MANAGED SERVICES

ADJACENT GROWTH OPPORTUNITY

Agenda

- 4 Core Principles

- What your Customers are Experiencing

- 5 Things You Must Do

- Business Model for Managed Services

Managed Services
4 Core Principles

1. vCIO Services
   - Technology Planning/Technology RoadMap

2. Monitoring
   - IT Services Continuum
   - Efficiency

3. Cloud Services Brokerage
   - Best of Breed/Cloud Maturity Model
   - Low Touch Revenue

4. HaaS
   - Profitability, growth in account
   - Account Control

Today's Perfect Storm
Driving Technology

Cloud Computing

Big Data

Social Media

Mobility

IDC Predicts...2013
Quotes from the worldwide broadcast

- "Virtually all predictions based on 3rd platform"

- "A once every 25 years shift…"

- "90% of all growth will occur in 3rd Platform between now and 2020, beginning with over 70% in 2013."

- "If you don't have a 3rd Platform presence, you are not in the IT Business."

All Things D

All Things D

"I am seeing a series of disruptions at a faster pace than I have seen in my career… the "Internet of Things" will bring 50 billion connected devices by 2020."

John Chambers
Cisco Systems

All Things D

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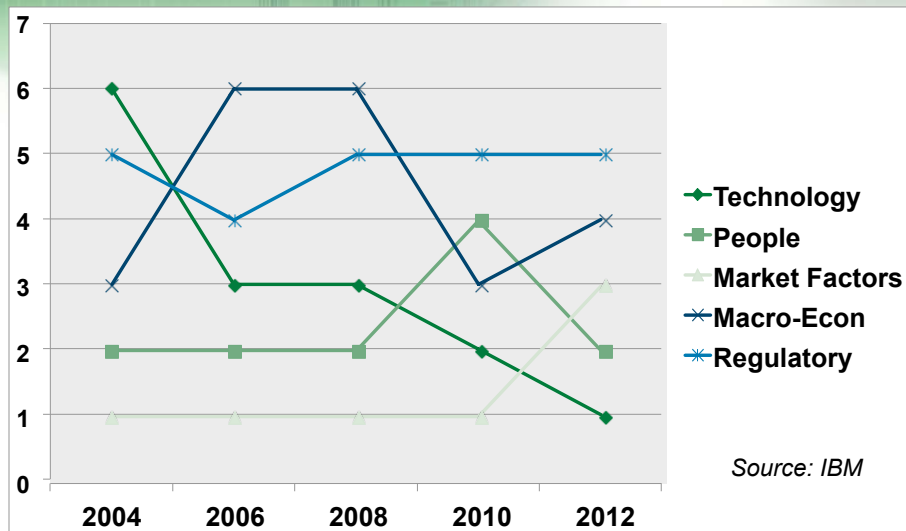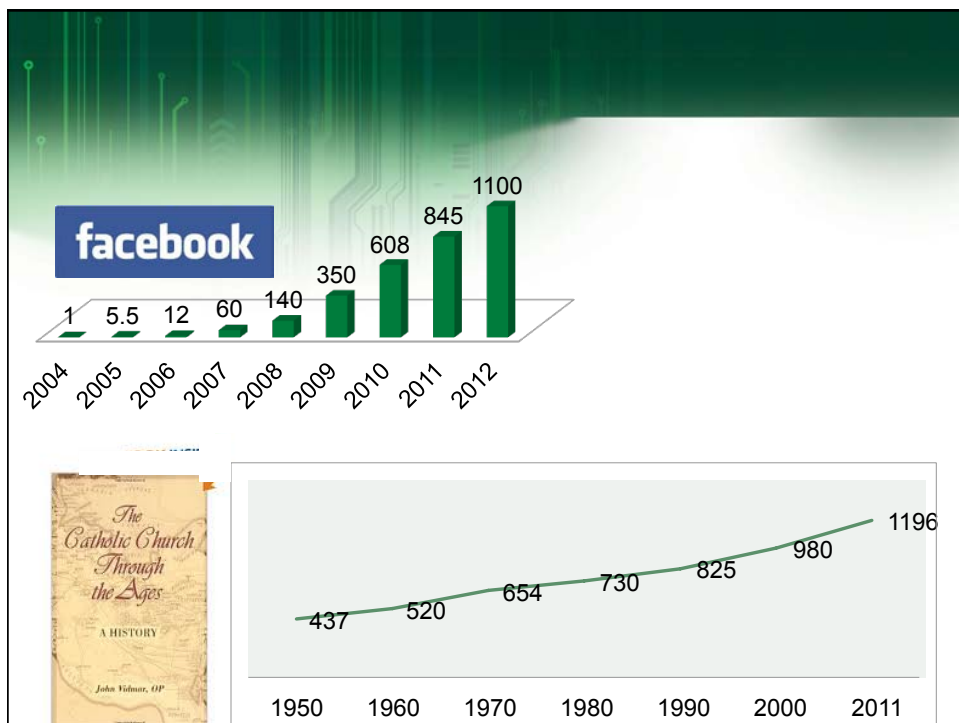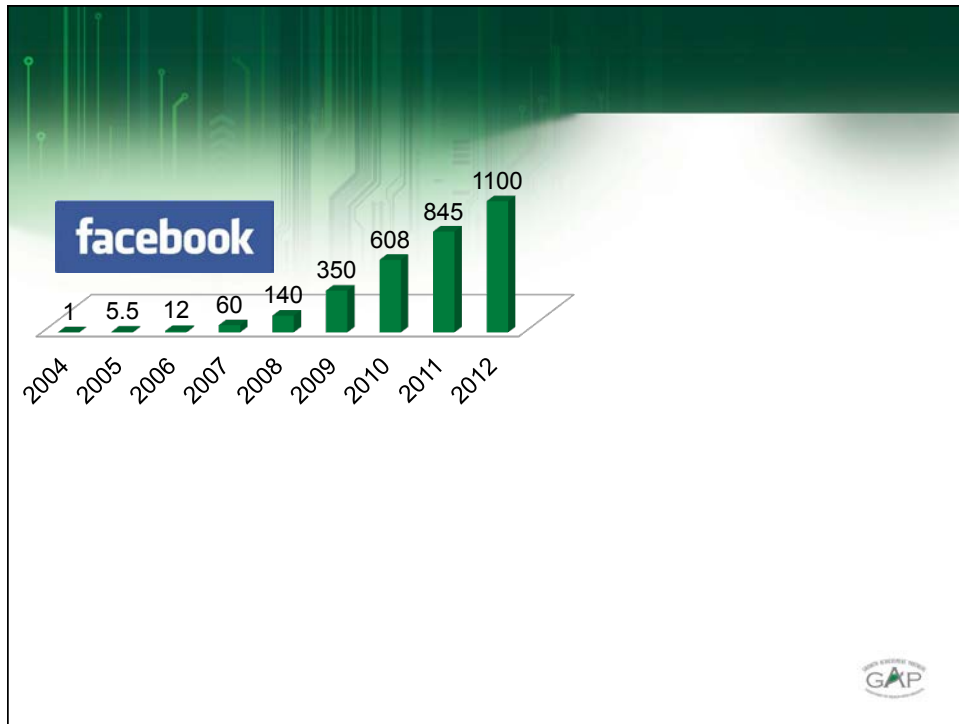
John Chambers
Cisco Systems

