

REVENGE OF THE NERDS

They started out as clever geeks with cute cars who promised top-notch service in your home

By Elissa Baxter and Simon Sharwood

FEW RESELLERS HAVE EVER had the experience of working in their clients' homes at 9:00pm while the customer brews a pot of tea.

But the burgeoning success of branded resellers who strive to deliver service in the home or on a small business' premises seems likely to make this kind of experience more common for resellers, as vendors push the channel to develop the skills and services that will help them reach the mass market.

The key issue for vendors and resellers alike is service. Most suburban resellers have evolved with their technical skills to the fore. Branding their business or investing in customer service skills has been a secondary consideration.

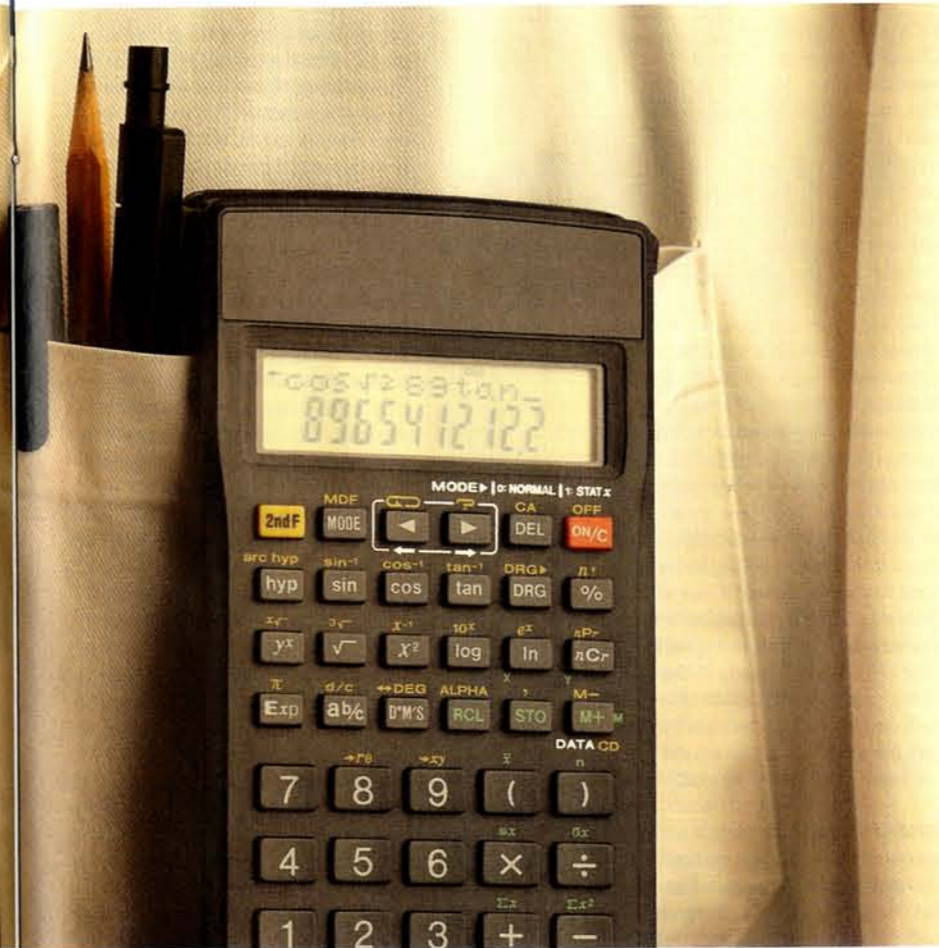
But now that consumers have greater emotional attachment to their computers thanks to the photos stored on it or their role in home entertainment, they are looking for a different style of service.

Consumers are also increasingly incapable of creating and sustaining the complex stacks of equipment needed to, for example, create a wireless LAN. And because this complex equipment is in their bedrooms and lounge rooms, they are looking for service that goes beyond the gruff 'we can fix it, trust us' proposition offered by many suburban resellers.

