

Kaseya®

REPORT

2026 Kaseya state of the MSP report



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Foreword

Over the past year, MSPs have operated in a market defined by tighter deal sizes, cautious buyers and rising delivery costs. Growth hasn't disappeared, but it has become harder earned. Winning new clients now requires clearer differentiation, stronger proof of value and tighter operational discipline than in prior years.

What stands out in this year's findings is not a lack of demand, but a change in how that demand must be converted into revenue. The providers that will lead in the next cycle are not simply those that add more services. They are the ones that simplify their stacks, automate intelligently, package emerging capabilities like AI into measurable outcomes and tighten financial controls. Growth today is less about scale alone and more about precision.

This report reflects a market that is competitive, maturing and increasingly performance driven. The opportunity remains significant. The difference will come down to how effectively MSPs convert demand into structured, profitable and scalable service models.



Dan Tomaszewski

Executive Vice President of Channel

Key takeaways

1 **Winning new customers is getting harder for MSPs**

Customer acquisition remains the top priority for MSPs, but it is also their biggest obstacle. Competition is tighter, and buyers expect clear proof of value before signing a contract. A full 71% of MSPs said acquiring new customers is their biggest challenge, ranking it above every other business issue.

2 **Shrinking deal sizes are impacting revenue growth**

As competition intensifies, average deal sizes are also declining, putting pressure on revenue growth. The share of MSPs reporting customer spending of more than \$25,000 per year fell to 41% from 75%.

3 **Demand for AI and automation services is on the upswing**

About 48% of MSPs say AI and automation will be the top IT or service need for their clients in 2026. MSPs that can package AI as a defined service (AIaaS) and show clear, measurable outcomes from automated workflows will be better positioned to differentiate and win new business.

4 **Cybersecurity and BCDR remain core revenue drivers**

Security and backup services continue to deliver steady growth. Around 71% of MSPs reported year-over-year revenue growth in cybersecurity, the highest among all service categories. About 50% reported year-over-year growth in BCDR revenue, making it the second strongest growth area.

5 **The talent gap is emerging as the primary operational challenge**

MSP operational challenges are shifting from tool limitations to talent constraints. About 16% of MSPs report difficulty hiring skilled technicians, up from 9% in 2025. At the same time, 83% say their IT management tools significantly enhance operational efficiency. As satisfaction with platforms improves, staffing capacity is becoming the more immediate constraint on growth.

Trend 1

Winning new customers is getting harder for MSPs

Winning new customers is top of mind for MSPs and ranks as the leading strategic priority for the year ahead. Adding new clients ranks above improving profitability, enhancing customer experience, controlling costs or investing in AI.

At the same time, it's also proven to be the hardest goal to achieve. Acquiring new customers is the top business issue for MSPs right now at 71%, well ahead of every other concern, including cybersecurity issues, revenue growth and profitability.

MSPs need new customers to drive revenue, but without consistent client acquisition, growth slows, revenue shrinks and long-term planning becomes more uncertain.

The data shows a clear tension: MSPs are focused on growth, but structural pressures in the market are making that growth more difficult to achieve.

MSP priorities for the next 12 months

Add new clients

88%

Grow revenue

86%

Improve profitability

86%

Improve customer experience

84%

Build cyber resilience for customers

80%

Control costs

79%

Improve operations

77%

Improve technology solutions

75%

Improve marketing

70%

AI adoption for efficiency

60%

Reduce vendor fatigue

60%

Figure 1

*There was no cap on the number of choices respondents could select.

Top 10 issues for MSPs in 2026



Figure 2

*Respondents were asked to select exactly three choices.

Winning new business now depends on **proving value, not just offering more services.**



Competition is raising the bar for proving value

Winning new business is getting harder for MSPs as the market becomes more crowded. More providers are competing for the same accounts, which makes competition a major challenge.

Standing out now takes more than broad service claims. Clients have more choices and are more selective. They look closely at pricing, service scope and proven results before making a decision.

This shift shows up in the data. The share of MSPs struggling to quickly demonstrate value has nearly doubled from 10% to 19% year over year. At the same time, difficulty in creating and maintaining consistent client documentation has increased from 10% to 17%. These changes point to a clear expectation: buyers want proof they can verify.

MSPs that can clearly show how their services reduce risk, improve uptime or increase efficiency are in a stronger position to win new business.



The share of MSPs citing difficulty demonstrating value to clients almost doubled from 10% to 19% in 2026.

Biggest challenge when acquiring new customers

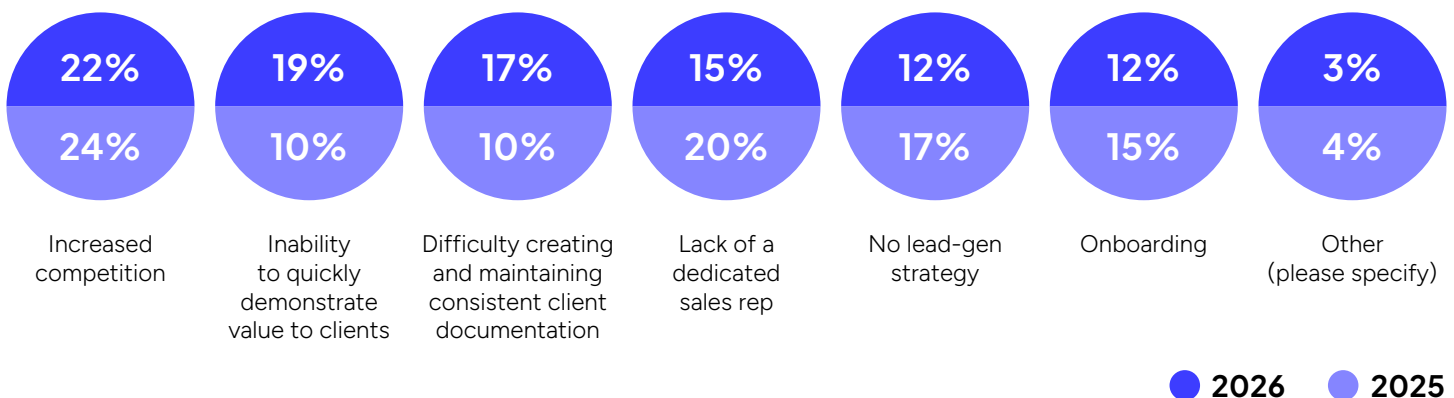


Figure 3

Most new clients are switching from another MSP

MSPs find that growth depends more on winning clients from competitors than on signing first time MSP users. About one third of MSPs report that new clients are primarily competitive takeaways, while nearly half see a mix of switching clients and first-time adopters. Only a small minority say that most new clients are outsourcing to an MSP for the first time.

Profile of new clients

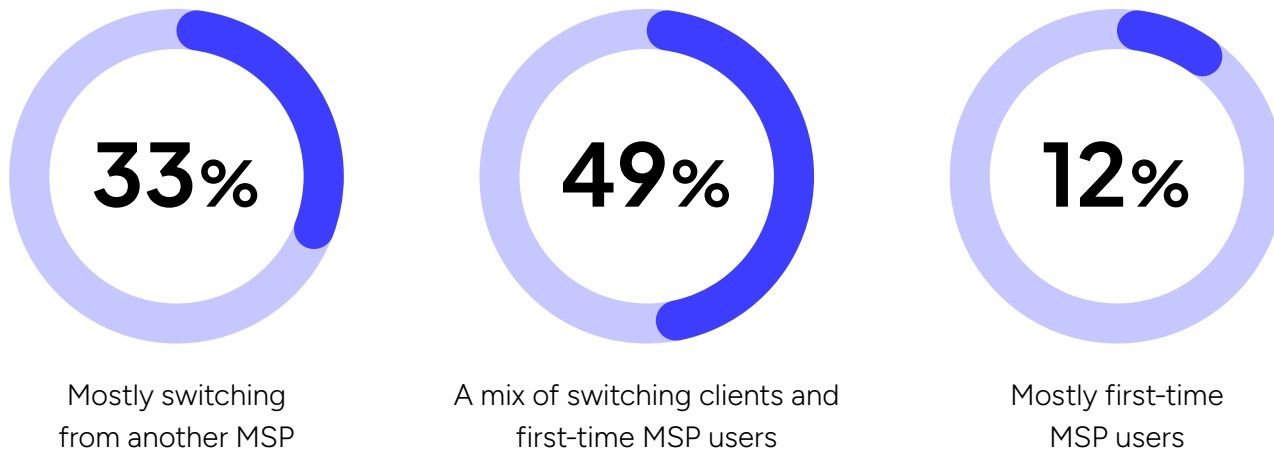


Figure 4



Trend 2

Smaller deal sizes are impacting revenue growth

Revenue growth is slowing as MSPs face pressure on two fronts: Winning new customers is harder, and existing clients are committing to smaller contracts. Growth is no longer driven by volume or deal size.

- 33% of MSPs cite slower new client acquisition as a key economic factor affecting growth
- 24% report that clients are reducing their IT budgets

Together, these forces are constraining revenue growth and limiting expansion opportunities.



Larger annual contracts are becoming less common

In 2025, the share of MSPs reporting that their typical customer spends under \$25,000 per year more than doubled year over year to 55% from 24%. This reflects a clear shift toward smaller contracts and lower average deal sizes.

