2019
MSP BENCHMARK
SURVEY
RESULTS REPORT

Introduction

Digital transformation is giving rise to a new wave of service providers that are swooping in with cutting-edge technologies and services to meet client needs. While the barriers to enter the managed service provider (MSP) market remain fairly low, competition is at an all-time high, and market leaders are differentiating themselves like never before.

Kaseya provides IT systems management software that helps MSPs and midsize companies drive growth, innovation, and most importantly, customer success. Kaseya's solutions manage over 10 million devices worldwide across a wide variety of industries and have earned the company a leading position among MSPs around the globe.

This position provides Kaseya with a unique perspective to examine the global IT services industry. Nowhere is this more evident than in our annual MSP Benchmark survey.

The results from our 2019 survey demonstrate unequaled visibility into the types – and portfolios – of IT services that MSPs deliver to clients. This year we analyzed detailed data provided by owners and operators of more than 800 MSP firms of all sizes spread across over 40 countries. The results offer a wealth of knowledge about the types of services MSPs currently offer, how these services are priced, and how the MSP marketplace continues to evolve.

Key Findings

Five key themes emerged in this year's findings.

Integration matters the most

The MSP terrain is shifting quickly, too quickly for you to consider only your current requirements. While remote monitoring and management (RMM) needs are paramount, and an RMM solution remains the most critical application for MSP operations, the respondents were in near unanimous agreement that integration of RMM and PSA drives better bottom line profits.

In general, MSPs need heterogeneous solutions that can be easily integrated with each other and can extend technical capabilities between multiple tools when necessary. This combination of the rise of the MSP platform, value from margin and differentiation — particularly in security and infrastructure and network management — is shaping 2019 to be the year of the MSP Platform.

Infrastructure is now table stakes

While providing RMM is critical, it is the bare minimum in terms of services an MSP can offer and an MSP that wishes to grow — either organically or through acquisition — must look beyond that to higher margin ways to deliver infrastructure services.

Security continues to be a competitive differentiator. In addition, infrastructure monitoring, compliance, desktop support, and connectivity support continue to be the most revenue generating services.

Security and Compliance — it's truly about protecting data

Security needs escalate fast; cyber-threats escalate faster. Security continues to be the key differentiator as the frequency and variety of threats continue to mutate. On top of it, there is an inherent need to implement an effective compliance reporting protocol. Standing on the sidelines and waiting for someone else to figure it out is no longer an option for MSPs.

Backup is seeing big changes

Attribute it to the colossal amount of data being generated by emerging technologies like big data, IoT, and AI or to the millions of connected device we use every day. As the decade of data approaches its apex, it brings along the need to step up your backup game, and MSPs are leaving no stone unturned to pump up their data backup abilities. Appliance-based backup in particular is seeing rapid growth, presumably due to the higher margins and growth opportunities it offers for MSPs.
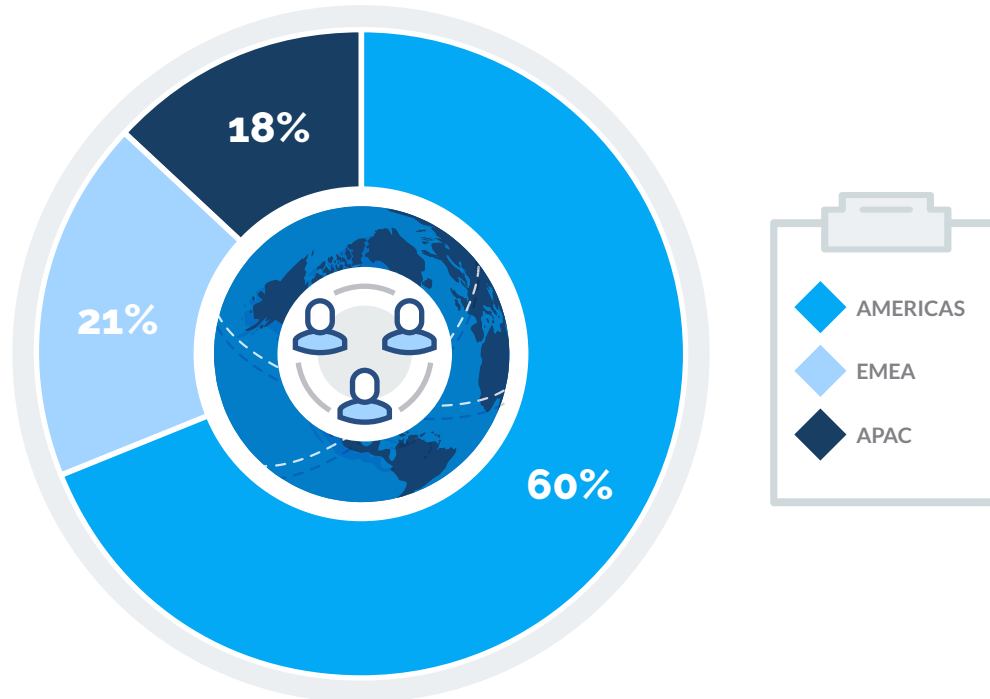
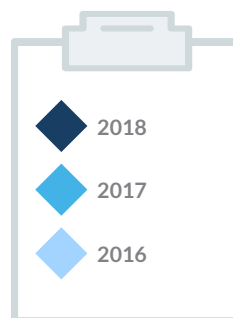## Stabilization of the MSP Business Model

It appears that the MSP ecosystem is headed in the right direction as the year-over-year distribution of break-fix vs. managed services hold steady. From a pricing model perspective, there has been minimal change in revenue distribution in recent years — a key indicator that the MSP business market has largely stabilized. MSPs are no longer trying to compete on price; instead they focus on playing to their strengths and differentiate themselves by spinning diverse options.

Meet Our Respondents

Our respondents represent over 800 MSPs spread across 40 countries from all geographies.

18%

21%

60%

◆ AMERICAS
◆ EMEA
◆ APAC

They represent a wide range of company sizes.

