

# 2026

## RSPA Retail IT Channel KPI Study



## KEY POINTS:

- ▶ **Optimism for Growth in 2026 After “Uncertain” and “Mixed” 2025**
- ▶ **Retail IT VARs Post Near-Record Margins in 2025**
- ▶ **Revenue Stream Analysis: Are VARs Too Dependent on Payments?**
- ▶ **Retail IT Solution Providers Champion as-a-Service Model**
- ▶ **Expect Continued VAR/ISV Acquisitions in 2026**
- ▶ **2026’s Top Niche Verticals Mirror 2025**
- ▶ **VAR HR: Solution Providers Growing Sales Faster Than Headcount**
- ▶ **Solution Provider Sales Rep Pay Rises Slightly**
- ▶ **Anemic VAR Marketing Spend Trend Continues**
- ▶ **“Huge Opportunity” in Services, Support, & Tailored Solutions**

When we first launched this report analyzing retail IT channel data from 2016, two figures stood out – and not in a good way. **37.3%** of VARs and ISVs reported flat/declining sales, while only **24.1%** had transitioned to the recurring revenue business model.

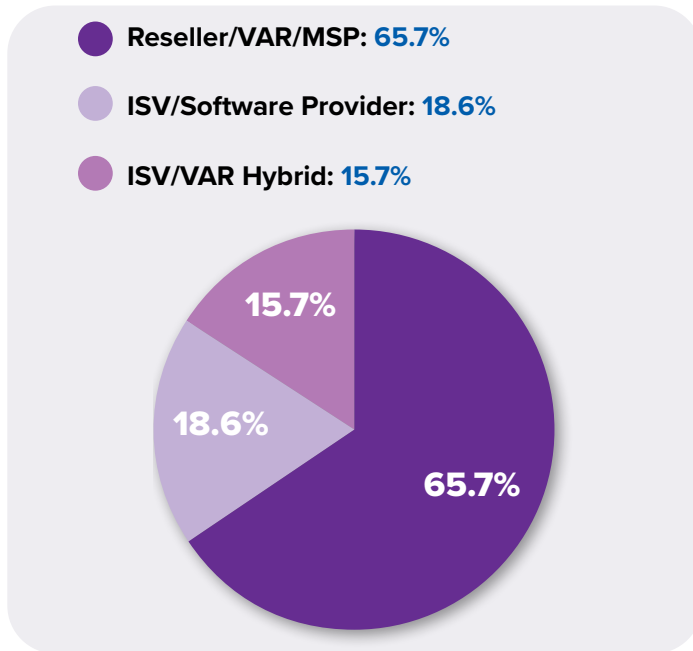
In the 10th edition of this report, we see a much healthier industry. Nearly half of respondents (**46.4%**) reported double-digit sales growth for 2025, and only **9.9%** are projecting flat/declining sales for 2026. And over half of retail IT solution providers (**54.9%**) say at least two-thirds of their revenue is recurring.

Despite the ever-increasing presence of margin-obliterating, VC-backed, 800-number, one-size-fits-all POS providers who don’t have a channel, the retail IT channel is thriving today and positioned for continued success going forward.

This 10th annual KPI study attracted 72 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 2026, 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 2025 and their projections for 2026. 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:



That’s quite similar to the makeup of last year’s survey (62.4% VAR, 21.2% ISV, 16.5% hybrid) and the year prior (60.6% VAR, 22.4% ISV, 16.9% hybrid) which we think indicates stability in solution provider business models. Six of the first seven years of this survey 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:** 43.7% listed hospitality/restaurants as their primary vertical; 62.3% listed hospitality/restaurants as either their primary or secondary vertical
- **Retail:** 28.2% listed retail as their primary vertical; 59.6% listed retail as either their primary or secondary vertical

- **Grocery:** 28.2% listed retail as their primary vertical; 59.6% listed retail as either their primary or secondary vertical

Solution providers listing hospitality as their primary vertical decreased year-over-year (50.6% in 2025 to 43.7% in 2026), but those listing it as their primary or secondary vertical remained steady (61.2% 2025 vs. 62.3% 2026).

While last year’s report 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), those numbers stayed relatively consistent this year (2026: 28.2% primary, 59.6% primary/secondary).

Grocery as a primary vertical hasn’t changed much over the past three years (14.3% in 2024, 17.7% 2025, and 15.5% 2026), but we saw a 13.3-point drop year-over-year for solution providers listing grocery as primary/secondary (45.9% 2025 vs. 32.6% 2026). Of the three main vertical markets covered by this study, grocery is surely the most difficult to break into – and to keep a strong footing.

Respondent company size varied greatly as you might expect. The most common company sizes were between 1-9 FTEs (42.8%) with 47.1% reporting 10+ FTEs:

- ▶ 0 employees; I am a one-person shop: 10.0%
- ▶ 1-4 FTEs: 21.4%
- ▶ 5-9: 21.4%
- ▶ 10-14: 8.6%
- ▶ 15-24: 15.7%
- ▶ 25-49: 11.4%
- ▶ 50-99: 1.4%
- ▶ 100+: 10.0%

Are the smallest of small VARs, DISDs, and ISVs fading away, losing out to the margin-obliterating, VC-backed, 800-number, one-size-fits-all POS providers who don't have a channel? Our data says no.

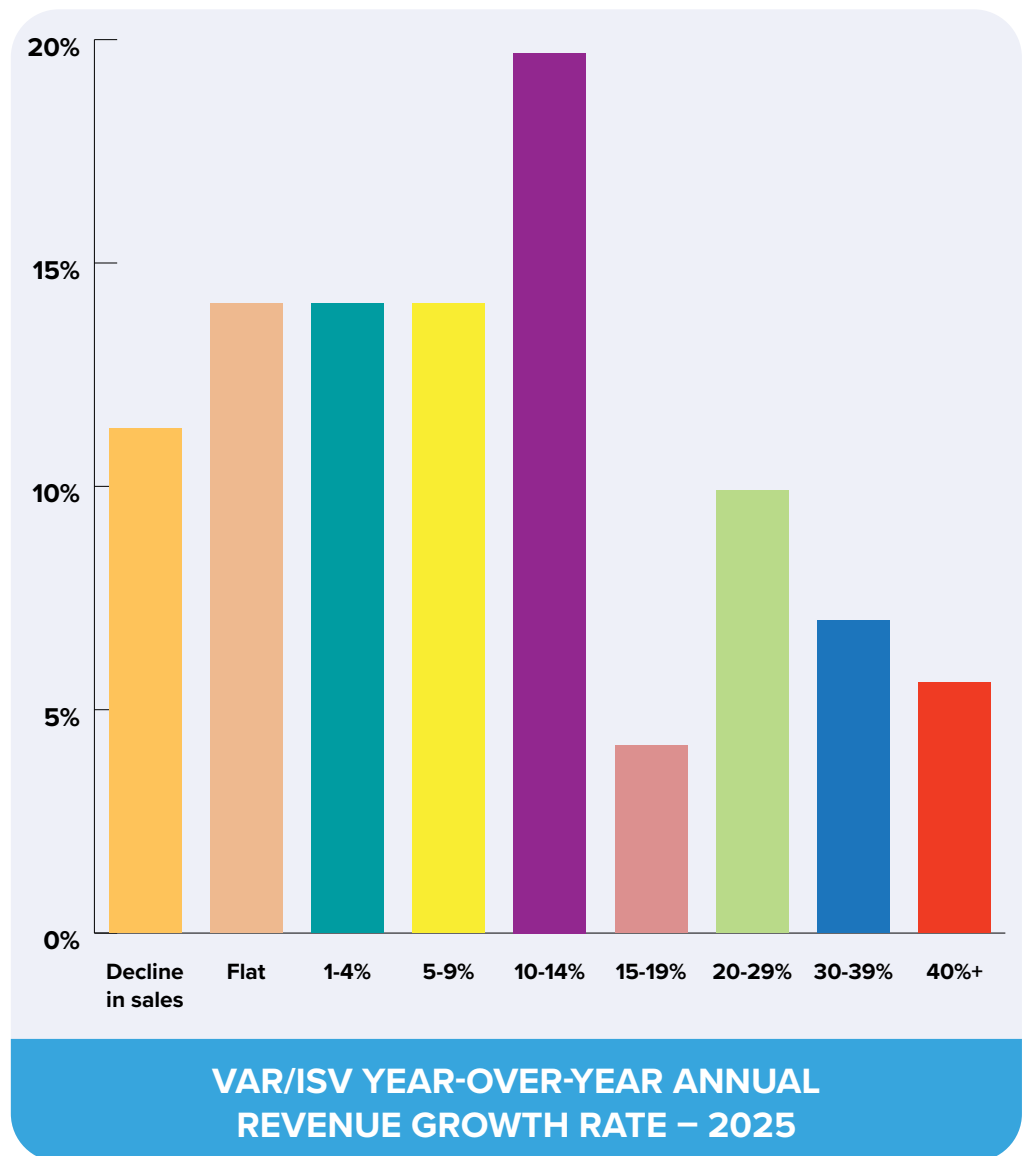
Last year one-fifth of respondents (**20.1%**) reported fewer than five FTEs but this year that figure rose to nearly a third (**31.4%**), returning to the level we reported two years ago (**33.8%**). Anecdotally, RSPA saw in 2025 fewer smaller VARs among our membership base being acquired or merging with other solutions providers. Some DISDs left the industry (e.g. changed focus, were acquired, ceased operations) but were [replaced by several new software-focused startups](#).

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 GROWTH IN 2026 AFTER "UNCERTAIN" AND "MIXED" 2025

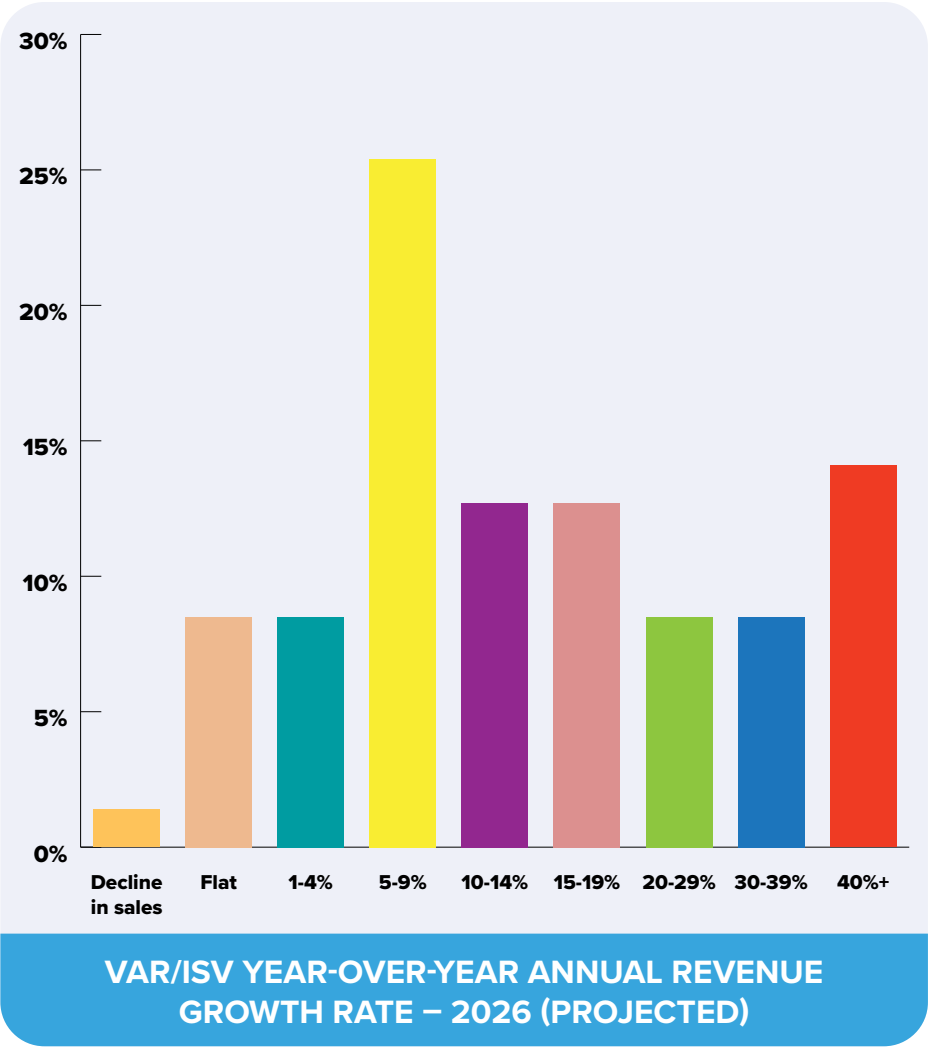
When asked, "What is your estimated Year-over-Year Annual Revenue Growth Rate for 2025" VAR, ISV, and hybrid respondents answered:

- Decline in sales: **11.3%**
- Flat: **14.1%**
- 1-4%: **14.1%**
- 5-9%: **14.1%**
- 10-14%: **19.7%**
- 15-19%: **4.2%**
- 20-29%: **9.9%**
- 30-39%: **7.0%**
- 40%+: **5.6%**



Respondents are optimistic about their 2026 sales numbers:

- Decline in sales: **1.4%**
- Flat: **8.5%**
- 1-4%: **8.5%**
- 5-9%: **25.4%**
- 10-14%: **12.7%**
- 15-19%: **12.7%**
- 20-29%: **8.5%**
- 30-39%: **8.5%**
- 40%+: **14.1%**



In 2024, the growth trajectory for retail IT solution providers in the post-COVID era turned in the wrong direction. The 2025 numbers show mixed results.

