

The Economics of the Managed Technology Service Provider

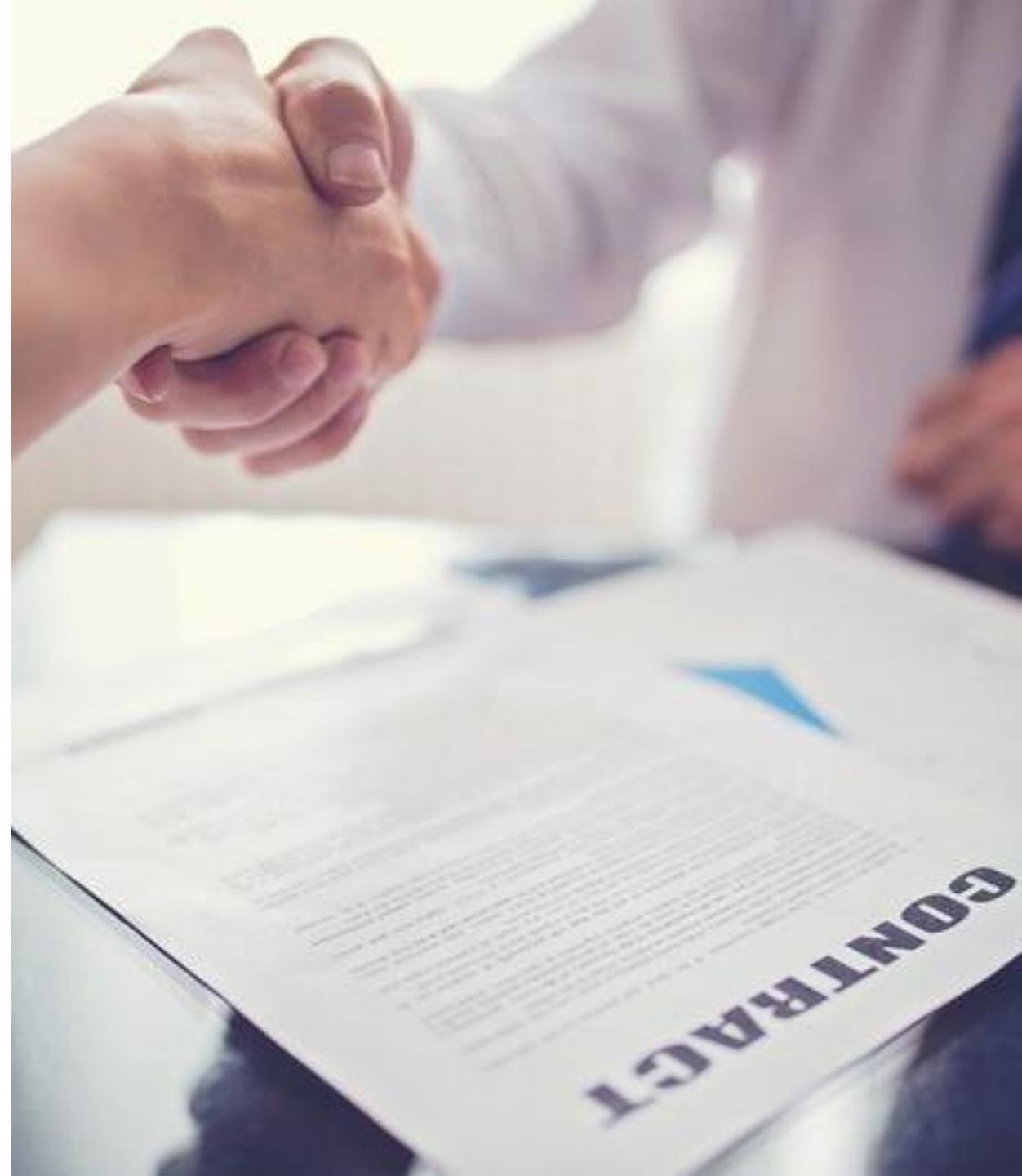


**TECHNOLOGY
ASSURANCE
GROUP**



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)



