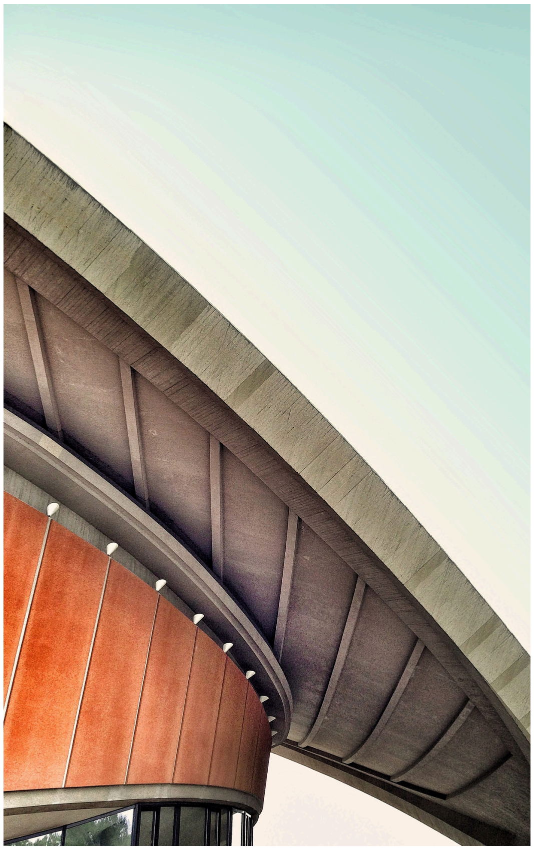
15 METRICS:
HIGH-GROWTH VENDORS SHOULD BE TRACKING IN THEIR MSP/MSSP PROGRAMS



BACKGROUND

Data ChannelSales.AI has gathered while working with startup/scale-up companies suggest that the annual growth rate of MSP/MSSP program revenues for technology companies exceeds 30% - outpacing the average growth rates for direct/indirect “New” revenues (non-MSP/MSSP). In short, successful MSP/MSSP programs have undoubtedly been the rising star in the economic engine of technology companies for the last 5+ years. Given this success, more and more vendors are launching programs to take part in this growth. Unfortunately, many are finding that this is not a “if you build it, they will come” proposition.

OBJECTIVE

This document was created to provide guidance to those organizations who are considering launching an MSP/MSSP program or those who are seeking better understanding of how they might gather better insights into how to increase the predictability, profitability, and scale of their programs. It does not matter if you are a 20-person, SaaS start-up or a $1B scaling company; you will need to be able answer these two (2) questions:

1. How will we make our MSP/MSSP program offering successful and what is required to enable/support it?
2. What is our sustainable financial model for building, landing, delivering, expanding, and renewing partners and their customers of our offering?

Given our experience, we’ve condensed the metrics we believe will provide the best insights to you and your teams. While there are hundreds of metrics and KPIs, these will help you identify opportunities, gaps, and or let you know when it’s time to “Nail it and then scale it”. Nail these metrics – you can feel confident in stepping on the gas.

