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AV MAGAZINE

Reimagining Technology Ownership

We explore industry attitudes to AV as-a-Service and whether it will follow IT's example and go mainstream. Lindsey Reynolds reports.

The New Year traditionally brings lots of 'next big thing' predictions for the year ahead and AV as-a-Service (AVaaS) has regularly been one of those predictions in years past. Despite that, it just hasn't gone 'big', despite it being a model widely adopted in IT and AV being purchased increasingly by IT departments.
On paper, the benefits of this alternative way of funding AV appear compelling so if we like it in theory but resist buying, what's getting in the way? Our first AV research of 2022 quizzed the AV industry – end-users, consultants, integrators, distributors, and vendors – about their understanding of and attitudes to AVaaS.

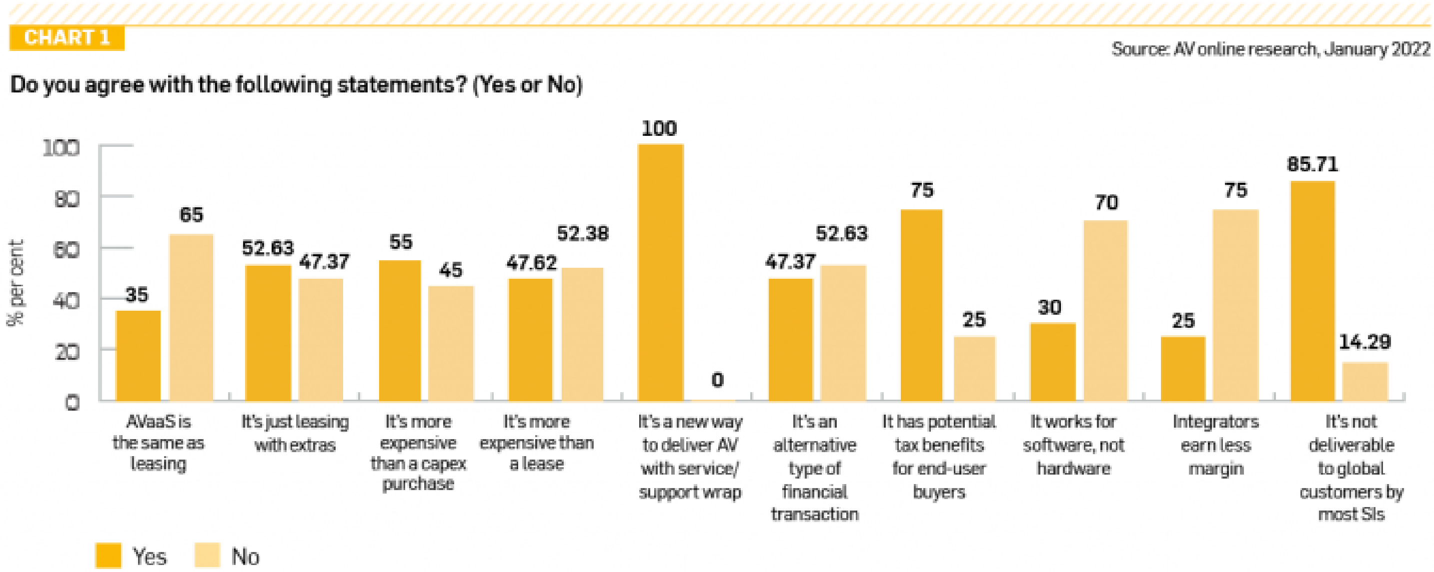
So is the issue one of understanding AVaaS? Most of our survey respondents feel they partly understand it (52 percent) while nearly half (48 percent) believe their companies fully understand the model.

All survey respondents see it as a new way to deliver technology wrapped with ongoing service and support (Q7), but then 52 percent said it's just an alternative method of financing while 53 percent think it is a lease with the addition of extra services.

