

# AS-A-SERVICE GUIDE

## Build Recurring Revenue with GreatAmerica



### WHAT'S INSIDE:

Introduction: Why is As-A-Service So Attractive?

Hardware as a Rental<sup>®</sup> (HaaR<sup>®</sup>) Program

Unified Communications as a Rental (UCaaS) Program

Case Study: A Profitable Transition to As-A-Service

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About GreatAmerica

# INTRODUCTION: AS-A-SERVICE

## Why is As-A-Service So Attractive in the Technology Industry?

*Technology conferences, IT blogs and Unified Communications publications are rife with the phrase As-A-Service. It is as pervasive as "The Cloud" and neither is going away. So what is leading to the popularity of As-A-Service?*



### Rise of the Millennials

Millennials are changing the way we buy and sell.



### The Digital Disruption

The most valued companies today own few assets.



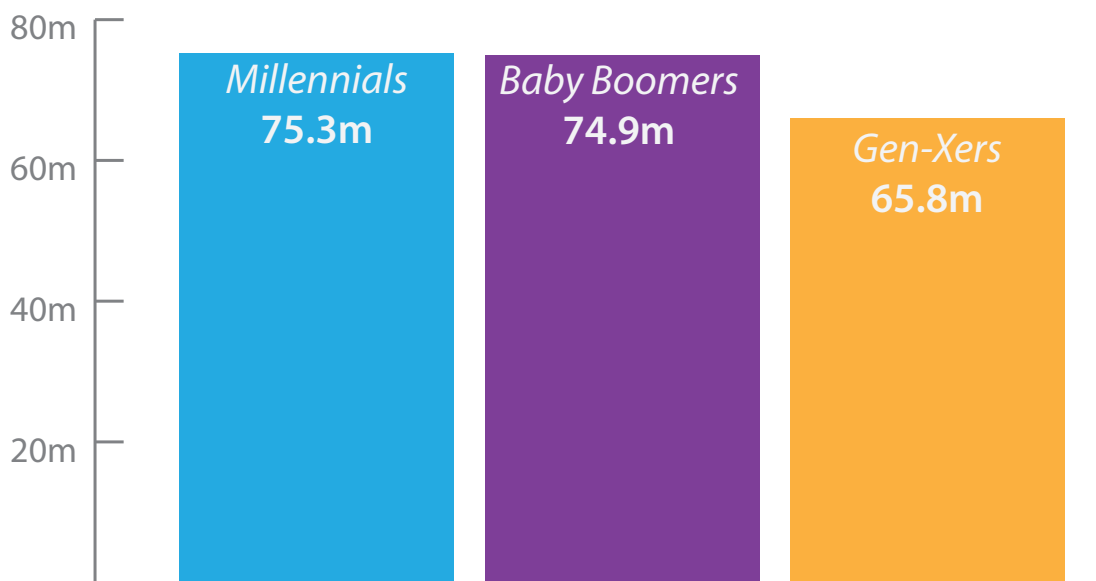
### Profitability

Recurring revenue is the name of the game.

# Three Reasons As-A-Service Is Attractive:

## #1 RISE OF THE MILLENNIALS

Last year, Millennials surpassed the size of the Baby Boomer generation in the U.S. (Pew Research Center). Millennials were the first generation to be “digitally watched” by their parents via candy bar cell phones. Before you could blink, we were all carrying the internet in our pockets. Each year the technology improved, and each year Millennials expected something better.



Source: The Pew Research Center

Millennials have also overtaken Baby Boomers in the workplace. They are the emerging decision makers of today. Millennials are IT Managers, CIOs, CFOs and have been paying monthly for technology since they had jobs in high school.

What does that have to do with As-A-Service? Millennials have a big impact. They naturally embrace emerging technology and understand the value of adopting and buying the As-A-Service model.

# Three Reasons As-A-Service Is Attractive:

## #2 THE DIGITAL DISRUPTION

A recent thought-provoking slide shared by an IBM executive introduced two surprising statistics:

- The world's largest taxi company owns no taxis. (Uber)
- The largest accommodation provider owns no real estate. (Airbnb)

### **The Digital Disruption Has Already Happened**

- World's largest taxi company owns no taxis (Uber)
- Largest accommodation provider owns no real estate (Airbnb)
- Largest phone companies own no telco infra (Skype, WeChat)
- Most popular media owner creates no content (Facebook)
- Fastest growing banks have no actual money (SocietyOne)
- World's largest movie house owns no cinemas (Netflix)
- Largest software vendors don't write the apps (Apple & Google)

*Source: IBM*

The value of those first two organizations is in the technology and the mindshare. They both demonstrate the Digital Disruption has already happened.

