Strategies for Profitable Growth

Ray Wright, Kaseya – Dan Schlegel, Artemis IT

Agenda

- Dan Schlegel – Artemis IT

- Managed Services Market Evolution

- Kaseya Annual Pricing Survey

- Driving Higher Growth

- Strategies for Success

- Recommendations

- More Information

- Q & A

Dan Schlegel, Artemis IT

- *Vice President, Engineering Services*

- *Joined Artemis IT in 2007 and has helped grow the company from 20 to over 50 professional staff*

- *Artemis IT has been a Kaseya customer since 2006*

"Listening to the customer's wants and needs is key. To be successful in today's MSP space requires understanding the customer's line of business and associated needs, combined with addressing their IT pain points. To sustain long term success and growth, delivering value is far more important than having the lowest price."

Dan Schlegel

# The Managed Services Market is Evolving – Fast!

- SMB spending on cloud and managed services growing at ~20% annually through 2019
  - While overall SMB IT budgets grow at 3% to 5%
- Managed services customer needs have evolved rapidly
  - Cloud services
  - Outcomes
- Market growth is fueling increasing levels of competition
- Strong SMB preference for bundled services

Managed Services Evolution

MSPWorld
POWERED BY MSPAlliance®

Survey Participants Show Strong Growth

- 96% of survey respondents report positive average three year monthly recurring revenue (MRR) growth

- 23% of respondents grew at more than 20% per annum

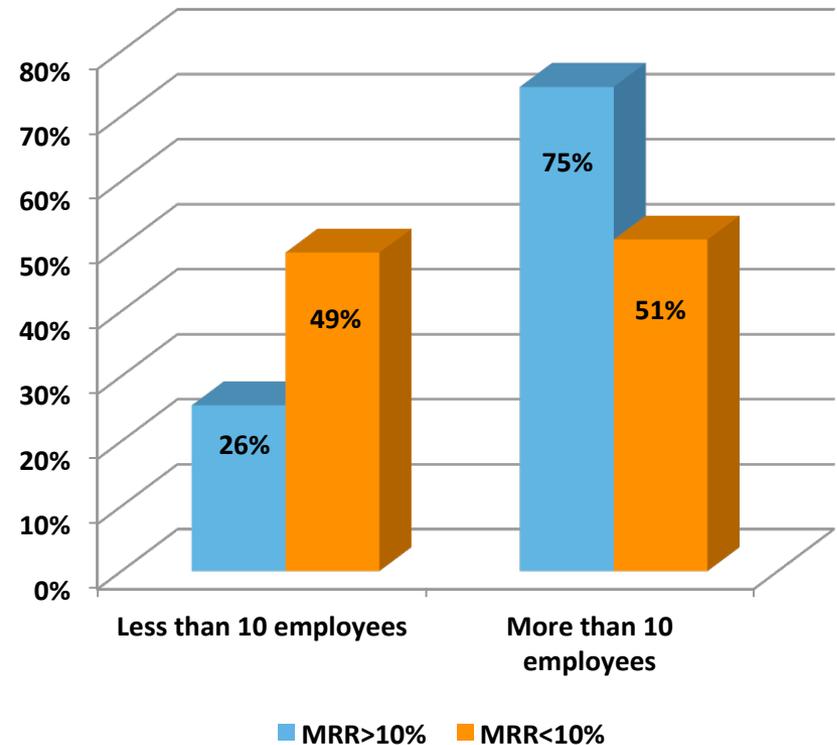- 53% grew at greater than 10% per annum

MRR 3 Year Average Growth Rates
(weighted by response)

