



GLOBAL  
**MSPDAY**

# The Evolving Landscape of the MSP Business Report 2023



# Contents

Foreward.....3

Introduction .....4

Key findings .....6

Growth is predicted for MSPs in 2023 .....8

Service expansion and diversification are key growth drivers .....11

Areas of focus to ensure a successful 2023 .....14

Conclusion .....19

About MSP Day .....20

About Barracuda .....21

About Vanson Bourne .....21



# Foreward

Growing and running a successful MSP business has become a balancing act. This has become even more apparent in 2023.

Torn between a desire to expand their services portfolio and grow their customer base, but also hampered by the fact that employees are reporting higher levels of stress; MSP bosses must ensure that they keep the growth momentum going, but don't risk losing key members of staff.

It goes without saying that the last few years have been a challenge. Initially during the pandemic MSPs were overwhelmed with demand for their services as customers rushed to get their employees set up at home so they could keep their businesses running remotely. Then the world was hit with the economic repercussions from the Russian invasion of Ukraine, resulting in ongoing price rises at every turn, and product shortages.

Today the challenges remain just as numerous, with the combination of pandemic fall-out, the ongoing Ukraine conflict, and Brexit in the UK causing the perfect storm.

According to research conducted by Vanson Bourne on behalf of Barracuda specifically for its MSP Day event, 83 percent of MSPs questioned admitted their growth was impacted by the global economic situation. But in better news, 91 percent said they were in a stronger position now as a business compared to last year.

The overall mood is one of optimism, with 92 percent agreeing that there will be opportunities this year, with many revealing that they intend to increase the number of services they offer in 2023, some by as many as 10, but an average of five. Services related to cybersecurity are still topping MSP wish lists.

However, the worrying trend this year is rising stress levels reported among employees: up to 27 percent reported high levels of stress in 2023, from 16 percent in 2022. This is something MSP bosses cannot afford to ignore if they want to achieve growth.

Stressed employees not only make mistakes, but are unhappy. And unhappy employees will ultimately mean unhappy customers. Those people are also more likely to leave or be tempted away by rivals, which in turn causes more stress for remaining staff. It is a vicious circle.

Currently the skills gap in the industry is still at a record level, so keeping hold of talent is an absolute necessity for all MSPs, and with ten percent more MSPs admitting to being concerned about increased competition compared to last year, the battle for skilled employees is hotter than ever.

One particularly hot area of competition is sustainability, with almost a full house (99.8 percent) revealing that their organisation is taking steps to boost its sustainability credentials, with half (50 per cent) saying that they are making sustainability a key part of their business strategy going forward.

Concerns were also raised in the research about the cost of investing in new services, particularly the number one service on the list - a SOC.

This is where collaboration should come into play, with like-minded MSPs combining skills to create a joint offering that will benefit both sides at a lower cost.

Savvy vendors will spot this as an opportunity to not only help their MSPs work together, but ultimately it will help all sides grow in a less painful and stressful way, and will provide a more joined up and comprehensive offering to customers.



**Sara Yirrell**  
Freelance Editor/Writer

## About Sara Yirrell

Sara Yirrell is a freelance writer and editor with 25 years' experience in journalism and 22 years specifically in the IT channel. She left Incisive Media (owner of CRN UK) in December 2016 to become a freelance journalist and content consultant specialising in all things IT channel. Before that she had worked at CRN since August 2000, holding the title of Editorial Director since October 2014. She was the editorial driving force behind the brand since becoming Editor in 2007, and oversaw the expansion to incorporate channelnomics.eu and channelnomics.com, which created the first true global channel network. Before joining CRN, Sara worked on local daily newspaper The Northampton Chronicle & Echo for three years covering areas such as crime, local politics, education, business and transport.



# Introduction

Last year's 'The Evolving Landscape of the MSP Business Report' illustrated Managed Service Providers' (MSPs) strong desire for growth, but concern over growing challenges in achieving it. A year later, it is clear that MSP have met these optimistic growth targets, and are creating similarly optimistic goals for the future. But at what cost, and at what risk?

Every MSP will choose their own path when it comes to the solutions and services they offer and the sector/s they serve, but increasingly MSPs are feeling the need to expand outside of their areas of comfort in order to feed their continued desire for growth. This is a bold decision to make, particularly in light of the state of the global economy.

The research from last year also touched upon the levels of stress being felt by employees within MSP businesses, and how this might impact future growth. What we see this year is that action is certainly being taken by MSPs, but the extent of the success of these actions is debatable.

Nonetheless, broadly speaking, MSPs appear confident, and are not shying away from the challenges that remain. This report examines the progress that MSPs across the globe have made over the last year, their current status, and what the future might hold.