Their desire for friendly help with their IT has created a new services and re-sales niche that is being filled by a new breed of entrepreneurial businesses that use a franchise model to provide a service experience conventional resellers are not set up to deliver.

And since CRN first identified the trend in September 2005, this style of service has only become more common.

Geeks 2 U, for example, emerged in 2005 when David Hancock considered dropping out of uni in his final year because he saw an opportunity to build a mobile computer business. At the end of 2005, Hancock borrowed from family members to start up the business. In 2007 there is a network of 32 consultants in Sydney, Melbourne and Canberra.



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"I saw there was a need to offer convenience," said Hancock. "Instead of having to lug the computer up to the repair shop, unsure whether it was going to work when it got home, we have a model where we go to the customer's home." While this service is important to home users, it is vital to SMEs who can't justify employing a technician.

"Most of our customers are either a small business or professionals who work from home," said Hancock. "These people don't have an IT department to rely on, although their IT is absolutely integral to their business. We see ourselves as an 'on demand' IT department."

Many new entrants

Another start-up formed at the end of 2005 was Mobile Computer People, whose principal Irene Vasalis spent six years in IT support before branching out on her own.

"Some customers fear that you are not going to do any work on their

computer," she said. "Or they think you'll fix it in one hour but charge for three. They want to see what work you are actually doing. I could see that there was an opportunity to provide services on site in collaboration with the client."

Most of Mobile Computer People's clients are also small businesses or professionals who work at home. But the key to these small business success stories is not just other small businesses waiting for a virtual IT department. They are waiting for the right IT department. One that is professional, service oriented and offers the comfort that comes with a brand they can recognise. They need to be able to trust that the outfit will take care of their computer needs without the worry they are entering into an open-ended and unpredictably expensive arrangement.

"Branding is extremely important," said Geeks 2 U's Hancock. "This is something I am pretty nuts about

"People place a lot of trust in someone who is working on their computer."

actually. It gives our customers comfort. People place a lot of trust in someone who is working on their computer – it's in their home or in their business so it's very valuable and very personal. Customers like to feel that they are dealing with a reputable company and they can feel that when there is a brand in front of them."

The founders of another new entrant to the services industry, Gizmo, believe that branding is a way to professionalise the cottage industry that is IT services today. One of the most professionally-branded outfits operating in this space, Gizmo takes service, marketing and branding to a new level.

No more nerds

In 2005 Gizmo founder Brett Chenoweth travelled to visit pioneer US company Geek Squad and liked what he saw.

"We liked their model because

it's employee driven," Chenoweth explained. "We liked the fact that they were making it a brand with consistency. But it seems that a lot of people looked at Geek Squad and thought it was all about the name. We very deliberately chose to steer away from having 'geek' or 'nerd' in our name."

Gizmo instead went for the slogan "we've read the manuals" to demonstrate its technical competence. Its website uses beautiful photographs of a perhaps too careful assortment of people from all age groups and races, happily hooked into the digital age – presumably after a little help from Gizmo.

The site uses humour (a quip about your PC making coffee features prominently), cute catchphrases and a database of articles to engage the customer base.

The beauty of the model is more than skin deep.

"For us it is about the back end," said Chenoweth. "We focus on the CRM and the service."

Gizmo also offers fixed-price packages and a 'no fix no fee' service. "We found that capped pricing removes consumer anxiety," explained Chenoweth. This applies not only to the fixing and troubleshooting services, but to set-up and training services. "We need to do a plethora of activities to grow. We are after the whole range of digital devices in the home."

Gizmo plans to grow from its current 60 'gizmotechs' to a workforce of 300 in the coming years.

AWA's Rainbird: Proficient technicians



Cover Feature Franchising

The upsell opportunity

Another way that franchised resellers are changing the industry is by using their brand to build the trust needed to create upselling opportunities.

The Jim's Group, for example, already has a strong model for franchising personal services in Australia, as demonstrated by the 23 non-computer service franchises the group already operates. Jim's Computers started in February 2003. Today, there are nearly 70 franchisees nationwide.

