2019

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The Heartbeat of the Imaging Industry

THE IMAGING CHANNEL   www.theimagingchannel.com
www.workflowotg.com   **workflow** Business process management. Revolutionized.


Profiling the state of the channel for these sellers

- Instrument: Self-selecting web-based survey fielded to the channel.
- 30 questions
  Total n = **139** BTA respondents of **179** for this presentation
  Sample represents an estimated/projected 400+ locations
- Thanks to all who took the time to take the survey!

THE IMAGING CHANNEL   workflow
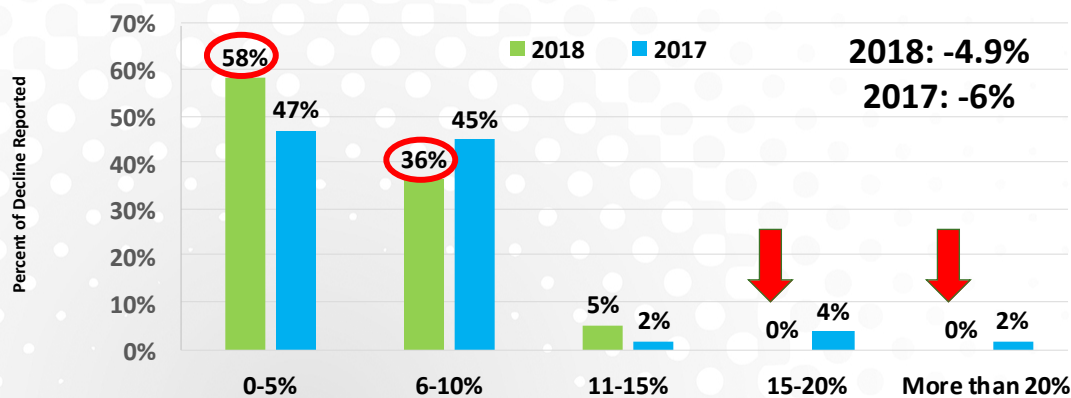
Part 1 – The Basic Stats

- Verticals dealers sell to
- Clicks: color and monochrome
- Major issues in order of importance to your customers
- Products dealers want to add
- Renewals
- Most important business concerns
- Software carried
- Are you planning to sell your business?

THE IMAGING CHANNEL   workflow

In the past year, have you experienced declining or increasing clicks/pages in monochrome? – by year
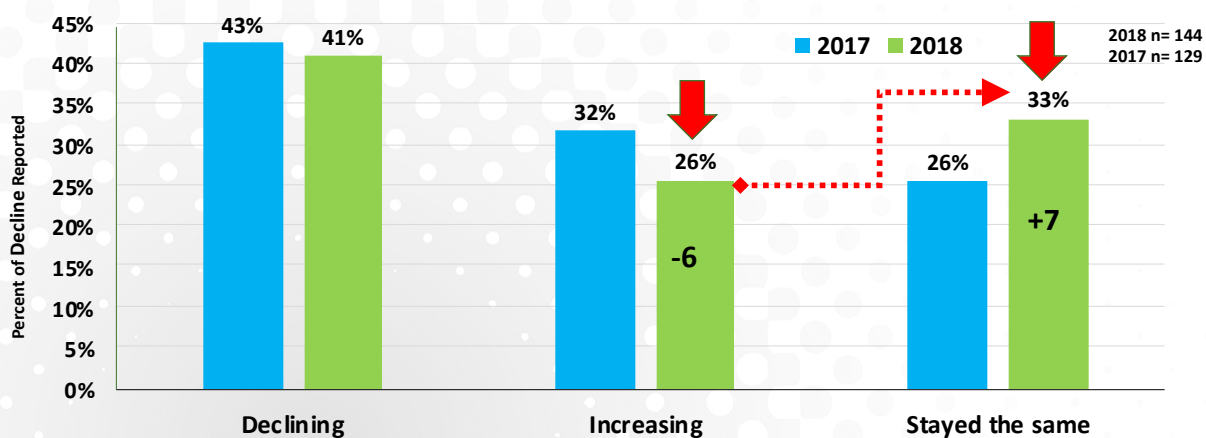
2018 is similar to 2017: Majority (59%) flat
or increasing clicks *but* a decline in growth

THE IMAGING CHANNEL   workflow

On average, what is the overall *decrease* you have seen in your monochrome clicks?

