

PROSTRATUS

Hidden Costs of Technology

IT Support Service Models

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Understanding the True Cost of Technology

Objective

- Determine the real cost of technology and how it impacts small businesses
- Examine the different types of IT service support models, typical support costs, and the hidden costs of technology
- Understand the advantages of ProStratus managed service bundles

Overview

Understanding the true cost of technology is critical to operate a profitable, productive business. Some of these costs are hidden, not easily identified, and erode profits and steal time. A simple, proactive technology plan is the best method to reduce these hidden costs, prevent interruptions, and gain a competitive advantage for your business.

Operating a small business requires hours of hard work, attention, and dedication. Technology is often overlooked, even though it is the most cost effective tool to level the playing field and compete with larger enterprises. Business owners just don't have the time to stay up with the cutting edge technology and apply it to their advantage.

The game has changed, and now small and medium businesses face competition outside their geographic footprint. Disruptive technologies can quickly overtake a small business if it is not prepared. We live in a world with nonstop customers who demand access to new products and services. The first step in transforming your business is to create a proactive, stable, secure managed network. This will provide the platform, resources, and attention your business needs to implement ongoing innovation.

Since 80% of the cost of technology is realized after the initial hardware purchase, it is critical to determine the best IT support option. Only 20% of technology costs are incurred with the initial hardware purchase. The rest are attributed to supporting the hardware over the life of the device.

We will examine three different support options for small business and their impact on their bottom line

- Break-Fix IT Support
- Do It Yourself In-House Support
- ProStratus Managed Support Bundles

Break-Fix IT Support

Service is provided when something breaks or fails and now it needs fixed. This is generally provided by an outside contractor and is almost a guaranteed recipe for downtime and lost productivity. Businesses attempt to hold down costs and not spend money until it is necessary. This reactive support lacks basic management and creates gaps in security, protection, and maintenance. No one is really responsible for

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maintaining and optimizing the network to provide stability and reliability. Without adequate maintenance, failures occur, or worse yet, businesses find a manual work around that wastes time. For example, it is estimated that workers lose 38 hours every year due to slow Internet.

According to Gartner Research (2015) 46% of businesses that use the break-fix model end up spending 25% more on their IT cost annually.

Advantages of Break-Fix IT Support	Disadvantages of Break-Fix Support
Only pay for what you actually use	High hourly repair rate
Freedom to pick different vendors to provide support	IT support provider has no incentive to make your network as stable as possible – you may pay for the same problem over and over
	Slow response times
	Limited skill set
	Your greatest IT disasters are their most profitable work
	Business interruptions
	Still requires your time and attention to manage
	Out of date solutions
	Reactive not proactive

Scenario 2: DIY In-House Support

We all love Do It Yourself projects around the house, but DIY IT projects are almost always far more expensive in the long run than managed care solutions. Loss of productivity and the business owner’s attention are hidden expenses. Unless you are an IT company, the hours spent fixing and supporting IT solutions can be better invested in your core business.

Hiring in-house dedicated IT support staff isn’t usually practical due to the small size of the business. In most cases, it falls onto the person that has the most technical ability. A portion of their work week will be dedicated to supporting the network in one way or another. To say the least, this can be very distracting and often puts an unfair burden on an individual that doesn’t have the training or experience.

Over time the benefit and expertise of in-house support decreases since it is difficult to keep up to date with all the new technology. It is not cost effective for small businesses to invest in all the latest and greatest monitoring and management tools they really need, which makes support even more challenging.

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Advantages of In-house Support	Disadvantage of In-house Support
Available onsite	High overhead cost
Understands the environment	Limited skill set
Part of the team	Limited budget for support tools
Long term projects	Training cost to keep up to date
Provide IT support coordination	Slow work, not productive
	Not always available – vacation & sick days
	Distracted with other job responsibilities

Scenario 3: ProStratus Managed Support Bundles

Our managed service IT bundles allow your company to act like a big corporation but on a small business budget. Our bundles combine the products, applications, service, protection, and management integrated together for easy budgeting, simplicity of use, while eliminating any finger pointing. Our 24x7 Solution Center team is ready to support your technology, so you can focus on your business.

Small businesses should consider the overall impact of their technology platform. Management, unplanned downtime, and lack of productivity are hidden expenses and must be included into the cost structure. Many businesses purchase applications one at a time only to let them expire or become outdated. There is nothing worse than letting your virus protection expire and having a malicious attack wipe you out or trying to restore your data from a failed backup.

ProStratus has researched and tested several solutions that are designed to work together at an affordable price point, providing comprehensive proactive IT coverage. We manage your support so everything is automatically up-to-date without costly gaps.

Our Solution Center monitors and manages your network, checking the backup status every single day. It's like having a full-time IT staff on duty that never goes on vacation, and at only a fraction of the cost. You'll notice a dramatic improvement your very first month with increased productivity, flexibility, collaboration, and a more relaxed work environment.

