

MSP Global Pricing Survey

Q4 | 2014



Other
\$ 154.00
\$ 342.00
\$ 256.00
\$ 1,256.00
\$ 1,479.00
\$ 254.00
\$ 369.00
\$ 741.00
\$ 00
\$ 00

Introduction

Kaseya provides IT systems management software that helps managed service providers (MSPs) and mid-market enterprises drive growth, innovation, and most importantly, customer success. Kaseya's solutions are used by more than 10,000 customers worldwide to manage over five million devices across a wide variety of industries. Kaseya has a leading position among MSPs around the globe.

This leading market position gives Kaseya a unique perspective from which to study both pricing and service delivery trends in the global IT services industry. Our annual IT survey results demonstrate unequalled visibility into the types – and portfolios – of IT services that MSPs deliver to clients, including managed services offered by a wide range of MSPs from the many small providers to some of the largest and most progressive MSPs in the market today.

We are very pleased to share the 2014 Kaseya MSP Pricing Survey results with our MSP customers. In this year's survey, we gathered more details from Kaseya MSPs on the existing and emerging types of services they offer, their current service pricing and future pricing expectations, and on the key challenges their customers face, with particular emphasis on the most important IT service management trends today -- cloud and mobility. The findings are gathered from owners and operators of nearly 700 MSP firms of all sizes, spread across more than 30 countries.

Survey Methodology

Kaseya conducted its annual user survey in Q3 of 2014 using structured questionnaires. To simplify the questionnaires, pricing information was requested in US\$ and respondents were asked to select from price ranges rather than to specify exact figures. For the respondents, the company demographics included break-fix, monitoring-only, pure-play-MSP, cloud-SP, and power-user- MSP, whereas user demographic titles included owners, principals, directors, managers, administrators, and technicians.

To provide an indication of trends, the report includes comparable 2013 results where applicable. Results have been broken out by region where responses differ significantly across geographic areas. Note that we did not receive enough responses from Latin American countries to generate separate results for this region. All results are included in the global statistics described as "2014."

For this 2014 report we have also broken out results by two business growth categories. Almost all Kaseya customer MSP respondents report positive monthly recurring revenue (MRR) growth, however, some have grown faster than others. Accordingly, we have split appropriate results between those with less than 10% MRR growth and those with MRR growth of 10% or more in order to highlight pricing best practices. Overall, we've made every attempt to provide that data in a format that is most useful to the widest audience for this report. Note that several questions include intentionally generalized data, given the replies are highly variable (i.e., specific services offered in per-user pricing agreements, certain service contracts offered in remote regions of the world, etc.).

Survey Results

The results are broken out in the following categories:

- A. MSP Demographics**
- B. General MSP Pricing**
- C. Managed Services Offered**
- D. Cloud Services Pricing**
- E. Mobility Services Pricing**
- F. Future MSP Pricing Plans/Trends**

Survey Results

A. MSP Demographics

In this section, we present the company profile information provided by respondents. The percentages quoted represent the proportion of responses in each category.

1. What is the size of your MSP firm? (number of employees)

Survey Year	Less than 10	10 - 25	26 - 50	51 - 100	More than 100
2013	4%	26%	32%	21%	17%
2014	36%	29%	15%	9%	11%

2. In which of these customer size ranges do you have the most managed services accounts? (number of users)*

1 - 25	26 - 100	101 - 500	501 - 1000	1001 - 3000	More than 3000
28%	48%	12%	5%	4%	3%

* Survey question response available in 2014 only

3. What has been the average annual growth of your monthly recurring revenue (MRR) during the past 3 years? (CAGR %)

Survey Year	Less than 0%	0% - 5%	6% - 10%	11% - 15%	16% - 20%	+20%
2013*	2%	23%	34%	41%		
2014	4%	19%	24%	16%	14%	23%

a. Average 2014 MSP annual monthly recurring revenue (MRR) growth by employee size range. (number of employees)

Growth	Less than 10%	10 - 25	26 - 50	51 - 100	More than 100
MRR>10% growth	26%	40%	18%	8%	8%
MRR<10% growth	49%	25%	18%	5%	3%

b. Average 2014 MSP annual monthly recurring revenue (MRR) growth by customer size range. (number of users)

Growth	1 - 25	26 - 100	101 - 500	501 - 1000	1001 - 3000	More than 3000
MRR>10% growth	23%	61%	8%	4%	3%	2%
MRR<10% growth	33%	55%	7%	3%	1%	1%

4. In what region is your corporate office? (% of respondents)

Region	Response Percent	Response Count
North America	59%	398
EMEA	21%	143
Asia Pac	17%	113
Latin America	3%	21
Total	100%	675

B. General Pricing

This section includes MSP survey findings regarding general pricing principles.

