



The Next-Gen Managed Service Provider

How modern MSPs are automating
operations and reducing risk



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Introduction

Managed Service Providers (MSPs) continue to face a growing number of challenges, particularly in the last year. These challenges range from outages and cyberattacks to employee attrition and lack of resources. But amidst these concerns, a growing focus on automation, AIOps and modern technologies has become imperative to limit risk and future-proof MSP businesses.

Automation is a hot topic for MSPs. **95% of MSP leaders believe automating their processes is necessary in order to gain the time to focus on innovation and strategic goals**, based on LogicMonitor's survey of 600 MSP leaders in nine global markets across North America, EMEA and APAC.

And while MSP leaders estimate an average of 39% of their manual processes have been automated, they believe another 41% could be automated, given the opportunity it presents to help scale their operations and become a next-gen MSP.

Wondering what you can do to modernize your own MSP and help scale it to the next level? Keep reading.

Research Methodology

In October 2021, LogicMonitor commissioned an independent research firm to survey 600 senior global employees working for IT Managed Service Providers (MSPs). The goal of LogicMonitor’s research was to understand the state of MSPs in 2022 and beyond, provide key insights into their strategic goals, and offer up recommendations on how to accelerate transformation to attain those goals.


Respondents by region:

North America:

 United States: **25%** (n=150)

 Canada: **9%** (n=51)

EMEA:

 United Kingdom: **17%** (n=101)


 Germany: **8%** (n=50)


 Netherlands: **3%** (n=18)

 Ireland: **4%** (n=24)

APAC:

 Australia: **21%** (n=125)

 New Zealand: **5%** (n=27)

 Singapore: **9%** (n=54)

Respondents by annual company revenue:

Under \$10M: **19%** (n=113)

\$10M – Under \$100M: **41%** (n=249)

\$100M – Under \$1B: **31%** (n=186)

\$1B+: **9%** (n=52)

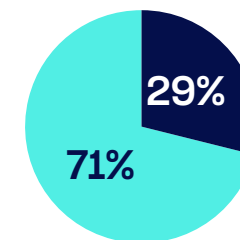
Respondents by seniority:

Executive: **39%** (n=236)

Director: **23%** (n=136)

Manager/Senior Engineer: **38%** (n=228)

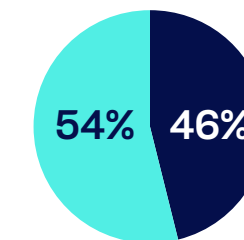
Respondents by organizational size:



40-100 Employees: **29%** (n=172)

101+ Employees: **71%** (n=428)

Respondents by number of customers:



1-100 Customers: **54%** (n=326)

101+ Customers: **46%** (n=274)

State of MSPs: By the Numbers

Some of the key findings of this research report include:



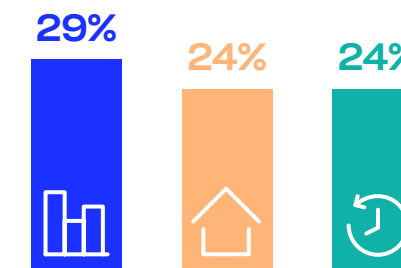
88% of MSPs have experienced a brownout or outage in the past year – averaging one per month.



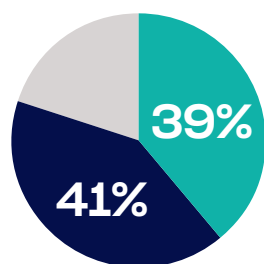
Top benefits of automating tasks include improved time efficiency (42%), reduced errors (34%), and increased profits (33%).



The majority of MSPs expect most of their end customers to be 100% in the cloud within the next five years.



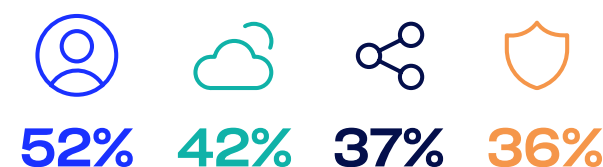
Top enterprise IT needs for MSPs include 24/7 IT monitoring support (29%), support for remote work (24%), and decreased IT downtime (24%).



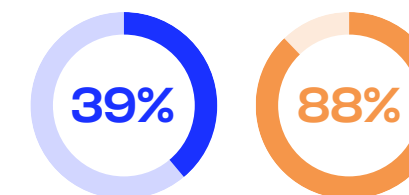
MSP leaders estimate an average of 39% of their team's tasks have been automated, but there's room to grow, with another 41% that could yet be automated.



95% say automating their processes is necessary to be able to focus on innovation and strategic goals.



Businesses are investing more in IT training (52%), cloud (42%), network (37%), and security compliance (36%).

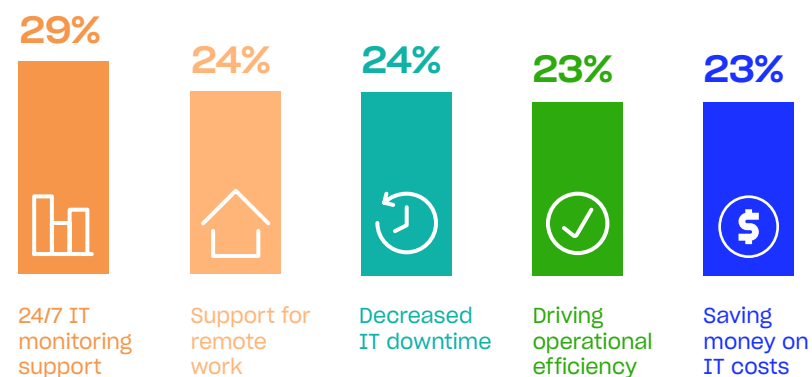


MSP leaders estimate their engineers devote 39% of their time into manual tasks and 88% say these tasks frequently prevent engineers from spending time on innovation or advancing strategic goals or initiatives for their customers.