Jon Dew-Stanley, director of technical support and services at distributor Midwich, says the survey results reflect their experience with a broad mix of understanding of aaS in the channel, especially in Hardware-as-a-Service, where the difference between aaS and leasing is not well-understood.

Although the majority of respondents recognize aaS works for hardware (70 percent) our survey shows that they are widely recognized as being different with 65 percent saying they are not the same. But, 55 percent believe aaS to be more expensive than a CapEx purchase and 47 percent more expensive than leasing.

'A more expensive way to buy AV' is hardly an attractive sales message for buyers so there's work to be done to better educate the industry, especially channel side – nearly 40 percent of survey respondents identified themselves as AV systems integrators and 25 percent as consultants, buyers, and sellers.



Dew-Stanley acknowledges "understandable concerns or confusions when the topic is not fully understood or simply considered an OpEx lease." We should, he suggests, focus on aaS as a "technology subscription that wraps the hardware your client needs with your services or outsourced services."

The key difference Dew-Stanley explains is the end customer does not own the technology at any point. "With a true 'as a Service' platform, the hardware is always owned by a finance company, not the end-user, therefore has a residual value at the end of the term. Leasing is different as it is about ownership with a deferred payment schedule that incurs interest. Leasing costs more than buying the equipment and services outright for this reason."

Unlike Dew-Stanley, a US technology aaS specialist, TAMCO does not see any residual value in the technology. It suggests the technology will start to depreciate on installation and that around 30-50 percent of any AV solution is a non-recoverable cost, including the manufacturer and distributor margin, licensing, installation, as well as programming, design, warranty, and training costs.

AVaaS drivers

As an industry, we may have plenty to learn about the financial aspect and how to best sell aaS, but the drivers are well understood.

We asked you to identify the leading drivers (Q10) and at number one with 76 percent was AvaaS is a more flexible and scalable way to deploy technology. End-user demand is for self-service meeting technology that 'just works'. The flip side of that coin – the ability to offer or purchase remote monitoring and management of AV – came in joint second at 57 percent.

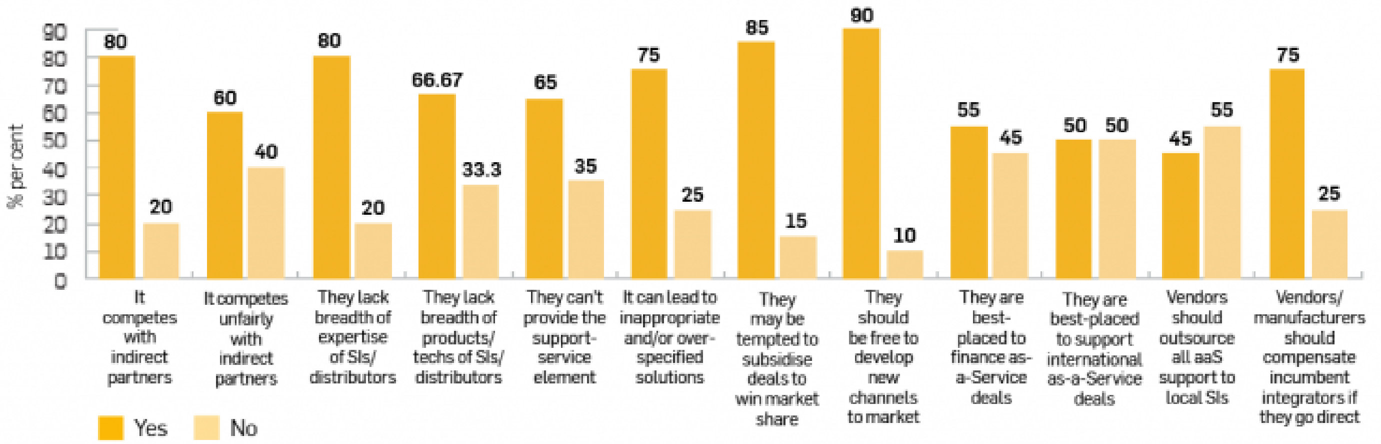
At number four (52 percent) is the need to stay up to date in the face of continual technology development, but are we underestimating the importance of this? In its how-to-market-TaaS guide (one of the best we've seen) TAMCO credits the rapid advancement of technology as one of the significant factors driving the uptake of aaS. TAMCO argues that traditional purchase routes that start and/or end with ownership of the technology also lock end-user organizations into technology they are unable to update or change, should it become obsolete and/or their needs change.

