

# Building the future customers want with Managed Services



## Executive summary

As the technology landscape continues to evolve, IT administrators face increasing complexity and a growing technology stack to maintain and support. Many are rethinking how they shape their IT strategy to drive business forward. And an increasing number are turning to managed services to deliver outcome-based solutions. There's no denying that managed services are gaining momentum across businesses of all sizes within the IT landscape. As networks become more complex and the lines between siloed architectures become blurred, companies are leveraging managed services to increase agility, deliver relevant value, and accelerate their growth over time.

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46% of Cisco product TAM opportunity (\$161B) – our largest route to market (RTM) – will be bundled with a managed service.

## Managed Services deliver outcomes

Managed services used to be very operationally focused. Managed service providers (MSPs) would deliver a set of customized services – often centered on help desk or outsourcing capabilities – around a product or set of products. Today, that has changed. In discussions with our customers and partners, we hear that IT administrators in all industries are taking a more strategic role that focuses on business outcomes. They are moving beyond merely supporting the business and becoming more directly responsible for the business outcomes that underlying technology solutions can deliver.

So, it comes as no surprise that managed services have also changed. Modern managed services are built for the agile enterprise – serving up hardware, software, and services with the pricing and delivery agility to support changing business requirements over time. These services offload the operational burden for a customer’s IT infrastructure, applications, and data with a cloud-like experience aligned to pre-defined business key performance indicators (KPIs).

## Research revealed insights

To quantify this shift to managed services, we commissioned a rigorous study to gain a deeper understanding of precisely how big the managed services opportunity is for each of our product categories based on where and how buyers purchase their IT solutions across all Cisco® top geographic regions. Our longitudinal study surveyed nearly 2,000 buyers in 25 different countries and regions around the world over a span of two years. The respondents were asked to identify what types of IT infrastructure hardware, software, and services they were purchasing, and which channels they were using to procure them. We also conducted follow-up customer interviews and expert validation to further refine the insights we uncovered.

The research revealed a massive US\$357 billion global managed services total addressable market (TAM) across Cisco addressable product markets and relevant managed services by 2027. Forty-six percent of Cisco product TAM opportunity will be sold bundled with a managed service, making it the largest route to market (RTM) for Cisco and its partners, and key to the market shift to cross-architectural and cloud delivered solutions.



With a forecasted \$357B in TAM, managed services represent the most significant route to market for Cisco and our partners.

Three key insights also emerged from the study:

1. With a forecasted \$357B in TAM, managed services represent the most significant route to market for Cisco and our partners.
2. As the demand for cross-architectural and cloud delivered solutions accelerates, growth will continue to rely on channel partners.<sup>1</sup>
3. Platforms will pivot to delivering integrated managed services that extend beyond point products and technology silos.

In short, the global and regional managed services opportunities are tremendous, and Cisco will require highly motivated partners to capitalize on them (see Figure 1).



Figure 1. The US\$357 billion managed services product and associated managed services opportunity

## Uncovering new insights

Managed services are a significant route to market.

At \$357B in total addressable market, the managed services opportunity represents the largest route to market for nearly all Cisco product categories and geographies. Forty-six percent, or \$161B, is attributed to the relevant product opportunity across Cisco's addressable market and the \$196B services opportunity (fifty-five percent) is attributed to the lifecycle and support services that our partners can deliver across Cisco's product market.<sup>2</sup> The underlying data from each of the Cisco main product categories tells the detailed story behind these top-level numbers.

<sup>1</sup> Partner types include cloud (hyperscalers and collocated Infrastructure aaS (IaaS)) providers, managed service providers (MSPs), resellers/wholesalers, systems integrators (SIs), value-added resellers (VARs), and telephone companies (Telcos).

<sup>2</sup> Inclusive of managed and ongoing support services.



Cross-architectural and cloud-delivered solutions will drive a massive growth opportunity for the channel.

## Streamlining the sales motion

Cross-architectural and cloud-delivered solutions will drive growth while remaining reliant on the channel. So, we're making it easier to sell and upsell across architectural siloes. Because despite their unique delivery model, cross-architectural and cloud-based offerings will continue to attract significant customer interest when bundled with managed services.



