CompTIA

Spotlight on Success

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Jeff Ponts

Building New Business and New Lives with Recurring Revenue

Those who have spent time with Jeff Ponts, COO of Datatel Solutions know he's a very passionate person. From his mentoring and leadership roles in the telecom and IT industries, to his day job managing a thriving channel organization, he believes in giving back. In fact, his philanthropy truly spans the globe.

He suggests there's no real mystery about his business success. In fact, he credits one thing for allowing him to spend more time doing the things he loves: recurring revenue. We sat down with Ponts to discuss his early adoption of the model and how he used it to spawn new businesses, as well as his efforts to improve the lives of children in Africa. His story is this month's Spotlight on Success:

CompTIA: What career did you envision for yourself?

Jeff: I come from a line of blue collar workers. My dad, brother and pretty much everyone in my family was in the logging industry. In fact, I remember the day my brother walked in the door with cuts and bruises all over his arms, he may have been 20 years old at the time, and my dad said to me "you're going to college." He died when I was a junior in high school and on his death bed he made me promise that I would go to school. I had no concept of what that meant.

When the school counselor asked what I wanted to be when I grew up, the only thing I could get out of my lips, was "an NFL football coach." I just loved the x's and o's of football, but he said he thought my dad would prefer I major in business. So I became a finance major in college.

As a teen, I worked as a commercial fisherman and I really liked it. And during summer breaks in college I worked at a lumber mill to pay for school. Those were long, miserable days (at the mill), and I never looked forward to it, but it helped me pay my way through school.

CompTIA: In addition to running your own companies, you served as Co-Chair of the CompTIA Telecom Advisory Council (TAC) for 3 years, and are now a member of the Distributor Advisory Council, as well as president of the Technology Channel Association (TCA). Why invest so much of your time creating and advancing technology industry initiatives?

Jeff: I ended up in telecom when I got out of college, and I found I really liked it. I worked at Telepacific and they gave me an opportunity to manage people and help them grow their own careers. I really enjoyed that, which may explain why I do so much work with the associations. The leadership roles with the TCA and CompTIA just came naturally. On the telecom side, I realized a lot of agents really needed the help. Whether that be a mentorship or help with their product development, that type of support can raise the bar a little.

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I also enjoy interacting with others in our industry. That's why I love to attend events like ChannelCon and the CompTIA Annual Member Meeting, since each allows me to hear more about what our partners are up against. I don't just want to know how we can help them sell, but what makes them tick so we can really help them grow their businesses. By getting involved in the associations, I get more of that feedback…and get to give back at the same time.

CompTIA: Let's focus on your first entrepreneurial experience. How did Datatel Solutions come about?

Jeff: While I enjoyed working at Telepacific, especially the people I worked with, I wanted more control over my life. To be honest, my kids were growing up without me. I had come to a crossroads in my life where I thought it would be better to live under a bridge with my family than be on the road so much of the time. I remember too many late night calls with my wife telling me that my daughter looked so cute in the play or she made it to first base in the softball game. I knew I was missing out.

Then I met Dan Langton, who has never had a job working for someone else. He's an entrepreneur who started and sold a number of technology companies over the years, and we talked and sketched out an idea on the "proverbial" bar napkin. Time went on as we discussed the details and, as I said, I really liked what I was doing and the people I worked with. In fact, the CEO is one of my mentors. But after some reflection, I finally pulled the trigger at the age of 41 and set off with Dan to start Datatel Solutions.

The move was purely to control my personal life, not to make millions. When we started discussing ideas, Dan didn't know what a master agent was. On the other hand, he knew all about convergence and what was coming. As an old telecom guy, I really had no idea about that. He foresaw the growth in convergence way before the markets were even talking about it. He just wasn't sure how to turn it into a business opportunity. So, together, we built out our plan and started a master agency.

I had enough savings to last me a year and a half and we decided if things were going well at that point, we would both put some money in and starting bringing on people which is exactly what we did. For the first 18 months it was just me and him talking to partners, traveling up and down California. Then we started bringing on agent managers using our recurring revenue profits. We brought people on as we could afford to pay for them. This whole phenomenon about recurring revenue…I didn't know there was anything different.

CompTIA: How long did it take to achieve profitability?

