2021

MSP Outlook Report

ITGlue
Introduction

In every crisis lies opportunity, and 2020 was a pretty good example of that in action. The MSP business appears to have become more polarized, as the stresses of economic turbulence wreaked havoc on MSPs that lacked maturity, and created opportunity for best-in-class performers to grow. Resilience and adaptability were the keys to success in 2020. But what about 2021?

Well, that’s a good question. I’m a smart enough guy, but I work in software, not managed services, so it made more sense for me to tap into the enlightened minds of the industry’s leaders to get a sense of what’s in store for 2021.

This e-book, by and large, contains the exact words of industry experts on a variety of topics. We asked the same handful of questions to each expert and collated their responses here to give you a “from the horse's mouth” take on what you can expect in 2021.

I found the responses to be rich, thoughtful, and insightful, and I think you will too. This is must-read material for any MSP looking to make 2021 their best year ever.

Joshua Oakes
IT Glue
Key Takeaways

Top Trends for 2021
- The revenue outlook for 2021 is positive for MSPs
- Higher maturity MSPs are outperforming lower maturity MSPs significantly
- Every business now understands that IT is essential
- Strong sales and marketing are critical to success
- There are more co-managed opportunities than ever before
- For a certain percentage of businesses, remote work is here to stay
- The security landscape changed rapidly and will continue to do so
- Competition continues to intensify

Biggest Opportunities for 2021
- Invest in sales and marketing
- Take on a bigger vCIO role with your clients
- Streamline costs to stickhandle increased competition
- Differentiate your business
- Constant client communication - don’t skip QBRs

Biggest Challenges for 2021
- Waiting around to “see what happens”
- Maintaining focus and momentum
- Constant evolution of cybersecurity threat landscape
- Increased competition

Next Steps
- Take care of your team
- Invest in your marketing, and your processes
- Focus on finances; reduce costs strategically
- Identify your unique value proposition
- Modernize your stack; automate as much as possible
What’s your general outlook for the MSP industry in 2021?

**Todd Kane**  
President, Evolved Management Consulting  
“The pandemic has demonstrated how critical technology is to the modern work world. That said, low maturity MSP operators will likely feel the pressure more than others. Without having predictable MRR, the cashflow pressures could be significant.”

**Paul Dippell**  
CEO, Service Leadership  
“As smart businesses realize they should focus on their core expertise and not try to run their own IT in a challenging economy, it remains to be seen if SMB customers react the same, but we bet they will.”

**Gary Pica**  
President, TruMethods  
“SMB technology spending will continue to increase. This means that MSPs will have a growing addressable market. There will be more opportunities for MSPs that are prepared. MSP churn is increasing so there will be winners and losers.”

**Rex Frank**  
Founder & CEO, Sea-Level Operations  
“According to Moore’s Law, the rate of technology doubles every two years and has proven true since 1965. As an industry, we are the best positioned to have the skills to innovate and drive successful outcomes for 2021. I have ultimate faith in our community.”

**Nigel Moore**  
Founder, The Tech Tribe  
“Even if the global economy gets worse, this simply means more and more opportunities will present themselves for those MSPs willing to look for them and do the work.”

**Richard Tubb**  
MSP Growth Expert  
“My outlook for the MSP industry in 2021 is very positive. In 2020, we saw a shift in the way that small businesses viewed their IT. Technology went from being a “necessary evil” to being an essential tool that can give businesses a competitive edge.”

**James Ratcliff**  
Managing Director, Ratcliff IT  
“I’m a hard-wired optimist and we’re in an industry where modern economies rely on us to do their business. There will be more clients changing providers in 2021 and cybersecurity will be an important component in every deal.”

**Erick Simpson**  
Founder & Chief Strategist, ErickSimpson.com  
“Once vaccines have been deployed and businesses return to a sense of normalcy, possibly by Q3, we should see projects that had been placed on hold begin to gain approval to commence or continue. While this is good news, I feel that 2022 will be much better.”

**Fred Voccola**  
CEO, Kaseya  
“As SMBs invest more into technology and rely on MSPs to deliver their essential IT needs, MSPs will flourish. I foresee strong growth, margin expansion and more opportunities for MSPs to serve not only the traditional SMBs sector but also move upstream into larger, mid-sized organizations, where they can help augment or replace internal IT resources by delivering greater speed, efficiency and effectiveness relative to small, internal IT teams.”

**Nadir Merchant**  
General Manager, IT Glue  
“I’m very optimistic for the industry in 2021. MSPs fared relatively well in 2020 and overall economic outlook looks promising for 2021, at least relative to 2020, so I expect a strong year for MSPs.”

