

New Revenue Opportunities for Resellers

Introduction

Organizations around the world are choosing the cloud, and cloud-based services are growing steadily—more so than traditional premises-based alternatives in just about every aspect of computing, including unified communications. InfoTrack recently reported Enterprise Hosted IPT Services grew 38 percent in 2013 and forecasts annual growth of 26 percent. Other research confirms similar data, according to a research by Markets and Markets, the global market for Unified Communications as a Service (UCaaS) is expected to grow to \$7.62 billion by 2018, that’s an estimated compound annual growth rate of 24.8 percent. Additionally, the market for collaboration applications is expected to grow 25.6 percent during that same period. Infonetics Research recently concluded hosted PBX / UC services have outgrown all other communications segments as businesses continue to turn to cloud delivery.

Mitel has been developing traditional and now cloud-based UC products and services for nearly 40 years enabling it to offer comprehensive and robust cloud- based solutions in the emerging sector. Mitel understands the motivations driving cloud adoption are many and varied. For one, premises-based solutions tend to deliver a double-whammy of capital investment and recurring software maintenance costs which the cloud replaces with a simplified subscription model. These premises-based solutions are versatile platforms capable of rich integration, virtualization, and customization, but a growing number of users are clamoring for simpler services and turning to cloud providers to get them.

There is a tremendous amount of change occurring in both technology and business models, yet the end-user features of UC, such as softphones, mobile clients, and video, are the same whether offered as a product or as a service. However, success still requires highly reliable systems, extensive features, elegant endpoints, and ongoing innovation.

U.S. Enterprise Hosted IPT Services grew 38 percent last year and forecasts annual growth of 26 percent

Mitel was among the first of the PBX-era vendors to embrace UC, including early support of SIP (lines and phones), wideband audio, and mobile clients.. Today, Mitel mobile clients can connect over Wi-Fi, 3G / 4G, or cellular voice channels. And Mitel was the first enterprise UC vendor to deliver location-aware routing in the mobile client.

Mitel began packaging its core enterprise platform for deployment in service provider environments in 2008. Even then, our product development efforts prioritized provider requirements such as self-service portals for end-users, administrators, and provided tight integration with virtualization for cloud-ready reliability and scalability. In 2011, we launched Mitel Anyware (now known as MiCloud Business). Again, Mitel was one of the first of the major UC platform vendors to launch hosted services.

Mitel Anyware fit right into our networking practice, which already provided managed services. Mitel’s offers include our own platforms (for sale or as a service), utilize our own endpoints, and connect over our own managed networks (including cellular) to create a comprehensive end-to-end service – available à la carte or as a single bundled solution.

Unlike technology refreshes customers have experienced in the past, the shift to cloud services is a fundamental business model shift that requires careful evaluation and retooling. Yet ultimately, the shift to cloud delivery is less about end-user features than it is about the overall benefits of cloud delivery, including financial and outsourcing benefits.

Selecting the Right Path to the Cloud

While most resellers today are convinced that cloud services for unified communications are the best path forward, making the change from a business largely focused on equipment sales and service to one based on subscription phone services is not a straightforward task.

In 2011, Mitel became one of the first of the major UC vendors to launch hosted services