2018: -4.9%
2017: -6%

Legend: ■ 2018 ■ 2017

Chart (Percent of Decline Reported):
- 0-5%: 2018 = 58%, 2017 = 47%
- 6-10%: 2018 = 36%, 2017 = 45%
- 11-15%: 2018 = 5%, 2017 = 2%
- 15-20%: 2018 = 0%, 2017 = 4%
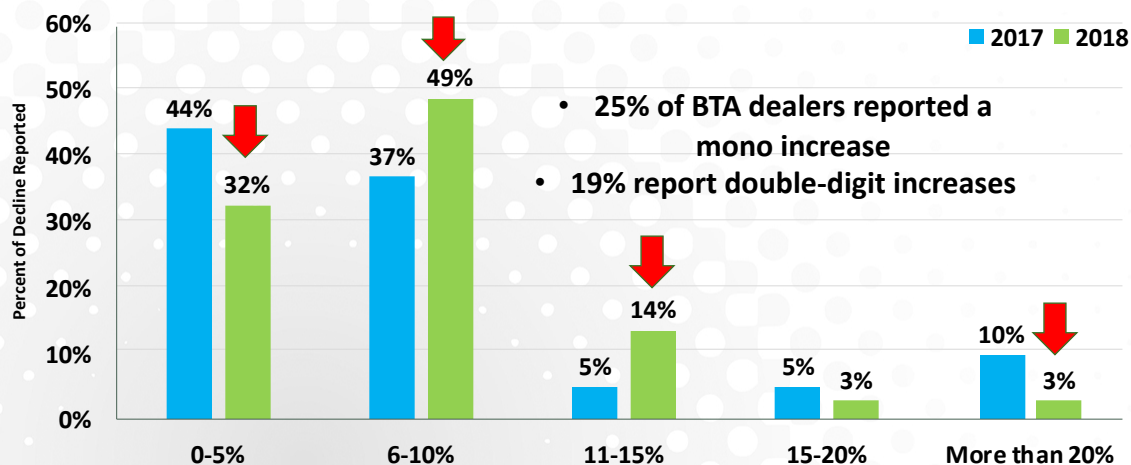- More than 20%: 2018 = 0%, 2017 = 2%

2018 n = 59
2017 n = 55
of those reporting a decrease

Average decline is smaller – large percentage declines disappeared. Leveling off?

THE IMAGING CHANNEL   workflow

On average, what is the overall *increase* you have seen in your monochrome clicks?

Legend: ■ 2017 ■ 2018

Chart (Percent of Decline Reported):
- 0-5%: 2017 = 44%, 2018 = 32%
- 6-10%: 2017 = 37%, 2018 = 49%
- 11-15%: 2017 = 5%, 2018 = 14%
- 15-20%: 2017 = 5%, 2018 = 3%
- More than 20%: 2017 = 10%, 2018 = 3%

- **25% of BTA dealers reported a mono increase**
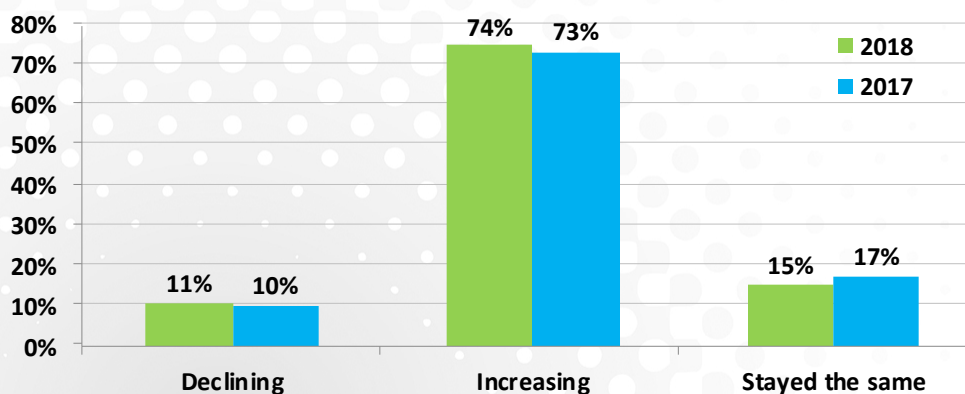- **19% report double-digit increases**

n=68

Average 2018 increase = 7.2%
down from the 7.9% increase in 2017

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In the past year, have you experienced declining or increasing clicks/pages in color?
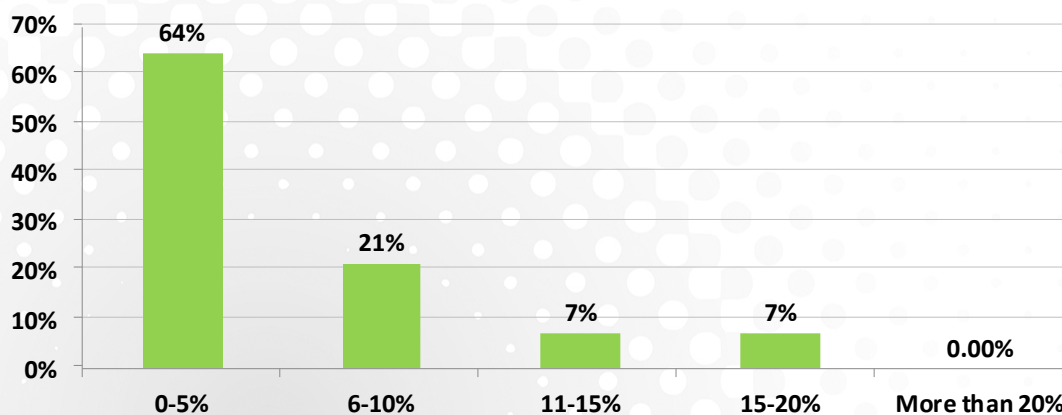
2018
2017