Solution Providers embracing the Digital Disruption understand customers may see no value in owning technology. Solution Providers selling an As-A-Service model are urging customers to forego ownership and allow themselves to evolve their technology environment at the pace of technology evolution.

# Three Reasons As-A-Service Is Attractive:

## #3 PROFITABILITY

Service Leadership recently created a five-year financial model demonstrating what a company would look like if they took various sales approaches.

Business Model	MSP @ S-U Median		Today	In 5 Years - Value Creation Comparison			
	Product Resale	% Revenue	Revenue	Product Resale	HaaS - Own	HaaS - 3rd party	HaaR
Revenue	Product	31.6%	\$ 1,358,800	\$ 1,905,787	\$ 1,905,787	\$ 1,905,787	\$ 1,905,787
	Services	68.4%	\$ 2,941,200	\$ 4,125,185	\$ 4,125,185	\$ 4,125,185	\$ 4,125,185
	Total Revenue	100.0%	\$ 4,300,000	\$ 6,030,972	\$ 6,030,972	\$ 6,030,972	\$ 6,030,972
Gross Margin		GM %	GMS	GMS	GMS	GMS	GMS
	Product	20.7%	\$ 281,272	\$ 394,498	\$ 707,142	\$ 496,553	\$ 642,346
	Service	46.8%	\$ 1,376,482	\$ 1,930,587	\$ 1,930,587	\$ 1,930,587	\$ 1,930,587
Total GM\$	38.6%	\$ 1,657,753	\$ 2,325,085	\$ 2,637,729	\$ 2,427,140	\$ 2,572,932	
OpEx		% Revenue	Expenses	Expenses	Expenses	Expenses	Expenses
	Sales	6.8%	\$ 292,400	\$ 410,106	\$ 410,106	\$ 410,106	\$ 410,106
	G&A	25.3%	\$ 1,087,900	\$ 1,525,836	\$ 1,629,836	\$ 1,525,836	\$ 1,525,836
Total SG&A	32.1%	\$ 1,380,300	\$ 1,935,942	\$ 2,039,942	\$ 1,935,942	\$ 1,935,942	
EBITDA	EBITDA	7.8%	\$ 335,400	\$ 470,416	\$ 684,614	\$ 572,471	\$ 673,651
	EBITDA%		7.8%	7.8%	11.4%	9.5%	11.2%
Appr. EBITDA Valuation (Multiple of 7x)			\$ 2,347,800	\$ 3,292,911	\$ 4,792,298	\$ 4,007,295	\$ 4,715,556
Valuation Change from Today (%)				40.3%	104.1%	70.7%	100.9%
Valuation Change from Today (\$)				\$ 945,111	\$ 2,444,498	\$ 1,659,495	\$ 2,367,756
Balance Sheet Encumbrance*			None	None	~\$900K+	None	None

Source: Service Leadership

In summary, if a company transitions from pure product resale (cash sales on equipment) to HaaS, or the GreatAmerica HaaR or UCaaS offerings, a five years projection shows product gross margin growth somewhere around 140% compared to growth on cash-only sales over five years' time of 35% .

The above scenario played out in real-life for Paul Sponcia of The IT Company. Read his story here.

# AS-A-SERVICE PROGRAMS

## Two Options to Transition Profitably to As-A-Service

*Are you looking for a scalable, profitable way to transition to an As-A-Service model? Do you want to go head-to-head against Cloud and Hosted offers? Hardware as a Rental or Unified Communications as a Rental provides a single monthly bill for hardware, software, installation, training, connectivity and services.*



### Hardware as a Rental

Standardize with ease. Present clients with a simple budgeted monthly price for your entire solution.



### Unified Communications as a Rental

Compete against Cloud/Hosted offers, or use UCaaS to fold equipment into your solution monthly.



