



STATE OF NORTH AMERICA MANAGED SERVICES

A Special Report by Barracuda MSP and The 2112 Group

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EXECUTIVE SUMMARY

A high-level look at the state of managed services in North America

The promise of managed services is alive and well in the North America channel. Over the past decade, value-added resellers (VARs) transformed their businesses by adding remotely delivered services to their portfolios and adopting a recurring revenue model that provides consistent and predictable revenue and profits. Managed services aren't a staple of the channel business model; they, and the associated recurring revenue model, are the drivers of channel partner growth and profitability.

The first State of North America Managed Services study, a special research project by Barracuda MSP and The 2112 Group, reveals first and foremost that managed services are driving growth and profitability in the channel. The standout service sought by customers is security, and that trend is being driven by increasing security threats, the risk of data compromises, and a shortage of security talent.

The key findings of the research include:

21% - 30% is the average percentage of channel partner gross revenue derived from managed services

11% - 21% is the average percentage of channel partners' profits earned through managed services

64% of channel partners say services sold on a recurring revenue basis are their best growth drivers

9.8 is the average number of new customers added each month by managed service providers (MSPs)

59% of channel partners say managed services prices are increasing

55% of channel partners say managed services margins are increasing

As the data reflects, managed services are the basis of the channel's underlying business model. Moreover, channel companies that identify as MSPs exhibit the best recurring revenue and profitability performance. Regardless, the 2112-Barracuda State of Managed Services study finds that nearly all channel partner types offer some form of managed services and earn at least 10 percent of their revenue from recurring revenue engagements. In fact, managed services engagements are likely opening more professional services opportunities that result in new growth, as they're the second-highest profit and growth driver.

The lesson: Companies with a greater focus on building and sustaining recurring revenue tend to have greater success than those simply reselling product and inconsistent services.



Clearly, the 2112-Barracuda State of Managed Services study is more about the state of recurring revenue in the channel than it is about the state of managed services. The future of the technology industry rests on recurring revenue, and, as this study finds, recurring revenue is the catalyst for market relevance, business viability, and growth. This report shows that channel businesses — regardless of what they call themselves — need to think more about adopting and expanding recurring revenue models and engaging with customers deeply. **Companies that don't have solid recurring revenue models will find themselves at a competitive disadvantage, playing catch-up with everyone else— at best.**

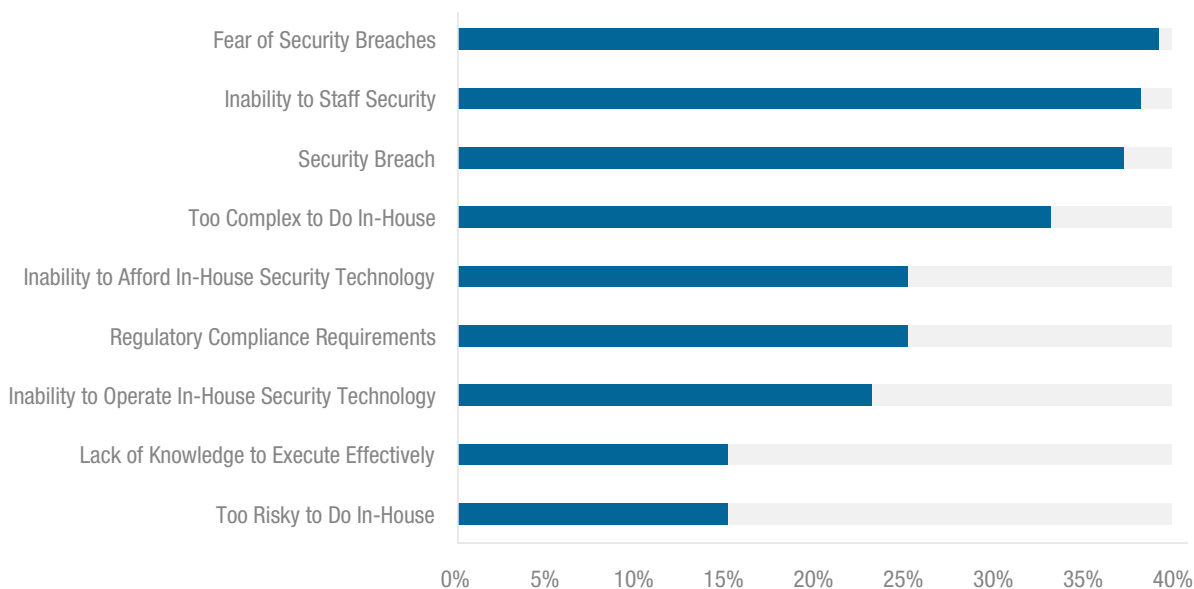
SECURITY:

A GROWING SERVICES OPPORTUNITY

End users – from SMBs to enterprises – are faced with myriad digital threats that could disrupt their operations, cost untold amounts to remediate, damage their reputations, and, in some cases, drive them out of business.

Security isn't easy, and that's reflected in the reason businesses seek managed security services (*see Figure 1: Security Services Purchase Triggers*). Most seek professional security support and management out of fear of being breached. Services are particularly appealing given that end-user organizations are having a hard time finding qualified staff. And many simply recognize that they're ill-equipped to address their security needs properly.

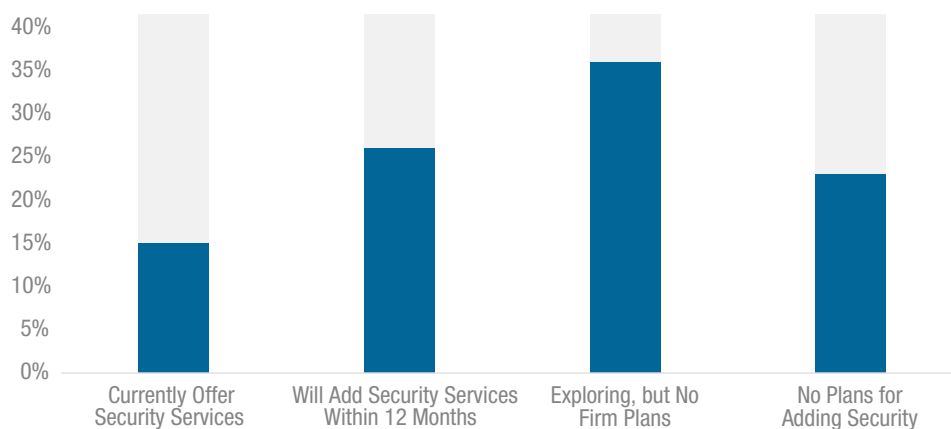
Figure 1: Security Services Purchase Triggers



Despite most businesses being proactive in addressing their security needs before incidents occur, more than one-third of managed security service providers (MSSPs) say their customers approach them after an incident has already happened.

Only 15 percent of the surveyed channel companies offer some form of security service today (*see Figure 2: Security Services in the Channel*). However, 62 percent are either planning to add security services or looking into expanding those services within the next 12 months. Less than 25 percent have no plans to enter the security services segment.

Figure 2: Security Services in the Channel

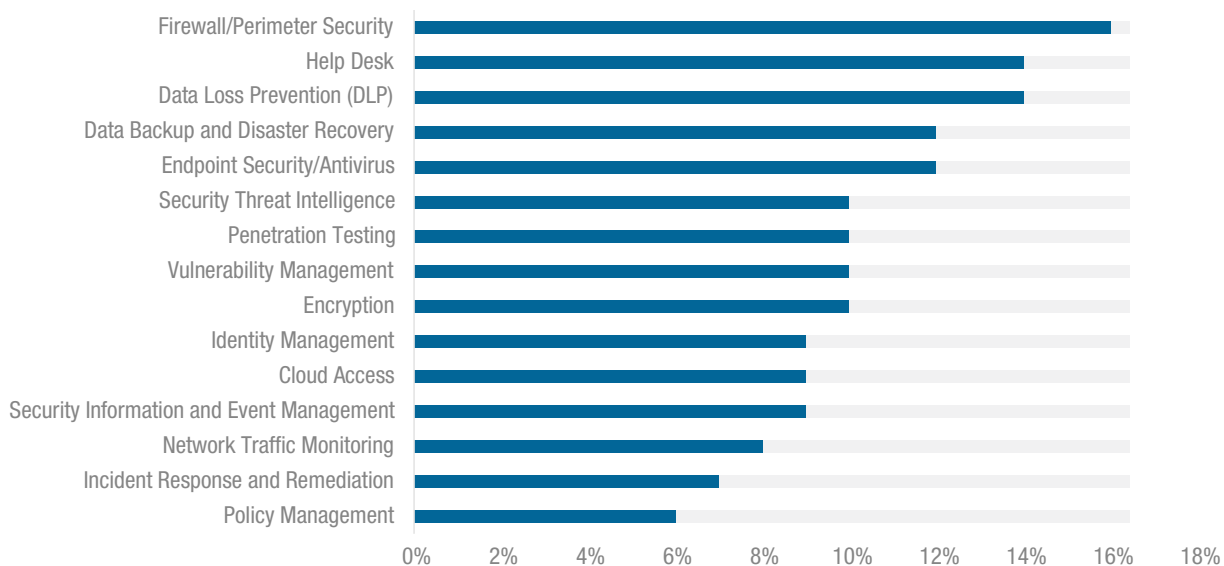


Today, the state of security services in the channel is best described as nascent but maturing. Few service providers are offering comprehensive suites of security technologies; most appear to provide point solutions that are tangential to their core managed services or product offerings.