Declining	Increasing	Stayed the same
11% 10%	74% 73%	15% 17%

If you are experiencing declining color clicks
you are doing something wrong

n=133

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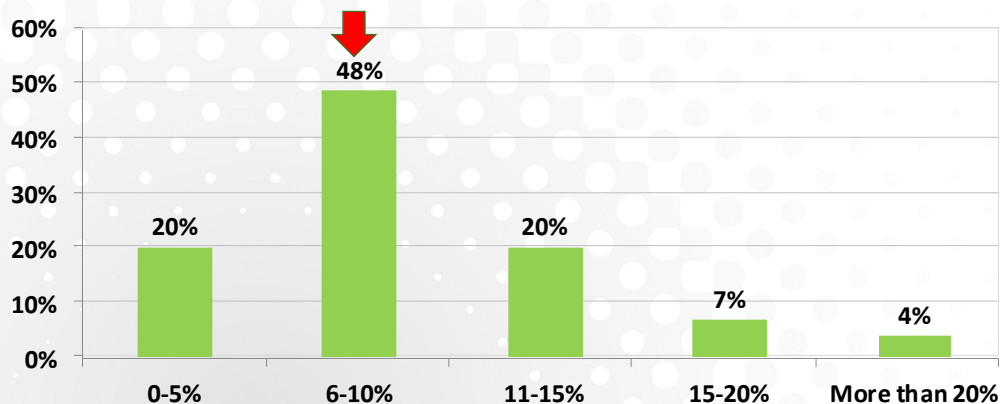## On average, what is the overall decrease you have seen in your color clicks?

0-5%	6-10%	11-15%	15-20%	More than 20%
64%	21%	7%	7%	0.00%

Average 2018 decrease = 5.4%

n=14

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On average, what is the overall increase you have seen in your color clicks?

0-5%	6-10%	11-15%	15-20%	More than 20%
20%	48%	20%	7%	4%

Average increase of 9% in 2018 declined significantly vs. 2017 (11.9%)

n=99
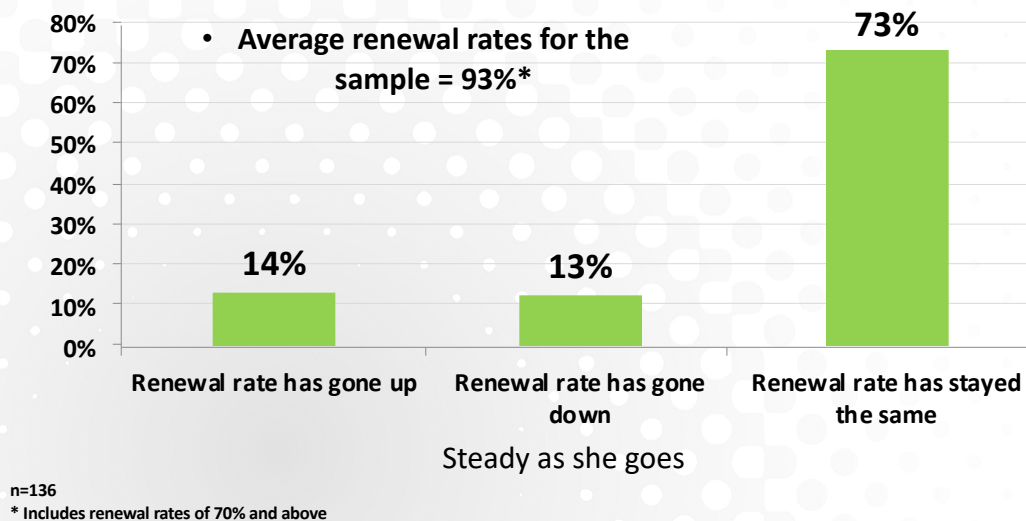
THE IMAGING CHANNEL workflow

For which of the following verticals does your company typically sell products?

Vertical Industries	
Legal Services	85%
Nonprofit/religious organizations	81%
Healthcare	79%
Education (K-12)	75%
Finance and banking	74%
Manufacturing	74%
Government	62%
Education (higher education)	57%
Retail or wholesale	54%
Transportation	44%
Communications, media and entertainment	43%
Utilities	36%
Oil and gas	24%

How has [your] renewal rate changed over the past 12 months?