Philip Cobby, divisional franchisor for Jim's Computer Services in Australia and New Zealand said the market for these types of services is barely being tapped. "People are buying computers so they can absorb everything around them. They ask questions of the technicians who are fixing their computers because they really want to know the answer. They want to have communication. If they drop it off to a repair shop there's no conversation," he explained.

It is this conversation which provides rich pickings for entrepreneurial franchisees. "Once you're in the door to talk to the client they can see it is a personalised service. Once they get to thinking about their problem they will often want to have some training on the software or some support on another aspect of the technology," Cobby explained. "If they are running their business diligently, a franchisee should get about 30 percent repeat business and 30 percent referrals from past jobs."

Wide open market

Computer Solutions, based in Tweed Heads on the NSW far north coast, has also used a franchise model to fuel its growth. Founders Tony and Linda Bristow could see that there was space in regional Australia for a unified professional approach to computer services and have since opened a dozen outlets in regional centres.

"We weren't really focusing on regional areas when we started out," the pair said. "We were aiming to go Australia wide but we found that people in outlying areas were keen to take up the model. It certainly hasn't hurt to be outside the metropolitan areas and we've had some great successes in regional Australia."

Bristow is not restricting himself to country areas though. Computer Solutions already operates in New Zealand and is looking to expand to the US, UK and Canada in the coming year. "The US market is a tough one to crack but we are looking to set ourselves up as the master franchisor over there," he said.

Vendors want it too

Computer Solutions' quiet success is, according to IDC analyst Jean Marc Annonier, typical of branded resellers' successes to date. "I think they are very active and some have a model that works," he explained. "But the way they go to market is very quiet. They do not have much visibility, they tend to do local advertising."

That trend may be about to change. IT veteran AWA came to the market in February 2007 with a franchise model offering home services for both IT and audio visual devices. "They seem to have a different way of going about things," remarked Annonier. "This is a large company going from large customers to small office and home appliances."

The drivers for this shift in focus came from the OEMs themselves, according to AWA managing director Mark Rainbird. "We've been providing home support services for Hewlett-Packard for six or eight years, but recently we've been under some pressure from other OEMs to provide home support services," he said. "As the suppliers' products move from offices into homes, so those clients want someone in

Australia to support them. The impetus for the expansion of our business has come from our large technology clients rather than from consumer demand. We realised that if we were going to support OEM initiatives, we have to change the existing service model."

AWA's value proposition derives from the fact it has been in the technology and televisual market for almost 100 years and therefore possesses the technical skills to provide in home services to individual consumers. So why launch a franchise business now?

"It's an attitude issue," explained Rainbird. "We have extremely proficient technicians who were used to working in the corporate environment which has been our main customer base. Corporate techs are assessed as doing a good job if they are invisible. If no one knows they are there then they get a big tick. The home environment is entirely different. The customer might want to engage in a conversation or have a cup of tea with our guys. Some of them thought this was a horror story!"

Rather than employing technicians with a different set of skills, AWA has decided on a franchise model instead. "We spent 18 months in research and development and decided that an owner operator model was the most appropriate," Rainbird recalled. "Once a technician goes into someone's home to do a job they might notice other tasks which need to be done. Someone with an entrepreneurial mind will upsell their services but it's difficult to find employees who will do that," explained Rainbird. "Home users also want flexible hours and they want someone to turn up when they say they are going to. We can't guarantee that in an employee model but we can make that happen with franchisees who own the business."

If you can't beat 'em...

If you are considering making the leap into franchise style computer solutions, you have a couple of options, with the first being the reverse engineering the success stories' model before applying their successful principles to your own business.

That process might not be as easy

as it sounds because, as franchise consultant Trevor Frost warned, franchise systems are successful for good reason. "The major reason people join a franchise structure is because the franchisor has a proven system that works. That is intellectual property that franchisors guard quite jealously, it usually won't be obvious or easily adapted," he said.

