2025 RSPA Retail IT Channel KPI Study

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Key Points

- Optimism for 2025 After Growth Trajectory Hits Snag in 2024
- VARs Post Near-Record Margins in 2024
- Revenue Stream Analysis: Are VARs Too Dependent on Payments?
- Recurring Revenue Recurring Theme: Record-High Numbers Again
- Data Signals Continued VAR/ISV Acquisitions in 2025
- 2025's Top Niches: Liquor, Ethnic Grocery/ Restaurant, Cannabis
- VAR HR: Solution Providers Adapting to Work From Home Trend
- Solution Provider Sales Rep Pay Dips
- Some VARs Have "Thrown in the Towel" on Marketing
- Opportunities & Threats: "Huge Increase in Specialized Software"

If one statistic in this massive KPI Study symbolizes the state of retail IT VARs and ISVs in 2025, its revenue per employee. The number of solution providers achieving at least $200k in revenue per employee – the benchmark most often mentioned for being a healthy, profitable, don't-worry-about-keeping-the-lights-on organization – was 38.1% in 2024, a 5.6-point improvement year-over-year (32.5% 2023) and an 11.8-point improvement across two years (26.3% 2022).

Five of the last six years we have seen that number increase, a sign of improving health among the retail IT channel's VARs and ISVs. Despite the ever-increasing presence of margin-obliterating, VC-backed, 800-number, one-size-fits-all POS providers who don't have a channel, most solution providers have built hardy, growing businesses.

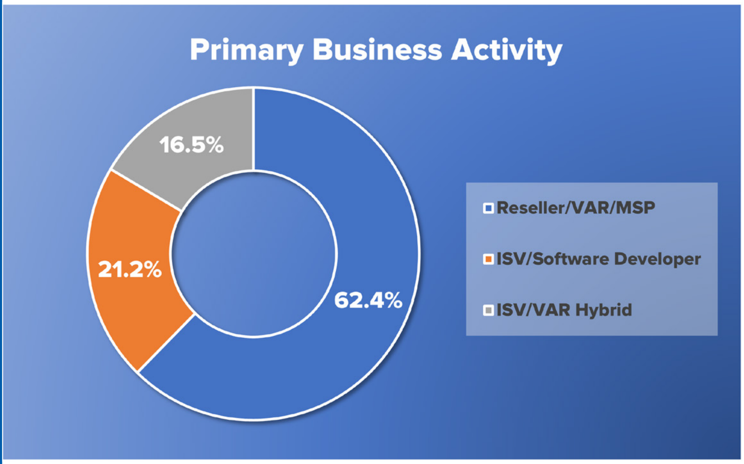
Today's VARs and ISVs, according to the data you're about to dive into, offer a winning combination of high-margin products and services, personalized customer care, and internal efficiency which leads to solid profits.

This ninth annual KPI study attracted 85 VARs, ISVs, and ISV/VAR hybrids which makes this report one of the largest retail IT channel KPI studies ever published. Our hope is that VARs, ISVs (Independent Software Vendors), and DISDs (Direct Independent Software Developers) use our data, charts, and analysis to gain a clearer perspective of their strengths and weaknesses and then consider how they can improve.

In January and February 2025, an online survey was emailed to RSPA members and retail IT VAR and ISV partners of channel distributor BlueStar. Through this survey, retail IT VARs and software developers anonymously shared their results from 2024 and their projections for 2025. We gathered KPI data such as number of employees, gross revenue, recurring revenue, revenue growth rate, profit margin, employee pay/benefits, and more. From 2017-19, this report was conducted by Worldpay.

When asked to describe their primary business activity, respondents said:

- Reseller/VAR/MSP: **62.4%**
- ISV/Software Developer: **21.2%**
- ISV/VAR Hybrid: **16.5%**



That's nearly identical to the makeup of last year's survey (**60.6%** VAR, **22.4%** ISV, **16.9%** hybrid) and the year prior which we think indicates stability in solution provider business models. Six of the prior seven years we recorded a decrease in the percent of reseller-only businesses and an increase in the percent of ISV/VAR hybrids taking our survey. The makeup of the companies comprising the "retail IT solution provider community" has changed over the past half decade, and these numbers support our thesis of a permanent shift to many VARs feeling that to grow they need to own intellectual property through software.

The main vertical markets represented in this study are hospitality, retail, and grocery:

- **Hospitality:** **50.6%** listed hospitality/restaurants as their primary vertical; **61.2%** listed hospitality/restaurants as either their primary or secondary vertical
- **Retail:** **24.7%** listed retail as their primary vertical; **58.8%** listed retail as either their primary or secondary vertical
- **Grocery:** **17.7%** listed grocery as their primary vertical; **45.9%** listed grocery as either their primary or secondary vertical

Solution providers listing hospitality as their primary vertical increased for the second consecutive report after a sharp drop two years ago: **36.4%** in 2023, **47.1%** in 2024, and **50.6%** in 2025, a 14.2-point difference across 24 months. Our speculation is several restaurant-first VARs were acquired in 2022, creating a hole in our industry, but that gap has been gradually filled in. This year's report also showed a surprising year-over-year 10-point decrease in retail (2024: **34.3%** primary, **68.1%** primary/secondary; 2025: **24.7%** primary, 58.8% primary/secondary) and a YoY increase in grocery (2024: **14.3%** primary, **32.6%** primary/secondary; 2025: **17.7%** primary, **45.9%** primary/secondary).

Respondent company size varied greatly as you might expect. The most common company sizes were between 1-9 FTEs (**47.1%**) but more than half reported 10+ FTEs (**50.6%**):

- 0 employees; I am a one-person shop: **2.4%**
- 1-4 FTEs: **17.7%**
- 5-9: **29.4%**
- 10-14: **14.1%**
- 15-24: **11.8%**
- 25-49: **15.3%**
- 50-99: **4.7%**
- 100+: **4.7%**

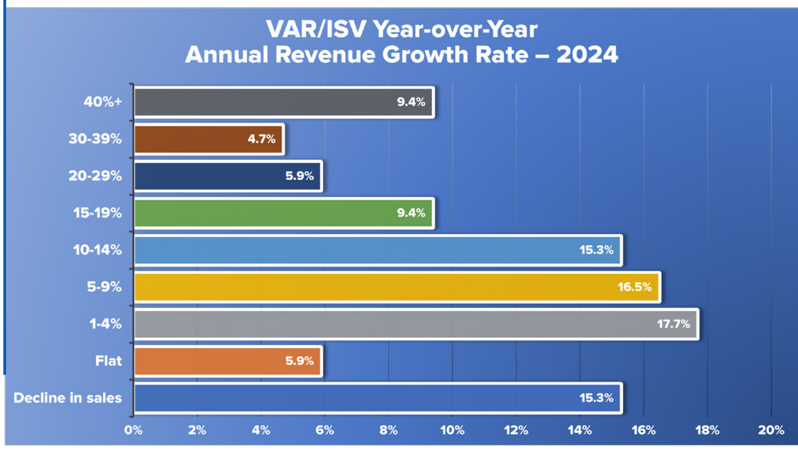
Are the smallest of small VARs fading away due to the ever-increasing complexity of the retail IT channel and its challenges? Last year a third of survey respondents (**33.8%**) reported fewer than five FTEs but this year that dropped to one-fifth (**20.1%**) of respondents. Anecdotally, RSPA has seen an increase in smaller VARs (and software providers, too) among our membership base being acquired or merging with other solutions providers.

Additional details about our study's methodology plus guidance for interpreting these numbers are included at the end of this report.

VARs, ISVs, and Hybrids Express Optimism for 2025 After Growth Trajectory Hits Snag in 2024

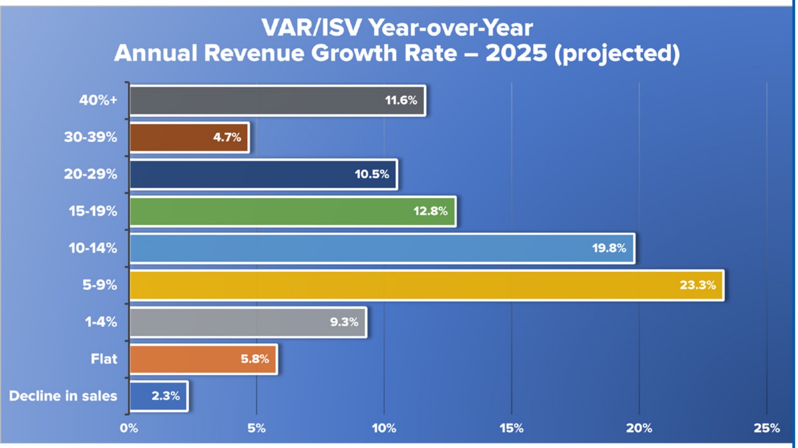
When asked, *"What is your estimated Year-over-Year Annual Revenue Growth Rate for 2024,"* **VAR, ISV, and hybrid respondents answered:**

- Decline in sales: **15.3%**
- Flat: **5.9%**
- 1-4%: **17.7%**
- 5-9%: **16.5%**
- 10-14%: **15.3%**
- 15-19%: **9.4%**
- 20-29%: **5.9%**
- 30-39%: **4.7%**
- 40%+: **9.4%**



Respondents are optimistic about their 2025 sales numbers:

- Decline in sales: **2.3%**
- Flat: **5.8%**
- 1-4%: **9.3%**
- 5-9%: **23.3%**
- 10-14%: **19.8%**
- 15-19%: **12.8%**
- 20-29%: **10.5%**
- 30-39%: **4.7%**
- 40%+: **11.6%**



For the first time in the post-COVID era, retail IT solution providers did not continue their growth trajectory. In 2020, nearly **23%** of survey respondents (**22.9%**) reported a decline in sales; that number fell to just **7.5%** in 2021, **6.5%** in 2022, and **5.6%** in 2023. In 2024, that figure nearly tripled to **15.3%**.

In 2020, over a third of respondents (**36.2%**) experienced either flat or declining sales compared with **19.8%** in 2021, **16.9%** in 2022, and just **14.1%** in 2023. For 2024, **21.2%** of respondents reported flat or declining sales, a 7.1-point increase.

Though 2024 was a small step backwards, our industry is still light years ahead of 2016, the first year of this report, when a whopping **37.3%** reported flat/declining sales. Solution providers predict 2025 will be better than 2024 with only **8.1%** projecting flat/declining sales.

Let's compare 2024 projections from last year's study with this year's reported 2024 actuals to see if our VAR and ISV respondents achieved their goals:

- **Decline in sales:** Projected: **1.4%** Actual: **15.3%**
- **Flat:** Projected: **8.5%** Actual: **5.9%**
- **1-4%:** Projected: **8.5%** Actual: **17.7%**
- **5-9%:** Projected: **16.9%** Actual: **16.5%**
- **10-14%:** Projected: **28.2%** Actual: **15.3%**
- **15-19%:** Projected: **12.7%** Actual: **9.4%**
- **20-29%:** Projected: **4.2%** Actual: **5.9%**
- **30-39%:** Projected: **8.5%** Actual: **4.7%**
- **40%+:** Projected: **11.3%** Actual: **9.4%**

Clearly, 2024 didn't go as planned for many solution providers. About a fifth of survey respondents (**21.2%**) experienced flat or declining sales while predictions anticipated only **9.9%** would. **44.7%** achieved double-digit growth instead of the projected **64.9%**.

This report will occasionally share 2025 projections, but our focus will be on actuals from 2024 and the eight prior KPI Studies because history has proven those numbers to be most reliable.

Let's break down the aforementioned 2024 sales actuals by separating the numbers for VARs, ISVs, and ISV/VAR hybrids:

- **Decline in sales:** VARs: **13.5%** ISVs: **16.7%** Hybrids: **21.4%**
- **Flat:** VARs: **3.9%** ISVs: **11.1%** Hybrids: **7.1%**
- **1-4%:** VARs: **21.1%** ISVs: **11.1%** Hybrids: **14.3%**
- **5-9%:** VARs: **20.9%** ISVs: **18.8%** Hybrids: **25.0%**
- **10-14%:** VARs: **21.1%** ISVs: **5.6%** Hybrids: **7.1%**
- **15-19%:** VARs: **11.5%** ISVs: **16.7%** Hybrids: **28.6%**
- **20-29%:** VARs: **11.5%** ISVs: **5.6%** Hybrids: **7.1%**
- **30-39%:** VARs: **5.8%** ISVs: **11.1%** Hybrids: **0%**
- **40%+:** VARs: **7.7%** ISVs: **16.7%** Hybrids: **7.1%**

VAR growth numbers had held steady or improved slightly year-to-year (except for 2020, of course), but that trend hit a snag in 2024. In 2017, **42.8%** of retail IT VARs were under a 5% growth rate (sales declined, were flat, or grew 1-4%), which was about the same as 2018 (**44.3%**), 2019 (**38.1%**), and 2021 (**43.5**). That number in 2022 dropped to just **34.7%**, the best result for VARs in the history of this survey, and set a record again in 2023 by falling to just **30.1%**. For 2024, that figure crept back up to **38.5%**. VARs have come a long way from 2016 when nearly two-thirds of retail IT resellers (**65.4%**) fit this category. About 4-in-10 VARs in our study (**40.4%**) experienced double-digit growth in 2024, down from the figures we saw in 2023 (**48.9%**) and 2022 (**54.4%**).

