Six Reasons Why a VAR Should Add Managed Services

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Introduction

As a value-added reseller in the technology space, the impact of rapid changes in the VAR landscape may have hit home with you. Pricing is becoming increasingly competitive. In an already low-margin environment, numbers continue to shrink, putting enormous pressure on achieving a survivable - let alone impressive - bottom line.

To remain competitive and be in a position for growth, you can't wait - now is the time to look outside the traditional VAR business model, and expand your offerings to include managed services. We're not talking about one-time implementation and training, or even occasional reactive product support. Managed service providers (MSP) deliver full-fledged, on-going, proactive monitoring and management of customers' IT environments, resulting in (and here's the best part) **a monthly recurring revenue stream.**

So, why should you consider putting resources into moving to this business model, and what can you hope to gain? Very valid questions! Fortunately, we have answers in these 6 need-to-know reasons why you should add managed services.

Reason #1:
More Sales & Enhanced Customer Satisfaction

With explosive growth in technology sophistication and mobile functionality, it's not a matter of whether users want and need managed services dedicated to supporting their IT environments—it's simply a matter of *which provider* they choose. For clients who already rely on you from a purchasing and procurement standpoint, the foundation for conversion is already laid.

From their perspective, life is simplified if an already trusted business partner can meet more of their needs. **That means additional sales for you, and greater satisfaction for your customers. (Better known as a win-win.)**
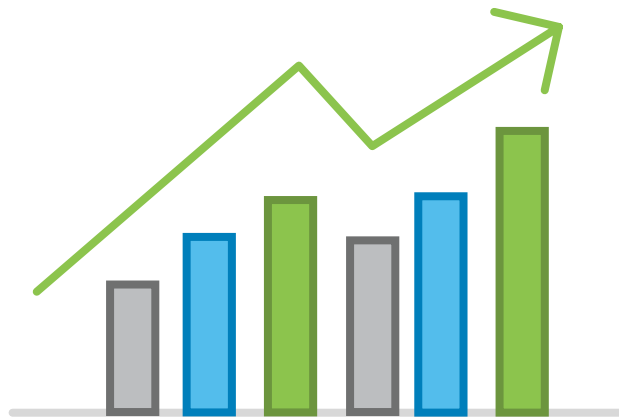
Reason #2:
Increased Profit Margins

It's a harsh reality impacting all VARs - margins on hardware continue to shrink. A reseller with a mix of 90% hardware and 10% services is likely to be looking at a 6% profit margin, if that. In comparison, it's highly reasonable for an MSP to expect a 15% profit margin.

So, even though expenses of transitioning to and maintaining an MSP offering may seem prohibitive at first, **the investment is made worthwhile by the boost in margins.**

Reason #3:
Predictable Revenue Streams

The very nature of your business lends itself to an uncertain revenue flow. The opportunity for large deals can be sporadic, with a per project, per contract, "one and done" experience more common than not. If you are footing the expense of keeping highly-skilled techs around to support set-ups and training, that in-between-contracts down time can further dig into profit, on top of low margins.

On the other hand, an MSP model maximizes revenue potential by creating contracts for on-going customer monitoring, maintenance, security, and more, **setting up a flow of predictable monthly payments.**

Reason #4:
Value To Your Customer

A traditional VAR business model is typically structured for single interactions with customers, such as implementation and training, with the potential for occasional touchpoints, like reactive product support. However, the ongoing interaction inherent between an MSP and their customer builds a true relationship.
You have the opportunity to become a trusted IT advisor who offers an understanding of "everything IT" that matters to their business. Your role expands to become more consultative. **Such a relationship builds value in your services, and ultimately customer "stickiness" or retention.**

Reason #5:
Financial Stability

Being able to run a business free from money-related stress is a goal for any owner. But there are other long-term benefits to building a financially stable company. For most owners, the definition of success includes creating a company that can attract investors or buyers when they're ready to move on. Even if that's far off in your future, you want to make it as easy as possible to get financing or an injection of capital for growth when needed. A profitable business puts you in a better position for both scenarios. When a reseller grows, their expenses do as well, which often erodes their net income percentage and overall financial attractiveness.

MSPs are likely to have a higher net income, providing them a **safety net** for the accompanying rising expenses. **That, along with higher profit margins, adds to their appeal to lenders, investors, and purchasers.**

Reason #6:
Offer More Than Product

As a VAR, you're providing products that, more than likely, your customers could get elsewhere. Why limit your potential?

Adding managed services to the mix helps you stand out from the competition. **And when you partner with ConnectWise for best-in-class solutions, it's clear to customers that you're serious about taking your business – and theirs – to the next level.**
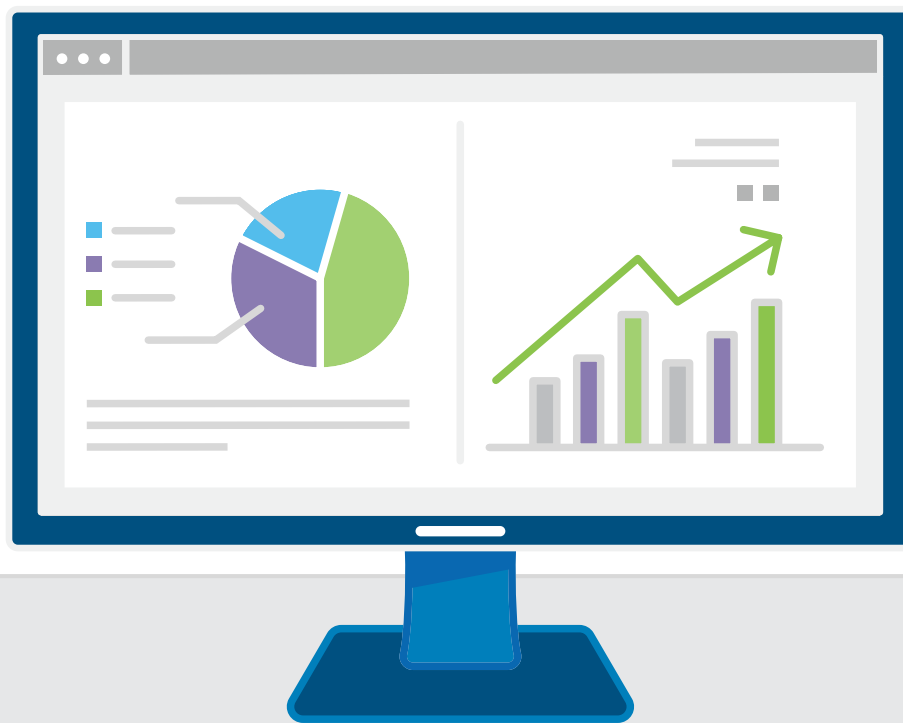
Conclusion

Transitioning your solutions menu to offer managed services will naturally present new challenges, as would any business growth.

We hope this information has provided insight into why the financial rewards and future-proofing benefits will far outweigh the efforts you put in. Managed services offers consistency, profitability, and a proven way to successfully scale your VAR business. Convinced (or almost)? Make the move now, because odds are that your competitors aren't waiting.

Get started with strategic advice from experts in our free eBook
Six Steps to Managed Services Success for VARs.

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For more information, contact D&H at Cloudsolutions@dandh.com or 800.877.1200.