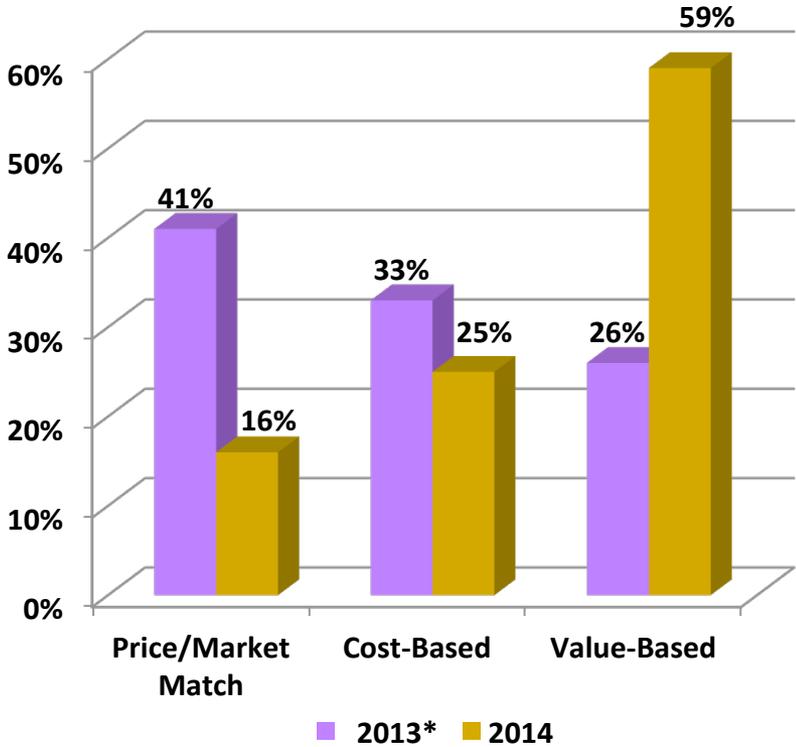|	
11% – 15%	<0%
16% – 20%	0% – 5%
>20% >10% CAGR	<10% CAGR 6% – 10%
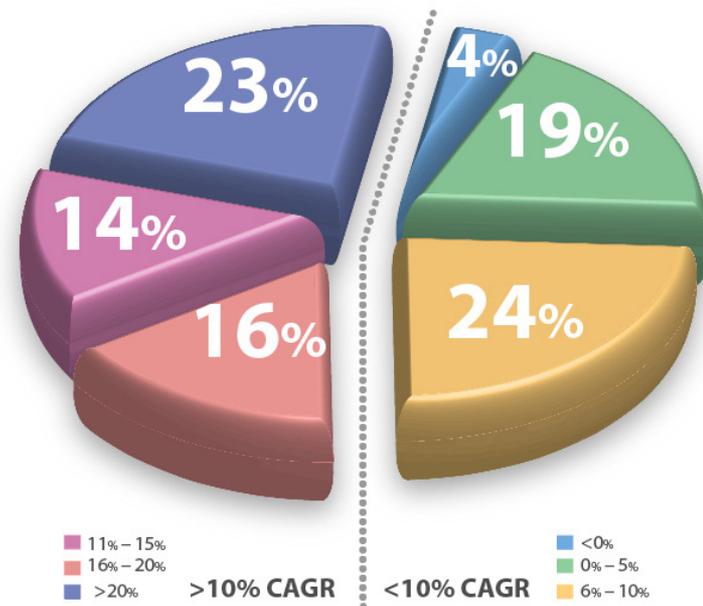
MSP Size and Focus Matter

- 75% of higher growth MSPs have more than 10 employees

- Higher growth MSPs focus on larger deal sizes ($1K to $5K MRR)

- Higher growth MSPs focus on customers with 25 employees or more

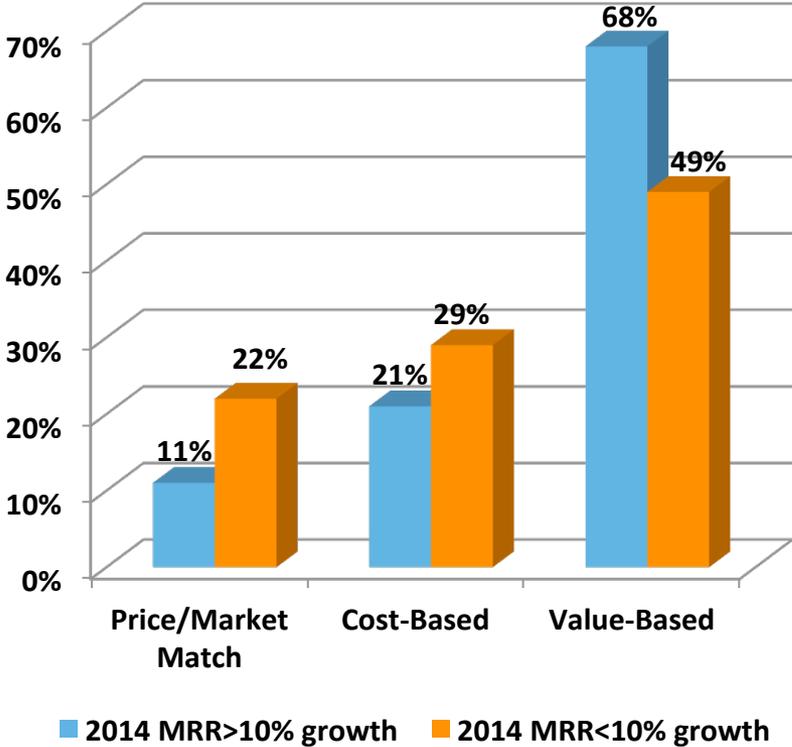**MRR Growth by MSP Size**
(weighted by response)

