

21. Building a Bundle that Works

I hope I didn't pack too much into the last chapter. My goal is to give you enough information so that you can put together an offering that is easy to sell, implement, and support.

Now let's look at the specifics of building and pricing your cloud offering. Please note: your offering will change over time. This is a guarantee. When we started out, we had the very basic services on the flyer mentioned in the last chapter. Since then we've added several items – including the Microsoft Office suite.

The next question is: How do you price this so it **works**. And by “works” I mean you can sell it, you can support it, and you can make a lot of money.

I'm going to discuss pricing from the only perspective I have: my personal experience. As of 2017, here's what our standard per-device pricing looks like for standard Managed Service at the Platinum level: \$500 per server plus \$65 per workstation.

With that a 10-user client would pay $\$500 + \$650 = \$1,150$ per month.

With per-user pricing, we are in the range of \$105-\$125 per user per month. So ten users would be no more than \$1,250 per month.

For those on the cloud 5-pack, we would sell two 5-packs with Managed Service option, plus a Server Lite. That's $\$599 + \$599 + \$150 = \$1,348$.

Of course your prices may vary.

But the point is: These are all very similar. All three options within

about \$200 of each other. You can mix and match as you see fit. Just don't get yourself into a situation where neither you nor the client automatically know whether something's included. If you sell the cloud 5-pack, I recommend other services be an add-on to that. For example, two cloud 5-packs plus an additional fully-managed server.

Let's take a step back and see how we got here.

Back in 2008, we decided to bundle all this stuff up and sell a bundle of five licenses for \$249. Plus a bundle of managed services for those five users at \$249. And then we provided the Server Lite onsite for \$100 per month. An average ten-user configuration was then:

2 x \$249 for cloud five-packs

2 x \$249 for managed service

+ \$100 / month for a Server Lite

Total: \$1,096 / month for up to ten users.

As the offering evolved over the years, we increased the price and the list of services included. As you can see from the 2017 pricing document, our most recent offering is:

- Managed Storage Space Up To 250 GB
- Up to 5 Microsoft Exchange Mailboxes
- Hosted Web Site
- Up to 5 User PC Remote Monitoring
- Up to 5 Machines Patch Management
- Up to 5 User PC Virus Scanning
- Up to 5 User Email Spam Filtering
- Up to 5 Microsoft Office licenses
- Up to 5 Email Archiving and Web Access
- Up to 5 Email Encryption
- Technology Roadmap Meetings

- Two Hours Free In-House Training Per Quarter

Our price for this is now \$299 per month for the core 5-pack and \$599 per month for the 5-pack with managed service. Server Lite is now \$150 per month. So a ten-user environment brings in

2 x \$599

+ \$150 / month for Server Lite

Total: \$1,348 / month for up to ten users.

You can cost this out with your preferred services, but for us the worst-case scenario would be a cost of \$190 per cloud five-pack. For ten users, that's a cost of (at most) \$380.

That's about 72% profit. Not bad, in my opinion.

Go grab the Excel spreadsheet entitled "Cost-of-Cloud-Five-Pack" from the downloads that accompany this book. Start to fill in the services you already resell. Enter your real pricing for each of these.

I recommend you highlight cells in green once you have entered your own pricing based on the services you are currently reselling.

Note: I'm not being paid by anyone to mention any brands or products. I'm just reporting the most recent stuff that we put in our bundle and what we paid for it. Your mileage may vary.

Mine looks something like this:

	<u>Source</u>	<u>Cost x1</u>	<u>Cost x5</u>
Storage - Up to 250 GB	JungleDisk	\$30.00	\$30.00
Exchange Email	Intermedia	\$12.50	\$62.50
- Outlook	Included		
- Public Folder (1)	Included		
- Activesync	Included		
- Spam Filtering	Included		
- Encrypted Email	Intermedia	\$7.50	\$37.50
- Email Archiving	Intermedia	\$3.00	\$15.00
- Company Disclaimer	Intermedia	\$12.50	\$12.50
Office 2016 Pro	Included		
Office Pro + Access	Intermedia	\$3.80	\$19.00
Basic Web Site	Dreamhost	\$1.00	\$1.00
Remote Monitoring	SolarWinds	\$1.50	\$7.50
PC Patch Management	Included		
Virus Scanning	SolarWinds	\$1.00	\$5.00
	Monthly Total:		\$190.00

Bottom line (so to speak): The most you will pay for a 5-pack of licenses is \$190. In fact, you're sure to pay less.

Unused Licenses

Quick math quiz: How many of your clients have a user population that is evenly divisible by five? Answer: About one fifth. In other words, 80% of your clients will have unused licenses.

So, if a client has 38 employees, they will buy eight 5-packs. You don't buy 40 licenses for each of these services. You buy at most 38 licenses.

And it gets better. In most organizations, only a few people need email archiving, encryption, or even Access databases. So you might

buy and deploy five licenses for each of those. But, again, if people don't need it, you're not paying for it or deploying it.

In fact, as the size of the client grows, you might even offer tiered pricing. The reason is simple: With small organizations, the number of power users is high. But as the organization grows, the number of power users does not continue to grow.

Think about an average law firm. When there are five attorneys and seven support staff, you have five or maybe six power users and six or seven people who use exactly *one* device.

A power user might have you support a desktop PC, a laptop, a tablet, a home PC, and a cell phone. But his administrative assistant only has a desktop and is not allowed to access email via phone. So the partner has five devices and the admin has one.

When an organization grows, there seems to be a natural limit on the growth of power users. For example, a client with fifty employees is not likely to have even ten power users. The majority of employees will have exactly one device to support.

Updating the Offering

I mentioned earlier that your offering will change over time. This has always been the case. But may not have been very noticeable. Now, when you have to update the bundle, it becomes much more noticeable.

My preferred strategy is to increase what's included in the bundle one year and raise the price the next. For example, in 2016 we started including Microsoft Office. In 2017 we increased the price. Clients were already addicted to the improved offering before the prices went up.

And, by the way, don't worry about what else you might put in your