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Four Ways MSPs Can Navigate a Changing IT World to Grow Their Businesses

The State of the Market for MSPs in Autonomous IT Operations



The State of the Market for MSPs in Autonomous IT Operations

Key Takeaways

- 01 MSPs looking to grow their businesses must leverage intelligent IT automation to eliminate manual processes and speed time to resolution for customers
- 02 Cloud services will drive MSPs' businesses, but they need better tools to manage these complex environments
- 03 Tool sprawl at MSPs is getting worse and can prevent MSPs from reaching their growth and customer satisfaction targets
- 04 Observability is a reality for MSPs but they need to continue to innovate in their use of the technology to get ahead of customer issues and retire legacy, reactive IT management tools.

Table of Contents

4 Introduction

5 *Insight #1* MSPs Remain Bullish on Growth

6 Challenges to Growth Abound

7 *Insight #2* The Cloud and How to Manage it Will Drive MSPs' Priorities in 2024

8 The Big Three Continue to Dominate the Cloud

9 AIOps and IT Infrastructure Monitoring are Crucial in ITOM

10 Automation is Key to IT Monitoring Deals in ITOM

11 Predictive and Root Cause Analysis Drive AIOps Deals

12 *Insight #3* Tools Overhead, Complexity, Manual Processes Still Challenge MSPs

12 Tool Consolidation Still Needed

13 Domain-specific Monitoring Tools Still Rule at MSPs

14 Efficiency, Productivity Issues Top IT Operations Challenges

15 Root Cause Analysis, Dependency Mapping Are Key to Incident Management

16 Fixed Costs over Fixed Time Periods Work Best for MSPs

17 *Insight #4* Observability is an Imperative for MSPs

17 Cloud/Cloud Native and Security are the Leading Observability Use Cases

18 Metrics Remain the Most Critical Data Type in Observability Use Cases

19 Conclusion and Key Takeaways

Introduction

Oh, what a difference two years makes. The last time we published this survey report, in 2022, business was booming for managed service providers (MSPs). The global market for IT and business services grew at its fastest rate ever in 2021^[1], at 29%, according to industry research firm Information Services Group (ISG), and was poised for continued expansion in 2022. Two years later, growth forecasts are much more muted, with the July ISG Index forecasting^[2] just 2% growth for managed services and 14% growth for XaaS (anything as a service) for the rest of 2024. That compares to 5.1% for MSPs and 20% for XaaS the last time we published this survey report. Just the same, the current numbers represent an upswing. The XaaS market contracted for five straight quarters before rallying earlier this year.

ISG’s numbers are based on contracts over \$5 million. Gartner tracks the entire IT services market to reach a whopping \$1.52 trillion^[3] this year, a 9.7% growth rate over last year, nearly two percentage points higher than the overall IT spend growth rate of 8%. Large-scale GenAI projects, including services for the hardware to carry them out, will drive much of this growth, according to Gartner.

IDC sees a rebound in the works as well, forecasting an increase in both managed services contracts and deal sizes in 2024^[4], after the total number of contracts dropped from 2022 to 2023. Cloud (60% of total contract value) and AI (15% of TCV) are the top drivers.

The heady high-growth days of 2021 and early-2022 may not be back again, but as new technologies develop, plenty of opportunities remain for MSPs who can support those initiatives, especially AI and the hybrid cloud systems that will underpin AI. This report, based on a new global survey of over 600 managed service providers, tries to understand how MSPs will align technology priorities, budgets, and hiring as well as adapt to the new digital challenges and customer expectations needed to succeed in a challenging but hopeful economic environment.

Methodology

[OpsRamp](#), the intelligent IT operations management leader for managed service providers, commissioned a third-party survey of a total of 618 MSP respondents early in 2024. All respondents work at the general manager, director or vice president level in North America, Europe and Asia-Pacific.

All respondents are involved in selecting or recommending IT monitoring and management tools, and work at firms with at least \$25 million in annual managed services revenue.

Respondents by role



Respondents based on regions



^[1] [Global Market for IT and Business Services Turns in Record 2021](#)
^[2] [Global Market for Managed IT, Business Services Remains Sluggish Amid Growing Cloud Demand](#)
^[3] [Gartner Forecasts Worldwide IT Spending to Grow 8% in 2024](#)
^[4] [IDC Expects an Increase in Managed Services Deals in 2024](#)

Insight #1

MSPs Remain Bullish on Growth

The outlook for growth appears to be improving but is still not at the levels we saw two years ago. The International Monetary Fund’s World Economic Outlook^[5], last updated in July 2024, reflects this as well, with a forecast for 3.2% growth in 2024 and 3.3% in 2025. That compares to 4.4% growth in 2022 and 5.9% in 2021 as the world started to recover from a global pandemic.

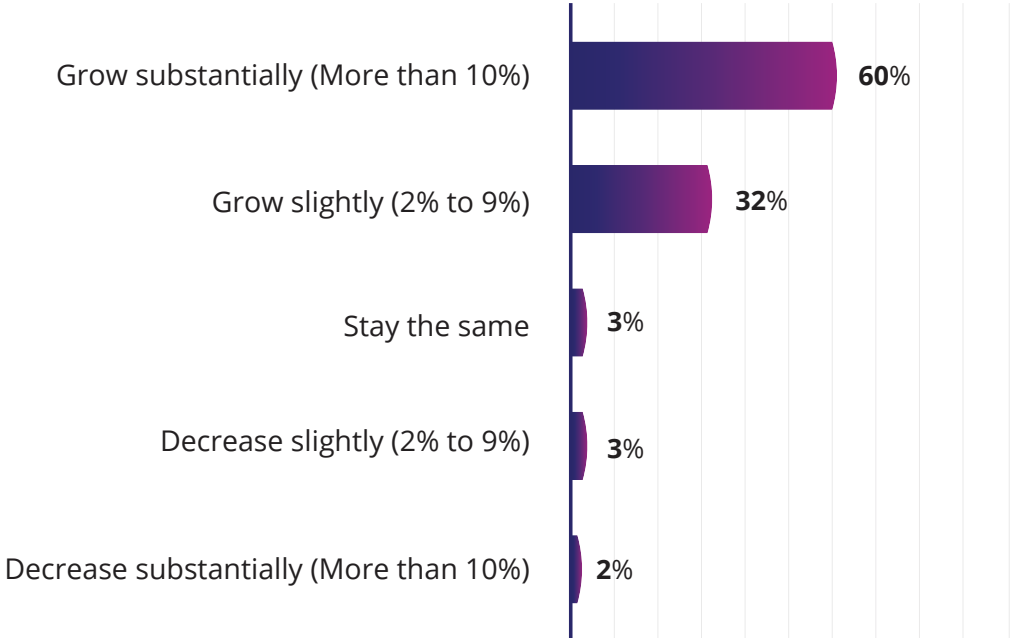
However, MSP executives in our survey expressed greater optimism about their businesses. A majority, 60%, expect their managed services business to grow substantially—more than 10% growth—in 2024. Another 32% were less bullish, but still expect their businesses to grow in the 2 to 9% range. Just 5% of respondents expect revenue to drop this year, while another 3% expect flat growth. In 2022, just 46% expected growth of more than 10% with another 44% expecting growth in the 2-9% range. Our survey respondents seem much more positive about business growth this year than two years ago, with a significant increase in respondents expecting double-digit growth.

