



IT Services

How are profit margins & your vendor partners?

Compiled by: Brent Hoskins, Office Technology Magazine

Following are two related questions submitted by a dealer member as part of BTA's Dealers Helping Dealers resource and many of the answers received. These answers and many others can be found in the members-only section of the BTA website. Visit www.bta.org/DealersHelpingDealers. You will need your username and password to access this member resource.



Based on results reported by other dealers, the profit margin for IT service is mostly negative to single-digit profit. Is that changing? Are you happy with your current IT services vendor partners?

"It is getting better. The real problem is that the model allocates [IT] admin expense equal to imaging [admin expense] based on revenue and this has always been a subject that has some inaccuracy. It takes more admin time to bill and collect 300,000 clicks worth \$3,600 per month than it does to bill and collect two IT services agreements for \$1,800 per month each."

*Chap Breard, president
MOEbiz, Monroe, Louisiana*

"This profit margin (negative or single digit) may be reported for traditional copier/MFP dealers, but I can assure you best-in-class MSPs have double-digit profit margins. Modern Office Method's (MOM's) OptimizedIT MSP continually provides double-digit financial returns."

*Ken Staubitz, COO
Modern Office Methods, Cincinnati, Ohio*

"Our profits in IT are considerably better than that, but that is only due to the fact that more than 22 years ago we purchased our first IT company and invested in our own internal NOC and all the software needed to run it. We rely very little on any other company other than ourselves."

*Rick Salcedo, president and CEO
KDI Office Technology, Aston, Pennsylvania*

"Yes. We were not charging enough like most office technology dealers."

*Chip Miceli, CEO
Pulse Technology, Schaumburg, Illinois*

"This has been a big investment for us the first two years but is now part of our long-term strategy and represents 25% of our revenues."

*Tony Sanchez, principal
C3 Tech, Santa Ana, California*

"Our margins were very small to nothing until we eclipsed \$60,000 to \$70,000 in monthly contract revenue. We are now at more than \$110,000 a month in recurring [revenue], around 10% margin and growing."

*Chad Schwartz, president/founder
Imagine Technology Group, Chandler, Arizona*

"We are new to managed services but are already profitable with the limited expenses we have right now. When we start growing at a large clip, that is when we will feel the pressure of hiring additional manpower."

*Mick Dean, president
SaraMana Business Products, Sarasota, Florida*

"We are new to the space, but with the help of Chris Ryne we have positioned our program under the direction of GAP [Growth Achievement Partners] — double-digit profit margins to date."

*Mitchell Mawby, vice president of sales
Professional Business Systems Inc., Rogers, Arkansas*

"I believe the best approach to IT services is to outsource it with a fixed margin."

*Todd Deluca, owner
Boston Business Technology, Plymouth, Massachusetts*

"We booted managed IT after one year. It's not our core [business], is time consuming and a profit drain."

*Evan Said, director of sales
Coastal Business Systems Inc., Eureka, California*

Do you have a question for your fellow dealers? If so, email it to brent@bta.org with the subject line: "Dealers Helping Dealers." BTA will then share your question with the full dealer membership with a request for guidance from your fellow dealers. ■

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