

# The State of the Channel – what are the others doing?

**Office Team**

February 2023



# CONTRIBUTORS



**DEBORAH HAWKINS**

Group Director  
Office Team



**LEE DAVIS**

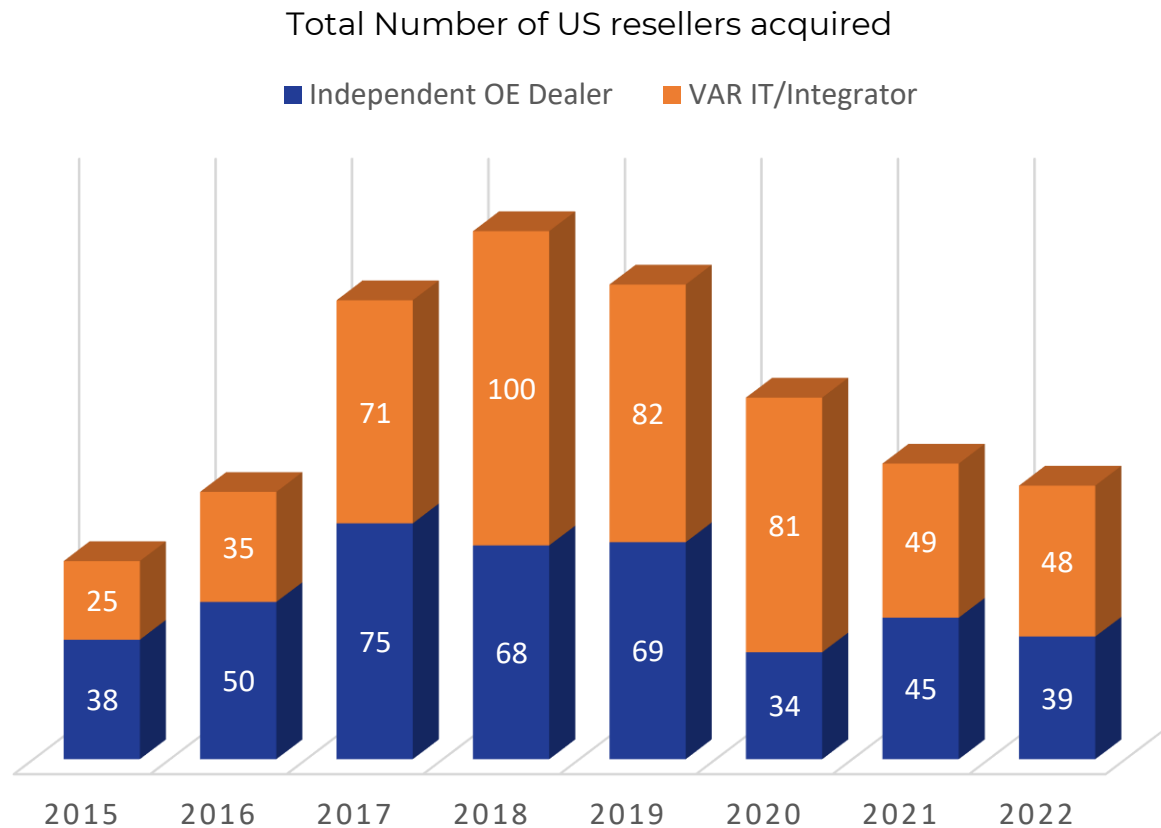
Senior Analyst  
Scanners & Solutions

# AGENDA

- ◆ The State of Play
- ◆ What makes a SuperStar?
- ◆ Scan & the DX opportunity
- ◆ Key Take-Aways

