

**"Why Revenue/
Profit
Diversification is
Essential in the
Evolving Office
Equipment
Industry"**

SUCCESS

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Pros Elite Group Results



- **Currently Representing 82 Markets in North America and Select International Countries Generating Over \$ 1.5 Billion in Annual Revenue**
- **\$80+ Million in Bottom Line Service Profit Improvement**
- **\$125+ Million in Increased Equipment Sales**
- **200,000+ MPS Printer Devices Under Contract**
- **Execution based Service and Sales Consulting**
- **Execution based Service and Sales Management Training**

SUCCESS



North American Market Size (Billions)



United States

	Hardware		Solutions		Total
	2015	2016	2015	2016	2016
Black and White MFP	5.58B	5.32B			
Color MFP	6.31B	6.14B			
Total	11.89B	11.46B	2.00B	2.15B	13.61B



North American Market Size (Millions/Billions)



Canada

	Hardware		Solutions		Total
	2015	2016	2015	2016	2016
Black and White MFP	484M	472M			
Color MFP	559M	548M			
Total	1.03B	910M	189M	198M	1,108B



North American Market Share Summary



Solution Sales:

- The 2016 market for Solutions Sales is forecasted to be \$2.15 billion. Office Equipment Dealers will write 20% of that \$2.125billion or **\$420 million (U.S.)** and **\$40 million** in Canada.
- 50 % of the investment in solutions made by end users in Finance, Education, Legal, Healthcare will be records management or human resources focused.



Typical Solution Sales Provided



• **Business Process Optimization (Solution Sales)**

– Typical Services & Solutions Provided

- Data capture and validation
- Microfilm conversion
- Document Management
- Electronic Statement/Print and Mail
- Fulfillment and reverse fulfillment
- Contact Center
- Remittance Processing



North American Market Share Summary



Hardware Sales:

- The 2016 market for MFPs is approximately \$11.4 Billion (U.S.) and \$910 Million (Canada).
- Office Equipment dealers will write 40% + of that business or **\$4.5 billion** in the U.S. and 30% or **\$273 million** in Canada.



North American Market Share Takeaways



- 23% decrease in Inkjet and laser printer output over the next two years.
- Online Presentation and Storage is decreasing the amount of desktop printing.
- Solutions Market defined as Document Management, Capture Workflow, Output Management is estimated to grow at 4.5% CAGR
- Total Market is flat. It's all about Market Share, Net New Customer's, and Selling Solutions
- Continuing loss of share is in desktop printer and segment 1 units as mobile technologies become more adapted.
- Considerations for Managed Print (MPS) and Managed Services (MNS) to drive revenue growth.



Should You Consider MPS to Fuel Growth



MPS Challenges:

- Dealer interest is diminishing in MPS.
- MPS engagement strategy ineffective.
- Establishing effective terms and conditions.
- Not creating efficiencies in your core copier business that allows your service organization to effectively support the company's MPS initiative.
- Unacceptable margins being attained in the dealers MPS program.



Should You Consider MNS to Fuel Growth?



- Office Equipment Dealers moving into Managed IT Services (vice-versa)
- Integration of the 2 industries is occurring. You need to be able to take advantage of that integration.
- Customers are blurring the lines between technology Services providers
- Customers want a predictable spend for their Digital Information Management System
 - Document Management Solutions and Scanners
 - Servers, Applications and monitoring
 - Optimizing fleets of Digital output devices like printers and copiers



Should You Consider MNS to Fuel Growth?



The Pros Elite Group developed a Financial Model & Operational Benchmarks for MNS.

- Today we will discuss the MNS Financial Benchmarks.
- Considerations for Successful Integration of MNS into your core business.