The top security technologies in current service provider portfolios are firewall and perimeter security, security help desk, data loss prevention (DLP), backup services, and endpoint security/antivirus (*see Figure 3: Security Services Currently Offered*). None of these offerings are advanced or sophisticated security technologies; each has a relatively low barrier to entry.

The more sophisticated services, such as security policy management, incident response and remediation, security information and event management (SIEM), and cloud access services, are offered by less than 10 percent of service providers.

Figure 3: Security Services Currently Offered



The security services being considered by service providers reflect the growing demand for more sophisticated and comprehensive security technologies. Firewall management and perimeter security still top the list, but service providers are also looking at expanding beyond the network level by adding technologies such as encryption, cloud access brokering, SIEM, and identity management (see *Figure 4: Security Services Under Consideration*).

Figure 4: Security Services Under Consideration



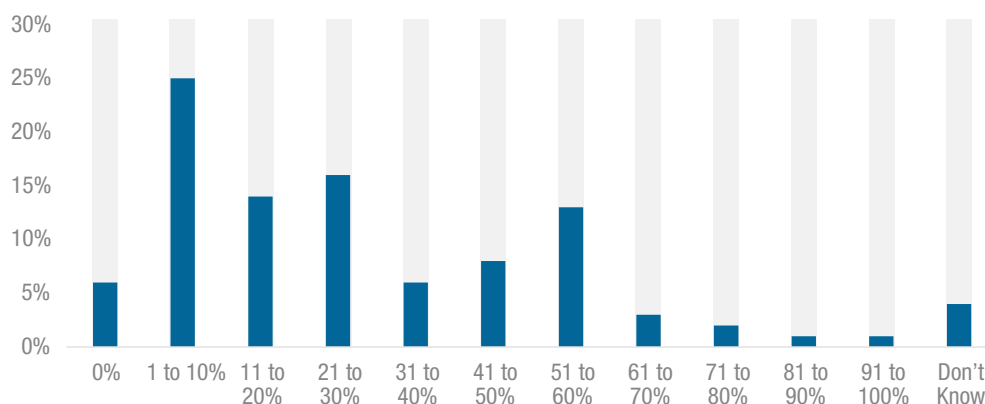
More significant is that providers of managed services are expanding the breadth of their data protection portfolios. As seen with the current security offerings, service providers are essentially offering one-off technologies that often complement their core network management services. However, many are considering multiple technologies to meet the needs of complex threats and data protection requirements of their clients.

MANAGED SERVICES REVENUE & PROFIT CONTRIBUTION

Managed services are endemic to the contemporary channel business model. Whether a channel partner calls itself a VAR or an MSP, managed services represent a significant and strategic piece of their overall operations, value proposition, and revenue and profitability.

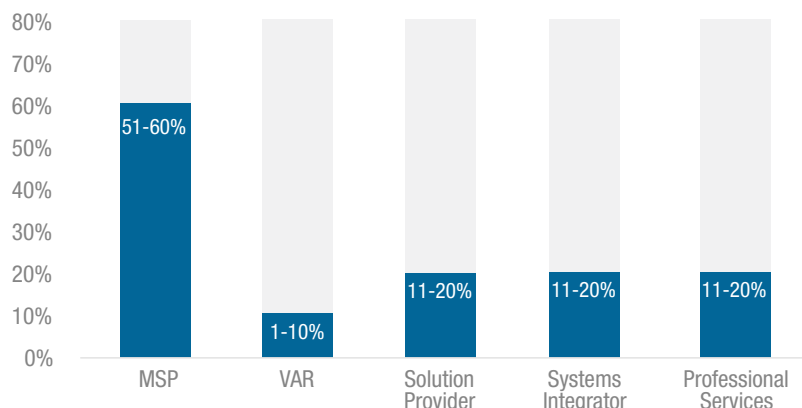
The average channel partner earns up to 30 percent of its revenue from recurring revenue (see *Figure 5: Managed Services as Percentage of Gross Revenue*). Conversely, only 6 percent of channel partners report no managed services revenue, and 8 percent report no profits derived from managed services. This shows that managed services make up part of nearly every business operating in the channel, regardless of its primary business model.

Figure 5: Managed Services as Percentage of Gross Revenue



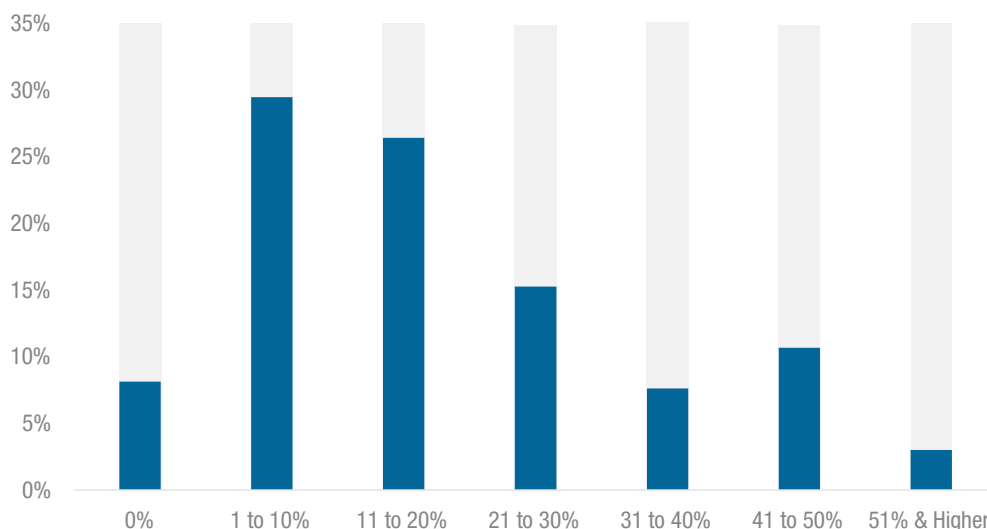
As we would expect, companies that identify primarily as MSPs derive the majority of their earnings from recurring revenue services. The average MSP earns between 51 percent and 60 percent of its gross revenue from managed services (see *Figure 6: Managed Services Revenue Contribution by Business Model*). Comparatively, the average VAR earns 10 percent or less from managed services. The average solution provider earns 20 percent or less, as does the average systems integrator and consultant.

Figure 6: Managed Services Revenue Contribution by Business Model



On the average, recurring revenue is a moderate contributor to channel partner profitability. The average channel partner earns 20 percent or less of its profits from recurring revenue services (see *Figure 7: Managed Services Profit Contributions*). Supplementary research by 2112 shows that the average channel partner earns the bulk of its profits from professional services, followed by a combination of managed and cloud services.

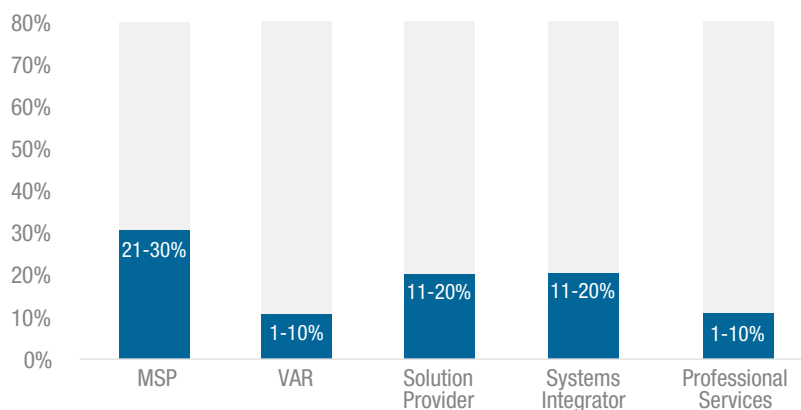
Figure 7: Managed Services Profit Contributions



A company's business model directly correlates with the profit contributions of recurring revenue. Companies that identify as MSPs earn between 21 percent and 30 percent of their profits from managed services, on the average. And two out of every five MSPs report profit contributions of greater than 31 percent — higher than any other business model (see *Figure 8: Managed Services Profit Contribution by Business Model*).

Comparatively, recurring revenue services contribute 10 percent or less of profit to VARs, consultants, and professional services organizations, and 20 percent or less of profit to solution providers and systems integrators.

Figure 8: Managed Services Profit Contribution by Business Model



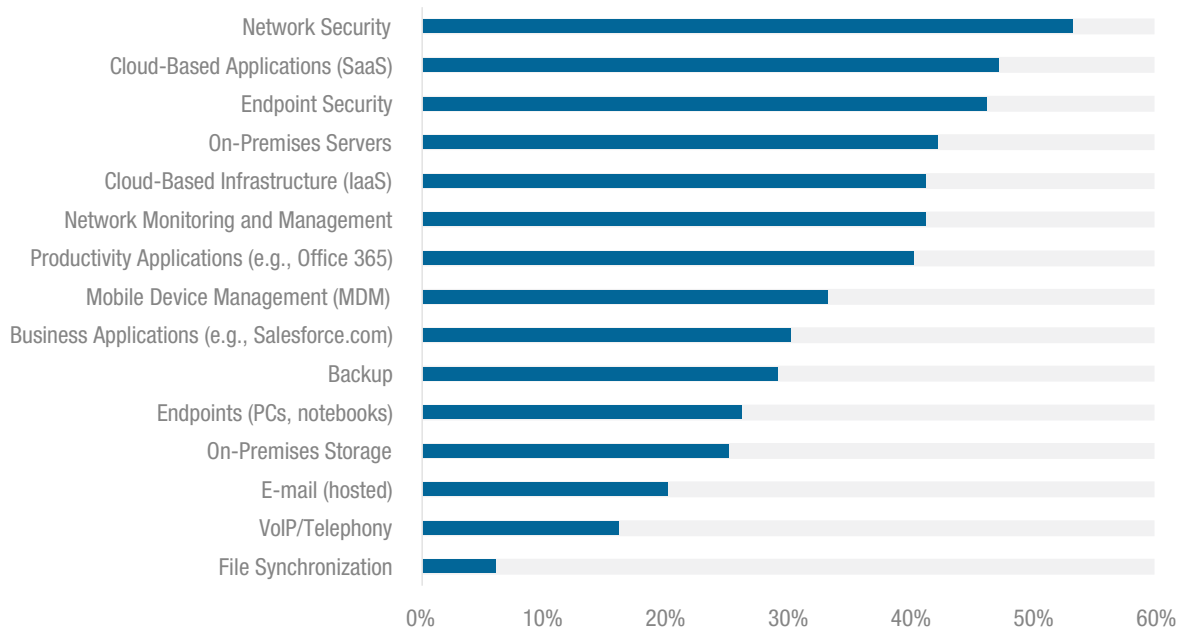
SERVICES MIX

What managed services are channel companies selling? It's a broad mix largely focused on security and networking.

