

Report

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Datto's SMB Market Report for MSPs

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About the Report

Datto's SMB Market Report for MSPs is comprised of statistics pulled from a survey* of 1,100+ small and medium businesses (SMBs) across the United States. This report highlights technology trends, challenges, and buying patterns of these businesses. Additionally, it provides research-based insights on SMB attitudes towards managed services as a whole.

Methodology

Datto's SMB Market Report for MSPs is based on a study commissioned by Datto, Inc. with Strategy Analytics. Survey respondents were recruited via professional B2B research panels and asked to complete a 15-minute online survey. Respondents were from the United States, and identified as decision-makers for IT solutions at small and medium businesses with 10-300 employees.

**Survey commissioned by Datto with Strategy Analytics.*

SMBs Agree, IT Helps Them Succeed

95% of SMBs agree

that IT helps their business succeed

But

45% of SMBs

view IT mainly as a cost center



MSP Takeaway:

SMBs see IT as a strategic partner to their business efforts. When pitching to new prospects, rather than focusing on the technical aspects of IT, speak to the impact IT can have towards their business growth.

Hiring, Revenue, and Growth Keep SMBs Up at Night

44% of SMBs report

hiring good people as the top business struggle, followed by revenue growth

Pain Points for SMBs:

Hiring good people - **44%**

Growing revenue - **39%**

Profitability - **32%**

Compliance or data privacy issues - **31%**

Acquiring new clients - **29%**

Internal operations - **24%**

Work/life balance - **22%**

Technology or vendor issues - 23%

Ransomware/cybersecurity issues - 23%

Company culture - 13%

Customer churn - 8%

**Survey respondents were able to select multiple answer choices.*



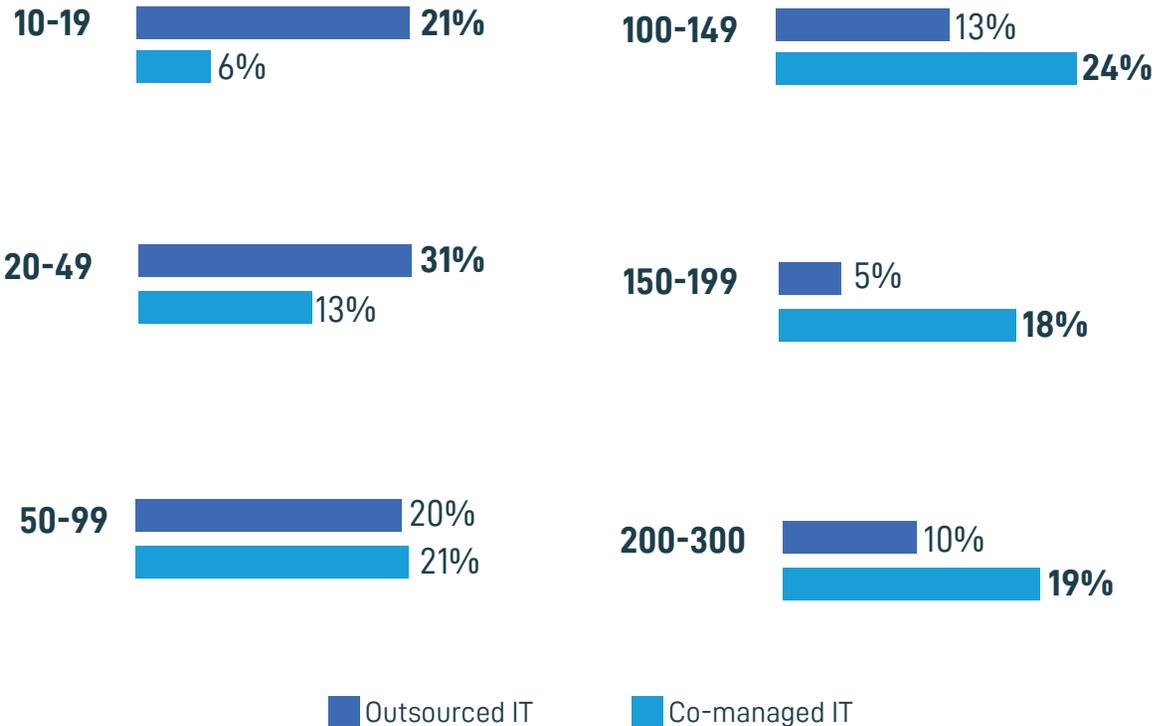
MSP Takeaway:

It's important to familiarize yourself with the pain points of your clients/prospects, and identify which ones can be alleviated with managed IT services. This, in turn, will help the SMB focus on everything else on the list.