This is an oft-repeated benefit of aaS but while TAMCO's and other aaS offerings include the ability to update or refresh with no additional spend, it should not be assumed all will do so.

CHART 2

Source: AV online research, January 2022

Do you agree with the following statements regarding manufacturers/vendors selling as-a-Service direct to users? (Yes or No)



Increased focus on aaS offerings from world-leading integrators, such as AVI-SPL and Kinley should also help stimulate greater interest from the wider integrator and reseller community, suggests Joel Chimoindes, vice-president of Maverick AV Solutions Europe.

But it is not just a case of jumping on the bandwagon, says Chimoindes. “Integrators need to provide a truly scalable – up and down – way to respond to end-user needs with a subscription payment model, and that takes buy-in at board level. It can’t just be an alternative payment option on a quote from the sales department.”

Partner up

There’s a lot to get your head around if you are an integrator wanting to build compelling aaS packages. The good news is, “you don’t have to do it on your own,” says Dew-Stanley. Working with a partner with complementary expertise is a tried and trusted route for channel businesses.

The big distributors already offering aaS in the IT space, such as Maverick and Midwich can provide both expertise and an on-ramp into aaS. Dew-Stanley says Midwich can build subscriptions for integrators’ clients: “We can supply the required equipment from multiple vendors, build in your services and add our outsourced services, as required, to wrap into a solution with a lower cost of ownership for your client. It is not necessary to have a relationship with a major financial institution directly to achieve this as there is more to an ‘as a service’ subscription than the finance alone.”

