Business Solutions

JULY 2003
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Are You Headed For A CUSTOMER SERVICE BREAKDOWN?

By servicing scanning hardware, DoxTek, Inc. improved customer service and increased sales revenue by 50% in each of the past two years.

Michael Miles, president, DoxTek, Inc.

Are You Headed For A
Customer Service Breakdown?

▲ **DoxTek, Inc. cites increased customer satisfaction resulting from its hardware repair capability as one factor contributing to its 50% sales growth rate.**

by Jackie Mauriello

Y ou'd probably trust your doctor with your Social Security number or a broker with your money, but it's unlikely you'd ask a complete stranger to hold your wallet. After all, with what's probably in it, he could potentially steal your money, assume your iden-

tity, and ruin your credit and reputation. Yet many VARs will unnecessarily hand over the responsibility for service and support of valuable customer accounts to a complete stranger – or at best "the friend of a friend." Michael Miles, president of imaging VAR DoxTek, Inc. (Provo, UT), says investing in a scanner hardware service operation underscores his company's role as a technology partner and creates recurring revenue and incremental sales.

DoxTek doesn't own a fleet of trucks or employ hundreds of technicians. In fact, DoxTek has only 10 employees and offers on-site service only in areas close to its offices. However, this modest-sized company is one of Canon U.S.A.'s top VARs and holds service contracts with customers across the country. "The service we offer is typically cheaper than on-site service," contends Miles. "And the service is better. Even in a best-case scenario, a customer with an on-site service contract has to wait for a technician to arrive. That technician often services printers, copiers, and scanners from a number of vendors and rarely has the parts the customer needs. After diagnosing the problem, they have to wait for the parts to come in. It's possible to have it fixed the next day, but not typical."

For customers with mission-critical document applications, DoxTek offers an advance exchange service contract. "The longest a customer with advance exchange will ever be down is 24 hours," says Miles. When a customer calls technical support, a technician verifies that the problem is not one that a customer can solve with some instruction. Should the scanner need servicing, a refurbished unit of equal or better quality is shipped in a hard case by overnight delivery. The customer sends back the broken hardware in the same case via standard delivery at their own expense. That unit is refurbished and placed in the pool of exchange hardware.

A depot warranty from DoxTek is a more affordable option for customers who don't need rapid turnaround. The customer packs and ships the hardware to DoxTek, where it is repaired. The equipment is generally back in operation at the customer site within a week. This option is more economical because it eliminates the highest cost of the advance exchange program, overnight shipping. Miles estimates that the cost to send a scanner using this delivery option is at least $100.

Logistics, Pricing Challenge Fledgling Service Initiative

The logistical challenge of shipping scanners is one reason DoxTek doesn't offer service on every model it sells. "Besides making sure that we have the technical resources and expertise, it just isn't cost-effective to offer this kind of service contract for some higher-end models," asserts Miles. For instance, Canon U.S.A.'s DR-3060 scanner weighs 17.8 pounds and is much less challenging to ship than, say, Fujitsu Computer Products of America's M4099D, which weighs 143 pounds.

To price DoxTek's service options, Miles looks at the published specifications for each scanner, information that is readily available through manufacturers' Web sites and promotional material. "We look at the published MTBF [mean time between

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Michael Miles, DoxTek, Inc.

Company: DoxTek, Inc.
Headquarters: Provo, UT
Other locations: Park City, UT; Bloomington, IN
Founded: 1997
2002 sales growth rate: 50%
Projected 2003 sales growth rate: 50%
Number of employees: 10
Principals: Michael Miles, president; Brandon Groom, CTO
Markets: education, government, financial services, legal
Vendors: Canon U.S.A.; A2iA; ABBYY Software House; Adobe Systems Inc.; Böwe Bell & Howell; Captive Software Corp.; Cardiff Software, Inc.; Fujitsu Computer Products of America; HP; Kofax Image Products, Inc.; LEGATO Systems, Inc.; Panasonic; Ricoh; Seac Banche
Distributors: Cranel Imaging; Ingram Micro Inc.; Optical Laser, Inc.; Tech Data Corp.
Customers: Army and Air Force Exchange Service; Andrews Air Force Base; City of Tulsa, OK; Dartmouth College; Estee Lauder; Las Vegas Visitor and Convention Authority; Stanford University; U.S. Bankruptcy Court; Utah State Tax Commission; Zions Bank
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Photos by George Frey

