



WHITE PAPER:

8 WAYS ON-SITE SERVICE CAN DRIVE REVENUE *NOW*

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The On-Demand Marketplace for IT Service ProfessionalsSM



8 WAYS ON-SITE SERVICE CAN DRIVE REVENUE NOW

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ON-SITE SERVICE: TODAY'S SALES MULTIPLIER

On-site service has always been core to solution providers' value proposition and revenue mix. But today, more than ever, new market trends, end-user needs, emerging business models, and innovative on-demand service delivery models are combining to create innovation-driven opportunity.

This white paper explores the tangible ways solution providers can leverage on-demand service in order to expand their businesses, enter new markets, lower costs, and better serve and satisfy customers.

FOR SOLUTION PROVIDERS, THE STARS ALIGN AROUND ON-SITE SERVICE

Recently, *Vertical Systems Reseller* conducted an exclusive study titled *What Do End Users Want?* Importantly, the study indicates that end users are seeking a "broader set of skills from one provider — or at least one that can seamlessly coordinate the work of multiple providers." Among the required skills: *on-site service*.

Of note, the study also states that there is a significant opportunity for solution providers to expand upon their competencies by delivering the high-margin services

...solution providers are following the money...right to service.

— CRN

end users need around such major IT initiatives as implementations and rollouts. Another recent report, this one published by *CRN*, offers additional and compelling evidence that many solution providers are transitioning from a traditional, hardware-driven mindset to “one that focuses...on solutions and related services.” The reason for this shift is simple: a growing opportunity to profoundly transform their profitability proposition.

**WORLDWIDE
IT SPENDING FORECAST**

	2006	2007	2008	2009	CAGR 2004-2009
Computing Hardware	367.2	368.1	371.5	375.4	1.1%
Software	106.4	113.6	121.6	130.1	6.7%
IT Services	671.3	710.9	754.8	800.1	5.7%
Telecom	1,601.9	1,682.7	1,750.8	1,782.5	4.8%
All IT	2,746.8	2,875.4	2,998.7	3,088.1	4.6%

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In the Canadian marketplace, this opportunity brings with it challenges. The good news is that companies (particularly smaller ones) increasingly are looking to VARs for complete solutions, including products, integration, installation, training, service and on-going support. Yet, according to Robert Cohen, President & Business Editor, Integrated mar.com Corporation, “Many VARs in Canada are too small to provide clients with this full array of services — particularly on-site or on-demand services in areas outside their geographic locations or their core staff competencies. VARs who can’t scale their services to meet client needs across all geographies and skill sets are inviting their competitors to do so.” In Cohen’s view, VARs need this on-demand ability to access IT service professionals — or risk leaving opportunity on the table.

With regard to the magnitude of the opportunity, the *CRN* report which is based on extensive market research, points to such key markets as VoIP, mobile technology, security, storage, printing and imaging, and custom systems that have services-to-product revenue ratios ranging from \$2:1 to as high as \$5:1. According to *CRN*, solution providers should follow the money — right to service.

As impressive as these service-to-product revenue ratios may be, another imperative is at play: margin pressure on hardware. As hardware prices continue to drop, margin pressure is growing for many solution providers. Peter Cannone, CEO of OnForce, the online marketplace for on-site technology services, observes, “With operating margins under increasing pressure, solution providers can increase both sales *and* margins by scaling their service capabilities.”

The good news is that companies are increasingly looking to VARs for complete solutions.
 — Robert Cohen,
 Integrated mar.com Corporation

David Owen, a founder and head of business development for New York-based solution provider Sinu, supports Cannone's contention. "We've made on-site service central to what we do," Owen relates. "The ability to deploy technicians fast — technicians who are proficient and professional — is essential to our customer relationships, to our revenue model, and to our entire business model."

You need the feet on the street — the qualified service technicians — to leverage the opportunity.

— Rick Bertocin,
TechTeam

There's yet another "star" that's fast come into alignment: the continuing growth of home workers. Companies are now employing tens, hundreds, and thousands of home-based workers, whose systems and technology are every bit as mission-critical as those of office-based workers. As a result, being able to provide on-site service across distributed locations is mandatory for solution providers working with these companies. "After all," Cannone states, "you can't swap a hard drive over the phone."

LONG-STANDING BARRIERS

While on-site service is increasingly viewed as critical to reseller success, the means to this end — to delivering quality service profitably — has proven challenging.