# The State of Play

# US Resellers Acquired: 2015 to end of 2022



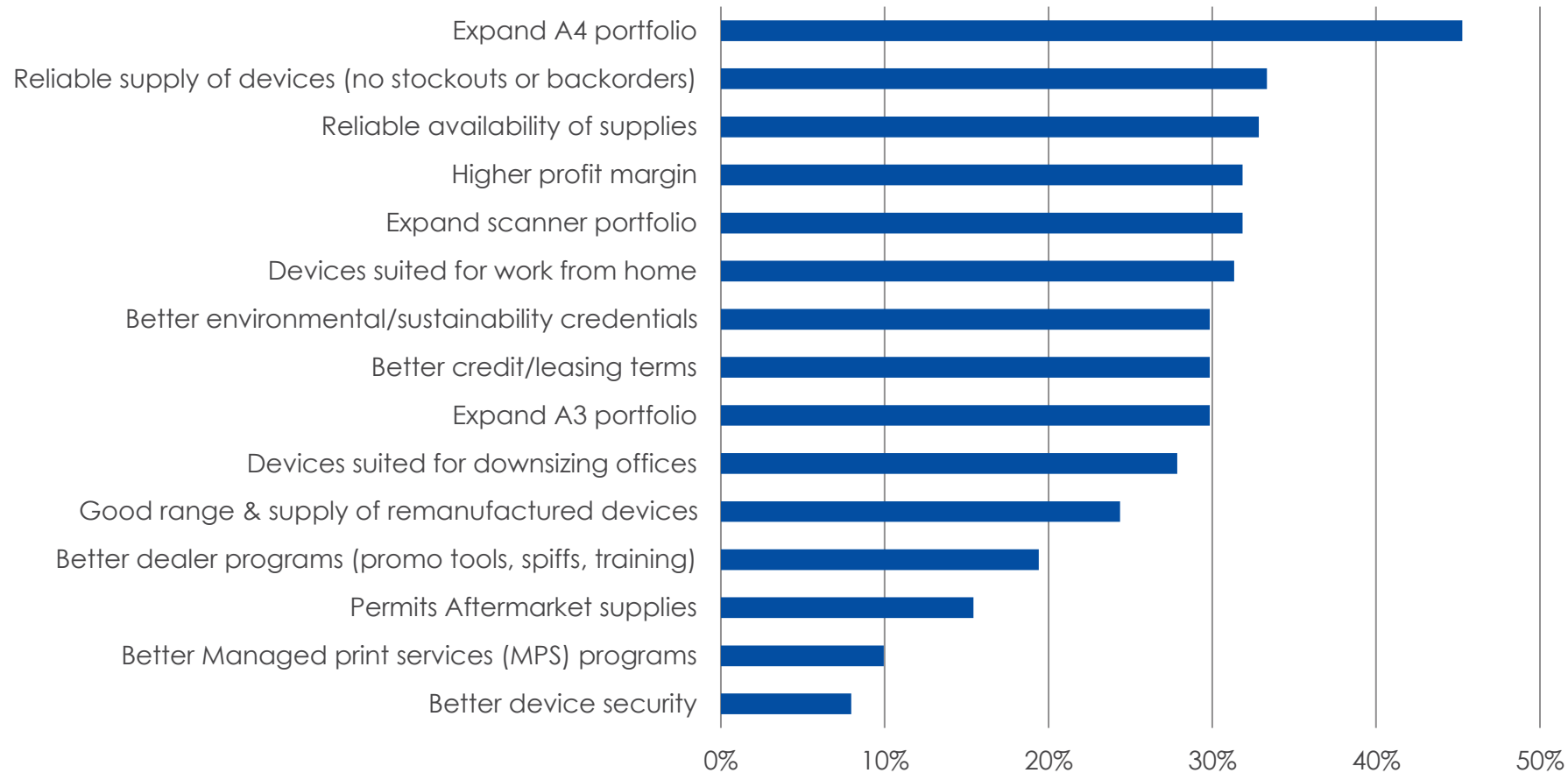
## THE KEY POINT

- ◆ Consolidation continues but pace not as aggressive as pre-COVID.
- ◆ More VARs/IT resellers are being acquired than OE Dealers.
  - ◆ Partly a reflection of total number of VARs/IT resellers compared to the OE dealers.
  - ◆ Also a reflection that IT Services is a hot sector.

Source: KPI Channel database

# Expand A4 Portfolio is #1 Reason for Resellers to Add Brands

Q11: Which of the following best describes why you have added a hardware brand??

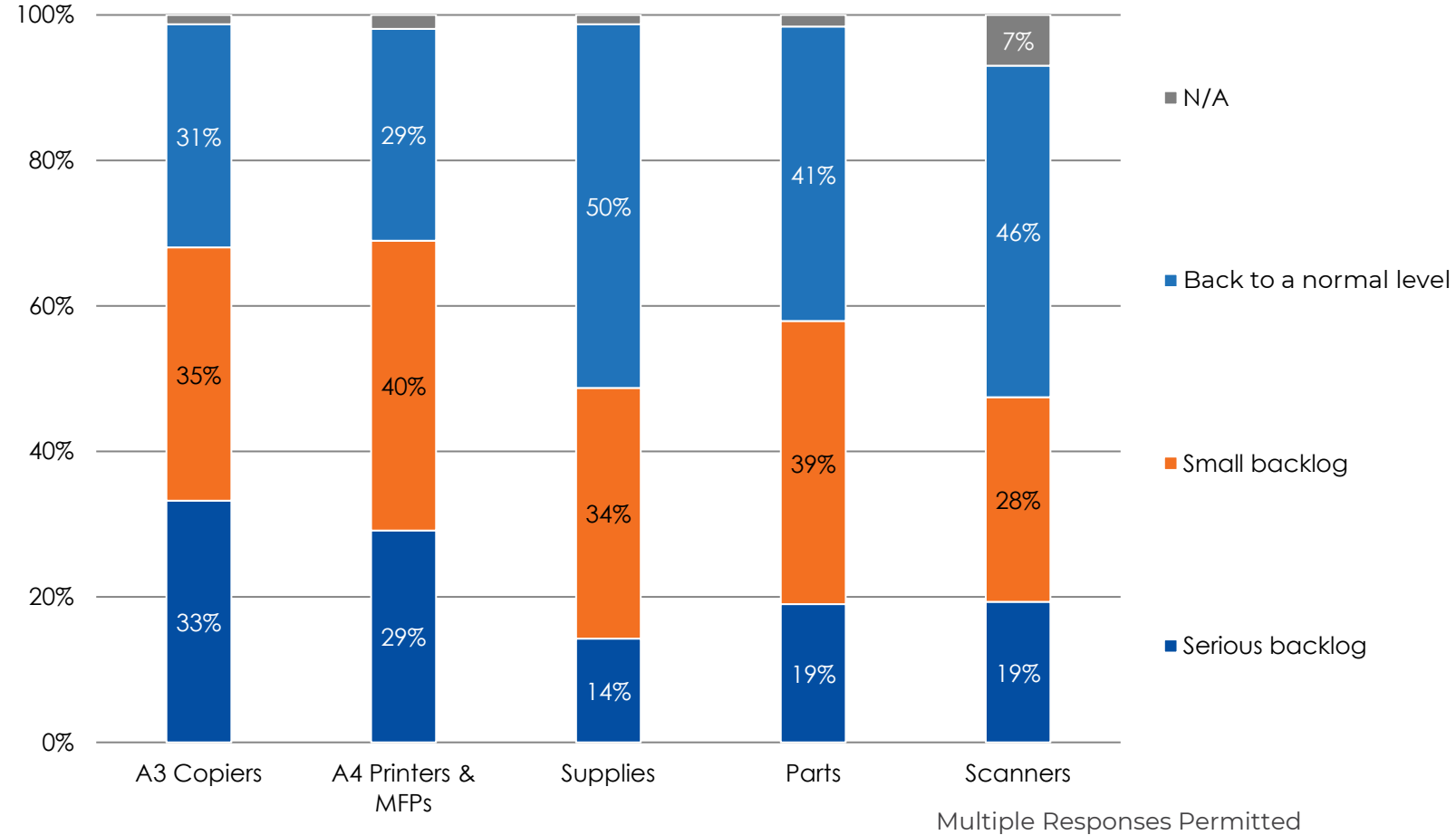


- ◆ With the new focus on hybrid and home working, A4 has been heavily in demand and although this is not the only reason to add brands, it is the #1 reason.

N = 201 Resellers that have added a brand in past 12 months  
Source: OG 2022 Channel Survey

# A3 Copiers Continue with Highest Backlogs

Q15 Please describe your current product inventory levels from your major suppliers.