Less than 10
36%
40%
45%

10-25
23%
24%
30%

26-50
11%
13%
12%

51-100
7%
8%
6%

100+
21%
15%
10%

◆ 2018
◆ 2017
◆ 2016
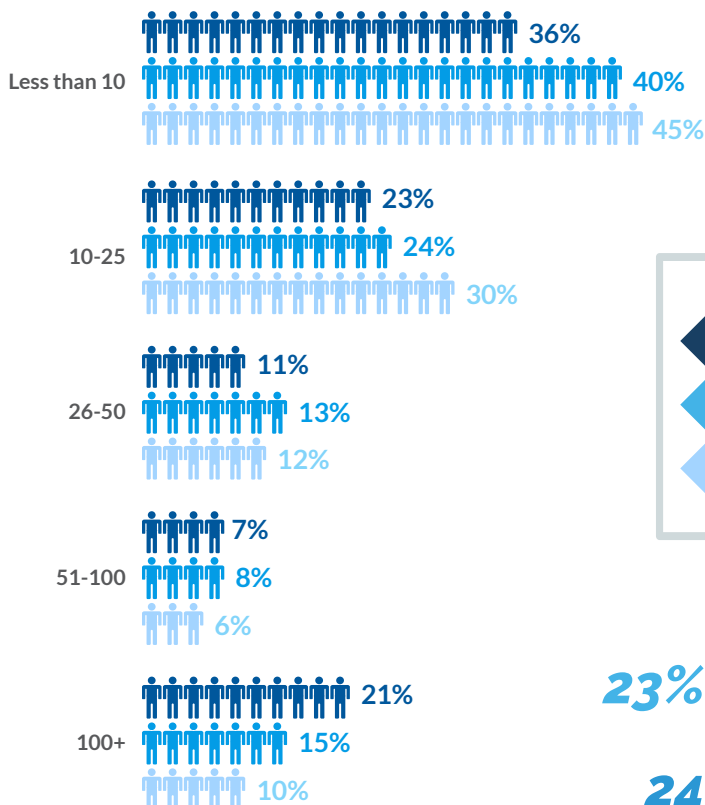
Although well over 50 percent of respondents come from service providers with 25 or fewer employees, nearly half of them manage over 1,000 endpoints.

23% of respondents manage over 3,000 endpoints

24% manage between 1,001-3,000 endpoints

ENDPOINTS MANAGED

Endpoints	Percentage
15,000+	5%
10,001-15,000	3%
5,001-10,000	7%
3,001-5,000	8%
1,001-3,000	24%
501-1,000	16%
101-500	23%
26-100	8%
1-25	5%
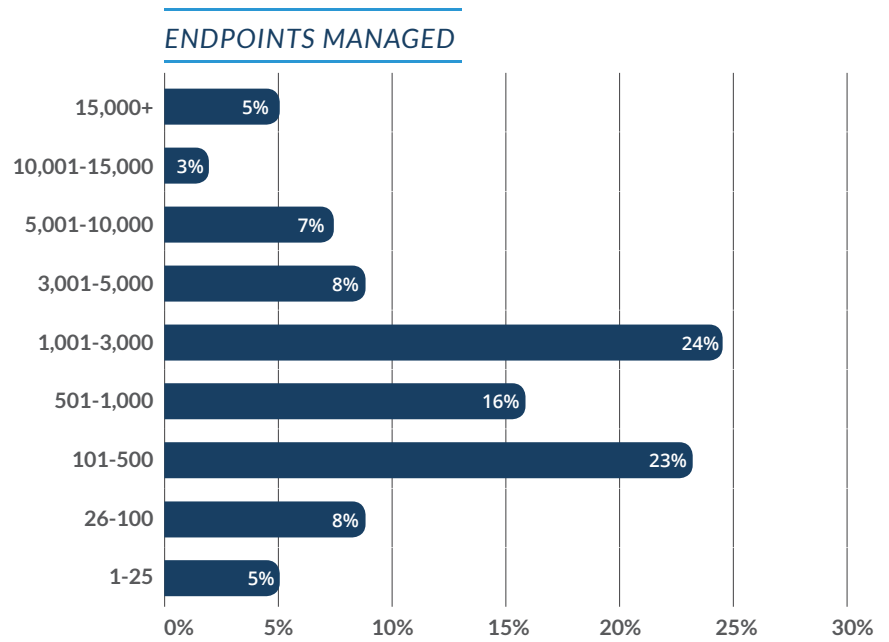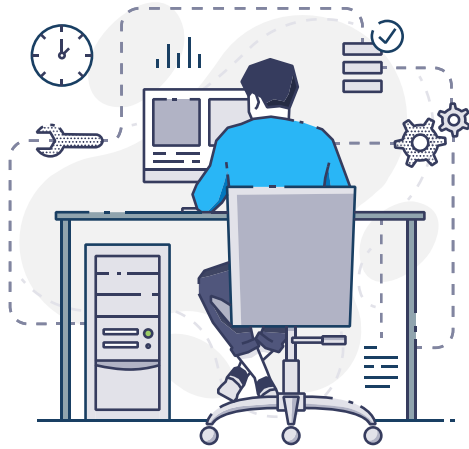
Size has little bearing on business reach, but is acutely felt at each end of the spectrum.

NO. OF EMPLOYEES	1-25	26-100	101-500	501-1,000	1,001-3,000	3,001-5,000	5,001-10,000	10,000-15,000	>15,000
Less than 10	62%	61%	61%	51%	18%	8%	5%	0%	0%
10 - 25	20%	14%	12%	21%	46%	37%	5%	0%	5%
26 - 50	4%	13%	5%	5%	17%	24%	24%	0%	2%
51 - 100	4%	3%	5%	5%	5%	15%	24%	12%	12%
More than 100	9%	9%	17%	18%	13%	16%	41%	88%	81%

Integration Matters

That more than half of all MSPs consider RMM to be their most important application is of little surprise, as it is core to their business operations. In addition, 9 in 10 respondents said the integration of RMM and PSA can help them drive better bottom line profits. The tools most critical to an MSPs' internal operations are as follow.