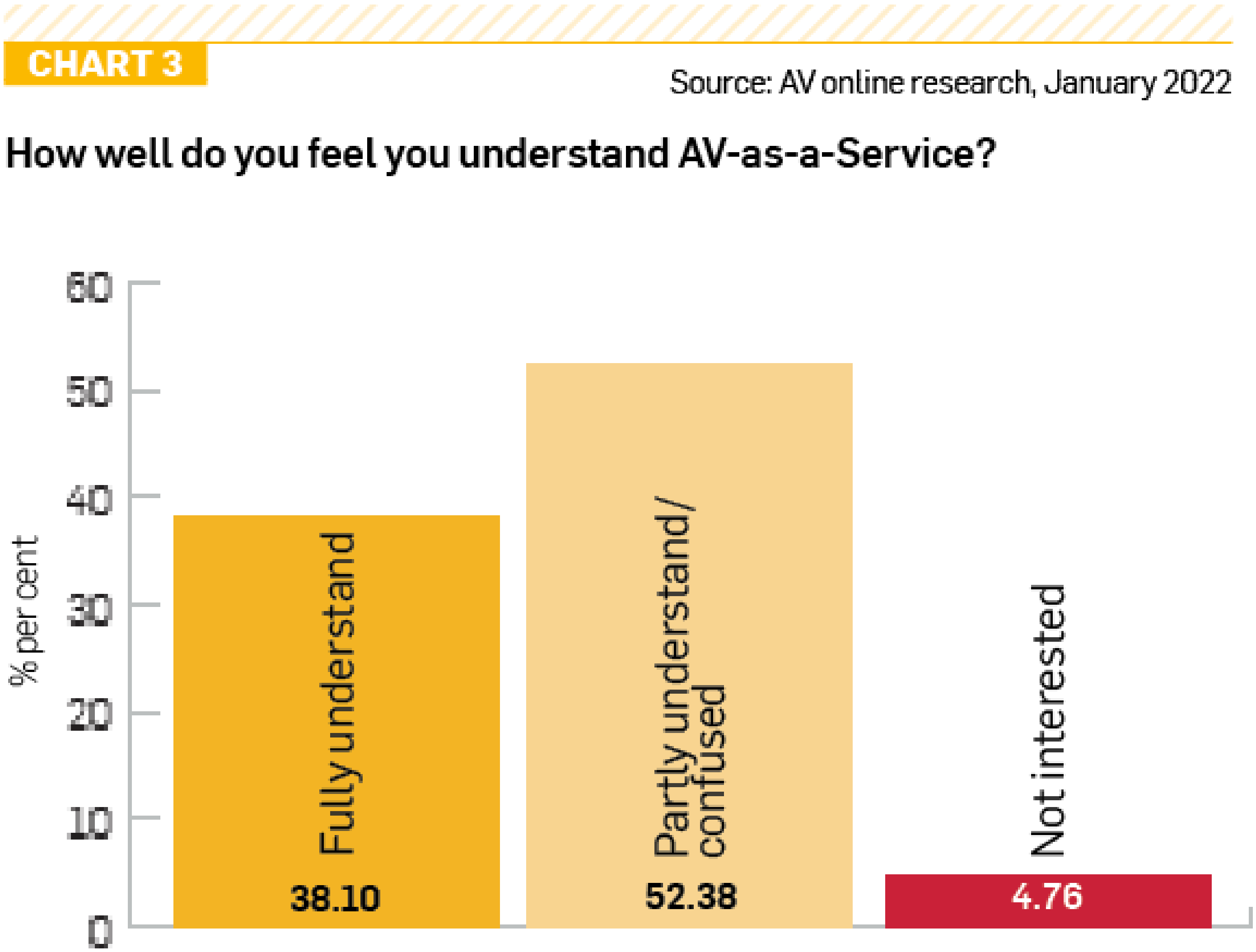
Systems integrator Visavvi, part of the Saville Group, had offered traditional leasing for many years before moving into AvaaS three years ago. Visavvi has chosen to partner directly with London-based leasing and aaS specialist, InnoVent.

“Initially our focus was on the economic benefits it provides to clients, the ability to acquire technology on a rolling timescale without the capital expense year on year of buying and replacing hardware,” says Visavvi head of marketing and product management, David Willie.

It removes the “reoccurring cycle of buy-replace-buy-replace” because “clients can upgrade or change their technology as part of the AVaaS subscription,” he adds.

Working with InnoVent has enabled a focus on sustainable solutions and environmental responsibility in the form of its 2ndLife solutions, where equipment is repurposed not discarded. “Our new offering ensures equipment utilization continues well after it is decommissioned at the request of the original primary user,” explains Willie.

“Equipment is repurposed to other 2ndLife AVaaS clients. This improves sustainable consumption of resources, increases resource efficiency, and provides access to technology to clients who perhaps could not otherwise afford it.”



US-based TAMCO has aaS offerings for resellers and integrators of AV and video solutions as well as voice, security and surveillance, data and networking, IoT hardware, storage, and cybersecurity.

Shield is TAMCO's hardware or technology aaS solution, a subscription-based package that wraps everything into a monthly payment, with a Solution Replacement Guarantee built-in so that kit can be changed in line with changing needs or changing technology without financial penalty.

The Covid factor

Few of us need reminding that Covid-19 has put pressure on budgets but it has also transformed the needs of many organizations, creating the requirement for a technology infrastructure that gives an organization the flexibility and agility to survive the unexpected and support hybrid – the new normal of working or learning off-premise.

