



EBOOK

# HOW TO TRANSFORM YOUR BUSINESS TO BECOME A BIONIC MSP BEST PRACTICES FROM THE TOP-GROWING MSPs



## INTRODUCTION

Each year Kaseya conducts an extensive worldwide survey of MSPs to provide visibility into MSP market growth, highlight behaviors and strategies that set the successful MSPs apart from the pack, and uncover the leading technologies most beneficial to MSP customers. The results shed a wealth of knowledge about the types of services MSPs currently offer, how these services are priced, and how the MSP business has changed over the past year.

Service providers are far from a homogenous group. This year we decided to put our highest-growth respondents — those that reported an average annual monthly recurring revenue (MRR) growth over 20 percent — under the microscope. This ebook examines the practices and trends that differentiate these “Bionic MSPs” from their lower-growth peers.

The MSP marketplace is constantly evolving. Understanding the big picture is a critical first step.

## TOP TRENDS

As business demands grow more intense and less predictable, it's both an exciting and daunting time for MSPs tasked with the unenviable job of maintaining performance levels of IT Services. Convincing organizations to outsource IT functions to a service provider is no longer the major hurdle MSPs face when it comes to landing new business; today's challenge is providing a broad enough menu of services for customers that want to rely on MSPs even more.

Based on the trends we've observed, there are four key areas to bear in mind when considering extending your repertoire to fuel growth.



## 1 *Integration matters*

The reign of closed solution suites is over. For data to be used to its maximum potential, it must be shared among application and processes. Time to make way for technologies that are open, flexible, and integrated.

## 3 *Backup is seeing big changes*

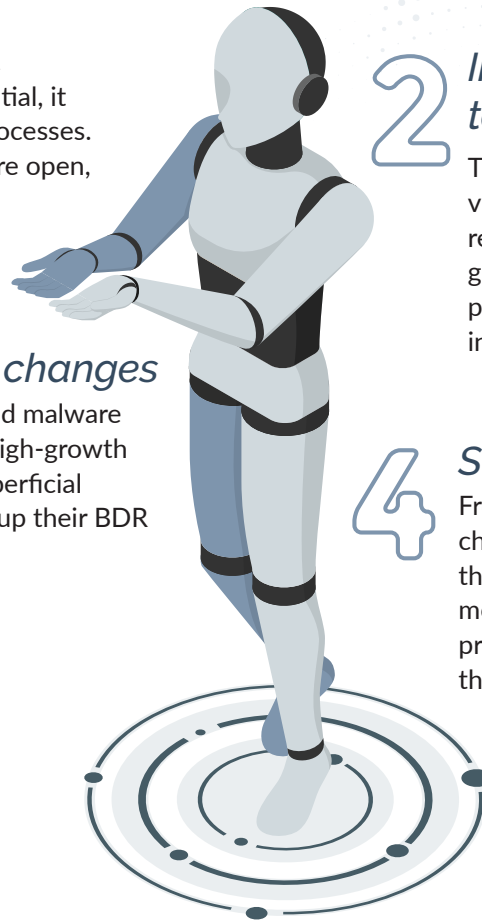
In a world where ransomware and malware are becoming far too common, high-growth MSPs don't rely on hope and superficial backup tactics, they are beefing up their BDR tools – anticipating the worst.

## 2 *Infrastructure management is now table stakes*

The need to manage on-premise, cloud, hybrid-cloud, virtualized, and components is spawning new technological requirements. This presents an opportunity for MSPs to grow their business with new service lines and maximize profit margins by providing customers with flexible infrastructure management solutions that fit any budget.

## 4 *Stabilization of the MSP business model*

From a pricing model perspective, there has been minimal change in revenue distribution in recent years, a key indicator that the MSP business market has largely stabilized. The real movement, however, lies in MSP business models, as service providers look for new ideas to revamp or restructure what they are currently selling.



## WHAT DOES IT TAKE TO SUCCEED?

As we turn the spotlight on Bionic MSPs, an obvious question arises: Who are they? In a nutshell, Bionic MSPs have successfully built sustainable businesses that are high-performing and widely admired. Their average annual monthly recurring revenue (MRR) growth exceeds 20 percent. To achieve this growth, they stay on top of the latest technology trends and are constantly seeking new trusted ways to differentiate themselves and sustain their success.

