

WHITE PAPER



Vendor Management:
Reduce Complexity for
Your Clients

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Introduction

IT services providers strive to reduce the complexity of selecting, implementing, and maintaining technology assets. Going a step further to manage all of the vendors that deliver IT-related services and products is a natural extension of what Managed Services Providers (MSP) already do for their clients. For MSPs, vendor management can improve your company's profitability and increase the value you provide to the customer. For SMBs, your vendor management services can greatly reduce their frustration, save time, and improve service levels.

In the traditional IT model, the corporate IT department (and perhaps other departments) managed contracts with many providers, including:

- IT services company, such as a Managed Services Provider (MSP)
- Internet provider
- Domain host
- Website developer
- Security (network, website)
- Cloud applications (SaaS)
- Copier vendor
- Telephone provider
- Teleconferencing/Videoconferencing provider(s)

In this old model, the MSP was one of many vendors, with the customer acting as the central hub between all vendors. But the old model isn't working anymore. The IT world is experiencing a great deal of convergence. For example, telephone providers are pushing hard to control internet access and teleconferencing. Website developers also offer apps. Businesses are adopting more services and solutions from the Cloud and, as they do, the number of vendors managed is growing exponentially.

Why MSPs Should Offer Vendor Management Services

There are a lot of reasons that all MSPs should seriously consider developing a vendor management service offering. Vendor management provides an MSP with a new revenue stream and the ability to more carefully control outcomes and quality of service. It is a practical position for an MSP to assume—from both the customer's and the MSP's perspective. In fact, chances are good that you are already having to perform some of the responsibilities of vendor management today—including contacting internet providers or site security if there are problems with the network. So the real questions MSPs should ask themselves are:

- Are you getting paid for the interactions you already have with your client's vendors?
- Could you build a reliable recurring revenue stream by adding vendor management to your existing services?
- Are there additional services you offer that you would be in a better position to sell to clients if you were managing their other vendors?

"The once clearly defined lines of the IT channel have all but vanished. MSPs are vendors, vendors are MSPs, the world has been turned upside down. . . we are finally seeing the birth of a true professional community of MSPs and cloud providers; a community where the end-user, not the reseller, is the primary focus."

— Charles Weaver, "MSP & Cloud Predictions for 2012,"
MSPAlliance.

Furthermore, moving into vendor management solidifies the MSP's role as the primary IT provider. Use vendor management to capture the enviable "Most Valuable Player" position before other vendors, such as telecommunications providers, attempt to step into the void.

Getting Started with Vendor Management

Before diving into vendor management, it's essential to have good processes in place in your own business. After all, your clients will now look to YOU as their primary point of contact when anything goes wrong. Many vendors will create many variables—and it's going to be your job to keep it all under control.

"The new world is one of convergence. All things are becoming data."

— Arnie Bellini, CEO, ConnectWise

For these reasons, Managed Service Providers (MSP) are in a unique position to help clients gain better control over their relationships with all of these vendors. By assuming the responsibility of vendor management, your company replaces the customer as the central hub, providing the customer with a single point of contact and gaining the ability to manage all services and solutions related to IT.

“Take control of customer relationships with phone companies, copier companies, broadband companies. As MSPs, we’re doing that management anyway, but we’re not taking control of it. Focus on vendor management and take control of your client’s data infrastructure. Add \$99 a month for managing that account. That’s \$1,200 a year for every customer. Do the math; it’s a lot of money!”

