

The KloudReadiness Playbook

Step 1: Create a Formal Strategic Plan

Welcome D&H Distributing Partners!

The purpose of the KloudReadiness Playbook is to provide D&H Distributing value added resellers (VARs), IT Solution Providers (ITSPs) and Managed Services Providers (MSPs) with a comprehensive, step-by-step, topic-by-topic resource to build a world-class Cloud and MSP business and scale it aggressively, profitably and predictably.

Our experience in the channel services space includes all aspects of building these companies from \$0-\$100M, and in all cases recruiting VARs, ITSP's and to become Cloud and MSPs, recruiting existing MSPs to start using D&H Distributing's Microsoft Cloud Solution portfolio and solution-stack, and most importantly as it relates to this Playbook, working hands-on with them to become world class recurring revenue Cloud MSPs. We're proud to have helped hundreds of MSPs in over thirty (30) countries grow their businesses.

Just in the past few years, we've seen the development of a Cloud & MSP perfect storm. Whether it's the economy, new technology solutions, timing or the cloud phenomenon, there has been amazing growth in both the Cloud and the Managed Services industry.

This is very good news. However, it's up to VAR', ITSPs and MSPs to capitalize on this opportunity and we believe excellence in sales and marketing execution will make the difference between success and failure. KloudReadiness was founded to help ITSPs and MSPs grow their businesses and thrive in this new era of cloud computing. The KloudReadiness Playbook provides a business building program designed to enable ITSPs and MSPs to gain a competitive edge, win more customers and increase their profitability.

Cloud Services Opportunities and Challenges

The economy is rebounding in ways that are significant for Cloud Service practices. In 2016, IT spending saw double digit growth for the first time in ten (10) years and the SMB segment represents the next wave of high growth. Market research tells us that 67% of SMB companies will acquire their software and applications from a trusted 3rd party - their MSP or cloud solutions provider. Is your VAR or Solution Provider business ready to capture your share of this market?

This Playbook will show you how to:

- Build a recurring revenue business
- Capitalize on the market shift to cloud computing
- Differentiate yourself with your own branded solution
- Increase margins with effective pricing and service bundling
- Engage customers with the ultimate consultative partnership
- Participate and thrive in the cloud computing phenomenon
- Adapt your Cloud and MSP services offering as the industry evolves
- Enjoy very low customer churn rates
- Establish a much higher valuation for your company
- Manage a more predictable and scalable business
- Build a highly productive and scalable sales function
- Engage with bankers or investors and demonstrate your ability to execute

However, to realize these benefits you will need to overcome some challenges and:

- Make some very hard decisions regarding where to focus your resources
- Make changes that require short term sacrifices to achieve long term goals
- Take the sales and marketing bull by the horns (we will show you how)
- Learn how to compete in a market with approximately 10,000 MSPs in North America and another 90,000 VARs and Solution Providers that want to become cloud solution providers
- Understand that your staff will need to change with you (some won't be able to)
- Press on when you want to give up and go back to the old business
- Don't just read the Playbook chapters – do the homework and execute its principles

It's important to remember that the opportunities far out-weigh the challenges.

How to Get the Most Value from the KloudReadiness Playbook

Before we introduce the five (5) steps for building and scaling a successful cloud solutions business, let's take a moment to understand how you and your company can get the most value from the best practices, templates and worksheets contained in this Playbook. We would like you to think about where your business is today and where you would like it to be in two (2) or three (3) years. Do any of the following scenarios describe your current situation?

1. Are you an existing D&H Distributing partner who is looking to transition a traditional product sale or break-fix business into a cloud solutions business with more subscription-based recurring revenue from D&H Distributing utilizing Microsoft's Cloud Solution-stack? If so, then you are re-defining many of the fundamentals of your business model and you will find very helpful concepts and materials in every chapter of the Playbook as well as in the D&H Distributing Marketing Resource Toolkit. We suggest you take the time to read and fill out all of the planning materials provided in Steps #1 and #2 of the Playbook. They will provide a solid foundation upon which you can establish the marketing and sales programs described in Steps #3, #4 and #5 for growing your business. You should also fully exploit the materials provided in the D&H Distributing Marketing Resource Toolkit. Think of this transition like turning a dimmer switch as opposed to throwing a toggle switch. You need to gradually replace your current business model of generating your revenue in "big chunks" with the cloud services business model which is a steady, smaller, but more consistent and continuous monthly revenue stream. You will find the metrics in Step #5 particularly helpful in monitoring this transition to recurring and making sure it is progressing on track.
2. Are you a new D&H Distributing partner with a recently started MSP business? Then you will benefit from every chapter in the Playbook as well as in the D&H Distributing Marketing Resource Toolkit. Getting your business off to a solid start by getting those first customer references is critical. They will become your science project for understanding and fine-tuning your value proposition, target market focus and ideal customer profile. You will be able to implement the marketing and sales best practices in this Playbook right from the start – there won't be any bad habits to break. The Playbook will replace many months of trial and error with a proven success formula that will serve you well as you scale the business for years to come. D&H Distributing's Marketing Toolkit will provide valuable insights into the value proposition and competitive positioning of your new Microsoft Cloud Practice and Solution-stack.