- **Average renewal rates for the sample = 93%***

14% — Renewal rate has gone up
13% — Renewal rate has gone down
73% — Renewal rate has stayed the same

Steady as she goes

n=136
* Includes renewal rates of 70% and above

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Rank the following six issues in order of importance to your customers/prospects

1 = least important,
6 = most important

Issue	Rank
Reducing print costs	4.07
Scanning/digitizing documents	4.04
Highly secure printers/copiers	3.34
Network security/hacking	3.29
Integration of printers/copiers with software applications	3.24
Simplifying document/process workflow	3.02

Tier 1

Tier 2

n=136

Are you seeking to <u>add</u> to the following product categories?

|	Item	Add
1	Scanning/capture document management software	45%
2	Managed print solutions	44%
3	Network security applications	44%
4	Production print	42%
5	Network management/monitoring applications	40%
6	Cloud storage	39%
7	A4 printer/MFP hardware	38%
8	Scanning/archiving digital capture hardware	37%
9	Backup/disaster recovery (BDR)	35%
10	ECM/workflow automation	34%
11	Label printers	31%
12	A3 printer/MFP hardware	24%
13	Non-OEM toner, drum, ink, ribbons supplies	23%
14	ERP software	10%

n=111

In the next 12 to 18 months, what are your three most important business concerns? (choose exactly three)

Business Concern		
Increasing sales/business growth	70%	Tier 1
Declining prices and margins on hardware and CPPs	57%	
Staffing/hiring/training challenges	39%	
Expanding into managed IT/network services	34%	Tier 2
Declining clicks/page volumes	26%	
Competition from large dealer groups	24%	
Managing the business during major industry changes and/or growth	17%	
Competition from OEM direct sales	12%	Tier 3
Customers migrating to paperless processes	11%	
Competition from MPS/IT providers	5%	
Shift to A4/away from A3	5%	

n=102

Are you planning to sell your business in the next three to five years?
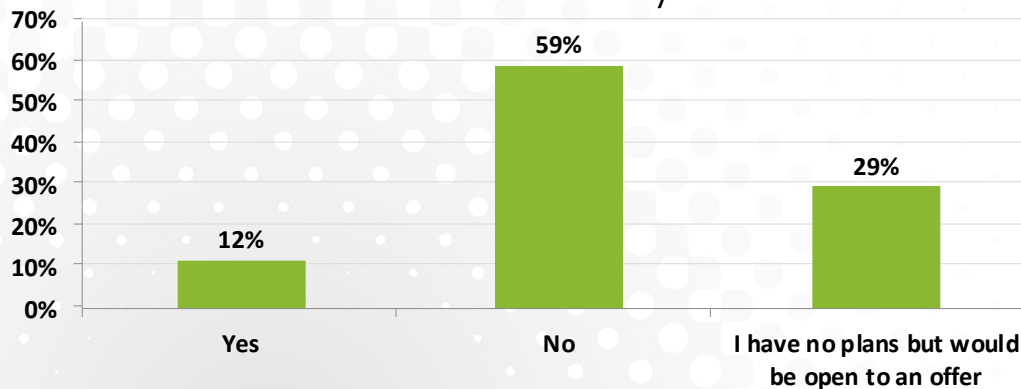
A clear majority of dealers are not planning to sell their business anytime soon, but money talks.

n=102

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What did we learn?

- Survey data suggests that mono click erosion may be leveling off
- Survey data suggests that color click growth continues – albeit at a lower growth rate
- Renewal rates appear steady overall
- "Reducing print costs" and "scanning/digitizing documents" dominate dealer rankings of important customer issues
- Dealer concerns are led by increasing sales/business growth (*so what's new?*) and declining prices/margins on hardware and CPPs (*ditto*)
- Significant dealer interest in adding production print capability
- Despite the acquisition feeding frenzy, most dealers are <u>not</u> planning to sell their business

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A Tale of Two Dealers
With apologies to Mr. Dickens

Smith's vs. Bob's Copiers

Bob's Copiers **VS** Smith's Copiers

Smith's vs. Bob's Copiers

Business is good. Bob thinks he is gaining market share against Smith's

Business is "challenging." Smith has been losing accounts to Bob's

Smith's vs. Bob's Copiers

Bob's Copiers

Smith's Copiers

Differences in Vertical Industry Click Performance

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Bob's Copiers	Dealers - Increasing Mono Clicks		Dealers - Decreasing Mono Clicks	Smith's Copiers	

Rank	Vertical	% Selling	Rank	Vertical	% Selling
1	Education (K-12)	77%	1	Legal Services	92%
2	Legal Services	77%	2	Nonprofit/relig	83%
3	Nonprofit/relig	77%	3	Manufacturing	81%
4	Finance & banking	71%	4	Education (K-12)	78%
5	Edu (higher ed)	69%	5	Healthcare	78%
6	Government	69%	6	Finance & banking	71%
7	Healthcare	66%	7	Retail-wholesale	58%
8	Manufacturing	63%	8	Edu (higher ed)	56%
9	Retail-wholesale	46%	9	Government	54%
10	Transport	43%	10	Transport	44%
11	Comm/media	40%	11	Comm/media	39%
12	Utilities	31%	12	Utilities	37%
13	Oil and gas	29%	13	Oil and gas	19%

n=136

For which of the following verticals does your company typically sell products?