Roughly one-half of channel companies offer some form of managed security services. Network security tops the list of services, with 53 percent of channel companies including this offering in their portfolios. Another 46 percent offer endpoint security services. And one-third offer mobile device management (MDM), which often includes security updates and administration (see *Figure 9: Managed Services Offered*).

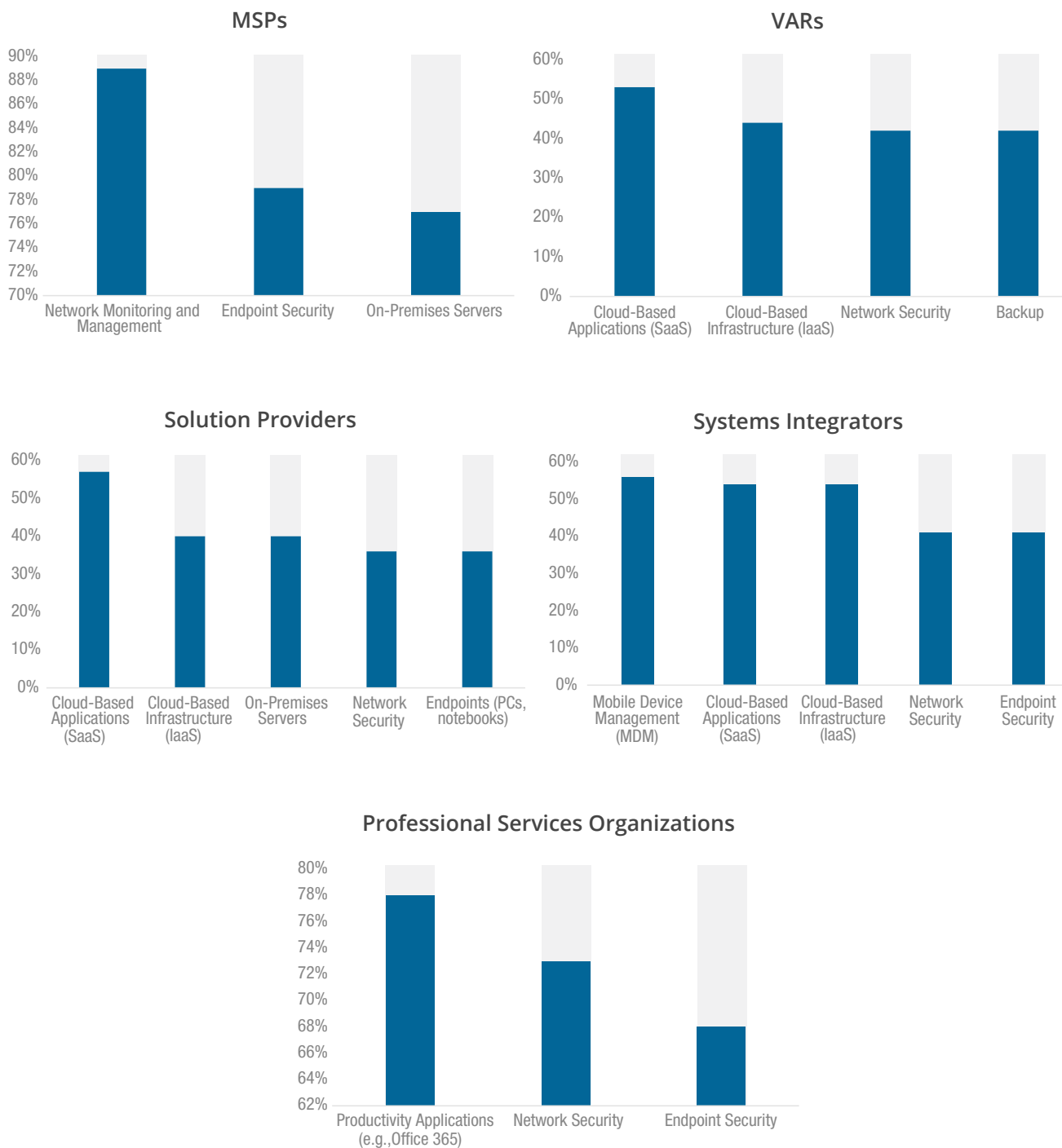
The second-most offered managed service is cloud-based software, or software-as-a-service (SaaS). Nearly one-half (47 percent) of channel companies are offering and managing cloud-based applications. Another 40 percent are offering productivity applications, such as Microsoft Office 365, and 30 percent are offering business applications, such as support for Salesforce.com, NetSuite, and SaaS offerings of that ilk.

Figure 9: Managed Services Offered



Managed service providers are steeped in their network management roots, unlike channel companies with other business models. Nine out of 10 MSPs (89 percent) report offering remote network monitoring and management services — a mainstay of the managed services model. MSPs are highly focused on server management as well (see *Figure 10: Top Services by Business Model*).

Figure 10: Top Services by Business Model



While nearly one-half of MSPs offer SaaS applications, VARs, solution providers, and systems integrators are more likely to offer cloud services. Conversely, non-MSP companies are less likely to engage in network management, network or endpoint security, or server management.

Cloud-based and managed on-premises backup gets much attention, given the transition away from tape libraries and local hard drives for RTO and RPO data recovery and business continuity.

While backup is a mainstay in the managed services repertoire, it remains largely underpenetrated.

29% of channel companies offer backup

30% of MSPs offer data recovery services

This shows that backup services, especially as an extension of security, still have headroom for growth.

The least popular services across the board are hosted and managed e-mail (20 percent), managed VoIP and telephony (16 percent), and file synchronization (6 percent). The lack of channel penetration of these services shouldn't be interpreted as a reflection of their relative value, but rather their marketability. For the most part, e-mail is available through large service providers or packaged with Office 365. VoIP and telephony are the purviews of the telephony channel. And file synchronization is widely offered as a direct, self-service product.

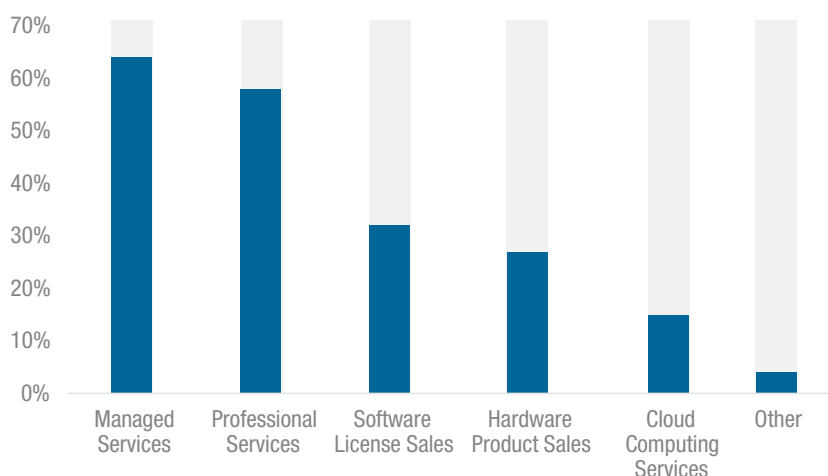
GROWTH FACTORS

Over the past several years, 2112 has noted that the average channel company grows at a rate of 11 percent to 20 percent annually. The businesses in our survey grew, on average, 16.6 percent in 2016, which is in line with the historical channel baseline.

Behind the raw growth number is a data point of greater significance: the impact of recurring revenue on growth and business health. As noted in the previous section, nearly every channel business earns a portion of its revenue from services sold on a recurring revenue basis. While managed services aren't always a major contributor to revenue and profit, as that varies by business model, they are the leading driver of overall business growth.

