

YOU HAVE THE MPS CONTRACT — *NOW WHAT?*



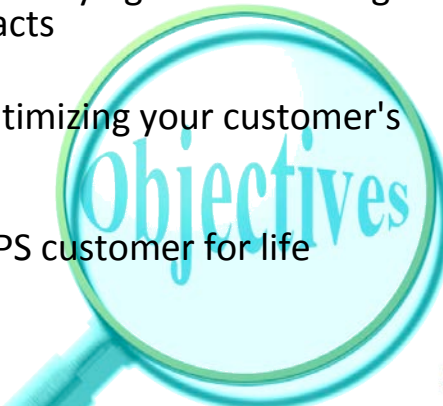
Tom Callinan
Managing Principal
Strategy Development

Tom Callinan

- ❖ Founder and CEO Copifax, Philadelphia 1987: INC 500 Company, 1992
- ❖ Sold to IKON September, 1997
- ❖ VP Ops/CFO IKON MidAtlantic District, 1998
- ❖ Marketplace President, NYC 1999 – 2001
- ❖ Southeast Region President, 2002 – 2003
- ❖ VP/GM Northeast Region, 2003
- ❖ VP/GM East Region, 2004 – 2005
- ❖ Strategy Development, 2006

Seminar Objectives

- ❖ How and why to conduct a quarterly business review
- ❖ Approach to modifying and enhancing existing contracts
- ❖ Use TCO to optimizing your customer's infrastructure
- ❖ Keeping an MPS customer for life



Reasons for Quarterly Business Review

- ❖ Most fundamental:
Keep the contract
- ❖ Demonstrate value in the
MPS agreement
- ❖ Justify monthly expense
- ❖ Sell hardware and software
- ❖ Gain more output
- ❖ Change the contract so it becomes perpetual



What to Include, Basic Information?

- ❖ Actual quarterly volume
- ❖ Actual usage vs contracted usage
- ❖ Any overage charges or credited prints
- ❖ Service statistics/cartridge use



What to Include, Value Areas?

- ❖ High and low usage printers
- ❖ Printers with high life count
- ❖ Printers with high service requirements
- ❖ Printers with high kWh usage
- ❖ Use TCO based on CPP
- ❖ Change in contract minimum



