

IT Nation: ConnectWise has demonstrated the value of a unified platform for MSPs, but more work is needed

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ConnectWise recapped its achievements from 2021 and presented its growth strategy for 2022 and beyond at IT Nation, the company's annual managed service provider (MSP) partner event. The launch of Asio, ConnectWise's unified platform for MSPs, was the highlight of the event.

MSPs' clients have varying needs, so MSPs require multiple solutions to serve their whole client base. A unified platform with improved partner support will therefore consolidate ConnectWise's position as the leader of the MSP solutions market. However, product innovation and service improvement are not sufficient to ensure ConnectWise's continued growth in terms of both revenue and market share in an increasingly crowded MSP solutions marketplace.

Asio has been on ConnectWise's roadmap since at least 2019 when it acquired Continuum, a competing supplier of MSP solutions. The acquisition made ConnectWise one of the largest MSP-focused technology platform vendors. Its portfolio includes professional services automation (PSA), remotely monitored management (RMM), security operations centre (SOC) services, network operations centre (NOC) services and help desk services. Asio combines these offerings in a single platform.

ConnectWise will use Asio to compete with both established and emerging vendors

ConnectWise's Asio platform enables MSPs to deliver a wide range of services including PSA, RMM and cyber security. A unified platform is compelling for MSPs: it can boost productivity, support cross-sell/up-sell opportunities and improve the understanding and management of customer accounts.

However, ConnectWise is not the only MSP-focused vendor to build a unified platform. It faces competition from both established vendors (such as Datto) and emerging vendors (such as Atera and Syncro) that also provide a range of solutions in a unified platform. Cyber security and AI are key areas of competition. Newer vendors also offer lower-cost, more flexible licences for smaller and emerging MSPs than their more-established counterparts.

Established vendors are integrating advanced cyber security features into their platforms to differentiate from their competitors. Asio includes cyber security solutions in the form of a NOC, a SOC and help desk support. Datto launched a threat protection and spam filtering solution in November 2021 after acquiring the cyber threat detection firm, BitDam. This efficiency-focused add-on was built specifically for MSPs that serve small and medium-sized businesses (SMBs), and allows these customers to protect themselves against malware threats across the Microsoft 365 collaboration suite without the need for additional staff.

At IT Nation, ConnectWise touted its heavy investments in AI as well as the success that its Cyber Research Unit has demonstrated in using AI/ML techniques to reduce the number of erroneous alerts escalated to security teams. ConnectWise was an early adopter of AI and automation, but other vendors are working to catch up. For

example, Kaseya acquired Graphus, a company using machine learning to automate the detection and prevention of cyber attacks, in 2020. Atera, an emerging, private-equity-backed vendor, introduced an AI-based solution that automatically classifies, prioritises and routes high-risk tickets.

ConnectWise and other established vendors charge on a per-device basis and also have installation fees. However, emerging vendors bill in terms of the number of software users, which is an easier, more predictable model for small customers. For example, Atera is targeting small MSPs with pay-per-user pricing and an unlimited number of devices and users. Syncro is another new provider that offers unlimited devices and pay-per-user pricing.

ConnectWise should broaden its target audience if it is to continue to grow in an increasingly crowded marketplace

Our research indicates that revenue growth opportunities exist for both ConnectWise and other established MSP-focused vendors, including among underserved customer segments and geographies. We recommend that they take the following actions.

- **Offer pricing options that are tailored to smaller MSPs (<100 employees) to compete more effectively with emerging vendors.** Small MSPs represent a sizable opportunity and one that is important to get right. MSPs with fewer than 100 employees generate just under half of all remotely managed IT services spending with MSP-focused software vendors. ConnectWise and other established vendors should therefore not overlook this segment and the associated potential for long-term revenue growth.
- **Invest in international operations to serve the growing demand in Asia-Pacific.** The adoption of managed services in Asia-Pacific is still low, but there is a significant opportunity for growth. Our [SMB Technology Forecaster](#) shows that SMB spending via MSPs and system integrators (SIs) in Asia-Pacific will grow at a CAGR of 18% between 2020 and 2026. India and China will be the two main drivers of growth in the region, and spending in these countries combined will grow from USD25 billion in 2020 to USD70 billion by 2026 (at individual CAGRs of 24% and 17%, respectively). Both Datto and Kaseya are already investing in international expansion, which should create a sense of urgency for ConnectWise (and others).
- **Enable MSPs to manage the complete software stack for their SMB customers.** Analysys Mason forecasts that SMB spending via MSPs worldwide will increase in the coming years. SMBs' software stacks are also becoming more complex due to the investments into collaboration and cyber security solutions made to enable remote working during the COVID-19 pandemic. As a result, MSPs will seek modern solutions to effectively manage the complete SMB software stack for their customers.