

# MPS Delivered

## Suppliers providing dealerships the tools they need

by: Brent Hoskins, Office Technology Magazine

Often, where expertise in and optimism for managed print services (MPS) among vendors exists, so, too, do opportunities for office technology dealerships. There is no shortage of educational resources, support programs and various tools available for dealers seeking to embrace MPS.

Among those providing the tools dealers seek are a number of aftermarket suppliers serving the office technology industry. Specifically, these are the vendors offering, among other products, compatible toner cartridges, often seen as a key component to a dealership's MPS program. The promise of lower costs and higher margins is the appeal. "OEM supplies might provide margins in the 10 to 12 percent range, maybe less dependent upon the manufacturer," says Doug Johnson, executive vice president for Supplies Network, a wholesaler of IT consumables. "Compatible supplies might be 20 to 25 points."

While representatives of some OEMs may debate the merits of compatibles versus their own cartridges, few, if any, would argue that MPS does not provide dealers with a needed opportunity for new revenues. Johnson offers an enticing view of even greater margins when MPS comes into play. "When managed print is done well, you'll make 30 to 45 points of gross margins on hardware and 40 to 60 points of gross margins on service and supplies," he says, emphasizing that dealerships are increasingly seeing the appeal of MPS. "We have some resellers in our program today that have converted a significant portion of their business — on the order of 60 or 70 percent — over to managed print and now have a fundamentally different business model."

The program Johnson is referring to is Supplies Network's CARBON SIX, which provides dealers with a range of tools that help to get them into the MPS business. "With CARBON SIX, we focus on providing everything the dealer needs to sell and manage a best-in-class managed print services program," he says. "We have built a system that enables the



dealer to confidently sell, knowing that we have the services, software and other operational support mechanisms to help them actually deliver an MPS program at the level of profitability they expect."

CARBON SIX offers a variety of components, ranging from software for remote data collection to help-desk support to deal crafting and consulting. Johnson says the program is "completely turnkey, where the dealer can come in and sell and we do everything else." In some cases, he says, more "sophisticated dealers" have built their own MPS programs but use

CARBON SIX to supplement their operational areas. "Essentially, our value proposition is helping to mitigate and manage risks on the operational side," says Johnson. "So, the dealers can focus on what they do best, which is going out and selling and then managing the resulting relationships."

Of course, as noted, Supplies Network is by no means alone as an aftermarket supplies company offering an MPS program for the dealer channel. Diversified Computer Supplies (DCS), for example, offers its OptiPrint MPS program. The company promotes on its website that the program is "structured around flexibility — tools and components can be selected as required to allow for customization of any dealer's managed print program." Among the key components of OptiPrint: software that allows dealers to track and monitor supplies levels, page counts, model descriptions, etc.; training programs covering such subjects as sales, compensation, installation and proposal generation; and sales support tools and services, such as customizable sales presentations, marketing materials and proposal consulting.

The goal of the OptiPrint program is to "teach our partners 'how to fish' in a very, very competitive market," says Brian Leek, president of DCS's Imaging Solution Division. "We show them how to use the tools and how to be successful in the MPS business. We are here to support dealers, probably a lot more in the beginning, until they get

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proficient with the tools and are capable of doing much of this work on their own.”

West Point Products offers an MPS program as well — AXESS MPS. The program offers sales and technical support, device monitoring and comprehensive training. A look at one of the capabilities of AXESS provides a good indication of the type of benefit such MPS programs can provide dealers. AXESS offers integration with, among other software products, Digital Gateway’s e-automate, says Ray Loisel, senior vice president of managed print services, citing in particular e-automate’s purchase order tool. “When a P.O. is generated by the dealership using e-automate, it integrates with West Point’s ERP system,” he explains. “So, the P.O. automatically goes to order processing, is approved and sent to our warehouse where the toner cartridge order is picked, packed and shipped.”

Loisel’s comments point to the core and understandable motivation within supply companies to offer MPS programs for dealers — selling toner cartridges. Says Loisel: “It’s a simple concept, but ‘if you don’t grow Mr. Customer, I don’t grow.’ We’re not doing this because we are making a killing off of the software. This is all about West Point selling more toner and helping our dealers sell more toner.” Leek acknowledges the goal as well: “We are in the business of selling imaging supplies.”

