



OPEX & “AS A SERVICE” SELLING: The Platform for Increased Business Flexibility, Capability & Profitability



Are you doing the most you can for your customers?
And are you getting the best possible profits for your services?

Don't limit yourself to one-off sales. Earn more AND increase your customers satisfaction by moving to the OPEX model.

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WHAT IS OPEX?

Markets inevitably shift in tandem with changing technologies, and few changes have been more significant to technology businesses than the growth of subscription-based purchases. The established model for such businesses' sales was that of one-off purchases, wherein the agreement was a single exchange of money for a single product over which the buyer retains permanent ownership. However, **this model is increasingly giving way to one wherein ownership is dependent on a continual subscription fee**, with the added benefit that the seller continually provides new products and ongoing support as part of the subscription.

This dichotomy represents, in brief, the difference between the two core ways of doing business in the modern technology industry: **the CAPEX model and the OPEX model**, respectively.

To be more specific:

- **CAPEX** (short for “capital expenditures”) refers to **expenses used in a one-time instance** to establish permanent ownership over an item to be used for a long period of time. Examples would include purchasing a WiFi router, a personal computer, or a copy machine.
- **OPEX** (short for “operational expenditures”) refers to **expenses paid out over an ongoing period of time** to establish a continued use of a certain resource. Historically, examples have included expenses such as rent, electricity bills, employee salaries, or replenishable supplies such as paper and toner.

It is crucial to understand, however, that **these definitions are not all-encompassing under modern standards**. This comes as the result of shifting attitudes concerning technology ownership and the practicality of retaining permanent possession of devices and software; **in many cases, it proves both more convenient and more economical to decline longstanding ownership through CAPEX in favor of limited ownership created by OPEX**. This option is made possible primarily by vendors that put their technologies on offer through **the “As a Service” model**, in which use of the provided goods is dependent on paying an ongoing subscription fee.

PREVALENCE OF OPEX

According to Gartner*, software being sold “As a Service” in the cloud is already a multi-billion dollar industry worldwide, hitting a massive uptick in profitability from 2020 to 2021 as a result of the global COVID-19 pandemic and ensuing customer demand.

Worldwide Revenue Forecast

	2019	2020	2021	2022
Cloud Application Services (SaaS)	\$102.064 billion USD	\$104.672 billion USD	\$120.99 billion USD	\$140.629 billion USD

Source: Gartner

Use of the “As a Service” sales model is already prevalent in the entertainment side of the technology sector, particularly with the rise of streaming services. Netflix, one especially prominent example, allows customers to instantly watch any offered movie or TV show in exchange for a recurring monthly fee; Spotify operates under the same sales model, but instead grants instant streaming access to music and podcasts. For more utilitarian software, **developers such as Adobe, Microsoft and Sony all offer customers a per-month ownership contract of applications** instead of a one-time purchase of a single version of such software.

Similar to the “Software as a Service” (SaaS) model, **hardware is also available from numerous vendors “As a Service,”** with items such as personal computers, modems, printers and monitors purchased through a monthly subscription fee rather than a one-time transfer of funds. It must be pointed out that this model of ownership is not similar to installment payment programs, under which a continual payment of funds occurs up to a predetermined end date and thereafter full ownership of the item transfers to the buyer; **the “Hardware as a Service (HWaaS) model instead operates as an ongoing agreement with no set end**, and once the contract terminates, the buyer’s ownership of the items in question ceases. The model also differs from the traditional conception of renting, wherein usage and possession of an item is set for a certain limited period of time in exchange for a fee lower than ownership. **HWaaS, in contrast, typically offers warranty benefits similar to permanent ownership** (absent in most rental models, where damages to the rented item are subject to fines) and there is typically less concern over a predetermined end date to the agreement.

* <https://cutt.ly/ixHJK5G>

BENEFITS OF OPEX

In brief, then, a **CAPEX purchase refers simply to a one-time exchange of funds for permanent ownership of an item, while OPEX refers to ongoing payments which establish month-by-month ownership over or use of items.** Furthermore, while OPEX has traditionally referred to regular ongoing expenses, such as for utilities or salaries, shifting sales models have made it so that the model also applies to technology, in both hardware and software. Like all business decisions, the choice to purchase hardware or software As a Service will depend on reasons specific to each company, but will generally come down **to matters of finance and securing ROI.** On the surface, CAPEX may seem innately less risky compared to OPEX, considering the former grants permanent ownership while the latter provides possession dependent on an ongoing fee, which may feasibly run past the CAPEX cost.