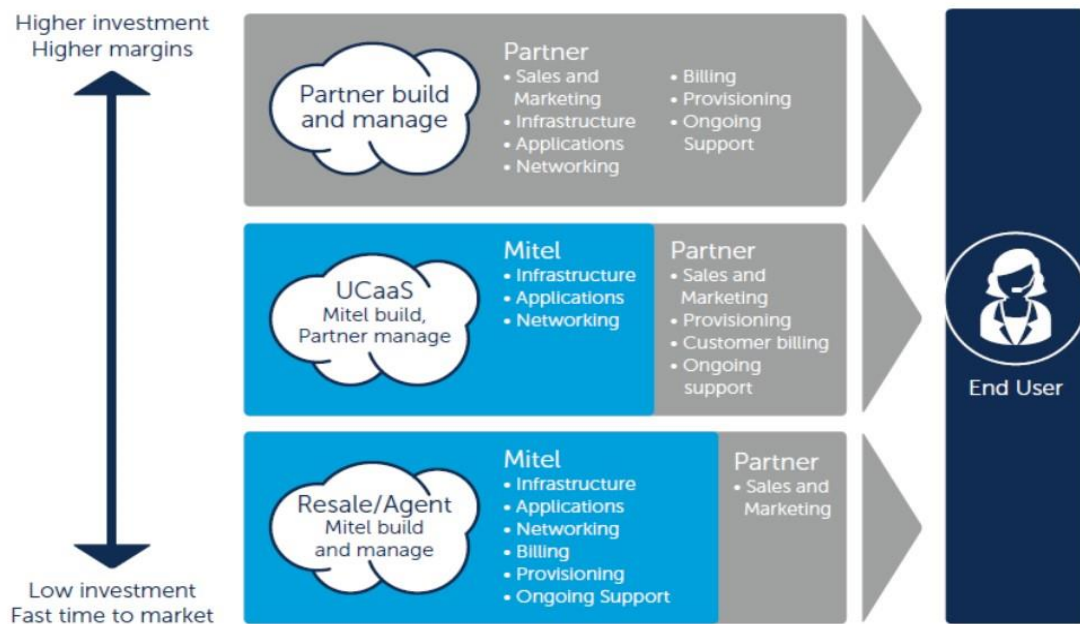
This change in business model affects a partner's sales and marketing, operations, and billing functions.

Generally speaking, the more responsibility in these areas that a partner is prepared to take on the higher the margin. Less responsibility in areas such as deployment and support functions mean lower margin per line – however it also comes with some substantial benefits.

There are several variables to consider when determining how best to benefit from the increased demand for cloud-based UC services. Partners are advised to consider both their starting point and their desired destination. To create a reliable and competitive UCaaS offer requires mastery of three core components: sales and marketing, operations, and billing. Each area is critical, but some can be outsourced.

Mitel offers its partners four distinct approaches to cloud. Each model has a unique blend of variables between investment, commitment, and control. Mitel's four paths to the cloud for partners are:

- MiCloud Retail
- MiCloud Resale
- MiCloud Wholesale UCaaS
- MiCloud Optimized Platforms



MiCLOUD RETAIL

Initially launched in 2011, Mitel's retail offering for cloud services has evolved into a robust offer backed by over 40 years of enterprise communications expertise. Mitel offers two versions of MiCloud: Business and Enterprise. MiCloud Business is a hosted PBX service with extensive call processing with lite UC features primarily aimed at smaller businesses. MiCloud Enterprise adds full-featured UC and collaboration features that include presence, mobility, video calling, and the service can be integrated with popular cloud services such as Salesforce.com®. MiCloud Business has no minimum seat count. MiCloud Enterprise is most economical at sites with more than 250 seats.

In addition to service commissions, agents can earn additional revenue with deployment expertise, hardware sales (phones, headsets, and networking gear), or other complementary products and services.

Mitel offers a friendly and flexible Authorized Agent program that pays agents a commission on received revenues, while Mitel delivers and bills for services. High-performing partners are further rewarded with promotional incentives and accelerators. With no initial or long-term commitment other than free sales training, the Authorized Agent program offers the fastest path with the lowest risk to success in UCaaS.

