



IT NATION™

SECURE

hosted by  CONNECTWISE

How High OML MSPs Sell More Security More Profitably

Presented by Peter Kujawa, VP, Service Leadership & ConnectWise TSP Evangelist

Confidential to Attendees



IT NATION™ **SECURE**

Your Presenter Today



Peter Kujawa

VP, Service Leadership & ConnectWise TSP Evangelist

IT Solutions/Services Executive

- 12 Year MSP President/CEO
- Led business turnaround including the acquisition by one of the largest privately held office technology dealers in North America.
- 2023 Top 50 Channel Influencer – Channel Futures
- Licensed attorney – Former Corporation Counsel
- With Service Leadership since 2021

About Service Leadership, Inc.[®], a ConnectWise solution

The leading benchmarker to TSPs worldwide.

Publishers of:

- The Service Leadership Index[®] (S-L Index[™]), the largest-scale benchmark of TSP financial performance, operational maturity and value creation, worldwide.
- SLIQ[™], cloud based Operational Maturity Level[™] (OML[™]) progression tool, guides TSP executives to attain Best-in-Class performance.

Acquired by ConnectWise in 2020, continues as a separate business unit.

Agenda



Industry Update



How High OML Do IT



**Four OML Traits – Pricing and
Packaging, TCP, Tech Stack, Paid
Assessments**



**2023 Solution Provider
Compensation Report**



Questions

Now Available! Service Leadership Index™ 2023 Annual IT Solution Provider Compensation Report™

Compensation Report includes:

- Total annual earnings (TAE) for 50+ common TSP positions by geographic region and Predominant Business Model™ (MSP, VAR)
- Service Multiple of Wages impacted by hourly rate and utilization
- Owner/principal compensation
- Variable incentive compensation
- 2022 actual and 2023 budgeted % increases



Measurement	TAE	Variable % of TAE	Hourly Bill Rate	TAE Increase - 2022	TAE Increase - Planned 2023
1st Quartile	\$ 46,125	2.5%	\$ 115	4% to 6%	3% or Less
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Mean - 1-3 Years	\$ 49,504	6.1%	\$ 138	More than 6%	4% to 6%
Mean - 4-7 Years	\$ 61,302	5.1%	\$ 135	More than 6%	4% to 6%
Mean - 8+ Years	\$ 74,329	6.1%	\$ 142	4% to 6%	4% to 6%

Purchase the compensation report and save \$500.00 through June 9!

Now US\$1,299.00 (was US\$1,799.00)

If you participated in the compensation survey, you already got this at no cost.

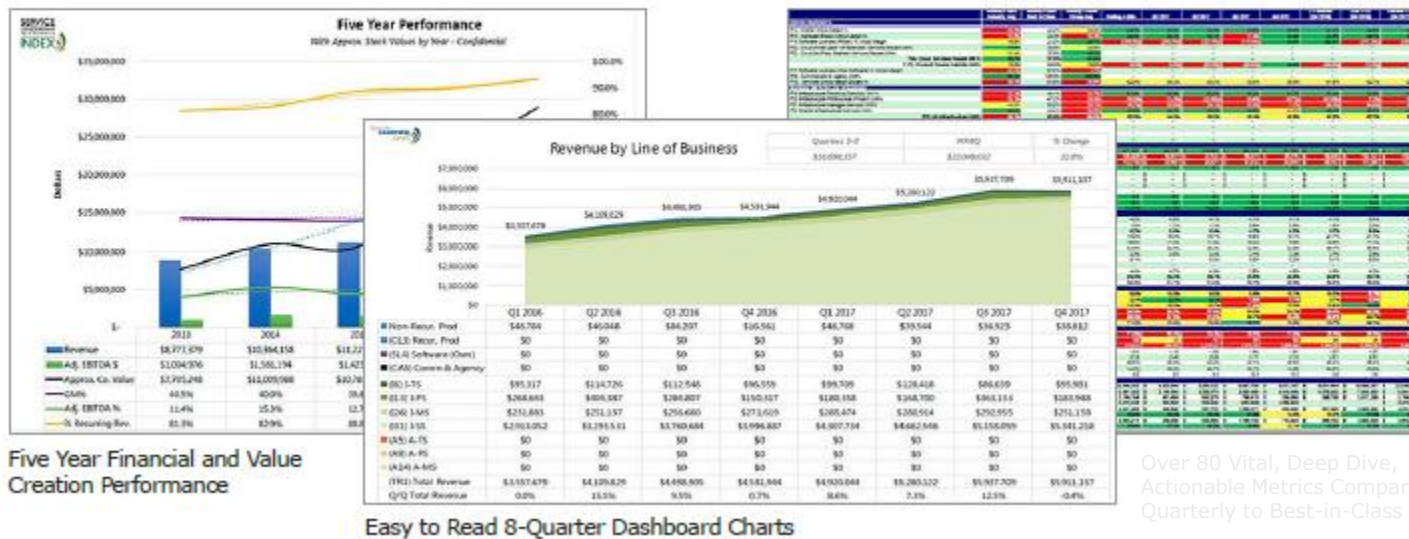


How Is the Industry Doing?

Where We Get Our Data - S-L Index (S-LI) Quarterly Benchmarking

Confidential, in-depth comparison of the IT solution provider's own performance to the Best-in-Class for their business model!

Sample Quarterly Benchmarking Charts You'll Receive:



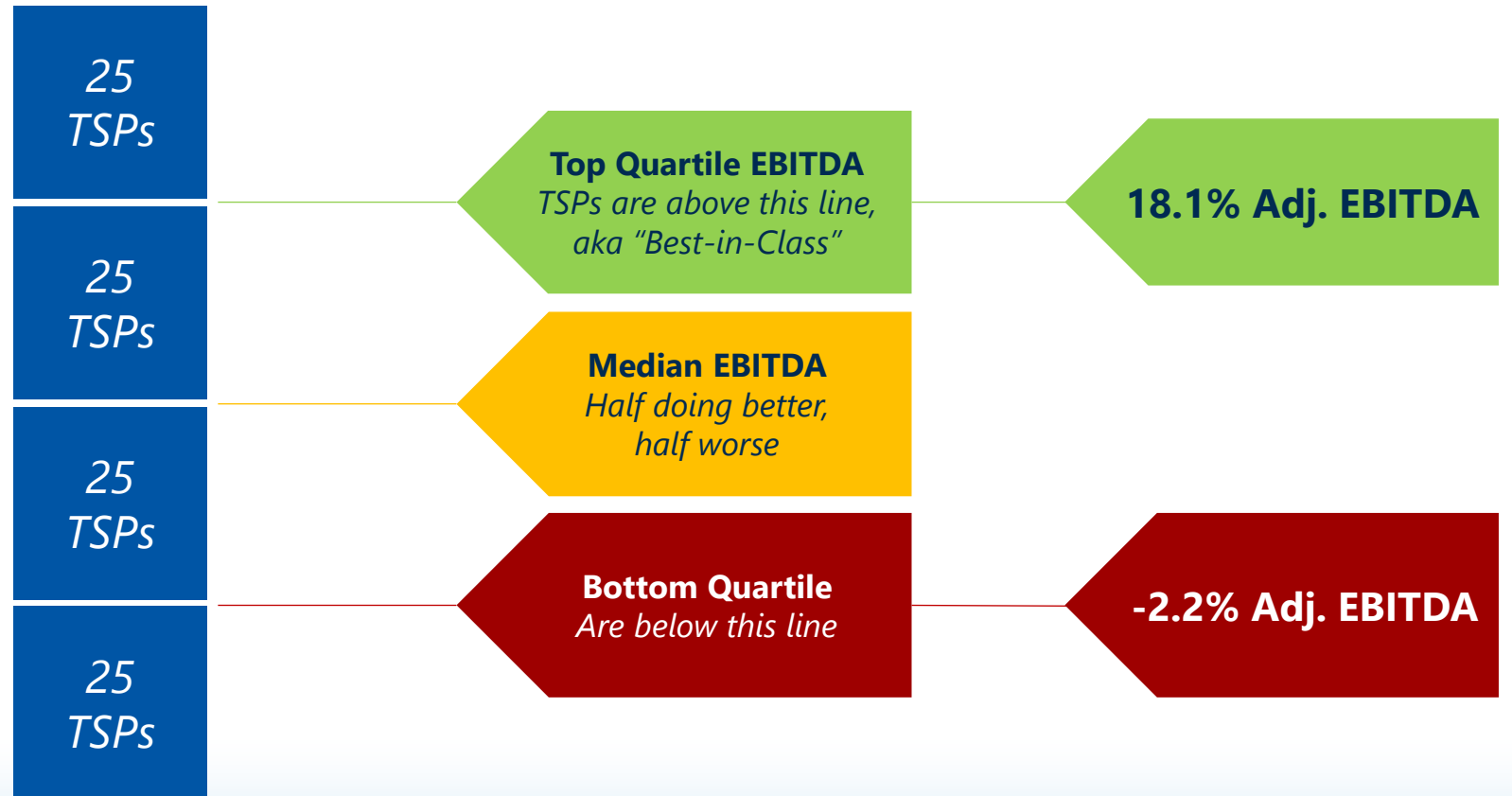
Includes 80+ key metrics for deep dive analysis and action. Each quarter, members are benchmarked against:

- Their own previous quarters and year/year,
- Industry average (across all Solution Provider business models),
- Best-in-Class (those in the top quartile of profitability in the member's specific Solution Provider business model)
- Annual Stock Value Creation Performance Chart delivered each January.

Plus access to exclusive monthly, Financial Fireside Chat™ webcasts with S-L experts.

Our Definition of Best-in-Class

If you have 100 Service Providers in a room, and you sort them by their true EBITDA%.

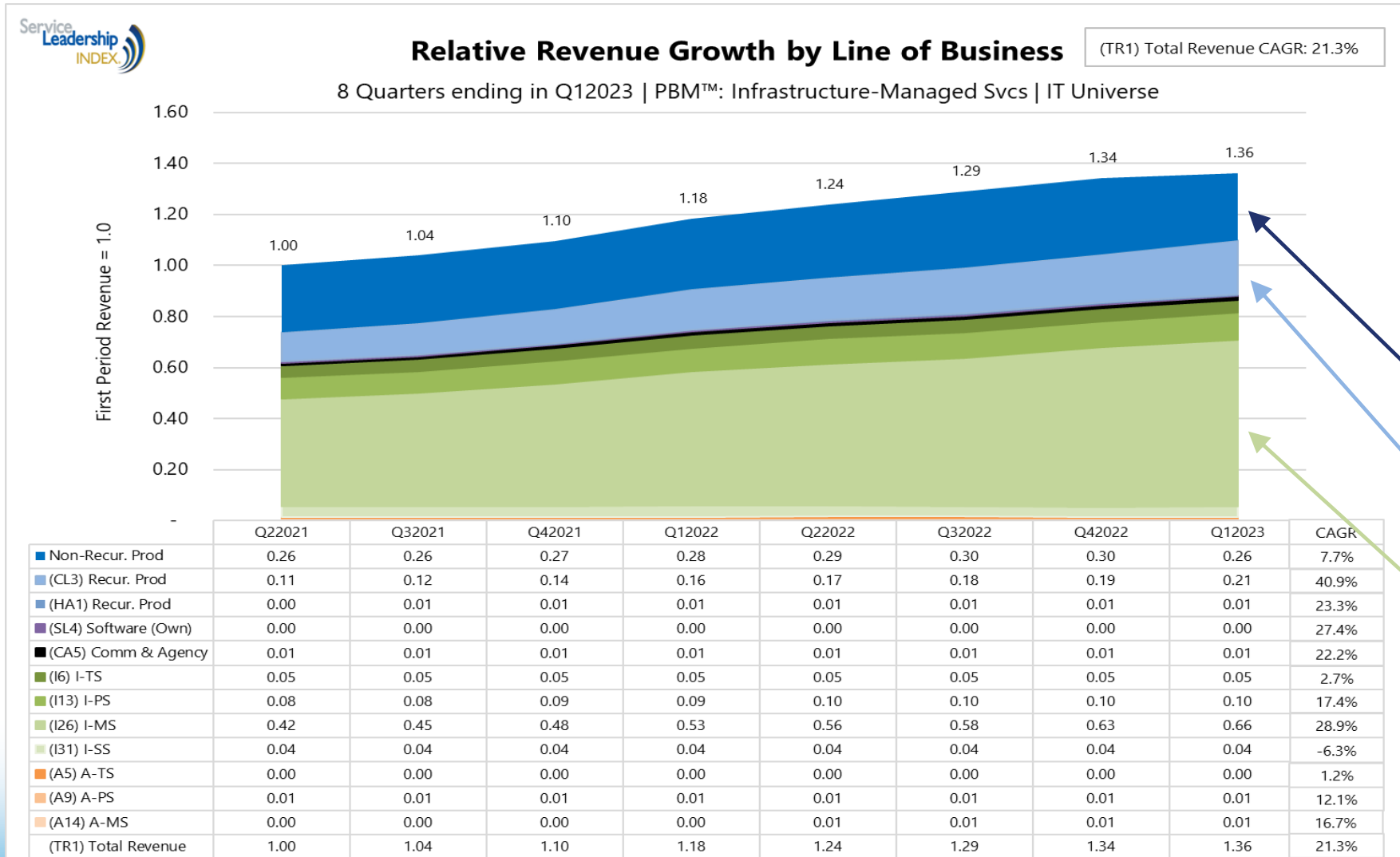


MSP Growth and Profitability

MSP Profitability Quartile	Threshold Q1-23 Adj. EBITDA%	Avg. Q1-23 Adj. EBITDA %	Avg. Growth MR4Q: Total Revenue	Avg. Growth MR4Q: Recurring Revenue
Top Quartile (Best-in-Class)	>= 18.1%	23.6%	19.7%	25.5%
Median	8.4%	11.1%	22.3%	25.9%
Bottom Quartile	=< -2.2%	-7.3%	11.6%	13.9%