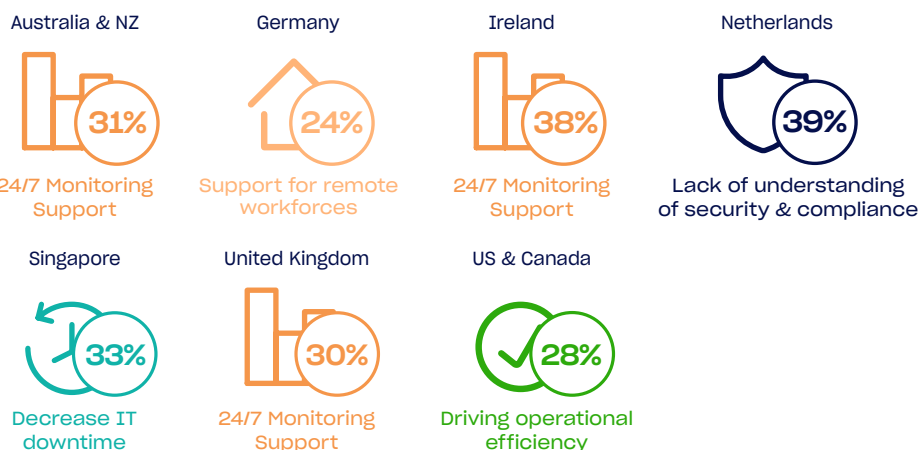
Enterprise IT Needs are Evolving

Whether or not they are spending more, enterprise customers' existing needs give additional perspective into where MSPs should be ready to support businesses in the future. Today, customers' top needs include **24/7 IT monitoring support (29%)**, **support for remote work (24%)**, and **decreased IT downtime (24%)** —many of which could be automated, integrated and further supported by their MSPs.

Top Enterprise IT needs:



Top Enterprise IT needs by market:



MSP Customers' IT Infrastructure	Global MSPs	Australia & NZ	Germany	Ireland	Netherlands	Singapore	United Kingdom	US & Canada
On-Premises	36%	36%	37%	34%	37%	36%	37%	37%
Hybrid: On-Prem & in the cloud	37%	39%	40%	32%	35%	36%	37%	34%
In the cloud	31%	32%	31%	34%	28%	31%	32%	31%

On-prem vs. cloud:

MSP customers are still utilizing on-premises IT infrastructure, but signs show that the path forward will be in the cloud. On average **36% of MSP customers are on-premises**, **37% use a hybrid of cloud and on-premises**, and **31% are fully in the cloud**.

Estimated years until most msp customers will operate entirely in the cloud:

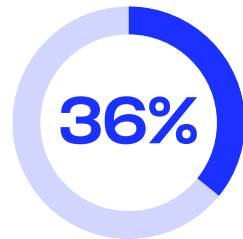


MSP Revenue is on the Rise

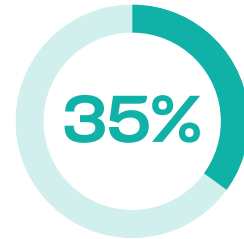
Compared to in 2020, in 2021 and 2022 many customers are **spending more money with their MSP (55%)**, especially on future-oriented tasks: their spend is increasing due to their shift in priorities predominantly around **migrating to the cloud (36%)**, **digital transformation (35%)**, and **increasing risks of cyber security threats (34%)**.

A shift in priorities:

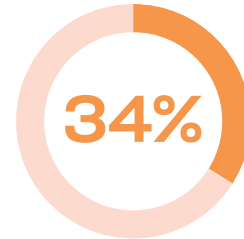
55% of businesses are spending more with their MSPs on...



Increasing interest to shift to cloud



Increasing interest in digital transformation

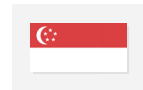


Increasing risks of cyber security threats

Top reasons for increased spending:



- 52% Spending more
- 38% Seasonal IT demands



- 56% Spending more
- 50% Interest in digital transformation



- 42% Spending more
- 48% Interest to shift to the cloud



- 50% Spending more
- 39% Interest to shift to the cloud
- 39% Support for remote workforces



- Spending more: 54%
- Support for remote workforces



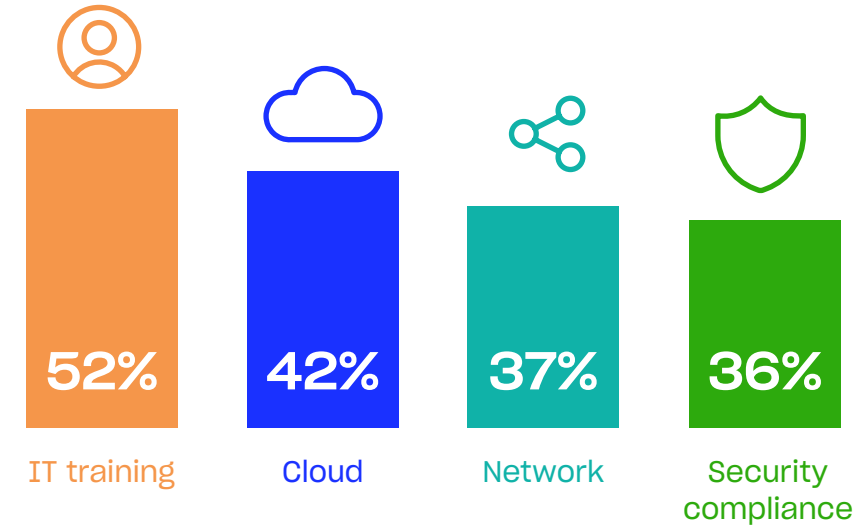
- 63% Spending more
- 39% Interest to shift to the cloud
- 39% Risk to cyber security threats



