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White paper

Redesign Your MSP Business

Focus on delivering the service, not running it.

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How to beat the competition in a cloud market

For modern managed service providers (MSPs), the shift from traditional on-premises to cloud-based computing represents a challenge and an opportunity. Cloud introduces a fundamental shift to MSPs that disrupts everything from standard operating processes for customer loyalty to hiring great talent. It also, however, frees MSPs from low-margin investments like hardware to focus on delivering real, differentiated value to their customers. Remaking your MSP business for today's cloud-first world requires a strategic approach that aligns your core competencies with your customers' needs and the best tools for the job.

The cloud migration imperative

MSPs have always adapted to customer needs. Early MSPs helped organizations set up their technology infrastructure. When their customers also needed help running that infrastructure, MSPs began to provide those services as well — and discovered that it was more profitable to maintain and manage those systems than simply get them up and running.

Today's MSPs must make a similar transition. Many customers no longer want the expense and hassle of on-premises infrastructure. They may not fully understand what it means to move to the cloud, but they know it will save them money. As an earlier generation of MSPs evolved from setting up hardware to running it to meet their clients' requirements, modern MSPs must help their clients successfully migrate from a traditional on-premises approach to cloud services — while making the same transition themselves.

Challenges with the shift to cloud

Embracing the cloud is critical for MSPs who want to retain their relevance and grow their profit margins.

Until approximately 20 years ago, MSPs mostly conducted their work in their clients' offices. They served as on-call IT who showed up to install new systems, run upgrades, and solve problems. Starting around the year 2000 and continuing today, MSPs largely perform their work remotely. Remote infrastructure management saves time and increases efficiency for MSPs and their clients alike, but also drastically reduces face time and the loyalty that it inspires. When IT runs in the background with no problems, it becomes a commodity and rarely warrants new investment. This can be a roadblock for MSP businesses that want to demonstrate their value so they can serve as clients' concierge to the cloud.

Similarly, because clients often lack visibility into the services that MSPs provide, many assume that they can move to a cloud infrastructure virtually instantly. They may have dipped their toes into cloud computing via lightweight SaaS products, and expect that other cloud services will be just as simple to stand up. MSPs have often responded to this urgency by building their own cloud infrastructure. They invest in their own data centers — buying storage, servers, and more — to provide cloud services to their clients in a controlled way.

Ironically, this situation puts MSPs in the exact position from which their clients are trying to escape. MSPs are now managing expensive physical infrastructure that continues to grow in scale and complexity instead of focusing on their core competencies — delivering great services to their clients. They are increasingly bogged down on the backend instead of focusing further up the stack, where their clients can see and feel the value they provide.

This challenge is further complicated by external pressures. Many MSPs hope to grow their businesses and move up market but must compete against internal hires — another goal that's hard to accomplish when it's difficult to prove your value. Finding good talent is tough as well. Skilled IT professionals are in high demand across the industry, and larger organizations and vendors with bigger budgets can offer better benefits and pay.

Finally, MSPs must price their services aggressively in such a competitive market. *This translates to slim margins that must be put toward meeting existing customer commitments. For many MSPs, it feels like being stuck between a rock and a hard place: they know that they must evolve to survive, but their time, budget, and human resources must be dedicated to keeping the lights on. Successfully mitigating these challenges requires a fresh approach that enables MSPs to innovate, compete, and grow by providing differentiated cloud services to their clients.*

6 steps to providing differentiated cloud services

MSPs must first embrace the idea of becoming lean and efficient. That means getting rid of low-value investments like hardware, getting out of the data center game, and focusing on the true value that the business contributes — knowledgeable, experienced people who provide meaningful and quantifiable services. What does that process look like in practice? It involves six steps that transform core competencies into differentiated business.

1. Focus on understanding your strengths

To begin reinventing your MSP organization, look inside what you have today. Evaluate your strengths and weaknesses. Ask questions like:

- What are our core competencies? Where are we strongest?
- Where would we like to be stronger?
- What services do we struggle to provide at the same level as our top offerings?
- Do we have the right talent to support our core services?
- Can we get the talent we need to support our desired services?
- Do we have too much or too little of a certain skill set?

The answers to these questions will help clarify where you can and should focus your business. They may reveal the need to reduce resources in a certain area or build out another offering. This is where you become lean, "trimming the fat" and investing in what you need to move forward strategically.

2. Choose three to five service pillars

Compare your core competencies against what the market needs to determine which services to take to market. Expertise is only as good as the demand for it. Evaluate where you can add the most value while increasing your margins. It is recommended that you define three clear service pillars, with no more than five, so you can fully support each pillar with strong staff and technology resources. Be sure to retire any commoditized services. Trying to sell compute, for example, in a space where clients can go to Microsoft or Google doesn't make sense. Offerings like hardware and data center floor space will drag down your margins. Each of your service pillars should serve to differentiate your business by giving clients seamless access to the offerings they need most. These should be services that you can provide with better quality and reliability than the competition.