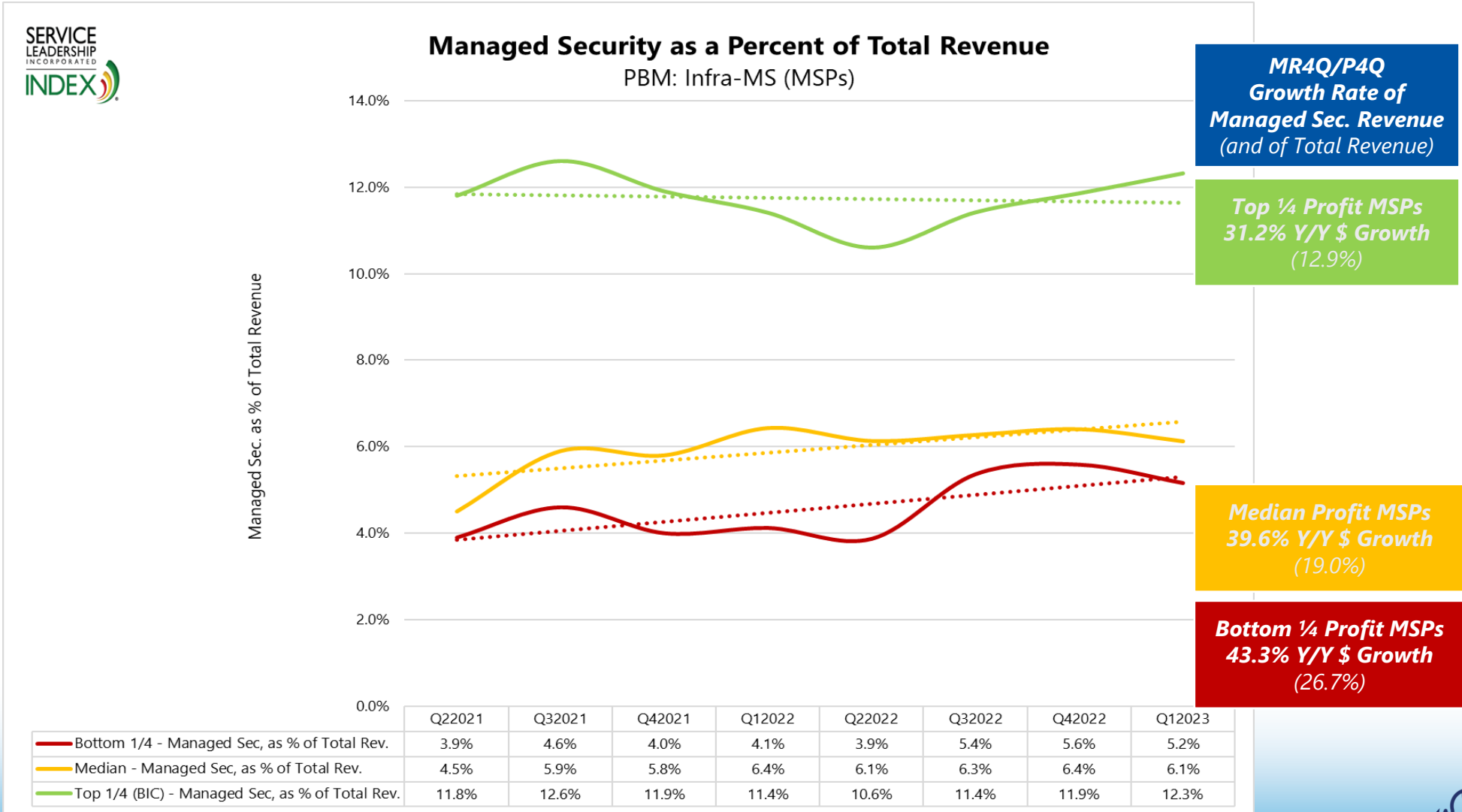
- 31% of MSPs were unprofitable (25% in Bottom ¼ and 6% in Median).
- Those MSPs in the top quartile of profitability grew their total revenue, and recurring revenue, the second fastest, after the Median.
- Those MSPs in the bottom quartile of profitability grew both, the slowest. This is true in almost all quarters.
- This makes sense: if you are continually adding new contracts, chances are your tech team is highly utilized, and that produces high gross margin.
- There is a lot of churn in the Bottom Quartile: get better, go out of business or sell as a distressed asset.
- There is only about 20% churn in the Top Quartile. When they do fall, they don't fall far or for long. Once you learn how to ride the bicycle, you may fall but less severely and you get right back on.

Average MSP: Revenue Mix and Growth



- The numbers along the top show the average MSP's revenue vs. Q2-21.
- Most of 2021, barring some product supply chain issues, was not affected by COVID, and revenue had normalized. The current y/y growth rate is at 21.3% which is a strong indicator for the industry.
- Traditional Product Resale grew y/y at an 7.7% pace.
- Cloud resale (AWS, M365, Azure, etc.) grew at a 40.9% pace.
- Managed Services Revenue grew at a 28.9% pace. This is about 4X faster than normal, and a good sign.

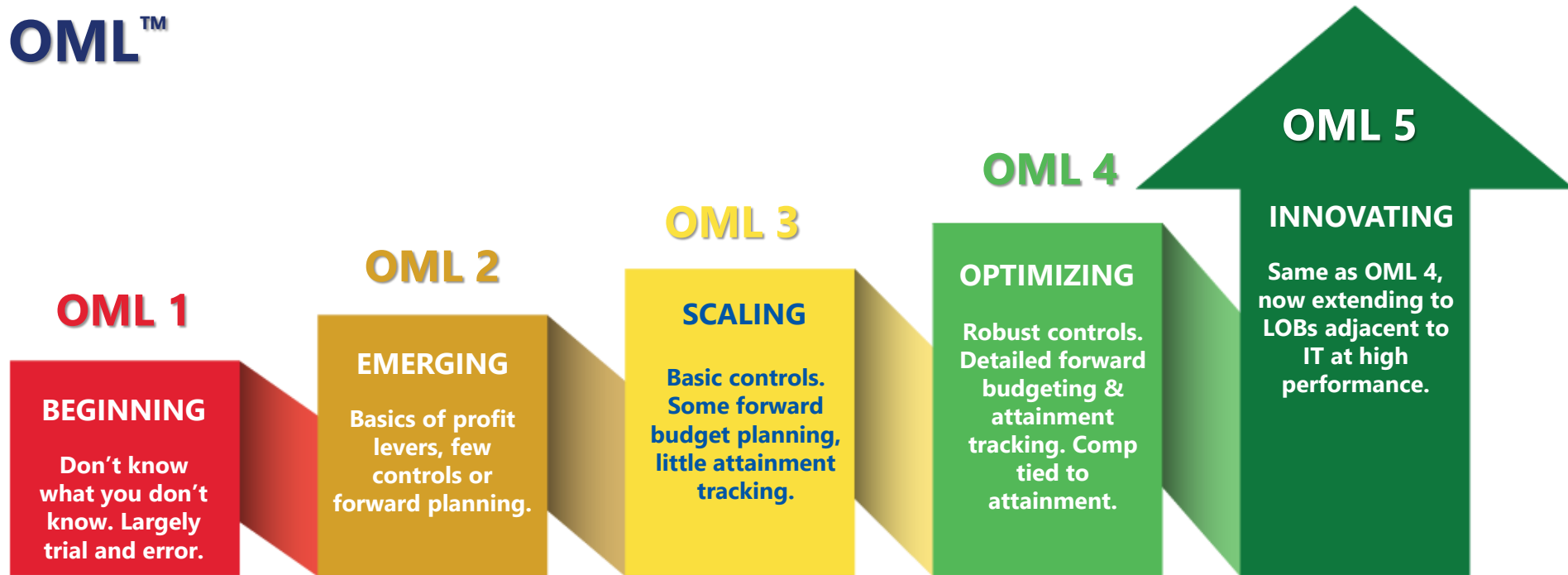
Best-In-Class Are Selling More Managed Security



How High OML MSPs Do It

Operational Maturity Levels™

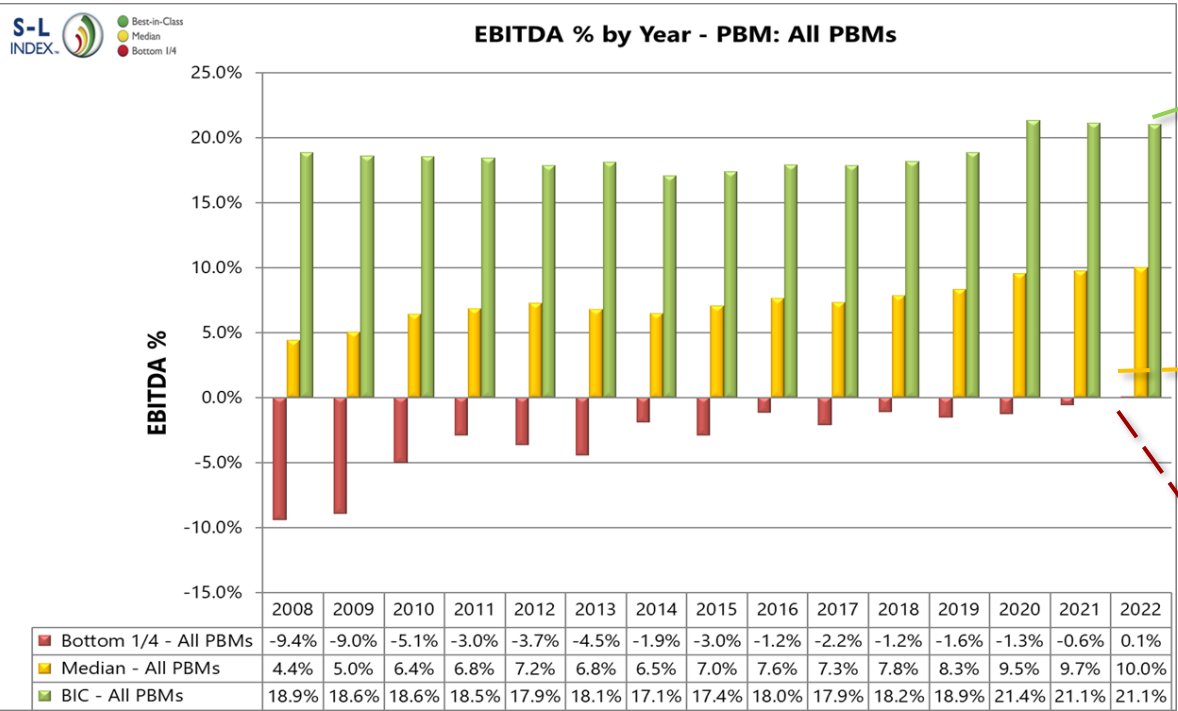
OML™



Higher Operational Maturity Level means increased ability to:

Drive accelerated performance | Maximize profit and value creation | Differentiate in the marketplace
Mitigate business risk | Drive accountability

