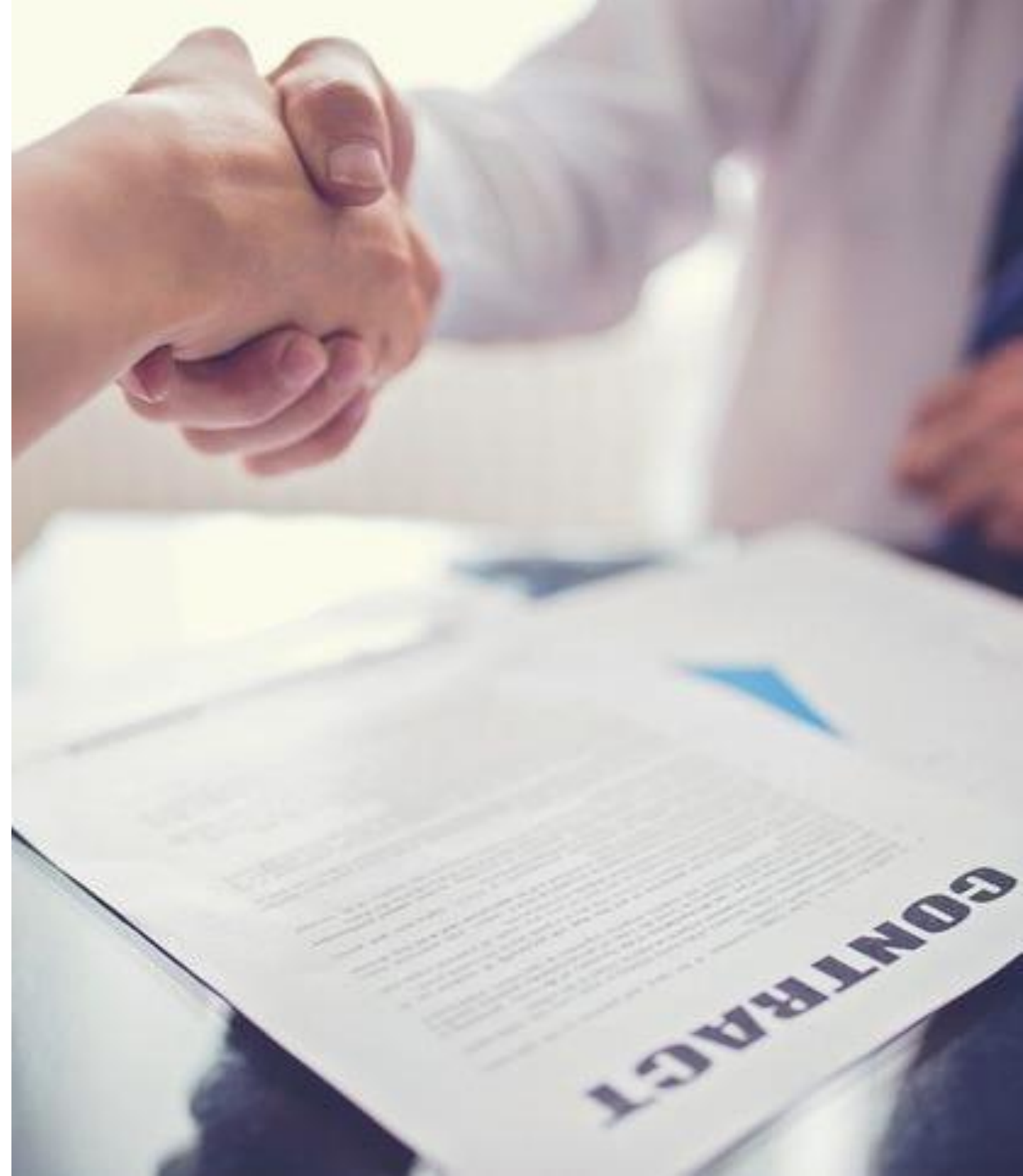


The Economics of the Managed Technology Service Provider



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)

Recap Of Core Metrics

Fixed Price Contracts

Premise Voice/Surveillance

- Hardware & installation bundled
- Average a 2.2 Mark
- Control Sales Expenses
- Must average 6 hours per each \$1000 of equipment installed



Recap Of Core Metrics

Bundling Partner Plans With Fixed-Price Contracts

- Partner Plans yield 3-4x contribution than providing services on break/fix basis
- Utilize CTAP to increase maintenance revenue and gain refresh opportunities
- Track realized labor rate to gauge efficiency of service delivery



Recap Of Core Metrics

Maximizing Hourly Labor & Standalone Equipment Sales

- Manage your rate: \$30 avg technician pay rate must have ~\$140/hour to yield 40% contribution
- Maximize revenue through use of minimums and billing increments
- Utilize trip charges for on-site work



