



 **ITGlue 2021**

GLOBAL MSP
BENCHMARK REPORT

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INTRODUCTION

The IT Glue 2021 Global MSP Benchmark Report comes at a time when the world is still reeling from the impact of the COVID-19 pandemic. Although the MSP industry fared better compared to others, has everything reverted to pre-COVID trends? We set out to find out in this year's survey.

The forced transition to remote work made global organizations more reliant on IT than ever for their day-to-day operations, data management needs, security concerns and more. As a result, the MSP world was able to bounce back much quicker than other industries. This also accelerated IT trends by increasing the demands for cutting-edge technologies like cloud computing, automation, AI, IoT and more.

With opportunities and challenges arising at the same time, how did most MSPs fare in terms of adapting to new technology trends, managing their revenues and achieving business growth? Our 2021 report explores this.

Based on our findings, it is safe to say that the 2021 IT Glue Global MSP Benchmark Report provides a testament to the resilience of the MSP industry and showcases its ability to bounce back during a global crisis.

A special thank you to all the MSPs that eagerly participated in the survey and shared their valuable insights about the industry. The report we have put together will benefit the whole MSP community and help with future endeavors. This would not be possible without your contributions.

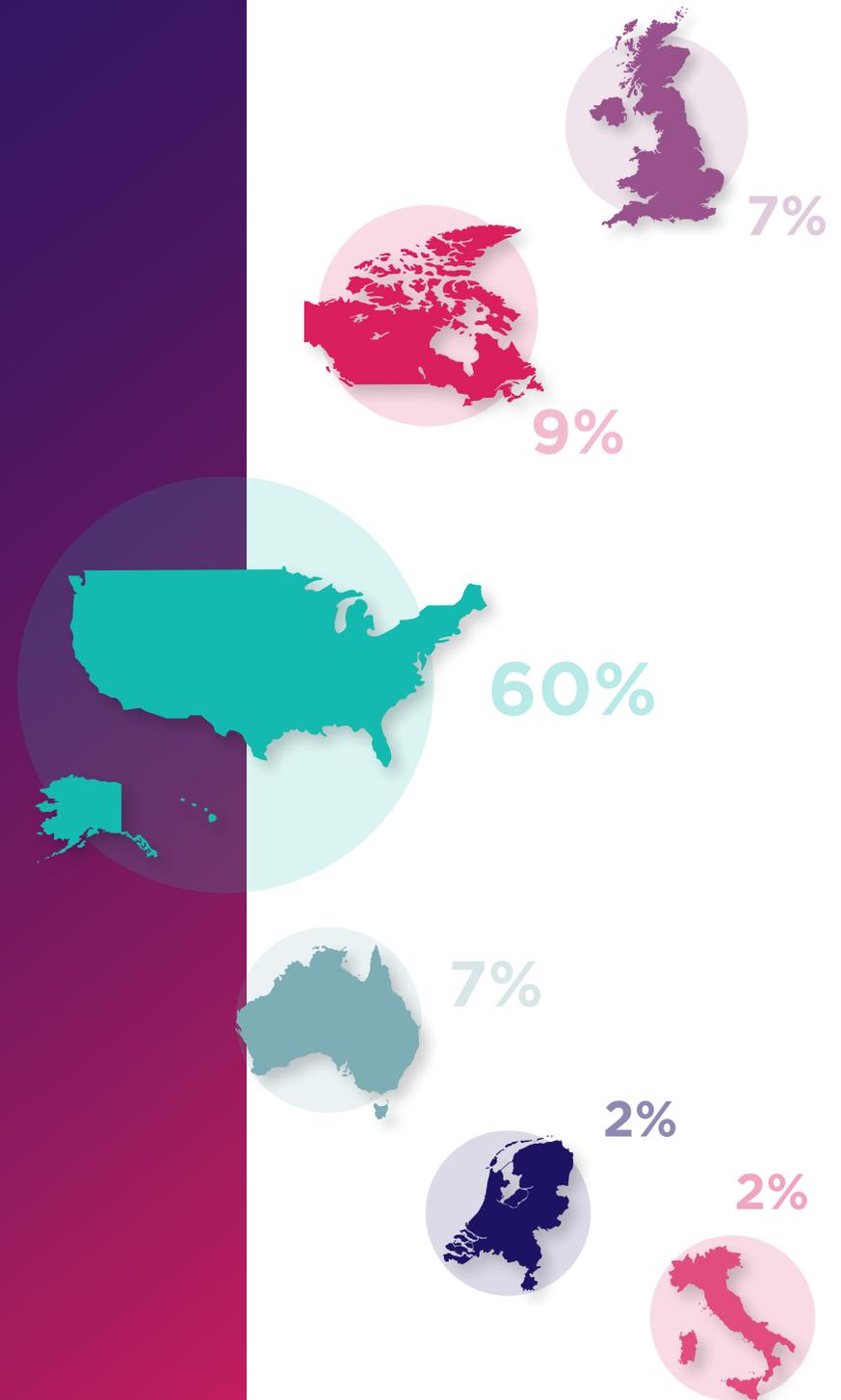
From IT Glue & the entire MSP community, thank you!

THE PARTICIPANTS

Like the previous four editions, the 2021 survey had fantastic participation from the MSP industry. It is heartening to know that businesses now regard IT Glue's annual report as their go-to source to gather game-changing and crucial industry insights to gain an edge over competitors and are eager to have their voices heard.

This time around, we had 1,334 participants from 38 countries, spanning five continents. To break it down further, the countries with the greatest representation were the United States (60%), Canada (9%), the United Kingdom (7%), Australia (7%), the Netherlands (2%) and Italy (2%). Not only do these numbers reflect how global IT Glue's partner network is, but they also highlight that good documentation can lead to better efficiency no matter where you are.

Of the participants surveyed, 87% identified as MSPs, 10% were internal IT Teams, and 2% said they were MSSPs.



What Do Top-Performing MSPs Look Like?

Let's start by defining what exactly is a top-performing MSP. Our 2020 report was based on survey data gathered in February 2020, before the COVID-19 pandemic took hold. MSPs with stable revenues and 15% net margin found their place only in the bottom quintile. On the other hand, the top third of MSPs had revenue growth and margins over 20%. Our data also indicated that these are the MSPs that were more likely to get acquired.

