



Strategies for managed service providers: applying best business practices



Terry van Staden

About this report

Managed service providers (MSPs) operate in a large and rapidly expanding market, but addressing the related revenue opportunity will be challenging. MSPs will need to invest in making wide-ranging changes to their business models and their portfolio to capitalise on the revenue opportunity.

This report uses examples from across the MSP industry to identify best practices in the following areas:

- the core elements of MSPs' service portfolio and potential areas for expansion and differentiation
- managing the customer lifecycle, in terms of sales, marketing and support
- becoming a KPI-driven business to improve profitability and increase customer satisfaction.

The report is based on the following sources:

- Analysys Mason's global model
- a survey of 950 MSPs worldwide¹
- interviews with MSPs from across the industry.

KEY QUESTIONS ANSWERED IN THIS REPORT

- What is the addressable revenue opportunity for MSPs?
- How should MSPs best approach this opportunity?
- What services should MSPs offer?
- What are the examples of industry best practices in terms of sales, marketing and support?
- How does customer satisfaction impact the underlying business and how does it help MSPs to differentiate and protect their businesses?

WHO SHOULD READ THIS REPORT

- MSPs that want to differentiate their services and develop their understanding of the managed ICT services market.
- Service providers that want to enter the managed ICT services market.
- Telecoms operators looking to enter the managed ICT services market.

¹ For more information, please see Analysys Mason's [*MSP survey: successful business practices*](#).

Executive summary

MSPs have a large and expanding opportunity to generate revenue by assisting businesses with their changing ICT requirements, but addressing this opportunity will require them to invest in wide-ranging changes to their business models. MSPs should diversify their portfolios, manage the entire customer lifecycle and become KPI-driven businesses to capitalise on this growing opportunity.

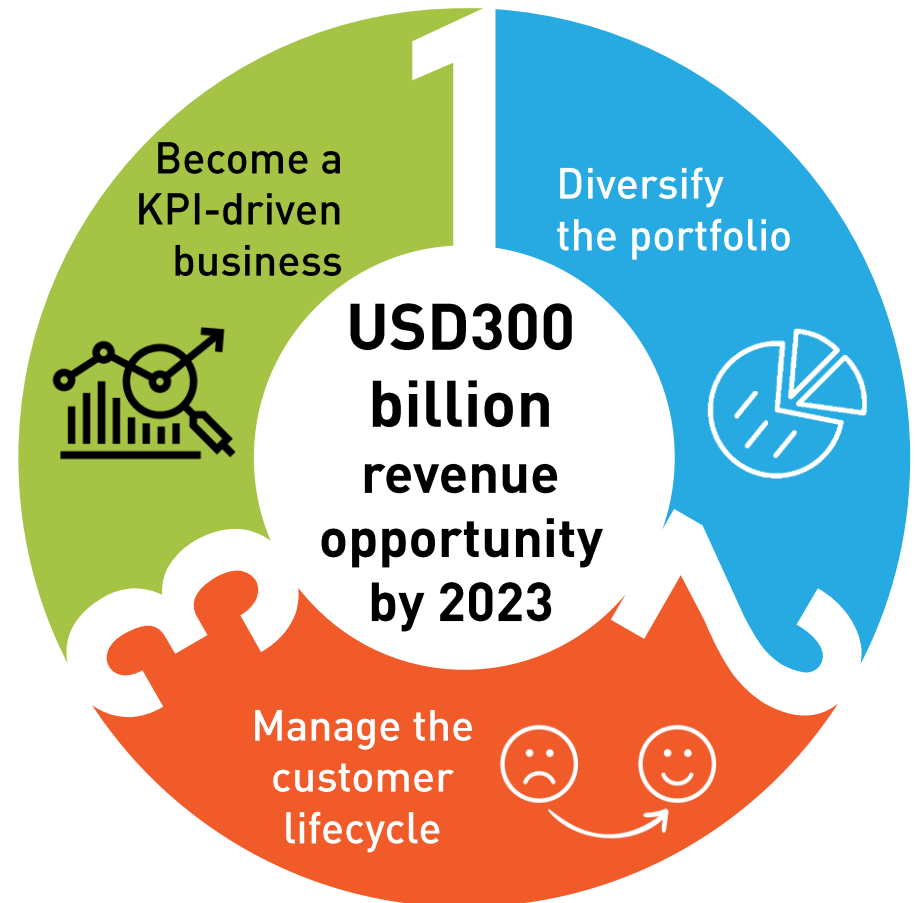
Analysys Mason forecasts that revenue from MSP services worldwide will grow at a CAGR of 12% to reach USD300 billion by 2023. The demand for MSP services is being driven by increasingly complex ICT environments within businesses of all sizes and the migration of their ICT systems to the cloud. Small and medium-sized businesses in particular are unlikely to have the resources to manage complex ICT systems or migration to the cloud.

