

Office Imaging: Taking Advantage of a Market in Transition

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Office Imaging Market in Transition: Go-to-Market Strategy



Hardware

- Replacement-cycle driven
- Virtually impossible to differentiate hardware
- Installed base declining
- Hardware sales and profits are shrinking steadily



Pages

- Focus shifted from hardware to pages
- Embedded solutions to help drive hardware placements
- Vertical approach to the market



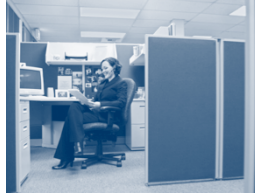
Services

- Managed print services (MPS)
- Stepping stone to additional services
- IT, security, document management, and workflow
- New players and partners (vendors and channel)

Office Equipment Market Trends



SOHO



SMB



Large/Enterprise

Economic conditions stall hardware purchase decisions

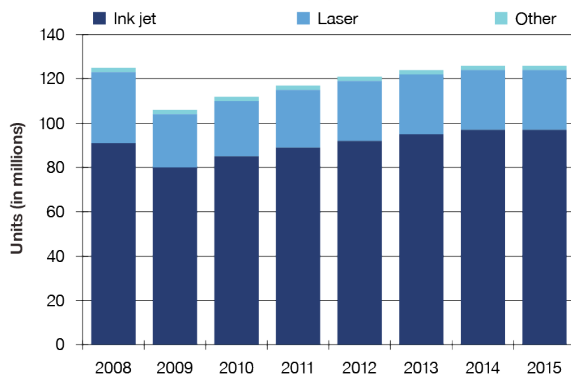
- Businesses have fundamentally changed how they acquire and use their office equipment
- Focus on cost reduction has helped businesses understand how much they spend on printing
- Businesses are holding onto older equipment longer and delaying new purchases—significant overcapacity in the market

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Overall Market Unit Shipments

Worldwide Printer Hardware Shipment Forecast, 2008–2015



Source: Lyra Research, Inc., Hard Copy Industry Advisory Service, Forecast 360, December 2011

Forecast Trends

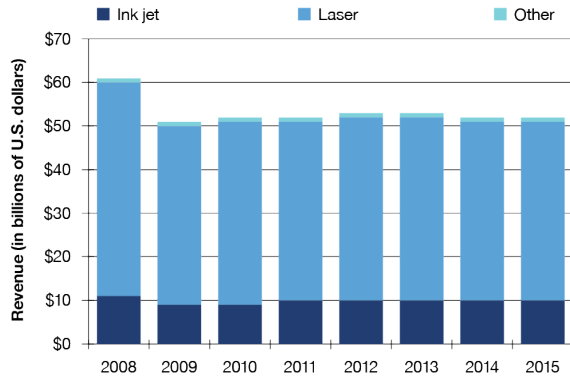
- Slow recovery expected for overall market
- Consumer ink jet market has peaked
- Growth in business ink jet will help to sustain placements in the category
- Laser market essentially flat throughout the forecast period
- Growth in color laser will help offset monochrome decline
- Total placements unlikely to return to pre-recession levels

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Overall Market Hardware Revenue

Worldwide Printer Hardware Revenue Forecast, 2008–2015



Source: Lyra Research, Inc.,
Hard Copy Industry Advisory Service, Forecast 360, December 2011

Forecast Trends

- Hardware revenue remains flat
- Continued decline in equipment ASPs
- Cost controls putting pressure on higher-priced equipment
- Shift to color is not driving equipment revenue upward
- Transition to color in the office is slowing down rapidly
- MPS is driving hardware revenue down due to equipment consolidation

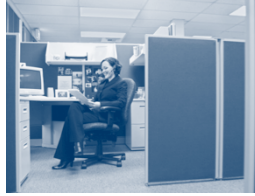
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Office
Equipment
Market Trends:
Color