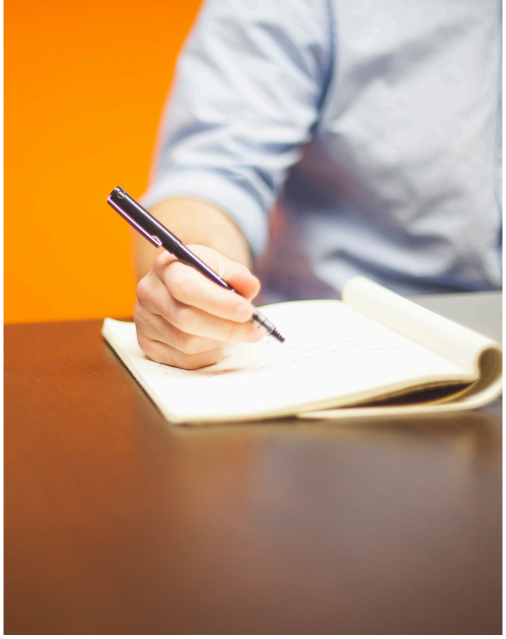
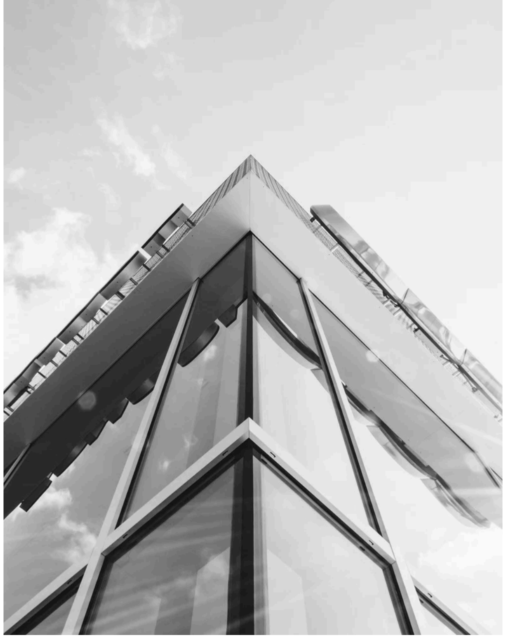
WHY THESE METRICS

The following metrics will give you a holistic view of your program while providing headlights on what's working and what's not. Our first words of caution will be this: "Waiting" to implement reporting on these metrics is typically the first mistake. Your ability to report, internalize and respond to these is as important as the product fit for your MSP/MSSP program. The implications to your GTM, cash and retention are considerable when there's not a fundamental understanding of these collective metrics. Plan on being successful and consider where reporting will break at scale. If it will break, you should consider alternative ways to gather your data.

Important note: All the following metrics should be tracked Month-over-Month (MoM), Quarter-over-Quarter (QoQ) and Year-over-Year (YoY). Understanding how you're trending over time is where improvement lives. We will first break out the metrics and then define each of them. As you review them, think about what you have insights in to today and whether your systems are set up to deliver on these metrics.

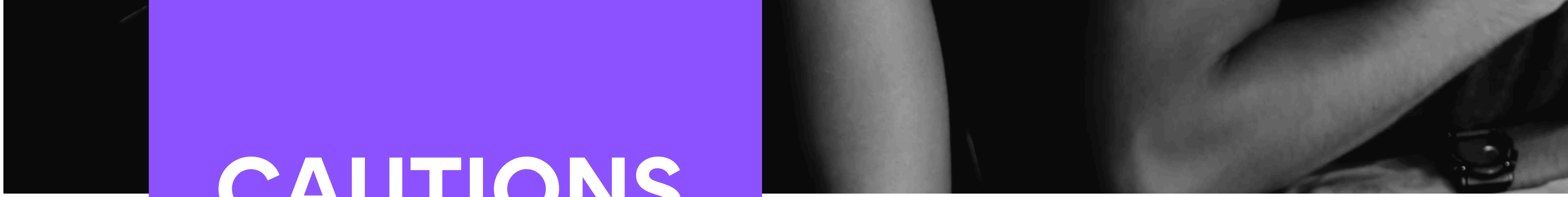
METRICS THAT MATTER

"Sales metrics are connected to other business functions and can indicate important growth insights"

15 Metrics that Matter

1. Pipeline Create - *including* Net New MSP & Net New Customers by MSP
2. Monthly Recurring Revenue (MRR) and ARR (x 12)
3. Net New MSP/MSSP Partners to Business
4. Net New Customers to Business
5. Expansion/Contraction across entire MSP/MSSP Program
6. Expansion/Contraction by MSP/MSSP
7. Average Contract Length: Net New Partner (MSP/MSSP)
8. Average Contract Length: Net New Customers
9. Cost of Customer Acquisition
10. Saturation of MSP/MSSPs by Region
11. Time to Close (Deal Aging) *including* *Partner: Identified to Closed Won • *Partner: Time to first 3 customers signed • *Partner: Time from last customer signed
12. Average Deal Size (New Customer - MRR and ACV)
13. Average # Support Tickets per MSP/MSSP
14. Outstanding Issues
15. Sales Expense (Paid Programs, Headcount, etc.)