Historically, the number of ISVs reporting growth under 5% has declined year-to-year or remained relatively low: **38.1%** (2016), **40.6%** (2017), **27.5%** (2018), **20.0%** (2019), **14.3%** (2020), **31.6%** (2021), **23.6%** (2022), and **18.8%** (2023). However, for 2024, **35.7%** of software providers fit that category, nearly double the 2023 figure. The number of ISVs in the highest growth category we track in our survey (40%+ growth) jumped from **9.5%** in 2017 to **27.4%** in 2018 and held relatively steady at **25.0%** in 2019, **21.4%** in 2020, and **26.3%** in 2021. The past three years show slightly lower numbers: **17.7%** in 2022, **18.8%** in 2023, and **16.7%** in 2024.

ISV/VAR hybrids appear to be on a similar track as software providers. Prior to the 2022 report, many hybrids experienced flat sales or a decline: **28.6%** (2017), **38.9%** (2018), **31.6%** (2019), and then a staggering **59.8%** in 2020. The tide turned in 2021 with an all-time low of **27.8%** reporting flat/declining sales while two-thirds (**66.7%**) experienced double-digit sales growth. Those numbers looked even better for 2022 with just **14.3%** showing flat/declining sales and **64.2%** posting double-digit sales growth. There was some regression in 2023 (**25.0%** flat/declining, **49.9%** growing double digits) and in 2024 (**28.5%** flat/declining, **49.9%** growing double digits), but overall that's still healthy. Long term, we expect more VARs to add homegrown software capabilities to their offering though the mad rush to that business model appears to be behind us.

Let's dive deep into a revenue comparison using 2016-24 actuals from all nine years of the KPI Study. We'll start with VARs first:

- **Under 5% revenue growth:** 2016: **65.4%** 2017: **42.8%** 2018: **44.3%** 2019: **38.1%** 2020: **50.9%** 2021: **43.5%** 2022: **34.7%** 2023: **30.1%** 2024: **38.5%**
- **Between 5-19% growth:** 2016: **25.5%** 2017: **41.6%** 2018: **41.0%** 2019: **44.6%** 2020: **34.0%** 2021: **37.6%** 2022: **41.3%** 2023: **51.1%** 2024: **44.1%**
- **20%+ growth:** 2016: **6.4%** 2017: **15.8%** 2018: **14.8%** 2019: **17.5%** 2020: **15.2%** 2021: **18.9%** 2022: **24.0%** 2023: **18.7%** 2024: **17.4%**

Here are the nine-year trends for ISVs:

- **Under 5% revenue growth:** 2016: **38.1%** 2710: **40.6%** 2018: **27.5%** 2019: **20.0%** 2020: **14.3%** 2021: **31.6%** 2022: **23.6%** 2023: **18.8%** 2024: **38.9%**
- **Between 5-19% growth:** 2016: **33.4%** 2017: **35.8%** 2018: **43.2%** 2019: **40.0%** 2020: **49.9%** 2021: **26.3%** 2022: **29.5%** 2023: **50.1%** 2023: **27.9%**
- **20%+ growth:** 2016: **28.6%** 2017: **23.8%** 2018: **29.4%** 2019: **40.0%** 2020: **35.7%** 2021: **42.1%** 2022: **47.2%** 2023: **31.3%** 2023: **33.4%**

We have revenue numbers for the past eight years for ISV/VAR hybrids:

- **Under 5% revenue growth:** 2017: **33.4%** 2018: **44.5%** 2019: **52.7%** 2020: **59.8%** 2021: **33.4%** 2022: **28.6%** 2023: **25.0%** 2023: **42.8%**
- **Between 5-19% growth:** 2017: **42.9%** 2018 **44.5%** 2019: **42.1%** 2020: **13.4%** 2021: **33.4%** 2022: **42.8%** 2023: **66.7%** 2024: **42.8%**
- **20%+ growth:** 2017: **23.8%** 2018: **11.1%** 2019: **5.3%** 2020: **26.6%** 2021: **33.4%** 2022: **28.5%** 2023: **8.3%** 2024: **14.2%**

We've said this in prior reports and are happy to state it again: the demise of the VAR business model appears to be greatly exaggerated. **17.4%** of VAR respondents achieved better than 20% growth in 2024, the fourth consecutive year approximately one-fifth of VARs have achieved that. After **30.1%** reported growth under 5% in 2023, an all-time low for this report, that figure ticked up slightly to **38.5%**. There are fewer pure resellers in our industry today – many are now ISV/VAR hybrids and many small shops are no longer in business – but today's VARs are more sophisticated than ever and operating healthy businesses.

Software providers continue to be the top growth sector in today's retail IT channel, but their growth slowed slightly in 2023 and to an even greater extent in 2024. Over the past eight years, we see for ISVs a combination of growth and steadiness in the 20%+ growth category: **23.8%** 2017, **29.4%** 2018, **40.0%** 2019, **35.7%** 2020, **42.1%** 2021, a record **47.2%** in 2022, **31.3%** in 2023, and **33.4%** in 2024. On the flip side, **38.9%** of ISVs reported growth under 5% in 2024, the highest figure we've seen in that category since 2017. As more software providers enter the retail IT channel ecosystem, they're battling out to see who grows fast and who doesn't.

ISV/VAR hybrid growth numbers have historically been volatile. From 2018-2020, every year at least **44%** of hybrids reported under 5% revenue growth. Then from 2021-23, the under 5% figure never surpassed **33%.**

In 2024, that streak was broken with **42.8%** of hybrids reporting under 5% growth. Hybrids reporting 5-19% growth has varied greatly the past three reports: **42.8%** in 2022, **66.7%** in 2023, and back to **42.8%** last year. Hybrid growth had been ramping up in the 20%+ range but has stepped backwards the past two years: **5.3%** in 2019, **26.6%** in 2020, **33.4%** in 2021, **28.5%** in 2022, and then falling to **8.3%** in 2023 and holding at **14.2%** in 2024.

Let's take a quick look at 2024 revenue predictions among these three groups solely to gauge their optimism. ISVs are expecting the highest growth followed by hybrids then VARs. No group appears pessimistic about the year ahead:

- **Decline in sales:** VARs: **3.8%** ISVs: **0%** Hybrids: **0%**
- **Flat:** VARs: **9.8%** ISVs: **0%** Hybrids:0%
- **1-4%:** VARs: **11.3%** ISVs: **5.6%** Hybrids: **7.1%**
- **5-9%:** VARs: **26.4%** ISVs: **11.1%** Hybrids: **21.4%**
- **10-14%:** VARs: **17.0%** ISVs: **27.8%** Hybrids: **21.4%**
- **15-19%:** VARs: **11.3%** ISVs: **11.1%** Hybrids: **21.4%**
- **20-29%:** VARs: **7.6%** ISVs: **16.7%** Hybrids: **14.3%**
- **30-39%:** VARs: **3.8%** ISVs: **11.1%** Hybrids: **0%**
- **40%+:** VARs: **9.4%** ISVs: **16.7%** Hybrids: **14.3%**

At the request of RSPA members, for the third year we asked this sales-related question: *"In 2024, approx. what % of your sales were generated from existing customers (vs. net-new customer acquisition)?"* **Respondents said:**

- **1-9% from existing customers: 7.0%**
- **10-19%: 1.2%**
- **20-29%: 10.5%**
- **30-39%: 7.0%**
- **40-49%: 3.5%**
- **50-59%: 9.3%**
- **60-69%: 13.9%**
- **70-79%: 13.9%**
- **80-89%: 24.4%**
- **90-99%: 9.3%**
- **100%: 0%**

Similar to our past studies, just under a third of respondents (**29.2%**) reported less than half their revenue was generated by existing customers in 2024. On the other end of the spectrum, another third of respondents (**33.7%**) said 80% or more of their revenue is from existing customers, once again in line with data from our past reports.

Hybrids reported the most revenue from existing customers when compared with VARs and ISVs; again, that's in line with our past studies. Here's a breakdown of respondents reporting less than half of revenue from existing customers for 2024: VARs: **24.5%** ISVs: **55.6%** Hybrids: **14.3%**.

Revenue Stream Analysis: Are VARs Too Dependent on Payments?

For the second year, we asked respondents to segment their prior year's revenue among hardware, software, payment processing, and services. RSPA members are most interested in where VAR and hybrid revenue comes from and if they are overly reliant on payments revenue.

Let's dig into the VAR numbers first. Our first of four questions was: "*In 2024, approx. what % of your revenue was generated from hardware sales (new or recurring)?"*
Respondents said:

- **1-9% from hardware sales: 15.1%**
- **10-19%: 24.5%**
- **20-29%: 17.0%**
- **30-39%: 13.2%**
- **40-49%: 15.1%**
- **50-59%: 3.8%**
- **60-69%: 3.8%**
- **70-79%: 5.7%**
- **80-89%: 1.9%**
- **90-99%: 0%**
- **100%: 0%**

We next asked VARs: *"In 2024, approx. what % of your revenue was generated from software sales (new or recurring)?"* **Respondents said:**

- **1-9% from software sales: 17.0%**
- **10-19%: 26.4%**
- **20-29%: 24.5%**
- **30-39%: 15.1%**
- **40-49%: 3.8%**
- **50-59%: 5.7%**
- **60-69%: 1.9%**
- **70-79%: 0%**
- **80-89%: 3.8%**
- **90-99%: 1.9%**
- **100%: 0%**

Our third question was: *"In 2024, approx. what % of your revenue was generated from payment processing (new or recurring)?"* **Respondents said:**

- **1-9% from payment processing: 18.9%**
- **10-19%: 26.4%**
- **20-29%: 28.3%**
- **30-39%: 17.0%**
- **40-49%: 1.9%**
- **50-59%: 1.9%**
- **60-69%: 1.9%**
- **70-79%: 1.9%**
- **80-89%: 0%**
- **90-99%: 1.9%**
- **100%: 0%**

Our final question was: *"In 2024, approx. what % of your revenue was generated from services (new or recurring)?"* **Respondents said:**

- **1-9% from services: 18.9%**
- **10-19%: 26.4%**
- **20-29%: 28.3%**
- **30-39%: 17.0%**
- **40-49%: 1.9%**
- **50-59%: 1.9%**
- **60-69%: 1.9%**
- **70-79%: 1.9%**
- **80-89%: 0%**
- **90-99%: 1.9%**
- **100%: 0%**

So are VARs overly reliant on payments? That's a judgment call, but our data shows for the second consecutive year they certainly are heavily dependent on payment processing for revenue. **37.9%** of VAR respondents said they generate half or more of their revenue through payments, down slightly from last year (**46.3%**). VARs saying they generated half or more of their revenue through other means (hardware **15.2%**, software **13.3%**, services **7.6%**) only come close to matching payments revenue if you combine those three other sources (**36.1%**).

How different are revenue sources for ISV/VAR hybrids when compared with traditional VARs? Let's find out. "*In 2024, approx. what % of your revenue was generated from hardware sales (new or recurring)?*" **Hybrid respondents said:**

- **1-9% from hardware sales: 14.3%**
- **10-19%: 42.9%**
- **20-29%: 28.5%**
- **30-39%: 14.3%**
- **40-49%: 0%**
- **50-59%: 0%**
- **60-69%: 0%**
- **70-79%: 0%**
- **80-89%: 0%**
- **90-99%: 0%**
- **100%: 0%**

We next asked: *"In 2024, approx. what % of your revenue was generated from software sales (new or recurring)?"* **Hybrid respondents said:**

- **1-9% from software sales: 14.3%**
- **10-19%: 7.1%**
- **20-29%: 35.7%**
- **30-39%: 14.3%**
- **40-49%: 14.3%**
- **50-59%: 0%**
- **60-69%: 14.3%**
- **70-79%: 0%**
- **80-89%: 0%**
- **90-99%: 0%**
- **100%: 0%**

Our third question for the hybrids was: *"In 2024, approx. what % of your revenue was generated from payment processing (new or recurring)?"* **Respondents said:**