As the rapidly changing MSP landscape continues to push MSPs toward their next phase of evolution, Bionic MSPs do many amazing things to blaze a digital path and separate themselves from the pack. To do this, they prioritize to ensure they have the tools and technologies needed to professionally manage their customers and flexibly operate their business with a cost structure in sync with MSP 2.0 economics.

There's no reason you can't transform your business to be a Bionic MSP, but to get there you'll have to understand the metrics behind the business.

## Bigger ≠ Better

It's a long-held belief that to grow revenue you must grow headcount. Clearly, that is not always the case, and business growth isn't necessarily proportional to organization size.



**More than 1/3<sup>rd</sup> of Bionic MSPs have fewer than 10 employees**

Hiring additional employees rather than considering efficiencies or other alternatives is an expensive solution that often results in a workforce whose time is gobbled up by rote tasks, shrinking the room for innovation. Bionic MSPs look for the most efficient and effective solutions.

### **BIONIC MSPs HAVE SUCCESSFULLY BUILT**

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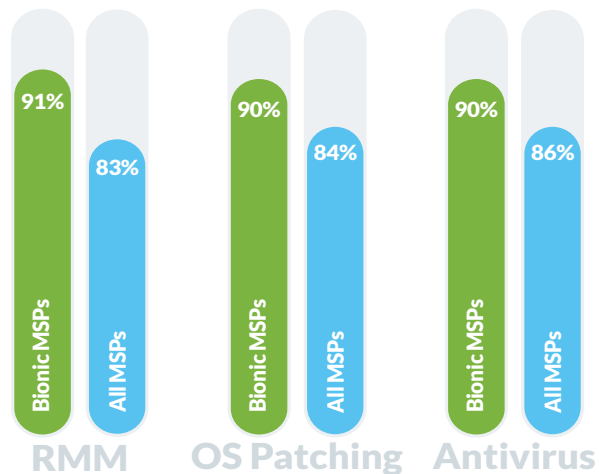


## Strong Infrastructure Management is a Requirement

Most organizations seek out some external expertise to manage their exploding IT infrastructure and that's precisely why infrastructure monitoring and management has been touted among the fastest growing services over the past 12 months. To grow, it is imperative MSPs find higher-margin ways to deliver infrastructure. This also explains the remarkably pro-active approach Bionic MSPs take to cloud deployment. IT infrastructure management depends heavily on accurate reporting, real-time dashboards, and constant monitoring of the entire environment.

**Infrastructure monitoring, desktop support, and connectivity support continue to be the most widely offered services among all MSPs**

### THE KEY DIFFERENTIATORS



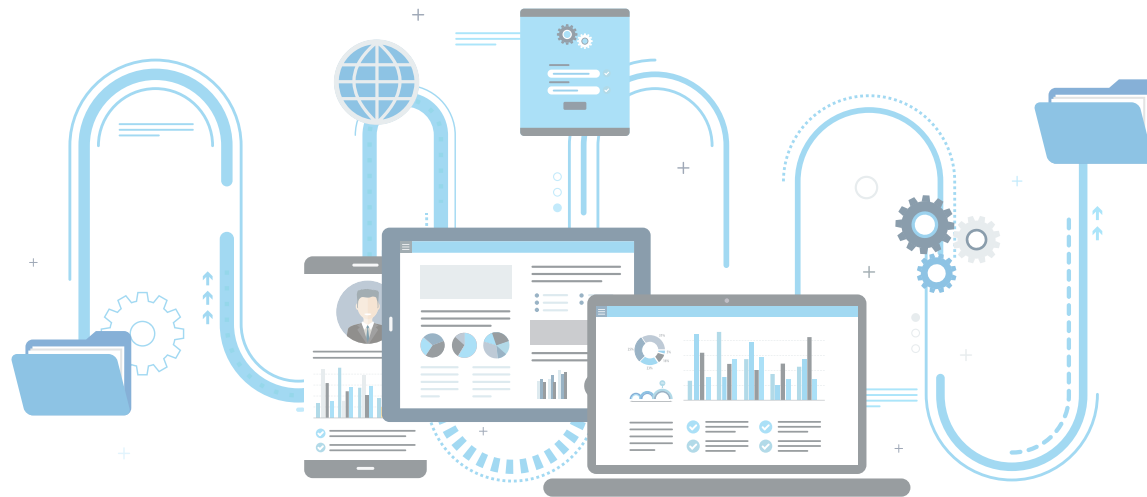
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Deployment rates for these services are consistent among MSPs of all stripes. They are the bare minimum for entry in today's MSP marketplace.

