

Embracing A4s

Three dealers illuminate the opportunities

by: Brent Hoskins, Office Technology Magazine

Think about your office technology dealership prior to the supply-chain crisis. Think about your dealership following the crisis. Are you embracing both A3 and A4 opportunities? Or are you focused on placing as many A3s as possible? What do your customers need?

Following are brief profiles of three BTA member dealerships focusing on their A4 successes. Perhaps they will inspire you to take another look at the A4 opportunities in your market. Are you leaving money on the table?

Electronic Business Machines

In the 1990s, Electronic Business Machines (EBM), based in Lexington, Kentucky, was known nationally as a source of board repair for printers, although it sold and serviced printers locally. Ultimately, the decision was made to seek a new opportunity to expand the dealership's local offerings. However, "a lot of the A3 lines were spoken for in our area already," says Mike Hicks, president of EBM. "So, it was A4s that gave us that new opportunity, especially with Lexmark, since we are almost next door to them."

A4 MFPs (and printers) were a game changer at EBM. "We wanted to differentiate ourselves from everybody else down the street; A4 allowed us to do that," Hicks says. "We could offer a quality box for a third of the price. That really took off from 2007 to 2009 when people were being laid off and unemployment was high. People were looking to save money any way they could in their print environments."

At its peak, around 70% of EBM's unit placements were A4, Hicks says, noting, however, that today the percentage is around 60%, due, in part, to new successes with A3 MFP placements. EBM also sells Xerox and Epson products. He notes that around 65% of all A4 devices placed by EBM are monochrome.

Hicks says that A4 devices are the best fit for company locations producing no more than 6 million to 7 million pages annually. Even though the cost per copy (CPC) on A4 is "slightly higher," for companies producing pages within that



6-to-7-million range, unless an A3 is needed, he says, going only with A4 devices "still wins most accounts over A3 because of the higher price for the A3."

While the CPC is slightly higher for A4s as compared to A3s, "the delta between the two has narrowed over time," Hicks says, noting that this is helped by the service burden rate of the A4 Lexmark models sold by EBM, which is lower than that of A3s. "In the old days, you might have been 1.2 cents for mono on an A4

and .08 cents for mono on A3. Today, I'm probably at .009 for A4 and .007 for A3; so, only two mils. And I'm talking OEM toner; compatible toner on the A4 makes that number even closer."

Hicks says EBM finds success with A4 placements in a variety of verticals, primarily in companies with fewer than 200 employees. It began with the legal sector, which was "big for us" early on. "I don't know if this is the case nationwide, but in Kentucky, attorneys had to scan all of their documents, convert them to PDFs and send them to the court system before appearing in court," he says. He notes that while the lack of scans from revenues is a "topic for another day," those A4 placements "helped us find traction in legal."

In addition, due to the small footprint of A4s, they are particularly well received in the health-care and banking industries, Hicks says. "We have one regional bank here with 150 A4 machines in 32 locations," he says. "They have two A3s; they really only need one."

A4 devices, serviced by EBM, are especially welcome by IT personnel within the targeted verticals and otherwise, Hicks says. "Back about 15 years ago, purchasing departments bought A3s and the IT departments bought printers, which were kind of dumped on them," he says. "The printers weren't a capital expense because you could buy them for \$800. However, today, with cybersecurity and all the other issues IT personnel have to deal with, they don't want to handle printers. So, it's easy for us to say, 'Let us take this off your hands. We can save you money.'"

Hicks advises his fellow dealers to take a closer look at

ramping up their emphasis on A4 placements if they are not doing so already. “You don’t want to leave money on the table, and you don’t want to leave the door open for a competitor to ask the question that you may not be asking today,” he says. “The profit could be there for you because, again, our number shows that the servicing cost of an A4 is less than that of an A3.”

