



MPS INSIGHTS

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CEO CORNER

By Ed Crowley, CEO Photizo Group

Why Managed Print Services

Welcome to the inaugural issue of MPS insights, our new quarterly newsletter focusing on the Managed Print Services market. The purpose of this publication is to provide an unbiased, informed view of the developing Managed Print Services (MPS) market. We will cover everything related to Managed Print Services including: user case studies, best practices, vendor news, and will even include the occasional guest article.

Why did we decide to begin this publication now? The first reason is very simple. We believe there is a need. In the course of interviewing over 125 decision makers and 50 resellers over the last twelve months, it has become clear that there is a significant desire among the end user community for information regarding what is, and what isn't working, who is performing well, and who isn't and many other issues impacting the adoption of MPS by both small and large business.

Secondly, we believe MPS is finally coming of age! After almost 8 years of vendors touting the benefits of MPS, we are now actually seeing implementations that are working. In the words of one IT manager, "I would encourage anyone who has a fleet of imaging devices to consider a Managed Print Service engagement. The potential benefits are tremendous".

In this issue you will hear from two MPS decision makers in Washington, a dealer in South Carolina who has transitioned to offer MPS services, and you will receive a few highlights from the Photizo MPS North America MPS study.

We welcome you to our publication, and invite your participation. We can only be as good as your feedback and comments. Please email me with your ideas, requests, and yes, even critiques at eacrowley@photizogroup.com.

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Managed Print Services (MPS) market.**



Vendor Profile

A Vendor's View of MPS - Interview with John MacInnes, President of Print Audit

Recently, we had the opportunity to speak with John MacInnes, President of Print Audit, about various topics related to Managed Print Services, Print Audit's software products, and possible acquisitions. John mentioned an important fact: Printing costs are the last bastion of uncontrolled spending in an organization. Document production costs are typically in the top 5 costs within an organization. This corresponds with studies which pinpoint corporate printing costs can consume up to 3% of a company's annual revenues. The Photizo Group North America MPS Tracker study shows how reducing (or at least stabilizing) costs for the hardcopy fleet is one of the most important reasons for moving to an MPS engagement.

Print Audit's View of Managed Print Services

John kicked off the discussion about Managed Print Services (MPS) by stating, "Some customers are calling it print management and some call it fleet management. From a software point of view, fleet management has become commoditized. Software companies that are focused on fleet management will most probably not survive in the long run." In many respects, John's view makes sense.

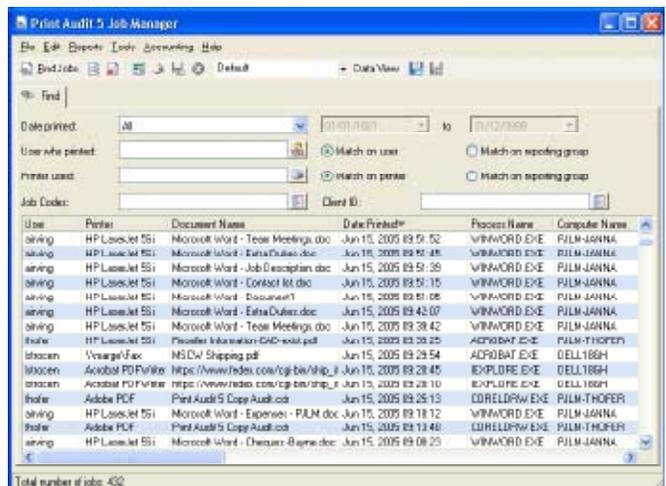
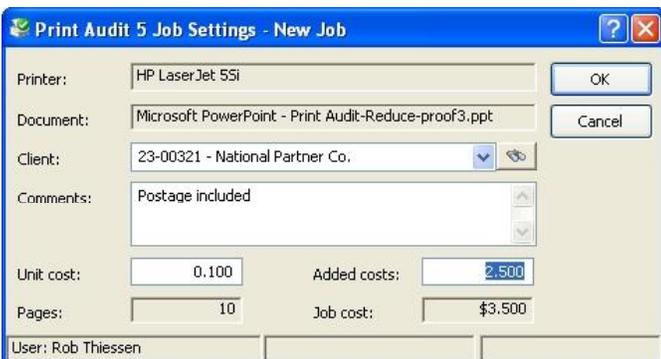
From the Photizo Group view, this commoditization is a natural by-product of the competitive intensity for 'fleet management' engagements. The Photizo Group's MPS customer adoption model identifies fleet management as part of the first two stages of MPS adoption (the first stage being 'Consolidation' and the second stage being 'Optimization'). Most firms claim the ability to offer some level of fleet management, and as a result the level of perceived differentiation is minimal. (See our article on the MPS Customer Adoption Cycle).