3 in 10 SMBs Outsource a Portion of IT



IT Management by Company Size

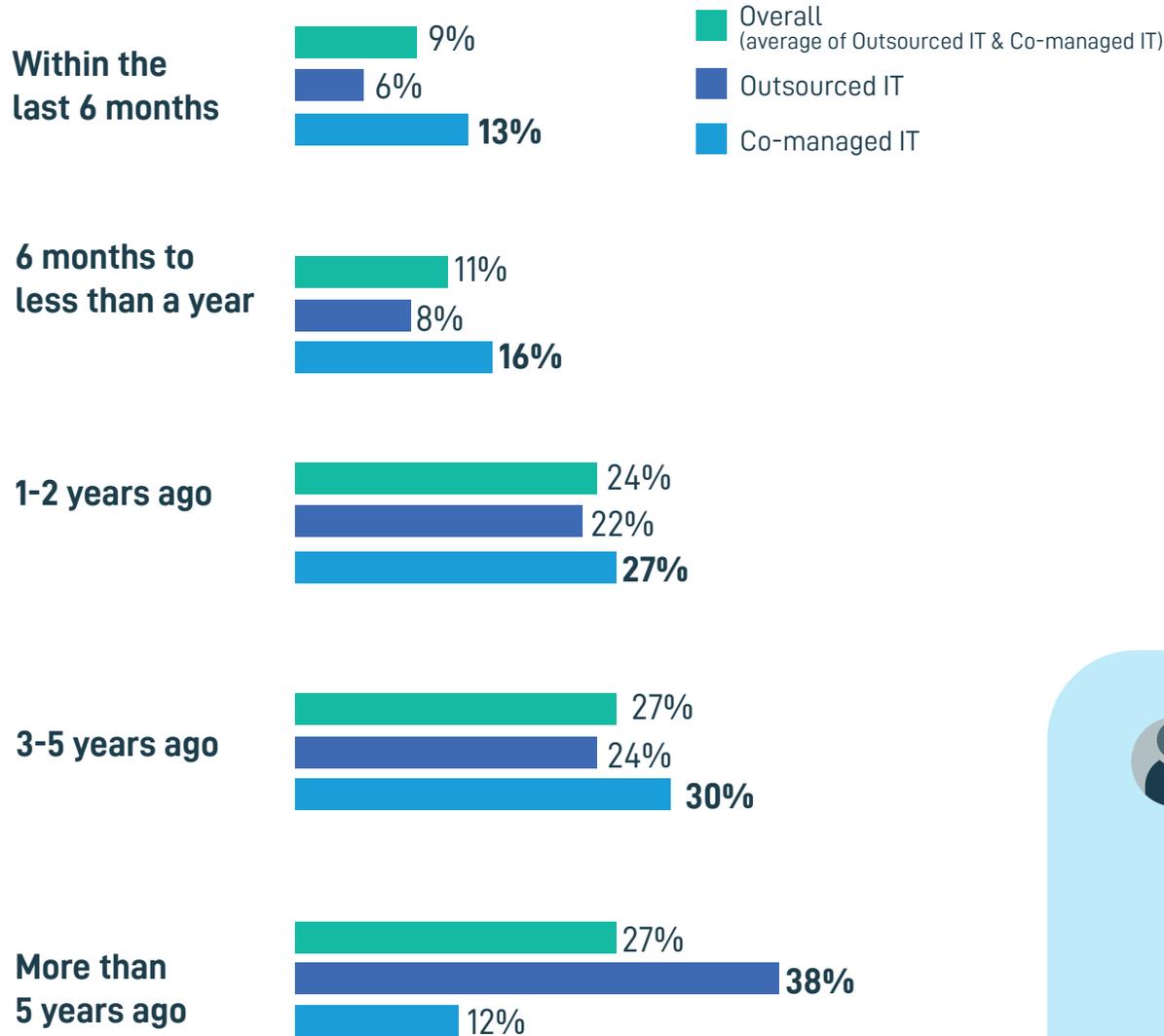


MSP Takeaway:

SMBs with internal-only IT as well as those with co-managed IT cover more than half of the SMBs surveyed. Specifically, SMBs with fewer than 100 employees are most likely to favor a 100% outsourced model. MSPs should focus on this group first. It's important to note that as this group of SMBs grow, they increasingly adopt a co-managed model.

Co-Managed IT on the Rise

How long ago did you begin to outsource some or all of your IT services?



MSP Takeaway:

Outsourcing IT is not a new concept for US-based SMBs. The shift to co-managed IT is a more recent trend, with companies outsourcing a portion of their IT while retaining in-house IT staff. Common services for co-managed IT include tier 1 or tier 2 helpdesk or areas where the business requires additional support, such as cybersecurity or cloud infrastructure.

Complexity and Cost of IT Drive Outsourcing Decisions

What are the main reasons you decided to outsource your IT?



54% of SMBs report

Increasing complexity of IT

54% of SMBs report

It's more cost-effective to outsource



A skills gap internally - **45%**

Security issues - **40%**

Outdated systems - **27%**

Compliance issues - **27%**

Need for multiple clouds / technology stacks - **26%**

**Survey respondents were able to select multiple answer choices.*



MSP Takeaway:

SMBs that outsource their IT are aware of the complexity of today's IT landscape and simply don't have the skills or time to deal with this alone. They also say it's more cost-effective to work with a third-party IT provider. These reasons for outsourcing should be points of conversation for every prospect you encounter.

Security and Technical Support are Top Technology Challenges

Thinking about the IT challenges your company faces, how relevant are each of the following to your business?

79% of SMBs report
Security issues

79% of SMBs report
Technical support and maintenance challenges

Increasing complexity of IT 72%

Increasing cost of IT 72%

Compliance issues 66%

Multiple clouds/technology stacks 62%

Skills gap internally 60%



MSP Takeaway:

MSPs need to shift their pitch to focus on alleviating these top SMB challenges like security, technical support, and the increasing complexity of IT.



Cybersecurity Most Important Technology Trend

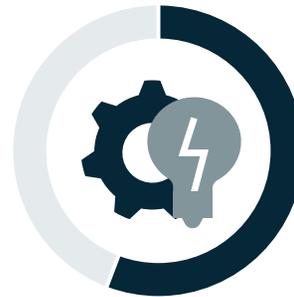
Which of the following new technology trends will be important for your business three years from now?



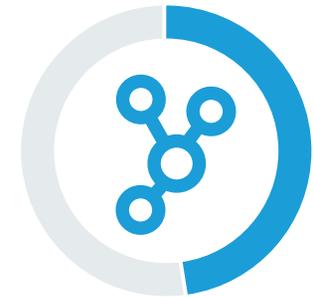
Cybersecurity
73%



Cloud and SaaS Applications
65%



Business Intelligence and Analytics
56%



Internet of Things (IoT)
48%

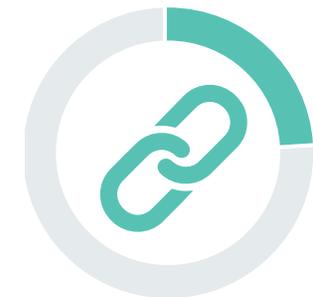


MSP Takeaway:

Security and cloud are the top trends on SMBs minds, so MSPs must position themselves to help their clients in these areas or risk being left behind. It's also important to note that while trends like blockchain may receive newsworthy headlines, SMBs have a hard time seeing how technologies like this will impact their businesses.