Although Bionic MSPs invest heavily in these areas, they diverge from their lower-growth peers by consistently offering more services across the board. While security and cloud services are especially in demand today, the technology terrain shifts quickly, and businesses expect their MSP to be proactive in anticipating their needs.

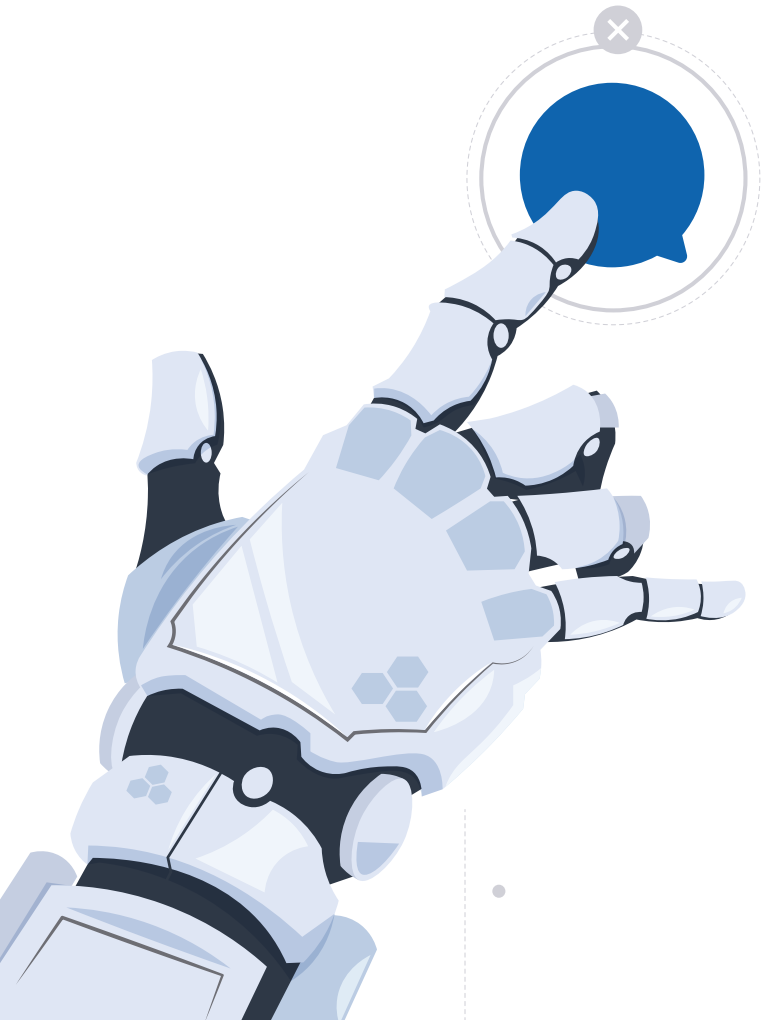


SERVICE	ALL RESPONDENTS	BIONIC MSPs	DIFFERENCE
Identity & access management	45%	69%	24%
Cloud services (e.g., IaaS, PaaS, SaaS)	52%	71%	19%
Client assessment	60%	78%	18%
Intrusion detection and prevention	46%	64%	18%
Audit & discovery	62%	78%	16%
Dark web security monitoring	15%	31%	16%



## Automation

Leveraging the full power of automation is like tripling your team of administrators. Automation enables Bionic MSPs to hum along while putting the most mind-numbing, time-consuming maintenance tasks on autopilot. Automate routinely like a Bionic MSP, and you can manage thousands of endpoints per technician vs. a few hundred without it.