PRICING

Original Contract Pricing

Location	Model	Serial Number	1-Nov	21-Nov	Delta	Factor	Cartridge	Yield	Monthly Cart	Price	Total	CPP
			1st Read	2nd Read								
IT Bldg - Ed B	1100	USLE104829	41,339	41,376	37	0.71429	92A	2,500	0.02	\$ 25.00	\$ 0.58	0.0111
IT Bldg - Kimber K	3005	CND1S62285	494	1,625	1,131	1.583	51X	13,000	0.14	65.00	8.80	0.0056
IT Bldg - Walter R.	2200	USBGC13127	305,116	306,516	1,400	1.960	96A	5,000	0.44	36.00	15.68	0.0080
Hgr. 63 - Parts Dist.	3005	CNB1S01550	46,514	48,208	1,694	2.372	51X	13,000	0.20	65.00	13.18	0.0056
Hgr. 63 - Janice	1320	CNDCS31265	14,845	15,401	555	777	49X	6,000	0.14	41.00	5.90	0.0076
Hgr. 63 - Pam	1300	CNBB293597	123,741	124,479	738	1.033	13X	4,000	0.29	40.00	11.48	0.0111
Hgr. 63 - Trop Air	2430	CNGJC81962	73,037	75,083	2,046	2.864	51X	12,000	0.27	56.00	14.85	0.0052
Hgr. 63 - Alex M	1012	CNFL052604	8,151	8,298	147	206	12A	2,000	0.11	33.00	3.77	0.0183
Hgr. 63 - Store	2200	JPGGF24993	212,020	215,445	3,425	4.795	96A	5,000	1.07	36.00	38.36	0.0080
Hgr. 63 - Dick	1100	USJC195554	40,321	40,722	401	561	92A	2,500	0.25	65.00	16.22	0.0289
Hgr. 63 - Shipping	1300	CNBB036431	47,304	47,615	311	435	13X	4,000	0.12	40.00	4.84	0.0111
Mt. Bldg - Tech Lib	2015	CNBJM15688	8,473	10,159	1,686	2.360	53X	7,000	0.37	53.00	19.86	0.0084
Mt. Bldg - Parts	3005	CNB1P06551	31,583	35,042	3,459	4.843	51X	13,000	0.41	65.00	26.90	0.0056
Mt. Bldg - Lynn	1300	CNBB070483	70,860	72,118	1,258	1.761	13X	4,000	0.49	40.00	19.57	0.0111
Mt. Bldg - Brandy	2430	JPGGR18077	102,491	108,427	5,936	8.310	51X	12,000	0.77	56.00	43.09	0.0052
Mt. Bldg - Inspec. Dej	2015	CNBJP10534	4,180	6,183	2,003	2.904	53X	7,000	0.45	53.00	23.59	0.0084
Avionics - Recop.	3005	CNB1S01821	90,426	94,932	4,506	5.308	51X	13,000	0.54	65.00	35.05	0.0056
						43.026					\$ 302	
Main Ter. - L. H.	HP 4500		175,235	177,510	2,275	3.185	91A	9,000	0.39	30.00	11.80	0.0037
						3.185					12	
Main Ter. - L. H.	HP 4500		216,483	218,957	2,474	3.464	92A	6,000	0.64	\$ 44.00	\$ 28.22	0.0081
Main Ter. - L. H.	HP 4500		216,483	218,957	2,474	3.464	93A	6,000	0.64	44.00	28.22	0.0081
Main Ter. - L. H.	HP 4500		216,483	218,957	2,474	3.464	94A	6,000	0.64	44.00	28.22	0.0081
Main Ter. - L. H.	HP 4500		216,483	218,957	2,474	3.464	91A	9,000	0.43	30.00	12.83	0.0037
						3.464					\$ 97	
Pricing Analysis			Color Monthly Prints		B&W Service Cost	Color Service Cost	Cartridge Cost	Total Cost	Gross Profit Margin	Monthly Contract	CPP	
Blended	Monthly Prints	Black on Color			\$ 0.0025	\$ 0.0100	\$ 411	\$ 585.05	50%	\$ 1,170	\$ 0.0236	
Mono	43,026				\$ 0.0025		\$ 302	409.27	50%	\$ 819	\$ 0.0190	
Black on Color		3,185				\$ 0.0100	\$ 12	43.65	50%	\$ 87	\$ 0.0274	

Quarterly Volume