We can think of a lot of reasons for this optimism: inflation is stabilizing; the boom-and-bust cycle of the post-pandemic economy is settling into a more consistent growth pattern; cloud and AI investments continue to rise.

Two years ago, we were talking about the Great Resignation and its effect on internal IT departments. In 2024, as in 2023, the focus is more on layoffs. General Motors laid off more than 1,000 software and services employees^[6], adding to nearly 138,000 layoffs of tech workers so far in 2024, according to layoffs.fyi^[7]. We expect most organizations will continue to need outside help (from service providers) to keep their IT environments and services humming smoothly, as internal staffing drops.

^[5] [Global growth broadly unchanged amid persistent services inflation](#)
^[6] [GM lays off more than 1,000 salaried software and services employees](#)
^[7] [layoffs.fyi](#)

Q: In 2024, how do you expect your managed services business to grow?



Insight #1

MSPs Remain Bullish on Growth

Challenges to Growth Abound

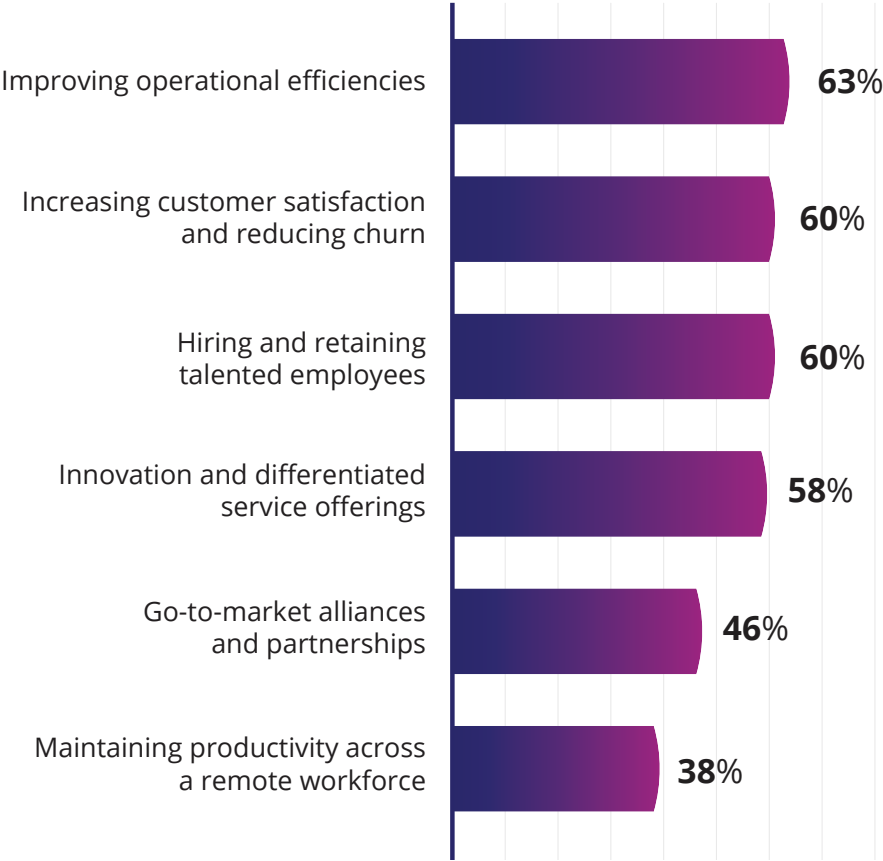
MSPs may be optimistic about double-digit growth this year but the responses to our next question indicate that won't be easy to achieve. We asked survey respondents about their primary obstacles to achieving steady growth and profitability. This year, we let them check off as many obstacles as they faced rather than just pick one. The results indicate that MSPs face a lot of potholes and other hazards on the road to double-digit growth.

The top obstacle was “improving operational efficiencies” at 63%. This response tells us that while MSPs may still be optimistic about growth, they'll still be running lean and focused on doing more with less. Top line double-digit growth may still be achievable but MSPs won't be taking their eyes off the bottom line anytime soon.

“Hiring and retaining talented employees” and “increasing customer satisfaction and reducing churn” were next at 60%. While there may be plenty of tech workers at MSPs' disposal, finding and keeping the right fit, with the specialized skillsets and experience that MSPs typically need, remains challenging. A company that's running lean and struggling with hiring and retention will have less resources to keep customers happy and in the fold.

It will take innovation and differentiation to drive the growth rates MSPs are looking for and 58% of survey respondents cited the need to develop “innovative and differentiated service offerings” as an obstacle to steady growth and productivity. MSPs may need to focus first on keeping spending in check and existing customers happy but they still need to innovate and develop new, differentiated offerings to grow.

Q: What are your primary obstacles to achieving steady growth and profitability?