While toner cartridge sales may be the ultimate goal, within supplies companies, there is no lack of enthusiasm for the topic of MPS and the commitment to helping dealers succeed. It appears there is also no lack of experience and expertise. Prior to joining Supplies Network, for example, Johnson’s background included service at Seattle-based Print Inc. (before it was sold to Pitney Bowes) where he was responsible for creating and managing the Print Value program, designed to instruct dealers on how to develop an MPS program. So, it comes as no surprise that, beyond viewing MPS as a means for Supplies Network to sell more toner, Johnson is among the many people in the industry

who also hold a zealous view of MPS as a particularly important opportunity for dealers.

“When we look at our dealer base, those who are not actively engaged in managed print have tended to have a business that is flat or down in revenue and, certainly, they are on a downward trend in terms of gross margins,” he says. “Those who are actively engaged in managed print are growing. I was just in Florida talking to a couple of our largest dealers who are very engaged in MPS. They have seen year-over-year growth in the 20 to 30 percent range during the last two or three years.”

Today, says Johnson, a primary and unfortunate reality in the industry is the highly commoditized nature of office equipment. In a mature market where commodity products prevail, channel players that once co-existed in an account “now find they are reaching ‘over the aisle’ to grab more share of wallet,” he says. “That has no positive outcome because all that does is lead you to expand your business with traditional commoditized product and, inevitably, you will end up competing on bids.”

In contrast, says Johnson, MPS presents the dealer with an opportunity to return to value-added selling, helping end users see how to optimize document output devices and the associated costs. “I tell dealers, ‘If you want to move your business to value-added selling, move to a partner relationship rather than a vendor relationship; you can do so with managed print,’” he explains. “This leverages your expertise and allows you to not only get a broader share of wallet, but a broader share of wallet at higher margins.”

Successfully selling MPS starts with a high level of commitment by senior management. “The most successful dealers we have helped have an MPS strategy that starts at the top,” says Loisel. “If you do not have the buy-in from the owner or president, the transition can be difficult.”

Of course, beyond the buy-in from senior management, success in MPS requires the right sales team; most recommend a dedicated MPS rep or reps. “It is definitely helpful to have at least one or two people who are dedicated to MPS,” says Leek, noting that selling a cost-saving service like MPS to a CFO is much different than selling a machine to an office manager. “It takes a certain skill set and knowledge level. Dealerships need to have dedicated MPS sales reps and educate them so they are knowledgeable about the topic when they walk into the customer location.”

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20,000 to 30,000 pages per month. If they are in that neighborhood or greater, they are certainly decent candidates for MPS.”

Loisel offers similar advice, but specifically emphasizes the appeal of higher volumes on fewer printers. “Volume dictates,” he says. “The right customer is the customer who has volume. If you have a prospect doing 60,000 pages per month on four printers and another doing the same volume on 45 printers, which is the better prospect? It’s the one with the four printers. The number of printers doesn’t mean anything. It is the print volume that matters.”

For years, says Loisel, many sales reps essentially overlooked printers in the prospect’s workplace, focusing instead on the copier and the renewal of the lease. “Dealers are starting to say, ‘We’ve been walking past these printers for 20 years. It’s time that we go after these clicks,’” he says. “With MPS, they are increasing their MIF (machines in field) with a low cost of sale, since they are not selling the hardware to get the service and supplies. They don’t have to sell the ‘razor’ but they’re getting the ‘blades.’”

Whether they seek support and guidance from supplies companies or elsewhere, the timing is right for more dealers to consider an MPS strategy, says Loisel. “For dealerships predominately dealing with copier/MFPs, taking control of a customer’s printer fleet is a logical next step in securing that customer’s business,” he says, adding that it is unfortunate that some dealers remain hesitant about MPS. “I think some people want to make this more complex than it is. It’s not rocket science. Simply stated, it is: ‘Here are my costs and what I need as a return. I find out the customer’s print volume, hopefully come in with the right price, give them more value and we go down the road.’” ■

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It is also important to target the right kinds of customers. “We tell dealers that if they are going to do a full MPS strategy, they need to find accounts that have enough volume for it to make sense,” says Leek, noting that the customer’s “raw number of printers on location” should not be the dealership’s focus. “The best candidates are those companies with a minimum of