



# 2023 Q1 RESULTS: The Most Lucrative Target Markets And Client Types For MSPs



## How This Survey Was Conducted

In November 2022, we surveyed over 220 MSPs to determine what services generated the most profits and in what industry. Nobody was paid to respond or given any incentive to do so. Submissions were collected via email requests for them to see how they compared to their peers. Everyone who submitted the survey was provided the results once it closed.

## What Is MSP Success Magazine?

MSP Success Magazine is a print and digital publication dedicated to helping the CEOs and owners of managed IT services businesses build strong, profitable, growth-oriented businesses. Written and published by Robin Robins, founder of Technology Marketing Toolkit, this magazine is uniquely focused on the topics of marketing, client acquisition, sales, profitability, leadership and personal development.

MSP and IT Service business owners and CEOs in the US can be mailed this bimonthly magazine free. All others can get a free subscription to the digital version.

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## Who Is Robin Robins?

Robin Robins is the IT industry's most in-demand marketing consultant, sales trainer, and direct response marketing consultant who specializes in developing strategic marketing, sales and lead generation systems for MSPs, VARs and IT services companies.

Robin is the Founder of [Technology Marketing Toolkit](#), [MSP Success Magazine](#) and [Big Red Media](#). To date, her organization has coached, trained and consulted with over 10,000 IT business owners from all over the US and in 37 different countries. She currently runs the largest C-level peer group in the IT services channel for MSPs and her annual event, the IT Sales and Marketing Boot Camp, attracts over 2,000+ attendees, both in-person and virtually, every year and is sponsored by the IT industry's leading vendors.

Robin has been voted a #1 speaker at many industry events such as CompTIA's BreakAway, Channel Partners Conference and Expo, ASCII's boot camps, DattoCon and IT Nation. She has been published in VAR Business, eChannelLine.com, Sales and Marketing Magazine, Selling Power, and SMB Partner Community Magazine.

- This vast experience has given Robin a broad knowledge of hundreds of marketing and sales tactics used by some of the most successful, sales driven organizations in the world.
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**Robin Robins**

# Marketing 101: A Linchpin Question You Must Be Able To Answer BEFORE Doing Any Type Of Marketing Successfully

Let me give you one of the single most important and critical pieces of advice I know to give anyone attempting to start, grow or scale a business: **Start with the WHO, not the WHAT.** More specifically, spend the majority of your time picking who you want as a customer BEFORE you spend any time in figuring out what you want to sell.

Despite the fact that this is a critical decision for every business, the one seemingly simple but fundamentally critical marketing question I ask that stumps most MSPs is this:

## **WHO are you trying to attract as a client?**

Without that, we cannot begin to start intelligently putting together a marketing plan. If you're going to hunt, you gotta know what critter you're after before you gear up to wander the woods. Yet the most common answer to the above question (besides a deer-in-the-headlights look) is a broad brush of nonspecific, grossly generalized criteria along the lines of "Anyone with 10 to 100 computers within X miles of my office."



## **Why is that a bad answer?**

For starters, there are several sub-niches in that group that are *not* what I call "high-probability prospects," or "sweet spot" prospects. A sweet-spot prospect is someone who, if a need is present for what you sell, and you get the opportunity to present your services, should be an *easy* sale for you. A "slam dunk."

For us, that's the owner of a North America-based MSP generating between \$500K to \$10 million that has been in business for 5 years or more. That's not to say we don't get MSP start-ups as clients, MSPs generating over \$10 million or MSPs from other countries. Far from it – we have many clients like that (roughly 5% are international, based in non-English-speaking countries).

What I'm describing is the one MOST LIKELY to buy if they have a need for marketing services. So, if I'm going to spend money on marketing, it makes complete sense that I would seek to round up a list of the MSPs that meet that criteria as closely as possible, not just take a broad approach and say, "Any IT company that is sub-\$10 million."