This report discusses the best practices for addressing this opportunity. We identify how MSPs can expand their portfolios and manage the customer lifecycle, and we outline the KPIs associated with building higher profitability and satisfaction.

KEY RECOMMENDATIONS

1. MSPs should invest in diversifying their portfolios.
2. MSPs will need to perform at all stages of the customer lifecycle, from customer acquisition to support.
3. MSPs' businesses should be metric-based, by tracking and analysing business, service and satisfaction KPIs.

Figure 1: Successful business practices that can help MSPs to capture the USD300 billion worldwide revenue opportunity by 2023



Challenge: MSPs will need to invest in making wide-ranging changes to their business models and their portfolio to capitalise on this opportunity

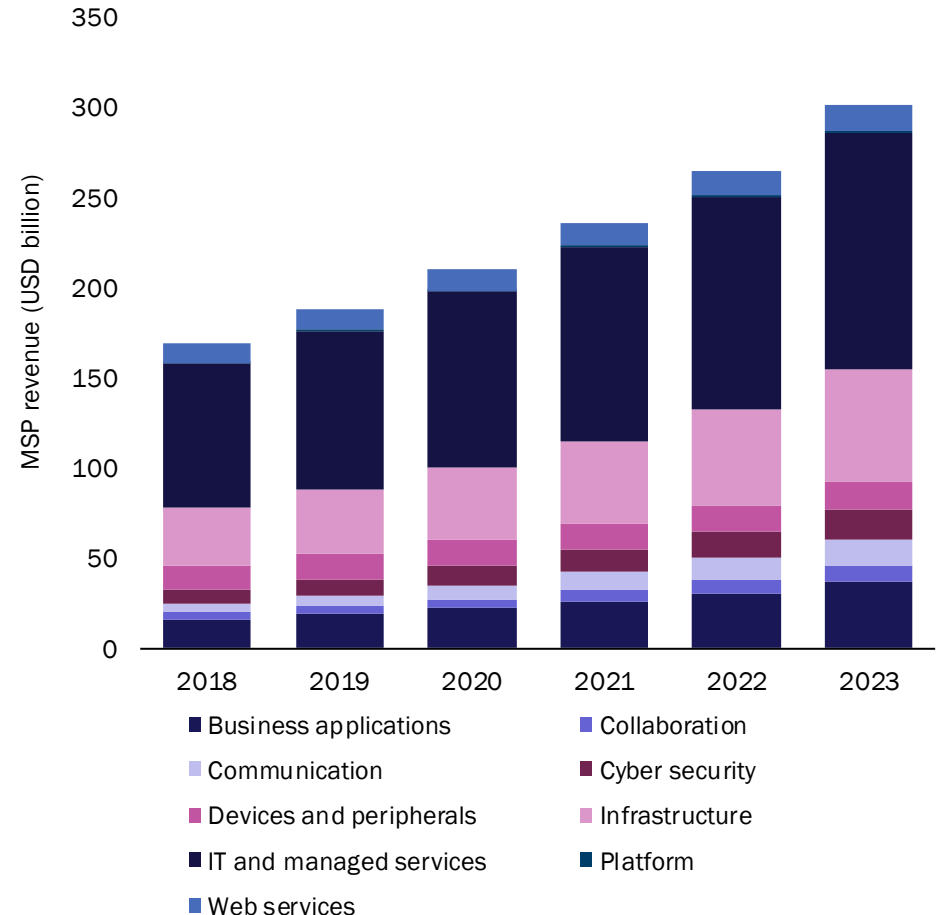
The need by businesses for managed ICT services represents a large and rapidly expanding revenue opportunity for MSPs. Analysys Mason forecasts that the overall MSP revenue opportunity will grow by 12% each year, on average, to reach USD300 billion in 2023. However, MSPs will need to invest in wide-ranging changes to their business models and their portfolio to capitalise on this opportunity.

