



Diversification: A Necessary Business Strategy in a Changing Document Imaging Marketplace

Last month I wrote about the various trends sweeping the document imaging industry, many of those underscoring the need for the traditional office technology dealer to diversify. Yes indeed, diversification is the name of the game as printed output declines and dealers look for new sources of revenue.

While MPS and Managed Services are squarely at the head of the pack of this diversification trend, we're not going to touch on those here, but address those areas in a future issue of ENX. Instead, we're going to focus on five other diversification opportunities, some more opportune than others. We'll also be presenting another five diversification opportunities this month in a complementary article on the ENX/The Week in Imaging newsletter and Website.

To gain a better understanding about the viability of some of these opportunities I spoke with dealers in various dealerships across the country about the diversification strategies they're taking to ensure their long-term viability.

Digital Signage

There's plenty of buzz happening around digital signage as companies such as Toshiba and Samsung ramp up their digital signage product lines. Plus, don't count out Sharp with its professional displays and Aquos boards.

Toshiba is enjoying some big wins from a direct perspective with its digital signage, but the

reality is it's going to take some time for its dealer channel to enjoy the same success. Toshiba's approach is also a little bit different than others because of its emphasis on content, which is ideal for dealers looking for a recurring revenue stream.

Stargel Office Systems in Houston, TX, is arguably Toshiba's most successful dealer to date when it comes to marketing digital signage. Last year it nailed down a big deal with the Houston Astros.

While that deal was an impressive one, TJ DeBello, Stargel's VP of sales and marketing, reports that Stargel is currently concentrating heavily on clinics and hospitals. "That's the low hanging fruit for us."

Not counting the deal with the Houston Astros, Stargel did about \$350,000

in digital signage last year, including a \$52,000 deal with a church.

"We're still learning and the margins seem pretty good," says DeBello.

Everybody at Stargel can sell Toshiba's digital signage products and the dealership relies heavily on Toshiba for education. DeBello says the company is planning on hiring a specialist as well as handling the installations themselves, something they currently outsource.

Perhaps the biggest benefit of diversifying into digital signage

is the same benefit so many other dealers enjoy when branching out into other product categories. That's getting a foot in the door of a new customer. Stargel installed a \$56,000 video wall in one new client's lobby. That video wall deal led to a \$105,000 DocuWare deal even though Stargel doesn't have their copier business.

So far there's been no competition from other independent dealers in the Houston market. "Our competitors are more on the national scene and most of the feedback we're hearing is they come in, give a quote, but they're too busy and don't listen to what they want and won't do the renderings," says DeBello. "They don't offer the personal touch, which is our strength. Our long-term goal is to get in there and do the marketing for clients [on the digital signage]. That ties into an ongoing revenue stream for us similar to a CPC model where we're billing them monthly or quarterly."

There may also be an opportunity in the future for Stargel integrating the digital signage into Toshiba's POS systems along with pursuing opportunities in sports arenas, cafes, and grocery stores.

Interactive Whiteboards

Sharp has made a big impression the past few years with its interactive whiteboards, a technology that's become a prominent talk track at its annual dealer meetings. DPOE in Elk Grove Village, IL is one Sharp dealer

continued on page 24



TJ DeBello
Stargel Office
Systems

Diversification: A Necessary Business Strategy

that's embraced this technology and has been enjoying some decent sales, a little over 100 to date.

"We've sold more than I probably would have expected us to sell," states Chip Miceli, DPOE's president. "The only problem with that product is that there's no recurring revenue."

What those interactive whiteboards have done for DPOE is create new opportunities, particularly with prospects the dealership hasn't done business with before. "We probably would never have gotten into some of these customers before and we end up doing more business with them once we get in the door," states Miceli. "That's the value."



Chip Miceli
DPOE

The biggest opportunities Miceli has found for interactive whiteboards are manufacturing and law firms as well as anyone that does any kind of marketing and has a sales force. "I have one customer who carries it all over the place," says Miceli.