Tiffani Bova, Gartner Research Director, IT Channels, Programs and Alliances, states that one of the most common barriers she has observed is simply the resistance many solution providers have to changing their business models as market and customer demands change.

In Bova's view, by looking at their current book of business, solution providers should be able to determine which pieces of their services business are 'unprofitable' (today) and how/if they might be able to continue providing those services to their customers using alternative delivery models profitably.

The alternative delivery models Bova refers to offer the ability to provide on-site service all the time, any time, whenever and wherever a client needs it.

OnForce reduces traditional barriers to incremental growth opportunities, both horizontally and vertically.

— Peter Cannone,
OnForce

As such, more flexibility in delivery can enable services to play this larger role in the channel's revenue and profit mix. "You need the feet on the street — the qualified service professionals — to leverage the opportunity," according to Rick Bertocin, Technical Architect at TechTeam, a fast-growing solution provider.

"Service requirements are highly variable," Bertocin asserts. "Despite this, most solution providers still rely on staff technicians, augmented on an ad-hoc basis by independent, contract service techs. So they're not able to capitalize on increases in demand, not able to scale as the need and opportunity warrant, and not able to satisfy customer requirements. It's a broken model. The good news is, the model is finally changing and fast."

Lawrence M. Walsh, Editor of *VARBusiness*, shares Bertocin's point of view. "While opportunity exists in the service arena, across many technologies and markets, inhibitors exist that prevent solution providers from taking advantage," he maintains. "VARs have

opportunities in break-fix work, large-scale rollouts and installs, consulting services and managed services,” he comments. “What holds many VARs back is how to staff to the opportunity and how to scale to the opportunity.” He points specifically to the challenge VARs have in finding the right service technician and the right level of resources at the right time to “seize the moment.”

NEW MODELS ARE CHANGING THE GAME

New opportunities. Long-standing barriers. Emerging models. In other words, a market ripe for change. One impetus for change is the emergence of the OnForce on-demand marketplace for IT services professionals.

According to an IDC brief issued this year, “buyers” of on-site service can search for appropriate service “providers” from OnForce’s substantial database of service providers. This database includes more than 10,000 service professionals in the U.S. and more than 1,000 in Canada. Buyers can place their service work orders online with pricing and other pertinent requirements and select the most appropriate technician, based

The average work order value on OnForce has risen more than 35% in the past year and is currently more than \$180* per service event. This growth is due largely to a dramatic increase in the number of high-end IT rollouts and large-scale installation projects being run through the marketplace.

upon relevant skill set and past performance feedback. The buyer pays online and can access real-time updates on service engagements 24/7. Essentially, OnForce creates a self-regulating market where buyers set the fee for the service they need, and service professionals accept it within certain parameters such as desired profit margin and ability to execute the work.

It is important to note that OnForce does not allow just any type of service provider to join the marketplace. An assessment of each provider is performed before the company is qualified to view and accept work orders from buyers. Further, payment is transferred only after a wage order is completed to the buyer’s satisfaction, which rewards good performance and ensures quality across the marketplace. Buyers can also rate providers after every service event, and these performance ratings are visible on the marketplace so that all buyers can route their work orders to those providers who have strong reputations and track records in the marketplace.

IDC reports: “Although the marketplace has so far been primarily geared towards companies in the SMB (small- to medium-sized business) market to meet, for example, break-fix or on-site support service needs, OnForce has already begun to focus on higher-end IT services. We can therefore expect to see an increasing proportion of such services on OnForce. In particular, it would not be surprising if the firm starts to transact IT consulting services...”

While there are several delivery models for on-site services networks — the OnForce on-demand marketplace; listings of IT service providers on eBay or Craig’s List; temporary staffing firms; the service networks cobbled together by larger distributors; or vendor ecosystems — Gartner’s Tiffani Bova believes that OnForce is one of the models best positioned to meet the channel’s alternative delivery requirements.

* OnForce Web site, September 2007

David Owen agrees: “OnForce is an agent of change. It offers a new path to profitability as deep staff bench strength is no longer required. Now we can optimize staff utilization rates, increase the quality of our on-site service, and scale quickly on demand — all without carrying the staff and overhead costs.”

Rick Bertoncin also supports Bova’s viewpoint, “OnForce is a powerful enabler. It instantly gave us a bigger footprint. With OnForce, we can take on more projects, bigger projects and a broader mix of projects, because we now have access to high-quality IT service professionals on-demand. We can bid for and win business that used to be out of reach. OnForce is a game changer.”