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%**, but in 2025 it fell to **11.3%**, a positive four-point shift.

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. Last year that figure rose four points in 2025 to **25.4%** of respondents.

Solution providers reporting double-digit revenue growth was essentially unchanged year over year (**44.7%** 2024 vs. **46.4%** 2025).

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 2026 will be exponentially better than 2025 with only **9.9%** projecting flat/declining sales.

Let's compare 2025 projections from last year's study with this year's reported 2025 actuals to see if our VAR, ISV, and hybrid respondents achieved their goals:

▶ **Decline in sales:** Projected: **2.3%** Actual: **11.3%**

▶ **Flat:** Projected: **5.8%** Actual: **14.1%**

▶ **1-4%:** Projected: **9.3%** Actual: **14.1%**

▶ **5-9%:** Projected: **23.3%** Actual: **14.1%**

▶ **10-14%:** Projected: **19.8%** Actual: **19.7%**

▶ **15-19%:** Projected: **12.8%** Actual: **4.2%**

▶ **20-29%:** Projected: **10.5%** Actual: **9.9%**

▶ **30-39%:** Projected: **4.7%** Actual: **7.0%**

▶ **40%+:** Projected: **11.6%** Actual: **5.6%**

Clearly, 2025 didn't go as planned for many solution providers as hopes for a rebounding U.S. economy were overshadowed by angst about uncertainty. About a quarter of survey respondents (**25.4%**) experienced flat or declining sales while 2025 predictions anticipated only **7.8%** would; **46.4%** achieved double-digit growth instead of the projected **59.4%**.

This report will occasionally share 2026 projections, but our focus will be on actuals from 2025 and the nine prior KPI Studies because history has proven those numbers to be most reliable.

Let's break down the aforementioned 2025 sales actuals by separating the numbers for VARs, ISVs, and ISV/VAR hybrids:

▶ **Decline in sales:** VARs: **13.1%** ISVs: **0%** Hybrids: **18.2%**

▶ **Flat:** VARs: **8.7%** ISVs: **23.1%** Hybrids: **27.3%**

▶ **1-4%:** VARs: **17.4%** ISVs: **7.7%** Hybrids: **9.1%**

▶ **5-9%:** VARs: **19.6%** ISVs: **0%** Hybrids: **9.1%**

▶ **10-14%:** VARs: **17.4%** ISVs: **30.8%** Hybrids: **18.2%**

▶ **15-19%:** VARs: **4.4%** ISVs: **0%** Hybrids: **9.1%**

▶ **20-29%:** VARs: **6.5%** ISVs: **23.1%** Hybrids: **0%**

▶ **30-39%:** VARs: **6.5%** ISVs: **7.7%** Hybrids: **9.1%**

▶ **40%+:** VARs: **6.5%** ISVs: **7.7%** Hybrids: **0%**

VAR growth numbers had held steady or improved slightly year-to-year (except for 2020, of course), but that trend has hit a snag two consecutive years.

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%** and was essentially duplicated in 2025 (**39.2%**). VARs have come a long way from 2016 when nearly two-thirds of retail IT resellers (**65.4%**) fit this category.

For the second consecutive year, about 4-in-10 VARs in our study (**40.4%** in 2024, **41.3%** in 2025) experienced double-digit growth, 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 until 2024: **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) before nearly doubling to **35.7%** in 2024. That figure improved in 2025 with **30.8%** of ISVs reporting growth under 5%.

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 through 2021 (**25.0%** in 2019, **21.4%** in 2020, **26.3%** in 2021). The past four years show slightly lower numbers: **17.7%** in 2022, **18.8%** in 2023, **16.7%** in 2024, and only **7.7%** in 2025.

Growth for ISV/VAR hybrids appears to have slowed in 2025. Let's review hybrid sales history first. 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 2024 (**28.5%** flat/declining, **49.9%** growing double digits) before something went sideways in 2025 for our respondents.

In 2025, **54.6%** of hybrids reported flat/declining sales while just **36.4%** reported double-digit sales growth. That's a 26.1-point increase in the flat/declining category and a 13.5-point decrease in the double-digit growth category.

Long term, we expect more VARs to add homegrown software capabilities to their offering – especially as AI lowers the in-house capability needed to code – and we will see if this category can return to stronger growth numbers.

Let's dive deep into a revenue comparison using 2016-25 actuals from all 10 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%** 2025: **39.2%**

► **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%** 2025: **41.4%**

► **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%** 2025: **19.5%**

Here are the 10-year trends for ISVs:

► **Under 5% revenue growth:** 2016: **38.1%** 2017: **40.6%** 2018: **27.5%** 2019: **20.0%** 2020: **14.3%** 2021: **31.6%** 2022: **23.6%** 2023: **18.8%** 2024: **38.9%** 2025: **30.8%**

► **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%** 2024: **27.9%** 2025: **30.8%**

► **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%** 2024: **33.4%** 2025: **38.5%**

We have revenue numbers for the past nine 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%** 2024: **42.8%** 2025: **54.6%**

► **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%** 2025: **36.4%**

► **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%** 2025: **9.1%**

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.

**19.5%** of VAR respondents achieved better than 20% growth in 2025, the fifth 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 has ticked up slightly the past two years (**38.5%** in 2024, **39.2%** in 2025).

Additionally, despite the many changes in our industry over the past half decade, RSPA reseller membership numbers have held relatively steady between 450-475 unique organizations.

Today's VARs don't look the same as yesterday's resellers – many are ISOs who expanded their portfolio or MSPs (Managed Services Providers) fully embracing emerging technologies – but our data shows they're more sophisticated than ever and operating healthy businesses.

Software providers continue to be the top growth sector in today's retail IT channel. Over the past nine 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, **33.4%** in 2024, and **38.5%** in 2025.

On the flip side, nearly one-third of ISVs (**30.8%**) reported growth under 5% in 2025, an improvement from last year's **38.9%**, the highest figure we had 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, and now in 2025, we have **54.6%** under 5% revenue growth, the second-most in the history of this study.

Hybrids reporting 5-19% growth has varied greatly the past four reports: **42.8%** in 2022, **66.7%** in 2023, back to **42.8%** in 2024, and a further drop to **36.4%** last year. Hybrid growth had been ramping up in the 20%+ range but has stepped backwards the past three years: **5.3%**

in 2019, **26.6%** in 2020, **33.4%** in 2021, **28.5%** in 2022, before falling to **8.3%** in 2023, **14.2%** in 2024, and just **9.1%** in 2025.

Let's take a quick look at 2026 revenue predictions among these three groups solely to gauge their optimism. ISVs are expecting the highest growth. No group appears pessimistic about the year ahead:

- ▶ **Decline in sales:** VARs: **0%** ISVs: **0%** Hybrids: **9.1%**
- ▶ **Flat:** VARs: **13.1%** ISVs: **0%** Hybrids: **0%**
- ▶ **1-4%:** VARs: **10.9%** ISVs: **7.7%** Hybrids: **0%**
- ▶ **5-9%:** VARs: **28.3%** ISVs: **7.7%** Hybrids: **36.4%**
- ▶ **10-14%:** VARs: **13.1%** ISVs: **7.7%** Hybrids: **18.2%**
- ▶ **15-19%:** VARs: **10.9%** ISVs: **23.1%** Hybrids: **9.1%**
- ▶ **20-29%:** VARs: **6.5%** ISVs: **7.7%** Hybrids: **18.2%**
- ▶ **30-39%:** VARs: **8.7%** ISVs: **15.4%** Hybrids: **0%**
- ▶ **40%+:** VARs: **8.7%** ISVs: **30.8%** Hybrids: **9.1%**

At the request of RSPA members, for the fourth year we asked this sales-related question: *"In 2025, approx. what % of your sales were generated from existing customers (vs. net-new customer acquisition)?"* **Respondents said:**

- ▶ **1-9% from existing customers: 5.9%**
- ▶ **10-19%: 0%**
- ▶ **20-29%: 8.8%**
- ▶ **30-39%: 8.8%**
- ▶ **40-49%: 4.4%**
- ▶ **50-59%: 8.8%**
- ▶ **60-69%: 7.4%**
- ▶ **70-79%: 17.7%**
- ▶ **80-89%: 25.0%**
- ▶ **90-99%: 11.8%**
- ▶ **100%: 1.5%**

Similar to our past studies, just under a third of respondents (**27.9%**) reported less than half their revenue was generated by existing customers in 2025. On the other end of the spectrum, another third of respondents (**38.3%**) said 80% or more of their revenue is from existing customers, once again in line with data from our past reports.

### REVENUE STREAM ANALYSIS: ARE VARs TOO DEPENDENT ON PAYMENTS?

For the third 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 2025, approx. what % of your revenue was generated from hardware sales (new or recurring)?"

**Respondents said:**

- ▶ **1-9% from hardware sales: 13.3%**
- ▶ **10-19%: 20.0%**
- ▶ **20-29%: 20.0%**
- ▶ **30-39%: 20.0%**
- ▶ **40-49%: 6.7%**
- ▶ **50-59%: 4.4%**
- ▶ **60-69%: 8.9%**
- ▶ **70-79%: 0%**
- ▶ **80-89%: 2.2%**
- ▶ **90-99%: 2.2%**
- ▶ **100%: 2.2%**

We next asked VARs: "In 2025, approx. what % of your revenue was generated from software sales (new or recurring)?" **Respondents said:**

- ▶ **1-9% from software sales: 24.4%**
- ▶ **10-19%: 26.7%**
- ▶ **20-29%: 15.6%**
- ▶ **30-39%: 17.8%**
- ▶ **40-49%: 8.9%**
- ▶ **50-59%: 2.2%**
- ▶ **60-69%: 2.2%**
- ▶ **70-79%: 2.2%**
- ▶ **80-89%: 0%**
- ▶ **90-99%: 0%**
- ▶ **100%: 0%**

Our third question was: "In 2025, approx. what % of your revenue was generated from payment processing (new or recurring)?" **Respondents said:**

- ▶ **1-9% from payment processing: 31.1%**
- ▶ **10-19%: 11.1%**
- ▶ **20-29%: 4.4%**
- ▶ **30-39%: 6.7%**
- ▶ **40-49%: 6.7%**
- ▶ **50-59%: 4.4%**
- ▶ **60-69%: 11.1%**
- ▶ **70-79%: 8.9%**
- ▶ **80-89%: 11.1%**
- ▶ **90-99%: 4.4%**
- ▶ **100%: 0%**

Our final question was: “In 2025, approx. what % of your revenue was generated from services (new or recurring)?” **Respondents said:**

- ▶ **1-9% from services: 22.2%**
- ▶ **10-19%: 20.0%**
- ▶ **20-29%: 22.2%**
- ▶ **30-39%: 15.6%**
- ▶ **40-49%: 8.9%**
- ▶ **50-59%: 2.2%**
- ▶ **60-69%: 4.4%**
- ▶ **70-79%: 0%**
- ▶ **80-89%: 2.2%**
- ▶ **90-99%: 2.2%**
- ▶ **100%: 0%**

So are VARs overly reliant on payments? That’s a judgment call, but our data shows for the third consecutive year they certainly are *heavily dependent* on payment processing for revenue. **39.9%** of VAR respondents said they generate half or more of their revenue through payments, relatively unchanged from last year (**37.9%**).