- ◆ Consumables appear to be of least worry for resellers currently with the majority reporting back to normal levels.
- ◆ Serious backlogs for both A3 & A4 devices continue to plague the market and hamper resellers' ability to sell.

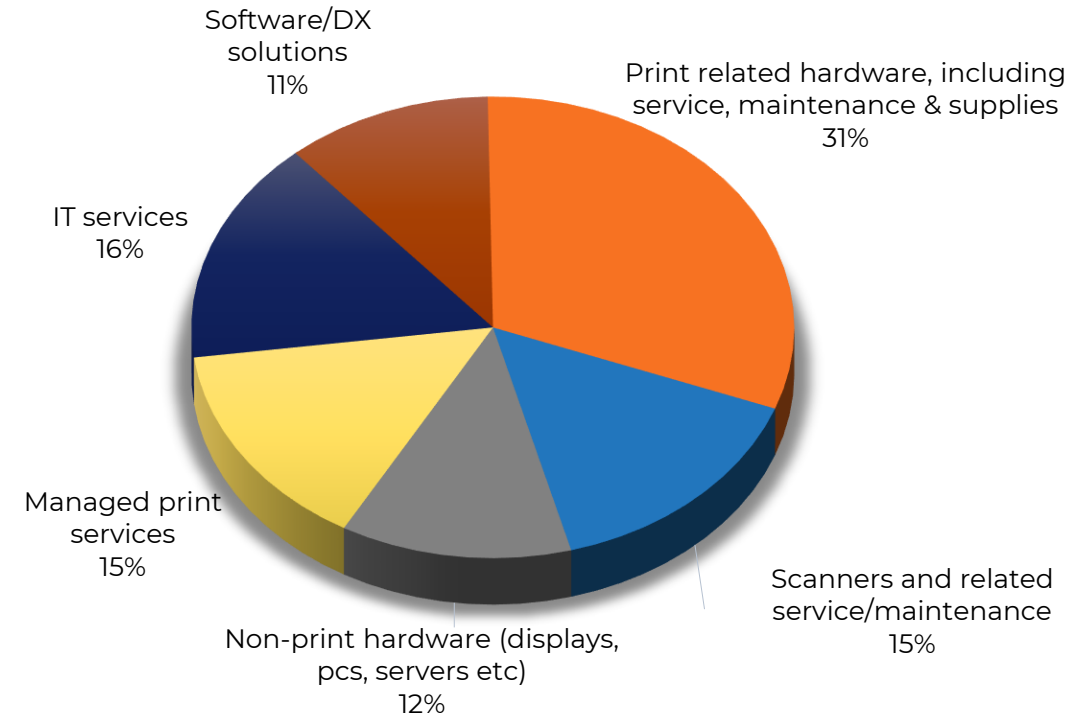
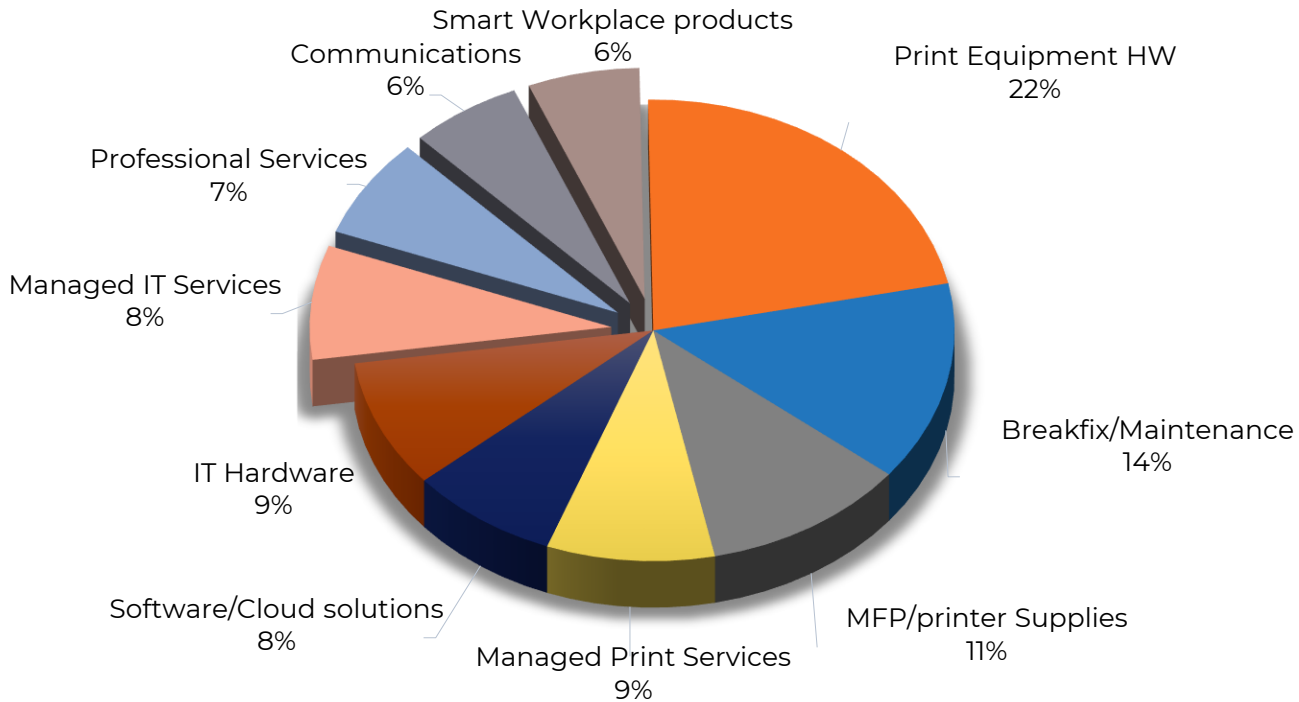
N = 316  
Source: OG 2022 Channel Survey

# Print Continues to Provide Most Revenue for Resellers

Q18: What percentage of your organization's annual revenue is derived from the following product categories?

