State of Managed Services

THECHANNELCO. | IPED Consulting

Research Objectives & Analysis

750 Respondents

Two Common Data Cuts In This Research Analysis:

1. **By Primary Customer Focus**. Reflects MSP plans or preferences based on >50% of their revenues coming from one of these customer types:

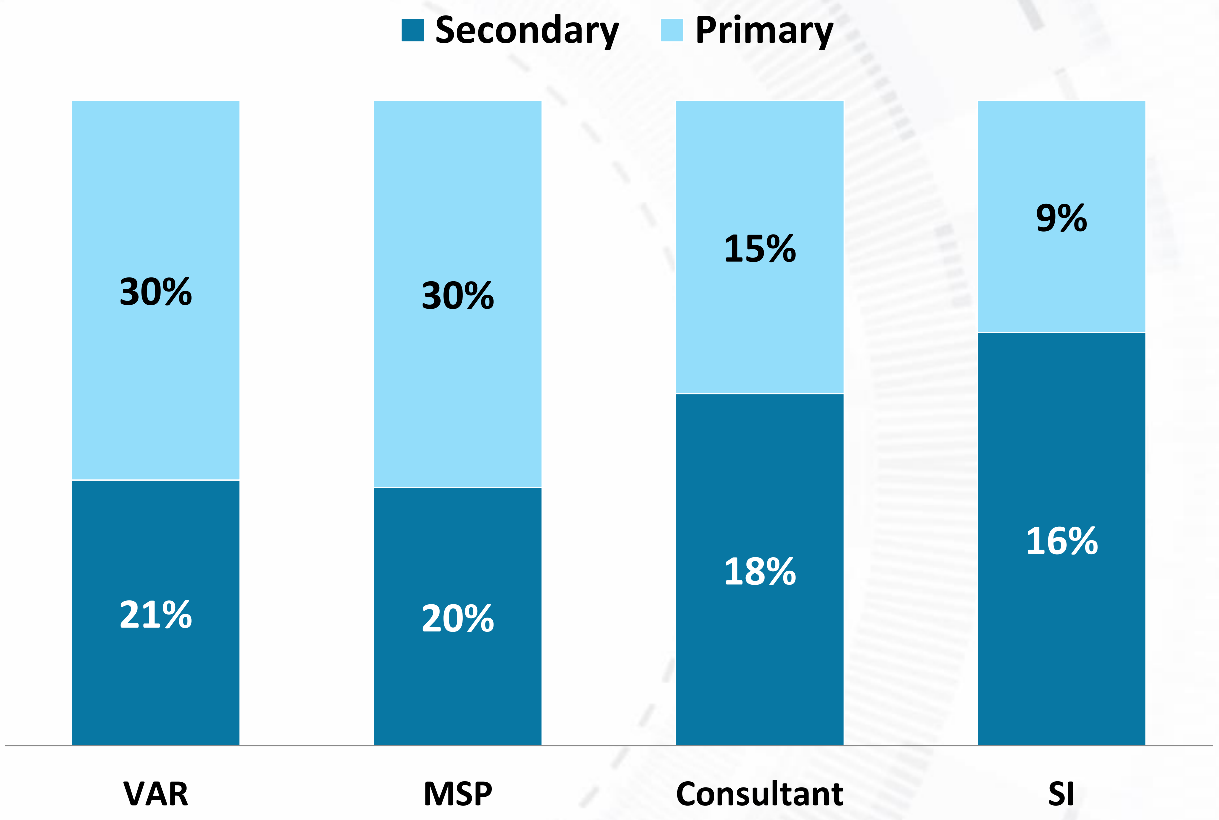
   - **Consumer/Small** (<100 users)
   - **Mid-Market** (101-1000 users)
   - **Enterprise** (>1000 Users)

2. **By Organization of MSP Practice**

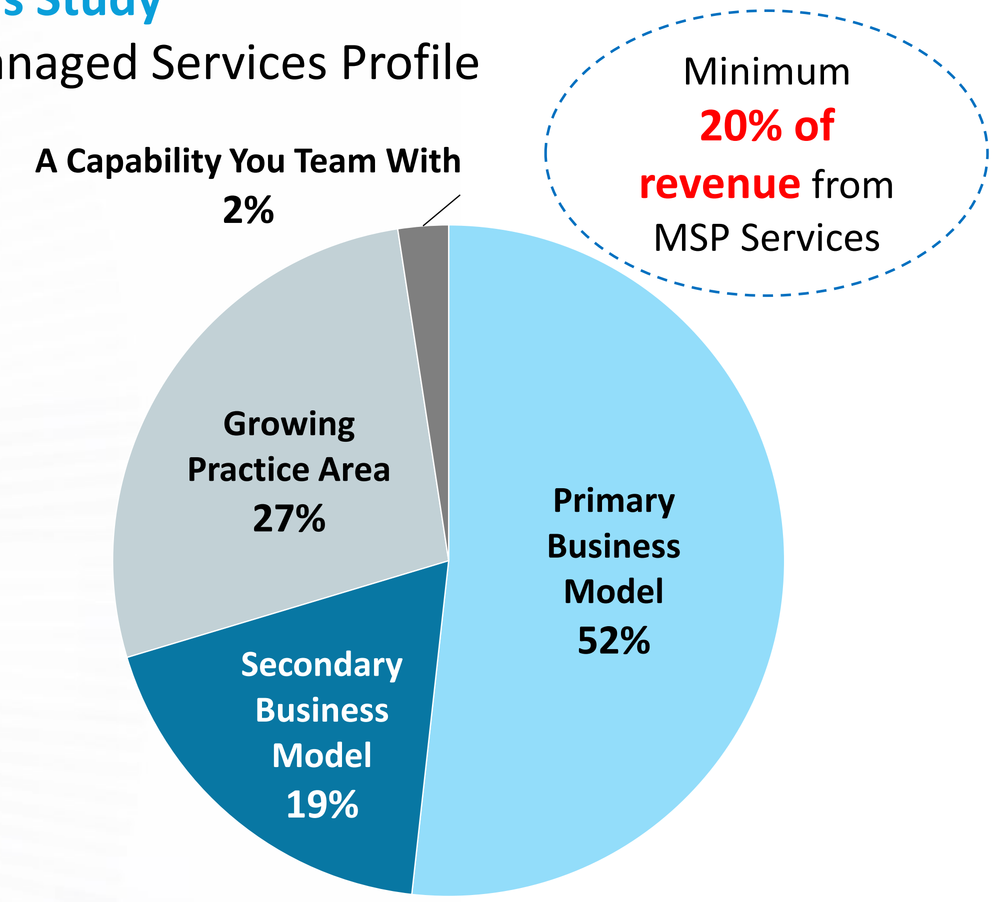
   - **Primary Business Model**
   - **Secondary Business Model**
   - **Growing Practice Area**

MSPs Are Now 50% of the Solution Provider Ecosystem

2020 Census
Primary & Secondary Business Models



This Study
Managed Services Profile



Source: IPED Channel Census

Q. Which of the following best describes your current primary business model? (n=531)
Q. Which of the following best describes your current secondary business model? (n=525)

