



Increasing Profitability Through Delivery of Managed Services

Overview

Country or Region: United States

Industry: Hosting

Partner Profile

Based in Ft. Lauderdale, Florida, Courtesy Computers is a 21-year old, privately held managed services company serving small to midsize companies throughout the United States.

Business Situation

Courtesy Computers started out delivering white box hardware and infrastructure maintenance services to small and midsize insurance agents. To enable the company to grow, Courtesy needed to find new ways to interact with and serve its customers.

Solution

Courtesy Computers moved into the managed services arena, where it meets its customer needs with a variety of hosted services, including hosted Microsoft Exchange services from AppRiver.

Benefits

- Greater profit margin
- More opportunities to engage customers proactively
- Greater customer “stickiness”
- Greater ability to partner for optimal service delivery

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Tim Woodcock, President, Courtesy Computers

After many years of providing hardware and support services to insurance agencies, the owners of Courtesy Computers wanted to find new ways to engage customers and expand their business. They knew the needs of small to midsize organizations and knew that hosted software services offered great advantages—particularly for firms without a dedicated IT staff. Yet Courtesy’s owners were concerned about the resources it would take to build a hosted services business. Their solution? Turn Courtesy Computers into a *managed services* company and meet customer needs by reselling the enterprise-grade hosted services of established hosting companies such as AppRiver. By providing a comprehensive suite of tightly managed services, Courtesy has repositioned itself to serve the needs of its customers better, expanded its business, and increased its profit margins significantly.



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Situation

Courtesy Computers had been in the business of supporting customers in the insurance industry since the early 1980s, primarily selling and supporting white box computing systems configured to meet the needs of small to midsize agencies. While the business was growing, profits were not, and that proved to be a growing source of frustration for Courtesy’s owners. “We were all reactionary,” says Tim Woodcock, president of Courtesy Computers. “We were only doing about 17 percent ‘reactionary’ professional services; the rest was selling hardware and materials. We needed a way to make the phone ring more.”

Woodcock’s solution was to transform Courtesy Computers from a hardware and services company to a ‘proactive’ managed services company. He developed a solution that could provide Courtesy’s customers with secured online backup services. He began researching the possibility of becoming an application service provider—but then determined that that was not a role he wanted Courtesy to perform at this time. Instead, he forged relationships with existing application service providers, such as AppRiver, whose hosted Microsoft® Exchange-based messaging and collaboration services he could resell to his customers.

When Woodcock combined these service options with the expertise that Courtesy had developed over the course of meeting the needs of small and midsize organizations for more than 20 years, he found his company thrust into precisely the position he wanted Courtesy to occupy: that of managed service provider and trusted advisor. With that, not only did the business grow—so did company profits.

Solution

Services—not hardware—are now the heart of the solutions offered by Courtesy Computers.

With the knowledge and skills acquired over the course of 21 years in business, Courtesy’s 15 employees can provide small and midsize companies with a range of services that they might be hard-pressed to obtain on their own.

“Having been in business for so long, we know what best practices are,” says Woodcock. “We can go to industry trade shows and talk about how companies, particularly in the insurance industry, which we know quite well, can comply with the new regulations they face. A lot of these companies simply have no idea how to provide the kinds of security measures around data that HIPAA [Health Insurance Privacy and Accountability Act], Sarbanes-Oxley, and other regulations require. We understand the best practices around these requirements, which puts us in a position of being a trusted advisor. At that point, we can make recommendations, do integration, help them develop IT and upgrade strategies, and act as a link to other vendors to get them the services they need to operate efficiently and in a manner that is compliant with the relevant regulations.”

Establishing a Baseline

One of the key services that Courtesy has developed is a baseline assessment survey. For as little as \$90 per seat, Courtesy can go onsite and analyze the state of a company’s IT infrastructure. They review everything from the state of the company’s telecommunications circuits and computer cables to the state of its hardware, software, and policies. Then, it presents its findings and recommendations, based on the customer’s business needs.

For many companies, particularly those without full-time IT organizations, what Courtesy presents constitutes real value. The companies then know their IT strengths and vulnerabilities; they know what they need to

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do to streamline their operations, and overcome issues that could cause them to lose productivity and/or data.

Winning through Relationships

With the knowledge of that potential long-term customer’s IT strengths and vulnerabilities, Courtesy is in a position to develop a service strategy to help the customer. Certain services it can offer on its own: the management of the corporate network for increased availability and performance, for example, collaborative Web sites based on Windows® SharePoint® Services, and offsite data backups for regulatory compliance and security.

For other services, however, Courtesy discovered that it was more profitable to work with a network of proven service providers who can deliver the best-of-breed business services that Courtesy’s customers’ need. “Our customers need enterprise-class messaging and collaboration services,” says Woodcock, “and we looked at evolving a business based on hosted Microsoft Exchange. But that wasn’t the right evolution for us. If we’d tried to do that, we’d be spending all of our time trying to build that business in order to become profitable and we would not have the energy to focus on the broader managed services business.”

So Woodcock turned to AppRiver, which offers hosted messaging and collaboration services based on Microsoft Exchange Server. AppRiver has already made the investments in hardware, software, and infrastructure; its personnel are already skilled in managing and maintaining a hosted Exchange service, so Courtesy Computers did not have to ramp up on that. As a result, when Courtesy’s business baseline analysis reveals that a business could benefit from the enterprise-class functionality of Microsoft Exchange, Woodcock can meet that company’s need with the AppRiver offering.