Office Equipment Market Trends: Color



SOHO



SMB



Large/Enterprise

Color remains a growth opportunity, but primarily among SOHO/SMBs

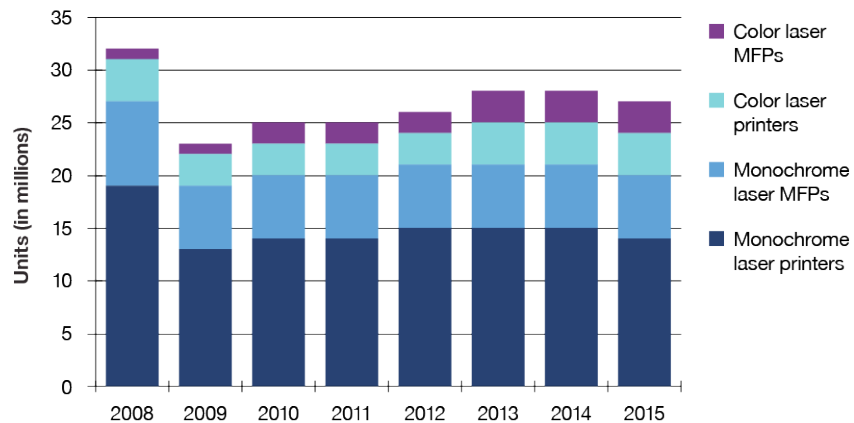
- Cost controls and restricted access have slowed the transition to color in large businesses/enterprises
- High-value pages already have shifted to color
- Vertically focused solutions and applications will help fuel color adoption in all market segments
- Smaller businesses understand the value of color and are less sensitive to the added expense

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Laser Market Unit Shipments

Worldwide Laser Printer and MFP Hardware Shipment Forecast, 2008–2015



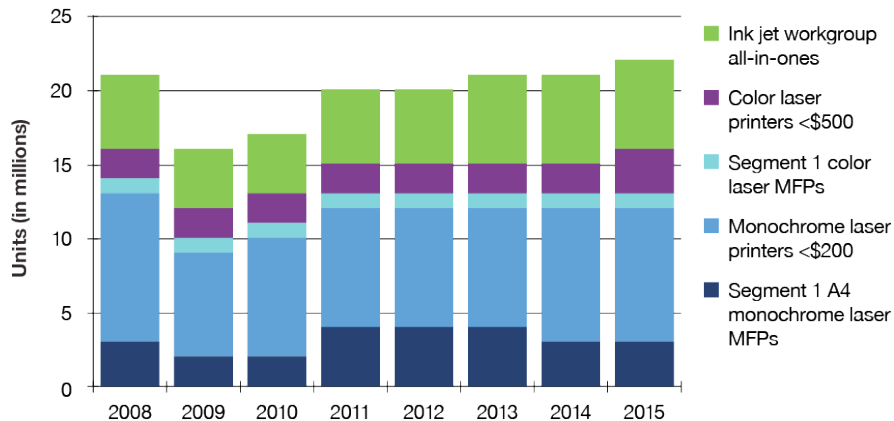
Source: Lyra Research, Inc.,
Hard Copy Industry Advisory Service, Forecast 360, December 2011

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Ink Jet Contributes to Growth for Desktop, but Lasers Still Have Major Share

Office Desktop Printer and MFP Shipment Forecast, 2008–2015



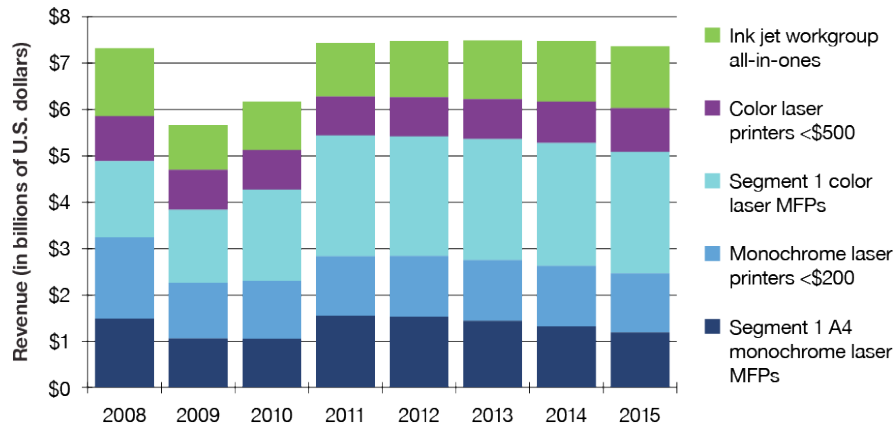
Source: Lyra Research, Inc.,
Hard Copy Industry Advisory Service, Forecast 360, December 2011