## Methodology

Barracuda commissioned independent market research agency Vanson Bourne to conduct the research upon which this whitepaper is based in early 2023. 500 decision makers or experienced knowledge/technical workers, working in MSPs, with between 5 and 350 employees, were surveyed across a range of countries (US, Canada, UK, Germany, Netherlands, Sweden, Australia, New Zealand, South Africa, Italy, France, Singapore and Malaysia). Where indicated, the whitepaper also includes data from a similar study carried out in early 2022, also with 500 respondents.

All interviews were conducted using a rigorous multi-level screening process to ensure that only suitable candidates were given the opportunity to participate.



# Key findings



# Key findings



## Proving resiliency with expected growth in 2023

Although economic concerns continue, MSPs are expecting to maintain their average revenue growth trend of **33%** in 2023.



## Expanding service offerings to enhance growth

To fuel the expected growth in 2023, almost all of the respondents' organizations (**85%**) plan to add anywhere from 1 to 8 services to reach their growth targets. Specifically, a third of respondents plan to add **4 to 5 new services** in 2023.



## Leading with cybersecurity remains the desire

Cybersecurity continues to be a key concern for small-to-medium-sized businesses (SMBs), so **35%** of MSPs are looking to incorporate a security operations center (SOC), **34%** want to add managed detection and response, and **32%** are interested in extended detection and response (XDR).



## Achieving further growth by expanding client industries

On top of expanding service offerings, MSPs are looking beyond their comfort zone with nearly half (**46%**) aiming to diversify the industries that they provide managed services to.



## Optimism is not without challenges

While MSPs are optimistic about 2023's outlook, the struggling global economy, demands of hybrid working practices, increased competition, and employee stress continues to hinder the MSP space. In fact, **83%** of respondents agree that the struggling global economy in particular was a hindering factor over the course of 2022.



## Proactive steps to overcoming challenges in 2023

MSPs are taking proactive measures to combat headwinds with almost **100%** of MSPs taking at least one action to reduce the stress levels of their employees, and **85%** making sustainability a focus for their operations and/or offerings. Finally, SOC services (when partnered with a trusted vendor) are becoming an opportunity for both expanding service offerings and reducing stress levels for employees.

SECTION 1

# Growth is predicted for MSPs in 2023



## SECTION 1

The world has faced several challenges in the last few years, with often significant and unpredictable economic consequences. More than eight in ten (83%) respondents agree that their organization's growth aspirations in 2022 were somewhat hindered by the global economic situation. But MSPs have shown themselves to be resilient in facing these difficulties: more than nine in ten (91%) agree that their organization has settled into dealing with the current global economic situation and are in a much stronger position now as a business compared to where they were in early 2022.

This can be seen in the fact that global revenue for MSPs has increased from \$8.93 million on average in 2021 to \$12.25 million on average in 2022. This latter figure is slightly higher than that predicted by MSPs in the 2022 research (\$12.12 million). This shows that, not only have MSPs been resilient, but that they are also likely to hold an accurate expectation of what the near future holds for them. With this in mind, MSPs are predicting that they will have a global revenue of \$16.29 million, on average, in 2023 – and so their growth is predicted to continue.

This continuing growth is predicted across all three regions included in the research, albeit to a varying extent. MSPs in North America and APAC look particularly strong (with North American MSPs predicting that they will overtake APAC in 2023, based on average revenue), while MSPs in EMEA expect to grow at a slower rate.

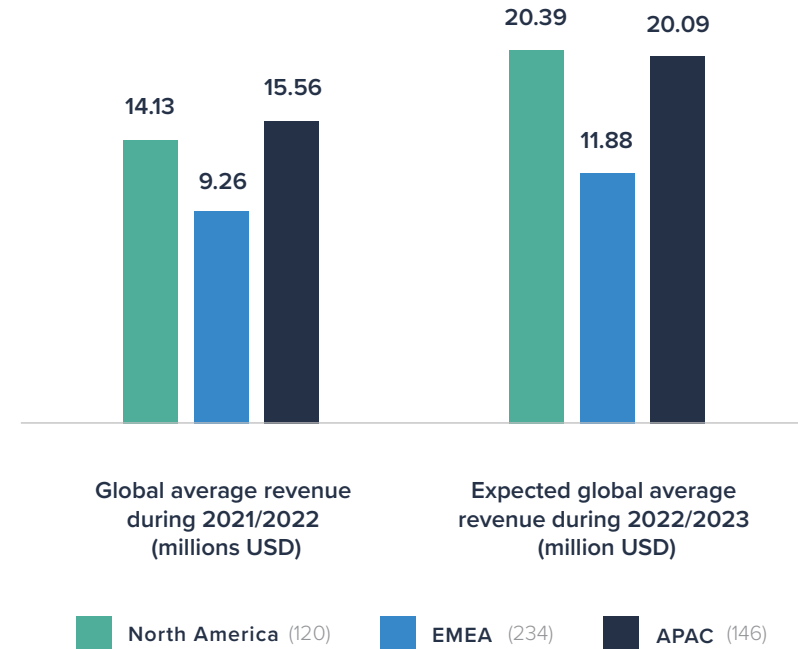


Figure 1: What was your organization's global revenue during 2021/2022 (in USD)? / What is your organization's expected global revenue during 2022/2023 (in USD)? [base sizes in chart], showing average, split by region  
[n=500]

## SECTION 1

When it comes to the services being offered by MSPs, a mix of solutions and services are likely to be provided, with Security Operations Centers (SOCs) and Cloud-based applications as the most likely.