## SIMPLIFYING THE AS-A-SERVICE PROCESS

HaaR (Hardware as a Rental<sup>®</sup>) is the GreatAmerica hardware rental program that matches your Managed IT Services selling process and helps you implement a standard stack in every sale you make. A hybrid solution of HaaS (Hardware as a Service) and financing, HaaR gives the customer a one-invoice solution for all hardware, software, installation and services without the Solution Provider taking on any of the financial risk.

**71%**

said their customers acquire more product and service lines when they finance.

**76%**

decreased their Days Sales Outstanding (DSO) by 5 days or more.

**58%**

increased their monthly managed services contracts by 10% or more.

**85%**

increased margins by 5% or more with financed deals vs. cash deals.

3RD PARTY SURVEY OF 194 C-LEVEL PARTNERS

## BENEFITS TO YOU

- Monthly recurring revenue to enhance your cash flow from day one
- Single invoice for hardware, software, installation and services
- Higher margins
- Full control at end-of-term (easy upgrade or renewals)
- Builds your brand and supports your sales approach
- Easier to have your customer say "Yes"
- Ability to bill variable Managed IT Services without a supplement
- Technology standards lead to technician efficiency
- Less financial risk and you conserve cash

## BENEFITS TO YOUR CUSTOMERS

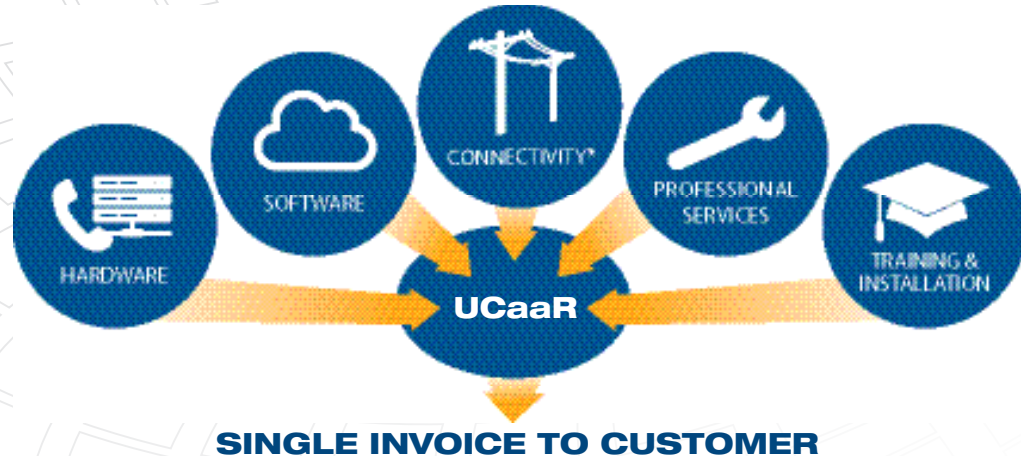
- One convenient invoice for everything
- Control IT costs so there will be no surprise spending if something breaks
- Maximum efficiency with proactive support prevents most problems before they happen and minimizes downtime
- Keep technology up-to-date
- Easy to scale and accommodate growth with simple add-ons
- Able to forecast their IT budget far into the future

**HELPING YOU GET THERE.**

[www.greatamerica.com/haar](http://www.greatamerica.com/haar)

# ONE INVOICE FOR ALL THE UNIFIED COMMUNICATIONS SERVICES YOU OFFER

Bundle all of your Unified Communications (UC) products and services into a single monthly payment



## UCaaR BENEFITS

**Predictable Budget** – With a single monthly payment, your customers have the luxury of avoiding large capital budget outlays and are able to afford all aspects of the solution they need.

**Monthly Recurring Revenue** – Increase your recurring stream of revenue with this complete solution.

**Margins** – Margins on hardware, software and services are proven to increase with a total rental solution, like UCaaR.

**Upgrade and Refresh** – A predictable monthly budget increases the chances your customer will upgrade their technology before they experience problems

**Simple Add-ons** – With a single form, you can easily add additional hardware to your customers environment to help growing organizations adapt.

