

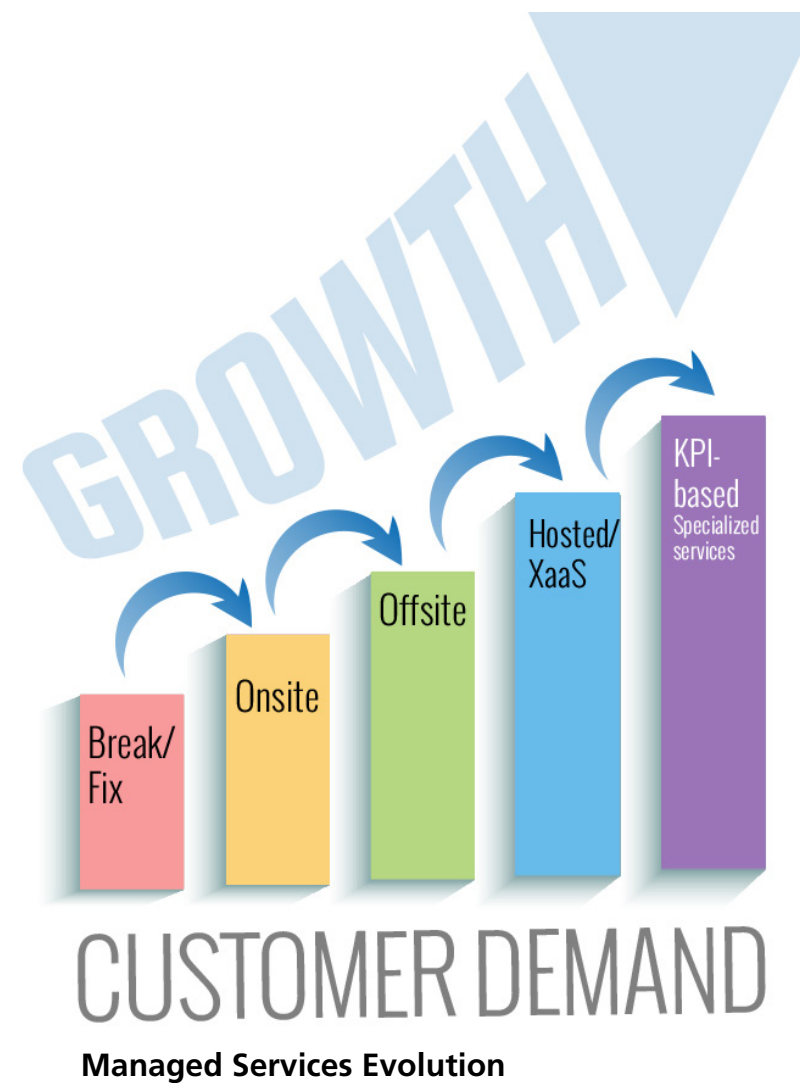


MSP Pricing Survey Findings

How Leading MSPs Achieve Higher Growth

INTRODUCTION

The fourth annual Kaseya MSP pricing survey attracted almost 700 responses from MSPs around the world. The 2014 survey included questions on a broad set of topics including demographics, growth rates, services offered, pricing strategies, the prices charged for a variety of services, and price revision plans for 2015. In this eBook, we highlight the key findings and compare the responses of MSPs who experienced higher monthly recurring revenue growth to those with lower growth rates.