Another client has placed the whiteboard in a kiosk in their conference room. This is an exception as it has a recurring revenue stream as DPOE is responsible for making sure that it's always up and running. "We charge them a monthly fee," states Miceli. "Anytime they want to change content, we do that, but that's only one out of the 100 we've sold so far."

What DPOE has sold can be credited to persistent telemarketing and attendance at networking events where DPOE displays the board and uses it for presentations. It's also in their showroom where it's used for, what else, presentations. "It's a lot of word of mouth; we haven't done much advertising and Sharp doesn't do much advertising so we just carry it everywhere and show it to everybody," emphasizes Miceli.

3D Printers

3D printing was a hot topic at last September's BTA Grand Slam event thanks in part to a presentation by Mark Mathews, president of Airwolf 3D and

panelist Cindi Gondek from ACT Group, a Cromwell, CT-based office technology dealership.

During the panel discussion on diversification strategies, Gondek acknowledged that compared to selling traditional office technology selling 3D printers requires a different skill set. Specifically, what's critical, in her view, is a different level of people for service, including high-level engineers who can talk about the various 3D printing processes. "You can't have copier salesmen selling 3D," she opined.



Cindi Gondek
ACT Group

Gondek also cautioned the audience about the expense of getting into 3D printing. ACT Group invested more than a half million dollars and it's taken a couple of years for the dealership to start seeing a return on that investment.

Another dealership doing okay with 3D printing is Fraser-AIS in West Reading, PA. It has been selling 3D printers for a couple of years now and is finally getting the hang of it. They generated enough business to add a sales rep this past June whose sole focus is 3D printers. A dedicated service technician is the most recent addition to Fraser's 3D team.



Daniel Fraser
Fraser-AIS

Daniel Fraser, new business development for Fraser-AIS, loves talking about 3D. He's candid about what it takes to sell the technology. "Being disillusioned is a good thing because I see it all the time, people are excited [about the technology], want to talk about it, and it's interesting to talk about, but most [prospects] aren't going to buy one."

Being disillusioned may seem odd to hear from someone who's had some success selling the technology, but he refuses to sugarcoat the opportunity. "There are some who will buy, and what they do buy will be very expensive. You can have high revenues, but a lower amount of transactions. It's prospecting intensive."

What he's learned in the short period of time he's been selling 3D printers is how to better qualify prospects. "I want to get rid of the people [who aren't going to buy] as soon as possible," he says. "I wasn't doing that a year ago."

Mark Mathews, president of Airwolf 3D, speaking at the BTA Grand Slam event didn't sugarcoat things either. "It's a technical sale, which means you must understand materials, CAD, and the vertical you're selling to," he told the dealers in attendance.

He also informed attendees that 80 percent of service calls are related to the print process, which makes things more complicated on the service side.



Mark Mathews
Airwolf 3D

On a more positive note, the market is expected to grow between 25 and 50 percent over the next five years with the potential to become a \$13-\$22 billion market during this time period. Target markets include corporations, educational institutions, government agencies, healthcare, manufacturing, and consumers to name just a few.

"A customer with engineers on staff doing CAD work is your target," said Mathews. "There are 20-million CAD seats worldwide with 35 percent of those in the U.S."

"It's a huge market, it's growing, fascinating, and fun, and if you have the right skill set and are willing to make the investment, it's worth it," emphasized Mathews. "But compared to MPS on the difficulty scale, where MPS is a 3, 3D printing is a 10."

Reconditioned Copiers

In Huntington Beach, CA, Spectrum Business Systems, a Ricoh dealership, has found selling and renting reconditioned MFPs a profitable diversification strategy. In fact, those two business segments account for 85 percent of Spectrum's overall business.

Spectrum's clientele is mostly small and medium size businesses, many of whom have no qualms about reconditioned equipment.

continued on page 26

Diversification: A Necessary Business Strategy

“It’s especially strong whenever we’re dealing with a startup company,” reports Glenn Plank, systems engineer. “They want all the big features the big guys have, but they don’t have the budget and furthermore they don’t have the credit to buy that brand new machine. They usually perk up when we offer them a reconditioned machine with those same features.”