MiCloud stands out in a crowded sea of generic hosted services. In addition to providing a national brand and extensive features, MiCloud also offers end-to-end service and unique endpoints. Further consider these competitive attributes:

- Comprehensive end-to-end service means no finger pointing. In addition to the core MiCloud offer, Mitel can deliver services over a branded and managed network as well as provide the customer with complementary carrier and network services such as MPLS-VPN, Dedicated Internet, Cellular, SIP Trunks, ISDN-PRIs and Long Distance at competitive rates – under a single bill.
- Feature-rich Mitel phones for MiCloud have several unique and integrated features as opposed to generic dot com distribution. MiCloud customers can, of course, use any industry-standard SIP phone or any industry-standard headset if seamless integration is not a priority. However, the best experience is delivered through Mitel endpoints distributed through an authorized network of dealers.
- Compare the services we deliver with our guarantee to deliver them. Both are industry leading. Mitel service-level agreements (SLAs) are among the most comprehensive because of our end-to-end approach. Also, our SLAs assure customers of high availability, in part due to our strategic relationship with VMware. MiCloud data centers utilize the most advanced tools and practices for virtualization, assuring high availability and scalability.
- MiCloud's E911 utilizes Customer Emergency Services IDs to provide location information for extensions within a customer's private network.
- MiCloud solutions are pre-integrated with customer-provided Microsoft Office® solutions, Office365™, Google Apps™, and Salesforce®.
- The MiCollab UC client, available for desktop and mobile devices, has industry-leading features including location-aware routing.
- MiCloud offers both customers and agents a robust portal to allow them to administer simple Moves, Adds and Changes into the platform.

Agent commissions are not restricted to the core UCaaS offers. MiCloud also offers commissions on a variety of complementary products and services that increase customer retention and ongoing commissions. Most of these solutions can be combined into a single monthly bill.

- Several advanced and integrated applications are available, such as Mitel contact center solutions and call recording.
- A broad range of IP endpoints includes Android- based conference phones, GB Ethernet IP phones, wireless phones (Wi-Fi and DECT), and IP desk sets with built-in wireless handsets and headsets. Partners can choose to resell or rent Mitel endpoints to their customers.
- Enhanced audio, web, and video conferencing services scale to hundreds of participants.
- Multi-user video-enabled collaboration services can integrate with existing video equipment and services.
- Network services include Internet, MPLS, TDM, and analog. The Mitel cellular service offers integrated single-number reach with SMS messaging and offers a selection of smartphones for rental or purchase.
- Private hosting services allow customers to move other applications into Mitel data centers.

MICLOUD RETAIL SUMMARY:

- Fast to implement.
- Competitive features and pricing.
- No upfront investment, commitment for higher residual percentage payout.
- Mitel responsible for technical delivery of the service, end user support, and billing.
- Agent partner responsible for properly aligning and matching customer requirements with service capabilities.
- Additional revenue opportunities through optional MiCloud services and applications, hardware sales, and/or complementary products and services.
- Gross MiCloud sales volumes are applied toward broader Mitel dealer commitments.

MICLOUD RESALE

The Resale model, sometimes known as a White Label offer, is Mitel-owned and managed. With the MiCloud Resale model, the service is very similar to the MiCloud Retail offer but delivered as a partner-branded offering. In addition to branding and marketing, the partner is responsible for pricing, supplying optional customer hardware, implementation, training, and first-level support. Mitel performs day-to-day operations, provisioning and optionally billing on behalf of the service provider partner. The service provider partner has total control over branding, rates, and bundles. The service can be combined with Mitel or other branded services.

Mitel's Retail and Resale platforms provide partners the fastest path to offering their own cloud-based UC services

The program requires an annual financial commitment which is the equivalence of approximately 5,000 seats. Partners that select this approach tend to be carriers or service providers intent on expanding into UCaaS. The Mitel Resale program offers partners a robust and mature service that can be turned up quickly.

MiCLOUD RESALE PARTNERSHIP SUMMARY:

- Fast to implement.
- The initial investment positions this option for implementations with more than 5,000 seats.
- Partner should have strong brand and sales capability.
- Partner responsible for end-user communications and technical support.
- Partner avoids data center commitment.
- The role of billing can be done by Mitel or Partner.
- Mitel can optionally obtain regulatory approvals and invoices on behalf of the partner for billing.
- Mitel performs technical operations.
- Mitel performs provisioning and order fulfillment.
- Mitel responsible for system administration.