VARs saying they generated half or more of their revenue through other means (hardware **19.9%**, software **6.6%**, services **11.0%**) only come close to matching payments revenue if you combine those three other sources (**37.5%**).

How different are revenue sources for ISV/VAR hybrids when compared with traditional VARs? Let’s find out. “In 2025, approx. what % of your revenue was generated from hardware sales (new or recurring)?” **Hybrid respondents said:**

- ▶ **1-9% from hardware sales: 18.2%**
- ▶ **10-19%: 54.6%**
- ▶ **20-29%: 9.1%**
- ▶ **30-39%: 18.2%**
- ▶ **40-49%: 0%**
- ▶ **50-59%: 0%**
- ▶ **60-69%: 0%**
- ▶ **70-79%: 0%**
- ▶ **80-89%: 0%**
- ▶ **90-99%: 0%**
- ▶ **100%: 0%**

We next asked: “In 2025, approx. what % of your revenue was generated from software sales (new or recurring)?” **Hybrid respondents said:**

- ▶ **1-9% from software sales: 0%**
- ▶ **10-19%: 27.3%**
- ▶ **20-29%: 18.2%**
- ▶ **30-39%: 18.2%**
- ▶ **40-49%: 9.1%**
- ▶ **50-59%: 9.1%**
- ▶ **60-69%: 0%**
- ▶ **70-79%: 9.1%**
- ▶ **80-89%: 0%**
- ▶ **90-99%: 9.1%**
- ▶ **100%: 0%**

Our third question for the hybrids was: “In 2025, approx. what % of your revenue was generated from payment processing (new or recurring)?”

**Respondents said:**

- ▶ **1-9% from payment processing: 27.3%**
- ▶ **10-19%: 45.5%**
- ▶ **20-29%: 0%**
- ▶ **30-39%: 9.1%**
- ▶ **40-49%: 0%**
- ▶ **50-59%: 0%**
- ▶ **60-69%: 0%**
- ▶ **70-79%: 9.1%**
- ▶ **80-89%: 9.1%**
- ▶ **90-99%: 0%**
- ▶ **100%: 0%**

Finally we asked: “In 2025, approx. what % of your revenue was generated from services (new or recurring)?”

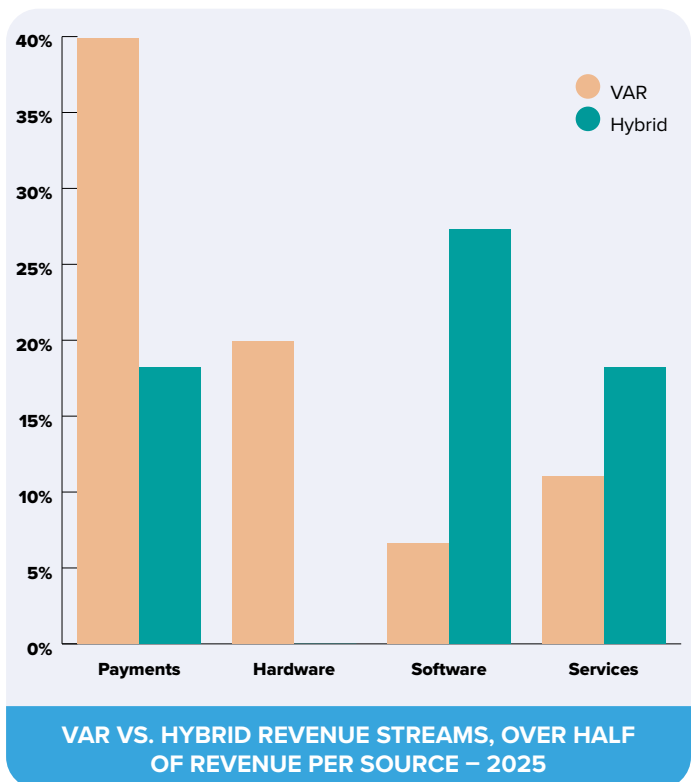
**Hybrid respondents said:**

- ▶ **1-9% from services: 9.1%**
- ▶ **10-19%: 27.3%**
- ▶ **20-29%: 18.2%**
- ▶ **30-39%: 27.3%**
- ▶ **40-49%: 0%**
- ▶ **50-59%: 0%**
- ▶ **60-69%: 0%**
- ▶ **70-79%: 9.1%**
- ▶ **80-89%: 0%**
- ▶ **90-99%: 9.1%**
- ▶ **100%: 0%**

In 2025, hybrid revenue sources were different from traditional VARs in all categories – and by big margins in payments, hardware, and software. 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:

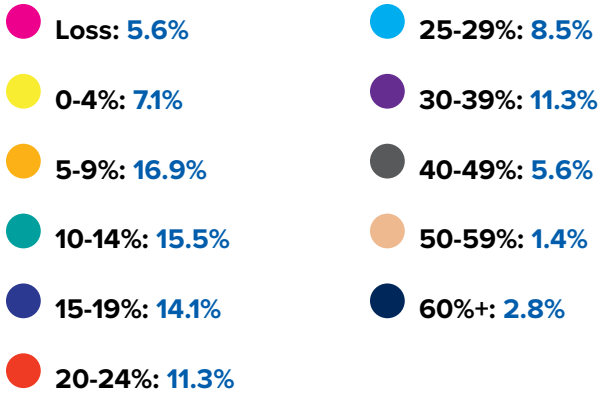
- ▶ **Payments:** VARs: **39.9%** Hybrids: **18.2%** (**21.7-point difference**)
- ▶ **Hardware:** VARs: **19.9%** Hybrids: **0%** (**19.9-point difference**)
- ▶ **Software:** VARs: **6.6%** Hybrids: **27.3%** (**20.7-point difference**)
- ▶ **Services:** VARs: **11.0%** Hybrids: **18.2%** (**7.2-point difference**)

We won’t dive into the ISV numbers because their results are what you would expect from that business model: half of ISVs generated 90% or more of their revenue from software sales while nearly three quarters said payments were less than 20% of their revenue.

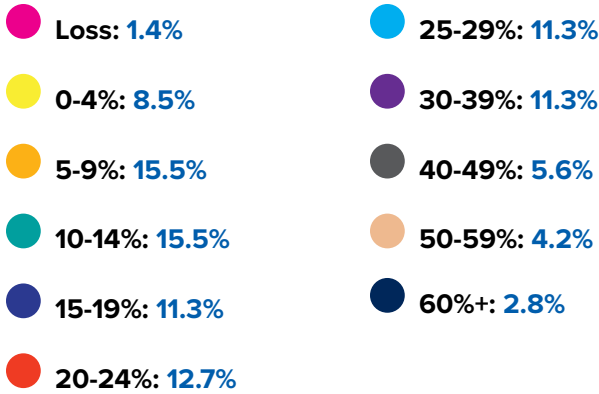


## RETAIL IT VARS POST NEAR-RECORD MARGINS IN 2025

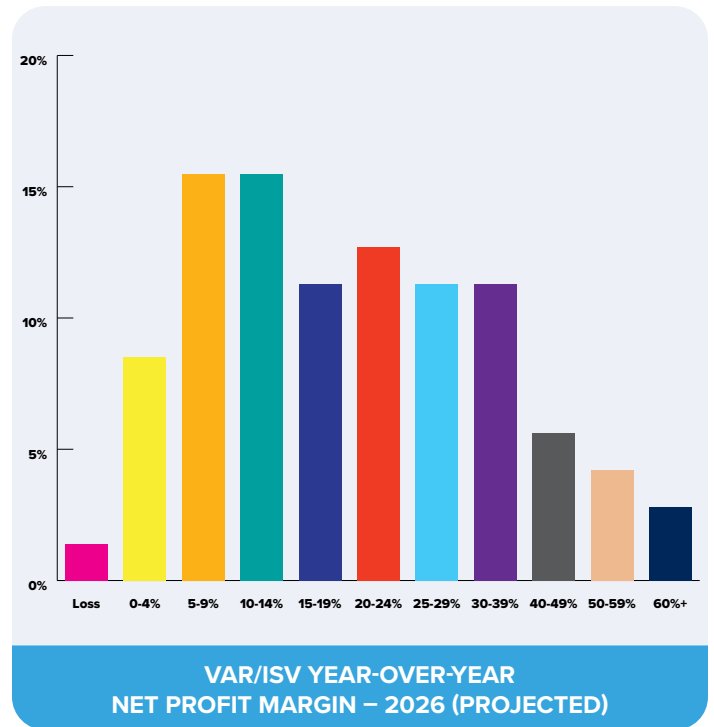
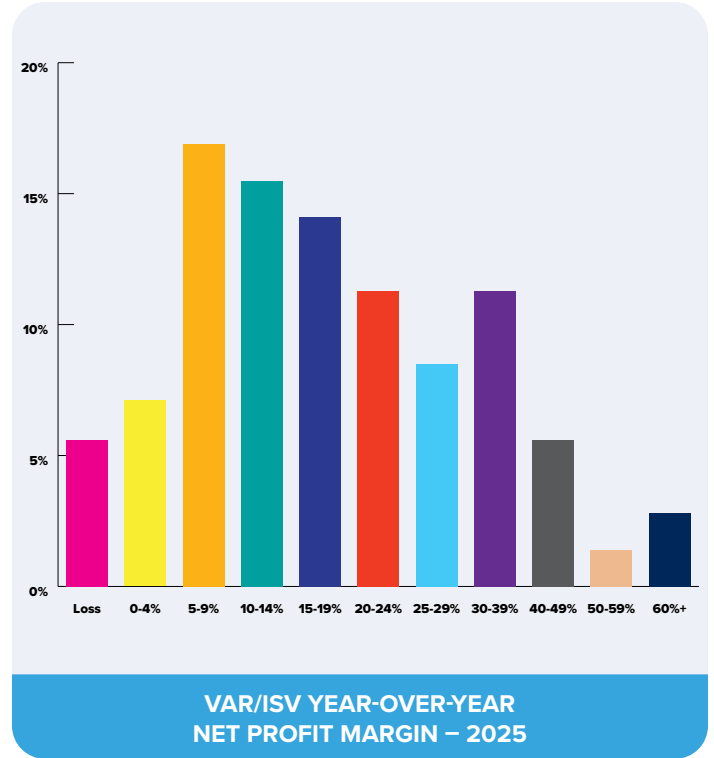
Our survey also asked solution providers to weigh in on their profits. Specifically, we asked, “What is your approximate Net Profit Margin %? (includes net profits, owner bonuses, and owner fringe benefits.)” For 2025, the reseller/ISV respondents answered:



For 2026 net profits, the respondents are projecting:



Most survey respondents held steady with their profit margins in 2025, keeping in line with recent years. For the year, **29.6%** achieved a single-digit margin compared to **25.0%** in 2024 and **22.9%** in 2023. The number of solution providers reporting margins of 20%+ held relatively steady (**45.3%** 2021, **42.6%** 2022, **47.3%** 2023, **45.3%** 2024, **40.9%** 2025), well ahead of the numbers reported back in 2020 (**25.2%**).