Woodcock has also forged relationships with other high-quality service providers around the country, who can provide a rapid local response if one of Courtesy Computer’s customers has a problem that requires an onsite call in a location that’s too far from Courtesy’s headquarters in Ft. Lauderdale, Florida to service themselves. By creating reciprocal arrangements with other value-added service providers in different parts of the country—with putting explicit non-compete agreements in place—Courtesy has been able to deliver on its high service level agreements, even with customers who are not local. Conversely, Courtesy can be called upon by those distant value-added service providers to help a Ft. Lauderdale customer who needs onsite expertise, and Woodcock’s team responds as if that customer were one of their own. And Courtesy charges a service fee to the distant service provider whose customer they have supported, as the distant service provider would if it had supported one of Courtesy’s customers.

Benefits

For Courtesy Computers, the decision to become a managed service provider enabled the company to expand its business and its profits in ways that its old business model could not when Courtesy focused on delivering reactionary services, hardware and infrastructure components. Some of its managed service offerings yield comfortable margins today, while providing proactive services that significantly increase their customers productivity and profits. And Courtesy has gained those increased profit margins without having to make huge investments in infrastructure and personnel to gain them. A well-considered evolution that capitalized on the companies experience and knowledge has been the key change to the business model.

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Tim Woodcock, President, Courtesy Computers

Today, the majority of Courtesy’s business involves managed services for companies with between 10 and 200 users. Courtesy has branched out from an exclusive focus on the insurance industry, too. Today, 60 percent of its clients are in the insurance industry; the remainder belong to industries that run the gamut from medical billing to legal, hospitality, and country clubs. Business is nationwide, now, too.

The Right Tools in the Kit

For Woodcock, the fundamental question where software and services is concerned is not whether Courtesy owns the business. The question is whether or not he has the right tool in his toolkit to meet his customer’s needs. That’s where the relationships with companies such as AppRiver are critical.

“Having the right tools in our toolkit can give us access to customers that we might not otherwise be able to support,” says Woodcock. “Microsoft and Microsoft Exchange are brands that our customers want. They trust Microsoft Exchange and they want the professional functionality that Exchange can deliver. But they don’t want to do it themselves, which is where a hosted solution becomes an attractive option. AppRiver can provide Hosted Exchange much better than we could, and by providing AppRiver’s service to our clients we are able to provide our customers with the strong, reliable service they want—and those clients still get one-stop-shopping from us. AppRiver is totally focused on delivering excellent Hosted Exchange service, and that means we can focus our energies on providing the excellent managed network services and managed backup services that we do so very well.

“Our relationship with AppRiver is one of those things that helps us maintain that trusted advisor status with our customers,” Woodcock continues. “They see that we’re

able to produce the kinds of productivity tools that they really need in their offices, and that enables us to promote additional services that might otherwise receive a cold reception. Our customers tend to listen to us more now, and the more they listen to us and work with us the more they come to view IT as an investment in their business success and not just an expense. These are long-term relationships, not just short-term fixes.”

Reducing Churn with Value-Added Services

One of Woodcock’s old frustrations involved waiting for the phone to ring. He wanted to evolve Courtesy Computers in a way that would enable the company to be more proactive and less reactive. Today, he has achieved that. As a managed service provider, he has learned that good business involves more than stopping thousands of mail-borne viruses and keeping customer’s servers running on a round-the-clock basis. It’s vitally important to let the customer know what they are *not* seeing and experiencing—so Courtesy’s account managers sit down with their clients on a monthly basis and talk about how many Trojan Horses their services kept out of the network, how much spam they stopped, how many trouble tickets they processed, and with what kinds of response times across the board.

“The value we add by helping manage all of their services is critical,” says Woodcock. “That’s what keeps us in the ball game. You create stickiness with clients by working with them—not with a set-and-forget approach to service. We need to have sound, reliable services like those that AppRiver can deliver to our clients, but we also need to be there at two in the morning if they’ve got a question they need answered when they’re in there working the late night hours. We stay on top of their licensing renewal dates, their telecommunications systems renewals, everything, 120 days before they need to

renew their Telco contracts, we've got reminders going off in our offices so that we can start talking to the Telcos and negotiating lower contract rates for them.”

Developing a deep understanding of the customer's business and needs is also critical. Many of the smaller companies and agencies with which Courtesy works find they need ways for their employees to collaborate but have no idea what technologies might facilitate that. Woodcock can introduce them to Windows SharePoint Services and show them just how a hosted SharePoint solution could meet their needs. When they feel the pain, he says, they understand the solution in seconds.

For now, Courtesy will continue to support its smaller customers with its own hosted SharePoint services offering. As their needs grow, however, he may look to a larger hosted service provider to provide that service in the same way AppRiver provides support for Hosted Exchange.

“It's all about delivering the right services to the customers,” says Woodcock. “We don't need a big bag of tricks to do that. We just need the right bag of tricks. Microsoft provides powerful, mainstream solutions, and our clients are very happy to use them. Microsoft has always been very responsive when we have questions, and that's what we need in a company whose products we're going to promote to our clients. AppRiver, too: The trust is there; the company has proven its ability to deliver. And the fact of the matter is, working with AppRiver enables us to get a Hosted Exchange service out to our customers faster than we could ourselves—and we're making more money by having AppRiver do it.”

For More Information

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For more information about Courtesy Computers products and services, call (954) 321-8605 or visit the Web site at: www.courtesycomputers.com

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Document published November 2007

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