

Toshiba & Ricoh Join Forces

New joint venture announced May 19

Compiled by: Elizabeth Marvel, Office Technology Magazine

On May 19, 2023, in Japan, Toshiba Tec Corp. (TTEC) and Ricoh Corp. announced the creation of a new joint venture (JV) between the companies “whereby the manufacturing from each entity will be transferred to a new joint venture” with the goal of gaining “manufacturing efficiencies for common components while expanding both companies’ addressable markets through product synergies.” Through this joint venture, TTEC and Ricoh will maintain separate distribution channels. Each company will individually buy its products from the JV, while maintaining its own IP and go-to-market strategies. The anticipated start of the new JV is the second quarter of 2024. Toshiba expects new products from the JV to be available in 2026, but the final details are yet to be determined.

On May 19 in the United States, Larry White, president and CEO of Toshiba America Business Solutions (TABS), held a virtual press conference explaining the announcement and allowing attendees to have their questions answered. Following is a transcript of his comments.

Timeline of Events

White: First, let me give you an outline of events as they occurred yesterday [May 19, 2023] in Japan. Yesterday at 8:30 a.m., both Ricoh and Toshiba Tec, made what was called a timely disclosure to the appropriate governing bodies. And that timely disclosure [shared] their intent to form a joint venture for the purpose of development and manufacture of multi-function printers [MFPs], aftermarket and bar-code products.

That was the first thing that happened. The second thing after that was the timely disclosure went to both companies’ boards. They had to have approval by the board of directors for each company. Ricoh’s board of directors approved the measure, as did Toshiba Tec’s board of directors. And then lastly, at three o’clock, a formal announcement was made by



both companies to the press. That is the timeline of how things transpired yesterday in Japan.

Why Start a Joint Venture?

White: Experts say that the total expected placements of MFPs — and you all know this — is expected to decline 3% to 7% per year. Now, that creates a lot of problems. As a manufacturer, the most important thing — the most expensive thing that you have — is in the expense of manufacturing products. As we know, prices are going down, the cost of manufacturing is going up. It was imperative that both we and Ricoh and, in fact, for that matter, every

company in this industry [address this]. We chose to address it by forming a joint venture with Ricoh Corporation.

What Was Announced?

White: What was announced and what is a joint venture overall? First off is the JV, announced yesterday. However, it’s not expected to commence until probably the second calendar quarter of 2024. So we’re still a year away from the actual JV taking place. For product development, from 2024 on, all products will be manufactured by the joint venture. What’s interesting with that is the joint venture will continue to manufacture both our products and Ricoh’s products with their current product lines. You will not see, however, product that is mutually developed by the JV and manufactured until probably the 2026 time frame at the earliest, and probably more toward the middle of 2026. So, as details come up with that, we’ll get you more information.

As I mentioned earlier, it’s for manufacture of MFPs, aftermarket toner and Toshiba bar code. The JV will be managed by representatives from both companies, and both companies will have representation on the board of directors for the joint venture, which is really important. So it’s not one company or another exclusively managing the

joint venture. It truly is a joint venture, a joint company between both Toshiba Tec and Ricoh Corporation. And this is really important, especially for our dealer customers. Both companies will individually buy their products from the JV while we're still going to maintain our own value-added software and go-to-market strategies.

Although the basic components of the product will be similar or the same, how we go to market and the differentiation of the product will be key.

The other part of this is that both companies will continue to maintain their independent and solely separate distribution channels, and that obviously includes us here at TABS.

Goals of the Joint Venture

White: What are the goals of the joint venture? Why was the joint venture formed? The first part is obviously the efficiencies and scale you get from both companies' total production. This is truly important, especially when costs are continuing to rise. The other part is that — and a lot of people don't really think about this — but this came to the forefront during the global pandemic: There is a lot of geopolitical risk out there and part of that was caused by, for example, China [shutting] down on the spur of the moment for weeks on end affecting your components suppliers. So this really reduces the risk that you have on a geopolitical scale.

The other part of it, which a lot of people don't pay attention to, is the cost of manufacturing. One of the reasons it's going up is because of the global environmental compliance that you have to have with your products. Different countries can have different compliance structures, so it gets more complicated. This is going to help mitigate that. The other thing is, it will also allow us to focus — in both companies by the way — on other areas. For us, one of our key areas is growth in our bar-code solutions, in our managed-print-as-a-service [MPaaS] solutions and our software solutions that sit on these edge products known as MFPs. So this is going to be very, very important for us in the future. The other thing is that we'll be able to expand some product offerings in the future.