MiCLOUD WHOLESALE UCaaS

The Mitel MiCloud UCaaS service is available in the US, Canada, and UK today, with additional markets planned. This Wholesale UCaaS service is Mitel's most popular approach to a private-brand UCaaS offer. It is a powerful combination of low startup costs with extensive control over configuration.

Mitel Wholesale UCaaS uses several Mitel components including our software in our data centers on dedicated virtualized instances. While Mitel provides the hosting infrastructure, UC administration is turned over to the partner, allowing the partner to customize the deployment as desired. This approach is most popular with existing Mitel partners that are already certified and familiar with Mitel products, as it enables them to extend their skills into the new business of UCaaS.

The Mitel Wholesale UCaaS offer is a mature offer built on decades of innovation. It utilizes the same infrastructure and core applications as the MiCloud Retail offering described above. Partners have a high degree of control and customization over the service. Wholesale UCaaS is delivered as an OpEx service itself, providing the financial and technical benefits of cloud-delivered services to our partners, not just their customers. Mitel uses Tier 4 data centers to assure that system availability and data security are higher than industry norms. The entire model is OpEx for the partner including additional capacity as needed.

The core UCaaS offer can be enriched with a variety of Mitel services including end-to-end private networking, SIP trunks, and advanced applications such as MiCloud Contact Center. With Mitel Wholesale UCaaS, the partner is responsible for billing and invoicing their customers. Mitel provides on demand detailed activity reporting to the partner-provided billing system. The partner controls the system, marketing, pricing, and billing.

MiCLOUD WHOLESALE UCaaS SUMMARY:

- Solution can be implemented quickly.
- Low initial costs, low capital spending.
- Mitel responsible for highly reliable and elastic infrastructure.
- Mitel provides detailed call reporting for partner-provided invoicing system.
- High level of partner control through a virtualized infrastructure.

Mitel's Wholesale UCaaS and Optimized Platforms provide partners the most control allowing them to completely customize their cloud-based UC services

- Partner responsible for branding and marketing.
- Partner responsible for billing, invoicing, and regulatory taxes.
- Partner responsible for application configuration and operations.
- Partner responsible for pricing and bundling.
- Partner responsible for customer installation and support.
- Partner avoids data center expansion costs.

MICLOUD OPTIMIZED PLATFORMS

Mitel offers platforms for partners that truly desire full control over their UCaaS offer. Each of these platforms is optimized for UCaaS, and all of them are sold as software. Although Mitel can assist, the provider is ultimately responsible for the installation and operations including data center build-out, BSS/OSS, and invoicing. Mitel offers platforms that accommodate providers and end-user customer organizations of all sizes. We can deliver multi-tenant or multi-instance architectures, and our solutions include feature-rich mobile clients, a broad portfolio of endpoints, and industry leading virtualization capabilities.

The underlying technology is only a component of any UCaaS offer. Mitel also offers assistance to get up and running with Mitel professional services. Mitel has extensive experience with UCaaS, and we're happy to share our experience. Mitel knows both how to launch a new branded service and the most common pitfalls to avoid. Our experience, combined with our in-depth industry and product knowledge, will streamline the launch of a new UCaaS offer. This program can assist with the initial launch only or provide comprehensive lifecycle services to ensure that providers realize the most from their Mitel investment.

MITEL OPTIMIZED PLATFORMS SUMMARY:

- Partner provides the brand and marketing.
- Partner provides their own data center.
- Partner has total control over the offering.
- Partner is responsible for administration and billing.
- Mitel provides core software, optimized for a UCaaS offering.
- All Mitel platforms can be acquired under OpEx or CapEx models.
- Mitel offers a menu of integrated, complementary services.