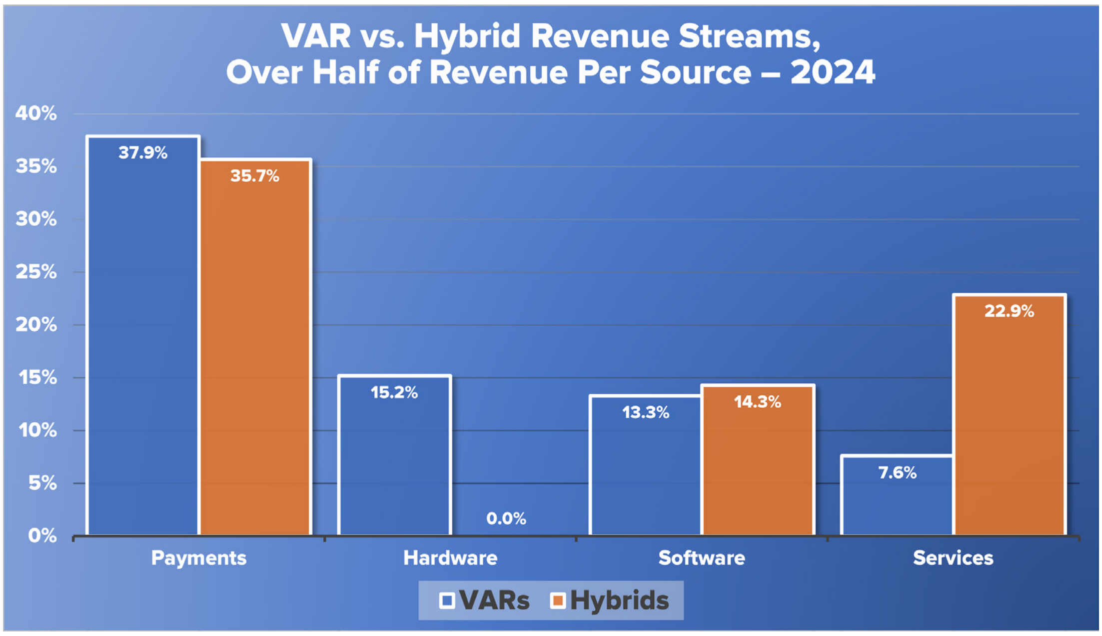
- **1-9% from payments: 0%**
- **10-19%: 57.1%**
- **20-29%: 7.1%**
- **30-39%: 0%**
- **40-49%: 0%**
- **50-59%: 14.3%**
- **60-69%: 0%**
- **70-79%: 14.3%**
- **80-89%: 7.1%**
- **90-99%: 0%**
- **100%: 0%**

Finally we asked: *"In 2024, approx. what % of your revenue was generated from services (new or recurring)?"* **Hybrid respondents said:**

- **1-9% from services: 28.6%**
- **10-19%: 14.3%**
- **20-29%: 21.4%**
- **30-39%: 7.1%**
- **40-49%: 7.1%**
- **50-59%: 0%**
- **60-69%: 14.3%**
- **70-79%: 0%**
- **80-89%: 7.1%**
- **90-99%: 0%**
- **100%: 0%**

In 2024, hybrid revenue sources were different from traditional VARs – but not in terms of payments revenue. The largest gaps were in hardware revenue and services revenue. Let's illustrate that point by listing the business models side-by-side and comparing who generates half or more of their revenue through each of the four sources:

- **Payments:**
  VARs: **37.9%**
  Hybrids: **35.7%**
- **Hardware:**
  VARs: **15.2%**
  Hybrids: **0%**
- **Software:**
  VARs: **13.3%**
  Hybrids: **14.3%**
- **Services:**
  VARs: **7.6%**
  Hybrids: **22.9%**

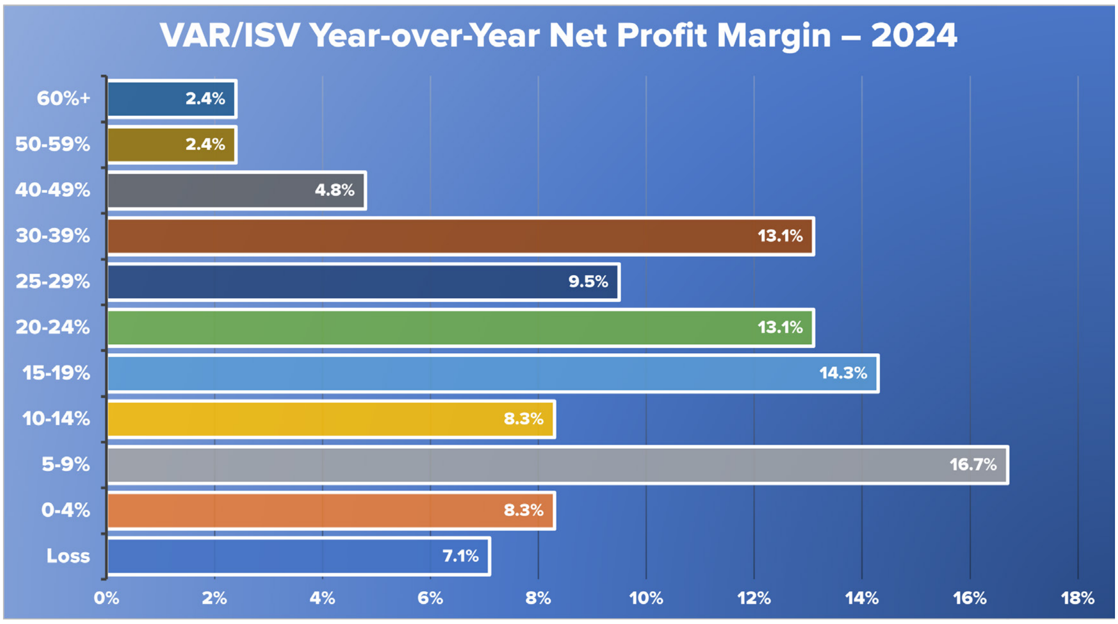


We won't dive into the ISV numbers because their results are what you would expect from that business model: half of ISVs generated 70% or more of their revenue from software sales while three quarters said payments were less than 20% of their revenue.

VARs Post Near-Record Margins in 2024, Hybrid Profits Strong But Take Half Step Back

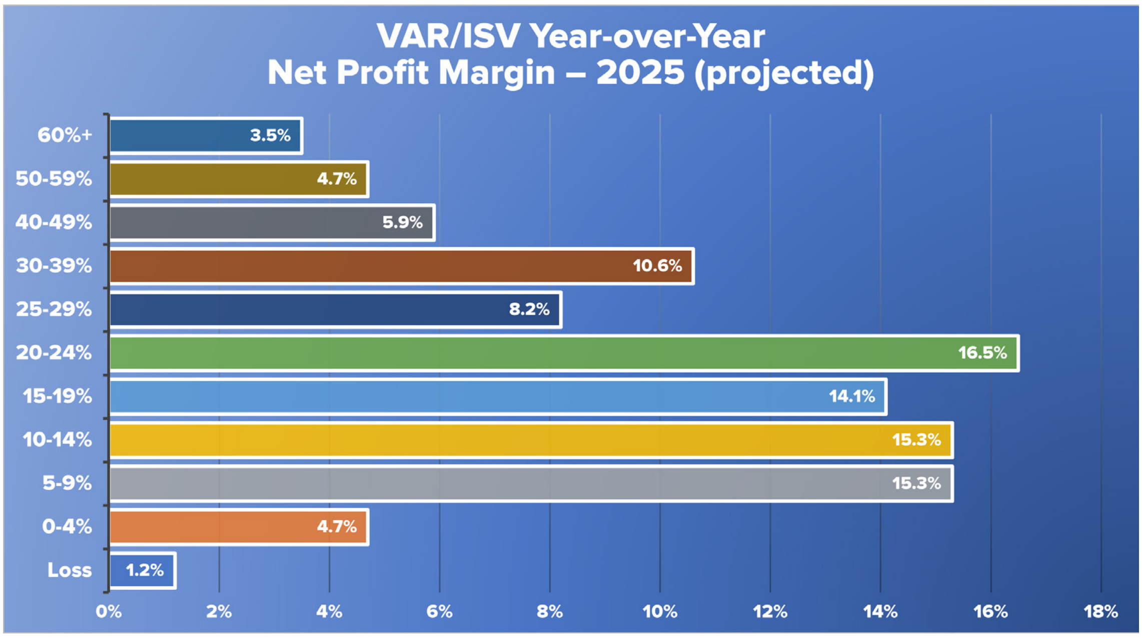
Our survey also asked solution providers to weigh in on their profits. Specifically, we asked, *"What is your approx. Net Profit Margin %? (includes net profits, owner bonuses, and owner fringe benefits.)"* **For 2024, respondents answered:**

- **Loss: 7.1%**
- **0-4%: 8.3%**
- **5-9%: 16.7%**
- **10-14%: 8.3%**
- **15-19%: 14.3%**
- **20-24%: 13.1%**
- **25-29%: 9.5%**
- **30-39%: 13.1%**
- **40-49%: 4.8%**
- **50-59%: 2.9%**
- **60%+: 2.4%**



For 2025 net profits, the respondents are projecting:

- **Loss:** **1.2%**
- **0-4%:** **4.7%**
- **5-9%:** **15.3%**
- **10-14%:** **15.3%**
- **15-19%:** **14.1%**
- **20-24%:** **16.5%**
- **25-29%:** **8.2%**
- **30-39%:** **10.6%**
- **40-49%:** **5.9%**
- **50-59%:** **4.7%**
- **60%+:** **3.5%**



Most survey respondents held steady with their profit margins in 2024, keeping in line with recent prior years despite the sales snag we discussed earlier in this report. For 2024, **25.0%** achieved a single-digit margin compared to **22.9%** in 2023. The number of solution providers reporting margins of 20+% held steady (**45.3%** 2021, **42.6%** 2022, **47.3%** 2023, **45.3%** 2024), well ahead of the numbers reported back in 2020 (**25.2%**). Comparing the 2024 actuals with 2025 projections, we see that solution providers expect further net margin improvement this year. Four-in-five (**78.8%**) expect to achieve double-digit margins in 2025 compared with **67.9%** who experienced that level of profit this year.

Hardware margins remain thin, so many retail IT VARs and ISV/VAR hybrids over the past few years have aggressively expanded their product and service linecards to help them maximize their margins. The RSPA's updated Ultimate List of Recurring Revenue Products and Services – Version 4.0 showcases many of those products/services; our list is likely to expand as solution providers continue to adapt and innovate with AI and beyond.

Let's compare VAR, developer, and ISV/VAR hybrid margins for 2024 to see where there are similarities and differences:

- **Loss:** VARs: **1.9%** ISVs: **16.7%** Hybrids: **14.3%**
- **0-4%:** VARs: **7.8%** ISVs: **11.1%** Hybrids: **7.1%**
- **5-9%:** VARs: **21.6%** ISVs: **5.6%** Hybrids: **7.1%**
- **10-14%:** VARs: **7.8%** ISVs: **11.1%** Hybrids: **7.1%**
- **15-19%:** VARs: **17.7%** ISVs: **5.6%** Hybrids: **14.3%**
- **20-24%:** VARs: **13.7%** ISVs: **16.7%** Hybrids: **7.1%**
- **25-29%:** VARs: **5.9%** ISVs: **11.1%** Hybrids: **21.4%**
- **30-39%:** VARs: **13.7%** ISVs: **11.1%** Hybrids: **14.3%**
- **40-49%:** VARs: **5.9%** ISVs: **5.6%** Hybrids: **0%**
- **50-59%:** VARs: **1.9%** ISVs: **0%** Hybrids: **7.1%**
- **60%+:** VARs: **1.9%** ISVs: **5.6%** Hybrids: **0%**

Now let's delve further into actuals from this year and past studies to see if retail IT VARs, ISVs, and hybrids have been getting healthier from a profit standpoint. First, the VARs:

- **Loss:** 2016: **2.4%** 2017: **1.4%** 2018: **2.1%** 2019: **3.3%** 2020: **7.8%** 2021: **4.4%** 2022: **2.2%** 2023: **0%** 2024: **1.9%**
- **0-4%:** 2016: **19.4%** 2017: **19.2%** 2018: **8.5%** 2019: **7.6%** 2020: **13.7%** 2021: **10.1%** 2022: **4.4%** 2023: **13.9%** 2024: **7.8%**
- **5-9%:** 2016: **12.2%** 2017: **16.4%** 2018: **21.3%** 2019: **18.5%** 2020: **21.6%** 2021: **13.0%** 2022: **19.6%** 2023: **13.9%** 2024: **21.6%**
- **10-14%:** 2016: **19.5%** 2017: **17.8%** 2018: **17.0%** 2019: **17.4%** 2020: **19.6%** 2021: **14.5%** 2022: **17.4%** 2023: **18.6%** 2024: **7.8%**
- **15-19%:** 2016: **14.6%** 2017: **8.2%** 2018: **21.3%** 2019: **9.8%** 2020: **13.7%** 2021: **10.1%** 2022: **13.0%** 2023: **6.9%** 2024: **17.7%**
- **20-24%:** 2016: **4.9%** 2017: **6.9%** 2018: **10.6%** 2019: **11.9%** 2020: **7.8%** 2021: **14.5%** 2022: **13.0%** 2023: **9.3%** 2024: **13.7%**
- **25-29%:** 2016: **4.9%** 2017: **5.5%** 2018: **8.5%** 2019: **8.7%** 2020: **7.8%** 2021: **7.3%** 2022: **8.7%** 2023: **9.3%** 2024: **5.9%**
- **30-39%:** 2016: **9.8%** 2017: **13.7%** 2018: **8.5%** 2019: **10.9%** 2020: **3.9%** 2021: **8.7%** 2022: **8.7%** 2023: **16.3%** 2024: **13.7%**
- **40-49%:** 2016: **7.3%** 2017: **1.4%** 2018: **0%** 2019: **6.5%** 2020: **0%** 2021: **5.8%** 2022: **6.5%** 2023: **2.3%** 2024: **5.9%**
- **50-59%:** 2016: **2.4%** 2017: **6.9%** 2018: **2.1%** 2019: **3.3%** 2020: **3.9%** 2021: **7.3%** 2022: **2.2%** 2023: **4.7%** 2024: **1.9%**
- **60%+:** 2016: **2.4%** 2017: **2.7%** 2018: **0%** 2019: **2.2%** 2020: **0%** 2021: **4.4%** 2022: **4.4%** 2023: **4.7%** 2024: **1.9%**

2024 was one of the best years ever in terms of profit margins for VARs. The best year was 2022 when only **6.6%** reported a profit margin under 5% and **73.9%** reported double-digit margins. 2024 wasn't far behind with **9.7%** under 5% (only a **3.1**-point difference) and **68.5%** showing double-digit margins (only a **5.4**-point difference). Many VARs have retired or been acquired over the past few years, but those still standing and the new players entering our industry appear to be healthier than ever.