Comparing the 2025 actuals with 2026 projections, we see that solution providers expect slight net margin improvement this year. Three-quarters (**74.7%**) expect to achieve double-digit margins in 2026 compared with **70.5%** who experienced that level of profit this year.

Margins for hardware and software remain stressed, 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 2025 to see where there are similarities and differences:

- ▶ **Loss:** VARs: **4.4%** ISVs: **15.4%** Hybrids: **0%**
- ▶ **0-4%:** VARs: **4.4%** ISVs: **7.7%** Hybrids: **7.7%**
- ▶ **5-9%:** VARs: **19.6%** ISVs: **7.7%** Hybrids: **7.7%**
- ▶ **10-14%:** VARs: **17.4%** ISVs: **7.7%** Hybrids: **15.4%**
- ▶ **15-19%:** VARs: **13.1%** ISVs: **15.4%** Hybrids: **7.7%**
- ▶ **20-24%:** VARs: **8.7%** ISVs: **23.1%** Hybrids: **30.8%**
- ▶ **25-29%:** VARs: **10.9%** ISVs: **0%** Hybrids: **7.7%**
- ▶ **30-39%:** VARs: **10.9%** ISVs: **7.7%** Hybrids: **15.4%**
- ▶ **40-49%:** VARs: **6.5%** ISVs: **7.7%** Hybrids: **7.7%**
- ▶ **50-59%:** VARs: **2.2%** ISVs: **0%** Hybrids: **0%**
- ▶ **60%+:** VARs: **2.2%** ISVs: **7.7%** 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%** 2025: **4.4%**
- ▶ **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%** 2025: **4.4%**
- ▶ **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%** 2025: **19.6%**
- ▶ **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%** 2025: **17.4%**
- ▶ **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%** 2025: **13.1%**
- ▶ **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%** 2025: **8.7%**
- ▶ **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%** 2025: **10.9%**
- ▶ **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%** 2025: **10.9%**
- ▶ **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%** 2025: **6.5%**
- ▶ **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%** 2025: **2.2%**
- ▶ **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%** 2025: **2.2%**

2025 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. 2025 wasn't far behind with **8.8%** under 5% (only a 2.2-point difference) and **71.9%** showing double-digit margins (only a 2.0-point difference).

Repeated for emphasis from earlier in our report: Today's VARs don't look the same as yesterday's resellers – many are ISOs who expanded their portfolio or MSPs fully embracing emerging technologies – but our data shows they're more sophisticated than ever and operating healthy businesses.

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%** 2025: **15.4%**
- ▶ **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%** 2025: **7.7%**
- ▶ **5-9%:** 2016: **4.2%** 2017: **4.4%** 2018: **16.7%** 2019: **5.3%** 2020: **38.5%** 2021: **10.5%** 2022: **18.8%** 2023: **13.3%** 2024: **5.6%** 2025: **7.7%**
- ▶ **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%** 2025: **7.7%**
- ▶ **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%** 2025: **15.4%**
- ▶ **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%** 2025: **23.1%**
- ▶ **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%** 2025: **0%**

- ▶ **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%** 2025: **7.7%**
- ▶ **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%** 2025: **7.7%**
- ▶ **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%** 2025: **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%** 2025: **7.7%**

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 five years: 2021 (**26.3%**), 2022 (**18.8%**), 2023 (**20.0%**), 2024 (**27.8%**), and 2025 (**23.1%**).

The number of ISVs reporting a profit margin of over 60% was the highest in the history of this survey in 2023 (**13.3%**) but that figure hasn't been approached the past two years (**5.6%** 2024, **7.7%** 2025).

Because in early KPI surveys ISV/VAR hybrids represented a small portion of the respondents, we have data from only 2019-25 to compare:

- ▶ **Loss:** 2019: **0%** 2020: **19.9%** 2021: **5.6%** 2022: **0%** 2023: **8.3%** 2024: **14.3%** 2025: **0%**
- ▶ **0-4%:** 2019: **10.5%** 2020: **6.7%** 2021: **16.7%** 2022: **7.7%** 2023: **8.3%** 2024: **7.1%** 2025: **18.2%**
- ▶ **5-9%:** 2019: **26.3%** 2020: **19.9%** 2021: **5.6%** 2022: **7.7%** 2023: **8.3%** 2024: **7.1%** 2025: **18.2%**
- ▶ **10-14%:** 2019: **10.5%** 2020: **19.9%** 2021: **16.7%** 2022: **15.4%** 2023: **0%** 2024: **7.1%** 2025: **9.1%**

▶ **15-19%:** 2019: **21.1%** 2020: **6.7%** 2021: **22.2%** 2022: **7.7%** 2023: **16.7%** 2024: **14.3%** 2025: **18.2%**

▶ **20-24%:** 2019: **10.5%** 2020: **6.7%** 2021: **11.1%** 2022: **30.8%** 2023: **8.3%** 2024: **7.1%** 2025: **9.1%**

▶ **25-29%:** 2019: **0%** 2020: **13.3%** 2021: **11.1%** 2022: **7.7%** 2023: **25.0%** 2024: **21.4%** 2025: **9.1%**

▶ **30-39%:** 2019: **10.5%** 2020: **0%** 2021: **11.1%** 2022: **15.4%** 2023: **16.7%** 2024: **14.3%** 2025: **18.2%**

▶ **40-49%:** 2019: **5.3%** 2020: **6.7%** 2021: **0%** 2022: **7.7%** 2023: **8.3%** 2024: **0%** 2025: **0%**

▶ **50-59%:** 2019: **0%** 2020: **0%** 2021: **0%** 2022: **0%** 2023: **0%** 2024: **7.1%** 2025: **0%**

▶ **60%+:** 2019: **5.3%** 2020: **0%** 2021: **0%** 2022: **0%** 2023: **0%** 2024: **0%** 2025: **0%**

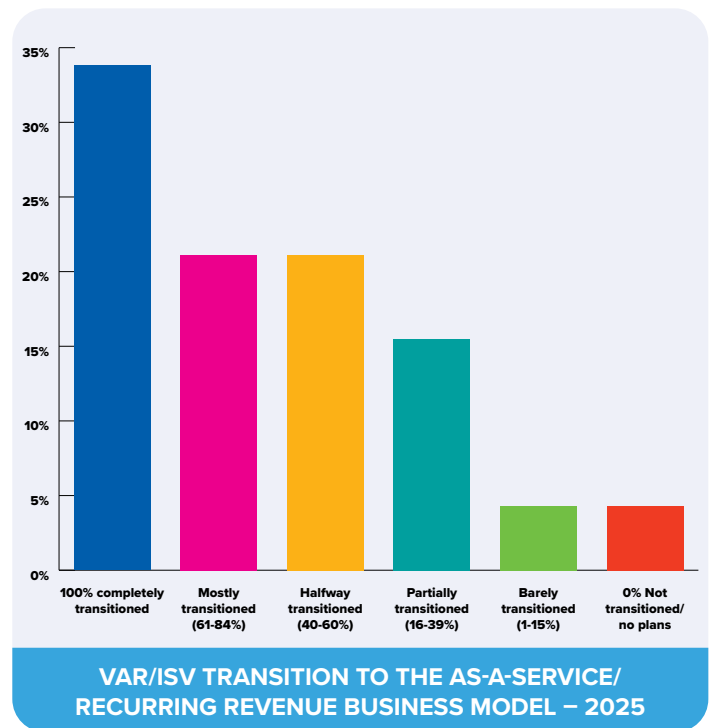
Hybrid profits have been a roller coaster ride. For three consecutive years (2020-22), there had been a decline in hybrids taking a loss (**19.9%** 2020, **5.6%** 2021, **0%** 2022). That pushed up to **8.3%** in 2023 and then to **14.3%** in 2024, but then in 2025 – hold on tight – no hybrids reported a loss.

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, to **71.3%** in 2024, and now to just **63.7%** in 2025.

### RECURRING DREAM: RETAIL IT SOLUTION PROVIDERS CHAMPION AS-A-SERVICE MODEL

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: 33.8%**
- **Mostly transitioned (61-84%); most of our customers pay a monthly fee; limited project work: 21.1%**
- **Halfway transitioned (40-60%); about half of our customers pay a monthly fee; about half of our billing is for project work: 21.1%**
- **Partially transitioned (16-39%); some of our customers pay a monthly fee; significant project work: 15.5%**
- **Barely transitioned (1-15%); very few of our customers pay a monthly fee; we do mostly project work: 4.3%**
- **0% Not transitioned; no customers pay a monthly fee; all project work: 4.3%**



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:**

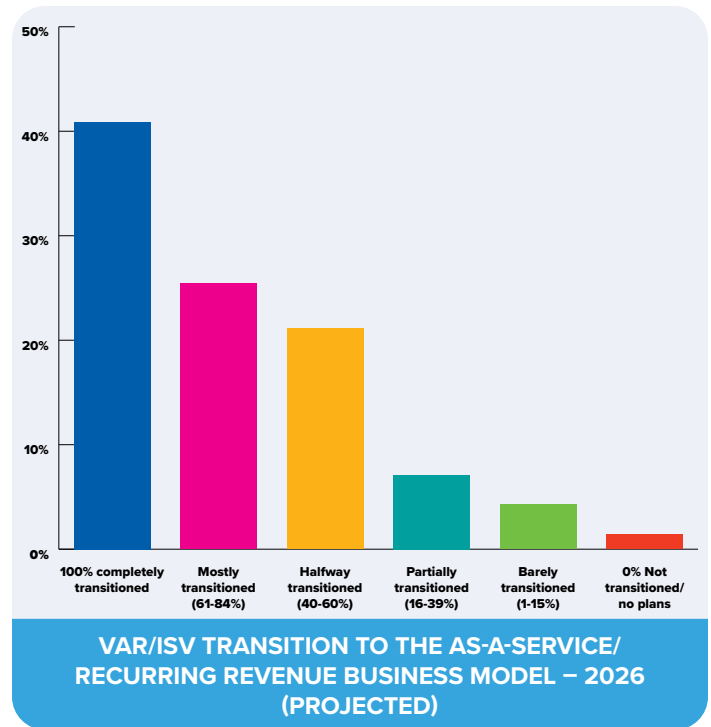
- **100% completely transitioned: 40.9%**
- **Mostly transitioned (61-84%): 25.4%**
- **Halfway transitioned (40-60%): 21.1%**
- **Partially transitioned (16-39%): 7.1%**
- **Barely transitioned (1-15%): 4.3%**
- **0% Not transitioned: 1.4%**

These questions have been asked in each KPI Study, so let’s examine the 2016-25 actuals plus the 2026 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: **35.1%** 2024: **30.2%** 2025: **33.8%** 2026: **40.9%\***
- ▶ **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: **22.1%** 2024: **29.1%** 2025: **21.1%** 2026: **25.4%\***
- ▶ **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: **14.3%** 2024: **17.4%** 2025: **21.1%** 2026: **21.1%\***
- ▶ **Partially transitioned (16-39%):** 2016: **22.4%** 2017: **14.6%** 2018: **26.7%** 2019: **23.7%** 2020: **24.4%** 2021: **20.8%** 2022: **12.3%** 2023: **18.2%** 2024: **12.8%** 2025: **15.5%** 2026: **7.1%\***
- ▶ **Barely transitioned (1-15%):** 2016: **20.7%** 2017: **12.7%** 2018: **7.8%** 2019: **14.5%** 2020: **7.3%** 2021: **4.7%** 2022: **9.1%** 2023: **5.2%** 2024: **9.3%** 2025: **4.3%** 2026: **4.3%\***
- ▶ **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: **5.2%** 2024: **1.2%** 2025: **4.3%** 2026: **1.4%\***

*\* 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 **54.9%** share in 2025, the third consecutive year that number was over 50%.