Managed Applications

- Office 365 Business Premium
- Word, PowerPoint, Excel, Outlook
- OneNote, Publisher, Access
- SharePoint, OneDrive, instant messaging
- Office Online
- Skype for Business - video conferencing
- Corporate social network
- Cloud Storage 1 Tb per user

Managed Security

- Spyware protection
- Anti-virus protection with updates
- Malware & Ransomware protection
- Security monitoring and detection
- Spam filtering
- Firewall management

Remote Monitoring and Management

- Help desk technical support
- 24/7 monitoring and alerts
- Service ticket tracking
- Windows patch management
- Network health report
- Compliance reports
- Optimized utilization
- Remote screen support

Managed Mobility

- Mobility management for devices
- Security
- Application deployment

Managed Backup

- Backup cloud solution
- Backup monitoring
- Daily backup check

Support, applications, monitoring, and management in one easy bundle!

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Advantages of ProStratus Managed Support	Disadvantages of ProStratus Support
Managed approach = resolution before crisis	No on-site personal
Lower IT cost by up to 40%	Pay for support even if you don't need it
Reduced risk and increased security	Must update to latest applications
Latest up-to-date tools	
Increased mobility and flexibility	
Productivity and collaboration	
Fast, immediate response times	
Improved competitive edge	
Bundled applications	
Flat rate pricing – no surprises	

Technology Cost for Small Business

Technology costs vary between industry and the size of the company. The best way to compare these costs is by percent of revenue. Surprisingly, smaller businesses tend to spend more than their enterprise counterparts. In 2016, small businesses spent 6.9% of revenue on technology. This includes hardware, software, IT resource, and business services. The type of industry also has a big impact on their IT spend percentage. The financial industry spends 6.3% of revenue compared to only 1.5% for retail.

Business Size	IT Spend as % of revenue
Small	6.9%
Medium	4.1%
Enterprise	3.3%

Industry Type	IT Spend as % of revenue
Financial	6.3%
Education	4.7%
Health	4.2%
Manufacturing	1.7%
Retail	1.5%
Average Business	3.3%

Source: CIO Magazine

Top Drivers for Technology

Businesses that understand technology is an investment not an expense are more likely to reap the rewards. Technology improvements are an effective strategy to allow small companies to compete with larger organizations to level the playing field. In fact, digital high performers are 34% more profitable than their peers. The top three concerns for business owners include:

- Increasing operational efficiencies
- Providing data and data analytics
- Enhancing the customer experience

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Hidden Cost of IT Support
Productivity
Security
Protection
Downtime
Data Protection
Employee Satisfaction

Productivity

One of the quickest ways to profit from a technology investment is by increasing productivity. Improving operational efficiencies means getting more done and reducing wasted time. The average employee works 2080 hours per year. Employees and their time are the most important resources for your business. Using technology to maximize their efficiency is often overlooked and this hidden cost often determines the success or failure of a company.

- Employees spend 30 minutes per day fixing computers or helping someone else.
- The average worker loses 38 hours every year through slow Internet.
- Mobility solutions allow employees to work from anywhere and anytime, increasing productivity up to 13%.
- Employees may work up to 20 hours outside the office each week.

Source: NSBA – 2013 Small Business Technology Survey

Easy productivity solutions include collaboration tools, mobility, communication, and improving work flow automation.

Security

Most security issues are actually from internal threats and not the highly publicized external ones. Only 31% of small businesses take active measures to guard themselves against security breaches. Internal security should include best practice solutions for password management and user administration. External security includes firewall management and intrusion detection. Both internal and external security should be prioritized and demand active management to guard against breaches and theft.

Small businesses are at risk without an IT security plan. Most play the odds that they are too small for anyone to notice. Even the smallest companies can be the target of hackers and foreign groups. Information breaches include data loss, customer information, business intelligence, intellectual property, and financial information. Often security breaches occur on small networks that are not the primary target. These hacked systems can be used to launch other attacks to help the true source hide their location.

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Obviously, when security breaches do occur they can be financially devastating. The result is downtime, financial loss, and public embarrassment. Customers are wary to trust these businesses with their information in the future. The standard resolution is providing credit protection for 24-months for each customer with a typical cost of \$20/month. Even a small breach of 100 customer data records would cost \$48,000 for a single event.

Protection

With over 17,000 new viruses created every day, it is only a matter of time before your business is infected. Between viruses, phishing, spam, and ransomware the world has become a very dangerous place, and it is no longer possible to operate with automated protection.

The average business spends \$525 per employee each year to protect their data. There are a variety of different solutions, some working better than others, and even some free solutions. Most critical is the management and administration of these solutions. Often businesses allow their subscriptions to lapse or they are not installed on every system. The result is a loss in productivity with slow operating speeds or downtime. The cost to resolve the issue generally costs more than 3 years' worth of protection.