2019

2022



- ❖ Sum of Print HW, B/F & Supplies is diminishing from 47% in 2019 to 31% in 2022
- ❖ Increasing are MPS, Scanners, Software & IT Services

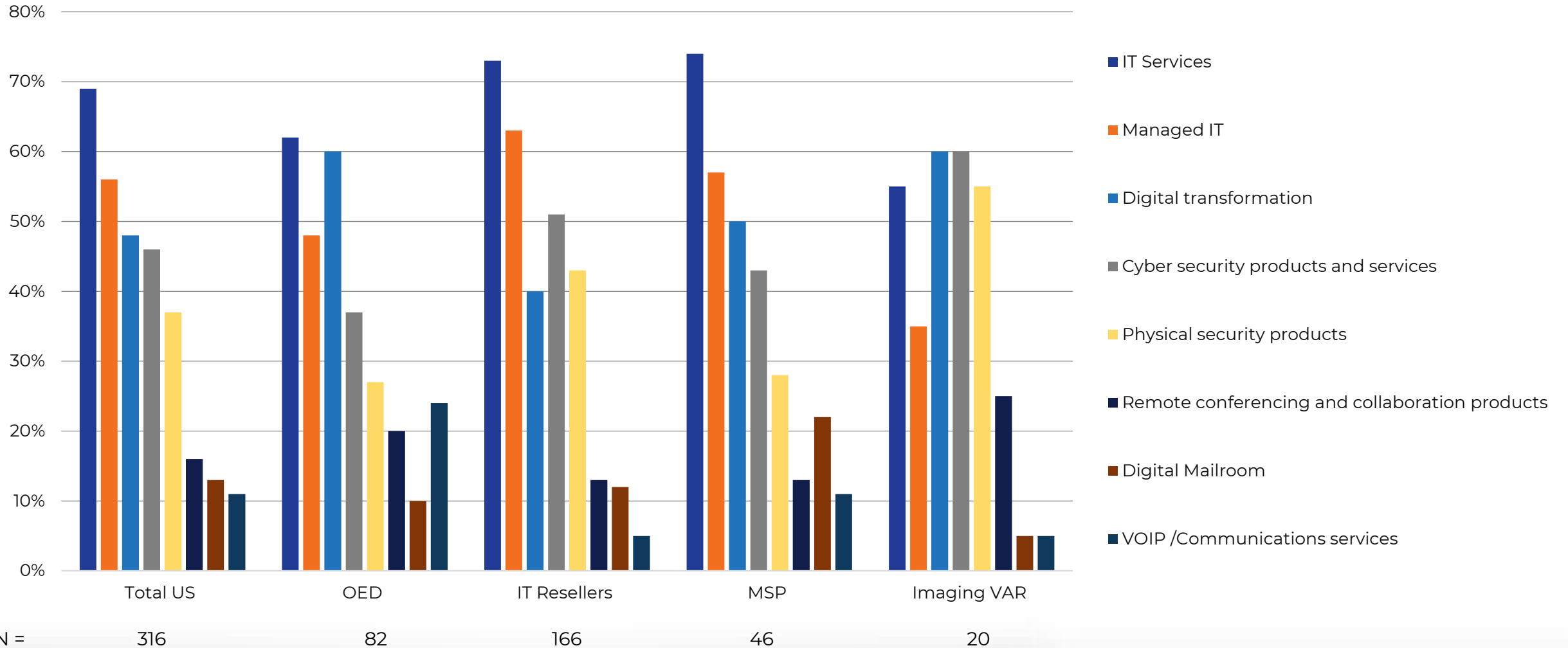
N = 196/316

Source: OG 2019/ 2022 Channel Survey



# IT Services Offers Greatest Revenue Opportunity

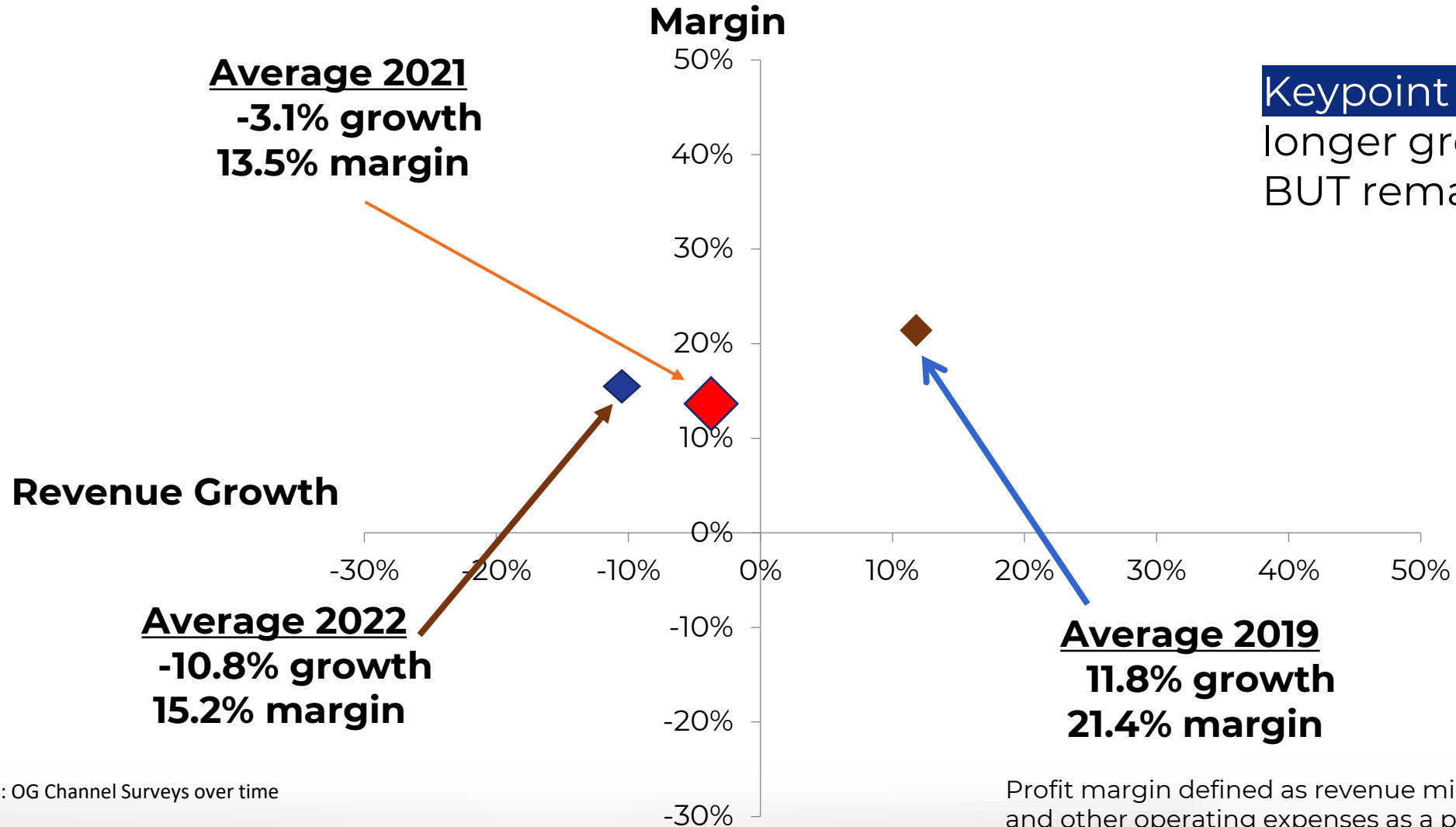
Q19 Aside from document imaging products, which areas are currently offering you the greatest revenue opportunity?



