

The IT SalesPulse™ - a sales briefing for Directors in the IT industry.

Issue 2: December 2006

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WHERE HAVE OUR MARGINS GONE? – IT'S GETTING WORSE!

First of all let me start with an apology. In the last issue of the IT SalesPulse™ I said I would tell you how to start escaping from the low margin syndrome, unfortunately two very large companies have made it worse in their attempts to get into the SMB market. These are PC World Corporate and BT. You may already be aware of what they are doing, in which case I apologise (again). Even if you do, please read on.

Let's start with BT; they are running an advertising campaign called "You dreamt of running your own company not your IT department". This is being promoted by the British Chamber of Commerce through their weekly newsletter. Their offer is a server and five PCs for £37 per user per month. However, this includes the price of the hardware, from HP, as well! - An extremely attractive proposition for a naive buyer. PC World's offer is not so aggressive but as a sponsor of the Daily Telegraph Business Club they are getting a great amount of publicity through their weekly newspaper comments, the Business Club weekly newsletter and web site. It is a pure remote support agreement, but isn't everyone's these days and for a server and 8 PCs it is £300 per month discounted to £240 per month for Business Club members. That's £30 per user per month. The many IT services companies I know charge this for PC support alone, generating real margins from the Server side of the business but both PC World and BT are giving this away!

"The biggest technology issue facing small and medium size businesses is IT security"

Source Institute of Directors 2006

To receive a copy of our IT Security Portfolio, full of issues, to discuss with your customers, contact

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If you would like to know more about Koru and what we can offer email steve.rowe@korusales.com

If your customers are being seduced by this financial argument you need to lean heavily on your value to them, with a few questions like:

- What is it you are really getting? (The absolute minimum)
- Will they come out to site if you have a real business threatening issue? (Remember when we saved your data and kept you running)
- What will the extra charges be? (There definitely will be some!)
- How dedicated is my "IT Manager"? (To make money he/she won't be dedicated at all)
- What are they going to do to help you use IT strategically? (Nothing!)
- Where will I be supported from? (I like India but that is a possible source)
- Are they paying their people fair trade wages/minimum wage? (If they are the service has to be poor)

There is of course the "if you pay peanuts you get monkeys" comment but I can't say whether you should use this line; that is dependent on your relationship with your customer. What I will say though is if your customer is really contemplating a move you really do need to examine your value to them.

I really will start the process of helping you improve your margins in the next issue of the IT SalesPulse™.

In the mean time, good selling and best regards.

Steve Rowe

If you have any questions or comments please contact: steve.rowe@korusales.com

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