

Size Growth Forecast for the Managed Services Market

CRA gauges the MSP market's growth,
trends and forecast for 2019- 2024

White Paper



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Introduction

IT infrastructures today have evolved to be far more efficient than they ever were. Global enterprises along with small businesses can now take the responsibilities of establishing a robust IT infrastructure off their shoulders by hiring Managed Services Providers (MSPs).

Research in this sector found that by 2023, [the market value of this industry will reach \\$296.38 billion](#) (U.S.). A core reason for this development is the cost-effectiveness of outsourcing key business elements to MSPs.

In this report, we will shed light on the following areas:

- Overview of MSPs
- MSP performance over the last year
- Forecast, drivers, and indicators of its potential growth
- Business growth with MSPs
- Maintaining relevance for managed services

MSPs and Businesses

As businesses scale, they face an increasing threat of security. Enterprises today are managing vast amounts of information on a daily basis, particularly those operating in the healthcare and financial industries.

Previously, it was thought that small and medium-sized businesses might remain safe from cyber-threats and potential cyber-attacks since they deal with a minimal amount of critical data as compared to larger enterprises. They might not need to focus too much on improving their online security infrastructures.

However, [recent studies](#) have shown that startups and medium-sized enterprises face the same degree of threats online as their larger counterparts do. For SMBs, bouncing back from an attack is often not possible, and they succumb to credential theft and compromised devices, shutting down their trade for good. However, some businesses tackle the issue proactively and continue to thrive, but it costs them a lot – in terms of reputation and finances.

Technology costs are far higher, especially if you plan to do it in-house. You incur not only the astoundingly high installation cost, but also associated expenses, such as maintenance and proactive measures to mitigate security hazards.

MSPs deal with these challenges by providing businesses the ability to quickly detect and respond to external threats, while also maintaining an up-to-date backup of all critical data. These disaster recovery and threat mitigation solutions are quickly deployed and immediately effective – making for a robust security solution for businesses of all sizes.

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An Overview Of The Current MSP Market

Successful businesses today have deeply integrated technology into their processes – and it has definitely made it easier than ever for organizations, entities, and individuals to turn a profit

However, technology also has its disadvantages, and [smaller businesses will find it challenging](#) to deal with the advances because it's not easy or affordable to house an IT team. This is one of the main reasons why most startups fail in developing a reliable IT framework. On the other hand, the competition in larger global enterprises is increasing by the day. Although most of them can afford an in-house IT team, outsourcing the initiative is often a cost-effective solution.

This allows small businesses to hire industry experts to get the job done without worrying about additional associated costs. MSPs also ensure the improvement of the overall efficiency of the business.

With these [benefits attached to hiring MSPs](#), the trend will only be growing in the years to come. As more enterprises opt for managed services, we are bound to see great competition among the big guns. SMBs using MSPs to build competitive IT frameworks will also continue to gain more traction in their relevant markets.

How Are MSPs Responding To The Elevating Demand?

With an expected 25% increase in the number of organizations willing to take an MSP on board, these service providers are finding it increasingly difficult to create personalized services where it was previously a luxury offered to all clients. However, we've already begun seeing less personalized MSP offerings. This, of course, excludes the globally leading enterprises that can afford customized solutions that give them an edge in the market.

MSPs are now moving towards off-the-shelf products – in fact, we found out that [over 68% of the managed services providers today offer generalized services](#). They create a framework that fits well into every organization's IT framework. Such commercial alternatives allow companies higher efficiency at lower costs.



Computer Resources of America allows for the customization of specific business IT needs, or offers a holistic approach of proactive IT business solutions through its [Manage360](#) offering.

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Market Trends and Forecasts

As we dive further into the managed services industry, we witness specific market trends that can help us better analyze the future of these services. One thing we deduced from these trends is that managed services are here to stay.

With the increase in demand, more MSPs will be seen entering the marketplace. Not only will organizations have a greater number of alternatives to choose from, but they will also witness MSPs becoming more cost-effective, while equipping businesses with flexible solutions.

We predict that the current trend of more generalized offers won't last for long. As the market for MSPs becomes saturated (which will take years, maybe even decades), providers will start introducing customized services at reduced prices, thereby completing the circle.

Some of the most significant trends impacting this industry are discussed in detail below.

Cloud Applications Have Become Common

Over the years, organizations across the globe have moved from costly on-site setups to [cloud-based solutions](#). And with this, the market is now replete with better, more significant opportunities for MSPs.

