

## EXECUTIVE SUMMARY

# 6 Steps to Diversify Your Business

- Diversification is critical when developing a profitable, growing business.
- Steps 1 and 2: Identify specific needs by listening to the market and customers.
- Step 3: Identify the product or service bundle that will be most attractive to clients.
- Steps 4 and 5: Create a unique value proposition and determine how to deliver it.
- Step 6: Elevate the customer experience.

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in partnership with

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# 6 Steps to Diversify Your Business

## Overview

Managed Service Providers (MSPs) that want to survive and grow their profitability need to be large and differentiated. But these MSPs must do more than just understand core differentiators. They must be able to scale and grow, and they need to know how to diversify.

## Context

Insight's Bruce Sherman and Jeromy Siebenaler discussed the six-step process businesses should use to diversify, and shared experiences and tips.

## Key Takeaways

**Diversification is critical when developing a profitable, growing business.**

Diversification — along with differentiation and scale — is important for MSPs interested in becoming a sustainable, profitable business. Six steps of diversifying are shown below.

### Six Steps for Business Diversification

1. Listen to the market.
2. Determine the specific needs of customers, based on the market.
3. Identify the product/service bundles (groups of features) most attractive to clients.
4. Create a unique value proposition for proposed line extensions and decide how to position the product.
5. Determine how to deliver the new product or service.
6. Elevate the customer experience.

The six steps are a repeatable process. When the final step — elevating the customer experience — is complete, the MSP should go back to step 1 and refocus on the market.

### Steps 1 and 2: Identify specific needs by listening to the market and customers.

Very few companies are able to listen to the market all the time; many become complacent when their business is growing. Listening to the market and customers is the best way to identify needs.

*Every company on this planet is guilty of taking their eyes off the market.*

Bruce Sherman, Senior Product Manager,  
Service Provider, Insight

Discussions with customers, surveys and market reports — like MSPmentor's MSP 501 Report — can help the business answer key questions about the market.

### What to Listen For in the Market

- What are the latest **trends**?
- Where is **demand** growing?
- What are **customers** asking for?
- What are **competitors** offering

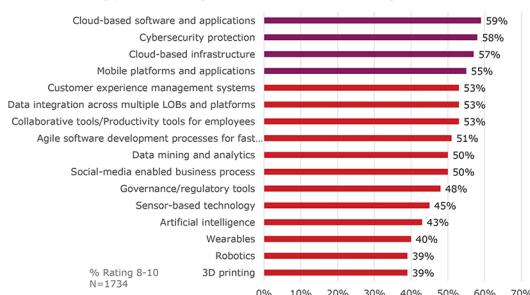
The business can use information gathered from listening to the market to identify the problems that existing and potential customers need solved. Businesses should look not just at the top trends or loudest requests, but topics that are likely to become more important as top needs are addressed.

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Sustainable, profitable businesses look at these mid-tier needs — such as those in the middle of Figure 1, below — and begin research and development so they are ready when a topic emerges as the next hot trend.

Figure 1: Expected level of investment in technology over next 5 years

Q: Rate the level of investment in the following technologies over the next 5 years in terms of meeting your business goals: 0=no investment, 10= significant investment.



### Step 3: Identify the product or service bundle that will be most attractive to clients.

The information that comes from identifying specific customer and market needs feeds into the products and services portfolio roadmap. Defining the roadmap's timeline helps the business understand how it will grow and expand out its offerings to meet these needs.

*Services helps you get entrenched in your customer's business and understand more of what they do, and what's coming in the future so you'll be able to help them.*

Jeromy Siebenaler, VP and Chief Cloud Architect, Insight

While products and services on the roadmap may be months or years into the future, Insight's MSP partners have found several complementary offerings they were able to add to their portfolios with relative ease. (See below.)

#### Complementary MSP offerings

- Office collaboration, such as email, instant messaging, file sync and share
- Mobile device management
- Anything as a service, such as DRaaS (Disaster Recovery as a Service), SMaaS (Security Management as a Service), DaaS (Desktop as a Service)
- Hybrid cloud

Hybrid cloud, in particular, can serve as a bridge to help MSPs embrace a technology shift and address customer requirements to choose between hosted and public cloud. Hybrid cloud can address flexibility, pricing and agility needs. Start-up MSPs have already incorporated this offering into their product portfolios, driving down costs and offering customers increased capabilities.

The business doesn't have to develop or specialize in all new or complementary offerings to see benefits. Partnerships can help businesses respond to market needs quickly. In one example, NIC, a service provider specializing in providing government solutions, partnered with Insight on a Request For Proposal (RFP). Insight white labeled their service offering for NIC so that together they could service 6,500 vehicle registration facilities in Texas.