**Mark Copeman**  
Author of Helpdesk Habits and MSP Secrets Revealed  
“The need for supporting businesses and human beings to get the most from IT, has not and will not ever go away. The pandemic has accelerated, polarised and magnified most things. There is always opportunity to help others around us. Go and seek it out.”

“As an industry, we are the best positioned to drive successful outcomes for 2021.”

-Rex Frank, Sea-Level Operations
How Has the Pandemic Altered the MSP Marketplace?

**Todd Kane**  
President, Evolved Management Consulting  
"Physical location is slowly becoming less relevant. Working from home is here to stay. I've seen several MSPs considering if they should expand their geographic market for clients and new hires, as locality plays a less significant role in client and talent acquisition."

**Nigel Moore**  
Founder, The Tech Tribe  
"Inefficient or over-extended MSPs being forced to shut the doors, hard decisions on clients or staff are being forced, and MSPs are becoming much more valued by their clients."

**Paul Dippell**  
CEO, Service Leadership  
"As with preceding recessions, the high OML firms are actually performing better in the recession while the bottom quartile struggle even more than in normal times. However, I think most are surprised that their economic situation isn’t worse. High-performing MSPs accelerated their cloud resale (such as Azure, AWS, M365 sales volume, while the lower performers didn’t)."

**James Ratcliff**  
Managing Director, Ratcliff IT  
"As the pandemic inevitably continues, for 2021 we’re expecting all clients, including previously successful, strategic organisations, to look at every cost. This will inevitably put pressure on all suppliers, IT included. There is certainly the opportunity to (re)engage and for those with whom you have a good relationship, reconfirm your value, provide strategy and deepen the relationship."

**Gary Pica**  
President, TruMethods  
"Over the past few years, we have seen the MSP market stratify. The bottom half of performers have stalled while the top 25 percent of MSPs have flourished in terms of growth and profitability. Top MSPs are mitigating risks and uncovering new opportunities."

**Nadir Merchant**  
General Manager, IT Glue  
"Remote working and the technologies that go along with it are here to stay. MSPs will need to be great at facilitating full or partial work-from-home environments, video for everything, and security in segregated networks."

**Mark Copeman**  
Author of Helpdesk Habits and MSP Secrets Revealed  
"It’s polarised it. So many MSPs are thriving - they’ve never been busier. Other businesses, particularly those who’ve focused on declining sectors are struggling and in those businesses, leaders and owners are also struggling with motivation."

**Erick Simpson**  
Founder & Chief Strategist, ErickSimpson.com  
"The pandemic has opened the door to numerous “co-managed IT” opportunities, as mid-market and enterprise IT leaders realized their internal teams were ill-equipped to respond to the new “work from home” mandates."

**Fred Voccola**  
CEO, Kaseya  
"As a result of the pandemic, competition is at an all-time high for MSPs. Sales and marketing, or in other words, an MSP’s go-to-market strategy, is more crucial to their success than ever before. Many MSPs focus on having the best technology, but it’s rarely the best tech alone that wins new business. MSPs have to sell themselves better."

“Competition is at an all-time high. An MSP’s go-to-market strategy is crucial.”  
-Fred Voccola, Kaseya

**Rex Frank**  
Founder & CEO, Sea-Level Operations  
“The three biggest alterations to the MSP marketplace are actually new opportunities: work from anywhere, increased security threat perimeter and increased momentum in the charge to the cloud.”

**Fred Voccola**  
CEO, Kaseya  
“As a result of the pandemic, competition is at an all-time high for MSPs. Sales and marketing, or in other words, an MSP’s go-to-market strategy, is more crucial to their success than ever before. Many MSPs focus on having the best technology, but it’s rarely the best tech alone that wins new business. MSPs have to sell themselves better.”
What are the Biggest Opportunities for MSPs in 2021?

“Figure out how to set yourself apart, how you present yourself to the world.”
- Mark Copeman, Author of MSP Secrets Revealed

Todd Kane
President, Evolved Management Consulting
“The opportunities in the market come largely in the shift to cloud-based workloads. Shifting workloads to Azure will create great project opportunities over the next few years as companies opt to not refresh internal infrastructure and instead move to the cloud.”

Paul Dippell
CEO, Service Leadership
“Our checklist for success in 2021: your best opportunity is to manage costs now to get to positive cash flow and then invest in growth. Do not try to “sell your way” out of a loss-making situation. Do your QBRs as the high performers do: every client gets a QBR every quarter, 100 percent. That’s the fastest way to drive revenue and avoid unwanted attrition.”

Nigel Moore
Founder, The Tech Tribe
“Marketing is a huge opportunity. For those that are willing to double down on marketing, you’ll see things like radically lower customer acquisition costs and audience/prospect building being much easier.”

James Ratcliff
Managing Director, Ratcliff IT
“M&A – there will be many MSP owners who realise they may no longer be the man for the job and now looks like a good time to get out before the business they have taken so long to build is eroded in a potentially challenging time.”

