



Spotlight on Success

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Rick Martin



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Simplifying the Transition to Managed Services

The transition to managed services hasn't been smooth for everyone. Some companies struggled with sales, others with the customer conversion. The route taken by Rick Martin, VP of marketing and sales at Cat-Tec, and his team was not only straightforward—it was highly effective.

How did the Ontario MSP simplify the transition for everyone involved? Martin's story is this month's Spotlight on Success:

CompTIA: You've been involved in computers and the IT industry since the mid-80's. Did you envision this career path when you were a kid?

Rick: To be honest, no. I really didn't know what my career would be after high school and wasn't certain which path I was going to take. I had a friend who was taking a computer course at the time PCs were first coming out and it sounded good, so I kind of got caught up in the wave. I was fortunate to get into the industry and took a one year course in college, which led to a job in a small computer shop setting up Novell networks with Accpac accounting software. That was the bread and butter of that IT company. It seemed like every small business had a Novell network with Accpac at that time.

CompTIA: How did you turn those specialized skills into your own business opportunity?

Rick: After a few years, I ended up taking a contract position in the municipal government as a network (Netware) administrator. My strengths were really in collaboration (GroupWise email) although I was fairly strong in all the Novell products. I was in that position for 8 or 9 years. That's when the value added reseller (who worked with the municipal government) approached me about coming to work with them and I ended up accepting the position.

I quickly realized that my skill set was getting little use, the things I was really good at were not what I was being asked to do. Whatever the sales reps were able to sell, we were out installing, so I was dabbling in a lot of different products. That wasn't something I wanted to do, so I started my own business and went back to focusing on the Novell products. That's the story behind Cat-Tec.

We focused heavily on Novell until we saw its upcoming demise. Everything started going open source and we were seeing companies ripping out their Novell networks and replacing it with Microsoft small business systems. We decided at that point we had to do something really different. Up to that point, if a business wasn't dealing with Novell Consulting, they would call us. But with the industry shifting to either open source or Microsoft, we would eventually have had to close our doors if we continued down the same path.

So the first four years, until 2002, we focused purely on Novell products. Because of our deep

knowledge and expertise with the Novell products, Novell Consulting frequently put us into some of their accounts. Cat-Tec did a large amount of work for some of their [Novell] larger accounts on their behalf, performing email upgrades and clustering installation projects. The problem with being placed into many large companies is that they wouldn't know who we were! They always thought Cat-Tec employees were with Novell and it really wasn't helping us grow our business.

CompTIA: How did you counter the negative trends you were facing?

Rick: We noticed a number of business changes over the years, including how everyone who was using Outlook at home wanted to use it at work. Things like that showed us we needed to change. And when (Microsoft) Small Business Server came out, that was the silver bullet for that space.

We were focusing heavily on those opportunities. We sat back and thought about the things we could do for our customers, the things we needed to do to stay entrenched. We created our own check list for clients and started doing what we called daily checks. That was very similar to what a managed services offering does today. On a daily basis, we would remotely connect up our systems to our customers' environments and check the success of their backups. It wasn't automated like the tools we have today, so we manually logged into their networks to check things out each day.

We would look at their backup success, the disc servers and, if they still used a Novell server, we would see how much space was left on each volume. We also looked at their antivirus. In addition to the daily check, we would package each client's information up at the end of the week and send them a copy. That way they would have a report to review at the beginning of the following week, letting them know they always had a set of eyes looking at their environment. Although it was tedious, it was of value to the client.

CompTIA: What was Cat-Tec's value proposition?

Rick: To our early customers, it was how well we really knew Novell products. Their company's consulting services were expensive and their networks weren't really designed for the small business. Novell's team was more focused on the enterprise space. You couldn't get engaged with them for small projects. There was always a statement of work involved and many other requirements. We gave our customers the next best thing and their uptime was impeccable.

That was really important. The networks we put together have been pretty bulletproof for our clients, and for us. We're really lucky and haven't lost more than a handful of customers over all the years we've been in business. We started with two customers and one is still with us. The other was acquired by a large insurance company with its own IT team. Another long-term client was the Toronto Sky Dome, which was bought by Rogers Communications, and they also brought their IT in house. We are pretty proud of the long term relationships we have with our customers. That's been a strong point for Cat-Tec.

CompTIA: You've been in business for more than 17 years now. Congratulations, that's quite an accomplishment for an IT company. To what do you attribute Cat-Tec's longevity?

Rick: I really think it goes back to customer relationships. Our growth has usually just been through word of mouth; referrals have really helped boost our sales over the years. I believe people really like to work with us because we do what we can to make them feel comfortable.



Any final recommendations for new MSPs?

1. Don't make a client jump through hoops to sign a contract with your company. Make it as easy as possible to work with them.
2. Keep pricing simple. We have a fixed cost for everything in our managed services plan a couple ala cart services, like our File Sharing synch solution and white-labeled Exchange for the Cloud solution.
3. Find a good helpdesk, especially if your company is small or just starting out. You won't want your phone on your hip 24 hours a day. For a company trying to make the turn to MSP, it's key to find a help desk partner you have good rapport with.



The hardest part is always getting a foot in the door. We've been really fortunate over the years, because once we get a business to work with us, they stay with us. Maybe it's because they can let their guard down with us, it's not always a sales call when we talk. I think our clients know we always have their best interests at heart.

CompTIA: You have a number of roles in the organization. Which is most important?

