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**White Paper**

**MSP**

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# Managed Services Provider Whitepaper

## Managed Services Providers in the Cloud – Market Overview

The managed services market was valued at USD 185.98 billion in 2019, and it is expected to reach USD 356.24 billion by 2025, registering a CAGR of 11.5% during the forecast period of 2020-2025. The market for managed services is going to be fueled by the increasing shortage of expertise with businesses becoming more technology oriented. Furthermore, due to rapid digitalization, the companies are required to continually innovate and upgrade their infrastructure to remain competitive.

The managed services allow the business to outsource certain aspects of their IT requirements to a third-party service provider. The companies can reduce costs, boost productivity, and enhance performance without spending time on implementation, maintenance, and upgradation of their IT related infrastructure.

It is estimated that the year-on-year capital expenditure by small and medium businesses toward these services is estimated to increase by 25%. The market for SMBs and cloud services is expected to take a bigger share, despite the slow growth rate of the overall IT expenditure in SMBs, as per a recent survey conducted by Spiceworks.

According to the report published by the Technology Services Industry Association (TSIA) in 2020, about 81% of the MSPs were using commercial off-the-self tools, to provide a customized solution to their clients. Additionally, the focus of the industry is slowly shifting toward standardization of managed services with 68% MSPs offering a standard solution.

## Trends to look forward in 2020

### Emerging technologies like IoT and Blockchain

With forecasts expecting there will be **20 billion connected devices in the world in 2020**, the [Internet of Things \(IoT\)](#) continues to gather larger sets of data and manage more infrastructures around the office every year.

New digital transformation trends include employee performance monitoring systems, automated device diagnostic, and maintenance, as well as increased use of human-to-device interactions by using voice recognition technologies. IoT devices are also driving the growth of edge computing, moving more of the world's information processing from centralized servers to distributed edge devices.

Emerging technologies like Internet of Things (IoT) can create big opportunities for MSPs. Per a [report](#), the number of IoT devices that are active is expected to grow to 10 billion by 2020 and 22 billion by 2025.

Organizations need deep skill set and understanding to use these technologies. Competitive MSPs can identify this gap and gain substantial knowledge on these emerging technologies. It can help them to increase their value.

In the upcoming years, SMBs are also projected to adopt AI, virtual reality, augmented reality and other latest technologies.

### **More Movement (and Complexity) in the Cloud**

Cloud is increasingly being used to build new platforms for enhancing customer engagement to meet digital transformation needs of the enterprises. Application of multi-cloud environments is seeing a huge growth, wherein customers are relying on one cloud heavily, while using the other sporadically. Here, MSPs can avail the big opportunity by offering consumption-based pricing models.

We can expect to see fewer on-premise servers in 2018 as SMBs will continue to move more servers to the cloud. Why? Because they think it is safer, less expensive and more reliable.

At the same time, this will give way to a new major challenge for SMBs: complexity. This movement to the cloud means access from anywhere, but it also means more accounts to keep up with and [more data spanning from the cloud to on-premise](#). What's more, it means more to manage and more to protect.

Long-term data retention driven by compliance will continue to benefit from the expansion of highly durable and secure long-term storage options from Amazon, Azure, Google, IBM and others. These technologies also provide a good alternative for offsite backup.

Overall, it looks as though service providers will need to shift their organizational focus and economics from service delivery to becoming better in-tune with their market and selling against their needs, or they could struggle to survive beyond 2020

### **The unprecedented rise of Automation**

The increasing amount of automation in IT environments can replace a substantial amount of work. MSPs can expect the workloads to decrease with every contract, as most of the operations become automated. Here, by including automation solutions in their key offerings, MSPs can make a competitive advantage.

One of the crucial processes that most companies are taking advantage of is automation. Whether it's in their production, paperwork, or even in their marketing, there are a lot of ways that basic tasks can be automated to save precious time and resources.

MSPs that can automate mundane tasks can offer a lot of opportunities for organizations to expand their business. There is a shift towards automating manual tasks to save organizations money in the long run and free up their specialist staff to work on higher-level processes.

The reduction in mundane activities or “busy” work also has great effects on morale because it is the elimination of work that is considered boring or unpleasant.

Providers should focus on the automation of mundane tasks to get an edge over the competition.

At its core, three areas to help MSPs deliver end-to-end customer experiences and stand out from the pack are -

1. **Automated Documentation** integrated to your PSA configurations for always up-to-date info, including historical timelines that allows for rewinding and continuous auditing.
2. **Actionable Alerts** to monitor best practices on critical systems and detect critical configuration changes, integrated with your PSA for full-loop ticket integration.
3. **Reporting and Metrics** for cross-customer system reporting on the cloud, network, apps and servers, with quick export of deep system information to Excel.