Richard Tubb
MSP Growth Expert
“The biggest opportunities for MSPs lie in realising that during the “great work-from-home rush” of March 2020, “good enough” was, well, good enough -- clients now expect higher levels of support.”

Mark Copeman
Author of Helpdesk Habits and MSP Secrets Revealed
“For me - the biggest opportunity here is to figure out how to set yourself apart. Use this reset period as an opportunity to look closely at how you present yourself to the outside world. People will never stop buying from people and the world craves authenticity right now.”

Gary Pica
President, TruMethods
“vCIO and security services are the two biggest opportunities. All business leaders have changed their business plans because of the pandemic and technology needs to support those changes. This is an opportunity to make the vCIO relationship more valuable.”

Rex Frank
Founder & CEO, Sea-Level Operations
“I have used the phrase “there is margin in mystery” more in the last 6 months than I have in the last 5 years. Margin comes from innovation and transferring risk from the client to the MSP, but mitigating that risk comes by leveraging tools, technology and standardization.”

Fred Voccola
CEO, Kaseya
“MSPs that develop solid sales and marketing channels will be poised to grow their business and acquire new customers faster than their competition. Additionally, MSPs have a tremendous opportunity to elevate their business by working with larger midsize companies to help augment or replace internal IT resources.”

Nadir Merchant
General Manager, IT Glue
“The new marketplace creates an opportunity for MSPs to grow by SMBs being even more reliant on technology and by differentiating their offerings from their competitors by adapting more quickly to the new environment.”

Erick Simpson
Founder & Chief Strategist, ErickSimpson.com
“A stronger focus on security and the cloud. During 2020, their customers have been pushed to increase their security posture and accelerate the adoption of more cloud services as a requirement to support their remote workforces.”

“Figure out how to set yourself apart, how you present yourself to the world.”
- Mark Copeman, Author of MSP Secrets Revealed
What are the Biggest Challenges for MSPs in 2021?

**Richard Tubb**  
*MSP Growth Expert*  
“MSPs need to go beyond expectations and recognise their client’s real pain points. I’m talking about MSPs helping their clients digitally transform their businesses through system and process efficiency advice, offering their clients add-ons for effective working from home, and importantly, realising that any business is a human business.”

**Nigel Moore**  
*Founder, The Tech Tribe*  
“One of the biggest challenges is going to be maintaining both focus and momentum, personally and as a business. You’ll need to dig internally to create the energy to keep both you and your team focused and to take advantage of all the opportunities out there!”

**Paul Dippell**  
*CEO, Service Leadership*  
“In past recessions, the solution providers who got hurt the least (i.e. lost the fewest employees and accelerated the fastest) were, ironically, those who cut costs deepest and soonest and got to a positive bottom line (or never went negative to begin with) and then spent more of that positive cash flow on marketing and sales.”

**Nadir Merchant**  
*General Manager, IT Glue*  
“The biggest challenges will be uncertainty and security. Not knowing what the economy is going to look like next year will cause many MSPs and their clients to want to sit back and “wait-and-see.” The business that overcomes this and finds a way to continue to grow will emerge as new leaders when the economy fully opens.”

**James Ratcliff**  
*Managing Director, Ratcliff IT*  
“Winning new business that is high quality, profitable and not just based on price. Those clients who don’t understand the value of their IT partner looking at the market and being lured by cheaper, lower OML providers – there may be losses, but the trick is to put your efforts in the right places to ensure you retain the clients that are important to you.”

**Erick Simpson**  
*Founder & Chief Strategist, ErickSimpson.com*  
“Marketing and lead generation for new business. Simply put, the most successful MSPs in 2021 will be those that out-market and outsell their competition.”

**Rex Frank**  
*Founder & CEO, Sea-Level Operations*  
“I believe in the K shaped recovery. The strong will get stronger and the weak will get weaker. The key difference is strategic leadership and financial planning. The more mature companies will thrive. Less mature businesses will continue to struggle.”

**Fred Voccola**  
*CEO, Kaseya*  
“Pricing pressures will be a significant challenge for MSPs next year, especially as technicians will be pushed to their limits to be as efficient as possible. Profitability of the MSP business is often based on the productivity of its technicians. MSPs need to invest in tech that is deeply integrated and drives greater efficiencies for their staff.”

“You’ll need to dig internally to create the energy to keep your team focused.”

-Nigel Moore, Tech Tribe
What can MSPs do to mitigate the impact of an extended pandemic-driven economy?

**Nigel Moore**  
*Founder, The Tech Tribe*  
"Be adaptable, keep your team & clients motivated, build your network and list of prospects, double down on working ON your business, radically improve your service delivery and customer experience, and work on your own self-development."