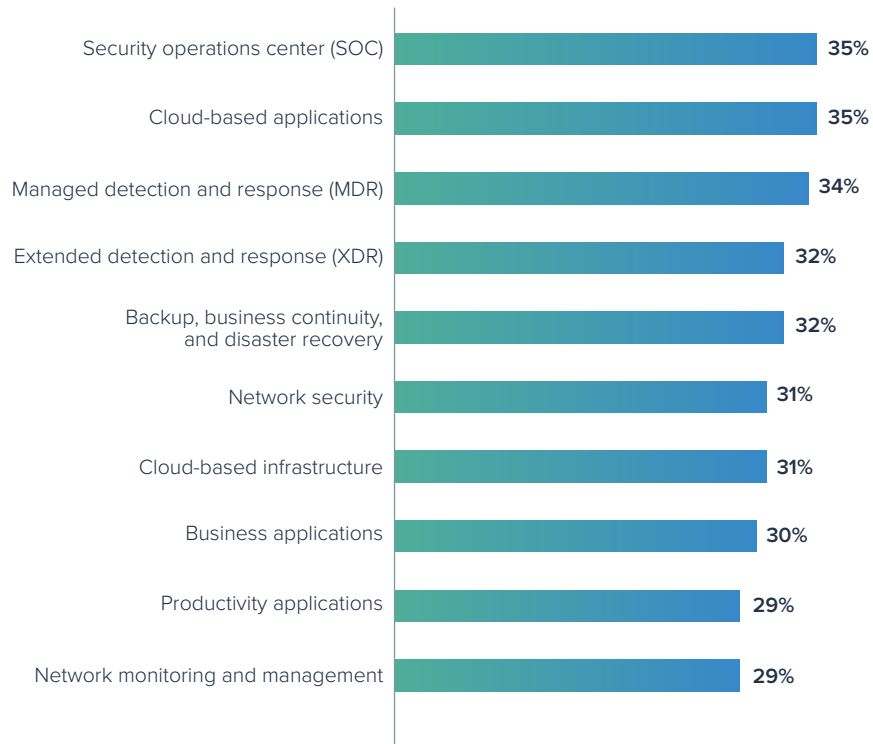


Figure 2: Which of the following services/solutions does your organization currently sell and/or support as a managed service offering for its customers? [500], showing top ten answers only [n=500]

While the proportion of most solutions/services being offered saw minimal changes compared with last year's research, one solution of MSPs that saw a notable drop in being offered was cloud-based infrastructure (45% offered in 2022, just 31% in 2023). Potentially this decrease is driven by fewer organizations requiring on-going support with cloud-based infrastructure services, following the short-term boom experienced during the 2020-2021 pandemic, with the rapid increase in home and hybrid working. But, broadly, the solutions trend is towards expansion: on average, five new services were added to MSPs' portfolio in 2022.

Despite the continuing global challenges, MSPs remain optimistic: 92% agree that there will be opportunities for 2023, as SMBs continue to adjust to the global economic situation. But in what form do these opportunities take?



SECTION 2

# Service expansion and diversification are key growth drivers

## SECTION 2

MSPs are increasingly likely to diversify who they provide services to, according to respondents. Nearly half (46%) say that they aim to diversify the industries that they provide managed services to. This has increased from 37% in the 2022 research, which demonstrates that MSPs are more willing to challenge themselves and their traditional way of working, to maintain or accelerate their growth.

Inevitably however, this brings its own unique set of challenges. One challenge (reported by 58%) is that MSPs may find that their offerings do not fit the purpose for industries outside of their traditional hunting grounds, and so ensuring their services' relevance in new industries will require some work. Other challenges noted by nearly as many respondents include winning against established competitors (54%), and the regulation and compliance demands (also 54%).

This demonstrates that expanding beyond existing comfort zones is not a decision to be taken lightly for several different reasons: solutions must be calibrated appropriately, differentiation against existing incumbents must be clear, and legal requirements must be thoroughly understood. Failure to do so could lead to costly mistakes (in terms of both money and time wasted), with little benefit to show.

Understanding the pain points of customers, or potential customers, is critical to winning new business, whether this is in industries new or familiar to the MSP. One key theme that organizations are struggling with is the ever-increasing pressure on IT departments. This pressure is making itself felt in several different ways: complexity, demands of the business, and smaller IT teams each being highlighted by nearly half of respondents.