The differing levels of customer adoption for MPS make it difficult for dealers and customers to understand how to engage in Managed Print Services. Some dealers are not sure on how to get into managed print services today. Some just offer a way to make device management easier using software and others that have not been involved in device management just offer a click charge contract.

From John's perspective, copier dealers are finding it easier to move into MPS; they are picking it up faster than IT VARs who you would think would be better at it because they have been managing networks forever. In John's estimation, "IT VARs are not used to this type of model, they are using it for service and supplies whereas copier dealers are using it for meter reading and supplies."

Print Audit's Business Model

Print Audit has been involved in managed print services for a long time. They are taking the long-term view on fleet management since they just don't see it becoming an immediate company maker. They would like to see it become a significant portion of revenues in order to cover their monthly cost which would take about 1 to 1.5 million devices under contract. "We just need to wait this thing out and see how the pricing develops. Of all the companies out there, we are the luckiest because we do have a strong revenue stream from our other products," explained John.





Dealer Profile

Moving a Dealer from Being a “Copier Dealer” To Being an MPS Capable / IT Dealer *Interview with Ken Stewart – Kearns Business Solutions, Director of Technology*

Ken Stewart, Director of Technology for Kearns Business Solutions is a lifelong learner. He listens, asks a lot of questions, and is successful in what he does. He has his own blog where he is able to share his opinions with customers, dealers, and vendors. He is what has been coined, a ‘renaissance man’. This interview centered on a discussion about Kearns Business Solutions, managed print services, Print Audit, and advice to someone starting their own MPS program. Most importantly, this provides an interesting case study of a company which has successfully made the transition from being a copier-centric dealer to a technology- capable, MPS provider.

Kearns Business Solutions

Kearns Business Solutions (KBS) is based in Greenville, South Carolina about 2 hours north of Atlanta just off I-85. Kearns has served the North and South Carolina business community since 1981. Today Kearns Business Solutions is recognized as one of the top 100 Elite Dealers in the United States. Their quest for quality has earned them the coveted J.D. Power Award as a Certified Dealership.

Ken used to be a client of Kearns so he can speak from both sides of the fence. Originally, Kearns was focused on selling copiers and faxes. There wasn’t an Office Depot in town so Kearns was the place to go to get paper clips, pens, and paper. At that time it was pulling in \$4.6M in revenue when Tony Pater (a dynamic business person) took over. Since then they have seen double-digit growth and their revenues have increased to \$19M this year. Most recently, Tommy Pickens was promoted to president and has focused on strategies. He understands that he must keep his finger on the heartbeat of the company. Tommy says, “Take care of the associates, they will take care of customers, and the rest takes care of itself.” This, along with Tony Pater having a big heart and sharing the profits with the company, has bred itself a culture that is on fire for its customers. This means they have had a good retention rate among customers. “We constantly look at ourselves to see how to improve.”

About six or seven years ago KBS moved from the copier-centric mentality to the printer-centric mentality and about three years ago the firm began the move to the document-centric mentality. So, right now, they focus on documents. Over the years they have found it’s not just about output, it’s about all of these other things that go along with that understanding customer’s needs, wants, and

desires where they may want a MPS strategy, or document management strategy, or a fax strategy. As an organization, they have gone through a major transformation. It has been the team culture at Kearns that has made them successful, not just one individual.