**James Ratcliff**  
*Managing Director, Ratcliff IT*  
"Budget, budget, budget! Update your business plan and work out what reasonable best, middle and worst cases might look like financially. Double down on financial understanding, understanding where profit (not revenue) comes from."

**Gary Pica**  
*President, TruMethods*  
"MSPs need to be more targeted in their go-to-market approach. Which industries will thrive in the new economy and which companies need to react to security threats and compliance requirements? MSPs need to evaluate changing needs to capitalize on the appropriate opportunities."

**Richard Tubb**  
*MSP Growth Expert*  
"Become the business that their clients want to be. This means showing your clients how to use efficient modern technologies (for instance, electronic signatures to replace paper chains and cloud services to replace clunky onsite services) and leading by example."

**Nadir Merchant**  
*General Manager, IT Glue*  
"Learn to be successful in the current climate, don’t wait for things to go back to “normal”, win now. If that means adjusting verticals, creating new markets or altering services, do it now. Find a way to grow today."

**Erick Simpson**  
*Founder & Chief Strategist, ErickSimpson.com*  
"If they haven’t already, I encourage them to reduce their costs as much as possible, renegotiate more favorable terms with their vendors and distributors, and increase their service delivery efficiencies in order to maximize profitability for services they are currently contracted to provide their customers."

**Paul Dippell**  
*CEO, Service Leadership*  
"Be sober but positive in your employee communications, and over-communicate to forestall unfounded concerns. Message to prospects that they should inspect the financial health of their IT supply change, and that you’re financially strong. Help your employees focus on their families; many are under stress."

**Mark Copeman**  
*Author of Helpdesk Habits and MSP Secrets Revealed*  
"Mind over matter won’t always get you a result - but it will contribute towards getting one. Worry about the things you have control over. Be generous to your staff. Be kind to yourself."

**Fred Voccola**  
*CEO, Kaseya*  
"First, create a strong go-to-market strategy. MSPs need to be able to sell their value proposition to new and existing customers and clearly articulate the value of what they provide to stand out from the competition. Second, start to move upstream into larger, midsized companies with existing in-house IT teams. Third, prioritize automation in your service delivery framework. Lastly, be empathetic to your customers. Recognize that empathy goes a long way in maintaining a positive, collaborative, long-term relationship with your customers."

"Don’t wait for things to go back to ‘normal’. Win now.”  
-Nadir Merchant, IT Glue
Final Thoughts

2020 proved that the MSP business is resilient, and the service providers that took advantage of the good times in the years previous to invest in their businesses thrived. The small and mid-sized businesses that make up the managed service provider’s bread and butter gained newfound insight as to just how critical IT is to their functioning.

The arrival of COVID-19 vaccines means that economic forecasts for 2021 are being upgraded across the board, but don’t expect an immediate recovery. As our experts point out, the pandemic resulted in a restructuring of the industry. Just as some verticals are going to rebound faster than others, so it will be for managed service providers.

Take heed their advice with respect to the opportunities. Make sure you’re at the front of the recovery in your service area. Get good at sales and marketing. If you’re already good, get great.

Be an exceptional employer - if you thought talent was hard to find before, imagine what it will be like going forward now that every company in the world has a crystal clear view of IT’s importance. The team members that stuck with you through COVID are going to be essential to your ability to power up in 2021.

Don’t stop learning. Master cash flow management. Make sure you’re getting all the tax relief governments are making available. Get the right tools to do the job now, because it’ll be much harder to bring on new tech six months from now when you’re in a massive growth phase.

Find at least one new high value service to sell. Doesn’t matter if it’s security, backup, vCIO, compliance, there’s always some extra value you can provide to create a win-win.
And when the vaccines go to the masses and we start to see the back of the pandemic (knock on wood), increase the frequency with which you talk to your clients. If we’re going to continue to trot out clichés like “uncertain times” and “new normal”, we have to consider what those phrases actually mean.

They mean your customers’ operating environments are in constant flux, and maybe they’re not sure where they’re going to fit in as the entire economy becomes restructured. Whatever else, we know that “new normal” is going to mean increased reliance on technology. So talk to your customers more than you used to. Understand their pain points, however frequently those pain points change, and be ready with the solutions that will help them through their transition to a post-COVID world.

Our experts aren’t blind optimists, and they see 2021 as a year of huge potential for any MSP that’s willing to be flexible, be creative, and put in the work.

As IT Glue General Manager Nadir Merchant says, “Learn to be successful in the current climate. Don’t wait for things to go back to normal. Win now.”

IT Glue can help get you on the right track for 2021 by streamlining your workflows, reducing your overhead, and increasing your ROI. Watch a quick demo to see for yourself why the world’s leading MSPs swear by IT Glue.

Demo IT Glue Now