CAUTIONS

THREE (3) CAUTIONS IN REPORTING:

Unsure how you will implement these? We can help you with that.

- **Waiting to implement Metrics.** Biggest issue we see. Do NOT wait. This is a recipe for disaster and unintended consequences. Your systems will not be ready to report on these out of the box. Most CRMs/quoting tools, ERPs, etc. aren't. That's not an excuse for not implementing and reporting on these metrics.

- **No definition of "Customer"**: This will drive how you report and what changes may be needed in your systems. o Example: You have 2 MSP partners who sign up 5 customers each. Do you have 2 customers? 14 customers? Or 10 customers? Do you have a unique identifier for you to keep up with this? Is it factored into your licensing/SKUs? Order placement process? Telemetry?

- **No Alignment on Telemetry**: This varies by every product; however not having any telemetry is a significant disadvantage. This will limit possibilities more than whether your solution is "multitenant" or "federated". Figure out what you can glean from your telemetry and where gaps are.

- **Reporting on MSP/MSSPs like VAR (Resellers)**: RevOps/SalesOps are the biggest offenders to making the assumption that resellers and MSP/MSSP can be reported on in much the same way. NO. Don't let this happen. It will throw off your reporting/assumptions as well as tax requirements (tracking) as resale and MSPs are treated differently. Expect you'll have a difficult discussion with your finance team if they can't distinguish and partners are challenging their invoices all the time. Engage with ChannelSales.AI on this as this is essential

DEFINITIONS OF METRICS

Don't assume teams all agree on definitions. We're a product of our experience so work through (and write down) what your definitions are.

"WHEN DONE WELL, THE AVERAGE ANNUAL GROWTH RATE SHOULD EXCEED 60% AND/OR FAR OUTPACE GROWTH REVENUES OF PRODUCT REVENUES"

We've outlined each of the metrics we deem essential for running your MSP/MSSP channel offering. When done well, the average growth rate of your program should exceed 60% and/or far outpace growth revenues of products sold directly to customers. Additionally, your CAC should be substantially lower.

DEFINTION DETAILS

Gaps, issues, or trends to watch out for

Pipeline Creation (Opportunity and Value): Understanding how much pipeline you're building by both # of opportunities and Value ($$) of the same. Track both to gain an understanding and drive more predictability or trending.

MRR/ARR: (Monthly Recurring Revenue/Annual Recurring Revenue: Track both. Far too many organizations are tracking ARR (Annual Recurring Revenue) and that has issues. Implications of cash, contracted revenue, etc. For the most efficient business discussions, consider adopting the term "GAAP Revenue" for discussions relating to accounting and income statement/P&L performance, and "ARR," or "MRR," for subscription metrics and analytics.

Net New MSP/MSSP Partners to Business: Differentiate Partner from Customer "New Logo". You'll thank us later; however, your understanding of the differing dynamics of this part of your program is essential to scaling.

Net New Customers to Business: See above. If you can't track this, something is potentially wrong with your SKU, packaging, licensing, and/or delivery process. This is a good litmus test to whether there's a gap in your program. Blending Partner Logos with Customer Logos will create a lot of friction for the entire ecosystem (Ops, Sales, Enablement, CS, the MSP/MSSP partner, customer, etc.).

DEFINTION DETAILS CONTINUED

Expansion/Contraction across entire MSP/MSSP Program: In a perfect work you can report on a MRR expansion on a weekly or monthly basis. Understanding whether your program is 'expanding' or 'contracting' is essential to your business and responding in a timely fashion before the end of a Qtr. Where contraction hurts the most.

Expansion/Contraction by MSP/MSSP: Much like above, you want to be able to isolate where you may be seeing partners contract, stall or expand. This level of detail will enable better insights for your teams to respond to as you scale.