2018
2% · 9% · 14% · 51%

2017
6% · 13% · 16% · 20% · 24% · 45%

Legend:
- RMM
- IT Documentation
- PSA
- CRM
- General Ledger/Accounting
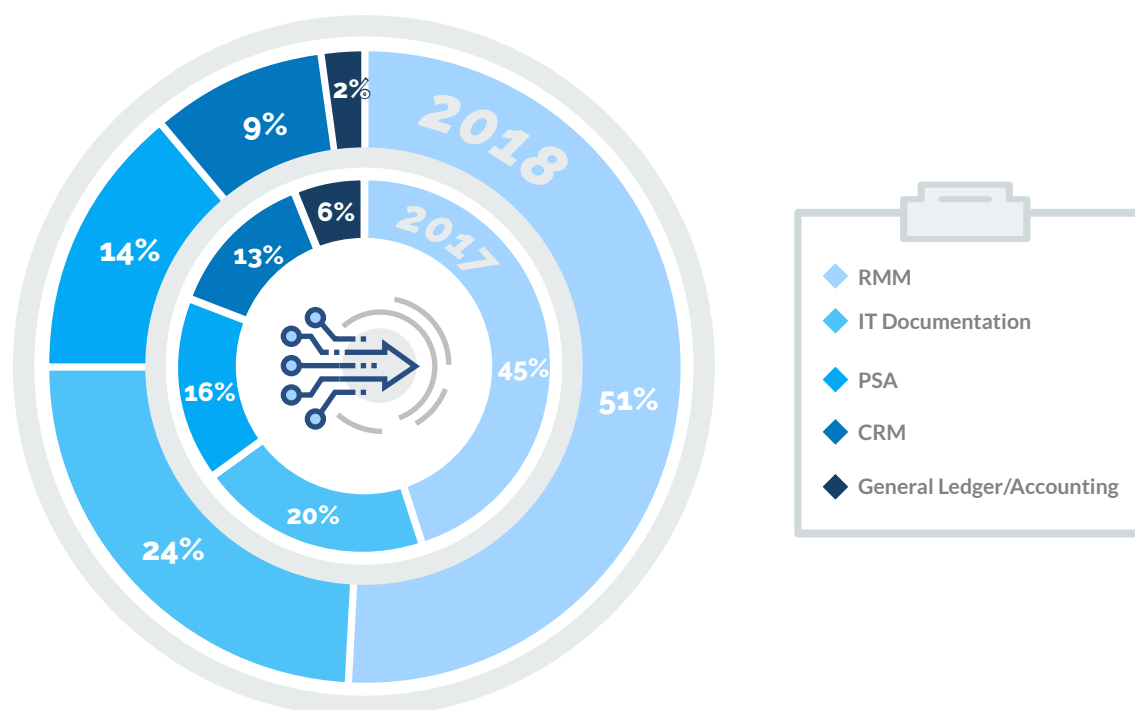
More than two-thirds of MSPs view integration between core MSP-specific applications (RMM, PSA, and IT Documentation solutions) to be very important or critical

Moreover, as we move into the year of the MSP Platform, bringing various services (e.g., security, alerts, patch management, and BCDR) under one umbrella will make integration more important than ever.

Other noteworthy insights include:

The demand for IT Documentation continues to rise, especially in the APAC region where almost one-third of respondents cite it as a must-have

53% of respondents said even though user experience is a critical factor to RMM or PSA purchase decision, solution functionality is also paramount

On a scale of 1 to 5, half of the respondents rated their core MSP-specific application between 4 and 5 in its capabilities to provide business intelligence and insights

MSPs resist these trends at their peril. Those planning to invest in closed solution suites — be forewarned. The reign of closed solution suites is over. Instead, MSPs should scout for tools with tight integration capabilities that enable applications and processes to talk to each other to facilitate a more data-driven culture.

Infrastructure is Becoming Bread and Butter

The break-neck pace at which infrastructure requirements are exploding makes it essential for most SMBs to seek out external expertise. This presents opportunities for savvy MSPs that understand that solid infrastructure management capabilities mean more than just offering bare-minimum services that keep them in the game.

Desktop, server and network support are ubiquitous, and are offered by 91 percent of MSPs. For an MSP to grow, it must look beyond these bread-and-butter offerings.
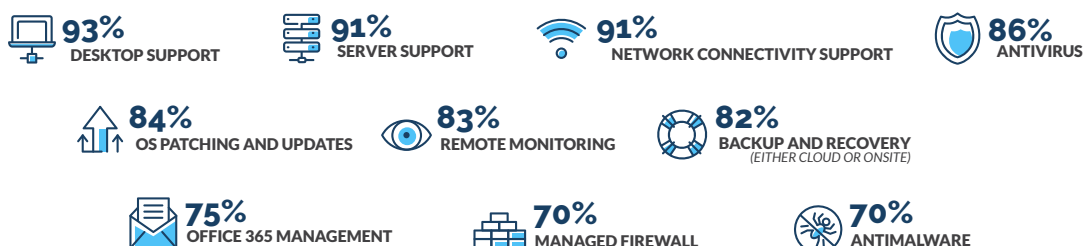
More than two-thirds of MSPs quote infrastructure availability among their top managed service

Since infrastructure management holds the potential to drive a major chunk of revenue, MSPs must find higher-margin ways to deliver infrastructure.

A majority of MSPs (70%) are turning to cloud to host their clients' infrastructure. Cloud offers a flexible infrastructure platform and drives higher profitability

The most frequently offered infrastructure management services MSPs provide are the following:

MANAGED SERVICES PROVIDED

93% DESKTOP SUPPORT　　**91%** SERVER SUPPORT　　**91%** NETWORK CONNECTIVITY SUPPORT　　**86%** ANTIVIRUS

84% OS PATCHING AND UPDATES　　**83%** REMOTE MONITORING　　**82%** BACKUP AND RECOVERY *(EITHER CLOUD OR ONSITE)*

75% OFFICE 365 MANAGEMENT　　**70%** MANAGED FIREWALL　　**70%** ANTIMALWARE

But not all services have experienced the same growth rates. Two-thirds of the respondents experienced an increase in revenue from security offerings, and 60 percent saw an increase from infrastructure monitoring.