And survey respondents expect that figure to increase to **66.3%** in 2026. 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 to the first year of this report (2016) when only **24.1%** of VARs and ISVs were completely/mostly transitioned; that's a 42.2-point difference. This year's numbers, combined with past performance, confirm the as-a-Service model is the preferred model for today's retail IT solution providers and there will be no going back.

Let's go beyond the collective figures and break down each segment starting with VARs. These numbers include VAR actuals from 2016-25 and their 2026 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: **21.7%** 2026: **28.3%\***
- ▶ **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: **19.6%** 2026: **30.4%\***
- ▶ **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: **20.8%** 2025: **26.1%** 2026: **23.9%\***
- ▶ **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: **19.6%** 2026: **8.7%\***
- ▶ **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: **6.5%** 2026: **6.5%\***
- ▶ **0% Not transitioned:** 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: **6.5%** 2026: **2.2%\***

*\*projected*

The number of VARs “completely” transitioned in 2025 (**21.5%**) is the third highest figure in the history of this study and it's four times higher than what we first reported in 2016 (**5.0%**). The number of VARs “halfway” or more transitioned stands strong at **67.4%**, in line with last year's **69.8%**. VARs expect to take another step forward next year to **82.6%** “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: **69.2%** 2026: **76.9%\***
- ▶ **Mostly transitioned (61-84%):** 2016: **15.4%** 2017: **13.0%** 2018: **30.0%** 2019: **0%** 2020: **7.7%** 2021: **10.5%** 2022: **5.9%** 2023: **12.5%** 2024: **27.8%** 2025: **23.1%** 2026: **15.4%\***
- ▶ **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: **0%** 2026: **0%\***
- ▶ **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: **7.7%** 2026: **7.7%\***
- ▶ **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: **0%** 2026: **0%\***
- ▶ **0% Not transitioned:** 2016: **30.7%** 2017: **0%** 2018: **0%** 2019: **5.0%** 2020: **0%** 2021: **10.5%** 2022: **0%** 2023: **12.5%** 2024: **0%** 2025: **0%** 2026: **0%\***

*\*projected*

The number of ISVs “completely” transitioned in 2025 (**69.2%**) is the highest reported in the 10-year history of this study, surpassing 2023’s **62.5%**. And nearly every software provider surveyed (**92.3%**) says they are “completely” or “mostly” transitioned. That crushes last year’s **72.2%** of ISVs who were completely/mostly transitioned. Even more ISVs (**76.9%**) expect to be “completely” transitioned by the end of 2026.

For ISV/VAR hybrids, we have their 2019-25 actuals and 2026 projections:

- ▶ **100% completely transitioned:** 2019: **21.1%** 2020: **26.7%** 2021: **44.4%** 2022: **50.0%** 2023: **8.3%** 2024: **35.7%** 2025: **45.5%** 2026: **54.6%\***
- ▶ **Mostly transitioned (61-84%):** 2019: **26.3%** 2020: **33.3%** 2021: **16.7%** 2022: **35.7%** 2023: **66.7%** 2024: **50.0%** 2025: **27.3%** 2026: **18.2%\***
- ▶ **Halfway transitioned (40-60%):** 2019: **26.3%** 2020: **26.7%** 2021: **16.7%** 2022: **7.1%** 2023: **8.3%** 2024: **7.1%** 2025: **18.2%** 2026: **27.3%\***
- ▶ **Partially transitioned (16-39%):** 2019: **21.1%** 2020: **6.7%** 2021: **22.2%** 2022: **7.1%** 2023: **8.3%** 2024: **7.1%** 2025: **9.1%** 2026: **0%\***
- ▶ **Barely transitioned (1-15%):** 2019: **5.3%** 2020: **6.7%** 2021: **0%** 2022: **0%** 2023: **8.3%** 2024: **0%** 2025: **0%** 2026: **0%\***
- ▶ **0% Not transitioned:** 2019: **0%** 2020: **0%** 2021: **0%** 2022: **0%** 2023: **0%** 2024: **0%** 2025: **0%** 2026: **0%\***

*\* projected*

Hybrids took another step forward in terms of recurring revenue adoption last year. The number of hybrids “completely” transitioned increased from **35.7%** in 2024 to **45.5%** in 2025, a 9.8-point increase. For 2026, **72.8%** of hybrids anticipate they will be completely/mostly transitioned to the recurring revenue business model. No hybrids in 2026 anticipate less than half their revenue will be recurring.

A follow-up recurring revenue question was: “In 2025, 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 2018-25:

- ▶ **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%** 2025: **6.9%**
- ▶ **\$1-\$50:** 2018: **15.3%** 2019: **14.1%** 2020: **0%** 2021: **7.3%** 2022: **0%** 2023: **4.7%** 2024: **1.9%** 2025: **4.7%**
- ▶ **\$51-\$100:** 2018: **15.3%** 2019: **8.7%** 2020: **13.7%** 2021: **4.4%** 2022: **8.7%** 2023: **6.9%** 2024: **3.8%** 2025: **0%**
- ▶ **\$101-\$150:** 2018: **8.7%** 2019: **17.4%** 2020: **21.6%** 2021: **13.0%** 2022: **8.7%** 2023: **9.3%** 2024: **1.9%** 2025: **2.3%**
- ▶ **\$151-\$200:** 2018: **15.3%** 2019: **13.0%** 2020: **3.9%** 2021: **10.1%** 2022: **8.7%** 2023: **6.9%** 2024: **9.4%** 2025: **11.6%**
- ▶ **\$201-\$300:** 2018: **8.7%** 2019: **9.8%** 2020: **23.5%** 2021: **14.5%** 2022: **21.7%** 2023: **16.3%** 2024: **18.9%** 2025: **16.3%**
- ▶ **\$301-\$400:** 2018: **8.7%** 2019: **10.9%** 2020: **11.8%** 2021: **14.5%** 2022: **8.7%** 2023: **11.6%** 2024: **13.2%** 2025: **16.3%**
- ▶ **\$401-\$500:** 2018: **6.5%** 2019: **7.6%** 2020: **3.9%** 2021: **5.8%** 2022: **6.5%** 2023: **4.6%** 2024: **7.6%** 2025: **11.6%**
- ▶ **\$501-\$600:** 2018: **0%** 2019: **2.2%** 2020: **0%** 2021: **8.7%** 2022: **2.2%** 2023: **6.9%** 2024: **7.6%** 2025: **4.7%**
- ▶ **\$601-\$700:** 2018: **4.4%** 2019: **1.1%** 2020: **0%** 2021: **0%** 2022: **2.2%** 2023: **2.3%** 2024: **5.7%** 2025: **0%**
- ▶ **\$701-\$800:** 2018: **0%** 2019: **0%** 2020: **0%** 2021: **0%** 2022: **4.4%** 2023: **2.3%** 2024: **3.8%** 2025: **2.3%**
- ▶ **\$801-\$900:** 2018: **0%** 2019: **1.1%** 2020: **1.9%** 2021: **1.5%** 2022: **0%** 2023: **2.3%** 2024: **7.6%** 2025: **2.3%**

- ▶ **\$901-\$1,000:** 2018: **0%** 2019: **1.1%** 2020: **0%** 2021: **0%** 2022: **4.4%** 2023: **2.3%** 2024: **0%** 2025: **0%**
- ▶ **\$1,000+:** 2018: **6.5%** 2019: **3.3%** 2020: **7.8%** 2021: **4.4%** 2022: **8.7%** 2023: **11.6%** 2024: **7.6%** 2025: **6.9%**
- ▶ **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%** 2025: **13.9%**

The aforementioned RetailNOW presentation focused on a goal of at least \$800 per month per location, and our study shows for seven years running that very few VARs are close to that figure (**9.2%** in 2025).

Following the credo “if you can measure it, you can manage it,” it was disappointing to see that **13.9%** of VARs surveyed don't track MRR per merchant location.

Let's review the ISV/VAR hybrid responses to that same question. We have their 2019-25 actuals:

- ▶ **0%; I have no recurring revenue:** 2019: **0%** 2020: **0%** 2021: **5.6%** 2022: **0%** 2023: **0%** 2024: **0%** 2025: **0%**
- ▶ **\$1-\$50:** 2019: **0%** 2020: **0%** 2021: **0%** 2022: **0%** 2023: **0%** 2024: **0%** 2025: **0%**
- ▶ **\$51-\$100:** 2019: **10.5%** 2020: **0%** 2021: **0%** 2022: **0%** 2023: **0%** 2024: **0%** 2025: **0%**
- ▶ **\$101-\$150:** 2019: **5.3%** 2020: **0%** 2021: **11.1%** 2022: **7.7%** 2023: **8.3%** 2024: **21.4%** 2025: **0%**
- ▶ **\$151-\$200:** 2019: **21.1%** 2020: **6.7%** 2021: **27.8%** 2022: **7.7%** 2023: **25.0%** 2024: **0%** 2025: **0%**
- ▶ **\$201-\$300:** 2019: **31.6%** 2020: **19.9%** 2021: **16.7%** 2022: **30.8%** 2023: **16.7%** 2024: **7.1%** 2025: **0%**
- ▶ **\$301-\$400:** 2019: **5.3%** 2020: **19.9%** 2021: **5.6%** 2022: **7.7%** 2023: **0%** 2024: **14.3%** 2025: **20.0%**
- ▶ **\$401-\$500:** 2019: **0%** 2020: **19.9%** 2021: **11.1%** 2022: **7.7%** 2023: **8.3%** 2024: **14.3%** 2025: **20.0%**

- ▶ **\$501-\$600:** 2019: **10.5%** 2020: **0%** 2021: **0%** 2022: **23.1%** 2023: **2.50%** 2024: **14.3%** 2025: **0%**
- ▶ **\$601-\$700:** 2019: **0%** 2020: **13.3%** 2021: **11.1%** 2022: **0%** 2023: **0%** 2024: **7.1%** 2025: **20.0%**
- ▶ **\$701-\$800:** 2019: **0%** 2020: **13.3%** 2021: **5.6%** 2022: **0%** 2023: **8.3%** 2024: **0%** 2025: **0%**
- ▶ **\$801-\$900:** 2019: **0%** 2020: **0%** 2021: **0%** 2022: **0%** 2023: **8.3%** 2024: **7.1%** 2025: **10.0%**
- ▶ **\$901-\$1,000:** 2019: **0%** 2020: **0%** 2021: **0%** 2022: **0%** 2023: **0%** 2024: **0%** 2025: **0%**
- ▶ **\$1,000+:** 2019: **15.8%** 2020: **6.7%** 2021: **5.6%** 2022: **7.7%** 2023: **0%** 2024: **14.3%** 2025: **20.1%**
- ▶ **Not sure; I don't track recurring revenue:** 2019: **0%** 2020: **0%** 2021: **0%** 2022: **7.7%** 2023: **0%** 2024: **0%** 2025: **10.0%**

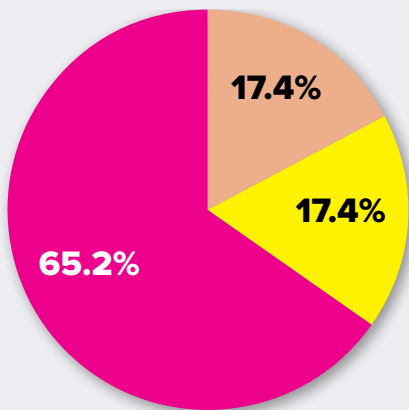
Many VARs are investing in their own intellectual property through proprietary software to both grow sales and increase the value of their business, and this chart shows why. Every hybrid respondent reports at least \$301 in MRR per merchant while less than half of VARs (**44.1%**) achieved that figure in 2025.

The MSP (managed services provider) model was foreign to many VAR executives when we first launched this report 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 or Instagram 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.