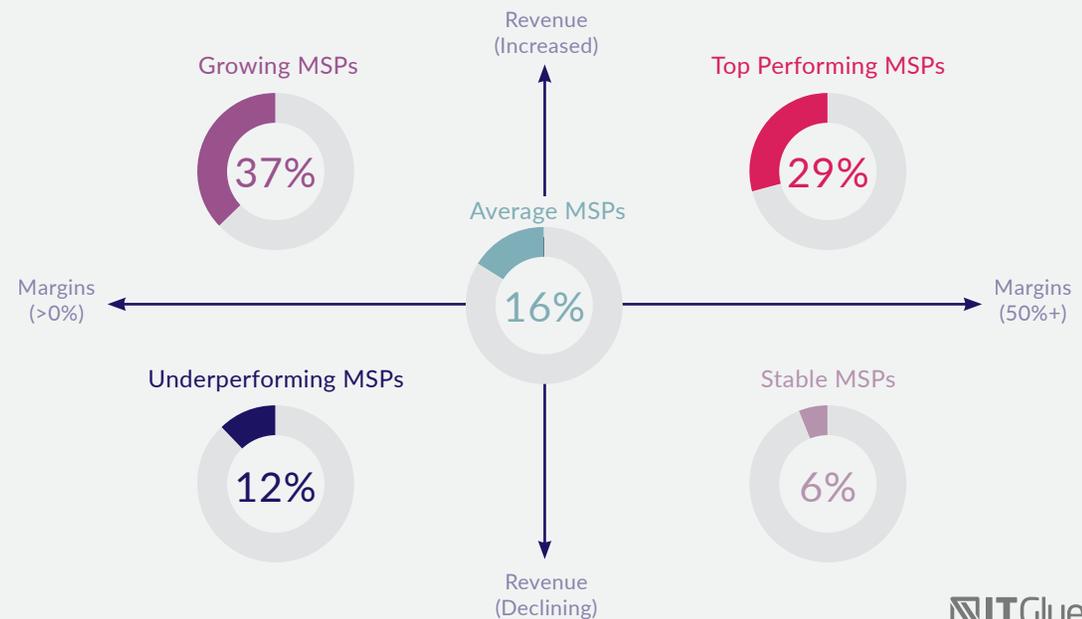
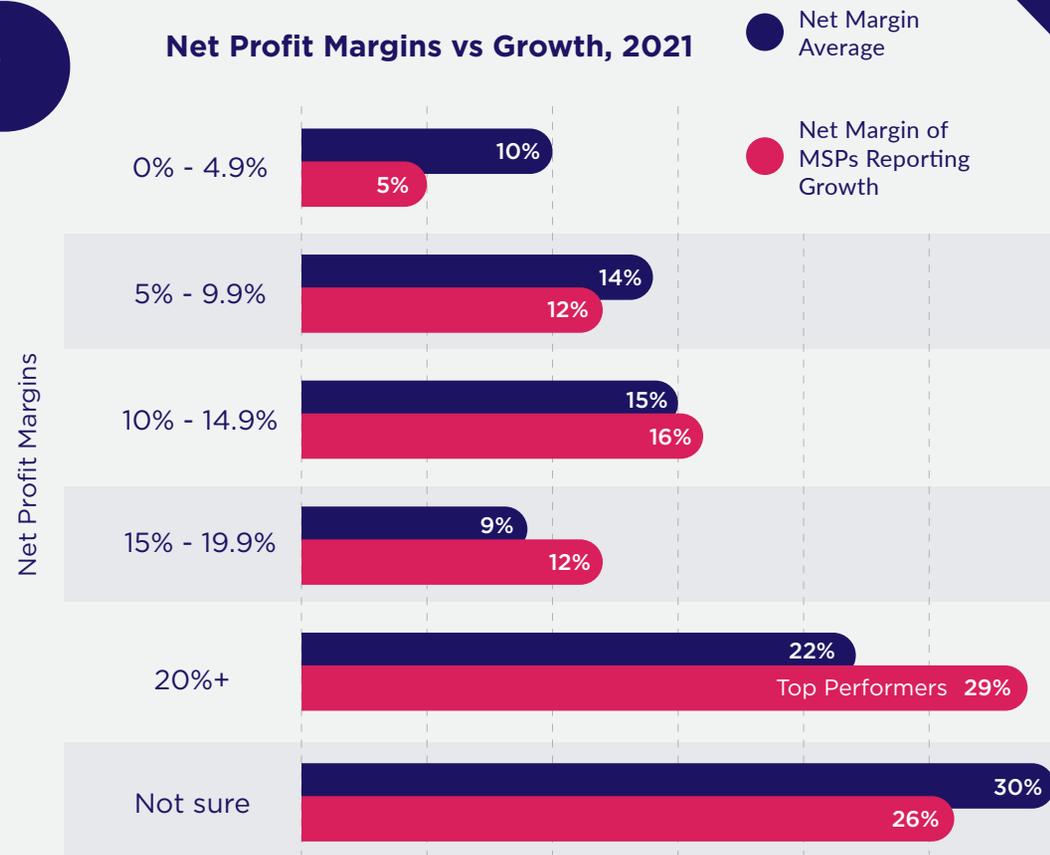
As we saw from our 2020 follow-up survey, ever since the pandemic outbreak, there has been a tremendous increase in the adoption of cutting-edge technologies like AI, automation, and cloud computing. MSPs that offered innovative services witnessed significant growth despite the poor economic outlook. However, industries like manufacturing, tourism, and retail witnessed a major slump throughout 2020. The MSPs that catered to these industries witnessed an inevitable decline in revenue and growth. This is what makes the current picture even more interesting. The opportunities that arose because of the new demand compensated for the slump in a significant way. We were curious to know more about this change.

The New Normal

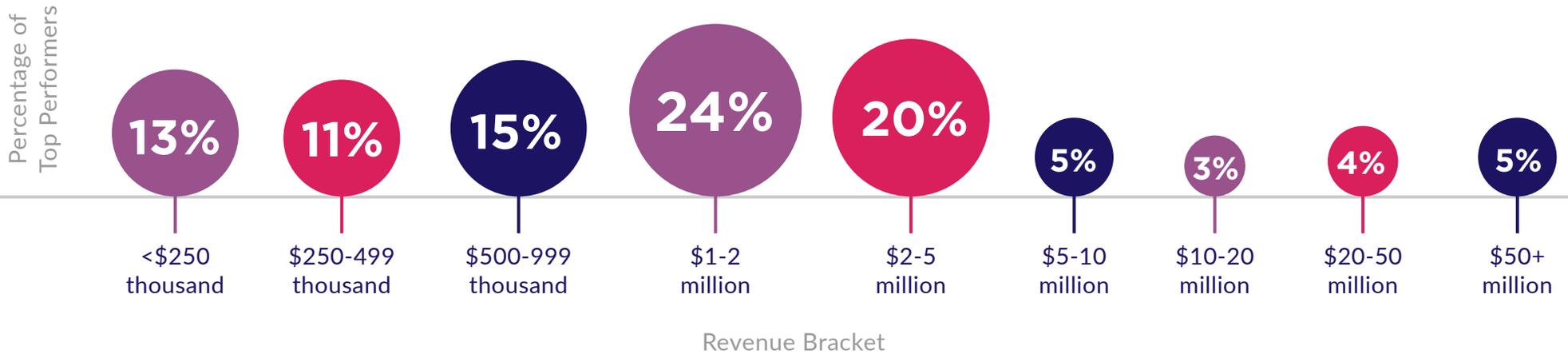
In our 2021 survey, almost 29% of respondents reported an increase in revenue growth and a net margin of above 20%. In our 2020 follow-up survey, about half of the respondents had experienced a revenue decline due to the pandemic's impact. This recovery is certainly a positive sign for the industry.