5. What is the basis of your MSP pricing strategy and pricing model? (% of respondents)

Survey Results For	Cost-Based	Value-Based	Price/Market Match
2013*	33%	26%	41%
2014	25%	59%	16%
2014 MMR>10% growth	21%	68%	11%
2014 MMR<10% growth	29%	49%	22%

* Estimated from 2013 survey responses to the equivalent question which had 4 possible answers.

6. What is your most frequently quoted standard hourly rate?

a. Average hourly rate by MSP growth rate category. (US\$)

Survey Results For	Level 1 Tech/Eng	Level 2 Tech/Eng	Level 3 Tech/Eng
2013*		\$94	
2014	\$87	\$105	\$123
2014 MMR>10% growth	\$90	\$110	\$127
2014 MMR<10% growth	\$84	\$98	\$118

* The 2013 MSP survey did not differentiate between tech levels

b. Average hourly rate by region. (US\$)

Region*	Level 1 Tech/Eng	Level 2 Tech/Eng	Level 3 Tech/Eng
North America	\$93	\$110	\$126
EMEA	\$81	\$101	\$110
Asia Pac	\$71	\$92	\$132

* Insufficient responses from Latin America to this question

7. How many bundles or tiers of managed service offerings do you have? (% of respondents)

Survey Results For	A la Carte (per user/device)	Three or More	Two	One
2014	19%	32%	34%	15%
2014 MMR>10% growth	16%	35%	37%	13%
2014 MMR<10% growth	24%	29%	29%	18%

8. How much do you charge on average for ongoing desktop support and maintenance per month per device? (US\$)

a. Average desktop support and maintenance charges per month by MSP growth rate category. (% of respondents)

Survey Results For	Less than \$40	\$41 - \$50	\$51 - \$60	\$61 - \$70	\$71 - \$80	+ \$80
2014	31%	25%	15%	11%	7%	11%
MMR>10% growth	29%	22%	16%	14%	7%	13%
MMR<10% growth	33%	29%	14%	7%	8%	9%

b. Average desktop support and maintenance charges per month by region.
(% of regional respondents)

Region*	Less than \$40	\$41 - \$50	\$51 - \$60	\$61 - \$70	\$71 - \$80	+ \$80
North America	25%	24%	17%	12%	8%	14%
EMEA	52%	17%	14%	10%	3%	3%
Asia Pac	31%	38%	7%	7%	10%	7%

9. How much do you charge on average for ongoing server support and maintenance per month per device? (US\$)

a. Average server support and maintenance charges per month by MSP growth rate category. (% of respondents)

Survey Results For	Less than \$100	\$100-\$125	\$126-\$150	\$151-\$175	\$176-\$200	+ \$200
2014	15%	25%	17%	4%	13%	26%
MMR>10% growth	14%	22%	14%	4%	16%	29%
MMR<10% growth	15%	27%	20%	4%	10%	24%

b. Average server support and maintenance charges per month by region.
(% of regional respondents)

Region	Less than \$100	\$100-\$125	\$126-\$150	\$151-\$175	\$176-\$200	+ \$200
North America	11%	25%	15%	3%	16%	30%
EMEA	21%	39%	18%	4%	7%	11%
Asia Pac	17%	14%	24%	7%	10%	28%

10. For the managed service offering you most frequently sell, what is your average billing fee per user per month? (% of respondents - US\$)

Survey Results For	Less than \$50	\$51 - \$100	\$101-\$150	\$151-\$200	+ \$200
2013*	10%	22%	44%	24%	
2014	36%	39%	15%	5%	4%
MMR>10% growth	31%	40%	19%	6%	4%
MMR<10% growth	43%	39%	10%	4%	4%

* The 2013 Survey question was slightly different and had only 4 answer choices.

11. For your most comprehensive managed service offering (most complete bundle) what is your average billing fee per user per month? (% of respondents - US\$)

Survey Results For	Less than \$50	\$51-\$100	\$100-\$150	\$151-\$200	+ \$200
2014	19%	36%	29%	9%	7%
MMR>10% growth	16%	39%	30%	10%	6%
MMR<10% growth	24%	32%	27%	8%	8%

12. What is the average size of your monthly managed services contract?

(% of respondents - US\$)

Survey Results For	Less than \$1,000	\$1,001 - \$5,000	\$5,001 - \$10,000	More than \$10,000
2013	10%	60%	15%	15%
2014	25%	65%	6%	5%
MMR>10% growth	19%	70%	7%	4%
MMR<10% growth	31%	58%	4%	6%

13. Do you include a number of onsite hours with your managed services package?

(% of respondents)

Survey	No	Up to 4 hours	Between 4 and 8 hours	More than 8 hours
2013	50%	25%	13%	12%
2014	47%	13%	12%	28%