9%

of Bionic MSPs manage fewer than 100 endpoints

22%

of Bionic MSPs manage 101-500 endpoints

15%

of Bionic MSPs manage 501-1,000 endpoints

37%

of Bionic MSPs manage 1,001-5,000 endpoints

17%

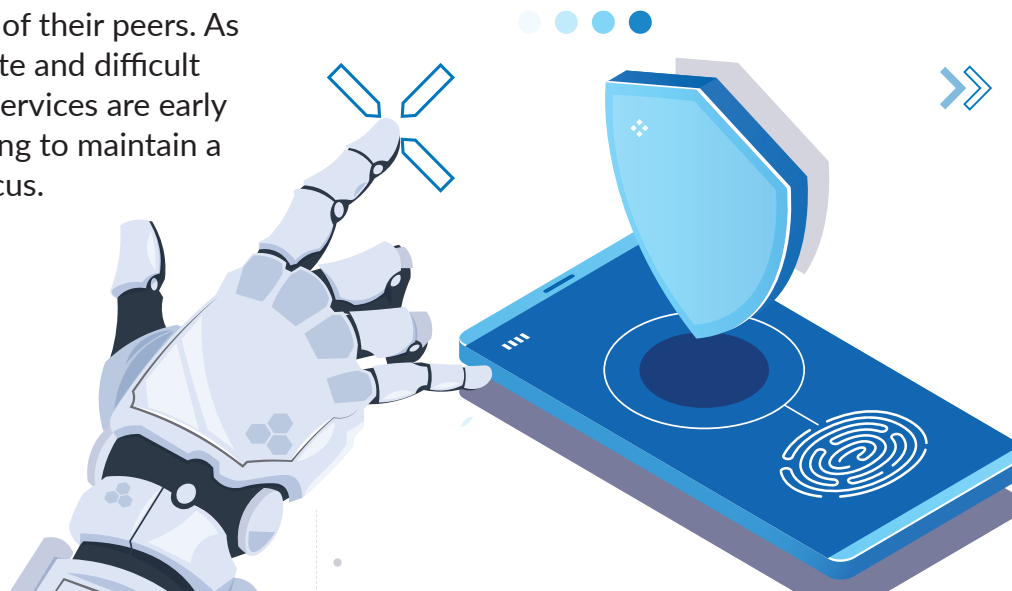
of Bionic MSPs manage 5,001 or more endpoints

## Security

The top security offerings remain predictable and have been viewed as standard for some time. However, as the threat landscape becomes more nebulous and complex, Bionic MSPs have stepped up their game.

SECURITY SERVICES	ALL RESPONDENTS	BIONIC MSPs	DIFFERENCE
Software management	61%	85%	24%
Third-party application updating	57%	79%	22%
Real-time intrusion/threat detection	49%	71%	22%
Two- or multi-factor authentication	54%	75%	21%
Account creation/deletions	59%	79%	20%

Bionic MSPs are always a few steps ahead of their peers. As infrastructures become increasingly intricate and difficult to secure, these investments in emerging services are early indicators of where service providers looking to maintain a more proactive security posture should focus.





## Integration

Most MSPs struggle with the “chicken and the egg” question of prioritizing between RMM and PSA. High-performance MSPs, on the other hand, know that blindly installing either of these tools is no silver bullet for success. Each may be a precursor to the other, but their ability to integrate together is hands down the single most important feature of any PSA or RMM solution.

**80%** of Bionic MSPs consider integration to be exceptionally important, compared to **69%** of all respondents

The same applies to the majority of applications that Bionic MSPs rely on to keep afloat among the competition. When working harmoniously together, these combined solutions deliver much more value than the sum of their parts.

**92%** of Bionic MSPs believe the integration of core MSP applications can help them drive better bottom line profits

## Cloud Adoption

There is nothing foggy about how Bionic MSPs approach the cloud. Whether you’re looking at cloud integration, migration, implementation, or management, Bionic MSPs have embraced everything about cloud. As the market for cloud services continues to grow, Bionic MSPs continue to put their energy into this space by scaling up their cloud service offerings and focusing on customer segments that match their expertise and experience.