Financial Considerations for Resellers

Mitel’s comprehensive portfolio allows reseller partners to select the model that fits their unique blend of in-house capabilities and desired goals. Some partners opt for the MiCloud Retail or Resale model as a starting point, with plans to grow their business into one offering greater control over the platform and customization of offers to their customers. Partners currently providing sales and service of premise-based PBX and UC solutions, whether from Mitel or other vendors, must consider the financial opportunity of moving to offering cloud-based services.

While the margins provided by reselling a cloud UC offering such as MiCloud Retail or MiCloud Resale on a subscription basis may be lower than margins offered by selling premise-based equipment as a one time sale, the long term financial opportunity proves much more attractive.

Following is a hypothetical model comparing sales of premise equipment vs. cloud-based UC services. This model considers the case where a reseller partner wins three new customers per month, each with an average line size of 39 seats per deal. The premise offering sells for \$600 per station, with a 38% margin due to the reseller. The cloud UC service retails for \$35 per month per line, with a 36-month commitment. In addition to the recurring monthly revenue for the service, there is a one-time charge to the customer for a Power over Ethernet (PoE) switch as well as phones for each of the 39 seats. The monthly line service nets the dealer 18% margin while the one-time equipment charge provides the dealer with 38% margin.

Figure 1 shows the inputs for price and margin of each model. Figure 2 shows the per station and per deal commissions for each model.

Inputs			
Cloud		Hardware Selling Price	
Deals closed per month	3	Phones (each)	\$360
Stations per deal	39	POE switch	\$1200
Monthly charge per station	\$35	Other equipment	\$0
Commission	18%	Hardware margin	38%
PBX			
Charge per station	\$600		
Margin	38%		
Stop selling altogether (months)	24		

Figure 1

Outputs	
Cloud	
Monthly commission per station	\$6.30
Monthly commission per deal	\$246
PBX	
One-time margin per station	\$228
One-time margin per deal	\$8,892
Months for cloud recurring to exceed PBX	13
Months for cumulative cloud pmts to exceed cumulative PBX margin	25

Figure 2

Figure 3 shows that for the premise PBX model, revenue to the dealer stays static at \$26,676 per month. For the cloud solution, revenue to the dealer climbs from \$18,111 the first month cumulating to \$52,754 by the 48th month.