C. Managed Services Offered

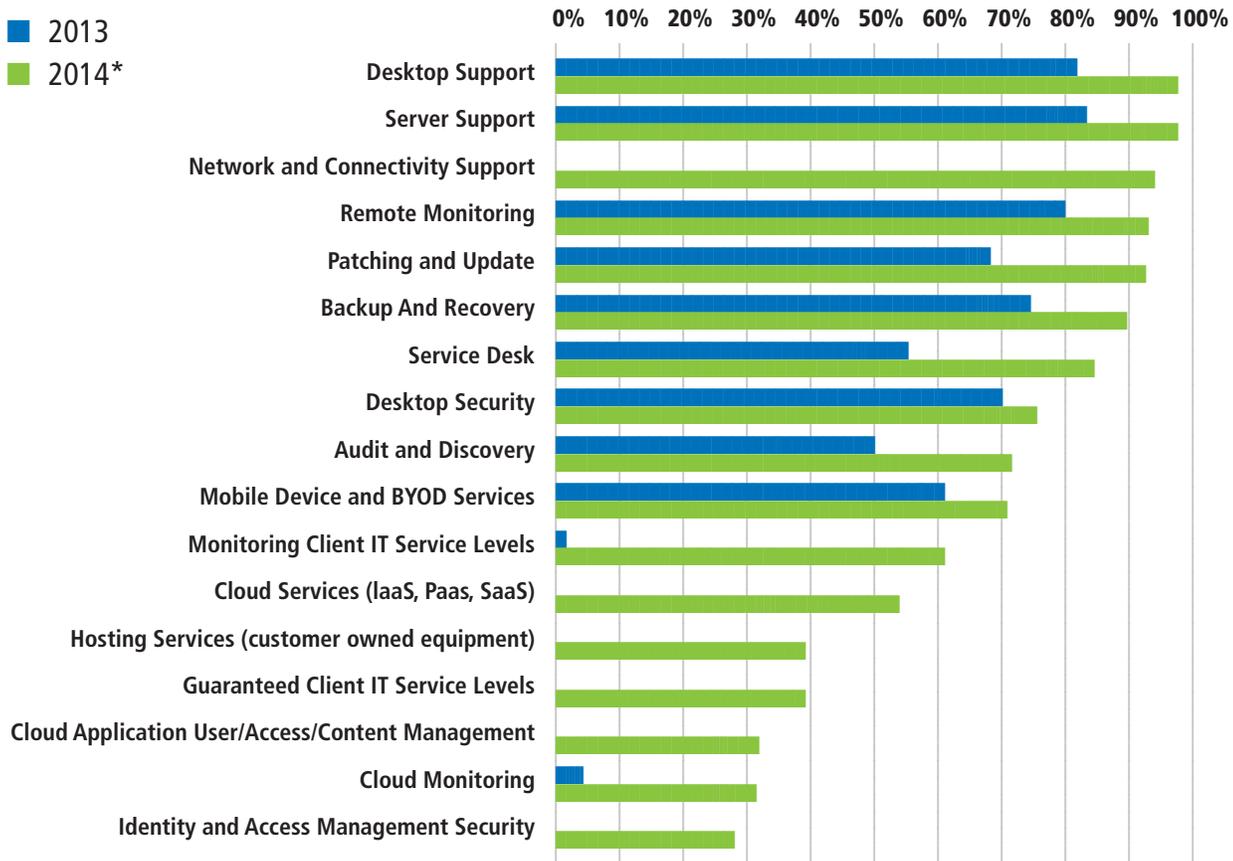
This section provides information on the type of managed services offered by respondents and their growth rates, what percentage of respondents offer those services, and what proportion of their revenues managed services represent.

14. Which managed services do you provide?

a. Services by region. (% of respondents offering each service)

Managed Services	NA	EMEA	Asia Pac
Desktop Support	97%	94%	100%
Server Support	97%	100%	97%
Network and Connectivity Support	96%	90%	93%
Mobile Device and BYOD Services	75%	58%	67%
Audit and Discovery	75%	65%	70%
Remote Monitoring	95%	94%	93%
Service Desk	82%	84%	93%
Backup And Recovery	93%	87%	83%
Desktop Security	82%	52%	77%
Identity and Access Management Security	28%	26%	37%
Patching and Update	94%	94%	93%
Monitoring Client IT Service Levels	60%	71%	57%
Guaranteed Client IT Service Levels	38%	39%	53%
Cloud Monitoring	30%	42%	33%
Cloud Application User/Access/Content Management	34%	26%	30%
Hosting Services (customer owned equipment)	38%	45%	43%
Cloud Services (IaaS, Paas, SaaS)	52%	58%	60%

b. Services by survey year. (% of respondents offering each service)