Hybrid Cloud
41%



Blockchain
24%

**Survey respondents were able to select multiple answer choices.*

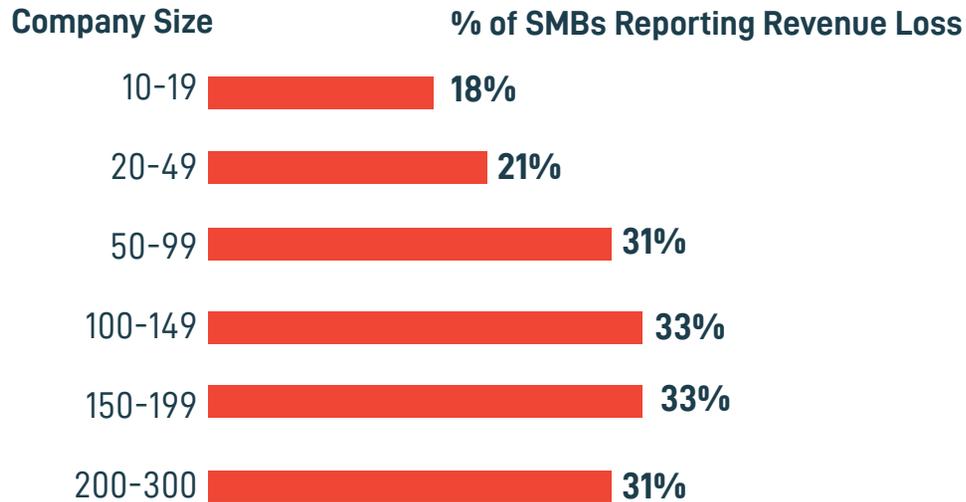
1 in 4 SMBs Lose Revenue Due to IT



28% of SMBs report
lost business due to an IT-related problem



Revenue Loss by Company Size



MSP Takeaway:

For many SMBs, revenue loss caused by IT issues is a real pain point. MSPs should position themselves as a resource to help SMBs regulate their IT spending with reliable, consistent service at a fixed monthly rate.

Referrals #1 Source to Find an MSP

68% of SMBs report

referrals have the greatest impact in the decision to select an IT provider

Followed by:

Internet search 27%

Called vendor directly 27%

Provider websites 23%

Third-party review sites 19%



MSP Takeaway:

With more than half of SMBs basing their MSP selection off of referrals, your clients are likely the best path to acquiring new ones. Focus on becoming the type of MSP your clients love to talk about and consider adopting an incentive program to drive referrals. Better yet, simply ask customers if they know other businesses who might benefit from your service.

**Survey respondents were able to select multiple answer choices.*

Cost is Key Factor in IT Provider Selection

If you were to select a new IT service provider, which of the following factors would be most important for your decision?