Most businesses understand the need to protect their data but most fail to implement a business class service and provide the required time to manage the solution.

Downtime

The cost of downtime can range dramatically different depending on the type of business. A data center or financial business may lose \$100K to \$1M per hour where a small business can be much less. The cost of downtime can be calculated by loss of productivity, lost revenue, and the actual cost to fix the downtime issue. According to a recent IHS survey the cost can be attributed to:

- 78% lost productivity
- 17% lost revenue
- 5% cost to fix issue

Even the most conservative approach for a small office of ten people can be calculated at \$240 per hour just using payroll figures. Some small businesses estimate downtime to cost \$427 per minute. The industry average for small business is three interruptions per year, for a total of 14.1 hours of downtime.

The most common factors for downtime include equipment failure, human error, malware, software corruption, and lack of management. Downtime can be mitigated with proactive management and building redundancy into the network.

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Data Protection

In many cases, the data is your business. Safeguarding your data is one of the most basic responsibilities every business must complete. In a recent Graziado Business review, 27% of businesses reported lost data on multiple occasions. Many businesses are not really sure if they are getting a successful backup every day. There are some estimates that 25% of all backup attempts are not successful.

Backup methods vary but the cloud backup offers the best protection at an attractive price point.

	External Hard Drive	CD/DVD	USB Drive	Server	Tape	Cloud
Disaster Protection	○	○	○	○	○	●
Reliability	◐	◐	◐	●	◐	●
Performance	◐	◐	◐	●	◐	●
Convenience	◐	●	●	●	○	●
Price	●	●	●	○	○	●
Recovery	◐	○	◐	◐	○	●

Employee Satisfaction

How happy are your employees? Technology can have a major impact on job performance and satisfaction especially to the younger generation. Employees expect to utilize the latest tools to stay current. Mobility also opens the doors for a flexible work environment. According to the 2013 Small Business Technology Survey, 78% say workplace environment impacts their decision to stay a job. Also, 50% say flexible work hours and freedom to work from any location improve work/life balance. Happy workers are engaged and more productive.

Turnover can be very costly to a small business. Turnover can cost \$10K to \$30K per employee, so keeping your current staff is very important to the bottom line.

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Annual Cost Comparison

Comparison of hard costs from actual expenditures and hidden soft costs that are often unrealized that impact small businesses. These costs vary widely between different business types but are generally true in some degree for all businesses.

Cost		Break-fix	In-house	ProStratus Managed Service
Number of users		5	5	5
Onsite Service	\$150 per hour	\$4,500 ¹	\$1,500 ²	\$1,500 ²
In-house Cost	\$20 per hour	\$1,040 ³	\$5,200 ⁴	NA
Application and utility software	MS Office, virus, malware, backup, etc.	\$1,500	\$1,500	NA
Management	Flat rate support	NA	NA	\$3,900
Total Hard Cost		\$7,040	\$8,200	\$5,400
Productivity	5 hours/week/ee	\$5,200	\$5,200	NA
Security	Varies by incident	0 to \$48,000		NA
Protection	\$525 per ee	\$2,625	\$2,625	NA
Downtime	\$240/hour, 14.1 hrs	\$3,384	\$3,384	NA
Data Protection	Data loss varies by incident	0 to \$25,000		NA
Employee Satisfaction	1% revenue growth	\$10,000	\$10,000	NA

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Case Study

A small medical office with 8 active users used an outside IT contractor for break-fix service for several years. The office manager, Susan, has been designated the in-house expert and handles some of the trouble shooting in an effort to keep the support cost down to a minimum. Their primary applications include a Medical Records and Billing program, MS Office & Excel, and Exchange for email.

Industry: Health Care
Business: Eye physician office
users: 8
Revenue: \$2M

During the year, they had two major service interruptions. The first was due to a failed router which resulted in loss of Internet access. It didn't help that their normal IT contractor was out of town, so they were forced to contact another vendor which fortunately was able to respond by noon the next day. The technician billed four hours, plus the normal contractor had to fix a few settings a few days later and bill another two hours.

In 2016, the office switched over to the managed service model. Numerous best practice IT solutions were immediately implemented. The security and stability of the network increased with the latest and up to date solutions for Anti-Virus, spam, spyware, and Microsoft Office 365. It was discovered that the office did not have a good backup in 14 months. Luckily, they did not have a failure. The managed service company checks the backup status every single day plus provides off-site storage for greater reliability.

Occasionally, the staff has a question so they just contact the friendly help desk. The help desk can even remotely connect to the user's screen to see the exact issue and resolve quickly. 91% of the issues are solved on the first call.

Year	Service/Software Cost	Downtime (hrs)	Service Model
2013	\$11,200	13	Break/fix
2014	\$8,510	19	Break/fix
2015	\$10,600	25	Break/fix
2016	\$6,240	4	Managed