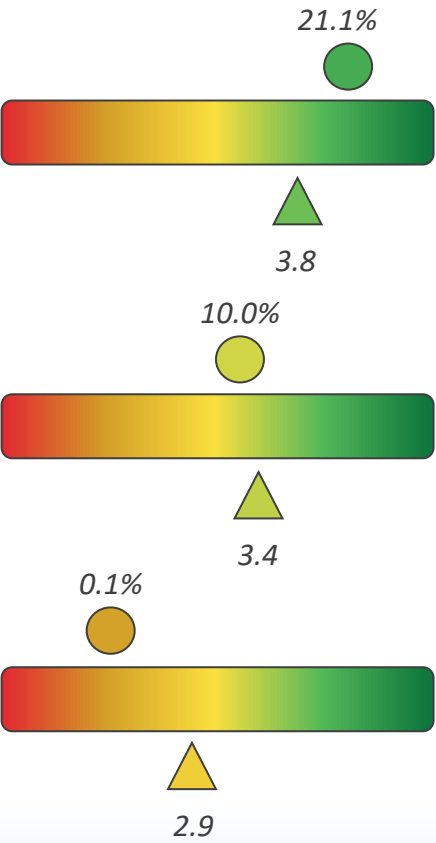
OML™ and EBITDA Profitability



Best-in-Class
EBITDA% ●
Average OML ▲

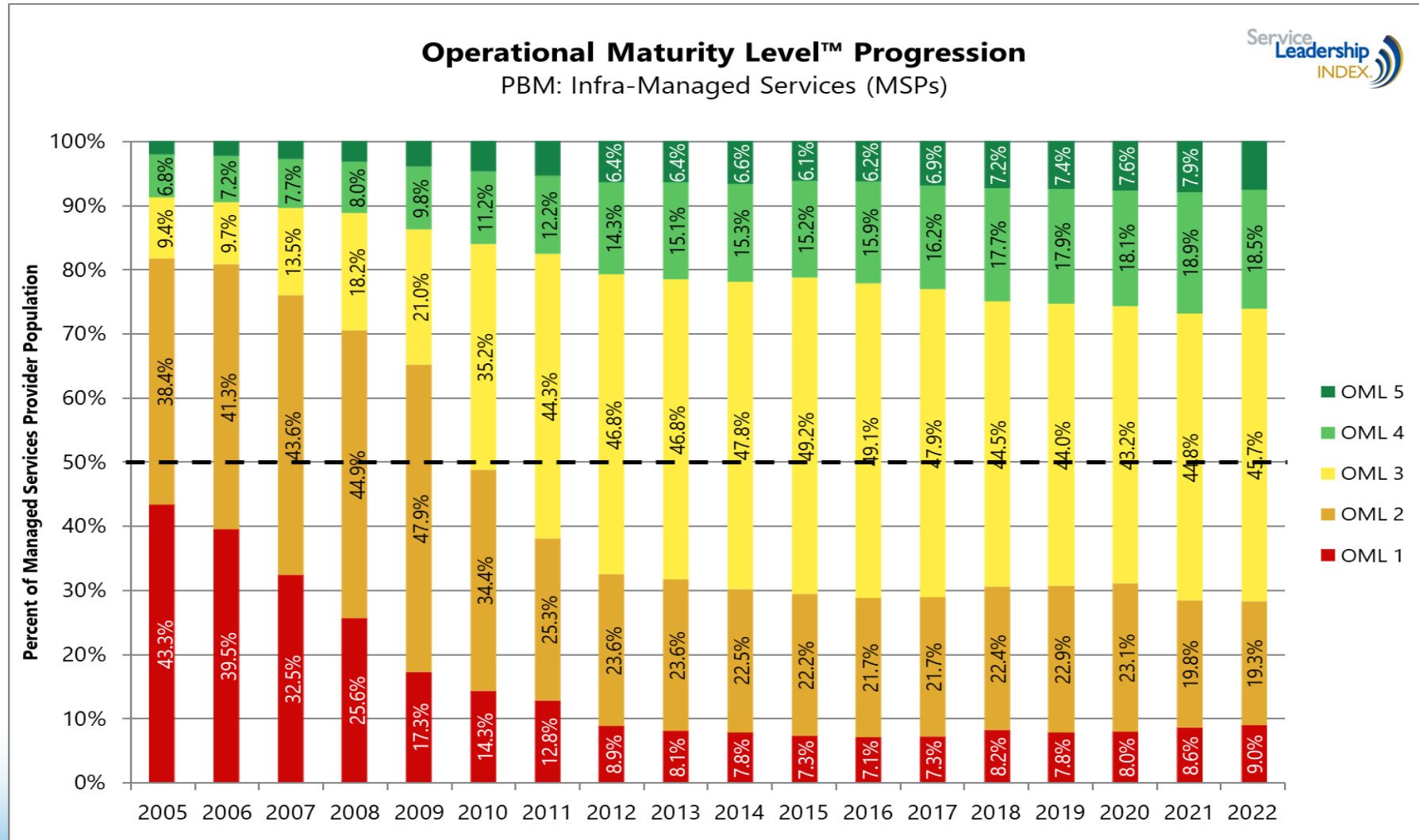
Median
EBITDA% ●
Average OML ▲

Bottom Quartile
EBITDA% ●
Average OML ▲



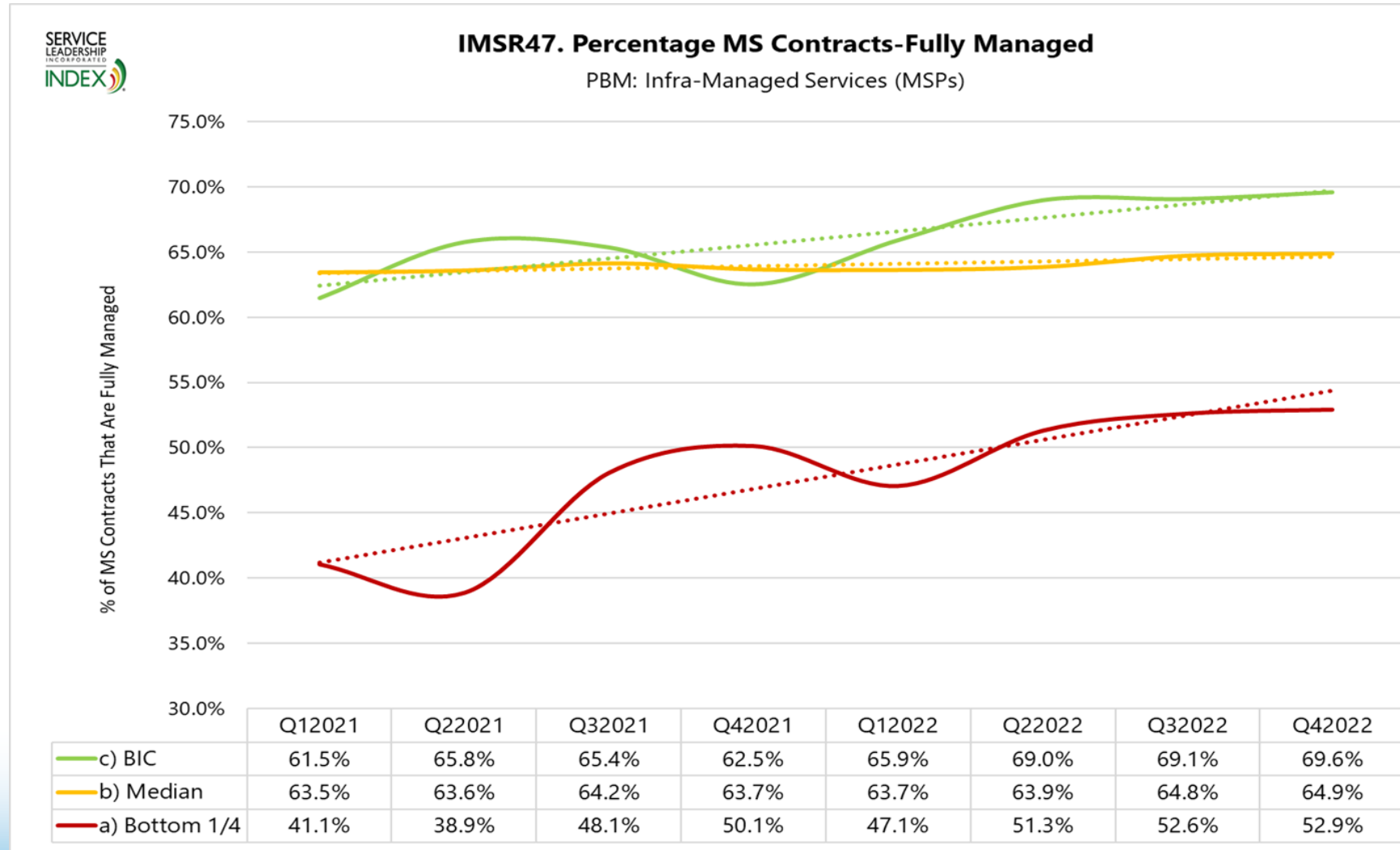
There is a strong positive correlation between Operational Maturity Level™ and EBITDA.

The Industry Is Getting Better – Are You?



OML Improvement – Pricing and Packaging

High OML Sell More Fully Managed Packages as a %

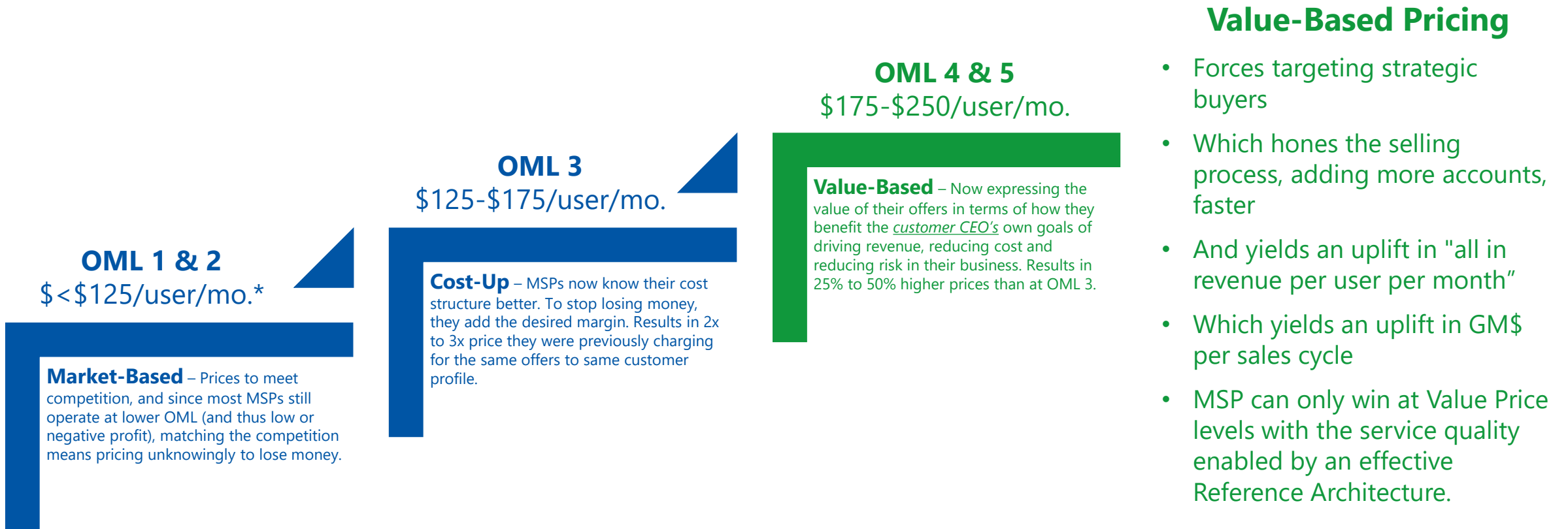


BIC achieve this by narrowing the number of packages offered.

“Good-Better-Best” is common to lower-OML.

Less than 20% of those buying “Good” or “Better” will ever move to “Best” and they will be the lowest Gross Margin clients.

And The High OML Price Much Higher



*Average annual per customer revenue ÷ by # users ÷ by 12 months.

And The High OML Include More In Their “Fully Managed” Package – Security is Not an Option

“Gold” Package – Low OML	
Desktop Support	Included
Server Support	Included
365 Support	Included
Patching	Included
Firewall	Included
AV/AM	Included
Backup/DR	Included
Spam Filter	Included
Unlimited Helpdesk	Included
Total	\$100/User
SIEM/SOC	Optional
MDR/XDR	Optional
Security Education	Optional

“Gold” Package – High OML	
Desktop Support	Included
Server Support	Included
365 Support	Included
Patching	Included
Firewall	Included
AV/AM	Included
Backup/DR	Included
Spam Filter	Included
Unlimited Helpdesk	Included
SIEM/SOC	Included
MDR/XDR	Included
Security Education	Included
Total	\$140/User

Note – Pricing is only to illustrate example, not actual BIC pricing.

Actual BIC would price “basic” components higher, in addition to adding more security into the package.

Key Takeaways of High OML Pricing and Packaging

1. Sell less packages

- Avoid “Good-Better-Best”
- Begin transition plan. If needed, go from three to two.

2. Use Value-Based Pricing – Charge more.

- Remember, 1/3 of your competitors are losing money.

3. Include advanced security

- Don’t sell “cafeteria style.”
- As an added bonus, it will lower your customer’s (and your) risk profile.

OML Improvement – Target Customer Profile (TCP)

The Business Principle of TCP

The marketing description of Managed IT for Small, Medium and Enterprise customers is essentially identical.

But what and how you deliver Managed IT to them differs significantly:

- They require different technology standards.
- Which means they require different tools, processes and people.
- Which do not share well across multiple customer sizes.

Therefore, top performers do not attempt to serve more than one customer size segment.

Keys to Best-in-Class Growth and Profit

1. **Service quality rules all.** Without it, good growth is not sustainable.
2. If you want to service deliver quality at a profit, you can only **choose one customer size segment and must enforce technology standards.**

Narrow TCP

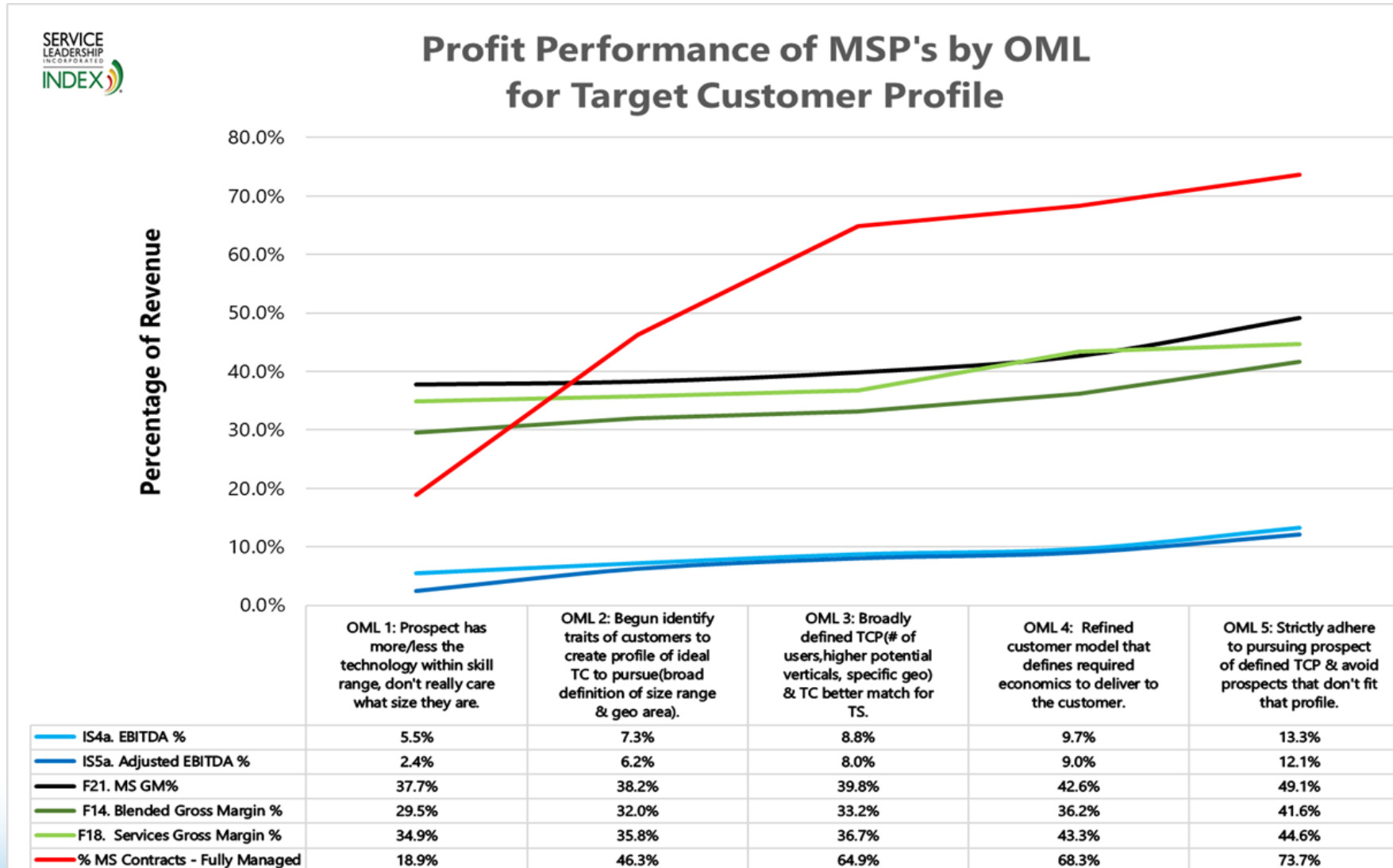
- Makes possible..

Tight Tech Standards

- Makes possible ...

Higher Service Quality and Efficiency

Target Customer Profile & Financial Performance



Why is TCP Foundational?

It is the only way to define Technology Standards, which in turn enables:

- Improved Service efficiency (lower COGS)
- Higher Service quality, including trust & span of control
- Higher customer and employee satisfaction / retention
- Faster new revenue growth (buy-in and confidence of Sales team)

Technology Standards enable Sales to sell more deals faster:

- Differentiate the offer better through quality and price
- Qualify and know who to walk away from earlier
- Better positions value-based pricing
- Appeals to strategic IT buyers

Discrete Customer Sizes

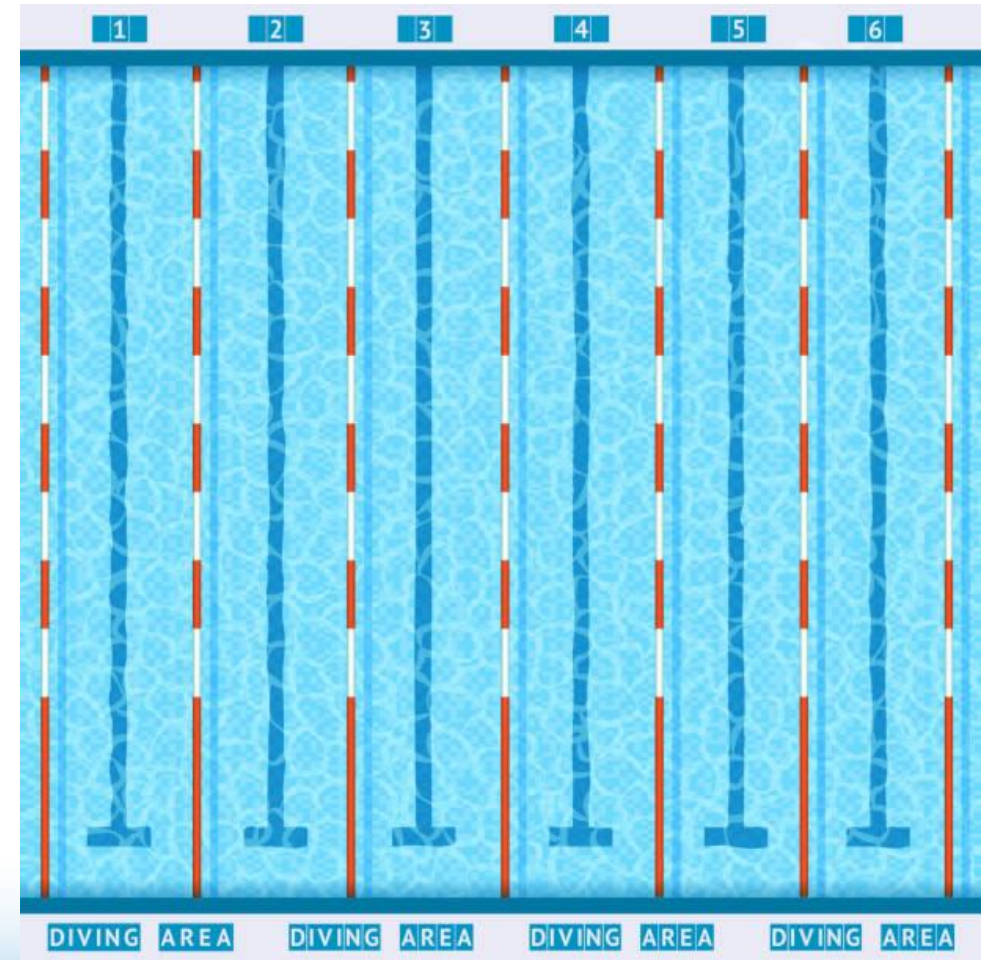
Please choose from this list, which (single) customer size range you will sell your solutions and services to:

- 1-25 Users
- 26-100 Users
- 101-500 Users
- 501-1,000 Users
- 1,001-3,000 Users
- 3,001-10,000 Users
- More than 10,000 Users

Think of TCP as Swim Lanes

1. All lanes need managed services.
2. Just don't try to swim across a Lane!

Does that mean I can never sell larger or smaller? – No, but be careful...