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Hardware Revenue Expected to Remain Flat, Lasers Contributing Major Share

Office Desktop Printer and MFP Revenue Forecast, 2008–2015



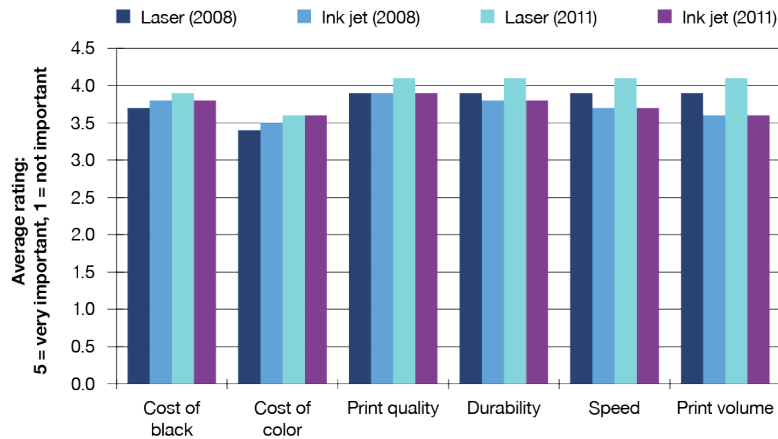
Source: Lyra Research, Inc.,
Hard Copy Industry Advisory Service, Forecast 360, December 2011

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Overall, SMB Users Prefer Laser to Ink Jet, 2011 Ratings Up from 2008 Survey

Comparison of the Acceptability of Ink Jet and Laser Device Features among Office Users in the United States, 2008 and 2011



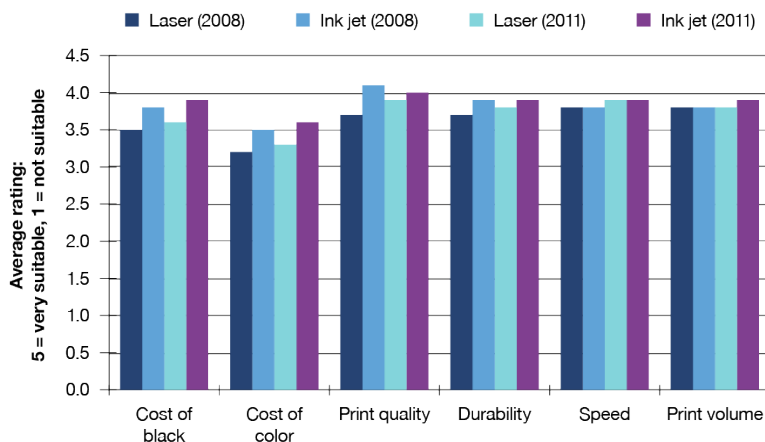
Source: Lyra Research, Inc.,
2008 and 2011 U.S. Small and Medium Business Printer User Surveys

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Businesses with 1-9 Employees Favor Ink Jet

Comparison of the Suitability of Ink Jet and Laser Device Features among U.S. Businesses That Have 1-9 Employees, 2008 and 2011



Source: Lyra Research, Inc.,
2008 and 2011 U.S. Small and Medium Business Printer User Surveys

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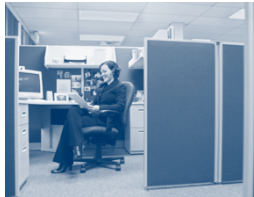
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Office Equipment Market Trends: Managed Print Services