	Less than 10 employees	More than 10 employees
MRR>10%	26%	75%
MRR<10%	49%	51%

■ MRR>10% ■ MRR<10%

MSPWorld
POWERED BY MSPAlliance

Strong Value Pricing Trend

Pricing Strategy by Year
(weighted by response)

Legend: 2013* 2014

Price/Market Match: 2013* 41%, 2014 16%
Cost-Based: 2013* 33%, 2014 25%
Value-Based: 2013* 26%, 2014 59%

Pricing Strategy By Growth Rate
(weighted by response)

Legend: 2014 MRR>10% growth 2014 MRR<10% growth

Price/Market Match: 11%, 22%
Cost-Based: 21%, 29%
Value-Based: 68%, 49%

MSPWorld
POWERED BY MSPAlliance

#MSPAlliance   #MSPWorld

Bundling Improves Perceived Service Value

- Higher growth MSPs offer small number of service tiers

- SMBs favor simplicity - optimal pricing structure is two or three tiers only

- A la carte pricing and single tier offerings favored by lower growth segment

Number of Service Tiers/Bundles
(weighted by response)

■ 2014 MRR >10% growth   ■ 2014 MRR <10% growth
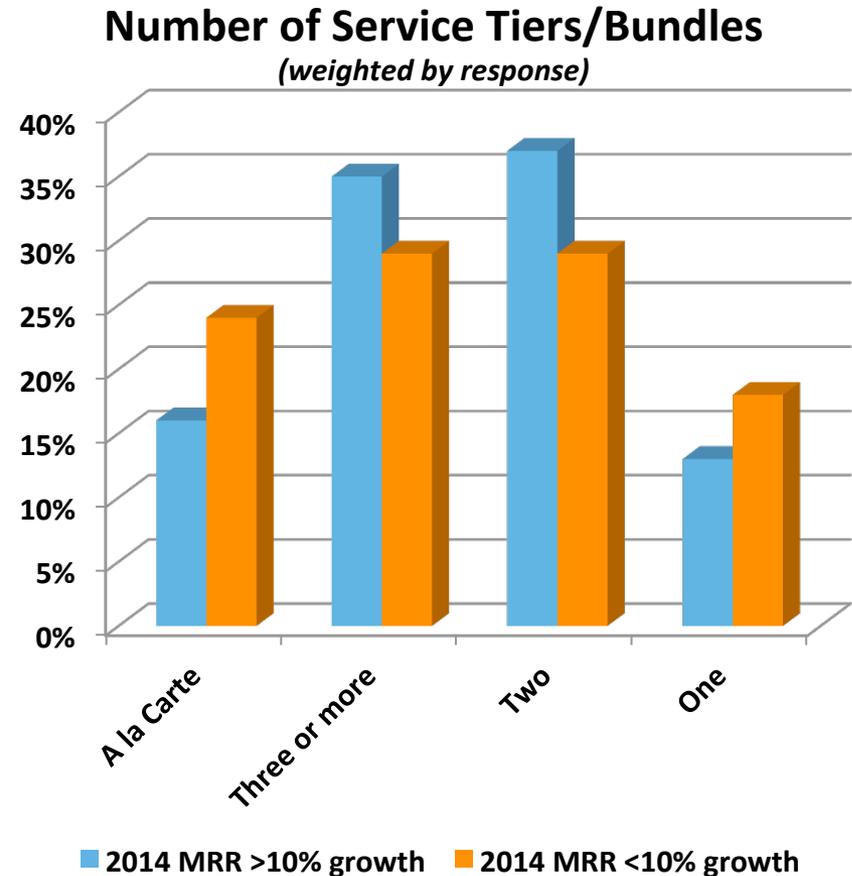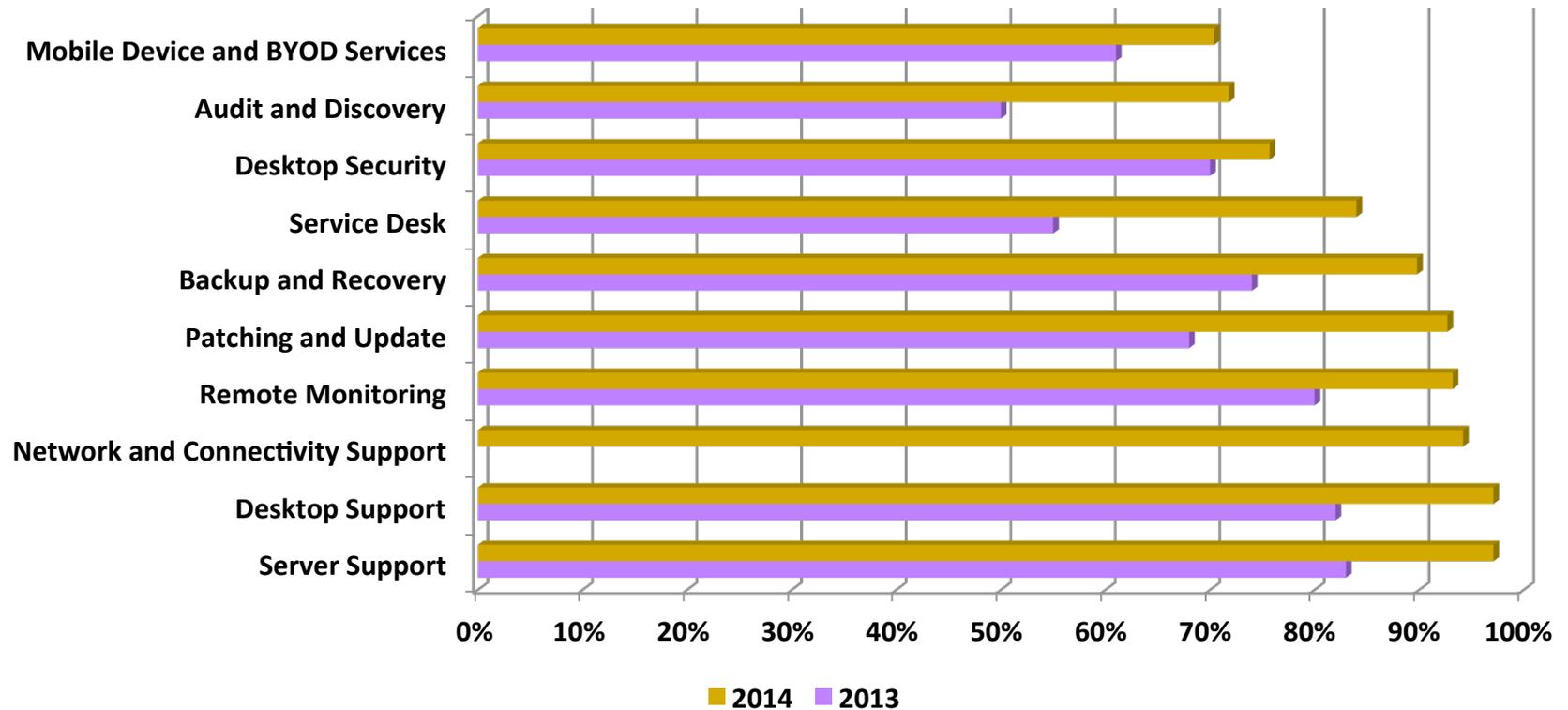
Higher Growth MSPs Command Larger Fees

- Example: server support

- True for all services and for average contract value

- Driven by value pricing strategy

Average Server Device Support and Maintenance Charges per Month (US$)
(weighted by response)