Survey Results Reveal High Growth MSP Qualities

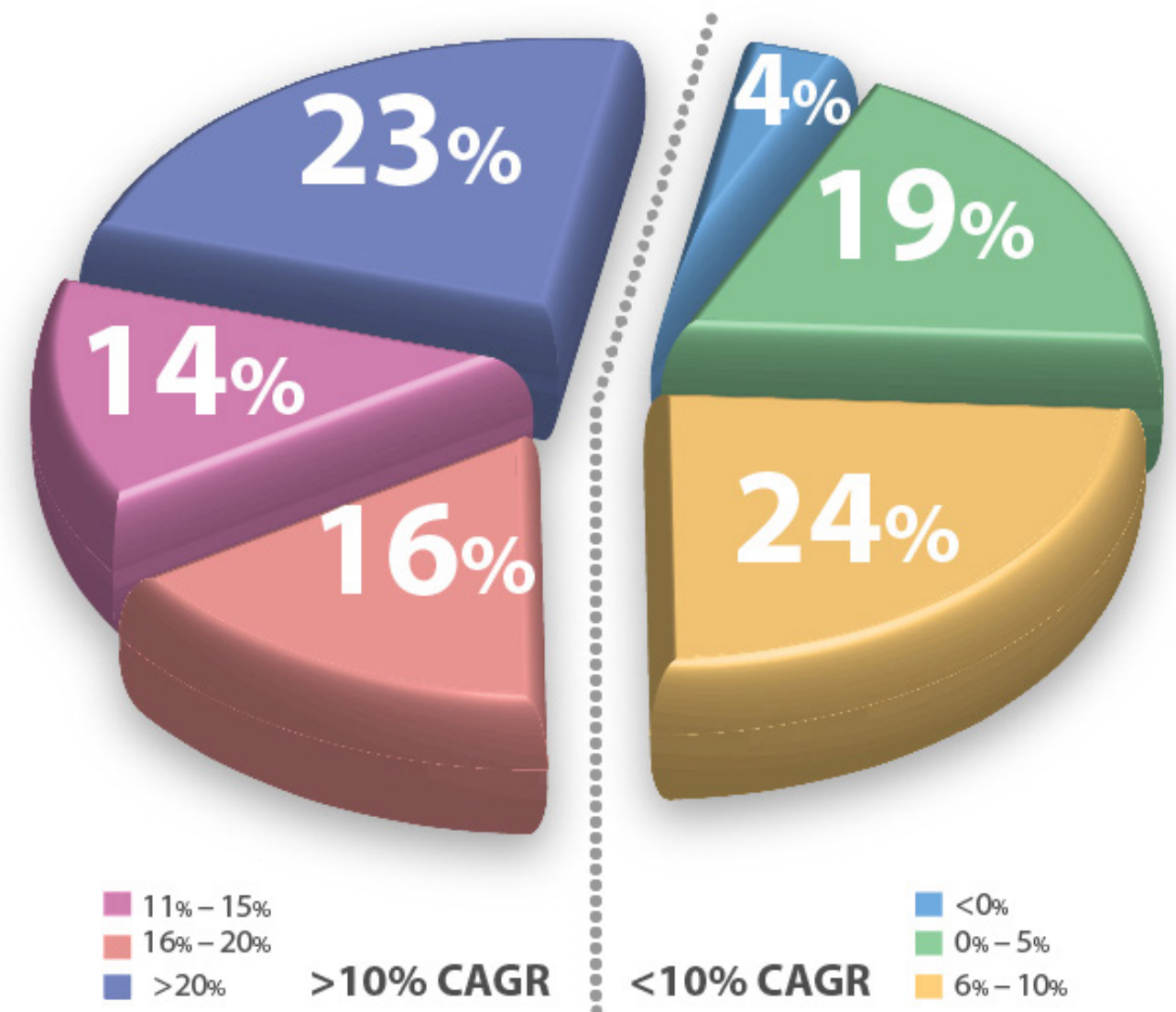
The global managed services market is forecast to grow at double-digit rates through 2016, representing a significant opportunity for MSPs to increase their managed services businesses.

We split our survey respondents into two growth categories, those growing their monthly recurring revenues (MRR) at greater than 10% per annum and those growing their MRRs at less than 10%. We compared the results and arrived at the following conclusions:

- 1 **MSP businesses are growing but their size matters**
- 2 **Higher growth MSPs adopt value-based pricing**
- 3 **MSPs are offering more managed services**
- 4 **Service bundling is becoming the norm**
- 5 **Faster growing MSPs are able to command higher fees**

MRR 3 Year Growth Rates

(weighted by response)



MRR 3 Year Average Growth Rates (weighted by response):
53% of survey respondents fall into the higher growth segment, growing at greater than 10% per annum.