Managed Service (MNS) Financial Setup



- **Define your MNS Offering:** Depending on what expert you listen to, there are many different ways to engage in MNS (this makes it difficult to create an industry model). This is very different than a tradition 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.
- **ERP Setup Example:**
 - 7000 – MNS Contract Revenue**
 - 7010 – Level 1 MNS Contract Revenue**
 - 7020 – Level 2 MNS Contract Revenue**
 - 7030 – Level 3 MNS Contract Revenue**



Definition of Programs



- **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 (ie; test restore on backup). There is usually some scheduled preventative maintenance in this type of agreement.

- **Level 3 – Comprehensive**

Goal is to create a predictable payment that is all inclusive. The 40% of project billing that level 1 and level 2 excludes is included in the Level 3 program. Must be a mature company at providing Managed Services to minimize your risk in this area.

Note: none of the level 1,2,3 programs include HAAS (hardware as a service)
Typical Hardware margins average 16%



Pros Elite MNS Financial Model



COGS	Level 1 Reactive	Level 2 Proactive	Level 3 Fixed Fee
Salary %	34%	31%	17%
Software/Tools %	31%	27%	30%
Profit %	35%	42%	53%



Level 1,2,3 Program Deliverables



- For the BTA Event, we are providing you access to the documents that outline the Deliverables contained in a Level 1,2,3 Managed Services program.
- Go to www.ProsEliteGroup.com/mns to Download this information.
- Password: **mns**



MNS Blended Financial Model Calculator



- Since you are sharing the same resources (labor) to support level 1, 2, 3 MNS contracts, then you need to blend the profit potential of each contract to reach an overall MNS Gross Profit potential for your company.
- Pros Elite has a blended financial modeling tool that will be used for this purpose.



Know your Cost Basis on Every Contract



- MNS is not like copiers. You cannot go with a pricing structure that you apply to all deals (price per device). One size doesn't fit all.
- MNS is more similar to MPS. In an MPS environment, it is important to price our every environment so you understand your cost basis for each environment. Then, you apply your markup to ensure all deals are profitable and you are achieving your level 1, level 2 and level 3 profit margins.
- Remember that many vendors/manufacture in the industry created an MPS pricing tool in order to help you determine your cost at the CPP level for each deal?
- There are vendors that current offer pricing calculators that helps you understand your monthly cost for every MNS deal you engage in. This will help you become one of the few in our industry that is making healthy profits in your managed services program.



Non-Financial Benchmarks



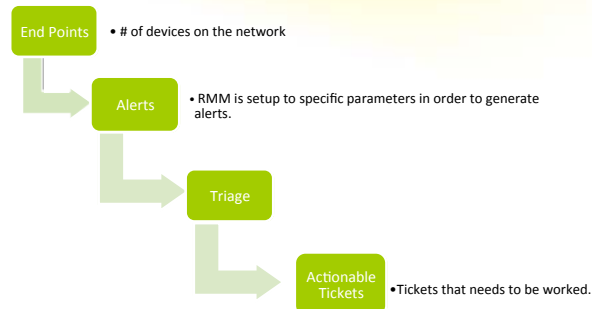
- **Scaling Technical Resources**
 - 1 (one) Network Technician can manage 125 unmanaged end points (Devices)
 - 1 (one) Network Technician can manage 250 managed end points (Devices) using RMM (remote monitoring & management) and service automation (to have a single unified interface on all workflows 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



Non-Financial Benchmarks



Define Actionable Tickets:



Non-Financial Benchmarks



Network Devices Actionable Ticket Generation:

- Every 100 end-points (devices) typically generate 60 actionable tickets per month.
- .6 actionable tickets per end-point (device) per month.



Non-Financial Benchmarks



Non-recurring Revenue Benchmark (applies to Level 1 and Level 2 programs)

- A MNS Level 1 and Level 2 solution you should expect an additional 40% (upsell & project's) to the monthly non-recurring revenue billed.

Example:

- Level 1 program - \$1,000 per month
- Non-recurring revenue - \$400 per month



Non-Financial Benchmarks



Technical Labor Workload Support Requirement:

- 1 hour of technical labor per client
- Plus 30 minutes of additional labor for every 20 devices for alert/ticket triage & diagnosis