Legend: ■ MRR>10% growth   ■ MRR<10% growth
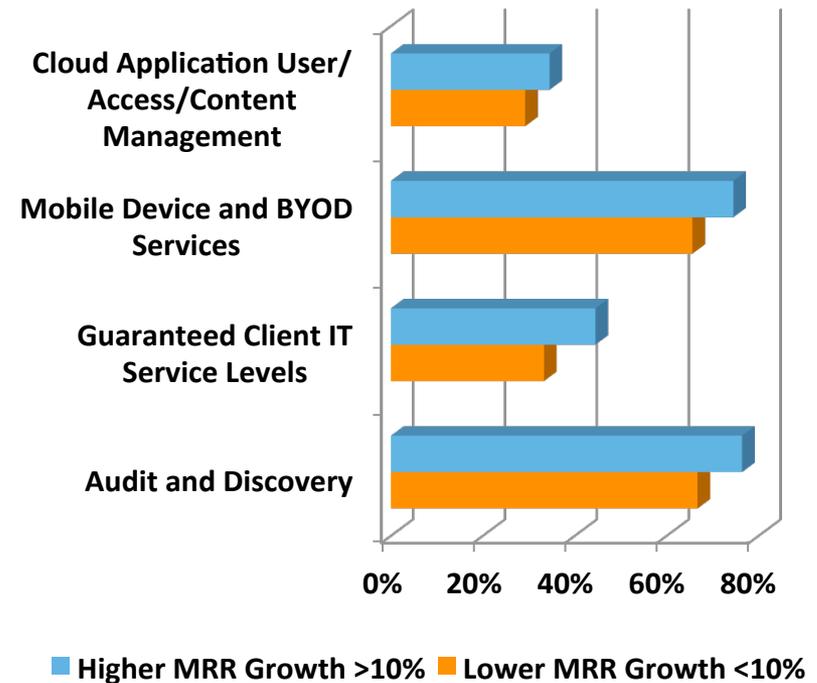
Categories (top to bottom): More than $200, $176 to $200, $151 to $175, $126 to $150, $100 to $125, Less than $100

X-axis: 0%, 5%, 10%, 15%, 20%, 25%, 30%

MSPWorld
POWERED BY MSPAlliance

Service Offerings are Expanding

Services Offered by Survey Year
(weighted by response)

Legend: 2014 (gold), 2013 (purple)

Advanced and Specialized Services Differentiate

- Advanced services address key new SMB requirements

- Specialized services support functional or vertical needs

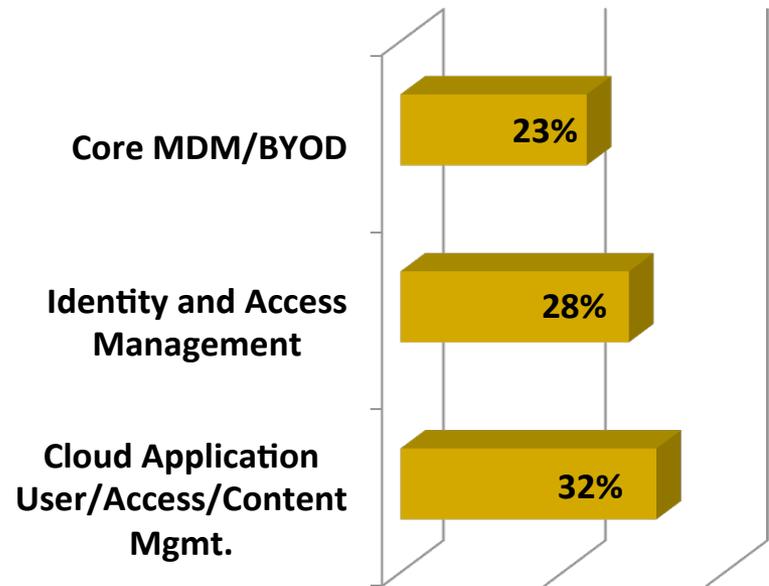- Most SMBs IT shops do not meet their internal service level agreements

More Higher Growth MSPs Offer Advanced Services
(weighted by response)

Categories (top to bottom): Cloud Application User/Access/Content Management, Mobile Device and BYOD Services, Guaranteed Client IT Service Levels, Audit and Discovery