MSP Businesses Are Growing But Their Size Matters

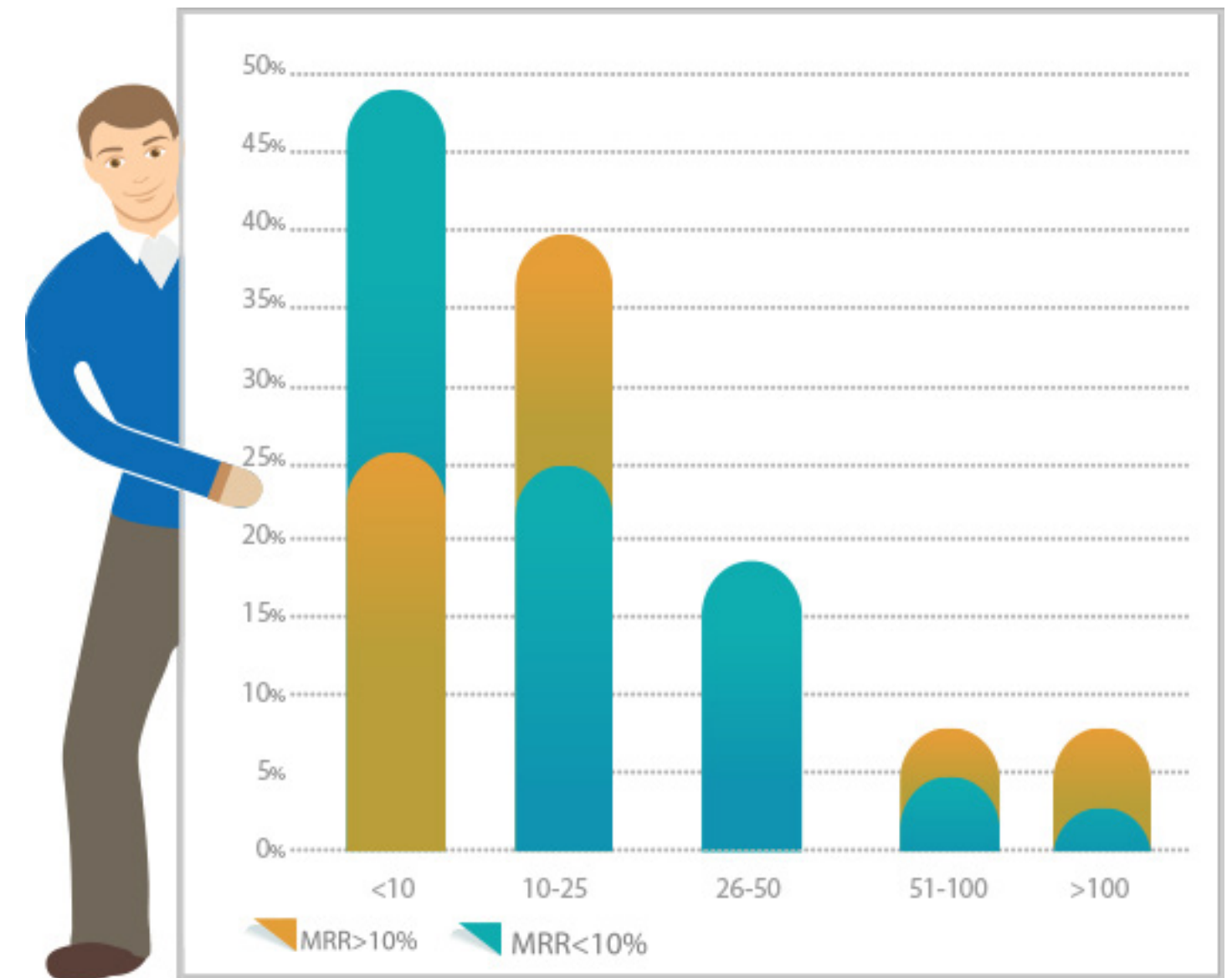
The survey results suggest that MSPs must break through the 10 employee “barrier” before they are fully able to generate higher growth. The highest proportion of faster growing MSPs fell into the 10 to 25 employee category. In sharp contrast, almost 50% of respondents with fewer than 10 employees grew their MRRs at less than 10% per annum during the previous three years. Nevertheless, approximately 1/3 of the MSPs with less than 10 employees did fall into the higher MRR growth category.

Some approaches that faster growing MSPs employ to achieve higher growth include:

- Using a value-based pricing and sales approach
- Charging more to support larger clients
- Upselling existing customers with additional service offerings
- Leveraging automation to maximize efficiency
- Having focused managed services sales and marketing capabilities

MRR Growth by Employee Size

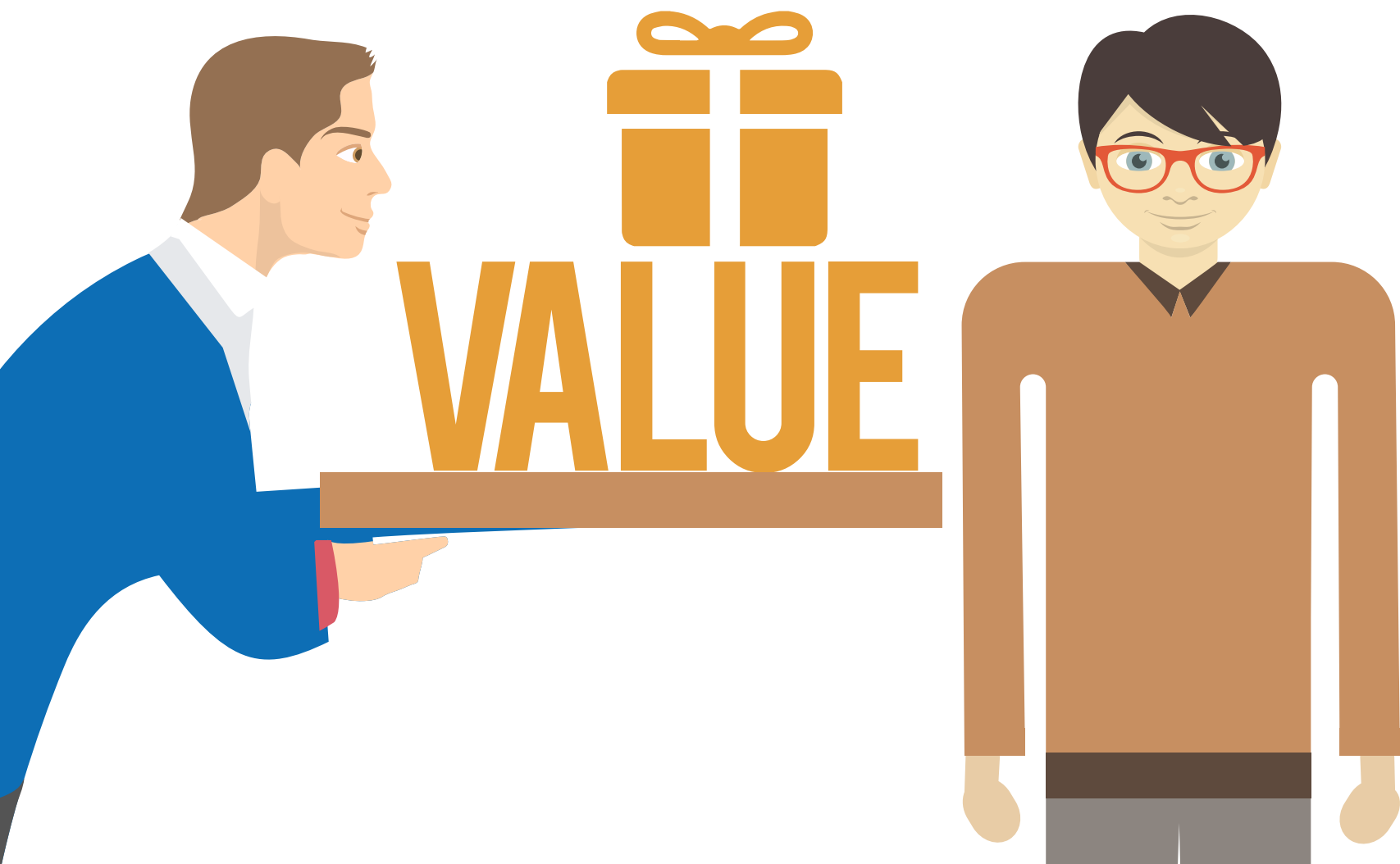
(weighted by response)