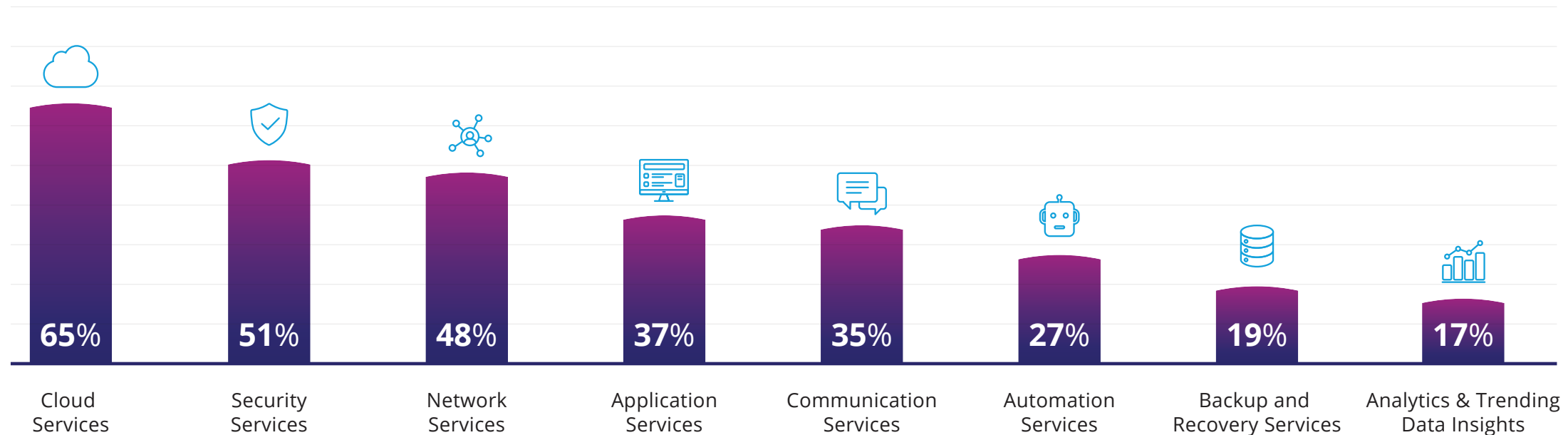
Insight #2

The Cloud and How to Manage it Will Drive MSPs' Priorities in 2024

As we mentioned in the Intro, IDC sees cloud computing as the biggest driver of MSPs' total contract value in 2024, accounting for 60% of it. Our survey respondents gave us a similar result, with 65% citing cloud services as the managed services offering that would have the most traction with customers in 2024, easily outpacing security services (51%) and network services (48%). These were the same top three as on our 2022 survey, but again this year we allowed survey respondents to check off as many service offerings as they wanted to rather than just pick one and cloud services were the clear winner.

We didn't ask specifically about AI here but AI adoption will drive demand for cloud services. IDC forecasts global spending on public cloud services to reach \$805bn^[8] this year and double by 2028, with AI adoption driving much of that increase. You can't have AI innovation without the cloud infrastructure that supports it.

Q: Which service offering will have the most traction in 2024?



^[8] [Worldwide Spending on Public Cloud Services is Forecast to Double Between 2024 and 2028, According to New IDC Spending Guide](#)

Insight #2

The Cloud and How to Manage it Will Drive MSPs' Priorities in 2024

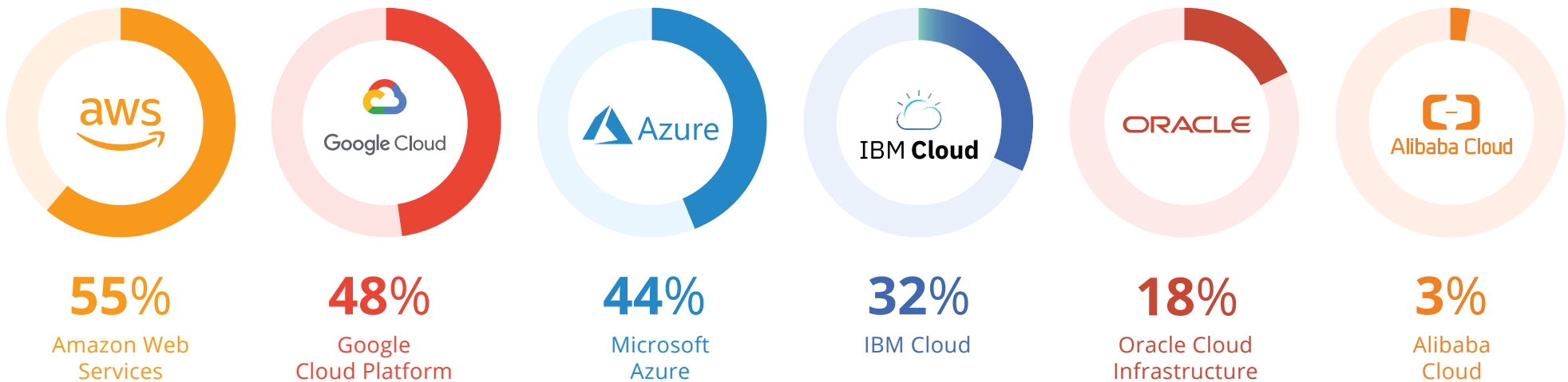
The Big Three Continue to Dominate the Cloud

Since cloud services continue to drive MSPs' growth, we asked our survey respondents which public cloud services their clients were migrating to. Amazon Web Services (AWS), the market share leader in public cloud services, was the top choice at 55%, followed by Google Cloud Platform (GCP) at 48% and Microsoft Azure at 44%. IBM Cloud was a distant fourth, at 32% with Oracle Cloud (18%) and Alibaba Cloud (3%) getting even less support.

It was no surprise to see the Big Three cloud hyperscalers taking the top three spots, but these surveys were very different from two years ago, when GCP was the top choice, at 52%, followed by AWS at 46% and Azure at the same 44%. IBM Cloud was a much more popular fourth-place choice two years ago, at 42%. Oracle Cloud (26%) and Alibaba Cloud (8%) also saw less interest this time around.

While organizations continue to embrace multi-cloud and spread their workloads around to different public clouds, AWS has the most market share of any public cloud hyperscaler in every study we've seen and has re-emerged as the top destination for cloud migrations in our study. If MSPs' clients had shown an interest in experimenting with different clouds two years ago, they've shown an inclination to come home to AWS this year.

Q: Throughout 2023, which cloud platforms did your clients migrate to the most?



Insight #2

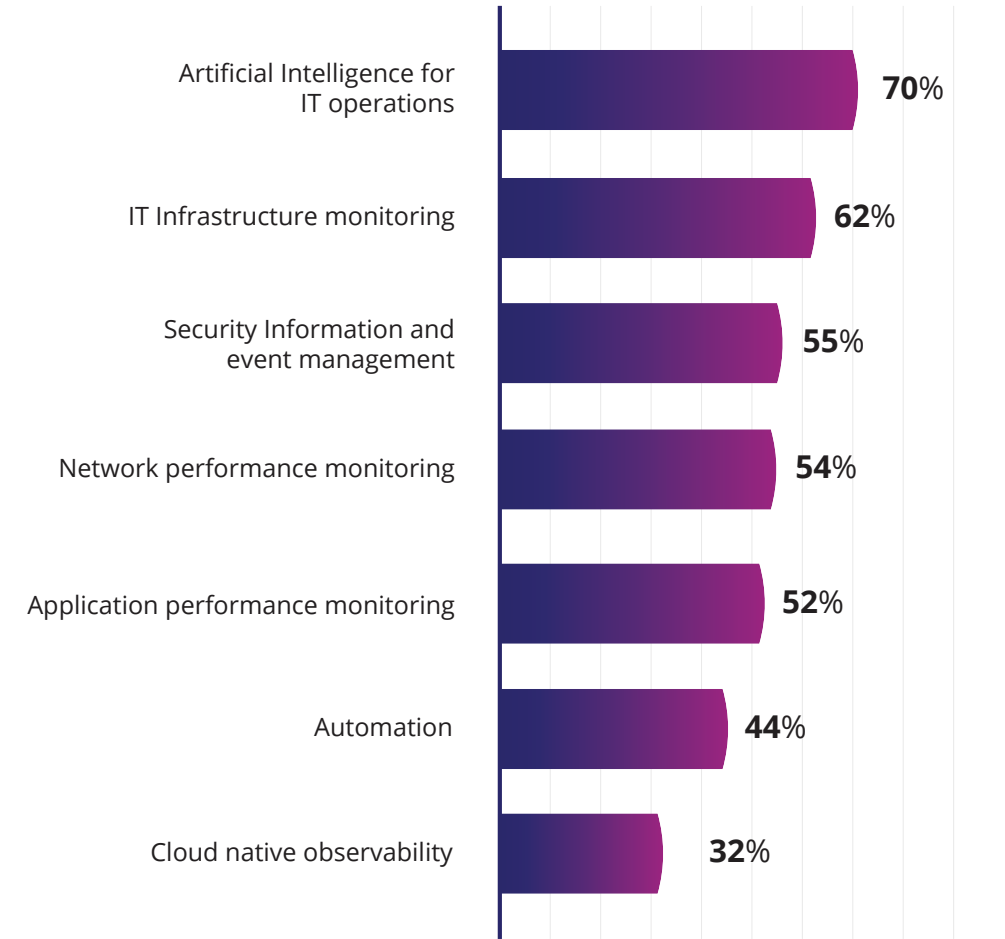
The Cloud and How to Manage it Will Drive MSPs' Priorities in 2024