X-axis: 0% 20% 40% 60% 80%

■ Higher MRR Growth >10%   ■ Lower MRR Growth <10%

Advanced Service Opportunities in 2015

- Management of cloud usage and data is #1 client challenge cited by survey respondents

- Heightened security risks rates #2

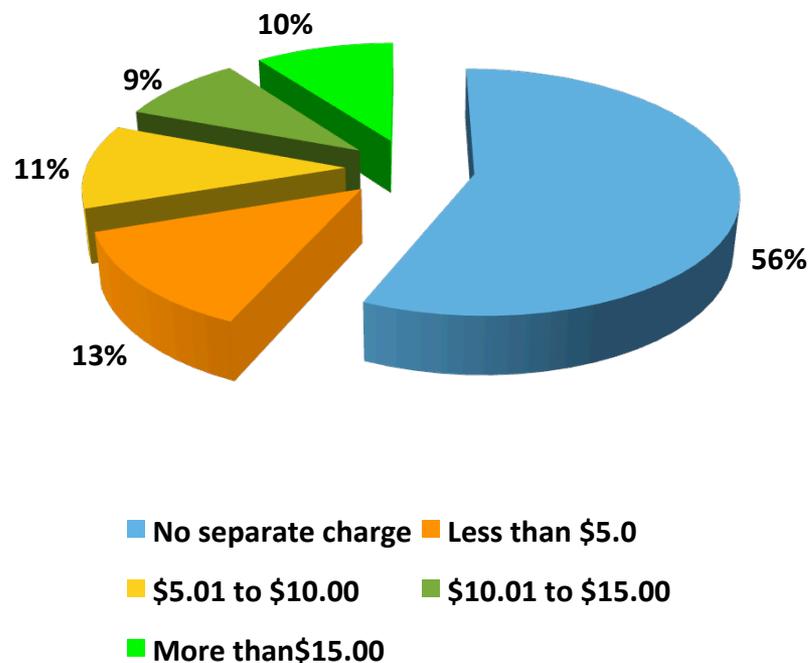- MSPs offer MDM/BYOD services but many only provide provisioning

Advanced Service Opportunities
(Percentage of Respondents)

Core MDM/BYOD — 23%

Identity and Access Management — 28%

Cloud Application User/Access/Content Mgmt. — 32%

Lucrative Pockets Exist for MDM and BYOD

- The number of mobile devices exceeded the population of the planet in 2014!

- Those who have found profitable niches are achieving fees of up to $15/device/ month or more

- Education, Healthcare and Insurance segments have strong needs

BYOD Fees Per Device Per Month (US$)

10%
9%
11%
56%
13%

■ No separate charge ■ Less than $5.0

■ $5.01 to $10.00 ■ $10.01 to $15.00

■ More than$15.00

MSPWorld
POWERED BY MSPAlliance

Top Study Recommendations

1. Establish clear business value for each offering. SMBs buy on value to their business; price is important but not paramount.

2. Position a small number of service bundles/tiers with increasing levels of capability. SMB customers want more comprehensive services.

3. Differentiate with advanced and specialized services. SMB IT resources are stretched to support new technologies.

4. Focus sales on deal sizes of $1k or more and prospects with at least 25 employees – higher growth MSPs win larger deals.

5. Invest in the right tools that provide a broad set of integrated offerings – leverage all the capabilities you can.

Kaseya: Managing and Securing all of IT

VSA

For remote control, patch management, policy management, discovery, audit and inventory of IT assets, monitoring, ticketing, service desk, software delivery, endpoint security, backup, and more

AuthAnvil

For identity and access management including integrated multi-factor authentication, single sign-on and password management

Enterprise Mobility Management

For management and security of mobile access to corporate applications from company-owned or employee-owned devices

365 Command

For Microsoft Office 365 and SharePoint Online subscription management and administration

More Information

- Kaseya's MSP solutions
  www.kaseya.com/msp

- Artemis IT managed services
  www.artemisIT.com

- For a VSA product demo
  www.kaseya.com/mspdemo

- For a free VSA trial
  www.kaseya.com/trynow

- Contact information:
  - ray.wright@kaseya.com
  - dschlegel@artemisit.com

MSP Global Pricing Survey Report
http://web.kaseya.com/
2014MSPPricingSurvey.html

Questions…….?