Rick: I still wear a lot of hats, but my role is focused on the customer relations, developing new business and marketing the company. On the operations side, I am still hands on our RMM. We've used the same one since 2007, and we remain using our original PSA. We've been happy with the vendors we chose to work with, and I think that's helped contribute to our success. We're not supporting three different backups and antivirus and firewalls. When we onboard a new client, we won't rip out what they have and replace it; we often need to work with it for a while. But when we get the opportunity, as the relationship grows into a contract we'll make every attempt to switch it out and replace it with one of our own tools. That approach has really helped us our clients' systems well over time. Those are our "ingredients" that really give the client what they need and help us manage the clients better.

CompTIA: When did you start offering managed services?

Rick: We got into the MSP space when it was pretty new, at least it was in Canada. I believe it was 2006. When I first heard about it (managed services), it just flipped a light and I said to my business partner "this is what we've got to do. We're going to get away from the traditional break fix and knocking on doors to find new customers just to build them networks and hope they keep us around." We'd been doing that for years and, when we were done, we wouldn't hear from those customers for three years since nothing ever broke. So we'd have to go find more new customers.

When we saw the recurring revenue opportunity, along with the managed services model itself, it seemed like a win-win for us and our customers. That was the "moment" like in the movies. I like to joke that I could write the book on starting a small business and all the things not to do along the way. Managed services helped change the future for Cat-Tec.

CompTIA: What lessons can you share with others looking to transition to an MSP?

Rick: It's important to pick your tools right off the bat and stay with them. A lot of MSPs seem get caught up with the bells and whistles of the latest offering. Realistically, you could switch out your RMM and PSA every 12 months because one of them leapfrogged the others with a new feature set. I think it's really important to stick with the tools so all your processes (and the automation of those processes) remain firmly in place.

Starting out, I know when Cat-Tec got in this space, I heard the hardest customer to convert (to managed services) would be an existing customer, but luckily for us it wasn't. I thought, we were building these great networks that weren't going down, so why would a client start paying us money every month to take care of it if there were no problems to start with? It took me a while to wrap my head around that concept. But, what it really came down to was making sure we could show them the value of managed services.

The quarterly business reviews are really important; I can't stress this enough. If you just set





up their managed services and send them an invoice every month, after a while, your customers will begin to wonder what they're paying for. They need to see you and learn from you. That's why it's really important to have those meetings.

That assures all the key people (who should be in those meetings) that it's working well. You can't just meet with the IT people. Whenever possible, get the business owners involved so they can see the value of everything you do for them. Those meetings will help assure them there's a reason for cutting that check each month.

CompTIA: How soon were you able to convert existing customers to managed services contracts?

Rick: We got most of them over within 18 months, even today, we still have a few break fix clients. They are harder to service because whenever they have a problem, like when something breaks, it's an emergency. That's hard to address when your IT company has limited resources. When they need you ASAP and they are not a managed services client, it pulls you away from the customers who are paying you to manage and monitor their environments.

We implemented a tiered structure to reduce those issues. We basically let the client decide what they want to pay based on the urgency they indicate on their ticket. We have a basic rate for our managed services customers, what they pay for anything outside their contract. A client without a contract can also get that rate, but only if the work is scheduled three days out. If they need us today, we charge double the base rate. That really helped us because all those former emergencies went away when they knew they would pay a lot more. It allows us to work with clients who didn't sign up for managed services and adds predictability to our schedules.

CompTIA: Eighteen months is a great customer conversion time for MSPs. How did you get it done so fast?

Rick: Basically, we just put them on our managed services program. We told them it was something new we were doing and installed the tools. Onboarding clients in the small business space wasn't that difficult. We just went in and installed the tools and then let them run with it. We probably let it go for three months without charging them for the service. We were open with our clients and showed them the value of managed services, and those conversations allowed us to flip them into contracts pretty quickly. We did not have an ironclad SLA and if they weren't happy, they could cancel. Fortunately, none of our customers wanted to go back to the old model.

CompTIA: What was the largest obstacle you and your team had to overcome?

Rick: The biggest challenge was definitely when we started the business. My business partner and I just realized IT is a pretty good industry to be in and neither of us were happy where we were working. So we decided to start our own company. We had no business plan or anything to start, other than the contacts I thought were going to become customers. We just decided "we're going into business." And we did.

We probably had enough money to get through 4-6 weeks and decided that if it didn't work out, we could just close up shop and get other jobs. It was pretty challenging in the beginning without a business plan or any real financial backing. It was hard to find banks to work with.





In the first year we had no lines of credit with any of the distributors, so when we did get a project and to buy servers and desktops, we had to pay COD. When we did get a line of credit, it was usually tied up with one order because the limits were set so low.

That was the biggest challenge, not really knowing what it took to run our own business. Accounting, purchasing and running operations; it all took time to learn. We often found ourselves working all night building networks and spending all day on the other things we needed to do to build the business. It felt like we never really got a break.

CompTIA: What's in store for you and Cat-Tec in the future?

Rick: A lot of our customers still have traditional on premise solutions and own their own hardware. So we're still providing a lot of managed services to support that model. But we're moving components of those offerings into our private cloud for them. But we don't have customers going to a pure cloud play yet.

Right now, that is still a challenge for them and for us. With limited bandwidth in some areas, it keeps us from taking everything to the cloud. We have clients in rural Ontario limited to 15mb downloads, and their upload limits are drastically lower. It's not even symmetrical, so it's going to be hard to take them to the cloud unless they get upgraded.

That's part of our education process. Businesses hear so much about the cloud from the big vendors, so they want to have it, too. But they simply can't be there today with the bandwidth restrictions. We're trying to develop a private cloud offering that we can manage to help solve the issue. They may still buy their own hardware but we'll maintain it in our datacenter.

