BEI Services
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An Open Letter to The Imaging Channel:

It's Been 25 Years, What the Data is Telling Me

It seems like just a short time ago Greg Mosely and I started BEI Services. That was 1993, and we are now in our 25th year in business. So, on behalf of our entire team, we thank our customers from the bottom of our hearts.

I feel not only a duty, but a responsibility to share my concerns being highlighted by the "big data" that BEI Services has collected and processed over the past 25 years. When Greg and I started BEI Services, we had a passion for helping our customers improve their bottom line. We knew then as we know now, improvement is a process and without analytical data and knowing what is possible, the notion of improvement is emotion based, not business based. In saying that, as a business owner I recognize and most definitely respect the value and compassion of emotional management. However, I believe there must be a balance.

Today, as I analyze the data it highlights more and more the growing problem. Our industry's service deliverable is not evolving fast enough to keep pace with the commoditization of the industry, and as a result net profit continues to feel this pressure. The data shows that improvements in equipment are quickly outpacing corrections needed to offset human capital expenses.

Manufacturers continue improving the equipment while service requirements are declining, simultaneously the market's end-users are lessening their equipment needs. With less volume and less service face time, the industry must adjust labor cost with labor needs. The effective use of our customers human capital would be unacceptable in any other industry.

I have lived in the Imaging Channel my entire career and have seen many changes. However, through the majority of those changes, the industry was growing, equipment was evolving, and a dealer had a reasonable chance to increase market share. TODAY almost 93% of units placed replace units at existing customer locations. There are some wins against the competitors, but there is inevitable loss to those same competitors. Not surprising then, we see many dealers and manufacturers diversifying their portfolio of offerings. There are many progressive organizations that have and continue to prosper in this business while many do not.

My fear is not a world going paperless, but the reality is volumes are declining, reliability is improving, and serviceability is simplifying. My fear is for those who are not ensuring their service operational costs are declining at the same pace as their income from end-users.

I for one am challenging the Industry's Cost -Per -Copy pricing model. Many of the traditions we've all become too comfortable with must also be challenged. I am excited and accept the challenges the future will bring our industry. One thing is for sure, before we engage in market strategies and changing how we bill end-users we must engage to completely understand the cost of what we deliver. Too many are allowing the emotions of selling things to override the business intentions of maximizing the profit from what we sell.

Much more than toner and parts impact cost. In 2018 and beyond, reducing operating cost will be paramount and will require much more than replacing OEM supplies and parts with lower cost goods. Human Capital Effectiveness is and will continue to be our greatest challenge and must be addressed.

It's time to re-write the service business plan, and time for all of our leaders to examine everything that they think they know about how customers view our deliverable. In future letters I will address the specifics of some of what was touched on here.

In closing, let's not focus on saving our industry, let's reinvent it, and continue being rewarded for delivery of what the customer wants.

Wes McArtor
President, BEI Services, Inc.