Businesses of all sizes are looking to MSPs to assist them with increasingly complex ICT environments and with the migration of their systems to the cloud. Small and medium-sized enterprises in particular are unlikely to have the resources needed internally to manage complex ICT systems or to oversee the migration to the cloud. These requirements are driving a growing demand for MSPs' services.

For many SMEs, outsourcing management of ICT systems to an MSP will be less expensive and offer better results (for example, less downtime) than trying to manage systems internally.

To capture the growing revenue opportunity, MSPs will need to develop their technical expertise, diversify their service portfolios and reform their business processes and structures.

Figure 2: MSPs' revenue by service category, worldwide, 2018–2023



Source: Analysys Mason

Solution: MSPs should diversify their service portfolios, manage all aspects of the customer lifecycle and become KPI-driven businesses

MSPs will need to develop their service portfolios and technical expertise and establish new businesses processes in order to fulfil businesses' changing ICT requirements.

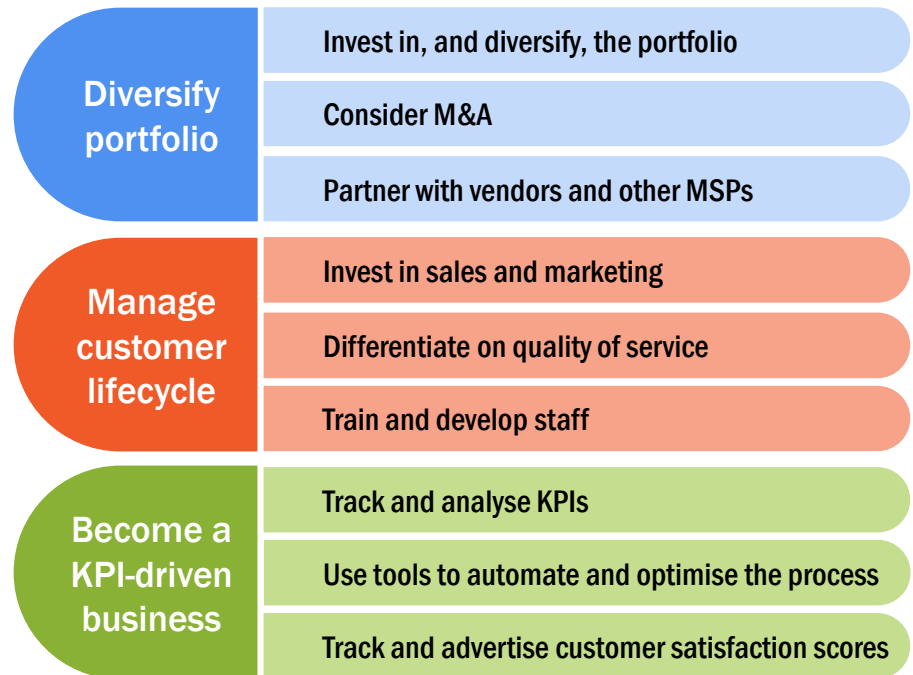
Each section of this report provides a detailed discussion of one of the three main factors that will be instrumental in determining the success of an MSP (see Figure 3).

In the first section, we assess the typical portfolio of an MSP and then identify the areas of investment that MSPs should consider. Partnerships with vendors and acquisitions are included in this assessment because they can assist MSPs in developing their technical capabilities and in diversifying their portfolio.

The second section of the report discusses best practices for selling and supporting MSPs' updated portfolios across all aspects of the customer lifecycle. MSPs should invest in sales and marketing, drawing on best practices from the industry. Training and developing staff is also a fundamental determinant of success.

The third and final section looks at how MSPs can become KPI-driven businesses to improve profitability and customer satisfaction. MSPs should track and analyse the most-important KPIs to the success of their business. Satisfaction can be a strong differentiator in what is a service market. MSPs should therefore ensure that they track this particular KPI and make their success more visible by using high satisfaction scores in marketing materials.