Are They Still In Your TCP?- Three Questions

1. Can we support them with the exact same tech stack?
2. Can we use our SLA without modifying it?
3. Will you be able to use all your standardized processes for:
 - a) Account management?
 - b) Client support?

If you have to make changes, they are not in your TCP

By Defining Your TCP...

1

You can **minimize** the range of **skills, tools** and **processes** you need, so you can control cost and deliver higher quality outcomes.

2

Your marketing knows what messaging is needed and **who to target** to generate qualified leads.

3

Your sales reps know who to sell to and who to walk away from.

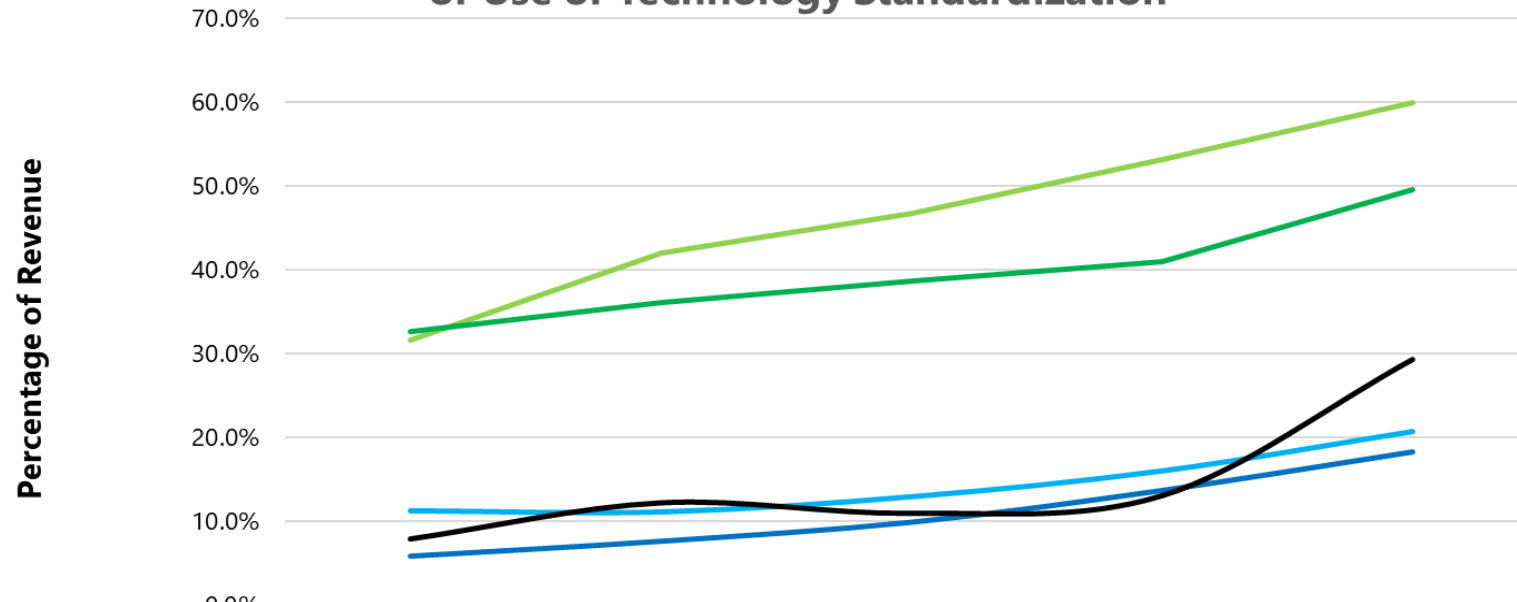
Leads to **higher commissions** and **less rep frustration**.

OML Improvement – Tech Stack

Technology Standards and Financial Performance



Profit Performance of MSP's by OML of Use of Technology Standardization



	OML 1: Vague standards, compliance not required.	OML 2: Developing standards, compliance not required.	OML 3: Standards narrowed, compliance encouraged.	OML 4: Standards defined, higher fee for non-compliance.	OML 5: Compliance required, few or no exceptions.
IS4a. EBITDA %	11.3%	11.2%	13.0%	16.0%	20.7%
IS5a. Adjusted EBITDA %	5.9%	7.6%	9.9%	13.7%	18.2%
BSR1. Return on Assets (ROA)	7.9%	12.2%	10.9%	13.0%	29.3%
F21. MS GM%	31.6%	42.0%	46.8%	53.1%	59.9%
F14. Blended Gross Margin %	32.7%	36.1%	38.7%	41.0%	49.6%



Driving Technology Standards (Tech Stack)

Low OML Approach

- Have preferred technology but will support other products if client buys managed service offering.
 - “Do any of you know how to support this?”
- When they do require their products, they allow the client to continue to use until licenses expire.
 - “It is a perfectly good product and they bought it from us.”

High OML Approach

- Have a deep and well-defined tech stack
 - Includes all tech that they will need to manage
 - Includes robust security
- All deployed in onboarding
 - “Rip out” everything else
- Non-negotiable – 100% of Managed Service clients

Tech Stack Approach Matters Now More Than Ever

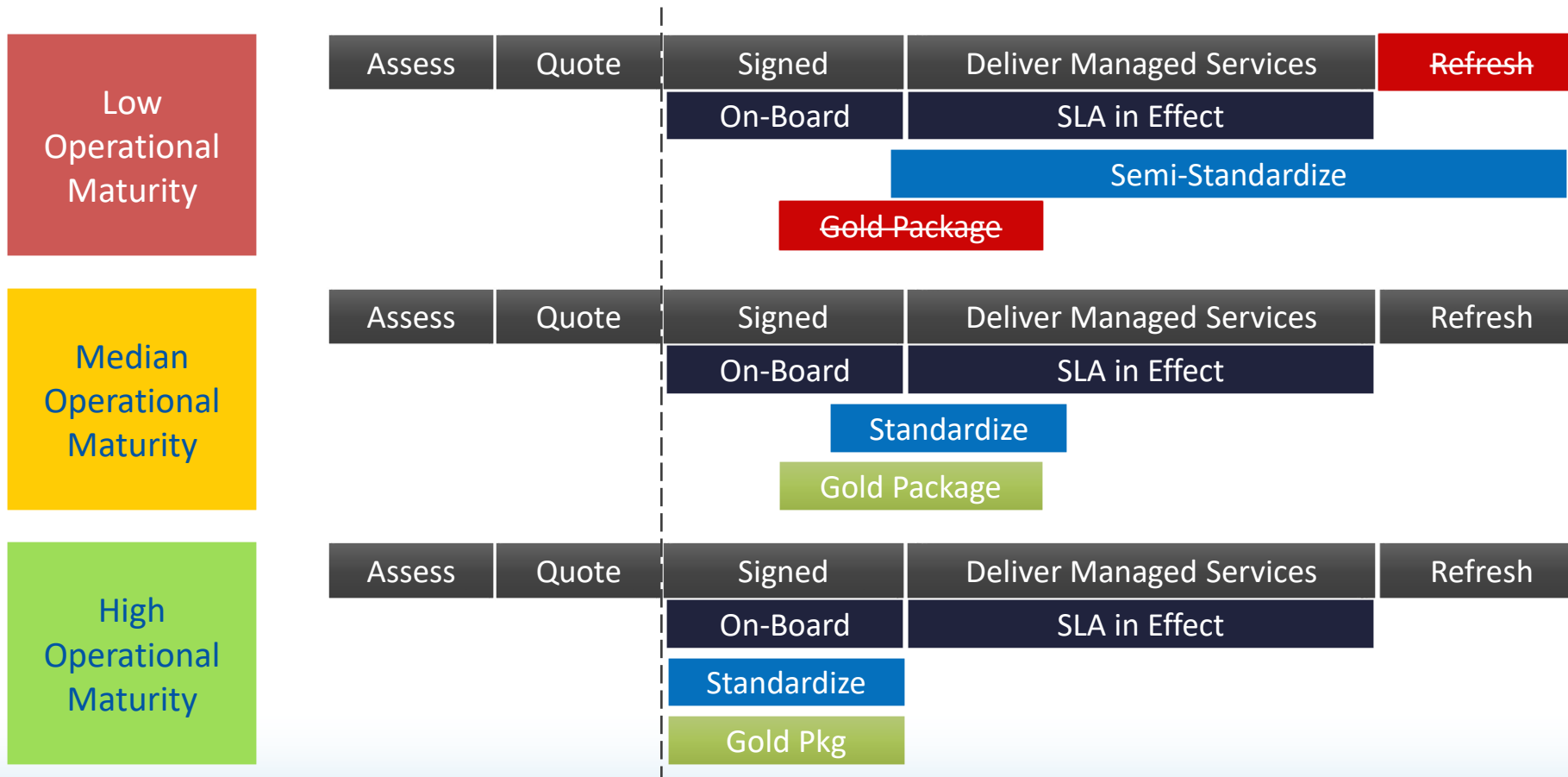
Low OML Approach

- Recruiting and retention impacts:
 - Lower quality customer outcomes – increases turnover
 - Longer resolution times – requires more staff
 - More impact when employees leave (specialized skill sets)
 - More difficult to train new employees
 - Increases need for higher cost engineers
- Increased cyber risk

High OML Approach

- Recruiting and retention impacts:
 - Easier to document all products and train new employees
 - Can staff with more lower cost engineers
 - Faster resolution times – Less staff needed
 - Happy clients lead to less burnout
- Lower cyber risk

OML Trait – Onboarding - Best-In-Class MSPs Sell and Install a Standardized Tech Stack from the Start



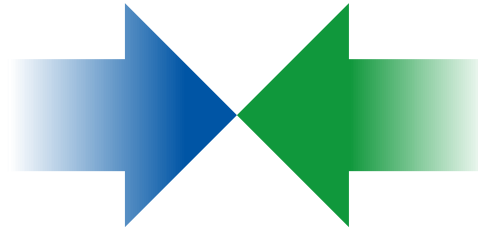
Note: "Gold Package" means your fullest MRR package.

OML Improvement - Paid Assessments

Charging for Technical Assessments

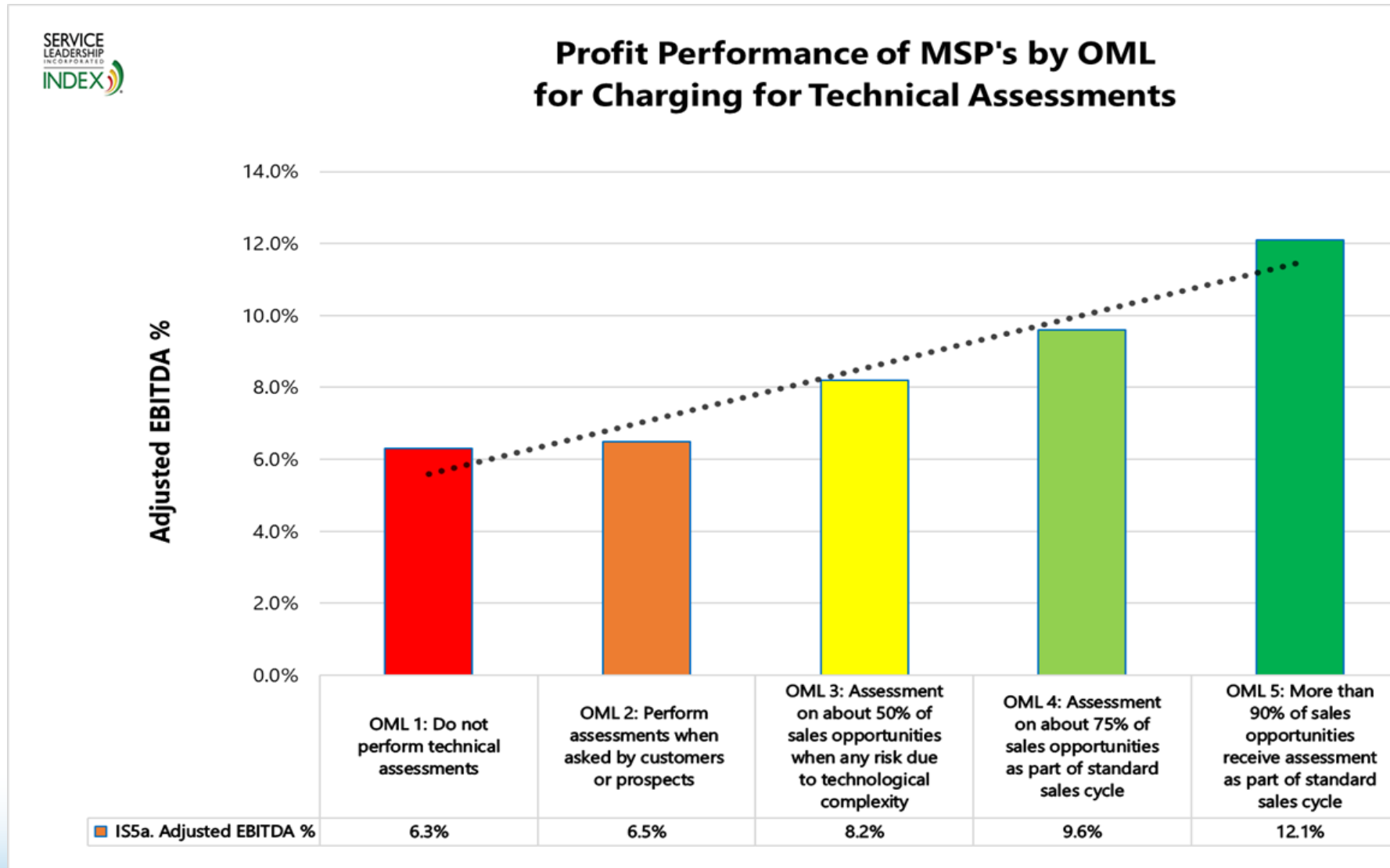


No need. We do a quick but good technical assessment at no cost, and quote successfully from there.



We do a paid technical and business alignment on 90% of our opportunities before quoting Managed Services.