## EXPECT CONTINUED VAR/ISV ACQUISITIONS IN 2026

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: 17.4%**
- **We aspire to be acquired: 17.4%**
- **Neither; we do not plan to acquire another company and we do not aspire to be acquired: 65.2%**



This is the seventh year we’ve asked this question, and from 10,000 feet the results appear fairly similar in all surveys – but one trend especially caught our eye, and it signals continued M&A activity.

Every year of this report until this year’s version, those who plan to acquire outpaced those who aspire to be acquired. 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 2025 remained within 3.5 points (**20.0%** plan to acquire vs. **16.5%** aspire to be acquired). In this year’s study those figures are the same for the first time ever: **17.4%** plan to acquire vs. **17.4%** aspire to be acquired.

This data means just under 1-in-5 retail IT solution providers are ready to be scooped up and close to 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 **17.4%** of current channel orgs are looking to exit in the next 24 months – and they have interested buyers to negotiate with.

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

- ▶ **Plan to acquire: 15.9%**
- ▶ **Aspire to be acquired: 13.6%**
- ▶ **Neither: 70.5%**

Here are ISV acquisition plans:

- ▶ **Plan to acquire: 23.1%**
- ▶ **Aspire to be acquired: 7.7%**
- ▶ **Neither: 69.2%**

And finally ISV/VAR hybrids:

- ▶ **Plan to acquire: 18.2%**
- ▶ **Aspire to be acquired: 45.5%**
- ▶ **Neither: 36.4%**

That breakdown produced some interesting numbers for sure. Let’s start with the hybrids and the staggering figure that nearly half of them (**45.5%**) aspire to be acquired, a huge jump from last year’s **7.1%**. The figure of **18.2%** of hybrids planning to acquire is down about 10 points from last year (**28.6%** in 2024).

VAR and ISV numbers are relatively steady year-over-year, and comparing the business models, this is the most similar they have been since we launched this report. Approximately 7-of-10 resellers and software providers have no plans to acquire or aspire to be acquired.

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 2026 and beyond.

## 2026'S TOP NICHE VERTICALS MIRROR 2025: WINE/BEER/LIQUOR & ETHNIC GROCERY/RESTAURANT

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 10 niche verticals that achieved a double-digit response rate (six other niches received interest from less than 10% of respondents):

- ▶ **Wine/Beer/Liquor: 37.7%**
- ▶ **Hotels/Lodging/Resorts: 13.1%**
- ▶ **Ethnic Grocery/Restaurant: 31.9%**
- ▶ **Events/Stadiums/Amphitheaters: 13.1%**
- ▶ **Hardware: 17.4%**
- ▶ **Spa/Salon: 13.1%**
- ▶ **Entertainment/Recreation/Amusement Parks/  
Bowling/Golf: 15.9%**
- ▶ **Field Service: 11.6%**
- ▶ **Garden/Nursery: 13.1%**
- ▶ **Healthcare: 10.2%**

The very top of this list is consistent with past years; wine/beer/liquor (**37.7%**) once again is the runaway winner as the most popular niche vertical followed by ethnic grocery/restaurant (**31.9%**).

The next six niches (hardware, entertainment, garden/nursery, hotels, events, and spas) make regular appearances in this portion of our study. Healthcare made the list for the first time last year and repeated this year, though just barely at **10.2%**. Last year medical offices/hospitals/senior living (**13.1%**) and non-profit (**11.9%**) debuted on our niche vertical list but neither achieved double digits this year.

Cannabis, which ranked among the top three for five consecutive years, dropped all the way to just **5.8%** in 2025 from **19.1%** in 2024. Stalled federal legislation is causing retail IT solution providers in the U.S. to shift their attention elsewhere.

## VAR HR: SOLUTION PROVIDERS GROWING SALES FASTER THAN HEADCOUNT

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: 74.3%**
- ▶ **Health insurance: 64.3%**
- ▶ **Dental insurance: 50.0%**
- ▶ **Flexible work schedules: 47.1%**
- ▶ **Retirement accounts, such as 401(k): 45.7%**
- ▶ **Vision insurance: 40.0%**
- ▶ **Life insurance: 37.1%**
- ▶ **Telecommuting options: 32.9%**
- ▶ **Healthcare spending or reimbursement accounts: 30.0%**
- ▶ **Short-term disability: 28.6%**
- ▶ **Free food/beverages: 27.1%**
- ▶ **Profit sharing: 27.1%**
- ▶ **Long-term disability: 25.7%**
- ▶ **Tuition reimbursement: 14.3%**
- ▶ **Employee assistance program: 14.3%**
- ▶ **Wellness program: 11.4%**
- ▶ **Gym memberships or discounts: 8.6%**
- ▶ **Childcare benefits: 7.1%**
- ▶ **Fewer than two weeks paid time off: 5.7%**

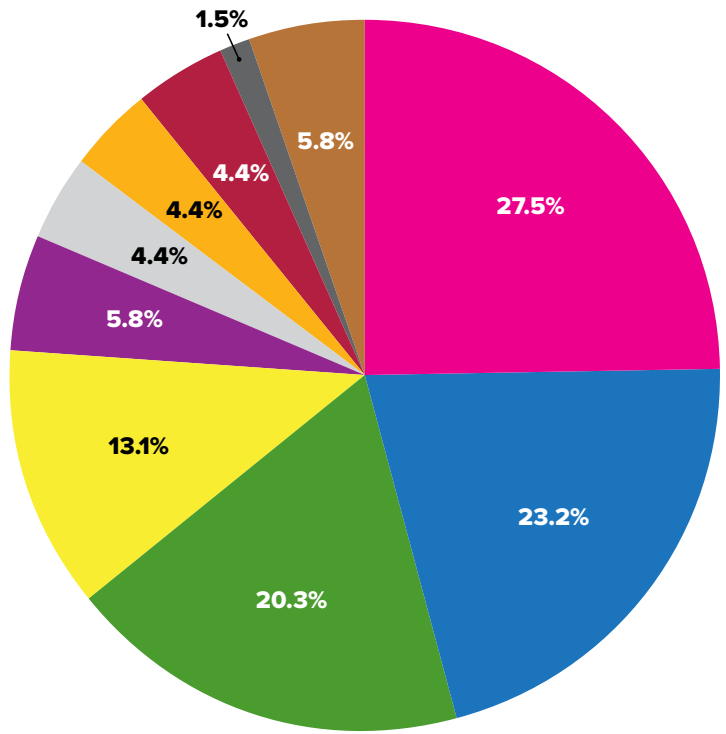
Compared to last year, our 2026 list of benefits barely changed in terms of adoption rates and what’s most commonly offered by VARs and ISVs.

In 2025, three categories related to the work from home (WFH) trend saw significant increases in terms of adoption rates, but each declined slightly this year: flexible work schedules (**55.3%** 2025 vs. **47.1%** 2026), telecommuting options (**37.7%** 2025 vs. **32.9%** 2026), and free food/beverages (**36.5%** 2025 vs. **27.1%** 2026). 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. Does this mean retail IT solution providers are moving away from WFH? Perhaps, but one year is not a trend; these figures will be interesting to watch in our 2027 KPI Study.

Last year saw a big leap in the adoption of employee assistance programs (**8.5%** 2024 vs. **21.2%** 2025) but that benefit declined slightly this year (**14.3%** 2026).

A major pain point for many solution providers continues to be finding qualified individuals to move the business forward. To gain insight into how VARs and ISVs attract candidates we asked, “*What were your most effective new employee recruiting tactics in 2025?*” 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: 27.5%**
- **National job boards: 23.2%**
- **LinkedIn: 20.3%**
- **Recruiters/headhunters/placement agencies: 13.1%**
- **Local/regional job boards: 5.8%**
- **Trade school/college outreach: 4.4%**
- **Retail IT industry job boards: 4.4%**
- **Community/professional associations: 4.4%**
- **Job fairs: 1.5%**
- **Open house, Instagram, Twitter/X, Newspaper advertisements: 0%**
- **Other: 5.8%**



**I did not recruit any employees: 40.6%**

Employee/customer referrals (**27.5%**) again ranked as the most effective recruiting technique among VARs and ISVs in 2025. National job boards (**23.2%**) held the top spot in our poll from 2018-20, but now it's at risk of losing its grip on second place with LinkedIn (**20.3%**) now a close third.

Every other recruiting tactic lags far behind the top three with only recruiters/headhunters/placement agencies hitting double digits (**13.1%**). For the fourth consecutive year in our survey, newspaper ads, once the obvious choice for employee recruiting, received zero votes from respondents. Adapt or perish!

The number of survey respondents who didn't recruit any employees in 2025 (**40.6%**) is also worth noting. That's up slightly from **37.7%** in 2024. With 40% of solution providers not adding to their headcount while only 25% did not show sales growth in 2025, the data suggests many VARs and ISVs have figured out how to do more without adding resources.

We also asked VARs and ISVs to calculate their employee turnover rate for 2025. 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: 50.0%**
- ▶ **1-5%: 18.6%**
- ▶ **6-10%: 21.4%**
- ▶ **11-15%: 1.4%**
- ▶ **16-20%: 2.9%**
- ▶ **21-25%: 4.3%**
- ▶ **26-30%: 0%**
- ▶ **31-40%: 0%**
- ▶ **41-50%: 0%**
- ▶ **Over 50%: 1.4%**

For the ninth consecutive year, retail IT VARs and ISVs appear to be blessed with very low employee turnover. Two-thirds of respondents (**68.6%**) experienced turnover of 5% or less in 2024. That's slightly down from 2024 (**76.2%**), in line with 2023 (**67.8%**), and slightly ahead of 2022 (**61.9%**). In 2022, **38.2%** of survey respondents experienced no turnover; that number improved to **46.5%** in 2023, to **53.6%** in 2024, and held at **50.0%** in 2025.

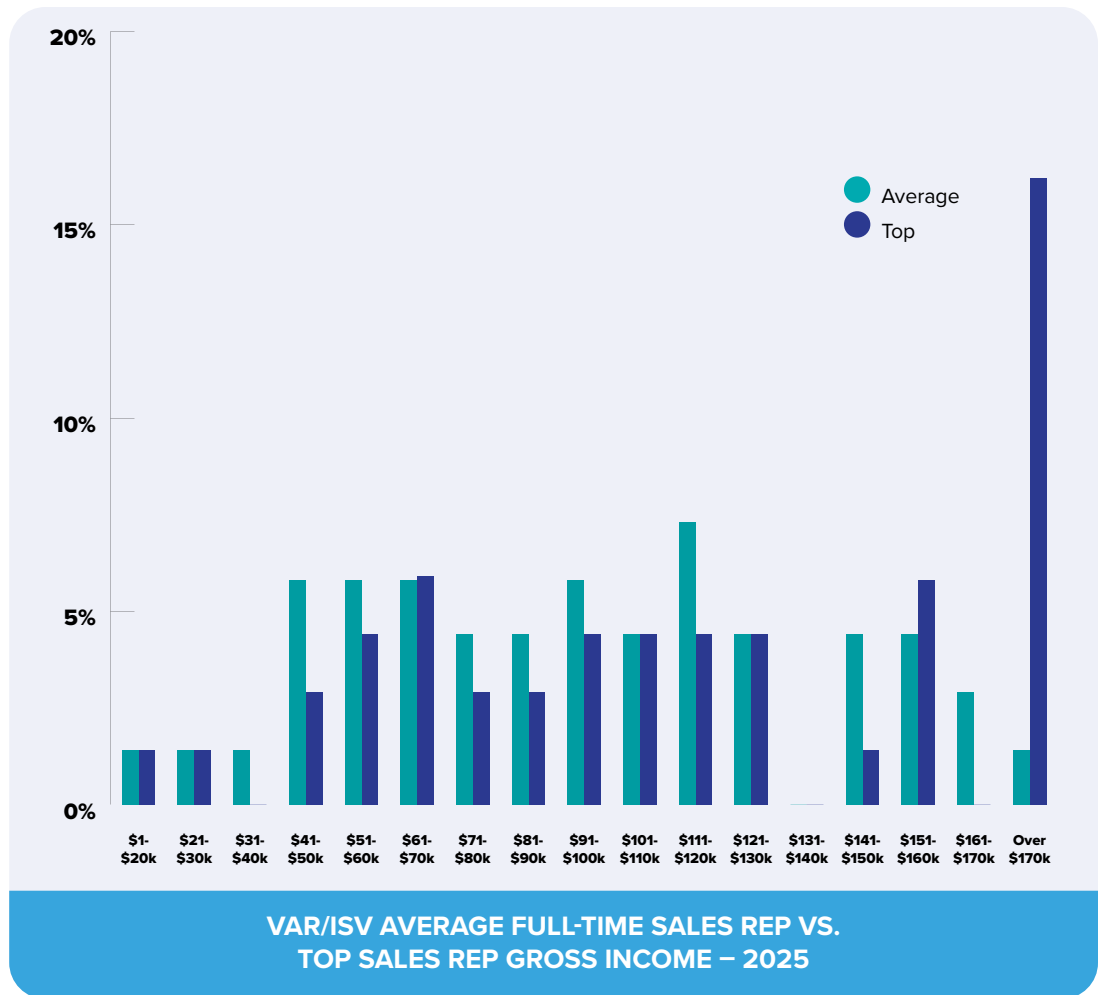
To compare your company's performance against these numbers, here's how to calculate your employee turnover rate: How many employees did you have on Jan. 1, 2025? How many employees did you have on Dec. 31, 2025? Add together those numbers, then divide the sum by 2. This is your "Average Number of Employees" for 2025. How many employees separated during 2025 (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 2025.

