

Managed Services

Dealership principals are embracing the opportunity

by: Chris Ryne, Growth Achievement Partners

During the last 18 months, and over the last six months in particular, there has been a tremendous amount of dealer activity in and around the managed services (MS) market opportunity. Previously, I have outlined that — from a core competency and business model perspective — now is the time for our channel to enter into and take hold of the MS opportunity.

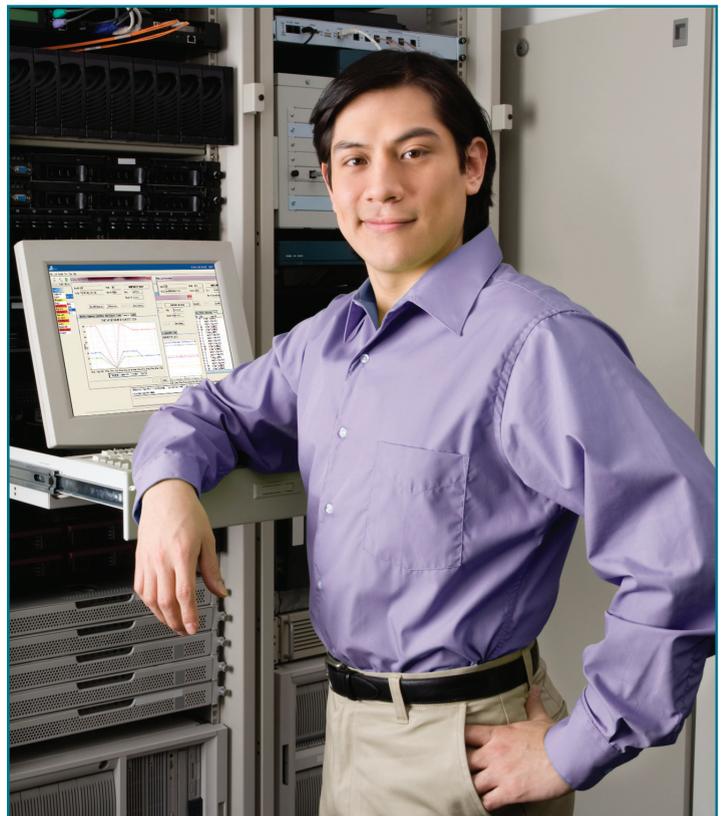
Today, additional factors are contributing to the decision and the need to move forward, including: differentiation from both traditional competitors and manufacturers alike, the rise of non-traditional competitors entering into the managed print space and the increasing interest in the adoption of cloud technology offerings by your core small-to-medium-sized business (SMB) clients.

Many dealerships entered into the MS market in 2011 and were able to take the lead in their local markets. The overwhelming majority of those dealerships that have not yet entered the MS space have plans to do so — many within 2012 as part of their strategic plans. With that audience in mind, as well as for those who have been in this space for some time, but are looking to get to the next level, the purpose of this article is to provide you a few best practices to implement.

For many of you, your business was built on your blood, sweat, tears, relationships, personal guarantees (financially and otherwise), and your confidence in and commitment to your ability to win. It look a significant commitment by you, personally, to get to where you are today. The first question you must ask yourself is: “Do I have the energy and desire to do it again?”

Recently, I held a dealership principals call with our clients and asked a few principals who have been very involved in the successful development of MS programs within their dealerships to offer advice to their peers. Independently, they came up with basically the same answer: “Do not just be in — be all in.”

This cannot be a boutique offering the IT guys run alongside the core business. Your peers who have been the most



successful lead this initiative from the top. They are beyond committed; they are actively involved. They invest in training, education, employee development, marketing and awareness. They take what they have learned and go on sales calls. And your peers that do these things are winning.

Whether you are getting into MS in 2012 or you are already there and looking for more growth, with the exception of a few rare instances, your best options will be to partner with a national provider or build your capabilities internally. Yes, buying is firmly ingrained into the industry's DNA, but unless you have the opportunity to buy a local IT services provider that has built or has successfully migrated to a predominately remote and cloud services offering, it

may not be a good investment (and probably will not be for sale).

Many IT companies that will be available for purchase are struggling to move their customers away from the traditional “work-an-hour, bill-an-hour” model to an annuity payment model. Also, much of their customer base is smaller than the 20-to-50-employee target market for this program. If you are looking to build a starting point, or have

already partnered with a national MS provider (and there are good ones out there), you should be making plans to expand your internal connectivity help-desk capabilities to include basic remote monitoring followed by a traditional “block-of-time” service contract. This offering is for smaller clients and those that are not yet ready or able to enter into a fully managed services environment. It provides you an opportunity to build out your capabilities, fill a need within a large portion of the market and develop an annuity-based “book of business” that can be expanded upon with both traditional and emerging products and services during the relationship.

It is important to understand that whether you partner, build or implement a combination of the two, what you will ultimately be providing to your clients is the administration of an ongoing program — a “technology road map” that guides the way technology is applied to their businesses and combines a variety of products and services. Many of your potential clients have not moved in this direction yet due to a lack of understanding of what it all means, how it all works and how it is all managed moving forward. Your ability to communicate and manage an ongoing, evolving program not only differentiates your offering and provides clarity for your clients, but also develops their confidence in your ability to deliver it.

A path to the successful integration of this program into the core equipment business can be accomplished via a technology-as-a-service (TaaS) strategy. Going deeper and wider in current accounts, especially in the areas of technology and cloud computing, is front and center in the industry. Some recent client examples include:

■ A dealership implemented a TaaS program, which included managed network services (MNS) and new laptops in the current phase. The next phase of the project includes backup and disaster recovery and hosted email. Implementation of copy and print devices will make up the final phase.

■ While following up on a small BDR implementation, the dealership found that its client was seeking proposals for technology upgrades from several providers of telephone systems, networking technology and output equipment.

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The dealer was able to provide a proposal that included managed network devices, implementation of cloud computing technology, a managed print services (MPS) program, production print capabilities, and facilities management labor for production output and on-site IT requirements.

■ A startup law firm was interviewing and soliciting multiple vendors for the implementation and servicing of its

office technology, including computer systems, office-related software, telephone systems, website development, and copiers/printers. The dealership provided a total solution, priced it on a monthly payment, and increased the total opportunity by five times in revenue and gross profit.

The common themes within these three opportunities include: expansion of current or new relationships beyond traditional products and services, utilization of monthly payments as a selling point, and locking out competitors through a broader range of offerings.

So, the bottom line is: “Will it be worth it?” The dealership principals referenced earlier who provided advice to their peers are achieving gross margins approaching 50 percent on products and services, have built five-figure monthly recurring revenue streams, are significantly increasing their “revenue-per-customer” ratios across their client bases, and have strengthened the position of their businesses for the future. How quickly can you get to a place where you can sell the deals outlined above? The endgame is the ability to provide “more things technology, sold on a monthly payment” to your clients. There are programs coming that will help you go to market with that capability.

Activity will continue to increase as more of your peers take their dealerships in this direction. As you execute your 2012 business plan for MS, implement the items shared here. It is not the entire list, but understanding the requirements of the three primary items — your involvement, your structure and your ability to integrate this into your core business — will better position you for success. ■

Chris Ryne brings significant experience in driving growth and profitability, possessing a comprehensive understanding of the industry that includes traditional and emerging markets from both a sales and operations perspective.

His tenure includes 10 years with a national office equipment dealership where he built and led a successful professional services business unit from startup to a well-integrated team. He can be reached at chris@growthachievementpartners.com. Visit www.growthachievementpartners.com.

