



Leveraging the Service Catalog to Scale Your MSP Business

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Executive Summary

When assessing an MSP's maturity and prospects, one question provides more insights than any other: "What's in your service catalog?" The service catalog is that critical. A well-defined service catalog can set the framework for growth. The lack of a service catalog can significantly impede an MSP's ability to scale. This paper explores why the service catalog is so vital, and provides some practical guidelines MSPs can apply in order to ensure their service catalog provides maximum utility and benefit.

Introduction

When we talk with our new MSP customers and prospects, we always look to get a solid understanding of their businesses, challenges and goals. We always start these discussions with the same request: "Tell us about your service catalog." Why? The existence of a published service catalog, or lack thereof, is a solid leading indicator of an organization's operational maturity and propensity to succeed.

In effect, the service catalog is a quick litmus test to help us understand where an MSP is in its evolution. Given the breadth of organizations we work with, the state of service catalogs can cover the spectrum. In many cases, a service catalog does not exist. In other cases, businesses have a service catalog, but it isn't comprehensive or adequate. There are also many examples of organizations that have mature, well-established service catalogs that have been developed and refined over the course of years.

The state of the service catalog sets the direction for our discussions. If the service catalog is lacking or doesn't exist, our standard recommendation is that's where the near-term focus should be.

This is not to say you absolutely have to start with a service catalog. There are successful MSPs that don't have a service catalog in place. However, without a service catalog and a formal definition of offerings, it is difficult for any MSP business to scale efficiently.

For example, we recently met with an MSP in the Midwest. They had a great team, they were generating significant managed services revenue and they had no problems supporting their customers, but they couldn't scale. They could find new business, but there were only two senior executives within the organization that could close new opportunities. All the critical information needed to equip sales, marketing and operations was locked up in the heads of these two executives and was not documented in a service catalog. Consequently, they were hitting a wall and couldn't efficiently scale, whether in terms of marketing, sales, operations or services.

In the following sections, we'll define the service catalog, and outline why it's so significant.

What is a Service Catalog, and Why is it So Important?

The service catalog is a document that specifies at a granular level exactly what services are included in an offering. The service catalog needs to be detailed so there's absolutely no ambiguity, whether among customers, prospects or internal staff.

What makes the service catalog such a critical ingredient in an MSP's business? The following sections outline several factors.

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Revenue Generation

Quite simply, you can't sell unless you know what you're selling. In many organizations, the technical team has a clear understanding of what they do, but that knowledge isn't transferred to sales, marketing and executive teams. Many times, it may be the founder or director of operations that takes the responsibility around sales. The service catalog is an essential way to get from relying solely on individuals, so businesses can start to scale—not just sales, but marketing and operations as well.

Revenue Retention

By documenting the services you provide, the service catalog can play a fundamental role in customer engagements, expectation setting and communications—which all play a critical role in revenue retention. The service catalog should provide a good understanding for prospects, customers and staff, setting the stage for clear communication and minimizing the potential for misunderstandings. When you sell a service, the customer should be clear on what will be delivered, so they're not surprised or disappointed after the sale.

A Common Platform for the Business

The service catalog represents a unifying force in the MSP business, effectively getting different teams to be working from the same definitions. This is essential for building operational coordination and efficiency. Following is how the service catalog benefits respective teams:

- **Sales.** The service catalog is an essential sales tool. Sales representatives can use the service catalog within the sales process, so prospects can see exactly what's included in a given offering, and what's not. Customers will know what's included and excluded in their fees, minimizing potential questions and uncertainty.
- **Marketing.** The marketing team can rely extensively on the service catalog, using it as a basis for developing Web content, collateral, marketing campaigns and more. By having a common, detailed documentation of services, organizations can eliminate a lot of the questions and back-and-forth that can otherwise be associated with developing these types of assets.
- **Operations and services.** The service catalog is instrumental in ensuring there's a common understanding of the baseline activities the services and operations teams are responsible for. The service catalog, by defining services, can also present an ideal platform from which to architect service delivery. The services team can look at the services outlined, and build the back-end delivery model needed to support those services.

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Limiting Scope Creep

A well-defined service catalog helps to limit scope creep in all client engagements, specifically managed services engagements. Invariably, at some point after a deal is signed, customers will come back with questions, effectively asking, "Weren't you also going to be providing this additional service?" With the service catalog doing its job, it can be a very polite, straightforward conversation. The MSP representative should be able to reference the service catalog to answer these types of questions. All services should be clearly defined so that any time customers have additional needs, everyone is clear on the fact that, if the service isn't in the service catalog, it will be provided at an additional fee.