## SECTION 2

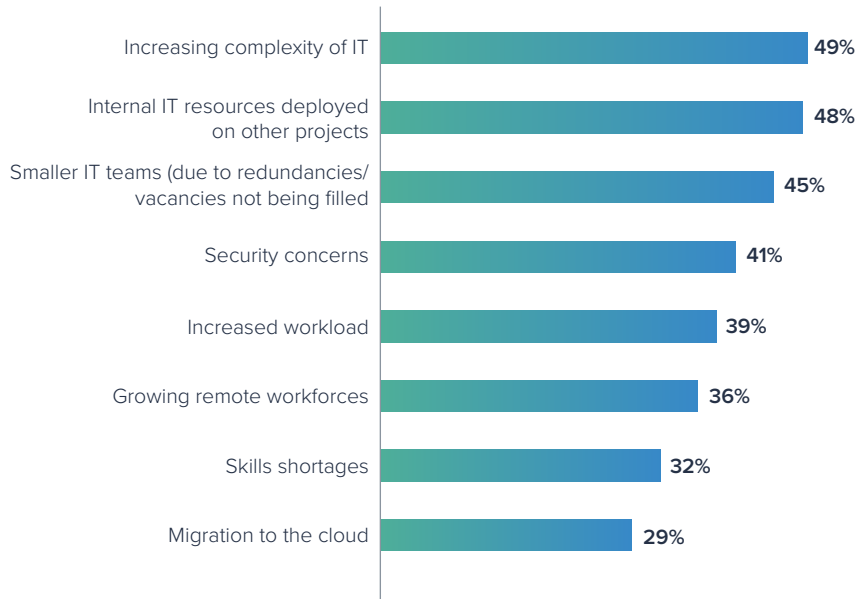


Figure 3: Which of the following do you believe are among the key drivers behind SMBs' shifting more towards utilising managed services? [500], not showing all answers

[n=500]

Each of these problems feed off the others: as IT becomes more complex, other departments of the organization will place higher demands on the IT department's time. In turn, the IT department will struggle to make the case for expanding their team to meet these demands during difficult economic times. Outsourcing their needs to an MSP can address many of these concerns for organizations.

Security concerns remain a key focus for a significant number of MSP customers as well, according to respondents. Following on from the above issue around the complexity of IT and the size of IT teams, more than a quarter (27%) make the point that cybersecurity skills are perceived to be difficult and expensive

to attract and retain and believe this to be the single most important driver for organizations seeking support with cybersecurity. Similarly, 24% believe that the most important driver is that cybersecurity tools and processes consume an unsustainable amount of management time and resources.

It makes sense therefore that more than eight in ten (85%) respondents see an increased need for offering a SOC service. But since only 35% of MSPs currently offer a SOC service (as noted in the previous section), this is an opportunity that many MSPs are not currently ready to take advantage of. This is despite the fact that respondents expect their organization to add a further five new services (on average) to their portfolio (in addition to the average of five added in 2022). It's evident that MSPs have a strong desire to offer SOC services, but relatively few seem willing to do so.

Beyond expanding their services and solutions portfolio, what new sales or marketing tactics are organizations using to increase sales? Respondents are most likely (51%) to highlight that their organization will be increasing the use of, or starting to use, social media and social selling. This of course can be a relatively low-cost new approach to take, understandably so considering global economic pressures. In contrast, fewer than four in ten (38%) are likely to increase advertising spend. In fact, experimenting with different types of advertising is a more likely approach to be taken (by 45%), showing that respondents' organizations are more likely to adapt existing spending plans, rather than increase budgets for them. There is acknowledgement from respondents that they may need extra support to achieve growth – 46% report that they wish that their organization had more access to marketing support. And as competition between MSPs intensifies, further support with marketing activities is likely to become increasingly sought after.

SECTION 3

# Areas of focus to ensure a successful 2023

### SECTION 3

MSPs are experiencing a range of challenges – and almost without exception, the proportion of MSPs experiencing each challenge has increased since 2022.