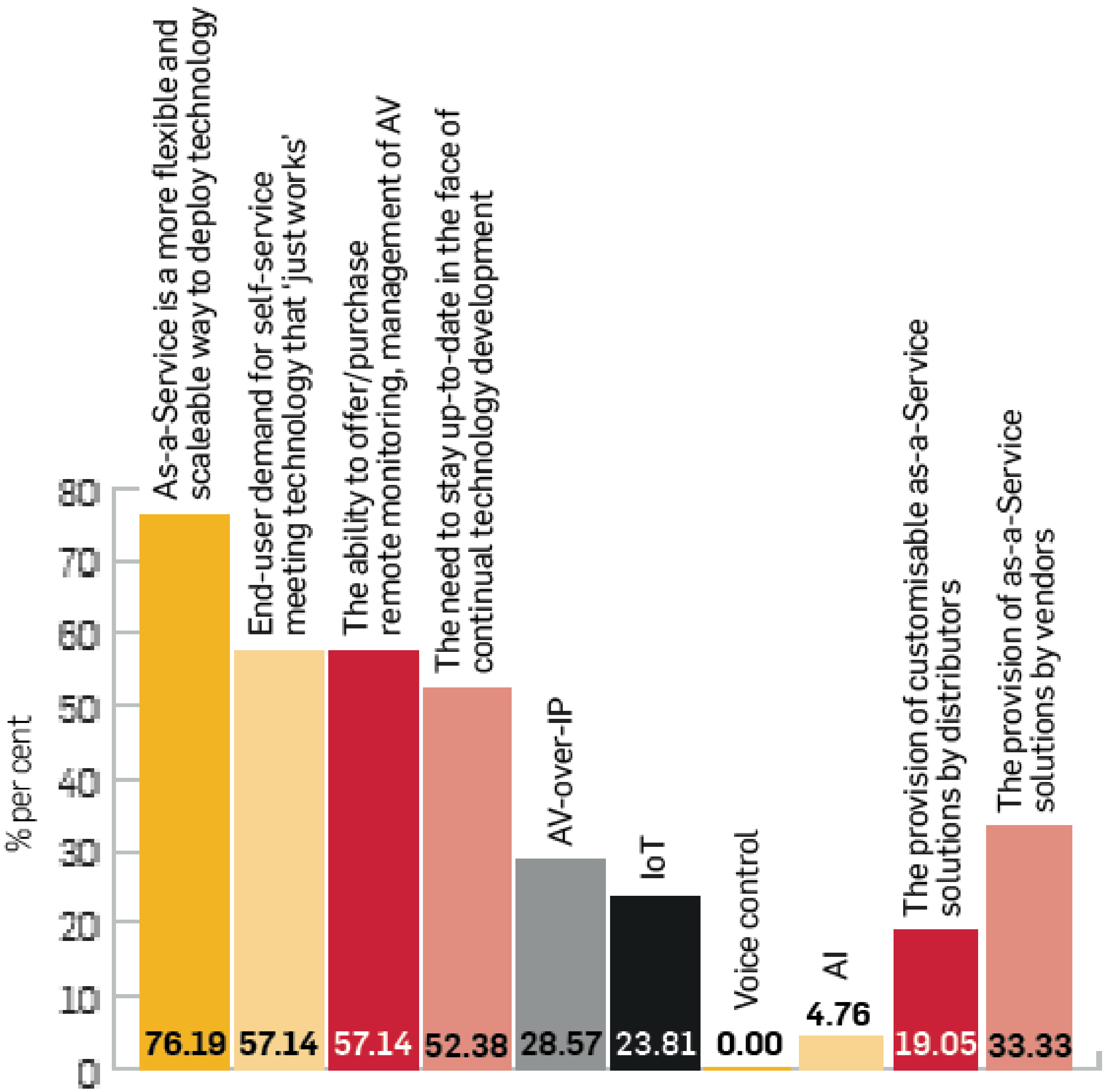
It has prompted many organizations to invest but does this open the door to IT providers to provide the AV as just another edge device?

Just look at Landways, which is shaking things up on a number of levels in AV, IT, and power. Landways is a 'modern digital infrastructure business'. It designs, builds, manages, and pays for new fiber-based network and power infrastructures which clients pay for monthly over a long term, typically 5-10 years, according to CEO and co-founder, Chris Smedley.

