



THE SECURITY INTEGRATOR'S PLAYBOOK
How To Make The Pivot To a Service Sales
Model & Build Recurring Monthly Revenue

“

***If the rate of external
change exceeds the rate
of internal change,
failure is imminent***

- Jack Welch

”

What is the relevance of this quote to you as a system integrator who wants to make the pivot to a service sales model and build recurring revenue?

Well, look at the key factors that are currently affecting the external rate of change within the technology industry marketplace:

- The rapid advancement of technology
- The move to more prominent service and maintenance plans
- The recognition that these solutions are non-revenue generating
- The embracement of the subscription consumption model
- The recognition of heavy non-recoverable cost within the bill-of-materials

If your offerings do not address these key factors for your customer or buyer, then your current rate of internal change is going to limit your sales success now and as you try to advance in your shift to selling more services.

This eBook is going to expand on why this is and how to effectively pivot to a successful service-focused sales model that builds recurring revenue for your organization.

After reading this eBook from start to finish you will have a strong understanding to why you need to make the pivot to a service sales model along with the tactics behind how to do it successfully. If understood and followed you will put your organization in the most opportune scenario for building strong and sustainable recurring monthly revenue (RMR) streams.

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SECTION A:

Understanding What Is Wrong With Security Solution Sales Today

To get to where you are going you need to fully understand where you are. You need to have a clear perspective on what's not working and why. The historical approach to how integrators sell technology solutions and how customers purchase those solutions has become problematic for both. This first section is going to take inventory of the state of the industry and highlight the core reasons integrators find it so difficult to build a meaningful level of recurring revenue.



Chapter 01

THE INDUSTRY'S PROCUREMENT STATE OF THE UNION

Let's look at how system integrators typically sell technology...

01. 99% of all solution sales are CAPEX or are on cash terms.
02. 99% of all customers have planned & budgeted for their solution acquisitions and plan to use after-tax capital/cash dollars to procure.

Therefore, system integrators typically sell technology where it results in ownership. This is the beginning of the challenge.

Additionally, a large majority of new sales are sold with only the manufacturer's warranty in place. Integrators typically do not sell additional multiyear maintenance or service contracts at the point of sale.



FYI: For clarity CAPEX & Ownership are one in the same



In the past 3 years, our firm has interviewed 417 integrator partners and less than 1 of 10 new system sales have multiyear maintenance attached with a new system sale.

FACT

Selling multiyear maintenance with your technology solutions at the point of sale equates to recurring monthly revenue (RMR) streams for integrators.



Knowing the details stated above poses the question:

Why are we not seeing more integrators selling multiyear maintenance and building RMR?

The next section tackles this critical question.

Chapter 02

THE CHALLENGES BEHIND SELLING MULTI YEAR MAINTENANCE

Selling multiyear maintenance at the point of sale is lucrative but rarely ever accomplished. So where are integrators going wrong and why is this a continuously missed opportunity to build highly desired recurring revenue?

With over 25 years of working with integrators our experience points to the following:

1. The limited/1-year warranty gives customers an out from the extended maintenance/service contracts.
2. Customers feel they can decide later, there is no urgency to make a decision today.
3. It is not a fluid sale, it tends to be choppy.
4. It's not being sold effectively, customers are not understanding a clear value in paying for ongoing maintenance and support.
5. Even if offered, it's typically a brushed-over aspect of a sale. Most focus on the technical aspects of the equipment itself.
6. Integrators lead with a cash purchase proposal but cannot sell the value of the added cost for multiyear support.



To better understand the challenge let's look at an example of how a solution is often presented to a customer when trying to sell multiyear support:



Solution Price with Warranty:	\$60,000 (with 12 month warranty)
4 Years of Support:	\$24,000
	<small>How We Got \$24,000 Maintenance/Support average 10% per year = \$6,000 @ 10% 4 years of support = \$24,000 additional revenue (if you can get it)</small>
<hr/>	
More Comprehensive Solutions:	=\$84,000

Presenting the solution this way and asking for a large lump sum like this makes it an extremely difficult sale. It is rarely successful and makes it vulnerable to be picked apart. This presentation frames it as a commodity sale. Also, it's still a one-time transactional sale, so it isn't building recurring revenue.