Another key thing to note in this year's survey is that 90% of the top performers are IT Glue partners. This suggests that having a robust documentation system can give MSPs an edge over other players in the market.

Net Profit Margins vs Growth, 2021

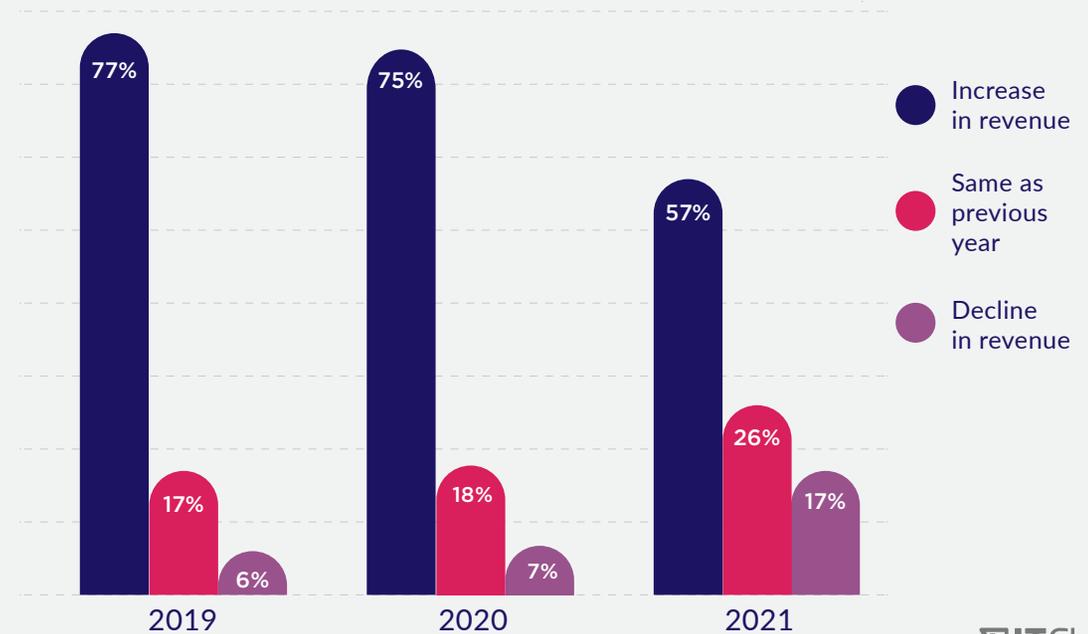


Top Performers and Their Revenue



Despite the unavoidable slump in overall revenue in 2021, these statistics are encouraging. They indicate that for the most part the managed services business is returning to pre-COVID trends – offering growth and healthy net margins to most participants.

Overall Revenue Growth – Three-Year Comparison



STACK ANALYSIS

Our 2021 stack analysis shows that nearly every MSP is using some sort of backup and disaster recovery (BDR) and remote monitoring and management (RMM) solution. This is no surprise considering that an RMM solution is the primary tool MSPs use to manage IT. Due to the massive shift to the remote work model, the post-pandemic scenario seems to favor a modern RMM tool that provides comprehensive IT management, monitors cloud infrastructure and ensures seamless integration with other IT tools. The next generation of RMM adoption is likely to follow this trend.

Professional services automation (PSA) tools are also quite popular, with only 14% of respondents saying they don't use one. There has been a rise in customer relationship management (CRM) solution adoption as well, but a sizeable chunk of MSPs still use their PSA for that function.

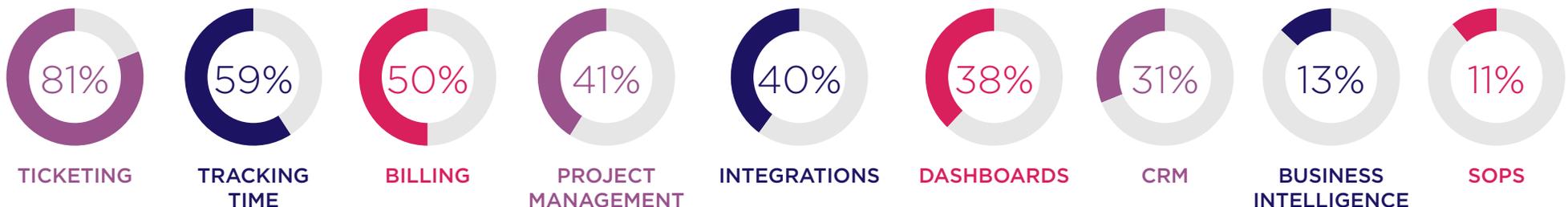
In the BDR category, Datto and Veeam held a healthy lead over other players. Industry giants Kaseya and ConnectWise are present

in almost all categories. This isn't a surprise, since nearly 85% of the respondents consider integrations between core MSP-specific products really important, and almost 82% believe it can positively impact their bottom line.

As far as network monitoring is concerned, most MSPs are still relying on the likes of Visio, LucidChart or Auvik, although there has been surge in Network Glue users as well. With more businesses operating remotely, this was bound to happen since it reduces the need for site walks.

Based on the results, we believe cross-platform integrations are going to play a greater role in the coming years. Every passing year, more pieces are added to MSP tech stacks, whether it is accounting tools or security/threat intelligence. Thus, having systems that work well with each other is a must, not just from a workflow perspective but also from a profitability angle.

Top Functionality Used Within PSA Solutions



STACK ANALYSIS CONTINUED

To understand if MSPs are happy with their current tech stack, we ask about “switching intent” every year. The MSP space continuously evolves, and the “new entrants versus legacy platforms” battle rages on. This year, we were curious to know whether the pandemic made MSPs more reluctant to make a change.

