing and packaging your MSP service offering. By analyzing and optimizing your averages, you can increase the profitability and efficiency of your business. Here are some key points to consider:

AVERAGE AISP

The average all-in seat price (AISP) is the average revenue generated per client. Analyzing your AISP can help you identify the most profitable clients and services, which can inform your pricing and packaging strategies.

AVERAGE MRR

Evaluating your average MRR can help you identify trends and predict future revenue, which can help you make informed decisions about pricing and packaging.

AVERAGE VARIABLE COSTS (E.G., STORAGE, SERVICES)

Variable costs vary based on the number of clients or services provided. Examining your variable costs can help you identify areas where you can reduce costs and increase profitability. For example, if storage costs are higher than average, you may need to adjust your pricing or consider alternative storage solutions.



STAYING ON TRACK

Staying on track keeps the sales process efficient, effective and consistent, which can help to build trust and credibility with potential clients. When a salesperson stays on track, they are more likely to communicate the value of their services clearly and address the specific needs and concerns of the prospect. Better alignment between the service provider and the client can increase the likelihood of closing the deal.

You are spending your time during a sales call explaining the difference between your support offerings:

- » Instead of offering multiple choices, stick to one standardized offering that delivers the same service to all clients, reducing the need to explain differences.
- » Focus on the client and their specific needs, explaining how your service can help them and comparing their experience to that of your other clients.
- » Emphasize your process and its positive effects on their business rather than checkmarks between multiple items in different offerings.
- » In general, avoid offering multiple options and keep things simple.

You are talking about your tools and technology during the first 15 minutes of a sales call:

- » Everyone has access to similar tools and technology, so focus on what sets your business apart and how it can help the client specifically.

- » Discuss the client's business and issues before discussing your company's way of doing things and how it can positively impact their business.

You take 5-10 minutes to explain what is included and not included in your monthly fee:

- » Be clear about what is and is not included in your monthly fee to avoid fuzzy edges.
- » You may be off track if you cannot explain what is and is not included within a few minutes.
- » Avoid using a spreadsheet to explain your pricing structure, as it may be too complex for the client to understand.

You cannot explain the difference between your service offering and the service they receive today:

- » Focus on why the client is experiencing their current issues and how your company can eliminate them in the short and long term.
- » Be able to explain your service offering in a way that is unique and different from what others are offering.

You hear from prospects that the pricing is an issue:

- » Look at your support offering and ensure you offer unique services rather than just the "everybody stuff."
- » Explain that a lower price will not necessarily lower the overall technology cost for the client.
- » Emphasize how delivering your recipe and correctly doing things will impact their overall cost.

You do not feel confident every time you meet with a prospect:

- » Explain how your IT support works and why your company is the best and most cost-effective way to manage technology.
- » Show the prospect how following "your company way" is better than their current IT service.
- » Emphasize that no one else has the people, process and technology that your company does.

In contrast, going off track can create confusion, reduce credibility and lower the chances of closing a sale. It can make the sales process longer, more complicated and less effective, which can waste valuable time and resources. Suppose a salesperson cannot communicate the value of their services. In that case, potential clients may not understand what they are getting for their money, leading to dissatisfaction and the possibility of losing the client. That's why staying on track during a sales call or presentation is essential for building trust, increasing credibility and closing deals in the MSP industry.



SUMMARY

The importance of understanding and applying the principle "it is all about averages" cannot be overstated when offering MSP services. It is essential to determine the average AISP, MRR and variable costs, such as storage and services, among other factors that impact the bottom line. Keeping these averages in mind helps MSPs to provide the same service to all clients, standardize their offerings and decide on offering bundle versus a la carte options, which helps drive down costs. However, it is crucial to remain flexible and not get stuck in one way of doing things. MSPs must remain open to change as the market and the needs of their clients evolve.

To ensure success, MSPs must align with the guidelines in this guide. It includes eliminating entrance barriers such as complex contracts, extensive minimum specifications and high upfront costs. Additionally, they must understand the risks involved, scale their operations to reduce risk and avoid complicated terms and conditions that may reduce sales. Finally, it is essential to stay on track and reread this guide as needed to ensure MSPs remain focused on the right priorities and continue to provide excellent service to their clients.