"The Industrial Internet leverages the power of the cloud to connect machines with sensors and sophisticated software to other machines…they will deliver the right information to the right people, all in real time…this opportunity will bring $15 trillion to the global GDP by 2030…the equivalent of adding another US economy to the world."

Jeff Immelt
GE

What is important to CEO's?

- Technology
- People
- Market Factors
- Macro-Econ
- Regulatory

Source: IBM

From One to a Billion

facebook

1100 · 845 · 608 · 350 · 140 · 60 · 12 · 5.5 · 1

2004 2005 2006 2007 2008 2009 2010 2011 2012

Less than 8 Years

More than 2000 Years

The Catholic Church Through the Ages — A HISTORY — John Vidmar, OP

437 · 520 · 654 · 730 · 825 · 980 · 1196

1950 1960 1970 1980 1990 2000 2011
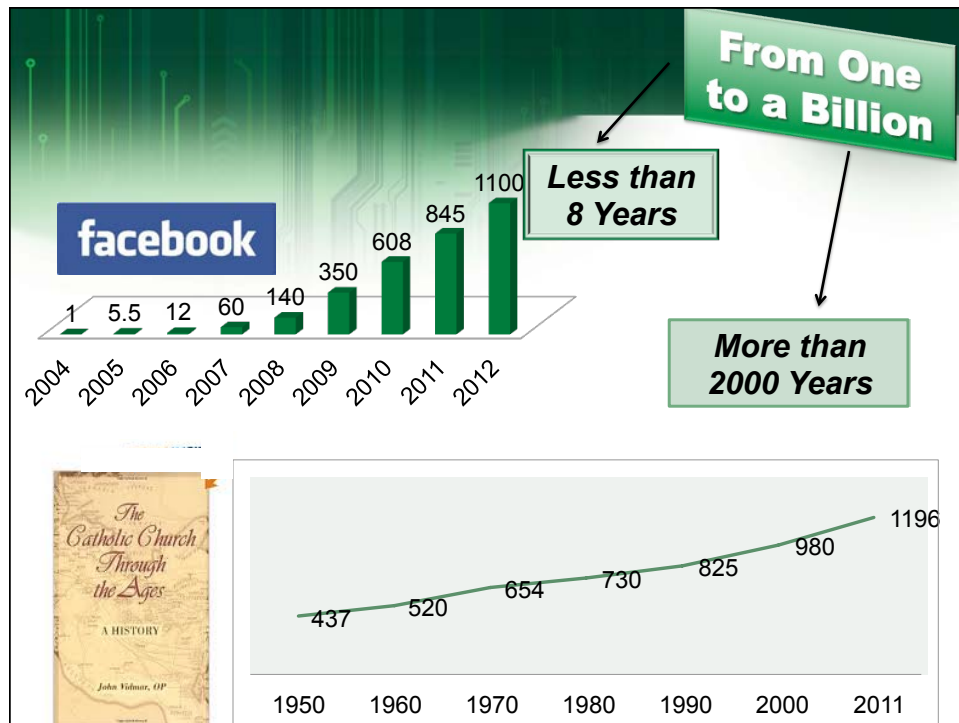
Mobility:
Consider the iPAD

APRIL 2, 2010

GAP

New Major Technology Cycles = Often Support 10x More Users & Devices, Driven by Lower Price + Improved Functionality

Computing Growth Drivers Over Time, 1960 – 2020E

KPCB
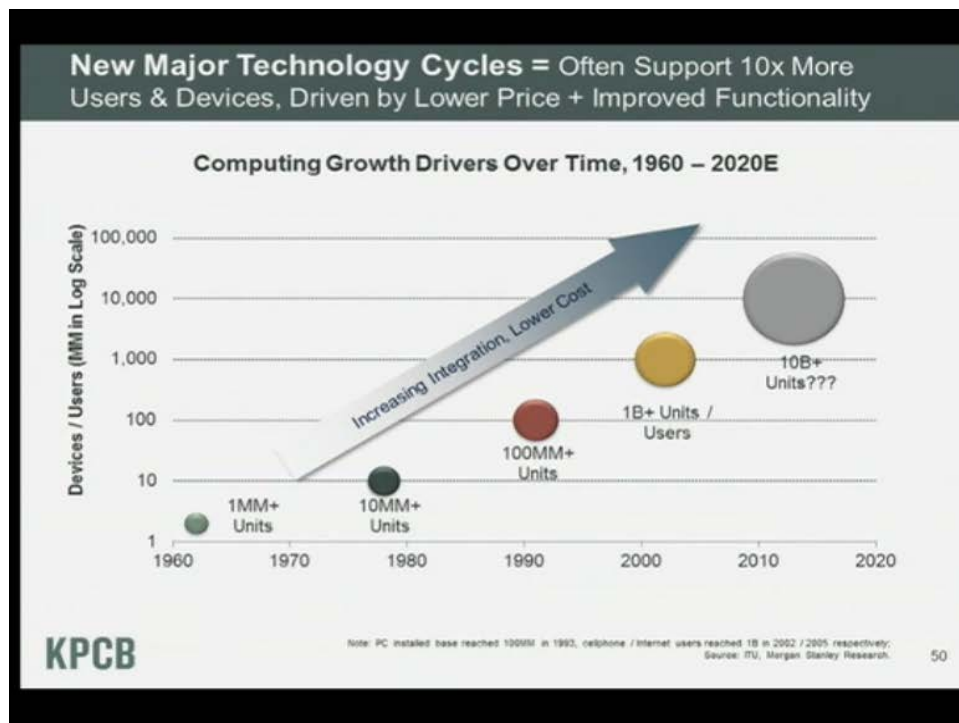
Cloud Computing

➢ The Cloud market in the US will be at **$115.9 billion in 2015**, up from **$21.5 billion in 2010** —"with spending for cloud-based IT services growing at more than four times the rate of the worldwide IT market as whole."

➢ The cloud computing model will dominate growth for the next 20 years.

➢ Small and medium-sized business will lead the public cloud computing charge.