Jeff: It took time to build the momentum. I always liked the NFL Network phrase, you have to get to a point where you're running downhill. We finally got there about 2 ½ years into it and within a couple months of that we were able to afford (hire) the next person. That's what recurring revenue does for your business. It allows you to grow without taking on more risk. No single customer could hurt us today if they left. We never want to lose anybody, but it wouldn't affect our business model even if our largest client went away.

We even started other companies using the cash flow and profits from our Datatel Solutions business. About 5 years ago we started a software development company to get prepared for the convergence model integration opportunities. Our goal was to have Concordus Applications deliver application as a service and they are building our integration platform.

We bootstrapped that company, too.

And three years ago we started In2ITive Marketing. We wanted strong leadership, so we hired Shawn Cordner, who has 15 years of channel marketing experience and built a solid team around him. Again, Datatel Solutions recurring revenue funded it. You need cash flow to pay salaries and expenses, unless you plan to give a big part of your company away. Again, Datatel Solutions was how we funded that and how we continue to cash flow the businesses.

CompTIA: Why keep building?

Jeff: The cool thing in all of this is I enjoy building companies and enabling others more than the prospect of making lots of money. I am definitely not opposed to making money, but it's not my end game. Recurring revenue is what makes that happen without worrying and not sleeping at night.

I'm not interested in having investors pounding down my throat every day. Anyone who has raised VC (venture capital) before has had to deal with that and understands the situation. I don't deal with any of that stress…and it's all because of recurring revenue.

My end game, when all the companies are profitable will probably be to find a good COO to run the day-to-day operations at Datatel Solutions. I don't ever want to be done or see myself selling, but might take a more strategic role and give more of my time to my wife like I promised to do a long time ago.

We built these companies to be very symmetrical, with marketing, platform and sales. Three organizations that do three different things, but they work symbiotically.

CompTIA: What was the biggest challenge you encountered?

Jeff: Without a doubt, it was building a steady cash flow. Once you have it, you can make mistakes and still recover, and we definitely made a few. At Concordus, we had 10 developers and a CTO at one time and got rid of all of them to go in a new direction. That was painful in more ways than you know. I felt like we wasted a lot of money and two years' experience but we were able to get through it with our cash reserve. The first 2 ½ years was the riskiest and every mistake we made was compounded tenfold.

Once we got past that, whether it was a bad hire or a technology mistake, we could recover because we knew what to expect. When you know what your sales are, it's fairly easy to predict cash flow for the next three to twelve months within 3-5%. As long as you know your bases are covered, you can take risks. We've done that, knowing if we failed, we'd be okay.

CompTIA: You and your family have also tackled a number of charitable projects over the years, including your work with schools in Africa. How did you get involved with that?

Jeff: It started after the tsunami that hit Indonesia and Sri Lanka where maybe a quarter million people were lost. The news focused on those vacationing in Phuket, Thailand, but there is no way to accurately count all the others. The tsunami was devastating to Indonesia and the Isle of Sumatra. A friend of mine was there and I ended up going over to help and just fell in love with it. I was hooked on helping.

Then my wife, who has always supported me and my efforts, met a lady at our church who was working with a group in Uganda. After a couple years helping out in Indonesia, and my wife doing a lot of administrative and behind the scenes work for Uganda, I got intrigued and decided to go and fell in love with it as soon as I got there. Once you see these kids, in the middle of the jungle, it's hard not to.

After the long flight and drive through the jungle, I was exhausted and without my luggage (thanks to the airline). But when I got out of that truck, I got rushed by 100-150 boys who were between four and twelve years old. And they just wanted to be hugged. These kids didn't care about anything else. They knew we were there to support them. It's hard to describe, but that was life changing for me.

The next day, after visiting the school and meeting everyone, and seeing what they were up against, I quickly realized we could change an entire society in a couple generations. Many of these kids are orphans after their parents were killed by warlords. Many are illiterate and they live in mud huts.

CompTIA: What have you (and others who are supporting the mission) been able to do?

Jeff: Things are changing. This school had just 30 children eight years ago and now there are 1500…in the middle of the jungle. These kids are the first of their generation to get an education. It's just mind boggling to think about. It's still hard for them and they are likely only going to accomplish and learn so much. But imagine the next generation. Their parents will have an education and be more capable of supporting them. It just doesn't get any better than that.

Over here, I do my best to support others and hope I am helping move the needle forward a little bit. But over there, everything we do creates hockey stick (think exponential) moves forward. When you get to be part of that, it absolutely changes you.