

turnium

# **Economic Impact of Turnium SD-WAN**

**Analysis of the business benefits and  
Return on Investment experienced by  
Turnium channel partners**

June 2020

# Contents

<b>Executive Summary</b>	<b>3</b>
<b>Research Methods</b>	<b>4</b>
Analysis of Costs	5
Analysis of Benefits	6
<b>Findings</b>	<b>7</b>
Sales Growth	7
Churn	8
Return on Investment	8
<b>Financial Summary</b>	<b>9</b>
<b>Conclusions &amp; Recommendations</b>	<b>10</b>

# Executive Summary

## Highlights

**+143%**

ROI  
in the first  
12 months

---

payback in  
**Year 1**

**+2,645%**

ROI  
over 48 months

**+\$793,500**

Cumulative  
Net Income  
over 48 months

With a predicted [30.8% compound annual growth rate \(CAGR\)](#), the Software-Defined Wide Area Network (SD-WAN) market continues to be one of the fastest-growing segments of the network infrastructure market. As such, it offers a great opportunity for managed service providers to expand their offerings and claim their piece of a [\\$5.25 billion](#) pie.

However, mainstream SD-WAN solutions are restrictive and don't operate with the needs of the channel in mind.

Lack of flexibility, vendor lock-in, and bandwidth-based pricing are just some of the reasons traditional SD-WAN vendors make it hard for service providers to deliver differentiated services—and make a profit.

Turnium's business model and software is entirely focused on enabling channel partner financial, brand, and business growth. Our white-label disaggregated SASE platform is designed to give channel partners the ability to build and deliver multiple SASE solutions for different market and customer segments. Partners use our software as the SD-WAN foundation and layer their existing security portfolios, orchestration and management tools, and internal skill sets over top to deliver unique, differentiated solutions that power their growth.

To demonstrate the economic impact Turnium can have on a partner's business, our team conducted comprehensive research analyzing the financial returns that Turnium's partners can generate.

# Research Methods

Turnium analyzed the sales performance of two distinct groups of channel partners. Turnium's global channel base includes managed services providers, internet service providers, and competitive telecoms. This study analyzed a sub-set of Turnium's channel of a four-year period and focused on two distinct groups and different stages of partner growth.

- 1. Startup Group:** Comprised four Turnium partners with <14 months experience selling Turnium white-label SD-WAN.
- 2. Established Group:** Comprised three Turnium partners with over four years of experience selling Turnium white-label SD-WAN.

Data points analyzed included:

- Revenue
- Annual Return on Investment
- Costs
- Net Present Value (NPV)
- Payback Month

Using a standardized cost model based on MSRP pricing and an average of partner monthly sales in each category, a financial model was built to show revenue, cost, net revenue, payback, and ROI.

# Analysis of Costs

Turnium's white-label SD-WAN platform is fully hosted, managed, priced, and sold by channel partners. Turnium provides the SD-WAN software for Core and Edge nodes as well as for the Management Server that orchestrates and controls the SD-WAN. Turnium white-label SD-WAN licenses are sold to partners in a typical software-as-a-service (SaaS) model on a month-to-month basis. Partners package, bundle, and price these licenses into term contracts on a per-site basis for end-customers. As such, we made the following assumptions to conduct our analysis:

- A one-time, upfront setup fee paid by each new white-label channel partner to Turnium was set at the MSRP \$30,000.
- The monthly cost of Turnium white-label SD-WAN licenses to the channel partner was set at MSRP of \$75 per site per month.
- No equipment or hardware costs or revenue costs were included in the analysis. It was presumed that the cost/revenue of customer premise equipment (CPE) either nets out at zero or results in positive net revenue and margin for the partner.
- No costs were included for Core node servers. Turnium's white-label SD-WAN does not require proprietary hardware for Core or Edge nodes. Turnium's multi-tenant Core nodes can be run on bare metal servers or in existing virtual environments and support multiple end-customers and sites. New partners typically leverage their existing virtual environments to get started quickly and expand over time.
- A discount rate of 7% was used to calculate the 4 year Net-Present-Value (NPV) of \$620,700.

# Analysis of Benefits

There are many partner benefits to Turnium's white-label SD-WAN business model, many of which were not accounted for in this research:

- Many partners charge end-customers a one-time per site setup fee of \$500 for SD-WAN setup and configuration.
- Partners dictate their own end-customer contract terms. For the purposes of this study, we assumed all end-customers are sold 24-month contracts. This is a conservative assumption since most partners sell 36-month contract terms.
- Partners using Turnium's white label benefit from competitive differentiation and control their own end-customer pricing. For the purposes of this study, we assumed a monthly recurring revenue (MRR) of \$200 per month for an SD-WAN service only. We assumed a lower average selling price to accommodate discounted volume sales. Competitor market prices for SD-WAN can range from \$150/site per month to over \$700 per month based on bandwidth and features.
- Turnium white-label SD-WAN partners also benefit from not paying license costs to Turnium based on bandwidth. Many competitive SD-WAN offers from other vendors charge license fees based on bandwidth which can range from \$150 to \$750 per month, depending on bandwidth. This is a major benefit enjoyed by Turnium channel partners.
- The partner revenue generated by bundling SD-WAN with existing partner services, either through net-new sales or through customer account retention or growth, was not included in the financial model.

“ Turnium's technology and business model generates real revenue and substantial margin. Within 12 months of selling Turnium SD-WAN we recouped all our startup costs, including all infrastructure. ”

**Director**

Hosted VoIP, Network and Managed Security Firm, APAC

# Findings

Based on the two sample groups in this research, our research team made the following observations about sales growth, churn, and return on investment.