Higher Growth MSPs Adopt Value-Based Pricing

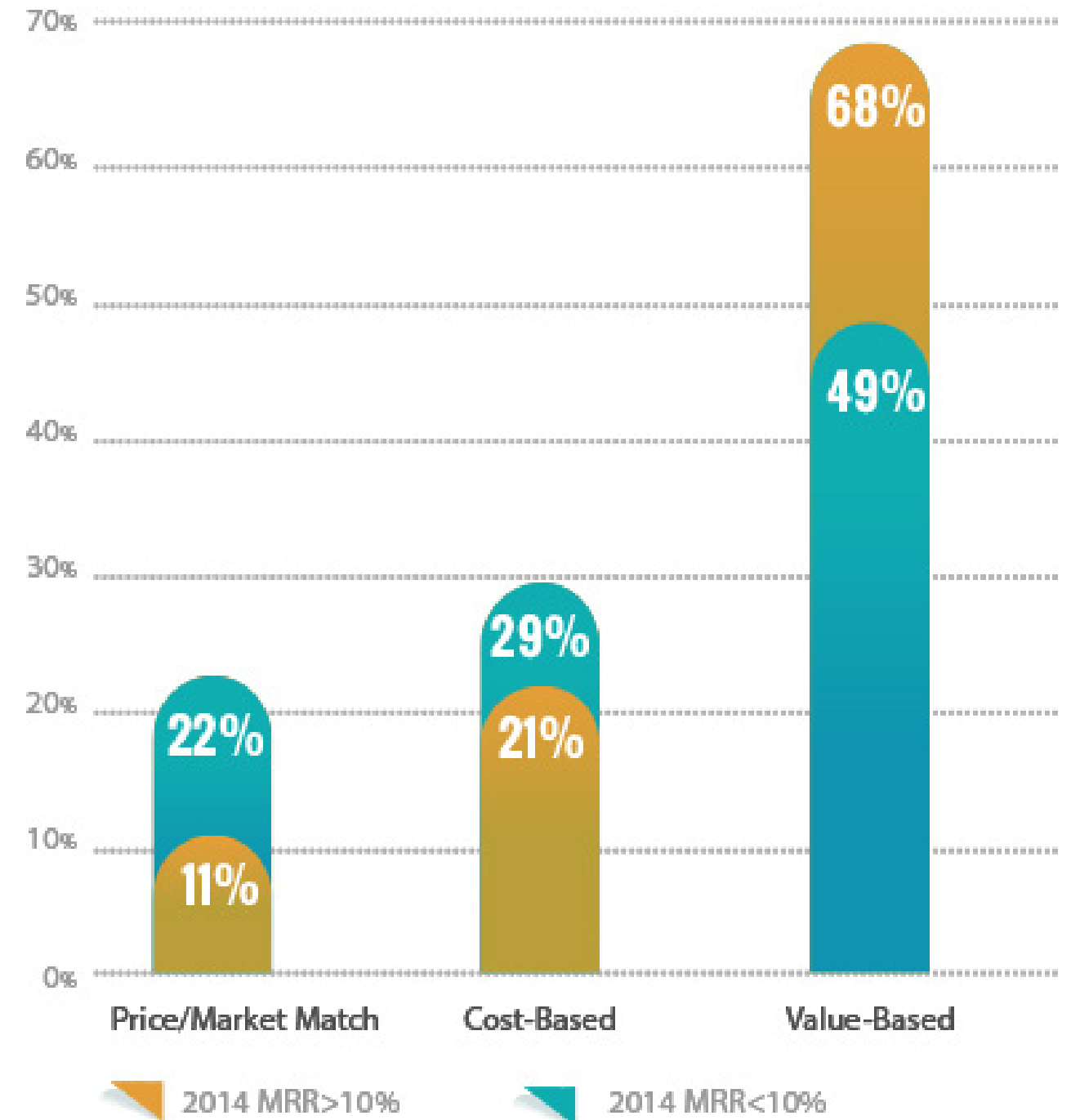
Higher growth MSPs predominantly adopted value-based pricing strategies – 68% of the total. In contrast, MSPs experiencing lower rates of growth are more likely to adopt cost-based or market-match pricing strategies.