SERVICES WITH LARGEST REVENUE INCREASES

66% SECURITY　　**60%** INFRASTRUCTURE MONITORING　　**58%** DESKTOP SUPPORT

55% CONNECTIVITY SUPPORT　　**49%** CLOUD MANAGEMENT
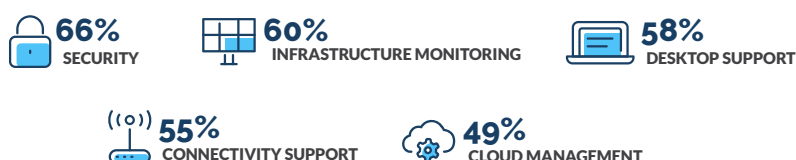
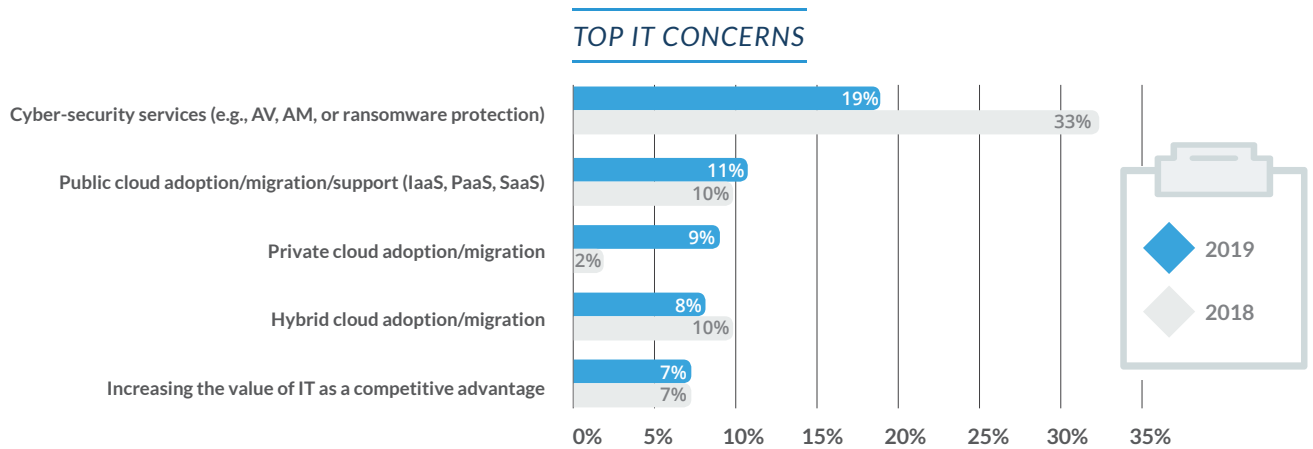**Conclusion?**
Relying on desktop and connectivity support is an effective strategy to survive. It will not suffice for MSPs looking to do more than that. Hence, high-growth MSPs are doubling down their efforts in security and infrastructure monitoring. Consider finding a niche that matches your internal skill set and leveraging it, or expanding your knowledge base to meet growing customer needs.

Top Concerns

In general, MSPs' top concerns changed little in the past year. Security and cloud remained paramount.

TOP IT CONCERNS

IT Concern	2019	2018
Cyber-security services (e.g., AV, AM, or ransomware protection)	19%	33%
Public cloud adoption/migration/support (IaaS, PaaS, SaaS)	11%	10%
Private cloud adoption/migration	9%	2%
Hybrid cloud adoption/migration	8%	10%
Increasing the value of IT as a competitive advantage	7%	7%

◆ 2019
◆ 2018

Cloud Adoption

For MSPs still sitting on the fence about whether to offer cloud services, it may already be too late. Cloud services offerings have passed the tipping point and may soon be as expected as desktop support or endpoint management. Don't let perfecting your offering get in the way of getting it done.

> **Close to 60% of respondents are currently hosting some sort of client infrastructure in a private cloud environment**

> **70% of respondents are currently managing some part of their clients in a public cloud environment (e.g., Azure, AWS or Google)**

Increasing the value of IT

There is another reason to consider unique offerings. If your MSP is doing the same exact thing as every other MSP, you have little room to bargain on price. Since price-based margins are dwindling and value-based profits are harder to achieve, there is an even greater need to diversify and enhance service offerings.

Playing it Safe with Security and Compliance

The demand for security-oriented services looms larger than ever for MSPs, as it becomes increasingly difficult for SMBs to address their security needs in-house. Blame it on the lack of resources to keep pace with the changing threat landscape or the dizzying scale and variety of attacks.

Comprehensive security management is a must-have to make sure your clients' systems and data are protected not only from malicious agents, but also from human error, oversight, and procrastination.

Our respondents get this: **98%** of respondents offer some sort of security offerings

The four most frequently offered services were predictable, and have been viewed as standard for some time.

FIREWALL AND VPN MANAGEMENT   **OS PATCHING (WINDOWS AND MAC)**   **ANTIVIRUS AND ANTIMALWARE**   **MANAGED FIREWALL**

While response trends were largely consistent across all geographies, security offerings were more widely offered in the Americas across the board.

	AMERICAS	APAC	EMEA	ALL RESPONDENTS
Firewall and VPN management	85%	74%	77%	81%
OS patching (Windows and Mac)	84%	73%	73%	80%
Antivirus and antimalware	84%	77%	70%	80%
Antivirus	82%	70%	73%	78%
Managed firewall	80%	78%	70%	78%
Password resets/self-service/ password management	68%	50%	51%	62%
Software management	63%	53%	62%	61%
Account creation/deletions	63%	56%	47%	59%
Active Directory repository (LDAP)	61%	57%	51%	58%
Third-party application updating	62%	44%	50%	57%
Two- or multi-factor authentication	59%	44%	46%	54%
Vulnerability and risk management	59%	43%	43%	53%
Real-time intrusion/threat detection	54%	41%	39%	49%
Network usage scanning *(for unusual behavior)*	52%	47%	40%	49%
Single sign-on	41%	40%	36%	40%
Automated incident response	36%	28%	28%	33%
High availability security operations center	28%	26%	36%	29%
Dark web activity	24%	8%	8%	18%
We do not provide any of these services	2%	1%	1%	2%

Compliance

Size is irrelevant when it comes to regulatory compliance. The rules that apply to the largest Fortune 500 enterprises also apply to the smallest SMBs. This is particularly challenging for small businesses with limited resources. That's where MSPs come in. Most likely you are already for addressing security needs. Compliance is another arrow in your quiver.

There is a strong correlation between implementing effective data security and compliance. Meeting compliance needs as part of your security strategy is advantageous for all parties, as it results in fewer breaches, thefts, and leaks that damage customer and prospect confidence in your offerings.

