TAMCO
EST 1994

TECHNOLOGY SYSTEM INTEGRATOR STUDY
ANALYZING SERVICE SALES & RECURRING MONTHLY REVENUE (RMR)

***2024 update with TAMCO integrator partner data*

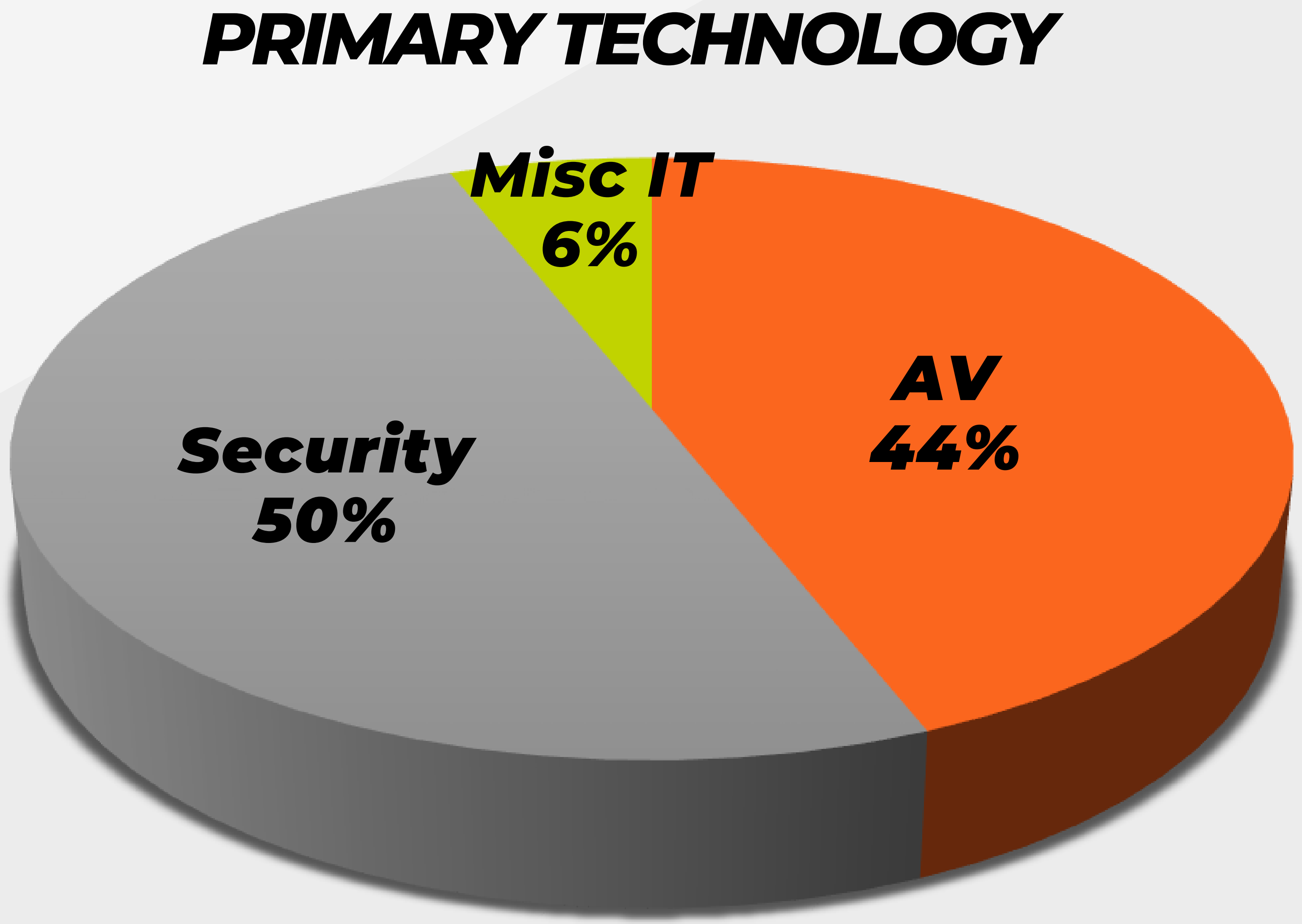
ABOUT TAMCO AND THE PURPOSE OF THIS STUDY