Now the ISV profit margin year-over-year comparison:

- **Loss:** 2016: **14.2%** 2017: **13.0%** 2018: **3.3%** 2019: **5.3%** 2020: **0%** 2021: **0%** 2022: **6.3%** 2023: **20.0%** 2024: **16.7%**
- **0-4%:** 2016: **14.2%** 2017: **26.0%** 2018: **30.0%** 2019: **0%** 2020: **7.7%** 2021: **26.3%** 2022: **12.5%** 2023: **0%** 2024: **11.1%**
- **5-9%:** 2016: **14.2%** 2017: **4.4%** 2018: **16.7%** 2019: **5.3%** 2020: **38.5%** 2021: **10.5%** 2022: **18.8%** 2023: **13.3%** 2024: **5.6%**
- **10-14%:** 2016: **0%** 2017: **13.0%** 2018: **3.3%** 2019: **15.8%** 2020: **23.1%** 2021: **0%** 2022: **31.3**% 2023: **20.0%** 2024: **11.1%**
- **15-19%:** 2016: **14.2%** 2017: **8.7%** 2018: **16.7%** 2019: **15.8%** 2020: **7.7%** 2021: **15.8%** 2022: **6.3%** 2023: **6.7%** 2024: **5.6%**
- **20-24%:** 2016: **7.1%** 2017: **8.7%** 2018: **6.7%** 2019: **21.1%** 2020: **7.7%** 2021: **10.5%** 2022: **0%** 2023: **6.7%** 2024: **16.7%**
  25-29%: 2016: **7.1%** 2017: **4.4%** 2018: **0%** 2019: **5.3%** 2020: **0%** 2021: **10.5%** 2022: **12.5%** 2023: **13.3%** 2024: **11.1%**
- **30-39%:** 2016: **21.4%** 2017: **13.0%** 2018: **6.7%** 2019: **5.3%** 2020: **0%** 2021: **15.8%** 2022: **0%** 2023: **6.7%** 2024: **11.1%**
- **40-49%:** 2016: **0%** 2017: **4.4%** 2018: **10.0%** 2019: **15.8%** 2020: **0%** 2021: **5.3%** 2022: **0%** 2023: **0%** 2024: **5.6%**
- **50-59%:** 2016: **7.1%** 2017: **0%** 2018: **6.7%** 2019: **0%** 2020: **7.7%** 2021: **5.3%** 2022: **6.3%** 2023: **0%** 2024: **0%**
- **60%+:** 2016: **0%** 2017: **4.4%** 2018: **0%** 2019: **10.5%** 2020: **7.7%** 2021: **0%** 2022: **6.3%** 2023: **13.3%** 2024: **5.6%**

For three years (2016-18), around a third of retail IT software developers operated at a loss or near breakeven every year (**28.4%** in 2016, **39.0%** in 2017, **33.3%** in 2018), but the situation improved in 2019 (only **5.3%** under 5%) and continued in 2020 (**7.7%**). It's been curious to see that number revert the past four years: 2021 (**26.3%**), 2022 (**18.8%**), 2023 (**20.0%**), and 2024 (**27.8%**). The number of ISVs reporting a profit margin of over 60% was the highest in the history of this survey last year **(13.3%** in 2023) but that dipped to **5.6%** in 2024.

Because in early KPI surveys ISV/VAR hybrids represented a small portion of the respondents and some chose to not share their margin numbers, we have only data from 2019-23 to compare:

- **Loss:** 2019: **0%** 2020: **19.9%** 2021: **5.6%** 2022: **0%** 2023: **8.3%** 2024: **14.3%**
- **0-4%:** 2019: **10.5%** 2020: **6.7%** 2021: **16.7%** 2022: **7.7%** 2023: **8.3%** 2024: **7.1%**
- **5-9%:** 2019: **26.3%** 2020: **19.9%** 2021: **5.6%** 2022: **7.7%** 2023: **8.3%** 2024: **7.1%**
- **10-14%:** 2019: 10.5% 2020: 19.9% 2021: **16.7%** 2022: **15.4%** 2023: **0%** 2024: **7.1%**
- **15-19%:** 2019: **21.1%** 2020: **6.7%** 2021: **22.2%** 2022: **7.7%** 2023: **16.7%** 2024: **14.3%**
- **20-24%:** 2019: **10.5%** 2020: **6.7%** 2021: **11.1%** 2022: **30.8%** 2023: **8.3%** 2024: **7.1%**
- **25-29%:** 2019: **0%** 2020: **13.3%** 2021: **11.1%** 2022: **7.7%** 2023: 25.**0%** 2024: **21.4%**
- **30-39%:** 2019: **10.5%** 2020: **0%** 2021: **11.1%** 2022: **15.4%** 2023: **16.7%** 2024: **14.3%**
- **40-49%:** 2019: **5.3%** 2020: **6.7%** 2021: **0%** 2022: **7.7%** 2023: **8.3%** 2024: **0%**
- **50-59%:** 2019: **0%** 2020: **0%** 2021: **0%** 2022: **0%** 2023: **0%** 2024: **7.1%**
- **60%+:** 2019: **5.3%** 2020: **0%** 2021: **0%** 2022: **0%** 2023: **0%** 2024: **0%**

Hybrid profits appear to have taken another half step backwards in 2024. For three consecutive years, there had been a decline in hybrids taking a loss (**19.9%** 2020, **5.6%** 2021, **0%** 2022) but that pushed up to **8.3%** in 2023 and now to **14.3%** in 2024. Also for three years there was an increase in hybrids achieving double-digit margins: **53.3%** 2020, **72.2%** 2021, and **84.7%** 2022. But that dropped to **75.0%** in 2023 and now to **71.3%** in 2024. Those are all relative comparisons; when half of a category (**49.9%**) is posting 20%+ margins, something good is going on.

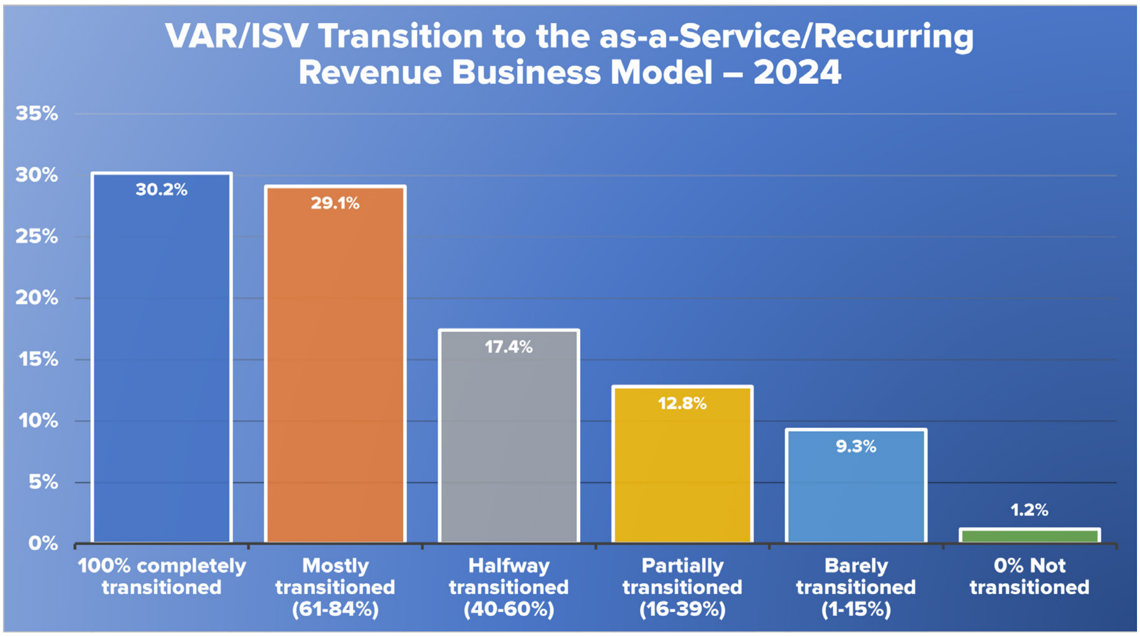
Recurring Revenue Recurring Theme: Record-High Numbers Again

Our first question about recurring revenue asked all respondents (VARs, ISVs, and ISV/VAR hybrids), *"Which of the following statements best describes your business in regards to the transition to the as-a-Service/recurring revenue business model?"* **Respondents said:**

- **100% completely transitioned;** all our customers pay a monthly fee; extremely limited project work: **30.2%**
- **Mostly transitioned (61-84%);** most of our customers pay a monthly fee; limited project work: **29.1%**
- **Halfway transitioned (40-60%);** about half of our customers pay a monthly fee; about half of our billing is for project work: **17.4%**
- **Partially transitioned (16-39%);** some of our customers pay a monthly fee; significant project work: **12.8%**
- **Barely transitioned (1-15%);** very few of our customers pay a monthly fee; we do mostly project work: **9.3%**
- **0% Not transitioned;** no customers pay a monthly fee; all project work: **1.2%**

Our second question asked them to look ahead. *"One year from now, where do you plan to be in the transition to the as-a-Service/recurring revenue business model?"* **Respondents said:**

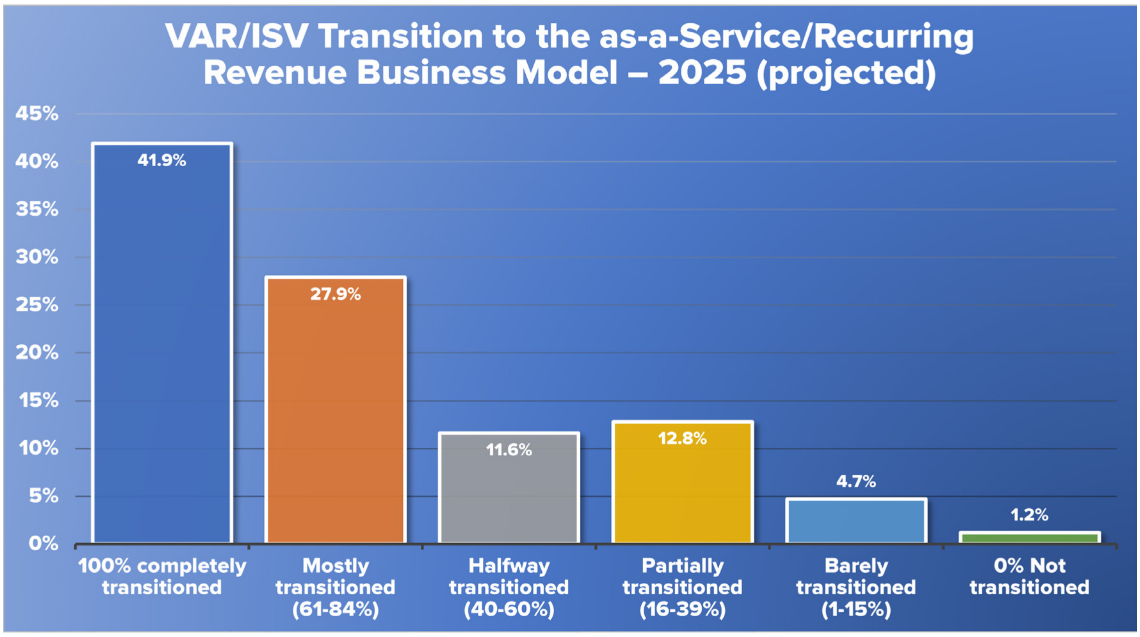
- **100% completely transitioned: 41.9%**
- **Mostly transitioned (61-84%): 27.9%**
- **Halfway transitioned (40-60%): 11.6%**
- **Partially transitioned (16-39%): 12.8%**
- **Barely transitioned (1-15%): 4.7%**
- **0% Not transitioned: 1.2%**



These questions have been asked in each KPI Study, so let's examine the 2016-24 actuals plus the 2025 projections side-by-side:

- **100% completely transitioned:** 2016: **10.3%** 2017: **24.6%** 2018: **22.2%** 2019: **15.3%** 2020: **25.6%** 2021: **24.3%** 2022: **28.6%** 2023: **33.8%** 2024: **30.2%** 2025: **41.9%***
- **Mostly transitioned (61-84%):** 2016: **13.8%** 2017: **17.3%** 2018: **23.3%** 2019: **16.8%** 2020: **21.9%** 2021: **19.8%** 2022: 18.2% 2023: **22.5%** 2024: **29.1%** 2025: **27.9%***
- **Halfway transitioned (40-60%):** 2016: **20.7%** 2017: **26.4%** 2018: **16.7%** 2019: **25.2%** 2020: **15.9%** 2021: **20.8%** 2022: **16.9%** 2023: **22.5%** 2024: **19.7%*** 2024: **17.4%** 2025: **11.6%***
- **Partially transitioned (16-39%):** 2016: **22.4%** 2017: **14.6%** 2018: **26.7%** 2019: **23.7%** 2020: **24.4%** 2021: **22.6%** 2022: **20.8%** 2023: **8.5%** 2024: **12.8%** 2025: **12.8%***
- **Barely transitioned (1-15%):** 2016: **20.7%** 2017: **12.7%** 2018: **7.8%** 2019: **14.5%** 2020: **7.3%** 2021: 7.5% 2022: **9.1%** 2023: **7.1%** 2024: **9.3%** 2025: **4.7%***
- **0% Not transitioned/no plans:** 2016: **12.1%** 2017: **4.6%** 2018: **3.3%** 2019: **4.6%** 2020: **4.8%** 2021: **4.7%** 2022: **6.5%** 2023: **5.6%** 2024: **1.2%** 2025: **1.2%***

* projected



As longtime proponents of the as-a-Service business model, we're thrilled retail IT solution providers continue to embrace recurring revenue. The number of solution providers in the top two categories – completely transitioned (85-100% transitioned) and mostly transitioned (61-84% transitioned) – achieved a record-high **59.3%** share in 2024, surpassing last year's record **56.3%**.