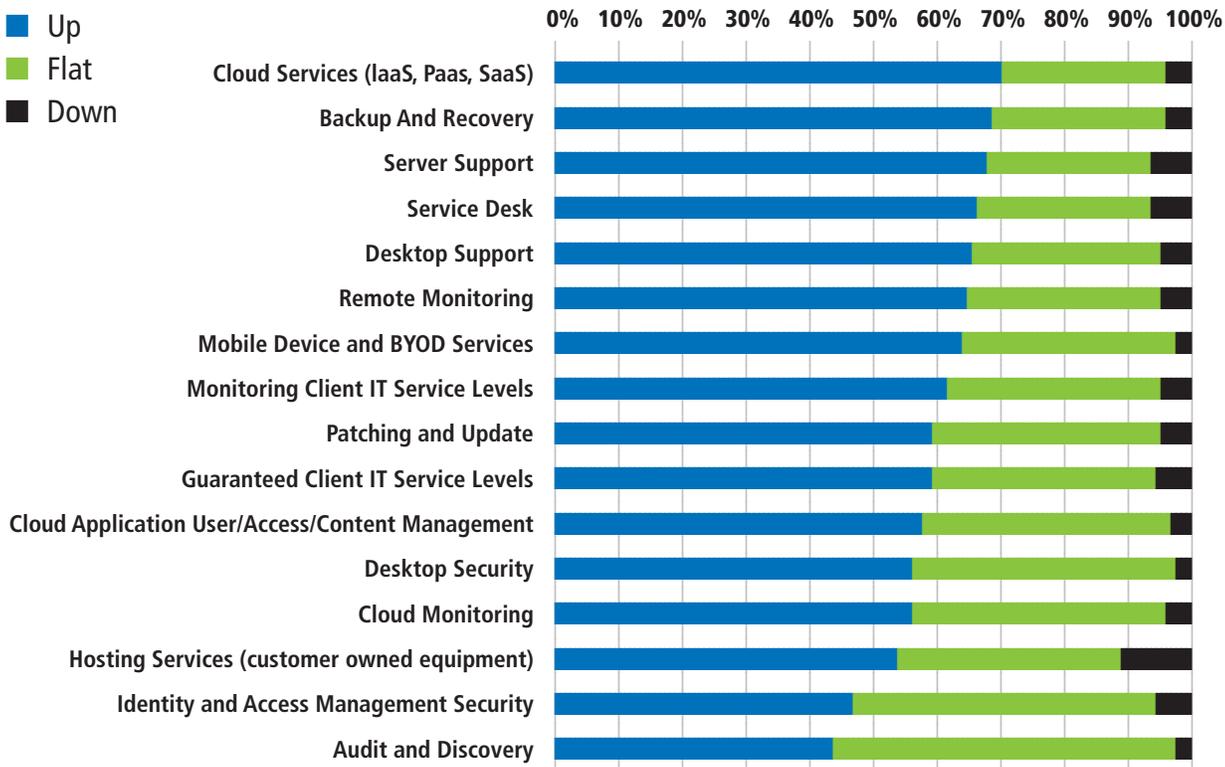
* Additional service categories were added to the 2014 survey.

c. Services by MRR growth rate. (% of respondents offering each service)

