Where revenue leaks in managed IT and MSPs

MSPs bill in several overlapping ways at once: recurring per-seat and per-device contracts, project and ad-hoc work, licence recharges and usage overages. Seat and device counts change constantly, so the invoice quietly falls out of step with what was actually delivered, and small monthly gaps repeat until someone reconciles them.

WHERE IT LEAKS

Seat and device drift

New users and devices are onboarded faster than the contracted quantity is updated, so the monthly invoice sits below the true per-seat or per-device run-rate.

Licence and usage recharges billed short

Vendor licence costs land in the ledger and overages accrue, but the matching recharge is never raised, billed short, or lost to stale FX when a dollar licence is recharged in sterling.

Managed-service charges that quietly stop

A recurring monthly retainer stops appearing for a client who is still being served, often after a migration or billing change, and the gap goes unnoticed.

Failed Direct Debits on retainers

Monthly retainers collected by Direct Debit fail and are never retried or chased, so an invoiced month simply never reaches the bank.

Unbilled project and ad-hoc work

Project hours and out-of-scope call-outs are delivered but never make it onto an invoice, or are billed below the agreed rate.

Duplicate charges and unapplied credit notes

The same project or licence line is invoiced twice, or a credit note raised for an offboarded seat is duplicated or left unapplied, moving money the wrong way.

THE SCALE

Revenue leakage across a business is commonly estimated at around 1% to 3% of turnover, so on an MSP turning over £20m, purely as an illustration, that is roughly £200k to £600k a year. Direct Debit is often part of it: GoCardless has observed that about 2.9% of Direct Debit payments fail, across roughly 55,000 businesses.

HOW IT IS FOUND

It is found by reading your own invoices, payments and ledger data read-only, with no change to your billing systems, and it usually surfaces within days.

COMMON QUESTIONS

What causes most revenue leakage in an MSP?

The biggest sources are usually under-billing where seat and device counts have grown past the contracted quantity, licence recharges that are missed or billed short, and recurring retainers that quietly stop or fail on Direct Debit. Because MSPs bill in several overlapping ways at once, small gaps repeat every month until someone reconciles them.

How is this different from running an aged debtors report?

An aged debtors report shows invoices you raised that have not been paid. Revenue leakage is the money that was never invoiced correctly in the first place, or that failed on collection and was never chased, so it often never appears on a debtors report at all.

Can you really detect this from finance data alone?

Yes, for anything the numbers reveal: duplicate charges, invoices below the per-seat or per-device run-rate, recurring charges that stopped, failed Direct Debits, short payments and unapplied credit notes. It will not judge contract-clause wording, only show where an invoice sits below what your own data implies it should be.

If it is useful, you can get your own number for free from a read-only look at your finance data, with nothing to install and no obligation.

Get your free number