Recap Of Core Metrics

Maximizing Hourly Labor & Standalone Equipment Sales

- Regular small hourly rate increases
- Manage and track technician efficiency: time deployed vs down time
- For standalone equipment sales: manage sales costs – pay on gross margin as opposed to topline



Upcoming IT Sessions

We Will Explore:

- Technologies, outsource options, core economics, common pitfalls
- Pricing, delivery, targeted gross margins
- Optimum technician staffing
- Contract structure
- MSP Pricing Calculator demo



Core Recurring Revenues – Hardware-As-A- Service And SD-WAN



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
- Hardware As-A-Service
 - SD-WAN
 - Firewall/Access Point

All Provide Solid Recurring Revenues And Can Easily Be Sold To All IT Customers & Prospects



Core Recurring Revenues

- SIP Trunks
- Hosted Voice
- Hardware As-A-Service
 - SD-WAN
 - Firewall/Access Point

Embracing These And Other
Bundled-In Recurring Revenues
Speeds Our Path To Nirvana
With Low Incremental Cost



Hardware As A Service

- Can be utilized for any hardware
- PC's, servers, firewalls, switches, wireless access points
- Hugely profitable
- Capital requirements are prohibitive for vast majority of TAG members



Hardware As A Service

- Capital requirements are prohibitive for vast majority of TAG members
- Simply not feasible until we can reinvest excess profits into equipment
- Get to nirvana first



Hardware As A Service

- Focusing on two areas where capital expenditure (buying the hardware yourself) is not necessary
- Firewalls / access points
- SD-WAN services
- TAG arrangements for no up-front cost



SD-WAN: Software Defined Wide Area Network

- Delivers scalable networks that combine multiple connections
- Always on connectivity, load balancing, instant failover, and prioritized QoS for voice & video



SD-WAN: Software Defined Wide Area Network

- True SD-WAN Solution
- Single/multiple lines
- Hardware and service included
- Month to month
- 30-40% margins
- Very little support cost



Firewall / Access Points As A Service

- Traditionally very hard to offer an edge security offering on a monthly basis
- Had to buy firewall or WAP hardware, and 1-3 year license upfront
- Cost often in the thousands for single unit
- Again.. Cost prohibitive at any scale



Firewall / Access Points As A Service

- Required more cash than most members could, or cared to, invest
- Standard option is to sell to customer for cash or separate lease as transactional sale
- Limited margins – 20-30%
- Extremely burdensome chasing even lower margin renewals at end of one or three years



Firewall / Access Points As A Service

- Required more cash than most members could, or cared to, invest
- TAG Program procures up front hardware and ongoing licensing, offers to Members on monthly basis
- Margins 40-50% after all discounts and rebates



Firewall / Access Points As A Service

- Program creates a recurring revenue stream where a one-time sale previously existed
- Member sets price to end user
- Month to month
- No more chasing low margin license renewals



Hardware As-A-Service Example

Average Small Business Firewall For 20-30 Users
3 Year Full Security Suite

	<u>MSRP</u>	<u>Cost</u>	<u>Gross Margin</u>
WatchGuard T40	\$2650	\$1987	\$663
Fortigate B60	\$2050	\$1537	\$513
Sonicwall TZ370	\$1670	\$1252	\$418

Hardware As-A-Service Example

Average Small Business Firewall For 20-30 Users
3 Year Full Security Suite

	<u>MSRP</u>	<u>Cost</u>	<u>Gross Margin</u>
WatchGuard T40	\$2650	\$1987	\$663 (One Time)
T40 - TAG Prgm	\$99	\$51	\$ 48 (monthly)

\$48 x 36 months = \$1728 over same th
product

Net cost after all discounts and
rebates – Gold discount status
and TAG volume rebate



Firebox and monthly service costs rolled into single monthly fee to Member

No up-front purchase for either Member or end user

Margins 2-3x better than selling for cash

No expiration date or sales effort to secure renewals

Sell it “stand alone” or as part of your Managed Offerings

Monthly billing will no liability for service termination

The Economics Of The Managed Technology Service Provider

Recap & Discussion

- Laser Focus On Building Recurring Revenue Streams From Every Source
- SD-WAN and Firewalls/Access Points as a recurring revenue rather than one-time transaction
- Utilize these to speed our way to nirvana



Recap & Discussion

- Reaching nirvana not only accelerates profitability, but also opens up more opportunities for self-financed hardware as a service
- SIP, Hosted, SD WAN, Hardware (Firewall/Access Points) As-A-Service, in addition to our core IT, Telephony, Surveillance disciplines