AIOps and IT Infrastructure Monitoring are Crucial in ITOM

We went a level deeper and asked our survey respondents specifically about what IT operations management solutions were critical to their managed services strategy this year. Artificial intelligence for IT operations—or AIOps—was the top choice, cited by 70% of survey respondents. IT infrastructure monitoring came in second at 62%. Security information and event management (SIEM) was next at 55%, followed closely by network performance monitoring (54%) and application performance monitoring (52%).

AIOps, a term first coined by Gartner just eight years ago, seems to have arrived as a technology priority for MSPs. Done right, AIOps can eliminate manual processes by automating responses to detected IT events, making MSPs more efficient. As we learned earlier in the report, MSPs are clearly focused on improving operational efficiencies.

Q: Which IT operations management solutions are critical for your managed services strategy in 2024?



Insight #2

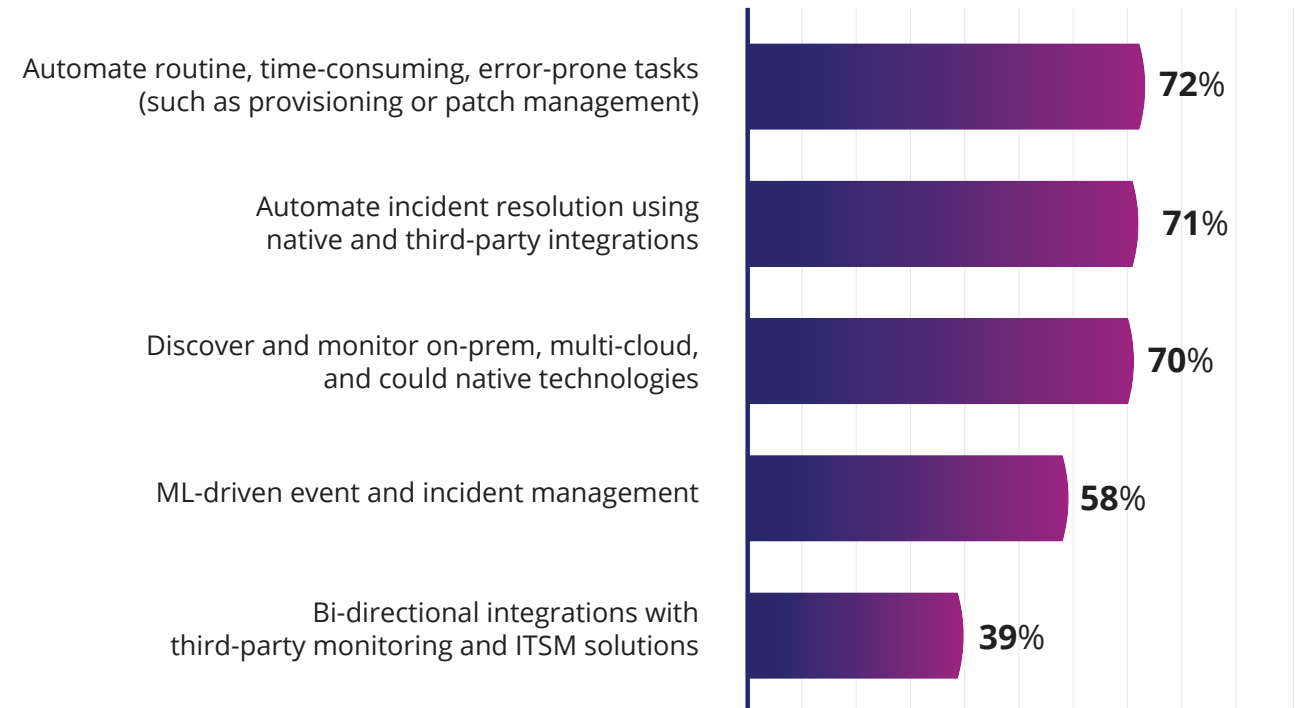
The Cloud and How to Manage it Will Drive MSPs' Priorities in 2024

Automation is Key to IT Monitoring Deals

We drilled a bit further down to ask our survey respondents what key capabilities were critical to winning IT monitoring deals. Again, we let them check off as many capabilities as they wanted. The top two responses were very similar with 72% of survey respondents checking off “automate routine, time-consuming, error-prone tasks (such as provisioning or patch management)” and another 71% indicating “automate incident resolution using native and third-party integrations.” Right behind them was “discover and monitor on-prem, multi-cloud, and cloud-native technologies” at 70%.

Once again, our MSPs indicated that they place great importance on more efficient operations and faster incident resolution for customers, both of which can be achieved through automation. And they are embracing hybrid, multi-cloud environments.

Q: What key capabilities do you feel are critical to winning an IT monitoring deal?