Report: Cloud Service Brokerage Gaining Momentum

By Ken Presti

April 01, 2013   5:40 PM ET

The business model wherein organizations act as vendor-neutral third-party cloud services brokerages seems to be gaining momentum, according to a recent report by Jamcracker, a Santa Clara, Calif.-based company that positions itself as a "cloud brokerage enabler."

"Cloud service brokerage is essentially a means of distributing cloud services," said Steve Crawford, Jamcracker's vice president of marketing. "So telcos and distributors and members of the channel are playing heavily in this space, but so are government agencies, like the General Services Administration, and some large enterprise IT organizations."

"More and more the IT spend is going to cloud services, so the partners need to be in that game," Crawford said. "And the number of cloud-based services continues to grow exponentially year-over-year."

"Cloud services brokerage, as a market, will grow to more than $100 billion in revenues by 2015, thereby becoming the single fastest-growing portion of the cloud sector."

Big Data

- More data crosses the Internet every second than was stored in the entire Internet 20 years ago.

- Walmart collects data every hour to fill 20 million file cabinets worth of text

What does this all mean???

BYOD

Cloud Computing

What does this all mean???

No one knows…
…it has never happened
before!

BYOD

Cloud Computing

5 Things You Must Do

1. Build out your Connectivity HelpDesk

2. Determine Build/Buy/Partner

3. Define your Services AND Sales Process

4. Hire the BEST vCIO you can find

5. Build a Business Model from the start

GAP

Connectivity HelpDesk

- Reduce cost of supporting your MFP/MPS base
  - High Performance companies have call avoidance of 20% of inbound calls

- Differentiate your traditional service
  - Become a "Technology Oriented Service Provider"

- Build a "single pane of glass" and a knowledge hub for Managed Services

GAP
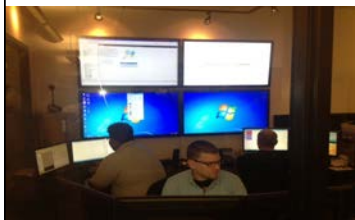
Connectivity Help Desk Metrics

	HD Practice Area Average
Total Dispatch calls	2032
Total referred to Help Desk	319
Referred to Help Desk (%)	16%
Number resolved remotely	265
Number resolved remotely (%)	83%
Number resolved on-site	54
Number resolved on-site (%)	17%
Call Avoidance Savings	$15,900.00
Type of call	
Print	158
Scan	98
LAN Fax	4
Move/add	0
Application Support	32
Other	27
Employee Utilization	
Help Desk Staff (FTE's)	1
Help Desk (hrs)	35
Internal Network/Support (hrs)	5
Other (hrs)	0

Determine Build/Buy/Partner

How do you get into (or expand) the business?

- **Build**
  - Acquire technology, develop resources, create processes, establish partnerships
  - Slowest to market, but you maintain all control
- **Buy**
  - Acquire an existing IT VAR with some customers, but primarily people and knowledge
  - Medium speed to market, must fit culturally
- **Partner**
  - Establish relationship with Master MSP, you do sales, expansion, and on-site support, they do all monitoring and help desk
  - Fastest speed to market, you are in the market "Day 1"
- **Combination**
  - Combo of any of the above, depending on existing capabilities, market opportunity, and desired speed to market

GAP

Hire the BEST vCIO you can find

GAP

The "vCIO"

- The vCIO role is the key role to the success of the program
  - Pre-Sales Support
  - Post-Sales Administration and On-going Account Development
  - Provides significant differentiation
  - Becomes the CIO SMB's want…and need
  - "Don't cheap out here!"

- Characteristics:
  - A – Energized by technology
  - S – Able to describe technical subject matter to a business level audience (verbal and writing skills)
  - K – Demonstrated knowledge of networking (hands on and planning level)