Charging for Technical Assessments



The What and Why of Charging for Technical Assessments

What

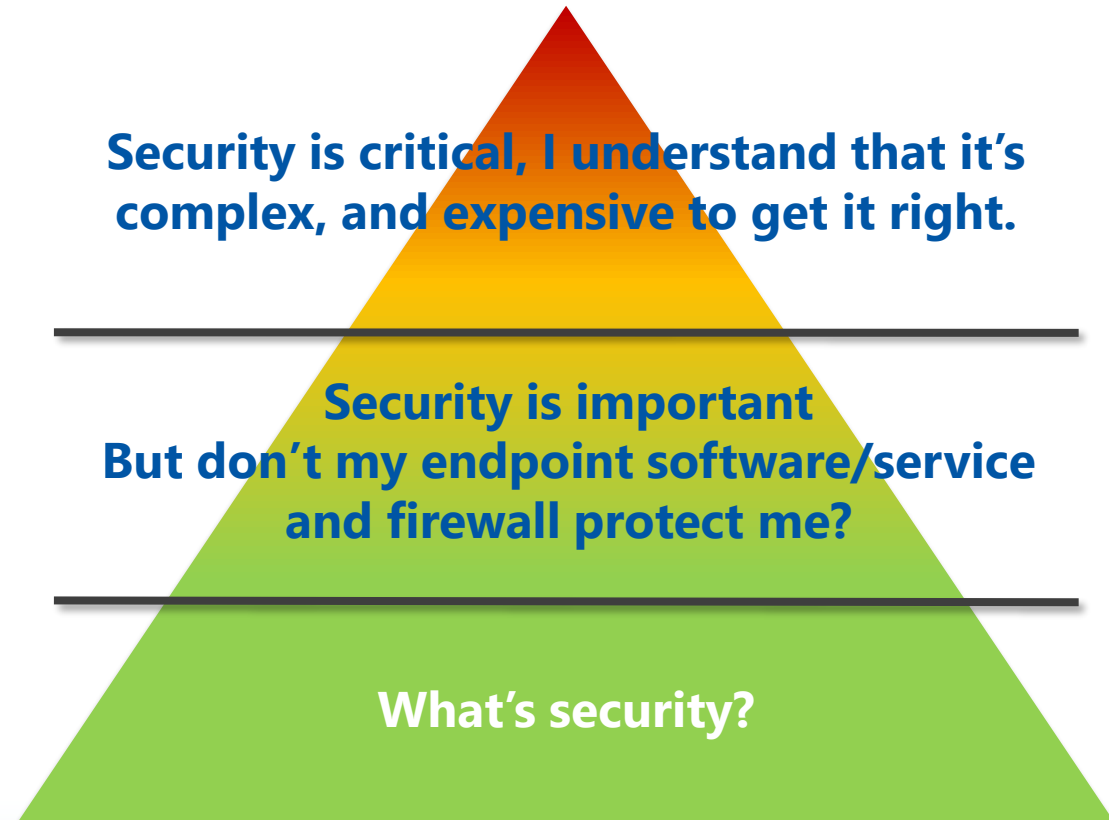
- MSPs in the top quartile of growth and profitability charge for assessments before providing quotes, proposals, SOWs, SLA.
- If the prospect won't pay for the assessment, they "pass" on the prospect.
- SPs at lower growth and profit, don't charge enough, often enough, for assessments.
- Top quartile MSPs charge enough to deliver 51% Service Gross Margin

Why

- Assessments are expensive to perform. This will ensure only real prospects are getting them and will limit technical team staffing needed.
- It eliminates "tire kickers" and "price point buyers" earlier in the process. This focuses sales and technical resources on legitimate prospects.
- It is a proven way to reach the C-suite with a differentiated message and build credibility.
- It turns "Gross Margin leakage" to "Gross Margin Enhancement."

This is Appealing to “Strategic Buyers”

- “Awareness dimension” – do they get how important security is?
- Relevance dimension – do they see security as highly relevant to their success?
- Ability to pay dimension – are they able and willing to pay?



Marketing Is Critical

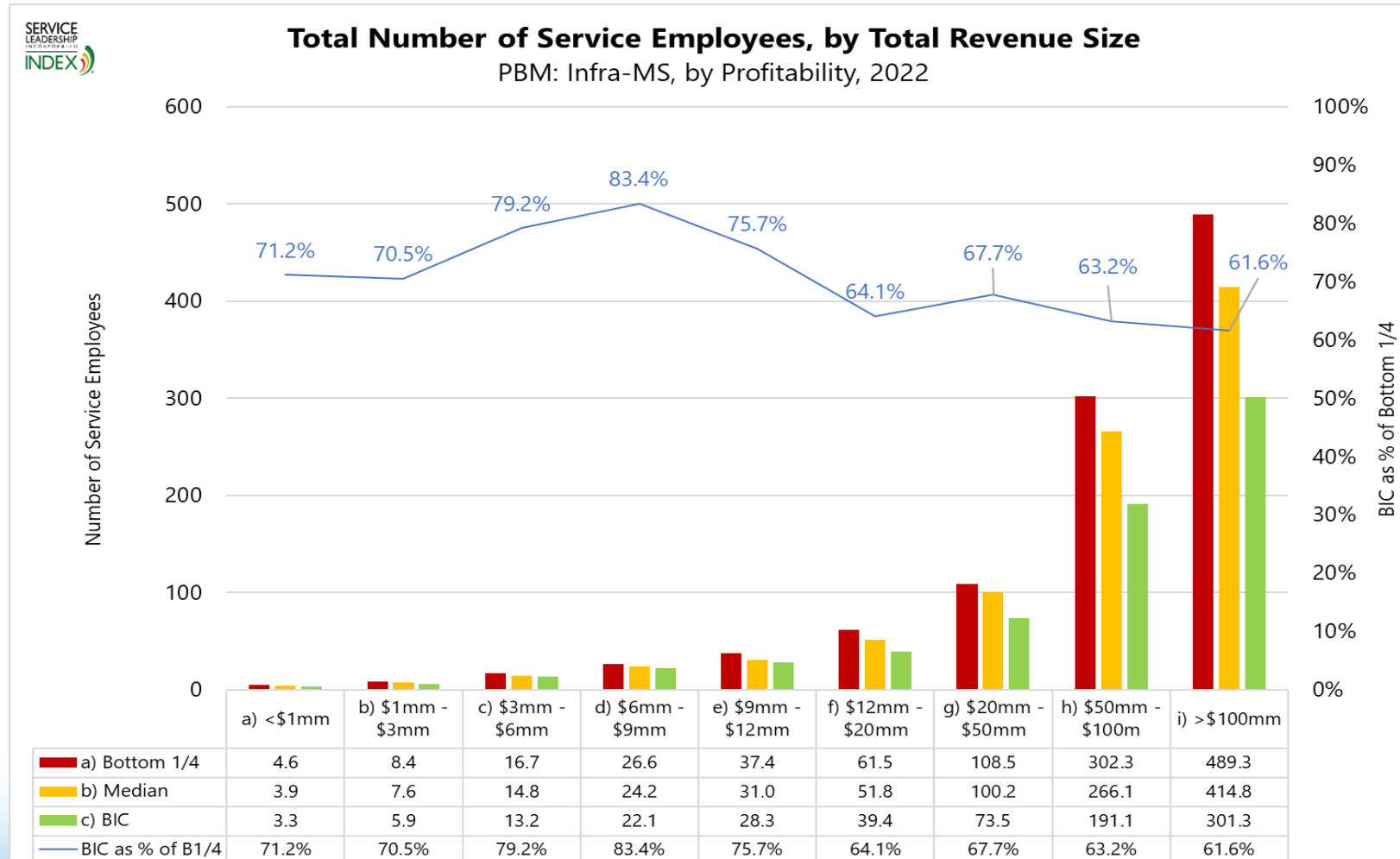
Even today, many companies still are relying on a security strategy based on hope and outdated, simplistic security approaches.

Marketing is required to identify the minority of decision makers and influencers, in your TCP, who actually want to (a) address the security challenge in its entirety; and (b) have the financial wherewithal to do so.

Most Solution Providers are challenged when it comes to marketing, much more so marketing directed at such a nuance subject and buyer.

Make sure your marketing is focused on finding the right buyers.

TCP + Tech Stack + Fully Managed + Paid Assessments = Less Service Employees



This chart shows just Service employees (excluding managers). It shows that the BIC Infra-Managed Services (I-MS) firms have materially fewer Service employees than do the Median and the B1/4 firms.

I-MS firms that follow best practices can create labor leverage unavailable to those who do not.

Key practices for I-MS firms are:

- Narrow the target customer profile to enable a narrow tech stacks, yielding powerful cost and quality benefits,
- Ensure all clients buy your fullest package, giving your team the greatest ability to deliver value to the client and to you.

In every market and customer segment, by the way, the BIC are more effective at charging for – and charging *more* for – Services, than their lower-performing peers in the same market.

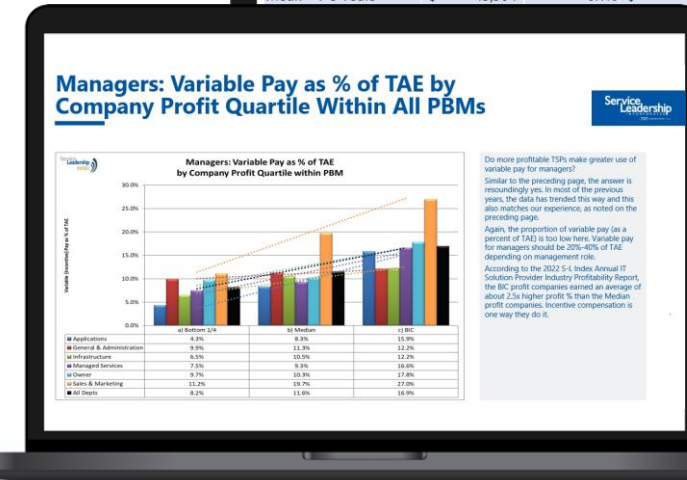
2023 Annual Compensation Report

Now Available! Service Leadership Index™ 2023 Annual IT Solution Provider Compensation Report™

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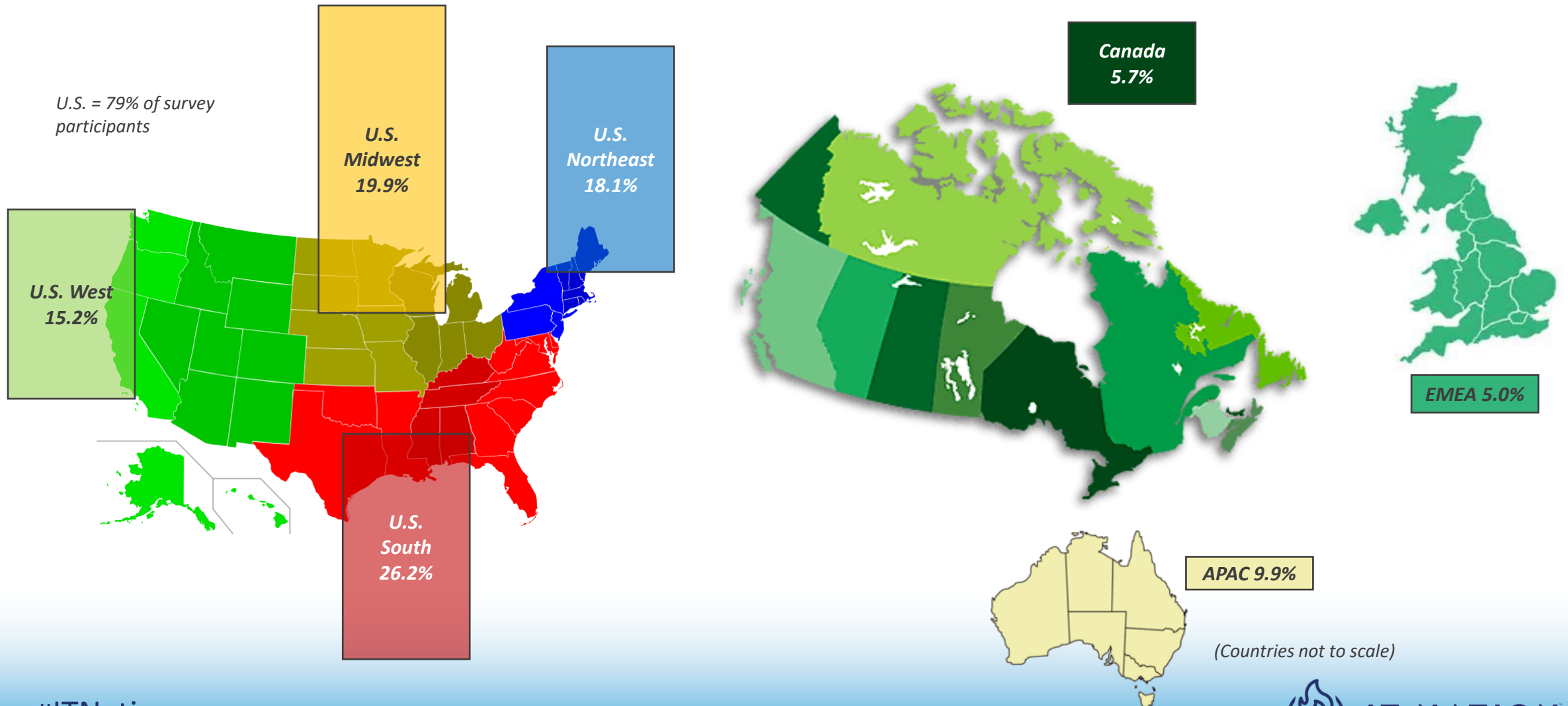
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			\$ 135	More than 6%	4% to 6%
			\$ 142	4% to 6%	4% to 6%



**Buy the full report for \$US1,799 today!
Or get your complimentary copy of the executive summary.**

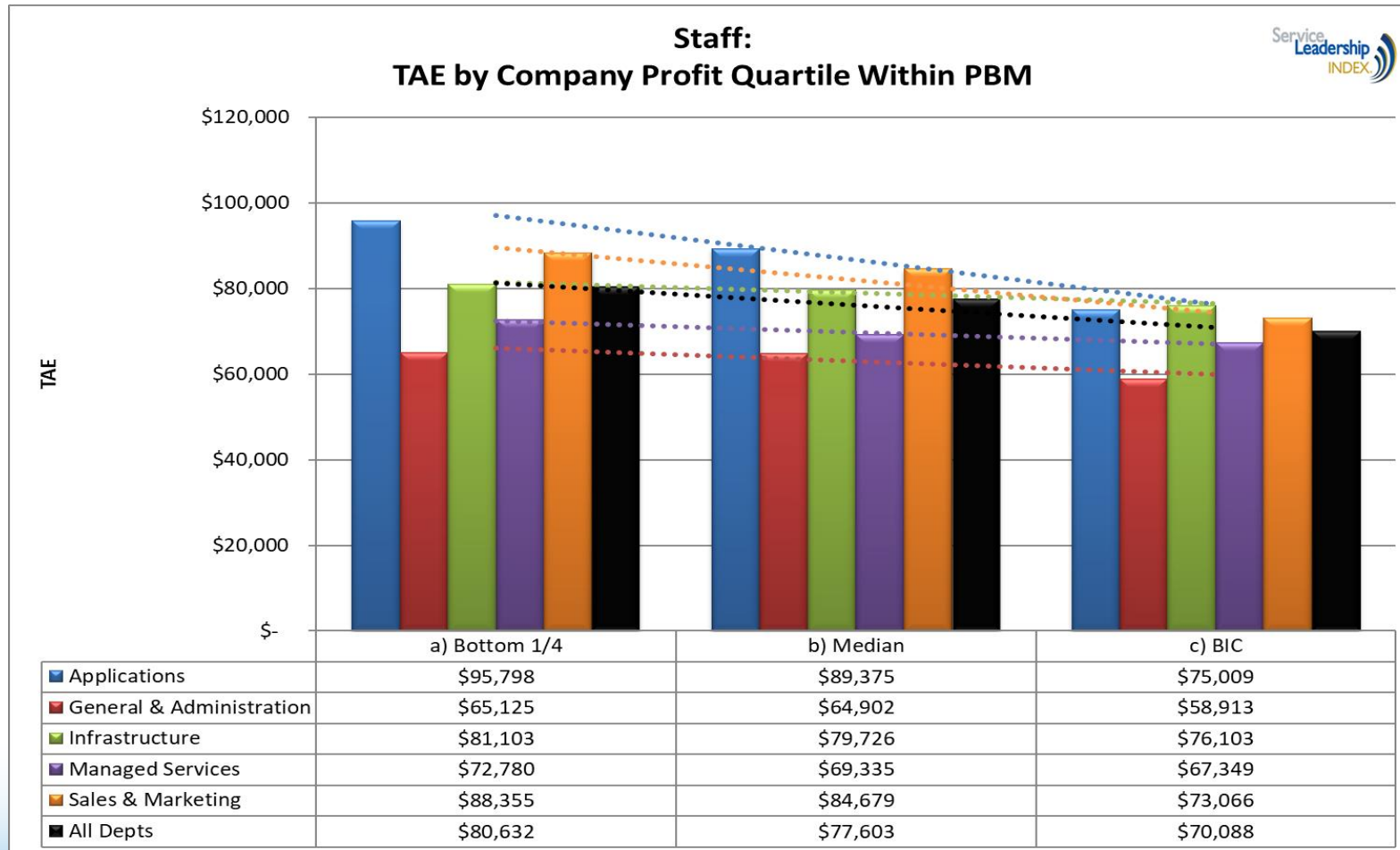
Compensation Survey Participants by Geography



Compensation Report Takeaway #1:

The Best-In-Class pay less than the Median and Bottom $\frac{1}{4}$.