Cost 59%

Technical capabilities **55%**

Expertise of support **52%**

Customer service **50%**

Understanding my business **47%**

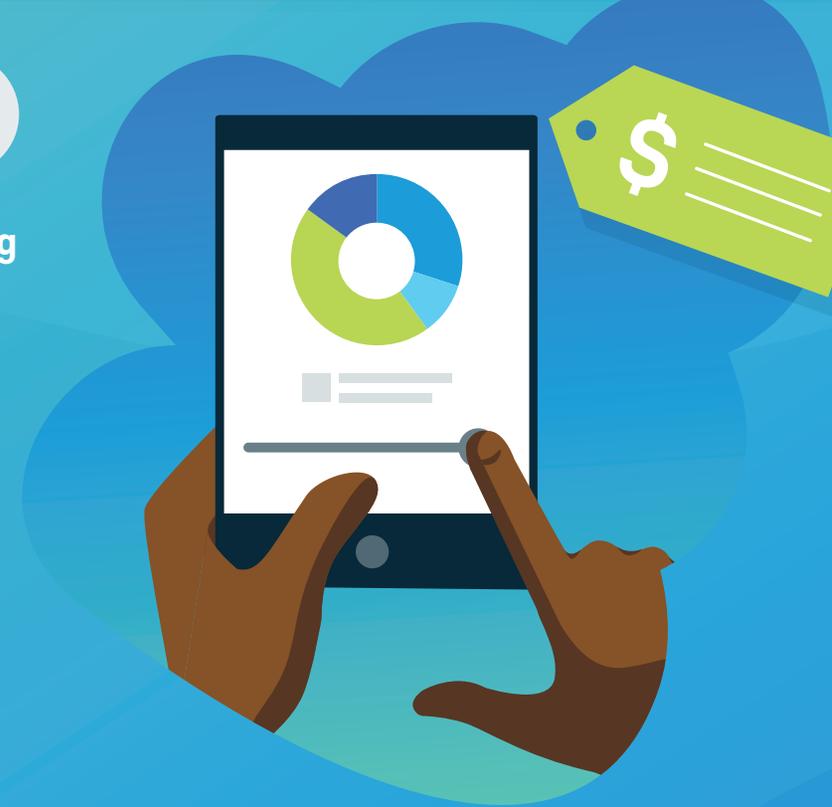
Response time **46%**

Longevity/stability of provider **35%**

Focus on my industry **30%**

Recommendation from others **22%**

Location of provider **21%**



MSP Takeaway:

SMBs cited cost as the number one factor driving their buying decision. However, when asked to choose between cost and other factors in subsequent studies, cost fell to the middle of the list and technical capabilities, expertise, and customer service rose to the top. SMBs are willing to pay for the value MSPs bring, but they need to see that value demonstrated or they will simply default to price. Conversations around potential risks and costs SMBs face without a trusted IT provider are a good place to start. For example, MSPs report that the average cost of ransomware-related business downtime is \$141,000.†

**Survey respondents were able to select multiple answer choices.*

†Datto's Global State of the Channel Ransomware Report

IT Budgets Predicted to Increase

On average, **IT consumes 14% of an SMBs total budget**, with an average spend of \$117 per employee.

While slightly less than half of SMBs expect to increase their IT budget next year, those increases are significant: **an average of 18%**.



Spend per Employee



\$117

Average spend per employee

Expected Change in IT Budget



- Increase - 46%
- Stay the Same - 47%
- Decrease - 3%



MSP Takeaway:

SMB budgets for IT vary widely, so don't price yourself down for the client with the smallest budget. Offering tiered service options at different price points, or focusing on a specific industry with higher than typical IT budgets are two ways to avoid this.

Majority of SMBs Satisfied with IT Providers

84% agree
It is very easy to do business
with their IT provider

83% agree
Their IT provider offers the right tools and
resources to effectively grow their business

82% agree
When their IT provider recommends a service,
they are truly trying to help protect their business

78% agree
They will likely continue working with the
same IT provider over the next 2 years

77% agree
Their IT provider understands their
business and the strategic direction
of the company

71% agree
They want IT providers to drive the
IT strategy of their business



MSP Takeaway:

SMBs are generally happy with their MSPs, with more than 4 in 5 stating they help them grow their businesses. More than 2 out of 3 say they want their IT provider to drive the IT strategy of their business.

Only 1 in 3 SMBs Completely Satisfied with Internal IT

Internal only IT

Completely satisfied 34%

Somewhat satisfied 56%

Neutral 8%

Somewhat dissatisfied 1%

Outsourced IT

Completely satisfied 40%

Somewhat satisfied 43%

Neutral 11%

Somewhat dissatisfied 5%

Co-managed IT

Completely satisfied 45%

Somewhat satisfied 49%

Neutral 4%

Somewhat dissatisfied 3%



MSP Takeaway:

Only 1 in 3 SMBs with 100% internal IT are completely satisfied with their current IT solutions. This offers a massive opportunity for MSPs to make the case for the value outsourced IT can bring to these businesses. The most satisfied group are those with co-managed IT: complimenting an internal IT champion with external expertise is a winning strategy for SMBs.

*Survey respondents were able to select multiple choices.

