

It's Never Too Late to Enter Managed Print Services

by Barney Kister • Supplies Network

Managed print services (MPS) as a business model has been the center of industry discussion for several years. These discussions began quietly and have grown over the past five years to a near deafening roar. The copier model of cost per copy that took more than 80 percent of copier sales during the 1990s has found its way to the printer market changing the traditional transactional printer and supplies business model permanently.

With all the noise in the market, one might assume that nearly every dealer — whether a remanufacturer, office products dealer, IT VAR, copier dealer, IT supplies dealer, or any channel type — would have launched some version of an MPS program.

But this is not the case. In fact, very few dealers have active programs providing even a small overall percentage of the dealership's revenue. Most dealers have yet to begin the business model change necessary to spawn the growth of MPS within their organizations. You wonder, "Is it the time for MPS to become part of your business, or has the window of opportunity closed?"

'It's never too late to be what you might have been'

Four years ago my 88-year-old father began to lose mental awareness due to his advancing age. A doctor suggested that regular exercise might slow down the decline. So, my wife and I bought him a gym membership and three months of sessions with a personal trainer. Other than being a regular walker and doing manual labor throughout his life, my father had never participated in any form of structured workout routine.

Three to four days a week he began weight training and is now much stronger both mentally and physically — not just slowing the decline but reversing his condition. The impact was amazing. The program worked for my father because he was committed to a process, got professional help, made a change in his daily routine, and stayed the course for several years. The George Eliot quote, "It is never too late to be who you might have been," applies ap-



proportionately to my father's situation. Does that quote apply to your business in relationship to MPS?

Are you the only one new to MPS?

There are many dealers choosing to enter or get serious about managed print services for the first time in 2009 as shown by the attendance at the Managed Print Summit the day before Recharger's World Expo last August. The nearly 300 participants were asked how many were actively engaged in MPS contracts. The number of hands raised was something less than 10 percent of the audience.

Rarely does a day pass at Supplies Network that I don't receive at least one call from a dealer beginning with, "I saw you speak at ..." or "I got your name from ..." which is followed by "My largest customer is issuing a RFQ for MPS and it is due next week," or "I just lost one of my top five accounts to someone doing MPS ... can you help me protect the others?" George Elliot's quote can apply to some of these situations, but unfortunately not to all.

A case for segmenting the market

So what's a dealer to do who is faced with being forced into managed print services and realizing others went down this road a long time before them? If a dealer has a large customer who has already put out a request for quote (RFQ), the chances of successfully competing that bid are little to none. Typically there is a competing entity that has worked the account and helped develop the RFQ (in their favor of course).

Successful MPS engagements require more time than the traditional RFQ allows. Chasing these will eat up one or two weeks of time with nothing to show for the effort in the end. MPS contracts are most often of three to five years in length, locking out the losing dealer of the potential revenue stream for that time.

A dealer who has just lost a client to an MPS RFQ should look to the other business contained in the company's client portfolio and make a decision on how that remaining business will be protected. Not all accounts in



the dealer's market will move to MPS as most channel dealers live in the small-to-medium business market. Using a client segmentation process will help the dealer define MPS targets.

The dealer should look at those accounts equaling 50 percent or more of the organization's business. For many dealers that will not be an excessive number of accounts. Using Pareto's law (the 80/20 rule) the top half of dealer's business will come from no more than 5 to 8 percent of the customer base.

For a dealer with 1,000 active end-user accounts, 50 to 80 clients might have interest in or even be targets for an MPS engagement. Additionally, the group should be segmented further looking at those clients that represent the top 25 percent, which for most is only three to 10 customers. This top list is critical for any dealer to maintain and most often the primary target of competition.

Business planning and time lines

Once a dealer has segmented the potential targets, a plan must be put into place. Creating a business plan for successful implementation of a business model change should not be taken lightly. Decisions surrounding 50 percent of any dealer's business are critical and failure with this group of clients is likely followed by failure of the overall business. Today there are many options on how to move forward—using consultants for training or coaching, outsourcing the major elements of the business through one of the recognized wholesale providers, conducting a complete self build, or using one of the OEM manufacturers programs.

A critical element to any business planning process is metrics and timelines. How do you measure success and by when should it be achieved? The longest and most expensive route to making a business model change to engage in MPS is the dealer self build. Four years ago that was the only option for dealers, but fortunately today there are many options of existing programs.

The self-built MPS program might be the best possible solution, but only if the dealer has the time and funds to support this direction. The pre-built models offered by wholesalers and manufacturers cut the time to market considerably. Self builds can take as long as two years to be fully developed, enabling a dealer to successfully attack MPS engagements. While the outsourced models shorten that time, most dealers take from six to nine months to internalize the MPS model in a way that is effective with clients.

For the dealer choosing to enter the MPS space to-


day, the time line decision must include an analysis on whether or not the top 25 percent accounts will remain un-approached by competition while the dealer develops the skills needed to offer MPS. Do you have the luxury of time?

An alternative approach to outsourcing

Most of the pre-built wholesale or OEM programs in the market today include professional training and coaching. The training/coaching is conducted by consultants with varying levels of personal experience in conducting end-user MPS engagements. Dealers work with these individuals over a contracted training period and generally establish some success if proper and consistent discipline is applied to the process.

Generally during the training/coaching period the dealer focuses on smaller client engagements. The two primary reasons for working with smaller accounts in the beginning are to create some early success and to avoid making the dealer's largest accounts the first attempt at MPS. Other elements that affect the overall success of these programs include a proper compensation model, internal infrastructure to support the development and implementation of a contract, dealer ownership support, and a dedication to provide the necessary resources to nurture the program.

Despite these efforts, the dealer is still in danger of losing the top 25 percent of businesses while learning the new business model. There are a few outsourced models in the market today that go beyond the traditional training/coaching model and actually provide direct sales support for face-to-face support of large end-user accounts. The outsourced programs have a broad range in the level of support provided as well as in the associated cost and requirements for engagement. The support can include "C level" engagement, deal crafting and right-sizing suggestions, assessment teams to collect environmental data, and strong closers to assist with cost consensus and contract presentation.

Now is the time to begin your MPS program, self-built or outsourced, in part or in total. Study your company and your market and begin the process of building a program. Outsourcing can accelerate your program's success and may save key accounts from your competition. Only you and your competition know how much time you have to prepare. 

Contact Barney Kister at kister@suppliesnetwork.com.