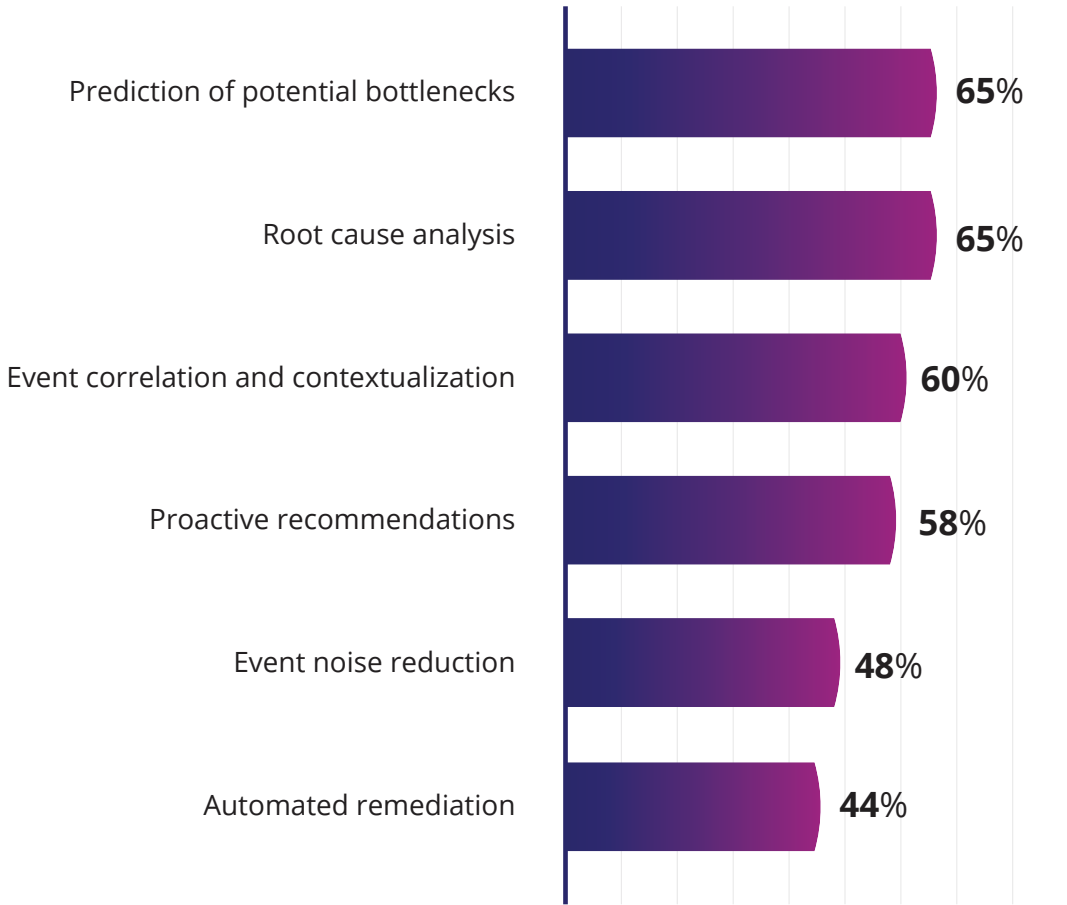
Insight #2

The Cloud and How to Manage it Will Drive MSPs' Priorities in 2024

Predictive and Root Cause Analysis Drive AIOps Deals

We then asked our MSPs what key capabilities were needed to win AIOps deals. Again, the top answers were similar with “prediction of potential bottlenecks” and “root cause analysis” both cited by 65% of respondents. Another 60% checked off “event correlation and contextualization.” The more powerful and usable the analytics in an AIOps solution are, the more compelling that AIOps solution becomes to MSPs’ customers. Companies look to AIOps to help them get ahead of problems and find the root cause of problems faster. Correlating different events to the same problem is also a win. Automation doesn’t extend to automated remediation, however. Just 44% of respondents cited that as a key capability for winning AIOps deals.

Q: What key capabilities of an AIOps solution are critical to winning deals?



Insight #3

Tools Overhead, Complexity, Manual Processes Still Challenge MSPs

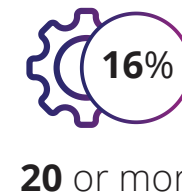
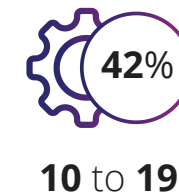
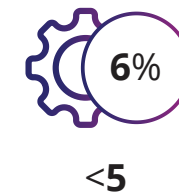
So far, we've learned about MSPs' optimism about the growth prospects for their businesses and the technologies they expect will drive that growth. Next, we look at the current state of MSPs' IT operations today, including the number of tools they have in place, what those tools do, their preferred licensing model for IT monitoring and management software, and the challenges they face in IT operations and incident management.

Tool Consolidation Still Needed

We ask this question frequently in our surveys and in the two years since we last conducted our MSP survey, tool sprawl has unfortunately gotten worse. More than half of our respondents (58%) have 10 or more IT monitoring and management tools in place. That's up from 50% too years ago. Even more distressing, the percentage of MSPs with more than 20 monitoring and management tools more than doubled, from 7% to 16%!

The percentage of respondents at the more manageable 5 to 9 tools level dropped from 45% to 36%. The only silver lining was that super-consolidators, those with less than 5 IT monitoring and management tools increased slightly from 5 to 6%. Tool sprawl is often unavoidable with MSPs since they must support different customers and often inherit different systems. But the problem seems to be getting worse, which could lead to higher staffing costs, less efficiency and less effective management of IT systems. The more monitoring tools in place, the more staff resources are required to manage those tools and the harder it is to consolidate monitoring data from those different tools into a coherent view of the state of your systems and resources.

Q: How many different tools do you use to monitor and manage your customers' IT environments?



Insight #3

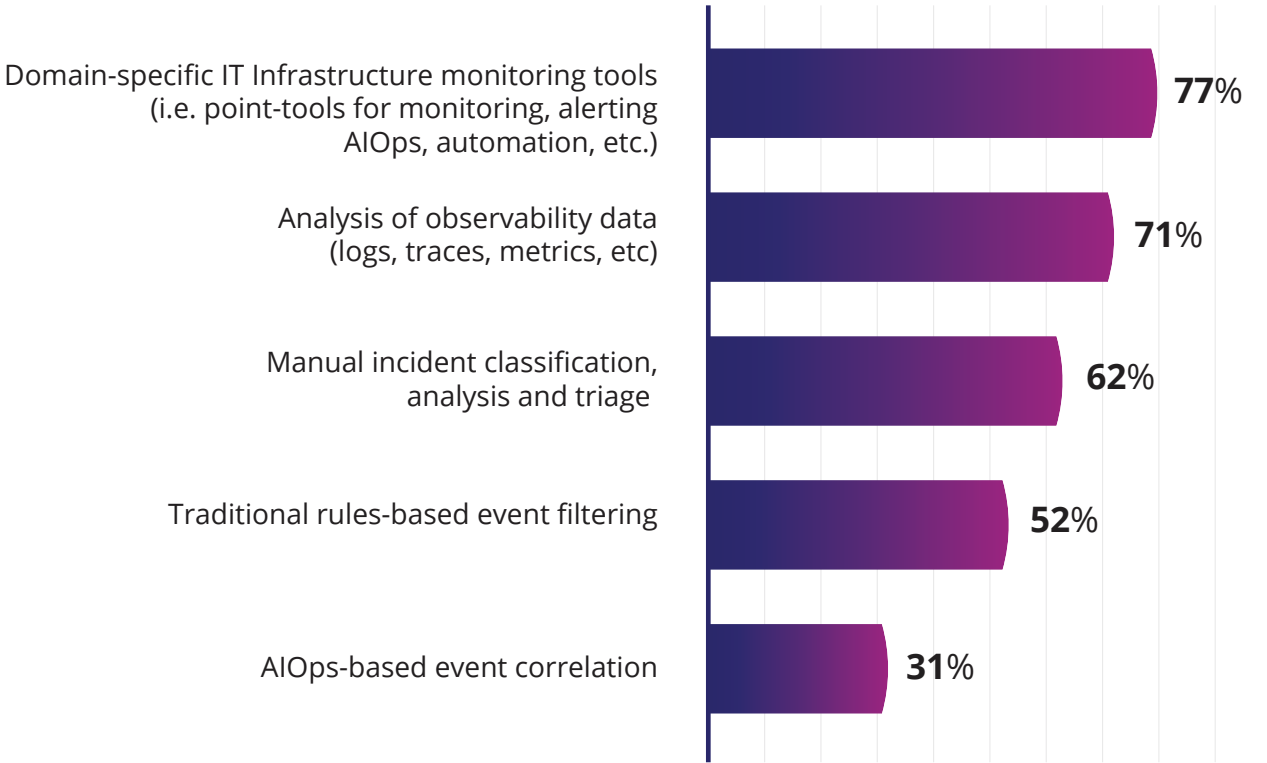
Tools Overhead, Complexity, Manual Processes Still Challenge MSPs