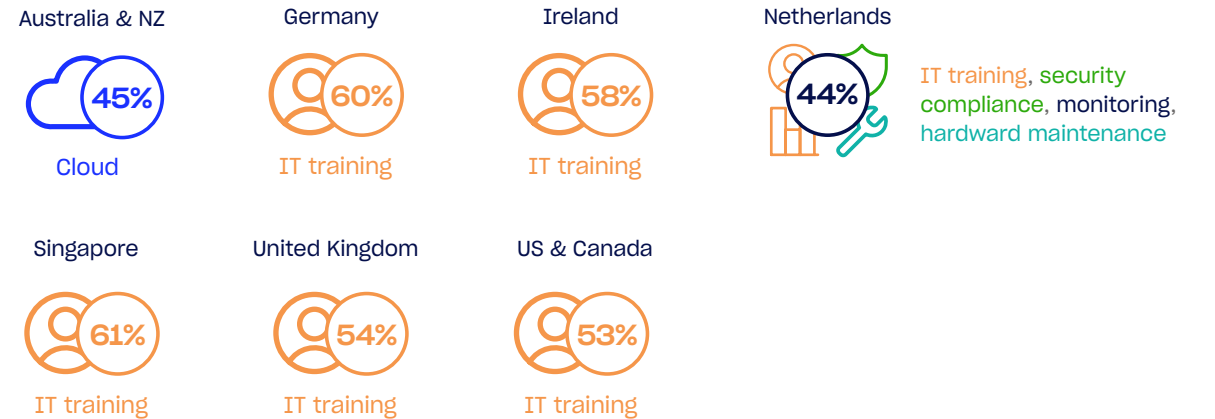
- 39% Spending more
- 43% Seasonal IT demands
- 43% Save from increasing IT costs

Top areas for increased spending:

Customers are spending more with their MSP by investing in these areas —all spaces where MSPs could provide automated solutions.



Increased spend by market:



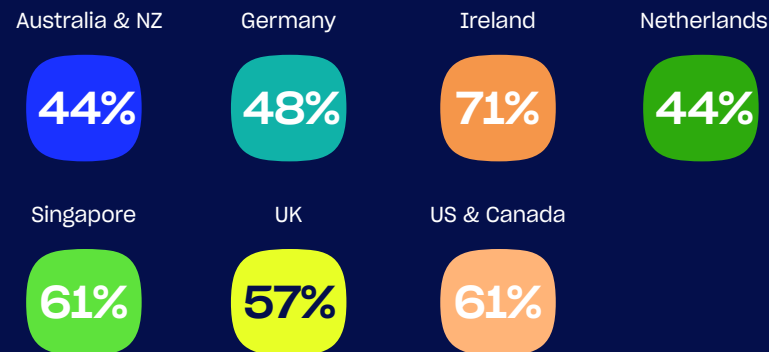
Resources at Risk

MSPs rely on trained staff to keep businesses running, and frequent staff turnover comes with negative business implications. Significant turnover has impacted the industry in the last 12 months, with open positions taking months to fill. To help preserve institutional knowledge, MSPs are investing in talent retention through various means, including increased salaries as well as flexible work models. Another significant barrier to success has been the sheer amount of time employees currently dedicate to routine tasks that could be automated to allow staff time to work on strategic goals.

More than half of MSPs (55%) have experienced significant employee turnover in the last 12 months, with Ireland (71%), Singapore (61%), the US & Canada (61%) and the UK (57%) the hardest hit.

% of MSPs that have experienced significant employee turnover in the last 12 months:

Global Average: 55%



Average # of months it takes to fill engineering roles from job posting to first day of work:

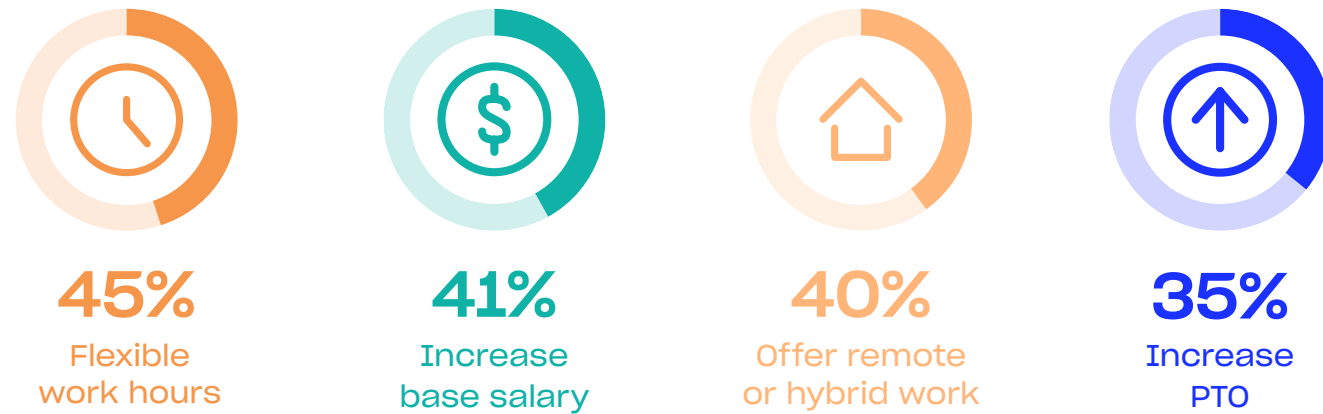
Global Average: 5 Months



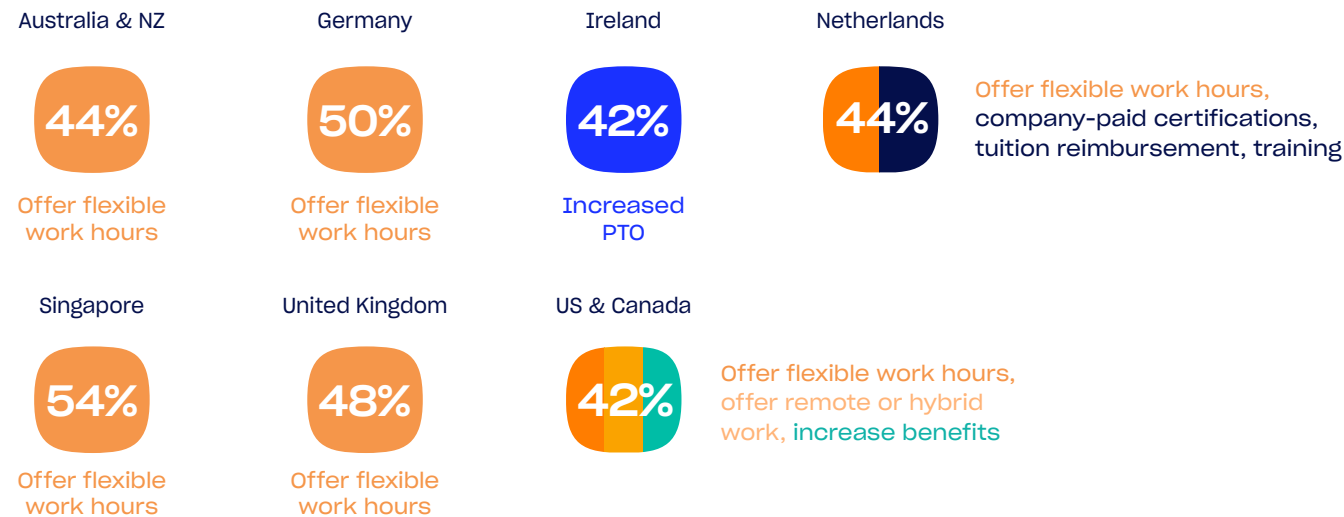
How MSPs Attract & Retain Top Talent

Given the 4-6 month time it is taking to fill technical roles, MSPs are increasingly investing in retaining their top talent, especially through offering flexible work hours (45%), increasing base salaries (41%) and offering up remote or hybrid work models (40%).

Top talent strategies:



Top reasons for increased spending:



The Case for Automation

Once engineers are hired, those skilled employees end up spending **close to 40% of their week working on manual and repetitive routine tasks**. An overwhelming **88% of MSP leaders** say these tasks frequently prevent their engineers from **spending time on innovation or advancing strategic goals or initiatives** for their customers.

How much of an engineer's workweek is spent on repetitive, routine tasks?



Global average

Australia & New Zealand: 41%



Ireland: 37%



UK 37%



Germany: 39%



Netherlands: 23%



US & Canada: 39%



Singapore: 41%



Percentage of MSP leaders who agree repetitive tasks take time away from innovation and advancing strategic goals:

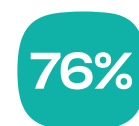


Global average

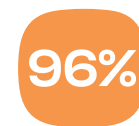
Australia & NZ



Germany



Ireland



Netherlands



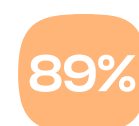
Singapore



UK



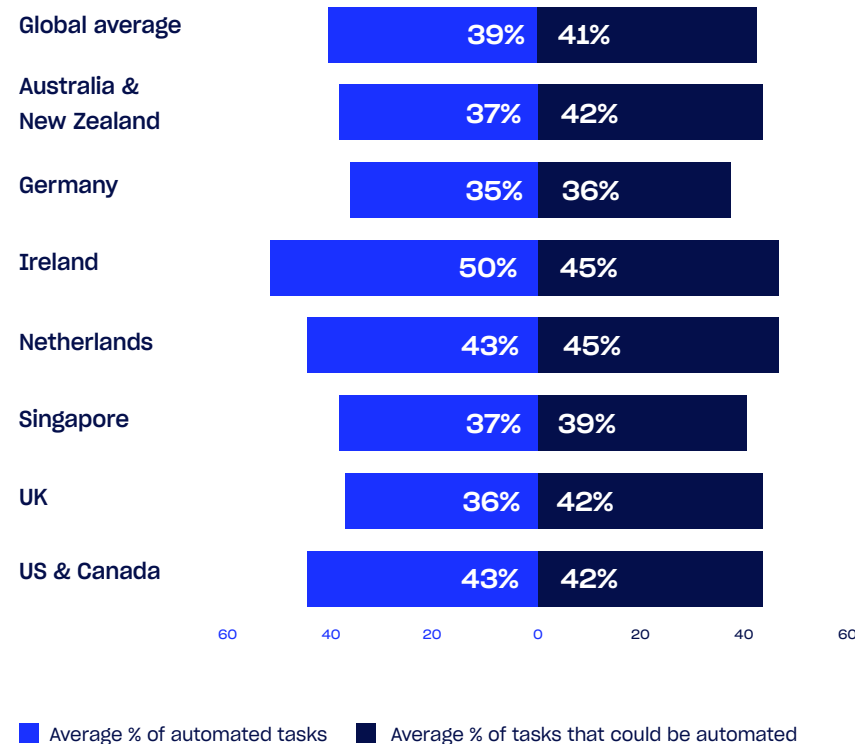
US & Canada



The Case for Automation (cont.)

