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The Road from VAR to MSP: How to Successfully Transition from One-Off to Recurring Revenue

White Paper | Parallels Remote Application Server

Executive Summary

The demand for managed services continues to rise as more organizations understand the benefits of having external specialists handle IT operations. This has encouraged Value Added Resellers (VARs) to venture into the territory of Managed Service Providers (MSPs). In this white paper, we cover the key differences between a VAR and an MSP, the steps that should be taken in transitioning into the managed services space, and how a solution and services provider can benefit from adding Parallels® Remote Application Server (RAS) to their arsenal.

Introduction

The last few years have brought about marked changes in the business landscape. The needs of business organizations have expanded to include solutions for data security, disaster recovery, cloud services, mobility, virtualization and more. The onset of the COVID-19 pandemic in 2020 has also accelerated the adoption of remote work—a practice that will likely remain even in the post-COVID era. Remote work technologies that boost productivity and support different operating systems and devices are therefore also on the rise.

SaaS vs. DaaS

Many of the solutions mentioned above are offered as on-demand software services, or Software-as-a-Service (SaaS). SaaS is a software delivery model where a cloud provider hosts the application and makes it available to the user on a subscription basis. These applications are designed to reduce upfront IT spending, strengthen cybersecurity, allow easy access to the latest technologies and give businesses the flexibility to adapt to the demands of the market.

While Software-as-a-Service (SaaS) models are the most common, Desktop-as-a-Service (DaaS) has likewise gained significant traction over the past year and continues to do so as more organizations implement a remote working approach. Like SaaS, these service-based solutions are offered via a monthly or yearly subscription instead of a one-time purchase.

The main difference between the two is that, while SaaS offerings are usually born-in-the-cloud applications, DaaS offerings normally involve commonly used operating systems (a.k.a. “desktops”) and applications.

For example, Canva, HubSpot, Facebook and Twitter (although the last two are free) are considered SaaS, while Windows and MS Office applications delivered through the web are considered DaaS. When applications like Word, Excel, etc., are delivered by themselves (i.e., without showing the desktop), the service is called Application as a Service.

The growing complexity of application and desktop management, which now involves SaaS apps and DaaS applications/desktops hosted in a data center or public cloud, as well as the shift to cloud-based subscription services, have given rise to businesses’ need for continuous support in managing their IT solutions. It’s thus no surprise that the managed services market is expected to grow to $329 billion by 2025 from $223 billion in 2020. Add to that the dearth in skilled IT professionals and a notable decline in IT spending due to the pandemic, and you’ve got a market that’s simply teeming with opportunities for MSPs.

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VAR vs. MSP: What's the Difference?

Value Added Resellers and Managed Services Providers are two major classes of resellers in the IT channel. Let's take a closer look at each.

Value Added Reseller (VAR)

A VAR is the more traditional sales entity, which normally resells third-party software or hardware to the end user at a markup. VARs work closely with Original Equipment Manufacturers (OEMs) such as IBM, HP, etc., essentially serving as part of the OEM's sales force. The value they add is in customizing the existing product, integrating additional features into it so that it fits with the buyer's requirements. The end product presented to the client company is often a complete "turnkey" solution.

Even with the installation, configuration and customization that VARs perform, their services are largely transactional, and the engagement is finite. Revenue comes from a flat-rate license fee and billable hours for the added services. In addition to selling turnkey solutions, VARs may also provide break/fix IT services, where they can be called to fix problems as they arise.

Managed Service Provider (MSP)

An MSP on the other hand, is a third-party service provider that focuses on monitoring and supporting specific aspects of the client organization's IT infrastructure. Software procurement may be part of the contract but is not a requirement. MSPs offer services including network maintenance, hardware repair, security administration, helpdesk, mobile device management, email management and a host of other tasks that otherwise would typically require a dedicated IT administrator.