Average Contract Length: Net New Partner (MSP/MSSP): These should not be M2M but rather 1-, 2- or 3-year contracts. Understanding this will help you identify where you may be able to improve your overall value proposition and/or increase value.

Average Contract Length: How long are the contracted terms. This will have a direct impact on your Gross Retention numbers along with predictability when it comes to building your model. We have seen significant disconnects when it comes to cash, especially when your contract length dips below 12 months. More programs are moving to Month-to-Month (M2M) or Pay-as-you-Go (PAYG). **Make sure that you're in close communication with finance. Surprises are typically unwelcome.**

Recommendation: Make partner sign-ups annual if not multi-year at a minimum. Do not sign-up partners on a M2M basis or PAYG. The cost of onboarding, enabling and servicing these accounts is too high otherwise.

DEFINTION DETAILS CONTINUED

Cost of Customer Acquisition: You should look at this metric to find out whether the marketing efforts you're using are viable and able to generate enough leads. The cost per lead can also be used to assess whether you're charging enough.

Note: Content is everything here. Do not launch without a Program Guide, MSP/MSSP Deck, Pricing model and Services Catalogue (for recommending how they price/package)

Concentration of MSP/MSSPs by Region: this is something you'll need to watch sooner than you might think. Early, many vendors will take all MSP/MSSPs they can get; however, you're going to find that this is not a great strategy longer term. Creating a highly competitive environment is good; however, oversaturating a region (example: South Africa) with too many MSP/MSSPs will only create frustrated partners who are driving margins down on the solutions they provide. There is no exact number; however, listen to your partners. When you start hearing a pattern, it's important to listen. Positioning this as part of your strategy can also be a big differentiator to partners; moving them to sign sooner.

Time to Close (Deal Aging): This is the time taken to close a deal. It's calculated from the time a Opportunity is identified (Created) to when the deal is closed. This key metric can tell you a lot about the effectiveness of your value proposition, positioning, and pricing. This metric also helps you determine when you should start looking for other clients to drive consistent revenue growth.

- Partner: Identified to Closed Won
- Partner: Time to first 3 customers signed
- Partner: Time from last customer signed

Breaking out the above gives you further insights into up funnel, onboarding, enablement, and engagement across your program.

DEFINTION DETAILS CONTINUED

Average Deal Size (New Customer) This metric helps you find the average price of the contracts closed in each period. Average deal size also gives you insights on the type of partners (and partner prospects) that deliver the highest revenue for your businesses. For instance, if the average deal size of contracts for cloud services overtakes the overall average deal size, then you can focus more on cloud services to drive consistent growth of revenue. Licensing models will influence this but understand this cohort and see how it trends over time.

Average # Support Tickets per MSP/MSSP: This will largely identify where partners need more enablement assistance.

Outstanding Issues over Time: How many issues are still unresolved on a weekly, monthly, and quarterly basis? If the number is too high, you need to understand why. You may need a better product fit for MSP/MSSPs, better processes, better documentation, more automation, or more employees.

Sales Expense: Building on the topic of sales spending, MB365 has seen the range go anywhere from 6% to 14% of your total ACV (or MRR depending on your company's compensation plan).

SUMMARY

As you can see, driving your MSP/MSSP program forward is an organizational commitment. That doesn't mean it has to take a long time. Moving with urgency is always the order of the day. MB365 can help eliminate a lot of the unnecessary mistakes that can (and likely will) be made as you stand up your program. Alignment between Finance, Product, Marketing, Sales and Ops isn't easy but entirely possible. Valuations depend on it!! Need more information or want to discuss your program? Reach us at info@ChannelSales.AI.com

CONTACT US

We are Operators, not just consultants.

We’ve been Revenue leaders in pre-post IPO companies ranging $0 to $250M. We fully appreciate the needs of GTM teams, partners, and customers. Developing content/training specific to your needs and building processes to reinforce through operational rigor --- is what we do. **"Results of Consequence"**

THANK YOU!

ANY QUESTIONS?

Contact us at ***info@channelsales.ai***