People are going to wonder: Is Ricoh going to have availability to Toshiba's products? Is Toshiba going to have availability to Ricoh's products? Well, you know, their status is still to be determined, but it will expand both of our company's future product offerings.

Also, at the bottom of this — and this is really important

The difference between the products will be great ... For example, our products will have a different set of solutions, a different set of apps ...

— is JVs are often overlooked in what they accomplish. And this is a statement from Deloitte; we pulled this from one of their reports. The average JV participants' return on equity increased significantly from 1% to 7% above the industry average for a period of four to five years. That's really important.

So this allows us, if we execute, greater flexibility to invest in other areas of future growth for both of our companies.

On the chart to the right on your presentation [White shared a slideshow during his presentation], you'll see a graph of the different global share of these different manufacturers. For example, you will see in the red, that's the combined manufacturing scale based on IDC's unit placements from 2022, that Toshiba and Ricoh make up 22.2% of the global shares. Our combined global volume is going to be huge. And if you compare that to the second biggest, which is Canon, we're 28% greater in the total volume. That's going to give us incredible economies of scale once again on the manufacturing side. It's going to be interesting to see how everybody else in the marketplace reacts to these types of joint ventures that we form. It's going to be very important for our business moving forward. And, again, we're going to see some tremendous economies of scale from this.

As I mentioned earlier, although final details are not yet determined, we don't anticipate any mutually developed and manufactured products coming for about three years — so the 2026 time frame. The difference between the products will be great. They will be differentiated. For example, our products will have a different set of solutions, a different set of apps, and we'll have the Elevate Sky suite of products and services embedded into our products. Ricoh's will not. And our products will not have the Ricoh embedded apps and solutions that come with their products. So they will be greatly differentiated.

We will be moving forward in a number of areas. Again, we talked about expanded MFP product offerings, which we'll be examining as the future comes about. It's going to be really interesting to see what happens over the next three years.

Examples of Joint Venture Success

White: Joint ventures don't get a lot of press. And so I want to give you an example of a recent joint venture that has turned out to be very, very profitable and very successful. There's a joint venture between Lockheed Martin and Boeing. It's called ULA [United Launch Alliance]. And it was created to compete against SpaceX in the global race for delivery mechanisms into space — rockets

delivering astronauts to the International Space Station, supplies, satellites into orbit, things of that nature. Both Boeing and Lockheed were very interested, but they didn't have the resources nor the technology capabilities to get there. They formed a joint venture a number of years ago. And now ... they've delivered more than 100 satellites into orbit. In fact, I read this morning they've delivered 148 satellites into orbit. They are a very, very viable competitor to SpaceX in this all-important market. It is a high-risk, but a high-reward market. Those are the kinds of things that a joint venture can achieve for a company.

The other example I want to give you is laptops. You know, it's funny, there are people who are committed to either having HP products or Dell products, but their inner things — the internal components on all laptops — are virtually the same, right? It's the same components going inside. They have different labels on them. What differentiates the different laptops are: sometimes it's price, sometimes it's the IP embedded into those laptops, which draws people to acquire those products. If you take a look at that, yes, our products are going to have common components. The differentiation is the IP products versus what you're going to see from the Ricoh products. There definitely will be differentiation between the products that will allow us to go after the market in different ways.

Conclusion

White: In conclusion, here's the good news. It reinforces our commitment to the industry — to the print industry. Toshiba Tec realizes, and here at TABS we have more than 60,000 customers, what that print does in our company — the value of having those MFPs as edge products

And the interesting part is that our Toshiba Tec engineers looked at the Ricoh technology that they have coming and they were very impressed with that.

to provide other services and solutions to those customers. It's really good that Toshiba Tec understands that ... and the importance of print devices. I've already talked about it numerous times, it increases our manufacturing efficiencies and synergies. Also — and this is kind of an interesting one — we've been going through this process for a while now and going through the due diligence as we got closer, there has been more shar-

ing of information on technology.

And the interesting part is that our Toshiba Tec engineers looked at the Ricoh technology that they have coming and they were very impressed with that. Ricoh's engineers and developers looked at our technology and likewise were very, very impressed with the future technology they were looking at.

To be honest with you, I am really excited to see what products that are developed by the JV. It'll be interesting to see what happens with those products. Over a period of time, technology can become siloed. However, by combining both companies' technologies and talents, I believe you're going to see an infusion of innovation that benefits both organizations. I've already talked about it earlier: insights from the supply chain, geopolitical events and other constraints. It frees up capital for us to invest in future products such as our software solutions business. It also enables us to have greater focus on differentiated value-added softwares and services. And, lastly, it capitalizes on our expertise in multivendor sales support and go-to-market strategies. ■

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