Domain-specific Monitoring Tools Still Rule at MSPs

Now that we know that MSPs still have a lot of IT monitoring and management tools in place, we asked just what kind of tools they were using to detect production issues or IT outages that impact user experience and business service performance. “Domain-specific IT infrastructure monitoring tools” was the top choice, selected by 77% of our respondents, followed by “analysis of observability data” at 71%.

So, the top two culprits for tool sprawl are having point tools for every IT domain you monitor (servers, storage, cloud, database, application, network, etc.) as well as the growth in observability data, such as metrics, events, logs and traces and the specific tools to gather and analyze that data. More effective use of observability however can help MSPs to find problems before users are impacted and retire more reactive point monitoring tools.

Q: How do you currently detect production issues or IT outages that impact user experience and business service performance?



Insight #3

Tools Overhead, Complexity, Manual Processes Still Challenge MSPs

Efficiency, Productivity Issues Top IT Operations Challenges

We listed out six IT operations challenges for our survey respondents and asked them to rank them in order of priority. Once again, the issue of improving efficiency and automating processes came up as crucial for our survey respondents. The top challenge cited, by 174 respondents, was “drive greater efficiency and productivity of IT operations teams and processes. It had a mean score of 3.0.

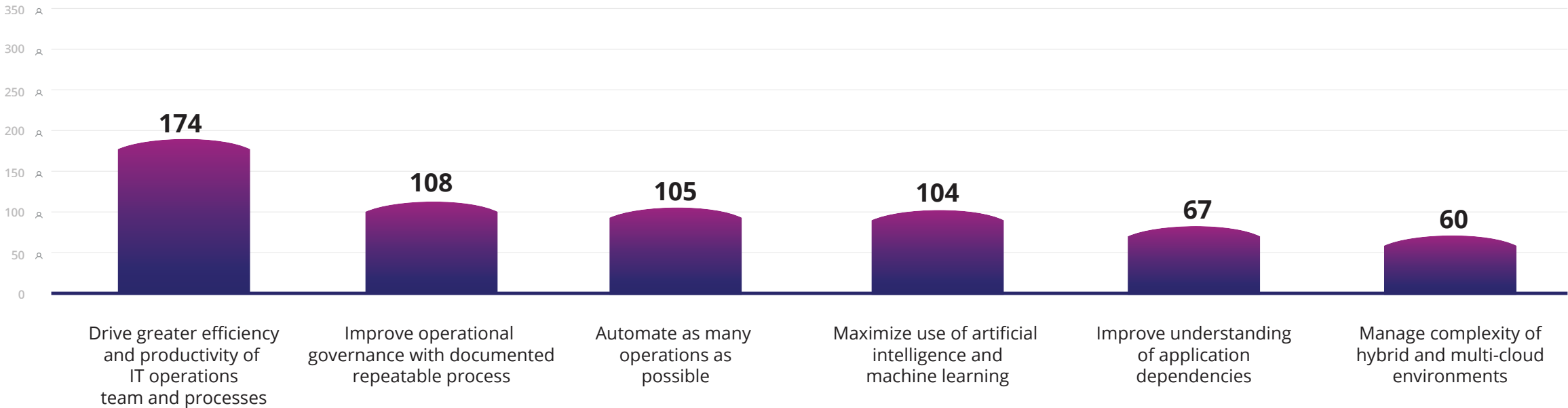
As survey respondents rated the challenges from 1 to 6 the lower the mean score, the greater the challenge. Right behind that, cited as the the top challenge by 108 respondents, with a mean score of 3.2 was “improve operational governance with documented repeatable processes.” And what do you do with documented repeatable processes? You automate them.

Another 104 survey respondents cited “automate as many processes as possible” as their top challenge. That had a mean score of 3.3, tying “maximize use of artificial intelligence and machine learning”, which 105 respondents cited as their top IT operations challenge.

“Improve understanding of application dependencies” (3.7 mean score, 67 top challenges) and “manage complexity of hybrid and multi-cloud environments” (3.9 mean score, 60 top challenges) weren’t far behind.

Clearly MSPs face a multitude of top challenges and operate in highly complex environments. Gaining new efficiencies through automation and AI will be key to overcoming these challenges.

Q: What are the primary challenges for your IT operations teams to overcome in 2024?



Insight #3

Tools Overhead, Complexity, Manual Processes Still Challenge MSPs

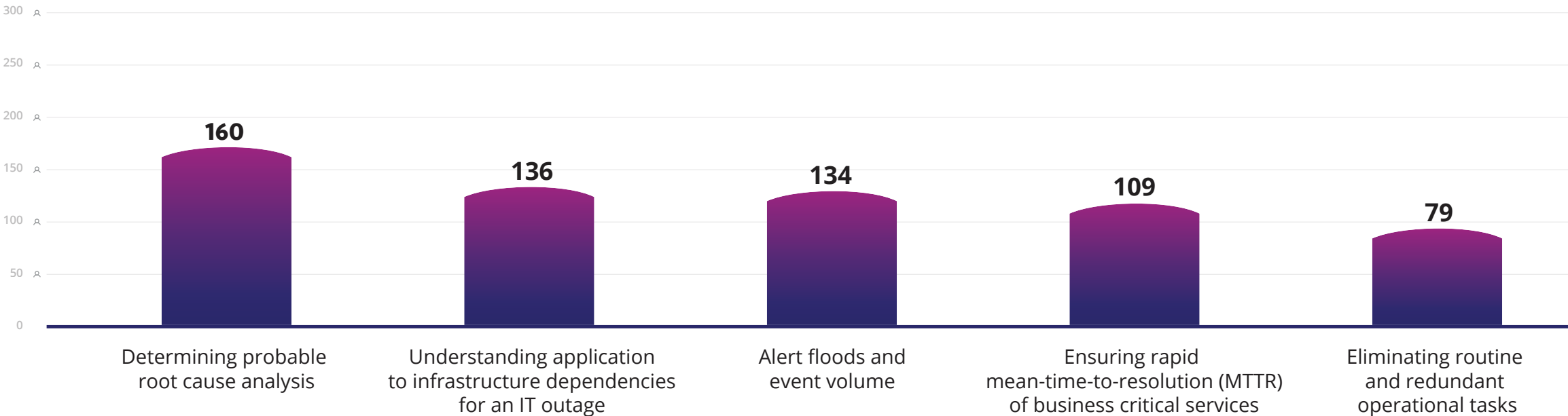
Root Cause Analysis, Dependency Mapping Are Key to Incident Management