Having provided a high level view of how most integrators continue to sell today, in the next section we will consider additional details that are often not mentioned or not understood, but have significant influence on customers buying decisions.

Chapter 03

THE ECONOMICS OF A CASH SALE & OWNERSHIP

Put your customer hat on for a moment and let's analyze the makeup of the traditional, transactional solution sale that results in ownership. There are fundamental problems that you need to understand and be able to discuss with your customers.

Problem 1: Security Solutions Are Non-Revenue Generating Assets

Unlike traditional assets that a business would invest in and appreciate in value, technology equipment rapidly loses value the day after it is installed. Paying cash with after-tax dollars on non-revenue generating assets defies basic economics.

And while technology is essential, there is a big difference between something being important and the need to own it. If that thing is going to lose value, basic economic principles would advise you to avoid ownership if possible.

Problem 2: Technology Solutions Have A Lot Of Non-Recoverable Costs

Look at the bill of materials (BoM) for a technology solution. You will commonly find a large amount of non-recoverable costs associated with a solution. In a sense, the value of non-recoverable cost components disappears immediately upon installation (there is no resale value for those components).



These non-recoverable costs often equate to 50% or more of the solution sell price

So, understanding the make-up of a solution we must ask you this... When you pay cash to own technology, **what do you actually own and how much of what you paid does that represent?**

Problem 3: Technology Solutions Are Subject to Rapid Obsolescence

Technology continues to advance and change at an ever-increasing rapid pace. With no signs of it slowing down. R&D budgets for major industry manufacturers are making sure of this advancement. Look at the annual percentage of revenue being allocated to R&D by top tier manufacturers:



AXIS
COMMUNICATIONS
R&D=18.00% of Rev

FLIR
R&D=11.30% of Rev



* R&D spend based on reported 2019/2020 figures.



Common Non-recoverable costs include:

- Manufacturer margin
- Distributor margin
- Integrator margin
- Licensing
- Installation
- Programming
- Software
- Design
- Warranty
- Training
- Etc

This trend further contributes to the reason technology depreciates so rapidly.



The combination of these three issues should make any customer question whether there is a better way to pay for their technology solutions. In fact, many customers have come to the realization that what they really want is the use of technology, not ownership. This is one of the key reasons we are seeing growing interest and adoption of subscription-based, service type solutions, even when there are substantial hardware components required on customer premises.

Chapter 04

INSURING ESSENTIAL USE & MISSION-CRITICAL TECHNOLOGY

Keep your customer hat on just a little bit longer as we explore an extremely important topic for them and you.

How can an organization not ensure that its technology is fully functional and operating on all cylinders in today's technology-driven business environment? Maybe in years past, you could argue that some of the technology used today was just a nicety. But those days are gone. We have become a technology-dependent world and technology solutions of every sort are now a necessity.

Security technology protects our companies and employees, our schools and our children, our intellectual property, and our confidential information. It has become essential use, arguable mission-critical with some.



How can customers NOT ensure this technology works around the clock with a complete service and maintenance plan?



They can't, it's too much of a risk, their assets are more essential than the technology.

Understanding this reality sets you up to layer in the value of having service contracts in place that provide needed protection against the unforeseeable. However, as we have shared, integrators rarely succeed at selling extended service and support agreements today. That is because they do not know how to remove the pain of a large capital outlay that blinds customers to seeing the imperative value just described.

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”



The remainder of this eBook will describe a solution sales approach to address this issue and other challenges we have outlined for integrators and customers.

SECTION B:

Security-As-A-Service Is A Better Way for Integrators and Customers

The answer to the integrator and customer problems we have highlighted is Technology As-A-Service solutions. But, before diving into the tactical roadmap on how to go about making the pivot to this service sales model and build recurring revenue, let's look at the basics of what technology-as-a-service is and why recurring revenue is so important.



Chapter 05

WHAT IS SECURITY-AS-A-SERVICE

As we describe how to make the pivot to a service-focused sales model to build more RMR it's important we define what security-as-a-service is. There are a lot of different interpretations of what it is. Therefore, we want to make sure everyone is clear and on the same page.



