



# Questions Addressed Regarding Managed IT

On occasion, an Office Technology advertiser will ask me if there is a “theme” for a particular upcoming issue of the magazine. My answer has always been the same: “We don’t have themes but, rather, all of our articles are on different industry topics.” Until now. As we’ve been preparing this issue, a theme has emerged. There are three articles in this issue that focus on managed IT services: The cover story starting on page 10, the Q&A with Technology Assurance Group’s (TAG’s) Brian Suerth starting on page 20 and the Dealers Helping Dealers feature on page 26.



In fact, there is also a mini-theme within the larger managed IT theme. That is, there are several references to the fact that managed IT can be a nonprofit endeavor. In the cover story, interviewee Mike Ardry states, in part: “We went from an IT department that was not profitable ...” In the Q&A with Brian, he states, in part: “... The majority of BTA members selling IT services lose money at it.” And in the Dealers Helping Dealers feature, one dealer states: “We booted managed IT after one year. It’s not our core [business], is time consuming and a profit drain.”

It’s important for me to emphasize that the primary focus of these articles is that you can make money at IT — if you do things correctly. In proofreading the articles, I thought of how I have heard Todd Johnson, a partner in Strategic Business Associates (SBA), discuss the challenges that are inherent to managed IT. That led me to think of a few questions for Todd. Following are my questions and his responses. I know you will find them of interest.

**OT:** Generally speaking, is it your observation that most dealerships that have pursued

managed IT are losing money or only making a small amount of profit?

**Todd:** Yes, SBA sees few imaging dealerships that are profitable in their IT divisions, in general. Our annual survey from 2022, which reflects more than \$3.2 billion in dealership revenues, shows that two-thirds of dealerships have some flavor of an IT division, heavily weighted toward the larger dealerships (\$25 million-plus). The combined operating profit was positive for the first time in our 10-plus years measuring it, at 1.3%; 54% of these dealerships lost money in IT. Only 25% of dealerships were above 7% operating profit (averaging 10.1% operating profit as a subgroup).

**OT:** Why do you think that is the case? Why do dealerships struggle in managed IT?

**Todd:** We believe there are numerous factors as to why dealerships struggle, the biggest being that they approach it like imaging. That includes trying to sell everything to everyone, discounting prices until they get the deal and focusing on products. There are also industry-specific challenges like achieving proper scale of revenue to head count, high demand for the talent pool, and ever-changing technologies and customer needs. This long learning curve also requires significant capital and focus.

**OT:** What can/should dealers be doing to make their IT operations more profitable?

**Todd:** We have gleaned several “best practices” from the IT consultants in the industry that dealers should consider in order to succeed and maximize their outcomes, including: (1) Commit or don’t bother; (2) Hire talented leaders with experience; (3) Decide on your “swim lanes” and pricing and then be hyperdisciplined; (4) Develop the stack of products you will support and require customer compliance; and (5) Have your core business performing before starting. ■

— Brent Hoskins

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## FLASHBACK



The association’s magazine cover 40 years ago this month — the NOMDA Spokesman, September 1983.