

Q&A: Brian Suerth

TAG president addresses managed IT opportunity

Compiled by: Brent Hoskins, Office Technology Magazine

Recently, Office Technology magazine interviewed Brian Suerth, president of Technology Assurance Group (TAG), an organization of managed technology services providers (MTSPs). TAG joined BTA around five years ago with the goal of helping dealers achieve optimal success in pursuit of today's managed IT services opportunity.

Suerth is responsible for directing TAG's executive team in the company's focus on providing advice, support and counsel within the technology arena. He also directs the expansion of TAG's membership and strategic partnerships. In addition, Suerth is a partner at i-NETT, TAG's MTSP, based in San Diego, California. Collectively, TAG's members do \$800 million per year in IT, cybersecurity, telecommunications, video surveillance/access control, copier/MFPs and managed print. They are located in 148 cities across the United States and Canada, and are presently serving more than 780,000 SMBs.

Following are the questions asked of Suerth and his responses.

OT: Tell us about Technology Assurance Group (TAG) in terms of how it helps traditional BTA office technology dealers effectively pursue, in particular, the managed IT services opportunity?

Suerth: We help two groups within the BTA Channel. There are BTA members that are currently selling and offering managed IT services or break/fix IT. Then there are the BTA members that are not in IT whatsoever.

We joined BTA just over five years ago. We found that the majority of BTA members selling IT services lose money at it. They are subsidizing their IT businesses with their copier businesses. We've been able to impact a lot of organizations within BTA by making them profitable and increasing their sales.

We also help organizations make the transition into IT if they're not already in IT. If they are in IT, we turn their businesses around and make IT profitable relatively quickly.



We also put them on a path to increasing their sales.

For a dealership that is already in IT, we do an analysis of its existing business. We take a look at everything from its tech stack to the processes that it has to its pricing and so on. From there we make recommendations and work with the dealership to implement the right way to sell managed IT, price managed IT, market IT, deploy IT and ensure a great customer experience.

We understand the underlying economics of how to make money in IT, as well as in such areas as telephony, physical security and cybersecurity. Because we run our own managed IT services provider in Southern California, we have experience across the board. So, we help BTA members that are not in IT get into it without making the same mistakes as MSPs or their BTA member peers.

We begin with the tech stack. What are they going to sell that protects their customers while at the same time increases their customers' profitability and gives them a competitive advantage through technology? We make sure the tech stack is the best thing for the end user, while also being the best thing for the dealership, making it the most profitable stack with the right solutions within that stack.

From there we teach the dealer how to price managed IT correctly. That's one of the biggest mistakes dealers make; why so many fail in IT. The lowest pricing we've seen in IT has come from office technology dealerships. So, we make sure they are charging the right prices.

Then, we follow up with a multistep sales process to ensure they close 85% of the time. Plus, we offer marketing so that it looks like the dealership has been selling IT since the inception of the organization. So, we have marketing processes and campaigns for them.

We work closely with dealers to ensure they have the right salespeople to sell IT and the right technical team members to deploy IT. We mentor dealers through TAG's proven IT

sales process, as well as our operational processes, so they can onboard new IT accounts successfully and deliver a great customer experience. From there, we accelerate their sales and profitability, and continue to work hand in hand with them in deploying IT in order to drive their technician productivity. In addition to all those things, we have resources for their managed IT agreements, E&O [errors & omissions] and cybersecurity insurances they need, etc.

OT: What are the primary challenges that dealers face when pursuing managed IT on their own that TAG can help them address?

Suerth: First and foremost, what we've seen among BTA dealers is what they essentially do is hire "IT guys" to help them build their managed services. Those individuals are not business-savvy or business-centric, but, rather, are technology-centric. So, many dealers start off out of the gate with the wrong individuals leading the charge. From there, we've seen dealerships with the wrong salespeople selling IT, combined with the wrong compensation plans. Many BTA dealers have tried to use the same compensation plans used with copier reps and it just doesn't work.

So, they have the wrong salespeople, the wrong comp plans and the wrong technology stacks. They don't know how to bundle their professional services with the right technologies. In many cases, they have holes within their stacks; a lot of that has to do with cybersecurity. So, they don't have the right, well-rounded offerings to bring to their customers. We help them with that.

As I mentioned — and it's a huge issue in the industry itself — most BTA dealers selling IT don't know how to price their solutions or get what they should for their solutions. In addition, they have the wrong appointment setting and sales processes. They're not leveraging a "proven" sales process with the right steps and the right information gathering to build a successful IT business. They have too many technicians. They aren't tracking the labor hours of their technicians properly.

These are just some of the inherent challenges BTA dealers have in growing their IT businesses and doing it profitably. We help them in all of these areas.

OT: TAG promotes that it can help its members achieve 37% EBITDA (earnings before interest, taxes, depreciation and amortization). How does that compare to what dealerships may have experienced to date? Have many of your partners, in fact, achieved 37% EBITDA? How long does that

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journey usually take for one of your partners?

Suerth: One of the core strengths that TAG has is our insight into the industry and the underlying economic drivers. We've had the privilege of analyzing more than \$8 billion of financials in this industry over the last 25 years. This year alone, TAG members' combined products and services will be \$1 billion in sales.