*\*Program approval required*

[www.greatamerica.com](http://www.greatamerica.com)



# CASE STUDY: THE IT COMPANY

## A Profitable Transition to As-A-Service



*"HaaS<sup>®</sup> is making a big impact on my balance sheet, with more cash and less debt. Plus I have a growing recurring revenue stream from my clients."*

**Paul Sponcia**

Principal and CEO, The IT Company

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*Paul Sponcia, owner of The IT Company, has tried several business models throughout his time in the IT channel. When Sponica took over at The IT Company in 2010, he successfully transitioned to Hardware as a Service (HaaS). The IT Company nearly made a costly misstep during the transition, but with one small tweak to his HaaS offering, The IT Company doubled gross margins, increased service quality and added to the overall profitability of his business.*

## CASH TO HARDWARE AS A SERVICE (HAAS)

The drivers for Sponcia to transition his product sales from pure cash to HaaS were higher margins, stickier customers and standardization to grow his company.

Under the new As-A-Service model, The IT Company bought the equipment and rented it to customers with their managed services fees.



*“The results were higher gross margin on products and better client stickiness.”*

Margins with the cash model were around 16% and Sponica thought he could boost margins with the As-A-Service offering. Within several months of transitioning to HaaS, margins significantly grew for The IT Company up to 40% and sometimes higher.

“HaaS also meant we could get clients to move immediately to our technology standards as part of onboarding,” said Sponica. “Now our customers don’t need to have the capital expense to buy the new recommended equipment. Instead, they have a lower monthly operating expense, paid over time.”

By transitioning to HaaS, Sponica was able to have a 36 month contract for both his equipment and services, making him stickier to his clients.

## RE-EVALUATING HAAS

At the same time HaaS was successfully impacting margins, length of agreements and standardization, an issue for The IT Company emerged.

*“Every new deal we closed meant more cash out the door.”*

“In short order we just didn’t have the cash to keep buying equipment for clients who would pay us over 36 months,” Sponcia recalls of the success with HaaS. “We’d recoup our costs in about 18-22 months, but in the meantime we had negative cash flow, and every new deal we closed meant more cash out the door.”

Sponcia tried several things to correct this unexpected problem. He says he began to borrow money from the bank to finance the product purchases.

PROS: Company stopped draining cash from their Balance Sheet.

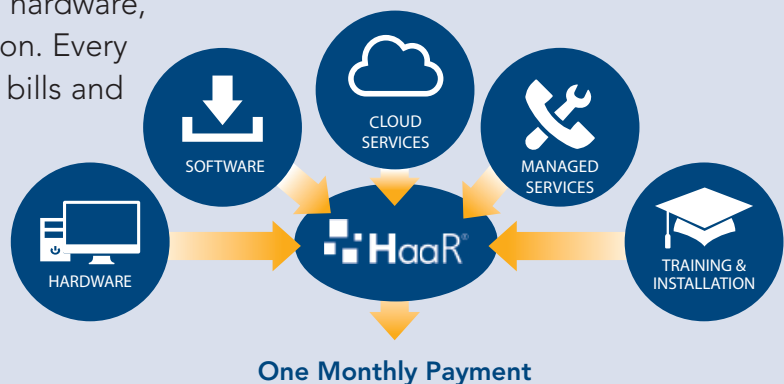
CONS: Gross margins were bumped back down to the 20% range, and their balance sheet was being burdened with debt.

## HARDWARE AS A RENTAL®: A MORE PROFITABLE ALTERNATIVE

The IT Company was looking for a better solution. As soon as Sponcia was introduced to Hardware as a Rental (HaaSR) he knew it could solve some of his cash flow problems. With HaaSR, GreatAmerica is buying the equipment from Sponcia, and charging his customers over the 36 month term.

### How Does HaaSR® Work?

Combine equipment, software, cloud services, managed services, installation and training into one monthly payment. GreatAmerica pays you right away for the hardware, software and installation. Every month, GreatAmerica bills and collects your services and remits back to the Solution Provider upon receipt.



“The real trick is the bundling component,” says Sponcia. “We blend the entire solution together so customers get a full package, including infrastructure, hosting platform, PCs, monitoring, full support, licensing, vCIO consultation, IT governance and compliance services for one price.”

HaaS achieves the quick technology adoption and client stickiness The IT Company saw with HaaS, “but it does it without using my own cash, or taking on more debt,” adds Sponcia. They also saw gross margins in the 30% – 35% range.

