

Alongside Imaging

Dealers address their portfolio diversification strategies

by: Brent Hoskins, Office Technology Magazine

While some may be growing tired of hearing about the need to seek product and services diversification opportunities, there are certainly compelling reasons to do so. Many question whether focusing solely on imaging products is sustainable.

Following are profiles of three BTA member dealerships, providing a brief look into their diversification strategies. Perhaps the comments and insight they share will provide some guidance as you seek to take your dealership to the next level.

Donnellon McCarthy Enterprises

When Jim George joined Donnellon McCarthy Enterprises as president in 2016, he had a vision for the future. “My number-one goal was to diversify as quickly as possible to get to the magic 50/50 number,” he says, referencing the target ratio of imaging versus non-imaging offerings. “I’ve seen what happens when a dealership fails to diversify. I didn’t want to just focus on print solutions. So far, it’s been a great investment across the board.”

Of course, the dealership, based in Cincinnati, Ohio, with 10 locations in six states (California, Illinois, Indiana, Kentucky, Ohio and West Virginia), has continued to embrace what George refers to as a “golden goose” — the print side of the business — offering products from Brother, Ricoh, Sharp and Toshiba. In terms of that target ratio, it currently stands at 64% imaging versus 36% non-imaging.

That ever-evolving ratio can be attributed, in part, to Donnellon McCarthy’s creation of an ecosystem encompassing five areas — managed security, managed print, software solutions, technology infrastructure and managed IT, says Rich Brandenburg, senior vice president of sales. “In the past, our vernacular was always ‘copiers, copiers, copiers,’” he says. “Today, we push our people to talk about Donnellon McCarthy as an MSP [managed services provider] in all areas of the ecosystem. We have found that to be a lot different than what our competitors are doing up and down the street.”



Among Donnellon McCarthy’s areas of diversification: managed IT services, digital signage, mailing solutions and, most recently, EV (electric vehicle) charging stations. The diversification strategies — but largely managed IT services — have helped to feed the golden goose. “Once we’ve converted companies to IT services, where we are 100% their IT provider, every single one of those companies has also gone to the copier side of our business,” he says. “That is, once we own the IT, we are the

trusted advisor, across the board, within that organization.”

As the trusted advisor “we basically tell them: ‘Here’s what you need to get ... and we need to get your output devices switched out,’” George continues. “They always listen to us. It’s easy. It’s not even a sale. Rather, it’s something they have to do. So, the competition is out and the margins are better when we sell into that type of environment.”

While managed IT may be the largest non-imaging driver of additional MFP placements, as noted, other areas of diversification are contributing to Donnellon McCarthy’s bottom line — one of them for the past 15 years: mailroom solutions. “It represents more than \$1 million annually for us,” George says, emphasizing that it extends well beyond the FP Mailing Solutions meters the dealership offers. “For example, through FP we offer QTrak, which tracks all outgoing and incoming mail. We also offer locker systems [accessible via user PIN codes, securing incoming packages and mail] common at universities and apartment complexes. Plus, we offer folder inserters, pressure sealers, shipping software and shredders.”

As noted, Donnellon McCarthy’s latest diversification strategy is EV charging stations, sold in partnership with ACDI. George is particularly enthusiastic about the dealership’s future with the offering. “The criteria to be a golden goose in our industry are service, recurring revenue and getting some money off the hardware sale so I can pay the rep,” he says. “All three of these have come to fruition with charging stations.”

What led George to move forward with EV chargers? “The deciding factor came during a visit to Germany, where I saw

that every single apartment building and every single business has EV chargers,” he says, noting he saw that as a sign of what is to come for the United States. “We currently have a multi-million-dollar sales funnel — and we only began offering EV chargers this year.”

JD Young Technologies

Serving all of Oklahoma, but primarily the northeastern portion of the state, JD Young Technologies is headquartered in Tulsa, with a second location in Oklahoma City. The Canon, Toshiba and Ricoh dealership was founded more than 75 years ago by Joe Young. It remains a family business, with Joe’s grandsons Robert Stuart Jr. serving as CEO and Doug Stuart as president.

JD Young began as a blueprint company but has evolved considerably through the years. Among its areas of diversification, the dealership offers such products and services as managed IT, on-premise and cloud-based phone systems, purified water systems, document management, and web development and marketing.

The primary area of diversification is managed IT, which came with the acquisition 10 years ago of Geeks to the Rescue, a small IT company founded by Damon DoRemus, who now serves as JD Young’s CIO. “Most of the managed IT space is growing rapidly,” DoRemus says. “At JD Young, it represents 20% of our revenue. I expect that percentage will continue to increase.”

DoRemus says managed IT as well as VoIP phone systems have proven to be particularly ideal for the company. “Together, both lock you in with the client because if you control their network the copier contract becomes an obvious renewal,” he says, noting that the two areas of diversification often lead to new MFP placements. “They open doors all the time. When we pick up somebody as a managed IT client and they’re not a copier client, once we are in there and control the network, helping them make technology decisions, one of the first questions we ask is, ‘Who is your copier provider?’”

Dealers who are considering offering managed IT are “often scared of the volume of staff they think they will need and not having the required technical knowledge,” DoRemus says. “I always tell them, ‘As long as you are leveraging the tools that are out there from companies like ConnectWise, Kaseya and Datto, you can get into the managed services space without an enormous number of staff members. You can start small.’”