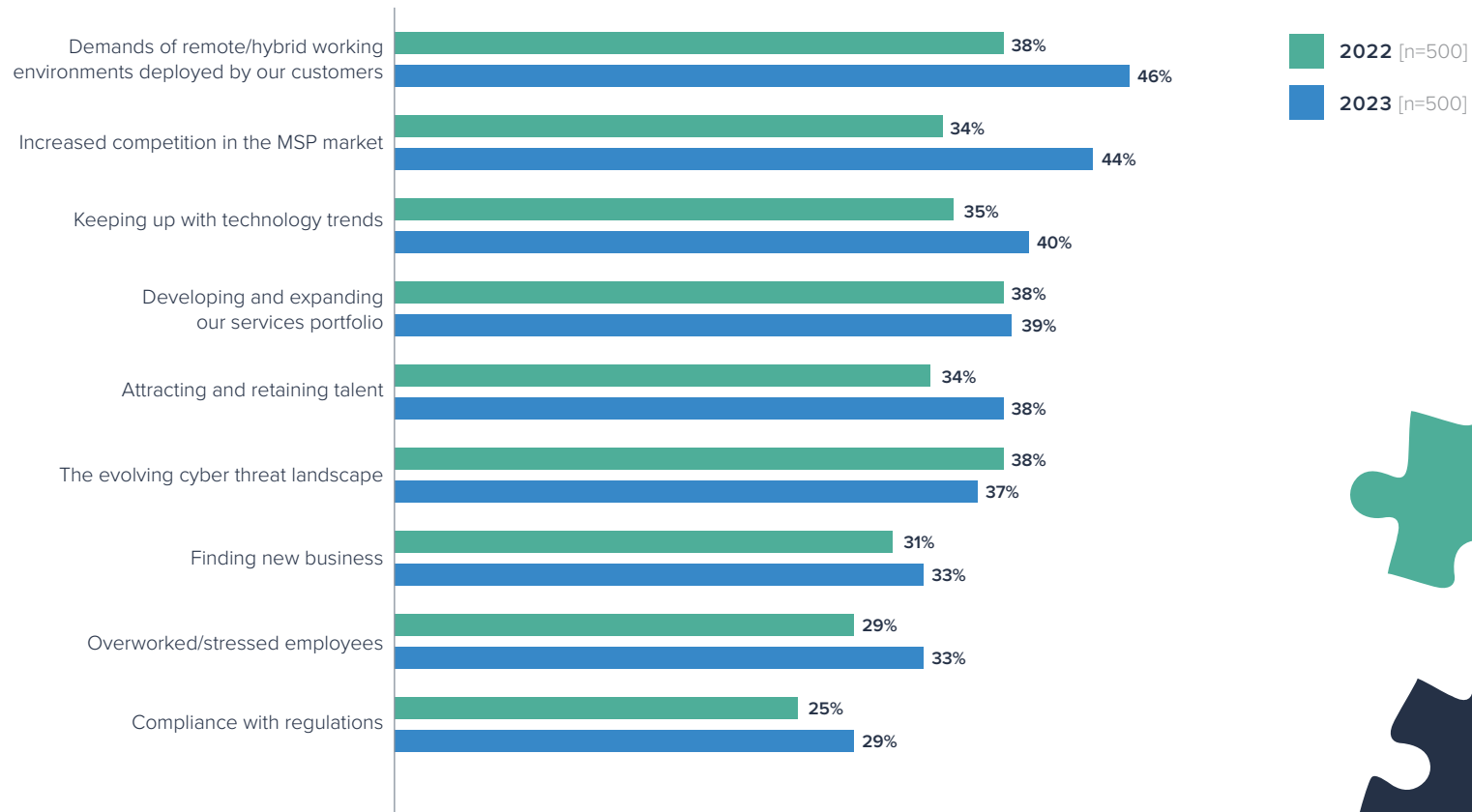


Figure 4: Which of the following challenges is your organization currently experiencing? [base sizes in chart], not showing all answers, split by 2022/2023 research





### SECTION 3

Most notable is the fact that, even though the sudden increase in working from home to help combat the pandemic happened three years ago, the demands of customers' remote/hybrid working practices are still causing issues for a significant proportion of MSPs. This proportion has increased from 38% in 2022, to 46% in 2023, and this is not a challenge that is likely to disappear any time soon. Furthermore, nearly half (47%) of respondents report that they wish their own organization had more access to support for hybrid/remote working best practice guidelines. This shows that, even within MSPs themselves, hybrid working is proving to be a challenge.

Almost equally reported as a challenge is the heightened competition in the MSP market (44% - up from 34% in 2022). This is potentially a reflection of the market expansion noted in section 1, as MSPs are looking to diversify the industries that they provide managed services to for continuous growth.

Another growing challenge by a significant proportion of respondents is keeping up with technology trends (40% - from 35% in 2022). This issue is most notable when considering the point made above that MSPs are not taking full advantage of the potential in offering security services. This is further acknowledged by the majority of respondents (81%) saying their organization requires notable or significant improvement when it comes to keeping up with the latest technology/security trends. Although in many cases, MSPs' hands are tied when it comes to their knowledge and offerings around security. Nearly half (45%) say that they wish their organization had access to more security incident response planning support, which demonstrates that even if the desire is present to expand their security offerings (as highlighted in the previous section), the skillsets and knowledge may simply not exist currently within the organization. A possible solution may be to partner with an existing managed security services provider, allowing MSPs to focus on providing services that they are already strong in.

Ultimately, more than three quarters (77%) of respondents agree that the level of service/support delivered to their customers requires significant or notable improvement. Regardless of the exact nature of the service in mind, the majority of MSPs clearly see the impact that these challenges are having upon their ability to deliver the level of support that is needed. This must be addressed if MSPs are to continue growing revenue and expanding to reach their desired targets.