## UNEXPECTED RESULTS FROM HAAR

Sponcia was surprised about the reduction of administrative burdens. “GreatAmerica handles all the administrative issues associated with tracking equipment and client invoicing,” explains Sponcia. “HaaS is making a big impact on my balance sheet, with more cash and less debt. Plus I have a growing recurring revenue stream from my clients.”

HaaS allows his company to spend less time worrying about the finances of the deal, and more time executing their vision and living up to their mission of *Happy Customers*.

## ABOUT THE IT COMPANY



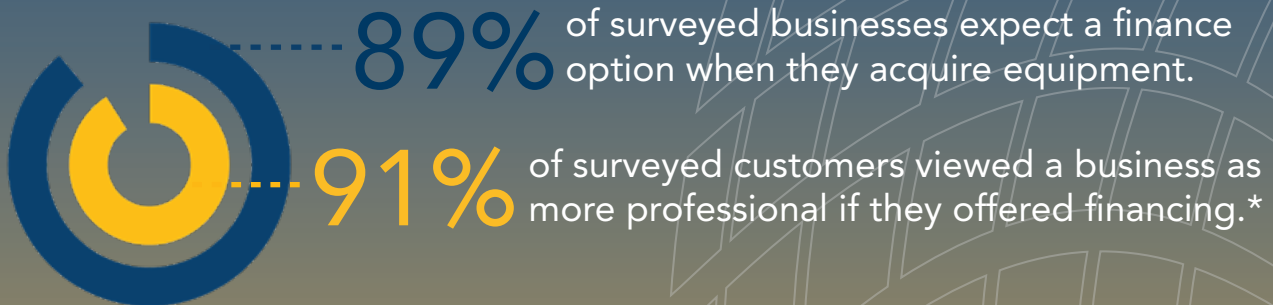
Founded in 2003 in Knoxville, TN, The IT Company delivers Technology as a Service (TaaS) to businesses that fully grasp how stable, predictable and effective IT is a key element in realizing greater profitability and achieving long-term business success. The IT Company has a simple and focused Mission: Happy Customers. Every day The IT Company team is aligned around this Mission.

# OFFERING FINANCING

## Include Monthly Payments On All Quotes

### Why Offer Financing

Whether or not you choose to bundle service and maintenance with your equipment payment, you should include a monthly payment option on every quote.



There are many companies who prefer financing to save their cash and working capital for projects that will generate revenue.



# Top 5 Benefits of Financing

Here are the top perks Solution Providers like you say they experienced after making the transition to monthly payments:

#1



CLOSING DEALS  
IS EASIER

#2



EASIER FOR  
CUSTOMERS TO  
SAY "YES"