Businesses have the option to select from three types of clouds: private, public, and hybrid.

Private cloud infrastructure was initially seen as a common choice for smaller startups. However, a [Rightscale's research](#) on the matter found that most enterprises, 81% to be specific, are using multi-cloud infrastructures instead.

As these startups scale, they move towards the hybrid cloud setting, which offers better leverage to multi-cloud users. This has heralded in the age of CSPs (Cloud Service Providers), leading to an influx of hybrid-cloud service providers in the market in the past few years. Moreover, this is also supported by the fact that companies today have started to [grow their cloud expenditure \(approximately 30%](#) for private and public clouds combined.)

Short-Term Contracts Are A Widespread Practice

We believe that this is directly associated with organizations educating themselves about the benefits of outsourcing and taking MSPs on board.

Since MSPs are a recent intervention for most companies, they are hesitant about acquiring full-fledged outsourced services for longer terms. On the other hand, not working with an MSP allows competition to gain market share.

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This is forcing small and medium-sized organizations to work with MSPs, however, on a short-term basis. As the benefits of MSPs unveil themselves to these budding enterprises, they (the clients) are more likely to open up to more long-term contracts down the road.

Furthermore, as we move into 2020, we are likely to see more startups using MSPs. However, due to financial constraints, they will most likely only opt for the more traditional services rather than diving into complex solutions.

The Changing Dynamic

Businesses, as always, continue to seek efficient ways to help them increase competitive advantage, and MSPs offer just that.

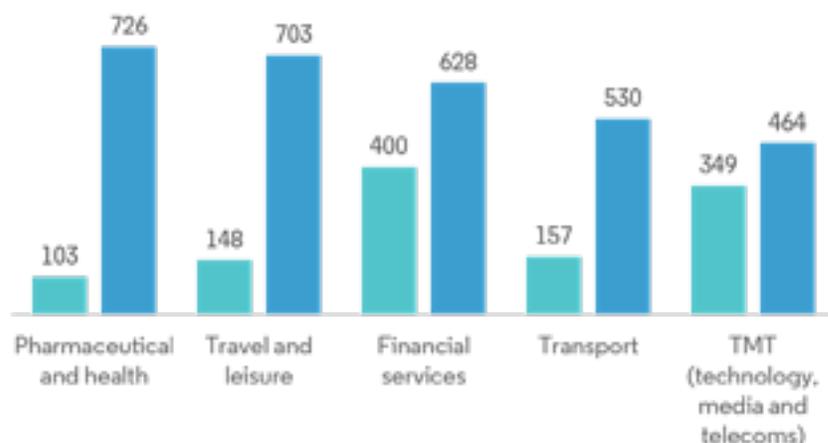
Reduced costs, mitigation of risks, and a greater focus on other core business activities are just a few of the many elements that have forced players to [opt for managed services](#) in 2019. Another driving factor of the growing number of MSP contracts is customer satisfaction.

When businesses, both big and small, see how managed services are providing extensive leverage to clients, they readily get on the bandwagon, thereby altering the market dynamics for good.

In addition, [cyber threats](#) are more common than ever before, and dealing with them via proactive security measures is increasingly difficult. In fact, [a report published by Hiscox](#) in 2019 found out that over 70% of the companies are operating with a weak interface – one cyber-attack can bring these businesses down. Couple this fact with the record-breaking number of cyber-attacks that indirectly propelled business owners to hire expert services for better IT infrastructures.

One of the most significant impacts has been seen in the pharmaceutical industry that has spent the US \$0.72 million in damages done by cyber-attacks.

Average cost of all cyberattacks to European and American firms in 2018 and 2019, by sector (in 1,000 USD)



Source: [Hiscox](#)

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With the increased amount of cyberattacks on SMBs in recent years, it has become more critical now more than ever that all businesses be mindful of their cybersecurity strategies and practices. MSPs have recognized this growing need in the last few years and have begun shifting their services to provide cybersecurity additionally. However, because the dynamic of cyberattacks is ever-changing, it becomes difficult for MSPs to combat them equally as quickly.

Increased Market For DDoS Devices

Attacks related to DDoS (Distributed Denial of Service) have increased over the past year, pushing business owners to hire a reliable MSP.