However, **this surface-level assessment fails to consider a key factor of the technology market: its current speed of advancement.** In theory, purchasing a new personal computer or piece of business software at full price is a convenient business expense, because doing so allows the business to begin generating an ROI on their purchase. However, **in practice, hardware or software will typically soon followed up on by a new version, which complicates the situation;** now, the ability to achieve the highest possible ROI is compromised by the fact that new features and added usability are locked off from the company, barring an additional purchase of the latest technology in question. Yet should the company make this purchase, they will almost without exception face the same problem in less than a year's time. **In other words, making a large down payment as a form of investment in technology has become riskier with the speed at which new versions of technology are rolled out,** as the value of these investments depreciates at an increasingly fast rate in accordance with development times.

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BENEFITS OF OPEX



Because of these complications, the alternative models of Software as a Service and Hardware as a Service often prove lucrative to businesses. **When purchased As a Service, hardware and software are not owned on a permanent basis, but rather only for as long as the lessee needs them.** This practice provides the purchaser with four notable benefits:

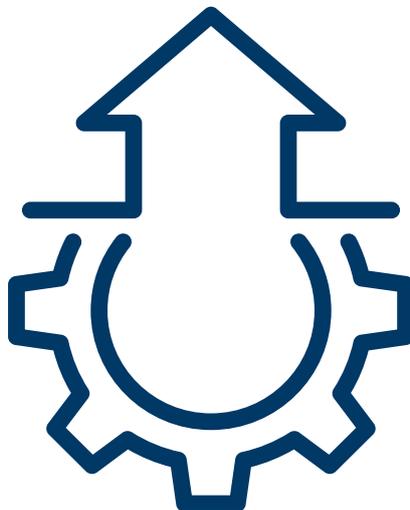
1. REDUCED COSTS:



Depending on the charges involved and the amount of time that devices are used, **paying for devices on a per month, per user basis may end up saving businesses money compared to purchasing devices for a larger upfront total.** This factor is largely due to the aforementioned advancement of technology; the launch of a new instance of hardware or versions of software typically cuts off the lifecycle of the previous one, and thus, **if a business purchases that technology only on a month-to-month basis they will likely save compared to a lifetime purchase.**

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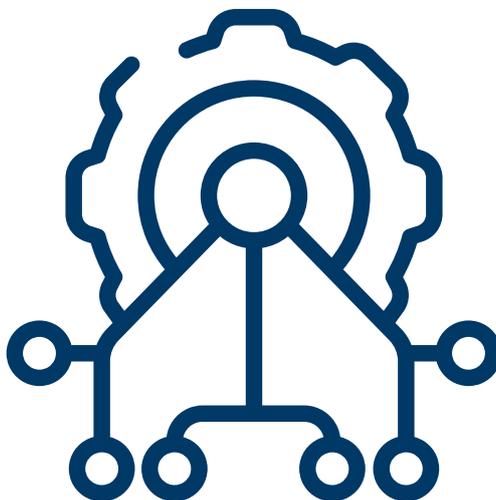
2. INCREASED CONVENIENCE:

Although businesses have always had to consider end-of-life options for all their purchased hardware and software (i.e., how to proceed with removing technology once an investment-worthy upgrade is available), **the current market's increased pace of technological advancement requires businesses to consider this angle of technology more than ever before.** Because, realistically, any given instance of hardware or software will only remain “the latest version” for a year or less, it stands to reason that businesses should consider how to install the newest version and remove the previous one. **Bought As a Service, technology can be replaced in this manner more effectively and more conveniently, as a technologies expert will typically be deployed to carry out the procedure as part of the subscription plan;** for example, in the event that a previously installed phone is replaced by the manufacturer with a new model, an MSP selling Hardware as a Service can simply take back the now-obsolete model and install the new phone at no additional cost. Thus, **the As a Service model grants businesses greater peace of mind and simpler deployment when compared to CAPEX purchases.**

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BENEFITS OF OPEX



3. BETTER TECHNOLOGY:

As a Service purchases also provide value by allowing businesses to better respond to shifts in the technology market. Through the model provided by CAPEX purchases, businesses are responsible on their own to select and purchase new technologies as they are launched; in this context, the decision of whether to install new technology is affected by the aforementioned factors of cost and convenience, as having to pay an entirely new upfront cost for new hardware or software, on top of having to select this technology to begin with, stand in the way of accessing the latest business tools. However, **under the OPEX As a Service model, new technology can be rolled out as a benefit of being a subscriber to the monthly payment plan.** Rather than decide whether to actively invest in the hard purchase of new hardware or software (as under OPEX), under the As a Service plan, businesses can simply switch out old versions of tools for the new upgrades through their MSP (see the example given in point 2). In fact, **many IT vendors switch out hardware and software automatically as new versions are launched, adding further value and flexibility to the payment model.**

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4. INCREASED FLEXIBILITY:

The technology needs particular to any given company are never written in stone; rather, they are subject to change as a result of any number of factors. Two constant examples are that new hires will necessitate the purchase of additional hardware and/or software to operate in the role in question, while layoffs will require an offloading of any technology used in that terminated role. Furthermore, if an existing job requires a new function, or if the exact nature of an existing role changes slightly, or even if the external technology market renders a currently held device obsolete, it is similarly useful for a business to acquire new tools. All of these procedures are vastly simplified by the As a Service model, wherein changing equipment requires not entirely new purchases or personal disposal of devices, but instead a simple change to the details of an ongoing subscription. **Sold As a Service, hardware or software can be far more easily upgraded, increased in number, reduced in number, or swapped out for alternative tools, allowing businesses far greater agility in adjusting to new market needs.** Given the importance of flexibility and agility, then, the As a Service model has significant potential for granting a high ROI when compared to the traditional CAPEX model.

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OPEX FOR MSPs

Previously, we listed the benefits of the OPEX model specifically for end-customers, thereby describing the reasons behind the model's rise in popularity. **Demand from consumers is on its own enough to warrant IT professionals implementing the model themselves**, in order to keep pace with market expectations. Fortunately, the model presents additional benefits for MSPs.



As a sales model, **OPEX presents MSPs with the opportunity to increase profits and overall business valuation with less effort and less unpredictability compared to CAPEX**. The reasons why are inherent to the nature of OPEX itself: **selling subscription packages creates a regular, ongoing stream of revenue**, giving a business a largely predictable income source over the course of months and years (in contrast to less certain, “all at once” income sources gained via one-off sales). Furthermore, **if and when client businesses grow, subscription packages purchased from an MSP are likely to grow as well, further increasing that same reliable source of income**.

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Upselling and switching customers to further upgrades through OPEX likewise becomes simpler, as rollouts of improved systems can be enacted simply as part of the subscription contract. At the same time, **convincing clients to enact upgrades or install additional units through OPEX typically becomes easier**, as paying for such technology does not require a significant upfront investment.

Arguably the most significant benefit is the opportunity for the MSP to improve their customer relations. Selling services prompts clients to enter into an active ongoing relationship with their MSP, in direct contrast to selling products, where a continuing relationship is less certain. **Through the continual rollout of product fixes, updates and upgrades, customers gain greater awareness of the ongoing work that an MSP performs on their communications system, and in general maintain closer contact with the MSP.** As such, customers buying an OPEX plan are more likely to consider the MSP's services as a pivotal source of business value, and an expense that is worth the month-to-month cost.

Additionally, **use of a subscription model allows for the introduction of membership programs and perks, as well as a guaranteed distribution of customer loyalty rewards.** These may consist of economic incentives such as price reductions and reimbursements, or of visibility or priority within the customer network. It is likewise important to consider that **the sense of membership itself can be a draw for customers to buy into and continue a subscription model**, as companies such as streaming services, technology providers and even sporting goods manufacturers have turned active membership in their brands as a benefit in and of themselves.

Improving customer relations further cements the ongoing reliability of the OPEX model and in many ways is core to business longevity for MSPs. This maintained relationship, in combination with continual updates and upgrades, ensures that an MSP has the means to deliver value over an extended period of time and thereby make themselves indispensable to their client's business. **In this manner, past customers inherently become repeat customers, ensuring their continual business to an even more reliable degree.**

MOVING TO OPEX SALES

Despite the wealth of benefits available to the MSP under OPEX, moving to full-on adherence to the model may not be simple. Having been used to CAPEX procedures for some time, it is all too easy for MSPs to be locked in a state of inaction as the rest of the market changes — or, just as harmful, to begin performing actions that may seem to produce change, but in reality have no positive impact on business operations.

A REVIEW BY GARTNER*



*Moving to a Software Subscription Model, May 30, 2018 Contributor: Christy Pettey, © 2021 Gartner, Inc., coupled with industry experience, can therefore provide insight and guidance in completing this shift. <https://cutt.ly/2xHHFox>



1. Plan for a Total Transition

In order to effectively pivot to an OPEX-driven business model, an MSP must first and foremost plan to adopt the model entirely on an organization-wide level. There is no room for partial changes or half measures under this shift; a partway change, wherein some sales and customers continue using CAPEX, will create internal confusion within the MSP's company and largely hamper the necessary process of change. Furthermore, giving clientele the option of CAPEX purchases will leave that area of the customer base susceptible to incoming competitors who themselves make use of OPEX, and therefore likely have the means to win them over.



2. Begin the Transition Slowly

Even with the need for a total transition, it is nevertheless wise to begin that shift slowly, so as to ease customers and internal staff alike into the model. Gartner recommends setting as a goal converting 50% of your current customer base to the OPEX model within a given time frame to begin the process, as well as to include cross-functional teams in internal development and realign sales packages. Flexibility for your license options is key, as is implementing retraining of internal teams while offering full transparency of goals and end strategy.