You need to define what your high-probability prospect is too. The reason "Anyone with 10 to 100 computers" is no good is because there are way too many non-buyers in that group, and if you want to be very productive and efficient with your marketing, not wasting precious time and money, you want to focus your marketing efforts on **ONLY** slam-dunk, high-probability buyers and **REMOVE** a lot of the haystack before you start looking for needles.

Further, you cannot market to the CEO of a bank with 200 employees the same way you market to a Realtor with 10 people working from home. Both are viable markets to target, but each requires a different marketing message and media. A pediatrician's office with 2 locations and 75 people has an entirely different set of needs, concerns, questions and budgets than a construction company in the same geographic area with a similar number of employees. Again, both are viable prospects, but each requires a different marketing message, and therefore they shouldn't be lumped together IF you want maximum response.

Even in the marketing we do, our offers, copy, marketing collateral and sales presentations change if we're talking to a smaller MSP generating less than \$1 million in revenue vs. a larger one generating over \$10 million. Our marketing HAS to in order to maximize conversion and results. Even though they are both MSPs, they feel their situations are unique and each wants something "custom."

And finally, most MSPs don't have the budget or people resources sufficient to market to such a broad audience. A client in New York excitedly called to ask me for a marketing campaign to play off the SHIELD Act when it went into effect. A quick Google search revealed there were 220,000 businesses that met her criteria of "all businesses in the New York City area."

When I showed her that, she suddenly realized why that was not a sufficient description of the "who" she was aiming at. With a budget of about \$1,000 per month and zero sales and marketing people working for her, she finally understood why I was harping on her to pick the smallest viable audience to effectively target, allowing her to jump up and down in a puddle vs. the ocean in order to make a significant enough impact and generate any results.

**All of this is to make one critical point:** UNTIL you get crystal clear on the "who" part of your marketing equation, ANY marketing campaign or initiative you attempt is akin to playing "pin the tail on the donkey," wandering around blindfolded trying to find the jackass's ass. It's a surefire way to waste a lot of time on poor results and return for your marketing effort, and if you stubbornly insist on that lazy approach, it's abundantly clear where the jackass is.

## The 4 M's Of Successful Marketing Campaigns

Once you have the "who" in the equation decided, there are 3 additional components you must get right in the client-attraction formula. They are Market, Message, Media and Math.



**Market**



**Message**



**Media**



**Math**



As we've been discussing, MARKET is the chosen customer you are targeting. The "who" part of the equation and the starting point of EVERY successful campaign. ONLY when you know who you're targeting can you create an effective MESSAGE, which is what the campaign will communicate to 1) grab the attention of the right-fit prospect you want, and 2) compel them to respond to the campaign (call your office, register for the webinar, book an appointment, download the free information, etc.).

After you've correctly identified who you want to attract and have a good handle on the message and offer that will work to attract them, then the MEDIA is selected based on the target market you are trying to attract and, to some degree, the funds you are able and willing to spend (although most are far too cheap about their marketing spend and therefore don't get the results they want).

For example, if our target market is the CEO of a hospital, we are unlikely to succeed with cold Facebook ads to attract that prospect. Why? Because the CEO of a hospital is unlikely to be on Facebook looking for their next IT company. Were it me, I'd use a FedEx letter with a phone call follow-up and LinkedIn message. I would focus my dollars and time on strategic partners who can get me invited in on their existing relationship, as well as referrals. I would double down on positioning pieces, like a book and sponsoring or joining peer groups, meetups and events where CEOs of hospitals would gather.

Once you have clear Market, Message and Media strategies, then we get to MATH, which is a process of working backwards from a goal to the specific activities you need to do to get that goal. Here's how that works...

If an SDR (sales development rep) has a goal of booking at least 2 new appointments per week with qualified prospects, we need to work backwards from that number to know how many calls need to be made, connections or meaningful conversations must happen and prospects we need to reach out to (the universe of prospects, or list size). If you just start without any "Math" in place, you're *guessing*. If you don't know the right math, just starting is okay to establish a baseline, but you should have some reasonable and accurate expectations or you'll too quickly give up, thinking the campaign "didn't work" when basically your expectations (math) were off. "Just make a bunch of dials" is not a plan.