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## Steps 4 and 5: Create a unique value proposition and determine how to deliver it.

After the product or service bundles are identified, the next step is to create a unique value proposition for the proposed product line extensions. At this time, the business should decide how to position the product, and how to deliver the new product or service.

Considerations in delivery include how fast the business wants to ramp up, whether it can invest in human capital and whether it needs to invest in needed infrastructure.

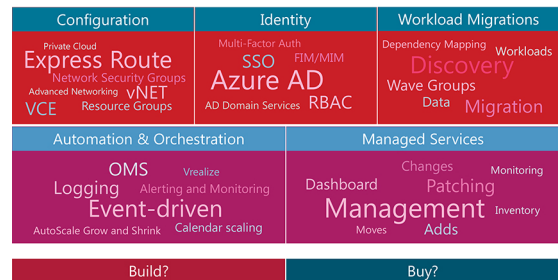
In cases where the business would veer from its core differentiation, it may choose to deliver through a partnership. In one case study, Insight partnered with an Independent Software Vendor (ISV) that wanted to provide a cloud-based offering of its successful on-premise software. The vendor was being pressured by customers to offer a cloud-based, consumption-model version of its software, but didn't have or want to invest in the infrastructure to provide this offering. Insight helped the ISV design an infrastructure-as-a-service model, wrapped in services, and helped them transform their financial model to account for subscriptions, allowing them to focus on their core but still meet market demand.

*It's a big question whether you build or buy. We see a mixture.*

Jeromy Siebenaler, VP and Chief Cloud Architect, Insight

Delivery of products and services may not be a single build, buy or partner decision; it may be a mixture. Hybrid cloud is a good example, as it has multiple components to consider: configuration, identity, workload migrations, automation and orchestration, and managed services (Figure 2). While some businesses may be able to build and deliver some of these with minimal additional investment, others likely need to purchase.

Figure 2: Build or buy? Hybrid cloud services considerations



## Step 6: Elevate the customer experience.

As businesses shift to a more subscription-based economy and more cloud solutions, the digital experience becomes more critical than ever. The business needs to figure out how to elevate the customer experience (Figure 3) or risk losing business to competitors.

*If the user experience is not foundational to what you're going out and delivering, a competitor is going to figure that out.'*

- Jeromy Siebenaler, VP and Chief Cloud Architect, Insight

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Figure 3: Elevate the customer experience.



Understanding the user journey helps the business identify and address customer pain points and help customers be more successful.

Seamless product aggregation helps the business diversify its portfolio without deviating from its core capabilities and differentiators. Customers can take advantage of new products, which allows the business to grow profitably.

Subscription management is becoming a key aspect of business, as products become more subscription based. Businesses need to offer easy subscription management to attract and retain customers. This can include not just building a new model, but developing new financial processes that can handle subscription-based transactions.

*What service providers will find is that if you're not in a subscription model today, building a model to help you gradually get there will be key.*

Bruce Sherman, Senior Product Manager, Service Provider, Insight

Reporting and analytics provide users ways to tie together relevant information to make better business decisions.

## Additional Information

- **Top MSPs and trends** — The [2016 edition](#) of Penton's MSPmentor MSP 501 ranks the IT industry's leading MSPs and looks at key trends, including: 1) 2016 is expected to be a year for widespread cloud adoption across small and medium businesses, enterprises and governments; and 2) MSP customers have shied away from cloud adoption because they don't have the in-house talent and expertise, are concerned about cloud security, and perceive or have found it to be more expensive than traditional offerings.
- **Insight** — Insight is a global solutions provider with more than a decade of experience supporting more than 5,000 MSP contracts. Insight helps move MSPs to a sustainable, profitable business using a disciplined, three-pronged approach:
  - Differentiate — Focus on the core of the business and how it differentiates from the competition.
  - Diversify — Add complementary value with products and services that attract and retain clients.
  - Scale — Efficiently scale the business to keep up with technology and client demands, and to set the stage for long-term growth.

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Jeromy Siebenaler is chief cloud architect at Insight with more than 18 years of experience in the IT industry. Holding a bachelor's degree in computer information systems and a master's degree in project management, he is focused on technological and organizational transformation within the business.

## Bruce Sherman

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As the senior manager of product management, Bruce Sherman is responsible for management and oversight of 30 strategic software partners for Insight. As the supervisor of a team of product managers and various technical sales support staff, he makes sure partners are supported for growth through Insight's U.S. market.