### Employee Stress

One challenge closer to home for MSPs is that posed by stress. According to respondents, the stress levels for the average employee in their organization are more likely than last year's research to be high (27% in 2023, compared to 16% in 2022).

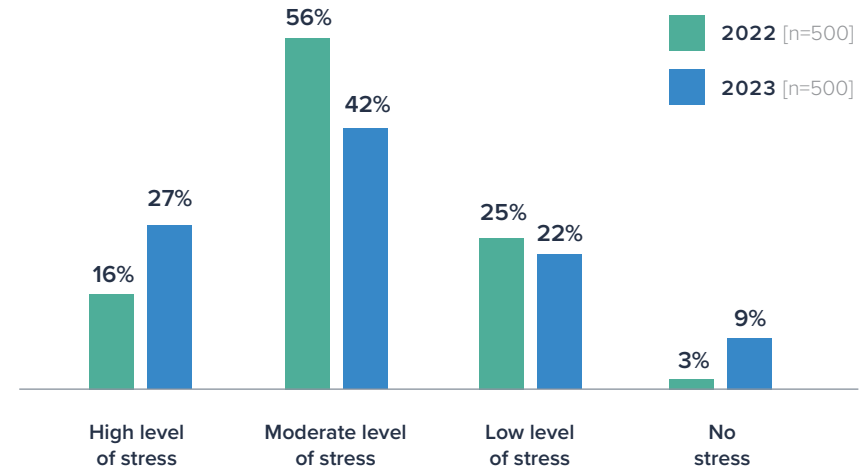


Figure 5: For the average employee at your organization, what do you believe their level of stress is? [base sizes in chart], split by 2022/2023 research

Although the proportion of respondents saying that their organization's employees had no stress also marginally increased, clearly the majority of MSPs are suffering with this problem to some extent. While exact causes of stress will naturally vary between organizations, one indicator can be seen when looking at the number of new services being added. As noted earlier, on average, MSPs added five new solutions to their service portfolio in 2022. And this appears to have had an impact on stress levels – of those respondents saying that their employees were experiencing a high level of stress, six new solutions were added (on average) in 2022. Compared to those saying their employees were experiencing no stress, this average drops to four. MSPs may have a difficult balance to maintain between trying to expand their product line and keeping employee stress at reasonable levels. This continues to be a concern as MSPs plan to expand their service line-up even further in 2023, with signs that stress is already increasing.

## SECTION 3

Even the respondents themselves noted that they were more likely to be stressed. In the 2022 research, 30% of respondents said that they were more likely to be stressed than in 2021. However, in this year's research, 37% say that they are more stressed than they were in 2022. Stress levels however do vary somewhat, depending upon the region that the respondent is based in.

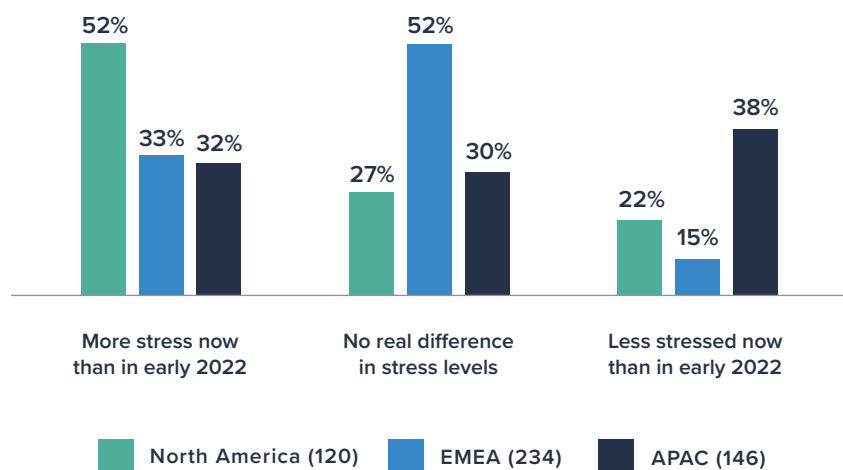


Figure 5: For the average employee at your organization, what do you believe their level of stress is? [base sizes in chart], split by 2022/2023 research [n=500]

North American respondents are most likely to feel more stressed this year compared to last year, with those in EMEA most likely to feel no difference. Those in APAC are most likely to feel less stressed, but this is despite respondents in this region reporting high levels of revenue and growth, as shown in section 1. This not only highlights potentially important differences in how MSPs in these regions are approaching stress, but also in the case of the APAC respondents, it shows that stress isn't necessarily an inevitable result of growth.

The requirement to improve stress levels is recognized by the majority. 75% say that employee wellbeing in their organization requires notable or significant improvements. This indicates that there is much to do in a significant proportion

of MSPs if these trends are to be reversed. Fortunately, nearly all (99.6%) respondents say that their organization is doing something to minimize the stress levels of its employees, the most likely of which is improving communication between the senior management team and the rest of the business (57%).