The trend towards value-based pricing is clear. The 2013 Kaseya Pricing Survey results reported only 26% of respondents opting to use value-based pricing. In 2014, this number had risen to 59% of all participants. These results support the notion that managed services customers are increasingly interested in business value and are linking their purchases to key performance indicators (KPIs), such as system availability, performance levels, or other business based outcomes.



Pricing Strategy By Growth Rate

(weighted by response)



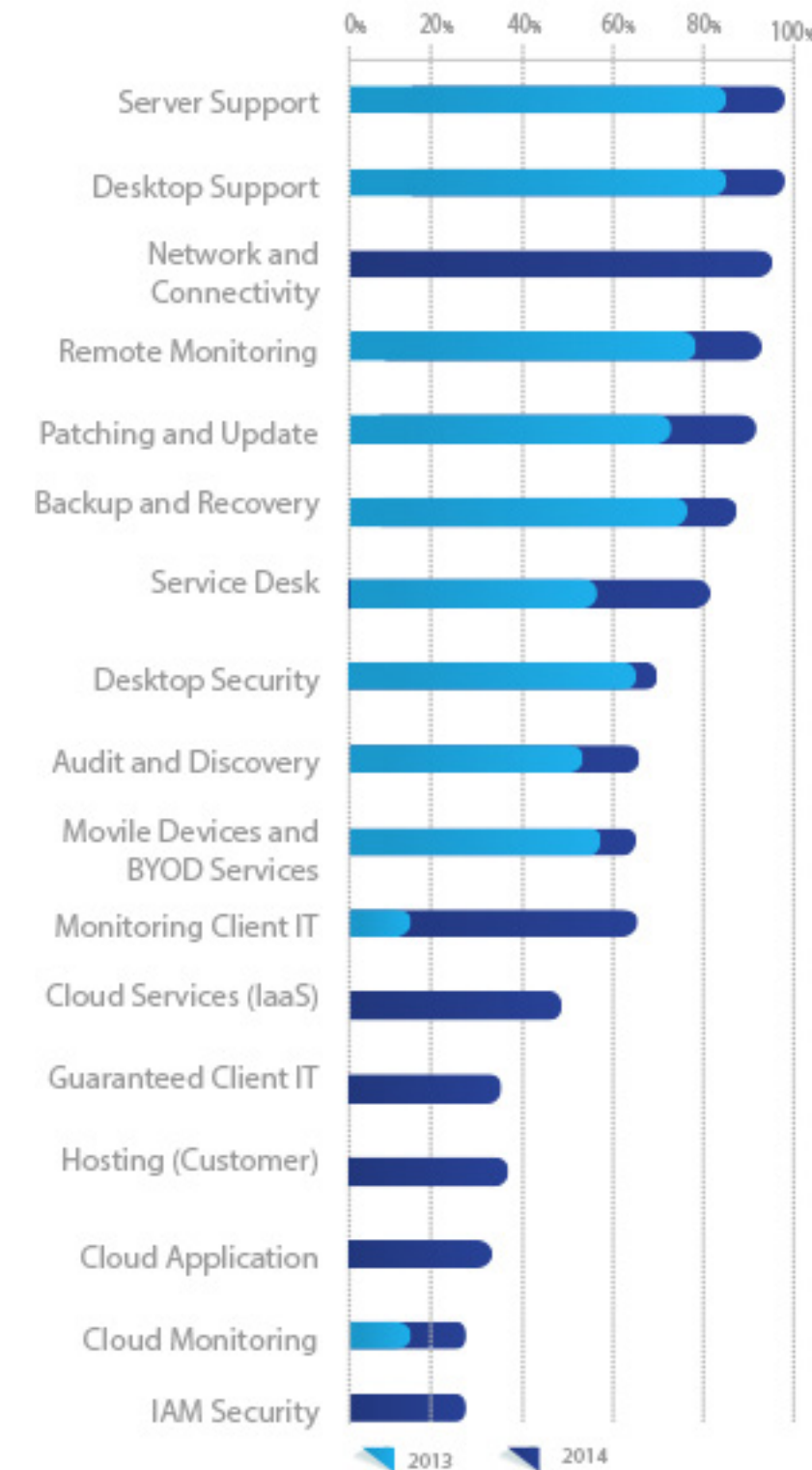
MSPs are Offering More Managed Services

MSPs are offering more managed services in 2014 than in 2013. In 2013, about 80% of survey respondents offered both desktop and server support services. In 2014, that percentage rose to 96%. In addition, a significant number of new services were added.

We believe this is a significant trend that supports the idea that MSP clients are very interested in bundled services, see more value in them, and are more interested in MSPs that deliver a broader range of services. Newer, more advanced services – particularly Cloud (IaaS, PaaS, SaaS), guaranteed IT service levels, hosting, Cloud application monitoring – are offered by a much higher proportion of those MSPs with faster growing businesses.

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Services Offered by Survey Year
(weighted by response)