We also asked our survey respondents to rate five different incident management challenges in the order of importance to them. Efficiency was still important here, but once MSPs are dealing with IT incidents, they have to get to the bottom of what’s causing them and what systems are impacted.

The top mean score was ‘determining probable root cause analysis’ at 2.6, with 160 survey respondents citing this as their top incident management challenge. Right behind that was “understanding application to infrastructure dependencies for an IT outage” at a mean score

of 2.7 with 136 respondents citing it as their top incident management challenge. Once you find the root cause and know what systems are impacted you can ensure “rapid MTTR of business-critical services”, which earned a mean score of 3.0, 109 top challenge ratings. Another 134 survey respondents cited “alert floods and event volume” as their top challenge. AIOps can help with all these incident management challenges, which is why our MSPs listed AIOps as the most critical IT operations solution for the managed services strategy earlier in the survey (see Insight No. 2, [page 9](#)).

Q: What are your top incident management challenges?



Insight #3

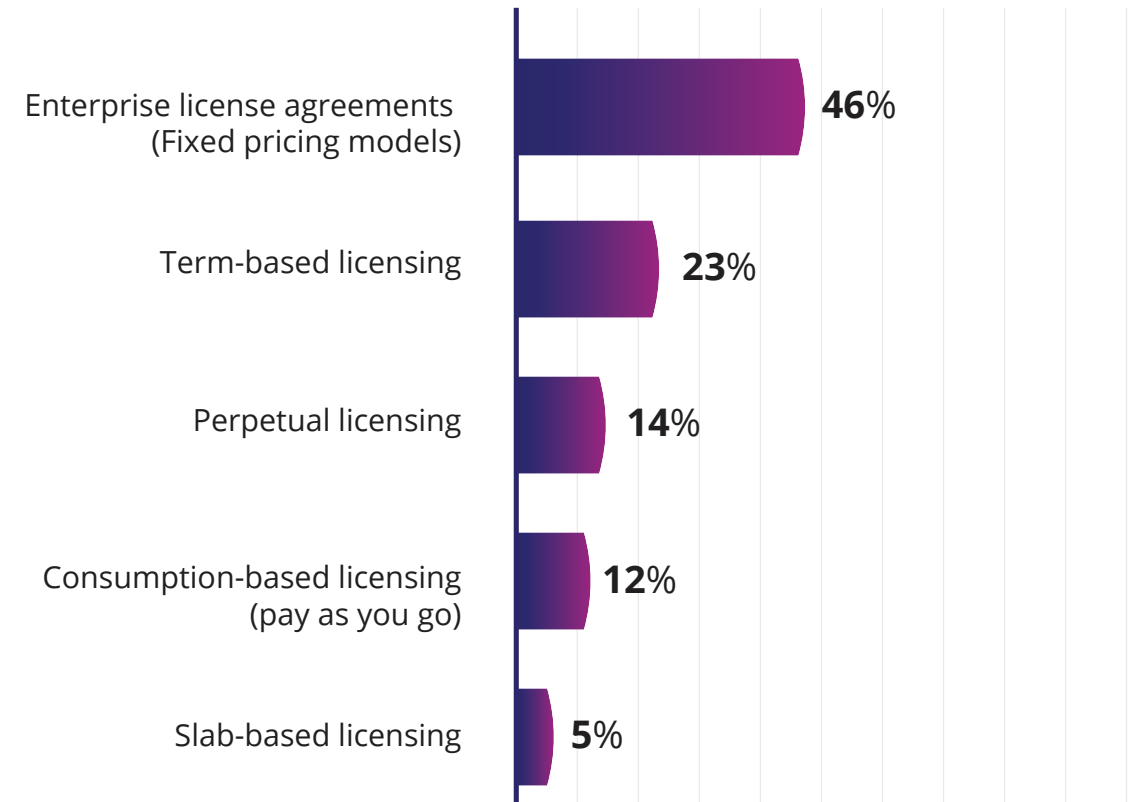
Tools Overhead, Complexity, Manual Processes Still Challenge MSPs

Fixed Costs over Fixed Time Periods Work Best for MSPs

Once an MSP finds software that meets their and their customers' needs, they just have to figure out how to pay for it. The preferred licensing model for a plurality of our survey respondents was "enterprise license agreements" at 46%. Fixed costs for a fixed period of time allowing enterprise-wide usage of the software are far and away the winner for MSPs, who our survey shows are conscious of reining in costs. These models typically only make sense for large customers.

The second choice, "term-based licensing" at 23% also allows for usage at a set price over a fixed period. Perpetual licensing, with its large upfront costs and ongoing maintenance charges, is increasingly a non-starter in this subscription age. Just 14% of our MSPs checked that off. Consumption-based licensing, which can lead to runaway costs as usage and data levels increase, was even less popular, at 12%. Slab-based licensing, where per-unit pricing declines as usage increases, was indicated by just 5% of respondents. We suspect most just find that pricing model too complex.

Q: What is your desired licensing approach for IT monitoring/management solutions?



Insight #4

Observability is an Imperative for MSPs

So far in this survey, we've seen mixed results for observability. Recall that just 32% of survey respondents told us that cloud-native observability was critical for their managed services strategy in 2024, making cloud-native observability far and away the least critical IT operations management solution for MSPs, according to our survey. However, we also asked our survey respondents how they currently detect production issues or IT outages that impact user experience or business service performance. Nearly three quarters of respondents (71%) cited "analysis of observability data", second only to "domain-specific IT infrastructure monitoring tools" at 77%.

Clearly, MSPs find value in analyzing observability data to find and prevent IT performance and availability issues though their use of observability may be more tactical, than strategic at this point. So, in this section, we dug deeper into the types of observability solutions and data that MSPs are using.



