



How to Successfully Enter MPS in Smaller Markets

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- Principal – Strategy Development
- Past experience
 - VP/GM- IKON Office Solutions – Greater Capital Area (DC,MD,VA)
 - \$150million, 700 employees,
 - \$62million Hardware, 50 million Aftermarket, 25million FM, & \$11million Professional Services
 - CEO – CyLex Systems – Document Mgmt SAAS
 - \$5million, 15 employees
 - Documentum 4.0 platform, Kofax, web integration, OCR, barcoding, etc.
 - President/COO Panasonic Document Imaging Co (USA)
 - \$450million, 750 employees, 11 product categories
 - \$65million branch organization, independent dealer channel, distribution, VAR and Systems Integrator.



- You call on companies primarily with < 25 devices
 - You have some customers with larger fleets
 - You have at least one outside sales professional
- You don't want to deploy specialists
- You may or may not sell copiers but you do sell printers
- You have a service department willing to handle all open market brands of printers or you are willing to outsource service for them



- MPS is a complex offering including hardware, services, software and consulting. Since it is new for (nearly) everybody, there has been a fair amount of discussion regarding the proper definition of the term.
- To compound the issue, a player with a printer background will have a different view of the MPS industry and offerings than a player with an MFP (or consumables, or service, or . . .) background.
- Where you stand depends on where you sit.

You make money!

- You are in business to make money, not to conform to somebody else's definition of your business
- Footnotes
 - Be an entrepreneur
 - Don't over analyze or complicate
 - It is more than just cost savings
 - It is a well engineered fleet not a single device

- Consolidated billing
- Proactive maintenance of the device fleet
- Ongoing optimization of the environment throughout the contract life

- All of your competitors talk about MPS
 - The most common “MPS” approach is service with cartridges or using MFDs to displace printers
 - Bigger MPS players are calling strategically on mid-market accounts
 - Every industry player has an MPS offering
 - Many customers think they understand MPS and that understanding is usually one of two scenarios:
 - Get rid of your printers (Print Migration)
 - Buy cartridges from us and we provide service
 - *You can be very successful if you understand the noise and sell into it!*

- Enterprise – 1,000+ laser printers
 - RIKON, Xerox, HP, CBS and many others
 - Global deployment of devices
 - Not a focus for you!
- Corporate – 50+ laser printers
 - Mid market, service led approach: MPS companies
 - Complex sale, cultural change, not transactional
 - Dedicated MPS reps with analysts
 - Quarterly business reviews (QBR's) promote optimization
- Local – Less than 25 devices
 - Commercial accounts with less than 6 copiers
 - More transactional yet still solution based sale
 - Your “normal” outside sales reps


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Office copier placements and volumes in U.S.

2007 Units	2008 Units	2009 Units	2010 Units	07-10 % Change	09-10 % Change
999,574	896,405	743,429	782,469	-21.7%	5.3%

Installed base and prints

	2009	2010	2011	2012	2013	2014	CAGR 09-14
Total Base	4,289,009	3,927,823	3,443,604	2,887,761	2,465,314	2,251,616	-12.1%
Volume Billions	231b	230b	225b	219b	213b	204b	-2.5%

InfoTrends Data Seg II - V


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Office printer placements and volumes in U.S.

2007 Units	2008 Units	2009 Units	2010 Units	07-10 % Change	09-10 % Change
4,960,621	4,757,377	3,776,926	4,242,698	-14.5%	12.3%

Installed base and prints

	2009	2010	2011	2012	2013	2014	CAGR 09-14
Base	25,311,671	25,592,972	25,962,865	26,347,338	26,664,140	27,030,762	1.3%
Annual Prints Billions	621b	633b	640b	641b	640b	634b	0.4%