failures] rating and calculate how often it is likely to fail," says Miles. "We also make some allowance for average types of failure, such as rollers or cameras. Once we've serviced a particular model for a while, we'll take real data and adjust the price accordingly." Fortunately, says Miles, actual rates of failure are often much lower than the specifications suggest. When presented with all the options, people tend to over-buy when it comes to scanning hardware in anticipation of future needs and rarely hit the maximum usage levels.

Although a service contract is almost always part of the initial proposal that includes products for which DoxTek provides service, that doesn't limit its solution portfolio. "Just because we don't service a particular brand or model, doesn't mean we don't sell it," says Miles. "We really try to sell what's best for the project. On the other hand, if the best option is a product that we don't service, we are honest about that and let customers know we will be their advocate with the manufacturer. Our distribution partners have been very supportive in helping us deliver on that promise."

Gauge Success By Repeat Business, Not Retention

While some companies measure success by customer retention rates, Miles is focused on repeat business, and he believes offering service improves customer satisfaction. "High retention rates are nice, but just because a customer sticks with you doesn't mean they are buying more," notes Miles. "Fifty percent or more of our business is attributed to returning customers, which means they are pleased with our solution and looking for new ways to use it. To achieve that, a customer has to be happy with the *entire* system, including service." When service is provided by a third party, the VAR can no longer control that aspect of the customer experience. "We've had customers with third party

Michael Miles, president of DoxTek, Inc., says offering scanner hardware repair is crucial to maintaining customer satisfaction.

Low-Volume Scanner Provides Options For End Users, VARs

Scanning hardware sales and service account for a significant portion of document imaging VAR DoxTek, Inc.'s (Provo, UT) annual revenue. According to Michael Miles, DoxTek's president, providing a scanner that meets a customer's price/performance needs and backing it with self-branded service was vital to maintaining 50% revenue growth for the past two years. For workgroup or departmental customers processing fewer than 5,000 documents a day, Miles often recommends 3000-series scanners from Canon U.S.A. (Lake Success, NY). Models in this product family include the 3060 and the 3080C, which can scan in color.

Paper handling and support for software VRS (Virtual ReScan) image enhancement software from Kofax Image Products, Inc. are two factors that set this scanner product line apart from competitors. "It reliably handles odd-sized paper, so it can serve a variety of purposes for the end user," says Miles. This desktop scanner can accommodate paper widths ranging from 2.2 inches to 10.1 inches and lengths from 2.8 inches to 14.3 inches. "Unlike other scanners in this range, it doesn't slow when you shift from bi-tonal to

Michael Miles, president of DoxTek, Inc., often recommends Canon U.S.A.'s 3000-series scanners to customers processing fewer than 5,000 documents a day.

grayscale mode to use VRS," he says. Both the 3060 and the 3080C scan black and white or grayscale at a rated speed of 32 ppm (pages per minute) at 200 dpi (dots per inch). The 3080C can also operate in dual mode, which generates a color image of the front of the document and a grayscale image of the back.

Miles notes that Canon's ASP (authorized service provider) and reseller programs contribute to the profitability of his company. As a Canon ASP, DoxTek receives training and other support resources to make a service-oriented business model successful and generate recurring revenue. "The regional representatives who support the channel actually live in that region," says Miles. "That has been very beneficial in giving us access to support when we need it. Canon has been instrumental in negotiating high-volume deals and providing marketing support such as marketing plan development, collateral materials and mailers, and reimbursement for booth space at shows."

For Information on Canon Document Scanners
Go To www.canonresellers.com

contracts call two to three days into the process, and the machine still hasn't been fixed," says Miles. "Many times these are common problems that we know how to fix, which makes it very frustrating."