At the same time, the share of customers spending \$25,000 or more annually fell from 75% to 41%. The decline is even sharper at the top end, where contracts above \$100,000 have dropped significantly.

These changes show that revenue growth is occurring in smaller increments rather than through large account wins.

Approximately how much (in USD) did your typical customer spend on managed services in the past year?

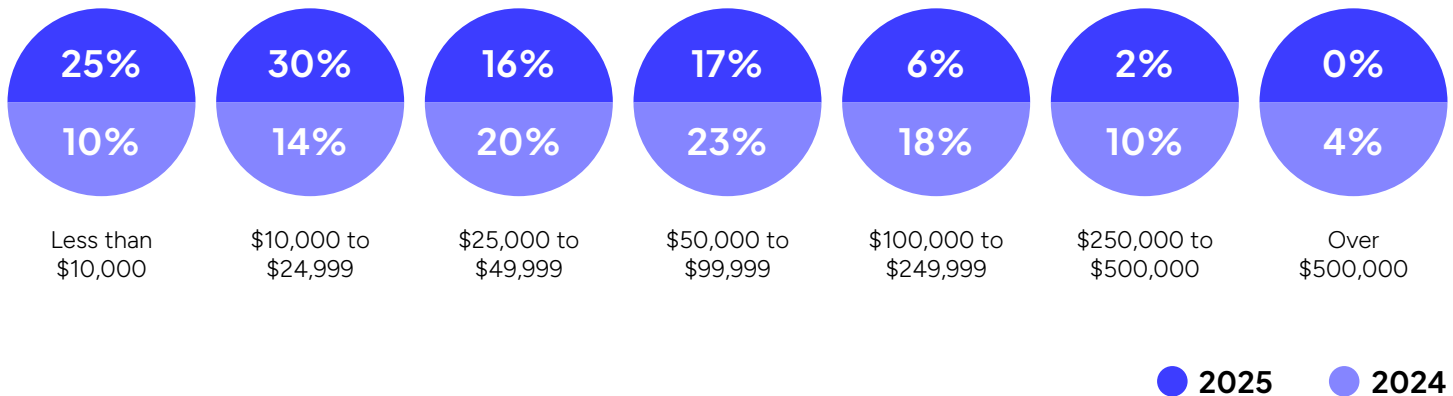


Figure 5

*The percentages do not add up to 100% because responses marked 'I am not sure' or 'Do not know' have been excluded.

MSPs reported that in 2025, only **41% of customers spent \$25,000 or more per year** — a sharp drop from 75% the previous year.



Monthly recurring revenue is trending downwards

The share of MSPs reporting an average MRR of up to \$1,000 per client has grown to become the largest segment, increasing from 24% to 30%. This suggests clients are committing more cautiously and starting with smaller engagements rather than signing larger contracts upfront.

Mid-range contracts between \$1,001 and \$3,500 have declined, indicating fewer customers in that range. Some of this volume appears to have shifted into the lowest tier, reinforcing the overall downward movement in distribution.

Despite headwinds, a small segment continues to secure higher value agreements. The share of MSPs reporting contracts in the \$7,501 to \$10,000 range doubled to 6%.

Average MRR per client

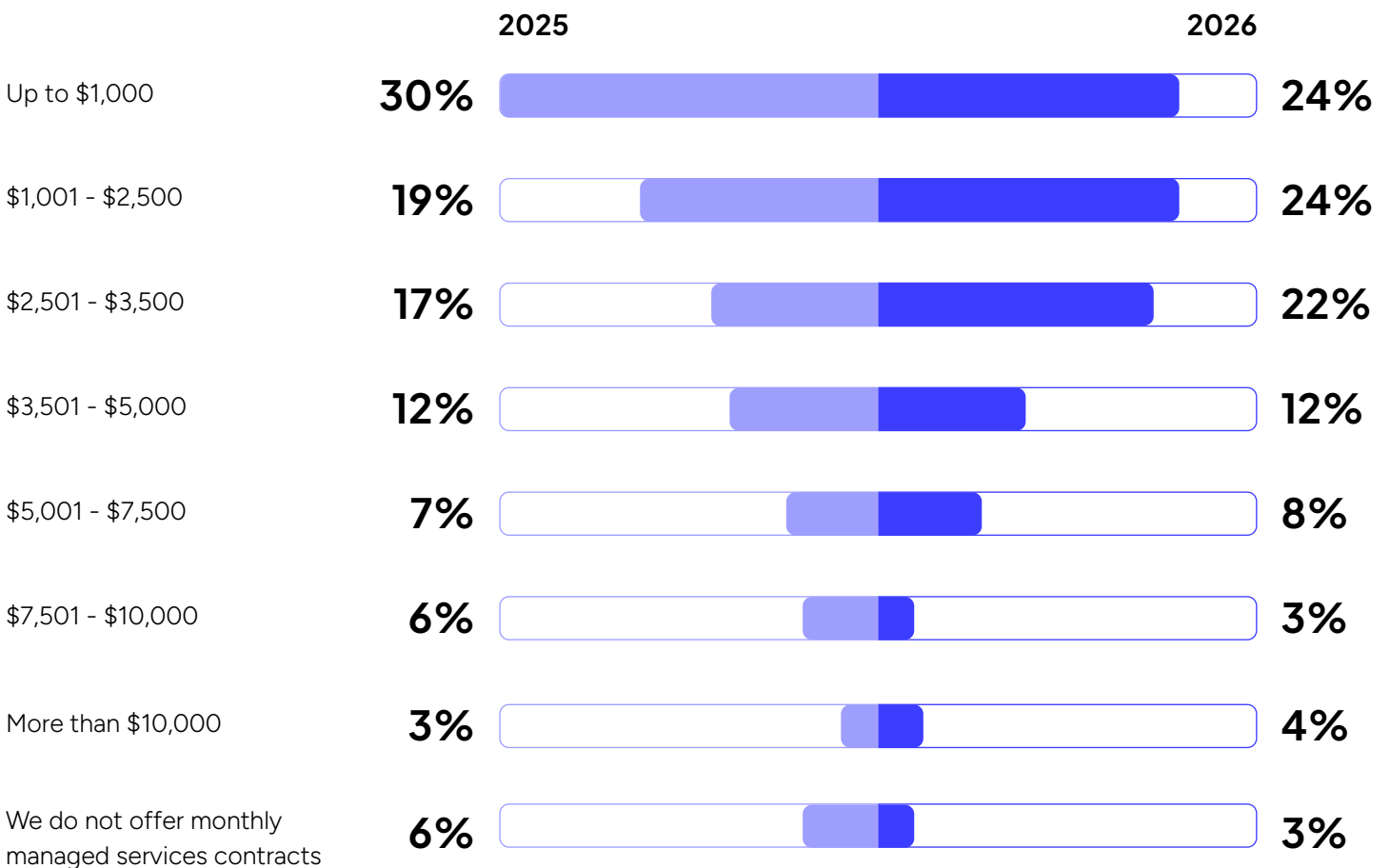


Figure 6

MRR growth is becoming more uneven

Fewer MSPs report moderate MRR growth in the 11 to 15% range. Instead, more providers are shifting toward either lower- or higher-growth bands.

The largest group still falls in the 6 to 10% range, but the share reporting minimal growth under 5% has increased. At the same time, a smaller group continues to grow at a rate above 15%.

The result is a market where growth is still achievable, but increasingly uneven.



Average MRR growth over the past three years

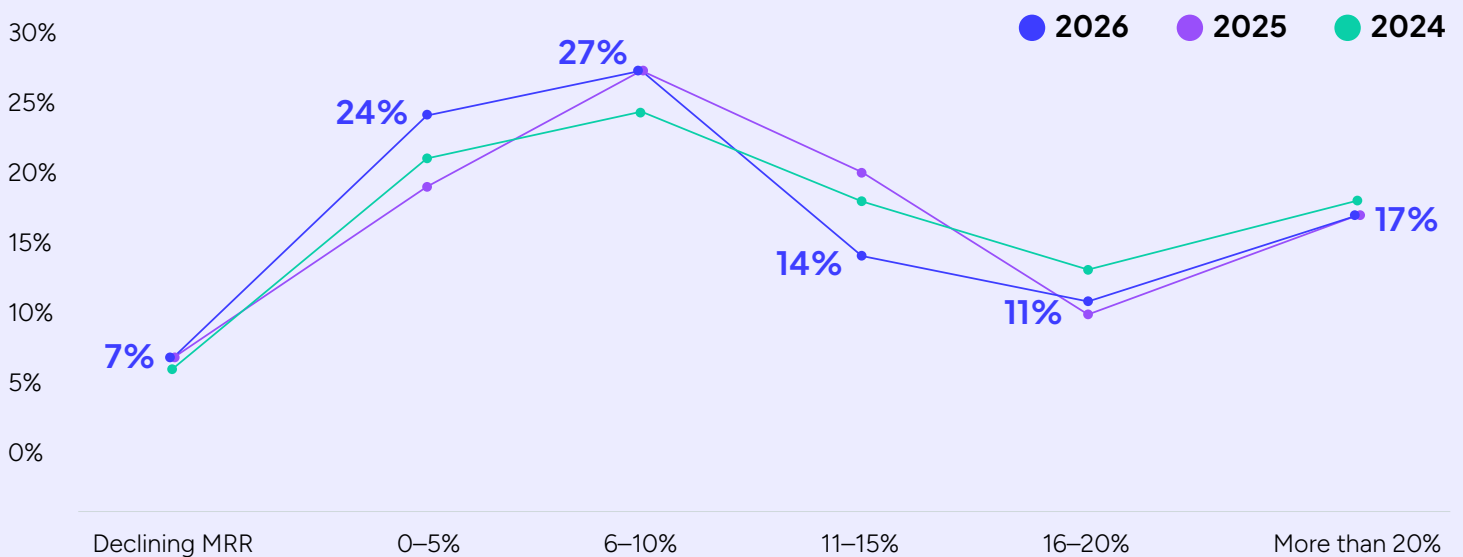


Figure 7

Earning profit is getting harder for some MSPs and easier for others

Profitability is no longer consistent across the MSP market. A growing share of providers are operating with little to no margin (Figure 8), and the proportion that report being unprofitable has doubled year over year. This reflects the combined effect of slower revenue growth and rising operating costs.

