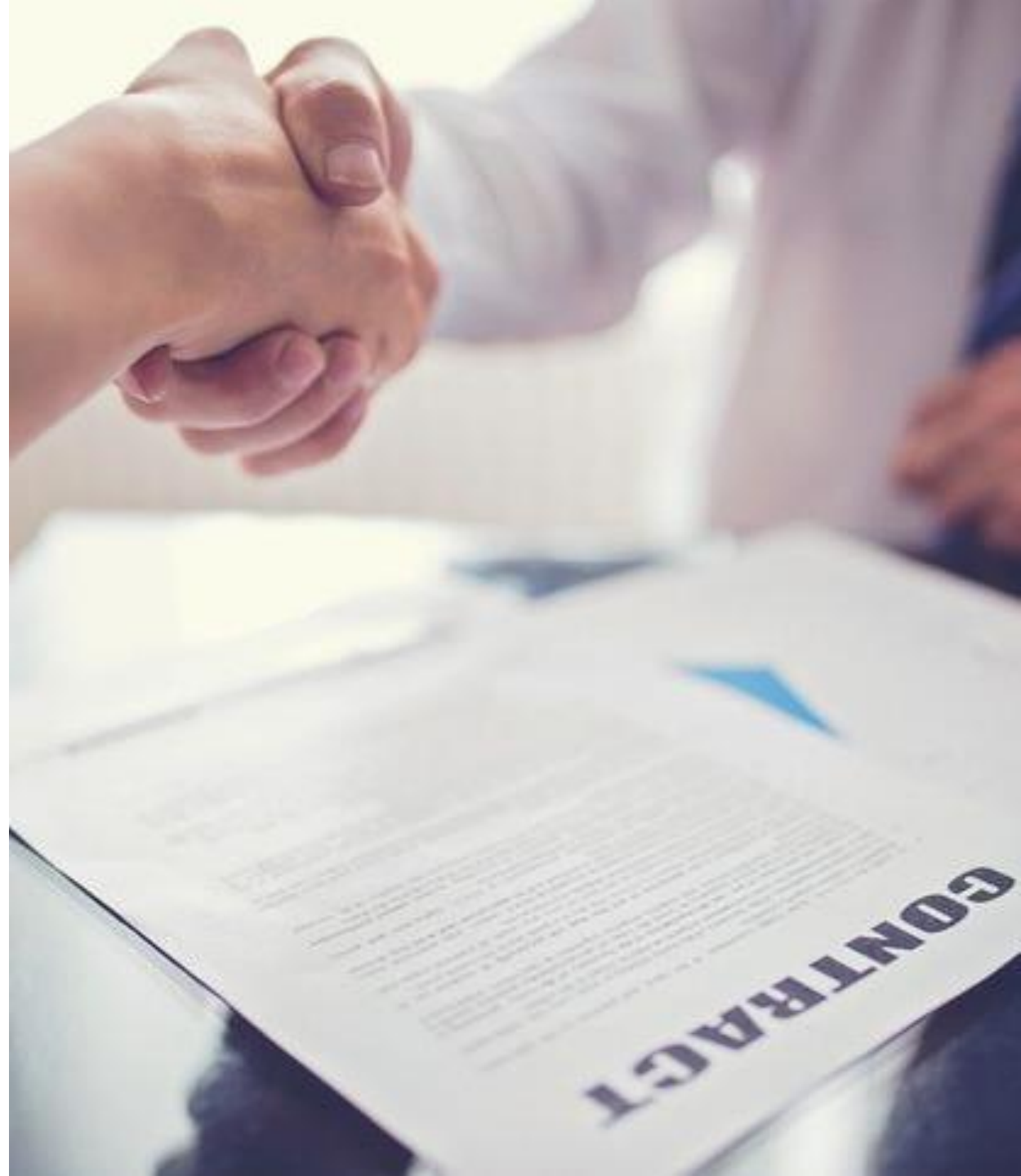


The Economics Of The Managed Technology Service Provider



New Financial Analysis & Benchmark Training

- **Economics of the Managed Technology Services Provider – Introduction** (Thursday, October 29)
- **Transactional Revenues – Fixed Price Contracts** (Thursday, November 5)
- **Bundling Partner Plans With Fixed Price Contracts** (Thursday, November 12)
- **Maximizing Hourly Labor and Stand-Alone Equipment Sales – Part I** (Thursday, November 19)