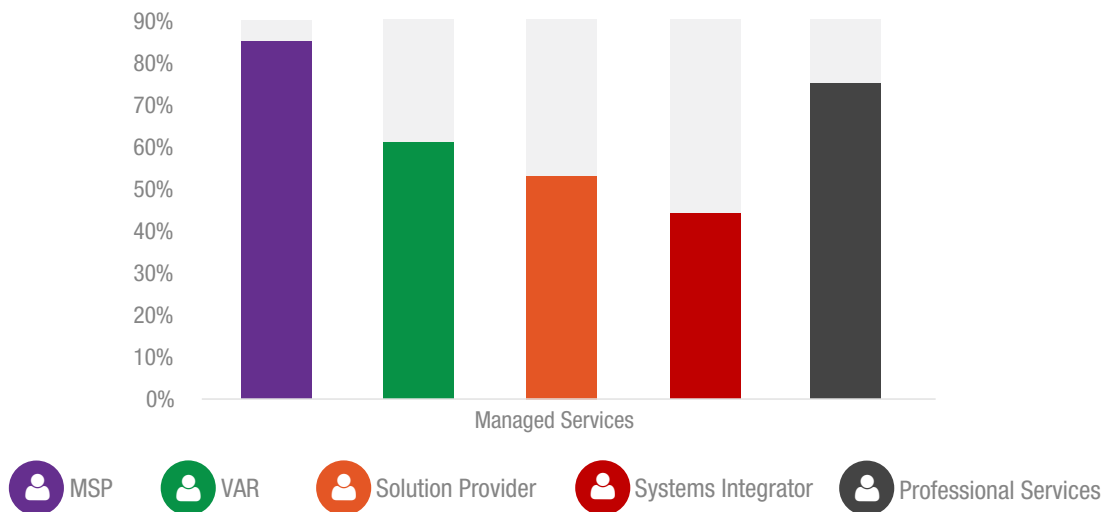
Nearly two-thirds (64 percent) of the surveyed channel partners said recurring revenue services (noted as managed services) were the top contributor to their growth in 2016 (see *Figure 11: Top Drivers of 2016 Growth*). Only professional services were also cited by a majority of channel partners (58 percent) as a growth driver. Comparatively, 32 percent cited software as a growth driver, and 27 cited hardware. Only 15 percent said cloud computing drove their growth.

Figure 11: Top Drivers of 2016 Growth



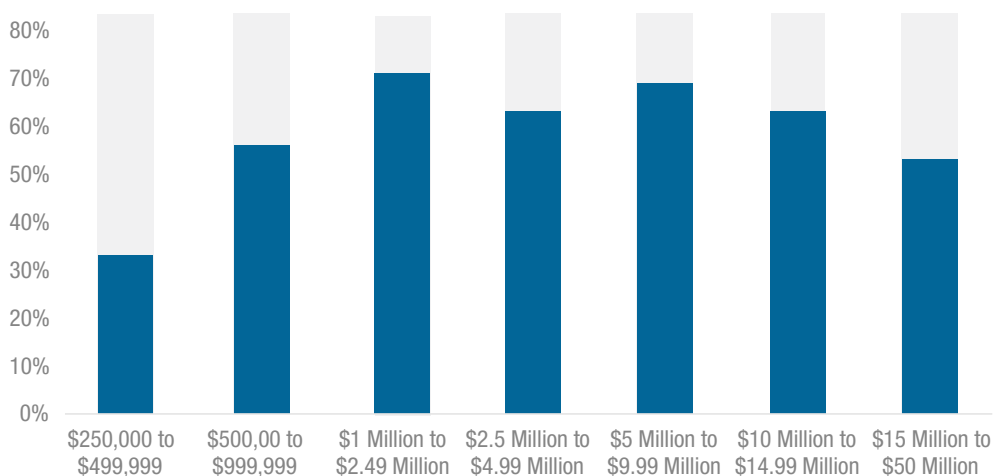
The importance of recurring revenue as a growth catalyst crosses all channel business models. Not surprisingly, 86 percent of companies that identify primarily as MSPs say managed services are their chief growth driver. However, a majority of other business models — even those with low penetration of managed services as part of their portfolios — cite recurring revenue services as either the highest or second-highest contributor to their growth (see *Figure 12: Managed Services as a Growth Catalyst by Business Model*).

Figure 12: Managed Services as a Growth Catalyst by Business Model



For mid-tier companies, managed services are the most significant driver of overall growth (see Figure 13: 2016 Managed Services as Growth Drivers by Revenue). Companies with revenue of \$1 million to \$14.99 million are growing almost solely on the strength of their managed services practices. Smaller organizations with less than \$1 million in revenue are still dependent upon legacy product sales (hardware and software) and professional services. Large organizations — those with revenue of \$15 million or more — are growing largely through professional services, which is consistent with comparative data, as larger organizations tend to focus on systems integration as a primary business value.

Figure 13: 2016 Managed Services as Growth Drivers by Revenue

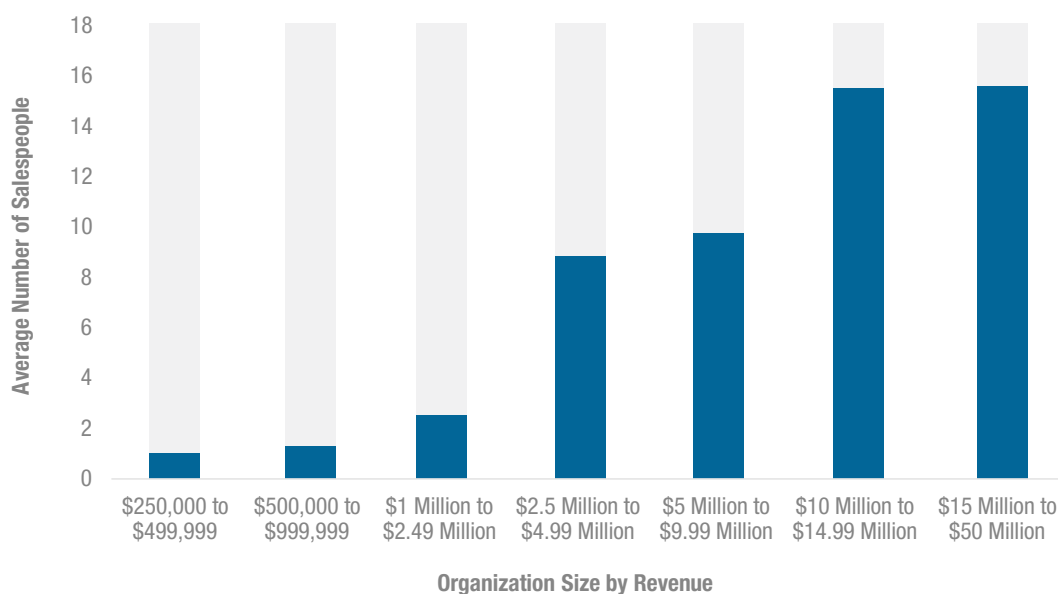


SALES CAPACITY

Sales is the lifeblood of every organization, as it’s the means by which businesses — particularly those in managed services — generate and maintain revenue.

Solution providers and managed service providers take sales seriously. The average number of salespeople per organization surveyed is 19.6. Larger organizations with expansive inside and outside sales forces skew the average higher. Even accounting for the outliers, the average is still 7.78 salespeople per organization (see *Figure 14: Sales Capacity*).

Figure 14: Sales Capacity

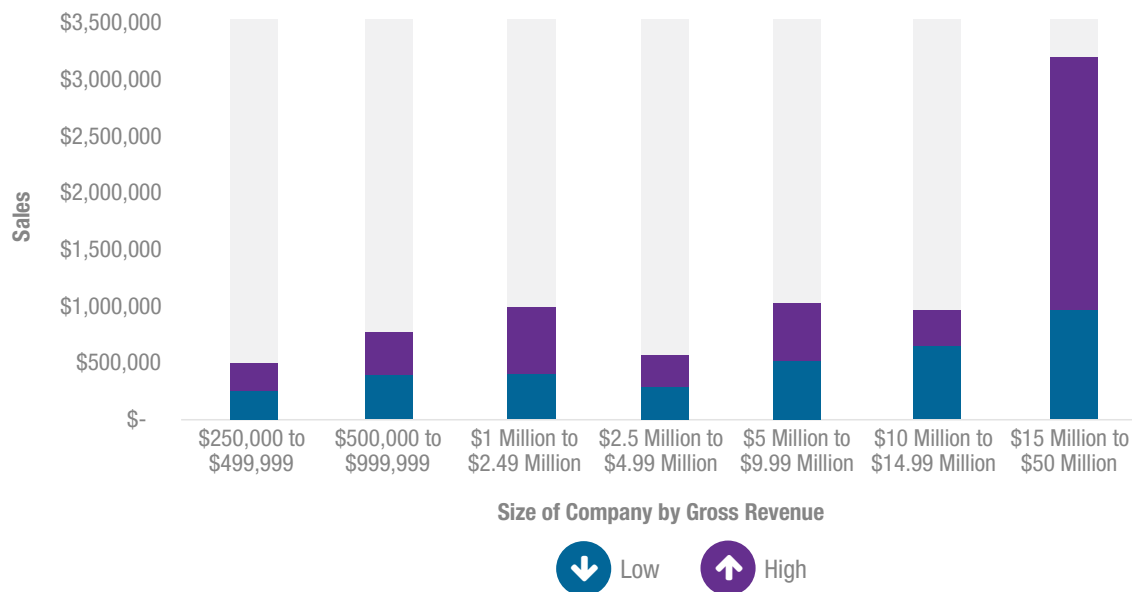


Sales capacity follows the size of the organization by revenue. Larger organizations tend to have more salespeople than smaller organizations. Only a handful (5 percent) of resellers and service providers in our sample reported having no dedicated salespeople.

Sales capacity is reflective of growth. Organizations with no salespeople tend to be small, with revenue of less than \$1 million annually and year-over-year growth of 0 percent to 3 percent. By comparison, organizations with annual growth of 25 percent or more have, on average, 18 salespeople.

