

## Thrive As A Master VAR

This company continues to grow its revenue each year by operating as a master VAR. How it does so may give you insight into ways to grow your company.

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Photos by Pete Winkler

### One Client, 350 Bar Code Printers Sold

Sometimes the simplest business practices can yield the best results. Take being proactive and following up with a client, for instance. That's what Conrad Hopp, president/CEO of Realstar Solutions did eight years ago, and the result has been a profitable, long-standing client.

It all started when a purchaser from American Skiing Company (ASC) unexpectedly called Realstar looking for a specific photo ID ribbon that his regular supplier didn't have in stock at the time. ASC owns and operates eight ski resorts that include five-star hotels, shops, restaurants, and golf courses along with dozens of ski lifts and trails. "Luckily, we had the product he needed in stock," Hopp says. "I went into proactive mode and followed up by overnighting him our line card

and my business cards along with product spec sheets on printers and scanners he mentioned they frequently use. A couple days later, I got a call from ASC asking about pricing and availability on other items. They confided that the price I sold them the ribbons for was a good deal lower than their current vendor. The relationship flourished from that day forward."

More recently, ASC tapped Realstar for a solution to streamline the processing of season pass customers at ski lifts. The existing solution included issuing a 2-inch wide fan-fold ticket with a unique bar code printed with a **Cognitive Solutions DT Blaster printer**. The season pass was used only to keep track of attendance, since there was no limit on the number of times the customer could use a lift. All other customers would buy ticket packages for a specific number of lift rides (5, 10, 15, etc.). As customers entered lift huts, they either scanned their tickets' bar codes via the turnstiles' built-in bar code scanners or had them read by the lift attendant who used a tethered, handheld bar code scanner. Each time a bar code was read, it would trigger the ticketing program to remove one lift from the customer's account total.

While this system worked for two seasons, there were problems. With 2 or 3 turnstiles per lift and 5 to 10 lifts on a mountain (depending on location), it was cumbersome since a PC was required at each hut. Furthermore, the low temperatures often caused the PCs to crash. Also, a report had to be generated each evening from each lift site and returned to the corporate offices to compile the daily records. That required additional manpower.

Realstar's solution was to install wireless Intermec 2010 handheld bar codes scanners at the lift huts. Realstar also created a wireless LAN using Intermec relay stations and access points for connecting directly to the corporate office host servers. This WLAN eliminated the PCs at the lifts and the need for some of the employees who had to maintain the old system and process. According to Hopp, the solution is saving ASC approximately 22% in costs associated with equipment, equipment failures, and staffing. In addition, the lines are moving faster during peak hours on the mountains.

This project also led to Hopp selling ASC **Cognitive printers** for use in the resort gift shops, ski and golf pro shops, and for hotel services. "Over the

past few years, we've sold ASC 221 2-inch (media width) direct thermal Cognitive Advantage LX (formerly known as the Barcode Blaster) printers and 136 2-inch and 4-inch thermal transfer **Barcode Blasters," he says. The Cognitive Advantage series includes the following:**

- all-metal mechanism
- a full bar code suite (with MaxiCode and PDF417)
- 4 MB of memory
- graphics support
- serial and/or parallel communication standard
- optional built-in Ethernet connectivity
- two-year limited warranty
- printheads warranted for six months or 500,000 inches of printing, whichever comes first.

[www.cognitive.com](http://www.cognitive.com)

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The term master VAR isn't a moniker used very often in the AIDC (automatic identification and data collection) channel anymore. This term refers to a VAR — usually a larger one — that warehouses a lot of hardware and sells to end users and other VARs. During the last decade, the number of master VARs dwindled as large value-added distributors such as ScanSource and BlueStar began dominating the product-sourcing pipeline, attracting many of the channel companies that were purchasing through master VARs. Consequently, many master VARs could no longer justify paying the overhead associated with maintaining a warehouse, hence, the scarcity of master VARs in today's AIDC channel. So, why would a company like Realstar Solutions still want to operate as a master VAR? Growth, that's why. But to achieve that growth, the company had to add new product categories and continually refine the way it markets to its customers.