3. Are you looking to scale your existing D&H Distributing ITSP and MSP business to the next level? If yes, then you may already be very comfortable with your value proposition, pricing and packaging. However, if you review chapters #1 and #2, you may find some new insights that will inspire you to refine your current marketing messages and fine tune your approach to pricing and packaging your managed services. Then you can focus more intently on the most common areas to address when scaling Cloud and MSP business — an effective marketing machine to generate quality leads and a repeatable sales formula to consistently drive revenue. This includes a sales management process with key metrics that ensure high productivity and low turnover from your expanding sales force. You also need to have the enablement tools in place to help make the sales function successful over the long haul. You will find these topics covered in Steps #3, #4 and #5.
4. Are you a full-service MSP (Service Provider) with an operational data center and you want to expand your market coverage with outside referral agents and reseller partners? Are you planning to offer white label services to other ITSPs and MSPs to lower your cost of sales while increasing top line revenues? Then you should consider implementing the strategies in this Playbook as part of a partner program to attract ITSPs and MSP partners and referral agents and to enable their success. If you are a smaller MSP looking to expand your existing managed services portfolio by adding wholesale or white label services from other MSP partners, then this Playbook will help you to rapidly integrate those services with your existing services and roll them out successfully to your customer base. In this case, selectively use all of the chapters in the Playbook to augment your existing resources and apply its methodologies to new products and services that you add to an existing portfolio.
5. Maybe you have grown your business to the point where you believe outside financing could dramatically help you grow but you have been unable to secure financing package you desire. Throughout the Playbook we will deliver a very consistent message and provide the tools for you to demonstrate a very efficient sales and marketing machine with a low cost of customer acquisition. We will help you to hold an investment meeting with metrics and reports that allow you to tell a compelling story as it relates to your ability to grow your business with a low COA.

Take what you need from the Playbook. It's a resource for you to use to help you reach your business goals. The Playbook offers a progression of steps from the creation of a strategic plan in Step #1, through pricing and packaging your services in Step #2, to building an effective marketing machine that generates leads in Step #3, to managing a predictable sales process in Step #4 and it concludes by showing you how to continuously measure success with key metrics in Step #5. Some or all of this material may be relevant to your situation. How can you determine which chapters are most relevant? To answer this question, we have created a checklist to help you to assess your own state of readiness for establishing and scaling a successful Cloud and MSP business and to identify which chapters of the Playbook will address your most pressing needs.

Cloud Business Readiness Assessment

KloudReadiness designed the Playbook as a five (5) step process because we believe there are five (5) critical success factors for building a managed services business that will scale predictably and profitably. Once you have achieved all five (5) success factors in your Cloud and MSP business, you will be on your way to reaching your goals. If you do not have one (1) or more of these success factors well-defined and implemented, your chances of achieving those goals will be diminished. To enable you to monitor your progress, we have created the KloudReadiness Cloud Business Assessment Tool. This five-page (5) questionnaire will take you through each of the five (5) success factors by asking you to check off the items that you have performed in the process of building a Cloud and MSP business. There is also a comments line provided after each check box allowing you to add comments about the status of the task – whether it exists, is currently in process or needs to be updated. Each success factor has five (5) check boxes. At the end of the questionnaire you will be adding up the checked boxes and scoring your results.

The screenshot shows the first page of the 'KloudReadiness Business Assessment Tool' questionnaire. The page is titled 'Business Assessment Tool' and includes an introduction explaining the tool's purpose: to assess five critical success factors for building a managed services business. The questionnaire is structured as follows:

- 1. A Formal Strategic Plan:** A successful MSP business must have a strategic plan that identifies the core competencies of the business, its market opportunities and its competitive strengths and weaknesses. It must also identify its target market focus, the ideal customer profile and have a clear, differentiated value proposition. One defined, this plan must be shared with everyone in the company so that all employees understand the company mission and their individual role in contributing to the success of that mission. There are no revenue numbers in your strategic plan – that will come later.
 - Which of the following actions have you completed as part of a strategic success plan? Check each one that is completed and add any comments that will further explain the planning work that you have performed or the work remaining to be performed.
 - Analyzed your strengths, weakness, Opportunities and Threats (SWOT)
 - Your comments: _____
 - Profited your ideal customer (size, business, technology requirements, etc.)
 - Your comments: _____
 - Identified 1-3 target markets where your ideal customers can be found
 - Your comments: _____
 - Able to articulate and quantify your differentiated value proposition for them
 - Your comments: _____
 - Have formalized your strategic plan and presented it your employees
 - Your comments: _____
 - Now count the number of boxes checked and give yourself one point for each action completed. On a scale of 0 to 5, place your score in the shaded box below.
 - Your score: _____

At the bottom of the page, it says 'Copyright © 2011 All Rights Reserved Page 1 of 7'.

