

Cutting-Edge Communications

Dealers dial into diversification with VoIP

by: Brent Hoskins, Office Technology Magazine

If you have been hesitant to diversify beyond imaging devices, one opportunity you may want to consider is VoIP phone systems. Why? Because they can provide a welcome source of recurring revenue requiring minimal investment and effort. Here are profiles of three BTA member dealerships that have embraced the opportunity.

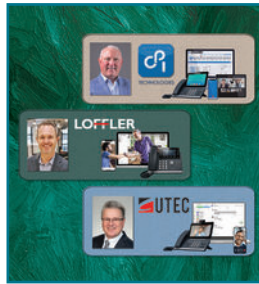
CPI Technologies

Copy Products was founded as a print shop in Iola, Kansas, in 1963 by Vern Starks, father-in-law of Erik Crane, president of what is today CPI Technologies, headquartered in Springfield, Missouri, now with six locations serving 80 counties in four states. Those early days as a print shop changed when customers began acquiring copiers to take care of print jobs themselves. "It didn't take long before Vern realized they were things he needed to sell," says Crane. "He sold his first office machine — I believe it was an Apeco — in 1968. The company was off and running."

Today, beyond Toshiba, Xerox and HP imaging devices, CPI, with around 55 employees, sells scanners, mailing equipment, digital displays, interactive whiteboards, IT services and Crexendo VoIP phone systems. The dealership sold its first VoIP system in 2019. "We typically do well over \$1 million a year in [VoIP] contract revenue — that's not revenue coming in, but contract value," Crane explains. "That puts us in the top five to 10 in the country selling Crexendo."

The VoIP systems are sold through CPI's IT division. "Our IT sales team is going out every day looking specifically for non-imaging deals — VoIP, managed network services, displays, etc.," Crane says. "We started our IT division about seven years ago. Last year it was about 23% of our total revenue. It has become a big piece of our business and VoIP is a large piece of that."

While the IT reps sell VoIP, etc., all CPI sales reps are incentivized to sell or find leads for the dealership's full product portfolio, Crane says. "If an imaging rep uncovers a lead and turns it over to IT and the deal closes, then they split the



commission, with 70% going to IT and 30% going to the imaging rep," he says, noting that the inverse is true when an IT sales rep turns over a lead to an imaging rep. "What that does is it makes sure that everybody is out there selling everything we offer."

CPI chose Crexendo "because it was a new venture for us and we were looking for ease of use; how can we get into this business the easiest way?" Crane says. "Crexendo makes it very

easy. They sign the deals, program the phones, ship them, plug them in, bill the clients and we get commissions."

Crane says that CPI has been particularly successful selling VoIP systems into the education market. "Schools must have great communication," he says. "With Crexendo, this goes down to a very granular level. With a phone in each classroom, if a teacher or faculty member picks up a phone and dials 911, [the system provides the 911 operator] with not only the address, but the building and room as well [assuming each phone is registered with its current location for emergency purposes and the local public safety answering point (PSAP) accepts the information reliably]. It goes down to that level. Crexendo makes it very easy to do this."

While Crane also singles out the legal market as another notable vertical for VoIP, he notes that the opportunity is actually very far reaching. Essentially any "down-the-street" company is a good prospect, he says. "Everyone is looking for a great communications option, asking 'How can we communicate better and more efficiently?'"

While he cannot provide a percentage, "there are so many companies out there where there is an opportunity," Crane says, indicating that about 25% of CPI's installs replace older VoIP systems, with the remainder replacing legacy landline phone systems. "Every single business has phone and internet service, so the opportunity is only limited by how many cold calls you want to make and how hard you want to work."

Crane encourages other dealers to consider VoIP as a component of their diversification strategies. "Everyone needs your [VoIP] product and IT, but not everyone needs

an MFP right now,” he says. “You are going to have to do something besides imaging if you want to grow your company from, say, \$10 million to \$20 million. Getting there with just imaging is nearly impossible. You’ve got to add other products.”

Loffler Companies

Jim and Darcy Loffler founded Loffler Companies (Loffler) in 1986, selling dictation machines out of their garage. Today, with 530 employees working from 18 locations in six states, their company cannot be compared to the vast majority of office technology dealerships. However, what is comparable to many others is Loffler’s focus on diversifying its product portfolio.

“We have diversified over the last 20 years into what I would call a complete IT solution stack,” says James Loffler, president of Loffler, headquartered in St. Louis Park, Minnesota. “We are still very strong in copy/print with Canon, Xerox, HP and Konica Minolta as our major lines, but we also have a number of IT practices. Each one of our practices has a dedicated team of specialists and support personnel. Those practices include unified communications (UC), IT managed services, cybersecurity, physical security and IT projects.”

At the foundation of the UC practice is VoIP phone systems. “The reason it’s called unified communications is because it’s not just delivering voice over an IP network,” Loffler says. “It’s about bringing in multichannel communications, whether they be voice, chat or collaboration. It’s unified communications in a single platform.”

Loffler’s primary VoIP phone system vendor is Intermedia, white labeled by the dealership as Loffler Elevate Unified Communications. “We lead with that solution,” Loffler says. “I would say 80% of our new implementations are Intermedia. There are two main reasons for that. One, it’s a good business decision because Intermedia is built for companies like Loffler, a managed service provider. And, two, they are 100% partner focused, which makes them one of Loffler’s top partners ... We trust that they are not going to take our customers.”