With stats indicating that eight of ten new companies don’t make it, why commit to a 3-5 year lease when the odds are stacked against making it? “We politely let them know, let’s place a machine under a rental plan, if you grow bigger we can upgrade. If you get smaller we can downsize, but it leaves you the option to do that, whereas with a lease on a brand new machine and an uncertain future for your company, you’re locking yourself into three or four or five years of payments on



Glenn Plank
Spectrum
Business
Systems

credit you may not be able to get,” says Plank. “That approach really appeals to that small or startup customer.”

Spectrum doesn’t seem to have much competition in their market on the reconditioned and rental fronts. “That’s why we’ve been successful with that,” states Plank. “Many of these companies have been renting from us for 10-15 years and they just see it makes sense.”

The key to that longevity is how well you support that client once it’s placed. “As we start to see the equipment get a lot of mileage on it and the service incidents rates pick up, we get in touch and tell them we’re seeing a higher service level and we need to make a change at no charge to them,” explains Plank. “How can they complain? I don’t need the service headaches because the machine’s getting up in mileage.”

Social Media Services

An emerging diversification opportunity is social media services. Yes, social media. Impact Networking LLC, based in Waukegan, IL, has seen this segment of its business grow during the past five

years. Services offered by Impact’s Creative Services Group include web development, branding, and online marketing.

Impact recently became a Google AdWords partner. With Google AdWords, a pay-per-click ad program, businesses can advertise locally and attract customers with the products that they’re searching



Rebecca Adolf
Impact
Networking

for. “We’re one of the few partners in the Chicago area for AdWords,” reports Rebecca Adolf, senior designer and online marketer with Impact Networking’s Creative Services Group.

What does being an AdWords partner mean for Impact’s customers?

“Being a partner and having the certification shows that we know Google’s best practices for AdWords and Google Analytics,” explains Adolf. “There are events we can host and we get promotions for money and discounts and promotions we can provide to our customers.”

As far as Adolf knows, there’s no competition to date from other dealerships in the market that are also offering social media services. Obviously, there are plenty of Web designers and SEO marketing shops who mostly take a cookie cutter approach. “Our approach is to sit down with you, have face to face meetings, phone calls, and come up with the strategy and unique campaigns,” states Adolf about Impact’s approach.

Offering social media and Web design services is creating opportunities for Impact’s traditional product offerings. “If you tell people you do online marketing and SEO as a way to introduce yourself you can open doors more versus coming in and asking about their copier,” says Adolf.

Narrowing down the cost for these services is a little difficult, but Adolf says it mostly depends on how many social media updates or e-mail campaigns the customer does monthly or weekly. For example, for one client Impact does weekly e-mails, for other clients, it’s less.

“We offer a monthly fee on an

annual retainer and it can be anywhere from \$500 a month to almost \$10,000 a month,” states Adolf. “It depends on the client, their budget, and their needs.”

Clients who seem to be most interested in these services tend to be medium and larger companies although one Impact client is a small law firm and another a doctor’s office. “This is a hands-on, time-intensive service so we can’t offer low rates,” says Adolf.

Higher Information Group in Harrisburg, PA also offers Web design and development services. That portion of its business originated within its internal print group, driven in part by the need for internal support for their own marketing and advertising efforts and client requests.

“Clients were coming to us and saying, ‘we’re not happy with our website could you help us out?’” recalls John Frisch, president.

He acknowledges that this is not a big portion of his dealership’s business and that the Web design process can take a couple of months. As far as staffing the department, that’s done the way he tends to hire for all departments within his dealership, recommendations from employees.

Final Thoughts

Let’s be straight, the diversification strategies discussed in this article remain just that, diversification strategies with the potential to add a few percentage points to the bottom line. It’s unlikely that any of these will supplant a dealership’s core business anytime soon. What they will do, however, is broaden a dealership’s menu of offerings for existing accounts and possibly attract new customers. Either way, it’s a smart way of doing business in 2015. ♦