Targeting and Achieving Your Revenue Goals

In addition to a qualitative assessment provided by the Business Assessment Tool, we have also created a SMART Calculator, a quantitative tool to assess whether you are ready to drive the volume of leads and sales opportunities you need to reach your revenue goals. As you can see from the screenshot on the next page, the SMART Calculator is a worksheet that models the lead funnel and opportunity pipeline you need to sustain a pre-defined revenue target. The calculator is easy to use. All you need to do is enter two (2) values into the yellow boxes on the spreadsheet – your incremental monthly revenue target and your average deal size. The spreadsheet will automatically calculate the number of leads you must generate and the deals you must close to meet these targets. The calculations are based on standard assumptions about the length of a typical sales cycle and the conversion ratios of leads to opportunities to deals. You can change any of these assumptions to match real data from your own experience. Use the SMART Calculator, in combination with the Business Assessment Tool, to qualitatively and quantitatively assess where you would like to focus your time and energy in working with the KloudReadiness Playbook.

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Sales and Marketing Assessment of Revenue Targets (SMART) Calculator

Incremental Monthly Revenue Target	\$6,000	This is the incremental revenue you wish to add to your managed services/business every month.
Average Deal Size	\$2,000	Enter your targeted average deal size here.
Annual Incremental Revenue (12 months)	\$72,000	This is the value of one month's incremental revenue totalled for one fully ramped year.
Annual Incremental Revenue (36 months)	\$216,000	This is the annualized revenue value if you add incremental revenue each month of the year.
New Customers Acquired Each Month	3.0	This is the number of new customers you will need to add each month to meet these revenue targets.

Fill in the two yellow boxes to the left...

The SMART calculator is designed to help you assess the effectiveness of your sales and marketing activities. Are they helping you to grow and thrive the coming year of competition as more MSPs introduce more cloud-based services? To see if you are prepared to acquire customers faster than your competition, fill in your monthly revenue growth target and your average deal size. Then see if you have the volume of marketing leads and sales opportunities to acquire the new customers you need to grow your business. If not, you may need to adjust your goals.

The Lead Funnel		Lead Volume	Conversion Ratio	Lead Generation Requirements
New to Close	Contacts Required	437	9%	Target audience and response rate
96	Leads Generated	11.8	10%	Leads/month and qualification rate
75	Leads Qualified	8.0	100%	Qualified leads converted to pipeline

Pipeline Requirements (Feeding the Pipeline to Meet Revenue Targets)

Opportunities Added (Leads)	8.0	Qualified sales leads from marketing programs
Deals From Previous Pipeline	1.0	Opportunities carried forward from last month
Total Pipeline Opportunities	30.0	Total number of opportunities in the sales pipeline

The Opportunity Pipeline		Opport.	Percent of Pipe	Win Probability	Unweighted Revenue	Weighted Revenue
60	Stage 0: Quoted	4.0	10%	20%	\$8,000	\$1,600
40	Stage 1: Short List	1.5	5%	50%	\$3,000	\$1,500
30	Stage 2: Awarded	1.0	3%	80%	\$4,000	\$3,200
25	Stage 3: Contract	1.5	5%	100%	\$3,000	\$3,000

The Revenue Targets		Opport.	Percent of Pipe	Deal Size	Unweighted Revenue	Weighted Revenue
60	Total 60 Day Pipeline	30.0	100%	20%	\$20,000	\$18,000
30	Monthly Revenue	1.0	30%	\$30,000	\$3,000	\$9,000

Note: Lead & opportunity volumes that drive revenue values are rounded to one decimal point.

Now see if you are ready to make your targets?

Are my marketing activities effective enough to grow my business?
I need to generate **11.8** leads every month.
And I need to qualify **8.0** leads every month.
Do I have enough qualified leads to feed my sales pipeline?
The size of the opportunity pipeline is constantly changing.
Every month new opportunities must be added to drive revenue.
Deals are either won, lost or carried forward to the next month.

Are my sales activities effective enough to grow my business?
I need to maintain **16.0** total opportunities in my pipeline.
Representing at least **\$20,000** in total new revenue potential.
And I need to close **30%** of my 60 day pipeline.
And I need to close **80%** of my 30-day pipeline.
In order to add **\$6,000** in new revenue every month.
Do I have sufficient pipeline volume and a consistent close ratio?
Am I ready to scale my MSP business as fast as anticipated?

We believe that once you have completed the assessment process, you will be able to identify the critical success factors that you need to work on to maximize your success as a D&H Distributing Cloud MSP. You will find these assessment tools as well as all the worksheets and templates provided by the Playbook, in the Appendix.

Your Marketing Strategy and Go-To-Market Plan

The KloudReadiness Playbook also takes you through a five (5) step process for defining your Cloud and MSP marketing strategy and executing a Go-To-Market (GTM) plan. A marketing strategy focuses on WHO you will sell to and WHAT products or services you will sell to them. In other words, it formalizes the value proposition of your solutions as they relate to your target market. A Go-To-Market plan is a blueprint for HOW you will bring your managed services to market and acquire new customers for your business. A successful GTM plan brings together all aspects of launching a product or service into the marketplace including your marketing messages, target customer profile, channel strategy, pricing strategy, service bundling and a customer acquisition program with the appropriate sales enablement tools. We will cover all of these areas throughout the five (5) chapters of the Playbook.