50% of respondents manage their customers' compliance obligations

Not surprisingly, the depth of impact of each compliance regulation varies by region, with more than **83%** of MSPs in the Americas impacted by HIPAA and **85%** of those in EMEA impacted by GDPR

However, we noticed some distinct variations in how geographies handle compliance needs. MSPs in EMEA are far less likely than those in the Americas to oversee customers' compliance needs. It remains unclear if it's a case of outsourcing compliance not having caught on or cultural differences.

The following compliance regulations were cited as having the biggest impact on MSPs and their customers.

	AMERICAS	APAC	EMEA	ALL RESPONDENTS
HIPAA	83%	26%	14%	55%
PCI DSS	60%	35%	32%	49%
GDPR	29%	58%	85%	48%
SOX	34%	17%	17%	27%
NIST	26%	9%	5%	18%
FINRA	17%	5%	0%	11%
Other	8%	18%	14%	11%

Network Monitoring Services

If monitoring is not a core part of your services yet, you are likely leaving a lot of money on the table. The top-tier MSPs know that apart from generating steady cash flow, the ability to monitor performance, availability and detailed information of key hardware and software elements goes a long way in determining utilization levels and identifying potential setbacks. You cannot monitor or manage what you do not know about. View more to manage more.

> The most popular network management services — LAN/WAN and Onsite, physical and virtual devices — are offered by *5%* more MSPs than in 2017

> Top networking services are more prevalent in EMEA and APAC than in the Americas. After the three most popular, it is a mixed bag

| SERVICE	AMERICAS	APAC	EMEA	ALL RESPONDENTS
LAN/WAN	89%	92%	90%	90%
Onsite, physical devices	87%	91%	89%	88%
Onsite, virtual devices	72%	72%	77%	73%
Public cloud *(MSP licensed)*	45%	49%	42%	45%
Private cloud *(MSP-owned equipment)*	42%	38%	44%	42%
Public cloud *(customer licensed)*	43%	42%	34%	41%
Hybrid cloud	39%	42%	40%	40%
Private cloud *(customer-owned equipment)*	39%	41%	40%	39%

Backup is Seeing Big Changes

Blame it on the data boom, the need for an effective disaster recovery method, compliance requirements, or the confidence organizations need for making that jump to the cloud — businesses are being pushed to increase their data backup capabilities to achieve the capacity needs of modern business. We asked the respondents about their preferred choice for backup and recovery model, and this is what they had to say.

BACKUP AND DISCOVERY SERVICES PROVIDED
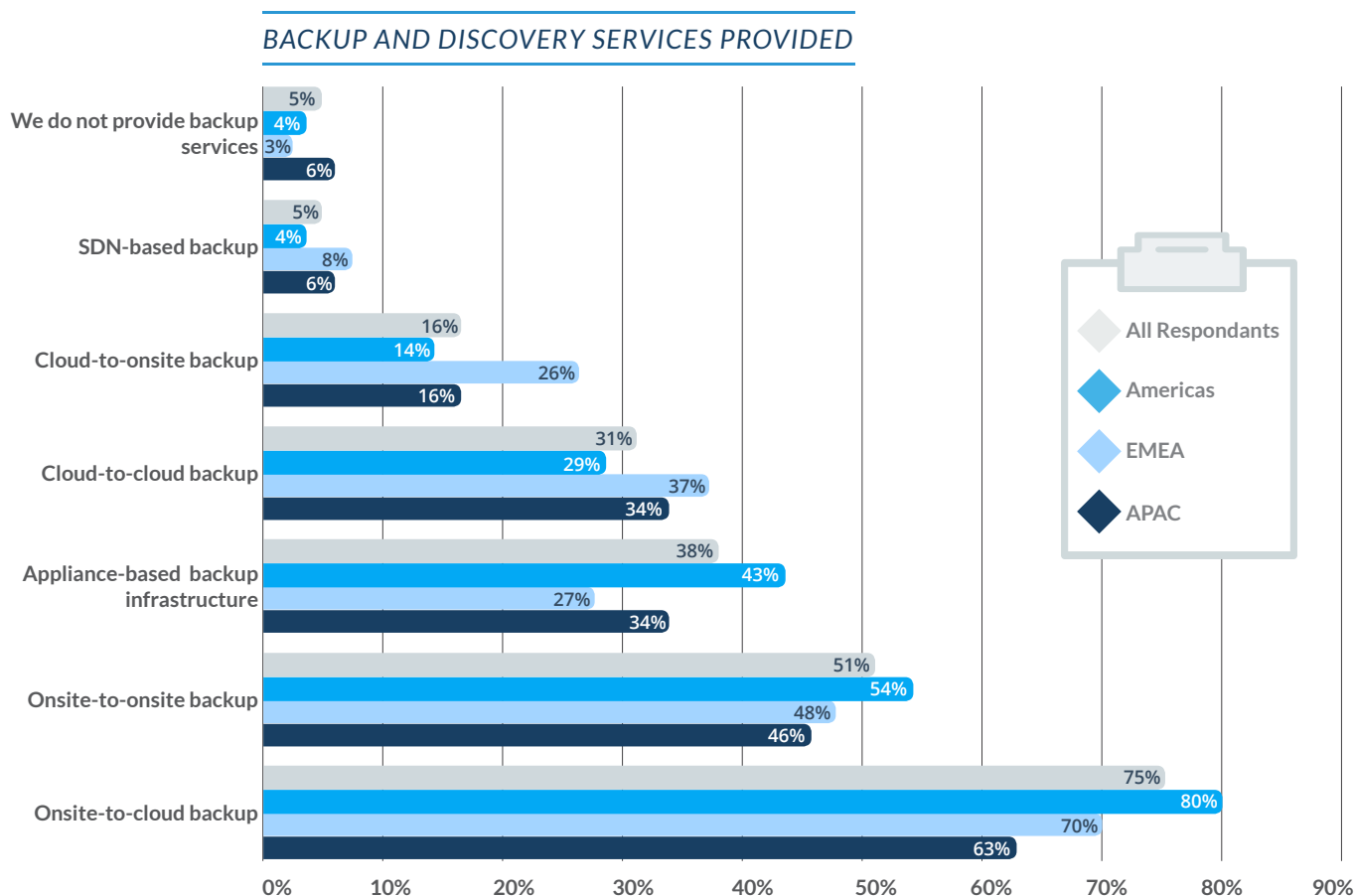
78% respondents use more than one backup provider to support their customers' BCDR needs

Onsite-to-cloud backup is on a roll across all geographies. Jumping from being offered by

AMERICAS 2017 **67%** → **80%** 2018

EMEA 2017 **33%** → **70%** 2018

APAC 2017 **35%** → **63%** 2018
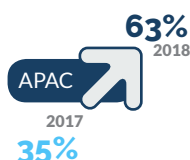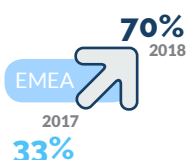
Onsite-to-onsite backup shows a steady growth of almost **20%** across all geographies

What took us by surprise, however, is the steady rise of appliance-based backup. Appliance-based backup grew from 33 percent in 2017 in the Americas to 43 percent in 2018, 15 percent to 27 percent in EMEA, and 10 percent to 34 percent in APAC.

