



Imagine Technology Group

Partners succeed through friendship & diversification

by: Elizabeth Marvel, Office Technology Magazine

A strong partnership defines the relationship between Chad Schwartz and Rudy Parga, co-owners of BTA member dealership Imagine Technology Group (ITG), headquartered in Chandler, Arizona. Schwartz founded the company in April 2010, and Parga, who also serves as CEO, joined ITG in 2018. Schwartz and Parga have very different backgrounds, but each brings special expertise to the table that has contributed to the dealership's success.

Schwartz took a more common path, first working as a dealership service manager and then as a sales rep. "Twenty-five years ago, I had no industry experience; I didn't know much about the industry at all," Schwartz says. "I applied to be a service manager at a firm called Copy Brothers and I got hired ... to handle P&L responsibilities. I had just gotten out of business school and knew nothing. I didn't even know how to run a copier. Looking back, it seems crazy, but that's where I started.

"I was young and most of my friends were in sales, so I saw the income they were making and I thought: 'There's no reason I can't do that,'" Schwartz continues. "So after a couple of years as service manager, I moved into sales and I loved it. I was making great money and I was having fun, and then our company was sold. It wasn't that it was bad, it was just different after that and I became a little disenfranchised ... One of my sales managers and her husband, who was the president of the company, asked if I wanted to start a business with them," he says. "We ended up doing it and started our dealership in 2006. We grew pretty rapidly — from \$0 to \$8 million to \$9 million in three years, all organically."

In 2009, Schwartz sold his shares in his first company and partnered with the owner he worked for at the beginning of his career to start ITG. "We started with very little money and no base — zero customers," Schwartz says. "We had no website. There was no sign on our door. We were working on a shoestring budget. We did probably \$1.8 million in our first year and \$2.8 million our second year. By year five, we were at about \$5.5 million to \$6 million, and that's where it started to turn a little bit, where instead of panicking every payroll and just grinding harder, it started to get a tiny bit easier."

At that point, Schwartz thought about buying out his partner, as he wanted to do more with the dealership. Fortunately, a conversation with Parga (who knew very little about the office technology industry at the time, but had worked with many businesses in his 20-year career as a trial attorney) spurred him on.

"Rudy was a litigation attorney here in town and ran one of



Left to right: Imagine Technology Group co-owners Chad Schwartz, founder, and Rudy Parga, CEO.

the largest law firms in Arizona that happened to represent my dealership," Schwartz says. "I knew him through that relationship, and we were also on some boards and in some business groups together."

During Parga's law career, he dealt with many business-related issues in the courtroom. "A lot of the issues I used to represent clients in involved helping them secure and protect their confidential information," Parga says, connecting his experience to the office technology industry. He also helped develop a new business within the firm that did document review for companies in very large litigation cases; it grew to become a \$16-million subset of the firm.

"I happened to be at lunch with Rudy one day and I said, 'You know, I'm just struggling,'" Schwartz says. "I think we can really blow this thing up to the next level, but I have a partner ... and I feel like my hands are tied, but he is willing to be bought out. I just have to get it done."

"I wasn't really asking him to join me — I had no idea he'd want to do something like that — but he said, 'I'm interested,'" Schwartz continues. "So we spent eight or nine months creating a plan and negotiating with my partner. We ended up with a two- to three-year plan to buy him out, which we did."

In April 2018, Parga joined ITG as CEO and co-owner when the pair bought out Schwartz' partner. The partnership has been a perfect match since. "Rudy is extremely well connected, we share a lot of the same philosophies and we're good friends," Schwartz says. "We really just mesh as far as our decision making, what we believe, how we work, and how we feel about our employees and our culture. In my first business, I didn't have those things

in my partnership. It really makes a difference when you're exactly on the same page. It doesn't mean that we agree on everything, but we work extremely well together."