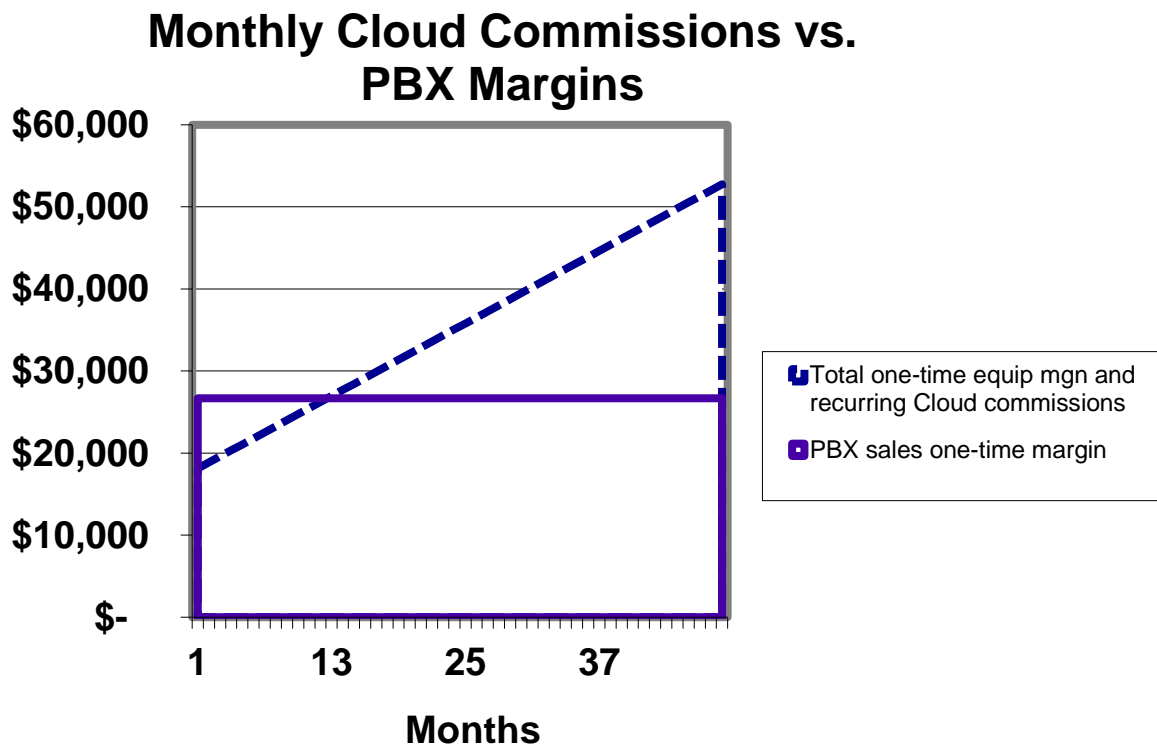


Figure 3

Figure 4 shows a representation of the revenue based on a quarterly basis.

Quarterly Cloud Commissions vs. PBX Margins

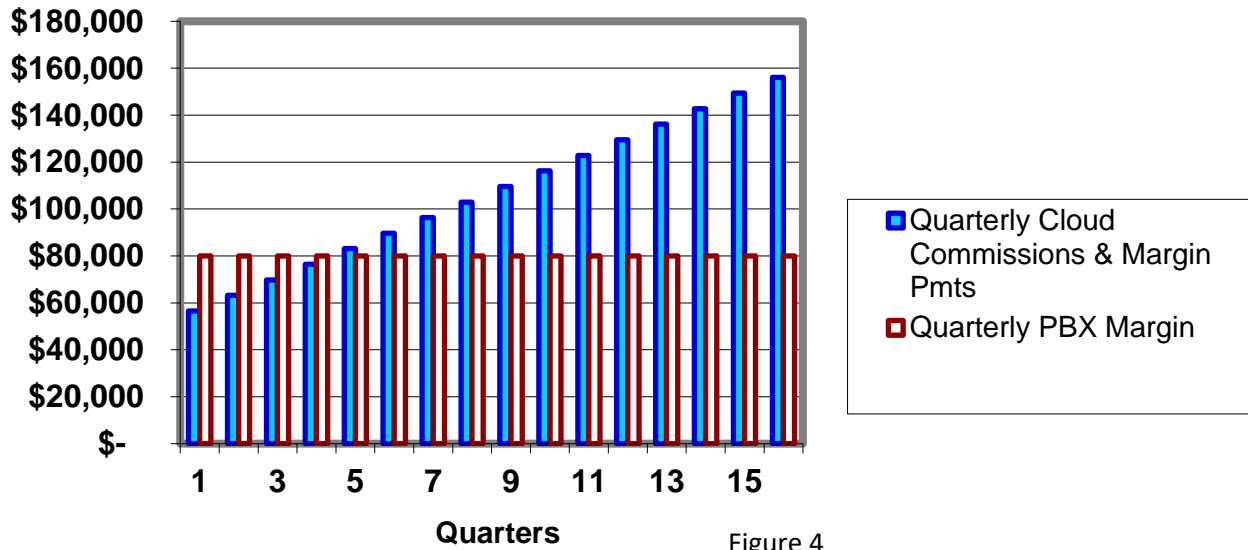


Figure 4

As depicted in Figure 5, after two years a dealer could stop selling altogether (such as a change in focus or closure of the business) yet the cloud annuity would continue.