Five (5) Steps for Building a Successful Cloud and MSP Business

Following is an overview of the five (5) steps that are presented in the five (5) chapters of the KloudReadiness Playbook. These five (5) steps will guide you through a process for building a marketing strategy and a GTM plan for your cloud services business:

Step #1: Create a Formal Strategic Plan (Chapter 1)

Through a series of worksheets, this chapter will take you through a process to define the solutions you offer and the value they represent to customers in your target market segments.

Step #2: Develop a Profitable Business Model (Chapter 2)

A pricing and packaging strategy for your managed services will be presented along with a tool for modeling your price points, cost of service delivery and the profitability that will be realized by those prices.

Step #3: Build an Effective Marketing Machine (Chapter 3)

This chapter explains how to reach your best prospects, communicate your value proposition and acquire customers with a consistent lead generation and qualification process.

Step #4: Manage a Predictable Sales Process (Chapter 4)

Scaling your business requires a process to efficiently manage your sales function. This chapter presents a productivity model for hiring and on-boarding new members of your sales team and managing performance.

Step #5: Continuously Measure Success (Chapter 5)

A recurring revenue business requires key metrics for monitoring your progress towards reaching your financial goals. This chapter presents the “metrics-that-matter” for continuously measuring your path to success.

Create a Formal Strategic Plan

We've introduced you to the structure of the Playbook and you have completed a business readiness-assessment. Now we are ready to begin Step #1 of the process which is to create a formal strategic plan.

“Strategic plan” is an ominous term and one that conjures up images of a long and theoretical document packed with esoteric market research findings. A common perception is that strategic planning is a process only big companies undertake. Well, the kind of strategic plan we are talking about is none of those things. Quite the contrary, in this chapter we are going to take you through a very practical exercise with a few short documents to complete. These worksheets contain carefully chosen questions that will guide you through the creation of a marketing and sales strategy for your business. They contain a combination of checklists and “fill-in-the-blank” questions that provide a painless process for you to formally define the strategy of your business.

That last phrase is important: “formally define the strategy of your business”. That is a process every company should undertake – whether it’s a business with two (2) employees or two (2,000) thousand. If you are the founder, owner or an executive leader for your company and you do not have a formal definition of your business strategy, how can you be sure that everyone in your organization has the same vision as you? How do you know that everyone is focusing on the same objectives and communicating the same values to your prospects and customers?

Having a formal strategic plan is nothing more - and nothing less - than a common understanding of how your business will focus its resources to create the right value for the right customers to drive the highest level of growth and profitability. If the key contributors in your company participate in the creation of this strategy, then you will have achieved some very important goals: Your strategic plan will benefit from the input of multiple perspectives, your employees will be invested in its goals and objectives and, perhaps most importantly, everyone will be pulling in the same direction as you grow the business. As you can see, this is not a theoretical document at all; it is actually the foundation upon which all of your marketing and sales activities must be based to achieve the focus, the consistency and ultimately the results that you are expecting.

Our practical approach to developing a strategic plan includes four (4) easy-to-follow worksheets that you will complete along with the key stakeholders in your company that will be involved in building your business.

The four (4) worksheets cover the following topics:

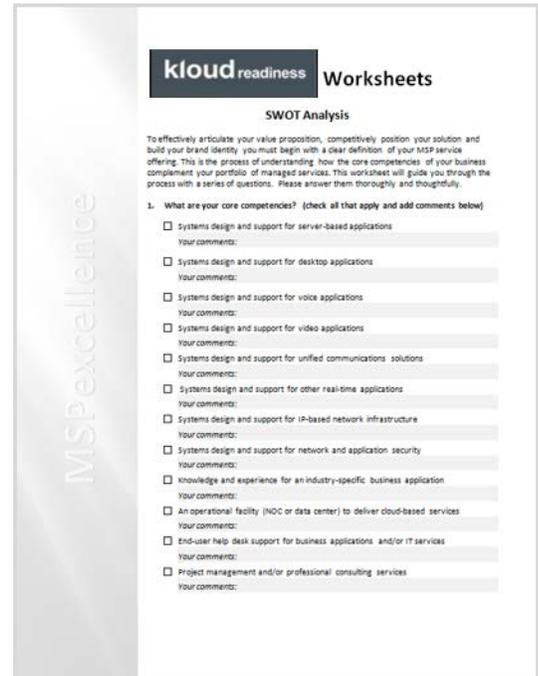
- A Strengths, Weaknesses, Opportunities & Threats (SWOT) Analysis
- The Profile of Your Ideal Customer
- Selecting Your Target Market Segments
- Defining Your Differentiated Value Proposition

The remainder of this chapter will be devoted to explaining these concepts and walking you through each of the worksheets.

SWOT Analysis

We begin with a SWOT analysis because all of the services that you offer and the business value they create must translate, in some way, to your core competencies. It is important to take stock of your expertise and resources so you can fully exploit them when delivering managed services and take full credit for them during the sales process. It is equally important for you to identify where there are gaps in your expertise and available resources. You won't be able to offer a full service IT solution if you don't have desktop expertise. And you can't offer managed VoIP if you don't have VoIP expertise. Similarly, you won't be able to focus your efforts on regional community banks or healthcare if you aren't able to speak their language and address their needs. Clearly understanding the expertise you have in your organization is paramount.