Third party service technicians may also undermine the trust customers place in their integration partner. "We've had third party service people go in and recommend other scanners," reports Miles. "A lot of manufacturer service is delivered by people who have historically serviced printers, and many still partner with printer companies." A number of these printer companies also make scanners, and the service technicians are more familiar with these products because of the existing rela-

tionship. Having a technician comment that a particular problem "never happens with Brand X" suggests that a VAR provided poor advice. The customer may not appreciate that the service technician doesn't necessarily understand the throughput or image quality demands of production imaging applications.

The Price Tag: Triple The Hardware Cost

Miles estimates that adding a new scanner model to the list of hardware he services costs about three times the suggested price of a single unit. For instance, he estimates that it cost DoxTek $10,000 to begin offering service on the DR-3060, which has a list price around $3,500. This includes about a month of technical training, stocking a parts inventory, and buying enough equipment to populate the pool.

Operating a hardware service department requires continued investment to maintain a comprehensive parts inventory and a pool of reliable advance exchange hardware. "The expense of shipping alone is worth making sure you are updating to newer equipment because it's costly when one fails and a new one has to be sent," says Miles. As a result, scanners are generally removed from the pool and sold as used about halfway through their expected life span, which is also specified by the manufacturer.

As the service business evolves, DoxTek is able to reduce costs associated with providing service. The company has built a knowledge base that can be shared by all of its technicians. DoxTek also logs recurring problems that may be specific to certain brands or models. As a result, DoxTek is able to better track what parts are likely to wear out on which models and adjust inventory and pricing accordingly. It has also implemented an internally developed application that tracks expiration dates and assures that customers are notified of their renewal options.

In the early stages of a service initiative, the problem may not be selling service, but overselling it, warns Miles. "You may have to hold salespeople back temporarily so they don't sell ahead of your ability to provide reliable service," he advises. "Even though a customer's machine may not need repair during the first weeks that it is in the field, if you can't easily answer a setup question, you've undermined confidence."

Unfortunately, we all have occasions when we have to trust people with our money or sensitive personal data, but most of us calculate the risks. In an industry facing tough economic times and shrinking hardware margins, VARs need to be just as careful about who they trust with their most valuable business assets – customer relationships. ❏

Looking For An Easier, Less Expensive SAN?

As applications such as document imaging create rapidly growing data stores, end users are looking to VARs for help with mass storage challenges. Faced with tight budgets and limited skills, customers struggle to overcome shrinking back-up windows and implement disaster recovery strategies. A Fibre Channel SAN (storage area network) is one way to alleviate this problem, but the complexity of installation has discouraged many VARs. To integrate a SAN, a reseller requires Fibre Channel protocol expertise and the skill set to integrate solutions from multiple vendors.

Especially for VARs in the mid-market, customers may not have the financial or personnel resources to purchase and manage a SAN. LeftHand Networks, Inc. (Boulder, CO) has introduced an IP (Internet Protocol) SAN solution that uses existing Ethernet infrastructure to provide redundant, scalable storage at a fraction of the price of Fibre Channel. Jay Prassl, VP of sales at LeftHand, estimates that an IP SAN costs about 30% of the price of a Fibre Channel SAN. The low cost and the ability to apply existing knowledge of Ethernet networks make it a suitable solution for VARs who want to add more flexible storage alternatives to their portfolios.

To set up an IP SAN using the LeftHand solution, an integrator would attach one or more NSMs (network storage modules) to the existing network. Prassl compares the 500 GB NSM to a NAS (network attached storage) appliance in that it has four hot swappable hard drives, redundant power, and dual NICs (network interface cards). The

LeftHand Networks' network storage modules are the basis for its Ethernet storage area network solution.

difference is the NSMs relay blocks of data, rather than files. A driver for the NSM is installed on the application servers, and units can be added on the fly.

LeftHand's DSM (distributed storage matrix) platform creates a virtual storage pool, making retrieval of data seamless to the end user even if the hardware is widely distributed. Using the SCC (storage control console), a Java applet that can be installed on a desktop, users or integrators can configure the system for provisioning, replication, or other management functions.