## The power of platforms

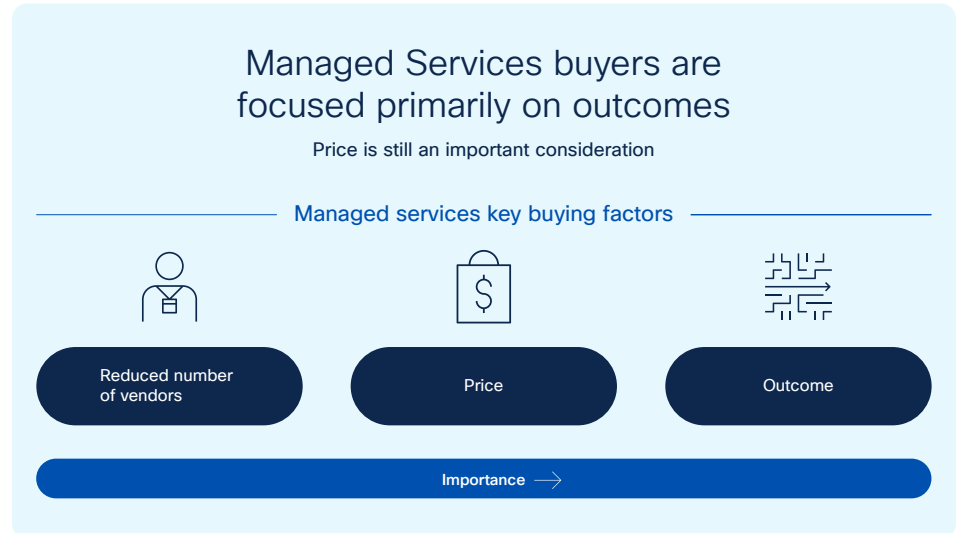
One clear insight from the study is that, above all else, the primary buying factor for customers is the ability to deliver business outcomes for their organizations. The study found the top key buying factors (in order) to be:

- **Outcome:** Tying managed services to outcomes is the top priority for IT buyers. Providing quantifiable proof of value is essential to customers' purchase decisions. Partners that can clearly show and deliver this value will be poised to remain competitive and gain market share as customers increasingly rely on managed services.
- **Price:** Buyers are increasingly focused on price. This is driving them to reassess their current partner relationships in the challenging economic environment. Partners need to evolve their offers to remain competitive in this market. Increased buying flexibility from vendors, and relying on vendor portfolio solutions, provide operational efficiency and drive greater margins by reducing total cost of ownership (TCO) than managing multiple point products. This can also provide exponential benefits as the number of customers increases.
- **Vendor Reduction:** Customers are looking for partners who can deliver managed solutions across multiple architectures. Partners that are actively expanding their managed services portfolio will therefore be better suited to attract customers. This will also give partners greater operational efficiency and scalability by providing solutions across the stack to cross-sell and upsell.



Building skills that enable a services-focused practice will be critical to long-term success in the partner ecosystem.

We have developed our platforms specifically to solve for each of these buying factors.



## Why Managed Services are so important

The strength and continued rise of managed services are driven by customer demand for outcome-centric value propositions that abstract the complexity and operational burden required to get solution value. This helps IT administrators accelerate their ability to deliver more technology and drive more business outcomes. Administrators are overwhelmingly relying on channel partners, who understand their unique business models and cost structures, to help ensure that these managed services outcomes come to life.

Buyers seeking to consolidate the number of their vendors is further driving the preference for vendors and partners that deliver services. The study found that even buyers not currently leveraging managed services still prefer services-enabled partners as part of their forward-looking IT strategies, which include future adoption of services.

In fact, over the next few years, buyers say they'll work with resell-focused partners less than with other partner types that deliver services-centric value propositions. This means that skill building, and enabling a services-focused practice, are critical to long-term success in the partner ecosystem.