3. Pick your technology providers

One of the biggest shifts between the traditional MSP business model and the new cloud-centric approach is the emphasis on outsourcing. Instead of maintaining your own cloud infrastructure, you now rely on cloud providers to do the heavy lifting for you. As such, the quality of the cloud providers is obviously critical. Make sure to:

- Look for technology platforms that align with your go-to-market strategy and service towers

- Evaluate which provider will give you the best coverage for the service areas you want to exit, whether that's managing a data center, owning hardware, or dealing with licensing contracts
- Carefully analyze each of your requirements to separate nice-to-haves from must-haves
- Consider how to deliver on fundamentals like data protection, production hosting, and compliance
- Investigate vendors that will support and work with you with each of your 3 to 5 service pillars

4. Run the numbers

With your service pillars and technology platforms defined, test your strategy. This starts with detailed ROI and TCO analyses to determine the impact of the plan on your bottom line. Try to capture every detail of every contract, including the end date, associated notice period, and the implications of cancellation. It's important to factor in hardware depreciation cycles, hardware support contracts, software support contracts, software subscriptions (e.g., what happens if we stop reporting usage of software XYZ at the end of the month?), and more. Pulling together these insights can help you understand where value remains within existing CapEx assets and what, if any, of your technology stack needs to be retained to support your new service pillars. The final data should present a useful financial analysis of where your business is today and where it can go within your target time frame. It will allow you to recognize the perceived value leading your organization to confidently commit the time and resources to the initiative.

Incorporate your vendor selections into your financial plans for today and tomorrow to prove viability as well. Next, run a customer pilot. Choose a customer with whom you have a strong, proven relationship to see how your new model operates in the real world.

5. Get customer buy-in

Not all customers are good customers. Similarly to how you decided which services to keep and which were not beneficial to the business, decide which customers should be maintained for future business. The margins on some clients may be too low, or maybe their needs don't align with your new service pillars. Clients don't want to accept downtime or unexpected costs if they can't see the eventual benefits. Educate your customers on why you're evolving the business and how it will work to their advantage. Share your vision, ask for their feedback, and use it to further define and shape your strategy.

6. Measure your progress

Your customer pilot was successful and your other customers are on board. Once you have successfully moved over to your new cloud providers, begin measuring your KPIs. These metrics may include customer win rate, retention, and satisfaction as well as improved margins and top and bottom-line growth. The KPIs will show you how the new model compares against previous operations and help identify areas for improvement.

Framework of a great cloud partner

The right cloud partner can remove significant technology burdens while providing unique value. What should you look for in a cloud services provider?

- **Compliance**
- **Integrated security technologies**
- **Built-in data protection**
- **Strong services offerings**

Transformation powered by people and partnerships

For MSPs, the shift to providing cloud services isn't as easy as flipping a switch. However, when accompanied by a strategic approach, MSPs can renovate — delivering more compelling offerings, differentiating their businesses, and achieving better margins. With trusted partners covering much of the heavy lifting, MSPs can double down on their true value — the people who make the technology matter. This focus, backed by those partnerships, is the basis for transformation and success.

Discover the Druva difference

As a fully SaaS-based platform, the Druva Druva Data Resiliency Cloud offers MSPs exceptional advantages in terms of time-to-revenue and consumption-based pricing models. Druva's approach also eliminates supply chain issues, such as hardware installation or replacement delays, as well as complex design sessions to determine forward pricing. Druva enables cloud transformation with zero-touch onboarding that scales up and down as needed. It allows an MSP to stand out by making trust a priority with the industry's best security certifications while remaining agile with no CapEx risk, less front-end design, and no hardware or software to manage. Pay-as-you-go pricing ensures predictable controlled costs allowing the MSP to concentrate on providing an agile service that supports any customer's business transformation.

Druva recognizes that the shift to cloud is a business model shift. The Druva MSP program provides the following benefits:

- **Agility**: Reduced staff investment, lowered risk, and high levels of runbook efficiency
- **Faster deployment**: SaaS enables MSPs to deploy faster, without dedicated time/people investment to procure, manage, or capacity plan
- **Improved cash flow**: Cost of money elements and financial instruments are no longer needed
- **Lower provider risk**: Vendor incurs the risk which relieves the provider of the need to conduct their own pen testing, incur expensive insurance for the infrastructure, etc.
- **Increase efficiency**: Day-to-day operations are significantly more efficient as delivery is just-in-time vs. build, manage, patch, secure, debug OS
- **Faster to market**: Realize immediate time to revenue and margins
- **Lower CapEx**: Hardware-related costs are all moved to the provider

Next steps

Run your business strategically with the Druva Data Resiliency Cloud. Visit the Druva site to learn more about how we empower MSPs to improve time to revenue, reduce risk, and deliver more resilient solutions.

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