### **Can You Maintain A Warehouse Of Products?**

"I believe we have remained competitive with the major distributors and Internet resellers because of our 5,000-square-foot warehouse full of \$1.5 million of inventory, our in-house repair services, and our direct vendor relationships," says Realstar's President/CEO, Conrad Hopp. He notes that having those direct vendor relationships is essential when maintaining a warehouse full of products. For instance, one of the challenges of running a warehouse is managing stock turns. You want to have enough product on hand to immediately handle customers' needs, but you don't want to keep inventory so long it becomes outdated or obsolete. When old stock becomes an issue, Hopp says he runs a sale, calling and faxing existing customers and promoting specials on his Web sites. But it's his vendor relationships that help most in this situation. "Our vendors often allow us a stock rotation, which is when we give back a certain amount of product in return for receiving an amount of new equipment based on the value of the returned stock."

### **Sell More Than Just AIDC And POS**

Another key to Realstar's success is its diverse product line. The company sells AIDC, POS (point of sale), ID card, and biometric technologies. This strategy ensures the company will grow despite a slowdown in one particular technology or industry. Realstar focuses on these particular technologies because they are complementary to each other, often creating add-on sales opportunities. "Most of our customers who buy complete turnkey solutions buy both POS and bar coding hardware," Hopp says. "After the initial installation, they frequently buy printer media [e.g. labels]

and supplies [e.g. printheads], creating an ongoing revenue source for us.”

### **Three Web Sites Are Better Than One**

All of the company’s products are advertised on [www.real-star.com](http://www.real-star.com). However, since much of Realstar’s business comes from ID card technologies, the company maintains two additional Web sites ([www.badges-atlanta.com](http://www.badges-atlanta.com) and [www.photoid-atlanta.com](http://www.photoid-atlanta.com)) that focus on these technologies. All of the sites promote specific products and features via weekly/monthly specials and discounts. “Having three Web sites increases our chances of potential customers finding us,” Hopp explains. “Our sites average 1,500 to 2,500 hits per month. I’m not an expert in this area — I have someone who maintains the content — but I’ve found three Web sites allows for a 66% better chance for customers to find our company. In fact, we typically generate approximately 15 to 20 sales per week from customers who found us on the Web.”

Often those calls come from panicked business owners seeking help after purchasing products from other Web sites advertising prices that turned out to really be too good to be true. Some examples include a caller who purchased a receipt printer that arrived with no cable, paper, or documentation. Another caller asked Hopp for help after buying a bar code scanner that would light up but not scan. And, more than one customer has called Realstar after purchasing a cash drawer that wouldn’t open after integrating it with certain POS software.

To avoid these kinds of postsale problems with its own customers, Realstar has implemented a checklist of questions for each item it sells. For instance, customers interested in receipt printers are asked the following:

- Are you interested in a dot matrix or thermal printer?
- How many customers check out per hour?
- How many items does the average customer purchase?
- Are these items small or large, such as TVs or refrigerators?
- What is your budget?
- What software are you using, and does it specify compatible printers?
- Do you have a cash drawer yet to use with the printer?
- What type of interface do you need (e.g. serial, parallel, USB)?
- Do you have paper and ribbons?

Customers interested in bar code scanners are asked the following:

- How many customers will check out per hour?
- How many and what type of products will you be scanning?
- Are you interested in a particular type (e.g. corded, laser, omnidirectional, wireless) of scanner?
- What is your budget?

### **Biometrics: Your Next Growth Area?**

"We have seen a roller coaster of trends in the marketplace over the last five years," states Hopp. "That's why we try to continually diversify our product line. In the near future, we expect great growth from our new lines of biometric and security-related products." In particular, Realstar has added biometric fingerprint and retina scanners/readers, in addition to traditional security cameras. According to Hopp, these products complement the company's current photo ID printer and identification solution packages. He sees the government and military markets as key targets for these new products.

In general, Hopp says the next few years will bring VARs more sales and support opportunities from RFID (radio frequency identification), AIDC, and mobile computing applications. Whatever growth opportunities arise, it's likely Realstar will continue to maintain its master VAR status. Currently, approximately 70% of the company's sales come from end users, with VARs accounting for the remaining 30%. "We actually have seen an increase in the number of VARs purchasing from us," Hopp admits. "With our business model, it's still profitable to be a master VAR."

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