Figure 3: Key factors for MSPs to be successful



Source: Analysys Mason

Recommendations



1

MSPs should invest in diversifying their service portfolios.

Service portfolio diversification can help MSPs to expand into higher-margin services and enhance differentiation. MSPs should partner with vendors and each other, and consider M&A to expand their capabilities. MSPs of all sizes should consider expanding their service portfolio. MSPs can help to limit the strain on their own staff and capabilities by outsourcing certain responsibilities such as basic support. Vendors can provide considerable sales and marketing support to sell their products and MSPs can also partner with each other to combine resources.



2

MSPs will need to perform at all stages of the customer lifecycle, from customer acquisition to support.

MSPs should invest in their sales and marketing practices, utilise effective pricing strategies and prioritise training and support. Sales and marketing channels are the main routes by which MSPs gain a customer's interest, and there is a significant correlation between investment in sales and marketing and revenue growth. SLA-based pricing provides MSPs with a way to differentiate, and generate revenue from, the quality of their services and support. MSPs should prioritise hiring and developing skilled sales and technical staff, who are fundamental determinants of success.



3

MSPs should be metric-based businesses, tracking and analysing business, service and satisfaction KPIs.

KPI tracking is a critical enabler of MSPs' success. KPIs help MSPs to understand the performance of their businesses, and can also be instrumental in helping them to meet SLA standards and remain profitable. Tools can help to optimise and automate much of the KPI-tracking process. MSPs' use of these KPIs is equally important. When a customer churns, the customer's KPIs should be analysed to understand why they left and to mitigate any further churn. High customer satisfaction can be a strong differentiator and should be publicised in marketing material.

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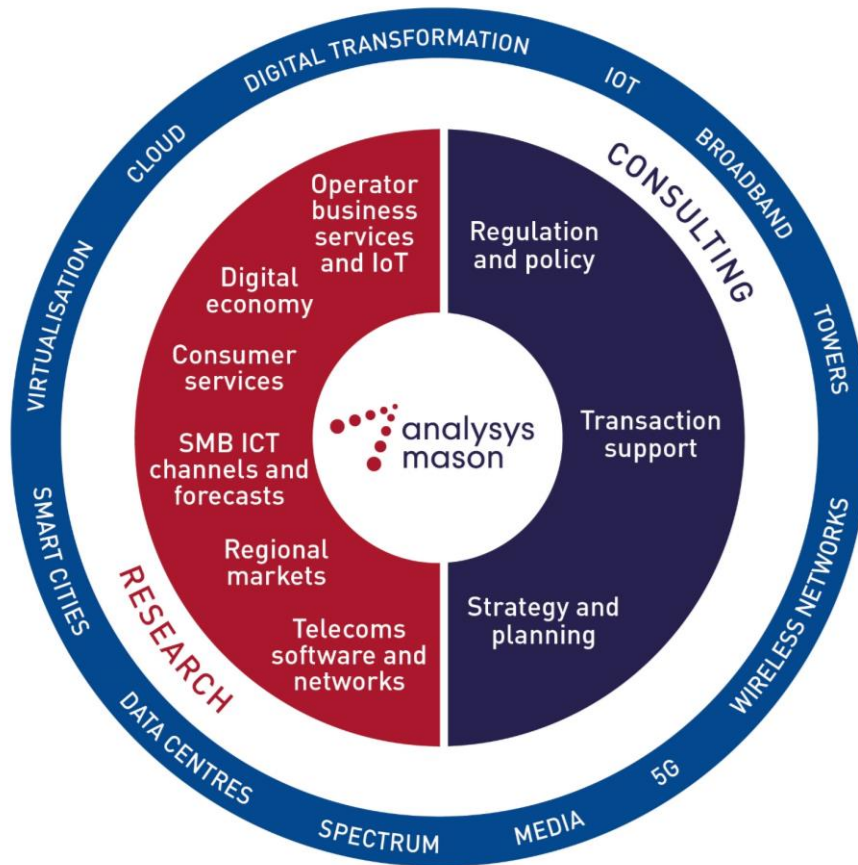
About the author



Terry van Staden (Analyst) is a member of Analysys Mason's *Operator business services and IoT* research practice, focusing on operator strategies for the enterprise market. He specialises in SME bundling strategies, primary research and is responsible for our enterprise survey work. Prior to joining Analysys Mason, Terry received his masters in economics under full scholarship in South Africa, where his research papers won – or were nominated for – several national awards. He is a member of the Golden Key International Honour Society and the recipient of the Gold Duke of Edinburgh's Award.