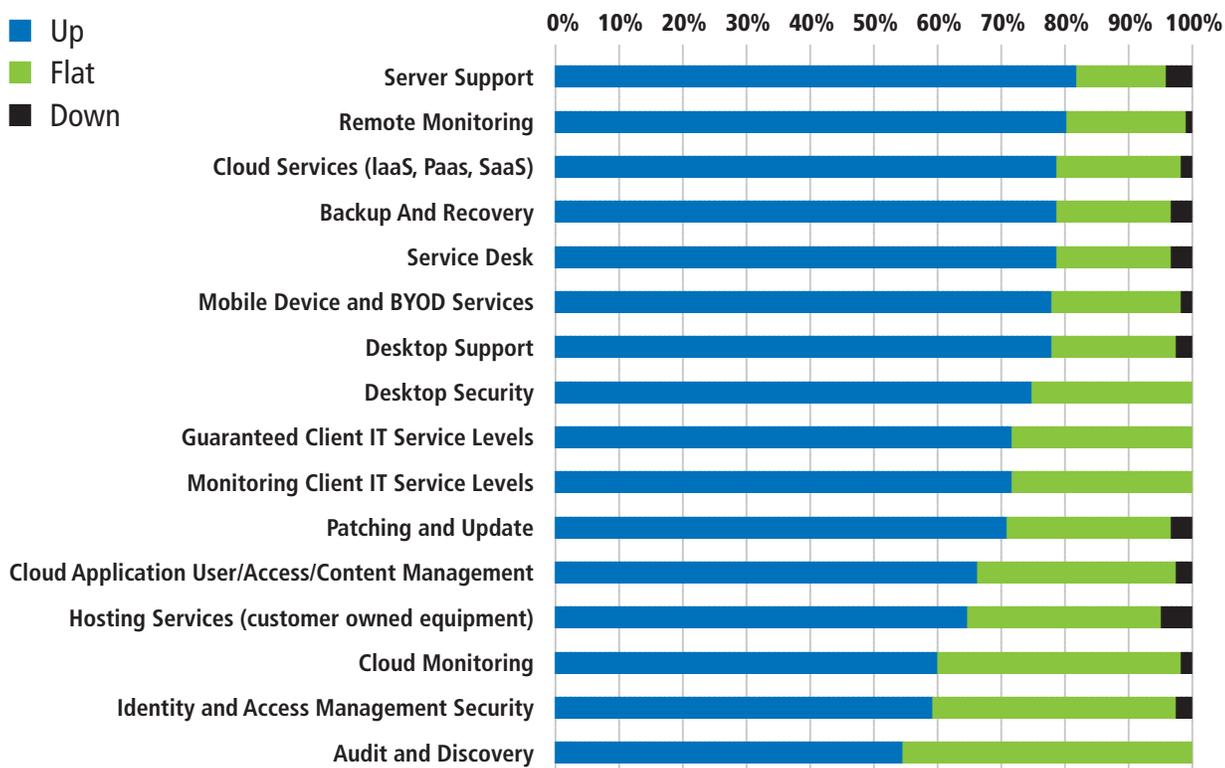
Emerging Services	Higher MRR Growth >10%	Lower MRR Growth <10%
Guaranteed Client IT Service Levels	44.5%	33.3%
Mobile Device and BYOD Services	74.5%	65.6%
Cloud Application User/Access/Content Management	34.5%	29.2%

15. Please indicate the status of your services revenues for the past 12 months versus the previous 12 months.

a. Service revenue status by service for 2014. (% of respondents)



b. Service revenue status for high growth MSPs. (% of respondents)



C. Service revenue status by region. (% of respondents offering each service within each region)

Managed Service	North America			EMEA			Asia Pac		
	Up	Flat	Down	Up	Flat	Down		Flat	Down
Desktop Support	73%	21%	5%	54%	46%	0%	43%	50%	7%
Service Desk	73%	24%	3%	68%	32%	0%	39%	36%	25%
Server Support	73%	23%	4%	68%	32%	0%	45%	38%	17%
Backup and Recovery	72%	26%	2%	69%	31%	0%	56%	28%	16%
Remote Monitoring	68%	28%	3%	78%	22%	0%	41%	48%	10%
Cloud (IaaS, Paas, SaaS)	68%	28%	4%	76%	24%	0%	79%	16%	5%
Mobile device and BYOD	67%	31%	2%	67%	28%	6%	43%	52%	5%
Patching and Update	65%	34%	2%	56%	44%	0%	42%	42%	15%
Monitoring Client IT Service Levels	64%	31%	5%	65%	35%	0%	45%	50%	5%
Guaranteed Client IT Service Levels	59%	36%	6%	65%	35%	0%	58%	37%	5%
Desktop Security	58%	40%	2%	72%	28%	0%	39%	52%	9%
Cloud Monitoring	56%	41%	3%	60%	40%	0%	64%	36%	0%
Cloud Application User/Access/Content Mgmt.	51%	44%	4%	83%	17%	0%	64%	36%	0%
Identity and Access Management Security	51%	44%	5%	58%	42%	0%	23%	69%	8%
Hosting Services (customer owned equipment)	50%	38%	12%	83%	17%	0%	40%	47%	13%
Audit and Discovery	48%	50%	2%	47%	53%	0%	33%	57%	10%

16. What percentage of your total revenue is represented by the following categories of service?

Category of Service	2014 Average % of Revenue	% of Respondents Offering Service
Hardware/Software Resale	22%	96%
Software Sales (your own software)	6%	75%
Break/Fix Services	15%	90%
Professional (Project) Services	15%	90%
Managed Services	37%	99%
Cloud Service Resale	5%	73%
Hosted Service (your own cloud)	7%	71%
Other	6%	43%

17. What percentage of your annual revenue is derived from managed services contracts?

Survey Results For	Less than 25%	25%-50%	51%-75%	More than 75%
2013	10%	19%	38%	33%
2014*	34%	44%	16%	6%

*Additional categories were added in 2014 – see Q.16.