Staff: Total Annual Earnings (TAE) by Company Profitability



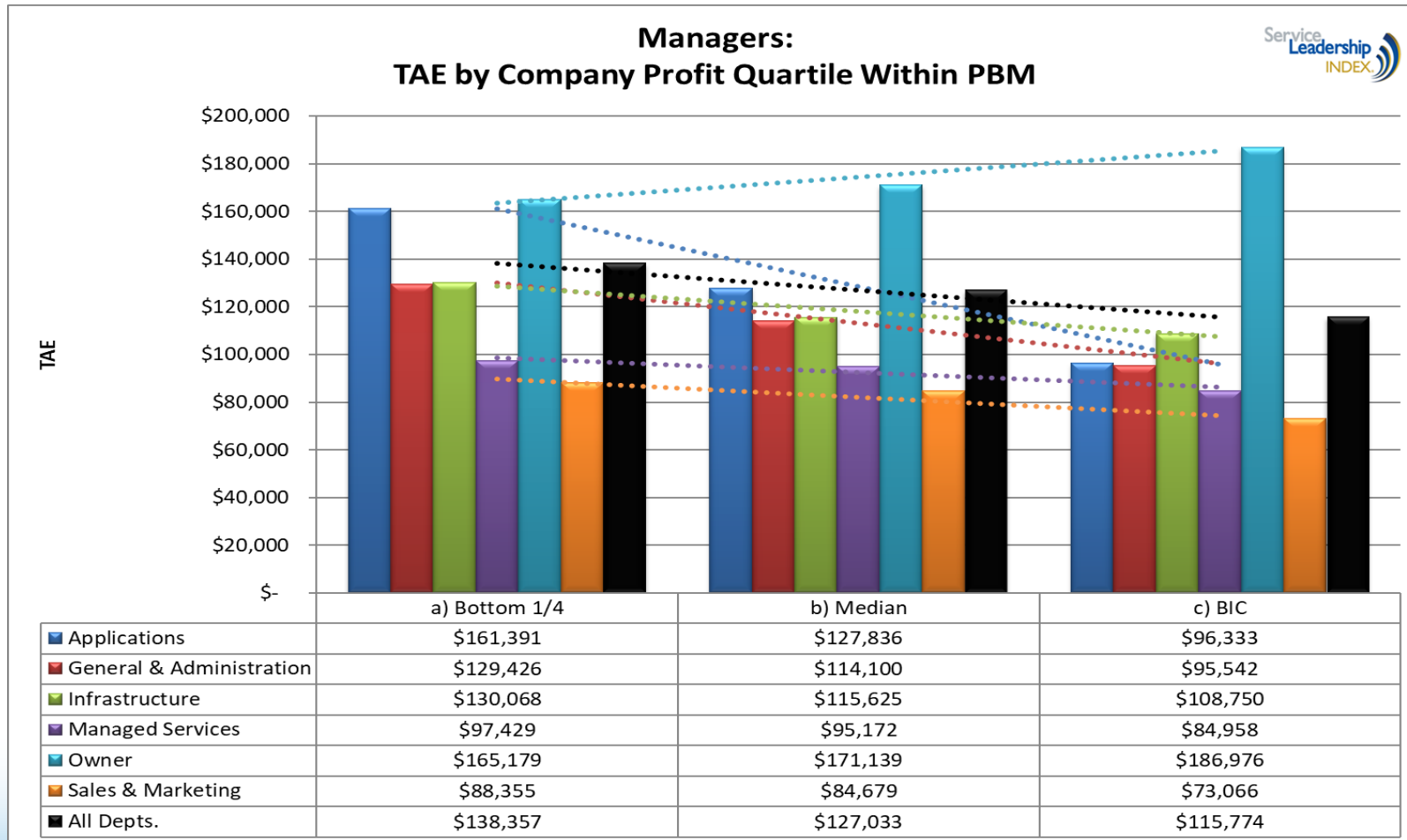
As with the preceding two slides, this result is keeping with past years. More profitable Solution Providers (SPs) pay less (lower TAE) for staff.

Key ways they do this are to:

- Narrow the range of solutions implemented via Professional Services and supported under Managed Services, to reduce the range of skills needed,
- which enables you to drive process maturity to allow the hiring of lower cost employees and facilitate cross-coverage of tasks to drive higher utilization.
- prioritize hiring, training and mentoring factories for Level 1. And they make it part of their strategy as they are always sourcing talent.

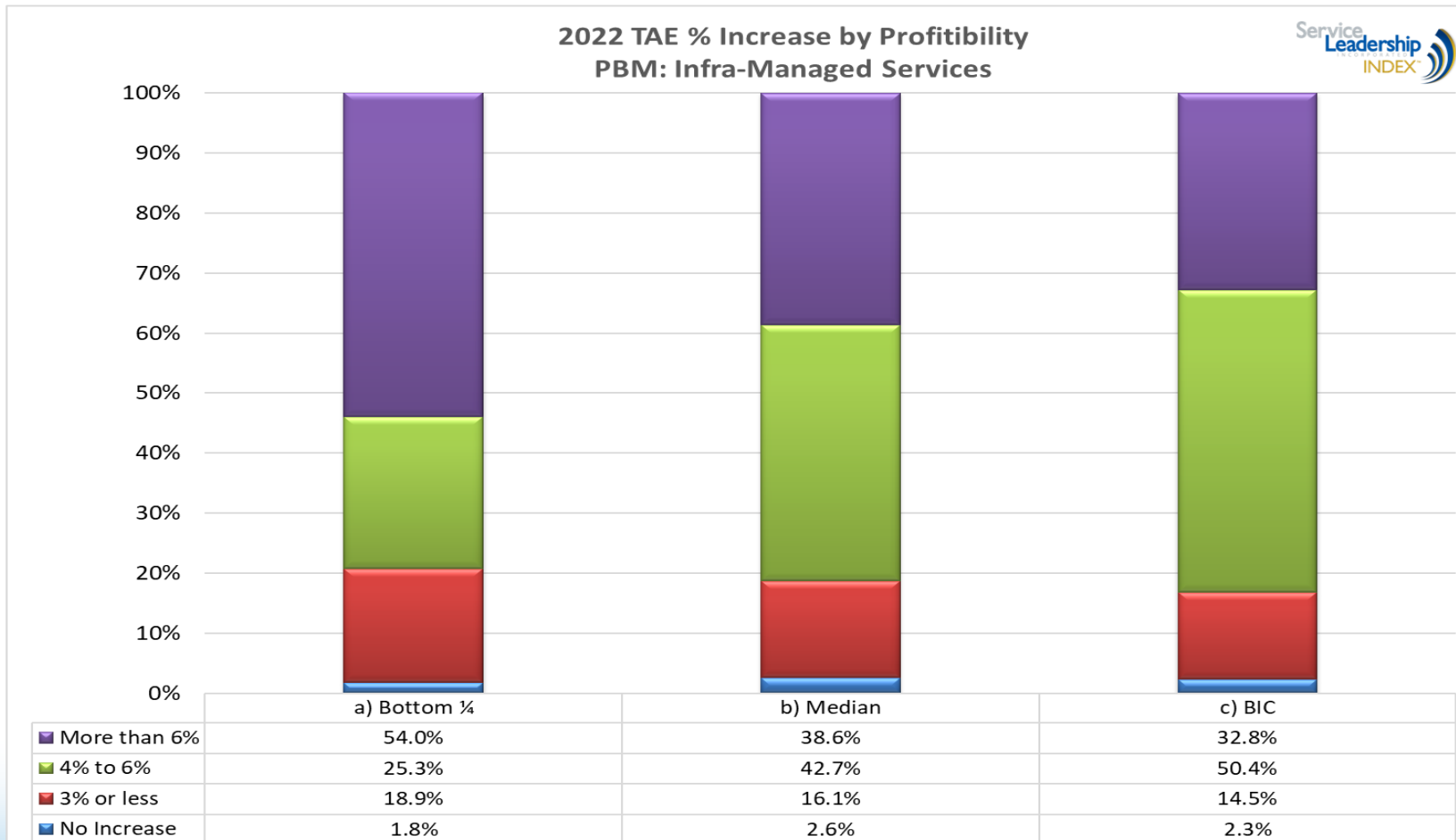
Bear in mind, according to this year's S-L Index™ Annual SP Industry Profitability Report, the BIC profit companies earned an average of about 2.5x higher profit % than the Median profit companies. Lower staff TAEs is one way they do it.

Managers: TAE by Company Profitability



More profitable Solution Providers (SPs) also pay managers less while less profitable SPs pay managers more for worse financial results. That said, owners clearly pay themselves more in higher profit companies than in lower profit ones, which makes sense given their greater ability to pay themselves. Think of it as a higher variable pay based on the ultimate variable. This is appropriate given the greater risks they take than do employees; if there is no profit, owners typically not only go without pay but put money into the company. Bear in mind, according to this year's S-L Index™ Annual SP Industry Profitability Report, the BIC profit companies earned an average of about 2.5x higher profit % than the Median profit companies. Controlling manager TAE is one way they do it.

2022 TAE Increase % by Profitability: MSPs



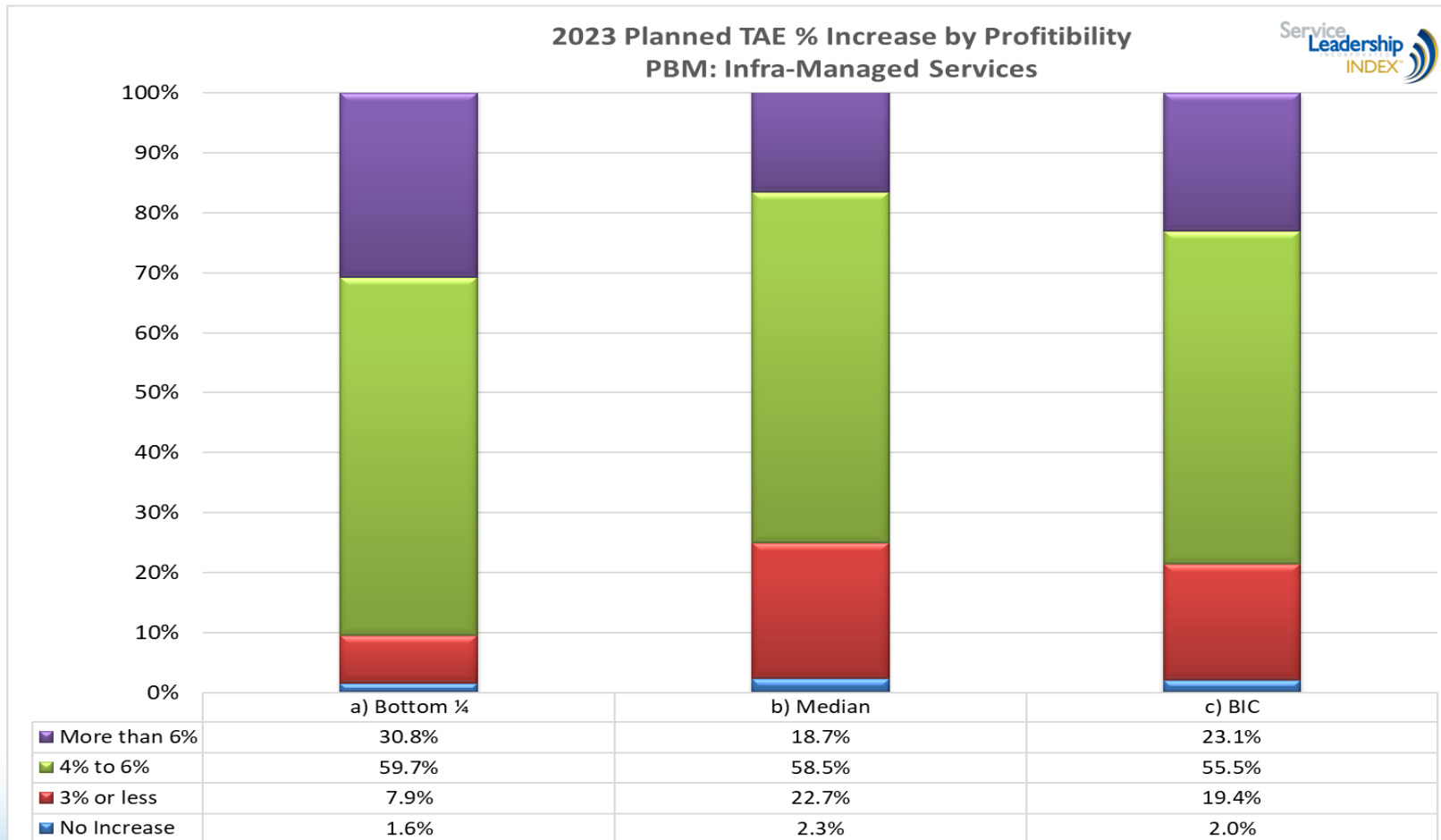
Does company profitability influence the degree to which it increased TAE % in 2022 for Managed Services firms? Yes.

Best-In-Class firms had just under 1/3 of their employees receiving more than 6% TAE increases in 2022, as opposed to more than 1/2 by the Bottom profitability firms. Across all employees in an organization this is a material difference in increases in payroll, which is even harder for the bottom profitability firms to absorb.

What are the Best-In-Class firms doing to achieve lower increases? They are more disciplined with sticking to their Technology Standards and one TCP, which makes it easier to hire and train new staff and thus puts less wage pressure on the firms.