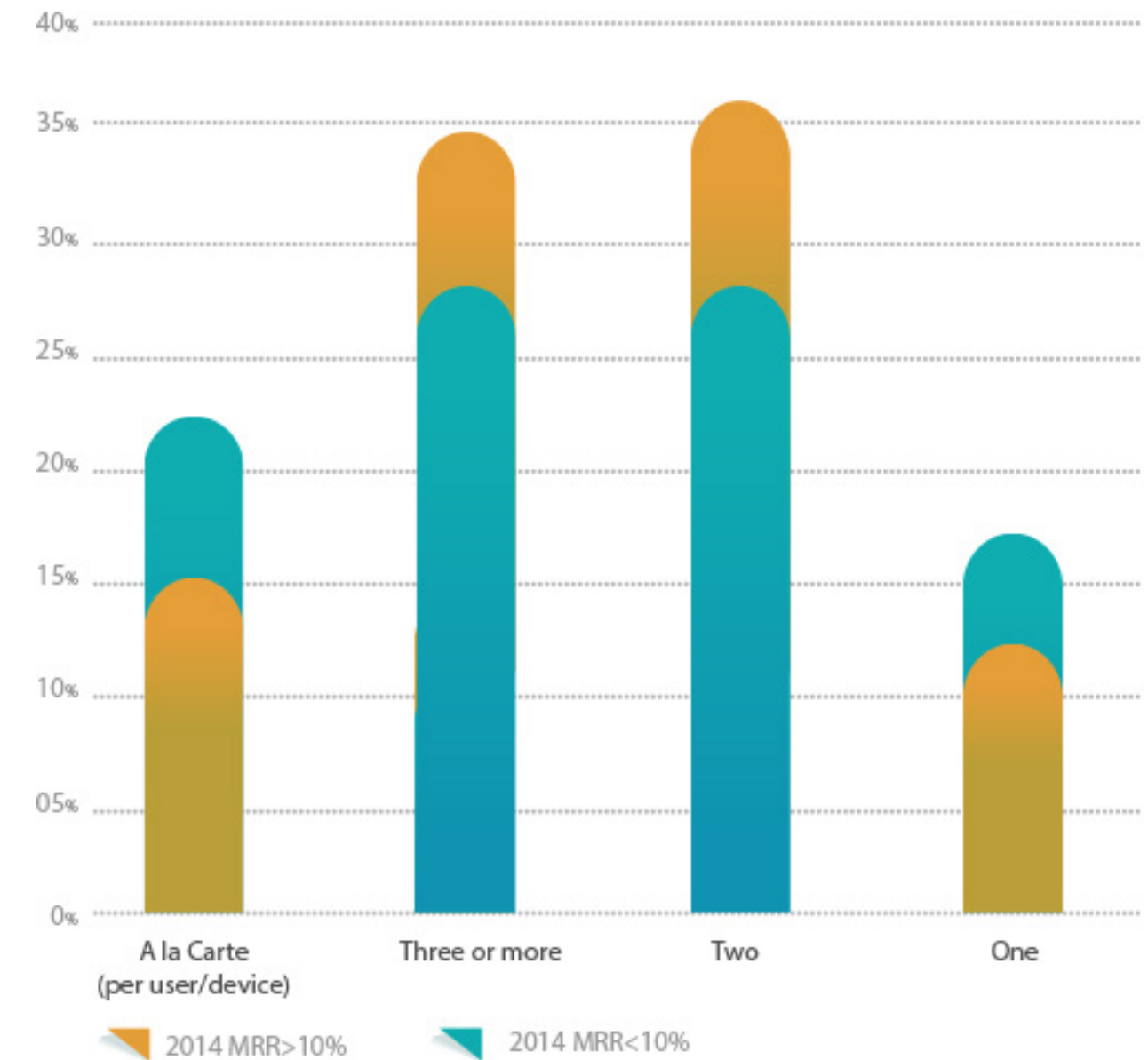


Service Bundling Is Becoming the Norm

Faster growing MSPs are bundling their services and limiting their bundles to a small number of tiers. The ideal scenario is to interest prospects in a basic, less expensive, level of service and then upsell them to a comprehensive service bundle. The rationale is simple. To be most effective, MSPs need to be able to monitor and manage as many aspects of a customer's IT infrastructure as possible. When there are large gaps in coverage, or, when there are several service providers involved in supporting the customer, finger pointing becomes inevitable and diagnosing who did what and when becomes a major portion of the support work. In addition, many SMBs are attracted by the added value the comprehensive bundles represent.