Security-as-a-Service

To be considered a true technology-as-a-service it must include 2 key elements:

- 1. Access/Use** – Access to or use of some technology product, service, or solution. Not ownership & it is without any ownership-type responsibilities.
- 2. Monthly Payment** - The expectation of no significant, upfront expense, but a predictable, manageable monthly payment.

It's simple, if a solution is claiming it is security-as-a-service, but is void of these two elements, it is being misrepresented and is not a true as-a-service.



What Does Security-as-a-Service Look Like

Let's look at what an \$84K + Multiyear Maintenance Solution Sale looks like as an as-a-service if you're partnered with a financing company:

Customer Perspective

Technology-as-a-Service Solution:

\$1,614/Month for 60 Months

Integrator Perspective

Solution Price:

\$60,000

*Finance company funds integrator partner upfront.
No recourse to partner after funding.*

4 Years Multiyear Maintenance

\$24,000

(Pass-through, no finance fees)

Finance company forwards support to integrator each month from customer payment creating 5-year RMR of \$400/month (\$24,000/60months)

By selling a *security-as-a-service* solution as described above you solve all of the problems identified in the first section of this eBook:

Your Customers:

- Provides use of technology without the large upfront capital costs or ongoing costs and burdens of ownership
- Completely avoid the pitfalls of depreciation and non-recoverable costs
- Realize the peace of mind provided by a comprehensive solution covering everything (design, install, failure, service, support, etc.)
- Gain the confidence to manage the rapid evolution of technology because of the flexibility to change or upgrade technology solutions without the typical costs

You:

- By adding multiyear support at the point of sale you increase revenue by 30-45 percent on each transaction
- This builds recurring revenue, while still making the upfront solution sale
- Remove yourself from all the challenges of a cash quote commodity sales approach
- Realize greater sales success selling a logical, manageable *as-a-service* monthly payment solution
- Establish more engaged and collaborative customer relationships as a result of service agreements that lead to more opportunities over time



WHAT KIND OF ECONOMY ARE WE LIVING IN TODAY?

There is equipment-as-a-service (EaaS), software-as-a-service (SaaS), hardware-as-a-service (HaaS), infrastructure-as-a-service (IaaS), device-as-a-service (DaaS), managed services, hosted solutions, cloud, etc. I think it's safe to assume we are alive and well in a subscription economy. It seems as though everything can be procured as-a-service. Every industry has been disrupted by the subscription-consumption trend.



"The tech industry is on the cutting edge of" as-a-service model." -Forbes

"Product ownership is a thing of the past" -Zuora

"We are seeing the rise of 'user ship' i.e., people are owning less but using more and more services." -ZDNet



Chapter 06

WHY RECURRING MONTHLY REVENUE IS SO IMPORTANT

Every integrator has at least a basic sense that recurring revenue sales are desirable. Some have a deep understanding of its financial power and impact on valuation metrics. Yet regardless of the level of interest in recurring revenue, well less than 10% of technology solution sales in the United States today generate recurring revenue for integrators.

The purpose of this section is to, one, stress the benefits to those integrators that may not understand the financial impact recurring revenue can have on your organization and its longevity and, two, to encourage all integrators that moving the needle from less than 10 percent to over 70 percent of sales producing recurring revenue is completely within your control - TAMCO helps partners do it monthly!

“
...encourage all integrators that moving the needle from less than 10 percent to over 70 percent of sales producing recurring revenue is completely within your control.
 ”



Why Is Recurring Monthly Revenue So Important

- Recurring Revenue has a valuation 20x GREATER than One Time Project Revenue*
- Sustained Profitability (consistent source of higher-margin sales)
- Weather Economic Downturns (one-time project revenue disappears but MRR keeps the business afloat)
- Increased customer loyalty with contractual ties
- Improved customer engagement which often leads to other sales opportunities
- Greater Customer Lifetime Value (CLV)