Cost pressure is a recurring theme. In a separate question on the impact of economic uncertainty, 30% of MSPs cite rising labor, tool and infrastructure expenses as a direct constraint on growth. These headwinds

are harder to offset in an environment where deal sizes are compressing and pricing power is limited.

At the same time, a meaningful segment of MSPs continues to post strong margins. The share reporting mid to high-teens profit levels has increased, and performance in the top margin tiers remains steady.

The outcome is a polarized market. Some MSPs are protecting margins despite headwinds, while others are struggling to absorb higher costs and slower expansion.

Net profit for managed services

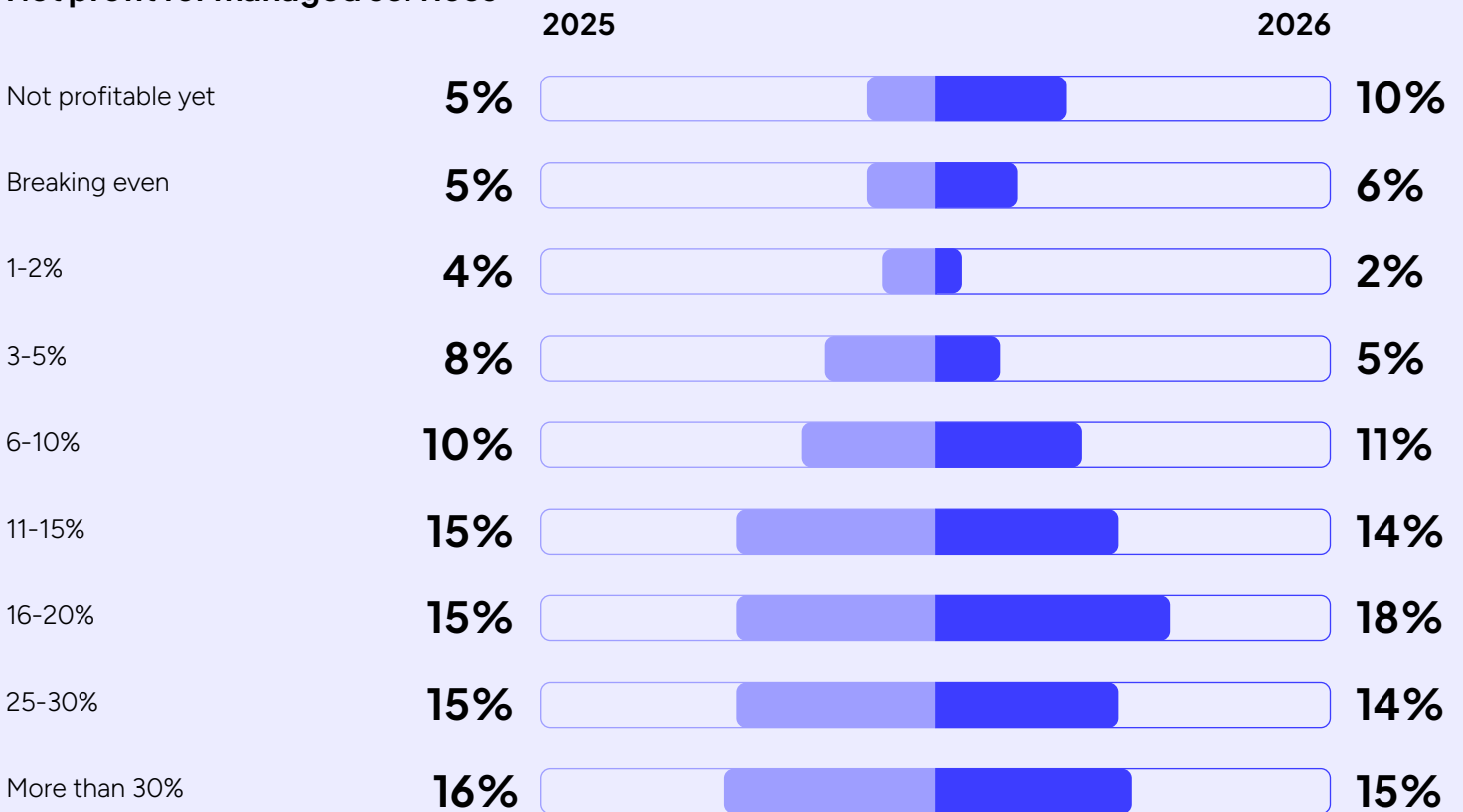


Figure 8

*The percentages do not add up to 100% because responses marked 'I am not sure' or 'Do not know' have been excluded.

Trend 3

AI and automation are emerging as key differentiators

As growth slows and competition intensifies, MSPs need stronger ways to stand out. AI and automation are emerging as one of the most visible areas of client interest.

Almost half (48%) of MSPs identified AI and automation as the top client need for 2026, ahead of security at 42% and backup at 36%.

Clients increasingly prioritize AI-driven capabilities over many traditional service categories. This signals a shift in expectations. For MSPs, this change creates both pressure and opportunity. Those that can translate AI and automation into clear, outcome-focused services will be better positioned to differentiate in competitive bids and align with evolving client priorities.

AI and automation rank among the top service needs for MSP clients in 2026, beating even security services.



Top IT problems or service needs of clients in 2026

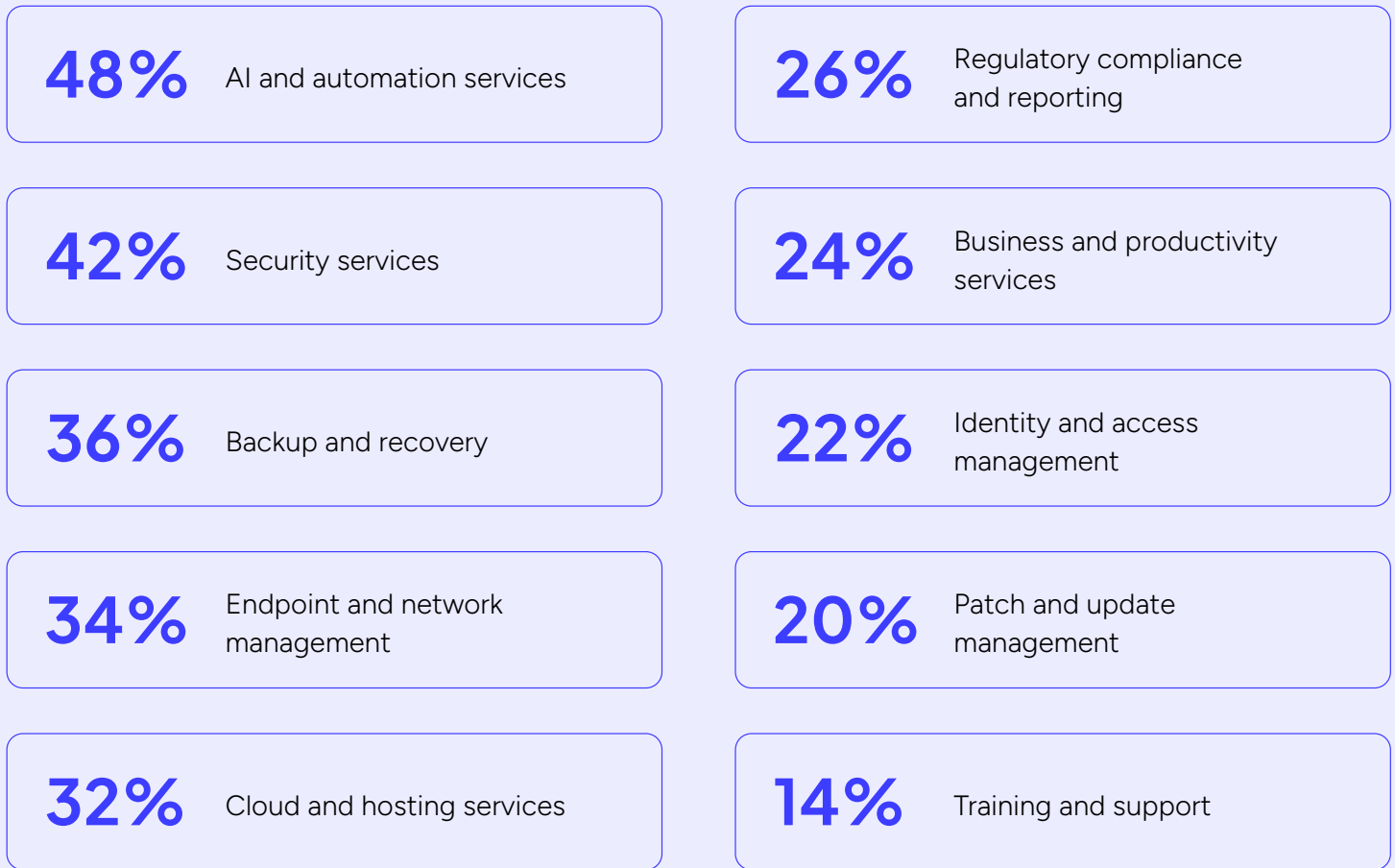


Figure 9

*Respondents were asked to select exactly three choices.