Office Equipment Market Trends: MPS



SOHO



SMB



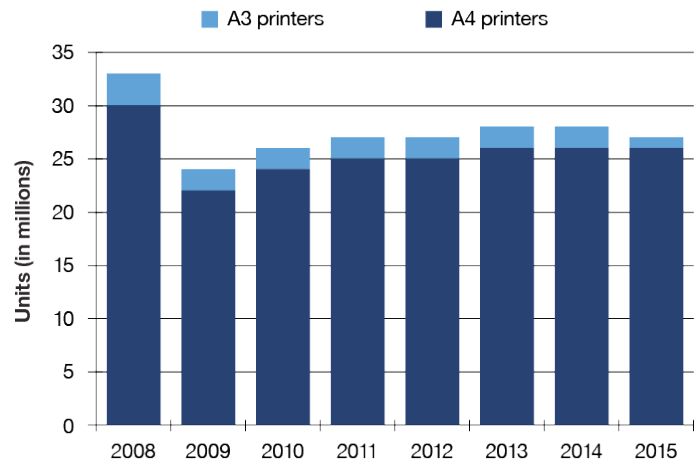
Large/Enterprise

**Managed
print services
further
advance the
A4 value
proposition**

- Drive to reduce costs is fueling increased interest in MPS—remains primarily an enterprise engagement
- Market for A3-size equipment already declining
- Price/value of A4-size MFPs put continued pressure on A3 base (overcapacity and underutilization)
- The transition to MPS is likely to cause further erosion of the A3-size MFP base

Laser Printer Market: A3/A4 Split

**Worldwide Laser Printer Hardware Shipment
Forecast, A3 versus A4, 2008–2015**



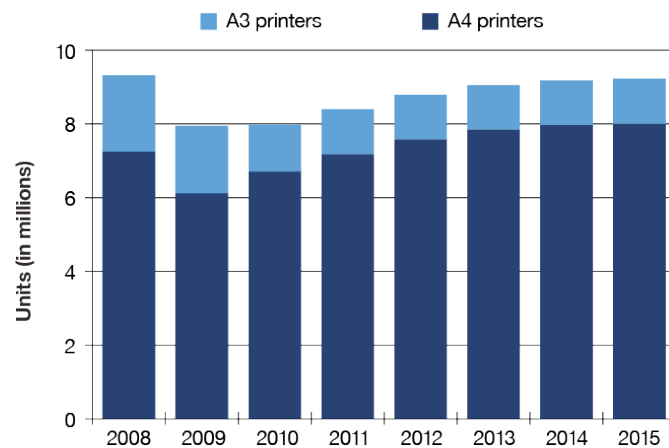
Source: Lyra Research, Inc.,
Hard Copy Industry Advisory Service, Forecast 360, December 2011

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Laser MFP Market: A3/A4 Split

**Worldwide Laser MFP Hardware Shipment
Forecast, A3 versus A4, 2008–2015**

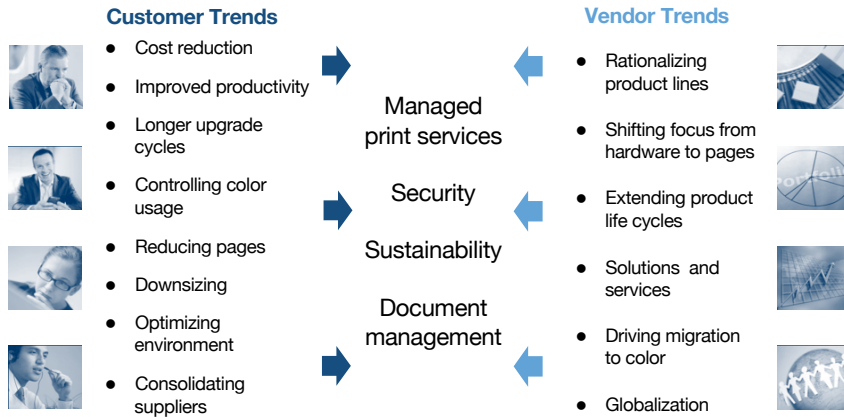


Source: Lyra Research, Inc.,
Hard Copy Industry Advisory Service, December 2011

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Trends Driving the Shift to MPS



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How Is MPS Different?