From a corporate mission perspective, for 30 years, TAMCO has been promoting the value and use of technology-as-a-service solutions. From a transaction perspective, we construct the subscription payment programs used by buyers and sellers involved in those solution sales. Daily, we educate, collaborate, network, and partner with a wide variety of industry organizations including integrators, manufacturers, distributors, manufacturers representatives, mergers and acquisitions firms, associations, and consultants.

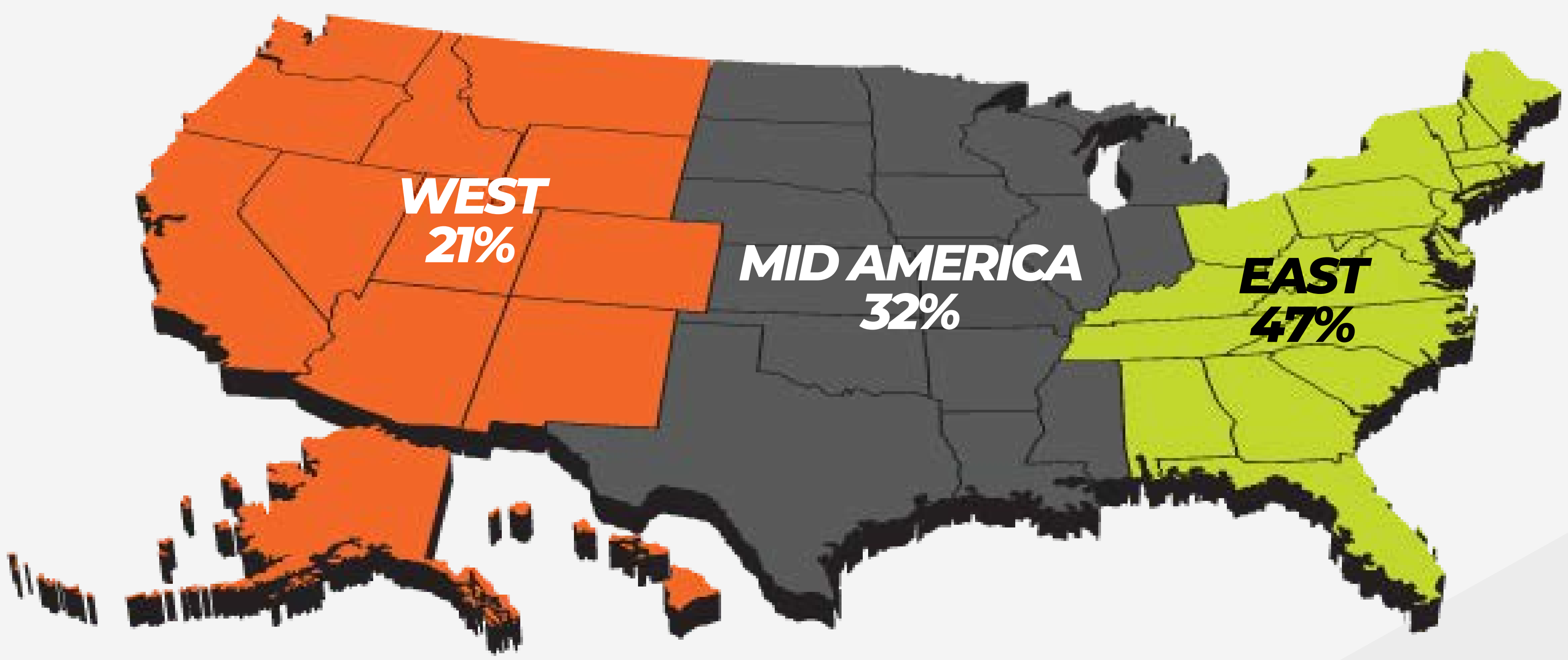
With so much written and discussed about the importance of recurring monthly revenue (RMR), we felt we were in a unique position to try to capture and share some actionable insights, particularly for the integrator community. This study focuses exclusively on data collected from sales strategy conversations with the leadership teams of 194 commercial technology integrators across the United States. Those discussions have occurred annually since 2019. The response data shared here suggests a surprising finding in that untapped RMR and profitability are within reach of most integrators. Yet, those financial benefits are not realized to any meaningful degree.