However, revenue from AI has not yet caught up with demand. Only 13% of MSPs identify AI and automation as a meaningful revenue source. This gap reflects the fact that many providers are still defining, packaging and pricing these services.

Those that move early to formalize AI and automation offerings are better positioned to capture emerging demand, differentiate in the market and secure a larger share of the next phase of growth.

Top MSP revenue sources in 2026

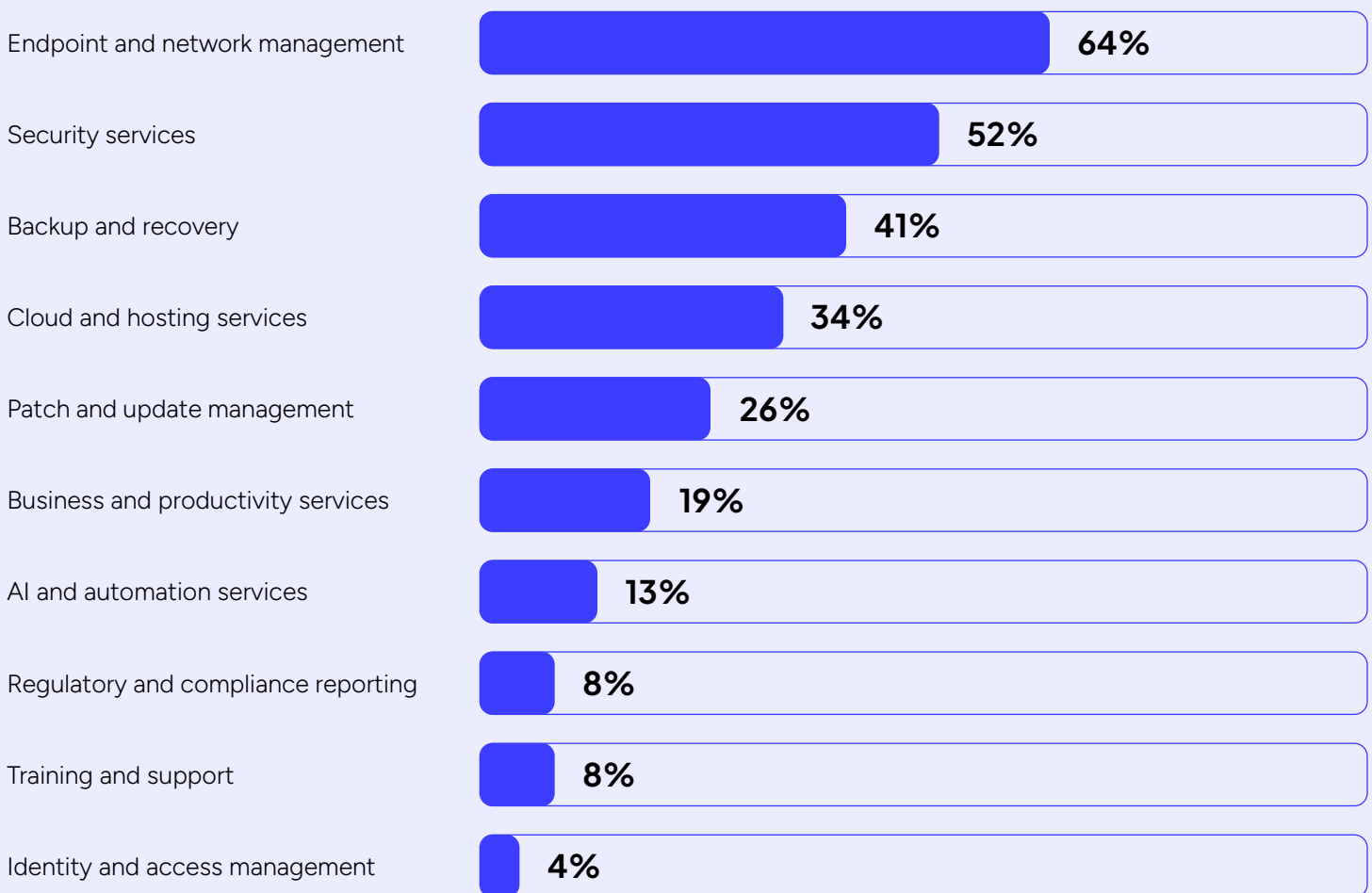


Figure 10

*Respondents were asked to select exactly three choices.

AI and automation usage is focused on core operations

Most MSPs are applying these tools to high volume, repeatable tasks such as monitoring, alert management, security operations and ticketing. These areas offer immediate operational benefits.

In contrast, fewer providers are extending AI into client onboarding, sales, marketing or broader customer engagement functions (Figures 11 and 12). This shows that adoption is still centered on internal execution rather than outward facing growth initiatives.

The overall pattern suggests that MSPs remain in the efficiency phase of AI adoption. The priority is improving speed, reliability and operational control. Turning AI into a commercial differentiator or structured revenue stream should be the next stage for MSPs to stay competitive.

Business areas where automation is utilized the most

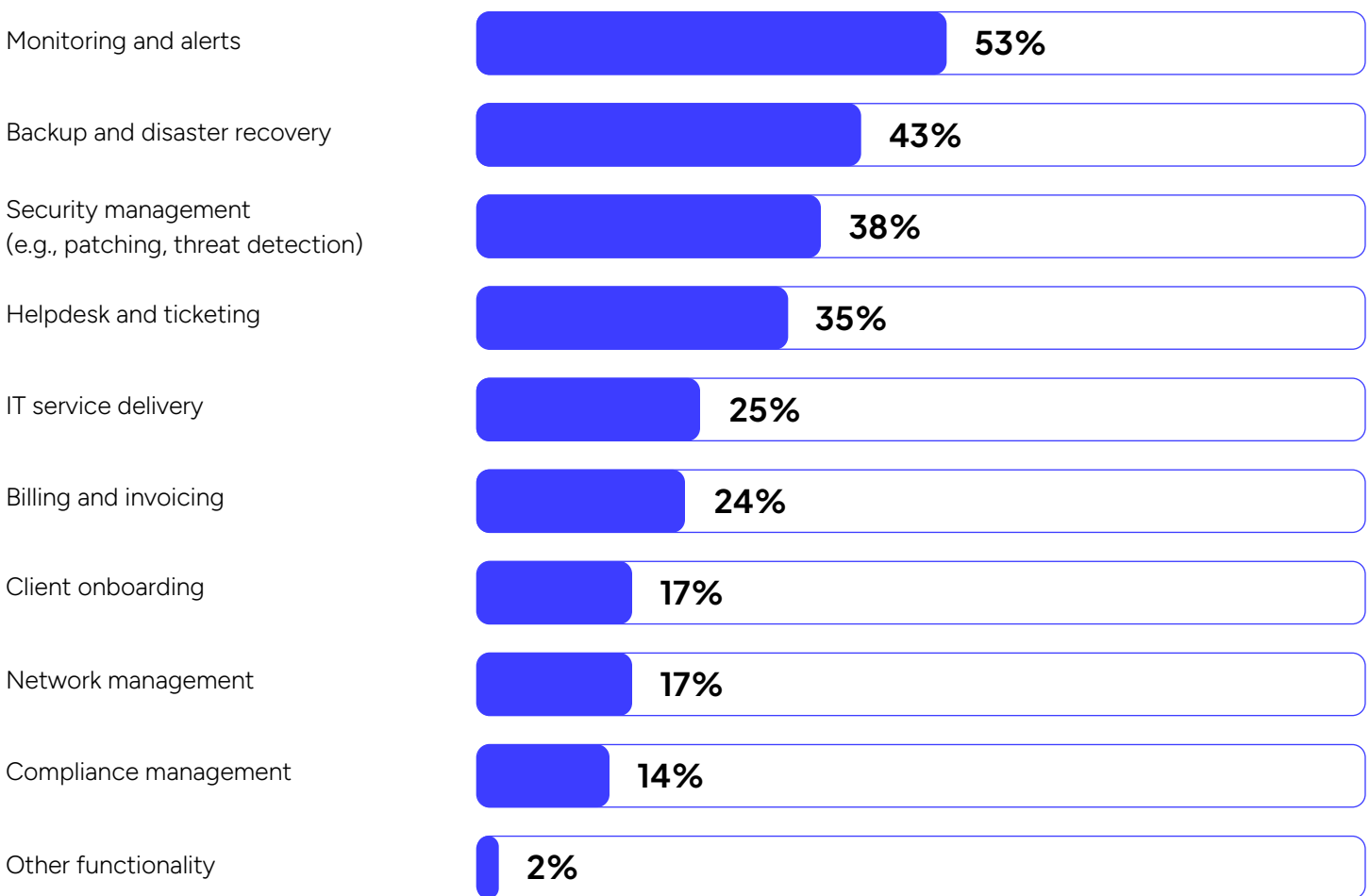


Figure 11

*Respondents were asked to select exactly three choices.