CHART 4

Source: AV online research, January 2022

What is driving adoption of as-a-Service?



The cool bit is that Landways guarantees the performance of the system, which Smedley points out, proves its confidence in the installed technology. Fail to deliver and the client can exit the deal, leaving the company without the means to recoup its investment or profit from it.

Landways case study
Landways developed a patented in-duct system to carry fiber optic cabling at ceiling height to deliver both data and power to connected devices through a DC micro-grid, which can be powered by batteries or a renewable energy source. The in-duct infrastructure is future-proofed with distribution points across the site ready for additional devices, enabling Landways to provide not only wired and wireless network services, but also high-resolution surveillance cameras, audio, and digital signage – all on the same monthly subscription.

At present Landways specializes in sports stadia including those of Wycombe Wanderers and Gloucester Rugby, with a self-contained physical footprint and high-intensity use. Gloucester Rugby has recently added the audio service. It works like a giant Sonos system.

“We distribute digital audio signals over fiber to amplifiers next to speakers” explains Smedley. “This provides a high quality of sound for all audio – voice, music or recorded announcements, for example, catering not only for emergency announcements but also for improved sound in hospitality suites and anywhere in the stadium.” Because the fiber infrastructure is already in place, Smedley says they can deploy an audio service quickly and at a highly competitive price. There is obvious potential to layer other networked-based technology services onto a Landways fiber network, but they will not always provide it themselves. Partnerships are the answer. Smedley says they are looking to work with AV specialists to develop digital signage and other digital screen-based services, IPTV and broadcast, for example, that can run on fiber and DC-power and to widen out the verticals in which they compete.

Going direct dilemma
Its unlikely manufacturers will leave the aaS proposition to the indirect channel. Omer Brookstein is CEO and co-founder of Xyte, a white-labeled HaaS solution, which Brookstein says enables vendors to “manage their customers, resellers, and devices, enabling them to propose new subscription-based business models and realize the full potential of their connected products.”

Brookstein says vendors have identified that cloud solutions provide a way for them to strengthen direct relationships with end-users, but says “this does not mean that system integrators will be left out”. Xyte says it “creates an entirely new set of opportunities for integrators to pivot their business into bold and lucrative new directions.”

Vendors selling direct to end-users remain a contentious issue. While around half of survey respondents thought vendors should be free to develop new channels to market (Q9), there is strong resistance to vendors offering aaS deals direct to end-user organizations: 80 percent consider it as competing with the indirect channel and 60 percent thought it competed with them unfairly.

Respondents also believe vendors lack both the expertise and the breadth of products and technologies offered by integrators and distributors, nor can they deliver the support and service required. Over half of our respondents thought vendors offering direct aaS solutions should outsource all support to local integrators. Eighty-five percent believe vendors will not be able to resist subsidizing deals to win market share, while 75 percent believe it would lead to inappropriate and/or over-specified solutions.