While some tasks have already been automated, MSP leaders believe that far more routine work could be automated in the future. Not only would this save valuable staff time, but it would also reduce the risk of human error and could ultimately increase profits. While **39% of tasks have already been automated**, there is more that MSPs can do to better utilize their resources: leaders suspect **41% more could be automated**.

How much of an engineer's workweek has, and could be automated?

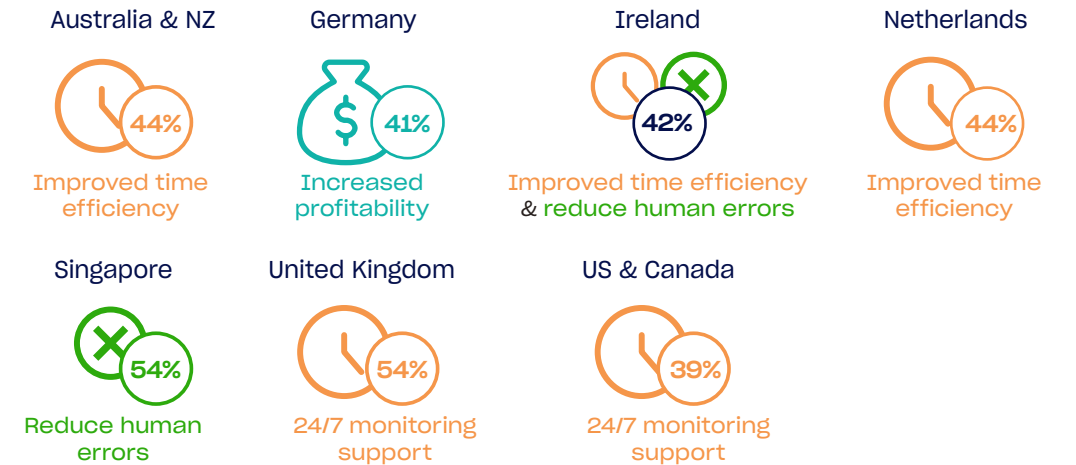


Top benefits of automation:

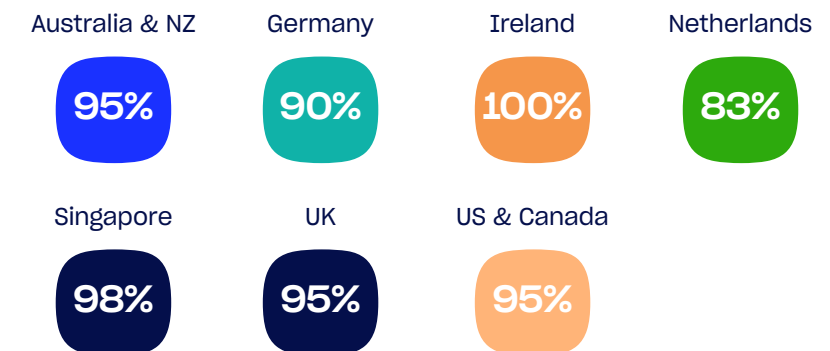
Beyond saving resources, automation can lead to a host of benefits, including **improved time efficiency (42%)**, **reduced errors (34%)**, and **increased profits (33%)**.



Top benefits of automation by market:










Innovation and unlocking strategic goals:



Supporting the Customer

MSP's today serve customers across a wide variety of industry verticals. As MSPs' customer bases expand, so do their customer needs. These customers are spending even more money this year on their MSPs as digital transformation has accelerated, more data is moved to the cloud and companies look to shore up their risk against cyberattacks. Today, customers are ramping up spending, both with their MSP and on other business goals, much of which is focused on staying online, staying safe and supporting staff. A robust automation process helps MSPs meet these needs in a competitive future landscape.

MSP customers come from a diverse array of industries. As such, MSPs need to be agile in the solutions they deliver.

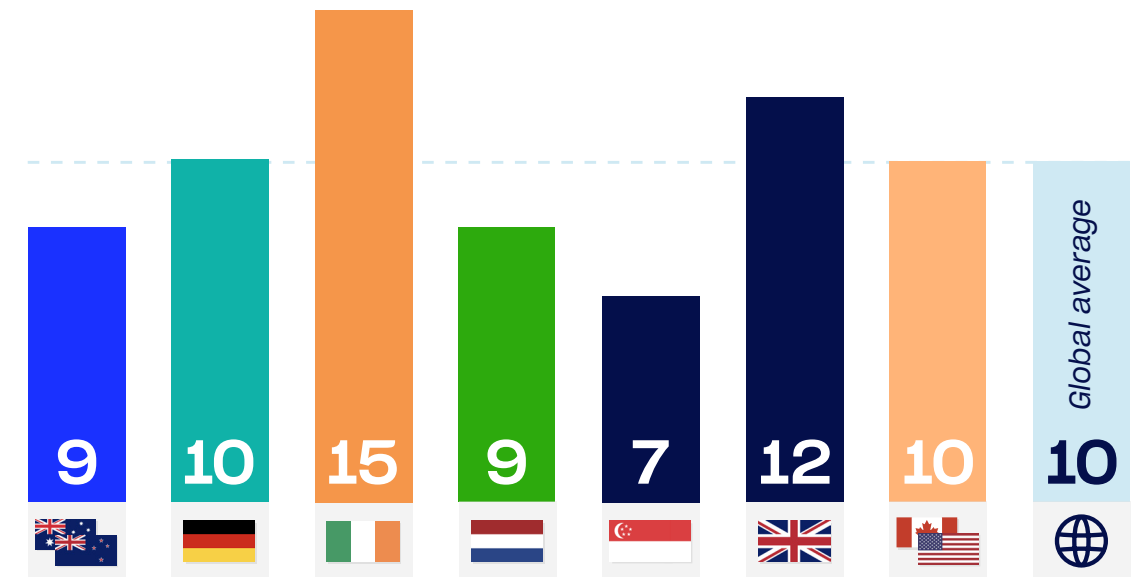
MSP Customers' Industries <i>Average % by industry</i>	Global Averages							
Agriculture	10%	11%	9%	16%	16%	8%	8%	11%
Automotive	11%	10%	15%	11%	15%	11%	9%	11%
Education	10%	12%	8%	10%	13%	11%	9%	10%
Finance	14%	13%	14%	12%	10%	16%	17%	13%
Government	10%	12%	7%	11%	12%	13%	8%	10%
Healthcare and Insurance	10%	10%	11%	11%	19%	13%	9%	10%
Hospitality	8%	8%	11%	8%	6%	8%	8%	7%
Manufacturing	12%	12%	13%	12%	18%	12%	9%	11%
Oil and Gas	7%	7%	6%	10%	7%	6%	5%	7%
Retail	10%	12%	10%	7%	14%	9%	9%	9%
Software	18%	18%	19%	8%	14%	15%	23%	16%
Other	6%	5%	25%	0%	20%	2%	6%	2%