Tracking Business Evolution

Another benefit of the service catalog is that, by documenting your offerings, you can more intelligently track how your business is evolving. Every MSP is fighting to stay ahead of the commoditization curve. Commoditization happens in every market, every time. While your service offerings might be unique today, someone is bound to try to replicate them tomorrow, and within a few months, more will follow. Soon you'll find yourself in a market that has commoditized. The key is to stay ahead of the curve and stay relevant.

Key to this is working with customers closely, and evolving as they evolve. Stay in lockstep with, if not one step ahead of, your customers. That way, even if your base services start to be commoditized, you'll be prepared and can already be delivering the value-added options that deepen account loyalty and penetration. If you can do so successfully, you can avoid commoditization and its associated pricing pressure.

Having a well-established service catalog represents a good footprint for tracking, assessing and reevaluating offerings. With a service catalog, MSPs have a platform so that everybody in the organization, including technical staff, operations, marketing, sales and executives, can look and say, "I see this everywhere in the market, what can we bring into our offerings to help us differentiate what we do and help us stay ahead of the curve?"

What Belongs in the Service Catalog?

When developing a service catalog, you want to take every service that your MSP business provides, and put a detailed definition around that service. It's important to include descriptions of each recurring service as well as one for each discrete non-recurring offering. Following are more details on each type of service offering:

- Recurring services.** These are the core service offerings that are delivered on an ongoing basis and that account for the organization's managed services revenue. Typical examples include server, network and workstation management. These services are classified as monthly recurring revenue.
- Non-recurring services.** These are discrete projects that occur on an ad hoc basis. New system installations, including deployment of servers, workstations, printers and applications, are common examples of non-recurring services. Sales generated by these offerings are classified as non-recurring revenue. Even though these efforts don't occur on a predictable schedule, they occur often enough to merit definition in the service catalog. The service catalog should clearly list the services involved in these offerings, outlining, for example, the 15 steps that would need to happen as part of a workstation installation. By putting a fixed fee on these offerings, organizations make it much easier for their sales teams. It is important to note that, while different customers may have specific requirements for these types of projects, MSPs should avoid writing a service catalog item for a specific customer. Any client-specific requirements, for example, particular applications that need to be installed as part of workstation configuration, should be itemized and billed separately.

Service Catalog: Sample Entry

Name of the Service: Cisco UCS Monitoring

SKU#: 12353

Description of the Service: Monitoring, management, issue resolution and remediation of a Cisco UCS implementation. Inclusive of all work to be performed during normal business hours. Patch management and updates will be performed on a schedule basis during a maintenance window. System metrics monitored include:

- | | | |
|------------------------------|---|--|
| • Chassis | • Blade server memory arrays | • Fabric interconnect IO module fiber channel ports |
| • Chassis fan module | • Blade server processors | • Fabric interconnect local storage and dynamic counters |
| • Chassis fans | • Rack-mount fabric extenders | • Storage Controllers and Disk/Lun/Raid batteries |
| • Power supply units | • Fabric interconnect fans | |
| • IO modules | • Fabric interconnect power supplies | |
| • Blade servers | • Fabric interconnect IO modules and Ethernet ports | |
| • Blade server adaptor units | | |

Service catalog entries should all follow a consistent template, one that consists of the name of the service, a SKU# and a detailed description.

Getting Started: Assessing the Viability of Services

Before starting work on the service catalog to define new services, it's a good idea to take a step back and look at the viability of each offering. Following are some key areas to consider in validating services.

Customer Validation

It's a critical first step to line up at least five contacts, whether existing customers or prospects, who might eventually sign up for the new service, and see what they think of the offering:

- Does it make sense to them?
- Do they feel it's valuable?
- Would they pay for it?

This validation is vital. A lot of times team members will come up with great ideas for new service offerings, but it doesn't mean there's necessarily a market for them. That's why validating these ideas with potential customers is such a critical step.

It's important to talk to prospects, learn their language, understand their markets and see if what you're thinking about providing matches up to their needs. If it does, you next need to understand the value you'll be delivering.