Location	Model	Serial Number	1-May	1-Aug	Delta	Factor	Cartridge	Yield	Monthly Cart	Price	Total	CPP
			1st Read	2nd Read								
IT Bldg. - Ed B	1100	USLE104829	41,376	43,108	1,732	3.00000	92A	2,500	0.26	\$ 25.00	\$ 6.41	0.0111
IT Bldg. - Kimber K	3005	CND1S62285	1,625	3,528	1,903	634	51X	13,000	0.05	65.00	3.52	0.0056
IT Bldg. - Walter R.	2200	USBGC13127	306,516	314,015	7,499	2,500	96A	5,000	0.56	36.00	20.00	0.0080
Hgr. 63 - Parts Dist.	3005	CNB1S01550	48,208	54,897	6,689	2,230	51X	13,000	0.19	65.00	12.39	0.0056
Hgr. 63 - Janice	1320	CNDCS31265	15,401	20,465	5,064	1,689	49X	6,000	0.31	41.00	12.82	0.0076
Hgr. 63 - Pam	1300	CNB293597	124,479	127,684	3,205	1,068	13X	4,000	0.30	40.00	11.87	0.0111
Hgr. 63 - Trop Air	2430	CNGJC81962	75,083	84,539	9,456	3,152	51	12,000	0.29	56.00	16.34	0.0052
Hgr. 63 - Alex M	1012	CNFL052604	8,298	10,183	1,885	628	51X	2,000	0.35	33.00	11.52	0.0183
Hgr. 63 - Store	2200	JPGGF24993	215,445	231,579	16,134	5,378	96A	5,000	1.20	36.00	43.02	0.0080
Hgr. 63 - Dick	1100	USJC195554	40,722	42,348	1,626	542	92A	2,500	0.24	65.00	15.66	0.0289
Hgr. 63 - Shipping	1300	CNBBO36431	47,615	49,159	1,543	514	13X	4,000	0.14	40.00	5.71	0.0111
Mt. Bldg. - Tech Lib.	2015	CNBJM15688	10,159	18,502	8,343	2,781	53X	7,000	0.44	53.00	23.40	0.0084
Mt. Bldg. - Parts	3005	CNB1P06551	35,042	47,950	12,908	4,303	51X	13,000	0.37	65.00	23.90	0.0056
Mt. Bldg. - Lynn	1300	CNBB070483	72,118	80,426	8,308	2,769	13X	4,000	0.77	40.00	30.77	0.0111
Mt. Bldg. - Brandy	2430	JPGGR18077	108,427	136,395	27,968	9,323	51X	12,000	0.86	56.00	48.34	0.0052
Mt. Bldg. - Inspec. Dep.	2015	CNBXP10534	6,183	15,248	9,065	3,022	53X	7,000	0.48	53.00	25.42	0.0084
Avionics - Recep.	3005	CNB1S01821	94,932	113,783	18,851	6,294	51X	13,000	0.54	65.00	34.91	0.0056
											\$ 346	
Black on Color												
Main Ter. - L. H.	HP 4500		177,510	186,793	9,283	3,094	91A	9,000	0.38	30.00	11.46	0.0037
Color											\$ 11	
Main Ter. - L. H.	HP 4500		218,957	231,013	12,056	4,019	92A	6,000	0.74	\$ 44.00	\$ 32.74	0.0081
Main Ter. - L. H.	HP 4500		218,957	231,013	12,056	4,019	93A	6,000	0.74	44.00	32.74	0.0081
Main Ter. - L. H.	HP 4500		218,957	231,013	12,056	4,019	94A	6,000	0.74	44.00	32.74	0.0081
Main Ter. - L. H.	HP 4500		218,957	231,013	12,056	4,019	91A	9,000	0.50	30.00	14.88	0.0037
											\$ 113	
Pricing Analysis												
Blended	Monthly Prints	Black on Color		Color Monthly Prints	B&W Service Cost	Color Service Cost	Cartridge Cost	Total Cost	Gross Profit Margin	Monthly Contract	CPP	
	54,506				\$ 0.0025	\$ 0.0100	\$ 471	\$ 660.20	50%	\$ 1,320	\$ 0.0242	
Mono	47,393				\$ 0.0025		\$ 346	464.49	50%	\$ 929	\$ 0.0196	
							\$ 11	42.40	50%	\$ 85	\$ 0.0274	
Black on Color												