Areas where MSPs are currently applying AI

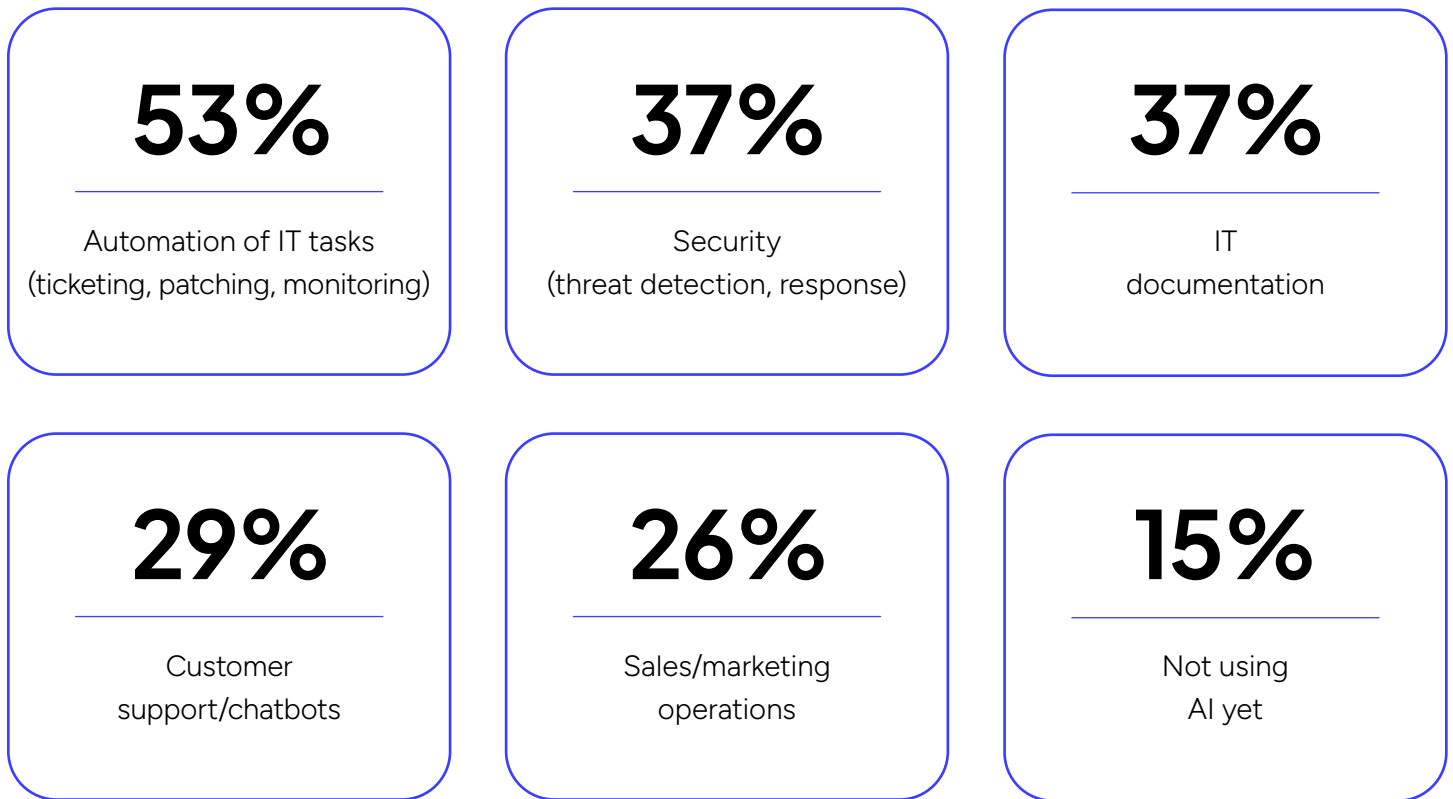


Figure 12

*There was no cap on the number of choices respondents could select.



Automation depth remains moderate

Most MSPs have introduced automation into their operations, but usage is still limited to part of the workload (Figure 13). More than half (55%) of MSPs report automating about a quarter of their workload, and 28% said they have automated half of it. Only a small minority have moved beyond that level toward broad or near full automation.

In response to another question, 59% of MSPs said they're satisfied with their current automation capabilities. This shows many providers feel their existing level of automation is enough to match their current scale and client demands.

Percentage of workload automated in the last two years

0% – No new automation	9%
Up to 25% – Some new automation	55%
Around 50% – Moderate new automation	28%
Around 75% – Significant new automation	8%
Close to 100% – Fully automated	1%

Figure 13





Areas where AI and automation are delivering impact

MSPs expect AI to reduce friction inside their businesses before it reshapes financial outcomes. The strongest expectation is the elimination of tedious tasks (Figure 14). Many also anticipate improved security and more time for strategic work. This shows that AI is viewed first as a productivity tool that removes manual burden and strengthens core operations.

At the same time, there is measured caution. A notable share believes AI could introduce new security risks. Fewer expect it to reduce headcount or replace client interaction. The prevailing mindset is augmentation rather than replacement. AI is seen as supporting technicians, not displacing them.

How MSPs expect AI to affect their business in 2026



Figure 14

We asked MSPs which key performance indicators (KPIs) have improved the most as a result of their automation efforts (Figure 15). The biggest gains are in first response times, customer satisfaction, technician efficiency and reduced burnout. Automation is helping MSPs handle more work with the same resources and run their day-to-day operations more effectively.

This translates into better service that clients can notice, supported by fewer errors and more reliable uptime. Financial gains, such as profit margins and revenue capture, are more gradual. Automation strengthens the operational foundation first, putting MSPs in a better position to scale, retain clients and improve margins over time.

The impact of automation on MSP performance

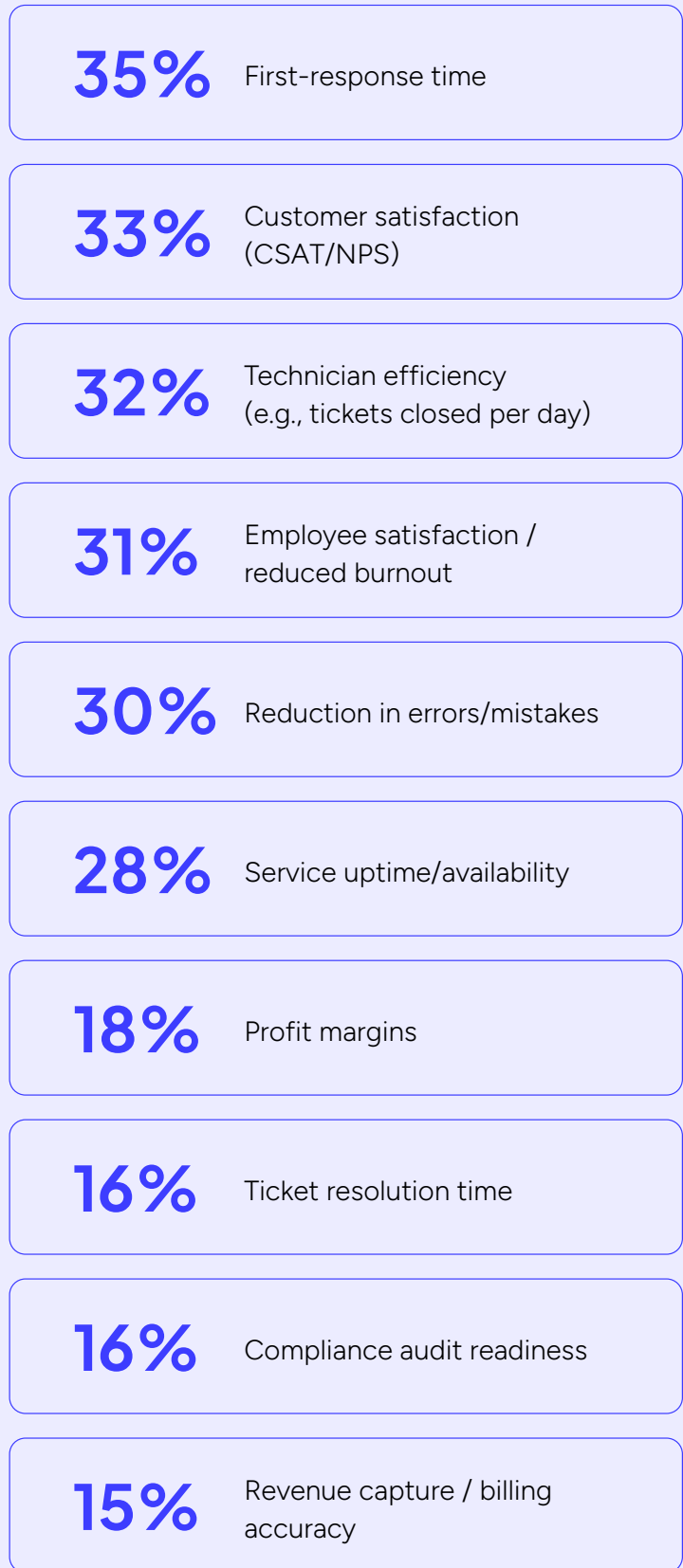


Figure 15



Trend 4

Cybersecurity and BCDR remain the most reliable growth engines

While average deal sizes are declining, security and backup remain core revenue anchors for MSPs. Client reliance on these services is going strong, with stable year over year performance. We saw that security and backup are among the top five most delivered services.