And survey respondents expect that figure to increase to **69.8%** in 2025. The projections continue to chart out as a ski slope where most every category with more recurring revenue surpasses every other category with less recurring revenue.

Compare those numbers with 2016 when only **24.1%** of VARs and ISVs were completely/mostly transitioned; that's a **35.2**-point difference. This year's numbers confirm the statement we made for the first time in last year's report: the as-a-Service model is the preferred model for today's retail IT solution providers.

Let's go beyond the collective figures and break down each segment starting with VARs. These numbers include VAR actuals from 2016-24 and their 2025 projections:

- **100% completely transitioned:** 2016: **5.0%** 2017: **14.1%** 2018: **10.6%** 2019: **7.6%** 2020: **16.9%** 2021: **17.4%** 2022: 17.4% 2023: **30.2%** 2024: **24.5%** 2025: **37.7%***
- **Mostly transitioned (61-84%):** 2016: **15.0%** 2017: **21.2%** 2018: **19.2%** 2019: **18.5%** 2020: **22.6%** 2021: **23.1%** 2022: **17.4%** 2023: **13.9%** 2024: **24.5%** 2025: **24.5%***
- **Halfway transitioned (40-60%):** 2016: **22.5%** 2017: **28.2%** 2018: **21.3%** 2019: **27.1%** 2020: **11.3%** 2021: **18.8%** 2022: **23.9%** 2023: **30.2%** 2024: **23.3%*** 2024: **20.8%** 2025: **15.1%***
- **Partially transitioned (16-39%):** 2016: **22.5%** 2017: **14.1%** 2018: **31.2%** 2019: **25.0%** 2020: **33.9%** 2021: **26.1%** 2022: **21.7%** 2023: **11.6%** 2024: **16.9%** 2025: **16.9%***
- **Barely transitioned (1-15%):** 2016: **27.5%** 2017: **15.5%** 2018: **10.6%** 2019: **16.3%** 2020: **9.4%** 2021: **10.1%** 2022: **8.7%** 2023: **9.3%** 2024: **11.3%** 2025: **3.8%***
- **0% Not transitioned/no plans:** 2016: **7.5%** 2017: **7.0%** 2018: **6.4%** 2019: **5.4%** 2020: **5.7%** 2021: **4.4%** 2022: **10.9%** 2023: **4.7%** 2024: **1.9%** 2025: **1.9%***

* projected

The number of VARs "completely" transitioned in 2024 (**24.5%**) is the second highest figure in the history of this study, behind only 2023's record **30.2%**. The 2024 figure is five times higher than what we first reported in 2016 (**5.0%**). The number of VARs "halfway" or more transitioned stands strong at **69.8%** in 2024. VARs expect to take another step forward next year to **77.3%** "halfway" or more transitioned.

Each prior KPI Study revealed that ISVs were ahead of VARs in terms of recurring revenue. Let's see if that's still the case:

- **100% completely transitioned:** 2016: **30.7%** 2017: **47.8%** 2018: **40.0%** 2019: **45.0%** 2020: **61.5%** 2021: **31.6%** 2022: **41.2%** 2023: **62.5%** 2024: **44.4%** 2025: **55.6%***
- **Mostly transitioned (61-84%):** 2016: **15.4%** 2017: **13.0%** 2018: **30.0%** 2019: **0%** 2020: **7.7%** 2021: **10.5%** 2022: **5.9%** 2024: **27.8%** 2025: **22.2%***
- **Halfway transitioned (40-60%):** 2016: **7.7%** 2017: **21.7%** 2018: **6.7%** 2019: **15.0%** 2020: **23.1%** 2021: **31.6%** 2022: **5.9%** 2023: **12.5**% 2024: **16.7%** 2025: **11.1%***
- **Partially transitioned (16-39%):** 2016: **15.4%** 2017: **8.7%** 2018: **16.7%** 2019: **20.0%** 2020: **7.7%** 2021: **10.5%** 2022: **29.4%** 2023: **0%** 2024: **5.6%** 2025: **5.6%***
- **Barely transitioned (1-15%):** 2016: **0%** 2017: **8.7%** 2018: **6.7%** 2019: **15.0%** 2020: **0%** 2021: **4.3%** 2022: **17.7%** 2023: **0%** 2024: **5.6%** 2025: **5.6%***
- **0% Not transitioned/no plans:** 2016: **30.7%** 2017: **0%** 2018: **0%** 2019: **5.0%** 2020: **0%** 2021: **10.5%** 2022: **0%** 2023: **12.5%** 2024: **0%** 2025: **0%***

*projected

In 2023, the recurring revenue numbers for ISVs skyrocketed forward after a two-year head-scratching lull to **62.5%** "completely transitioned." That number declined in 2024 to **44.4%**, but the combined completely/mostly categories remained strong year over year: **75.0%** in 2023 vs. **72.2%** in 2024. For 2024, nearly 9-out-of-10 ISVs (**88.9%**) report being "halfway" transitioned or more, a massive increase from 2022 when only **53.0%** of ISVs fit that category (a **35.9**-point increase).

For ISV/VAR hybrids, we have their 2019-24 actuals and 2025 projections:

- **100% completely transitioned:** 2019: **21.1%** 2020: **26.7%** 2021: **44.4%** 2022: **50.0%** 2023: **8.3%** 2024: **35.7%** 2025: **42.9%***
- **Mostly transitioned (61-84%):** 2019: **26.3%** 2020: **33.3%** 2021: **16.7%** 2022: **35.7%** 2023: **66.7%** 2024: **50.0%** 2025: **50.0%***
- **Halfway transitioned (40-60%):** 2019: **26.3%** 2020: **26.7%** 2021: **16.7%** 2022: **7.1%** 2023: **8.3%** 2024: **7.1%** 2025: **0%***
- **Partially transitioned (16-39%):** 2019: **21.1%** 2020: **6.7%** 2021: **22.2%** 2022: **7.1%** 2023: **8.3%** 2024: **7.1%** 2025: **7.1%***
- **Barely transitioned (1-15%):** 2019: **5.3%** 2020: **6.7%** 2021: **0%** 2022: **0%** 2023: **8.3%** 2024: **0%** 2025: **0%***
- **0% Not transitioned/no plans:** 2019: **0%** 2020: **0%** 2021: **0%** 2022: **0%** 2023: **0%** 2024: **0%** 2025: **0%**

* projected

Hybrids took another step forward in terms of recurring revenue adoption last year. The number of hybrids "completely" or "mostly" transitioned increased from **75.0%** in 2023 to **85.7%** in 2024, a **10.7**-point improvement. For 2025, **92.9%** of hybrids anticipate they will be completely/mostly transitioned to the recurring revenue business model. We may be near the end of including this chart in our study because ISV/VAR hybrids are on track to achieve total adoption of the as-a-Service business model soon.

A follow-up recurring revenue question was: *"In 2024, what was your average monthly recurring revenue (MRR) per merchant location?"* This topic was first broached during a RetailNOW 2018 presentation, and it was helpful for the resellers in the room to gauge their as-a-Service progress. So let's look at how VARs are performing in this area comparing actuals for 2018-24:

- **0%; I have no recurring revenue:** 2018: **0%** 2019: **3.3%** 2020: **9.8%** 2021: **4.4%** 2022: **4.4%** 2023: **4.7%** 2024: **1.9%**
- **$1-$50:** 2018: **15.3%** 2019: **14.1%** 2020: **0%** 2021: **7.3%** 2022: **0%** 2023: **4.7%** 2024: **1.9%**
- **$51-$100:** 2018: **15.3%** 2019: **8.7%** 2020: **13.7%** 2021: **4.4%** 2022: **8.7%** 2023: **6.9%** 2024: **3.8%**
- **$101-$150:** 2018: **8.7%** 2019: **17.4%** 2020: **21.6%** 2021: **13.0%** 2022: **8.7%** 2023: **9.3%** 2024: **1.9%**
- **$151-$200:** 2018: **15.3%** 2019: **13.0%** 2020: **3.9%** 2021: **10.1%** 2022: **8.7%** 2023: **6.9%** 2024: **9.4%**
- **$201-$300:** 2018: **8.7%** 2019: **9.8%** 2020: **23.5%** 2021: **14.5%** 2022: **21.7%** 2023: **16.3%** 2024: **18.9%**
- **$301-$400:** 2018: **8.7%** 2019: **10.9%** 2020: **11.8%** 2021: **14.5%** 2022: **8.7%** 2023: **11.6%** 2024: **13.2%**
- **$401-$500:** 2018: **6.5%** 2019: **7.6%** 2020: **3.9%** 2021: **5.8%** 2022: **6.5%** 2023: **4.6%** 2024: **7.6%**
- **$501-$600:** 2018: **0%** 2019: **2.2%** 2020: **0%** 2021: **8.7%** 2022: **2.2%** 2023: **6.9%** 2024: **7.6%**
- **$601-$700:** 2018: **4.4%** 2019: **1.1%** 2020: **0%** 2021: **0%** 2022: **2.2%** 2023: 2.3% 2024: **5.7%**
- **$701-$800:** 2018: **0%** 2019: **0%** 2020: **0%** 2021: **0%** 2022: **4.4%** 2023: **2.3%** 2024: **3.8%**
- **$801-$900:** 2018: **0%** 2019: **1.1%** 2020: **1.9%** 2021: **1.5%** 2022: **0%** 2023: **2.3%** 2024: **7.6%**
- **$901-$1,000:** 2018: **0%** 2019: **1.1%** 2020: **0%** 2021: **0%** 2022: **4.4%** 2023: **2.3%** 2024: **0%**
- **$1,000+:** 2018: **6.5%** 2019: **3.3%** 2020: **7.8%** 2021: **4.4%** 2022: **8.7%** 2023: **11.6%** 2024: **7.6%**
- **Not sure; I don't track recurring revenue:** 2018: **10.9%** 2019: **6.5%** 2020: **1.9%** 2021: **11.6%** 2022: **10.9%** 2023: **6.9%** 2024: **9.4%**

The aforementioned RetailNOW presentation focused on a goal of at least $800 per month per location, and our study shows for six years running that very few VARs are close to that figure; however, the **15.2%** who achieved that mark in 2024 is the second highest total in the history of this study **(16.2%** in 2023). Each line item is fairly consistent year-to-year, the biggest difference occurring in the $101-$150 range (**9.3%** 2023 vs. **1.9%** 2024). It looks like many in that range migrated up; the next eight higher ranges (from $151-$900) all saw gains. Finally, following the credo "if you can measure it, you can manage it," it was disappointing to see that **9.4%** of VARs still don't track MRR per merchant location.