INTEGRATOR GROUP PROFILE

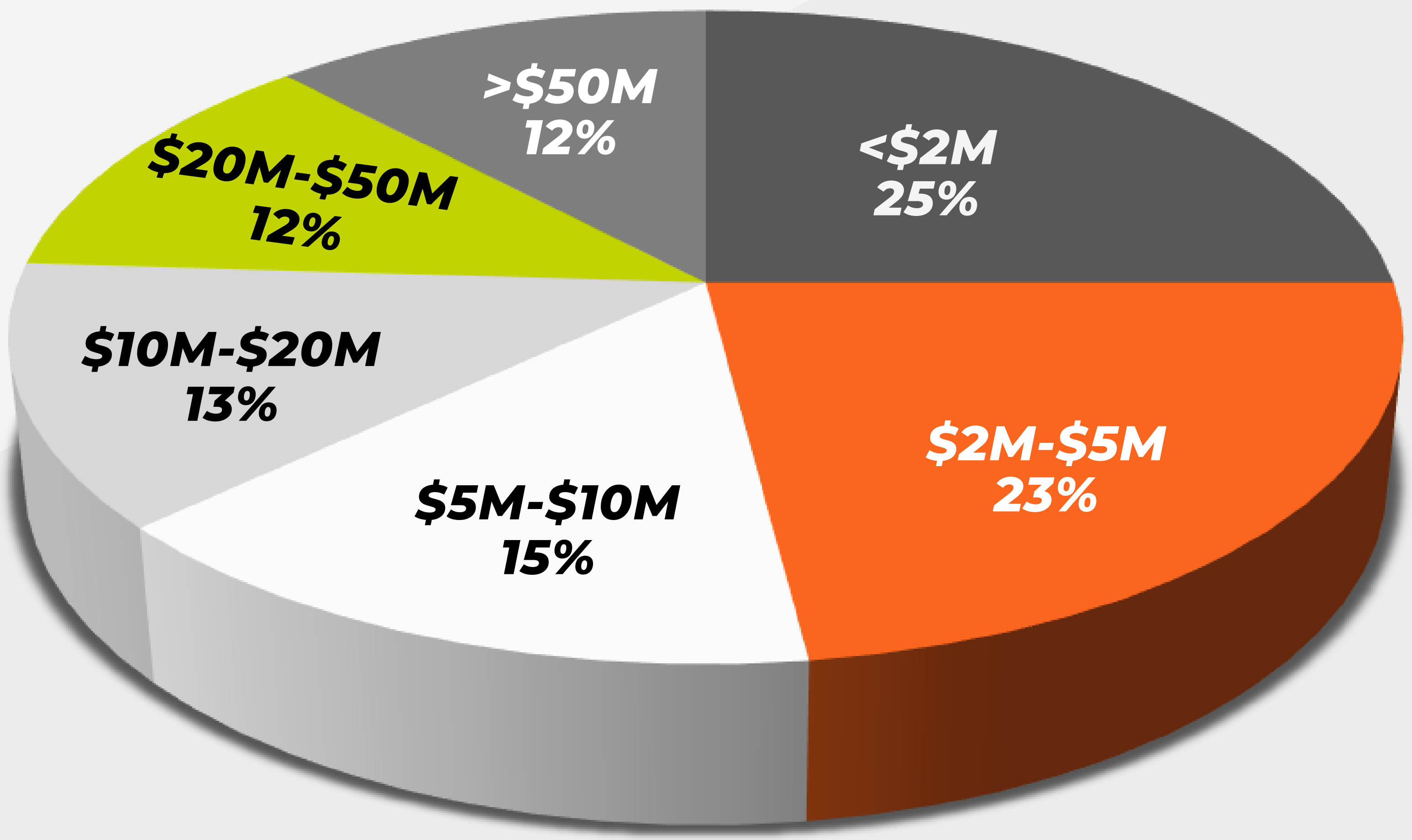
While TAMCO establishes partnerships with integrators that sell a broad range of technology solutions, this study was based on discussions with three groups in particular: those primarily selling audiovisual solutions, security systems, or general IT solutions.