N = 316  
Source: OG 2022 Channel Survey

# What makes a SuperStar?

# Reseller Margins Relatively Stable, Growth Stalls



Source: OG Channel Surveys over time

# The Superstars Attributes -2019 vs 2022

**2019**

| SuperStar   | All Dealers |          |
|---|-------------|----------|
| Highest revenue (mean)  | \$24.6M     | \$16.28M |
| More likely to target large businesses (% of customer's large)  | 35%         | 26%      |
| Revenue was evenly split between both traditional hardware print equipment & "new" services such as IT Services, MPS, etc.) |             |          |
| Expect their revenue from hardware (A3/A4) to increase in next two years  |             |          |
| Highest level selling Managed IT services   | 80%         | 68%      |
| Expanding into new geographies is a top priority to grow  | 68%         | 54%      |
| Expanding into new product categories is top priority for Superstar dealers   | 55%         | 30%      |
| Improving business systems is a top priority compared with other dealers  | 52%         | 37%      |
| High probability they will acquire to grow their business in next 2 years   | 63%         | 44%      |

**2022**

| SuperStar  | All Resellers |         |
|--|---------------|---------|
| Highest revenue (mean)   | \$25.2M       | \$22.9M |
| More likely to target large businesses (% of customer's large) | 35%           | 26%     |
| Less dependance on Print for Revenue                           |               |         |
| Greatest revenue opportunity in IT services, Managed IT & DX   |               |         |
| Highest level selling Managed IT services                      | 85%           | 80%     |
| Expect to put prices up due to Inflation                       |               |         |
| PaaS is a good lock-in process                                 | 53%           | 46%     |
| Embracing Remote Service                                       | 66%           | 60%     |
| Highest level selling DMS, Capture, Workflow, BPA, RPA         |               |         |