Let's review the ISV/VAR hybrid responses to that same question. We have their 2019-24 actuals:

- **0%; I have no recurring revenue:** 2019: **0%** 2020: **0%** 2021: **5.6%** 2022: **0%** 2023: **0%** 2024: **0%**
- **$1-$50:** 2019: **0%** 2020: **0%** 2021: **0%** 2022: **0%** 2023: **0%** 2024: **0%**
- **$51-$100:** 2019: **10.5%** 2020: **0%** 2021: **0%** 2022: **0%** 2023: **0%** 2024: **0%**
- **$101-$150:** 2019: **5.3%** 2020: **0%** 2021: **11.1%** 2022: **7.7%** 2023: **8.3%** 2024: **21.4%**
- **$151-$200:** 2019: **21.1%** 2020: **6.7%** 2021: **27.8%** 2022: **7.7%** 2023: **25.0%** 2024: **0%**
- **$201-$300:** 2019: **31.6%** 2020: **19.9%** 2021: **16.7%** 2022: **30.8**% 2023: **16.7%** 2024: **7.1%**
- **$301-$400:** 2019: **5.3%** 2020: **19.9%** 2021: **5.6%** 2022: **7.7%** 2023: **0%** 2024: **14.3%**
- **$401-$500:** 2019: **0%** 2020: **19.9%** 2021: **11.1%** 2022: **7.7**% 2023: **8.3%** 2024: **14.3%**
- **$501-$600:** 2019: **10.5%** 2020: **0%** 2021: **0%** **2**022: **23.1%** 2023: **2.50%** 2024: **14.3%**
- **$601-$700:** 2019: **0%** 2020: **13.3%** 2021: **11.1%** 2022: **0%** 2023: **0%** 2024: **7.1%**
- **$701-$800:** 2019: **0%** 2020: **13.3%** 2021: **5.6%** 2022: **0%** 2023: **8.3%** 2024: **0%**
- **$801-$900:** 2019: **0%** 2020: **0%** 2021: **0%** 2022: **0%** 2023: **8.3%** 2024: **7.1%**
- **$901-$1,000:** 2019: **0%** 2020: **0%** 2021: **0%** 2022: **0%** 2023: **0%** 2024: **0%**
- **$1,000+:** 2019: **15.8%** 2020: **6.7%** 2021: **5.6%** 2022: **7.7%** 2023: **0%** 2024: **14.3%**
- **Not sure; I don't track recurring revenue:** 2019: **0%** 2020: **0%** 2021: **0%** 2022: **7.7%** 2023: **0%** 2024: **0%**

This report has already shown why VARs are investing in their own intellectual property through proprietary software, and this chart is icing on that KPI cake. Nearly three quarters of hybrids (**71.4%**) report at least $301 in MRR per merchant while only about half of VARs (**53.1%**) achieved that figure in 2024.

The MSP (managed services provider) model was foreign to many VAR executives a decade ago, but today it's considered a best practice in our industry, which should give us all hope for a stronger tomorrow. The most effective way to attract a new generation to the retail IT channel isn't through TikTok content; it's having a healthy, sustainable, compelling business model that millennial and Gen Z business owners find attractive. Most solution providers in our industry are embracing that more attractive model.

Data Signals Continued
VAR/ISV Acquisitions in 2025

Because solution provider mergers and acquisitions significantly impact our channel, we asked, *"Over the next 24 months, what is your company's plan related to acquisitions? Do you plan to acquire another company, do you aspire to be acquired, or neither?"*

Respondents said:

- **We plan to acquire another company: 20.0%**
- **We aspire to be acquired: 16.5%**
- **Neither; we do not plan to acquire another company and we do not aspire to be acquired: 63.5%**

This is the sixth year we've asked this question, and from 10,000 feet the results appear fairly similar in all surveys – but an underlying trend has solidified which signals continued M&A activity. Those who plan to acquire (**22.1%** 2020, **17.3%** 2021, **20.9%** 2022, **17.1%** 2023, **19.7%** 2024, and **20.0%** in this year's report) continue to outpace those who aspire to be acquired. However, in the first three surveys that difference was by a 2-to-1 margin; our 2023 study closed the gap to less than three points difference **(17.1%** plan to acquire vs. **15.8%** aspire to be acquired), 2024 narrowed even further (**19.7%** plan to acquire vs. 18.3% aspire to be acquired), and this year's report remains within **3.5** points (**20.0%** plan to acquire vs. **16.5%** aspire to be acquired).

This data means just under 1-in-5 retail IT solution providers are ready to be scooped up and another fifth are in the market to buy – and that "buyer" total doesn't include payment vendors and investment firms. Of course, not everyone who wants to be acquired sells their business, but **16.5%** of current channel orgs are looking to exit in the next 24 months.

Let's segment this question by business activity starting with the VARs:

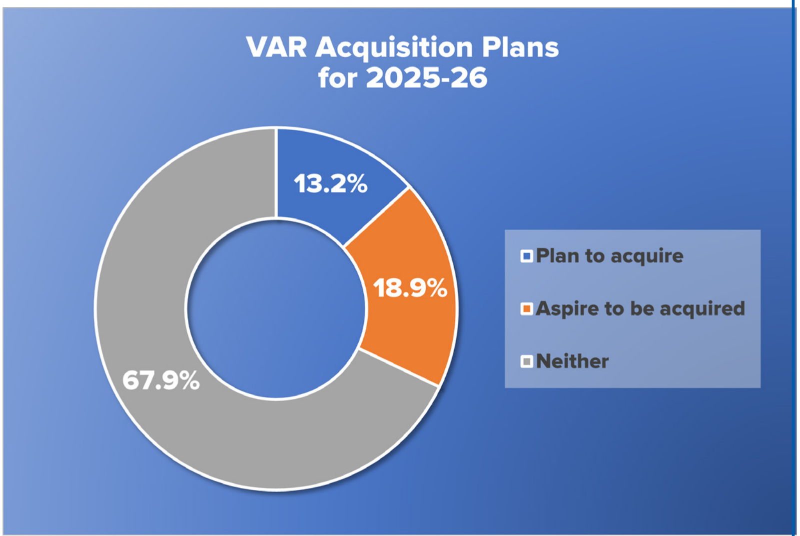
- **Plan to acquire: 13.2%**
- **Aspire to be acquired: 18.9%**
- **Neither: 67.9%**

Here are ISV acquisition plans:

- **Plan to acquire: 29.4%**
- **Aspire to be acquired: 17.6%**
- **Neither: 52.9%**

And finally ISV/VAR hybrids:

- **Plan to acquire: 28.6%**
- **Aspire to be acquired: 7.1%**
- **Neither: 64.3%**



That breakdown produced some interesting numbers for sure. The approaches of VARs and ISV/VAR hybrids are starkly different. **18.9%** of VARs aspire to be acquired while only **7.1%** of hybrids do. And hybrids plan to be twice as active making acquisitions; **28.6%** of hybrids plan to acquire vs. **13.2%** of VARs. The year over year ISV numbers are interesting as well. In 2024, only **12.5%** planned to acquire another company while more than double that (**29.4%**) fit that category this year. The number who aspired to be acquired dropped 7.4 points (**25.0%** 2024 vs. **17.6%** 2025).

Time will tell if these desires come to fruition, but the numbers are telling us the retail IT industry should be poised for additional acquisitions in 2025 and beyond.

2025's Top Niche Verticals: Liquor, Ethnic Grocery/Restaurant, Cannabis

Because growth-oriented retail IT channel executives are interested in emerging niche verticals, we asked, "*Over the next 12 months, which of these niche verticals do you plan to engage in or seriously investigate – i.e. invest time, money, or staff labor, etc.?*" Respondents selected as many answers as applied to their business. Below are the 13 niche verticals that achieved a double-digit response rate (three other niches received interest from less than 10% of respondents):

- **Wine/Beer/Liquor: 44.1%**
- **Ethnic Grocery/Restaurant: 32.1%**
- **Cannabis: 19.1%**
- **Garden/Nursery: 16.7%**
- **Hardware: 16.7%**
- **Entertainment/Recreation/Amusement Parks/ Bowling/Golf: 15.5%**
- **Healthcare: 14.3%**
- **Medical Offices/Hospitals/Senior Living: 13.1%**
- **Non-Profit**: **11.9%**
- **Hotels/Lodging/Resorts: 10.1%**
- **Events/Stadiums/Amphitheaters: 10.1%**
- **Field Service: 10.1%**
- **Spa/Salon**: **10.1%**

The top of this list is consistent with past years – but what's happening in the bottom half of the list is incredibly interesting. Wine/beer/liquor (**44.1%)** once again is the runaway winner as the most popular niche vertical followed by ethic grocery/restaurant (**32.1%**). Cannabis remains among the top three for the fifth consecutive year with once again about one-fifth (**19.1%**) of retail IT solution providers selling into that niche.

The next three niches (garden/nursery, hardware, and entertainment/recreation/etc.) make regular appearances in this portion of our study, but the three niches below them are listed for the first time. Healthcare, medical offices/hospitals/senior living, and non-profit perhaps signal a combination of two related market shifts. First, as traditional POS solution providers add more managed services, they have products/ services to sell outside retail, hospitality, and grocery. Second, more MSPs (managed services providers) are expanding into the retail IT channel while maintaining business outside our industry's core verticals.

VAR HR: Solution Providers Adapting to Work From Home Trend

Our first question in the HR section of our KPI Study asked, "*Which benefits do you currently offer to your full-time employees?"* and presented a menu of common benefits. Respondents selected as many answers as applied to their business (listed by response rate):

- **Two or more weeks paid time off: 83.5%**
- **Health insurance: 68.2%**
- **Dental insurance: 55.3%**
- **Flexible work schedules: 55.3%**
- **Retirement accounts, such as 401(k): 52.9%**
- **Vision insurance: 48.2%**
- **Life insurance: 38.8%**
- **Telecommuting options: 37.7%**
- **Free food/beverages: 36.5%**
- **Healthcare spending or reimbursement accounts: 32.9%**
- **Long-term disability: 27.1%**
- **Short-term disability: 25.9%**
- **Profit sharing: 25.9%**
- **Tuition reimbursement: 25.9%**
- **Employee assistance program: 21.2%**
- **Wellness program: 21.2%**
- **Gym memberships or discounts: 11.8%**
- **Childcare benefits: 3.5%**
- **Fewer than two weeks paid time off: 4.7%**

Compared to last year, the order of our 2025 list of benefits barely changed in terms of what's most commonly offered by VARs and ISVs. But four categories did see significant changes in terms of adoption rates, three of them seemingly related to the work from home (WFH) trend. Flexible work schedules (**50.7%** 2024 vs. **55.3%** 2025), telecommuting options (**28.1%** 2024 vs. **37.7%** 2025), and free food/beverages (**25.4%** 2024 vs. **36.5%** 2025) were the biggest gainers. We see those as related because while more employers are providing WFH options, they are also trying to make working in the office more attractive with perks like free food and drinks. Also, this year saw a big leap in the adoption of employee assistance programs (**8.5%** 2024 vs. **21.2%** 2025) perhaps signaling and new focus on mental health by retail IT channel companies.

A major pain point for many solution providers continues to be finding qualified individuals to move the business forward. That was only exacerbated in 2024 with U.S. unemployment rates near all-time lows. To gain insight into how VARs and ISVs attract candidates we asked, "*What were your most effective new employee recruiting tactics in 2024?"* Respondents were allowed to select up to three choices from a menu of 14 recruiting tactics. Respondents said (listed by response rate):

- **Employee/customer referrals: 34.1%**
- **National job boards: 25.9%**
- **LinkedIn: 23.5%**
- **Recruiters/headhunters/placement agencies: 10.6%**
- **Trade school/college outreach: 9.4%**
- **Local/regional job boards: 8.2%**
- **Retail IT industry job boards: 5.9%**
- **Community/professional associations: 5.9%**
- **Job fairs: 3.5%**
- **Open house: 1.2%**
- **Instagram: 1.2%**
- **Twitter/X: 1.2%**
- **Other: 1.2%**
- **Newspaper advertisements: 0%**
- **Other: 5.6%**
- **I did not recruit any employees: 37.7%**

Employee/customer referrals (**34.1%**) again ranked as the most effective recruiting technique among VARs and ISVs in 2024, gaining three points from last year (**31.0%**). National job boards (**25.9%**) held the top spot in our poll from 2018-20, but now it's losing its grip on second place. LinkedIn (**23.5%**) is now a close third and gaining in popularity year over year (**19.7%** last survey). Every other recruiting tactic lags far behind the top three with only recruiters/headhunters/placement agencies barely hitting double digits (**10.6%**). For the third consecutive year in our survey, newspaper ads, once the obvious choice for employee recruiting, received zero votes from respondents. Adapt or perish!

We also asked VARs and ISVs to calculate their employee turnover rate for 2024. We spelled out the exact formula (more on that later) to calculate employee turnover in order to produce an apples-to-apples comparison across the industry:

- **0%, no employee turnover: 53.6%**
- **1-5%: 22.6%**
- **6-10%: 8.3%**
- **11-15%: 5.9%**
- **16-20%: 3.6%**
- **21-25%: 1.2%**
- **26-30%: 0%**
- **31-40%: 2.4%**
- **41-50%: 1.2%**
- **Over 50%: 1.2%**

For the eighth consecutive year, retail IT VARs and ISVs appear to be blessed with very low employee turnover. Three quarters of respondents (**76.2%**) experienced turnover of 5% or less in 2024. That's a nearly 10-point improvement from 2023 (**67.8%**) and about 15 points ahead of 2022 (**61.9%**). In 2022, **38.2%** of survey respondents experienced no turnover; that number improved to **46.5%** in 2023 and again to **53.6%** in 2024.

