



Here are 7 traps for prospective Managed Service Providers.

If you're a VAR who is deciding to take the leap into Managed Services, you are faced with numerous opportunities and many challenges ahead. Having spent the last 6 months at [KitRx](#) doing exactly this, I have an interesting perspective of what you should and should not do, as well as a few pointers you can use while setting your own expectations about how easy you may think this is. I must preface this by saying that even though I sound a little negative or skeptical, it's not that I don't believe the MSP model actual works. It does - I just believe that you need to do it with intelligence. The longer you wait to do it, the harder it will be. Here are 7 traps for prospective Managed Service Providers.

Trap #1 Blowing your wad: No matter what the sales guy at your prospective MSP platform software says, only buy the minimum number of licenses you need to get going. Most MSP platforms, including our choice [Kaseya](#), have a unique way to bury you under a mountain of debt before you can afford it. Using a licensing method which I'll call Leasing or perpetual rent, you effectively own nothing for a long time (or never) and therefore, starting by paying \$2,500 for software before you have a single customer signed is a trap. Some will even hard sell you on an integrated solution which involves shipping you an entire Server, bundled with their software for a large up-front fee (\$30,000) - leaving you to do the heavy lifting. Although most will give you an opt-out clause, they will try every trick in the book can to keep you in it if you decide to do it. You also run the risk of losing all your hard work - it's a trap so read the fine print so to speak. Remember, these guys need to earn a living and need to close deals to pay there huge bloated overhead, your needs are secondary - you'll feel like you're on a car lot. Kudos to [Kaseya](#) for having Justin Ramsey on staff, but they still gotta earn a living, normally at your expense.

Trap #2: Thinking you'll keep all your customers: Another trick MSP software vendors will use is to make you believe what you have today, is what you'll keep tomorrow. Hell no!

Trust me the reason why most of your customers are doing business with you is because you're a pushover. I'm sorry but it's true - Imagine them being able to call in an expert at a moments notice and have you respond immediately without any commitment on their behalf. Often paying you a \$100 for your troubles after a quick fix. Yikes! What a deal they get!

Run by these losers the fact that you're going to charge them a minimum \$500 a month, and whoosh!! They out the door, looking for the next sucker - and there are always other suckers I promise you. Yes, the vision of having a 100 of your existing customers paying



you \$500 a month is an attractive proposition - it just won't happen! You'll lose 80% of your existing customers or you'll try and mix and match and still lose 50%. Charging some customers monthly and leave others to call you reactively is a bad idea because you'll have an SLA (more later). It's a major dilemma. Do you threaten cut them off or do you sack up and actually do it? One thing I do know is that you absolutely should dump your residential customers. MSP's and Home computing don't match, no matter what the genius calling you 3 times a day tells you.

Trap #3: Creating a "NOC": Dude, you're a small company and so are your customers. They don't expect you to be able to afford a NASA control center. I assure you that running your well configured server behind a robust firewall using a business class of cable internet will be plenty. Especially when you're starting up!. Why spend a gazillion dollars on unnecessary services when you could be using that money to feed yourself and your employee(s). When you grow your business to a 1000 managed devices then do it.

Trap #4: Do it on your own: Unless you plan on splitting yourself in two, it's not possible to watch over your customers systems and be available for on-site services. Firstly, on-site may drive your revenue initially until you get a critical mass of managed customers, and secondly you'll find yourself being much more productive doing this stuff from your office or home being available at a moments notice for your customers. Additionally, I don't remember the last time I was able to take a vacation and the whole point to of this is to get back your lie and make a few bucks doing it. Get a partner or use a contractor and split the revenue. I assure you that this is about improving your efficiency and adding way more customers that you'd be able to handle alone out in the field. Give yourself at least 6 months to get this all squared away.

Trap #5: It'll happen overnight: The analysts have been touting the merits of the VAR/ISV to MSP transitions since 2001, and there are carcasses of hundred's of small companies that listened to this crapola scattered all along this highway of doom. You're starting a new business from scratch with a small leg up on people that are actually starting from scratch. Make sure you have the funds to cover you for at least 6 months of less income than you thought. Plan for the worst and you won't be sorry.

Trap #6: Hire a consultant to make you a Millionaire: There are a few well known consultants who are trolling for you and they're good at it. They are marketing experts and they they're here to tell you one simple fact. You're a dope and should stick to what you do well and leave the marketing to the experts. They are tying themselves to the MSP software vendors who are using them to promote the concept of Managed Services to the market and they're using the MSP software vendors to get at you. Well, you're not a dope cause you did the math. Paying them \$3,000 for a book or a guide of pointers or letter templates will not make you into a dynamo salesperson if you're not one today. Granted, a well written letter to your customers, a nice brochure or a professional website will



definitely help you grow your business but this is something you can hire a pro to do for you. It's unfortunate but they've managed to find a few suckers who are prepared to tell you that they became successful because of it. If you believe them then I have this bottle of stuff for you to buy that'll make your dick hard, rewire your house and wash your car. All for less than the cost of having your ex. wife whacked.

Trap #7: Not using an SLA: The Service Level Agreement is what you're selling. It tells your customers how, when, where, what and how, in minute detail. If you sell a fixed price managed service without a solid SLA you're shooting yourself squarely in the foot with a Barrett .50 caliber snipers rifle, while you swallow a roadside bomb. They'll be picking up the pieces of your business in Beirut. The reason being is that when you tell someone that they for a fixed price they are able to contact you about any problem at anytime without detailed restrictions, they will do just that. Is this not something that people have been doing to you for years? I know you could never figure out a way to stop them without being a complete a'hole. Now you have this opportunity to put it in black and white. We have a few examples of SLA's for you to download