A quick story to make the point.

Several years ago, when I did a lot more private consulting, a large MSP came to me looking for advice on how to get more appointments. They had been working with a marketing firm that used telemarketing to book appointments and were unhappy with the results, wanting to hire me to fix it. The telemarketing firm they were working with was producing roughly 10 appointments per month and charging them \$100 per appointment. What they were frustrated about was that only one in 10 turned into a client, and roughly only 4 of the 10 were a right fit. So, here's how the math worked:

10 appointments x \$100 = \$1,000

4 are qualified = \$250 per qualified lead (MQL)

- 1 becomes a paying client, at a cost of \$1,000 per client
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**Here's what I told them:** I can't help you. If THOSE numbers make you frustrated and unhappy, you need your head examined. I'm not going to create something that will generate qualified leads for less than that. Yes, I could help them improve the odds with marketing and systems to ensure they don't waste their time with as many "losers" (their term) as they currently were getting, but overall, those are EXCELLENT numbers.

Another client came to me frustrated because the campaign he was running "wasn't working." After looking at the numbers, I saw that he was getting one new appointment for roughly every 70 prospects he reached out to – a 1.5% response rate. The list was a "scrubbed" (our term for cleaning a list prior to using it to validate the accuracy) list of new prospects he'd never engaged with before. I told him to stop complaining and mail MORE, not less.

Most B2B marketing generates less than 0.5% response, and his was generating 3 times the average. But because he didn't understand the "Math," he had wildly inappropriate expectations. Again, I told him there are things we can do to continually improve those odds – one being to continue to market to that list for a couple of years consistently to build familiarity and awareness, but the campaign WAS working.

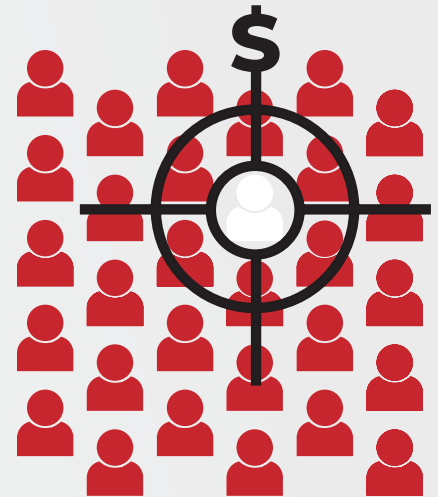
## What Is The BEST Target Market For Selling Managed Services?

Of course, a question we often get is "Who SHOULD I choose?" and "What is the BEST market to target for managed services?" The truth is, there is no "one best" target market for managed services. Every industry has good, profitable, well-behaved clients as well as cheapskates, idiots and jerks.

What you need to determine is what is a HIGH-VALUE CLIENT for you, given your current skills, resources, location, background, preferences and expertise – and then intentionally build a service and marketing message that will be attractive to that specific audience.

If you're stuck, study your best clients and figure out the commonalities. It *might not* be industry, although that is one criteria that can be used either as a niche focus or at least to narrow your targets down to a handful of industries to either target OR avoid. I've had clients discover that their best clients were women-owned. One MSP focusing on the dental niche discovered his best prospects were nearing retirement – they were getting ready to sell and needed to modernize their systems to make the practice more attractive to young buyers.

One of my clients, a very successful MSP, has identified that companies that fall under CMMC compliance are a very lucrative, high-value audience for him. Many of his competitors aren't certified and don't understand the requirements to get someone compliant, so they are NOT a good audience for those MSPs. This is why the same client may be a high-value, sweet-spot prospect to one MSP and worthless to another.



Another newer member of mine is a small start-up with limited funds. He's not targeting the companies that have 50 or more employees because he doesn't have the capabilities right now to target them, so he's targeting wealthier small business owners who are willing to pay for a premium, white-glove IT service. Many of these guys are retired CEOs still dabbling in consulting or sitting on boards of companies. They have the means necessary to pay for white-glove IT services.