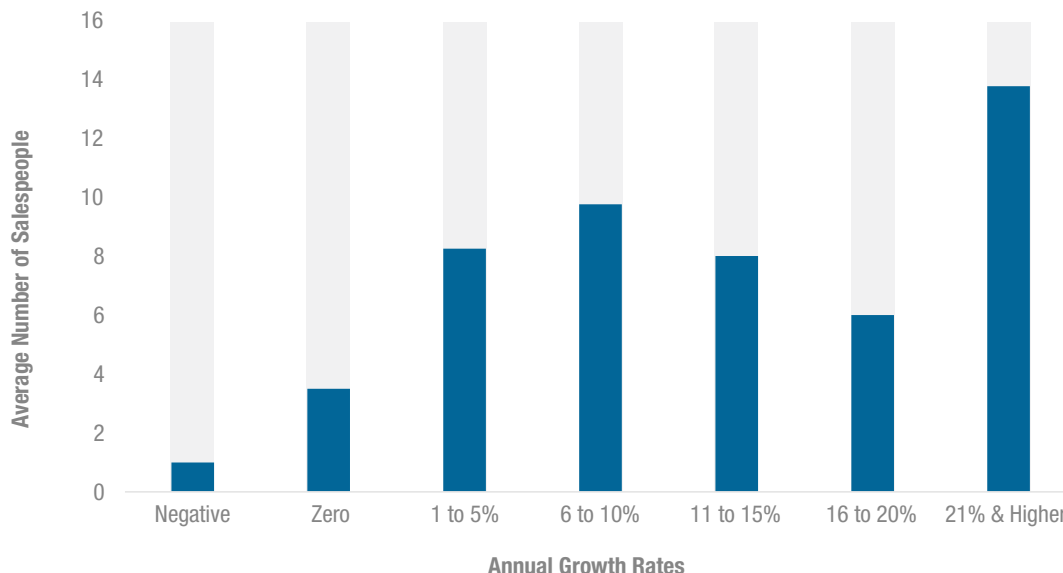
Revenue productivity and expectations increase with the size of the organization. Increases in the average revenue generated per salesperson are commensurate with total revenue (see *Figure 15: Revenue per Salesperson*). Salespeople in smaller organizations generate less per headcount than those in larger organizations. In organizations with less than \$5 million in gross revenue, salespeople generate an average of \$325,000 to \$700,000 per salesperson annually. In organizations with gross revenue of \$5 million or more, salespeople generate an average of \$700,000 to \$1.7 million in annual sales.

Figure 15: Revenue per Salesperson



Sales capacity doesn't necessarily correlate with growth. The average number of salespeople in organizations with growth rates of 10 percent or less is 8 to 10. The average number of salespeople in organizations with growth rates of 11 percent or more is 8 to 14 (see *Figure 16: Sales Capacity & Growth*). While there's a direct link between the number of salespeople and higher levels of growth, the data also suggests that quality of sales is equally important to achieving expansion. According to other research conducted by 2112, the average channel partner doesn't have a sales plan or sales goal. Adding more salespeople without strategy or governance won't produce positive results.

Figure 16: Sales Capacity & Growth



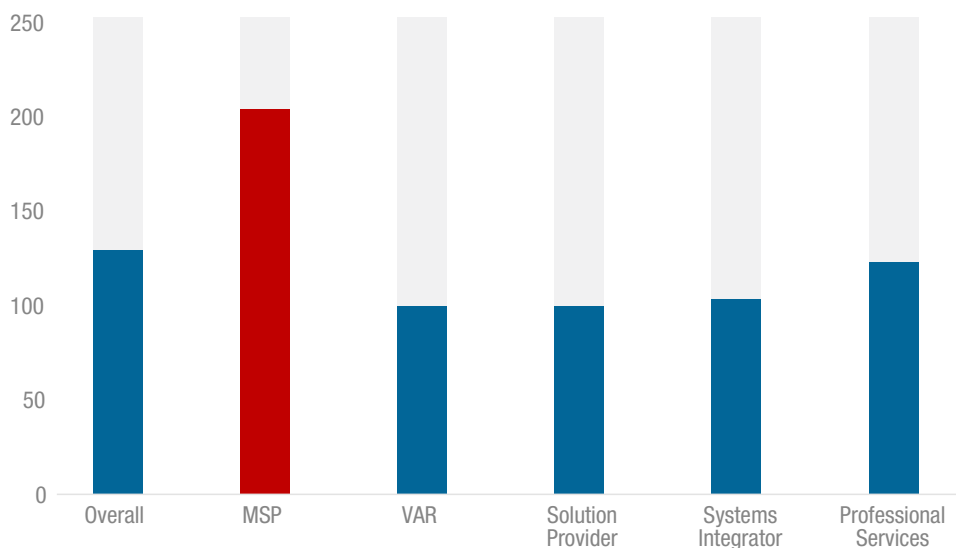
CUSTOMER ENGAGEMENT

The recurring revenue model is contingent on two factors: adding customers and retaining accounts. If a provider of managed services can accomplish those two tasks, it will have consistent and predictable recurring revenue. Of the two factors, account retention is most important, as customer attrition will lead to recurring revenue disruptions.

Sales capacity, as noted in the previous section, isn't just a means of generating revenue; it's also the mechanism for customer engagement. Salespeople are how service providers interact with, communicate with, and relate to customers. This leads to the acquisition of new accounts and the retention and expansion of existing accounts.

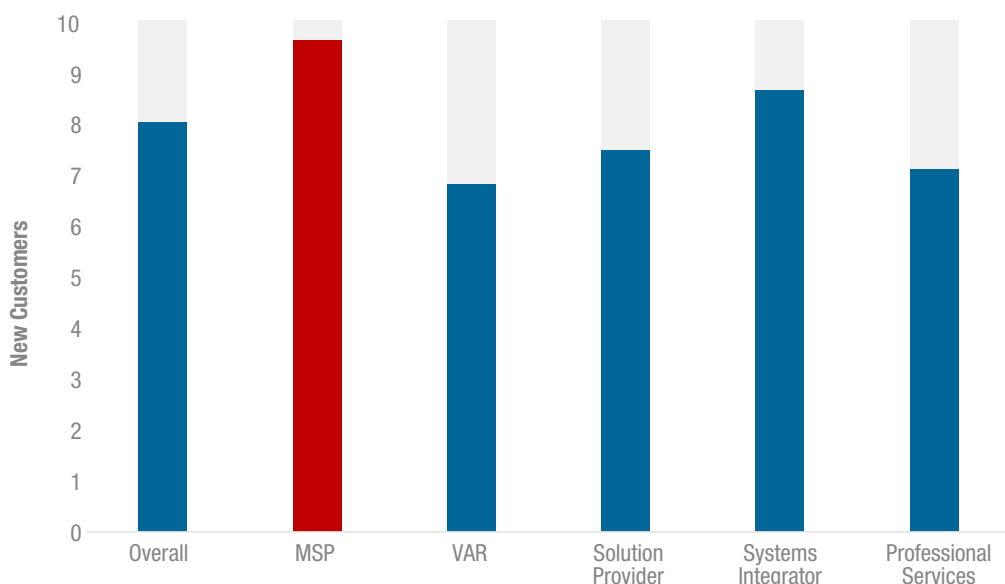
The average solution provider services 129 active accounts. Companies that identify as MSPs have twice as many active accounts as any other channel business model (see Figure 17: Average Number of Active Customers). MSPs know their viability and success is contingent on scaling their infrastructure and resources to maximize returns. Companies with other business models, such as VARs and systems integrators, may touch more customers over the course of a year, but the types of interactions are different – selling hardware or a software license is a point-in-time transaction.

Figure 17: Average Number of Active Customers



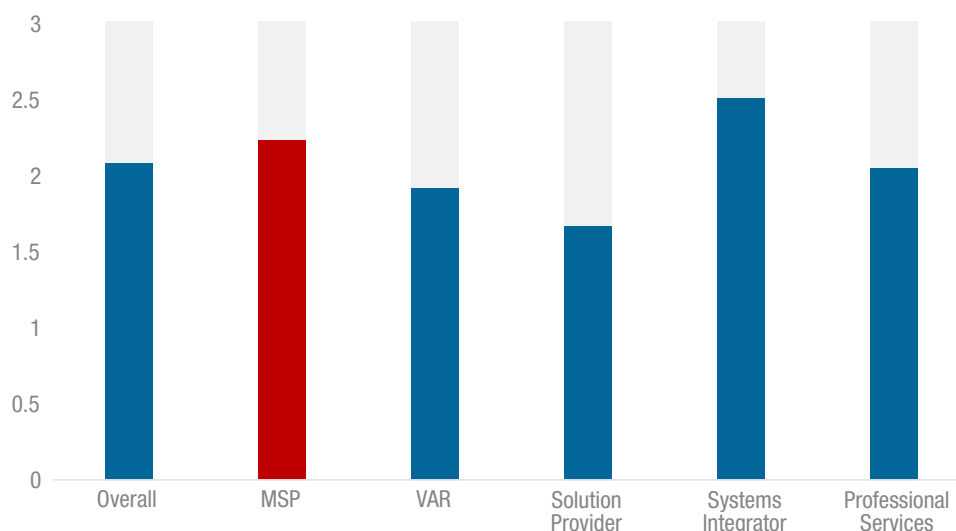
The average managed service provider adds, on average, 9.6 new customers per month (see Figure 18: New Customers Per Month). The number of customers added varies by the size of an organization and the number of salespeople it employs. MSPs tend to add more customers per month than other channel business models. Again, the addition of nearly two more customers per month than the channel average reflects the insatiable need to add services-consuming accounts.

