



Pricing Guide for MSPs

**Which Price Model(s) is Best for
Your Managed Services Business?**

**Pros & Cons
Comparison**

Pricing Models

Managed Services

Pricing is critical for Managed Service Providers (MSPs) to ensure they are able to not only achieve profitability targets, but also make it easy for their customers to understand their invoices. There are several different options for MSPs when it comes to how to price their managed services offering:

- **Monitor Only**
- **Per Device**
- **Per User**
- **Tiered**
- **All-In “All You Can Eat”**

To help you determine the most appropriate option for your managed services offering and understand your different options, in this guide we outlined the pros and cons of each of the different managed services pricing models.

Collabrance LLC (Subsidiary GreatAmerica Company), a privately-held Master Managed Service Provider (MSP) in Cedar Rapids, Iowa, works with progressive technology providers within the U.S. who are passionate about delivering an exceptional IT service experience. MSPs can choose from a variety of white-label offerings based on their customers' needs. We stay actively involved to help MSPs go-to-market and close more sales with best-in-class margins to SMB customers. Our live-answer service desk & NOC is staffed with friendly and knowledgeable technicians who resolve 95%+ of tickets remotely so MSPs can increase their efficiency, and focus on revenue generating activities. MSPs who work with Collabrance enjoy flexible contracts with no fixed-term commitments, allowing them to scale their IT business faster with fewer risks and less investments.

Monitor Only Pricing

Pros

- Fairly easy to manage.
- Typically only includes monitoring and alerting the customer of issues (remediating not included).
- A viable option for companies with internal IT departments who do not have the tools to monitor and alert on their own network, but can fix IT issues as they arise.
- May provide opportunity for project work and additional services overtime.

Cons

- Difficult to provide differentiation.
- Any MSP who has purchased a Remote Monitoring and Management (RMM) tool can offer this option. However, it is more commoditized and more challenging to profit from by itself.
- Remote and onsite support are charged at an additional hourly rate, which many customers do not like because they can start to feel nicked and dimed by the MSP.
- Any additional work that needs to be performed could create budget challenges for the end-user customer.
- Harder to win against competitors who can provide more value and differentiation from offering an all-inclusive solution.
- Can cause confusion with onsite team remediating issues around control and responsible if proper expectations are set.

Key Price Point Determination Factors

- Typically the lowest cost offering an MSP provides.
- Understand how your RMM tool is priced, and how adding additional licenses impact pricing. Also, companies who sell RMM tools typically require the MSP to invest in a large quantity of licenses up front as part of the agreement.
- Consider other items, like AV, DNS filtering, etc. that should also be offered with those tools.

Per Device Pricing

Pros

- Usually a flat fee per device which customers appreciate for budgeting.
- Typically the easiest model for a salesperson to price quickly to a customer.
- Easy to adjust for adds/changes of devices during an agreement.

Cons

- Easier for the customer to focus on the price vs the value with this model.
- Difficult to get the pricing right. For example, servers and workstations are configured differently, and if some require more support than others it is more difficult to adjust for this.
- Does not address multiple users on the same device, so the user support costs could be much higher.
- For customers that have several devices they use (PC, iPad, smart phone, laptop, etc.), the cost per device can add up very quickly.

Key Price Point Determination Factors

- The more you standardize your offering and understand your costs, the easier this model will be to price.
- Whether you are pricing per user or per device, we recommend not presenting the cost in this way to the customer, as it can be easier for them to shop you.
- Help ensure differentiation from competitors by delineating the services and value you offer.



■ Per User Pricing

Pros

- Per user price models are becoming more popular since most users in today's environments use several devices (smart phone, pc, laptop, etc.). It can be easier to have an all-inclusive per user price in these environments.
- Easy to adjust for adds/changes during an agreement due to the flat fee charged per user. If a user is added or removed the pricing adjusts accordingly.
- Users are typically easier than devices to identify through active directory.
- Ensures active directory (if applicable) and security permissions are managed.

Cons

- In environments where there may be several users per device, this model can be more challenging to set up. For example, a computer lab could be difficult to price per user as several individuals could be using the same device periodically.
- Devices per user continue to grow, and MSPs need to make sure their price per user adjusts accordingly.
- Be aware of the amount of devices each user will need. If there are environments where every user is using multiple devices, you may need to adjust your pricing up to cover the additional costs to support.
- Whether you are pricing per user or per device, we recommend not presenting the cost in this way to the customer because it can be easier for them to shop with competitors. We recommend presenting one monthly option to the customer that covers everything.

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Tiered Pricing

Pros

- Can change support offering based on customer need(s).
- Provides more options for a customer to select.
- More customers will be a fit for your solutions.

Cons

- Difficult for an MSP to manage internally. Any time there are multiple levels of support for multiple customers, it is harder for a Service Desk to efficiently manage compared to just one level of support.
- This option can be more confusing to customers and harder for them to understand what is and is not included in some of the offers.
- While a tiered approach may get you more customers, they may not always be the right customers. For example, if a customer truly needs your highest tiered option, but only cares about price and they choose your lowest tiered option with less service "included" and more incremental bills to the customer, the experience will likely not be a good one for either the MSP or the customer.