InfoTrends Data



	2010	TOTAL UNITS	IMPRESSIONS
COPIERS (4.9k AMV)	782k	3.9m	230b
PRINTERS (2.0k AMV)	4.2m	25.6m	633b

- Printers produce almost 3X the volume of copiers
- Printer output is 2X retail of copier output
- Printer output represents 6X revenue opportunity of copier output



- Stage I
 - Quality cartridge supplier
 - Next day cartridge delivery
 - Ability to produce consolidated bill
 - Quality technician, employee or outsourced
- Stage II
 - Ability to bill CPP contract
 - Leasing company partner
 - Remote monitoring software

- Build switching cost into the relationship
 - Need to have a contract
 - Locks out competitors
- Build value and margin into the contract
 - Anybody can shop a cartridge: Try shopping a blended cost-per-page (CPP)
 - Move to a more consultative relationship with business reviews
- Build a recurring revenue stream

- The higher the risk, the higher up in the organization the decision is made
 - If you are selling into a net new customer you need to be at least one level above incumbent
- IT is the primary purchaser of MPS
 - Purchasing buys cartridges but cartridges are commodity



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Scenario #1

- You have a customer who spends \$804 per month on cartridges, maintenance kits, and service

Mono Cartridges		\$320
Color cartridges		252
Service, maint kits, parts		232
Monthly spend		\$804

- 16 mono printers, 3 color printers, five mono two color cartridges per month plus service resulting in average of six invoices per month
- You want to move to a contract



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**Let's Turn The Relationship Into a
Contract**

- Capture monthly print volume through “snap shot assessment”
 - Config pages two weeks apart, annualize volume
 - Validate all cartridges in facility are yours
- Compare to one year of actual purchases
 - How many pages would be supported by annual cartridge purchased
 - Is it **±10%**? If it is run with it
- Simply sell the MPS contract as a simpler approach to the business relationship
 - Same monthly spend
 - One invoice
 - You assume all risk in relationship



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The Agreement

- 36 month set monthly expense with quarterly reconciliation

Mono	32,000	\$0.015	\$480
Blk on color	600	0.04	24
Color	3,000	0.10	300
			\$804

- When contract is changed—due to material changes in print volume—rewrite for 36 months
- Whenever devices are added/deleted rewrite contract for 36 months
 - Actual CPP will probably change with device changes



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Possible Issues, Cartridges

- Calculated prints don't match output range of purchased cartridges $\pm 10\%$
 - Highly unusual situation
 - Look over longer term for unusual purchasing
 - Did they make big buy 14 months back?
 - Look for error—is it in your purchasing analysis or snap shot assessment?
- If you cannot find error take another snap shot of config pages and cartridge inventory

- You don't service the account
 - Determine what type of contracts they have in place to determine commitments
 - You can sell "MPS" that only includes cartridges
 - You can have a "step" contract that initially includes cartridges until service agreement with current vendor expires then add service
 - 5 months at \$603 then 31 months at \$804
- Gain understanding, commitment, and value of internal service
 - "Information Week's annual IT salary survey states IT tech's cost \$60 per hour fully burdened, do you agree?"

- You need to gain understanding of current expense for cartridges, service, parts, and internal IT time spent on printers
 - If they will not provide you with this information you will not be able to sell them a contract
- Use the pricing approach in the following example to set the contract

Selling equipment at the same time as the contract

Prospect's Current Environment

Three copiers, 10 printers

Canon XXXX on 5 year lease signed 03/08 includes 5,000 prints overages at \$0.012	\$ 208
Last three quarter averaged 16,450	\$ 6
Canon XXXX on 5 year lease signed 06/08 included 10,000 prints overages at \$0.012	\$ 295
Last three quarters averaged 37,814	\$ 31
Ricoh XXXX on 5 year lease signed 06/09 included 5,000 color prints color overage at \$0.07 mono \$0.014	\$ 705
Last three quarters averaged 12,750 color and 2,300 mono	\$ 11
10 HP printers averaging 26,450 prints per month (see analysis)	\$ 453
	\$1,708