Ken has been looking for companies to partner with that have a solutions strategy for their customers - companies that are more concerned with taking care of their current customers versus bragging about how many sales they had in the past month.

Print Audit relationship

Kearns Business Solutions is a partner with Print Audit of Calgary, Canada. Both KBS and Print Audit share a philosophical similarity of taking care of their customers. Ken explained that, “Rob (Thiessen) and I talked about three years ago. Being from the IT side, I was a very tough sell. I wanted a server-based product, but Print Audit 5.0 was client-based.” Once Rob gave Ken the reasons why Print Audit was client-based (server-based systems cannot capture application or computer names where print jobs originate, most companies are moving away from print servers, etc.) Ken bought into it. “There is nothing that





competes with Print Audit 5.0. Their support is the best bar none. Their software is heads and shoulders above other software available,” claimed Ken.

Ken felt that Print Audit should use their Facilities Manager (FM) product as a sales lead generation tool. It takes 15 minutes to roll it out and begin to get data and it is better for KBS to use than any of the other software packages. They use Print Audit 5 to manage their internal assets and they use FM as well. You have to understand both tools to develop a printer strategy for a customer.

Evolution of MPS

In discussing managed print services (MPS), Ken thought there has been a lot of misinformation that vendors and clients have heard. There have been differences of definitions of what MPS is. It is always interesting to see what other dealers and manufacturers are saying about MPS. Ken just got back from ITEX and it was interesting to sit in on MPS presentations. KBS is already doing a lot of what the various vendors were saying. It appeared that most presenters were patting each other on the back but nothing new was coming to the table. In Ken’s opinion, those companies that are winning the MPS fight, focus on the core competency of customer service.

“There is this feeling that if you don’t jump on this opportunity (MPS) it will pass you by. We have come to the conclusion that taking care of customers is the way to do business; it is not an opportunity to go out there and rob your customer blind. This is what I have been hearing some of these vendors and dealers saying. Some customers think

they will save money, but that is not always the case. However, with the economic downturn customers may be more interested in MPS.”

Ken has noticed that few customers are pushing for MPS. Kearns has had to go out and educate their customers; it has been an extreme education effort. One of Kearns’ strengths with their customers is that they help right size their printing and they employ a mixture of techniques to do what is right for their customers.

Currently, sixty-eight associates work at Kearns. Five years ago Kearns had two IT people out of a total of seventy-five people in the company. Now they have twelve IT people out of sixty-eight which demonstrates the move to IT. They now have a smarter, more IT savvy company. They are on the verge of not being a copier company anymore but are on the verge of being an IT company.

To give us an idea of the metamorphosis Kearns went through, Ken related this story. “We had a salesman that had sold about \$3 million worth of copiers and had a base of 2,000 customers. Someone had to tell him that he now had to go and sell printers! I’ll never forget the day when he stood up about three years into the program and said, ‘Now I see why I had to sell printers, you don’t sell one, you sell 200 of them! I can make the same amount of money with a whole lot less effort.’ This guy is everywhere; he is doing tons of business. Last year he had a record year. He of all people finally got it.”

Advice to a client starting MPS program

Ken provided his guidance for a customer that is thinking about or planning on beginning an MPS program. He netted it down to two points:

1. The reseller needs to understand your objectives, needs. Is your objective to reduce costs? Is your objective to increase efficiencies? Is it a blend between the two? Is it an obsolescence program? Is it to bring new technology to the table?
2. Evaluation – this is a constant evolving piece. Set milestones to an end goal. Use a phased approach with stepping stones to get to an end goal.

In the end it is important that a customer is at least stepping up and trying to learn about MPS even if they don’t get into right away.

As we implied in the beginning of the article, Ken is a lifelong learner. In order to gain the knowledge he has had to do grass roots networking, always asking, and always listening. He has had to build bridges with partners and in some cases, competitors. Ken is an astute businessman and his involvement in helping to transform Kearns Business Solutions to a technology-centric company that is well positioned to meet the needs of MPS customers.



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