GEOGRAPHY



ANNUAL REVENUE



Moving from the boundaries identified on the map as East, to Mid America, to West, the U.S. population density decreases. As expected, the distribution of integrators across these regions corresponds to the same with more integrators in the study found in the east and fewer as we move to the west.

Integrator annual sales revenue includes a broad range. About one quarter had revenue up to $2 Million, more than one in ten had revenue over $50 million, and the exact percentages for six revenue ranges are detailed in the chart.

Integrators agreed they basically have two types of sales. The first being a one time revenue type sale like a solution installation or occasional break fix calls. And the second is a recurring revenue type sale like a service or support contract.

TYPE OF SALES

ONE TIME REVENUE

- Project Sale
- System Installation
- Break/Fix
- T&M Call

20%

AVERAGE GROSS MARGIN

RECURRING REVENUE

- Service Contract
- Support Agreement
- Managed Services
- Monitoring Services

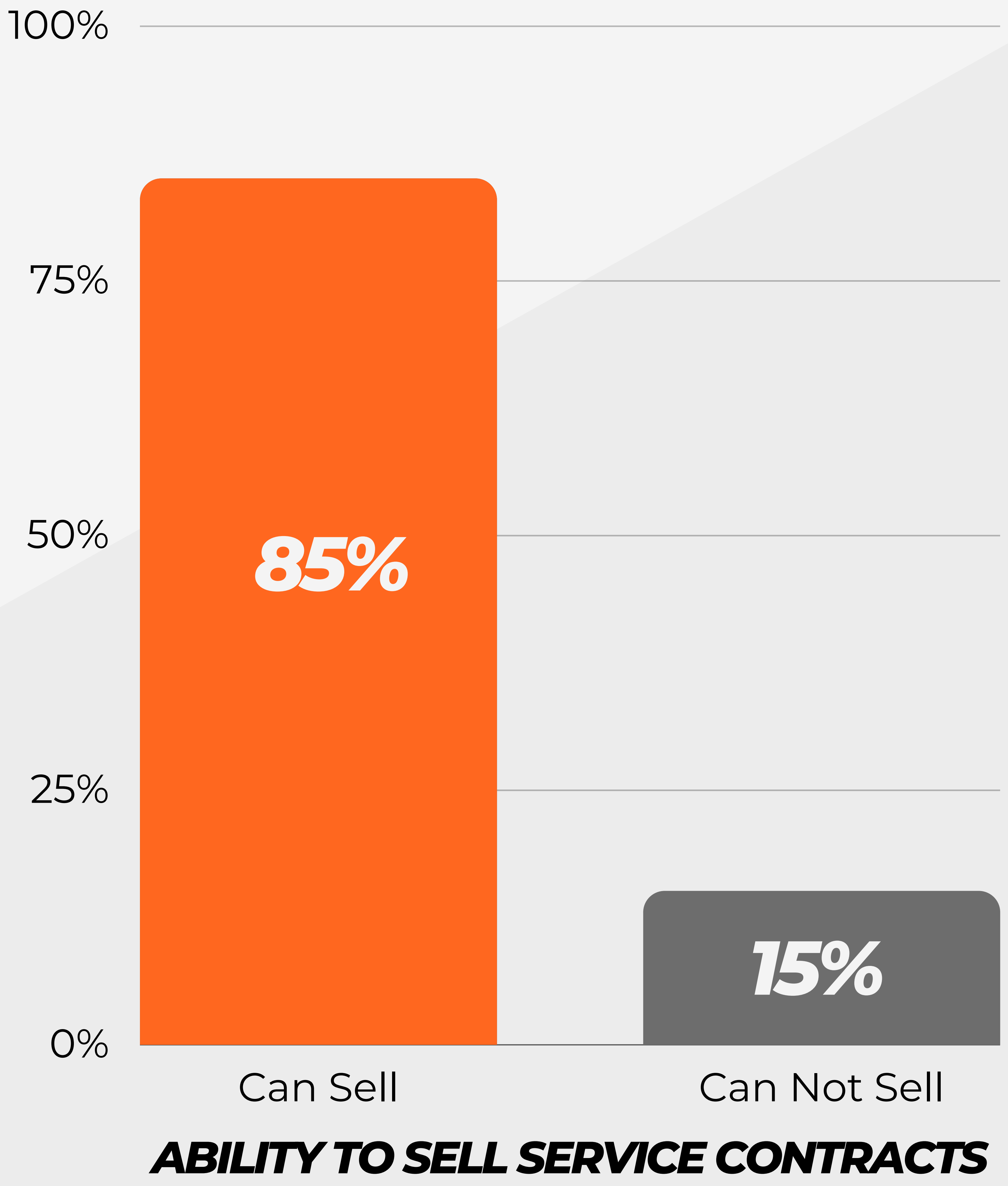
52%

AVERAGE GROSS MARGIN

On average, integrators earned a gross margin of 20% across their one time revenue or project sales. They realized an average of 52% gross margin on the recurring revenue attributable to multiyear service agreement sales.

SELLING SERVICE CONTRACTS THAT GENERATE RMR

Of the 194 integrators, 85% felt confident they had the technical expertise, operational capabilities, and personnel resources necessary to pursue service-based sales and stand behind their multiyear agreements.



10%

OF PROJECT-BASED SALES SECURE MULTIYEAR SERVICE AGREEMENTS

Unfortunately, integrators shared that on average they were able to capture multiyear service agreements on only 1 out of 10 of every project-based sale.

ONE FINAL QUESTION...