To compare your company's performance against these numbers, here's how to calculate your employee turnover rate: How many employees did you have on Jan. 1, 2024? How many employees did you have on Dec. 31, 2024? Add together those numbers, then divide the sum by 2. This is your "Average Number of Employees" for 2024. How many employees separated during 2024 (quit, terminated, etc.)? This is your "Number of Separated Employees." Divide your Number of Separated Employees by your Average Number of Employees. This is your employee turnover rate for 2024.

Solution Provider Sales Rep Pay Dips, Reps Earning Over $100k in 2024 Falls to 23.6%

To help retail IT VARs and ISVs better understand compensation in today's environment, we gathered information about pay for sales reps and techs. Our first question on this topic was, "*What was the average gross income (base salary, commissions, bonuses, etc.) of your full-time sales representatives in 2024 (not including the owner)?*"

Respondents said:

- **$1-$20k: 1.2%**
- **$21-$30k: 2.4%**
- **$31-$40k: 1.2%**
- **$41-$50k: 8.2%**
- **$51-$60k: 9.4%**
- **$61-$70k: 3.5%**
- **$71-$80k: 9.4%**
- **$81-$90k: 11.8%**
- **$91-$100k: 10.6%**
- **$101-$110k: 3.5%**
- **$111-$120k: 1.2%**
- **$121-$130k: 3.5%**
- **$131-$140k: 3.5%**
- **$141-$150k: 4.7%**
- **$151-$160k: 2.4%**
- **$161-$170k: 2.4%**
- **Over $170k: 2.4%**

One-fifth of respondents (**20.0%**) reported they did not employ any full-time sales reps in 2024, identical to last year's report

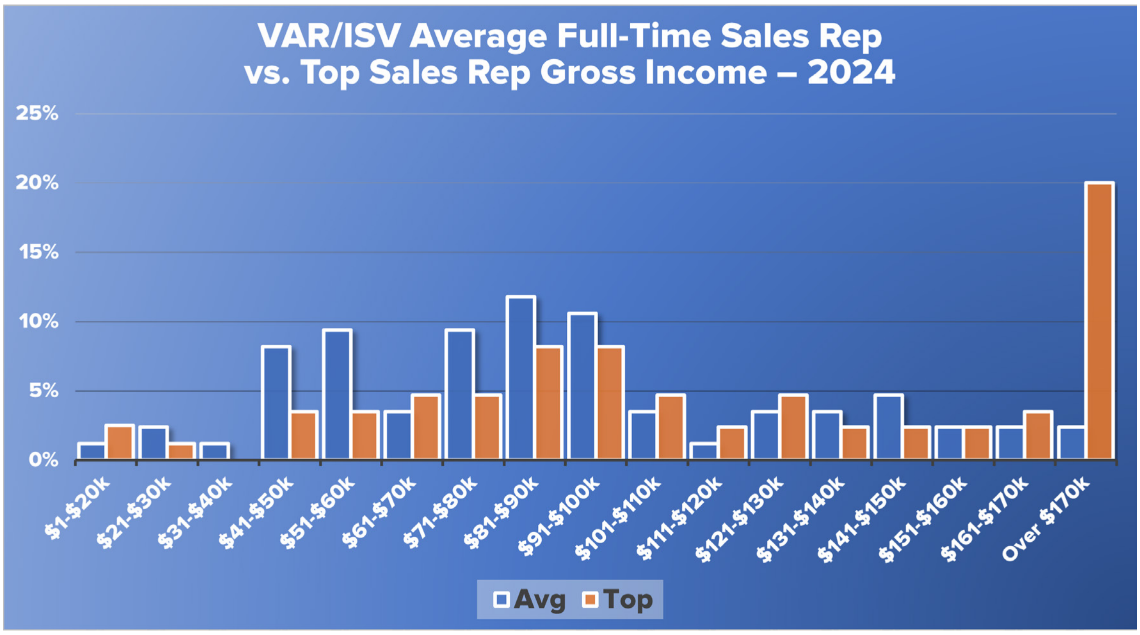
Our follow-up question focused on each solution provider's number one sales rep. We asked, *"What was the approx. gross income (base salary, commissions, bonuses, etc.) of your top performing full-time sales representative in 2024 (not including the owner)?"*

Respondents said:

- **$1-$20k: 2.5%**
- **$21-$30k: 1.2%**
- **$31-$40k: 0%**
- **$41-$50k: 3.5%**
- **$51-$60k: 3.5%**
- **$61-$70k: 4.7%**
- **$71-$80k: 4.7%**
- **$81-$90k: 8.2%**
- **$91-$100k: 8.2%**
- **$101-$110k: 4.7%**
- **$111-$120k: 2.4%**
- **$121-$130k: 4.7%**
- **$131-$140k: 2.4%**
- **$141-$150k: 2.4%**
- **$151-$160k: 2.4%**
- **$161-$170k: 3.5%**
- **Over $170k: 20.0%**

It appears overall solution provider sales rep pay decreased year over year. The number of full-time sales reps earning in two lower pay ranges increased: $41-$60k (**7.2%** 2023 vs. **17.6%** 2024) and $81-$100k (**17.1%** 2023 vs. **22.4%** 2024). Meanwhile, the number of reps earning in excess of $100k was reduced (**29.9%** 2023 vs. **23.6%** 2024).

For top-performing sales reps, we see **42.5%** of them earned pay in excess of $100k in 2024, in line with last year's reported **43.8%**. Digging into that statistic further, we see **20.0%** of the top reps earned over $170k in 2024, up from **16.9%** in 2023. That's returning closer to the **23.0%** reported in 2022 and far ahead of 2021 (**15.1%**) and 2020 (**8.6%**).



We asked VARs, ISVs, and hybrids similar questions about pay for technicians: *"What was the average gross income (base salary, commissions, bonuses, etc.) of your full-time technicians in 2024 (not including the owner)?"* **Respondents said:**

- **$1-$20k: 0%**
- **$21-$30k: 2.4%**
- **$31-$40k: 4.8%**
- **$41-$50k: 9.5%**
- **$51-$60k: 17.9%**
- **$61-$70k: 21.4%**
- **$71-$80k: 13.1%**
- **$81-$90k: 11.9%**
- **$91-$100k: 5.9%**
- **$101-$110k: 2.4%**
- **$111-$120k: 0%**
- **$121-$130k: 0%**
- **$131-$140k: 0%**
- **$141-$150k: 2.4%**
- **Over $150k: 1.2%**

Our follow-up question focused on each solution provider's highest paid tech. We asked, "*What was the approx. gross income (base salary, commissions, bonuses, etc.) of your top performing full-time technician in 2024 (not including the owner)?"*

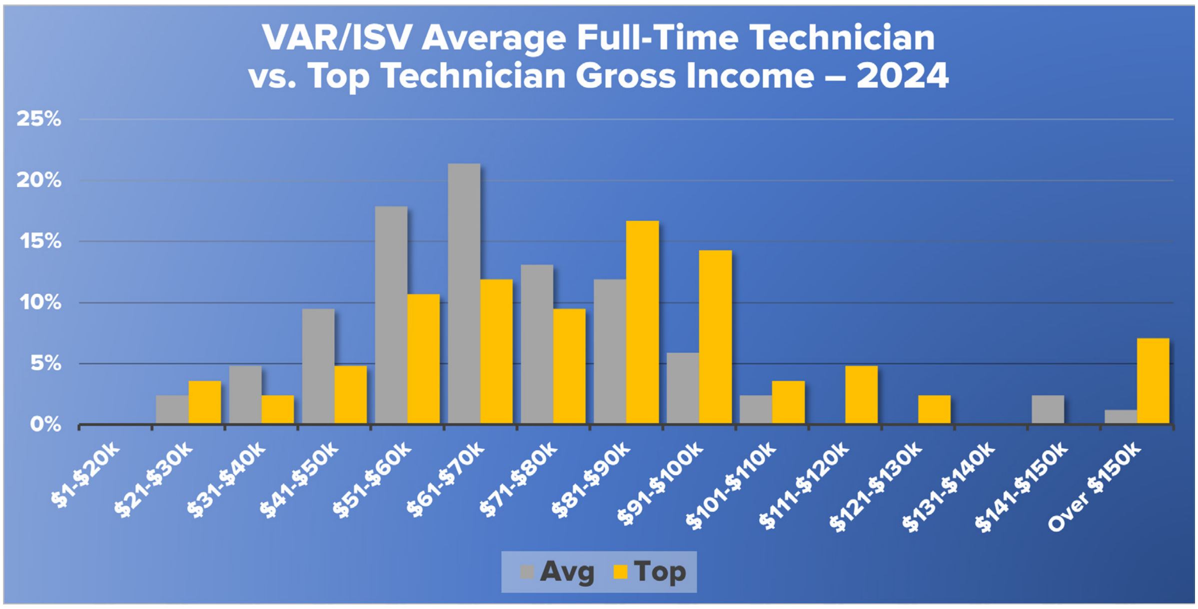
Respondents said:

- **$1-$20k: 0%**
- **$21-$30k: 3.6%**
- **$31-$40k: 2.4%**
- **41-$50k: 4.8%**
- **$51-$60k: 10.7%**
- **$61-$70k: 11.9%**
- **$71-$80k: 9.5%**
- **$81-$90k: 16.7%**
- **$91-$100k: 14.3%**
- **$101-$110k: 3.6%**
- **$111-$120k: 4.8%**
- **$121-$130k: 2.4%**
- **$131-$140k: 0%**
- **$141-$150k: 0%**
- **Over $150k: 7.1%**

7.1% of survey respondents reported they did not employ any full-time techs in 2024, down from **16.9%** in 2023.

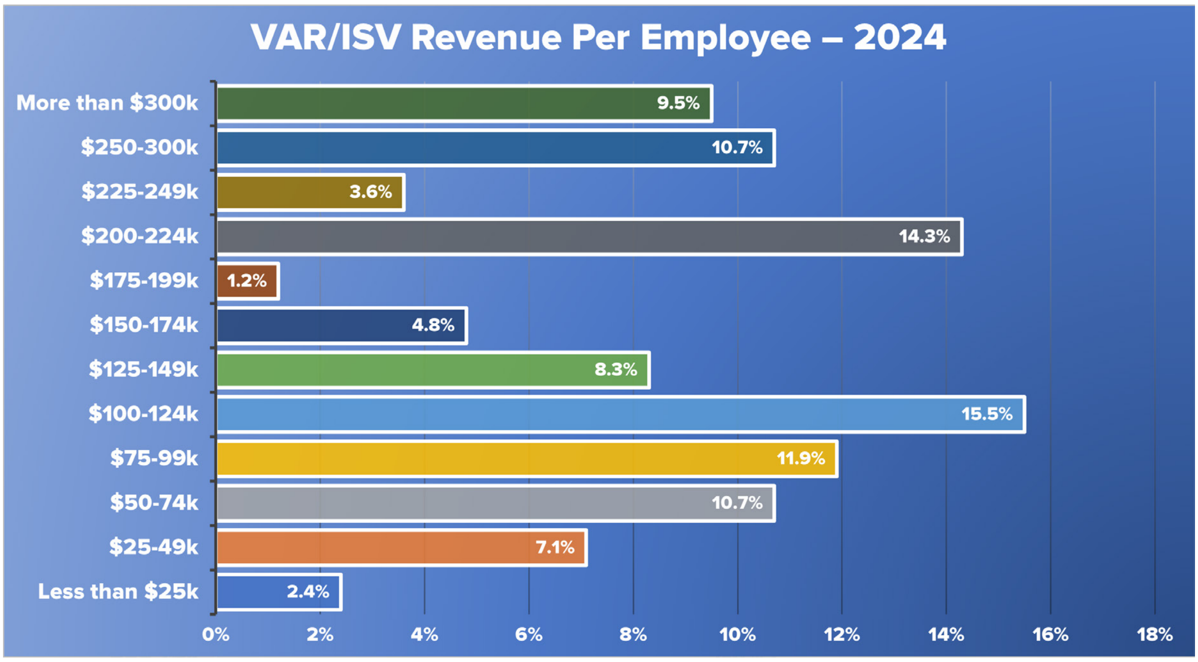
Let's analyze these numbers the same way we did for sales reps. The average gross income for techs clusters in the $51-$70k range (**39.3%**) with the next most common income range being $71-$90k (**25.0%**). **6.0%** of VARs and ISVs report an average tech gross income above $100,000 in 2024, down from **8.4%** in 2023 but up from **2.7%** in 2022. In 2021, **14.1%** of techs were paid under $40k a year; three years later that figure is just **7.2%**.

Over one-third of top techs earned between $61-$90k (**38.1%**), up from 2023 (**31.1%**) and 2022 (**33.4%**). The number of top techs earning between $91-$100k doubled year over year (**7.1%** 2023 vs. **14.3%** 2024). Pay at the very top is stable with **17.9%** of top techs earning in excess of $100k in 2024, similar to 2023 (**23.9%**) and 2022 (**20.0%**).