Vertical	Bob's Copiers	Smith's Copiers
Communications, media and entertainment	45%	36%
Education (K-12)	77%	93%
Education (higher education)	60%	64%
Finance and banking	74%	71%
Healthcare	81%	71%
Government	62%	57%
Legal Services	86%	79%
Manufacturing	76%	79%
Nonprofit/religious organizations	88%	71%
Oil and gas	25%	14%
Retail or wholesale	53%	57%
Transportation	42%	43%
Utilities	38%	36%

n=136

What did we learn?

- Dealers reporting *increasing* mono clicks more heavily targeted Higher Ed, Government, and Oil/Gas verticals
- Dealers reporting *decreasing* mono clicks more heavily targeted Legal Services, Nonprofit/Religious, Manufacturing, and Healthcare
- Dealers reporting *increasing* color clicks more heavily targeted Nonprofit/Religious organizations, Legal, Healthcare, and Communications/Media
- Industry targeting must recognize that each industry is in different stages of evolution for color vs. monochrome clicks
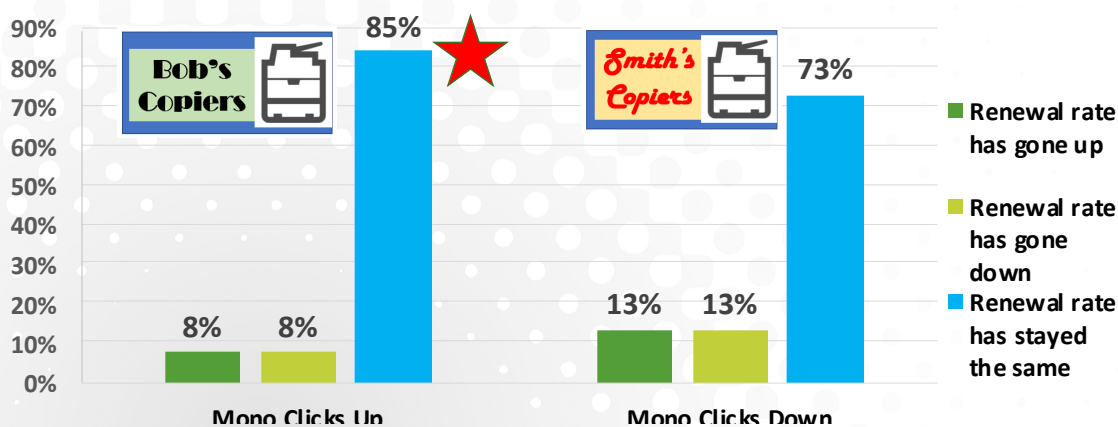- We suggest comparing these statistics to your own dealership's performance

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Smith's vs. Bob's Copiers

The connection between renewal rates and performance metrics

How has [your] renewal rate changed over the past 12 months?
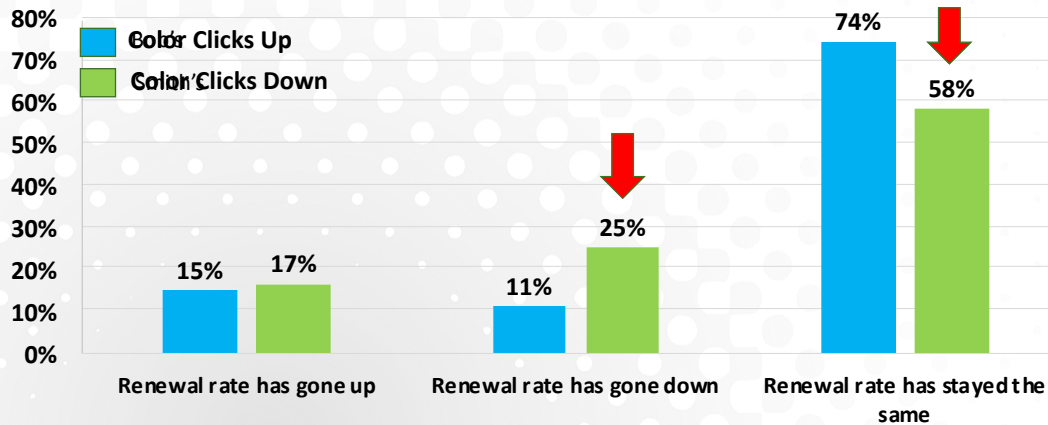
Mono click performance a significant indicator of more stable renewal performance

n=109

How has [your] renewal rate changed over the past 12 months?