New Financial Analysis & Benchmark Training

- Maximizing Hourly Labor and Stand-Alone Equipment Sales- Part II ([Thursday, December 3](#))
- Core Recurring Revenues – Hosted Voice and SIP ([Thursday, December 10](#))
- Core Recurring Revenues – Security As A Service and SDWAN ([Thursday, December 17](#))
- Economics of Managed IT Services – Part I ([Thursday, January 7](#))



New Financial Analysis & Benchmark Training

- **Managed IT Pricing Calculator Demo & Discussion** (Thursday, January 14)
- **Economics of Managed IT Services – Part II** (Thursday, January 21)
- **Economics of Cloud Based IT: Azure, WVD, and other Cloud Offerings. Part I** (Thursday, January 28)
- **Economics of Cloud Based IT: Azure, WVD, and other Cloud Offerings. Part II** (Thursday, February 4)

Bundling Partner Plans With Fixed Price Contracts



Fixed Price Contract Sales



**A Bundle of
Equipment &
Installation Labor
At a Fixed Price**
(New Installs and Big MACs)



Fixed Price Contract Sales



Typically these transactions are among the least profitable

20% Contribution

5% Net Profit

(If All Goes Well)



**Why Do These
Transactions Still
Make A Lot Of
Sense?**



Fixed Price Transactions

High Dollar Volume Sale : Lots Of Cash Flow

- Some voice & surveillance providers do 10-50m in revenue in these systems

Aftermarket Sales

- Time & Material (Break/Fix Calls)
- Partner Plans – ongoing recurring service and maintenance revenue



Voice & Surveillance Bundled Services

Partner Plans

We Sell An **Unspecified Number** Of
Customer Service Hours &
Professional Services
At A Fixed Price



Voice & Surveillance Bundled Services

CTAP

Current Technology
Assurance Plan



Voice & Surveillance Bundled Services

CTAP

A bundle of hardware, software, protection, training and professional services sold for a fixed monthly amount





Voice & Surveillance Bundled Services

- CTAP Combines:
-
- A transactional system sale with a 5-year partner plan at the time of initial sale

Voice & Surveillance Bundled Services

CTAP

And it includes hardware and software replacement or refresh with no change in payment



Voice & Surveillance Bundled Services



Partner Plans

Why are partner plans preferable to time & materials?

Recurring revenue?
More profitable?

... Answer Is Both

- Recurring revenue is vitally important to the long-term viability and profitability of our business
- Guaranteed base of revenue – We are a trusted partner to our customer
- Moves us toward “nirvana”



... Answer Is Both

- Partner plans are also **far more profitable**
- Customers are far more satisfied as opposed to break/fix
- ... and CTAP is more profitable than both



Partner Plan vs Break Fix

Example:

System Sale Price - \$10,000

- Statistically would generate 2-3 hours of T&M revenue per YEAR
- Hourly labor (to be discussed in detail in next session) typically results in **40% contribution**.
- Partner plans typically yield **65% contribution**, but the difference is actually much greater



Partner Plan vs Break Fix

Example:
System Sale Price - \$10,000

Time & Materials

- Three hours @ \$150 / hour = \$450 in revenue
- 40% contribution = **\$180**

Partner Plan

- 10% per year = \$1000 In revenue
- 65% contribution = **\$650**

Assumes
approximately 5-6
hours of loaded
service labor:
Customers will call
more often if
inclusive

**Dealer makes
nearly 3.5x the
contribution...
AFTER Providing
twice the number
of service hours!**

Partner Plan & CTAP Sales

***SHOULD
CONTRIBUTE
65%***



Contribution From Partner Plans

How do we achieve our
contribution from
Partner Plan Sales?

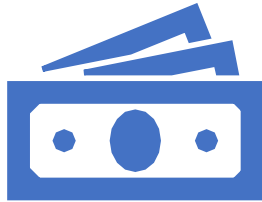


Know Your Realized Labor Rate

Revenue Generated

Hours Required

Know Your Realized Labor Rate



**\$100,000
generated in Q1**

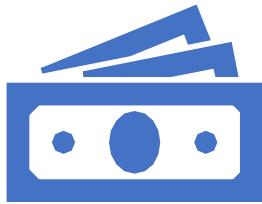


**... 1,000 hours
spent**



**You “realize” \$100
per labor hour**

Know Your Realized Labor Rate



**\$100,000
generated in Q2**



... 900 hours spent



**You “realize” \$112
per labor hour.
Increase denotes
greater productivity**

Know Your Realized Labor Rate

What should this rate be?