#3



ENHANCED  
CASH FLOW

#4



HIGHER MARGINS

#5



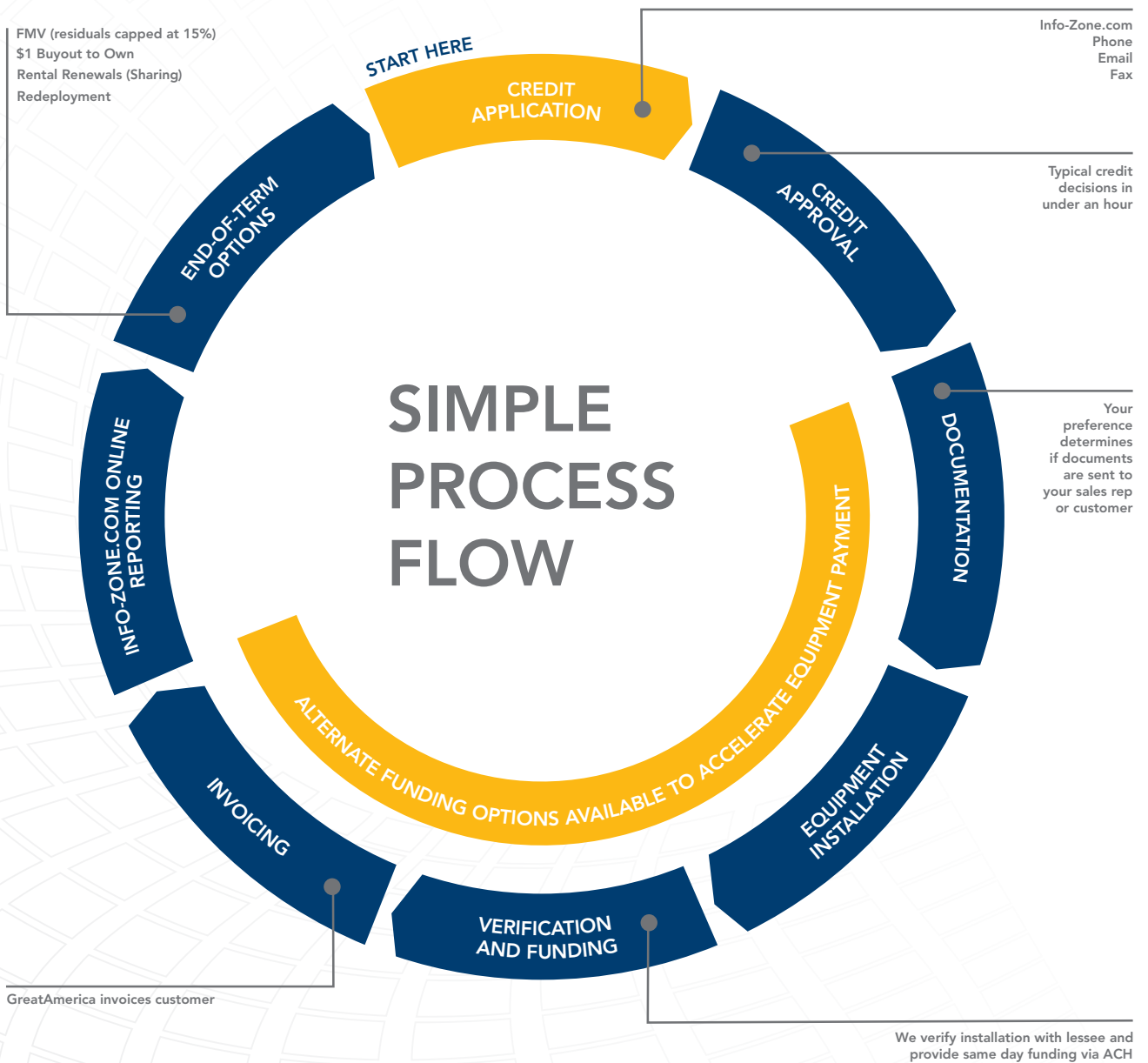
FEWER DAYS SALES  
OUTSTANDING

3RD PARTY SURVEY OF 194 C-LEVEL PARTNERS

# How Financing Works

Simplify the financing process with this easy-to-follow process. From credit application, to invoicing, to the end of the agreement, we want to make it seamless.

The process below gives you an idea of what you can expect on every transaction.



# FLEXIBILITY FOR YOU

## Familiarize Yourself With GreatAmerica



GreatAmerica is an independent commercial equipment finance company founded in 1992 with nearly \$2 billion in assets. Our independence gives us the flexibility to do business with only the best Service Providers and customize programs to fit their go-to-market strategies.





## The GreatAmerica Way

### Industry Focus

GreatAmerica is organized into vertical-specific markets with the intent of understanding our customers' biggest opportunities and challenges. For example, the Unified Communications & IT is dedicated to understanding the trends in the IT, Managed Services and Unified Communicates markets. This positions GreatAmerica to offer solutions that are relevant and helpful to you.

### Team-Based Environment

Each team of 10 – 12 members is treated like its own business. Sales, operations, customer service and collections are contained within small teams with their own goals, budgets and decision-making power. This allows every team member to know each Service Provider and their programs.



## The GreatAmerica Culture

### Customer-First Attitude

GreatAmerica considers you, the Service Provider, our customer and will do everything we can to ensure your success. That includes treating your customers like the valuable asset they are to your business.

### The GreatAmerica Experience

Experience the difference of great customer service.

- We answer the phone in two rings or less.
- No voicemail or automated attendant during regular business hours.
- Response to credit application typically within 1 hour; usually faster.



# NEXT STEPS

## Move Forward with HaaR

- Get set up with GreatAmerica.
- Work with GreatAmerica to build a custom program.
- Train your team to sell HaaR or UCaaR. (Try Sales Simplicity Seminars!)
- Get Service Provider agreements in place.
- Integrate lease rates into your quoting tool.
- Begin transactions.