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SMB ICT channels and forecasts programmes

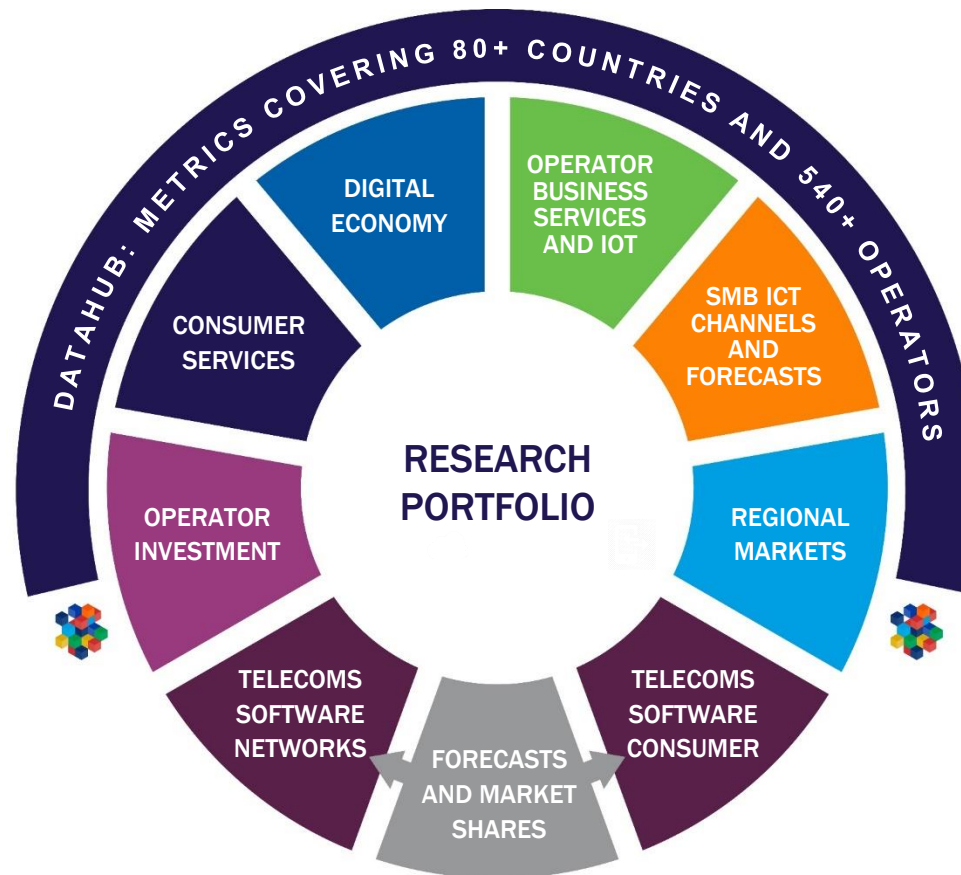
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Global Telecoms Data
Americas
Asia-Pacific
Middle East and Africa
European Core Forecasts
European Telecoms Market Matrix
European Country Reports

DataHub

~2500 forecast and 250+ historical metrics
Regional results and worldwide totals
Operator historical data



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About AMI-Partners



An Analysys Mason company

AMI-Partners is a global ICT research and consulting firm that focuses on the small and medium-sized business (SMB) market.

- AMI-Partners was founded in 1996 and has over 20 years of expertise in the SMB ICT market. It was acquired by Analysys Mason in July 2018.
- Its specialisms include:
 - go-to-market opportunity assessment
 - tracking buying behavior
 - customer segmentation
 - channel partner ecosystem dynamics
 - sales enablement.
- AMI-Partners has invested over USD50 million in primary SMB research to date, thereby setting a global benchmark.

**The Global SMB ICT
sizing and forecast model**



75 million+ data points



130+ ICT business categories



**52 Countries and
5 'rest-of-region' areas**



19 Industry verticals



13 Business sizes



8 Routes to market



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