At least our hourly billing rate

Anything less, we have a problem

- Under priced bundle
- Technician hours overspent



Analysis of Economic Return Fixed Price System Sales



What is most profitable?

Let's compare the profits from:

- A system sale
- A system sale with annually renewed partner plan
- A system sale under CTAP





Analysis of Voice/Surveillance Economics

- The system sale is a *one-time event*
- Partner plans, CTAP provide *recurring revenue* over a number of years
- Partner plans annually renewable, retained on average 3 years
- CTAP bundles partner plan for entire 5-year lease

Comparative Economics

How much do we make?

Example: System Sale Price - \$20,000

	System Sale	Partner Plan
Price	\$20,000	\$6,000
Costs (Equip, Tech, Sales)	<u>16,000</u>	<u>2,100</u>
Contribution	4,000	
Additional Contribution		3,900
Contribution %	20%	65%
Total \$\$ Over 5 Years	\$4,000	\$7,900

Priced @ 10% Per Year- The Partner Plan Adds \$2,000 Year In Revenue;

The Average Plan Lasts 3 Years

It Adds \$6,000 In Additional Total Revenue And \$3,900 In Additional Contribution

Selling A System And Then Selling A Partner Plan Doubles Contribution

Comparative Economics

How much do we make?
Example: ***Under CTAP***
System Sale Price - \$20,000

	System Sale	Partner Plan	CTAP
Price	\$20,000	\$6,000	\$12,000
Costs (Equip, Tech, Sales)	<u>16,000</u>	<u>2,100</u>	<u>3,600</u>
Contribution	4,000		
Additional Contribution		3,900	8,400
Contribution %	20%	65%	70%
Total \$\$ Over 5 Years	\$4,000	\$7,900	\$12,400

Priced At 12% Per Year-
CTAP includes 5 years
of Partner Plans And
Adds \$2,400 Per Year
(\$12,000 Total)
In Revenue.
CTAP Provides \$8,400
In Additional
Contribution

Selling A System Under
CTAP More Than
Triplies Contribution
Compared To A System
Sale Alone



Analysis of Voice/Surveillance Economics

- CTAP also includes REFRESH
- At 36 months can bring 50% of original sale in new equipment ***with no change in payment***
- Lease extends, interest rate guaranteed for life of customer
- Makes a product decision rather than buying decision

CTAP Recommendations

Premise Voice Systems

- *2.2 markup*
- *1% per month maintenance, 12% per year*

Surveillance Systems

- *2.0-2.2 markup*
- *.833% per month maintenance, 10% per year*
- *Quarterly scheduled visits for cleaning/repositioning*



Recap & Discussion

- SELL PARTNER PLAN WITH EVERY SYSTEM

A black and white photograph showing the silhouettes of eight people sitting around a long table in a meeting room. The room has large windows in the background, and the floor is highly reflective, showing the silhouettes of the people and chairs. The people are engaged in a discussion, with one person in the center gesturing with their hands. The overall atmosphere is professional and collaborative.

- 
- A black and white photograph showing the silhouettes of eight people sitting around a long table in a meeting room. The room has large windows in the background, and the floor is highly reflective, showing the silhouettes of the people and chairs. The people are engaged in a discussion, with one person in the center gesturing with their hands. The overall atmosphere is professional and collaborative.

A black and white photograph showing the silhouettes of a group of people sitting around a long table in a meeting room. The people are facing each other, and one person in the center is gesturing with their hands while speaking. The room has large windows in the background, and the floor is highly reflective, showing the silhouettes of the people and chairs. The text 'number' is visible in the top left corner, and 'ck' is visible in the middle left corner.

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The Economics Of The Managed Technology Service Provider

Recap & Discussion

- Utilize CTAP To Gain Additional Maintenance Revenue and Technology Refresh Opportunities



WHEN? WHICH? WHERE? WHO? WHY? HOW? WHAT?