**Top Challenge:** Digital conversion, declining print volumes and competition from Internet

**Top Threats:** Price pressures, the economy & shift away from print

# Growth Opportunities : IT Services

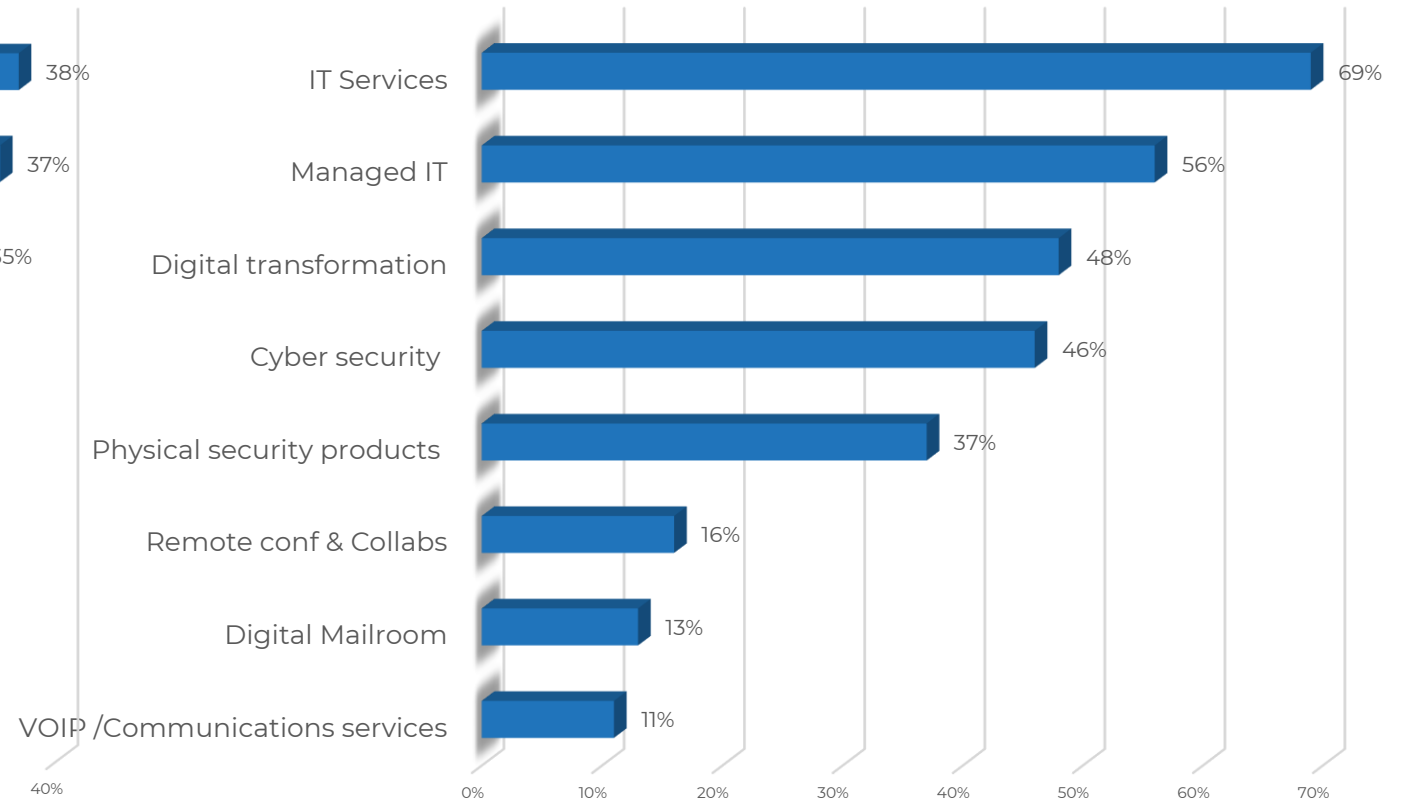
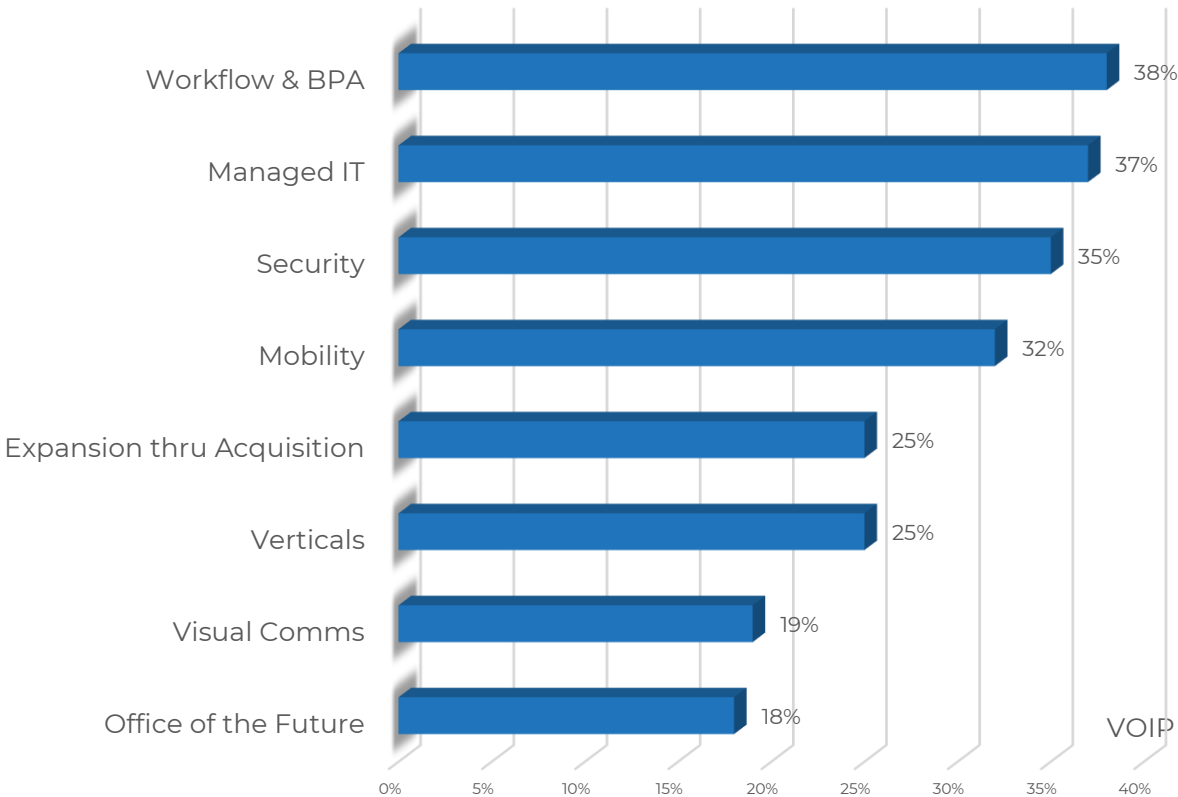


Q19: Other than print, which of these areas do you see providing the greatest opportunity for revenue growth for your business in next 3 years?

Q19 Aside from document imaging products, which areas are currently offering you the greatest revenue opportunity?

**2017**

**2022**



N = 179 US  
Source: OG 2017 Channel Survey

N = 316 US  
Source: OG 2022 Channel Survey

# The Scan & DX Opportunity

# True Digital Transformation vs. Simple “Digitization”

- ◆ **Digital Transformation (DX)** is the integration of digital technology into business processes to supplant paper-based, manual workflows with codified, often automated digitized equivalents.

## Simple Digitization

- ❌ Scanning paper documents to a PDF or other electronic format
- ❌ Storing documents in a shared electronic repository with a simple folder-tree structure
- ❌ Sharing documents via email threads

## True DX

- ✓ Storage, search, sharing, collaboration of electronic data and docs (Content & Information Management)
- ✓ Automated, electronic document workflows (Business Process Automation)
- ✓ AI-infused systems that “learn” and, in turn, take over processes (Robotic Process Automation)



# Hybrid Work + DX = Increased Need For Scan

## Hybrid Work

**60%** of US Workers said that they want to work remote (at least part of the time).



## DX

**48%** of processes have been digitized—on average—over the last two years.



## Increased Need for Scan

**64%** of US office workers said that scanning has been increasing as part of their job role.

- ◆ Scanning enables distributed teams be more productive when collaborating on document intensive processes
- ◆ Scanning is the most efficient way to traverse the intersection of paper-based information and digital processes.
- ◆ Although print volumes are in decline, printing devices (and anything that scans) are still in demand
  - ◆ 79% of workers said they use an MFP as their primary scanning device.
  - ◆ 57% of workers said print is “100% essential” and 79% said they scan as part of their role.