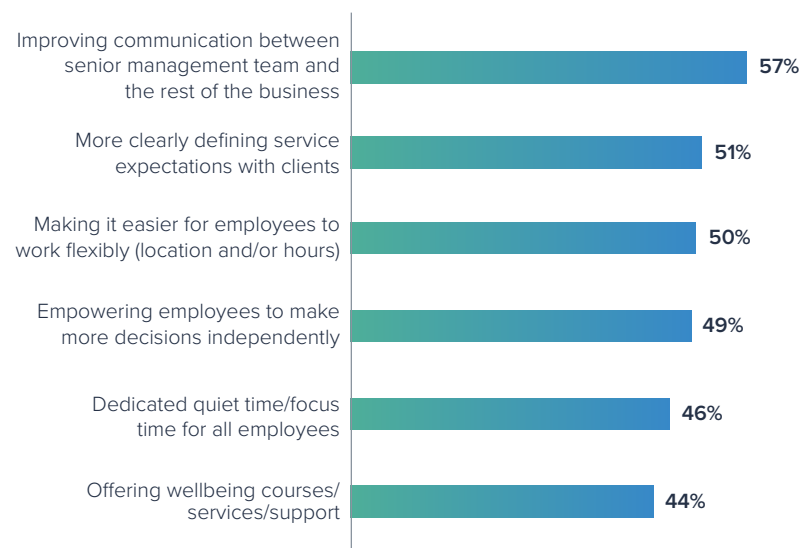


Figure 7: What, if anything, is your organization doing to minimize the stress levels of its employees? [500], not showing all answers [n=500]

Respondents, on average, report that their organization is carrying out around three of the listed actions, demonstrating that most organizations are taking the risk of stress in the workplace seriously. And the impact is clearly felt. For each of the above listed actions, where they have been adopted in organizations, more than nine in ten respondents say that the impact upon employees is either extremely positive or somewhat positive. However, there is still room for improvement in a significant proportion of organizations as, in each case, only around half of respondents say that the impact being made by the action is extremely positive. Managing employee stress can be a moving target for organizations, but many will be hoping that the actions they are taking will slow, or even reverse, the trend that stress levels are increasing in MSPs.

## SECTION 3

### Sustainability

When it comes to competition, one area potentially ripe for differentiation from other MSPs, is that of sustainability. Nearly all (99.8%) say that their organization is taking steps to boost its sustainability credentials, with half (50%) saying that they are making sustainability a key part of their business strategy. In doing so, around half of respondents are expecting that this will make it easier for their organization to attract new customers (51%), increase current customer engagement (47%), increase employee engagement (51%), and make it easier to attract new employees (50%).

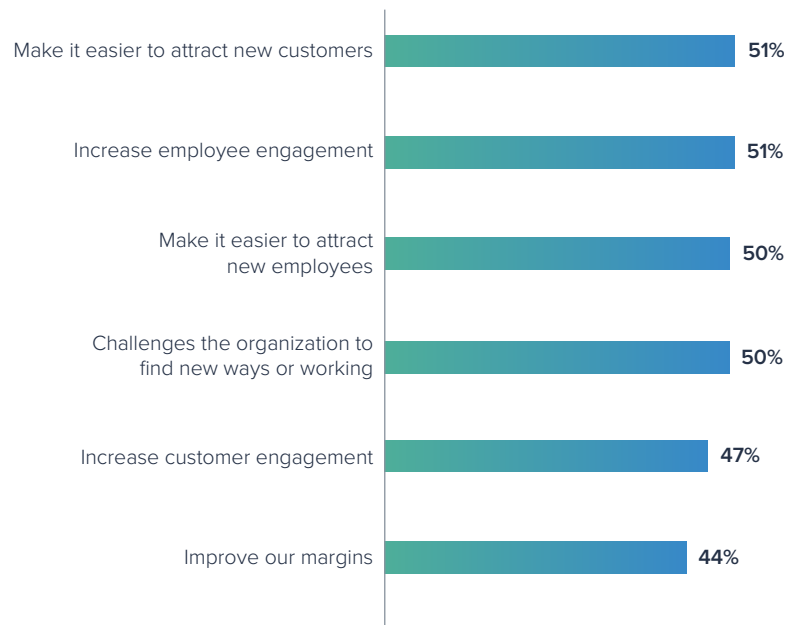


Figure 8: What business benefits do you expect that boosting sustainability credentials will bring to your organization? [499], asked of those working in organizations that are doing something to boost their sustainability credentials, not showing all answers

[n=499]

This mix of benefits that supports MSPs' relationships with both external customers and internal employees, demonstrates that bringing a sustainability ethos to the business would be of notable value. This is reflected in the fact that 85% of respondents agree that MSPs must now be more focused on sustainability than ever before, with sustainability at the heart of their entire portfolio.