“You don’t want to leave money on the table, and you don’t want to leave the door open for a competitor to ask the question that you may not be asking today. The profit could be there for you ... ”



— Mike Hicks
Electronic Business Machines

Kelly Office Solutions

At Kelly Office Solutions, based in Winston-Salem, North Carolina, A4 is an important part of the dealership’s product focus, but it is not necessarily a primary focus in and of itself. “We don’t encourage it, nor do we discourage it,” says Tim Renegar, president and CEO. “If it’s a good fit for the customer, we sell them an A4.”

Increasingly, it is a good fit. “I looked back over the last six months; 26% of our unit placements were A4s,” Renegar says. “The majority of those were Brother models, which are smaller-range MFPs.” The dealership also sells Ricoh, Konica Minolta and Epson products.

The 26% represents a growing percentage — part of the overall growth of the dealership, Renegar says. “When we compare our 2018 revenues to today’s numbers, we are now up about 15% over our pre-pandemic level,” he says, noting that he compares current numbers to fiscal year 2018-19, which ended June 30. “We’re very fortunate. Our A3 model placements are up and we’re still selling a lot of them, but our A4 placements are clearly becoming a big percentage of our total sales.”

Many of those A4s have gone into net-new accounts and “many others were part of our right-sizing of existing accounts,” Renegar says, adding that the majority of A4 placements by Kelly are color MFPs, with single-function printers comprising most of the monochrome A4 placements. “Not everyone needs 11-by-17, but they do need a small footprint in a lot of cases. I don’t have a problem with selling A4. They have a little higher CPC, but the margins are still the same and if they’re running volume, that’s really what we’re after as a dealership — those clicks.”

Renegar shares a recent example of a deal that garnered a significant number of A4 placements. “We had a 700-machine takedown that we would not have gotten if we didn’t offer Brother A4s,” he says, expressing gratitude for the availability of Brother’s products, given that A4s have largely been unavailable from other manufacturers during the supply-chain

crisis. “We did install Ricoh A3 products in the account — 120 of the 700 machines. But a lot of Brother A4s were installed, as well as a few single-function printers. Previously, the account had a ton of A3s. We just changed the whole table and were able to get the deal.”

There will likely be a boost in the number of A4 placements at Kelly in the months ahead, Renegar says. “Right

now, there are situations where we’re selling A3, but an A4 would have made better sense,” he says, noting that the six-month delay in getting A4s led to the A3 placements. “Customers are going ahead and making the decision to accept A3s that are similar to what they had in place. Since their leases have ended, their existing models are getting older and they’re ready to make a move. But as soon as the supply chain starts to settle down and the larger manufacturers go back to producing A4 products and getting them to us, A4 will be an even larger percentage of our placements.”

As noted, Kelly’s focus is selling the right product to fit customer needs. “When we do an assessment at any business we are looking at: ‘What’s your workload? What do you run? What do you need? Do you need ledger-size output?’” Renegar explains. “We want to make sure that we have explored all of the workflow so that we are placing the right products to handle that workflow.”

Renegar acknowledges that while Kelly’s A3 versus A4 product mix will continue to evolve over time, the goal will remain the same. “Everybody’s talking about where A4 is headed and that A3 is steadily drifting back a bit, but clicks will still be there,” he says. “That’s what we’re after. I don’t care whether it’s A3 or A4 — either way we’re going after those clicks.”

PLUS Inc.

When you are the second generation in a 64-year-old office technology dealership, you know plenty about the transition from one technology to the next. “We migrated into typewriters in the 1960s and 1970s, computers in the 1980s, and copiers in the late 1980s,” says David Carson, president of PLUS Inc., based in Greenville, South Carolina. Fast forward to today. “IT and A4 — both are goldmines. There is so much opportunity out there, it’s ridiculous.”

While he says PLUS is “going heavy into IT” and “the recurring revenue on IT is growing by leaps and bounds,” Carson is equally bullish on A4. “Six or seven years ago at a BTA event, a presenter said that 80% of all pages printed in the United States

“Right now, there are situations where we’re selling A3, but an A4 would have made better sense ... But as soon as the supply chain starts to settle down ... A4 will be an even larger percentage of our placements.”