The other option might be to join as a franchisee. Frost considers that the best candidates to become franchisees are self-motivated business people with strong technical skills who want help with marketing and support. "The franchise structure works for people who do not want to reinvent the wheel," commented Frost.

The restrictions placed on franchisees don't suit everyone though. "A lot of problems arise when franchisees don't want to change the way they do things," Frost said. "A franchise is only as good as the system behind it. A franchisee needs to be committed to the system and to continually improving the system if they are going to be successful."

Lure of branded services

Winemakers can lose sleep over producing the perfect drop. Lack of rain or a late frost can keep grape grower Barb Kalleske awake and worrying, but when her computer became another source of sleepless



Computer Solutions Bristow: Strength is professional service

THE NEW FORM OF COMPETITION, BY LAWRENCE WALSH



When we think of competition, we often look around for companies that look like we do. If you're selling the same or similar products in the same region to the same types of customers, you're typically a competitor. That's the traditional view. The contemporary reality is competition comes in all shapes and forms.

Chris Pyle, president and CEO of Champion Solutions Group said competition is now coming from an unlikely source: customers. In the past year, he has seen alliances between vendors and large end users that either take away or block opportunities for

solution providers. Case in point, he said: is a major software vendor that worked with Ford Motor's US corporate IT department to provide services to its supply chain and downstream dealerships.

From a business perspective, the Ford arrangement makes sense. Ford has a massive IT infrastructure and large support department. Scaling those resources to provide support and integration services to the greater Ford ecosystem -- franchised dealerships, parts suppliers, financing companies -- isn't too heavy a lift.

"When you talk with enterprise IT departments, they say their customers are their lines of business. So arrangements like this aren't out of the question," he says.

And it's not an isolated incident. Pyle says he's seen three similar arrangements in the past year

nights she knew she needed help. That's when she saw Theresa Barndon driving her Computer Solutions branded car around the Barossa Valley and gave her a call.

The Kalleske family's home computer is an integral part of their wine growing operation in the Barossa. Aside from keeping the books and doing the banking, the computer is hooked up to moisture readers and thermostats amongst the vines.

When the temperature dips below freezing, the computer automatically switches on a fan to protect the grapes from frost. So when Kalleske's new computer began intermittently shutting down for no reason, it could be anything from annoying to disastrous.

The intermittent problem had been happening ever since Kalleske bought the computer from her local IT services provider. He could not identify the issue but took the computer back to the manufacturer. Neither resolved the problem. "After six months of not finding the problem he basically just dumped it on me and said 'Just see how you go'. I decided that I didn't want to deal with him anymore," recalled Kalleske.

Computer Solutions' local franchisee, Theresa Barndon offered a different experience to Kalleske. "I called Theresa and she came straight away. She seemed immediately determined to get to the bottom of the problem and within four or five days she had fixed it."

"People join a franchise structure because the franchisor has a proven system that works."

Apart from being able to fix the computer, it was Theresa Barndon's soft skills which impressed Barb Kalleske. "Theresa would return my calls," explained Kalleske. "She was easy to talk to and was happy to explain what she was doing. And she didn't take a month of Sundays to come back to me with an update."

It is these soft skills, which have little to do with computer repairs and everything to do with keeping the customer satisfied, that have proved to be the key for local franchise systems such as Computer Solutions.

Placing an emphasis on personable client service, in addition to access to a pool of technical knowledge, has seen the franchise model steam ahead in recent years.

According to Computer Solutions founder Tony Bristow "our real strength is our professional approach. Being willing to go that extra mile to keep the clients happy." Couple approachable 'solutioneers' with a research team in head office and you have a very powerful model. "Because we are a unified group we can offer more services than a guy working in a shed," said Bristow.

Certainly that approach has yielded results for the Kalleske family. Free to check their remote weather stations, from home without worrying about computer failure, the Kalleskes are able to focus on their award-winning shiraz and grenache and let the experts worry about their computer.