<sup>1</sup>US Primary Research: Document Process Shifts and Workflow Transformation

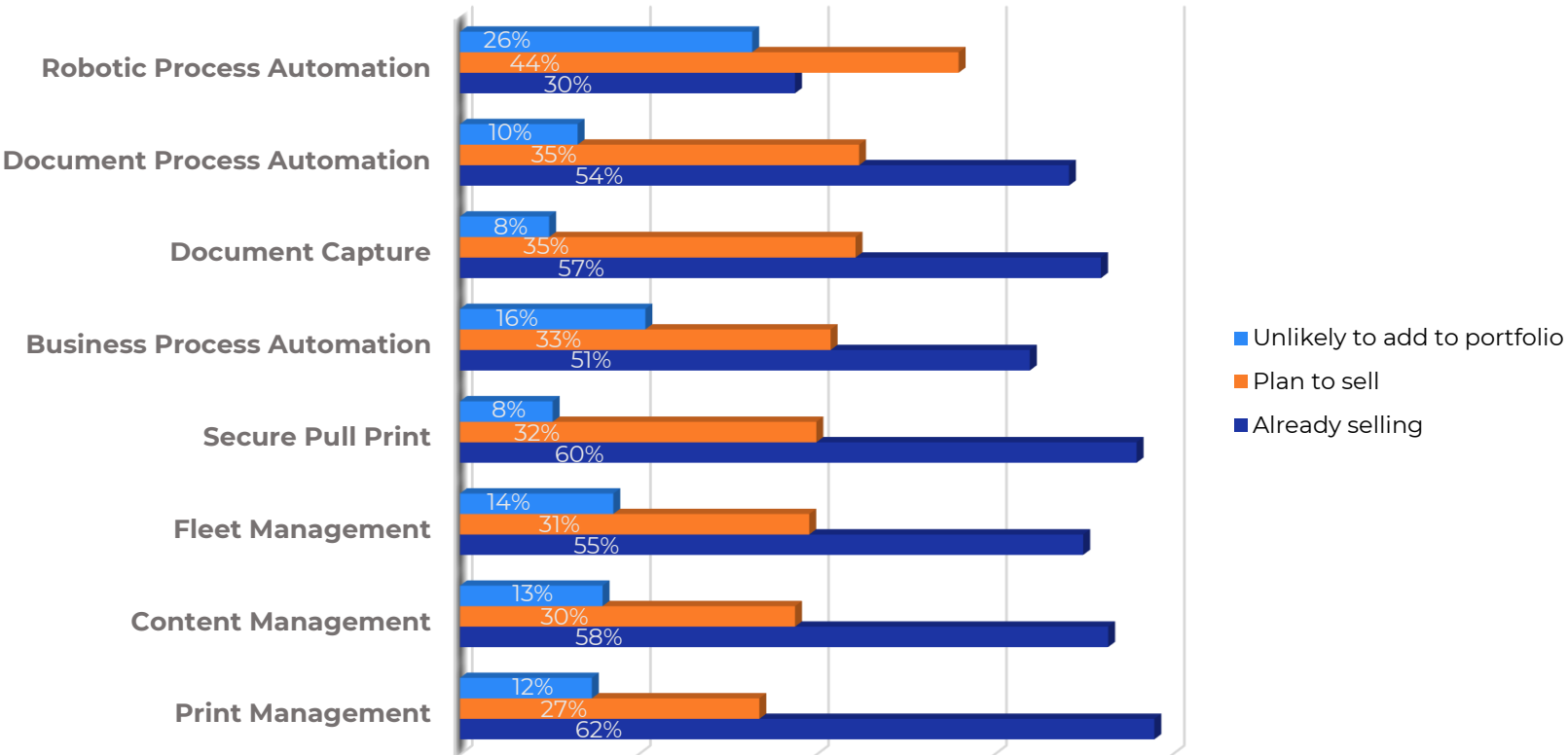
<sup>2</sup>US Primary Research: The Future of Work 2022

<sup>3</sup>North American Document Image Scanner Market ESTIMATE Forecast: 2022



# Your Competition is Investing in DX

Q45: Which of the following digital transformation (DX) solutions do you sell or plan to sell to your customers?



N = 316

Primary Research: State of the Channel 2022

## THE KEY POINT

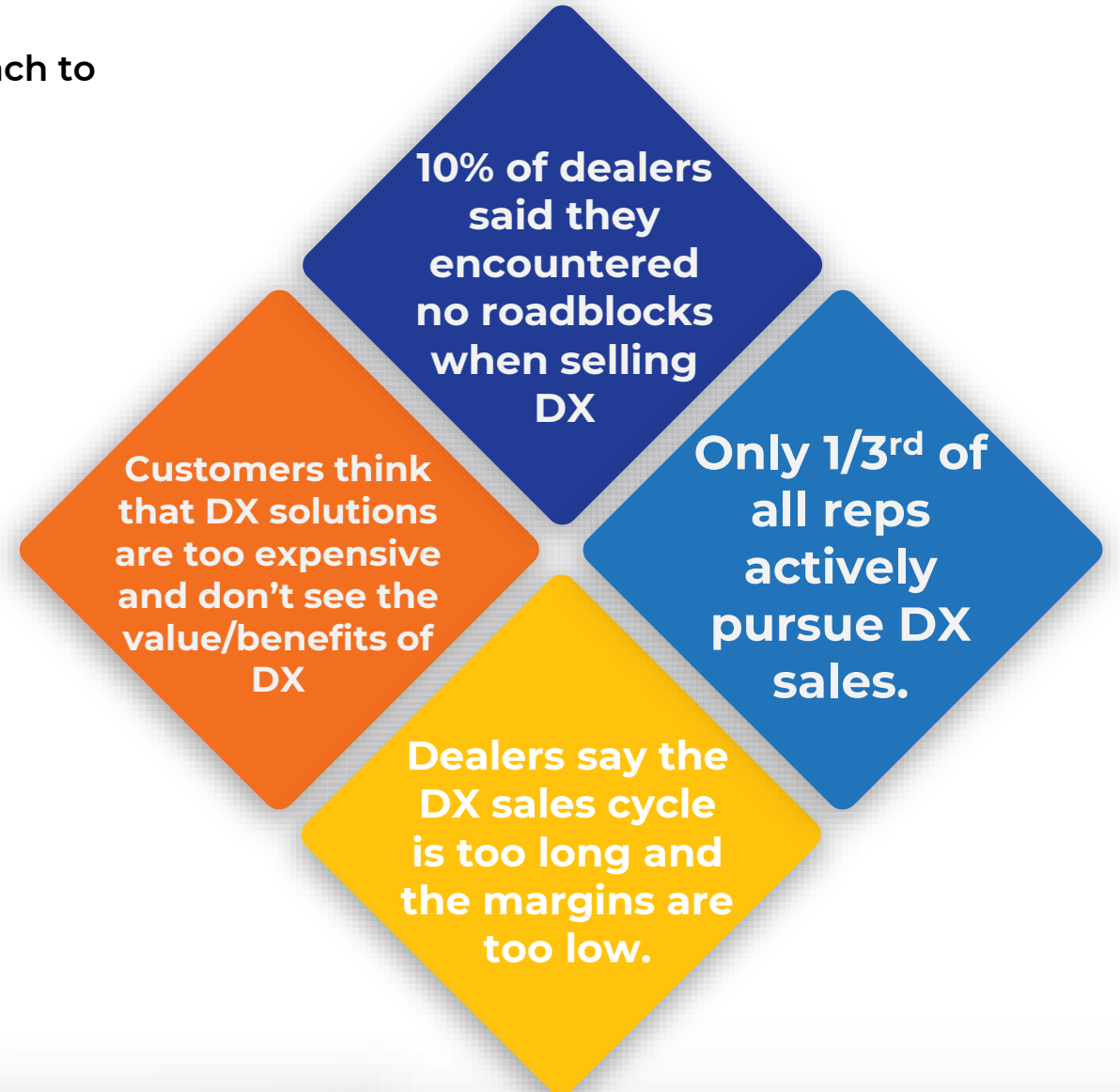
- Results are based on a mixture of Office Equipment Dealers, IT Resellers, Imaging VARs, and MPS Providers.
- Most of the channel already sells rudimentary DX solutions.
  - Do you?
- Some are more successful than others
  - Average Channel Survey participant said that DX makes up for 11% of revenue.
  - Megadealers and top-performing DX technology providers get about half of their revenue from software/DX