Maximizing Hourly Labor & Standalone Equipment Sales



**TECHNOLOGY
ASSURANCE
GROUP**



Project Labor & Remediation Billing

- **The “T” In T&M**
- Sales Of Technician Time
- By The Hour
- In All Disciplines



Project Labor & Remediation Billing

- Includes All Hourly Billable Project Labor
- Any Billable Remediation



**Sales of our Manpower's
Labor by the Hour—
Whether IT, Voice,
Surveillance, or Print**



***SHOULD
CONTRIBUTE
40%***

In Our Hourly Labor Sales



If our Sales Price = 100%

Costs of Goods Should = 50%

Technicians, Dispatch, Project Mgmt, Ops Mgmt, Labor Load, Vehicles, Technician Perks And Training

& Sales Expense Should = 10%

Total Sales Expense Is Somewhat Less Than Installation As We Typically Do Not Pay Commission On Break/Fix Revenue

For Contribution to = 40%

Time Sold by the Hour

How do we achieve our
**Anticipated 40%
Contribution?**



Revenue Billed By The Hour What Can We Control?

- Hourly rate we charge?
- Cost of our technicians?
- Maximize revenue, cost stays the same, all additional drops to bottom line



Example: Change Worth 67% More Profit

IT customer requires install & spin up of three new PC's -> Estimate 4.5 hrs actual time

\$150 x 4.5 hours = \$675

All costs = \$405

Contribution = \$270 ← 40%

Overhead = \$100

Net Profit = \$170 ← 25% Bottom Line

Example: Change Worth 67% More Profit

How do we increase profitability without increasing hourly rate?

\$150 x 4.5 hours = \$675

All costs = \$405

Contribution = \$270 ← 40%

Overhead = \$100

Net Profit = \$170 ← 25% Bottom Line

Revenue Billed By The Hour

What Can We Control?



**The Rate We
Charge For
Services**



**Our Billing Increments
(15, 30, 60 Minutes)**



**Minimum
Billable Time**

Billing Minimums, Increments, And Utilizing Trip Charges Can Be As Impactful As, Or More Impactful Than, Increasing Hourly Rate



**The rate we
charge for
services**



**Our billing increments
(15, 30, 60 minutes)**



**Minimum
Service call**

Manage Billing Process



**Bill 1 hour
Or 2 hour
Minimums**



**Bill ½ hour
Or 1 hour
Increments**



**Bill 1 hour
For remotes**

Example: Change Worth 67% More Profit

How do we increase profitability without increasing hourly rate?

\$150 x 4.5 hours = \$675

All costs = \$405

Contribution = \$270 ← 40%

Overhead = \$100

Net Profit = \$170 ← 25% Bottom Line

Example: Change Worth 67% More Profit

Billing in 60-minute increments provides
another \$75 in revenue, we bill \$750

$$\text{\$150} \times 4.5 \text{ hours} = \text{\$675}$$

$$\text{\$150} \times 5 \text{ hours} = \text{\$750}$$

$$\text{Difference} = \$75 \leftarrow 11\% \text{ More Revenue}$$

$$\text{Original Profit} = \$170$$

$$\text{Revised Profit} = \$245 \leftarrow 44\% \text{ More Profit}$$

Example: Change Worth 67% More Profit

What If We Add A Small Trip Surcharge?

$$\$150 \times 4.5 \text{ hours} = \$675$$

$$5 \text{ hours} + \$40 \text{ TC} = \$790$$

$$\text{Difference} = \$115 \leftarrow 17\% \text{ More Revenue}$$

$$\text{Original Profit} = \$170$$

$$\text{Revised Profit} = \$285 \leftarrow 67\% \text{ More Profit!}$$

Manage Billing Process



Manage Billing Rate

If your technician's
direct wage rate
is \$30 an hour....
we must bill at least
**\$140 hour to get
40 contribution%**





In Our Hourly Labor Sales



If our Sales Price = \$140

Technician Wage Rate = \$30

Downtime cost = \$10

Cost Of Dispatch
Engineering & Management = \$20

Labor Load for all Plus
Trucks and Perks = \$10

Costs of Goods
Should = \$70

This gives us 50% Gross Margin

In Our Hourly Labor Sales



If our Sales Price = \$140

Costs of Goods = \$70

50% Gross Margin = \$70

10% Sales Expense = \$14

40% Contribution = \$56

15% G&A = \$21

25% EBITDA = \$35

Pricing Of Manpower Sales By The Hour

- What is the impact of higher pricing?