Dealerships “don’t have to have a staff of 20 to jump into

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— Jim George
Donnellon McCarthy Enterprises

managed IT,” DoRemus says, noting that JD Young has fewer than 10 IT employees. “You can start off with a staff of three. Just be selective in terms of the accounts you go after and the types of services you sell them.” He adds that it is also important to hire the right people. “You add quite a bit of liability to your organization by adding managed IT. You have access to everything, for better or

worse, so be careful about who you hire.”

The reason for having the right IT people is simple, DoRemus says. “Copier dealers have worked hard for decades to build client relationships,” he says. “I’ve seen some of them hire people who may have a whole lot of technical talent, but no communication skills or business sense. So, the dealership then provides an IT solution to a client and the relationship they’ve spent years fostering goes south because of a bad technical experience.”

DoRemus says both managed IT and VoIP, through its vendor partner Intermedia, have been lucrative diversification strategies for JD Young. “There are great margins in IT and, as noted, it will bolster your imaging business, making those relationships stronger,” he says. “The margins with VoIP through Intermedia are great, too. I am not sure we would see the level of margins we are seeing with any other channel-based VoIP vendor.”

How are the diversification strategy decisions made at JD Young? “What we try to do is not chase after something just because it’s ‘shiny,’” DoRemus says. “When we look at any diversification stream, we ask, ‘Does it support and augment our core business — imaging?’”

DoRemus encourages every dealership to diversify its offerings. He says he believes “all dealers need to leverage and embrace” opportunities in adjacent technologies. “I don’t believe JD Young would be as successful as it is today without diversifying.”

Office Advantage

Early in his career, when he was working as a paramedic, Mark VanDenHoek walked into a print shop to order some business cards. He began talking to another customer, a Xerox agent. Soon, he was working for that agent, who, four months later, parted ways with Xerox. Soon thereafter, VanDenHoek was approached about becoming a Xerox agent himself. “I had no idea what that meant but I said, ‘all right’; it seemed magical,” he says. “I thought, ‘We’ll see what happens.’”

Revenue Opportunities for Dealerships

Print remains the biggest revenue source among office equipment dealerships. It's going to take more than print to not just survive, but thrive in the post-pandemic, hybrid business world, though.

44% Digital Transformation

of dealerships plan to sell robotic process automation (RPA) technology.



30% Future Workplace

of dealerships plan to sell video surveillance hardware.

34% Managed IT Services

of dealerships plan to sell cloud infrastructure management and business process automation solutions.



33% Security

of dealerships plan to sell cybersecurity insurance.



There are plenty of other options.

In which direction(s) do you want to go?

Source: Keypoint Intelligence 2022 Channel Survey

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— Damon DoRemus
JD Young Technologies

Fast forward to the present. VanDenHoek's dealership, Office Advantage, based in Mitchell, South Dakota, with a second location in Sioux Falls, is no longer Xerox-only, but also now offers Epson products. In recent years, he has seen the need to ramp up his diversification initiatives. He shares his thoughts on the topic in the form of advice to his fellow dealers. "They need to be diversified or they won't be here," he says, noting that he is always pleased to see dealers adding managed IT services, water, furniture, etc., to their portfolios. "But if you're going to rely on the printed page, I mean, holy cow. In the A3 and A4 market, there's not a lot to talk about."

At his dealership, diversification has come in several ways, VanDenHoek says. To date, the primary strategy has been the addition of managed IT, with the assistance of ConnectWise. Managed IT now accounts for between 15% to 20% of Office Advantage's revenues, he says. "Clients with fewer than 50 employees; that's our hot spot," he says. "At some point, I anticipate that managed IT services will account for 50% or more of Office Advantage's revenues."

In addition, the dealership offers outsourced document scanning/archiving services, as well as print and graphics services. "We don't want to compete with our print shop clients, so most of what we do is for long-term, existing clients," VanDenHoek says of his dealership's print and graphics services. "For example, we have a very large automobile dealership client for which we produce a certain type of window sticker to be placed on all of its cars. It's not a huge part of our business, but it's one of the parts I enjoy the most."

What else does VanDenHoek enjoy? "Technology and automobiles," he says. Those areas of interest led to his most recent diversification strategy — EV charging stations. "I was reading one of the industry websites where ACIDI announced, 'Hey, we're going to start offering EV chargers.' I called them up, rattled a couple of cages and here we are today."

In the spring of this year, VanDenHoek launched Energy Options, a provider of EV charging stations, operating as

a separate DBA alongside Office Advantage. The new endeavor is still in its early stages, but he sees a day when he is not only installing and maintaining chargers, but servicing competitively installed chargers as well. "I'm patient enough to see it through," he says. "Other than my sales pipeline, a couple of vans and our EnergyOptions.pro website, there is very little there right now, but we do have a huge funnel and I'm anticipating it's going to be a really big deal for us."

As he expected, it's been a slow start, VanDenHoek says. He contrasts the technology to another initiative from his past — "back in the dial-up days" — when he served as an internet provider. "Unlike the internet business, where it went from zero to lightspeed overnight, this [EV charging] is going to take a while, because folks here are slow to adapt,"

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Office Advantage

he says. "They're cautious, they're curious and they're rural. So, they're going to watch for a bit before they jump on the bandwagon."

However, VanDenHoek is very optimistic about the size of that approaching bandwagon given the projections of the number of new electric cars to be manufactured in the coming years. He expects Energy Options to ultimately eclipse the Of-

office Advantage side of his business. "Yes, I expect that it's going to be a larger business," he says. "I think it will one day be 10 times larger than everything else we do." ■

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