

CASE STUDY: THE IT COMPANY



A PROFITABLE TRANSITION TO AS-A-SERVICE



"HaaR[®] 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

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 (HaaS) he knew it could solve some of his cash flow problems. With HaaS, GreatAmerica is buying the equipment from Sponcia, and charging his customers over the 36 month term.

How Does HaaS® 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."

HaaR 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. "HaaR 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."

HaaR 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.