Services used to be an afterthought. Now they represent the best opportunity to grow the top and bottom lines.

— Peter Cannone,
OnForce

VARBusiness uses another catch phrase to summarize the benefits of the OnForce marketplace model, describing OnForce as a “force multiplier.”

8 WAYS ON-SITE SERVICE CAN DRIVE REVENUE NOW

Given all the energy and innovation surrounding on-site service, the most important question becomes how new and existing firms can capitalize on this opportunity *now*. Following are 8 ways in which service, particularly when enabled by the OnForce on-demand marketplace, can quickly become a larger part of your revenue and profit mix and a driver of growth in your business.

(1) Target markets of opportunity with strong service requirements

There are many markets today in which on-site service is integral — and a margin driver. Research by the major channel publications, as well as industry analysts, points to wireless, POS, VoIP, printing/imaging, storage and security as particularly lucrative in terms of size and growth potential. In each case, and especially at various stages in a given technology’s lifecycle (such as rollouts/installs, upgrades and ongoing troubleshooting and maintenance), on-site service is an essential element of the comprehensive solutions end-users are seeking.

The POS market stands out in this regard. According to *CRN*, the average lifespan of POS equipment is seven years. Within the next year or so, all of the retailers that upgraded systems because of Y2K will be upgrading again. *With thousands highly qualified service professionals available on-demand in Canada and the U.S., the OnForce marketplace can provide instant entry into any and all of these markets of opportunity.*

(2) Make sure you have access to the skill sets required to capitalize on opportunity

TechTeam’s Rick Bertoncin faced a dilemma. TechTeam was staring at a huge opportunity — a large prospective client had purchased several companies and was integrating its communications network across 90 locations. The client needed the hardware implemented and configured in just two weeks.

Bertoncin’s challenge: He didn’t have sufficient staff on his bench with Cisco skill sets to handle the job. *Yet, through the OnForce marketplace, TechTeam located more than two dozen technicians, located near client facilities, with the*

PARTNER COLLABORATION

Channel companies are increasingly partnering with other channel companies for solutions.

Service revenue generated via other IT firms is expected to grow significantly near term.

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Cisco experience and certifications required. In fact, technicians on the OnForce marketplace encompass more than 140 different certifications. Using the OnForce marketplace, TechTeam won the bid, completed the project, and now counts this major multinational company as a satisfied and ongoing customer.

3 Extend your geographic reach

VARBusiness' Larry Walsh states that now, with scalable service delivery models like the OnForce on-demand marketplace, a Toronto-based VAR can easily open an office in Montreal — using service technicians from OnForce until the new office grows sufficiently to hire staff...and then continuing to use OnForce to augment staff and drive growth. Jay Klamon, Managing Principal for Deployment Solutions goes even farther, stating, "I may need to perform 50 retail installs nationwide within a short timeframe. *With OnForce I can take all this work on because we can tap into top local service professionals anywhere.*"

4 Change the game with a more flexible, scalable service delivery model

Gartner's Tiffani Bova and Sinu's David Owen believe new service delivery models are the future for solution providers. Bova espouses the notion of partner-to-partner collaboration as the means to fully satisfy today's business IT needs, as well as to create competitive advantage. Owen has put this idea into practice. "We have become a true Managed Service Provider," he says. "We've gone way beyond the old school 'time and materials' companies, and have actually built a 'subscription service' model. We bundle hardware and service with unlimited support and sell it as a subscription service. Clients pay us a monthly subscription fee per user, and we deliver an all-in-one IT solution." Owen feels this model aligns with customer needs in that it is not contingent on moving boxes to drive revenue and margin. It fosters more trusted relationships, given that Sinu's goals closely align with customers' goals. "The key to our model is scalability and flexibility, so we can move quickly, proficiently and professionally to meet any service requirement. That's where OnForce comes in. We couldn't make our business work without it. *OnForce drives efficiency and profitability. It gives us a level of agility that other players just don't have. It allows us to dream, to have a vision of becoming a national player over time.*"

