

YOU HAVE OPTIONS IN A TOUGH ECONOMY

By Dan Donohue, Director of Sales

The headlines of today's economic news are adding to the already challenging environment in the imaging industry. OEM's, now more than ever, are operating in your territory. This is bringing concerns to dealer management all over the United States. Pricing pressure coming from CPC pricing in the .0029 vicinity is challenging even the best dealers to search for ways to compete and reduce costs. Here are some other forces that are creating serious headwinds for the dealer community.

- OEM quotas are demanding on your resources, stuffing warehouses all over the country to the benefit of the OEM and to the detriment of the dealer community.
- Cash flow is slowing down as a result of this and the slowing economic environment.
- OEM's threaten cancellation or to open competing dealers down the street.
- Color printing and page coverage is squeezing the dealer between the customer and the OEM supplier more than anyone else in the supply chain.
- OEM direct competition is still going on at or below your lowest price with all discounts included at retail.
- Some dealers are seeing machine placements, copy counts and new business slowing to a trickle.
- Operating expenses are all going up.
- Tech salaries are being challenged and competed for from the IT industry.
- The burden of producing profit is on service and supplies.



There ARE ways to overcome these tough setbacks and situations.

Become part of a buying group or Industry organization - IBPI, BTA, BPCA, CDA or SDG groups.

These groups provide buying power, rebates, discounts, legal advice, best practices, education, networking and benchmarks for success in our industry. By taking advantage of these resources and industry experts, you can help your dealership capitalize on best practices. The informal networking is often some of the most valuable benefits of belonging to one of these industry trade groups. Make sure you attend ITEX, your industry trade show, to catch up on the latest trends and education. Take the time out to work "on" your business instead of "in" your business.

Take a Managed print service approach to your market. Tom Callinan, managing principal of Strategy Development said he would not hire pure hunting copier sales reps today. He would only consider hiring print management specialist to develop a strong net new business model. Equipment sales and the growth of print and copy charges will follow. Software programs like PrintFleet, FM Audit, and other programs help you make the leap into these new areas of profitability. Line extensions to include HP are a great strategy in a tough economy. You are getting deeper into your account and locking up all of their printing activity. Closer relationships with your customer are critical now more than ever!

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Use compatible products to increase your profitability. Many dealers are rethinking their OEM relationships and are discovering that compatibles have a significant role in their company. Print management programs only work with Compatible cartridges according to Low Slawetsky of Industry Analysts at the BTA East meeting in September. Ronelle Ingram says "Compatibles are no longer an alternative". Industry experts push for service profitability over 50% and compatible products are critical to the success of that profit objective. Low margin CPC contracts can be turned profitable using compatible toner and parts. These lower costs for parts and supplies will also help you compete in the skinny margin deals to grab new business and make sure you keep what you have. The other area to consider is machines coming out of the field. Use generic parts instead of OEM parts if you are going to take the machine out of the field in 6 – 12 months. Ex-lines are an area to move compatible supplies and parts into your base of equipment. Find an area most challenged for profit and start there.

How compatibles can help offset lost revenue – A dealer's experience - Rob DiCerbo, a sales executive for Polek and Polek wrote about his experiences with a dealer facing the current tough economy. In the second half of 2007, machine sales had slowed to a trickle. For the entire year of 2007, XYZ Company had fallen short of their goal by \$1.5 million dollars. When we asked "What can we do to help you run your business better?" their response was, "**find us our lost revenue**".

The missing revenue equated to \$270,000 in lost profit. This dealership was already buying aftermarket parts and drums so additional savings in this area would have less of an impact. However they were using OEM toner in all machines, even those that were 5+ years old! Here was an opportunity to put real dollars back into the hands of the dealership. I asked for some current usages and pricing, then we went to work.

The first proposal only dealt with machines that were over three years old. The second also included newer machines segments 1-4, while the third proposal added segment 5. There were meaningful savings with all three proposals, and we presented all three to the dealership's management.

The first proposal saved the dealership \$45,000 annually or 16.7% of the lost profit. The second proposal would have saved the dealership \$97,000 annually or 36% of the lost revenue, and the third proposal saved the dealership \$145,000 annually or 53.7% of the lost profits. When translated into recovered revenues this last proposal equated to an additional \$805,000 in revenue. The management team saw that this simple change could recover over half of the lost revenue they had experienced in the prior year, and after a couple of meetings decided to move forward with proposal number three.



The important lesson here is that if a dealer is experiencing a mild or severe loss in revenue, there are still options on the table that you can take advantage of. The nice aspect about this proposal is that we went through the exercise through the lens of lost revenue. We have done this for many dealers, but the association to revenue really showed the impact that compatible products are able to have on dealership profitability.



Despite the many headlines and events of the day, there are options in this tougher economic environment. Use your industry associations, get into the print management services business and use compatible products to increase your profitability and compete more effectively!

Since 1998, Dan Donohue has been the Director of Sales at Polek & Polek, a family owned wholesale distributor of parts and supplies for copiers, faxes, and printers in business since 1974. To learn more visit www.polek.com.