Additionally, they have created budgets to properly understand the impact of TAE increases while those in the Bottom Quartile still need to leverage the importance of budgeting.

2023 Planned TAE Increase % by Profitability: MSPs



Does company profitability influence the degree to which it will increase TAE % planned for 2023? Yes.

Best-In-Class firms look to be selective in those they are planning to provide the highest % increase of TAE and reserving those for more crucial employees to operations while the Median profitability firms look to have the lowest % of high amount of TAE % increases as they drastically look to decrease the amount from 2022.

Thus, the lowest profitability firms are planning the highest proportion of more than 6% TAE increases which will put extra stress to increase existing customer prices, or they will be subject to continuous lower profitability.

Across the board for all quartiles, planning for 4% to 6% TAE increases is the majority. This is good news for the trend in wage inflation.

Does This Mean Best in Class Always Pay Less?

No. It means that, on average, the BIC pay the least for comparable positions and the Bottom ¼ pay the most.

Let's look at some examples.

Two Ways to Achieve - #1 Pay Differently

Level 1 Support – By Experience	We Work Hard for No Profits MSP	We're Average MSP	We Like Profits MSP
<3 Years	\$46,500	\$43,750	\$41,000
4-7 Years	\$51,500	\$48,750	\$46,000
8+ Years	\$54,000	\$51,250	\$48,500
Average	\$50,667	\$47,917	\$45,167

Assumes equivalent staffing by experience.

Two Ways to Achieve - #2 Less Experienced Staff

Assumes each has 6 Level 1 employees and pays the Median:

Level 1 Support – By Experience	Median Pay	We Work Hard for No Profits MSP		We're Average MSP		We Like Profits MSP	
<3 Years	\$43,750	1	\$43,750	2	\$87,500	3	\$131,250
4-7 Years	\$48,750	3	\$146,250	2	\$97,500	2	\$97,500
8+ Years	\$51,250	2	\$102,500	2	\$102,500	1	\$51,250
Average			\$48,750		\$47,917		\$46,667

BIC Are Also Less Likely To Be Held Hostage. Why?



— Easier to replace with lower skill, lower priced techs.

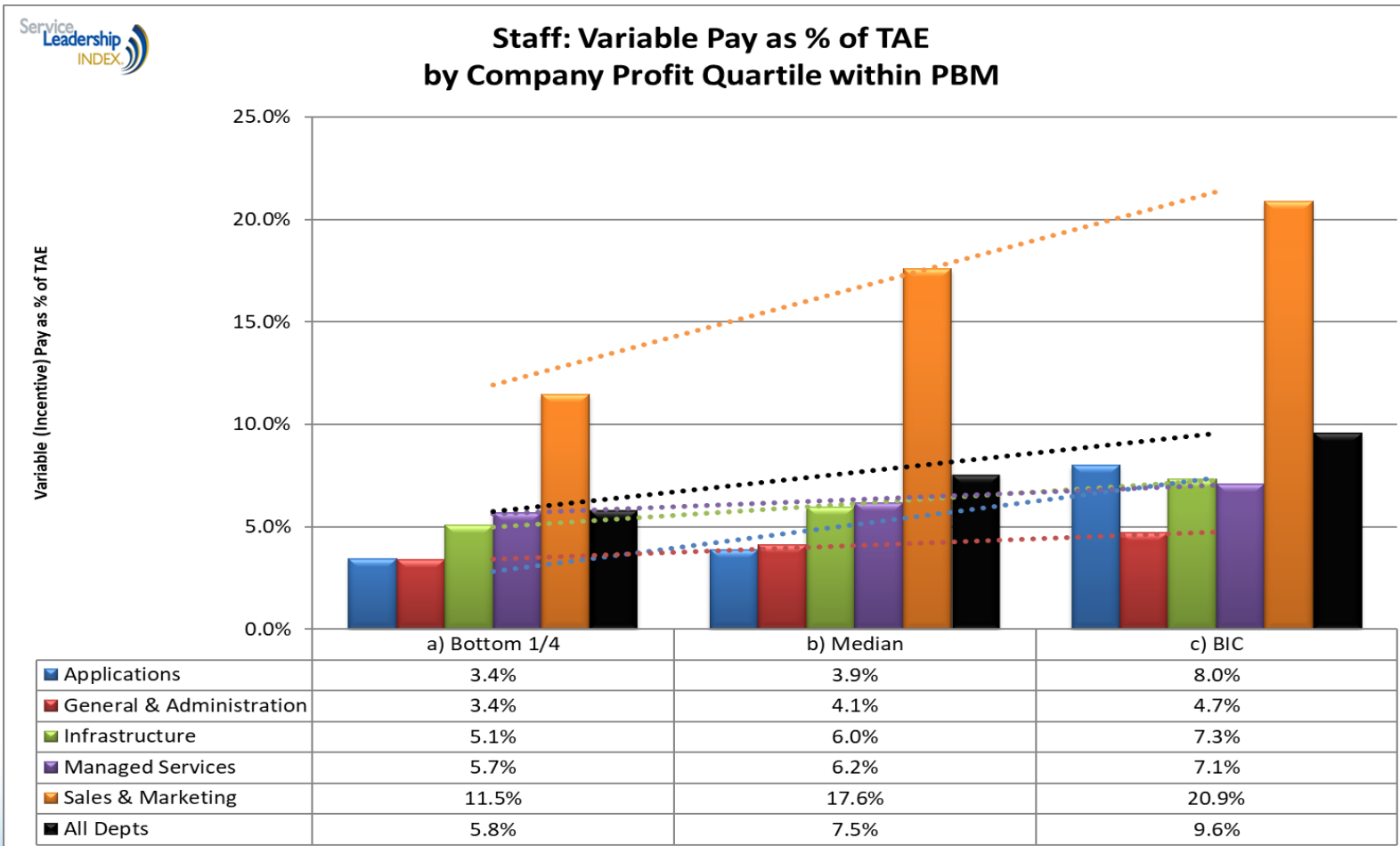
Key Lessons From The Best-In-Class

- Organize your business in a manner to maximize profit – Higher OML matters.
- You cannot afford to have all experienced, higher paid techs.
- Always be recruiting Level 1s.
- Hire great people with high potential upsides.
- Train and mentor techs to grow their careers.
- Understand that if you do this right, you will have techs grow up and out; accept when they do.
- Embrace your role as coaches developing talent for next level success, whether with you or not.

Compensation Report Takeaway #2:

Learn how the BIC do incentive pay.

Staff: Variable Pay by Company Profitability



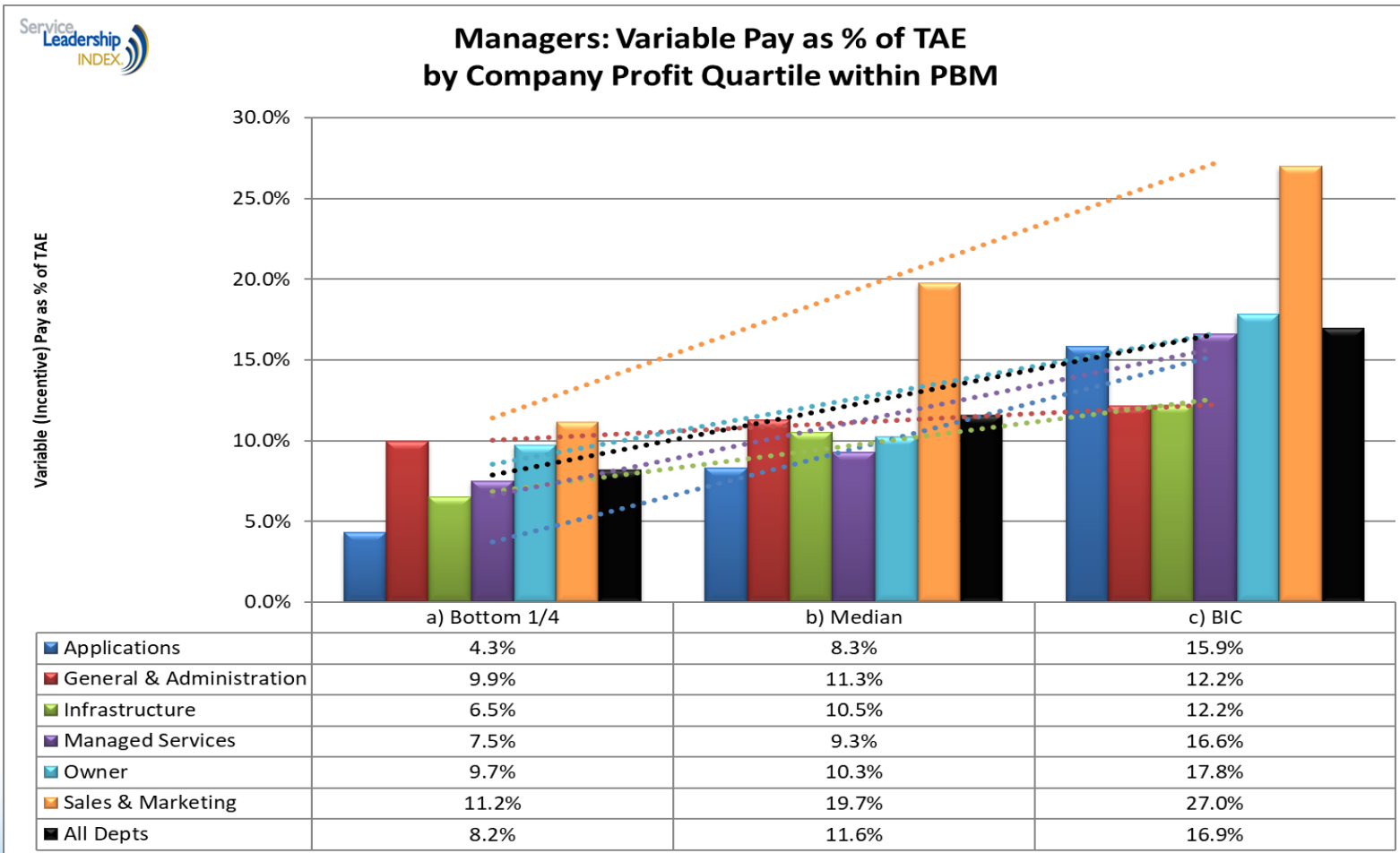
Do more profitable Solution Providers (SPs) make greater use of variable pay for staff?

Going by this year's data, the answer is "yes." In most past years, the data has trended this way as well. This also matches our experience in our broader S-L Index™ financial benchmarking, in our consulting and in running our own SP businesses.

That said, even the proportion of variable pay (as a percent of TAE) is too low here. Variable pay for junior technical staff should be around 10% of TAE; for senior technical staff, it should be around 20% of TAE.

According to this year's S-L Index™ Annual SP Industry Profitability Report, the BIC profit companies earned an average of about 2.5x higher profit % than the Median profit companies. Incentive comp is one way they do it.

Manager: Variable Pay by Company Profitability



Do more profitable Solution Providers (SPs) make greater use of Variable pay for managers?

Similar to the preceding slide, going by this year's data, the answer is "yes." In most past years, the data has trended this way as well. This also matches our experience, as noted on the preceding slide.

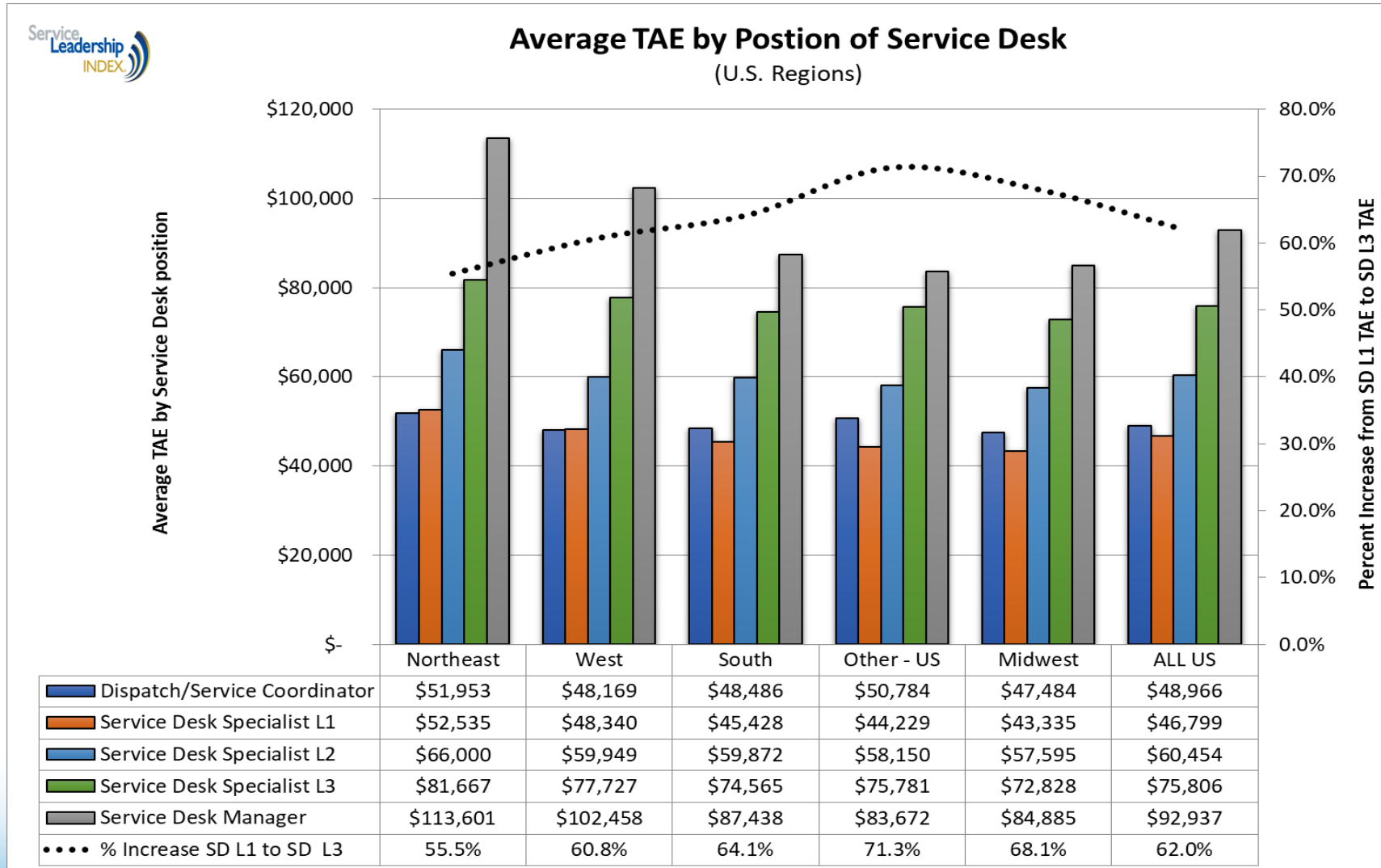
Again, the proportion of variable pay (as a percent of TAE) is too low here. Variable pay for managers should be 20%-40% of TAE depending on management role.

According to this year's S-L Index™ Annual SP Industry Profitability Report, the BIC profit companies earned an average of about 2.5x higher profit % than the Median profit companies. Incentive comp is one way they do it.