Billing Rate	\$154
COGS	\$70
SG&A	\$35
EBITDA	\$49
EBITDA %	35%

10% Price Increase

40%
More
Profit

Pricing Of Manpower By The Hour Sales

- What is the impact of higher pricing?

Billing Rate	\$175
COGS	\$70
SG&A	\$35
EBITDA	\$70
EBITDA %	40%

25% Price Increase

100%
More
Profit

Standalone Equipment Sales

- The “M” In T&M
- Sales of equipment
- By the item
- IT, Surveillance, and Voice



We Sell Equipment Straight “By The Piece” Installation or Service Sold Separately



**IT equipment is typically sold standalone – not bundled with installation.
Why?**



Surveillance – Replacement Parts/Small Upgrades



Voice – Replacement Parts/Small Upgrades

When We Sell Equipment by the Piece the Driver is to Protect Sales Expense

- In **IT** margins are **TIGHT**
- In **Surveillance** they are **BETTER**
- In **Voice** they are very **GOOD**

In every one....
pay a percentage of gross margin



When We Sell Equipment By The Piece The Driver Is To Protect Sales Expense

- In **IT** margins are **TIGHT**
- In **Surveillance** they are **BETTER**
- In **Voice** they are very **GOOD**



Sell at your best price, protect sales expense, leave additional margin to hourly charges and recurring revenue

Manage Technician Downtime





How Much
Does This
Add Up To?