We attribute this to the higher margins it offers MSPs, presenting yet another opportunity for growth.

Stabilization of the MSP Business Model

As disruptive as new technologies have been for MSPs, the MSP business market has largely stabilized, with no statistical differentiation in revenue distribution from prior years. The movement we saw was predictable and a continuation of the long-term trend of MSPs moving away from the traditional break-fix model. This consistency speaks to the current maturity model of MSPs.

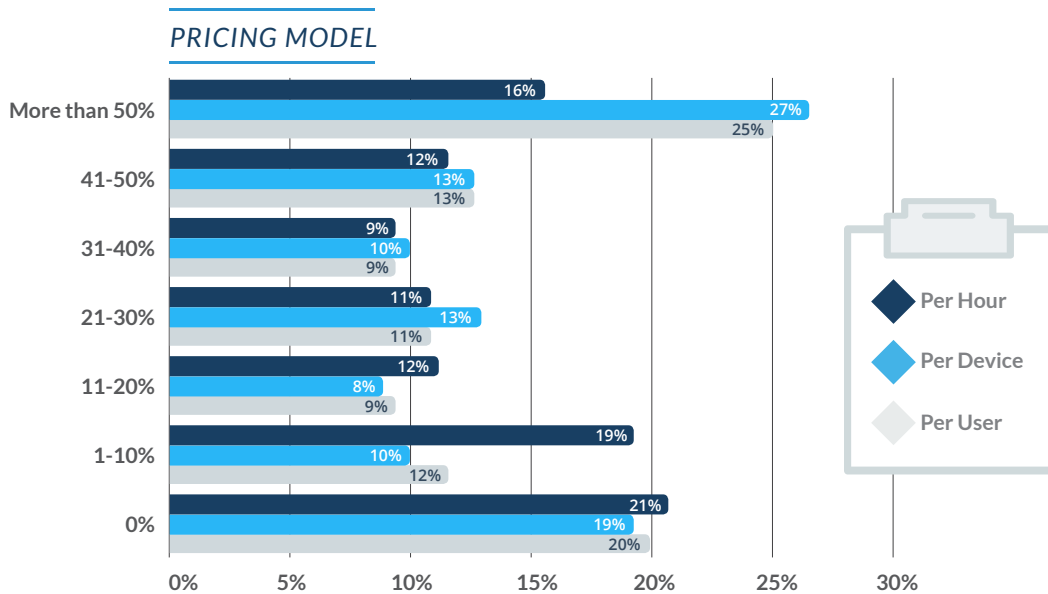| SERVICES	AMERICAS	APAC	EMEA	ALL RESPONDENTS
Managed services	37%	32%	23%	32%
Hardware or software resale	15%	18%	18%	16%
Break/fix services *(based on hourly, block hours, or staff augmentation)*	15%	13%	16%	15%
Professional (project) services	14%	17%	15%	15%
Software sales *(your own software)*	5%	6%	7%	6%
Private cloud services *(hosting client infrastructure)*	3%	3%	6%	4%
Public cloud services *(managing client infrastructure in public clouds; e.g., Azure, AWS, Google, IBM, US Signal, Rackspace, Pax8)*	3%	4%	5%	4%
Compliance assessment services	2%	1%	2%	2%
Enhanced security services *(e.g., 2FA, IDS/IPS, and penetration testing)*	0%	1%	2%	2%
DevOps *(delivering applications)*	1%	2%	1%	1%
Other	4%	3%	4%	4%

Growth and Pricing

As MSPs move away from relying on break-fix services, the impact is being felt across the industry, particularly in how MSPs set pricing. MSPs are split down the line between per-user and per-device pricing.

27% of respondents said more than *50%* of their customer base is charged on a *per-device model*

25% of respondents said more than *50%* of their customer base is charged on a *per-user model*

PRICING MODEL

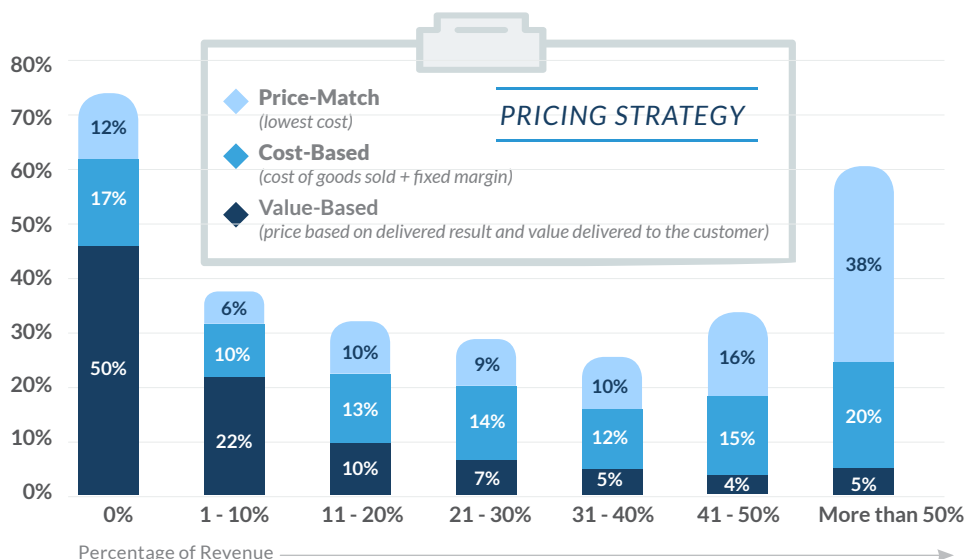|	Per Hour	Per Device	Per User
More than 50%	16%	27%	25%
41-50%	12%	13%	13%
31-40%	9%	10%	9%
21-30%	11%	13%	11%
11-20%	12%	8%	9%
1-10%	19%	10%	12%
0%	21%	19%	20%

◆ Per Hour
◆ Per Device
◆ Per User

The Pricing Model of Choice

Price-match strategies declined for the third consecutive year in favor of cost- and value-based pricing, with some back and forth in preferences between the two. Value-based pricing has been the most popular choice among respondents for at least four years.