It is estimated that a single [DDoS attack can put a severe dent in the victim's finances, raising the risks on an hourly basis](#) (US\$ 0.1 Million per hour). With such a hefty amount associated with a potential attack, not to mention the loss of data and troubles related to it, hiring expert managed services has become more of a necessity than a choice for organizations.

A [report by Kaspersky Lab](#) found that last year, DDoS attacks on SMEs put a dent of \$53,000 US on their finances, as compared to \$ 417,000 US for larger enterprises. This is another reason why we saw a growing trend of taking MSPs on board in 2019.

SaaS and PaaS Managed Services

MSPs that offer Software-as-a-Service or Platform-as-a-Service have seen a drastic rise in demand. It is directly linked to the increase in shifts to the cloud services as businesses moving to the cloud continue to acquire technology as a service.

According to KPMG, there has been a [56% growth in PaaS investments](#), in the last three years. The demand for Infrastructure-as-a-Service (IaaS) has also increased accordingly. Managed Services Providers operating in these areas specifically have seen a significant increase in their demand as well. This trend will continue to develop over time as CSPs gain more traction.

Businesses have been opting for technology-as-a-service solutions also because they are a core element for scaling. From streamlined workflows to improved stability, these managed services continue to assist business operations in a variety of ways.



Will We See Any Disruptive Forces In The Future?

2019 was a prolific year for the managed services industry. The next year, however, may bring a bumpy ride. So, what exactly can we expect in the years to come? Here is our take on it.

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Reduction in Operating MSPs

This may sound absurd, but there is a decent chance that we will see a decline in the number of managed services providers in the next year. It is not because of a decline in demand (the demand will continue to grow), but because many MSPs lack the expertise needed to serve the highly-specialized needs of a growing client base. As [predicted by CompTIA](#), 2019 was supposed to be the year where MSPs face a reduction in their critical workforce due to retirement. While this may not have affected the growth of MSPs, we cannot rule out the impact of their prediction for the coming years.

The market already has a scarcity of qualified professionals who can manage IT operations. If their crucial personnel retire, filling their roles with equally expert persons can be a challenge.

Furthermore, with the managed services industry growing, the big guns of the industry may end up in a merger or acquiring the smaller companies – making it difficult for new MSPs to enter the market.

Serving the Industry Will Pose Greater Challenges

The main reason why businesses hire MSPs is to keep their security protocols high. However, despite the measures, the dangers continue to lurk in the digital realm – in 2019, the number of cyber-attacks rose significantly.

This is a serious challenge for smaller MSPs who may not be providing a reliable security infrastructure to businesses. In other words, their proactive measures may not come in handy after all, and when a real challenge shows up, how do you tackle that situation?

Most managed services providers offer proactive security measures but have no practical knowledge or training of how to defend in case of an attack. And with the increasing number of attacks, the probability has increased exponentially.

Also, the damage caused by cyber-attacks continues to increase with time. If an MSP is not able to [identify and mitigate the risk](#) by taking appropriate measures, it could jeopardize their existence, not to mention that of the business.

Ensuring Business Growth With MSPs

MSPs have seen decent growth in the past few years, and despite the disruptive forces, they are likely to continue to grow.

To ensure they retain their market value, MSPs must expand their services and implement more stringent processes and procedures to enhance customer satisfaction. Businesses will always choose an MSP for its reputation to provide maximum cybersecurity, as well as its ability to reduce operational costs and improve the IT infrastructure. Although [BCDR](#) and IP phone services have allowed businesses to thrive, companies are looking for more ways to improve their IT capabilities and allow more efficiency.

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Improving Managed Services

To remain the first choice of their prospective clientele, MSPs must enhance their structure.

The first thing that companies will look for is a unique approach to their problems. For starters, integrating NOC and thus increase profitability. For MSPs that want to make it more useful for the company, the best step is to improve the tech team's workforce. As more proficient employees are put on the team, the better is the satisfaction rate of businesses.

What Determines The Excellence Of A Tech Employee?

Efficiency isn't just determined by how well a job is done, but also the speed at which it is completed. The swiftness of service delivery can make all the difference for an SMB, mainly because it impacts the potential future of the company. When employees fail to deliver that speed, it results in significant setbacks – the faster a team can resolve tickets, the better it is for business.

It is also essential for a technician to be updated with RMM (Remote Monitoring and Management) software that can help increase the profitability of an MSP and provides an excellent strategy for keeping the customer's business up-to-date. Other than RMM, MSPs must also offer cloud storage management, business continuity, and disaster recovery (BCDR) solutions as well as a variety of productivity software and hardware to positively impact their client base.