Four Biggest Takeaways

Delivery Models
Partner Owned vs.
Managed-Only

Services Mix
Infrastructure vs.
Apps & Security

Customer Pricing & Contracts
Operational Cost Growth

Vendor MSP Programs
New Metrics &
More Differentiation

Respondent Profiles: MSP Segmentation

	Small Business Generalists *"Virtual CIOs"*
Sample Size (This Study's Respondents)	311
Annual Revenues	**<$10m**
% of Business from Managed Services	**45%**
Current Business Model	Primary business model
Legacy Business Model	Break-fix hardware or VAR
Primary Customer	83%—Small business
Location of Managed Assets Today (Top 3)	70% - On Premise 14% - Own NOC 12% - Public Cloud

Four Biggest Takeaways

Delivery Models
Partner Owned vs.
Managed-Only

- Partner managed-only delivery still dominates & shows highest growth
- Decentralized datacenters & IoT driving continued growth in cloud managed assets
- Security is now core – top area of investment

Services Mix
Infrastructure vs.
Apps & Security

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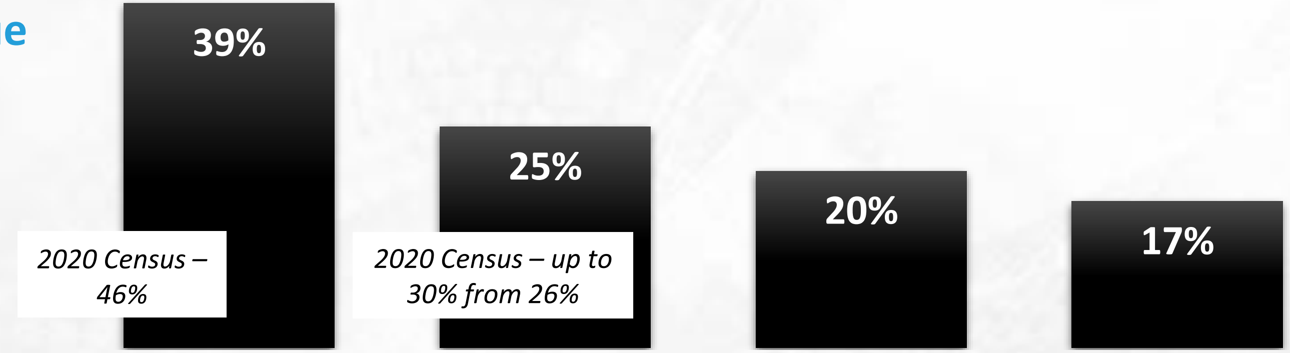
MSPs Drive Most Revenue Through a Partner Managed-Only Model, Regardless of Business Model or Customer Focus

Today's MSP Delivery Model Revenue

(% of respondents ranking as 1st)



	Managed Only	Owned & Managed	Resale	White Label
Small Business	**41%**	21%	21%	17%
Mid-Market	**42%**	27%	17%	14%
Enterprise	**37%**	33%	16%	15%

Up from 2018 30%

Q: For each of these delivery models, what percentage of your managed services revenues has each of these represented in the last 12 months? (n=279)
Q: Which of these delivery models do you expect will be the fastest growing in the coming 12-18 months?

Forty Percent of MSPs Own Some Sort of Their Own Infrastructure

Infrastructure for Delivery of Managed Services

64%

1 or More Datacenter Facilities & Assets

37%

1 or More SOC Facilities & Assets

25%

Own & Manage Customer Assets At a Third Party

25%

Own & Manage Customer Assets On Premise

Q: Please describe your own infrastructure for delivery of managed services (n=352)

Business Strategy For NOT Owning a Managed Services Infrastructure (60%)

Business Strategy

41%

Not Key Customer Requirement

27%

Customers Already Have Co-location Partnership

33%

Team With Another SP

32%

Won’t Compete With Large IaaS Providers

Financial Concerns

17%

Not Enough Staffing Or Expertise

14%

Not Enough Capital

6%

Don’t Think We Can Be Profitable

Q: If you do <u>not</u> own your own managed services infrastructure, please share your business strategy around that decision (n=509)

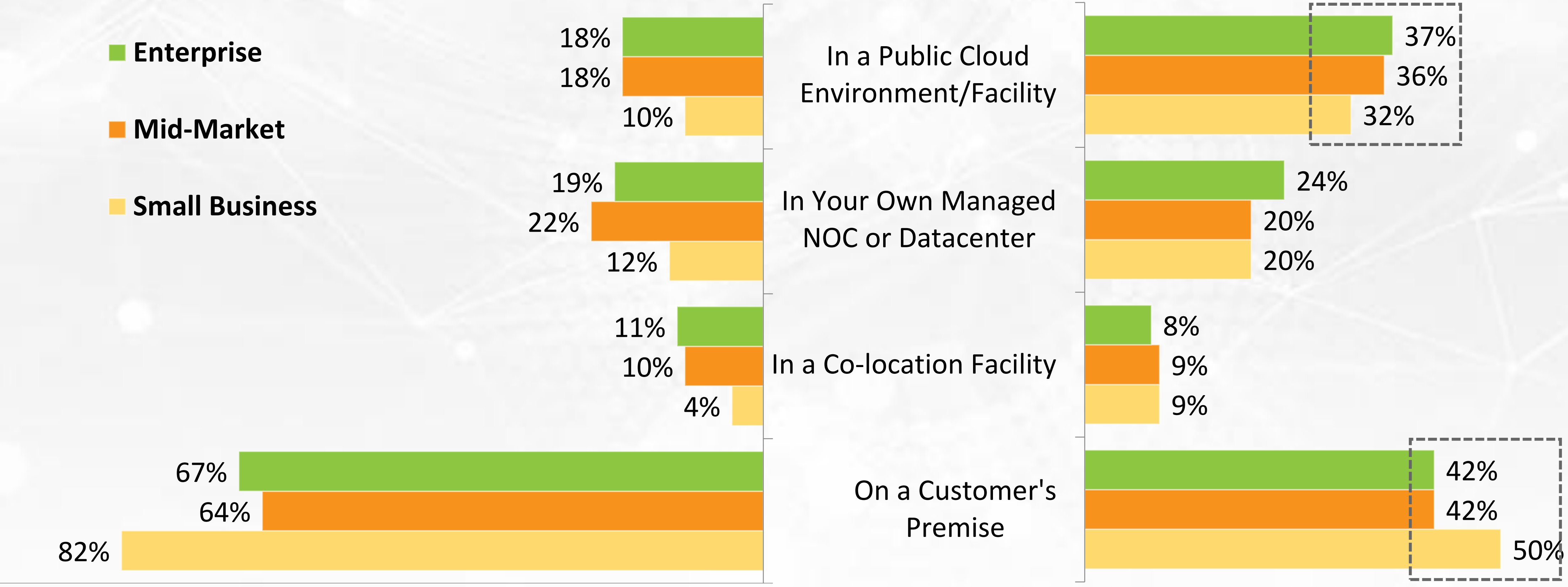
Managing Hybrid On Prem./Cloud Environments is Core Requirement for MSPs; 2-3x Growth Expected in Cloud Assets Under Management

Today – Most Frequent Location for IT Assets

(Ranked 1st)

Next 12-18 Months – Growth Rates for IT Asset Location

(Ranked 1st)



Q: What are the most frequent locations for the IT assets you manage on behalf of your customers?
Q: Rank your managed services expected growth rates for the coming 12-18 months, based on the location of the customers' IT assets.