Technology Planning For Your Customer

- Business Owners and SMB executives have heard about cloud/mobility/social/big data:
  - Likely use these technologies as consumers
  - Seeking to understand how this new paradigm fits for their businesses today…and in the future
  - Most businesses do not have a plan for this technology direction, they just know that they should be doing something
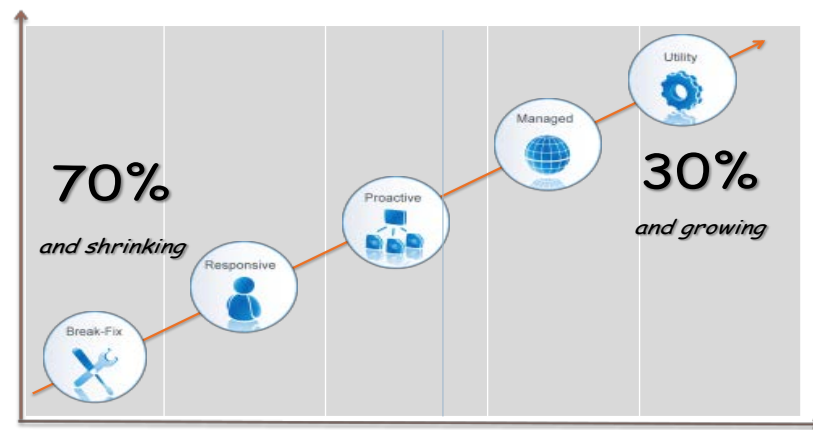 - For most executives, the execution steps (and options) are not clear

Define your Services
AND
Sales Process

Services Defined

Services Continuum

70%
and shrinking

30%
and growing

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MS Sales Process Steps

Inform & Educate

- Attitude Toward Technology, Business Goals, Active or Latent
- Initial Program Introduction, Education, and Setting the Next Step

Discovery

- Validation and Mutual Understanding
- Mutual Decision Yes/No
- Present Findings and Proposal

vCIO Plan & Implement

- Network Discovery and Initial Technology Roadmap
- Client On-Boarding & Technology Planning

Yes

Symbol Key

- Activity
- Decision
- Movement

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Build a Business Model from the start

GAP

8/2/13

"The Model"

- This represents a collaboration of experts:
  - Strategic Business Associates
  - Continuum
  - Growth Achievement Partners

- There are more "known's than unknown's", but the model is a work in progress… *and will be*

GAP

Model Built for our Industry

- Model built for "Current" Managed Services business
  - Does not focus on legacy activities

- Built as a "Business within a Business"
  - Division of a copier business

- Includes focused business activity that many IT VAR's and MSP aren't prioritizing
  - HaaS
  - Cloud Services Brokerage
  - Contract Growth

- Comprehensive Sales Metrics
  - Activity, Pipeline, Closing Rate, Sales Cycle Duration, Account Profile/ Account Type, Net New vs. Current Accounts

- Built to be consistent with (and incorporated into) Hanson-Hey Model

GAP

Chart of Accounts

8 Critical Key Metrics

	Description	Metric
1	Gross Margin on Managed Services Contracts	60%
2	Desktops Managed per Engineer/vCIO	400
3	Thirty Party NOC/Help Desk resolution %:	85%
4	HaaS % of seats	30%
5	Systems Availability (Uptime):	99.5%
6	Sales Compensation as a % of Revenue	12%
7	Managed Services as a % of Revenue	70%
8	Managed Services Contribution %	32%

Assumptions

Model Inputs		
	Mix	Value/Seat
Fixed Fee	0.6	$ 60.00
Monitoring and Usage Support	0.4	$ 20.00
Dispatch Calls per month/Contract	3.83	
Dispatch Calls per month/User	0.19	
Average hours per incident (on site)	1	
Hours/month Usage Support	153	
Hourly Rate	$ 135.00	
Services Project Revenue per User/yr	$ 75	
Servers/ Network	2.22	
Average Network Size	20	
Number of Contracts	100	

Observations
- ✓ Business Definition
- ✓ Solution Provider Types
  - ✓ Vintage: 18%
  - ✓ Progressive: 62%
  - ✓ Transformative: 20%
- ✓ Assumptions in Gray
  - ✓ Mix
  - ✓ Value/Seat
  - ✓ Hourly Rate
  - ✓ Network Size
  - ✓ Contracts
- ✓ Remaining values populate from Model
- ✓ Model built for "mature business" at 100 contracts

41

Contracts/Metrics

Contracts/Metrics	Group Range	
Year to Date Rev % of Company		
Number of Devices Managed		
Number of Servers Managed		
Number of Users under contract		
Number of Users under HaaS contract		
HaaS %		
Number or Managed Services Contracts		
Monthly Recurring Revenue per Seat		
Monthly Recurring Revenue per Contract		

Observations
- ✓ Account expansion is key to profitability
- ✓ Efficiency gains come through maintaining target account profile
- ✓ HaaS % is a critical measure for element to account control and account expansion
- ✓ Headcount Metrics based on Seats will continue to be defined

42

Cloud Services Mix

Observations

✓Initially weighting toward Operations
  ✓"Land & Expand"

