




sd | Strategy
Development
www.strategydevelopment.com

The MPS Contract: Only The Start

Tom Callinan
Strategy Development
www.strategydevelopment.com



sd | Strategy
Development
www.strategydevelopment.com

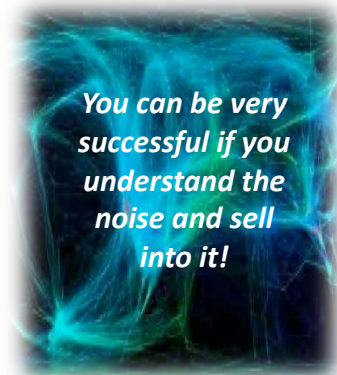
Tom Callinan

- Founded Philly dealership, Copifax, 1987
- INC 500, 1992: Sold to IKON 1997
- CFO / VP Ops MAD (98 – 99, one year)
- President IKON NYC Marketplace (99 – 01)
- President Southeast Region (01- 02)
- VP / GM Northeast Region (02 – 03)
- VP / GM East Region (03 – 05)
- Strategy Development, 2006

2

MPS has become a NEBULOUS term:


- 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



The MPS Market Space

- Enterprise – 1,000+ laser printers
 - RIKON, Xerox, HP, Lexmark and many others
 - Global deployment of devices
 - Not a primary focus for you!
- Mid-Market – 50+ laser printers
 - Mid market, service led approach: MPS companies and certain copier 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





Strategy
Development

www.strategydevelopment.com

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


sd

Strategy
Development

www.strategydevelopment.com

Key Takeaways

- Copier unit placements are declining
- MIF is declining rapidly
 - Units aren't being replaced due to consolidation and shift of output to printers
 - Devices are leased, therefore must make decision
- Volumes are decreasing at 20% of MIF decline rate
 - Shift upstream to segment III - V



Strategy
Development

www.strategydevelopment.com

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

sd | Strategy
Development
www.strategydevelopment.com

Key Takeaways

- Units are declining but MIF is increasing
 - Units are purchased so no decision point to take out of service
- Print volume is increasing, albeit it seems to peaked in 2013
 - Communication methods make printers the correct output device




Strategy Development
www.strategydevelopment.com

U.S. SUMMARY

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


- Office printers produce almost 3X the volume of copiers
- Printer output is 2X retail of copier output (\$0.016 vs \$0.008)
- Printer output represents 6X revenue opportunity of copier output



Strategy Development
www.strategydevelopment.com

The Most Avoided Statistic in MPS

- Office printer aftermarket is 6X office copier aftermarket
 - If you realize \$5M in copier aftermarket an equivalent market share of printers is \$25M - \$30M
- Is your printer aftermarket 6X your copier aftermarket?
 - Equal to your copier aftermarket?
- Should equipment revenue remain the primary determination of sales success?




sd Strategy Development

www.strategydevelopment.com

How Much Does Printing Really Cost?

- The mean GP of S&P 500 is 39.3%
 - Do you honestly believe that a company spends 15% of their total revenue on output? 10%?
- We can safely assume every knowledge worker in a company has a copy of Microsoft Office, yet the average user uses the applications minutes a day
 - Why not have one computer in the middle of the office they can use when they need an application
- How many software licenses are not being used
- Google has approximately 20,000 employees
 - At \$1,000 per employee per year \$20,000,000 on output
 - Just built a new data center in NC: Cost \$600,000,000 (they have over 20 worldwide)
- GE has 300K employees and revenues of \$150B
 - At \$1K per employee output is 0.2% of revenue (\$300M)
 - Interest expense was \$16B; provision for A/R losses \$7B




sd Strategy Development

www.strategydevelopment.com


Saving Money

- Saving money should not be the primary goal of MPS
- Printer portion of MPS revenue dissected
 - Cartridges are approximately 60% (20+ years)
 - Service is approximately 25% (20+ years)
 - Equipment is approximately 14% (20+ years)
 - Software is approximately 1% (new)
- 99% of the revenue has been purchased for 20 + years...they are pretty darn good at driving down the price

 Strategy Development
www.strategydevelopment.com

Saving Money

- Reduce your margin on a commodity item that they have been buying for 20+ years (Good luck with that strategy and your G&A)
- You have to consolidate devices
 - Requires cultural change to be supported by highest level in organization
 - How logical is it?