3. Increase the Value of Your Offerings

Ensuring total conversion of your customer base will likely take more than advertising a switch to OPEX and its assumed benefits. It is therefore essential to offer and advertise improved value for your hardware, software and their associated services. Various ways to implement this include increased flexibility in use and installation of products, utilizing analytics across customers to improve problem areas of services and providing further value-adding capabilities to solutions in your existing portfolio. Finding additional integrations and means for improving the overall portability and ease of use for systems is likewise an effective strategy.



4. Maintain and Solidify Core Aspects of Revenue Intake

Given that the OPEX model is defined by a regular, ongoing revenue stream, it is best facilitated by strong customer relations, capable salespeople and robust billing models. Transparent communication with customers is vital, and may be improved by offering business discounts to those with existing licenses or those who have purchased previous package deals. In terms of billing, it is most beneficial to develop and release electronic autopay systems that will invoice customers automatically, ensuring maximum convenience for both the MSP and the buyer.

Furthermore, if you currently make use of business partners or resellers, it is likewise important to maintain relationships with them as you undergo this change. Communication throughout the transition should be clear and open, with assurances to such partners of a continuing relationship being repeated as necessary, especially through concrete roadmaps of the process.



5. Ensure You Have a Compatible Vendor

To make the shift to OPEX in full, MSPs should also consider if their current vendor is capable of supporting them through the process, and if not, seek out a different vendor with a greater focus on OPEX selling. As said, the process of shifting to OPEX entirely can be a challenging one; it is entirely advantageous for any MSP to be allied with a vendor who is likewise committed to that change and, better yet, willing to provide assistance throughout the process. Ideally, vendors should provide this support via an embrace of the OPEX model on their end, in addition to training to facilitate the transition.

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OPEX WITH WILDIX

One vendor particularly committed to enabling MSPs to sell through the OPEX model is **Wildix**.

Wildix, developer of the first WebRTC-powered UCC solution in the cloud and based in the browser, encourages its business partners to sell all its software and hardware as a service. When selecting licenses and hardware devices from Wildix, partners may easily opt for monthly plans on any product offered and use this model to pass the benefits of OPEX onto customers. Additionally, **Wildix provides a number of incentives to partners who earn a high amount of MRR, including purchase rebates, publicity and cash prizes.**

The Wildix solution is especially suited for OPEX thanks to its operability in the cloud and through the browser. This combination allows partners to issue updates to end-customers quickly and conveniently, without requiring additional downloads of applications. In many cases, upgrades can be carried out by end-customers themselves, as **software updates and fixes for Wildix products are typically applied by updating the browser.** In cases where partners must implement fixes, the process is likewise accelerated, as **Wildix software is built on the React and React Native Javascript frameworks**, which allow for near instantaneous rollouts of changes in coding.

Furthermore, **Wildix is easily scalable for both end-customers and MSPs.** Regardless of whether the hosting PBX uses an on-prem, hybrid or cloud model, **new Wildix licenses take minimal time to set up and issue to new users, and in fact the process can be completed entirely remotely by the issuing MSP.** Likewise, Wildix deskphones can also be provisioned remotely by the MSP when using a wired connection, although in many cases Wildix hardware connects to the hosting PBX through only a WiFi connection (which the end-user can easily set up themselves).

This scalability and general friendliness to the OPEX model, combined with the fact that Wildix issues regular updates to its software lineup and new additions to its hardware portfolio, makes it **a readily profitable choice for those MSPs who are interested in bringing the benefits of OPEX to their own businesses.**

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SUMMARY

The impressive pace at which communications technology advances, in both software and hardware, combined with the increasing need for business flexibility has resulted in businesses favoring **subscription-based buying of such technology instead of one-time purchases**. This shift — in short, from CAPEX (capital expenditures) to OPEX (operating expenditures) — can at its best provide end customers with the benefits of **easier scalability, instant access to product fixes and upgrades, long-term product warranties and more reliable product support and repair**.

In the case of MSPs, **the OPEX model provides such notable benefits as a chance for improved customer relations, increased customer loyalty and a more reliable stream of incoming revenue**. These benefits also stand in addition to simply keeping pace with the competition, many of whom are already implementing As a Service methodologies for serving end-users and consequently have an edge in the advancing technology marketplace.

Should an MSP wish to change to the OPEX model, it is pivotal that they:



1. Plan for a total transition
2. Begin the transition slowly
3. Increase the value of offerings
4. Maintain and solidify core aspects of revenue intake
5. Ensure they have a compatible vendor

Regarding the last point, **it is well worth considering Wildix as such a vendor to partner with while making the transition to OPEX, as this developer in particular is highly supportive of As a Service technology sales**, both when MSPs are shifting to the model and after they have successfully completed their transition.

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