*NYU Stern School of Business 2021



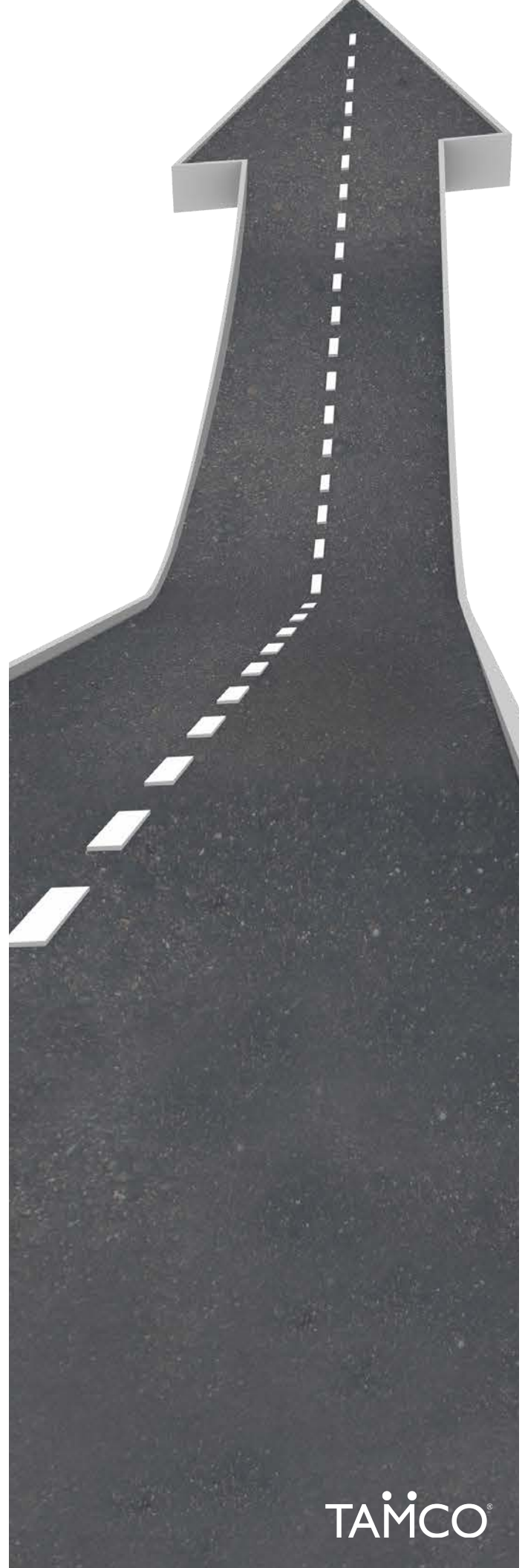
TAMCO partners leading with *as-a-service* solution sales win multi-year service revenue on over seven out of every ten transactions. The final section of this eBook provides you with a clearly defined path to do the same.

SECTION C:

The Roadmap to Help Integrators Make The Pivot

You are now equipped with some insights about the current state of the industry, the challenges holding integrators back from selling multiyear service agreements at the point of sale, the reasons why a cash purchase is a poor procurement method for your customers and the logic behind Technology As-A-Service as an ideal sales model to address all of these factors.

This final section is your roadmap on how to tactically and successfully make the pivot to a service sales model and build recurring revenue.



Chapter 07

8 PILLARS TO PIVOT TO A SERVICE SALES MODEL

Think of these pillars like a puzzle. To see the whole picture you have to put every piece together. If you choose to leave one of the pieces in the box or you lose one, it will just be a puzzle with a missing piece. It will never be whole.



8 PILLARS OF A SERVICE SALES MODEL

We have outlined 8 pillars that go into a successful service sales model.

1. Leadership Commitment
2. Have a Service Offering (*technical expertise & resource bandwidth*)
3. Productize Service Offering (*24/7/365, Gold, Silver, Bronze package*)
4. Sales Training to Convert Selling Style
5. A true As-A-Service Program
6. Compensation for Selling Service Offering
7. Marketing aligned to sell As-A-Service
8. Leadership Inspection/Enforcement

We are going to break down each pillar to help you better understand the nuances and what commitment is involved in implementing them.

1. LEADERSHIP COMMITMENT

You have to be all in and it has to come from the top down. You must be an agent of change.

Selling service/maintenance agreements needs to be the priority. You must present and believe the “what” and “why” for your company and the customer. For your company, it's about the RMR, customer lifetime value & differentiation. For your customer, it's about greater control, flexibility, and peace of mind. You must lead by example and be active. You must be consistent.