MSP companies generally market themselves to small and medium sized businesses (SMBs), (although some of them also cater to large enterprises) as a completely outsourced IT support team. Managed IT is different from the traditional break/fix model for IT services, where the IT service provider only steps in when a problem arises. In a managed IT service, the MSP actively monitors the IT infrastructure and acts proactively to prevent problems from occurring.

MSP services are usually carried out remotely. MSPs may operate their own datacenter, customer-owned datacenters or a third-party datacenter they've partnered with. MSPs manage processes and data on customers' datacenters, and it's the MSP's job to ensure that these processes always run smoothly. Recurring revenue is generated from a monthly service fee on long term contracts.

What's Next for VARs and MSPs

The line between VARs and MSPs is starting to blur as the roles they play and the services they provide to business organizations have begun to overlap in the recent years. With the advent of cloud technology and the growth of subscription services, VARs are exploring avenues on how they can get a slice of the recurring revenue pie by adding services beyond deployment and implementation.

Meanwhile, more than just being a one-stop shop for all IT maintenance needs, MSPs are now leveraging third-party technology solutions, giving the most ideal options that would best fit their client organization's needs and resources. For instance, with remote work becoming one of the defining practices of the new normal, MSPs may recommend solutions (e.g., virtual desktop infrastructure (VDI), remote monitoring and management (RMM) tools, etc.) that make it possible for employees to maximize productivity and ensure data security even while working from home.

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Developing the MSP Business Model

Lower revenues from one-time IT sales are currently making the VAR-type model less appealing compared to the guaranteed and stable revenue stream in the managed services industry. VARs looking to find better income stability and long-term sustainability should consider exploring a transition to the MSP space.

Now more than ever, opportunities for business growth abound for MSPs. Not only do they get to reap the benefits of predictable income from ongoing multi-year contracts, but they can also take advantage of a rapidly growing market as more SMBs understand the practical and financial value of outsourcing critical IT administration tasks to specialized third-party teams. In addition, there are numerous organizations in need of professional services to help them maximize the use of newly acquired applications or find the right technologies for their needs.

As VARs make their transition to the MSP arena, they first need to start with a shift in mindset—one that's focused on helping customers rather than simply closing a sale. Yes, having a keen knowledge of the relevant technologies and the skills to manage them form a major part in the services of the MSP. But equally important is the capability to be proactive in overseeing the client's IT environment, recognizing how organizations can further optimize their infrastructure and offering impartial advice about how to do so.

The customer-centric approach is a policy that MSPs live by, but one that may take time for VARs to integrate into their processes and instill in their mindset. And understandably so. With the VAR business model, the emphasis is on selling and implementing the technology. Once done, it's on to finding the next client; the next sale. But that doesn't cut it in the managed services space. This industry requires patience in dealing with customer requirements, consistency in delivering services and the commitment to meet or exceed expectations. This is how you can gain trust and pave the way for a long-term partnership with that client.

From VAR to MSP: Key Steps in Transitioning

Any VAR who hopes to make good in managed services has their work cut out for them. And while not all can successfully transition, there are those who are thriving in their new roles. It's a huge challenge for aspiring service providers, but not insurmountable for those who know what to expect and are prepared for it. Here are some important steps that you can take for a smoother ride to MSP land.

1. Communicate key benefits to customers

Extending the services you offer to existing VAR customers to include managed services will likely take some convincing, for a variety of reasons. First, some of your customers may be totally unaware of the type of services MSPs provide. Second, some of your customers may think that the product and the added services they're receiving from you as a VAR (i.e., customization, implementation) are sufficient.

Your first hurdle is thus getting customers to understand the concept of managed services and how they stand to gain from a financial and operational standpoint. The key benefits that MSPs can offer include:

- **Simplified vendor management and software integration.** Relying on an MSP to assist in handling software acquisition and vendor management saves the organization the burden of having to interface with different vendors. A quality MSP will help ensure that any new technology acquired will integrate efficiently with existing infrastructure, allowing organizations to focus on their core business.
- **Comprehensive tech resources and assistance.** As a company grows, so do their technology needs. For a small or medium-sized enterprise, a sole IT manager could easily get overwhelmed with support requests. MSPs can provide the support and services required to handle technology growth and any associated IT problems.
- **Improved cost-efficiency.** By acquiring the services of an MSP, businesses not only close any existing skills gap in their in-house team, they do so at a fixed cost every month that can be lower than hiring additional or dedicated IT staff. MSPs also audit existing infrastructure and recommend ways to streamline operations and save on costs.