### **Rising concerns over security**

The connected world has its benefits, but as our dependence on computer networks continues to rise, so do threats to everyone’s cybersecurity.

The worldwide spending on security-related hardware, software, and services is expected to reach USD 120 billion by 2022. Rising security threats, regulatory compliance, and fear of data breaches is likely to continue to drive the security investments across various industries. Many major organizations are adopting managed security services, to help maintain security within an organization.

We are moving towards a market that prioritizes security before everything else, and MSPs have to start adapting. This means providing more robust security platforms that are integrated with their services and being able to respond quickly to threats.

Clients want to know that their data and networks are safe. The average cost of a data breach this year is [\\$3.92 million](#). Compromised resources can destroy a company financially and tarnish its reputation, preventing it from doing business in the future.

This is why there has been a shift in focus towards MSPs that provide excellent security.

There could be talk about zero-trust security in the MSP industry, and this could lead to further developments.

Some MSPs specialize in security alone – Managed Security Services Providers (MSSPs) – but it is expected that even regular MSPs be able to protect the networks and the assets that it manages.

Security solutions that can respond to threats swiftly and plan different ways to combat issues are being prioritized, and this doesn’t just affect large businesses because attacks on SMEs can be conducted as well.

## Standard processes and SLAs

MSPs provide services as per Service Level Agreements (SLAs) that define the level of service expected in a particular period of time. By laying out all the metrics beforehand, they provide greater accountability and assurance to businesses which are already apprehensive of employing third-party technological resources. This is a critical component of any contract with a technology-based MSP that makes it easier for businesses to prepare their strategies and future policies considering the goals mentioned in the SLA. Standardization and streamlining of processes also help a business minimize its 'time-to-market' as standardization ensures greater stability, predictability, and flexibility of operations.

## MSPs Best Practices

### Adopt a Smart Pricing Model

Deciding what services to offer at what prices can also be tricky. Popular pricing models for managed service providers include monitoring only, per device/per user, consumption-based, fixed and recurring pricing model. It's difficult to evaluate which pricing model to choose due to ongoing commoditization and margin erosion which leads MSPs to drive each other's rates down.

A detailed profit and loss analysis (P&L) can help determine how much you should charge each customer depending on their service consumption and willingness to pay. Before finalizing your pricing model, consider all the costs and operating expenses.

### Create a Security-Based Culture

As businesses continue to move their mission-critical workloads to the cloud, cybersecurity becomes a significant concern. Security awareness drives organizations to look deeper into problems with two-factor authentication issues, phishing threats and other vulnerabilities, among other issues. It creates a demand for managed security services that helps minimize risk and keep up with threats. By offering education and delivery, you can position your MSP business as a go-to cybersecurity advisor and strengthen your partnership by putting a value on financial liability carried by your customers' systems.

### Use Cloud-First Server Discussions To Open New Doors Of Opportunity

Many longtime channel partners are of the mistaken belief moving a client's IT into the cloud equals them being squeezed out of the picture. This couldn't be further from the truth. Whatever budget the client is shifting away from spending on legacy hardware and maintenance can usually be translated into funds now available for other areas of focus which are probably time better spent for a channel partner.

I can't count how many times, after moving critical servers into IaaS or SaaS environments, I was able to sit down with my client and turn the focus to other areas which were previously under-represented in IT spend. Perhaps then they were willing to finally dive into migrating legacy email over to Office 365, giving me (as the partner) some newfound project and recurring commissions revenues.

Or maybe they shift their focus back to their aging camera system which can now finally be converted into an IP-based security solution, sending us previously-untouchable network and camera work. Sometimes this translates into the client wanting to open discussions on initiatives you didn't even see coming — all because they aren't dumping so much into a traditional on-prem maintenance contract.

### **Embrace The “Cloud Selling” Mindset**

Many MSPs understand the need to learn how to manage different applications and cloud-based solutions while providing exceptional value to the customer. Articulating the value of the cloud requires additional skills and training which can be time-consuming and costly. To help you break out of the traditional mindset and acquire cloud customers fast, consider the following techniques:

**Demonstrate a competitive advantage** by showcasing unique benefits your service model brings to the table. This can be robust automation, multi-layered security, [a single pane of glass management platform](#) or an attractive pricing methodology.

**Hire professional salespeople.** Finding the right sales talent is tricky because it requires an in-depth knowledge of various cloud models and software management systems. Hiring quality talent takes time and effort but will benefit your business long-term.

**Start small.** The ease of management is one of the most attractive propositions for selling MSP services to small IT environments. Start offering your services to the companies that utilize simple peer-to-peer networks which can be replaced or upgraded during an onboarding.