



BTA EAST



**Preparing the way for Digital Information
Management Systems Organizations**



Steve Rolla

- **Began with Xerox 1971 VP of Operations at A-Copy**
- **President Kex / Alco**
- **President of Ikon NYC**
- **President of Global/Xerox D.C. Co-author of the Benchmarking model**
- **Partner in Pros Elite Group**



Pros Elite Group

- **Benchmark Execution Experts.**
- **“Triple Crown” Training Offerings in:
Sales and Service Management**
MFP → MPS → MNS
- **Sales and Service Consulting**
supports continuous benchmark
achievement of clients.
- **PIVOT software “Automated execution**
excellence”



Pros Elite Group Results

- **Currently engaged with 100+ Dealerships located in
82 Markets in North America and International
Countries Generating Over \$ 1.5 Billion in Annual
Revenue**
- **\$80 Million in Increased Equipment Sales**
- **\$42 Million in Bottom Line Profit Improvement**
- **400,000 MPS Printer Devices Under Contract**
- **\$75,000,000 in IT services revenues.**



Talking Points

- **The new paradigm Digital Information Managers**
- **Size of the opportunities**
- **Review of Benchmarks**
- **Road map to DIMS**
- **Introduction to IT Services**

Digital Information Management Systems Defined

- **Mr. Customer, my company's expertise is Digital Information Management.**
- **On the front end we provide scanners and document management software solutions**
- **In the middle, we will monitor and maintain your server and support your applications and finally**
- **On the tail end; we will optimize your fleet of digital output devices such as MFPs and Printers.**



How big is each DIMS opportunity in 2016

Scanning and D/M Software Solutions	
\$2,543,000,000	(Increasing 5-8% a year)
Servers, Applications, Monitoring	\$279,000,000,000
(U.S. market represents 42% of the Global consumption)	
Digital Output Devices	\$11,100,000,000
(decreasing at 8% through 2018)	



IT Services

•Don't even think about going into IT services until you have you're Core business at Benchmark!

Paul Dipple



So you think you know your Benchmarks

- **What is the benchmark for
Facilities (rent, utilities,
maintenance) as a % of Total
Revenue?**

2.9% of Total Revenues

Average Dealer:

5%+

So you think you know your Benchmarks

- **What is the Benchmark for
Revenue / Administrative
employee.?**

\$900,000 / \$1,000,000

Average Dealer:

\$750,000

Bonus these people!

So you think you know your Benchmarks

- **What is the Benchmark for Revenue / Sales Department Employee?**

\$325,000 / Sales Dept. Employee

Average Dealer:

\$250,000 / Sales Dept. Employee

So you think you know your Benchmarks

- **What is the Benchmark for Sales Rep Compensation as a % of Equipment Gross Profit?**

37.5% of Equipment G.P.

Average Dealer:

70%+

So you think you know your Benchmarks

- **What is the Benchmark for current customer base for a retail Sales Rep with a \$30,000 quota?**

120-140 segment 2+

contracted units

Average Dealer:

All over the place

So you think you know your Benchmarks

- **What is the Benchmark for Accountable hours / technician?**

7.5 hours / day

Average dealer: 5.8 hours / day

What is the Benchmark for Service Salary Expense?

25.5 % of Service Revenue

Average dealer: 35%+

So you think you know your Benchmarks

- **What is the Benchmark for Weekly Move Forward appointments / Sales Rep?**

10 Move Forward Appointments/week

Average dealer:

**Less than 5 Move Forward
Appointments / week**

So you think you know your Benchmarks

- **What is the Benchmarked pipeline size for a Retail Sales Rep with 18+ months experience?**

\$700,000 - \$1,000,000

Average dealer:

No Blessed Idea!



Pipeline Benchmarking

You should write 7%-10% of the of the combined dollar value of your 90 and 91-270 day pipeline of closeable opportunities each month.



State of Most Dealers

Current State of Many Sales Organizations

- Net New Business is less than 5% of all equipment revenues (B/M 25-30%)
- Sales Rep Compensation is significantly increasing and production isn't. Compensation rates of 50%-60 % of the equipment G.P. (37.5% is the B/M , Forget 15% of Revenue.)
- Prospecting is haphazard and uninspected leading to poor quality pipelines.
- Service GPs are shrinking with the excuse of revenue degradation. Revenue is never the reason you are not hitting 52% GP
- MPS is significantly underpenetrated which will lead to the same results in MNS.