The mistake is in thinking the "magic" is in the industry *exclusively* for finding high-value MSP clients. It's not. An MSP owner with a deep understanding, long background and expertise in upstream oil and gas companies' tech should at least consider that industry, even if it's not a "hot" niche – but if you truly do not like the industry you have expertise in, it's entirely possible to choose another alternative niche in which you have zero background or expertise and learn it. The key is to PICK SOMEONE to focus on.

By picking one, you can immerse yourself in their industry, trends, language, opportunities and history. You can figure out what conferences they attend, who's influential in that industry, what vendors they use and associations they belong to. You can learn the trends impacting them and the problems they're struggling against. You can learn who the current players are (competition) and know where they are weak, allowing you to strategically create something new and unique they aren't currently getting that will open up their wallets.

## What You Can Learn From This Survey

Recently, we conducted a survey via *MSP Success Magazine*, asking, "Who is your most profitable managed client?" No surprise, it's a business with 11 to 50 employees in a variety of industries (*see the enclosed infographic for the details*).

While this is interesting to see, it still may not help you answer the question about who you need to target, talk to and center YOUR business on. Marketing firms are low on the list, but is that because they truly are crappy clients or because nobody is focused on them? We happen to spend \$15,000+ a month in outsourced IT support. Perhaps my MSP would argue differently, but we're far from a crappy client that won't spend money on IT.

So as you look at this, use it for anecdotal information, not as a definitive sign of who YOU should target as a customer.

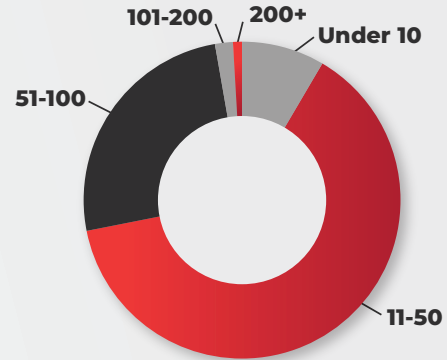
I'll end where I started, in saying that every business needs to clearly define who they want as a customer first and foremost and then put all their time, energy and effort into building a BUSINESS that is highly attractive to that customer. Anything less is a recipe for being "just another" IT firm in a sea of sameness, which ultimately leads to slow growth and average or poor profits. Be FOR someone, not everyone.

- Never, ever forget YOU choose your customer, and then reinforce that choice with every decision you make. **Choose wisely.**