While Intermedia offers varying levels of support/involvement to its dealer partners, Loffler has brought most tasks in-house. “Through Elevate, we do all of the service, have control over all of the switching and do the billing,” Loffler says. “Intermedia’s billing system has direct integration with ConnectWise. They send us revenues and costs and then we use our ConnectWise system to generate bills based on that.”

John Hastings, executive vice president at Loffler, offers high

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praise for Intermedia as well. “They’re probably one of our best partners when it comes to aligning with our sales force, making sure our reps are trained and up to speed,” he says. “They’ve been very good. We try to be fairly independent from our partners; we tend to rely on our own skill sets and people. However, I would say that with Intermedia, we rely on them more than anybody else.”

Any sales rep at Loffler can sell the Intermedia VoIP phone system, Hastings says. “We’ve unified our sales team,” he says. “Other than a customer success team that manages our current IT managed services customers, we have one sales organization that sells our entire product stack, including UC. We have subject-matter experts who assist in the sales process, but it’s one sales representation to the customer.”

Loffler offers advice and insight to fellow dealers seeking to diversify. “If you are looking at IT service, you may ask, ‘Should I get into phones, physical security or managed services?’” he says. “I would say that UC is the closest to selling MFPs; it’s easy to sell a phone system. You do need to be prepared to have a specialist on your team that your sales reps can bring on a call.”

In addition, “you need to set expectations,” Loffler says. “Realistically, if you’re just getting into VoIP, it’s going to take two or three years to get it to a profit center that is similar to what I will call a ‘best-in-class copy/print model.’”

Acknowledging that UC is “not as big as our imaging and IT managed services divisions,” Loffler says it is “an important part” of the dealership’s growth strategy. “We see double-digit growth for years to come in this space versus copy/print, where we’re trying to get a bigger part of a shrinking pie,” he says. “UC is a great opportunity for us.”

UTEC

In 1975, UTEC, headquartered in Ann Arbor, Michigan, with a second location in Troy, Michigan, was founded as a typewriter repair business. In 2008, Kevin Van Kannel acquired the company. “He began leading it away from typewriters,” says Les Harris, vice president of sales and marketing. “We became an imaging dealership focused on copy and print; we carry three brands — Sharp, Kyocera and Epson.”

In addition, like many other dealerships, UTEC, with 53 employees, has embraced a diversification strategy beyond copy/print. “Diversification has been in our DNA from the

get-go, and we've done a pretty good job," Harris says. "We have diversified into an MPS business, offering VoIP, networking and on-site technical help." UTEC also sells document management software, mailing equipment and interactive displays/whiteboards.

It was about 12 years ago that the dealership began selling traditional phone systems. The level of success in the early years was negligible, says Dale Vanderford, chief information officer. "Then COVID arrived and we needed more communication solutions for people working from home, so we began selling VoIP services," he says. "We've been doing that for about five years now."

UTEC's VoIP phone system vendor is Zultys. Initially, UTEC struggled to be successful. "There are different levels of involvement that most VoIP companies have, from agent to partner to being the provider and handling installation," Vanderford says. "When we first started with VoIP, we tried to go in and implement, design and do everything. We promptly fell flat on our face. We didn't have the expertise."

In 2021, UTEC transitioned to becoming an agent for Zultys, Vanderford says. "We are not doing the full implementations anymore," he says. "We lightened it up, and it's been great. So, it's now a light touch, but we still get paid ... Zultys does the billing and everything. All we do is sign customers up; we're at the table, but don't have to do anything but make sure the customer is feeling comfortable if there are any issues."

Harris remembers the day the decision was made to become an agent. "We were talking in a meeting and Dale asked, 'Do we really want to be telco specialists?'" he says. "The answer was 'no.' We've been working in the agent model ever since. It's a way to diversify without jumping into the deep end of the pool ... This brings in recurring revenue without a very large expense to our company."

What sorts of companies is UTEC looking for as VoIP

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prospects? "Our salespeople are looking for any company that is moving or expanding its business," Harris says. "In addition, we ask both current customers and prospects to provide us copies of their phone bills 'to see if we can help out.' We then turn the phone bills over to Zultys and they do the analyses."

The practice of asking for copies of phone bills often pays off, Harris says, not-

ing that about half of UTEC's customers are net new, opening the door to other product sales. "We find payments for phones, insurance on phones, phones that aren't there anymore," he says. "It's not the kind of thing where you say, 'I can save you on your per-minute charge,' because that is a race to the bottom. You would be surprised how many organizations are making payments and they don't know what they are paying for."

Many VoIP customers are companies that "have just run old equipment into the ground for as long as possible and have to do something," Vanderford says. "A lot of times, they don't know what's out there in terms of features, such as phone conferencing, recording, remote capabilities, a cell phone app and the ability to accept SMS text messages to a business phone."

Vanderford acknowledges that VoIP phone systems' contribution to UTEC's overall revenue is small. "It is an offering that fills out the portfolio so that we can fulfill our customers' needs," he says. "If you don't offer them, customers will go somewhere else. You want to make sure they are thinking of you when it comes to office technology. 'We can do anything you need.'" ■

Brent Hoskins, executive director of the Business Technology Association, is editor of Office Technology magazine. He can be reached at (816) 303-4040 or brent@bta.org.