✓As business matures, balance will be important measure

✓Additional services will be geared to supporting balance

✓Operations Margin critical to achieving P&L

✓Cloud Services Margin is important to partner selection

	Target Margin	Today Mix	Target Mix
Operations			
Cloud Services			
Weighted Margin (*at target mix)*			

43

Productivity and Staffing

Observations

✓vCIO account responsibilities determined by a combination of account types and size

✓Likely to develop a "hierarchy" of technical resources as business grows

✓Traditional Revenue per Engineer metrics augmented by low touch hosted revenue

✓Better to be "overstaffed" than "understaffed" during growth

	Monthly Cost		
Total MS Sales			
Total MS Service-vCIO			
Total MS Service-Engineering			
Total MS Employees			
Service/Sales Headcount			
Users Managed per vCIO/Engineers			
Monthly Revenue per Employee			
Monthly Revenue per Sales Employee			
Monthly Revenue per Service Engineer/vCIO			
Monthly Traditional Service & Support per Engineer/vCIO			

44

Operational Metrics

Core NOC and Help Desk, in-sourced or out-sourced	
Productivity	**Target**
Number of tickets per server per month	
Servers per vCIO/SE	
Number of calls/tickets per end user per month	
End users supported per vCIO/SE	
Number of Fixed Fee Contract service incidents per month	
Number of Monitoring & Usage Based Support service Incidents per month	

45

NOC Metrics

	Target
% of tickets resolved by NOC	
NOC average time per ticket	
Help Desk average time to resolution	
Number of tickets per server/month (NOC)	
Number of calls/tickets per user/month (Help Desk)	
First call/ticket resolution%	
% of tickets assigned to dispatch from Help Desk or NOC	
Manual vs. automated maintenance (scripts)	

46

Typical Support Experience

Observations

	Servers	Users
Devices		
Incidents/Server or User		
Total		
% referred to dispatch		
# referred to dispatch		
Total referred to dispatch/month		
Referred per User/month		

✓Typical environment based on market experience

✓Includes inbound (HelpDesk) and outbound (NOC) incidents

✓Referred to dispatch may (or may not) include an on-site service call

47

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Revenue

INCOME STATEMENTS FOR PERIOD			MONTH	Mix %	ANNUAL
REVENUES					
Total HaaS Rental					
Total HaaS			$ 21,111	11.7%	253,333
Total Hardware / Software for Cash			$ 5,600	3.1%	67,200
	Total All Hardware/Software Revenue		$ 26,711	**14.8%**	320,533
					-
Total Traditional IT Service & Support			$ 33,200	18.5%	398,400
Total Insourced Managed Services					
Total Outsourced Managed Services			$ 120,000	66.7%	1,440,000
	Total All MS Services Revenues		$ 153,200	**85.2%**	1,838,400
Other MS Revenues			$ -	0.0%	
					-
	Total MS Revenues		$ 179,911	100.0%	2,158,933

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COGS/Gross Profit

COGS			COGS%	
Total Hardware as a Service (HaaS) Rental				
Hardware as a Service (HaaS)		$ 14,778	70%	177,333
Total Hardware / Software for Cash		$ 4,480	80%	53,760
	Total All Hardware/ Software COGS	$ 19,258	72.1%	231,093
Total Service Department COGS		$ 26,000		312,000
Total Outsourced Managed Services		$ 55,200	46.0%	662,400
	Total All MS Services COGS	$ 81,200		974,400
Other MS COGS		$ -		
	Total MS Cost of Goods Sold	$ 100,458	**55.8%**	1,205,493
	Total MS Gross Profit	$ 79,453	**44.2%**	953,440

Expenses & Contribution

SALES, GENERAL AND ADMINISTRATIVE EXPENSES				
Total Sales Compensation		$ 21,589	12.0%	259,072
	Total Sales Expenses	$ 21,589	12.0%	259,072
Total Administrative Expenses		$ -	0.0%	-
	Total SG&A Expenses	$ 21,589	12.0%	259,072
	MS CONTRIBUTION	$ 57,864	**32.2%**	694,368

Model Next Steps

- Complete detail on Key Metrics template
- Quarterly submission and update to model values and components
- Quarterly Subscriber Briefing from GAP/ Continuum
- Data Submission by each dealer required
- $250/quarter administrative fee

Managed Services Workshop

October 16, 2013
Location TBA

http://www.bta.org/?page=MS

BTA Strategic Sales Workshop

October 2-3, 2013
Columbus, OH

http://www.bta.org

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