When it came to PSA, the results bore a strong resemblance to the 2020 survey, with even the top reasons for switching remaining the same. Although nearly 34% of the respondents from our past two surveys expressed interest in switching, we didn’t see any drastic changes in the actual market shares. More than 50% of the respondents who were interested in switching said that the effort required in migration prevented them from making the switch. The pandemic is also another major factor here.

While the rush toward digital transformation has resulted in some hasty purchase decisions in the tech space, the overall purchase decisions have been greatly disrupted by COVID-19 this year. Factors like financial strain, team downsizing and other business priorities resulting from the pandemic are likely to have caused many MSPs to put their tech stack switching on hold.

Are you considering changing your PSA in the next 12 months?

2020 (Pre-COVID)



Top Reasons



2021



Top Reasons

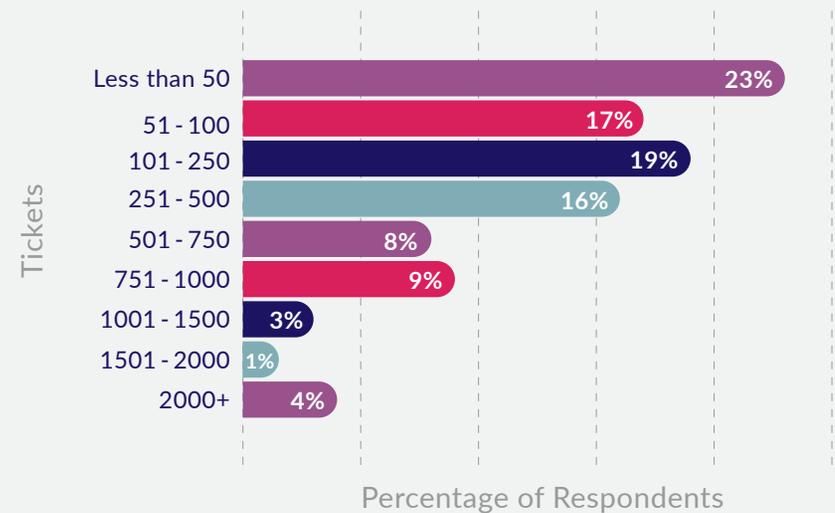


TICKETING

There is no denying that the pandemic has made the MSP marketplace more competitive than ever. One of the ways to gain a competitive advantage is by providing exceptional customer service, of which ticketing is an integral part. That's precisely why we decided to create this new section.

Almost 60% of respondents reported that their total tickets per client, per month is below 250. If you investigate ticket submission channels, 71% of respondents said they receive tickets from customers via email, with phone being the second most popular option. With email being such an integral part of the support workflow, it is crucial that your support tools integrate well with email and provide full visibility in a centralized location.

End-User Initiated Tickets Per Client, Per Month



Popular Ticket Submission Channels

 **71%**
EMAIL

 **19%**
PHONE

 **9%**
ONLINE FORM
SUBMISSION

 **1%**
CHATBOTS

Results from our survey also showed that most of the respondents are happy with their current ticketing platforms and not willing to make a switch.

Respondents Who Planned or Wanted to Switch Their Ticketing Tool in Past 12 Months

29%
YES

71%
NO

CUSTOMERS, SEATS AND CHURN

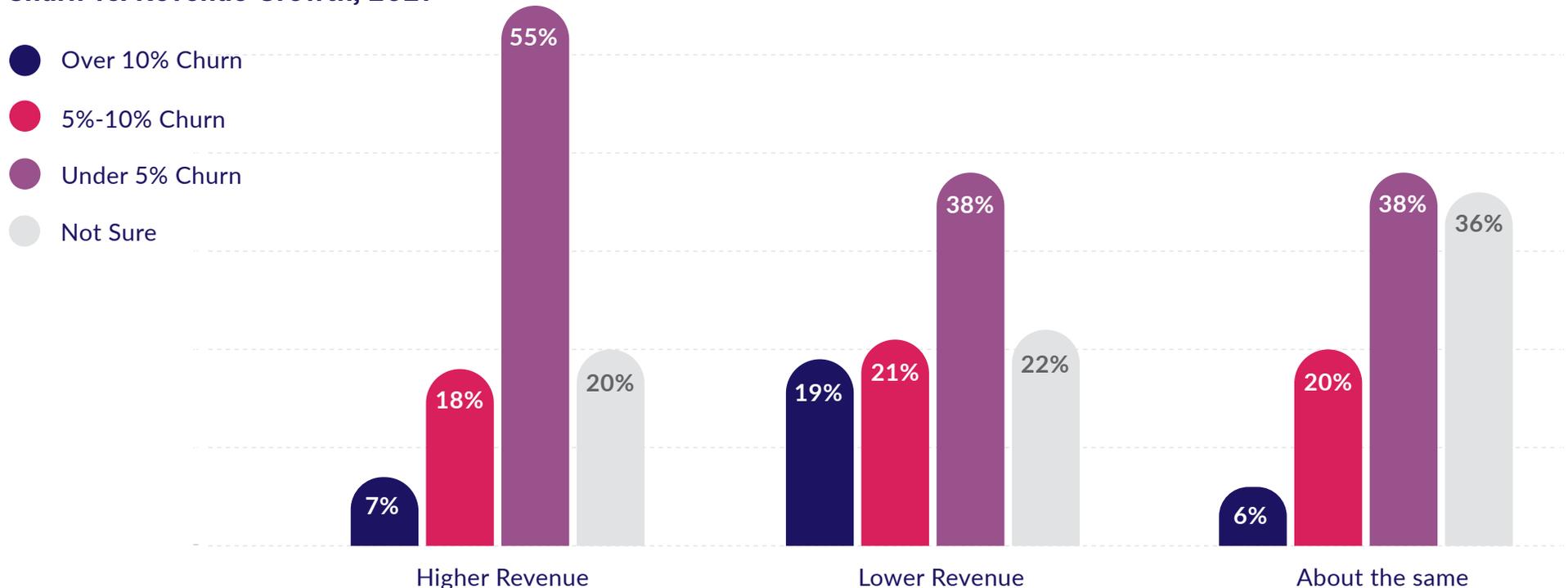
Customer churn is a big challenge for all businesses, and MSPs are no exception. This year witnessed a slight increase in the average number of customers per MSP and a slight decline in customer churn. While the relationship between customer churn and revenue growth weakened among 2020 survey respondents, it reverted to the norm in 2021, possibly due to disruptions caused by COVID-19.