18. Do you provide any specialized managed services to horizontal/vertical industry clients? (% of respondents)

Specialized Managed Services	2013* Percent Response	2014 Percent Response
Advanced/Specialized Monitoring	29%	57%
Advanced/Specialized Security	26%	37%
Advanced/Specialized Backup	25%	57%
Support for SaaS Applications/Migration	18%	23%
Compliance-related Security/Controls	18%	29%
Private Cloud Delivery		40%
Big Data Services		6%
Advanced/Specialized Mobility	17%	14%
Advanced/Specialized Asset Management	8%	19%
Not Applicable		27%

*Additional categories were added in 2014.

D. Cloud Services Pricing

This section provides the survey results pertaining to the cloud services pricing used by MSP respondents.

19. What are the fees you charge for core cloud services? (% of respondents - US\$)

Cloud Exchange email services, per mailbox per month				
Survey	Less than \$5	\$5.01 to \$10	\$10.01 to \$15	More than \$15
2013	19%	45%	33%	3%
2014	24%	47%	26%	4%

Cloud storage services, per GB per month				
Survey	Less than \$0.1	\$0.11 to \$0.25	\$0.26 to \$0.5	More than \$0.5
2013*	25%	22%	51%	
2014	14%	22%	32%	33%

*The 2013 answer ranges differ from the 2014 ranges.

Cloud backup services, per GB per month				
Survey	Less than \$0.1	\$0.11 to \$0.25	\$0.26 to \$0.5	More than \$0.5
2013*	17%	29%	54%	
2014	11%	19%	33%	38%

*The 2013 answer ranges differ from the 2014 ranges.

Cloud SharePoint services, per user per month				
Survey	Less than \$5	\$5.01 to \$10	\$10.01 to \$15	More than \$15
2013*	36%	19%	45%	
2014	37%	28%	28%	7%

*The 2013 answer ranges differ from the 2014 ranges.

Private cloud services, per environment (assume 4vCPUs and 4GB/100GB with 2 VMs) per month				
Survey	Less than \$200	\$201 to \$400	\$401 to \$600	More than \$600
2013*	11%	52%	37%	
2014	19%	41%	30%	9%

*The 2013 answer ranges differ from the 2014 ranges.

Cloud monitoring services (assume VMs, network performance, applications, and datacenter server) for 25 devices and 2,500 metrics, per month					
Survey	Less than \$500	\$500 to \$1000	\$1001 to \$1500	\$1501 to \$2000	More than \$2000
2013*	2%	41%	21%	36%	
2014	35%	29%	14%	9%	14%

*The 2013 answer ranges differ from the 2014 ranges.

E. Mobile Services Pricing

This section provides the survey results pertaining to the mobile services pricing used by MSP respondents.

20. Do you actively manage mobile devices (smartphones and tablets) for your clients via MDM and BYOD management services? (% of respondents)

Response	Percent
We only provision and setup the mobile devices with basic settings but do not actively manage them.	27.8%
We do not actively manage mobile devices today but plan to do so in next 6 months.	20.6%
We focus only on the core MDM services: device locking, remote wiping, location tracking, app inventory, etc.	13.7%
We focus on the core MDM services (device locking, remote wiping, location tracking, app inventory etc.) as well as BYOD services (containerized apps for email, docs and browser).	8.9%
No, we do not offer these services.	29.0%

21. What is the demand for mobile management services (MDM, BYOD or both) from your end customers? (% of respondents)

Total number of devices supported across all customers					
None	1 to 100	101 to 200	201 to 500	501 to 1000	More than 1000
48%	32%	9%	4%	3%	4%

22. What are the fees you charge for MDM services per device, per month? (% of respondents providing these services - US\$)

No separate charge	Less than \$5.00	\$5.01 to \$10.00	\$10.01 to \$15.00	More than \$15.00
50%	24%	15%	6%	5%

23. What are the fees you charge for BYOD services per device, per month? (% of respondents providing these services - US\$)