The industry average for IT profitability is five to seven points EBITDA after the owner's salary. It's even worse for BTA dealers because the majority of them lose money at it. Our objective is to take a company that's either losing money or doing five to seven points EBITDA to 10 to 15 points, and then to 20, because 20 is extraordinary; if the EBITDA is in the 30s, it's phenomenal. It's hitting a grand slam. Our top performers are well into the 30s.

In terms of the length of time to get to the 20s from five to seven points, it takes about two to three years. Everything that we do is based on bringing a member into the 20s. In order to get to the 30s, that's a minimum of a three- to five-year process. The only way to achieve the 30s is to have your monthly nut for your business covered through recurring revenue. We call that "nirvana." So, nirvana is when your monthly costs are covered through your recurring revenue. That's our goal for every TAG member.

OT: What are the characteristics of the office technology dealership that is best suited for managed IT services? What size does the dealership need to be for managed IT to make sense?

Suerth: IT makes sense for every BTA dealership — big and small. If your dealership is smaller, a \$2-million to \$3-million company, that's just fine. You're not too small. We can help you get into the business easily. The first step is hiring a Level 2 technician and then we work with a salesperson and go through the process — all the things I mentioned earlier.

If you prefer the acquisition path to get into IT, we can help with that, too. TAG has been providing M&A services for our members for 25 years and, most recently, for BTA dealers. We have completed successful acquisitions of traditional managed IT service providers by BTA members. We make sure it's the best transaction for the BTA member.

If you are going to be successful in managed IT, ownership needs to be committed and involved. That's the key. And it doesn't matter if you are a \$5-million copier company or a \$25-million copier company; ownership has to be committed and involved. When owners have no idea what's going on in their IT businesses, that's a recipe for disaster.

In addition, they have to be open to listening to an

organization like TAG. Plus, they have to have a strong sales focus, a strong operational presence and a strong technical staff. We can help them hire and mentor. With that Level 2 technician on board, they can grow into the business with our help. They don't have to hire very expensive IT directors to start off. TAG incorporates the business mindset and the guidance for dealership owners as we help grow their IT businesses.

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OT: Tell us about TAG's strategic vendor partners and the co-op purchasing opportunities they provide for your dealer members?

Suerth: We call it cooperative purchasing. We've offered this for 25 years. Suppliers to the industry want to partner with TAG and offer their products and services through our channel. We're very particular in selecting our partners. It goes back to the underlying economics of the industry, where we've analyzed \$8 billion of financials. That gives us an advantage in how to package and sell solutions the right way to the end user.

For example, it could be something as simple as a firewall. How do you create a package for the firewall that's great for the end user, but that's extraordinarily profitable for the BTA member or the TAG member bringing that solution? We know how to package solutions surrounded by professional services to maximize profitability.

With that insight, we have established partnerships with suppliers in the industry. Some of them are technology manufacturers or software application providers, while others provide professional services. A lot of these relationships go back 20 years. They give TAG members what's called the "TAG advantage." So, greater rebates, discounts, commissions or special advantages, such as free training.

OT: What is your message to dealers who are apprehensive about pursuing IT services?

Suerth: I think somebody's got to get the message out there to stop listening to your peers. The reason for that is, again, if the majority of your peers are losing money in IT, stop listening to them; they're losing money. Again, the industry average is only five to seven points EBITDA.

For the past 20 years, TAG has had significant experience transitioning organizations into successful managed IT services providers — selling IT for the right price, deploying IT in the right fashion, having productive and efficient operational departments, and having a sales process that is designed to get an 85% close. Stop being afraid of IT.

Part of the reason dealers need to stop listening to their peers is that their peers have hired IT guys to run their IT

businesses. IT guys have never made more than five to seven points. So why would you do that?

OT: How might managed IT continue to evolve in the years ahead?

Suerth: I would say the change is already occurring and it's going to intensify even more. That change has to do with AI, which is revolutionizing the IT industry right now. Most companies are not taking

advantage of AI. At TAG, our mission is to essentially look into the future and see what new and emerging technology we should be adopting and deploying. We've been bringing AI-embedded solutions to our members over the last several years. Now, AI is truly reshaping the IT space, and whatever is impacting the IT industry is impacting BTA members. What the IT industry looks like today will be extraordinarily different in a year, two years or three years from now.

OT: How is AI being used in IT to increase profitability?

Suerth: We recently launched a new AI knowledge management solution. Our strategic partner is a company called CrushBank. This AI solution impacts office technology dealers' copier service technicians just as much as their IT technicians, because AI is bringing information in a knowledge management database to all of their technicians more quickly. At TAG, information is being shared with all our members. So, let's just say that somebody — a technician at XYZ Company in the Northeast — is working on a Sharp product issue. The information the tech needs has already been put into this knowledge management system by a dealer on the West Coast to help the tech solve that problem even more quickly. Best of all, TAG members receive CrushBank's best pricing.

CrushBank enables dealers to reduce technician head count. So, you can either eliminate technicians today or just not backfill their positions once those technicians leave the company. That's the perfect example of how AI is increasing the top line while decreasing operational costs. AI has already brought — and will bring at a faster rate — solutions and services to office technology dealers and traditional MSPs so everyone can service, protect and elevate their customers' businesses. The end result is a greater customer experience and customer satisfaction, and happier employees because they have more information at their fingertips more quickly than ever before to resolve issues. ■

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