

The Economics of the Managed Technology Service Provider

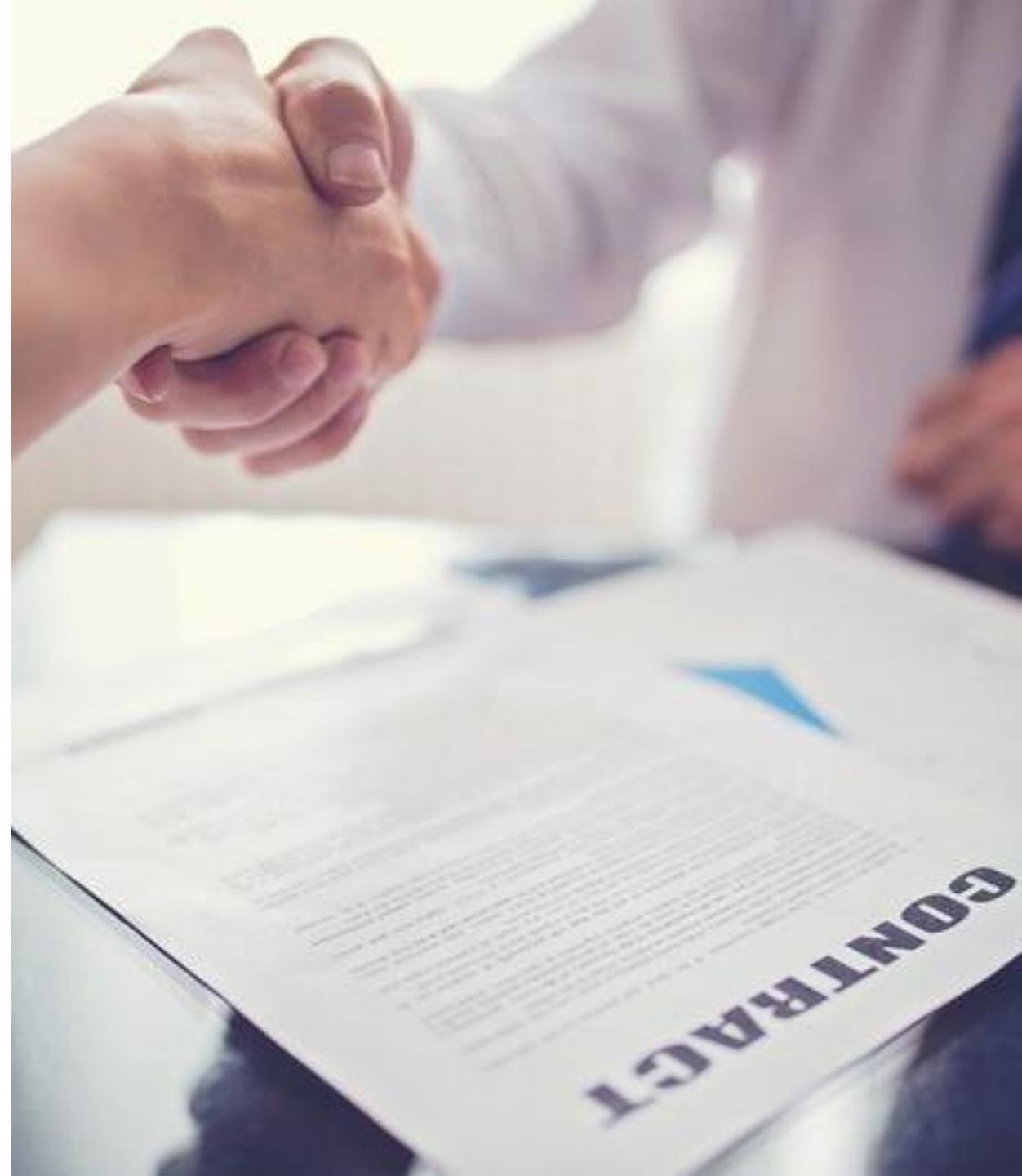


**TECHNOLOGY
ASSURANCE
GROUP**



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)





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)

Core Recurring Revenues – Hosted & SIP Trunking



Core Recurring Revenues

- Are we seeking only our customer's IT business?
- What are we seeking?
- What is important?