Key Price Point Determination Factors

- If your business takes a tiered approach, make sure each tier is profitable for your business. Do not offer a lower price, lower margin option to get in the door hoping the customer will add more services later. That approach usually does not work.
- To successfully sell a tiered option, a solid documentation process is vital. Without proper documentation, some of the different types of support can end up costing the MSP more if services are being performed that are not included in the agreement.

All-In (“All You Can Eat”) Pricing

Pros

- Most profitable managed services pricing model when priced right.
- Easiest type of model for a customer to budget.
- Provides the most competitive differentiation for MSPs.
- Harder for customers to compare with competitor offerings.
- When standardized, the MSP can support it best (the same type of solution is offered to all customers), leading to the best customer experience.

Cons

- More difficult to price up front.
- Need to be mindful of all of the potential costs that can be incurred from the contract since this is presented to the customer as a flat fee to cover everything.
- Must understand your ideal target customer profile that values this offer, and sell with in it. (For this model there will be fewer customers to market in your target customer profile, but those customers will typically be more profitable)

Key Price Point Determination Factors

- Consider all the services you can provide the end user in addition to the typical monitoring and help desk support. Think about these services and what could you put a price on. Many all-in offers include audits, technology planning and roadmapping, user education, vendor management, etc. If there is additional value and differentiation your company can provide, build it into your all-in pricing.
- Make sure your customer understands what is included in your “all-in” offering. Most competitors will not include the same elements or levels of support, especially if they come in with a tiered approach, so make sure your customer understands all the value they are receiving for the price.

MSP Pricing Best Practices

Other Tips to Keep Top of Mind

■ Pricing Model Factors to Consider

■ There are several factors that should be considered when pricing managed services for your customers. MSP's need to be mindful of all the different costs within different areas and make sure these costs are built into their all-in seat price model. For example, if onsite support is needed, it may cost you \$50 just for a technician to park in a downtown area, whereas in a rural area it may cost nothing. Also, there may be additional taxes assessed based on geography. In addition, when it comes to discounts, some manufacturers offer additional discounts to non-profits, industry organizations, or buying groups that MSP partners can take advantage of. As MSP's research different technology providers, we recommend asking if these what types of discounts they have available as part of the vetting process.

Successful Pricing for MSPs

According to Service Leadership, Inc. and their extensive financial data from MSPs, "all-in seat pricing" for managed services varies by about 400% within each geography, no matter where you live. **High performing MSP's are selling "all-in" seat prices at over \$200/user/month, while others may be selling for as low as \$50/user/month.**

MSP Pricing Strategies

Make sure to take the time to get your managed services offering and pricing model right - and be disciplined. One of the biggest mistakes we see from MSPs, is they are not charging enough to begin with. Some MSP's have the pricing model right, but either do not standardize their offer, or do not have the discipline to stick with their pricing model and offer. Not standardizing and staying disciplined to the offering can be just as challenging as not charging enough. We understand every customer is different, and at times it makes sense to make exceptions to get your foot in the door. However, just remember that the more one-off exceptions you make for customers, the harder it will be to scale your managed services business, be profitable, and provide your customers with a positive experience.

Collabrance Pricing

MSPs Pricing Working with Collabrance

MSPs we work with typically charge a minimum of \$125+/user a month for an all-in managed services solution to achieve the profitability and results they desire.

One of the most common mistakes we see with newer MSPs who come to us for help is they are simply not charging enough for their services and offering. MSPs we see struggle consistently have “one-off” opportunities that are not in their standardized technology stack or ideal customer profile. We find, these MSPs also have a hard time saying no to opportunities, and they consistently lower their price to win deals. Many new MSPs will make these one-off exceptions to build their customer base thinking it is the right thing to do, however often times we see those same customers being offboarded in the future because they either are not profitable accounts, or the customer is not happy with the support they are receiving.

High performing MSPs working with Collabrance lead with one primary offering, and are selling at a per user cost of \$125-200 per month. They have standardized their offering, know their ideal customer, and are not afraid to say no to opportunities that are not a good fit. They are disciplined not only on their offering, but also to their sales process. An all-in managed services sale is a value-based sale, and they know they have to follow a sales process and build an ROI to justify their solution. From a pricing perspective, their pricing is consistent across their customer base, since their customers all have a similar solution using the same technologies.

We work with hundreds of MSPs across the country and we find that pricing (and what is included) is all over the board. We help MSPs with their pricing by providing in-person trainings, a pricing calculator, a proven sales process, customizable documents, and a dedicated Virtual Sales Manager to stay involved to ensure success with proposals, objections and positioning to win more sales!

Learn more about Collabrance pricing by visiting: www.collabrance.com/pricing