**71%** of Bionic MSPs currently host some sort of their clients' infrastructure in a private cloud environment, compared to **59%** of all respondents

**Bionic MSPs' margin range for cloud services is almost double that of the overall population**

## Data Backup and Protection

There's no denying that data dominates and drives businesses. Big data, IoT, and AI are fueling businesses to be increasingly data-driven. Given that data volumes continue to grow exponentially for nearly every industry, it is critical to have robust disaster recovery and backup capabilities.

Not surprisingly, Bionic MSPs are proactively pumping up their data storage and backup capabilities.

**85%** of Bionic MSPs use more than one backup provider to support customers' backup and disaster recovery needs, compared to **78%** of all respondents

### BUILD A BIONIC GROWTH AND PRICING STRATEGY

Conventional wisdom says that cost-based pricing is the way to go when selling a product or service. Not anymore. Not for Bionic MSPs at least. They realize that focusing solely on cost always leaves the door open for a less-expensive vendor.

However, focusing on the value that their services bring to their clients makes them a true partner.

**16%** of Bionic MSPs earned more than **50%** of their revenue from a *cost-based model*

**22%** of Bionic MSPs earned more than **50%** of their revenue coming from a *value-based model*

**In 2018, pricing models among Bionic MSPs were split near evenly between a per-user and per-device basis**

This same focus on value supports the higher fees that Bionic MSPs charge nearly across the board.

**29%** of Bionic MSPs charge between **\$51 and \$100** per device per month for ongoing server support and maintenance, compared to **19%** of all respondents

**75%** of Bionic MSPs charge **\$100-200** as their standard hourly rate, compared to **64%** of all respondents

**The average monthly managed services contract size for one-third of Bionic MSPs is \$5,000 and above, compared to 21% of all respondents**

## Organic Growth

While there is no single path to success, being caught without a plan is a sure route to stagnation. When it comes to picking up a growth strategy **more than two-thirds of Bionic MSPs prefer to grow organically through new service offerings.**

They look for ways to embed themselves more securely with their clients, adding in new value-add services more often than their peers. Bionic MSPs make sure they find time to:

- Adequately communicate their value to clients
- Quickly develop and deploy new, profitable services
- Keep clients happy and productive
- Scale their business (and endpoints under management) while keeping staffing levels constant

## RESPOND TO MARKET TRANSFORMATION LIKE A BIONIC MSP

How many of these Bionic MSP traits does your business have? Our data clearly shows that luck alone does not shape a Bionic MSP. The more an MSP flexes its muscles and strategizes about every aspect of the business, the more likely it is to become a high-growth Bionic MSP.

*Want to start your transformation to become a Bionic MSP?*

## KASEYA CAN HELP

Kaseya IT Complete, the industry's first and only unified MSP growth platform, is architected and purpose-built to provide you with the comprehensive solution set you need to run your business flexibly and improve your bottom line.

IT Complete empowers you to run and grow your business with increased revenue through profitable new services, automated service delivery that drive efficiencies, and ultimately happier customers, thanks to exceeded service-level agreements.



*Request a demo today and find out how you can grow your business and your bottom line with Kaseya.*

## Survey Methodology

Data provided in this report is from the Kaseya annual MSP Benchmark survey. The report is based on detailed data provided in Q4 of 2018 in structured questionnaires by owners and operators of more than 800 MSP firms of all sizes spread across over 40 countries. More than two-thirds of respondents came from the United States.

To simplify the questionnaires, pricing and revenue information was requested in U.S. dollars, and respondents were asked to select from price ranges rather than specify exact figures.

The main focus of this report was MSPs that reported annual monthly recurring revenue over 20% (which we define as Bionic MSPs).

Overall, we've made every attempt to provide data in a format that is most useful to the widest audience for this report.



### About Kaseya

Kaseya is the leading provider of complete IT management solutions for managed service providers (MSPs) and midsize enterprises. Through its open platform and customer-centric approach, Kaseya delivers best in breed technologies that allow organizations to efficiently manage and secure IT. Offered both on-premise and in the cloud, Kaseya solutions empower businesses to command all of IT centrally, easily manage remote and distributed environments, and automate across IT management functions. Kaseya solutions manage over 10 million endpoints worldwide. Headquartered in Dublin, Ireland, Kaseya is privately held with a presence in over 20 countries. To learn more, visit [www.kaseya.com](http://www.kaseya.com).

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