5 Look for mechanisms that ensure quality, value and customer satisfaction

OnForce's Peter Cannone asserts that today, more than ever before, customer intimacy is the key to success for solution providers. Cannone says, "Technology is simultaneously complex and commoditized. Clients are asking their solution providers to simplify the conversation. They don't want to spend time choosing between local and network-based storage. They want to focus on running their businesses." In this complex and commoditized world, intimacy is at the root of success. And service is often the driver of intimacy — as well as customer satisfaction. Cannone states that while industry-wide satisfaction rates for on-site service are dismally low (in the high 70% range), satisfaction with OnForce service professionals is above 90%. Christina Richmond of IDC writes that through OnForce, *"buyers of IT services...will now be able to view provider feedback ratings and real-time market prices for IT services."* *This visibility into the quality and track record of the technicians (via a six-star buyer rating system) as well as into pricing on a geographic and regional/local basis enables solution providers to deliver high-quality service at competitive rates — and with strong profit margins.* As Sinu's David Owen comments, "On-site service has been the missing piece of the customer intimacy puzzle. Our industry has under-delivered, in terms of quality of service." Owen's strongly held opinion: End users are willing to pay a price premium for intimacy.

End users are willing to pay a price premium for intimacy.

— David Owen,
Sinu

6 Utilize on-site service as a competitive differentiator

TechTeam has done just that. By utilizing OnForce in many of its RFP responses and in its business development efforts, TechTeam has carved out competitive advantage. While TechTeam has built a strong POS business working with major players like IBM, Honeywell and NCR to roll out systems in the fast food, hospitality and retail industries, OnForce enables the company to pursue and win more and bigger RFPs. Rick Bertoncin gives an example: "We just signed a contract with a European-based global conglomerate. Their requirement was for next-day support at many locations all over the U.S. OnForce gives us this capability — and does so competitively and profitably. It's a big reason we won this business." *Robert Cohen believes OnForce will prove especially valuable for Canadian VARs given that the locations of service events are much farther apart than in the United States. "With OnForce, even the smallest VARs can compete for business anywhere - now that they have the ability to find qualified service professionals wherever and whenever they are needed," he says.*

Onforce will prove especially valuable for Canadian VARs given that the locations of service events are further apart.

— Robert Cohen,
Integrated mar.com Corporation

(7) Develop a financial model that drops service revenue to your bottom line

One of the primary reasons services can fall short of solution providers' profit expectations is the difficulty in finding a profitable delivery model. Staff technicians are costly from a salary and overhead standpoint. There is also what Peter Cannone calls the "flight risk of technicians." In other words, after the extensive training required, it takes four to seven months for a technician at full utilization rates just to break even. If the technician "flees" prior to that point, the solution provider is under water. To make matters worse, states Cannone, "efficiency and utilization are the essential elements of service profitability." That said, industry averages for utilization range from a high of about 60% to a low of around 40%. In other words, the profitability calculus of traditional service provision is seriously off-kilter. This problem is solved automatically with OnForce. *Through the marketplace, solution providers can scale their service capabilities instantly, on demand, in virtually any location in North America. Sourcing qualified technicians locally also makes more profit sense than "putting my staff technicians on a plane to service a client at a remote location," Bertoncin adds.*

(8) Keep it simple

On-site service is inherently complex. Allocating the right resources to the right projects. Scaling rapidly for a rollout or integration. Managing multiple service events in real time, at many locations. Vetting technicians. Managing technicians. Processing, paying and reconciling invoices. All while making sure your customer is completely satisfied. There's little wonder that on-site service can seem more trouble than it is worth. That's where an on-demand online marketplace like OnForce makes all the difference. The marketplace ensures the quality of the technicians by making past performance and satisfaction ratings highly visible.

The marketplace incents and assures quality by only paying technicians if a work order is completed to full satisfaction. The marketplace makes it extremely easy to search for and find technicians, based on location, job type and certifications required, and also to build and save lists of particular technicians that meet particular requirements. The marketplace pays the technicians directly, so there is no back-end administration required by the buyer. In today's and tomorrow's IT environment, on-site service can drive revenue. OnForce is the enabler that lets solution providers drive service profits now.

ABOUT ONFORCE

OnForce is the world's largest marketplace for contract IT service professionals. The company enables VARs, solution providers and IT staffing firms to find highly qualified service professionals throughout the United States and Canada. These companies turn to OnForce to expand their geographic and skill set coverage without adding overhead or upfront expense. OnForce enables increased buyer control and reduced management costs, while offering higher customer satisfaction levels and faster response times than traditional methods of finding contract technicians.

Since its inception, the OnForce marketplace has been used to successfully complete more than 500,000 service work orders. The OnForce community is made up of 5,000+ IT service buyers and 11,000+ IT service providers who work in a wide range of technology categories, including computers, printers, networking, VoIP and consumer electronics.

For more information, visit www.onforce.com or call 1.888.515.0100.



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