 Strategy Development
www.strategydevelopment.com


MPS, Basic Selling Principles

- 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
- ***At the corporate level, IT is the primary purchaser of MPS***
 - Purchasing buys cartridges but cartridges are commodity

 **Strategy Development**
www.strategydevelopment.com


Steps of Corporate MPS Strategy

- Initial meeting: Value proposition
 - Goal is to determine if a business case exists
- Assessment
 - Goal is to identify volume, expenses and operational processes
- Strategy review
 - Goal is to gain agreement from project champion
- Proposal
 - Goal is to address business case and justify financially
- Quarterly business review (QBR)
 - Goal is to gain share of wallet and change the contract

 **Strategy Development**
www.strategydevelopment.com


**Critical to Eliminating
Commodity Mentality**

- Don't make saving money the foundation of your program
- Don't conduct assessment without business case
 - If no business case saving money is the only motivation (20+ years.....)
- Conduct a thorough assessment with a focus to getting the required financial information as well as addressing the business case

sd Strategy Development
www.strategydevelopment.com


To Emphasize

- Saving money is not a business case
- Not knowing the make-up of their device population is not a business case
- Not having time to deal with printer issues is one foundation of a MPS business case
 - Behind in projects; paying over time
- Using multiple outside vendors—and having difficulty managing them—is a foundation of a MPS business case
- Knowing that they could deploy a better output approach is a foundation of a MPS business case

sd Strategy Development
www.strategydevelopment.com

Serious About MPS

- You need to deploy specialist
 - Defined as high level sales professionals that call directly on accounts: Not overlay
 - Overlay is a good approach to cover your own base
- You need to call into companies with 50+ printers
 - Most of your competitors are not making the investment to crack this segment
- Get the contract: It all starts once they are your customer
 - QBRs will provide you opportunity to expand wallet and change the contract




Quarterly Business Review

- In mid-market accounts, once you have the contract the selling begins!
- Three goals of Quarterly business review (QBR)
 - Show value
 - Gain share of wallet
 - Change the contract
- QBR is not
 - Data dump
 - Templated
 - Administrative event


sd Strategy Development www.strategydevelopment.com		Current Imaging Fleet						
11 copiers, 70 printers								
Canon XXXX on 5 year lease signed 03/08 includes 5,000 prints overages at \$0.012								\$208.00
Last three quarter averaged 16,450								\$ 6.00
Canon XXXX on 5 year lease signed 06/08 included 10,000 prints overages at \$0.012								\$295.00
Last three quarters averaged 37,814								\$ 31.00
Ricoh XXXX on 5 year lease signed 06/09 included 5,000 color prints color overage at \$0.07 mono \$0.014								\$705.00
Last three quarters averaged 12,750 color and 2,300 mono								\$ 11.00
8 Canon XXXX on 5 year lease signed 08/10 includes 80,000 mono prints overage at \$0.012 color at \$0.065								\$2,000.00
Last three quarters average 72,500 mono and 4,000 color								\$ 260.00
60 HP printers averaging 150,000 prints per month (see analysis)								\$ 2,216.00
								\$5,732.00

sd Strategy Development www.strategydevelopment.com		Our Current Contract					
Location	Model	Monthly Prints	Toner Cost	Yield at 90%	Toner Cost	Service at \$0.0025	Total
Mail room	HP 4100	4,335	\$44	9,000	\$21.19	\$10.84	
EA	HP 4100	1,875	\$44	9,000	\$ 9.17	\$ 4.69	
Admin	HP 4100	3,670	\$44	9,000	\$17.94	\$ 9.18	
Jim's hall	HP 9000	2,425	\$92	27,000	\$ 8.26	\$ 6.06	
Admin	HP 4350	5,460	\$61	18,000	\$18.50	\$13.65	
Warehouse	HP 4350	4,095	\$61	18,000	\$13.88	\$10.24	
Prez office	HP 1000	250	\$35	3,150	\$ 2.78	\$ 0.63	
Sales mgr	HP 1000	1,350	\$35	3,150	\$15.00	\$ 3.38	
Sales bullpen	HP 3005	2,240	\$65	11,700	\$12.44	\$ 5.60	
Reception	HP 1015	750	\$33	1,800	\$13.75	\$ 1.88	
Other printers		123,550			\$600.00	\$308.88	
		150,000			\$732.92	\$375.00	\$1,107.92
Retired and prints directed to MFD						Profit	1,107.92
Replaced with new MFD placement						Total	\$2,215.84
Retired and replaced with HP 3005, 3005 backfilled with 4250 from Admin						CPP	\$0.0148