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2. Choose the right technologies for delivering your services

Choosing the right technologies for your MSP tool kit goes a long way in ensuring that you are well-equipped to deliver IT managed services profitably. The most basic tools commonly deployed in the MSP field are remote monitoring and management (RMM) and professional services automation (PSA) solutions. RMM tools allow the service provider to monitor the customer's IT infrastructure remotely, alerting the provider of issues that need to be addressed, such as patching, software updates, etc. PSA applications are utilized by MSPs to facilitate streamlining operations and automating business processes.

Cloud services, network security tools, virtualization technologies and backup and recovery solutions are also crucial tools that VARs should consider when choosing their MSP toolkit. However, picking out the ones you choose to include in your array of tools will largely depend on the specific area you want to specialize in when recommending software solutions. In general, it's best not to try and be an expert on too many things and instead keep your service offerings more concise and straightforward.

For starters, VARs-turning-MSPs should concentrate on just one or two software solutions from established technology vendors. Learn as much as you can about these technologies, evaluate the products' reliability and performance and recognize what business needs are addressed by these solutions. This way you easily identify who you sell to, what's in it for customers when they purchase your services and how your recommended solutions can improve their IT environment and business in general.

3. Decide on pricing strategy

Developing a pricing strategy can be a tricky process for VARs who are just entering the MSP territory because of a lack of experience with long-term operational expenses and expected profit margins. What you will know, however, are the costs that you can immediately identify and assess. Most aspiring MSPs will need to invest in new technology and/or infrastructure and additional staff to be able to add fully managed services into their portfolio. Once all those costs have been taken into consideration, you can start thinking about what price ranges will return an acceptable profit.

You also need to evaluate how you can best bundle your services before you affix a price tag. In the managed services industry, there are several pricing models commonly used:

- **Per user:** Pricing is based on the client's number of employees.
- **Per device:** Pricing is based on the number of devices managed.
- **SLA-based:** Pricing is based on different levels of service provided (e.g., basic plan, pro, premium, etc.).

Doing a quick search on established MSPs in your area of expertise and in your locality can help you have an idea on the going prices for these services. A word of caution, though: It's never wise to compete on price alone. Focus on quality service and businesses won't mind that you're not the cheapest out there. One strategy you can use particularly with customers you've previously worked with as a VAR, is to offer them an introductory low price for an initial period (e.g., 30, 60, 90 days) and deliver customer value within that time, and they'll gladly pay the higher price tag in the succeeding months.

4. Live up to your Service Level Agreement (SLA)

Once you've signed a client, the hard work begins: fulfilling your end of the bargain by delivering on the commitments in your SLA. Done right, an SLA can facilitate a solid and mutually beneficial partnership between the client and the service provider. Failing to honor it, however, could spell your downfall. One of the biggest mistakes of a service provider is to over-promise and under-deliver. It's one thing to promote the value of your MSP business with a well-developed SLA, but it's entirely another thing to make commitments that will be difficult for you to keep.

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Propose terms that are beneficial to the client while ensuring that they're doable at your end. Some of the most important components of an SLA include:

- Payment terms and pricing for services.
- Terms of support and whether emergency support is covered.
- Extent of employee training provided.
- Performance standards, such as response times and uptime/availability.
- The metrics you use to measure services you provide.

A best practice is to engage a lawyer when developing your SLA to ensure that everything is legally sound and there are no possible loopholes that can cause unpleasant surprises down the road. Also make sure to use plain, concise language that sets the right expectations. And of course, ensure that all relevant staff are properly onboarded and trained so that they can ensure you're able to properly deliver on SLAs.

