

Professional Services

Setting your dealership apart from the competition

by: Brent Hoskins, Office Technology Magazine

“Stop just ‘selling boxes.’” Many dealers in the office technology industry may be tired of hearing the admonition, especially since it may seem a bit counter-intuitive. After all, the MFP factories in Japan and elsewhere do manufacture “boxes.” Perhaps, more specifically, the advice should be: “Seek new, more lucrative means to the same end (selling MFPs and capturing clicks) while locking in more customers and setting your dealership apart from competitors in order to ensure its ongoing success.”

Of course, many dealerships have already moved their focus away from always “just selling boxes.” Instead, they are also pursuing new ways to win and keep customers, capturing more clicks. Increasingly, this includes a professional services strategy.

What are professional services? Generally speaking, they are chargeable, often knowledge- and support-based offerings such as: document-related software implementation and customization (i.e., document management, variable data printing solutions, etc.); ongoing software maintenance; managed print services; custom scope-of-work deliverables; post-sale support; and consulting and assessment services.

Why is it important for dealers to pursue such services? “The risks of not doing so are pretty apparent,” says Mitch Morgan, former vice president of professional services for IKON Office Solutions and now president of Professional Services Roundtable, a dealer peer collaboration consultancy through CEO Focus (www.ceofocus.com). “The risk is being non-competitive in the market compared to other traditional competitors that are now moving forward in this area.”

In addition, says Morgan, the dealer who opts not to offer professional services is jeopardizing the value of his (or her) dealership. “Any buyer would have to look at what types of



things they would need to do in order to make sure the business is viable on a go-forward basis,” he says. “So, there is a risk in terms of the actual value of the business going forward.”

Tom Callinan, president of Strategy Development, a sales management consultancy (www.strategydevelopment.org), and a former executive with IKON as well, offers an additional perspective on the reason to pursue a professional services strategy. “With a continued decrease in average unit selling prices of hardware and a year-over-year decrease in the quantity of units sold, if the dealership is going to grow, professional

services is an area in which the dealership can grow profitably,” he says. “Moving into this area is offensive and defensive.”

If the strategy is increasingly important to a dealership’s long-term profitability and viability, are most dealerships, then, effectively offering professional services? It appears the answer is “no.”

“I don’t think there are very many dealerships — Toshiba or otherwise — that have a very effective professional services program,” says Bill Melo, vice president of national accounts, marketing and operations, for Toshiba America Business Solutions (TABS). “But I do think most dealers are aware of the professional services that go beyond what they’ve offered in the past. I think there is a high level of awareness right now. There are probably more dealers in a trial-and-error stage now than there were a year ago.”

Morgan shares a similar observation. “Nearly all dealerships have what most of them would call an IT group,” he says. “And that IT group would serve a dual function — to manage the internal IT at the dealership and to do connectivity installs. So, most, if not all, of the dealerships that are out there have what I would call the seeds of professional services.

They've got a group of folks who are technical in nature who are used to dealing with the IT environment."

However, while many dealerships with an IT group do charge fees for connectivity and a "stripped down" help desk, "most of them have not really transitioned to what I call a 'culture of chargeability,'" says Morgan.

"So, I would say that the majority of dealerships have some of the elements — the beginning point in place — but probably only about 30 to 40 percent of the dealers I talk to have an actual professional services strategy."

Morgan adds that a number of the dealers he talks to do have a vision of the professional services endpoint they want to achieve. "However, the roadmap to getting there is very fuzzy to them," he says. "So, having a vision of where you want to end up doesn't necessarily equate to making progress."

What is the holdup? It appears that one of the culprits is the tendency to view a professional services strategy simply like the addition of another hardware product. "I have had very successful dealership principals say to me, 'I don't mind making the investment, I just need to know what my return is going to be and when I can expect a return,'" says Morgan. "I think that is one of the big holdups."

Another holdup is the lack of a good plan, says Callinan. "In fact, I would say that very few dealers who offer professional services have a well-thought-out strategy," he says. "It is often vendor driven. In other words, the dealer goes to a vendor meeting and hears something good about a software vendor that sells a particular product. The next thing you know, the dealership is selling that vendor's product and there is no well-thought-out strategy."