Figure 18: New Customers Per Month



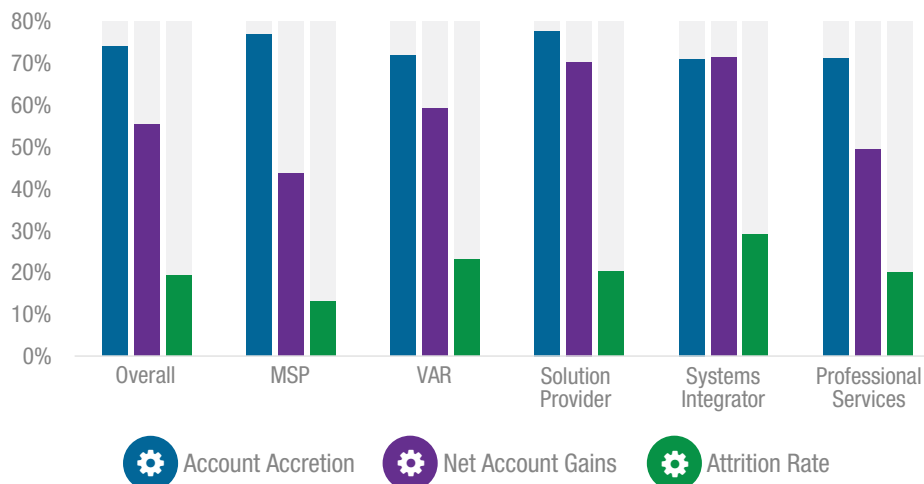
The real test of an organization’s viability is customer retention. As noted, adding customers contributes to growth if existing accounts remain in the spending fold. According to our survey, the average channel company loses about two accounts per month (see *Figure 19: Account Losses Per Month*). While MSPs’ account loss rate is slightly above average (2.23 compared to 2.08) and second only to systems integrators’, MSPs are also supporting nearly twice as many customers as businesses with other models.

Figure 19: Account Losses Per Month



The final analysis shows the importance and benefit of customer engagement, as seen through the net change in accounts. Overall, channel companies of all types reported adding more accounts than they lost, resulting in a 19 percent net attrition rate and a 55 percent gain in the number of customers. While MSPs are well below average in net account gains, they also have the lowest attrition rate, which explains why their overall account accretion is slightly better than average (see *Figure 20: Account Gains & Losses*).

Figure 20: Account Gains & Losses



PRICING & PROFITABILITY TRENDS

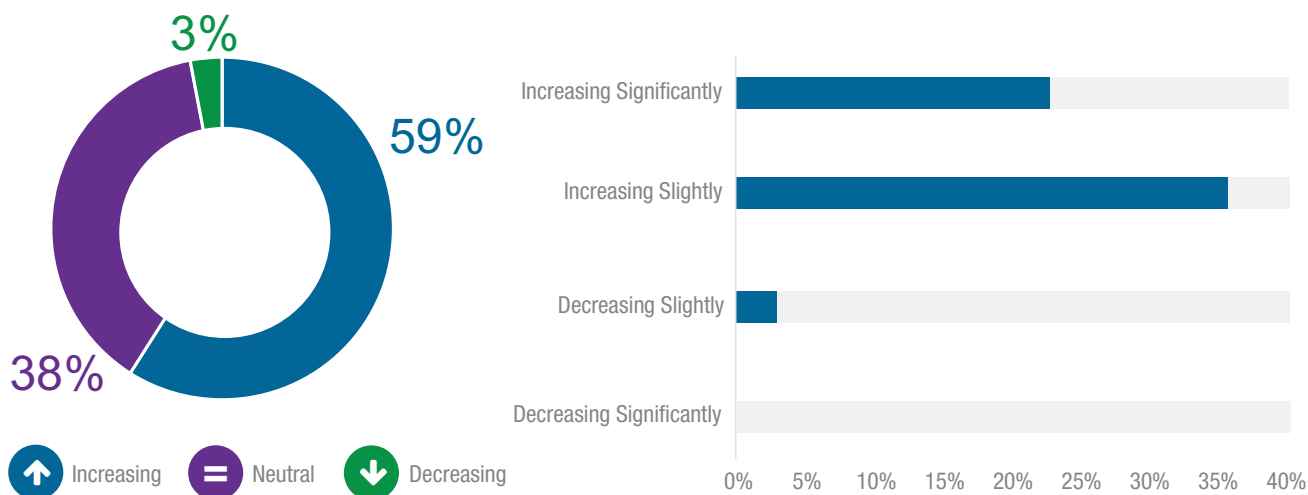
The channel community is bullish not only on managed services growing, but also on prices and profits rising from remotely delivered services. Providers of managed services see customers increasingly willing to accept higher prices for their services, relieving pressure on their margins. This reverses a previous trend of customers challenging managed services prices.

A concern among companies offering managed services is price and fee fatigue among their customers. While the recurring revenue model is good for channel businesses, service consumers aren't always appreciative. Businesses — ranging from enterprises to SMBs — have expressed dissatisfaction with the recurring revenue model as they continue to pay for products and services that were once delivered under perpetual licenses with one-time fees.

Previous research by 2112 found that providers of managed services saw their ability to maintain prices erode over time as customers became desensitized to the value of services delivered. Consequently, customers have demanded price concessions or increased services with no price increase upon renewal.

That trend is breaking, however, as providers of managed services report strong confidence that their service prices and margins will increase in the coming year. Nearly three out of five (59 percent) of surveyed channel companies believe managed services pricing will increase relative to 2016 prices. And nearly one-quarter of those surveyed believe managed services prices will increase significantly (see *Figure 21: Managed Services Pricing Trends*).

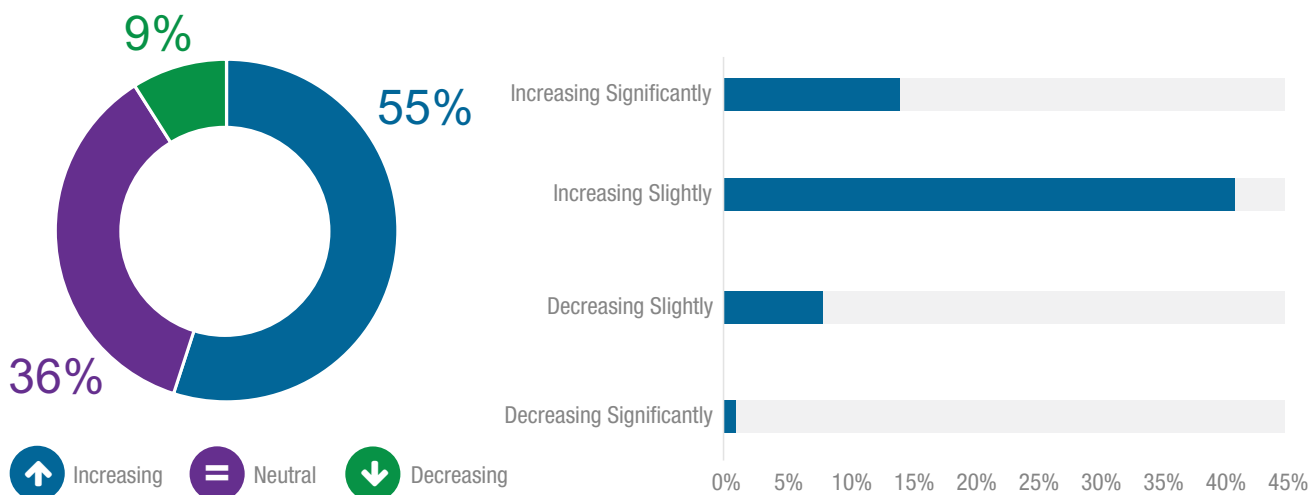
Figure 21: Managed Services Pricing Trends



The good news is that only 3 percent of respondents expect prices to fall. Even then, they expect only a slight decline in prices.

When it comes to profits, providers of managed services are equally optimistic. Their ability to maintain or raise prices means they have greater control over profit margin integrity. More than one-half (55 percent) of respondents believe their margins will increase. Of those surveyed, 14 percent expect significant margin increases (see Figure 22: Managed Services Profit Trends).

Figure 22: Managed Services Profit Trends

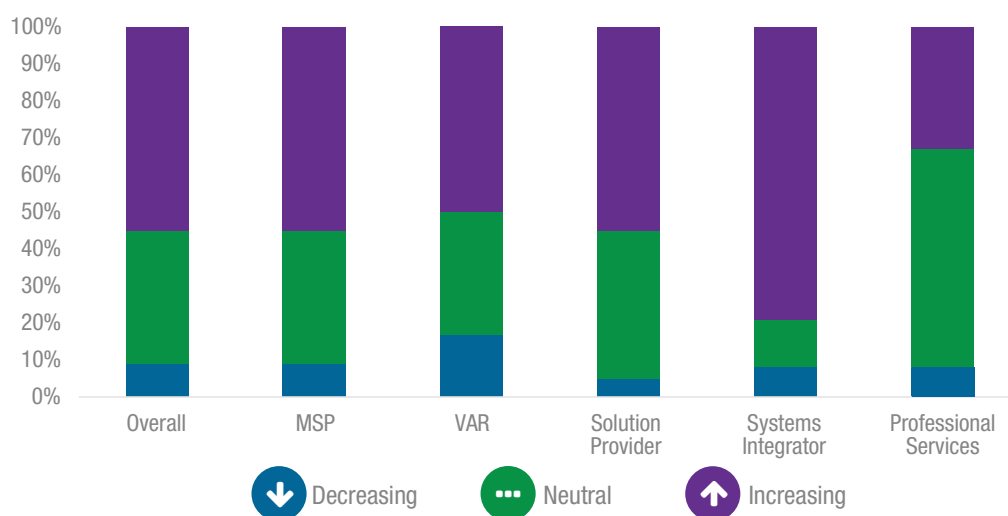


Another sign that providers of managed services are coping with customers' recurring revenue fatigue is the number expecting no change in pricing or profit margins. Thirty-six percent of respondents are expecting

no change in pricing, and only 36 percent expect no change in profit margins (see Figure 23: Pricing Trends by Business Model).