Average number of tools used to support customer environments:

On top of juggling multiple customers with limited resources, MSPs are also suffering from tool sprawl. To support their customer environments, MSPs on average use:

10 different tools

for monitoring, log aggregation and application performance monitoring (APM)

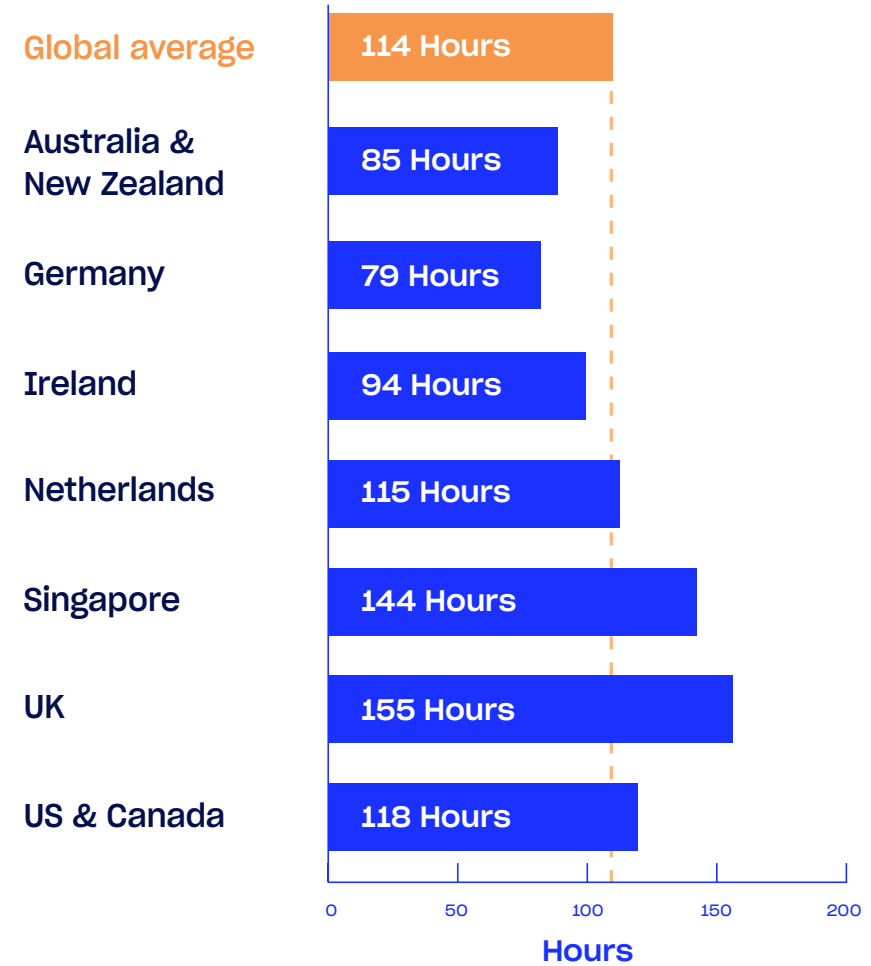




Supporting the Customer (cont.)

New customer onboarding:

Onboarding new customers takes up a significant amount of MSP time, averaging **114 hours to onboard new customer accounts**. That's nearly three workweeks, pointing to a lack of agile or automated processes.



IT outages remain all too common

The past year has revealed significant gaps in coverage as the vast majority of MSPs navigated brownouts and outages. Such outages led to significant problems, including disruptions to both productivity and revenue, as well as a poor experience for end customers.

Most MSPs (88%) have experienced a brownout or outage at least once in the last 12 months, and not just a few. They have experienced an average of 12 in the past year, adding up to an average of one outage per month.

Outages and brownouts in the last 12 months:

Market	Experienced an outage/brownout	Average number of outages/brownouts
Australia & New Zealand	89%	5
Germany	84%	21
Ireland	88%	68
Netherlands	89%	6
Singapore	83%	9
UK	84%	16
US & Canada	91%	7
Global Average	88%	12

Top negative impacts of IT outages and brownouts:

The consequences of these outages add up: top impacts include **lost productivity (41%)**, **lost revenue (36%)**, and **poor customer experience (34%)**.



Outages (on average)

88% of MSPs experienced an outage or brownout, on average 12 in the past year.