Number of Service Tiers/Bundles

(weighted by response)



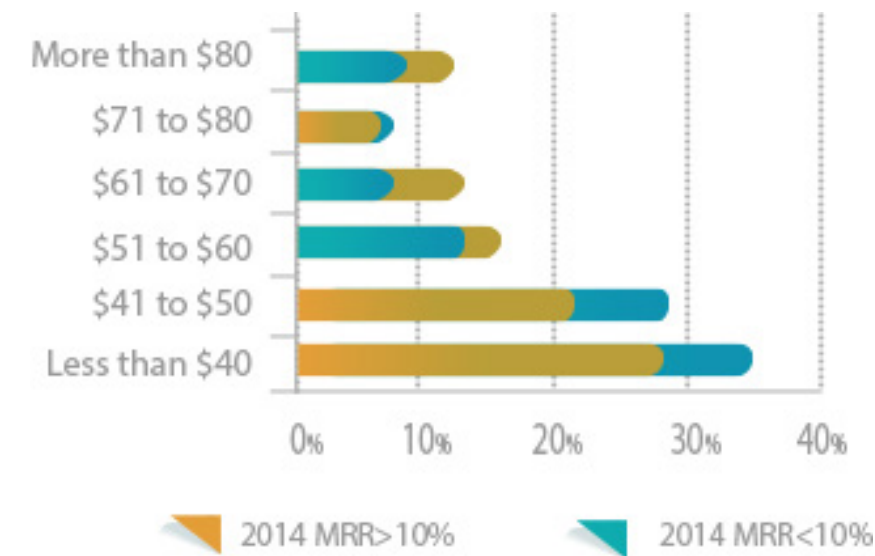
Faster Growing MSPs Are Able to Command Higher Fees

When comparing the fees charged by higher growth MSPs to those from MSPs growing less quickly, in almost all cases, faster growing companies were able to command higher prices. This is likely a result of the other findings in this eBook, notably, the use of value-based pricing and comprehensive service bundles consisting of multiple valuable services.

The charts on this page are representative and show the pricing differences between higher and lower growing MSPs for two typical services – desktop and server support.

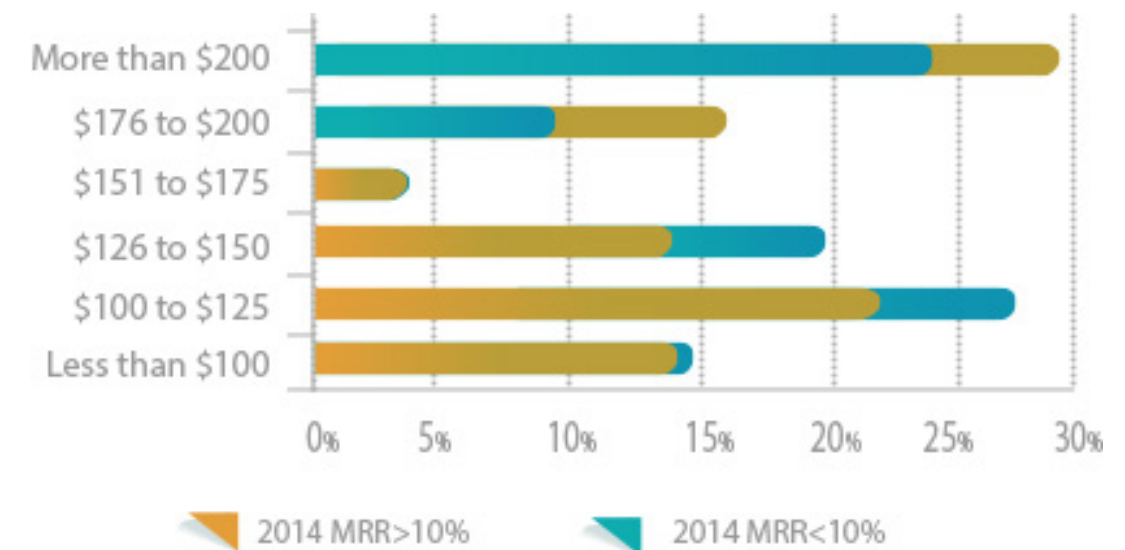
Attached Desktop Device Support and Maintenance Charges per Month (US\$)