A final question posed during discussions with all integrators was, “Aside from multiyear service offerings, how many other products in your portfolio can provide you gross margins higher than 50%?”

The integrators unanimously replied none.

Ø

OTHER PRODUCTS WITH OVER 50% GROSS MARGIN

SUMMARY & CONCLUSION

- 20% Average Margin on Project Based Sales
- 52% Average Margin on Service Contracts
- 85% Can Support MultiYear Service Contract Sales
- 10% Average Service Agreement Capture Rate
- No Other Product Offerings Exceed 50% Average Margin

Project sales produce average margins of 20%, but when integrators can sell multiyear services they can earn an average of 52% margin on those contracts. While 85% of integrators feel they have the capability to fulfill service contract obligations, integrators only secure service agreements on 1 out of every 10 project sales. Interestingly, although integrators agree no other product offering has the potential to match the margins on multiyear service and support sales, virtually all struggle to sell any significant level of such multiyear agreements.

Key takeaways for integrators should start with a deliberate evaluation of the level of importance and priority recurring revenue has to their organization. If RMR is important, there is an 85% chance they can already deliver on service agreement sales. But the challenge remains that those multiyear service sales are just not made. So the follow-up action is to realize that the current sales process is not conducive to selling both their project-based solutions and multiyear service agreements. They will need to commit to a different way to sell to capture both or they will continue to experience similar results to those shared in this study.

TAMCO®

EST 1994

info@tamcocorp.com

(727) 281-4040

www.tamcocorp.com