Teaming for Access to NOC and Datacenter Infrastructure

Become an Equinix partner and join the global ecosystem of service providers across Platform Equinix™. Review the partner classifications below and find the best fit for you and your company today.

Equinix Referral Partners

The Equinix referral partner ecosystem includes solution experts and services providers who can help enterprise customers accelerate their move to a cloud or hybrid cloud solution. These partners include enterprise-class real estate agents, managed service providers, system integrators, network and telco agents, and Value Added Resellers (VARs). Many of our referral partners are certified to design and deliver a variety of private and hybrid cloud solutions with access to Microsoft Azure, Google Cloud Platform, Amazon Web Services (AWS), and Oracle Cloud.

Equinix Reseller Partners

If your technology deployment requires an end-to-end solution that is fully deployed and maintained for you, Equinix Reseller offer fully managed solutions that take the cost and time to develop, deploy, operate, and optimize network and enterprise IT infrastructure. Whether you lack the resources to do it yourself, or just prefer to expand your global technology capabilities using a cost-efficient OpEx delivery model, Equinix Resellers have deep experience in private, public, and hybrid cloud solutions.

Equinix Platform Partners

Our platform partners provide innovative and proven technologies to help make Platform Equinix a leading global ecosystem of more than 2,900+ cloud service providers including IaaS, PaaS, and SaaS technology companies available through the Equinix Cloud Exchange and in our 200+ data centers worldwide.

EQUINIX
WHERE OPPORTUNITY CONNECTS

30% of overall bookings through the partner channel

53 markets across five continents. In the United States, Equinix operates data centers in Atlanta, Boston, Chicago, Dallas, Denver, Los Angeles, Miami, New York, Philadelphia, Seattle, Silicon Valley and Washington D.C.

CenturyLink® Business

Market Opportunity and Solution Plays

The CenturyLink Partner Program offers a vast array of options to help your customers accelerate business performance throughout their organizations. Whatever product, solution set or industries you want to focus on, we have a way to support you. Opportunities and solution plays include:

Products & Services	Solutions	Industries
Colocation	Voice/VoIP	Financial Services
Managed Hosting	Hybrid IT	Government
Managed Services	eCommerce	Healthcare
Cloud	Big Data	Media
Network	Business Continuity	Retail
Security	Disaster Recovery	
Storage and Backup	Applications	
	IT Services and Consulting	

DIGITAL REALTY

5 Key Reasons to Partner with Digital Realty

1. *Trusted industry leader* in the global data center and infrastructure services market gives you the ability to act as a global provider.
2. *Breadth of data center services* offered from multi-megawatt to single cabinet solutions enable you to address growth needs.
3. *Flexible partnership models* tailored to fit your objectives and optimize partnership opportunities.
4. *Revenue growth opportunities* enabled by a broader, comprehensive solution offering and combined customer base.
5. *Our commitment to Partners* helps you to drive new business growth and support lasting relationships with enterprise customers.

Estimated Costs for Building and Maintaining a NOC or SOC

Network Operations Center (NOC)

Scope:
- 1,000 endpoints/workstations
- 400 servers
- 8 full time engineers to provider 24x7 support (@$10k/month salary)

$1M per year ($83k/month)

(without costs of automation tools)

Security Operations Center (SOC)

Functionality:
- Basic detection
- Investigation
- Remediation
- Hunting
- Orchestration
- Continuous Improvement
- Periodic Testing

Min. 12 people for 24x7 coverage @$75k/year

$1.4M - >$6M+

(without the cost of a SEIM toolset)

	Basic SOC	Intermediate SOC	Advanced SOC	Learning SOC
General time estimate	months	months+	quarters	1 to 4 years
Annual total ($M)	1.42	2.38	4.90	6.25
One-Time cost of implementation ($ million)				
Approximate costs ($M)	0.10	0.25	0.40	0.75

SOC analyst - $80-120k+
NOC - $50-75k

Sources:
www.expel.io and www.pulseway.com/noc/roi-calculator

Four Biggest Takeaways

Services Mix
Infrastructure vs.
Apps & Security

- Infrastructure services in hybrid environments still mainstay
- Security services becomes a core customer requirement & drives deeper investments
- Co-location providers becoming increasingly prevalent

Delivery Models
Partner Owned vs.
Managed-Only

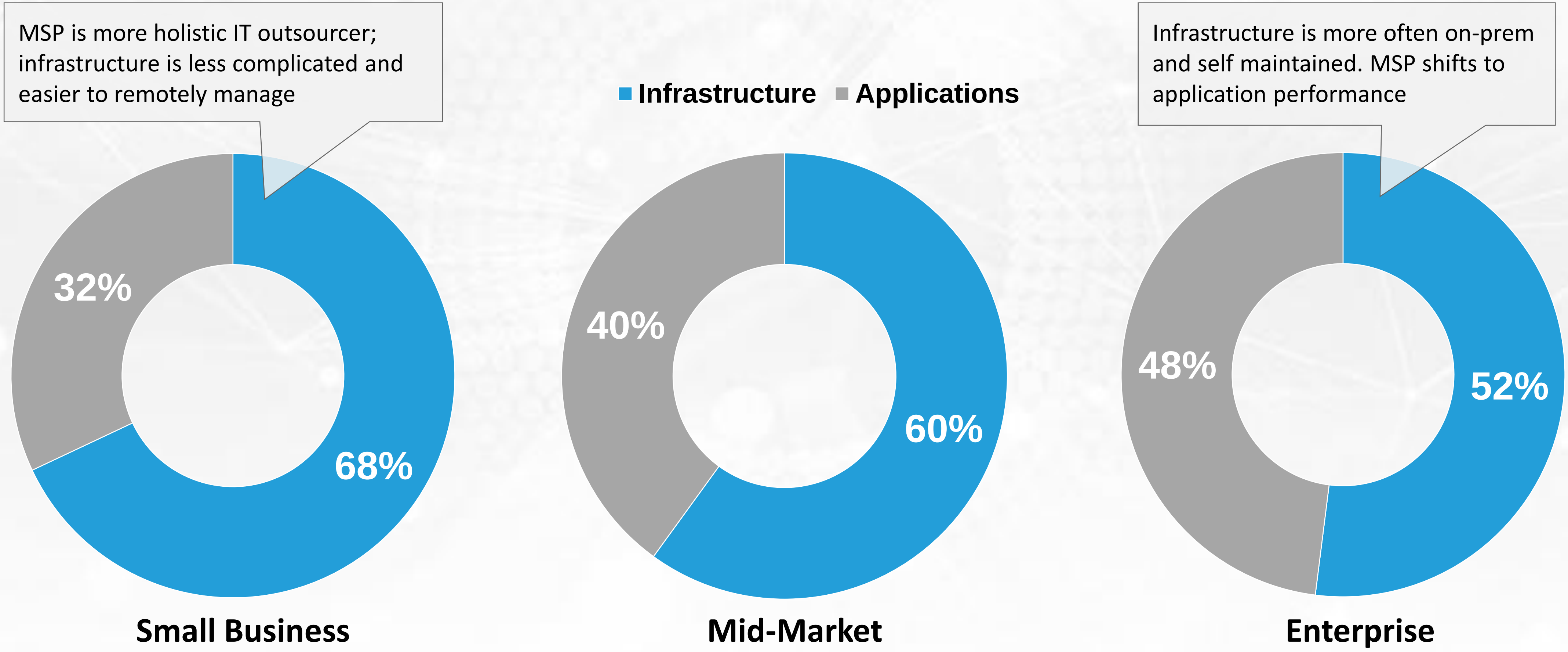
Customer Pricing & Contracts
Operational Cost Growth