sd Strategy Development www.strategydevelopment.com									
	Cost w/ Access	GP	Quantity	Total	Lease .0198	Prints	Rate	Monthly Total CPP	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 and 8 Canon					\$ 2,705.00				
Monthly mono prints on Ricoh and color on Canon					\$ 269.20				
Location	Model	Monthly Prints	Toner Cost		Yield at 90%	Toner Cost	Service	50% GP	
Mail room	HP 4100	4,335	\$44	10,000	9,000	\$21.19	\$10.84	\$64.06	
EA	HP 4100	1,875	\$44	10,000	9,000	\$ 9.17	\$ 4.69	\$27.71	
Warehouse	HP 4350	4,095	\$61	20,000	18,000	\$13.88	\$10.24	\$48.23	
Prez office	HP 1000	250	\$35	3,500	3,150	\$ 2.78	\$ 0.63	\$ 6.81	
Sales mgr	HP 1000	1,350	\$35	3,500	3,150	\$15.00	\$ 3.38	\$36.75	
Sales bullpen	HP 4350	2,240	\$61	20,000	18,000	\$ 7.59	\$ 5.60	\$26.38	
Reception	HP 3005	750	\$65	13,000	11,700	\$ 4.17	\$ 1.88	\$12.08	
Remaining 60 printers		123,500				600.00	308.75	1,817.50	
		138,395				\$673.77		\$2,039.52	\$5,769.26


What Happened

- We sold three MFDs and displaced three printers
 - It simply fit in this situation: Could have been opportunity to place SFP so think balanced deployment
 - We are now their “copier” dealer as well
- We are set-up to refresh remaining 4100s, 4350s and 1000s to standardize fleet
- We could not cost justify the Ricoh replacement but we can in six months
 - We don’t alert them that they are paying for prints they aren’t receiving
- We extended the contract out


QBRs Are Opportunity to Expand Wallet


- You are in a local account with 70 employees
 - 10 outside sales that travel US
 - 4 executives with extensive US travel
- They are on an MPS agreement because they have no internal IT employees
 - Over the last year you have rewritten the agreement twice and demonstrated ability to improve infrastructure
- Outside of printers, their IT infrastructure consists of
 - 5 servers
 - 70 desktops
 - 16 laptops
 - 32 smartphones
 - 6 pads



Expanding Share of Wallet in



QBR

- All employee have Microsoft Office
- Microsoft Dynamics back office and Salesforce.com as SFA application
- No disaster recovery plan; automated tape back-up of Dynamics and file servers with no verification, stored in fireproof box
 - Desktop and laptop devices not backed-up unless files saved to server
- Patches and upgrades performed by end users when notified by software provider





Risks

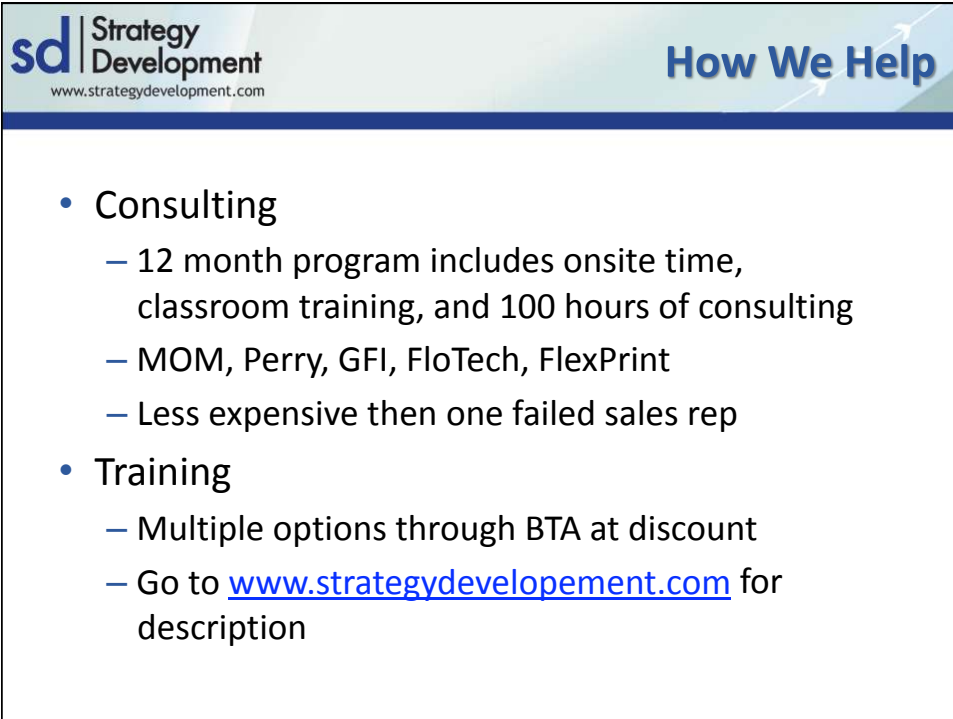
- Is their data actually backed-up?
 - Their local storage absolutely is not
 - What type of data can be lost
- Who is patching their security software
 - Are they vulnerable to intrusions? Virus? Malware?
- How are their devices performing
- What would they do if they had a catastrophic failure?
 - Their file or Dynamics server crashed?