What's the Point

- **You need to move into IT Services**
- **It will cost you \$1,000,000 and take 18 months to get to breakeven.** *Paul Dipple*
- **Your current operations cash flow should fund it if you are at Benchmarked performance.**

Roadmap to DIMS

- **Develop a Defined Culture (i.e. Cultural Conduct Statement) and live by it.**
- **Develop Prospecting Continuum.**
- **Sales Management process that leads to knowing the dollar size of your company's equipment pipeline weekly, monthly and quarterly .**
- **Service Department GP 52% with FCE at 80%**
- **Administrative productivity at \$1,000,000 / Administrative employee or higher.**
- **Get the four legs of MPS in place.**
- **All functions (Sales, Service and Administration) must deliver on their profit benchmarks.**
- **Don't make excuses; (Excellence is not what you preach it is what you tolerate!)**

Macro IT services

Triad of IT services

- **Precious Metals offerings : Gold, Silver or Bronze.**
- **Block of Hours (Less profitable and less predictable revenue stream like T/M service calls)**
- **Project design (Least profitable)**

Pros Elite Group MNS Playbook first steps

• **Define your MNS Offering:** Depending on what expert you listen to, there are many different ways to engage in MNS. This is very different than a traditional MFP or MPS offering.

• **MNS Financial Model** – the Level 1, Level 2 or Level 3 MNS engagement strategy determines your MNS profit potential.

• **ERP Setup** - recommend setting up MNS revenue GL's to have level 1, 2, 3 sub GL's.

Setup Example:

7000 – MNS Contract Revenue

7010 – Level 1 MNS Contract Revenue

7020 – Level 2 MNS Contract Revenue

7030 – Level 3 MNS Contract Revenue

Define your offerings

Core Networks Essentials	7 AM to 7PM -Server Availability & Performance monitoring -Router & Switch monitoring – availability -Monitoring of Internet connectivity -Firewall monitoring – availability -Network Printer Monitoring	Core Options	-Monitoring of Internet usage -Smart Phone MGMT -Web filtering
Backup Essentials	-Onsite backup solution monitoring (i.e. tape backup solution) -Identification of Essential Data	Backup II	-Periodic, regular test-restore of Onsite/Remote backup -Remote Backup Solution service -Backup Application patch MGMT -Local PST email Backup
Network Support Essentials	Additive :Workstation Support Time (T&M or Block) Additive: all Network Support Time (T&M or Block)	Wireless networking	-Wireless station management -Ongoing Integration of WAN into WiFi

Definitions of Level 1-2-3

- **Level 1 – Failure only (not preventative)**

Monitoring only with the goal of reducing mean time to resolution when there is a failure

- **Level 2 – Preventative**

Monitoring for thresholds that lead to failures. There may be some preventative testing (i.e.; test restore on backup). There is usually some scheduled preventative maintenance in this type of agreement.

- **Level 3 – Comprehensive / Proactive**

Goal is to create a proactive program that is all inclusive of Level 1 and Level 2 offerings. Provider is the most trusted Advisor. Client eliminates internal IT director. Provider Must be a mature company at providing Managed Services to minimize your risk in this area.

Pros Elite Group MNS Financial Benchmark Model

COGS

	Level -1	Level -2	Level 3
Salary	34%	31%	17%
Software/Tools	31%	27%	30%
Profit %	35%	42%	53%

Note: This is purely services and does not consider Hardware (HaaS) which has gross margins of 16%

Level 1 or Bronze offering

- **Starter or Entry Level solution. 20 users or less IT is perceived as a necessary evil.**
- **Does Not reduce or prevent Network failure.**
- **Value Proposition: Provides increased network up-time, staff productivity, and maybe.....a cost savings.**
- **Accomplished through monitoring and reporting on every device with an IP address.**
- **Alerts come after failure.**
- **“Mean time to resolution” 8 hours.**
- **Gross margin 10%-30% (\$75 / user or less). It is the low end sale of IT services. (Think segment 1 MFP)**

Level 2 or Silver Level

- Mid level offering designed to reduce both the downtime and mean time to resolution.
- 20-50 user environments \$75 -\$125 / user
- Proactively monitor and report on every device on the network that has an IP address.
- RMM is configured to alert the provider as devices trend towards failure. "Mean time to resolution" 4 hours
- Gateway to fully managed environment.
- Value proposition: a reduction in costly downtime, improves staff utilization, a predictable monthly spend and.....maybe a cost savings.
- Gross Margin 30%-50%. (Think Segment 2-3 MFP)

Level 3 or Gold Level

- Where the majority of a MSPs efforts should be focused. 20 -100 user environments \$150 / user+
- Highest level, most elite program designed to meet all of the customer's IT mission critical needs and.. replace the internal IT Manager.
- RMM is configured to alert MSP in advance of failure of devices and applications.
- MSP becomes "most trusted advisor" for future IT needs.
- Detailed SLA defines system uptime and tight resolution parameters.
- Technology stack is standardized to insure quality service.
- NEVER SAVES CLIENT MONEY!