The MSP industry is growing every year, but it is also attracting several new competitors. About 48% of MSPs reported less than 5% churn in 2021, as against 49% in our previous survey. Over 73% of MSPs that reported a low churn rate (less than 10%) earned higher

revenues compared to the previous year. As you can see, in this highly competitive scenario, MSPs that managed to retain customers enjoyed higher revenues.

What's worrying is that only 8% of our respondents consider customer churn to be a major challenge. As the market gets more competitive, losing customers can severely impact revenue, profits and overall growth. It is time for MSPs to rethink their strategies by investing in advanced technologies, engaging more with their customers and re-evaluating their marketing approaches.

Churn vs. Revenue Growth, 2021



ENDPOINTS / SERVERS / WORKSTATIONS

The number of endpoints, servers and workstations managed by MSPs helps us determine their growth patterns. Our 2020 report revealed that MSPs were getting larger. However, this year's data suggests that apart from some minor changes, the numbers are similar to pre-pandemic numbers. Noticeably, we're seeing a 4% increase in endpoints, a 6% decrease in servers, and a 7% reduction in workstations. The slight changes are likely attributed to the disruptions caused by the pandemic, such as more users using personal devices while working from home, the explosion of cloud technology in popularity, and employee reductions in certain industries.



Mean Assets Serviced

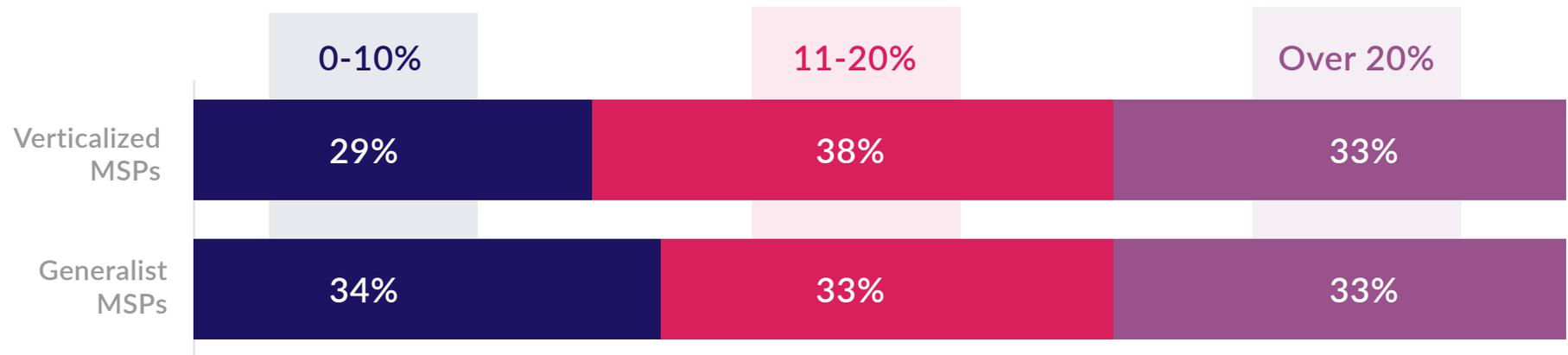
	2021	2020	2019
 ENDPOINTS	 4% 2,258	2,174	1,710
 SERVERS	 6% 216	229	243
 WORKSTATIONS	 7% 1,320	1,417	1,274

VERTICALS

Pre-COVID data indicated that vertical-focused MSPs were more likely to see an increase in revenue than generalists. But with the pandemic severely affecting certain industries, how have things changed?

Based on our survey responses, we can say that net margins of generalists were higher than those of vertical-focused MSPs. The only exception were larger MSPs (with total profit above \$50 million). In that class, vertical-focused MSPs were slightly ahead of generalists.

Margin Ranges Based on Verticalization 2021



The takeaway here is that MSPs shouldn't restrict to themselves to one vertical. It is a risky approach, and 2021 has certainly highlighted how industry slowdowns can affect your business. Instead, MSPs should focus on a balanced approach that caters to multiple verticals and adopts specialization whenever required.

When it comes to the most popular verticals, the list remains consistent with 2020: healthcare, finance, and professional services.

BIGGEST CHALLENGES

Our responses suggest that pre-COVID trends have stabilized when it comes to MSP challenges. Hiring good techs is back to being one of the most cited challenges by MSPs. In our May 2020 follow-up survey, only 20% of respondents regarded hiring to be a challenge. This year, it increased to 46%, which is more in line with pre-COVID trends. Higher demand for quality talent indicates the industry is more robust.

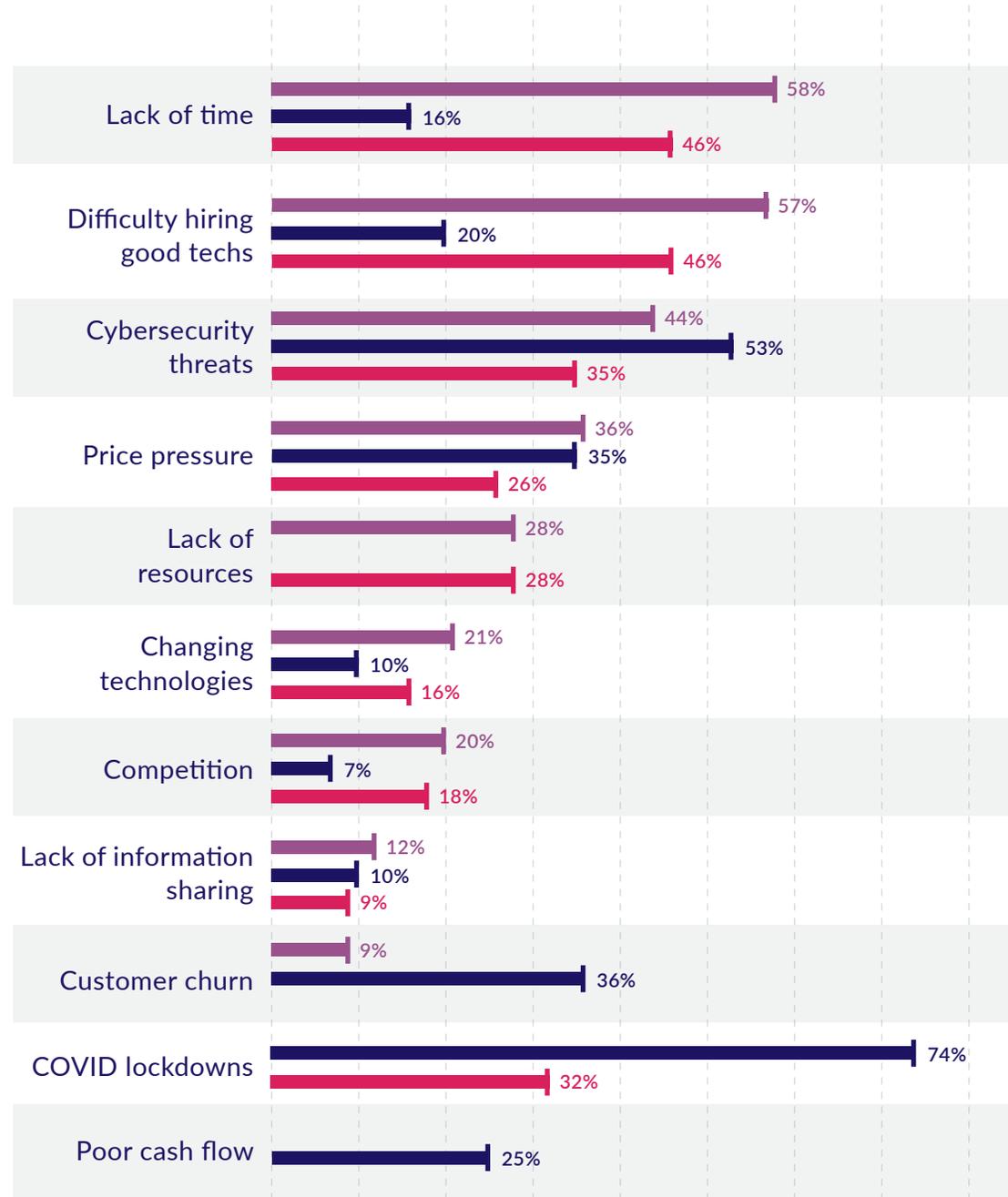
The same was seen with “lack of time” and “lack of resources.” Both are back to pre-COVID levels. This demonstrates that more businesses are on the path to recovery. Another indication for optimistic industry outlook is that the percentage of MSPs that considered “COVID Lockdowns” to be the biggest challenge reduced from 74% to 32%.

