



The Top Four MSP Trends that Will Shape 2018

For years, managed service providers (MSPs) have heard the same cry: “adapt to cloud or die.” In 2018, the march to the scaffold will be shorter than ever before.

The situation is urgent, but far from hopeless. In fact, the ever-increasing number of cloud technologies are giving MSPs an ideal opportunity to act as trusted advisors as their clients transform themselves to participate fully in the digital economy. This can not only drive more revenue, but also help cement their place at the top of the value chain for cloud-based solutions.

Over the next three to five years, MSPs that become agile technology advisors and whole solution providers will win, while those that don't will be left behind. Today, [54 percent](#) of MSPs offer cloud-based solutions and services as a strategic part of their business, while another 44 percent

only support cloud services when requested by a customer. Moreover, 35 percent of businesses say they want an easy way to access customer and technical support, while 34 percent say they wish they had a central location to manage their apps across their organizations. The most striking statistic? Only 20 percent say that they have everything they need with regard to cloud services. Clearly, there is still ample opportunity for MSPs to move cloud to the center of their businesses.

As you consider your next move to make the transition to cloud solution expert—or solidify your already hard-won status—here's what you can expect to see in 2018.



1. Margins will keep on getting thinner

Eroding margins are one of the [top concerns](#) that keep MSPs up at night, and unfortunately, they won't be getting any more sleep anytime soon. In 2015, managed services profitability [dropped one-third](#) from the average revenue gross profit of 60 percent that MSPs saw in 2010, and the numbers have only gotten worse since then. "Managed services are commoditizing and commoditizing rapidly," as Larry Walsh, CEO and chief analyst at The 2112 Group, recently explained.

Commoditization and increased competition are putting even more pressure on margins. At the same time, MSPs are giving into customer demands to get more for less and giving away valuable services, such as security, for free. All of this creates the perfect storm for tight margins, but as **MSPs start selling whole solutions instead of one-off services**, there is light at the end of the tunnel. To further reduce unnecessary costs and increase efficiency, MSPs will also need to become proactive about the automation of sales, provisioning, billing, and support of cloud services. Having a single platform to help manage billing, invoicing, and provisioning IaaS with Azure or AWS, for example, will help MSPs better manage margins with customers.

2. Bundling will become a must—and will demand new must-have skill sets from MSPs

So what does a margin-boosting, "whole solution" look like for MSPs? Increasingly, the answer are bundles that meet the needs of particular verticals or other specialized customer segments. For example, a solution set to serve the healthcare industry, or solutions and support for field service companies, or—well, the possibilities are almost endless, and once again speak to the huge opportunities that MSPs can take advantage of in the cloud market.

Many MSPs already create bundles today, solution suites that often include networking, IT help desk, and software bundled into a monthly managed service fee. The key

shift here is that MSPs will need to integrate SaaS or IaaS services into that mix to accompany the verticalized approach. SaaS bundles are about supporting larger amounts of SaaS software. With IaaS, MSPs will need to transition bundles from on-premise or MSP-hosted environments to the public cloud.

These new types of bundles will require new skill sets that many MSPs don't have—such as identifying solutions that integrate seamlessly, with each other and with the client business—and they will most likely need updated technology to deliver them. To solve for this, MSPs should look for a platform that aggregates cloud solutions into a single portal, collects billing and reconciliation data into one view, and automates order entry and other processes. With these powerful features in place, MSPs can focus on building their cloud expertise instead of wasting time building complex back-end systems.

3. More SaaS companies are going to work with more MSPs next year

In the world of MSPs, much of the focus is on the MSP-client relationship; basically, how MSPs can better meet the needs of their clients. However, the fact remains that many SaaS companies—the providers of the solutions and services that MSPs sell—don't know how to work with the channel yet. The good news is that in 2018, they're going to start to figure it out.

With up to [70 percent of SaaS revenue](#) in the channel by 2020, an increasing number of SaaS companies are launching partner programs. According to the Cloud Technology Alliance, nearly half—49 percent—offer referral programs, 46 percent distribute through cloud service providers, and 26 percent work with MSPs. Those numbers are poised to skyrocket as more software vendors realize all of the benefits that the channel can deliver.



4. MSPs will need to provide more SaaS choices

Overall, one of the main drivers of cloud adoption is the quest to lower CapEx costs. The trend is no different in the MSP world; clients want cloud solutions to replace on-premise solutions and the servers, storage, and networks that come with them.

However, there's a new phenomenon that's starting to emerge. As businesses become more educated about cloud solutions and what they can do, they want more choice.

In fact, 69 percent of businesses want a variety of cloud services, including applications that meet their specific needs rather than "one size fits most." MSPs that can meet these diverse needs will see success in 2018, and beyond.

[IDC estimates](#) that spending on managed and professional services around cloud adoption are, collectively, the second largest opportunity in the whole cloud market, accounting for 31 percent of all cloud-related spending in 2016 and 2021. For MSPs that successfully establish themselves as trusted advisors and have the technology and tools to deliver a superior client experience, there is no limit to what they can achieve.



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