Vendor MSP Programs
New Metrics &
More Differentiation

Infrastructure Services Still Dominate Revenue; More Balanced Infrastructure and Application Services with Enterprise Customers

Infrastructure Vs. Application Services Revenues

(By Primary Customer Focus)



Q: What percentage of your managed services revenues over the past 12 months have come from infrastructure vs application focused services?? (n=579)

Cloud Platform Management Now Considered Core Managed Offering

40%

of MSPs Now Manage Cloud Platforms & Assets For Their Customers

#2

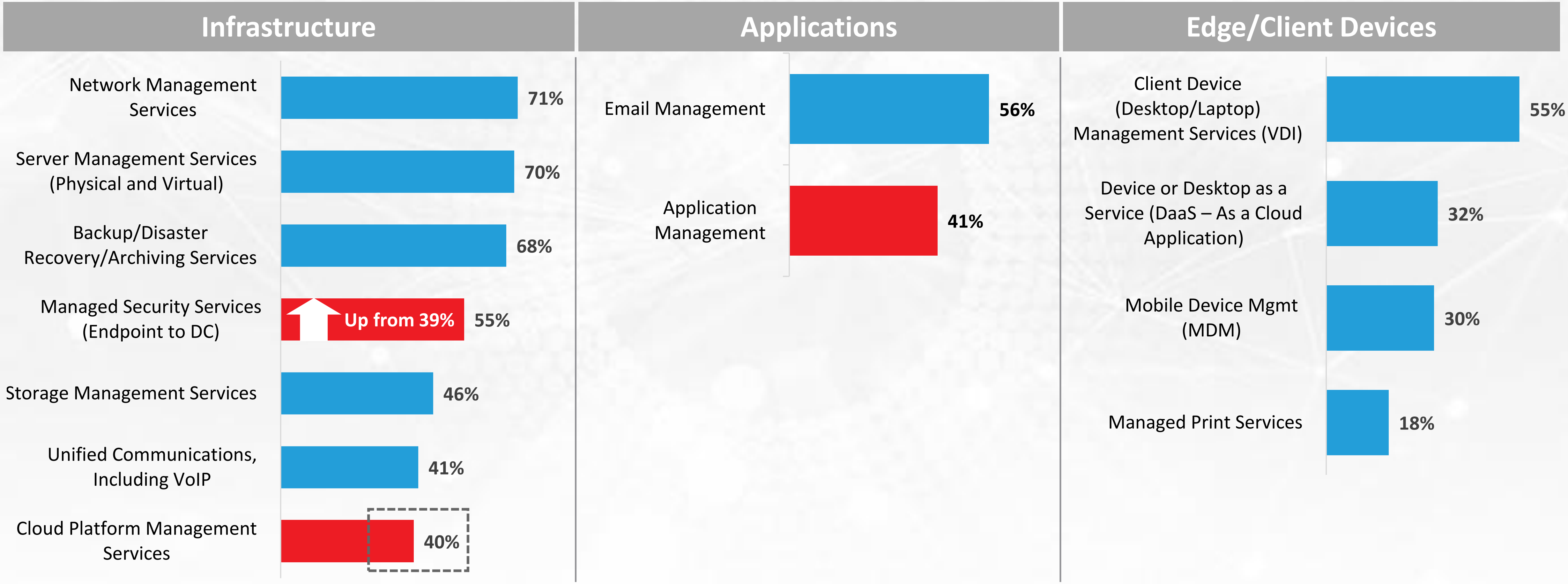
Area For Future Investment

Cloud Platform Management Services Include

- Managing Cloud Spend
- Governance/Control
- Compliance
- Integrating Multiple Clouds
- User Adoption, Expansion, Renewals

Network, Server, Storage Infrastructure Management Are Most Common Current Services; Managed Security and Cloud Platform Management On the Rise

Managed Services Currently Offered



Q: Which of the following managed services do you provide to your customers today? (n=584)

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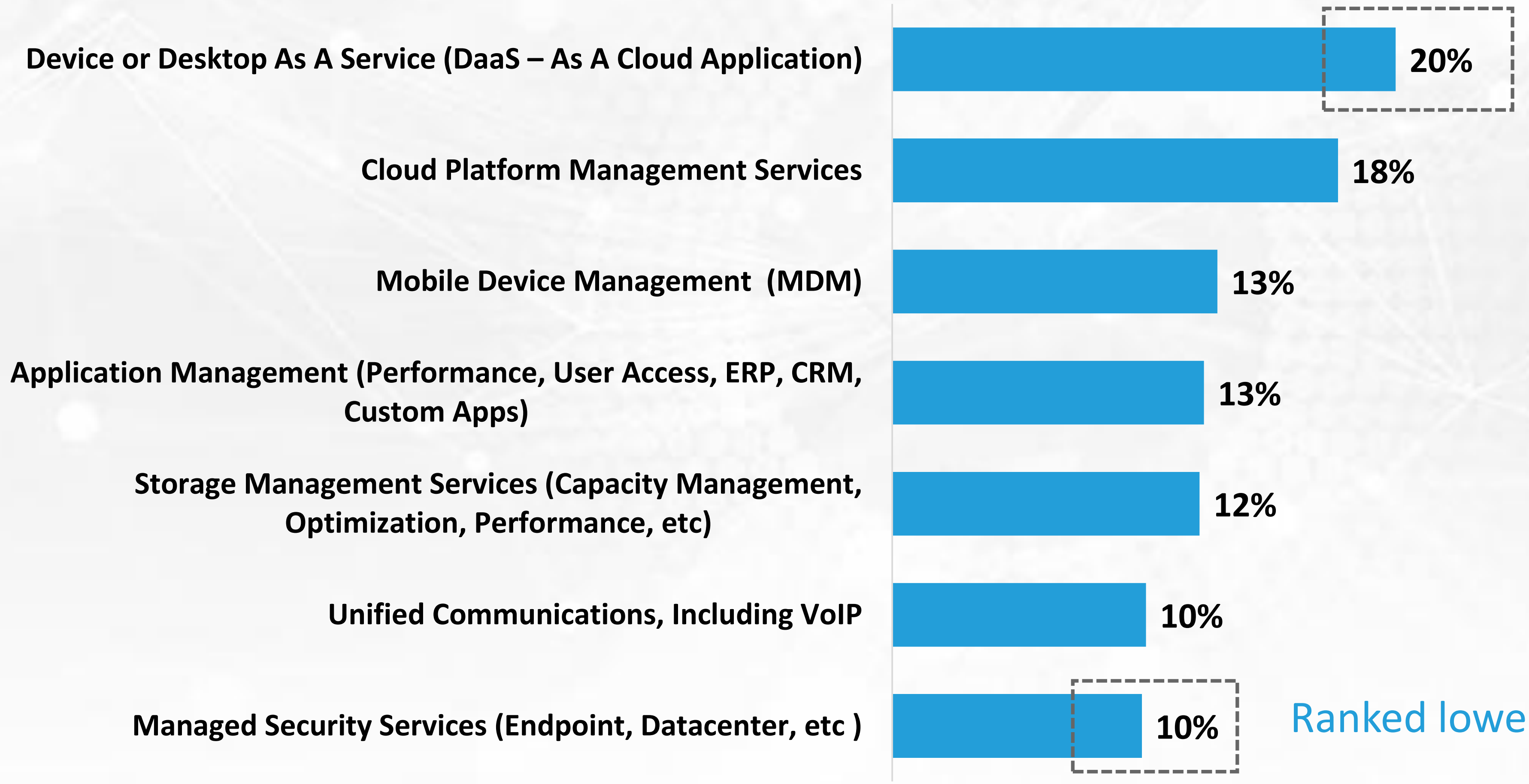
Future Managed Services Planned Include DaaS, Cloud Platform Management, Mobile Devices and Application Management