This trend is evident across the IT landscape. Managed services are creating opportunities for partners across major Cisco architectures.



The Managed Network as-a-Service (NaaS) opportunity is growing more than 9 times faster than the rest of network managed services combined.

## Managed services opportunities in each technology category

### Collaboration managed services

- **Shift to cloud:** Cloud-delivered telephony represents almost 60 percent of the total collaboration managed services product opportunity.
- **Super enterprise opportunity:** Super enterprise organizations (20,000+ Full time equivalents [FTEs]) represent more than 40 percent of the total collaboration managed services opportunity. Hybrid work and complexity are driving growth in this segment.
- **Preference for managed collaboration:** IT purchasers plan on spending 43 percent more on products bundled with a managed service vs. products through the resale Route to Market (RTM)

### Data center managed services

- Services represent 78 percent of the total selling opportunity – not surprising, as application modernization ranks as a top priority among many companies today.
- With the massive services revenue opportunity, system integrators (SIs) and MSPs are expected to have their largest managed services market share opportunity in the data center category.
- With many large companies re-evaluating their public cloud strategy, large and super enterprises (5000+ FTEs) represent 50 percent or more of the data center managed services opportunity.

### Network managed services

- The Managed Network as-a-Service (NaaS) opportunity is growing more than 9 times faster than the rest of network managed services combined.
- Within the campus environment, steady growth is bolstered by WLAN access points. Combined, they are projected to grow 7 percent or more due to adoption of Wi-Fi 6.
- Services represent over 60 percent of the total selling opportunity in network managed services.

### Observability managed services

- **Managed observability will lead the way:** The FSO managed services opportunity is 1.3 times larger than the resell opportunity.
- **Small is big:** Small and mid-size businesses (10-1000 FTEs) will drive over one third of total FSO-managed services revenue.
- **Automation matters:** AIOps tools are leading growth within observability with a 2.2x faster growth rate vs. all other categories, driven by proactive remediation across the technology stack.



Up to 80 percent of Cisco customers look to purchase IT managed services through channel partners.

## Security managed services

- **Small business, large share:** Small and mid-sized businesses (10-1000 FTEs) will drive 30 percent or more of total security managed services revenue.
- The \$9.4B managed SSE product opportunity is growing 3.1 times faster than the rest of security managed services and will drive double-digit growth (35 percent or more) for MSPs, SIs, and Telcos.
- MSPs are anticipated to capture almost 20 percent of the security managed services opportunity, as many IT administrators are turning to this channel to manage and support their security products.

## Supporting our partners to lead this market

For Cisco, this opportunity can only happen with you, our partners. The study supports the fact that up to 80 percent of customers are looking to work with channel partners to purchase IT managed services. Because the Cisco approach to managed services is almost entirely channel-led, this is your market to capture.

We are therefore investing, innovating, and collaborating with partners in new ways to grow this opportunity together. We will do this through our strategy for partner managed services success, adhering to our approach of delivering the best platform, preference, and performance capabilities to fuel your business.

Partners are attracted to the best technology and brands. Our strategy starts by making sure our platforms are capable of best-in-class managed services delivery for partners across Cisco architectures. Next, to drive Cisco preference over time, we have redefined what partnership means by delivering a new partner-managed sales model and by improving our systems and operations to make them easier for you to do business with. Finally, we are incentivizing partners for performance in strategic areas through the provider role of the Cisco Partner Program by investing more as partners drive growth. We are also holding ourselves accountable to partner satisfaction through in-depth listening campaigns and rigorous measurement of key performance indicators.

Now is the time for Cisco, our partners, and our customers to come together and win a route to market opportunity that puts the partner at the center of success. There is nothing we can't do if we work smart, together. Whether you've built managed services with Cisco products before or you're just getting started, we can work together to build offerings that solve your customers' problems – within the go-to-market model your company prefers – so you can drive rapid service delivery and scale. In turn, you can increase your growth potential, profitability, and customer satisfaction.

We're ready to #GoManaged. Are you?

**Learn more today at**  
[Cisco Partners | Go Managed](#)

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