38% of respondents said more than *50%* of their revenue comes from a *value-based pricing model*

20% of respondents said more than *50%* of their revenue comes from a *cost-based pricing model*

PRICING STRATEGY

◆ **Price-Match**
(lowest cost)

◆ **Cost-Based**
(cost of goods sold + fixed margin)

◆ **Value-Based**
(price based on delivered result and value delivered to the customer)

|	0%	1 - 10%	11 - 20%	21 - 30%	31 - 40%	41 - 50%	More than 50%
Price-Match	12%	6%	10%	9%	10%	16%	38%
Cost-Based	17%	10%	13%	14%	12%	15%	20%
Value-Based	50%	22%	10%	7%	5%	4%	5%

Percentage of Revenue

Conclusion

The MSP market has reached a tipping point. Differentiated offerings are driving more growth than traditional break-fix and basic monitoring services. High-performing MSPs are not necessarily the biggest, but rather those that are savvier and bring more services on the table. Top-performing service providers are ditching conventional models and choosing to compete on their strength rather than focusing solely on cost and repackaging the same old functionality. Security continues to be a perennial concern, and in-demand infrastructure services are opening new doors to recurring revenue. All in all, winning might be a lot easier than you think.

DOWNLOAD OUR EBOOK

How to Transform your Business to Become a Bionic MSP

and learn more about best practices from the top-growing MSPs.
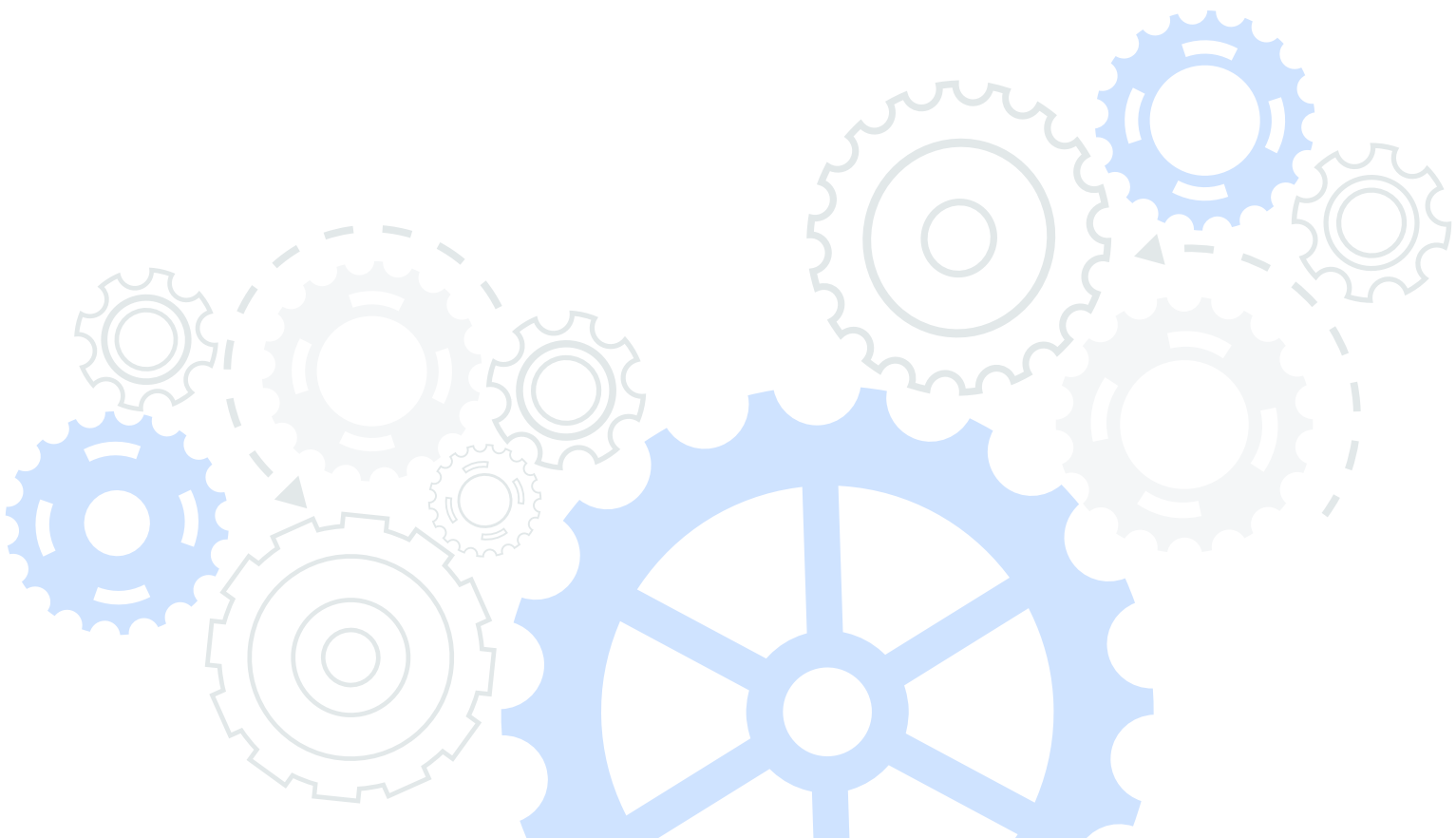
Additional Pricing Data

Respondents were asked a variety of questions around pricing strategies. Their answers are as follows.

On average, how much do you charge per user, per month for ongoing user support — e.g., help desk and end user device management (in $USD)?

	AMERICAS	APAC	EMEA	ALL RESPONDENTS
$25 or less/user/month	9%	22%	27%	15%
$26 - $50/user/month	15%	16%	29%	18%
$51- $100/user/month	20%	21%	7%	17%
$101 - $150/user/month	19%	5%	4%	13%
$151 - $200/user/month	3%	4%	0%	3%
More than $200/user/month	1%	3%	1%	1%
We do not offer per-user pricing	33%	29%	33%	32%

On average, how much do you charge, per device, per month for ongoing server support and maintenance (in $USD)?