The reduction in “cybersecurity threats” as a challenge indicates that the pandemic has accelerated IT trends and cybersecurity needs, but dealing with advanced and sophisticated security threats is also going to be an ongoing challenge for almost a quarter of MSPs. The trends of three closely related challenges – competition, customer churn and pricing pressure – are quite interesting. While competition and customer churn are back to pre-COVID levels, pricing pressure has been declining. This means MSPs don’t have to drastically cut prices to maintain market share. We can also consider that the pandemic has accelerated IT trends and justified the need for MSP services.

Another highlight is how the shift to remote work forced MSPs to be more collaborative and make use of technologies, such as standardized documentation sharing, which has made information sharing less of a challenge.

Biggest Challenges Faced by MSPs

- 2020 Q1 (pre-COVID)
- 2020 Q2
- 2021



IMPACTS OF COVID-19

Everyone knows that the pandemic has impacted all MSP businesses in one way or another. However, we wanted to find out which areas were affected the most, how businesses responded and if the vaccination rollouts have made any difference.

Key phrases that stood out in the survey responses were employee morale, new business, clients unable to pay, endpoint security, loss of hospitality clients, and shortage of skilled labor. This illustrates the wide-ranging impact of the pandemic.

We also asked questions about which areas attracted more or less investment compared to the 2020 survey. Unsurprisingly, results showed that MSPs decided to invest more in tech this year. Cybersecurity, cloud services, remote monitoring and management, and service desk were among the top focus areas of MSPs. Either this was to improve operational efficiency, or it was forced on them due to clients shifting to a remote mode of working.

Regarding the areas MSPs invested in less, the top responses were overhead costs, and sales and marketing. While certain cost cuts are understandable in a time of uncertainty, MSPs need to carefully execute their marketing and sales strategies within the limited budget if they were to grow to the next level.

COVID'S IMPACT ON MSPS

Requests Scaling Managed Services SITE VISITS new client
REMOTE ACCESS hardware AFFECTED industries
onsite Management SALES meetings LOCKDOWN
help desk PROJECTS revenue clients SECURITY
CUSTOMERS services EMPLOYEES business
work home HOSPITALITY PANDEMIC
remote work NEW CUSTOMERS Challenging

Areas of Increased Investment

46%

Cybersecurity

44%

Cloud services

31%

Remote monitoring
& management

27%

Service desk

24%

Marketing

Areas of Decreased Investment

36%

Overhead costs

32%

Marketing

29%

Sales team

11%

NOC

11%

Other

ECONOMIC OUTLOOK

Based on survey responses, we can deduce that there hasn't been a massive change in MSP sentiment toward the economy, although the respondents consider the market to be slightly less bullish than last year. While MSPs believe cybersecurity and remote workforce setups present the greatest opportunities in 2021, this lack of significant change is not surprising, considering the pandemic is still at large. It also indicates most businesses are adopting a wait-and-see approach.



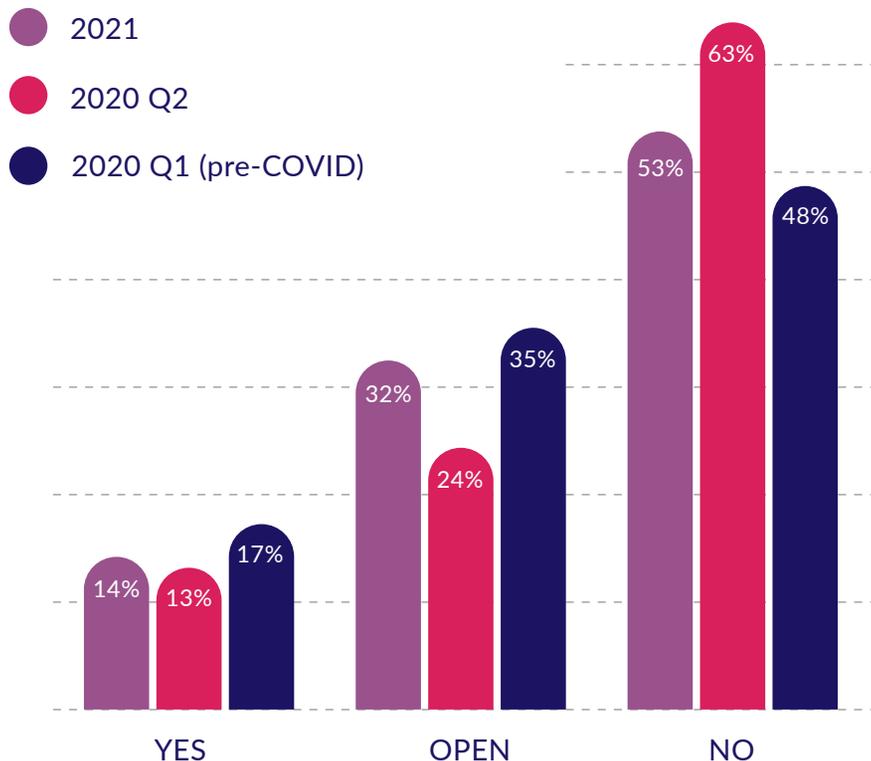
	2020 (Pre-COVID)	2020 Q2	2021
1 (Most Bearish)	4%	2%	5%
2	11%	11%	10%
3	44%	47%	52%
4	30%	30%	27%
5 (Most Bullish)	11%	10%	6%