New Managed Service

(Focus for Coming 12-18 Months)



In order to own security or create IoT edge solutions, **MSPs have to control the desktop/ mobile standards**

Ranked lower, as it's already in motion

Q: Which are the NEW managed offerings your company is planning to focus on (build, resell) in the coming 12-18 months? (n=561)

“For me it boils down to two words:

PROTECT THYSELF.

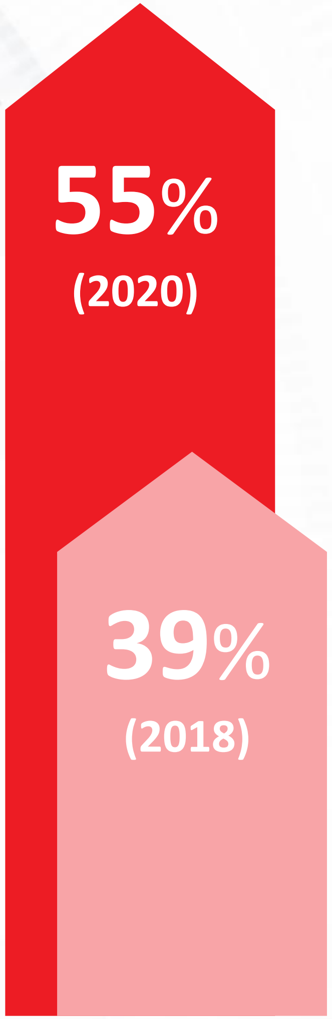
If you don’t take every precaution you won’t be in business.

We’re going to be hiring a CISO to help us and audit us – kick us in the pants. If you don’t partner in this day and age to protect yourself, you’re just an idiot.”

President, KME Systems

Security Services Have Reached a Tipping Point

MSPs that consider managed security services a “core” offering



Customer Awareness & Training

- ✓ recognizing and avoiding phishing attempts
- ✓ password policies
- ✓ proper use of public Wi-Fi networks

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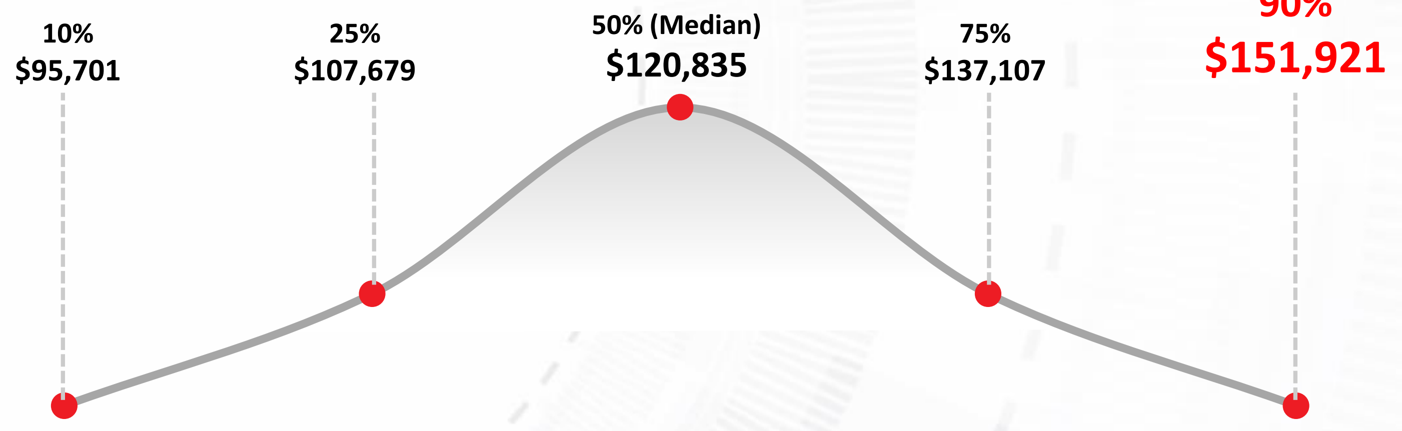
- Staffing and training investments continue to grow; not linked to certifications
- To maximize profits, MSPs are increasingly making customer brand decisions
- Service automation tools remain critical technology evaluation criteria

Vendor MSP Programs
New Metrics &
More Differentiation

Technical Staffing Continues As Most Critical Investment For MSPs; Need Both Technical And Customer-Presentation Skills

65% say technical staffing is their most critical investment for their MSP business in the coming 12-18 months

Network Security Architect Annual Salary + Bonus



"**The scarcest resource in the market today is a solid Level III Network Security Engineer.**

And finding those people with *personality* is exponentially harder. We hire for personality and experience and train for technical skills. You can't train for personality."