**The integrators whose leadership hands this off and isn't pushing to make this shift are not going to see the results they desire.

2. HAVE A SERVICE OFFERING (technical expertise & resource bandwidth)

There needs to be a solid service support infrastructure model in place. You need to have the ability to price multiyear maintenance. Stand behind your Service Level Agreements (SLA). Fulfill the promise of value of your maintenance agreements. Selling something you can't deliver on is going to hurt you in the end. So it's critical that you have the bandwidth to not only offer but support your services being sold.

3. PRODUCTIZE SERVICE OFFERING (24/7/365, Gold, Silver, Bronze package)

Sell your service/maintenance offerings like you sell products. Simplify the maintenance products for your customers and sales team. Package up your offering and then tell the world about it. Showcase those products on your website, market those products to your customers, and make them the centerpiece of your value. [eBook: How to Productize and Sell More Service Agreements](#)

4. SALES TRAINING TO CONVERT SELLING STYLE

You have to invest in training your sales teams to sell a different way than they've always known. This can be challenging, but if supported well by the leadership, it can be successful for you and valuable to them.

You're flipping the script. Going from a cash sale to the subscription consumption model. Break the status quo where maintenance plans are not attached or recommended unless requested. Have it included on every proposal.

Position the sale and ask discovery questions. Create a proposal that speaks to service, not to a cash sale. Be prepared for common customer misconceptions about as-a-service offerings. No matter how skilled a sales professional may be, it takes a new skill to sell a service.

5. A TRUE AS-A-SERVICE PROGRAM

Find a finance company that can help you make this pivot. Make sure they have an offering that aligns with a service or subscription consumption model. It cannot be designed for ownership, it's about use and access. Remove the “lease” word from any representation and your own mindset. Make sure it includes a penalty-free technology obsolescence provision, that shouldn't be on you. *(This is a critical component of creating an offering based on flexible, customer-controlled usage.)*

6. COMPENSATION FOR SELLING SERVICE OFFERING

If RMR is a priority for you as a business leader then pay your salespeople for selling RMR. Don't pay them over time. Do pay them upfront, that's the way they are wired. Include a quota retirement piece for securing services. Salespeople read their comp plan once a year, so create illustration examples of side-by-side sale cash vs as-a-service so they can see the difference.

7. MARKETING ALIGNED TO SELL AS-A-SERVICE

Tell the world why you are offering it and why they should have it. You have to formulate a comprehensive content marketing strategy. Integrate as-a-service and service-focused messaging into everything.

- Web content/Blog content
- Social media
- Sales collateral
- Create and market technology-as-a-service bundles to your base
- Proposal integration
- Nurturing campaigns through your marketing automation service
- Educational webinars
- And more

8. LEADERSHIP INSPECTION & ENFORCEMENT

The goal is to increase RMR so create milestones and objectives. Manage and implement the 8 Pillars. Monitor, scorecard, adapt, and adjust. QBRs. Believe.



FINAL TAKE AWAYS

We covered a lot of information in this eBook guide, make sure you walk away understanding the following:

- Cash and ownership are not healthy for you or your customer
- Maintenance is rarely successful with a cash sale
- Technology is moving at a very rapid pace, so obsolescence protection has compelling value
- There are so many reasons to recommend maintenance plans with credibility
- The market is primed for the subscription consumption model within the technology industry
- RMR is incredibly valuable to the health and future of your company
- There's no risk and only upside
- Embrace the 8 Pillars to Pivot



**WHO IS
TAMCO?**

AS-A-SERVICE SPECIALISTS

HELPING INTEGRATORS WITH AS-A-SERVICE SOLUTIONS SINCE 1994

TAMCO was founded in 1994 and has stood strong for an organization within the ever-evolving technology industry. TAMCO got its start financing phone solutions and has expanded into a multifaceted service sales model consulting partner. Providing sales, marketing, and financial resources for nearly every type of technology integrator in a variety of technology niches. TAMCO's driven to help provide organizations with a better way to pay for their technology solutions. Specifically, TAMCO's Technology-as-a-Service subscription solution is unlike any other on the market, catering to an organization's financial and technical needs where no one else can.

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