Insight #4

Observability is an Imperative for MSPs

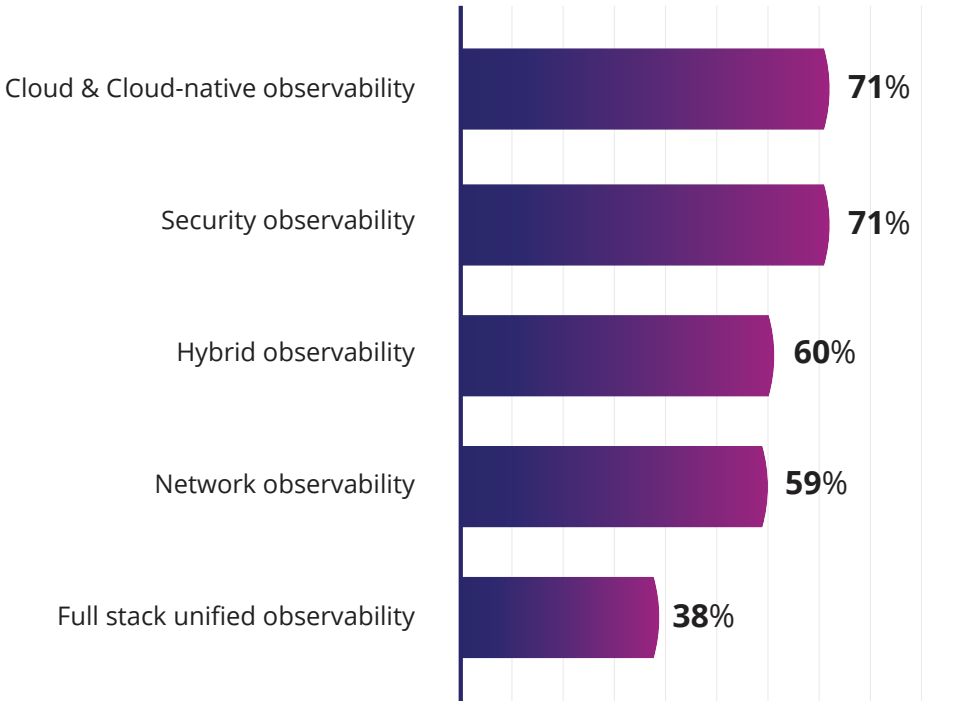
Cloud/Cloud Native and Security are the Leading Observability Use Cases

We first asked our survey respondents what types of observability solutions they were exploring, allowing our respondents to check off multiple answers. Nearly three quarters of respondents (71%) cited both cloud and cloud-native observability and security observability. More than half also cited hybrid observability (60%) and network observability (59%). Full-stack observability lagged at 38%. These numbers were consistent with our State of Observability survey report earlier this year. MSPs and enterprises typically look for early wins in observability rather than taking a boil-the-ocean approach. That leads them to look at cloud and cloud-native environments, where they have less visibility than traditional on-premises environments.

Security observability solutions such as SIEM predate IT and cloud observability and are a common tool for MSPs, which are entrusted with keeping their clients' systems secure. Full-stack observability is mostly aspirational for most MSPs and enterprises, something to shoot for as their use of observability expands.

Just 1% of survey respondents checked off "not applicable", more evidence that observability is now a mainstream technology for MSPs.

Q: What types of observability solutions are you exploring?



Insight #4

Observability is an Imperative for MSPs

Metrics Remain the Most Critical Data Type in Observability

Finally, we asked our survey respondents which data types were most critical to their observability strategy. Again, the responses were consistent with our State of Observability survey, as 70% of respondents checked off metrics, the oldest and most established observability data type. Traditional metrics like CPU or memory usage, system error rate and application or service request rate remain relevant today, alongside newer metrics like cloud cost metrics, power consumption and other sustainability measurements.

Traces lag the rest of the observability data types at just 43% but traces are the newest observability data type and are only relevant for microservices or serverless architectures, which not all organizations have.

Q: Which data types are most critical in your observability strategy?



70%
Metrics



64%
Logs



60%
Events



43%
Traces

The State of the Market for MSPs in Autonomous IT Operations

Conclusion and Key Takeaways

The fast-growing economy of 2021 and at least the early part of 2022 is a thing of the past. Macroeconomic growth is slowing, inflation and interest rates remain high, tech jobs are disappearing and MSPs are feeling the pinch. Yet MSPs in our survey are optimistic that the corner has been turned and their businesses are primed for double-digit growth driven by cloud, AI and perhaps outsourcing from downsized IT departments. Here are four key takeaways from this report for MSPs to consider as they attempt to capitalize on the opportunity presented by evolving technology trends and a rebounding economy:

01

Innovate, but stay efficient and customer focused.

Innovation can drive double-digit growth and cloud and AI will present MSPs with plenty of opportunities to provide new services to customers. But MSPs must also improve efficiency through automation of manual processes and focus on customer satisfaction through faster resolution of IT incidents.

02

Cloud will drive opportunities, but it must be managed right.

Cloud services are far and away the biggest driver of MSPs' businesses. But MSPs need the right tools to properly manage those environments. This includes discovery and monitoring of hybrid and multi-cloud environments, powerful analytics to make sense of the data collected, and automation to act on alerts and resolve problems before customers are impacted.

03

MSPs need to get serious about tool sprawl.

Tool sprawl at MSPs has gotten worse than ever, driven largely by domain-specific monitoring tools that map to the various environments MSPs have to manage. Yet this tool sprawl can cause data overload, duplicate alerts and slower mean time to resolution, which can result in unsatisfied customers. MSPs need to look for tools that work well across the hybrid, multi-cloud environments they manage and cover every step of IT operations management from discovery to resolution.

04

MSPs must grow in their use of observability data.

Observability is a reality for MSPs today with nearly all our survey respondents at least exploring the technology. But observability goes beyond SIEM and other security use cases. Collecting and analyzing metrics, events, logs and traces data is another way for MSPs to get ahead of performance issues in their hybrid/multi-cloud environments before customers are impacted and can help them to retire point monitoring tools that are more reactive to IT issues.

Fortunately, MSPs don't have to go it alone in managing the complexity of hybrid/multi-cloud environments from discovery to resolution. The OpsRamp SaaS-based autonomous IT operations management solution, with its multi-tier, multi-tenant design, is ideally suited for MSPs who manage multiple customer instances.

Bringing together hybrid discovery and monitoring with AI-driven event management and intelligent automation in a single solution, OpsRamp, a Hewlett Packard Enterprise company, can monitor and manage MSPs' customers' IT infrastructure and hybrid IT environments in one place and apply machine learning to that data to reduce alert noise, pinpoint the root cause of incidents, and automate incident response.

The OpsRamp platform cuts mean time to discovery and remediation of issues in half for MSPs and enterprises alike.



To learn more, please attend our webinar -
[The State of the Market for MSPs in
Autonomous IT Operations.](#)

Wednesday, October 30, 2024 | 2 p.m. to 3 p.m. ET.

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