(weighted by response)



Average Server Device Support and Maintenance Charges per Month (US\$)

(weighted by response)



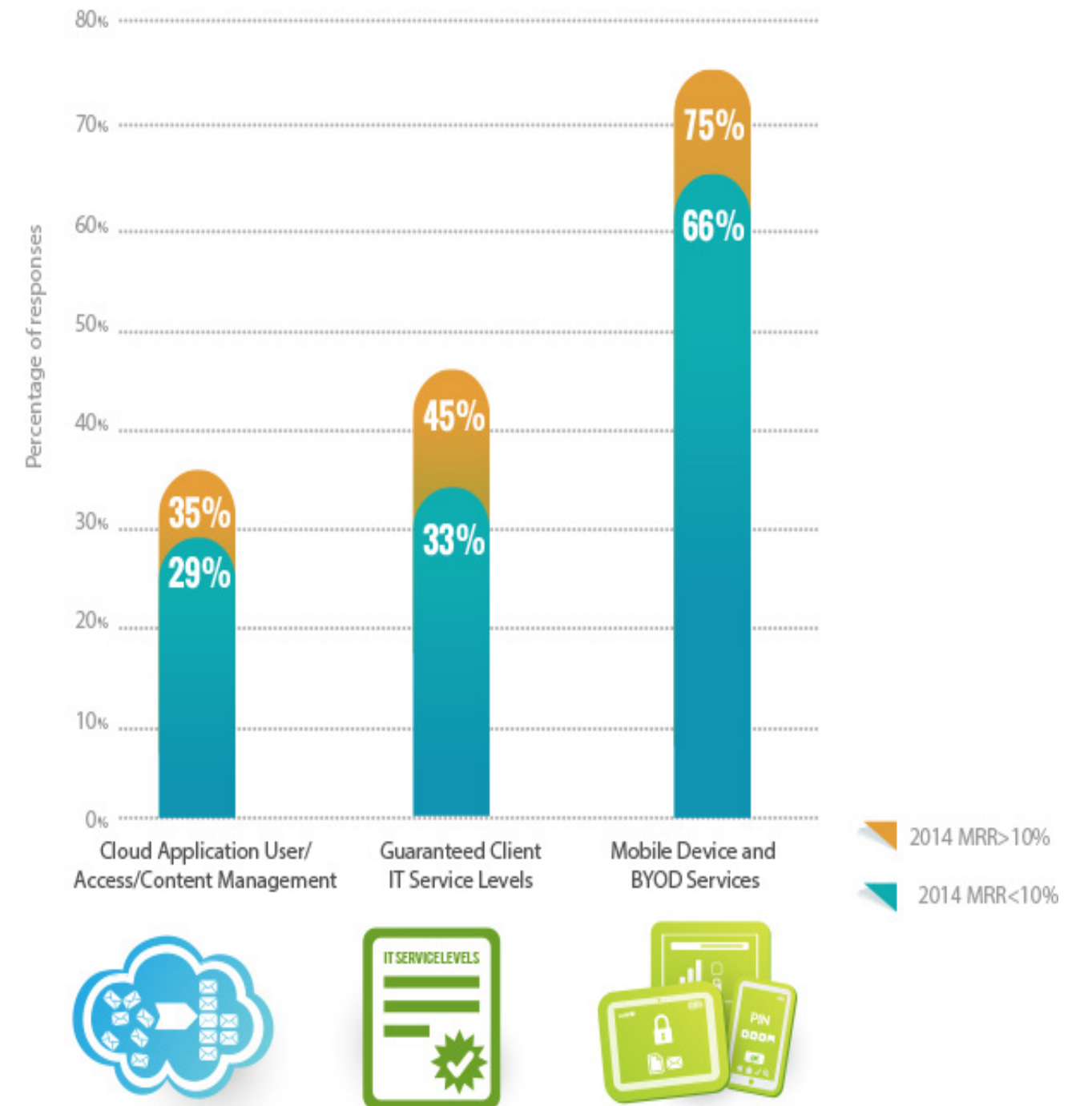
CONCLUSION

The results of the Kaseya MSP Pricing Survey suggest a number of key differences between MSPs who grew their monthly recurring revenues (MRR) at greater than 10% versus those who grew MRR at less than 10%. These include:

- A greater focus on value, outcomes and results rather than service costs or competitive pricing
- Offering a small number of service bundles including a comprehensive “all you can eat” high value service
- Delivering advanced services such as cloud application management, mobile device and BYOD management, and guaranteed IT service levels

The survey results also point to some strong trends which apply to the managed services market in general, notably the trend towards value-based pricing and the trend towards offering an increasing number of service components. Faster growing MSPs capitalize on both of these trends.

Higher Growth MSPs Offer Advanced Services



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

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