Combined with the strong technology differentiators provided by D&H Distributing technology, you also want to understand what makes your organization different. This will play a key role in differentiating your brand and your value proposition. You are different from the collaboration and unified communications provider down the street and you need to be able to clearly articulate how and why. Start by interviewing your staff and have your staff interview each other. You can use the SWOT Analysis Worksheet for this purpose or a blank sheet of paper to gather information with an unstructured approach. The goal is to discover what your staff sees as the value they provide to customers. It is also an exercise in identifying what value is lacking and may need to be added.



The SWOT Analysis Worksheet in the Appendix of the Playbook begins by asking you to identify your core competencies. The worksheet provides a list of possible skills, areas of expertise and resources within your company in a checklist form. Simply check off the ones that apply to your business. After each check box, you will also find a shaded comment field where each person filling out the form can provide their own qualitative assessment about the skill, expertise or resource in question. We recommend that you fill out these comment fields with as much detail as you can. Not only will this provide a more complete picture of the strengths and weaknesses each individual perceives about the company, it will serve as a record that you can use for comparison purposes from one year to the next.

The next question in the SWOT Analysis Worksheet relates to the managed services offered by your company now and in the near future. This allows you to compare your core competencies identified in question #1 with the services identified in question #2. Look for alignment between your competencies and your services. Are you missing out on services that leverage your expertise? Or are you exposed by offering services for which you are missing a key resource? We have assembled a list of managed services that will help you to consider a full range of services you may be able to offer. At the end of the checklist is a general comment field where you can identify which services are core to your business and which ones are peripheral. You can also use this field to identify other services not on the list that you may want to consider adding to your portfolio to fully exploit your core competencies.

Question #3 asks you to assess the depth of your core competencies for each of your service offerings. Fill in the number of resources on staff, their years of experience, how they map to your service offerings, the dominant services you offer and the percentage of your business associated with them. This thought process will bring to the surface the key technology ingredients of your value proposition and they will become an element of your branding strategy. Look for the services and expertise that set you apart from your competition as we will be building them into your marketing strategy in the worksheets to come.

The SWOT Analysis Worksheet concludes by asking you to provide a gap analysis based on the alignment of your services and your resources. Use the comment field to provide an honest assessment of where you are missing services that can fully exploit your resources and where you are missing resources to fully deliver services. Identify your greatest strengths and your greatest weaknesses. We are going to be highlighting your core competencies and services as one of the main elements of your value proposition. Once you've completed the SWOT Analysis Worksheet you are ready to work on the next element of your Formal Strategic Plan – understanding your ideal customer profile.

Ideal Customer Profile

The *Ideal Customer Profile* worksheet builds on the *SWOT Analysis Worksheet* by defining the characteristics of the ideal customer for your managed services solution. A clear understanding of your ideal collaboration and unified communications services customer is a critical component in understanding the value of your solution and it will provide the foundation for qualifying prospects and identifying business opportunities. Consult the D&H Distributing Sales Guide to get a thorough understanding of the criteria for an D&H Distributing prospect including how your service must be positioned to prospects and how sales must qualify leads. Together, these insights will help you to develop a formula for replicating the success of your best customers and directing your lead generation campaigns at the most viable sales targets.

The worksheet begins by gathering information about average customer size, whether they are centralized or distributed geographically, and what kind of workforce they typically have (remote, mobile or home office workers). It also captures information related to the decision-makers, how decisions are made and the average length of the sales cycle.

In question #3 we ask about the monetary value of your ideal customer: the average monthly recurring charges (MRC), the average contract term (ACT), and their total contract value (TCV). The question also asks to you compare the values of your ideal customer with the values of your *average* customer. How far apart are they? If you want to increase the monetary value of your average customer to align more closely with your ideal customer, then you will need to reflect that when targeting your marketing campaigns and qualifying your sales prospects. Can you see why this is such a valuable exercise?

Question #4 asks about the technology aptitude of your ideal customer. This attribute of the profile can cut both ways. Quite often customers with a low aptitude for technology make great prospects – they very much need your help to manage technology for them, but on the other hand, they can represent very needy and very costly customers to support after the sale is made. Be sure to think about your ideal customer profile from both a pre-sales and a post-sales perspective.

kloud readiness Worksheets

Ideal Customer Profile

The *Ideal Customer Profile* worksheet builds on the *MSP Service Description* by defining the characteristics of the ideal customer for your managed services solution. A clear understanding of your ideal customer is a critical component in understanding the value of your solution and will provide the foundation for qualifying prospects and identifying business opportunities. It will also help you to develop a formula for replicating the success of your best customers and will enable you to aim your lead generation campaigns at the most viable sales targets.

1. Please describe the organization of your ideal customer

How large are your typical customers and where are they located?

A relatively small business of 5 to 25
Your comments: _____

A slightly larger company with 25 to 100 employees
Your comments: _____

A small enterprise with over 100 employees
Your comments: _____

What are the characteristics of their organization related to location and mobility?