IT Provider Net Promoter Score

Net Promoter Score (NPS) is a customer service metric that measures the loyalty of a company's clients. NPS scores can range from 0-100 and higher scores are better. To calculate the number of Net Promoters, subtract the percentage of Detractors from the percentage of Promoters.



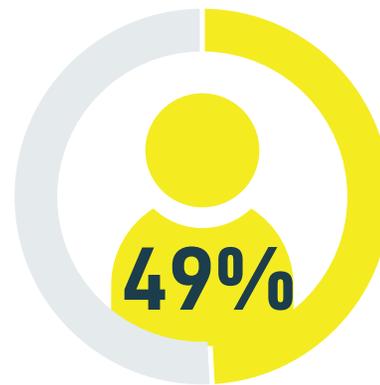
MSP Takeaway:

Low NPS scores may signal challenges retaining clients and can hinder business growth as referrals are the primary way SMBs find an MSP. Activities focused on converting "Passive" clients to "Promoter" can have a significant, positive impact on an MSPs' overall growth. MSPs with high NPS scores typically work hard to build an internal "champion" within each of their SMB clients. Meet with them regularly, and continually strive to understand and help them meet their business goals.

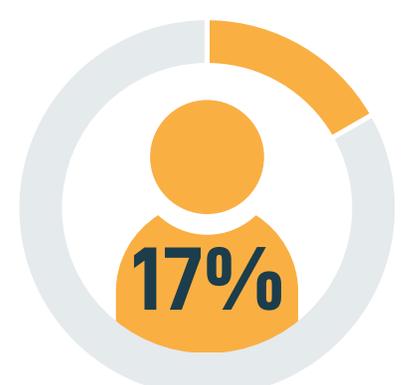
Promoters:



Passives:



Detractors:



Net Promoters: 18
(Promoters - Detractors)

The average **MSP has a Net Promoter Score of 18, which puts them near the bottom** of comparable industries.

Key Takeaways



Security issues, technical support and maintenance, and the complexity of IT are the top challenges for today's SMBs. This is where MSPs come in! Showcase what you can do to make these issues less challenging for an SMB.



Where are SMBs researching solutions? The same places you go for information: online. Make sure you're easy to find via a simple Internet search. The more common and popular way SMBs will find you is by word of mouth. Be an MSP worth referring people to (and ask for referrals!).



Deliver value in the areas SMBs care about. Don't try to be the lowest cost MSP to win new business. Today's top MSPs win clients based on the quality of service offered, technology expertise and an understanding of a client's business needs and goals.

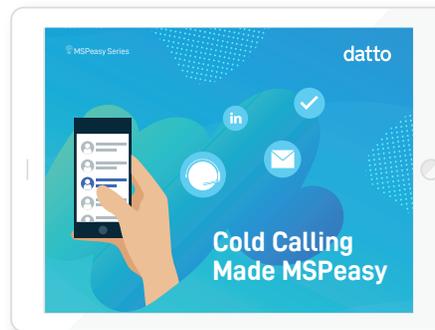
Additional Resources

Want more research like this?

You might also be interested in:



Check out these resources to help you reach SMBs:



- Subscribe to the [Datto blog](#) for daily posts on managed services, cybersecurity, channel news, and more.
- **Already a Datto partner?** Check out [MarketNow](#) for the complete end-user campaign on ransomware.
- Visit the [Datto website](#).

About Datto

As the world's leading provider of cloud-based software and technology solutions delivered by managed service providers (MSPs), Datto believes there is no limit to what small and medium businesses can achieve with the right technology. Datto offers Unified Continuity, Networking, and Business Management solutions and has created a one-of-a-kind ecosystem of MSP partners. These partners provide Datto solutions to over one million businesses across the globe. Since its founding in 2007, Datto continues to win awards each year for its rapid growth, product excellence, superior technical support, and for fostering an outstanding workplace. With headquarters in Norwalk, Connecticut, Datto has global offices in the United Kingdom, Netherlands, Denmark, Germany, Canada, Australia, China, and Singapore. Learn more at datto.com.

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