## Sales Growth

### Startup Group

At the beginning of the study, partners in the startup group with less than 14 months experience selling SD-WAN had an average of 9 sites each with Turnium SD-WAN. Twelve months later, the group had an average of 48 sites each. Two of the four partners in the startup group had less than 12 months of sales data (11 months and 6 months, respectively). Including partners with less than 12 months sales activity (zero in some months) lowered the average sites sold across that time period substantially.

### Established Group

Partners in the established group had an average of 150 sites sold each at the beginning of the study period. At the end of the study period, each had an average of 250 sites.

1. The study period was 48 months
2. Growth rates in the first 14 months were examined using partners with <14 months experience. These average sales were used to build a graph showing the average experience during the first 14 months.
3. Growth rates for “later stage” partners (established group) were reviewed over a 12 month period and used to model forecast growth rates for the last 12 months of a 4 year period.
4. The middle months (15-36 months) were modeled using an average new site sales based on the Startup group.

It is estimated that the established group sold up to 34 new sites per month and saw a churn of 2 sites per month. This variability reflects the nature of sales. The growth in sales team confidence and experience selling SD-WAN results in greater sales growth over time.

Overall, percentage growth rates are high in the first two years, hitting 124% by month 24. At month 36, the growth rate dropped to 71% and by month 48, the growth rate evened out at 57%.

# Churn

We modeled churn rates beginning at 24 months at 3% churn and increased the churn rate at 36 months to 6% to forecast increased churn as customer contracts come to an end. The data we have from other channel partners suggested that including periodic churn in this model made the data more accurate.

In addition, it is common in the telecom industry for customers to shop around for new solutions and better prices during the last months of their contracts.

# Return on Investment

Overall, the analysis showed that in the first year, cumulative net income (total revenue less Turnium license fees) was \$43,000 with cumulative cashflow (net income less the one-time startup fee) of \$13,000. As such, partners who can sell 36 sites within their first 12 months will gain a return on investment of 143% in year one.

After four years (48 months), the final return on investment exceeded 2,000% based on 272 sites sold and a cumulative cashflow of over \$700,000.

To get to this point, a Partner would have invested additional capital in servers to support their end-customers. As Turnium's Core node servers are capable of multi-tenancy (supporting multiple end-customer sites per instance and supporting multiple sub-resellers i.e. your own wholesale network), delivering 250 end-customer sites with average bandwidth between 150Mbps and 200Mbps per site would require 5 Core node or Aggregator servers. This would lower the ROI somewhat but still maintain an ROI well over 2,000%. Providing redundant SD-WAN with high availability means that a Partner would need multiple servers running Turnium SD-WAN regardless.



# Financial Summary

The financial summary is based on average sites sold across the two sample groups over a 48-month period.

	Sites Sold	% Change	Gross MRR	Net MRR	Cumulative Net Income	Cumulative Cashflow*	Return on Investment
<b>12 months</b>	36		\$7,200	\$4,500	\$43,000	\$13,000	+143%
<b>24 months</b>	96	+167%	\$19,200	\$12,000	\$172,375	\$142,375	+575%
<b>36 months</b>	176	+83%	\$34,800	\$21,750	\$415,500	\$385,500	+1,385%
<b>48 months</b>	<b>272</b>	<b>+55%</b>	<b>\$52,800</b>	<b>\$33,000</b>	<b>\$793,500</b>	<b>\$763,500</b>	<b>+2,645%</b>

\*net income less startup fee

# Conclusions & Recommendations

Turnium white-label SD-WAN delivers the following economic results for channel partners:

---

**Payback in year one**      **143%** ROI in year one      Over **\$700K** in cumulative cashflow through year four

---

**2,645%** ROI through year four

---

This research clearly demonstrates the value of SD-WAN to service providers and especially reinforces the value of Turnium’s white-label SD-WAN licensing model. Before adopting any SD- WAN solutions, partners should consider the following recommendations:

- 1.** Partners evaluating any SD-WAN vendor should have a realistic estimation of the number of sites that can be sold in the first year. Reaching 50 sites generates payback and positive cashflow in year one based on Turnium’s MSRP license costs to partners.
- 2.** Sales training and sales targets should be established prior to the launch phase of bringing SD-WAN to market. Achieving initial sales starts generating revenue and begins the process of paying back startup costs and creating sales momentum. Consistent sales growth requires that sales teams understand SD-WAN value propositions and can communicate how SD-WAN can be used as a tool to enable the quality and performance of existing managed services and support SLAs that are in place.
- 3.** Month over month sales results can vary dramatically, especially in the first 14 months. During the later years, churn will also have an impact on the net number of sites sold at the end of each month. Help offset variability in sales results and generate better customer retention and increased wallet share by bundling or incorporating SD-WAN into the sales process of other hosted or managed services as a “managed on-ramp”.
- 4.** End user pricing is crucial. Partners must establish a high enough price while remaining competitive in their markets. While an installation fee of \$500 may be realistic for one or two sites, clearly at volume, such a fee would need to be reduced. The impact of volume site sales was not modelled, but clearly provides an opportunity to increase MRR and other metrics critical to SaaS businesses.

# About Turnium

Turnium Technology Group, Inc. delivers its software-defined wide area networking (SD-WAN) solution as a managed cloud-native service and as a white label, containerized, disaggregated software platform that channel partners host, manage, brand, and price. Turnium SD-WAN is available through a channel partner program designed for Telecommunications Service Providers, Internet and Managed Service Providers, and Value-Added Resellers.

**To learn more about Turnium SD-WAN, book a Free Product Demo or contact us to discuss with one of our SD-WAN specialists.**

Turnium Technology Group, Inc.  
Direct: +1-604-398-4314  
N.A. Toll Free: +1-888-818-3361  
Email: [sales@turnium.com](mailto:sales@turnium.com)

1127 West 15th Street  
North Vancouver, BC V7P 1M7