IT Services Benchmarks

- 1 (one) Network Technician can manage 100 unmanaged end points (Devices)
- 1 (one) Network Technician can manage 250 managed end points (Devices) using RMM and service automation have a single unified interface on all workflows across an IT managed space – improve network efficiency).
- 1 (one) Network Technician can manage 325 managed end points (Devices) using RMM and service automation, NOC (network operations center where servers / networking equip. are located) & Help desk

Retail Sales Rep IBS

We work with companies that are facing rising IT costs and unpredictable network needs. Typically, they are thinking about outsourcing some or all of their network support.

We help them analyze the risks and potential benefits of outsourcing and have the capabilities to provide them with that service should their situation point to outsourcing as the best alternative.

Would you like to take part in one of our 45 minute needs assessment meetings?

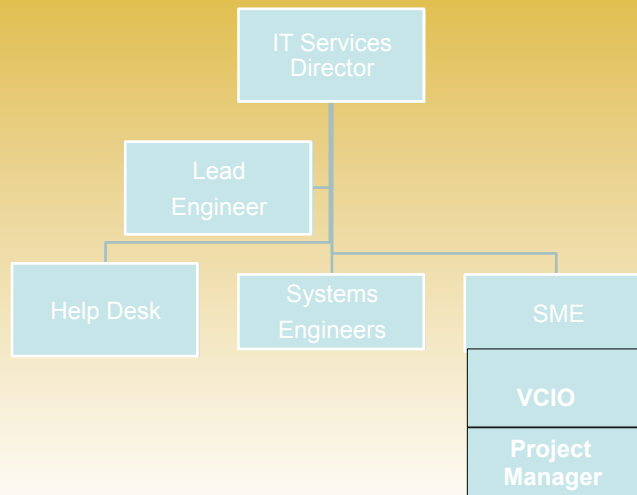
What is a needs assessment ?

- We would like to schedule a meeting to determine if our IT services can support your future network needs.
- We have three offerings that are custom tuned to each clients networks and the dependency on Critical IT services.
- Should we come to an understanding that our services will fit, we will then move on to determine which of our three offerings is most appropriate and share the approximate costs with you.

Needs Assessment Tips

- Is proposed in writing!
- Referred to as Long Term IT plan, IT optimization plan or Risk adjusted Technology plan. *Paul Dipple, Service Leadership*
- Is always charged for (\$2,000-\$3,000).
- Conducted by the SME (Subject Matter Expert).
- Is addressed to a C-level or equity partner.

IT Service Organization



Sales Process

- **MFP Sales Rep - lead hunter. Turns in suspects to the SME for the purposes of conducting Needs analysis. Expectation is a sale of one level 3 engagement / Rep.**
- **Equipment Rep must have a quota / skin in the game or a huge carrot to chase.**
- **SME (Subject Matter Expert) (A systems engineer who can talk). Conducts the Needs analysis. Proposes and prices level 1,2 or 3 solution. Closes the order with the Account Sales Rep.**

Benchmarking of Best In Class MNS Companies

- **Ideal prospect is 15 to 100 users billed at \$150 / user.**
- **The companies achieving a best profitability are billing \$1,800 - \$2,500 per client / month.**
- **The industry average is \$800 per/month per client.**
- **Hourly billing rates are \$125-\$150 / hour**
- **Industry average EBIT 4% (Top quartile EBIT is 18%)**



The Present and the Future Of Margin

- **Where there is Mystery....there is Margin.**
- **When customers buy knowing, you lose.**
- **When customers buy learning you win.**



How is the typical dealer performing so far.

- **IT services : about .5% of the total revenues of the average OE dealer in 2014. IT services will be 2 % in 2015, 5 % in 2016.**
- **It is a part of the Future as we become Digital Information Manager and our Sales force become Digital Information Solution Specialists.**



The Future

Mr. Customer, my company's expertise is Digital Information Management.

On the front end we provide scanners and document management software solutions, in the middle, we will monitor and maintain your server and support your applications and

finally on the tail end; we will optimize your fleet of digital output devices such as MFPs and Printers.

Carpe Excellentia !!!