They tend to be located in one central site with a remote office or two
Your comments: _____

They are distributed around a specific geographic region
Your comments: _____

They conduct almost all of their operations from a fixed location
Your comments: _____

They have a very mobile workforce as part of their user community
Your comments: _____

They have **teleworkers** who are stationary but operate in remote locations
Your comments: _____

2. Please describe the decision-making process for your ideal customer

Who is the primary decision maker?

The decision maker is usually owner and/or CEO of the business
Your comments: _____

Questions #5 and #6 deal with the concept of customer value and this is, without a doubt, the most critical element of your customer profile. You need to clearly understand the business value that you provide to your ideal customer. We have provided you with multiple forms of business value to choose from in the checklist. As you review them, check off all that apply and add any comments that will help to more fully explain why the business value you provide is so important to your customer. In fact, challenge yourself to go beyond using your own intuition and assumptions about customer value. Go the extra mile and interview a small sample of your customers and validate those assumptions. After you validate them, quantify them as much as possible in terms of costs reduced, productivity raised, time saved, business goals enabled or any other metric you can use that will provide customer proof points to validate your claims.

There are some very important points here, so let's summarize them with a graphic:

- **Understand everything about your ideal customer**
 - Company size
 - Centralized or distributed
 - Decision process (ROI)
 - Sales cycle time
- **Calculate their dollar value to your business**
 - Monthly recurring charges
 - Average contract term
 - Total contract value
 - Cost of service delivery
- **How does an ideal customer compare to a typical customer?**
- **How do you help their business?**
 - Cost savings
 - Productivity improvement
 - Service reliability/availability
 - Risk reduction
- **Why did they select you versus your competition?**
 - Cost savings
 - Productivity improvement
 - Risk reduction
 - Service reliability/availability

Question #6 expands on the topic of customer value by asking why your best customers bought from you. Why did they choose you over your competition? This question directly focuses on what makes you different and that is an extremely critical point to understand along with the nature of the customer value delivered.

Your customers are an extremely valuable source of information related to the value and expertise that your company provides. This is not a trivial or a short conversation. This is a project that requires in-depth discussions with your customers to find out: Why did they initially buy from you? Why are they still your customer? How do you help their business? Would they recommend you to others? What would they tell others if asked about your company? If done properly, you will be amazed at what you can learn about your brand and your business value from your customers... and all for the price of a phone call. When you have finished with this worksheet, you are ready to select your target market focus.

Target Market Focus

Focusing your Cloud and MSP business on one or more target market segments is a key strategy in differentiating your solution from your competition. Imagine if every ITSP or MSP offered the same generic solution to every customer, no provider would be unique. And when everyone has an identical value proposition, the only way to differentiate your solution is to discount your price. We are going to help you to avoid that situation

Approximately 5 million SMB/SME companies exist in North America with millions more around world. The good news is the SMB/SME is the sweet spot for managed services. The bad news is there are millions of SMB/SMEs. Why is this bad news? The sheer magnitude of the marketplace makes it very difficult to focus our efforts and your resources. The most successful companies target their resources to specific target markets and do not immediately go after the masses - particularly with any kind of new and emerging technology. Simply put, the cost of sales is far too expensive. The most successful Cloud and MSPs select three (3) or four (4) target markets and then grow their business from there. Regardless of how little the actual IT systems and customer requirements may vary from one vertical market to the next, they all think they are different. The moral of the story is ... treat your target markets as if they all have different requirements.

In addition to serving as a differentiation strategy, selecting target markets allows you to focus your resources on a smaller geographic area. For example, the Boston area is full of colleges and universities, healthcare and law firms. What is in your territory? Being an expert in the local area is extremely valuable. It allows you to leverage many local and recognizable references, it lowers your cost of sales and it lowers your cost of delivering a quality service with a personal touch. There are many sources of information available on the different types of customers in your territory. Evaluate services such as Hoovers, Jigsaw, and other marketplace databases. And, there are valuable sources of customer leads and market data available as well. For example, there may be a professional association for local law firms, financial advisors or medical practitioners through which you can gain access to their membership. The local Chamber of Commerce conducts events for a wide variety of businesses in the local community. Build up this professional network and you will uncover many new opportunities while you gain a deeper understanding of your ideal customers' business environments and their IT requirements.

Given the many benefits of focusing on selected market segments, let's turn our attention to the Target Market Segment Worksheet that can be found in the Appendix of the Playbook. The worksheet starts with a checklist of 20 vertical market segments. Check the markets in which you have customers today. On the comments line, indicate how many customers you have in the selected segments. If you don't know the number, then indicate if the segment represents a small, medium or large percentage of your customer base. Also add any other observations about the segment that make it attractive or unattractive as a future target.

Perhaps one (1) or more of the segments represents an area of high growth. On the other hand, make sure they are not an industry that has been adversely affected by the recent economic climate.