Items of Note

- ❖ Volume is higher and shifted slightly toward color
- ❖ There is an orphan with the 1012 and it is the most expensive printer to operate
- ❖ The 1320 is another expensive to operate printer that is an orphan
 - Orphan printers require additional SKUs for cartridges
- ❖ Color device is extremely old
- ❖ Overall CPP with shift in printing increased from \$0.0236 to \$0.0242 to maintain margin
 - Our margin may not have been as planned

Equipment Changes

Location	Current Device	Disposition	Replacement Device
Avionics	HP 3005	Redeployed	New HP 4015
Brandy	HP 2430	Redeployed	New HP 4015
Lynn	HP 1300	Redeployed	Avionics HP 3005
Store	HP 2200	Redeployed	Kim K HP 3005
Alex M	HP 1012	Retired	Lynn HP 1300
Janice	HP 1320	Retired	Brandy HP 2430
Kimberly K	HP 3005	Redeployed	Store HP 2200
Color Device	HP 4500	Retired	Reman HP 4700



Aftermarket CPP : After Equipment Changes

Location	Model	Serial Number	1-May 1st Read	1-Aug 2nd Read	Delta	Factor	Cartridge	Yield	Monthly Cart	Price	Total	CPP
IT Bldg - Ed B	1100	USLE104829	41,376	43,108	1,732	3.0000	92A	2,500	90.00%	\$ 25.00	\$ 6.41	0.0111
IT Bldg - Kimber K	2200	JPGGF24993	1,625	3,528	1,903	634	96A	5,000	0.25	36.00	5.07	0.0080
IT Bldg - Walter R.	2200	USBGC13127	306,516	314,015	7,499	2,500	96A	5,000	0.56	36.00	20.00	0.0080
Hgr. 63 - Parts Dist.	3005	CNB1S01550	48,208	54,897	6,689	2,230	51X	13,000	0.19	65.00	12.39	0.0056
Hgr. 63 - Janice	2430	JPGGR180777	15,401	20,465	5,064	1,688	11X	12,000	0.16	41.00	6.41	0.0038
Hgr. 63 - Pam	1300	CNBB293597	124,479	127,684	3,205	1,068	13X	4,000	0.30	40.00	11.87	0.0111
Hgr. 63 - Trop Air	2430	CNGLC81962	75,083	84,539	9,456	3,152	11X	12,000	0.29	56.00	16.34	0.0052
Hgr. 63 - Alex M	1300	CNBB070483	8,298	10,183	1,885	628	13X	4,000	0.17	40.00	6.98	0.0111
Hgr. 63 - Store	3005	CND1S62285	215,445	231,579	16,134	5,378	51X	13,000	0.46	65.00	29.88	0.0056
Hgr. 63 - Dick	1100	USJC195554	40,722	42,348	1,626	542	92A	2,500	0.24	65.00	15.66	0.0289
Hgr. 63 - Shipping	1300	CNBB036431	47,615	49,158	1,543	514	13X	4,000	0.14	40.00	5.71	0.0111
Mt. Bldg - Tech Lib.	2015	CNBJM15688	10,159	18,502	8,343	2,781	53X	7,000	0.44	53.00	23.40	0.0084
Mt. Bldg - Parts	3005	CNB1P06551	35,042	47,950	12,908	4,303	51X	13,000	0.37	65.00	23.90	0.0056
Mt. Bldg - Lynn	3005	CNB1S01821	72,118	80,426	8,308	2,769	51X	13,000	0.24	65.00	15.39	0.0056
Mt. Bldg - Brandy	4015		108,427	136,395	27,968	9,323	64X	24,000	0.43	85.00	36.69	0.0039
Mt. Bldg - Inspec. Dep	2015	CNEUP10534	6,183	15,248	9,065	3,022	53X	7,000	0.48	53.00	25.42	0.0084
Avionics - Recep.	4015		94,932	113,783	18,851	6,284	64X	24,000	0.29	85.00	24.73	0.0039
					47,383					\$	286	
Main Ter. - L. H.	4700		177,510	186,793	9,283	3,094	50A	11,000	0.31	92.00	28.76	0.0093
						3,094				\$	29	
Main Ter. - L. H.	4700		218,957	231,013	12,056	4,019	51A	10,000	0.45	\$ 93.00	\$ 41.53	0.0103
Main Ter. - L. H.	4700		218,957	231,013	12,056	4,019	52A	10,000	0.45	93.00	41.53	0.0103
Main Ter. - L. H.	4700		218,957	231,013	12,056	4,019	53A	10,000	0.45	93.00	41.53	0.0103
Main Ter. - L. H.	4700		218,957	231,013	12,056	4,019	50A	11,000	0.41	92.00	37.35	0.0093
					4,019					\$	162	
Pricing Analysis	Monthly Prints	Black on Color	Color Monthly Prints	B&W Service Cost	Color Service Cost	Cartridge Cost	Total Cost	Gross Profit Margin	Monthly Contract	CPP		
Blended	54,506			\$ 0.0025	\$ 0.0100	\$ 477	\$ 666.54	50%	\$ 1,333	\$ 0.0245		
Mono	47,393			\$ 0.0025		\$ 286	\$ 404.73	50%	\$ 809	\$ 0.0171		
Black on Color		3,094		\$ 0.0100	\$ 29	\$ 59.70	\$ 68.69	50%	\$ 119	\$ 0.0386		

Adding New Equipment

Quantity	Model	Distributor Price	Extended Cost
2	4015	\$ 1,350	\$ 2,700
1 Reman	4700	\$ 600	\$ 600
Gross profit target		50%	1,650
Total lease value			\$ 4,950
Lease factor		0.021	
Monthly equipment payment			\$ 103.95
Monthly prints		54500	
Monthly equipment as a CPP			\$ 0.0019
Aftermarket CPP from previous			0.0245
Total CPP for contract			\$ 0.0264

Calculating Overage and Actual CPP

Category	Quarterly Contract	Quarterly Actual	Overage	Overage Rate	Overage Billing	Quarterly Base Rate	Total With Overage	Effective CPP
Black	129,000	142,179	13,179	\$ 0.019	\$ 250.40			
Black on color	9,555	9,282	(273)	0.03	(8.20)			
Color	10,392	12,057	1,665	0.08	133.20			
Totals	149,025	163,518	14,493		\$ 375.40	\$3,610	\$3,985	\$0.0244

Quarterly Business Review

Presented to:
Best Customer, Inc.