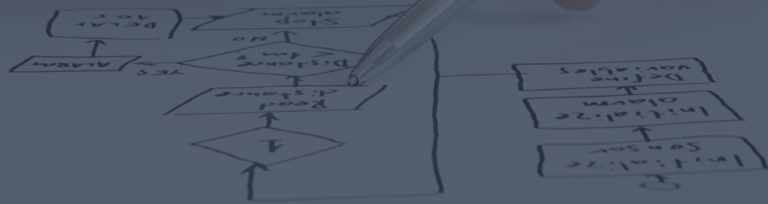
But there are challenges with this. More than eight in ten (83%) agree that their organization needs some support or education around the sustainability policies that they must adhere to, and nearly as many (77%) agree that their organization's customers do not always understand that sustainability practices are crucial across the entire supply chain, and not just in their own business.

This shows that some education may be needed for these groups to embrace sustainability in their relationship with the MSP and allow the MSP to experience the full benefits outlined above. However, many MSPs already have this in hand. More than half (53%) say that they are providing training to their employees on the importance of sustainable working practices, and nearly half (49%) say that they are offering sustainability services to clients already.

Sustainability-related actions, products, and approaches are clearly important to many MSPs. But one direction that might not be taken as much as what is expected is that of compliance credentials. Only 37% of respondents said that their MSP is in the process of reviewing or gaining compliance credentials related to sustainability. While this is still a significant minority, given how critical compliance is in the world of IT, this may reflect the relative immaturity of sustainability practices in the professional world – that there are few credentials that are instantly recognized and understood by all. Until a time when that is not the case, most MSPs seem content in the meantime to focus on making practical changes to their working approach, to help grow their business.



# Conclusion



# Conclusion

MSPs are planning to continue growing their revenue significantly over the coming year, and where needed, expand their horizons outside of their current sphere of focus, as well as expand their product range. But this growth is bringing its own challenges, including a struggling global economy, the demands of hybrid working practices of customers, competition from other MSPs, and the increased stress levels among employees.

But a variety of actions are being taken in attempt to combat these challenges.

When it comes to growing revenue, MSPs are aware that there is an opportunity in offering SOC services, and so potentially this could be one area to consider further product additions. Currently, SOC services are only offered by a minority, and the majority openly admit that their organization struggles when it comes to keeping up with security trends. This shows that there is plenty of room for improvement in this area, whether that be solely internally or through partnering with a SOC specialist. Beyond SOC services, respondents also show broad confidence in their organization's ability to adapt and expand, with many choosing to start offering services to sectors where they have not previously done so.

Making sustainability a focus for operations and/or offerings is another action open to MSPs. But it is worth noting that the majority do not currently appear interested in attaining compliance credentials in this area, preferring instead to take actions of more immediate and direct benefit (to customers and/or employees).

Nearly all respondents say that their organization is also taking active steps to reduce the stress levels of their employees. The extent of benefit felt in taking these steps can vary, but there are widespread reports of positive impacts across a range of areas. MSPs must continue to pursue such actions, as the impact on employees of expanding solution ranges can be clearly seen on both stress levels of respondents and their colleagues.

MSPs have done well to get this far in a turbulent time, but this does not mean it is time to relax. Any MSPs not at least planning for, or considering, some of the above areas should have a very good reason for not doing so.



# About MSP Day

Barracuda MSP, the MSP-dedicated division of Barracuda Networks, introduced Global MSP Day six years ago, to recognize and celebrate MSPs around the world, while providing an opportunity for MSPs and vendors to collaborate, interact, and share success, best practices, and key industry insights. This event is full of opportunities for IT managed service providers – the information and shared experiences are guaranteed to increase knowledge and help businesses discover best practices to promote business growth.

This year's event includes both a virtual and in-person experience. The virtual event highlights insight from international IT business growth expert Richard Tubb and leading voice and advocate for the IT ecosystem, The Computing Technology Industry Association (CompTIA). We're also delighted to have CyberQP and ChannelProgram joining this year's celebration.

All of us here at Barracuda are excited for this opportunity to come together and celebrate as a global community once again!





## About Barracuda

At Barracuda we strive to make the world a safer place. We believe every business deserves access to cloud-first, enterprise-grade security solutions that are easy to buy, deploy, and use. We protect email, networks, data, and applications with innovative solutions that grow and adapt with our customers' journey. More than 200,000 organizations worldwide trust Barracuda to protect them — in ways they may not even know they are at risk — so they can focus on taking their business to the next level. For more information, visit [barracudamsp.com](https://barracudamsp.com).

## About Vanson Bourne

Vanson Bourne is an independent specialist in market research for the technology sector. Their reputation for robust and credible research-based analysis is founded upon rigorous research principles and their ability to seek the opinions of senior decision makers across technical and business functions, in all business sectors and all major markets. For more information, visit [vansonbourne.com](https://vansonbourne.com).