### SOLUTION PROVIDER SALES REP PAY RISES SLIGHTLY, REPS EARNING OVER \$100K UP TO 29.2%

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 2025 (not including the owner)?"

#### Respondents said:

- ▶ **\$1-\$20k: 1.4%**
- ▶ **\$21-\$30k: 1.4%**
- ▶ **\$31-\$40k: 1.4%**
- ▶ **\$41-\$50k: 5.8%**
- ▶ **\$51-\$60k: 5.8%**
- ▶ **\$61-\$70k: 5.8%**
- ▶ **\$71-\$80k: 4.4%**
- ▶ **\$81-\$90k: 4.4%**
- ▶ **\$91-\$100k: 5.8%**
- ▶ **\$101-\$110k: 4.4%**
- ▶ **\$111-\$120k: 7.3%**
- ▶ **\$121-\$130k: 4.4%**
- ▶ **\$131-\$140k: 0%**
- ▶ **\$141-\$150k: 4.4%**
- ▶ **\$151-\$160k: 4.4%**
- ▶ **\$161-\$170k: 2.9%**
- ▶ **Over \$170k: 1.4%**



About one-third of respondents (**34.8%**) reported they did not employ any full-time sales reps in 2025.

Our follow-up question focused on each solution provider's number one sales rep. We asked, "What was the approximate gross income (base salary, commissions, bonuses, etc.) of your top performing full-time sales representative in 2025 (not including the owner)?" **Respondents said:**

- ▶ **\$1-\$20k: 1.4%**                      ▶ **\$61-\$70k: 5.9%**                      ▶ **\$111-\$120k: 4.4%**                      ▶ **\$161-\$170k: 0%**
- ▶ **\$21-\$30k: 1.4%**                      ▶ **\$71-\$80k: 2.9%**                      ▶ **\$121-\$130k: 4.4%**                      ▶ **Over \$170k: 16.2%**
- ▶ **\$31-\$40k: 0%**                        ▶ **\$81-\$90k: 2.9%**                      ▶ **\$131-\$140k: 0%**
- ▶ **\$41-\$50k: 2.9%**                      ▶ **\$91-\$100k: 4.4%**                      ▶ **\$141-\$150k: 1.4%**
- ▶ **\$51-\$60k: 4.4%**                      ▶ **\$101-\$110k: 4.4%**                      ▶ **\$151-\$160k: 5.8%**

It appears overall solution provider sales rep pay increased slightly year over year. The number of full-time sales reps earning in three lower pay ranges decreased: \$41-\$60k (**17.6%** 2024 vs. **11.6%** 2025), \$61-\$80k (**12.9%** 2024 vs. **10.2%** 2025), and \$81-\$100k (**22.4%** 2024 vs. **10.2%** 2025). Meanwhile, the number of reps earning in excess of \$100k increased (**23.6%** 2024 vs. **29.2%** 2025).

For top-performing sales reps, we see **36.6%** of them earned pay in excess of \$100k in 2025, line with but slightly behind last year's reported **42.5%**. Digging into that statistic further, we see **16.2%** of the top reps earned over \$170k in 2025, slightly down from **20.0%** in 2024.

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 2025 (not including the owner)?"

**Respondents said:**

- ▶ **\$1-\$20k: 4.4%**                      ▶ **\$51-\$60k: 13.4%**                      ▶ **\$91-\$100k: 4.9%**                      ▶ **\$131-\$140k: 0%**
- ▶ **\$21-\$30k: 1.4%**                      ▶ **\$61-\$70k: 14.9%**                      ▶ **\$101-\$110k: 0%**                        ▶ **\$141-\$150k: 0%**
- ▶ **\$31-\$40k: 7.5%**                      ▶ **\$71-\$80k: 8.9%**                        ▶ **\$111-\$120k: 1.4%**                      ▶ **Over \$150k: 1.4%**
- ▶ **\$41-\$50k: 13.4%**                      ▶ **\$81-\$90k: 7.5%**                        ▶ **\$121-\$130k: 0%**

**20.9%** of survey respondents reported they did not employ any full-time techs in 2025.

Our follow-up question focused on each solution provider’s highest paid tech. We asked, “What was the approximate gross income (base salary, commissions, bonuses, etc.) of your top performing full-time technician in 2025 (not including the owner)?” **Respondents said:**

- ▶ **\$1-\$20k: 1.4%**                      ▶ **\$51-\$60k: 8.9%**                      ▶ **\$91-\$100k: 5.9%**                      ▶ **\$131-\$140k: 1.4%**
- ▶ **\$21-\$30k: 4.4%**                      ▶ **\$61-\$70k: 8.9%**                      ▶ **\$101-\$110k: 5.9%**                      ▶ **\$141-\$150k: 1.4%**
- ▶ **\$31-\$40k: 7.5%**                      ▶ **\$71-\$80k: 10.5%**                      ▶ **\$111-\$120k: 5.9%**                      ▶ **Over \$150k: 1.4%**
- ▶ **\$41-\$50k: 4.4%**                      ▶ **\$81-\$90k: 8.9%**                      ▶ **\$121-\$130k: 1.4%**

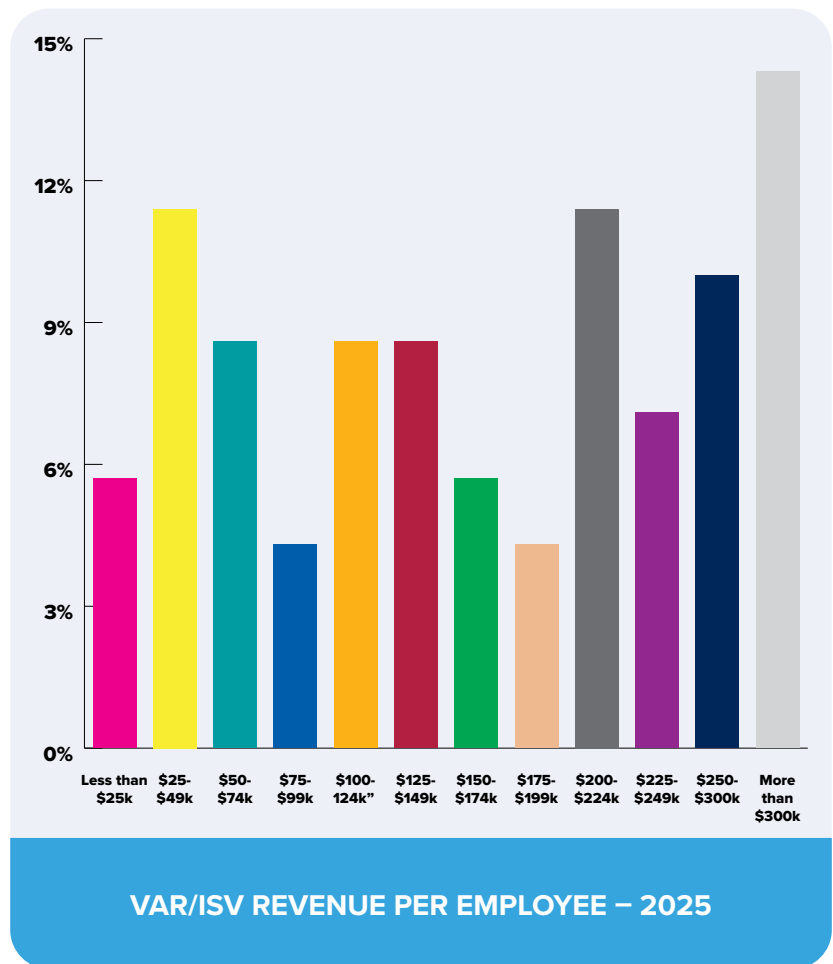
Let’s analyze these numbers the same way we did for sales reps. The average gross income for techs clusters in the \$41-\$70k range (**41.7%**) with the next most common income range being \$71-\$100k (**21.3%**). Only **2.8%** of VARs and ISVs report an average tech gross income above \$100,000 in 2025, down from **6.0%** in 2024 and **8.4%** in 2023.

Just over one-quarter of top techs (**28.3%**) earned between \$61-\$90k, down from 2024 (**38.1%**) and 2023 (**31.1%**). Pay at the very top is stable with **17.4%** of top techs earning in excess of \$100k in 2025, similar to 2024 (**17.9%**), 2023 (**23.9%**), and 2022 (**20.0%**).

Let’s look at revenue per employee and payroll expenses together. We asked, “Please estimate your 2025 revenue per employee (i.e. Total Annual Revenue/Gross Sales divided by Number of Full-Time Equivalents).”

**Respondents said:**

- **Less than \$25k: 5.7%**
- **\$25-49k: 11.4%**
- **\$50-74k: 8.6%**
- **\$75-99k: 4.3%**
- **\$100-124k: 8.6%**
- **\$125-149k: 8.6%**
- **\$150-174k: 5.7%**
- **\$175-199k: 4.3%**
- **\$200-224k: 11.4%**
- **\$225-249k: 7.1%**
- **\$250-300k: 10.0%**
- **More than \$300k: 14.3%**



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 resellers and ISVs include their total staff – all employees, contractors, owners – when listing their payroll expense. Reporting on 2025, **respondents said:**

- ▶ **Less than 10%: 11.6%**
- ▶ **10-19%: 14.5%**
- ▶ **20-29%: 13.1%**
- ▶ **30-39%: 17.4%**
- ▶ **40-49%: 13.1%**
- ▶ **50-59%: 15.9%**
- ▶ **60-69%: 7.3%**
- ▶ **70-79%: 2.9%**
- ▶ **80% or more: 4.4%**

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 **42.8%** of study participants hit that target in 2025, a 4.7-point improvement year-over-year (**38.1%** in 2024) and a 10.3-point improvement across two years (**32.5%** 2023). Six of the last seven 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, **38.1%** 2024, and **42.8%** 2025. That is a sign of improving, consistent health among the retail IT channel’s VARs and ISVs.

Repeated (and italicized) for emphasis: *Six of the past seven years, retail IT VARs and ISVs are increasing revenue per employee, a sign of improving, consistent health among our solution provider community.*

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 2025, **39.2%** of respondents said their employee-related expenses were less than 30% of sales while **17.4%** said they fit the 30-39% category. In 2024, **28.6%** fit the less than 30% category, a 10.6-point year-over-year improvement, while **19.1%** fit into 30-39%, just a 1.7-point difference.