41% Lost productivity

36% Lost revenue

34% Poor customer experience

31% Lost customers

Top impacts of outages by market:



Spotlight on Security & Cyberattacks

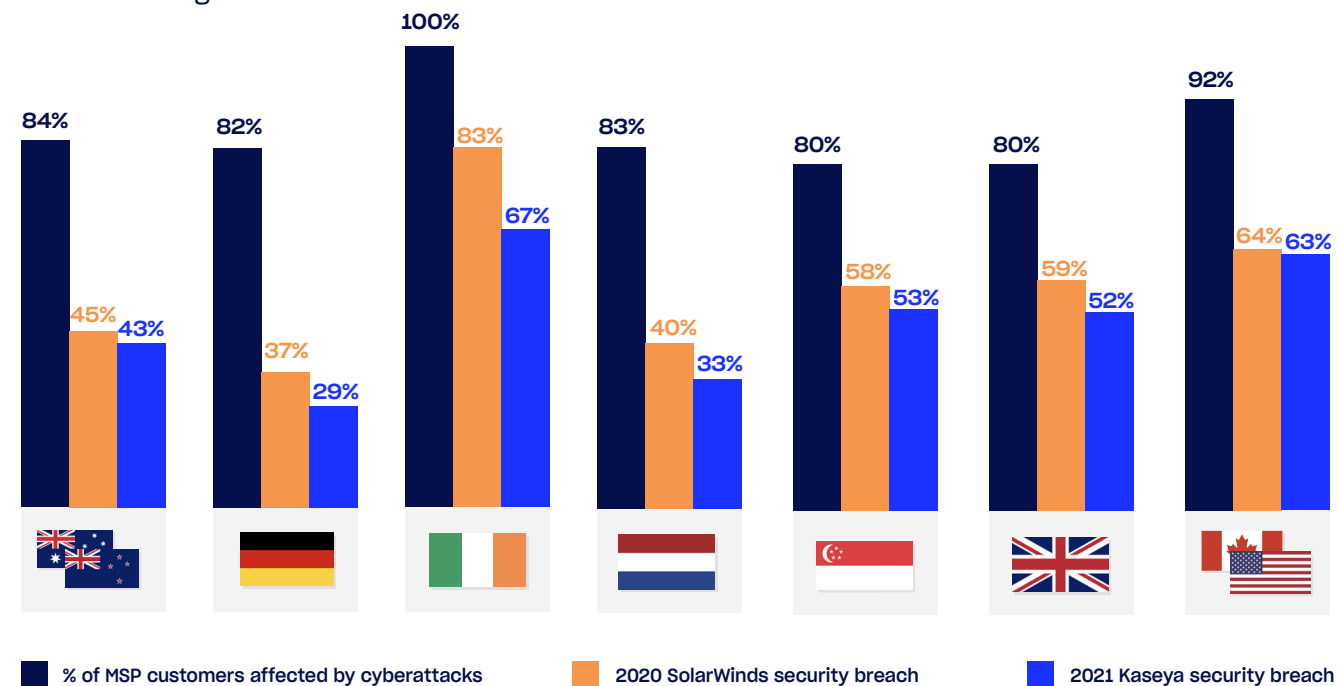
Security has become of high concern to modern IT organizations and service providers. An overwhelming **88% of MSPs say their customers have been affected by cyberattacks in the last two years.**

Even as concerns about cyberattacks continue to mount, MSPs admit they still don't have the tools to effectively manage these security challenges. The frequency and breadth of these attacks suggest that a new approach is needed to automate and streamline monitoring and mitigate risk.

Percentage of MSP customers affected by cyberattacks in the last two years:



Global average

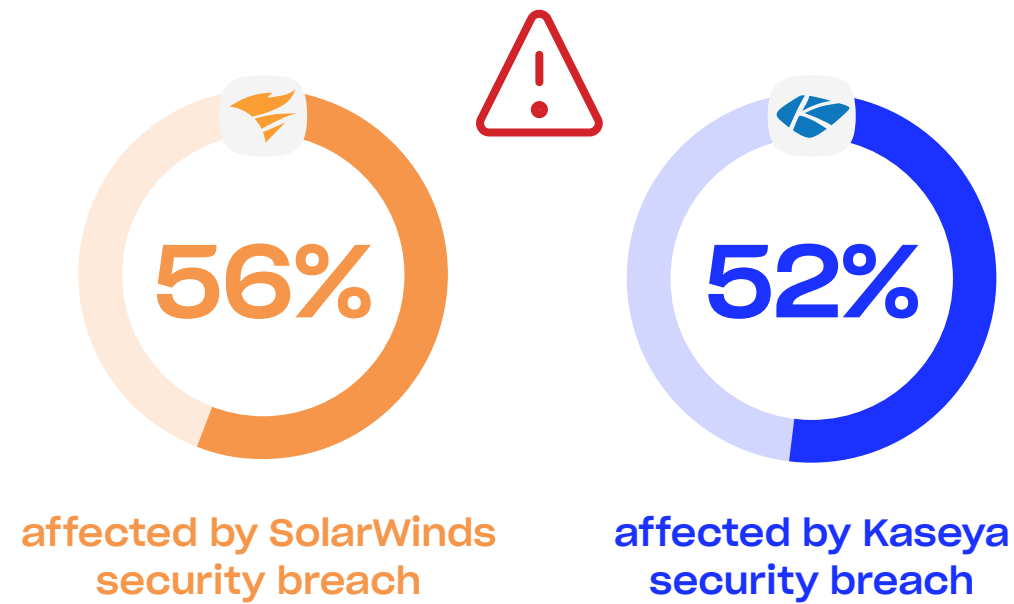


Spotlight on Security and Cyberattacks (cont.)