Managed services offered

79%

Backup and recovery (server backup, workstation backup, SaaS backup, disaster recovery)

55%

Identity and access management (2FA, SSO, password management)

73%

Endpoint and network management (endpoint management, network monitoring and management)

53%

Training and support (security awareness training, 24/7 support)

72%

Security services (antivirus/anti-malware, EDR, automated pentesting, dark web monitoring, email security, secure payments)

45%

Business and productivity services (HR support, marketing, hardware sales and management)

69%

Patch and update management (OS patching, third-party software patching)

42%

Regulatory compliance and reporting (compliance management, reporting)

67%

Cloud and hosting services (private hosting, public cloud hosting, Microsoft 365/Google Workspace management)

38%

AI and automation services (AI-as-a-Service, automated workflows)

Figure 16

*There was no cap on the number of choices respondents could select.

Security and backup are among the leading revenue contributors

Fifty-two percent of MSPs rank security as one of their top revenue sources, placing it second only to endpoint and network management. Backup ranks third, with 41% identifying it as

a major revenue driver. This ranking confirms that both security and backup are central to the MSP revenue model.

Top revenue sources

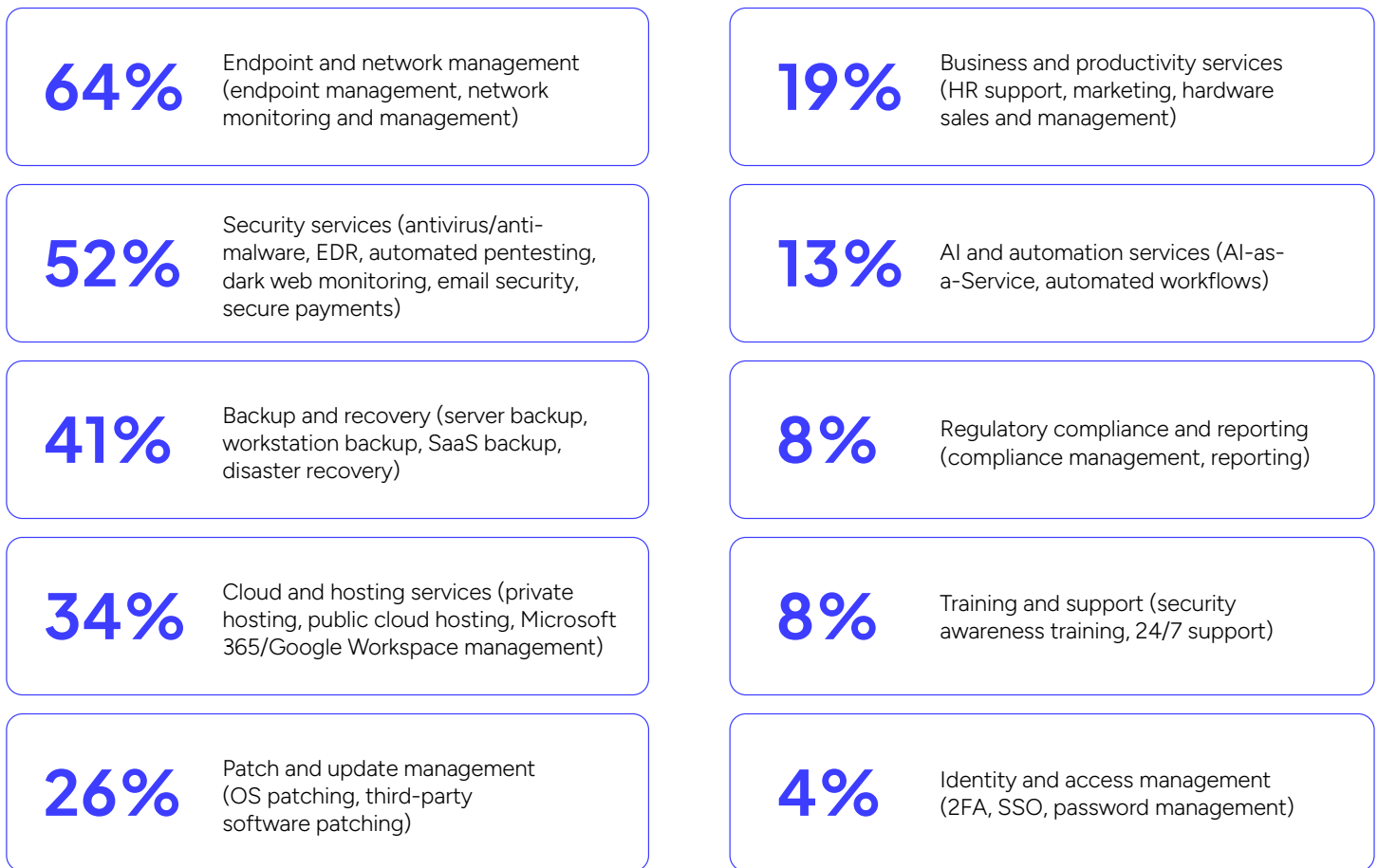


Figure 17

*Respondents were asked to select up to three choices.

Security and backup post the strongest revenue gains

About 71% of MSPs report year over year growth in cybersecurity revenue, making it the top service category in terms of revenue expansion. Backup follows at 50%, placing it behind security but still showing strong growth.

The data shows security and backup move together. As clients invest more in protection against threats, they also prioritize data recovery and continuity.

Services where revenue increased



Figure 18

*Respondents were asked to indicate whether revenue for each service category increased, declined or remained flat. Results for revenue decline and flat performance are included in the appendix

MSPs remain the primary source of cybersecurity guidance for clients

Demand for security services is likely to remain strong because MSPs continue to serve as the primary source of cybersecurity advice for their clients.

- 61% of MSPs report that most or all of their clients turn to them for cybersecurity advice. That reliance has remained stable year over year, confirming the MSP role as primary security advisor.
- 44% of MSPs report that at least 10% of their clients experienced a cyberattack in 2025.
- 8% report that between 41% and 80% of their clients were affected.

These figures point to two clear drivers. Clients depend on MSPs to interpret risk and recommend solutions. At the same time, a meaningful share of end customers continue to face active incidents. Security investment is therefore shaped by direct reliance and ongoing attack exposure, rather than general awareness alone.

61%

of MSPs report that most or all of their clients turn to them for cybersecurity advice.



Backup and recovery require dedicated effort

Backup and recovery continue to anchor MSP service portfolios alongside security.

Most MSPs rely on two to three different BCDR solutions, as shown in Figure 19. In addition, 40% of MSPs report that at least one full time employee spends 80% or more of their time on backup and disaster recovery, as shown in Figure 20, while about 12% outsource these responsibilities entirely.

MSPs can address this by consolidating tools or adopting platforms that integrate backup management with other IT operations. This approach reduces manual work and allow technical staff to focus on higher value services.

Number of BCDR solutions used by MSPs

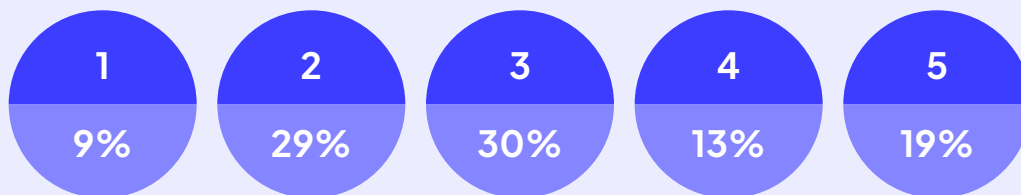


Figure 19

Number of employees supporting BCDR at least 80% of the time

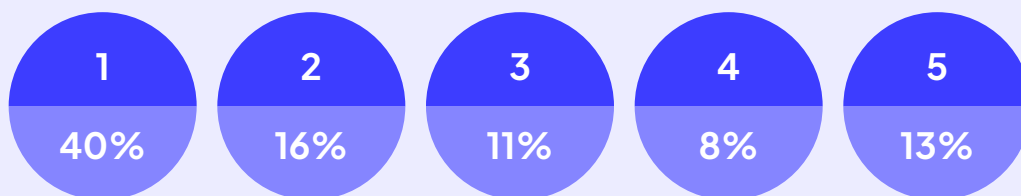


Figure 20

Barriers to offering security services

Even though demand for cybersecurity is high, there are practical barriers that limit expansion (Figure 21). The main constraint is product complexity. As security tools get more advanced, they also become harder to deploy, integrate and operate at scale. Almost half of the MSP respondents cite the complexity of cybersecurity products as a top barrier, up significantly from 38% in 2025.

Talent adds a second layer of pressure. About 39% report difficulty hiring skilled cybersecurity

professionals, up from 29% last year. At the same time, managing multiple overlapping tools increases cost and administrative overhead. About 31% point to the cost of managing too many different security tools.

For MSPs aiming to scale security services, the path forward requires simplification. Consolidated platforms, streamlined workflows and reduced tool sprawl will be critical to delivering security efficiently without significantly increasing headcount.