MERGERS AND ACQUISITIONS

We have been tracking merger and acquisition activities in the MSP space for about four years now. Until the pandemic hit, there was a steady increase in MSPs that expressed their interest in M&A activity. However, things changed, and in our 2020 follow-up survey, almost 63% of MSPs reported no interest in acquisitions.

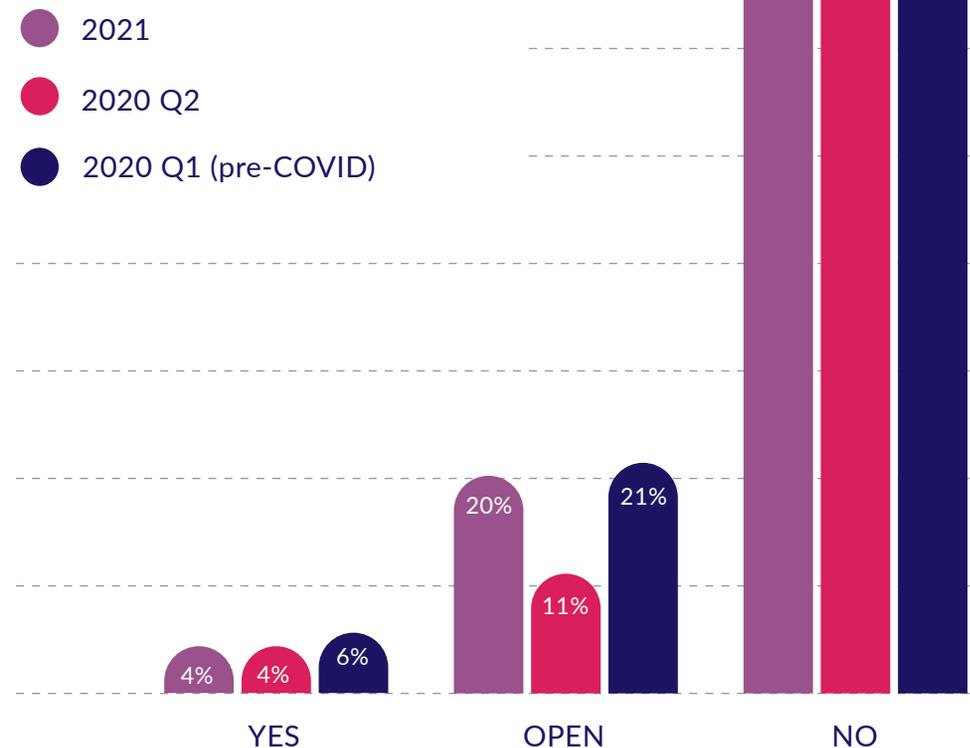
Based on our 2021 responses, we believe M&A interest is returning to a pre-COVID level. Almost 32% of respondents are open to the idea, and 14% are ready to pursue M&A opportunities actively. This is another sign that the industry is slowly recovering. Another reason could be that more MSPs are looking to capitalize on emerging business opportunities.

Considering Acquiring or Merging



On the flip side, MSPs looking to sell or that are open to the idea, increased from 15% to 24%. This is very close to pre-COVID levels. This jump was expected as veteran MSP owners would find it much more comfortable to exit their businesses as the environment improves.

Considering Being Acquired

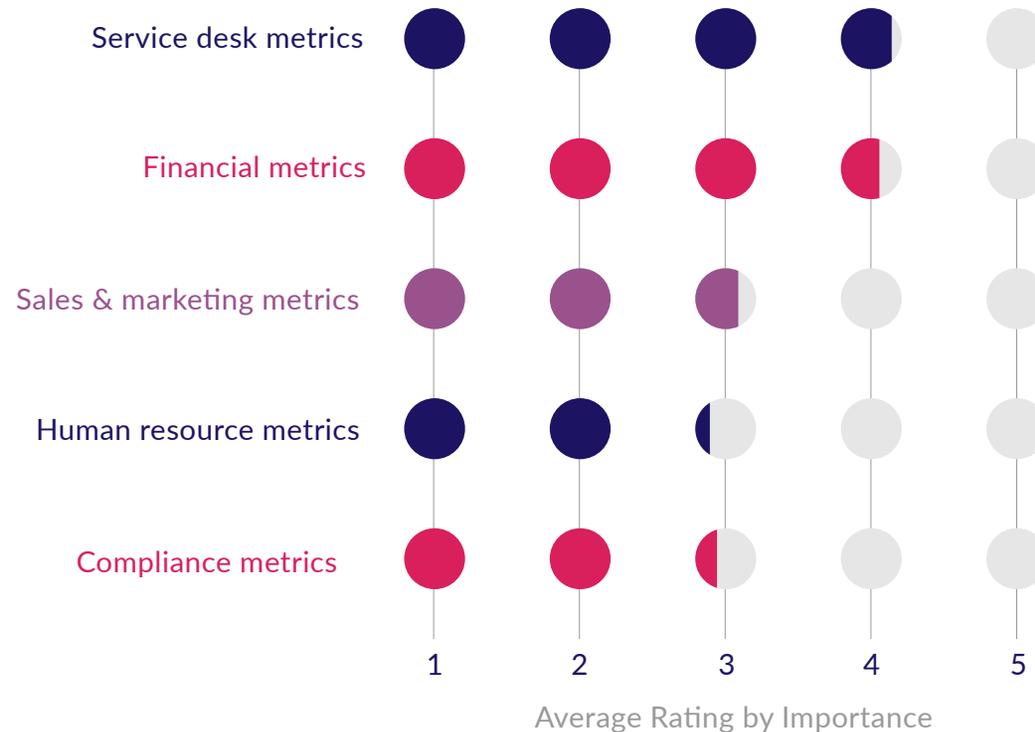


METRICS

Everybody knows that KPIs are essential. However, it takes commitment to implement and measure them consistently. As the MSP industry continues to mature, it is crucial to measure performance regularly to gain a competitive advantage.