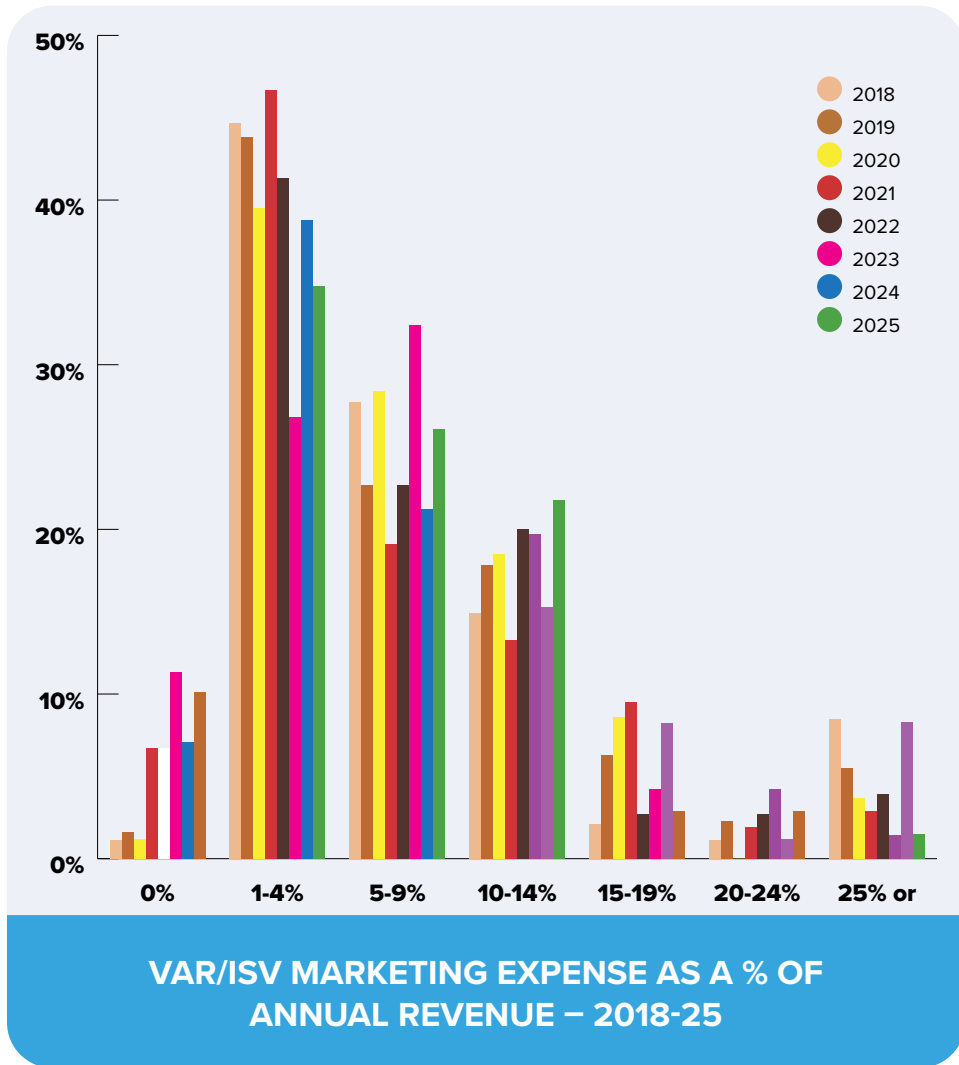
## ANEMIC VAR MARKETING SPEND TREND CONTINUES

For the eighth consecutive year of the KPI Study, we asked, “Approximately what is your marketing expense as a % of annual revenue/gross sales?” For 2025, respondents reported the following:

- ▶ **0%: 10.1%**                      ▶ **5-9%: 26.1%**                      ▶ **15-19%: 2.9%**                      ▶ **25% or more: 1.5%**
- ▶ **1-4%: 34.8%**                      ▶ **10-14%: 21.8%**                      ▶ **20-24%: 2.9%**

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%** 2025: **10.1%**
- ▶ **1-4%:** 2018: **44.7%** 2019: **43.8%** 2020: **39.5%** 2021: **46.7%** 2022: **41.3%** 2023: **26.8%** 2024: **38.8%** 2025: **34.8%**
- ▶ **5-9%:** 2018: **27.7%** 2019: **22.7%** 2020: **28.4%** 2021: **19.1%** 2022: **22.7%** 2023: **32.4%** 2024: **21.2%** 2025: **26.1%**
- ▶ **10-14%:** 2018: **14.9%** 2019: **17.8%** 2020: **18.5%** 2021: **13.3%** 2022: **20.0%** 2023: **19.7%** 2024: **15.3%** 2025: **21.8%**
- ▶ **15-19%:** 2018: **2.1%** 2019: **6.3%** 2020: **8.6%** 2021: **9.5%** 2022: **2.7%** 2023: **4.2%** 2024: **8.2%** 2025: **2.9%**
- ▶ **20-24%:** 2018: **1.1%** 2019: **2.3%** 2020: **0%** 2021: **1.9%** 2022: **2.7%** 2023: **4.2%** 2024: **1.2%** 2025: **2.9%**
- ▶ **25% or more:** 2018: **8.5%** 2019: **5.5%** 2020: **3.7%** 2021: **2.9%** 2022: **3.9%** 2023: **1.4%** 2024: **8.3%** 2025: **1.5%**



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 are ignoring marketing altogether which we believe is a mistake. 10.1% of solution providers say in 2025 they spent nothing on marketing, the second highest percentage in the history of this study. In fact, the last three years mark the top three highest percentages of solution providers reporting zero marketing resources.

Two years ago 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 the 2025 data lags behind those high-water marks 1-4%: **34.8%**, 4-9%: **26.1%**). The percentage of solution providers spending 10% or more of their annual revenue on marketing remained relatively unchanged from prior years (**29.1%** 2025, **33.0%** 2024, **29.5%** 2023).

Of course you're not going to out-market the venture-capital funded big guys, but smartly investing resources in AI marketing tools, 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 OPPORTUNITY" IN SERVICES, SUPPORT, & TAILORED SOLUTIONS

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.)

- ▶ Credit card companies offering free POS systems "if you will process your credit cards with us." Hard to compete with free.
- ▶ Being overrun by direct sellers, VC and credit card-owned POS solutions, including the one we resell.
- ▶ The large credit card processing vendors with direct sales have made a major change in how merchants view POS systems and support. Their ability to have so much flexibility in pricing with an individual merchant from low or no profit is amazing. Also, their advertising penetration is phenomenal. They make it very difficult to compete with!
- ▶ Credit card companies giving away free POS.
- ▶ Biggest threats are the big 1-800-number competitors that are backed by huge VCs and pushing nothing but payments in reality, but causing a ruckus in the industry, despite not being able to compete on quality, service, or product.
- ▶ VC and private equity are a challenge and will continue to disrupt the channel.
- ▶ The giants are moving into the small business e-commerce space where they either lock you to not have your own e-comm website or sell via their channel. Either way, ISO agents like us will reduce or lose our card processing income. What happened with POS in past few years, where big ISOs took majority share of agent sale and credit card profit, the same is going to happen with the e-comm and AI.
- ▶ No local support. IoT (Internet of Things) is a killer.
- ▶ Increasing competition in the credit card industry.
- ▶ Large conglomerates still buying business is a big problem.
- ▶ Cloud-based multi-billion dollar SaaS POS companies entering the grocery space.

- ▶ Bar code business competition now including Amazon is reducing my ability to compete as I have for 30 years in this field.
  - ▶ Microsoft trying to take over the services we provide.
  - ▶ Threat: Vendor mergers or acquisitions.
  - ▶ Consolidation of partners.
  - ▶ Consolidation across the channel and our customers is a threat.
  - ▶ The decline of true agnostic software and software with realistic pricing for small businesses to compete with national brands.
  - ▶ There are not many software choices not connected to a specific credit card company. This is hurting our business.
  - ▶ There are many good POS software options. But we need a great one. The time and energy vetting these takes us away from selling. We also need AI 101 that would be free to members. (Note: RSPA launched in early 2026 the RSPA AI Resource Hub to fill that need.)
  - ▶ Our biggest concerns are that many large vendors are not stocking the way they used to and other vendors have outsourced support and customer service to AI or overseas teams. So we are looking at new relationships and trying to find vendors who actually want a relationship, not just a sales unit.
  - ▶ Threats: AI, 800-number POS providers, market factors, political factors. Challenges: Scale and software development.
  - ▶ Stability of the economy.
  - ▶ The current U.S. administration is our biggest threat right now. It creates economic uncertainty, and merchants are not investing much. Their margins are shrinking and then they are not investing as much in new technology.
  - ▶ Impact of the tariffs affecting the overall cost of goods.
  - ▶ U.S. foreign affairs, specifically in tariffs and global stability and trade agreements.
  - ▶ Legislation ruling against surcharge programs.
  - ▶ Mexico's legal certainty and insecurity.
  - ▶ Lack of awareness and comprehension of technical changes by SMB retailers in the changing digital world around them.
  - ▶ Being very diverse in a small shop takes its toll on meeting SLA (service level agreement) expectations.
  - ▶ Not a lot of customer commitment due to the fact it is easy to get out and go with another vendor.
  - ▶ Being competitive against the big POS providers. Merchants struggle to see the value of a local guy and go right to the internet. They forget you spent an hour with them on the phone on a Saturday or a Thursday night and called them back within five minutes.
  - ▶ Harnessing AI for efficiencies at least as fast as our competitors!
  - ▶ Adoption, change management.
  - ▶ Lead gen/effective marketing. Stock availability.
  - ▶ Biggest threat is my number one guy who went to work selling against us.
  - ▶ POS is a very challenging business with very few rewards. Nothing like the past.
  - ▶ We must be idiots to stay in this business for so long.
- As per usual, threats and challenges dominated this year's open-ended answer section. A few respondents did focus on opportunities:
- ▶ New recurring revenue streams like payments, loyalty, e-comm, and data residuals.
  - ▶ MRR (monthly recurring revenue) is the key to all!

- ▶ Huge opportunity in the channel to deliver even more value via services, support, and solutions tailored to each unique business vs. a one-size-fits-all model.
- ▶ We continue to add additional vertical markets to expand our client base.
- ▶ Growth opportunities in both existing and new customers and verticals.
- ▶ For us, the opportunity is in small towns where we can deliver more value than our competitors.
- ▶ Determining the best way to add value to a client base using a new software partner. Business opportunities are vast. Need to close deals and execute.
- ▶ Massive opportunity in 2025: We finally launched our POS system. Working on refining it through first half of 2026 and then moving on to try and hit 50 customers.
- ▶ Opportunities: Partnership, distribution, leadership, and AI.
- ▶ Proper salary banding across all lines of business within the institution to retain top talent and reduce employee attrition.
- ▶ We are already seeing an increase in sales and commitment so far in 2026.

Every year RSPA has published this study, we receive positive comments from members about the association, but we edit them out because they're not related to industry trends. Because this is the 10th edition of this report, we'll include those comments this year as a mini celebration of the RSPA team and the community:

- ▶ Keep up the fantastic work, RSPA team! Glad to be a part of an organization that fights for our community and the channel.
- ▶ Thanks for all you do!
- ▶ Thanks for all the good RSPA does!
- ▶ I appreciate the strategic thought that RSPA provides us helping us to find our way in this changing market.
- ▶ Doing a great job!
- ▶ RSPA is doing a great job connecting ISV and POS vendors to the latest technological advancements.
- ▶ Thank you for the great support!
- ▶ The team does such a great job and we appreciate all the connectivity you bring to our industry – it's a fun space to work in.

## 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 2026? 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 across the past decade. Your ideas for our original 2017 study and your suggestions since then have made the 2026 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](http://www.GoRSPA.org).

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