Tariff Costs & IT Project Comp

Dealers answer two questions from fellow dealers

Compiled by: Elizabeth Marvel, Office Technology Magazine

Following are two questions submitted by dealer members as part of BTA's Dealers Helping Dealers resource and many of the answers received. These answers and others can be found in the members-only section of the BTA website. Visit www.bta.org/DealersHelpingDealers. You will need your username and password to access this member resource.

Are any dealers directly passing the costs of tariffs on to customers as a separate line item on their contract invoices? Please provide details.

"On equipment, we pass on any price increases to the end user. On contracts, we adjust pricing annually when the contract renews."
Thomas Fimian, founder/CEO
Levifi, Charleston, South Carolina

"Not directly. We are increasing our prices to reflect the sale of equipment and our annual service increase. We will also charge for credit card fees."
Tyler Best, president
Abadan, Richland, Washington

"Yes. We add them to the invoice."
Chip Miceli, CEO
Pulse Technology, Schaumburg, Illinois

"Yes. We pass tariff costs directly to customers as a separate line item on contract invoices. The tariff amount is determined by the manufacturer's specified tariff rates and is calculated based on the number of devices covered under each customer's contract."
Tony Sanchez, president
C3 Tech, Santa Ana, California

"We are not passing it on as a separate line item. We decided to increase the scheduled rate at time of renewal."
Kim Valenta, vice president
Offix LC, Gainesville, Virginia

"Not yet, but we have revised our terms and conditions to state that tariffs are excluded from contracted pricing."
Christina Morgan, president
TDSiT, Lowell, Arkansas

For MSPs, how do you compensate reps for IT projects (e.g., wiring projects, server migrations, etc.)?

"We pay the reps 20% of the initial first bill and then on year two we pay them 10%."
Peter Napolitano, sales manager
United Business Systems, Buffalo, New York

"If the sales rep develops the opportunity, it goes into his (or her) comp plan. If it is driven by someone else, it does not. We push hard for MRR [monthly recurring revenue] arrangements and those are rewarded handsomely."
Ron Hulett, president & CEO
U.S. Business Systems Inc., Elkhart, Indiana

"They get a portion of the hardware commission, as well as a commission on the labor."
Chap Breard, owner
MOEbiz, Monroe, Louisiana

"For IT projects, we compensate our sales reps based on a percentage of the project revenue. If the project also includes a recurring revenue component, the rep is paid out for one year's worth of that recurring revenue once the project is completed. One area I am still refining is how to handle projects that are identified by our sales engineer during QBRs, especially when they overlap with a rep's territory. If I see clear value in leveraging the rep's client relationship, I will involve him (or her) and compensate accordingly. However, if his presence would not add value to the opportunity, I may choose not to involve him. I am continuing to work through what is most fair and motivating in these situations, balancing recognition for both relationship-driven sales and technical-led opportunities."
David Priestley, director of managed services
Donnellon McCarthy Enterprises Inc., Cleveland, Ohio ■

Elizabeth Marvel is associate editor of Office Technology magazine. She can be reached at (816) 303-4060 or elizabeth@bta.org.