Color Clicks Up

Color Clicks Down

Category	Color Clicks Up	Color Clicks Down
Renewal rate has gone up	15%	17%
Renewal rate has gone down	11%	25%
Renewal rate has stayed the same	74%	58%

Color click performance is an even more significant indicator of better renewal performance

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Renewals and click performance

- The mono click decline for the full sample averaged: - 4.9%
- Mono click decline of dealers with *declining* renewal rates: – 9.5%
- The color click decline for the full sample averaged - 5.4%
- Color click decline of dealers with *declining* renewal rates: – 9.5%
- For dealers reporting an increase in mono clicks, the full survey average increase was 7.4%
- For dealers reporting an increase in mono clicks *and* an increasing renewal rate, the average increase was 10.5%
- Renewal rate for dealers whose mono clicks *went up* - 91.3%
- Renewal rate for dealers whose mono clicks *went down* – 88.6%
- Renewal rate for dealers whose color clicks *went up* – 90.6%
- Renewal rate for dealers whose color clicks *went down* – 84.9%

For which of the following verticals does your company typically sell products?

Vertical	Renewals UP	Renewals Down
Communications, media and entertainment	33%	43%
Education (K-12)	80%	57%
Education (higher education)	53%	29%
Finance and banking	80%	71%
Healthcare	80%	71%
Government	53%	43%
Legal Services	80%	71%
Manufacturing	60%	64%
Nonprofit/religious organizations	73%	79%
Oil and gas	27%	7%
Retail or wholesale	53%	50%
Transportation	33%	36%
Utilities	47%	14%
Communications, media and entertainment	33%	43%

n=109
n=136

In the next 12 to 18 months, what are your three most important business concerns?

Bob's Copiers

Renewal rate is up

Concern	Pct.%
Declining prices and margins on hardware and CPPs	77%
Increasing sales/business growth	54%
Expanding into managed IT/network services	31%
Staffing/hiring/training challenges	23%
Competition from OEM direct sales	23%

Smith's Copiers

Renewal rate is down

Concern	Pct.%
Increasing sales/business growth	67%
Expanding into managed IT/network services	58%
Declining prices and margins on hardware and CPPs	42%
Staffing/hiring/training challenges	42%
Competition from OEM direct sales	0%

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What did we learn?

- Renewal rates seem to follow the "increasing/declining click rule" – if clicks are increasing, renewals rates are up or staying the same
- For color clicks, this connection is even more pronounced
- Dealers with increasing vs. decreasing renewal rates exhibit differences in the vertical industries they focus on or sell to
- Dealers with increasing vs. decreasing renewal rates exhibit large differences in their most important business concerns
- The magnitude of click growth or decline is linked to corresponding increases or declines in renewal rates
- The results suggest attitudinal differences in dealer perceptions
- We suggest comparing these statistics to your own dealership's performance

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Smith's vs. Bob's Copiers

Differences in perceptions of what is important to their customers

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Rank the following six issues in order of importance to your customers/prospects

Issue	Renewals Went Up	Renewals Went Down
Scanning/digitizing documents	4.47	4.07
Highly secure printers/copiers	3.93	3.36
Reducing print costs	3.87	4.29
Network security/hacking	3.6	2.86
Integration of printers/copiers with software applications	2.67	3
Simplifying document/process workflow	2.47	3.43

n=136

Are you seeking to add to the following product categories?

n=111

Item	%	Type
Scanning/capture document mgmt. software	45%	software
Managed print solutions	44%	software
Network security applications	44%	software
Production print	42%	hardware
Network management, monitoring apps	40%	software
Cloud storage	39%	software
A4 printer/MFP hardware	38%	hardware
Scanning/archiving digital capture hardware	37%	hardware
Backup/disaster recovery (BDR)	35%	hdw/softw
ECM/workflow automation	34%	software
Label printers	31%	hardware
A3 printer/MFP hardware	24%	hardware
Non-OEM toner, drum, ink, ribbons supplies	23%	supplies
ERP software	10%	software

- 6 of the top 10 "*to add*" products are software

- 2 of the top tier "*to add*" products address network management or security

- "Production print" is the highest rated print hardware item

- "Cloud storage" is rated surprisingly high

Are you seeking to <u>add</u> to the following product categories?

Item	Renewals Up	Renewals Down
A3 printer/MFP hardware	7%	64%
A4 printer/MFP hardware	13%	57%
Scanning/archiving digital capture hardware	53%	50%
Scanning/capture document management software	60%	50%
Managed print solutions	47%	57%
Non-OEM toner, drum, ink, ribbons supplies	27%	14%
ECM/workflow automation	47%	43%
Production print	47%	21%
Label printers	20%	43%
ERP software	13%	14%
Cloud storage	60%	43%
Network security applications	60%	36%
Backup/disaster recovery (BDR)	53%	36%
Network management/monitoring applications	47%	43%

n=111

Are you seeking to <u>add</u> to the following product categories?