Parga agrees, emphasizing their commonalities. "When Chad and I met, we had a lot of common perspective in terms of our business philosophies and our values. We both like building and creating things ... When we met for lunch and he was discussing what he was building and creating, we

both really felt that, from our different perspectives, the future of the office technology dealership was one in which the dealership could be diversified and offer a platform that allowed businesses to have a one-stop shop where they could receive solutions from the imaging side, as well as other types of equipment solutions, but also get solutions from the cybersecurity and managed services side ... What we've really tried to do is integrate all aspects of our business where our focus is on the security of our customers and clients, but we're offering an overall solution."

Once the pair bought out Schwartz' original partner, ITG's growth accelerated tremendously. The company went from \$9 million in revenue in 2019 to \$12 million in 2020. "From when the pandemic started to the end of this year, we'll probably double in profits," Schwartz says, anticipating the company will end up at around \$18 million in revenue by the end of 2021.

While the company offers Lexmark, Sharp, Toshiba and Xerox products and solutions throughout Arizona, there is much more to the business than imaging equipment — it has diversified into additional areas that include document management, mailing equipment, VoIP phone systems and IT solutions. "The business environment is changing," Schwartz says. "We all know print is starting to slow down, if not retract. So we were asking ourselves, 'What are the next 10 years going to look like?' The more we looked into IT services, managed services, cybersecurity and document management, the more we realized we needed to get into these areas. We have [about half] of the 70 largest accounts in Arizona ... and they're all spending money on something. So we're just trying to find more of that revenue ... whether it's in mailing, cybersecurity, IT, etc."

One of ITG's main offerings is IT services, and for good reason. "If you look at it from our perspective — from a business standpoint — if you go around to get an MFP contract that pays you \$3,000 a month, that's a lot of work," Schwartz says. "You have to hire a rep. You probably spend eight months working on a deal. Then you get it and you've got to buy the equipment. It is just a ton of work to get a \$3,000-a-month copier contract. Well, in the IT world, any company that has 30 employees or more would spend \$3,000 a month on an IT contract. So, it's just math. If you look at it, where is the opportunity? And where is there less competition? Well, in our

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opinion, at least in our market, the competition in IT services and managed services is getting stronger, but there are so many companies that are just one guy in a truck. We made the commitment to really invest — and we invested a lot of our own money in personnel [the company has about 20 in-house IT people between help-desk employees, solutions architects and cybersecurity specialists]. We don't outsource much of anything in our IT department.

The guy who built our IT was the head of IT for the University of Phoenix ... He built us a Fortune 500-type offering that we could offer to companies that have 50 employees or 80 employees. It was very costly to get it going, but I strongly feel that we have one of the most robust IT offerings in town."

"The only thing I'll add in terms of why we've made such a strong pivot and investment: Our world is more interconnected and will continue to be, and in any business ... everything it has — whether it's output devices on the equipment side or things on the IT side — is connected and everything is on a business network," Parga says. "We really pride ourselves in being able to have solutions that can integrate all these different functions.

"One thing that's really good for us in terms of our ability to expand existing relationships as well as grow new business is that we have different types of solutions," Parga continues. "A client may be focused on a particular solution, like a new cloud-based phone system. We go in there, we earn the trust and the confidence with the phones, and then pretty soon we're having the conversation about their cybersecurity, or they're expanding and need a more robust mailing or imaging solution. We really bring a good offering at the end of the day."

Parga and Schwartz have advice for dealers looking to diversify. "When we're out there in the business community, we're really, really good at listening to what our clients' pressure points are and giving them solutions to those pressures," Parga says, advising dealers to diversify into their customers' areas of need.

"Once you get into IT, you start diversifying because you find opportunity," Schwartz says. "We got into it thinking: 'We're going to do this and that,' and once you start getting into these different areas, your customers start asking, 'How about this? Can you guys do that?' And you look at these businesses and ask if they make sense. What we look for are things that our client base is requesting that entail a recurring revenue. Every year we put a list of new technologies together, asking ourselves if we should get into them. I haven't talked to too many dealers who have said, 'Yeah, we're thinking light years ahead and trying to do research on all of these things.' So, I think that's one of our strengths." ■

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