Click-Based Service Contract

- Get the equipment installed (new or upgraded lease)
- Cost-per-page (CPP) contracts typically inflated based on unreasonable or unattainable volume commitments
- Oversell the hardware features (even if it means overcapacity and underutilization)
- Rely on old customers' usage patterns (rarely hit volume targets)
- Dealer or reseller-driven



Managed Print Services

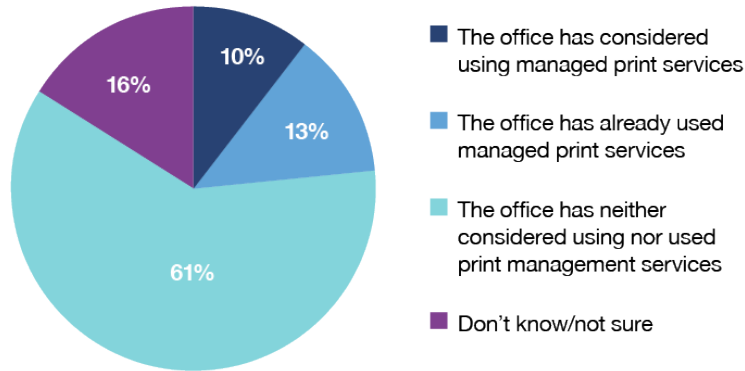
- Optimize the environment
- Reduce redundancies
- Reduce costs
- Capture new pages (previously owned by competitor)
- Promote a reduction in page volume
- Customer-driven

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MPS Popularity Is Growing

Survey Question: Is the Office Currently Using or Considering the Use of Managed Print Services?



n = 517

Source: Lyra Research, Inc.,
2011 U.S. Small and Medium-Size Business Printer User Survey

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The Impact of MPS on Hardware

- MPS is growing in popularity and resonating with businesses that want to reduce costs
 - Fueled by the economy, changing worker dynamics, and new accounting procedures
- Primarily enterprise engagements today
 - Small and medium-size businesses are the next “big target”
- Net result of MPS is typically a reduction in hardware
 - A3-size market already declining
 - Overcapacity and underutilization
 - Price/performance value and feature set of A4 MFPs
 - Shift to MPS will cause further erosion of the A3 base

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MPS Is a “Significant Threat” to the Supplies Business

Reducing Supplies Costs

- Packaged supplies contracts
- Aftermarket supplies

Consolidating Equipment

- Device consolidation
- Optimization typically means reducing redundancies
- Platform migration and displacement: A3 to A4, or A4 to A3

Changing Usage Habits

- Automated printing policies and procedures
- Rules-based printing
- Color controls
- Duplex printing

Reduced Page Volumes

- Key target of cost reduction
- Reduce consumption...reduce waste
- Digital workflow—paperless workflow

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Moving Beyond the Current State



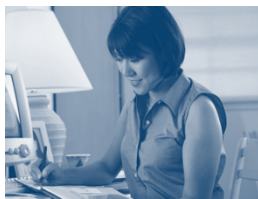
- MPS engagements have helped companies control their printing costs, and there are still opportunities in other businesses; can resellers effectively demonstrate the benefits?
- Penetration into small and medium-size businesses will require success through the channel
- Once print savings have been maximized, providers need to develop new ways to engage customers to improve their business practices and bottom lines
- Leverage MPS to deliver additional services (i.e., mobile print solutions)
- Conversation needs to move quickly from managed print to managed services (ITO, BPO, document workflow)
- These processes will involve a considerable investment by the vendor and/or channel to more fully address the vertical markets

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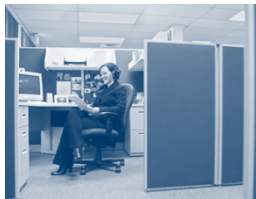
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Office Equipment Market Trends: Mobility