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Imaging**

Image and Print Environment

Quantity	MFR-Model	Pages Printed	Color Pages Printed
2	HP 1100	1,119	
1	HP 1012	628	
3	HP 1300	4,352	
1	HP 1320	1,688	
2	HP 2015	5,803	
2	HP 2200	7,878	
2	HP 2430	12,475	
4	HP 3005	13,450	
1	HP 4500	3,094	4,019
18	Total	50,487	4,019

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Image and Print Environment (Another view)

- ❖ 18 printers producing 50,487 black and 4,019 color prints
- ❖ 17 mono printers producing 47,393 black prints
 - 8 different cartridges
- ❖ 1 color printer producing 3,094 black and 4,019 color prints
 - 4 different cartridges

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Service Statistics

- Average response time of 2.67 hours
- Average fix time of 48 minutes
- Average uptime of 99.9%*
- 41 toners shipped same day
- Two maintenance kits installed

*(response time + fix time) / (93 days in quarter X 10 business hrs X 18 printers)

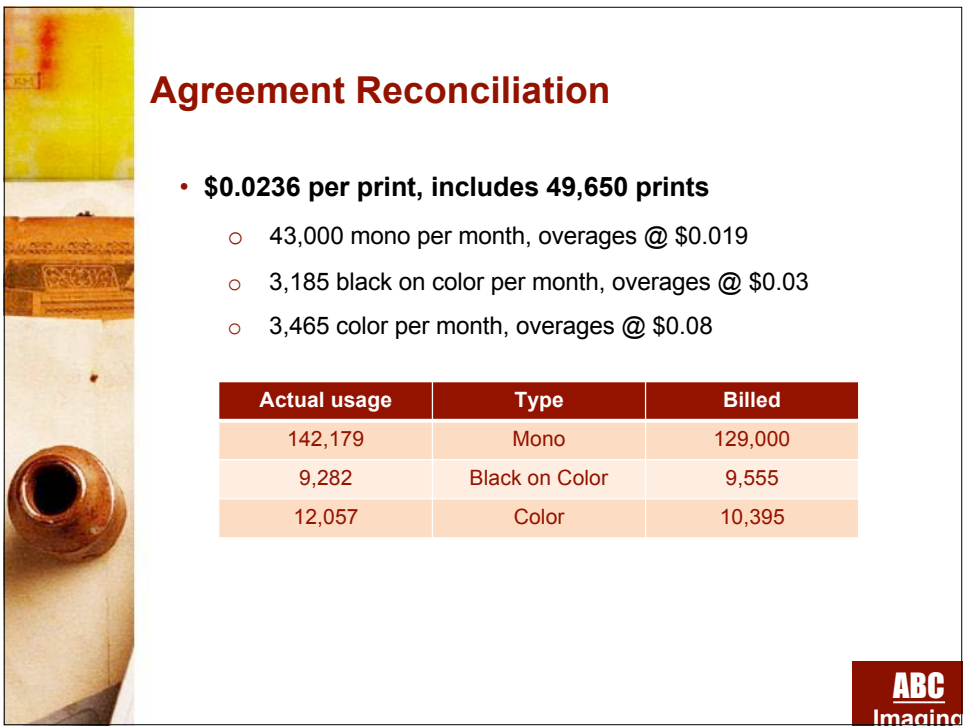
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Service Concerns

- **HP Color LaserJet 4500**
 - 12 year old technology
 - 208 MB maximum memory
 - Four service calls over quarter
 - ✓ 60% of all calls

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Agreement Reconciliation

- **\$0.0236 per print, includes 49,650 prints**
 - 43,000 mono per month, overages @ \$0.019
 - 3,185 black on color per month, overages @ \$0.03
 - 3,465 color per month, overages @ \$0.08

Actual usage	Type	Billed
142,179	Mono	129,000
9,282	Black on Color	9,555
12,057	Color	10,395

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Additional Prints

- Overall increase of 14,571 prints or an additional charge of \$375.40
 - 13,179 additional mono, \$250.40
 - 273 credit black on color, (\$8.20)
 - 1,665 additional color, \$133.20
- Total cost per print with overages: \$0.0244



Orphans to Retire

Model	Volume	Replacement
HP 1012	628	Lynn's HP 1300
HP 1320	1,688	Brandy's HP 2430





Redeployment Recommendations

Model	Volume	Replacement
Lynn 1300	2,769/refresh	Recpt HP 3005
Kim K 3005	634/5,378	Store HP 2200