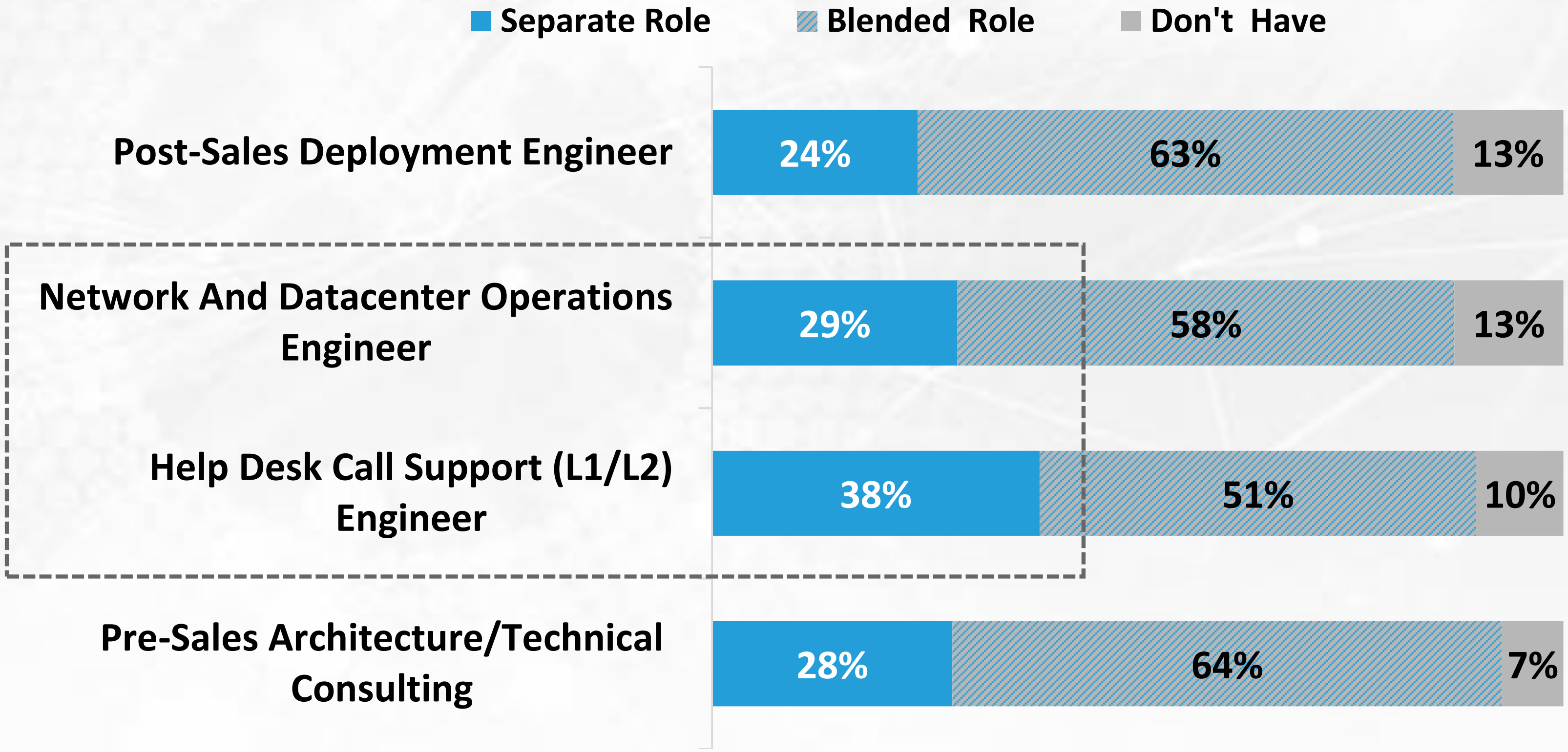
Q What do you expect to be your company's most critical opex/capex investments for your managed services business in the coming 12-18 months? (N-410)

…But Technical Certifications May Not Meet MSP Needs; Network Engineer And Support Engineer Are Increasingly Separate Roles

Only **12%**

say training & certification is a critical investment

Because Role-Based Technical Certification Is Lacking for MSPs



Q What do you expect to be your company's most critical opex/capex investments for your managed services business in the coming 12-18 months? (N-410)

