Managed IT Services
Taking the mystery out of the first steps

by: Ed McLaughlin, Valderus

Now that it is nearly universally accepted that the decline in office pages is permanent and process-driven, office technology dealers face the challenge of balancing equipment sales with trying to figure out how to move into the managed IT services market. While the managed IT opportunity is huge — expected to surpass $320 billion by 2020 — it will augment, not displace, your core business. With this balance, there is a lot of discussion around the topic of IT services — the learning curve, technical knowledge, how to begin and even some anxiety that resonates in the industry.

For decades, we had the luxury of riding the growth of the industry even if we were not performing at our best. Today, it is a "zero-sum" world and we must provide more services for new and existing accounts. While there is still opportunity in equipment sales, there is now a clear limit and dealers need to take their customer service to new levels in order to succeed. A successful office technology dealership cannot simply rely on copy and print sales alone. Moving toward a services business model that comprises strong MPS and 30 to 40 percent IT services should be the goal for long-term stability.

How do you get your dealership there? First, your core business must be hitting all the metrics. If it is not strong, fix it before you start a transition. Next, how do you take advantage of this opportunity? The choices are no secret: acquire an IT organization; build an IT organization from scratch; or partner with an IT services provider.

Let's face it — dealers have a history of being very good at acquiring organizations close to their core. They know what to look for, what is good, what is bad and what is reasonable to pay. Acquiring an IT organization is outside of that realm. If you do not know a whole lot about IT services today, how do you know what to look for in blending these services into your existing business? Acquisitions are as much about culture as they are about financial results and well-run companies. It takes extensive research, due diligence and time. The potential for making a bad acquisition is exponentially higher when acquiring outside our core, which could impact both the new acquisition and our existing business. It can and has been done successfully, but the risk is quite high and the impact of a mistake could be very expensive.

Building an IT company from the ground up is the toughest, riskiest and probably most expensive choice. Starting from scratch takes a great deal of both time and money. Time is not really a luxury that can be afforded. Chances are you are talking to your customers about their technology needs now, or they are at least asking questions. I will suggest that, while there is a strong temptation to control quality, this option is too risky and expensive and, actually, the result is reduced quality. Unfortunately, the learning experience is knowledge gained at the expense of our customers.

Outsourcing or partnering with an IT services provider allows a dealer to start selling these services today without investing a lot of time in research and laying out cash for in-house IT techs and infrastructure. Outsourcing delivers the IT knowledge your customers need today, while setting your business up for long-term growth. The key is to pick your partner wisely.

Here are some considerations when selecting an IT services partner: Think about the customers it serves and if its customer base is representative of yours. Does the company offer competitive, scalable pricing? Is there room to make money? Does it offer a wide range of services as your needs and the needs of your customers change and grow? Is its sales culture compatible? Getting into the IT services business is new and entirely different from the copy and print business, so you need to use this partner as a source for learning. Your partner should not distract you from your current, core business, but help you to augment and add these additional services that will help obtain greater depth in your accounts and increase your sustainability.

Finally, remember your successful sales reps will be tough to get on board with IT services initially. They are lucratively selling MFPs and printers and are unlikely to risk any new ventures in "their" accounts. They are comfortable in their environments; the transition must not threaten that security. It will be your newer, less experienced sales reps who will be interested in this new opportunity and most willing to work with a new partner to learn how to sell IT services. The incoming partner needs to be cognizant of the differences in the sales team and help include everyone in the transition. Compensation is key, so remember that you get what you reward. Make sure you reward what you want. All salespeople have failed "sandbox" and sharing turns them off, so forget the split commission concept.

Entering the IT services field is a fundamental change to the business model and needs buy-in from the top down. It does not have to be scary and full of anxiety. It addresses a compelling customer need and is one of the steps you must take in the "zero-sum" world. Just do not be late to the game. ■

Ed McLaughlin has 40 years of experience in the information and imaging industries. He was president of Sharp Imaging & Information Company of America and executive advisor at Sharp Electronics. He is currently president and CEO at Valderus, bringing together dealerships with an innovative approach for shared profitability while retaining local management and brand identity. He is also on the board of advisors at Continuum Managed IT Services. McLaughlin has received many honors during his career, including Marketing Research Consultants' Lifetime Achievement award and a BTA Lifetime Achievement award, both in 2012. He can be reached at edward.mclaughlin@valderus.com. Visit www.valderus.com.

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