Top three barriers to offering cybersecurity services

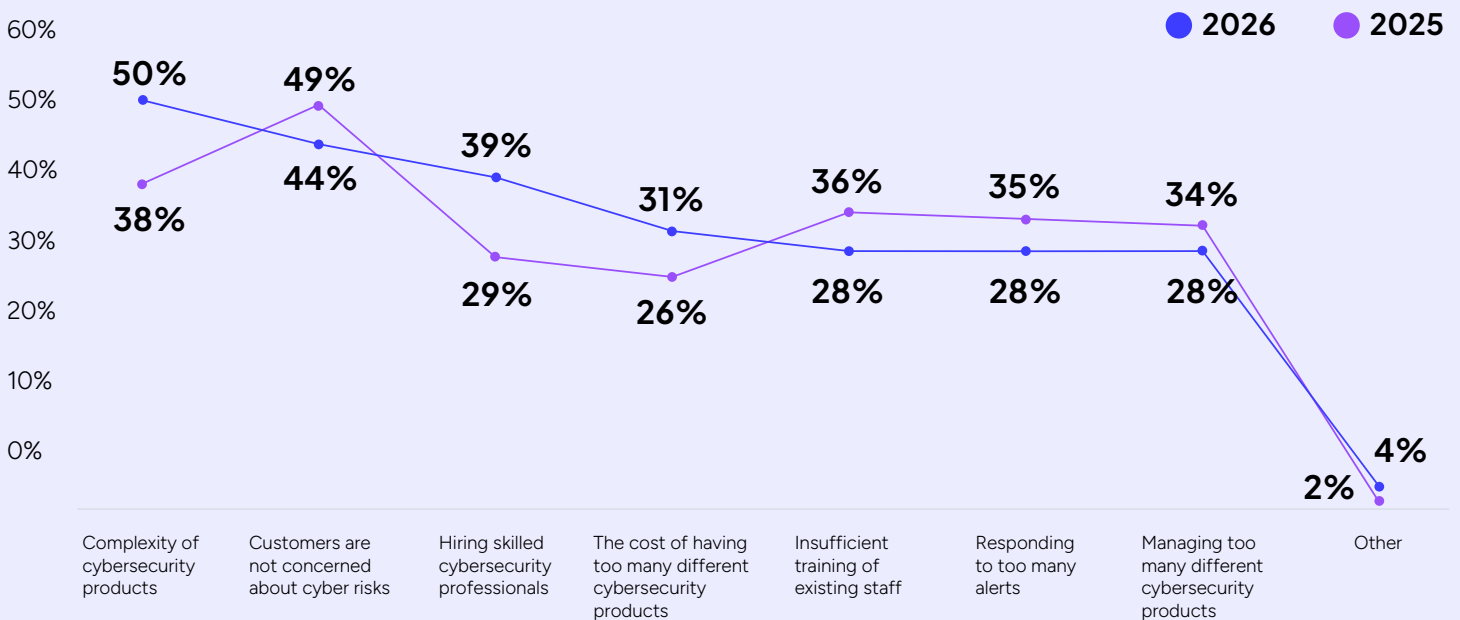


Figure 21

Trend 5

Talent gap is replacing tool issues as the main operational constraint

MSP operational pressures are shifting. Tool-related friction is easing, while people-related constraints are increasing.

- 83% of MSPs say their IT management tools significantly enhance operational efficiency

Hiring and skills challenges are rising. As shown in Figure 22, difficulty finding and hiring skilled technicians jumped from 9% to 16% year over year. Challenges tied to training and upskilling staff also more than doubled. Reported gaps in technical expertise followed a similar pattern.

The direction is consistent. As MSP service portfolios expand and client expectations grow, internal talent capacity is not keeping pace. Workforce limitations are becoming the defining operational challenge.

Difficulty finding and hiring skilled technicians jumped from 9% to 16% year over year.

Common MSP IT problems impacting daily workload

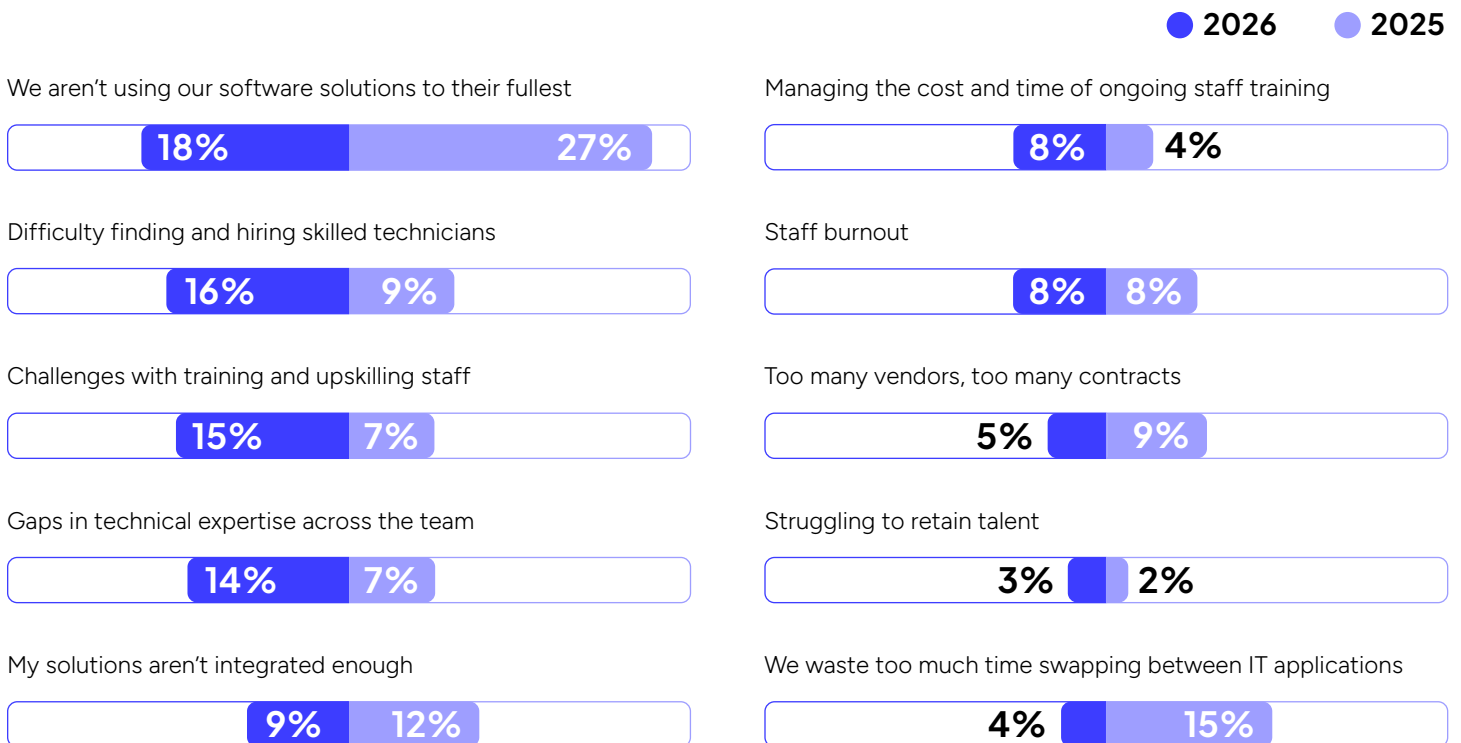


Figure 22

Our playbook for MSPs in 2026

The findings in this report point to several operational patterns shaping the MSP market. Based on these trends, MSPs that want to remain competitive in 2026 should focus on the following priorities.

1 Consolidate tools to reduce operational complexity

Many MSPs still rely on multiple platforms to manage monitoring, security and backup. Over time, this creates unnecessary operational overhead. Consolidating tools where possible can simplify day-to-day management, reduce integration challenges and give technicians more time to focus on client service.

2 Use automation to reclaim technician time

Routine tasks such as patching, monitoring alerts, ticket routing and reporting continue to consume large portions of technician capacity. Expanding automation across these workflows can reduce manual effort, improve consistency and allow MSPs to scale operations without increasing staffing at the same pace.

3 Treat security as a core service offering

Security is a central expectation for MSP clients. Providers that strengthen their security capabilities and integrate them into their core service packages will be better positioned to retain clients and win new business. This means going beyond basic protection. Advanced threat protection is essential, and EDR should be a foundational part of every security stack.

4 Use AI to improve decision-making and service delivery

AI is increasingly playing a larger role in how MSPs manage operations and support clients. From intelligent alert prioritization to automated ticket summaries and faster root cause analysis, AI can help teams respond more effectively while reducing manual effort. MSPs that incorporate AI into their workflows can improve service quality, speed up resolution times and better leverage technician expertise.

5 Focus on services that deepen client relationships

Long-term growth often comes from moving beyond reactive IT support. MSPs that provide strategic services such as security planning, infrastructure guidance and operational support can build stronger relationships with clients and create more stable recurring revenue streams.



Winning in a competitive MSP market

Success in the MSP market requires more than keeping up. It requires the right tools, the right intelligence and a platform built for growth.

Kaseya equips MSPs with the scale, data and automation needed to stay ahead of rising expectations and constant risk. By turning intelligence into action, the Kaseya platform helps MSPs simplify operations, strengthen security and focus on growing their business.