Power of Recurring Revenue Business Model

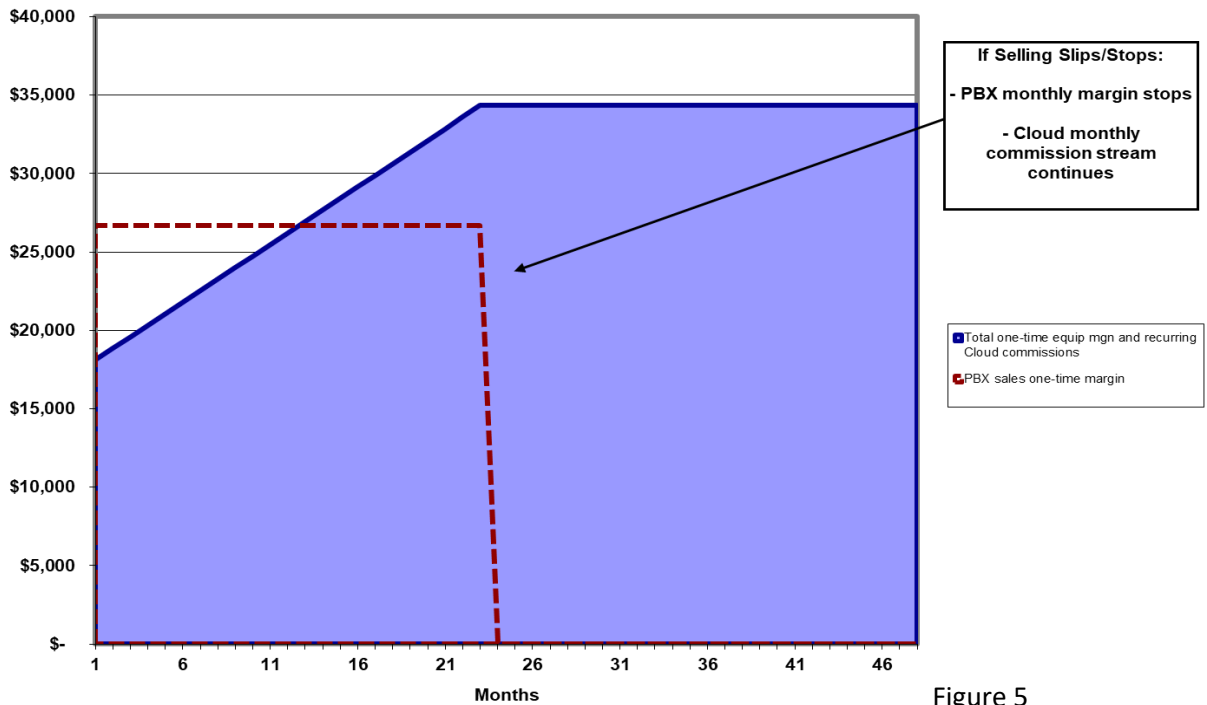


Figure 5

Conclusion

The rush to the cloud is on as customers are demanding richer UC solutions that are flexible and easily upgradable as new applications hit the market. As the product-oriented business model shrinks, there is a way for channel partners to ride the cloud into a sustainable business. Rather than selling products that depreciate and become obsolete, cloud providers deliver services that improve over time – and Mitel can help you harness this trend and customize it to your customers' needs.

Mitel's Retail and Resale products provide our partners with the fastest path to being able to offer their own feature rich cloud-based UC service. Mitel's Wholesale UCaaS product provides partners with Infrastructure as a Service (IaaS) so that they can concentrate on configuring their own UC service bundles, customized to the specific needs of their customers, while Mitel takes care of the underlying infrastructure. Mitel Optimized Platforms give partners who desire it complete control over all aspects of the service offering. Each of these models provides partners with the ability to build a revenue stream based on monthly recurring revenue.

The financial model above was built using a revenue tool which allows partners to input their own numbers in terms of sales projections, margins, and revenues from existing PBX sales. Contact your Mitel Account Representative today to build your unique revenue model and see how Mitel can help you deliver your own cloud service.