Next, question #2 asks you to describe their technology requirements. Ideally, the customers in your target vertical market share a number of the same requirements, so select the ones that correspond to your current targeted segments. This will help you to understand the common attributes of existing customers and better enable you to recognize those attributes in prospective customers from the same, or even different vertical markets. The bottom line – you want to understand everything about your target vertical segment and your ideal customer profile. From a business perspective, that means understanding their challenges and speaking their language. From a technology perspective, that means understanding how they can best use technology – for mobility, collaboration, security, disaster recovery, network performance, voice and video services – and then relating those technology solutions to their business goals.

kloudreadiness Worksheets

Target Market Segment

Focusing your MSP business on one or more target market segments is a key strategy for differentiating your solution from your competition. Imagine if every MSP offered the same generic solution to every customer, no MSP would be unique. And when everyone has an identical value proposition, the only way to differentiate your solution is to discount your price. We are going to help you to avoid that situation.

1. Which vertical market segment(s) should you focus on?

From the list below, select the vertical segments where you have customers today?

- Banks
Your comments: _____
- Insurance
Your comments: _____
- Other financial services
Your comments: _____
- Professional services (legal and medical)
Your comments: _____
- Health care (hospital and patient care)
Your comments: _____
- Marketing, sales and customer service
Your comments: _____
- Human resources and recruiting
Your comments: _____
- Engineering, consulting and project management
Your comments: _____
- Real Estate and property management
Your comments: _____
- Construction
Your comments: _____
- Technology
Your comments: _____
- Retail chains and franchises
Your comments: _____
- Transportation
Your comments: _____

Question #3 asks you to step back and review your answers to questions #1 and #2 and consider adding any new market segments that share the same attributes of the customers in your existing vertical segments. Also, there may be some horizontal segments that are attractive as secondary markets because they look and behave very much like the companies in your primary vertical markets. What is an example of a horizontal segment? One (1) example might be to specialize in a solution for companies that have a highly mobile workforce and a number of remote offices by providing a mobile computing and unified communications solution. Another example could be to provide a Microsoft Cloud Solution for companies looking to increase efficiency and create a modern digital workplace. This solution might cut across the medical, financial, marketing and engineering verticals. Look for these types of common attributes as you expand your market coverage from your primary vertical segments to include additional markets with similar requirements.

Finally, think about where you can find new business opportunities in your target vertical segments. These are found in the places where your prospective customers gather to exchange information with industry peers. From the list in question #5, select those areas where your target customers are likely to read about their business, network with their peers or learn about new technologies that are applicable to their field. Then list the names of the organizations, publications and other sources in the comments section.

Here is a graphical summary of the points made in the discussion of target markets:

- **In which vertical markets do you have customers?**
 - Banks & insurance
 - Manufacturing & utilities
 - Legal & health care services
 - Real estate & property mgt.
- **What are their technology requirements?**
 - Centralized IT support
 - Information access
 - Distributed applications
 - Security vulnerabilities
- **Do other vertical markets share these requirements?**
 - Can you expand into new markets that have similar requirements?
 - Identify them, study them, market to them, promote your success
- **Where to prospect for new business?**
 - Professional associations
 - Industry conferences
 - Trade publications
 - Community events

We have now completed the first three (3) worksheets: Our SWOT analysis, an Ideal Customer Profile and we have selected our Target Market Segments. Now we are ready to bring together your answers from these first three (3) worksheets into a formal definition of your value proposition. Once you fill out the next worksheet, you will have formalized a strategic plan — this is your marketing strategy. And, you will have established a very solid foundation for completing the rest of the Playbook — this will be your blueprint for building a successful Cloud and MSP business.

Differentiated Value Proposition

The Cloud and MSP market is competitive and to succeed you must have an edge - a competitive advantage that is reflected in your value proposition. It cannot be based solely on technology, especially in the SMB arena where technology is both mysterious and intimidating. It must be a compelling message based on business value. To win convincingly and consistently, a Cloud and MSP must provide business-enabling services to its customers and it must do this better than the competition. This is the message you need to communicate in your differentiated value proposition.

How can you develop your own differentiated value proposition? We have broken it down into six (6) elements that, taken together, fully describe what you do and how well you do it. For your specific business, these elements will be revealed as you complete each of the six (6) statements below:

1. **My MSP business provides the following managed services**
_____.
2. **Based on our experience and industry know-how including**
_____.
3. **We serve customers who have these technology requirements**
_____.
4. **For these customers, we enable the following business benefits**
_____.
5. **These customers are found in the following industry segments**
_____.
6. **And they buy from us versus the competition because**
_____.

As you read these statements, you will quickly realize that you have already defined these elements through your response to questions on the previous worksheets you have completed. So, developing your own differentiated value proposition will be a relatively easy task. All you have to do is fill in the blanks with the answers from the first three (3) worksheets.