Core Recurring Revenues

- We seek to own all their technology
- IT, voice, OE, Surveillance, physical security
- Being all things tech to our customer is the most “sticky”



Core Recurring Revenues

- We are an MTSP – *Managed Technology Service Provider*
- We aim to be a trusted technology partner, not just a vendor



Core Recurring Revenues

- We are seeking nirvana
- Laser focus on building recurring revenue streams
- Nirvana – when recurring revenues cover all costs in the business, but for product purchases



Core Recurring Revenues

- SIP Trunks
- Hosted Voice
- Security-As-A-Service
- SD-WAN

All provide solid recurring revenues and can easily be sold to all IT customers & prospects



Core Recurring Revenues

- SIP Trunks
- Hosted Voice
- Security-As-A-Service
- SD-WAN

Embracing these and other bundled-in recurring revenues speeds our path to nirvana with low incremental cost



SIP Trunking

Session Initiation Protocol

Enables voice services over the internet

- Virtual phone lines rather than copper wire (PSTN)
- Can be applied to any PBX:
 - Premise or hosted



SIP Trunking

Session Initiation Protocol

- Bundled with all telephony systems – primarily hosted today
- Typical commission rates 15-20% of trunk cost



SIP Trunking

Session Initiation Protocol

- SIP trunk provider bills end user or sold to dealer wholesale
- Commissions carry virtually zero cost to support



Hosted Voice

Sold typically one of two ways

#1 Retail: The Carrier Bills End User

- SIP trunk is included in carrier offering
- Dealer receives commission on total bill
- 20-25% commission



Hosted Voice

#2 Wholesale:

- Dealer purchases hosted seats
- Dealer purchases SIP trunks for wholesale offering
- Dealer bills end user (including telecom taxes if billing SIP trunks)



Hosted Voice

#2 Wholesale:

- Billing SIP trunks directly makes you a “carrier” in eyes of regulators
- Be very careful about handling telecom taxes
- TAG believes that less risky alternatives exist



Hosted Voice Commissions

Carrier bills end user, remits commissions

Average seat cost to end user = \$25

20 Seats = \$500

Commission = 25%

Commission \$ = \$125, or \$6.25 / Seat

Economic benefit to dealer over 60 months

= **\$7,500**



Wholesale Hosted Voice

- In a wholesale scenario, dealer purchases hosted platform by the seat
- Customer pays dealer for hosted platform
- Customer pays SIP provider directly for trunks



Wholesale Hosted Voice

Example using...

Zultys Green Label

Clearly SIP Trunks

Clearly Unified Billing-As-A-Service



Wholesale Hosted Voice

Clearly unified billing using Zultys green
Assumes customer pays same \$25/seat

Green Seat	=	\$10.50
SIP Trunk/Seat	=	\$ 5.00
Billing Fee 5%	=	\$ 1.25
Total Cost	=	\$16.75
Margin To Dealer	=	\$ 8.25, or 33%

Economic benefit to dealer over 60 months
= \$9,900

Recurring Revenue Run Rate - Commission

What can happen to our recurring revenue/margin run rate?

Very
Conservative
– Represents
Installations
At 1-2
Customers
Per Month



Margin/Seat 25% = \$ 6.25

50 Seats/Month = \$ 312 / Month

After 24 Months = \$ 7,500 / Month

Annual Run Rate = \$90,000 / Year

Virtually cost-free recurring revenue

Plus ~ \$48,000 in installation contribution

Recurring Revenue Run Rate - Wholesale

What can happen to our recurring
revenue/margin run rate? (50 seats/mo)

Very
Conservative
– Represents
Installations
At 1-2
Customers
Per Month



Topline Sales	=	\$ 950
SIP Commission	=	\$ 60
Seat Cost	=	\$ 525
Billing Fee	=	\$ 48
Monthly Gross	=	\$ 438
After 24 Months	=	\$10,765 / Mo
Annual Run Rate	=	\$129,000 / Year
Virtually cost-free recurring margin		
Plus ~ \$48,000 in installation contribution		

The Economics Of The Managed Technology Service Provider

Recap & Discussion

- SIP is a simple way to build virtually cost-free recurring revenue
- When sold with hosted (wholesale) or premise voice solutions
- Hosted voice – sold via commissionable retail solution or wholesale product similarly creates long-term, low touch recurring revenues



The Economics Of The Managed Technology Service Provider

Recap & Discussion

- Laser focus on building recurring revenue streams from every source
- When sold with hosted (wholesale) or premise voice solutions
- Hosted voice – sold via commissionable retail solution or wholesale product
- Similarly creates long-term, low touch recurring revenues