Office Equipment Market Trends: MPS



SOHO



SMB

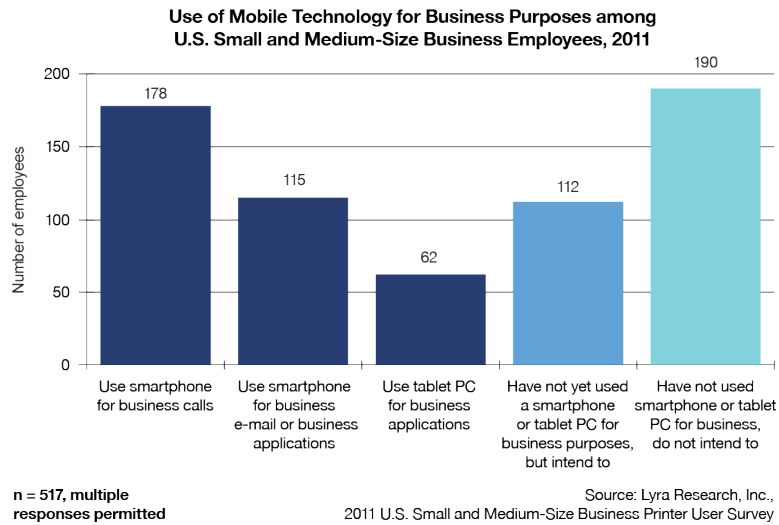


Large/Enterprise

Mobile technology is changing the global workforce and creating new “mobile knowledge workers”

- Vendors must act quickly to ensure current usage habits do not limit future opportunities for print
- The mobile transition is creating new print opportunities, but the ability to print from mobile devices must be simple and seamless
- Mobile printing is a business problem, and solutions must be marketed to businesses and IT, not just the end user

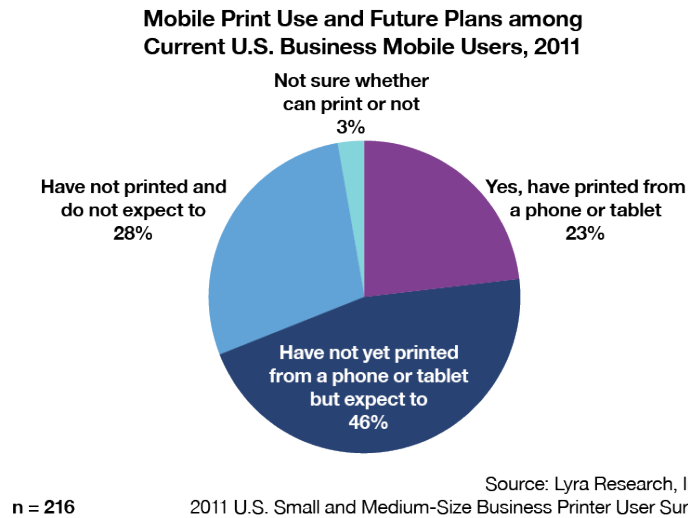
Smartphone and Tablet PC Usage Becoming Common among U.S. SMBs



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Mobile Printing Growing as Mobile Devices Become Mainstream



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What Will Drive Mobile Printing?



User Needs

- Simple, user-friendly, ubiquitous solution
- Little disruption to current workflow
- Utilize existing devices (mobile and on the network)
- Need to print business documents (e-mail, MS Office)

IT Requirements

- Seamless integration with current IT infrastructure
- Secure solution (behind the firewall)
- Remote configuration and management
- Deploy a solution before users create their own

Location

- Primary need is in corporate office locations
- Behind the firewall (server-based)
- Ability to print to local and network printers
- Public printing is nice but not as important

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Mobile Print Summary

- Act quickly to ensure current usage habits do not limit future opportunities for print
 - Most users currently view mobile printing as either too difficult, unnecessary, or unavailable
 - The longer users can go without printing, the more challenging it is to get them to print
- Simple and seamless
 - Can we drive value if we have to “educate the market”?
 - Destination-specific solutions are not popular with businesses
 - Print where you are, not where your printer is located
 - Today, mobile devices are not creating new prints
- Mobile printing is a business problem
 - Promote and market to business and IT—not just to the user

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Office Equipment Market Trends: Summary

The Future Profits in Print



- The office equipment business model is changing
 - No longer a product-centric business
 - No longer just about billing for printed (or captured) pages
- Profits for hardware and supplies are dwindling
- Stealing pages is a shortsighted approach to MPS
 - The “land-grab” approach will get you in, but not everyone can win—there are not enough pages to go around
- Services business is a “knowledge business”
 - Customer relationships will define success
 - Like solutions, MPS creates “stickiness”
 - Move from “print” provider to “services” provider



Thank You

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