# Why are Dealers Struggling?

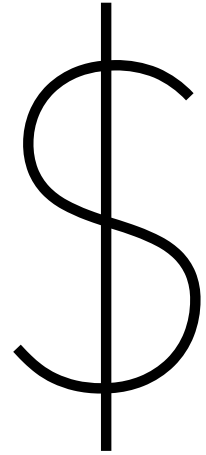
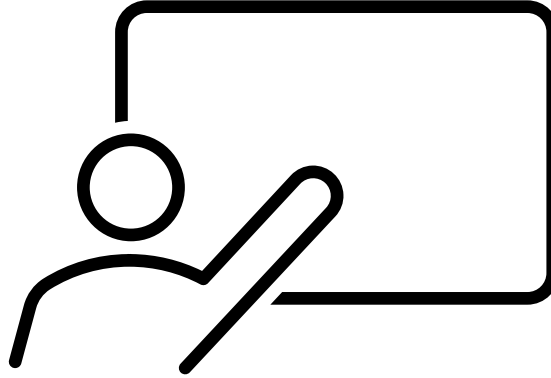
q46: Which of the following best describes your firm's approach to selling document imaging solutions.

q47: What are the primary roadblocks your organization encounters when selling DX solutions?

- ◆ Selling DX isn't easy
- ◆ Reps aren't focused on DX
- ◆ Financial incentives
- ◆ Customer Perception



# What can I do to Make my DX Business Succeed?



- ◆ Partner with a DX Solution Provider

- ◆ Partner programs, support, and training can help accelerate sales cycle and improve margins
- ◆ Start as an agent, and take on more responsibility as your base grows

- ◆ Train reps to...

- ◆ ... lead with solutions
- ◆ ... ask the right questions
- ◆ ... communicate the benefits and value of DX solutions to customers

- ◆ Incentivize reps

- ◆ Increase compensation for DX solutions sales
- ◆ Higher payments for new business

# Key Take-Aways

# Key Take Aways

- ✓ Get your A4 offering BEEFed up!
- ✓ Focus on Traditional IT services, Managed IT services (MITS) and supporting digital transformation (DX) initiatives.
- ✓ Partnerships are a great avenue for getting started *and* to grow your business – BIGGER is better!

# Q & A

# Appendix

# Channel Definitions

- ◆ **VAR/Systems Integrator/Solutions Provider:** A company that specializes in reselling IT hardware and software products with installation and customization services, but does not maintain on-going contract with customers.
- ◆ **IT Equipment Reseller:** A company that provides IT equipment and software primarily to businesses.
- ◆ **Office Equipment Dealer:** A company specializing in copier/printer products & services, that also provides IT related hardware and services.
- ◆ **Managed Service Provider:** A company that specializes in contractual, ongoing service and support of IT hardware and software.
- ◆ **Imaging VAR :** A company that resells scanning and imaging equipment to other companies.





# THANK YOU

✉ [deborah.Hawkins@keypointintelligence.com](mailto:deborah.Hawkins@keypointintelligence.com)

📄 [linkedin.com/in/deborah-hawkins-6863694](https://www.linkedin.com/in/deborah-hawkins-6863694)  
Your phone number here

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#### HEADQUARTERS

80 Little Falls Road  
Fairfield, NJ 07004  
973.797.2100  
[info@keypointintelligence.com](mailto:info@keypointintelligence.com)

#### WEYMOUTH

97 Libbey Industrial Parkway  
Suite 300  
Weymouth, MA 02189  
781.616.2100  
[info@keypointintelligence.com](mailto:info@keypointintelligence.com)

#### UK

Unit 11, The Business Centre  
Molly Millars Lane  
Wokingham, RG41 2QZ  
United Kingdom  
+44 (0) 118 977 2000  
[blieurope@keypointintelligence.com](mailto:blieurope@keypointintelligence.com)

#### JAPAN

Ebisu Business Tower 10F  
1-19-19 Ebisu, Shibuya-ku,  
Tokyo 150-0013, Japan  
+81-3-4567-6222  
[info@keypointintelligence.jp](mailto:info@keypointintelligence.jp)

#### HONG KONG

Room 303, 3rd Floor,  
St. George's Building,  
2 Ice House Street,  
Central, Hong Kong  
Tel: +852 8200 4503  
[asiansupport@keypointintelligence.com](mailto:asiansupport@keypointintelligence.com)