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Prospect's Printer Environment

Location	Model	Monthly Prints	Cart Cost	Yield at 90%	Toner Cost	Maintenance Kits	Service and Parts	Internal IT Time	Total
Mail room	HP 4100	4,335	\$88	9,000	\$42.39	\$8.67			
EA	HP 4100	1,875	\$88	9,000	\$18.33	\$3.75			
Admin	HP 4100	3,670	\$88	9,000	\$35.88	\$7.34			
Jim's hall	HP 9000	2,425	\$180	27,000	\$16.17	\$4.85			
Admin	HP 4350	5,460	\$120	18,000	\$36.40	\$10.92			
Warehouse	HP 4350	4,095	\$120	18,000	\$27.30	\$8.19			
Prez office	HP 1100	250	\$48	2,250	\$5.33	\$0.50			
Sales mgr	HP 1100	1,350	\$48	2,250	\$28.80	\$2.70			
Sales bullpen	HP 3005	2,240	\$110	5,850	\$42.12	\$4.48			
Reception	HP 1015	750	\$65	1,800	\$27.08	\$1.50			
		26,450			\$279.81	\$52.90	\$60.00	\$60.00	\$452.71
Retired and prints directed to MFD									
Replaced with new MFD placement									
Retired and replaced with HP 3005, 3005 backfilled with 4350 from Admin									



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Our Recommendations

	Cost w/Access	GP	Quantity	Total	Lease .0198	Prints	Rate	Monthly Total	Total eq and prints
MFP A	\$4,000	\$1,500	3	\$16,500	\$326.70	29,643	\$0.0085	\$251.97	\$578.67
		Payment	Months remain	Total	Lease				
Buyout first Canon XXXX		\$208	16	\$3,328	\$ 65.89				
Buyout second Canon XXXX		\$295	19	\$5,605	\$110.98				
Current equipment									
Ricoh XXXX					\$705.00				
Monthly mono prints on Ricoh					\$ 9.20				
Location	Model	Monthly Prints	Toner Cost		Yield at 90%	Toner Cost	Service	Cost with 30%	
Mail room	HP 4100	4,335	\$44	10,000	9,000	\$21.19	\$10.84	\$ 45.76	
EA	HP 4100	1,875	\$44	10,000	9,000	\$ 9.17	\$ 4.69	\$ 19.79	
Warehouse	HP 4350	4,095	\$61	20,000	18,000	\$13.88	\$10.24	\$ 34.45	
Prez office	HP 1100	250	\$25	2,500	2,250	\$ 2.78	\$ 0.63	\$ 4.86	
Sales mgr	HP 1100	1,350	\$25	2,500	2,250	\$15.00	\$ 3.38	\$ 26.25	
Sales bullpen	HP 4350	2,240	\$61	2,000	1,800	\$75.91	\$ 5.60	\$116.44	
Reception	HP 3005	750	\$65	13,000	11,700	\$ 4.17	\$ 1.88	\$ 8.63	
		14,895				\$142.09		\$256.19	\$1,725.93



- New contract at \$1,726 vs. current spend of \$1,708
- Sold three new MFPs for \$16,500 with \$4,500 GP
 - Captured 30,000 images at \$0.0085
- Captured 15,000 printer images at 30% GP
- Set-up opportunity to displace Ricoh color device when buyout becomes more logical



- At the most basic level, MPS is a **contract** that allows you to support the print environment with switching costs and at a profit
- **You can** sell MPS into **smaller accounts** and with a fairly basic approach—KISS
 - **Focus on contracts!**
- Equipment does not have to be part of an MPS agreement
- Output is moving to printers:
Printers provide the most revenue to your business

- Training
 - MPS Sales
 - MS Sales
 - Sales Management
 - Business Planning
 - eWorkShops
- Consulting
 - Managed Print Services Engagement
 - Managed Services Engagement
 - Sales Effectiveness
 - Service Optimization

Questions

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