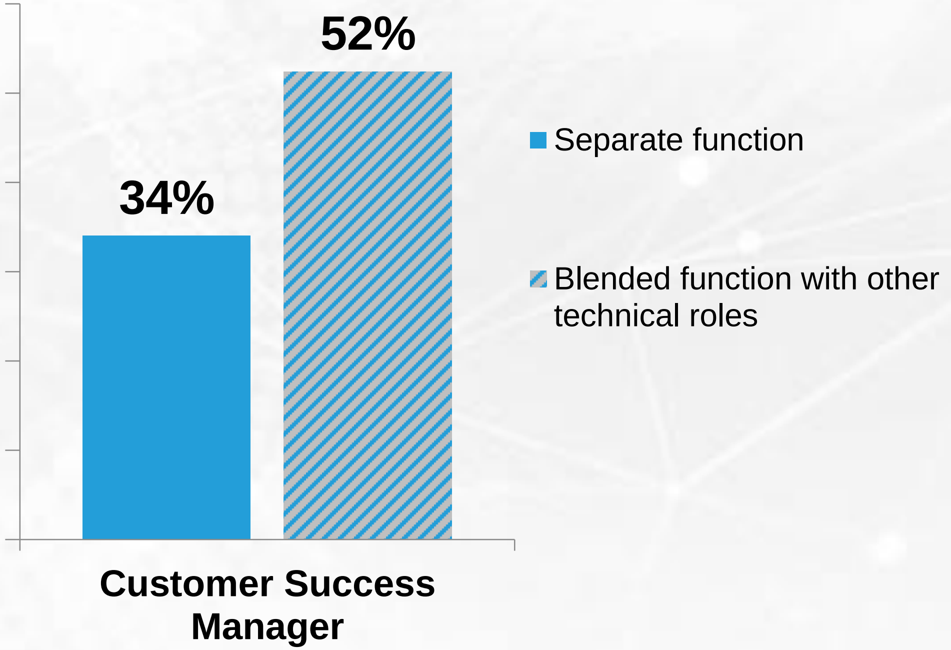
Staffing Considerations

85% of MSPs say they have a Customer Success role

>50% say it's a blended function

34% say it's a separate function

Customer Success Manager



LinkedIn – Dec. 2019 **20,000 open jobs** for Customer Success Managers

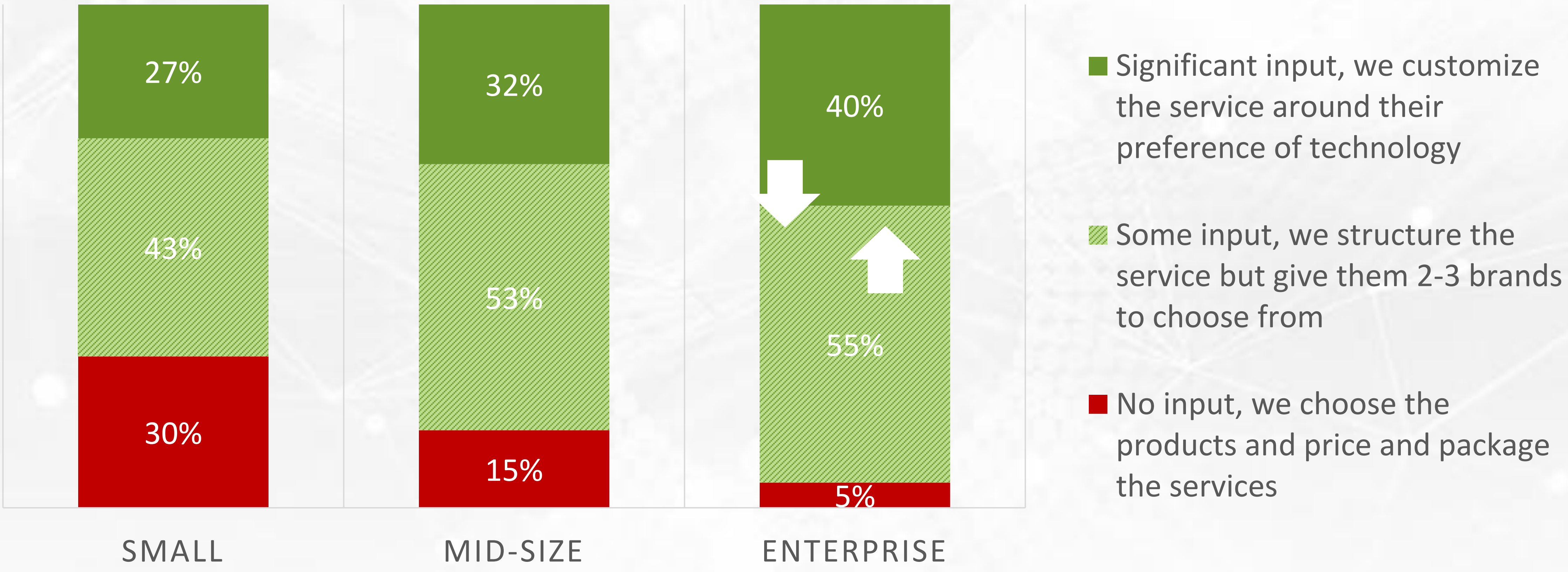
85% Of MSPs Say They Have Some Version Of A Customer Success Manager Role; But Field Salesperson Is Still Primarily Driving Service Renewal & Expansion

In nearly 50% of MSPs, the field salesperson is primarily responsible for driving the renewal and expansion of managed services offerings

Primary Field Salesperson	Customer Success Manager	Customer Service/ Support Team	Renewals Salesperson	Automation System *(Online Prompt for Renewal)*
45%	19% - 22%	17%	8%	4%

Q: Who is primarily responsible in your organization for driving the renewal and expansion of managed services offerings? (n=537)

Majority of MSPs Allow Some But Limited Input On Vendor Brands or Components; SMB Solutions Are the Most Preconfigured



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Q: Do you own the SLA with your customers for the managed services you offer?

Q: How much influence do you allow your customers to have on the way you deliver your managed services, relative to which IT vendor brands of products are powering them?

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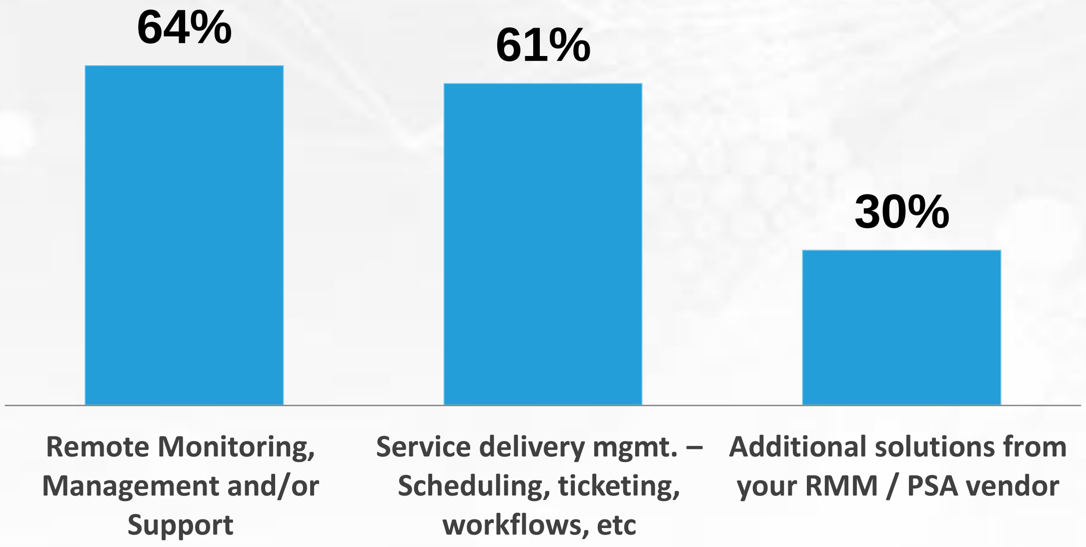
Services Automation Platforms Used For Both Delivering the Service and Managing the Business

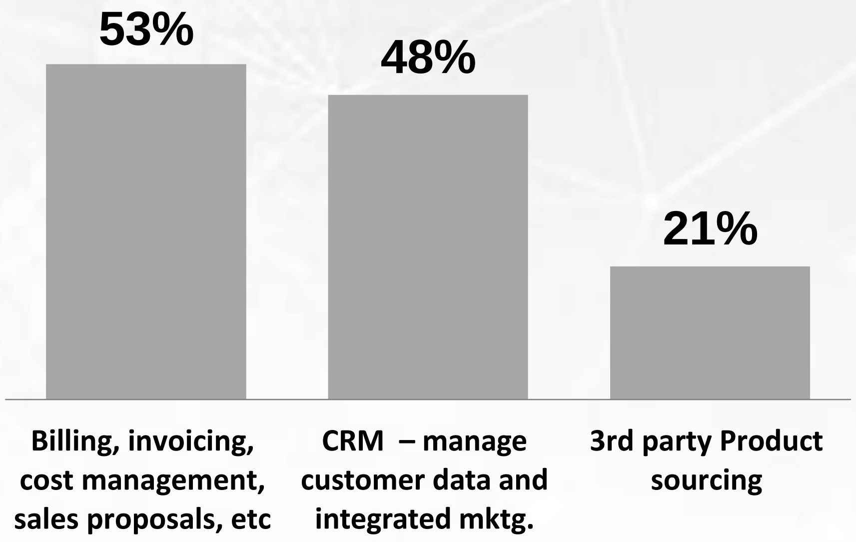
ConnectWise continuum datto | AUTOTASK Kaseya servicenow solarwinds

85% of respondents use a PSA/RMM automation solution; 15% of those have built their own

Delivering Services



Managing the Business



Q: What functions do you currently utilize in your RMM / PSA solutions? (n=535)

Four Biggest Takeaways

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Vendor MSP Programs
New Metrics &
More Differentiation

- **MSPs want more effective pricing models, training content and field visibility**
- **Appetite growing for practice development guidance (pricing, packaging, services development)**
- **Partner programs are still pivoting to address unique MSP needs & metrics**

What’s Top of Mind for MSPs…
And Can Vendors Help?