What should a good strategy or plan entail? "The plan needs to include qualitative elements that relate to personnel, resources, activities and accountability," says Morgan. "And it needs to include targets for revenue growth — where the dealership is trying to take the business in year one and beyond. I recommend that the year-one target be 6 to 8 percent of equipment revenue."

In that first year, the dealership may want to begin by pursuing a low- to medium-level document management solu-

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tion that is tied into the sales cycle of an equipment discussion, says Morgan. By the third year, he says, the target revenue should be 17 to 20 percent of equipment revenues, and will involve more complex installations, such as \$15,000 to \$50,000 document management deals with \$2,000 to \$5,000 services fees associated with the software. "By the

third year," he says, "this becomes a meaningful revenue source once the business reaches maturity."

To help dealerships develop the ideal plan, Morgan shares what he identifies as the "eight critical success factors for professional services." They are as follows:

■ **Organization Structure** — It is important to have the right person in the right job, with dedicated roles. There should be appropriate headcount metrics to support the initiative.

■ **Accountability/Activity** — In many dealerships, the professional services group operates without a clear set of performance expectations, beginning with activity and productivity targets. A clearly defined set of expectations and the measurement of activities and performance accountability are critical.

■ **Sales Integration/Inspection** — Professional services specialists provide support to sales and drive software-based solutions through the traditional sales organization. Sales management provides the needed inspection and focus.

■ **Compensation/Incentives** — Incentives are provided to drive behavior toward value-added solutions. Attainable quotas are established to ensure appropriate focus and accountability.

■ **Software Products/Services** — There should be an appropriate mix of software-based products geared to inclusion with equipment placements and providing an opportunity to grow with customer requirements.

■ **Service** — Basic connectivity responsibility needs to be shifted to the service organization, freeing professional services resources to focus on software offerings.

■ **Financial Reporting** — Key metrics should include revenue, margin, contribution, headcount and productivity.

■ **Training and Development** — Professional services personnel have a responsibility to provide training and

development to sales and service personnel to enhance knowledge of current and future software offerings.

“These eight critical success factors are the issues that dealers need to check off and build around in order to be sure they are successful in professional services,” says Morgan. “The good thing about it is, generally speaking, if the transition is handled properly, it is an opportunity for incremental revenue with existing resources. Most companies that I work with do not have to add a lot of headcount to get to that first year billing level (6 to 8 percent of equipment revenue).”

Melo agrees with Morgan that developing a professional services strategy over time makes sense. He acknowledges that the number of relationships that Toshiba and other manufacturers have with third-party software companies can be overwhelming for dealers. “My advice is to focus on something that complements your dealership and your customer base and become really good at it,” he says. “It is better to be really good at one thing than to be mediocre at ten things. So, aim for and achieve small victories, and then build on those victories.”

Callinan offers similar advice. “Don’t start with the most sexy, technically advanced product offering out there, because it is going to have a very long sales cycle,” he says. “It’s going to be complicated from a process perspective to implement and you are probably going to experience a failure with it. Where, if you can build some success with easier-to-sell professional services, you will get comfortable with them and, eventually, you can get into those complex areas.”

Will there come a day when end-users simply expect that

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office technology dealerships will also offer professional services? “If that day has not arrived, it’s not in the too distant future,” says Callinan. “So, dealers need to develop these competencies today.”

Morgan concurs. “The more we are dealing inside the IT environment, the more the customers are expecting us to be able to

offer some of these value-added services,” he says. “By the way, they don’t mind paying for it.”

(As an alternative, dealers who are uncertain whether they want to employ the personnel necessary to develop a professional services strategy may want to consider The Utility Company [www.theutilitycompany.com], a managed IT services company that partners with office technology dealerships. The franchise company provides dealerships with the ability to be a single-source technology provider, offering remote monitoring and per-minute help desk, network, desktop, security, online data backup and communications services. “We provide dealers with a complete business system to market, sell and deliver managed IT services with more than 90 percent of customer issues resolved remotely,” says Mark Scott, president and founder. “Our recurring revenue model has built-in loyalty through exclusivity and is a great alternative to the ‘do-it-yourself’ approach.”) ■

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