— Tim Renegar
Kelly Office Solutions

are done on printers and production print,” he says. “On the printer side, that’s almost always going to be A4 devices. Those printers use a lot of supplies and run a lot of paper. Why would you walk away from that? By the way, we sell a lot of production printers from Ricoh and Konica Minolta, too.”

Emphasizing that “a lot of people are scaling down to smaller systems,” Carson cites two recent migrations to A4 printers and MFPs. Migration one: “We just had a bank that had 15 A3 devices. They built a brand-new headquarters and switched to six A3s; all of the others got downsized to A4s.” Migration two: “We recently took over a manufacturer’s direct account — an accounting firm. They had one printer and three big A3s. We replaced them with three A4s.”

Carson also shares a near A4-only example. “We have a medical firm customer with 20 doctors that has almost all A4s now,” he says. “They don’t have a contract with us, but they spend about \$2,000 a month on supplies. They pay as they go for labor. We charge \$180 an hour, plus a \$40 trip charge. They’re two miles down the street. It’s good money.”

No contract? That’s right. Many of PLUS’s customers “don’t want to be on a click charge, they want to buy their toner and pay for their service,” Carson says. “I was just looking at a report yesterday. We have one customer that bought about \$1,500 worth of toner in one day for all of its small \$200 printers; it probably has 50 of them. They have 25 to 30 A3 devices. They don’t have any anything under contract. They pay us as they go for everything. We have a lot of those accounts now, especially on the A4 side.”

Noting that PLUS is “definitely selling more A4 every year,” Carson says the ratio of the dealership’s A4 MFP and single-function printer placements is about 50:50. What is the ratio of A4 versus A3 devices placed by PLUS? “I don’t have a ratio that I can share; it would just be a guess,” he says. “However, I can go into my warehouse and see about 75 to 100 brand-new A4s ready to go out the door, because we sell so many of them. Our reps are out beating the streets. However, for the last 12 months, our problem has been more about managing

Why A4 MFPs?

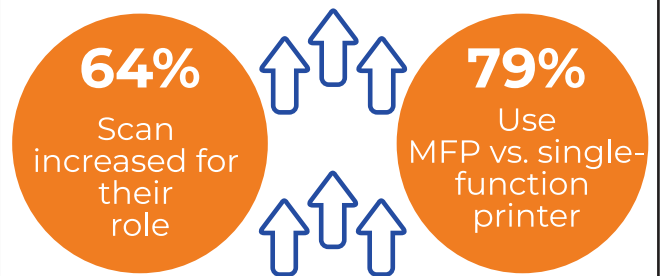
1 A4 Devices Can Protect Workers



Workers want reduction in shared office equipment.

2 Scan Is on the Rise

Digitization is a huge part of businesses today.



3 Downsizing & Cost

Projected growth for A4 at 6.2% CAGR (2021-2026).



growth than about looking for new orders. We've been very blessed."

How can PLUS confidently know that the no-contract customer will buy supplies from the dealership? "We sell 99% of our A4 offerings through two vendors — Konica Minolta and Ricoh," he says. "Very few people have good access to Konica Minolta and Ricoh products on the internet; these companies don't really market that way — they do, but they don't. Plus, you can't just walk into a Staples and buy Konica Minolta or Ricoh toner, because they don't have them on their shelves. Our customers almost always buy their supplies and service from us."

Carson emphasizes the primary reason for PLUS's heavy focus on A4. "You have got to go where the industry is headed," he

" ... I can go into my warehouse and see about 75 to 100 brand-new A4s ready to go out the door, because we sell so many of them. Our reps are out beating the streets ... We've been very blessed."



— David Carson
PLUS Inc.

says. "A4 is where most prints are going to go as people print less and less."

Many dealers "have a tendency to try and control where the market goes, but the world doesn't work that way; instead, you should move to where the people are going," Carson says. "Dealers who are only trying to hang on to clicks and the A3 business, in my opinion, are going

be like the typewriter dealers. Eventually, they are going to go away." ■

Brent Hoskins, executive director of the Business Technology Association, is editor of Office Technology magazine. He can be reached at brent@bta.org or (816) 303-4040.