While other channel business models, such as systems integrators, solution providers, and VARs, have comparable levels of confidence in pricing stability, it's important to note their base of managed services business. For the most part, MSPs are earning substantially more of their revenue from services than their counterparts; they're also offering a greater breadth of services. As such, MSPs face greater pricing pressures. Conversely, other channel business models are less dependent on managed services for revenue and can afford to push back on pricing pressure.

Figure 23: Pricing Trends by Business Model



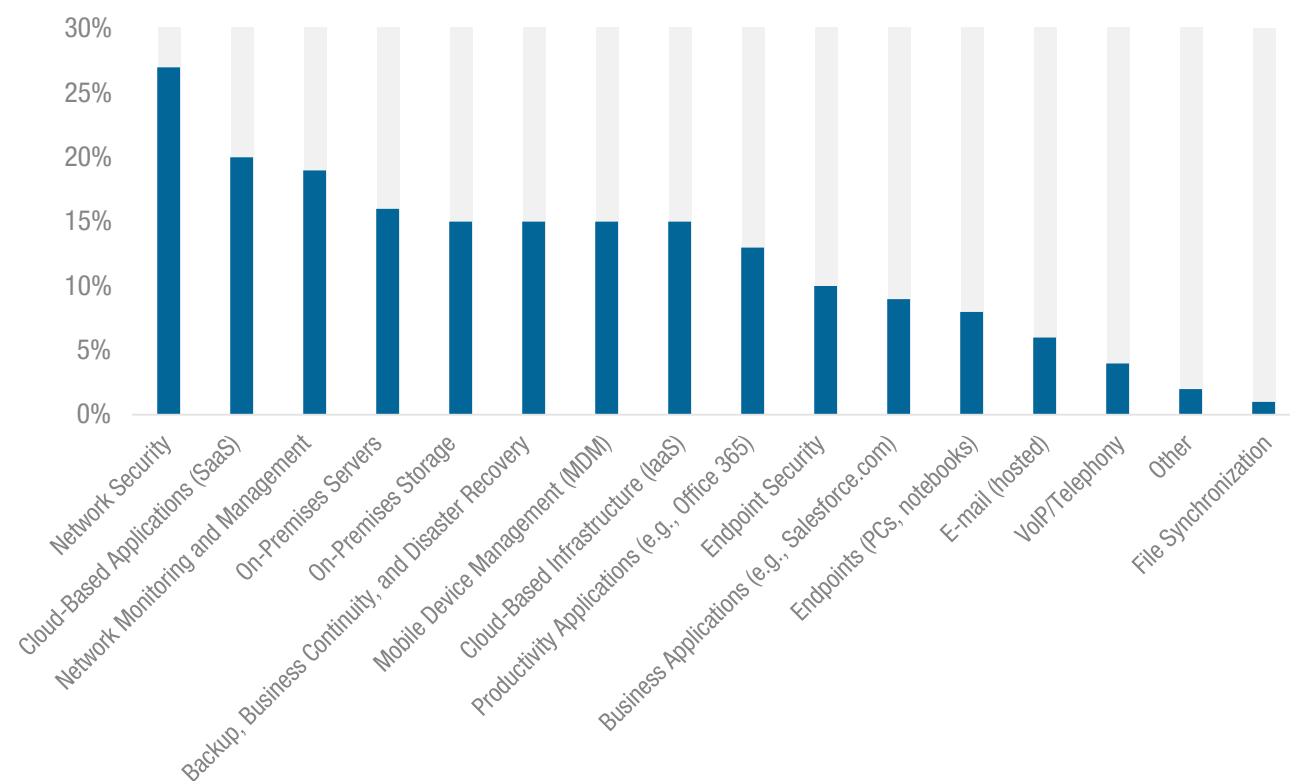
A large part of the increasing confidence in managed services pricing and profits is the increasing demand. Businesses are growing more accustomed to services as a delivery mechanism. Further, the ongoing IT talent shortage is compelling businesses to address their technology needs through services. Of course, the continued migration of legacy technology sales to a services model is compelling businesses to accept managed services as well. Taken together, these trends are enabling providers of managed services to charge higher prices and maintain margins.

TOP & FASTEST-GROWING SERVICES

The managed services market is seeing dramatic shifts in the products sold and supported. Security and cloud applications (SaaS) are the top-selling and fastest-growing products in the managed services portfolio, but cloud infrastructure, productivity applications, and mobility are reshaping the value delivered by providers.

Overall, channel companies report network security, cloud applications, and network management as the top-selling products in their portfolios (see *Figure 24: Top-Selling Managed Services*). Rounding out the top five services are the management of on-premises servers and storage devices. With the exception of cloud-based applications, today's top sellers remain the mainstay of the managed services segment.

Figure 24: Top-Selling Managed Services



Among providers of managed services, network security, network management, MDM, and backup services lead the top sellers (see *Figure 25: Top 3 Best-Selling Services by Business Model*). What separates MSPs from other business models is the advanced sale of backup and MDM. Where other business models have an edge is in greater sell-through of cloud applications. And systems integrators are reporting significantly higher sales of endpoint security and cloud infrastructure services. The indication is that MSPs are doing better at selling

services that augment on-premises assets whereas other channel partners are leapfrogging to cloud services at a faster pace rather than dealing with remote management services.

Figure 25: Top 3 Best-Selling Services by Business Model

MSP	[Network Security (32%)	Network Management (32%)]	[Mobile Device Management (19%)	Backup (19%)]	[Cloud-Based Applications/SaaS (17%)	On-Premises Storage (17%)]
VAR	Backup (28%)	[Network Security (25%)	Cloud-Based Applications/SaaS (25%)	On-Premises Servers (25%)]	Network Management (19%)	
Solution Provider	Cloud-Based Applications/SaaS (31%)	Network Security (26%)	On-Premises Storage (21%)			
Systems Integrator	Mobile Device Management (23%)	[Network Security (21%)	Endpoint Security (21%)]	[On-Premises Storage (18%)	Network Management (18%)	Cloud-Based Applications/SaaS (18%)]
Professional Services Organization	Network Security (30%)	Productivity Applications (27%)	Cloud-Based Applications/SaaS (22%)			

[] = Tied for 1st, 2nd, or 3rd place (cited as best-sellers by the same percentage of respondents)

The fastest-growing services tell a different story. In general, network security and cloud applications are the biggest contributors to services growth. However, the impact of cloud computing and mobility can be seen in the shift of the fastest-growing products (see Figure 26: Top Sellers and Fastest-Growing Services). MDM, which ranks seventh on the best-sellers list, is growing the third-fastest. Cloud infrastructure, ranked eighth among best sellers, is fourth in the fastest-growing column. And endpoint security, which is No. 10 on the best-sellers list, is seventh on the fastest-growing.

Conversely, the services declining in growth are network management and remote management of on-premises servers and storage. Again, the continued evolution and adoption of cloud services, particularly cloud infrastructure, is putting pressure on traditional services based on remote management of customer-owned equipment.

Figure 26: Top Sellers and Fastest-Growing Services

Rank	Best-Selling Services		Fastest-Growing Services		Rank
1	27%	Network Security	→	Network Security	24% 1
2	20%	Cloud Applications	→	Cloud Applications	21% 2
3	19%	Network Management	↘	Mobile Device Management (MDM)	17% 3
4	16%	On-Premises Servers	↘	Cloud-Based Infrastructure	17% 4
5	15%	On-Premises Storage	↘	Productivity Applications	17% 5
6	15%	Backup	→	Backup	16% 6
7	15%	Mobile Device Management (MDM)	↘	Endpoint Security	15% 7
8	15%	Cloud-Based Infrastructure	↘	Network Management	12% 8
9	13%	Productivity Applications	↘	On-Premises Storage	12% 9
10	10%	Endpoint Security	↘	On-Premises Servers	11% 10
11	9%	Business Applications	→	Business Applications	11% 11
12	8%	Endpoints	→	Endpoints	9% 12
13	6%	E-mail Services	→	E-mail Services	7% 13
14	4%	VoIP/Telephony	→	VoIP/Telephony	4% 14
15	2%	File Synchronization	→	File Synchronization	2% 15
16	1%	Other	→	Other	2% 16

Among MSPs, cloud computing is having an impact, but not as much of an impact as security opportunities. Network security and network management services top both the best-selling and fastest-growing services lists (see Figure 27: Best Sellers and Fastest-Growing MSP Services). For MSPs, though, MDM and cloud applications are falling in relative growth, which is not the case in the general channel. The top five fastest-growing services include backup, productivity applications, and endpoint security.


Figure 27: Best Sellers and Fastest-Growing MSP Services

Rank	Best-Selling			Fastest-Growing	Rank
1	Network Security	32%	→	23%	1
2	Network Management	32%	→	21%	2
3	Mobile Device Management	19%	↘	21%	3
4	Backup	19%	↘	19%	4
5	Cloud-Based Applications (SaaS)	17%	↘	17%	5
6	On-Premises Storage	17%	↘	15%	6
7	On-Premises Servers	15%	↘	15%	7
8	Productivity Applications	13%	↘	15%	8
9	Cloud-Based Infrastructure (IaaS)	13%	↘	13%	9
10	Endpoint Security	6%	↘	13%	10
11	Business Applications	4%	→	11%	11
12	Endpoints	4%	↘	6%	12
13	E-mail Services	4%	↘	6%	13
14	Other	2%	↘	2%	14
15	VoIP/Telephony	2%	↘	2%	15
16	File Synchronization	0%	→	0%	16

The trend lines show that MSPs are engaged in cloud computing, but their better and immediate opportunity is in security services.