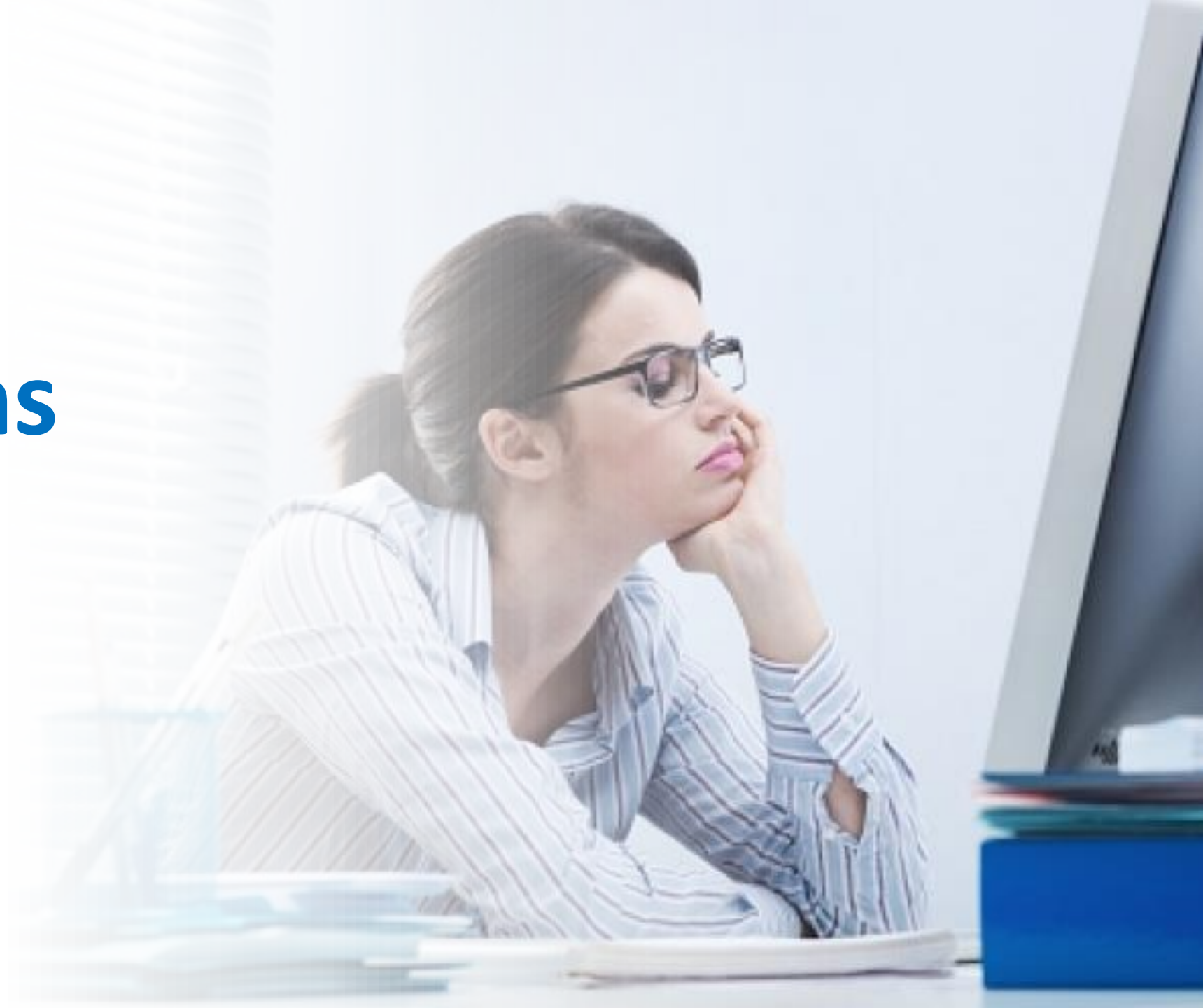
Approximately 3
Months Of Every
Year

25% Of Total Hours
Paid Are Not In
Service Of A Paying
Customer



Manage Technicians

**Limit
Downtime**



**For Each
8 Hours
Paid**



**Allow Only
2 Hours
Downtime**



***The remaining 6 are the hours
our technicians should be “deployed”***



By “Deployed” We Mean & Measure:



Travel Time To The Jobsite



On-Site Work Performed



Remote Work Performed



Truck Stocking & Shop Time

Any ticketed time spent in service of a paying customer.
Everything else is considered “office” or “unapplied” time.

How To Measure Your Deployed Time Vs Down Or “Office” Time

- Pick a data period of at least one quarter
- Pull total number of deployed hours
 - By our definition – in service of any paying customer
 - Usually is time recorded on any external ticket
- Divide by total labor hours PAID during that quarter



How To Measure Your Deployed Time Vs Down Or “Office” Time

- Example: Q1 2021 we paid 10 technicians 170 hours each, or 1700 hours
- Our time logs denote 1350 hours logged to customer tickets
 - Regardless of type – installation, T&M, or contract
 - In service of a paying customer
- Results in 79.4% “Uptime”



How To Measure Your Deployed Time Vs Down Or “Office” Time

- If 75% or more of time paid is customer facing, then you at least do not have an issue with down time
- May still have an issue with efficiency, measured elsewhere



Recap & Discussion

- Manage Hourly Rates: Average tech rate of \$30 means \$140 rate in order to make 40% contribution
- Utilize trip charges for on site work
- Maximize revenue by utilizing minimums, billing increments

Recap & Discussion

- Power of increased revenue
- Costs do not change, additional drops to bottom line
- Manage technician down time
- In cases of standalone equipment sales, protect margins by protecting our sales expense - % of gross margin

A hand-drawn word cloud featuring the words 'Who', 'What', 'Where', 'When', 'Why', and 'How' in various sizes and orientations. The words are arranged in a circular pattern, with 'Who' and 'What' being the largest. A hand holding a pen is visible at the bottom right, suggesting the words were drawn by hand.