Our 2021 survey responses show a slight increase in the number of MSPs using KPIs. Last year it was 52%, while now it is 53%. More noteworthy, however, is the increase in MSPs responding “not yet,” which implies a desire to use KPIs, from 18% to 25%. While these are good signs, it also means that nearly half of the industry is still not tracking KPIs. Is it because they do not see value? Or is it because they don’t have the right tools in place to track these metrics?

Among MSPs that do use KPIs to manage their business, service desk metrics and financial metrics are considered the most critical. The chart shows the average (on a scale of 1-5, with five being the most important) for each KPI type.



Considering the financial strain and economic disruptions caused by the pandemic, it is wise for MSPs to monitor KPIs like financial metrics and service desk metrics, as they are critical to driving future growth. If you need further incentive to track metrics, bear in mind that 75% of respondents who tracked KPIs reported revenues over \$1 million, while 52% who didn’t track reported revenues under \$1 million. It is safe to say that larger MSPs are doing something right by tracking their crucial metrics.

PASSWORD MANAGEMENT

Password compromise is still one of the major causes of data breaches. In an ideal world, password management should be a top priority for MSPs. The 2021 survey responses suggest that although more MSPs are taking it seriously, there is still a long way to go.

While we see a continued decrease from previous years in the use of inappropriate tools for password management, like Word and Excel, there are still a significant number of respondents (38%) that are unsure how their clients manage passwords.

Among dedicated password managers, there has been a noticeable rise in the adoption rate of IT Glue's proprietary password manager, MyGlue. Our survey also indicated that MyGlue adoption is higher than other players like KeePass and industry leader LastPass.



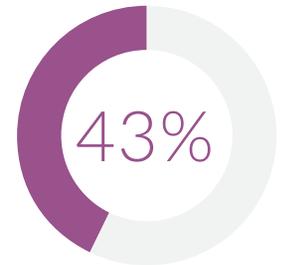
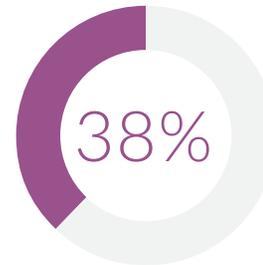
Client Password Management

2021

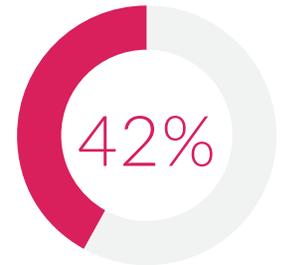
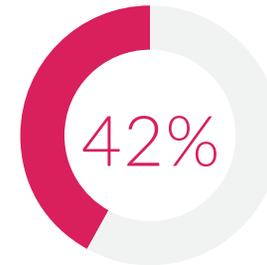
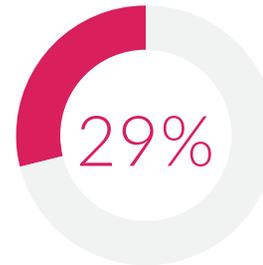
2020

2019

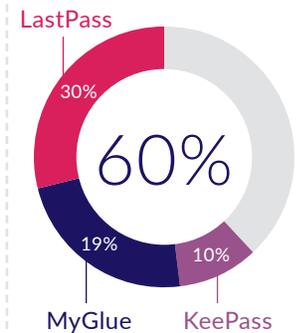
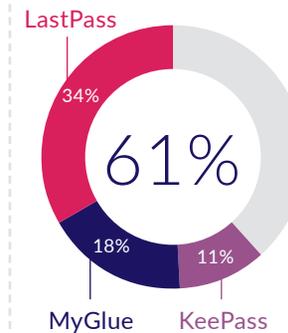
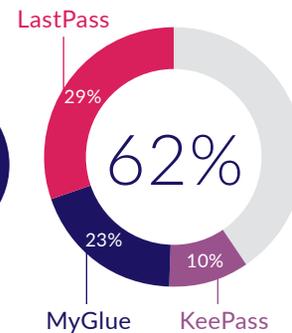
Not Sure



Word & Excel



Dedicated Password Manager



NETWORK DIAGRAMMING

Network diagrams are more than just illustrations. They provide visibility into the different components of a network. Since network administrators cannot secure what they cannot see, the visibility network diagramming offers plays a major role in enhancing security. You cannot secure what you don't know exists.

The problem with network diagramming adoption continues in 2021. Despite offering a great way to secure the network, mapping and documenting through a network monitoring solution has slightly decreased. Also, the number of MSPs not documenting their networks has increased slightly. The challenges arising from the sudden transition to remote work and the need for onboarding could be a major reason for this. However, this creates more vulnerabilities. Although many MSPs cite several challenges for poor adoption, an automated tool like [Network Glue](#) can significantly reduce pain points.



Methods of Documenting

	2021	2020	2019
 Manually	65%	68%	67%
 API	14%	15%	14%
 Network Monitoring Solution	46%	48%	49%
 Not Documenting	9%	11%	6%
 Other	4%	4%	7%

SUMMARY

While the impact of COVID-19 on the MSP industry cannot be understated, the MSP industry has fared comparatively better than many other industries, largely due to increased demand for their services as organizations moved to remote work around the world. Nonetheless, 2020 was a trying year for MSPs that continued to rely on legacy tools and provided reactive IT services.

On the other hand, MSPs that adapted to the pandemic by embracing new technologies and catering to the evolving demands of their customers thrived during this period.

While certain challenges were inevitable for even the most proactive MSPs, organizations relied on MSPs for everything from remote work transition to mitigating unforeseen cyberthreats, making them a critical resource and much-needed partner like never before. This is what enabled the MSP industry to recover quickly to pre-COVID trends in most aspects.

We are also proud to announce that IT Glue partners fared much better than other MSPs based on the data we collected. In addition to the efficiency advantage obtained through smart documentation, it also signifies a commitment to operational excellence, superior customer service and continuous improvements. Unsurprisingly, these characteristics make the MSP industry more resilient to changing trends and provide them with the ability to weather the storm.

Considering all these factors, it is safe to say this is a great time to be an MSP.





At IT Glue, we understand the issues that MSPs are facing due to the COVID-19 pandemic. We are proud to say we enabled our partners to succeed throughout this period with the best documentation platform possible - helping you work smarter, faster, and more efficiently.

To learn more about how structured, centralized documentation can transform your business — and we mean that, transform, why not browse our website, watch a demo, or take a look at our recent product update to see where we're going.

[GET A DEMO TODAY!](#)