- You need to identify what they are spending to maintain their IT infrastructure
- Can you identify pain: Failures that have occurred over last year (Absolutely...find them)
- You need to be set-up with NOC and help desk
 - SD is launching Jan 2012!
- You can add the MS to your MPS agreement

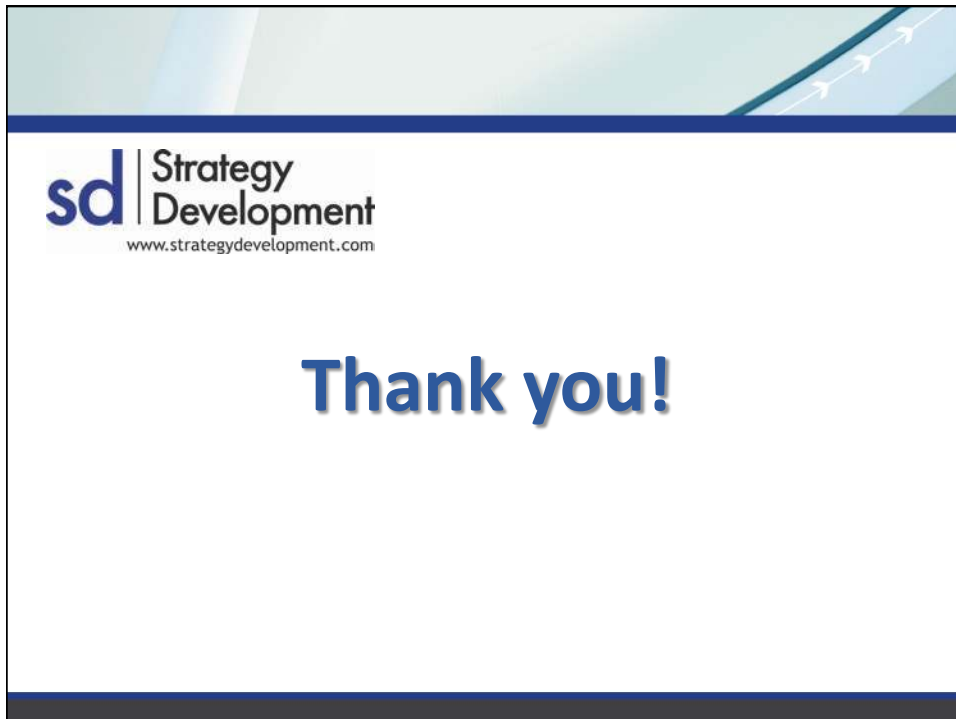
- At this point you almost have to find revenue outside the copier industry if you want to grow
 - If you have low share of copier market and you've been in business for 10+ years why?
 - If lifestyle company understand that and make all future decisions through that lens
- MPS is the most logical growth area
 - Marks on paper, toner, service, CPP billing
- MNS is highly competitive but solid small company growth area
 - Most MSPs are technical not sales focused



sd | Strategy Development
www.strategydevelopment.com

How We Help

- Consulting
 - 12 month program includes onsite time, classroom training, and 100 hours of consulting
 - MOM, Perry, GFI, FloTech, FlexPrint
 - Less expensive then one failed sales rep
- Training
 - Multiple options through BTA at discount
 - Go to www.strategydevelopment.com for description



sd | Strategy Development
www.strategydevelopment.com

Thank you!