— Arnie Bellini

Follow these steps to plan and implement vendor management for your clients:

- 1. Develop pricing.** Be careful with your pricing as you develop this service. Some clients will work with better vendors than others, so vendor management can be quite time consuming. Will you offer the service on an unlimited basis? Or price the vendor management as a “time and materials” service? One way to safely test the waters may be to set a number of hours that are included in the vendor management service offering, with additional time and materials when a customer’s needs surpass this limit.
- 2. Offer vendor management as a service to your clients.** You might want to start off with a few select clients until your team has had a chance to get their feet wet and iron out any problems in the processes.
- 3. Create a new, separate agreement for vendor management.** If you use a Professional Services Automation (PSA) system, create a new agreement type called “Vendor Management” and then bundle it with your existing “Managed Services” agreement. You can still send one consolidated bill to your clients, but by creating a separate agreement type, you have a unique space to put vendor management service tickets. You can also see a separate financial line item on reports, so it is easier to analyze the profitability of your new vendor management service.
- 4. Document other vendors currently working with each customer.** For every single vendor, collect the following information:
 - Primary contact
 - Phone number
 - Email address
 - Account number
 - Account password

- Contract renewal date
- Purchase date
- Warranty number
- Warranty expiration date
- Logon information for any portal, knowledgebase, or online support
- Dial in menu options so you can speed through the automated response system
- Hours of support availability

If your PSA system enables you to build configurations, it will make the process of documenting vendors much easier. By keeping each vendor’s information recorded in a configuration, you can pull up this information instantly, anytime you need it.

- 5. Get third-party authorization for all vendors.** You’ll need this in order to control the accounts on behalf of your customer. Scan the signed authorization into your PSA system. When you’re on the phone with a vendor and they request to see the authorization, you’ll be able to find it and fax or email it more quickly.
- 6. Find a way to track service management service tickets separately.** If you use a PSA, categorize vendor management service tickets differently than other managed services tickets. This will let you track and analyze the time spent on vendor management.
- 7. Review vendors regularly.** To properly manage vendors and advise clients about vendor selection, you’ll need to stay on top of contract renewal dates. To do this, you’ll want to set up a workflow for regular reviews. You can also analyze the number of issues that come up with each vendor to determine the quality of service that vendor is providing. Are the same types of issues coming up over and over again? Is the vendor causing your customer unnecessary cost? Your clients will appreciate your reporting and your advice on these matters.

The Ultimate Goal: Migrate clients to Your Preferred Vendors

By analyzing vendor results and then managing renewals, you can help introduce better vendors to your clients as current contracts expire. If a vendor provides a service that your business already offers, you have a great opportunity to try to sell the customer your service. If you do not provide such a service, take the opportunity to move your customer to a vendor you prefer.

Working with a smaller, select group of preferred vendors empowers you to deliver better service to your clients in three ways. First and most obvious, you can help your customer save time

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“More often than not, when promoting a Vendor that you know and trust, you can generate a referral fee or a recurring revenue stream from re-selling the vendor’s product. I must stress that choosing a Vendor based purely on a favorable referral fee is a false economy – you must find a Vendor who rewards you for new business, but also has a strong product and is a good company to work with.”

— Richard Tubbs, *“The Importance of Vendor Management for MSPs,” MSPBusinessManagement.com*

and money by making sure they work with the best providers of goods and services. Second, you can react more quickly and efficiently when dealing with a consolidated group of vendors, making outcomes more predictable and easier to control. Finally, you may find vendors are more responsive when you manage more than one of their clients’ accounts.

Conclusion

Many businesses need help managing their IT-related vendors and MSPs are in a unique position to deliver that service effectively and efficiently. In many cases, MSPs are already involved in issues involving such vendors; without a vendor management service offering, time spent dealing with other vendors is probably just unpaid. As clients continue to find and embrace Cloud-based solutions and services, vendor management makes the MSP the customer’s primary advisor for all IT services, thus delivering more value to the customer.

“Clients want to deal with one person. Who do you want that one person to be?”

— Arnie Bellini

About ConnectWise

ConnectWise is the leading business management solution designed exclusively for IT solution providers, MSPs, technology consultants, integrators and developers. More than 60,000 professionals rely on ConnectWise to provide a 360 degree view of their organization to create maximum efficiency, profitability and customer satisfaction. ConnectWise clients are truly ConnectWise partners and enjoy exclusive access to a thriving user community, robust online university, user groups, online forums and business practice consulting. For more information visit www.ConnectWise.com or call 800-671-6898.

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