Parallels RAS: One of the Best VDI Solutions on the Market

VDI is a powerful technology that enables organizations to rapidly scale and boost workload mobility while reducing IT costs. It's proven to be an invaluable tool in the present pandemic, where remote working has become more of a permanent state than a temporary business strategy.

If you're a VAR or MSP looking to integrate VDI solutions that support long-term remote work strategies in your covered technologies, then Parallels® Remote Application Server (RAS) is worth considering. Parallels RAS is an all-in-one application delivery and VDI solution that delivers on-premises, hybrid and public cloud solution services. With Parallels RAS, organizations have easy access to:

- Application as a Service (AaaS)
- Software as a Service (SaaS)
- Windows Virtual Desktop
- Virtual Desktop Infrastructure (VDI)
- Desktop as a Service (DaaS)

For your customers, it provides versatility and high performance as they adapt to the new normal of increased remote work and increasingly shift to the cloud. Parallels RAS also provides you with an opportunity to succeed as a reseller or service provider through the Parallels Service Provider Program.

Here are four key ways Parallels RAS can boost your technology offerings:

- **It's easy to deploy, manage and maintain.** Managing multiple customers won't entail costly IT resources and onboarding new ones will only take hours, not days.
- **It offers a cost-effective licensing model.** Parallels RAS offers a pay-as-you-go billing model, so you only pay for new customers when you need to add them. Plus, its automated and simplified billing system makes it easier for you to calculate and manage costs.
- **It's a comprehensive solution with no barrier to entry.** Getting started requires no fees, minimums or upfront costs.
- **It provides high-value support.** You can take advantage of free online training and certification courses. Once certified, you'll have invaluable resources at your disposal to help you build and deliver highly profitable solutions.

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How to Become a Parallels RAS Partner

The Parallels RAS Partner Program accelerates your business growth by equipping you with the knowledge, skills and tools necessary to address your customers' needs quickly and cost-effectively in this competitive VDI market.

If you're ready to take advantage of the many benefits that becoming a Parallels RAS Partner has to offer, follow these steps:

1. **Learn all about the** Parallels Service Provider **(PSP) Program.** This page provides a clear overview of the program and the value it offers to companies like yours.
2. **Register to become a Parallels PSP reseller.** The registration form requires you to provide some basic information about your company and services so we can put you in contact with the right person on our team to get you started.
3. **Get certified.** The 3-hour Parallels RAS Technical-Professional (RAS-TP) Training provides you with the fundamental knowledge you will need to leverage the innovative technology of Parallels RAS. Participants will learn:
    - How to deploy, configure and maintain a Parallels farm
    - How to implement Parallels RAS components
    - How to obtain the RAS-TP badge

Earning the Parallels RAS-TP badge certifies that you have acquired the technical skills for VDI, application delivery and cloud deployment. As soon as you obtain it, you can immediately share digitally verified proof of your skillset, which matches the standard job requirements for IT managers, architects and system administrators. This helps raise your credibility and improve your professional profile.

Once you're certified, you can start offering your customers the value of Parallels RAS cloud-ready applications and desktop delivery by providing them with the virtual environment they need. As a Parallels RAS Partner, you can:

- Make your business easy to deploy and infinitely scalable.
- Create new monthly recurring revenue streams.
- Simplify costs with pay-as-you-go pricing.
- Maximize margins with the lowest value-added per-user cost.
- Help your customers enable BYOD, mobilize their workforce and ensure business continuity.
- Offer end users secure, simplifies access of apps and data across any device, platform or cloud.

Conclusion

To make it in the lucrative MSP industry, VARs must be ready to implement and embrace changes to their business model, adopting a more customer-centric approach and aiming to establish client trust. But more than just a shift in mindset—it's also essential to find the right technologies that can provide your customers with the maximum benefit to their business.

Whether you're a VAR or MSP, Parallels RAS is one solution that can boost both your business and that of your clients.
Start your journey to success by learning more about Parallels RAS.

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