Let's look at revenue per employee and payroll expenses together. We asked, *"Please estimate your 2024 revenue per employee (i.e. Total Annual Revenue/Gross Sales divided by Number of Full-Time Equivalents)."* **Respondents said:**

- **Less than $25k: 2.4%**
- **$25-49k: 7.1%**
- **$50-74k: 10.7%**
- **$75-99k: 11.9%**
- **$100-124k: 15.5%**
- **$125-149k: 8.3%**
- **$150-174k: 4.8%**
- **$175-199k: 1.2%**
- **$200-224k: 14.3%**
- **$225-249k: 3.6%**
- **$250-300k: 10.7%**
- **More than $300k: 9.5%**



Then we asked, *"What is your estimated Payroll Expense (including benefits) as a % of annual revenue/gross sales (i.e. annual revenue or gross sales divided by payroll costs)?"* We requested that VARs and ISVs include their total staff – all employees, contractors, owners – when listing their payroll expense. Reporting on 2024, respondents said:

- **Less than 10%: 7.1%**
- **10-19%: 2.4%**
- **20-29%: 19.1%**
- **30-39%: 19.1%**
- **40-49%: 20.2%**
- **50-59%: 21.4%**
- **60-69%: 4.8%**
- **70-79%: 3.6%**
- **80% or more: 2.4%**

After this data was computed, we looked first to see how many VARs/ISVs were achieving at least $200k in revenue per employee. That's the number most often mentioned by retail IT solution providers for being a healthy, profitable, don't-worry-about-keeping-the-lights-on organization. It appears that **38.1%** of study participants hit that target in 2024, a **5.6**-point improvement year-over-year (**32.5%** 2023) and an **11.8**-point improvement across two years (**26.3%** 2022). Five of the last six years we have seen that number increase: **22.6%** 2018, **23.5%** 2019, **27.9%** 2020, **30.5%** 2021, **26.3%** 2022, **32.5%** 2023, and **38.1%** 2024. That is a sign of improving, consistent health among the retail IT channel's VARs and ISVs.

RSPA VAR members have told us reselling high-margin services (like cellular failover, cash discounting, and a suite of backend managed services) and embracing internal automation (like new AI tools) is a combination that enables them to serve more merchant customers without having to hire more staff. Software executives have mentioned during RSPA Niche & Startup ISV Community meetings that they use a variety of software – most from third parties, some developed internally – to maximize their efficiency and control headcount.

We next analyzed the payroll expense stats, specifically the "30% line" and the 30-39% category. As mentioned in previous KPI studies, keeping employee-related expenses at or under 30% is a target to aim for if you want a chance at a healthy profit margin for the year. If you push near 40%, your employees better figure out ways to significantly reduce non-employee expenses and overhead for you to be highly profitable. The "30% line" doesn't apply to every organization in our channel, but it's a good general SMB guidepost.

In 2024, **28.6%** of respondents said their employee-related expenses were less than 30% of sales while **19.1%** said they fit the 30-39% category. In 2023, **40.9%** fit the less than 30% category, a **12.3**-point year-over-year difference, while **23.9%** fit into 30-39%, a **3.7**-point difference.

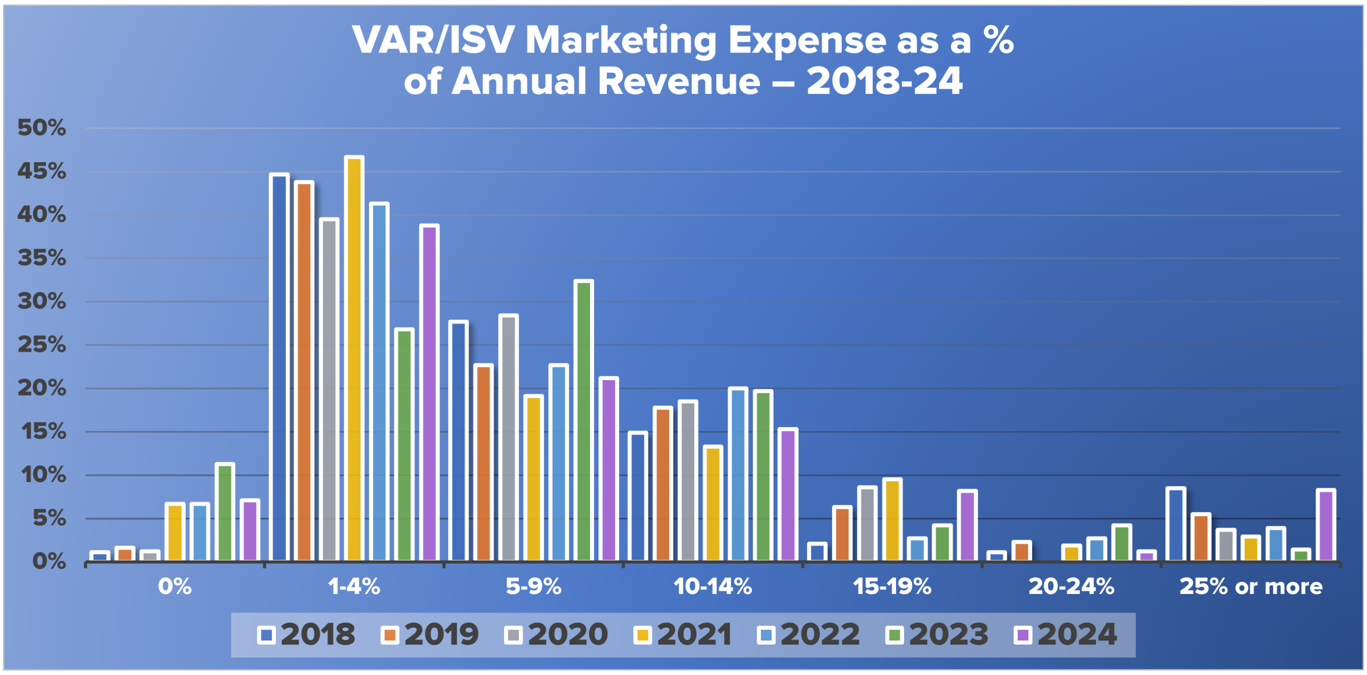
Some VARs Have "Thrown in the Towel" on Marketing

For the seventh consecutive year of the KPI Study, we asked, *"Approximately what is your marketing expense as a % of annual revenue/gross sales?"* **For 2024, respondents reported the following:**

- **0%: 7.1%**
- **1-4%: 38.8%**
- **5-9%: 21.2%**
- **10-14%: 15.3%**
- **15-19%: 8.2%**
- **20-24%: 1.2%**
- **25% or more: 8.3%**

It's instructive to look at year-by-year actuals collectively:

- **0%:** 2018: **1.1%** 2019: **1.6%** 2020: **1.2%** 2021: **6.7%** 2022: **6.7%** 2023: **11.3%** 2024: **7.1%**
- **1-4%:** 2018: **44.7%** 2019: **43.8%** 2020: **39.5%** 2021: **46.7%** 2022: **41.3%** 2023: **26.8%** 2024: **38.8%**
- **5-9%:** 2018: **27.7%** 2019: **22.7%** 2020: **28.4%** 2021: **19.1%** 2022: **22.7%** 2023: **32.4%** 2024: **21.2%**
- **10-14%:** 2018: **14.9%** 2019: **17.8%** 2020: **18.5%** 2021: **13.3%** 2022: **20.0%** 2023: **19.7%** 2024: **15.3%**
- **15-19%:** 2018: **2.1%** 2019: **6.3%** 2020: **8.6%** 2021: **9.5%** 2022: **2.7%** 2023: **4.2%** 2024: **8.2%**
- **20-24%:** 2018: **1.1%** 2019: **2.3%** 2020: **0%** 2021: **1.9%** 2022: **2.7%** 2023: **4.2%** 2024: **1.2%**
- **25% or more:** 2018: **8.5%** 2019: **5.5%** 2020: **3.7%** 2021: **2.9%** 2022: **3.9%** 2023: **1.4%** 2024: **8.3%**



We hear from many VARs and ISVs who say it's hard to compete against the margin-obliterating, VC-backed, 800-number, one-size-fits-all POS providers with multimillion-dollar marketing budgets. While it's true the 800-number guys can't be matched dollar-for-dollar, it appears some solution providers have thrown in the towel on marketing altogether which we believe is a mistake. **7.1%** of solution providers say in 2024 they spent nothing on marketing, the second highest percentage in the history of this study.

Last year the 1-4% category was the lowest in study history (**26.8%**) and the 5-9% range was the highest in study history (**32.4%**), but those figures moved closer to prior study data this year (1-4%: **38.8%**, 4-9%: **21.2%**). The percentage of solution providers spending 10% or more of their annual revenue on marketing remained relatively unchanged (**33.0%** in 2024 vs. **29.5%** in 2023).

Of course you're not going to out-market the venture-capital funded big guys, but smartly investing resources in targeted digital marketing, content marketing, marketing automation, personal customer engagement, thought leadership, and trade shows will positively impact your sales. For additional marketing guidance, join the RSPA Marketing Community which meets frequently to discuss best practices for retail IT solution providers.

Opportunities & Threats: "Huge Increase in Specialized Software"

The final question of the survey was open-ended and not statistically based: "*Please describe any opportunities, threats, and/or challenges you see for your business.*" The most mentioned threat was competing with direct-sold POS solutions backed by payments companies and venture capital firms. (Comments have been edited for grammar, length, and appropriateness.)

- Changing landscape.
- Increased competition from financial institutions. More competitors entering market.
- Free hardware given away by credit card POS companies.
- Free systems. Systems purchased online.
- Free hardware, vertical market dominance by competitor, and where to gain new opportunities.
- Pricing/competition with box pushers.
- Competition.
- Toast and Clover continue to pose a threat from a pricing/marketing standpoint. They're relatively cheap and they're everywhere.
- POS has really eroded due to so many players in the field. Toast has been a very tough competitor.
- Toast with their free hardware and software offerings in our area.
- Toast is being very aggressive and paying for new customers.
- Direct hospitality competitors are taking a large part of the hospitality market share. The VAR for hospitality has a much smaller niche with which to be a valuable asset.
- Challenges are restaurants staying in business with all the requirements state legislatures have pushed, plus POS is a highly competitive market.
- Referral programs of people outside the industry trying to make extra income. Takes away from our full-time endeavor.
- Trying to offer our customers the best solutions at the best prices.
- Acquiring new customers – differentiating from national competitors.
- Local dealers are struggling to compete.

- Hard to expand our current customer base.
- My own vendors selling direct.
- Desperate non-viable technologies not afraid to sell at a loss.
- As direct cloud POS offerings are increasing for one- and two-lane stores, we see there is almost no money to be made on hardware and software sales – plus the risk of decrease in payment processing income because of tight competition.
- Credit card processing fees/rates from our providers seem to be rising too fast.
- Threat: price disruptors. Challenges: tariffs.
- Technology disruptors.
- Legislation stopping cash discounting.
- Poor economic climate.
- Market not being strong on demand like last year, customers delaying decision making.
- Navigating internal growing pains (systems, people, leadership, etc.).
- Finding new employees, both sales and technical.
- Finding technicians was a struggle in 2024. We did not lose any technicians but we have grown, need to add more, and have had trouble finding applicants.
- Cost of talent retention/acquisition in the mid-market space. Cost of customer acquisition.
- Transitioning to SaaS/subscription is challenging in a VAR/channel sales business model that is used to selling perpetual licenses. Another challenge is the ever-increasing amount of integrations and different systems to intercommunicate with.
- Credit card processing is our biggest revenue source. Understanding what the landscape will be in the near future and what changes are coming is important. Being able to pivot to ensure we keep our margins poses an opportunity, threat, and challenge all in one.
- We are preparing to launch a revolutionary new product, so managing our growth is the greatest challenge we will face, both in employees and in maintaining our desired level of service.

Threats and challenges dominate this year's open-ended answer section. Only a few respondents focused on opportunities:

- Hoping business environmental factors improve immensely and costs go down.
- Payments monetization, larger customer profiles as sales target, and channel expansion/growth.
- General retail software is becoming harder to sell. We have seen a huge increase in specialized software for each market (car wash, gun stores, bowling centers, etc.).
- This last year found us expanding our offerings to ride on top of our competitors' products. The hope is to generate revenue from their sales.
- New technology, or growing technology, is a significant opportunity.
- Technology – we need to harness more of it.

Study Overview, Analysis, and Guidance

Let's conclude this report with some context about studies like this so the figures are applied appropriately by our channel. Is this study perfect? No – you can poke holes in any survey. But have we created "industry average" metrics that retail IT VARs, ISVs, and hybrids can compare their business against in 2025? Absolutely. We hope this community effort enables VARs, ISVs, and hybrids to gain a clearer perspective of their strengths and weaknesses and then consider how they can improve.

Thank you to the many channel executives who have helped shape this survey. Your ideas for our original 2017 study and your suggestions since then have made the 2025 report even more valuable

About RSPA (Retail Solutions Providers Association)

The RSPA is North America's largest community of VARs, software providers, vendors, and distributors in the retail, restaurant, and grocery verticals. The mission of the RSPA is to accelerate the success of its members in the retail technology ecosystem by providing knowledge and connections. The organization offers member-to-member warm introductions, education, legal advice, industry advocacy, and other services to assist members with becoming and remaining successful. RSPA is most well-known for its signature events, RetailNOW® and Inspire®, which provide face-to-face learning and networking opportunities. Learn more by visiting www.GoRSPA.org.