Impact of recent SolarWinds and Kaseya security breaches on enterprises:

As reported by survey respondents, a high percentage of end customers working with the MSPs surveyed for this research report were impacted by the security breaches that occurred at SolarWinds and Kaseya over the past year.

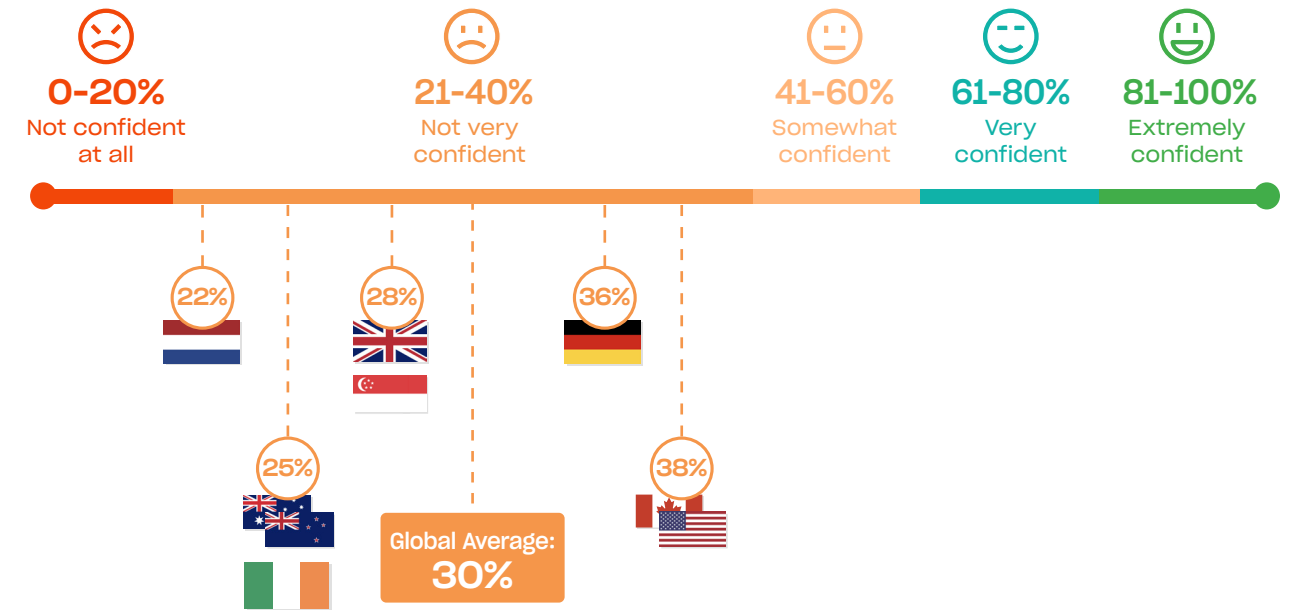
Of those whose customers have been affected by cyberattacks, **56% say their customers were affected by the 2020 SolarWinds security breach**; **52% had customers that were affected by the 2021 Kaseya security breach**.



Average confidence level of MSPs in their ability to successfully address a cyberattack targeting end customers:

MSPs hold concerns about whether or not they can effectively mitigate a cyberattack targeting their end customer.

Despite how common cyberattacks have become, **70% of MSPs admit they are not completely confident in their company's ability to manage the threat of a cyberattack to their customers.**



Steps to Shore Up Security

Given the prevalence of security risks, MSPs are currently implementing a number of strategies and safeguards to better protect their customers from cyberattacks. **43% of MSPs are turning to increased network monitoring** as a solution, while **40% are providing additional training to employees** and **40% are enabling multi-factor authentication (MFA)**.

Top MSP strategies for reducing the risk of cyberattacks:



Risk reduction strategies by market:



Conclusion and Key Takeaways

As MSPs continue to expand their customer base, investing in solutions to address their growing pains will not be enough. Modern MSPs seeking to lead the market will need to invest in solutions that give their engineers the resources they need to innovate, monetize and stay competitive, which means freeing them from rote tasks that continue to hinder their scalability. Fortunately, initiatives such as pushes into the cloud and AIOps and automation can provide immediate relief, as well as build towards a more efficient future for MSPs.

Conduct a cloud audit

The majority of end customers (55%) are spending more and more each year with their MSPs. Top areas of investment include IT training (52%), cloud (42%), network (37%), and security compliance (36%). To ensure your MSP is not left behind when it comes to cloud, conduct an audit of your preferred vendors and tools to ensure they are equipped to handle both cloud and on-premises environments out of the box.

Invest in automation

While many benefits of automation are immediate, including improved efficiency, reduced errors, and increased profits, implementing automation into existing workflows as part of an end-to-end MSP modernization effort can seem like a heavy burden for teams already under-resourced. Selecting partners and vendors with solutions with AIOps capabilities and automation already built in will go a long way in lightening the load and helping your MSP modernize fast. After all, on average, global MSP leaders estimate engineers spend 39% of their time on routine and manual tasks. Lean in to automation and free up valuable time for innovation or advancing strategic goals or initiatives on behalf of end customers.

Prioritize vendors who offer multiple products to reduce tool sprawl

On top of juggling multiple customers with limited resources, MSPs are also suffering from serious tool sprawl. On average, service providers pay for 10 different tools for monitoring, log aggregation and application performance monitoring. Consider evaluating existing vendors to see if they offer new products or solutions that would help you consolidate spend within fewer vendors. At the end of the day, reducing the amount of overall tools you need to manage or train staff on saves time and reduces complexity.



If you'd like to explore how LogicMonitor can help automate and streamline your operations, find out how we can provide insight into your infrastructure, to your logs and applications to make better business decisions on logicmonitor.com/msp

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