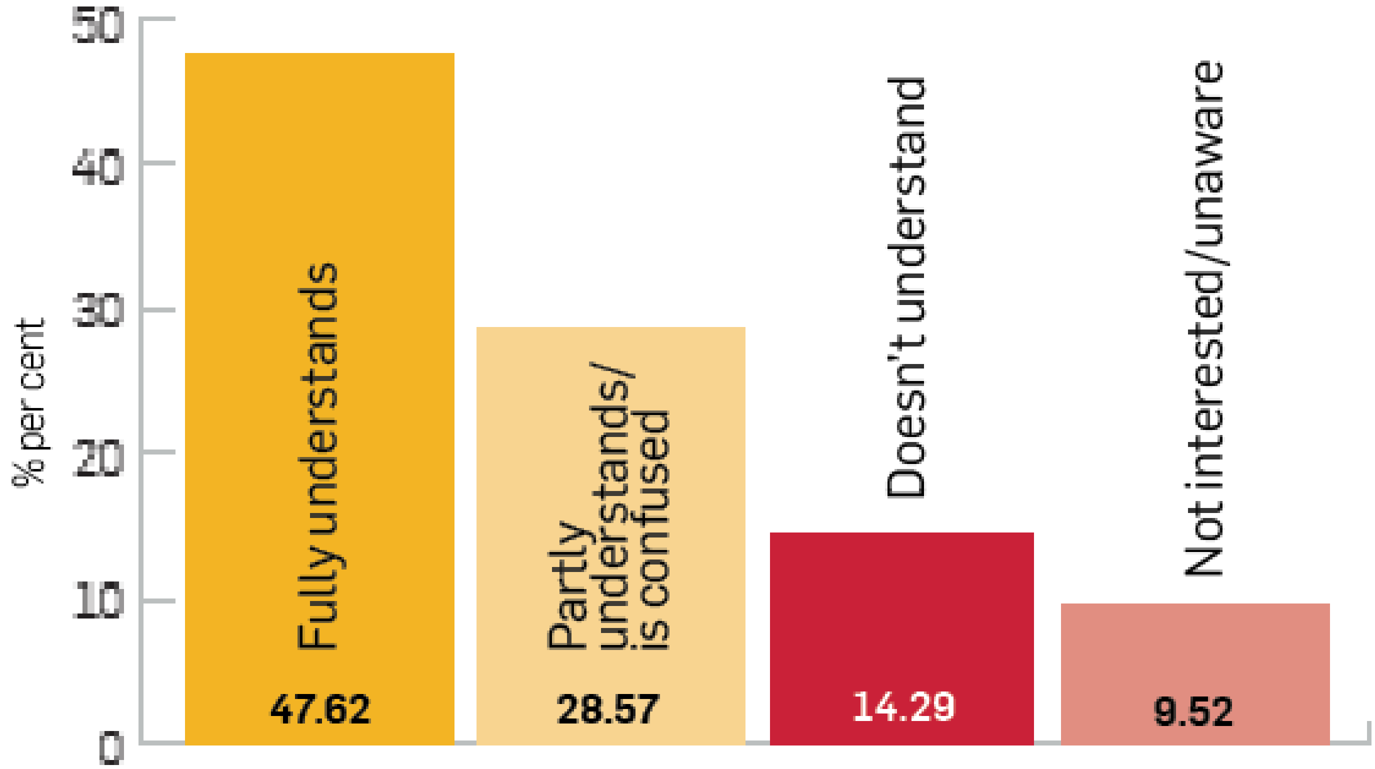
Our survey reveals 75 percent of you do not expect to earn less margin on aaS, but manufacturers who sell exclusively through resellers face a dilemma if they meet resistance to selling services from their channel network.

Byron Baird is the sales director of web-based control systems developer SAVI Controls. He says while some resellers “get it”, selling services does not come easy to all.

CHART 5

Source: AV online research, January 2022

How well does your company understand AV-as-a-Service?



"It falls to us manufacturers to help our channel partners understand and embrace a new way of selling," says Baird. "If some dealers do not want to go this route, perhaps manufacturers should take on the management piece themselves?" he asks.

SAVI is considering exploring how they might, in the future, be able to provide the management service piece for those dealers that don't want to do it themselves and give the dealer a commission.

That chimes with 75 percent of our survey respondents saying vendors should compensate the present incumbent if they went direct with the client on an aaS deal.

Covid catalyst

It's no secret that Covid-19 has put pressure on budgets, or that it has changed the way organizations communicate and collaborate. Perhaps the pandemic will prove to be the catalyst for change, and change how technology across IT and AV is deployed.

All of us want the technology we use to 'just work' so why not explore new ways to deliver that? If you can shift not only the selection, deployment, and maintenance but also the performance of your technology on to experts, you shift the risk as well. That sounds well worth the effort it takes to change the mindset, reimagine technology purchasing models and ownership and forge new partnerships.

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