Managing Costs

A good business is only as profitable and powerful as the strategy used to build and scale it. While creating a business and running it, one of the main problems that owners face is dealing with costs that have absolutely no return. In order to prevent that, MSPs offer cost-effective methods of keeping businesses afloat. Tools that keep an eye on business transactions deter companies from making unnecessarily large up-front payments, thus making it easier for it to grow and become more profitable.



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Knowing What to Sell

Using scalable tools to track finances is one thing; MSPs can also improve business relations by allowing them to sell recurring contracts.

Most companies use contracts, including web hosting and MSP services, that allow them to bring in revenues. However, there are several other monthly contracts which, in turn, prevent companies from fully leveraging their revenues. Predictable revenues allow profit margins and a rough idea of what to expect.

Maintaining Relevance For MSPs

One of the most significant challenges managed services face is to remain relevant to businesses from all industries and niches. Here are some of the issues that MSPs face regarding relevance:

Leading the Clientele

As we march into the next year, managed services are gearing up to bear more than ever before.

MSPs, down the road, will not only have to sell their expert services to organizations but also educate their clientele on how their (the client's) processes need to remain up to date and evolve to ensure the best security protocol for their needs.

We will see MSPs orchestrating business environments that offer resources to businesses beyond their core USP. Managed services providers can also assist businesses in the application or use of the proposed settings.

External Compliance Risks

The arena of managed services is still new to most businesses. Companies are unable to comply with certain regulatory standards, not because they don't want to, but because they lack education. The result? A potentially enhanced risk of a cyber-attack.

As we move into 2020, we will see the leading managed services providers educate their clients, and provide augmented assistance in putting these regulations into practice. It will make their client's position firmer in the market while making it relatively easier for them to tackle potential risks while avoiding legal penalties.

The Curve for Managed Services Providers

Businesses continue to evolve in order to stay relevant to the industry. This is precisely what managed services will have to ensure for themselves as well if they want to become the leading 20% of the market.

New and more innovative strategizing will also help managed services move past the disruptive forces of their environment where conventional practices held them back. Facilities that fail to free themselves of these practices will become irrelevant in the market before 2020 comes to close.

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MSPs must evolve smartly to guarantee their competitiveness in the market. They must understand the common concerns of the IT industry, and come up with tailored solutions that will [ensure success for the businesses](#) thus enhancing the MSPs.

In Conclusion

We are moving deeper into the digital transformation of businesses. This, in turn, means a growing need for IT frameworks. Now, these frameworks need to be firm enough, so a business stays protected against potential cyber threats.

Cyber-attacks, on the other hand, are increasing as well, turning data security a matter of concern in both small and large enterprises. To keep up, we have seen an influx of managed services providers in the industry.

MSPs are leading businesses into a safer environment keeping them safe from potential threats. In addition, companies have also been able to expand rapidly using managed services. With a high-end security model, cost-effectiveness, and benefits of outsourcing, managed services have been able to help businesses scale across different parts of the world.

However, in order to continue down the same path, MSPs need to take a step back and reevaluate their own growth. Those that will remain stagnant will cease to exist in the market while the ones working towards constant honing of their own services will lead the way.

The MSPs branching out as successful IT operations providers will only make up for a fraction of the managed services operating today in the market. Furthermore, the rising online security risk will also propel enterprises to opt for bigger MSPs, who will enjoy the economies of scale.

In a nutshell, the managed services industry has continued to grow over the past few years. Although this year's early market projections may indicate a bumpy start, the industry will face a considerable influx of new clients and customers due to the growing cloud usage as well as the potential threats associated with cloud operations.

Despite the trends and the disruptive forces, one thing is for sure; that managed services providers are here for good



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Who We Are

With over 25 years of industry expertise, Computer Resources of America has grown with the needs of clients and customers in the New York TriState area as a reliable and award-winning MSP. We offer managed IT services both on the customizable level or as a complete comprehensible package, cloud solutions options, IT consulting and staffing solutions. Our services deliver exceptional workplace flexibility that help businesses streamline their overall processes, while cutting down the operational costs in order to better equip them with the tools to operate more efficiently. To find out more about our services or to get a free evaluation, [contact us today!](#)



Corporate Headquarters

64 West 48th Street, New York, NY 10036 – 212-376-4040 – www.consultcra.com – hello@consultcra.com