STATE OF THE NORTH AMERICA MANAGED SERVICES MARKET

The final analysis is that the state of managed services is strong, particularly when viewed through the lens of recurring revenue. Whether channel companies are shifting more of their attention to services or their customers are dragging them into managed and cloud services, the recurring revenue model is evidently becoming the primary driver of earnings and growth. Eventually, it will become the chief driver of profitability.



Providers of managed services — regardless of how they describe their business — are seeing increased demand from customers that need support of their on-premises and cloud-based resources. Through this increased demand, service providers are finding increased price and profit stability that will fuel their development.

The tendency is to focus on the technology as the source of value. Service providers are definitely expanding to meet and capture new opportunities in cloud computing, mobility, and security. However, the value to the customer is short-lived if the provider disengages from the relationship. The 2112-Barracuda State of Managed Services study reveals that service providers with a focus on sales and persistent customer engagement have more success in maximizing the returns of the recurring revenue model.

METHODOLOGY & DEMOGRAPHICS

The North America 2112-Barracuda State of Managed Services study was conducted via an aided-response survey conducted in April 2017. The study sampled 201 qualified providers of managed services in the United States and Canada. The study results have a margin of error of +/- 5.5 percent, with a 95 percent confidence rating.

The study sample contained a balance of the different channel business models, consisting largely of MSPs and other companies that resell and deliver managed services (see *Figure 28: Sample by Business Model*). Participants hold roles at the C-level or as owner-operators, making them qualified to answer the survey questions (see *Figure 29: Participants' Titles*). Most of the companies participating in the survey have gross revenue between \$5 million and \$15 million; the portion of revenue distribution is consistent with the known demographics of the channel (see *Figure 30: Participating Companies' Revenue*).

Figure 28: Sample by Business Model

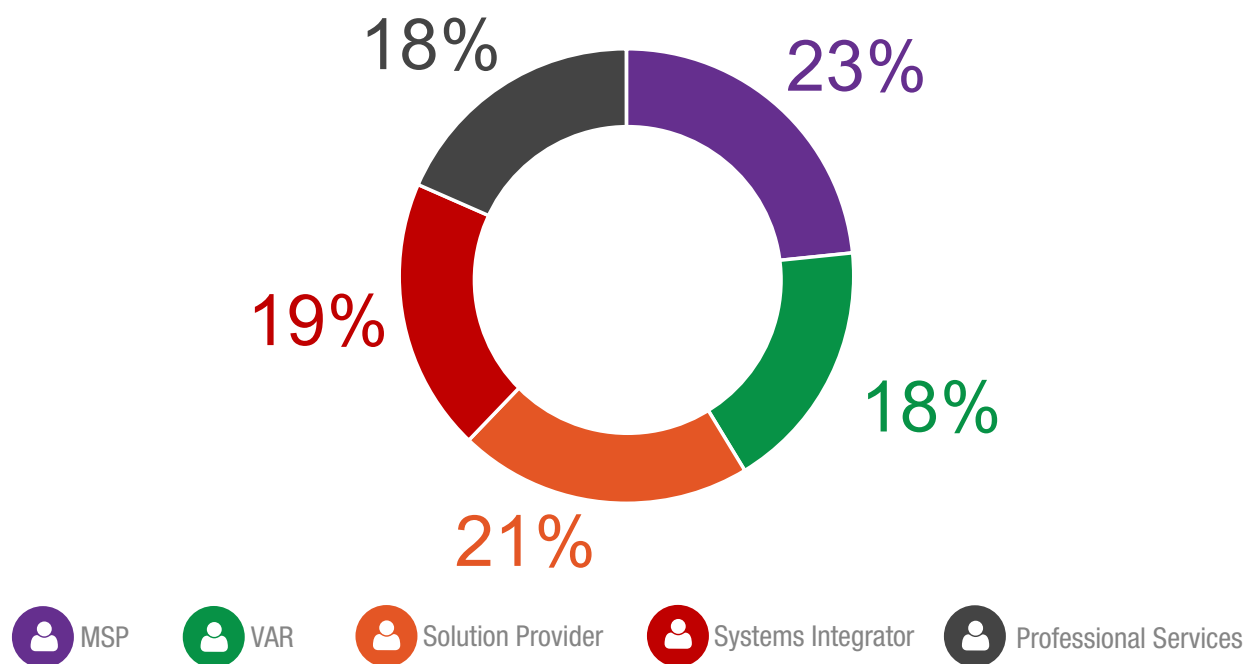


Figure 29: Participants' Titles

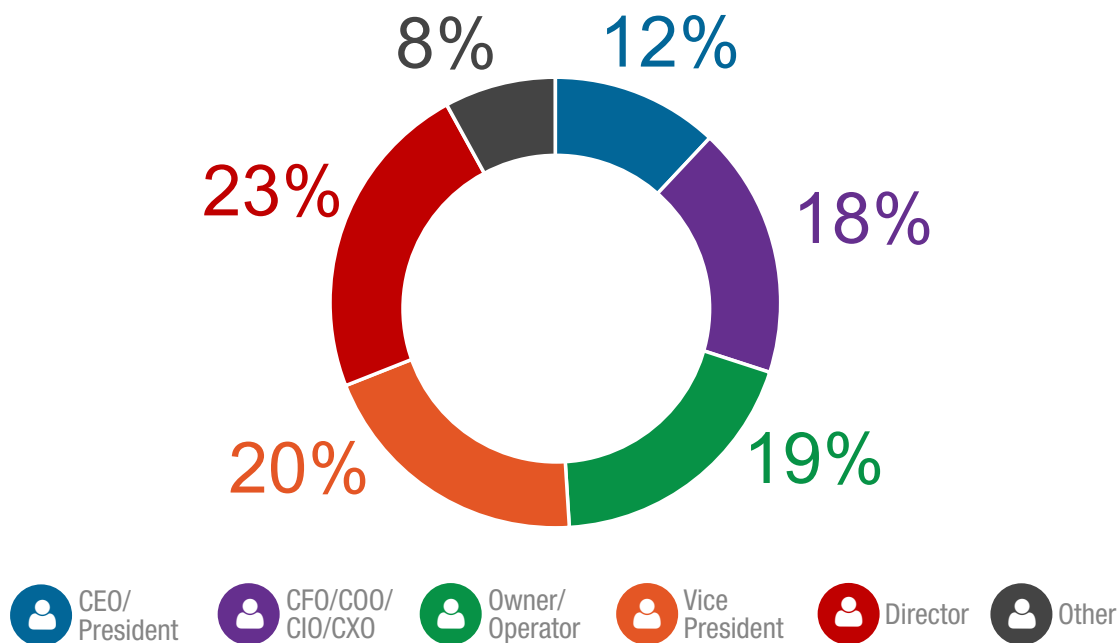
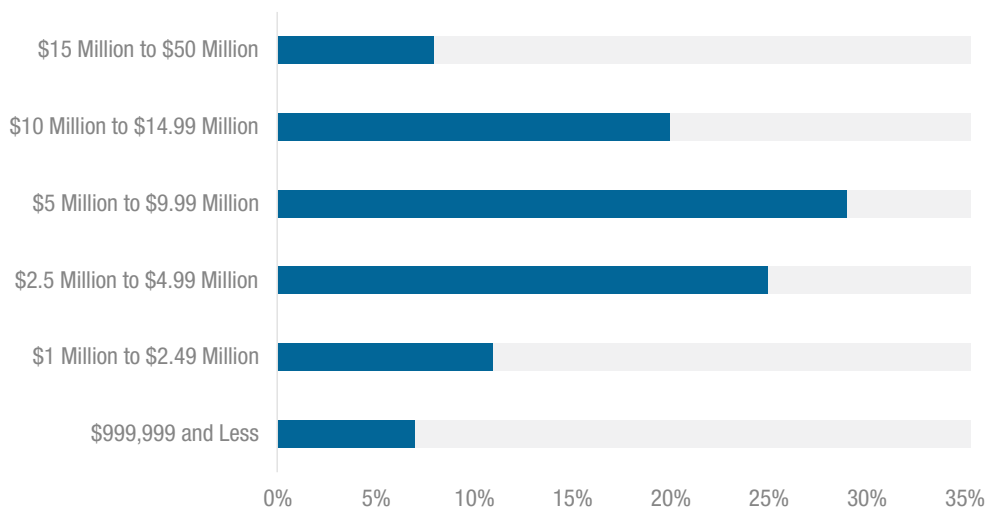


Figure 30: Participating Companies' Revenue



ABOUT THE 2112 GROUP

The 2112 Group is a business strategy firm focused on improving the performance of technology companies' direct and indirect channels through our portfolio of market-leading products and services. We leverage proprietary intelligence with qualitative research, market analysis, tools, and enablement programs. Our industry experts approach each engagement by applying innovative solutions customized to meet the needs of our clients. By looking at the technology market from the viewpoint of vendors, partners, and end users, 2112 is uniquely positioned to develop go-to-market strategies that are beneficial to all parties from both a channel and enterprise perspective.

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ABOUT BARRACUDA MSP

As the MSP-dedicated business unit of Barracuda Networks, Barracuda MSP enables IT managed service providers to offer multi-layered security and data protection services to their customers through our award-winning products and purpose-built MSP platform. Barracuda MSP's partners-first approach focuses on providing enablement resources, channel expertise, and robust, scalable MSP solutions designed around the way managed service providers create solutions and do business. Visit barracudamsp.com for additional information.



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STATE OF NORTH AMERICA MANAGED SERVICES

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