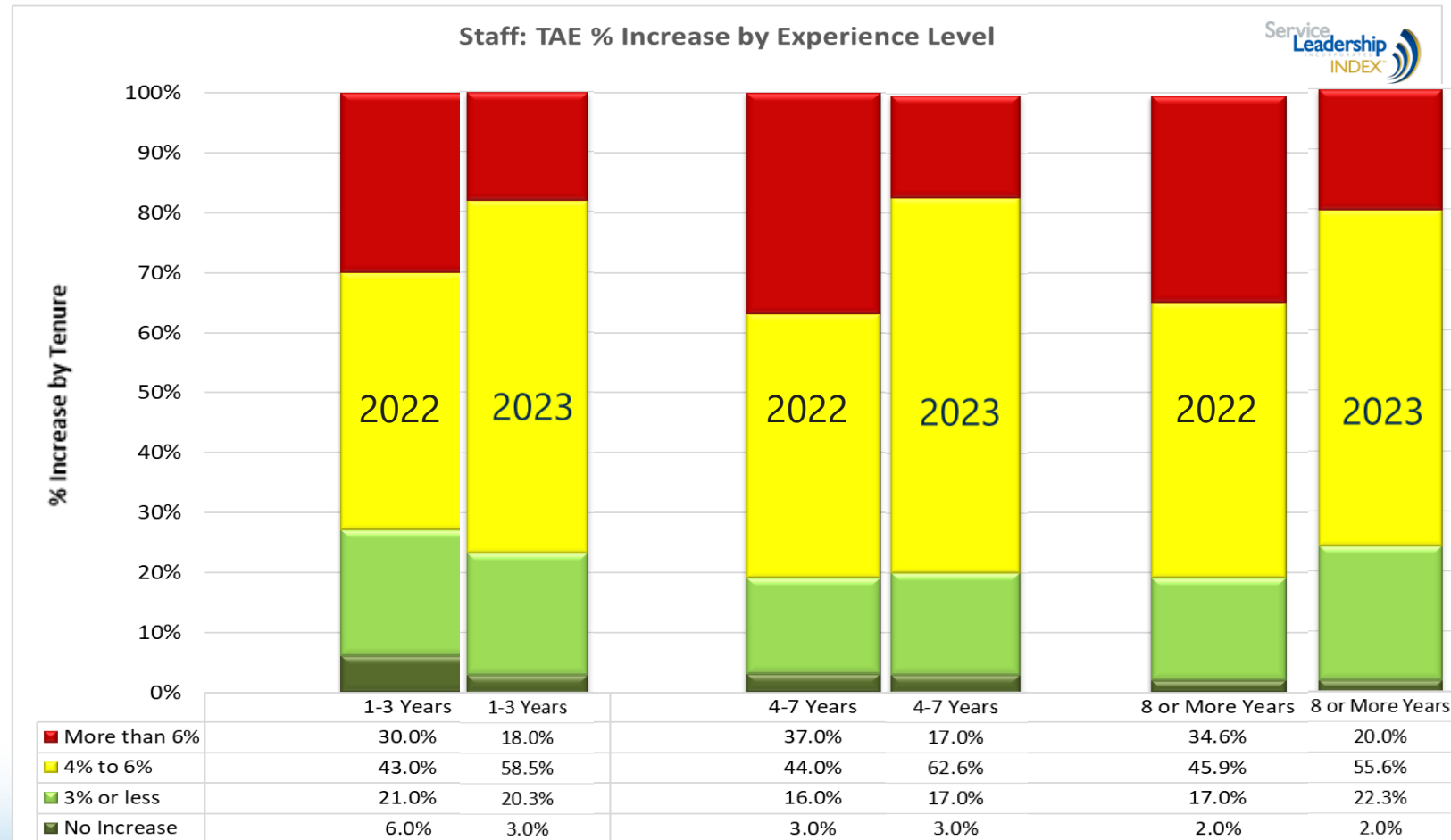
Compensation Report Takeaway #3:

Pay attention to the market data.

Avg. TAE by Position of Service Desk-US



Staff: 2022 & 2023 Planned TAE % Increase by Experience Level



Averages by Infrastructure Positions: US

Country	US
Region	(All)
Division	(All)
Metro	(All)
Job Function	Infrastructure

Job Title	Avg. TAE (\$)	Variable (%)	Hourly Bill Rate (\$)	TAE Increase - 2022	TAE Increase - Planned 2023
Field Technician	\$ 60,444	6.2%	\$ 140	4% to 6%	4% to 6%
Infrastructure Practice Leader/Manager	\$ 127,311	10.5%	\$ 193	4% to 6%	4% to 6%
IP/Telephony Specialist	\$ 82,614	4.5%	\$ 164	More than 6%	4% to 6%
Project Coordinator	\$ 61,934	4.5%	\$ 140	More than 6%	4% to 6%
Project Engineer Level 1	\$ 66,170	4.5%	\$ 173	More than 6%	4% to 6%
Project Engineer Level 2	\$ 85,375	5.0%	\$ 181	4% to 6%	4% to 6%
Project Engineer Level 3	\$ 117,373	6.6%	\$ 212	More than 6%	4% to 6%
Project Manager	\$ 93,998	6.1%	\$ 174	More than 6%	4% to 6%
Security Engineer Level 1	\$ 73,716	4.5%	\$ 181	4% to 6%	4% to 6%
Security Engineer Level 2	\$ 85,493	4.5%	\$ 203	More than 6%	4% to 6%
Security Engineer Level 3	\$ 123,977	6.4%	\$ 229	More than 6%	4% to 6%
Grand Total	\$ 84,470	5.9%	\$ 172	More than 6%	4% to 6%

Service Desk Specialist Level 1

Measurement	TAE	Variable % of TAE	Hourly Bill Rate	TAE Increase - 2022	TAE Increase-Planned 2023
1st Quartile	\$ 40,625	2.5%	\$ 125	4% to 6%	3% or Less
Median	\$ 46,125	2.5%	\$ 145	4% to 6%	4% to 6%
3rd Quartile	\$ 51,250	2.5%	\$ 158	More than 6%	4% to 6%
Maximum	\$ 107,500	18.0%	\$ 248	More than 6%	More than 6%
Median - 1-3 Years	\$ 43,750	2.5%	\$ 135	4% to 6%	4% to 6%
Median - 4-7 Years	\$ 48,750	2.5%	\$ 135	4% to 6%	4% to 6%
Median - 8+ Years	\$ 51,250	2.5%	\$ 115	No increase	3% or Less
Mean - 1-3 Years	\$ 44,753	4.2%	\$ 141	4% to 6%	4% to 6%
Mean - 4-7 Years	\$ 47,482	4.5%	\$ 145	4% to 6%	4% to 6%
Mean - 8+ Years	\$ 52,404	2.9%	\$ 127	More than 6%	4% to 6%

NOC Specialist

Measurement	TAE	Variable % of TAE	Hourly Bill Rate	TAE Increase - 2022	TAE Increase-Planned 2023
1st Quartile	\$ 51,250	2.5%	\$ 125	4% to 6%	3% or Less
Median	\$ 61,250	2.5%	\$ 145	4% to 6%	4% to 6%
3rd Quartile	\$ 81,250	8.0%	\$ 158	More than 6%	4% to 6%
Maximum	\$ 137,500	23.0%	\$ 293	More than 6%	More than 6%
Median - 1-3 Years	\$ 51,250	2.5%	\$ 135	4% to 6%	4% to 6%
Median - 4-7 Years	\$ 62,500	2.5%	\$ 135	4% to 6%	4% to 6%
Median - 8+ Years	\$ 91,250	2.5%	\$ 115	4% to 6%	4% to 6%
Mean - 1-3 Years	\$ 54,882	4.9%	\$ 146	More than 6%	4% to 6%
Mean - 4-7 Years	\$ 66,013	4.7%	\$ 146	More than 6%	4% to 6%
Mean - 8+ Years	\$ 88,490	5.4%	\$ 162	More than 6%	4% to 6%

Security Engineer Level 2

Measurement	TAE	Variable % of TAE	Hourly Bill Rate	TAE Increase - 2022	TAE Increase-Planned 2023
1st Quartile	\$ 68,750	2.5%	\$ 162	4% to 6%	3% or Less
Median	\$ 85,750	2.5%	\$ 195	4% to 6%	3% or Less
3rd Quartile	\$ 108,750	3.9%	\$ 218	More than 6%	4% to 6%
Maximum	\$ 127,500	28.0%	\$ 346	More than 6%	More than 6%
Median - 1-3 Years	\$ 72,500	2.5%	\$ 218	4% to 6%	3% or Less
Median - 4-7 Years	\$ 107,500	2.5%	\$ 173	4% to 6%	4% to 6%
Median - 8+ Years	\$ 112,500	2.5%	\$ 218	More than 6%	3% or Less
Mean - 1-3 Years	\$ 77,638	7.7%	\$ 222	4% to 6%	4% to 6%
Mean - 4-7 Years	\$ 99,583	3.6%	\$ 191	More than 6%	4% to 6%
Mean - 8+ Years	\$ 99,821	2.5%	\$ 203	More than 6%	4% to 6%

Metro Specific Information Available in Full Report – Chicago Metro Example

Country	US
Region	Midwest
Division	East North Central
Metro	CHI - Chicago
Job Function	(All)
Tier	(All)

Job Title	Avg. TAE (\$)	Variable (%)	Hourly Bill Rate (\$)	TAE Increase - 2022	TAE Increase - Planned 2023
1-3 Years	\$ 93,438	26.8%		More than 6%	3% or Less
4-7 Years	\$ 117,500	33.0%		No increase	3% or Less
8 or More Years	\$ 105,000	20.5%		No increase	No increase
Project Coordinator	\$ 75,250	2.5%	\$ 158	More than 6%	No increase
4-7 Years	\$ 75,250	2.5%	\$ 158	More than 6%	No increase
Project Engineer Level 2	\$ 71,250	8.0%	\$ 145	More than 6%	3% or Less
4-7 Years	\$ 71,250	8.0%	\$ 145	More than 6%	3% or Less
Project Engineer Level 3	\$ 112,917	6.2%	\$ 223	More than 6%	More than 6%
1-3 Years	\$ 107,500	2.5%	\$ 248	4% to 6%	3% or Less
4-7 Years	\$ 98,750	8.0%	\$ 173	More than 6%	More than 6%
8 or More Years	\$ 132,500	8.0%	\$ 248	More than 6%	More than 6%
Project Manager	\$ 87,083	6.2%	\$ 154	More than 6%	4% to 6%
4-7 Years	\$ 88,750	8.0%	\$ 152	4% to 6%	More than 6%
8 or More Years	\$ 83,750	2.5%	\$ 158	More than 6%	No increase
Sales Administration	\$ 56,188	10.3%		No increase	4% to 6%
1-3 Years	\$ 46,125	2.5%		No increase	More than 6%
8 or More Years	\$ 66,250	18.0%		No increase	No increase
Sales Engineer (SE)	\$ 155,000	13.0%		No increase	No increase
8 or More Years	\$ 155,000	13.0%		No increase	No increase
Sales Manager/Director/VP	\$ 138,550	33.9%		More than 6%	3% or Less
1-3 Years	\$ 87,750	48.0%		No increase	3% or Less
4-7 Years	\$ 102,500	18.0%		4% to 6%	More than 6%
8 or More Years	\$ 167,500	34.5%		More than 6%	3% or Less
Security Engineer Level 3	\$ 141,208	4.3%	\$ 259	4% to 6%	No increase
1-3 Years	\$ 122,500	2.5%	\$ 248	4% to 6%	No increase
8 or More Years	\$ 150,563	5.3%	\$ 265	4% to 6%	3% or Less
Service Desk Leader/Manager	\$ 89,167	5.3%	\$ 169	4% to 6%	4% to 6%
1-3 Years	\$ 91,875	5.3%	\$ 158	No increase	4% to 6%
4-7 Years	\$ 73,750	8.0%	\$ 135	4% to 6%	4% to 6%
8 or More Years	\$ 92,500	4.3%	\$ 192	4% to 6%	4% to 6%
Service Desk Specialist Level 1	\$ 47,438	2.5%	\$ 154	4% to 6%	4% to 6%
1-3 Years	\$ 47,438	2.5%	\$ 154	4% to 6%	4% to 6%
Service Desk Specialist Level 2	\$ 72,583	4.3%	\$ 151	4% to 6%	4% to 6%
1-3 Years	\$ 51,250	2.5%	\$ 135	No increase	More than 6%
8 or More Years	\$ 83,250	5.3%	\$ 159	4% to 6%	4% to 6%
vCIO/Technical Account Management	\$ 127,917	6.0%	\$ 173	4% to 6%	3% or Less
8 or More Years	\$ 127,917	6.0%	\$ 173	4% to 6%	3% or Less
Grand Total	\$ 96,315	9.1%	\$ 172	More than 6%	3% or Less

In the full version of the Compensation report, 15 different US Metro markets are included, in addition to 10 regional divisions.

These markets are in the same format as the Chicago example shown here, including TAE, percentage of TAE that is Variable, Hourly Bill Rate (when available), 2022 Increase and 2023 Planned Increase.

Now Available! Service Leadership Index™ 2023 Annual IT Solution Provider Compensation Report™

Compensation Report includes:

- Total annual earnings (TAE) for 50+ common TSP positions by geographic region and Predominant Business Model™ (MSP, VAR)
- Service Multiple of Wages impacted by hourly rate and utilization
- Owner/principal compensation
- Variable incentive compensation
- 2022 actual and 2023 budgeted % increases



The image shows a computer monitor displaying a table of compensation data. The table is titled 'Service Leadership Index' and contains the following data:

Measurement	TAE	Variable % of TAE	Hourly Bill Rate	TAE Increase - 2022	TAE Increase-Planned 2023
1st Quartile	\$ 46,125	2.5%	\$ 115	4% to 6%	3% or Less
Median	\$ 56,250	2.5%	\$ 135	4% to 6%	4% to 6%
3rd Quartile	\$ 68,750	8.0%	\$ 158	More than 6%	4% to 6%
Maximum	\$ 137,500	98.0%	\$ 318	More than 6%	More than 6%
Median - 1-3 Years	\$ 46,125	2.5%	\$ 135	4% to 6%	4% to 6%
Median - 4-7 Years	\$ 58,750	2.5%	\$ 135	4% to 6%	4% to 6%
Median - 8+ Years	\$ 73,750	2.5%	\$ 145	4% to 6%	4% to 6%
Mean - 1-3 Years	\$ 49,504	6.1%	\$ 138	More than 6%	4% to 6%
Mean - 4-7 Years	\$ 61,302	5.1%	\$ 135	More than 6%	4% to 6%
Mean - 8+ Years	\$ 74,329	6.1%	\$ 142	4% to 6%	4% to 6%

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Key Takeaways From The Comp Report

1. Use the data to guide your compensation decisions.
 - Compare how you are doing compared to average and Best-In-Class
2. Build an incentive program.
 - If you have one, review it and adjust.
 - Implement in Q4.
3. Focus on building a “hostage-proof” MSP.



PEER GROUPS

Member companies grow

20% FASTER

than industry average

Measure against best-in-class with

SERVICE LEADERSHIP INDEX®

+ SLIQ

Visit us across from the ConnectWise booth

Principals | Cybersecurity | Service | Sales | COO | CFO | M&A



Thank You! Questions?

—
Don't forget to fill out your

SESSION SURVEY