We guide you through this process in the Differentiated Value Proposition Worksheet that can be found in the Appendix. It will show you how to create your own value proposition and use it to formulate your own “elevator pitch” that you can use every time you introduce your business to prospective clients. Start by opening the Differentiated Value Proposition Worksheet and completing the answers to the first five (5) questions. Use the shaded comments line to complete the statement. This should be a very straight-forward process. Take as much space as you need but, at the same time, try to be clear, crisp and succinct when composing your summary. Later in this worksheet, you are going to be translating these statements into a 60 second elevator pitch so try to get as close as you can to a high-level summary when completing each statement.

kloudreadiness Worksheets
Differentiated Value Proposition

In this worksheet we are going to bring together your answers from the first three worksheets into a formal definition of your value proposition. From this formal definition, you will then craft a simple and compelling, “elevator pitch” statement that can be used to describe your business to any new prospective client. More importantly, you will have established a very solid foundation for completing the rest of the KloudReadiness Blueprint for building a successful MSP business. From this point on, everything that you do must reflect and reinforce your differentiated value proposition.

Now comes the fun part, so let's get started. You are about to fill out a Statement value proposition statement. For each statement, you are going to use the answers you gave to the questions in worksheets #1, #2, and #3. The first five elements are listed below.

1. My MSP business provides the following MSP services...
Your comments: (please reference worksheet #1)
2. These services are based on our experience and industry know-how including...
Your comments: (please reference worksheet #2)
3. We serve customers who have these requirements...
Your comments: (please reference worksheet #2)
4. For these customers, we enable the following business benefits...
Your comments: (please reference worksheet #2)
5. These customers can be found in the following industry segments...
Your comments: (please reference worksheet #3)

Now that we have combined the key elements about your service offering, customer profile and target market segment, let's talk about what makes your business unique. Here we want to establish why your customers selected you over the competition and what they would say about you if a prospective customer were to ask them for a reference. In this question, we want you to summarize the thoughts and ideas developed so far in the previous worksheets. In so doing, we will zero in on the essential difference between you and your competitors. It may be your unique combination of technical skills, combined with your years of experience, or your knowledge of vertical markets and how those customers use technology to solve their problems. It might even be the intangibles of how you do business – such as your commitment to customer satisfaction and your role in the local community. Consider everything, but be sure that you can back up your claims with real performance and tangible evidence. Here is another way to ask the same questions: What would your best customers tell others about you if asked?

6. What makes you different from your competition as a supplier of managed services?

Question #6 introduces a new topic for you to think about. We want to add a high level summary of what makes your business unique to the statements you have just completed. Here we want to establish why your customers selected you over the competition and what they would say about you if a prospective customer were to ask them for a reference. In this question, we want you to summarize the thoughts and ideas developed so far in the previous worksheets. In so doing, we will zero in on the essential difference between you and your competitors. It may be your unique combination of technical skills, combined with your years of experience, or your knowledge of vertical markets and how those customers use technology to solve their problems. It might even be the intangibles of how you do business – such as your commitment to customer satisfaction and your role in the local community. Consider everything, but be sure that you can back up your claims with real performance and tangible evidence. Here is another way to ask the same questions: What would your best customers tell others about you if asked?

If you had the opportunity to ride an elevator with the CEO of a prospective customer in your target vertical segment, what would you say? An elevator pitch is the ability to convey your complete value proposition in the time it takes an elevator to travel from the ground floor to the time the doors open and your prospect heads for his or her office. How will you capture their attention? How will you convey the message of what you have to offer in a crisp and compelling way? An example always helps...so here is the KloudReadiness elevator pitch. It embodies all of the elements you should incorporate into your elevator pitch.

The KloudReadiness Elevator Pitch

KloudReadiness helps VAR's, ITSP and MSPs to build and grow very successful cloud and managed services business. We do this via an automated SaaS platform designed to understand your current recurring revenue business stature that clearly identifies the gaps that exist in creating a recurring revenue friendly business model.

We provide a blueprint for accelerating customer acquisition and profitable revenue generation by establishing a highly effective and efficient sales and marketing operation.

KloudReadiness provides the only recurring revenue business building resource that combines a fully automated SaaS platform, a comprehensive self-service content library and proven methodologies that allow organizations to progress to a recurring revenue friendly model their own pace.

The last question in the worksheet asks you to create your own elevator pitch. Take your time and get this part right – it is worth the investment of your time to wordsmith your value proposition and then to capture it in this worksheet. This document will serve as a formal written definition of your value proposition and your elevator pitch. Remember, from this point on, everything that you do must reflect and reinforce your differentiated value proposition.

Now that you have selected your target markets, it is important to speak their language. This means you will need to modify your sales and marketing tools to reflect your expertise in your target market's business environment. If you are targeting law firms, create a law firm case study describing how you are helping them with their top line, create a law firm specific data sheet using their terminology, create email scripts focused on their hot buttons and tailor your value prop pitch to highlight your legal expertise.

Once you've completed this set of exercises, you will have established your marketing strategy and your brand identity ... now you need to "live" it. Everyone in your organization needs to know it, buy into it and practice it. Too many times we see ITSPs and MSPs put a huge amount of energy into creating their marketing strategy and brand identity only to fail to put it into practice in their daily routine. Don't make this mistake. It's quite simply training and repetition. The power of having your "team" all on the same page, speaking the same language and acting as a unit is the first step in differentiating yourself from your competition. Done with passion and enthusiasm, it will become a rallying cry for your troops. There is nothing more powerful than a team of smart and motivated people all focused on the same objectives.