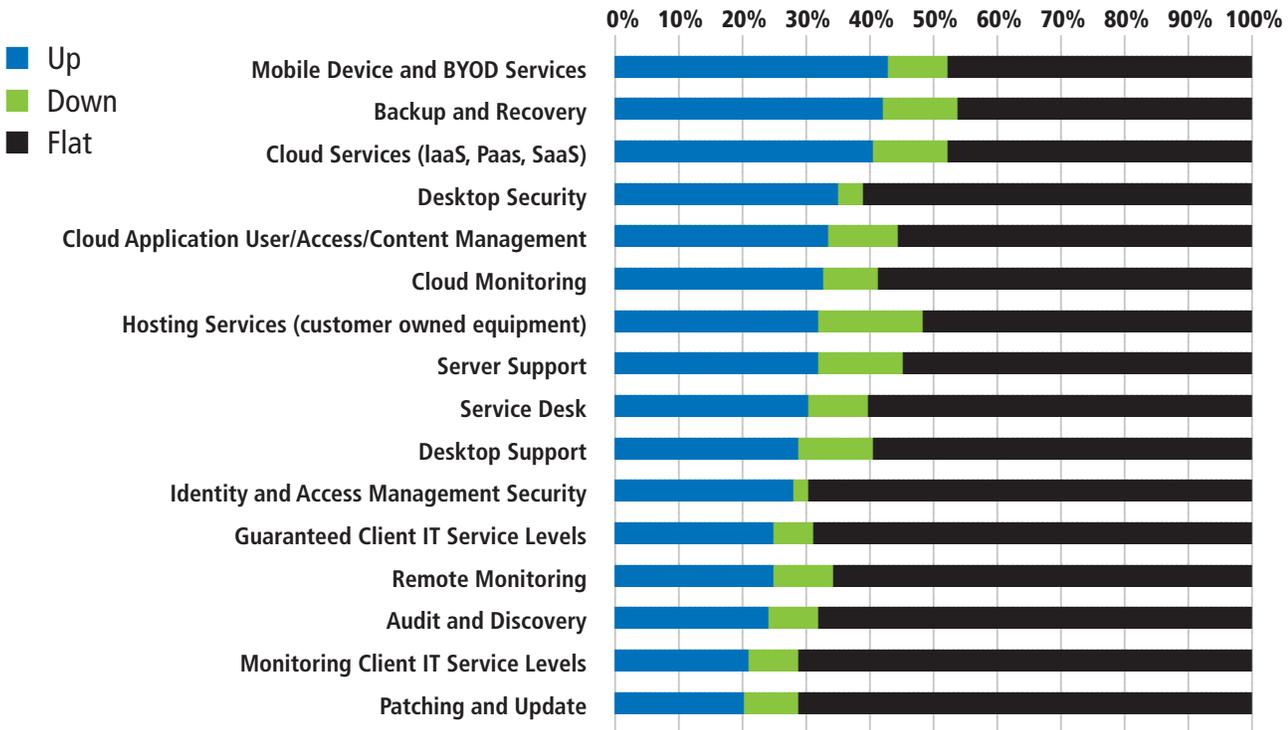
No separate charge	Less than \$5.00	\$5.01 to \$10.00	\$10.01 to \$15.00	More than \$15.00
50%	13%	11%	9%	10%

F. Future MSP Pricing Plans/Trends

In this section, we present the outlook for 2015 pricing based on predictions provided by MSP respondents together with the key 2015 challenges expected of MSP clients.

24. What are your expected service pricing plans for the next 12 months?

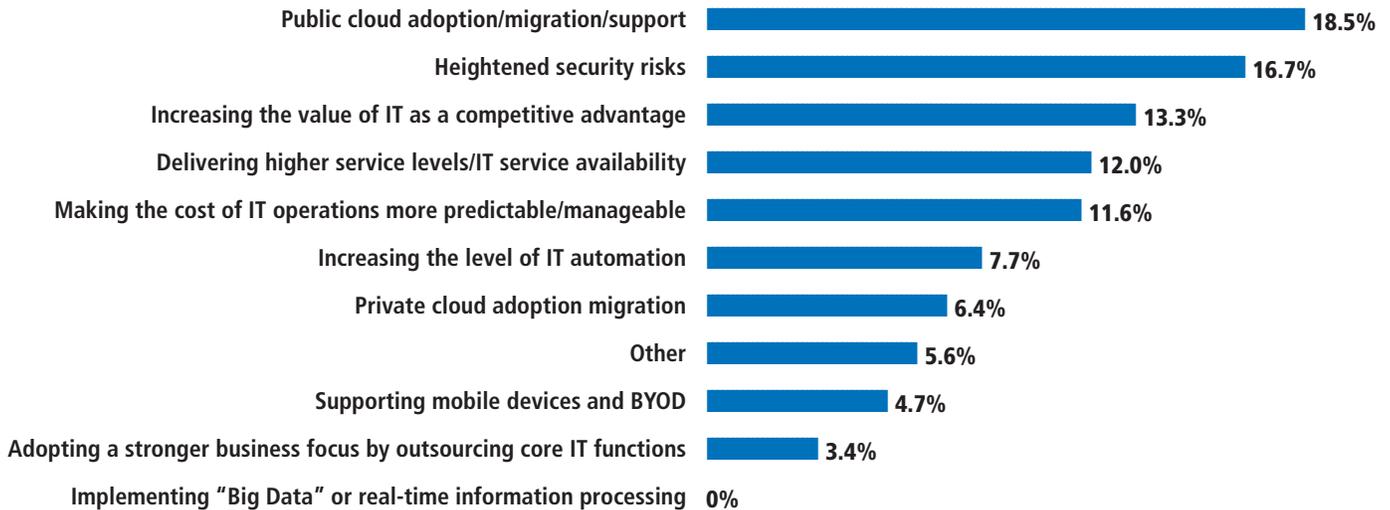
a. Service pricing plans by service for 2015. (% of respondents)



b. Service pricing plans by service and region for 2015. (% of respondents)