	AMERICAS	APAC	EMEA	ALL RESPONDENTS
$25 or less/device/month	12%	11%	22%	14%
$26 - $50/device/month	16%	22%	18%	17%
$51- $100/device/month	19%	23%	14%	19%
$101 - $150/device/month	13%	14%	7%	12%
$151 - $200/device/month	8%	4%	4%	6%
More than $200/device/month	7%	7%	5%	7%
We do not offer per-device pricing	24%	19%	30%	24%

What is your most frequently quoted standard hourly rate (in $USD)?

	AMERICAS	APAC	EMEA	ALL RESPONDENTS
More than $250/hour	2%	1%	0%	2%
$201 - $250/hour	1%	4%	4%	2%
$101 - $200/hour	76%	62%	33%	64%
$51 - $100/hour	13%	14%	47%	21%
Up to $50/hour	6%	19%	17%	11%

What is the average size of your monthly managed services contract (in $USD)?

	AMERICAS	APAC	EMEA	ALL RESPONDENTS
Less than $1,000	19%	13%	22%	19%
$1,001 - $2,500	34%	21%	26%	30%
$2,501 - $5,000	30%	36%	19%	29%
$5,001 - $7,500	9%	13%	10%	10%
$7,501 - $10,000	5%	6%	4%	5%
More than $10,000	4%	11%	18%	8%

What percentage of your total (100%) customer base is represented by the following terms of contracts?

Legend: 0% | 1-10% | 11-20% | 21-30% | 31-40% | 41-50% | MORE THAN 50%
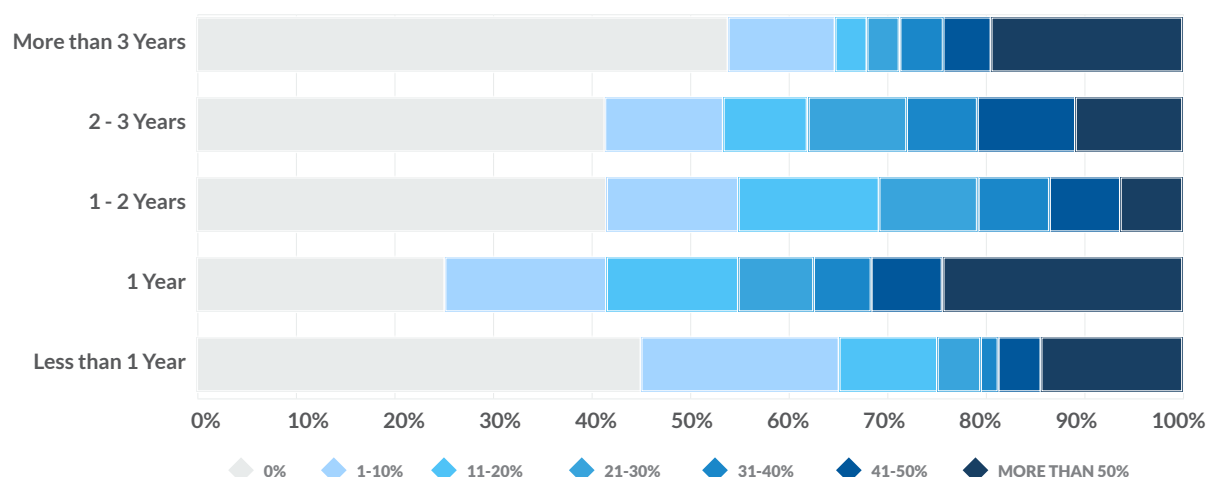
What is your margin range for the cloud services?

	AMERICAS	APAC	EMEA	ALL RESPONDENTS
> 50%	6%	4%	9%	6%
41% - 50%	7%	4%	7%	6%
31% - 40%	9%	15%	7%	10%
21% - 30%	14%	23%	20%	17%
11% - 20%	26%	30%	19%	25%
6% - 10%	14%	13%	21%	15%
< 5%	11%	2%	4%	8%
We do not offer cloud services at this time	14%	9%	13%	13%

How much do you charge for cloud monitoring services on a monthly basis (in $USD)?

	AMERICAS	APAC	EMEA	ALL RESPONDENTS
More than $2,000	7%	6%	12%	8%
$1,001 - $1,500	4%	13%	3%	5%
$1,501 - $2,000	2%	1%	1%	2%
$501 - $1,000	11%	9%	6%	9%
$251 - $500	16%	21%	14%	17%
Up to $250 per month	27%	28%	37%	29%
We do not provide these services	33%	22%	27%	30%

On average, how much do you charge per GB for cloud backup and recovery services (in $USD)?

	AMERICAS	APAC	EMEA	ALL RESPONDENTS
Less than $0.10 per month	12%	12%	12%	12%
Between $0.11 and $0.25 per month	36%	30%	23%	33%
More than $0.50 per month	11%	6%	11%	10%
Between $0.26 and $0.50 per month	24%	29%	30%	26%
We do not provide these services	17%	22%	23%	19%

Survey Methodology

Kaseya conducted its annual user survey in Q4 of 2018 using structured questionnaires. To simplify the questionnaires, pricing, and revenue information was requested in U.S. dollars, and respondents were asked to select from price ranges rather than to specify exact figures.

To provide an indication of trends, the report includes comparable 2016 and 2017 results where applicable. Results have been broken out by region where responses differ significantly across geographic areas. All results are included in the global statistics described as "2018."

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 (e.g., specific services offered in per-user pricing agreements, certain service contracts offered in remote regions of the world).

About Kaseya

Kaseya is the leading provider of complete IT management solutions for managed service providers (MSPs) and midsized enterprises. Through its open platform and customer-centric approach, Kaseya delivers best in breed technologies that allow organizations to efficiently manage and secure IT. Offered both on-premise and in the cloud, Kaseya solutions empower businesses to command all of IT centrally, easily manage remote and distributed environments, and automate across IT management functions. Kaseya solutions manage over 10 million endpoints worldwide. Headquartered in Dublin, Ireland, Kaseya is privately held with a presence in over 20 countries. To learn more, visit www.kaseya.com.