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Identify Value

It's critical to pinpoint the value you're delivering. How will the client's business benefit from your offering? To do so, you have to have a clear understanding of the market, and what the business issues are, so you can align capabilities with customer needs. Here again, it's vital to validate these statements with prospects.

Understand and Define Differentiation

The service catalog is where you define your services, and a big part of that is articulating how your offerings will be differentiated from others on the market. As you're detailing all the aspects of your service offerings and identifying how they're different, it's important to ensure these unique services really add value, and aren't just different for the sake of being different. Here, the service catalog can be a strategic tool, helping serve a forcing function to enumerate what about the service is unique. That way, even if you are competing in a crowded market, your sales team and the rest of the business will be able to clearly differentiate offerings, so that customers will be compelled to purchase.

Evaluate the Competition

You should try to determine how many service providers are currently offering the service you're looking to launch. Is the market already crowded? Is it fragmented or highly consolidated? If the latter, it may take launching a truly groundbreaking offering to be successful, and delivering groundbreaking offerings can be tough for early market entrants.

Specialization

Specialization can be a great way for an MSP to establish a strong, defensible market position. This can include focusing on meeting the needs of a specific vertical, such as health care, financial services or legal. It can also include a technology focus, for example, delivering offerings for customers with specific servers, applications or databases. By establishing and building on this specialized expertise, MSPs can gain differentiation and set the stage for growth.

What a Service Catalog Isn't

We've discussed what a service catalog is, but sometimes it's helpful to define something by what it isn't as well. Following are several characteristics that aren't true of the service catalog:

- **It is not a price list.** The service catalog is only a definition of services. It shouldn't be a reference to how much your services cost or provide a delineation of pricing tiers. For example, if you are offering Windows server management, you would describe the service that is delivered but not detail the pricing tier, unless the actual services provided vary per tier. Otherwise, the pricing of these packages would just be a part of the quotation process and price list. Leaving this kind of detail out of the service catalog can help keep a clear distinction between the price list and the service catalog. Keeping this distinction also allows for value-based pricing opportunities where possible.
- **It does not limit work that you will perform.** Obviously, you will perform work as outlined in the service catalog. When customers ask for services not covered in the service catalog, you can quote a project as a one-time event or consider adding it as a new service if it is viable and has broader market appeal.
- **It is not a run book.** The service catalog is a public-facing document that describes the services being delivered. The run book defines how a service is delivered. The run book is an internal document and should never be given to customers or prospects.
- **It is not static.** On a regular basis, ideally at least quarterly, MSPs should be evaluating their service catalogs. They should also be constantly revisiting their offerings. If a service is no longer fresh, try to make it current. If a service is no longer relevant, get rid of it. If it's priced too high for customers, look at delivering something either with added value or at a price point the market will bear.

Conclusion

Service catalogs represent a critical deliverable, no matter what the size or maturity level of the MSP business. Service catalogs represent a fundamental way to enable an MSP to scale its sales, marketing, operations and service. When developing a service catalog, it's important to take everything that will be delivered on a repeated basis, and provide a detailed description that removes ambiguity for customers, prospects, and internal staff.

Keep in mind, the definitions outlined in the service catalog represent the basis of a clear understanding between customers and the MSP as to what will be delivered. The nice thing is that MSPs can go above and beyond this definition, providing additional value-added activities, reports and the like. These added elements can be a great way to provide supplementary, unexpected value to the client, which can set the stage for more happy and loyal customers.



About the Nimsoft MSP Center of Excellence

The Nimsoft MSP Center of Excellence delivers the proven strategies and insightful resources that can help your business boost its efficiency, profitability and maturity. No matter where your MSP business is in its evolution, count on the MSP Center of Excellence to provide the guidance you need to more fully leverage your technologies and investments, optimize your operations, enhance your go-to-market capabilities and scale intelligently.

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North America Headquarters

U.S. toll free:
1 877 SLA MGMT (752
6468) 1 408 796 3400

Email: info@nimsoft.com
Web: www.nimsoft.com

United Kingdom

+44 (0) 845 456 7091

Norway & Northern Europe

+47 22 62 71 60

Germany

+49 (0)89 – 99 61 90 60

Australia

+61 (0)2 8898 2943

Brazil

+5511 5503 6243

Mexico City

+52 (55) 5387 5406

Singapore

+65 64328600

New Delhi

+(91 11) 6656 6667

Mumbai

+(91 22) 66413800