Discover how Kaseya helps MSPs boost profits, streamline work and drive measurable value for clients.

[Explore Kaseya 365 Platform](#)



About the respondents

This year's survey includes responses from 1,061 MSPs worldwide, providing a broad view of the managed services market across different regions, sizes and maturity levels. The largest share of responses comes from North America.

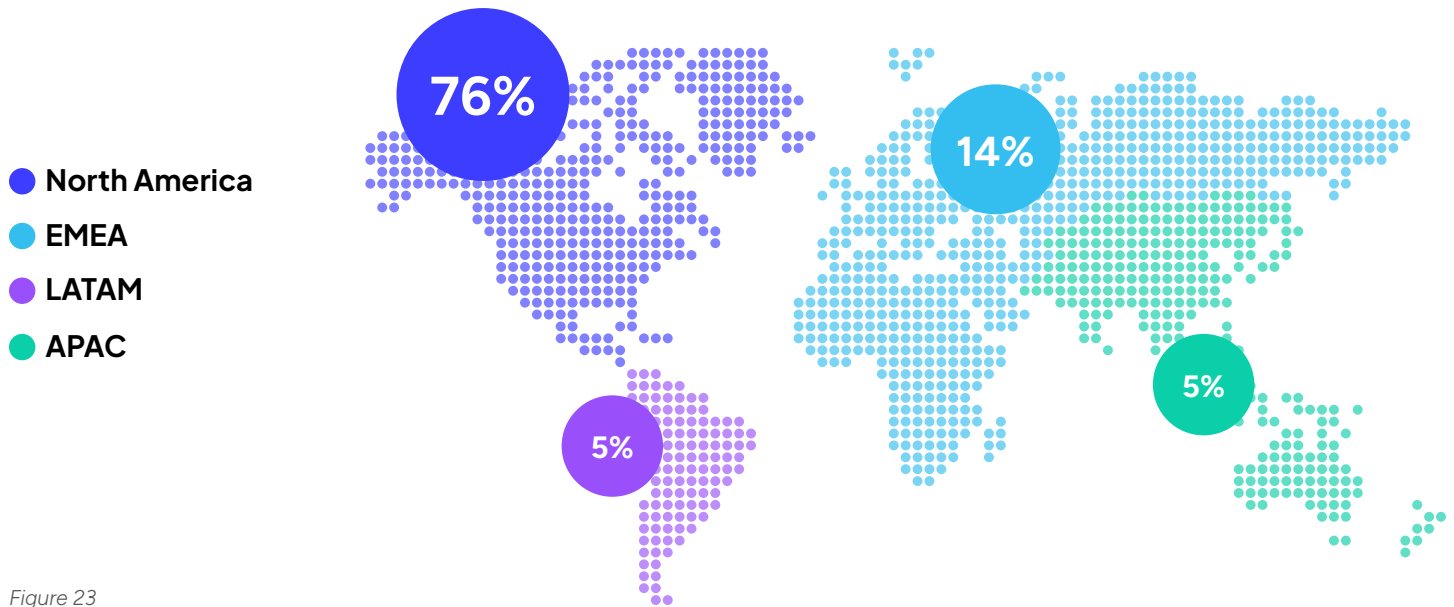


Figure 23

Business profile

The survey captures a wide range of service models, reflecting how MSPs position themselves in today's market.

- 63% of respondents identify as full-service MSPs
- 18% identify as managed security service providers (MSSPs)
- 7% focus primarily on network and data services
- 5% operate under a break-fix model
- 7% identify as other, representing a range of activities from hardware sales to essential IT services



MSP maturity

As shown in Figure 24, nearly half of the respondents report being in operation for 16 years or more, while the remaining half is distributed across the remaining ranges. The sample includes both long established providers and newer entrants, reflecting a range of operational maturity.

Years in business

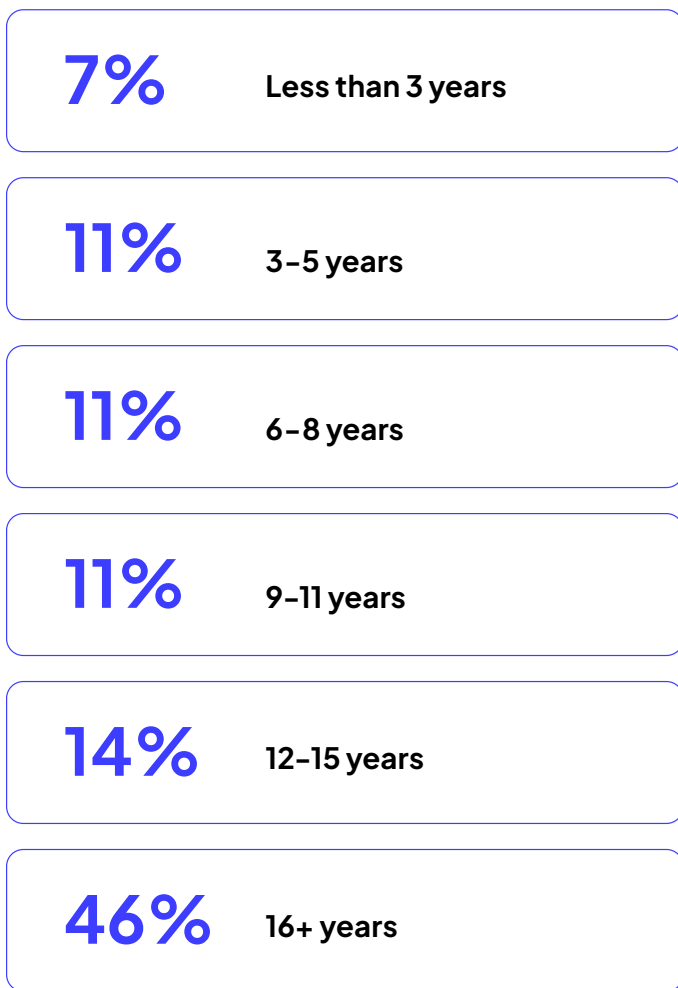


Figure 24

MSP size and scale

The survey captures MSPs of all sizes, with the strongest representation from mid-market providers (Figure 25). For classification, firms with up to 10 employees are defined as small scale, those with 11 to 50 employees as mid-scale and those with more than 50 employees as large scale.

Number of employees

Less than 5	17%
5-10	14%
11-25	18%
26-50	15%
51-100	11%
More than 100	25%

Figure 25

As for total endpoints managed (Figure 26), two-thirds respondents manage between 101 and 3,000 endpoints, reinforcing the strong participation of small and mid-sized MSPs while still capturing input from larger organizations.

Total endpoints managed



Figure 26

Respondent role

Executives account for 43% of respondents, including owners, vice presidents and partners. The remaining 57% represent technical and operational roles such as IT managers, supervisors, project managers, network engineers, system administrators, and marketing and sales staff. This mix provides both strategic and operational perspectives within the report (Figure 27).

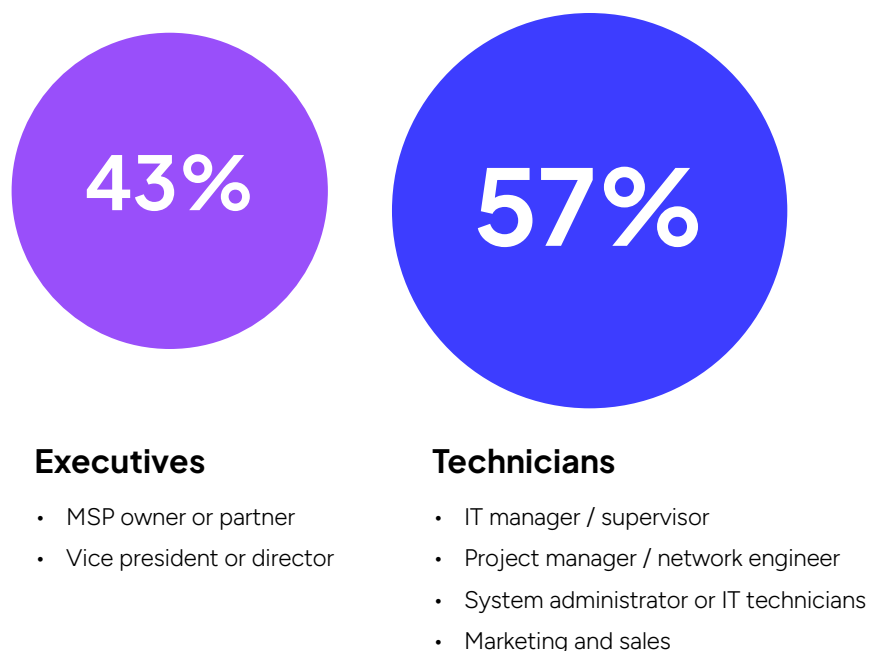


Figure 27

Survey methodology

Kaseya conducted its annual State of the MSP report in November 2025 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 results from 2024, where applicable. Overall, we've made every attempt to provide the data in a format that is most useful to the widest audience possible.



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Kaseya is the leading global provider of AI-powered IT management and cybersecurity software. Kaseya delivers a unified technology platform to manage infrastructure, secure endpoints, back up critical data, and streamline operations for more than 40,000 MSP and SMB customers around the globe. To learn more, visit www.kaseya.com.

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