Item	Sell biz - Yes	Sell biz - No
A3 printer/MFP hardware	58%	22%
A4 printer/MFP hardware	67%	35%
Scanning/archiving digital capture hardware	58%	30%
Scanning/capture document management software	58%	43%
Managed print solutions	42%	45%
Non-OEM toner, drum, ink, ribbons supplies	17%	18%
ECM/workflow automation	50%	32%
Production print	50%	38%
Label printers	50%	30%
ERP software	8%	13%
Cloud storage	42%	33%
Network security applications	42%	43%
Backup/disaster recovery (BDR)	42%	30%
Network management/monitoring applications	58%	33%

n=111

Dealers perceptions of client needs vary greatly

- Dealers emphasizing overall network and printer/MFP security issues and scanning/digitizing enjoy increasing renewal rates compared to those that emphasize print costs/CPPs or document/process workflow.

- Scanning/digitizing applications and hardware and network/security related applications top the products dealers with increasing renewals *plan to add* — huge differences in *plan to add* between dealers with increasing renewal rates vs. those exhibiting declining renewals.
  - Huge differences in adding new products between dealers planning to sell the business vs. those not planning to sell.

- Dealers with increasing renewals don't want more print/MFPs – but do want cloud, network security and backup/disaster recovery (BDR) solutions/apps (non-print capabilities/offerings)

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Smith's vs. Bob's Copiers

Differences in how offering software affects key metrics

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Observations of dealers offering software

- Of the 71% (98) that do offer software applications:
  - 34% were classified as "very involved," offering 3 or more applications
- Of the dealers "very involved" in offering software:
  - 11 carry 3 software applications
  - 8 carry 4 or 5 software applications
  - 1 carries 6 software applications
  - 3 carry 7 software applications
  - 1 carries 8 and 1 carries 9 software applications
  - the average carried 4.7 applications
- 29% of dealers say they don't offer software/solutions – why not?

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Click performance is linked to software

The average rate of mono click decline for the full sample was 4.9%
- For dealers reporting declining mono click rates – *but who offer multiple software/solutions applications* – the decline was 3.75%

The average rate of color click increase for the full sample was 9%
- For dealers reporting increasing color click rates – *but who offer multiple software/solutions apps* – the increase was 10.2%

- Dealers in the full sample reported an average renewal rate of 93%
  - The renewal rate for dealers not offering software/solution applications was 85.2%

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Renewals influenced by carrying software
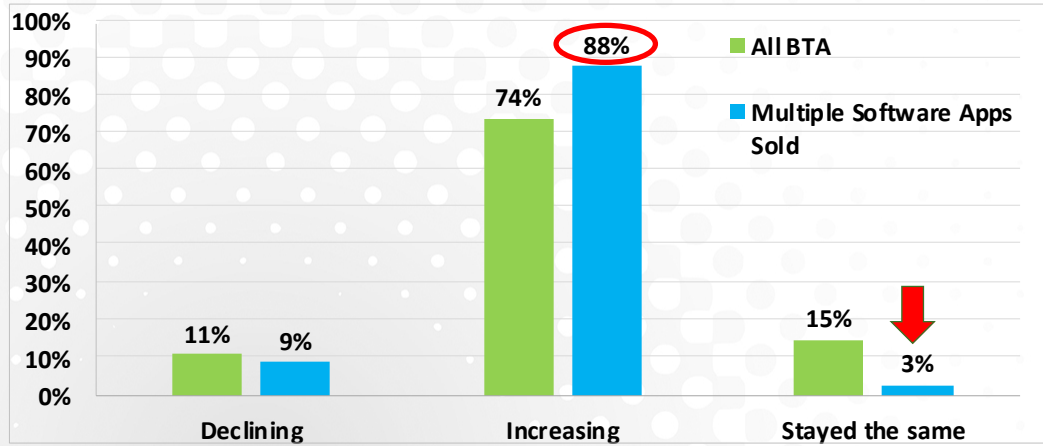
Dealers offering multiple software applications exhibit
significantly better renewal performance

n=33

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In the past year, what percentage of your company's revenues were derived from? (total must add up to 100%)

Revenue Source	All BTA	Color Click Declining	Color Click Increasing	Multiple Software Titles Sold
Printer/MFP/copier hardware and associated service and supplies	76.4	64.9	79.36	75.91
Applications software and solutions and associated support/service	7.0	9.0	6.30	8.31
Consulting and workflow/process design and development	2.6	3.4	2.21	3.22
Image/document capture scanning services	2.6	2.2	2.04	3.16
Leasing/financing revenue	7.1	10.3	6.56	6.27
Other	4.5	10.3	3.53	3.97