Refresh Recommendations

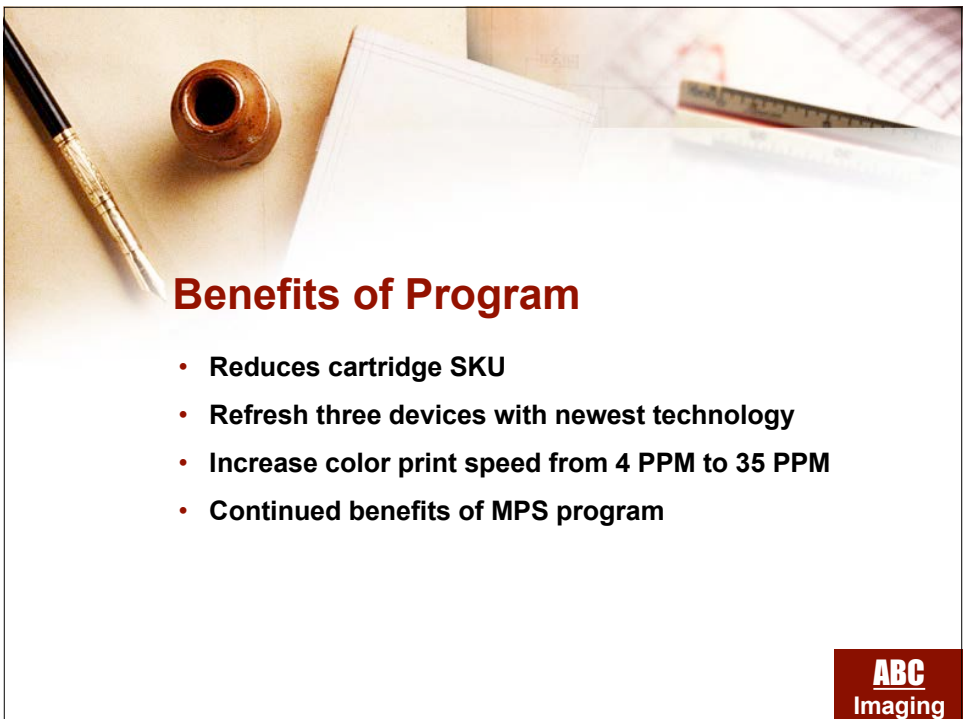
Model	Volume	Replacement
Recpt	6,284	HP 4015dn
Brandy	9,323	HP 4015dn
HP Color 4500	3,094 Black 4,019 Color	HP 4700dn Reman



Recommended Updated Program Investment

- **Total of 54,500 prints at \$0.0264**
 - Current CPP of \$0.0244
- **47,400 black and white prints, overages at \$0.017**
 - 10% reduction
- **3,100 black prints on color devices, overages at \$0.04**
- **4,000 color prints with overages at \$0.10**
 - Trade in and save rebate of \$400 direct to you!
- **All toner, service, parts and maintenance kits**
- **Includes replacing three dated and service intensive units with new lower cost technology**

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Benefits of Program

- **Reduces cartridge SKU**
- **Refresh three devices with newest technology**
- **Increase color print speed from 4 PPM to 35 PPM**
- **Continued benefits of MPS program**

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Thank you!

Presented to:
Best Customer, Inc.

We want to earn your business!

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MPS Provider Achievements

- ❖ Refreshed three outdated devices with new technology
- ❖ Increased minimum monthly prints by over 5,000, over 10%
- ❖ Extend contract out five years
- ❖ Customer gets accustomed to contract changes at quarterly reviews

Notes On This Business Review

- ❖ There were not slides for high use to duty cycle, low use to duty cycle, or high life counts because they were not relevant
 - Would not align with the “add value” principle of the QBR
- ❖ You do not always have to lower the price
 - People will pay for value and we significantly upgraded their color device and two mono devices

Key Takeaways of QBR

- ❖ If you do not add value in the appointment the decision maker will either not have time for the meeting or will push you to a lower level
- ❖ Stay focused on leveraging value to change the contract. It is very expensive to get a new customer so build some switching costs into the agreement to help retain
 - Then exceed their expectations!
- ❖ These events are your opportunity to show how your products and solutions can benefit your customer
- ❖ Sell on TCO; CPP and TCO are not mutually exclusive
- ❖ You don't necessarily have to save money: Add value!

Strategy Development

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Mike Woodard

• Service



Jim Boulden

• Back Office Operations



Ed Carroll

• Business Planning
• Sales Operations
• MPS



David Ramos

• Sales Operations
• MPS



David Factor

• Director of Business Development



Kelli Jones

• Marketing

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Thank You

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