Managed Service	North America			EMEA			Asia Pac		
	Up	Down	Flat	Up	Down	Flat	Up	Down	Flat
Mobile Device and BYOD	48%	5%	48%	43%	13%	43%	39%	21%	39%
Cloud (IaaS, Paas, SaaS)	45%	7%	48%	44%	6%	50%	33%	30%	37%
Backup and Recovery	44%	10%	46%	46%	8%	46%	44%	24%	32%
Cloud Application User/Access/Content Mgmt.	41%	7%	52%	34%	3%	62%	28%	21%	52%
Cloud Monitoring	41%	6%	53%	30%	3%	67%	23%	17%	60%
Desktop Security	40%	3%	57%	31%	3%	66%	35%	3%	62%
Hosting Services (customer owned equipment)	39%	9%	52%	32%	10%	58%	29%	36%	36%
Server Support	36%	11%	53%	41%	11%	49%	24%	18%	59%
Service Desk	34%	6%	60%	31%	9%	60%	36%	15%	48%
Desktop Support	33%	10%	58%	27%	8%	65%	33%	15%	52%
IAM Security	32%	2%	67%	22%	4%	74%	32%	3%	65%
Audit and Discovery	29%	3%	67%	19%	9%	72%	30%	15%	55%
Remote Monitoring	27%	5%	68%	31%	6%	64%	30%	18%	52%
Guaranteed IT Service Levels	26%	5%	69%	30%	7%	63%	38%	6%	56%
Monitoring IT Service Levels	22%	4%	75%	24%	9%	67%	28%	16%	56%
Patching and Update	19%	5%	76%	31%	6%	64%	24%	21%	56%
Average	35%	6%	59%	32%	7%	61%	32%	17%	51%

25. What do you expect to be the top IT problem or service need for your client(s) in 2015?



Key Findings

The 2014 Kaseya MSP Pricing Survey results show strong growth for managed services over the past few years. In this report, 23% of respondents report that their average annual MRR growth over the last three years is over 20%.

Looking in more detail at which services have contributed to growth in the past 12 months, among those MSPs with >10% MRR growth rates, approximately 80% noted growth in server support, remote monitoring, cloud services, backup and recovery, service desk, mobile device / BYOD management, and desktop support service revenues.

Also of note is that MSPs with higher growth rates are offering emerging services such as guaranteed client IT service levels, mobile device and BYOD services, and cloud application user/access/content management in higher numbers than MSPs with lower growth rates.

Respondents expect the top IT problem or service need for clients in 2015 to be migration to the public cloud and support of these services. However, only 53% of respondents report offering cloud services today, highlighting a potentially significant business opportunity for MSPs that can offer these services in 2015. Respondents expect the second most critical IT problem or service need for clients in 2015 to be heightened security risks. While 76% of respondents provide desktop security services today, only 28% of respondents provide identity and access management security, highlighting another potentially significant business opportunity for MSPs that can offer identity and access management in 2015.

Mobility management is an emerging service that more MSPs will be offering in the near term. Approximately half of respondents are offering mobile management services today (MDM, BYOD, or both), and another 21% plan to do so in the next six months. Respondents showed mixed strategies for whether or not to charge separately for mobility management, which likely reflects the emerging nature of this space.

In terms of overall pricing strategy, the 2014 results show a marked difference from the 2013 study with a much larger number of MSPs moving towards value-based pricing. Whereas 26% of respondents in 2013 were employing a value-based pricing approach (as opposed to a cost-based or a market price-match approach), in 2014 that percentage jumped to 59%. And of the higher growth MSPs in 2014, 68% are employing value-based pricing.

In summary, this report shows us that the MSP market continues to grow at a healthy rate. It also indicates that there are significant opportunities in 2015 for MSPs to offer new and advanced services and to employ value-based pricing, in order to drive continued revenue growth.



Kaseya is the leading provider of cloud-based IT management software. Kaseya solutions allow Managed Service Providers (MSPs) and IT organizations to efficiently manage IT in order to drive IT service and business success. Offered as both an industry-leading cloud solution and on-premise software, Kaseya solutions empower MSPs and mid-sized enterprises to command all of IT centrally, manage remote and distributed environments with ease, and automate across IT management functions. Kaseya solutions are in use by more than 10,000 customers worldwide in a wide variety of industries, including retail, manufacturing, healthcare, education, government, media, technology, finance, and more. Kaseya is privately held with a presence in over 20 countries. To learn more, please visit www.kaseya.com