The impact that losing valuable clicks or carrying software can
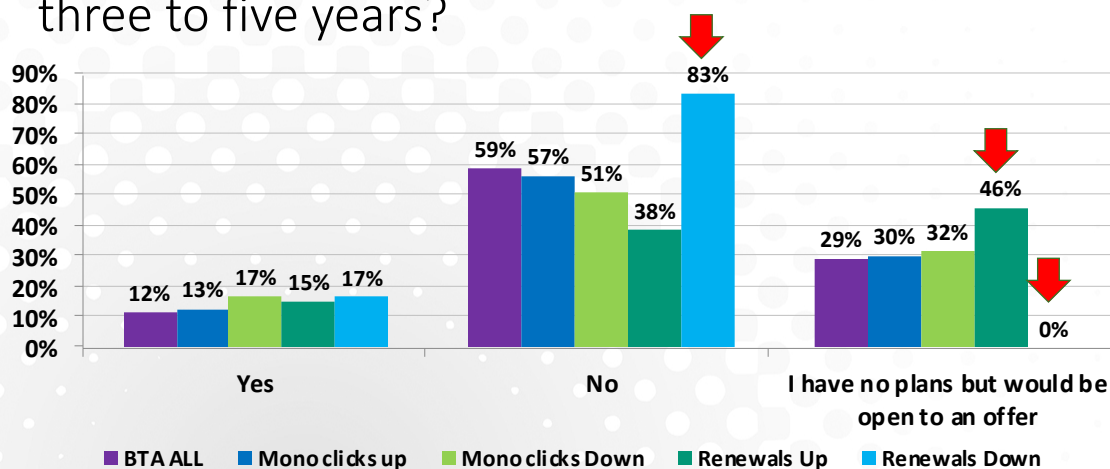have on basic dealer financial metrics

Smith's vs. Bob's Copiers

Selling your business?

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Are you planning to sell your business in the next three to five years?

Legend: ■ BTA ALL   ■ Mono clicks up   ■ Mono clicks Down   ■ Renewals Up   ■ Renewals Down

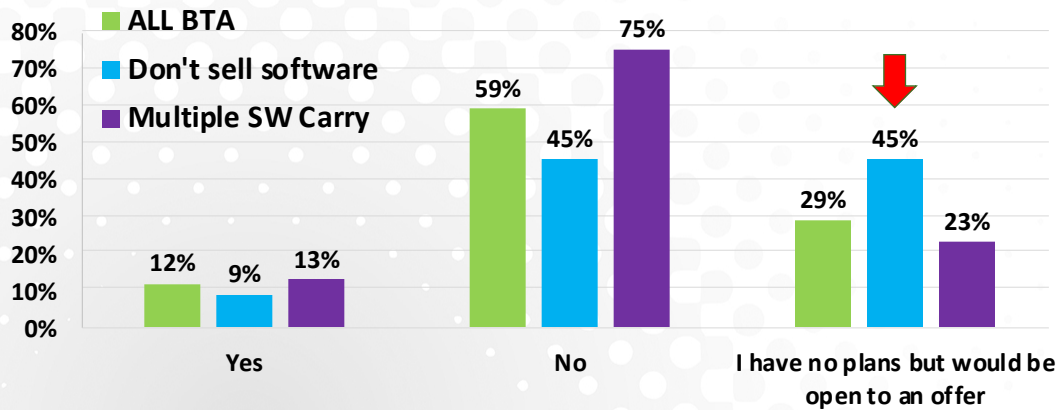Not much open enthusiasm for a buyout – but the strongest holdouts are losing clicks and renewals. Huh?

n=102

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Are you planning to sell your business in the next three to five years?

■ ALL BTA
■ Don't sell software
■ Multiple SW Carry

Dealers not offering software more likely to consider a buyout
offer; dealers offering software much less likely to sell

n=42

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Are you planning to sell your business in the next three to five years?

Concern	All BTA	Sell biz - Yes	Sell biz - No
Declining prices and margins on hardware and CPPs	57%	67%	60%
Increasing sales/business growth	70%	42%	70%
Managing the business during major industry changes and/or growth	17%	25%	22%
Competition from large dealer groups	24%	25%	13%
Competition from OEM direct sales	12%	8%	12%
Staffing/hiring/training challenges	39%	25%	43%
Declining clicks/page volumes	26%	50%	23%
Competition from MPS/IT providers	5%	8%	5%
Expanding into managed IT/network services	34%	25%	32%
Customers migrating to paperless processes	11%	17%	13%
Shift to A4/away from A3	5%	0%	7%

n=102

General Takeaways

- A clear and compelling linkage is evident among dealers offering software/solutions and improved business operating metrics including renewals and clicks, and interest in selling the business
- Conversely, dealers not offering software/solutions exhibit weak and/or declining business operating metrics
- Declining clicks and margins look to be the primary motivators for a dealer having plans to sell the business
- A significant cohort of dealers exhibiting poor business metrics appear largely uninterested in changing/expanding their offerings
- Dealers that are unwilling to change/evolve their offerings appear to be traveling a slow road to extinction

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Questions?

Be part of our next survey
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