# 1 How Many Employees Is The "Sweet Spot" Managed Services Client? (Participants Selected One)

Value	Percent
Under 10	8.5%
11-50	63.4%
51-100	25.4%
101-200	1.8%
200+	0.9%

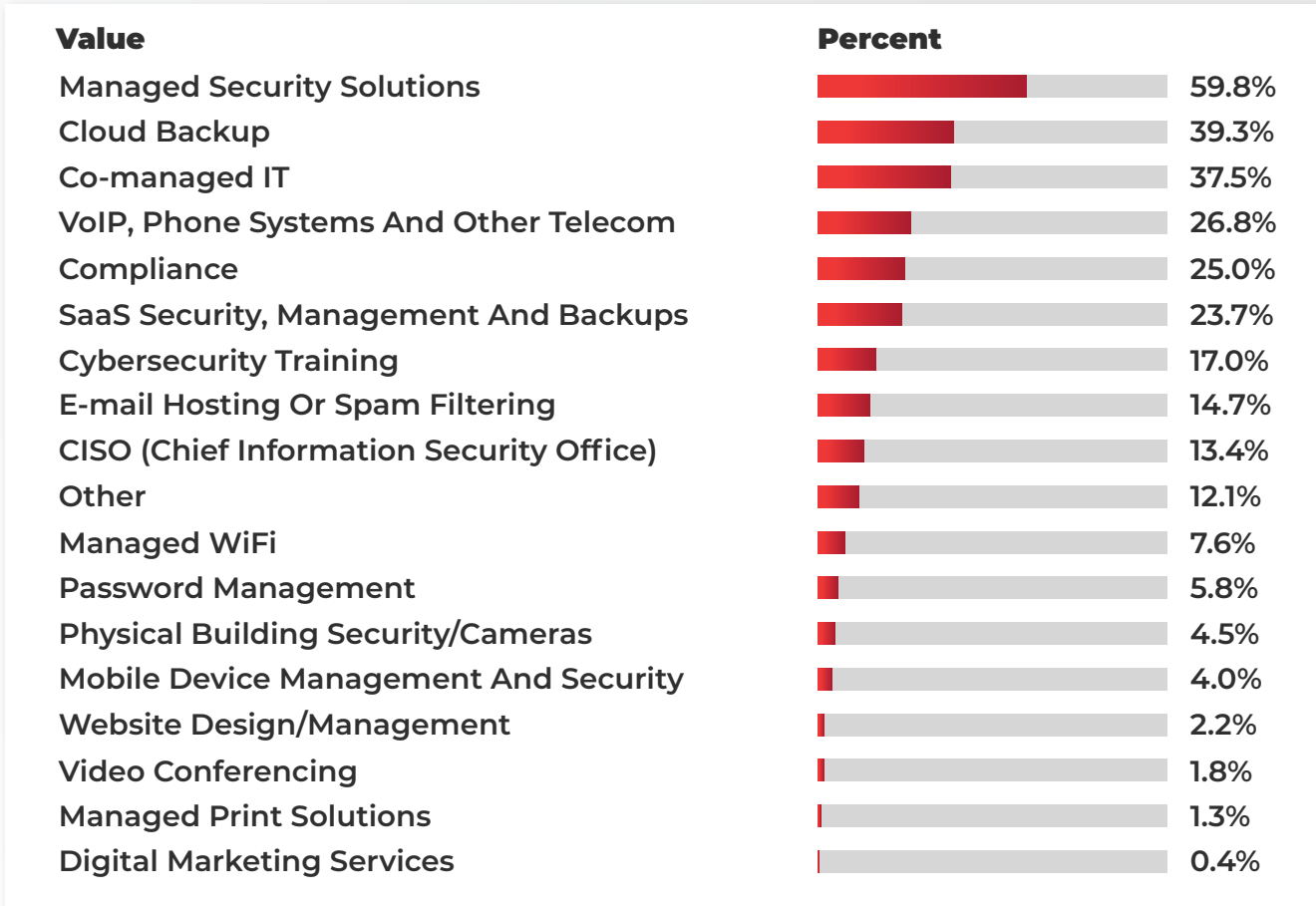


# 2 What Industry Is The Most Profitable For Selling Managed Services? (Participants Selected All That Apply)

Value	Percent
Manufacturing	41.5%
Legal	36.2%
Accounting/CPA	34.4%
Financial Services	33.0%
Medical	33.0%
Construction	25.9%
Engineering	23.7%
Insurance	16.1%
Nonprofit	13.8%
Architecture and Planning	12.9%
Government/Education/Municipalities	12.9%
Real Estate	8.9%
Consulting	8.5%
Oil/Gas/Energy	8.5%
Other	8.5%
Automotive	6.7%
Marketing/Advertising	5.8%
Hospitality	4.9%
Retail	2.2%



### 3 What Are Your Most Profitable Services? *(Participants Selected All That Apply)*



## Special Offer Just For You:

### The Missing Piece To The Puzzle That Can Double, Triple Or Even Quadruple Your IT Services Business, Absolutely FREE!

Get a personalized strategic marketing planning session with one of my most experienced Business Coaches, PLUS our proprietary IT Marketing Roadmap that we have perfected over the last 20 years, working with over 10,000 IT services firms. This roadmap will show you how to approach the process of implementing a marketing plan to fuel sales, attract more QUALITY clients and reveal hidden opportunities for growth and profits I can guarantee you're blind to or grossly negligent in capitalizing on.

There is **no charge for this**, and it only requires you to complete a confidential Marketing Analysis Questionnaire so we can prepare for your private consultation. This call will last approximately 60 minutes, but during that brief time we will show you NEW possibilities, NEW opportunities and reveal why you're struggling.

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