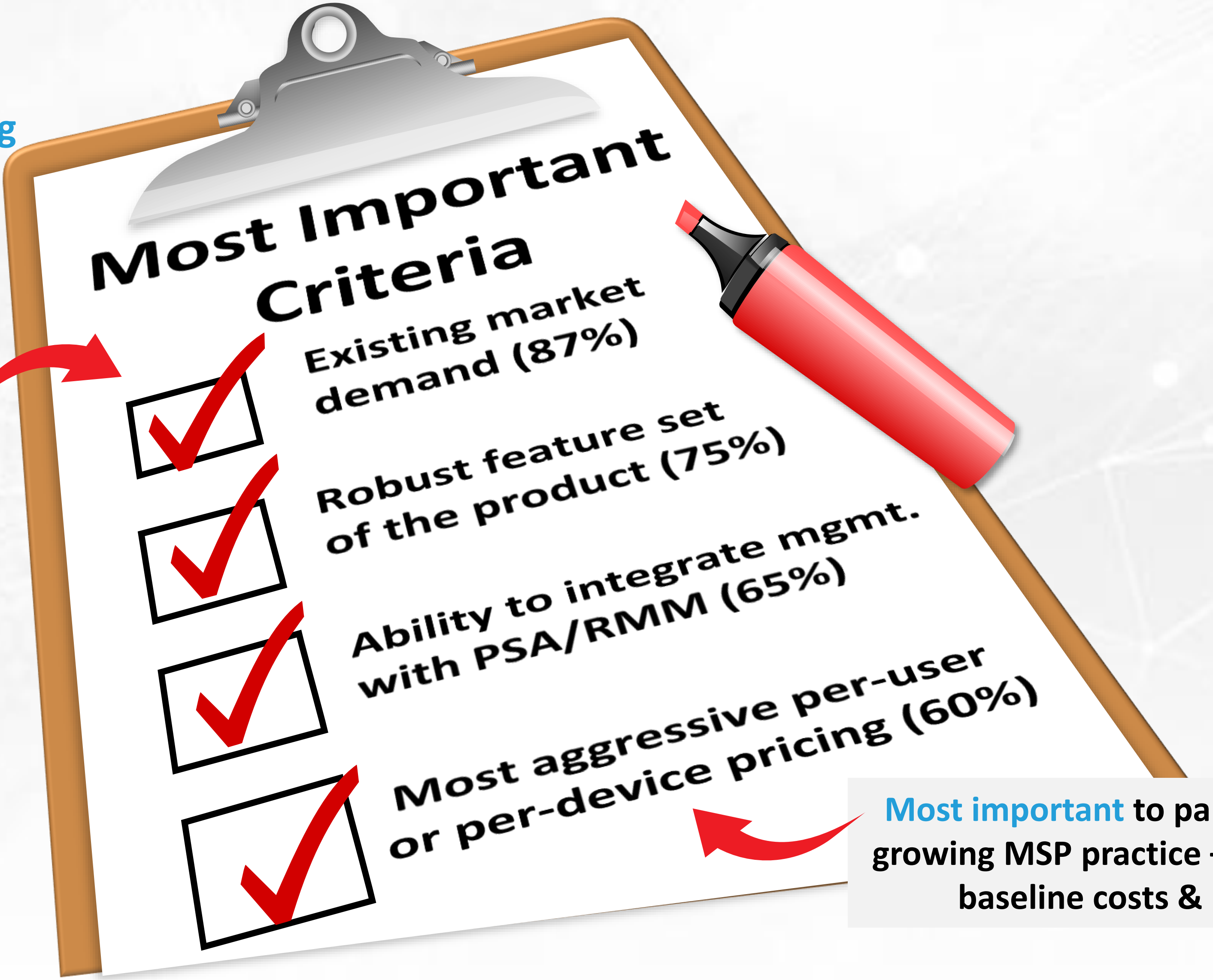
- Operating Efficiency – People, Process, Assets
- Building IP and Market Differentiation, i.e., Profits
- Creating Velocity Throughout Customer Lifecycle

MSPs Still Value Ability to Integrate With Automation Tools Over Pricing

Most Important When Evaluating New Services To Adopt as an Offering

(Ranked 1 or 2)

Least important to MSPs with RR as primary business model -- they lead with THEIR brand



Most important to partners with a growing MSP practice – establishing baseline costs & margins

Q When evaluating new technologies or services to adopt and deliver as a managed offering, which of these attributes are most important to you?

Appetite for Practice-Building IP and Help is Growing

Most Important Types of Support from IT Suppliers

Pricing	Packaging (Contract structures & services scoping)	Target Markets	MSP based Marketing Material	Cloud Transition Support
72%	46%	51%	52%	59%
Up from 53%				Up from 42%

60% want help building their OWN services and IP

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Q: In order to deliver your managed services, how important is support from your IT suppliers in the following areas? (n=528)

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Relevance of Traditional Channel Program Supports to MSPs

★★★★★

High Relevance

(Rated 4 or 5 of 5)

1. Technical Training & Certification
2. Traditional Resale Discounts
3. Demo Units or NFR Product
4. Sales Training and Certification

★★☆☆☆

Low Relevance

(Rated 1 or 2 of 5)

1. Financing or Leasing
2. Performance Rebates
3. Field Teaming / Co-Selling
4. Deal Registration

Q: Please rate the level of relevance of these traditional channel program elements to the success of your managed services business. (n=279)

Vendors with a historic focus on MSPs / service providers with aggressive practice development activity are ranked "most important" to MSP growth

1	Microsoft Azure	6	ConnectWise
2	CISCO	7	Hewlett Packard Enterprise
3	aws	8	Google Cloud
4	vmware	9	datto | AUTOTASK
5	DELL Technologies	10 (tie)	Lenovo, hp

Q: Which of the following traditional IT or cloud/managed services suppliers are the most important to the profitable growth of your managed services business? (N-525)

Key Considerations – Engaging MSPs in the New Decade

1. Profiling and segmentation rigor

2. Understanding <u>their</u> partnerships; who's really setting the brand/component standards?

3. Practice development resources and partner-to-partner benchmarking and collaboration

4. Automation - alliances with RMM/PSA vendors

Actionable Intelligence to Grow your Channel

- ✓ Research on topics at the forefront of the channel
- ✓ Actionable insights to fully leverage the data
- ✓ Playbooks and tools for quicker execution
- ✓ Advisory services tailored to your objectives
- ✓ Executive communities to network and collaborate

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PARTNER DATABASES

SP500
MPS500
+More Lists & Awards

RESEARCH

Market Intelligence
Trending Data
Vendor Imperatives

ADVISORY

Research Readouts
Inquiry Appointments
Executive Briefings

INSIGHTS

Expert Perspectives
Proven Practices
Operational Guidance

TOOL SETS

Frameworks & Guides
Playbooks & Templates
Channel Primers

Vendor Programs & Benchmarks	Partner Marketing	Partner Profitability
Public Cloud Platform Providers	Managed Services	Channel Census
Channel Account Management	Route to Market Playbooks	Professional Services
App Development Services	Partner Enablement	Subscriber Request

Please contact us if you need help or would like to set up advisory session or live webinar for your team!

Lisa Sabourin

IPED® Consulting | Research | Education

C 561.339.5517

lsabourin@thechannelcompany.com

John Machado

IPED® Consulting | Research | Education

C 617.784.9771

jmachado@thechannelcompany.com